

Business Insurance

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

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FEMA study examines U.S. earthquake risks

WASHINGTON—The Federal Emergency Management Agency will use its new study of earthquake risk to help promote mitigation efforts in areas of the country that experience infrequent but costly earthquakes.

According to the study, earthquakes cause an estimated \$4.4 billion in damage annually in the United States. Three states—California, Oregon and Washington—sustain nearly 85% of the losses. But the survey found that even such cities as New York, Philadelphia and Newark, N.J., face high potential losses from quakes.

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Ruling clouds cash balance plans' clarity

By JERRY GEISEL

NEW YORK—Employees collecting lump-sum distributions from first-generation cash balance plans may be entitled to more than their account balances, under a federal appeals court ruling handed down this month.

Benefit experts say the ruling, involving an 11-year-old cash balance plan set up by Bank of Boston, erodes the foundation of cash balance plans: employees receiving exactly what is reflected in their account balances.

"You have defeated one of the primary purposes of a cash balance plan: to provide an easily understood, predictable benefit ex-

pressed as a lump sum," said Larry Sher, a principal with Unifi Network, a unit of PricewaterhouseCoopers L.L.P. in Teaneck, N. J.

But Douglas Sprong, an attorney with Carr, Korein, Tillery, Kunin, Montroy, Cates, Katz & Glass in Belleville, Ill., which represents a class of more than 8,000 Bank of Boston pension plan participants, says the unanimous 2nd U.S. Circuit Court of Appeals ruling simply states that cash balance plans must follow the same rules in valuing benefits as traditional defined benefit plans, which express benefits as a monthly annuity rather than an

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Vying for members Coalitions, insurers competing

By ROBERTO CENICEROS

The decision by some large employers to leave a purchasing coalition for a health plan offering lower rates and multiyear guaranteed premiums signals intensifying competition between employer coalitions and health insurers.

Some employers recently left the Bloomington, Minn.-based Buyers Health Care Action Group, which had created its own health plan for members to bypass health insurers and contract directly with care providers.

The competitive environment can create an opportunity for some employers to leverage their coalition membership for better price deals outside the group, employers and purchasing group leaders acknowledge.

But if too many employers follow, coalitions could lose the clout needed to drive market reforms, coalition leaders say. They say insurers are threatened by the goals they have set for their

coalitions, which are to increase employers' ability to improve the health care delivery system while lowering costs over the long term.

Therefore, coalition officials say, insurers are attempting to break up their groups by enticing employers with short-term promises to provide coverage at below cost.

"The plans have realized that good coalitions are going to make their jobs tougher," said BHCAG Executive Director Steve Wetzel. "Myself and a number of other coalition leaders across the country have seen more and more aggressive behavior from health plans...targeting the members with sweetheart deals to pick them out of the coalition."

It's an argument that one departing employer does not dispute.

"There are a lot of insurance companies out there that would love to break up the coalitions," said Diane Golden, director of benefits for American Express Fi-

See Coalition on page 4



The departure last week of Evan Greenberg, right, raises new questions about who eventually will succeed AIG chief Maurice Greenberg, left. Son Jeffrey Greenberg, middle, left AIG in 1995.

AIG succession plans in disarray

By DOUGLAS MCLEOD

NEW YORK—Leadership of American International Group Inc. has long seemed likely to become a dynasty of Chairman and Chief Executive Officer Maurice R. Greenberg's family. That is no longer true.

Last week's surprise resignation of AIG President and Chief Operating Officer Evan G. Greenberg, the second of Maurice Greenberg's sons to walk away from succession to AIG's top job, renews questions about who will take over when the 75-year-old Mr. Greenberg leaves the company and how AIG might change as a result.

Maurice Greenberg has repeatedly said that he has no intention of retiring, and this may be the problem with any succession plan at AIG: Evan Greenberg may be the latest in a long line of senior executives to conclude there was no

real chance of taking the helm in the near future.

An AIG spokesman said the company would not discuss the resignation and that neither of the Greenbergs would comment, leaving the events surrounding the departure a mystery and the subject of guesswork among insurance industry observers.

"Nobody really knows why it happened," noted Alain Karaoglan, an equity analyst with Donaldson Lufkin & Jenrette Securities in New York. "There's been a lot of speculation."

Most observers agree, though, that Evan Greenberg's departure will not affect AIG's operations as long as the elder Mr. Greenberg remains with the company.

"This company has had a brain drain for 20 years, and it hasn't affected them," one analyst said, referring to the many executives who have

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Minimizing medical mistakes

In search of a solution

By JUDY GREENWALD

We have all heard the stories. Tales of medical errors—of the wrong leg amputated, the incorrect medicine administered, or the wrong disease diagnosed—have always made juicy, albeit scary, anecdotes to be discussed around the water cooler.

But the problem of medical errors now has become an issue that has galvanized all segments of health care industry, including managed care organizations, physicians, insurers and employers, fueled at least in part by a report issued last November by the Academy of Sciences' Institute of Medicine and subse-

quent media scrutiny of the problem.

According to that report, as many as 98,000 Americans may die each year as a result of medical errors, more than from highway accidents, breast cancer or AIDS. The report, which calls for major reform of the U.S. health care system, points out that these errors occur not just in hospitals but also in clinics, pharmacies, nursing homes and during in-home care.

These numbers are easy to grasp. Talk about reimbursement rates, and "people's eyes kind of glaze over," but the data in the report was readily understandable, said Dr. David

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Areas where medical errors occur

The November 1999 report on medical errors identified various types of mistakes, including:

- Surgical, such as mistakes made during an operation
- Medication, such as the wrong drug or dosage being given to a patient
- Diagnostic, such as the misdiagnosis of an illness
- System failures, such as inadequate training or procedural mistakes

Source: National Academy of Sciences' Institute of Medicine

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FEMA looks at U.S. quake risks

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The survey is the first national study of earthquake risk that uses probability factors as well as historical data, according to FEMA. It takes into account considerations such as local building inventories, economic conditions and geological conditions. James Lee Witt, the director of FEMA, said the agency "plans to expand the methodology and develop new models for estimating potential losses for other natural disasters as well, including high-wind events and coastal and riverine flooding."

Although the seismic hazard has remained fairly constant, the risk has been growing, Mr. Witt said. He attributed this to continued development in earthquake-prone areas and the fact that many existing buildings are not constructed to adequate seismic codes.

"We hope that we can convince state and local policymakers to adopt and enforce seismic building codes in regions of the United States that experience infrequent but damaging earthquakes," said Mr. Witt in a statement accompanying the report. FEMA intends the survey to act as a benchmark for risks throughout the country.

Printed copies of "HAZUS99: Estimated Annualized Earthquake Losses for the United States" will not be available until October, but the report is available online at www.fema.gov/pdf/FEMA366.pdf.

Louisiana commissioner on trial

BATON ROUGE, La.—The trial against Louisiana Insurance Commissioner Jim Brown and the two other defendants in the Cascade Insurance Co. case began last week in federal court in Baton Rouge, La.

Mr. Brown, former Louisiana Gov. Edwin Edwards and Cascade attorney Ron Weems are defendants in the case, in which federal prosecutors charge that the three helped the failed Shreveport, La., insurer avoid a \$27 million suit by the state.

Three other defendants, including Cascade owner David Disiere, reached plea agreements with prosecutors.

Mr. Brown faces 43 counts of conspiracy, mail fraud, wire fraud, insurance fraud and witness tampering. In addition, he faces 13 counts of making false statements to federal officials.

The commissioner and the remaining defendants have declared their innocence in the case.

Mr. Brown said in a press conference last week that the trial will not distract him from his duties. "I may be at the courthouse during a large part of the day, but I'll be at the department before and after trial every day," he said. "We will be operating in the normal fashion."

Mercer workers allege harassment

TRENTON, N.J.—Two female employees of William M. Mercer Inc. have filed a sexual harassment suit against the benefits consulting firm and its parent, Marsh & McLennan Cos. Inc., alleging that a supervisor's abusive and sexual explicit conduct created a hostile work environment.

The complaint, filed in Mercer County Superior Court in Trenton, N.J., earlier this month, is seeking unspecified compensatory and punitive damages.

According to the complaint, the two women, who continue to work on The Clorox Co. account at Mercer's defined benefit administration services department in Princeton, N.J., were subject to numerous incidents of harassing conduct, including physical contact and sexually explicit communications by their supervisor, William Bevilacqua. Repeated complaints made to the department manager, Richard DeFrehn, were ignored, the complaint alleges. Messrs. Bevilacqua and DeFrehn are also named in the suit.

Upon receiving formal notice of the hostile work environment, Marsh and Mercer undertook an internal investigation, and Messrs. Bevilacqua and DeFrehn were terminated. The plaintiffs, however, contend that Mr. DeFrehn maintains some participation with some accounts, according to Kathleen M. DalCortivo, a partner in the Princeton, N.J., law firm of Sterns & Weinroth.

"We feel strongly that the company is responsible for the individuals that allowed the environment to continue and for what these women were put through as a result," Ms. DalCortivo said.

A spokeswoman for New York-based Marsh & McLennan would not specifically comment about the suit. She did say, however, that "the intention of all of our companies, including William M. Mercer, is to maintain a working environment that is respectful of all individuals. We take all complaints seriously...investigate them thoroughly and promptly and take remedial action where appropriate."

It is Marsh's policy not to discuss its insurance arrangements, the spokeswoman noted.

St. Paul to run off Unionamerica

LONDON—Loss-making London-market reinsurer Unionamerica Insurance Co. Ltd. will be placed into runoff at the end of the year, its parent, St. Paul Insurance Cos. Inc., announced last week.

St. Paul has been reviewing its options in regard to Unionamerica since acquiring the reinsurer through the purchase of Deerfield, Ill.-based MMI Cos. earlier this year, a St. Paul spokesman said. "And we decided that it does not have a book of business that has a strategic fit with the company," the spokesman said.

Unionamerica has a large book of U.S. medical malpractice reinsurance, which is unprofitable. In addition, the spokesman said, because St. Paul writes a significant amount of U.S. medical mal-

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Louisiana revisiting pollution exclusion

By DAVE LENCKUS

NEW ORLEANS, La.—Six years after Louisiana's Supreme Court first ruled on the scope of the pollution exclusion in post-1985 general liability policies, pollution coverage in the state soon may get muddier.

The stage is being set for a potential showdown between the state's judicial and executive branches over which one controls how insurers can apply the exclusions.

A 1999 decision by the state's high court sides with insurers'

argument that the exclusions apply regardless of whether a loss involved environmental damage and whether the policyholder is an active industrial polluter.

The court, though, currently is reviewing its third pollution coverage dispute since 1994.

In the latest case, which has attracted widespread industry interest because of a lack of clear consensus on the issue in state and federal courts, Louisiana's high court could take one of three paths, according to court papers.

It could affirm its 1999 ruling in *Ducote vs. Koch Pipeline Co.*

The court also could slightly weaken that ruling by applying it only prospectively—either only to policies issued after the court returned its decision or only in coverage disputes that have arisen subsequent to the decision, regardless of the policy issuance date.

The most radical step the court could take is to essentially overturn its 1999 decision.

Plaintiff's attorney J. Wayne Mumphrey, who represents the

See Pollution on page 25

Court prepares for new term

Few big business cases on Supreme Court's new docket

By MARK A. HOFMANN

WASHINGTON—Relatively few business cases will confront the U.S. Supreme Court when it opens its new term next Monday.

That's because the justices had, as of last week, accepted few cases of any sort for review. As of late last week, the high court had only 33 cases on its docket, though that caseload will certainly increase. But if there is a paucity of business-related cases before the justices, those that are on the docket cover a wide range of issues.



No central theme dominates the business docket as, say, employment practices did a few years ago. But this term's docket to date includes several cases involving arbitration, including one involving employment. Other issues of interest to employers that the high court could deal with include a perennial one—the breadth of the Employee Retirement Income Security Act's preemption of state laws; the amount of discretion granted federal agencies in their regulatory activities; and whether news outlets or others face criminal penalties for

disseminating information illegally gathered by a third party.

The arbitration case of most direct interest to employers—*Circuit City Stores vs. Adams*—began in California (*BI*, May 29). As a condition of his employment, Saint Clair Adams had to sign a contract agreeing to submit employment disputes to arbitration. Mr. Adams later sued Circuit City under California law, alleging he'd been the victim of workplace harassment. A U.S. District Court granted summary judgment for Circuit City, holding—as most other courts had—that the Federal Arbitration Act of 1925 permitted such arbitration clauses.

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Airline aims to settle crash suits

SAN FRANCISCO—Alaska Airlines Inc. has told the federal district court judge presiding over liability claims stemming from the Jan. 31 crash of a passenger jet that the airline wants to settle all claims—in accordance "with the law applicable in each case"—for the full amount that claimants seek.

All 93 passengers and crew on board Flight 261 were killed when the McDonnell Douglas MD-83, en route from Puerto Vallarta, Mexico, to San Francisco and then Seattle, crashed in the Pacific Ocean about 40 miles northwest of Los Angeles International Airport. About 40 lawsuits have been filed against the airline. The litigation is being consolidated in U.S. Dis-

trict Court in San Francisco.

Seattle-based Alaska Airlines is a signatory to an international agreement in which airlines waive their liability limits, established by the Warsaw Convention, for passengers who are harmed while traveling aboard international flights. The agreement sets a strict liability limit of 100,000 Special Drawing Rights (\$128,570) per passenger. SDRs are an instrument with a value that reflects a basket of currencies. An airline can be held liable for additional damages if it cannot show it was free of fault for the crash.

The airline paid the damages it is obligated to pay claimants under the agreement's strict liability provision within weeks of the

crash, a spokesman said.

The airline's insurers stand behind the airline's effort to settle the cases quickly, the spokesman said.

Alaska Airlines' leading hull and liability insurer is Associated Aviation Underwriters, a Short Hills, N.J.-based consortium of U.S. insurers. British Aviation Insurance Group Ltd. acquired AAU in July.

The London market is the first following market on the risk, according to sources. Lloyd's of London underwriters managed by ACE London Aviation Ltd. led the London market's coverage, sources said. Marsh Inc. placed the coverage.

—By Dave Lenckus

INSIDE

• Health care purchasing coalitions must redouble their efforts to determine what their member employers truly want and strive to deliver those benefits, this week's editorial says. **PAGE 8**

• Health care costs are rising in 2000 at rates not seen in years, and they are expected to rise even more in the near future, two recent studies indicate. **PAGE 10**

• Preventing an incident involving a fully laden oil tanker was uppermost in oil companies' risk management plans as protesters demonstrated against high gas prices and blockaded oil terminals throughout Europe. **PAGE 21**

• China's bid for membership in the World Trade Organization has opened its doors to increased trade, greater foreign investment and increased demand for commercial insurance. **PAGE 21**

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Business Insurance (ISSN 0007-6864) Vol. 34, No. 39, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-259C. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 955 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$89 a year in U.S. \$108 in Canada and Mexico (includes GST). All other countries \$209 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 2000 by Crain Communications Inc.

