

Business Insurance

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

Entire contents copyright 1997 by Crain Communications Inc. All rights reserved.

Hawaiian firms win exemption from reciprocal beneficiary law

HONOLULU—Some of Hawaii's largest employers have reached an agreement with the state that will exempt them from a law that calls for health insurance benefits to be extended to anyone an employee names as a beneficiary.

The employers filed suit July 11 in federal court to enjoin the state from enforcing the portion of the new law that applies to health benefits (BI, July 21). Employers argued that the law, designed to extend benefits to domestic partners, could force them to cover

See Updates on next page

Plaintiff strategy may trim costs of diet drug suits

Coordinated action sought in litigation

By JOANNE WOJCIK

The litigation strategy used by plaintiffs alleging injury from diet drugs recalled this month could lead to an earlier and less costly resolution of product liability suits filed in federal

Drug Administration released new data showing that as many as 32% of 291 people tested after taking either of the drugs in combination with phentermine developed heart-valve abnormalities.

Those side effects were not found in either drug when the FDA approved them for use individually.

Studies released in July by the Mayo Clinic found that either of the drugs, when used in combination with phentermine, may cause serious heart damage. That combination of drugs was prescribed to 18 million Americans last year. The lawsuits allege that the company began marketing the diet-drug combination in the early 1990s "as being safe for human use" and having "fewer side effects and adverse reactions than other methods of weight loss." The combination was prescribed until the recall.

So far, class-action lawsuits seeking unspecified amounts for medical monitoring as well as general and punitive damages have been filed in federal courts in seven states: California, Illinois, Georgia, New York, Utah, Colorado and Hawaii.

Rather than seeking class-action certification from federal courts in each of those jurisdictions, plaintiffs' lawyers last week jointly filed an application with the Judicial Panel on Multidistrict Litigation in Washington seeking to consolidate the lawsuits, being commonly called either Fen-Phen or Redux cases.

Many of the plaintiffs lawyers likely became familiar with the MDL procedure after having been exposed to it in both the silicone breast implant litigation against Dow Corning Corp. and in the Norplant contraceptive cases against Wyeth-Ayerst. Most of

See Drugs on page 37

Sears will scale back some retiree benefits

By ROBERT KAZEL

HOFFMAN ESTATES, Ill.—Sears, Roebuck & Co., for decades known for the generosity of its employee benefit plans, is cutting back.

The nation's second-largest retailer said last week that employees who retire after 1999 no longer will be eligible for the company's contribution to premiums for a supplemental health benefits plan when they become eligible for Medicare at age 65.

The plan provides prescription drug coverage, an extremely valuable benefit to retirees, because Medicare does not cover drugs except to patients while being treated in a hospital. It also provides some home health care benefits.

In addition, life insurance for some retirees is being cut back. Retirees now get an average of \$17,000 in insurance, Sears executives said. Those who re-

See Sears on page 37



PHOTO: STEVE LEONARD

Hoffman Estates, Ill.-based Sears says its retiree benefits remain competitive in the retail industry.

Former UFG execs indicted on charges of premium fraud

By DOUGLAS McLEOD

NEW YORK—Two years after the collapse of broker Underwriters Financial Group Inc., three former UFG officials and another man are facing charges that they diverted more than \$18 million from clients and premium finance companies in a desperate effort to keep the brokerage afloat.

A federal grand jury this month returned an 82-count conspiracy and fraud indictment against former UFG Chairman Donald Fer-

rarini, former Executive Vp Bruno Rumignani and Everett Vieira, a UFG-employed financial consultant. Also named is A. Michael Kagan, a former senior vp of one of the defrauded premium finance companies.

The indictment—which levels varying charges against each of the defendants—generally alleges that they conspired to embezzle client premiums and arrange fraudulent premium finance loans in the names of policyholders who knew nothing about the loans.

Mr. Ferrarini and Mr. Ru-

mignani also are charged with defrauding UFG stockholders and filing bogus financial statements with the Securities and Exchange Commission.

In a separate indictment, Mr. Ferrarini also is charged with bank fraud for allegedly lying to a mortgage lender about support and other payments he owed his ex-wife. A New York bank loaned Mr. Ferrarini \$349,600 for a Manhattan apartment after he gave the bank a doctored copy of a separation agreement that concealed

See UFG on page 30

Deregulation advances NAIC defines buyers who will benefit from fewer rules

By MEG FLETCHER

WASHINGTON—Members of the National Assn. of Insurance Commissioners are struggling with how to define insurance buyers sophisticated enough to be exempt from various state law protections.

The regulators reviewing a proposal for deregulation of commercial insurance currently are considering a two-tiered model, in which one tier of buyers would be

exempt from broader regulation. State insurance regulators also are seeking comment by Oct. 15



on a more detailed and better organized draft of an NAIC position paper on streamlining commercial insurance regulation.

The deregulation issue was discussed during the fall quarterly

meeting of the National Assn. of Insurance Commissioners, held last week in Washington.

Regulators are expected to consider a variety of factors in defining what the draft now calls "large commercial buyers," which states should exempt from form, rate and market access regulations, according to the proposal. Regulators also must define parameters for a second-tier of buyers who would be exempt from

See NAIC on page 28

An Important Message To Patients Who Have Used Pondimin® (fenfluramine hydrochloride) tablets C-V Or Redux™ (dexfenfluramine hydrochloride capsules) C-V

Wyeth-Ayerst Laboratories would like to inform you of a voluntary and immediate withdrawal from the market of the weight loss medications Pondimin® (fenfluramine hydrochloride) tablets C-V and Redux™ (dexfenfluramine hydrochloride) capsules C-V.

Wyeth-Ayerst is taking this action on the basis of new, preliminary laboratory information that indicates that the combination of these medications, even though this combination is not marketed from a strength of 100 mg, may be associated with a higher risk of heart valve disease. The combination of these medications is marketed in the United States as Fen-Phen.

On Friday afternoon, September 12, 1997, the U.S. Food and Drug Administration (FDA) announced that it had received information from Wyeth-Ayerst with new scientific information concerning abnormal heart valve findings in patients without previous valve disease who had used fenfluramine or dexfenfluramine for up to 24 months, and who had contributed to the development of the combination of these medications.

On the basis of the unexplained questions generated by emerging findings, we are now conducting an urgent review of the safety and effectiveness of the combination of these medications. We are currently conducting a thorough review of the data and reviewing additional studies to address this situation. We will work closely with the FDA, as well as with our health care providers and patients.

Patients who have used either Pondimin or Redux should contact their physicians or health care providers immediately to discuss their situation. If you require additional information, please call 1-800-862-2718.

© 1997 Wyeth-Ayerst Laboratories

Wyeth-Ayerst ran ads in major newspapers announcing its voluntary recall.

al court, legal experts say. Meanwhile, Wyeth-Ayerst Laboratories, manufacturer of one of the drugs, has appointed a Harvard cardiologist to chair an expert panel on issues related to the popular diet drugs. Dow Corning Corp. took a similar step in 1992 when it hired former U.S. attorney general Griffin Bell to review the development, production and marketing of silicone breast implants.

Wyeth-Ayerst, a division of Madison, N.J.-based American Home Products Corp., voluntarily removed Pondimin, or fenfluramine hydrochloride, and Redux, dexfenfluramine hydrochloride, from the market Sept. 15 after the U.S. Food &

TO SUBSCRIBE CALL

1-800-678-9595

Marine Market Report
Plus NAPSLO conference coverage inside

Updates

Hawaiian employers win battle

Continued from previous page

beneficiaries with no relationship to an employee. The employers' suit argued that Hawaii's law runs afoul of the federal Employee Retirement Income Security Act of 1974 that pre-empts state laws that relate to employee benefit plans.

A stipulated judgment reached last week with Attorney General Margery Bronster does not address the ERISA merits of the issue. Instead, the attorney general agreed to limit the state's interpretation of the law so that it applies only to employees covered by traditional indemnity plans, said John J. D'Amato of the Honolulu firm D'Amato & Maloney.

Of 320,000 people covered by employer-provided health care plans in Hawaii, only 1,800 are covered by traditional indemnity plans from insurance companies, Mr. D'Amato said. The vast majority are covered by health maintenance organizations and a mutual benefit society.

The agreement received court approval Friday.

"We wanted a timely resolution on this issue," Mr. D'Amato said. "The law is ambiguous. It is not very well drafted, and we felt this could drag on for a very long time."

Groups urge care standards

WASHINGTON—Managed care plans should have to meet legally enforceable national standards to assure that consumers receive health care and that trust is restored to the health care system, according to a coalition of three health maintenance organizations and two patient advocacy groups.

In a "preliminary statement of principles for consumer protection," the group laid out 18 consumer protection principles at a Washington news conference last week. The principles include, among other things, that: health care services are accessible 24 hours a day, seven days a week; individuals enjoy a choice of health plans; strong protections be in place against improper exposure of individual medical information; plans cover emergency care; loss ratios be disclosed; discrimination be prohibited; and health plans and provider groups should develop written standards similar to those used by the National Committee for Quality Assurance for hiring and contracting with physicians, other providers and health care facilities.

"The principles are called 'preliminary' because the health plans and consumer organizations are continuing discussions about a number of issues that are not included in this enumeration, including appropriate mechanisms for member grievances and appeals and the appropriate locus for oversight of health plan standards," the group said in a statement accompanying the principles.

The principles were put forth by the American Assn. of Retired Persons; Families USA; Group Health Plan Cooperative of Puget Sound; HIP Health Plan of New York; and Kaiser Permanente.

The Blue Cross & Blue Shield Assn. responded to the call for legally imposed national standards by urging "decision-makers to exercise caution in considering federal health care standards that would give the federal government new and wide-ranging power over private sector health care plans."

Flex plan guidance offered

HARRISBURG, Pa.—The state of Pennsylvania last week officially confirmed that a broad measure signed into law in May exempts employees from being taxed on contributions made to flexible benefit plans to cover their health care premiums and expenses.

"This sends a solid message to employers to get your systems changed," said Chip Kerby, a principal with William M. Mercer Inc. in Washington.

The guidance, provided on the state's site on the World Wide Web—<http://www.revenue.state.pa.us/start.htm>—makes clear that the law exempts from the state's 2.8% income tax all major types of flexible benefit plans, including premium conversion plans, flexible spending accounts and plans that give employees a choice of applying credits that can be cashed out or used to "purchase" health care benefits that employers give certain values. The credits themselves would not be taxed if used to purchase health care coverage, but they would be taxed if taken as cash.

While the legislation making these changes was enacted in May, some employers awaited official guidance before making any changes to their tax withholding systems. The law is retroactive to Jan. 1.

The change in law, though, does not apply to contributions for dependent care, which are typically funded through employees' contributions to FSAs. Those contributions still will be considered aftertax under Pennsylvania law.

The state is encouraging employers that have not already adjusted their withholding rates to make the necessary reductions in withholding for the remaining months of 1997 for employees to offset the over-collection of taxes that have resulted from the law's retroactive effective date.

See Updates on page 38

Errors & omissions

- An item in the Sept. 22 issue about the proposed merger of accounting giants Coopers & Lybrand L.L.P. and Price Waterhouse L.L.P. did not make clear that a joint risk management consulting venture between Price Waterhouse and broker Sedgwick Group P.L.C. only operates in the United Kingdom.

- Dow Corning Corp. has reached settlements with its insurers totaling approximately \$1.2 billion to respond to its silicone breast implant liabilities. This figure was incorrectly reported in the Sept. 1 issue of *Business Insurance*.

- Due to an editing error, information was omitted from the Gerling Global Reinsurance Group listing in the Sept. 1 Directory of Worldwide Reinsurers. The Specialties section should have read: "All classes of risks, including financial reinsurance and financial products." In addition, Peter A. Gentile, President/CEO-Gerling Financial Products Inc., 212-745-0741, was omitted as a contact.

Government seeks input on COBRA guidelines

By JERRY GEISEL

WASHINGTON—Eleven years after Congress passed the COBRA health care continuation statute, a federal agency is asking if it is time to issue new regulations and guidance on how employers should communicate the benefit to employees.

Last week, the Labor Department issued a request for information to help the agency decide

whether it should draft new rules to "explicate" COBRA's numerous notice requirements that kick in when employees are hired, when an event occurs that entitles them to coverage and during the period when they can elect COBRA coverage.

In particular, the Labor Department wants to know if it should revamp a model notice issued shortly after COBRA's enactment in 1986 that employers can use to

explain COBRA benefits to newly hired employees.

The department also is requesting comments on whether it should prepare a second model notice that employers could use to explain to employees and spouses their right to obtain COBRA coverage after a qualifying event, such as termination of employment, the death of an employee or a divorce or marital separation.

See COBRA on page 36

'Junk science' case part of thin business docket

By MARK A. HOFMANN



WASHINGTON—The Supreme Court will decide in its upcoming term how wide courtroom doors must open to what some people have branded "junk science."

But *General Electric Co. vs. Robert K. Joiner* is one of relatively few cases of interest to employers carried over into the high court's 1997-98 term. In fact, only about one-third of the 43 cases accepted but not decided during the court's last term involve business issues, pointed out legal experts at two Supreme Court previews last

week.

Although the justices won't announce which additional cases they will hear until next week, they probably will accept relatively few other cases for review if they continue their practice of recent years.

In addition to the "junk science" case, other cases the justices already have agreed to hear involve:

- Whether same-sex sexual harassment charges can be brought under Title VII of the Civil Rights Act of 1964.

- The scope of the federal Age Discrimination in Employment Act.

- Whether a company can be sued by a citizens' group under the Emergency Planning and Community-Right-to-Know Act if it complies with the act's re-

See Court on page 38

Mergers challenge NAPSLO

By JOANNE WOJCIK

ORLANDO, Fla.—Insurance industry consolidation is producing a mixed bag of opportunity for the surplus lines market.

Long-term relationships are being disrupted as merging companies close and consolidate redundant offices.

At the same time, small companies that can move quickly may be able to capture the business of buyers who don't like dealing with megabrokerages.

"There are going to be fewer suppliers and channeling partners to distribute the products through," observed President Paul Springman of the National



Assn. of Surplus Lines Offices Ltd. during an interview that preceded a panel discussion titled "Mergers & Acquisitions: Good for the Industry."

The panel was featured during the annual NAPSLO conference earlier this month in Orlando, Fla.

"When your top four reinsurance brokers become one, there's a difficulty," observed Edwin M. Millette, president of TIG Reinsurance Co. in Stamford, Conn.

Insurers that merge are likely to increase their net retentions and buy less reinsurance, he added.

See NAPSLO on page 24

RIMS streamlining its staff

By MICHAEL BRADFORD

NEW YORK—The Risk & Insurance Management Society Inc. is slightly leaner after recent staff cuts, but it plans to add staff in new positions next year.

The society recently trimmed six support staff positions after a review of its operations revealed redundancies in a few ar-



reas, explained Linda H. Lamel, executive director of New York-based RIMS.

In addition to the cuts, RIMS has made a change in its general

counsel's office. Patricia Vaughan, formerly associate general counsel, was named general counsel.

She assumes the title formerly held by Paul Brown, who was general counsel and director of government affairs and legal services. Ms. Vaughan will report to Mr. Brown, who remains in the gov-

See RIMS on page 35

Inside

- President Clinton is taking a prudent path in reforming health care incrementally, but some administration ideas are ill-advised, this week's editorial says. **PAGE 8**

- Hannover Reinsurance Co. will pay more than \$139 million for a large portion of Skandia International Insurance Co.'s reinsurance books. **PAGE 31**

- Willis Corroon will take a 30% stake in the company to result from the merger of Jaspers Industrie Assekuranz GmbH & Co. KG and Wuppesahl & Co. **PAGE 35**

Departments

Advertiser Index36
Ask A Benefit Manager23

Classifieds34
Global Briefs31
Insurance Services Guide32
International31
Letters8
Opinions8
Ticker39

Business Insurance (ISSN 0007-6864) Vol. 31, No. 39, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$87 a year in U.S. \$105 in Canada and Mexico (includes GST). All other countries \$205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1997 by Crain Communications Inc.



PHOTO: PHOTODISC

Marine Market Report

World's marine hull underwriters waiting for their ship to come in

By EDWIN UNSWORTH

Marine hull insurance buyers may soon see an end to the bargain priced rates and terms they've enjoyed in recent years as speakers at the International Union of Marine Insurers' conference urged underwriters to return to responsible underwriting and harder rates or face losing money.

IUMI President Nicholas Adamantiadis, who is also a marine underwriter with Athens, Greece-based Hellas Insurance Co. S.A., opened the IUMI conference with a warning that, "Since last year we have witnessed competition that has gone a little bit out of con-

trol."

Figures compiled by IUMI from 42 responses of its 48 member national marine insurance associations and re-



leased for the first time at the conference earlier this month in Paris show their combined hull underwriting premiums in 1995 were \$4.97 billion, down 11.2% from 1994.

The New York-based American Institute of Marine Underwriters produced statistics showing that total U.S. marine net premiums improved again in

1996 to \$1.24 billion from \$1.22 billion in 1995. However, the combined ratio from all lines deteriorated slightly over the same period to 91.6% from 91.2%.

Peter Christmas, chairman of IUMI's Ocean Hull Committee, wrote in the annual report presented by the committee to the IUMI gathering that hull rates globally "have fallen rapidly and progressively" since their peak in 1994.

His report said that based on the profit declared by hull underwriters during these years and the general levels of reduction in price, "it is likely that on a gross basis, underwriters would generally return a loss in 1996."

Mr. Christmas, also a marine underwriter with Lloyd's syndicate 735, also said in his report that despite this fall

See Hull on page 12

Market seeks anchor against rate declines

By MICHAEL BRADFORD

U.S. marine insurers are hoping that risk managers won't decide to use a chaotic marketplace as leverage to demand lower insurance rates. A "short-term concern is that risk managers will use the combination of the extremely soft market, brokers' anxiety and market disruption to further reduce their costs," said Richard J. Decker, vp and product line officer for CIGNA Property & Casualty's ocean marine unit in Philadelphia.

Such a move "would be shortsighted, because to the extent actions like that weaken the business, we will not be able to provide the very necessary services as the margins disappear," Mr. Decker said during a presentation at the Houston Marine Insurance Seminar earlier this month.

Risk managers are buying coverage from a U.S. market marked by intermediaries consolidating and cutthroat pricing, Mr. Decker remarked, and some worry risk managers may take advantage of eager brokers and insurers.

Policyholders, meanwhile, are watching insured values rise as they scramble to add new equipment to keep up with the booming demand for oil and gas.

Offshore drillers and oil service companies are seeing good times for a change, said C. Russell Luigs, president and chief operating officer of Global Marine Inc. in Houston.

Mr. Luigs, who made a separate presentation at the Houston seminar, said the demand for hydrocarbon products is "beyond anything we've ever seen." Excluding the former Soviet Union, consumption of those products—oil, gas and natural gas liquids—is up 30% over the past 10 years, he said. "And that is a monumental number. Thirty percent growth is a tremendous growth rate."

While increasing demand in the past could be met by "opening valves," tapping existing stores of hydrocarbons will not meet future needs, Mr. Luigs said. New drilling will have to produce additional sources of petroleum.

The boom has left energy companies hurting for equipment that is in short supply. Building or replacing it means insured values are rising, Mr. Luigs pointed out.

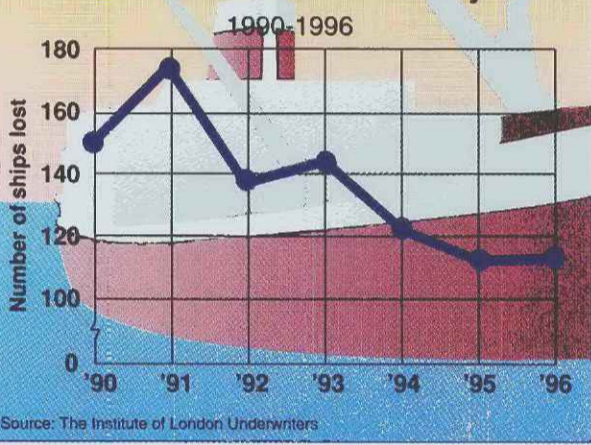
Only 48 rigs are idle, he said, compared with 340 on the sidelines in 1986. Of the 48, only four are ready for service, and those aren't beauties, Mr. Luigs said. Another 31 are being prepared for service, and the rest aren't usable.

He said rising revenues are enabling oil and gas companies to buy needed equipment and pay the additional premiums for the higher insured values. "The amount of equipment to be insured is going up, and the ability to pay the premium is going up correspondingly," Mr. Luigs said.

To illustrate the increase in values at risk, a "standard, relatively small," 250-foot cantilevered jack-up rig commonly used in the Gulf of Mexico cost \$40 million to build in 1986 but now costs about \$75 million to build, he said.

While insured risks may be rising, energy companies

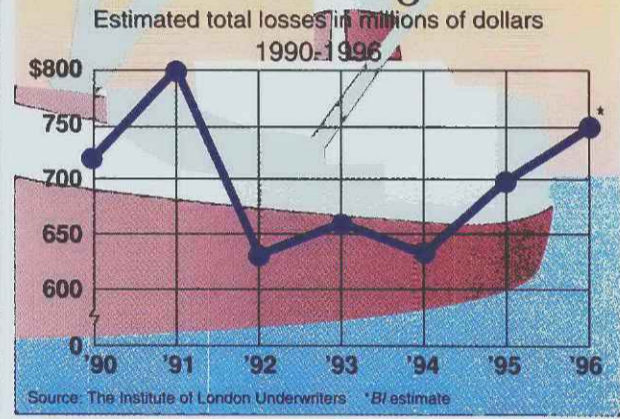
Total losses hold steady ...



Source: The Institute of London Underwriters

GRAPHIC BY ADAM DOI

... while cost of losses still rising



Source: The Institute of London Underwriters *BI estimate

GRAPHIC BY ADAM DOI

Companies focus on oil shipping safety

Higher rates, federal law have focused attention on risk management

By MICHAEL PRINCE

Higher insurance rates and retentions earlier in the decade along with increased costs of cleanups and a 1990 federal law have prompted a heightened focus on loss control in the oil shipping industry.

In the past few years, the oil shipping industry has placed "a greater amount of focus on loss control," noted Paul Bartolo, vp of Center Marine Managers in New York, a hull underwriter.

For at least two major U.S.-based energy companies, though, attention to risk management and loss control has been an important factor without the prompting of costs and regulation.

Part of the reason for the industry drive for enhanced safety is the quadrupling of insurance deductibles for oil shippers from 1992 to 1995. Rates also went up during that time.

"Insurance costs became a very large item to shipowners," Mr. Bartolo said.

The 1989 Exxon Valdez disaster and the consequent passing of the 1990 federal Oil Protection Act contributed to the increased costs, which saw rates and also deductibles go up for many oil shippers.

But for Chevron Corp., safety goes back further than that. Over the past 12 years, Chevron has not spilled more than nine barrels of oil in any year, said a spokesman for Chevron Shipping Co., Chevron's shipping subsidiary in San Francisco.

Chevron's success stems not from a one-shot effort but from continual vigilance, said H.D. Millar, manager of risk management for the San Francisco-based oil company.

The company will support a tanker crew's decision to put safety ahead of a rapid delivery of oil.

"There is no intimidation by management if you make the decision to slow down or hold up from a safety perspective," the Chevron spokesman said.

Focusing on the human aspect in tanker safety will help to prevent spills, said Richard Hobbie III, president of the Water Quality Insurance Syndicate, a New York-based underwriter. He said a WQIS study showed that 90% of oil spills in the 1980s resulted from human error.

Storms or equipment failures cannot be controlled, but "you can reduce the human error to a lower component," he said.

One important change in Chevron's safety procedures stems from the Oil Protection Act.

The law has made spills more cost-

ly. Mr. Hobbie said that since OPA passed, the cost of cleaning up a spill has increased 600% to 700%, as the responsible parties now are liable for the government's cleanup costs.

The law requires new tankers to be constructed with double hulls rather than the single hulls previously used. Double-hulled ships have an inner hull, within which sits the oil, built 13 feet inside the outer hull.

Chevron currently has 12 double-hulled ships in its 36-ship fleet. Four more will be delivered in the next three years.

But the success of double-hulled ships in preventing spills has not been proved, and in a severe accident that penetrates both hulls, a spill will occur, underwriters and shippers said.

"They're not a panacea," Chevron's spokesman said. "The real safety impact is in careful handling," he said.

Owning and operating its own ships also contributes to Chevron's safe operations.

"The best way to manage risk is with our vessels, as we have the best knowledge of them and our operating philosophy," the spokesman said. Chevron does charter some ships in addition to owning its own fleet.

Mobil Corp. of Fairfax, Va., also has maintained a near-perfect

See Safety on page 10



Spotlight report

Market

Continued from previous page
generally are finding coverage is plentiful and reasonably priced in a market awash with surplus. Marine-related businesses are finding the same.

"There is so much surplus that must be put to work that some companies are writing business for the sake of cash flow, or simply riding the market down because they don't know what else to do," said CIGNA's Mr. Decker. "In the long run, we will be doing our customers no favors if we commit mass suicide as an industry."

Capacity is so plentiful, he said, that for some risks it is essentially unlimited. For example, putting together \$1 billion in coverage for cargo risks is easily done, Mr. Decker said.

Marine rates are falling for no good

reason, he noted. If a company has a loss, "the rate doesn't go up; it doesn't even stay the same. One of us comes along and assumes the account has been debugged and underbids on it."

Despite such competitive underwriting, U.S. marine insurers are making money, with combined ratios in the low 90s for the past few years. "It has been very, very profitable for us," Mr. Decker said.

The consolidation of brokers, which has affected risk managers in many more areas than marine exposures, is an indication that those brokers "recognized that the structure of their business could no longer be supported by the diminishing margins, and they took dramatic, sometimes defensive steps to position themselves for the future," he said.

Despite a smaller pool of brokers, risk managers still may place marine business through more than one bro-

ker in the shrinking pool, giving themselves some leverage, Mr. Decker suggested. "What was two brokers is now in many cases one. We can expect several clients to maintain their corporate risk management strategy and bring in another broker to rebalance their buying habits."

Mr. Decker said underwriters are obligated to look out for their clients' needs with regard to the changing distribution system.

"I've heard many underwriters and in fact some second-tier producers express reservations about how large a share of their business is now with one or two producers. They worry that these megabrokers are developing leverage which could be used to force decisions which might not be in the clients' best long-term interests."

Those large brokers could threaten insurers with "do it our way or we will move all of our business," a stance that could damage relation-

ships between the two, Mr. Decker said.

Those underwriter/producer relationships cannot be allowed to deteriorate, he urged. "We as underwriters must be sure that we provide the services and financial products our clients need and make sure that both brokers and clients understand the value that we bring."

Like their insurers, many energy industry policyholders are making money. As they expand, so will their coverage needs.

An indication of their expansion can be seen in the rise in exploration and production expenditures. That spending has risen to about \$83 billion this year from about \$45 billion in 1990, according to figures Mr. Luigs quoted from Salomon Bros. research.

The rise in spending on exploration and production is an "enormous increase not related to oil price," he

stressed.

Indeed, that increase comes as oil prices have remained steady. Except for three short-lived spikes, the cost has hovered around \$19 per barrel since 1990.

As energy companies expand to meet demand, underwriters must recognize their particular needs and respond with products and services to meet those demands, said Mr. Decker of CIGNA.

"It's been our experience that the large, sophisticated clients with professional risk managers have complex risk management programs where they retain more risk," he said.

Those clients often use captives, large deductibles and other self-insurance approaches to cover their exposures, he added. "In many of these complex programs, marine insurance may not even be considered a separate risk. It may simply be one of a number of risks which are bundled together in the same program. Effectively managing the needs of a client like this will include the ability to unbundle services like claims, loss control, salvage and recovery."

Mr. Decker said risk managers' changing buying habits are having an effect on the reinsurance market.

"Our clients, especially the larger clients, are no longer transferring as much of their risk to us. Especially predictable, low-level exposures," he explained. "Also, we the underwriters are retaining more of our own risk and reinsuring less."

That leaves the reinsurance markets with diminishing revenues, Mr. Decker noted. "Having amassed capacity, they are looking for ways to employ it and grow their business. We are seeing the result of their creative survival instincts manifest itself in several different ways."

Reinsurers are supporting managing general agencies with their capacity, he pointed out. "Some have looked to directly access the client through active captive management and reinsurance of the captive. Other

See Market on page 6

Meeting dampened

HOUSTON—There was plenty of water at the Houston Marine Insurance Seminar earlier this month.

Near-constant rain kept more than 1,100 registrants indoors at the Westin Galleria in Houston for most of the Sept. 21-23 event.

The annual seminar is sponsored by Marine Insurance Seminars Inc., a non-profit organization that donates proceeds from the event to schools for scholarships and programs that encourage the study of marine insurance and admiralty law.

The rainy weather kept attendees in their seats for speakers who provided overviews of the London, Bermuda and U.S. marine insurance markets; a look at the state of the oil and gas industry; an update on operational changes at the Port of Houston; and other topics.

Next year's seminar is scheduled for the same location and will be held Sept. 20-22. More information is available from Charles Flournoy at John L. Wortham & Son L.L.P., P.O. Box 1388, Houston, Texas 77251-1388; 713-526-3366.

