SEPTEMBER 14, 1998

# Business Insurance®

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

Entire contents copyright 1998 by Crain Communications Inc. All rights reserved

## Updates

### Insurer holding company replaces top two executives

NEW YORK—NYMAGIC Inc., a property and casualty insurance holding company, announced the removal of its chairman and the resignation of its president and chief executive officer last week.

NYMAGIC's board of directors voted to remove John N. Blackman, Jr. effective immediately and accepted Mark W. Blackman's resignation because of "concern that 'irreconcilable differences' between the two executives over the strategic direction of the company had begun to create an environ

*See* **Updates** *on next page*

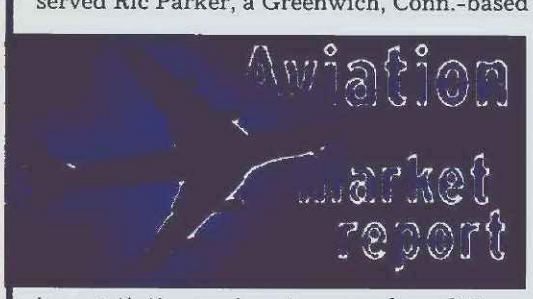
# Swissair crash unlikely to turn aviation market

**By DAVE LENCKUS**

Claims stemming from the Sept. 2 Swissair crash could consume more than 70% of this year's worldwide aviation insurance premiums, but that likely will not stop underwriters from slashing airlines' premiums this autumn.

Aviation market executives said that while some forces could turn around the market quickly, the market's excess capacity likely will drive underwriters to continue bidding for business in order to retain market share this autumn. Between 60% and 70% of the world's airlines renew their coverages during the last quarter.

"Every underwriter I know is committed to a market-share strategy, and brokers force them to respond accordingly," observed Ric Parker, a Greenwich, Conn.-based reinsurance consultant for captives and reinsurance brokers. Mr. Parker specializes in alternative risk financing for aerospace risks.




But, market executives disagree over how successful airlines will be in negotiating various terms and conditions, including computer date-recognition exclusions.

All 229 passengers and crew died when the Swissair passenger jet, an MD-11, crashed off Nova Scotia's east coast about an hour after takeoff from New York. The pilot of Flight 111, which was en route to Geneva, reported smoke in the cockpit before the crash (*BI*, Sept. 7).

Aviation sources said the hull loss was $126.5 million.

Market executives do not expect the airline's insurers to establish a liability reserve for a month or two. However, market executives said, the reserve could approach $500 million because of the high number of professionals on board the flight and Swissair's 1996 decision to waive the liability restrictions the Warsaw Convention established for airlines when passengers are harmed or killed on international flights.

Attorneys for former middleweight boxing champion Jake LaMotta have filed the first lawsuit over the crash. Mr. LaMotta's last surviving son and business partner, Joseph, 49, was killed in the crash.

The lawsuit, filed Sept. 9 in federal court in Brooklyn, seeks $50 million of compensatory damages and $75 million of punitive damages from Swissair; Delta Airlines Inc., a part owner of Swissair; McDonnell Douglas Corp., which built the MD-11; and Boeing Co., the jet builder's parent company.

The suit is designed to call attention to airworthiness concerns that the Federal Aviation Administration has had in recent years over wiring problems in MD-11s, said Jake LaMotta's attorney, Mitch Baumeister of New York-based Baumeister & Samuels P.C.

The latest of three MD-11 airworthiness directives, which the FAA issued in June 1997, warned that a wire chafing problem could cause fires in wire bundles and produce smoke in the cockpits of an estimated 45 of 86 MD-11s in service worldwide at that time.

The airline said it had not seen the suit and could not comment.

*See* **Aviation** *on page 25*

# Proposals would speed health claims processes

**By JERRY GEISEL**

WASHINGTON—Proposed Labor Department rules would impose new and fast deadlines on health care plans for processing claims and notifying participants whether they will cover a procedure.

The proposed rules, which would replace what benefit experts say are obsolete 1977 regulations, set up new deadlines for health plans to handle requests for coverage and claims processing.

Specifically:

• In the case of benefit determinations, plans would have 72 hours in the case of "urgent care" to notify a beneficiary whether coverage will be provided for a procedure or service. For non-urgent care, the deadline would be 15 days.

Those deadlines would apply in situations such as those in which plans require precertification before a beneficiary can obtain coverage for operations performed in hospitals.

If coverage is denied, a beneficiary would have 180 days in which to appeal the decision to the plan.

• In the case of services that already have been performed by providers, health care plans generally would have 15 days to notify participants—typically through a written explanation of benefits—of the payments it will make, whether the claim will be denied or whether more information from the participant or provider is needed before a payment decision can be made.

These new deadlines are far more stringent than a vague 1977 Labor Department regulation that says health care plans must handle claims as quickly as possible but no later than 90 days after receipt. The current regulation does not distinguish between initial benefit determinations and

*See* **Rules** *on page 4*

# Proposal well-received

## Law on uniform receivership draws preliminary praise

**By MEG FLETCHER**

NEW YORK—A newly proposed receivership law would do a good job of maximizing uniformity and fairness in distributing a failed insurer's assets, according to diverse supporters' preliminary comments.

The Interstate Compact Uniform Receivership Law is designed to protect the interests of policyholders, claimants, creditors and the public by providing a comprehensive plan to maximize the uniformity of laws and foster the efficient administration of receiverships. Streamlining the process should reduce unnecessary litigation and leave more insurer assets to pay claims instead of court costs.

The proposed law, designed primarily to apply to receiverships of U.S.-based insurers, also would establish a system that "equitably apportions any unavoidable loss."

A likely key supporter of the proposed law is the National Conference of Insurance Legislators, which already has scheduled a Nov. 19 hearing to review the measure at a meeting in San Diego, said Robert Mackin, president of Mackin & Co. in Albany, N.Y. Mr. Mackin serves as executive director of NCOIL, which is made up primarily of state legislators serving on insurance-related committees.

"Following the hearing, I look to NCOIL fully supporting the receivership law. The hearing should serve as a launching pad for solid legislative support in statehouses in 1999," Mr. Mackin said.

In addition, a spokeswoman for the Risk & Insurance Management Society Inc. said she is particularly enthusiastic about two provisions: giving policyholders better access to information by creating an indexed depository of court-related records, and requiring a receiver to present a timely distribution plan on which policyholders can comment.

"It's pretty likely that RIMS will endorse it" after it is presented for members' consideration later this month, said Anne Allen, director of government affairs for New York-based RIMS.

If such support grows, the pro-

*See* **Law** *on page 25*

# SEC accuses three of fraud

## Men accused of bilking investors with insurer-backed notes

**By DOUGLAS McLEOD**

SALT LAKE CITY—The Securities and Exchange Commission is suing three men who allegedly bilked investors of $33 million in sales of fraudulent promissory notes backed by an offshore insurer.

The SEC complaint, filed earlier this month, says convicted felon Pete J. Buffo and two other men sold the notes, purportedly to finance companies in the oil and gas drilling and medical equipment leasing business. The SEC charges in its complaint that the companies operated as Ponzi schemes, in which new investors' money was used to pay earlier investors and in which large sums were diverted to companies that Mr. Buffo controlled.

The three men sold the notes as "no risk" investments guaranteed by New England International Surety Inc., a Panamanian insurer with a history of regulatory trouble in the United States.

NEIS is not named as a defendant in the SEC action. However, dozens of defrauded investors have filed a proposed class-action suit against the insurer, charging it with breach of contract for failing to pay off on the guarantees.

NEIS is trying to negotiate a settlement of the claims, lawyers involved in the case say.

Hendrik Rienstra, president of NEIS, said he first learned of the alleged fraud in January, after the SEC initially shut down one of the companies issuing the notes.

"We are making it good to them," Mr. Rienstra said of settlement talks with the investors.

Neither Mr. Buffo nor his lawyer could be reached.

Mr. Buffo is expected to surrender to federal authorities this month to begin serving a 41-month prison sentence for an unrelated surety bond fraud.

In 1995, he was indicted on charges of conspiring to sell

*See* **SEC** *on page 31*

TO SUBSCRIBE CALL

1-800-678-9595

NEWSPAPER

## Updates

### Insurer executives replaced

*Continued from previous page*
ment in which the company could not operate effectively," according to a NYMAGIC news release.

Messrs. Blackman and Blackman are brothers and together own about 40% of NYMAGIC's shares. Their mother serves on the board and owns approximately 20% of the shares.

Until a replacement is found, the Blackman brothers' positions will be taken on an interim basis by two board members. Sergio B. Tobia will serve as interim chairman and CEO, and Jean H. Goulding was named interim president.

Mr. Tobia said the changes in the executive ranks were "a highly unusual development," but "as directors, our duty is to preserve the integrity of the company for all shareholders and we have acted with the utmost seriousness," according to the release.

NYMAGIC's subsidiaries specialize in ocean marine, inland marine, aircraft and non-marine liability insurance.

### P/C profits down in first half

The U.S. property/casualty insurance industry's aftertax net income fell 14.9% in the first half of 1998 compared with the same period in 1997, according to figures released jointly by Insurance Services Office Inc. and the National Assn. of Independent Insurers.

ISO reported that insurers posted $15.9 billion in net income, down from $18.7 billion for the first half of 1997. This decline is generally attributed to a huge increase in catastrophe losses in 1998, with losses totaling $4.6 billion vs. $1.8 billion in the year-earlier period.

"The $2.8 billion increase in catastrophe losses matches the $2.8 billion decline in net income after tax," John Kollar, ISO's vp for actuarial services and research, said in a statement announcing the results.

Also, operating income declined 31% to $13.3 billion from $19.2 billion in first-half 1997.

Because of the high cat losses, the industry's combined ratio deteriorated to 103.6% this year from 100.7% in first-half 1997.

But comparisons with 1997 might be misleading, ISO noted, as cat losses and combined ratios for 1997 were exceptionally low.

### Satellite losses insured

NEW YORK—Globalstar Communications Ltd. is fully insured for 12 communication satellites lost when a Zenit 2 rocket carrying them exploded shortly after launch last week.

Details of the insurance program were not released.

The Ukrainian-made rocket failed shortly after launch from Kazakhstan, destroying the satellites, which were valued at $190 million. The cause of the failure still was under investigation last week.

The company, a limited partnership of international telecommunication manufacturers, said it will continue with its plan of putting 48 satellites in orbit before the end of 1999 for its wireless communication network. But, the start of service will be delayed a few months, said a spokesman for Loral Space & Communications Ltd., whose 42% stake in Globalstar is the largest of all the participants.

This is the latest in a spate of recent launch failures. In August, a Titan IVA rocket carrying a spy satellite exploded 40 seconds after takeoff. Also in August, a Delta 3 rocket exploded in midair, destroying a $250 million PanAmSat communications satellite (*BI*, Aug. 31).

### NCQA releases HEDIS 1999

The National Committee for Quality Assurance unveiled its final specifications of HEDIS 1999.

The Washington-based non-profit group's update of its Health Plan Employer Data & Information Set finalizes changes first announced in April (*BI*, April 27).

The final version contains the measurements added in the draft version for behavioral health, cardiac care and a new consumer survey. In addition, a new set of measurements for diabetes care has been added to the draft version.

"With HEDIS 1999, we're turning up the lights in the health plan marketplace to show consumers and employers just what they're getting," said NCQA President Margaret E. O'Kane in a written statement. "Strong plans will look strong, weak plans will look weak, and they'll all work hard to get better."

Employers, consumers and health plans use HEDIS measurements to evaluate the quality of health plans.

### Mitsubishi settles ADA action

NORMAL, Ill.—Mitsubishi Motor Manufacturing of America agreed last week to pay $3 million to settle claims brought by the Equal Employment Opportunity Commission on behalf of 87 applicants who alleged Mitsubishi violated the Americans with Disabilities Act.

The accord, reached amicably last week, is the largest out-of-court settlement for an ADA case since the ADA's inception in 1992, according to the EEOC.

The 87 applicants, who will share the $3 million award, sued the manufacturing giant, alleging they were denied employment at Mitsubishi's Normal, Ill., plant due to their disabilities, which ranged from diabetes to carpal tunnel syndrome to back and hearing impairments.

Under the settlement, Mitsubishi agreed to revise its hiring policies and procedures and will submit them for EEOC approval to ensure that qualified individuals with disabilities are offered positions on a non-discriminatory basis. MMMA agreed to not hire any new entry-level employees until those changes meet EEOC approval.

"We believed that we were in compliance with the Americans with Disabilities Act. Where we were not, we have agreed to work with the EEOC to ensure we fully comply," a Mitsubishi spokeswoman said, reading a prepared statement.

*See* **Updates** *on page 30*

# Lawyers differ on effect of whistleblower ruling

**By JUDY GREENWALD**

SAN FRANCISCO—A California Supreme Court ruling that gives whistleblowers greater leeway to sue their former employers for wrongful termination will lead to more lawsuits, say some attorneys.

But other attorneys contend the decision in *Richard Green vs. Ralee-Engineering Co.* is narrow and not a significant departure from the previous judicial standard.

The California Supreme Court decision focuses on whether public policy can be embedded in administrative regulations in addition to statutory or constitutional provisions and can therefore limit an employer's right to fire an employee.

Mr. Green was a quality control inspector at City of Industry, Calif.-based Ralee-Engineering who claimed he was terminated in 1991 in retaliation for complaining to the company that it was shipping defective aircraft parts.

A trial court granted Ralee-Engineering summary judgment and ruled the company could discharge him even if it was motivated by his objections to its inspection practices, because its conduct would not have violated public policy found in any statutory or constitutional provisions.

An appellate court, however, ruled for Mr. Green. In a 5-2 decision late last month, the state high court upheld the appellate court and returned the case to the trial court for further proceedings.

The Supreme Court concluded that fundamental public policy can be grounded in administrative regulations as well as in statutory or constitutional provisions.

*See* **Ruling** *on page 12*

# More efficient jury trials sought

**By ROBERTO CENICEROS**

A national effort to streamline jury trials could help employers by trimming litigation costs and encouraging jurors to focus on case facts rather than on emotional appeals, an advocate said.

The National Jury Trial Innovations Project is sponsored in part by the Chicago-based Institute of the International Assn. of Defense Counsel Foundation. IADC member attorneys represent insurers and Fortune 500 companies.

Nationwide, more than 100 lawyers are involved in the project, whose main goal is to educate judges, plaintiffs' lawyers and defense attorneys about practices that could make trials more efficient, said Gregory Read, a senior partner in the San Francisco-based law firm of Sedgwick, Detert, Moran & Arnold. Mr. Read is a project board member.

Once attorneys and judges learn about the practices, they can introduce them into individual courtrooms or advocate making them law in the jurisdictions where they practice, Mr. Read said.

Limiting trial time is one change favored by the organization. The idea is to give plaintiffs and defendants a specific time period to present their cases and cross-examine witnesses, Mr. Read explained. One way to do that, for example, would be for the judge and lawyers for both sides to determine before a trial starts how long they will need.

"It requires the attorneys to be much more efficient in the way they present their case because you don't call a bunch of extraneous witnesses," Mr. Read said. "You don't put on evidence you don't need. You figure out from the get-go what is important about your case and what isn't, and you just deal with what is important."

Jurors benefit because they

*See* **Jury** *on page 19*

# Some HCOs vulnerable: S&P

## Ratings show 27 companies in 'BB' range or below

**By JUDY GREENWALD**

NEW YORK—More than a quarter of managed health care operations studied by rating agency Standard & Poor's Corp. are financially vulnerable, according to a survey released last week.

S&P released financial strength ratings on 101 U.S. managed care companies in a follow-up of a smaller survey last year.

The primary criteria used to evaluate the operations, which were selected on the basis of size and geographical diversity, were capitalization; earnings performance; liquidity; and "business review aspects," including enrollment growth, said Arun Kumar, an S&P managing director. More than half the ratings were issued last week for the first time.

Of the 101 companies surveyed, 74 were in the secure range, with ratings of BBB or above. But the remaining 27 were rated in the BB range or below and are considered vulnerable. They included operating units of large companies, such as Hartford, Conn.-based Aetna Inc.;

*See* **Ratings** *on page 28*

# ERIC seeks PBGC changes

**By ROSEANNE WHITE**

WASHINGTON—The ERISA Industry Committee and the Pension Benefit Guaranty Corp. will meet this week to discuss a package of ERIC proposals that includes a recommendation to change the way the agency values employer pension plan liabilities.

The proposals that ERIC sent to PBGC Executive Director David Strauss earlier this month would change the way the PBGC measures its financial condition; revamp the methodology for determining fixed-rate and variable-rate premiums; and set standards for the PBGC's involvement in business transactions that the agency deems could affect pension plan liabilities.

Key to all the proposals is ERIC's recommendation that PBGC use an interest rate assumption equal to the 30-year Treasury securities interest rate plus two percentage points. Using, for example, the Sept. 8 rate of 5.3%, the interest rate assumption would be 7.3%.

Under ERIC's proposal, that assumption

*See* **PBGC** *on page 30*

## Inside


- Asking the next Congress to take small steps in liability reform may prevent it from doing nothing, one of this week's editorials says. **PAGE 8**
- Recent hefty fines and a prison sentence indicate that the United Kingdom is getting serious about the safe removal of asbestos. **PAGE 21**
- Pending legislation in California could lead to increased workers compensation insurance costs for employers in the state. **PAGE 2**


### Departments


**Advertiser Index** ..... 25
**Classifieds** ..... 27
**Comings & Goings: Industry** ..... 16
**Commentary** ..... 29
**Global Briefs** ..... 21
**Insurance Services Guide** ..... 24
**International** ..... 21
**Products & Services** ..... 20
**Ticker** ..... 23


*Business Insurance* (ISSN 0007-6864) Vol. 32, No. 37, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $87 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1998 by Crain Communications Inc.

# Employers eye governor race

**By ROBERTO CENICEROS**

SACRAMENTO, Calif.—Workers compensation reforms and tort laws are at stake in the Golden State's race for governor, employers say.

Neither Republican Attorney General Dan Lungren nor Democratic Lt. Gov. Gray Davis have made workers comp or tort reform cornerstone issues in their campaigns for the governor's post. But employers and insurers point out that plaintiffs' attorneys and labor—often employers' foes on the two issues—are among Lt. Gov. Davis' chief backers.

The race is particularly crucial because the governor appoints key decision-makers, said Joe Markey, president of the California Self Insurers Assn. in Sacramento.

California's director of the Department of Industrial Relations is appointed by the governor and serves in the governor's Cabinet. The administrative director of the Division of Workers Compensation and the seven members of the Workers' Compensation Appeals Board are gubernatorial appointees. The governor also appoints members to the Commission on Health and Safety and Workers' Compensation, which was created under 1993 reforms to monitor and improve the system.

Reforms have eased employers' workers comp burdens and helped create a favorable business climate, Mr. Markey said. Those gains could slip away.

Furthermore, employer lobbyists say they have counted on the current governor, Republican Pete Wilson, to veto unfavorable legislation. Legislation introduced during the last session that would have increased workers comp benefits didn't even make it out of the legislature because lawmakers knew the governor would veto it, one employer lobbyist said.

Term limit laws make Gov. Wilson ineligible to seek re-election.

Some state employers will support a Democratic candidate. But many employer and insurance leaders say that when it comes to employment and tort issues, they prefer Mr. Lungren.

"The feeling among employers is you hope you have a Lungren, and the feeling among labor is you hope you have a Davis," said Lori Kammerer, executive director of the Californians for Compensation Reform in Sacramento. But Ms. Kammerer said that if Lt. Gov. Davis is elected, he likely would not derail the state's economic growth with anti-business policies.

Lt. Gov. Davis would include business leaders in his decision-making process, said a campaign spokesman for the lieutenant governor. "He's going to take a common-sense, consensus approach to solving problems," the spokesman said. "Whether it be with regard to education, business or tort reform, you cannot solve problems without bringing all the parties together."

But armed with a 1997 Rand Corp. report that found injured workers are undercompensated for disability injuries, labor is expected to keep pushing for benefit increases (*BI*, Nov. 24, 1997). Keeping increases in check could be tougher with a pro-labor governor, lobbyists said.

"I suspect employment issues are going to be harder for me," said Willie Washington, legislative director for the California Manufacturers Assn. in Sacramento. "Labor has already told me in the hallway, 'Wait until Davis comes in; you are really going to have

*See* **Governor** *on page 27*

**California governor candidates**



**Mr. Lungren**



**Lt. Gov. Davis**

PHOTO: AP/WIDE WORLD

# Paying employees not to work?

## High workers comp payouts led company to take hard look at costs

**By MICHAEL BRADFORD**

HOUSTON—If you want to get management's attention about high workers compensation costs, try telling them they're paying employees not to work.

That strategy worked at TOTAL America Inc., a Houston-based holding company parent for the North American units of French oil company TOTAL.

Given the responsibility in 1994 of handling insurance duties for the 14 diversified manufacturing units in North America, Patti E. Carroll says part of her charge was to bring down rising workers comp costs.

When some of the reasons for those high costs became clear, the statement that made management sit up a little straighter in their chairs was, "We're paying our employees not to work for us," Ms. Carroll said.

That set TOTAL America on the road that led to a consultant who showed the company how to focus on several critical areas




where workers comp dollars were falling through the cracks.

Speaking at the I-Day meeting earlier this month sponsored by the Houston Chapter of the Risk & Insurance Management Society Inc., Ms. Carroll said she first enlisted her broker to help identify areas where TOTAL companies were bleeding workers comp money.

"We did realize pretty readily that we had a problem," said Fran Neahusan, vp with Aon Risk Services of Texas Inc. in Houston and a panelist at the conference session. Workers comp expenditures were "much higher than they needed to be or we wanted them to be, and we began looking for a solution," she said.

Together with TOTAL America, the broker developed a list of criteria for finding a consultant to develop a comprehensive program that would bring down costs for all the diversified operating companies.

They settled on The Guilford Group, a workers comp management services firm based in Baltimore. Guilford's approach was to find ways to lower indemnity costs

*See* **Lost-time** *on page 19*

# Judges to pick Risk Manager of the Year

Nominations for the 1999 *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll, to be named in April, are due by Nov. 19.

The nominating forms and instructions are available now from *Business Insurance*'s Chicago office.

The 1999 honoree will be the 22nd person to receive this honor.

*Business Insurance* created the Risk Manager of the Year competition in 1977, on its 10th anniversary of publication, to recognize outstanding risk management practices. The first award was presented in 1978.

In 1981, *Business Insurance* created the Risk Management Honor Roll to recognize outstanding achievements in risk management in different types of employment categories.

Ten independent judges from all sectors of the risk management profession and the insurance industry will select the 1999 *Business Insurance* Risk Manager of the Year and the Risk Management Honor Roll.

The honorees are selected based on the judges' assessments of the risk managers' programs as detailed in their nominations.

The 10 judges who will select next year's honorees include the 1998 Risk Manager of the Year, the three members of the 1998 Risk Management Honor Roll, two insurance company executives, two insurance brokerage executives, a risk management consultant and an insurance educator.

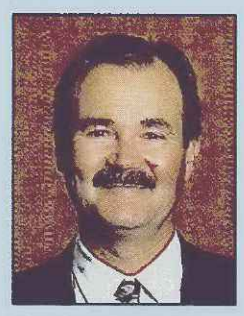
*See* **Judges** *on page 30*



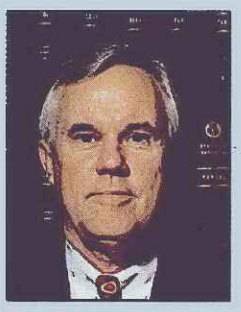
**Mr. Cay**



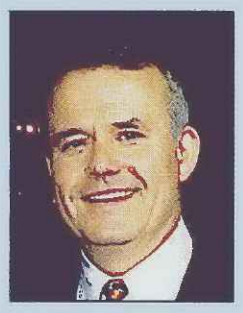
**Ms. Doerpinghaus**



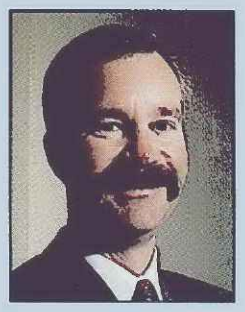
**Mr. Duperreault**



**Mr. Green**



**Mr. Grewar**



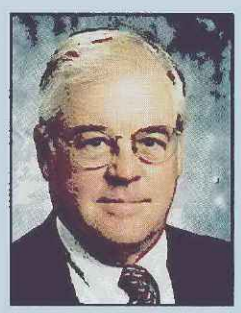
**Mr. Hubbard**



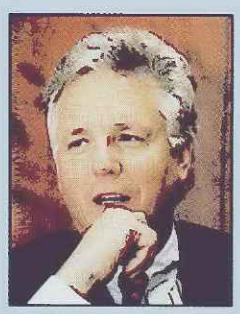
**Mr. Molloy**



**Mr. Subramaniam**



**Mr. Tillmar**



**Mr. Witthun**

# Policy pays out in critical illness

**By JENELL TALLEY**

A newly introduced group insurance policy provides lump-sum cash payments for employees with critical illnesses.

The "Living Options" policy pays a policyholder a lump sum after he or she is diagnosed with a critical illness, such as cancer.

Fountain Valley, Calif.-based PM Group Life Insurance Co. designed the policy to reduce the monetary concerns of individuals with serious medical conditions and to allow employees enrolled in health maintenance organizations to see physicians not on their HMO rosters.

The money also can be used to pay expenses not covered by medical or disability insurance.

The Living Options policy is offered three ways:

- Voluntary, in which the employee pays 100% of the premium.
- Employer-paid, in which the employer pays 100% of the premium.
- Combination basis, with employers paying for a core plan and employees having the option to buy additional coverage.

The average cost is 50 cents per month per $1,000 worth of coverage. Actual costs are based on age. The older an individual is, the higher the cost.

PM Group, the employee benefits subsidiary of Pacific Life, developed the policy because it saw gaps in traditional life, medical and disability insurance, said Brian Goebel, PM Group's vp -marketing and product development.

"You might have traditional insurance that covers medical bills, but the survivors of a critical illness have a financial burden that's not covered," he said. "That's what we're trying to emphasize."

"Disability only replaces a portion of your income, and people incur additional expenses," Mr. Goebel said. Living Options pays for modifications individuals may need for their cars or homes or for caretakers. It supplements disability coverage, he said.

PM Group defines a critical illness as a medical condition that causes a high percentage of deaths and results in financial impairment. The policy has a waiting period before survivors can re-

*See* **Critical** *on page 20*

# Rules

*Continued from page 1*
claims processing.

For the most part, health care plans—in the case of initial benefit determinations—already respond faster than the standard the Labor Department is proposing.

For example, Blue Cross & Blue Shield of the National Capital Area, which serves the Washington, D.C. metropolitan area, says requests for urgent care typically are decided within 24 hours, while requests for non-urgent care generally are decided within two working days.

In some cases, though, the proposed deadlines for benefit determinations could be more difficult to meet, benefit experts say.

One example would be requests for coverage for procedures involving experimental therapy, such as bone marrow transplants, where a physician believes the therapy is the only means to save a patient's life.

While the patient and doctor are anxious for a decision, in those situations the plan likely will require a thorough review of the patient's past treatments and the patient's response to those treatments.

"Decisions for those kinds of surgeries may not come that fast," said Tracy Cassidy, a consultant with William M. Mercer Inc. in Washington.

More problematic, say insurers, are Labor Department requirements that health care plans notify participants within 15 days whether they will cover a claim for a service that already has been performed.

Insurers say most determinations—or requests for additional information—are sent out within two weeks of the time a claim is received. Still, that target can't always be met during certain times of the year when there is a heavy claims load.

"The time frames may be unrealistic," says Jane Galvin, managed care director for the Health Insurance Assn. of America, an insurer trade group in Washington.

In addition, complicated cases involving multiple procedures or accident cases involving subrogation with other parties can require much more time, said Diana Dean, a Mercer consultant in New York.

John Piro, a consultant with Hewitt Associates L.L.C. in Rowayton, Conn., adds, "These are pretty tight deadlines."

Deadlines for responding to requests for coverage and processing claims, though, aren't the only problems the proposed regulations pose, benefit experts say.

A more general problem is the vagueness of certain requirements. One example: a provision that sets new standards for participant appeal of adverse benefit determinations.

Under this provision, a participant has the right to appeal a coverage decision to the plan. The parties reviewing the appeal cannot be the same party that made the original decision or a subordinate.

The regulations, however, are not clear on who is the "party" that made the initial coverage decision. It could, for example, mean the actual individual who made the decision or possibly the unit that person is in.

"This will be an area of some controversy," said Henry Saveth, a Mercer attorney in Washington.

