

# business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$52 a year

Entire contents copyright 1985 by Crain Communications Inc. All rights reserved.

## Great Southwest ceases new and renewal business

STEVENS POINT, Wis.—Great Southwest Fire Insurance Co. and Great Southwest Excess & Surplus Lines stopped writing new and renewal business Sept. 16, parent Sentry Insurance announced.

A Sentry spokeswoman said no current policies will be canceled by the excess and surplus lines insurers, and all existing business will be run off to expiration.

Continued on next page



Photo: Kathryn J. McIntyre

The casino at Monte Carlo provided diversion for those attending the Rendez-Vous de Septembre.

## Worst crunch Reinsurers worldwide cut limits

MONTE CARLO, Monaco—The worldwide insurance and reinsurance business is careening toward the worst capacity crunch in history.

Corporations, which already have seen the amount of insurance available dwindle significantly, can expect limits available in 1986 to be drastically less than in 1985.

And, what insurance is available will be more expensive.

The cause of the impending crunch: Reinsurers worldwide are cutting the limits that they will write, for primary companies and for each other. And, reinsurers' ranks are dwindling as some insurers have been driven out of business by losses.

Hardest hit is casualty business, where retrocessional capacity could plummet as much as 75%.

Contributing to the capacity cuts for U.S. casualty business is the decision by many Continental European reinsurers to stop writing U.S. casualty risks.

The result will be a worldwide marketplace in which it will be more difficult to place business than during the mid-1970s or in 1967-68 following Hurricane Betsy, which to date were considered the worst insurance marketplaces.

And, this capacity-tight marketplace could last from three to five years.

These are the assessments of the reinsurance company executives and reinsurance brokers who gathered in Monte Carlo earlier this month for the 29th annual Rendez-Vous de Septembre, the largest international gathering of the reinsurance business.

Attendees of the Rendez-Vous meet with their

colleagues and business partners in hotel lobbies and private suites, in outdoor restaurants and in cafes to discuss the state of their current business ventures and to gauge future opportunities.

The Rendez-Vous provides the first soundings of what's in store for the insurance and reinsurance market in the year ahead.

"This year is going to be brutal," says one U.S. reinsurance executive, echoing the thoughts of most of the more than 2,000 registrants from 81 countries at the conference, held Sept. 9-12.

"This year will make last year look like a cream puff," warns John L. Gilbert, chairman and president of reinsurance intermediary John Gilbert Intermediary Group in New York.

"No one wants North American casualty business," reports David Cargile, president of RFC Intermediaries Inc. in Los Angeles, the reinsurance brokerage subsidiary of The St. Paul Cos. Inc.

"No one wants to do anything," lamented Ben Ibeson, director of broker Andrew Weir London Ltd.

The hectic pace at the Rendez-Vous foretold how tough the renewal season will be: Nearly everyone was running late for appointments, either because they were overambitious in scheduling meetings in an effort to corral all the potential capacity they could or because many meetings ran longer than anticipated because of much more serious discussions.

In addition, reinsurers and brokers noted that, for the first time, they were scheduling meetings on Friday, traditionally the day everyone packs up to head home.

Although insurance capacity has been falling throughout 1985, the unprecedented drop in available insurance will occur with Jan. 1 reinsurance contract renewals, the most popular contract renewal date. Insurers will not be able to find all the

Continued on page 45

This report was written by Editor Kathryn J. McIntyre and London Editor Stacy Shapiro, who attended the Rendez-Vous de Septembre.

## Insurers limiting satellite exposures after latest losses

By DOUGLAS McLEOD

NEW YORK—A leading U.S. satellite underwriter is already restricting coverage following the unprecedented \$253 million loss of three satellites in the last two weeks.

Two satellites to be launched by a French Ariane rocket were destroyed Sept. 12 when the rocket malfunctioned and was intentionally destroyed by ground controllers. Losses on the satellites will total \$168 million, according to one insurer.

Hughes Aircraft Co. also announced last week that it will file a total loss claim on its Syncom IV-F4—also known as Leasat 4—which failed two days after being successfully placed in orbit by a space shuttle. That satellite has an insured value of \$85 million (BI, Sept. 16).



Graphic: Amy Palmer

Following the three losses, International Technology Underwriters Inc., one of the two largest U.S. markets for satellite risks, announced last week that it will no longer "insure the performance of a communications satellite prior to its successful positioning and operation in orbit and delivery to the owner."

INTEC—which wrote portions of the coverage on the Syncom and Ariane satellites—will still insure launch and orbital life risks, according to President James W. Barrett.

However, INTEC—which writes on behalf of about 85 U.S. and European insurers—will no longer insure satellite owners against the risk that an inherent defect in the satellite will prevent it from commencing transmissions once it has been successfully placed in orbit.

Continued on page 58

## Lloyd's to introduce claims-made form

By STACY SHAPIRO

LONDON—The London insurance market is in a state of chaos as it awaits the unveiling of a new claims-made excess liability form by Lloyd's of London underwriters.

By introducing their own form, Lloyd's underwriters have made it clear they will not adopt the new claims-made excess liability form unveiled by H.S. Weavers (Underwriting) Agencies Ltd. on Sept. 5.

Instead, Lloyd's expects to have its new form—which apparently will be more restrictive than the Weavers form—ready in the next couple of weeks for use during Jan. 1 renewals.

Underwriters at Weavers and Lloyd's Merrett Syndicates Ltd., Janson Green Ltd. and Three Quays Underwriting Management Ltd. are among the leading underwriters of North American casualty risks in the London market. The fact that their policies will be written on two different forms will—at least initially—make it extremely difficult and confusing to fill out excess coverage layers in the London market for U.S. risks.

Brokers are predicting that the chaos will subside by the Jan. 1 renewals when they should understand how to dovetail the two forms, but they warn in the interim that Oct. 1, Nov. 1 and Dec. 1 renewals will be nightmarish.

"The whole market is in such a huge mess, it is unbelievable," said one Lloyd's underwriter. "Once the forms are out they will track one another, but it's that in-between time that is tough."

"For the Jan. 1 attachment date, it should be no problem because by then the dust should settle and we will know where we are at," agrees a Lloyd's broker who asked not to be identified. "But, it is the Oct. 1 and Nov. 1 renewals we have to worry about."

The bottom line is that capacity in the London market for U.S. risks will be even tighter for the next couple months than it currently is. London

Continued on page 4

## Congressional panel investigates shortage of liability insurance

Page 2

## update

## Great Southwest stops writing

Continued from previous page

Sentry said its decision to shut down the Scottsdale, Ariz.-based companies was part of a move to get rid of unprofitable business.

The sister companies, which combined ranked as the seventh-largest U.S. surplus lines insurer, had a combined ratio of 154% in 1984. They lost \$25.8 million in 1984 on \$67.9 million in net written premiums. The insurers hadn't had an underwriting profit since 1981 and hadn't had any profit since 1982 (*BI*, Aug. 12).

In an attempt to turn the insurers around, Sentry overhauled the underwriting strategy earlier this year to concentrate on less risky coverages. But, Sentry said, the results were unimpressive.

"After we stopped writing some of the higher risk coverages late last year, we went back to our traditional markets," Sentry Vp John Elsey said. "We found that because of the size of the market and the pricing that would be required, it was no longer a practical place for us to be."

## Colorado weighs self-insuring

DENVER—Colorado legislators will meet today in a special session to attempt to draft legislation to allow the state to self-insure its canceled general liability and auto insurance, said Craig Ellis, acting risk manager for the department of administration.

Colonial Penn Insurance Co. of Philadelphia, which had insured the state's general liability and auto risks for the past three years, notified the state in May that coverage would not be renewed when it expired Sept. 15, said Wayne Jurgens, the state's independent insurance consultant. A spokesman for Colonial Penn said it did not renew the coverage because it couldn't find sufficient reinsurance.

The state asked for bids from other insurers. However, no bids were received by the Sept. 9 deadline, making the special session necessary, said Mr. Ellis.

Self-insuring would be a first for Colorado, Mr. Ellis said. He also ruled out the possibility of the state joining an insurance pool, saying, "At this point, the state's going on its own. . . . There's no benefit to pooling."

The state's 1985 losses have not been unusually high, he noted.

In 1983-84, the state incurred about 1,000 general liability claims, totaling an estimated \$1.9 million, and 500 automobile claims, totaling an estimated \$600,000, Mr. Jurgens said.

Colonial Penn had written the coverage on a first-dollar basis, Mr. Ellis said. Premiums for 1984-85 totaled \$1.8 million, with limits on both the general liability and the auto policies of \$150,000 per person and \$400,000 per occurrence. The state does not carry excess insurance, Mr. Ellis said.

## Asbestos litigation: Phase Three

SAN FRANCISCO—Five asbestos producers and more than 75 insurers began the third phase of massive insurance litigation in California Superior Court last week over who will pay potentially billions of dollars in defense and indemnification costs stemming from asbestos litigation (*BI*, March 4).

Among the issues to be addressed in Phase Three is when bodily injury occurs under the policies: at exposure to asbestos, at manifestation of an asbestos-related disease, or both, including an intermittent latency period.

Another major issue is the extent of the insurers' duty to defend producers and whether under certain policies there is a continuing duty to defend after policy limits are exhausted.

Testimony by medical personnel and testimony about the history of insurance policy forms will be presented during this phase, which attorneys estimate may take longer than six months.

Phase One of the litigation, which began March 4, dealt with disputes between producers and insurers over the existence and terms of so-called "lost policies." This phase ended May 31 (*BI*, June 10).

Phase Two, which addressed the interpretation of exclusions for "asbestosis" in various policies, ended last month. A decision by Judge Ira Brown could come soon in this phase.

Producers in the litigation are Manville Corp., Fibreboard Corp., Armstrong World Industries Inc., Nicolet Inc. and GAF Corp.

## Illinois requires extended cover

CHICAGO—The Illinois Chamber of Commerce says a new state law that extends group health insurance coverage to widowed or divorced spouses of employees is a "dangerous trend toward increasing state government-mandated employee benefits."

"If this trend continues, large companies will become self-insured to avoid state controls, and all smaller firms will be forced to discontinue most employee health benefits because of the cost," said Lester W. Brann Jr., president of the state chamber.

S.B. 300, which was signed last week by Gov. James Thompson in

Continued on page 57

## index

Books & ideas	35	
Classifieds	56	Vol. 19, No. 38— <i>Business Insurance</i> (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to <i>Business Insurance</i> , circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1985 by Crain Communications Inc.
Comings & goings: buyers	16	
Comings & goings: industry	36	
Datebook	38	
Info	44	
Insurance services guide	58	
Letters	8	
Markets	42	
Opinions	8	
Perspectives	33	
Products & services	14	
Ticker	59	

## House panel has hearings on liability capacity crisis

By CAROL CAIN

WASHINGTON—The property/casualty insurance capacity crisis is now attracting attention on Capitol Hill.

The House Subcommittee on Commerce, Transportation & Tourism late last week held a hearing to investigate the availability and cost of liability insurance. The panel, chaired by U.S. Rep. James J. Florio, D-N.J., is a subcommittee of the House Energy & Commerce Committee.

Meanwhile, states continue to take steps to protect insurance buyers from midterm coverage cancellation. New Jersey last week issued an order that blocks insurers from canceling coverage midterm without Insurance Department permission (see story, page 57).

Last week's congressional hearing and other hearings still to be scheduled by the Commerce, Transportation & Tourism subcommittee are expected to draw the attention of other members of Congress to insurance capacity problems, according to an aide to Rep. Florio.

Some 13 people were scheduled to testify last week, including two House members and several representatives from the insurance industry and from consumer groups.

Representatives of the National Assn. of Insurance Commissioners, who missed the hearing because of a scheduling misunderstanding, will testify at a later hearing, said Iowa Insurance Commissioner Bruce Foudree, president of the NAIC.

"The current crisis in the property/casualty insurance market poses a potential nationwide crisis, and this crisis is threatening to cut off critical services, such

as child care, from the American public and may hamper the ability of American businesses to operate responsibly," Rep. Florio said Sept. 10 in announcing the hearing.

"In recent months, the subcommittee I chair has been deluged with complaints from individuals, businesses, state and local governments, professional organizations and others about problems they are experiencing in obtaining adequate and affordable liability coverage," he said.

"Fear about long-range potential for losses on liability claims and financial concerns appears to be the culprit," Rep. Florio said. "Inadequate regulation of the insurance industry may also have contributed to this crisis."

In a prepared text, John Crosby, vp and general counsel of the National Assn. of Independent Insurers in Des Plaines, Ill., told the subcommittee that the current availability and affordability problems in certain lines of insurance have three basic causes:

- Inadequate pricing of policies during the recent competitive market.
- Social inflation, or court interpretations that have required insurers to provide coverage beyond what they had anticipated.
- Rapidly increasing defense costs.

Mr. Crosby emphasized that this is neither a "manufactured" crisis, as some have charged, nor a concerted refusal to deal with municipalities, doctors, manufacturers or day-care centers—some of the buyers that have had the most problems finding coverage.

"The insurance industry is cooperating with state

Continued on page 57

## States warned not to try to direct self-funded plans

By MEG FLETCHER

WASHINGTON—State insurance regulators will face "humiliation and litigation" if they attempt to mandate benefits for independent, self-funded employee benefit plans, a group of independent third-party administrators said in a letter sent last week to all state insurance commissioners and attorneys general.

The Washington-based Society of Professional Benefit Administrators says—according to its interpretation of various court cases and federal law—state insurance regulators can mandate benefits only for insurer-run plans in which the insurance company pays benefits directly to the individual plan participants.

Independent self-funded employee benefit plans constitute about one-third of all benefit plans in the United States and provide benefits for about 54 million workers, estimated SPBA Executive Director Frederick D. Hunt Jr.

He says that SPBA developed its interpretation of the power of state regulators after an exhaustive study of court decisions and federal statutes, including the McCarran-Ferguson Act, which gives states the power to regulate insurance.

He says the SPBA interpretation means that companies with independent self-funded benefit plans need concern themselves only with federally mandated benefits and not with those mandated by the states where their employees reside.

"It will protect the benefit manager from double jeopardy," Mr.

Continued on page 6

## BI appoints Dave Lenckus to editorial post

Dave Lenckus has joined the *Business Insurance* as assistant managing editor, announces Editor Kathryn J. McIntyre.

Mr. Lenckus, 28, previously was managing editor of Wood & Wood Products magazine in Lincolnshire, Ill.

Mr. Lenckus has a bachelor of arts degree in journalism from Lewis University in Romeoville, Ill.

Mr. Lenckus' immediate duties will include copy editing and reporting on a variety of insurance topics.

He will work from the Chicago office.

He can be reached at 312-649-5441.



Mr. Lenckus

## 'Unusual' events aid capacity: ISO

By MICHAEL BRADFORD

SYRACUSE, N.Y.—The Insurance Services Office's projection of a \$62 billion shortfall in property/casualty insurance capacity over the next three years may be too high because of "highly unusual developments," an ISO official says.

## Intermediaries' directory

*Business Insurance* will publish its third annual directory of reinsurance intermediaries in the Nov. 11 issue, which will include a special section focusing on reinsurance topics.

The directory includes both U.S. and Bermuda-based reinsurance intermediaries and is a resource to which subscribers can refer throughout the year.

Listings are printed as an editorial service; there is no charge for intermediaries to be included.

If you have not yet received a questionnaire, please contact Marilou Jones, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5279. The deadline for returning completed questionnaires is Oct. 7.

"It is clear that the capacity shortage is here, but the magnitude and severity of that shortfall is certainly somewhat less than we originally predicted," Mavis A. Walters, senior vp of ISO's Washington office, told those attending the National Assn. of Insurance Commissioners' Northeastern zone meeting.

Ms. Walters was referring to a study ISO released in January predicting that under a "reasonable set of circumstances," property/casualty insurance capacity could fall \$62 billion short of demand over the next three years (*BI*, Feb. 4).

The "circumstances" ISO assumed in its study included natural catastrophes amounting to \$2 billion per year, an average aggregate increase in the stock market of 8% annually and new capital contributions to the industry of \$1.5 billion each year.

ISO also assumed an annual inflation rate of 4% and a 20% annual increase in written premiums for commercial lines and 9% for personal lines.

However, late last year and in the first half of 1985, at least one of those assumptions was shattered, Ms. Walters pointed out.

"A major unexpected—and encouraging—development that took place in the last quarter of 1984 was the infusion of particularly large amounts of new capital. Nearly \$3 billion of new capital came into this industry in the last quarter of 1984," she explained.

Continued on page 40

# Plaintiffs' attorneys protest Wellington letter

By STEPHEN TARNOFF

Attorneys for asbestos injury victims are strongly condemning a letter from former Yale Law School Dean Harry H. Wellington to more than 600 state and federal judges that seeks cooperation and support for an asbestos claims facility.

Plaintiffs' attorneys say the letter has helped deteriorate the relationship between the plaintiffs' bar and asbestos producers and insurers that have signed the so-called Wellington agreement, which sets up the claims facility.

A meeting is scheduled for Sept. 27 in Chicago at which members of the facility and plaintiffs' attorneys will likely discuss Mr. Wellington's letter, as well as other differences between the two sides.

In a related development, attorneys hired



**'For the facility to be successful, it will require the support of our judiciary,' Mr. Wellington's letter to the judges says. 'It is sincerely hoped that the facility can look forward to your interest and cooperation as it becomes operational.'**

by the facility have begun settling claims on behalf of asbestos producers that have joined the facility, even though the facility won't be totally operational until next year.

The facility is the product of discussions between producers and insurers that were moderated by Mr. Wellington, who is now Sterling professor of law at Yale. Fifty asbestos producers and insurers have signed

the pact.

Mr. Wellington wrote in a four-paragraph letter to judges dated Aug. 19 that the facility was established as a voluntary alternative to the tort system to handle asbestos bodily injury claims more efficiently and equitably.

Enclosed with the letter was a booklet describing how the facility will operate.

"For the facility to be successful, it will re-

quire the support of our judiciary," the letter says. "It is sincerely hoped that the facility can look forward to your interest and cooperation as it becomes operational."

Some leading plaintiffs' attorneys, however, say the letter is an "ex parte communication" by an adverse party in asbestos litigation that seeks to influence the judiciary on behalf of the defendants.

The attorneys say the letter is a serious blow to the credibility of facility members and the potential success of the facility.

It is also further evidence that the claims facility was designed to benefit defendants rather than compensate victims fairly, plaintiffs' attorneys allege.

Plaintiffs' attorney Ronald Motley, co-chairman of a committee of plaintiffs' attorneys negotiating with the Wellington group, *Continued on page 55*

## Orient-Pacific official to face retrial for fraud

By DOUGLAS McLEOD

LOS ANGELES—A California agent being sued by a Union Indemnity Insurance Co. policyholder for pocketing premiums will be retried this month on charges of fraud involving other business he produced for Union Indemnity in Alaska.

The agent, Lawrence R. Sellars, was convicted and sentenced in January 1983 with Alaskan broker Lambert Peterson on charges that they issued fraudulent loan guarantee and deposit bond insurance policies in Alaska using Union Indemnity, Great Atlantic Insurance Co., Regal Insurance Co. and Roger Williams Insurance Co.

In some cases, the two men failed to notify the insurance companies that the policies had been issued and failed to remit premiums to the insurers, according to court documents.

The convictions were overturned by an Alaskan appellate court last March on the grounds that the two men, who were represented by the same lawyer at the original trial, should have had independent counsel.

Mr. Peterson and Mr. Sellars are scheduled to be retried Sept. 30, according to David Mannheim, Alaska assistant attorney general.

Mr. Sellars—president of Orient-Pacific Insurance Agency Inc. and Sellars Insurance Market of Laguna Hills, Calif.—continued to produce business for Union Indemnity until early in 1985. But, Union's former president, Monroe Birnberg, had been told at least two years earlier to stop doing business with Mr. Sellars, says Douglas L. King, an executive vp of Frank B. Hall & Co. Inc. and former director of Union Indemnity.

Union Indemnity, a unit of Hall, was ordered liquidated by a New York court in July (BI, June 17; July 22).

Mr. King said he told Mr. Birnberg to stop accepting business from Mr. Sellars before Mr. Sellars' 1983 fraud conviction.

Mr. Birnberg, who was also president of Great Atlantic until 1979, said he canceled Mr. Sellars' binding authority for Union after the conviction, but continued to use Mr. Sellars until early this year as a broker on programs placed with Union.

While Mr. Birnberg may have understood Mr. King's order to apply only to business on which Mr. Sellars acted as an agent, Mr. King says he intended it to apply also to the several programs on which Mr. Sellars later functioned as a broker.

Mr. King, who took over as Union's president after Mr. Birnberg resigned, said that Mr. Birnberg never told him that Mr. Sellars was being used as a broker and that he did not find out

*Continued on page 54*



## Rescue at hand? Rate hike may ease Texas comp crunch

By CAROL CAIN

AUSTIN, Texas—Small and medium-sized Texas employers, many of which have been forced to buy workers compensation coverage from the state's assigned risk pool, may again be able to buy coverage from commercial insurers—but at markedly higher rates.

A 30.9% average increase in workers compensation rates, scheduled to take effect Oct. 1, could reopen the commercial market, which has dried up for many Texas employers, observers say.

"Over the last 18 months there's been an availability crisis for workers compensation insurance, particularly for small companies and for those in the high-risk construction and oil-drilling business," said Gerald Dorsey, senior vp and general counsel with the Houston-based Texas Assn. of Business, which has 4,200 employer members.

"Agents have not been able to place risks in the voluntary market," notes Theo Van Eeten, director for education and technical services with the Professional Insurance Agents of Texas in Austin.

"It doesn't really happen that often that a market shuts

down completely, but that's what happened with workers compensation in Texas," he said.

One of the main reasons behind the exodus of the insurers, they say, is a 1984 reduction of rates mandated by the State Board of Insurance.

As a result, many small and medium-sized employers—even those with good loss experience—have been forced to obtain workers compensation insurance from the Texas Workers' Compensation Assigned Risk Pool, Mr. Dorsey said.

The assigned risk pool, which was designed as a residual market, now is the second-largest writer of workers compensation insurance in Texas in terms of gross premium volume.

The estimated number of risks written by the 32-year-old assigned risk pool hovered around 36,000 at the end of August, representing an estimated \$130 million in written premium, said Charles R. MacKay, the associate manager of the Austin-based pool.

Through the end of July, the pool wrote 31,083 risks, a 115.9% increase over the same period last year, Mr. *Continued on page 53*

# Improved results not good enough: Reinsurers

By JUDY GREENWALD

While U.S. reinsurers' underwriting results significantly improved in the first half of 1985, many reinsurance company executives say the progress isn't something to brag about.

According to the Reinsurance Assn. of America's survey of 1985 first-half results from 67 reinsurers, the U.S. reinsurance industry posted an aggregate 120.3% combined ratio, compared with a combined ratio of 128.2% posted by a similar but not identical group of reinsurers surveyed by the RAA following the first half of 1984.

A survey of the 20 largest reinsurers responding to the RAA study showed a combined ratio of 120.4% for the first half of 1985, compared with a 124.9% combined ratio at the same time last year.

"We're clearly on the upside of an underwriting cycle," says Ronald E. Compton,

president of American Re-Insurance Co. in New York.

While prices are not yet adequate, he says, "we are going in the direction of adequate prices, and I think that trend will continue."

"It's like they say, 'It ain't much, but it's better than what we had.'"

LeRoy Simon, senior vp of the Prudential Re Group in Newark, N.J., noted that the industry's first-half 1984 results were the worst in 10 years. First-half 1985 results, he adds, were the second-worst in a decade.

"Just because it's better doesn't mean it's good. In fact, it's not good, it's just better. Don't get carried away in a euphoric St. Vitus' dance here," he said.

According to the RAA survey, the U.S. reinsurance industry reported net premiums of \$3.7 billion in the first half, compared with \$2.8 billion in the first half of 1984, an increase of 30.7%.

The Top 20 reinsurers reported a 28.5% in-

crease in net premiums to \$3 billion from \$2.3 billion in last year's first half.

The reinsurance industry as a whole and the Top 20 reinsurers both posted an aggregate 89.6% loss ratio. The Top 20 posted a slightly worse expense ratio—30.8%—compared with the overall industry's 30.7%.

The aggregate combined ratio posted by reinsurance companies was markedly better than that reported by other reinsurance organizations surveyed by the RAA, such as insurance exchanges and insurers' reinsurance departments.

A breakdown of these two groups showed that reinsurance companies reported a 119.6% combined ratio, while companies falling in the other category posted an aggregate combined ratio of 127.3%.

In addition, the survey shows that the major reinsurers posted slightly worse underwriting results in the first half than major

*Continued on page 59*

### Best combined ratios

Reinsurer	First half	
	1985	1984
Continental Re	111.8%	117.9%
Munich Re Group	111.9	125.1
Constitution Re	112.5	114.5
General Re	113.5	116.5
North American/Swiss Re	116.7	128.1
American Agricultural Ins.	116.7	106.1

### Worst combined ratios

N.Y. Ins. Exchange	148.4%	130.9%
Transatlantic Re	134.4	131.1
Buffalo Re	133.7	115.6
Prudential Re	128.5	165.0
Skandia America Group	128.1	136.8
Fremont Re	127.4	113.6

Source: Reinsurance Assn. of America Chart: Amy Palmer

## Lloyd's policy

Continued from page 1

underwriters are expected to hold back on signing onto risks as they await the release of the Lloyd's form and try to digest the changes already introduced in the Weavers form.

Weavers normally writes up to 80% of the first \$5 million of excess liability coverage placed in the London market and up to 40% of the next \$15 million.

Lloyd's underwriters normally help complete the layers led by Weavers and then lead layers above \$15 million, as well as London market excess-of-loss reinsurance.

Because of the uncertainty caused by the new forms and the overall reduction of capacity in the London market for U.S. risks, U.S. buyers may not be able to complete any more than 90% of an initial \$5 million excess layer or more than 50% to 60% of the next \$15 million

in the London market, Lloyd's brokers say.

And, only about 25% of the next \$30 million layer excess of \$20 million can be found, they add.

London underwriters initially had hoped that the London market could produce one uniform claims-made excess liability policy (BI, Aug. 13, 1984).

But now, after looking at the Weavers form, Lloyd's has decided it wants better-defined wording in its claims-made form.

"The Lloyd's concept will be a new form," said Gale Coles, deputy chairman of Janson Green. "I personally think the Weavers concept is just alterations to existing forms.

"Our intention is to have a new form unlike the old forms ready by the time we quote renewals for Jan. 1," Mr. Coles said.

Lloyd's plans to complete work on its new form sometime in the next few weeks. The new Weavers claims-made policy was introduced to the market about three weeks

ago. It will be used for all new or renewing U.S. and Canadian risks written by Weavers beginning Oct. 1, says Weavers Managing Director Peter Wilson.

Even without the introduction of a different excess form by Lloyd's, the new Weavers form posed problems for the large U.S. corporations that tap the London market for excess coverage.

The new Weavers form may not dovetail neatly with any underlying insurance purchased by a Weavers policyholder because the Weavers form will not follow the conditions of any underlying policy—whether it is claims-made or occurrence (BI, July 15).

Instead, the Weavers form imposes a new "self-insured deductible" of indemnity payments stemming from exposures covered by the Weavers policy before the excess coverage is available. And, the Weavers form will not recognize underlying defense costs as satisfying this "self-insured deduct-

ible."

This will make it difficult to dovetail the Weavers form neatly with primary liability coverage written under the new commercial general liability form devised by the Insurance Services Offices for use next year. ISO is asking state insurance departments to approve the inclusion of defense costs within policy limits effective July 1, 1986.

Therefore, to the extent that primary insurance is exhausted by the defense costs, a Weavers policyholder will have to foot the bill for an equal amount of indemnity payments for risks covered by the Weavers form before filing a claim against the Weavers form.

Furthermore, all associated defense costs incurred after the primary policy is exhausted and before the Weavers policy is triggered will be borne by the policyholder.

While the Weavers form will not follow the terms of the ISO form, both impose a retroactive date on

coverage for claims, introduce separate aggregate limits for specific exposures and exclude, to varying degrees, coverage for pollution liability.

Because the new Lloyd's form is not yet complete, Lloyd's underwriters could not be specific about how the Lloyd's form will differ from the Weavers form, but they did address some differences.

For example, Lloyd's wants to include an absolute pollution exclusion within the wording of its new form, although underwriters will allow a policy endorsement for a possible buy-back of certain named pollution perils for an extra premium.

This is similar to the ISO form.

Weavers, on the other hand, does not specify an absolute pollution exclusion. Instead, Mr. Wilson says, all quotes will include an absolute exclusion endorsement for all pollution, except for pollution stemming from specified perils, which are "unintended fire, lightning, explosion and overturning and collision of road vehicles."

Lloyd's also wants its policy to include coverage only for third-party damage to tangible property and then allow underwriters to consider whether to cover "intangible" property loss for additional premium.

Tangible property damage occurs, for example, when a telephone pole falls down and a third party is responsible for that loss. Intangible property damage, on the other hand, would consist of the loss of telephone service caused by the downing of the pole.

The Weavers form will cover both tangible and intangible property losses at no additional premium.

The Weavers form says that coverage is given for "physical injury to or destruction of tangible property...including the loss of use of tangible property which has not been physically injured or destroyed."

Like Weavers, Lloyd's will impose a self-insured retention on policyholders before excess coverage will kick in and will not recognize underlying defense costs as satisfying this retention, which also could be insured.

However, on other underlying layers between the self-insured deductible and the higher layers led by Lloyd's underwriters, defense costs may or may not be included in policy limits, depending on the individual case.

Both the Weavers and Lloyd's forms will make the inception date of the first claims-made policy the retroactive date on subsequent policies each writes. Lloyd's calls its retroactive date a retrolimitation date.

Any claims already made against the insured before that date or any circumstances known by the policyholder before that date that could lead to a claim are excluded.

Although the ISO and Weavers policies both spell out the extended discovery period, or tail coverage, that will be available for policyholders to file claims after the expiration of a claims-made policy, Lloyd's underwriters only acknowledge at this point that, for certain classes, it is customary to extend the discovery period.

The tail coverage available under the Weavers policy, on the other hand, is in some ways more generous than that available under the ISO form.

The Weavers policy says that if an underwriter cancels or refuses to renew the Weavers policy for reasons other than non-payment of premium or non-compliance with the terms of the policy, or the underwriter agrees to a renewal or replacement of the policy with new exclusions, the policyholder has the right to extend the coverage granted by the policy for 36 months

Continued on page 6



## There are days when we could all use a little timely advice.

To run an effective industrial hygiene program, you need reliable advice and reliable lab results. And you need them on time. That's exactly what you get when you work with us.

We're the Environmental Health Division of Parker Services, Inc., a member of the Sentry Insurance family of companies. And in addition to an AIHA-accredited industrial hygiene lab, we offer in-depth consultations, comprehensive training and something that's hard to come by these days—quick results.

So call us collect for our brochure and price list. And the next time you

need the services of a dependable lab, call us again. We'll get your results to you right and early.

Call collect (715) 346-7786.

Chicago area (312) 844-1176.




Sentry.

**PARKER SERVICES, INC.**

Environmental Health Division

# You can picture the difference when your Group A&H is with Wausau.



Hello, I'm *Delores Clancey*  
your group claim correspondent from  
Wausau Insurance Companies. It's my job  
to make certain you receive the fast, fair  
claim service you were promised when  
you purchased your group health plan.

Whenever you have questions about  
claims, coverages, or procedures, we're  
ready to help.

**At Wausau Insurance Companies,  
service is just a phone call away.**

In Wisconsin: 1-800-472-0041  
All other states: 1-800-826-9781

Delores Clancey is Vice President,  
Group Claims Administration. Delores and her staff of 243 claims  
correspondents are the people you call (toll-free) on claims matters.  
A specific person is assigned to your Group — someone you get to know  
and who knows your company's needs.

In Group Accident and Health  
Plans, Wausau has a way of  
making a difference. It's in the  
service you get — and the people  
who provide it.

Our long experience in workers  
compensation insurance makes  
us especially well qualified to  
administer Group A&H coverage.

The Wausau Certi-Claim Card,

furnished to each of your em-  
ployees, keeps paperwork to a  
minimum. Our cost-contain-  
ment programs are valuable to  
employers and employees alike.  
We have more than a dozen ways  
to help — all available through  
your Wausau representative.

But we know the ultimate test  
is how your claims are handled.  
That's why we try to make our

service picture-perfect. You call  
the same person on every matter.  
This results in a more efficient  
exchange of information. You get  
to know us. We get to know you.  
Together, we get the job done.  
Promptly. Fairly. And pleasantly.

**WAUSAU WORKS.™**



**WAUSAU  
INSURANCE  
COMPANIES**

Wausau, Wisconsin 54401

## Lloyd's claims-made form

Continued from page 4  
at no additional cost.

However, this is only under the condition that the claims first made in writing against the policyholder during the extended claims-made period result from an accident that occurred prior to the date on which the extended claims-made period began.

The underwriter cannot cancel this coverage extension.

In contrast, under the ISO form, the policyholder must buy the tail coverage at a cost of up to 200% of the original policy premium.

However, under the ISO form, the tail cover must be offered no matter if the insurer or the policyholder cancels or decides not to renew the coverage. In contrast, the 36-month tail coverage is not available under the Weavers form if the policyholder cancels or decides not to renew the policy.

Both Lloyd's underwriters and Weavers hope the differences between the forms can be worked out.

"Although I believe there will be a Lloyd's form, I still believe there should be a London market form," said Mr. Coles of Lloyd's. "There is still time to get one."

Weavers' Mr. Wilson said: "If we see the Lloyd's form and it has the same intentions as ours, then there

is no reason why we cannot support it. But somebody had to make the first move

"Similarly, I hope that they support our form. We represent the largest share of people who need the form."

In the meantime, the moves by Weavers and Lloyd's confirm the virtual elimination of any excess liability insurance written by London underwriters on the now-common London 1971 umbrella occurrence form.

And, the moves change the entire way brokers have been seeking liability coverage for North American policyholders.

Instead of looking for primary liability policies first and then finding umbrella coverages that follow the underlying primary policies, brokers now must buy excess liability coverages from Lloyd's and Weavers and search for underlying primary liability limits that match the requirements of the excess liability policies.

But, it apparently can be done.

Since Weavers introduced the claims-made form to about 100 Lloyd's brokers on Sept. 5, the underwriting agency has pulled in about a dozen firm orders, Mr. Wilson said.

"The Lloyd's form will have no effect on the orders to Weavers because the form, as I understand it, will be more restrictive," Mr. Wilson said. "We are getting good support from risk managers who are approving our form." ■

## Self-funded plans

Continued from page 2  
Hunt said.

Employee benefit managers now face confusing requirements from both the state and federal governments, and some fear sanctions from one for meeting the requirements of the other, Mr. Hunt explained.

In the letter to the officials, Mr. Hunt told the regulators and attorneys general that there are "some very important legal differences" between the insurer-run and independent plans, and state regulators have not been differentiating between the two types of plans, both of which may call themselves "self-funded."

"Plans which are run by insurance companies, and in which the insurance company has a direct relationship with the plan participant, fall under state authority to mandate benefits and regulate, even if that plan calls itself 'self-

**Mr. Hunt says there are 'some very important legal differences' among self-funded plans.**

funded,'" Mr. Hunt said in the letter.

"On the other hand, self-funded plans which are not run by an insurance company and which purchase 'stop-loss' protection for the plan (not payable directly to the policyholder/plan participant) do not have the insurer/policyholder relationship required in the McCarran-Ferguson Act," the letter said.

"Therefore, the federal act which gives states their authority... specifically limits that authority to plans with a direct insurer/policyholder relationship. Independent self-funded plans are exempt from state authority," Mr. Hunt explained in the letter.

Some state regulators based their authority to regulate independent, self-funded plans on the fact that those plans purchase stop-loss insurance, Mr. Hunt said.

However, stop-loss contracts for independent plans protect the plan and "virtually never" require direct payment to individual participants, he said.

Consequently, there is no insurer/policyholder relationship and the independent, self-funded plans are not under the jurisdiction of state regulators, according to Mr. Hunt.

In insurer-run, self-funded benefit plans, the insurer usually is the direct-pay stop-loss insurer, so those benefit plans have the direct relationship between insurer and individual plan participant that makes them subject to state regulation.

Spokesmen for the National Assn. of Insurance Commissioners and the New York Insurance Department declined to comment on the letter until they had an opportunity to review it.

Two recent court cases are leading some state officials to overstep their legal bounds and attempt to regulate independent self-funded benefit plans, according to Mr. Hunt:

- The U.S. Supreme Court this summer ruled in *Metropolitan Insurance Co. v. State of Massachusetts* that states can require insurer-run group health insurance programs to offer minimum mental health benefits (*BI*, March 4, June 10).

However, the court made it clear that the federal Employee Retirement Income Security Act preempts states from imposing benefit requirements on independent group health coverage plans, according to Mr. Hunt.

- In *Michigan United Food & Commercial Workers Union v. Nancy Baerwaldt, Commissioner of Insurance of the State of Michigan*, the 6th U.S. Circuit Court of Appeals said the state of Michigan had authority to mandate benefits for a "minimum premium" plan run by an insurer.

In this particular plan, the insurer paid basic benefits directly to individual plan participants and the stop-loss coverage also went directly from the insurance company to the individual plan participants.

Some state officials have interpreted this decision to mean that they have authority over any plan with stop-loss insurance, Mr. Hunt said.

"Obviously the 'direct relationship between insurer and policyholder'" exists in this case, giving Michigan authority, he said, but he emphasized this relationship does not exist in all plans with stop-loss coverage. ■

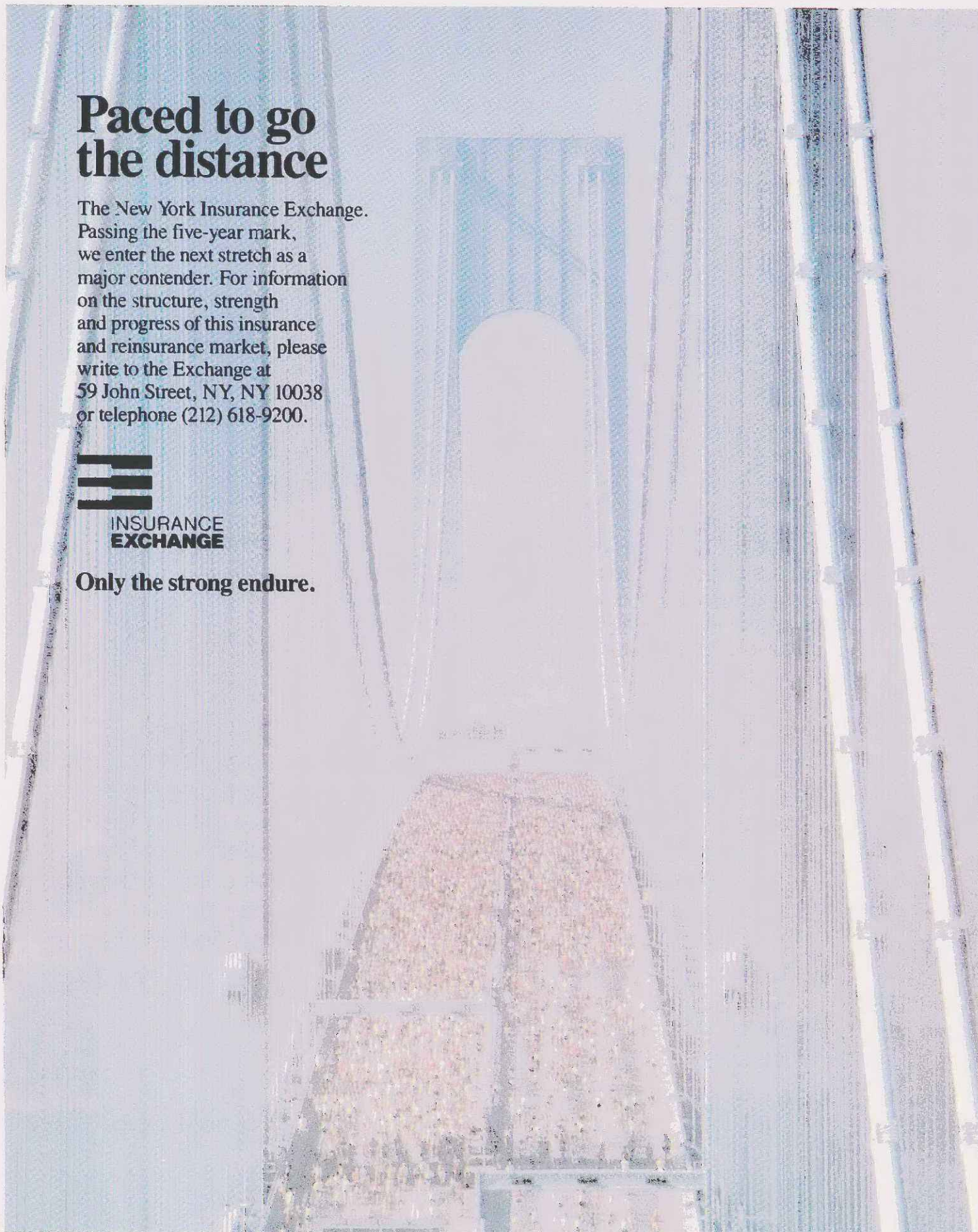
## Paced to go the distance

The New York Insurance Exchange. Passing the five-year mark, we enter the next stretch as a major contender. For information on the structure, strength and progress of this insurance and reinsurance market, please write to the Exchange at 59 John Street, NY, NY 10038 or telephone (212) 618-9200.



INSURANCE  
EXCHANGE

Only the strong endure.



# AT SHAND, MORAHAN WE'RE POINTING IN THE RIGHT DIRECTION.



As one of the leading sources for claims-made specialty casualty and professional liability, we have shared the same troubled climate with the rest of the insurance industry. Through it all, however, we have always practiced underwriting and risk coverage one way: For profit. With professionalism and expertise.

As a result, while many others have come and gone, we have been able to maintain continuity for most of our coverages. Today, Shand, Morahan remains an active market for several difficult-to-place coverages including medical/hospital malpractice and architects and engineers E&O. And we are eager to consider just about any exposure in the area of miscellaneous E&O.

We have the stability. We have the coverages. And most important, we have the know-how and the confidence to say "yes."



**Shand, Morahan  
& Company, Inc.**

Shand Morahan Plaza  
Evanston, IL 60201  
(312) 866-2800  
Telex 72-4328

## opinions

# High rates a necessary evil

RECENT EFFORTS by public officials to protect insurance buyers from hefty premium increases and widescale policy cancellations may be welcomed by shell-shocked policyholders, but we cannot endorse them.

As we reported this week and last week, several state insurance commissioners, state and federal legislators and governors are trying to control the current changes in the insurance marketplace.

Some of these public officials want to have more direct control over insurers' rates, others want to forbid insurers from canceling coverages, and still others want to force insurers to write coverage through assigned risk pools.

But, in these perilous times for the insurance industry, it's indisputable that insurers must amass more premium income to cover the losses of the past, not all of which were created by insurers' own greed for premium volume and mismanagement.

For example, insurance companies' losses on asbestos could not be foreseen.

Contrary to the apparent opinion of many courts, the insurers' coffers are not limitless. Long-latent losses must be covered by premium income collected by insurers today.

Undoubtedly, there will be some insurers that will seek to gouge insurance buyers, but for the most part they will be thwarted by those insurers that are willing to price their products responsibly.

And, buyers have to admit they have had a cheap ride for the last seven years.

Insurance regulators, as we have said before, should be concerned first and foremost with regulating insurers for solvency. And, if they are regulating for solvency, they cannot realistically now try to limit the premium income of insurers.

Unless we want to return to a system of tariffs whereby insurers abide by minimum rates—and thus are guaranteed profits—we cannot now rationally advocate that insurers' maximum rates be limited.

Nor can we support restricting insurers' right to cancel policies, whether individual policies or entire books of business.

## letters

### NAPSLO urges sensible regulation of surplus lines

To the editor: Your annual issue of the surplus and specialty lines insurance market (*BI*, Aug. 12) was, as usual, an excellent and comprehensive review of this important segment of the property/casualty insurance industry.

I also noted with great interest your editorial entitled "For the Wrong Reasons," in which you related the recent decline in regulatory fervor for surplus lines to shrinking market capacity and limited regulatory resources.

In the editorial, you characterized "capacity-related" regulatory activity as "illogical."

And, while you rejected guaranty funds and onerous regulatory procedures for documenting rejected risks, you emphasized the need for surplus lines insurers to meet "minimal capital and surplus requirements and trust fund demands" and for state insurance departments to be adequately funded to "fulfill their most important function," which is regulating both admitted and non-admitted insurers for solvency.

*Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

Those of us in the surplus lines arena have long felt that surplus lines works best when regulated the least.

We are not unmindful, however, of the critical importance of having only financially strong carriers doing business in the non-admitted market and the significant role insurance regulators play in this process.

For example, the National Assn. of Surplus Lines Offices recently adopted a position paper entitled "A More Secure Surplus Lines Market—A Realistic Approach," in which the association sets out a number of steps that can be taken to strengthen the non-admitted marketplace. Two of these suggestions correspond with thoughts expressed in your editorial.

In the position paper, NAPSLO urges

### Pacific Mutual offers hospital review program

To the editor: I read with interest the Products & Services article about John Hancock Mutual Life Insurance Co. offering a pre-admission review program that it guarantees will reduce hospital costs (*BI*, Sept. 9). The article goes on to mention that the program is designed for groups with at least 500 lives.

I'd like you to know that for the last nine months, Pacific Mutual Life Insurance Co. also has guaranteed reduced hospital costs for all groups with 25 or more employees that add hospital review to their program.

Typical premium savings range be-

The insurer's right to cancel policies—just as the policyholder's right to cancellation—should be governed by the conditions of the contract, not abstract theories of consumer protection.

Nonetheless, the insurance industry would be wise—and responsible—to begin to develop solutions to the problems of unavailable insurance.