NOTHING NEW?

Don't listen if they try to tell you that there's nothing new under the sun. New ideas are being born all the time at First State. New products. New services. New combinations. Ideas born out of a great diversity of experience in risks that span the gamut from construction to transportation to health care facilities to professional liability. Wonder what's new? Take a closer look at First State.

FIRST STATE

First State Management Group, Inc. 150 Federal St. Boston, MA 02110 www.firststateins.com
An affiliate of THE HARTFORD
Atlanta Boston Burlington, NC Chicago Los Angeles New York San Francisco

**A
step
ladder
tips over.**

CAUSING A FALL. THE

INJURED EMPLOYEE RECEIVES

EMERGENCY CARE AS THE ACCIDENT
IS REPORTED TO A REGISTERED NURSE.

AN OCCUPATIONAL SPECIALIST IS SELECTED.

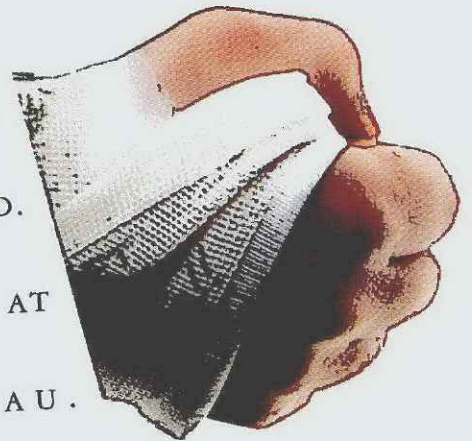
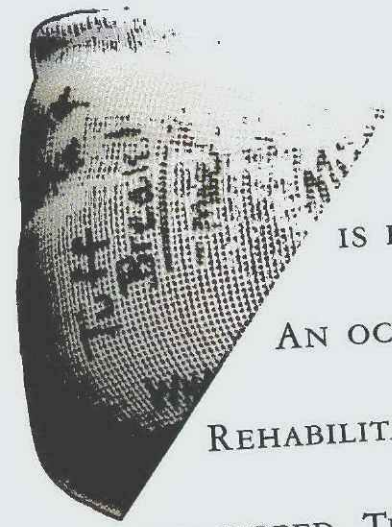
REHABILITATION AND RETURN-TO-WORK PROGRAMS

DEVELOPED. THE EMPLOYEE RETURNS TO WORK SOONER.

LOSS COSTS LOWERED, LITIGATION MINIMIZED.

THANKS TO THE EXPERTS AT

WAUSAU.



The business insurance experts.



Market

Continued from page 4

reinsurers have entered the direct world through financial product schemes and finite risk."

New clients for U.S. marine insurers will likely come from growing, smaller-sized shippers, Mr. Decker said.

"It's important to recognize that we must use our expertise to access not only the largest clients but also those that would be considered midsized or smaller who are producing the major-

ity of the available new business," he said.

Because it can be costly to uncover and serve that market, insurers can form strategic alliances like the ones CIGNA is developing, he said. Such alliances avoid some of the costs involved in seeking out new business.

CIGNA formed INAMAR Insurance Underwriting Agency Inc. last year "in order to allow ourselves the flexibility to change with the markets, make strategic alliances and broaden our distribution sources," Mr. Decker explained.

On Jan. 1, INAMAR allied with

USF&G Corp. in a partnership that allows CIGNA "access to their distribution system and their clients with little or no cost, and they get to offer their clients ocean marine cargo insurance and continue to fulfill all of their clients' needs," he said.

Just because the U.S. marine business is like all business, "very Darwinian—survival-of-the-fittest," doesn't mean insurers have to kill off one another in the process, Mr. Decker remarked. "In many cases we have the better options of educating the market and of forming alliances that deliver value." **BI**

Exxon Valdez teaches insurers a hard lesson

By MICHAEL BRADFORD

Insurers can learn a few lessons from the Exxon Valdez case in effectively dealing with policyholders, according to an attorney for the oil giant.

Some of the acrimony between

Exxon Corp. and its insurers could have been avoided if dealings between the two had involved a little more courtesy and common sense, says J. Donald Bowen, an attorney with the Houston firm Helm, Pletcher, Bowen & Saunders L.L.P.

For example, Mr. Bowen advised insurers, never take as long as Exxon's insurers did to deny a claim.

It took Lloyd's of London attorneys about 19 months to send Exxon a letter denying coverage for the 1989 Alaska oil spill that occurred when the Exxon Valdez supertanker ran aground, he said.

"I guess one of my requests to (insurers) would be, if you truly believe that there's no coverage... don't wait 19 months to deny coverage."

Speaking at the Houston Marine

Insurance Seminar

last week, he told

insurers: "Your

insured de-

serves an early

answer. If you

know there's

no coverage, if

there's nothing

anybody's going to

say to change your mind about that, don't string this process out."

Mr. Bowen said that "the lead underwriter, a very intelligent and capable man, upon hearing about this disaster said that he knew within minutes... that there would be no coverage" under Exxon's global corporate excess policy.

"And the reason he knew that was because he was confident" the loss would be covered by the International Tanker Indemnity Assn. Ltd., a Bermuda protection and indemnity club.

That \$400 million in coverage was paid several months after the spill.

Richard Youell, the Janson Green Marine Syndicate underwriter Mr. Bowen referred to, responded in a telephone interview that it was understood by underwriters soon after the accident that pollution coverage was excluded from the global policy and was covered under the ITIA policy.

"That was not a unilateral statement by underwriters" denying coverage, he added. "Underwriters on Day One acknowledged their possible exposure in the loss of the vessel and cargo," even with that coverage.

Exxon also filed claims under the global policy written in European and U.S. markets. The coverage was written to limits of \$600 million with large deductibles and covered Exxon affiliates for property/casualty risks.

The letter that arrived 19 months later listed 33 reasons why the coverage would not respond to losses.

That kind of response is "the thing that gives your market a bad name," Mr. Bowen said. "It makes people feel like you will delay paying even a legitimate claim," while holding on to the money that draws interest for the insurer and not the policyholder.

Mr. Bowen said it peeves policyholders to get a denial letter from an attorney instead of the insurer. "You are the insurer. You've taken the premiums. You have either written the policy or you have agreed to the wording of the policy. Take whatever advice you need from coverage counsel, but you send that letter yourself."

Another mistake, said Mr. Bowen, was that insurers named the firm that had written the letter to head the ensuing litigation. That was a "major mistake" by insurers, and not just because they named attorneys who already had committed one blunder.

See Valdez on page 10

VISIT OUR WEB SITE
AT
<http://www.aau.com>



**THE WAY SOME AVIATION INSURANCE COMPANIES
HANDLE YOUR BUSINESS, MAYBE IT'S A
GOOD THING THEY AREN'T FLYING THE PLANES.**

You know the guys we mean. They stall. They backtrack. They swoop unpredictably from trend to trend. One minute, they're going all out to write certain kinds of business; the next minute, they're off chasing a completely different market.

It's enough to make you reach for the airsick bag. Or, of course, to make you reach for the phone and call AAU.

For 65 years, our approach to aviation insurance has been simple and straightforward. We're committed to providing coverage that's consistent from one situation to the next. Not just based on which way the wind is blowing that day.

In short, not only do we understand the goals you're trying to reach.

We also know the simplest way to help you reach them.



ASSOCIATED AVIATION UNDERWRITERS

Home Office: Short Hills, NJ • Branch Offices: Atlanta • Bedminster, NJ • Chicago • Dallas • Detroit • Kansas City • Los Angeles • New York City • San Francisco • Seattle

RELIANCE NATIONAL'S OCEAN MARINE

Whether your marine insurance requirements call for protecting your risks on land or over water, Reliance National has the capacity and skill to cover a wide array of maritime operations. As a specialty lines carrier, we understand that marine-related classes of business are rather unique and require more than traditional insurance protection. All solutions are designed and tailored with a client's unique objectives in mind. From chemical tankers and offshore drilling units to marinas and research vessels, our experienced underwriters can customize a product that's right for you.

We offer Primary and Excess coverages for the many risks associated with:

- Blue Water Hull
- Ocean/Air Cargo
- Excess Marine Liabilities
- Offshore Energy
- Brown Water Hull
- Brown Water P&I
- Marine General Liability
- Maritime Employers Liability

Where marine insurance and expertise remain unsurpassed...THE CHOICE, Reliance National.



THE CHOICE



Reliance National

A Reliance Group Holdings Company
77 Water Street, New York, N.Y. 10005

For further information
write us or call (212) 858-6602
<http://RelianceNational.com>

Reliance National products and programs underwritten by Reliance Insurance Company, Reliance National Indemnity Company, Reliance National Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of California, United Pacific Insurance Company and/or Reliance Surety Company.

© 1996 Reliance National Insurance Company.

Opinions

Clinton approach on track

IT IS NO SMALL IRONY that almost four years to the day that President Clinton unveiled his overly ambitious health care reform plan—only to have it later collapse in flames—the president now is following a very different strategy for reform.

While President Clinton says his overall goal of achieving universal health care coverage has not changed, how he will accomplish that objective has.

Health care reform, he says, will be achieved one step at a time. This is a common-sense idea he once foolishly discarded but that he has since wisely embraced.

"We couldn't agree more with the president when he says, 'We've got to do it right so we can go on to the next step.'"

Certainly, that incremental approach is the only way to go where even the smallest mistake or miscalculation in a trillion-dollar health care system can wreak horrendous damage, an obvious point but one the administration didn't grasp when it launched its ill-fated crusade for sweeping health care reform in 1993.

Since the collapse of its overreaching plan, the administration has stuck to its one-step-at-a-time-approach to reform with impressive results.

Last year, the administration threw its support behind legislation curbing pre-existing medical condition exclusions, a move that gave a jump start to a languishing measure. Without administration support, that vital piece of health care legislation could well have died.

The Clinton administration's role in advancing health care reform a step at a time also has been evident this year. It helped move legislation opening up Medicare to competition, which will give retirees more choices and save money for the government, retirees and employers.

While the administration's approach is correct, this isn't to say all of its proposals are on the right track.

We are concerned, for example, about President Clinton's suggestion that something needs to be done to assure health care coverage for employees who retire before 65 and are not yet eligible for Medicare.

We are not clear on what exactly the administration has in mind. Given Medicare's still-shaky financial position, surely it cannot afford to also take on the health care bur-



"THAT'S CERTAINLY CREATIVE, BILLY, BUT WE'RE STUDYING REALISM...."

den of early retirees, putting aside whether individuals should be encouraged to retire at such a young age.

And if the administration is suggesting that employers' health care obligations under COBRA—now limited to three years—be expanded to a 10-year responsibility, we think that would cause more harm than good. Expanding COBRA liability would discourage employers, especially smaller companies, from offering any health care coverage.

Other immediate reform objectives make more sense, such as banning so-called gag rules that prevent providers from discussing such things as alternative treatment costs and options.

We think that by approaching health care reform on a step-by-step basis, the White House is clearly on the right track. Even if some of those steps turn out to be false ones, the administration appears far more likely to achieve reasonable and desirable goals this way than by taking a flying leap into oblivion as it did with its over-reaching health care reform plan only a few years ago.

Letters

Ohio comp reforms must be defeated

To the editor: Your Sept. 22 editorial "Campaigning For Comp Reform" was both misleading and wrong on several important points. You castigate labor for being political rather than practical, but it was a "political move" by the Ohio corporate community that motivated their sycophants in the state Legislature to pass S.B. 45 in the first place. The terrible content of that legislation along with the cold shoulder given to workers by legislators resulted in the first referendum challenge to an Ohio law in nearly 60 years.

In detailing the "reforms," you totally missed the reason why labor, injured workers and their advocates have mobilized to defeat this law at the polls on Nov. 4. The net effect of what you call a "broad and significant" reform would be to cut benefits for the vast majority of injured workers through two very questionable tactics.

The first would result from the way Ohio legislators mandated the use of the American Medical Assn.'s Guides to the Evaluation of Permanent Impairment. They decid-

ed to compensate workers for only the "medical" consequences of their injuries while totally ignoring the "economic" effects. The AMA itself warned against the misuse of the Guides when it wrote, "It must be emphasized and clearly understood that impairment percentages derived according to Guides criteria should not be used to make financial awards or direct estimates of disabilities."

The second involved the insidious effort to eliminate from coverage certain occupational diseases, including conditions commonly referred to as "cumulative or repetitive trauma." This would be accomplished by specifically excluding those conditions that occur outside of employment unless one can meet the virtually impossible burden of proving "by a preponderance of the evidence that the disease or condition is characteristic of or peculiar to a particular industrial process, trade, or occupation."

These changes, unless rejected by voters, will allow businesses and corporations to shift the cost of conditions currently covered by workers compensation in Ohio to other public and private sources—in other words, to the taxpayers or the injured workers themselves.

You also claim that if the law is turned back by the voters that "costs (in Ohio) are likely to remain high." Here are the facts:

In the past three years, the Ohio state fund has turned a \$2.5 billion deficit into a \$2.9 billion surplus—a recovery of \$5.4 billion!

According to a recent business study (Ac-

tuarial & Technical Solutions), the cost of wage replacement in Ohio is less than all but one of its neighboring states. Ohio had an "index" rate of 1.025, which placed it virtually in the middle of all states.

The cost of medical benefits provided to injured workers in Ohio is far below the national average (according to the Bureau of Workers' Compensation, just 35.7% of total benefits went to medical expenses, compared to 41% nationally).

Premium increases between 1990 and 1995 were negligible (less than 1%) compared to increases of 40% or more in all surrounding jurisdictions.

In April of this year (in an action totally unaffected by the passage of S.B. 45), the Bureau announced a rate decrease of 15% (reported by BI in your May 5, 1997, issue)—on top of a rate reduction of 7.3% in 1996.

To top it off, your editorial makes a gratuitous comment about worker "fraud" involving claims for injuries incurred off the job but offers not one shred of evidence or support for such a claim. I would remind you that the Bureau uncovered \$19 million in premium underpayments by employers in the 1994-95 fiscal year, after auditing only 4% of its customers. But then, we are all too polite to refer to such business behavior as fraudulent.

James N. Ellenberger
Assistant Director-Department of Occupational Safety and Health
American Federation of Labor and Congress of Industrial Organizations
Washington

Business Insurance

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

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

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

Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)

Managing Editor: Roseanne White (Washington)

Senior Editor-International: Stacy Shapiro (London)

Senior Editors: Meg Fletcher, A.M. (Chicago)

Judy Greenwald (San Jose)

Dave Lenckus (Tucson)

Douglas McLead (New York)

Joanne Wojcik (Los Angeles)

Regis J. Coccia (Chicago)

Assistant Managing Editor:

Washington Editor: Mark A. Hofmann (Washington)

Bureau Chiefs: Sarah Goddard (London)

Gavin Sauter (New York)

Graphics Editor: Kathy L. Barnes (Chicago)

Copy Editors: Todd J. Behme (Chicago)

Sara J. Harty (Chicago)

Assistant Copy Editor: Richard Trout (Chicago)

Associate Editors: Michael Bradford (Dallas)

Deborah Shalowitz Cowans (Chicago)

Roberto Cenicerias (Los Angeles)

Robert Kazel (Chicago)

Michael Prince (New York)

Sally Roberts (Chicago)

Edwin Unsworth (London)

Rodd Zalkos (Chicago)

Sandra L. Budde (Chicago)

Assistant Directory Editor: Matt Scroggins (Chicago)

Editorial Assistant: Amanda L. Milligan (Chicago)

Production Assistant: Amy R. Kepka (Chicago)

Assistant to the Publisher: Karen Brown Tucker (Chicago)

Editorial Cartoonist: Roger Schillerstrom (Chicago)

Midwest Advertising Manager: Robert L. Niesse (Chicago)

District Managers: Cynthia Quinn (New York)

Blake Delany (New York)

Roger Lynch (New York)

Elizabeth McGahren (New York)

Deborah D. Neale (Chicago)

Classified Advertising Manager: Cheryl Adeszko (Chicago)

Sales Assistant: Lori Lieberman (Los Angeles)

Production Manager: Elmer Kerstowski (Chicago)

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

Promotion Coordinator: Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-361-2295

London: 171-457-1400

Los Angeles: 213-651-3710

New York: 212-210-0100

San Jose: 408-774-1500

Tucson: 520-579-1937

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0228

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

SUBSCRIPTIONS: Detroit: 800-678-9595

Business Insurance is published by Crain Communications Inc.

Keith E. Crain
Chairman
Merrilee Crain
Secretary

Rance Crain
President
Mary Kay Crain
Treasurer

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

G.D. Crain Jr.
Founder (1885-1973)

Mrs. G.D. Crain Jr.
Chairman (1911-1996)

S.R. Bernstein

Chairman-executive committee (1907-1993)

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, E-mail biweb@crain.com, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; Fax 214-696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hutton Garden, London EC1N 8JQ England, Fax 171-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476. \$4 a copy and \$87 a year in U.S. \$105 in Canada and Mexico (includes GST). All other countries \$205 a year (includes expedited air delivery). J.A. LEWELLEN, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com



30 YEARS OF Business Insurance 1967-1997



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

Business Insurance welcomes letters. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@crain.com


Risk manager Theresa Baer was not only impressed by how we reduced her insurance cost by 15%, but by how we gave her the courage to take another risk. A two-week vacation.



© 1997 Liberty Mutual Group

Liberty Mutual has a history of helping our customers reduce their cost of risk, saving over \$1 billion in medical costs alone since 1993. We start with Liberty Paragon™, our comprehensive risk management process audit. Then we apply the hundreds of ways we have to reduce your overall cost of risk, including integrating our loss prevention, claims and managed care programs. And with RISKTRAC®, you'll have direct access to claims information so you can watch your costs go down. And just like Theresa, you'll watch your level of confidence go up.

➤ *There's more information we'd like to share. So please call John Ryan at (617) 574-5842 or visit our website at <http://www.libertymutual.com>*

**LIBERTY
MUTUAL.** 
The freedom of Liberty

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977

Atlanta Bermuda Chicago London Stamford

Valdez

Continued from page 6

"You need to have separate counsel, and I know too often that does not happen. Use one firm to review the policy, and if they say there's coverage, great, and if they say there's no coverage, that's great, too. But don't hire them to litigate an opinion that they have given."

It took almost eight years for Exxon to settle all its claims with insurers. A 1996 Texas jury award and settlements later that year totaled \$780 million that the oil company collected related to its claims against the global policy (BI, Nov. 4,

1996; June 17, 1996).

Mr. Bowen, who spent his career as a plaintiffs attorney before being selected to head up Exxon's insurance litigation, told insurers that in some cases they have earned a reputation for collecting premiums but not wanting to pay claims.

That was the feeling of jurors who found in favor of Exxon, Mr. Bowen said. They saw the oil company as having the same kinds of problems collecting from insurers as they experienced when filing homeowners or automobile claims.

Exxon won that case "not because we were smarter. It was won because Exxon had the easy side of the facts," Mr. Bowen said. **BI**

Safety

Continued from page 3
safety record.

A dedication to safety "permeates all our operation and thinking," said Gerhard Kurz, president of Mobil Shipping & Transportation Co., the shipping arm of Mobil Corp.

Mobil uses a rigorous inspection program for the ships it charters from outside shippers; about one-third fail the inspections and are not allowed to ship Mobil oil. On any day, the company has between 30 and 40 ships chartered around the world.

The company conducts spill simulations to train crews in cleanup efforts, but the best spill response is prevention. "It's a lot easier to keep the oil inside the ship than to clean it up after it has spilled," Mobil's Mr. Kurz said.

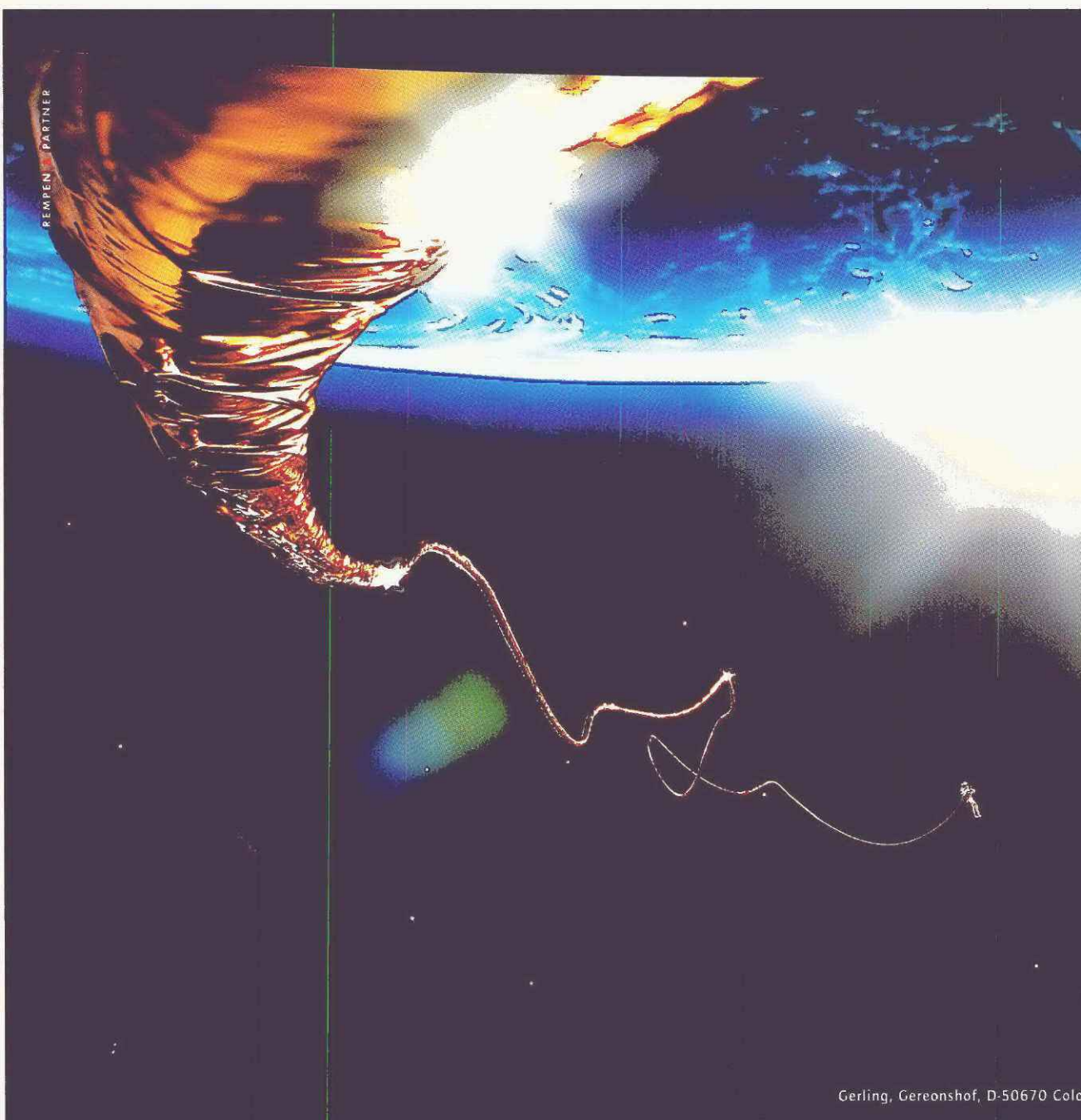
Mobil, which also owns its own

fleet in addition to chartering ships, has moved aggressively into double-hulled ships. Mr. Kurz said that in 1994 the company launched what Mobil says was the first double-hulled tanker in the industry, and it has added two more since then with another pair on order.

In another safety move, Mobil has received certification under the International Safety Management Code standards (see related story, page 14).

The ISM standards are promulgated by the International Maritime Organization and require oil shippers to have safety procedures for ships and land operations. All oil shippers must become certified by July 1, 1998, but Mobil completed the year-long certification process earlier this year, Mr. Kurz said.

Chevron is in the process of becoming ISM-certified, a spokesman said. **BI**



Every insurance company
has its limits.

With increasing risks of new technology,
claims can easily
exceed its premium reserve.

This is why Gerling Global Reinsurance
works with primary insurers,
who know exactly how far they can go.

 **GERLING**
Meet your expert.

One thing new technology can mean is the concentration of high monetary values in the smallest of spaces, resulting in ever increasing risks. Their evaluation poses even greater challenges to professional assessment. This is why primary insurers rely on the years of global expertise provided by Gerling Global Reinsurance. Talk to us about your future.

EMERGENCY PROCEDURE

IN THE EVENT OF AN EARTHQUAKE:

STAND IN DOORWAY.

PRAY.

SEEK SOMEONE WHO THRIVES
IN COMPLEX SITUATIONS.



When multi-layered losses occur, our Executive General Adjusters don't just handle the situation. They control it. Assigned on the basis of past experience and technical expertise, they can coordinate a response to a complex loss with skill and consistency. While we can't lessen the impact of a disaster, our EGAs can make it easier to pick up the pieces.



Hull

Continued from page 3

in business, nearly all of IUMI's member associations report an increasing number of underwriters and a rise in capacity, "which will probably continue to put pressure on terms and conditions." He warned that "if the last cycle is repeated, it is likely to be another couple of years at least before we see any significant change."

Speaking to the assembly, Mr. Christmas said his main concern, shared by hull underwriters in many other markets, is that "the improvements achieved during recent times will level off or decline as a result of the depressed state and overcapacity in most sections of shipping." He warned that this, coupled with a competitive, over-subscribed marketplace "make prospects grim."

IUMI's hull committee chairman also expressed his concerns about several developments in the shipping markets that increase underwriters' exposures. These include a build up of large and high-valued vessels, many of which are getting older and therefore more likely to need repair, while trading in areas further from repair and salvage facilities.

Over the past two years, the aggregate value exposure for underwriters also has increased. He cited as examples a passenger vessel capable of carrying 3,700 passengers and crew worth \$500 million and a Dubai ship repair facility where the presence of two modern liquefied natural gas vessels took the aggregate total of vessels there for repair at one time to \$700 million.

Mr. Christmas also repeated a concern that emerged at last year's IUMI conference about the large number of new high-speed craft coming into service, usually to trade in confined and crowded waters. While casualties among such vessels so far have been relatively low, he noted concerns about potential claims as they age and are sold to less responsible owners or managers.

However, there were a few exceptions to the gloomy prognoses.

Although U.S. marine underwriters have a relatively small hull account—under \$300 million in premiums in 1996, compared with more than \$1.3 billion for the London market—it did grow by just over 5% last year and is profitable.

John Hickey, president of the American Hull Insurance Syndicate, said the U.S. ocean hull insurance sector "is starting to see some positive signs."

These signs include underwriters beginning to realize they're not making money on certain business and an important first indication that the market is turning: Brokers are finding it difficult or impossible to place certain higher-risk business.

However, Richard DeSimone, chairman of the American Institute of Marine Underwriters, does not share such optimism about the U.S. market. Speaking of the marine market generally, he said "trends are definitely showing signs that the market will deteriorate" and that after a good run, "rates are falling and coverage is getting broader."

Giving the Institute of London Underwriters' annual presentation to IUMI of statistics on global marine casualties, ILU Deputy Chairman Steven Redmond said there was an "improving or relatively stable trend" during 1996.

While the number of merchant ships over 500 gross tons lost last year was up one to 113 over the previous year, the combined tonnage of these ships was the lowest on record at 701 gross tons, against 761 gross tons in 1995. Figures so far for 1997

show the trend is continuing to improve, Mr. Redmond said.

The figures provide "some positive points that shipping is a safer industry as a whole," said Mr. Redmond, who also is underwriting director at London-based Eagle Star Reinsurance Co. Ltd.

ILU Chairman Nigel Jenkins said that while in 1996-97 the marine market has softened, he believes this softer market is approaching its end and is near the bottom in most classes. He emphasized that if the market is to maintain stability, "the next move on rates has to be" upward,

and he added, "I see that happening."

Michael Ellis, London-based general manager of The Salvage Assn., one of the world's major casualty surveyors, expressed the same concerns as Mr. Christmas about the rising average age of ships, saying they present underwriters new challenges in risk assessment. He also expressed concerns about the potential exposure to claims that resold vessels generate for hull and machinery underwriters.

He warned that such vessels sometimes sail with a new crew within

hours of being taken over by new owners, with few or no checks made on such important items as engine condition or lube oil quality and often no access to log books and maintenance records, which have been removed by the previous owner. He said underwriters probably could reduce their claims costs considerably if they pressed such owners for details of their inspection arrangements and crew training and excluded or restricted machinery damage for at least the first few months.

Mr. Ellis also urged underwriters not to forget their potential expo-

sure resulting from the Year 2000 computer problem that may affect many systems.

The blame for current overcapacity in the hull market and bottom-line underwriting lies with hull underwriters themselves, according to Lars Lindfelt, managing director of The Swedish Club.

"It is only you who can create a balanced market where there is a chance for fair rates to prevail," he told delegates. He also accused hull underwriters of supporting substandard shipping by making it possible

Continued on next page

In a world awash

with capacity,

why should you reinsure

property catastrophe,

marine and aviation risks

Continued from previous page
for even bad shipowners to find cheap cover.

Apart from employing stricter underwriting criteria, he told underwriters one way of correcting this is for them to "get their act together" and stop supporting certain flag registries.