Enterprise risk management

Number of chief risk officers grows as concept takes hold

By **RODD ZOLKOS**

Though it might seem that businesses have been slow to embrace the concept of enterprise risk management, in fact, they've been moving toward it in evolutionary fashion for several years, says one proponent of the approach.

Driving the move toward enterprise risk management is the need to manage credit risk, market risk and operational risk, said James Lam, president and founder of New York-based enterprise risk management advisory firms Enterprise Risk Solutions and eRisks.com.

And as enterprise risk management becomes more widely accepted, so does the position of

chief risk officer, said Mr. Lam.

While the traditional approach has been to manage the different types of risks a company faces separately, there is a real trend toward integrating the efforts of those working in each of those areas under a single individual—the chief risk officer, said Mr. Lam.

Mr. Lam, in fact, is credited with coining the term "chief risk officer," which he chose as his title when he worked with the Government Services Division of Stamford, Conn.-based GE Capital Corp. during the early 1990s.

"At that point, the title chief information officer was becoming very popular," Mr. Lam recalled. "I thought, why not chief risk officer?"

Mr. Lam, who also served as chief risk officer at Boston-based Fidelity Investments before founding Enterprise Risk Solutions and eRisks.com, discussed the role of the chief risk officer and the risk of enterprise risk management earlier this month during a teleconference/Web conference titled "Defining the Role of Chief Risk Officer."

During his presentation, Mr. Lam presented some of his companies' own observations from its research into businesses risk management practices.

"Within companies, the CRO typically reports to the chief financial officer, but in companies where they are really powerful,

See **CRO** on page 20

NAIC is planning a limited launch of CARFRA program

By **MEG FLETCHER**

DALLAS—State insurance commissioners have only a few months to resolve issues about how best to establish a centralized review entity to speed up buyers' access to new insurance products.

The National Assn. of Insurance Commissioners plans to conduct a limited launch of the independent Coordinated Advertising, Rate and Form Review Authority during the first quarter of next year, said Frank M. Fitzgerald, Michigan's financial and insurance services commissioner. Plans for the launch call for implementing the CARFRA program in 10 states, Mr. Fitzgerald said.

Mr. Fitzgerald co-chairs the NAIC's Speed to Market Working Group along with Pennsylvania Insurance Commissioner Diane Koken. They jointly discussed the working group's plans during the NAIC meeting in Dallas earlier this month.



"We are on a very tight timetable here," Mr. Fitzgerald said.

Regulators from six states—Maine, Michigan, New York, Oregon, Pennsylvania and Texas—already have agreed to participate in the pilot program, and Ms. Koken said she expects the working group will find four more states to participate.

Under the leadership of the co-chairs, those regulators will par-

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Expanding reach

Benfield Greig eyes U.S. market

By **GAVIN SOUTER**

MONTE CARLO, Monaco—Grahame Chilton, chairman of Benfield Greig Ltd., has big plans for expanding the reinsurance brokerage's reach in the United States.

"Our strategy is to be the go-to broker in the United States," he said.

More than that, Benfield Greig hopes to fill what it sees as a gap in the U.S. market and set itself up as a realistic alternative to the small number of large reinsurance brokers that place the lion's share of reinsurance coverage throughout the world.

"People want another global broker," Mr. Chilton said in an interview earlier this month at the Rendez-Vous de Septembre in Monte Carlo, Monaco. "This busi-

ness is about spread and we need to be able to spread the business around the world," he said.

London-based Benfield Greig already has about 420 people in 27 offices around the world working on insurance brokerage services, Mr. Chilton said. It also has about 180 other employees working on asset management and corporate finance, and 48 people working for the Internet business, he said.

But to be a truly global broker Benfield Greig needs to strengthen its position in the United States, Mr. Chilton said.

"At the time we put Benfield Greig together we stopped to look at what we then had. The integration went well and we did not lose any of our key producers or customers, and being independent and private gave us flexibility.

See **Benfield** on page 20

Conference agenda set

Ergonomics a focus of three-day event

By **MEG FLETCHER**

MARINA DEL RAY, Calif.—Profiles of two award-winning ergonomics programs will be presented at the upcoming *Business Insurance Workers Compensation and Disability Management Conference*.

The profiles, which can help employers understand the challenges and opportunities of establishing ergonomics programs, will be presented by the winners of the Center for Office Technology's Outstanding Office Ergonomics Awards for 2000. The recipient of the private-sector award is Prudential Insurance Co. of America, an insurance and financial services company based in Newark, N.J. Seattle City Light, a Seattle-based public utility, received the public-sector award.

"These successful programs addressed core ergonomics elements in a variety of ways to meet unique organizational needs.

These varied approaches demonstrate that positive ergonomic results can best be achieved by allowing employers to choose from a wide range of options when implementing programs," according to a statement by P.J. Edington, executive director of Washington-based COT.

The conference, which will be held Oct. 16-18 at the Ritz-Carlton Hotel in Marina Del Ray, Calif., also will feature presentations from more than 30 risk managers, loss control specialists, actuaries, attorneys and other experts. They will share their insights about the latest strategies for preventing and managing workers compensation and disability risks to reduce the frequency and severity of claims and to help workers and managers to do their jobs well.

The event, which is co-sponsored by International Business Forum of Rockville Centre, N.Y.,

See **Meeting** on page 20

Risk Manager of the Year judges named for 2001

By **SHIRLEY HENRY**

Nominations for the 2001 *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll, which will be named in April, are due by Nov. 19.

Nominating forms and additional information are available from *BI's* Chicago office.

The 2001 Risk Manager of the Year will be the 24th individual to receive the honor, an annual tradition that was first held in 1977 to commemorate the 10th anniversary of the magazine. The award recognizes outstanding performance in the field of risk management.

The Risk Management Honor Roll, which was added in 1981, recognizes the achievements of risk managers in various segments of the field.

Ten independent professionals will judge this year's entries. Honorees are selected based on the judges' opinions of each nominee's program as it is detailed in the entry. This year's panel comprises the 2000 and 1999 Risk Manager of the Year recipients, two Risk Management Honor Roll members, two insurer executives, two brokerage executives, a risk management consultant and an insurance educator.

Judges for the 2001 awards are:

- Terry Broderick, president and chief executive officer of Royal & SunAlliance USA in Charlotte, N.C. Mr. Broderick is representing stock companies on the panel.

- Paul F. Buckley, treasury director-risk management at Lucent Technologies Inc. in Murray Hill, N.J. Mr. Buckley is the 2000 *Business Insurance* Risk Manager of the Year.

- Jim Carson, interim director and professor of insurance at the Katie School of Insurance at Illinois State University in Normal, Ill. Mr. Carson is representing educators on the panel.

- Merritt W. Fabel, director of corporate risk and insurance for American International Group Inc. in New York. Mr. Fabel, the 1999 *Business Insurance* Risk Manager of the Year recipient, also served on the panel last year.

- Gary R. Griffith, chief executive officer of Summit Global Partners Inc. in Dallas. Mr. Griffith is representing regional brokers on the panel.

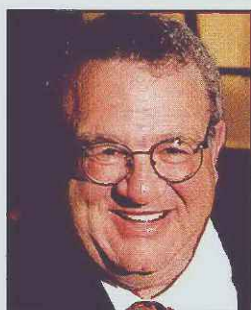
- Robert Hughes, president, chief executive officer and consultant for Robert Hughes Associates Inc. in Richardson, Texas. Mr. Hughes is representing consultants.

- Theodore G. Jeske, risk manager for Historic Tours of America in Key West, Fla. Mr. Jeske is a member of the 2000 *Business Insurance* Risk Manager of the Year.

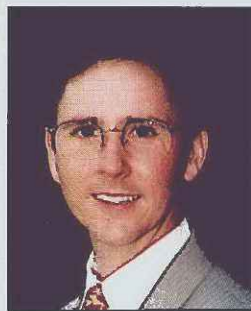
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Mr. Broderick



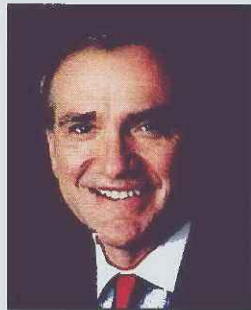
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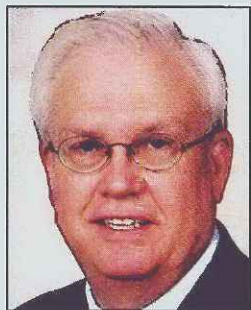
Mr. Carson



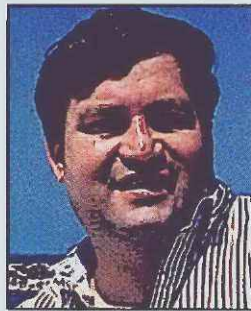
Mr. Fabel



Mr. Griffith



Mr. Hughes



Mr. Jeske



Ms. Pixler



Mr. Sinnott



Mr. Smith

Coalition

Continued from page 1
Financial Advisors Inc. in Minneapolis. "They are willing to take a momentary hit because in the future they think it's better overall for their business."

American Express, with 14,000 lives enrolled exclusively in BHCAG's plan, called Choice Plus, recently announced it was leaving the coalition.

About a year ago, BHCAG received a wake-up call when Wells Fargo pulled out of the coalition, taking with it 25,000 members who also had been exclusively enrolled in Choice Plus, Mr. Wetzel said. The employer obtained coverage from Minneapolis-based Health Partners Inc., as did American Express.

Health Partners may have provided the departing employers with coverage for less than BHCAG's cost, but

the health maintenance organization did not price its coverage below its own costs, responded George Halvorson, president and CEO of Health Partners. The HMO has 360,000 lives.

The employers sought out Health Partners—the insurer did not seek them out, he added. But, beginning next year, Health Partners will market directly to BHCAG members. The HMO will offer them something coalitions have been working to bring their members: quality assurance, best practices and employee health improvement programs, Mr. Halvorson said.

For three years, Health Partners administered BHCAG's Choice Plus plan. But the HMO ended that arrangement when Health Partners realized it didn't make sense to compete with itself, Mr. Halvorson said.

When BHCAG created its own health plan, the coalition moved from being a large purchaser to becoming the sixth-largest health insurer in

Minnesota, he said. A coalition can enjoy greater price leverage with medical providers as the state's largest purchaser, working alongside a large insurer, than it can enjoy as a small insurer, he added.

"That is an economic reality that I think they are beginning to understand," Mr. Halvorson said.

To fight back, BHCAG has restructured itself. It is arranging for a start-up management company named Patient Choice Healthcare Inc. to operate Choice Plus. Plans call for the company to raise capital, obtain an insurance license and market the product through brokers to employers outside the coalition. Coalitions in other regions will also be offered the plan, Mr. Wetzel said.

"That is not a sign we are falling apart," he said. "That is a sign that we are waking up to the fact that the insurance companies are trying to take us out of business."

Choice Plus now has about 140,000

plan enrollees from 35 plan sponsors. It contracts directly with 28 integrated health systems across a four-state area and was able to pick up other employer participants to offset the enrollees it lost when Wells Fargo, American Express and some other employers left, Mr. Wetzel said. Most recently, its premiums have run about 4% below those paid by other area employers that are not in the coalition, he said.

BHCAG is not alone in feeling that insurers are out to pull away coalition members.

Paul Pietzsch, president of the Community Health Purchasing Corp. in Des Moines, Iowa, said he has seen health insurers offer rates below cost to entice members out of his coalition.

"We have had several cases where an insurance company would come to one of our members and offer a huge discount, but our companies so far have not swallowed the bait," Mr. Pietzsch said. But the competition

can get tough. Twice now, an insurer has placed language in its provider contracts saying that the providers cannot also contract with the Community Health Purchasing Corp. coalition, Mr. Pietzsch said. But the coalition thwarted those efforts by alerting the insurance commissioner and other public officials.

Leaders for coalitions that contract with health insurers for employee care, including the San Francisco-based Pacific Business Group on Health and the Chicago Business Group on Health, said insurers sometimes go around them in an attempt to pick off their members. But these coalitions' models differ from others, such as the BHCAG, that contract directly with providers. These coalitions do not have their own health plans that compete with insurers.

In addition, their participants continue to believe their best bet for good rates and performance improvement is to stick with the coalitions. Consequently, these coalitions say they have not lost membership to competing insurers.

Meanwhile, in Minneapolis, American Express's primary reason for leaving BHCAG stems from the employer's new, five-year benefits administration plan that requires more flexibility than was possible as a coalition member, Ms. Golden said.

One element of that five-year plan, for example, calls for obtaining lower-priced prescription drug coverage by placing all American Express employees nationwide under a single pharmaceutical benefit manager.

Coalition members, though, must use the purchasing group's PBM, Ms. Golden said. At the same time, American Express was able to obtain a slightly better price for health care coverage from Health Partners than it could obtain from the coalition. Health Partners also guaranteed its rate for three years, compared with the coalition's annual renewal.

American Express also is exiting a national coalition of large employers that purchase coverage from HMOs.

Coalition participation, in which the number of participant lives is pooled, can give employers greater purchasing clout in the overall marketplace and the medical care delivery system, Ms. Golden agrees.

But sometimes coalition membership numbers can hurt. In some market areas, American Express had a younger, healthier workforce than other employers in the national coalition. But American Express still paid the same rate as those other members.

"In some markets, that hurt us and in some markets we were OK," she said.

The national coalition recently asked its participating health plans for a multiyear guarantee, and many refused because they could not get a commitment that the employers would purchase from the plans for multiple years.

As it negotiates outside the coalition with HMOs nationwide, American Express expects it will save money in some markets and pay more in others.

As for BHCAG and other coalitions, they need to grow to continue influencing their health care markets, said Ted Chien, a consultant to BHCAG and managing consultant for Watson Wyatt Worldwide's Twin Cities office.

But as they attract new members, some may not coalesce around the market-reform "cause" that bonded the original founding members. Some may join strictly for financial reasons or other purposes, such as learning from other employers.

Therefore, the coalition must operate more like a business and, as much as possible, try to find the right model that meets the varied needs of disparate members. But that does not mean the market-reform "cause" is in danger, Mr. Chien said. **BI**

Engineering Health

engineering defined —

"to plan, construct, manage and put through by skillful acts."

engineering demands—

- o a basis for involvement
- o a degree of care and thought that is applied
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Ruling

Continued from page 1
account.