Another problem area, benefit experts say, is a provision giving participants access to "pertinent documents." Participants would be entitled to review all documents, records and information relevant to their claims for benefits.

That information would include internal rules, guidelines, protocols and criteria under which the plan is operated.

In addition, the department is considering, though it has not actually proposed, an additional disclosure requirement that would apply in situations where a participant is suing the plan for denial of benefits.

In those situations, the department is considering whether to add to the final regulation a requirement that participants be entitled to receive "reasonable access and copies of all documents relating to previous claims involving the same diagnosis and treatment that were decided within five years of the previous adverse benefit determination."

Employer groups are concerned that requiring plans to disclose information on how prior claims with a similar diagnosis were handled could violate the privacy of other beneficiaries.

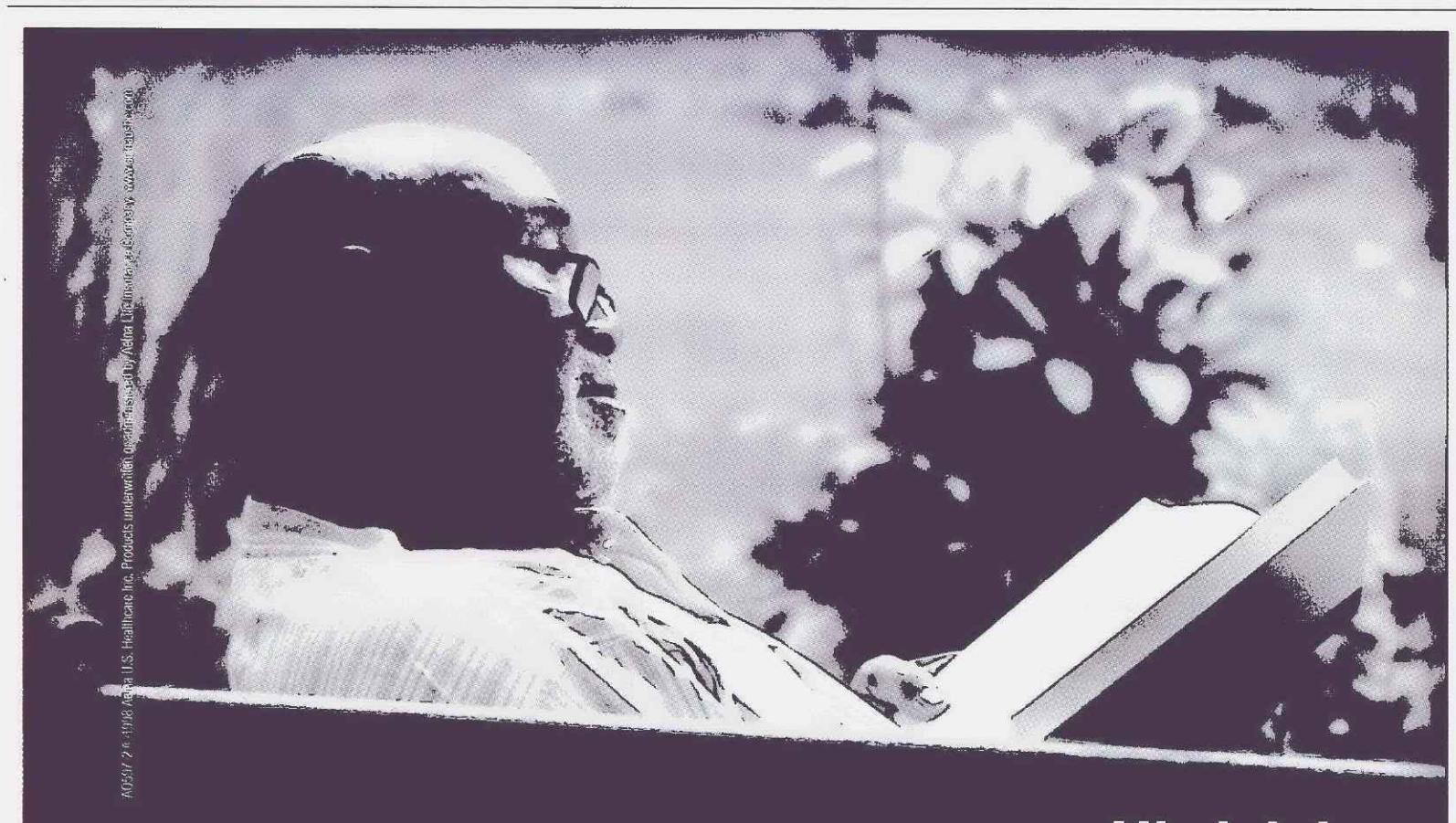
Even if the names of other beneficiaries were, for example, blacked out, their identity, especially at smaller firms, in some cases could be determined.

"The question is how you do you provide information without violating an employee's right to privacy?" asked Paul Dennett, vp-health policy with the Assn. of Private Pension & Welfare Plans in Washington.

In addition, maintaining five years of records of coverage decisions by diagnosis could impose a big administrative burden on plan administrators.

"There are real-world concerns that have to be worked out. You have to balance the need to give participants more information without imposing an undue burden on those who have to provide that information and have to do so more quickly than ever," the APPWP's Mr. Dennett said.

Written comments on the proposed regulations are due by Nov. 9. According to the Labor Department, health care plans would have to comply 180 days after final regulations are published. BI




to plan recruiting strategies

evaluate incentive options

brief senior management

design training classes

review family-care benefits

and make time to read

something other than resumes.

Our job is to make his company's benefit decisions

the easiest part of his job.

Group Life, Disability and Long-Term Care Insurance

Ætna US Healthcare
You'll feel better with us.

# *BI* names Amleshi classified manager

CHICAGO—*Business Insurance* has made a change in its advertising sales staff.


Ms. Amleshi

Irais Amleshi, 32, has been promoted to classified advertising manager. Based in Chicago, Ms. Amleshi is responsible for all classified ads appearing in the magazine.

Ms. Amleshi joined *Business Insurance* in January 1996 as a sales assistant. Before coming to *BI*, she worked in the classified advertising department of the Chicago Tribune.

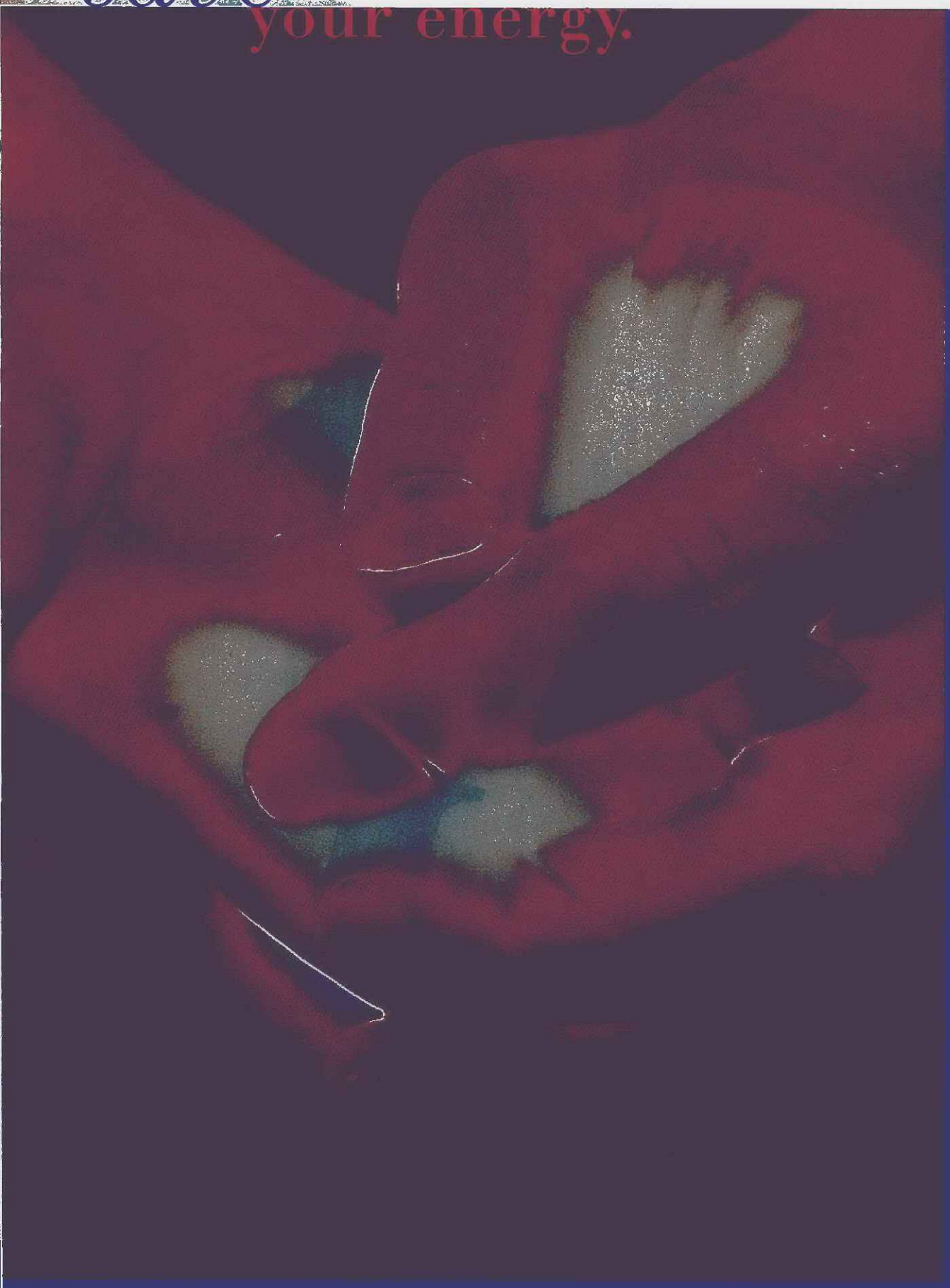
She has a bachelor of science degree in business administration from Roosevelt University.

Ms. Amleshi can be reached at 312-649-5340. BI

# Zurich Energy Store.

*one call. one source. total risk management solutions.*

## *save* your energy.



Managing risk in today's global oil and petrochemical market can be an arduous task. Complex onshore and offshore exposures. Hazardous materials. Complicated worker and public liability issues. Coverage gaps and overlaps.

Make it simple. Save your energy and come to the experts in Energy Risk Management. Come to the Zurich Energy Store.

We craft total risk management solutions for property, primary and excess casualty, ocean marine, environmental and other specialty exposures. All custom-tailored by our cross-trained industry specialists, and backed by the vast resources, superior financial capacity and fast, dependable claims experts of the worldwide Zurich Group.

And for today's large limit, high capacity programs, Zurich has built a virtual underwriting team that can tap the worldwide expertise and resources of Zurich Global Energy instantaneously.

*Why waste your energy?* Move to the forefront of efficiency. Tap the vast resources of Zurich Energy Store. One global market for all your business risks.

For more information, contact your local agent or broker, or call Zurich-American at 1-800-363-4338. Or join us on-line at www.zurichamerican.com.

ZURICH

©1998 Zurich Insurance Company. Coverages underwritten by Zurich Insurance Company or another member of Zurich-American Insurance Group.

*www.zurichamerican.com*

THIS MERGER WOULD BE INCOMPLETE
WITHOUT YOU.





*Regional operations:*

*CGU California*

*CGU Gulf*

*CGU Hawkeye-Security*

*CGU Indiana/ Ohio Valley*

*CGU Mid-Atlantic*

*CGU Midwest*

*CGU New Jersey*

*CGU New York*

*CGU North Pacific*

*CGU Southeast*

*CGU Southern New England*

*CGU Southwest*

*CU York*

The recent merger of Commercial Union and General Accident would be incomplete without our most important partner. You: each and every one of the more than 6,800 independent agents we work with across America.

As one of our very first points of business, we promise to continue to grow and nurture our commitment to you. In fact, it is at the very core of CGU's strategic and business philosophy as we move toward the 21st century. Our objective is to be the standard-bearer for premier product solutions and service in the industry. To this end, we promise to remain steadfast.

CGU is new but its ancestry dates back over 300 years to London. Among our clients have been Winston Churchill, the *Titanic* and victims of the 1906 San Francisco Earthquake. Today, CGU is doing business in all 50 states and operates in over 50 countries worldwide.

At CGU, keeping commitments is our business. Working with you is our promise. CGU. The independent agent company.

P E R S O N A L · C O M M E R C I A L · L I F E · S P E C I A L T Y

CGU

## Opinions

# Medicare needs risk HMOs

HARDLY A WEEK PASSES without a health maintenance organization announcing that it is getting out of the Medicare risk HMO market.

Just the other week, for example, Aetna U.S. Healthcare said it is pulling out of the Medicare risk HMO market in six states and parts of three others. The pullout will affect some 58,000 plan members.

That withdrawal comes on the heels of exits from other risk HMO markets by Foundation Health Systems Inc. and PacifiCare Health Systems Inc., and a signal by United HealthCare Corp. that it will curtail its marketing efforts.

Most major insurance markets, and the risk HMO market is no exception, are witness to moves in and out of the markets as insurers constantly evaluate their efforts and success, or lack thereof.

Indeed, the Medicare risk HMO market has grown so rapidly in recent years that some kind of shakeout probably is inevitable.

Undoubtedly, some HMOs rushed into markets convinced that the payment rates they received from the federal government to provide coverage to Medicare beneficiaries were so high that they could offer very rich benefits and still do exceptionally well in the business. Employers welcomed the growth of risk HMOs, as they have often offered excellent benefits, reducing the need for companies to provide plans to retirees supplementing Medicare.

Then reality intruded, and some HMOs found the cost of providing coverage to a population of high users of medical services was greater than anticipated, or they had more difficulty in getting favorable contracts with providers in certain parts of the country. Hence their pullout.

No doubt that is part of the reason for some HMOs' exodus from the Medicare market.

But just as important is that HMOs perceive—and we agree—that the government payment rates they receive are inadequate. This year, many HMOs received a rate increase of just 1.5%, and rate increases next year are likely to be no more than 2%. As just about anyone knows, health care costs are going up by a lot more than 2% annually.

These paltry increases are the result of legislation Congress passed in 1997 that changed, among other things, the payment methodology for Medicare risk HMOs. Some of those changes, most notably boosting payment rates for




risk HMOs that provide coverage in rural areas, were welcome and long overdue. But the legislation was written in such a way as to limit, at least for the foreseeable future, annual rate increases to about 2%.

By capping rate increases, the government, in the short run, saves money in what it pays risk HMOs. But what it saves now will be far offset by what it loses in the future. If rate increases remain paltry, more HMOs surely will drop out of this market, leaving the burden of providing coverage to Medicare.

We believe it is far less costly for the government to pay risk HMOs to take over the role of providing coverage to retirees than for Medicare to provide that coverage.

If risk HMOs continue to exit the market, that means more retirees will go back to the traditional, and very costly, Medicare program. The result in the long term is higher costs for the financially strapped Medicare program.

That can't, and shouldn't, happen. Congress needs to take another look at the payment structure to ensure that the rates risk HMOs receive are fair.

# Modest reform efforts doable

THE CURRENT CONGRESS still has a few weeks of life before it passes into the history books, but it appears likely to be remembered as a "do nothing" Congress as far as significant risk management and property/casualty insurance issues go.

It's not from lack of trying. The House and Senate leadership often lined up behind reforms sought by risk managers and insurers. The generally pro-employer lawmakers of the 105th Congress proposed legislation designed, among other things, to reform Superfund, to overhaul the product liability system, and to make needed changes in the way the Occupational Safety and Health Administration carries out its duties.

But nothing came of these efforts—other than some OSHA fine-tuning and the enactment of a limited biomaterials product liability reform law—during this Congress' nearly two-year run, when reform effort after reform effort ran into opposition from the Clinton administration.

Just a few days ago, the Republican leadership threw in the towel on the last—and admittedly minor—risk management issue awaiting action, reform of the Resource Conservation and Recovery Act. Once again, it wasn't for lack of trying; congressional leaders spent months attempting to work out the details of modest reform with their Democratic counterparts and administration representatives. And RCRA reform will be a priority in the Senate next year, according to its advocates. As Senate Environment and Public Works Committee Chairman John Chafee, R-R.I., pointed out, this Congress has "essentially run out of time" to deal with the issue.

Of course, that's not the first time Congress has run out of time to settle such an issue, and it won't be the last. But the disappointments of the past several years should cause employers to rethink their strategies, at least as long as an administration that is opposed to their positions on many matters remains in place.

As we noted some weeks ago, the successful effort to pass the biomaterials bill could serve as a model for enacting reforms for the foreseeable future. Carefully targeted legislation such as the biomaterials bill and its predecessor, the General Aviation Reform Act, have fared better than sweeping reform efforts under the current political circumstances.

Risk managers and insurers also should put aside, at least temporarily, such venerable issues as comprehensive Superfund liability reform and concentrate their efforts on more achievable goals. Throwing time and money into an effort that's sure to draw a veto—if it gets that far—without gaining any political capital does no one any good.

Smaller isn't always beautiful, but in terms of liability reform legislation, it may be all that's doable in the short term. Even with a sympathetic Congress, comprehensive reform has foundered. Limited measures that can be put before lawmakers early in the session—provided, of course, that their attention isn't wholly consumed by certain serious constitutional questions—could help assure that the sobriquet "do nothing" will not apply to the 106th Congress as well.

**Business Insurance**®

**Reporting weekly on corporate risk, employee benefit and managed health care news**

Vice President/Publisher/Editorial Director: Kathryn J. McIntyre, ARM (Chicago)

Associate Publisher/Advertising Director: Martin J. Ross III (New York)

Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)
Managing Editor: Regis J. Coccia (Chicago
Senior Editors: Meg Fletcher, ARM (Chicago)
Judy Greenwald (San Jose)
Dave Lenckus (Tucson)
Douglas McLeod (New York)
Roseanne White (Washington)
Joanne Wojcik (Los Angeles)
Washington Editor: Mark A. Hofmann (Washington)
Assistant Managing Editor: Todd J. Behme (Chicago)
Bureau Chiefs: Sarah Goddard (London)
Gavin Souter (New York)
Graphics Editor: Kathy L. Barnes (Chicago)
Copy Editor: Mary B. Nick (Chicago)
Assistant Copy Editor: Richard Trout (Chicago)
Associate Editors: Michael Bradford (New Orleans)
Roberto Ceniceros (Los Angeles)
Robert Kazel (Chicago)
Matthew MacDermott (London)
Michael Prince (New York)
Sally Roberts (Denver)
Edwin Unsworth (London)
Rodd Zolkos (Chicago)
Directory Editor: Sandra L. Budde (Chicago)
Assistant Directory Editor: Matt Scroggins (Chicago)
Editorial Assistant: Amanda L. Milligan (Chicago)
Production Assistant: Amy R. Kepka (Chicago)
Assistant to the Publisher: Karen Brown Tucker (Chicago)
Editorial Cartoonist: Roger Schillerstrom (Chicago)

National Sales Manager: Steve Akins (New York)

Midwest Advertising Manager: Robert L. Niesse (Chicago)
District Managers: Blake Delany (New York)
Roger Lynch (New York)
Elizabeth McGahren (New York)
Deborah D. Neale (Chicago)
Classified Advertising Manager: Irais Amleshi (Chicago)
Sales Assistant: Lori Lieberman (Los Angeles)
Production Manager: Elmer Kerstowske (Chicago)

Director of Communications: Ronnie I. Drachman (New York)
Promotion Manager Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5398
Denver: 303-698-7601
London: 171-457-1400
Los Angeles: 213-651-3710
New Orleans: 504-269-9988
New York: 212-210-0100
San Jose: 408-774-1500
Tucson: 520-579-1937
Washington: 202-662-7200
ADVERTISING: Chicago: 312-649-5276
New York: 212-210-0228
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
SUBSCRIPTIONS: Detroit: 888-446-1422

*Business Insurance* is published by Crain Communications Inc.

Keith E. Crain, Chairman; Rance Crain, President; Merrilee Crain, Secretary; Mary Kay Crain, Treasurer

William A. Morrow, Executive Vice President/Operations
Robert C. Adams, Vice President/Production
Peter Johnson, Vice President/Circulation

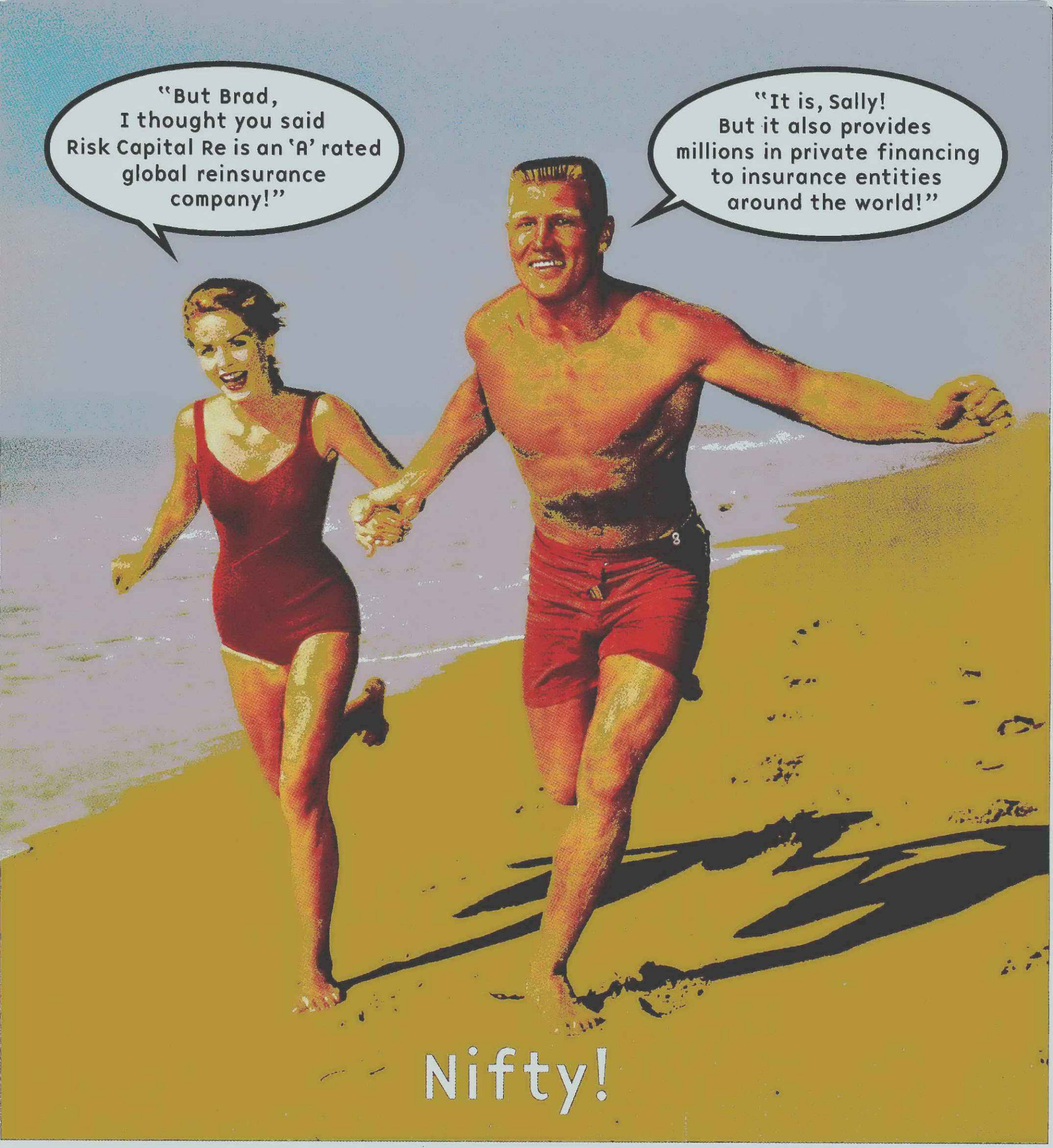
G.D. Crain Jr., Founder (1885-1973) Mrs. G.D. Crain Jr., Chairman (1911-1996)
S.R. Bernstein, Chairman-executive committee (1907-1993)

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, E-mail: biweb@crain.com, Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; 2726 Prytania, #6, New Orleans, La. 70130, Fax 504-269-0858; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048- 4947, Fax 213-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hatton Garden, London EC1N 8JQ England, Fax 171-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax 303-733-2244. $4 a copy and $87 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). DON MERENDORF, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 888-446-1422 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com

BPA INTERNATIONAL

TO SUBSCRIBE CALL 800-678-9595 • 313-446-0450 outside of the United States




Impressed? You should be! After all, Risk Capital Reinsurance is unique. Not only are we a strong, innovative reinsurer with a global reach; we also provide private capital to a broad range of insurance-related companies. In fact, we've invested over $150 million in the past two years alone. As a reinsurer, we offer traditional and other coverage structures for underwriting property, casualty, specialty, marine, aviation and surety. As an investor, we provide stand-alone capital, as well as Integrated Solutions® that combine reinsurance and capital for unparalleled customization and flexibility. And we can come up with solutions that your square, everyday reinsurer couldn't imagine on their best day. No wonder our clients are all smiles. Want to know more? Run to the phone and call: 203-862-4300. Or catch a wave and surf to www.riskcapre.com!

RISK CAPITAL
REINSURANCE
The Merchant Reinsurer®



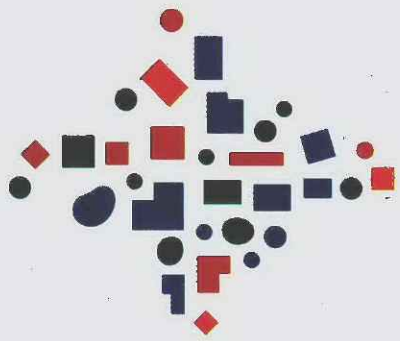

Leonard Freed/Magnum

**Sylvan Springs, Alabama:**
**Strangers become neighbors when the community comes together to rebuild after their town is hit hard by tornadoes.**

© 1998 Fortis, Inc. Insurance contracts are issued and underwritten by subsidiaries of Fortis, Inc. Fortis® is a registered servicemark and the Fortis brandmark is a servicemark of Fortis AMEV and Fortis AG.

Group Disability, Life and Dental • Variable Universal Life and Annuities • Long Term Care • Mutual Funds
Individual and Small Group Health • Preneed • Provider Excess • Credit Related Insurance Services

Where the spirit of the community lives and breathes,
we find our inspiration.



# FORTIS

Solid partners, flexible solutions℠

**Fortis:**

**Special people in special places have shown us what it takes to meet the needs of the community, and when you need us, we'll be there with hardworking insurance and investment solutions for businesses and individuals. Call your insurance professional or Fortis at 1-800-377-7282 or log on to www.us.fortis.com.**

# Ruling

*Continued from page 2*

Even though California whistleblower legislation applies to employees who report to public agencies, which Mr. Green did not do, "nonetheless, it does show the legislature's interest in encouraging employees to report workplace activity that may violate public policies that the legislature has stated," says the decision.

The decision also says Federal Aviation Administration regulations apply to Ralee even though Ralee, a parts manufacturer, was not a prime manufacturer directly certified by the FAA.

If Mr. Green's charges are true, it means Ralee misrepresented the safety of the parts shipped to prime manufacturers. This would lead to a breach of fundamental public policy if the prime manufacturers in turn misrepresent airplane parts' safety, says the decision.

"Allowing defendant to discharge plaintiff with impunity after he sought to halt or eliminate its alleged inspection practices would only undermine the important and fundamental public policy favoring safe air travel," the decision concludes.

"By including significant administrative safety regulations promulgated to serve important (Federal Aviation Administration) mandates as a source of fundamental public policy limiting an employer's right to discharge an otherwise at-will employee, we effectively guarantee that employers do not exercise their right to terminate their employees at will in a way that undermines more important public safety objectives," the decision says.

Two dissenting opinions were issued. In one, Justice Marvin Baxter said, "Like the majority, I strongly support motherhood, the American flag and commercial air safety."

However, "by turning their backs on established precedent, the majority have opened the door to virtually limitless litigation in California over what was once a narrowly contoured exception to the legislatively declared general rule of at-will employment," he said.

**Employment whistleblower cases 'will proliferate as a result of this ruling,' says attorney Jonathan B. Cole.**

Wayne S. Flick, an attorney with Latham & Watkins in Los Angeles, submitted a brief in the case on behalf of the Los Angeles-based Employers Group. He said, "I think, by any objective measure, it's a disaster for employers." The decision "will inevitably lead to a flood of employment litigation," said Mr. Flick.

"They have taken on the job of declaring what is public policy in California when they have absolutely no business doing so," he added.