Mr. Lindfelt said another way would be to create a controlling body over the International Assn. of Classification Societies, the 15 independent bodies that inspect merchant ships to ensure they meet safety regulations. Mr. Lindfelt said that

while the IACS is doing a good job, hull underwriters should draw up an approved list of probably no more than six classification societies with which they would work.

Speaking on behalf of tanker owners, Francis Vallat, a former vp of the International Assn. of Independent Tanker Owners, maintained that high-profile tanker disasters such as that of the Sea Empress in February 1996 (BI, Feb. 26, 1996) have given the tanker industry an undeservedly poor reputation. He said that of the approximately 1,850 million metric tons (2,035 tons) of crude oil and re-

financed products delivered in tankers last year, 99.985% was delivered

'It is only you who can create a balanced market where there is a chance for fair rates to prevail,' says Lars Lindfelt.

without incident.

Mr. Vallat also cited a soon-to-be-

released study by the U.K. P&I Club showing that of 453 property damage claims from tanker incidents during the 10-year period to 1996, one third were not the fault of the tanker or its operators but resulted from pilot error. He said this is a major concern of tanker owners, because it is a problem over which they have no control, though current international laws make tankers 100% liable for pollution damage.

Speaking on behalf of reinsurers, Deirdre H. Littlefield, senior vp-special lines director of Swiss Reinsurance America Corp. of New York,

said marine reinsurance remains competitive, partly because Lloyd's of London's recovery has put it firmly back in the marketplace. Clients also are demanding reductions, which in many cases is justified by their good claims experience. Another trend she noted is that clients are retaining more risks and buying less reinsurance.

However, regarding the state of the hull insurance market, IUMI's Mr. Christmas sees some developments he thinks could force a return to more sensible underwriting.

These include the megamergers of brokers, which, because of their large scale, will require a positive financial return that would be difficult to achieve if the markets continue in free fall.

Another factor is that several of the major international insurance companies have warned their marine managements that another downturn like the last would be unacceptable and could lead to reconsideration of their long-term commitment to marine business.

A third factor Mr. Christmas cited is the increasing financial investment in Lloyd's of London by corporate capital, controlled by a limited number of large participants who are likely to require corrective action in the direct writing and reinsurance areas. **BI**

Delegate number rises

The 52nd annual conference of the International Union of Marine Insurance held Sept. 13-17 in Paris attracted about 650 delegates from 48 national member associations.

Attendance was up substantially from about 520 who attended the conference last year in Oslo, Norway.

Georg Mehl, chief executive of Wuerttembergische Versicherungsgruppe of Stuttgart, Germany, was elected IUMI chairman **PARIS 1997** for the next three years.

After his election, Mr. Mehl, a past chairman of DTV, the German federation of marine insurers, likened his new role to that of the captain of a ship now rocked by rough seas but with an "excellent crew and presently sailing on a good course."

Next year's conference will be held in Lisbon, Portugal, from Sept. 12-17, 1998. Lisbon last hosted the IUMI conference in 1961.

Provisional programs and registration forms for the 1998 IUMI conference will be distributed by national marine insurance associations early next year.

For more information on next year's meeting, contact Jaime d'Almeida, chairman, Associacao Portuguesa de Seguradores, Av. Jose Malhoa, Lote 1674-7, 1070 Lisboa, Portugal; 35-1-721-29-05; fax: 35-1-726-19-51.

—By Edwin Unsworth

Today, a reinsurance buyer can just about name its price, thanks to a glut of reinsurance capacity.

But what happens when the next Big One hits? The glut will miraculously become a shortage. Because, as everyone knows, there isn't enough reinsurance capital out there to handle world-class catastrophes. Not without sending shock waves of price volatility and default racing through the marketplace.

Today, PXRE remains as committed as ever to disciplined underwriting as a specialist in property catastrophe, marine and aviation reinsurance. While we continue to expand our capital base, and to diversify its sources, we plan to offer coverage only under conditions making it responsible for us to employ our capacity.

That's how we became one of the only specialists to have seen the entire business cycle of the 1990s and lived to tell about it. And it's how we plan on being here to serve you tomorrow.

If you want to reinsure property catastrophe, marine and aviation risks with a company that has seen both ends of the business cycle, call PXRE. In addition to offering security far beyond the reach of our \$400+ million in capital, we are proud to have set the industry standard for response time to both underwriting requests and claims.



PXRE Reinsurance Company

Specialists in Property Catastrophe, Marine and Aviation Reinsurance
NYSE: PXT
Members of BRMA (Brokers and Reinsurers Market Association)

USA: Michael Bleisnick (Domestic Treaty) or Gordon Forsyth (International Treaty) +1 (908) 906-8100 Fax: +1 (908) 906-9283

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

Lloyd's: Peter Butler, PG Butler Syndicate 1224 (managed by PXRE Managing Agency Ltd.) +44 (0171) 327-30078 Fax: +44 (0171) 626-7602

with PXRE?

Deadline approaches for IMS ship certification

Despite low compliance rate so far, soft market may prevent coverage denials

By EDWIN UNSWORTH

Reflecting its concerns about a major piece of international regulation, the International Union of Marine Insurers conference devoted a special session to the International Safety Management Code.

The code has been devised by the International Maritime Organization, a London-based unit of the United Nations, to apply a universal benchmark for marine safety management procedures (BI, Aug. 18). It requires shipown-

ers and operators to have systems in place to prevent accidents and pollution and applies to passenger ships, high-speed craft and oil and chemical tankers of, more than 500 gross tons as of next July 1.

As of July 1, 2002, it will apply to most other vessels weighing more than 500 gross tons.

In a video presentation to the conference, Bill O'Neil, IMO secretary general, expressed concerns about the slow pace of shipowners in getting ISM certification. He pointed out figures from the International Assn. of Classification Societies showing

that so far, only 11.2% of affected vessels have been certified. This raises concerns for the IMO and shipowners since the deadline is less than 10 months away and it can take up to two years to comply with the code. The IACS bodies will do most of the work



PARIS 1997

on ISM certification.

Mr. O'Neil urged IUMI's marine underwriter members to deny shipowners insurance coverage if

they fail to comply with the code.

However, it is by no means clear to what extent this will be done.

Peter Christmas, chairman of IUMI's Ocean Hull Committee, reported at the conference that most of the global markets for marine insurance have yet to decide their response to clients that fail to meet the deadlines.

He added that several markets have also pointed out the difficulties of denying coverage in such a soft market environment, since other insurers are willing to write what one turns away.

Nigel Jenkins, chairman of the Institute of London Underwriters,

said the group, which represents more than 50 British and foreign-parented companies active in London marine insurance, supports the code.

However, he acknowledged that whether insurers decide to make ISM compliance a condition of coverage depends very much on individual companies and local legislation.

Timothy Humm, a director of underwriting agents Hiscox Syndicates Ltd. and chief underwriter on Lloyd's marine syndicate 625, said he fully supports the ISM code, claiming, "It is the natural ally of underwriters."

As a result, Mr. Humm, who also is chairman of IUMI's Joint Hull Committee, would like to see all marine insurers adopt a consistent approach, including underwriters insisting on seeing accurate information on ISM compliance by shipowners and operators before insuring a vessel.

The shipping companies' main liability insurers, the protection and indemnity clubs, are pushing to make ISM compliance a requirement of coverage.

Nigel Carden, an IUMI conference observer on behalf of the International Group of P&I Clubs, said clubs belonging to the group decided at a meeting earlier this month to make possession of valid ISM certificates obligatory for members.

The International Group will also recommend that when its P&I club members make routine ship inspections, they should include checks to ensure that the shipowner operates an effective safety management system in compliance with ISM requirements.

Mr. Carden, also a partner in Thomas R. Miller & Son, the London-based managers of the U.K. P&I Club, said the changes would deny uncertified members coverage for any claim arising from failure to comply.

However, Lars Lindfelt, managing director of The Swedish Club, one of the P&I clubs, said no one in the insurance sector "has yet given a straight answer" as to how they will treat ISM code failures.

"I think it would be a shame if the underwriting industry didn't support the ISM," said Mr. Lindfelt, who will retire soon.

Mr. Lindfelt added that while The Swedish Club has been giving a rebate for the past two years to members who comply with ISM, he did not know what the club will do as of July 1998.

Richard DeSimone, chairman of the American Institute of Marine Underwriters, said the U.S. market is less affected by the ISM code because of its relatively small amount of ocean hull business.

While Mr. DeSimone, who is also senior vp-marine for Madison, N.J.-based Atlantic Mutual Insurance Cos., acknowledged that ISM Code compliance is a concern for U.S. marine underwriters, he added he was "not so sure that we're as concerned as some other markets."

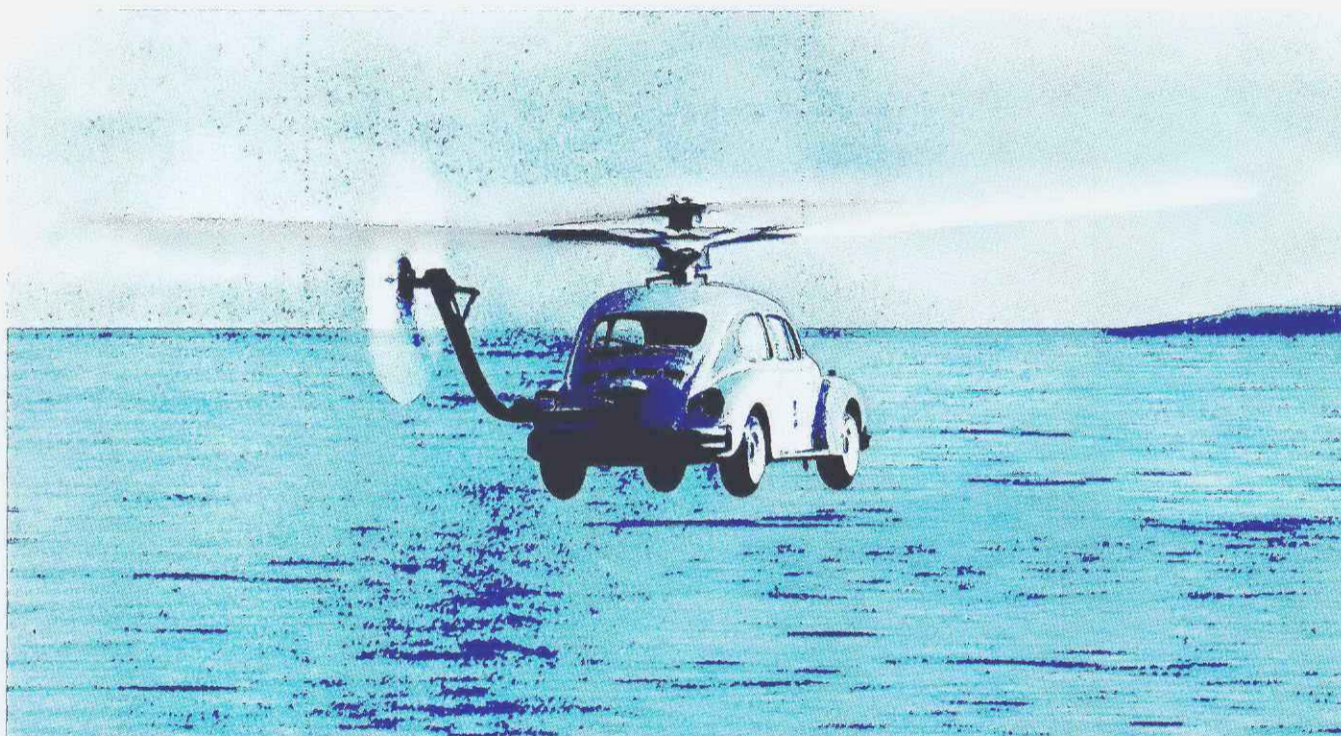
At an official level, shipowners' associations have backed the ISM Code.

Chris Horrocks, general secretary of the London-based International Chamber of Shipping, said the shipping industry has not tried to seek an extension of the deadline.

However, while he accepted that shipowners who made no effort to achieve ISM compliance deserved to be punished, he called for "some rational method" of dealing with

See Code on page 16

When your clients' risks are unique,



you need a strong, flexible and experienced partner behind you.

CNA E&S has the resources to find innovative underwriting solutions for your excess and surplus clients – no matter how unique their business may be. To see how partnering with us can give your business a lift, just call.

CNA E&S. Innovation, Intelligence & Integrity.SM

Chicago
(312) 822.6825

New York
(212) 440.3150

1897-1997
A Century of Commitment

CNA E&S

Up a creek with a tough risk?



Get back on solid ground with General Star.
Call your broker and put our underwriting expertise,
capacity and security to work for you.



**GENERAL
STAR**

- Market Stability
- Financial Strength
- Underwriting Quality

Specialty underwriting through appointed surplus lines brokers. For a list of brokers in your area,
call General Star Management Company, Stamford, CT (203) 328-5700, ext. 5985, or fax your request to: (203) 328-5840.
Atlanta • Chicago • Dallas • Los Angeles • New York • Stamford

Code

Continued from page 14
those who legitimately try for compliance but are caught up in the logjam. For this latter group, it makes no sense for P&I clubs to deny them coverage, he maintained.

John Lyras, president of the Union of Greek Shipowners, expressed a similar sentiment. In a paper delivered on his behalf, Mr. Lyras asked marine insurers to appreciate the difficulties for shipowners of compliance and "to stand by the industry as they traditionally have done."

The International Assn. of Independent Tanker Owners has made ISM Code compliance a condition of membership, according to Francis Vallat, one of its past vps.

He said more than half the ships of INTERTANKO members have ISM

compliance. This number is expected to rise to 85% by the end of 1997 and to 95% by the July 1998 deadline.

The European Commission has strongly backed ISM. Gilles Bergot, administrator of the E.C.'s Maritime Safety Unit, told the conference the European Commission is fully convinced the Code is an "extremely important" measure for safety at sea and the environment and thus is sending out a strong message that there will be no flexibility on the July 1998 compliance deadline.

He said the European Commission expects to have legislation in place by the deadline that would enable European Union ports to deny access to ships without ISM certificates or even to detain such ships, though he acknowledged such detentions were likely to be for only short periods, because they could lead to port congestion.

However, Steven Redmond, underwriting director at Eagle Star Reinsurance Co. Ltd. in London and the ILU's deputy chairman, expressed concern about the possibility of flexibility on the deadline. "As soon as you give flexibility, you give more and more leash to extend. I hope we don't extend to such an extent that ISM is actually worthless," he warned.

He also was worried by Mr. Bergot's statement that it would be difficult to detain ships without ISM compliance. He said if some form of detention isn't put into force, "then we chase vessels around the world, which just pushes the problem away for a period."

A strong backer of ISM, Mr. Redmond urged underwriters to support it and implored all those at the IUMI conference to put ISM certification high on their agendas. **B**

Rates remain soft for cargo insurance

By EDWIN UNSWORTH

Cargo insurance buyers are enjoying continued competition for their risks, though underwriters complain of another year of soft market pressures on profits.

Overcapacity and weakening rates, cited a year ago as problems by cargo underwriters, have only worsened in the past 12 months, according to members of the International Union of Marine Insurers.

"We see certainly another year of enthusiastic cargo competition," stat-

ed James Zrebiec, chairman of IUMI's Cargo Committee.

"For many underwriters, particularly those who have neglected to match rate with exposure, the results will turn exceptionally sour," he said.

At the same time, the problem of cargo losses from thefts and hijackings of high-valued merchandise also continues to hit underwriters, according to a survey of IUMI's 48 member associations on cargo insurance trends.

In fact, the survey found that the only discernible factor causing an increase in losses of more than \$200,000 was the problem of hijackings or theft

of single trucks or small vessels "with the potential of tremendous losses from a single occurrence," Mr. Zrebiec said.



The results of the survey also indicate that in addition to the problems of competitive conditions and cargo thefts, marine insurance associations are concerned about:

- Increasing pressure on rates and conditions as a result of the deregulation of insurance around the world.
- The growing influence of the non-marine insurance sector over marine cargo underwriting.
- The "negligible" increase in cargo premium volumes, despite a rise in the quantity and value of insured cargoes.
- A trend of more cargo owners to either rely on self-funding or shipowners' liability insurance to cover their losses, rather than buying cargo insurance.

In addition to the concerns outlined in the study, Mr. Zrebiec also warned that some cargo underwriters are adopting an "ignorance is bliss" approach.

That means they are underwriting some cargo business, particularly for bulk commodity shipments, with inadequate information about the risk, Mr. Zrebiec said.

By not requiring the policyholder to report details about the vessel, for example, the cargo underwriter has no information on the safety of the cargo carrier or the hazards of the shipping route.

Some of the accounts underwritten in this manner may make a profit, but results of others "will be disastrous," he warned.

Mr. Zrebiec said reinsurers may be aiding this trend.

Cargo underwriters can charge a rating surcharge if a ship has not been classified as safe by one of the ship classification societies, yet some don't bother to do this, he noted.

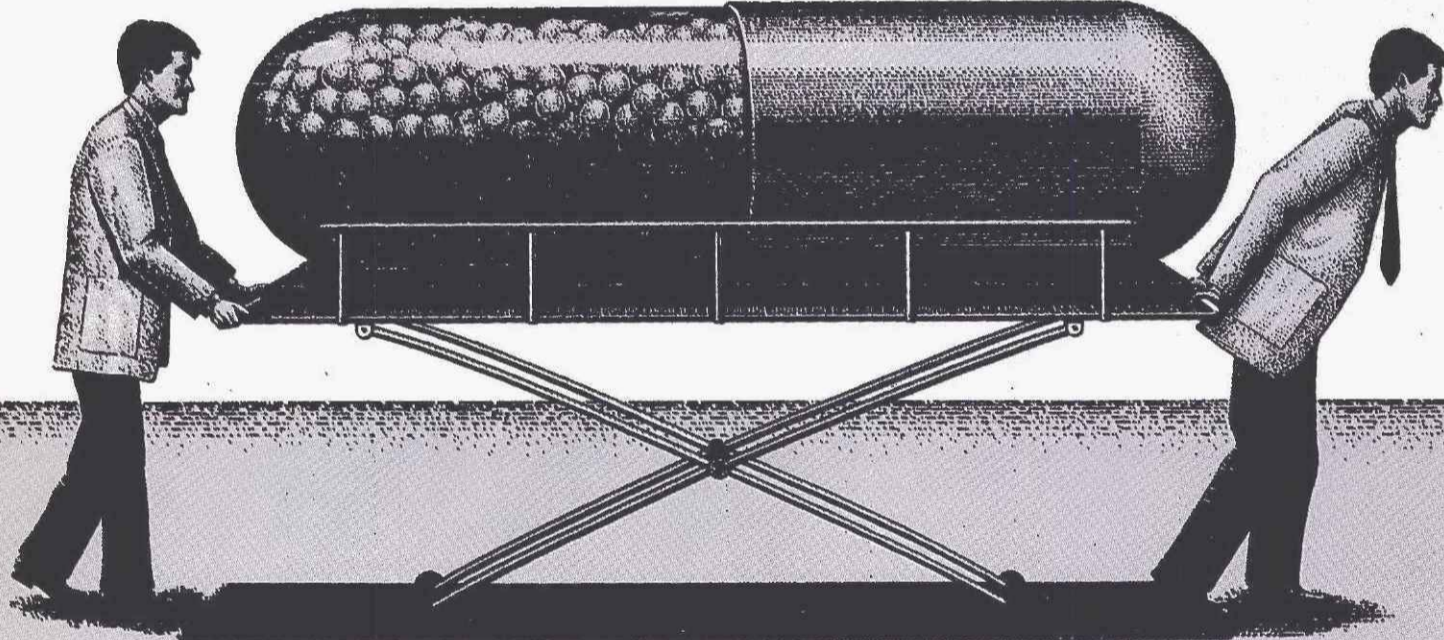
Some reinsurers, however, don't differentiate between cargo insurers that follow this approach and those that do not, he said.

Meanwhile, Michael Harding, cargo underwriter for London-based Eagle Star Reinsurance Co. Ltd., expressed his concern that consolidation in insurance and brokerage industries will cause cargo underwriting to increasingly be rolled into other departments, rather than kept as a separate entity within companies.

"How many of these have gone or are in danger of going in with the industrial departments? Has the relative important influence of cargo been relegated? Are the package policies which did so much damage in the late 1980s to be resurrected

See Cargo on page 18

SOMETIMES GOOD THINGS CAN BE HARD TO SWALLOW.



You've probably already heard that Swett & Crawford is now part of a

large international insurance organization.

Some of you may think this will change the way we do business.

Rest easy. The fact is, that our new relationship is a very healthy step for all of us. With global buying clout and substantial resources, Swett & Crawford can provide even better market access and a greater-than-ever capacity to design, build and broker the kinds of programs and packages that protect your clients against risks around the corner or around the globe. And we continue to do this from locations across the country.

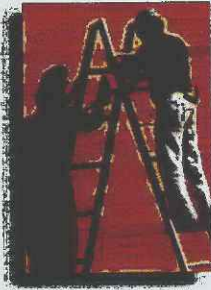
In competing for your business, Swett & Crawford is more determined than ever to deliver the aggressive underwriting and brokering, rapid turn-around, advantageous pricing and marketing savvy you need to cement your client relationships.

We'll continue to be your most reliable ally in a highly competitive marketplace just as we've been throughout our 80 years of service to independent agents and brokers. Swett & Crawford. Still the best remedy for a tough business climate.

Swett & Crawford



THE FIFTH ANNUAL
Business Insurance[®]
 WORKERS COMPENSATION
 CONFERENCE



WHO SHOULD ATTEND

Risk managers, loss prevention and safety managers, workers compensation administrators and analysts, employee benefit executives, plus insurers, brokers, consultants, representatives from HMOs and PPOs, state and local government representatives, association members, attorneys and providers from a broad range of companies and institutions.

CONFERENCE PROGRAM

MONDAY, OCTOBER 27, 1997

- GOLF TOURNAMENT, MALIBU COUNTRY CLUB: Hosted by *Deloitte & Touche and SAC3*
- EARLY REGISTRATION AND WELCOME RECEPTION: Hosted by *Liberty Mutual*
- EMPLOYER'S PRIVATE ROUNDTABLE

TUESDAY, OCTOBER 28, 1997

- REGISTRATION AND CONTINENTAL BREAKFAST: Hosted by *Kemper*
- THE CASE FOR INTEGRATION: SORTING OUT THE MYTHS AND REALITIES OF DISABILITY INTEGRATION MANAGEMENT
- ERGONOMICS: EFFECTIVE WORKPLACE PRACTICES AND PROGRAMS
- REFRESHMENTS IN EXHIBIT HALL: Hosted by *Commonwealth Risk*
- COMBATING FRAUD IN THE WORKERS COMPENSATION SYSTEM
- LUNCHEON: Hosted by *INTRACORP*
- RETURNING EMPLOYEES TO WORK
- THE TRENDS OF WORKERS COMPENSATION IN CALIFORNIA TODAY: WHERE IS REFORM GOING?
- CREATIVE INCENTIVES AND PAY-FOR-PERFORMANCE METHODOLOGIES
- IDENTIFYING FACTORS THAT DRIVE WORKERS COMPENSATION COSTS
- COCKTAIL RECEPTION

WEDNESDAY, OCTOBER 29, 1997

- CONTINENTAL BREAKFAST: Hosted by *GENEX Services, Inc.*
- OUTCOMES MEASUREMENTS: MANAGED CARE VS. MANAGED COSTS
- REFRESHMENTS IN EXHIBIT HALL: Hosted by *Wausau Insurance Companies*
- ALTERNATIVE RISK FINANCING
- NEW MEDICAL APPROACHES TO OLD PROBLEMS
- RISK MANAGEMENT INFORMATION SYSTEMS
- LUNCHEON: Hosted by *AIG Claim Services, Inc.*
- INNOVATIVE PRINCIPLES FOR REDUCING WORKERS COMPENSATION COSTS
- SCREENING OUT YOUR PROBLEMS—HOW FAR CAN YOU GO?
- BUILDING A LABOR/MANAGEMENT TEAM TO WORK TOGETHER IN REDUCING WORKERS COMPENSATION COSTS

Presented by Business Insurance and
 IBF • International Business Forum

OCTOBER 27-29, 1997

Loews Santa Monica Beach Hotel
Santa Monica, California

CONFERENCE CHAIRMAN

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

**CONFERENCE
 ADVISORY BOARD**

Maddy E. Bowling
 Vice President, Workers Comp
 Managed Care
Intracorp

Arnold Davenport
 Vice President, Risk Management
Marriott International, Inc.

Dwight E. Davis
 President & COO
Wausau Insurance Companies

Mary Stoik Dymond
 Director of Risk Management
ACX Technologies Inc.

Jenny Parker Emery
 Total Health & Disability Management
 Practice Leader
Towers Perrin

John Kessock, Jr.
 Chairman
Commonwealth Risk

Elizabeth M. Lindner
 Executive Vice President
Kemper Insurance Companies

Peter C. Madeja
 President & CEO
GENEX Services, Inc.

Christopher E. Mandel
 Senior Director, Worldwide Risk Management
PepsiCo Restaurant Services Group

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

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

John F. Ryan
 Vice President, Commercial Marketing
Liberty Mutual Group

Richard A. Victor, Ph.D., J.D.
 Executive Director
Workers Compensation Research Institute

Edward M. Welch
 Assistant Professor
 School of Labor & Industrial Relations
Michigan State University

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

CONFERENCE SPONSORS

- AIG Claim Services, Inc.
- Commonwealth Risk
- Deloitte & Touche
- GENEX Services, Inc.
- Intracorp
- Kemper Insurance Companies
- Liberty Mutual Group
- SAC3
- Wausau Insurance Companies

ACCREDITATION

IBF • International Business Forum has applied with the California Insurance Board as a course provider for 11 CEU credits.

SPONSORSHIP AND EXHIBITING

If your organization is interested in exhibiting at the conference or sponsoring an event, please contact Julie Tarsi at (212) 279-2525, ext. 14.

REGISTRATION

To register or to receive more information, please write or call
 IBF • International Business Forum, 7 Penn Plaza, Suite 901, New York, NY 10001.

FAX: (212) 279-9307

TEL: (212) 279-2525

YES, I'D LIKE TO REGISTER FOR THE FIFTH ANNUAL BUSINESS INSURANCE WORKERS COMPENSATION CONFERENCE.

- I am a service provider – \$995
- I am a risk, benefits or safety manager – \$595



Name _____

Name for Badge _____

Title _____

Company _____

Address _____

City/State/Zip _____

Telephone No. (_____) _____

Fax No. (_____) _____

- Please forward information about table-top exhibits.
- Please forward information about sponsorship opportunities.

Cargo

Continued from page 16

in large numbers? If so, are we coping with them more competently and asking the correct questions via these new departments, or is price still the overriding factor?" Mr. Harding asked.

He echoed the survey's finding that cargo shippers, despite falling rates, are relying less on traditional cargo insurers to cover their risks.

"The risk manager of today is using the soft market conditions to broaden and extend the scope of his cover, while self-insuring his 'bread and butter' cargo exposures," Mr. Harding said.

Richard Lowther, risk manager for B.A.T Industries P.L.C., maintained that while there always

will be a need for the cargo insurance specialist, the future of risk financing lies in establishing a balance between retaining the technical skills of cargo underwriting and developing broader-based products to satisfy the more general demands of many customers.

"The aspect of underwriting may actually become less important than some of the other services that the cargo (insurance) community can provide as the structure of our business changes," he said.

Other services, he said, could include providing coverage and expertise on the risks of protecting such items high-value scientific equipment, including satellites; medicines and pharmaceuticals; and valuable goods, such as bullion and fine arts. **BI**

Underwriters awash in challenges

Worries include fleet ages, handling techniques and strict liability

By EDWIN UNSWORTH

Nicholas Adamantiadis, president of the International Union of Marine Insurers, opened the group's 52nd annual conference saying the theme, "Marine Insurance-The Way Forward," "mirrors our deep concern about the threats and opportunities which surround us."

Mr. Adamantiadis, a marine underwriter with Athens, Greece-based Hellas Insurance Co. S.A., warned: "We either go forward, or marine insurance stagnates and becomes incorporated or absorbed by other large-

er lines of the insurance industry." The way forward requires that underwriters "reinvent the business" by starting to question the old rules under which they operate.

Marine insurers are operating in a global marketplace characterized by a wealth of opportunities but also challenges, said Jean Arvis, president of the Federation Francaise des Societes d'Assurances. He gave the keynote speech at the 1997 IUMI conference, held earlier this month in Paris.

His theme, "Marine Insurance Today: Issues at Stake," kicked off the conference with an outline of the favorable economic context in which marine insurers now operate. World

trade has been growing steadily for five years, and maritime shipments from which marine underwriters make their living have also increased, with the prospects of demand for shipping "particularly encouraging for the years to come."

However, Mr. Arvis, who also is chairman of Groupe Victoire, one of France's biggest insurance companies, said there is one overriding worry about the global merchant fleet: its increasing age. The average age of vessels afloat is 18 years, which is worrying when coupled with "the constant question about the quality of their maintenance, management and even some commercial practices."

Other challenges facing marine underwriters come from bigger, faster vessels and quicker cargo-handling techniques, which are increasing the concentration and frequency of risks.

