

Business Insurance

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

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Prosecutors subpoena papers in EMLICO redomestication case

BOSTON—Federal prosecutors have subpoenaed documents relating to the insolvent Electric Mutual Liability Insurance Co.'s controversial 1995 move to Bermuda.

The U.S. Attorney's office in Boston last week delivered a grand jury subpoena to an EMLICO reinsurer demanding "any and all documents relating to the redomestication of EMLICO."

The subpoena specifically seeks a copy of a 1994 memorandum prepared for EMLICO by the London law firm Clifford Chance & See Updates on next page

Mission repeal includes jail threat

Trial court judge ordered to comply

By DOUGLAS McLEOD

LOS ANGELES—It isn't often that an appellate court threatens to jail a trial court judge for his handling of a case, but that is what is happening in the liquidation of Mission Insurance Co.

The California Court of Appeal earlier this month ordered Los Angeles Superior Court Judge Kurt J. Lewin to reverse a 1995 order that he issued in favor of Mission's liquidator or face imprisonment, fines or removal from the case.

The threat follows a similar appellate order in May 1996 that Judge Lewin until last week did not obey.

In the 1995 ruling at issue, Judge Lewin threw out an alternative dispute resolution panel's decision that several Mission reinsurers owe nothing to the estate.

The liquidator had sought more than

\$2 billion from the reinsurers and stood to collect up to \$135 million under an out-of-court agreement.

No one familiar with the case actually expected Judge Lewin to be jailed, and in fact, last Friday he issued an order complying with the appellate instructions.

Still, lawyers agree that the appeals court action is all but unheard of.

"The order itself is sort of reminiscent of the days of the civil rights movement," when federal appellate judges threatened to imprison lower court judges who failed to enforce civil rights laws, observed Dean Hansell, a lawyer with LeBoeuf, Lamb, Greene & MacRae in Los Angeles.

"I haven't heard of anything in recent history that even comes close to approximating this," said Mr. Hansell, who is not involved in the case but represents reinsurers in other Mission-related litigation.

Dana C. Brooks, a lawyer with Rubinstein & Perry in Los Angeles, See Mission on page 62

Judge Lewin's Mission history

June 25, 1991: Los Angeles Superior Court Judge Kurt J. Lewin rules that Pacific Reinsurance Management Corp. pool members may not rescind reinsurance treaties covering Mission on grounds of fraud. Mission's liquidator seeks more than \$2 billion from the reinsurers, who deny liability.

May 21, 1992: Judge Lewin refers the case to a panel of three retired judges.

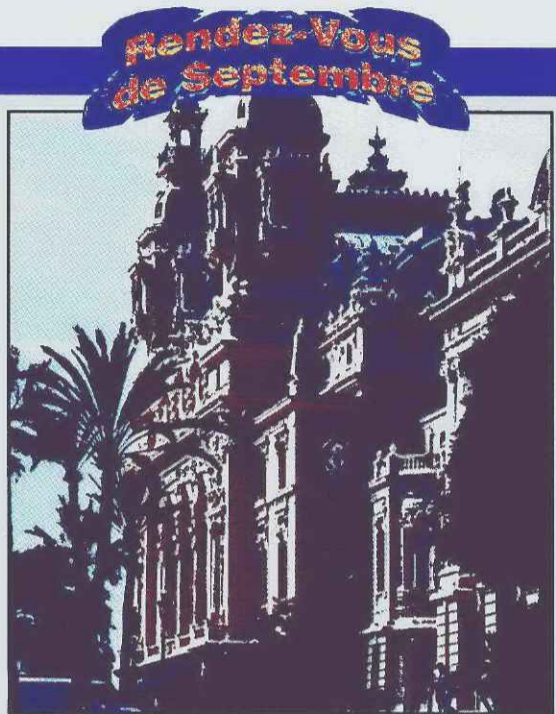
Feb. 2, 1995: The panel rules in favor of the reinsurers, including on the issue of fraud.

Dec. 28, 1995: Judge Lewin grants a motion by Mission's liquidator to throw out the panel's decision.

June 21, 1996: California Court of Appeals orders Judge Lewin to reverse himself and affirm the panel's ruling on issues other than fraud.

July 18, 1996: Judge Lewin sets an Oct. 10 hearing on whether the appellate court order is "internally contradictory."

Sept. 10, 1996: The Court of Appeals again orders Judge Lewin to affirm the panel's decision within 10 days or face fines, imprisonment or removal from the case.



The 118-year-old Casino de Monte Carlo is one of the principality's principal attractions.

Reinsurance rates likely to decline

By GAVIN SOUTER and PAUL D. WINSTON

MONTE CARLO, Monaco—The prosperity of reinsurers will likely breed lower rates at year-end renewals.

The absence of many large losses and the presence of sizable profits for most international reinsurers is likely to drive ceding insurers to seek lower rates for their reinsurance programs.

Property catastrophe reinsurance will likely lead the way with some rate decreases of 20% or greater, but other lines of reinsurance are also expected to drop in price.

The extent of the reductions will depend on the loss experience of the individual programs, the geographic area of the risk and the extent to which reinsurance buyers have secured rate cuts over the previous two years.

While most reinsurance executives agree there will be pressure on rates to "pay back" cedents, many also say the downswing in price will not be extreme.

A more concentrated market and more professional approach to underwriting will help stave off devastating drops in rates, they hope. But the true test of reinsurers' commitment to maintaining rates that reflect the risk will not be known until the deal making really starts in December.

These are a few of the observations made by reinsurance industry executives at the 40th annual Rendez-Vous de Septembre held Sept. 9-14 in Monte Carlo, Monaco.

The meeting typically marks the beginning of the renewal season, though issues far more diverse than rating levels dominated many discussions.

In many cases, the consolidation of the reinsurance industry (see story, page 47) and the future of Lloyd's of London (see story, page 48) were at the top of the agenda.

And while everybody at the Rendez-Vous kept a watch on the progress of Hurricanes Fran and Hortense, the prospect of property losses in the United States and Puerto Rico did little to divert the conversations.

See Reinsure on page 46

Mental health mandates OK'd

By JERRY GEISEL

WASHINGTON—Federal law will soon mandate more generous mental health care benefits and end drive-through deliveries, but the cost is expected to be modest.

Congressional conferees agreed last week to accept two amendments to a broader measure appropriating funds for two federal agencies.

Those amendments will, effective Jan. 1, 1998, require:

- Employers with more than 50 employees to offer in their group medical plans the same annual and lifetime limits for treatment of mental illness and disorders as they provide for physical problems.

Group plans, though, could continue

to offer different and higher deductibles and coinsurance requirements for mental disorders than for physical problems, while parity would not be required for treatment of substance abuse and chemical dependency.

In addition, employers would be exempt from this new, but limited mental health care benefits parity requirement if they can prove that parity will increase plan costs by at least 1%. There are questions, though, on how employers would have to prove that they are entitled to such an exemption.

The federal mental health care benefit mandate itself would expire on Sept. 30, 2001.

- Group health care plans to offer at

least 48 hours of inpatient coverage for mothers and their newborns after a normal vaginal delivery and 96 hours of coverage after a Caesarean section.

Patients would be free to leave a hospital sooner, but that decision would have to be a mutual one of the physician and mother rather than required by an insurer or employer.

These amendments were included as part of a broader measure that appropriates funds for the U.S. Veterans Administration and the Department of Housing and Urban Development. Final passage of the measure was expected late last week or this week. President Clinton is expected to sign the bill.

Last week's action ended weeks of See Mental on page 62

Golden Eagle decides to fight back Insurer counters underreserving charges with conspiracy theory

By JOANNE WOJCIK

SAN DIEGO—Golden Eagle Insurance Co. is putting its money where its mouth is in challenging California regulators' assertion that the insurance company is underreserved.

The San Diego-based multiline insurer is offering a \$100,000 reward to anyone who can help it prove in court that the Insurance Department is conspiring against it.

The reward was announced Thursday at a gathering of some 200 independent agents in Sacramento, Calif.

The meeting was called by Golden Eagle CEO John C. Mabee, who claims

the department is "bowing to pressure brought by other carriers who just can't fairly compete with us."

Mr. Mabee also claims that two actuarial reviews of the company—one conducted by department auditors and another by Tillinghast—were bi-

Second 'whistle-blower' suit filed by California employees page 61

ased against the company and that department officials refused to consider three more favorable independent reviews arranged by Golden Eagle.

However, the department maintains

that Insurance Commissioner Chuck Quackenbush would not have ordered the \$138.5 million reserve boost if it were not necessary.

"The commissioner's authority is clear," said Deputy Commissioner Richard Wiebe.

In a Sept. 17 letter responding to Mr. Mabee's allegations, Chief Deputy Commissioner Kenneth L. Gibson said, "Golden Eagle has in no way been 'singled out' by the department," nor has the department responded to or received "political pressure from competing carriers to target Golden Eagle."

See Golden on page 61

Foundation

Continued from page 2

tion of FHP International Corp. (BI, Aug. 12).

Foundation said that if a combination does proceed, it would be on a pooling of interest, common stock basis. A key assumption in the discussions is that the combination would effectively be on a "merger-of-equals" basis.

Foundation, which had revenues of \$3.42 billion for the year ended June 30, and net income of \$166.4 million, covers a total of 3.1 million lives, including about 1.5 million lives covered under commercial contracts and another 1.5 million covered under government contracts.

Close to half, or 1.4 million, of its covered lives are in California, with remaining plan participants in other operations, primarily in Texas, Washington, Oklahoma, Florida, Lou-

isiana, Arizona, Utah, Colorado and Oregon.

HSI had \$2.73 billion in revenues in 1995 and \$89.6 million in net income. Its total of 1.9 million enrollees as of June 30 includes 1.6 million commercial HMO members. A total of 1.3 million enrollees are in California, with additional operations in Pennsylvania, Connecticut, Washington, Idaho, Colorado, New Mexico and Oregon.

Foundation Health had made a \$1.55 billion offer for HSI in December 1994, but a deal never materialized (BI, Jan. 9, 1995). And last year, a planned merger between HSI and Woodland Hills, Calif.-based Well-Point Health Networks Inc. fell apart after talks between management of the two companies broke down and the companies were "unable to resolve their differences" (BI, Dec. 18, 1995).

Analysts say a deal between Foundation and HSI makes sense.

"There's only going to be a few

companies left standing in a couple of years and to the extent they want to be national players, either one of them, this would make some sense," said Mark Jamilkowski, a health care analyst with Conning & Co. in Hartford, Conn.

The drive to attain critical mass is particularly important in California, where the competition is intense and the managed care market is mature, said Larry Mayewski, senior vp at A.M. Best Co. in Oldwick, N.J.

"Clearly, each company has a position in different markets," said Mr. Mayewski. While Foundation is strong in the government contract market, HSI is a factor in the large employer market, "and so I think there's obviously an ability here to gain additional mass" and to gain on the competition in California, he said.

A merger between the two HMOs would provide them with a lot more geographic concentration in the Western states, which should help

them negotiate with providers and ultimately lead to lower premiums, said Peter Boland, a health care analyst and president of Boland Healthcare Inc. a Berkeley, Calif.-based health care publisher.

It remains to be seen, however, whether the two companies can successfully come to an agreement.

"The ego thing, I could see, being an issue" between Daniel D. Crowley, Foundation's president and chief executive officer, and Dr. Malik M. Hasan, HSI's chairman, president and CEO, according to Conning's Mr. Jamilkowski. "It was an issue in Well-Point," he noted.

"The biggest issue in making a merger work and ultimately coming to fruition are many times social issues," including who will run the company, what the company will be called and where it will be headquartered, said A.M. Best's Mr. Mayewski.

He thinks both organizations have learned from the past, and recognize

these issues are critical to negotiations.

Those same concerns are not expected to be an issue with Kaiser Permanente-Northwest and Group Health Cooperative of Puget Sound, which already have a long history of working together, including a coverage reciprocity agreement that allows patients from one system to get care at the other.

The two organizations have combined enrollment of more than 1 million members, reflecting Kaiser's nearly 400,000 members in the region and Group Health's more than 650,000. Together, the HMOs would have estimated combined annual revenues of about \$2 billion.

Group Health is the largest HMO in Washington, while Kaiser is the second-largest in Oregon, behind HMO Oregon, which is operated by Blue Cross & Blue Shield of Oregon, said Laird Post, principal and health care practice leader for Towers Perrin in Seattle.

Mike Katcher, president of Kaiser's Northwest Division, said a final resolution of a deal could be another three to six months away. A merger would have to be approved by a two-thirds vote of Group Health's 40,000 co-op voting members. Group Health is the nation's largest consumer-governed health care organization. Voters are enrollees who have paid a lifetime membership fee.

"I see two things driving this closer affiliation and potentially this merger," said Mr. Katcher. "The first is more and more employers are seeking to contract with fewer health plans, and want the health plans to have greater geographic coverage. This will allow both organizations to do that more effectively.

"It would be especially valuable for Group Health Cooperative, because right now they're a local health plan," he said.

A deal between the two would enable the cooperative to continue to serve local employers as well as reach national employers because of its affiliation with Kaiser, said Mr. Katcher.

On the flip side, a deal would also be valuable to Kaiser "because while we are a national organization and truly go from coast to coast we don't cover every single area in between and the Seattle, and northern Washington is a very important market so through the same affiliation we would also be able to improve our own geographic coverage," Mr. Katcher said.

"The second major driver is to take advantage of economies of scale, and take advantage of the skills and knowledge that each organization brings, and we find this especially valuable because the two organizations are so similar," he said.

Both are non-profit HMOs, with "strong social missions" and have "very compatible philosophies," Mr. Katcher said.

Phil Nudelman, Group Health's president and CEO, also noted that over the past two years, the HMO has lowered rates an average of 7.5% annually.

"Expenses are not going down as fast as revenues are going down and this means lower margins and hence less capital, and with less capital we cannot meet the needs of our multi-state employers by expanding into multi-geographical areas," he said.

Other market observers agreed that a closer affiliation between the two Pacific Northwest HMOs makes sense.

"I am very high on the deal," said Towers Perrin's Mr. Post. "I think this is a great thing to be doing, and they are perfect mates as partners go in these types of arrangements."

Mr. Post said in light of other recent HMO mergers, including the Pacific-Care deal, "I think they feel some pressure on them." **BI**

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Small HMOs tops in satisfaction survey

California workers generally prefer small, non-profit health maintenance organizations, a new HMO satisfaction survey has found.

But two big HMOs—FHP Inc./TakeCare Inc. and Kaiser Permanente—also ranked high among the 16 companies rated by the Pacific Business Group on Health.

The PBGH is a coalition of 22 private and public employers including Atlantic Richfield Co., Chevron Corp., Pacific Telesis Group and the University of California and the Public Employees' Retirement System that collectively insure more than 2.5 million people and spend more than \$3 billion annually on health care.

Separately, a recent survey conducted by CalPERS found that its

Benefit Beat

members are becoming more satisfied with their health plans. According to that survey, 80% of CalPERS' members enrolled in HMOs are satisfied with their plans, up from a 75% satisfaction level in 1993. Eighty-two percent of those in PPOs said they are satisfied, up from a 69% satisfaction level in 1993.

The PBGH survey was the eighth conducted by the coalition, which uses its bargaining clout to negotiate price and coverage with HMOs in the state. It recently began measuring HMO outcomes to compare the quality of the health plans, and the outcome measures as well as

the results of the member satisfaction surveys are used to ensure continuous quality improvement.

"Patient satisfaction is a key component in the quality equation given that it is one of the only true measures of outcome available," explained David Hopkins, director of health information improvement at the San Francisco-based PBGH.

"It enables health plans to communicate with their physicians about improving satisfaction and, in turn, empowers consumers and physicians to communicate with each other and their health plan to improve quality of care and satisfac-

tion," he said.

The top-rated HMOs in the PBGH survey were Lifeguard Inc., a small, non-profit health plan based in San Jose, and Health Plan of the Redwoods, another small, non-profit HMO based in Santa Rosa.

These two HMOs topped past years' surveys as well.

Both Lifeguard and Health Plan of the Redwoods received grades of "A" for overall satisfaction and "A+" for doctor satisfaction.

Other plans that received "A" grades in these two categories were Kaiser Permanente's Northern and Southern California regions; FHP/TakeCare in Fountain Valley; and Sacramento-based Foundation Health Corp., which also has a major Southern Califor-

nia presence.

PBGH used a generous scoring system, giving plans a grade of "A" if just 80% to 89% of members were satisfied and "A+" if 90% or more were satisfied.

Grades of "B" were awarded to plans with 70% to 79% satisfaction rates; grades of "C" were given to plans with 50% to 69% satisfaction rates; and grades of "D" were given to plans where fewer than 50% of members were satisfied.

The year's report card grades HMOs in four areas: overall satisfaction, preventive care, satisfaction with physician care and satisfaction with health plan.

While the coalition provided the letter grades for each plan reviewed, it would not reveal their numerical scores.

Plans receiving the lowest member ratings were Blue Cross of California's CaliforniaCare and Blue Shield of California, both of which received grades of "C" for overall satisfaction.

However, members surveyed gave both plans scores of "A" for their doctors.

Only one plan received a score below "C," and that was PruCare, which was graded "D" for members' satisfaction with preventive care services.

But the plan received a "B" for members' overall satisfaction.

Copies of the study are only available to PBGH members.

—By Joanne Wojcik

Denver partner benefits

DENVER—Mayor Wellington Webb extended health insurance benefits last week to same-sex partners of city employees, following the Denver City Council's 11-1 passage of the ordinance Sept. 16.

The cost to the city government remains uncertain because the public entity does not know how many city employees are homosexual, how many are in long-term relationships with same-sex partners or how many of those partners will elect coverage, a City Council spokesman said.

However, Denver's finance department estimated that 1% of the workforce, or 80 employees, would apply. Based on that figure, the city's share of health insurance premiums would total \$80,000 to \$150,000 a year.

The city does not expect additional expense associated with an adverse loss history that critics contend will follow the extension of health benefits to same-sex partners, the spokesman said.

To receive the benefits coverage, employees must sign affidavits stating that they are in an exclusive relationship with someone they expect to be with indefinitely and share living expenses with that person.

Denver is the first Colorado city to offer the coverage. Four years ago, state residents approved Amendment 2, which banned ordinances barring discrimination against gays. The amendment was a reaction to a citywide gay-rights ordinance in Denver. Last spring, the U.S. Supreme Court ruled the amendment unconstitutional.

However, last week's extension of health benefits to same-sex partners was unrelated to Amendment 2, the spokesman said.

Passage of the ordinance extending benefits to domestic partners came as the council was preparing its benefit offerings for employee open enrollment in November. Denver employees will be able to choose between Kaiser Permanente, FHP Health Care and Denver General Hospital plans.

—By Roberto Cenicerros



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*Marcel Coekaerts, President
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Opinions

Taking a good idea too far

THERE'S ALWAYS A RISK that Congress, particularly when elections loom, will take a good thing too far.

That's exactly what happened a few days ago when the U.S. House of Representatives overwhelmingly voted against reauthorizing the Overseas Private Investment Corp. in the name of ending "corporate welfare" and cutting the size of the federal government.

Under most circumstances, corporate risk managers and businesses in general would view scaling back government activities with favor. But they shouldn't be applauding what happened to OPIC—far from it.

That's because OPIC provides political risk insurance for U.S. companies seeking to do business in emerging markets, which account for about 140 countries in all. In some cases, OPIC may be the only insurer willing to take on such a risk.

And, it's certainly the only political risk insurer willing to guarantee coverage for 20 years.

That's one of the reasons OPIC can't be written off as just another example of corporate welfare.

While the private political risk insurance market has been increasing the number of years for which it will guarantee coverage—and deserves to be commended for doing so—the maximum guarantee currently available in the private market is seven years and more typically three years. For major infrastructure projects such as power plants, a three-year guarantee falls far short of providing the protection lenders often demand.

Without more long-term protection, lenders won't

be as likely to provide funding for U.S. businesses entering long-term projects in nations where the political situation is any less stable than Switzerland's. Boards of directors, worried about putting hundreds of millions of dollars worth of physical plant at risk, won't be nearly as willing to give the go-ahead for overseas activities. Some projects won't even get off the drawing board, and U.S. business' ability to compete with foreign concerns will suffer accordingly in markets that could prove to be critical in the 21st century. Although OPIC insurance already in force will remain so, there will be no new policies issued after Sept. 30 if OPIC isn't reauthorized.

But there's another reason OPIC shouldn't be written off as a handout for the corporate well-to-do. OPIC happens to be one of the relative handful of government operations that actually generates money for the Treasury. Its insurance premiums resulted in \$189 million in revenue for the federal government last year alone.

There's still a chance Congress will realize the self-defeating nature of its refusal to reauthorize OPIC before it adjourns for the fall elections, and perhaps a deal is being hammered out right now.

But even if a last-minute reauthorization wins approval, risk managers and others with a stake in adequately protecting overseas investments ought to make clear to their representatives just how important OPIC is in promoting the nation's economic interests.

Reducing the scope of the federal government can be a good idea, but as the OPIC vote amply shows, it's possible to take a good idea too far.

Letters

Article takes revisionist view of CGL exclusion

To the editor: The regulatory repudiators and draft dodgers made a full representation of half-truths about environmental insurance in your Aug. 12 Perspective article, "Courts Wrongly Cloud Pollution Clause," by Michael Bayslon and Robert L. Pratter of Duane, Morris & Heckscher.

In 1970, the Insurance Co. of North America, now part of CIGNA Corp. and a major client of these Philadelphia lawyers, put out a press release with respect to the pollution exclusion. As quoted in a more recent court decision:

"...the Wall Street Journal reported that INA Corp., part of the large CIGNA group of insurance companies, took the position that it 'will deny coverage only if the company or municipality acts deliberately. We will no longer insure the company which knowingly dumps its wastes.'" (North Pacific Insurance Co. vs. Leslie Mai and Bengal Car Wash, No. 42256-C, 6th Cir. Idaho.)

The INA press release led the Wall Street Journal to editorialize April 14, 1970:

"INA Corp., a large insurance holding company, has announced that it no longer will exclude most pollution coverage from its general liability policies. For the most part this seems a sensible step, not only for INA for for the rest of the industry."

Possibly CIGNA's lawyers can explain why the Wall Street Journal, reading INA's press release, saw the 1970 pollution exclusion as a granting of coverage. Such an explanation would be more productive than criticizing courts and policyholders for repeating exactly what the insurance industry said in 1970, which was that the exclusion was a "mere clarification" of coverage.

As *Business Insurance* pointed out several years ago—"Revisionist History" (BI, Sept. 25, 1989)—in an editorial:

"To support their position, policyholder attorneys point to the drafting history of the pollution exclusion. They contend that the documents written by insurer representatives in 1970, when the "exclusion" was added to the CGL policy, state that the clause was meant to be a 'clarification' of existing coverage, not a reduction of coverage."

While insurance industry lawyers tell the courts and *Business Insurance* that the pollution exclusion means one thing, they steadfastly refuse to disclose the extensive secret documentation showing that the present insurance nullification arguments are, in fact, revisionist and wrong.

Eugene Anderson
Partner
Anderson Kill & Olick P.C.
New York

To the editor: The Aug. 12 Perspective

Who looks out for policyholder?

To the editor: The last several issues of *Business Insurance* have provided readers witness to the one-upmanship encountered in the arena of business interruption losses. While accountants, attorneys, adjusters, insurers, agents and brokers bash one another

article, "Courts Wrongly Cloud Pollution Clause," by Michael M. Bayslon and Robert L. Pratter contains a misstatement and an eyebrow-raising interpretation of the original pollution exclusion.

The misstatement is that the exclusion with its "sudden and accidental" exception was in the commercial general liability policy. This exclusion was in the comprehensive general liability policy (first as an endorsement and then as part of the 1973 policy revision).

The interpretation that raises my eyebrow is the statement that courts which have acknowledged a temporal aspect to the term "sudden" have properly denied coverage unless the pollution loss was caused by a sudden and accidental event.

Speaking as a layman with a keen interest in the pollution exclusion, I have never seen such a conservative interpretation of the "sudden and accidental" exception. As long as the release, discharge, etc., is sudden and accidental in itself, it does not have to be triggered by a sudden and accidental event.

Harry L. Cylinder
Philadelphia

■ **Editor's note:** The article by Messrs. Bayslon and Pratter correctly stated that the sudden and accidental exclusion was contained in the comprehensive general liability policy. The misstatement was made due to an editing error.

under the guide of "all-knowingness," the policyholder waits for the sages to come to a consensus on the policyholder's problem. Is there now any question why one of these losses is so confounding to the insured?

See Letters on page 10

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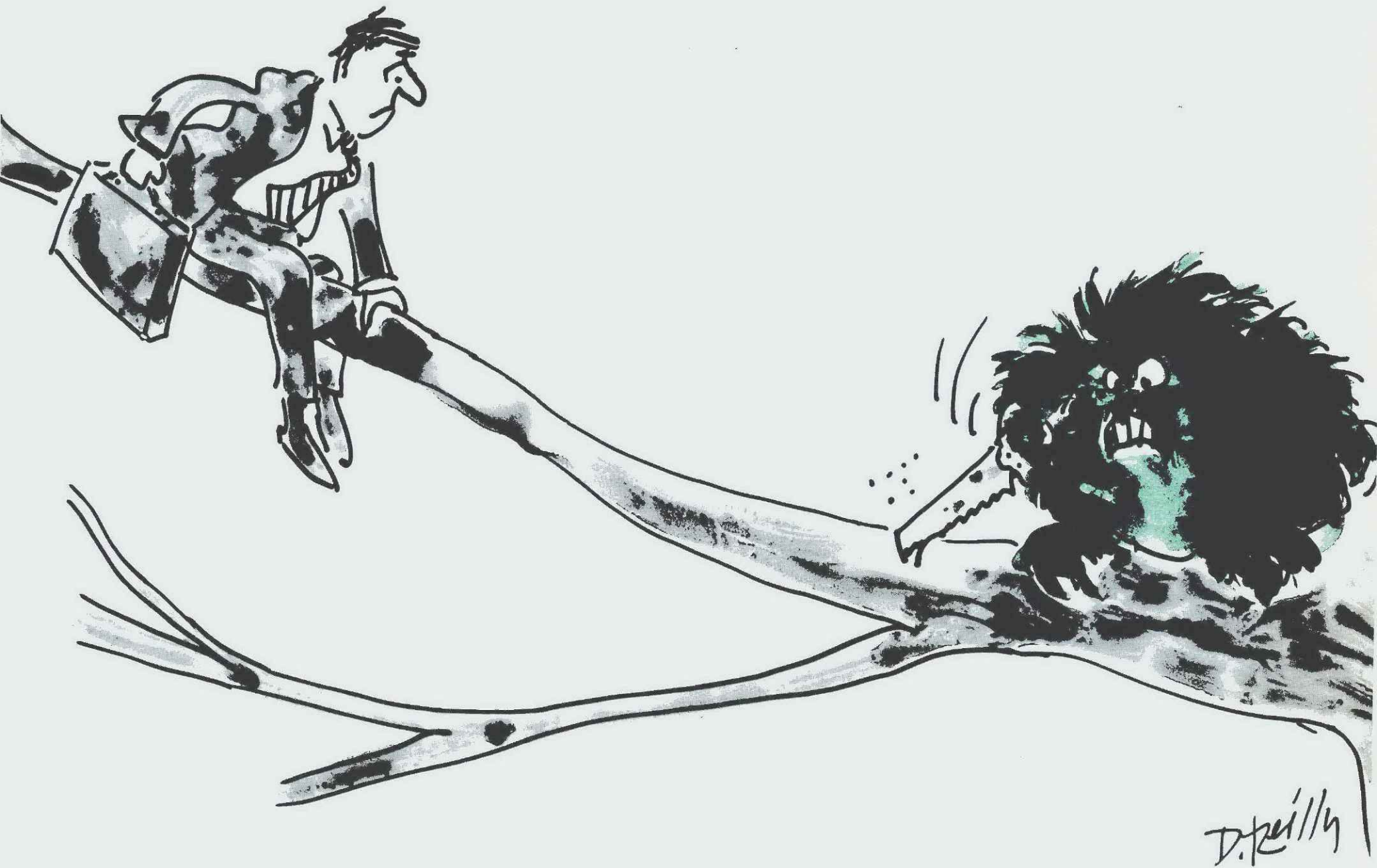


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Letters

Continued from page 8

I have a two-fold concern for my client:

- One, each of these disciplines has a vested interest in being "right"—both for their own account and to justify their reputations in their respective fields.

- Second, the parties to the process do not march to the same sense of urgency as the policyholder requires in his everyday business.

While the sages meet, at their leisure, the insured waits in grim anticipation of the needed funds to continue his business. Many insureds cannot wait for the white smoke from the Vatican. In more cases than not, the process itself places the policyholder in a condition worse than had no loss occurred.

There will be no change in the way

things are done until those entrusted with managing the process put aside their egos and cooperate with a sense of urgency.

John E. McCarthy
Vp
Johnson & Higgins of Ohio Inc.
Cleveland

Lloyd's has re-learned hard lesson

To the editor: Your Sept. 2 editorial, "Time to Refocus on Customers," contained much good sense, both for Lloyd's of London and for those insurance and reinsurance companies currently engaged in mergers and acquisitions. As service providers, insurers and reinsurers can pay a heavy

price for the loss of customer focus.

Our reconstruction and renewal plan has only just been completed, but I would argue that Lloyd's underwriters relearned the lesson of customer focus a little while ago. Three years of record profits, from 1993 through 1995, bear witness to the diligent application of skills and hard-won experience, which you rightly see as indispensable to our future success.

There can be no question that the demands of R&R have required a heavy commitment of management time. You suggest that this accounts for the decline in gross premiums underwritten at Lloyd's between 1993 and 1995, but I would propose a different interpretation. Premium rates peaked in the course of 1994 for many of the lines of business in which Lloyd's specializes and they have declined steadily since. Decreasing premium volumes are entirely consistent

with a more selective underwriting approach in pursuit of profitable business.

I share your skepticism about the "big is better" mantra intoned by some of the recently enlarged insurance and reinsurance companies. By its nature, Lloyd's has tended to grow

its business organically, rather than through acquisition. There are some lessons we have not had to learn the hard way.

Ron Sandler
Chief Executive Officer
Lloyd's of London
London

'Creativity' can be seen as fraud

To the editor: I read with dismay Robert Kazel's Aug. 26 article, "Cost Caps Force One Patient's 'Creativity.'" The article leads us to believe that such creativity is the only way to get around the nasty insurer. Here in Philadelphia, we have another cre-

ativity problem, this time involving auto insurance. The creativity experts use grandma's home address in the suburbs to get around the excessive premiums required in the city. We also have a new law in Pennsylvania to deal with the creative insurance frauds.

The article tells us that Jeff Bloom has AIDS, his health plan at work has a drug cap of \$3,000 and he needs \$17,000 worth of drugs per year.

The article also tells us that Mr. Bloom was CEO of his \$6 million a year company, and its chief financial officer. So, with total control, he obtained a few bids for health insurance, picked the cheapest quote and now is crying foul.

To support such an activity, which your article appears to do, is to bring your publication to an undeserved low.

Dean D. Young
Dean D. Young Professional
Insurance Services
Newtown Square, Pa.

■ *Editor's note: Providing a news report on the facts of Mr. Bloom's situation should not be confused with support for his actions. Business Insurance reserves its editorial opinions for the Opinions page of the magazine.*

To the editor: Congratulations to you and Robert Kazel for an excellent, enlightening—and enlightened—article, "Advances in AIDS Treatment Leads to Questions for Insurers" (BI, Aug. 26).

If similar wisdom prevailed everywhere, we might have avoided an AIDS crisis altogether.

James Arthur Wagner
New York

Grateful for Benedetti's legacy

To the editor: I was saddened to learn of the recent death of a former colleague, Anita Benedetti, who I had the pleasure of working with during my tenure with the Risk & Insurance Management Society Inc. (BI, Aug. 19).

Anita represented a rare combination of compassion, intellect, indomitable determination and humor, which anyone having the good fortune of coming into contact with her would never forget.

RIMS and the Spencer Educational Foundation were immeasurably strengthened by her efforts.

Anita, we are all grateful for the legacy of learning and good will that you bestowed upon us.

John Harkavy
Vp and General Counsel
USA Risk Group Inc.
Washington

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CAPITAL you CAN BANK ON.

SMZ names group risk manager

Gary M. Raymond has been named group risk manager for SMZ Industri AB, a Stockholm, Sweden-based parent of manufacturing businesses in Europe and North America.

Mr. Raymond, 42, takes over responsibility for SMZ's worldwide risk management program, a change for the company, which previously left those responsibilities in the hands of each subsidiary.

He reports in Stockholm to Lennart Boham, chairman of SMZ, and in the United States to Harry Klug, director of finance and administration, based in Tallmadge, Ohio.

Mr. Raymond previously worked as manager of insurance and claims for SMZ subsidiary Waltco Truck Equipment Co. in Tallmadge. He joined Waltco in 1994 as an insurance and claims administrator.

Coming & Goings: Buyers

Mr. Raymond holds a bachelor's degree in business administration from Grove City College in Grove City, Penn., and a master of business administration from the College of Insurance in New York. He holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

Douglas P. Shapiro has joined Fleet Financial Group Inc. as assistant vp/casualty risk manager at the bank holding company's Providence, R.I., corporate risk management department.

Mr. Shapiro previously worked as risk manager for Grossman's Inc., a

home improvement and building supply company in Canton, Mass., before taking the newly created position at Fleet Financial. He is responsible for casualty-related activities including loss control, claims management and risk financing. Much of his responsibility will center on Fleet Financial's workers compensation risks.

He reports to William K. Austin, vp and corporate risk manager.

Mr. Shapiro earned a bachelor's degree in bio-psychology from Tufts University in Medford, Mass.

Sharon M. Bartow has joined Fleet Financial as operations risk manager and will report to and assist Mr. Shapiro in casualty risk management

by concentrating on areas other than workers comp.

Ms. Bartow was a risk specialist at BayBanks Inc. in Boston before taking the newly created position at Fleet Financial.

She is a graduate of Babson College in Wellesley, Mass., where she earned a bachelor's degree in business administration. She holds the Associate in Risk Management designation.

Loree A. Smith has been named assistant vp/financial services risk manager at Fleet Financial.

Ms. Smith takes the newly created position after serving as assistant vp/insurance manager at Fleet Financial.

Ms. Smith reports to Mr. Austin and is responsible for risks associated with banking and financial services including foreclosed properties, trusts and regulatory issues.

She graduated from Barrington College in Barrington, R.I., with a bachelor's degree and holds the Associate in

Risk Management designation.

We'd like to report on staff changes in your company's risk management, safety and employee benefit departments. Contact Michael Bradford, Associate Editor, Business Insurance, Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; 214-361-2295; fax: 214-696-1936. Please send a photograph, too.

High court docket short

WASHINGTON—The U.S. Supreme Court will begin its new term with one of the shortest dockets in recent history.

As a result, judicial power will continue shifting from Washington to state supreme courts and lower federal courts, said Bruce J. Ennis, a partner in the Washington office of Chicago law firm Jenner & Block, during a preview of the coming term presented last week at the National Chamber Litigation Center Inc. in Washington.

The litigation center is an independent affiliate of the U.S. Chamber of Commerce.

The high court has agreed to look at only 52 cases thus far, noted Mr. Ennis, a former national legal director for the American Civil Liberties Union. He also warned his audience not to think that a conservative court like the current Supreme Court will automatically render pro-business decisions. "It is not the same to be conservative and pro-business," he said.

Conservative justices tend to favor case-by-case, very narrow rulings, he said. Businesses often prefer broad rulings because businesses like certainty, he said.

Conservatives also favor standing by precedent, he said. Mr. Ennis pointed out that precedent doesn't work to businesses' advantage unless the precedent happened to be pro-business.

In addition, some justices "deeply believe, genuinely and in a principled way" that the federal government should be limited in what it does, he said. That helps explain the court's 1995 ruling in *United States vs. Lopez*. In that case, the court held that a federal law prohibiting guns near schools violated the U.S. Constitution's Commerce Clause and usurped states' traditional police powers.