"The fact that cash balance plans are expressed as an account rather than an annuity does not relieve them of complying with annuity-based rules," he said.

While the ruling could result in Bank of Boston having to pay out millions of dollars in additional benefits to thousands of former employees who took their cash balance accounts as a lump sum, as Mr. Sprong estimates, benefit experts say the impact of the ruling is limited.

Rules that the Internal Revenue Service released in early 1996 allow employers to give departing employees the exact amount credited in their cash balance plan accounts so long as the employers use interest rates within a range set by

the IRS to value benefits. Most plans developed since then follow the IRS rules.

"The impact would be mostly on earlier plans," Mr. Sprong said.

"I wouldn't want to give the impression that hundreds of plans could be affected," Mr. Sher agreed.

In addition, the Bank of Boston cash balance plan's design is unusual in that it promised plan participants that their cash balance accounts would increase by a minimum of 5.5% annually. By contrast, many cash balance plans do not guarantee that account balances will increase by a specific minimum percentage. Instead, interest credits are tied typically to an index, such as the one-year Treasury bill rate, that is variable.

"The ruling is very much fact-specific," said a consultant who asked not to be identified.

The Bank of Boston case, which

the appeals court remanded to a district court to determine how much in damages Bank of Boston owes cash balance plan participants, involves how cash balance accounts should be valued.

At issue in the case is how employers value cash balance accounts in projecting how much the account would be worth as a benefit payable at age 65 and what would be the present value of the benefit. Federal law requires such calculations.

Bank of Boston used a 4% interest rate as part of its calculations to determine the present value of employees' cash balance plan accounts. A present value is how much money it would take today to pay a future benefit. When employees left, the account balance was projected to increase by 4% annually. This amount then was discounted by another, higher rate to determine the present value.

This amount always was lower than the actual account balance so employees—under the terms of the plans—received the account balance.

But the appeals court said employers are not free to choose their own assumptions in valuing benefits.

"If plans were free to determine their own assumptions and methodology, they could effectively eviscerate the protections provided by ERISA's requirement of 'actuarial equivalence,'" the court said.

For example, Lynn Esden, one of the plaintiffs who filed suit, had a credit of \$1,533.98. Assuming an interest rate of 5.5%—the rate guaranteed by Bank of Boston—her accrued benefit expressed as a lump sum at normal retirement age would have been at least \$7,086.83. Discounted to a present value of her date of termination—using in-

terest rates set by law, known as the PBGC rate—the minimum accrued benefit, according to the court, had a present value of \$1,595.52.

"This amount exceeds the \$1,533.98 that Esden received as her lump sum distribution by \$61.54. This is the crux of the plaintiff's claim....She forfeited at least \$61.54 of benefits because of the payment option she chose," the court said.

While the actual difference in benefits between the account balance credit and the present value of the benefit was small, much higher amounts could be involved depending on interest credits an employer chose.

The appeals court in its ruling gives an example of a cash balance plan that provides interest credits of 8% annually. The example assumes a vested employee leaves at age 45 with an account balance of \$45,000. At the time the employee leaves, the interest rate for determining the present value of a benefit is 6.5%.

Using the 8% interest credit provided by the employer, the employee's cash balance account would be projected to be at \$209,743 at normal retirement age. If that amount is discounted at 6.5%, the present value would be \$59,254.

"Accordingly, if the plan paid the hypothetical account balance of \$45,000, instead of \$59,254, the employee would receive \$14,542 less than the amount to which the employee is entitled," the court said.

Lynn Esden et al. vs. Bank of Boston, 2nd U. S. Circuit Court of Appeals; No. 99-7210.

Liberty seeks restructuring permission

BOSTON—Liberty Mutual Insurance Co. has taken a step toward adopting a mutual holding company structure.

The Boston-based insurer earlier this month filed to adopt such a structure with insurance regulators in Massachusetts and Wisconsin. If approved by regulators, the new structure should be implemented in the second quarter of 2001.

Under the new structure, Liberty Mutual would form a policyholder-owned mutual holding company that would wholly own Liberty Mutual's underlying insurance units, including Liberty Mutual Insurance, Liberty Mutual Fire Insurance and Employers Insurance of Wausau, according to a release from the Boston-based insurer.

Although the various insurance units operate through a single management structure with complementary strategies and risk pooling under Liberty Mutual's current structure, legally they have separate governance and ownership, the release notes. The single holding company arrangement would provide Liberty Mutual greater flexibility, including the ability to sell stock should it need to do so.

The release further said that though the new structure would put the company in a position to sell stock, "That need does not exist today, and we do not anticipate an initial public offering or subsequent demutualization."

The company said the change in legal structure would have no impact on the products and services it provides its customers, and that policyholders will receive information packets providing precise details of the company's plans, likely in November.

—By Rodd Zolkos

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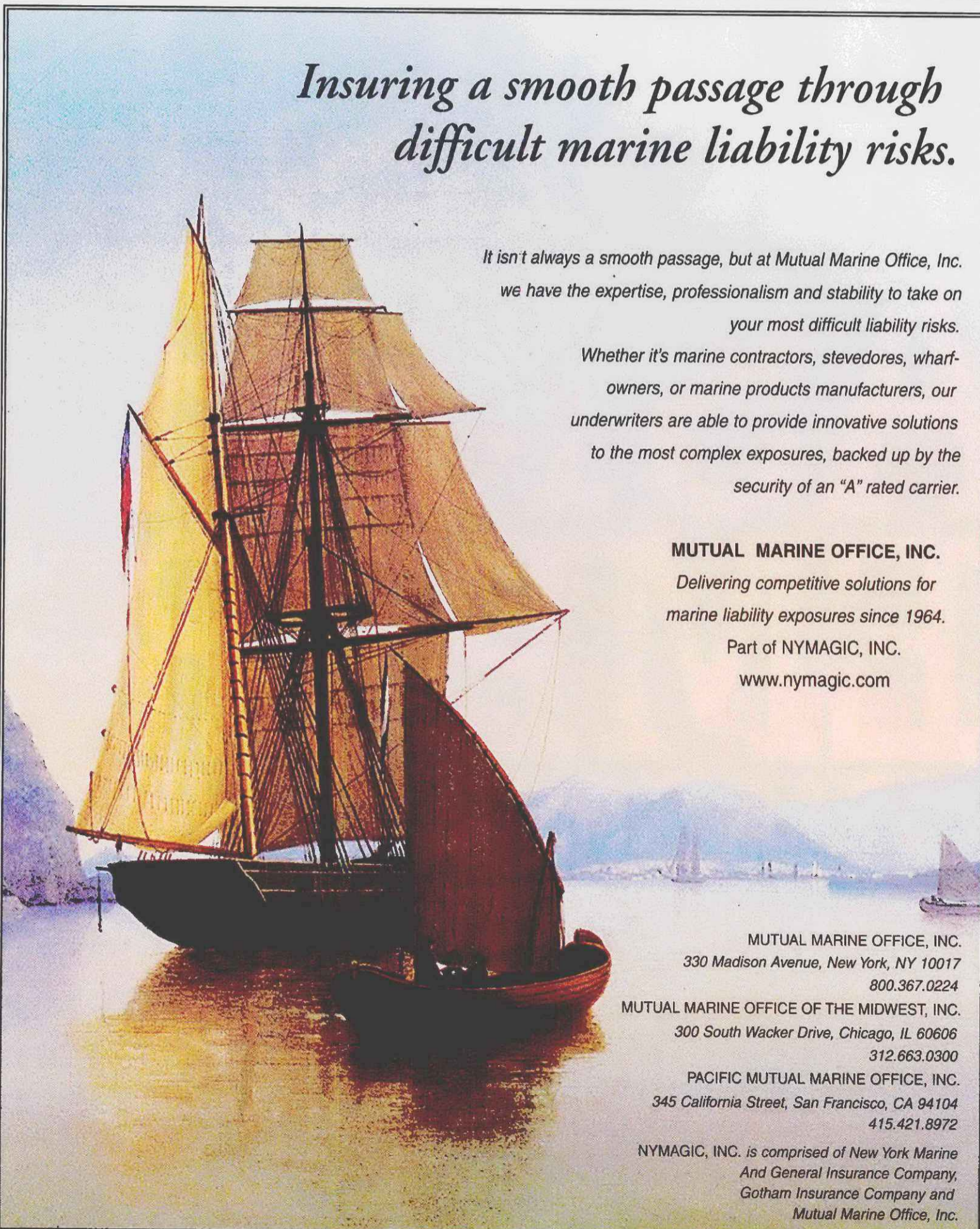
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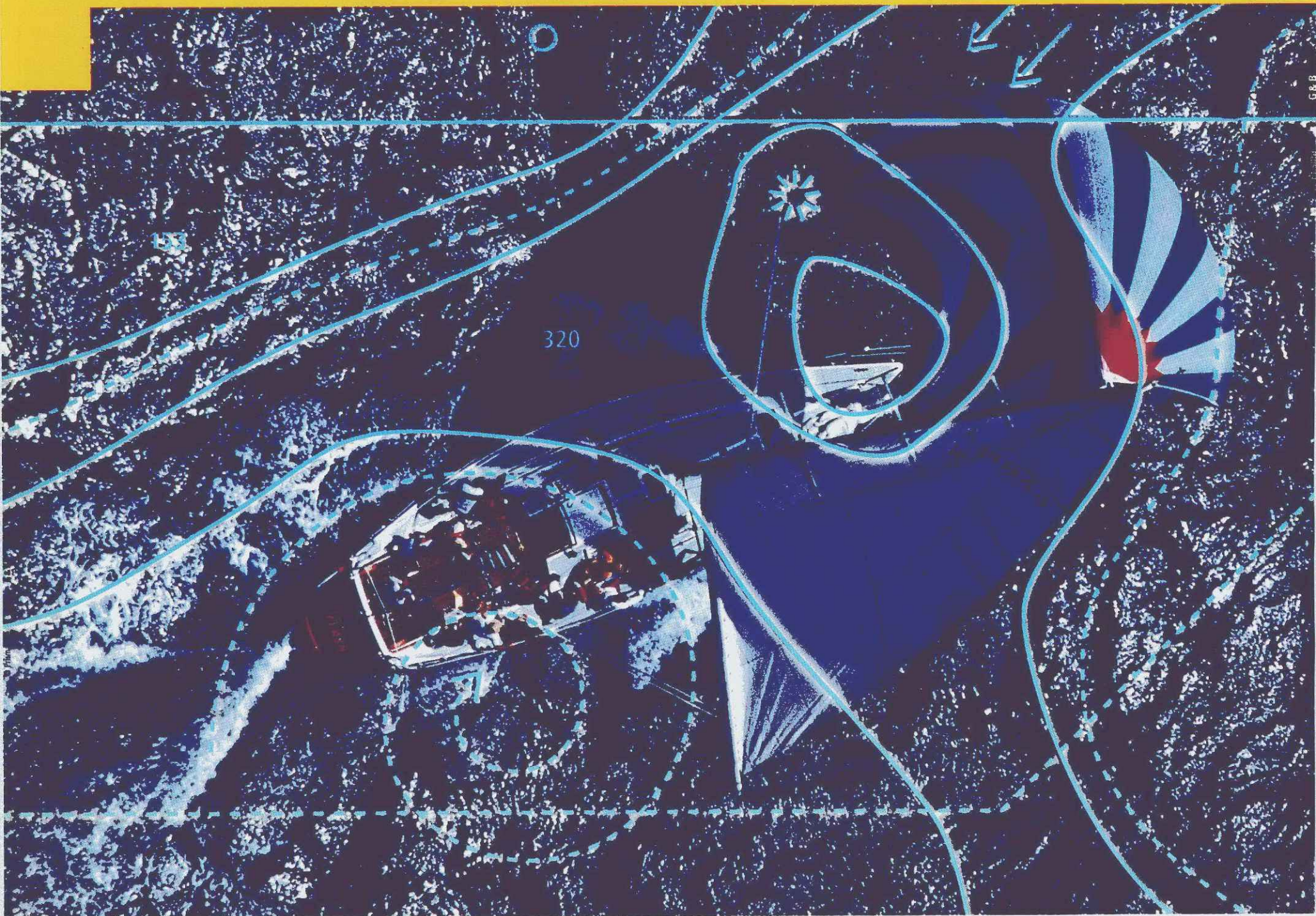
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OPINIONS

Coalitions must compete

EMLOYER COALITIONS face rising competition from health plans that want their members' business.

That is a message received loud and clear in Minnesota, where the Buyers Health Care Action Group has seen two large employer members lured away from the purchasing coalition by the promise of more attractive health benefits from a health maintenance organization.

In spite of current hikes in health care costs and insurance rates, there is still heavy competition for the business of large employers. Health care purchasing coalitions that directly contract with providers on behalf of coalition members are especially a target, as they take sizable premiums out of the insurance market.

The challenge that the BHCAG and other employer purchasing coalitions face is that there is no way they can always meet every employer's needs. For the long term, these coalitions offer employers a tremendous amount of clout to push improvement in benefit programs and even the delivery of health care. In the short term, however, some members may be under pressure to hold down cost increases, or may decide that their health care benefit goals diverge from those of the coalition.

As a result, coalitions are bound to lose members from time to time, especially as the market shifts. This should not be seen as the end of coalitions, however, but merely a call for them to redouble their efforts to know what their member employers truly want and to strive to deliver those benefits. It also requires being flexible if member needs change, as is likely.

When health insurance pricing was soft for several years, many employer purchasing coalitions shifted their focus. Instead of using their purchasing clout simply to drive down health care premiums, the groups used their leverage to push for higher quality care, including requiring better data on outcomes, holding providers to various quality care benchmarks, and so on.

Now, however, the health insurance market is firming again, and rates are soaring—even for coalitions



"HOLD IT, COACH... IS THIS A SPRINT OR A MARATHON?"

that had been able to resist this trend longer than individual buyers. For some coalition members, the added cost of securing top quality care through the group may not be worth it. Instead, some may find that paying less for reasonably good care on their own is sufficient.

Coalitions, therefore, should find out what their members want: The cheapest coverage, or better quality care.

Having said that, employers have to be aware that top-quality care, while perhaps more expensive in the short run, may prove less costly in the long run. Indeed, a surgeon, for example, whose rates are higher than those of other providers, but whose patients are much less likely to suffer complications, may be, over the long term, the lowest cost provider.

The issue of what makes sense in the short run vs. the long run is one that coalitions and employers, who are interested in providing the best care at the lowest cost, have to examine continuously.

Keeping track of quake risks

KNOWING YOUR ENEMY, or—in risk management terms—understanding your exposure—ranks among the best strategies anyone can pursue when facing a significant challenge.

Thus, it's a welcome development that the Federal Emergency Management Agency has released its first nationwide study of earthquake risk. The survey used probability factors rather than historical data alone and incorporated information about local building inventories, geological conditions, economic data and a variety of other considerations into its analysis.

According to FEMA, earthquakes cause about \$4.4 billion in damage in the United States each year, the bulk of which occurs in California. In fact, 84% of all earthquake damage occurs in only three states—California, Oregon and Washington.

But that's no reason for complacency elsewhere in

the country. For example, the FEMA survey ranks New York, which is not known as an earthquake-prone metropolis, in the top 40 urban areas with high-loss potential areas and also among the top 40 metropolitan areas in terms of vulnerability. Boston, Philadelphia and Newark, N.J., also make one or both of those lists.

As FEMA Director James Lee Witt pointed out as he released the survey, while seismic hazard has remained fairly constant, the risk of loss is growing. That's because of increased development in earthquake-prone zones as well as continued use of structures that were not built according to adequate seismic code.

The survey thus provides a welcome benchmark in FEMA's efforts to analyze seismic risk and help local officials better understand the nature of the exposure they face. It can provide the basis for planning and mitigation efforts that fit local conditions.

Impressive as the survey itself is, Mr. Witt has said that it's only the first of several similar studies of the true scope of natural disaster risk, including those presented by high wind and coastal flooding. That will bolster the arsenal available to risk managers, both public and private, as they seek to better protect the property that has been entrusted to them. The earthquake survey is a significant first step toward achieving that knowledge.

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More health care cost increases expected

By MICHAEL PRINCE

Health care costs are rising in 2000 at rates not seen in years, and they are expected to rise even more in the near future, two recent studies indicate.

Overall, health care costs increased 8.3% between the spring of 2000 and the spring of 1999. This compares with a 4.8% increase from 1998 to 1999, according to The Kaiser Family Foundation/Health Research & Educational Trust's "2000 Annual Employer Benefits Survey." The 2000 increase is the highest reported by this survey since 1993.

Health plan premiums are going up, and "the underlying costs of health care are rising quickly as well," said Larry Levitt, vp at the

Kaiser Family Foundation in Menlo Park, Calif., and a co-author of the study.

As a result, Mr. Levitt foresees health care costs increasing at a high rate for the next few years. "There is no sign that there is anything to control the cost of health care," he said.

The increases varied little by type of plan. For example, health maintenance organizations saw premiums rise by 8.1%, while preferred provider organizations had an 8.6% increase and point of service plans went up by 7.7%.

An increase in the cost of prescription drugs was the most commonly cited cause for the overall increases. Fully two-thirds of those surveyed said that an increase in drug costs was a major factor. The next most commonly cited factor was higher

spending for hospitals, noted by 59% of respondents, and higher spending for physicians, cited by 48%.

The survey, conducted from January to May of this year, is based on responses from 1,887 randomly selected public and private employers. The employers range in size from three-employee shops to corporations with more than 300,000 workers.

Despite the rising costs of coverage, more small employers are providing it to their employees. While virtually all large employers—defined as those with more than 200 employees—have offered health care coverage for years, smaller employers have not always done so. But, with the tight labor market, that figure has been increasing, the survey's authors note. In this year's survey,

67% of small employers—those with fewer than 200 workers—said they offer health care benefits to employees. This is up from 60% in 1999 and 54% in 1998.

Although costs are going up, employees are not being asked to contribute more, the survey shows.

"Since 1996, the percentage paid by workers for single coverage has actually declined, from 21% to 14%," while employee contribution for family coverage has not changed, the survey states.

"This stability is likely due to the strong economy and competition for workers," the survey states.

The dual prongs of higher costs and inability to share that burden with workers have put employers in a difficult position, Mr. Levitt said. As a result, employees may soon be

asked to share in the higher costs, especially if the economy cools.

Self-funded employers fared slightly better than those that are fully insured, the survey found. Fully insured plans saw premium increases of 9.6% between 1999 and 2000, while self-insured employers' costs jumped by 7.1%. For self-funded employers, cost increases are expressed as premium equivalents.

"The higher rate of increase in fully insured plans likely reflects catch-up pricing by health insurers to restore profitability after three years of suffering underwriting losses," the survey states.

But even the cost increases seen by self-funded employers are troubling. Compared to this year's 7.1% increase, self-funded employers saw costs rise just 3.8% from 1998 to 1999. This sharp jump is a warning sign, the survey's authors note, as it indicates higher medical claims expenses.

"The surge in underlying health care costs stands out as the most troubling survey finding, and is a signal that premiums will continue to grow," Jon Gabel, vp at the Health Research & Educational Trust and a co-author of the study, said in a written statement.

Another recent study of health care costs backs up this prediction.

A survey of more than 80 health insurers, HMOs and third-party administrators indicates that health care costs will increase by double-digit rates for the remainder of this year and into 2001.

"Insurers cited everything from increased inpatient costs and higher physician reimbursements to underwriting losses as reasons for raising their trend factors," said Harvey Sobel, a principal with Buck Consultants and a co-author of the survey.

The Buck survey asked respondents to provide their annual trend factors, which they use to project future health care costs.

The cost projections varied by health plan. The largest increases are expected to be seen among indemnity plans, at a 13.7% rate. This is followed by PPOs at 11.2%, POS plans at 9.9% and HMOs at 8.6%. For all plan types, the projections are higher than those made in the three other surveys conducted by Buck over the past 18 months.

Respondents cited several factors as contributing to the higher increases. These include providers raising their fees to make up for lower reimbursements from the federal government, tougher bargaining by providers when negotiating rates with health plans and a willingness by providers to drop out of networks if reimbursement rates are too low.

Perhaps the biggest factor in the increasing trend factors is the continued high cost of prescription drugs. The survey shows that prescription drug costs are expected to increase by 19.0% on an annual basis, the highest increase recorded by the survey.

"Insurers have raised their prescription drug trends every six months since Buck began this survey 18 months ago," Brian Stitzel, senior actuarial manager at Buck and a co-author of the survey, said in a written statement.

A copy of the Kaiser study can be obtained by calling the Kaiser Family Foundation at 800-656-4533 and asking for report number 3028, or visiting the foundation's Web site, www.kff.org.

A copy of the Buck survey, "National Health Care Trends Survey, Second Half 2000," can be obtained for \$100 by calling Buck Consultants at 201-902-2555.

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Criteria for selecting 2001 RMOY

Panel of judges will consider 10 items in scoring and selecting honoree

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

The panel of 10 independent judges will score each nominated candidate on a scale of one to 10, according to how well he or she:

- Established and implemented an effective risk management program within the organization.
- Tackled and solved one or more major problems for his or her organization.
- Innovatively applied the diverse tools of risk management and insurance.
- Creatively and effectively used the insurance markets to structure an insurance program that serves the needs of the organi-

zation (specifically addressing the types of policies purchased and manuscripted policies, if any).

- Established a workable intelligence system both inside and outside the organization, culminating in a flow of information about events and activities that affect the organization's risk management and insurance.

How the risk manager secures information from other departments and the use of risk management information systems and other information technology tools are addressed in this criterion.

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

The functions include planning, organizing, directing and controlling.

- Achieved the most effective program at the optimum cost over the long term.

• Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operational aspects of the job.

• Exhibited an attitude and performed activities fostering the advancement of the risk management profession (such as professional activities, speaking engagements, teaching and related activities).

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

Judges

Continued from page 3
ance Honor Roll.

• Sheryl A. Pixler, risk manager for Storage Technology Corp. in Louisville, Colo. Ms. Pixler, a member of the 1999 *Business Insurance* Honor Roll, served on the panel for the 2000 awards.

• John T. Sinnott, president and chief executive officer of Marsh & McLennan Cos. in New York. Mr. Sinnott also served on the panel last year and is representing international brokers.

• William D. Smith, president and CEO of Kemper Insurance Cos. in Long Grove, Ill. Mr. Smith is representing mutual insurers.

Judges will evaluate each entry based on 10 criteria (see related story). The nominee with the highest total score will be named Risk Manager of the Year; the remaining individuals will be placed into one of four categories:

- Corporations with sales exceeding \$300 million.
- Corporations with sales of less than \$300 million.
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- Tax-exempt or non-profit entities.

The highest-scoring individual in each field will be considered for the Risk Management Honor Roll.

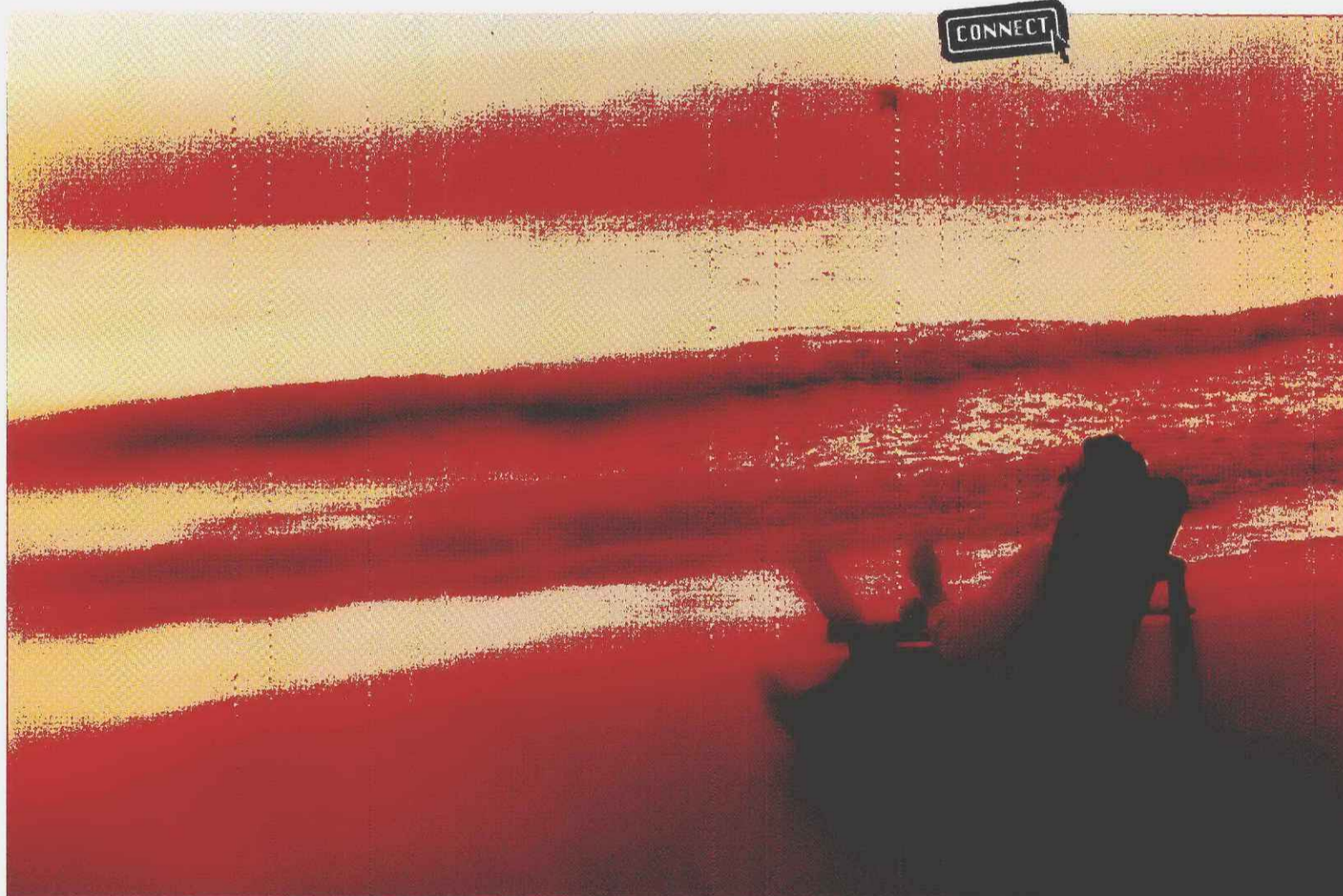
A nominee need not handle risk management responsibilities full time, but he or she must be a full-time employee of the organization whose program he or she directs.

Anyone acquainted with a candidate's work may submit a nomination. All nominations are confidential; only honored candidates will be announced.

Each nomination package must include: a completed nomination form, letter from the sponsor, and an endorsement from an executive at the nominee's organization. The executive must hold a higher position than the nominee and verify all information in the nomination.

To obtain a nomination form, contact Karen Tucker, assistant to the publisher, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-259; 312-649-5319 **BI**

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Business Insurance directory of intermediaries upcoming

Business Insurance will publish its annual directory of reinsurance intermediaries in the Oct. 23 issue, which will also feature a Spotlight Report on trends and issues in the reinsurance industry.

The directory includes both U.S.- and non-U.S.-based reinsurance intermediaries. To be included in the directory, a company must derive at least \$500,000 of its annual revenues from reinsurance brokerage. All companies must report revenue information.

Business Insurance publishes the directory as an editorial service; there is no charge to be listed. If your company meets the criteria but has not yet received a questionnaire, please request one from Directory Editor Kevin Edison at 312-649-5279. Questionnaires may also be printed from the *BI* Web site, www.businessinsurance.com.

The extended deadline for questionnaires is Oct. 6. **BI**



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CARFRA

Continued from page 3

ticipate in a subgroup designed to flesh out the specifics of the CARFRA proposal, including its process, administration and organization, before the pilot program is launched, she said.

The co-chairs' original "vision statement" essentially called for establishing an independent organization that would assess proposed products and systems and ensure that they comply with national standards that the NAIC is developing (BI, Sept. 11).

Any state's insurance commissioner could agree to participate in the independent entity, which would operate under a board of directors. Member states would contribute staff members, who would participate on rotating review teams working from their own state offices.

The review team's decisions, which would be subject to appeal, would be reported to the appropriate state insurance commissioners. The commissioners would agree in advance to abide by the CARFRA team's recommendation "unless there was very good cause not to," Mr. Fitzgerald said previously.

In addition, state insurance regulators also established a second subgroup, which is under the direction of Lee Covington, the director of the Ohio Insurance Department. Initially dubbed the "Page Nine Subgroup," due to the location of its subject matter in the co-chairs' vision statement, it was subsequently renamed the "Improvements to State-Based Systems Subgroup," according to a NAIC release. In the release, Mr. Covington said the subgroup

would most likely review two broad categories of proposals that aim to enhance uniformity. Those categories are commercial lines rate deregulation and "other regulatory efficiencies," including expansion of programs such as elec-

tronic rate and form filing by insurers, consumer education programs and market conduct examinations. York as well as additional representatives of agents, consumers and the insurance industry, Mr. Fitzgerald said at the meeting. An NAIC spokeswoman last week identified those additional representatives as Karen Regan, an

Birny Birnbaum of the Center for Economic Justice in Austin, Texas; Sonja Larkin-Thorne of the Hartford Financial Services Group Inc. in Hartford, Conn., which is a member of the American Insurance Assn.; and Lenore Marema of the Alliance of American Insurers.