At the same time, marine insurers, like underwriters of other classes of risks, face growing calls from clients for more guaranties. Among these are calls to cover costs associated with delivery delays, Mr. Arvis said.

The changing legal environment is another challenge. Mr. Arvis said that while maritime law has been based for decades on the principle of due diligence, meaning whoever caused the harm is liable, this is being increasingly "manhandled" so that carriers and shipowners are being gradually imposed with a strict liability that increases their commitments and thus those of their insurers.

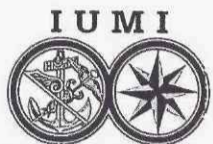
Still further challenges come from the globalization of underwriting and the cover of corporate risks, the concentration of insurance companies and brokerage firms through takeovers and mergers, the opening up of new markets in Eastern Europe and Southeast Asia, and the increased use of captives.

Mr. Arvis warned it is imperative that the marine insurance market find a lasting stability. Not to do so would risk a loss of investors or the marginalization of marine risks within the insurance sector.

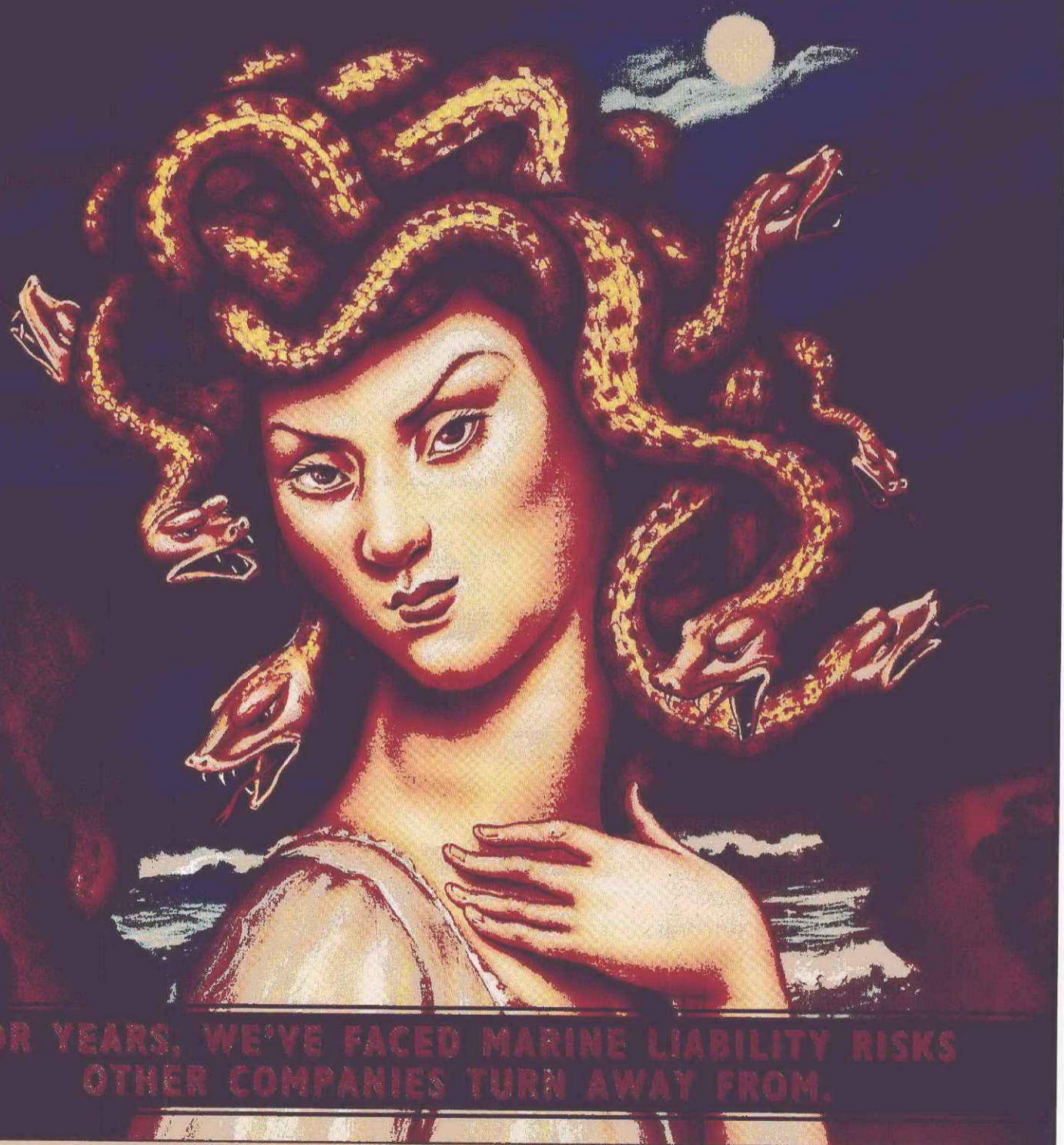
In 1995, the latest year for which IUMI has global figures from its 48 member associations, global marine insurance premiums in 1995 totaled \$16.7 billion, slightly down from a restated \$16.81 billion in 1994. The hull account was worth \$5 million, down 11.2% from 1994. Transport and cargo in 1995 generated premiums of \$8.5 billion, up from \$8 billion. Premiums for offshore and energy business were \$1.2 billion, down from \$1.5 billion.

The figures, compiled for IUMI by Norway's Central Union of Marine Underwriters, show London remained the top marine insurance market, accounting for \$3.4 billion of 1995's total marine premiums, of which \$2.5 billion was underwritten at Lloyd's and \$957 million by member companies of the Institute of London Underwriters. This compares with a restated \$4 billion underwritten in London in 1994, of which \$2.8 billion came from Lloyd's of London and \$1.2 billion from the ILU.

Japan remained the second-largest marine insurance market, accounting for \$2.9 billion of 1995's premiums, against \$2.95 billion in 1994. The United States stayed in the same position, with 1995 premiums of \$1.54 billion, little changed from \$1.56 billion in 1994. **BI**



PARIS 1997



FOR YEARS, WE'VE FACED MARINE LIABILITY RISKS OTHER COMPANIES TURN AWAY FROM.

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

That's because marine liability is one of the only coverages we write. Whether it's marine contractors, stevedores, wharfowners, or marine products manufacturers,

we've been delivering innovative, competitive solutions for more than 30 years.

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

MUTUAL MARINE OFFICE

Part of New York Marine Group
800-367-0224

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

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

Zurich's HPR: Building Solid Foundations

depth perception

*It's Why We See Things Others Don't.
And So Do Our HPR Customers.*

With an average of more than 15 years experience in the field, Zurich-American's HPR engineers bring unparalleled insight to engineering highly protected risks – insights that translate to superior HPR coverage, and creative, flexible solutions that stand out from the rest.

Through multi-line facilities nationwide, Zurich-American also builds comprehensive global property solutions – combining HPR with boiler & machinery, marine and specialty property coverages to most efficiently accommodate

each customer's needs. It's a cohesive approach you won't see anywhere else...and it's grounded in Zurich's A+ rating (A.M. Best), and the assurance of consistent quality that comes with Zurich's worldwide network.

Witness firsthand the benefits of our HPR engineering experience – and the Power of Partnership with Zurich-American. Contact your agent or broker, or call: 1-800-382-2150.



ZURICH

Zurich-American. The Power of Partnership.®



A Global Reinsurer Never Stops Adding Skills And Talent.

Reinsurance is not only a matter of capacity. A leading reinsurer must offer an enormous variety of skills and expertise.

Swiss Re is actively acquiring companies that match our strategic goals, creating new operating units, and adding expert staff.

Our strategy of staffing our branch offices with skilled specialists from many reinsurance disciplines enables us to act quickly on a local basis. For example, our Chicago office now has actuarial and claims professionals who provide customized service to our Midwest clients, supplementing our staff in New York and San Francisco.

New senior people add to our experience in many other areas, including workers compensation and professional liability lines.

Our newly created Client Services Department is dedicated to providing top quality value added services to clients.

And our Economic Research unit, which publishes our authoritative SIGMA reports, has opened a new office in New York to provide even more insightful reports on the US market.

Swiss Re America.

The reinsurer that keeps getting better.

Swiss Re America



Visit our websites: www.swissreamerica.com and www.swissre.com

SWISS REINSURANCE AMERICA CORPORATION 237 PARK AVENUE, NEW YORK, NY 10017 TOLL FREE (888) SWISS RE
ATLANTA BOSTON CHICAGO DALLAS NEW YORK PHILADELPHIA PHOENIX SAN FRANCISCO

WORKERS

COMPENSATION



A Spotlight Report on
WORKERS COMPENSATION
*including BI's Directory of
SAFETY CONSULTANTS & REHABILITATION SERVICES
and bonus distribution at ASHRM, Baden-Baden,
BI's Workers Comp Conference, and MCEIRMC*

Publishing — October 27, 1997
Ad Closing — October 15, 1997

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

New York: 212-210-0133 ■ Fax: 212-210-0704
Chicago: 312-649-5276 ■ Fax: 312-649-7799
Los Angeles: 213-651-3710 ■ Fax: 213-655-8157

ASK A BENEFIT MANAGER

Q

What are the major provisions we should be aware of in the latest legislation affecting retirement plans?

A

The new legislation includes the Balanced Budget Act of 1997 and the Taxpayer Relief Act of 1997. Because this legislation covered extensive ground, this column will highlight the key points benefit professionals need to consider.

The major provisions affecting tax-qualified retirement plans include these:

- Mandatory cash-outs.

This change allows employers to remove from their pension rolls former employees whose accrued benefits have a present value of up to \$5,000. That's an increase from the former \$3,500 cash-out limit. This means that if the present cash value of a former employee's pension at normal retirement age is \$5,000 or less, the plan can distribute that amount to the former employee now rather than holding it until he reaches age 65. This provision, effective in 1998, is a plus for plans because it eliminates small dollar amounts from plans and therefore eases the administrative burden and cost of maintaining these small amounts.

- Fifteen percent excise tax.

This tax is eliminated for excess distributions received Jan. 1, 1997, and thereafter. This is a real advantage for the individual and one less item with which plan administrators need to be concerned.

- Full funding limit.

For qualified pension plans, the full funding limit is increased from the current 150% of current liability to 155% in 1999 and 2000; 160% in 2001 and 2002; 165% in 2003 and 2004; and 170% in 2005 and after. The additional contribution allowed by the new full funding limit must be amortized over 20 years. Currently, 10-year amortization is required. This amortization is effective for plan years beginning on or after Jan. 1, 1999.

The unamortized balance as of the close of the plan year prior to the 1999 plan year must be amortized over a period of years equal to 20 years, less the number of years since the amortization base was established.

This change is positive for those plans wishing to make larger contributions to their pension plans. However, this will not impact many plans.

- Employer stock limitations.

No more than 10% of employee elective 401(k) deferrals may be required to be invested in employer stock. However, there are some exemptions:

- For employee-elective 401(k) deferrals to an ESOP.

• If the value of all defined contribution plans of the employer does not exceed 10% of the total assets of all qualified retirement of the employer.

• If not more than 1% of an employee's eligible compensation deposited to the plan as an elective deferral is required to be invested in employer stock.

The effective date for this provision is for plan years beginning before 1999.

Because most corporate employer 401(k) plans provide for company stock, many plans may be affected by this change.

- Rollovers.

It is not necessary for a distributing plan to have a determination letter from the IRS in order for a plan receiving a rollover contribution to reasonably conclude that it is a valid rollover contribution. This eliminates the need for the distributing plans to provide a determination letter and of receiving plans to check for a determination letter for rollovers. This is a plus for plan administrators and employers. This change is effective Jan. 1, 1998.

- New technologies.

The secretaries of treasury and labor are required to issue guidance designed to interpret the notice, election, consent, disclosure and time requirements under the IRS code and ERISA relating to retirement plans as applied to the use of new technologies by plan sponsors and administrators, while protecting rights of participants and beneficiaries. Also to be examined is the extent that paperless transactions can be utilized. The guidance is to be issued no later than Dec. 31, 1998, with final regulations not to be effective until the first plan year beginning at least six months after issuance of final regulations.

While the time line on this provision is a few years in the future, I am happy to see that these issues are under review. It is not too early to start thinking about how to improve the administration and communication of your plans through electronic means. The use of intranets and the Internet provides many opportunities to streamline plan administration.

These opportunities may include providing employees summary plan documents on a database on your intranet or e-mail system or allowing employees access to their benefit information via the Internet. Hopefully, clear guidance regarding electronic communication will be provided.

- Ten percent excise tax.

There is an additional exception to the 10% excise tax on non-deductible employer contributions to a qualified retirement plan. This involves contributions to one or more defined contribution plans that are not deductible because they exceed the combined plan deduction limit. The exception only applies to the extent that contributions do not exceed the amount of the employer's matching contributions plus the elective deferral contributions to a 401(k) plan. This change is effective for taxable years beginning Jan. 1, 1998, and thereafter.

- Summary plan descriptions.

Employee benefit plans no longer are required to file SPDs and summaries of material modifications, or SMMs, with the Department of Labor. However, the DOL may request an employer to furnish these documents. The fine for non-compliance is up to \$1,000.

Again, this is a plus for plan administrators, as it is one less administrative task. However, the requirement for producing SPDs and SMMs remains. We still need to ensure that we develop the SPDs and SMMs and are prepared to furnish the materials if requested. Communication of employee benefits is today one of the most important functions of benefits.

This change does not affect the need to continually communicate the value and ensure understanding of our benefit programs to employees.

- IRAs.

Although IRAs do not directly affect employers' retirement plans, plan administrators should be aware of them. There are now two types of IRAs: the Roth IRA and the standard deductible IRA.

The Roth IRA allows for a maximum post-tax contribution up to \$2,000 (indexed) each year, reduced by contributions to deductible IRA. Contributions are phased out for incomes above \$95,000 (single) and \$150,000 (married). Distributions are not taxable if held for five years and distributed after age 59½ or for death, disability, or first-time home expenses up to \$10,000.

With the deductible IRAs, income limits are raised to \$30,000 (single) from \$25,000, and \$50,000 (married) from \$40,000. The income threshold for the single taxpayer will be gradually increased to \$50,000 by 2005, with deductibility phased out at \$60,000. The income threshold for married taxpayers will increase gradually to \$80,000 by 2007, with deductibility fully phased out at \$100,000. Penalty-free withdrawals will be allowed for first-time home purchase up to \$10,000 or for qualified education expenses.

These changes in IRAs give individuals more flexibility to save for retirement outside of the company retirement plan.

Overall, the changes to retirement plans provided by this legislation are positive. It is very good to see legislation that eases the administrative burden of plan administrators and in some cases reduces plan participants' tax burden. While these changes are not monumental, they are changes in the right direction.

One word of caution for plan administrators is that the effective dates do vary widely. Make sure you mark your calendars accordingly.

Material in this article does not constitute accounting, tax, investment, legal or business advice. You should review your specific situation with professional advisers.

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

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



Mr. Nirtaut

This month's column on employee benefit management issues is written by Dennis J. Nirtaut, managing director of compensation and benefits for Andersen Worldwide S.C. in Chicago. Christopher E. Mandel, director of risk management at PepsiCo Restaurant Services Group in Louisville, Ky., answers questions on risk management issues. William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field.

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

Court upholds benefits denial in service station fall

At issue in this case before the Supreme Court of Missouri was whether an employee who suffers an idiopathic—or of unknown cause—fall was entitled to workers compensation benefits. The court concluded he was not.

Verne L. Abel fell while working for a service station as a gas attendant. Mr. Abel went to an outside credit card machine to check credit card receipts. He stood on level, paved ground at the time of his fall. Mr. Abel attended to the credit card receipts and stood for five to 10 minutes, then he fainted, fell backward and hit the back of his head on the driveway. He sustained an intercerebral hematoma requiring hospitalization. Mr. Abel was denied workers compensation.

Legal Briefs

The appellate court said an employee must show the injury was caused by an accident arising out of and in the course of employment to receive compensation. An accident arises out of the employment relationship, the court said, when there is a causal connection between the conditions under which the work is required to be performed and the resulting injury. According to the court, although Mr. Abel's injuries occurred in the course of his employment, nothing about the condition of his workplace enhanced the effects of

gravity or made the conditions of his workplace any different from or more dangerous than those the public could expect to confront. The court affirmed the denial.

Abel vs. Mike Russell's Standard Service, Supreme Court of Missouri, June 25, 1996 (BI/01/M.-\$10).

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

NAPSLO

Continued from page 2

"We're moving toward a world of a handful of insurance providers," he warned. "That won't satisfy client needs."

John K. Latham, president and chief executive officer of Colony Insurance Co. of Richmond, Va., compared the insurance industry consolidation with that of the banking industry.

"I think they provide a great role model for the insurance industry. We should do the opposite," he quipped. "They're moving farther and farther away from the customer."

In some cases, brokerage mergers and acquisitions may produce consolidation on the insurer side, limiting choices for insurance buyers, pointed out Mr. Latham.

Indeed, when stock prices reach a certain level, it's easier for companies

to grow by acquisition rather than policy by policy, pointed out Simon Noonan, senior manager of financial services with KPMG Peat Marwick in Atlanta.

To maintain their competitive edge after an acquisition, newly merged companies will be forced to keep an eye on the bottom line, panelists pointed out.

In many cases, that will most likely mean staff cuts, predicts Mr. Latham.

"Personnel costs are the biggest component of expenses" for insurance companies and brokerages, he pointed out.

The merged companies also will likely invest the money saved by reducing staff size in technology so they don't lose efficiency, he predicted.

"You can only have so much overhead, so these companies will likely have to cut staff to pay for technology," he said.

Despite the urge to merge that seems to have taken over large indus-

try operators, many companies that remain independent stand to benefit, the panelists said.

"There are a lot of independent agents who want to stay independent," pointed out Thomas Curtain, chairman of surplus lines brokerage firm Cooney, Rikard & Curtain Inc. in Birmingham, Ala.

Besides, "Aon isn't interested in small-town America," he added, pointing out that the majority of the acquisitions made by Chicago-based Aon Corp. have been large operations.

"Nimbleness can't always be duplicated in larger organizations," observed Mr. Latham. "A 300-pound ballerina doesn't dance all that well," he said.

In some cases, insurance buyers will turn to boutiques if they think the companies they had been doing business with will change as a result of a merger, suggested Mr. Millette.

When Munich Reinsurance Co. bought American Re Corp., many of

the clients "went shopping" for new reinsurers, because many of them had chosen the companies based on their individual philosophies, he said.

Mr. Curtain predicts many of the clients of Johnson & Higgins and Marsh & McLennan Cos. will likely do the same because the two brokerages "have two very dissimilar cultures."

"Some clients won't like it, but they've got choices," he said. "There are other organizations they can go to."

Indeed, some surplus lines marketers attending last week's NAPSLO conference found that in many ways it resembled an employment fair.

"We look for producers who've been disenfranchised by the mergers," said Anthony T. Sidoni, president of The Walker Group, a surplus lines broker in Syracuse, N.Y.

In many cases, the decision of whether to stay with the newly merged organization or to go off on their own depends on the age of the producer, Mr. Sidoni said during an interview after the panel discussion.

"Those in their 50s or older may decide to stick around, while the younger ones in their 30s and 40s are more willing to open their own shops," he said.

"As a matter of fact, we're seeing that happen quite a bit," Mr. Sidoni said. "At the conference I ran into half a dozen broker/producers who have decided not to stay with the merged company and are going to go off on

their own."

In order to compete with the powerhouses being created by merger and acquisition activity, the remaining independent insurance suppliers "will have to do something to differentiate themselves," Mr. Springman said during the interview with *Business Insurance*.

"The day of the generalist is over. And even if you're a generalist, you're going to have to do something different," he said.

"The entrepreneurial, innovative person who comes in early, stays late and keeps his nose to the grindstone will always do well," concurred Mr. Latham during the NAPSLO panel discussion.

"You can't just sit in the porch rocker reminiscing about the good old days," he said.

"You've got to get out of the box, look forward, not back" urged David L. Eslick, senior vp-sales and marketing in Cincinnati for USI Insurance Services Corp.

"Look at the early 1900s," he said. "Railroads controlled transportation, but they didn't know that. They thought they were in the railroad business. But if they had thought otherwise, they'd own the airlines today."

"Don't think you're just in the insurance business," he warned.

"If change bothers you, this is not your game," Mr. Curtain agreed.

Mr. Noonan of KPMG Peat Marwick moderated the panel

7th World Captive and Alternative Risk Financing Forum



Completing the Concept

This year's program includes general sessions, roundtable discussions and concurrent workshops on the following:

- Basics of Captives and Risk Financing
- Risk Managers Round Table
- Selecting the Right Domicile for Your Captive
- Loss Reserves: The Complete Story
- The Tax and Regulatory Issues
- Latin American Captive Developments
- Reinsurance: Accessibility, Affordability, Necessity
- Rent-a-captives: A Time to Lease; A Time to Buy
- Group Health Care Captives
- Multiyear, Multi-line: The Complete Risk Financing Solution?
- Fronting and Workers Compensation
- The Future Is Not What it Was
- Wheeling, Dealing and Stealing
- Captive Case Studies
- Plus, the World Captive Forum Golf Tournament

November 16 - 19, 1997
Turnberry Isle Resort & Club
Aventura, Fla.

(Close to Miami & Fort Lauderdale Airports)

Keynote Speakers:

Heidi Hutter, Swiss Re America
Patrick G. Ryan, Aon Corp.

Sponsored by:

Business Insurance

**Skandia
SINER**

Tillinghast - Towers Perrin

For a brochure, contact Judith Harrington,
WCF Conference Director, 612-928-4659
or fax: 612-929-1318

NAPSLO outlines six strategic goals

ORLANDO, Fla.—Over the next three years, the National Assn. of Professional Surplus Lines Offices Ltd. will lobby for more uniform and efficient surplus lines industry regulation.

This objective was one of six goals outlined in the "NAPSLO Strategic Plan: 1998-2001," unveiled during the organization's annual conference Sept. 17-20 in Orlando, Fla. More than 2,000 NAPSLO members and guests attended the event.

The other five goals in the NAPSLO Strategic Plan:

- Enhance the understanding and competence in the surplus lines industry.
- Make implementing technology solutions easier.
- Enhance communication to members on critical issues affecting the wholesale distribution system and/or the surplus lines industry.
- Improve networking between NAPSLO and other industry groups.
- Ensure NAPSLO operates efficiently and effectively.

A survey of NAPSLO members conducted in December 1996 by Chevy Chase, Md.-based research firm Schlegel & Associates helped the NAPSLO Strategic Planning Committee to develop the three-year agenda.

"The committee did a great deal of work for the association, and the new plan will provide direction for future boards in dealing with all of the issues that arise," said outgoing NAPSLO President Gary Westphalen when he unveiled the plan at the annual business meeting.

"With changes occurring each year on the board, it is important to have a plan to provide continuity to our actions," he said.

The NAPSLO special committee was appointed last fall to work

on the plan.

In the survey, NAPSLO members were asked to evaluate current NAPSLO programs and say which should receive more, less or the same amount of emphasis over the next three years.

A 52% majority said legislative and state regulatory issues and excess and surplus lines schools should receive more emphasis over the next three years.

Members also cited as top priorities resolving inconsistent state surplus lines tax laws and deregulation of the commercial insurance industry.

However, there was no clear consensus regarding whether

NAPSLO should take a position on such deregulation of commercial lines. Fifty-two percent of the survey respondents favor supporting the idea, while 48% oppose it or say they are uncertain.

Other issues survey respondents suggested NAPSLO should get more involved in were technical issues affecting wholesale markets and brokers and the role of banks in insurance.

Of the 755 NAPSLO member companies surveyed, 302 responded, for an overall response rate of 39%. Of the total responding, 73.2% were from wholesale brokerage firms, 14.9% were from company and underwriting manager firms, and 11.9% were from associate member firms.

The 1998 annual NAPSLO conference is set for Sept. 9-13 in San Francisco. The conference is a members-only event.

For more information, contact the National Assn. of Professional Surplus Lines Offices Ltd. at 6405 N. Cosby, Suite 201, Kansas City, Mo. 64151; 816-741-3910; fax: 816-741-5409; e-mail: napslo@microlink.net.

—By Joanne Wojcik



REINSURANCE

THRILOGY!

WHAT WOULD I DO WITHOUT BI'S REINSURANCE COVERAGE?

NOW THAT SALLY SEKURE HAS BEEN NAMED C.E.O. OF ASSURUS CORP., WILL ANYONE DISCOVER THE TRUE SECRET OF HER VICTORY OVER R.I.S.K.??

THANKS TO SALLY SEKURE, ASSURUS' CEO, PARLOUS VANDAL, HAS BEEN EXPOSED AS A SECRET OPERATIVE FOR R.I.S.K.! HIS DIABOLICAL DEEDS TARGETED MAJOR CLIENTS — THREATENING TO RUIN THE RENOWNED INSURANCE COMPANY. BUT WITH PARLOUS OUT OF THE WAY, OUR SAVVY SALLY TURNED TO BI'S DIRECTORY OF REINSURANCE BROKERS — AND QUICKLY FOUND SEVERAL COMPANIES ABLE TO HELP HER PROTECT ASSURUS' ASSETS. AS A RESULT, SHE'S THE NEW CEO ... BUT TO HER, THE REAL HERO IS BI.

HELP WIN THE WAR AGAINST R.I.S.K.! PARLOUS MAY BE GONE, BUT THE PROSPECT FOR R.I.S.K. REMAINS. SO, LIKE SALLY, NEARLY 154,000* OTHER COMMERCIAL INSURANCE AND REINSURANCE EXECUTIVES, RISK MANAGERS AND INTERMEDIARIES WILL LOOK FOR THE LATEST COMPANY-SAVING INFORMATION FOUND ONLY IN BI'S SPOTLIGHT REPORT ON REINSURANCE TRENDS & ISSUES ... AND IN THE ANNUAL DIRECTORY OF REINSURANCE BROKERS. TO MAKE SURE THEY READ ABOUT YOUR SERVICES, CALL TO RESERVE YOUR ADVERTISING SPACE TODAY. IT COULD MEAN THE DIFFERENCE BETWEEN R.I.S.K. AND REWARD!

*INCLUDES PASS-ALONG READERSHIP

Business Insurance
WWW.BUSINESSINSURANCE.COM

NEW YORK: 212-210-0133 • FAX: 212-210-0704
CHICAGO: 312-649-5276 • FAX: 312-649-7937
LOS ANGELES: 213-651-3710 • FAX: 213-655-8157

COMING SOON!

THE FINAL EPISODE
IN OUR REINSURANCE THRILOGY!

**REINSURANCE:
TRENDS & ISSUES**

DIRECTORY: REINSURANCE BROKERS
DISTRIBUTION: NAI; PLUS

PUBLISHING: NOVEMBER 10
AD CLOSING: OCTOBER 29

JEFFERSON INSURANCE GROUP



Newport Tower
525 Washington Boulevard
Jersey City, New Jersey 07310

Tel: (800) 207-9847
(201) 222-8666
Fax: (201) 222-9161

Website: www.jeffgroup.com

MEMBER COMPANIES

JEFFERSON INSURANCE COMPANY OF NEW YORK
MONTICELLO INSURANCE COMPANY
JEFFCO MANAGEMENT COMPANY, INC.



A (Excellent) Class VII A.M. Best Rating



Springman takes helm at NAPSLO

President views education as part of role

By JOANNE WOJCIK

ORLANDO, Fla.—The National Assn. of Professional Surplus Lines Offices Ltd. will likely take a more activist role under the leadership of Paul Springman.

"This is a difficult climate we're operating in, and it's time we have a louder voice," said Mr. Springman, who was named NAPSLO's president at its annual meeting earlier this month in Orlando, Fla.

He succeeds Gary D. Westphalen, president of Westphalen, Bradley & James Inc., an Oklahoma City-based surplus lines broker.

Mr. Springman is president of Evanston Insurance Co. and president and chief operating officer of Evanston's underwriting manager, Shand Morahan & Co. Inc., also based in Evanston, Ill. Both companies are wholly owned subsidiaries of Markel Corp. of Rich-

mond, Va.

Even though the surplus lines market generates just 7% of the total U.S. gross insurance premium volume, "we are the historic incubators of new products and therefore should be heard, Mr. Springman pointed out.

But Mr. Springman admits that building a consensus among a group considered to be the entrepreneurs of the insurance industry won't be an easy task.

Equally challenging is the fact that Mr. Springman is only the second insurance company executive to be NAPSLO president.

Kevin Brooks, president of General Star Insurance Co. of Stamford, Conn., served as NAPSLO president in 1989-90.

"It's a challenge to serve as president of what historically has been a broker-driven organization that doesn't always reach a consensus on issues," Mr. Springman said.

For example, even though "NAPSLO has always advocated making placement of surplus lines easier," the organization hasn't officially taken a position on the issue of whether to deregulate the

See Springman on next page



Mr. Springman

MOAC

When it Comes to Marine Insurance...
The Name to Know is MOAC

The MOAC name counts for something. It counts for the experience and tradition of 125 years of continuous service to the marine insurance industry. It counts for financial strength and leadership qualities such as integrity, ingenuity and innovation. And an uncompromising commitment to service that's second to none.