Mr. Ennis noted that former Justice Byron White's retirement also has played a role in the court's reluctance to review lower court decisions. Justice White felt the court had a "duty" to resolve conflicts among the circuit courts, a view the current Supreme Court majority does not share, he said.

Given the court's continued trend toward reviewing a relatively small docket, businesses' "ultimate path to victory" can now be found in lower courts, he said.

Despite the paucity of cases accepted by the high court for review thus far—and there are certain to be additional cases granted review when the court's term begins in October—a few of the cases already slated for argument touch on risk management-related issues.

Among the issues that will be reviewed by the court are: the tax treatment of punitive damages in wrongful death awards; whether provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, which hold that directors and officers of insured depository institutions can be held personally liable for losses caused by "gross negligence," preempt federal common law actions that impose liability for conduct less serious than gross negligence; and whether the Employee Retirement Income Security Act pre-empts state law regarding wages paid to apprentices.

—By Mark A. Hofmann

Quality Life...

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For years, Sequoyia labored to reduce the 85 sounds of his tribal Cherokee tongue to written characters. His invention of an alphabet made reading and writing possible for his people in their native language.

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INTERNATIONAL

German insurers cut rates to compete on property risks

By DON LEWIS KIRK

DUSSELDORF, Germany—German insurers plan major surgery to stop the flow of domestic insurance premium to foreign markets.

German insurers will slash industrial property rates 50% in some cases to keep good risks, said Paul Grothaus, sales manager of the German insurance broker Jauch & Huebener KGaA, at an industry meeting earlier this month between the broker, its industrial clients and potential clients.

"We see defensive strategies developing around the best risks... and price is the decisive factor," he said.

With a wide range of price cuts, particularly for risks with high fire protection, German industrial underwriters hope to halt an unprecedented drift of 20 to 30 top domestic risks to international markets in the past two years.

To facilitate cuts, leading industrial insurers Gerling Group A.G. and Allianz A.G. have uncoupled themselves from rate recommendations of the Assn. of German Property & Casualty Insurers, or VdS.

The association's recommendations were influential with consortium commissions, or KOKOs, which set insurance rates on large industrial risks. The discipline in the KOKOs, which kept rates for property insurance high in Germany, was broken down over the last few years by growing competition from outside the German market.

As German buyers found better rates outside the German market,

it destroyed the integrity of the KOKOs (*BI*, Nov. 20, 1995; July 10, 1995).

While the KOKOs still exist, they have no effect on rates. Instead primary insurers—like Gerling and Allianz—set their own individual rates for risks.

With a detailed evaluation of the particular industrial client's risk today rather than a reliance on typically high rates set by KOKOs, German insurers see the potential for lower—and more fairly calculated—premiums.

Allianz A.G. recently unveiled a new risk evaluation system that includes not only building condition and technical safety standards, but also management and organization of a company.

Property premiums are calculated in three categories: highly protected risks—those with a high level of fire protection and safety equipment—in excess of 250 million DM (\$165.5 million) insured sum, other risks in excess of 250 million DM, and risks under 250 million DM. Each category is further differentiated by class of business.

"In some cases, industrial clients who accept a substantial deductible and have good top risks can expect premium reductions of up to 50%," said Mr. Grothaus.

At upcoming 1996 renewals Mr. Grothaus also expects strong premium reductions for other risks with good claims records. However, the trend may not last beyond this year due to burgeoning underwriting losses.

With a three-pronged approach, which Mr. Grothaus called a traf-

fic-light strategy, German insurers are taking good risks, being very selective about the not-so-good risks and eliminating the unprofitable risks from their books of business.

"If at all, difficult risks can be insured only with best safety standards," said Mr. Grothaus, who expects the selective process to eliminate bad risks from portfolios and reduce the overall volume of German industrial business by 10% this year.

"To help all our clients, it will be necessary to use every option at our disposal," added a Jauch & Huebener spokesman. "But increased globalization of German insurance has also increased the options."

"Risk is evaluated differently in different areas of the European Union," said Mr. Grothaus. "These markets will be used more in the future to complement—yes, even to lead—the underwriting of German risk."

However, he admitted only a few very large insurers have capacity to give German industrial clients the necessary technical and legal and financial support they need in an international context.

"It will be necessary to tap these markets—which are globalized—particularly through the presence of U.S. insurers. However, they have their own demands when it comes to risk assessment. We must keep in mind that our clients demand a reasonable cost-benefit balance. Additional assessment costs must be held in relation to the premium," Mr. Grothaus said.

See **Premiums on page 16**

Manslaughter charges serve as warning to U.K. employers

By CAROLYN ALDRED

WEST YORKSHIRE, England—Directors from two transportation companies are facing manslaughter charges as prosecutors and safety regulators take a tougher stance on corporate safety responsibility.

West Yorkshire police announced this month that they intend to prosecute a former director of Fewston Transport Ltd. three years after one of the company's trucks plowed into three buildings in Sowerby Bridge, killing six.

In a separate trial under way in the same county, Jackson Transport (Ossett) Ltd. and former director Alan Jackson are defending corporate and individual manslaughter charges brought by the police and the Health and Safety Executive.

The trial, which began Sept. 2 in Bradford Crown Court, concerns the death of an employee killed while cleaning a chemical tanker on the company's premises in Ossett, Yorkshire.

Meanwhile, Brake, an industry-funded road safety association, is considering seeking judicial reviews of at least four other cases in an effort to secure manslaughter charges against directors of haulage companies.

Although there has only been one successful prosecution for corporate manslaughter in England and very few successful individual prosecutions for manslaughter in a work-related accident, lawyers think the lat-

est upturn in events indicates a greater willingness by authorities to prosecute.

The decision to prosecute in the Sowerby Bridge accident was welcomed by the Freight Transport Assn.

"It is in the interest of legitimate road transport operators that those disobeying the law should be caught out and punished," an FTA spokesman said.

An accident inquiry found that the 36-ton truck had defective brakes on all eight wheels. The company lost its license to operate in December 1994 after the inquiry.

A police spokesman refused to identify the person likely to be charged with manslaughter, saying investigations continued.

The decision to prosecute was brought about after the U.K. Court of Appeal criticized an earlier decision by the Crown Prosecution Service, a division of the U.K. judicial system, not to proceed with charges.

The trucking industry has been lobbying the government for years to clamp down on unlicensed trucking companies. All road haulage companies must be licensed to operate in the United Kingdom and must meet minimum safety standards to obtain a license, which is issued through the Department of Transport.

"The road transport industry is very highly regulated, and the safety record of commercial vehicles is extremely good," he said. See **Charges on page 16**

Stressed workers find little support

By SARAH GODDARD

Work-related stress is taking an increasing toll on managers in the United Kingdom, yet 70% of U.K. employers do not offer stress counseling or employee assistance programs, according to a report to be published next month.

Over the past three years, there has been a 30% increase in the number of managers who admit to suffering from work overload, says the report, called "Are Managers Under Stress? A Survey of Management Morale." The report, issued jointly by the Institute of Management, the U.K.'s largest management association representing corporations and individuals, and alternative health care company G.R. Lane Health Products Ltd. of Gloucester, England, will be available to the public after the beginning of October.

But insurance executives do not expect stress-related illnesses to increase employers liability premiums, despite a court case settled last year in which senior social worker John Walker sued his employ-

er, the Northumberland County Council, for two nervous breakdowns brought about by his heavy workload.

Nevertheless, the IM report makes grim reading for U.K. employers.

In the three years since the IM's last report on the subject, managers at all levels are reporting higher levels of stress. Almost 90% agreed that stress adversely affects morale, health, work effectiveness and their relationships. Only 12% said that stress had no effect on their personal performance, half the number of the previous survey.

About 85% of the 1,100 respondents to the IM survey reported their workloads have increased over the past year, and almost half said it "increased greatly" during that time.

Only 50% agreed that they looked forward to going to work, compared with 60% in 1993, and 35% said they had struck a good balance between home and work, a decrease from 43% three years ago.

The two greatest causes of stress were... See **Stress on page 17**

U.K. property claims take leap

LONDON—Pleas for rate increases may be heard after a jump in U.K. property insurance claims in the second quarter of 1996—in part because of £192 million (\$298.7 million) in claims paid to date from the June Irish Republican Army bomb in Manchester city center.

Latest figures from the Assn. of British Insurers show that second-quarter claims from fire rose 30% to £225 million (\$349.2 million) from £173 million (\$276.5 million), and for the half year to £403 million (\$625.5 million) from £335 million (\$534.2 million).

Property claims from theft were £202 million (\$313.5 million) from April through June of this year, up 13% from £178 million (\$298.9 million) in 1995's second quarter, according to the ABI. Total claims increase brought the total for the first half of 1996 to £402 million (\$623.9 million), compared with £397 million (\$633 million) in the first half of 1995.

Claims from weather damage that occurred late in the first quarter increased 105% in the second quarter of 1996, to £113 million (\$175.4 million) from £55 million (\$87.7 million).

And the latest winter freeze brought claims for the half year to £532 million (\$825.7 million), compared with £212 million (\$338 million).

Domestic building subsidence, or settlement, resulted in second-quarter claims of £70 million (\$108.6 mil-



API/WORLD WIDE PHOTOS

Insured losses from the June IRA bombing in Manchester are chiefly responsible for a jump in overall U.K. property claims.

lion), more than double the £30 million (\$47.8 million) in claims in the second quarter of 1995, taking the first-half increase in claims to £138 million (\$214.2 million), compared with £64 million (\$102.1 million) in the first half of 1995.

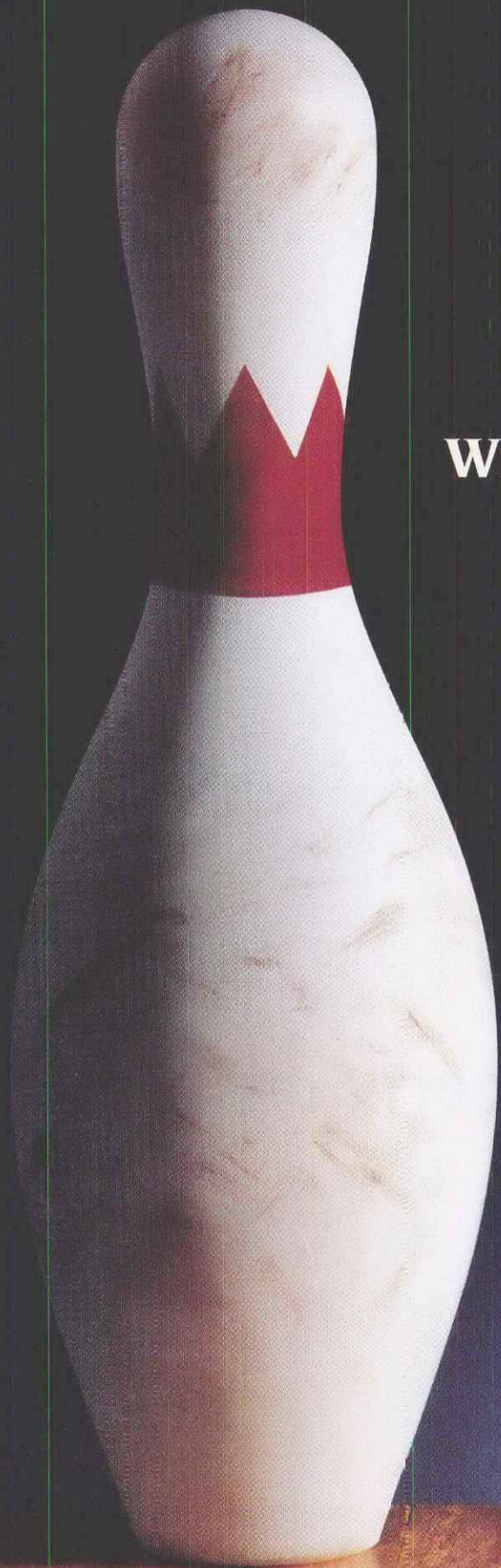
The June 15, 1996, Manchester bombing (*BI*, July 15; June 24) resulted in industrial and commercial insurance claims so far totaling £138 million (\$214.7 million), plus an additional £54 million (\$84 million) in business interruption insurance payments. The Feb. 9, 1996, bombing of London Docklands resulted in claims paid to date of £39 million (\$60.7 million) (*BI*, Feb. 19).

The increase in theft claims included a 45% increase to £58 million (\$90.2 million) in computer thefts from offices.

Commenting on the overall figures, Mark Boleat, director general of the ABI, said, "After a period of stable or falling claims on non-life policies, the jump in insurance payouts in the second quarter of this year comes as a big disappointment."

He added that the claims figures "add pressure on the industry for rate increases after a long period of largely stable or falling premium levels."

—By Edwin Unsworth



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INTERNATIONAL

Premiums

Continued from page 13

While the prospect of better rates has buyers listening, at least one major German company said the new rating system may not be that easy to employ.

Klaus Schulze-Weslarn, one of the managing directors of chemical manufacturing group Henkel A.G. and head of the company's central insurance division, told the industry group in Dusseldorf he was concerned about costs vs. benefits. In a test phase, Mr. Schulze-Weslarn said the rating system proved impractical for his company. "It took more than three days to rate one single building," he said.

The prospect of slow and complicated evaluation of Henkel's facilities put a damper on Mr. Schulze-

Weslarn's enthusiasm. Despite a longstanding relationship with Allianz, he voiced disappointment.

With yearly turnover of 14.2 billion DM (\$9.40 billion) and worldwide insurance premium of 50 million DM (\$35.1 million)—14 million DM (\$9.5 million) of which is in Europe, Henkel represents a major Allianz industrial client.

All of its worldwide risks, business interruption, liability and property are placed through Henkel's central insurance department in Dusseldorf.

Allianz insists problems are "singular" and its product is sound.

"Risk evaluation will often require much greater scrutiny than in the past," said Manfred Illner, an Allianz executive board member.

"These are international nu-

ances, and Germany must get used to them. It's something experienced risk managers have long recognized as necessary."

interruption plays a key role, said Mr. Illner. "This was also in the interest and at the request of the policyholder."

'Risk evaluation will often require much greater scrutiny than in the past. These are international nuances, and Germany must get used to them,' Manfred Illner says.

Mr. Illner insisted determination of risk factors at the Henkel facility actually took the least amount of time.

"Our assessment extended beyond one building to vital areas of the Holthausen," he said.

In such an evaluation, business

While aware of the necessary balance between cost and benefit, Mr. Illner sees an added value of its risk assessment in the awareness of certain risk factors and the resulting greater sensibility for the full extent and identification of risk.

Mr. Grothaus said competition is

dramatically changing the way insurer and clients cooperate. As Germany shifts to a buyer's market, insurers are intent on bringing new incentives, conditions and perspectives to their business.

Until only recently German insurers had pushed through massive price increases—particularly for top risks with insured sums in excess of 1 billion DM (\$661.8 million) and 250 million DM for petrochemical plants.

But several factors, including heightened competition, higher capacity from reinsurers and an end to Kokos now help buyers.

Mr. Grothaus said the market now is more competitive. "In the past, customers couldn't understand why their good loss records and preventative measures weren't often adequately rewarded. That has changed." **BI**

Charges

Continued from page 13

good," the FTA spokesman said.

However, a small number of vehicles on the road operate without licenses, and the industry is demanding that the government do more to detect and impound those vehicles, according to spokesmen from the FTA and the Road Transport Assn.

Mary Williams, founder of Brake, which is funded by the Road Transport Assn. and several large haulage firms, agrees that the government should work harder to clamp down on unlicensed operators.

Ms. Williams said minimum operating standards under the law should be increased, particularly the qualifications for those working in the industry, from mechanics to managers.

While sufficient penalties are available for punishing companies that flout safety legislation, they are not sufficiently applied, she said.

Jonathan Wood, a partner at London law firm Clyde & Co., also agrees that there appears to be a "greater vigilance on the part of prosecutors and regulators."

The successful corporate manslaughter prosecution against leisure company OLL Ltd. in December 1994, a first in British legal history, focused minds on corporate responsibility for safety, Mr. Wood said.

OLL and its managing director were convicted following the deaths of four teen-agers on a canoe trip the company had planned (*BI*, Jan. 16, 1995). And proposals to make convictions of directors easier are awaiting government response.

Lawyers agree it remains easier to bring an individual manslaughter charge and that often the end result is the same.

Any criminal charge against a company director for breaking health and safety legislation has a profound impact on directors, said Mr. Wood, who pointed out that while defense costs may be covered by insurance, any fines or prison sentences would not.

A spokesman from the Health and Safety Executive, the government-sponsored agency responsible for ensuring safety in the workplace, noted that manslaughter charges are being sought more frequently in the aftermath of fatal work-related accidents.

Manslaughter charges normally are brought by the police authority involved, but the Jackson case in Bradford is the result of a joint venture between West Yorkshire police and the HSE.

Meanwhile, another case involving corporate and individual manslaughter charges is likely to be brought by police and the HSE later this month, said the spokesman, who would not elaborate. **BI**

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INTERNATIONAL

Stress

Continued from page 13

workplace stress were identified as unreasonable deadlines and office politics, which about half the respondents noted as major problems. Firing people comes third, causing stress to almost 30% of managers.

Women in particular noted workplace harassment as a stress-inducing problem—a third of female respondents commented on it, compared with 21% of men.

Junior managers appeared to be the group most sensitive to stress. Just 9% said they looked forward to going to work, 7% felt they were in control of their jobs and almost a third were thinking of looking for a new job. Perhaps unsurprisingly, junior managers

were less likely to think they could cope with their current levels of stress.

"While the pace of change and restructuring continues, organizations seem to have failed in re-

created stress."

Despite the flatter management structures that have been introduced in recent years, the expected improvements in communications, efficiency, decision-making

'The responsibility for reducing levels of stress lies in the hands of the individual and the organization,' says Roger Young of the Institute of General Management.

assessing the nature and priority of managerial work," said the report, resulting in "fewer managers doing more, facing heavier workloads and suffering in-

and involving employees more closely in the organization has not come about—leading to the increased stress associated with deadlines and office politics.

"Stress is a real and genuine concern for a large number of U.K. workers," said Roger Young, director general of the Institute of Management. "The responsibility for reducing levels of stress lies in the hands of the individual and the organization, who must work together to abandon the macho image of coping with stress and encourage greater cooperation and support. Stress will never be eliminated entirely, but it can be reduced to a controllable level."

Alan Jackson, casualty director of broker Bain Hogg U.K. Ltd. in London, agreed that the responsibility lies with both employer and employee. "With stress claims, there is an element of how hard an employee allows himself to work," he said. If a stress claim is brought against an employers liability program, the claimant must

prove not only that the job pressure was sufficient to affect the worker's health, but also that the employer was aware and failed to remedy the situation.

This was the linchpin of the John Walker case. While he was a senior social worker with Northumberland County Council, Mr. Walker's workload caused him to suffer a nervous breakdown. He subsequently returned to his post, but his employer failed to alter his workload in recognition of his health. Mr. Walker suffered another breakdown and sued the council. The council settled out of court for an estimated £150,000 (\$234,320) (BI, Dec. 5, 1994).

In this case, "the circumstances were perhaps exceptional," Mr. Jackson said. But, he added, "It illustrates that such claims can succeed. In the meantime, it doesn't mean for certain there will be a vast flood" of claims. Several cases are in the pipeline, he said, and employees may bring more stress-related claims in the future.

Phil Bell, liability insurance manager of Sun Alliance General

'The correct balance is not always easy to find... between commitment to work...or work and family,' the report says.

Insurances in London, has seen the number of stress-related claims increase in the last couple of years. "But we are talking very very small numbers indeed," he added. "In the overall context of employers liability, the number of claims is minuscule." However, he pointed out, stress claims can manifest themselves in other ways, for example, the stressed employee may be more vulnerable to accidents.

Another aspect that makes stress claims difficult to prove is identifying the source of stress that led to the employee suffering health problems. Often, there are multiple causes, perhaps including financial or family problems which contribute to the overall situation, said Mr. Bell. "Stress is not just limited to the workplace," he pointed out.

This point is upheld in the IM report. More than 50% of the respondents said that financial pressures were a source of concern, while 36% found commuting stressful.

A quarter of female respondents were stressed by arranging child care, and a half by balancing work with household and domestic matters. And 45% of male respondents said that not seeing their children often enough caused them stress.

"The correct balance is not always easy to find either between commitment to work and the stress it generates, or work and family," the report said. "Women managers continue to have to juggle domestic and professional responsibilities, while men want to spend more time with their children, and both sexes suffer stress accordingly."

Copies of "Are Managers Under Stress? A Survey of Management Morale" are available for £50 (\$78) from the Representation Unit, Institute of Management, 2 Savoy Court, Strand, London WC2R 0EZ. 44-171-497-0580

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INTERNATIONAL

London still world leader, market survey reports

A survey earlier this month by Great Hampden, Buckinghamshire-based insurance and reinsurance management services group Hampden P.L.C. concludes that those working or investing in the London market believe it is still the world's leading insurance center.

The Market Services Survey 1996 shows that among what are perceived to be London's strengths are the ability of Lloyd's of London to lead and price business and its large pool of experienced and skilled personnel. However, most respondents favor tougher regulation of Lloyd's.

The annual survey, the sixth by Hampden, canvassed reinsurance practitioners; advisers, such as ac-

countants, brokers and lawyers; and investors, such as members of Lloyd's. Conducted in June and July, before the completion of Lloyd's £3.2 billion

London's greatest weaknesses are competition from Europe and taxation, respondents say.

(\$5.01 billion) reconstruction and renewal plan, the survey showed 65% of respondents want to see Lloyd's regu-

lated by "an inspectorate with teeth" rather than continue with self-regulation. External names—those who invest at Lloyd's without working there—also would like to see controls on total capacity and a fixed ratio between corporate and private capital.

Asked if they still consider London the world's leading market, five times more respondents said yes than no.

Asked which factors marked the greatest strengths, 53% cited "large reserves of experienced and skilled personnel," and 51% said "Lloyd's ability to lead and price business."

London's greatest weaknesses, according to respondents, are "competition from European insurance centers," cited by 39%, followed by "taxation of U.K. insurers" at 36%.

Copies of the report Market Services Survey 1996, are available for £14.99 (\$23.32) from Hampden P.L.C. For information, call 0-1494-48-8888. —By *Edu in Unsworth*

Satellite launches lifting space premium volume

By SARAH GODDARD

LONDON—An increased frequency in satellite launches and higher-value payloads are contributing to increased premium volume in the satellite insurance market, according to a report issued last week by London broker Nicholson Leslie Aviation Ltd.

The three total losses the market has sustained in the six months since February—plus a number of partial losses—would have been enough to have "severely shaken" it in the past, said the report, but now they are "insufficient to eradicate the 1996 underwriting profit."

By the middle of August, claims had exceeded \$500 million, an amount which in the past "might have provoked thoughts of crisis," the report said. Instead, the market continues to look forward to "long-term profitability."

The Chinese Space Agency's Long March launch vehicle has a relatively high rate of insured losses, and has "sharply focused" insurers' attention, according to the report.

Out of the last six launches on Long March rockets, three of them have failed, though each failure has been due to a different cause.

The most recent, in August, left the Chinasat 7 HS376 satellite only a third of the way into its orbit (*BI*, Sept. 2). The insured loss is estimated at \$102 million, bringing the overall losses due to Long March failures in 18 months to \$480 million, compared with premiums paid of \$185 million.

"Whilst there has been acceptance of the explanation of losses so far, we believe that convincing arguments must now be produced by the Chinese in support of their project," the authors of the report said.

Last March's loss of Telesat Canada's Anik E1 in orbit—the first total loss in orbit since Su-

'The market is now mature and able to cope with losses,' according to the Nicholson Leslie report.

perbird A in December 1990—left insurers with a \$150 million claim. But orbit rates remain stable.

"The market is now mature and able to cope with losses," according to the report. "The absence of immediate rate hikes reflects this maturity."

Despite the apparent ability to withstand insured losses, one uninsured satellite loss could have repercussions for the market, the report said.

The loss of the European Space Agency's Ariane 501 and its payload earlier this year (*BI*, June 10), though uninsured, may adversely affect insurers, contends the report.

With one fewer launch vehicle operating—and the question mark which must hang over Long March—satellite insurers' spread of risk is reduced.

What's more, the Ariane 502 launch has been delayed from this month until the first quarter of next year.

Capacity is continuing to grow, says the report, and American International Group Inc. is among the latest entrants to the market, with initial capacity of \$10 million.

"Other existing satellite insurers appear keen to continue measured expansion of their lines," it notes, citing the example of U.S. Aircraft Insurance Group increasing its maximum capacity per launch to \$52 million.

Corresponding to the increase in capacity is a marked increase in some of the insured amounts.

The insured value of Italsat 2's launch phase is in excess of \$500 million—"the largest single launch sum insured ever," the report said. **BI**

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For the Record

Insurers ordered to ease women's access to care

OLYMPIA, Wash.—Health insurers must provide women with direct access to a broad range of health care service providers, under rules adopted by Washington regulators.

"The law recognizes what has become a fact of life," Insurance Commissioner Deborah Senn said in a statement. "Many women want to use an OB/GYN, nurse practitioner or certified nurse midwife without having to see a family practitioner (or a gatekeeper) for permission first."

Impacted services are: maternity care; reproductive health services; gynecological care; general examination and preventive care including follow-up visits when medically appropriate. The bill, passed by Washington legislators in 1995 and signed into law by the governor, also prohibits insurers from creating obstacles for women, such as charging special fees or co-payments for direct access.

Additionally, insurers with physician networks cannot escape their obligation by contracting with an inadequate number of women's health care providers or an incomplete list of medical specialists, Ms. Senn said.

The law takes effect immediately for new health plans and existing plans must comply on renewal date.

Washington issues cease-and-desist order

OLYMPIA, Wash.—A group of European reinsurance and bonding companies and two U.S. businesses that handled their business have been banned from Washington state.

Insurance Commissioner Deborah Senn issued a cease-and-desist order Aug. 13 against Preservation Reinsurance Co. Ltd. of Brussels, Belgium; and two of its affiliates, Preservation Reassurance of Dublin, Ireland; and Triasia Asia Ltd. of London.

The two U.S. companies are MGA Bonding and Assurance Services of Phoenix and American Benchmark Claims Services of Boca Raton, Fla.

So far the companies have not responded to the order, an insurance department spokesman said.

The order said the European companies and their representatives lacked licenses to operate in Washington state and that they fell short of state solvency standards.

Insurance Department investigators said financial and accounting statements provided by the companies could not be verified. In fact, the auditor identified on the cover letter denied association with the companies, a department source said.

According to the financial documents submitted to the department, Preservation Re had \$50 million in assets, including \$43.3 million in stockholders equity. Its only liabilities were accounts payable and dividends amounting to just under \$6.8 million.

In notes on the financial statement, the company said it has not yet started writing business, though it was licensed in Belgium in January 1994.

The company's assets are in the form of certificates of deposit issued by London Euro Bank Ltd. to Triasia Asia Ltd. and subsequently assigned to Preservation Re (BI, Jan. 23, 1995).

Workers comp claims jump in California

SAN FRANCISCO—After slipping to a record low at the end of 1995, workers compensation claims frequency in California rose to the highest level in more than a year during the first quarter of 1996.

However, the increase was driven entirely by medical-only claims, ac-

ording to the latest survey by the San Francisco-based California Workers Compensation Institute.

The latest result was the biggest quarterly increase since spring 1994, and pushed the claim frequency rate 4.9% above the rate recorded a year earlier, the Institute reported.

According to the survey results, workers comp insurers incurred 101.9 new work-related injury claims for each \$1 million of adjusted earned premium during the first three months of this year, up 13.5% from the prior quarter.

Meanwhile, self-insured employers responding to the survey incurred 2.58 new claims per \$1 million of adjusted payroll during the first quarter, up 26.5% from the final quarter of 1995.

Medical-only claim frequency soared 26.9% from the fourth quarter, more than offsetting a 4.4% drop in the indemnity claims rate last year.

Medical-only claims made up 64.1% of new insured claims in the

first quarter of 1996, up from 57.3% in the fourth quarter of 1995. Indemnity claims declined to 35.9% of the first-quarter insured claims.

By contrast, medical-only claims made up 52.7% of self-insured claims in the first quarter, while indemnity claims comprised 47.3%.

The CWCI's first-quarter survey was based on data supplied by 50 insurer groups writing 86% of California's premium, as well as 11 self-insured employers with an aggregate first-quarter payroll of \$2.2 billion.

Texas city to end pre-comp payouts

EL PASO, Texas—City officials in El Paso expect to save about \$1 million annually by cutting some payouts to injured city workers.

The El Paso City Council last month voted to end a program that paid city workers salaries for seven

days after an injury. The 20-year-old program was intended to cover the period before workers become eligible for workers comp benefits.

While that benefit was cut, workers will still receive a supplement that helps replace lost income. That supplement, which was available for six months a year under the previous program, was cut to a maximum of 30 days a year.

El Paso paid \$10 million on about 2,100 workers comp claims last year, said Rita Rodriguez, assistant city attorney. The city self-insures its workers comp program and pays the supplement from that fund.

The changes apply to about 4,500 non-uniformed workers but not to police and firefighters.

Information in brief

Watson Wyatt Worldwide is moving its headquarters in Washington to

Bethesda, Md. The move, which will begin in November and be completed next year, will cut overhead... The London International Insurance & Reinsurance Market Assn. has elected Stan Hardie general manager of Skandia International (U.K. Branch), as a deputy chairman. He has been a member of LIRMA's ruling council since 1993. He takes up the post alongside LIRMA's other deputy chairman, Ken Haddon... Duff & Phelps Credit Rating Co. has issued an A- claims-paying ability rating, or high, for the active property/casualty operation of CIGNA Corp. CIGNA's reorganization into an active operation and a runoff operation improved the active operation's financial strength and competitive positioning, Duff & Phelps said. But, reinsurance and other links between the operations held down the active operation's rating. The links allowed the runoff operation to attain a BBB- rating, or adequate. **BI**

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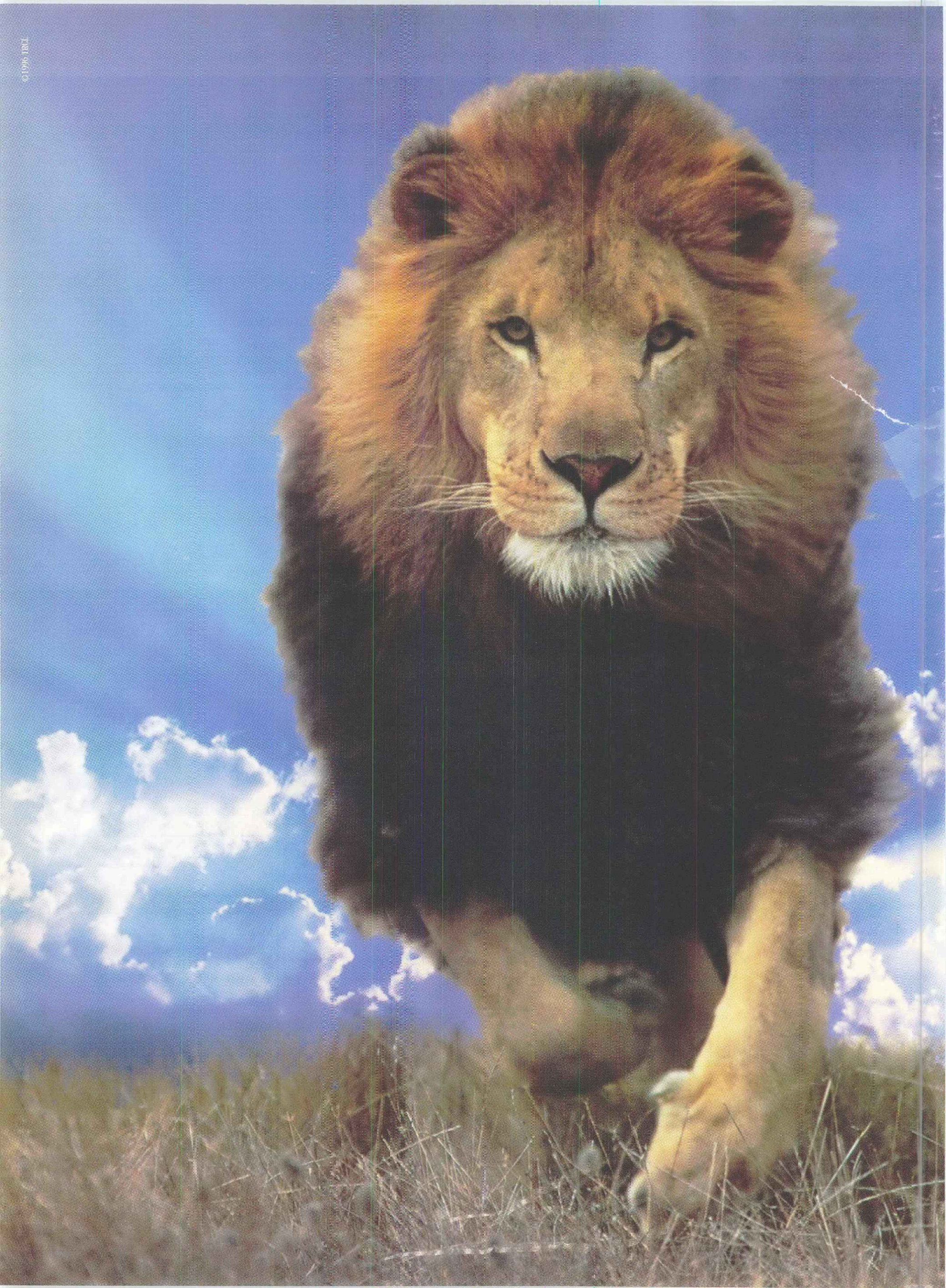
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Sedgwick James of California to combine divisions

IRVINE, Calif.—Sedgwick James of California Inc. will unite its Los Angeles and Orange County risk management divisions as part of the company's ongoing rollout of its "One California" restructuring program.

Under the program, Sedgwick operations throughout the state have become a single profit center, with the intention of providing the most efficient service and resources for California clients, said John Theiss, a vp at Sedgwick James of California.

"One of the biggest issues that the brokerage community has is that they are often scattered all about and there's a traditional parochial (profit and loss) concept that inhibits the allocation of resources to the client," he said.

"So what we have done is remove all of that P&L responsibility from all the offices here in California and have

just one office with P&L responsibility and that's our San Francisco office," he said.

The risk management divisions of the Orange County and Los Angeles offices will be merged into a single office in Orange County when Orange County operations move to a new site in the county in January.

Staff specializing in owner-controlled construction insurance programs and affinity clients will remain in Los Angeles.

Mr. Theiss said that combining the two risk management divisions shouldn't be viewed as a retreat from the Los Angeles market.

"In this particular case we found that it would be much more efficient to have our risk management personnel in one office and that office is in Orange County," he said.

The Orange County and Los Ange-

Markets

les offices, along with Sedgwick offices in Sacramento, San Diego and San Francisco make up Sedgwick James of California.

Chronic disease care

GREENSBORO, N.C.—Working in partnership with other care management organizations, Accordant Health Services Inc. is providing managed care services to patients suffering from rare chronic diseases.

Accordant aims to partner with organizations looking to manage care for a special population within their overall patient population, according to Steve Schelhammer, president and CEO of the independent, Greensboro,

N.C.-based specialty managed care company.

Accordant seeks to improve care and lower costs for patients of rare chronic diseases by reducing the frequency and magnitude of crisis events.

It relies on customized early intervention protocols, individualized care management plans, clinical practice standards and utilization and outcome reporting.

As part of that approach the company provides disease-specific provider networks, clinical practice guidelines and case management and utilization review guidelines and protocols.

The company has identified more than 20 rare chronic diseases such as myasthenia gravis and systemic lupus erythematosus that are suitable to its model. Those diseases are character-

ized by high annual cost with, in some cases, the risk of catastrophic outlier expenses.

Accordant is presently working with health maintenance organizations, indemnity insurers and some state governments.

"We're quite flexible about how we'll structure the financial piece of this and the pricing," Mr. Schelhammer said.

The company also is working with some Blue Cross & Blue Shield organizations to help determine the indirect costs to productivity of some chronic diseases.

"We think there's a real opportunity to show that there's a productivity benefit to be gained by applying the approach that we're using," according to Mr. Schelhammer.

For more information about the plan, call Accordant at 910-855-5670.

Workers comp alliance

HARTFORD, Conn.—Travelers/Aetna Property Casualty Corp. has formed a new workers compensation insurance alliance with third-party administrator The Goff Group.

The Montgomery, Ala.-based workers compensation program administrator represents the Professional Business Owners' Assn. throughout the United States. Travelers/Aetna will offer a fully insured workers compensation program to PEOA members and will reinsure the PEOA self-insured workers compensation fund.

The new partnership also will offer multistate workers compensation coverage, U.S. Longshoremen's and Harbor Workers' Act benefits and an assessment relief policy.

For more information call 800-736-2734.

New offices opened

WALTHAM, Mass.—Care management organization ManagedComp Inc. has opened full service offices in the New York and Chicago metropolitan areas.

The company also plans to open a Nashville, Tenn., office during the fourth quarter of this year.

The Midwest service area will be headed by Margaret Aslakson, Illinois branch manager, and will include Illinois, Indiana, Michigan, Missouri and Wisconsin.

The branch office is located at 1501 Woodfield Rd., Schaumburg, Ill., 60176; and the phone number is 888-619-1441.

Scott Nuelle is general manager for the New York area office, located at 2900 Westchester Ave., Purchase, N.Y., 10577-2551; and the phone number is 914-251-5701.

The New York area office serves Manhattan, Long Island, Westchester County, southern Connecticut and northern New Jersey.

Express Scripts unit

ST. LOUIS—Health care management firm Express Scripts Inc. has created a new subsidiary, Express Scripts Vision Corp., to expand the company's eyecare management business and capitalize on the potential for growth in the vision care area.

The move comes after Express Scripts recently formed alliances with Ciba Vision Ophthalmics and The Eye Health Network. The company's recently launched PhyNet Inc. integrated optometry and ophthalmology management services organization will become a division of Express Scripts Vision Corp.

Larry Zarin, who has been a strategic consultant for St. Louis-based Express Scripts, was named president of the new subsidiary and Gregg Rotenberg was appointed managing director, business affairs.

For more information, call 314-770-1666. **BI**

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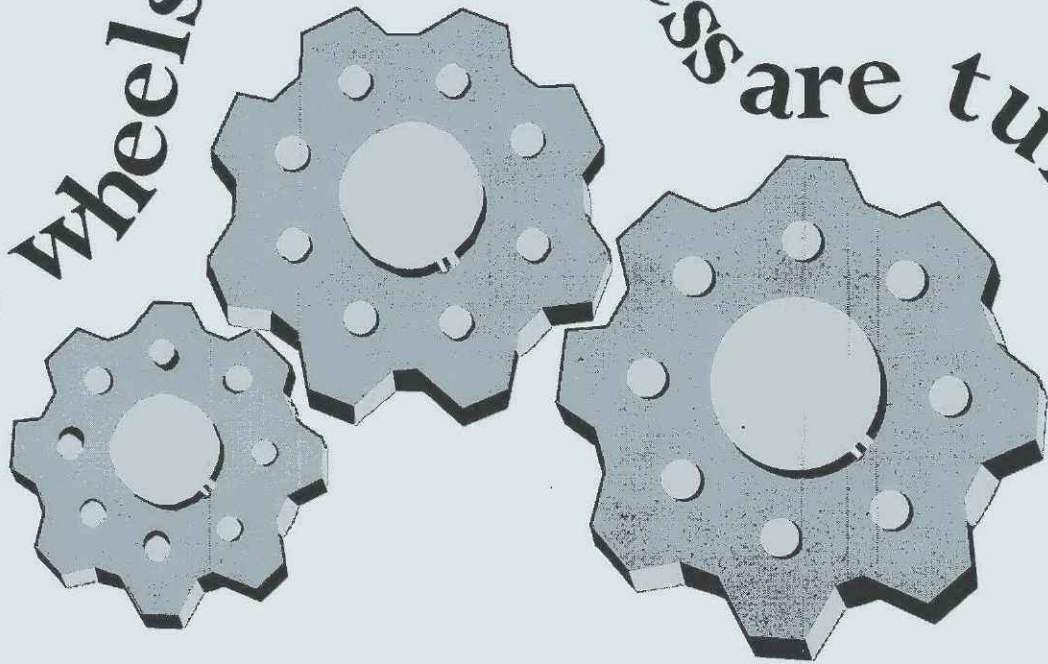
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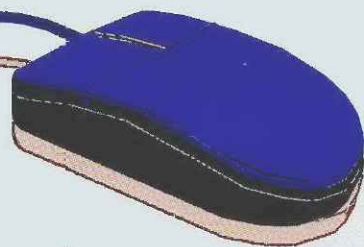
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Managed

Continued from page 3

Another panelist agreed it is hard to determine the exact impact of managed care on falling workers comp costs in Florida because employers haven't been directing injured employees to the plans long enough to produce credible claims data.

Reforms that have resulted in less litigation and better claims handling have contributed to lower costs, said Karen Hogan, claims manager with United Self Insured Services in Orlando. "Loss ratios are less but it is because of managed care?"

It's too early to tell, she said. "But do I believe in managed care? Yes. I believe that it works in the early intervention, I believe that it benefits the employee by getting them to a physician much quicker" than in programs without managed care.

Several steps are important to take when implementing and using managed care in a workers comp program, Ms. Strasser pointed out. Getting an injured employee treated quickly is one key, she said.

For example, a security officer is dispatched to an accident scene and completes an incident report when a Vistana employee is hurt. "Then we send the employee down the street to a nearby medical facility and they are seen right away. So immediately we are on top of the care that the injured employee needs."

A case manager and adjuster are informed immediately of the accident in order to become involved with the case from the beginning, she said.

Ms. Strasser pointed out that Vistana deals with providers experienced in treating work-related injuries; many have backgrounds in industrial medicine.

Vistana stays in close touch with

everyone involved in a workers comp case, Ms. Strasser noted, sometimes speaking as frequently as daily with nurse managers and adjusters to make sure the employee is able to return to work as soon as possible. "Also, we're ensuring that the type of treatment that is needed is available to the employee."

"All of these factors result in the employer having more control over their costs and more control over the treatment process, making sure the employee is getting what is necessary to not only return to work but to a good quality of life as well," she said.

Another panelist suggested that Florida employers still looking to implement managed care into their workers comp programs consider a network that will provide the same kind of access Vistana receives.

Picking a network designed to provide timely access to treatment is one of the biggest issues an employer

faces, according to Laura Wehrle, vp of cost containment services at MetraComp in Tampa.

"A general practice network does not necessarily make a workers comp provider panel," she warned. To illustrate, she pointed out that during the winter months in Florida when the state's population swells, it can often take two weeks to see a general practice physician.

Ms. Wehrle urged employers to consider a panel of providers who specialize in occupational medicine and "look for the types of practices that can work in unexpected needs" on short notice.

She reminded employers that "a broad network does not equal workers comp expertise. I could have a whole lot of docs, but they might be docs that are used to simply treating colds, not a workers comp-related injury."

Ms. Wehrle moderated the discussion. **BI**

Comp care differs from managed care

By MICHAEL BRADFORD

ORLANDO, Fla.—Managed care will work much differently in workers comp than in group health plans and will require smaller physician networks with more specialists.

That's the opinion of Carlos A. Saladrigas, chief executive officer of The Vincam Group Inc., a Coral Gables, Fla.-based provider of workers comp cost containment and other services.

Florida employers in 1997 will be required by law to have in place managed care arrangements for treating workplace injuries.

The change "brings a whole host of issues for employers to face... because, at the end of the day, managed care in workers compensation is not the same

as managed care in group health," Mr. Saladrigas said.

Speaking during a round table at the First Florida Managed

Care Conference, held Sept. 9-11 in Orlando, Mr. Saladrigas pointed out that "there are many fundamental differences" in how managed care operates as part of workers compensation and group health systems.

"No. 1 is the difference in medical management itself," he said. "In workers comp, medical management has to be highly coordinated because it has return to work as a very specific objective." And, even though that objective shouldn't be overlooked in group health care, it is, he added.

Early intervention is a primary focus in workers comp medical cases, Mr. Saladrigas said. Diagnostic and treatment protocols are aggressive and intensive, a sharp contrast to the approach traditionally seen in group health care cases, he added.

Provider networks must be structured to handle workers comp cases, Mr. Saladrigas suggested. "The primary care physician model that has worked so successfully in the group health arena is absolutely not functional in the workers compensation arena, where you need more of a trauma orientation in terms of your provider network."

The physician network for workers comp cases needs to be smaller than for group health and made up of a number of specialists who aren't usually found in group health networks, Mr. Saladrigas contended.

Many doctors still view managed care as a new concept, but their acceptance of the arrangements has changed, said Richard J. Bagby, president of the Florida Medical Assn., who also spoke during the session.

A few years ago, physicians looked at managed care "as something that would probably not last," Dr. Bagby recalled.

He said more than 83% of Florida physicians now participate in some type of managed care arrangement.

Other panelists were: Dale Petersen, director of health and benefit services at Darden Restaurants in Orlando; Gail Krinsky, national claim manager at Ryder Services Corp. in Miami; John Joiner, CEO of United HealthCare of Florida in Tampa; and Clifford R. Frank, administrator of Baptist/St. Vincent's Integrated Delivery Organization in Jacksonville, Fla. The discussion moderator was Jay Wolfson, professor of health law and finance at the University of South Florida College of Public Health in Tampa. **BI**



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Florida effort would let more doctors into managed care

By MICHAEL BRADFORD

ORLANDO, Fla.—A skirmish in Florida over whether all providers should be allowed to contract with managed care organizations is pitting businesses against advocates of patients' and physicians' rights.

The controversy centers on a proposal to allow "any willing provider" to belong to a managed care organization as long as the health care provider agrees to meet contractual terms of the plan.

Under current Florida law, managed care organizations have the right to choose the physicians they want to provide care to plan members.

Some medical groups and attorneys are leading the fight to pass an amendment to the Florida con-

stitution that would open up managed care plans to more providers and give Floridians unrestricted choice of providers (BI, July 8).

Proponents of the change are working to gather the necessary 425,000 signatures to place an amendment on the 1998 ballot for November 1998 elections.

Those who support the change claim, among other things, that patients are more qualified than managed care organizations to make decisions about who provides their care.



Business groups are fighting the effort, arguing that allowing an unlimited number of providers into managed care plans will mean volume discounts won't be possible because too many physicians will be splitting up the patient population.

That would destroy the managed care concept, they claim.

"You have on the one hand, managed care advocates who will tell you it's essential to be able to limit the panel size," said Randolph S. Jordan, a partner with the law firm Epstein, Becker & Green in Washington. "On the other side, opponents will say that it's intrusive and virtually un-American to limit panel size and restrict patient choice."

Mr. Jordan framed the issue that

was discussed at the First Florida Managed Care Conference held earlier this month in Orlando and sponsored by the Florida Managed Care Institute. He served as moderator during a debate that featured speakers on both sides of the any-willing-provider issue.

Two attorneys who advocate opening up the system to all providers said it is important for parents to be able to choose doctors for their children.

"I believe wholeheartedly in this effort," said Glen D. Wieland, an attorney with Kelaher, Wieland & Hilado in Orlando. He said he is particularly interested in a wider choice of physicians because he is a parent.

Allowing managed care plans to limit the panel size of physicians

according to their own standards takes an important decision out of his hands, Mr. Wieland said.

"I don't want government and I don't want some insurance company or some adjuster or some claim manager making the decision about the credentialing of the physician that is going to make the decisions that regard the life and death of my family or your family," he said.

Too often, the plans include physicians who are not necessarily the best-qualified but they are the cheapest, Mr. Wieland charged.

"I can't imagine a more fundamental right," agreed Stephen Masterson, a Pensacola, Fla., attorney, than the right to choose a health care provider for a sick child.

Mr. Masterson said he has "the right, as a human being in this society, to know every option, to know everything that I can do... for that child."

Opponents of the any-willing-provider proposal counter that those who want choice already have it; it just costs more to choose providers outside the managed care organization.

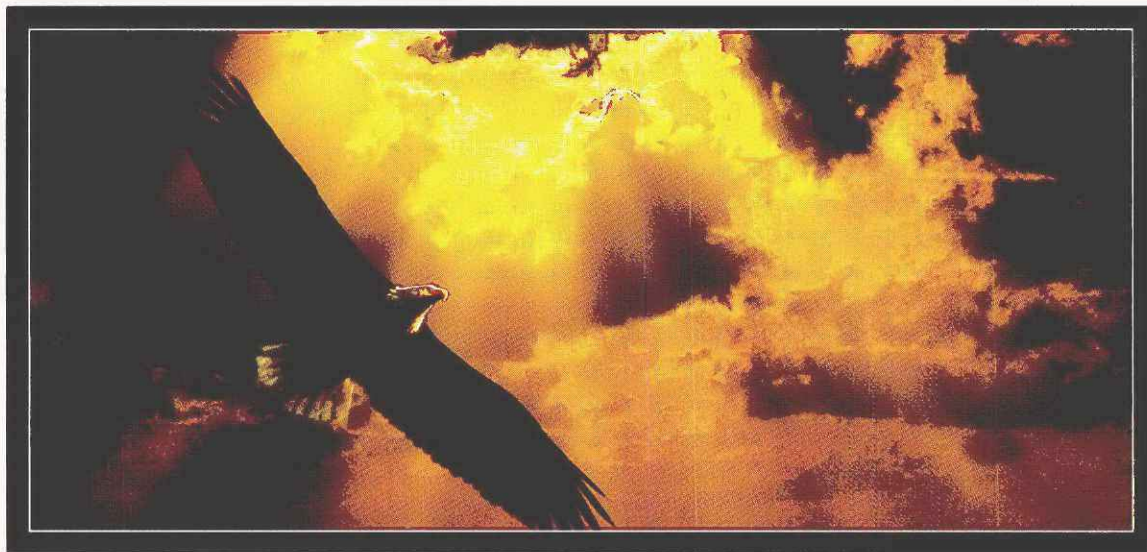
Blake A. Wilson, executive vp of the Florida Chamber of Commerce in Tallahassee, said his family has exercised that choice and does not belong to a managed care plan. "We pay more because we have decided to have the option to select whichever doctor we want," he noted.

Although he has chosen not to participate, Mr. Wilson supports the managed care concept and says it is working just fine the way it is in Florida.

In fact, when the chamber's membership was polled, the re-

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Managed care meeting to stand alone next year

ORLANDO, Fla.—The First Florida Managed Care Conference drew an enthusiastic mix of attendees and speakers earlier this month to the Clarion Plaza Hotel in Orlando.

The conference was sponsored by the Florida Managed Care Institute Inc., a non-profit educational organization formed in 1994.

The conference this year was held in conjunction with the 51st Annual Florida Workers' Compensation Educational Conference at the Peabody Hotel in Orlando. Registrants at either conference were able to attend sessions at both.

The managed care conference drew large crowds for sessions that covered topics including managed care in workers comp programs, 24-hour coverage, how to choose a managed care network, the any-willing-provider debate and other subjects.

The managed care conference next year will stand alone and likely will be held in June, according to Lorry S. Davis, program chair for the institute. Dates have not been finalized.

Information on the institute and the 1997 conference is available from the Florida Managed Care Institute Inc., Call Box 200, Tallahassee, Fla. 32302-0200; 904-425-8156.

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Continued from page 30

sults indicated that small business has a "great passion for protecting managed care and for protecting their costs of providing health insurance for their employees," Mr. Wilson added.

He also suggested that freedom of choice should extend to those who make the decisions about which physicians are under contract to a managed care plan. "It's my contention that you have a choice to do business with whom you want to. And if you don't want to do business with a certain health care provider, an HMO

ought to be able to choose not to do business with them."

Mr. Wieland said a problem with that contention is that someone is making a decision that "is not including the members and the people who are going to receive that service in the decision-making on who's going to be a member of the family."

Mr. Wilson countered that there is the option available that "if you're not happy with the choice, you're going to go somewhere else."

Allowing all providers to participate in managed care arrangements would eliminate savings the plans generate because such a move would spread out the patient population

among too many doctors, according to Clint Smawley, an attorney with Katz, Kuter, Haigler, Alderman, Marks & Bryant in Tallahassee.

"The essential economic fact of the way HMOs and managed care organizations operate is pretty straightforward," he said, explaining that discounted fees are negotiated with doctors in exchange for increasing the volume of their practice.

"If any provider in the community can hook up to the network," Mr. Smawley said, "then what happens is you are going to lose your rear end, there's going to be absolutely no savings" because the doctors who were originally promised additional vol-

ume are not going to get it. "Therefore the economics of managed care no longer make any sense. That's why you can't have any willing provider in managed care."

In response to a question from the audience, Mr. Wieland contended that cost savings can remain in place if managed care is open to all providers.

"What we're saying is, if you have a physician out there you want to treat with, who is willing to meet the cost containment provisions of whatever plan that employer may have, why should that physician be excluded? He should not be excluded from that program. It's not going to cost any more money." **BI**

Fewer workers, dependents have employer-backed coverage: Study

By DEBORAH SHALOWITZ COWANS

The number of U.S. workers and their families with employer-provided health insurance coverage has declined steadily over the past few years and will continue to decline in the future, according to a consultant's new study.

The percentage of American workers and their families covered by employer-sponsored health insurance declined to 73.9% in 1995 from 77.7% in 1990, and is projected to drop to 70.4% by 2002, according to the study by the Lewin Group Inc., a health care consultant in Fairfax, Va.

Lewin based its projection on coverage trends reported from 1988 through 1994.

Employment changes—such as losing a job, a parent or spouse losing a job, termination of the employer plan, or a shift from full-time to part-time status—are the primary reason fewer employees and their dependents have health care coverage than in the past, the study said.

In the future, declines in employer-sponsored health insurance coverage will stem primarily from fewer dependents of workers being covered by group health plans, the study said.

Based on coverage trends reported in Current Population Survey data from 1988 through 1995, the study concluded there would be "little change in the percentage of workers with coverage through 2002, but a continued decline in the proportion of persons with dependent coverage."

Also, "recent discontinuations of employer health coverage for retirees will result in reduced coverage over time," the study warned.

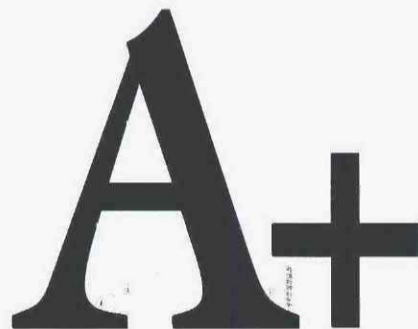
The study noted that as few as 18% of workers use a provision of the Consolidated Omnibus Budget Reconciliation Act of 1986 to continue their group health care coverage after they leave their jobs. The study stated that most employees are not opting for COBRA coverage "presumably due to the high cost of the premium," which can be 102% of the full cost of the coverage.

Recent federal legislation allowing employees to move from job to job with little risk of losing health care coverage for pre-existing conditions will help avert some coverage losses, but the impact of the law likely will be small, according to the study.

The effect of the Health Insurance Portability and Accountability Act of 1996 "is likely to be small since 45 states (have) already passed similar legislation" that already is reflected in the data, the study said.

The number of Americans without health insurance will increase from 39.6 million in 1995 to 45.5 million by 2002, the study predicts.

Copies of the study, "Recent Trends in Employer Health Insurance Coverage and Benefits," are available for \$75 for non-profit organizations and \$125 for other organizations from Duane Altig, The Lewin Group, Inc. 9302 Lee Highway, Suite 500, Fairfax, Va. 22031-1214; 703-218-5726; fax: 703-218-5501.



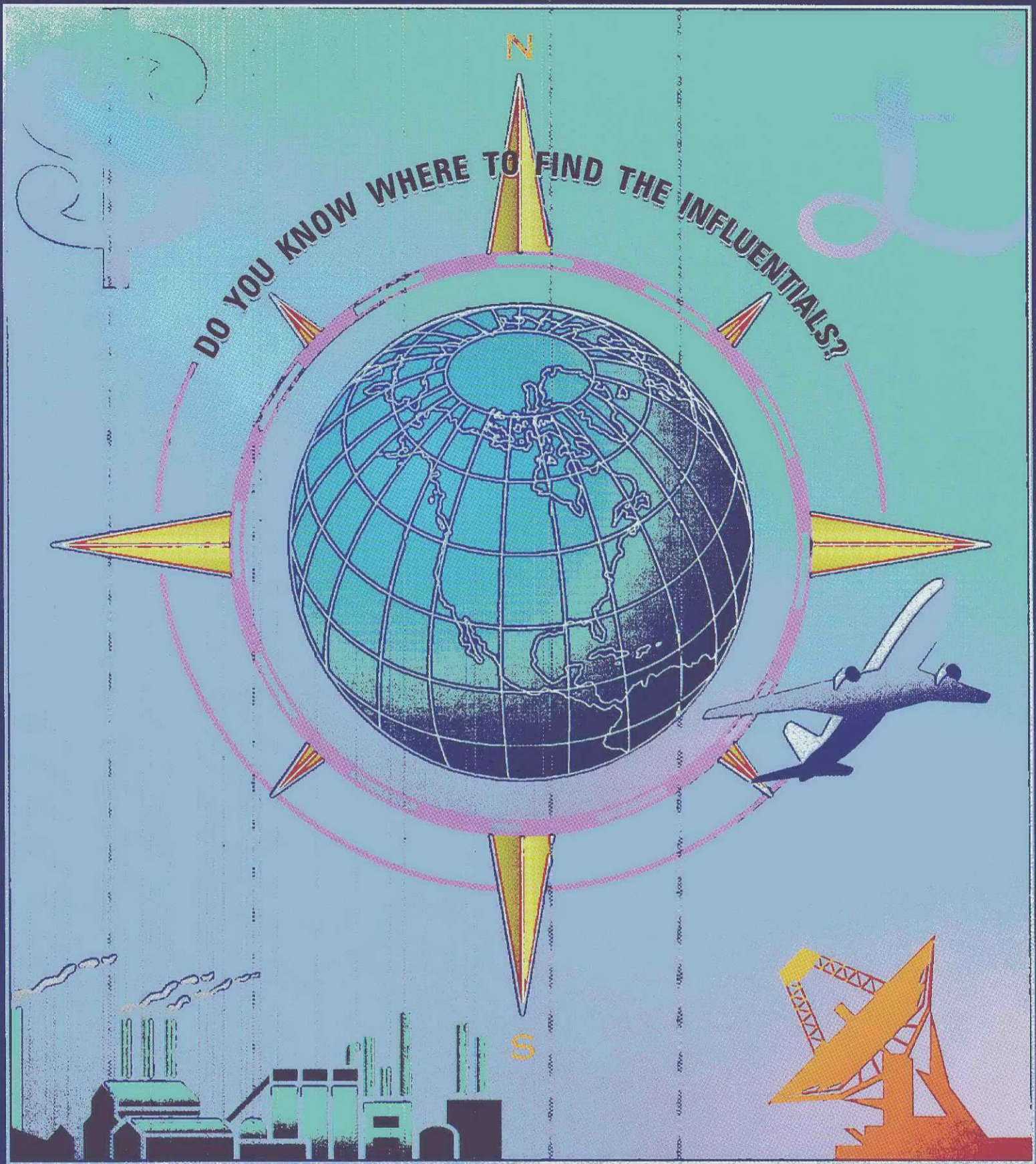
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Dispute shows importance of follow-up

By Joan M. Dolinsky

FOR EVERY CLAIM that is not settled quickly, there are risk management lessons to be learned. Last year, our law firm, Cotkin & Collins, settled a fire insurance claim on behalf of our clients, three investors who held mortgages on a commercial building in Los Angeles.

Although there was nothing suspicious about the fire in question and there was little dispute that the entire building was destroyed by accidental fire, the insurer resisted payment of even a dime and vigorously litigated the claim up until the moment of settlement.

The TOPA Insurance Co. filed a complaint seeking a judicial determination of "no coverage," and the mortgagees—Stuart Sackley, Lou Swartz and Jay Silverman—cross-complained for breach of contract, reformation and bad faith against TOPA and for damages due to insurance broker malpractice against the insurance brokers, Fennell/Sabas and Knight & Burnham.

The evolution of the claim and its resolution may help others to avoid the same predicament.

The mortgagees purchased the fire policy at issue in mid-June 1993. Messrs. Sackley, Swartz and Silverman were mortgagees holding a one-half interest in the first deed of trust, a second deed of trust, a third deed of trust, and a fourth deed of trust on the building in question.

A deed of trust is a legal document that functions like a mortgage, placing the legal title to a property in one or more trustees to secure repayment of a sum of money.

The mortgagees had instructed their broker, Fennell/Sabas, to secure a policy naming the building's owners of record, the building itself and with themselves listed as additional interests in the building. Fennell/Sabas placed the insurance as sub-brokers through Knight & Burnham, the appointed agents of TOPA.

In August 1993, it became apparent that their names had not yet been added to the policy, and a request was made to Fennell/Sabas to add the names. Mr. Sackley foreclosed on his fourth deed of trust in November 1993.

How the battle began

The building was destroyed by fire Jan. 7, 1994. TOPA denied coverage and filed a declaratory relief action against the three mortgagees. The mortgagees cross-complained for insurance bad faith against TOPA and for negligence against the brokers.

The mortgagees contended they bought and paid for the policy and that TOPA's failure to endorse the policy was simply a clerical error. TOPA knew there were mortgagees and routinely added mortgagees to policies. Its refusal to do so here simply was a bad-faith effort to avoid paying an admittedly owed claim. The brokers, now cross-defendants, agreed with the cross-complainants that TOPA should have paid the claim.

TOPA contended that the mortgagees were not named on the policy and therefore had no insurable interests. Had TOPA known the mortgagees were named on the policy, TOPA would not have issued the policy.

Further, TOPA noted that the building lacked a central station fire alarm, a situation the insurer said would have prevented the policy from being issued.

Both the cross-complainants and the brokers contended that TOPA's inspection determined that the building had no central station fire alarms.

The case ultimately was settled for \$2 million—on original policy limits of \$1.4 million—paid entirely by TOPA. TOPA received an assignment from the cross-complainants of their negligence claims against the brokers but ultimately dismissed its causes of action for contribution against the insurance brokers and has not refiled any claims against the brokers.

The mortgagees procured the fire policy on the building. The owner of record had a prior fire policy

on the building, but because the owner was neglecting every other obligation, including making payments on the mortgages, it became apparent the policy would lapse if it were not replaced or renewed by the mortgagees.

Messrs. Swartz and Silverman delegated all insurance responsibilities to Mr. Sackley, who had a pre-existing relationship with Fennell/Sabas, a small, local insurance broker.

Mr. Sackley explained to Fennell there was a property policy on a commercial building that would lapse in the next few months and had to be replaced. Mr. Sackley advised Fennell that he and two other mortgagees wished to replace the coverage and be named as mortgagees on the policy.

The identity of the record owner was provided to Fennell, as was the address of the building and other pertinent information. Other particulars were to be provided by the building's manager. Thereafter, Mr. Sackley trusted Fennell to obtain appropriate quotes and place the insurance.

As is common in the industry, Fennell prepared and signed an application for insurance and transmitted it

Policyholders should review all applications submitted on their behalf to make sure all the information is accurate and complete.

to a number of insurers, including through other brokers.

Mr. Sackley never saw the application. Perhaps if he had the opportunity to review the application, he would have noted that the broker did not identify the mortgagees on the application but only indicated "additional information to follow" as to the mortgagees.

Further, our mortgagees were not informed of the existence of Knight & Burnham (through which Fennell sub-brokered this policy) until after the claim was submitted and not honored by TOPA. This foreclosed any opportunity for Mr. Sackley to provide critical information directly to Knight & Burnham, like the identities of the mortgagees.

Because Fennell submitted the application through Knight & Burnham, there was opportunity for more errors and omissions. Indeed, a controversy arose after the claim was submitted as to whether Knight & Burnham transmitted all of the application, including the section indicating information on mortgagees "to follow."

Ultimately, Fennell obtained the TOPA quote from Knight & Burnham and transmitted it to Mr. Sackley, who approved the terms of the policy insofar as limits and premium but was not informed of any unusual limitations or conditions on the coverage. Unbeknownst to Mr. Sackley, Fennell had secured a slight discount on the premium in return for a "protective safeguards endorsement," which provided, in essence, that the insurance was conditioned on the policyholder keeping in good working order a central station fire alarm.

In fact, the building was not equipped with a central station fire alarm, and because Fennell did not provide copies of his correspondence with the underwriter to Mr. Sackley, he was not informed of the broker's representations regarding a central station fire alarm until after TOPA disputed the fire loss.

As is routine, TOPA inspected the building after binding coverage, before the issuing of the policy. Because the building did not have a central station fire alarm, this inspection became crucial in the ensuing litigation.

As counsel for the policyholder, Cotkin & Collins argued that TOPA relied only on its inspection, not on the broker's representations.

Of course, the lesson to be learned is that when procuring commercial insurance, the policyholder should carefully review all applications submitted on behalf of the policyholder to make sure there are no inaccurate representations and that the information is complete. One should take care that all mortgagees and other creditors who require proof of insurance or insurance protection, such as loss payees, be identified on the application.

Also, all subsequent communications between the insurance broker and the insurance company should be reviewed to be sure there are not misrepresentations or misunderstandings.

If a wholesale broker like Knight & Burnham is involved, the policyholder should be so informed. Mr. Sackley could have provided the identity of the mortgagees and other pertinent information directly to Knight & Burnham to avoid mistakes in transmission.

Finally, the insurer's inspections should be taken seriously. The inspector should be given every opportunity to ascertain all critical facts as to the identity of the policyholders, additional interests, and particulars about the building.

Fortunately, in our case the inspector was told the owner didn't buy the insurance; the investors—the mortgagees, that is—bought the policy.

While insurance brokers may have longstanding professional relationships with underwriters of the companies with whom they do business and may be very well informed regarding the availability of various types of insurance products and the like, it is often useful when considering alternative insurance programs for a risk manager to consult with coverage attorneys. Insurance coverage law is a complex web of often contradictory court decisions that can have a substantial impact on the meaning and usefulness of certain insurance coverages.

In addition, experienced insurance coverage attorneys can give advice and recommendations as to the reputation various insurers have garnered through the years in regard to claims practices. Approaches to claims within the insurance industry vary widely, and coverage attorneys can provide recommendations when deciding between competing insurance proposals. If a catastrophic loss should occur, a company's viability may very well depend on the reliability of its insurer.

In our particular matter, neither the brokers nor the mortgagee-policyholders reviewed the policy after it was issued. The original policy was simply placed in a file by the property manager—fortunately in a fireproof metal cabinet.

After the loss

Indeed, the mortgagee-policyholders were not aware that the policy did not contain the identity of the mortgagees until after TOPA contested the mortgagees' rights to collect on the policy after the fire. Had Mr. Sackley noticed that the mortgagees were not named on the policy, he could have contacted Fennell immediately and again demanded that the policy be so endorsed.

Fennell neglected its duties in not reviewing the policy. Although Fennell ultimately did prepare a policy change request asking TOPA to endorse the policy with the names of the mortgagees, for some reason the paperwork did not reach the TOPA Insurance Co. until several months after it was prepared. In fact, it was apparently first submitted with the first notice of the fire loss.

However, Mr. Sackley did contact Fennell once he completed the foreclosure proceedings on his fourth deed of trust.

Mr. Sackley also was the one-half owner of the first deed of trust. His foreclosure on the fourth deed of trust was subject to the prior mortgages, including the first, second and third deeds of trust. This fact became very important in the subsequent litigation on the fire policy.

See *Dispute on next page*

Dispute

Continued from previous page

At Mr. Sackley's request, Fennell did prepare another policy change request, asking TOPA to change the name of the insured from the original record owner to Mr. Sackley, because he became the record owner once he foreclosed on the fourth deed of trust, subject to all the prior deeds of trust. Again, Fennell neglected to send the paperwork requesting this change to TOPA Insurance Co. until the fire loss occurred: Like the first policy change request identifying the mortgagees, Fennell sent this second change request to TOPA along with the first notice of loss regarding the fire. As a practical matter, had Mr. Sackley insisted that the broker provide them with copies of all correspondence to the insurer, he could have insisted that Fennell transmit the paperwork to the insurer in a timely manner.

Mr. Sackley could not have been more conscientious in submitting notice of the fire loss. The very morning of the devastating fire, Mr. Sackley contacted Fennell. Realizing the insurer had not been sent the policy change requests, the paperwork identifying the mortgagees and asking the insurance company to change the name of the policyholder from the original record owner to Mr. Sackley, Fennell sent these change requests along with the notice of fire loss to the insurer all at once. Upon receiving this information, TOPA immediately secured legal counsel. Fortunately, our mortgagee policyholders also secured legal counsel when it became evident the insurer would not even advance funds to permit demolition of the building.

Resolving the claim

TOPA initially declined to pay the fire loss by asserting that:

- The mortgagee policyholders were strangers to the policy.

Yet TOPA routinely insured mortgaged buildings, and TOPA was informed there were mortgages on this building—by the application and during the inspection when the TOPA inspector was told the owner didn't buy the insurance, the mortgagees did.

- Because the building in question was not in fact equipped with a central station fire alarm, the policy was therefore "suspended."

Yet TOPA inspected the building prior to issuance of the policy.

Finally, in the midst of the litigation and just before trial, TOPA raised a new and potentially devastating argument: Because Mr. Sackley had foreclosed on his fourth trust deed, he lost his insurable interest and forfeited his coverage.

Surprisingly, a body of law in California supports this anomalous result. These cases developed from circumstances where institutional lenders foreclosed while insurance claims were pending. If the foreclosure is completed prior to the insurance company's payment under the policy, the mortgagee forfeits its insurance.

The rationale behind this seemingly unfair result is simply that without the forfeiture, the mortgagee would be securing a double recovery. That is, the mortgagee would both recover the collateral, which was in fact the insurable interest, and the insurance proceeds, which should reflect the value of the collateral.

This rationale makes little sense in the context of a devastating fire that destroys the collateral, but nevertheless the courts have upheld forfeitures under these very circumstances.

We were able to distinguish the holdings in these cases from our particular circumstances by arguing that Mr. Sackley did not foreclose on a full credit bid that subsumed the preceding mortgages. That is, he foreclosed subject to the prior mortgages, including the first deed of trust in which he had a one-half interest. Because he took title subject to the prior mortgages, he did not eliminate his "insurable interest" because he was still a mortgagee on the first deed of trust. Of course, our mortgagee also was the purchaser of the insurance, and "equity" or "what's fair," favored our arguments.

Lender's lessons

A lesson to be learned from these forfeiture cases is simply that whenever an insurance claim is pending, a lender should never foreclose on the insured collateral. It is to the insurer's benefit to delay adjustment of insurance claims where there is a possibility a lender may foreclose simply because the foreclosure would, in effect, forfeit the claim.

It is surprising how many institutional lenders are unaware of this loophole in coverage.

Most lenders are very careful to obtain certificates of insurance showing they have been endorsed as loss payees and have secured mortgagee clauses on fire policies. Yet this insurance will provide no protection whatsoever should a lender be foolish enough to

foreclose on the collateral while an insurance claim is pending.

While claims litigation is not entirely within the policyholder's control, the policyholder can minimize the problem by treating the acquisition of an insurance program with the same care and concern that would be afforded any other multimillion-dollar transaction. Not only should the policyholder carefully review and approve all written communications engaged by the broker, competing insurance proposals should be reviewed by outside coverage counsel.

All policies and the binders that precede them should be carefully reviewed for errors and omissions. When endorsements are required on existing policies to make necessary interim changes, policyholders should secure copies of all requests to make such changes submitted by the broker.

Finally, if a substantial loss does arise, it is appropriate for the policyholder to secure coverage advice at the outset. The policyholder can be assured that the insurer has engaged coverage counsel to protect the insurer's interest and develop coverage defenses. The knowledgeable policyholder also will secure informed advice, not only to preserve and develop important evidence to support the claim but also to minimize or eliminate coverage defenses.

In the case against TOPA, the fact that our firm was engaged within a few months of the filing of the claim permitted immediate discovery, including copies of the underwriting and claims files and deposing the underwriting staff and claims personnel before the claims personnel and underwriters could coordinate their stories. Indeed, we obtained critical documents and contradictory testimony from TOPA personnel. This information provided substantial support for the bad-faith claims, which we believe accounted for the multimillion-dollar settlement. **BI**



Joan M. Dolinsky is a partner with law firm Cotkin & Collins in Los Angeles.

Manufacturers must keep safety first

By David Boyer

MANUFACTURERS FACE INTENSE pressure for productivity and quality. Safety can get put on the back burner. Keeping safety at the forefront requires systems and commitment. Safety must be developed as a corporate culture.

Placon Corp. has achieved an outstanding safety record over the past several years.

But, in 1991, things were different.

Our insurer, Hanover Insurance Co., was very concerned about our then-burgeoning workers compensation claims.

Instead of parting ways, however, we decided to work together to solve the problems.

As a plastics thermoformer specializing in merchandising, Placon designs and makes packaging for other companies. Our main product lines include insect-control products and packaging for hardware and personal care products.

The process involves transforming rolls of thin-gauge plastic into custom shapes.

Our equipment is expensive and complex. Our workers operate machines that form hot sheets of plastic.

Potential risks include back strain, lacerations, repetitive stress injuries, noise and indoor air pollution.

From 1989 to 1991, we ran into trouble when we had a surge in employment.

Many employees were temporary workers who weren't familiar with company rules. Safety training wasn't kept up to date.

There was a spate of injuries, primarily hand cuts and back strains, and some were serious. In our worst policy year, June 1, 1990, to May 31, 1991, we had 53 employee injuries that resulted in \$236,000 of workers compensation claims.

We realized we had to renew our commitment to safety.

We've found that safety depends on total commitment throughout the organization. Like a chain, safety is no stronger than its weakest link.

The first steps included improving machine guarding and training our workers in proper lifting techniques. Equipment was purchased so workers wouldn't get hurt wrestling with unwieldy rolls of plastics. We instituted drug testing, and we investigated all accidents immediately and thoroughly.

These steps resulted in an immediate decline in worker injuries. Workers comp losses dropped 65%,

to \$82,000, in 1991-1992. In the most recent policy year, which ended May 31, 1995, we had just \$25,000 in workers comp losses despite a larger workforce. Additionally, there were no auto accidents and no liability claims.

We've found that safety depends on total commitment throughout the organization, from senior management to the workers on the plant floor. Like a chain, safety is no stronger than its weakest link.

Here is what is working for us:

- A written safety policy. The policy spells out everything in plain English. It starts with safety values. Some examples of values are "Safety resides on a daily basis with team leaders," "Safety efforts must be renewed with fresh ideas regularly" and "Safety is the responsibility of each team member."

The document sets out objectives, defines responsibilities of the president, planning team, management representative, safety committee and team leaders, and details administrative procedures.

But a safety policy is just a piece of paper unless it is followed. This brings up the next key point.

- An active safety committee. Our safety committee is an eight-person, cross-functional team that meets once or twice a month. We've found we need at least six members to get adequate representation from the various areas of the company. The committee organizes and develops safety programs. It provides resources and direction; company departments like

Continued on next page

Comp covers injuries from employee fight

In a case of first impression, the Supreme Court of New Hampshire awarded workers compensation benefits to a traveling employee injured in an altercation with a co-worker while they were returning in a company car from a meal on the road.

Mark S. Griffin was employed by Kidder Building & Wrecking Inc. as a laborer. His work required duties at various locations. In May 1992, Mr. Griffin was on a demolition job in Rhode Island for approximately two weeks. The job required Mr. Griffin and other employees to remain overnight in Rhode Island. They received daily meal allowances and motel accommodations provided by the employer and were permitted to use the company vehicle for transportation.

After dinner at a restaurant, Mr. Griffin was driving several employees, including his foreman, in a company truck. An argument ensued between Mr. Griffin and his foreman. This led to a roadside altercation during which Mr. Griffin was hit on the head with a two-by-four piece of wood, causing injury. He filed for but was denied compensation benefits.

The appellate court concluded that the injury occurred within the course and scope of Mr. Griffin's employment because he was required to travel and the risk of injury to him during travel necessary to take his meals was created by his employment. Furthermore, the court said that the employer's furnishing a meal allowance and allowing use of the company vehicle indicated that the employee's personal activity of dining out was reasonably expected. Also, the court said that the altercation between employee and co-worker was not entirely unforeseeable. The court concluded that Mr. Griffin was entitled to benefits.

Appeal of Griffin, Supreme Court of New Hampshire, Feb. 12, 1996 (BI/02/0.-\$10)

Retirement plan disclosure

A plan fiduciary did not have a duty under the Employee Retirement Income Security Act to voluntarily disclose that it had decided, or was considering, to implement a new early retirement plan, according to the 2nd U.S. Circuit Court of Appeals.

In May 1989, Anthony J. Pocchia voluntarily resigned from his position at NYNEX Service Co., where he had worked since 1965. NYNEX had an ERISA fiduciary plan and Mr. Pocchia was a plan beneficiary. When he resigned, Mr. Pocchia signed an agreement, the terms of which entitled him to a lump sum payment of \$28,500. More than seven months later, NYNEX announced its new early retirement incentive plan, which would have entitled Mr.

Continued from previous page

warehouse operations, manufacturing and maintenance implement the safety programs. When safety violations are observed, the safety committee is authorized to take immediate corrective action, follow up to determine the root cause and make long-term recommendations.

- Continuous training. You can't train people once and expect lasting results. We've found the Safety Training Observation Program of E.I. du Pont de Nemours & Co. Inc. to be a useful tool. It stresses the importance of thinking and looking before you act. In any plant, the vast majority of injuries are caused by unsafe acts, not unsafe conditions, and this is what STOP focuses on.

- A close partnership with the insurance company. Hanover and its loss control consultant are an integral part of our safety team. The insurer attends a safety committee meeting each quarter and assists in our safety efforts.

The consultant has free rein. A couple of years ago, the consultant noticed an employee driving a forklift

Legal Briefs

Pocchia to enhanced benefits. He requested reinstatement and/or to be included in the new plan. The employer refused. Mr. Pocchia sued but lost in the trial court.

On appeal, Mr. Pocchia argued that NYNEX breached its fiduciary duty owed to him under ERISA by not informing him at the time he retired that it had decided to implement or, alternatively, was considering implementing, an early retirement plan. But, the appellate court concluded that a fiduciary is not required to voluntarily disclose changes in a benefit plan before they are adopted. According to the court, it is the adoption date that gives rise to a duty to disclose. "Until a plan is adopted," the court observed, "there is no plan, simply the possibility of one."

Furthermore, the court said any requirement of pre-adoption disclosure could impair the achievement of legitimate business goals. The trial court decision was affirmed.

Pocchia vs. NYNEX Corp., U.S. Court of Appeals for the Second Circuit, April 9, 1996 (BI/04/0.-\$10).

Bodily injury definition

Emotional distress was not within the insurance definition of "bodily injury" covered by a commercial general liability policy, according to the Court of Appeals of Ohio.

Daoud Investments Inc. was a partner in a restaurant where Jami Comello and Shirko Miro were employed.

Mr. Miro allegedly made "repugnant" sexual remarks to Ms. Comello, on one occasion grabbed her breast and on another occasion exposed himself to her, according to court papers.

Nationwide Mutual Insurance Co. insured Daoud under a CGL policy that excluded coverage for "bodily injury" to an employee arising out of and in the course of employment.

Ms. Comello sued Daoud, seeking damages for emotional distress. The company then sought to have Nationwide defend and indemnify it in Ms. Comello's suit.

The trial court found that the insurer had a duty to defend Daoud but no obligation to pay the judgment entered against it.

On appeal, Nationwide argued, in part, that Ms. Comello suffered no "bodily injury" and therefore her claims were not covered by the policy.

The court said "bodily injury" usually indicates an injury brought on by external violence. The court said

too fast in the warehouse. The safety committee brought up the matter with the warehouse manager,

You can't train people once and expect lasting results. I. I. I. In any plant, the vast majority of injuries are caused by unsafe acts, not unsafe conditions.

and the problem was corrected.

Hanover also conducts mock Occupational Safety and Health Administration audits that help us prevent any potential violations. The company provides detailed statistics on worker injuries so we can identify developing problems.

Our consultant also serves as a resource to the safety committee by providing it with information and literature on safety and ergonomic issues.

Hanover also has introduced us to its return-to-work program called Partnerships That Work, and

it was persuaded by those cases that follow the national judicial trend concluding that emotional distress, in the absence of some physical harm, does not even arguably constitute a "bodily injury" as contemplated by the insurance definition.

The court said the insurance company had no duty to pay the defense costs resulting from Ms. Comello's suit.

Daoud Investments Inc. vs. Nationwide Mutual Insurance Co., Court of Appeals of Ohio, Sept. 29, 1995 (BI/01/0.-\$10).

Construction defects not covered

Construction defects are not covered by a contractor's commercial general liability insurance policy, according to an Illinois appellate court.

Wil-Freds Construction Inc. contracted with a city to build a municipal building and a parking lot. Wil-Freds agreed to be solely responsible for all methods, techniques and procedures.

Monticello Insurance Co. issued a CGL policy to Wil-Freds.

The policy insured Wil-Freds for an occurrence defined as an "accident. . . which results in bodily injury or property damage. . ."

After the construction of the project, the city sued Wil-Freds, alleging a multitude of construction defects, including abnormal cracks in the concrete and a stairwell, insufficient support, leaking water in the garage beneath a decorative fountain and other interior water damage.

Wil-Freds tendered the defense of the suit to its insurer. In response, the insurer brought this action, seeking a declaration by the court that it had no duty to defend or indemnify Wil-Freds. The trial court ruled for the insurer.

The appellate court said the natural results of the negligent and unworkmanlike construction of a building did not constitute an occurrence within the meaning of the CGL policy. Where the only claim is one for breach of contract alleging property damage to the project itself, the court said, the situation is merely an occurrence of alleged negligent manufacture and no coverage exists.

Thus, the court held that the insurer had no duty to defend or indemnify Wil-Freds in the lawsuit against it.

Monticello Insurance Co. vs. Wil-Freds Construction Inc., Appellate Court of Illinois, Feb. 1, 1996 (BI/05/S.-\$10). **BI**

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

that helped us improve our own return-to-work program.

When we began designing our new plant, we consulted with Hanover. The insurer's recommendations have helped our company build safety into the new facility.

- On-the-spot first aid. We have "first responders" working on all three shifts. They are certified by the Red Cross and know how to treat cuts and bruises, perform CPR and the Heimlich maneuver. They have to be recertified periodically, and we pay for initial and ongoing training. Expert first aid helps ensure that minor injuries stay minor.

Accidents and injuries cost a lot in lost time and productivity. Companies cannot afford not to invest in safety. Committing to safety is the best business decision they can make—for themselves, their employees and their customers. **BI**

David Boyer is president of Placon Corp., a plastics manufacturer in Madison, Wis.

Insider Trading

Aetna Inc.: Richard L. Huber, director, indirectly purchased 5,000 shares of common at \$58.13 each on July 31, and now directly and indirectly holds 16,009 common shares.

Aetna stock closed at \$70.13 on Sept. 13.

American International Group Inc.: Houghton Freeman, retired, sold 59,732 shares at \$94.50 each on June 7, and now directly and indirectly holds 1,165,193 common shares.

Maurice R. Greenberg, chairman, disposed of by gift 418 shares at an unreported price from July 18 to July 24. Mr. Greenberg indirectly acquired by gift 311 shares of common at an unreported price from July 18 to July 24 and now directly and indirectly holds 16,776,402 common shares.

Christian Michel Milton, retired, exercised an option for 2,024 shares of

common between \$36.44 and \$64.58 each on June 24 and sold 2,109 shares at \$95.75 each on June 24. He now directly and indirectly holds 494 common shares.

Robert M. Sandler, vp, exercised an option for 5,532 shares between \$19.69 and \$21.38 each on July 10 and now directly holds 55,973 common.

Kathleen E. Shannon, vp, sold 2,224 shares of common at \$97.88 each on July 2 and now directly and indirectly holds 13,992 common.

AIG stock closed at \$99.50 a share on Sept. 13.

Argonaut Group Inc.: James B. Halliday, vp, exercised an option for 1,500 shares at \$12.53 each on Aug. 6 and now directly holds 8,620 common.

Charles E. Rnsch, president, exercised an option for 15,000 shares at \$10.25 each from Aug. 19 to Aug. 22 and sold 10,000 shares between \$29.38 and \$29.50 each from Aug. 19 to Aug. 22. He indirectly sold 3,000 shares at \$29.38 each Aug. 19 and now directly

and indirectly holds 93,963 common. Argonaut stock closed at \$30 a share on Sept. 13.

Chubb Corp.: Robert P. Crawford, vp, exercised an option for 600 shares at \$15.11 each on July 29 and now directly and indirectly holds 27,097 common.

Chubb stock closed at \$44.88 a share on Sept. 13.

CIGNA Corp.: Lawrence P. English, retired, exercised an option for 30,000 shares at \$72.31 each on July 29 and sold them at \$106.50 on July 29, and now directly holds 20,365 common.

CIGNA stock closed at \$120.50 on Sept. 13.

Fremont General Corp.: James A. McIntyre, chairman, indirectly purchased 9,400 shares at \$25 each from June 3 to June 4 and now directly and indirectly holds 3,394,678 common.

Fremont General stock closed at \$27.88 a share on Sept. 13.

Hartford Steam Boiler Inspection & Insurance Co.: Wilson Wilde, director,

sold 10,744 shares of common between \$43.50 and \$43.63 each from July 29 to July 30, and now directly and indirectly holds 1,051 common.

Hartford Steam Boiler stock closed at \$45 a share on Sept. 13.

Hilb, Rogal & Hamilton Co.: John C. Adams, vp, sold 10,000 shares of common at \$13.50 each on June 4 and now directly and indirectly holds 77,000 common.

Hilb, Rogal & Hamilton stock closed at \$13.25 a share on Sept. 13.

Humana Inc.: John R. Hall, director, indirectly sold 200 shares of common at \$17.75 each on June 26 and now directly and indirectly holds 10,588.

Humana stock closed at \$20.75 a share on Sept. 13.

Lincoln National Corp.: Frank Cedric McCurley, officer of subsidiary, exercised an option for 4,000 shares of common at \$24.16 each on Aug. 15. To cover transaction costs, he turned in 2,792 of them for \$44.25 each on Aug. 15 and now directly and

indirectly holds 30,199 common.

Lincoln National stock closed at \$44.50 a share on Sept. 13.

Insider Trading, compiled by Invest/Net Trading Group Inc. of Fort Lauderdale, Fla., from reports filed with the Securities and Exchange Commission, tracks stock sales and purchases by insurance industry directors and officers. The column is distributed by Tribune Media Services Inc.

Omission

The following listings were omitted from the Sept. 2 Directory of International Reinsurers:

Chartwell Reinsurance Co.

4 Stamford Plaza, 107 Elm St., P.O. Box 120043, Stamford, Conn. 06912-0043; 203-705-2500; fax: 203-705-2710

	1995	1994
Premiums written	\$122,981,131	\$113,885,886
Premiums earned	\$120,137,165	\$101,632,040
Capital & surplus	\$188,036,550	\$81,101,548
Aftertax net	\$9,507,191	\$909,512
Losses	\$86,940,303	\$76,667,150
Loss ratio	72.4%	75.4%
Expenses	\$39,941,473	\$34,495,029
Expense ratio	32.4%	30.2%
Combined ratio	104.8%	105.6%
Treaty	100.0%	100.0%
Domestic	83.7%	83.8%
Foreign	16.3%	16.2%

Founded: 1979.
Parent: Chartwell Re Corp.
Employees: 100.
Locations: Two domestic.
Specialties: Working-layer casualty reinsurance, marine and aviation, surety and alternative risk.
Officers: Richard E. Cole, chairman/chief executive officer; Steven J. Bensinger, president; Jacques Q. Bonneau, executive vp/chief underwriting officer; Michael H. Hayes, executive vp/global accounts; Charles E. Meyer, senior vp/chief financial officer.
Contact: Steven J. Bensinger, 203-705-2520.

International Property Catastrophe Reinsurance Co. Ltd. (IPC Re)

American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda; 441-295-2121; fax: 441-292-8085

	1995	1994
Premiums written	\$104,096,000	\$85,610,000
Premiums earned	\$101,541,000	\$74,667,000
Capital & surplus	\$434,292,000	\$347,183,000
Aftertax net	\$74,285,000	\$46,433,000
Losses	\$36,657,000	\$31,570,000
Loss ratio	36.1%	42.5%
Expenses	\$18,529,000	\$13,697,000
Expense ratio	17.8%	16.0%
Combined ratio	53.9%	58.3%
Treaty	100.0%	100.0%
Foreign	100.0%	100.0%

Founded: 1993.
Parent: IPC Holdings Ltd.
Employees: 14.
Locations: One domestic, one foreign.
Specialties: Property catastrophe reinsurance.
Officers: John Dowling, president/CEO; James Bryce, senior vp; John Weale, vp/CFO; Dennis Higginbottom, vp/secretary; Peter Cozens, Robert Dickson, vps

Sphere Drake Holdings Ltd.

Hurst Holme, Trott Road, Hamilton HM 11, Bermuda; 441-292-0295; fax: 441-292-0014

	1995	1994
Premiums written	\$234,905,000	\$260,309,000
Premiums earned	\$228,026,000	\$253,812,000
Capital & surplus	\$247,060,000	\$253,036,000
Aftertax net	\$17,882,000	\$36,207,000
Losses	\$186,026,000	\$161,439,000
Loss ratio	81.6%	63.0%
Expenses	\$59,610,000	\$66,072,000
Expense ratio*	26.1%	26.0%
Combined ratio	107.7%	89.0%
Domestic	41.9%	36.7%
Foreign	58.1%	63.3%

* Calculated using premiums earned.
Founded: 1993.
Subsidiaries: Sphere Drake Insurance P.L.C., Sphere Drake Insurance (Bermuda) Ltd.
Employees: 415.
Locations: One domestic, one foreign.
Specialties: Property catastrophe excess of loss, casualty treaty, marine excess of loss, aviation reinsurance excess of loss, alternative risk transfer.
Officers: Michael C. Watson, president/CEO; Paul G. Philo, executive vp/chief underwriting officer; Robert J. Forness, COO.
Contact: S.E. Magnus H. Lindgren, 44-171-204-7253.



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503-203-8022

SEPTEMBER

SEPT. 30. Health Care Opportunities Seminar in Chicago, sponsored by Charles D. Spencer & Associates Inc., \$350. Charles D. Spencer & Associates Inc., 250 S. Wacker Drive, Suite 600, Chicago, Ill. 60606-5834; 800-555-5490.

SEPT. 30-OCT. 1. Principles of Reinsurance seminar in New York, sponsored by The College of Insurance; \$595. The College of Insurance Center for Professional Education, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201.

SEPT. 30-OCT. 1. Financial Analysis of Property/Casualty Insurance Operations Seminar in Philadelphia, sponsored by Michael Conn Associates; \$1,050. Also Nov. 14-15 and Dec. 12-13 in Philadelphia. Michael Conn Associates, 223 Bloomfield St. #104, Hoboken, N.J. 07030; 201-795-9333.

SEPT. 30-OCT. 1. Capturing, Analyzing & Utilizing Data for Disease Management Programs conference in New Orleans; sponsored by The National Managed Health Care Congress; \$1,595. Also Nov. 7-8 in San Francisco, NMHCC Executive Briefing Series, 70 Blanchard Road, Suite 4000, Burlington, Mass. 01803; 800-872-0094.

SEPT. 30-OCT. 2. Restructuring Property & Casualty Insurance seminar in Atlanta, sponsored by Insurance Advisory Council and the International Quality & Productivity Center; \$1995. International Quality & Productivity Center, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07424-0401; 800-882-8684.

OCTOBER

OCT. 1. IAIABC Safety Training Conference in Chicago, sponsored by International Assn. of Industrial Accident Boards and Commissions; \$50. IAIABC, 8643 Hauser, Suite 200, Shawnee Mission, Kan. 66215; 913-541-1131.

OCT. 1. Pension Opportunities Seminar in Chicago, sponsored by Charles D. Spencer & Associates Inc., \$350. Charles D. Spencer & Associates Inc., 250 S. Wacker Drive, Suite 600, Chicago, Ill. 60606-5834; 800-555-5490.

OCT. 1. Commercial Crime & Financial Institution Bonds: Insuring the Crime Exposure workshop in Philadelphia, sponsored by the CPCU Society; \$89 for members, \$99 for non-members. CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 610-251-CPCU.

OCT. 1-3. Managing Change in the World Reinsurance Market in Cairo, Egypt, sponsored by the United Nations Conference on Trade and Development; \$350. The Egyptian Reinsurance Co., EgyptRe/UNCTAD Conference, 7 Abdel Latif Boltia St., Garden City, Cairo, P.O. Box 950, Cairo, Egypt; 41-22-917-6203.

OCT. 1-4. Reinsurance and Contract Wording Textbook Training Course in Stamford, Conn., sponsored by Robert W. Strain Publishing and Seminars Inc.; \$1,985. Robert W. Strain, P.O. Box 1520, Athens, Texas 75751-1520; 903-677-5974.

OCT. 2-3. Intermediate Reinsurance seminar in New York, sponsored by The College of Insurance; \$625. The College of Insurance Center for Professional Education, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201.

OCT. 2-4. Principles of Ventilation for Exposure Control and Indoor Air Quality course in Boston, sponsored by the Harvard School of Public

Datebook

Health; \$645. Harvard School of Public Health, 677 Huntington Ave. LL-23, Boston, Mass. 02115-6023; 617-432-1171.

OCT. 2-4. National Assn. of Independent Insurers Systems Conference in Scottsdale, Ariz., sponsored by the NAI; \$375 for member companies, \$450 for non-members. Joe Palombi, NAI, 2600 River Road, Des Plaines, Ill. 60016-3286; 847-297-7800.

OCT. 3. Insurance Issues in the 21st Century: What Every Business Person Should Know seminar in Akron, Ohio, sponsored by Brouse & McDowell and Risk International Services Inc.; \$50. Katherine Carlson, 500 First National Tower, Akron, Ohio 44308-1471; 330-535-5711.

OCT. 3. Merger & Acquisitions: A Risk

Management Approach to Identifying & Treating the Loss Exposures workshop in Chapel Hill, N.C., sponsored by the CPCU Society; \$89 for members, \$99 for non-members. CPCU Society, 720 Providence Rd., P.O. Box 3009, Malvern, Pa. 19355-0709; 610-251-CPCU.

OCT. 3-4. The 29th Watson Wyatt Symposium on Directors & Officers Liability in Waltham, Mass., sponsored by Watson Wyatt Worldwide; \$825. Mary Maze, Watson Wyatt Worldwide, 303 W. Madison, Suite 2400, Chicago, Ill. 60606; 312-704-2483.

OCT. 3-4. Developing & Integrating Worksite Health Promotion Programs forum in Atlanta, sponsored by the Institute for International Research,

\$895. IIR, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 800-999-3123.

OCT. 3-4. Commonwealth Coalitions on Health 1995 Fall Conference "Reshaping Managed Care" in Williamsburg, Va., sponsored by Commonwealth Coalitions on Health; \$175. Commonwealth Coalitions on Health, c/o P.O. Box 913, Salem, Va. 24153; 540-389-4123.

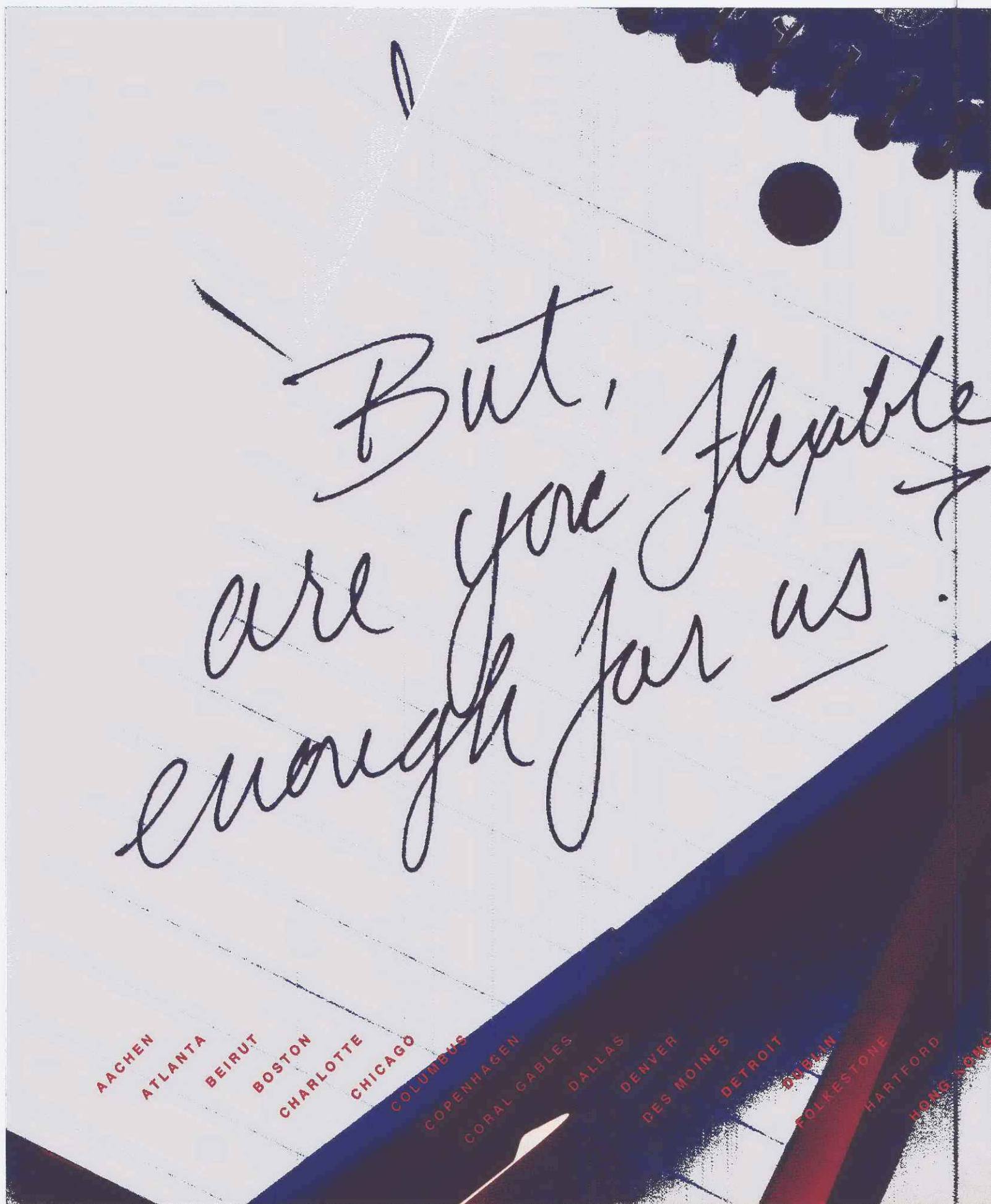
OCT. 3-4. Management of Catastrophic Injury Claims workshop in Denver, Colo., sponsored by the CPCU Society; \$125 for members, \$135 for non-members. CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 610-251-CPCU.

OCT. 3-5. National Assn. of Dental Plans Eighth Annual Conference in Rancho Mirage, Calif., sponsored by NADP, \$995 for members pre-registration, \$1,095 onsite; \$1,495 for non-

members pre-registration, \$1,595 onsite. NADP Eighth Annual Conference, 5001 LBJ Freeway, Suite 375, Dallas, Texas 75244; 214-458-6998, ext. 106.

OCT. 6-9. 15th Annual ISCEBS Employee Benefits Symposium in Atlanta, sponsored by the International Society of Certified Employee Benefit Specialists; \$625 for members before Aug. 16, \$675 after. \$725 for CEBS student before Aug. 16, \$775 after. For more information, contact Kim Kelley, International Society of Certified Employee Benefit Specialists, P.O. Box 209, Brookfield, Wis. 53008-0209; 414-786-6710.

OCT. 7-8. Insurance Co. Financial Statements-Property/Casualty seminar in New York, sponsored by The College of Insurance; \$595. The College of Insurance Center for Professional Education, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201. *Continued on next page*



Continued from previous page
sional Education, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201.

OCT. 7-8. Survival Strategies for Deregulation and Open Rating in Workers' Compensation conference in San Francisco, sponsored by The Workers' Compensation & Disability Management Training Institute, Institute for International Research Inc.; \$1,195. Conference Coordinator, Institute for International Research, 708 Third Ave., 4th Floor, New York, N.Y. 10017; 800-999-3123.

OCT. 7-9. Integrating Complementary and Alternative Medicine Into Managed Care conference in Washington, sponsored by Institute for International Research Pharmaceutical Division; \$695 government/academic rate, \$1,195 for others. IIR, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 800-999-3123.

OCT. 7-9. Advanced Financial Analysis of Life/Health Insurance Operations in

Philadelphia, sponsored by Michael Conn Associates; \$1,250. Michael Conn Associates, 223 Bloomfield St. #104, Hoboken, N.J. 07030; 201-795-9333.

OCT. 7-10. P&C and Life & Health Annual Statement Preparation and Analysis Seminars in Princeton, N.J., sponsored by Bowne Insurance Division; \$595 for basic or advanced. Also **Nov. 18-21** in Dallas and **Dec. 9-12** in Cerritos, Calif. Insurance Answers, 400 Canyon Lane, Irving, Texas 55063; 800-223-3103.

OCT. 7-11. The National Managed Worker's Compensation Institute Workshop Series in San Francisco, sponsored by the National Managed Worker's Compensation Institute; \$3,195 for all five workshops, \$895 for one workshop. Also **Oct. 28-Nov. 1** in Orlando. National Managed Workers' Compensation Institute, 151 West 19th St., 8th Floor, New York, N.Y. 10011; 212-366-3242.

OCT. 8-9. Introduction to Derivative Prod-

ucts in New York, sponsored by The College of Insurance; \$895. The College of Insurance Center for Professional Education, 101 Murray St., Room 426; New York, N.Y. 10007; 212-815-9201.

OCT. 8-10. Comp Camp—Workers' Compensation and Disability Management Program in Glastonbury, Conn., sponsored by Aon Management Institute; \$1,900. Aon Management Institute, 628 Hebron Ave., Corporate Center II, Glastonbury, Conn. 06033; 860-659-6780.

OCT. 9-10. Administering an Employer's Workers' Compensation Program seminar in East Lansing, Mich., sponsored by Human Resources Education and Training Center, School of Labor and Industrial Relations, Michigan State University; \$595. Also **Nov. 13-14** in Chicago, **Nov. 20-21** in Atlanta, **Nov. 21-22** in Santa Monica and **Dec. 4-5** in San Francisco. Human Resources Education and Training Center, Michigan State University, 422 S. Kedzie Hall, East Lansing, Mich. 48824-1032;

517-432-9591.

OCT. 9-10. Insurance Co. Financial Statements-Life/Health seminar in New York, sponsored by The College of Insurance; \$595. The College of Insurance Center for Professional Education, 101 Murray St., Room 436, New York, N.Y. 10007; 212-815-9201.

OCT. 9-11. Public/Private Regional Symposia in Clearwater Beach, Fla., sponsored by the Public/Private Behavioral Healthcare Partnership and CentraLink; \$895 or \$595 for government employees. Also **Oct. 30-Nov. 1** in Portland, Ore. CentraLink, 4370 Alpine road, Suite 108, Portola Valley, Calif. 94208; 415-851-8411.

OCT. 9-13. DRI First Annual Meeting in Chicago, sponsored by the Defense Research Institute; \$595. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

OCT. 10-11. 17th Annual Pension Publica-

tions of Denver Inc. ERISA Workshop in Cleveland, sponsored by Pension Publications of Denver Inc.; \$455. Also **Oct. 17-18** in Kansas City, Mo. and **Oct. 24-25** in St. Louis. Pension Publications of Denver Inc., P.O. Box 24127, Denver, Colo. 80222, 303-759-1004.

OCT. 10-12. Advance Approaches in Health Plan Operations conference in Lake Buena Vista, Fla., sponsored by the American Assn. of Health Plans; \$775 for members before Sept. 15, \$975 onsite; \$950 for non-members before Sept. 15, \$1,150 onsite. AAHP, Conference Office, 1129 20th St., NW, Suite 600, Washington, D.C. 20036; 202-778-3269.

OCT. 13-15. Borderless Risk Management forum in Charleston, S.C., sponsored by Liberty Mutual Insurance Group; no charge. John Ryan, vp of commercial marketing, Liberty Mutual Group, 175 Berkeley St., Boston, Mass. 02116-5066; 617-574-5842.

OCT. 13-16. The CPCU Society's 1996 Annual Meeting & Seminars in New York, sponsored by the CPCU Society; \$490 for members. For more information, call the CPCU Society, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-CPCU.

OCT. 13-16. Insurance Trends and Forecasts for the 21st Century program in San Francisco, sponsored by the National Assn. of Independent Insurers; \$400 for members, \$500 for non-members. NAII, c/o The Meeting Management Source Inc., 800 East Northwest Highway, Suite 610, Palatine, Ill. 60067-6512; 847-359-3309.

OCT. 14. Back to Basics Surety Bond Seminar in Schaumburg, Ill., sponsored by The INSCO/DICO Group; \$75. Also **Oct. 29** in Pleasanton, Calif.; and **Nov. 19** in City of Industry, Calif. Karin Scarpone, INSCO/DICO Group, 17780 Fitch, Irvine, Calif. 92614. 800-782-1546, ext. 346.

OCT. 14-15. International Assn. of Insurance Supervisors Third Annual Conference in Paris, sponsored by IAIS; \$400 for members, \$800 for non-members. IAIS, c/o NAIC, Accounting Dept., 120 W. 12th St., Kansas City, Mo. 64105; 202-624-7790.

OCT. 14-17. HMO Annual Statement Preparation Seminar in Kansas City, Mo., sponsored by the National Assn. of Insurance Commissioners; \$275 for state insurance department staff, \$475 for others. Also **Nov. 12-15** in Philadelphia. NAIC, Education and Training Department, 120 W. 12th Street, Suite 1100, Kansas City, Mo. 64105-1925; 816-374-7192.

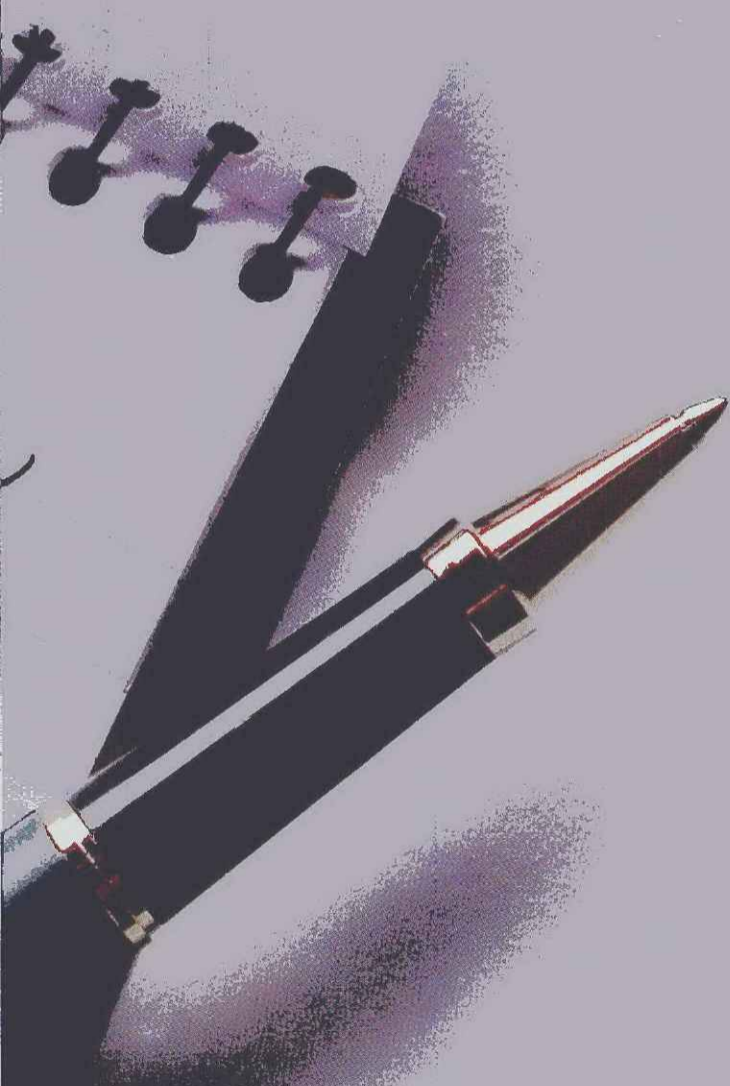
OCT. 15. Interactive Teleconference on Flex Benefit Plans, sponsored by International Foundation of Employee Benefit Plans; \$95. Registrations Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710.

OCT. 16. Manufacturers Output Policies-A Marine Twist on Property Underwriting seminar in Farmington, Conn., sponsored by the Inland Marine Underwriters Association; \$90 prepaid. Also **Oct. 23** in New York City; \$125 prepaid. Allan Fliss, Inland Marine Underwriters Assn., 111 Broadway, New York, N.Y. 10006; 201-299-0070.

OCT. 16-18. 10th Annual National Disability Management Conference & Exhibit in Washington, sponsored by Washington Business Group on Health; Conference and exhibit, \$925 for members, \$1,025 for non-members. \$975 for members, \$1,075 for non-members after Aug. 15. Conference only, \$675 for members, \$775 for non-members. \$725 for members, \$825 for non-members after Aug. 15. Ann Makowski, WBGH, 777 N. Capitol Street N.E., Suite 800, Washington, D.C. 20002; 202-408-9320.

OCT. 16-18. National Ergonomics Exposition and Conference in Los Angeles, sponsored by Kotch & Poliak Inc.; \$295 pre-registration, \$350 onsite. Kotch & Poliak Inc., 645 Madison Ave., New York, N.Y. 10022-1000; 212-486-6186.

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PROGRAM AGENDA

WEDNESDAY, NOVEMBER 6, 1996

- SPECIAL WORKSHOP: RISK FINANCING & THE CAPITAL MARKETS
Presented by Marsh & McLennan, Incorporated and Centre Reinsurance
- EMPLOYER'S PRIVATE ROUNDTABLE
- EARLY REGISTRATION AND WELCOME RECEPTION

THURSDAY, NOVEMBER 7, 1996

- REGISTRATION AND CONTINENTAL BREAKFAST
Hosted by Kemper National Insurance Companies
- OPENING REMARKS FROM THE CHAIR
- CONFRONTING WORKPLACE VIOLENCE AS A WORKERS COMPENSATION ISSUE
- REFRESHMENT BREAK AND TABLETOP EXHIBITS
Hosted by Commonwealth Risk Services, Inc.
- POINT/COUNTERPOINT SESSION: INTEGRATING MANAGED CARE APPROACHES INTO WORKERS COMPENSATION
- ELECTRONIC DATA INTERCHANGE
- LUNCHEON: WHY SOME EMPLOYERS DO SO MUCH BETTER THAN OTHERS AT WORKERS COMPENSATION
Hosted by Intracorp
- CASE STUDIES:
 - ▶ U.S. AIR, INC. CASE STUDY: ALTERNATIVE COLLATERAL RAISES \$70 MILLION
 - ▶ CREATIVE SAFETY INCENTIVE PROGRAMS
 - ▶ RETURN TO WORK
 - ▶ REDUCING & MANAGING REPETITIVE STRESS INJURIES
- RECEPTION

FRIDAY, NOVEMBER 8, 1996

- BREAKFAST
Hosted by GENEX Services, Inc.
- OPENING REMARKS FROM THE CHAIR
- COST CONTAINMENT PERFORMANCE MEASUREMENT
- REFRESHMENT BREAK AND TABLETOP EXHIBITS
Hosted by Wausau Insurance Companies
- HOW TO MAKE PERFORMANCE GUARANTEES WORK WITH RISK MANAGEMENT PARTNERS
- LUNCHEON
Hosted by AIG Claim Services

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COMMENTS FROM SOME OF LAST YEAR'S ATTENDEES:

"I learned a lot of things at this conference; valuable information that can be implemented."

Jackie Nowell
Assistant Director,
Office of Occupational Safety & Health
United Food & Commercial Workers
Intn'l Union, AFL-CIO

"Your efforts paid off with one of the best Workers Compensation conferences yet."

Jeffrey W. Pettegrew
Vice President, Insurance & Risk
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Western Staff Services

"I appreciate being invited to participate in the conference - I felt it was an excellent program."

Mick McGavin
Manager, Safety Planning & Claims
Johnson Controls, Inc.

"Without question the best conference. The topics presented gave me ideas I will be able to apply. I would rate this conference as 'excellent.'"

Augustine (Gus) Vigil
Claims Manager
New Mexico Self-Insurers' Fund

"The 'Meet The Press' panel formats create a dynamic and informative conference which encourages participation of the attendees!"

Mary Stoik Dymond
Director of Risk Management
ACX Technologies, Inc.

"It was a real pleasure to be part of this conference."

Brian V. Record
Director of Claims Management
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National Union offers coverage for public relations crises

NEW YORK—Got some bad publicity that's driving your stock price down? Who you gonna call?

National Union, that's who. That is, of course, if you're already one of the insurer's policyholders.

National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc., is providing its directors and officers liability and corporate liability insurance policyholders an endorsement that provides up to \$50,000 to cover fees of an approved public relations firm in managing a covered crisis event.

Called "CrisisFund," the coverage is triggered when management determines that a covered crisis event is likely to have an immediate and material negative impact on the company's stock price.

Covered events include: negative earnings or sales announcements; loss of a patent, trademark or copyright; product recall; certain mass torts; employee layoffs; elimination or suspension of a dividend; asset write-off; debt restructuring; bankruptcy; and unsolicited takeover attempts.

To ensure policyholders get the best crisis management counsel available, National Union has selected five leading public relations firms specializing in crisis management to provide the service.

The firms are: The Abernathy/MacGregor Group Inc.; Kekst & Co.; Robinson, Lake, Lerer & Montgomery/The Sawyer Miller Group/Bozell PR; Sard Verbinnen & Co., all of New York; and Sitrick & Co. Inc. of Los Angeles.

National Union also has approved the use of Kroll Associates, a leading international crisis management and investigative consulting firm.

Policyholders may use other firms if they first get approval from National Union.

"The manner in which a company handles the communication and public relations of a crisis event has the potential to impact shareholder value in a significant way," said Kristian P. Moore, National Union president.

Product & Services

"The CrisisFund endorsement to our D&O policy is a major enhancement of coverage National Union offers and would materially assist our insureds in mitigating the negative effects of such events," he said. "We believe the public relations firms we have recommended in the CrisisFund are the premier firms providing such services."

Mr. Moore thinks oftentimes good crisis public relations can be a part of risk management.

"In many cases, early involvement of such a firm in crisis management can help avoid eventual shareholder litigation and contribute to a successful outcome of a crisis," he said.

National Union's directors and officers liability and corporate liability policy covers the corporation for securities claims, even if the directors and officers are not named in the litigation, are dismissed from the suit or are found not liable.

Updated benefits book

BROOKFIELD, Wis.—A newly updated edition of a book on designing flexible benefits plans for corporate employees is available from the International Foundation of Employee Benefit Plans.

The 322-page book, "Flexible Benefits—A How-To Guide," covers the need for flex plans, legal issues, pricing, implementation and other issues.

The book, in its fifth edition, was written by Richard E. Johnson, a partner at Ernst & Young L.L.P. in Chicago. It costs \$47, with an \$8 discount for foundation members. For more information, contact the group's publications department at 888-334-3327.

Property loss guide

HARTFORD, Conn.—A useful and compact guide to reducing property losses is now available

from Industrial Risk Insurers.

The guide explains concisely how to spot dangerous workplace situations relating to broad areas: facilities; procedures and practices; fire protection systems; mechanical and electrical systems; fire and explosion hazards; and weather-related incidents.

In addition to checklists covering each type of potential problem, the 48-page booklet contains a chart of common fire extinguishers and guide of flammable liquids, as well as a material data safety sheet that can be customized to the employer's needs.

The guide, available in English, French, German and Spanish, is free. Contact Trish Sasso, librarian, 800-243-8308, ext. 7412.

Drug claims software

ST. LOUIS—A Windows-based software package that provides improvements to the filing and organization of online pharmacy claims management information is available from Managed Pharmacy Benefits Inc., a national pharmacy benefit management firm.

The product, MPB Advantage System, gives customers more flexibility and control in their PBM data administrative support and reporting activities. The software features full-color graphics, online connections to industry news and several security levels. It is intended for use by managed care companies, third-party administrators, and plan sponsors that want to more effectively take advantage of the information provided by their PBM.

For more information, contact Tom Smith, vp and general manager, 800-585-5051.

Risk-financing facility

NEW YORK—A new risk-financing facility that will give qualified medium-sized businesses the op-

portunity to buy several types of insurance at more affordable prices is being offered by broker Johnson & Higgins.

The facility is being developed in the Cayman Islands by Columbus Insurance Co. Ltd., a joint operation of Johnson & Higgins and Captive Resources Inc., which has formed more than 20 group captives in the past 15 years.

The facility can provide coverage for workers compensation, general liability, auto liability and auto physical damage. The facility is designed to fill the needs of mid-sized companies that want the advantages traditionally enjoyed by larger companies using captives, such as good loss experience and more efficient and simplified renewal processes.

For more information, contact Bill Roeder, J&H, 310-551-3822.

AIG raises EPL limits

NEW YORK—American International Group Inc. units have raised the liability limits for their middle-market employment practices liability insurance to \$5 million from \$1 million.

In addition, the policy, which had been available through AIG subsidiary Morefar Marketing Inc., is now offered through AIG's domestic regional company network.

The policy targets employers with fewer than 500 employees. It provides coverage for claims alleging discrimination, sexual harassment, failure to employ or promote, or wrongful termination or discipline.

The coverage, which is written on a claims-made basis, protects the corporate entity, directors, officers and other current or future employees.

The middle-market EPL coverage is available from: American International Pacific Insurance Co. in Seattle; American International South Insurance Co. in Charlotte, N.C.; Granite State Insurance Co. in Parsippany, N.J.; Illinois National Insurance Co. in Chicago; Audubon Insurance Co. in Baton Rouge, La.; and New Hampshire Insurance Co.

in New York.

For more information, call 800-569-2030 or Morefar Marketing at 302-761-5600.

Doctor search software

BOSTON—Computer software that allows health plan members to quickly and simply locate listings for doctors in their managed care networks is now available from Kensington Financial Inc.

The software, named "Doctors On Call System" or DOCS, is intended to replace hard-to-use paper directories that become outdated quickly. The information on disk, in contrast, is updated once a month and issued to the member by the participating health maintenance organization or insurance company.

Doctors can be searched out by city, county, ZIP code, specialty and by languages spoken. It is designed for use at home, by plan members, on their personal computers.

The software can run with Windows or Macintosh operating systems.

For information, contact William A. Matthews, managing director, 617-426-4488.

APS software guide

ROSEVILLE, Calif.—A guide to benefits, workers compensation and executive compensation computer software and Web sites is available from Advanced Personnel Systems, a specialized publisher of directories of human resources software.

"The 1996 Compensation and Benefits Software Census" describes, in 50-word summaries, 580 employee benefit systems, 30 workers comp systems and 120 compensation administration programs. The listings are divided into more than 60 categories, including 401(k) plan administration, defined benefit plan administration and flex plan administration.

The book also lists computer consulting firms and World Wide Web sites of interest to benefit and compensation professionals. It is available in printed form or on computer disk, and the latter is readable in several formats, including Windows and Macintosh.

Printed and electronic versions cost \$79.95 each. For more information, contact APS, 916-781-2900.

New AISG software

NEW YORK—New user software that allows underwriting risk evaluators to go online with a computer to get instantaneous information in resolving claims is now available from American Insurance Services Group Inc.

The online database, called A-Plus version 6.0, consists of updated data from insurance companies that began contributing information on claims three to five years ago. Almost 450 insurers now supply the database its contents.

AISG's new software features a search screen for displaying a summary of matching items, permitting underwriters and claims personnel to assemble claims histories more quickly and efficiently, the company said.

The software is free, but there is a \$2 charge per online inquiry. For more information, contact Susan Black, assistant vp of marketing and communications, AISG, 800-382-7587.

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local agent or broker. That's why we encourage Pest Control Operators to rely on you, first, because you know their business needs best. And when it comes to claims service, you and your client can rely on us, and our A rated insurer, to come through in speedy fashion. That makes Brownyard insureds—and their agents—very happy!

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Reinsure

Continued from page 1

"Everybody is talking about who is going to buy who next and people are taking their eye off the fundamental pricing," said John R. Berger, president of F&G Re Inc. of Morristown, N.J.

Reinsurers are becoming complacent because their 1996 profits are looking healthy, he said.

"As soon as someone makes a little profit, the questions (about individual risks) are reduced and the market relaxes," said Benito Pagnanelli, deputy general manager of Assicurazioni Generali S.p.A. of Trieste, Italy. "The market now is too relaxed," he said.

The inevitable result is that prices are still heading down, particularly for property catastrophe reinsurance, said F&G Re's Mr. Berger.

"People are still worried about California and Florida, but everything else will go down," he said.

Cedents are expecting between 10% and 20% off rates for catastrophe coverages, said Thomas C. Wafer, senior vp at reinsurance intermediary Willcox Inc. in New York.

"But a lot will depend on how large a reduction they managed to get last year," he said.

"Everyone's talking the cat market down, probably the cedents more than anything," said Dirk Lohmann, a member of the executive board of Hannover Re Group of Hannover, Germany. Although there is some softening of rates, catastrophe modeling will play a role in guiding whether rates are appropriate, he said. But, he added, "at the end of the day, you buy reinsurance because the model might be wrong."

Property catastrophe reinsurance rates are lower than two to three years ago, but one has to take a broader perspective, said Ajit Jain, president of Berkshire Hathaway Inc.'s Reinsurance Division in Stamford, Conn.

Compared with rates over the past 10 to 15 years they may be low, but over a 20-year period,

they may be adequate, he said.

Compared with 1993 rates, when cat prices were at their highest, cat rates will be 30% to 50% lower at renewals, he said.

Good loss experience this year will add more pressure to reduce rates, said Herve Cachin, president and director general of SAFR Group in Paris.

While reinsurers suffered a 350 million DM (\$231.6 million) loss from a fire at Dusseldorf airport (BI, June 10), and a potential \$1 billion loss from an explosion at a Petroleos Mexicanos plant (BI, Aug. 5) these losses will not prevent 1996 from being a good year for most reinsurers, he said.

"We have had some big losses, but most reinsurers will still make money," Mr. Cachin said.

And in Europe most reinsurers have significantly increased their catastrophe reserves over the past two years, so they probably could bear the brunt of another large loss this year more easily than before, he said.

"What I'm hearing on the European front is that we're on the downside in excess-of-loss rates. That comes after rate cuts last year and an absence of natural catastrophes. That puts pressure on reinsurers to lower rates," said Francois M. Chavel, chief executive of SOREMA N.A. Group of New York, which is a subsidiary of French insurer GROUPAMA.

The European catastrophe reinsurance market in particular has escaped the past several years with few large losses, said Jacques Blondeau, chairman of SCOR S.A. in Paris.

"The catastrophe market softened last year and it will soften again this year for the very same reason, that is we have not had a catastrophe for the last four years," he said.

Last year, property catastrophe reinsurance rates fell by about 10% and a similar decline is likely this year, Mr. Blondeau said.

Cedents from smaller geographical areas will be seeking some of the largest decreases for catastrophe coverages, said Hady Wakefield, chairman of Guy Carpenter

& Co. Inc. in New York.

"All reinsurers look for a balanced book so there will be a keen demand for business coming out of the smaller areas," he said.

In addition, cedents from larger markets that do not normally buy significant amounts of reinsurance, such as Japan, also will be seeking substantial rate reductions from reinsurers keen to attract the business, Mr. Wakefield said.

"There will be further pressure for reductions in Japan but I don't think they will be significant because they have already had some significant reductions," he said.

A reduction in catastrophe rates for some markets that generate relatively small amounts of premium has already led some cat

Park, Kan. "Underwriting profits aren't there; it's investment income" keeping reinsurers profitable, he said.

Richard E. Cole, chairman and CEO of Chartwell Reinsurance Co. of Stamford, Conn., agreed. "Reinsurer profits are still tied to investments," he said.

It is not just property catastrophe rates that will be under pressure at renewals, though; marine and energy, aviation, proportional fire and non-catastrophe property, and liability reinsurance also will see reduced rates at year end, most executives predict.

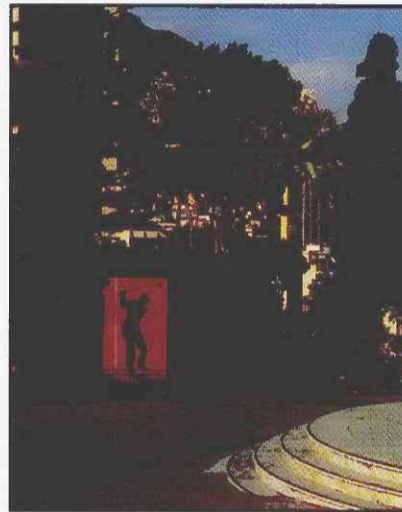
Again, cedents that have favor-

able business are going down in Germany and other European countries, which means that we should expect less profitability on our pro-rata property business," he said.

But, reinsurers still expect to be profitable, even with the lower rates, Mr. Cachin added.

Since the harder market in the early 1990s, proportional reinsurers have been able to be more selective and decline unprofitable business, he said.

Munich Reinsurance Co. rejected between 750 million DM (\$496.4 million) and 1 billion DM (\$661.8 million) of proportional



Reinsurers gathered in Monte Carlo earlier this month enjoyed the beautiful setting but devoted most of their time to discussing the state of business. Consolidation in the market was among the popular topics of discussion.

reinsurers to pull out of those markets, said Neill A. Currie, senior vp at Renaissance Reinsurance Ltd. in Bermuda.

For example, in 1993 cedents from Israel were charged a rate on line of between 5% and 6% for catastrophe reinsurance, and now the rate on line has fallen to 1%, he said.

"So we don't have any business there anymore," Mr. Currie said.

About the only event that could put a brake on declining property catastrophe rates would be a small reaction to Hurricane Fran, said Phillip N. Ben-Zvi, principal-in-charge of the casualty actuarial and risk management consulting division of Coopers & Lybrand L.L.P. in New York.

Losses from Fran are unlikely to reach many catastrophe layers, but it serves as a reminder of the damage a hurricane hitting the U.S. mainland can wreak, he said.

"It may stop rates from declining as much as they were about to," Mr. Ben-Zvi said.

Initial estimates of insured losses from Hurricane Fran stand at \$1.6 billion, which would make it the fourth-costliest U.S. hurricane ever, tied with 1992's Iniki (BI, Sep. 16).

Fran should also help industry efforts to persuade regulators in the United States to permit tax-free catastrophe reserves, he predicted.

"It's another reminder that the big one could happen and it could have a devastating effect," Mr. Ben-Zvi said.

A new tax treatment for catastrophe reserves could be instituted next year, he predicted.

"It does not deal with the \$80 billion loss; it does deal with the \$20 billion to \$40 billion loss," Mr. Ben-Zvi said.

"Europeans say it's soft all over. Rates are a little bit firmer for cat cover in the U.S. than Europe, but overall it's soft," said C. Alan Mauch, executive vp of Employers Reinsurance Corp. of Overland

able loss experience will be pushing for large rate reductions.

For example, Thomas G. Kaiser, president of American International Underwriters' Energy Division in New York, said he is expecting 20% to 25% reductions for AIU's excess of loss treaties, he said.

"Rates are down, and people like myself are expecting rate consideration," Mr. Kaiser said.

Energy underwriters themselves are under pressure with their direct customers as large insurance buyers retain more of their risks in captives, and there is growing pressure on rates as syndicates in Lloyd's of London are aggressively pursuing energy business, he said.

"Competition is fierce" for industrial property business, said Mr. Pagnanelli of Generali. "Discounts of 20%, 30%, 40% are not uncommon," he said. However, he added, these cuts are "due to an optimistic outlook, not based on reality."

"My group's attitude is not to follow this crazy trend," he said.

Generali is not as concerned with increasing volume as it is with underwriting good risks, Mr. Pagnanelli said. "Some of our competitors don't feel this way. As a result, some of these companies may see some bad times."

He cited as an example the satellite coverage market, in which Generali is a leader but has declined to write business when rates are too low for the risk.

"Last year we declined to participate in some programs that took a big loss. This year, we expect production to drop because of declinations of risk," he said.

"On the facultative side, we're telling underwriters if the price is too low to walk away from it," said Mr. Mauch of ERC.

European proportional treaty business also will likely see reductions at year-end, said Mr. Cachin of SAFR.

"Primary rates for commercial

fire business over the past three years, said Hans-Wilmar von Stockhausen, a member of the board of management of the Munich, Germany-based reinsurer.

Mr. von Stockhausen said he attends the Rendez-Vous principally to see French cedents. And in France direct insurers are experiencing other pressures that should encourage them to ensure that their technical rates remain balanced, he said.

"I was more worried about prices on the direct market last year than I am this year," Mr. von Stockhausen said.

Interest rates remain low, and insurers in France continue to suffer problems on their real estate investments, so there is little incentive to charge low premiums in the hope of achieving large investment returns, he said.

Also, generally speaking, reinsurers are becoming more disciplined, according to Mr. von Stockhausen.

The added discipline is in part due to increased scrutiny from shareholders who are seeking more detailed accounts, he said.

Shareholder pressure is driving all reinsurers to become more profitable, agreed Victor H. Blaze, chairman of CNA International Reinsurance Co. Ltd.

"We have sharper and more aware investors who have higher expectations on rates of return," he said.

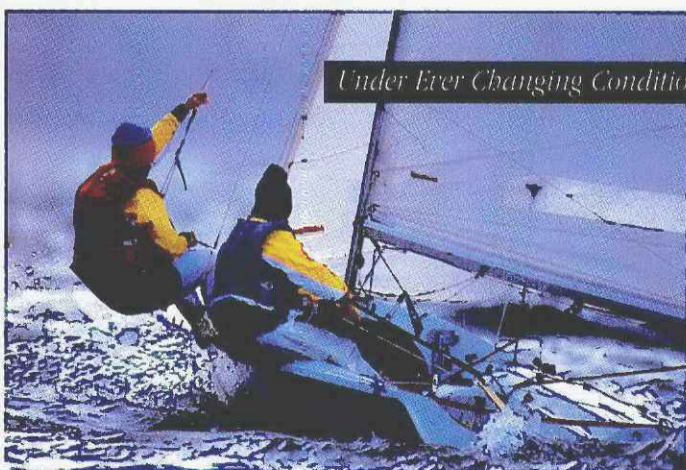
But against those pressures there is some hint that some reinsurers are seeking market share and writing business at lower rates, he added.

However, the large reinsurers will determine whether chasing market share will be widespread, he said.

"The big companies like the Munich Re and the Swiss Re will really be the ones who can determine whether market share will become an overwhelming factor," Mr. Blaze said.

See Reinsure on next page

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Reinsure

Continued from previous page

"There is certainly a lot of talk that there will be a new spiral downward in rates. But I'm not so pessimistic that will happen (because) the market is more responsible," said Walter B. Kielholz, a member of the executive board of Swiss Reinsurance Co. of Zurich, Switzerland, who has responsibility for the alternative markets division. Mr. Kielholz is slated to succeed Lukas Muhlemann as CEO of Swiss Re on Jan. 1 (BI, July 15).

Property/casualty rates are still competitive, "but are not silly yet or too soft," said John Engestrom,

group chief executive of Mercantile & General Reinsurance Co. P.L.C. of London.

Clients in the primary market want stability and predictability and recognize the risk of buying cover solely because it is cheap, he added.

"You have to wonder how long the current rating environment can continue before people take action," said Steven J. Bensinger, president of Chartwell Re.

"I have heard that some primary companies will hold out to see whether rates will drop" later in the

willingness to stand firm, he said.

Some ceding companies may change reinsurers for a lower price at renewal, but many typically return after a year because of relationships and service, he said.

In the United States, liability reinsurance rates are about as low as they can go, said Mr. Berger of F&G

Re. While rates could reduce a little more at year end it would be difficult for them to drop any lower, he said.

Now, rates for umbrella liability

business have fallen to as low as \$100 per \$1 million of coverage. Rates have not been that low since just before the liability capacity crisis in the mid-1980s, he said.

While there is no real sign of another liability crisis occurring, if it does there will be a faster reaction from the market, he predicted.

"If there is a liability crunch you will immediately find there is new capital and buyers will immediately look for alternatives," Mr. Berger said.

The pattern for dealing with capacity crises has already been set by alternative market facilities in the 1980s and property catastrophe reinsurers in the 1990s, Mr. Berger said. BI

'You have to wonder how long the current rating environment can continue before people take action,' says Steven J. Bensinger of Chartwell Reinsurance Co.

renewal season, said ERC's Mr. Mauch. Some primary companies prefer stability and are watching how much reinsurers are cutting rates and judging companies by their

Casinos not only market that's dealing

Reinsurers talk about whose card is atop the mergers and acquisitions deck

By PAUL D. WINSTON
and GAVIN SOUTER

MONTE CARLO, Monaco—In the shadows of Monaco's famous casinos, the most popular game at the Rendez-Vous de Septembre arguably was guessing which reinsurer would be in play next.

Reinsurance executives who gathered in Monte Carlo earlier this month for the annual Rendez-Vous spent much of their time commenting on the consolidation of their industry.

The meeting followed by weeks such deals as Swiss Reinsurance Co.'s bid for Mercantile & General Reinsurance Co. P.L.C. (BI, Sept. 2), Munich Reinsurance Co.'s deal to buy American Re Corp. (BI, Aug. 19), SCOR U.S. Group's purchase of Allstate Re (BI, July 29) and General Re Corp.'s acquisition of National Reinsurance Co. (BI, July 8), among others.

And just prior to the meeting, Fairfax Financial Holdings Ltd., parent of Odyssey Reinsurance Corp., agreed to acquire French reinsurer Cie. Transcontinentale de Reassurance (see story, page 49).

There was wide speculation among Rendez-Vous attendees as to which reinsurers would be the next to be acquired or merged, with several pointing to French reinsurer SCOR S.A. as a likely target—speculation that executives of the company were quick to rebut.

Reinsurers also discussed what the changing face of the reinsurance market will mean for the remaining players, particularly small and mid-sized broker market companies that have not been involved in deals to date.

"Any company that's a public company and is not too large is going to be a speculative takeover target," said Steven J. Bensinger, president of Chartwell Reinsurance Co. of Stamford, Conn.

"Some of the major prizes have been snapped up already," said John Engestrom, group chief executive of Mercantile & General Reinsurance Co. P.L.C. of London. M&G Re is being acquired by Swiss Reinsurance Co. for about \$2.7 billion.

Some of the medium-sized reinsurers may now seek combinations, but the top 10 to 15 reinsurers generally have already been involved in deals, he said.

For its part, Swiss Re said it is not looking to make another acquisition for the time being.

"We will always be interested in looking at the possibilities, but

there's little out there that makes sense at this time," said Walter B. Kielholz, a member of the executive board of Swiss Reinsurance Co. of Zurich, Switzerland, and the reinsurer's next CEO effective next year.

"There's only so much you can digest at a time, so no, we're not looking to make another purchase," Mr. Kielholz said.

Munich Re is currently digesting its acquisition of American Re.

American Re is an attractive acquisition for Munich Re because the two reinsurers are very complementary, said Hans-Wilmar von Stockhausen, member of the board of management of Munich Re.

"Their clients are almost completely different. We hardly have a client on a treaty that is the same, as far as I have heard," he said.

American Re is about three times the size of Munich Re's existing U.S. operation. The merged company in the United States will maintain the American Re identity.

There will likely be a lull in merger and acquisitions after all the activity among direct reinsurers over the past two years, Mr. von Stockhausen said.

"For the time being we will all expect a certain pause to occur if for no other reason than there don't seem to be too many suitable candidates around," he said.

Employers Reinsurance Co. was often cited as a potential acquirer.

"People ask us, 'Who are you buying next?' but we think the trend is over; M&G Re was probably the last," said C. Alan Mauch, executive vp of Employers Reinsurance Corp. of Overland Park, Kan.

An acquisition has to make strategic sense, not just add to a company's size, he said.

"For us, M&G Re would have been perfect," Mr. Mauch said. "We're not buying SCOR, which would have been more of the same," he said in response to rumors at the meeting.

Neither Employers Re nor any other reinsurer is going to buy SCOR, said Jacques Blondeau, chairman and chief executive officer of SCOR in Paris.

"We are too big," he said. SCOR is the ninth-largest reinsurer in

the world and last year wrote \$2.1 billion in net reinsurance premiums.

Employers Re, which has the financial clout of General Electric

York Stock Exchange, which SCOR executives hope will be achieved before the end of 1996.

One of the reasons for the listing is to allow Union des Assur-

ance de Paris Groupe to lower its holding in SCOR from 40% to anywhere as low as 5%, Mr. Blondeau said.

SCOR is one of the few reinsurers listed on the Paris Bourse, and

SCOR's U.S. subsidiary was listed on NYSE until it was delisted last year.

The listing on the NYSE of the parent group will make it easier to finance the company from the top rather than through its subsidiaries, Mr. Blondeau said.

More likely candidates for

'We will always be interested in looking at the possibilities, but there's little out there that makes sense at this time,' says Walter B. Kielholz of Swiss Reinsurance Co.

Co. behind it, recently has made large acquisitions it needs to integrate before it could make another sizable purchase, Mr. Blondeau said.

In part, speculation is centering on SCOR because of the likely change in shareholdings once the reinsurer is listed on the New

takeovers would be reinsurers in the United States, he said. "We will probably see more medium-sized reinsurers in the U.S. being bought or merging," Mr. Blondeau said.

Many executives at the Rendez-Vous agreed that broker market reinsurers in the United States will be the subject of the next round of consolidation. Likely candidates cited include: NAC Re Group in Greenwich, Conn.; Chartwell Re; Phoenix Reinsurance Co. in New York and Trenwick America Reinsurance Corp. in Stamford.

However, there is less incentive to buy a broker market reinsurer as a direct reinsurer because you already have access to the clients through brokers anyway, several reinsurers said.

"One plus one does not make two in the same way that it does in the direct market," said Henry C.V. Keeling, senior vp at Mid Ocean Reinsurance Co. in Bermuda.

Nevertheless, the current consolidation fervor should spill over

See Mergers on next page

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Mergers

Continued from previous page into the broker reinsurers market as there are few acquisition targets left in the direct market, he said.

In Europe, too, there will likely be mergers and acquisitions among small and medium-sized reinsurers, said Herve Cachin, chairman and general manager of SAFR Group in Paris.

SAFR itself will be looking for reinsurers to acquire in Europe in order to grow, he said.

"We don't have a problem with the ceding companies because they know that we have a good solvency ratio and stable shareholders, but I think analysts say that there is only a future for big companies or niche companies. I don't agree, but we have noted the direction that everybody is fol-

Rather, the key reason for the deals—including M&G Re's acquisition by Swiss Re—is to obtain expertise in a given area, he said.

Swiss Re bought M&G Re for its style and abilities, not simply to attain a certain size, Mr. Engestrom said.

The purchase of M&G could open up opportunities for other reinsurers, especially in the United Kingdom life reinsurance market, said Mr. Blondeau of SCOR.

The combination of Swiss Re's unit in the United Kingdom with M&G will create a giant life reinsurer in the United Kingdom, and that will frighten away clients who want to diversify their reinsurers, he said.

"Swiss Re and M&G will have about 70% of the U.K. market and customers will not accept that," Mr. Blondeau said.

"Bigness can get in the way,"

Direct insurers may be unwilling to place business with reinsurers that are competing with them on the direct market, Mr. Keeling said.

"Consolidation creates new opportunities for mid-sized reinsurers if they have (financial) strength," said Gilles Laporte, managing director and CEO of SOREMA in Paris.

SOREMA expects to succeed as a mid-sized reinsurer because it has the financial backing of a strong parent, Paris-based GROUPAMA, of which Mr. Laporte also is deputy managing director.

"GROUPAMA is well-positioned to comment on reinsurance because it is one of the largest buyers in Europe of property/casualty reinsurance," added Francois Chavel, chief executive of SOREMA N.A. Group of New York. "They know firsthand what consolidation's impact will have on their purchase of reinsurance and their reinsurance unit," he said.

GROUPAMA's perspective, Mr. Chavel said, "is that it's nice to have large, well-capitalized companies, but no buyer wants to be entirely in their hands. They want a real market and freer terms and conditions."

Buyers need to find a balance between financial security and size of reinsurer, said Mr. Chavel.

"The size factor is a little bit overplayed. There are other considerations in the mind of the buyer, such as image, profitability and parent," he said.

The broker market definitely will benefit from the mergers in the direct market, said Thomas C. Wafer, senior vp at reinsurance intermediary Willcox Inc. in New York.

Again, cedents wishing to maintain a diverse number of reinsurers will be the key, he said.

And U.S. reinsurers are well poised to take advantage of the changes, Mr. Wafer said.

International cedents are much more widely accepting U.S. reinsurers as stable capacity than they have in the past, he said.

And reinsurers in the United States actively are looking to write more international business, Mr. Wafer said.

"That was in its infancy two years ago, but now there is much more of a marketplace," he said.

The mergers of the direct reinsurers also are interesting to brokers, as some are more willing to do business with brokers than

'The size factor is a little bit overplayed. There are other considerations in the mind of the buyer, such as image, profitability and parent,' says Francois Chavel.

lowing," Mr. Cachin said.

"What is evident is that large players in the market are trying to get bigger," said Benito Pagnanelli, deputy general manager of Assicurazioni Generali S.p.A. of Trieste, Italy.

Some reinsurers say size creates operating efficiencies.

"The issue in consolidations is the efficient management of capital at risk," said Swiss Re's Mr. Kielholz. "Transaction costs in reinsurance are still too high," he said.

This is due to the smaller shares of a risk that smaller reinsurance companies can take, he said, as well as what he called "arbitrage in retrocessions."

With a larger reinsurer that can accept more risk with fewer retrocessions, the transaction costs are reduced for the buyer, Mr. Kielholz explained. "A critical mass is needed to offer lower transaction cost," he said.

But size is not the only factor driving consolidations.

While it is true that "some of the bigger ones are getting bigger," there is no advantage in size alone, said M&G Re's Mr. Engestrom.

said Brian Duperreault, CEO of ACE Ltd. of Hamilton, Bermuda. If direct reinsurance companies get too big, cedents may decide they prefer smaller, broker market companies, Mr. Duperreault said.

Indeed, several mid-sized reinsurers and brokers said consolidation among the larger companies creates new opportunities for them.

The trend over the past few years has been for cedents to buy reinsurance coverage from fewer and larger reinsurers, but the recent consolidations among direct insurers may tip the balance, said Mr. Keeling of Mid Ocean Re.

"Some clients may feel that they are losing control of their own destiny and they will want a credible alternative," Mr. Keeling said.

Consequently, well-capitalized broker market reinsurers will likely benefit from the consolidation among the direct writers, Mr. Keeling said.

And pure reinsurers will benefit even more as large direct reinsurers write more and more direct business for large clients, Mr. Keeling said.



Insurance and reinsurance executives attending the Rendez-Vous de Septembre congregate at the Cafe de Paris in Monte Carlo.

others, said Hady Wakefield, chairman of Guy Carpenter & Co. Inc.

For example, Guy Carpenter places a significant amount of business with Munich Re but not with American Re, Mr. Wakefield said.

In the future the separation of direct and broker markets is likely to become more nebulous, Mr. Wakefield said.

"I believe that there will be a fuzzing between direct and broker markets," he said.

The trend will be heightened as more brokers work on a fee basis rather than commission as the direct reinsurers will not feel they are giving up premium to the brokers, Mr. Wakefield said.

"I view the changes in a positive light. We are well-positioned to profit from the changes," said Dirk Lohmann, a member of the executive board of Hannover Re Group of Hannover, Germany.

"We don't have the ambition to be No. 1, 2 or 3, but to be an alternative for clients seeking an option to the top three," he said.

"Big is bureaucratic and inflexible, not necessarily beautiful," Mr. Lohmann said.

"Clients want solutions, innovation and creativity, and biggest may not always be the best solution," he said.

"There's room for agile and creative specialists, reasonably capitalized and applying prudent underwriting," he said.

Consolidation is not a big concern to Generali, "because reinsurance is not our core business," said Mr. Pagnanelli.

"Some smaller reinsurers whose entire business is reinsurance should worry more than Generali," he added.

Several of the recent deals involved European companies buying U.S. reinsurers, but U.S. companies are also expected to pursue deals.

More U.S. reinsurers are branching out and seeking a more global presence, said M&G Re's Mr. Engestrom.

While such expansion may have raised concerns among Europeans a few years ago, that is no longer the case, he said.

Some European companies may have feared "Americanization" when Employers Reinsurance Corp. and General Re Corp. first acquired major European reinsurers a few years ago, but those concerns have turned out to be largely unfounded, he said.

"The reality is that U.S. reinsurers have been slow to go global, have been somewhat insular until now," he said.

"Part of our globalization philosophy is not to flood Europe

with Americans," said Mr. Mauch of Employers Re.

The reinsurer last year acquired Aachen Re Group and a majority stake in Frankona Reinsurance Co. for the companies' expertise, not to remake them in ERC's image, he said.

"Americans and Germans are very active," said Generali's Mr. Pagnanelli.

One reason for this, he said, may be that the U.S. and German economies are particularly strong at the moment.

One reason for the international expansion is to obtain a broader geographic spread of risk, said Mr. Bensinger of Chartwell Re. "There still seems to be a strong interest in increasing the spread of international business outside the continental community and U.S.," he said.

Bermuda catastrophe reinsurers also were cited as potential players in future mergers and acquisitions.

"Each one of the cat companies has developed its own personality and has developed its own plan to execute its capital," said Mr. Duperreault of ACE, which earlier this year acquired cat reinsurer Tempest Reinsurance Co. Ltd.

"Mergers are one of several possible strategies," Mr. Duperreault said.

"The Bermuda market is now doing as predicted," said Mr. Pagnanelli of Generali. There is pressure on the companies to keep return on equity high, but they are overcapitalized given their potential premiums in the current market, he said.

The excess capital creates added pressure on the Bermuda companies "to seek a new philosophy (and) either reduce capital or enter other businesses," he said.

Bermuda catastrophe reinsurers may become interested in U.S. broker reinsurers, said James F. Dowd, chairman and CEO of Odyssey Reinsurance Corp.

"We are probably not too far away from the point where the Bermuda market comes onshore and broadens," he said.

Already, Bermuda reinsurers are seeking to widen their lines of business as rates fall in their basic catastrophe reinsurance business, Mr. Dowd said.

"The next step could be a geographic change instead of just product line," he said.

"The Bermuda market has made its impact felt. Time will tell if it's a long-term, stable market," said Mr. Chavel of SOREMA.

The next major catastrophe in the United States or Japan will be the determinant, he predicted, though so far "they've done quite well."

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Skandia embarks on a not so strange Odyssey

Name change only one in a series of changes at Skandia America

By GAVIN SOUTER

MONTE CARLO, Monaco—The transformation of Skandia America Reinsurance Corp. into Odyssey Reinsurance Corp. is perhaps a prime example of the speedy changes in the reinsurance industry.

Skandia America itself was bought by Toronto-based Fairfax Financial Holdings Ltd. in May; it changed its name to Odyssey on Sept. 1; and took on an international dimension when Fairfax bought Cie. Transcontinentale de Reassurance in Paris on Sept. 6.

The purchase of CTR on the

eve of the Rendez-Vous de Septembre meshed well with the tone of the meeting where the major topic of conversation was the consolidation of the reinsurance industry (see story, page 47), even though the purchase price was more modest than some of the large reinsurance acquisitions made over the summer.

Fairfax will pay 700 million French francs (\$136.2 million) for CTR, which wrote gross premiums of more than 1.8 billion francs (\$350.1 million) in 1995 and has total assets of more than 4.2 billion francs (\$816.9 million).

It has about 170 employees.

CTR will become the international arm of Odyssey. It has not

'We had an idea about having a foreign operation that was different than us,' says James Dowd.

yet been decided whether the name will be changed, said James F. Dowd, chairman and chief executive officer of

Odyssey.

"In our plans for Odyssey we had an idea about having a foreign operation that was different from us. In August we had the opportunity to look at CTR and it fitted in with our plans nicely and Fairfax was able to make the purchase," he said.

While CTR is a French company, it covers a lot of non-French business, Mr. Dowd said.

Having achieved its objective of gaining an international arm, Odyssey will now set about diversifying the business it writes, he said.

"Skandia America was almost exclusively casualty, but we are

looking to expand into other areas," Mr. Dowd said.

Odyssey will write property reinsurance, professional liability, accident and health and some alternative market business, he said.

To that end, Odyssey has recently recruited two underwriters from rival reinsurer Transatlantic Reinsurance Co.: Brian D. Young has joined as senior vp of international and finite underwriting, and Joseph A. Guardo has joined as vp of treaty property underwriting.

Mr. Dowd attended this year's Rendez-Vous after a five-year hiatus. In the intervening years he had moved from Skandia America to Willis Faber North America and back to Skandia.

Only subtle changes have taken place at the meeting, he said.

Equitas draws mixed reviews

Few expect Lloyd's to regain reinsurance stature

By PAUL D. WINSTON and GAVIN SOUTER

MONTE CARLO, Monaco—Reinsurance executives give mostly favorable marks to Equitas Ltd. and Lloyd's of London for solving the market's past problems and allowing it to get on with the business of underwriting.

Equitas was formed to run off Lloyd's business from 1992 and prior years as part of the market's broad plan to settle member litigation. The reinsurer earlier this month won the British government's approval to begin operating and was launched with £14.7 billion (\$23.03 billion) in assets and an operating solvency margin of £1.68 billion (\$2.63 billion) (BI, Sept. 9).

Several reinsurance executives attending the annual Rendez-Vous de Septembre in Monte Carlo Sept. 9-14 are confident that Equitas will succeed in its mission to run off Lloyd's old liabilities. Others were less certain, noting that it will take years before the adequacy of its current reserves is known.

And at least one observer of the London market said he expects Equitas to run out of funds within a decade.

Reinsurers at the Rendez-Vous were mixed in their appraisal of Lloyd's future in the reinsurance marketplace. While some predicted that Lloyd's will remain a major player in specialty markets like marine and aviation business, few expect Lloyd's to regain its stature as a leading source of reinsurance coverage.

Others said that Lloyd's will have to undergo other major changes in its structure and distribution system before it can truly compete with other reinsurers.

"Equitas will work. It is a good solution," said Benito Pagnanelli, deputy general manager of Assicurazioni Generali S.p.A. of Trieste, Italy.

The success of Equitas is important for the image of the entire insurance and reinsurance industry, Mr. Pagnanelli said. "It shows customers worldwide that there are possible solutions for problems," he said, noting that the long-tail liabilities facing Lloyd's underwriters also are faced by

many other underwriters around the globe.

An eventual resolution of the whole toxic tort issue, including possible Superfund reform in the United States, is "really going to be the determinant of whether Equitas' reserves are in good shape or not," said Steven J. Bensing, president of Chartwell Reinsurance Co. of Stamford, Conn.

Not just Equitas would be affected by such developments, he added. "Look at the reserves of household names in Europe and the U.S. If Equitas comes up short... then what does that foretell for the rest of the industry?"

"It would be years before you'd know if there is a shortfall in Equitas (reserves). If that occurs, there will probably be new ways to finance it by then," added Richard E. Cole, chairman and chief executive officer of Chartwell Re.

Equitas' reserves "are enough to last a very long while," predicted John Engstrom, group chief executive of Mercantile & General Reinsurance Co. P.L.C. Any potential shortfall wouldn't become evident until "after we are long gone... at least professionally," he added.

The adequacy of Equitas' reserves will likely not be known for 10 years, said Hady Wakefield, chairman of Guy Carpenter & Co. Inc. in New York and The Bowring Group Ltd. in London.

But in the meantime brokers will be grateful for its existence as it will greatly ease the claims process, he said.

Bowring recently had one claim involving Lloyd's that included 2,000 separate transactions over 15 years of account.

"Now we shall be able to deal with one person and have some proper negotiations. It will be much easier than trying to deal with a whole lot of syndicates," Mr. Wakefield said.

Equitas has had its balance sheet pored over by experts, noted Brian Duperreault, CEO of ACE Ltd. o. Hamilton, Bermuda, who was attending the Rendez-Vous for the first time because of ACE's acquisition of Tempest Reinsurance Co. Ltd.

"While no one knows for sure, it's certainly had expert review,"

he said of Equitas' reserve adequacy.

Both government agencies and independent consultants have reviewed Equitas' estimates of assets and liabilities.

Other observers were more skeptical about the future success of Equitas.

"It's very difficult to see what will happen. Nobody has a clue whether Equitas will work or not," said Jacques Blondeau, chairman and CEO of SCOR S.A. in Paris.

One possible scenario is that

'Lloyd's is likely to hang on to the accounts it now has, but they're not the formidable competition they once were in reinsurance,' says Francois Chavel.

there could be a "run on the bank," with policyholders rushing claims to Equitas and depleting the reserves too quickly, he said.

One Lloyd's name from France who attended the Rendez-Vous predicted that Equitas could come up short in as few as seven years.

And if Equitas does become in-

solvent, he foresees problems for claimants trying to collect. Under the Equitas plan, he explained, if the reinsurer is insolvent, claimants would have to pursue individual names for their share of any claims not met by Equitas. This could mean a claimant would have to pursue claims against thousands of names—who each may have had only a small percentage of a risk—in some cases for amounts as small as £10 (\$15.60), the name said.

"A lot of liabilities out there won't be fully paid. That speaks for itself," C. Alan Mauch, executive vp of Employers Reinsurance Corp. of Overland Park, Kan., said of Equitas.

"A lot depends on the U.S. court system," observed Ajit Jain, presi-

competitive again.

"Lloyd's needs to clean up its distribution system, to make access to the market easier," said Mr. Duperreault of ACE, who noted that Lloyd's R&R plan doesn't address this.

"There's an imbalance of power between brokers and underwriters at Lloyd's that has to be restored," he said.

Since early 1996, ACE has held a controlling interest in Lloyd's agent Methuen (Lloyd's Underwriting Agents) Ltd.

"Lloyd's will continue, but with fewer and larger syndicates," predicted Francois M. Chavel, chief executive of SOREMA N.A. Group of New York, which is a subsidiary of French insurer GROUPAMA. Business that left Lloyd's in recent years "is lost for good," he said, noting that SOREMA has benefited by attracting new accounts that previously went to Lloyd's underwriters for reinsurance.

Lloyd's is likely to hang on to the accounts it now has, he added, "but they're not the formidable competition they once were in reinsurance."

"The real changes at Lloyd's are still to come," said Walter B. Kieselholz, a member of the executive board of Swiss Reinsurance Co. of Zurich, Switzerland, with responsibility for the alternative markets division. "I ask myself whether this very courageous endeavor to save the Lloyd's system is the right

See Lloyds on next page

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Lloyds

Continued from previous page approach," especially as consolidation changes the structure of the global reinsurance marketplace, he said.

"Lloyd's has been an important system for 300 years, but now...?" he asked rhetorically.

And while Lloyd's has moved back into profitability, it will find

it difficult to maintain strong profits over the next few years as it derives most of its premium from lines that are currently very competitive, said Herve Cachin, chairman and general manager of SAFR Group in Paris.

"Lloyd's is a leader in marine and aviation business and also on catastrophe business. This means that they have a significant share of vulnerable areas because rates are down in these areas," Mr.

Cachin said

However, Lloyd's underwriters are less likely to write as much poor business as they did in the past, Mr. Cachin said.

"The corporate owners of Lloyd's syndicates will control the activity of underwriters much better than the members agencies could," he said.

The influx of corporate capital to Lloyd's will change the market, agreed Victor H. Blake, chairman

of CNA International Reinsurance Co. Ltd. in London and chairman and president of LaSalle Re Ltd. in Bermuda.

"Lloyd's will be vastly changed by corporate capital. It will be more disciplined but it will lose some of its entrepreneurial feel," he said.

Lloyd's has lost ground to the London company market as well as to foreign markets over the past several years, Mr. Blake said.

"But what is important is that a lot of the business stayed in London," he said.

And Lloyd's will still be the center for much speciality business and also motor business from the United Kingdom. Consequently, both CNA and LaSalle Re have set up companies to invest in Lloyd's syndicates, Mr. Blake said.

"Lloyd's is still a valuable franchise and corporate investment is relatively inexpensive," he said.

The corporate investments in Lloyd's and the consolidation of the syndicates will put other constraints on Lloyd's, said Mr. Blondeau of SCOR S.A.

The syndicates will resemble companies and will have to meet solvency ratios and seek ratings to compete for business, he said.

"They will have to operate like a normal company and they will lose the flexibility that they had in the past," Mr. Blondeau said.

But clients will welcome the greater transparency at Lloyd's that corporate membership and limited liability will bring to the market, said Mr. Wakefield of Guy Carpenter.

"The sooner Lloyd's becomes corporate and has limited liability the better," he said.

The Lloyd's syndicates that have survived are more substantial than before and likely to regain some of the business that Lloyd's has lost in recent years, said Henry C.V. Keeling, senior vp at Mid Ocean Reinsurance Co. Ltd. in Bermuda.

Mid Ocean has a majority stake in Brockbank Group P.L.C., a Lloyd's managing agency.

"The fact is that the entities that have survived are bigger and stronger. Lloyd's will regain a lot of credibility and business as a result," he said.

F&G Re Inc. is also keen to access business that flows to Lloyd's, said John R. Berger, president of the Morristown, N.J.-based reinsurer.

F&G Re last year set up F&G Re UK Ltd., which from the beginning of 1996 supplied all of the £18 million (\$27.9 million) of capacity for Lloyd's syndicate 1211 managed by managing agency Ashley Palmer.

"People don't realize just how much U.S. business is done there," Mr. Berger said.

In particular, a lot of smaller managing general agents in the United States channel business to Lloyd's when they find that large U.S. companies are unwilling to deal with small entities, Mr. Berger said.

In some ways, the reinsurance world outside of Lloyd's has started to resemble some aspects that were once specific to Lloyd's, said Mr. Jain of Berkshire Hathaway.

"If you look at the industry 10 years ago, the wheeling and dealing that went on was limited to Lloyd's," he said. "Now, the rest of the world is wheeling and dealing and is willing to try new things."

At the same time, Mr. Jain said, the introduction of corporate capital to Lloyd's might create some "restraints" on syndicates' ability to develop creative new approaches.

"Lloyd's name still has cachet," Mr. Jain said.

In addition, it also still has the "front runners" in certain markets, though it won't recover market share lost to Bermuda companies in recent years, Mr. Jain predicted. **BI**

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Rendez-Vous de Septembre

Financial markets part of reinsurance picture

Cat financials not replacing reinsurance

By GAVIN SOUTER

MONTE CARLO, Monaco—Catastrophe products backed by financial markets can enhance reinsurance, but they will not replace it, a panel of experts says.

In the future, the financial markets will be used routinely to help cover large natural catastrophes, but they are too homogeneous and fluid to offer significant capacity for most other reinsurance risks, experts say.

According to one member of a panel convened at the Rendez-Vous de Septembre, held Sept. 9-14 in Monte Carlo, financial markets are only suitable to offer capacity to risks that account for about 5% of the total world insurance premium volume.

Experts on the panel addressed the question, "Will international financial markets replace traditional reinsurance?"

"Financial markets will not replace reinsurance. Change? Yes. Enhance? Probably. Threaten? I don't think so," said Andrew M. Alper, a partner in the investment banking division of Goldman, Sachs & Co. in New York.

When more companies turn to the financial markets for reinsurance, they likely will follow a similar pattern to the mortgage market in the 1980s, when the creation of mortgage-backed securities allowed the free flow of capital in the market, he said.

The process greatly simplifies the market's ability to create new capacity during hard markets, he said.

"Setting up a new operating company every time you need capital is a very inefficient way of filling capital shortfalls," Mr. Alper said.

Insurance markets will need to access the capital markets if they are to buy adequate protection for the increasing risks they are accepting, said Hady Wakefield,

chairman of reinsurance intermediary Guy Carpenter & Co. Inc. in New York.

Examples of capital market products that can be used as forms of reinsurance include catastrophe

reinsurer at \$50 billion, it could not write business with a sufficient spread to develop a reasonable return to investors," Mr. Wakefield said.

Given their size, the capital mar-

ling-Konzern Allgemeine Versicherungs A.G. in Cologne, Germany.

"The range of applications imaginable for this type of risk transfer includes, as I see it, less than 5% of the overall insurance volume," he said.

The limited application is due to a number of problems that would face the financial markets if they were applied to other areas of reinsurance, Mr. Zech said.

"The products will generally be only suited for those cases where the cause of loss and its amount can

good feeling of having coverage available especially in a difficult market environment," Mr. Zech said.

Additionally, after a major loss and a reduction in traditional capacity, reinsurers will be less able to increase their rates because there will still be huge amounts of capacity available from the financial markets, he said.

"We say that the financial markets will enhance and strengthen the reinsurance market, but it will also compete with it," Mr. Zech said.

Financial markets will provide additional capacity to the reinsurance market, but some problems need to be overcome before that capacity becomes significant, said

Wolf Otto Bauer, member of the board of management of Munich Reinsurance Co.

For example, there are few indices to measure the value of any reinsurance-linked financial instruments.

"When indices exist, insurers' individual portfolios often do not correlate with the indices," Mr. Bauer said.

Also, specific clients' needs cannot be taken

into consideration, and additional services required by cedents are not provided, he said.

It is still unclear what impact financial instruments will have on the users' accounting treatment, surplus and ratings, Mr. Bauer said.

"Capital market products are not replacing traditional reinsurance, but they can complement it in certain areas. The financial markets, as well as the insurance and reinsurance industry, will move closer in the risk transfer business," Mr. Bauer concluded.

The panel discussion was chaired by John Engstrom, group chief executive of Mercantile & General Reinsurance Co. P.L.C. in London. **B**



The Rendez-Vous de Septembre drew representatives from several Bermuda companies, while an ice sculpture further demonstrated the island's presence in Monte Carlo.

futures contracts, act of God bonds and other securities.

Risks in the United States, Australia, New Zealand and Japan require substantial catastrophe capacity. Developing nations exposed to catastrophes, including India, Pakistan and countries in the Commonwealth of Independent States, also could soon need increased catastrophe capacity, he said.

"It seems to me sensible to harness the capital markets, or, put better, to broaden the universe of informed risk-takers," Mr. Wakefield said.

The liquidity and the size of the capital markets are qualities traditional reinsurers cannot provide, he said.

"The total value of U.S.-traded stocks and bonds amounts to some \$20 trillion. That is to say, some 80 times the capitalization of the insurance industry," he said.

"Even if one were to capitalize a

kets could easily absorb a \$75 billion loss, but such a loss would devastate the insurance and reinsurance industries, Mr. Wakefield said.

Financial instruments that will cover reinsurance risks are still in their infancy and require a suitable index, but when they are fully developed they will resemble junk bonds, Mr. Wakefield said.

"The difference between the two is that whereas one has a possibility of default due to financial failure, the other has a possibility of some default with income or capital as a result of an event," he said.

But, while financial markets will provide some added capacity, they only will infringe on a relatively small part of the insurance and reinsurance markets, said

Juergen Zech, chairman of the board of management of the Ger-

be ascertained within a short time after the occurrence of the loss event," he said.

The products would not be suitable for long-tail insurance products, Mr. Zech said.

Also, the investors will not have adequate experience to judge the risk they are taking, he said.

The result could be that as soon as a large loss is suffered, the investors would be scared away from the market, Mr. Zech said.

The capital market products do not provide for a continuation of coverage after a loss event, he said.

"In the traditional insurance market, on the other hand, at least one reinstatement or even several such reinstatements are common practices, giving the insured the



Future demand anticipated for financial products

Current amount of catastrophe capacity enough to keep demand down for now

By PAUL D. WINSTON

MONTE CARLO, Monaco—There is little demand for the new risk financing products that are under development by the capital markets, say several reinsurers.

But that will change when the next property catastrophe capacity crunch hits the market, they add.

Then, innovative reinsurers will work with capital markets to produce an array of new products that will enhance the traditional reinsurance market, they say. Already a few deals involving capital markets have been sealed and more are bound to follow, they say.

The topic of capital markets as a replacement for traditional reinsurance was formally broached during a panel discussion at the annual Rendez-Vous de Septembre earlier this month in Monte Carlo (see related story).

And outside of the conference auditorium, the subject was discussed informally at many of the half-hour business meetings that characterize the Rendez-Vous.

While some reinsurers view demand for the financial tools available from the capital markets with skepticism, others see them as a natural complement to the risk financing they now provide.

The reinsurers were unanimous, though, in their view that their business is in no danger of being rendered obsolete by these new means of financing risks.

"A problem with financial markets entering reinsurance is that the general investor community is not used to products when their entire capital may be at risk," observed Steven M. Bensinger, president of Chartwell Reinsurance Co. Ltd. of Stamford, Conn.

Securitization of reinsurance risks can make such a catastrophic investment loss more remote, he

added.

Financial products will continue to be explored as insured values continue to escalate, Mr. Bensinger noted. More serious exploration of risk financing by capital markets could be triggered by a series of big losses, Mr. Bensinger added.

"When the financial burden is shifted to policyholders—when they can't buy the cover they need at reasonable prices—then everyone will be forced to find new solutions," he said.

"Until there's a need, there's less pressure to explore such alternatives," he said. "It's need that drives innovation. Right now, there's a perception that there's enough capacity out there; maybe too much out there."

Marsh & McLennan Cos. Inc. set up Normandy Reinsurance Co. Ltd. in Bermuda in late 1994 to develop capital markets products, but the company has done little busi-

ness, said Hady Wakefield, chairman of Guy Carpenter & Co. Inc. in New York.

"We set it up as a transformer and at the moment it's marking time... it will be there and ready when the products are ready to transform," he said.

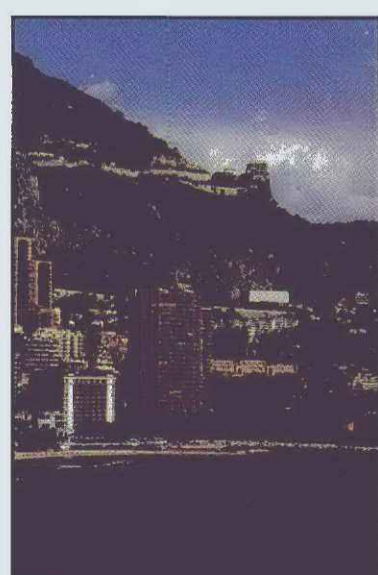
Capital markets-based reinsurance is still a product waiting its time to come, said John R. Berger, president of F&G Re Inc. in Morristown, N.J.

F&G Re has two people dedicated to researching and creating capital markets deals, and so far has completed one deal, he said.

"It's a difficult area at the moment because who really needs extra capacity other than some people with exposures in California and Florida?" Mr. Berger said.

That need for extra capacity by a few cedents is not enough to spark a large demand for capital market products, he said.

Currently, property catastrophe



Financial markets were one topic discussed in Monte Carlo.

reinsurance is available at too cheap a price for it to be an attractive market for capital markets investors, Mr. Berger said.

"The capital markets want to see a good rate of return and the

See Financial on next page



Financial

Continued from previous page
rates charged for the higher levels would not provide an acceptable rate of return," he said.

The market will need to suffer a spate of large losses before reinsurance buyers will be prepared to pay significantly higher rates for catastrophe reinsurance, Mr. Berger said.

One reinsurer executive welcomes the new products.

Capital markets won't replace reinsurance, but their products will be more widely used, predicted Walter B. Kielholz, who currently is in charge of the alternative market's division of Swiss Reinsurance Co. in Zurich, Switzerland, and is slated to become CEO Jan. 1.

"You can compare it with what happened in the banking industry, with securitization," he said, referring to securitization of debt instruments like mortgages and credit card receivables.

Mr. Kielholz said he sees the development of such products as a great opportunity for the reinsurance industry.

"It might be a threat for people

who are tied to traditional views," he said. However, he added, "the reinsurance industry should not be spared from change in how it does business."

Indeed, the alternative markets division of Swiss Re, which provides services to corporations and the insurance industry, including

The market will need to suffer large losses before buyers will pay significantly higher rates, says John Berger.

finite risk reinsurance and other financial products, is an "agent of change" within Swiss Re, Mr. Kielholz said.

New ideas are often killed by large, monolithic organizations, he said. "By creating a separate division for these alternatives, it creates a playground for new ideas" and creative approaches, he said.

Mr. Kielholz noted that financial markets generally provide greater liquidity than traditional reinsur-

ance products. While reinsurance contracts can be renegotiated if exposures change during the coverage period, with financial instruments, units of risk could be bought and sold more readily, he said.

Another reinsurer currently exploring deals that blend traditional reinsurance with capital markets is Hannover Re Group of Germany.

"We've done a deal that's now in its third year. We're now working on another transaction at this time," said Dirk Lohmann, member of the executive board of Hannover Re Group.

He declined to elaborate on the transactions, explaining that the details of how such deals are structured provides a competitive advantage. In fact, one reason Hannover Re went to the capital markets is because it didn't necessarily want to go to retrocessionaires and share secrets of its business, Mr. Lohmann said.

Hannover Re intends to be at the forefront of this trend, he said. He noted that combining existing resources with capital market resources can give a medium-sized reinsurer added leverage when competing with some of the world's largest reinsurers.

In general, Mr. Lohmann said he expects capital markets to increase their role in risk financing.

"The mortgage industry in the U.S. saw securitization as a way to raise capital, increase liquidity and availability," he said, noting those attributes would be attractive to reinsurers, too.

"I think there are certain elements of risk that can be packaged and sold on the capital markets. Reinsurers can be the packagers of risk, which then can be sold on the capital markets," he said.

Rather than see investment bankers and other entities as competition, reinsurers should look on them as different tools and strengths to bring to the table, said John Engstrom, group chief executive of Mercantile & General Reinsurance Co. P.L.C. of London.

One way to do this is by developing relationships with such entities, or else acquire them outright, he said.

"If your expertise is better than theirs, you use it; if not, you buy it," he said of service providers like investment firms and consultants.

The capital markets products will provide a new opportunity for reinsurers, agreed Mr. Berger of F&G Re.

While very large insurers will have the size and sophistication to make their own deals with the capital markets, most cedents would rather buy a product rather than learn how to work the market themselves, he said.

"It will be better to use the capital markets to back up traditional reinsurance," Mr. Berger said.

One executive with a finite risk reinsurer observed that financial aspects of reinsurance deals are becoming more common in routine reinsurance transactions. It is no longer a distinct and separate type of product to be kept separate from traditional reinsurance, he said.

Lest reinsurers think securitization is an entirely new phenomenon, Swiss Re's Mr. Kielholz offered this observation.

"Securitization is really a new form of what Lloyd's originally wanted to do. You have the risk, you have the underwriters and they write on behalf of rich individuals," he said.

Gavin Souter contributed to this report.

Organizer bids adieu at 40th Rendez-Vous

MONTE CARLO, Monaco—The 40th annual Rendez-Vous de Septembre drew a record number of attendees according to the official figures—but, as has become traditional over the past few years, unofficial guesses by attendants said the numbers seemed to be down.

Perhaps it was that meetings were spread out over more locations, or more attendees only stayed for a few days instead of the whole week, but there was little doubt that order reigned rather than the usual chaos at the Rendez-Vous' usual hot meeting spots—the Cafe de Paris and its neighbor, the Hotel de Paris.

One thing was certain at this year's meeting: It is last to be organized by Jacques V. Papon, who has been secretary general of the Rendez-Vous since its inception in 1957.

This year, 2,350 people attended the Rendez-Vous, compared with 2,200 in 1995, according to Antoine Jean-court-Galignani, president of the organizing committee.

Of the 1996 registrants, 1,292 were insurers or reinsurers with the remainder from brokerages, consulting firms, law firms, other service providers and the media.

Attendees from the United Kingdom led the pack this year, with 577, followed by France with 450 attendees and the United States with 194.

In total, attendees journeyed to Monte Carlo from 84 different countries or territories, compared with 82 in 1995.

Mr. Papon is retiring after 40 years as the driving force behind the Rendez-Vous. Mr. Papon will return to his retirement occupation of managing the wine interests of Assurance Generales de France in Bordeaux.

Mr. Papon retired as a director of AGF in 1990.

Succeeding Mr. Papon as secretary general of the Rendez-Vous is Thierry Auger, also a director of AGF.

Mr. Auger manages executive training at the Paris insurer and was formerly manager of AGF subsidiaries in London and Japan.

For information on next year's Rendez-Vous, to be held Sept. 8-13, 1997, contact Rendez-Vous de Septembre, Centre de Congres Auditorium de Monaco, Boulevard Louis II, Monaco, MC 98000; phone: 377-92-16-6050; fax: 377-91-16-6135.

—By Gavin Souter

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Benefit rules to allow increased contributions

Washington

Employers next year will be able to consider the first \$160,000 of employees' compensation—up from the current \$150,000 limit—in calculating contributions made to defined contribution plans and benefits provided through their defined benefit plans, according to projections made by benefit consultant A. Foster Higgins & Co. Inc.

In addition, the maximum benefit that can be funded through a qualified defined benefit plan will rise to \$125,000 from \$120,000, predicts Foster Higgins, which bases its estimates on an analysis of federal benefit rules.

The increase in how much compensation can be considered in calculating contributions and benefits is especially important to highly paid employees who participate in profit-sharing and 401(k) plans.

Take the case of a company that agrees to make profit-sharing plan contributions equal to 10% of each employee's salary.

With the current \$150,000 limit on compensation that can be considered in calculating contributions, the maximum contribution that company can make to the plan for an employee this year is \$15,000. Next year, though, the maximum contribution will rise to \$16,000.

Foster Higgins, though, projects that the maximum deferral employees will be able to make next year to 401(k) plans will remain unchanged at \$9,500.

Savings plan rules

The Internal Revenue Service is proposing new rules to give employers more comfort that their savings plans will not be disqualified if they accept new employees' rollover contributions

that they later find out they should not have accepted.

The new rules are intended to increase the portability of pension benefits when employees change jobs and want to transfer their accumulated account balances in their former employer's savings plan to their new employer's plan.

Some employers don't want to accept such rollover contributions for fear that their savings plans could be disqualified if they accept a rollover that—under federal law—was not allowed.

For example, a rollover could not include a refund of aftertax contributions.

The Internal Revenue Service says a savings plan that accepts an invalid rollover contribution will not be penalized as long as two conditions are met:

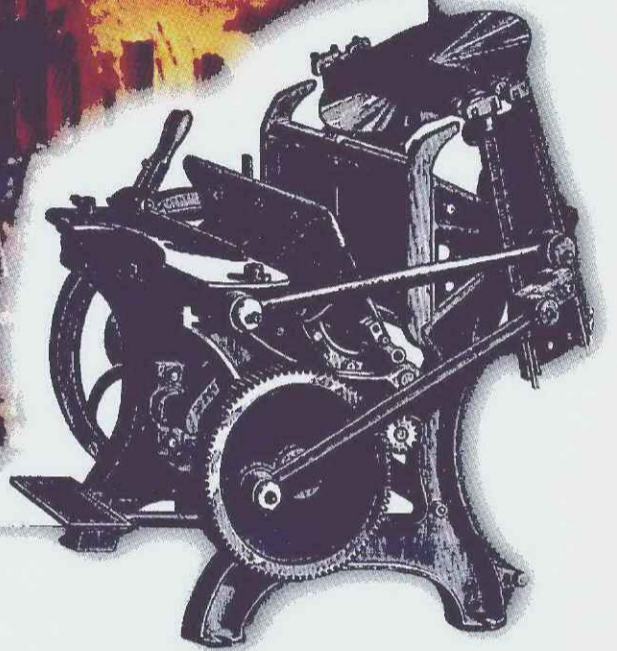
- The plan administrator of the receiving plan reasonably concludes that the contribution is a valid rollover contribution.

This could be accomplished by the administrator of the receiving plan obtaining a letter from the employee's former employer that its savings plan has received a favorable determination letter from the IRS.

- If the plan administrator of the second plan determines that the contribution was ineligible to be rolled over into its plan, the amount of the invalid rollover contribution, plus any earnings on the contribution, be distributed to the employee "within a reasonable amount of time" after the determination.

—By Jerry Getsel

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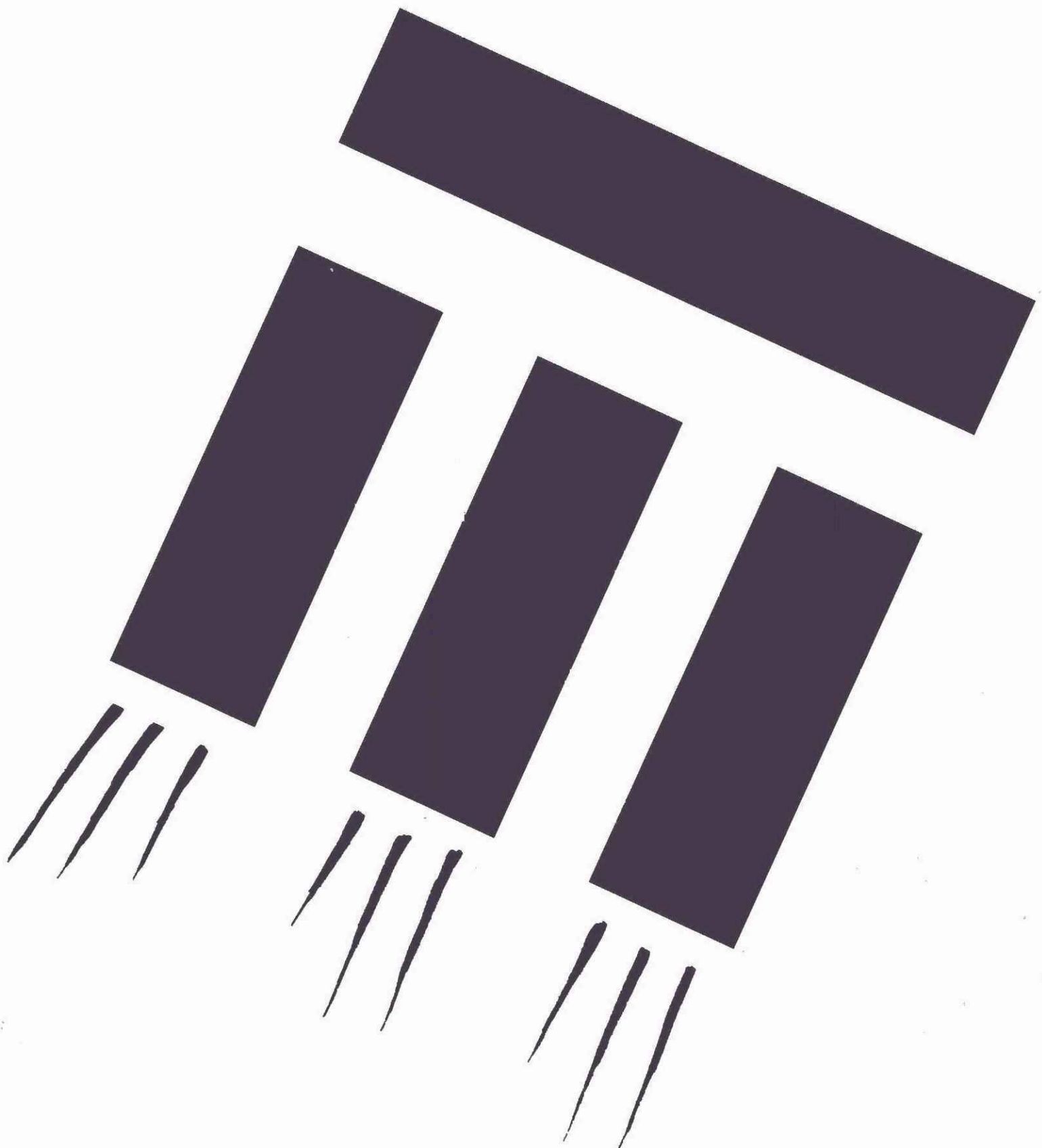
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Oversee

Continued from page 2

Critics say the CMA, whose own managed care organization, San Francisco-based California Advantage, is expected to apply for a license to operate as an HMO, give the IMQ a potential conflict of interest, while the JCAHO is not experienced enough in this area.

Officials of both organizations deny those charges.

All this activity is occurring against the backdrop of two initiatives on the November ballot, 213 and 216, both of which seek to more strictly regulate the HMO industry in California.

In spite of all this controversy, the department's regulation has not been an issue for employee benefit managers, according to Glenn Meister, a principal in A. Foster Higgins & Co. Inc.'s Los Angeles office.

While employers may not have strong feelings at this point about regulation of HMOs, others do.

The Department of Corporations and Mr. Bishop have been "kind of caught up in a sea change that is swirling around the Department of Corporations particularly as it touches the oversight over HMOs," said Assemblyman David Knowles, R-Placerville, who is chairman of the Assembly insurance committee.

"In the last three or four years, we have added more than 50% of the (current) HMO enrollees" while there have been little if any staff or budgetary changes in the department, said Assemblyman Knowles.

"The reality is that there is a strong perception that the Department of Corporations is an inadequate department to continue the licensure and regulatory oversight of HMOs in California. That's strongly felt, I believe, by Democrats as well as Republicans," he said.

One suggestion for reassigning oversight points to the state's Department of Insurance. A bill proposed by State Sen. Steve Peace, D-Chula Vista, during the last legislative session would have moved all licensing and regulatory responsibilities for "health care service plans," which includes HMOs, to the Department of Insurance.

Although the bill was not acted upon during the last legislative session, similar proposals are expected during the next session, which begins in December, said a spokesman for Sen. Herschel Rosenthal, D-San Fernando Valley, who is chairman of the Senate Insurance Committee.

At this point, though, such a move would be premature, said Assemblyman Knowles, who noted that six state agencies now bear some responsibility for health care in the state.

Rather than a knee-jerk reaction, it behooves the Legislature "to carefully analyze what they want out of a regulatory structure" and, once it does that, the answer of where managed care regulation should be located will be "self-evident," he said.

Others say having the Department of Insurance take over now seems logical. "I think it might make some sense to fold in HMOs" under the Insurance Department, said Mr. Meister of Foster Higgins.

"I think at this point, especially in a mature market like California, it might even be somewhat redundant to have two departments essentially regulating health insurance carriers and HMOs," he said.

"I could see some logic in having all health care plans regulated by the same organization," said Steve Richter, health care practice leader for Watson Wyatt Worldwide in Los Angeles. "One of the observations that I've found is that it's sometimes difficult for the HMOs to be responsive to their clients because of getting things

through the Department of Corporations."

For instance, said Mr. Richter, the department reviews the funding approaches used by managed care organizations under its jurisdiction and has taken the position in the past that they cannot use "certain more innovative" risk-bearing approaches.

"I'd say they've been an impediment in certain instances," he said.

"It's an intriguing prospect. The Department of Insurance is set up in a fashion that it could assume those responsibilities, but this is a call the legislature is going to have to make," said a spokesman for the Insurance Department.

A spokesman for the Department of Corporations rebutted criticism of its ability to oversee the managed care market. "There is no reason to believe that the Department of Insurance or any other entity can do the job better than the Department of Corporations does," the spokesman said.

Peter Boland, a health care analyst and president of Berkeley, Calif.-based Boland Healthcare Inc., a publisher of health care material, said, however, he is uncertain either department is up to the task of regulating health care plans.

"I'm not sure either one of them has sufficient expertise to do an adequate job in relation to a rapidly changing marketplace. Both departments are going to have a very hard time keeping up with the pace of changes in the marketplace. The marketplace is basically outstripping the capacity of regulatory institutions to do an adequate job," said Mr. Boland, who added he is unsure as to how the issue should be handled.

Mr. Richter said while he is not sure which agency should be in charge, "there's certainly room for improvement in the governance process. I think if it's done more efficiently we could see more product innovation to

address the needs of the purchasers. I think we could see probably a less expensive process for HMOs to bring their wares to market."

In addition to questioning the Department of Corporations agency, some observers also have been critical of the four-month tenure of Mr. Bishop, formerly general counsel of the state's Business, Transportation and Housing Agency, which is the Department of Corporations's parent.

The spokesman for Sen. Rosenthal said one example of why Mr. Bishop's performance has generated concern is the department's opposition to S.B. 1732, a bill that would require the Department of Corporations to annually release quality of care information for all HMOs doing business in the state.

The bill, now awaiting Gov. Wilson's signature, was supported by the HMO industry, consumers and physicians and opposed only by the Department of Corporations, which argued there are already various evaluations available.

Some are willing to take a wait-and-see attitude toward Mr. Bishop.

"We are certainly willing to give Mr. Bishop the benefit of being new and continue to work with him," said Carol Jimenez, staff attorney with the Los Angeles-based Center for Health Care Rights, a Los Angeles-based consumer advocacy group.

"Let's look at the record," said a spokesman for the Department of Corporations. He said landmarks of Mr. Bishop's tenure in office include the appointment of Mr. Hagen; the contract with IMQ and the JCAHO; the department's release of the first in a series of medical plan reviews, as well as a report on consumer complaints (BI, Sept. 2).

The appointment of Mr. Hagen, Foundation Health Corp's vp of government relations from 1988 to 1991, however, has also become an issue.

"That causes me concern because it

looks like there may be a very strong industry bias in terms of the oversight of plans," said Jeanne Fineman, director of the health care group and senior attorney at Consumer Union's San Francisco office.

"That position has been vacant for a number of months," said the Department of Corporations spokesman. It took the governor's office and the department "a good deal of time and energy" to find someone that was not only qualified "but also had knowledge of the industry that he would be regulating," he said.

Also an issue is the granting of a contract to IMQ and JCAHO to evaluate the quality of care provided by the state's health plans. In addition to being questioned by some consumer advocates, a spokesman for the California Assn. of HMOs, the industry's lobbying group, said he also opposes IMQ's involvement in particular because the CMA has been "very antagonistic" toward managed health care plans in California and there is also a potential conflict of interest because of California Advantage, the CMA's own plan.

He also questioned whether JCAHO has sufficient experience in evaluating HMOs.

Jill Silverman, president of IMQ, said her organization operates independently from the CMA with its own board of directors.

"The biggest point, I think, that is being missed is we do not make any decisions on the outcome of the reviews. We conduct the reviews and turn over our findings," Ms. Silverman said.

Dr. Dennis S. O'Leary, president of the Joint Commission, said the organization is qualified, based in part on its extensive experience in evaluating hospitals and other health care delivery sites, which will complement IMQ's experience in evaluating care delivered in practitioner's offices. **BI**

Ayer to succeed Frahm as chairman, president and CEO at ITT Hartford Group

Ramani Ayer next year will succeed Donald R. Frahm as chairman, president and CEO of ITT Hartford Group Inc. of Hartford, Conn. Mr. Ayer, currently president and chief operating officer of the insurer's worldwide property/casualty operations, will assume Mr. Frahm's position Feb. 1, 1997, following Mr. Frahm's retirement Jan. 31. Also on Feb. 1, Lon A. Smith will become vice chairman while maintaining his current duties as president and chief operating officer of ITT Hartford's worldwide life insurance operations.

In other insurer changes:

Robert A. Anker, president and chief operating officer of Fort Wayne, Ind.-based Lincoln National Corp., will succeed retiring **F. Cedric McCurley** as chairman and chief executive officer of Indianapolis-based American States Financial Corp. on Jan. 1, 1997. **Ian M. Rolland**, chairman and CEO of Lincoln National, will assume Mr. Anker's president title and duties.

Also at Lincoln National, **H. Thomas McMeekin**, executive vp and chief investment officer, is relinquishing his additional post as CEO of Lincoln National Investment Cos. **Jeffrey J. Nick** will succeed Mr. McMeekin as CEO in Philadelphia. In addition, **Gabriel L. Shaheen**, president and CEO of Lincoln National Reinsurance Cos., will become managing director of Lincoln National (UK). **Lawrence T. Rowland** will succeed Mr. Shaheen as president and CEO of the reinsurer. **Jon A. Boscia**, president of Lincoln National Life Insurance Co., will take on the additional duties of CEO, succeeding Mr. Anker.

William D. Smith named president

Comings & Goings: Industry

and chief operating officer of the Kemper Insurance Cos. in Long Grove, Ill., succeeding **David B. Mathis**, who remains chairman and CEO. Previously, Mr. Smith was with American International Group Inc., most recently serving as executive vp-domestic brokerage group.

Howard I. Smith, executive vp and comptroller of American International Group Inc. in New York, named to the additional post of chief financial officer. He succeeds **Edward E. Matthews**, who continues as AIG vice chairman-investments and financial services. Also at AIG, **Louis F. Zearo** and **Theodore J. Rupley** named vps.

Michael W. Grandstaff succeeds **Michael J. Bodayle**, who is retiring as chief financial officer and treasurer of TITAN Holdings Inc. in San Antonio, Texas.

Joseph L. Boren named executive vp and chief operating officer of Commerce & Industry Insurance Co., a member of New York-based American International Group Inc. Previously, Mr. Boren was executive vp at Metcalf & Eddy Inc., a subsidiary of Air & Water Technologies Corp.

Mark Benson named executive vp in the risk management specialty workers compensation division of Reliance National Insurance Co. in New York. Previously, Mr. Benson was president of the workers comp division of American Home Insurance Co., a unit of American International Group Inc.

Rod Pierson named chief financial officer of SAFECO Corp. in Seattle.

He succeeds **Boh Dickey**, named president of the insurer earlier this year.

Agent/Broker

Jacob H. Graves named to the new post of president and CEO of Aon Risk Services Inc. of the Carolinas in Charlotte, N.C. Previously, Mr. Graves was a managing director at Alexander & Alexander Services Inc.

Patricia R. Muller joined North Insurance Brokerage Inc. as vp in its health care practice in Chicago. Previously, Ms. Muller was with Marsh & McLennan Cos. Inc.

John P. Cozzi named senior vp and head of Johnson & Higgins' global space operations in Washington. Previously, Mr. Cozzi was senior vp at International Space Brokers.

James R. Harper named president and CEO of Acordia Southeast Inc. in Clearwater, Fla.

Kenneth J. Sciarra joined Kalvin-Miller International Inc., a New York-based subsidiary of American Phoenix Corp., as president and CEO. Previously, Mr. Sciarra was president of the New York region of Acordia Northeast.

Peter Winter named vp of the employee benefits department of Tri-West Insurance Services, a Sherman Oaks, Calif.-based subsidiary of USI Insurance Services Corp.

Charles J. Bacciocco IV and **Richard Edgecomb** named vps within Maclean, Oddy & Associates Inc.'s non-marine division in Dallas.

Anthony G. Bollers named presi-

dent of Wright & Co. in Washington, succeeding **Robert J. Miller**, who retired.

Reinsurers

Michael Cash and **Robin Hamill** named vps in the underwriting department of Centre Reinsurance (Bermuda) Ltd. and **William Dove** named vp in the actuarial department of Centre Reinsurance Co. of New York. Both reinsurers are units of Zurich Insurance Group.

Axel Diekmann named underwriting manager for treaty reinsurance at St. Paul Re's office in Brussels. Previously Mr. Diekmann was with Frankona Re.

Robert W. Carey named vp at JEH Re Corp. in Philadelphia.

Kin K. Gee named executive vp at Swiss Re Life Co. America in New York. Previously, Mr. Gee was a financial advisory executive in the global insurance corporate finance group of Chase Manhattan Bank.

Also at Swiss Re Services Corp., **Jess D. McCavitt** joined as senior vp-discontinued operations. Previously, Mr. McCavitt was an executive vp at Risk Enterprise Management, at Zurich Centre Investment and Centre Resources company.

Patrick J. Murphy named vp-claims at Great Lakes American Reinsurance Co. in New York. Prior to joining the Munich Reinsurance Co. subsidiary, Mr. Murphy was with Folkamerica Reinsurance Co.

Thomas F. Leonhardt, formerly with Aon Re Worldwide Inc., named vp in the Chicago office of Towers Perrin Reinsurance.

James N. Whyte joined American Re-Insurance Co. as vp-financial products. Previously, Mr. Whyte was a senior vp at Marsh & McLennan Cos. Inc.

Also at American Re, **John B. Gallagher** joined Am-Re Managers Inc. as

vp with responsibilities for marketing, strategic planning and underwriting for foreign operations. Mr. Gallagher was previously with Chubb Group in London.

Elise M. Ahearn named vp and managing actuary of TIG Reinsurance Co. in Stamford, Conn. Also, **Grace W. Fortune** joined TIG Reinsurance as vp and senior underwriter. Previously, Ms. Fortune was with Munich American Re in Hartford, Conn.

Other suppliers

Kevin B. Thompson named vp-standard commercial lines and **Domenick J. Yezzi Jr.** named vp-specialty commercial lines for the Insurance Services Office Inc. in New York.

Richard W. Sepp joined Russell Miller Inc. as a consultant in San Francisco. He was previously with California Casualty Management Co.

Robert O. Buer named senior consultant in the compensation and organization development consulting division of W.F. Corroon in St. Louis.

Kathleen K. Harreld named president and CEO of Healthcare Recoveries Inc., a Louisville, Ky.-based provider of subrogation services to the health care payer industry. Ms. Harreld succeeds **Patrick B. McGinnis**, who joined Medaphis Corp., HRI's parent, to become president of Medaphis Healthcare Information Technology Co.

Mary A.H. Horowitz joined Buck Consultants Inc. as principal and communication consultant in New York. Previously, Ms. Horowitz was with Alexander & Alexander Consulting Group.

Kevin J. Sullivan joined Watson Wyatt Worldwide in San Francisco as a senior consultant for human resource strategy and implementation. Previously, Mr. Sullivan was senior vp for human resources at Apple Computer Inc. **BI**

Medicare

Continued from page 3
may receive smaller benefits or pay higher premiums in their former employers' health care plan.

Sears is encouraged at the level of participation in the HMOs so far, Ms. Misar said, and has seen about 18% of those eligible for managed retiree health care select that option. In addition, only about 2% of Sears retirees who chose managed care have gone back to the traditional Sears plan, she said.

The company branched out beyond its Arizona pilot to Southern California in May 1995 and into South Florida a month later. Just over a year later, in July 1996, it signed on 13 HMOs to roll out to numerous other retiree locations nationwide.

On Jan. 1, 1997, Sears will offer managed care to retirees living in "a minimum of" 35 sites, Ms. Misar said.

Sears will resolicit retirees liv-

ing in areas that already have Medicare risk HMOs, and will pitch retirees in newly added areas, she said.

In addition, the retailer will seek

course for companies dealing with ballooning retiree health costs, said Joseph J. Martingale, a New York-based principal in the consulting firm of Towers Perrin. Mr.

who moves into managed care, he said.

Mr. Martingale and Ms. Misar gave the following advice for employers interested in promoting Medicare risk HMOs to their retirees:

- Prescription drugs are key. Towers Perrin has found that 100% prescription drug reimbursement is the main HMO plan feature that retirees want. Sears retirees have unlimited prescription drug coverage in every Medicare risk HMO, as they would have under the company retiree health plan.

- Employers should make sure that a Medicare risk HMO offers a network of providers comparable to the HMO's corresponding commercial plan, with a broad service area.

- Retirees should learn that if they switch to a Medicare risk HMO, and want to get out of it, they can switch back to the traditional Medicare program on the first day of the next month. Sears also allows retirees to switch back

to the company retiree medical plan if they wish.

- HMO staff will need to be thoroughly educated on what retirees are looking for in health care, and may have to learn how to respect the needs of elderly patients.

- Early communications to retirees, starting several months before they need to choose health coverage, gets results. It should consist of several, frequent mailings. Retiree clubs, if they exist, should be consulted closely.

- Managed care is not best for every retiree, and employers should not endorse it over the traditional company plan as a blanket policy. Instead, thoughtful comparison should be encouraged, and retirees should be cautioned to consider plan content as much as cost.

They also should consider if HMO restrictions on physician visits will interfere with longstanding, close relationships between seniors and their out-of-network doctors. **BI**

Employers on average can save \$1,500 annually for every retiree who moves into managed care, says Towers Perrin's Joseph J. Martingale.

to draw those employees who are still with Sears and near retirement.

It will offer 33,000 workers the chance to join HMOs before retirement, stay in those plans after they retire and lock in their benefits in Medicare risk HMOs.

Aggressive initiatives like Sears' program may mean a virtual transference of retiree health care to managed care operators over time and may be the most sensible

Martingale spoke at the conference in Chicago.

"At some point, it may be necessary for us to get out of this game," Mr. Martingale said. "If we could roll back the years 20 years or so, when retiree medical was first emerging and becoming popular, if we'd known where this was heading, how many of us would have (continued)?"

Employers on average can save \$1,500 annually for every retiree

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LEGAL NOTICE

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE LIQUIDATION OF
GENEVA ASSURANCE SYNDICATE, INC.) NO. 96 CH5093

NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on July 11, 1996, the Circuit Court of Cook County, Illinois entered an Agreed Order of Liquidation With a Finding of Insolvency against Geneva Assurance Syndicate, Inc. ("Geneva"). Mark Boozell, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of Geneva ("Liquidator").

TAKE FURTHER NOTICE, that on August 6, 1996, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and Claim Filing Deadlines ("Fixing Order"). Pursuant to the Fixing Order, all rights and liabilities of Geneva and its policyholders, creditors and stockholders, and all other persons interested in its property or assets, are fixed as of July 11, 1996, unless otherwise provided in prior or subsequent orders of the Court.

TAKE FURTHER NOTICE, that all persons and entities who have, or may have, claims against Geneva, its property or assets, or against a Geneva insured or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before July 11, 1997 at 4:30 p.m. (C.D.T.).

TAKE FURTHER NOTICE, that any insured under an insurance policy issued by Geneva shall have the right to present and file with the Liquidator a proper proof of claim setting forth a contingent claim on or before July 11, 1997 at 4:30 p.m. (C.D.T.). No contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless such claim has been liquidated and the insured claimant has presented and filed evidence of payment of such claim to the Liquidator on or before July 13, 1998 at 4:30 p.m. (C.D.T.). Any contingent claim for which a proper proof of claim is filed on or before July 11, 1997 at 4:30 p.m. (C.D.T.), but which is not liquidated on or before July 13, 1998 at 4:30 p.m. (C.D.T.), may be estimated pursuant to 215 ILCS 5/209(4)(b) for purposes of participating in any distribution of estate assets that may be made at the fifth priority level, 215 ILCS 5/205(1)(e), unless otherwise directed by the court.

TAKE FURTHER NOTICE, that the form and required contents of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of Geneva, at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to Geneva upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST GENEVA, OR ITS POLICYHOLDERS, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE JULY 11, 1997 AT 4:30 P.M. (C.D.T.).

Peter G. Gallanis
Special Deputy Receiver

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Financial:	
Chief Financial Officers and Vice Presidents of Finance	3,011
Secretaries, Treasurers, controllers and other Financial Personnel	2,827
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	17,307
Sub-total	29,775
Associations	301
Government, Unions and Educational Institutions	969
Commercial Consumers	
Sub-total	31,345
Insurance Agents and Brokers	8,564
Insurance Companies	7,831
Accountants, Actuaries, Attorneys & Consultants	3,148
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,880
Others Allied to the Field	580
Total Qualified	53,248
Non-qualified	12
Single Copy Sales	40
TOTAL CIRCULATION	53,300

* Source Business/Occupational breakdown of qualified circulation, May 27, 1996 Issue, as submitted to BPA for June 1996 BPA Publisher's Statement

Group targets heart care costs

By ROBERT KAZEL

CHICAGO—Four years after discovering that heart disease was using up an undue portion of their health care dollars, several large Detroit-area employers are a few months away from reaping their first harvest of cardiac outcomes data.

The members of the Southeast Michigan Regional Heart Consortium, which include Detroit Edison Co., eight other large employers and six labor unions, will use the data to monitor the quality of cardiac care, improve the performance of providers and eventually guide employees to hospitals and doctors that perform best while costing less.

Dennis P. McCafferty, director of benefit plan administration at Detroit Edison, discussed the heart consortium this month at the Managed Health Care Congress Midwest in Chicago.

Data being collected this year is for coronary bypass surgery, and next year will include angioplasties and diagnostic catheterization, said Robert Parrish, senior vp of the Greater Detroit Area Health Council, which is helping to organize the consortium. Mr. Parrish spoke at the conference.

The consortium is using its own staff and computers to gather information on measures ranging from patient history and diagnosis to whether the patient survives.

Consortium businesses in April will receive several months' worth of data on the 12 area hospitals that perform heart surgery.

The identity of the hospitals will be

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open to members of the consortium, but members of the public will get only coded information so that individual institutions can't be singled out, Mr. Parrish said.

In October of next year, the hospitals will be identified to the public individually. Six months after that, in April 1988, specific heart surgeons will be identified.

The sponsors of the heart consortium are expecting to prove that high-quality cardiac care doesn't necessarily translate into the highest costs and that expenses for plan sponsors are highest when cardiac patients develop complications or ultimately die.

"The best quality costs less," said Mr. McCafferty. "The highest health care cost often means lesser quality. The people who die in the hospital are those whom you spend the most money for."

The analysis of cardiac care in De-

troit will be more reliable than outcomes report cards in several other cities for two reasons, he said.

First, it is based on clinical data instead of claims data, so it will portray the actual care provided by the hospital, not merely what the payer is billed.

Second, data for illness will be severity-adjusted so hospitals or physicians will not be able to explain away poor outcomes by claiming to have treated the sickest patients.

In time, Detroit Edison is likely to share results of the study with its workers as an educational tool, and the utility probably will offer employees with cardiac conditions financial incentives to use the providers that have proved to be less costly and most effective, Mr. McCafferty said.

Guidance from the company will help employees choose care according to a large database of surgical procedures already performed, "not on the experience of Aunt Martha, who had one open-heart surgery and survived," he said.

Detroit Edison is motivated to help fund the program, Mr. McCafferty said, because the company believes heart disease to be its most costly problem.

The company's 1995 payments for coronary bypass surgery were \$61 per capita when averaged over all the company's employees, about twice the level paid by employers in the north-central states. **BI**

Helping obese workers difficult

By ROBERT KAZEL

CHICAGO—Like weight loss itself, an employer's campaign to help workers shed pounds is a project easy to start and hard to maintain.

The simple part is an increasingly popular measurement, "body-mass index," which factors in an employee's weight and height to yield a plain and objective estimation of obesity.

What is tough is the next part: motivating employees to change behavior and keep the weight off in the long run. Even if they want to change, few dieters manage to succeed.

So says John Foreyt, professor of medicine at Baylor College of Medicine, and director of the nutrition research clinic at The Methodist Hospital, both in Houston. Speaking this month at the National Managed Health Care Congress Midwest in Chicago, Mr. Foreyt told corporate benefit managers that a body-mass calculation during a fitness evaluation could identify an obese employee's need for intervention.

"Over the next few years, all of your employees will know their BMIs just like they know their cholesterol values today, which they didn't a few years ago, and their blood pressure even before that," he said.

The power that will come with that knowledge will be crucial to heading

off debilitating and life-threatening illness during an employee's life, Mr. Foreyt said. Body mass that's too high clearly puts a worker at risk for diabetes, heart disease, some cancers, high blood pressure, elevated triglycerides, stroke and mortality in general, he said.

While employers are generally well

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aware that overweight employees are at risk, many may not be familiar with the most effective motivational tools workers can use to succeed in slimming down, such as self-monitoring. Keeping a food and exercise diary, and showing it to others for their feedback, is key to effective weight loss, Mr. Foreyt said.

But once the personal attention ends, long-term weight loss is hard for employees, even with solid motivational techniques. The average worksite weight loss program lasts about 18 weeks and is led by a health care professional, he said. It typically involves six to eight employees, who lose 1.1 to 1.2 pounds per week.

But a year later, the employees on

average have gained back a third of their weight. After two years, two-thirds of the lost weight is regained and after three years, all weight has been regained.

Ninety percent of workers who manage to keep off their weight are active exercisers, Mr. Foreyt said. "The most important thing you can do as far as wellness in your employees is make sure they have the opportunity for good physical activity," he said.

It is unfortunate that health plans usually do not cover obesity treatment as a chronic illness, rather than dismissing the problem as a psychological failing, he said. More research needs to be done to establish the cost-effectiveness of continuous care of obese workers using paraprofessional counselors, aerobic exercise and support groups, Mr. Foreyt said.

Some large employers have begun creative approaches to encouraging employees to lose weight. The Chicago-based Quaker Oats Co. in 1987 started offering basic nutrition and fitness information to employees as part of a National Dairy Council program but by 1992 had moved forward with an innovative program that linked several wellness goals to employees' flexible benefits. By agreeing to exercise three times weekly, employees can receive a small reward that can be received as salary, extra vacation time or other benefits. **BI**

Managed care meeting draws 1,300

CHICAGO—About 1,300 benefit managers, risk managers, managed care executives, hospital executives, physicians and others attended the Sixth Annual Managed Health Care Congress Midwest at the Hyatt Regency Chicago Sept. 10-13.

In addition to several dozen workshops and panel discussions aimed primarily at HMOs and affiliated industries, a separate conference-within-a-conference, the Employer Summit, was open to benefits executives of companies with more than 1,000 employees.

Benefit managers attended summit sessions on topics including health promotion programs, wellness, negotiating with HMOs, 401(k) plan education and the future of the managed care world.

The National Managed Health Care Congress, which until now has held an annual national conference in Washington and several regional conferences through the year, announced it will add a second, yearly national show beginning in the fall of 1997.

In addition to the NMHCC na-

tional conference in the Washington Convention Center April 14-17, 1997, the group will hold its first fall conference Nov. 3-6, 1997, in the Los Angeles Convention Center.

NMHCC will discontinue its regional conferences, except for the remaining two on its schedule, NMHCC Northeast, Nov. 13-15, at the New York Hilton Hotel, and NMHCC West, Jan. 28-31, 1997, at the Palm Springs Convention Center in Palm Springs, Calif.

For more information, contact NMHCC at 617-270-6000.

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Mothers

Continued from page 3

evaluated companies on: how well they pay compared to their competitors; opportunities for women to advance; support for child care; and other family-friendly benefits, such as maternity and paternity leave, adoption aid, elder care support and scholarships for employees' children.

According to the report, the 10 best companies, in alphabetical order, are: Barnett Banks Inc., Hewlett-Packard Co., International Business Machines Corp., Johnson & Johnson, Eli Lilly & Co., MBNA America Bank N.A., Merck & Co. Inc., NationsBank Corp., Patagonia Inc. and Xerox Corp.

Lilly and Hewlett-Packard are new to the top 10 list this year. They replace Fel-Pro Inc. and Glaxo Wellcome Inc., which both remain among the top 100 family-friendly companies.

Indianapolis-based Lilly offers an array of work/family benefits common to the companies on the list, such as a new onsite child care center and flexible work schedules. The pharmaceutical manufacturer also offers several unusual work/family benefits, including \$10,000 in adoption aid, up to three years of unpaid leave following the birth of a child, and five paid days off for newlyweds.

Palo Alto, Calif.-based Hewlett-Packard offers standard work/family benefits like child and elder care resource and referral. The company also recently mounted a campaign to increase women's advancement within the company and trained managers and employees on flexible work options. Of 60,736 employees, 52,000 take advantage of flextime, which allows workers to begin and end work up to two hours earlier or later than standard business hours. Some 2,900 employees work at home, 500 share jobs, 1,450 work a compressed workweek and 1,100 work part-time. Hewlett-Packard also last year provided \$850,000 in scholarships to 425 children of employees.

The top 100 companies are leaders in support for child care. Some 75% of employers on the list support at least one onsite or near-site child care center. And, 12 companies support three or more child care centers.

Although employers often argue that they are too small to offer onsite or near-site child care, several employers on the list with fewer than 500 employees offer onsite care. For example, VCW Inc., a specialty insurance agency with 70 employees in Kansas City, Mo., offers onsite licensed day care for children ages 6

weeks to 5 years old. VCW subsidizes the cost of operating the center.

Promega Corp., a Madison, Wis., biotechnology company, offers subsidized, onsite child care to its 361 employees. Promega opened its 18,000 square-foot child care center when it had only 171 employees. Ridgeview Inc., a Newton, N.C., hosiery maker, subsidizes an onsite center for its 375 employees.

Another benefit becoming more prevalent among leaders in family

Paid family leave is becoming more prevalent as a benefit among family-friendly companies.

friendliness is paid family leave. The most generous paid maternity leave policy is offered by New York-based financial services giant Merrill Lynch & Co. Inc. Merrill Lynch offers new mothers 13 weeks off with full pay and adoptive mothers five paid weeks off. New fathers can take five days off with full pay.

At least four employers offer 12 weeks of maternity leave with full pay for all or some employees and several other companies offer eight paid weeks off.

Twenty-three companies offer paid paternity leave for new fathers. The most generous paid paternity leave policy is offered by Ventura, Calif.-based Patagonia, which offers eight weeks of paid leave. Charlotte, N.C.-based NationsBank offers six weeks of paid leave to new fathers and Washington-based law firm Arnold & Porter offers six weeks' paid paternity leave to attorneys and directors.

Two-thirds of the employers offer financial aid for adoption and many companies have paid maternity and paternity leave policies for new adoptive parents.

Companies continue to think up new, unique ways to help their employees. For example, Salt River Project, a utility in Phoenix, covers up to \$500 annually for visits to a medicine man. Arizona has the nation's third-largest population of Native Americans.

Teachers Insurance & Annuity Assn.-College Retirement Equities Fund in New York covers up to \$20,000 for infertility treatments. The company also reimburses employees up to \$1,000 annually for medical expenses incurred by eligible family members not usually covered by employer-sponsored health coverage, such as parents and siblings. **BI**

ACLU

Continued from page 3

surveillance in the workplace through either their telephone or computer. "Three years later, that figure is sure to have climbed substantially," the ACLU study states, estimating the present figure at more than 30 million.

The fastest growing area of surveillance is e-mail, said Lewis Maltby, director of the workplace rights office of the ACLU in New York and the author of the report. Despite the rapid growth of such surveillance, he said, there are no federal or state laws that prevent employer monitoring of e-mail.

And, because of the lack of guidance, it is up to each company to devise its own policy and strike a balance between controlling the company's flow of information and protecting workers' right to privacy, said Scott Lange, director of risk management for Microsoft Corp. in Redmond, Wash.

"Some time-honored principles are in conflict here," according to Mr. Lange. How a company resolves the conflict "will reflect whatever the management philosophy of the com-

pany is," Mr. Lange said.

At Microsoft, the company does not act as "Big Brother" and conduct random searches of employees' computer files, but will only act if there is a reason, he said.

He cited one example where the company conducted a search of two employees' computer hard drives after a third employee saw them downloading child pornography files from the Internet. The two employees were fired and the case was turned over to prosecutors after the child pornography was unearthed in their hard drives.

The ACLU's Mr. Maltby said companies shouldn't be prohibited from reading employees' e-mail, but it should be limited to cases where the employer has a specific goal. "My objection is employers reading e-mail just to snoop, where they have no reason to be suspicious," he said.

New forms of surveillance also have emerged, the report found. These include using "active badges," microcomputers clipped to employees that monitor their movements within a building, and genetic testing of workers for genes linked to diseases.

"Genetic testing in the workplace poses a serious threat to personal pri-

vacy and may well lead to 'genetic discrimination,' i.e. the refusal to hire or the termination of employees who are at risk for developing genetic conditions," the report states.

Employers could use genetic testing to screen job applicants or current workers for genetic markers for particular illnesses. They could then refuse to hire, or terminate, such individuals to reduce potential future costs to company-sponsored medical plans, according to the report.

To combat such uses of genetic testing, and other forms of surveillance that violate workers privacy, the report urges passage of more laws to protect workers. At present, only seven states have laws preventing discrimination based on genetic tests and seven have laws on urine testing the report describes as "acceptable."

"Now, more than ever, we need new state and federal legislation to protect all Americans' right to privacy at work," the report states.

For a free copy of the survey, "Surveillance Incorporated," write the American Civil Liberties Union, Publications, 132 W. 43rd St., New York, N.Y. 10036; 800-775-2258; or Internet: www.aclu.org.

Coalition

Continued from page 3

"We originally entered into the coalition because of our strong desire for a federal primary program. A compelling political case has been made that this is not a viable option at this time and that there is very little in the current legislation that would benefit Fireman's Fund, and in fact, some things might not be in our interest," explained Peter Lefkin, vp-government affairs for Fireman's Fund in Washington.

The lack of progress on Capitol Hill is leading the coalition to re-examine its aims and strategies, said Jeffrey M. Yates, the coalition's chairman and executive vp of the Independent Insurance Agents of America in Alexandria, Va.

"We're using this opportunity to step back and really to formulate the coalition principles we're going to push for going into the future. The executive committee of the coalition will meet with trade association heads and several company executives Oct. 10 to take the next step to come up with recommendations for the board to consider," Mr. Yates said.

Mr. Yates played down reports of dissension among insurers. "Generally, there has continued to be good support" among insurers for the group, he said.

In addition to the scope of federal involvement in any catastrophe in-

urance plan, the tax treatment of reserves and how the concerns of personal lines and commercial insurers will be addressed, observers say questions likely to be addressed at the meeting include additional points of contention such as what perils should be covered by a national catastrophe program; whether any catastrophe program should be private or public; what if any efforts should be directed at the state rather than federal level; whether a coalition-backed bill should emphasize mitigation as well as insurance issues; and whether the coalition itself should continue to have a formal structure with a professional staff or if a less formal framework would suffice.

"Basically the industry is going through a review of the project. I

think it is the Alliance's view that it always best for the industry to try and achieve consensus if that is possible," said David M. Farmer, senior vp-federal affairs in the Alliance of American Insurers' Washington office. The Alliance belongs to the coalition.

"We believe to the maximum extent possible there should be private sector solutions followed then by a government program," said Mr. Farmer.

"One of the most important roles for government is mitigation of losses. That is something in terms of land use and zoning activities and construction on barrier islands where government definitely has a role," particularly state government, said Mr. Farmer. **BI**

Former workers may keep investment choices, IRS rules

By JERRY GEISEL

WASHINGTON—Employers with retirement savings plans must give former employees who elect to keep their account balances in the plans the same investment choices as active employees, the Internal Revenue Service says.

And, in a second ruling issued last week, the IRS is making it easier for employers to open up their savings plans to new employees who want to roll over their account balances from a previous employer's defined contribution plan.

The first IRS ruling—Revenue Ruling 96-47—is a clarification of rules that the IRS first published in 1988. Under those earlier rules, the IRS said employers could not impose savings plan restrictions that acted as a "significant detriment" to former employees compared with current employees.

Employee benefit experts interpreted those earlier rules to mean that employers had to give former employees the same investment options as those enjoyed by active employees.

At that point, many employers overhauled their savings plans to comply with the rules, said Michael Sternklar, a principal with Kwasha Lipton L.L.C. in Fort Lee, N.J.

Under Revenue Ruling 96-47, the IRS analyzed a situation in which an employer gives a broad range of investment options to active employees who participate in its profit-sharing plan. The company, though, stipulates

that terminating employees no longer can choose among investment options and their account balances are automatically invested in a money market fund until distributed.

In that situation, "the loss of the right to choose among a broad range of investment alternatives with materially different risk and return characteristics is a significant detriment" to former employees, the IRS said.

The tax service's second ruling—Revenue Ruling 96-48—involves so-called savings plans' rollover contributions. Under federal law, an employer has to give terminating employees the opportunity to transfer savings plan account balances to a new employer's defined contribution plan. But, the new employer does not have to accept rollover contributions.

However, the new IRS rule is designed to make it easier for new employers to accept rollovers. Under Revenue Ruling 96-48, new employees who want to roll over savings plan contributions to their new employer's defined contribution plan will not be considered plan participants if they have not satisfied the plan's age or service requirement, which typically is one year.

As a result, the new employees would not have to be counted when the employer conducts various IRS non-discrimination tests.

That, in turn, will reduce the administrative burden on employers, said Fred Rumack, director of taxes and legal services at Buck Consultants Inc. in New York. **BI**

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Golden

Continued from page 1

Rather, it has been Mr. Mabee himself who has taken an adversarial stance throughout the examination process, according to Mr. Gibson.

"From the inception of this episode earlier this year, Mr. Mabee has made it clear to all who would listen that under no circumstances would he accept the department's findings and that he would fight the department publicly, politically and in the courts. He has been true to his word," Mr. Gibson's letter states.

The Sept. 5 order that Golden Eagle boost its reserves followed publication of auditors' financial examination of the company on the California department's World Wide Web home page. Publishing information on the Web site is becoming a common practice of the California department because it is more efficient and cost-effective.

According to the report, Golden Eagle's net estimated loss reserve deficiencies total \$138.5 million. Based on that figure, the company's statutory surplus as of Dec. 31, 1995, was reduced to \$81.6 million. According to the information posted on the Web site, Golden Eagle has common capital stock of \$2.1 million, paid in capital and contributed surplus of \$105.9 million and unassigned surplus funds of negative \$26.4 million. The company had total assets of \$1.33 billion as of Dec. 31, 1995.

'Golden Eagle has in no way been "singled out" by the department,' the Insurance Department's Kenneth Gibson wrote.

Based on current premium volume through the first six months of the year, the company's annualized premium-to-surplus ratio is 5.8-to-1, far in excess of the industry standard of 3-to-1, the department said.

The report concludes that the company's surplus of \$81.6 million does not reasonably support the level of business underwritten by the company.

In response, Golden Eagle sent the commissioner a 14-page objection and rebuttal and filed a motion in San Francisco Superior Court, which is where the insurance department's financial examiner is located, for a temporary restraining order to halt publication of its financial information on the Web site.

Publication of such derogatory information "without first granting Golden Eagle a prior fair and impartial hearing... will do irretrievable damage to Golden Eagle," the company asserted.

While Judge William Cahill denied the restraining order, he granted Golden Eagle's request for an expedited hearing to determine whether the department violated the company's constitutional rights by failing to hold a hearing before releasing the financial documents. That hearing was set for Sept. 20.

Also at the hearing, Golden Eagle planned to seek a stay of the Oct. 7 deadline the department had set for the insurer to show on its books that it has the resources to put up the \$138.5 million in additional reserves and a Nov. 15 deadline for actually posting the reserves.

Meanwhile, Golden Eagle asserts

it has paid for three outside actuarial opinions, the most recent of which found that the company was actually overreserving in workers compensation, its biggest line.

An evaluation by the Kilbourne Co., a San Diego-based actuarial firm, concluded that Golden Eagle is "\$49 million redundant in workers compensation reserves," the insurer's rebuttal stated.

Furthermore, Golden Eagle argues that the Tillinghast audit "disregards significant actual and historical data and completely ignores the factual realities that have occurred in the California workers compensation system since 1993," when the first of a series of reforms were implemented. Tillinghast would not comment on its work for Golden Eagle and referred calls to the insurance department's financial examiner's office.

But the department claims Golden Eagle has not shared its outside actuaries' reports.

In fact, "Golden Eagle has withheld critical information from the department's examiners and actuaries, which has directly contributed to the department's revisions to its estimates of the company's loss reserves," according to the deputy commissioner's letter.

"Indeed, during one particular meeting, Golden Eagle's counsel stated that certain actuarial data was being withheld by the company 'to use in litigation,'" Mr. Gibson said.

Golden Eagle is the third-largest workers comp insurer in California, holding about 6.9% of the market.

The state's largest workers comp insurers include several units of New York-based American International Group Inc. and Republic Indemnity Co. of California in Encino, a unit of American Premier Underwriters Inc.

About 55% of Golden Eagle's total book of business is workers compensation coverage. It also writes commercial property/casualty, professional liability, auto liability and physical damage and recently introduced homeowners insurance in response to the dearth of this coverage in the Southern California marketplace since the 1994 Northridge quake.

Golden Eagle's 1995 gross written premiums totaled \$607.6 million, 96% of which was in commercial lines.

About 99.2% of Golden Eagle's business is derived from risks in California, though it also is licensed in Arizona and Kentucky.

Because of the company's rapid growth since its inception in 1983, A.M. Best Co. downgraded Golden Eagle's financial strength rating to B- from B last week. Both of these ratings are considered "adequate" by the rating agency, though Golden Eagle remains "under review."

"We've been very aggressive" by taking advantage of the 1996 commencement of open rating in California, said Jim Johnston, Golden Eagle's vp-marketing.

"But we also operate differently from most companies," he said. For example, because the company is housed in a converted shopping center and operates without branch offices, "we have a favorable expense ratio," Mr. Johnston said.

According to Best, Golden Eagle's expense ratio for 1995 was 25.5%, up from 19.9% in 1994.

"What they want to do is slow us down," Mr. Johnston said, referring to other California insurers that have lost market share to Golden Eagle.

Because open rating just commenced earlier this year, no figures were available from the depart-

ment to determine whether other workers comp insurers in the state have lost business to Golden Eagle. The insurer has held the No. 3 position since 1994.

If Golden Eagle is sidelined, California employers with hard-to-place risks will be affected most, Mr. Mabee pointed out in his letter to agents.

Jerry O'Kane, chief executive officer of IBA West, a San Francisco-based organization that represents about 2,000 independent agents

and brokers in California, agreed.

"The association recognizes the importance of Golden Eagle as a market," he said. "They have been an extremely competitive market in workers compensation and an open market in tough classes that other carriers are unwilling to write," such as taxicabs, commercial auto, contractors liability and homeowners.

Unlike other insurers that have backed away from many California lines, Golden Eagle has "made

their mark by being the market for tough-to-place risks where they can get their price," Mr. O'Kane said.

Still, he acknowledged that the 5.8-to-1 premium-to-surplus ratio at which regulators claim Golden Eagle is writing is somewhat high.

And, according to Best, the insurer's combined ratio deteriorated to 117.6% in 1995 from 103.0% in 1994, reflecting growing losses. The insurer's 1995 loss ratio was 83.9%, an increase from 72.4% in 1994. **BI**

More department employees sue California workers allege defamation, distress

By ROBERTO CENICEROS

SACRAMENTO, Calif.—Almost two months after nine Department of Insurance fraud investigators filed a "whistle-blower" lawsuit alleging their bosses harassed them because they refused to favor certain insurers, eight additional employees are making similar claims in a second lawsuit filed this month in U.S. District Court in Sacramento.

Additionally, a 10th employee has joined the first lawsuit filed July 19 (*BI*, Aug. 12). In both suits, filed by the same two Sacramento attorneys, the plaintiffs claim among other things that they were ordered to rubber-stamp for prosecution workers compensation fraud cases referred by insurers. They allege that practice could cause innocent claimants to be prosecuted for fraud. The second suit was filed Sept. 5.

The plaintiffs are seeking compensatory damages and judgments for emotional distress, anguish and defamation that could total tens of millions of dollars.

Plaintiffs in both suits also charge that the defendants—which include Commissioner Chuck Quackenbush, two Quackenbush aides, the department's general counsel and four insurers—created a steering committee that has directed policy within the Fraud Division where they all work.

This steering committee is made up of insurance company personnel only, according to the second suit.

The DOI has not been served with the second lawsuit, a DOI spokesman said. But it comes as no surprise.

"We have known for some time there were some problems in that department," the spokesman said. The DOI responded the same way to the second suit as it did to the first—saying the claim was filed by workers disgruntled because of attempts to address a backlog of 2,000 cases and correct problems within the Fraud Division.

The insurers have not been served with the lawsuit, either. But insurers that have seen it point out it is baffling because it does not state what allegations are being leveled against them.

Allegations of department collusion with insurers are coming from other sources as well. Yet the parties making the allegations have yet to produce proof.

In a highly unusual move last week, San Diego-based Golden Eagle Insurance Co. posted a \$100,000 reward payable to be shared by anyone who can help prove the DOI is working to undermine it as a favor to the company's competitors.

Golden Eagle said it believes—as the plaintiffs attorneys in the two whistle-blower suits said they believe—insurers that contributed heavily to Commissioner Quackenbush's 1994 election campaign are encouraging the department to discriminate against Golden Eagle, said Jim Johnston, Golden Eagle's vp-marketing.

"That is truly preposterous and bizarre," the DOI spokesman said. "Mr. Mabee's (reward) money is safe." John C. Mabee is chief executive officer of Golden Eagle.

"He is not going to find anything that shows favoritism by the Department of Insurance," the spokesman said. "That money would be better spent by putting it into their reserves."

Golden Eagle is currently in a battle with Commissioner Quackenbush over its reserves and the DOI's publishing of its financial information (See story, page 1).

Golden Eagle recently filed a motion in San Francisco Superior Court for a restraining order to halt the publication of its financial information.

Commissioner Quackenbush has been even-handed with all insurers and consumers, the

spokesman added. And there is no connection between Golden Eagle's claim of favoritism for some insurers and the charges raised by DOI employees that the department wants them to rubber-stamp cases submitted by insurers.

"They are two different sets of circumstances," the spokesman said.

But an attorney for the DOI employees said his clients' allegations are similar to those raised by Golden Eagle because they both claim some insurers are gaining undue influence within the DOI.

"We have looked at what Golden Eagle has filed in San Francisco, and it kind of is corroborated by what we found," said Sacramento attorney Leo F. Donahue.

So far it appears Golden Eagle might lack necessary proof to successfully argue its claims of insurer favoritism in court. So Golden Eagle posted the \$100,000 reward in hopes of bringing out people the company thinks are most likely to know of collusion between the DOI and insurers.

"We think the people who will be most helpful with this will be employees within the department," Mr. Johnston said.

The insurer offered the reward and handed out fliers Thursday at a Sacramento meeting of agents and brokers who sell Golden Eagle products.

The flier states that \$100,000 will be paid for relevant information or documents that are admitted into court and result in a judgment against the DOI. It says the identity of respondents will be held in strict confidence.

"Commissioner Quackenbush has rewarded competitors of Golden Eagle by producing a flawed financial report that seeks to destroy or restrict business to Golden Eagle," the flier states. "Your help is needed to provide information to stop this governmental abuse and political maneuvering that seeks to restrict competition which ultimately increases prices to consumers. Golden Eagle is currently in litigation and needs this evidence now!"

The company isn't naming which competitors it believes have Commissioner Quackenbush's ear. But Mr. Johnston said, "It's pretty clear who the contributors (to Commissioner Quackenbush's campaign) are."

In their lawsuits, the DOI employees name Fremont Compensation Insurance Co., Superior National Insurance Co., Zenith Insurance Co. and another company that industry sources say does not exist.

"Until we are served there is not much we can say, because we are not officially a party to the suit," a Fremont spokesman said.

"I have looked at the (second suit), and there are no real meaningful allegations against Superior or Zenith or any of the other carriers," said Robert Nagle, general counsel for Superior. "If you read it, it is just extremely unclear what the involvement of the carriers is."

The insurers said the plaintiffs seemed to have picked on the companies that have records of being aggressive in fighting fraud. They have the highest number of arrests, convictions and referrals for prosecution.

Some of them, such as Fremont Compensation and Zenith, also have been among the largest insurance industry contributors to Commissioner Quackenbush's campaign, which received more than \$3 million from the industry.

Fremont gave more than \$108,000, while Zenith gave nearly \$137,000, according to Santa Monica-based consumer group Proposition 103 Enforcement Project. Superior National gave \$8,000.

But contributions don't buy influence within the department, the Fremont spokesman said. They simply mean the donor supports the politician's general operating philosophy.

Mental

Continued from page 1

suspense and an unsuccessful employer lobbying campaign that began after the two amendments were added to the appropriations bills on the Senate floor.

For some employer lobbying groups, there was bitterness over the passage of the amendments and fear on what it portends.

"What is disturbing is that Congress is willing to entertain legislation of this scope in the absence of hearings or written records. It spells out an extraordinary danger to the employer community regardless of who controls the Congress," said Mark Ugoretz, president of the ERISA Industry Committee in Washington.

The congressional action, Mr. Ugoretz said, is election-year politics. "This is election survival. This is typical of the feeding frenzy that occurs at the end of a session," he added.

But advocates of the amendments put a different spin on the congressional action.

Sen. Pete Domenici, R-N.M., the chief Senate sponsor of the mental health care benefits amendment, said its passage "begins to move us out of the Dark Ages...and beyond the discrimination. It gets rid of a terrible stigma. It is a breakthrough for the mentally ill."

Mental health care advocates also were jubilant. "This is a step toward elimination of discrimination" in coverage of mental health care services, said Russ Newman, executive director for professional practice at the American Psychological Assn. in Washington.

Backers of expanded hospital coverage for mothers and their newborns

said its enactment will—appropriately so—leave medical decisions with the patient and her physician.

"The decision is appropriately placed where it should be and that is with the physician and the mother," said Rep. Bill Thomas, R-Calif., chairman of the House Ways and Means Health subcommittee.

While employer lobbying failed to stop the amendments, it succeeded in narrowing the scope of the mental health care amendment. Sen. Domenici had originally pressed for legislation that would have mandated coverage equity for physical and mental health care benefits. Such a mandate would have increased group health care plan costs from between 4% to 9%, according to various studies.

The amendment agreed to by conferees falls far short of that. Employers still will be able to offer different cost-sharing arrangements for mental health care services compared with coverage for physical medical problems.

For example, employers will be able, as many now do, to require employees obtaining mental health care services to pay 50% of each bill, while requiring employees obtaining services for physical medical care to pay only 20% of the bill.

In addition, employers still will be able to direct employees to managed mental health care networks so that employees using the network will have lower out-of-pocket costs than those who go outside the network.

The legislation does however, bar the common practice of imposing lower annual and lifetime benefits for mental health care services compared to those for physical problems.

So long as employers can continue to manage utilization through net-

works, there should be little, if any, cost increase, said Joan Pearson, a principal in the Seattle office of Towers Perrin.

Congressional backers of mental health care benefits parity have said plan costs could increase anywhere between .16% and 4%.

Mental health care costs, which a decade ago were soaring, have been decreasing sharply in recent years as care has been better managed through medication and expanded use of day treatment rather than hospitalization, said Ms. Pearson.

The legislation does, however, exempt group plans from the mandate if they can prove that mental health care benefits parity increases plan costs by at least 1%.

While regulations will have to be developed to lay out how such proof or certification could be supplied, a congressional staffer said it wouldn't be enough for an employer to provide a statement from an actuary saying plan costs would increase 1%.

Benefit consultants say the cost of the maternity provision also should be modest.

More than two dozen states already have imposed such requirements on commercial insurance companies and health maintenance organizations. HMOs, especially in California, led the drive—and triggered the public backlash—for shorter hospital stays, often dubbed drive-through deliveries.

"This will have only a negligible impact on health care costs," said Woody McDonald, a Towers Perrin principal in Overland Park, Kan.

"Because the cost impact is so negligible, logic would dictate that this would not result in rate increases for HMOs in competitive markets," he added. **BI**

Mission

Continued from page 1

representing the Mission liquidator, agreed that the appeals order is "pretty unusual."

Judge Lewin's compliance with the order will trigger a new round of arguments between the liquidator and reinsurers over the scope of the panel's decision, she predicted.

John P. Higgins, a lawyer with D'Amato & Lynch in New York, representing the reinsurers, declined to comment.

The tug-of-war between Judge Lewin and the appeals court stems from a suit filed several years ago by the California Insurance Department, Mission's liquidator, against Copenhagen Reinsurance Co. Ltd. and several other members of Mission's defunct Pacific Reinsurance Management Corp. pool.

The liquidator sought recoveries in excess of \$2 billion, including incurred-but-not-reported losses, under PRMC treaties reinsuring Mission.

The reinsurers, meanwhile, denied liability on numerous grounds, including that PRMC had defrauded them, misrepresenting the types of business written by the pool and other matters.

In June 1991, Judge Lewin ruled as a matter of law that the reinsurers could not assert the fraud defense, seek rescission of the treaties or set off amounts owed them by Mission against their Mission-related liabilities.

However, Judge Lewin referred the case—including the fraud, rescission and setoff issues—to a panel of three retired judges.

On Feb. 2, 1995, the panel unanimously ruled in favor of the reinsurers, finding that PRMC misled pool members and violated its management agreements, among other things. The reinsurers owe nothing to the estate, the panel found.

Despite the finding, reinsurers' actual payouts will be governed by a "high-low" agreement with the liquidator that capped their liabilities at \$135 million if they lost the case and set a floor of \$43 million if they won (*BI*, Jan. 16, 1995).

Copenhagen Re and the other reinsurers asked Judge Lewin to affirm the decision, but last December he

The reinsurers argue that Judge Lewin is biased and should be removed from the case. Mission disagrees.

did the opposite: He granted the liquidator's motion to vacate the panel's decision.

The reinsurers then complained to the Court of Appeals, which issued a "writ of mandate" on May 23 ordering Judge Lewin to reverse his own ruling and affirm the panel's judgment.

At the liquidator's request, the appeals court amended the writ in June to order entry of the panel's judgment on issues other than fraud, rescission and setoff.

Soon afterward, though, the liquidator went before Judge Lewin again and argued that all of the reinsurers' claims—including breach of contract and fiduciary duty—were merely other ways of charging fraud, and that Judge Lewin therefore must find in the liquidator's favor under the appeals court's order.

Judge Lewin agreed that there was a question about whether the appellate order was "internally contradictory" and set an Oct. 10 hearing on the issue.

The reinsurance companies, however, went back to the appeals court Aug. 29 with a vehemently worded motion seeking to enforce the earlier

writ and to have Judge Lewin thrown off the case.

"We ask for this relief only in the exasperation of two failed attempts to persuade Judge Lewin to comply with the writ, and the prospect of endless dilatory proceedings engineered jointly by the Insurance Commissioner and Judge Lewin to evade, distort and subvert the relief ordered by the writ," the reinsurers say.

"The months of delay already incurred in avoiding compliance with that simple directive are bad enough; the prospect of additional months of debate by Judge Lewin about whether he will comply with the writ borders on contempt," the reinsurers charge.

Noting that Judge Lewin has compared himself to "Horatius at the bridge" defending Mission policyholders—a reference to a Roman general who held off invaders at a Tiber River bridge—the reinsurers argue that he is biased and should be removed from the case.

The Mission liquidator, meanwhile, denied that Judge Lewin has shown bias and argued that "there has been no refusal to obey the writ. To the contrary, Judge Lewin is seeking only to be faithful to the writ."

On Sept. 10, the Court of Appeal issued a new writ repeating its earlier order and noting that failure by Judge Lewin to comply within 10 days "may result in imprisonment until the writ is obeyed, a fine not exceeding \$1,000 or an order reassigning this matter to another judge."

As the deadline approached last Friday, Judge Lewin complied, adopting the panel's decision in favor of the reinsurers on all issues but fraud, rescission and setoff.

After a formal judgment is entered, the liquidator and reinsurers are expected to resume battling over the scope of the panel's decision.

The reinsurers' motion to remove Judge Lewin is separately scheduled for a hearing before the court of appeal on Nov. 5. **BI**

Updates

MTA sues Argonaut

LOS ANGELES—The Los Angeles Metropolitan Transportation Authority is suing Menlo Park, Calif.-based Argonaut Insurance Co. for bad faith and breach of contract in connection with disputes over deductibles, policyholder defense issues and cancellation of the MTA's liability and workers compensation coverage.

The MTA's complaint was filed Aug. 30 in Los Angeles Superior Court. The agency wants redress for substantial irregularities in the handling of workers compensation claims and an accounting of deductible payments made to Argonaut over the years, according to the lawsuit filed by David B. Casselman, a partner with the Tarzana, Calif., firm of Wasserman, Comden & Casselman. MTA also is seeking punitive damages against Argonaut.

Argonaut will mount an aggressive defense and anticipates filing a cross claim, said J. Michael Nolan, general counsel.

"We feel that the lawsuit is an attempt by MTA's outside counsel to rewrite the terms of the insurance and to avoid the insured's obligations under the policy," he said.

Argonaut last December notified the MTA that it would not renew the transportation agency's policy, effective June 10. The insurer withdrew from the owner-controlled insurance program after the agency was hit with millions of dollars in claims filed by Hollywood business owners who claim their properties were damaged by construction (*BI*, July 8).

Florida's tobacco suit limited

WEST PALM BEACH, Fla.—Florida's suit against the tobacco industry will go forward in a scaled-down version following a judge's decision last week to dismiss more than a dozen of the state's claims.

The three remaining claims are limited to a product liability charge, allegations of negligence and a request for an injunction against the marketing of tobacco to minors. The dismissed claims were related to activities that allegedly occurred before 1994, the year Florida's law allowing state suits to target tobacco manufacturers went into effect.

In the ruling, Palm Beach County Judge Harold J. Cohen also ordered the state to identify each Medicaid recipient who has suffered from smoking-related illness.

"This may be an insurmountable burden," defendant Brown & Williamson Tobacco Corp. said in a statement following the ruling. The ruling is "a victory for the tobacco industry and casts doubt on the ability of the state to continue its lawsuit. It may provide the basis for the dismissal of similar claims in other states where attorneys general have filed lawsuits," the tobacco company said.

Meanwhile, the number of states suing tobacco companies continues to grow, with Illinois last week becoming the 16th state to seek recovery of health care costs and other damages from cigarette makers.

In addition, a suit was filed against several tobacco companies in U.S. District Court in Marshall, Texas, last week by the widow of actor David McLean, the original "Marlboro Man."

The suit alleges the actor's death from lung cancer was related to his addiction to nicotine and seeks compensatory and punitive damages.

Briefly noted

Exxon Corp. is arranging a letter of credit to secure the \$5 billion punitive damages award that a federal judge in 1994 ordered the company to pay plaintiffs injured by the 1989 Exxon Valdez oil spill. The same judge last week rejected two alternative proposals by Exxon to secure the award while it is appealed, because neither provided the plaintiffs third-party protection if Exxon loses its appeal and is unable or unwilling to pay. The judge also denied Exxon's motion that the plaintiffs foot the \$6 million to \$10 million annual cost for the LOC. . . Lloyd's of London Chairman David Rowland has been named **1996 Insurance Leader of the Year** by The College of Insurance. Mr. Rowland will be formally honored at an award dinner in New York Jan. 30, 1997. . . The 4th U.S. Circuit Court of Appeals has denied a motion by members of Lloyd's of London to have their **case alleging securities fraud** heard by the entire court. The members, whose original appeal was rejected by a three-judge panel (*BI*, Sept. 2), will now request that the U.S. Supreme Court review the case. . . U.K. High Court Justice Buckley last week canceled a trial of pension fraud charges against **Kevin Maxwell**. The judge ruled that a trial of Mr. Maxwell, who was acquitted along with his brother, Ian, of charges last year in connection with alleged pension fraud, would be unfair to him and not serve the public interest. . . LTV Corp. says it has **contributed \$143 million to its pension plans** this year, bringing to \$2.66 billion the total contributions LTV has made to the plans since 1993, when LTV emerged from bankruptcy. The LTV plans, once among the nation's poorest-funded, now are 82% funded for promised benefits. . . The Illinois Director of Insurance has placed a policyholder and creditor protection order on the Illinois Insurance Exchange's **First Oak Brook Corp. Syndicate Inc.**, effectively placing the syndicate under state supervision. The action follows a cease-and-desist order issued by the IIE earlier this month (*BI*, Sept. 16). First Oak Brook voluntarily stopped underwriting two weeks ago. . . Workers comp insurer **Superior National Insurance Group Inc.** of Calabasas, Calif., will acquire Woodland Hills, Calif.-based Pac Rim Holding Corp., parent of workers comp insurer Pacific Rim Assurance Co., in a \$54 million transaction. The deal is expected to create California's largest independent workers comp insurer, said J. Chris Seaman, Superior's chief financial officer.

IBM

Continued from page 2
and co-author of a recent white paper on domestic partner benefits.
"When you look at IBM making a step like this, in the major stratosphere of Corporate America, I think other companies of large size will continue taking the same step," Mr. Sullivan said in an interview. "I think there are a lot of benefit managers around the country this

think a company like IBM doing it will push them to do it also."

The cost of the decision for IBM may be slight, based on the experience of other companies that have given health benefits to same-sex domestic partners.

For example, software maker Lotus Development Corp., a subsidiary of IBM, already offered health benefits to workers' same-sex partners at the time of its acquisition in 1995. Only 0.45% of Lotus' employees have opted for same-sex coverage for partners, according to

IBM is offering those who accept the buyout one week's pay for each six months of service with the company, up to a maximum of 26 weeks, a spokesman said. In addition, the company will pay the premiums on the employees' health and dental insurance to maintain current coverage levels for six months after they depart, or until they find new jobs with insurance.

IBM will offer training programs to help employees develop new skills and will offer a stipend of up to \$2,500 per employee to cover outside retraining expenses, the spokesman said.

Employees with more than five years of experience at the company will be eligible for buyouts, the IBM spokesman said, because the company wants to retain its employees with new skills.

Even though employees are expected to leave IBM, the company would not estimate how many employees would opt for the buyout program. IBM still is expected to have more employees at the end of 1996 than at the end of 1995, the spokesman said, because of additions in high-growth areas like consulting and systems integration.

'When you look at IBM making a step like this, in the major stratosphere of Corporate America, I think other companies of large size will continue taking the same step,' says Paul Sullivan of Alexander Consulting.

morning looking at the newspaper and thinking, "This is something we've been thinking about for years, and maybe this is the time."

Until now, many of the companies that have offered benefits to same-sex partners have been technology firms that have used the policies as a tool to attract and retain employees in competitive times, Mr. Sullivan said.

With IBM's example to follow, employers in many other fields may begin to see the strategy as a competitive tool as well, he said.

The head of the New York Business Group on Health, an educational confederation of 110 businesses, said she thought IBM's decision was fair and would spur discussion among more companies.

"In my own experience with our own members, it's something they talk about," said Laurel Pickering, the group's managing director. "I

Mr. Sullivan's report.

Apple Computer Corp. has found 0.9% of employees apply for same-sex partner benefits.

Other companies that provide health benefits to same-sex partners of employees include the Walt Disney Co., Hewlett-Packard Co. and Eastman Kodak Co. Employers offering benefits to both same- and opposite-sex domestic partners include clothing maker Levi Strauss & Co. and Ben and Jerry's Homemade Inc., the ice cream maker.

IBM also announced last week it planned to reduce staffing in certain areas by offering voluntary buyouts to an unspecified number of employees. Big Blue will ask workers in job classifications that are not fueling corporate growth, such as support services, to leave the company by Dec. 31 unless they can qualify for positions elsewhere in IBM.

Reorganized Blues don't owe money, Missouri judge rules

JEFFERSON CITY, Mo.—Blue Cross & Blue Shield of Missouri does not have to fund a charitable trust or pay the state any money in connection with its 1994 reorganization, according to a court ruling earlier this month.

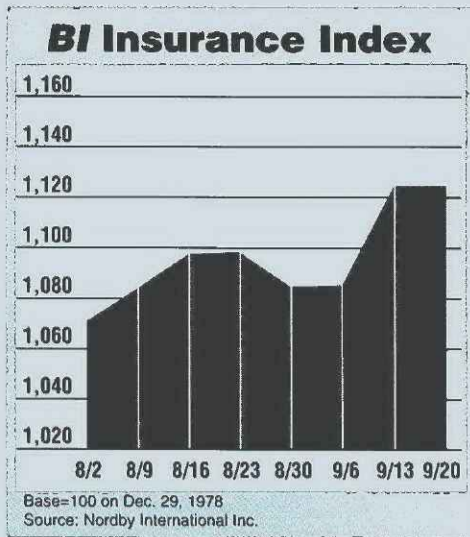
Cole County Circuit Court Judge Thomas Brown declared in a summary judgment this month that the company does not owe the state a "toll charge, charitable asset settlement or any other payments as a result of the reorganization."

Blue Cross & Blue Shield of Missouri in 1994 moved all of its managed care operations into a new, for-profit subsidiary, RightCHOICE Managed Care Inc.

The Blues plan then took the subsidiary public through an initial public offering of 20% of the company's stock.

Judge Brown also issued a permanent injunction forbidding the Missouri Insurance Department from refusing to renew the Blue Cross & Blue Shield plan's license or taking any other administrative action to pressure the insurer to pay any fees as a result of the reorganization.

—By Deborah Shalowitz Cowans



PCS catastrophe options

As of Sept. 20			
Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1996			
40/60	1/1	California Annual	
50/70	—/—	40/60	.5/1.3
80/100	—/1	80/100	.3/1.1
Southeast Sept. 1996			
40/60	—/3	Western Annual 1996	
80/100	—/1	40/60	.6/1.2
Texas Sept. 1996			
10/30	—/1	Northeast Sept. 1996	
20/40	—/1	40/60	—/1
		80/100	—/1
Total volume: 60		Total open interest: 6,057	
For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.			
Source: Chicago Board of Trade			

Indictment

Continued from page 2
the Chicago hospital for \$5.5 million, he used less than half that money to purchase insurance for the hospital and used \$2.2 million of it to pay for insurance services unrelated to Michael Reese.

Mr. Shainberg's actions cost Associated more than \$600,000 for policy cancellation fees and payments into trust accounts to pay for future claims against defrauded clients, the indictment states.

The agency terminated Mr. Shainberg after learning of his alleged activities.

In 1992, the IIE and its member syndicates agreed to pay up to \$7 million to settle litigation brought by a pool of health care practitioners for whom Mr. Shainberg placed coverage (BI, Dec. 14, 1992).

Mr. Shainberg faces seven counts of wire fraud and one count each of mail fraud and making false statements.

If convicted, he faces a maximum prison term of five years and a maximum fine of \$250,000 on each count. The court also may order restitution.

Attempts to reach Mr. Shainberg, who is representing himself, were unsuccessful.

He is scheduled to be arraigned Thursday in U.S. District Court in Chicago.

British Issues

Sept. 19	Price	P/E	Div.	Yield	1 week
Companies	pence	pence	%	high—low	
Comml Union	603	11.6	35.3	5.9	607—601
Genl Accident	673	10.1	38.8	5.8	675—667
Gdn Royal Exch	254	9.4	11.3	4.4	254—250
Independent	570	10.6	14.1	2.5	570—567
Royal & Sun	397	9.5	21.6	5.4	402—396
Brokers					
Bradstock	71	11.8	7.1	10.0	71—71
Fenchurch	97	6.5	10.6	10.9	98—97
CE Heath	86	10.1	6.3	7.3	88—86
JIB Bank	111	11.0	9.4	8.5	113—111
Lloyd Thompson	173	10.6	11.3	6.5	175—173
Londres Lmbt	114	7.5	10.5	9.2	117—114
Nelson Hurst	192	11.8	9.8	5.1	192—185
Sedgwick Grp	124	9.7	8.1	6.5	130—124
Steel Bri Jones	34	N/A	2.8	8.2	37—34
Willis Corroon	132	11.9	8.3	6.3	135—132
Source: Philip Olsen, London					

BI Industry Stock Report SEPT. 16, 1996, THROUGH SEPT. 20, 1996

BROKERS								INSURERS/REINSURERS								HEALTH MAINTENANCE ORGANIZATIONS							
Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)						
Acordia Inc.	NYS	30.375	-1.62	2.10	33.75	23.50	22	EMC Insurance Group Inc.	NDO	11.125	-1.11	-19.09	14.75	10.13	14	RLI Corp.	NYS	25.25	-0.49	1.00	25.88	21.75	29
Alexander & Alexander	NYS	16.875	1.50	-11.18	24.88	15.38	385	Everest Reinsurance	NYS	24.875	-1.49	6.42	26.50	18.50	544	St. Paul Companies	NYS	54.625	1.39	-1.80	60.50	50.00	950
E.W. Blanch Holdings Inc.	NYS	20.25	-2.41	-13.37	25.50	17.75	50	Executive Risk Inc.	NYS	36.625	6.16	26.29	38.25	22.00	57	SAFECO Corp.	NDO	35.25	3.49	2.17	39.75	30.88	1361
Gallagher Arthur J. & Co.	NYS	33.75	-1.46	-9.40	39.50	30.00	86	EXEL Ltd.	NYS	33.375	2.69	9.65	36.88	26.50	1239	Seibels Bruce Group	NDO	2,312.5	0.00	54.17	4.25	0.44	116
Hibb, Rogal & Hamilton	NYS	13.25	0.00	-0.93	14.38	11.38	130	Fremont General Corp.	NYS	28	0.45	14.29	28.00	17.75	322	Selective Ins. Group	NDO	33.25	1.53	-6.34	38.75	31.00	147
Kaya Group Inc.	NDO	6.4375	-4.63	-19.53	8.75	4.63	2	Frontier Insurance Group	NYS	39.625	-0.31	23.83	40.88	27.50	35	Sphere Drake Holdings	NYS	9.625	1.32	-31.25	19.13	8.13	18
Marsh & McLennan	NYS	95.625	0.66	7.75	101.63	80.50	519	Gainco Inc.	NYS	10.75	4.88	-5.49	12.38	8.31	176	TIG Holdings	NYS	28.25	-2.59	-0.88	34.25	24.63	725
Poe & Brown	NDO	23.75	0.00	-4.52	25.50	22.75	98	GCE Holding Ltd.	NDO	24.125	0.00	NA	27.25	19.75	45	Titan Holdings, Inc.	NYS	15	2.56	4.35	16.63	12.50	32
BROKERS AVERAGE								INSURERS/REINSURERS AVERAGE								HEALTH MAINTENANCE ORGANIZATIONS AVERAGE							
-1.0								-6.1								0.4							

Top advancing issues: Risk Capital Holdings, Philadelphia Cons. Holding, USF&G Corp. Leading decliners: United Fire & Casualty, NYMagic Inc., NAC Re Corp. Most active issue: Oxford Health Plans. The BI Index rose 0.01%; the Dow Jones 30 Industrials rose 0.9%; the S&P 500 increased 1.0% and the NYSE Composite gained 0.6%. Average P/E: Brokers, 15.2; Insurers/reinsurers, 38.4; HMOs, 35.7. System design: Nordby International Inc.

Our

new

vision

of how

to do

business

is making

Royal

the

company

to watch.

WAVE OUR ATTENTION.



Royal Insurance