In comments made during the meeting, regulators from several of the states participating in the subgroups expressed their enthusiasm for the CARFRA proposal and pilot program. Meanwhile, several industry representatives also made favorable comments, though they said their praise was contingent upon CARFRA not becoming an added layer of bureaucracy. However, two representatives of consumer groups remained dubious about the working group's plans.

In other action at the meeting, regulators:

- Outlined the NAIC's proposed

budget for 2001, which estimates \$46.9 million in proposed expenses, a 2.8% increase over this year; and \$47.9 million in projected revenues, a 3.3% increase over this year. The budget will be discussed in a public conference call Nov. 6.

• Heard that insurance departments in four states—New Jersey, New Mexico, Tennessee and Vermont—earned second-round accreditation certificates. That brings to 40 the number of jurisdictions receiving second-round status. Each state must be thoroughly reviewed five years after receiving its first accreditation certificate.

• Heard that insurance departments in three jurisdictions—District of Columbia, Oklahoma and Tennessee—received "SR 2000 Awards" for implementing 11 technology-based initiatives. That brings to 13 the number of jurisdictions so honored. **BI**

Commissioners would agree in advance to abide by the CARFRA team's recommendations, 'unless there was very good cause not to,' says Frank M. Fitzgerald.

tronic rate and form filing by insurers, consumer education programs and market conduct examinations.

The second subgroup will include regulators from Alabama, Colorado, Nebraska and New

agent with Ramsey Krug Farrell & Lensing in Little Rock, Ark., and past chair of the Independent Insurance Agents Assn.'s Technical Affairs Committee; J. Robert Hunter of the Consumer Federation of America in Washington;

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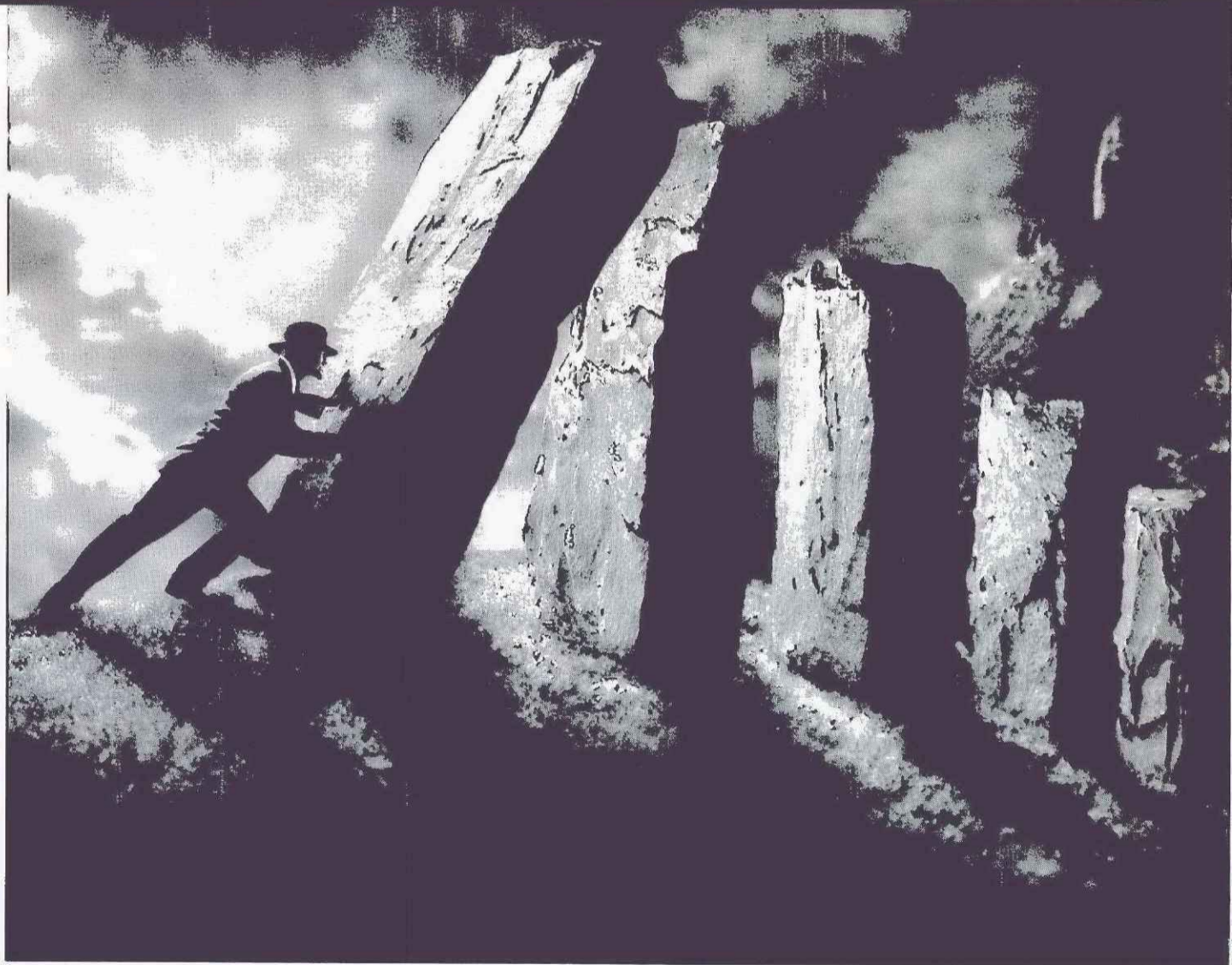
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Consumer advocate blasts NAIC reform efforts

By MEG FLETCHER

DALLAS—Employers of all sizes should be concerned about “the many consumer defects” contained in a National Assn. of Insurance Commissioners’ proposal to reinvent insurance regulation, a leading consumer advocate says.

“The NAIC plan will gut many vital consumer protections offered by state insurance departments,” charged J. Robert Hunter, director of insurance for the Washington-based Consumer Federation of America, during a press conference at a recent NAIC meeting earlier this month.

“A lot of these concerns affect corporate consumers, too,” he said in a subsequent interview. However, larger businesses have a greater ability to analyze developments and

more options to choose from, said Mr. Hunter, who is the former head of the Texas Insurance Department.

But even large businesses need to be wary if proposals like deregulating commercial lines of insurance hurt small or mid-sized businesses, because they may respond to that harm by seeking federal or state repeal of such deregulation laws, according to Mr. Hunter. “The backlash fear can be a reality, given the collective power of small business and their lobbyists,” he said.

Mr. Hunter also presented a 17-page white paper outlining pro-consumer changes he says are needed in the wake of the NAIC’s activity this year involving its modernization initiative. The NAIC’s effort focuses on updating state insurance regulation, especially in light of new federal re-

quirements of the Gramm-Leach-Bliley Act that break down barriers between insurers and banks.

Several groups, including the AFL-CIO, the Consumers Union and the Center for Insurance Research in Cambridge, Mass., endorsed the white paper.

However, NAIC President George Nichols III said that Mr. Hunter’s comments and presentation disappointed him, because NAIC regulators consider consumers’ responses seriously and have been asking for them for months. In addition, he said, regulators have found it difficult to get consumers involved in attending regulatory activities, despite the fact that the NAIC provides funding for consumer participation at its meetings.

The Consumer Federation’s white

paper also contains several consumer-oriented standards and principles for insurance regulation that Mr. Hunter said he considers essential:

- Consumers should have access to timely and meaningful information on the costs, terms, risks and benefits of insurance policies.

- Insurance policies should be designed to promote competition, facilitate comparison-shopping and provide meaningful and needed protections against loss.

- All consumers should have access to adequate coverage and not be subject to unfair discrimination.

- All consumers should reap the benefits of technological changes in the marketplace that decrease prices and promote efficiency and convenience.

- Consumers should have control over whether their personal information is shared with affiliates or third parties.

- Consumers should have access to a meaningful redress mechanism when they suffer losses from fraud, deceptive practices or other violations; wrongdoers should be held accountable directly to consumers.

- Consumers should enjoy a regulatory structure that is accountable to the public, promotes competition, remedies market failures and abusive practices, preserves the financial soundness of the industry and protects policyholders’ funds, and is responsive to the needs of consumers.

- Consumers should be adequately represented in the regulatory process.

Chicago to appeal dismissal of gun suit

CHICAGO—An Illinois judge earlier this month dismissed a lawsuit brought by the city of Chicago and Cook County, Ill., that sought \$433 million from 42 firearm manufacturers, distributors and suburban gun dealers.

The case, filed in Cook County Circuit Court in November 1998, contended that the dealers, distributors and manufacturers created a public nuisance by knowingly marketing and distributing firearms for illegal use in Chicago, according to a statement from the office of Chicago Mayor Richard M. Daley. Chicago has no gun shops.

Earlier this year, a Circuit Court judge dismissed part of the suit against gun manufacturers and distributors, saying there was no basis for the portion of the suit brought by Chicago and Cook County charging the gun industry with negligent entrustment. But the public nuisance claim remained intact, until now.

Mr. Daley said the city would appeal the ruling dismissing the city’s case. “We think our chances of winning an appeal are good, because the evidence on our side is indisputable. The only question is over interpretation of the law,” the mayor said.

According to the lead counsel for the gun distributors named in the suit, Richard J. Leamy Jr., the ruling by the judge—who dismissed the suit citing inadequate proof for the public nuisance claim—was “clearly correct.”

“The city was trying to impose their legislative scheme on the industry. Since (anti-gun lobbyists) were unsuccessful in the Legislature, they tried to do it through the courts, but the forum used was through improper conduct, and there never was any improper conduct,” said Mr. Leamy, who is an attorney with Wiedner & McAuliffe Ltd. in Chicago.

Meanwhile, in California, a state court judge rejected a motion by the gun industry to dismiss a group of lawsuits filed by 12 cities and counties, including Los Angeles County, Los Angeles, San Francisco, Oakland and Berkeley.

—By Lee Fletcher

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Errors

Continued from page 1

Friend, eastern region manager for Watson Wyatt Worldwide in Wellesley Hills, Mass. "It raised a lot of visibility," he said.

The IOM report continues to generate widespread attention. Earlier this month, for instance, there was a national summit on medical errors and patient safety research sponsored by the Quality Interagency Coordination Task Force in Washington.

And although the IOM report stated "group purchasers have made few demands for improvement in safety," employers are now involved in this issue as well. Earlier this year, employers organized the Leapfrog Group to encourage purchasers to make patient safety a top priority in their negotiations with health plans (BI, March 27).

Meanwhile, hospital risk managers, for whom the issue of patient safety

has always been a primary concern, are finding increased administrative support in their efforts to address the problem.

"The IOM report was, if you will, a nice nudge to continue what we're doing and even place some greater emphasis on it," said Harlan Hammond, assistant vp, risk management services at Intermountain Health Care Institute in Salt Lake City.

Medical mistakes can reflect medication errors, surgical errors, diagnostic inaccuracies and/or system failures, such as inadequate training of nurses using infusion pumps. And they are most often attributable to faults within the system rather than the comparatively rare "bad apple" medical practitioner.

The problem of medical errors "is very much a system issue rather than a problem with individuals and individual competencies," said Pam Lockowitz, Deerfield, Ill.-based senior vp of risk management for St. Paul Health

Care, a unit of The St. Paul Cos. Inc. that has just completed a study of how risk control can reduce medical errors, called "Does Clinical Risk Modification Make a Difference?"

In response to the issue's complexity, it is being approached on multiple fronts, ranging from the use of computers to issue prescriptions, to avoid the pitfalls inherent in deciphering physicians' handwriting, to fundamental changes in the way doctors are trained and health care delivered.

Although there has been some dispute about the accuracy of the total number of deaths attributable to medical errors estimated in the IOM report, there is general agreement it is a significant issue.

"I don't believe there's anybody that has given some real thought to this issue that doesn't believe there's a real problem," said Bruce Bradley, director of managed care plans at General Motors Corp. in Denver, which is a Leapfrog Group member.

"I think the Institute of Medicine report documented a serious problem, and one that needs to continue to be worked on and corrected, at least to the extent possible," said Dr. Donald Young, chief operating officer and medical director for the Washington-based Health Insurance Assn. of America. "Some of the mistakes probably can't be eliminated, but there are many that can be" through system improvement.

"We need to encourage the development of ways to eliminate overuse or underuse of care and the errors that flow from it, and I don't think that the public as a whole or the medical profession has fully acknowledged how complex medicine is," said Dr. Young.

Physician training

Some observers suggest basic changes in how doctors approach their work.

Dr. David Chin, a partner with PricewaterhouseCoopers in Boston,

said physicians have traditionally been trained to "basically trust no one's opinions except their own, and when you're trained on rounds, the question is asked about how you take responsibility."

While this is a wonderful model for taking personal responsibility, it was developed when medicine was "a lot simpler," said Dr. Chin, who now calls for a team approach to treating patients, similar to the problem-solving technique used in business schools.

"I think the major problem is physician culture," said Michael L. Millenson, a Chicago-based principal with William M. Mercer Inc. and author of a book, "Demanding Medical Excellence: Doctors and Accountability in the Information Age."

"Physicians are taught admirably to trust their own judgment," he said. But the situation is analogous to the barnstorming pilots of the 1920s, who later were reluctant to let computers into the cockpit. "We need to redefine what appropriate autonomy is in medicine," said Mr. Millenson.

Health care is a complex, highly technical and integrated system, said Ms. Lockowitz. "There are lots of things that probably go wrong before there is that eventual last thing that creates the injury to the patient," she said.

Maybe there was no informed consent, or there were problems in the way the nurse and physician communicated, or somebody did not understand the lab results had to be back within 24 hours. In light of this, medical personnel should be trained in teamwork, communication and other skill sets that will help the system be more effective, said Ms. Lockowitz.

Quality control

To approach the issue, some advocate applying "six sigma" to health care. Six sigma, which has been adopted by some major corporations, including General Electric Co., is a quality improvement methodology to reduce product or service failures to a negligible level, roughly 3.4 failures per million opportunities.

"We clearly know how to build error-free cars and we know airplanes do not fall out of the sky and the lights work, most of the time, so clearly the country has learned how to do lots of things well, and there's no intrinsic reason why those approaches cannot be applied to anything, including health care," said Dr. Friend. "There's know-how, but it clearly has not been applied to health care to the extent it could be."

"I think there's some good that can come out of it," Mr. Hammond said of the six sigma approach. "I don't know that providing health care can be reduced to the same mechanized methodology and controls that the airline industry is under, but I do think their concepts of communication, reporting individual responsibility, all kinds of things that are evident in the airline industry now, are very helpful to health care."

Reporting mistakes

Another major emphasis has been to improve the reporting of medical mistakes. But fear of repercussions by health care providers remains a major hurdle to such disclosure. "No one has come up with an adequate solution to make it comfortable for people to come forward and say, 'There's been a mistake,' without being concerned about medical malpractice," said Dr. Chin.

"You want to be able to make it safe for them to report errors, and the problem is distinguishing errors caused by systemic stuff, and errors caused by a personal mistake," he said. "There's a fine line between trying to change the system and still hold the people accountable," said Dr. Chin.

"Right now, there are no safe re-

See Errors on page 18

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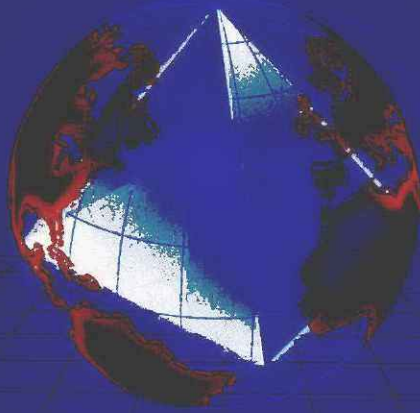
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Benfield

Continued from page 3

But the area where we were weak was in the United States," said Mr. Chilton.

Greig Fester Group Ltd. merged with the then Benfield Group Ltd. in 1997. Greig Fester had run its U.S. business from London, but to really grow its U.S. operations, the new group decided it needed a stronger presence on the ground in the United States, he said.

Some of the most recent appointments for the brokerage business were made in the United States.

In the first step to try to make up for that shortfall, the brokerage bought Bates Turner Intermediaries L.L.C., a reinsurance brokerage unit of Employers Reinsurance Corp., last year.

It then embarked on a hiring spree and poached senior staff from rival reinsurance brokerage E.W. Blanch Holdings Inc. as well as from General Reinsurance Co.

From E.W. Blanch it took Rodman Fox and Paul Karon. Some of Blanch's business followed the men to Benfield Greig, including Blanch's largest single account, Florida-based managing general agency Tower Hill Insurance Group Inc. (BI, July 31). Blanch is currently suing Messrs. Fox and Karon for breach of non-compete agreements.

'We just want to be the best firm out there, and that all starts with having the best people,' says Rodman Fox.

From General Re the brokerage took several staff, including Andrew Di Loreto and Thomas Kearney.

Since the acquisition of Bates Turner, Benfield Greig has added about 20 people and doubled its revenues, said Mr. Fox in a later inter-

view. Mr. Fox is now chief executive officer of Benfield Greig L.L.C. in Dallas.

And the brokerage will soon take on about another 20 people in the United States at various levels, Mr. Fox said.

"We don't have to beat Aon or Guy Carpenter, we just want to be the best firm out there, and that all starts with having the best people," Mr. Fox said.

The brokerage has also opened new offices in the United States. It already had offices in New York; Philadelphia; Mahwah, N.J.; Overland Park, Kan.; Atlanta; Dallas; and Seattle. And this year it has opened additional offices in Minneapolis and Stamford, Conn., Mr. Fox said.

In addition to taking on more staff, the U.S. operation will develop close relationships with key reinsurance clients, Mr. Chilton said. And in the process Mr. Chilton intends to grow the brokerage's U.S. revenues to about 40% of Benfield Greig's revenues, from the current 20% to 25%.

Working closely with a limited

number of cedents will be Benfield Greig's aim in the United States, said Mr. Fox.

"We are looking to have a number of clients where we can have very significant relationships," Mr. Fox said. "It comes down to creativity and energy of our people and their ability to get difficult transactions done," Mr. Fox said.

In particular, the brokerage will try to establish itself as a specialist in difficult placements, he said.

"People have called us when they have difficult assignments," he said.

Recently, Benfield Greig put together a large loss-portfolio transfer deal for Frontier Insurance Co. Inc. in 40 days.

The troubles some insurers are facing will lead to other opportunities for the brokerage, Mr. Fox predicted.

"There are a lot of troubled companies out there, and we find ourselves sitting down with managements and planning their future," Mr. Fox said.

The brokerage has a subsidiary

named Remetrica, which provides risk modeling and financial analysis for such clients, Mr. Fox said.

"It gives us the ability to look at financial results based on a set of events and build a model on the screen," he said.

The analysis helps the companies determine what lines of business they should be in and what their business models should be, he said.

The brokerage is also seeking to branch outside of pure reinsurance brokering and become more involved in financial deals that are commonly associated with investment banks, such as mergers and acquisitions, asset management and capital markets transactions, he said.

Benfield Greig also advises on e-commerce strategies through its Wildnet subsidiary and has a team of people to build Web sites for insurers that want to sell coverage over the Internet, Mr. Fox said.

"It's beyond high-level strategic advice. We can go in and implement," he said. **BI**

Meeting

Continued from page 3

will be preceded by the annual Employers' Private Roundtable, at which employer representatives can candidly discuss pressing problems and seek advice from their peers.

Kathryn J. McIntyre, publisher and editorial director of *Business Insurance*, will moderate that discussion. Ms. McIntyre co-chairs the conference along with Meg Fletcher, a senior editor of *BI*, with assistance from IBF President and Chief Executive Officer Alexandra Scott and Vp Jennifer Fauci.

The roundtable's interactive spirit is encouraged throughout the conference, as attendees are invited to share their experiences and seek advice from presenters and exhibitors.

Conference topics were chosen

and developed with the help of nearly two dozen members of an advisory board, which is chaired by Jeffrey W. Pettegrew, vp-insurance and risk management at Weststaff Inc. in Walnut Creek, Calif.

Dan Kugler, director of risk management for Snap-On Inc. of Pleasant Prairie, Wis., will begin the formal sessions with a keynote speech on his company's management approach to helping workers that have suffered job-related injuries.

Several other sessions at the conference will discuss various ways to manage workers comp and related disability, including strategies for reducing health care costs and fighting fraud in a changing regulatory environment that is increasingly concerned about protecting an individual's right to privacy.

Eric J. Oxfeld, the president of Washington-based UWC Inc., will

discuss the latest developments in Congress concerning privacy regulations and other issues of importance to employers. UWC is a national business association that lobbies on workers comp and unemployment issues.

Attendees are invited to share their experiences and seek advice from presenters and exhibitors.

In addition, Terrence Delehaney, general counsel of the National Council on Compensation Insurance in Boca Raton, Fla., will discuss other privacy challenges employers face.

In a first for the conference, a panel featuring several attorneys

will offer advice on how employers can avoid problems with claims. In addition, other panelists will address new challenges stemming from changing employment relationships.

In addition, other speakers will address best practices in measuring the performance of disability management programs as well as innovative technologies designed to save money and help workers prevent and control claims.

Although some claims are inevitable, a key risk management goal is to prevent losses by enhancing safety practices. John Leonard, president of the Maine Employers Mutual Insurance Co. in Portland, will participate in a discussion about options for safety and loss prevention.

The conference registration fee for a risk manager, employee benefits manager or safety manager is \$795 and \$675 for IBF conference alumni. The fee for a service

provider is \$1,095 and \$930 for IBF alumni. Group discounts also are available.

The registration fee entitles an attendee to two continental breakfasts, two lunches and two cocktail receptions as well as refreshment breaks throughout the conference. An attendee may also be able to participate in the pre-conference golf outing, though space is limited and is available on a first-come, first-served basis.

In addition, conference participants can earn 12 continuing education credits from the California Insurance Board.

The registration deadline for those wishing to play golf is Sept. 29, unless capacity is reached before that date. In addition, registrants can reserve a room at the hotel by calling 310-823-1700.

For additional details about the program, contact Ms. Fauci at the IBF, 516-594-3000, ext. 19; or jennifer@ibforum.com. **BI**

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CRO

Continued from page 3

they report to the CEO or the board," Mr. Lam said, noting that the latter arrangement is frequently seen in energy companies or in the banking industry.

"Not surprisingly, most CROs are in financial companies or energy firms," he said. The acceptance of the role at such firms was a natural one, Mr. Lam said, because the price volatility that those industries face makes integrated risk management crucial.

"We also found (CROs) generally exist in very large or very small firms," Mr. Lam said.

In small companies, because the risk manager is required to wear several hats, he or she may effectively be functioning as a chief risk officer.

Mr. Lam listed five key roles of a CRO. Such an individual should be: an evangelist for the enterprise risk management program; a leader in the organization; a steward of the company's financial and reputational assets; an internal consultant; and a risk management technician.

One indication of companies' acceptance of the CRO's role is the increase in chief risk officers' salaries over the past decade, he said.

His company's research showed that, in the early 1990s, chief risk officers were probably earning salaries in the low six figures, Mr. Lam said. "In the late '90s, CROs

began breaking through the seven figures barrier," he said. "I think these compensation figures are very exciting for those in the risk management profession."

In addition to signaling growing acceptance of the concept the salary growth also shows the increased commitment companies are making to the chief risk officer role, Mr. Lam said.

'There is only one alternative to risk management and that is crisis management,' says James Lam.

An unforgiving stock market, new reporting requirements imposed by market regulators, and changing accounting standards all are contributing to the trend of businesses embracing enterprise risk management and the CRO position, he said.

In addition, widely reported financial disasters at several major companies around the world in recent years have provided "a real wake-up call to senior management," Mr. Lam said. But, he noted, even without the potential for business crises, a strong case can be made for an enterprise risk management approach.

Enterprise risk management gives organizations a way to identify and deal with interrelated

risks and to take advantage of certain risk transfer opportunities available in the marketplace. In addition, it affords companies the possibility of gaining a competitive advantage.

Another benefit is the information that an enterprise risk management process can generate, Mr. Lam said. In many companies today, "the board of directors is getting too much data and not enough information," he said. A key element of an enterprise risk management process, however, is maximizing and making sense of information about the organization and the risks it faces.

Mr. Lam said that implementing an enterprise approach to risk "is not a small undertaking," noting that a program can take two to five years to develop. "But I think the benefits are great," he said.

Whatever the shape of the program a company adopts, however, it should be consistent with the organization's overall philosophy and culture, Mr. Lam said.

"Another critical decision for companies to make is how centralized risk management should be," Mr. Lam said. "For large, complex organizations, I think they need to end up somewhere near the middle."

"Over the long term, there is only one alternative to effective risk management, and that is crisis management," Mr. Lam said. "And crisis management is much more expensive, much more embarrassing and much more time-consuming." **BI**

Pollution

restrictions imposed by the industry's sudden-and-accidental pol-

plaints from policyholders triggered the department's efforts to

Business Insurance, September 25, 2000 / 21

INTERNATIONAL

GLOBAL BRIEFS

Paris-based reinsurer SCOR S.A. has reduced its stake in French export credit insurer COFACE to 35% from 44%. SCOR said the transaction was consistent with COFACE management's aims to respond to market demand and increase share activity. SCOR remains the largest shareholder in COFACE....Alexander Forbes U.K. P.L.C., the U.K. subsidiary of Johannesburg, South Africa-based Alexander Forbes Ltd., has agreed to take a stake in U.K. safety, health and environmental risk management consulting company National Britannia Group Ltd. Caerphilly, Wales-based National Britannia has 6,000 clients in 18 countries. The deal is part of Alexander Forbes' international expansion plans....Net profits for French insurance giant AXA S.A. rose to 1.21 billion euros (\$1.16 billion) for the first half of 2000, up 3.3% on the figure for the same period last year. But the contribution of property/casualty earnings to this total dipped sharply—down 14.1% on the same period last year to 324 million euros (\$309.4 million). AXA Re's contribution to the group's international insurance profits fell by 17.8% to 60 million euros (\$57.3 million). AXA said this was the result of reserve strengthening after the 1999 windstorms and lower realized capital gains....Wellington Underwriting P.L.C. is set to launch a product that enables insurers to obtain quotations and policy wordings for terrorism coverage via the Internet. Broker Heath Lambert Group is working with Wellington on a live trial of the site. Wellington said the site would be made available to other approved brokers shortly. Wellington said it is working on a new portfolio of products using Web technology that is scheduled to be released in the coming months....Paris-based Assurances Generales de France is planning expansion in the Netherlands. AGF announced it had entered into exclusive negotiations with The Hartford International Financial Services Group for the purchase of the entire share capital of Zwolsche Algemeene N.V., its Dutch subsidiary. AGF's net income measured 672 million euros (\$641.6 million) for the first half of 2000—up 45.1% on the same period last year. Non-life insurance contributed 347 million euros (\$331.3 million) to the group's total....Asahi Mutual Life, Tokio Marine & Fire and Nichido Fire & Marine have formed a product-sharing alliance. The three companies plan to integrate their non-life and life insurance businesses. A merger is expected at an unspecified date. Moody's Investors Service Inc. has affirmed its insurance financial strength ratings of the three companies—Aa1 for Tokio Marine, Aa2 for Nichido Fire, Baa3 for Asahi. Moody's said that in the absence of specific plans it is difficult to predict whether the business alliance will yield benefits likely to change the insurers' credit risk profiles materially. Tokio Marine is Japan's largest non-life insurer. Tokyo-based Nichido Fire is the country's seventh-largest P/C insurance company, and Tokyo-based Asahi Life is the fifth-largest life company....The U.K.'s Chartered Institute of Environmental Health is calling on the government to allow environmental health officers to bring manslaughter charges against managers of companies who have been found criminally liable for accidents at work. The CIEH's comments come as part of the consultation on the proposed introduction of an offense of corporate killing, which would make it easier to prosecute management for manslaughter. The CIEH said that environmental health officers were the best placed within local authorities to bring such actions.

Oil company crisis plans tested

Concern for employee, public safety a factor behind limited fuel delivery

By CAROLYN ALDRED

Preventing an incident involving a fully laden oil tanker was uppermost in oil companies' risk management plans as protesters demonstrated against high gas prices and blockaded oil terminals throughout Europe this month.

Concern for the safety of employees and the public was just one of a complex array of risks managed by oil companies during the gas supply crisis that nearly brought the economies of several European countries to a standstill as fuel pumps ran dry. The situation prompted oil companies to implement contingency plans and emergency response procedures.

During the crisis "we were focusing on issues such as driver safety, including avoiding personal injury to drivers and third parties," said Nick Gaillet, risk and insurance adviser at Shell International Ltd. in London.

To help protect drivers and the public, Shell and other oil companies requested the support of the police to accompany tanker drivers and explain the seriousness of the situation to protesters blockading the terminals, said Mr. Gaillet.

Although some politicians criticized oil companies for failing to keep gas stations supplied, the companies needed to ensure "driver and public safety," said a spokesman for BP Amoco P.L.C. in London.

"Although most of the protests were peaceful, we refused to ask drivers to take their tankers through a confrontational situation when carrying up to 35,000 liters of gasoline," said the spokesman.

As the full scale of the crisis became apparent, shortly after the first protesters began a blockade of the Stanlow refinery in Cheshire, England, John Mumford, chief executive of BP Oil U.K. Ltd., called together the Oil Industry Emergency Committee, a crisis management team compris-

ing representatives from U.K. petroleum companies, according to the BP Amoco spokesman.

BP Amoco also activated its own emergency response procedures and teams.

"As an oil company, we have so many potential risks that we have comprehensive emergency response procedures and teams which are regularly exercised and monitored," the spokesman said.

The first emergency response team activated by BP Amoco was a team for its fuel distribution operation based in Milton Keynes, the company's operational head office.

"This team was charged with monitoring our 16 terminals and establishing where we could make deliveries and coordinating supplies to essential users, such as the emergency services. It also looked at safety management of the terminals and the tankers," the BP Amoco spokesman explained. See Crisis on page 24

China's push to join WTO opening market

By EDWIN UNSWORTH

China's bid for membership in the World Trade Organization has opened its doors to increased trade, greater foreign investment and increased demand for commercial insurance.

The country's last major obstacle to joining the WTO was cleared in May, when China reached a trade accord with the European Union (BI, May 29). That agreement dealt chiefly with investment and tariffs, but it also produced concessions to the European Union's demand for greater accessibility for E.U. insurers, with China agreeing to offer licenses to seven more European insurers.

Also helping open China's insurance market was a deal, struck last November with the United States, in which U.S. negotiators agreed to grant China permanent normal trade relations status. This move was affirmed last week by the U.S. Senate, ending the 20-year practice of requiring annual review of China's trade status.

The agreements that China

has forged with foreign governments are paving the way for more market liberalization and are sparking increased foreign investor interest in China, which is the world's most populous nation and a major economic force.

The deal reached between China and the United States, for example, calls for Beijing to phase out geographical restrictions on foreign companies in three years. Currently, foreign insurers are restricted mainly to Shanghai and Guangzhou provinces. In addition, foreign non-life insurance licenses currently permit insurers to write only business related to foreign-partnered joint ventures. Insurers, however, expect that liberalization efforts ultimately will allow them to write in the Chinese domestic market. The pact with the United States also will allow foreign insurers into group, health and pensions business over five years, and will permit wholly owned non-life subsidiaries in two years.

The European Union notes its deal with China opens the

See China on page 23

E.U. officials push for wider pollution liability

By SARAH VEYSEY

The European Union may soon introduce legislation that would make companies retroactively liable for environmental damage.

Earlier this month, the European Parliament environment committee voted to recommend the introduction of a greater degree of retroactive liability for polluters. The non-binding recommendations followed the committee's discussions about the European Union White Paper on Environmental Liability, published in February.

The E.U. white paper itself, about which comments from interested parties have been solicited, does not recommend the introduction of retroactive liability. But the European Parliament's environmental committee will "propose that the recommendations (in the white paper) be made stronger," said a spokesman for the European Parliament in London.

"The white paper now has to go before the full European

Parliament. That'll probably be some time before the end of October," the spokesman said.

The white paper on environmental liability was prepared by the European Commission, the European Union's executive, and it outlines the "possible main features of a Community regime." These include "no retroactivity (application to future damage only)," the white paper says.

"For reasons of legal certainty and legitimate expectations, the E.C. regime should only work prospectively," the white paper says. "Damage that becomes known after the entry into force of the E.C. regime should be covered, unless the act or omission that resulted in the damage has taken place before the entry into force," it says.

"It should be left to the member states to deal with pollution from the past. They could establish funding mechanisms to deal with existing contaminated sites or damage to biodiversity" See Liability on next page

Protests shut down forum venue

By DAMIEN TOMLINSON

MELBOURNE, Australia—Melbourne's Crown Casino could lose up to \$10 million Australian (\$5.4 million) in revenue because it was forced to close its gambling operations for three days earlier this month as protests at the World Economic Forum prevented access to and from the hotel, shopping and gaming complex.

The World Economic Forum's Asia-Pacific summit was held at the casino throughout the week of Sept. 11-15, drawing large numbers of protesters against globalization.

The Crown Casino, owned by Sydney-based Publishing & Broadcasting Ltd., was ordered closed by the Victorian Casino and Gaming

Authority, a state government agency, on Sept. 11, after protests hindered the change of shift of gambling inspectors at the 24-hour venue.

Under the authority's gambling license agreement, inspectors must oversee all gambling operations. The casino was shut from late in the evening of Sept. 11 until the morning of Thursday, Sept. 14.

A protest group known as the S11 Alliance staged demonstrations for the duration of the forum, rallying against the globalization of world trade. Trade unionists also joined the protest, and the number of protesters reached an estimated 10,000.

Protesters clashed with police, See WEF on next page



PHOTO: REJTERS

The Crown Casino in Melbourne was shut down by protests over global trade talks.

Pollution

Continued from previous page
resolve confusion over the application of an exclusion," while regulators' role is to review new clauses and forms and to monitor insurers for unfair claims-handling practices.

Law professor Adam Babich at Tulane University in New Orleans observed, "If a company behaves in a way that the supreme court says is OK, at least that's pretty good grounds to appeal that regulatory action."

Mr. Babich said that "obviously, the people who get the last word

are the Louisiana Supreme Court."

But if insurers sue the department over any regulatory action it takes against them, they would create a problem for themselves, Ms. Wertz said. In that situation, unlike in the *Ducote* case, the court record would include not only the language of the pollution exclusion but also its regulatory history, she noted.

Mr. Babich noted that evidence supporting what regulators thought the exclusion meant when they approved it could be one factor that causes the court to reconsider its ruling in *Ducote*.

Another factor is that the

court's makeup has changed slightly since the *Ducote* decision. Until recent weeks, the court consisted of eight justices, seven of which heard cases to avoid tie votes.

But a few weeks ago, one justice who voted with the majority in *Ducote* retired and is not being replaced.

Mr. Babich and attorneys involved in the case said they had no clear idea whether this change likely would affect the court's thinking on this issue.

Phyllis Kay Roby Doerr et al. vs. Mobil Oil Corp. et al., Louisiana Supreme Court; No. 2000-CC-947.

equipped to replace the elder Mr. Greenberg.

Others, though, discount this theory.

"Hank does whatever he wants, notwithstanding the board," one analyst said. "The board is important, but not crucial, and for two years he's been saying that Evan would be his successor."

A likelier scenario, some industry observers say, is that Evan's departure was triggered by the announcement earlier this month that Eli Broad will resign as CEO of AIG subsidiary SunAmerica Inc. next January and be succeeded by SunAmerica President Jay S. Wintrob. The 67-year-old Mr. Broad, a large AIG stockholder, will remain an AIG board member and SunAmerica's chairman, and will focus SunAmerica's strategic plans.

'As long as (Maurice Greenberg) is there, things are going to be fine,' says an insurance analyst.

Evan Greenberg may have expected this announcement to be accompanied by a timetable for his father's own retirement, observers speculate. When this did not happen—or possibly when Mr. Broad's name was raised as a potential interim CEO of AIG should the elder Mr. Greenberg be unable to continue in the role—Evan Greenberg may have confronted his father and quit.

Others familiar with AIG suggest that Evan Greenberg may only be following the long series of AIG executives who decided to go elsewhere after concluding that the elder Mr. Greenberg would not be surrendering the reins at AIG in the foreseeable future.

"If they weren't father and son and if this were not a colorful company, it would look like what has occurred in any number of other companies where a founder or longstanding chairman simply refuses to let go," one industry executive said. "Anointed successors one after the other tumbled away because they could not carry the title without the authority."

Whatever the real reason for Evan Greenberg's resignation, it revives uncertainties about who will ultimately take charge at AIG.

"We all thought it was now resolved," DLJ's Mr. Karaoglan said. "The resignation changes that."

The question of who the new heir apparent will be draws new rounds of speculation, including the possibility that AIG could lure Jeffrey Greenberg back or even acquire Marsh & McLennan, keeping its Putnam Investments Inc. unit and selling off the brokerage business. Others mentioned by industry ob-

servers include Briar Duperreault, chairman and CEO of ACE Ltd. and an AIG alumnus.

Spokeswomen for Marsh and ACE said that Jeffrey Greenberg and Mr. Duperreault would not comment.

If AIG were to make an acquisition in part to acquire management talent, one company it might consider is Hartford Financial Services Group Inc., according to Kenneth Zuckerberg, a vp with Wasserstein Perella Securities Inc. in New York.

The Hartford, Conn.-based insurer has generated the second-highest return on equity in the insurance industry after AIG, and its stock is trading at less than half the multiple to projected 2001 earnings per share that AIG's stock is, Mr. Zuckerberg noted.

In such a deal, AIG might also pick up widely respected Hartford Chairman, President and CEO Raman Ayer, he added.

A Hartford spokeswoman declined to comment, though Mr. Ayer has said publicly that Hartford is more likely to be a buyer than a takeover target.

Several analysts contend that Maurice Greenberg's successor will likely be an AIG insider—or former insider—because the company is too broad-based and complex, and its management culture too different for an outsider to grasp quickly.

"I think it would be very hard for AIG to go outside the company to find someone to take over," one analyst said. "If you didn't grow up in the organization and don't know how all the pieces fit together, it would be very difficult."

Rather than simply delegating responsibility to division or regional managers, for example, Maurice Greenberg has direct contact with product line managers and personally keeps track of each line's performance, the analyst said.

An outsider would likely bring a different management style and delegate more than Mr. Greenberg has, he predicted.

In any case, AIG stands little chance of attracting a future CEO from outside the company as long as Mr. Greenberg remains in charge, most observers agree.

"I don't think anybody would leap at this as long as Hank is still in the saddle," one analyst said. "Hank's just got to realize that for anybody worth his salt to be interested in the job, he's got to step down," at least relinquishing the CEO title.

Meanwhile, the stock market reacted mildly to the news of Evan Greenberg's resignation: AIG shares rose last Tuesday, the day of the announcement, and closed at \$91.43, up \$2.75, on Friday.

Insurance analysts were also unperturbed by the news.

"As long as (Maurice Greenberg) is there, things are going to be fine," one said. **BI**

AIG

Continued from page 1

left AIG to run other companies.

AIG's announcement of Evan Greenberg's resignation was terse. In a two-paragraph statement, the insurer said that the younger Mr. Greenberg had quit "to pursue other interests" and that his duties would be assumed by other, as yet unnamed AIG senior executives.

"We wish Evan the very best in his future endeavors," his father said in the statement.

The announcement recalled the unexpected 1995 resignation of Jeffrey Greenberg, Evan's older brother and the previous heir apparent at AIG, who quit for what the company described as "personal reasons." Jeffrey Greenberg is now chairman and CEO of Marsh & McLennan Cos. Inc. in New York.

Jeffrey Greenberg's resignation announcement, though, included information about who would be taking his place, and Mr. Greenberg's own statement explaining his need to "pursue my career independent of AIG." Evan Greenberg's departure came with no explanation or specifics about his replacement, leading several observers to conclude that it took even AIG insiders by surprise.

"The announcement suggests to me that no one at AIG expected this, including the father," one industry executive said. "It looked to me like AIG was forced to make an announcement very quickly."

"I think this took everybody, including Hank, by surprise," one industry analyst agreed, referring to the senior Mr. Greenberg. "He must have been as surprised as anybody when the kid walked in and said, 'I don't want to do this.'"

Insurance industry observers—most of whom did not want to be quoted by name—offered various theories for Evan Greenberg's departure.

Several observers, for example, said that Evan, unlike his brother, had adopted the hard-nosed, confrontational management style of his father and that this made him, in one observer's words, a "controversial" figure within AIG. The younger Mr. Greenberg, these observers say, may have been blamed for the defection in recent months of several AIG executives to other insurers, including Chubb Corp.

Despite Maurice Greenberg's public designation of Evan as his successor, some analysts believe that AIG's 18-member board of directors made it clear that it wanted to look at other candidates for the CEO job.

These analysts cite pressure exerted by AIG shareholders who questioned Evan Greenberg's readiness to run the company, as well as public comments by AIG board member Barber B. Conable Jr. that the board would choose whomever it decided was best

UPDATES

St. Paul to run off Unionamerica

Continued from page 2

practice insurance, Unionamerica effectively was subsidizing St. Paul's competitors.

Unionamerica made an underwriting loss of \$103 million in 1999 and a loss of \$35 million in the first six months of 2000, the spokesman noted.

In 1999, Unionamerica had net written premiums of \$197 million; in the first half of 2000, its net written premiums totaled \$109 million.

An unspecified number of Unionamerica's 73 employees will be retained for the runoff, the spokesman said.

CNA unveils online cargo system

CHICAGO—The first phase of an online cargo insurance system is available from CNA Maritime.

Agents, brokers and insurance buyers can access the Ocean Marine Manager network interface, or OMMni, to get quotes, issue insurance certificates and pay for coverage by credit card.

The system is designed to eliminate the bottlenecks that traditionally have hampered the issuance of time- and paper-intensive cargo policies. In the first phase, small cargo customers can access pre-set rates and automatic underwriting. Underwriters are available to help if pre-set underwriting parameters are not met by the account.

OMMni's second stage, which is expected to be available later this year, will automate cargo policies for CNA Maritime's existing customers, which mostly are larger accounts. Under the second phase, customers that access the site can be automatically directed to an agent that will handle their account.

The system was developed by CNA Maritime—the ocean marine unit of Chicago-based CNA Financial Corp.—and Insurance Systems Inc. of Toronto.

E-business consortium forged

LONDON—dotRisk Ltd., an electronic marketplace for insurance, has launched an industry consortium with Jardine Lloyd Thompson Group P.L.C. and ACE Global Markets Ltd., both based in London.

The consortium has been launched to develop a global digital marketplace for the commercial insurance and claims industries and to create liquidity as brokers, insurers and capital market institutions join the open-trading platform, Washington-based dotRisk said.

Negotiations are under way for other companies to join the consortium, dotRisk said.

JLT and ACE also have taken an equity stake in dotRisk, which was founded in 1999.

"The consortium approach ensures that dotRisk is at the center of the industry's migration to the Internet. It also ensures that we accelerate the time it takes to create real liquidity in the trading platforms, so that the industry can start to benefit from the cost and efficiency savings that doing business online will provide," said Richard Fields, chairman, chief executive officer and founder of dotRisk.

"With key industry players such as JLT and ACE on board, dotRisk is better able to ensure that our marketplace meets the needs of the broker and underwriter communities," he added.

dotRisk will seek to obtain accreditation from London-based WISE, which issues standards for e-commerce in insurance.

Briefly noted

The Assn. of Private Pension & Welfare Plans last week changed its name to the **American Benefits Council**. The name change for the 33-year-old Washington-based benefits lobbying organization came after more than a year of analysis....Standard & Poor's Corp. has downgraded **PXRE Corp.** to A from A+. The downgrade reflects the reinsurer's "reduced operating performance, persistent operating volatility and remaining uncertainty that new lines of business will grow successfully," an S&P statement said. **Richard G. Gregoire**, a principal and national director of Arthur Andersen's Property Casualty Consulting Group, died last month at age 56. Mr. Gregoire, who was based in Arthur Andersen's San Francisco office, previously served as chief operating officer of Thomas Howell Group (Americas) Inc., which was acquired by Crawford & Co. in 1996. Prior to that, Mr. Gregoire was COO of Toplis & Harding Inc....Washington Insurance Commissioner **Deborah Senn** lost her bid for a U.S. Senate seat by a wide margin in a primary election last week. The winning Democratic candidate is Maria Cantwell, an Internet entrepreneur who previously served in the state Legislature and the U.S. Congress. Ms. Cantwell received nearly 37% of the vote, compared with almost 13% for Ms. Senn, according to unofficial returns. Ms. Cantwell will face incumbent Republican Slade Gorton in the Nov. 7 election....London-based buyout specialist Candover Investments P.L.C. and a fund managed by Securitas Capital L.L.C. have called off negotiations to buy **Reliance National Insurance Co. (Europe) Ltd.**, a London-based unit of troubled insurance company Reliance Group Holdings Inc. Candover and Reliance could not agree on a price, a Candover statement said....Fred Kist has joined **Kemper Insurance Cos.** as chief actuary and senior vp of Lumbermens Mutual Casualty Co., a Kemper unit in Long Grove, Ill. Mr. Kist was previously senior vp and chief actuary at CNA Insurance Cos....Glen Allen, Va.-based brokerage **Hilb, Rogal & Hamilton Co.** bought Insurance One Inc., a Rockville, Md.-based insurance agency, for an undisclosed sum. Insurance One, which had \$8 million in gross revenues in 1999, sells property, casualty, life and health insurance and other insurance-related products in the Washington, D.C., area.

Atlanta Dallas Chicago London

1-800-CARVILL

Royal & SunAlliance28
SEIP20
Zurich Reinsurance Int'l7

that the first Amendment prohibits the application of federal and state wiretapping laws against people who were not involved in the original wiretapping. **BI**

ONLINE REINSURANCE GE Frankona Re has launched a service that enables European brokers to use the Internet to place some business with the reinsurer. Called RIO for Brokers, the new online tool will allow brokers to place some standardized reinsurance coverages, such as original-loss warranties, according to a statement from the Munich, Germany-based affiliate of Employers Reinsurance Corp. The contracts for the coverage obtained through RIO for Brokers will be legally binding, and coverage notes can be printed out immediately. In January, GE Frankona Re set up a similar system for direct business, called RIO.

SYNDICATE CLOSINGS Crowe Insurance Group, which manages six Lloyd's of London syndicates, announced last week that it is closing down aviation syndicate 53 and marine syndicate 1121 at the end of the year. Syndicate 1121 was one of 19 managed by various agencies that were told by Lloyd's regulators in July that they needed to increase their capital for the 2001 year of account. (BI, July 10). Crowe Syndicate Management Chief Executive Officer Andrew Wallace said in a statement that the runoff of the two syndicates is "part of a far-reaching review and rationalization program" begun last November to improve profitability and strengthen management across the group. The changes include raising the capacity of certain other Crowe syndicates.

LOCAL GOVERNMENT EVALUATIONS The St. Paul Cos. have established a risk management grant program for 25 members of the International City/County Management Assn. that will provide onsite evaluation of a city or county's loss control practices. The evaluation will include a review of the local government's loss control program and its management. It will examine the

entity's automobile loss control, employment practices, law enforcement, jail or detention facilities, parks and recreation areas, as well as its streets and roads department and its water and sewer department. Following the assessment, the St. Paul, Minn.-based insurer will provide the management of the city or county with an analysis of its current loss control efforts and a comparison of its programs to those used by other public entities that have low loss frequencies. The grants will be awarded on a first-come, first-served basis to public entities that meet two criteria; the local authority must have a population of 7,500 or more, and at least one ICMA member must work in its government. The ICMA, a professional and educational organization, represents appointed managers and administrators in local governments throughout the world.

AETNA DIVESTITURE Aetna International Inc., a unit of Aetna Inc., announced last week that it has reached an agreement to sell its 49% interest in its Mexican banking, pension and insurance joint ventures to its partner, Grupo Financiero BBVA Bancomer. GFBB and its affiliates will buy all of Aetna's interest in AFORE Bancomer, Seguros Bancomer and Pensiones Bancomer for \$693 million. The sale is expected to close in the fourth quarter of 2000. The sale is part of Aetna's plan to shed its international business to focus on U.S. health care, an Aetna spokesman said. Seguros Bancomer sells personal lines auto, homeowners, group life and group health insurance directly and through Bancomer's bank branch network. AFORE Bancomer provides pension products and services, while Pensiones Bancomer sells annuities.

WEB-BASED TRAINING Marsh & McLennan Cos. Inc. is offering its clients a new Web-based safety and risk management

training service. Trainamation, a San Francisco-based unit of Marsh, provides employers with a host of training courses that are delivered to employees' desktop computers. The system measures outcomes through testing and provides updates of safety regulations, among other functions. Among the initial offerings from Trainamation are courses titled Bloodborne Pathogens, Confined Space Entry, Forklift Safety, Hazard Communications, Travel Security and Workplace Violence Prevention.

CALIFORNIA HIV MANDATE Beginning in January, health maintenance organizations operating in California must refer HIV-infected patients to doctors with expertise in treating AIDS. The referrals are mandated in a law that was signed earlier this month by Gov. Gray Davis. The legislation was sponsored by Assemblyman Martin Gallegos, D-City of Industry, at the urging of the Los Angeles-based AIDS Healthcare Foundation. The organization called for the measure because indigent patients treated by specialists at its seven clinics often fare better than do insured patients treated by some HMOs, a foundation spokesman said. The medical community does not currently recognize AIDS treatment as a specialty practice, the spokesman said. Consequently, he said, there is now no certification for such specialists. But the spokesman noted that the law is in effect until 1994, and he said that a movement is under way to get the American Medical Assn. to recognize AIDS treatment as a practice specialty.

GALLAGHER MAKES BUYS Arthur J. Gallagher & Co. recently acquired three companies. In separate deals, the terms of which were not disclosed, the Itasca, Ill.-based broker purchased Atlantic Risk Management Corp. of Baltimore; Murphy Consultants of Elgin, Ill.; and R.G. Speno Inc. Insurance Brokerage of Cupertino, Calif. Atlantic Risk Management offers risk management, property/casualty, surety and group benefit products to commercial clients, with an emphasis

on the construction and technology industries. The current staff will continue its operations in its present location under the direction of John Stancik, Gallagher's eastern regional manager. Murphy Consultants specializes in group, health and life products and services for private-sector clients. Its staff will continue operations from its present location under the direction of Jim Durkin, president of Gallagher Benefit Services Inc. R.G. Speno provides commercial property/casualty, surety and risk management products and services to the construction industry, and its staff will continue operations out of the Cupertino location under the direction of Thomas Gallagher, president of Gallagher's Lamberson, Koster & Co. subsidiary.

MORE TIRES RECALLED Continental General Tire Inc. last week announced a recall of tires used on about 40,000 Lincoln Navigator sport-utility vehicles made by Ford Motor Co. According to a spokesman for Dearborn, Mich.-based Lincoln, a division of Ford, there have been reports of tread from the tires breaking off. Although one incident involving a minor injury has been reported, there have been no reports of serious accidents, serious injuries or fatalities, the spokesman said. A joint statement issued by Charlotte, N.C.-based Continental General Tire

and Lincoln said that officials of both companies last Tuesday met with the federal National Highway Traffic Safety Administration to review the tire company's warranty and claims experience in the field for 1998 and 1999 Lincoln Navigators with 16-inch ContiTrac tires. Continental General Tire, which is owned by Continental A.G. of Hanover, Germany, did not return calls seeking comment.

To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

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BI Industry Stock Report SEPT. 18, 2000, THROUGH SEPT. 22, 2000

BROKERS	Price	Weekly % change	Year to date % change	Year to date			Price	Weekly % change	Year to date % change	Year to date			Price	Weekly % change	Year to date % change	Year to date							
				High	Low	Vol.(000)				High	Low	Vol.(000)				High	Low	Vol.(000)					
Aon Corp.	NYS	37.31	-2.61	-6.72	42.75	20.69	4837	Frontier Insurance Group	NYS	0.75	0.00	-78.18	12.38	0.28	1885	UNUM Corp.	NYS	25.00	7.53	-22.03	37.75	11.94	4208
Brown & Brown	NYS	29.56	0.21	54.32	30.75	15.38	117	Gainsoo Inc.	NYS	4.00	1.59	-25.58	6.94	3.69	444	Vesta Insurance Co.	NYS	5.06	3.85	30.65	7.88	3.44	166
Clark Bards Holdings	NDO	10.81	-2.26	-24.78	21.00	8.50	21	Harleysville Group	NDO	18.88	-3.2	32.46	19.75	11.63	336	XL Capital Ltd.	NYS	73.00	3.00	40.72	74.63	39.00	284
E.W. Blanch Holdings Inc.	NYS	21.00	5.00	-65.71	70.75	16.56	318	HSB Group Inc.	NYS	40.13	0.00	18.67	40.63	21.50	545	Zenith National Ins.	NYS	22.19	-3.79	7.58	24.94	18.75	33
Gallagher Arthur J. & Co.	NYS	56.69	2.14	75.10	56.75	3.06	532	HCC Insurance Holdings	NYS	21.56	0.29	63.51	22.94	8.00	335	INSURERS/REINSURERS	AVERAGE	1.05	7.93				
"Hib, Rogal & Hamilton"	NYS	41.81	2.29	48.01	42.13	23.75	54	ING Group N.V.	NYS	63.88	0.59	4.71	69.94	46.81	466								
Kaye Group Inc.	NDO	8.13	0.00	-2.99	11.88	5.00	3	IPC Holdings Ltd.	NDO	17.88	9.16	20.17	22.50	9.75	82								
Marsh & McLennan	NYS	129.38	3.92	35.21	129.38	61.75	3485	Hartford Financial Services	NYS	68.94	0.36	45.51	71.44	29.38	3929								
								John Hancock Financial Services	NYS	26.13	-3.9	53.68	29.13	13.44	3963								
								LaSalle Re Holdings Ltd.	NYS	18.00	3.23	9.09	19.38	10.88	79								
								Lincoln National	NYS	52.19	-0.12	30.47	56.38	22.63	3388								
								MAIC Holdings Inc.	NYS	12.06	0.52	-43.07	26.19	10.00	83								
								Market Corp.	NYS	145.50	-1.15	-6.13	185.50	111.50	62								
								MBA Insurance Group	NYS	68.06	-1.16	28.88	71.00	36.31	1293								
								Meadowbrook Insur. Group	NYS	4.25	-4.22	-35.24	13.00	3.94	150								
								MetLife	NYS	24.75	0.76	73.66	25.94	14.25	7426								
								Mutual Risk Mgmt. Ltd.	NYS	21.50	2.36	27.88	28.31	9.81	260								
								Navigators Group	NDO	12.00	0.00	23.08	14.25	8.63	34								
								NYMagic Inc.	NYS	15.06	0.42	14.22	15.75	12.25	6								
								Ohio Casualty Corp.	NDO	6.97	-0.45	-56.61	18.31	6.50	896								
								Old Republic Int'l	NYS	28.00	0.46	90.83	27.06	10.63	2416								
								Partner Re Ltd.	NYS	46.88	-1.06	44.51	48.00	28.38	901								
								Penn-America Group Inc.	NYS	7.13	-3.39	-8.06	9.75	6.63	18								
								PMA Capital Corporation	NDO	17.69	4.04	-11.01	20.50	15.50	72								
								Philadelphia Cons. Holding	NDO	18.06	7.45	24.57	18.88	10.81	256								
								PXRE Corp.	NYS	16.00	9.40	23.08	17.56	9.94	411								
								Reliance Group Holdings	NYS	0.16	0.00	-97.64	7.75	0.13	1729								
								ReiaStar Financial Corp.	NYS	53.94	0.00	37.64	53.94	23.75	2055								
								RenaissanceRe Holdings Ltd.	NYS	57.88	11.57	41.59	57.88	33.19	564								
								RLI Corp.	NYS	38.00	-1.14	11.76	39.63	26.25	173								
								St. Paul Cos.	NYS	50.56	3.59	50.09	51.51	21.31	4223								
								SCOR	NYS	41.81	0.75	-5.51	53.63	38.38	23								
								SAFECO Corp.	NDO	26.75	2.88	7.54	37.06	18.00	2309								
								SCPIE Holdings Inc.	NYS	21.06	-0.88	-34.44	36.64	19.00	NA								
								Seibels Bruce Group	NDO	0.94	0.00	-46.43	3.68	0.53	58								
								Selective Ins. Group	NDO	17.66	1.62	2.73	20.58	14.63	256								
								Tokio Marine & Fire	NDO	51.75	2.22	-12.47	67.00	45.00	99								
								Torchmark Corp.	NYS	28.00	-0.22	-3.66	36.00	18.75	925								
								Transatlantic Holdings	NYS	90.69	-1.36	16.17	93.25	68.75	43								
								Trenwick Group Inc.	NYS	18.25	7.35	7.75	23.63	12.00	713								
								Unico American Corp.	NDO	6.63	-3.64	-5.36	9.25	4.50	3								
								United Fire & Casualty	NDO	17.00	-11.11	-24.86	23.38	15.50	20								
								Untrin	NDO	31.25	4.06	-16.94	39.75	27.19	384								



Top advancing issues: Sierra Health Services, RenaissanceRe Holdings Ltd., PXRE Corp. Leading decliners: Pacificare Health Sys., United Fire & Casualty, Acceptance Insurance. Most active issue: Citigroup. The BI Index decreased 0.04%; the Dow Jones Industrial went down 0.7%; the S&P 500 dropped 1.2%, and the NYSE Composite went down 1.5%. Average P/E: Brokers, 22.9; Insurers/reinsurers 24.6; HMOs, 14.5.

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