The MOAC name counts for the largest ocean marine insurer in North America. We've been number one for a long time. And our links to the past form a solid foundation for the creative and flexible products and programs we design with our customers in mind.

For more information call your local MOAC office, or 1-800-887-WAVE.

MOAC

CNA

For All the Commitments You Make®

Springman

Continued from previous page
commercial insurance industry, Mr. Springman pointed out.

"The E&S market is more closely regulated in the domiciliary state than standard insurers are," he said.

"So NAPSLO isn't likely to support commercial deregulation without a quid pro quo for the ex-

cess and surplus lines industry," he explained. "That wouldn't be a level playing field."

Already NAPSLO has surveyed its membership on whether the organization should take an official stand on the deregulation issue (see related story, page 24).

According to the survey findings, 76% of wholesale brokers and 86% of surplus lines insurers favor the "concept" of commercial lines deregulation.

"But when they were asked to give specifics, they say they don't understand," Mr. Springman said.

Recognizing this lack of understanding within the surplus lines market, Mr. Springman said he sees education as part of his role as NAPSLO president.

"I must walk a fine line knowing when to educate and when to regulate," he said.

Besides Mr. Springman, other new officers were installed during

this year's NAPSLO conference. They are:

• Vp Orville D. Jones, chairman and chief executive officer of Crump Insurance Services Inc. in

Richmond, Va.

Elected to three-year terms as directors were Jim Griffith, president and CEO of Princeton Risk Managers Inc. in Princeton, N.J.;

Calif.; and Gene Keating Jr., president and CEO of American Equity Insurance Co. of Scottsdale, Ariz., were re-elected for new three-year terms.

NAPSLO is a 24-year-old national trade association based in Kansas City, Mo., that represents the surplus lines insurance industry. Surplus lines is a specialized segment of the insurance business also referred to as non-admitted, specialty and/or excess lines. Risks are generally placed with the surplus lines market when they cannot be placed in the admitted or licensed market.

NAPSLO represents surplus lines insurance agents and brokers, managing general agents, underwriting managers as well as surplus lines insurance companies.

NAPSLO has more than 1,100 member companies in the United States, Canada and England. **BI**

Fan hit by foul baseball to sue

By JUDY GREENWALD

SAN FRANCISCO—A baseball fan injured by a foul ball after being distracted by a seven-foot tall dinosaur mascot can sue the home team after the California Supreme Court's denial of a petition to consider the issue.

In denying a petition for review in *John Lowe vs. California League of Professional Baseball, et al.*, the California Supreme Court let stand a July 1, 1997, appellate court ruling that concluded Mr. Lowe can sue because the mascot who distracted him during a 1994 minor league baseball game was not an integral part of the game.

According to the decision by the fourth district appellate court in San Bernardino, Calif., fans such as Mr. Lowe who sit in unscreened seats normally assume the risk of being hit by foul balls, which are "inevitable or unavoidable in the actual playing of the game."

In this case, however, Mr. Lowe was distracted by the antics of "Tremor," a caricature of a dinosaur with a protruding tail who is the team mascot for the Rancho Cucamonga Quakes.

Mr. Lowe was repeatedly hit around the head and shoulders by Tremor's tail while sitting in his seat, according to the appellate decision. He turned around to look at Tremor and had just turned his head back toward the field when the foul ball hit him.

Among his injuries were numerous broken bones, including a broken nose and cheekbone, as well as permanent nerve damage and dental injuries, said his attorney, Claremont, Calif.-based Marjorie A. Seapy, a sole practitioner.

A trial court granted summary judgment in favor of the defendants and dismissed the case.

In overturning that decision, the appellate court noted games occasionally are played where the mascot is not present. "In short, the game can be played in the absence of such antics. Moreover, whether such antics increased the inherent risk to plaintiffs is an issue of fact to be resolved at trial," says the decision.

The attorney for the team could not be reached.

John Lowe, plaintiff and appellant, vs. California League of Professional Baseball, et al., defendants and respondents, Court of Appeal, Fourth District, Division Two, State of California, E017721, July 1, 1997.

'So NAPSLO isn't likely to support commercial deregulation without a quid pro quo for the excess and surplus lines industry,' says Paul Springman.

Dallas, a unit of Sedgwick Group P.L.C.

• Secretary Timothy M. Pedersen, president of Travis-Pedersen & Associates in Chicago.

• Treasurer John K. Latham, president and chief executive officer of Colony Insurance Co. of

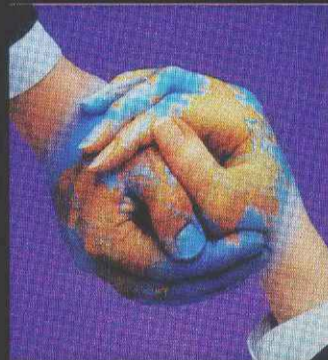
and Terrence Winkler, CEO of Insurance Brokerage Services in Chicago.

Samuel Anderson, senior vp of General Star Indemnity Co. in Stamford, Conn.; Euclid G.H. Black, president of Black/White Insurance Brokers in Oakland,

WHEREVER YOU DO BUSINESS AROUND THE WORLD, WE'RE JUST AROUND THE CORNER.

Chubb has offices in more than 110 cities around the world, including:

Amsterdam
Bangkok
Beijing
Bermuda
Bogotá
Brussels
Buenos Aires
Calgary
Cali
Dublin
Düsseldorf
Hamburg
Hong Kong
London
Lyon
Madrid
Manchester
Melbourne
Mexico City
Milan
Montreal
Munich
Paris
San Juan
Santiago
São Paulo
Seoul
Singapore
Sydney
Taipei
Tokyo
Toronto
Vancouver



Our customers may be global, but the way we do business is decidedly local. As a multinational insurer, Chubb has its own international network of more than 110 offices to serve the insurance needs of some of the most respected names in American and international business.

With a native understanding of local laws and customs, our multinational experts can coordinate coverage virtually anywhere our customers do business. In every Chubb office, you'll find the same high standard of service, integrity and financial strength for which Chubb is known worldwide.

So whether you're a large or small company needing an exporters package or a sophisticated master-controlled program that spans several countries, Chubb is the multinational leader in your neighborhood. To find out what Chubb can do for your business, call your independent agent or broker. You can also visit our web site at <http://www.chubb.com>

**INSURE
YOUR WORLD
WITH CHUBB**



For promotional purposes, Chubb refers to member insurers of the Chubb Group of Insurance Companies underwriting coverage. The precise coverage afforded is subject to the terms, conditions and exclusions of the policies as issued. Coverage may not be available in all jurisdictions. Chubb Group of Insurance Companies, Box 1615, Warren, NJ 07061-1615.

NAIC

Continued from page 2

just rate regulations, the proposal says.

Relevant factors for differentiating the two classes of buyer may include size, complexity, geographic locations, number of employees, sophistication level and ability to absorb loss, according to regulators' discussions.

The Risk & Insurance Management Society Inc. is expected to provide relevant database information to help state regulators design appropriate parameters, following an offer by Anne Allen, RIMS' state legislative counsel.

The drafting group of the NAIC's Special Committee on Regulatory Re-engineering is committed to completing its task by the organization's winter quarterly meeting in Seattle in December, said draft-

ing group Chairman Robert G. Lange of Nebraska, who took over the effort a few months ago following the previous chairman's resignation.

The Commercial Lines Property & Casualty Committee is anxious to begin modifying model rating and other laws as a way to encourage states to implement the recommendations, according to committee Chairman Darla L. Lyon of South Dakota.

Mr. Lange said the latest draft "is a little more comprehensive and better organized" than the version discussed in June.

The draft still includes many pro-business recommendations to states, including:

- Form filing laws should exempt multistate commercial insurance policyholders of all sizes—and some insurers—from various cancellation, notice, coverage and non-statutory requirements.

Other states also may consider adopting a Colorado program for insurers to self-certify that they are using state-required forms rather

alternative by states with prior approval laws.

- Surplus lines export lists, which identify risks for which a state does

'RIMS generally endorses the letter but didn't sign it because the letter addresses issues outside the scope of RIMS' main concerns,' says Anne Allen.

than having to file samples with each insurance department, according to a suggestion made last week by Colorado Deputy Commissioner Maryellen Waggoner, who serves on the drafting group.

- Flex rating, which makes it easier for insurers to make minor rate changes, should be approved as an

not have a ready market, should be adopted to make it easier for buyers to find coverage.

- Countersignature laws in 36 states, which typically require signatures from agents in at least two states to place a risk, should be eliminated as unnecessary.

In addition, drafters of the dereg-

ulation proposals endorse current NAIC initiatives such as the Producer Information Network, which is designed to improve agent licensing. They also will add wording endorsing the Accelerated Licensure and Evaluation Review Techniques project, which is designed to standardize insurer licensing forms.

In related issues, drafters rejected the idea of creating a special class of industrial insurer and recommended that states allow more flexibility in their regulation of workers compensation.

But they have not decided whether it is appropriate to exempt large commercial buyers from mandatory participation in guaranty funds or residual market mechanisms.

The deregulation proposals are generally in keeping with the principles outlined in a recent letter by an Ad Hoc Industry Group on Commercial Lines Deregulation, which represents about a dozen companies including insurers, brokers and consumers. The Coalition of Alternative Risk Funding Mechanisms and Kansas City, Mo.-based Hallmark Cards Inc. are among its members.

"RIMS generally endorses the letter but didn't sign it because the letter addresses issues outside the scope of RIMS' main concerns, which are rate and form deregulation," Ms. Allen said.

However, insurers have some concerns about the current draft.

The Alliance of American Insurers would like to see more proposals that would reduce insurer transaction costs related to the filing of forms.

Members of the National Assn. of Independent Insurers have "serious concerns" over proposals that segment or fragment the marketplace by giving the benefits of deregulation to only large commercial risks, according to its Sept. 15 letter.

Comments on the draft position paper should be made by Oct. 15 to Mike Barth at the NAIC's office in Kansas City, Mo.

In other action at the meeting last week:

- NAIC President Josephine Musser announced plans to resign as Wisconsin's insurance commissioner when her NAIC term ends at the conclusion of the NAIC's winter national meeting in Seattle in December.

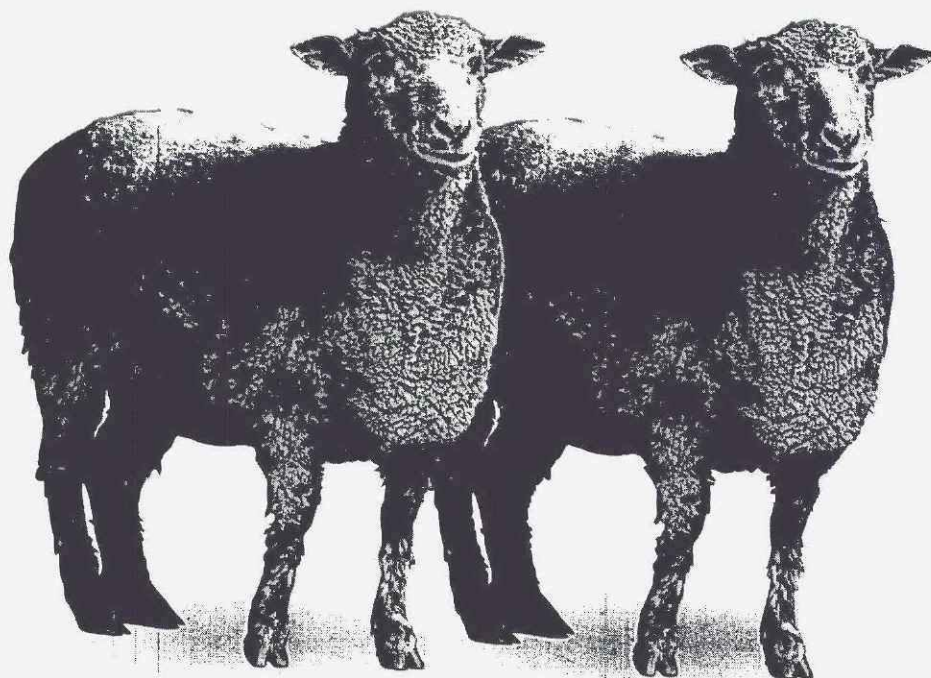
Wisconsin state law prevents her from discussing her future plans while serving as commissioner, Ms. Musser said. However, published reports are that she intends to run for the congressional seat held by Rep. Scott Klug, R-Wis., who will not seek re-election in 1998.

- NAIC members formally adopted a draft resolution outlining the organization's position on 21 key issues related to financial services modernization. The measure specifically addresses proposals found in federal legislation, H.R. 10, the Financial Services Competition Act of 1997.

The NAIC resolution outlines members' opposition to any pre-emption of state authority over the business of insurance, especially in the areas of mutual holding companies or state redomestication. State insurance regulators are seeking an affirmation by Congress of "functional regulation," whereby the states would regulate all insurance products regardless of whether they are sold by banks or insurers.

- In keeping with the meeting theme of "Get Up, Stand Up for State Regulation," NAIC regulators visited key members of Congress and hosted a reception for them on Capitol Hill. They also heard encouraging words from Rep. Earl Pomeroy, D-N.D., a for-

Continued on next page



Need professional liability? We're not cloning around.

We won't waste your time copying what others do.

In today's world, there's no end to what your customers want.

For 20 years, the Admiral has been helping you go beyond the ordinary with experienced, quick, and decisive services. And you're assured of protection that has earned AM Best's A++ VIII (Superior) Rating. Don't let professional liability make you sheepish. Call us for the answers you need.

We'll shepherd you in the right direction.



A member of
W.R. Berkley Corporation



ADMIRAL INSURANCE COMPANY

1255 Caldwell Road P.O. Box 5725, Cherry Hill, NJ 08034-3220 • (609) 429-9200 • Fax (609) 428-3390 • www.admiralins.com

No animals were harmed in the production of this advertisement.

Continued from previous page
mer insurance commissioner and
NAIC president, as well as Wash-
ington, D.C., Mayor Marion Barry.

• NAIC regulators are seeking
comment by Oct. 29 on a final
package of about 20 redrafted
statutory accounting principles,
which will be available soon at the
NAIC's World Wide Web site.

Many insurers were pleased that
regulators agreed to remove in-
vestment limitations in favor of
disclosure of investments. Howev-
er, they are upset that the final
package of papers is not yet avail-
able for them to comment on.

Despite that, regulators are
pushing the measures through the
NAIC's committee structure in
hopes of expediting the NAIC's
formal adoption of the measure,
which could occur as early as De-
cember, though March 1998 ap-
pears more likely.

The approximately 75 newly
codified rules are expected to go
into effect beginning Jan. 1, 1998,
in California and other states that
require no state-specific legisla-
tive or commissioner action.

• NAIC regulators gave interim
approval to allowing states to ban
insurers from using information
about domestic abuse as an ad-
verse underwriting tool for prop-
erty/casualty companies writing
personal or business-related lines
of insurance, such as coverage of
shelters for battered spouses.

The discussion included viewing
of film footage of a Seattle woman
whose homeowner claim was de-
nied after her estranged husband
burned down their home shortly
before a court approved their di-
vorce. A state court recently af-
firmed SAFECO Insurance Co.'s
denial of the claim because the
policy excluded intentional acts
by a co-insured. The case is being
appealed.

• NAIC members unanimously
adopted on a roll-call vote a posi-
tion paper on the use of credit re-
ports in insurance underwriting.
The paper details current sources
of information about an individ-
ual's consumer credit history and
how insurers are using it for un-
derwriting purposes in life, health
and property/casualty lines. The
paper is designed to help state in-
surance regulators identify possi-
ble insurer misuse of credit infor-
mation and actions they can take
to prevent it.

Despite extensive discussions,
the National Assn. of Independent
Insurers and the Alliance of Amer-
ican Insurers continued to oppose
portions of the paper, which rep-
resentatives of the insurer groups
said understated the actual corre-
lation between negative credit re-
ports and higher risk of loss.

Discussion of the issue heated
up when elected insurance com-
missioners Donna Lee Williams of
Delaware and Deborah Senn of
Washington state voiced umbrage
at what they perceived as a threat-
ening letter opposing NAIC adop-
tion of the measure, especially by
anonymous voice vote.

The letter was written and dis-
tributed by the Citizens for a
Sound Economy, a conservative
lobbying group.

• Regulators are expected to for-
mally vote in December on
whether the NAIC should revert to
its pre-1997 arrangement of
scheduling its Executive Commit-
tee meeting before its formal Ple-
nary, or voting, session. Regula-
tors are apparently concerned that
the new arrangement, which typi-
cally adds three months to the
process, creates excessive delay.
The NAIC had changed the order
beginning this spring with the
goal of enhancing deliberation on
issues.

BI

Holocaust survivor, heirs detail denials

WASHINGTON—A Holocaust
survivor and four heirs seeking un-
paid insurance policy proceeds re-
ceived a hearing last week from the
National Assn. of Insurance Com-
missioners.

The Holocaust victim and the de-
scendants of other victims recounted
how several insurers, many of which
still operate directly or indirectly in
the United States, refused to honor
life insurance and other policies, in-
cluding a "dowry-type" annuity
payable at age 21 and often used to
help fund weddings.

U.S. resident Marta Drucker Cor-
nell, who was born in what was then
Czechoslovakia, showed regulators a
copy of her physician-father's hand-
written list of several policies he pur-
chased for himself, her mother and

her sister, who all perished in con-
centration camps.

She said the insurer—Riunione
Adriatica Di Sicurtà S.p.A., now a
unit of Allianz A.G. Holding—re-
fused to pay the claims immediately
after the war, though it did not ex-

NAIC

plain why. The insurer later gave her
several reasons for not paying policy
benefits, including the war itself, her
father's failure to make premium
payments while imprisoned by the
Nazis, and the subsequent national-
ization of the policies by the Commu-
nists who seized Czechoslovakia.

"Please help us get justice by ex-
posing these financial criminals," Ms.

Cornell said.

The information-gathering session
was sponsored by a new working
group of the NAIC, which held its
quarterly meeting last week. The
working group, chaired by Insurance
Commissioner Deborah Senn of
Washington state, will report in De-
cember on the nature and scope of
what state regulators can do.

"It is shocking to hear these allega-
tions after all the Holocaust sur-
vivors have been through. Their sto-
ries demand thorough review. This is
about justice," Ms. Senn said. She
previously distributed question-
naires and a survey to Washington
residents on this issue and is expect-
ed to share details of that process
with other commissioners.

Several of the Holocaust victims

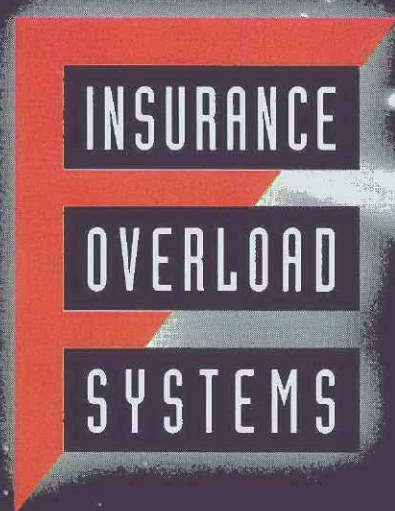
are participating in a lawsuit filed in
March in a federal court in New York
against 16 European insurance com-
panies (BI, April 7).

A separate effort is under way to
acquire unclaimed monies Jews
stored in Swiss banks for safekeep-
ing, said Dr. Israel Miller, president
of the Conference on Jewish Materi-
al Claims against Germany and Aus-
tria, who also spoke at the session.

A spokesman for Allianz Leb-
ensversicherungs-A.G., a life insur-
ance unit of Allianz that was the only
insurer represented at the meeting,
described steps it is taking to deter-
mine if it has any liabilities, includ-
ing a hot line and independent audit.

Three other insurers declined to
appear for a variety of reasons.

—By Meg Fletcher



Quality That Lights Up The Skies...

ISO CERTIFIED

You know quality personnel are vital to every aspect of your business. So does Insurance Overload Systems. IOS has set the standards of excellence in temporary insurance staffing since 1983. We've just raised our standards even HIGHER.

Insurance Overload Systems is ISO 9002 Certified for All Branch Locations Nationwide

What does this mean to you?

ISO 9002 certification means worldwide accreditation of quality standards for screening and placing personnel. ISO 9002 certification documents how IOS will meet or exceed your expectations for quality standards from staffing services. It ensures staffing solutions are directly linked to your specific needs. **Quality You Can See.**



Insurance Overload Systems

1-800-822-2422

www.iostemps.com



General Liability Programs for Outdoor Specialty Risks

The Outdoorsman Agency is a leader in managing specialty insurance programs for outdoor-oriented businesses.

Eligible operations include:
big game hunting outfitters,
coastal and inland fishing guides,
sporting lodges, canoeing and
backpacking guides, wingshooting

preserves and
Sporting
Clays,
The Outdoorsman Agency
PO Box 6988, Columbia, SC 29260

private hunting clubs... and many more.

Independent agents seeking stable, admitted markets for outdoor professionals are invited to call or write for information.

Contact Steve Murray or Andrew Woodham today to discuss the Outdoorsman advantage we can offer you and your clients.

800-849-9288
Fax 803-799-6609

UFG

Continued from page 1

his obligation to pay his ex-wife \$100,000 a year for several years, the indictment alleges.

Mr. Ferrarini was arrested Sept. 19 and released after posting a \$500,000 bond and surrendering his passport, according to Assistant U.S. Attorney Robert S. Khuzami. The others were not arrested and were ordered to appear in court; Mr. Khuzami would not say why only Mr. Ferrarini was arrested.

All of the defendants were scheduled to be arraigned last week, and all were expected to plead not guilty. None could be reached for comment.

Each of the multiple conspiracy, mail, insurance and securities fraud charges carries a statutory maximum of five or 10 years in prison, though actual sentences—if the men

are convicted—would be lower under federal sentencing guidelines.

Mr. Ferrarini also faces a maximum 30-year prison term if convicted on the bank fraud charge.

Formerly known as B.R.I. Coverage Corp., UFG was privately held by its top officers until 1992, when

sought the loans. Mr. Rumignani or another UFG employee forged the signature of one client company official on a premium finance agreement, the indictment alleges.

• The three UFG officials and Mr. Kagan, the CPF Premium Funding senior vp, conspired to obtain \$4.5

Struggling with financial problems from the start, UFG developed a series of grandiose takeover plans, including a proposed acquisition of brokerage giant Frank B. Hall & Co.

it became a public company in a merger with Chippewa Resources Corp., an oil and gas concern. The merged company divested its oil and gas assets and continued the brokerage business with former B.R.I. partners as top officers and major shareholders (*BI*, Sept. 27, 1993).

Struggling with financial problems from the start, UFG developed a series of grandiose takeover plans, including a proposed acquisition of brokerage giant Frank B. Hall & Co. The Hall deal was to be financed in part with UFG's stockpile of "Kwajalein guarantees," described as notes purportedly backed by future U.S. government payments owed to property owners on a Marshall Islands atoll (*BI*, Aug. 14, 1995).

None of these deals panned out, and UFG's problems turned critical in 1995, when its treasurer jumped to his death from UFG's 11th floor offices and the company was charged in a civil racketeering suit with defrauding CPF Premium Funding Inc. of Lake Success, N.Y., on phony premium finance loans.

UFG and a brokerage subsidiary later filed for bankruptcy amid an investigation by the FBI and the U.S. Attorney's office in New York.

That investigation last year yielded two guilty pleas: Mark Bailine, UFG's former vp-finance, and Frank Palumbo, its former controller, pleaded guilty to conspiracy charges and agreed to cooperate with prosecutors (*BI*, Feb. 26, 1996).

Last week, prosecutors announced a long-awaited indictment of UFG's top managers.

According to the indictment, Messrs. Ferrarini, Rumignani, Vieira and Kagan conspired in a series of increasingly risky schemes to conceal UFG's financial troubles by misappropriating millions of dollars from clients and premium finance companies between 1993 and 1995.

Mr. Ferrarini and Mr. Rumignani, for example, oversaw UFG's theft of more the \$6 million in client premiums that UFG falsely reported as income, prosecutors charge. UFG allegedly used some of the stolen money to cover payments to insurers of previously diverted premiums.

UFG also fraudulently siphoned about \$12.7 million away from three premium finance companies: CPF Premium Funding; Imperial Premium Finance Inc. of Edison, N.J.; and New York-based A.I. Credit Corp., a unit of American International Group Inc.

In these schemes, UFG allegedly submitted phony finance applications on behalf of clients, forging client signatures and sometimes seeking two loans from separate finance companies on the same policy.

The indictment charges, for example, that:

• Messrs. Ferrarini, Rumignani and Vieira obtained \$2.8 million in fraudulent loans from Imperial on behalf of two clients who never

million in fraudulent loans from CPF on behalf of 18 client companies.

When CPF became suspicious about the loans, Mr. Rumignani and one or more UFG employees prepared bogus authorization letters from clients using client letterhead and forging client signatures, the indictment alleges.

CPF later approved another \$3.2 million in fraudulent loans to eight other UFG clients, prosecutors say.

• When one UFG client received a notice of a loan from Imperial and questioned UFG, a UFG officer said the loan was a "mistake" and asked the client to send him the Imperial payment coupon book. A UFG employee later was ordered to make the monthly payments to keep the client from discovering that UFG had retained the loan proceeds, the indictment says.

• Mr. Ferrarini and Mr. Rumignani had a UFG employee obtain two signed premium finance agreements from one client—one for CPF and one for Imperial—telling the client that UFG needed both agreements to obtain quotes from the lenders. UFG then got loans from both finance companies and pocketed the proceeds of one of the loans, prosecutors say.

• The four defendants applied for two loans to finance premiums on one of UFG's own insurance policies and received \$104,800 from CPF and \$117,507 from Imperial. UFG then canceled the insurance policy and kept the loan proceeds.

• Mr. Kagan encouraged CPF to approve the fraudulent UFG loans. In return, UFG paid him \$425,000, disguising \$375,000 of the payments as "consulting services."

Prosecutors also charge that Mr. Kagan himself obtained \$284,349 in fraudulent loans from CPF, four of them purportedly on behalf of clients of KBC Systems Inc., another company Mr. Kagan operated.

Throughout the alleged schemes, UFG kept two sets of accounting records, one showing actual income and accounts payable and the other doctored to conceal the allegedly fraudulent transactions.

Several of UFG's SEC filings for 1993 through 1995 also overstated UFG's income and understated its liabilities, prosecutors allege, charging Mr. Ferrarini and Mr. Rumignani with making false statements to the SEC and securities fraud.

In 1994, UFG raised about \$4 million in a private placement of preferred stock, and the company and its top officers later were sued by shareholders who charged they were misled about UFG's finances.

Not mentioned in the indictment is Howard Miller, a former UFG senior vp who signed the SEC filings with Mr. Ferrarini and Mr. Rumignani.

Mr. Khuzami, the assistant U.S. attorney, declined to comment on whether Mr. Miller is cooperating with prosecutors. Mr. Miller and his lawyer could not be reached. **BI**

CPCU PREFERRED.

"Earning the CPCU designation shows a commitment to improving professional and technical competence in the risk management and insurance fields."

Keith T. Mitchell · Deputy Risk Manager
King County · Seattle, Washington



Whether you contract risk management services for one of the largest counties in the nation or the neighborhood pharmacy, you need professionals with the insurance and risk management expertise that is synonymous with CPCU, the property and casualty insurance industry's premier designation.

The American Institute for CPCU confers this prestigious designation. It signifies extensive knowledge of insurance and the environment in which it operates. It denotes industry experience and a commitment to ethical behavior.

CPCUs who join the CPCU Society go one step further. They join with other insurance professionals to promote and support continuing education, professionalism, and industry and community service.

There is no substitute for CPCU.

For more info, call (800) 644-2101 (AICPCU) or (800) 932-CPCU (CPCU Society).