Before this decision, employers were limited in firing employees only if the job action was related to a specific statute, such as an anti-discrimination statute, said Daniel M. Crawford, an attorney with Carroll, Burdick & McDonough in San Francisco who represents employers. "This just broadens it, there's no doubt about it, and that's not good for employers," said Mr. Crawford.

Jonathan B. Cole of Nemecek & Cole in Sherman Oaks, Calif., represented Ralee in the case. He said the decision is inconsistent with a 1992 California Supreme Court decision that says employers' discharge rights are limited by public policy that is delineated in constitutional or statutory provisions.

"They overruled their own decision to support the ruling in this case," said Mr. Cole. "My biggest concern is that they've essentially said an employer can be sued for a public policy violation based upon an act or administrative regulation that doesn't even apply to that employer, but in fact applies to people the employer may contract with, " said Mr. Cole.

As a result, he said, "now you not only have to know the rules that apply to your business, but you may have to know all the laws that apply to all the businesses you may contract with."

"I just think this has broadened the potential for public policy violations immensely," while the specific rules that previously existed that said public policy must be tied to statutory or constitutional provisions are now "out the door," said Mr. Cole.

He predicted that employee whistleblower cases "will proliferate as a result of this ruling."

Mr. Cole also pointed out that, for purposes of the summary judgment, the facts alleged in this case were assumed to be true. In fact, Mr. Green's charge that the company shipped defective airplane parts is a "hotly contested issue" that the company has denied, he said.

But other attorneys say the decision will have little impact. "I really don't think that much has changed in this area of the law" as a result of the decision, said Jeffrey M. Tanenbaum of Littler Mendelson in San Francisco. "The courts have been moving in this direction and, for practical purposes, the advice that I have been giving my clients is that they should view violations of regulations just as seriously as violations of statutes, and that's all that this case means," he said.

"It is a slight change in how the courts have described the law. In essence, employers have been on the hook for these sorts of claims all along," Mr. Tanenbaum said.

Plaintiffs' attorney Cliff M. Palefsky of McGuinn, Hillman & Palefsky in San Francisco, agrees.

"I don't think it dramatically changes the landscape at all," he said. "I think it's always been clear to me that administrative regulations are an embodiment of public policy created under the authority of the legislature and they express very important policy," he said.

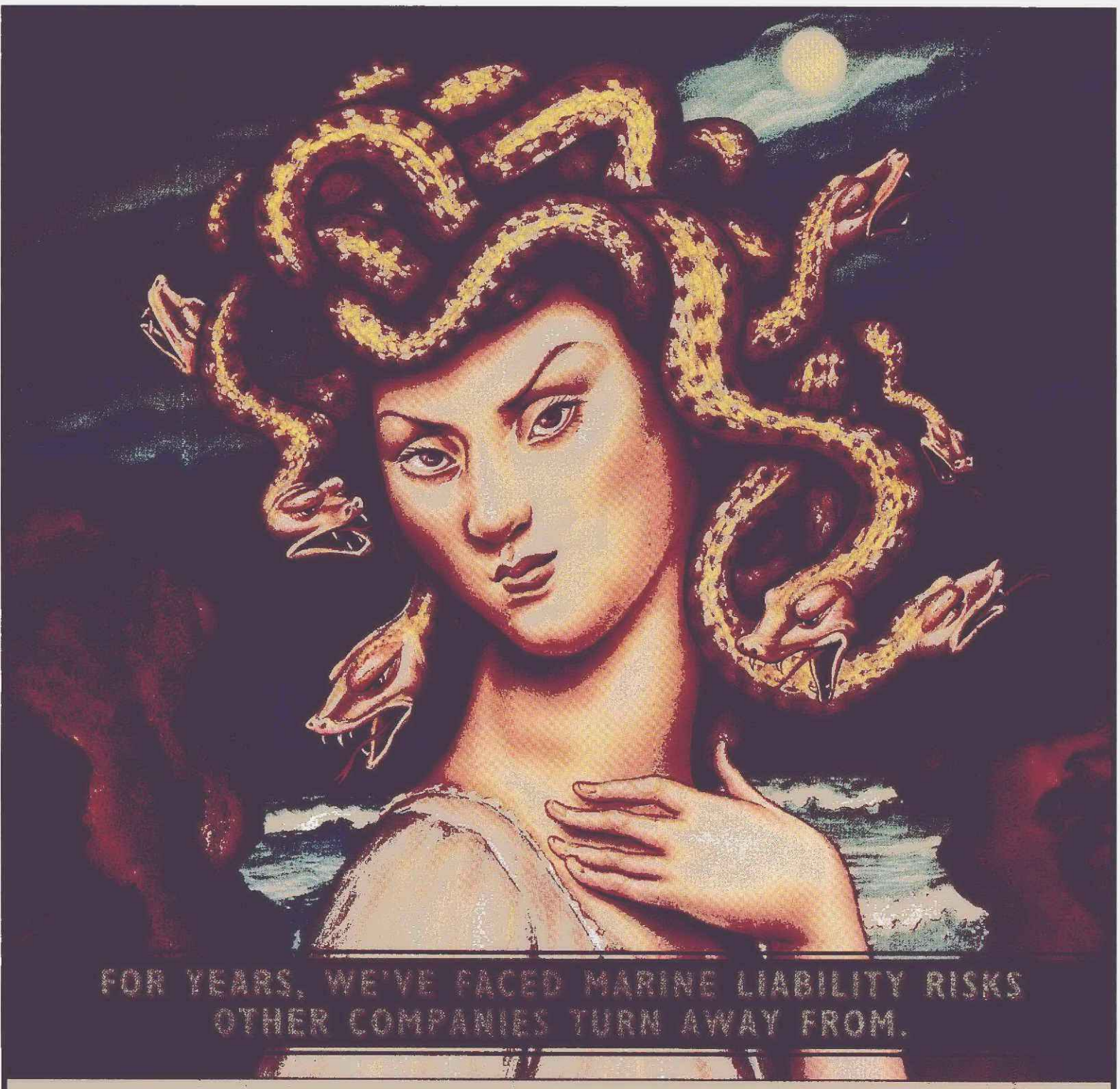
"In this case, we're talking about airline safety," he said. "Who else would we protect if not those who speak up for public safety?" said Mr. Palefsky. "I don't think anyone should overreact or treat it as a revolutionary new decision. It makes perfect sense."

"I don't think it's a very broad decision," said attorney George E. Brownfield, a Los Angeles-based solo practitioner who represents Mr. Green. He added, "I think there's something wrong when you have to have the Supreme Court to tell us that an employee cannot be terminated" when he refuses to approve defective parts.

Most cases "do not involve situations where people are finding their companies manufacture defective parts," said Encino, Calif.-based attorney Joseph Posner, who had submitted a brief on behalf of a plaintiffs' attorneys group, the Santa Monica, Calif.-based California Employment Lawyers Assn. While it does happen, he said, "it's not your average case."

•

*Richard Green vs. Ralee-Engineering Co., Supreme Court of California; No. S060370, 98 C.D.O.S. 6792.*




At Mutual Marine Office, we aren't afraid to face up to the toughest challenges. In fact, our underwriters tackle complex marine liability risks every day.

That's because marine liability is one of the only coverages we write. Whether it's marine contractors, stevedores, wharfowners, or marine products manufacturers, we've been delivering innovative, competitive solutions for more than 30 years.

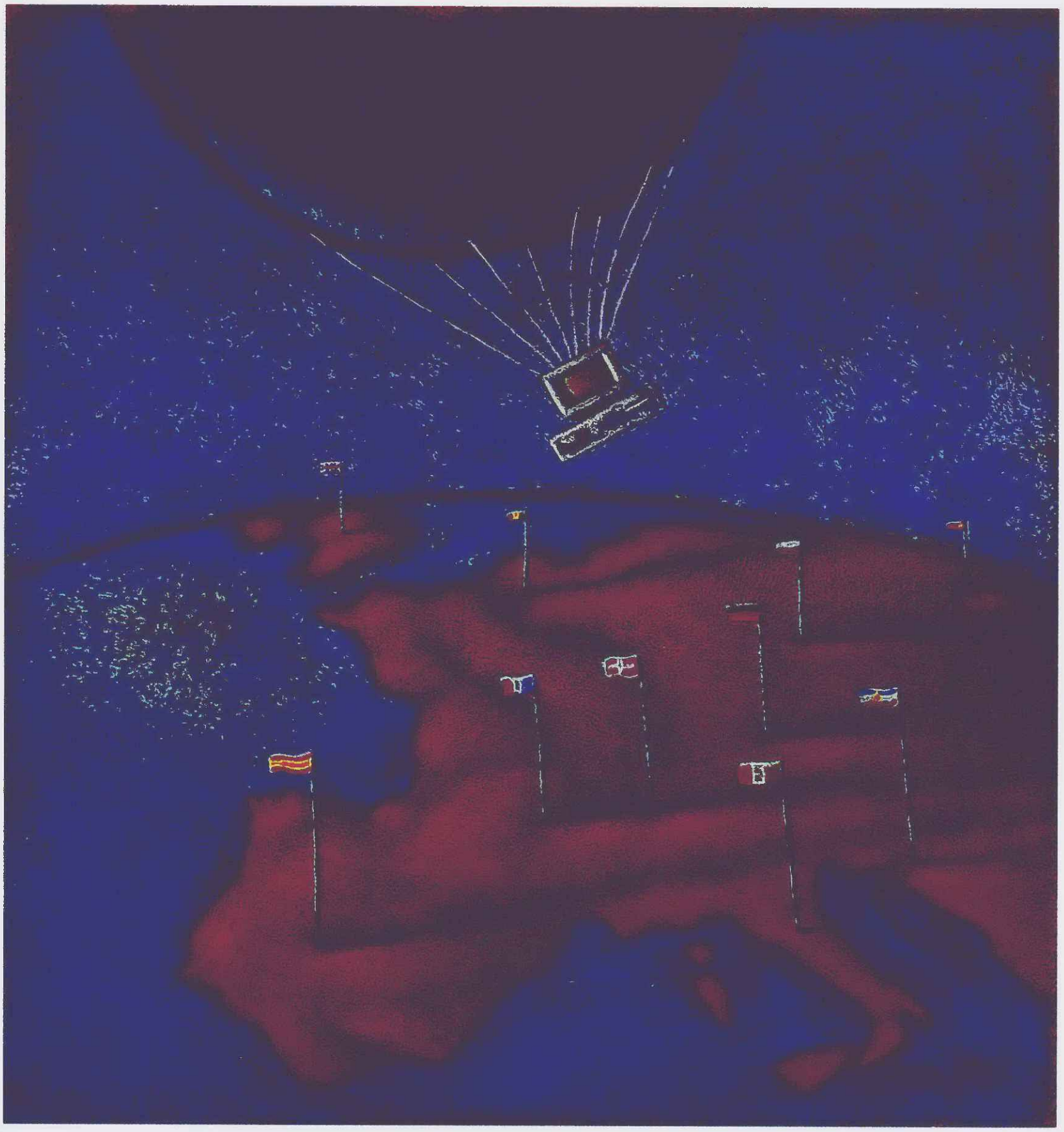
So when you're confronted with a difficult marine liability exposure and want the security of an A+ rated carrier, turn to Mutual Marine Office. We'll face your toughest risks without turning to stone.

**MUTUAL MARINE OFFICE**
Part of New York Marine Group
800-367-0224

330 Madison Avenue, New York, NY 10017
300 South Wacker Drive, Chicago, IL 60606
345 California St., San Francisco, CA 94104

MMO Group is comprised of New York Marine And General Insurance Company, Gotham Insurance Company and Mutual Marine Office

# EMPLOYEE BENEFITS & RISK MANAGEMENT



# INTERNATIONAL

A Spotlight Report on
INTERNATIONAL BENEFITS & RISK MANAGEMENT
*including BI's Directory of*
INTERNATIONAL INSURERS & BENEFIT NETWORKS
*plus distribution at ASHRM; Canadian RIMS; CIAB/CICE*

Publishing —— October 5, 1998
Ad Closing –September 23, 1998

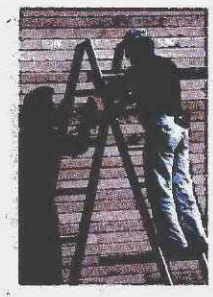
**Business Insurance®**
www.businessinsurance.com

**New York:** 212-210-0133 ■ Fax: 212-210-0704
**Chicago:** 312-649-5276 ■ Fax: 312-649-7937
**Los Angeles:** 323-651-3710 ■ Fax: 323-655-8157



THE SIXTH ANNUAL

# Business Insurance® WORKERS COMPENSATION CONFERENCE



# OCTOBER 26-28, 1998

## *The Ritz-Carlton Hotel Marina del Rey, California*

## WHO SHOULD ATTEND

Risk managers, loss prevention and safety managers, workers compensation and benefit managers, plus insurers, brokers, consultants and representatives from HMOs, PPOs and state and local governments.

## PROGRAM AGENDA

### MONDAY, OCTOBER 26

**9:30 AM**
**GOLF TOURNAMENT**
*Hosted by: Deloitte & Touche LLP and SAC³*

**3:00 PM**
**EARLY REGISTRATION**

**4:00 PM**
**EMPLOYER'S PRIVATE ROUNDTABLE**
*Moderator:*
**Kathryn J. McIntyre**
*Vice President, Publisher and Editorial Director*
*Business Insurance*

**5:30 PM**
**WELCOME RECEPTION**
*Hosted by: Integra Group*

### TUESDAY, OCTOBER 27

**7:45 AM**
**REGISTRATION AND CONTINENTAL BREAKFAST**
*Hosted by: Bayne Consulting Group, Ltd.*

**9:00 AM**
**OPENING REMARKS**
**Alexandra Scott**
*President & CEO*
International Business Forum

**9:05 AM**
**KEYNOTE**
**Bruce G. Sundquist**
*Vice President*
American Re-Insurance Company

**CHALLENGING TRADITIONAL WORKERS COMPENSATION PARADIGMS**

**9:45 AM**
**THE NEW WORLD OF WORKERS COMPENSATION**
*Moderator:*
**Maddy E. Bowling**
*Independent Consultant*

**William Granahan**
*Senior Consultant*
Milliman & Robertson Inc.

**Barry E. Thompson**
*National Practice Co-Leader*
Workers Compensation and Disability Management Services
Deloitte & Touche LLP

**Daniel J. McVey**
*President*
Missouri AFL-CIO

**Greg Owen**
*Manager, Claims Administration*
*Risk Management*
Harrah's Entertainment Inc.

**Scott Lund**
*Vice President, Marketing*
SAC³

**10:30 AM**
**TABLE-TOP EXHIBITS REFRESHMENTS**
*Hosted by: Paradigm Health Corporation*

**11:00 AM**
**THE DECISION WHETHER TO IMPLEMENT AN INTEGRATED DISABILITY MANAGEMENT PROGRAM**
*Moderator:*
**Terry R. Bolz**
*Vice President, Casualty Managed Care*
Wausau Insurance Companies

**Tom Parry**
*President*
Integrated Benefits Institute

**Victor Paganucci**
*Director, Integrated Disability Systems*
Champion International Corp.

**Joanne L. Pomerleau, B.S., RN**
*Workers Compensation Coordinator*
Maine Employee Health and Benefits

**Arthur Wilcox**
*Director, Public Employee Division*
New York State AFL-CIO

**12:00 PM**
**MEETING THE CHALLENGES CREATED BY THE AMERICANS WITH DISABILITIES ACT AND FAMILY MEDICAL LEAVE ACT**
*Moderator:*
**Betsy Robinson**
*Vice President*
Product Development and Management
GENEX Services Inc.

**Robert B. Steggert**
*Vice President, Casualty Claims*
Marriott Corporation

**Ken Mitchell**
*Vice President, Return-to-Work Programs*
Provident Insurance Company

**Marylou Kinlen**
*Manager of Disability Plans*
Norwest Bank Corp.

**Sharon Kaleta**
*Director of Risk and Benefits*
Paragon Steak House Restaurants Inc.

**12:45 PM**
**LUNCHEON**
*Hosted by: Intracorp*

**1:45 PM**
**LUNCHEON SPEAKER**
**Susan K. Moreland**
*Director of Risk Management*
San Francisco Newspaper Agency

**A CASE STUDY ON REDUCING WORKERS COMPENSATION LIABILITIES**

**2:15 PM**
**BREAK**

### CONFERENCE CHAIRMAN:

**Kathryn J. McIntyre**
*Vice President, Publisher and Editorial Director*
*Business Insurance*

### CONFERENCE ADVISORY BOARD:

**Barbara Anderson**
*Risk Manager*
Metropolitan Water District of Southern California

**Ruth Anderson**
*Manager, Insurance and Risk Management*
Kinko's Inc.

**Maddy E. Bowling**
*Independent Consultant*

**Leo Costantino**
*Workers Compensation Manager*
UCLA

**Kathleen Davies**
*Director, Insurance and Claims*
Burger King Corporation

**Dwight E. Davis**
*President & COO*
Wausau Insurance Companies

**Mary Stoik Dymond**
*Vice President of Human Resources and Risk Management*
Graphic Packaging Corporation

**Peggy Eller**
*Vice President*
Applied Risk Management Inc.

**Sam Fulginiti**
*Risk Manager*
Godiva Chocolatier

**Mary Jane Gordon**
*Senior Staff Specialist Workers Compensation*
United Airlines San Francisco International Airport

**John Kessock Jr.**
*Chairman*
Commonwealth Risk

**William Kizorek**
*President*
InPhoto Surveillance

**Peter C. Madeja**
*President and CEO*
GENEX Services Inc.

**Bernadette Melchionne**
*Senior Insurance Administrator*
Mattel Inc.

**Greg Owen**
*Manager Claims Administration*
*Risk Management*
Harrah's Entertainment Inc.

**John G. Pasqualetto**
*President, Specialty Workers Compensation Division*
American Home Assurance Company

**Jeffrey W. Pettegrew**
*Vice President, Insurance and Risk Management*
Western Staff Services

**Pamela Schroeder**
*Workers Compensation and Systems Manager*
Transamerica Corporation

**Richard A. Victor**
*Executive Director*
Workers Compensation Research Institute

**Stephen M. Wilder**
*Vice President, Risk Management*
The Walt Disney Company

### CONFERENCE SPONSORS:

- AIG American Home Assurance / Specialty Workers Compensation
- Applied Risk Management, Inc.
- Bayne Consulting Group, Ltd.
- Commonwealth Risk
- Deloitte & Touche LLP
- Fireman's Fund Insurance Company
- GENEX Services, Inc.
- Intracorp
- InPhoto Surveillance
- Integra Group
- Paradigm Health Corporation
- SAC³
- Specialty Risk Services / The Hartford
- TravelersPropertyCasualty/ Constitution State Services
- Wausau Insurance Companies

**2:30 PM**
**CONCURRENT SESSIONS: A OR B**

***Session A:***
**ALTERNATIVE DISPUTE RESOLUTION**

*Moderator:*
**Duncan Ballantyne**
*Senior Analyst*
Workers Compensation Research Institute

**Ed Zutler**
*Vice President, Integrated Benefits*
AIG

**Pat McGinn**
*Senior Business Representative*
Regional Council of Carpenters

**Mike Massey**
*Assistant Executive Director*
Piping Industry Progress and Education Trust Fund

***Session B:***
**ARE YOU USING THE RIGHT REPORT CARD?**

*Moderator:*
**Peter F. Rousmaniere**
*President*
Rousmaniere Designs

**Nicholas J. Lannutti**
*Senior Vice President, Corporate Actuary*
National Council on Compensation Insurance Inc.

**Alex Swedlow**
*Research Consultant*
California Workers Compensation Institute

**Eloise Lincicum**
*International Workers Compensation/ Employers' Liability Manager*
Apple Computer Inc.

**Fred Scardellette**
*Vice President, Information Management Services*
Intracorp

**3:30 PM**
**TABLE-TOP EXHIBITS REFRESHMENTS**
*Hosted by: Wausau Insurance Companies*

**4:00 PM**
**CONCURRENT SESSIONS: C OR D**

***Session C:***
**FUNDING MECHANISMS**

*Moderator:*
**Jeffrey W. Pettegrew**
*Vice President*
*Insurance and Risk Management*
Western Staff Services

**Robert B. Hill**
*President*
Professional Underwriters

**Darin R. Haines**
*Manager, COSE Workers Compensation Program*
Greater Cleveland Growth Association

**John R. Keenan**
*Chief Executive Officer*
Keenan & Associates

***Session D:***
**EVALUATING ERGONOMICS PROGRAMS**

*Moderator:*
**Alexandra R. Charish**
*President*
Charish Ergonomics Inc.

**Soha Sadek, Ph.D.**
*Ergonomist Consultant*
Applied Risk Management Inc.

**Sam Fulginiti**
*Risk Manager*
Godiva Chocolatier

**5:00 PM**
**COCKTAIL RECEPTION**
*Hosted by: GENEX Services Inc.*

## WEDNESDAY, OCTOBER 28

**7:45 AM**
**CONTINENTAL BREAKFAST**
*Hosted by: TravelersPropertyCasualty/ Constitution State Services*

**9:00 AM**
**KEYS TO RESPONSIVE RETURN-TO-WORK PROGRAMS**

*Moderator:*
**Dr. Thorv Hesselund**
*Director of Vocational Programs*
Paradigm Health Corporation

**Jean M. Long, RN, COHN, CCM**
*Manager, Loss Control*
Fireman's Fund Insurance Company

**Clifton Matsuno**
*Administrator for Rehabilitation Services*
Pretect Physical Therapy

**Marshall Sherman**
*Director, Risk Management*
Aramark Corporation

**Soraya M. Wright**
*Corporate Risk Manager*
The Clorox Company

**John J. Larkin Jr., M.D.**
*Vice President, Clinical Affairs*
Integra Group

**10:00 AM**
**TABLE-TOP EXHIBITS REFRESHMENTS**
*Hosted by: Specialty Risk Services/The Hartford*

**10:30 AM**
**DOING WHAT'S BEST FOR THE WORKER: CAUGHT BETWEEN THE EMPLOYER, THE TPA, INSURANCE COMPANY AND THE OCCUPATIONAL HEALTH PROVIDER**

*Moderator:*
**Stephen M. Holcomb**
*Senior Vice President*
Specialty Risk Services/The Hartford

*Panelists:*
**Leo Costantino**
*Workers Compensation Manager*
UCLA

**Jerry L. Thomas**
*Managing Director, Workers Compensation*
American Airlines/AMR Corp.

**Maria Bayne**
*President*
Bayne Consulting Group Ltd.

**11:30 AM**
**WORKERS COMPENSATION INSURANCE FRAUD: SPECIFIC STEPS AND SOLUTIONS TO COMBATING FRAUD**

*Moderator:*
**Dominic Dugo**
San Diego County District Attorney

**William Kizorek**
*President*
InPhoto Surveillance

**Jeff Nale, Esq.**
Bello, Tade & Nale

**Kevin Saucier, R.S.A., REA**
*Director of Environmental, Health and Safety*
Guess? Inc.

**12:30 PM**
**LUNCHEON**
*Hosted by: AIG American Home Assurance/ Specialty Workers Compensation*

**1:30 PM**
**LUNCHEON SPEAKER**
**Jerry L. Thomas**
*Managing Director, Workers Compensation*
American Airlines/AMR Corp.

**THE AMERICAN AIRLINES SUCCESS STORY; BEST PRACTICES AND LESSONS LEARNED**

**2:00 PM**
**BREAK**

**2:15 PM**
**LOW BACK TREATMENT GUIDELINES**

*Moderator:*
**Edward C. Woodward**
*President*
California Workers Compensation Institute

**Nancy Geedey, RNC, CCM**
*Director, Case Management*
Managed Care USA Services

**Michael D. Roback, M.D.**
*Diplomate, American Board of Orthopaedic Surgery*
Industrial Medical Council of California

**3:15 PM**
**CONFERENCE ADJOURNS**

## COMMENTS FROM SOME OF LAST YEAR'S ATTENDEES:

*"The whole conference was a great opportunity to listen to very good presentations."*
Al J. Rhodes • *President* • SIGMA

*"Well worth the investment. I came away from the forum with ideas I was able to implement and it allowed me to hear the experiences of others. Great networking."*
Leo Costantino • *Workers Compensation Manager* • UCLA

*"Everything you included on the agenda was interesting and informative."*
Sam Fulginiti • *Risk Manager* • GODIVA CHOCOLATIER

## ACCREDITATION

IBF•International Business Forum has been approved by the California Insurance Board as a course provider for 11 CEU credits.

## REGISTRATION

**To register or to receive more information, please call or fill out the coupon below and mail, fax or e-mail to:**

**IBF•International Business Forum**
**100 Merrick Road, Suite 500, West Bldg., Rockville Centre, NY 11570**

**TEL: (516) 594-3000 FAX: (516) 594-5979 E-MAIL: ibforum@tiac.net**

**YES, please register me for the Sixth Annual *Business Insurance* Workers Compensation Conference.**

IBF International Business Forum

❑ I am a service provider - $995
❑ I am a risk, employee benefit or safety manager - $695

NAME _____

NAME ON BADGE _____

TITLE _____

COMPANY _____

ADDRESS _____

CITY/STATE/ZIP _____

TELEPHONE NO. _____

FAX NO. _____

E-MAIL _____

❑ Check enclosed (Payable to International Business Forum. Write WC '98 on the check.)

❑ PLEASE CHARGE TO: ❑ American Express ❑ MasterCard/Visa

Cardholder name: _____

Card No. _____ Exp. Date: _____

Signature: _____

❑ **Please forward information about table-top exhibits, or call Julie Tarsi at IBF (516) 594-3000, ext. 14**

❑ **Please forward information about sponsorship opportunities, or call Alexandra Scott, President & CEO of IBF at (516) 594-3000, ext. 30.**

PLEASE PHOTOCOPY FOR ADDITIONAL REGISTRANTS

BIWCFPS

# Cashman joins Aon as special adviser

## Comings & Goings: Industry

**Michael W. Cashman Sr.**, former president and chief operating officer of E.W. Blanch Holdings Inc., has joined Chicago-based Aon Corp. as special adviser for strategic initiatives.

Also at Aon, **Joseph W. Shenton** has been appointed a senior vp and the president of Aon Investor Strategies Inc., Aon's corporate shareholder-value consulting services company. **John Canfield** has been appointed as Aon's vp-corporate communications.

Swett & Crawford Group has named several vps, including **Ron Stone**, a broker in the company's Fresno, Calif., branch office; **Doug Hathaway**, who will work on product and program development out of Swett & Crawford's Minneapolis office; and **Robert J. Finck**, who will manage the casualty division of the company's Atlanta office.

**Kris Davis**, **Stephen Hobbs**, **Trindl Swanson** and **Steve Weins** all were promoted to senior vp at J&H Marsh & McLennan Inc.'s Orange County, Calif., office.

Acordia Inc. has named **Kathleen Krishnan** vp-controller.

Hobbs Group L.L.C. has named **Charles B. Clark** as its new chief financial officer. The company also named **Patricia G. Chadwick** as vp-administration, **T. Gregory Richardson** as controller, and **Thomas R. Chudy** as senior vp.



Mr. Chudy

Near North Insurance Brokerage Inc. appointed **Joseph Zuniga**, based in Near North's Chicago office, as vp-workers compensation consulting.

### Insurers

**Ernest T. Patrikis**, former first vp of the Federal Reserve Bank of New York, has joined American International Group Inc. as special adviser to Chairman Maurice R. Greenberg on regulatory matters. Also at AIG, **William N. Dooley** has been elected senior vp-financial services, and **Carol A. McFate** has been elected treasurer. Additionally, **Michael J. Castelli** and **Robert P. Jacobson** have been made vps and deputy comptrollers, and **Charles M. Lucas**, director of market risk management, has been elected a vp. Finally, at AIG Risk Finance, **Michael S. Canter** has joined the company as senior vp-insurance securitization, and **David A. Rockwell** has joined as senior vp-credit.

Allendale Insurance has announced that **Robert J. Baker**, engineering manager for New York operations, has been made a vp, as has **David R. Thoman**, engineering manager for Los Angeles operations. Also at Allendale, **Gregory S. Hazlett** has been named an assistant vp, and **Brett J. Dupre** has been appointed assistant vp-operations engineering manager, Boston operations.

**Jeff Gans** has become senior vp-commercial group at Fireman's Fund Insurance Co. Additionally at Fireman's, **Ray Mazzotta** has been named commercial insurance division senior vp-health care industries, and **Christy Simon** has been named vp and managing executive of the company's newly expanded diversified risk unit.

The board of directors at Reliance Group Holdings Inc. named **Lowell C. Freiberg**, the company's chief financial officer, to the position of executive vp. **Howard E. Steinberg**, general counsel, also has been named an executive vp. Also at Reliance, treasury department manager **Albert A. Benchimol** has been named senior vp-treasurer, and deputy general counsel **Paul W. Zeller** has been named senior vp. At subsidiary Reliance Insurance Co., **Debra Taylor** has been promoted to vp-information technology, and **Charles Sizer** has been promoted to vp-actuarial claims.

### Reinsurers

**Brian S. Murphy** has joined Zurich Reinsurance (North America) Inc. as senior vp-global catastrophe reinsurance manager, and **Gary Prestia** has joined as senior vp managing the company's property division. **Jeffrey Tretin** has joined Zurich Re's Centre Re division as vp-underwriting. Also, **Denis deBaroncelli** has joined the ZC Insurance Co., a wholly owned subsidiary of Zurich Re (North America), as president and chief operating officer. Mr. deBaroncelli also will be a senior vp of Zurich Re (North America) and a member of the executive management team.

**Michael C. Watson** has taken on the newly created post of executive vp and chief operating officer of Odyssey Re Group Ltd. He remains chairman and CEO of Odyssey Re Group's London- and Bermuda-based subsidiaries. At Odyssey Re Corp., **James R. Van Slyke**, branch manager of the corporation's San Francisco branch office, has been elected vp, and **Ronald Yarashefski** has joined Odyssey Re Corp. as vp-casualty treaty.

**K. Yeng Chau** has been named CEO and managing director of U.S. Re-Asia, a newly formed unit of U.S. Re Cos. Mr. Chau will operate out of U.S. Re's office in Shanghai.

**Michael A. Kemp** has become president and chief operating officer of LDG Reinsurance.

### Other suppliers

**Blair C. Fensterstock**, former partner in Brock, Fensterstock, Silverstein & McAuliffe, has opened a law firm, Fensterstock & Partners L.L.P. Mr. Fensterstock is joined by partners **Ingrid A. Dreimann**, **Jorn A. Holl** and **Clifford James**, his litigation group at his previous firm; as well as **Slavi Pachovski**, a former ambassador of Bulgaria to the United Nations. The New York-based firm will represent clients in all areas of complex civil litigation, including securities, employment, insurance, contracts and product liability.

**In additional changes among other suppliers:**

**Susan J. Ousey** was named vp-operations at ACORD, where she will be responsible for all administrative and support services, including information technology, accounting, customer service and meetings.

*Continued on next page*




PXRE Reinsurance is dedicated to providing continuity of coverage under the most extreme circumstances. We offer a full line of reinsurance products and services that you can count on to be there when you need them most. Not only to pay your claims, but to ensure that you can continue to write business when it's no longer "business as usual."

In evaluating risk, we use the standard computer models. Then we go beyond them to view the results through the lens of experience gained during some of the most challenging years in reinsurance history.

And we have designed our finances to withstand worst case outcomes that many of our competitors prefer not even to imagine.

If you are looking for a full-line reinsurer with experience in all parts of the business cycle, call PXRE. We write business worldwide, supported by over $475 million of our own surplus, and almost $4 billion in capital made available to us by trading partners who share our underwriting philosophy. When it comes to response time to underwriting requests as well as claims, we are proud to have set the industry standard.

*Continued from previous page*

At Blue Cross & Blue Shield of Texas, **Patricia A. Hemingway Hall** has been named senior vp-Geographic Business Units and Health Care Management, and **Dr. Mark S. Clanton** has been named vp-Managed Care and Medical Quality. Also at BC/BS of Texas, **Larry J. Newsom** has been named senior vp and chief executive officer of life operations, and **Patsy B. Liens** has been named president and director of its life and disability subsidiary, Group Life & Health Insurance Co.

**Sean F. Mooney** has been named research director and economist and has been elected senior vp at Guy Carpenter & Co. Inc. He is overseeing the research and publication of Guy Carpenter's industry briefs and white papers. Mr. Mooney formerly was a researcher and senior vp at the Insurance Information Institute.



Ms. Schmerzler

At Insurance Services Office Inc., **Roy S. Nicolosi** has been named senior vp and chief information officer. He comes from Gtech Corp., where he was senior vp in charge of developing, installing and maintaining hardware, software and communications technologies. Also at ISO, **Virginia Lee** has been promoted to vp of the new department of insurance systems development. Ms. Lee will be responsible for actuarial, statistical and text systems.

Group Health Inc. has named three vps. **Thomas F. Roesle** has been appointed vp-office of management and budget; **Steven Denes** has been named vp-broker sales; and **Sharon Schmerzler**, promoted to vp-hospital negotiations.

**Gary Gilbert** has been named president and CEO of Insurance Data Processing Inc. The appointment, in effect since July 1997, was announced only recently. Mr. Gilbert is focusing on customer responsiveness and in-house productivity. **Robert H. Nelson Jr.** has been IDP's vp-business development since late April. He is focusing primarily on the company's Vision 21 P/C insurance management program.

**Rich Ostuw** has joined Watson Wyatt Worldwide as its global director of health care consulting services.

**Robert O'Brien Jr.** has been named chairman of William M. Mercer Inc.'s Global Health Care and Group Benefits Practice Group and leader of its U.S. practice. BI

# Insurers ask high court for tough standards

## Admissibility of technical testimony may have implications in Y2K suits

**By MICHAEL BRADFORD**

WASHINGTON—Insurers are trying to persuade the U.S. Supreme Court to apply rigorous standards in allowing expert testimony in a case that could impact Year 2000 litigation.

The American Insurance Assn. and the National Assn. of Independent Insurers late last month filed an amicus brief in the case of *Kumho Tire Co. vs. Carmichael*, a product liability lawsuit pending before the Supreme Court.

The brief urges the high court to apply to testimony on technical issues in *Kumho* the same standards for admissibility principles that the court set forth regarding testimony on scientific issues in an earlier case.

Doing so would set the stage for how testimony on technical issues in cases related to the millennium bug are handled, insurers contend.

The Washington Legal Foundation filed a similar brief with the court, pointing out that "in this day of paid experts. . .an unchecked expert can become a dangerous roadblock to the jury's search for the truth."

Insurers welcomed the Supreme Court's 1993 ruling in *Daubert vs. Merrell Dow Pharmaceuticals Inc.*, which set tough standards for expert witness testimony on scientific theories and techniques. The court said the testimony should focus on whether the theory or technique has been tested, subjected to peer review and publication, has a known or potential error rate, and whether it is generally accepted by the relevant scientific community.

**'The highest court should, in fact, extend the *Daubert* standards' to technical testimony, says Michael Lovendusky.**

The insurers' brief urges the Supreme Court to apply those same standards to testimony on technical issues by expert witnesses in the *Kumho* case. Insurers hope that doing so would set a standard for how such testimony would be handled in anticipated Y2K litigation.

The establishment of such standards "has an obvious application to product liability cases," said Michael Lovendusky, assistant general counsel at the American Insurance Assn. in Washington. "But the thing that piqued our interest are the Year 2000 concerns."

He explained that litigation around Year 2000 claims will involve testimony not by scientists but by engineers and software technicians.

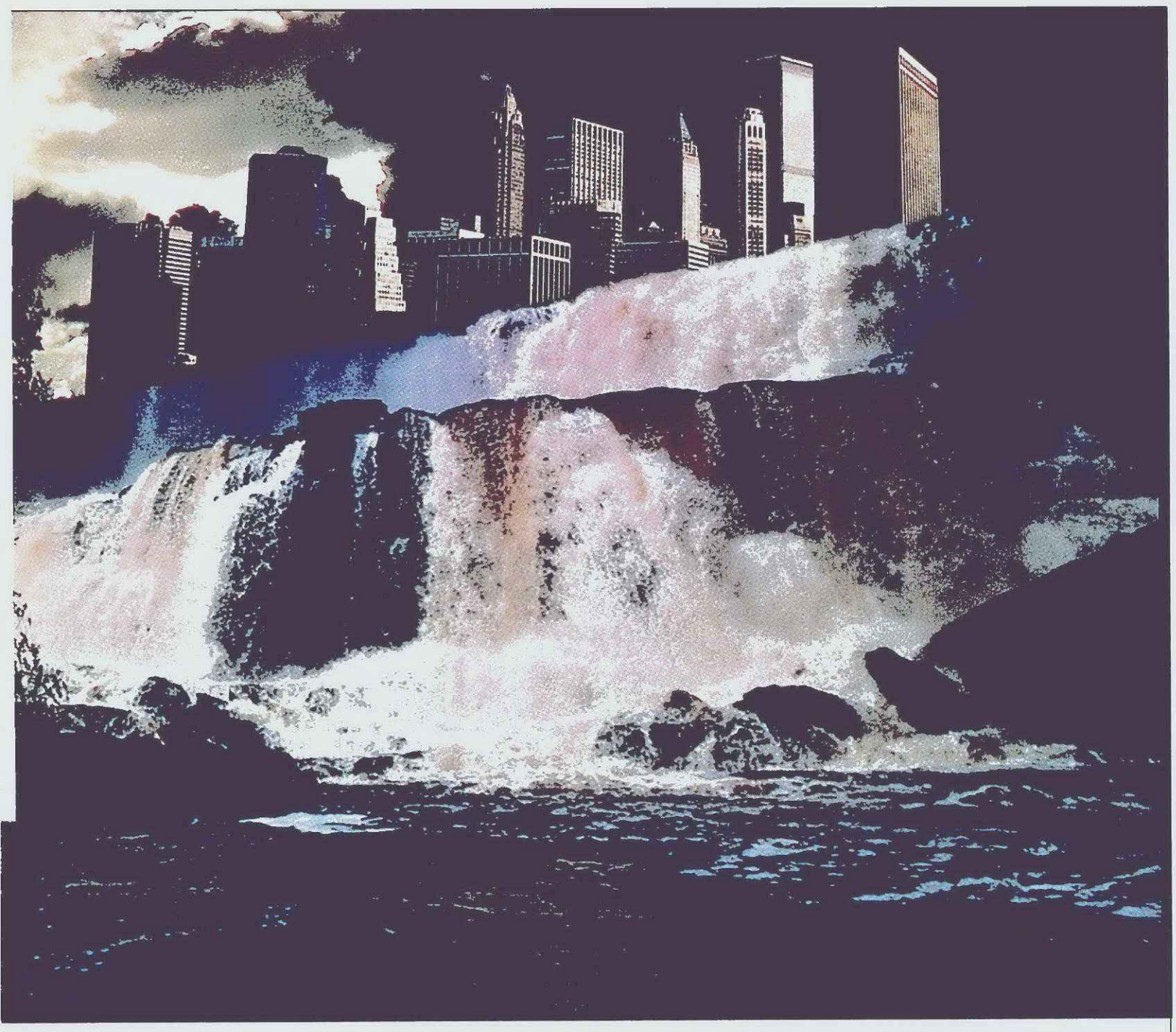
Mr. Lovendusky said he believes most "responsible corporations are doing their due diligence" to make sure their computer systems don't experience problems when 2000 arrives. But problems will come from "areas where you think they will least likely arise," such as embedded microchips that were overlooked, he added.

Such problems are expected to lead to insurance coverage disputes and lawsuits that will call computer technicians to witness stands.

"The highest court should, in fact, extend the *Daubert* standards" to testimony by experts on technical issues as well as scientific ones, Mr. Lovendusky said. "There should be a bright-line test."

•

*Kumho Tire Co. vs. Carmichael, U.S. Supreme Court, No. 97-1709.*



**PXRE Reinsurance Company**
Continuity of coverage in property catastrophe, marine and aviation reinsurance

NYSE: PXT
*Member of BRMA (Brokers and Reinsurers Market Association)*

*USA:* Michael Bleisnick (Domestic Treaty) or Gordon Forsyth (International Treaty) +1 (732) 906-8100 Fax: +1 (732) 906-9283

*Brussels:* Alain Tounquet +32 (2) 231-13-55 Fax: +32 (2) 230-77-49

*Lloyd's:* Peter Butler, PG Butler Syndicate 1224 (managed by PXRE Managing Agency Ltd.) +44 (0171) 327-3007/8 Fax: +44 (0171) 626-7602

www.pxre.com

PXRE




© 1998 United HealthCare Corporation

# OH YEAH. LIKE THAT'LL EVER HAPPEN.

Space ships. Laser beams. Personal computers.

Fifty years ago, they were the stuff of science fiction. Yet today, they're as commonplace as, well . . . personal computers.

At United HealthCare, we believe successful companies are those with a clear vision for the future. Those that anticipate tomorrow's needs and create products and services to satisfy them.

We've spent the past 20 years building a FORTUNE 500® company with imaginative health care solutions. We were one of the first to pioneer the open access concept, a no-referral HMO. Today, we're still introducing innovative ideas like multi-site capabilities and portable coverage for seniors. Ideas that will set industry standards for years to come.

United HealthCare was recently named the most admired company in the health care industry in FORTUNE magazine's annual corporate reputation survey. We serve more than 100,000 employer groups of all sizes including 45 of the top 100 FORTUNE 500® companies, representing over 13 million people.

Let us help your company and your employees, in every stage of their lives, today and in the future. For more information, call 1-800-662-1264.

UNITEDhealthcare®

www.unitedhealthcare.com

# Lost-time

*Continued from page 3*

in areas the consulting firm believed the employer had the best chance of saving money.

Betty Noble, chief operating officer at Guilford, pointed out that 45 cents of each workers comp dollar spent goes to providing care to injured workers. The biggest chunk—55 cents—"goes to pay them not to work," she added, "regardless of the type of insurance program you have."

Where self-insurance is allowed, the workers comp costs may be "right out of your pocket," Ms. Noble pointed out. With commercial insurance, the payments come from the insurer. But "some way or another, these costs are hitting you, either directly or indirectly," she added.

"On the indemnity side. . .that's where we believe the employer has the most control," Ms. Noble said. That philosophy is a little contrarian, she said, with conventional wisdom in recent years emphasizing holding down medical costs associated with workers comp.

In TOTAL America's case, Guilford and TOTAL America determined that indemnity costs could be controlled if the problems of lost-time days, open cases, repeat injuries by the same workers and late reporting were addressed. They are problems common to many other companies, according to Ms. Noble.

"You would really be surprised," she said, "at how many companies have scores and scores of open cases" of which they are not aware. In some cases, workers have been terminated months after an injury and still continue to receive workers comp payments, Ms. Noble noted.

**'You would really be surprised,' says Betty Noble, 'at how many companies have scores and scores of open cases' of which the companies are not aware.**

Guilford offered to TOTAL America the advice it gives other clients who want to bring down costs related to lost-time days. Lowering lost-time days means staying close to workers after an accident and getting them back to work quickly, according to Ms. Noble.

She pointed out that Guilford research shows that an injured worker who is off the job for 12 weeks has only a 50% chance of ever returning. "Life becomes very easy, especially if you're getting paid while you're home. . . .We really believe you need to catch people in that first week or two" to get them thinking about returning to work in some capacity, Ms. Noble said.

She also pointed out that Guilford works with health care providers to make sure they see injured workers quickly and focus on returning them to work.

If a worker is injured and needs to see a doctor right away, Guilford asks physicians to see the worker within 20 minutes of arrival at the doctor's office. "If you send a guy from your facility over to a medical center to get his hand stitched, wouldn't you like him to be back at work in an hour and a half? Fairly reasonable. Sometimes they go over there and sit in the waiting room for three hours, then they're finally stitched up and they go to Burger King on the way back. They see you for the last 15 minutes of the shift."

If a worker needs a specialist, Guilford asks that the worker get medical attention within 24 hours. Without such a stipulation, it's not uncommon for appointments to take up to four weeks, Ms. Noble said. During that time, an employee is being paid to sit home and wait to see a doctor, she pointed out.

Persuading TOTAL America companies to make the changes Guilford suggested was no easy task, according to Ms. Carroll. While she was given the responsibility to suggest the changes, she had no real authority to demand that the companies adopt them.

That meant she had to assure each company the idea was to enhance what it was doing, not replace it. For example, while the companies professed to have return-to-work programs, all the programs needed fine-tuning, Ms. Carroll said. Some weren't creative about how to bring workers back before they were totally recovered from their injuries, she said.

"So be prepared," Ms. Carroll warned. "This is not an easy task but certainly a worthwhile one."

For TOTAL America, the payoff came after the program had been in place for a year. The companies as a whole—excluding one that is still being addressed—have seen a 60% reduction in the number of lost days. Tracking repeat injuries and making changes so they don't happen again has reduced by 30% the number of those repeat mishaps. Workers comp reserves have been lowered by 15%.

"Paid losses are up a little bit because we've been aggressive about closing the claims," Ms. Carroll said. "But the long-term liability is coming down." BI

# Preparing people for disaster vital

**By MICHAEL BRADFORD**

HOUSTON—Businesses are risking their survival if they don't prepare their employees for disasters as carefully as they prepare their property.

Companies have little value if there are no employees available to work at them, warned Theresa M. Hull, emergency services educator at Chevron Real Estate Management Co., a San Francisco-based division of Chevron U.S.A. Inc.

In a presentation this month at the I-Day conference sponsored by the Houston Chapter of the Risk & Insurance Management Society Inc., Ms. Hull told employers they must realize that workers who are prepared for disasters will be the ones who are able to keep their companies running.

"Worker preparedness is critical to business survival" in a disaster, she said. "If workers don't live long enough to come back to work, your business will not succeed."

She urged employers not to overlook the fact that their employees have lives outside the workplace. Personal preparedness at home is just as important as it is at the office, Ms. Hull said.

"The piece that I think that we tend to forget a lot," she said, is that employees also have roles that include spouse, mother, father, community volunteer and others. "That piece is important when disaster strikes. These people have lives that are not going on in your daily business."

When a disaster occurs, the personal and business roles come together, Ms. Hull pointed out. "And the question is: Are they going to converge or are they going to conflict? If you don't plan ahead, I guarantee you they are going to conflict," she said.

Chevron makes sure employees understand first that their personal preparedness is their own responsibility. "We burst a lot of bubbles for them. The first time we talk to them, we tell them that preparedness is their problem. Nobody at work is going to do it for them," Ms. Hull said.

"We tell them it's up to them to have some water under their desk. It's up to them to have some snack food in their desk. We are not going to give them a magic kit" filled with supplies to help them through a disaster, Ms. Hull explained.

Chevron's operations in San Francisco employ 10,000 and the company spends a lot of time educating workers on earthquake preparedness, she said. Much of the preparations are useful if other disasters, such as fires or mudslides, strike.

**I- day conference**
**sponsored by Houston Chapter Risk & Insurance Management Society Inc.**

In addition to taking responsibility to prepare for disasters at work, Chevron urges workers to make sure preparations are done at home. "Family preparedness allows peace of mind and rapid return to work," Ms. Hull said.

She pointed out that an employee who is at work during a disaster and is worried about the safety of his or her family is "no good to anybody. . . .We want you at work, but we want you at work and confident that your family is OK."

To that end, Chevron encourages its employees to prepare for disasters in a program it calls "Do One Thing." The program is designed to help families get ready for an earthquake or other disaster without getting overwhelmed by the preparations.

"It gives people the motivation to continue their efforts" by doing one thing at a time and building momentum to finish a number of preparedness tasks, Ms. Hull explained.

While there may be a number of things to do to prepare for an earthquake, hurricane or other disaster, "pick one," Ms. Hull said. "It doesn't matter which one. . . .If you have nothing at home right now for an earthquake and you go out and get a flashlight, you are now 100% better off than you were yesterday."

To encourage employees to move slowly but steadily, Chevron provides them a Family Disaster Supplies Calendar that helps workers and their families assemble, over a six-month period, the supplies they will need if disaster strikes. The calendar details a few supplies to buy each week and a few tasks to complete.

That way, the expense of supplies and tasks such as videotaping the contents of the home for insurance purposes are spread over several weeks. Ms. Hull said she and other Chevron employees bought everything on the list in a trial run and found the total cost to be about $400.

Chevron also hopes to ease employees' minds during a disaster with an emergency communications operation it calls the Rally Plan.

Sixteen sites were identified in the San Francisco Bay Area where employees and family members can check in if an earthquake disrupts communications. Employee volunteers will staff the sites, which are either Chevron facilities or public areas, and will set up communications stations. Employees and family members can check in at the closest sites during a disaster.

Using palm-sized computers that have cellular modems, the volunteers staffing the stations will transmit to each other lists of names of those who have checked in. Employees and their families can check the lists to find out if family members are accounted for.

"You can be reasonably assured that if your family checked in. . .then they're pretty much OK," Ms. Hull remarked. "And you don't have to worry about it."

Vicki E. Schleimer, corporate claims specialist at Jacobs Engineering Group Inc. in Houston, moderated the session.

# Jury

*Continued from page 2*

know from the beginning how long they will serve. Employers could benefit because trial time, and therefore litigation expense, stands to be reduced, Mr. Read said.

The current jury system and the number of lawyers involved in some trials can be compared with a college course taught by several professors with different arguments and students who cannot ask questions and who can enroll in the class only if they know nothing about the subject, according to "Order In The Classroom," a video produced by the Institute. Furthermore, students are never told what is important and they cannot take notes to help them remember what they believe is important.

Potential innovations could correct that by permitting jurors to ask questions during trials and to take notes, which many jurisdictions do not allow.

Deliberations also could be shortened by allowing jurors to discuss evidence during the trial phase, but only when all jurors are present and only in the jury room, Mr. Read said.

"This would be a revolutionary thing," Mr. Read noted. "For hundreds of years, juries have been admonished that they only can discuss the case and evidence at the end of the case."

Trials also could be shortened through the pretrial admission of exhibits and deposition testimony. A judge could then rule on any objection before a trial was under way rather than adhering to the cumbersome method of stopping and starting a hearing for objections.

Mr. Read believes the revisions would make the facts of a case clearer to jurors by making it easier for them to process the information presented to them. Additionally, they would become active participants throughout the trial.

Most employers do not fear going to trial as much as they fear an emotion-laden hearing that they might think is unfair to them, Mr. Read said.

But why would plaintiffs' attorneys support the endeavor?

The Project hopes plaintiffs' attorneys eventually will help defense lawyers and judges spread the word nationwide, Mr. Read said. The effort so far has included the "Order in the Classroom" video and presentations at attorneys' conferences. The project also has produced a media kit.

Several of the ideas, such as allowing jurors to take notes and ask questions, could benefit everyone, said a spokesman for the Washington-based Assn. of Trial Lawyers of America, which represents plaintiffs' attorneys.

But plaintiffs' attorneys have their own reforms they want, such as the elimination of court decisions that keep secret certain evidence presented in defective product cases. Compromise over such issues is a potential stumbling block, as is the "slow process" of change, the ATLA spokesman said. BI

# Robinson golf event raises about $40,000

The Eighth Annual Angus Robinson Jr. Memorial Foundation golf tournament, held Sept. 3 at Burning Tree Country Club in Darien, Conn., raised about $40,000 for the educational foundation.

Winning the tournament for the low gross score was a team sponsored by the reinsurance intermediary Aon Re Worldwide. The Aon Re team included Tracey Forst, Steve Stanford, Wayne Pyrtle and Bobby Ellington.

Winning the prize for the low net score was a golf team sponsored by Zurich Reinsurance Centre Holdings Inc. Members of the Zurich Re foursome included Adrianne Reid, Glen Curly, Pete Porrino and Walt Sartorius.

The Angus Robinson Foundation, which was established in memory of reinsurance industry executive Angus Robinson, who died in 1990, awards scholarships to academically qualified students of insurance and reinsurance who need financial assistance. Last year, the foundation awarded 19 scholarships totaling nearly $60,000.

Applications for scholarships for the current academic year are due by Dec. 1. For more information, write the Angus Robinson Jr. Memorial Foundation, 1690 Fairfield Beach Road, Fairfield, Conn. 06430.

# Software permits comparison of hospitals

ACTON, Mass.—HealthShare Technology Inc., a developer of comparative analysis software, has recently introduced its HealthShare One software in Illinois and several Northeastern states.

HealthShare One combines publicly available data on hospital performance with proprietary algorithms to provide health plans and employers with analysis on factors such as cost, charges, market share, case volume, payer mix and demographics. Each factor is adjusted taking other factors into account so that hospitals are compared on an equal basis.

HealthShare One features include:

- Decision Consultant Reports, featuring color graphics, tables and text that make recommendations and quantify (in dollars) expected results.
- General, demographic, clinical and financial analysis based on a wide range of factors.
- Analysis of direct costs as well as total costs.
- Analysis based on information at the patient level.

HealthShare One runs on desktop PC-compatible computers with Windows 3.1, 95 or NT, and the Macintosh. The application can work as a stand-alone system or in a client/server environment. HealthShare clients can purchase the software to perform analysis in-house or subscribe to a certain number of Decision Consultant Reports per year.

For information, contact Rick Siegrist, president and chief executive officer of HealthShare Technology, 978-263-6300.

## Voluntary AD&D

WELLESLEY HILLS, Mass.—Sun Life of Canada has added stand-alone accidental death and dismemberment coverage to its group life insurance product portfolio.

**Products & Services**

The new product features several riders that employers can use to tailor a plan to their employees' needs. Sun Life's voluntary AD&D is offered at group rates, and premiums are paid through payroll deductions.

Highlights of the plan include:

- Standard coverage for the loss of thumb and index finger or speech and hearing, total and permanent paralysis, surgical reattachment, rehabilitation training, disappearance and exposure to the elements.
- Benefit amounts can be offered in increments of $10,000, flat-dollar amounts or up to 10 times an employee's salary.
- Dependent coverage equaling up to 50% of the employee benefit for a spouse (60% if no children) and up to 10% of the employee benefit for a child (15% if no spouse).
- Optional features include coverage for felonious assault, using a common carrier as transportation, business travel, seat belt and air bag usage, bereavement counseling, helmet usage, common accident, dependent education and child care.

For information, contact Drew Guthrie, marketing coordinator at Sun Life in Wellesley Hill, Mass., 800-432-1102, ext. 3212; or 781-446-3212.

## Outcomes program

SAN FRANCISCO—United Behavioral Health, a unit of United HealthCare Corp., has completed the development and testing of a new program that attempts to reduce the inappropriate use of psychiatric disability benefits.

Using UBH's proprietary system for assessing outcomes, the new program includes a psychiatric and functional assessment within 72 hours of the claim for disability, followed by a treatment program that includes frequent visits and case reviews, as well as a range of treatments with therapists.

A pilot study of UBH's Managed Psychiatric Disability Program demonstrated improved treatment outcomes, lost time from work reduced by an average of 27.5 days per affected employee per year, annual savings of approximately $3,400 per employee, and projected yearly direct cost savings of $6.3 million. The MEDSTAT Group Inc., a research firm, independently evaluated the program.

For information, contact Kara Dornig, vp-product development at UBH, 415-547-5273.

## Integrated risk

CHICAGO—A "dual-trigger" product offered by CNA Risk Management protects a company from the occurrence of both an insured loss and a balance sheet loss.

The "insuratization" product incorporates the financial risks of currency devaluation, interest rate increases and commodity price shifts into a program of traditional insurance products.

With insuratization, capital markets instruments are used to hedge risk exposures. For example, a trucking firm has a large liability loss at the same time fuel prices soar, resulting in a significant financial hit. CNA Risk Management's insuratization product would protect the trucking firm by reducing the deductible on the insurance coverage when a financial trigger, such as skyrocketing fuel prices, is met. So if there is an insured loss at that time, the overall cost to the company will be reduced.

Financial risks, including commodity price increases, currency devaluation and interest rate fluctuations, are incorporated into a program of traditional insurance products. The dual-trigger policy can work with property, workers compensation, auto liability or any other type of loss-sensitive insurance policy.

For information, contact Bill Lutz, vp-product development for CNA Risk Management, 312-822-7766.

## Trustees handbook

BOSTON—Manulife Financial, an international financial services company, has released a guide for business owners and their officers to help them understand the obligations and potential liabilities involved with managing their companies' retirement plans.

A Handbook for Retirement Plan Trustees, a 50-page manual, lists the steps that trustees must take to protect businesses, employees and employee retirement plans.

The manual is written for the officer or director in a small to midsize company who is responsible for administering the company's retirement plan. This responsibility is frequently assigned to a president, chief financial officer or human resources director who does not have extensive experience in this area.

Topics covered in the handbook include how to handle employees' retirement money, the responsibilities of an employer that sponsors a 401(k) plan and the fiduciary responsibilities of persons dealing with the plan.

Manulife Financial produced the manual in conjunction with the Los Angeles-based law firm of Reish & Luftman.

Fred Reish, a benefits attorney who specializes in compliance issues, IRS audits and Department of Labor investigations; and David Levin, also a benefits attorney and expert in ERISA fiduciary breaches, plan terminations, employee benefits in bankruptcy, and professional malpractice, assisted in gathering much of the information in the handbook.

Free copies of the handbook are available through Manulife Financial Savings and Retirement Services representatives, or by calling 1-888-MANULIFE.

## Tech firm coverage

ST. PAUL, Minn.—St. Paul Fire & Marine Insurance Co. has introduced TechFlex: Technology Premier Property Protection, a flexible property coverage for large, sophisticated technology companies.

TechFlex is designed to meet the coverage needs of companies in the technology industry. Policyholders receive an array of coverages and then may tailor the limits required to meet their particular business needs. Policyholders also control their total premium costs.

TechFlex addresses key technology property exposures, such as computer property, building ordinances, electrical damage and mechanical breakdown, boiler and machinery penalties, and global coverage for portable computer equipment and property in transit.

For information, contact Carol Beatty, technology director for St. Paul Fire & Marine, 651-310-7445. BI

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977

Atlanta Bermuda Chicago London Stamford

# Critical

*Continued from page 3*

ceive money.

In most states, an individual must survive 30 days after being diagnosed with a critical illness. In some states, the policy pays a smaller benefit to the estate of those individuals who do not survive 30 days.

The policy has been approved in California, Colorado, Ohio and Oregon. Approvals are pending in several states, including Illinois and Texas. PM Group doesn't know of any other policies like Living Options available in the United States, though the coverage is popular in South Africa and the United Kingdom, said Mr. Goebel.

**The Living Options policy offers cash payments for individuals with critical illnesses.**

There are three levels of coverage under the policy. Plan 1 covers cancer. Plan 2 covers cancer, heart attacks, strokes, kidney failure and major organ transplants. Plan 3 covers all of the conditions covered in Plan 2 as well as paralysis, loss of limbs, blindness and deafness.

There is no minimum amount of coverage that must be purchased. Typical offerings under the voluntary plan are in increments of $25,000. The maximum coverage is $150,000 or three times the individual's salary, whichever is less.

Under the employer-paid plan, costs depend on the number of employees and the dollar amount of the policy. When employers pay the full premium, all their employees have the same level of coverage—whichever the employer chooses. The premium rate for voluntary and employer-paid plans is the same.

Living Options, available to employers with 50 or more employees, was introduced last month. No policies have been sold yet, but PM Group expects its market to be large.

Benefit consultants say that while employers may make the plan available to employees, companies are unlikely to pay the cost.

"I see a big perceived need from the employees' side," said Rich Stover, a principal at employee benefit consultant Buck Consultants Inc. in Secaucus, N.J. However, Mr. Stover said, "I don't think employers see this as a critical need, and they aren't looking to add benefits at their cost."

"Our clients wouldn't be interested because they're larger employers," said a spokeswoman for employee benefit consultant William M. Mercer Inc. Mercer clients already offer their employees disability insurance, and employees have the opportunity to increase their coverage if the need arises, she said. BI

# INTERNATIONAL

## Global Briefs

U.K. broker Benfield Greig Group Ltd. has launched an Internet site, **CargoInsure**, accessible to both brokers and direct clients for obtaining online quotations and placing risks. It was started by Benfield Greig Interactive Ltd., a new unit set up to develop interactive products to trade on the Internet. CargoInsure products are underwritten by four Lloyd's of London syndicates: CLM, Millennium, Richard Youell & Others and D.E. Hope & Others. BGIL Director Mark Birrell said the product incorporates elements not previously seen on insurance Internet sites, such as a claims service provided by Lloyd's Claims Office. The purchase is subject to the approval of Lloyd's. . . .**Chartwell Re Corp.** has taken further steps to integrate units of the Archer Group, which it acquired in 1996, under the Chartwell name. It has changed the name of Archer's Lloyd's of London managing agency from Archer Managing Agents Ltd. to Chartwell Managing Agents Ltd., and of Archer Group Holdings P.L.C., the parent of this unit, to Chartwell U.K. P.L.C. The Lloyd's service company, Archer Underwriting Ltd., will be renamed Chartwell Underwriting. Meanwhile, Chartwell Re has agreed in principle to sell for £8.75 million ($14.60 million) the business of its Lloyd's motor insurance Syndicate 866 and Archer Personal Lines Ltd. to Cox Insurance Holdings P.L.C. . . .The **Jersey Financial Services Commission** has named Richard Pratt, external affairs director of the London International Financial Futures and Options Exchange, as its next director general. He will take up the post from the start of 1999, though he will join the Commission on Oct. 12 as director general-designate. Early this year, the U.K. Home Office said it would examine the financial laws and regulations of offshore domiciles, including Jersey (*BI*, Jan. 26), and Mr. Pratt said the island's Financial Services Commission has achieved high regulatory standards that he is determined to help maintain and enhance. . . .**ACE Insurance Co. Ltd., X.L. Insurance Co. Ltd. and Overseas Partners Re Ltd.** plan to form a Bermuda-based consortium for underwriting aviation insurance. The alliance, to be known as Airline Risk Consortium, will provide catastrophe insurance in a single policy form for airlines' aviation, directors and officers liability, property and other related exposures. ARC will provide up to $250 million in aggregate limits for each airline on either an annual or longer-term basis. It has received its first submission from Aon Group Inc. on behalf of a North American client. ACE and X.L. each will provide 40% of ARC's capacity, and OP Re the remaining 20%. . . .Shares of **Allied Zurich P.L.C. and Zurich Allied A.G.**, the two holding companies for the newly created Zurich Financial Services Group, started trading Sept. 8 on the London and Swiss stock exchanges. In London, Allied Zurich shares finished their first day down 30.5 pence (51 cents) at 786 pence ($1.30), in contrast to the performance of Zurich Allied in Switzerland, which ended 49 Swiss francs ($34.58) higher at 899 Swiss francs ($634.42). ZFS combines the financial service operations of Zurich Group and B.A.T Industries P.L.C. (*BI*, May 25; Oct. 20, 1997). . . .Standard & Poor's Corp. has reaffirmed the A+ financial strength rating on **Lloyd's of London** that it originally awarded last year. The rating, which applies to all syndicates regardless of their individual performance, is based mainly on Lloyd's "very strong" business position, earnings and regulatory management, and its strong capital base and prospective financial flexibility, which S&P says are only partly offset by significantly reduced prospective earnings. . . .**Sir David Rowland**, former chairman of Lloyd's of London, who was responsible for carrying out the reconstruction program completed in September 1996, has been named to succeed Lord Alexander of Weedon as chairman of National Westminster Bank in April 1999.

# U.K. gets tough in asbestos case

## Sentences provide message for handlers: Inspector

**By CAROLYN ALDRED**

BIRMINGHAM, England—Recent hefty fines and a prison sentence highlight the need for company directors to take adequate safety measures in dealing with asbestos removal, an investigator says.

A prosecution brought by the Health and Safety Executive and the Environment Agency against two directors of engineering company Rollco Screw & Rivet Co. Ltd. and three other people involved in the removal of asbestos resulted earlier this month in total fines and costs of £98,000 ($163,719) and one defendant receiving a nine-month prison sentence.

It is only the second custodial sentence—and the longest—for a conviction under the HSE's asbestos regulations.

"The importance of property owners and managers effectively and properly managing asbestos when it is found on their property has been highlighted by the severity of the sentences," said Alan Craddock, the HSE inspector who conducted the investigation.

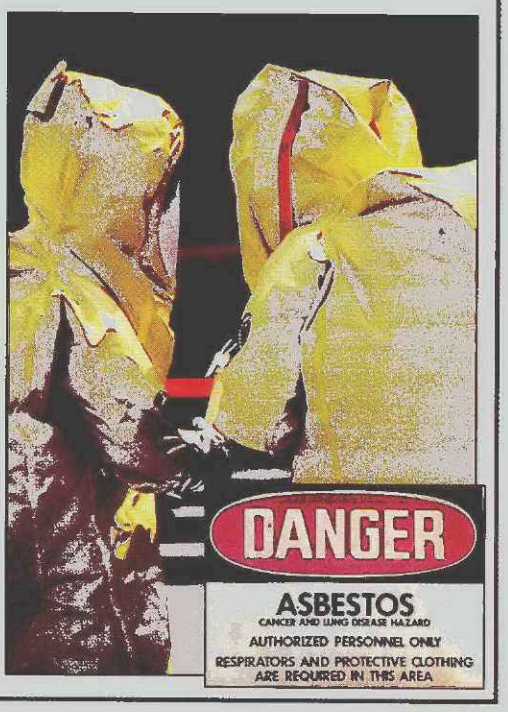
"The judge was especially critical that people who had not been licensed to carry out work on asbestos were brought in. It is vital that people check fully the qualifications of any person employed to carry out such work," he said.

The HSE prosecution arose from the removal of asbestos from Rollco's premises last September. The Environment Agency issued its own summonses under the Environmental Protection Act in relation to Rollco's illegal dumping of 300 bags of the asbestos at eight sites in Birmingham, England, where the company is based.

Rollco was fined £40,000 ($66,824) and made to pay court costs of £30,000 ($50,118). The company also had to pay a further "£50,000 ($83,530) to get the work done properly, lost six weeks production and has had its credit rating adversely affected," said Mr. Craddock.

Phillip Rose, managing director of Rollco,

*See* **Asbestos** *on next page*




# German guaranty fund could aid pension plans

**By DON LEWIS KIRK**

BERLIN—A government proposal to create a federal guaranty fund for life insurers also may protect employer-sponsored pension plans, according to Germany's federal insurance regulatory authority.

The Berlin-based Bundesaufsichtsamt fur das Versicherungswesen, or BAV, plans to recommend establishing a guaranty fund as competitive pressures on German insurers mount, said President Helmut Mueller. However, legislation would be required to implement the BAV's recommendation.

German insurers are protesting the BAV's announcement, arguing that a guaranty fund is unnecessary and contributions would be an additional burden.

But a BAV spokeswoman said the proposed guaranty fund would not resemble a large reserve and would be supported by contributions only in the event of a company insolvency.

Besides life insurers, the guaranty fund may also cover large German pension funds called "Pensionskasse," which are regulated as insurance companies.

"A guaranty fund would likely cover these funds as well," said Joachim Schwindt, head of Germany's fourth-largest Pensionskasse, sponsored by German chemical giant Hoechst A.G.

German employers often base their pension programs on various life insurance products, such as annuities on behalf of employees.

While a policyholder of an insolvent insurer is entitled to reimbursement for premiums paid, the proposed guaranty fund would guarantee policyholders receive their premiums plus 4% interest.

The move has angered the insurance industry, which contends there is no reason for BAV action. "The possibility of a bankruptcy is low, reserves are adequate and contributions an unnecessary cost," said Christian Helmut Dreseke, legal division director of the German Life Insurance Assn. in Berlin.

Mr. Dreseke said current regulations are enough to prevent a bankruptcy. "Besides, any company that has been in trouble in the past has been taken over by a larger company. It could even have a negative effect, tempting weak insurance companies to experiment with

*See* **Guaranty** *on next page*

# New risks need new cover

## Insurers lagging amid growing exposures: Speaker

**By SARAH GODDARD**

OXFORD, England—As the business environment evolves, companies' liability exposures are rapidly changing, and insurers are not keeping pace, a risk management consultant warns.

Speaking at the Fifth Liability Insurance Conference in Oxford, Clive Pracy, an associate partner at management consultant Andersen Consulting in London, identified intense competition and globalization as main drivers of consolidation in all industries. In addition, technological developments such as electronic trading and virtual companies are fueling the speed of change.

But "fighting today's wars with yesterday's weaponry is unsuccessful," said Mr. Pracy, particularly when a newly consolidated company is vulnerable to loss while it integrates.

"The risk profile of any company changes alarmingly quickly," and insurers have not risen to the challenges these companies face, he said. "How many new insurance products have there been over the last 25 years?" he asked.

Although a handful of liability coverages, such as directors and officers, employment practices and intellectual property coverages, have been developed over the years, Mr. Pracy argued that business risk rather than hazard risk is uppermost in the mind of the financial director or chief executive officer.

For example, a major manufacturer recently lost £178 million ($297.4 million) in exchange rate losses due to the economic problems in the Far East, he said.

As a result, "holistic risk management is becoming a reality," he said. Organizations "have to apply the same risk management and processes to business risk and operational risk."

What's more, as businesses increasingly set up strategic alliances, such as outsourcing arrangements, their risk profiles change.

Andersen Consulting provides outsourcing services for major organizations such as

*See* **Liability** *on page 24*

# Databases help insurers assess Y2K risks in U.K.

**By EDWIN UNSWORTH**

LONDON—Insurers in Britain, both those doing U.K. business and those involved in insuring international risks, were encouraged last week to take advantage of two data resources set up to help assess Year 2000-related risks.

The London Insurance & Reinsurance Market Assn. went live last week with its LY2K Index, which is intended to be used as a benchmark for assessing exposures related to the date change at the end of the year 1999 (*BI*, Aug. 31). The date change is expected to result in significant problems for many computer systems that read only the last two digits of the year, and so may confuse the year 2000 for the year 1900.




Meanwhile, the Assn. of British Insurers has strongly urged all intermediaries who have not already done so to join its Year 2000 database. The database, on the ABI's World Wide Web site located at http://www.abi.org.uk, contains information on the Year 2000 readiness of nearly 2,000 intermediaries and 133 insurers.

LIRMA's LY2K Index, available on CD-ROM, is intended to provide underwriters with relative risk factors based on industry sector and geographic location. Researchers have analyzed countries and regions according to a variety of criteria, such as dependency on microchips, government and central bank action to deal with the problem, and public awareness through the national media. By indicating how a particular industry and a particular country are moving toward compliance on a scale ranging from 1 to 10, the index should help underwriters better understand particular exposures in comparison with similar exposures elsewhere, according to David Watson, head of the LIRMA subcommittee working on the Year 2000 issue.

So far, 24 parties have signed up for the index. They include insurers, reinsurers, Lloyd's managing agents, the Lloyd's Year 2000 committee and an Australian bank.

Mr. Watson has stressed that the index is intended to be used to supplement underwriters' own individual assessments of particular risks by providing standards for exposures on industrywide and countrywide bases.

Marie-Louise Rossi, LIRMA chief executive, said: "Assessing Y2K liability is down to the in-

*See* **Year 2000** *on page 24*

*Topic: "Insuring All the Risks in One Basket- Integrated (Multiyear/Multiline) Products: Prospects for the Future"*

KATIE
*Center for Insurance*
INSURANCE
*and Financial Services*
SCHOOL
*College of Business*
ILLINOIS STATE UNIVERSITY

## *Eighth Annual Insurance Executive Forum*

*A Breakfast Seminar for Insurance Executives and Risk Managers*

*Thursday, October 8, 1998 8 - 11:45 a.m. Ritz-Carlton Hotel, Chicago*

**Program:** The most exciting new products in the insurance market today are multiyear/multiline basket aggregate coverages. Today's cutting-edge products provide risk transfer for "market risks" and "business risks" as well as event risks, including risks associated with currency fluctuations, variations in the price of raw materials and inventories, and other fortuitous impacts upon the insured's bottom line.
Such products compete directly with hedging in the commodity and derivative markets but have the advantage of being provided in a single basket aggregate contract, leaving the insurer to do the hedging.
A panel of industry experts will discuss the issues and help you understand the prospects for future development, regulatory implications, and, most important, how you can stay ahead of the curve.

**Panelists:** John G. Gantz Jr., executive vice president and head of the Alternative Risk Transfer Division of Swiss Re; E. Randall Clouser, executive vice president and head of Zurich Corporate Solutions, Zurich-American Insurance Group; Tobey J. Russ, president of AIG's Risk Finance Division; Bryon Ehrhart, executive vice president of Aon Re Services; and Jeffrey Sandburg, director of risk management, Morton International, Inc.

**Moderator:** Kathryn J. McIntyre, publisher and editorial director, Business Insurance.
*For more information: Call (309)438-3021 or (800)697-8692, or fax (309)438-7753.*



# Asbestos

*Continued from previous page*
was fined £4,000 ($6,682) plus £2,000 ($3,341) in costs, and Rollco company secretary Bernard Rose was fined £6,000 ($10,024) plus £2,000 in costs.

Meanwhile, self-employed Paul Evans, brought in to remove and dispose of the asbestos, was sentenced to nine months in prison for failing to ensure that people not in his employment were not exposed to risks to their health and safety and for carrying out the work without a license.

Martyn Joyce and James McNeill, owners of M&M Joyce Ltd., each were fined £6,000 plus £1,000 ($1,671) in costs when replacing the asbestos roof on the Rollco building without a license.

Judge Harris QC, ruling in Birmingham's Crown Court on Sept. 4, said the site was a "dangerous disgrace" and said he had considered giving Messrs. Joyce and McNeill prison sentences, too.

Meanwhile, the HSE is proposing tighter regulations to further protect workers exposed to asbestos. Proposed amendments to the Asbestos (Licensing) Regulations 1983 and the Control of Asbestos at Work Regulations 1987 would ensure that all people exposed to asbestos, including those in the building industry, would be covered by the regulations. The law now covers mainly those involved in manufacturing asbestos.

Other amendments include lowering the control level of chrysotile, or white, asbestos; requiring employers to keep onsite copies of any asbestos exposure assessments and plans to eliminate asbestos; a requirement that respiratory protective equipment be used by anyone handling asbestos to reduce exposure as low as practicable; and a requirement that HSE-appointed medical advisers issue certificates of medical examination to employers and employees.

Subject to Parliamentary approval, the proposals should take effect by the end of the year.

The HSE also is considering increasing the duties of employers to identify and manage asbestos risks in buildings, as "one of the biggest problems (some) workers face is that they do not know when and where they may discover asbestos during their work activities."

This month, the HSE is publishing a consultative document setting out regulatory proposals to restrict further the importation, supply and use of chrysotile. Crocidolite (blue asbestos) importation was prohibited in 1972, and Amosite (brown asbestos) importation was banned in 1980. The consultative document proposes prohibiting all uses of chrysotile, apart from a few essential uses where adequate substitute materials have not yet been developed.

•

*The consultative document will be published soon on the HSE World Wide Web site at www.open.gov.uk/hse/condocs.*

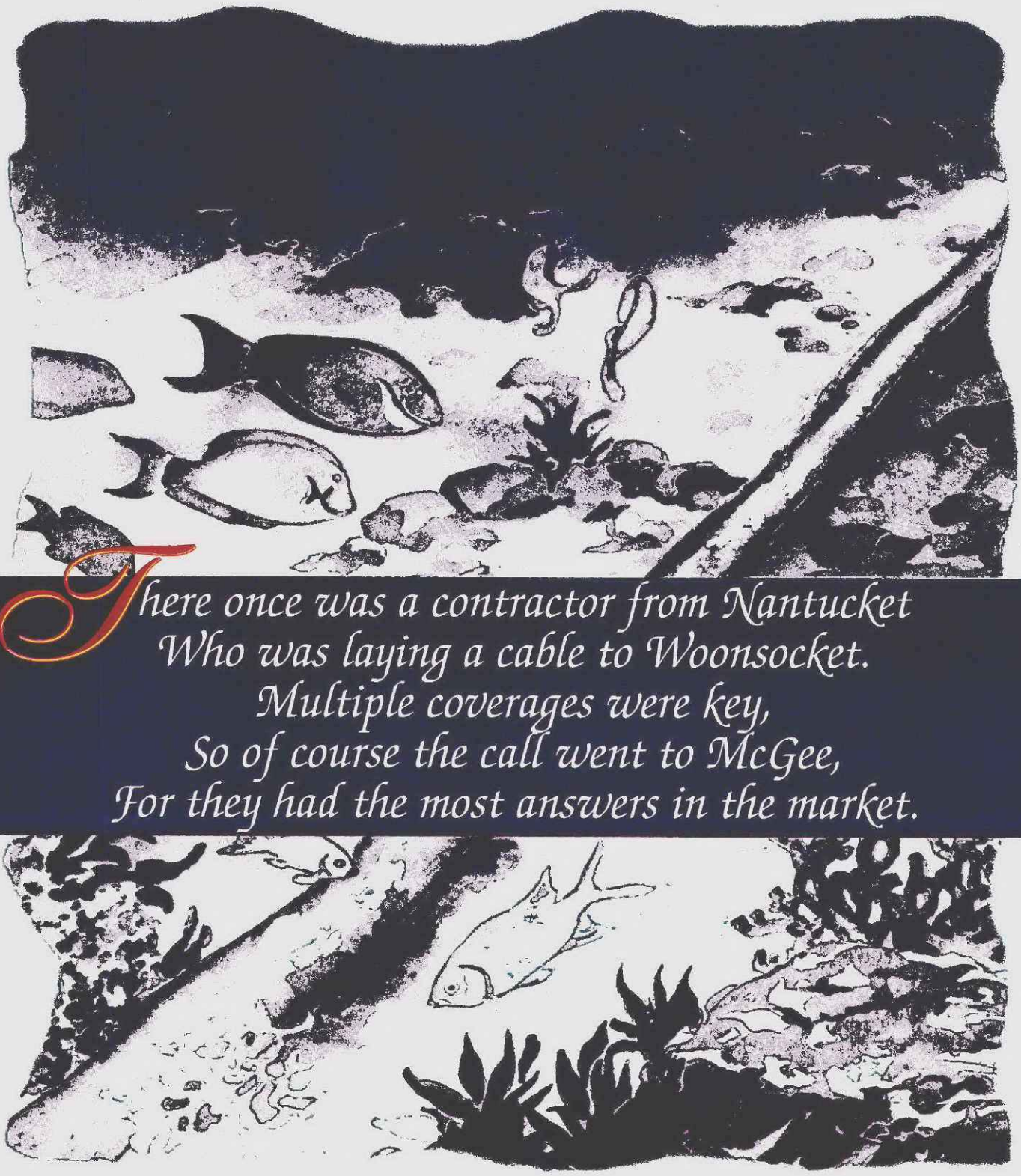
# Guaranty

*Continued from previous page*
excessive risk securities, knowing a net was in place for buyers should the company fail," he said.

Mr. Schwindt of Hoechst also believes regulations are so tight that the bankruptcy of a Pensionskasse is nearly impossible as the exposure to stock market losses is capped at 30%. The remaining assets must be placed into other investments, such as real estate. "It would take a complete collapse of the market. We are allowed to put a maximum 30% of the capital into securities. It just wouldn't happen," he said.

German regulators see things as worsening, particularly in the annuity market. A recent BAV study shows average interest rates have fallen below 4% on bonds, which German annuity issuers use to base their minimum guaranteed return. As a result, the BAV plans to recommend that lawmakers lower the guaranteed interest rate for capital-growing life insurance products such as annuities.

Insurers oppose reducing the guaranteed interest rate because they believe it will harm their ability to compete with banks offering similar products. German insurers are fighting competitive pressures, lower rates and falling investment income, said Mr. Mueller. While no German company is in danger of folding, the drop in investment income and other factors have motivated the BAV response, a BAV spokesman said. BI



*There once was a contractor from Nantucket*
*Who was laying a cable to Woonsocket.*
*Multiple coverages were key,*
*So of course the call went to McGee,*
*For they had the most answers in the market.*



Laying undersea cable is risky business. Equipment and supplies go from shore to sea and back again until the job is done. Gaps in coverage can spell disaster.

So when the agent needed coverage for a contractor installing an underwater cable, Wm. H. McGee got the call. We reacted quickly and combined the inland marine, ocean marine and property coverages on a single policy. Our agent won the business.

As marine insurance specialists for more than a century, our expertise and flexibility can help you do the same. See the difference a horse of a different color makes. Call McGee today at 1-800-235-6029.

Wm. H. McGee
Underwriting Managers

# *"With General Re, you get more than just reinsurance."*




*Bruce Laing, (right) with Tom Kearney, General Re*

*"They do their homework. They help us find the answers we need to keep our decisions on track. They always come up with better ways to make our reinsurance work harder for us. Year after year, we get solid, consistent top-notch coverage and attention to all of our needs, including but not limited to reinsurance."*

**G. Bruce Laing, President & CEO**
**Wolverine Mutual Insurance Company**

**General Re®**

*The difference is...the quality of the promise*

General Reinsurance Corporation
General Re Financial Products Corporation
General Re-New England Asset Management, Inc.

General & Cologne™ RE

www.genre.com

©1998 General Re Corporation

# Liability

*Continued from page 21*

the London Stock Exchange, but it does not take their risk exposures, explained Mr. Pracy, Instead, the consultant works in an environment of partnership rather than "suability," he said.

After all, moves within the British business environment, such as supermarket chains entering the financial services industry, show that all a business needs is a brand name, Mr. Pracy contended. "The rest can be outsourced."

Gordon Crossley, regional and projects manager in the finance services division of Shell International Ltd., pointed out that his organization's risk profile changes almost daily. The Shell Group, with oil, gas, chemical, coal and other energy businesses in 130 countries, is buying and selling parts of its operations all the time, explained Mr. Crossley. The approximately 340 companies that form the group operate on a decentralized basis, he said, but the group insurance program is coordinated in London, providing risk management advisory services to Shell centrally as well as to the worldwide companies.

In an organization the size and type of Shell, risk exposures are very wide and potentially very large. In certain areas, such as exploration, the risks will be shared with another energy company to minimize potential losses. In others, Shell buys conventional insurance coverage.

Shell has a formal approach to risk management, explained Mr. Crossley. Physical risks are minimized or eliminated using risk surveys and learning from past experience. Financial risks are dealt with through three mechanisms:

- Risk retention or self-funding.
- Risk transfer through insurance.
- Risk allocation using contracts.

The level of risk retention is influenced by several factors, including the cost of insurance, explained Mr. Crossley. Also brought into the equation are the relative claims experience between Shell and the rest of the industry, available capacity and shareholder relations. Shareholders may demand that insurance is in place for certain exposures, he said. "Shareholder relations shouldn't be an issue for risk retention, but it has influenced (Shell) in the past," he explained.

"Captives are a very valid way of bringing risks into the center," said Mr. Crossley, and Shell uses its captives to increase risk management awareness in the organization. They also provide a focal point for the group's risk financing strategy, allow tailor-made policy wordings and can simplify the group's insurance programs.

Although Shell buys high levels of liability cover, Mr. Crossley questioned whether the conventional insurance market provides a good solution, particularly for large companies.

"I have reservations as to whether buying high levels of liability insurance is worth it," as it can encourage litigation, he said. What's more, "generally, people buy too much insurance," he commented. "Over time, they will pay more out on insurance than they will get back."

Nevertheless, when traditional insurance is appropriate, buyers are looking for wide wordings and want coverage for exposures such as pollution and financial loss as well. The insurance market has not responded to the needs of the buyer in these respects, said Mr. Crossley. Shortfalls have included providing gradual pollution coverage. Although some facilities have been developed, the limits available, up to $25 million, he stated, are too small to be of interest.

One of the problems facing Shell and many other global organizations is that "liabilities can come from anywhere. . .and it is difficult to estimate potential liabilities in financial terms," said Mr. Crossley. In general, it is not the insurable risks that cause a problem but business risks such as currency exchange rates and oil price fluctuations, and political risk exposures. "A change of political attitude can throw you completely out the window," he said. BI

# U.K. psychiatric claims may rise

**By SARAH GODDARD**

OXFORD, England—A proposal to broaden the legal definition of psychiatric illness may open a floodgate of claims in U.K. courts, leading to greater liability exposures.

A Law Commission report issued earlier this year identified some disparities in the current legal treatment of psychiatric illnesses and has made recommendations widening the range of individuals who may claim damages, said Dr. Adela Williams, a solicitor with London-based law firm Cameron McKenna.

Speaking at the Fifth Liability Insurance Conference in Oxford earlier this month, organized by the Training Centre, Lloyd's, Dr. Williams explained that situations such as the 1989 Hillsborough football stadium disaster, where dozens of people died in a crowding incident (*BI*, June 10, 1996), had brought the issue of psychiatric claims to the fore.

Although relatives of people who had died or been injured at Hillsborough had witnessed the incident on live television and later identified the victims, they were not legally entitled to compensation for any consequent psychiatric illness. Police officers on duty generally did receive damages.

This was because the law currently in force for so-called secondary victims—those not directly involved in the incident—has evolved in piecemeal fashion. Dr. Anthony Barton, a partner at Cameron McKenna, summarized the current requirements as:

- The secondary victim must have sustained a recognized psychiatric illness.
- Psychiatric illness was reasonably foreseeable.
- The relationship between the secondary victim and the primary victim must be one of closeness based on ties of love and affection.
- There must be a shocking or traumatic event.
- There must be proximity in space and time of the secondary victim to the shocking event.
- The psychiatric illness must have been caused by the shocking events.

"Although these legal principles are readily stated, their application in fact is a matter of degree," explained Dr. Barton. "Accordingly, the application of the law in this area gives rise to massive difficulties" for both claimants and defendants.

In addition, new causes of action such as potential exposure to AIDS or Creutzfeldt-Jakob disease—a form of the so-called mad cow disease that affects humans—have opened up new areas of litigation where the risk of physical harm has led to psychiatric injury, though no physical injury has been sustained.

"Such claims can be potentially very wide since the concept of safety in relation to consumer products is relative rather than absolute—any consumer product can be associated with some risk," he said.

As a result, U.K. risk managers will have to be more diligent in identifying and trying to prevent foreseeably harmful events.

These types of issues triggered the Law Commission's report this year—and led it to advise that legislation addressing the universe of psychiatric injury claims was not the way forward, said Dr. Williams. Instead, the commission "felt it was important that the law should be able to develop incrementally to reflect medical and sociological advances," she explained. Nevertheless, the Law Commission identified certain areas where the law was "developing in an inappropriate direction," she said.

In particular, it recommended that the "shock requirement" be dropped, since in certain circumstances psychiatric illness from an event can develop over time. At the same time, the Law Commission recognized that removing the shock requirement may increase the number of claims and that in circumstances where the illness develops over a period, it may be difficult to prove it is due to the particular incident.

The Law Commission also strengthened the legal claims of secondary victims, taking the view that "there was little evidence justifying a distinction between those plaintiffs who came within the area of physical danger to justify treating them differently from those who were not within the area of physical danger but suffered psychiatric illness," she said.

It also said the proximity requirements should be removed for all secondary victims where there is a close tie of love and affection. BI

# Year 2000

*Continued from page 21*

dividual judgment of underwriters. We believe, however, that this model is a unique tool, which will provide an idea of the relative levels of risk being taken on. In some cases, it will set alarm bells ringing."

Max Robinson, a member of the Y2K committee and an underwriter at Zurich Re (London), added, "Although there are gaps in content analysis, the model already offers some valuable indicators as to the relative Y2K risk of given industry sectors in given countries."

The LY2K Index was developed with Gartner Group, a Stamford, Conn.-based information technology consulting firm. LIRMA and Gartner have been updating the index quarterly over the past year while it was in preparation, building up a picture as to how certain industry sectors in certain countries are moving toward Year 2000 compliance. Continued quarterly updates are planned throughout the year 2000 and possibly beyond. By November, the index will be updated again in time for the next renewal season, but it will also be modified to "fill in gaps in content analysis," according to a LIRMA spokesman.

Mr. Robinson said the fact that the index is updated quarterly is one of its real strengths, "enabling underwriters to view changes in Y2K preparedness as they occur in the run-up to the millennium."

David Watson, director and chief underwriter of London-based NAC Reinsurance International Ltd., heads LIRMA's Y2000 subcommittee, which has been responsible for work on the index. He has emphasized that LIRMA had specifically wanted to provide guidance for underwriters rather than introduce exclusions for Y2K risks, as sample exclusion clauses were already available from the ABI.

The ABI is writing to all intermediaries who have not already returned its questionnaire on the state of their readiness for Y2K. The database it is compiling from the returned information is intended to greatly reduce the workload for both intermediaries and insurers by helping them identify potential problems.

The ABI intends to extend the database to include other industry trading partners, such as loss adjusters, vehicle repairers and lawyers.

John Kemble, the ABI's electronic commerce manager, said, "All the indications are that the industry still has some way to go before it can claim to be totally Year 2000-compliant, which is why maximum participation in the database is so important. It is the only way to avoid the massive duplication in effort involved where companies check compliance of trading partners individually. It also highlights to our policyholders and the government how seriously the industry is treating the issue." BI


## Services Guide

CPCU® and IIA candidates
I guarantee you will learn more in less time with The Burnham System — or your money back
Ray Burnham, CPCU, CLU, ARM
19 Everett Street, Southbridge, MA 01550
Call 1-800-GET-CPCU Now!

FOR 1998 RATES AND EDITORIAL CALENDAR
CALL 312-649-5340

*Publishing October 5 in*
**Business Insurance®**
International Benefits & Risk Management Directory: International Insurers & Benefit Networks
Distribution: ASHRM; Canadian RIMS; CIAB/CICE
Ad Closing: September 23
Call Now To Reserve Your Ad Space!
(312) 649 - 5340

For advertising information contact: Irais Amleshi,
Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340 • Fax (312) 649-7937

## "Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription. Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of loss prevention, risk financing and benefit management every week.

**To subscribe, use the card in this issue or Call 1 (800) 678-9595 Toll-Free.**

Ask about our special 20%-off group subscription rate for five or more subscriptions. A great way to save money. And avoid pass-along problems.

**Subscription Rates in U.S. Dollars for 1 year, 52 Issues.**

| | |
|---|---|
| USA | $87 |
| Canada/Mexico | $105* |
| All other countries by expedited air. | $205 |

* Price includes Canadian GST.

Business Insurance.
Subscription Dept.
965 E. Jefferson
Detroit, MI 48207
Outside the USA
Call (313) 446-0450

# Compact

*Continued from page 1*

posed law may be placed on a fast track for state legislative approval next year in Illinois, Michigan and Nebraska—the three states belonging to the Interstate Insurance Receivership Commission that developed it. Under commission rules, legislative approval in the majority of member states is necessary before the receivership law can go into effect in any state.

"I think this statute is an exemplary model receivership statute," said Peter Gallanis, special deputy receiver for the Illinois Insurance Department and a representative to the commission that unanimously adopted it last week after making some minor editorial changes.

However, the final printed version of the 120-page measure will be reconsidered today, and additional comment allowed during a commission meeting at the National Assn. of Insurance Commissioner's fall quarterly meeting in New York, Mr. Gallanis said.

The receivership commission and its new law, which took 18 months to craft with input from diverse interest groups, had their roots in earlier criticisms made several years ago by Rep. John D. Dingell, D-Mich., about states' inadequate solvency regulation of insurers, said James R. Stinson, chairperson of the Receivership Law Advisory Committee. He is an attorney with Sidley & Austin in Chicago.

In the 1990 congressional report "Failed Promises: Insurance Company Insolvencies," Rep. Dingell's House Oversight and Investigations Subcommittee examined the causes of a string of huge insurer insolvencies in the late 1980s, including those of Mission Insurance Co., Transit Casualty Co. and Integrity Insurance Co.

Rep. Dingell concluded that insurance regulation must be vastly improved to protect policyholders. He later introduced an unsuccessful bill that would have allowed some insurers the option of being regulated by a new federal agency that would set solvency standards.

However, one criticism from Rep. Dingell generally accepted as valid was that a policyholder's rights in an insurer insolvency varied, depending upon the state where the policyholder was located or where the insolvent insurer was based, Mr. Stinson said.

Subsequently, NAIC commissioners from the Midwestern Zone explored the topic with members of the NCOIL, which had drafted a broad Interstate Insurance Protection Compact. Midwest commissioners later pared down that proposal to focus only on receiverships, and from it they developed the interstate compact commission. Individual state legislative action was required to establish the commission, which has run independently since it became operational in 1995.

Overall, regulators found that state liquidation laws were ill-prepared to deal with the complex, multistate receiverships that have occurred in the past 15 years or so, said Mary Cannon Veed, an attorney with Peterson & Ross in Chicago who was one of three "co-reporters" helping draft the law. Resulting problems include unnecessarily delayed claims payments, lack of receiver oversight and general confusion about the rights of various parties in the process.

"Insurance is the business of giving people certainty," Ms. Veed said. "If we have unclear liquidation laws, we not only don't give people certainty, we give them additional uncertainty. We make things worse for them."

**'If we have unclear liquidation laws...we give people additional uncertainty,' says Mary Cannon Veed.**

Many provisions of the new receivership law proposal are designed to provide certainty, including a measure that satisfies important guaranty association concerns, Mr. Stinson said. Those guaranty association concerns include "Class 1 priority treatment for expenses, an express right to intervene, and strengthened 'early access' provisions," he said.

However, many of those provisions likely will have to be introduced in states as companion legislation, because the interstate compact itself, which established the commission, prohibits promulgation of rules directly relating to guaranty associations.

This prohibition created "a very difficult problem for ourselves," when it came to this law, said Kevin Harris, general counsel for the National Conference of Insurance Guaranty Funds in Indianapolis. Despite that problem, he considers this proposed law as "a very good document" that is "a great improvement over existing model legislation."

In addition, reinsurers were concerned about a claims estimation/acceleration issue, but it was resolved through "a fair and balanced compromise," said Debra J. Hall, vp and general counsel of the Reinsurance Assn. of America in Washington.

For example, the proposal allows estimation of known claims that are contingent or unliquidated and allows estimation of incurred-but-not-reported claims for limited purposes. However, such estimation may not be used to accelerate reinsurance recoveries, except as part of a court-sanctioned commutation process, Mr. Stinson said.

While the receivership law proposal is garnering popular support, it is uncertain whether the presentation of this draft will encourage more states to join the interstate insurance commission, Mr. Gallanis said. BI

## ADVERTISER INDEX

**Issue of September 14**


| ADVERTISER | PAGE # |
|---|---|
| Aetna/US Healthcare Grp. Plans | 4 |
| Burnham Systems | 24 |
| Business Insurance | 13 |
| Carvill America, Inc. | 20 |
| CGU Insurance Companies | 6-7 |
| Crawford & Company | 28 |
| Fortis Inc. | 10-11 |
| General Reinsurance | 23 |
| GHI | 14-15R |
| The Hartford Specialty Div. | 25 |
| Illinois State University | 22 |
| International Business Forum | 14-15 |
| Wm. H. McGee & Co., Inc. | 22 |
| Mutual Marine Office | 12 |
| PXRE Reinsurance Company | 16-17 |
| Reliance National | 32 |
| Risk Capital Reinsurance Co. | 9 |
| United Healthcare | 18 |
| Zurich-American | 5 |






At Hartford Specialty, our dedicated account teams are obsessed with reducing loss costs. In our attention

**Reduce Loss Costs.**

to detail, we scrutinize every bill for errors, inconsistency and fraud, saving an average of 39.8% per bill.

**Reduce Loss Costs.**

We are constantly working to reduce the cost of claims through the introduction of innovative methods

**Reduce Loss Costs.**

such as: a diagnostic tool for soft tissue back injuries, The Back School and programs to help people

***(It's our team rallying cry.)***

overcome non-physical barriers in returning to work. For more information call us at 1-800-267-9785.

Partnership. Bring It On.®

THE HARTFORD

© 1998 The Hartford Financial Services Group, Inc.

# The Professional Marketplace

## RATES AND CLOSING TIME:

*Rates: Display classified is $171.00 per column inch, minimum of one inch. Straight classified is $15.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $25.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

*Closing: Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Irais Amleshi, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340, FAX 312-649-7937, or e-mail iamleshi@crain.com*

## ADVANCED DEGREES

### Secure your Masters in Security & Crime Risk Management

Leicester University
United Kingdom

*Protect your future through our innovative distance learning program designed for busy professionals who desire the flexibility to study without having to give up work. We also offer Masters programs in Security Management, Criminal Justice Studies, Public Order Studies, and Risk, Crisis & Disaster Management.*

*You can structure your study to fit your schedule, location, and budget. This fully accredited distance learning Masters program is offered under Royal Charter through the Scarman Centre at Leicester University, one of the world-renowned universities in the United Kingdom.*

*Supported locally by RDI and by Leicester's world-class faculty, you profit from the experience and knowledge you need to meet your educational and career objectives.*

rdi **For more information and a free brochure,** *call us now at* **800-874-5844.** *E-mail requests should be sent to rdiusa@erols.com. Visit the university's web site at: www.le.ac.uk*

## HELP WANTED

### SENIOR ACCOUNT EXECUTIVE

LARGE ACCOUNT COMMERCIAL CASUALTY INSURANCE

**Compensation Package $150,00 - $200,000+ NYC market**

If you are a consummate professional, who can analyze casualty program design & ratings; understand pricing and program development; can analyze exposures and have a knowledge of loss rating techniques & financial analysis; have solid relationships with brokers/producers; and have at least an 8 year track record of producing profitable casualty business...then this highly regarded, leading, national insurance company would like us to speak further with you.

This is an entrepreneurial environment, conducive to an "A" personality who wants the opportunity to truly grow. They offer an exciting and innovative incentive program that will put no limit on earnings—or career growth.

If this sounds like the step you are ready to take, please send your resume, including earnings history, in strict confidence to: **Consultant, c/o Box 123AA, 902 Broadway, 10th Floor, NYC 10010.**

## HELP WANTED

**CHIEF INFORMATION OFFICER**

NYSE Houston-based company seeking CIO. Individual must demonstrate leadership skills, and experience with project management. Job responsibilities include directing activities of subsidiary MIS professionals. Competitive salary, excellent benefits, and 401(k) plan. Send Resume and salary history to Business Insurance, Box 3086, 740 N. Rush Street, Chicago, IL 60611-2590.

**FOR 1998 RATES AND EDITORIAL CALENDAR CALL 312-649-5340**

## HELP WANTED

**VICE PRESIDENT, INFORMATION SYSTEMS**
**Atlanta, Georgia**

Prominent life insurance company seeking VP-info. Systems to lead the long-range technology direction for Company, manage vendor relations, support various business unit heads, and manage staff of 70+ and budget of $4M. Seeking candidates with strong technical expertise in the life insurance arena. Ideal candidate will be visionary leader who can implement his/her strategic initiatives. Contact: Hallie Travis, Tyler & Company, 5250 77 Center Drive, Suite 350, Charlotte, NC, 28217. Email: htravis@tyleranco.com; Phone 704-672-1662.

## HELP WANTED

### Your Experience Is About To Pay Off.

PLI Brokerage, a national insurance broker and subsidiary of The Chubb Corporation, is seeking ambitious, aggressive and experienced professionals for various positions nationwide. PLI specializes in niche personal insurance sales and marketing and offers you the advantages of an entrepreneurial culture with exceptional Fortune 500 benefits.

**Regional And Office Managers**

Will manage sales and service for one or multiple PLI offices. Should have experience working with upscale clientele and strategic alliances, including financial consultants, mortgage lenders, and realtors.

**Relationship Managers**

Looking for highly motivated individuals who can foster new client relationships through partnerships with financial consultants, affinity groups and real estate businesses.

**Sales Executives**

If you have a strong entrepreneurial spirit and the ability to bond well with prospects and clients, determine their needs and provide appropriate services, we have a position for you.

All candidates should possess valid P/C License and experience in similar position. For job opportunities in your area, visit our website at www.plibrokerage.com. Send resume to: Human Resources, PLI Brokerage, 25 Independence Blvd., 4th Floor, Warren, NJ 07059 or fax to 908-903-6501 or e-mail to: careers@plibrokerage.com.

CHUBB

*Equal Opportunity Employer*
*Personal Insurance. Professional Solutions.*

PLI Brokerage, Inc.

## HELP WANTED

### There's a very simple rule about success: work where achieving it is possible.

**Attorney**

American International Group, Inc. is the leading U.S.-based international insurance organization and among the nation's largest underwriters of commercial and industrial coverages. Its member companies write property, casualty, marine, life, and financial services insurance in approximately 130 countries and jurisdictions, and are engaged in a range of financial services businesses. AIG currently has an opportunity in its Risk Finance Division for an attorney.

Qualified candidates will have a minimum of 5 years' insurance regulatory and/or contract drafting and negotiating experience in P&C commercial lines. Experience providing advice on structuring and documenting insurance products, regulatory compliance and implementing legislation is also required. Familiarity with captives, facultative reinsurance, surplus lines, risk management, deductible programs, credit enhancements, financial products or derivatives a plus. Candidates must have worked in a major law firm or legal department of a major P&C insurance company and be able to work directly with the business unit.

We offer a competitive salary and benefits package. Send resume, with salary requirement, to: American International Group, Inc., Corporate Staffing, Dept. AB/ATTY/BI, 72 Wall Street, 11th Floor, New York, NY 10270. Fax: (212) 509-9705 For more information, see us at: www.aig.com. EOE.

AIG **World leaders in insurance and financial services.**

## HELP WANTED

**BUSINESS DEVELOPMENT SPECIALIST**

**EBI Companies**
**Orion Capital**

***National Workers' Compensation Specialists***
***http://www.ebico.com***

EBI Companies, the workers' compensation specialist of the Orion Capital Companies, has an immediate opening for a Business Development Specialist in our Princeton, New Jersey office. EBI is one of the nation's 20 largest underwriters of workers' compensation and consistently produces one of the lowest loss ratio results of this group.

The Business Development Specialist position at EBI has two components, marketing and underwriting. Success is measured by the profitable top-line growth of the company.

Responsibilities include; working in a team environment to secure new (mid-market) business through a limited number of partner agents, underwriting and pricing the business, and conducting point of sale meetings along with our agents.

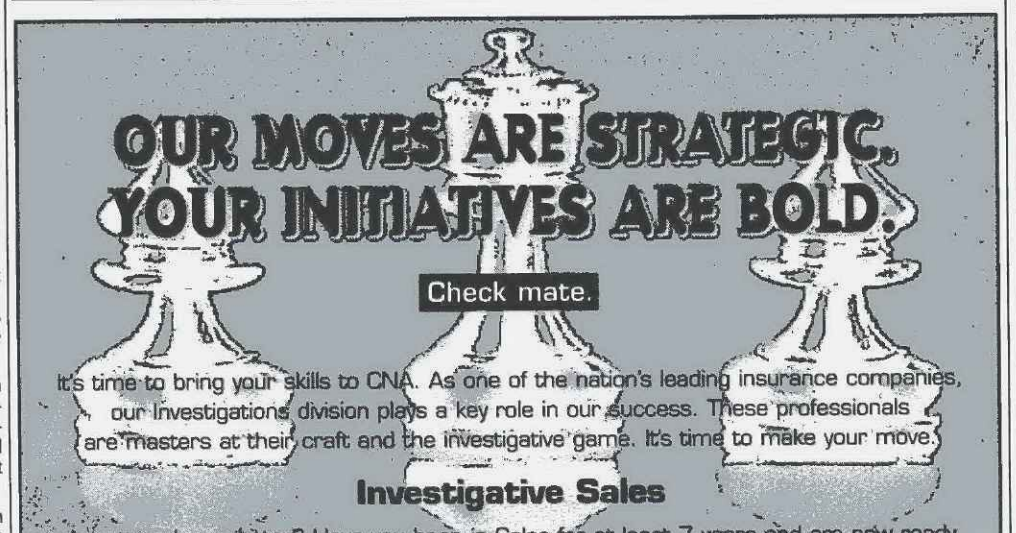
The successful candidate will be an accomplished marketing professional with workers' compensation underwriting and pricing experience. He or she must possess strong written and verbal communication skills, have a minimum of a related four year college degree, and be very customer service oriented. Experience in writing and servicing healthcare related risks (nursing homes, hospitals, assisted living) is very helpful.

EBI offers a competitive compensation package, a creative and challenging work environment, and opportunity for advancement.

Interested candidates are encouraged to forward their resumes to:

EBI Companies
212 Carnegie Center
Suite 400
Princeton, NJ 08540
Attn: Carole Moore, HRD
EOE

## HELP WANTED




It's time to bring your skills to CNA. As one of the nation's leading insurance companies, our Investigations division plays a key role in our success. These professionals are masters at their craft and the investigative game. It's time to make your move.

### Investigative Sales

Are you a heavy hitter? Have you been in Sales for at least 7 years and are now ready to set your own path? CNA is seeking a professional salesperson who is a master at selling concepts to sell Investigative Services. The prime candidate will be technically and politically savvy and inspired by the opportunity to work from his or her home. We will consider contracted employees.

For consideration, please forward your resume and salary requirements to: **CNA, Attn: C.Cole, Dept. 98171B, CNA Plaza, P.O. Box VV, Chicago, IL 60685 or FAX: 312-822-7565. E-mail: resumes@cna.com.** CNA is an Equal Opportunity Employer M/F/D/V committed to a diverse work culture.

**Visit our website at www.cna.com/careers/**

CNA

***For All the Commitments You Make®***

## HELP WANTED

### Envision Potential

As a Risk Management professional, you understand that people have unique needs and the solutions to their problems are not always the same.

Zurich-American International Accounts is a large account casualty division of Zurich-American and handles both domestic and international casualty business. We are currently seeking an experienced Risk Management professional for our Schaumburg, IL location to manage our Chemical & Pharmaceutical Segments and to bring a customer perspective to our business strategy and its execution for some of the fastest growing companies in the U.S.

**Chemical & Pharmaceutical Segment Head**

In this position, you will be responsible for strategic planning including identifying customer needs and industry segments that offer better than average profit and growth opportunities, as well as developing differentiated products and services. The qualified candidate must have 10+ years experience as a Risk Manager and 15+ years in an insurance or related industry. A high level of initiative, excellent communication skills and the ability to work in a team environment essential. Established industry contacts at the Risk Manager level are highly desired.

In addition to the professional environment and exciting opportunities that we offer, we also provide competitive salaries and benefits. Please send/fax your resume including salary history to: **Zurich-American, Attn: GH-CPSH, 1400 American Lane, Schaumburg, IL 60196-1056. FAX: 847/413-5971.**

Visit us @ www.zurichamerican.com

An Equal Opportunity Employer/Smoke Free Environment.

ZURICH

**Business Insurance Online** www.businessinsurance.com

HELP WANTED | HELP WANTED

Indiana State University

The Gongaware Center for Insurance Management Development

EXECUTIVE DIRECTOR

Executive Director to assume leadership in January 1999 for the operation and success of the Center and its programs, including promoting Indiana State University and its insurance program to the industry, and designing, implementing, promoting and administering University and industry service programs.

Qualifications: Proven leader with extensive industry experience who has a history of success in positions of increasing responsibility and entrepreneurial achievement.

Other beneficial attributes: industry designation(s) or graduate degree(s); experience with or knowledge of higher educational institutions; and experience in the development, implementation, or teaching of educational or training programs.

Send nominations and applications, including resume with references, statement of philosophy regarding need for academic preparation and continuing education for the industry, and brief statement of accomplishments to:

Dr. Mary Ann Boose, CLU, CPCU, chair, Gongaware Center Executive Director Search Committee, Office of the Vice President for Academic Affairs, Indiana State University, Terre Haute, IN 47809.

AA/EOE

BUSINESS OPPORTUNITIES | BUSINESS OPPORTUNITIES

WHOLESALE BROKERS

I am operating as a wholesale broker and a Managing Agent with two locations, one in NJ the other in NYC. The agencies are significantly involved in the marketplace in both states and are well known for writing main street business and non-standard lines. There are 3 separate legal entities with common ownership. As a group, we represent six major markets; "A" rated National Stocks, Regional Mutuals and both non-admitted excess and surplus line binding authorities. I am seeking additional partners within the territory or in adjacent territories to further expand our sphere of influence locally to become a more dominant player throughout the region. Respond to: Business Insurance, Box 3085, Chicago, IL 60611-2590.

CONSULTANT

Opportunity to join leading national network of independent consultants.

We train individuals with strong people/sales skills and insurance/risk background to assist clients meet all federal requirements for workplace safety.

Independent business.
$10–$20,000 per month realistic earnings.
No relocation.

Fax resume.

CPC
(901) 382-8145

LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
NO: 004298 OF 1998
IN THE MATTER OF THE BAI (RUN-OFF) LIMITED
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that pursuant to an Order dated 30 July 1998 made in the above matter Dan Schwarzmann and Christopher Hughes of PricewaterhouseCoopers, No 1 London Bridge, London SE1 9QL were appointed Joint Provisional Liquidators of the above Company.

Dates this 28 day of August 1998

LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
NO: 004787 OF 1998
IN THE MATTER OF THE BLACK SEA AND BALTIC GENERAL NSURANCE COMPANY LIMITED
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that pursuant to an Order dated 24 August 1998 made in the above matter Dan Schwarzmann and Colin Bird of PricewaterhouseCoopers, No 1 London Bridge, London SE1 9QL, were appointed Joint Provisional Liquidators of the above Company.

Dates this 28 day of August 1998

Business Insurance Classifieds Assure Top Quality Results

www.businessinsurance.com

Business Insurance

Circulation Breakdown

Commercial Consumers

| | |
|---|---|
| **Administrative:** | |
| CEO's, Presidents, and Owners | 2,710 |
| Vice Presidents, General Managers and Other Administrative Personnel | 5,122 |
| **Financial:** | |
| Chief Financial Officers and Vice Presidents of Finance | 5,429 |
| Secretaries, Treasurers, controllers and other Financial Personnel | 4.145 |
| **Risk/Employee Benefits:** | |
| Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/ labor relations | 14,748 |
| **Sub-total** | **32,154** |
| Associations | 286 |
| Government, Unions and Educational Institutions | 1,019 |
| **Commercial Consumers** | |
| **Sub-total** | **33,459** |
| Insurance Agents and Brokers | 8,083 |
| Insurance Companies | 6,933 |
| Accountants, Actuaries, Attorneys & Consultants | 2,705 |
| Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers | 1,578 |
| Others Allied to the Field | 757 |
| **Total Qualified** | **53,525** |
| Non-qualified/Paid Subscriptions | 14 |
| Single Copy Sales | 27 |
| **TOTAL CIRCULATION** | **53,556** |

★ *Source Business/Occupational breakdown of qualified circulation, November 24, 1997 Issue, as submitted to BPA for December 1997 BPA Publisher's Statement*

# Governor

*Continued from page 3*

to work.' "

Mr. Washington does not speak for the entire association. From his perspective, however, Mr. Lungren is the preferred candidate, he said.

Insurers are echoing a similar cry.

"I think the employer gains they have achieved during the Wilson administration might be reversed if Davis is elected," said Barry Carmody, president of the Assn. of California Insurance Cos. in Sacramento. "He has three primary donors: one is the trial lawyers, second is labor, and the other is the donations from teachers unions."

Lt. Gov. Davis' own list of endorsements does include prominent labor organizations, and the Sacramento-based Consumer Attorneys of California say he is their choice.

"There are probably some Republican trial lawyers who will put money into Lungren," said a spokesman for the Consumer Attorneys. "But it always comes down to issues, and the fact is Gray Davis is better on the issue of tort than Dan Lungren."

That backing makes it likely that Davis will support legislation exposing employers and their insurers to more lawsuits, Mr. Carmody said.

The ACIC contributes to both political parties, depending on candidates' support for a business agenda, Mr. Carmody said. "Right now, the only candidate supporting a business agenda is Lungren," he added.

Lt. Gov. Davis is working to portray himself as a centrist. But employer groups and insurers say his political history makes them leery.

"Just following Davis' career and particularly having watched him when he was chief of staff of (former Governor Edmund G. Brown Jr.), I have grave concern about his role as a governor," Mr. Markey said.

Still, many employers are not eager to antagonize the lieutenant governor. Current polls show him ahead by 11 percentage points.

"If he is elected, I only can hope he will keep an eye open for the business climate," Mr. Markey said. BI

# California bills targeting UR could raise workers comp costs

By JOANNE WOJCIK

SACRAMENTO, Calif.—Several anti-managed care bills targeting HMO utilization review practices could lead to higher workers compensation costs in California.

Provisions in two of the bills—S.B. 324 and A.B. 332—may even go beyond UR decisions and apply also to determinations of whether an injury is compensable, insurance industry lobbyists note.

The bills, which passed the Legislature last month and are awaiting the governor's signature, require that all medical treatment decisions by health plans be made by California-licensed physicians.

This requirement is particularly onerous for insurers based outside California, industry lobbyists say, because decisions regarding denial of care often are made out of state or by claims adjusters without medical licenses.

"The addition of a California license requirement simply adds costs to the workers compensation system without providing benefits to injured workers," said Mark Webb, Western region vp for the American Insurance Assn. He is based in Sacramento, Calif.

The 1993 workers compensation reforms created a similar requirement. But under California workers comp law, the professionals making decisions regarding appropriateness of care are required to be licensed only in their state of residency, not specifically California.

Furthermore, "to suggest that issues of causation must be made by a licensed treater would not only add enormous costs to the workers compensation system but would require treaters to make legal decisions they are not always capable of making," Mr. Webb stated in a letter recommending Gov. Pete Wilson veto the bills. Decisions regarding whether an injury is compensable under workers compensation are legal, not medical, decisions, he explained.

Doug Widtfeldt, a lobbyist for the Sacramento-based Assn. of California Insurance Cos., agreed that "these bills are in conflict with workers compensation statutes that set forth a separate utilization review process within the comp scheme."

In fact, the administrative director of the Division of Workers Compensation is putting the finishing touches on the latest workers comp UR regulations, which will be presented to the Office of Administrative Law in a few weeks, a division spokesman said.

The anti-UR bills will become law within 30 days of passage if Gov. Wilson doesn't veto them. S.B. 324 is "double joined" to S.B. 557, a UR bill that pertains solely to health plans and excludes workers comp insurers. That means one cannot become law without the other. A.B. 332, however, can go forward with or without a signature.

It's ironic that the bills, which were intended to target health maintenance organizations, could have a detrimental effect on workers comp, observed ACIC's Mr. Widtfeldt.

"A lot of these managed care/anti-HMO bills were intended to focus on HMOs, but the people backing them couldn't understand how they'd affect the work comp system," he said.

Indeed, according to a legislative analysis of the bills, they initially were intended "to ensure that health maintenance organization personnel are not practicing medicine without a license."

According to the Medical Board of California, the state physician licensing agency, the legislation requires that the medical director of a health care service plan, who may make life and death decisions regarding the medical care rendered to a plan enrollee, be licensed to practice medicine in California.

During legislative debate, the board said it has heard repeatedly the concerns of those who have had the course of their medical care altered or even denied by their HMO after their doctors determined that care was necessary.

Other supporters of the legislation include consumer groups, provider groups and labor organizations. Health Access California, a health care consumer organization, states that HMOs and insurers try to avoid liability for denying care by claiming that their medical directors are not providing medical care when making decisions about medical necessity.

The California Assn. of Professional Liability Insurers acknowledged that physicians are being sued for alleged failure to provide care. It asserts that a physician is in an untenable position when medical judgment is vetoed by someone without medical skill and training.

But the California Assn. of Health Plans, an HMO industry trade group, argues that the legislation would preclude health plans from maintaining cost-effective claims processing procedures.

The CAHP also asserts that the bills could have the unintended effect of preventing California consumers from getting the best advice as to whether treatment should be covered. The group also argues that if plans must rely exclusively on the advice of California-licensed physicians, then expertise in other parts of the country will go untapped.

Because of the consequences for workers comp insurers, both the AIA and the ACIC are sending letters urging Gov. Wilson to veto all but S.B. 557, which specifically excludes workers comp. Both groups are neutral on S.B. 557.

Meanwhile, the California Legislature passed other anti-managed care legislation during its 1998 session, which ended just two weeks ago. All but one of the bills—A.B. 974—are on the governor's desk.

A.B. 974, signed by Gov. Wilson on June 19, prohibits health plans from limiting coverage for a drug that had previously been approved by the plan. It also requires specified disclosures regarding the use and contents of drug formularies.

Among the other anti-managed care measures on the governor's desk:

- A.B. 2639 speeds up the treatment of life-threatening illnesses by placing a 72-hour time limit on a health plan or insurer to approve or deny treatment after the provider has recommended a treatment option. The bill also requires health plans and insurers to cover all cancer screening tests.
- S.B. 406 transfers regulation of health care service plans from the Department of Corporations to a newly established Health Care Service Plan Board of California within the Department of Consumer Affairs.

This was one of several bills proposed this year to transfer health plan regulation out of DOC because of concerns that the department has not been doing an adequate job of protecting consumers or ensuring that plans provide quality health care to enrollees.

Supporters, generally consumer organizations, argue that a DCA board would better regulate health plans in this state.

Health plans, however, oppose this bill. Blue Cross of California, for example, believes the DOC should retain jurisdiction over plans because of its considerable expertise. While the California Assn. of Life Underwriters agrees that the DOC is not the proper regulatory body for HMOs, it asserts that it would be much better to have all health insurance providers under one regulator. Under current law, all health plans licensed under the Knox-Keene Act, such as HMOs, are regulated by the DOC. However, indemnity plans are regulated by the Department of Insurance.

- S.B. 1125 establishes quotas for nurses in hospitals and limits the duties unlicensed personnel could perform.

This bill requires general acute care hospitals, acute psychiatric hospitals, and special hospitals, as defined, to adopt written policies and procedures for the training and orientation of nursing staff. It also requires the State Department of Health Services to adopt regulations by Jan. 1, 2000, that establish minimum, specific licensed nurse-to-patient ratios. BI

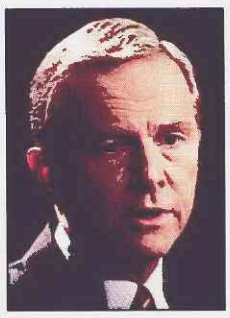
# Bill would make fining state's employers easier

SACRAMENTO, Calif.—A bill before Gov. Pete Wilson would make it easier for the Department of Industrial Relations to fine employers that don't buy workers compensation insurance.

S.B. 924 would give the DIR's director more discretion in levying fines. Current law requires all employers except the state to secure payment of workers comp through insurance or self-insurance. Those that don't are subject to a fine equal to $1,000 per employee and are prohibited from using employee labor, essentially shutting down the employer. But the fine can be levied only if the director of industrial relations issues a formal stop order.

S.B. 924 would authorize the director to issue and serve a penalty assessment order on any employer the director determines has failed to secure the payment of workers comp for a period in excess of 10 days during the calendar year.

Other workers comp bills before the governor include:



Gov. Wilson

- S.B. 1965 overturns an appeals court decision in *Estrada vs. the Workers Compensation Appeals Board* that had prohibited the settling or commuting of accrued vocational rehabilitation benefits in cases where a worker's right to any workers comp benefits is in question.

In 1987, the courts, in *Thomas vs. Sports Chalet Inc.*, provided an exception to the prohibition in cases where a judge found "a good faith issue which if resolved against the applicant would defeat the applicant's claim for all benefits." This became known as a "Thomas" finding and was codified by statute in 1989.

But in 1997, in *Estrada*, an appellate court ruled that when a *Thomas* exemption does not exist, the law prohibits any commutation or settlement of vocational rehabilitation benefits.

- A.B. 204, which Gov. Wilson has signed, requires services provided by physician assistants and nurse practitioners to be included in the official workers comp medical fee schedule, which is being promulgated by the Division of Workers Compensation.

The law lets workers seek acupuncture treatment for work-related injuries and choose a personal acupuncturist prior to injury or when seeking a one-time change of physician, as is permitted under workers comp law.

- A.B. 1957 extends through the year 2000 from Jan. 1, 1999 funding for the Division of Occupational Safety and Health's targeted inspection and consultation program, prescribed under the 1993 workers comp reforms. Under the program, the division provides inspection and consultation services to employers with the highest levels of preventable injuries and illnesses and workers comp losses.

S.B. 1933 ensures that firefighting emergency response personnel receive workers comp benefits for injuries or illnesses sustained while performing off-duty "Good Samaritan" emergency services in good faith within their scope of employment.

*—By Joanne Wojcik*





Crawford
PROMISES KEPT

Is it a petty annoyance or a major liability claim threatening your company's profits and reputation? In either case, you want it to go away right now.

So do we. Thorough investigation, fair negotiation and expedient settlement: that is our promise. Because mishandled claims can only get worse.

Local experts in 670 hometowns around the world stand ready with a wide range of easily tailored resources, including investigation and subrogation. While we have a proven record handling large cases, each claim, regardless of size, receives all the attention it requires. As a result, less than five percent of all claims we handle involve any litigation at all.

We are committed to the highest standards of service, perhaps higher than you've come to expect from others.

Then, for the moment, you can get back to your business, confident that next time—and unfortunately there will be a next time—we'll be there to help. We promise.

**1-888-213-2533 • www.crawfordandcompany.com**


# Ratings

*Continued from page 2*

Santa Ana, Calif.-based PacifiCare Health Systems Inc.; and Newark, N.J.-based Prudential Insurance Co. of America.

"I think there should be a fair degree of concern that many of these companies do not appear to be strong financially," said Mr. Kumar. "It's not to say that these companies are going out of business immediately, but, clearly, there is a need for individuals to know where these companies are" in terms of their financial strength, said Mr. Kumar, who said S&P plans to update and expand the survey annually.

"There's a need for consumers and benefit managers to look at the financial strength of these entities as one of the items they need to consider before they buy health insurance," said Mr. Kumar. He also noted, "Up until this point, a fair amount of the focus was on the quality of care, the access to physicians, and now the focus is also coming to bear on the financial strength."

Discussing the issue of capitalization, Mr. Kumar said he expects the situation to change because of the risk-based capital guidelines adopted by the National Assn. of Insurance Commissioners earlier this year (*BI*, July 6).

"Most states that regulate HMOs up to this point had minimal or non-existent amounts of capital required to run a business. This was totally inconsistent with the amount of risk these companies took on," said Mr. Kumar.

"Now that the NAIC has adopted the risk-based capital guidelines and the different states are in the process of adopting them over the next year, the whole ballgame has changed.

"Companies would have to maintain more capital at the operating companies. In the past, the earnings and dividends were upstreamed to the parent to finance their acquisitions or stock buybacks or invest in infrastructure, or to be used in dividend payouts to stockholders.

"Now that companies are held to a higher standard of capital by the different state regulators, parent companies would have to rethink their strategy of capital management of the operating companies," said Mr. Kumar.

As a result, said Mr. Kumar, over the next two to three years, "I would expect the balance sheets of the operating companies to improve."

However, he added, "the ratings are also a function of earnings performance and liquidity issues, and some companies appear to have some problems with those areas as well."

Mr. Kumar also discussed the appearance of the operating units of some major companies on the list. They included NYLCare Health Plans of The Gulf Coast Inc. in Houston. It is now an Aetna operation with Aetna's acquisition of NYLCare Inc. (*BI*, March 23).

The Texas operation received a "BBpi" rating, with the "pi" an indication its rating was based on published financial information and additional information in the public domain and does not reflect in-depth meetings between S&P and an insurer's management.

"I would expect companies like Aetna to substantially bolster capital strength over the next 12 to 14 months," said Mr. Kumar. "That's because Aetna has the resources to do it. Many other companies may not have the same resources as Aetna to bolster the financial strength of their operating units," he said.

An Aetna spokesperson could not be reached for comment. Other companies whose units were rated as "financially vulnerable," however, say they are financially strong.

For instance, Rich Hallworth, se-

*See* **Ratings** *on next page*

## Commentary

# Cliches *de rigueur* at Rendez-Vous

In the 17 years I have attended the Rendez-Vous de Septembre in Monte Carlo, the annual gathering of reinsurers, brokers and their clients, the banter among participants has not changed.

Some people perennially romanticize the old days of the 62-year-old Rendez-Vous, others trivialize the conference, and still others seem apologetic for attending a meeting on the sunny Mediterranean coast the first week of September.

I've heard these same comments so long that certain phrases have risen to the status of cliches. Some deserve to be debunked; some deserve to be confirmed.

With the help of friends and sources I have made over the years (a columnist can't be too careful about attribution these days), here are my favorite Rendez-Vous cliches:

• "The book is smaller this year," a comment made every year, in reference to the published list of registrants. Some use this remark to suggest that the meeting is not as important as in years past, while others are implying they are fortunate enough to still be in business while the poor guys not in the book have lost their jobs or even their companies.

Actually, comparing the 17 registration lists, this is the first year that the book is indeed smaller, obviously attributable to the merger mania that has engulfed the insurance and reinsurance business. However, there are dozens of people in Monte Carlo who just don't formally register for the meeting, so I am not sure attendance was really down. Indeed, official statistics report that total attendance in 1998 was 2,322, down just one person from last year.


Kathryn J. McIntyre

• "I've never seen an empty table at the Cafe de Paris," or fill in the name of any other establishment where participants gather in Monte Carlo.

This clearly implies that fewer people are attending the meeting this year.

The reality is that if there is an empty table anywhere between the hours of 8 a.m. and 6 p.m., it's because anyone who is anyone is attending a private, five-course luncheon in an elegant restaurant or hotel, not only in Monte Carlo but also up and down the coast of the Mediterranean.

• "No one does business here anymore." If that's true, what are those hundreds of people talking about over Perrier and coffee at tables in hotel lobbies and cafes and restaurants, most toting briefcases? Maybe the papers exchanged aren't treaties, but a lot of marketing material is distributed. Since when is marketing one's company not business? And how about the files I still see opened at these tables? I doubt it's the office football pool. Some still use the Rendez-Vous to engage in ceremonial appointments on the half-hour, but for many this is a working meeting.

• "I'm only here for the networking." This comment is appropriate for those looking for a new job, but it also underestimates the value of the market intelligence gained from contacts made at Monte Carlo and the relationships established.

• "There are too many brokers here," or variations on the theme, as in "there are too many lawyers, or press, or tourists here." It's a matter of one's perspective.

• "It's so expensive here, even the French complain about the price of a Perrier." True, I have heard the French complain about the price of a Perrier ($3.27), and the cost of cabs ($10 for five minutes), and hotel rooms and meals. Although it depends on where you stay and eat, I agree, it's not cheap.

• "Baden-Baden is much more productive." This observation comes from those who think Baden-Baden sounds more businesslike or who want to negotiate contracts on the spot.

• "It's too early to discuss renewals." This is a variation on the Baden-Baden theme, as the Baden-Baden reinsurance gathering is held in late October.

• "Business is as bad as I've seen it." The only years in which this was not a common complaint were 1988 for liability reinsurers and 1994 for property insurers. If business is so bad, how can people afford so many $3.27 bottles of Perrier?

• "This will be my last year." Don't believe that one for a second. You will see the same folks next year and hear much of the same banter. I promise.

As Yogi Berra has said: "Nobody goes there anymore. It's too crowded."

*Publisher and Editorial Director Kathryn J. McIntyre and Editor Paul D. Winston publish columns on alternate weeks.*

# Aviation

*Continued from page 1*

Swissair previously has said it made minor cockpit wiring modifications in the plane that crashed.

Authorities last week had not determined the cause of the crash.

But, a Swissair spokesman said Canadian aviation authorities have told the airline that plane wreckage from near the cockpit shows signs of heat stress, which might indicate an electrical fire.

In January, market executives expected that accounts renewing during the spring would be able to negotiate 10% to 15% premium reductions for hull and liability coverage. That would have put those accounts on par with those that had renewed in autumn of 1997. Underwriters hoped to stabilize rates and premiums for the remainder of the year (*BI*, Jan. 26).

Instead, overcapacity and underwriters' desire to maintain market share forced down premiums 25% to 40% and around 30% on average throughout the year, according to market executives.

Even airlines that have had significant losses in recent years negotiated substantial rate cuts this year, market executives said.

For example, US Airways Group Inc., formerly USAir Inc., negotiated a 50% rate cut, several market executives said. US Airways would not comment.

In addition, Federal Express Corp. recently renewed its hull and liability coverage at a 30% rate cut, despite the loss of an MD-11 in July 1997, market executives said. Fed Ex's expiring coverage did not reflect the loss, estimated at $115 million, because the freight carrier had negotiated its renewals last year before the crash (*BI*, Aug. 4, 1997).

Phil Williams, a senior risk analyst with Fed Ex, said he believed the rate cut was smaller than 30%.

"There's no logical explanation" for the falling aviation insurance rates based on underwriters' losses, said Bill Behan, president of aviation broker AirSure Ltd. of Golden, Colo. "The capacity is there. People need the premium to keep their doors open, their people employed and get the bills paid," he said.

A $626.5 million Swissair loss would represent 70% to 74% of the $850 million to $900 million of aviation hull and liability insurance premiums worldwide for all of 1998, market executives say.

The Swissair liability reserve would not drain underwriters' cash reserves immediately, but the airline's hull loss and others so far this year still represent up to 64% of underwriters' estimated written premium for the entire year, according to figures from the aviation division of broker Aon Group Ltd. in London. Hull losses worldwide through Sept. 2 totaled $545.4 million, according to Aon.

Even so, while market executives said they could not be certain, they predicted that accounts renewing this autumn likely will have little problem negotiating rate cuts approaching 30%.

Underwriters likely will be persuaded to consider airlines' individual experience and lower rates enough to achieve rating parity with airlines that renewed earlier this year, said Harold Clark, chairman and chief executive officer of N.Y.-based U.S. Aviation Underwriters Inc. USAUI is the management company of aviation underwriting pool U.S. Aircraft Insurance Group.

Even renewing accounts with recent losses may be able to negotiate some sort of rate reduction, market executives said.

In a 1998 market summary letter produced after the Swissair crash, Aon noted that even with current aviation exposure levels nearly double 1990 levels, worldwide premium would have to dip as low as $700 million to reach "an equivalent average rating level of 1990." The summary concluded that "without further significant hull loses to create a strain on underwriters' cash reserves, it is still difficult to see exactly what will halt the slide to this rock-bottom level."

In addition, 1998 has been a good year for U.S. aviation underwriters, because they have not been hit with the worst of this year's airline or satellite losses.

Another factor contributing to lower rates is the soft reinsurance market.

Aviation insurance rates are about one-third of the aviation market's historic burning costs, which means they are two-thirds below underwriters' historic costs, Mr. Parker said. But, that does not necessarily bother underwriters, because their retentions are next to zero, he said.

The retrocessional market is the main payer of aviation losses today, Mr. Parker said.

Mr. Clark agreed that "when reinsurance is available at attractive prices, it tends to dictate the playing field."

The guessing game aviation underwriters will be playing this autumn renewal season is whether they will have the same reinsurance support after their year-end reinsurance renewals that they have now. "Further losses this fall could harden the reinsurance market," said Peter Biccars, chief operating officer of the aviation division at J&H Marsh & McLennan Ltd. in London.

Perhaps the most contentious negotiating point is over computer date-recognition problems.

London and U.S. underwriters over the past several months have been trying to introduce a date-recognition exclusion. The underwriters also are offering a reinstatement of coverage—or a writeback—at no additional premium for accounts that can demonstrate they have cleared up their computer problems.

However, some writebacks are more liberal than others, said Rod Mezzina, a managing director at J&H Marsh & McLennan Inc. in New York.

Market executives said an exclusion and writeback would function much like how underwriters currently treat aircraft mechanical breakdowns. If an aircraft lands safely after experiencing a mechanical breakdown, the repair costs are not covered. If the breakdown leads to a crash, the airline is covered.

Overall, the market is handling the issue on a case-by-case basis, said Mr. Biccars of J&H Marsh & McLennan. Underwriters have been able to include the exclusions and writebacks in some cases but not in others. In still other situations, they have managed to insert a provision that states they will add an exclusion and a possible writeback later when the market agrees on wording, Mr. Biccars said.

The London market is trying to work out acceptable wording and may reach a compromise this fall, said Bill Smith, managing director of Aon's aviation division in London.

In other areas:

• More than ever before, airlines in the past year have sought liability limits greater than $1 billion. Brokers said accounts generally ask for the greater coverage late in negotiations to make the renewal pricing even more attractive. Underwriters said accounts often give up some premium reductions in exchange for the higher limits.

• Brokers disagree over the popularity of profit commissions and prompt-payment premium discounts.

Aon asserts in its market summary that the size and availability of both are increasing.

But, Mr. Biccars said that generally only airlines with poor experience opt for and can get profit commissions on higher rates.

He also said most airlines prefer to pay their premiums quarterly, rather than all at once in exchange for an added discount. The discount typically does not match the airlines' potential investment return on the money, he said.

• Market executives also disagree on whether airlines can negotiate coverage for additional risks, including employee discrimination, extra expense, and costs due to transportation delays.

Mr. Parker predicted airlines would be "very successful" in obtaining that coverage.

Mr. Biccars disagreed. He said underwriters expanded coverage to those risks last year, not expecting to pay any claims. But, claims surfaced, which will prompt underwriters to pull back the coverage this autumn, he said.

Contrasting underwriters' views on rate cuts and sticking with new loss-producing coverage, Mr. Biccars said: "Stupidity is one thing. Suicide is another."

Meanwhile, war risk underwriters also are paring rates extensively. Worldwide premiums are down 33% to 60% to $20 million to $30 million from $45 million to $50 million last year. Several market executives said they have never seen prices so low.

•

*Edwin Unsworth in London contributed to this article.*

# Ratings

*Continued from previous page*

nior vp-administration and chief financial officer for Waltham, Mass.-based Tufts Associated Health Plans Inc., objected to the "Bbpi" rating received by its 670,000-member Tufts Associated Health Maintenance Organization Inc.

Mr. Hallworth said the rating was based on published statutory information and therefore did not take into account non-admitted assets, which would increase the plan's net worth by $62 million on a generally accepted accounting principles basis. "We are very financially strong," he said.

"We're financially sound," said a spokeswoman for PacifiCare, whose PacifiCare of California Inc. operation also had a "Bbpi" rating. She noted that the parent company has a "BBB" rating from S&P "and the company places greater value on the corporate ratings than on individual subsidiaries' ratings." In addition, PacifiCare of California exceeds the minimum reserve requirements, she said.

Others receiving financially vulnerable ratings included Prudential Health Care Plan Inc. in Houston, which reflects its HMO operations in 20 states and the District of Columbia, and Chicago-based Rush Prudential HMO Inc.; Oxford Health Plans (NY) Inc.; and Los Angeles-based Maxicare, all with "Bpi" ratings. Spokespeople could not be reached.

A spokeswoman for New York-based Empire Blue Cross & Blue Shield, which received its "B+" rating last year, said the rating is scheduled to be reconsidered soon, when it is expected to be upgraded.

Mr. Kumar said that, despite the percentage of financially vulnerable companies, the industry's outlook remains promising. "We're optimistic, primarily because companies appear to be taking the right actions to improve the financial performance," such as increasing rates, obtaining better contracts with providers and, in some cases, withdrawing from existing markets. These actions tend to point in the direction of a stronger half this year and into 1999, Mr. Kumar said.

BI

# PBGC

*Continued from page 2*

would be used in calculating both PBGC liabilities for terminated plans and employers' unfunded vested benefit liabilities.

The PBGC now ties the interest rate assumption for its terminated plan liabilities to the annuity market. For September, it was 5.40% for the first 25 years after plan termination and 5.25% thereafter.

Employers under current law must use an interest rate assumption of 85% of the rate on 30-year Treasury bonds to determine their unfunded vested benefit liabilities, which for employers whose plan years started in August is 4.83%.

ERIC says the current interest rate assumption is unrealistically low. Using a higher interest rate would reduce the value of PBGC's potential liabilities and lower the premium needed from employers to support the termination insurance program.

Employers with fully funded plans pay the PBGC a yearly fixed premium of $19 per plan participant. Above that base premium, employers with underfunded plans pay a variable-rate premium surcharge, which currently is $9 per $1,000 of unfunded vested benefits. Single-employer plans last year paid a total of $1.06 billion in premiums, according to the PBGC. About 15,918 plans paid the variable rate last year. PBGC cannot change the fixed-rate or variable-rate premiums without congressional action.

Under ERIC's recommendation, premium rates would be calculated using an adjustment factor that takes into account the PBGC's valuation of its liabilities and assets and a proposed reserve allowance.

ERIC is calling for a structure that would reduce employers' premium burden when the PBGC's financial condition allows but would ensure that the PBGC would be able to generate more premium when needed, according to Janice Gregory, ERIC vp. Under that structure, premiums would change only if the premium rate calculated for a given calendar year would be at least 10% higher or 10% lower than the rate for the preceding year. Furthermore, no premium change could be 25% greater than or less than the previous year.

The reserve allowance ERIC suggests would be required to provide for future unexpected plan terminations. One possible formulation of the reserve, according to the organization, is the greater of two times the 10-year average of the PBGC's annual claims or 5% of the value of PBGC's liabilities.

The package also calls for the PBGC to revise other assumptions used to value the agency's liabilities and to publish regulations, guidelines and remedies concerning when and how it will intervene in business transactions that it determines could affect pension plan liabilities.

ERIC is among the groups that have responded to the PBGC's invitation for comments in a continuation of communication launched after the agency published an advance notice of proposed rulemaking in March 1997, according to a PBGC spokeswoman.

The PBGC is reviewing the reasonableness of the actuarial assumptions in its valuation regulations, a spokeswoman said. The agency wants to continue discussions with the various groups to determine what changes, if any, are needed to the regulations, she said. BI

# Judges

*Continued from page 3*

The judges for the 1999 awards are:

- John E. Cay III, chief executive officer of Palmer & Cay Inc. in Savannah, Ga. Mr. Cay is serving on the panel for the first time, representing insurance brokers.
- Helen I. Doerpinghaus, associate professor of insurance at the Darla Moore School of Business at the University of South Carolina. Ms. Doerpinghaus is serving on the panel for the first time, representing insurance educators.
- Brian Duperreault, chairman, president and chief executive officer of Hamilton, Bermuda-based ACE Ltd. He is serving on the panel for the second time, representing stock insurance companies.
- James E. Green, risk manager of Justin Industries, a diversified manufacturer based in Fort Worth, Texas. Mr. Green is a member of the 1998 Risk Management Honor Roll.
- Philip J. Grewar, director-risk management branch of the Canadian province of British Columbia. Mr. Grewar is the 1998 Risk Manager of the Year.
- Mark L. Hubbard, vp-risk/human resource management at Loma Linda University Adventist Health Sciences Center in Loma Linda, Calif. Mr. Hubbard is a member of the 1998 Risk Management Honor Roll.
- Edward Molloy, director-corporate risk management at Aetna Inc. in Hartford, Conn. He is a member of the 1998 Risk Management Honor Roll.
- Shivan S. Subramaniam, chairman, president and CEO of Allendale Mutual Insurance Co. Mr. Subramaniam is serving on the panel for the first time, representing mutual insurers.
- Arvid R. Tillmar, chairman and CEO of T.E. Brennan & Co. in Milwaukee. Mr. Tillmar is serving on the panel for the first time, representing risk management consultants.
- Frank C. Witthun, president and chief executive officer of Acordia Inc. in Indianapolis. He is serving on the panel for the second time, representing insurance brokers.

The judges score each of the candidates on 10 criteria (see related story). The candidate with the highest score after the judging is completed is named Risk Manager of the Year. Then, the remaining nominees are separated by employment category:

- Corporations with sales exceeding $300 million.
- Corporations with sales of less than $300 million.
- Government entities.
- Tax-exempt or non-profit institutions.
- Financial institutions.
- Self-insurance funds and pools.

The highest-scoring candidate in each of the categories not represented by the Risk Manager of the Year is eligible to be named to the Risk Management Honor Roll, subject to the judges' discretion.

The 1999 honorees will be announced in the April 12, 1999, issue of *Business Insurance*, which will coincide with the annual Risk & Insurance Management Society Inc. conference April 11-16 in Dallas.

To be nominated, a candidate need not handle risk management functions full time, but he or she must be a full-time employee of the organization for which he or she directs the risk management program.

A candidate can be nominated by anyone familiar with the candidate's work. For example, any employee or group of employees may nominate the organization's risk manager. A broker, insurer, consultant or other service supplier can nominate a client. And a risk manager can nominate a colleague.

In addition to the completed nominating forms outlining the candidate's accomplishments, each nomination must include a letter from the sponsor nominating the candidate and a letter of endorsement by an executive of the candidate's organization, who may be the candidate's superior or any higher officer. The letter must certify the accuracy of the information submitted in the nomination.

All nominations will be kept in the strictest confidence, with only the honored candidates' names announced.

To request a nomination form, contact Karen Tucker, assistant to the publisher, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590; 312-649-5319. BI

# Criteria for risk manager awards

Ten criteria are used to score the nominations submitted for the *Business Insurance* Risk Manager of the Year Award and Risk Management Honor Roll.

The panel of 10 independent judges will score each nominated candidate on a scale of one to 10, according to how well he or she:

- Established and implemented an effective risk management program within the organization.
- Tackled and solved one or more major problems for his or her organization.
- Innovatively applies the diverse tools of risk management and insurance.
- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization (specifically addressing the types of policies purchased and manuscripted policies, if any).
- Established a workable intelligence system inside and outside the organization, culminating in a flow of information about events and activities that affect the organization's risk management and insurance (how the risk manager secures information from other departments and the use of risk management information systems are addressed in this criterion).
- Skillfully performs the functions of management in the overall organization and within the risk management/insurance department.

The functions include planning, organizing, directing and controlling.

- Achieves the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operational aspects of the job.
- Exhibits an attitude and performs activities fostering the advancement of the risk management profession (such as professional activities, speaking engagements, teaching and related activities).
- Develops in his or her career (as exhibited by job history, including current job description, education, honors and memberships).

# Updates

## Mitsubishi settles ADA action

*Continued from page 2*

"With this agreement, we will be setting in place an appropriate revision of our policies, procedures and training related to hiring associates, further building on our ongoing effort to develop best practices in the workplace," according to the Mitsubishi statement.

The ADA settlement comes three months after Mitsubishi agreed to pay $34 million to settle the largest sexual harassment class-action case in the EEOC's history (*BI*, June 15).

## Merrill Lynch buys consultant

NEW YORK—Merrill Lynch & Co. Inc. is buying New York-based benefit consultant Howard Johnson & Co., a purchase giving the huge financial services firm a much bigger presence in the benefits consulting industry.

With its purchase of Howard Johnson, Merrill Lynch will be able to offer clients a wider range of benefit consulting services, such as benefit design work and complete benefit outsourcing, a Merrill Lynch spokeswoman said. Merrill Lynch's position in the benefits market now is largely that of a pension plan administrator.

Founded in 1965, Howard Johnson reported $35 million in benefit consulting revenues last year, with about 80% of revenues generated from retirement plan-related work. The company has 360 employees in 12 offices in the United States, including New York, Los Angeles and Seattle.

Terms of the purchase were not disclosed. The acquisition is expected to be completed by mid-October.

## HMO seeks to exit Calif. county

WOODLAND HILLS, Calif.—Health Net is seeking approval to withdraw its health maintenance organization products from California's Monterey County, affecting 11,000 enrolled members, the health insurer announced.

Health Net will continue to serve existing HMO members in Monterey County, but they are expected to move to other plans during open enrollment periods beginning Jan. 1, 1999.

The cost of providing HMO benefits in Monterey County exceeds the level of HMO premiums in the market, said a spokesman for the Woodland Hills, Calif.-based company. Health Net provides coverage for 2.3 million members throughout California, but providing doctor networks in rural areas such as Monterey County remains difficult, the spokesman said. Health Net's average cost per day is $4,000 at one of the two Monterey-area hospitals, compared with a statewide average of $1,300 per day.

The California Department of Corporations must approve the withdrawal.

## Oxford, doctors resume fight

NEW YORK—After six months of negotiations failed to produce a settlement, the New York County Medical Society broke off talks with Oxford Health Care Plans Inc. and will press its legal claims for $140 million in unpaid fees to more than 25,000 physicians.

Expressing disappointment that Oxford's new management was unable to settle the claims, Medical Society President Elizabeth Almeyda said the society had "no alternative but to return to litigation."

The action was brought in February by the New York County Medical Society and joined by 13 other societies demanding payment for services. In addition, another suit seeks to reform the standards by which Oxford processes claims and authorizes health care services (*BI*, Feb. 9).

The non-payment claims are being heard before an arbitration panel.

## Health reform not key concern

WASHINGTON—Voters don't view health insurance reform or health maintenance organization reform as issues that require immediate congressional attention, according to a survey released Friday.

Respondents to the survey, undertaken for the Blue Cross & Blue Shield Assn. by Alexandria, Va.-based American Viewpoint Inc., ranked health insurance reform fourth and HMO reform last on a list of nine national issues ranked according to their importance in determining how the respondents will vote in the November congressional elections.

In addition, 57% of the respondents said Congress should determine the "true impact" of any proposed health care reforms rather than try to pass them before the elections.

American Viewpoint polled 1,000 voters late last month for the national managed care reform survey. For more information on the survey results, contact Bill Pierce, director-public affairs, Blue Cross & Blue Shield Assn., 1310 G St. N.W., Washington, D.C. 20005; 202-626-4818.

## Briefly noted

Citing difficulty with obtaining good contracts with providers, **Blue Shield of California** will stop actively marketing its Medicare Risk HMO product outside of Southern California. The existing 5,500 enrollees will be able to keep coverage. Marketing will continue in Los Angeles, Ventura, Orange, Riverside and San Bernardino counties, where Blue Shield has 55,000 Medicare risk HMO enrollees. . . .Volkswagen A.G. announced last week that it is allocating 20 million deutsche marks ($11.9 million) to create a new **relief fund for Holocaust-era slave laborers**. The auto manufacturer said it previously made more than 25 million deutsche marks ($14.8 million) available for related humanitarian and educational projects (*BI*, Sept. 7). . . .**Maurice R. "Hank" Greenberg**, chairman of American International Group Inc., was named chairman of the board of 20th Century Industries, a Woodland Hills, Calif.-based insurance holding company specializing in personal automobile insurance, 20th Century said. The company's board was increased to 13 members from 11, with AIG now providing three additional, or a total of seven, members. AIG bought a 42% stake in 20th Century in 1994 and now holds 54.1%.

# SEC

*Continued from page 1*

worthless corporate and individual sureties secured with bogus or grossly overvalued collateral. The sureties included bonds covering contractors working for the U.S. military and government agencies (*BI*, Jan. 8, 1996).

Mr. Buffo pleaded guilty in January to three charges of wire fraud and making false statements and was sentenced in May to 41 months in prison and 36 months of supervised release, according to Joel E. Leising, an attorney with the fraud section of the U.S. Department of Justice in Washington.

While under indictment in the surety case, the SEC alleges, Mr. Buffo began operating the Ponzi schemes that led to the SEC suit filed this month in U.S. District Court in Salt Lake City.

In addition to Mr. Buffo, the amended complaint names:

- Capital Acquisitions Inc. and Laser Leasing Inc., the two companies that issued a total of $33 million in three-year promissory notes.

The SEC originally obtained a temporary restraining order against Capital Acquisitions last December. After filing its amended complaint, the agency on Sept. 2 obtained a receivership order against both Capital and Laser Leasing.

- Wayne C. Notwell, president of Capital Acquisitions and vp of Laser Leasing.

Mr. Notwell's Salt Lake City lawyer, Edward Montgomery, said, "We deny any allegation of wrongdoing on his part."

- Clealon B. Mann, who allegedly organized a network of agents to sell the notes through his Utah company, The Somerset Group Inc.

In an interview, Mr. Mann denied that the note offerings were a Ponzi scheme and angrily promised to ignore the SEC lawsuit.

"If it's a Ponzi scheme, it's the only Ponzi scheme in the history of the world that was guaranteed," he said, referring to the NEIS guarantees.

"We do not file answers to people who are the reincarnation of the Gestapo," he added, referring to the SEC. "I'm going to tell them I do not answer people who are escapees from a mental hospital."

- Several companies controlled by Mr. Buffo that allegedly received millions of dollars from the note sales. They include Surety Underwriters & Control Corp. of Utah; Capitol Investment Partners Inc., a Bahamas partnership that is the purported parent company of Capital Acquisitions; and Ute Cal Auto Sales, Best Rate Rent-A-Car Inc., High-Line Medical Instruments Inc. and Fund Line International Inc., all Utah companies.

- Two companies headed by Mr. Mann that received more than $1 million in note proceeds. They are Spectrim International Inc. and Genie Total Products Inc., both Nevada corporations.

According to the complaint, Laser Leasing and Capital Acquisitions both raised money by selling three-year notes that promised a guaranteed annual return of 20% to more than 600 investors in several states.

Laser Leasing, which claimed to be in the business of purchasing laser eye surgery equipment for lease to medical clinics, started selling notes in 1995 and raised at least $9 million, the SEC says.

Capital Acquisitions, which claimed to operate more than 225 oil and gas wells in Kansas and California, began selling its notes in 1996 and took in about $24 million.

Both note offerings were replete with misrepresentations and omissions, the SEC charges.

Laser Leasing investors, for example, were told that their money was secured by interests in the company's laser equipment but were not told that the value of the equipment was far less than the amount of the debt and that income from the leases was too low to cover the note payments.

Capital Acquisitions investors were falsely told they would receive a "100% tax write-off" on their investment income, the suit says. They were not told that income from the company's oil and gas properties was not sufficient to cover the note payments or that securities regulators in several states had already ordered the company, Mr. Mann and Somerset to stop soliciting investors.

The defendants also failed to inform investors that 46% of the note proceeds would go to pay commissions to agents selling the notes and that another 20% was to pay for the guarantees from NEIS.

Of the money purportedly earmarked for the guarantees, less than half actually went to NEIS, with the balance diverted to Mr. Buffo's Surety Underwriters, which received a total of $10 million, the SEC says.

The offerings also failed to disclose Mr. Buffo's role with the companies or his pending criminal indictment.

Charging the defendants with securities fraud, the SEC is seeking an injunction barring them from similar actions in the future and an order requiring them to disgorge illegal profits from the sales.

Meanwhile, dozens of mostly elderly investors are suing NEIS in state court in Salt Lake City.

The complaint says that both Capital Acquisitions and Laser Leasing stopped making monthly interest payments on their promissory notes in January and that NEIS has failed to honor the guarantees covering principal and interest on the notes.

After Capital's default, for example, NEIS wrote to investors noting that the SEC had frozen Capital's assets and expressing hope "that the freeze order soon will be lifted. . .so that Capital's business activities, including payments to note holders, may resume."

"Continued patience on the part of note holders is appropriate," NEIS wrote.

David B. Watkiss, a lawyer representing NEIS in Salt Lake City, said the insurer is trying to negotiate a settlement with the investors for a "substantial eight-figure" amount. He would not comment further on the settlement proposal.

"New England has been cooperating from the outset with the SEC," added Mr. Watkiss, with the firm of Watkiss, Dunning & Skordas.

The lawsuit is the latest in a long line of legal troubles for NEIS, which is incorporated in Panama but operates from offices in Brussels, Belgium, and Geneva.

Insurance regulators in several states hit the insurer with cease-and-desist orders in the mid-1980s over its role insuring Dyna Span Corp., a purported risk purchasing group, and the now-defunct Insurance Corp. of America of Boca Raton, Fla.

In 1989, NEIS dumped the records and business of its Louisiana-licensed underwriting unit, New England International Surety of America, on Louisiana regulators after they disallowed millions of dollars of its reported assets and found it insolvent. In a faxed letter, Mr. Rienstra accused Louisiana regulators of political bias and said simply that "we have decided to turn the Louisiana company's business over to you."

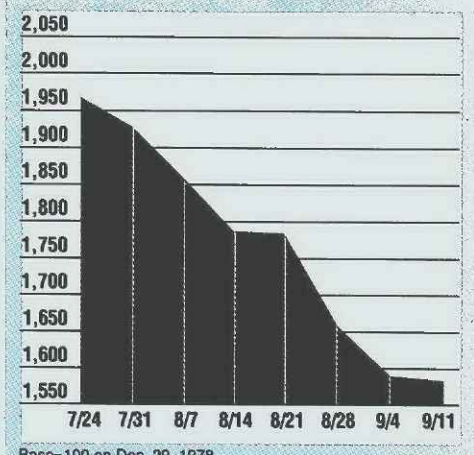
The unit was ordered liquidated, and a Louisiana judge issued an arrest warrant for Mr. Rienstra after finding him in contempt of court for failing to turn over the insurer's assets.

In an interview, Mr. Rienstra said he was unaware of the arrest warrant and said that the insurer resolved all of its problems with Louisiana regulators.

In a 1996 financial statement, NEIS reported total assets of $177.8 million, including $46.5 million in real estate and a $50 million "European investment." Net earned premiums in 1996 totaled $17.3 million, the statement said.

NEIS appears to be a smaller company that it was in 1985, when it reported $301 million in assets, including $250 million in Brazilian real estate. BI

## *BI* Insurance Index




Base=100 on Dec. 29, 1978
Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

## PCS catastrophe options

As of Sept. 11

| Call spread | Price bid/ask |
|---|---|
| **National Annual 1998** | |
| 40/60 | 14.0/— |
| **Southeastern September 1998** | |
| 20/40 | 3.0 |
| 40/60 | 0.9/2.9 |
| **Southeastern September 1999** | |
| 40/60 | 4.3 |
| **Western Annual 1999** | |
| 40/60 | 1.4 |
| 80/100 | 1.0/2.0 |

| Call spread | Price bid/ask |
|---|---|
| **National Annual 1999** | |
| 150C | 6.0 |
| 40/60 | 9.2 |
| 100/120 | 6.5 |
| 100/150 | 14.0 |
| 120/140 | 5.0 |
| **California Annual 1998** | |
| 150C | 0.4 |
| **Eastern September 1999** | |
| 40/60 | 4.5 |

**Total volume: 0 Total open interest: 19,608**

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

## British Issues

| Companies | Price pence | P/E | Div. pence | Yield % | 52-week high-low |
|---|---|---|---|---|---|
| **Gdn Royal Exch** | 277 | 3.7 | 13.4 | 5.6 | 495-238 |
| **Legal & Gen** | 643 | 18.6 | 13.3 | 2.6 | 796-400 |
| **Royal & Sun** | 455 | 11.6 | 23.6 | 5.1 | 825-455 |
| **Brokers** | | | | | |
| **Lmbrt Fenchurch** | 105 | 8.4 | 5.7 | 6.6 | 138-100 |
| **Lloyd Thmpson** | 208 | 12.4 | 10.5 | 6.4 | 213-151 |
| **Sedgwick Grp** | 211 | — | 7.0 | 3.3 | 220-119 |
| **Willis Corroon** | 201 | 23.2 | 6.9 | 4.3 | 210-116 |

Note: Prices are Sept. 11 closings; other numbers from Sept. 10.

Source: *Nordby International Inc.*(nordby.com) Boulder, Colo.

# *BI* Industry Stock Report SEPT. 7, 1998, THROUGH SEPT. 11, 1998

| BROKERS | | Price | Weekly % change | Year to date % change | 52-week High | 52-week Low | Vol.(000) |
|---|---|---|---|---|---|---|---|
| Aon Corp. | NYS | 63.00 | 3.49 | 7.46 | 75.56 | 50.00 | 972 |
| E.W. Blanch Holdings Inc. | NYS | 37.31 | -0.17 | 8.35 | 38.75 | 29.38 | 182 |
| Gallagher Arthur J. & Co. | NYS | 39.94 | 3.90 | 15.97 | 46.56 | 33.56 | 207 |
| Hilb, Rogal & Hamilton | NYS | 18.31 | 0.69 | -5.18 | 19.63 | 15.38 | 31 |
| Kaye Group Inc. | NDQ | 6.63 | -5.36 | 0.00 | 9.00 | 6.13 | 83 |
| Marsh & McLennan | NYS | 51.38 | 5.12 | 3.35 | 64.31 | 44.00 | 1835 |
| Poe & Brown | NYS | 36.44 | 4.11 | 22.48 | 42.50 | 24.19 | 47 |
| Sedgwick Group PLC | NYS | 17.63 | 2.92 | 43.15 | 17.75 | 9.63 | 135 |
| Willis Corroon Corp. | NYS | 16.38 | 0.77 | 32.99 | 16.88 | 9.94 | 20 |
| BROKERS | AVERAGE | | 1.50 | 15.14 | | | |
| **INSURERS/REINSURERS** | | | | | | | |
| ACE Ltd. | NYS | 28.63 | 2.69 | -11.01 | 43.00 | 26.75 | 2310 |
| Acceptance Insurance Cos. | NYS | 17.44 | -6.06 | -27.91 | 28.63 | 17.44 | 62 |
| AEGON N.V. | NYS | 87.00 | -6.33 | 94.14 | 111.31 | 36.63 | 283 |
| Aetna Life & Casualty | NYS | 65.31 | 0.38 | -7.44 | 106.94 | 60.19 | 2802 |
| AFLAC Inc. | NYS | 29.13 | 3.10 | 13.94 | 38.25 | 22.13 | 1492 |
| Allied Group Inc. | NYS | 47.56 | 0.13 | 66.16 | 47.81 | 25.00 | 193 |
| Allstate Corp. | NYS | 39.31 | 4.31 | -13.12 | 52.38 | 35.44 | 8119 |
| AMBAC Indemnity Corp. | NYS | 47.75 | -2.43 | 3.80 | 65.94 | 38.94 | 1482 |
| American Bankers Ins. | NDQ | 51.69 | -1.66 | 12.52 | 66.06 | 32.94 | 964 |
| American Financial Group | NYS | 33.06 | -1.31 | -17.98 | 46.75 | 32.50 | 241 |
| American General | NYS | 63.88 | 2.82 | 18.15 | 75.69 | 46.56 | 2316 |
| American Heritage Life Ins. | NYS | 19.50 | 1.96 | 8.33 | 26.06 | 17.06 | 68 |
| American Indemnity/Fin'l | NDQ | 12.00 | -1.03 | -13.51 | 15.50 | 9.50 | 8 |
| American International | NYS | 79.00 | 3.61 | 8.97 | 102.38 | 64.75 | 12510 |
| American Safety Insurance | NDQ | 9.50 | -2.56 | -22.84 | 15.06 | 8.69 | 9 |
| Argonaut Group | NDQ | 26.25 | 0.96 | -22.51 | 38.13 | 24.25 | 61 |
| AXA-UAP Group | NYS | 49.31 | 0.90 | 26.44 | 71.25 | 31.81 | 317 |
| Baldwin & Lyons Inc. | NDQ | 23.75 | 5.26 | -1.55 | 28.75 | 19.69 | 3 |
| Berkley W.R. Corp. | NDQ | 32.75 | 5.22 | -25.36 | 49.88 | 30.00 | 238 |
| Berkshire Hathaway Inc. | NYS | 57400.00 | -4.33 | 24.78 | 84000.00 | 41800.00 | 3 |
| Capital RE Corporation | NYS | 25.94 | 4.80 | -16.41 | 38.69 | 24.25 | 259 |
| Capitol Transamerica Corp. | NAS | 17.19 | 0.73 | -19.35 | 28.13 | 16.75 | 68 |
| Centris Group Inc. | NYS | 10.50 | 1.20 | -5.88 | 14.81 | 8.88 | 39 |
| Chartwell Re | NYS | 26.38 | 2.93 | -21.85 | 35.69 | 25.19 | 38 |
| Chubb Corp. | NYS | 64.94 | 2.47 | -14.13 | 88.81 | 62.06 | 1570 |
| CIGNA Corp. | NYS | 60.44 | -1.83 | 5.18 | 74.50 | 45.63 | 2402 |
| Cincinnati Financial Corp. | NAS | 34.72 | 4.81 | -26.00 | 47.12 | 26.68 | 846 |
| CNA Financial Corp. | NYS | 38.19 | 2.17 | -10.32 | 53.25 | 35.13 | 933 |
| CNA Surety | NYS | 13.06 | 1.46 | -15.38 | 16.75 | 12.56 | 83 |
| EMC Insurance Group Inc. | NDQ | 12.63 | 7.45 | -4.72 | 15.88 | 11.75 | 13 |
| ESG Re Limited | NDQ | 15.25 | -2.40 | -35.11 | 28.88 | 15.25 | 145 |
| Enhance Financial Services | NYS | 27.69 | 2.78 | -6.93 | 37.56 | 23.88 | 199 |
| Everest Reinsurance | NYS | 36.88 | 1.20 | -10.61 | 45.25 | 33.00 | 520 |
| Executive Risk Inc. | NYS | 36.25 | -2.03 | -48.08 | 75.75 | 35.50 | 392 |
| EXEL Ltd. | NYS | 62.25 | -1.58 | -1.78 | 83.25 | 61.56 | 1225 |
| Fremont General Corp. | NYS | 40.50 | -5.26 | -26.03 | 62.13 | 38.44 | 610 |
| Frontier Insurance Group | NYS | 14.00 | 1.82 | -38.80 | 35.69 | 12.63 | 1149 |
| Gainsco Inc. | NYS | 7.63 | 0.00 | -10.29 | 10.19 | 5.75 | 76 |
| General RE Corp. | NYS | 197.94 | -2.49 | -6.63 | 275.00 | 191.00 | 1593 |
| Gryphon Holdings | NDQ | 13.63 | -6.03 | -18.66 | 19.38 | 11.38 | 31 |
| Harleysville Group | NDQ | 21.63 | -1.70 | -9.90 | 28.50 | 19.25 | 326 |
| Hartford Steam Boiler | NYS | 43.56 | 0.00 | 18.40 | 59.56 | 33.25 | 390 |
| HCC Insurance Holdings | NYS | 20.00 | 6.67 | -5.88 | 29.38 | 15.63 | 265 |
| ING Groep N.V. | NYS | 54.56 | -3.85 | 28.95 | 76.75 | 38.88 | 917 |
| IPC Holdings Ltd. | NDQ | 22.66 | -2.55 | -29.61 | 33.25 | 21.19 | 459 |
| Hartford Financial Services | NYS | 47.63 | 5.98 | 1.80 | 60.00 | 39.25 | 2593 |
| LaSalle Re Holdings Ltd. | NYS | 27.31 | 1.16 | -22.79 | 42.94 | 26.63 | 69 |
| Life Re Corp. | NYS | 90.56 | 0.42 | 38.93 | 92.94 | 49.75 | 819 |
| Lincoln National | NYS | 88.50 | 4.35 | 13.28 | 98.88 | 64.63 | 1928 |
| MAIC Holdings Inc. | NYS | 25.50 | -0.73 | -4.80 | 30.38 | 23.94 | 37 |
| Markel Corp. | NYS | 150.31 | 0.17 | -3.72 | 187.00 | 138.00 | 11 |
| MBIA Insurance Group | NYS | 53.44 | -5.42 | -20.02 | 80.94 | 47.19 | 4060 |
| Meadowbrook Insur. Group | NYS | 24.81 | -1.00 | -4.80 | 35.00 | 22.69 | 12 |
| MMI Cos. Inc. | NYS | 15.81 | 1.20 | -37.06 | 27.06 | 15.25 | 100 |
| Mutual Risk Mgmt. Ltd. | NYS | 33.75 | 6.09 | 12.73 | 39.94 | 24.75 | 216 |
| NAC Re Corp. | NYS | 47.13 | -1.18 | -3.46 | 55.88 | 43.50 | 145 |
| Navigators Group | NDQ | 16.25 | -0.76 | -13.48 | 22.50 | 16.25 | 11 |
| Nobel Insurance Ltd. | NDQ | 0.69 | -8.33 | -94.76 | 1.00 | 0.40 | 49 |
| NYMagic Inc. | NYS | 23.63 | 3.00 | -14.29 | 34.25 | 21.75 | 8 |
| Ohio Casualty Corp. | NDQ | 39.50 | 6.76 | -11.48 | 51.75 | 36.63 | 397 |
| Old Republic Int'l | NYS | 22.69 | 0.28 | -8.49 | 32.25 | 21.88 | 551 |
| Orion Capital Corp. | NYS | 36.88 | 0.00 | -20.59 | 59.25 | 34.75 | 602 |
| Partner Re Ltd. | NYS | 41.63 | 0.15 | -10.24 | 52.50 | 39.56 | 171 |
| Penn-America Group Inc. | NYS | 9.75 | -1.27 | -52.44 | 23.00 | 9.75 | 89 |
| Pennsylvania Manufacturer's Co | NDQ | 18.50 | -2.63 | 10.45 | 23.75 | 16.25 | 459 |
| Philadelphia Cons. Holding | NDQ | 19.50 | 2.30 | 9.86 | 24.38 | 15.50 | 104 |
| PXRE Corp. | NYS | 27.06 | -0.46 | -18.46 | 35.25 | 26.44 | 54 |
| Reliance Group Holdings | NYS | 12.94 | -0.96 | -8.41 | 19.81 | 12.06 | 748 |
| Reliastar Financial Corp. | NYS | 38.94 | 4.01 | -5.46 | 52.44 | 33.63 | 869 |
| RenaissanceRe Holdings Ltd. | NYS | 41.50 | -2.64 | -5.95 | 50.75 | 38.19 | 175 |
| Risk Capital Holdings | NDQ | 20.00 | -8.05 | -10.11 | 25.50 | 19.75 | 62 |
| RLI Corp. | NYS | 34.38 | -0.90 | -13.74 | 45.63 | 31.13 | 46 |
| St. Paul Companies | NYS | 32.19 | 10.99 | -21.55 | 47.19 | 28.06 | 3687 |
| SCOR | NYS | 61.50 | -1.80 | 28.80 | 72.75 | 40.00 | 10 |
| SAFECO Corp. | NDQ | 43.47 | 7.00 | -10.83 | 56.00 | 38.50 | 2433 |
| SCPIE Holdings Inc. | NYS | 29.94 | -0.83 | 3.46 | 38.38 | 26.50 | NA |
| Seibels Bruce Group | NDQ | 4.25 | -8.11 | -43.33 | 8.94 | 4.25 | 49 |
| Selective Ins. Group | NDQ | 19.19 | 1.66 | -28.94 | 29.25 | 17.44 | 209 |
| Terra Nova Insurance Co. Ltd. | NYS | 26.81 | -0.69 | 2.14 | 35.00 | 23.50 | 35 |
| TIG Holdings | NYS | 13.25 | 1.44 | -60.08 | 36.56 | 12.50 | 1667 |
| Tokio Marine & Fire | NDQ | 43.13 | -3.36 | -25.32 | 61.88 | 39.00 | 49 |
| Torchmark Corp. | NYS | 37.44 | 1.53 | -11.26 | 49.81 | 35.19 | 1322 |
| Transatlantic Holdings | NYS | 82.00 | -1.20 | 14.69 | 94.50 | 67.44 | 442 |
| Travelers Property Casualty | NYS | 31.06 | -1.00 | -29.40 | 46.06 | 29.63 | 1009 |
| Travelers Corp. | NYS | 40.50 | 3.51 | -24.83 | 73.50 | 37.19 | 58853 |
| Trenwick Group Inc. | NDQ | 33.38 | 1.14 | -11.30 | 41.75 | 32.88 | 161 |
| Unico American Corp. | NDQ | 10.88 | 12.99 | -11.22 | 18.13 | 8.88 | 29 |
| United Fire & Casualty | NDQ | 34.09 | 1.39 | -22.95 | 47.00 | 32.13 | 9 |
| Unitrin | NDQ | 58.38 | -1.68 | -9.67 | 74.13 | 55.56 | 810 |
| UNUM Corp. | NYS | 47.00 | 2.17 | -13.56 | 59.63 | 40.88 | 1475 |
| Vesta Insurance Co. | NYS | 7.19 | -19.01 | -87.89 | 64.75 | 7.19 | 723 |
| Zenith National Ins. | NYS | 24.75 | 5.04 | -3.88 | 30.50 | 23.56 | 30 |
| INSURERS/REINSURERS | AVERAGE | | 0.36 | -8.86 | | | |
| **HEALTH MAINTENANCE ORGANIZATIONS** | | | | | | | |
| Foundation Health Systems Inc. | NYS | 11.63 | -5.58 | -47.75 | 33.94 | 9.94 | 1342 |
| Humana Inc. | NYS | 14.00 | -8.20 | -32.53 | 32.13 | 12.25 | 2529 |
| Oxford Health Plans | NDQ | 7.47 | 7.66 | -52.01 | 79.63 | 5.81 | 6791 |
| Pacificare Health Sys. | NDQ | 65.50 | 12.45 | 30.35 | 88.88 | 46.75 | 198 |
| Safeguard Health Enter. | NDQ | 3.69 | -26.25 | -72.69 | 14.88 | 3.69 | 17 |
| Sierra Health Services | NYS | 16.56 | -2.21 | -26.12 | 27.75 | 15.88 | 169 |
| United Healthcare Corp. | NYS | 36.00 | 0.00 | -27.55 | 73.94 | 29.56 | 4947 |
| Wellpoint Health Networks | NYS | 58.06 | 7.40 | 37.43 | 75.00 | 38.63 | 848 |
| HMOs | AVERAGE | | -1.84 | -23.86 | | | |
| ALL COMPANIES | AVERAGE | | 0.00 | -5.86 | | | |

**Top advancing issues: Unico American Corp., Pacificare Health Sys., St. Paul Cos. Leading decliners: Safeguard Health Enter., Vesta Insurance Co., Nobel Insurance Ltd. Most active issue: Travelers Corp. The *BI* Index fell 0.4%; the Dow Jones 30 Industrials gained 2.0%; the S&P 500 increased 3.6% and the NYSE Composite gained 2.8%. Average P/E: Brokers, 24.0; Insurers/reinsurers, 14.4; HMOs, 17.9.**

Source: *Nordby International Inc.* (nordby.com), Boulder, Colo.

©1998 Reliance National

# Keeping the Promise of a New World

Reliance National, understands the importance of providing global coverages. Since our inception, we have evolved domestically as well as internationally. Our presence is known in cities across the US and worldwide with offices in Amsterdam, Argentina, Canada, England, Germany, Mexico, Rotterdam, Singapore, Spain, Sweden, and Switzerland...with plans for further global expansion.



Reliance National's commitment to excellence is unsurpassed as we continue to customize our insurance coverages to satisfy and meet the distinct needs of any business, institution, or profession.



Supported by expert Actuarial, Claims, and Loss Control personnel, our divisions include:

- Casualty Risk Services
- Excess & Surplus Lines
- Financial Products
- International
- Property/Custom Casualty
- International Reinsurance & Special Risks
- Healthcare
- Accident & Health

At Reliance National, providing innovative solutions for all your insurance needs is our niche. Wherever your location, Reliance National is there...fulfilling your insurance requirements.



The Choice...Reliance National.



THE CHOICE

**Reliance National**

A Reliance Group Holdings Company

**77 Water Street, New York, N.Y. 10005**

**http://RelianceNational.com**

**For further information write us or call (212) 858-6602**

Reliance National's products and programs underwritten by Reliance Insurance Company, Reliance National Indemnity Company, Reliance National Insurance Company, Reliance Insurance Company of Illinois, Reliance Universal Insurance Company, United Pacific Insurance Company and/or Reliance Surety Company.