While large corporations with sophisticated risk managers have the financial and management savvy to develop alternatives to commercial insurance—witness the numerous studies already under way to form group-owned captives to provide needed insurance—smaller companies with fewer resources and less risk financing know-how do face severe insurance problems.

The major trade associations of the property/casualty insurance industry should immediately identify those businesses unable to purchase insurance and then determine how best the insurance industry can meet their insurance needs.

We have no doubt that the insurance industry is capable of developing solutions that will work to restore the financial strength of insurers and meet the needs of insurance buyers.

But, if the industry fails to act, it's clear that regulators will do so.

And some of their proposals—like assigned risk pools—satisfy neither the buyers nor the insurers. The buyers often are forced to pay more for the coverage from an assigned risk pool than they would for coverage from commercial insurers and have no choice of insurer; meanwhile, insurers are forced to provide coverage for some companies that may not deserve to be insured because they are knowingly negligent or just sloppy in their loss prevention.

While many of the solutions proposed by regulators to solve the current coverage crises will satisfy immediate concerns, they may in the long-run serve to weaken the financial strength of the insurance business.

And, ultimately, the strength of the insurance business determines its ability to serve the needs of the insurance consumer.

## business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Deputy Editor: Lorrie Gibson (Chicago)

Managing Editor: James M. Burcke (Chicago)

Assistant Managing Editor: Dave Lenckus (Chicago)

**CHICAGO:** Alison Kittrell (Copy Editor)  
 Maria Antelis (Assistant Copy Editor)  
 Carol Cain (Associate Editor)  
 Meg Fletcher (Associate Editor)  
 Diane Kastiel (Associate Editor)  
 Stephen Tarnoff (Associate Editor)  
 Linda J. Collins (Agent/Broker Topics Associate Editor)  
 Marilou Jones (Directory Editor)  
 Holly E. Seguire (Graphics Editor)  
 Amy Palmer (Graphic Artist)  
 Donna DiBlase (Proofreader)  
 Cali Sangalis (Editorial Assistant)

**LONDON:** Stacy Shapiro (London Editor)

**LOS ANGELES:** Robert A. Finlayson (Bureau Chief)  
 Steve Taravella (Associate Editor)

**NEW YORK:** Douglas McLeod (Bureau Chief)  
 Michael Bradford (Associate Editor)  
 Judy Greenwald (Associate Editor)

**WASHINGTON:** Jerry Geisel (Washington Editor)

Advertising Director: Donald A. Walsh (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

**CHICAGO:** Deborah D. Neale (District Manager)  
 Beverly J. Kluxdal (District Manager/  
 Classified Sales)  
 Fran Prybylo (Production Manager)

**LOS ANGELES:** Michael J. Sharpe (District Manager)

**NEW YORK:** Charles A. Horvath (District Manager)  
 Jack Forrest (District Manager)  
 Martin J. Ross (District Manager)  
 Courtney Bauer (District Manager)

Director of Communications: Ronnie I. Drachman  
 (New York)

**EDITORIAL:** Chicago: 312-649-5398  
 London: 01-404-4228  
 Los Angeles: 213-651-3710  
 New York: 212-210-0100  
 Washington: 202-662-7200

**ADVERTISING:** New York: 212-210-0133  
 Chicago: 312-649-5276  
 Los Angeles: 213-651-3710

**COMMUNICATIONS:** New York: 212-210-0132  
**CIRCULATION:** Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.  
 Founder (1885-1973)

MRS. G.D. CRAIN  
 Chairman

KEITH E. CRAIN  
 Vice chairman

S.R. BERNSTEIN  
 Chairman-executive committee

RANCE CRAIN  
 President

MARY KAY CRAIN  
 Treasurer

MERRILEE P. CRAIN  
 Secretary

WILLIAM A. MORROW  
 Senior Vp-operations

Published weekly at 740 Rush St., Chicago, Ill. 60611. Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; Suite 814, National Press Building, Washington, D.C. 20045; 8404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.50 a copy. \$52 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$45 for air delivery. First-class mail to U. S. and Canada only, add \$48. Bermuda only, \$97 per year expedited delivery. WILLIAM STRONG, vp-circulation. ROBERT FLORITO, circulation manager. ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611, or phone 312-649-5221. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. 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: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.



Member of Business Publications Audit of Circulation



# We put together a whole new arrangement.



Swett & Crawford Group

John H. Crowther • I West • Montgomery General Agency • Dana Roehrig & Associates • Swett & Crawford



In today's competitive marketplace you can't do business the same old way. Neither can we. You need expanded resources and extraordinary responsiveness. The flexibility to react to change, and in-depth professionalism you can rely on.

That's what the new Swett & Crawford Group gives you. We've brought together outstanding wholesale brokerages from all over the nation into a family of companies with one universal goal: to serve you with efficiency, imagination and discipline.

The combined experience, marketing skills, and marketplace knowledge of the Group provides you with the kind of business that builds futures. When you work with a Swett & Crawford Group company you get the person-

alized attention of a local resource, with the breadth of backup, support and insurance expertise only national perspective can deliver.

For wholesale brokering and underwriting management on a whole new scale, look to Swett & Crawford Group, the wholesale industry leader. We have solutions for our markets and our clients that are in tune with the way business must be done today and tomorrow.



Swett & Crawford Group

Headquarters: 3699 Wilshire Boulevard  
Los Angeles, California 90010  
Over 50 Offices Nationwide

# NAPSLO offers quarterly review of insurers

By MICHAEL BRADFORD

BOSTON—The National Assn. of Surplus Lines Offices is offering its members a quarterly review of the financial status of U.S. surplus lines insurers in an effort to help agents and brokers better evaluate the insurers' solvency.

The NAPSLO Quarterly Financial Data Service was developed about a year ago in conjunction with Georgia State University to provide some "pertinent facts" that don't show up in Best's Insurance Reports or the IRIS tests administered by the National Assn. of Insurance Commissioners, according to Thomas Bloom, president of McAlear Associates Inc., a wholesale broker in Grand Rapids, Mich. He is also chairman of NAPSLO's Security and Review Committee.

Best's and the NAIC's IRIS test traditionally have been used by agents and brokers interested in gaining information about the financial status of insurers.

But, NAPSLO developed its own system to supplement that data.

During a session at NAPSLO's annual convention, held Sept. 12-15 in Boston, Mr. Bloom said, "The need for timely financial data is as critical now as it has ever been, particularly given the speed with which insolvencies have developed over the past few years."

The NAPSLO review of the financial performance of about 150 companies for all of 1984 is complete, and first-quarter 1985 results are also available. This year's report on second-quarter results is expected in early October.

In the review, NAPSLO provides about 60 ratios or data points on the companies reviewed.

Mr. Bloom said he has high regard for Best's Insurance Reports, but he added, "There are also things that we consider to be pertinent points of financial data and information we provide that we feel Best's either doesn't provide" or publishes in a way that is not as useful as NAPSLO feels it could be.

While the NAPSLO service includes some of the same statistics gathered by Best's and the NAIC, it also provides some data that isn't included in those reports, like data on the top 10 reinsurers used by a surplus lines company.

In the NAPSLO reports, an insurer's reinsurers are ranked in terms of funds recoverable by the insurer. The amount of those funds is stated as a percentage of an insurer's policyholder surplus. NAPSLO feels such a percentage can be an indicator of what kind of impact losses would have on surplus if there were problems recovering funds from a reinsurer.

An asterisk in the report indicates that the balances due from a reinsurer are backed by a letter of credit.

Mr. Bloom said the NAPSLO report also provides a ratio calculated by dividing loss reserves by policyholder surplus. The ratio, expressed as a percentage, is not published in the NAIC's IRIS test, he added, and "in our opinion is one of the most critical single ratios in the entire report, especially in the analysis of any company that is active in long-tail business."

Mr. Bloom said that if Best's and the NAIC provide the same data that NAPSLO is providing in its reports, "then it's my opinion that NAPSLO will happily go out of the financial reporting business and leave it to the people that have established that part of the industry in the first place."

The problem with the NAIC's early warning test, says Mr. Bloom, is that it is "both inadequate and more to the point, unavailable. For reasons that I see to be increasingly illogical, the NAIC still refuses to

release this information to the general industry."

The NAPSLO service is available to its members for \$10 per quarterly report. In addition, the service can be acquired by non-members for \$15 per report.

Mr. Bloom said, "To my knowledge, (the NAPSLO service) is the only source in the industry that is available to anyone."

Mr. Bloom said the service is unique in several other respects:

- It is published quarterly and is available from 60 to 75 days after the end of the quarter.

- It is arranged in a unique, logical format that is easy to read.



- It will provide the capability to make annual comparisons of company results and track trends through changes in the data points from one year to the next.

William R. Feldhaus, associate professor of insurance at Georgia State, said the purpose of the review is to "provide timely and accurate information so you can make your own assessments about a carrier. No letter grades are given or objective evaluations made."

While Mr. Bloom complained that many companies are not voluntarily supplying data needed for the report, Mr. Feldhaus said he was encouraged by the relatively high percentage of companies that had responded.

Besides voluntary compliance, other sources are available for data on insurers, Mr. Feldhaus pointed

out. There are 146 items taken from a company's annual statement to develop the report, and 46 items are examined from an insurer's quarterly statement.

Information in NAPSLO's report is available to anyone from insurance regulators but it often is difficult to find, said Mr. Feldhaus.

"It is very difficult to go to one particular place and say, 'Let me see the information.' Regulators will provide this information to you—they may not like to—but we just make it convenient for members to have this information and have it fairly quickly."

In addition to the quarterly review, NAPSLO is also offering a service to its broker members that it hopes will help monitor solvency of alien surplus lines insurers, which are those domiciled outside

the United States.

The service available to broker members is made up of copies of reports published by the International Insurance Financial Service on some 700 alien insurers.

Mr. Bloom said the report is available only to broker members "because that is the mandatory requirement placed on the arrangement by the IIFS."

IIFS subscribers are insurance companies, Mr. Bloom explained, and the organization did not want to create a situation where insurers could cancel subscriptions and purchase the reports at a cheaper rate through NAPSLO.

Because many alien insurers are not required to publish their results as regularly as U.S. companies, the IIFS reports appear on an irregular schedule, said Mr. Bloom. ■



# NAPSLO members warned of crunch

By MICHAEL BRADFORD

BOSTON—Reinsurance prices will continue to rise in 1986 and capacity will become even thinner as reinsurers become more selective about the risks they will accept, according to a panel of experts.

The reinsurance industry, like primary insurers, has been affected by several factors, including high damage awards, insolvencies and inadequate surplus. And, these factors are changing the way reinsurers must operate, according to the panel at the 10th annual meeting of the National Assn. of Surplus Lines Offices held Sept. 12-15.

Panelist Richard S. Stone, president of underwriting manager L.W. Biegler Inc. in Chicago, told his audience that 1986 will bring about "more price and less capac-

ity" among reinsurers. "Capacity for risks is literally peeling away," he said. (A similar message was sounded loud and clear at the annual reinsurance rendezvous in Monte Carlo earlier this month. See story, page 1.)

There has been a large reduction in the number of active reinsurers in recent years, Mr. Stone said, adding that this has resulted in a big drop in retrocessional capacity. "Reinsurers have strained surplus just like insurers," he noted.

Surplus is strained because premium costs are rising, said Gerald S. King, executive vp of Facultative Managers Corp., a reinsurance underwriter in Stamford, Conn.

The rising premium has skewed some reinsurers' premium-to-surplus ratio, he said.

"Premium growth resulting from

these continuing, ever-growing price increases will require significant capital and surplus contributions to this business," he noted.

In order to keep acceptable premium-to-surplus ratios, many reinsurers that are unable to increase surplus are choosing not to accept some classes of business, he said.

"Certain classes of business have become difficult to write, if not impossible, in the reinsurance marketplace," Mr. King said.

For example, he said, because court awards have risen dramatically, "liability contracts could become extinct" if changes are not made in policy forms or some type of tort reform is not enacted to lower the amount of judgments insurers and reinsurers are ultimately responsible for paying.

Mr. Stone remarked, "The courts

and plaintiffs' attorneys have become much more clever in determining our intent than we are."

Salvatore D. Zaffino, senior vp of the Professional Reinsurance Office, a reinsurer in Hartford, Conn., agreed that many reinsurers are raising rates tremendously.

"There is no question the reinsurance market is overreacting in the area of pricing," he said. "I think what the reinsurance market is trying to do is make up 5½ years of ridiculously low premiums in a matter of months."

Some of the classes in which reinsurers are restricting writings include chemical, agricultural and long-haul trucking risks, Mr. Zaffino pointed out.

Panel members at the NAPSLO meeting agreed that another change is overdue in the reinsur-

ance marketplace: Relationships between reinsurers and insurers, they say, must change.

Mr. Zaffino pointed out that the reinsurance industry is already taking more of a hand in "controlling its own destiny."

Mr. Stone explained that there has been "an unwillingness to listen, to create, between insurer and reinsurer."

He said insurers and reinsurers have to develop "partnership arrangements and a partnership theory and eliminate the reinsurers' feelings that they start out in a disadvantaged position."

In addition, Mr. Stone said, managing general agents should "get as close as possible to insurance companies and reinsurers," so that all parties are familiar with products offered by the MGA.

The panel also agreed that the insurance and reinsurance industries have been hurt by an influx of under-qualified personnel during the soft market cycle of the late 1970s and early 1980s.

"We've outstripped our talent ranks," noted Mr. Stone. "We need to rebuild our talent."

Mr. King said, "One of the more unfortunate events of the soft market was the proliferation of inexperienced employees." He added that "this affliction" struck both reinsurers and primary insurance companies.

Mr. King offered suggestions to insurers seeking capacity in the reinsurance market, including:

- When seeking capacity, be patient. "Reinsurance is not grinding to a halt as it appears to be."

- Before seeking reinsurance, get all the necessary facts in order. Have all information set up to minimize reinsurers' questions. "The more confident a reinsurer feels about your ability, the quicker he or she will be to respond."

- Only go to well-known, recognized reinsurance companies.

- Make sure you are getting the services you need from your intermediary.

Mr. King said, "Only time—and long tails—will tell if the industry, especially the reinsurance industry, will recover from the bad results of the last few years."

## ***Believing in what you do. And why you do it.***

Ann McCreary has raised over two hundred children. But not one of them was hers.

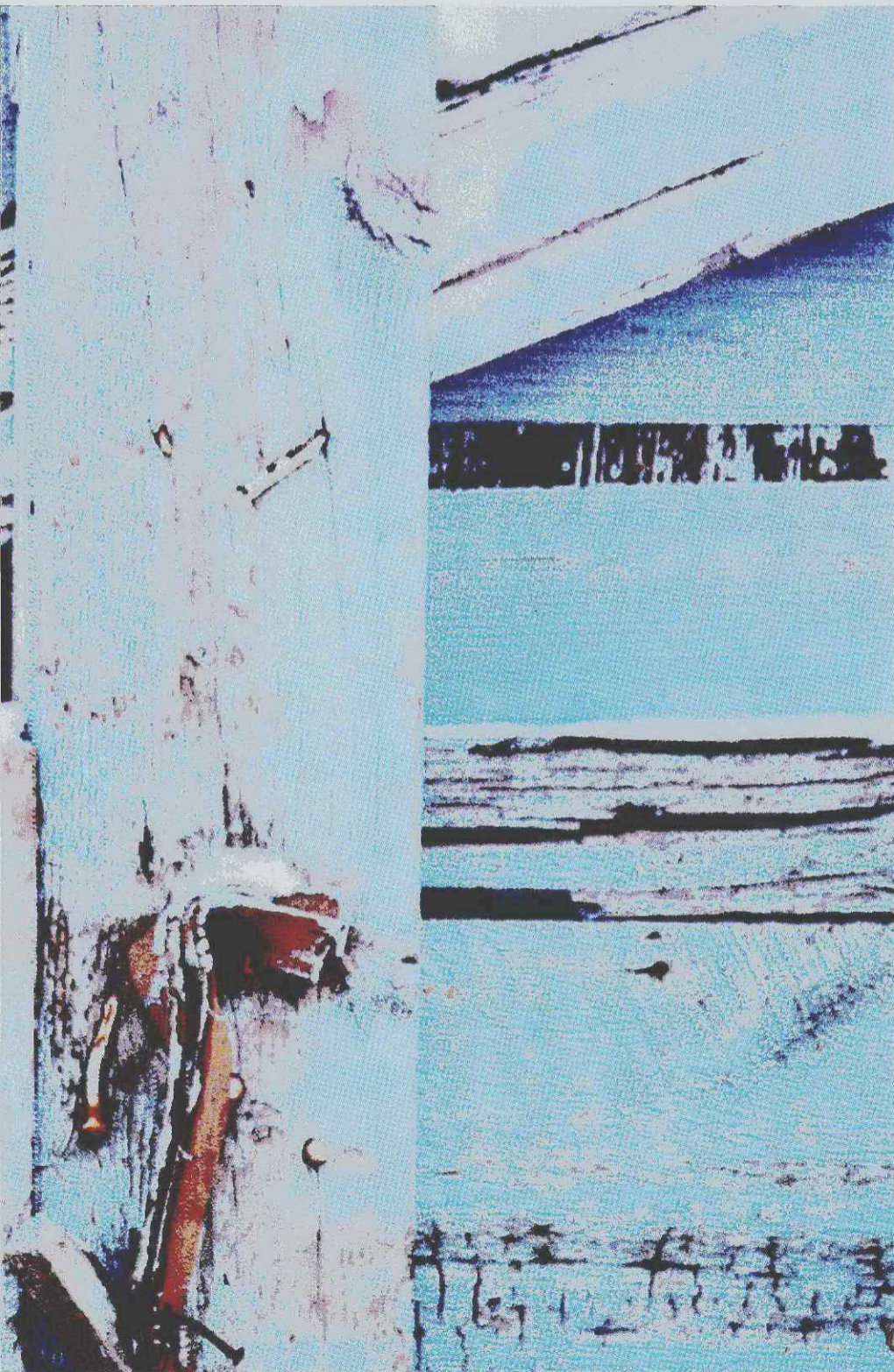
Over the last 35 years they've come to her ranch. Tired, afraid, unwanted. And they're still coming.

Though it might seem impossible, she gets to know them all. Each one as an individual. Each one entitled to be treated and respected as such. She gives them the love and attention they need.

She cares.

At ERC, we try to give each of our clients the same kind of personal attention. We strive to know each one as an individual, with his or her own particular needs and wants.

And while our efforts aren't as noble as Ann McCreary's, we like to think that it's been our very personal approach that's helped us raise quite a large family of our own.



**Employers Reinsurance Corporation**

5200 Metcalf, Overland Park, Kansas 66201

Atlanta Boston Chicago Columbus Houston  
Los Angeles New York San Francisco Toronto

## **1,400 attend convention**

The annual convention of the National Assn. of Professional Surplus Lines Offices drew around 1,400 participants to Boston on Sept. 12-15.

Membership in NAPSLO, an organization of surplus lines brokers, agents and insurers, has grown from 62 in 1975 to around 687 this year.

Sessions open to members at the Boston meeting included a report on the organization's new quarterly financial review service of surplus lines companies, a look at the reinsurance market and views on where the London insurance marketplace is headed.

During the convention, Jeremy D. Cooke accepted the president's gavel and will head NAPSLO during his one-year term. Mr. Cooke is president of Major Surplus Inc., a wholesale broker in New York.

Next year's NAPSLO annual convention will be held in September in Atlanta.

More information is available on NAPSLO at P.O. Box 1507, Roswell, Ga. 30077; 404-998-9075.

What makes it  
 "no loss, your gain" when you  
 transfer your LTD to the  
 company with the stag?

Ask your Broker.



Or call your Consultant, your Hartford Representative, or Bud Peterson,  
 Group Sales-Vice President, at (203) 683-8843.  
 Hartford Life Insurance Company, Hartford, CT 06115

## London market accepting less business from U.S.

By MICHAEL BRADFORD

BOSTON—U.S. surplus lines brokers looking for capacity in London are finding insurers there are not as willing to accept some risks anymore.

A panel of representatives of the London market told the meeting of the National Assn. of Surplus Lines Offices earlier this month in Boston that British insurers are experiencing some of the same problems as U.S. underwriters.

Large losses and shrinking capacity are beginning to translate into more rejections for U.S. brokers seeking to place business in London, they say.

Robin A.G. Jackson, director of Merrett Holdings P.L.C. in London, pointed out that Lloyd's of

London recorded its worst property/casualty losses ever in 1982, the most recent year for which figures are available.

"And we can't be any more optimistic about 1983," he said.

Although he expects better results for 1984 and 1985, he cautions that Lloyd's will not be as receptive as it once was to U.S. risks, especially those that left in search of cheap rates during the soft market.

"I'm afraid there is not going to be an open market there for those who left for cheaper rates and are now coming back," he said.

"I don't want to be totally depressing. There are still those of us who want to see your business. We want to see your business, but we no longer want to be a charity."

Other panelists were Richard B. Owles, managing director of Lloyd's broker Arthur J. Gallagher U.K. Ltd., and Peter Foley, managing director of the River Thames Insurance Co. Ltd. in London.

Mr. Owles told NAPSLO members, "Being a broker in the London market these days is very frustrating. We have the same problems that you do in the United States. We don't have the markets available for us to benefit on all the business that is coming into London."

He said many insurers in London are not accepting new business because they are concerned about the availability of reinsurance in 1986.

"It is my feeling that London is only firing on two cylinders at the present time," he remarked.

He added that while much of the business being offered by U.S. brokers to London is attractive, many underwriters are reserving capacity in order to renew existing coverages at the end of the year.

Such restrictions have made placement of large accounts difficult, Mr. Owles noted, and often only part of a major account is placed in London and the rest is returned to the U.S. market.

Capacity will not open up significantly in London until some changes are made in the way risks are handled, he added.

"I think in the problem areas, like casualty and professional indemnity, we have got to change the forms and restrict the coverages for many of the classes of business," he said.

Mr. Foley suggested that coverage for general liability and professional indemnity risks should be written on a claims-made basis, instead of on an occurrence basis.

"It's not a panacea," he said of the controversial claims-made form, which will be used in London and the United States next year. "But it should certainly help us buy some time."

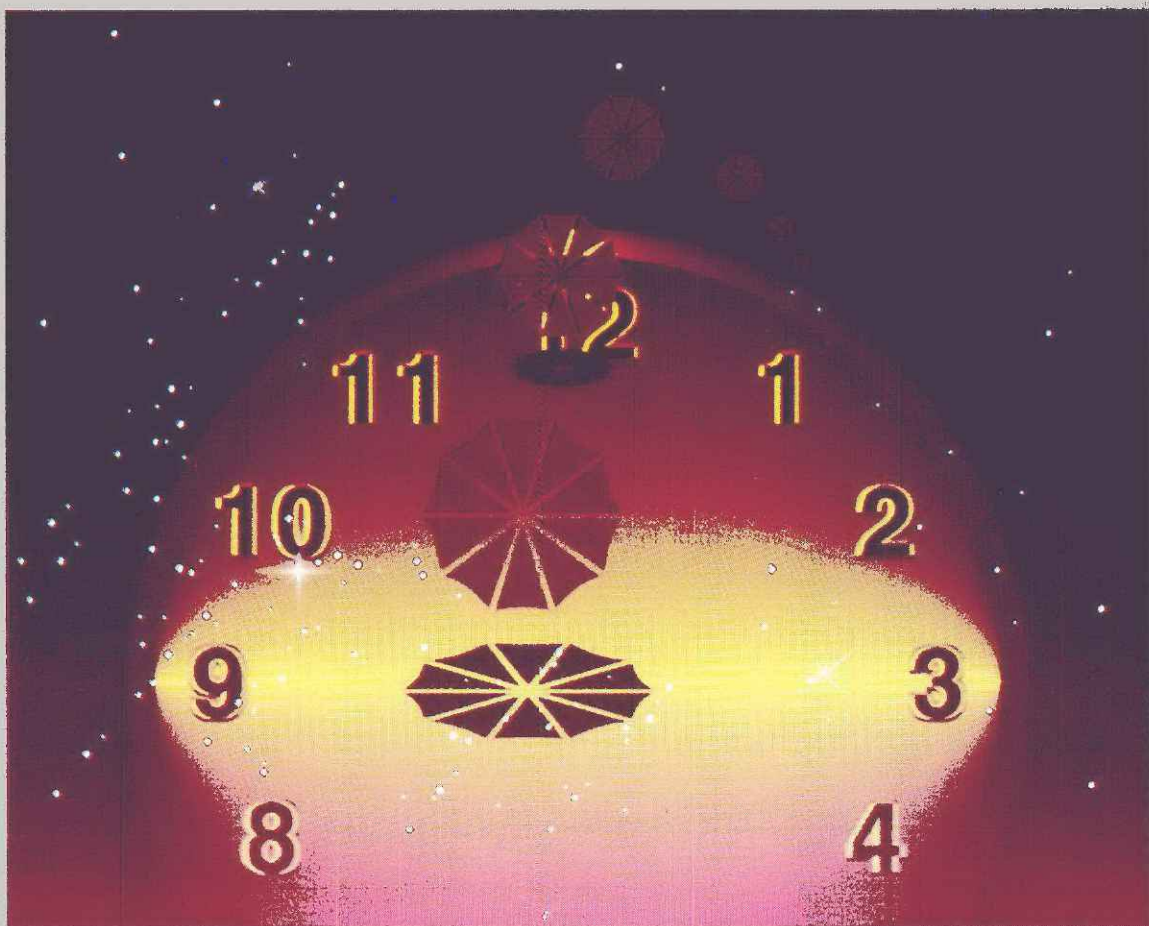
Mr. Jackson said, "Claims-made is by no means the answer to our problems... It is however, in my view, the only way in which Lloyd's syndicates will be able to write American casualty business."

The use of the claims-made form is especially vital if Lloyd's is to attract new members, he noted.

"No Lloyd's syndicate in the next few years is going to be able to increase its size if it continues to write American casualty business on an occurrence form," he said.

Mr. Owles predicts capacity in the Lloyd's marketplace will increase by about 25% next year. But he cautions that all the additional capacity will not be used to write North American business.

"Some of that increase will be used to write business in other parts of the world," he said.



## Skandia America has a commitment to reinsurance

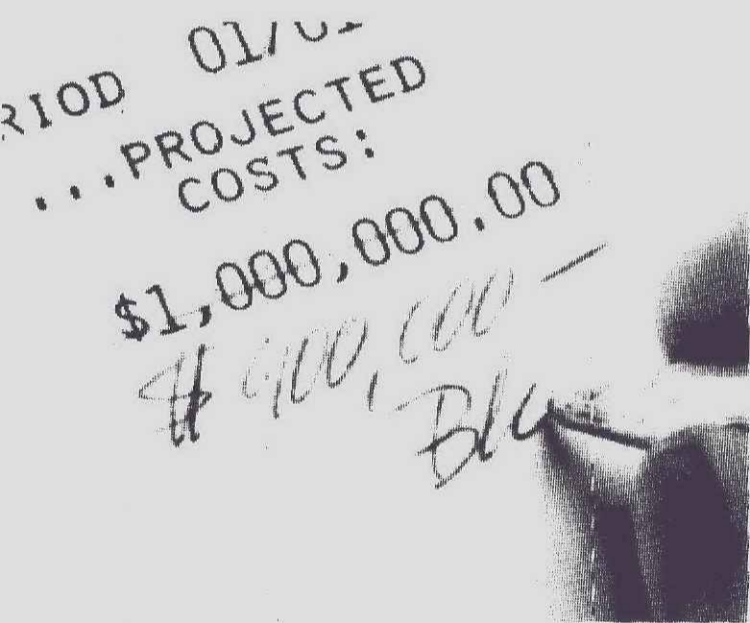
**85 Years Experience.** Skandia America Group's tradition for providing sound reinsurance dates back to 1900. Today, in addition to our own strong financial structure, we are backed by Skandia Group which has \$7.3 billion in assets. **Result: Skandia is positioned to provide you with stability based on financial integrity.**



The resourceful reinsurer

280 Park Avenue · New York, N.Y. 10017

# Only Equitable guarantees healthy savings for your group health program.



**Save 5 times what you spend on dental benefits review or don't spend a dime.**

Our dental benefits program controls claim costs before there's a claim. With incentives for preventive care, consistent peer review and objective claim audits.

**We give you a case manager for those special cases that need managing.**

To that one-in-one-thousand case that needs specialized, targeted care, we assign a medical case management coordinator to assure care-effective treatment that's cost-effective as well.

**Our Pre Admission Review program guarantees savings.**

In fact, our track record is four dollars saved for every dollar spent on The Equitable PAR program. Our clients are finding that PAR helps reduce the number of days a patient spends in the hospital.

**Our claims system is programmed to do more than just pay claims.**

With Equi-Claims, every hospital admission is monitored, every claim is reviewed and every dollar saved is reported accurately back to you.

If your group health program can't guarantee savings like these, write or have your benefits advisor write EVP Gil Reich at The Equitable, 1633 Broadway, Suite 1604, N.Y., N.Y.10019. He'll help you keep the cost of health care down while keeping the quality of health care up.

**No other group health program can make that claim.**

Live the good life.

**THE EQUITABLE**  
Financial Services

**Why** are financial institutions so bullish about LTD from the company with the stag?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.  
Hartford Life Insurance Company, Hartford, CT 06115



**products & services**

**ChoicePlus combines HMO, traditional plan**

Group Health Inc., a Minneapolis-based health maintenance organization, and Newark, N.J.-based Prudential Insurance Co. of America are jointly introducing a new health care plan that combines the features of an HMO and a traditional indemnity plan.

The plan, called ChoicePlus, will be available Jan. 1, 1986, to current Group Health Inc. clients as well as to other employers in the Minneapolis/St. Paul area.

Under ChoicePlus, employees will have a choice of health care providers each time they need care.

When they need health care, plan participants can decide to go to one of Group Health's 23 full-service facilities in the Twin Cities and be 100% reimbursed for the cost of their care.

Or, they can go to non-HMO practitioner and be reimbursed under a traditional fee-for-service plan underwritten by Prudential. The fee-for-service plan includes varying deductibles and copayments.

In addition, ChoicePlus offers employers a strong emphasis on cost containment and health care management.

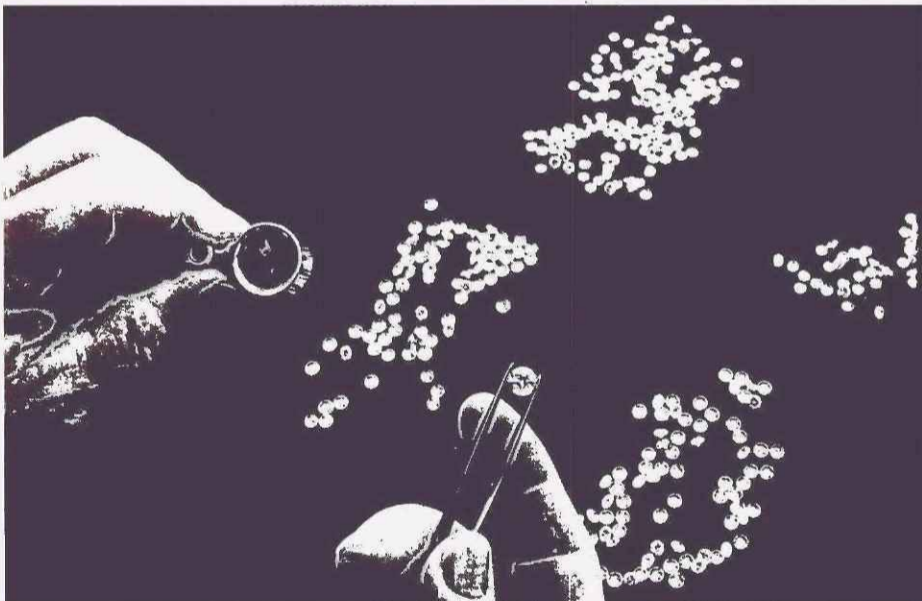
"The competitive health care market in the Twin Cities is unlike any other market," said Rollin L. Lacy, vp of Prudential's Minneapolis office. "As a result, we looked for a strong, high-quality HMO partner in the Twin Cities to help develop this innovative new product."

ChoicePlus is the first of 60 managed health care delivery programs Prudential is developing in major cities nationwide.

Members of ChoicePlus and all other Group Health members have reciprocal privileges for services at any of Prudential's managed health care facilities nationwide.

For more information about ChoicePlus, contact Ted Wise, Group Health Inc. 2829 University Ave. S.E., Minneapolis, Minn. 55414; 612-623-8567.

**Quality speaks for itself.**



**GTE REinsurance Company Limited**

Church Street, Hamilton 5-24, Bermuda  
Tel.: (809-29) 5-8025 Telex: 3718 GTERE BA

A Part of GTE Corporation



**Tax plan software**

A computer software program that will let employers analyze the impact of President Reagan's tax proposals on their employee compensation and benefits packages is being offered by Arthur Young & Co., the international accounting, tax and management consulting company based in New York.

The software program, called the Arthur Young Tax Reform Analyzer, was developed at the request of the American Compensation Assn. Task Force on Employee Benefit Taxation. It also is endorsed by the American Society for Personnel Administration.

The software allows employers to measure the impact of specific tax changes on their employee benefit plans and their employees' cash flow. And, the program allows employers to input changes if the tax proposals are changed.

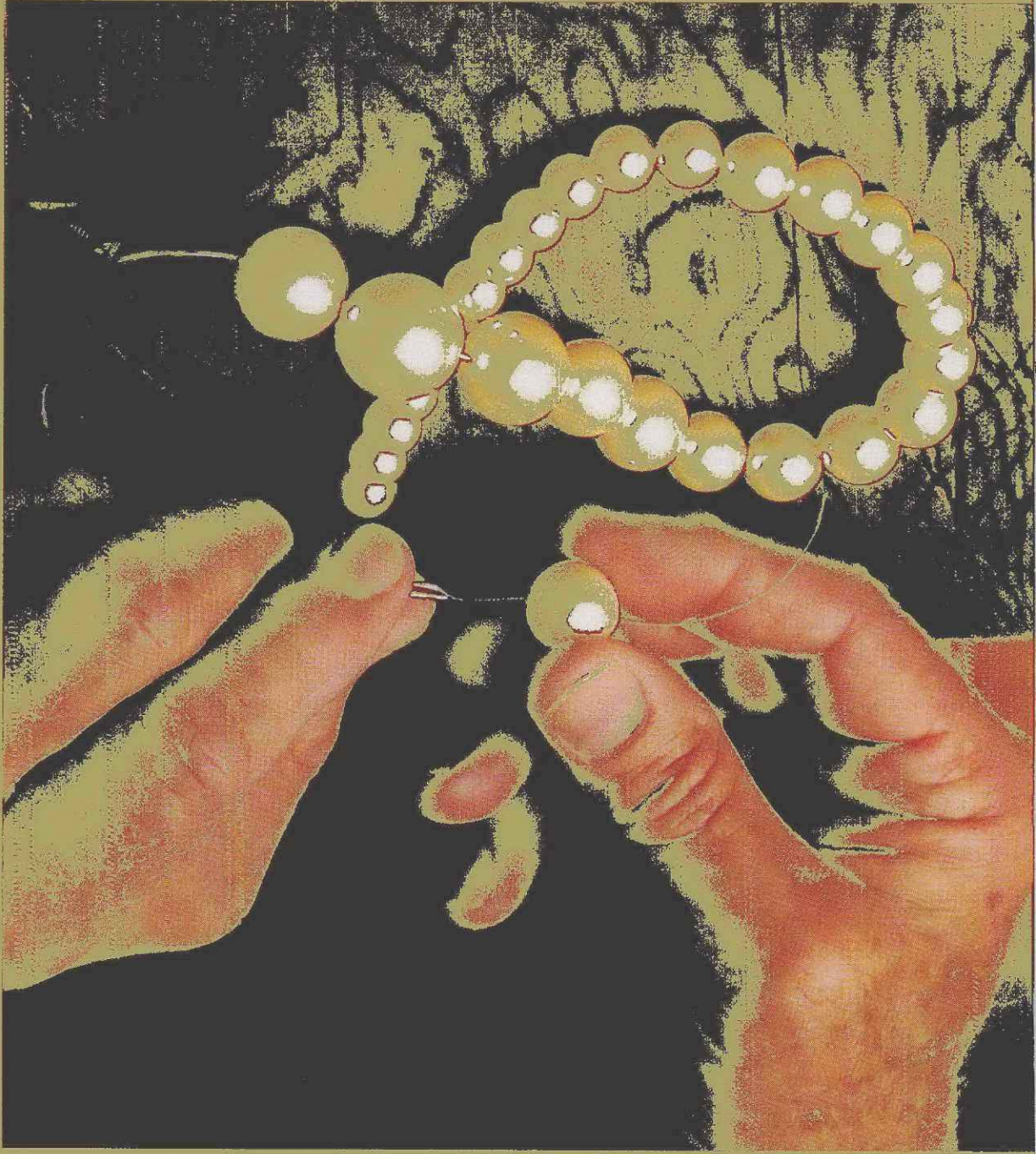
Actual state tables and national averages for itemized deductions are built into the software, so multistate companies can analyze the impact of tax changes on their operations in different parts of the country.

"For the first time, executives will be able to determine whether the numbers support the concerns that have been voiced by many financial experts about suggested tax reform and to better evaluate alternatives and possible modifications to employee compensation and benefits plans," said Robert B. Klein, a tax partner at Arthur Young.

The Arthur Young Tax Reform Analyzer costs \$195 and is distributed by Arthur Young Business Systems. It is available on a standard 5¼-inch floppy disk and includes a user's manual. The program requires Lotus 1-2-3 software for data entry and runs on an IBM PC or compatible computer.

For more information or to order the Tax Reform Analyzer, contact Arthur Young Business Systems, 39 Cindy Lane, Ocean, N.J. 07712; 800-524-0425.

**Crawford earns your confidence . . . one assignment at a time.**



# **A Modular Approach To Risk Management Services**

Throughout its history, Crawford & Company has brought the skills of a craftsman to its services. With equal care, the Crawford you have known as "insurance adjusters" has continued to develop a team of trained, experienced specialists who offer additional services to meet your changing needs.

Crawford & Company now features a "Total Risk Perspective."™ Our matrix of risk control, claims services, medical cost control, vocational rehabilitation, and information systems allows you to pick with confidence the services you need.

Over 650 offices throughout the U.S., Canada, and Puerto Rico.



Crawford & Company  
5620 Glenridge Drive, N.E.  
P.O. Box 5047  
Atlanta, Georgia 30302  
(404) 256-0830

Why does the education market give high marks to LTD from the company with the stag?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.  
Hartford Life Insurance Company, Hartford, CT 06115



**comings & goings: buyers**

**Salomon Brothers appoints Dean to new benefits position**

**J. Scott H. Dean** has been named vp-executive compensation and benefits at Salomon Brothers Inc. in New York. In this newly created position, Mr. Dean will be responsible for implementing and administering the executive compensation and benefits programs for Salomon Brothers' U.S. and international operations. He will report to Jane Metzroth, vp and director of human resources. Before joining Salomon Brothers, Mr. Dean handled benefits and compensation at Schlumberger Ltd. in New York. He has a bachelor of arts degree from Utah State University in Logan, and a diploma in

Arabic from the InLingua School of Languages in Berne, Switzerland. In addition, he has completed post-graduate studies at the University of California in Berkeley and New York University in Manhattan. Mr. Dean is a member of the American Compensation Assn. and represents Salomon Brothers on the Council for Employee Benefits.

\*\*\*

**Orin R. Smith** has been named insurance director for Public Service Co. of Colorado in Denver. Mr. Smith, 44, is responsible for administering the company's liability and property insurance programs. He reports to Eldon O'Neal, manager of risk management. Mr. Smith, who had been a strategic analyst with Public Service Co., replaces **Wilbur M. Weir**, who retired from Public Service and subsequently joined David Drake & Associates in Denver, an insurance brokerage firm. Mr. Smith received a bachelor of science degree in business administration from the University of Denver.

\*\*\*

**Edward T. Shivers**, 46, has been promoted to vp of insurance and safety for Publix Super Markets Inc. in Lakeland, Fla. Mr. Shivers, who has served as director of insurance and safety for Publix Super Markets Inc. since 1978, joined the company as a bag boy in 1958. He subsequently was promoted to manager of the Gainesville, Fla., store and district supervisor in charge of the Volusia County territory. In his current position, Mr. Shivers is responsible for administering the company's casualty and liability insurance programs, as well as safety programs for Publix' warehouse and retail operations. He also is responsible for its health, life and workers compensation insurance programs. Mr. Shivers, who reports to Publix President Mark Hollis, received a degree in business administration from Jones Business College in Orlando, Fla. In addition, he is a deputy member and past president/chairman of the board of the Florida Chapter of the Risk & Insurance Management Society; member and past chairman of the Committee on Risk Management of the Food Marketing Institute; member and past chairman of the Lakeland Area Chamber of Commerce State Legislative Task Force; member of the Associated Industries of Florida Legislative Task Force; and a member of the Polk County Advisory Board of Blue Cross/Blue Shield.

\*\*\*

**Eugene R. Cantreau**, 46, has been named corporate director-human resources at Sierracin Corp., an aerospace/electronics manufacturing firm in Sylmar, Calif. Mr. Cantreau is responsible for directing the company's employee benefit programs and will report to Gary Patten, vp-finance and secretary. In his new position, he replaces **Margaret Huebner**, who has left the company. Mr. Cantreau previously was corporate director of industrial relations for Roberts Consolidated Industries in City of Industry, Calif. He holds a bachelor of science degree in business from California State University in Northridge.

We'd like to report on staff changes in either your company's risk management, safety or employee benefits department. Just drop a note to or call Marla Antelis, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5282. Please send a photograph, too.

Do you want a 401(k) plan with flexible investment options?

Yes and no.

A good 401(k) plan should have a balanced range of investments to meet different objectives. You don't want to be locked into one source . . . but you don't want headaches, either.

The John Hancock approach to 401(k) plans offers you the investment flexibility you want, without sacrificing administrative ease. With John Hancock, you can offer different investments from different sources. (Of course, we hope you won't overlook our own popular 401(k) investment vehicles, like Guaranteed Investment Contracts and equity funds.) Then, our automated recordkeeping system will keep track of each account.

Find out more about the John Hancock approach to 401(k) plans and the investment flexibility we can offer your organization. Call Donald E. Morrison, Vice President, at (617) 421-4258.



John Hancock Mutual Life Insurance Company, Boston, MA 02117 and affiliated companies.

# Survival of the fittest

“Fierce competition and a changing environment have brought out the best in the Cameron and Colby companies. We were among the first to respond to these changes and to demonstrate the boldness, strength and agility to endure while some have fallen by the wayside.



The people of First State Insurance, New England Insurance and New England Re represent security from the greatest risk of all. We're here to stay.”

## Cameron and Colby

*Rising to the Challenge of Change*



Photo: left to right  
Graves D. Hewitt, Chief Executive Officer  
Chester A. Abbey, Vice Chairman  
Lawrence S. Doyle, President  
Richard E. Willey, Chairman

Boston New York Atlanta Chicago San Francisco Los Angeles

# How can rehabilitation from the company with the stag limit LTD losses without adding to your cost?

## Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.  
Hartford Life Insurance Company, Hartford, CT 06115



## Many firms offering benefits to part-time workers: Survey

By MARLA ANTELIS

Most companies offer health care coverage and other employee benefits to part-time employees who work at least 30 hours per week, according to a new survey.

However, companies are less inclined to extend benefits to part-time employees who work fewer than 30 hours per week, reports a survey of 484 employers conducted by Hewitt Associates, a Lincolnshire, Ill.-based employee benefit consultant.

And, the survey shows, part-time employees at surveyed companies who are offered benefits are usually not expected to pay more for their benefits than the company's full-time employees.

However, companies that pay the full cost of benefits for part-time workers are more likely to do so if the employees are working at least 30 hours per week.

Although employers have no legal obligation to provide part-time employees with health care benefits, almost three-quarters (73%) of companies surveyed by Hewitt extend medical benefits to employees who work at least 30 hours per week.

However, fewer companies offered benefits to part-time employees who worked fewer hours.

Medical benefits were offered by only 49% of surveyed companies to employees who work between 20 and 29 hours per week. And, only 13% offered medical benefits to part-timers working less than 20 hours a week.

The percentage of surveyed companies offering medical benefits covering part-time workers' dependents was similar to the number of employers that offered employee-only coverage.

Dependent coverage was extended by 71% of companies to employees who work at least 30 hours per week. Forty-eight percent offered dependent coverage to employees working 20 to 29 hours per week, while 12% offered the coverage to employees working less than 20 hours.

In addition, the survey showed that many employers offer dental benefits to their part-time employees.

Fifty-nine percent of surveyed companies offer dental benefits to employees who work at least 30 hours per week; 40% offered these benefits to employees working between 20 and 29 hours; and 10% offered them to those working less than 20 hours.

Similarly, 58% offered dependent dental coverage to employees who work at least 30 hours per week; 38% offered this coverage to those working 20 to 29 hours; and 10% offered it to employees working less than 20 hours.

Group life insurance benefits also were offered by the majority of companies to part-time employees. Sixty-six percent of surveyed companies offered group life insurance coverage to part-time employees working at least 30 hours per week; 43% offered the benefit to employees working 20 to 29 hours; and 11% offered it to those who work less than 20 hours.

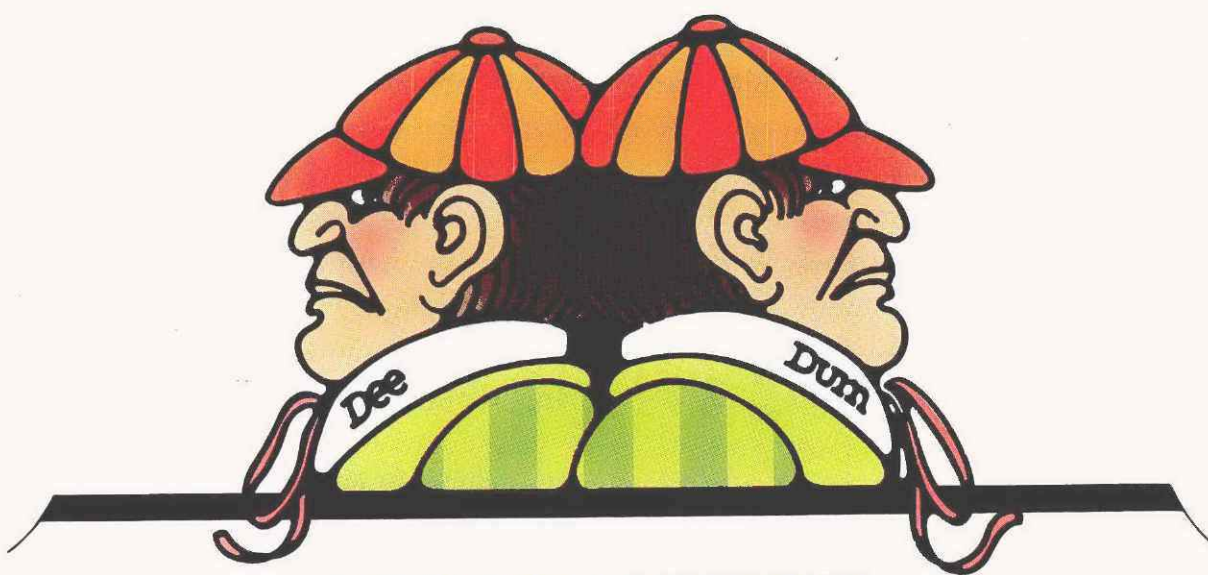
Accidental death and dismemberment benefits were extended by more than half (58%) of surveyed companies to employees who work at least 30 hours per week. Thirty-seven percent of the companies offered AD&D benefits to part-timers who work 20 to 29 hours, while 8% of the companies offered the benefit to those who work less than 20 hours a week.

In addition, paid sick leave was provided to part-time employees by more than half of surveyed companies. The benefit was provided by 62% of surveyed companies to employees who work at least 30 hours per week. Some 51% offered paid sick leave to employees who work 20 to 29 hours, while 23% offered the benefit to employees who work less than 20 hours.

Benefits least often offered to part-time employees among surveyed companies were other short-term disability benefits and long-term disability benefits.

Only 46% of the surveyed companies offered other forms of short-term disability benefits to employees who work at least 30 hours per week. Thirty percent offered these benefits to employees working between 20 and 29 hours, and 12% offered them to those who worked

*Continued on next page*



**"CONTRARIWISE,"  
SAID TWEEDLEDEE, "IF IT WAS SO,  
IT MIGHT BE; AND IF IT WERE SO,  
IT WOULD BE; BUT AS IT ISN'T,  
IT AIN'T. THAT'S LOGIC."**

Unfortunately, too much of that kind of logic has crept into today's interpretation of reinsurance agreements. Traditionally, solving reinsurance questions has involved the principle of "utmost good faith" and "what is fair" by which both parties are bound. However, in an increasingly complex reinsurance marketplace traditional "handshake" agreements have given way to government guidelines and regulation and it has become evident that reinsurers and intermediaries must face the fact that compliance with more and more regulation is the new way of doing business.

Intere Intermediaries, Inc.  
130 John Street, New York, N.Y. 10038

**Intere**  
The Intermediary

New York • Atlanta • Chicago • Dallas • San Francisco • Bermuda • Taipei

Continued from previous page  
less than 20 hours.

In addition, less than half (49%) of the surveyed companies extended long-term disability benefits to employees who work at least 30 hours per week; 25% offered the benefit to employees working 20 to 29 hours; and 6% offered the benefit to those working less than 20 hours.

The survey also showed that employers that pay full medical benefit costs for full-time workers often will pay full benefit costs for part-time employees who work at least 30 hours per week.

For instance, 57% of the surveyed companies paid the full cost of individual medical benefits for their full-time employees, while 34% paid the full cost of employee-only medical benefits for part-timers who are working at least 30 hours per week.

Eighteen percent of the employers paid the full cost of individual medical coverage for part-time employees working 20 to 29 hours, while only 3% paid the full cost of the benefit for employees working less than 20 hours.

Medical benefits covering dependents of full-time employees were paid in full by 29% of surveyed companies. This benefit was fully paid by 15% of companies for part-time employees working at least 30 hours per week; by 9% of companies for those working 20 to 29 hours; and by 1% for those working less than 20 hours.

More than half the surveyed companies—53%—paid full employee-only dental benefits for full-time employees. Thirty-three percent paid the full cost of this benefit for employees who work at least 30 hours per week; 19% paid the full cost for those working 20 to 29 hours; and 3% paid the full cost of the benefit for those working less than 20 hours.

Dental benefits for dependents of full-time employees were paid for in full by 32% of surveyed companies. These benefits were fully paid for by 18% of companies for employees working at least 30 hours per week; by 9% for those working 20 to 29 hours; and by 2% for those working less than 20 hours.

Group life insurance benefits for full-time employees were paid in full by 83% of surveyed companies. Fifty-four percent of the companies paid the full cost of group life insurance benefits for part-time employees who work at least 30 hours per week; 33% paid the full cost for those working 20 to 29 hours; and 8% paid the full cost for those employees working less than 20 hours.

Accidental death and dismemberment benefits for full-time employees were paid in full by 67% of companies, while 43% of companies paid the full cost of these benefits for part-time employees who work at least 30 hours per week. Twenty-four percent paid the full cost of AD&D benefits for those working 20 to 29 hours, while 5% paid the full cost for those working less than 20 hours.

Short-term disability benefits for full-time employees were paid in full by 70% of companies. The benefits were also paid in full by 39% of companies for employees who work at least 30 hours a week; by 26% for those working 20 to 29 hours; and by 10% for those working less than 20 hours.

Long-term disability benefits for full-time employees were paid in full by 57% of surveyed companies. This benefit was paid in full by 32% of companies for employees working at least 30 hours per week; by 16% for those working 20 to 29 hours; and by 4% for those working less than 20 hours.

A total of 562 companies were surveyed by Hewitt. However, the survey was based on responses from 484 of the 562 companies at which non-union employees

worked on a regularly scheduled part-time basis.

The surveyed companies employ some 285,000 part-time employees and more than 2 million full-time employees.

Some 230 of the surveyed companies were manufacturing companies, while 251 were non-manufacturing organizations. About 98% of the part-time employees are non-union employees, with the remaining 2% belonging to unions.

Some companies surveyed also reported enlarging their part-time employee workforce. Thirty-eight percent of companies hired proportionately more part-timers over the past five years, while 49% reported no change in part-time hiring practices and 13% reported hiring fewer part-time workers.

Copies of the survey, "Benefits for Part-time Employees," are available for \$25 from Cathy Schmidt, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

# Why is it easy to cover hard-to-write groups with LTD from the company with the stag?

## Ask your Broker.



Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.  
Hartford Life Insurance Company, Hartford, CT 06115

What do you call a  
benefits manager who  
doesn't know ALICE?

Overworked.

If you're putting off a 401(k) plan because of the administrative load it will create, or if you simply need better reporting, you should know ALICE. ALICE is John Hancock's on-line record-keeping system. No matter what the size of your plan, ALICE provides the versatility to handle your needs at reasonable cost. And without adding to your work load.

Find out more about John Hancock's ALICE and the flexible and comprehensive 401(k) services we can provide for you. Call Donald E. Morrison, Vice President, at (617) 421-4258. And tell him ALICE sent you.

*John Hancock*<sup>®</sup>  
companies

John Hancock Mutual Life Insurance Company,  
Boston, MA 02117 and affiliated companies.

# Without mentioning names,

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. \_\_\_\_\_

6. \_\_\_\_\_

7. \_\_\_\_\_

8. \_\_\_\_\_

9. \_\_\_\_\_

10. \_\_\_\_\_

11. \_\_\_\_\_

12. \_\_\_\_\_

13. \_\_\_\_\_

14. \_\_\_\_\_

15. \_\_\_\_\_

16. \_\_\_\_\_

17. \_\_\_\_\_

18. \_\_\_\_\_

19. \_\_\_\_\_

20. \_\_\_\_\_

21. \_\_\_\_\_

22. \_\_\_\_\_

23. \_\_\_\_\_

# we're the Re who hasn't cut back.

As the reinsurance industry sees the early signs of recovery, it's American Re in the forefront of this new optimism.

American Re maintains its reputation for being there when you need us. We continue to select risks carefully, but without the across-the-board mentality that reduces your ability to obtain necessary coverage.

American Re hasn't cut back on staffing – we have more people to serve you than ever before. We haven't cut back on locations or closed offices – we're opening new ones.

Earlier this year, we premiered our customized *Planning Table*<sup>SM</sup> sessions for those clients that require state of the art methods to unharness senior management creativity. And we also continued our innovative programs in the vanguard of arson identification, litigation management and massive injury management.

At this crossroads in reinsurance, it's nice to know that one key choice will be the right one. American Re. One of your most important partners in the return to underwriting profitability.



**American Re-Insurance Company**

One Liberty Plaza, 91 Liberty Street, New York, New York 10006.

How can the "wellness program" from the company with the stag dramatically cut LTD disabilities?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.  
Hartford Life Insurance Company, Hartford, CT 06115



## Many nations pose great political risks

NEW YORK—Latin American, African and Middle Eastern nations generally pose the greatest political risks to businesses over the next 18 months, according to the latest Political Risk Services Letter published by Frost & Sullivan Inc., a New York-based political risk consultant.

Frost & Sullivan rates nations according to how much risk exists in each country for three different business sectors: financial transfers, direct investment and exports to foreign nations. Ratings vary from a high of A-plus to a low of D-minus.

According to the latest survey, the nations that pose the greatest risks—those with a rating of C-minus or below—for financial

transfers over the next 18 months are: Argentina (D-plus); Chile (C-minus); Colombia (C-minus); East Germany (C-minus); Egypt (D-plus); El Salvador (D); Mexico (D-plus); Nigeria (D-plus); Peru (C-minus); Poland (D-plus); Sudan (C-minus); Syria (D-plus); Turkey (C-minus); Zambia (D); and Zimbabwe (D).

According to the Frost & Sullivan survey, three nations have the poorest climates for direct foreign investment over the next 18 months: Nicaragua (C-minus); the Soviet Union (C-minus); and Zimbabwe (D-plus).

The nations that pose the poorest risk for exporting companies over the next 18 months are: Argentina (D-plus); Bolivia (D-plus); Chile (D-plus); East Germany (C-minus); Egypt (D-plus); El Salvador (D); Libya (C-minus); Peru (D-plus); Philippines (C-minus); Poland (D-plus); Sudan (D-plus); Syria (D-plus); Zambia (D); and Zimbabwe (D-plus).

Interestingly, Iran and Iraq, whose 5-year-old war has imperiled shipping in the Persian Gulf, are given C-ratings or higher in all three categories.

As usual, the nations given the best political risk ratings by Frost & Sullivan are primarily Western democracies.

The nations that have the most favorable climate—those with ratings of A or A-plus—for financial transfer risks over the next 18 months are: Australia (A-plus); Austria (A); Canada (A); Denmark (A); Hong Kong (A-plus); Netherlands (A-plus); Norway (A); Puerto Rico (A-plus); Singapore (A); United Kingdom (A-plus); United States (A-plus) and West Germany (A).

The nations that have been rated the most favorable for direct investment over the next 18 months by Frost & Sullivan are: Austria (A-plus); Costa Rica (A); Denmark (A-plus); Gabon (A); Haiti (A); Hong Kong (A-plus); Ireland (A); Italy (A); Netherlands (A-plus); Puerto Rico (A-plus); Singapore (A); Sweden (A-plus); United States (A-plus); and West Germany (A-plus).

The nations that are rated as the most favorable for exporting companies over the next 18 months are: Austria (A-plus); Canada (A); Denmark (A-plus); Hong Kong (A-plus); Ireland (A); Netherlands (A-plus); Norway (A); Puerto Rico (A-plus); Singapore (A-plus); Sweden (A-plus); United States (A); and West Germany (A-plus).

In addition to rating individual countries on political risks in the three economic sectors, Frost & Sullivan also grades each nation on whether it has a "low," "moderate," "high" or "very high" risk of turmoil.

Those nations that have a high or very high risk of turmoil over the next 18 months are: Bolivia; Cameroon; Chile; Colombia; El Salvador; Guatemala; Iran; Iraq; Jamaica; Libya; Mexico; Nicaragua; Nigeria; Peru; Philippines; Portugal; South Africa; Spain; Sri Lanka; Sudan; Zaire; Zambia; and Zimbabwe.

Additional nations are given a high or very high probability of turmoil sometime over the next five years.

Nations in this category are: Argentina, Brazil, Dominican Republic; Ecuador; Egypt; Greece; Haiti; Honduras; Ivory Coast; Kenya; Morocco; Panama; Turkey; and United Kingdom.

Only 28 of the 86 nations surveyed by Frost & Sullivan were assigned a low probability of turmoil over both the next 18 months and over the next five years.

# Partners

**P**artnership—what it takes to make us both successful. At least that has been our experience at Erisco as we developed and refined new software products for over a decade. During that period we've built strong ties with major corporations, benefits administrators and health insurers.

The dialogue that initiates partnership begins for a prospective client when we together evaluate your needs and match them with our capabilities. For existing clients, day-to-day contact at the operating level, seminars, user groups, and more formal consulting on a range of issues help to strengthen the partnership.

You see, Erisco actually is in the business of providing solutions. Advanced software solutions—but more than software. For example, many of our clients are striving to contain costs, streamline operations, and manage their business in a more competitive environment. Implementing Erisco's on-line, state-of-the-art software is one way to achieve those goals.

Another way is by talking with our benefits professionals about work-flow analysis, raising productivity, and other key issues.

And, it works both ways. We think of our clients as invaluable sources of information, who aid us in updating our systems. ClaimFacts, our claims processing system used by over 70 health insurers, corporations and third-party administrators, is in its third version. ImpleFacts, which keeps records for over 400 defined contribution plans, is also in its third version. And, we are using the design knowledge we have gained to introduce new software like GroupFacts, a highly versatile system for group life and health administration.

Our recent entry into the Dun & Bradstreet family of companies places more resources than ever at our disposal. It strengthens our commitment to serving the benefits industry.

**Partnership.** It makes Erisco more than a software company.

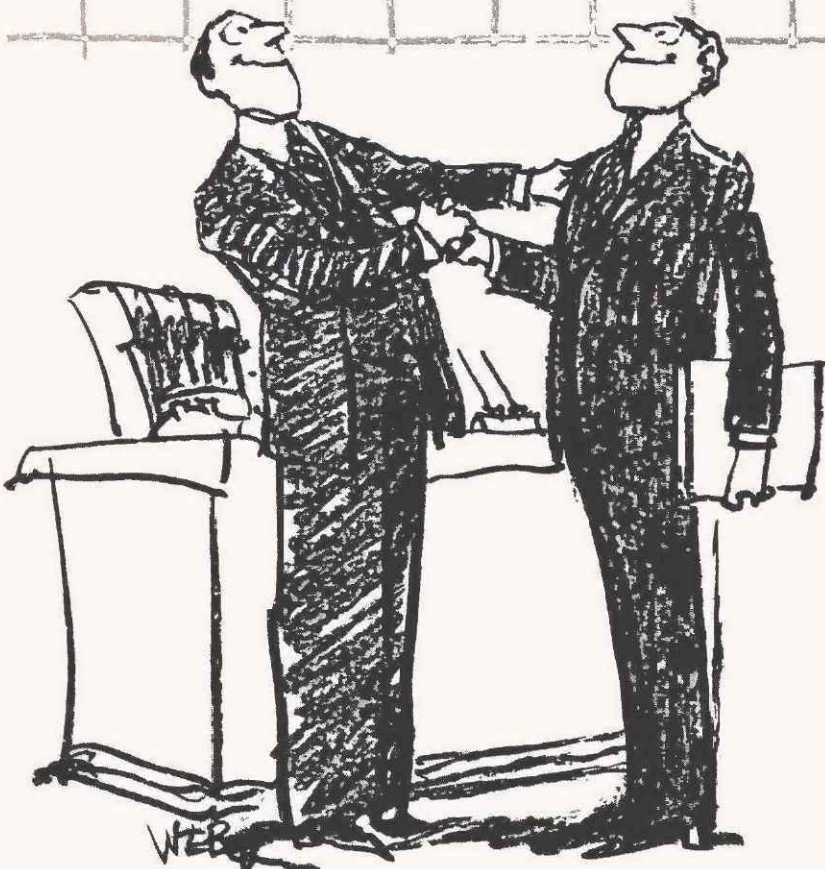
For further information call:  
Stephen Kendrick,  
Vice President, Sales and Marketing at  
212 765-8500.

**ERISCO**

**DB** a company of  
The Dun & Bradstreet Corporation

1700 Broadway  
N.Y., N.Y. 10019

**ClaimFacts, GroupFacts, ImpleFacts**





# Managing Risk

## Gallagher controls cost like nobody else

Before you get your organization into self-insurance, you should talk to the people who are old hands at managing risk. Arthur J. Gallagher & Co., international brokers of insurance and risk management services. We control cost like nobody else.

We work with you through Gallagher Bassett, our unique service organization, which can function either as an extension of your in-house insurance department or as your full-service claims administration organization.

We draw on 20 years of experience in offering totally integrated risk management services. And we own, control, administer, and are held accountable for all of its elements.

■To provide you with the best insurance values, we shop the world marketplace.

■To meet many of your particular needs, we offer proprietary products that are unmatched anywhere.

■To manage your claims effectively, we control all avenues of settlement, and aggressively pursue recoveries, with results that far exceed the industry average.

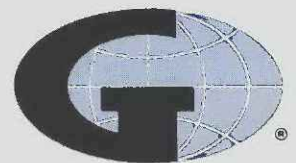
■To control your losses, we evaluate and develop programs for safety, accountability, training, and more.

■To handle your property appraisals, we draw on our data bank for current cost information and our experience gained from making over 55,000 appraisals.

■To provide you with all the management information you need — when you want it, in the form you want it — there's RISX-FACS®, our state-of-the-art on-line computerized control system.

For everything you want to know about managing risk effectively, talk to the people who do it like nobody else. Arthur J. Gallagher & Co. Give us a call today.

## Nobody does it better



**ARTHUR J. GALLAGHER & CO.**

10 Gould Center, Golf Road  
Rolling Meadows, IL 60008  
312/640-8500

# Almost all workers have health cover: Study

By ALISON KITTRELL

WASHINGTON—The vast majority of full-time workers at large and medium-sized companies in the United States receive health care coverage at least partially funded by their employer, according to a recent survey by the U.S. Department of Labor.

In addition, 94% of the employees receive either paid sick leave or sickness and accident insurance benefits—or both—to protect them against losses from short-term disability.

And, most also have protection against long-term disability losses: Some 47% have long-term disability coverage and an additional 46% are covered under private pension plans that provide immediate disability retirement benefits (see

**Sixty-four percent of the workers receiving health care coverage do not have to make a contribution toward the cost of the coverage, while 36% of the employees paid part of the cost of individual coverage.**

story, page 27).

Most employees at medium and large U.S. companies also receive life insurance benefits provided through their employer (see story, page 27).

And, most of these employees also are covered by some kind of employer-sponsored pension plan (see story, page 28).

These are among the findings of "Employee Benefits in Medium and

Large Firms, 1984," which is the sixth such annual survey by the Labor Department's Bureau of Statistics.

During the first seven months of 1984, the bureau surveyed 635 manufacturing companies and 691 non-manufacturing companies in the United States, excluding Alaska and Hawaii.

The companies included in the survey had a total of 3.86 million

employees.

The Labor Department's survey found that 97% of employees at the surveyed companies received employer-provided health insurance coverage.

In addition, 63% of the employees surveyed were covered by plans that extended medical coverage to retirees, although the health care benefits that are provided under the retiree plan may differ in some ways from the benefits received by active employees.

Sixty-four percent of the workers receiving health care coverage do not have to make a contribution toward the cost of the coverage, while 36% of the employees paid part of the cost of individual coverage.

Forty-two percent of the employees with health coverage do

not have to make a contribution toward the cost of family coverage, while 58% of the employees contributed something to the cost of family care.

The employees that had to contribute to the cost of their coverage reported that their share of the premium for health care averaged \$12 per month for individual coverage and \$36 per month for family coverage.

This is an increase of 17% for individual coverage and 10% for family coverage over 1983, the survey reports.

The survey did not report how much employers contributed to health care benefits.

Regarding specific coverages, the survey found that:

- One hundred percent of the employees receiving health care benefits had coverage for hospital room and board costs.

- For 17% of the employees, hospitalization coverage was provided as a basic benefit, which the survey defines as generally meaning the plan requires no deductible or copayment.

- For 28% of the employees, hospitalization coverage was considered a major medical benefit, meaning the employee paid a deductible and/or a copayment.

- And, for 54% of the employees, hospital room and board coverage was provided as a combination of basic benefit and major medical benefit.

- All the employees receiving health care coverage also had coverage for miscellaneous hospital costs. For 16%, this was a basic benefit; for 29%, it was a major medical benefit; and for 54%, it was a combination of the two.

- All the employees receiving health care coverage reported coverage for outpatient care. For 12%, this was a basic benefit; for 27%, it was a major medical benefit; and for 60%, it was a combination of benefits.

- One hundred percent of the employees had coverage for surgery. Surgical care was a basic benefit for 32% of the employees, a major medical benefit for 29% of the employees and a combination for 39% of the employees.

- In-hospital physician visits also were covered for 100% of the employees. For 12%, the visits were covered as a basic benefit, 49% as a major medical benefit, and 38% as a combination.

- Visits to a physician's office were covered for 96% of the employees. The visits were covered as a basic benefit for 6% of these employees, as a major medical benefit for 86% and as a combination for 7% of the employees covered for physicians' office visits.

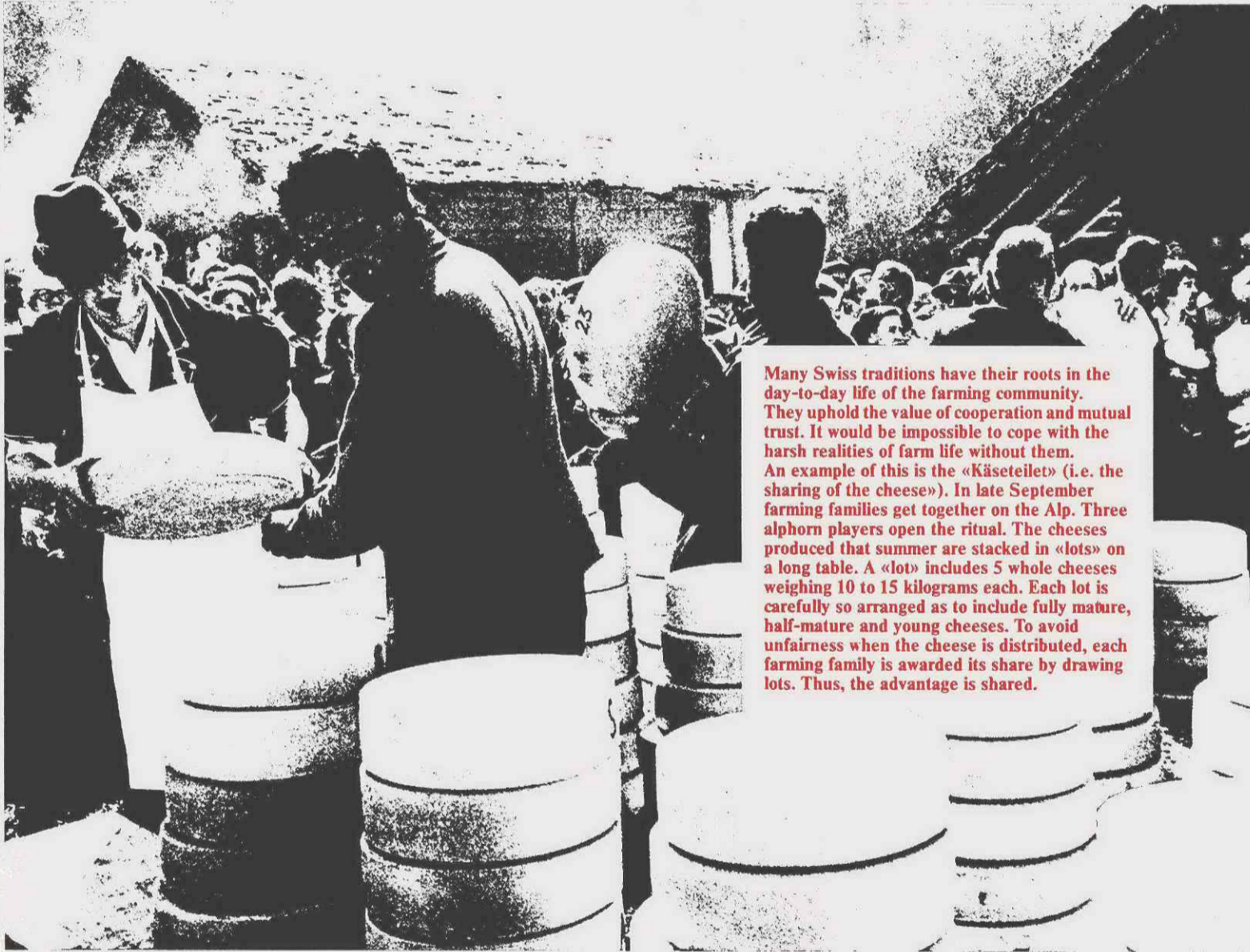
- Diagnostic X-rays and lab work were covered for all the employees receiving health care benefits. For 25%, this coverage was considered a basic benefit; for 42%, this was a major medical benefit; and for 33%, this was a combination.

- Prescription drugs outside the hospital were covered for 98% of the employees, private duty nursing was covered for 96%, and mental health care was covered for 99%. The vast majority of the employees covered had to meet a deductible and/or coinsurance level for these benefits.

In addition, dental care coverage was offered to 77% of the employees with health care coverage, while vision care coverage was offered to 30% of the covered workers.

The survey also found that, as part of a nationwide effort to contain rising health care costs, more companies are offering coverage for less-expensive alternatives to hospital stays.

Continued on page 26



Many Swiss traditions have their roots in the day-to-day life of the farming community. They uphold the value of cooperation and mutual trust. It would be impossible to cope with the harsh realities of farm life without them. An example of this is the «Käseteilet» (i.e. the sharing of the cheese). In late September farming families get together on the Alp. Three alpmen open the ritual. The cheeses produced that summer are stacked in «lots» on a long table. A «lot» includes 5 whole cheeses weighing 10 to 15 kilograms each. Each lot is carefully so arranged as to include fully mature, half-mature and young cheeses. To avoid unfairness when the cheese is distributed, each farming family is awarded its share by drawing lots. Thus, the advantage is shared.

## The Advantage Is Shared.

International insurance problems are best solved by combining all local factors into a comprehensive insurance solution.

Winterthur's subsidiaries are very well acquainted with local conditions in each single country. They work hand in hand with Winterthur's International Division to develop the best possible insurance solution for companies operating in several countries.

Winterthur's Property Insurance program, for instance, provides uniform

insurance coverage world-wide, ruling out overlapping coverages or gaps. Thus, the parent company and its subsidiaries get the advantage of a comprehensive and cost-saving insurance solution.

Local representation ensures that in the event of any claim Winterthur is right on the spot for the necessary claims handling.

If you want to learn more about Winterthur's insurance programs, the International Division will be glad to give you all the details, at any time.



Winterthur Insurance, International Division, Rudolfstrasse 1, Postfach 286, CH-8401 Winterthur  
Tel. 0041-52-85 11 11, Telex 896 785 wias ch; Telefax 0041-52-22 44 42

«Winterthur» Swiss Insurance Company, U.S. Marketing & Service Unit, 55 East Jackson Boulevard - 12th floor  
Chicago, IL 60604, USA, Tel.: 822-4512, Telex: 510 100 74 88



**P**

**PRUDENTIAL RE.  
BECAUSE THE ROCK  
HAS A SIDE  
YOU SELDOM SEE.**

*You've always seen the side that says  
Rock-solid financial strength. But there is  
another side. It says Rock-solid talent.*

*The fact is, Prudential Re offers you an  
extraordinary depth of human resources.*

*First, the least visible layer of The  
Rock: our foundation of experienced  
actuarial, claims, accounting and  
systems specialists.*


*They, in turn, support our underwriters.  
Savvy. Responsive. Astute.*

*Combine that talent with the Rock's  
solidity, and you get the experience and  
broad service you want for the kind of  
secure reinsurance program you need.*

*Side by side.*

**The Rock in Reinsurance  
Prudential Re**

A Subsidiary of

**The Prudential**  Insurance Company of America

Prudential Reinsurance Company, Newark, N.J. USA

WILCOX

# less ance

NEW YORK: 220 EAST 42ND STREET/NY 10017/(212) 210-0133  
CHICAGO: 740 RUSH STREET/IL 60611/(312) 649-5276  
LOS ANGELES: 6404 WILSHIRE BOULEVARD/CA 90048/(213)651-3710

## update

### MULTINATIONALS: BENEFITS AND RISK MANAGEMENT

Issue Date: October 21

Ad Closing: October 8

A look at how multinationals manage property risks and employee benefits overseas.

**business  
insurance**

## Health care

Continued from page 24

For example, coverage for treatment in extended care facilities was offered to 62% of surveyed employees in 1984, which is an increase from 58% that reported such coverage in the Labor Department's 1983 survey.

Coverage for home health care was offered to 46% of surveyed employees in 1984, up from 37% in 1983.

And, 11% of the employees at the companies surveyed had coverage for hospice care in 1984, which was the first year this statistic was collected.

Virtually all—99%—of the employees had to pay some kind of deductible under their major medical coverage.

For 94% of the employees in this category, the deductible was a set dollar amount, while the deductible varied with an employee's annual salary for 5% of the workers sur-

veyed.

Forty-six percent of the employees that had to pay deductibles for major medical coverage were required to pay an annual per-person deductible of \$100. Seventeen percent had an annual per-person deductible of \$50, and 12% had an annual per-person deductible of more than \$150.

And, all the employees surveyed also had some coinsurance provision as part of their major medical coverage.

The most common coinsurance level was 80%, reported by 86% of the employees. Five percent of the employees had an 85% coinsurance level, 4% had a 90% coinsurance level, and 5% had some other coinsurance level.

In addition, 75% of the employees reported their major medical plans had an annual out-of-pocket maximum, after which the plan paid 100% of covered expenses.

This stop-loss cap was \$2,000 or less for 15% of these employees, \$2,001 to \$4,000 for 27% of the employees, \$4,001 to \$6,000 for 33% of the employees, \$6,001 to \$8,000 for 10% of the employees, \$8,001 to \$10,000 for 10% of the employees, and more than \$10,000 for 5% of the employees.

Some 24% of the employees reported no out-of-pocket maximum limit in their major medical plan, and 1% reported that their coinsurance requirement was decreased but not waived after they spent a

**Virtually all of all the employees surveyed had to pay some kind of deductible, the survey said.**

certain amount of their own money on health care.

Seventy-two percent of the employees surveyed reported that their major medical plan included a lifetime maximum benefit.

The most common lifetime maximum benefit was \$250,000, reported by 32% of these employees.

However, the survey pointed out that the average lifetime maximum reported by employees was \$486,000, which is an increase of almost \$100,000 from 1983 and \$150,000 from 1982.

This increase is due to the fact that many employees reported limits higher than \$250,000.

For example, 19% of the employees whose plans had a lifetime maximum reported their plans had a \$1 million lifetime maximum, and 12% said their plan had a \$500,000 lifetime maximum.

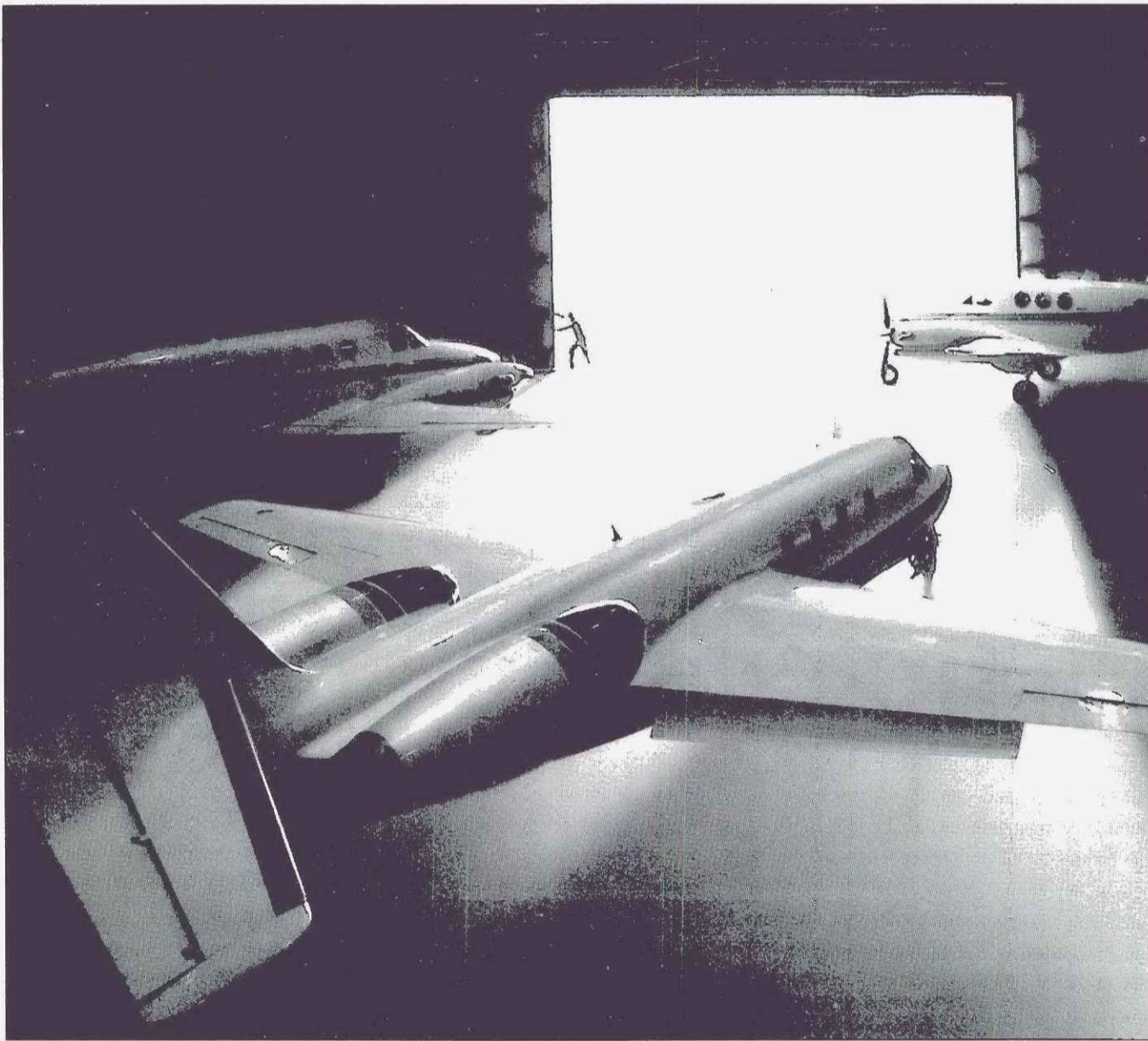
The rest of the employees whose plans had a lifetime maximum said the limit ranged from less than \$25,000 to \$1 million.

Some 57% of the employees surveyed had major medical coverage through either a Blue Cross/Blue Shield plan or a plan underwritten by a commercial insurer.

For 33% of the surveyed employees, their major medical coverage was self-funded by the employer or by a labor union.

And, 1% of the employees surveyed said that their major medical coverage was provided either through a health maintenance organization or through a combination of plans.

Copies of this survey are available for \$2.75 each from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402, or from the Bureau of Labor Statistics, Chicago Regional Office, 9th Floor, Federal Office Building, 230 S. Dearborn St., Chicago, Ill. 60604. When ordering, specify: "Employee Benefits in Medium and Large Firms, 1984," Bulletin 2237, Stock No. 029-001-02852-1.



## WE COVER MORE THAN ONE THIRD OF ALL CORPORATE JETS.

Raise your sights to the elite Fortune 500 and AAU's marketshare is even wider—approximately 40%. That's one measure of our industrywide impact over the past 56 years. Reasons? Under AAU's protection, companies can move forward confidently in their corporate aviation programs. They respect our professional underwriting, our superior claims handling, and our contributions to aviation safety—such as our exclusive VISTA program and Flight Department Operations Surveys. AAU underwrites on behalf of over 30 participating and affiliated insurance companies, worldwide. Ask your

own insurance agent or broker. Ask around. Come under AAU's protection, and you'll be in very good company.

**AAU**  
FLYING FIRST CLASS

# LTD, short-term illness protection common benefits

By ALISON KITTRELL

WASHINGTON—Most employees at medium-size and large U.S. companies have some kind of employer-sponsored protection against income loss from short-term and long-term disability, according to a recent survey by the U.S. Department of Labor.

Some 94% have either paid sick leave or sickness and accident insurance to cover short-term illnesses. And, 47% have long-term disability insurance, while an additional 46% are covered under private pension plans that provide immediate disability retirement benefits.

These are among the findings of "Em-

ployee Benefits in Medium and Large Firms, 1984," a survey conducted by the Department of Labor's Bureau of Statistics.

The survey found that 51% of the employees were covered by sickness and accident insurance. The full cost of that coverage was paid by the employer for about 80% of those workers receiving the benefit.

For 27% of the employees surveyed, sickness and accident coverage represented their only protection against income loss because of a short-term illness or disability.

Some 24% of the employees received a combination of sickness and accident insurance and company-paid sick leave, while 43% had only sick leave. And, 6% reported they

had neither paid sick leave nor sickness and accident insurance.

For 47% of the employees with sickness and accident insurance, the payment was based on a fixed percentage of the employee's earnings. For 4% of the employees, the payment was based on a percentage of earnings that varied according to length of service and/or disability or level of earnings.

One-fourth of the employees with sickness and accident insurance said their payment was a fixed weekly dollar amount, and 24% said it was a fixed amount that varied by length of service or disability or by salary.

Some 89% of the employees with sickness and accident insurance reported a maximum

number of weeks of coverage. The most common maximum was 26 weeks.

In addition, 47% of the employees received long-term disability insurance.

About three-fourths of the employees receiving LTD benefits said the cost of the coverage was funded entirely by their employer.

According to the survey, white-collar workers were almost twice as likely to be covered by an LTD plan as blue-collar workers, who were more likely to be covered under a retirement plan with an immediate disability benefit (see story, page 28).

Some 77% of the employees with LTD plans said the payment was based on a fixed percentage of earnings, usually 50% or 60%. ■

## Life insurance a benefit for most workers

WASHINGTON—Almost all medium-size and large U.S. employers offer group life insurance coverage to their employees, according to a new government survey.

And, in most cases, the employer pays the full cost of the coverage, according to "Employee Benefits in Medium and Large Firms, 1984," a survey conducted by the Department of Labor's Bureau of Statistics.

The survey data was gathered in the first seven months of 1984 from more than 3.8 million employees at 1,326 companies in the United States, except for Alaska and Hawaii.

The Labor Department survey shows that 96% of the employees surveyed participated in some kind of employer-sponsored group life insurance plan.

And, 84% of those employees reported that their employer paid the full cost of the group life insurance coverage.

Of the employees with employer-sponsored group life insurance, 64% said the amount of coverage was based on the employee's annual earnings.

An additional 34% said they received a flat amount of coverage, and 3% said they received a flat amount of coverage based on length of service.

Among those employees whose life insurance coverage was based on their earnings, the most common multiple was one times annual pay, reported by 41%.

Some 37% of these employees said their coverage was equal to twice their annual pay, and 10% said it was equal to 1½ times annual pay.

The rest reported some other multiple of earnings as the basis for their life insurance coverage.

Among those reporting they received a flat amount of life insurance coverage, the most common amount was \$5,000 to \$9,999, reported by 36%.

Thirty percent reported that they received \$10,000 to \$14,999 in coverage, and 11% said they received \$2,000 to \$4,999. The rest said they received some other amount.

Some 64% of the employees receiving group life insurance coverage said their coverage continues for at least some period of time after retirement.

Virtually all of these employees said group life coverage continues for life, although most also said that the amount of coverage they receive from their employer is reduced at least once after retirement.

Some 74% of the employees with life insurance said their coverage provided additional benefits in the case of accidental death or dismemberment.

And, 17% said their group life insurance plans included dependent life insurance coverage that was at least partly employer-funded. ■

## Dyer, Wells & Associates



## FASTRAK™ Will Take On Your Claims Administration Challenges... Big or Small.

### Automated Health Claims Systems for Self-Administered's.

Whether you are a multi-national conglomerate or an aggressive young company...

Whether you own the largest IBM mainframe or have no computer facilities at all...

The FASTRAK™ family of insurance software systems from Dyer, Wells & Associates will solve your health claims administration needs.

### The Champion of Claims Systems.

FASTRAK completely automates the adjudication and processing of health claims. It lets your company process all types of claims and handle every aspect of claims processing: from enrollment eligibility verification to benefit determination to payment processing.

It also accommodates a wide range of plans including medical, dental, short term and long term disability...in any combination. Plus, system flexibility means you can easily adapt FASTRAK to meet your changing needs.

A technologically sophisticated

system, FASTRAK gives you the same capabilities it's been giving major insurance carriers since 1977.

### Four Sizes Fit All.

Available in four versions, the FASTRAK family can knock out any insurance claims challenge, large or small.

- dw&a™/FASTRAK...the solution to automated claims administration for IBM mainframe computers.
- dw&a/FASTRAK VS™...for companies having specialized or limited claims processing needs, it operates on the WANG VS line of minicomputers. **WANG**\*
- dw&a/FASTRAK PC™...for organizations whose needs are best met with a microcomputer-based claims system.
- FASTRAK Processing Services...available for companies with small volumes or those who do not wish to process in their own data centers.

### Send for Your Free Brochure.

Since the beginning, Dyer, Wells & Associates has been a leader in insurance claims and other cost saving

insurance software packages. We stand by a record of achievement and innovation that ensures our systems will never become outdated.

### Mail this coupon, today.

Yes, I want to learn how FASTRAK can solve my health claims administration needs. I have checked the system(s) I am interested in.

IBM Mainframe (CICS/VSAM)  IBM Mainframe (IMS DB/DC)  
 Personal Computer  Processing Services  
 WANG VS

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

# of Employees \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Phone (\_\_\_\_) \_\_\_\_\_

### Dyer, Wells & Associates

A Division of Information Science Incorporated

Mail to:  
 Marketing Administrator Dyer, Wells & Associates  
 2251 Lake Park Drive Smyrna, GA 30080  
 Want to talk? Call us at: (404) 432-5888

\*Wang is a registered trademark of Wang Laboratories, Inc., Lowell, MA.

# Pension plans cover 82% of workers: Study

By ALISON KITTRELL

WASHINGTON—Some 82% of workers at medium-size and large U.S. firms are covered under a private pension plan, a new survey says.

And, for 90% of those workers, their employer pays the full cost of their pension benefits, according to "Employee Benefits in Medium and Large Firms, 1984," a survey conducted by the Department of Labor's Bureau of Statistics.

The survey data was gathered in the first seven months of 1984 from more than 3.8 million employees at 1,326 companies nationwide, excluding Alaska and Hawaii.

For 54% of the employees with retirement plans, their benefit was based on a percentage of their salary during the final years of their service with the company. In 87% of those cases, it was based on their highest five consecutive years' salaries.

For an additional 14% of the employees with pension plans, benefits were based on their earnings over the course of their entire career. Retirement benefits based on career earnings were more prevalent among white-collar workers than among blue collar workers, the survey says.

Some 28% of the employees with pension plans said their benefit was based on a formula that set a specific dollar amount for each year of service.

The remainder said their benefit was calculated according to some other formula.

Some 56% of all employees in employer-sponsored pension plans reported that their pension benefit formulas were integrated in some way with their Social Security benefit.

The survey also showed that the average replacement rate—the amount of an employee's pre-retirement income that was replaced by a combination of pension benefits and Social Security—was relatively higher for lower-paid employees.

For example, employees earning \$15,000 a year who retired after 30 years of service had an average of 74% of their final year's income replaced by the combined benefits. For workers earning \$40,000 a year when they retired with 30 years of service, the replacement rate was about 48%.

However, the amount of income replaced by private pension plans alone was about 27% in all but the lowest income level, where it was about 31%. The difference was in the amount replaced by Social Security benefits.

Most private plans allowed workers to retire with full pension benefits before they reach age 65, when they become eligible for full Social Security benefits. Only 37% of the plan participants were cov-

ered by plans that specified 65 as the earliest age for retirement with full benefits. The rest could retire at some age before 65 after having worked a specified number of years.

And, virtually all the workers covered under private pension plans could retire before having met age and service requirements. However, workers who took early

retirement received a reduced pension and, in some cases, employer approval was required.

Almost half—47%—of the surveyed workers were covered under plans that had granted at least one ad hoc benefit increase during 1979-1983 to help retirees deal with inflation.

For about 47% of those workers, the benefits had been increased

only once. Benefits had been increased twice for 18% of the employees, three times for 16% of the employees, four times for 7% of the employees and five or more times for 12% of the employees.

About two-thirds of the employees in private pension plans are first and fully vested in the plan after 10 years of service at any age. An additional 19% are fully vested

after they have completed 10 years of service after reaching age 22. And, 4% had some other type of cliff vesting.

Four percent had graduated vesting, with employees being fully vested after 15 years. Ten percent had some other kind of graduated vesting.

Some employees' plans had more than one vesting provision. ■

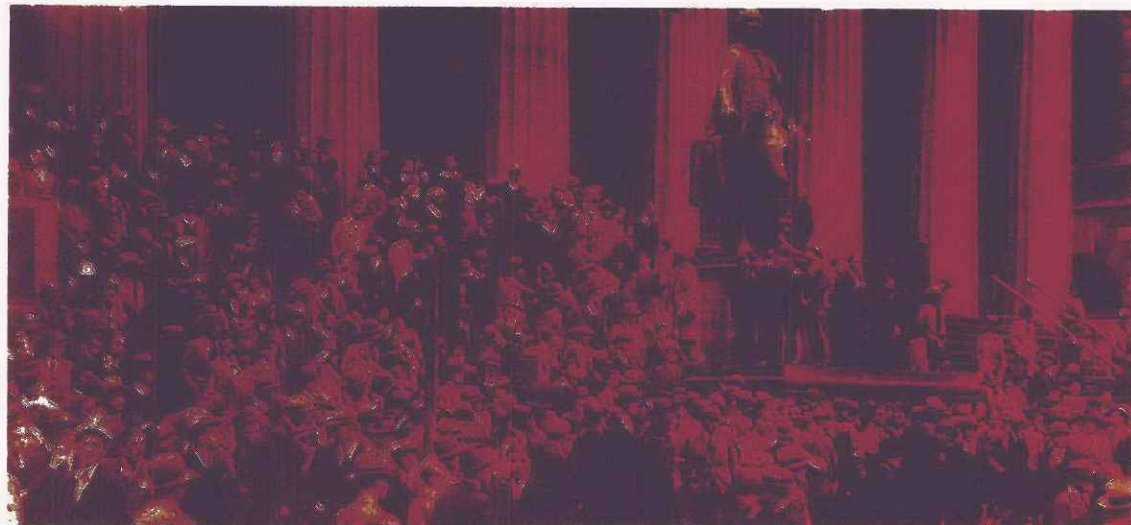
## We Go Back But We Never Go



**1910** Back in 1910 we wrote our first treaty with the Phoenix Assurance Company. North American Re has the longest continuous record of service to the industry of any U.S. reinsurer.



**1916** Poor Harmon Gartner, a New York City milkman, got kicked in the head by his horse in 1916. He paid the claim every month for 67 years.



**1929** Black Tuesday at the Stock Exchange was the beginning of the Great Depression. We helped many insurers survive until the economy recovered.

### Damages tallied for Hurricane Bob

NEW YORK—Hurricane Bob caused an estimated \$13 million in insured property damage in the Southeast, according to C.E. Hermanson, vp of the Property Claim Services division of American Insurance Services Group Inc.

The hurricane hit July 22-25 in Florida, Georgia, South Carolina, North Carolina and Virginia.

Damage was estimated at \$5 million each in Florida and South Carolina. Damage was estimated at \$1.5 million in North Carolina, \$1 million in Virginia and \$500,000 in Georgia. These estimates do not include damage insured under the National Flood Insurance Program.

The hurricane was assigned Catastrophe No. 76. ■

We did not become professional reinsurers overnight. We began way back in 1910 as the United States operations of Swiss Re.

During those 75 years, we've stood by our clients through two world wars, the great depression, hurricanes, earthquakes and man-made catastrophes too numerous to mention.

We did not enter the business in pursuit of cash flow

# New Jersey studies malpractice coverage costs

TRENTON, N.J.—A special task force has offered a series of proposals to contain the cost of medical malpractice insurance in New Jersey and reduce the incidence of malpractice.

The Commissioner's Task Force on Medical Malpractice, which was appointed last November by former Insurance Commissioner Kenneth D. Merin, delivered its 40-

page report to current Commissioner Hazel Gluck earlier this month.

The task force says in the report that the medical malpractice insurance market has not yet reached a "crisis pitch" in New Jersey, but that "trouble flags are flying everywhere."

"Physicians' premiums are high, but not so steep as to constitute the

major force behind rising health care costs," according to the task force report.

In addition, the task force report points out, "The frequency with which patients sue doctors has doubled since 1970.

"Jury awards are creeping upward, and the state recently saw its first \$2 million malpractice verdict," the report says.

"Premiums are starting to spurt at a rate of 20% to 25% a year. And reinsurance is becoming increasingly difficult to obtain," the task force report continues.

The report also notes that there was no single factor responsible for high medical malpractice insurance costs—"not incompetent doctors, generous juries or aggressive attorneys."

In an effort to help lower medical malpractice insurance costs and lower the incidence of medical malpractice claims, the report suggested:

- The abolition of the so-called "collateral source" rule so that plaintiffs filing medical malpractice suits cannot recover economic losses already paid by other sources, like automobile insurance or the workers compensation system.

- The abolition of hospitals' charitable immunity status, which limits claims payments by hospitals to a maximum of \$10,000. Linked with a requirement that only hospitals can be sued, not individual employees, this action would reduce defense costs since medical malpractice insurers would no longer have to represent each employee named in a suit. Eliminating this status would also encourage hospitals to pursue aggressive risk management, according to the task force report.

- The replacement of the statute of limitations for adult plaintiffs

**'Premiums are starting to spurt at a rate of 20% to 25% a year,' the task force report says.**

with an absolute four-year limitation on suits from the date of the injury, compared with the current two-year statute of limitations from the date of the discovery of an alleged malpractice.

- Changing statutes so that children have the right to sue up to the age of 11 for incidents occurring before age 8, instead of two years from the time the child reaches the age of 18.

- Mandatory non-binding arbitration for medical malpractice claims worth \$50,000 or less.

- That the New Jersey Insurance Department obtain the cooperation of professional medical societies in efforts to recruit expert witnesses.

- An improvement in relations between patients and physicians to enhance patients' understanding of their illnesses, which will reduce the number of non-meritorious medical malpractice claims.

- Providing the "overworked and understaffed" New Jersey Board of Medical Examiners with additional staff and technical resources to improve its handling of complaints against health care practitioners.

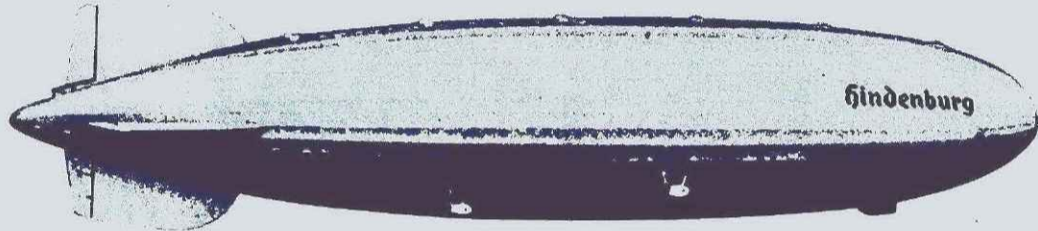
- Establishment of a physician education program that would include courses in ethics, risk management and medical malpractice issues before a physician begins practice. In addition, physicians would have to complete 150 hours of continuing education every three years in order to keep their license.

The Commissioner's Task Force on Medical Malpractice is composed of four plaintiffs' attorneys, as well as a member of the Board of Medical Examiners, three insurer representatives, four physicians, a podiatrist, an osteopath and a nurse.

In addition, the task force is also studying how the New Jersey Medical Malpractice Reinsurance Assn. can meet a projected \$42.1 million reserve deficiency (*BI*, Nov. 26, 1984).

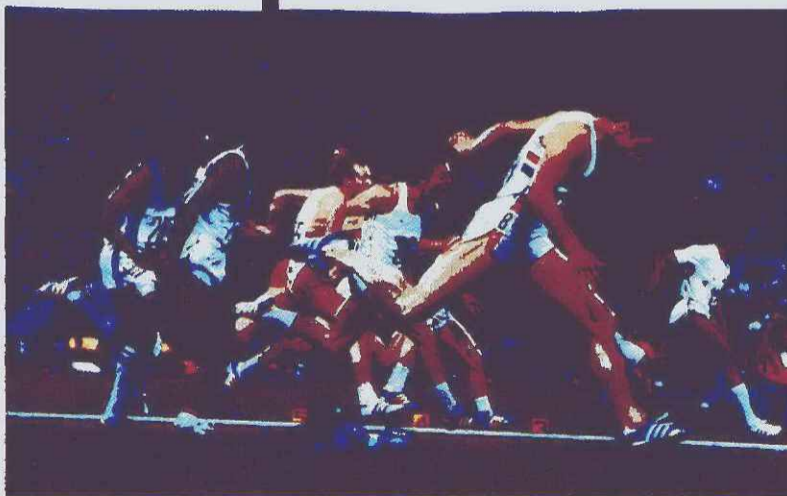
The New Jersey Malpractice Reinsurance Assn. was created by the New Jersey Legislature in 1977 at a time when many commercial insurers stopped writing medical malpractice coverage in the state. ■

## 75 Years, Back On Our Word.



**1935** By our 25th anniversary North American Re had over a \$2 million surplus. Our quarter century annual report was delivered to Swiss Re aboard the speedy Hindenburg Zeppelin.

**1965** Hurricane Betsy caused over \$715 million in insured losses of which reinsurers absorbed about 50%. If it occurred today, the loss would be close to \$3 billion.



**1984** North American Re is proud to have reinsured a portion of the Olympic risk.

underwriting or any other transitory financial objective.

Our objective has always been to provide the kind of dependable financial stability that our clients rely on reinsurance for.

Which is why so many of our clients have stayed with us for so long.

They know we've been there in the past and we will be there in the future.



**Partners In Risk  
For 75 Years**

**THE GOOD NEWS IS  
PROFITS WERE UP 22%.**



**Antagon**

橙黃色  
漆在木上  
光澤明亮

注意! 易燃品

The bad news?

The entire plant burned to the ground.

Why? Because of inadequate fire protection.

So much for profits, now.

The dangerously narrow view of profitability that led to this disaster may not be common everywhere. But it does take its toll on companies—all over the world.

Because some managers may take risks that their counterparts never would.

And let an entire multinational corporation suffer the potential consequences.

Common sense suggests that since most risks are much the same everywhere, standards of protection should be, too.

That's the idea behind CIGNA Worldwide's Highly Protected Risk (HPR) concept.

Now more than ever, risk managers are able to coordinate and control truly global risks from a centralized location.

Our network of local offices in over 160 countries and our corps of HPR engineers around the world mean that levels of expertise can be as high in Bangkok as they are in Bordeaux.

Or almost anyplace else, for that matter.

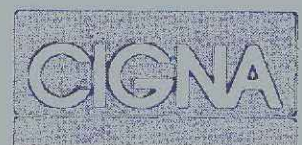
And because CIGNA Worldwide offers an array of non-HPR coverages on the same global scale, we can structure a total insurance program to best protect your company's assets.

No matter how complex and varied your international risks may be.

What does all this mean?

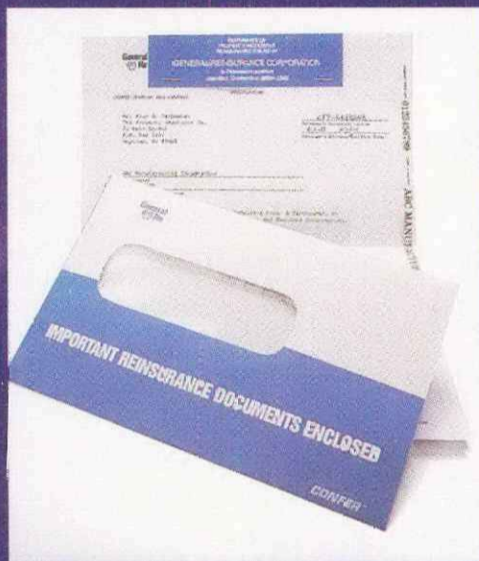
Simply that with CIGNA Worldwide, the right protection can be very profitable.

CIGNA Worldwide, Incorporated  
a CIGNA company





**Lightning Swift  
Facultative Response**



CONFER (Communications Network For Electronic Reinsurance) is a powerful computer system that gets quotes and coverage to you quicker than ever before—in writing.

Right now, CONFER provides all of our clients with faster quotes, binders and certificates. Better yet—it doesn't change the traditional, per-

sonal, underwriter-to-underwriter relationship.

Best yet, it's quality facultative coverage backed by the strength of America's largest and most experienced reinsurer.

But there's more to come, and it's coming lightning fast.

CONFER, it sets a new standard in reinsurance service, and only General Re has it.

**General  
Re**

*America's Largest Reinsurer  
Providing Quality Service to Quality Clients*

*General Reinsurance Corporation, Financial Centre, Stamford, CT  
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Kansas City, Los Angeles, New York, Philadelphia, St. Paul, San Francisco, Seattle, Montreal and Toronto*

# ENOUGH IS ENOUGH

## Business should work to defeat bill to extend health coverage

By Shirley A. Bales

**EMPLOYERS TAKE NOTE:** House Bill H.R. 3128 contains proposals designed to reduce government health care spending. But, Section 161 of the bill contains a provision that would mandate that employers extend health care coverage to divorced spouses, widows and dependents of employees.

The House must vote on H.R. 3128 as a package, not by individual sections, and cannot amend the bill. According to sources in Washington, H.R. 3128 stands a good chance of passage by the House of Representatives.

However, sources say that there is a chance of defeating Section 161 of H.R. 3128 in the Senate.

But, business must act now. Write, telephone or telegraph your senators and tell them to vote against this section of the bill.

Congress evidently sees employers as the answer to reducing the government's share of health care costs and solving the nation's social problems.

In recent years, Congress has mandated that employers assume the position of primary payer in areas that once were the federal government's responsibility.

For example, in 1982, Congress mandated that employers be the primary payer for employees or spouses with end-stage renal disease for the first 12 months of treatment, while Medicare is the secondary payer.

In 1984, Congress mandated that employers be the primary payer on health care coverage for active employees and spouses age 65 through 69.

At least these mandated changes dealt with employees with a vested interest in their companies.

Our lawmakers in Washington are branching out with H.R. 3128. In Section 161, Congress has proposed mandating coverage for divorced spouses, widows and dependents.

As a member of the Central Indiana Business Group on Health representing 36 companies, Richard Nuerge of Warner Gear Co. in Muncie, Ind., wrote to his congressman recently: "Where, in the eyes of Congress, does employers' responsibility end? It seems certain segments of Congress, unable to pass social legislation under the tax program, have decided that employers should take on this responsibility."

It is one thing to transfer coverage on active employees from the Medicare system to employers. It's quite another matter to mandate coverage for people with no employment relationship with the employer.

Employers would be paying for groups

of people that obviously have no employment relationship with the employer and no concern for cost containment!

In Section 161 of H.R. 3128, a "qualified beneficiary" is defined as "an individual who, on the date before the date of a qualifying event for that employee, is 1.) a beneficiary under the plan as the spouse of the employee and has been married to the employee for at least the immediately preceding 30-day period, or 2.) is a beneficiary under the plan as a covered dependent child of the employee."

The criteria for extended coverage under this bill are the death of the covered employee, the divorce or separation of the covered employee from the employee's spouse and the covered employee becoming entitled to benefits

shouldn't it be the responsibility of the divorced spouse to notify the employer? The employee probably doesn't care whether his or her ex-spouse has medical coverage.

In addition to the two letters that employers must send, H.R. 3128 states that the employer may charge premium for the extended coverage. But, this part of the bill is a little confusing.

It states the employer may charge "a premium generally charged with respect to coverage under the plan of similarly situated beneficiaries with respect to whom a qualifying event has not occurred."

If an employer normally pays the full cost of the group medical insurance premium, does this mean that the employer cannot collect premium from the divorced or widowed spouse or

if he or she has end-stage renal disease, requiring kidney dialysis or a kidney transplant, medical claims for the first year could exceed \$150,000—far more than the premiums paid!

The self-insured employer or insurer will pay the difference between the premium and claims, and at year-end those claims will affect the premium charge for all employees in the group.

In other words, employers would experience adverse selection in this group of qualified beneficiaries, who are likely to have expensive medical problems affecting the entire group. This is true because group coverage would be relatively expensive for healthy people, so they would be likely to change to a less expensive private plan.

Congress also is considering taxing employees for the amount of premium their employer contributes to their group health care benefits. If this happens, the government will be increasing group health costs for business and then would tax the employees when the premium increased.

Also, under H.R. 3128, employers would be forced to cover divorced spouses regardless of whether the employee still is employed. Thus, an employer could discharge an employee for theft and then be required to continue paying claims on his or her former spouse.

Another absurd situation would arise if an employee who is divorced three or four times terminated his or her employment.

In this case, an employer could be covering several divorced spouses of a former employee.

Many employers—particularly large companies—already offer health benefits to widows or widowers of deceased employees.

But, some smaller companies may not be able to afford such coverage. If Congress continues to mandate health insurance benefits, some of these employers may have to lower wages, reduce benefits or discontinue group coverage.

If Congress really wants to protect this group of individuals, why not mandate group health conversions to a private policy?

If Congress is concerned about benefits available under conversions, it could mandate minimum coverages that must be offered under the conversions. This would put the premium and the expense where it ought to be—between the insurance company and the individual.

The only way our lawmakers will understand that Section 161 of H.R. 3128 is expensive and ill-conceived is for employers to write to their representatives and senators and tell them.

This bill is only one of many pending in Congress mandating benefits under employers' benefit plans. Members of Congress must be educated about how these new benefits will affect employer costs.

Business must get the word to Congress: There are no free benefits.

**'It is one thing to transfer coverage on active employees from the Medicare system to employers. It's quite another matter to mandate coverage for people with no employment relationship with the employer. . .and obviously have no concern for cost containment'**

under Medicare.

When this bill was heard by the House Ways and Means Committee, it seems that committee members felt that Section 161 would not cost the government any money.

And, they felt it wouldn't cost business anything either.

Maybe our lawmakers in Washington do not understand who pays for most of the group health insurance costs in the United States. *Employers pay for the majority of group health insurance costs.*

And, the administrative costs of this bill would be tremendous. The bill states that an employer must notify each employee and spouse under the policy of the continuation option provided under the plan.

The bill further states that within 14 days after determining there is a change in coverage status—such as a divorce or death—the employer or insurer must send another letter by first-class mail notifying the "qualified beneficiary" of continued access to the group health plan.

Section 161 also states that the insured employee must notify the plan of a change in status. The bill states that the election period begins on the date of the qualified beneficiary's termination from the plan and continues for at least 60 days, and ends not earlier than 60 days after the date the qualified beneficiary is notified or the termination date, whichever is later.

Does this mean that if an employee waits for six months to notify the employer of a divorce, the qualified beneficiary—the former spouse—still has the option to continue the health benefits?

If Congress is going to pass effective legislation, the requirements should be realistic. Since the divorced spouse is the one most concerned with coverage,

dependent?

An employer may terminate the insurance benefits under the proposed law under certain conditions:

- Five years after the expiration of the election of the continued coverage.
- The date in which the employer ceases to provide any group health plan to employees.
- The date on which there is a failure to pay the premium.
- The date on which the qualified beneficiary first becomes or could become insured under any other group plan.
- The date the qualified beneficiary remarries and becomes or could become covered under a group health plan as the spouse of a covered person.
- The date on which the covered dependent child ceases to be dependent.

Qualified beneficiaries whose coverage is terminated by reason of the expiration of the five years of mandated coverage must be offered a conversion privilege and must be notified of this right within 180 days of the date of cancellation.

The question congressmen should be asking is, "Just who is going to keep track of all this information?" The answer is, employers.

They would have to keep monthly records of premiums paid, and inquiries would have to be made to the qualified beneficiaries, such as, "Are you working, and if so, are you eligible for group insurance? Are you married, and if so are you eligible for group coverage?"

Administrative costs are not the only reason Section 161 of H.R. 3128 should be defeated, however. Another problem is that the premium paid by qualified beneficiaries would not necessarily reflect the claims being paid.

For example, a qualified beneficiary pays \$200 a month for health care coverage, for a total of \$2,400 a year. But,



Shirley A. Bales is the president of the Central Indiana Business Group on Health.

# Curing 'maladministration'

## Top-quality administration of claims can be a profitable goal

By Bernard E. McGuirk

**T**HE PRICE TAG is blank: symbolic of the blank check requested of us to cover rising costs.

The label is unreliable: an administration found to be error-free by one evaluator might be indicted for malfeasance by another.

But however high the cost or low the quality, there are reasons for and solutions to *maladministration*, a condition I have found in the majority of several hundred claims evaluations.

The heavy contributors to poor administration are easily identified, and, in general, hold good reputations in the world of business. As examples:

- The financial officer who exerts a tight control over other in-house corporate

disbursements, but allows benefit payments to be processed without appropriate supporting documentation, in the absence of internal controls and exempt from quality control.

- The benefit manager who is dedicated to a commitment to pay claims in three days, but who has no record of how well his office succeeds in cost-containment opportunities.

- The executive who forbids the use of the term "fraud."

- The supervisor who estimates the unknown toll of fraud as "minimal."

- The manager who demands that his claim be paid as an *exception*.

- The administrator who commends an approver for processing 180 claims in a day.

- The "quality controller" who matches high-speed productivity with 0% error ratios.

- The employee who would not think of stealing so much as a pencil from the company, but who routinely cheats on claims.

Items similar to these are legion, but there are other categories. For example, there is "creative language." It is used by employees, claims approvers and medical providers.

It is found in all lines of coverage, but seems to be particularly popular in disability claims. In response to the very usual question: "Is the patient totally disabled?" the attending physician gives an unusual answer: "According to him, he is."

The acceptance of this evasive answer in support of a \$100,000 claim seems frivolous when compared to what a bank will require for a loan of considerably less value.

Whether by action or inaction, these otherwise responsible people contribute to poor claims quality. And, as you have noticed, the results are an escalation rather than a reduction of costs.

But, there seems to be an even more significant common denominator. Each of these people supports the proposition that claims dollars hold a second-class status in relation to other corporate disbursements, and this is a serious misconception.

To get the administrator's attention, I frequently have reported that his approvers process benefits payments as if they were issuing Monopoly money. Needless to say, he found it expedient to disagree with the analogy, but not without inference of tacit approval.

Victims of maladministration rarely know that they carry the affliction. Its low profile is the result of a universal conviction that we already know precisely who the cost-containment villains are.

Countless presentations at seminars, national polls and advertising campaigns absolve the administrator and conveniently point to the "known" enemies:

- The government, which shifts costs to the private sector, is a visible and a most formidable enemy, not likely to be bargained with.

- The medical sector, which is open to financial negotiations; but it, too, is formidable.

- The "American worker," who is sometimes characterized as having incurable and reckless spending habits, is the third villain.

The worker has a much weaker

bargaining position and several vulnerable targets, including premium contributions, deductibles, coinsurance, etc. Justified or not, incursions into these areas will be seen by the employees as punitive and, however unreasonable, will adversely affect their morale.

Prudence would dictate that punitive measures be delayed until it is certain that all possible savings have been captured through financially responsible claims administration.

An in-depth investigation may disclose that your claims administrator was more the villain than your claimants.

Assuming for the moment, the administrator to be a fourth enemy of cost containment, we should consider whether technology should also be represented in the cast of villains.

Automation is a welcome advance in claims processing, but you should be wary of the harm that speed can exact on the claims budget.

Consider the claims approver who was commended for having processed in excess of 180 claims in a day. This marathon performance obviously enhanced the expense budget of the administrator, considering that four or five approvers would be the more normal payroll requirement for that volume of productivity.

But what did his or her efforts do for the quality of claims—and the cost-containment opportunities of the clients? At best, nothing. At worst, the clients' claims increased dramatically.

And more of the same can be anticipated. Other approvers will seek the recognition and remuneration that comes to high-speed processors, and the attainment of even higher goals will become a normal part of incentive compensation.

Not that speed, per se, should be condemned. After all, speed is an essential part of efficiency. But speed without control kills; ask any highway patrolman. Or ask a major-league batting champion to stand in the batter's box against a sand-lotter who throws harder than anyone else—but who rarely finds the strike zone. He will decline.

And, the group administrator who encourages speed without measuring quality ultimately will discover that he has significantly contributed to the erosion of the employee benefits budget.

Knowing the people and attitudes that foster poor administration is a keynote to the simple solution of the problem: Treat claims transactions with the financial responsibility that they deserve.

The road to full recovery will present universal problems extending from access controls to ZIP-code

security reviews, but the more immediate goal is to evaluate the administrator, objectively, subjectively, and with particular emphasis on cost-containment efficiency; assess the damage; correct it; and keep it corrected. This is a package well-suited for a quality controller.

Effective quality control is a missing ingredient—a costly omission—in every administration I have encountered to date.

Some administrators are candid in admitting to not having a "formal" control.

This type of mitigated admission is surprisingly rationalized by an almost textbook defense: In lieu of a formal control, the manager occasionally samples claims, and the employer's accounting firm, state examiners and internal auditors look the claims over.

But, this is a quality control in name only, and it is far from a control that assures cost savings on a permanent basis.

Other administrators claim to have effective quality-control programs that, on inspection, are invariably found to be deficient in all or most of the essential elements.

Readability and consistency, objectivity and educational opportunities are generally and conspicuously absent.

For reasons contrary to logic, quality is expected to flourish without the intervention of an effective quality strategy.

To assume that quality can survive for several years without an objective proof of it must be a phenomenon indigenous to the administration of employee claims.

While quality is emphasized universally in the production, research and development worlds of products and services—even to television commercials

honoring the concept of quality control—it is held in little esteem when it comes to the huge disbursement of employee benefits. This is a paradox only consistent with the confusion of

real dollars and "Monopoly" dollars.

Whatever the product or service, one thing is sure: Quality beats lack of quality. And, without an effective quality-control procedure, there is no quality.

The quality controller must be independent. He cannot be an umpire wearing the uniform of the home team.

If he is asked to objectively grade, and therefore influence, the pay scale of people with whom he routinely works, his objectivity obviously is going to be put to the most severe tests.

Finally, the quality controller's responsibility does not end with an assessment of claim payments.

His review must extend to an evaluation of controls and special pattern surveys, and it must sweep in what is sometimes designated as the uncontrollable area of fraud.

Fraud has been one of the least discussed elements in claims control. Some administrators have prohibited mention of it; others have passed it off with unequivocal statements that its unknown toll is not costing them much.

But, fraud should be of concern to any administrator. And fraud can be contained.

Fraud by approvers and benefit personnel must be controlled, and not only because of the financial implications.

Fraud also must be controlled because an employer has the responsibility to protect its employees from themselves.

Claims clerks and approvers have received prison sentences for thefts that were all too easy.

Blame will rarely fall on the manager who permitted the fraud, sometimes over a long period of time, and who will permit other frauds.

Continued on next page

**'Creative language. . . seems to be particularly popular in disability claims. In response to the very usual question: "Is the patient totally disabled?" the attending physician gives an unusual answer: "According to him he is."'**

**'Knowing the people and attitudes that foster poor administration is a keynote to the simple solution of the problem: Treat claims transactions with the financial responsibility that they deserve.'**



Bernard E. McGuirk is president of Benefits Expense Management in Quakertown, N.J. He specializes in evaluation of disability and health claims for insurers, third-party administrators and large employer groups.

# Book tackles hospital waste management

## books & ideas

**"Hazardous and Infectious Waste Management for Health Care Facilities"**

By Lawrence G. Wylie  
Published by Fred S. James & Co. Inc., 230 W. Monroe St., Chicago, Ill. 60606  
\$49.50, quantity discounts available

By John S. Ramirez

LOVE CANAL, Valley of the Drums, Times Beach. . . the words ring out as a litany of disaster. Environmental impairment liability and hazardous waste are problems whose time has come.

Particularly pervasive are two concerns:

- Many catastrophes develop slowly and may be out of control before management is aware of their existence.

- Costs of correction are enormous.

The health care industry has some problems in addition to those faced by manufacturers. The health care industry faces not only the risk of contaminating the environment with chemicals, but also the risk of biological hazards.

As Lawrence G. Wylie points out in the first page of his book, "Hazardous and

Infectious Waste Management for Health Care Facilities": "The Center for Disease Control estimates that the typical hospital generates more than 10 pounds of solid, potentially harmful wastes per patient each day."

Mr. Wylie is an assistant vp with James Technical Services, an arm of Fred S. James & Co. Inc., the large insurance broker. As director of technical services, he brings an impressive set of credentials to bear in preparing his 270-page-plus text. Mr. Wylie has a master of science degree in occupational health from Wayne State University School of Medicine and is certified as an industrial hygienist, safety professional and hazard control manager.

In Chapter 1, he essentially provides a checklist of areas within the hospital where hazardous or infectious wastes may be generated, as well as the type of wastes involved. There also is a partial list of potential hazardous/infectious wastes by agents and source and by infectious vectors and a brief list of regulatory agencies that affect health care facilities.

Chapter 2 is one of the most useful parts of the book. Included in this chapter is an audit mechanism to help the risk manager determine his or her waste management program deficiencies and areas in need of management action. Although it is prepared for the health care industry, this audit section could be used by any risk manager.

Chapters 3 and 4 deal with legal aspects of environmental impairment liability insurance, the Resource Conservation & Recovery Act, the Superfund Act and insuring EIL risks.

Particularly enlightening is the comparison of EIL insurance forms from five major insurers. Of course, it must be noted that this comparison is only valid as of the date the section was written: Nov. 1, 1983. With the current flux in the insurance industry, policy changes are made almost daily.

The final two chapters—Risk Assessment and Control, and Environmental Emergency Preparedness—are the real meat of this tome. These chapters cover their subjects in detail and are weighty reading.

However, the risk manager who can develop and implement the concepts addressed in these pages can feel comfortable that the facility is meeting waste management requirements.

The remaining 130-plus pages are appendices and are, by themselves, worth the price of the book.

Included here are assessment criteria, chemical incompatibilities, carcinogen listings from the Occupational Health and Safety Administration, chemical data sheets and a host of other valuable references.

In conclusion, Lawrence Wylie has written a valuable reference work for the health care industry and even for general industry. It requires intensive study, which is both its strength and its weakness. It is intended as a resource and not a brief overview. In meeting its intent, it becomes a manual no risk manager can afford to overlook.

*John S. Ramirez is director of quality assurance and loss control for Holy Cross Shared Services Inc. in Notre Dame, Ind. HCSS provides risk management services for operations of the Sisters of the Holy Cross, including hospitals and nursing homes nationwide.*

# Quality claims administration is a profitable goal

Continued from previous page

Comprehensive control over fraud may be impossible. But, of the dozens of hard fraud cases I have seen—excluding, for example, coordination of benefits "forgetfulness" in epidemic numbers and the occasional raising of an otherwise valid payment—all were controllable.

But, individual systems to control fraud are best designed by the financial officer of the client, jointly with the administrator.

Large administrators have the resources to give a prominent group client everything it demands. But to assure that the demands are met, it is necessary to establish good communication at the highest executive level.

Do not expect the chief executive officer of an insurance company to appreciate the finer details of financially responsible claims administration. He gets what information he requires from a glance at the bottom line and from the information that filters through the many layers of management between him and the claims processing office. In a large organization, it is difficult to determine where his general executive knowledge ends and where the nuts and bolts leadership begins.

It is not surprising that the ball drops between fielders on occasion. But once

the executive personally accepts the responsibility of your demands, those demands will be met.

Similarly, chief executive officers do not have the obligation to discover, for example, that there are significant disparities in COB savings among their claims-paying offices.

But, they should know through their subordinates the impact of this condition on the company's bottom line and that of its clients.

The chief executive officer is not expected to perceive that the wonderful news of a significant reduction in his cost to process a claim payment is at the expense of the employers and their employees, his customers. With his eyes focused on the bottom line, and with his managers telling him how well they have things under control, he is as pleased as the fairy-tale emperor with his new

clothes.

But how much more, or less, should the employer's financial officer be concerned with the quality of claims disbursements?

Some may not be familiar with the nuts and bolts of COB. He may have been told that his company's COB recoveries were 29%, but not advised that all but 6% of it was Medicare carve-outs, and not faintly related to real COB returns. The 6% recovery, in an economy that boasts two paychecks in 62% of the married population, would be reason enough for the financial officer to challenge the aggressiveness of the claims administration.

It is reasonable to conclude that it is the natural function of the financial officer to become the candidate most likely to infuse the claims administration with the checks and balances that work so well in his other disbursement areas.

He should acquaint himself with the potential savings lost through failure to capture every percent of savings

through the aggressive administration of medical necessity requirements, COB, discounts, subrogation, audits, fraud, exceptions, creative language, underwriting, control

over solicitation, pre-existing limitations, etc.

Once the financial officer realizes what a huge target there is, there should be no hesitation to launch a counter-offensive that will be profitable to the employees, employers and stockholders.

"Hardball" is a term that sometimes is used, but is an unnecessarily tough word to pin on a concerted effort to pay claims according to contractual responsibilities; to refuse to pay 80%-100% on claims that are payable by terms at 0%-20%; to refuse to pay exceptions; to resist fraud when it first appears as a small trial balloon rather than passively encouraging it to bigger

proportions; to insist on primary documentation, as he does from his payroll and purchasing departments; to demand primary paper for primary claims.

Waste attributable to speed and failures at the quality-control and executive levels extend even more dramatically outside the employee health care benefits field.

Premium waiver reserves—and, to a lesser extent, long-term disability claims—often are administered in a quality vacuum, in a productivity environment

borrowed from on-line processing of health claims, and with relatively less attention from the top. Insurance companies have discovered that poor maintenance of disability claims is a

**'Take a look at your employee and dependent health bill for 1984; consider reducing it by 5% to 10%. Look at the volume of disability claims reserves, and then consider capturing 5% to 15%. And do it. . . .'**

very profitable oversight.

Claims that are by contract supposed to be monitored carefully at least annually may be neglected for five and six years. In the meantime, the disability that may have qualified several years ago no longer exists, but the claim and the reserve is retained. Or the "disabled" employee is working on a full-time basis elsewhere, but no effective investigation had been made to determine this.

As a matter of record, waiver claims get relatively little or no follow-up as compared to LTD claims. The "Monopoly" dollar syndrome is most apparent when managers opt not to spend money investigating premium waiver claims "because, unlike the LTD claim, there is no monthly disbursement!"

Poor maintenance of premium waiver files, while profitable to the insurance company, probably is not an intentional strategy at the CEO level but one that is a natural consequence of the pragmatism of watching the bottom line. "I'm all right, Jack" seems to be the appropriate expression.

In any case, reserves on claims that are not valid belong in the hands of the clients.

Take a look at your employee/dependent health bill for 1984; consider reducing it by 5% to 10%. Look at the volume of disability claims reserves; consider capturing 5% to 15%. And do it. . . .

Above all, keep containing.

**'It is reasonable to conclude it is the natural function of the financial officer to become the candidate most likely to infuse the claims administration with the checks and balances that work so well in other disbursement areas.'**

# Bowden is named president of J.L. Kelley

**Joseph F. Bowden** has been named president and chief operating officer of J.L. Kelley Inc., a Franklin Lakes, N.J.-based reinsurance intermediary.

Mr. Bowden succeeds **Joseph L. Kelley**, who continues as chairman and chief executive officer of the intermediary.

Mr. Bowden previously served as senior vp-treaty reinsurance at Skandia America Reinsurance Corp.

## Other reinsurance industry changes:

**Ronald L. Bornhuetter** elected president and chief operating officer of NAC Re Corp. in New York. In addition, he was named chief executive officer and chairman of the executive committee of North American Co. for Property & Casualty Insurance, an NAC Re subsidi-

## comings & goings: industry

ary. Mr. Bornhuetter was formerly vp-finance and chief financial officer of General Re Corp. in Stamford, Conn.

**Eric M. Maynard** appointed president and chief executive officer of Cologne Reinsurance Co. of America in Stamford, Conn. Mr. Maynard recently retired as vp of General Reinsurance Corp.

**Donald G. Osenga** named to the newly created position of vp-claims



Mr. Bornhuetter

for the New York Insurance Exchange in New York.

**Norman M. Wayne** named head of worldwide reinsurance for the CIGNA Property & Casualty Group, a unit of Philadelphia-based CIGNA Corp. Mr. Wayne, who joined the company in 1969, most recently served as president of INA Reinsurance Co., another CIGNA company.

**William L. MacLachlan** joins Intermediaries of America Inc. in New York as vp in charge of the company's new Boston branch office.

**Christopher P. Garand** joins General Reinsurance Corp. in Stamford, Conn., as vp-treaty de-

partment. Also, **Stephen D. Poth** named vp in the San Francisco office of General Reinsurance Corp., a member of the Gen Re Group of companies.

**Bruce M. Greene** named vp at Constitution Reinsurance Corp. in New York. Mr. Greene, who joined Constitution Re in 1984, most recently served as assistant vp.

## Agents/brokers

**Manuel J. Sporn**, senior vp in the New York office of Johnson & Higgins, named general manager of the New York office.

In a related move, **Norman Barham**, vp and manager of J&H's Parsippany, N.J., office, named general manager-property department at the company's New York office. Succeeding Mr. Barham as

manager of the Parsippany office will be **Christine LaSala**, now a sales manager in the property department.

**Richard B. Blackman** named senior vp of Johnson & Higgins of California in San Francisco. Mr. Blackman, who joined J&H in 1967, most recently served as casualty department manager. Also at J&H of California, **Paul D. Mead** named senior vp. Mr. Mead, who joined the company in 1973, most recently served as employee benefits department manager.

**Richard W. Daley** named vp and Southwest regional manager of Briarcliff, N.Y.-based Frank B. Hall & Co. Inc. Mr. Daley, who previously served as president and chief executive officer of Frank B. Hall & Co. of Ohio Inc. in Cleveland, will be responsible for offices in Houston, San Antonio and Dallas, Texas; Tulsa, Okla.; and Denver.

**Andrew H. Marks** appointed chief executive officer of Bayly, Martin & Fay Inc.'s New York and New Vernon, N.J., offices. Mr. Marks most recently served as chief executive officer at Reed Stenhouse Inc. in New York.



Mr. Marks

**Robert Greenebaum** joins Chicago-based Corroon & Black of Illinois Inc.'s property/casualty production team as vp. Mr. Greenebaum previously worked at Marsh & McLennan Inc.

Also at C&B of Illinois, **Sandra Lalich** promoted to senior vp and director of the General Accounts Team. Also, **Steve Wilcox** promoted to senior vp and director of the Financial Services Team.

**E. Drew Crowley** named vp of the new Rocky Mountain regional office of Greenwood, Ind.-based Brougner Agency Inc. Mr. Crowley previously was senior vp-research and development with James Benefits' national benefits office.

**Phillip C. Quam** named vp at Henderson & Phillips Inc. in Norfolk, Va. Mr. Quam, who joined the company in 1977, most recently served as assistant vp.

**Scott W. Andrews** named vp at John A. Soderberg Co., a Seattle-based insurance broker. Mr. Andrews most recently served as assistant vp.

**Lawrence W. Burkhardt** and **Robert C. Nevins** named executive vps in the Chicago and San Francisco offices, respectively, of Fred S. James & Co. Inc. Mr. Burkhardt, who joined James in 1961, most recently served as senior vp and director of the central region. Mr. Nevins joined the company in 1983 and most recently served as senior vp.

Also at James, **W. Terry Nofsinger** named senior vp. Mr. Nofsinger, who joined James in 1980, most recently served as president of James Benefits, the company's employee benefit consulting subsidiary.

At Fred S. James & Co. of Connecticut in Hartford, **Edward F. Halloran III** named senior vp and **W. Jeffrey Mann** named vp. Mr. Halloran most recently served as vp and marketing manager for Marsh & McLennan Inc. in Hartford. Mr. Mann was an assistant vp at M&M's Hartford office.

**Gordon A. Case** named vp at Boston-based Jardine Insurance Brokers Inc. Mr. Case will specialize in general insurance and brokerage services for medium-size businesses in the New England region.

**Lloyd Wheeler** named senior vp

Continued on next page

# \$50 million says we can cover your excess property risk.

Hartford Specialty has the capacity to cover excess property risks up to \$50 million. And we back up that capacity with outstanding underwriting, claims and loss control services. So if you want to place an excess property risk, call

Hartford Specialty right now. We're ready to write more business.

**HARTFORD  
SPECIALTY**   
The Insurance People of **ITT**

Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services.



Continued from previous page at Bankers Insurance Service Corp. in Chicago which is a subsidiary of Rollins Burdick Hunter Co. Mr. Wheeler, who will manage and coordinate the company's Mortgage Bankers Blanket Bond Program, had served as vp.



Mr. Wheeler

**E. Adams** named vp. Consultant Milliman & Robinson Inc. named **Patrick J. Grannan**, **Ronald G. Harris** and **Michael A. McMurray** as principals. Mr. Grannan manages the casualty consulting practice in M&R's Philadelphia office; Mr. Harris specializes in health insurance consulting in the Philadelphia office; and Mr. McMurray is a property/casualty consultant in the Los Angeles office. All three men had previously been associates at Milliman & Robinson.

**Insurers**

**Gregory W. Springer** named senior vp at Industrial Underwriters Inc. in San Francisco, which is an affiliate of Industrial Indemnity Co. Mr. Springer, who joined Industrial Indemnity Co. in 1977, most recently served as the manager of the company's division office in Seattle.

**Charles J. Paydos**, senior vp of Phoenix Mutual Life Insurance Co. in Hartford, Conn., will now head the company's group life and health operations. Mr. Paydos joined Phoenix Mutual Life in 1963.

**Arden Baumgardt** named vp-casualty underwriting at Wausau Insurance Cos. in Wausau, Wis. Mr. Baumgardt, who joined Wausau Insurance Cos. in 1962, most recently served as assistant vp-casualty underwriting.

**Stephen C. O'Maley** named regional vp at Reliance Insurance Co.'s Southwest Service Center in Irving, Texas. Mr. O'Maley, who joined Reliance in 1983, will be responsible for all insurance operations in Reliance's Southwest Region. He most recently served as manager of the company's Houston branch office.

**Kai Anderson** named senior vp and manager of the San Mateo, Calif.-based California Casualty Group's Business Insurance Division. Also in this move, Mr. Anderson, who joined California Casualty in 1975, becomes a member of the company's executive committee.

**Other suppliers**

**John E. O'Connell** named vp at the Boston office of New York-based Toplis & Harding Inc., which is an adjusting and surveying subsidiary of Lloyd's of London.

**Stewart D. Lawrence** named senior vp of Segal Associates, a division of New York-based Martin E. Segal Co., responsible for benefits, compensation and actuarial services rendered to single employers. Mr. Lawrence, who joined the company in 1977, most recently served as vp.



Mr. Lawrence

**Gil Kennedy** named vp-operations at Maryland Insurance Management Services Inc. in Luther-ville, Md.

**Richard L. Skinner** named vp at Independent Benefit Plans Inc. in Beech Grove, Ind., a third-party administrator of employee benefit plans.

Coopers & Lybrand has appointed several senior consultants in its Actuarial, Benefits & Compensation Consulting Group offices. The new senior consultants include: **Roman Wojcik** and **Gerald W. Bopp** in New York; **Dave Palatiere** and **Megan Crossin** in Dallas; **Sally Cabbell** and **Roger Longo** in San Francisco; and **Nick Phillips** in Syracuse, N.Y.

**Court J. Shields** named managing vp of James Benefits, the employee benefits consulting division of Fred S. James & Co. of New England Inc. in Boston.

Also at James Benefits, **William**

**Excess/surplus**

**Michael E. Grady** joined Transamerica Insurance Co.'s specialty division as vp of excess and special risks. The division also handles Transamerica's reinsurance and surety business. Mr. Grady was most recently excess and special risk manager for Fireman's Fund Insurance Cos.' San Francisco branch.

# Hard Market Experience

Managing General Agents/Surplus Lines Brokers Since 1947

**DELAWARE VALLEY UNDERWRITING AGENCY, INC.**

Corporate Headquarters

420 S. York Road, Hatboro, PA 19040    215-443-3500

NEW JERSEY 201-564-9633 800-772-2207	WESTERN PA. 412-369-2500	WEST VIRGINIA 304-342-4835	NEW YORK 212-227-8606	OHIO 216-449-0351 800-362-2907
--	-----------------------------	-------------------------------	--------------------------	--------------------------------------



Is M&G on?

If you're looking for the strength provided by one of the oldest and largest reinsurance groups in the world, M&G should be on. If we're not on, we're sorry, but we can only stay strong by being realistic and selective.

*Is M&G on? Ask your reinsurance broker!*



**MERCANTILE AND GENERAL REINSURANCE**

The Mercantile & General Reinsurance Company of America • 310 Madison Avenue CN 1930 • Morristown, NJ 07960

M&G Group Worldwide Offices:

London/Sydney/Melbourne/Wellington/Toronto/New York/Cape Town/Johannesburg/Beirut/Hong Kong/Copenhagen/Mexico City

## datebook

**OCT. 6-9. Third International Risk Management Conference** in Monte Carlo, Monaco, sponsored by the Risk & Insurance Management Society and the Assn. Europeenne des Assures de L'Industrie; \$420 (4,200 francs) for risk managers; \$550 (5,500 francs) for others; pre-registration for conference seminars is required. Marilyn Maffucci, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**OCT. 6-9. 1985 Health Care Cost Management seminar** in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; \$420 for members; \$495 for non-members. International Foundation of Employee Benefit Plans, Registration Department, 18700 W. Blue-mound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-8700.

**OCT. 6-10. Washington Insight on Employee Benefits** conference in Washington, sponsored by the U.S. Chamber of Commerce; \$1,175. Suzanne Lulewicz or Deborah Murphy, U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 202-463-5575.

**OCT. 7-9. Risk Management Information Systems** course in Arlington, Va., sponsored by the Risk & Insurance Management Society's Continuing Education Program; \$545 for members; \$645 for non-members. Fran Jordan, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**OCT. 7-9. Basic Risk Management Techniques** seminar in Washington, sponsored by the Public Risk & Insurance Management Assn.; \$350 for members; \$400 for non-members. Dean Phelus, PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

**OCT. 7-10. Highly Protected Risk Property Conservation** course in Long Grove, Ill., sponsored by the Kemper Group; \$400; free for Kemper HPR-insured property owners. W.P. Thomas Jr., Manager, Engineering Research & Staff Development, HPR Department, A-1, Long Grove, Ill. 60049; 312-540-3380.

**OCT. 7-11. Reinsurance Practice Course** in London, sponsored by Risk Research Group Ltd.; 718 pounds (\$1,005). Judith Hobday, Risk Research Group Ltd., Bridge House, 131 Queen Victoria St., London, England EC4V 4DD; 011-441-236-217.

**OCT. 7-11. Total Loss Control Management** seminar in Philadelphia, sponsored by the International Safety Academy; \$655; \$625 for three or more registrants from the same company. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147; 215-241-5800 in Pennsylvania.

**OCT. 8. The New Insurance Services Office Commercial General Liability Policy** workshop in Dover, Del., sponsored by The Insurance Society of Philadelphia Inc.; \$90 for members; \$105 for non-members; special rates for three or more registrants from same organization. Also Oct. 18 in Philadelphia. The Insurance Society of Philadelphia Inc., 743 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306. For registration in Dover, contact the Division of Continuing Education, Delaware Technical and Community College, Dover, Del. 19901; 302-736-5401.

**OCT. 9-10. "Safety and Health—Mileposts to Progress: Sixth Annual Governor's Safety & Health Conference"** in Anchorage, Alaska, sponsored by The Alaska Safety Advisory Council; \$150. Nancy Cannington, Governor's Safety and Advisory Council, Pouch 7-018, Anchorage, Alaska 99510; 907-264-2400.

**OCT. 10-11. Self-Funding Your Employee Benefits** meeting in New York, sponsored by American Management Assns.; \$620 for members; \$715 for non-members. Also Oct. 24-25 in San Francisco. Registrar, American Management Assns., P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

**OCT. 10-11. Employers' Hidden Health Care Costs** conference in Washington, sponsored by the Clearinghouse on Business Coalitions for Health Action; \$99 for members; \$150 for non-members. U.S. Chamber of Commerce, 1616 H St., N.W., Washington, D.C. 20062; 202-463-5970.

**OCT. 12. Solving the Workers Compensation Puzzle** seminar in Santa Barbara, Calif., sponsored by Pre-Loss Systems Inc.; \$225. Elizabeth La Rovere, 189 Park Circle, Goleta, Calif. 93117; 805-968-3864.

**OCT. 13-16. Society of Chartered Property & Casualty Underwriters 1985 Annual Meeting** in St. Louis, sponsored by the Society of CPCU; \$250. Shiril Wood, Society of CPCU, Kahler Hall, 720 Providence Road, Malvern, Pa. 19355; 214-251-2737.

**OCT. 15. Taxing Health Benefits** seminar in New York, sponsored by The New York Business Group on Health Inc.; \$15 for members; \$25 for non-members. The New York Business Group on Health, 622 Third Avenue, 34th Floor, New York, N.Y. 10017; 212-808-0550.

**OCT. 15. Controlling Unemployment Insurance Costs Workshop** in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Also Oct. 22 in Springfield. Carol Jensen, ISCC, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**OCT. 16. Successful Retirement Planning** workshop in Kansas City, Mo., sponsored by Retirement Advisors; \$375 before Sept. 25; \$450 after Sept. 25. Also Nov. 6-8 in New York; \$375 before Oct. 16; \$450 after Oct. 16. Retirement Advisors (RAI), 919 Third Avenue, New York, N.Y. 10022; 212-421-2400.

**OCT. 16. "Manage Your Claims So They Don't Manage You"** seminar in Chicago, sponsored by Intracorp; \$65; \$55 for three or more registrants from one organization. Intracorp, 800 W. Roosevelt Road, Building C, Suite 210, Glen Ellyn, Ill. 60137; 312-858-8700.

**OCT. 16. Health Promotion** conference in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Registrar, ISCC, Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**OCT. 16-17. Principles of Petroleum Insurance** workshop in Denver, sponsored by the Professional Development Institute and Self-Insurance Resource Inc.; \$450. Also Oct. 29-30 in Oklahoma City, Nov. 6-7 in New Orleans, La., and Nov. 20-21 in Fort Worth, Texas. Jonathan Jeffrey, Professional Development Institute, P.O. Box 13288, NTSU, Denton, Texas 76203-3288; 817-565-2483.

**OCT. 16-17. 1985 Central Regional Meeting of the National Assn. of Independent Insurance Adjusters** in Columbus, Ohio; members will be assessed a pro-rata fee; free to company guests and claims representatives. David F. Mehren, NAIIA, 222 W. Adams, #845, Chicago, Ill. 60606; 312-853-0808.

**OCT. 16-18. Solvency Assessment** course in London, sponsored by Risk Research Group Ltd.;

471.50 pounds (\$660). Judith Hobday, Risk Research Group Ltd., Bridge House, 131 Queen Victoria St., London EC4V 4DD; 01-441-235-2175.

**OCT. 16-18. Successful Retirement Planning Programs** workshop in Kansas City, Kan., sponsored by Retirement Advisors Inc.; \$450. Also Nov. 6-8 in New York. Registrar, 919 Third Ave., New York, N.Y.; 212-421-2400.

**OCT. 17. The Role of the Employee Benefit Manager as a Change Agent** conference in Boston, sponsored by The New England Employee Benefits Council; \$35 for members; \$55 for non-members. The New England Employee Benefits Council, P.O. Box 2594, Boston, Mass. 02208; 617-423-6146.

**OCT. 17. RIMS Midwest Regional Conference** in Northbrook, Ill., sponsored by the Northeast Illinois Chapter, Risk & Insurance Management Society; \$75, attendance limited to members and prospective members. Dorothy Chmielowski, Tribune Company, Suite 2100, 435 N. Michigan Ave., Chicago, Ill. 60611.

**OCT. 17-18. Financial Analysis for Risk Management Decisions** seminar in St. Louis, sponsored by The College of Insurance; \$750 Registrar. The College of Insurance, 101 Murray St., New York, N.Y. 10007; 212-962-4111, Ex. 303.

**OCT. 17-18. Medical Malpractice for Attorneys, Physicians and Risk Managers** national institute in Houston, sponsored by the American Bar Assn.'s Tort and Insurance Practice Section Committee on Law and Medicine and the American Society of Law & Medicine; \$325 for members; \$375 for non-members; \$50 for law students. American Bar Assn., National Institutes, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6200.

**OCT. 18-20. California Chapter of the National Assn. of Rehabilitation Professionals in the Private Sector Regional Conference** in Palm Springs, Calif.; \$140 for members before Sept. 27, \$165 after Sept. 27; \$160 for non-members before Sept. 27, \$175 after Sept. 27. NARFPS, P.O. Box 708, Twin Peaks, Calif. 92391; 714-337-0746.

**OCT. 20-25. Fundamentals of Employee Benefits Management** course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; \$800. Registrations Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53006-0069; 414-786-6700.

**OCT. 21-23. Second International Seminar on Strategic Planning for Insurance** in London, sponsored by The Geneva Assn. and City Financial, a division of Kluwer Publishing Ltd.; 454 pounds (\$635.95). Caroline Fletcher, City Financial, 7th Floor, Africa House, 84-73 Kingsway, London WC2B 6BD; 011-441-831-6969.

**OCT. 22. Data Workshop and NSDB Briefing** in Boston, sponsored by the Health Research Institute; free. Also Nov. 5 in New York, Dec. 10 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 22. Association Captives: Answer to the Insurance Crisis?** conference in Washington, sponsored by the Risk Planning Group division of Tillinghast, Nelson & Warren; \$300. Micki Brisikin, Risk Planning Group, 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

**OCT. 22-23. Improving Health Care Management in the Workplace** conference in Scarsdale, N.Y., sponsored by The New York Business Group on Health; \$345 for members; \$395 for non-members. Work in America Institute Inc., 700 White Plains Road, Scarsdale, N.Y. 10583; 914-472-9600.

**OCT. 23. Health Improvement/Prevention**

**Workshop** in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 23. Advanced "Post-Graduate" Cost Containment** workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 23. Hospital Trustee** workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 23. Medical Directors** workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 6 in New York, Dec. 11 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 23. "Substance Abuse in the Workplace: Intervention—Resolution"** teleconference sponsored by Macmillan Healthcare Information Symposiums International in association with The Annenberg Center for Health Sciences and Betty Ford Center at Eisenhower; \$225; \$195 for two or more registrants from same organization. Viewing at designated hotels in Los Angeles; San Francisco; Denver; Chicago; Bloomington, Minn.; St. Louis; Dallas; Houston; Arlington, Va.; Atlanta; Boston; Detroit; Pensacola, Fla.; Cherry Hill, N.J.; Saddle Brook, N.J.; Philadelphia; New York; and Cleveland. Macmillan Healthcare Information, P.O. Box 35, Flo-ham Park, N.J. 07932; 213-273-2157.

**OCT. 23-25. Techniques of Finance and Accounting** course in Minneapolis, sponsored by the Risk & Insurance Management Society's Continuing Education Program; \$445 for members; \$545 for non-members. Also Nov. 4-6 in Montreal. Fran Jordan, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**OCT. 23-26. Worker's Compensation Issues** seminar in Louisville, Ky., sponsored by the Kentucky Legislative Research Commission; \$150. Charlene Collins Legislative Research Commission, State Capitol, Frankfort, Ky. 40601; 502-564-8100.

**OCT. 24. Health Care Cost Management—An Organizational Approach** seminar in New York, sponsored by The New York Business Group on Health; free. The New York Business Group on Health, 622 Third Ave. 34th Floor, New York, N.Y. 10017; 212-338-0550.

**OCT. 24-25. Intergovernmental Pool Directors and Trustees** seminar in San Francisco, sponsored by the Public Risk & Insurance Management Assn.; \$150. PRIMA Pooling Seminar, 1120 G St. N.W., Suite 737, Washington, D.C. 20005; 202-737-7556.

**OCT. 24-25. Labor Management** workshop in Boston, sponsored by the Health Research Institute; \$195. Also Nov. 7-8 in New York, Dec. 12-13 in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 24-25. Aviation Insurance Briefing 1985** conference in London, sponsored by Risk Research Group Ltd.; 276 pounds (\$386). Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St. London, EC4V 4DD; 011-441-236-2175.

**OCT. 28. "Risk Management of PCBs in**

**Electrical Systems"** course in Seattle, sponsored by Electro-Test Inc.; \$95. Also Oct. 29 in Portland, Ore.; Nov. 1 in Sacramento, Calif.; Nov. 4 in San Francisco; Nov. 6 in Las Vegas, Nev.; Nov. 18 in Salt Lake City; Nov. 20 in Denver; Nov. 22 in Albuquerque, N.M.; Dec. 4 in San Diego; Dec. 5 in Newport Beach, Calif.; Dec. 6 in Los Angeles; Dec. 10 in Phoenix, Ariz. Electro-Test Learning Center, P.O. Box 159, 3470 Fostoria Way, San Ramon, Calif. 94583; 415-866-8566.

**OCT. 28. Commercial General Liability** program in New Orleans, sponsored by the International Risk Management Institute Inc.; \$235. Conference Coordinator, International Risk Management Institute Inc., 10300 N. Central Expressway, Building III, Suite 208, Dallas, Texas 75231; 214-363-9656.

**OCT. 28-29. PPOs & HMOs: Caveat Emptor** conference in Chicago, sponsored by Business Week and Washington Health Letters; \$650. Business Week Executive Programs, PPOs/HMOs, 1221 Ave. of the Americas, 33rd Floor, New York, N.Y. 10020; 212-512-3583.

**OCT. 28-29. Conference on Political Risk** in New York, sponsored by Frost & Sullivan Inc.; \$595; \$345 for additional registrants from same organization. Victor Hertz, Manager, Political Risk Services, Frost & Sullivan Inc., 106 Fulton Street, New York, N.Y. 10025; 212-233-1080.

**OCT. 28-30. "Keys to Profit"—Seventh Annual Meeting of the Premium Audit Advisory Service of American Insurance Services Group Inc.** in New Orleans; \$150 for employees of subscribing companies; \$250 for others. William F. Hauswirth, CPCU, Manager-Premium Audit Advisory Service, 85 John St., New York, N.Y. 10038; 212-669-0528.

**OCT. 28-31. Fifth Annual Construction Insurance** conference in New Orleans, sponsored by the International Risk Management Institute Inc.; \$585. Conference Coordinator, International Risk Management Institute Inc., 10300 N. Central Expressway, Building 3, Suite 208, Dallas, Texas 75231; 214-363-9656.

**OCT. 28-31. National Safety Council Congress and Exposition** conference in New Orleans, sponsored by the National Safety Council; \$90 for members; \$125 after Sept. 27; \$125 for non-members; \$175 after Sept. 27. Registrar, NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

**OCT. 28-NOV. 1. Developing and Managing a Basic Safety and Health Program** course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$650. Tommy Thomas, NATLSCO, Route 22 and Kemper Drive, Long Grove, Ill. 60049; 312-540-2400, 800-323-9585.

**OCT. 29-30. Excess and Reinsurance: The Myth—The Realities** conference in Stamford, Conn., sponsored by the Risk Planning Group of Tillinghast, Nelson & Warren Inc.; \$600; \$550 for additional registrants from same company. Micki Brisikin, Risk Planning Group, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

**OCT. 31. Philly "I" Day** conference in Philadelphia, sponsored by the Philadelphia Chapter of the Society of Chartered Property & Casualty Underwriters, Independent Insurance Agents & Brokers Assn. of Philadelphia and Suburbs, Delaware Valley Chapter of The Risk & Insurance Management Society and the Insurance Society of Philadelphia; \$35. Peter Raymond, Aetna Life & Casualty, 1 Logan Square, Philadelphia, Pa. 19103; 215-854-7350.

**OCT. 31-NOV. 1. New Approaches to Solving the Insurance Industry Capacity Shortage** conference in New York, sponsored by Executive Enterprises Inc.; \$750; \$650 for each additional registrant from the same organization. Executive Enterprises Inc., Session #5AINS19/E5347, 33 W. 60th St., New York, N.Y. 10023-7988; 212-489-2680.

**NOV. 1. Current Trends in the Legal Environment of Workers Compensation** seminar in New York, sponsored by the National Council on Compensation Insurance; \$110 for members; \$145 for non-members. Michelle Lajzer, National Council on Compensation Insurance Public Affairs Department, One Penn Plaza, New York, N.Y. 10119; 212-560-1026.

**NOV. 4. Controlling Workers Compensation Costs Seminar** in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Also Nov. 12 in Springfield, Ill. Carol Jensen, ISCC, 20 N. Wacker Dr., Chicago, Ill. 60606; 312-372-7373.

**NOV. 4-5. The 1985 London Insurance Conference** in London, sponsored by Oyez International Business Communications Ltd.; 375 pounds (\$525). Mavis Gold, Oyez International Business Communications Ltd., Bath House (3rd Floor), 56 Holborn Viaduct, London EC1A 2EX; 01-441-235-4080.

**NOV. 4-6. Twelfth Annual Computer Security Conference** in Rosemont, Ill., sponsored by the Computer Security Institute; \$645 for Computer Security Institute members until Oct. 18, \$680 after Oct. 18; \$695 for institute non-members until Oct. 18.

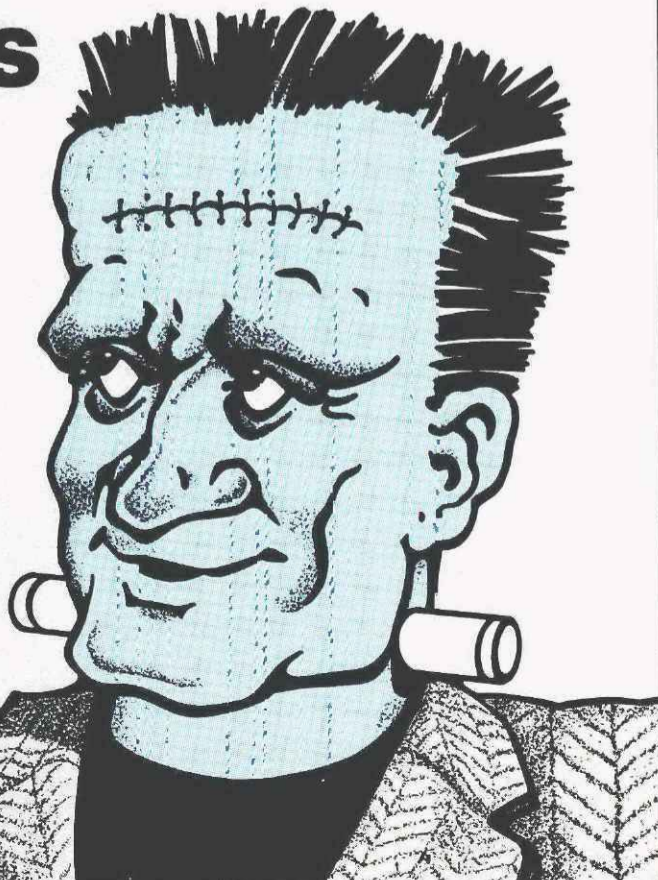
Continued on next page

# Insuring monsters can be a pain in the neck.

Feel like screaming for help? Turn to one of the largest excess and specialty lines groups in the nation. We're creative and flexible enough to handle even the most unusual insurance problem. Without choking up. Call us.

**CIS OFFICES:** Kirkland, WA, CIS Northwest, Inc., 206/827-8702 ■ Sanford (Orlando) FL, Creative Insurance Specialists, Inc., 305/321-2040 ■ Dallas, TX, Crump-Davis, Inc., 214/363-7636 ■ Denver, CO, Crump-Davis, Inc., 303/320-5300 ■ Houston, TX, Crump-Davis of Houston, Inc., 713/690-0500 ■ Columbus, OH, Crump London of Ohio, Inc., 614/451-3636 ■ Memphis, TN, Crump London Underwriters (Memphis), 901/761-1770 ■ Waukesha, WI, Crump London of Wisconsin, Inc., 414/547-7712 ■ Atlanta, GA, Crump-Loveless, Inc., 404/393-4788 ■ Morrisville, PA, Crump Mid-Atlantic, Inc., 215/493-1704 ■ New York, NY, Crump-Northeast Risk Managers Ltd., 212/425-7788 ■ Long Beach, CA, E.H. Crump of California, Inc., 213/432-4420 ■ Los Angeles, CA, E.H. Crump of California, Inc., 213/388-4411 ■ San Diego, CA, E.H. Crump of California, Inc., 619/569-0200 ■ New Orleans, LA, G & M Marine, Inc./Surplus Lines, 504/588-9044

**CIS**  
CREATIVE INSURANCE SPECIALISTS  
Member of AAMGA and NAPSLO



*Continued from previous page*  
 \$730 after Oct. 18; \$665 for additional non-members until Oct. 18, \$700 after Oct. 18. Computer Security Institute, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

**NOV. 4-6. Advanced Risk Management Techniques** seminar in Washington, sponsored by the Public Risk & Insurance Management Assn.; \$350 for members; \$400 for non-members. Dean Phelus, Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

**NOV. 5-7. Basic Safety Management** seminar in Boston, sponsored by the International Safety Academy; \$445; \$415 for three or more registrants from the same organization. Also **Dec. 2-4** in Houston. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147, or 215-241-5800 in Pennsylvania.

**NOV. 6. "Capacity: A New Dimension"—Atlanta Insurance Day '85** in Atlanta, sponsored by the Alliance of American Insurers, the American Insurance Assn. and other Atlanta-area insurance organizations; \$30. Richard Welty, Aetna Life & Casualty, 4 Piedmont Center, 3565 Piedmont Road, N.E., Atlanta, Ga. 30305; 404-231-6752.

**NOV. 7. 37th Annual All Industry Day** seminar in San Francisco, sponsored by the Northern California Chapter of the Society of Chartered Property & Casualty Underwriters; fees to be announced. Allen Leggett, Schroeter, White & Johnson, P.O. Box 1439, Oakland, Calif. 94604; 415-832-8000.

**NOV. 7-8. Airport Safety and Liability** conference in Columbus, Ohio, sponsored jointly by the Aviation Safety Institute, the law firm of Vorys, Sater, Seymour & Pease and the Ohio Department of Transportation; \$175 before Oct. 31; \$200 after Oct. 31. Ann Aylwin, The Aviation Safety Institute, Box 304, Worthington, Ohio 43085; 614-885-4242.

**NOV. 8. Fundamentals of Environmental Health** seminar in Boston, sponsored by the International Safety Academy; \$185. Also **Dec. 5** in Houston. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147, or 215-241-5800 in Pennsylvania.

**NOV. 10-12. Casualty Actuarial Society 1985 Annual Meeting** in Kansas City, Mo.; \$165 for members; \$190 for non-members. Albert Beer, Casualty Actuarial Society, One Penn Plaza, New York, N.Y. 10001; 212-490-3460.

**NOV. 10-13. Annual Meeting of the National Assn. of Independent Insurers** in Chicago; \$250 for members; \$350 for non-members; \$100 for spouses. Registrar, National Assn. of Independent Insurers Convention Office, 333 N. Michigan Ave., Chicago, Ill. 60601; 312-782-2958.

**NOV. 11-13. 1985 Annual Meeting of the American Council of Life Insurance** in Washington; \$200 for general session; \$125 for legal session; \$125 for investment session. American Council of Life Insurance, P.O. Box 37016, Washington, D.C. 20013; 202-862-4000.

**NOV. 11-15. Fundamentals of Industrial Hygiene Monitoring** course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$500; 10% discount for two or more registrants from the same company. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

**NOV. 12-14. Risk/Loss Control Management** seminar in Philadelphia, sponsored by the International Safety Academy; \$475. Diane Donnelly, International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 800-231-3147, 215-241-5800 in Pennsylvania.

**NOV. 14-15. "What is the Future for Captives?"** conference in London, sponsored by Risk Research Group Ltd.; 287.50 pounds (\$402.50). Course Coordinator, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-441-236-2175.

**NOV. 17-20. 31st Annual Educational Conference of the International Foundation of Employee Benefit Plans** in Honolulu, Hawaii, sponsored by the IFEBP. For fee information and registration, members should contact the Public Relations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

**NOV. 17-22. Assets Protection Course I** in Los Angeles, sponsored by the American Society for Industrial Security; \$690 for members; \$750 for non-members. ASIS Membership & Meetings Services, 1655 N. Fort Myer Drive, Suite 1200, Arlington, Va. 22209; 703-522-5800.

**NOV. 18-19. Hazardous Waste Litigation Symposium** in Garden City, N.Y., sponsored by Hofstra University School of Law and Rivkin, Radler, Dunne & Bayh; \$375; \$350 for two to four registrants from the same organization; \$325 for five or more registrants from the same organization. Michael Dwyer, Hazardous Waste Litigation Symposium, P.O. Box 5009, Garden City, N.Y. 11530; 800-438-8890; 544-1245 in New York.

**NOV. 19. Utilization/Data Management** conference in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Registrar, ISCC, Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**DEC. 4-6. Health Agenda 1986** conference in Washington, sponsored by the Washington Business Group on Health and the National Assn. of Manufacturers; \$400 for members; \$500 for non-members. Washington Business Group on Health, 229A Pennsylvania Ave. S.E., Washington, D.C. 20003; 202-547-6644.

**DEC. 5-6. Audio-Visual Media for Safety & Health: Developing and Producing Inexpensive Programs** course in Los Angeles, sponsored

by the University of Southern California Institute of Safety and Systems Management; \$400. Registrar, University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523; 213-743-6524.

**DEC. 6-7. 5th Annual Occupational Health Nursing Principles and Certification Review** course in San Rafael, Calif., sponsored by the Occupational Health Consulting division of Fireman's Fund Risk Management Services Inc.; \$225. Also **Jan. 10-11** in Newark, N.J.; **Jan. 24-25** in Cincinnati; **Feb. 7-8** in Dallas; **Feb. 21-22** in Schaumburg, Ill.; **Feb. 23-March 1** in Torrance, Calif.; and **March 14-15** in Arlington, Va. Annette B. Haag, R.N., Director, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 3890, San Rafael, Calif. 94912; 415-492-7753.

**MARCH 23-28. 13th Workers Compensation College** at Duke University, Durham, N.C., sponsored by the International Association of Industrial Accident Boards and Commissions; \$300 for members; \$400 for non-members. IAABC College, P.O. Box 79109, Jackson, Miss. 39236; 601-355-4582.

*The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.*

## Keeping a watch on your business



is our business.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

**Business Insurance**  
 Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	<input type="checkbox"/> \$52	<input type="checkbox"/> \$100
Canada	<input type="checkbox"/> \$68	<input type="checkbox"/> \$97
Bermuda (Air only)		<input type="checkbox"/> \$97
Europe/Middle East (Air only)		<input type="checkbox"/> \$97
All other foreign	<input type="checkbox"/> \$68	Rates on request.

new subscription,  renewal,  payment enclosed.  
 bill me,  bill company.

name \_\_\_\_\_ (please print)

title \_\_\_\_\_ telephone \_\_\_\_\_

company \_\_\_\_\_

nature of business \_\_\_\_\_

business or  home address

city \_\_\_\_\_ state/country \_\_\_\_\_ zip/postal code \_\_\_\_\_

Please send information on your special 20% off group rate for five or more subscriptions.

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

**Mail to: Business Insurance**  
 Circulation Dept. 740 Rush Street Chicago, IL 60611

HAS



**Eugene G. McCarthy, M.D., M.P.H.**  
 Director,  
 The National Second Opinion Program

# "Our panel of over 27,000 Board Certified Surgeons are saying **NOT CONFIRMED** to at least 14% of elective surgery originally advised..."

The New York Hospital-Cornell Medical Center National Second Opinion Program provides one of the most powerful health benefit cost containment tools available to you today.

Here is how you save:

- For every dollar you spend on a Second Opinion, you can save as much as \$25.00—depending on the surgical procedure. On the average you will save \$4.00 for every dollar spent in a focused program.
- One out of every four patients confirmed for surgery were judged by the Second Opinion surgeon capable to be shifted from in-hospital to less costly ambulatory care.
- Outcome studies show 85% of the non-confirmed Second Opinions in a focused program never do have surgery.

The New York Hospital-Cornell Medical Center National Second Opinion Program is being proven effective with over 200 clients—including Fortune 500 Corporations, the nation's largest Joint Trust Funds, most major insurance companies, and Prior Authorization programs.

Dr. Eugene McCarthy would be glad to discuss the integration of this vital cost containment tool into your health benefits program. Please call:

**Eugene G. McCarthy, M.D., M.P.H.**  
 Director of the Health Benefits Research Center  
 c/o New York Hospital-Cornell Medical Center  
 235 East 67th Street, Room 201, New York, New York 212 737-7676



# Second Opinion

## Capacity outlook

Continued from page 2

Ms. Walters said that amount of new capital bucks historical trends. "In fact, in all of 1983, new capital amounted to only \$1.3 billion."

In addition to the new capital, insurers also helped shore up their surplus in 1984 by making "rather severe cuts in stockholder dividends. In 1984, we saw a 29% drop in stockholder dividends."

Also, insurers took federal income tax credits amounting to a record \$1.7 billion for 1984, she said.

"All of these measures meant an unexpected \$3 billion was added to surplus in 1984," she said, noting the industry's surplus declined by only \$2 billion in 1984 rather than by \$5 billion as ISO had forecast.

That is still a big decline, she cautioned, "but not as severe as we had predicted."

Ms. Walters also noted that current insurance pricing that is "aggressive and proper" ultimately will reverse a six-year underwriting trend that has caused many insurers to post negative operating results.

Despite rate increases, the property/casualty industry still posted an operating loss of \$2 billion in the first half of 1985, she said.

"On the other hand, we have some continuing good news... of the unusual variety. That is, our industry is continuing to benefit from new funds, tax credits and a record stock market which has produced enormous amounts of realized capital gains by historic standards."

She said that without these "very unusual contributions," surplus would have declined further during the first six months of 1985. "Instead, we've had a surplus growth of about \$5 billion," this year.

She said that increase has allowed the industry's premium-to-surplus ratio to remain at a "relatively conservative 1.9-to-1," even though net written premiums rose more than 17% in the first half of this year.

ISO plans to update its capacity study as soon as "additional data are available. And while the specific numbers will probably change, we feel fairly confident that the conclusion of our study remains substantially the

**ISO plans to update its capacity study as soon as 'additional data are available. And while the specific numbers will probably change, we feel fairly confident that the conclusion of our study remains substantially the same: a shortfall between demand and supply,' Ms. Walters says.**

same: a shortfall between demand and supply," she said.

Ms. Walters was part of a panel at the NAIC meeting that discussed the capacity shortage. Other panel members were Robert Clements, president of Marsh & McLennan Inc. in New York; Jack Riffle, chairman and chief executive officer of Utica Mutual Insurance Co. in Utica, N.Y.; and David Thompson, president of North American Reinsurance Corp. in New York.

Mr. Riffle, whose company has been one of the the largest underwriters of municipal liability insurance in New York state, said a capacity shortage for municipal risks will persist until changes are made in the way suits are tried and victims are compensated.

"Society faces a grave problem in the breakdown of the civil justice system," Mr. Riffle remarked. "Some lawyers, some judges and some jurors" seem to think that accident victims can be compensated for "pain and suffering and way beyond that, often without regard to fault," he said.

Such thinking, along with a 200% loss ratio, was the reason Utica Mutual decided earlier this year it would discontinue writing municipal liability risks in New York, said Mr. Riffle (BI, May 20).

"Our perception was that the demands people are making on their governments had reached such a high level of expectation that this was a no-win situation," he remarked.

"We got to believe that every time there was an automobile accident in this state, particularly if the at-fault driver had low limits of liability, the town or the city or the county was going to get sued for too much salt on the road or not enough salt or too many stop signs..."

He said dog bites and charges that police

officers used excessive force in making an arrest are examples of other incidents that have produced the increase in lawsuits against municipalities.

"We just didn't see things getting any better and didn't see any reason to put our policyholder surplus on the line," he added.

If changes aren't made in the civil justice system, there probably will be a further contraction of the municipal liability market, Mr. Riffle indicated.

"What to do about it? We talked about some changes in the civil justice system. We think that's terribly important," he said.

"We must do something about finding a cap on pain and suffering... Can we continue the contingent fee system without some adjustments? Can we live forever with joint and several liability where a city or town gets nicked for maybe the whole loss when their contribution for the loss was minimal?"

Such changes will require legislative reform, Mr. Riffle said, "and they are not going to be universally accepted."

Mr. Thompson of North American Re agreed that reform of the civil justice system is important in helping expand capacity in some lines of insurance. However, he added that changes can be made in insurance contracts to make risk-taking in some lines more attractive to insurers and reinsurers.

And that alternative is "more doable" in the short-term, he said.

Mr. Thompson referred to the development of ISO's new commercial general liability claims-made form as a measure that could open up capacity in some currently restricted classes of business.

The new ISO claims-made and occurrence forms, which have been approved by at least 27 states, will be put in use on Jan. 1.

In addition, ISO has proposed an amendment to the forms that would include defense costs within policy limits. That measure would go into effect July 1, 1986.

"It is my opinion that, at least for some lines of reinsurance, there will not be a plentiful marketplace... unless they are widely done on a claims-made basis," said Mr. Thompson. "And I would include in that the desirability of limiting defense costs as ISO is proposing to do."

"I'm not prepared to say that this is a panacea for all lines of insurance, nor do I expect that in 1986 this will be the only way insurance is done. There is no question we will continue to see, and appropriately so, a mixture on an occurrence and claims-made basis."

"But I do suggest a claims-made form addresses a core problem: the fact that we cannot assume unknowable, unpredictable risks which will be paid sometime far in the future," Mr. Thompson said.

However, M&M's Mr. Clements disagreed that the use of the claims-made form is a proper way to entice new capacity.

The new ISO forms do not represent "a fair bargain between the policyholder and the insurer," said Mr. Clements.

He said there are other solutions to underwriting problems besides the new forms, and with "all the talent that exists in this industry, an effort to find a policy that does represent a fair bargain is one I suggest is well worth the time."

Mr. Clements said insurers cannot ignore another solution commercial policyholders use when capacity shrinks: They increasingly self-insure their risks.

"It is a time-tested and time-honored alternative. (Insurance buyers) can withdraw from the system," he noted.

"This is something we can't afford to ignore. In all the tight markets in the last three cycles... we have seen an exodus of significant groups of risks in a manner in which (commercial policyholders) have gotten together and pooled their resources for risk-taking outside the traditional operating theater of the insurance industry."

He emphasized that many times, "When those risks leave the marketplace, the tendency is that they don't come back." ■



## STRUCTURED SETTLEMENT. DAMAGE CONTROL FOR THE SELF-INSURED.

**J**URY VERDICTS. There's little chance for moderation ahead. That's the conclusion reached in studies by the Risk Management Foundation and the Rand Corporation. Solution: Find a cost-effective way to keep cases out of the courtroom.

**DAMAGE CONTROL.** If you defend or manage claims for a self-insured, you may already have been involved in one or more structured settlements. Flexible, tax-free, with impressive payout totals, structures are excellent damage control. And the security provided is often irresistible to the family of a claimant. But the possibility of a huge jury verdict is a strong incentive too.

**EXPERTISE.** So unless a structured settlement is designed and presented just right, seeking a large verdict may be too tempting. And the opportunity to settle without litigation may be lost. Answer: An expert structured settlements specialist.

Greg Holcomb, or another of our highly experienced consultants will be pleased to attend your settlement conference. As a specialist on your team. At no cost.

Call us at the telephone number most convenient for you.  
Los Angeles 213/642-1999 / 300/421-2022  
St. Petersburg 813/823-2666 / 800/237-6361  
Offices in Boston • Chicago • Cincinnati • Dallas • Kansas City •  
Los Angeles • New York • San Francisco • St. Petersburg

**THE  
STRUCTURED  
SETTLEMENTS™  
COMPANY**

# NAIC committee to study financial guarantee laws

By STEVE TARAVELLA

SYRACUSE, N.Y.—One of the biggest obstacles to drafting regulations governing financial guarantee insurance is deciding whether multiline companies should be allowed to write these products, state insurance regulators say.

This is "one of the major issues the study committee will have to decide pretty quickly," observes John Grant, general counsel for the Nebraska Insurance Department, one of six departments taking part in a study of financial guarantee insurance for the National Assn. of Insurance Commissioners.

Currently, the financial guarantee market includes both multiline insurers and insurers that write only financial guarantee products.

Mr. Grant and officials of the five other states—California, Illinois, New York, Texas and Wisconsin—on the committee met during the NAIC's zone meeting in Syracuse earlier this month.

The study committee hopes to devise model comprehensive financial guarantee regulations that could be adopted by all state regulators (BI, May 27).

At the conference, the study committee received an advisory report from a group of concerned multiline and monoline insurance companies. The report came out in strong support of leaving the financial guarantee marketplace open to multiline companies, which it says are capable of writing these products soundly, and objected to action that would permit only monoline companies to write financial guarantees.

The 14-member NAIC advisory group is chaired by Christy P. Armstrong, executive consultant to accountant Coopers & Lybrand's insurance practice in San Francisco.

Mr. Armstrong is one of two members of the group who are not affiliated with an insurer; the other is former Texas Insurance Commissioner Tom Bond, now a member of the Austin, Texas, law firm of Akin, Gump, Strauss, Hauer & Feld.

Whether the financial guarantee market will be restricted to companies that write nothing but financial guarantees is "one of the basic questions that remains unanswered at this time," says Jacqueline Parker, a member of the NAIC study committee and an accountant with the Illinois Insurance Department in Springfield.

Action was not taken by the study committee on this or any

## ABA publishes book about RICO

The American Bar Assn.'s Section of Criminal Justice has published a book entitled "A Comprehensive Perspective on Civil and Criminal RICO Legislation and Litigation."

The 275-page book explains the Racketeer Influenced and Corrupt Organizations Act itself, analyzes other similar statutes and contains a detailed commentary on the controversial aspects common to all RICO statutes.

The book costs \$32 for ABA Criminal Justice Section members and \$39.50 for others from the American Bar Assn., Order Fulfillment Department (PC #509-0020-01), 750 N. Lake Shore Drive, Chicago, Ill. 60611. Include \$2 for handling per order.

For information, contact Thomas C. Smith, ABA, Criminal Justice Section, 1800 M. St. N.W., Washington, D.C. 20036; 202-331-2260.

other of the advisory group's recommendations, which addressed reserving and reporting practices as well as a definition of "financial guarantee insurance."

But while no conclusions were reached, at least one issue is drawing almost unanimous support.

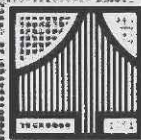
According to Richard Hsia, a New York deputy insurance commissioner present at the meetings, members of the study committee and the advisory group generally agree that state guaranty funds should not have to respond to losses from financial guarantee insurance.

The committee will discuss these issues further at its next meeting, tentatively scheduled for Sept. 30 in Chicago.

## Are You Planning International Strategies?

Your sound decisions depend upon accurate information, the right studies, the pertinent facts. Inappropriate studies, the clutter of unnecessary facts, and the misguided help of inexperienced personnel can cost you if you have to rely upon them when moving into the international arena.

To find out how you can save time and money, call Phelan International Consulting. Thirty years experience and a network of international contacts can make the difference when you set out to achieve your goals in new territories.



### Phelan International Consulting

77, Corte del Coronado  
Larkspur, California 94939, USA  
(415) 927-1522  
Telex 1881021 (GOLDEN GATE)

# Clarendon Insurance Group

Capital & Surplus in excess of

**\$150,000,000**

**TREATY REINSURANCE  
AND PROGRAMS**

**AN EXCLUSIVE  
BROKERAGE MARKET**

Ralph Milo  
Chief Executive Officer

William G. Clark  
Chief Operating Officer

Clarendon Group Services  
600 Madison Avenue  
New York, NY 10022  
(212) 758-1522  
Telex: 125266

# Arthur J. Gallagher forms RMIS subsidiary

Arthur J. Gallagher & Co., the insurance brokerage and risk management services firm, has formed Gallagher Risk Data Inc. to provide a new source of computerized risk management information for risk managers, insurance companies and risk management consultants.

The new subsidiary, which absorbs Gallagher's information services division, currently provides computerized information, like loss-control data, for the more than 500 risk managers that were clients of the information services department.

In addition, commercial underwriters can now tap into the computerized data base and access information concerning specialized risk management and underwriting areas.

Richard W. Kieffer, who is presi-

## markets

dent of the new company, explained that Gallagher Risk Data will also improve the quality of information that Gallagher is required to provide to insurers and reinsurers about the risks Gallagher brokers.

Mr. Kieffer also noted that subscribers to the system are able to use personal computers to tie into Gallagher Risk Data's mainframe computer.

A variety of software can be used in conjunction with the system, he added.

In explaining why Gallagher decided to form the new company, Mr. Kieffer said, "In general, we've found that with such a large risk

management client base in specialized areas, we've been sitting on a wealth of information."

The new company is located at 60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555.

## Energy risks

Broker Johnson & Higgins in New York has consolidated the company's oil and gas division and its energy group into a new department.

The new oil and gas/energy unit assumes all the operations of the former departments, including brokerage, loss control and claims services.

Michael J. Collins, a senior vp in J&H's marine department, is currently in charge of the new division.

Mr. Collins will continue to be responsible for its day-to-day operation after December, when Clayton Cormier, president of Exxon Corp.'s Bermuda-based subsidiary, Ancon Insurance Co. S.A., joins J&H as senior vp and manager of the department.

## Dental plan

Delta Dental Plan of Minnesota has formed a non-profit subsidiary, Delta Vision, which is marketing vision care plans.

Headquartered in Minneapolis, the new company will write vision care coverage for Minnesota businesses with more than 100 employ-

ees. Later this year, the company expects to expand coverage to groups with as few as five employees.

Delta Vision offers a choice of four plans that range from a comprehensive, full-coverage program to a basic plan with high patient co-payments.

Each program covers one eye examination every two years, eyeglasses, contact lenses and cataract lenses.

Examinations are allowed once a year for those under 19, if prescribed by a doctor.

Persons covered under the plan may choose to see any of about 700 ophthalmologists and optometrists. Lenses may be purchased under the plan from all 300 opticians in the state.

Onan Thompson, president of Delta Vision and Delta Dental, said, "Essentially, two marketplace factors triggered our interest in offering vision plans. Current employment trends show that fringe benefits are a popular way to provide employees with additional compensation.

"And vision plans, like dental plans, are appreciated because they can be used at an employee's discretion."

Delta Vision is located at 7807 Creekridge Circle, P.O. Box 330, Minneapolis, Minn. 55440; 612-944-5252 or 800-862-6042.

## HMO acquired

Kaiser Permanente, one of the United States' largest marketers of health care programs, has expanded into the Midwest by obtaining Kansas City Health Care, a 2-year-old health maintenance organization.

Kaiser adds the 10,000 members of the Kansas City, Kan.-based firm to the company's own 4.8 million members in 12 states and Washington, D.C.

While Kansas City Health Care retains its non-profit status, it is now known as the Kaiser Foundation Health Plan of Kansas City.

James A. Vohs, chairman and president of Kaiser, said, "Expansion to the Midwest has been one of our goals. We were familiar with the challenges and opportunities facing Kansas City Health Care and believe that it has the potential for substantial growth in the greater Kansas City area," Mr. Vohs added.

## Name change

Morrison Assurance Co., a property/casualty insurer that recently relocated its headquarters from Mobile, Ala. to Tampa, Fla., has changed its name to **First Southern Insurance Co.**

## New offices

Republic Hogg Robinson of New York Inc. has formed a new office specializing in marine cargo and political risk insurance. The new division is known as **Lay & O'Shea Associates** and is located at 355 Lexington Ave., New York, N.Y. 10017; 212-682-7500.

Towers, Perrin, Forster & Crosby has opened a new consulting office at 250 E. Fifth St., 1500 Columbia Plaza, Cincinnati, Ohio 45202; 513-381-0111.

Averco Inc., an excess/surplus lines marketer, has moved to new offices at 19 Rector St., Suite 1320, New York, N.Y. 10006; 212-968-9650.

Associated Reinsurance Management Corp. and subsidiaries **Associated Intermediaries Inc.** and **U.S. FAC Corp.** have moved their Atlanta office to 2 Piedmont Center, Suite 700, Atlanta, Ga. 30305; 404-237-1170.



**THE IMPORTANT THINGS IN LIFE  
DESERVE A SECOND OPINION INCLUDING  
YOUR BUSINESS INSURANCE.**

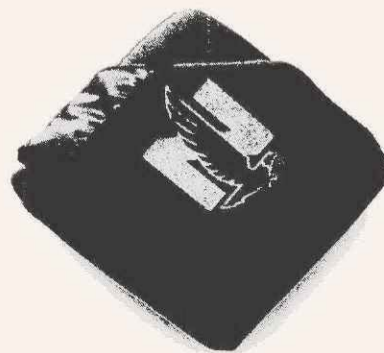
**W**hen making an important business purchase, getting a second opinion from a qualified source gives you that extra assurance that you're doing the right thing.

When it comes to insurance, the right thing is to call Nationwide for a second opinion on your business insurance.

Nationwide offers a full range of insurance protection for businesses of all sizes, so you'll get an analysis tailored to your specific needs.

And, while you're at it, ask about our loss control service. It's all part of Nationwide's blanket protection for your business.

Home Office: One Nationwide Plaza, Columbus, OH 43216 • Nationwide Mutual Insurance Company • Nationwide Mutual Fire Insurance Company • Nationwide Life Insurance Company • Available in most states • An equal opportunity employer •



**NATIONWIDE  
IS ON YOUR SIDE.**

# Plan terminations spark capacity concerns

By **CHUCK PAUSTIAN**  
and **BARRY B. BURR**

The growing number of pension plan terminations is generating concern that life insurance companies may not have sufficient capacity to provide the guaranteed annuities to pay billions of dollars in benefits promised by the plans.

However, industry officials say a new form of annuity could increase insurer interest in writing annuities for companies that terminate their plans.

About \$5 billion in annuities were sold to provide benefits to participants of terminated plans between May 31, 1980, and March 4, 1985, according to the Pension Benefit Guaranty Corp. Also, terminations of plans with more than \$3 billion in liabilities are currently pending with the PBGC.

A handful of insurers, particularly mutual insurance companies, dominate the business for annuities for large terminations—those that require annuities valued at \$100 million or more.

If terminations continue to grow at the current rate, some say insurers eventually will lack the surplus to write annuities to cover terminated plans' accrued benefits.

"I think not more than three or four companies can write large single-premium annuities because of capital," says John E. Rooney, treasurer of Firestone Tire & Rubber Co. in Akron, Ohio, which terminated a plan earlier this year (*BI*, May 6).

In the meantime, the lack of competition in the market for annuities to cover large terminations brings higher annuity costs, say consultants and insurers.

Under federal regulations, companies terminating pension plans are required to obtain an irrevocable commitment from a third-party insurer to cover the accrued benefits of the plan.

Mutual life insurers, particularly Metropolitan Life Insurance Co. of New York and Prudential Insurance Co. of America in Newark, N.J., are the largest markets for these annuities, writing 1984 premiums of \$1.4 billion and \$1.2 billion, respectively.

Although annuities generally are considered a profitable business for life insurers, returns on invested assets usually take many years to realize. Stock insurers, which must answer to shareholders, prefer a quicker return.

"Stock companies might have stricter return-on-surplus objectives than mutuals. We want to return a specific percentage on shareholder equity," said John Ninkander, an actuary in the employee benefits division of Aetna Life & Casualty Co. in Hartford, Conn., which is publicly held. "If we can't make the return, then we have other uses for surplus."

Aetna did not write any annuities for terminating plans last year. In 1983, it wrote \$15 million to \$20 million.

Brendan Lynch, second vp with The Travelers Insurance Co. in Hartford, another stock insurer, said Travelers follows a self-imposed limit on the amount of annuity business it writes in a year. In 1984, Travelers wrote \$203.8 million in annuities for terminating plans.

Concern over the few annuity markets for companies terminating pension plans has persuaded the PBGC to approve a new type of annuity—a participating annuity—in hopes that more insurers will enter the market.

The move has expanded the field somewhat, especially among stock insurers, opening competition and lessening capacity concerns.

A participating annuity, which

has a higher initial cost than a regular annuity, allows the company terminating a plan to participate in profits generated by favorable actuarial performance of the annuity.

The use of participating annuities is expected to expand market capacity because, since a higher premium is charged initially, life insurers need not reserve as much, which lessens pressure on the insurers' surplus.

Philadelphia-based CIGNA Corp., which has not been a major player in the annuity market, sold

the first participating annuity to Firestone earlier this year for a \$397 million premium.

David M. Walker, former acting executive director of the PBGC, said that while he sees no strain on the annuity insurers now, the use of participating annuities would prevent future problems.

Participating annuities "have helped to lessen the strain on the insurance industry and have allowed a second tier of participants," he said. "It reduces the amount of initial reserve strain associated

with traditional, non-participating (annuity) contracts."

Leon E. Irish, an attorney with the Washington law firm of Capping & Drysdale and one of the authors of a report on participating annuities, said the new product would create a more competitive atmosphere in the annuity market.

"To the extent we can use the new participating annuities, then many more companies can participate," he said.

Mr. Irish said the limited number of players and the surplus strain

caused by traditional annuities make it difficult for buyers to receive a competitive price.

"Participating annuities would solve a lot of these problems and make this a more competitive product," he said.

Insurance industry executives agree the new form of annuity would be a boon to the smaller insurers that currently don't write contracts for terminating plans or only write a limited number of annuities.

—Crain News Service

## Medco is cutting medical costs.



Escalating prescription drug costs are today's greatest problem in employee benefit plans.

**MEDCO's Total Approach** is a unique solution. Here's how it works.

#### THE SOLUTION

A mail service prescription drug program administered by National Pharmacies, Inc. combined with a total package of program quality control, superior customer service, flexibility in plan design and educational programs are offered to our clients who benefit from:

- lower prescription drug costs
- improved drug plan benefits

But what about emergency medication needs which require immediate attention?

PAID Prescriptions, an affiliate of MEDCO, provides a plastic prescription drug card to obtain emergency medication—all within MEDCO's cost containment guidelines.

#### "THE TOTAL APPROACH" IS THE BEST.

MEDCO has been No. 1 in the mail service business since its inception 16 years ago, and is the only company to offer an integrated emergency medication alternative.

MEDCO provides prescription drug cost containment programs to nearly 500 major corporations, health and welfare funds, third party administrators and retirement plans. It can help you contain your prescription drug costs.

Write or call The MEDCO Group Marketing Department for details today.



**THE MEDCO GROUP**

1900 Pollitt Drive, Fair Lawn, NJ 07410-2801 1-800-272-7243



## REINSURANCE ALL CLASSES

Unione Italiana Reinsurance  
Company of America, Inc.

127 John Street, New York, New York 10038  
Telephone: 212-269-1951  
Telex: 645269      Telefax: 212-968-0849

### info

- The importance of collecting high-quality, effective and accurate **health care statistics** is emphasized in "Health-Care Statistics: What Do Employers Really Need to Know?", a reprint article offered by Kwasha Lipton. Free copies can be obtained from Department M, Kwasha Lipton, P.O. Box 1400, Fort Lee, N.J. 07024-1400; 201-592-1300 or 212-279-6800.

- "Shedding Light on Benefit Issues—The 1984 Annual Educational Conference Proceedings" is a collection of 49 presentations made at the 30th Annual Educational Conference of the International Foundation of Employee Benefit Plans. Topics covered in the book include the **economic outlook, health and welfare plans, fiduciary responsibility** and other benefit issues. Cost is \$20 for members and \$35 for non-members. Copies can be obtained by writing to the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

- Recently concluded **Dalkon Shield** cases are the subject of a special issue of the "Verdict Reviews Consumer Products Quarterly," published by Jury Verdict Research. The four-page newsletter

contains statistics on jury reaction to the issues of liability and damages as well as summaries of Dalkon Shield verdicts and settlements. Cost is \$17.50. Copies can be obtained by writing Jury Verdict Research, 5325 Naiman Parkway, Suite B, Solon, Ohio 44139-1065; 800-321-6910, or 216-248-7960 in Ohio.

- The Employee Benefit Research Institute's September Issue Brief, "401(k) Cash or Deferred Arrangements," discusses current **legal requirements of 401(k) plans**. Also included is an examination of current data on plan availability and participation and a discussion of how the plans may be affected by current tax proposals. Copies are available for \$10 and can be obtained by writing to EBRI-ERF Publications, P.O. Box 753, Waldorf, Md. 20601; 202-659-0670.

- Rockwood Systems Corp. is offering publications to assist chemical companies in dealing with **environmental impairment liability**. The publications present methods for using water-based foaming agents in preventing the run-off of hazardous materials during fires. Free copies can be ordered from Rockwood Systems Corp., Dept. JS, 640 E. Main St., Lancaster, Texas 75146; 214-227-3100.

- The considerations of **implementing a 401(k) plan** are the subject of a reprint article offered by Kwasha Lipton. "Installing a 401(k) Plan—A Guide to Effective Project Management" reviews the components involved in designing a plan, including employee communications, payroll modification and recordkeeping systems, and significant elements affecting implementation schedules, such as legal compliance. Free copies can be obtained by writing Department M, Kwasha Lipton, P.O. Box 1400, Fort Lee, N.J. 07024-1400; 201-592-1300 or 212-279-6800.

- A regulatory and legislative update of **employee benefits** and a discussion of benefit trends are contained contained on 24 audiocassettes offered by the International Society of Certified Employee Benefit Specialists. The recordings were made at the educational group's 1985 Employee Benefits Symposium and also feature a point/counterpoint discussion, "The Future of Employee Benefits." The cassettes are available for \$10 each and can be ordered from the Audiovisual Services Department, ISCEBS, P.O. Box 209, Brookfield, Wis. 53008-0209; 414-786-3771.

- Cassette recordings of the programs at the Seventh Annual Meeting of the American Society for Hospital Risk Management of the American Hospital Assn. are available for \$12 each. Various topics of **hospital risk management** are discussed by participants in the meeting, which was held Aug. 25-28. For information and to order, write Teach 'em Inc., 160 E. Illinois St., Chicago, Ill. 60611; 312-467-0424.

- The impact of President Reagan's **tax proposals** on various sectors of the financial services industry is detailed in a special edition of Cooper's & Lybrand's Financial Services Newsletter. The newsletter, prepared by a team of partners specializing in financial services, addresses both the changes that would affect all industry segments as well as issues of specific interest to each industry. Copies can be obtained for \$10 each from Financial Services Newsletter, Cooper's & Lybrand, 1251 Ave-

nue of the Americas, 2nd Floor, New York, N.Y. 10020; 212-536-2000.

- The International Foundation of Employee Benefit Plans is offering a collection of edited texts from its 1984 Canadian conference. Among the topics discussed in "**Canadian Employee Benefit Plans—1984**" are the economy and benefit plans, the legal and legislative environment for benefits, investment of plan assets and plan design and administration. Cost is \$12 Canadian (\$8.64) for members and \$18 Canadian (\$12.96) for non-members. Copies are available from the Publications Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

- Coopers & Lybrand discusses one of the fastest-growing employee benefit plans in its new brochure, "401(k): A Special Plan." The brochure describes how **401(k) plans** work and the various ways the plans can be designed to benefit both employers and employees, as well as information about the services offered by Coopers & Lybrand. Free copies are available from Coopers & Lybrand, 400 Renaissance Center, Detroit, Mich. 48243; 313-446-7100.

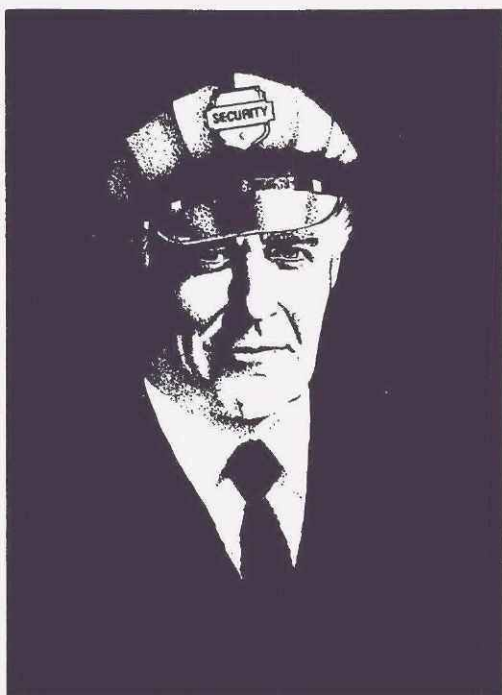
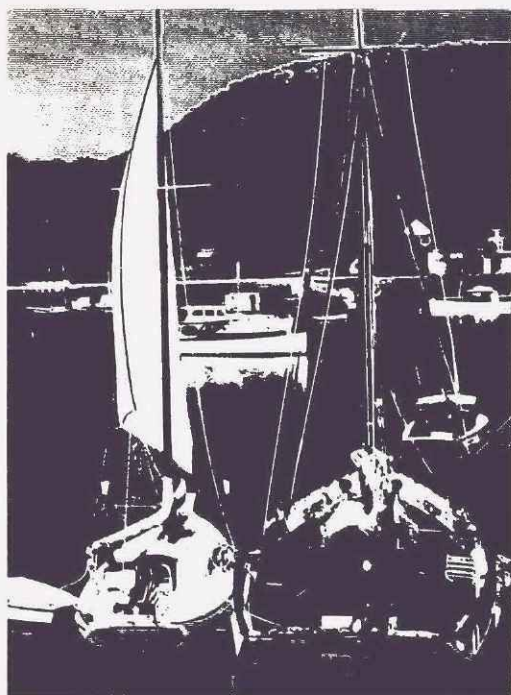
- The uses of **Employee Stock Ownership Plans** are illustrated in a brochure offered by Coopers & Lybrand. "ESOPs" describes both the employee benefit uses and the corporate financial uses of these plans, discusses legislative incentives and regulatory requirements and includes a summary of the advantages and disadvantages of the plans. Free copies can be obtained from Coopers & Lybrand, 400 Renaissance Center, Detroit, Mich. 48243; 313-446-7100.

- To help contractors understand the new **commercial general liability form**, the International Risk Management Institute has published "Contractors' Guide to the 1986 Commercial General Liability Program." The 70-page booklet features a checklist of important things to consider when changing over to the new form, along with a sample policy form. The booklet is free to subscribers to "Contract Risk Management," an insurance desk reference for contractors also published by IRMI. "Contract Risk Management" is available for \$160 a set. Contact IRMI, 10300 N. Central Expressway, Building 3, Suite 208, Dallas, Texas 75231; 214-363-9656.

- "Making the Case for Employee Benefits" is an **employee benefits education kit** prepared jointly by the Assn. of Private Pension & Welfare Plans and the Employee Retirement Income Security Act Industry Committee. The kit includes resource material for conducting employee/client education programs, including fact sheets, payroll stuffers and newsletter articles stressing the importance of employee benefits both to individuals and to the national economy. The kit costs \$10 and can be obtained from the APPWP, Ellen Goldstein, Director of Public Affairs, 1331 Pennsylvania Ave., N.W., Suite 719, Washington, D.C. 20004; 202-737-6666; or ERIC, Michael McCurry, Public Affairs Director, 1726 M St., N.W., Suite 301, Washington, D.C. 20036; 202-833-2800.

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than \$25 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

## Exciting Group Workers' Compensation Programs



### RECREATIONAL MARINE INDUSTRY GROUP...

for marinas, boat dealerships and all allied segments of the industry; program includes U.S.L. & H.

### SECURITY INDUSTRY GROUP...

for security guard, detective and patrol agencies, burglar & fire alarm monitoring, sales & installation.

Cover X has long advocated the use of mass purchasing power to reduce insurance costs and create a stable market.

Both programs are now underwritten by Cover X on behalf of major A+ XV insurance carriers and are available in most states.

Be the competition . . . Come to CoverX.

For further information or applications call or write . . .

## COVER X CORPORATION

P. O. Box 5096, Southfield, Michigan 48086  
Telephone: (313) 358-4010 — Telex: 23-5635

## Reinsurers meet

Continued from page 1  
reinsurance they need to provide insurance buyers with the coverage they want.

Reinsurers will be unwilling or unable to write the coverage requested because:

- Reinsurers will find it extremely difficult to purchase the reinsurance they rely on to provide large contract limits and to limit their own loss exposures.

This so-called retrocessional market is drying up because reinsurance written for reinsurers has produced huge losses.

To the extent that reinsurers lack retrocessional protection, reinsurers will be able to offer only the limits that they can afford to keep net for their own accounts.

Further, anticipated reductions in even the available catastrophe reinsurance these reinsurers purchase will reduce their appetites for risk.

- Hefty anticipated rate increases coupled with a reduction in ceding commissions to primary insurance companies will increase the premium flowing to reinsurers. For U.S.-based reinsurers, the jump in premium will squeeze their premium-to-surplus ratios and force them to restrict the business they write.

- While rates increased during 1985, some primary companies' rates are still not high enough to satisfy reinsurers so the reinsurers are refusing to renew contracts.

- European reinsurers, while encouraged by a weakening of the U.S. dollar against their currencies, are concerned that the U.S. dollar continues to be too strong against their currencies to write significant U.S. dollar business.

- Even those European reinsurers with the capacity to write U.S. casualty risks say they will not because of large losses they have suffered in the past and their assessment that it is impossible to properly price U.S. casualty insurance.

The U.S. civil justice system that continues to hand out higher awards to plaintiffs and to interpret insurance contracts to provide coverage that insurers say they never intended to extend makes U.S. casualty risks "uninsurable," European reinsurers say.

Even the adoption of the claims-made form in the United States is unlikely to attract the reluctant reinsurers (see story, page 49).

All these factors will make it extremely difficult and potentially impossible for U.S. corporations to purchase the large limits of insurance that they want, but the reduction in capacity for U.S. casualty business is of most concern to many brokers.

Both retrocessional capacity and reinsurance capacity are disappearing for U.S. casualty business.

"The casualty retrocessional market has collapsed," said one American insurance company executive. "It does not exist. You end up writing lower gross lines of coverage which are net lines which you must retain because there is no retrocessional market."

"This started six to 12 months ago and it is getting worse," he observed.

"The limits just aren't available," declares Mac Henderson, vice chairman of RFC Intermediaries. "About \$25 million is all that is available. Obviously, there are exceptions, but where \$75 million to \$100 million was available last year for errors and omissions and directors and officers liability insurance, the limits just aren't available."

"Reinsurers are saying that the tort system—and the courts—in the United States make casualty business uninsurable," adds Mr. Cargile of RFC. "They say they have no ability to ascertain what losses will be."

Continued on next page

## Reinsurers say rates hikes certain, but amounts not yet set

By KATHRYN J. MCINTYRE

MONTE CARLO, Monaco—Few people will quote specific 1986 insurance and reinsurance rates at the Rendez-Vous de Septembre. It is simply too early, reinsurance underwriters and brokers agree.

Excess-of-loss reinsurance rates, which are set by reinsurers, will depend greatly on what reinsurers have to pay for their own retrocessional protections, and those figures are not known yet.

Under proportional reinsurance, rates are set by primary insurers but reinsurers can reject proportional treaties if they believe the primary companies are underpricing their products.

"The whole rate structure is changing so fast," observed Ward Gordon, chairman of Intere Intermediaries Inc. in New York. "The industry is trying to catch up in one year."

It is not known how much retrocessional protection will be available, causing more uncertainty about capacity than concern for prices.

But, everyone agrees that when the 1986 rates are set, both reinsurance and primary rates must go up. While reinsurers benefit from primary rate hikes under proportional contracts, reinsurers force primary rate increases when they raise excess-of-loss reinsurance prices.

Reinsurers can expect to pay more in January for their protections, especially catastrophe covers, advises Wolfgang J. Buettner, president of American Intermediaries Inc. in Los Angeles.

Rates could jump as much as 500% to 1,000% for the most risky long-tail casualty business, predicts John L. Gilbert, chairman and president of John Gilbert Intermediary Group in New York. And, even for less risky business, primary rates have to be increased, reinsurers say.

"Primary companies aren't putting their houses in order fast enough," said Jonathan Crawley, president of Aneco Reinsurance Underwriting Ltd. in Bermuda.

Huge rate increases reportedly have been imposed on large commercial accounts whose reinsurance is often placed on a facultative excess-of-loss basis, Mr. Crawley observed. But the rates on the larger amount of bread-and-butter business covered by proportional reinsurance contracts have been increased only 10% to 15%, he said.

And, those rate increases have not been enough to generate profits for the proportional reinsurers, which share a portion of the ceding company's premium and the resulting losses.

Some reinsurers, therefore, may not wait for future rate increases, Mr. Crawley said. "I think there are going to be a lot of old, established friendships broken at this meeting," he added.

Wallace Winter, president of Intere, agreed that "primary insurance companies, either due to regulatory constraints or concern for market share, can't or won't make the dramatic changes" needed on rates.

"When commercial property is written at 40% of the ISO rate, even a 100% rate increase is not enough," he noted.

## "If I could have only one reference on risk management, it would be Practical Risk Management"

—E. J. Leverett, PhD, CPCU, CLU  
Director, Risk Management and Insurance  
University of Georgia

*Practical Risk Management* is the reference of choice for many leading risk managers, brokers, insurers, financial managers, and educators, because it is:

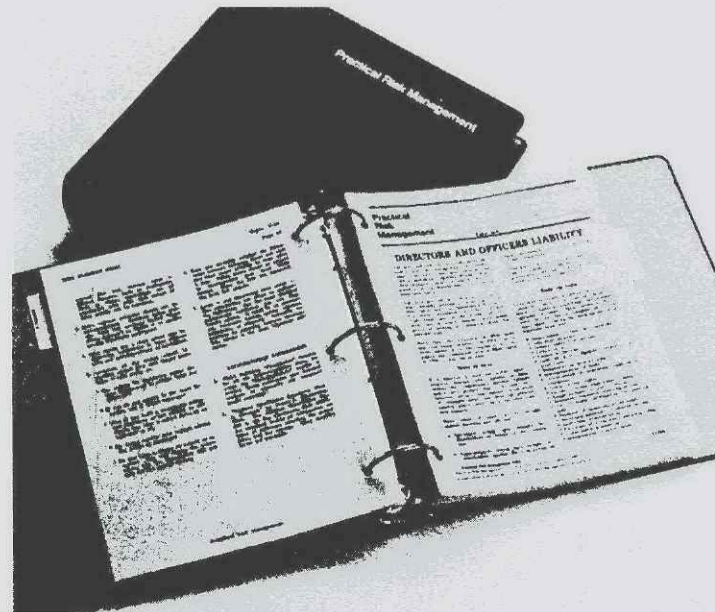
- **Comprehensive** — covers many subjects found nowhere else
- **Authoritative** — condenses the knowledge of hundreds of specialists
- **Easy to use** — carefully organized and indexed
- **Clear and concise** — ruthlessly pruned for brevity

Used by Professionals in 24 Countries  
For Over 11 Years

## Practical Risk Management ... The Professional's Handbook

Box 10093, Oakland, CA 94610 / Telephone (415) 653-3687

Descriptive brochure available on request



Dr. Leverett, one of our leading risk management educators, has a curriculum at the University of Georgia which is widely recognized as one of the largest and finest. Its graduates are eagerly sought by industry. Dr. Leverett has used *Practical Risk Management* for many years.

**Practical Risk Management**  
Box 10093, Oakland, CA 94610

Price: Two binders with all topics to date:  
First year: \$275 (plus postage on binders outside USA)  
Subsequently: \$125 annually

- Please bill (Add \$10 handling)  
 Check enclosed (payable in US \$  
to Practical Risk Management)

Send a Subscription to:

Company \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City, State \_\_\_\_\_

Zip \_\_\_\_\_

## Reinsurers meet

Continued from previous page

"And, the reaction is the same in the Far East," Mr. Cargile reports.

"The American question is not a question of money," observes David Vermont, deputy chairman of Lloyd's reinsurance broker E. W. Payne Cos., a subsidiary of Sedgwick Group P.L.C. "There is no way you can price the American legal system."

Even reinsurers who thought they were not writing U.S. casualty business are being hit with claims for asbestos losses under treaties in which U.S. casualty business was supposed to be "incidental."

"What is incidental? That remains to be clarified," observes

Jean-Francois Gelot, managing director of Arthur J. Gallagher & Co. (Bermuda) Ltd.

"January renewals will be tougher than last January. It's worse than it's ever been," Mr. Cargile declares.

"We've never had it like this before," concludes Mr. Henderson, a dean of the reinsurance business.

"The entire U.S. casualty market will be in upheaval for the next 18 to 24 months," predicts Wolfgang J. Buettner, president of Los Angeles-based American Intermediaries Inc., a year-old reinsurance intermediary Mr. Buettner joined last year after leaving RFC Intermediaries.

The withdrawal of many European reinsurers from U.S. casualty

business "will be a real problem for the U.S. market," he says.

With only few exceptions, Mr. Buettner says, the Europeans are flat out refusing U.S. casualty risks. Among the recent withdrawals, he says, are Italian reinsurers and Union Re of Zurich, a fact confirmed by Union Re management.

Among the few European reinsurers still writing U.S. casualty business is Hannover Re of Germany, he noted.

Hannover Re confirmed its continued participation on U.S. casualty business.

As much as 75% of casualty retrocessions won't be renewed this year, Mr. Buettner predicts.

No one can calculate just how much U.S. casualty business is supported by European reinsurers. And, the position of the two largest reinsurers in the world—Swiss Re and Munich Re—remains uncertain (see story below).

"European support for North American casualty business is

small," Mr. Cargile notes. "But to the extent Europe was expected to step in and provide capacity, it's important that the Europeans are saying no."

Brokers quickly point out that willing European reinsurers helped abate the capacity crunch in the U.S. market in the mid-1970s when they rushed into the United States to form new reinsurance companies. Such new capacity is not anticipated in this crunch, although new capital is being raised in the U.S. industry (see story, page 50).

Some brokers, however, say that they have elected not to offer U.S. casualty business to Europeans.

"We've been reluctant to place American casualty business with Europeans," says Wallace Winter, Chicago-based president of New York-based Intere Intermediaries Inc.

"We don't feel that the Europeans are close enough to have control over casualty business," explains Intere Chairman Ward Gordon.

For example, the amount of a casualty loss often depends upon how well the claim is handled, Mr. Gordon notes. A reinsurer across the ocean can't influence claims

handling with the same success as a reinsurer in the United States.

Since Intere has not placed casualty business with Europeans, Mr. Gordon says, "I am not concerned about the capacity impact of the European withdrawal."

But, he added, "We're not trying to understate the problem—it's a tough problem. The renewal season will be very hard."

Both Mr. Gordon and Mr. Winter say that January will be the most difficult reinsurance renewal season they've ever seen.

The key to successfully placing reinsurance contracts, Mr. Gordon says, "will be the flexibility of the buyer." If the ceding company is willing to accept higher rates, larger retentions and coverage restrictions, "we're going to get it done," Mr. Gordon said.

"I could be dead wrong," Mr. Gordon also admits.

So far, Intere has been "very lucky. We've done what is doable," Mr. Gordon reports, referring to short-tail risks.

Mr. Gelot of Gallagher, who brokers reinsurance supporting package property/casualty programs assembled by retail broker Arthur J. Gallagher & Co. in the United States, agrees that successfully placing reinsurance will depend upon selling clients on tougher terms and conditions.

"I am confident there are markets," Mr. Gelot says. "But, now it

Continued on page 47



Mr. Vermont



Mr. Buettner



Mr. Winter



**"Now your company can pull it all together on commercial lines. With our stand-alone Table Maintenance System."**

Edward B. Shires, President, CLA Corp.

CLA's comprehensive Table Maintenance System operates on a separate data base, and in CICS or IMS environments. It will enable your company to make commercial lines rate changes across the board with unprecedented ease and speed. For more information, write Ed Shires, President, CLA Corp., 1 Riverview Square, East Hartford, CT 06108. Or call him at (203) 275-1110.



A subsidiary of The Hartford Insurance Group

## Swiss Re says it may accept big U.S. risks—on new forms

By STACY SHAPIRO

MONTE CARLO, Monaco—Swiss Reinsurance Corp. may consider writing hard-to-place U.S. casualty business during this year's reinsurance renewal season, says Paul Christen, general manager for Swiss Re in Zurich.

But, if Swiss Re writes any major U.S. casualty risks, it will be only under new reinsurance forms currently being developed for use by Jan. 1 renewals, Mr. Christen says.

Late last year, Swiss Re said it no longer would write North American heavy liability risks under established conditions. But, it said it would continue to write liability coverage for light commercial risks (BI, Jan. 21).

Swiss Re and Munich Reinsurance Co. in Germany are the two largest reinsurers in the world.

Although Mr. Christen would not release details, he said the new reinsurance forms would incorporate a combination of changes, including retrospective premiums on certain coverages.

Mr. Christen also said Swiss Re supports the move toward the use of claims-made forms by ceding companies.

"We are no longer writing big-ticket American casualty business in the forms which have been used over the last few years," he said. He said the problem of underwriting losses associated with U.S. business cannot be solved by increasing the policy rates.

"It must be solved by introducing a number of things, like the claims-made form and aggregate limits, so we know exactly what our commitment is," Mr. Christen said.

"I think we would reconsider writing it (heavy casualty coverages on claims-made forms) provided we had other stops on the reinsurance side, because we never know how the American tort system will develop," he said. "We must have safeguards. We are testing the market."

In 1984, Swiss Re's North American operations, including North American Reinsurance Corp., generated \$450 million to \$500 million in gross premiums, Mr. Christen estimated.

Swiss Re's Zurich operations generated \$1.8 billion in gross premiums in 1984.

Outside the United States, Swiss Re also is concerned about the U.S. casualty exposures of overseas companies, said Brian Prevost, general manager of Swiss Reinsurance Co. (U.K.) Ltd. in London.

Swiss Re "has always been mindful" of American casualty exposures for overseas companies that export to the United States or have U.S. factories, Mr. Prevost said.

But now, he said, "We are consciously trying to segregate the American casualty exposures so that casualty coverages are in two parts.

"It is difficult after packaging for the last decade to break up the packaging, but we are now successfully getting the ceding companies to do it," he said.

Swiss Re also wants to break up all-risk property packages, Mr. Prevost said. Although a company still could buy a single policy for all property coverages, Swiss Re wants each property exposure rated individually, he said.

Swiss Re U.K. does not write any direct North American property/casualty coverage, but it writes reinsurance for the major British insurance companies, most of which write U.S. risks.

In 1983, its most recent year of reporting, Swiss Re U.K. generated gross premiums of about \$60 million, or about 4% of Swiss Re's total gross premiums in 1983 of \$1.5 billion, Mr. Prevost said.

Munich Re did not return phone calls.

Continued from previous page is selling it to the clients. We can get capacity but there will be little margin for discussion of the terms and conditions."

Already rates have increased as much as 100% on reinsurance for the Gallagher programs, Mr. Gelot says.

Reinsurers also are demanding higher deductibles, Mr. Gelot noted.

Capacity is available for the Gallagher package programs, Mr. Gelot notes, because "the element of liability is not heavy, long-tail casualty and it's not for Fortune 500 accounts."

While flexibility will go a long way in securing reinsurance for some risks, Mr. Gordon and Mr. Winter agree that it is impossible to place reinsurance contracts covering directors and officers liability, professional liability, long-haul trucking, bankers blanket bonds and any managing general agency facilities.

Other brokers and reinsurers add to that list municipal liability insurance, bloodstock coverage and environmental impairment liability insurance.

"Largely the industry will become a net line underwriter," predicts Ian Dean, chairman of Sphere Drake Insurance P.L.C. in London.

"Many companies have large July 1 retrocessional protections unplaced. They are writing net lines. Many retrocessionaires are not there. They are belly up and there is no new capacity," Mr. Dean explains.

"It is a real problem at the end of the year to find out what reinsurers can buy in terms of retrocessional covers," agrees Philip Evans, man-

## 'Professionalism' key to survival

MONTE CARLO, Monaco—"Professionalism" is the new buzzword in the reinsurance business today.

Only the professional reinsurers will survive, everyone agrees. Only the professional brokers will succeed in placing reinsurance contracts in this market, also is unanimously accepted.

But Brendon O'Tighearnaigh of Irish National Insurance Co. P.L.C. in Dublin suggests that the renewed call for professionalism is similar to turning to prayer when the chips are down.

When everything is going well, people credit themselves with success, he says. It's only in moments of failure that people turn to prayer.

Similarly, he says that in the insurance business, when all seems to be going well, no one pays any attention to professionalism. But, when the marketplace goes haywire, everyone talks about professionalism, he notes.

"Do you not think, though, that we could mix the two and use professionalism to keep us on the right track?" he asks.

aging director of English & American Group P.L.C., an underwriting pool manager in London.

"The majority of reinsurers will not write retrocessions at all," comments Ron Iles, chairman of Alexander Howden Reinsurance Brokers Ltd. in London, which co-brokers retrocessions of London market excess-of-loss reinsurance, called LMX.

"For two of these programs, retrocessions which were renewed Sept. 1 have only been extended to the year-end," according to Mr. Iles.

"The strategy is that it was better to extend to year-end than not at all," he explained.

There is, however, some cause for optimism, said reinsurance executives attending the Rendez-Vous.

And, most important, the reinsurers for the most part are delighted with the dramatic change

in reinsurance market conditions since last year as they anticipate writing contracts at terms and conditions that will, at long last, produce a profit for them.


Mr. Gordon said he was leaving Monte Carlo with "veiled optimism" because of the "remarkable improvement in reinsurance rates in the U.S."

That improvement in rates is attracting reinsurers who are "looking to do business at their terms," he says.

"I can't think of a market we've talked to which isn't in business," Mr. Gordon says. "So what if they're not in casualty."

And, Mr. Gordon suggests that if prices rise enough, producing enough money upfront, "some difficult classes might be resolved, like municipalities."

Mr. Winter says he is encouraged by the expectation of more capacity  
*Continued on next page*



# Getting a handle on health care costs —

Ideas • Strategies • Proven Programs

## New Directions in Welfare Plan Benefits: Instituting Health Care Cost Containment Programs by Bernard Handel

This book represents a major contribution to the dialog on what ails America's health care system. It is a practical guide on what employee benefit plans can do to control rising costs for health care while maintaining the quality of care. Here in one source is the complete why and how-to of cost containment. Existing efforts are reviewed, new approaches are outlined. Extensively discussed in clear-cut terms are strategies benefit plan sponsors can utilize in developing effective cost containment programs. The book is 330 pages and includes useful appendix material, a bibliography and references. *The Author:* Mr. Handel is president of The Handel Group, Inc., Poughkeepsie, New York, an actuarial, consulting and administrative firm serving joint labor-management, corporate and public employee benefit plans. He has more than 30 years' experience in employee benefits.

Price: \$40, Retail; \$25, International Foundation member  
Payment must accompany order. Give I.F. membership no. if using member price.

Mail check or money order to:  
Publications Department, International Foundation of Employee Benefit Plans,  
P.O. Box 69, Brookfield, WI 53008-0069, (414) 786-6700

## No!

MONTE CARLO, Monaco—How does a reinsurer say no to a risk? Let me count the ways.

In French, the national language of the reinsurance Rendez-Vous de Septembre, the reinsurer says "non, merci."

In Italian, the answer is simply "no"; in German, "nein."

In English, spoken by an Englishman, the answer may be, "No, thank you very much," while an American reinsurer might say, "No way."

Reinsurers, speaking in any language, have other ways of saying no.

"When I want to say no, I charge them \$2 million," quips one reinsurer. "That stops them from asking again."

"Or you can say, 'Let me get back to you on this,'" says another reinsurer.

There was a time, not too long ago, that reinsurers said "yes" with incredible frequency. And, reinsurers admit, that is why they are suffering horrendous underwriting losses now.

But despite their woes, reinsurers still have a sense of humor, which is often as internationally oriented as their business.

One distinguished reinsurance executive from London regaled listeners with his definition of heaven and hell, which he attributed to a source in the European Community:

Heaven is where the police are English, the cooks are French, the mechanics are German, the lovers are Italian and the whole thing is run by the Swiss.

Hell is where the police are German, the cooks are English, the mechanics are French, the lovers are Swiss and the whole thing is run by the Italians.

## ...But some say yes

MONTE CARLO, Monaco—Brokers complained that reinsurers attending the Rendez-Vous de Septembre weren't interested in writing anything, but not everyone got "no" for an answer.

Doug Ruedlinger of The Ruedlinger Cos. in Topeka, Kan., found all the reinsurance he needs for one of his programs in just four meetings.

Mr. Ruedlinger was lining up reinsurers for August 1986 for The National Federation's Student Protection Trust, a medical and accident program that insures student and amateur athletes against injuries.

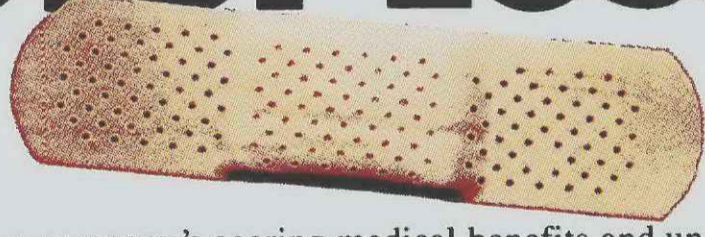
"Reinsurance for medical programs is wide open," Mr. Ruedlinger reports.

The trust insures 5 million athletes in 49 states, generating about \$8 million in annual premiums. Its loss ratio has never exceeded 25% of its premium.

Mr. Ruedlinger was looking for stop-loss coverage excess of 55% of premium and found plenty of willing participants offering stop-loss above 61% to 62%, a figure he says is very acceptable.

And, Mr. Ruedlinger found that reinsurers would have been willing to sign on for the program this year and were surprised to hear that he was looking for coverage that would commence 11 months from now.

# MEDICAL STOP LOSS



Cure a company's soaring medical benefits and uncover greater profits for you. Cox Insurance Group can help you help your clients contain their medical costs through:

- ✦ Medical Stop Loss  
ARAS Program (35 or more participants)  
Specific and/or Aggregate
- ✦ Group Life and AD&D  
Disability Income (WI and LTD)  
Medical Conversion
- ✦ High Limit Disability  
Monthly and/or Lump Sum

For more information, write or call today.



**COX INSURANCE GROUP, INC.**  
Lloyd's London Correspondent  
P.O. Box 27766 / 5170 Commerce Circle  
Indianapolis, Indiana 46227 / (317) 887-0030 / Telex 276252



## THIS IS THE PLACE FOR LONG-TERM AUTO LEASING INSURANCE.

Be sure. Take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves you time, cuts your costs, satisfies your customers. We do the work, you get the credit!

- Lessors Excess Liability • Primary Physical Damage
- Lessors Contingent Liability • Primary Liability Coverages
- Contingent Physical Damage • Interim Car Coverages
- Residual Value Insurance



We invite your inquiry and your business. Write or call **Ron Ruane**.

### PAIGE-RUANE, INC. INSURANCE

The Irwin Building  
460 N. Gulph Road  
King of Prussia, PA 19406  
(215) 265-4170

Physical Damage by  
**Motors Insurance**



The Insurance People from General Motors

## Reinsurers meet

Continued from previous page in London, with the pound strengthening against the dollar and the addition of new names at Lloyd's of London.

John Lock, general manager of Mercantile & General Reinsurance Co. P.L.C., also believes the situation will improve as rates increase.

"Last year, no one was optimistic," he said. "Now, people feel things will be getting better."

Over the last three years, M&G pulled out of certain U.S. property/casualty reinsurance, including professional liability, environmental impairment, bankers blanket bond and bloodstock risks.



Mr. Lock

"On the business left, we have improved terms," Mr. Lock said. "Ceding commissions on treaties were 37.5%; now they are down as low as 17.5%."

Brokers and reinsurers also were encouraged that reinsurers are working to place retrocessions by mid-October so they know what limits they have for 1986 contracts.

This effort to align retrocessions is intended to avert the problem of 1985 renewals, when reinsurers were unprepared for the lack of retrocessional capacity and were forced to delay commitments until their protections were in place.

"We hope to complete all retrocessions by mid-October so I know exactly where I stand, and I think that is possible," said John Kendrick, non-marine reinsurance manager for Lloyd's brokers Andrew Weir London Ltd.

He says if reinsurers retain more risk, retrocessions will be looked at more favorably by retrocessionaires. And, he suggests reinsurers

retain 5% to 10% of their excess-of-loss catastrophe reinsurance.

Despite some optimism, "Perhaps We'll Survive" would have been the tag line on the Pearson Webb Springbett poster if the London-based broker and underwriter had continued its tradition of capturing the mood of the Rendez-Vous.

But PWS Chairman David Springbett said the poster was not printed this year because in recent years it has not been displayed enough to justify the cost.

And, he conceded, PWS—as a new public company—was concerned that producing a flashy poster when its profits were falling might be considered wasteful.

But, reinsurers' survival will depend upon writing enough profitable business to compensate for prior losses and produce profits.

And, not everyone believes that reinsurers' losses on prior years' business are completely known.

"What we have seen is only the start," warns Pierre Croizat, president of Scor Reinsurance Co. in the United States. "It's hard to imagine the effect on companies of the business written in the last five years. Companies still are—consciously or unconsciously—underreserving for their losses."

Scor Re, he notes, increased its loss reserves at year-end 1983 and "is now in very good shape." But, it is easier for a small company to correct its underreserving than a large company, he observes.

## Ceding companies still seek security

MONTE CARLO, Monaco—Despite a shortage of reinsurance capacity, ceding companies are no less choosy today about their reinsurance companies.

Ceding companies want reinsurers that will be in business and pay claims in the future.

"Security is very important," confirms Jean-Francois Gelot, managing director of Arthur J. Gallagher & Co. (Bermuda) Ltd., which places reinsurance supporting property/casualty package programs arranged by U.S. retail broker Arthur J. Gallagher & Co. and underwritten by U.S. insurers.

Generally, ceding companies require reinsurance companies to have capital and surplus of at least \$20 million to reinsure casualty programs and \$10 million to \$15 million to reinsure property programs, Mr. Gelot says.

Security concerns are stronger than ever, observes Ward Gordon, chairman of Intere Intermediaries Inc. in New York, a leading U.S.-based reinsurance intermediary.

Intere, which places most of its business with U.S. reinsurers, asks all its clients to review reinsurance arranged and specifically accept—or reject—all reinsurers with less than a B-plus rating from A.M. Best Co., Mr. Gordon noted.

"People are still security-conscious," says David Cargile, president of RFC Intermediaries Inc. in Los Angeles, another leading U.S. reinsurance intermediary.

But, he predicts that rather than the old standard of requesting only companies rated at least A by Best, "B will become the standard."

Mac Henderson, vice chairman of RFC, agrees. "People will be more conscious of security, but a little less arbitrary. They will take a B or a B-plus company," he says.

"I'm concerned about the emphasis on an A rating," he added. "Best does a good job," he says, but there are many reasons an insurer's rating can slip, ranging from bad management to bad luck. Ceding companies have to look beyond Best and consider other factors, such as surplus, he says.

Wallace Winter, president of Intere, notes reinsurance brokers also can help clients judge a reinsurer, based not only on Best's, but also on "subjective assessments."

**Business Insurance Directory**  
Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

ROUTE TO:  
 CFO  
 VP FINANCE  
 RISK MANAGER  
 BENEFITS MANAGER  
 DIR. COMPENSATION  
 VP HUMAN RESOURCES  
 PENSIONS/RETIREMENT  
 DIRECTOR, SAFETY  
 CLAIMS MANAGER  
 VP INDUSTRIAL REL  
 INSURANCE MANAGER  
 LIBRARY

Amid the many reference tools available, there is one unique source book that identifies the major buyers in the commercial insurance industry. The 1985 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services, which features listings on more than 2,000 U.S. corporations, is available now.

The BI Directory provides an expanded list of the major buyers by name and title ... plus corporate address and phone, information on company sales volume and employee population. Access to data is easy with complete alphabetical listings and condensed indexes by size of company and geographic region.

Buyers and sellers alike use the BI Directory. As a buyer, the directory helps you identify your corporate counterparts; and as a seller, you can pinpoint these influential buyers and reach them easily.

Avoid commercial insurance gridlock—order your 1985 BI Directory today, after all...

**the BI Directory is the route to take.**

Business Insurance Directory  
Single Copy Sales, 740 Rush Street, Chicago, IL 60611  
BI 9/23

Please send me \_\_\_\_\_ copies of the Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services \$50 each; \$40 each for 5 or more

Bill me \_\_\_\_\_ plus \$5 additional charge for handling:  Payment Enclosed:  Visa:  Mastercard

Account # \_\_\_\_\_ Exp. Date \_\_\_\_\_ Signature \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

**business insurance**

## Capacity crunch is worst in history

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Only a year ago, few reinsurance executives or brokers were willing to predict if the imminent capacity crunch would be as bad as in the 1970s.

This year, nearly everyone attending the Rendez-Vous de Septembre said the January 1986 renewals will be the worst in history.

The circumstances creating this capacity crunch are dramatically different from factors causing previous shortages, the executives and brokers explain.

Veterans of the industry recall the capacity crunch after Hurricane Betsy in 1965. It was a difficult market, but it soon improved gradually.

The most recent capacity shortage, in the mid-1970s, was caused primarily by the downturn in the U.S. stock market, experts recall.

U.S. insurers' and reinsurers' capital base shrank almost overnight when the value of their stock investments tumbled. The capacity shortage that was created drove up insurance prices. And, new investors were attracted by the opportunity to make large returns on their investments.

And, corporations formed captive insurers, also hoping for a large return on their investments.

"It was a capacity shortage of a kind, but it was not due to underwriting losses," stresses Ward Gordon, chairman of Intere Intermediaries Inc. in New York. And, when the stock market recovered, so did insurers' surpluses.

"That was short and sharp," Robert Baker, president of Hudson Reinsurance Co. Ltd. in Bermuda, says of the mid-1970s tight marketplace.

But, since 1979, it's been downhill for the industry, executives agree. Today, the industry's capacity problems are the cumulative result of unprecedented underwriting losses caused by the longest

stretch of rate competition in insurance history.

And, reinsurers say, despite complaints in the mid-1970s about awards made in product liability and medical malpractice suits, the problems posed today by high awards are much worse.

Moreover, reinsurers complain that insurers are being forced to cover losses they never intended to insure (see story, page 1).

"It's a much more serious situation now," maintains Wolfgang Buettner, president of American Intermediaries Inc. in Los Angeles. "The extended cuthroat competition and the terrible underwriting losses have been to the detriment of the foreign reinsurers."

Furthermore, he says, the extremely strong dollar against foreign currency does not make investment in the United States attractive.

"In the mid-1970s, the tightening was purely in the United States, but capacity still existed on a worldwide basis," notes Pierre Croizat, president of Scor Reinsurance Co. in New York. "Now, the capacity problem is hitting everywhere in the world."

As a result, neither foreign reinsurance support nor foreign investment can be expected to fill demands for capacity in the United States.

New capital is being raised in the United States but some observers suggest that much of the new capital amassed by veteran insurers will go to pay losses still developing from prior years.

Therefore, the current capacity crunch is expected to be more severe and last longer—for at least three years, perhaps five, the experts say.

Mr. Croizat, however, suggests that the capacity crunch for property insurance may be shorter than for casualty insurance. As reinsurers pull out of the casualty market, they are allocating their capacity to property risks, he explains. Therefore, competition for property risks could soon develop.

### WE'RE TRUCK WRITERS!

We use "A" rated paper.

We write PHD, Cargo, Fuel Bonds, WC, GL and Primary.

We write individuals and we write fleets.

### OUR TRUCK UNDERWRITERS ARE:

Wally Crapo - Formerly of Alexander Howden

Guy Stephenson - Formerly of Occidental

John Majewski - Formerly of Carolina

John Fortune - Formerly of Carolina

Mike Lane - Formerly of Transportation G.A.

Herbert F. Baker

President

(Former Vice President of Zurich of Illinois)

Agency contracts available for truck producers

1-800-647-3769



TRUCK UNDERWRITERS  
OF AMERICA, INC.®

1655 Peachtree St., Suite 520, Atlanta, GA 30309 TELEX: 80-4319

© 1984 American Truck Underwriters, Inc. (TM)  
All Rights Reserved

## Claims-made form won't ease all worries of foreign reinsurers

By KATHRYN J. McINTYRE and STACY SHAPIRO

MONTE CARLO, Monaco—The new claims-made general liability policy form, designed to better quantify insurers' risks, may not satisfy many foreign reinsurers that are dropping U.S. casualty business.

Reinsurers still writing U.S. casualty business, however, welcome, advocate and in some cases even demand adoption of the claims-made policy form for general liability risks.

But, few insurance or reinsurance executives expect the claims-made form to be universally used beginning Jan. 1, the target date for adoption of the Insurance Services Office's claims-made form.

"I think the claims-made form was long required, but the American market has a long way to go," says Shlomo Jannai, managing director of Israel Reinsurance Co. Ltd. in Tel Aviv.

Israel Reinsurance has cut its U.S. casualty business to 10% of its volume from 25% because "American casualty is not writeable," he said.

And, although he supports the claims-made form, Mr. Jannai says, "I do not know what the courts will make of the claims-made form, so I would rather stay out of it altogether."

The experience with U.S. courts interpreting the occurrence form makes reinsurers skeptical that the claims-made form will hold up as insurers intend.

"Claims-made alone will not sway the Europeans to come back into U.S. casualty business," predicts Wolfgang J. Buettner, president of American Intermediaries Inc. in Los Angeles.

Europeans have stopped reinsuring U.S. casualty risks because they fear they cannot measure the exposure, and the claims-made form is not alleviating that fear, he says.

"When the results are actuarially predictable, the Europeans will recommit," predicts Gerard F. Curtis, a retired executive of Alexander & Alexander Services Inc. who now has a consulting practice in New York.

"This translates into a claims-made underwriting approach, but one that is more restrictive than the ISO approach," he explains.

Robert Baker, president of Hudson Reinsurance Co. Ltd. in Bermuda, characterizes the effect of the claims-made as a "wild card."

"Theoretically," he says, "there won't be the long-tail" of losses reported to reinsurers years after the policies have expired. But, that's in theory.

Nonetheless, some reinsurers are demanding adoption of the claims-made form, says Dennis E. Arnold, senior vp of Transamerica Insurance Services, a subsidiary of Los Angeles-based Transamerica Corp.

"Most reinsurers are advocating and pushing for claims-made forms, but some reinsurers are not being reasonable," he says. "They are saying regardless of the exposure or problem, reinsurance cover will be claims-made Jan. 1."

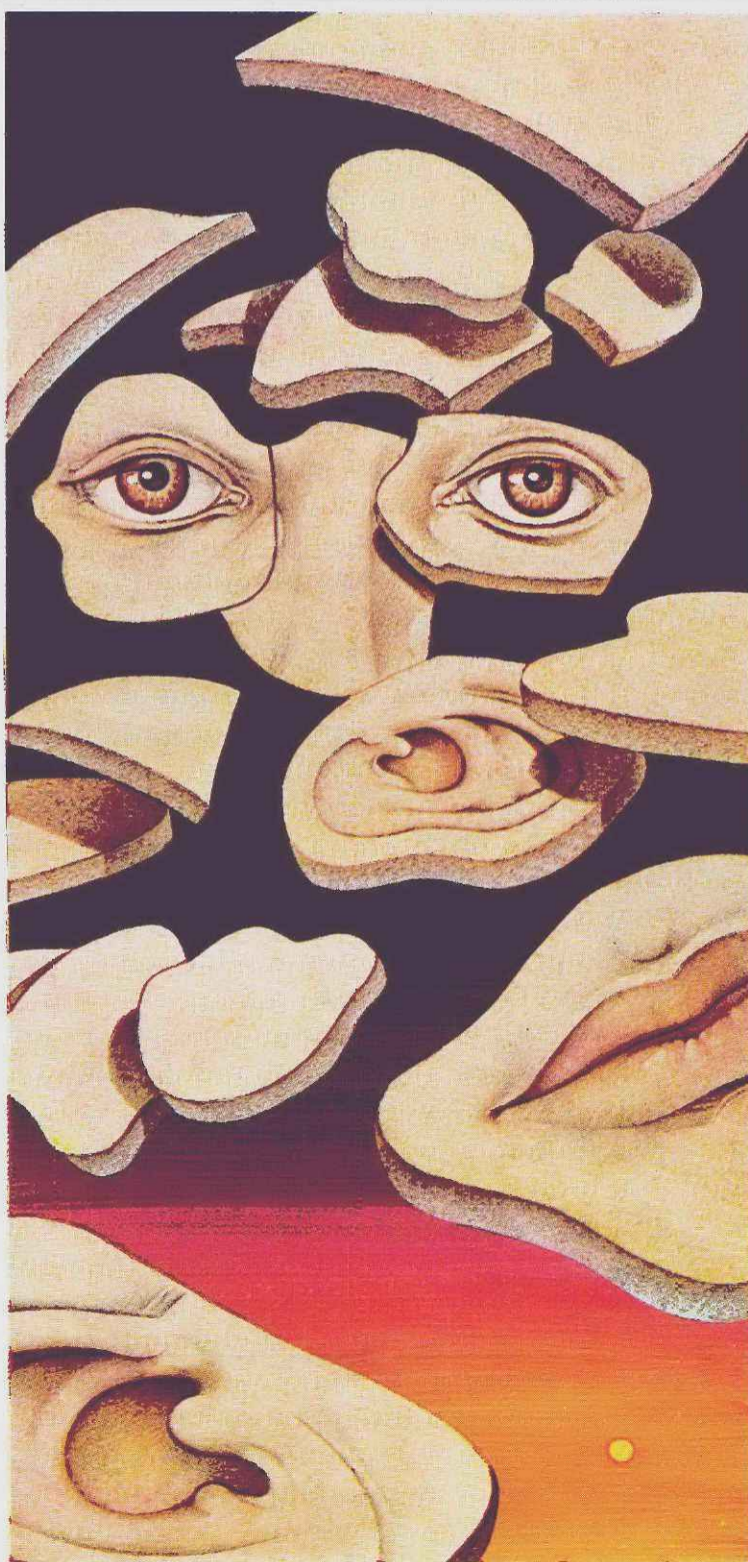
That's impossible since only 27 states have approved the claims-made form for use, he says.

"The market is being jawboned at the moment by London for claims-made," says Walter Rhulen, president of Rhulen Agency Inc. in Monticello, N.Y. He maintains that "to make the whole market a universal claims-made market on Jan. 1, 1986, is premature."

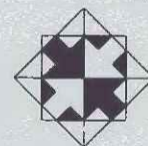
Not all reinsurers, however, are committed to the claims-made form for Jan. 1 because of confusion over its acceptance by state insurance commissioners and the proposal of a new claims-made form in London by H.S. Weavers (Underwriting) Agencies Ltd.

Some reinsurers "are waiting regarding claims-made," says Jean-Francois Gelot, managing director of Arthur J. Gallagher & Co. (Bermuda) Ltd. "They support claims-made in principle, but they are waiting on wording."

But, most U.S. commercial casualty insurance eventually will be written on claims-made forms, some predict. "I don't think there is an occurrence market. It will be the exception rather than the rule," says Mr. Gelot.



In our business, if you're not part of the solution, you're part of the problem.



It's the acknowledgment of this simple fact that makes RFC Intermediaries do the complete job in

providing practical reinsurance protection.

For nearly two decades we've given you access to secure markets, worked with you to negotiate advantageous treaty and facultative coverages, and backed you up with documentation and administration that's unparalleled.

Today, as risks become more complex, and liabilities continue into a future that's difficult to predict, RFC is still making connections and solidifying coverages for you.

So for reinsurance coverage you can count on, call any one of the nationwide network of RFC offices. That's the best solution to your protection problems.

RFC

INTERMEDIARIES, INC.  
2029 Century Park East, Suite 1610  
Los Angeles, CA 90067  
(213) 277-3753 / (213) 284-4400  
TELEX: 696184 RFCHQ LSA  
Atlanta Chicago Columbus Dallas  
Hartford Los Angeles New York  
Philadelphia San Francisco

# Claim management specialists.

## At your service.

Nationwide. Claim Management Specialists, Inc. operates as a fully-staffed home office claims department for self-insurers, MGAs, captives, program managers, and small insurance companies.

CMS provides cost-effective management of professional liability, product liability, malpractice and related property and casualty claims. We also handle run-off facilities.

To find out how CMS can work for you, call CMS General Manager John Kuhn. Or, let us send you our descriptive booklet. You'll be pleased.



**CLAIM  
MANAGEMENT  
SPECIALISTS, INC.**

525 W. Monroe Street Chicago, IL 60606 (312) 207-1239

# New companies and capital entering reinsurance market

By KATHRYN J. McINTRYE

MONTE CARLO, Monaco—New companies with new capital are emerging in the capacity-tight reinsurance business.

The lobbies of Monte Carlo hotels were buzzing with news of new reinsurance ventures during the Rendez-Vous de Septembre earlier this month.

Meanwhile, others representing existing reinsurance entities also were meeting with potential investors to raise new money.

Both new and existing reinsurers want to capitalize on what they see as perfect timing for writing reinsurance: a period when capacity is short and prices are rising.

Two new ventures particularly caught the eyes of capacity-hungry brokers: Clarendon Insurance Group and NAC Re Corp., both based in New York.

Clarendon Insurance Group is bringing about \$115 million in new capital to write U.S. property/casualty reinsurance business.

And, new management has joined the company to bring it into the business: Ralph Milo, formerly a vp with General Reinsurance Corp., and William Clark, most recently president of Transinsco Corp., an insurance subsidiary of Gulf Oil Corp. Mr. Clark previously was a senior vp with General Re where he directed facultative underwriting.

Clarendon Group purchased Cavalier Insurance Co., a company licensed in 49 states, from Control Data Corp. and will rename it Clarendon National Insurance Co.

By the end of this month, the company will be capitalized with \$55 million, said Mr. Milo, president and chief executive officer.

Clarendon National will underwrite traditional U.S. property/casualty treaty reinsurance, said Mr.

Clark, chief operating officer and executive vp.

Both executives hold the same positions in Clarendon America Insurance Co., which has underwritten reinsurance for about two years. Clarendon America will now specialize in financial reinsurance programs, said Mr. Milo.

Mr. Clark noted that while Clarendon National will not be eligible for a rating from A.M. Best Co. for five years, the group's \$115 million in capital and the experience of its executives are attracting the support of reinsurance brokers.

"The reception we've received has been just fabulous," Mr. Clark said. Nevertheless, Clarendon National "probably will write less business than I would like," he said, because "the market has not turned as hard as I think it should."

Clarendon Insurance Group was founded in 1979 with \$25 million in capital and has specialized in residual value insurance. The original investment grew to \$100 million, principally from earnings on investments in financing operations, Mr. Milo said.

Meanwhile, a 2.2 million-share offering by NAC Re Corp. is expected to raise about \$50 million.

NAC Re is the recently organized holding company for North American Co. for Property & Casualty Insurance. That company, licensed in 50 states, principally reinsures general liability, automobile, workers compensation, commercial property and personal property risks. Most of its business is written on a treaty excess-of-loss basis.

Following the offering, NAC Re expects to be the 13th-largest U.S. reinsurance company based on policyholder surplus. At year-end 1984, NAC reported policyholder surplus of \$26 million and holds an A rating from Best.

The capital raised by the offering will increase NAC's surplus and will be used to "support anticipated premium growth in NAC's present reinsurance business," the prospectus says.

"Depending upon market conditions and available opportunities, NAC may also utilize this capacity to expand its business to include the writing of primary insurance, facultative reinsurance and reinsurance other than casualty and property reinsurance," it adds.

In May 1984, NAC was purchased by Grey Eagle Enterprises Inc., owned 95% by Kramer Capital Corp. and 5% by Ralph C. Hemp, chief operating officer of NAC.

KCC is owned 19% by Donald Kramer, who is chairman and chief executive officer of NAC Re and president of KCC. Other investors in KCC include Puritan Life Insurance Co., General Reinsurance Corp. and venture capital funds.

After the offering, KCC will control approximately 54% of the common stock of NAC Re.

In the last seven months of 1984, NAC wrote \$8.2 million in net premiums and reported net income of \$2.2 million. In the first six months of 1985, the company reports \$8.7 million in net premiums and \$4.1 million in net income.

NAC Re's offering attracted attention not only because of its size but also because of the company's new president. Ronald L. Bornhuetter, formerly vp of finance at General Reinsurance Corp., joined NAC Re as president and chief operating officer on Aug. 31.

Among those attending the Rendez-Vous in hopes of attracting new capital was Donald Reutershan, president of the New York Insurance Exchange.

Mr. Reutershan attended the Rendez-Vous for the first time this

year to meet with potential new investors in the exchange.

While unwilling to identify potential new investors, Mr. Reutershan said he left Monte Carlo cautiously optimistic that his meetings will result in new capital for the New York exchange.

A new credit enhancement company capitalized at \$150 million also may emerge this year, according to sources attending the Rendez-Vous. Charles Street Securities in New York, a boutique investment bank, is attempting to capitalize the company, confirmed President Gerard Mizrahi, who briefly attended the Rendez-Vous.

Tim Delaney, executive vp of Delaney Management Co. in New York, was talking at the Rendez-Vous to potential new investors in Lancer Financial Group, which owns Lancer Insurance Co. and the Lancer Syndicate on the New York Insurance Exchange.

Lancer, capitalized at \$10 million, is managed by Delaney Management Co. and is owned by corporate investors with captive insurance companies. Lancer specializes in package program business.

But while talking to potential investors in Lancer, Mr. Delaney also was explaining a reorganization of the Delaney companies.

The brokerage and management operations are being merged for corporate services and will be operated as divisions of Delaney Management Co. The reorganization follows the decision to fold an affiliate, Donald F. Muldoon & Co., which had written captive reinsurance programs on behalf of Transit Casualty Insurance Co.

Delaney Management has been running off that business for the last year, he said, and Transit will assume the runoff shortly.

The decision to fold the Muldoon operation has cut the Delaney company's revenues in half to about \$5 million annually from \$10 million. As a result, the company's staff is down to 75 from 160 and the company's building on Cliff Street in New York is for sale for \$3 million.

Mr. Delaney also confirmed that the reinsurance he brokered on behalf of Transit for the captive reinsurance programs—both specific and aggregate programs—is producing big losses for the reinsurers involved. The aggregate treaty, for example, generated about \$3 million to \$4 million in premiums but is expected to produce losses of about \$15 million.

In all, reinsurance brokered for the Muldoon operation generated \$1.3 million in annual revenues. Mr. Delaney also said that Delaney Management spent \$1.5 million running off the Transit business.

The Muldoon operation also has been named in litigation brought by Transit against a Texas-based MGA (BI, June 10).

(Donald F. Muldoon, who ran the operation bearing his name, was not involved in the runoff of the Transit business for the last year, he said. He said last week he is selling his stock and leaving the company.)

Mr. Muldoon says he will continue to place fronting programs for captive insurance companies, either through Donald F. Muldoon of New Jersey, an existing company, or a new company.)

Mr. Delaney admitted that reducing the size of his company, which is also owned by his brother David Delaney, and explaining losses on business he brokered to reinsurers made his stay in Monte Carlo a difficult one. But, he said he is looking toward the future.

"We are going to emerge as a tight little company," he said. ■

**RESOLUTE  
REINSURANCE  
COMPANY**  
NEW YORK, NEW YORK  
All Classes of Non-Life Reinsurance  
Treaty • Facultative • International • Domestic

Downtown New York and Facultative Offices: 55 John Street, New York, N.Y. 10038 Telephone (212) 619-1040 Telex 968352	Management and Treaty Offices: 1212 Avenue of the Americas, New York, N.Y. 10036 Telephone (212) 398-8800 Telex 968420
--	---

# Rendez-Vous shows who's still in business

By KATHRYN J. McINTYRE and STACY SHAPIRO

MONTE CARLO, Monaco—Determining firsthand which reinsurers are in business and which are out of business is one of the fundamental reasons brokers make the annual pilgrimage to Monte Carlo for the Rendez-Vous de Septembre.

And, reminding brokers they are still in business is one reason many reinsurers also send representatives to the gathering.

But, the list of registrants—referred to as "The Bible" by one insurance intermediary—isn't infallible.

Some companies that register months in advance are out of business before the September gathering.

Other companies enter new lines or drop old ones with startling speed and announce and discuss their decisions at the Rendez-Vous.

Among the companies pulling out of the reinsurance business this year was London Guarantee & Reinsurance Co., a subsidiary of Sun Alliance Insurance Group in London.

London Guarantee & Reinsurance stopped underwriting new or renewal business just before the Rendez-Vous, said Ronald Bishop, chief general manager of Phoenix Assurance P.L.C., also a subsidiary of Sun Alliance.

The reinsurance business generated about 20 million pounds in net premium, but Sun Alliance decided it wanted "out of the professional reinsurance market," said Mr. Bishop.

Also just before the beginning of the Rendez-Vous, Sphere Drake Insurance Co. P.L.C. in London announced it was pulling out of the aviation and hull liability insurance market, although it will continue to write aviation excess-of-loss reinsurance.

After nine years, Sphere Drake had made a profit on aviation hull and liability insurance in only one year: 1984. The coverage generated

15 million pounds of the company's 130 million pounds in gross premiums in 1985.

"We almost made the decision 15 months ago," said Sphere Drake Chairman Ian Dean. "With the spate of losses recently, we said 'enough is enough,'" he explained.

Sphere Drake, which is being sold by Alexander & Alexander Services Inc., earlier pulled out of writing U.S. and overseas facultative reinsurance.

Now, however, Sphere Drake plans to enter two new lines: U.S. property facultative reinsurance and binding authorities with U.S. agents, mostly for property and trucking risks.

The new products will be introduced when Sphere Drake has arranged the needed retrocessional cover, Mr. Dean said.

Among those reinsurers reconfirming their active role in reinsurance underwriting were companies from Bermuda.

Bermuda-based reinsurers continue to be the brunt of sarcastic comments about short-term commitment from some brokers, particularly London-based brokers.

But Kenneth D. Biersack, vp-managing director of GTE Reinsurance Co. Ltd. in Bermuda, says the shortage of capacity for reinsurance has dampened criticism of Bermuda-based companies.

"We're here to let people know that we are still very active and intend to conduct our affairs in a responsive and responsible fashion," Mr. Biersack said.

GTE Re, a subsidiary of GTE Corp. in Stamford, Conn., reported policyholder surplus of \$55 million at year-end 1984.

The company is interested primarily in property/casualty treaty business, both proportional and non-proportional, but prefers to reinsure the policy-issuing company rather than other reinsurers.

"We are de-emphasizing retrocessional business," Mr. Biersack said. "But, I don't mind being a retrocessionaire of a well-established reinsurer," he added.

Unlike many foreign companies, GTE Re will write U.S. casualty business, but among excluded classes are errors and omissions, directors and officers liability, medical malpractice and environmental impairment liability.

GTE Re's capacity is \$500,000 on non-proportional treaties and \$250,000 on proportional treaties.

Bermuda-based Hudson Reinsurance Co. Ltd. President Robert Baker said he was attending the Rendez-Vous to meet with brokers and discuss experience on accounts.

Hudson Re continues to write some U.S. casualty risks, he confirmed. But, despite hefty rate increases, it is not planning to expand that book of business.

In all, 17 reinsurance companies based in Bermuda registered for the Rendez-Vous, although not all of them are underwriting commercial reinsurance.

Ancon Insurance Co. S.A., for example, a subsidiary of Exxon Corp., was registered, and President Clayton Cormier attended. However, Ancon stopped writing commercial reinsurance almost a year ago.

And, Mr. Cormier is leaving Ancon in December to join Johnson & Higgins in New York as a senior vp in charge of the oil and gas division.

While many reinsurers pronounced strategies of no growth or

limited growth, some reinsurance company executives attending the Rendez-Vous discussed plans for more growth.

Pierre Croizat, president of Scor Reinsurance Co. in New York, said, "We are not among the ones who will reduce their activities in the United States. We will increase them."

Scor Re, with \$31 million in capital and surplus, will write about \$30 million in net premiums in 1985 compared with \$19 million in 1984. Gross premiums in 1985 will total about \$65 million.

And, Mr. Croizat expects Scor Re to produce a profit for the second consecutive year.

In 1986, Scor Re expects to write 20% more in gross premiums, keeping \$35 million to \$40 million in net premiums. But, the growth in premiums will reflect primarily rate increases, not a substantial increase in the number of contracts written, Mr. Croizat notes.

Scor Re is fortunate in that it does not have to worry about its own retrocessions, which are written by its parent company, Paris-based Societe Commerciale de Reassurance, and a joint venture partner, Japan-based Dai-Tokyo Fire & Marine Insurance Co. Ltd.

"We are being very restrictive ourselves on retrocessions," Mr. Croizat said.

Scor Re, with 70 employees in

four U.S. cities and an A rating from A.M. Best Co., is striving to specialize its reinsurance underwriting, "but that is easier to say than do," Mr. Croizat comments.

Large property risks written on a facultative basis, which generate about 25% of Scor Re's premium, is one targeted specialty, but Mr. Croizat says that rates are still often too low to accept.

Scor Re's casualty business is primarily reinsurance of commercial automobile risks, more on a buffer layer basis than an umbrella basis.

Scor Re writes very little product liability, workers compensation or medical malpractice insurance.

Its business is split about equally between property and casualty risks. Its in-house property capacity is \$12 million on a facultative basis and \$4 million on a treaty basis. Its casualty capacity is \$2.5 million on a facultative basis and \$1 million on a treaty. The casualty treaty capacity is used rarely, Mr. Croizat noted.

Prudential Reinsurance Co. also is expanding. It plans to open an office in London soon to write non-U.S. facultative reinsurance for property and casualty risks, said Dewey P. Clark, vp-international of Prudential Re.

The company will be called Leroyer U.K. Ltd. and will have an initial capitalization of 5 million pounds (\$6.7 million), he said.

## Lawyers take their case to annual Rendez-Vous

By STACY SHAPIRO

MONTE CARLO, Monaco—There were lawyers everywhere at the recent Rendez-Vous de Septembre, and they had lots to talk about at the annual convention of reinsurers in Monte Carlo.

The lawyers were talking to reinsurance or insurance clients about the massive amount of litigation between ceding companies and reinsurers.

In attendance at the Rendez-Vous, for example, were officials of the Insurance Corp. of Ireland, looking for ways to collect reinsurance money without litigation, sources said.

The Insurance Corp. of Ireland was taken over by the Irish government in March, but it is continuing to pay claims and write new business, including North American risks (BI, March 25).

Another meeting was held to discuss the results of an audit of Pacific Reinsurance Management Corp., the Mission Insurance Group subsidiary that manages a reinsurance pool that is now running off its business. Two separate lawsuits have been filed against Pacific Re, claiming it mismanaged the pool (BI, Sept. 16).

And, brokers and reinsurers were interested in other litigation involving Mission Insurance Group. Borg-Warner Corp. is being sued by three Mission Insurance Group units demanding an estimated \$50 million in reinsurance payments from Centaur Insurance Co., a Borg-Warner subsidiary (BI, Sept. 20).

"There are definitely a lot more disputed contracts," said one reinsurance company executive. "I don't like the idea, but what do you do when someone writes 10 times the volume they said they would?"

"In rough terms, the gentlemanly way the market conducted itself 15 years ago has broken down," said Nigel Brook of the London law firm Clyde & Co. "So rather than go to arbitration or come to some kind of agreement, reinsurers and insurers are going to court.

U.S. and London courts are clogged with disputes about claims payments by reinsurers and retrocessionaires to ceding companies.

But, there aren't always enough judges available to hear the cases. In London, for example, there are only five judges who hear insurance/reinsurance disputes, Mr. Brook said. And, the judges only hear cases four days a week. Mr. Brook estimated the judges are now booked about two years in advance to hear reinsurance cases.

## It took 18 months to settle injury liability in the Hyatt skywalk case... ...and only 18 seconds to look it up in BI's Editorial Index.

With the BI Editorial Index, it takes just seconds to research events and issues that unfold over months, or even years.

When you need to pinpoint those crucial facts to guide you in your decision-making you'll find exactly what you need quickly in the BI Editorial Index.

All the Business Insurance news and features on a host of topics are catalogued in this indispensable Editorial Index: risk management, employee benefits, property/casualty, legislation, financial developments, market trends, losses, claims settlements, and much more!

You'll never again spend your valuable time wading through a pile of back copies to find what you're after! You don't have to rely on someone else to get you the facts!

The Index conveniently lists information by subject, persons quoted and companies mentioned.

The 1984 Annual Editorial Index is available now... and there's a copy that belongs in your office. Or in your corporate library.

BI's Index Service is a must — for you and everyone in your corporation who have to keep abreast of the constant changes in the world of commercial insurance, risk management and employee benefits.

The 1985 full Editorial Index Service provides three quarterly reports plus a cumulative annual edition.

And, to make certain that you'll have continuous access to information, your purchase of the full Index Service allows you to get article citations from our Info Centers in New York and Chicago between publication of the quarterly reports.

Send in the coupon at the right, now, and make sure that vital information will be within your reach whenever you need it!

"Our past...fast!"



business insurance

A Publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133  
Chicago: 740 Rush St., IL 60611 (312) 649-5275  
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

WEEK OF JULY 27, 1981  
**Hotel cover may top \$300 million**

WEEK OF AUGUST 10, 1981  
**Who will pay Hyatt punitive claims?**

Disaster raises questions on architect's insurance needs

WEEK OF FEBRUARY 1, 1982  
**Hyatt class action allows settlements, but will they go on?**

WEEK OF MAY 3, 1982  
**Settlement talks rumored in Hyatt class action**

JANUARY 17, 1983  
**Skywalk liability set at \$100 million**

**Business Insurance Editorial Index**

220 East 42nd Street, New York, NY 10017

Please send me the following Index(es) at \$150\* each:

Annual Index Only:  1981  1982  1983  1984  
Full Index Service:  1985

\*Foreign Postage Additional

**PAYMENT MUST ACCOMPANY ORDER**

Visa  Mastercard  Check Enclosed

Account # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone ( ) \_\_\_\_\_

# 'Insane' competition wounds U.K. insurers

By STACY SHAPIRO

MONTE CARLO, Monaco—"Appalling, sometimes insane competition" among British insurers has produced disastrous six-month results for some of the major British insurance companies, according to Ronald Bishop, chairman of the British Insurance Assn.

Following the principles of cash-flow underwriting, the major insurance companies in Britain lowered rates during the last few years in the hope of producing profits from investment income, he said.

But, a spate of recent losses coupled with the contraction of the reinsurance market has shown British insurers—like other world markets—that profits must be made on underwriting, Mr. Bishop said.

"Everyone has announced seriously worsened underwriting results, and I doubt whether many have enjoyed a trading profit after allocating investment income on technical reserves," said Mr. Bishop, who is chief general manager of Phoenix Assurance P.L.C., a subsidiary of Sun Alliance Insurance Group.

Mr. Bishop was participating in a panel discussion on the domestic British insurance market at the Rendez-Vous de Septembre, the annual reinsurance conference held in Monte Carlo.

He noted that, during the last

few weeks, four major British insurance companies have announced results in which the ratio of underwriting losses to net premiums written is worse than at the same time last year.

He said the insurers are Royal Insurance P.L.C., with underwriting losses equal to 7.6% of net premium; General Accident Fire & Life Assurance Corp. P.L.C., with losses equal to 15.8% of premium; Sun Alliance, with losses equal to 15.7% of premium; and Guardian Royal Exchange Assurance P.L.C., with losses equal to 19% of premium.

"The escalation of competition would itself have been sufficient to produce an unacceptable level of underwriting loss, but unfortunately, other factors were conspiring to make matters worse," Mr. Bishop said.

For example, he said, in 1984 and again in the first half of 1985, British insurers have been hit with:

- Crime losses, which have increased threefold between 1979 and 1984 for industrial and commercial premises.

- Weather-related losses, which have increased dramatically in the last five years. In 1979, British insurers paid 39 million pounds for gale and flood losses in December; in January and February 1984, they paid more than 175 million pounds for gale, snow and flood losses.

- The fact that policyholders appear to be more likely to file a claim. This is "probably due to the influence of the media and consumer organizations, but also due to the increasing cost of repairs," Mr. Bishop said.

- The emergence of numerous and expensive long-tail claims in public and products liability and employers' liability, "although the problem of industrial diseases has not been as great as in North America," he said.

- An escalation in the level of court awards in Britain. "This social inflation has undoubtedly been influenced by knowledge, through media coverage, of awards in North America," Mr. Bishop said.

Competing for business in the British market are about 500 British insurance companies, Lloyd's of London companies a number of large U.S. insurers and the "fringe market," which is other foreign insurers with offices in London.

In 1984, the net written premiums for British risks was well in excess of 9 billion pounds (\$12 billion at current exchange rates) and should increase to about 11 billion pounds (\$14.6 billion) in 1985, Mr. Bishop said.

Until July, the British insurers were represented by the British Insurance Assn., chaired by Mr. Bishop. Now, the insurers are represented by the Assn. of British Insurers. Mr. Bishop currently is handling the winding down of the affairs of the BIA.

Also in July, the British insurance companies finally abolished the fire tariff, which had dictated the fire insurance rates insurers charged industrial clients in the United Kingdom. Mr. Bishop and

other British insurers were sad to see the tariff go.

"I greatly regret the demise of the fire tariff, but it went because there was pressure from the government and the consumer," Mr. Bishop said. "It was not a voluntary act."

One reinsurer in the audience asked: "But, following the end of the U.K. tariff, will reinsurance be available for companies who don't have the training to make their own rates, who don't have a back office facility to keep rates? Aren't the insurers in danger of losing their way?"

Mr. Bishop replied: "I am a great believer in market forces. There is a great wealth of reinsurance broking here. Either capacity will be there because of professional reinsurance brokers or it won't be."

Like other world markets, the British insurance market is facing the problem of shrinking capacity, Mr. Bishop noted.

But, he said, "The question is whether shrinking international capacity will impact upon and bring discipline to the U.K. domestic market. I have no real doubts that it will, although I can quite easily devise a scenario in which this would not happen: For example, if . . . national and international insurers were to see such splendid opportunities in the U.K. . . . that they diverted capacity from elsewhere to exploit those opportunities."

Another panelist, Peter Bedford, director of Lloyd's of London broker Fenchurch Insurance Brokers, agreed that the state of the market presents a real challenge for brokers and insurers.

"There can frankly be no more exciting time to write about the state of U.K. insurance than at the present," Mr. Bedford said.

A shrinkage in available capacity coupled with the rise in rates is presenting a challenge to the London broker to get coverage placed.

"For the first time in several years, there is a real premium on professional skill, innovation and, above all, marketing ability," Mr. Bedford said.

"From a broker's standpoint, the market is tougher and more restrictive than six months ago. One of the interesting features in the U.K. is the emergence from the offices of older brokers, whose knowledge is needed," Mr. Bedford added.

Also on the panel at the Rendez-Vous were Noel Eyers, general manager of Norwich Winterthur Reinsurance Corp Ltd. and chairman of the Reinsurance Offices Assn., and Alan Preston, chief executive of Victory Insurance Co Ltd.



Mr. Bishop



Mr. Bedford

## Asian market overcrowded: Executive

MONTE CARLO, Monaco—Too many insurance companies are competing in the Asian insurance marketplace, according to an insurance company executive from Thailand.

One unfortunate result of this overcrowding is many of the smaller insurers pay too much for their reinsurance, he contends.

"Many companies are unaware that they are subsidizing their reinsurers," says Chai Sophonpanich, chairman of Bangkok Insurance Co.

These ceding companies' acquisition costs—the cost of producing the insurance business—exceed the ceding commissions they are paid by reinsurers, he said.

Mr. Sophonpanich addressed the topic of the Asian insurance market in a panel discussion at the Rendez-Vous de Septembre held Sept. 9-13 in Monte Carlo.

Mr. Sophonpanich limited his remarks on the Asian insurance mar-

ket to the countries of Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei.

Many companies in the region pay too much for their reinsurance because they are too small, Mr. Sophonpanich said. As small companies, these insurers "lack strength in dealing with intermediaries and cannot set or influence market terms," he contends.

Furthermore, the smaller insurers have higher expenses than larger insurers, but cannot obtain better commission terms. Therefore, even if the small insurers receive similar terms as larger insurers, their reinsurance commissions in many cases are less than their acquisition costs, he explained.

The solution, he suggested, is to reduce the number of insurance companies in the region so that fewer insurers control larger premium volumes.

There are 106 insurance companies in the Philippines alone, he

noted, and about 60 companies in each of the countries of Indonesia, Malaysia, Singapore and Thailand.

"There should be no more than 30 in each country," he said.

Many of these companies, he noted, were formed in the last two decades of easy access to reinsurance, he commented.

While the population in the region is about 272 million, the total written premium volume is only about \$1.5 billion, he said.

"With small premium income and capital base, many insurers cannot afford to employ qualified technical and managerial personnel."

Although training centers have been established in each country, small companies do not take advantage of them, he noted.

As a result, the insurance industry in the region is not innovative enough in their marketing efforts to sell insurance, he suggests.

Insurance commissioners in the region are "well-aware of the problem of too many small insurers," Mr. Sophonpanich reported, and they have encouraged insurers to merge without much success.

"I believe the best method to reduce the number of insurers to ensure the efficiency of the insurance industry is to increase the minimum capital funds to a level that will force merger or selling out." The minimum paid-up capital requirement in each country for existing companies ranges from a low of \$130,000 in Thailand to a high of \$2 million in Malaysia, according to a chart prepared by Mr. Sophonpanich.

Also on the panel was Rudy Wuwungan, chairman and managing director of the Reinsurance Co. of Indonesia.

### ARE YOU PREPARED FOR THE IMPACT OF THE NEW ISO FORMS?

As an agent or broker, can you identify and solve your policyholder problems and avoid professional liability?

As a claims professional, are you ready for the impact of potential coverage problems that could cause serious bad faith exposures?

As an underwriter, can you interface properly with your producers and policyholders, and know they're properly informed?

As a risk manager or data processor, are you ready to solve problems with excess exposures in shrinking limits caused by the new forms?

The Fisher Associates, Adjusters has over 20 years collective experience in the management of claims under claims-made policies and is pleased to announce the publication of a comprehensive manual that not only analyzes the forms, and the problems, but also offers tangible solutions and guidelines.

This comprehensive manual is available for \$20.00 plus \$2.50 postage and handling from The Fisher Associates, Adjusters, 3465 Torrance Boulevard, Suite N, Torrance, California 90503, telephone 213-540-8803. California residents add \$1.30 sales tax.



## INNOVATION

Innovation in conservation of scarce resources.  
Specialized loss reserve run-off and surplus relief programmes.  
Innovation in reinsurance.



BELVEDERE  
INSURANCE COMPANY LIMITED

Bermudiana Arcade, Queen Street,  
Postal Address: P.O. Box 1643, Hamilton 5, Bermuda.  
Tel: 809-295-3658 - Telex: 3592 BELVEDHA

Executive Placement  
Nationwide specialists in  
**COMPENSATION & BENEFITS**  
V.I.P. RESOURCES, INC.  
278 Crafton Avenue  
Staten Island, NY 10314  
(718) 494-6725 Joseph Gross

## Texas work comp

Continued from page 3

MacKay said. Written premium volume at that time was roughly \$107.4 million, a 244.4% increase over the same period a year ago.

The TWCARP wrote 26,136 risks during 1984, a 31% increase over 1983, and a premium volume of about \$65.9 million, a 29.1% increase over 1983.

The only work comp underwriter in Texas larger than the assigned risk pool is Texas Employers' Insurance Assn. in Dallas, which reported gross written premiums at the end of 1984 at \$219 million. TEIA is a mutual insurer that exclusively writes Texas workers compensation risks.

Employers—who are not allowed to individually self-insure workers compensation risks in Texas—can choose not to purchase any coverage, but then they are more likely to be the target of tort action by injured workers, said Mr. Dorsey.

As a result, many employers feel forced to purchase coverage from the assigned risk pool, but are not happy about it.

It can be costly and leave employers with less coverage than they want.

"The disadvantage of joining the TWCARP is that it's very stringent with respect to the manner of payment for the coverage," Mr. Dorsey said, noting that employers have to pay the premium in advance with a cashier's check.

Those in the assigned risk pool usually pay more than employers buying coverage in the commercial market, said Steven Hacker, executive vp with the PIA of Texas.

"The pool gives credits (for good loss experience), but not to the same extent as in the general market," Mr. Hacker said.

And, often the limits offered by the TWCARP may not meet the needs of the employer, he added.

When an employer purchases insurance from the assigned risk pool, it is assigned randomly to one of the 10 servicing insurers. Because of this, "it is impossible for an independent agent to exert any influence or pressure on (this) insurer," Mr. Hacker said.

The business association's Mr. Dorsey said his members have the same problem: "You don't have any leverage as a small employer."

Still, the Oct. 1 rate hike, which may reopen the commercial workers compensation insurance market, will be a hardship for small and medium-sized employers.

"It's a significant and staggering increase," said Wayne Hall, executive secretary of the Associated General Contractors, Texas Building Branch, based in Austin. The AGC has about 540 Texas members.

He noted the Oct. 1 increase comes on the heels of an average 9.4% increase that took effect Aug. 1. For some classifications, the Aug. 1 increase hikes rates as much as 25%.

"The latest rate increase is devastating for contractors in the competitive bid business," Mr. Hall said.

For example, he said that in one "fairly common" construction classification, the combined August and October increases will result in an actual increase of at least 50% over the Jan. 1 rate.

The Aug. 1 increase was granted by the State Board of Insurance as an annual updating of rates under the new, unlimited payroll system, said Charles Porter, an actuary with the State Board. The increase was based on actuarial estimates and did not address insurer loss experience or other factors.

Poor loss experience and state-mandated benefit increases to injured workers persuaded the board to approve the Oct. 1 rate hike.

That hike is the highest ever in Texas, said George Hailey, safety director for W.S. Bellows Construc-

**'It doesn't really happen that often that a market shuts down completely, but that's what happened with workers compensation in Texas,' says Theo Van Eeten of the Professional Insurance Agents of Texas in Austin.**

tion Corp. in Houston. The company built about 25% of the high-rises in Houston and currently employs about 300 workers.

Mr. Hailey added that removal of the payroll cap last year really hurt, "especially for union employers, like ourselves, that have a better safety program."

Mr. Hailey, who opposed the latest rate increase, blamed most of the state workers compensation system's problems on the three-person Texas Industrial Accident Board, which he said is too liberal in granting benefits.

The business association's Mr. Dorsey also cited the Accident Board's liberal decisions as part of the "real" problem in Texas.

But, Mr. Dorsey noted several other maladies in the system, including competition within the insurance industry; the archaic state workers compensation law, last overhauled in 1917; and the proliferation of attorney involvement in disputed cases.

Nick J. Huestis, the employer representative on the Accident Board said: "Texas needs to concentrate more on settling cases rather than litigation. The Texas workers compensation system has drifted into an adversarial posture."

Gov. Mark White also is taking a look at the State Board of Insurance's decision to raise rates and its possible effect on Texas employers.

The governor has been talking with insurance and employer representatives during recent weeks to determine whether the new rate increase could be lowered to give adequate protection to insurers without overburdening employers, said Elaine Powell, director of the state agency management division in the governor's budget office.

The governor last week was trying to determine whether to have someone challenge the 30.9% rate increase and ask for a rehearing, she said. The deadline to request a rehearing from the State Board was Sept. 20.

The Texas Assn. of Business and others applauded the governor's concern and hope a long-term solution to various problems with the system may be found.

Meanwhile, the work comp assigned risk pool is looking at the new rate increase as a way to solve its problem of writing too much business.

"Because of this rate increase... we hope to see a reverse soon. We don't believe the increase will have an immediate impact, but we think in some months we will lose some of the large risks and our premium volume will go down," said the pool's Mr. MacKay.

"I think the rate increase will open the voluntary market up again in Texas," said William Huff, senior vp and general counsel for Texas Employers' Insurance Assn.

TEIA, which controls about 12%

of the workers compensation market in Texas, saw no growth in premium volume during the past year, Mr. Huff said, noting the insurer canceled coverage to oil drillers.

However, with the higher rates slated to take effect, Mr. Huff believes TEIA will again write coverage for oil drillers and will aggressively seek business from other industries.

"We've got plenty of capacity... We just couldn't afford to write at those losses," he said.

Boston-based Liberty Mutual Insurance Co., another large work comp insurer, also expects the market to improve because of the rate hikes, says Harold F. Ray Jr., underwriting manager for the insurer's Southwest division.

Along with its subsidiary, Liberty Mutual Fire Insurance Co., Liberty wrote about \$84 million in gross premiums in 1984 in Texas, which is about 7% of the workers compensation market.

Mr. Ray, who is also chairman of the assigned risk pool, said he hopes the new rate hike will encourage commercial insurers to write more business.

"But this won't happen overnight," he stressed. The estimated \$557 million to be raised from the

increased rates will be collected over the course of a year, he explained.

Without the rate increases, several insurers said they would have had to pull out of the Texas market, Mr. Ray noted.

Other leading insurers are re-assessing their stance in light of the new rate increases.

A spokesman for CIGNA Corp. in Philadelphia, which wrote about \$80 million in Texas gross work comp premiums last year, said: "Our current strategy calls for a no-growth posture. We're maintaining business, but we're not writing a lot of new business."

However, CIGNA is reviewing this strategy in light of the rate hike, he added.

The Travelers Insurance Cos. in Hartford, Conn., also is reviewing its options, said James Holland, national director of industry affairs.

Employers Insurance of Wausau, based in Wausau, Wis., expects the rate increase to open up the commercial market again, said James B. Pope, regional vp in Dallas.

Wausau, along with two of its subsidiaries, wrote about \$30 million in gross premiums in work comp in 1984 in Texas and is one of the servicing insurers for the pool. ■

# Richard Whiley, Inc.

## Diversity

IS OUR STRENGTH

Creative solutions to the reinsurance requirements of insurers and reinsurers.

- A full service Reinsurance Intermediary with resources to handle all classes of Treaty and Facultative business.
- Broad diversity of clients.
- Technical expertise in negotiation, contract preparation, premium and loss processing, account and statistical reporting, and claims handling.
- Access to markets world-wide.
- A Xerox Financial Services Company.

Reinsurance Intermediaries  
110 William Street, New York, New York 10038  
212-732-1360

The Specialists for

- ▶ Run-off Covers
- ▶ Retrospective & Prospective Excess of Loss Aggregates

# Pinnacle

Pinnacle Reinsurance Company Limited  
Barclays International Building  
Church Street, P.O. Box 1801  
Hamilton 5, Bermuda  
Telephone: 809-292-8600  
Telex: 3572 ASSUR BA

Total Capital and Surplus exceeds US \$42,500,000

## Agent faces retrial

Continued from page 3

that Mr. Sellars was acting as a broker for the company until earlier this year.

Mr. Birnberg, who resigned his post at Union last February, dealt with Mr. Sellars while Mr. Birnberg was president of both Union and Great Atlantic. He testified at Mr. Sellars' trial and before the grand jury that indicted Mr. Sellars in 1981.

"There were very serious reservations in my mind whether the conviction was a correct conviction or not," Mr. Birnberg said when asked why Union Indemnity continued to accept business produced by Mr. Sellars. "My concern was the subproducer, Mr. Peterson, at the time."

He added that "premiums were always paid and losses were always accounted for" on the Alaska business and that "Union was never damaged in any way."

Mr. Sellars' conviction was mentioned in a recent lawsuit involving another Union program that he brokered.

The lawsuit, filed by Universal Dealer Services Inc. of El Toro, Calif., accuses Mr. Sellars, Orient-Pacific, Sellars Insurance Market and several other defendants of diverting \$4.3 million in premiums owed to Union Indemnity and Paxton National Insurance Co. of Harrisburg, Pa., for warranty insurance on automobile service contracts purchased by UDS (BI, Sept. 16).

Union insured the UDS program from 1980 until April 1984, when Mr. Sellars, acting as UDS's insurance manager, canceled the coverage and replaced Union with Paxton, according to Mr. King.

Mr. Birnberg said that the UDS program was a "very profitable class of business" for Union and that Mr. Sellars had handled the placement properly.

"All our accounts were properly settled with Orient-Pacific on that business," Mr. Birnberg said. "I don't know where there could be a diversion."

However, Mr. King said that Union had planned to sue Orient-Pacific to force the agency to account for premiums and losses on the UDS program and other programs. After Union was taken over by New York Insurance Department liquidators, Mr. King said he recommended that the liquidators sue Orient-Pacific to force the accounting.

Mr. King said Union was owed money by Orient-Pacific, but he did not know how much. He added that Union has not paid return premiums owed to UDS because of the April 1984 cancellation.

A spokesman for the New York department would not comment on business produced by Orient-Pacific.

Mr. Sellars and Mr. Peterson were indicted for fraud in June 1981 in Alaska for four separate programs involving insurance coverage for:

- A program of state-funded mobile home loans.

- Deposits of state funds with Alaska credit unions.

- Deposits in a credit union operated by an Alaska Teamsters union local.

- Mobile home loans issued by Alaska National Bank of the North.

Mr. Sellars and Mr. Peterson were found guilty in all four cases in October 1982 by Alaska Superior Court Judge J. Justin Ripley. The judgment was entered and sentence passed in January 1983, according to Mr. Mannheimer.

Mr. Sellars was given a five-year suspended sentence and ordered to serve six months in jail, while Mr. Peterson was given a five-year suspended sentence and ordered to serve one year in jail. Jointly, the two men were ordered to pay restitution totaling \$195,000 in three of the cases and fines of \$100,000.

Mr. Peterson and Mr. Sellars appealed the decision on several grounds, including that there was insufficient evidence to indict or convict them, that they had not misrepresented the coverage they provided, that evidence had been improperly seized by Alaska investigators, that the restitution ordered by Judge Ripley was illegal and that they should have been represented by separate attorneys.

On March 6, a three-judge panel of the state Court of Appeals reversed the convictions. Based on the trial evidence, the appeals court rejected most of Mr. Peterson's and Mr. Sellars' arguments for reversal, concluding that "a reasonable judge could find Peterson and Sellars guilty beyond a reasonable doubt as to each count of the indictments."

However, the appeals court found that Mr. Sellars' pretrial request for independent counsel should have been granted and ordered that the two men be retried.

In all four cases, Mr. Sellars acted as managing general agent for Union Indemnity, Great Atlantic, Roger Williams or Regal, while Mr. Peterson, who owned an Alaska brokerage, acted as local subproducer for business written for the four insurers, court papers say.

### Mobile home loan case

In this case, Mr. Peterson and Mr. Sellars were indicted for issuing fraudulent credit insurance policies covering state funds used to make loans to mobile home buyers.

Under an Alaska Department of Revenue program begun in 1980, the state provided \$10 million for low-cost loans to mobile home purchasers. The loan program was to be administered by Mortgage Co. of Alaska Inc., and credit insurance guaranteeing repayment of the

loans was to be arranged by Northern Insurance Systems, a brokerage.

Both companies were owned by Mr. Peterson, according to court documents.

In his January 1980 proposal for administering the program, Mr. Peterson said he would arrange insurance with Great Atlantic, but later told state officials that Union Indemnity would be the insurer, according to the state's appeal brief.

In the spring and summer of 1980, Mr. Peterson and Mr. Sellars negotiated with Mr. Birnberg to have Union Indemnity or its subsidiary, Union International Insurance Co. of Delaware, issue credit insurance policies that would be guaranteed renewable for the life of each loan, according to the brief.

However, Mr. Birnberg insisted that the coverage be renewable each year, and he never agreed to the terms Mr. Sellars and Mr. Peterson sought, the brief says.

Despite this, Mr. Peterson had Union Indemnity insurance certificates printed and issued them to mobile home buyers, the state charged.

Hall's Mr. King says that Union never authorized local printing of policies.

Premiums amounting to 2% of the loan amounts were collected on the certificates and the money was deposited in a Mortgage Co. of Alaska bank account, according to the state's brief.

The state charged that Mr. Peterson and Mr. Sellars didn't inform Union that certificates had been issued or remit any premiums to Union. And, Mr. Birnberg testified that he didn't know that policies had been bound until he was informed by state investigators in late 1980, according to the state's brief.

State officials started questioning the Union coverage when they realized that Union International did not meet a state requirement that insurers used for the mobile home program have at least \$20 million in assets, the appeal brief said.

Mr. Peterson told officials that Union International was reinsured by General Reinsurance Corp., which did meet the state requirement, and provided state officials with a copy of the General Re treaty.

But, the copy Mr. Peterson provided left out exhibits that showed that the treaty excluded credit and mortgage risks, treaty exclusions that state officials later confirmed directly with General Re, according to the brief.

After discovering this, the state suspended the loan program in October 1980.

Mr. Sellars and Mr. Peterson argued in their appeal brief that they had legally bound Union despite their disagreements with Mr. Birnberg and noted that Mr. Birnberg had testified that Union would stand behind the policies.

They also said that Mr. Birnberg had authorized Mr. Peterson to retain premiums in Alaska in a "self-insured retention fund," which could be used to pay claims.

Mr. Sellars argued that Mr. Peterson discussed the details of the program directly with Mr. Birnberg, and that Mr. Sellars was involved only in establishing the "concept" of the insurance program.

Mr. Birnberg could not be reached to comment on the mobile home case.

### Credit union case

In a second indictment, Mr. Peterson and Mr. Sellars were accused of issuing fraudulent policies to cover funds deposited in several credit unions under another state program.

Under this program, the state in late 1979 loaned several million dollars to various credit unions at

an artificially low interest rate to allow them to compete for consumer loans. The state's loans to the credit unions carried a rate of 8.5% provided that the credit union insure deposits exceeding the \$100,000 federally insured limit.

Mr. Peterson offered to arrange insurance for the credit unions at a rate of 0.5% of the amount covered, and he again proposed using Great Atlantic for the coverage, says the state's appeal brief.

After Mr. Birnberg—who was then at Great Atlantic—refused to write the coverage, Mr. Peterson and Mr. Sellars issued two binders to the Alaska Department of Revenue in December 1979 and January 1980 in the name of Regal Insurance Co., the brief says.

Regal—a successor firm to Roger Williams Insurance Co.—was an inactive insurer that was not licensed to write deposit bond coverage, according to the state, which charged that the Regal coverage purportedly supplied by Mr. Peterson and Mr. Sellars never actually existed.

After Mr. Birnberg became president of Union Indemnity in 1980, he was again approached by Mr. Sellars and Mr. Peterson to write the credit union coverage, and he eventually agreed to provide the insurance with a limit of \$2 million per credit union, the state's appeal brief said.

However, the state charged that Mr. Peterson—without notifying Union—then issued certificates to three credit unions purportedly covering deposits of \$19 million, \$3.6 million and \$3.5 million, and collected premiums of 0.5% on those amounts.

Certificates issued to these credit unions bore Union Indemnity's name, but also had "Regal Insurance Co." typed on them, the state's brief says.

Mr. Birnberg didn't find out that certificates covering amounts exceeding \$2 million had been issued until a state official wrote him in November 1980 for confirmation of coverage, says the state's brief.

Mr. Sellars and Mr. Peterson argued in their appeal brief that they intended Regal to provide excess insurance above Union's \$2 million participation, and that Mr. Sellars had bound Regal only temporarily until he could talk Union into assuming more than \$2 million. Mr. Peterson said that the typing of Regal's name on the Union certificates had been a clerical error.

The state also charged that Mr. Peterson did not remit \$100,650 in premiums collected on the certificates bearing Union's and Regal's name.

However, Mr. Sellars' and Mr. Peterson's briefs say that they remitted credit union premiums to Union after Mr. Sellars deducted the standard 2.5% commission.

Premiums paid by the credit union with the \$19 million in deposits were returned after the credit union canceled its coverage, while Union eventually arranged its own reinsurance to cover the other two credit unions with deposits exceeding \$2 million, Mr. Sellars' brief says.

### Teamsters bond case

A third indictment charged that Mr. Sellars and Mr. Peterson pocketed \$57,500 in premiums they collected on fraudulent Roger Williams Insurance Co. bonds issued between 1976 and 1980 to cover deposits in the Alaska Teamsters credit union.

Mr. Peterson had approached Charles W. Cipolla, then president of Roger Williams, in 1976 to write coverage on funds deposited in the credit union by a Teamsters pension fund trust, but Mr. Cipolla turned the coverage down, according to the state's appeal brief.

(Mr. Cipolla is now one of the directors of Paxton National Insurance Co., which is owned by Russell E. March, a part-owner of Ori-

ent-Pacific.)

Despite this, the state charged that Mr. Sellars and Mr. Peterson wrote deposit bond coverage on behalf of Roger Williams over the next four years without reporting the business to the company, and split the \$57,500 in premiums they collected.

Roger Williams—a Rhode Island insurer that moved to Louisiana after being acquired in December 1977 by Robert Meester—had been authorized to write only bail bond coverage, the state's brief said.

The company's certificate of authority was later revoked by the Louisiana Insurance Department, and Roger Williams stopped writing business in December 1978.

Mr. Sellars argued in his brief that he had been given binding authority by one of Roger Williams' previous owners, and that the authority continued after Mr. Meester took over the company, though Mr. Meester testified that he wasn't aware of Mr. Sellars' binding authority.

Mr. Sellars also argued that after 1978 he had authority to bind Roger Williams' successor company, Regal, which had solicited him to produce bond business.

The previous owner of Roger Williams, Mr. Sellars said, had also authorized him to keep premiums on the Teamsters bonds to cover commissions on other business that Roger Williams, because of cash-flow problems, had been unable to pay him.

### Bank of the North case

A fourth case involved another mobile home loan guarantee insurance program that Mr. Peterson and Mr. Sellars wrote for Alaska National Bank of the North using Great Atlantic Insurance Co.

Before 1979, Mr. Peterson had placed the ANB mortgage insurance with Rockwood Insurance Co. of Rockwood, Pa., according to court papers.

When the bank suffered several defaults, Rockwood denied the claims and later reached a settlement with the bank under which the coverage was canceled and the bank's unearned premiums returned, according to the state's brief.

To replace ANB's Rockwood coverage, Mr. Peterson in September 1979 gave the bank a binder for Great Atlantic that provided coverage of up to \$5,000 per loan over a \$10,000 deductible.

The state charged that Mr. Peterson and Mr. Sellars never notified Great Atlantic of this policy and pocketed more than \$35,000 in premiums paid by the bank.

Although Mr. Birnberg—then president of Great Atlantic—testified that he knew nothing about the ANB policy, Mr. Peterson and Mr. Sellars argued in their brief that they were authorized to bind the insurer and that Mr. Sellars had discussed the program with Mr. Birnberg.

The two agents also argued that all parties, including ANB, were aware that because of the large deductibles and other provisions in the policy, Great Atlantic was unlikely ever to pay a claim.

The reason for the coverage, according to Mr. Peterson and Mr. Sellars, was to free \$191,000 in unearned premiums returned by Rockwood that the bank would otherwise have been prevented by state law from using to cover loan defaults. The law required ANB to use the money to buy insurance, and after the bank used some of the \$191,000 to buy the Great Atlantic coverage, it was free to use the rest of the money to cover defaults, the agents argued.

Because Great Atlantic wasn't likely to pay claims on the policy, Mr. Sellars authorized Mr. Peterson to keep the premium, after Mr. Sellars deducted about \$5,100 in commissions and fees for himself, according to Mr. Sellars' brief. ■

Is the effort you are putting into the solvency analysis of foreign reinsurers adequate for today's market conditions?

Let Insurance Solvency International help by providing in-depth technical data.

ISI provides detailed individually analyzed Company Reports on over 900 foreign reinsurers as well as Rankings and confidential Rating Reports.

For more information and samples contact:

W. V. Golych	J. Gardner/G. Mayne
Insurance Solvency International	or Insurance Solvency International
c/o Fox-Pitt, Kelton	Eldon House
One State Street	2 Eldon Street
Suite 2320	London EC2P 2AY
Hartford, CT 06103	Tel: 01-377-8929
Tel: 203-247-7076	Telex: 884163

**INSURANCE SOLVENCY INTERNATIONAL LTD**

A Member of the Fox-Pitt, Kelton Group of Companies

## Wellington letter

Continued from page 3

said the response from the plaintiffs' bar to the letter and brochure has been "universal condemnation and outrage."

Mr. Wellington's "credibility as a neutral party was totally destroyed," Mr. Motley said, though he said he was not accusing Mr. Wellington of being unethical.

Mr. Motley, with the Barnwell, S.C., firm of Blatt & Fales, said the letter was additional evidence of the Wellington group's desire to further litigation rather than reach settlements with asbestos victims.

Plaintiffs' attorney Thomas Henderson, who also co-chairs negotiations between the plaintiffs and the Wellington group, said the letter invites judges to give the benefit of the doubt to asbestos defendants that request stays or continuances.

"It places the good-faith effort of Wellington on the line," said Mr. Henderson, with the Pittsburgh firm of Henderson & Goldberg.

He also indicated that the relationship between plaintiffs' attorneys and the Wellington group has deteriorated. "It's worse than it was," he says.

In response to Mr. Wellington's letter, plaintiffs' attorney Fred Baron wrote Mr. Wellington earlier this month, pointing out that several parts of the brochure violated rules of professional conduct.

Mr. Baron cited statements in the brochure urging judges to "encourage present and future claimants to consider using the facility" as an alternative to litigation.

He also referred to statements that the facility will not pay punitive damages and that an asbestos claimant must show "impairment and dysfunction" to receive compensation.

"Quite frankly, I consider this communication to these judges to be a direct violation of Rule 3.5(a) and (b) of the American Bar Assn. Rules of Professional Conduct," said Mr. Baron of the Dallas firm of Baron & Budd.

"... You must understand that it (the Wellington group) is primarily a device for the defendants to gain an advantage in the disposition of these cases," the letter adds.

"The asbestos companies are and remain defendants in this litigation and I do not believe that they or their representatives should be engaging in conduct that could tend to bias the opinions, one way or the other, of impartial jurists."

The letter ends by asking Mr. Wellington to "cease and desist" from the conduct or "I will have no alternative but to report same to the appropriate bar associations in the jurisdictions wherein such letters have been sent."

"I consider this to be necessary to ensure my clients receive a fair, impartial hearing from courts who have not been soiled with ex parte communications from representatives of defendants," the letter concludes.

Last week, a spokeswoman for the Wellington facility denied there was any intent to influence the judiciary.

"We feel strongly that Dean Wellington's letter stayed well within the bounds of propriety and did not constitute an inappropriate ex parte contact in any manner whatsoever," the spokeswoman said.

Last week, Mr. Wellington said the letter was not an ex parte communication, pointing out he is not a party to asbestos litigation.

He said the letter was being misinterpreted by the plaintiffs' bar and that it was meant only to convey information about the facility to the judges.

"I am very unhappy the plaintiffs' bar feels this way," he said. "It was nothing more than a transmittal letter."

He added he has nothing to do with the operation of the facility

**'We feel strongly that Dean Wellington's letter stayed well within the bounds of propriety and did not constitute an inappropriate ex parte contact in any manner whatsoever,' the spokeswoman for the Wellington group said.**

and hasn't been involved in meetings between the plaintiffs' bar and the facility board. "I have maintained neutrality throughout and have done my best to appear to be neutral," he said.

Mr. Motley and Mr. Henderson also said that while their relationship with the companies signing the Wellington agreement has deteriorated, substantial progress has been made in the creation of a claims facility that could become part of Manville Corp.'s reorganization plan.

Manville, which filed for bankruptcy in 1982, recently ap-

proved a plan that would create a trust fund to provide asbestos victims with at least \$2.5 billion over 25 years (BI, Aug. 12). That plan still must be approved by creditor groups and the U.S. Bankruptcy Court in New York.

The plan provides that Manville could join an existing industrywide claims handling facility if it is in Manville's best interests; however, if no such facility exists, the plan calls for the bankruptcy court to establish a facility on its own.

Mr. Motley said the Manville facility will be kept totally separate from the Wellington facility.

"There will be no marriage between Manville and Wellington," he said.

As contemplated by the Manville reorganization plan, the purpose of the Manville facility would be to maximize payments to victims, not to create litigation, Mr. Motley said. This differs from the Wellington facility, which creates a cost-saving device for defendants and encourages litigation, he charged.

Another plaintiffs' concern about the Wellington facility is whether it will compensate victims in the initial stages of asbestos-related diseases including those that have "pleural plaque" but not necessarily an "impairment or dysfunction." Pleural plaque is a scarring of the lining of the lung.

Plaintiffs' attorneys strongly believe these individuals have an asbestos-related disease and should be compensated. Mr. Henderson says there has been "no clear signal" on how the facility will approach those with pleural plaque.

Mr. Baron, however, says there is a clear signal that the facility will not pay such claims.

The Wellington group spokeswoman said it's not yet been determined whether the facility will compensate those with pleural plaque.

"There is no formal written definition at this time on impairment and dysfunction," she said. "It is a matter that the facility hopes to obtain the input of the plaintiffs' attorneys in the near future."

Also, as of last Monday, liaison counsel for the Wellington facility officially began settling cases on behalf of asbestos producers that have signed the Wellington agreement.

The liaison counsel are attorneys selected by the Wellington group to represent all members of the facility in settlement negotiations and trials with plaintiffs.

The attorneys have been given authority by asbestos defendants to evaluate and settle claims, the Wellington spokeswoman said, adding that some claims have already been settled. ■

# WHO'S WHO: IRI

The **Typical Industrial Risk Insurers Account Team** consists of an engineer and an underwriter under the supervision of an account executive. These people are responsible for servicing an account, whether it is handled in one of our three regional offices or in one of our 30 district offices located around the world. IRI account teams are available at all times to help with a hundred and one essential details. They provide a variety of services, ranging from pre-construction engineering advice that saves time and money in the blueprint stage to emergency impairment service which is on call 24 hours a day, seven days a week, 365 days a year. Here are three basic ingredients that help make the account team relationship work.

**1. Thorough and Timely Reports.** IRI believes properties should be evaluated and recommendations made by an engineer whose business is strictly loss prevention. This objective review, based upon the facts at hand, enables the account underwriter in turn to make a well-informed, sound evaluation of the risk. The underwriter should know not only the physical characteristics of the property but also the processes involved and the consequences of an interruption of the insured's regular business operations. With a professional report to work from, the underwriter can prepare the policy terms and conditions quickly, logically, and accurately.

**2. IRI Engineers as Consultants.** Consulting begins when the insured first considers building a new plant. A great deal can be accomplished by working with the architect, construction engineers, and layout engineers to ensure that the right protection is installed for the type of structure and planned occupancy. The insured can then be confident that the plant will be well-protected and well-rated. This pre-construction planning also avoids a potentially embarrassing situation for the insured or loss prevention consultant, who goes to a plant after it is in operation and recognizes that additional or different protection is needed, usually at considerable expense. The same benefits of the consulting work apply to the installation of new processes or the construction of an addition to existing plants.

**3. A Well-informed, Professional Staff.** With a sufficiently experienced team, loss prevention and underwriting activity can be coordinated by an account executive who is familiar with many types of operations. In addition, the account team has the backup of well-informed and specialized IRI personnel who can help solve any unusual problem that occurs. IRI account teams offer years of underwriting, loss prevention and claim handling experience in the well protected property insurance business. These teams are found at district, division, regional, and national levels. For more information about the account team and other IRI services, ask for a complimentary copy of our PROFILES kit. Write to Mrs. P.A. Sasso, IRI, 85 Woodland Street, Hartford, Connecticut 06102 or call (203) 525-2601.

**Industrial  
Risk  
Insurers**

**66,000 properties  
insured worldwide**

# the professional marketplace

## RATES AND CLOSING TIME:

Rates: Display classified is \$73.26 per column inch, minimum of one inch. Straight classified is \$6.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$13.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

### HELP WANTED

Natl. Structured Settlement firm has opening in Mid-West. Seeking claims atty with excess and surplus background. Substantial earnings potential. Reply with resume and salary history to:  
Box 1884, Business Insurance  
740 Rush St., Chicago, IL 60611

### BENEFITS EXECUTIVE

Our client, a "top 20" P&C brokerage, (located in scenic SUNBELT locale) is adding to their employee benefits division during the fourth quarter of this year. They seek a person with a proven track record in the development, sale, and service of large employee benefit group plans to include plan design, tax treatment, regulatory control, cost containment, and employee communications. This is a superb opportunity for that person desiring to make a change to the brokerage side of the industry and who can build from existing client base. Starting salary from mid \$40s to lower \$50s PLUS BONUS program and excellent promotional opportunity for proven performer. Please contact NOW: Jim Gilbert at INSURANCE RECRUITERS, INC., 8060 N. Central, #470, Dallas, TX 75206. AC 214/361-9323.

### CUSTOMER SERVICE MANAGER

U.S. Administrators, the nation's largest third party administrator and leading health care cost management company, is seeking an experienced professional to manage the customer service department at our newest branch office in the Los Angeles Area.

This individual will provide the leadership necessary for developing the corporate customer service department into a highly visible and responsive operation. This area will be expanding from 40 to 100 employees.

You must have a successful track record as a customer service manager in a high volume group medical claims environment. FLMI, ICA or HIAA certification is desirable. Familiarity with group medical coverage provisions, telecommunications and legal issues is essential.

USA offers a comprehensive salary and benefits package including 401k profit sharing. If you meet our qualifications and are ready to take on the challenge of this exciting, new position, please send resume with salary requirements to:

U.S. Administrators/BI  
3540 Wilshire Blvd., Personnel, Dept. CSM  
Los Angeles, CA 90010  
We are an equal opportunity employer

USA

Los Angeles, CA • N. Hollywood, CA • Calabasas, CA • Pittsburgh, PA • Dallas, TX • Shrewsbury, NJ

### CLAIMS AND RISK MANAGER

The Catholic Relief Insurance Co. and the Archdiocese of Hartford seek a multiline property and casualty claims person with a minimum of 7 years experience to administrate all claims, safety and risk management functions. The candidate will be an integral part of a high performance program. No prior risk management or safety experience necessary. Position will provide in depth training in all non-adjusting areas. Proven casualty investigative skills with major insurance company or independent a plus. Starting salary will range from 35M to 40M, plus a comprehensive benefit program. Send resume including salary history in confidence to:

Reverend Thomas J. Lynch  
Chancellor  
134 Farmington Avenue  
Hartford, CT 06105

### MARKETING ACCOUNT EXECUTIVE

Managing General Agency that specializes in reinsurance, captive formation and placement of large property and casualty accounts nationwide has an immediate opening. Individual will have a minimum of five years experience, have strong marketing contacts with admitted and non-admitted markets and a degree. Located in Atlanta, Georgia. Salary open. Send resume and salary history to:

Jim Marsh  
Caysteel International, Inc.  
200 Galleria Parkway, Suite 400  
Atlanta, Georgia 30339

### CORPORATE RISK MANAGER

Florida West Coast

### THE COMPANY

Florida Progress Corporation is a growth oriented, diversified holding company headquartered in St. Petersburg, Florida with interests in electric energy, mining, transportation, real estate development, equipment leasing and manufacturing. We are publicly traded on the NYSE and have operations throughout the South.

### THE JOB

Design, establish and manage a corporate risk management/loss control program for the several subsidiaries. Broad responsibilities include Administration, Finance, Insurance, Loss Control and Claims Management. This newly established position will be highly visible with strong corporate support.

### THE PERSON

The successful candidate will have at least five years experience in corporate risk management. Demonstrated management experience and leadership ability is a must.

Send resume with salary history to:  
E.W. Siver & Associates, Inc.  
P.O. Box 21343  
St. Petersburg, FL 33742



FLORIDA  
PROGRESS  
CORPORATION

EOE/MF

### Cleveland, Ohio

McDonough Caperton Cleveland is seeking two individuals who find achieving excellence and maximizing accomplishments personally rewarding. We are one of the nation's Top 20 brokers and are growing rapidly. If you are the best in your field, uniquely capable and professionally competent, please respond today.

to clients. If you can consistently out-perform your competition, please respond today.

### Property/Casualty Account Executive

Account Executives are responsible for servicing our clients' day-to-day insurance needs. This includes answering policy questions and solving coverage problems for our clients. If you can service our clients and our insurance markets and deliver the highest quality service which has become the trademark of McDonough Caperton, please respond today.

### Property/Casualty Producer

Producers are responsible for creating business from new prospects and existing clients. The majority of the Producer's time is spent finding and selling

If you feel you are the best qualified for either of these positions, send your resume in confidence to:

McDonough  
Caperton  
Insurance  
Group

Mr. E. Heartstedt, President  
McDonough Caperton Cleveland  
3733 Park East, #106, Cleveland, OH 44122  
Property, Casualty and Employee Benefits  
for the Medium to Large Commercial Risks

For a  
Concise  
and  
Logical  
Approach  
to  
Risk  
Management  
Recruiting

LOGIC

Associates, Inc.  
170 Broadway  
New York, N.Y. 10038  
(212) 227-8000

### INDIVIDUAL HEALTH CLAIMS ANALYST

CNA's Home Office seeks a professional Claims Analyst to assume responsibility for resolving complex and unusual claim situations in our Mass Marketing Department. Requirements include:

- Solid technical knowledge of individual accident and health insurance contracts and procedures, including medical, disability, life and AD&D
- Minimum 3 years experience in investigating, evaluating and resolving claims using a variety of policy defenses
- Strong communication, interpersonal and analytical skills

Competitive salary and excellent benefits provided. If you are interested in the challenges and rewards of this growth-oriented position, send resume with salary history to:

Susan B. Chilton, CNA INSURANCE COMPANIES, CNA Plaza-41 South, Chicago, IL 60685. Dept. CA. Equal Opportunity Employer M/F/H/V.

CNA

For All the Commitments You Make<sup>®</sup>

### RISK MANAGEMENT OPPORTUNITY

We are a major, privately held U.S. corporation with a reputation for success and excellence within the construction and mining industries.

Our insurance department has the responsibility for designing, installing and managing all of the corporate surety, property, casualty and A & H programs. We utilize a domestic captive and a subsidiary agency along with commercial carriers and brokers to obtain the most desirable results.

The successful candidate will have a minimum of three years experience. A construction related background is definitely a plus, but a sound general corporate risk management background or property/casualty company experience will also be considered.

Responsibilities include participation in decision making in all areas of the department. Reviewing specifications and current policies from a coverage and cost viewpoint are among primary areas of this insurance analyst position.

Please submit resume with complete salary history. All information will be held in strict confidence.

PETER KIEWIT SONS' INC.  
Attn: Personnel Dept.  
168 Kiewit Plaza  
Omaha, Nebraska 68131  
Phone: (402) 342-2052

An Equal Opportunity Employer M/F

The  
Dunlap  
Agency

Our policy is  
Leadership.

## update

## Illinois requires extended cover

Continued from page 2

Chicago, says group health insurance policies issued or renewed after Dec. 1 must provide options to former spouses and dependent children of covered employees to continue their group coverage at the same rates and level of benefits provided for employee members of the plan (BI, July 29, May 6).

A widowed or divorced spouse would be required to notify the insurer of the intention to continue coverage and pay all related premiums, including the employer's share. This means the measure will not raise employers' cost, said its sponsor, Sen. William A. Marovitz, D-Chicago.

However, the business community believes that premium costs will increase because claims will increase. The people who keep this insurance will most likely be the ones who will need to use it, Mr. Brann said.

Sen. Marovitz, notes, however, that these people already are covered under the group plans, and since there would be no new risks, then there should be no increase in premium.

He also pointed out that coverage must be extended for only up to two years for former spouses 55 and younger. Former spouses older than 55 can keep the group coverage until they qualify for Medicare.

The coverage also ends if a former spouse remarries, fails to pay the premiums, becomes insured under another group plan or would have become ineligible had the couple remained married.

Similar legislation was passed earlier this year in Arizona, Minnesota, Wisconsin, Texas and Massachusetts also have such laws, and similar federal legislation is being considered (BI, July 29).

## California to weigh wage-loss

SACRAMENTO, Calif.—A bill calling for conversion of California's current workers compensation system to a wage-loss benefits system will be taken up by the Legislature when it reconvenes next year.

But, the workers comp package approved by the Legislature this month is expected to be vetoed by Gov. George Deukmejian.

A.B. 1000 was amended Sept. 13—the day before the Legislature adjourned for the session—to call for a change in the current benefit structure to a system in which an injured worker's benefits would be based on a percentage of lost wages, rather than an arbitrary amount. Such a system, commonly known as wage-loss, already is used by a few other states, notably Florida and Louisiana.

The measure, proposed by the employer community in the state, was introduced after efforts by labor and employers to draft a compromise work comp bill failed. Consideration of A.B. 1000 automatically carries over to 1986, the second year of the two-year session.

The work comp package approved by the Legislature, S.B. 1273, raises the weekly maximum temporary disability benefits to \$273 from \$224.

But, Gov. Deukmejian, who also had hoped for a compromise bill, has said he would veto any workers comp bill if either labor or business requested that he do so.

The business community has made such a request, said a state Chamber of Commerce spokeswoman.

## Insurance hearing

Continued from page 2

regulators, not conspiring with them, to develop open lines, market assistance plans, joint underwriting associations and risk pools, to name a few of the voluntary and unilateral actions being taken to address the crisis," Mr. Crosby said.

"In order to continue to provide the insurance protection necessary for a growing economy, insurers must return to a position of solvency, and this can only be accomplished through price increases," he said.

"In the short-run, this will be traumatic on the budget of buyers, public and private," he admitted.

In addition, Mr. Crosby noted that the courts have abandoned the concept of tort liability by unfairly expanding coverages for new liabilities that were never contemplated nor paid for when the policies were written.

Frank Nutter, president of the Alliance of American Insurers in Schaumburg, Ill., pointed to the civil justice system as one of the underlying causes of the current availability problems.

"Insurers are not the bankers of the tort system, and insurance—although perhaps the most efficient risk distribution system ever devised—cannot finance its uncharted and undescendible growth," Mr. Nutter said.

Richard Kopke, executive director of the Schenectady Housing Authority in New York, was expected to testify that the current capacity crunch has made it difficult for public housing authorities to meet federal insurance requirements.

Mr. Kopke, who is also chairman of the ad hoc insurance committee of the New York State Assn. of Renewal & Housing Officials in Albany, was expected to testify that the annual "contribution contract" between the Department of Housing and Urban Development and all federally subsidized public housing authorities requires the authorities to obtain comprehensive general liability insurance.

"Until 1985, this requirement was not difficult to comply with and represented anywhere from a

## New Jersey order limits midterm policy cancellations

TRENTON, N.J.—Property/casualty insurers in New Jersey can no longer cancel commercial lines policies during midterm without state Insurance Department permission.

In addition, the insurers are barred from increasing rates or reducing coverage while a policy is in force.

An emergency order issued by New Jersey Insurance Commissioner Hazel Frank Gluck and approved by Gov. Thomas Kean last week requires insurers considering midterm policy cancellations to seek approval from the department at least 90 days before a contract can be terminated. The insurer must also follow the same procedure if it plans not to renew a policyholder's coverage.

The emergency order, which took effect Sept. 17, will be replaced by a permanent order by the end of the year, according to a department spokesman.

The regulation is intended to "inhibit the arbitrary cancellation and termination of insurance policies," he said, adding the action will prevent insurers from "suddenly dropping an entire line of insurance."

In Oregon, Insurance Commissioner Josephine M. Driscoll issued a permanent order Sept. 19 that restricts midterm commercial lines policy cancellations and ensures timely notice of non-renewals. This new order replaces a temporary order that has been in effect since June 15 (BI, July 1).

The order does not apply to policies that have been in effect less than 90 days from the time a notice of cancellation is mailed or delivered.

And in Massachusetts, Gov. Michael S. Dukakis met with representatives of 11 major insurers as part of an effort by state officials to make more liability coverage available for day-care centers.

Reports of child abuse at day-care centers nationwide has caused insurers to substantially raise rates, add exclusions or cancel day-care centers' liability policies (BI, June 10).

During the meeting, Liberty Mutual Insurance Co. of Boston said it would begin offering day-care liability coverage in Massachusetts with \$500,000 annual limits. The coverage would exclude "damages arising from intentional acts, including child abuse, sexual or otherwise," a spokesman for the insurer says.

Liberty Mutual's decision to offer the coverage marks its first entry into the day-care liability insurance market.

"We believe that a market for day-care coverage can be created and we have developed a policy that we feel reduces the insurance risk to a reasonable level while providing adequate protection to day-care policyholders" a spokesman said.

A spokesman for the state Consumer Affairs Department last week said some of the other insurers at the meeting expressed interest in writing coverage for Massachusetts day-care providers.

slow of 2% to 3% to a high of 4% to % of our rental income—before subsidy—for all insurance for our public housing authorities," Mr. Kopke said in a prepared statement.

"However, the most recent premium quotes received by the state

association through an open competitive bid reflect a 1,500% increase in CGL insurance rates and, therefore, would significantly alter our operating budget for insurance premiums from 20% to 25% of rental income before subsidy," he said.

## the professional marketplace

## HELP WANTED

## PENSION ANALYST

Houston corporate headquarters is adding to their employee benefits staff and is currently seeking a pension generalist. You must have excellent analytical skills and must also have good communicative skills to include both verbal and written abilities. Superb situation for career vertical growth with this industry leader. This position requires corporate experience and persons without this specific experience will not be qualified candidates. Minimum experience should be around 3-4 years of pension background. Starting salary negotiable DOE but in the general range of low to mid \$30s. Contact INSURANCE RECRUITERS, INC., 6060 N. Central, Suite #470, Dallas, Tx. 75206. AC 214/361-9323. Ask for Jim Gilbert.

## BI Classifieds assure top quality results!

## CONTROLLER SOUTH FLORIDA

Ideal opportunity, for start-up property/casualty insurance company. Must have relevant property/casualty insurance experience with knowledge of statutory GAAP accounting; be able to train accounting staff.

Please submit resume in confidence to: Box 1862, Business Insurance 740 Rush St., Chicago, IL 60611

## HAVE MARKET

Have purchased multi state licensed P&C Company and will entertain submissions from brokers who wish to stabilize their P&C market. Only large books of profitable business considered, either individual accounts or programs. Call Corporate Underwriters Agency, Attn: Grady Brown 409-291-6013

## SOFTWARE MARKETING EMPLOYEE BENEFITS

Market a family of employee benefits software packages for mainframe & personal computers. Pr. or experience in software sales or related marketing activity is required. Experience in employee benefits management (disability & workers compensation) for a major employer or insurance company is desirable. Send resume & salary requirements to:

James E Roman, Sr V.P.  
Thomas L. Jacobs & Associates  
230 W Monroe, Suite 545  
Chicago, IL 60606

## LOSS SUPERVISORS and EXAMINERS

National commercial transportation carrier based in growth-oriented northern Florida is adding qualified personnel to its liability, physical damage and cargo departments.

Liability applicants must have a minimum of five years experience in commercial transportation claims, excellent managerial skills, solid negotiation experience and coverage expertise.

Physical damage experience should include commercial truck appraisals and in-depth claims handling.

Cargo claim experience must be a minimum of three years and reflect a knowledge of freight types and manufacturing equipment. ICC requirements, a must.

Our salary and benefit package for these positions is one of the best in the industry. In addition, a complete relocation package is available to some qualified applicants. Send resume with salary history to:

Box 1862, Business Insurance  
740 Rush St., Chicago, IL 60611

## BUSINESS ANALYSTS

Team up with CNA and enhance your career by participating in the development of our new, state-of-the-art claims adjudication system. Working on a team comprised of claims and data processing professionals, you will be a key contributor to the overall success of our planning, development, implementation and training efforts.

Included in your health insurance background will be a minimum of 3-5 years progressively more responsible claims experience with a comprehensive understanding of the group line of business and the claims adjudication process. Additional requirements include: user acceptance testing experience; familiarity with data processing terminology; the ability to document and analyze claims processing procedures; strong project follow-through skills.

Comprehensive compensation and employee benefit package provided. Send confidential resume or call: Susan B. Chilton, CNA INSURANCE COMPANIES, CNA Plaza-41 South, Dept. BA, Chicago IL 60685. (312)822-7477. Equal Opportunity Employer M/F/H/V

**CNA**

For All The Commitments You Make

**Exclusive!**

**The only service of its kind for the insurance professional!**

Introducing the most advanced system available today geared exclusively to the insurance professional—*The Insurance Executive Registry*.

*The Insurance Executive Registry* is a confidential resource network bringing together people and opportunity in the insurance industry.

Whether you are currently looking for a new position—considering a change—or just want to keep in touch with the marketplace, *The Insurance Executive Registry* is the most cost-effective, technologically advanced way to do it.

Call or write for your introductory package. No obligation of course.

381 Elliot St. Suite 300  
Newton Upper Falls  
MA 02164-1130  
(617) 965-6700

**THE INSURANCE EXECUTIVE REGISTRY**

A Division of Yorkshire Consulting Group, Inc.

# insurance services guide

Use the Insurance Services Guide to reach your best prospects.

**LOSS CONTROL ENGINEERING**  
by independent professionals  
**FIRE PROTECTION and SECURITY**  
Now 7 offices in U.S. and Canada  
**GAGE-BABCOCK & ASSOCIATES**  
Ask for free brochure: 312/530-1494  
135 Addison, Elmhurst, IL 60126

**ATWOOD & CO.**  
Consulting Actuaries  
Reinsurance and Reserve Analysis  
for Captives, Self Insurers & Insurers.  
13113 Polvera Ave.  
Rancho Bernardo, CA 92128  
(619) 451-6049

**INSURANCE/REINSURANCE SOFTWARE for PC's**  
Programs designed to increase productivity for the Insurance and Reinsurance industries. AGENTS, BROKERS, CLAIMS CONTROL, UNDERWRITERS and MANAGEMENT will benefit from our programs.  
**JAMES B. HOOD & ASSOCIATES**  
P.O. BOX 598, FAIRFAX, CA 94930  
415-453-6748 TELEX 353677 HOOD SFO

**CASUALTY ACTUARIES, INC.**  
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A.  
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds  
• Statutory letters of opinion on loss and loss expense reserves.  
One Insurance Center Plaza, Suite 1  
St. Louis, MO 63141  
(314) 878-5002

**SMALL CLAIMS DEFENSE**  
Illinois lawyer, degreed Ch.E., available for analysis & defense to casualty insurance carriers of small claims; Dupage & other counties.  
Harold V. Sayers  
One Naperville Plaza  
Naperville, IL 60540  
(312) 420-2621

**Consulting Services**  
related to failures and damages to Civil, Structural, Mechanical, Electrical and Chemical Systems.  
**Worldwide Experience**  
Since 1924  
**HAAG ENGINEERING COMPANY**  
Texas WATS 1-800-442-0814  
US WATS 1-800-527-0168 P.O. Box 814245  
Louisiana 504-889-0562 Dallas, TX 75381

**AUSTRALIA-INFORMATION**  
1985 edition of structure & operation of Australian Insurance market available from McGregor Insurance Management, Corporate Insurance Consultants, 4th Floor, 234 George St. Sydney, NSW 2000, AUSTRALIA. Telephone 61 02 274081 Telex AA 23800 or write.

**WORKERS COMPENSATION CLAIMS SOFTWARE FOR IBM PC XT**  
All functions and state forms  
Insurance Software Packages, Inc.  
5118 North 56th Street  
Tampa, Florida 33610  
813-621-6069 (Fl)  
800-237-8133 (U.S.)

## TEMPORARY CLAIMS ADJUSTING SERVICES



Servicing Claims Statewide in: California

Workers' Compensation  
Longshore and Harbor Workers' Act  
Property/Casualty  
Inside and Field Adjusters

Claim Net is not an employment agency so there is NO FEE FOR PERMANENT HIRING.

**Claim Net** 3572 Hamilton Street, Irvine, CA 92714 (800) 325-2125

**TIME**  
is money, and  
**"DOWNTIME"**  
is money lost.

**NUMERICON** will restore damaged machine tools to perform as efficiently and reliably as before. Our goal in restoration is to work quickly (on sight appraisal within 24 hours) in a cost efficient manner (20-40 percent of replacement cost) . . . producing quality results.

**In less time and at less cost.**

When equipment is down, **NUMERICON** works around the clock to get it back on line, because we know time is money, and "downtime" is money lost.

**EXPERIENCED, CAPABLE, RELIABLE . . .**

**NUMERICON, Inc.**  
A single source of responsibility

**24-HOUR HOTLINE 1-214-399-1511**

For advertising information in the INSURANCE SERVICES GUIDE  
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.  
Telephone (312) 649-5340

## Satellite cover

Continued from page 1

Mr. Barrett added that Intec will increase its rates for satellite coverage and that there may be "some change" in the insurer's \$30 million capacity per launch.

"It's wreaking havoc in the market," Mr. Barrett said of the recent failures. "There is just a staggering accumulation of losses that are just unprecedented in this market."

Since the beginning of 1984, satellite underwriters have suffered more than \$600 million in losses, Mr. Barrett noted, adding that insurers' loss ratio since satellite risks were first written in the 1960s exceeds 200%.

Along with the changes at Intec, several small London satellite markets last week stopped writing the business altogether, including General Accident Fire & Life Assurance Corp. P.L.C., Royal Insurance U.K. Ltd. and London Aviation Insurance Group, a consortium of London insurers.

Together, these markets provided more than \$1 million in capacity.

While brokers disagree about underwriters' ability to obtain further rate increases on launch coverages, they do agree that cuts in launch capacity are now likely. The brokers are uncertain, however, about how large the drop will be.

"The telling time will be when and if the underwriters are able to renew their reinsurance protections," noted Alden M. Richards, vp with Johnson & Higgins in New York.

One bellweather of the market's condition, sources say, will be the outcome of RCA Corp.'s attempts to place insurance for its Satcom KU-1 satellite, due to be launched Nov. 27 aboard a space shuttle.

RCA has not yet purchased launch coverage for the satellite, and its problems in placing the coverage will be compounded not only by the recent losses but also by the fact that the KU-1 is scheduled to be launched with two other satellites—Aussat-2 and Morelos-B—that have already been insured, sources say.

Gerald Frick, managing director with Marsh & McLennan Cos. Inc., RCA's broker, declined to comment on the placement.

Meanwhile, brokers and bankers also say that a large drop in capacity for satellite risks could prevent smaller communications companies from being able to arrange financing for satellite projects.

Larger companies, if necessary, could afford to self-insure their satellite risks and still obtain bank financing for their projects. However, even some of these large companies could decide against assuming such large risks of loss, some observers say.

The unmanned Ariane rocket, launched earlier this month from French Guiana, was intentionally destroyed after a third-stage motor failed and the rocket plummeted toward populated areas.

Aboard the rocket were Eutelsat-ECS 3, owned by the European Telecommunications Satellite Organization, and GTE Spacenet-3, owned by GTE Corp.

ECS 3, the third in a three-satellite series, was insured for \$65 million. The coverage was led by the Ariel Syndicate at Lloyd's of London and placed by a group of European brokers led by Bowring Space Projects, a London-based M&M unit.

In all, about \$40 million of the coverage was placed with London insurers, sources say.

Coverage for the ECS series was placed in 1983 at a flat premium of 10%, though the policy provided that the premium would increase to 20% if one satellite failed, and to 25% if two satellites failed, sources say.

The Ariane loss doubled the ECS's premium to 20%; however its

owner purchased insurance from INTEC that will cover the cost of the increase, says Mr. Barrett.

GTE's Spacenet-3 was part of a five-satellite series and was insured for \$85 million. The coverage was led by the Ariel Syndicate and brokered by M&M.

Coverage for the Spacenet series was placed in 1984 at a rate of 12.5%, and included a 20% no-claim bonus that GTE now will not earn because of the Ariane failure, sources say.

Loss of the two satellites and losses on related insurance coverage—like the ECS premium-swing insurance—will total \$168 million, according to Mr. Barrett.

Hughes, meanwhile, will file a claim on Leasat 4, which fell silent two days after being placed in orbit by the space shuttle Sept. 3. Hughes said that a failure in a transmission cable in the satellite probably cut off its signal, and that the orbiter could not be salvaged on future shuttle missions.

Leasat 4, which was to be leased to the U.S. Navy, was valued at \$94 million and was insured for \$85 million. The coverage was led by Merrett Syndicates Ltd. at Lloyd's (BI, Sept. 16).

The Leasat 4 loss follows the payment of another \$85 million claim on Leasat 3, which failed to reach its proper orbit after it was launched from the space shuttle Discovery in April. The same shuttle mission that launched Leasat 4 carried out repairs on Leasat 3, and underwriters may recoup some of their losses if the satellite eventually becomes operational (BI, Sept. 9).

If repairs to Leasat 3 fail, underwriters will have lost \$338 million on the Leasat 3 and 4, Spacenet-3 and ECS 3 orbiters.

Mr. Barrett would not comment on Intec's share of the four losses.

However, sources say that Intec insured \$27 million on each of the Leasat satellites, and that Intec's total losses on all four satellites will total more than \$80 million.

Largely because of the Leasat losses, Intec has decided not to insure the performance of satellites until they have been placed in proper orbit and are working as intended, according to Mr. Barrett.

Under certain conditions, Intec will still insure against loss of satellites due to the failure of the Shuttle or the Ariane rocket or due to the failure of upper stage rockets to boost satellites into the proper orbit, Mr. Barrett said.

Once a satellite is in orbit and working properly, Intec will also offer satellite life insurance coverage, he said.

However, the insurer will no longer cover the risk that the satellite cannot be switched on once it reaches its orbit.

Until last week, Intec had insured satellite owners against loss or failure of satellites from launch through deployment into orbit, plus 90 or 180 days, Mr. Barrett explained.

Other conditions that may be imposed in future policies include coinsurance, higher deductibles and higher premiums, he said, adding rates may rise higher than the 20% of insured value now charged for some launch risks.

Mr. Barrett argued that manufacturers involved in building and launching satellites should assume some of the liability for losses from satellite owners, who now take delivery of satellites on the ground and bear the full exposure to loss throughout the launch.

"The total exposure to loss is being borne by the satellite owner, who really has no control over the risk of loss," Mr. Barrett observed.

He said that manufacturers should deliver satellites to owners when they achieve orbit and operate successfully, and they should assume the risk of loss until that point.

However, Mr. Barrett said that

Intec has "left open" the question of who its future policyholders will be: satellite owners or manufacturers.

Some brokers agree that some of the launch risk must be assumed by parties other than the satellite owner and its insurers.

"We must find some way of lifting the burden on the insurance industry," said Brian Stockwell, president of broker Corroon & Black Inspace. "It's ludicrous."

But M&M's Mr. Frick noted that any assumption of liability by manufacturers may have to wait, since most of the satellites scheduled for delivery over the next two years are being built under contracts that call for delivery to the owners on the ground. These contracts would have to be amended to provide for orbital delivery, Mr. Frick said.

"I don't know whether that could happen," he observed.

Mr. Frick added that he wasn't surprised by the Intec announcement, given the magnitude of recent satellite losses.

"We had anticipated that there might be some structural changes like that," he said.

How the losses will affect total market capacity for launch insurance is still "the big question," according to Mr. Frick, who speculated capacity may possibly drop by as much as 50%.

Mr. Barrett—who described the Ariane failure as coming "very close" to being "the nail in the coffin for space insurance"—said that worldwide capacity may fall below \$100 million per launch from the current \$125 million to \$150 million for "superior" risks. In 1983, capacity was at a high of \$260 million, he said.

The Leasat and Ariane losses "occurred at probably the worst time, since most major underwriters are entering their treaty reinsurance renewals," Mr. Frick observed, noting that the impact of the losses on market capacity won't be known until underwriters attempt to renegotiate their reinsurance coverage.

Brokers disagree, however, on satellite insurers' ability to get much more than the rate of 20% of insured value.

"I don't think the rates can go much higher," Mr. Stockwell said. "In my mind it's a question of whether the insurance is available at all."

Mr. Frick said that major corporations may decide to self-insure satellite risks rather than pay rates above 20%. But smaller communications companies—which must have insurance in order to obtain financing—may have to pay higher prices for coverage, he added.

"New ventures will not be able to get financing if they can't get any insurance, and they will have to buy whatever they can get," Mr. Frick said.

If smaller companies are unable to buy the launch insurance they need, satellite projects may have to be abandoned, some say.

"I would be extremely wary of taking on a project for a smaller company" without the backing of launch insurance, said Morgan McPherson, national accounts officer at Union Bank in Los Angeles, which loans money to satellite system owners.

Even larger companies may think twice about satellite projects if insurance is unavailable, others suggest.

Only the largest companies have the financial resources to absorb a satellite loss, noted Jerome Simonoff, vp with Citicorp Industrial Credit in Harrison, N.Y.

"The question of whether they would wish to is something else," he said.

However, Mr. Barrett said that "most of the larger companies have very, very serious commitments to satellite communications, and it is very doubtful that any of them would run away from it now."



# For reinsurance, it pays to go with a big name.

In today's business climate, strong, solid reinsurance is more important than ever. And only a company the size of Allstate can provide you with the financial support you need. With our resources, Allstate Reinsurance can make fast loss payments so vital to a business's continued success.

And we bring you the knowledge and expertise of over 25 years of reinsurance experience. Which is something our Intermediaries and Ceding Companies in over 20 countries have come to appreciate.

In a very big way.

**Allstate**<sup>®</sup>

Allstate Insurance Company,  
Northbrook, Illinois

Allstate Reinsurance Division  
2 Allstate Commercial Plaza  
51 W. Higgins Road  
South Barrington, IL 60010  
(312) 551-2500 Telex: 283513

**ALLSTATE  
REINSURANCE**