Global Briefs

Swiss insurer Zurich Insurance Co. last week launched a corporate customer division to provide "total risk solutions" to multinational risk managers. Zurich Chairman Rolf Hueppi said the division is a response to customer demands for a solution-based rather than product-based approach to risk. The unit will combine traditional property/casualty coverage with specialty insurance and financial techniques for uninsurable risks, said Detlef Steiner, head of the new division. . . . **Lloyd's of London** has set up a committee to conduct a further independent review of members' representation and voting arrangements on its ruling Council. The committee's main tasks will be to examine the balance of representation of the various categories of Lloyd's members on its governing bodies, arrangements for adjusting this balance in the future, and methods of electing various categories of Council members. Pen Kent, a former director of the Bank of England and currently a director of National Westminster Group P.L.C., chairs the six-member committee. . . . Underwriting agency **Euclidian Underwriting Ltd.** has appointed Kevin Collins as its managing director. Euclidian said Mr. Collins' appointment is being made in anticipation of its being given authorization by Lloyd's of London to act as a managing agency. Mr. Collins is the former managing director of the Crowe Insurance Group Ltd. and previously was a director of Murray Lawrence Members Agency Ltd. Euclidian also announced the appointment of the first three underwriters. They are John Collyear, a specialist in affinity accounts, fine art and kidnap and ransom insurance; Penny Clay, a specialist in contingency business; and Xavier Lutchmayer, who specializes in international liability business, particularly in South America and Asia. . . . **R.A. Field Syndicate 204**, part of the Lloyd's holdings of ACE Ltd., has launched a new financial institutions policy to protect U.K. banks and other financial institutions against the growing problem of fraud. R.A. Field says the policy combines old blanket bond and computer crime insurances and includes "state of the art coverage without the need for lengthy amendments." . . . **Lloyd's of London syndicate 702** has launched what it calls an "innovative" directors and officers product that plugs the gap that previously made it difficult to obtain D&O cover for an individual director where a claim is made by the company or a co-director. Its D&O 702 policy provides significant cover against such claims, as well as defense costs for pollution claims, worldwide jurisdiction for both director and spouse, and other board directorships. . . . **The World Insurance Network**, the computer service linking insurers and brokers that is owned by Aon Group Inc., J&H Marsh & McLennan, Sedgwick Group P.L.C., and Willis Corroon Group P.L.C., has opened a New York office. WIN's Global Marketing Director Mark Snow said in a statement that opening the new office "is a crucial step in the roll out of WIN's global marketing efforts." The office is at 88 Pine St., Wall Street Plaza, New York, N.Y. 10005; 212-509-2770. . . . Italian insurer **Istituto Nazionale delle Assicurazioni** has been assigned an AA claims-paying ability by rating agency Standard & Poor's Corp. Included in the rating is Assitalia S.p.A., a non-life subsidiary of INA. S&P said it based its rating decision on INA's strong management team, which has "made impressive progress" since INA was privatized in 1993. Other factors included INA's strong position in the Italian life market and Assitalia's "excellent position" in the non-life sector; the organization's strong capitalization; and its improved operating performance and efficiency.

INTERNATIONAL

Hannover Re to purchase Skandia's reinsurance portfolio

By MARIA KIELMAS

HANNOVER, Germany—Hannover Reinsurance Co. plans to expand its specialty reinsurance business with the acquisition of a large part of Skandia International Insurance Co.'s reinsurance business.

Hannover Re, will pay 1.06 billion Swedish kronor (\$139.1 million) to acquire Skandia International's entire portfolio of life and health reinsurance, facultative reinsurance, and aviation and space insurance, strengthening Hannover's presence in those areas. The deal is retroactive to Jan. 1, meaning that Hannover Re will take over Skandia International policies in effect as of that date.

Skandia's U.K. subsidiary, Skandia Reinsurance (U.K.) Ltd., which writes life rein-

sureance, is also included in the deal.

Hannover Re, which holds sixth place in *Business Insurance's* ranking of the world's largest reinsurers based on 1996 net reinsurance premiums written (*BI*, Sept. 1), also writes automobile, general liability, property and other reinsurance lines. It reported \$3.4 billion in net reinsurance premiums written last year. Hannover had capital and surplus of



Mr. Zeller

\$1.2 billion in 1996, net income of \$50.3 million and a combined ratio of 97.1%

The Skandia International portfolio complements Hannover Re's current business and its growth strategy.

"We have a clear focus. We want to grow in life and health, in facultative and specialty lines," said Hannover Chairman Wilhelm Zeller.

Stock market analysts said that Hannover likely had been very selective in which Skandia business it finally bought. "It seems as though Hannover Re has cherry-picked the Skandia business and left the rest," said Tom Bennett, insurance analyst at Paribas Capital Markets in London.

Mr. Zeller confirmed this. "We have no appetite to grow in property/casualty business." See Skandia on next page

Dublin's early allure for German clients leads to late tax hit

By STACY SHAPIRO

LONDON—German insurers and reinsurers are being socked with huge unforeseen tax bills because German tax authorities have disallowed tax-free investment income from former subsidiaries in Dublin, Ireland.

Last week, the Hannover Re Group reported a record 60% increase in its 1996 after-tax profit to 108 million deutsche marks (\$60.9 million). The group's stellar results would have been even better, however, had it not had a whopping 146% increase in its taxes, bringing them to a total of 118 million deutsche marks (\$66.6 million) at the end of last year. That compares with 48 million deutsche marks (\$27.1 million) in taxes for 1995.

Wilhelm Zeller, chairman of the executive board of Hannover Re, explained at a news conference in London last week

that the tax bill resulted from a routine five-year tax audit by the German tax authorities for the years 1988 to 1992.

During this audit, the tax authorities disallowed tax-free investment income earned between 1989 and 1992 in a Hannover Re investment company run by one of the German banks in Dublin's International Financial Services Centre.

German banks encouraged German underwriters in those years to set up investment companies through the banks' Dublin subsidiaries in order to accrue investment income and lower costs, according to Mr. Zeller. He believes just about every German insurer and reinsurer set up such companies under the banks' supervision, so the tax issue "is not just a Hannover Re problem but a German insurance problem."

Indeed, Dublin's reputation See Hannover on page 33

Lockton forges tie with Forbes

Agreement formalizes relationship

By GAVIN SOUTER

PRAIRIE VILLAGE, Kan.—Lockton Cos. is expanding its list of international brokerage partners through a reciprocal service agreement with Forbes Group of South Africa, which recently bought Nelson Hurst P.L.C. in London.

The agreement will formalize existing working relationships between Lockton, Forbes and Nelson Hurst but will not include any commitment to exclusively deal with each other, said Tim Higgins, senior vp-international at Lockton.

The agreement complements existing reciprocal agreements that Lockton and Nelson Hurst had with FDG S.A., a Luxembourg-based group that comprises the international insurance brokerage interests of Funk Group GmbH in Hamburg, Ger-

many; Diot S.A. in Paris; and GrECo International A.G. in Vienna, Austria. The three brokerages operate in 14 European countries. (*BI*, Feb. 5, 1996).

The agreements enable the brokerages to access offices in Europe through FDG; the United States through Lockton; and South Africa, Asia, Latin America and the United Kingdom through Forbes/Nelson Hurst, Mr. Higgins said.

"As far as Lockton is concerned, this satisfies our principal needs for the immediate future," he said.

Meanwhile, as Lockton grows its network of international agreements, UNISON, the former doyen of all international brokerage networks, continues to crumble.

Last week, J&H Marsh & McLennan bought Bonnor & Co. A/S in Virum, Denmark. See Lockton on next page

Rail wreck under investigation

Investigators hope to glean safety lessons from wreck's causes

By STACY SHAPIRO

LONDON—Britain's Health and Safety Commission has launched a public inquiry into the fatal railroad accident outside London earlier this month, hoping in part to determine what lessons those in charge of rail safety can learn.

Last week, the HSC announced that the public investigation would be headed by Anthony Barrell, former chief executive of the Health & Safety Executive's North Sea Safety initiative after the Piper Alpha platform disaster in 1988.

The train accident occurred Sept. 19 when a packed, London-bound high-speed train operated by Great Western Trains from South Wales collided with an empty freight

train operated by English, Welsh & Scottish Railways. Six people were killed, and scores were hurt (*BI*, Sept. 22).

"The purpose of the inquiry is to determine why the accident happened, and in particular to ascertain the cause or causes, to identify any lessons which have relevance for those with responsibilities for securing railway safety and to make recommendations," the HSC said last week.

The inquiry will examine:

- The actions of the rail staff immediately prior to the accident. Both train drivers survived the crash.
- The signaling systems, which allegedly were faulty, according to news reports.
- The state of the track. News

See Train on next page



PHOTO: AFP

The cause of the fatal crash outside London earlier this month has yet to be determined. Investigators will examine actions of the rail staff as well as whether safety systems worked properly.

Lockton

Continued from previous page for an undisclosed amount. Bonnor was the Danish member of UNISON.

Bonnor had a premium volume of 400 million Danish Krøner (\$58.6 million) in 1996 and handles 450 large and mid-sized companies in Denmark.

Bonnor will be merged with the Danish operations of J&H Marsh & McLennan.

John Bonnor, managing director and founder of Bonnor, will be chief executive officer of the new Danish company, which will be

named Bonnor Marsh & McLennan.

The purchase of Bonnor marks another step in the decline of UNISON since its largest partner, Johnson & Higgins, was bought by Marsh & McLennan Cos. Inc. in March (BI, March 17, 1997).

Since then, the UNISON membership of Gras Savoye in Paris was thrown in to question after Willis Corroon P.L.C. agreed to buy a one-third stake in the brokerage (BI, July 14), and the German UNISON member, Jauch & Huebener KGaA in Hamburg, this month announced its sale to Aon Group Inc. (BI, Sept. 22). **BI**

Train

Continued from previous page reports said the passenger train was traveling too fast for the available track.

The availability and operation of safety equipment on the trains, including the automatic train protection and the automatic warning systems, which allegedly were turned off, according to news reports.

After the privatization of British Rail last year, the apportionment of liability is governed by a complex interparty agree-

ment known as the Claims Allocations and Handling Agreement.

Though CAHA is under review, its procedures went into effect last week.

For example, under CAHA, all parties must decide who should be the administrator of all claims if an accident occurs. Last week, all parties met and decided the claims lead would be Great Western, said Keith Purvis, product manager for St. Paul International Insurance Co. Ltd. St. Paul is Great Western's primary liability insurer but does not insure the freight train operators or Railroad. **BI**

Skandia

Continued from previous page ness. That is why we are not interested in 95% of the business out there. The problem is to find someone with an interesting portfolio mix. Skandia has a nice life portfolio and a good position in France, where we are not active at all."

Specialty lines acquired from Skandia, such as credit life insurance and long-term care, complement Hannover's existing speciality of acquisition pre-financing insurance, which is coverage purchased by companies that want to insure against any problems with any of the parties that have agreed to finance a deal.

"It is wonderful: We can sell our products in their market and their products in our market." Mr. Zeller added.

The acquisition will add an estimated \$367.4 million to Hannover's gross reinsurance premium volume, raising it to more than \$4.01 billion. Next year gross premiums written would show an additional increase of \$39.4 million in 1998, according to Hannover's statement.

The transaction will give Skandia a capital gain of 250 million Swedish kronor (\$32.8 million) and free 4 billion Swedish kronor (\$524.8 million) of cash due to loss-reserve reductions, the company said in a statement. Bo Ingmarsson, Skandia executive vp and chief investment officer, would not comment on how the company would use these funds or if Skandia is planning any acquisitions.

The company will focus on its core businesses of Nordic non-life insurance and annuities, Mr. Ingmarsson said. Skandia's solvency margin increased to 136% from 116%, according to the company's statement.

Though Mr. Zeller said Hannover is not interested in Skandia International's P/C business, Hannover would acquire renewal rights to the remainder of Skandia International's property/casualty treaty business from January 1998. The most attractive treaty business acquired is from the Middle East, France and Latin America, while U.K. treaty business is of no interest, he said.

Mr. Ingmarsson said that though Skandia is not selling some of the long-tail business just now, "it has been agreed in other ways to sell it no later than 1998." He gave no fur-

ther details.

Hannover Re said the acquired gross premium volume in the life and health reinsurance sector, the company's top priority, is \$249.3 million, increasing that sector's percentage of Hannover Re's total gross premiums to 23% from 17%. The company hopes to raise that proportion to 30%.

Facultative reinsurance premium, Hannover Re's second strategic priority sector, is set to rise to around \$167.2 million after the acquisition. The acquisition boosts facultative premiums to 5.7% of Hannover Re's total premium. The company's long-term aim is to increase that to about 10%.

Skandia's aviation and space business brings in \$65.6 million in premi-

lowing months. Skandia told Hannover that the talks were not exclusive but that Hannover was in a "super-priority position," he added. Mr. Zeller said he believed there was one other company interested in the assets but was not told its identity.

Mr. Zeller said serious negotiations resumed in July. Hannover conducted a due-diligence review in August and made an offer later that month. The remaining time has been spent in drafting the legal agreement.

The cost of the deal will be reflected in the company's earnings this year, Mr. Zeller said. Payment is in the form of a commission because lines of business, rather than a company, have been bought.

Hannover Re has no specific growth objectives and is not on an aggressive acquisition trail, Mr. Zeller said. "But if there is a company (on the market) with a facultative premium of one billion in any currency—dollars, pounds or deutsch-

marks—we will buy it tomorrow. This is the kind of acquisition we will consider," Mr. Zeller says.

Hannover Re, a 32-year-old company, is an affiliate of the Hannover, Germany-based mutual insurer Haftpflichtverband der Deutschen Industrie Versicherungs a.G. (HDI). HDI chairman Wolf-Dieter Baumgartel is the chairman of Hannover Re's supervisory board. In 1994, HDI sold 25% of Hannover Re stock in a public offering to finance a corporate diversification.

HDI could sell up to 25% more of Hannover Re stock in the future in order to finance further acquisition, Mr. Zeller says. "But (HDI's stake in the company) will never go below 50%," he said.

Likewise, Hannover Re would float some of its own stock if it needs funds for an acquisition that is of no interest to its main shareholder.

Meanwhile, last week Standard & Poor's affirmed Hannover Re's double A-plus claims-paying ability rating, claiming the Skandia deal "makes good strategic sense."

However, S&P placed Skandia International on credit-watch because the company is not expected to write any new business and the remaining liabilities will be placed into runoff. Skandia International had a triple-B-plus rating. S&P said once the deal is completed in 1998, it will assign an exit rating to Skandia International and remove it from Credit-Watch. **BI**

'We have a clear focus. We want to grow in life and health, in facultative and specialty lines,' says Hannover Re Chairman Wilhelm Zeller.

Services Guide

ARM Exam Prep Workshops

Virginia Beach, VA
ARM 54 October 13-15 & March 16-18
ARM 55 October 16-17 & March 19-20
ARM 56 October 13-15 & March 16-18

Orlando, FL
ARM 54 October 6-8 & February 9-11
ARM 55 October 9-10 & February 12-13
ARM 56 October 6-8 & February 9-11

Las Vegas, NV
ARM 54 October 27-29 & March 9-11
ARM 55 October 30-31 & March 12-13
ARM 56 October 27-29 & March 9-11

The Walden Institute
(888) 681-RISK
mcwilliams@waldenrisk.com

CPCU® and IIA candidates

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

INSPECTIONS AND AUDITS

"The Best in Service, Quality & Pricing For Over 15 Years"

TECHNICAL INSURANCE SERVICES
1-800-557-1147

VISIT OUR WEBSITE:
www.tisinspects.com

We're on the Web

Business Insurance Online!

www.businessinsurance.com

Is your software ready for the year 2000?

Call us.

SBPA SYSTEMS

Medical • Dental • Vision • Disability • Life • COBRA • Section 125
TPA's • Managed Care Organizations • Insurance Companies

Visit us at our web site: www.sbpa.com.

1-800-444-1189 • 10777 WESTHEIMER, SUITE 125
HOUSTON, TEXAS 77042 • FAX 713-974-3544

For advertising information contact: Cheryl Butler-Adesko,
Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340 • Fax (312) 649-7799

"Be sure that you return it."

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

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

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

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

| | |
|--------------------------------|--------|
| USA | \$87 |
| Canada/Mexico | \$105* |
| All other countries | |
| by expedited air. | \$205 |
| * Price includes Canadian GST. | |

Business Insurance.

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

P&I clubs maintain their stand against E.U. competition pressure

By EDWIN UNSWORTH

LONDON—Protection and indemnity clubs are refusing to bow to European Commission pressure to ease their restrictions on shipowners movement between the clubs.

In June, E.C. Competition Commissioner Karel Van Miert warned the 15 members of the International Group of P&I Clubs that they faced losing their exemption from E.C. competition rules because they unduly restricted competition on two major fronts. He gave them until Sept. 16 to respond.

The International Group's members together insure 90% of the world merchant fleet's liability risks. In their response, the P&I clubs maintain there is no basis for Mr. Van Miert's concerns about their International Group Agreement, which may make it less attractive for shipowners to move between P&I clubs.

The IGA aims to limit runaway competition between clubs by requiring a shipowner that switches clubs to pay rates for the first year based

on its claims record with the previous club. The International Group contends that is a "light restraint" on competition and necessary to underpin the International Group's claims-pooling arrangements.

Without the IGA, "there would be a very serious risk that the pool would collapse," and if this were to happen, shipowners' P&I costs would undoubtedly rise, the International Group said in a statement released last week.

It also claimed that as "there have been no market or commercial changes that would justify the commission in refusing to extend the exemption they granted to it in 1985," the European Commission is obliged to allow the exemption to remain.

The statement added that merely relying on free market price competition among the mutuals would not reduce shipowners' insurance costs, but "would merely alter the allocation of those costs between individual shipowners."

This would likely cause unfair rates to be charged to some members and a misallocation of costs between

them, because some shipowners would be able to negotiate lower rates for the same coverage and terms.

The International Group believes it has already taken action to meet Mr. Van Miert's other major concern: the high level of coverage required by P&I clubs for shipowners through their agreement for pooling claims above their reinsurance limit.

Since Mr. Van Miert issued his objections, the clubs have agreed to reduce the level of individual owners' exposure to overspill calls to 2.5% from 20% of the vessels' limitation funds under the 1976 Limitation Convention. This means that maximum cover paid out for any incident is reduced to about \$4.25 billion from the previous \$20 billion-level.

P&I club managers and International Group Chairman John Riley met Sept. 18 with Mr. Van Miert in Brussels, Belgium. Mr. Riley described the meeting as "courteous and constructive" and said he hoped more meetings would take place so that a productive dialogue could continue. **BI**

Hannover

Continued from page 31

as an offshore captive domicile was enhanced in the early years because it was the first region to attract German clients.

Mr. Zeller said Hannover Re would oppose the tax authorities on this issue and believes other insurers already had started litigation against the ruling.

The tax authorities have claimed they disallowed the tax-free income because Hannover Re didn't have its own office or personnel in Dublin during that period "but was using the offices of the bank," said Chief Financial Officer and member of Hannover Re's executive board Herbert Haas.

The tax authorities now are arguing that these companies were only shells used for the sole purpose of saving on German taxation, he said.

But Mr. Haas noted that Germany's tax code at the time did not require companies to have a physical presence and "such an active company" in Dublin. In-

deed, the German tax code was not changed until 1992 to require companies to establish offices and personnel in order to benefit from Dublin's regime, he said.

All these investment units were shut down in 1992, including Hannover Re's, after the change in the tax code.

'It is difficult to assess how big the problem is' for the German insurance industry, says Herbert Haas.

Hannover Re's existing Dublin subsidiary, which satisfies today's tax code, is untouched by the latest audit, said Mr. Haas.

Mr. Haas said "it's difficult to assess how big the problem is" for the Germany insurance industry. But he thinks litigation will continue for years and end up in Germany's highest court before it is settled.

Banks imposed disclaimers at

the time, so it may be difficult to sue them for the extra costs.

However, "there may be some liabilities" on the part of the banks depending on how they ran their businesses, said Mr. Haas. **BI**

Benfield buys Greig Fester

LONDON—Benfield Group Ltd. is paying £120 million (\$195.4 million) for fellow London-based reinsurance broker Greig Fester Group Ltd. in a deal that will create one of the world's largest privately owned reinsurance brokers.

The enlarged company, to be called Benfield Greig Group P.L.C., will have leading positions in non-marine catastrophe, marine, aviation and accident reinsurance.

The offer was driven by John Coldman, who has been with Benfield since 1985 and became its chairman last year after the death of Matthew Harding. Mr. Coldman previously had worked for Greig Fester for 18 years. He will become chairman of the enlarged group, while Dieter Losse, chairman of Greig Fester, will become deputy

chairman of Benfield Greig.

The groups believe their reinsurance brokering businesses are complementary, with Benfield a leading London market intermediary and Greig Fester a specialist reinsurance broker operating internationally, mainly in Europe, Australia, New Zealand, Japan and the Far East.

For the first six months of 1997, Benfield reported pre-tax profits of £12.1 million (\$20.1 million) on gross revenues of £22.8 million (\$38 million).

Greig Fester earned in the first half of 1997 pre-tax profits of £7 million (\$11.7 million) on gross revenues of £26 million (\$43.3 million).

There are no plans to list the new company on any stock exchange.

—By Edwin Unsworth

MARINE INSURANCE PROBLEMS?

No Prohibited Class Of Business
All Classes Of Marine Insurance Available

- Over 40 years of experience
- A & A+ rated companies
- \$25,000,000 in-house capacity for liability

600 Maritime Bldg. • New Orleans, La. 70130
Phone (504) 588-9044 • Fax (504) 588-9397



G&M Marine

G&M G&M G&M G&M G&M G&M

A SERVICE OFFICE FOR AGENTS AND BROKERS

HINSHAW & CULBERTSON

NINTH ANNUAL RISK & INSURANCE SYMPOSIUM

Developing Exposures and Today's Risk Markets

Thursday, October 30, 1997
Westin River North Hotel
Chicago, Illinois

A one-day program for insurers, risk managers, self-insureds, third-party administrators and claims analysts. The program features workshop sessions and panel discussions designed to give attendees the opportunity to address their concerns and focus on specific issues.

LECTURE TOPICS INCLUDE:

High Risk - New Exposure: New Issues In Liability
Intellectual Property • Executive Liability • Class Actions

Unique Claims - Unique Coverages: ERISA
HMOs • PPOs • Patients' Expectations • Status of Tort Reform

Staff Counsel's Response to Unexpected Claims

Broadening The Professional Lines Marketplace
Lawyers • Engineers • Architects • Financial Consultants

Lectures, Roundtables, Interactive Workshop Sessions

BREAKOUT TOPIC HIGHLIGHTS:

- Computers - The Year 2000 •
- Investment Counselor/Financial Planner Liability •
- Issues in Intellectual Property •
- Technology in the Workplace •

The Symposium is free of charge and includes materials, continental breakfast, lunch and a cocktail reception. For more information, contact Dawn Hicks at (312) 704-3856. Deadline for registration is Friday, October 24, 1997.

Athena's parent target of hostile takeover

PARIS—The future of Paris-based Athena Assurances is once more in question following a hostile takeover bid for its parent company, Worms & Compagnie, by French businessman Francois Pinault.

Mr. Pinault earlier this month launched a hostile takeover bid for financial conglomerate Worms & Cie. for 30 billion French francs (\$4.98 billion), the highest ever takeover bid on the French market. Worms, which owns 99.7% of Athena, later issued a press release advising its shareholders to reject the offer.

Assurances Generales de France in 1996 had indicated its interest in buying Athena from

Worms.

AGF currently holds an indirect stake in Athena via its 7.3% share of Worms & Cie. stock.

"Everything stopped at the end of 1996 because Athena and the Worms group wanted to work out what they would do," said a spokeswoman for AGF.

Athena wrote 18.6 billion French francs (\$3.09 billion) in gross premiums last year, divided about equally between life and non-life business. The company's life business accounts for 3.2% of the French market, while the non-life business accounts for 2%.

—By Maria Kielmas

INTERNATIONAL

Failure to follow rules cited in accident

By YVETTE HIGGINS
and KATE TILLEY

ADELAIDE, Australia—A South Australian investigation into a 1996 oil rig accident blames the near-environmental disaster on a failure to follow government safety regulations and procedures, among other things.

The Danish owner of the rig, the Maersk Victory, has filed a substantial insurance claim for damage to the rig.

Details and conclusions of the investigation into the accident were compiled in a report submitted to the South Australian Parliament and then tabled. The report was subsequently made public.

The report concluded that South Australian safety procedures had not been followed by the rig's operators, said Kristi Shore, petroleum engineer with the state government's Mines & Energy Resources Department. De-

spite the report's conclusion, no charges or further action had been recommended, she said, noting it was prepared only to improve rig safety.

The 8,500-ton Maersk Victory was being settled in place in the ocean in the Gulf of St. Vincent, about 19 miles south of Adelaide, South Australia, on Nov. 16, 1996, when it broke through a hard layer of sediment on the seabed, about 130 feet below sea level. The drilling rig and its three legs incurred substantial damage.

The report noted that "deficiencies in management systems and procedures" necessary for correctly positioning the rig on the seabed contributed to the accident.

Walter Stewart, manager of marine environment and safety for the Department of Transport & Marine Safety for South Australia, said the rig's legs had to be separated from the rig before they could be recovered.

Salvage and retrieval of the rig's legs took eight weeks, he said.

The Maersk Victory is owned by Denmark's Maersk Contractors, a wholly owned subsidiary of A.P. Moller. Both are based in Copenhagen, Denmark.

Mr. Stewart said the Department of Marine's major concern during the salvage was that the rig would spill oil, causing large-scale environmental damage, but that did not occur.

The South Australia report concluded that if government safety standards and procedures had been effectively implemented, the accident may have been prevented. Among other things, the government standards require a "safety case" to be filed that analyze the potential risks of major projects like rig transport. The report found that the Maersk Victory's safety case was inadequate and, in any event, was not followed.

The department's report found the rig operators had paid insufficient attention to evaluating the potential risks to moving the rig, particularly in an area where a rig of that kind had not been used before.

Investigators also found a lack of geotechnical information to assess the seabed's ability to support the rig stemmed from errors in judgment. The actual performance of the sub-sea sediments was different from original predictions, the report noted.

The report also found major deficiencies in quality and risk minimization procedures in the operation.

Overall, the investigators said in the report, "systems were in place, but not fully effective."

The report recommended the oil industry develop a better way to check that safety procedures are documented and followed for major offshore drilling projects.

The report recommends all parties involved in the Maersk Victory accident review their management systems and procedures and make necessary changes to ensure compliance with South Australia's regulations.

Management systems should ensure all contracts for services with the potential to cause a hazard are adequate and all parties should know their requirements, the report recommends.

The Maersk Victory, made in Japan in 1981, operated in waters off the United Arab Emirates and Qatar drilling in 55 locations from 1981 until it was damaged by explosions and a fire after an airplane attack in the Iran-Iraq war. After repairs to two legs, the rig was returned to service.

It was moved to Australia in April 1996 and was used to drill on the North-West Shelf, a rich oil and gas field off Western Australia, until it was moved to South Australia in November 1996. The accident occurred during its installation in the waters off South Australia. **B**

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$163.00 per column inch, minimum of one inch. Straight classified is \$14.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$22.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

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

HELP WANTED

DIRECTOR OF UNDERWRITING Medical Malpractice

Michigan's leading hospital professional liability insurer is seeking an experienced Manager with underwriting skills. Bachelor's Degree required, medical malpractice background and CPCU designation highly desirable.

Please send resume and salary requirements to:

Jan Anway
MHA Insurance Company
6215 West St. Joseph Highway
Lansing, MI 48917
Fax: (517) 323-0973
EOE

HELP WANTED

REINSURANCE Casualty VP - Treaty Underwriter

Old Republic Re, A+ reinsurer, \$500M+ PS, seeking seasoned cas treaty U/W w/primary or fac cas & treaty exp equaling 15 yrs; specific emphasis on AL/GLWC/UMB business; profitable track record; sound business judgment; good technical/communication skills. Undergraduate degree req'd, prof designation-CPCU, MBA-highly desirable. Resume, comp history to Joseph Bowden, Old Republic Re, 90 Willam St, NY, NY 10038; Fax (212) 509-6915.

www.businessinsurance.com

BUSINESS OPPORTUNITY

LOOKING TO EXPAND INTO SOUTHERN CALIFORNIA HMO MARKET?

Immediate opportunity with full service licensed Plan cover 16 M(+) market area. Please respond to Business Insurance, Box 3052, 740 N. Rush St., Chicago, IL 60611.

BUSINESS OPPORTUNITY

INTERNATIONAL MARINE OFFICE, INC., representing several international insurers, non-US, now accepting Blue Water Marine Business from experienced producers. For information call (804) 589-4778 or Fax (804) 589-4779.

REQUEST FOR PROPOSALS

The City of New York is soliciting competitive proposals from qualified sources for Group Long Term Care Insurance Services. The Request For Proposals is available beginning 10/10/97. Proposals will be due on 11/21/97. To receive a copy of the RFP or if you have any questions, please contact Lou Porpora at 212-306-7306.

HELP WANTED

INSURANCE CAREER CENTER <http://insjobs.com>

The Premier Employment Service on the Internet.

Employers! over 2,000 insurance professionals search our employment ads everyday. Are your positions listed? Call 410-266-3970 for ad placement or visit our website today.

HELP WANTED

Automobile Insurance Analyst

American Home Products Corporation, a Fortune 100 Company, one of the world's largest research-based pharmaceutical and health care product companies, has an excellent career opportunity for a qualified professional.

Your responsibilities will include administration of global automobile insurance programs and insured/self-insured losses; preparation of underwriting data; assisting in negotiation and placement of insurance coverages and third party administrator contracts; coordination of automobile loss control activities.

You will need a Bachelor's degree and 3-5 years in the automobile insurance area, preferably with an insurance carrier or insurance broker. Good oral/written communication skills.

As a Parsippany-based employee, you will be eligible to enjoy the advantages of our Fitness Center, Company Store and Child Development Center.

We offer a competitive salary, comprehensive benefits and opportunity for growth. For consideration, please E-mail, fax or mail your resume, which must include salary history/requirements, and Dept. Code JN-11 to:



AMERICAN HOME PRODUCTS CORPORATION
Human Resources
Five Giraldi Farms, Madison, New Jersey 07940
e-mail: hr1@ahp.com • FAX: (973)660-8486
Visit our website at: www.ahp.com

An Equal Opportunity Employer M/F/D/V

HELP WANTED

HELP WANTED

NON-OCCUPATIONAL SALES REPRESENTATIVE

Kemper National Services a subsidiary of Kemper Insurance, currently has a position available at our corporate headquarters in Ft. Lauderdale, Florida. We are looking for a creative thinker with expert ability at designing and delivering presentations for small and large groups. The ideal candidate will possess a background to include sales experience with STD & LTD insurance, as well as claim and disability case management, 5 years of selling experience with a large carrier, must have regional or national knowledge of benefit consultants and brokers, experience in responding to RFP's, negotiating, and implementing large national programs.

KNS offers a competitive salary and an excellent benefits package. For consideration please fax resume to (954) 452-4041 or mail to P.O. Box 189081, Plantation, Florida 33318-9081. KNS conducts pre-employment drug screening. EOE.

TOYOTA

REGULATORY AFFAIRS ADMINISTRATOR, SENIOR

Toyota Motor Insurance Services (TMIS) has an exceptional opportunity for a Regulatory Affairs Administrator, Senior with regulatory or compliance experience. You will be responsible for all regulatory issues and required submissions and filings to maintain the licenses of Toyota's insurance entities. Additionally, you will implement a market conduct (audit/quality control) program to ensure insurance company compliance with state laws. You will also act as a consultant to assigned Product Groups, and review proposed or existing contracts and recommend modifications in accordance with regulatory/legal issues.

Qualified candidates will have a minimum of 8 years in the insurance industry, (preferably in regulatory or compliance) with supervisory experience. Excellent analytical, research, and verbal/written communication skills are essential.

TMIS offers a competitive salary and an outstanding benefits package including medical, dental, vision and life insurance as well as 401k and pension plans. For consideration, please send your resume with salary requirements to: Toyota Motor Insurance Services, Attn: Human Resources, Dept. JW-RAAS, 19001 South Western Avenue, P.O. Box 2991, Torrance, CA 90509-2911, or FAX to: (310) 787-3507. EOE M/F/H/V.

TOYOTA TMIS
MOTOR
INSURANCE
SERVICES

**WANT YOUR
CLASSIFIED AD TO
JUMP
OFF THE PAGE?**

Then Add Spot Color To Your Recruitment Advertisement.
Call (312) 649 - 5340 For Details.

Business Insurance Circulation Breakdown Commercial Consumers

Administrative:
CEO's, Presidents, and Owners, 2,499
Vice Presidents, General Managers and
Other Administrative Personnel 4,696

Financial:
Chief Financial Officers and Vice Presidents
of Finance 3,084
Secretaries, Treasurers, controllers and
other Financial Personnel 3,028

Risk/Employee Benefits:
Vice Presidents, Directors, Managers, and other
related department personnel of: insurance, risk,
employee benefits, personnel, compensation,
pension, safety, security, industrial relations,
human resources and employee/
labor relations 15,387

Sub-total 28,694
Associations 305
Government, Unions and
Educational Institutions 1,046

Commercial Consumers
Sub-total 30,045
Insurance Agents and Brokers 8,462
Insurance Companies 7,336
Accountants, Actuaries,
Attorneys & Consultants 2,823
Adjusters, Appraisers, TPA's, Captive Managers
& Health Care Providers 1,648
Others Allied to the Field 915

Total Qualified 51,229
Non-qualified/Paid Subscription 31
Single Copy Sales 2

TOTAL CIRCULATION 51,262

★ Source Business/Occupational
breakdown of qualified circulation,
May 26, 1997 Issue, as
submitted to BPA for June 1997
BPA Publisher's Statement

INTERNATIONAL

Willis will have 30% stake in merged German brokerage

FRANKFURT, Germany—Insurance broker Willis Corroon P.L.C. will have a 30% stake in the soon-to-be-formed German broker Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. KG.

The new company will emerge from a union of Jaspers Industrie Assekuranz GmbH & Co. KG, the fourth-largest German broker in 1996 gross revenues, and sixth-ranked Wuppesahl & Co.

"The strategic alliance is aimed at bolstering market strength in the wake of recent consolidation," said a Jaspers spokesman. Aon Corp.'s takeover last week of Germany's largest broker, Jauch & Huebener KGaA, created "a new situation," he said.

John Reeve, executive chairman of Willis Corroon Group, said in a statement, "Willis Corroon's investment, when finalized, will be a further substantial step in implementing our strategy of attaining leadership positions in chosen market sectors."

The merger will create Germany's third-largest broker. Combined, the brokers would have reported 1996 gross revenues of 130 million deutsche marks (\$84.4 million) with 650 employees. Jaspers Industrie Assekuranz GmbH & Co.

KG is based in Frankfurt. It reported 1996 gross revenues of 85 million deutsche marks (\$55.2 million) with 400 employees. Bremen-based Wuppesahl & Co. reported 1996 revenues of 45 million deutsche marks (\$29.2 million) with 260 employees.

Jaspers previously was linked to Alexander & Alexander Services Inc., which Aon also acquired. Corp. The spokesman said Jaspers will end its cooperation with Alexander & Alexander Services and buy back the 20% minority stake A&A holds in Jaspers.

Jaspers Wuppesahl will be based in Frankfurt. The management of the new company has not been decided.

In addition to Willis's 30% stake, Deutsche Bank, which now owns 20% of Wuppesahl, will hold less than a 20% stake in the new company. "The majority share of the company remains with private investors," said the Jaspers spokesman.

He said the move will secure Jaspers' position with its international clients. "International brokers need some link to other markets and the choices are limited," he said.

—By Don Lewis Kirk

RIMS

Continued on page 2
ernment affairs post.

"Linda and I realized that given the changing employment arena, particularly for associations, we needed a full-time general counsel looking at the legal issues," Mr. Brown explained. "Up until now, Pat and I had split our legal duties with other issues."

Anne Allen, formerly state and provincial legislative counsel, has been named assistant director of government affairs. Ms. Allen will continue to monitor activity in the United States and Canada but will focus more tightly on a core of six to eight states and provinces where legislative activity is heaviest.

The staff cuts, meanwhile, have allowed RIMS to achieve "some administration efficiencies by reorganizing some work," Ms. Lamel pointed out.

"In a small organization, very often people end up wearing a lot of hats," she said. "We looked at all the people and said, 'Do we have the right hats on the right people?' And we found that we didn't."

It has been a number of years since RIMS has reviewed its workforce, she noted. "We found some things could be combined."

In addition, the society's increasing use of technology has eliminated some duties staffers previously performed. Last year represented "a big leap forward in terms of technological support," Ms. Lamel said.

The realignment is part of RIMS' mission to "make sure we get the maximum use of our members' dollars," Ms. Lamel remarked.

The staff cuts trim RIMS' total employee count to 49 from 55. But that number is due to rise next year, Ms. Lamel said.

Around \$250,000 saved from the cuts will be used to hire new person-

nel, most of whom will work to develop RIMS' educational programs, she said. Five employees will be hired in areas that currently are not sufficiently staffed, she explained. Those new hires won't replace any employees who were cut.

"What we want to do with the new positions is move forward in education with new programs and delivery systems," Ms. Lamel explained. "We need personnel who can do that."

Ms. Lamel said one of the new staffers scheduled to come on board next year will take over some public relations responsibilities for the society. "We don't have anyone here who focuses on external contacts," she noted.

The new public relations staffer will deal with the media and disseminate information on various RIMS programs and efforts, she explained.

She said details will be released later regarding the other four vacancies that will be filled in 1998. **BI**

Industry supporting disaster research

By EDWIN UNSWORTH

LONDON—British insurers and brokers are supporting scientists in a natural disaster research project.

The project, launched Thursday, is financially backed by a consortium of eight U.K. insurance companies, Lloyd's of London syndicates, and brokers. It also is partially funded by a £480,000 (\$781,680) grant spread over three years from the Department of Trade and Industry.

The project participants aim to promote research into several areas that specifically meet the needs of the insurance industry. Research is likely to focus on natural disasters such as earthquakes, hurricanes, floods, tornadoes, El Nino, predictions of extreme climatic events and damage to satellites. Scientific and research groups will submit project ideas, and the TSUNAMI participants will decide which of these proposed projects they want to fund either jointly or individually.

The project is called TSUNAMI, which is both the Japanese word for tidal wave and an acronym for Technology and Science in Universities, the Natural Environment Research Council and the Meteorological Office for Insurance.

John Battle, U.K. Minister for Science, Energy and Technology, issued a statement explaining the importance of the initiative to the insurance industry. "Both insurance and reinsurance are international businesses in which successful players are using increasingly sophisticated techniques and spending more on scientific research. If the U.K. is to retain its position in world insurance markets, it needs to take more advantage of the latest scientific research." **BI**

Mr. Battle added that he believes TSUNAMI will build a better bridge between science and industry, leading to a stronger U.K. market and new business opportunities.

Nick Golden, group underwriting and insurance manager for Royal & Sun Alliance Insurance Group P.L.C., one of the eight project backers, said he did not anticipate the extra knowledge insurers gleaned from the research into natural disasters would result in higher premiums.

He said the main point is that the information from the research should be used for more than fixing prices. It must be employed responsibly, such as in advising construction firms not to build in areas which the research shows are prone to flooding, said Mr. Golden. He also said learning more about phenomena such as El Nino, which causes a warming of the oceans that in turn affects weather patterns worldwide, may be a useful way to predict future weather activity.

The TSUNAMI consortium members are: Benfield Ellinger Ltd., a unit of Benfield Group Ltd., Catlin Underwriting Agencies Ltd., Commercial Union Assurance Co. P.L.C., D? Mann Underwriting Agency Ltd., Royal & Sun Alliance Insurance Group P.L.C., Sedgwick Reinsurance Brokers Ltd., Greig Fester Group Ltd—which is to merge with Benfield Group Ltd. (see story on page 39)—and Wren Syndicates Management Ltd.

The announcement was made just short of the 10th anniversary of the October 1987 storm that caused insured damage in the south of England worth an estimated £1.5 billion (\$2.4 billion). One reason for the high damage total was that the storm had been completely unexpected. **BI**

On October 30, 1997 in New York City, there will be a conference you can't afford to miss.

Can your firm survive a...

New Madrid Quake?

Hear First-hand from Leading Experts...

If you have exposure in the New Madrid Seismic Zone—Memphis, St. Louis, Nashville, Birmingham, Louisville, Little Rock—or any other earthquake prone area...you'll want to attend this important conference.

Hear leaders in the field speak about current information and new developments in:

- New Madrid earthquake threat
- Mid-western building vulnerability
- Loss control & risk transfer options
- Risk selection & managing aggregate exposures
- Insurance and reinsurance solutions

The loss potential is great...up to \$70 Billion!



Don't delay! Call to register for the New Madrid Quake Conference... (800) 486-2759

Sponsored by Guy Carpenter & Company, Inc., J&H Marsh & McLennan, Inc., EQECAT, Inc., Zurich Reinsurance Centre, Inc. and Business Insurance

Looking for a great idea?

Attend our UNIBEN™ Seminar.
Get in on the new
Coordinated Benefit Statements.

Is your company spending the typical 25% to 40% of payroll on its benefit plans...and yet employees still have to struggle to figure out what their benefit amounts are?

With UNIBEN™ it doesn't have to be that way!

Come learn about UNIBEN™, an easy-to-understand document:

- Where employees can find coordinated benefit amounts at one glance.
- Includes Social Security benefits for spouses and children.
- Projects benefits year by year. • Simplifies financial planning.

Attend this informative Seminar on UNIBEN™

Wednesday, October 29, 1997 / 8:30 AM to 10:00 AM

The Yale Club, 50 Vanderbilt Ave., bet. 44th and 45th Streets, NYC

Continental breakfast. No admission charge.

RSVP: Virginia Yardley: (212) 986-2942 / FAX: (212) 573-9743
DAVID LANGER COMPANY, INC., Consulting Actuaries

COBRA

Continued from page 2

But some benefit experts question the need for additional Labor Department guidance covering notification to employees of COBRA coverage more than a decade after the enactment of COBRA.

"After 11 years, employers pretty much have their systems in place. Putting out a model notice is helpful just after legislation is passed," said John Piro, a consultant with Hewitt Associates L.L.C. in Rowayton, Conn.

Mr. Piro worries that new model notices could cause needless employer concern over whether their own methods to communicate COBRA coverage information to beneficiaries are correct.

In its call for comments, the Labor Department notes that time has eroded the utility of its original model notice that employers can use to advise new employees of their rights under COBRA. Congress on several occasions has revamped the statute, such as by giving disabled employees who lose their jobs the right to purchase 29 months of COBRA coverage compared to the standard 18 months of coverage other employees can purchase after their employment ceases.

For the initial COBRA notice, the agency is asking for comments on:

- What information should be in-

cluded in the initial notice?

- Would model language be helpful?

- Is furnishing one initial notice to an employee and spouse residing at the same address adequate?

In addition, the department would like comments on the so-called notice of the qualifying event. Under this part of COBRA, a health care plan administrator must be notified that an event has occurred that entitles employees or dependents to COBRA benefits.

The nature of the event determines whether this notification obligation falls on the beneficiary or employer. For example, if the qualifying event is the divorce of an employee, the covered employee or qualified beneficiary must notify the plan administrator. In the case of the death of an employee, the employer must notify the plan administrator.

For this notice of the qualifying event, the department wants comments on:

- Should the department provide a "model" notice of qualifying event for use by beneficiaries and employers?

- In what form should this notice be required to be provided?

- Should the department provide rules under which notice of a qualifying event is deemed to have occurred when an employer also is the plan administrator?

The department also wants comment on the third COBRA notification requirement. This notice informs qualified beneficiaries that they have the right to elect COBRA coverage and have up to 60 days to decide if they want the coverage.

Questions the department would like answers to regarding this notice on the right to elect continuation coverage include:

- Should the department provide a "model" notice of the right to elect continuation coverage?

- What information should be required to be included in the notice of the right to elect COBRA?

For example, the department suggests that information that might be included in the notice would be the premiums beneficiaries would be required to pay, how the premiums

were calculated, the dates on which payments are due and the consequences of non-payment.

In a related area, the department wants advice on the appropriate means, such as written notices or electronic media, through which COBRA notification requirements can be met. Typically, COBRA notices are sent through first-class mail to beneficiaries' home addresses.

Many employers, says Will Applegate, a senior consultant at The Kwasha Lipton Group in Fort Lee, N.J., would jump at the chance to issue COBRA notices through electronic means, such as e-mail. Mr. Applegate noted that electronic notices could be faster and less expensive than sending notices by mail.

"The world has changed since 1986 in terms of communication vehicles, and the Labor Department is recognizing that," said Henry Saveth, a principal with William M. Mercer Inc. in Washington.

Others, though, wonder how practical e-mail or other electronic media would be as a COBRA notification vehicle.

"This may sound like a wonderful idea, but there are still a lot of employees who lack access to personal computers," said Jerry Lanoux, a principal in the Boston office of Buck Consultants Inc.

Under the Consolidated Omnibus Budget Reconciliation Act, employers must extend health care coverage to former employees and their dependents in certain situations. In the case of the death or divorce of an employee, a spouse and his or her dependents can purchase COBRA coverage for up to 36 months after the qualifying event. If an employee quits or is let go, he or she can purchase COBRA coverage for 18 months. Employers can charge beneficiaries 102% of the group rate for COBRA coverage.

Comments are due on Nov. 24 and should be addressed to the Office of Regulations and Interpretations, Pension and Welfare Benefits Administration, Room N-5669, U.S. Department of Labor, 200 Constitution Ave., N.W., Washington, D.C. 20210. Attention: COBRA RFI. **BI**

How

an organization influences the future depends upon the

ability and willingness of its leader to effectively manage change

in an industry where change is eminent. The CPCU Society and

CPCUs around the country salute Anita Z. Bourke, CPCU, CPIW,

1997-1998 CPCU Society president as she leads the CPCU Society

in our quest to influence the future of the industry in a positive way.



Anita Z. Bourke, CPCU, CPIW

1997-1998 CPCU Society President

Vice President, Strategic Planning

Willis Corroon Americas

Nashville, Tennessee



ADVERTISER INDEX

Issue of September 29

| ADVERTISER | PAGE # | ADVERTISER | PAGE # |
|-------------------------------|----------|------------------------------|--------|
| Admiral Insurance | 28 | Insurance Overload Systems | 29 |
| Assoc. Aviation Underwriters | 6 | Jefferson Insurance Group | 26 |
| Burnham Systems | 32 | Liberty Mutual | 9 |
| Business Insurance | 17,22,25 | Michigan National Bank | 22R |
| Carvill America, Inc. | 10 | MOAC | 26 |
| Chubb Group of Insurance Co's | 27 | Mutual Marine Office | 18 |
| CNA/Excess & Select | 14 | New Madrid Quake Conference | 35 |
| C.P.C.U. Society | 30,36 | Outdoorsman Agency | 30 |
| David Langer Company | 36 | PXRE Reinsurance Company | 12-13 |
| First State Management Group | 4 | Reliance National | 7 |
| First Union/Private Banking | 22R | Royal Insurance | 40 |
| GAB Robins | 11 | SBPA Systems, Inc. | 32 |
| General Star Management | 15 | Swett & Crawford Group | 16 |
| Gerling Insurance | 10 | Swiss Re America | 20-21 |
| G & M Marine Incorporated | 33 | Technical Insurance Services | 32 |
| Health Alliance Plan | 17R | Wausau Insurance Company | 5 |
| Hinsshaw Culbertson | 33 | Zurich American/Diversified | 19 |

Drugs

Continued on page 1

the plaintiffs lawyers in the Fen-Phen suits are also involved in one or both of these other mass-tort cases.

"MDL is a procedure the federal courts use to facilitate cases with the same issues," said Richard Hinds, defense partner with Clearly, Gottlieb, Steen & Hamilton in Washington.

Mr. Hinds is not involved in the Fen-Phen cases.

However, MDL "doesn't involve the trial of those cases. The cases are transferred to the MDL judge for discovery and resolution of common issues. Then they're sent back to the trial courts" for resolution of case-specific issues, Mr. Hinds explained.

But "the MDL judge has a lot of authority," and can steer the parties toward settlement, as was the case in the breast implant litigation, he said.

For example, U.S. District Judge Sam Pointer, who was appointed by the MDL panel to carry out the MDL procedures, successfully steered the parties toward settlement of the federal court cases against the Midland, Mich.-based implant maker.

While federal MDL certification wouldn't affect cases that might be brought in state courts for various reasons, most states have mechanisms in place similar to the federal process that could speed up resolution of state litigation as well, said Mr. Hinds.

State-run MDL procedures led to successful resolution of hundreds of California lawsuits with the dietary supplement L-tryptophan, he noted.

Mr. Hinds represented Japanese pharmaceutical maker Showa Denko K.K., the primary defendant in the L-tryptophan litigation.

The use of the MDL procedure also may be more advantageous since the recent U.S. Supreme Court ruling dismantling a class-action settlement in asbestos cases, Mr. Hinds pointed out (BI, June 30). "MDL is a procedure that's advantageous to both sides. In these kinds of cases, it's hard to obtain class-action certification," he said. And "defendants usually try to avoid class-actions."

The use of MDL will cut litigation costs for both the defendants and the plaintiffs, according to Kenneth B. Moll, a Chicago lawyer who is handling the case on behalf of some 200 plaintiffs there.

"The MDL was set up to consolidate civil cases with similar facts. Fen-Phen is a perfect example," he said, given that the known class of exposed individuals is easily identifiable through prescription records.

"In this situation, all the federal

court cases can be transferred to one court, and a central document repository can be constructed to give all the attorneys in the case access to court papers," he said. "That helps cut litigation costs," Mr. Moll explained.

Indeed, Judge Pointer even set up a home page on the World Wide Web so that all plaintiffs, defendants and attorneys involved in the multidistrict breast implant litigation would have easy and inexpensive access to court documents via the Internet.

Neither Philadelphia-based Wyeth-Ayerst nor American Home Products would comment on the use of MDL or on any other issues relating to the diet drug litigation.

American Home Products estimated the one-time cost of the product recall will be between \$200 million and \$300 million, or 20 cents to 30 cents per share after tax. A company spokesman declined to say whether American Home or Wyeth-Ayerst had product recall coverage.

In announcing the product recall on Sept. 15, Wyeth-Ayerst said it was forming an expert panel of physicians and researchers to evaluate the data and recommend additional actions to address the situation. Dr. Arthur Weyman, professor of medicine and director of the cardiac ultrasound laboratory at the Harvard University Medical School, will chair the panel.

In June, American Home also hired a New York public relations firm, Robinson, Lerer & Montgomery, to do crisis public relations after reports alleging health risks appeared in medical journals, newspapers and on the Internet, a company spokesman confirmed. One of the public relations firm efforts has been to place full-page advertisements in major daily newspapers advising of the recall. The company also established a toll-free telephone number for users or physicians to obtain information on refunds, prescribing or to contact a medical affairs representative.

However, the spokesman would not say whether the move was part of an overall loss mitigation strategy.

The spokesman said the company is insured for the potential liability loss but declined to provide specifics of the coverage. American Home's risk manager referred all *Business Insurance* inquiries to its public relations department.

American Home acquired rights to sell the drugs in the United States from its maker, Interneuron Pharmaceuticals of Lexington, Mass. The drugs have been sold in Europe for nearly a decade by French drug maker Laboratoires Servier S.A. Servier pulled the drugs from pharmacies worldwide two weeks ago. **BI**

Nutri/System warned over use of Prozac

INDIANAPOLIS—Ely Lilly & Co. has warned Nutri/System Weight Loss Centers against substituting the antidepressant drug Prozac, which Eli Lilly manufactures, for fenfluramine since the latter drug has been recalled.

In a letter to Joseph DiBartolomeo, vp for scientific affairs at Horsham, Pa.-based Nutri/System, Lilly said the use of Prozac in combination with phentermine "is not supported in any way by Eli Lilly & Co. because the company has not conducted safety and efficacy registration trials for this use. Prozac is not authorized for the treatment of obesity or weight control by the U.S. Food and Drug Administration."

Until its recall earlier this month, fenfluramine had been used in combination with phenter-

mine to create the popular diet drug combination known as "Fen-Phen."

A spokeswoman for Lilly declined to say whether the letter was part of a strategy to shield the company from liability should complications result from Nutri/System's dispensing of the new combination, which it dubbed "Phen-Pro."

Sources say Nutri/System has coverage for professional liability, medical malpractice liability and vicarious liability from National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc.

Nutri/System did not return phone calls. An AIG spokesman wouldn't confirm the coverage information.

—By Joanne Wojcik

Sears

Continued from page 1

tired between Jan. 1, 1978, and Dec. 31, 1997, will see their life insurance amount drop 10% a year over 10 years, and those retiring after the turn of the century will get no company contribution to life insurance at all.

For those retirees whose life insurance will be reduced, Sears will offer replacement term life insurance at a group rate and without cash assistance from Sears. The company has 133,000 retirees, 84,000 of whom will be affected by the life insurance changes.

Sears also is trimming health benefits for pre-65 retirees. Next Jan. 1, the individual and family deductibles in certain medical plans will rise to \$300 and \$900, up from the current \$250 and \$750 deductible levels.

While Sears is not the first employer to eliminate its portion of contributions toward retiree health care premiums—albeit for future retirees and only for those eligible for Medicare—it is one of the largest companies to do so.

Sears says its actions are necessary to control costs. Even with the changes, its benefit package remains richer than competing retailers, its top executive says.

"We know a lot depends on how well we manage costs. Our retirement benefit package remains better than that of retail competitors, but the cost of those benefits is out of line," said Sears Chairman and Chief Executive Officer Arthur C. Martinez in a letter to employees.

Retiree costs of all kinds have been racing ahead at an unreasonable clip, added James Bronson, Sears' vp of benefits.

Utility suing lawyer, alleging \$20 million in fraud, extortion

WEST PALM BEACH, Fla.—FPL Group Inc. is suing an attorney it claims has dogged the utility for years and collected millions in fees and settlements related to shareholder suits.

The parent of Florida Power & Light Co. is charging in a suit filed Aug. 22 that Richard Greenfield and his firm, Greenfield & Rifkin of West Palm Beach, Fla., and Ardmore, Pa., committed fraud and extortion to extract nearly \$20 million from FPL Group in two suits in the early 1990s.

The FPL suit, filed in U.S. District Court in Miami, alleges violations of the Racketeer Influenced and Corrupt Organizations Act and seeks return with interest of settlement amounts paid by FPL Group liability insurer

While the elimination of the retiree health care benefits plan will affect future retirees, Mr. Bronson said the company's approach shows appropriate concern for workers.

"We feel we're taking a very compassionate approach to our employees," he said, referring to the advance notice of the changes and that employees who retire in the next few years will retain the company-provided health care plan.

Sears' benefits options for employees should be viewed as a whole, Mr. Bronson said, to see how much better they are than other retail stores. In addition to its health care plans, the company has a 401(k) plan with a company match and an reinvestment program in Sears stock, he said.

Sears' action is not unheard of at a time when retail corporations are being pressed for profits and are searching for ways to cut back, said Barry Barnett, a principal with The Kwasha Lipton Group of Coopers & Lybrand in Fort Lee, N.J. Nearly all other retail giants have provided less generous benefits than Sears, Mr. Barnett said.

Still, huge companies such as Sears, with 300,000 employees, have gained a certain image of stewardship for their workers that actions such as those Sears plans could erode, he said.

"It definitely changes the image of the benevolent retailer who protects its workers," he said.

Sears would not say just how much the changes are expected to provide in savings, but the extremely high accrued post-retirement cost figures "give you an idea," a Sears spokeswoman said. The accrued post retirement benefit cost in the balance sheet for Sears at the end of the year—an accounting measure for the burden of expected future retirement obligations—was \$2.75 billion last year, ac-

ording to Sears' 10K statement filed with the Securities and Exchange Commission. Sears had 1996 revenues of \$34.93 billion.

That load, Sears officials believe, could interfere with desired financial recovery. While eliminating retiree health care benefits is an unusual step for a company the size of Sears, the blow of the elimination for many retirees will be eased by changes mandated by budget legislation passed earlier this year by Congress.

Those changes will increase federal payments in many parts of the country that agree to provide Medicare coverage to retirees. In some parts of the country—especially Southern California and South Florida—federal payments to so-called Medicare risk HMOs already are so high that the HMOs are providing a rich benefit package and are not charging retirees any premiums.

It is possible, legal experts say, that employees and retirees could sue Sears for cutting back benefits. As the pendulum of case law swings back and forth, the reduction of benefits such as that being attempted by Sears becomes "a tricky question," said Nancy Ross, a partner with the law firm McDermott, Will and Emery in Chicago.

Still, companies like Sears that make changes for future retirees are going to be on more solid ground than for those who make changes affecting current retirees, Ms. Ross said.

And companies have prevailed in suits involving changes to retiree health care benefits if they have reserved the right to amend benefits and have told employees that benefits can be altered or eliminated.

Sears' Mr. Bronson said the company has told its workers regularly that benefits are subject to change. **BI**

Associated Electric & Gas Insurance Services Ltd. The suit asks for unspecified punitive damages. AEGIS, a Bermuda-domiciled surplus lines mutual insurer, is not a party to the suit.

Mr. Greenfield said the FPL lawsuit was an attempt to intimidate him in anticipation of a suit he filed Aug. 29 alleging mismanagement of FPL nuclear power plants.

"We've successfully sued them in past, and I guess that means they're afraid of the current suit."

A statement by FPL Group General Counsel Dennis Coyle said Mr. Greenfield's "current extortion scheme" began when he sent letters in 1996 demanding that "FPL Group's board of directors sue themselves and

various officers of the company" for damages allegedly suffered by the company because of problems at FPL Group's St. Lucie County, Fla., nuclear power plant and other issues.

Based on an investigation of nearly 10 months by an independent legal counsel and a committee of non-management directors of FPL Group, Mr. Greenfield's demands were rejected, according to Mr. Coyle. The statement said Mr. Greenfield has been "stalking FPL Group for years."

"I don't know what that means," Mr. Greenfield said. "Have I been watching them? Yes of course. They've done a lot of bad things over the last nine years."

—By Mike Bradford

Texas imposes new building codes

AUSTIN, Texas—New building codes are in place along the Texas coast to reduce hurricane and wind-storm losses.

The code, adopted by the Texas Department of Insurance, applies to homes and other "non-engineered" buildings constructed within about 25 miles of the Gulf of Mexico.

Requirements of the new code call for, among other things, changes to roof construction, foundations, windows and other openings. It requires the use of specific grades and species of lumber for wood frame walls.

Buildings must meet the new standards to qualify for coverage under the state's Catpool, which provides wind and hail insurance in the area.

A 1995 study by Texas A&M University determined that the code would increase construction costs 2% to 5% but could reduce damage as

For the record

much as 50% from storms as powerful as Hurricane Alicia in 1983, a Category 3 hurricane.

N.Y. broker and firm have licenses revoked

NEW YORK—The New York State Insurance Department revoked the corporate insurance licenses of Schenectady, N.Y.-based broker A.W. Lawrence & Co. Inc. and the individual license of its chairman, Albert W. Lawrence, late last month.

The revocation follows an Insurance Department audit that revealed the broker had more than a \$5 million premium deficit.

The department also fined Vp William J. Mather \$2,500 and President Helen A. Whipple \$500 for failing to ensure that Mr. Lawrence and

others at the corporation cooperated with the department's investigation.

A.W. Lawrence's parent company, Lawrence Agency Corp., filed for Chapter 11 bankruptcy in February 1997. In 1996, the last time Lawrence Agency Corp. appeared in *Business Insurance's* annual ranking of the world's largest brokers, it was the 47th-largest broker of U.S. business with \$17.7 million in revenues.

Bill requires reports to agencies

CARSON CITY, Nev.—Nevada Gov. Bob Miller has signed into law a bill requiring that information on convictions of state-licensed professionals such as doctors or lawyers must be forwarded by the insurance commissioner and attorney general to the appropriate licensing agency.

The agency, in turn, would then be required to report back within a year on the action it took against that person. The law takes effect Oct. 1. **BI**

Court

Continued from page 2

porting requirements within 60 days of being served notice that a suit was pending.

Nevertheless, "it's somewhat of a sparse docket in terms of business cases," said Glenn Lammi, chief counsel of the Washington Legal Foundation's Legal Studies Division. The foundation is a free market-oriented public interest law firm that held a Supreme Court preview last week.

"The term so far does not appear to be of landmark importance to business," said Mark Levy, a partner in the Washington office of Howrey & Simon, during a discussion of the Supreme Court docket sponsored by the National Chamber Litigation Center, the legal arm of the U.S. Chamber of Commerce, two days after the WLF briefing.

The appeals court decision 'makes it more difficult to keep junk science out of the courtroom,' says Richard Thornburgh of Kirkpatrick & Lockhart.

Perhaps the most important of the few risk management-related cases is the *Joiner* case, which the justices will hear on Oct. 14.

The case revolves around how much discretion a district court judge has in determining whether expert testimony is admissible (*BI*, April 7). Mr. Joiner claimed that his exposure to polychlorinated biphenyls, or PCBs, while working as chief electrician for the city of Thomasville, Ga., had caused him to develop lung cancer. He sued GE and other manufacturers of electrical equipment, claiming they were liable.

But a judge for the U.S. District Court for the Northern District of Georgia ruled that experts Mr. Joiner relied upon to back his contention that PCBs had caused his cancer did not have a valid scientific foundation for their conclusion. The judge cited the U.S. Supreme Court's 1993 *Daubert vs. Merrell Dow Pharmaceuticals* ruling, which sets criteria for federal court judges charged with determining whether or not expert testimony can be admitted.

The 11th U.S. Circuit Court of Appeals, however, ruled that the district court had gone too far, holding that there should be a preference for admitting expert

testimony and that decisions to exclude such testimony must be subject to a "particularly stringent standard of review."

The appeals court decision "makes it more difficult to keep junk science out of the courtroom," said Richard Thornburgh, former U.S. attorney general and now counsel to the Pittsburgh-based law firm Kirkpatrick & Lockhart's Washington office, at the WLF-sponsored Supreme Court preview last week.

"This whole area is desperately in need of some bright-line rules," said Mr. Thornburgh, adding he thinks the high court will overturn the appeals court decision. "I think what most people in this area are looking for is some degree of predictability," he said.

"I think GE is likely to win this case," because its position is more in keeping with most legal thinking, Mr. Levy said at the chamber briefing.

some U.S. circuit appeals courts—both the U.S. District Court for the Eastern District of Louisiana and the 5th U.S. Circuit Court of Appeals held that Mr. Oncale could not sue under the Civil Rights Act.

"The issue has created confusion in the courts of appeal," particularly when the alleged harassment occurs among same-sex heterosexuals, pointed out Cliff Sloan, a partner in the Washington office of Wiley, Rein & Fielding. He called the case a very "important employment Title VII case" during the chamber briefing.

No date has been set for argument.

Another employment case out of Louisiana, *Dolores V. Oubre vs. Entergy Operations Inc.*, also will be decided. The case centers around the question of whether workers can sue for alleged age discrimination under the federal ADEA after they have accepted a severance package (*BI*, April 28). The case will be argued in November.

The justices also will address the issue of toxic substance reporting when they decide *Citizens for a Better Environment vs. The Steel Co.*

The U.S. 7th Circuit Court of Appeals ruled that a Chicago-based citizens group could seek penalties under the Emergency Planning and Community Right-to-Know Act even though the company corrected the reporting violations before the suit was filed. Under the act, a citizens' group has to send a "notice of intent to sue" listing the alleged violations and then wait at least 60 days before filing suit.

The Steel Co., also based in Chicago, submitted the proper forms within the 60 days, but the citizens' group went ahead with its suit, and the appeals court allowed it to proceed on the basis that suits could be pursued for past failures to report.

The justices will hear the case on the first day of their new term, Oct. 6.

Looking ahead, "the issue of privatization and the issue of liabilities of private companies" that take over government functions is certain to come before the high court again, said Mr. Sloan. The court already has decided that private prison guards do not enjoy the same immunity from inmate suits as some of their public sector colleagues do, he said.

As private firms assume more and more government functions, such as those involved with welfare, more suits are inevitable, Mr. Sloan said. **BI**

Updates

AMR settles more crash cases

CHICAGO—Liabilities totaling as much as \$210 million to compensate the families of people who died in a 1994 crash of an American Eagle turboprop airplane have been divided between American Eagle's owner AMR Corp. and the plane's French manufacturer, Aerospatiale.

Last week, four AMR companies and three companies belonging to Avions de Transport Regional, which is owned by Aerospatiale, agreed to pay between \$100 million and \$110 million to settle 26 lawsuits covering the deaths of 27 passengers and crew members aboard American Eagle flight 4184, which crashed in Indiana on Oct. 31, 1994.

Because about 35 cases already had been settled, this means 62 of 68 cases from the crash have now concluded.

Each company's relative share of the total liability was unclear as of last week. Although one London underwriter involved in the claim said AMR was allocated two-thirds of the liability loss and Aerospatiale the remainder, other sources close to the case say the percentages are the other way around. The London underwriter indicated that after last week's settlement, \$210 million had been paid in liabilities.

AMR's broker, Aon Group Ltd. in London, would not comment, and AMR's lead aviation hull and liability underwriter, Richard Maylam of Lloyd's, did not return calls. Aerospatiale's broker, Cécarr & Jutheau, and its lead insurer, La Reunion Aérienne, did not return calls.

The remaining damage cases may be settled this week, said plaintiffs' attorney James P. Kreindler of Kreindler & Kreindler in New York.

The National Transportation Safety Board concluded in July 1996 that the American Eagle disaster was probably caused by "the failure of ATR, the plane manufacturer, to completely disclose adequate information about previously known effects of freezing precipitation on the plane's stability and control characteristics. . . ." The plane nosedived into a soybean field near Roselawn, Ind., after a ridge of ice formed on the wings.

The NTSB also blamed France's Directorate General for Civil Aviation for "inadequate oversight" of the ATR-72 aircraft.

Labor to look at poultry plants

WASHINGTON—The U.S. Department of Labor is launching a survey to gauge the safety and compensation practices of the nation's poultry industry.

"This is not an enforcement effort right now," said a spokesman for the Occupational Safety and Health Administration, which along with the Wage and Hour Administration is conducting the initiative. He said that instead the effort was intended to "take a snapshot" of industry practices.

"We want to do a baseline compliance survey just to discover the level of compliance with wage and hour and safety and health laws," said the spokesman. The nationwide survey will begin Oct. 6 and probably run through mid-November, he said. The Labor Department will review the findings before deciding what to do next, he said.

The spokesman said the Labor Department would be talking to about 30% of the industry's 174 poultry processing plants. He added that the poultry industry has a rate of injury and illness more than twice that of industry in general.

The poultry industry is reacting coolly to the probe.

"You would think that they would have a snapshot already—approximately 150 inspections have already been conducted in the poultry industry so far this year. So we see no real reason for this survey. The poultry companies are committed to maintaining a safe workplace," said a spokesman for the Washington-based National Broiler Council.

Consumer groups fight reform

WASHINGTON—Consumer groups are calling on President Clinton to stop negotiating with congressional leaders regarding consumer product liability reform legislation.

The move came as White House officials met with congressional representatives to work out differences on product liability legislation. Although the president vetoed reform legislation last year, he said he would be willing to sign "reasonable" legislation (*BI*, May 6, 1996). Although no draft of any compromise has been made public, consumer groups wrote to the president last week urging him to veto any reform legislation. Of particular concern to the letter's signers, which included Public Citizen, Americans for Democratic Action and the National Organization for Women, was a rumored agreement to cap punitive damages for small businesses and the creation of a uniform 18-year statute of repose for durable goods.

"Standing alone, this proposed deal deserves your veto, not your support. In addition, your support of this type of federal products liability legislation would create a framework, easily amended by future congresses, that would result in even worse damage to consumers and the public. We urge you stop proceeding down this misguided path," reads the Sept. 24 letter.

Briefly noted

Sens. Mike Enzi, R-Wyo., Judd Gregg, R-N.H. and Rep. Jim Talent, R-Mo., are scheduled to unveil companion measures aimed at reforming the Occupational Safety and Health Administration on Sept. 30. . . . Larry Hollen, former president and chief operating officer of Orion Capital Corp., has been named president of American Home Assurance Co. in New York. Mr. Hollen, who joined the American International Group Inc. subsidiary last February, succeeds B. Michael Schlenke, who was named vice chairman of American Home. . . . Mac W. Henderson, a retired reinsurance executive and the founder of Reinsurance Facilities Corp., a Los Angeles-based reinsurance intermediary, died Sept. 19. . . . Insured claims from last Friday's earthquake in central Italy are unlikely to be significant, says Benito Pagnanelli, deputy general manager of Trieste-based Assicurazioni Generali S.p.A. Most Italian property policies exclude earthquake damage, he said. Also, the most famous of the buildings damaged, the Basilica of St. Francis of Assisi, would have been self-insured by the Roman Catholic church, and its famous art works by the Italian government, added Mr. Pagnanelli.

'Sudden' has temporal meaning in pollution exclusion: Iowa

DES MOINES, Iowa—In a loss for policyholders, the Iowa Supreme Court has ruled that the word "sudden" in the sudden and accidental pollution exclusion unambiguously has a temporal meaning.

If "sudden" merely meant unexpected or unintended, then either the word "sudden" or "accidental" in the exclusion would be redundant, the court ruled in *Iowa Comprehensive Underground Storage Tank Fund Board vs. Farmland Mutual Insurance Co.*

The case involved pollution from leaking underground storage

tanks at a former gas station in Ventura, Iowa. The tanks were removed in 1988, and the pollution was discovered in 1990. It was determined that the tanks had been leaking for at least 10 years, court papers say.

The Iowa board, which cleaned up polluted sites for companies and then filed insurance claims, sought coverage under general liability policies issued by Farmland Mutual to the station operator, Hancock County Cooperative.

The trial court ruled in favor of the insurer, and the board appealed.

The Iowa Supreme Court af-

firmed the trial court's ruling that the pollution exclusion is unambiguous.

In a previous case the court had ruled that accidental should be interpreted as "unexpected or unintended," court papers say.

Therefore, "interpretation of sudden as merely unforeseen or unexpected would render either the term 'accidental' or 'sudden' redundant; they would mean virtually the same," court papers say.

Because the contamination took place more than 10 years ago, it could not be deemed sudden, the court ruled.

—By Gavin Souter

Salomon under Travelers' umbrella

By JUDY GREENWALD

NEW YORK—Travelers Group Inc.'s acquisition of investment bank Salomon Inc. may be shaking up Wall Street, but it is unlikely to have any immediate effect on Travelers' insurance operations.

An eventual benefit to the insurance operations, however, could come from ties with Salomon's greater international presence, some analysts say.

Travelers Group and Salomon said last week they have agreed to combine Salomon with Travelers' Smith Barney Holdings Inc. subsidiary to form Salomon Smith Barney Holdings Inc.

Terms of the transaction call for Travelers Group to issue 1.13 shares of its stock for each share of Salomon, for a total value of more than \$9 billion.

A spokesman for insurance subsidiary Travelers Property Casualty Corp. said the deal will not impact insurance operations.

The advantages of the deal are to Travelers' securities business, not its insurance operations, market observers agree.

"I would hope that these are totally separate decision-making entities and that one would not really have any relationship to the other," said David Seifer, an analyst with Donaldson Lufkin Jenrette Securities Corp. in New York.

"I think each of their operations has to stand on its own and compete against the other operations as to what is the most attractive opportunities for capital allocation," said Mr. Seifer.

Mr. Seifer also said he does not think the Salomon deal is likely to discourage or delay Travelers from making any additional insurance acquisitions.

"I think this group will make every attractive acquisition they can find," said Mr. Seifer.

"Clearly, it shifts the balance of earnings in the total organization, with securities and investment banking-related operations increasing to close to 50% of consolidated corporate earnings up from a third on a pro forma basis," said Alan Murray, vp with rating agency Moody's Investors Services Inc. in New York.

"So clearly, insurance operations... become a slightly smaller piece of the pie," with property/casualty operations expected to account for "just under 30%" of Travelers Group's earnings and the life business in the "low 20s" on a pro forma basis, said Mr. Murray.

"The Travelers name has a strong franchise value in the insurance business and is much stronger, obviously, in the insurance business than on the securities side," where the Smith

Barney and now the Salomon names will be used, Mr. Murray said.

"We would expect Travelers Group to maintain its strong commitment to the insurance business," he said. He noted Travelers' insurance operations are expected to generate a strong performance of \$1.6 to \$1.8 billion in net income this year.

"It remains an important part of the combined earnings of the Travelers Group," said Mr. Murray, adding that both segments of its insurance business may well continue to grow both internally and through acquisition.

"That said, I think it's fair to say there don't appear to be any immediate benefits from the Salomon acquisition to either the life or the property/casualty operations," Mr. Murray added.

Others agree the Salomon acquisition will not affect the Travelers Group's strategy for its insurance operations.

"I would not see this acquisition as an indication they will be reducing their emphasis on the insurance operation at all," said John L. Ward, CEO of the Cincinnati-based Ward Financial Group.

"I see it as just another step in their strategy to build a diversified financial enterprise, and I see

it as complementary and another step in that direction, rather than a shift in emphasis," said Mr. Ward.

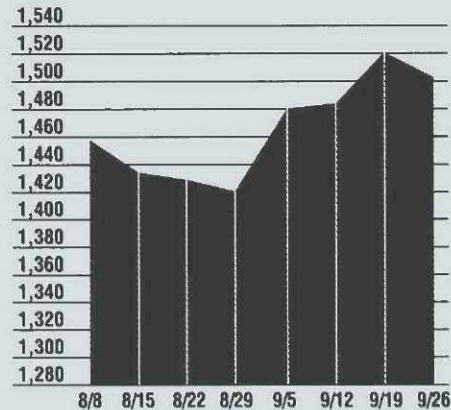
"I don't think it will do a whole lot" for the insurance operations in the short term, said Gloria Vogel, senior vp with Advest Inc. in New York. However, she added, the acquisition could have some long-term benefits.

Salomon has strong international operations, while Travelers Group has been weak in this area, both in its stock brokerage business and in its insurance operations, said Ms. Vogel.

The Salomon acquisition may give the company an entree into international financial services, with a stronger international insurance operation a "natural extension" of that, said Ms. Vogel. "But that would be a long way down the road."

Potentially, the Salomon acquisition could enhance the company's name recognition internationally, agreed Mr. Murray of Moody's. Given that Travelers uses its umbrella logo for all its subsidiary operations, it could lead to an "increased market awareness through the Salomon-Smith Barney overseas operation of Travelers as a major provider of diversified financial and insurance services," Mr. Murray said.

BI Insurance Index



PCS catastrophe options

As of Sept. 26

| Call spread | Price bid/ask | Call spread | Price bid/ask |
|------------------------------------|---------------|-------------|---------------|
| Eastern September 1997 | | | |
| 30/50 | -1.0 | 80/100 | 5.0/7.5 |
| 40/60 | -1.5 | | |
| National Annual 1997 | | | |
| 60/80 | -2.0 | 40/60 | 3.0/4.0 |
| 80/100 | .4/1.5 | | |
| National December 1997 | | | |
| 5/25 | 5.0/6.5 | 40/60 | 1.9/2.4 |
| 10/30 | 1.0/3.0 | | |
| Southeastern September 1997 | | | |
| 30/50 | -1.0 | 40/60 | 2.1/2.7 |
| 40/60 | -1.5 | | |

Total volume: 10 Total open interest: 18,121

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

| Companies | Price pence | P/E | Div. % | Yield % | 52-week high—low |
|----------------|-------------|------|--------|---------|------------------|
| Comm Union | 760 | 11.6 | 35.8 | 4.8 | 774—597 |
| Royal Accident | 1068 | 6.8 | 35.4 | 4.5 | 1068—676 |
| Gdn Royal Exch | 311 | 4.1 | 12.2 | 4.2 | 311—248 |
| Independent | 1135 | 12.1 | 14.2 | 1.6 | 1161—565 |
| Royal & Sun | 574 | 15.1 | 19.7 | 4.5 | 574—396 |

Brokers

| Brokers | Price | P/E | Div. % | Yield % | 52-week high—low |
|-----------------|-------|------|--------|---------|------------------|
| Bradstock | 81 | 12.0 | 6.4 | 9.8 | 90—54 |
| CE Heath | 142 | 9.2 | 1.5 | 1.3 | 143—74 |
| Lmbt Fenchurch | 126 | 8.5 | 8.4 | 8.3 | 135—101 |
| Lloyd Thompson | 184 | 14.9 | 4.5 | 3.1 | 206—163 |
| Nelson Hurst | 182 | 16.6 | 8.6 | 5.9 | 191—121 |
| Sedgwick Grp | 123 | 10.0 | 7.4 | 6.0 | 144—115 |
| Steel Bri Jones | 25 | NA | 1.5 | 7.6 | 36—22 |
| Willis Corroon | 126 | 12.6 | 6.6 | 6.7 | 165—117 |

Note: Prices are Sept. 26 closings; other numbers from Sept. 25.

Source: Nordby International Inc.

Equisure officials sued

MINNEAPOLIS—Top officials of troubled reinsurance holding company Equisure Inc. produced bogus financial reports in a scheme to artificially inflate the company's stock price, a shareholder lawsuit charges.

A month after Equisure withdrew from the American Stock Exchange in the face of threatened delisting, shareholders filed suit in federal court in Minneapolis charging the company, three of its officials and its outside auditor with securities law violations.

The complaint, seeking class action status, alleges that:

- Equisure gave the appearance of cooperating with an AMEX inquiry into its accounting practices while sending the exchange "on a useless chase to Belgium, London and then Monaco in search of financial records which, in actuality, do not exist."

- A large part of Equisure's stock was held by insiders whose identities "are hidden behind a series of trust funds and foreign companies." The AMEX, the suit notes, was investigating the possibility that insiders were

responsible for most of the trading in Equisure's stock, leading investors to believe there was more interest in the shares than existed.

- Equisure insiders profited from their alleged fraud. Former CEO Barrie Harding pocketed about \$152,400 selling 10,000 Equisure shares July 31, shortly after the stock hit its peak of \$17.13 a share, the suit alleges.

The suit names Equisure and two affiliates; Mr. Harding; Equisure Chairman Peter G. Uttley; Equisure's chief financial officer, who is named in financial filings as David Sachman but who is alleged in an unrelated suit to be jailed insurance executive Paul Yorke-Wade; Minneapolis-based auditor Stirtz Bernards Boyden Surdel & Larter P.A.; and Moores Rowland International, an accounting consortium of which Stirtz Bernards is a member.

The plaintiffs are two investors who bought a total of 1,400 shares for \$8.13 to \$9.63.

Equisure officials could not be reached. A Stirtz Bernards official declined to comment.

—By Douglas McLeod

BI Industry Stock Report SEPT. 22, 1997, THROUGH SEPT. 26, 1997

| BROKERS | | | | | INSURERS/REINSURERS | | | | | HEALTH MAINTENANCE ORGANIZATIONS | | | | | | | | | | | | | |
|---------------------------|---------|-----------------|-----------------------|-------------------|---------------------|-----------|---------------------|-----------------------------|-----------------|----------------------------------|-------------------|------------------|-----------|---------|-------|------------------------|-----------------------|-------------------|------------------|-----------|-------|-------|-------|
| Company | Price | Weekly % change | Year to date % change | Year to date High | Year to date Low | Vol.(000) | Company | Price | Weekly % change | Year to date % change | Year to date High | Year to date Low | Vol.(000) | Company | Price | Weekly % change | Year to date % change | Year to date High | Year to date Low | Vol.(000) | | | |
| Aon Corp. | 52.38 | -2.90 | 26.46 | 56.13 | 35.00 | 810 | Everest Reinsurance | NYS | 39.00 | -0.64 | 35.65 | 40.38 | 23.75 | 268 | SCOR | 42.63 | 2.40 | 24.00 | 44.50 | 34.00 | 25 | | |
| E.W. Blanch Holdings Inc. | NYS | 30.75 | 2.71 | 52.80 | 31.88 | 18.00 | 73 | Executive Risk Inc. | NYS | 65.25 | 1.66 | 76.35 | 67.13 | 33.88 | 68 | SAFECO Corp. | NDO | 51.75 | -0.72 | 31.22 | 55.38 | 34.50 | 1507 |
| Gallagher Arthur J. & Co. | NYS | 36.75 | -0.17 | 18.55 | 37.75 | 29.13 | 90 | EXEL Ltd. | NYS | 58.25 | -3.92 | 53.80 | 62.13 | 33.00 | 642 | Seibels Bruce Group | NDO | 8.38 | -1.47 | 1.52 | 11.25 | 5.88 | 81 |
| Hibb, Rogal & Hamilton | NYS | 18.00 | 6.27 | 35.85 | 18.00 | 12.13 | 150 | Fremont General Corp. | NYS | 46.13 | 1.51 | 48.79 | 48.00 | 26.38 | 242 | Selective Ins. Group | NDO | 53.00 | -0.99 | 39.47 | 55.38 | 33.00 | 3 |
| Kaye Group Inc. | NDO | 8.88 | 5.97 | 69.05 | 9.00 | 4.38 | 9 | Frontier Insurance Group | NYS | 38.00 | 2.01 | 38.69 | 38.25 | 18.13 | 392 | Sphere Drake Holdings | NYS | 8.69 | 0.00 | -2.11 | 10.50 | 8.50 | 34 |
| Marsh & McLennan | NYS | 75.31 | -2.98 | 44.83 | 79.75 | 47.75 | 1601 | Galsco Inc. | NYS | 9.69 | 0.65 | 0.65 | 10.88 | 8.13 | 97 | TIG Holdings | NYS | 34.00 | -1.63 | 0.37 | 38.00 | 26.38 | 933 |
| Poe & Brown | NDO | 39.38 | -0.32 | 48.58 | 41.00 | 23.75 | 27 | General RE Corp. | NYS | 196.75 | -2.84 | 24.72 | 208.88 | 140.75 | 686 | Titan Holdings, Inc. | NYS | 21.63 | -0.29 | 21.06 | 25.00 | 13.50 | 86 |
| Sedgwick Group PLC | NYS | 10.00 | -0.62 | -3.61 | 10.88 | 9.38 | 8 | Gryphon Holdings | NDO | 16.25 | -1.52 | 15.04 | 17.75 | 12.50 | 43 | Tokio Marine & Fire | NDO | 59.50 | 3.93 | 27.61 | 66.00 | 42.00 | 433 |
| Willis Corroon Corp. | NYS | 10.50 | 2.44 | -8.70 | 13.50 | 9.38 | 497 | Guaranty National Corp. | NYS | 33.88 | -1.99 | 102.24 | 35.25 | 15.38 | 153 | Torchmark Corp. | NYS | 39.44 | -1.56 | 56.19 | 41.63 | 22.50 | 4087 |
| BROKERS | AVERAGE | 1.66 | 32.17 | | | | | Harleysville Group | NDO | 43.75 | 2.04 | 43.44 | 45.75 | 25.00 | 196 | Transatlantic Holdings | NYS | 72.31 | 1.05 | 24.74 | 75.38 | 44.38 | 183 |
| | | | | | | | | Hartford Steam Boiler | NYS | 55.38 | 0.00 | 19.41 | 56.69 | 42.75 | 114 | Travelers Property | NYS | 39.69 | -1.24 | 12.19 | 43.56 | 27.13 | 720 |
| | | | | | | | | HCC Insurance Holdings | NYS | 27.06 | 5.61 | 12.76 | 32.69 | 21.50 | 697 | Travelers Corp. | NYS | 69.19 | -2.12 | 52.48 | 73.63 | 35.25 | 15946 |
| | | | | | | | | IPC Holdings Ltd. | NDO | 29.50 | 0.00 | 31.84 | 30.50 | 19.63 | 374 | Trenwick Group Inc. | NDO | 37.88 | 1.68 | 22.84 | 39.63 | 30.75 | 150 |
| | | | | | | | | Hartford Financial Services | NYS | 86.00 | -0.86 | 27.41 | 88.81 | 57.25 | 1427 | Unico American Corp. | NDO | 11.50 | 0.00 | 5.75 | 11.75 | 7.63 | 57 |
| | | | | | | | | LaSalle Re Ltd. | NDO | 34.75 | -1.42 | 18.80 | 36.13 | 22.38 | 110 | Unionamerica Holdings | NYS | 20.94 | 5.35 | 17.96 | 22.75 | 14.75 | 88 |
| | | | | | | | | Life Re Corp. | NYS | 50.50 | 0.50 | 30.74 | 56.00 | 32.50 | 152 | United Fire & Casualty | NDO | 41.50 | 3.11 | 17.73 | 41.50 | 29.75 | 3 |
| | | | | | | | | Lincoln National | NYS | 68.94 | -1.43 | 31.31 | 73.00 | 43.88 | 1219 | Unihtrn | NDO | 65.00 | -0.76 | 16.59 | 66.00 | 47.88 | 136 |
| | | | | | | | | MAIC Holdings Inc. | NYS | 29.44 | 9.28 | 73.80 | 30.50 | 15.13 | 130 | UNUM Corp. | NYS | 44.63 | 0.56 | 23.53 | 48.44 | 30.50 | 1613 |
| | | | | | | | | Markel Corp. | NYS | 156.63 | 4.42 | 74.03 | 158.50 | 83.00 | 20 | USF&G Corp. | NYS | 22.75 | -1.89 | 8.98 | 25.50 | 17.75 | 1093 |
| | | | | | | | | MBIA Insurance Group | NYS | 122.56 | -1.90 | 21.05 | 129.06 | 84.38 | 431 | Vesta Insurance Co. | NYS | 58.81 | 3.07 | 87.45 | 58.81 | 24.50 | 171 |
| | | | | | | | | Meadowbrook Insur. Group | NYS | 24.50 | -2.24 | 16.67 | 28.00 | 15.25 | 99 | Washington National | NYS | 32.44 | 0.19 | -7.95 | 33.13 | 27.13 | 2096 |
| | | | | | | | | Mid Ocean Ltd. | NYS | 62.13 | 7.11 | 18.33 | 63.38 | 39.25 | 580 | Zenith National Ins. | NYS | 27.81 | -1.33 | 1.60 | 28.63 | 24.63 | 83 |
| | | | | | | | | MIMI Cos. Inc. | NYS | 26.13 | 4.24 | -18.99 | 32.75 | 20.75 | 161 | INSURERS/REINSURERS | AVERAGE | 0.78 | 30.48 | | | | |
| | | | | | | | | Mutual Risk Mgmt. Ltd. | NYS | 50.81 | -1.09 | 37.33 | 52.75 | 28.50 | 109 | | | | | | | | |
| | | | | | | | | NAC Re Corp. | NYS | 51.13 | 2.25 | 50.92 | 51.13 | 32.63 | 165 | | | | | | | | |
| | | | | | | | | Navigator Group | NDO | 15.13 | -1.92 | 4.79 | 20.63 | 15.75 | 84 | | | | | | | | |
| | | | | | | | | Nobel Insurance Ltd. | NDO | 14.38 | -1.71 | 14.43 | 15.38 | 11.25 | 5 | | | | | | | | |
| | | | | | | | | NYMag Inc. | NYS | 25.50 | -0.24 | 41.67 | 26.00 | 17.13 | 16 | | | | | | | | |
| | | | | | | | | Ohio Casualty Corp. | NDO | 45.63 | -1.08 | 28.52 | 48.06 | 31.75 | 298 | | | | | | | | |
| | | | | | | | | Old Republic Int'l | NYS | 38.88 | -1.89 | 45.33 | 40.13 | 24.50 | 1031 | | | | | | | | |
| | | | | | | | | Orion Capital Corp. | NYS | 44.75 | 1.70 | 46.42 | 45.50 | 25.13 | 275 | | | | | | | | |
| | | | | | | | | Partner Re Ltd. | NYS | 41.50 | -2.21 | 22.06 | 43.44 | 27.88 | 271 | | | | | | | | |
| | | | | | | | | Penn-America Group Inc. | NDO | 26.50 | 2.50 | 90.70 | 21.25 | 10.38 | 113 | | | | | | | | |
| | | | | | | | | Philadelphia Cons. Holding | NDO | 45.68 | 0.94 | 87.77 | 46.50 | 20.75 | 36 | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | |