

# Business Insurance

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## Allison insured losses hit \$2.5 billion: PCS

JERSEY CITY, N.J.—Insured losses from June's Tropical Storm Allison are now expected to total \$2.5 billion, raising the second-quarter total for insured catastrophe losses to \$5.9 billion, the highest quarterly sum reported in a decade.

Following a revised survey of insurers, the Insurance Services Office Inc.'s Property Claim Services unit raised the total estimate

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## 401(k) catch-up rules a setback for many

By JERRY GEISEL

WASHINGTON—A provision in the new tax law that will allow older employees to make "catch-up" contributions to 401(k) plans is so poorly drafted that Congress may have to rewrite the legislation to make it workable, a growing number of benefit experts say.

That provision, beginning next year, will allow employees 50 years of age and older to add an extra \$1,000 annually to 401(k) accounts and certain other types of defined contribution plans. The maximum allowable catch-up contribution increases annually until it reaches \$5,000 in 2006.

The idea behind catch-up contributions was simple and broadly embraced by employers,

plan administrators and legislators: To ensure that older employees have sufficient retirement savings, they should be allowed to make extra savings-plan contributions to compensate for years when they made no contributions or much smaller contributions than the maximum permitted.

But a last-minute effort to resolve differences between the catch-up provision that was contained in the House-passed tax bill and the Senate version was a fiasco, many benefit experts now conclude.

The resulting compromise provision is so flawed and administratively unworkable that no amount of tinkering by regulators developing guidance for employers is likely to help significantly, they say. Instead, the

law itself has to be rewritten to allow employers to add a catch-up feature to their 401(k) plans, experts assert.

"The concept of catch-up is a good one. But in order for the provision to be reasonably implemented, a change in the law is probably needed," said Larry Sher, a principal in Teaneck, N.J., at Unifi Network, a unit of PricewaterhouseCoopers L.L.P.

"This is a provision that cries for fixing up in order for it to work and without giving plan administrators migraine headaches," said Ethan Kra, chief actuary for William M. Mercer Inc. in New York.

The basic problem with the provision involves some requirements—and the timing of those requirements—that em-

See Catch-up on page 51

## CEOs' pay jumps in 2000 27% increase outstrips gains in profits

By SALLY ROBERTS

It certainly pays to be a CEO in the insurance industry these days.

The average cash compensation—salary and bonus—of the 25 highest-paid chief executive officers of leading publicly held insurers, reinsurers and brokers was \$3,475,188 in 2000, according to a *Business Insurance* survey of company proxy statements filed with the U.S. Securities and Exchange Commission.

This is a 27.3% rise over the average compensation made in 1999 among the same list of CEOs, though not all held the title of chief executive officer in 1999.

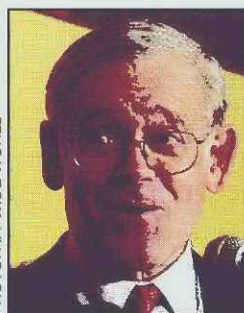
Much of the rise in cash compensation is the result of large bonuses CEOs received in 2000. Indeed, compensation consultants say that more than ever, a greater percentage of an insur-

ance industry CEO's cash compensation is made up of short-term variable compensation that is tied to company perfor-

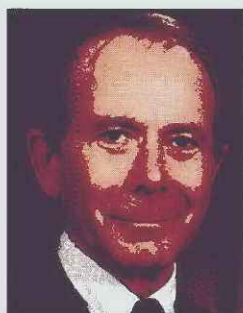
driven," said Thomas Rowe, managing director and head of the insurance recruiting practice for the Americas for



Mr. Weill  
\$19,484,414



Mr. Donaldson  
\$7,000,000



Mr. Greenberg  
\$6,000,000

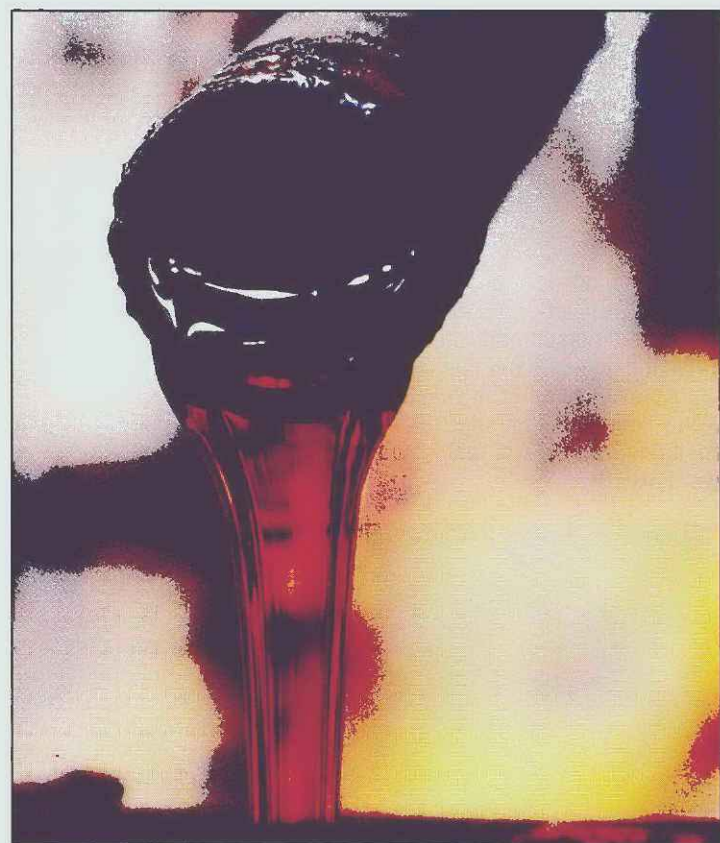
ance goals. And even though 2000 was not a spectacular year financially for the insurance industry in general, it was much better than 1999, they say.

"We've been seeing compensation continuing to be more performance driven and incentive

Korn/Ferry International in New York.

For the insurance industry, "the wind stopped blowing in 2000," he said. "So while '99 was a particularly tough year, 2000 was a good year for insur-

See CEOs on page 9



## Court rejects limits on payout for pollution

By JOANNE WOJCIK

WILMINGTON, Del.—Both policyholders and insurers are claiming victory in a pollution coverage dispute in which the Delaware Supreme Court allowed a policyholder to stack policy limits but barred coverage for the cost of its preventive measures.

The Aug. 15 decision reversed a lower court ruling that allowed a group of general liability insurers to indemnify chemical manufacturer Hercules Inc. of Wilmington, Del., only for a portion of the policy limits they wrote. The lower court had ruled that each insurer was

liable only for a fraction of the limits it wrote for Hercules the first year it was on the risk. Each insurer's share would have been based on the total number of years it covered Hercules.

In overturning that ruling, a three-judge panel of the high court unanimously reasoned that Hercules' policies required each insurer to pay "all sums" for which the policyholder becomes liable up to the policy limits it wrote the first year on the risk, even if part of the loss occurred after the policy period expired.

While the ruling increases Hercules' potential insurance recovery dramatically, it does

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Rate hikes fail to boost P/C profits page 3

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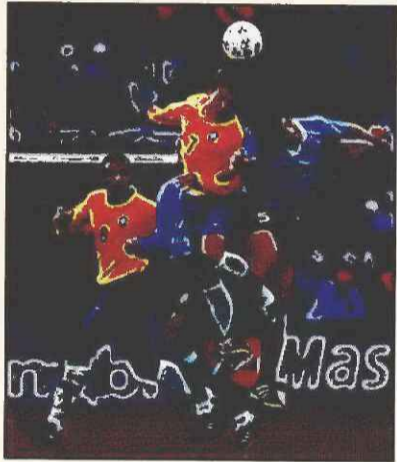
NEWSPAPER

# INSIDE

• A bill in California would make contractors—rather than staffing agencies—responsible for paying the workers compensation claims of temporary construction workers. PAGE 4



• The financial woes that resulted in PHICO Insurance Co. being placed in rehabilitation last month should prompt all risk managers—and their brokers—to keep a close eye on even seemingly healthy companies for signs of impending trouble, this week's editorial says. PAGE 8



• Munich Re Capital Markets has structured a unique derivative tool that would pay out if next year's World Cup soccer championship in Japan were disrupted by an earthquake. PAGE 43

• Both Lloyd's of London and syndicate analyst Chatset Ltd. predict marketwide losses at Lloyd's for the 1999 and 2000 years of account, though Lloyd's is optimistic that the market's performance will improve for 2001. PAGE 43

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Business Insurance (ISSN 0007-6864) Vol. 35, No. 36, is published weekly by Crain Communications Inc., 360 N. Michigan Ave., Chicago, Ill. 60601-3806. 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 \$95 a year in U.S. \$114 in Canada and Mexico (includes GST). All other countries \$215 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 © 2001 by Crain Communications Inc.

# UPDATES

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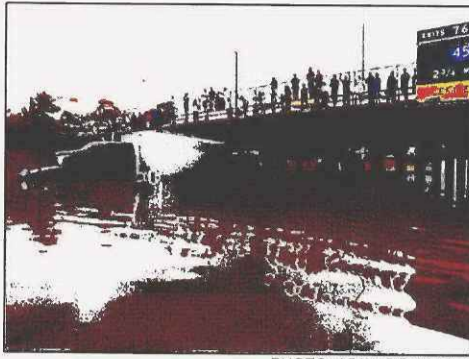


PHOTO: AP/WIDE WORLD

**In June, onlookers stand on an overpass in Houston, where floodwaters from Tropical Storm Allison stranded multiple vehicles.**

for Allison-related insured losses by \$1.3 billion, more than double the original estimate of \$1.2 billion that PCS issued in July. Jersey City, N.J.-based PCS monitors insured losses from catastrophes. At \$2.5 billion, Allison would rank as the fifth-costliest U.S. catastrophe ever, in terms of insured losses, behind Hurricane Andrew, the Northridge earthquake, Hurricane Hugo and Hurricane Georges.

▶ **PAINTMAKER TO APPEAL ASBESTOS AWARD** Kelly-Moore Paint Co. will appeal a \$55.5 million jury award to a Texas man who claimed his cancer was caused by asbestos in the company's wall-texture products. A state court jury in El Paso, Texas, returned a verdict Aug. 28 in favor of Alfredo Hernandez and his family after hearing the plaintiff's claims that his mesothelioma was caused by the asbestos in Kelly-Moore's joint compound and other texture products. Mr. Hernandez, a former construction worker, worked with the wall-texture products during the 1970s. Kelly-Moore ceased using asbestos in such products in 1978. The jury awarded Mr. Hernandez and his family \$40.5 million in compensatory damages and \$15 million in punitive damages. A spokesman for San Carlos, Calif.-based Kelly-Moore said the company would appeal the verdict.

▶ **FRONTIER ENTERS REHABILITATION** Frontier Insurance Co. has agreed to enter rehabilitation, five months after it ceased underwriting amid mounting financial troubles. The New York Insurance Department has filed a petition asking a state judge to approve the rehabilitation order; a hearing is scheduled for later this month. Frontier's parent, Frontier Insurance Group Inc., suffered a \$297.2 million net loss



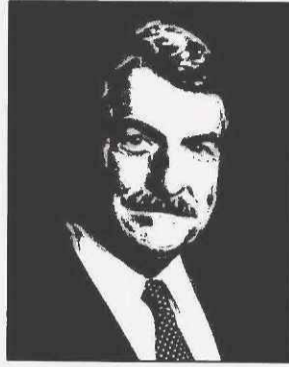
at year-end 2000, which stemmed largely from Frontier Insurance Co.'s deteriorating medical malpractice business. Those losses severely restricted the parent's ability to service its debt, according to A.M. Best Co. A New York department financial exam completed in February found that Frontier would have been insolvent by \$145.7 million as of year-end 1999 but for the impact of an aggregate stop-loss reinsurance agreement the insurer reached with Berkshire Hathaway Inc.'s National Indemnity Co. Inc. during 2000. Frontier agreed to stop underwriting in March, after filing a statutory financial statement reporting that its policyholder surplus had dropped to \$16 million.

▶ **PRINCIPAL FINANCIAL IPO PLAN** The Principal Financial Group has filed a preliminary prospectus with the Securities and Exchange Commission in connection with the planned initial public offering of common stock in Principal Financial Group Inc., the holding company for Principal Life Insurance Co. Last week's

announcement came one day after Iowa Insurance Commissioner Therese M. Vaughan approved the Des Moines-based mutual company's demutualization plan. The IPO, the final step in that process, is expected to occur within the next 60 days, Principal Financial said. The company's preliminary prospectus said the offering is expected to consist of 100 million shares priced at \$18.50 to \$20.50 per share.



▶ **FORMER FM GLOBAL EXEC DIES** James W. Black, the retired vice chairman and chief operating officer of Factory Mutual Insurance Co., died Friday after a battle with cancer. Mr.



Mr. Black

Black, who was 62, retired in July after more than 30 years with the Factory Mutual companies. He began his career in 1968 at Park Ridge, Ill.-based Protection Mutual Insurance Co., rising through the ranks to become Protection Mutual's president and chief executive officer in 1996. In 1998, the Factory Mutual companies—Protection Mutual, Arkwright Mutual Insurance Co. and Alledale Mutual Insurance Co.—merged into a single entity, Factory Mutual Insurance Co. Mr. Black became vice chairman and COO of the Johnston, R.I.-based insurer, which does business as FM Global. A memorial service will be held Sept. 8 for Mr. Black in Hilton Head, S.C.

▶ **COURT OKs QUAKE CLAIM EXTENSION** California's extension of the statute of limitations for filing lawsuits related to property insurance claims from the January 1994 Northridge Earthquake is constitutional, California's Second Appellate District Court has ruled. The court, in *Jay Hellinger vs. Farmers Insurance Exchange*, found the legislation does not violate state and federal constitutional protections for contracts because its impact on the contract would not be "severe." The court held that the legislated change was reasonable because it would apply only to lawsuits involving claims that had been reported to insurers prior to Jan. 1, 2000, and because the extension would be effective for only one year after taking effect Jan. 1, 2001. Furthermore, the court found, the legislators who enacted S.B. 1899 had a significant interest in remedying reports that insurers had mishandled hundreds of quake claims.

▶ **MENTAL HEALTH PARITY COST** A mental health parity bill approved last month by a Senate committee would increase premiums for group health insurance by less than 1%, according to the Congressional Budget Office. The 0.9% increase that would result from enactment of the Mental Health Equitable Treatment Act, S. 543, is in line with earlier CBO estimates of the cost of the bill (*BI*, Aug. 6). The bill passed the Senate Health, Education, Labor and Pensions Committee on Aug. 1 by a vote of 21-0. In part, the measure would bar group health plans and health insurers that offer mental health benefits from imposing treatment limitations or financial requirements on mental health benefits that differ from those placed on other medical and surgical benefits. The bipartisan measure would expand and extend a 1996 mental health parity law that is scheduled to expire on Sept. 30.

▶ **HEAD OF LLOYD'S AGENCY RESIGNS** Ralph Bailey has resigned as managing director of

Lloyd's of London managing agency R.F. Bailey (Underwriting Agencies) Ltd. The announcement was made by R.F. Bailey's U.S. parent, Seattle-based SAFECO Corp., which acquired the managing agency in 1999. SAFECO said in a statement that the company was in discussions with the board of R.F. Bailey about a successor to Mr. Bailey. Until this year Mr. Bailey had been the lead underwriter of the managing agency's sole syndicate at Lloyd's, non-marine syndicate 138. The syndicate, which specializes in general liability, motor, property and whole account excess-of-loss business, has capacity of £72.2 million (\$107.8 million) for the 2001 year of account. For the 1998 year of account, the latest to close under Lloyd's three-year accounting system, syndicate 138 posted a loss of 2.2% of its £72.3 million (\$119.4 million) capacity for that year. It has predicted a similar loss for the 1999 year of account.

▶ **CIGNA INCREASES ADOPTION BENEFITS**

CIGNA Corp. has increased the reimbursable expense allowance for its employees who adopt children to \$5,000 from \$3,500 and also added two weeks of paid time off. The \$5,000 reimbursement is earmarked for adoption-related expenses, including travel as well as agency, attorney and court fees and can be applied to either an agency-assisted or private adoption.



CIGNA

▶ **BRIEFLY NOTED** American International

Group Inc. last week closed its all-stock purchase of American General Corp. Under the deal, American General's shareholders will receive 0.5790 shares of AIG common stock for each share of American General stock. The total value of the deal, as previously announced, was \$23.2 billion. AIG stock closed Friday at \$78.30...**Horizon Blue Cross & Blue Shield of New Jersey** has issued rebates totaling \$1.5 million to the 1,657 small employers that participated in its nonstandard Small Employer Health Benefits Program. Under state guidelines for the program, health insurers in New Jersey must rebate premiums to their small-business policyholders—those with between two and 49 employees—each year that an insurer's medical loss ratio is under 75%. Last year, Newark, N.J.-based Horizon, the state's largest health insurer, had a medical loss ratio just under 75%, the company said....**The Florida Medical Assn.** is joining class-action litigation brought against four HMOs by medical societies from other states. The suits have been consolidated before a federal judge in Miami for pretrial proceedings. The plaintiffs, which also include medical societies in California, Georgia and Texas, charge that the health plans have systematically cheated physicians of their fees in violation of the federal Racketeer Influenced and Corrupt Organizations Act as well as Florida law....**A.M. Best Co.** assigned an A+ financial strength rating to Lehman Re Ltd., a Bermuda-based subsidiary of investment bank Lehman Brothers Holdings Inc. "The rating reflects Lehman Re's substantial capitalization, limited liabilities, advanced risk management capabilities and operating and strategic benefits, as an integral part of Lehman Brothers," Best said in a statement....**The City of Chicago** and a group of businesses have petitioned the 7th U.S. Circuit Court of Appeals to rehear its trigger-of-coverage ruling involving claims from the Great Chicago Flood (*BI*, Aug. 20). The 7th Circuit panel's ruling last month dramatically restricted the coverage available to pay those claims. **[B]**

▶ **To get breaking news as it occurs, visit Business Insurance's free online Updates, at [www.businessinsurance.com](http://www.businessinsurance.com). All of the material in the Updates column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.**

# Higher rates not raising insurer profits

By JUDY GREENWALD

U.S. property/casualty insurers are suffering from a disconnection.

They are introducing rate hikes in most commercial property/casualty lines, but that firming is not producing the desired improvement in their bottom lines because they also are making additions to loss reserves and being hit by hefty catastrophe losses.

The 15 major commercial property/casualty insurers sur-

veyed by *Business Insurance* that report net income posted profits of \$3.4 billion as a group for the first half, down 42.2% compared with the same period a year ago. More than half of the companies reported declines in net income.

But with rate hikes expected to continue for at least the next year, stock analysts say the outlook is positive for improved results for at

least the stronger companies.

Michael Lewis, senior insurance analyst with Warburg Dillon Read in New York, said he continues to be impressed with the magnitude and breadth of rate hikes. "The industry continues to be quite disciplined" in its underwriting, while its

efforts to introduce expense-cutting initiatives are encouraging, he said.

"I really feel, over the balance of the year, we're going to start separating the haves and the have nots," with the "haves" being those insurers that can take advantage of the improved operating climate to boost their earnings, Mr. Lewis said.

Insurance executives also say the outlook for improved profitability depends on the company.

Judy Blades, executive vp for business insurance at The Hartford Financial Services Group Inc. in Hartford, Conn., said the

outlook "varies an awful lot by company and how early in the game different companies started moving on moving prices up."

Marita Zuraitis, executive vp with The St. Paul Cos. Inc. in New York, agreed that the rate of recovery will vary by company. "It depends on what company you are talking about and how profitable they are to begin with," she said.

"Obviously, it's going to take longer for companies with cus-

See **Insurers** on page 50

## INSURER Results



PHOTO: AP/WIDE WORLD

Northwestern University defensive back Rashidi Wheeler, right, played in a football game against Indiana University last year.

## Case highlights athletic risks

# University insured for claims arising from student's death

By RODD ZOLKOS

EVANSTON, Ill.—Officials at Northwestern University say they are adequately insured for claims against the university arising from the death of football player Rashidi Wheeler during a preseason conditioning drill early last month.

While declining to discuss limits or other details of the university's coverage, Alan Cubbage, Northwestern's vp for university relations, said, "The university does indeed have insurance and in our minds it is hopefully enough to satisfy the requirements of a situation such as this."

Mr. Wheeler, a 22-year-old defensive back for the Wildcats, died Aug. 3 while participating in a conditioning drill. The Cook County, Ill., medical examiner ruled the senior safety died of exercise-induced bronchial asthma. Mr. Wheeler had a history of asthma attacks.

University police were told that Mr. Wheeler and at least three of his teammates had taken over-the-counter performance-enhancing supplements

before the drill. But, while confirming the presence of ephedrine in Mr. Wheeler's blood, the medical examiner ruled it was not a factor in his death.

Mr. Wheeler's mother filed suit against Northwestern Aug. 23 in Cook County Circuit Court, charging that negligence contributed to the football player's death. The suit names the university, head football coach Randy Walker and the school's athletic director, Rick Taylor, in addition to several trainers, coaches and other athletic department officials.

Attorneys for Mr. Wheeler's mother contend that an excessive amount of time passed between the time the football player collapsed and the first 911 emergency call was made to summon an ambulance.

They also allege that athletic trainers on the scene initially misdiagnosed the chronic asthmatic's condition. The suit does not seek a specific amount of damages.

While university officials would not detail insurance coverage, See **Athletics** on page 47

# Noncash benefit protected

## Halt to retiree grocery vouchers violated ERISA: Court

By MICHAEL BRADFORD

NEW ORLEANS—Monthly grocery vouchers paid to retirees of a now-defunct New Orleans grocery chain constituted a retirement plan under the Employee Retirement Income Security Act of 1974 and were illegally discontinued, a federal judge has ruled.

The ruling is unusual in that it establishes that a retirement plan is protected by ERISA even though the plan was funded by noncash benefits. The retirees, who were supervisors at Schwegmann Giant Super Markets Inc., received monthly vouchers redeemable for \$216 worth of groceries until the chain was sold in 1997. To earn a benefit, an employee had to meet several requirements, including 20 years of service working at least one year as supervisor and being at least age 60. The stores were shut down when the buyer, Kohlberg & Co., filed for bankruptcy protection.

In his Aug. 23 ruling, U.S. District Court Judge Carl Barbier also held that United States Fidelity & Guaranty Insurance Co. must pay claims filed by John Schwegmann, the chain's former owner, to fund payments to the retirees. USF&G, a unit

of The St. Paul Cos. Inc., wrote employee benefits liability coverage for Mr. Schwegmann.

The insurer is appealing the judge's ruling regarding the claim, and Mr. Schwegmann is appealing the portion that establishes the voucher scheme as an ERISA plan.

"This is not an ERISA case," said Jon Gegenheimer, who is the Jefferson Parish Clerk of Court and Mr. Schwegmann's attorney. The food vouchers "were gifts made to people who had already retired. There was no promise made of a gratuity until after they had retired," Mr. Gegenheimer contends. Therefore, "there was no employer-employee relationship" that is the hallmark of a retirement plan, he said.

The judge, however, based his decision partly on the fact that the chain

had deducted the vouchers under retirement plan expenses on its federal tax returns. The company also reported the amounts on IRS 1099 forms issued to the retirees.

"That's simply a bookkeeping practice," Mr. Gegenheimer said of the deduction. "They had to account for it somehow. That doesn't make it an ERISA plan." As for the 1099s, "the IRS says you

See **Vouchers** on page 49



# U.K. firms exposed to online risks

By SARAH VEYSEY

U.K. companies need to review their security controls and ensure that Internet risks are given a high priority, according to a new survey by the London-based Confederation of British Industry.

The survey revealed that of 148 respondents, two-thirds had experienced a "serious incident," such as hacking, a virus attack or credit card fraud, over the past year. About 100, or 68%, of the responding companies had a board-level director responsible for managing Internet risks, the survey found. Of those companies, 72% reported a serious incident in the last year.

The CBI said in a statement that the findings highlight the need for a coordinated approach to understanding and minimizing the risks of Internet-related crime. The statement recom-

mended that companies regularly evaluate all e-business risks and review their Internet strategy and related risk management at board level. The CBI also emphasized the need for appropriate training of employees.

The risk of online crime is deterring U.K. businesses from selling goods and services over the Internet, according to the survey. Just 53% of respondents thought that business-to-business online transactions were safe, and only 32% said they believed business-to-consumer transactions were safe.

"This survey clearly shows that fears about potential financial losses and damage to reputation from cyber crime are stalling the growth of e-business, especially for business-to-consumer transactions," Digby Jones, director general of the CBI, said in a statement.

According to the CBI's find-

ings, hackers and viruses pose the greatest threat to companies' Internet security. Nearly half of the respondents—45%—said the main perpetrators of attacks were hackers, while 13% said former employees, another 13% said organized crime, and 11% said current employees.

The survey was compiled by Professor Paul Barnes of the International Fraud Prevention Research Centre at Nottingham Trent University in Nottingham, England. It was published in conjunction with PricewaterhouseCoopers in London, risk management consultant Armor-Group in London and the non-profit Fraud Advisory Panel.

Copies of the survey are £75 (\$107) for CBI members and £100 (\$143) for nonmembers. Contact CBI Publication Sales at 44-207-395-8071 or via e-mail: pub-sales@cbi.org.uk/bookshop.

## Contractors, not temp agencies, would pay comp claims

## California mulls change for construction temps

By ROBERTO CENICEROS

SACRAMENTO, Calif.—A California legislative proposal to make the company that hires temporary workers—rather than the temp agency that places them—responsible for workers compensation coverage of the workers would be a significant change from current practices nationwide, a risk manager says.

The California proposal, A.B. 1679, would apply only to temporary workers on construction sites, shifting responsibility for these workers' safety and workers

compensation to the contractor, rather than the temporary staffing agency. The bill, introduced by Assemblyman Kevin Shelley, D-San Francisco, would make licensed construction contractors, not temporary agencies, the employer of record for temporary workers on building sites.

The state Senate Appropriations Committee last week passed the bill, which is expected to go soon before the full Senate. The Assembly passed the bill May 24.

The legislation would create a "major change," because, in every state, temporary agencies cur-

rently are primarily responsible for paying workers compensation claims filed by employees who are assigned to the job sites of the agencies' clients, said Jeffrey W. Pettegrew, vp-risk management and insurance for Weststaff Inc., a Walnut Creek, Calif.-based temporary staffing service.

"It suggests an entirely new way of thinking," said Mr. Pettegrew, whose company rarely provides employees to construction sites. "There is no question that a staffing agency is always primary in all 50 states and the District of Columbia," he said.

As a result, it is very difficult, in most states, for a temporary staffing service to recover its costs of covering the claims of a temp worker injured on an employer client's assignment, Mr. Pettegrew said. There has to be "extremely egregious behavior" on the part of the client employer. For example, he said, it would have to be proved that the employer knew in advance that it was sending a temp worker to do a job where he or she was certain to be injured.

Rules laid out by the federal Occupational Safety and Health Ad-

ministration require, in most states, that temp agencies and their employer clients share responsibility for worker safety measures, Mr. Pettegrew said. "It puts the onus on both of us to work together in the safety arena."

But the federal OSHA rules for shared safety responsibility would not apply in California. California has its own federally approved workplace regulatory agency, as do several other states. Consequently, rules promulgated by the California Occupational Safety and Health Standards Board, or Cal-OSHA, supersede federal rules.

The California legislation could benefit temporary employment agencies, Mr. Pettegrew said. While the agencies would still provide employer clients with employees and related tax and payroll services, the law would allow them to pass high-cost workers comp liabilities onto the contractors.

But an executive with another temporary employment company said the California legislation could be harmful to his company.

The legislation would only create ambiguity as to who would be primarily responsible for employee injuries and workers compensation claims, said Noel Wheeler, chief executive officer for CLP Resources, a Reno, Nev.-based temporary employment company specializing in the construction industry.

The legislation would create ambiguity, he said, because it does not address whether it would override existing provisions in the California insurance code that require temporary employment agencies to be responsible for paying claims. As a result, his company might still have to provide workers comp coverage for those employees, as would its contractor clients, Mr. Wheeler said.

Furthermore, the legislation could make it harder for injured workers to obtain benefits, he contends. Because temporary workers sometimes work only a few days for one contractor before moving on to work for another, they could have to track down several contractors in an attempt to obtain benefits, he explained. Currently, though, they need only to file a claim with their temporary agency.

The legislation might also diminish the value that temporary agencies provide to their clients, which rely on them to take responsibility for workers compensation claims, among other employment-related administrative tasks, Mr. Wheeler said.

If contractors had to pay their own workers comp claims, they would have less of a reason to hire the agencies, the bill's opponents said.

Labor unions, though, support A.B. 1679. They contend that, under the current system, contractors have little incentive to ensure that their job sites are safe. Also, while the responsibility rests with the temp agencies, many lack the necessary skills and resources to conduct safety inspections of clients' worksites. **BI**

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What can we do to help you?

## Judge rejects effort to delay lawsuit

# Holocaust claims allowed to proceed

LOS ANGELES—A federal judge in Los Angeles has denied insurers' motions to delay a suit filed by more than 230 Holocaust survivors and heirs demanding compensation for property and other assets that were confiscated during the Nazi era.

The U.S. District Court judge denied a motion filed by Fireman's Fund Insurance Cos. of Novato, Calif., seeking clarification of the suit, as well as a motion for a stay of the proceedings filed by Italian insurer Riunione Adriatica di Sicurtà.

Both companies are units of German insurer Allianz A.G. Holding.

The lawsuit, filed in June against the Austrian government, Austrian businesses and several large European insurers, contends that a U.S.-Austrian settlement over Holocaust-era claims is illegal. That settlement was reached earlier this year.

The suit also charges that the defendant insurers—including units of Assicurazioni Generali S.p.A. and Allianz—hid records

of insurance policies and systematically denied claims to Holocaust survivors or heirs.

The action, brought by the Washington-based firm of McKenna & Cuneo, amends a lawsuit filed in February. Among other changes, it adds about 65 new plaintiffs as well as charges related to life insurance policies allegedly never honored by insurers.

The original suit was filed the month after the United States concluded a Holocaust reparations agreement with Austria. McKenna attorneys participated

in the settlement negotiations but found the agreement inadequate and filed the lawsuit.

McKenna criticized a provision of the settlement that limits the collective liability of all insurance companies to only \$25 million for Austrian policyholders.

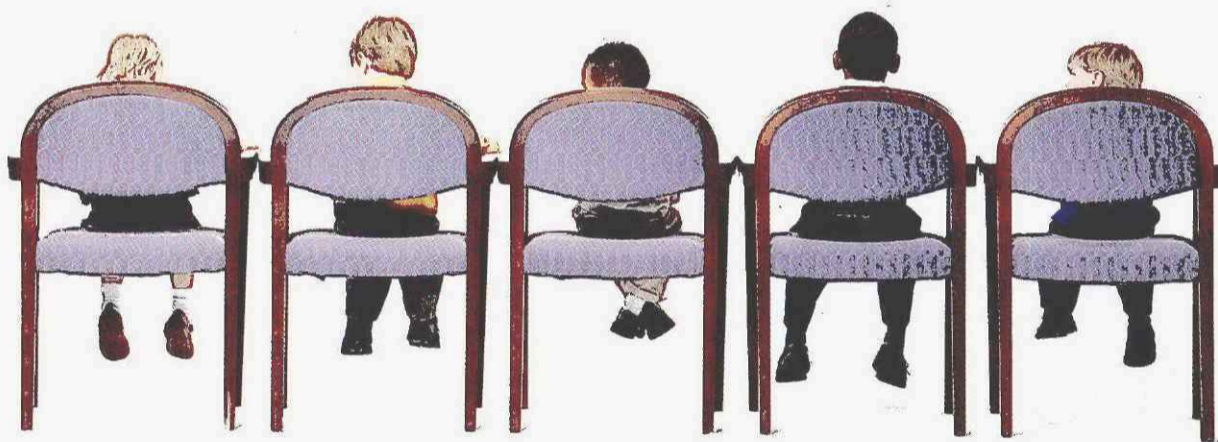
Some of the insurers named in the suit have entered into individual settlement agreements over Holocaust-era claims. For example, Generali last year agreed to pay \$150 million in compensation for claims and humanitarian assistance.

—By Joanné Wojcik



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# Investing in safety pays off, poll shows

Having a safe workplace can improve a company's financial performance, according to a new survey of 200 corporate executives.

Sixty-one percent of respondents to the survey estimated that \$3 or more is saved for each \$1 invested in workplace safety. In addition, 13% of the executives estimated a \$10-to-\$1 return on such investments, according to the study, which was conducted by Boston-based Liberty Mutual Insurance Co.

*'Workplace safety has a ripple effect, either positive or negative, on so many aspects of U.S. business operations today.'*

— Joseph Gilles  
Liberty Mutual  
Insurance Co.

In terms of direct and indirect costs associated with a workplace accident, the respondents' average estimate was that for every \$1 of direct costs, there are indirect costs of \$3. About 40% of respondents, however, estimated a higher ratio of indirect costs—between \$3 and \$5—for every \$1 of direct costs.

The direct costs of workplace accidents consist of payments to injured workers for medical care and lost wages. Indirect costs include related expenses, such as lost productivity and overtime costs.

Comparing the findings on indirect costs with its own research, Liberty Mutual said that businesses in the United States are paying "\$155 billion to \$232 billion on workers comp losses annually."

Survey findings also show that executives may be focusing attention on certain causes of workplace accidents at the expense of others and that they may need to realign their workplace safety priorities.

For example, executives reported that "repetitive motion" is the most important cause of workplace accidents, while five other accident causes—including overexertion and various types of falls—each produced greater direct costs for companies in 1998, according to Liberty Mutual research (BI, Feb. 26).

"Workplace safety has a ripple effect, either positive or negative, on so many aspects of U.S. business operations today," said Joseph Gilles, the company's executive vp-commercial insurance. "The first step for executives is to take pre-emptive measures to prevent employee pain and suffering."

For additional details, visit [www.libertymutual.com](http://www.libertymutual.com).

—By Meg Fletcher

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## OPINIONS

## Let the buyer beware

**H**EALTH CARE RISK MANAGERS recently received a harsh reminder of the importance of keeping an eye on the financial health and stability of their insurers.

The financial woes that resulted in PHICO Insurance Co. being placed in rehabilitation by Pennsylvania last month should put all risk managers—and their brokers—on notice to keep a close eye on even seemingly healthy companies for warning signs of impending trouble. As the PHICO situation demonstrates, when an insurer's fortunes turn south, they can deteriorate rapidly, leaving risk managers unprepared and their protection impaired.

PHICO presents a textbook example of the myriad problems that can accompany a strategy of seeking aggressive growth in a soft market. The perils of cash-flow underwriting are hardly new to this industry. But it has been several years since this practice led many insurers into serious trouble, and it's likely that some buyers have forgotten. PHICO was probably not alone in pursuing such a growth strategy, so buyers should be on guard.

PHICO, which was the 10th-largest writer of medical malpractice insurance in the United States, was taken over by regulators after its June 30 statutory financial statement showed that its surplus had

quickly plunged to dangerous levels. As of June 30, PHICO's surplus stood at \$6.8 million, down from \$127.2 million at the end of 2000. Its cushion was nearly wiped out by a near doubling in direct losses incurred during the first half of this year, which capped a recent period of deteriorating loss experience and growing reserves (*BI*, Aug. 27).

Analysts blame PHICO's problems on its adoption in the late 1990s of an aggressive strategy to boost premium flow and market share, which was initiated as medical malpractice rates were falling amid prolonged soft market conditions. PHICO's direct written premiums peaked at \$271.0 million in 1999, compared with volume of \$154.7 million in 1995. As its business grew, so did claims severity. PHICO had to boost its reserves by \$130 million in 1999, and more reserve strengthening appears to be behind the \$124.4 million net loss it posted during the first half of this year.

Buyers and their brokers need to pay close attention to insurers' financial situations and keep an eye out for warning signs. These include rapid expansion, underwriters giving away the pen to brokers and underwriting agents, excessive underpricing, inadequate loss reserves and incompetent management.



Since the last spate of insurer financial woes, commercial insurance buyers have lobbied, with varying degrees of success, for the deregulation of insurance markets. That means that when an insurer gets in trouble now, the finger cannot be readily pointed at deficient regulatory oversight. The responsibility for assessing the viability of partners to an insurance contract rests with the buyer more than ever, so let the buyer beware.

## LETTERS

## Crane safety programs crucial

To the editor: Thank you for running the article "Crane Risks Demand Better Training," by Joanne Wojcik, in your June 11 issue.

Cranes have the potential to cause some of the most horrendous and catastrophic losses on construction projects. Dale Daul, the St. Paul Insurance Co. risk control consultant quoted in the article, was absolutely correct when he said that "crane accidents happen because of poor management."

While many contractors have realized

this and are implementing comprehensive crane safety programs, many more need to get on the bandwagon.

This was probably part of the message the panel of judges wanted to convey when it selected Gayle Jones of Snyder Langston and George Bragg of Bragg Crane Services as the recipients of the first Construction Risk Management and Best Practices Award in 1999.

Gayle and George created a highly effective crane safety program and made it available without cost to any contrac-

tor who wanted it.

Your readers can download a free copy of this crane safety program from the IRMI Web site at [www.irmi.com/construction/crmbp.asp](http://www.irmi.com/construction/crmbp.asp).

Thanks for giving this specialized and very important subject the attention it deserves.

**Jack P. Gibson**  
President  
International Risk  
Management Institute  
Dallas

## LETTERS TO THE EDITOR

*Business Insurance welcomes letters to the editor. 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, 360 N. Michigan Ave., Chicago, Ill. 60601; fax: 312-280-3174; e-mail: [pwinston@crain.com](mailto:pwinston@crain.com)*

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## CEOs

Continued from page 1  
ance stock," Mr. Rowe said.

In addition to a focus on short-term variable pay, CEOs also are being awarded more stock options and grants for restricted stock as long-term incentives to stay with the company and to ensure company profitability, consultants say.

This shift toward variable pay is a reflection of the insurance industry playing catch up with its financial services counterparts as it looks outside the industry for executive talent, consultants say.

"Insurance companies now consider themselves more financial services companies than insurance companies," said David Leach, national director of the compensation consulting practice for Buck Consultants in New York. Other financial services companies have typically paid more than the insurance industry and have typically put more emphasis on variable compensation, he said. The insurance industry now "feels it must compete for talent" and offer comparable compensation packages, Mr. Leach said.

"We see a much greater shift away from pure cash or fixed compensation to more variable compensation like annual bonuses and long-term incentive awards," agreed Jim Sillery, a senior consultant with Watson Wyatt Worldwide in Chicago.

"Most insurance companies talk about going to the broad financial services industry to get talent," he said. As such, "they have to increase the compensa-

tion package to attract people."

Gary C. Wendt, chairman and CEO of Carmel, Ind.-based Conseco Inc., is one of the latest examples of this trend. The accident and health insurer tapped Mr. Wendt in June 2000 from Global Opportunity Advisors, a private equity investment fund. Before that, he was chairman and CEO of GE Capital Services. As part of Mr. Wendt's employment agreement with Conseco, he received a \$45 million cash payment at signing. This amount was partial compensation for benefits he forfeited from a prior employer, Conseco's proxy statement said. As part of the agreement, Mr. Wendt will receive no salary for the first two years of his employment, which is why Mr. Wendt does not appear on *BI*'s list of highest-paid CEOs. Beginning in 2002, Mr. Wendt will receive an annual salary of \$1 million and a bonus of up to \$2.8 million, based on changes in earnings per share. He also will receive annual stock options and restricted stock awards, the proxy said.

While Mr. Wendt by far received the largest bonus among the Top 25 CEOs in 2000, Sanford I. Weill's bonus was no chump change.

The chairman and CEO of Citigroup Inc. received an \$18.5 million bonus in 2000 on top of his \$1 million base salary, making him the highest-paid CEO on the list. According to Citigroup's proxy statement, the compensation committee "believes that the management of the company performed exceedingly well in 2000 and that the leadership of Mr. Weill...was central to these ac-

complishments."

Citigroup's total revenues in 2000 increased 18.5% to \$111.8 billion, while net income rose 20.2% to \$13.52 billion.

John S. Reed, who was co-CEO with Mr. Weill until April 2000, was the highest-paid CEO last year, with a salary and bonus of \$9.75 million. According to Citigroup's proxy statement, Mr. Reed received a \$5 million cash bonus and "certain other benefits" as part of his retirement.

*'We see a much greater shift away from pure cash or fixed compensation to more variable compensation, like annual bonuses and long-term incentive awards.'*

— Jim Sillery

Watson Wyatt Worldwide

Although Mr. Weill's salary and bonus jumped more than 100% in 2000, he did not receive the biggest pay raise last year. That distinction goes to William R. Berkley, chairman and CEO of Greenwich, Conn.-based W.R. Berkley Corp. Mr. Berkley received a 230% pay hike in 2000 to just over \$3 million, making him the 8th highest-paid CEO.

Whereas Mr. Berkley received a \$920,000 salary in 1999, he received a \$2 million bonus in 2000 on top of an improved \$1 million base salary. According to the company's proxy statement, not only did Mr. Berkley receive a \$1,811,900 bonus under the company's annual incentive plan, but he also received an additional discretionary bonus of \$190,650 "in recognition of the special efforts...made in 2000 beyond those contemplated by the criteria set forth in the annual incentive plan."

In 2000, W.R. Berkley's total revenues grew 6.4% to \$1.78 billion. The insurance company reported a \$36.2 million profit in 2000, compared with a \$37.1 million loss in 1999.

Also receiving more than 100% pay raise last year was Jon A. Boscia, CEO of Philadelphia-based Lincoln National Corp. Mr. Boscia's salary and bonus rose nearly 130% to \$4.25 million in 2000, making him the 7th highest-paid CEO. Mr. Boscia received a \$3.5 million bonus with respect to the company's incentive compensation plan in addition to his \$750,000 base salary.

According to Lincoln National's proxy, the compensation committee reviewed the company's "excellent 2000 financial results" as well as a number of "key strategic actions," when determining Mr. Boscia's compensation. Lincoln National's revenues grew a scant 0.7% to \$6.85 billion in 2000, while net income rose 35% to \$621.4 million.

While many CEOs carried around fatter wallets in 2000 because of bigger bonuses, others experienced the opposite side of

variable compensation.

After receiving a \$5.9 million "special bonus" in 1999 in connection with the successful completion of the merger between UNUM Corp. and Provident Cos. Inc., J. Harold Chandler saw his cash compensation drop 60.7% in 2000. The UNUMProvident Corp. CEO's \$900,000 salary and \$1.4 million bonus in 2000 dropped him to No. 15 from the sixth highest-paid spot last year.

After receiving a \$990,000 bonus in 1999, Patrick G. Ryan, chairman and CEO of Chicago-based Aon Corp., received no bonus in 2000 based on the company's performance during 1999, Aon's proxy said. His \$1.1 million base salary in 2000 was 46.7% off his 1999 cash compensation, dropping him to the No. 21 spot from No. 16 last year.

Not only do a number of insurance industry CEOs take home large paychecks, but many also own a significant amount of company stock.

Maurice R. Greenberg's beneficial ownership of 46,758,558 shares, or more than 2%, of American International Group Inc. common stock makes him the richest stock owner among the 25 CEOs. Based on an Aug. 17 AIG share price of \$79.21, Mr. Greenberg's shares were worth \$3.7 billion.

Mr. Greenberg's share value, however, is a far cry from one of his contemporaries. Warren E. Buffett's beneficial ownership of 474,998 Berkshire Hathaway Inc. shares was worth \$32.7 billion on Aug. 17. Berkshire's chairman and CEO took home a \$100,000 paycheck in 2000, unchanged from 1999. **BI**

## Highest-paid insurance industry CEOs

CEO/Age	Company	2000 cash compensation	1999 cash compensation	% change	Value of shares <sup>1</sup>	2000 total revenues	% change	2000 total net income	% change
1 Sanford I. Weill, 67	Citigroup Inc.	\$19,484,414	\$9,732,474	100.2%	\$1,082,880,548	\$111,826,000,000	18.5%	\$13,519,000,000	20.2%
2 William H. Donaldson, 69	Aetna Inc. <sup>2</sup>	7,000,000	NA	—	2,720,250	26,818,900,000	21.3	127,100,000	-82.3
3 Maurice R. Greenberg, 75	American International Group Inc.	6,000,000	6,000,000	0.0	3,703,745,379	45,972,000,000	13.1	5,636,000,000	11.5
4 Robert M. Devlin, 60	American General Corp.	5,495,000	4,935,000	11.3	207,666,058	11,063,000,000	3.6	1,003,000,000	-11.3
5 H. Edward Hanway, 49	CIGNA Corp.	5,271,200	3,211,500	64.1	8,072,559	19,994,000,000	6.8	987,000,000	-44.4
6 Robert H. Benmosche, 56	Metropolitan Life Insurance Co.	4,400,000	3,714,200	18.5	10,189	31,947,000,000	25.7	953,000,000	54.5
7 Jon A. Boscia, 48	Lincoln National Corp.	4,250,000	1,851,548	129.5	9,092,124	6,851,507,000	0.7	621,393,000	35.0
8 William R. Berkley, 55	W.R. Berkley Corp.	3,032,550	920,000	229.6	152,584,298	1,781,287,000	6.4	36,238,000	NM
9 David F. D'Alessandro, 50	John Hancock Financial Services <sup>3</sup>	2,876,923	2,006,154	43.4	7,225,040	7,598,100,000	-3.3	838,900,000	447.6
10 Brian Duperreault, 53	ACE Ltd.	2,875,000	2,200,000	30.7	8,527,069	5,266,657,000	74.6	542,982,000	48.8
11 Douglas W. Leatherdale, 64	St. Paul Cos. Inc.	2,756,154	3,227,885	-14.6	17,670,554	8,608,000,000	13.7	993,000,000	19.1
12 Ramani Ayer, 53	Hartford Financial Services Group Inc.	2,747,833	1,776,417	54.7	14,212,382	14,703,000,000	8.7	947,000,000	16.4
13 J.W. Greenberg, 49	Marsh & McLennan Cos. Inc.	2,700,000	2,300,000	17.4	3,780,218	10,180,000,000	10.9	1,181,000,000	62.7
14 James N. Stanard, 52	RenaissanceRe Holdings Inc.	2,529,640	2,283,807	10.8	59,078,269	349,735,000	29.4	127,235,000	22.1
15 J. Harold Chandler, 51	UNUMProvident Corp.	2,300,000	5,850,000	-60.7	25,454,121	9,446,900,000	2.2	564,200,000	NM
16 Bernard L. Hengesbaugh, 54	CNA Insurance Cos.	1,873,400	1,916,346	-2.2	13,736,573	15,614,000,000	-4.8	1,214,000,000	NM
17 Brian M. O'Hara, 52	XL Capital Ltd.	1,850,000	2,500,000	-26.0	28,448,118	2,717,459,000	8.2	506,352,000	7.6
18 Dean R. O'Hare, 58	Chubb Corp.	1,804,751	1,791,107	0.8	64,638,558	7,251,500,000	7.8	714,600,600	15.1
19 Edward M. Liddy, 55	Allstate Corp.	1,548,250	1,428,873	8.4	10,019,424	29,134,000,000	8.1	2,211,000,000	-18.7
20 J. Patrick Gallagher Jr., 49	Arthur J. Gallagher & Co.	1,150,000	850,000	35.3	10,015,341	740,596,000	12.8	87,776,000	24.9
21 Patrick G. Ryan, 63	Aon Corp.	1,125,000	2,109,230	-46.7	1,118,702,697	7,375,000,000	4.3	474,000,000	34.7
22 Herbert N. Haag, 54	PartnerRe Ltd. <sup>4</sup>	1,064,250	1,050,000	1.4	NA	1,525,600,000	-6.4	142,300,000	50.1
23 Carl H. Lindner, 81	American Financial Group Inc.	950,500	1,568,000	-39.4	112,530,053	3,817,000,000	13.6	-56,035,000	NM
24 Roger H. Eigsti, 58	SAFECO Corp.	900,000	900,000	0.0	3,590,900	7,140,100,000	4.0	114,600,000	-54.6
25 A. C. Zucaro, 61	Old Republic International Group	894,846	1,408,700	-36.5	3,218,574	2,070,600,000	-1.5	297,500,000	31.2
<b>Averages</b>		<b>\$3,475,188</b>	<b>\$2,621,250</b>	<b>32.6%</b>					

<sup>1</sup> Based on Aug. 17, 2001, closing share price. <sup>2</sup> Mr. Donaldson acted as Aetna's CEO from Feb. 25 through Sept. 15, 2000. He succeeded Richard L. Huber and was succeeded by Dr. John W. Rowe.

<sup>3</sup> Mr. D'Alessandro succeeded Stephen L. Brown as CEO in June 2000. <sup>4</sup> Mr. Haag served as CEO until Dec. 1, 2000. He was succeeded by Patrick A. Thiele.

Source: Securities and Exchange Commission filings and company reports

## SPOTLIGHT

## Reinsurers say rates still inadequate

## Price increases are likely to continue

By RODD ZOLKOS

**R**einsurance prices are rising across most lines and regions, but people in the industry are consistent in describing the change as a "hardening" rather than a "hard" market.

The change is a needed one, reinsurers agree, bringing prices more in line with the risks assumed. But more increases are needed to push prices to truly appropriate levels, and the upward trend will continue at least into 2002, they say.

At this point, capacity seems readily available—at the right price—and reinsurers are showing a willingness to walk away from business if that price isn't achieved.

Looking ahead, though, there are indications that the capacity situation could change. Though there have been no major catastrophe losses this year, a number of smaller, but significant, losses, coupled with troublesome ongoing asbestos exposures and emerging risks such as mold and Internet exposures, could well diminish capacity in coming years.

At the least, those factors likely will continue to support higher prices for the foreseeable future.

"Generically, the market is hardening. We're seeing price increases across the board," said Henry C.V. Keeling, president and chief executive officer at XL Re Ltd., the reinsurance unit of Hamilton, Bermuda-based XL Capital Ltd. "But, at this point, I wouldn't say the price increases are adequate."

"Having said that, I wouldn't say the pricing turn is capacity driven, as such," Mr. Keeling said. Instead, the increases are the result of years of inadequate pricing and fears among underwriters and others at reinsurers that if they don't improve pricing "they might be out of a job," he said.

There are some capacity shortages, notably in certain casualty and directors and officers lines; catastrophe coverages, such as Florida windstorm and California earthquake; and some areas of the marine market, Mr. Keeling said.

"We see similar trends in both the U.S. and other major markets—Europe, the U.K., maybe less so in Asia," said Hoyt Wood, executive vp and global chief underwriter at Employers Reinsurance Corp. in Overland Park, Kan.

"Our mantra is we want to move to risk-based pricing," Mr. Wood said. "Having said that, we place no mandated percentage increase on anybody. We have some terrific customer relationships, and our goal is to have the right rate for each relationship. We're trying to get paid for volatility."

"All that said and done, we're seeing significant price increases for most products," Mr. Wood said. "But in terms of a truly hard market, a traditional hard market in terms of capacity, we're not seeing any deals that don't get done."

Andreas Beerli, chief executive officer of the Americas Division of Swiss Re America Corp. in New York, said: "In North America, we see a clear hardening of the market. We don't have a hard market now, but the market is changing."

Mr. Beerli said Swiss Re and other large reinsurers have made an effort to raise rates and shed unprofitable business. "I'm happy to confirm that in our renewal portfolio, we achieved those price levels that we hoped to achieve in the United States," he said.

In Latin America, the biggest price increases are in noncatastrophe business, Mr. Beerli said. Throughout the region, further price increases and changes in terms and conditions are needed to bring the market to the desired

level, he added.

Steven Bolland, senior vp at intermediary Gill & Roeser Inc. in New York, said that though reinsurance price increases are higher in certain classes, prices are rising across the board.

"I would say that property cat is the highest," Mr. Bolland said, adding that, with the exception of certain lines, general casualty coverages are seeing the lowest increases.

Particularly problematic are catastrophe-prone areas that have had poor experience over the past several years, he said. For example, "the frequency and severity of storms hitting the Caribbean in the past several years have caused some of the model makers to revise their models. And that has impacted pricing," he noted.

"We haven't noticed a shortage of capacity, although you have to get the price right," Mr. Bolland said. "People are willing to walk away from a price that is below what they believe to be adequate."

Swiss Re's Mr. Beerli noted that major reinsurance players are able to pull all of the aspects of their organization in the same direction in terms of pricing and renewal decisions, in an effort to reach appropriate price levels. But across the market, he still fears the potential for less disciplined underwriting from some reinsurers. "To say 'no' to business is different than what they are used to," Mr. Beerli said.

"There is capacity available in the market now. It's a hardening market; it's not a hard market, but the capacity is only available when the technical price is achieved," said James P. Bryce, president and chief executive officer of property catastrophe reinsurer IPCRe Ltd. in Pembroke, Bermuda. "It's available if the price is correct, and not available if

See **Market** on page 14

## World's largest reinsurers

Ranked by 2000 net premiums written

Company	Net reinsurance premiums written
1 Munich Re Group	\$14,974,752,000
2 Swiss Re Group	13,790,394,000
3 Berkshire Hathaway/GeneralCologne Re	13,540,000,000 <sup>1</sup>
4 Employers Reinsurance Group	8,342,000,000
5 Hannover Re Group	4,895,572,617
6 Gerling Global Reinsurance Group	4,053,363,600
7 Lloyd's of London	4,014,368,000
8 Assicurazioni Generali S.p.A.	3,951,921,500
9 Allianz Reinsurance Group	3,726,500,000 <sup>2</sup>
10 Zurich Re	3,065,807,000 <sup>3</sup>
11 SCOR	2,754,232,000
12 London Reinsurance Group	1,888,320,000
13 Transatlantic Holdings Inc.	1,658,579,000
14 AXA Reinsurance Group	1,424,700,000 <sup>2</sup>
15 Reinsurance Group of America Inc.	1,404,100,000
16 Lincoln Re	1,383,500,000
17 PartnerRe Ltd.	1,380,400,000
18 St. Paul Re	1,251,493,000
19 Everest Re Group Ltd.	1,218,906,000
20 XL Re Ltd.	1,022,193,000
21 QBE Insurance Group Ltd. (Reinsurance Division)	1,000,147,200
22 The Toa Reinsurance Co. Ltd.	952,400,000
23 CNA Re	951,200,000
24 Korean Re	901,800,000
25 Trenwick Group Ltd.	833,952,000 <sup>4</sup>

1 B/estimate of combined Berkshire Hathaway Group and GeneralCologne Re

2 Source: Standard & Poor's

3 B/estimate of combined Zurich Re and Centre Solutions (Bermuda) Ltd.

4 Pro forma combination of Trenwick Group Ltd. and LaSalle Re

Source: B/survey

## London strives to make market more efficient

By SARAH VEYSEY

**L**ondon is one of the world's oldest reinsurance markets. From its modest beginnings in Edward Lloyd's coffee shop more than 300 years ago, the market has become one of the largest in the world. In The City—London's square-mile financial district—it is common to see hordes of dark-suited insurance brokers rush from office to office, bundles of paper tucked under their arms.

But some industry insiders say the traditional manner of doing business in the London reinsurance market is now outmoded and inefficient. London must modernize if it is to continue to compete, they say.

One London market broker, who asked not to be named, decried the paper-laden way the London market still does business. He said the current system—in which brokers carry paper quotes by hand to the various underwriters' boxes in the Lloyd's

See **London** on page 20

## Reinsurers urge passage of greenhouse gas limits

By CAROLYN ALDRED

**R**einsurers are urging political and industrial leaders to take steps that would minimize manmade factors that contribute to global warming, in an effort to limit losses from catastrophes linked to climate change.

While the debate continues over the causes and effects of climate change, reinsurers and insurers—

especially companies based outside the United States—are calling for politicians to take the lead in bringing about a reduction in so-called greenhouse gas emissions. These gasses, such as carbon dioxide, are regarded as a leading cause of global warming, which, in turn, is blamed for spurring climate changes that can increase the frequency and severity of natural catastrophes.

See **Climate** on page 24

## International Reinsurance: Rates on the way up

Inside: Interest in capital markets likely to remain limited page 16

Fallout from the collapse of Independent page 22

China, India present opportunity for growth page 26

Standard & Poor's top 25 international reinsurance groups page 28

Directory of International Reinsurers page 30

Spotlight Editors:  
Douglas McLeod  
Rodd Zolkos

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## Insurers Face Profit Pressures

The insurance industry has yet another coming

keeping with the rates and until the industry during the next year

## Reinsurance Industry Sees More Challenges Ahead

cont'd.

was some rate improvement reported by both U.S. and European reinsurers in 2000, it appears to have been too little, too late to affect the 2000 results. Additionally, the overall consensus is that there were is only one part of the bigger equation. The companies that come out in the lead are going to be the ones who really find some innovative solutions for the way they write their business. These are the companies that starts with fundamental operations mented the head of a insurance operations "There's got to be a underwriting as the pr out of this."

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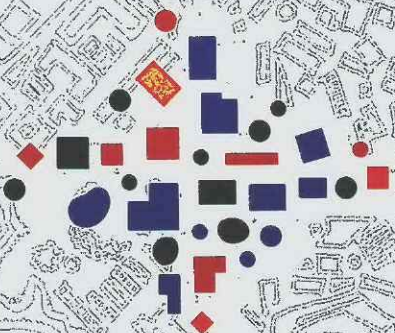


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## SPOTLIGHT

## Market

Continued from page 10  
the price is not correct."

"A lot of times, the price isn't just where they want it, so (the reinsurers) just walk away," said Stephen Breen, a senior vp at Willis Re Inc. in New York.

"We're not stepping back from the plate, but, quite frankly, the price has to reflect the adverse experience of the past few years," Mr. Bryce said.

"We've been through a period where I think a lot of reinsurance programs were sold on an adverse-selection basis," said Mr. Wood of Employers Re. "The clients have al-

ways been sophisticated, but perhaps were more sophisticated than we were over the past decade. They chose to buy reinsurance when pricing was in their favor."

Now, some of the larger global insurers may be retaining more, but Mr. Wood said he thinks there generally is acceptance among buyers of higher reinsurance prices.

"I don't think there have been any dramatic stories of anybody being left in the lurch at renewal time," he said. "Ten percent to 20% rate hikes are painful to some clients given the environment they've been in, but they'll start to get used to it."

"Insurance rates are going up, which makes the reinsurance cost easier to digest," Mr. Bryce said.

"The difficulty is when you have a cycle where the reinsurance cost is going up while insurance rates are going down and you're caught in the squeeze."

"At the moment, the majority of people seem comfortable to take the increases," Gill & Roeser's Mr. Bolland said. "One of the features in the market seems to be that you don't have the violent and dramatic fluctuations you had the last time the market turned hard."

While this is the second year of 10% to 15% price increases, those increases are "not dramatic enough to make people say, 'What are my options?'" Mr. Bolland said.

The pricing trend is likely to continue, said XL Re's Mr. Keeling.

"We're increasingly confident that pricing in the reinsurance market will continue the upward trend through this renewal season and into 2002," Mr. Keeling said. "And, frankly, we don't see anything out there that will turn that around."

In the face of that trend, more buyers will try to secure coverage early in the renewal process, rather than dragging out negotiations, he added.

In recent years, reinsurance buyers felt confident that extended negotiations might lead to lower prices or, at worst, a renewal at the current price, he said. But now, buyers dragging out the process might face the loss of the capacity or prices that rise from the reinsurer's initial offer, Mr.

Keeling said.

"Obviously, for some clients, increasing the retention is an option," Mr. Keeling said. "But I think for some clients, their results are suffering—it's not a time they can afford to increase retentions."

"I think what you have to do as a broker in this market is advise (clients) that there is capacity but it's not what they're accustomed to," Mr. Breen said. In some cases, cedeents might have to look to multi-year, finite risk-type deals to obtain coverage, he suggested. "You cannot buy the amount of aggregate capacity that is needed for some of these big insurance or reinsurance companies now," he said.

Having been at the forefront of the hardening market, the retrocessional market continues to harden.

Dirk Lohmann, CEO of Zurich Re in Switzerland, said, "most companies are having to live with less retrocessional capacity. In some instances, they are also being forced to reduce their capacity to clients."

XL Re's Mr. Keeling said, "Certainly, the retro markets were the first to harden and will continue to do so."

"It always amazes me that we have a tail wagging the dog," Mr. Wood said. "We have a retrocessional market that tends to harden first and then the reinsurance market, followed by the primary market."

IPCR's Mr. Bryce suggested that whether property catastrophe retro rates go up "like an airplane" or "like a missile" would be determined by losses incurred during the rest of this year. "I think we've still got a long way to go in terms of what happens in the third quarter," he said.

"The retrocessional market is undoubtedly hardening. There's been a lot of capacity driven out of the market in the past 24 months," Mr. Breen said. "Obviously, this does lend itself to trying to increase capacity by using alternative risk/finite," he said.

While most observers see adequate capacity in the existing reinsurance markets, they allow that various issues could force a change.

Asbestos losses and the need to increase reserves remain factors, Mr. Keeling noted. "And, at the same time, we're seeing a series of relatively small but very wounding events," such as Tropical Storm Allison in June, aircraft losses caused by a terrorist attack at Sri Lanka's main airport in July and the sinking of a Petrobras oil rig in April.

"Capacity is tight in certain areas, but it's not primarily at this point a capacity-driven market turn," Mr. Keeling said. "But it could become one."

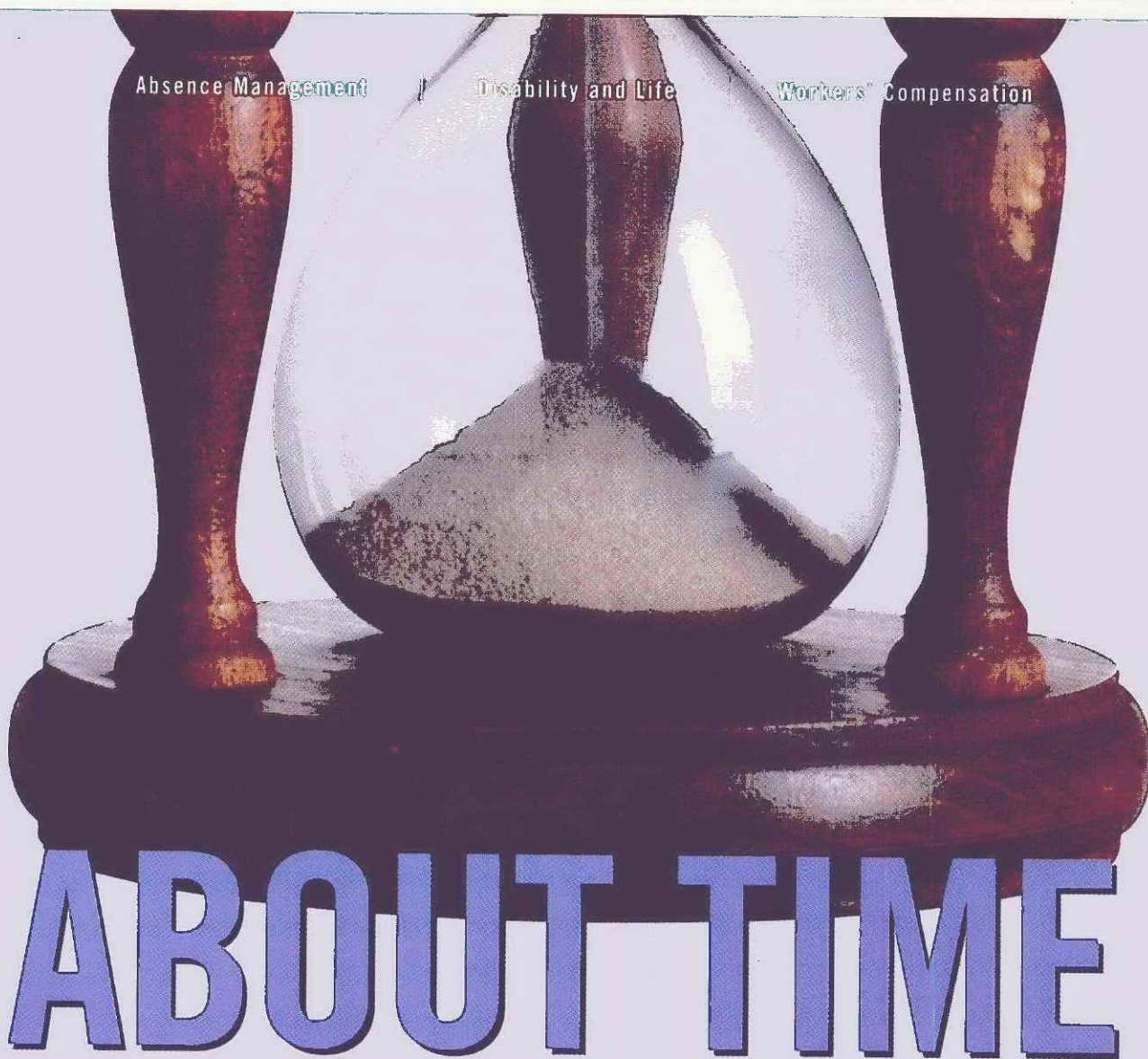
Mr. Bryce noted that Allison produced losses "that quite frankly caught a lot of people on the back foot." He estimates that Allison probably will generate \$2.5 billion in losses, "and I don't think people thought a tropical storm could do that much damage."

He adds to the mix this year's Seattle earthquake, which, while producing limited losses, provided a "wake up call" to the industry.

One reinsurance industry source noted that asbestos-related claims show no sign of letting up.

"To the extent that you're talking about a lot of the reinsurance contracts, if you're looking at the policy language written in the 1950s,

See Market on page 16



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## SPOTLIGHT

## Market

Continued from page 14

they're going to be proportional contracts, they're not capped," he said. "That's the way these contracts were written in the '50s and '60s."

Robert W. Hammesfahr, a member of the Cozen O'Connor law firm in Chicago, said that the industry faces problems from a plaintiffs bar enriched by tobacco settlements.

"What's happened is, you paid so much to the tobacco lawyers that you've got people who are very well financed," he said. "All they've got to do is find the right kind of claims."

"You've got an imbalance in the

system right now, and the imbalance will get worse, not better," Mr. Hammesfahr said.

Meanwhile, injury awards continue to increase.

"It's not unusual to be talking about \$20 million demands on bodily injury claims on single claimants," Mr. Hammesfahr said. "And that, of course, hits the excess-of-loss reinsurers. Which, I suppose, is why they've been complaining that rates are inadequate."

Employers Re's Mr. Wood suggested that although his company isn't as exposed to asbestos claims as are some, developing claims areas such as mold and Internet risks could pose problems for his and other companies.

Such uncertainties are a major reason the industry needs to maintain its current pricing for the next several years, Mr. Wood said.

If the uncertainties remain, or the market experiences some large catastrophe losses, "things could change dramatically," Mr. Bolland said. "We really haven't had a major catastrophe hit the United States in several years."

In upcoming renewals, "I think, quite frankly, it will be business as usual," Mr. Bryce said. "I think it will be disciplined underwriting. I think there will be rate increases for clients where there have been few losses. And for those where there have been greater losses, I think rate increases will be substantial." **BI**

## Reinsurers not rushing to tap capital markets

By RODD ZOLKOS

**A** hardening reinsurance and retrocessional market may prompt more reinsurers to turn to capital markets instruments to transfer risk, though interest in such tools will likely remain limited in the near future.

"You are seeing a few more

companies jumping into what we would call alternate situations," said Steven Bolland, senior vp at intermediary Gill & Roeser Inc. in New York. Such arrangements aren't for everyone, Mr. Bolland said, "but you are seeing people buying options and derivatives."

"One of the features in the cat market is that the retrocessional coverage is very expensive, and the capacity has shrunk dramatically in the past couple of years," Mr. Bolland said. In that sort of environment, the capital markets might make sense as a risk transfer vehicle, but only for the largest companies, he said.

Over the span of several years, the results of purchasing reinsurance and of transferring risks through capital markets tools may be essentially the same, Mr. Bolland noted. But, differences in the initial cost—and, perhaps more significantly, accounting treatment—might make the capital markets option viable only for the largest companies, he said.

While payment of a reinsurance claim would directly offset the related underwriting loss in a company's accounting of its insurance activity, a derivative payout would be recorded as an investment gain, he noted.

"The ultimate bottom line is the same, but if you're a small company, you're going to have this horrible underwriting result and a wonderful investment gain," Mr. Bolland said. "Regulators' eyebrows are going to go through the roof."

For a large company, "the numbers are so small that it won't have the same impact on your accounts," Mr. Bolland said. "Those are the people you're going to see getting involved in these things."

"We see continuing activity in the capital markets, but nothing that is sufficiently fundamental or substantial that it will change the way the market gets its capacity," said Henry C.V. Keeling, president and chief executive officer of XL Re Ltd. in Hamilton, Bermuda.

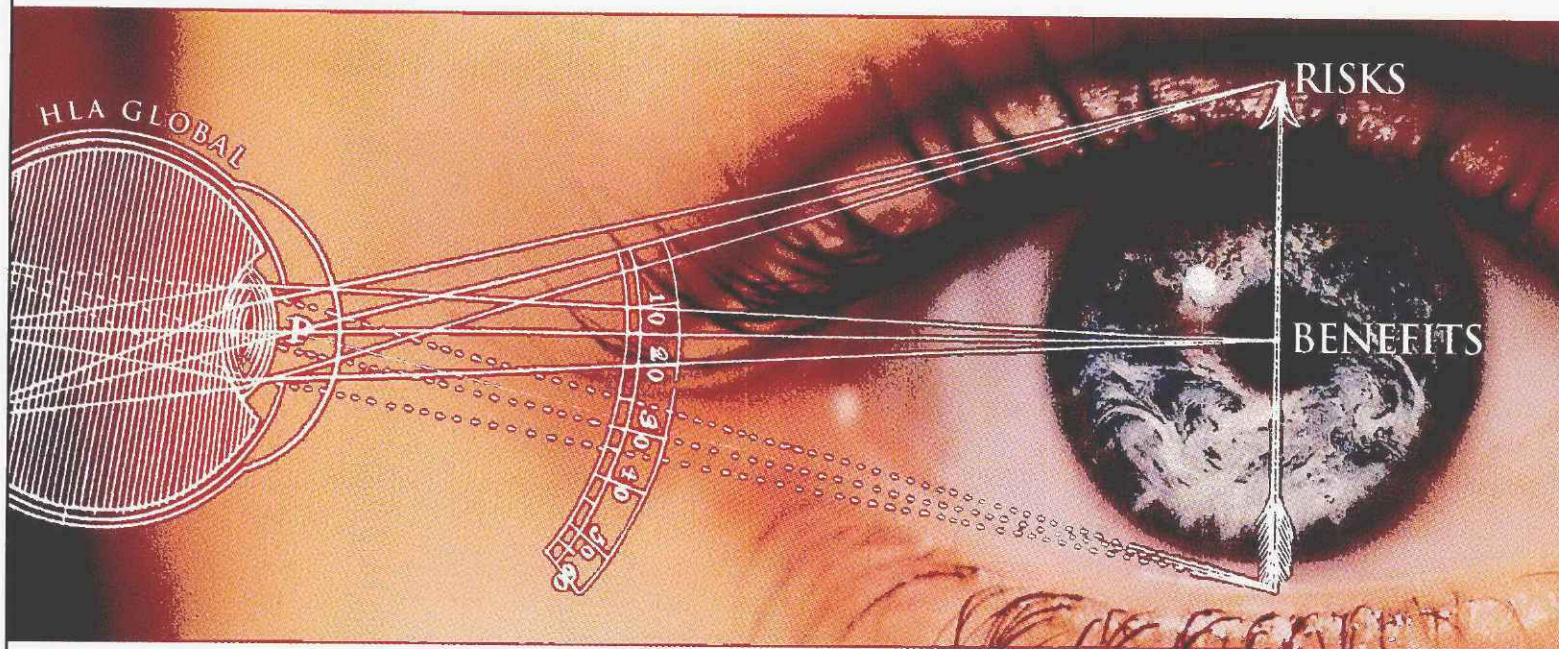
Not only are capital market deals more costly, but they also primarily provide capacity at the "outlying areas of the capacity curve" rather than in reinsurers' working layers, Mr. Keeling said.

Until those situations change, "I don't see where (capital markets) become a sufficient replacement for traditional reinsurance and retrocessional capacity," he said.

Hoyt Wood, executive vp and global chief underwriter of Employers Reinsurance Corp. in Overland Park, Kan., acknowledged that interest in the capital markets exists among reinsurers. "I think it's there, and I think the capital market has done a better job of pricing volatility and their capacity," he said.

But, he said, "We don't see it as a competitive issue for us. We don't sit around worrying about the capital markets taking over our business." **BI**

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**SPOTLIGHT**

# London

Continued from page 10  
building, then wait in lines to speak with the underwriters—is outdated and time consuming.

But efforts are underway to streamline and modernize the Lloyd's and London markets.

Last year, representatives of London market companies, Lloyd's of London and brokers began exploring ways to streamline the marketplace and make it more efficient. The International Underwriting Assn., representatives of Lloyd's Council and the Lloyd's Insurance Market Brokers Committee joined forces to create a plan for the mod-

ernization of the London marketplace.



"We believe that it is imperative that the London market dismantles the 'Victorian pipework' it uses for the processing of premiums, documentation and claims and moves rapidly towards the latest generation of business-to-business trading systems," the three groups said in a

joint statement that accompanied the publication of a protocols and standards document last year. Over the last several months, London brokers and underwriters have been gathering in workshops to discuss the implementation of the proposals developed through the London Market Protocols 2001 project.

The proposals contained in the LMP2001 report have five major aims. The goal of the reform is to improve the London market's "poor showing" in the areas of contract certainty, premium payment, claims payment, contract and claims processing and policy production, the LMP2001 committee said in a written statement.

While the reform is directed at

both the insurance and reinsurance markets, some of the proposals are specific to reinsurance, said Roy Laker, a management consultant in the LMP2001 program office.

One such suggestion is the simplification of the Lloyd's and London market slips used to write lines of reinsurance. "They are (designed) to bring more clarity of information—to clearly define roles and responsibility," Mr. Laker said.

Mr. Laker said a number of brokers are working with the new slips on a trial basis. "Then there will be market sessions and workshops, and then they will start to be used in the market," he said. The new slips should be ready for use by Jan. 1 renewals, he said, if not earlier.

Nick Furlonge, deputy underwriter for Lloyd's managing agent Beazley Furlonge Ltd., was one of the initial members of the LMP steering committee. Even though he was later replaced on the committee by Beazley marine underwriter Clive Washburn, Mr. Furlonge said he is still closely involved with its work.

The question of modernization, he said, "is not really discrete to reinsurance" but applies to the London market as a whole. "Everyone agrees that the London market needs updating and improving."

Mr. Furlonge stressed that there are some areas of reinsurance in which Lloyd's is a technological leader; he noted, for example, that catastrophe accounts are now model-driven. "So, information is now sent through by e-mail or on disk—it is quite efficient," he said.

Mr. Furlonge added that a lot of "pre-underwriting" now takes place before the broker gets to the underwriting box, "so that is quite advanced."

But Mr. Furlonge said the market must gear itself up to do things "in parallel, rather than in series." Many of the steps involved in underwriting a risk should be performed simultaneously, rather than sequentially, he said.

"We need to get rid of 'TBA,'" he said, referring to designations on line slips that indicate details "to be arranged," or agreed upon later.

"On complex risks there is often TBA," Mr. Furlonge said. "But the more of these you get, the more things there are to sort out. And when you come back to it a month later or a week later, you have to go over all the same ground again."

He said the LMP committee is working toward more standardization of the procedures used in the placement of business; that way, he said, most details can be sorted out at the point of sale.

"Likewise with renewal wordings. If you can get a renewal on cookie-cutter business (simple business), then you should be able to do as much as possible at the point of sale," Mr. Furlonge said. Standardized policy wording would be useful in such cases, he explained.

London-based Jardine Lloyd Thompson Group P.L.C. is one of the brokers involved in the LMP 2001 project. Rudy Konig, a partner in JLT's Risk Solutions division, said JLT enthusiastically supports the project proposals.

"We continue to be actively involved in pursuing the LMP project's aims and ambitions to streamline processes and procedures in the London market to provide a better product for our clients," Mr. Konig said.

Still, some underwriters maintain that it is precisely because Lloyd's and London are true marketplaces that they remain good places in which to do business.

"Brokers can literally come into the market...and talk to a number of leading, competing businesses and probably be talking to the ultimate decision maker," said Neil Maidment, a reinsurance underwriter at Beazley. "So, effectively, the customer is talking to the ultimate decision maker."

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## SPOTLIGHT

# Downfall of U.K.'s Independent raises questions

By DOUGLAS McLEOD

**T**wo months after the collapse of Independent Insurance Co. Ltd., the full extent of damage to international reinsurance and insurance markets remains unclear.

Provisional liquidators at PricewaterhouseCoopers are continuing a "forensic examination" of Independent's finances, and U.K. law enforcement officials have launched a fraud inquiry that is expected to continue at least into next year.

Liquidators have not offered any estimate of the size of the London-based insurer's insolvency, though, and are still assessing the extent of its under-reserving, which initially was pegged at £62 million pounds (\$89.5 million) but is widely believed to be much greater.

PricewaterhouseCoopers is also evaluating Independent's reinsurance contracts, including a series of contracts with a Dublin-based unit of GE Capital Corp. that came to light earlier this year as Independent's troubles deepened. Among these contracts were a general liability stop-loss cover and subsequent amendments that reportedly slashed the scope of the coverage.

Independent creditors, meanwhile, are pursuing fraud allegations. Stephen Alexander, a lawyer with the London firm Class Law, has charged that publicly traded Independent intentionally underreserved for claims to boost profits and that its financial statements for year-end 2000 and possibly earlier years were fraudulent.

"If contracts were entered into...as a result of some fraudulent misrepresentation by the company, they are a nullity, and you must stop looking at this situation as a normal one," Mr. Alexander advised at a meeting of Independent brokers and policyholders in July.

Whether fraud charges might also be raised by Independent's reinsurers to void their contracts remains to be seen.

A committee of Independent creditors has hired Class Law to review the feasibility of filing a negligence lawsuit against several parties, possibly including Independent auditor KPMG, actuarial consultant Watson Wyatt, Independent's board of directors, the U.K. Department of Trade and Industry, and the Financial Services Authority, Britain's insurance regulator.

As the inquiries move forward, U.K. insurers are facing tens of millions of pounds of assessments from the Policyholders' Protection Board, a guaranty fund for personal lines and compulsory insurance claims. CGNU P.L.C., for example, announced that it has set aside £14 million pounds (\$20.2 million) for the expected PBB assessment, while Royal & SunAlliance Insurance Group P.L.C. said it has set aside an undisclosed amount.

Commercial insurance business, which accounted for about 80% of Independent's premiums, is not covered by the PBB.

Independent was formed in the late 1980s by a group that included its former chief executive officer, Michael J. Bright. The insurer grew rapidly during the 1990s as it opened subsidiaries or branches in Ireland, France, Spain and Australia.

Year-end 2000 revenues for Independent Insurance Group P.L.C. hit £965.4 million (\$1.46 billion), a 103% gain over the

previous year, while net income fell 69.3% in 2000 to £15.4 mil-

**Independent Insurance**



lion (\$23.4 million). At the end of last year, Independent reported total assets of £1.72 billion (\$2.61 billion) and liabilities of £1.40 billion (\$2.12 billion), ac-

ording to its audited financial statement.

After Independent went public in 1993, its stock flourished on the London Stock Exchange on the strength of strong annual revenue growth and apparently superior underwriting performance. At the end of last year, as its stock price was reaching a peak, Independent boasted a market capitalization of £958.0 million (\$1.45 billion).

The insurer's fortunes turned in February, though, when it warned that its first-quarter

earnings would be below expectations because of reinsurance costs and losses at its French unit, and its share price dropped by more than half.

Mr. Bright resigned as CEO in April but remained temporarily as nonexecutive deputy chairman, as Independent sought to raise £150 million (\$216 million) in a share offering to shore up its finances. In June, though, the insurer abandoned the offering and closed its doors to new and renewal business after Watson

*Continued on next page*



*Continued from previous page*  
Wyatt said it could not accurately estimate Independent's liabilities, and the insurer announced that it could not "ascertain the appropriate level of technical provisions" on its business.

Apart from the reserving questions, another problem for the insurer was a general liability stop-loss reinsurance contract with Ireco, a Dublin-based unit of GE Capital, which Independent's year-end financial statement said provided £278 million (\$401.2 million) of coverage for a £110 million (\$158.7 million) premium. The benefits of the contract were substan-

tially reduced by later amendments, according to press reports.

Representatives of Independent's liquidators and GE Capital declined to comment on the transactions.

On June 17, a London High Court judge appointed Dan Schwarzmann and Charles Batten, partners of PricewaterhouseCoopers, as Independent's joint provisional liquidators. The liquidators have since filed an ancillary bankruptcy petition in U.S. Bankruptcy Court for the Southern District of New York.

PricewaterhouseCoopers has also formed a new company,

Aurora Corporate Services Ltd., to manage the runoff of the insurer's claims. Independent's claims staff has been transferred to Aurora, which will operate as an Independent subsidiary.

The liquidators are also hoping to develop a scheme of arrangement with Independent's creditors to speed the winding up of the insurer's business, bankruptcy court documents show. Fallout from the Independent collapse has been widespread, starting with commercial policyholders in the United Kingdom, Ireland, France and elsewhere. In the United Kingdom, for example, Baldwin's In-

dustrial Services P.L.C., a crane leasing company, disclosed that the Independent collapse will cost it £1 million (\$1.4 million), including the cost of interim and replacement coverage and the cost of potentially uncovered claims.

International reinsurers and insurers are also assessing their exposure to losses under ceded and assumed reinsurance contracts with Independent. St. Paul Re, for example, had both ceded business to and assumed it from the insurer and is evaluating its position, a St. Paul Re representative said.

Apart from the financial impact, the collapse has sparked

demands to improve the regulatory performance of the Financial Services Authority. Critics of the FSA have noted that, among other things, France's regulatory agency, the Commission de Controle des Assurances, warned the FSA last year that Independent's French unit was drastically underreserving for claims. FSA officials have replied that they believed that Independent was addressing the problem with a capital infusion for the French unit.

Meanwhile, at the FSA's request, Britain's Serious Fraud Office has begun an investigation of Independent's operations, the agency announced in June. And lawyers for the London-based Committee of the Creditors of Independent Insurance Group have leveled their own fraud charges.

*'If contracts were entered into...as a result of some fraudulent misrepresentation by the company, they are a nullity.'*

— Stephen Alexander  
Class Law

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At a meeting with brokers last month, Mr. Alexander, the Class Law partner representing the creditors group, charged that Independent systematically underreserved for losses for several years. Independent employees told the creditor lawyers, for example, that their departments were given reserve figures in advance for each month and that when those figures were exceeded, claims were written down to one pound or not entered into the system, Mr. Alexander told the group.

The alleged underreserving rendered Independent's 2000 financial reports fraudulent, he charged at the meeting, adding that lawyers are examining whether the same allegations can be made about earlier years' reports.

The PricewaterhouseCoopers spokeswoman declined to comment on Mr. Alexander's charges beyond saying that the liquidators and law enforcement officials are investigating.

A lawyer for Mr. Bright declined to comment on the allegations regarding Independent's reserving and reinsurance contracts. Until U.K. law enforcement officials complete their investigation into Independent's collapse, "it is unlikely that he will have any comment," said Robin Booth, a partner with Burton Copeland in London. "He will answer in due course if he is required to do so."

Responding to the possibility of a negligence lawsuit, a spokesman for Independent auditor KPMG said, "We are very sure of our legal ground so far as any action against us is concerned."

## SPOTLIGHT

## Climate

Continued from page 10

Once governments act, financial services companies, including insurers and reinsurers, would be better able to structure their products to provide incentives for reduced emissions and cleaner technologies.

Senior executives from the world's largest reinsurers—Munich Reinsurance Co. and Swiss Reinsurance Co.—are members of a United Nations committee charged with exploring the role of the financial services industry in reducing climate change. The entire U.N. Environment Programme's Finance Initiatives panel addressed government officials who gathered in Bonn, Germany, in July to finalize rules for implementing emission reductions called for under the 1997 Kyoto Protocol.

"Although scientific uncertainties about the local effects of climate change still exist, we must apply the precautionary principle. Emission reductions and risk management measures need to start now if we are to mitigate and adapt to climate change risks," Erik Schmausser, a member of Swiss Re's group sustainability management and chairman of the UNEPFI, said at the meeting in Bonn.

"Long-term international and

national frameworks for market mechanisms are needed to address climate change," before financial services initiatives can occur, Mr. Schmausser added.

should be "looking at financial products and services that can encourage investment towards cleaner technology and reduced emissions. Also, we must cooperate with



PHOTO: AFP

**Protesters joined government officials and senior executives from the world's largest reinsurers meeting in Bonn, Germany, in July to voice their opinions on proposed international rules for cutting greenhouse emissions.**

"The financial services sector should adopt a proactive position on climate change," said Andrew Dlugolecki, a consultant with London-based CGNU P.L.C. and a UNEPFI member.

Financial services companies

other stakeholders in risk management measures that will address the climate change challenge," Mr. Dlugolecki said. "Policies to manage the impact of climate change will inevitably entail the supply of financial services in terms of insurance, credit and investment."

But before insurers and other financial services companies can structure their products to reward cleaner companies and practices, Mr. Dlugolecki said, politicians must take a clear lead to reduce carbon emissions and promote cleaner technology.

"Those insurers who are aware of the issue are impatient with progress," he said. "Climate change is a gigantic unplanned experiment with our home planet and could be disastrous for certain communities and regions in the coming decades, and more widely by the next centu-

ry," he said.

Of insurance industry companies, reinsurers are regarded as leading the push to change.

"Reinsurers are generally much more aware of the situation regarding the threat from climate change, with Swiss Re and Munich Re leading the charge on many issues," said Julian Salt, project manager of natural perils for the United Kingdom's Loss Prevention Centre in Watford, England.

"As far as the Kyoto Protocol is concerned, we consider the compromise achieved in Bonn (in late July) to be an important initial step, even though global emissions of climate-relevant greenhouse gases must be more significantly reduced overall than is called for in the protocol," according to statement by Munich Re. At the meeting in Bonn, delegates from about 180 countries formally adopted the text of the Kyoto Protocol, which aims to reduce global levels of greenhouse gas emissions. The protocol still must be ratified by the individual nations, though.

Both Munich Re and Swiss Re predict that climate change will further increase the huge weather-related losses seen in recent years.

"Weather- and climate-related disasters today already play a major role. With global warming, the risk situation will be aggravated with dramatic natural disaster losses. A single event such as a major hurricane could exceed \$100 billion in economic damage," Thomas Loster, weather and climate change specialist in the geoscience department at Munich Re, warned delegates at Bonn in July.

Both reinsurers on the U.N. panel acknowledge that demographic and socioeconomic development—such as increased population centers, increased wealth and increasing development of coastal plains—and technological changes are the main factors behind rising natural catastrophe losses. However, climate variations, including the effects of El Nino and global warming, increasingly will affect loss figures, they say.

"Over the last few decades, the international insurance industry has been confronted with a drastic increase in the scope and frequency of major economic losses due to natural disasters, most pronouncedly over the past 10 years," according to Munich Re's statement.

"If current trends persist, the annual loss amounts will, within the next decade, come close to \$150 billion, of which roughly one-third will be insured," the statement adds.

Swiss Re also predicts that, by the end of 2020, "we expect economic losses to be about three times larger than today. About one-quarter to one-third of it will be insured losses," said Gerry Lemcke, a climate change specialist in Swiss Re's reinsurance and risk catastrophe perils department.

According to Swiss Re, current insured losses from natural catastrophes are, on average, about \$20.2 billion a year with a standard deviation of about \$8.2 billion.

Both reinsurers acknowledge that these natural disaster trends would increase without global warming, due to such factors as growing population sizes, increased wealth and the migration of populations toward coastal and higher-risk areas.

"But if the most-probable greenhouse predictions come true, the present problems will be magnified dramatically," Munich Re warned in a statement, adding that "changes in many atmospheric processes will significantly increase the frequency and severity of heat waves, droughts, bush fires, hailstorms, floods, maybe also tropical and extratropical cyclones as well as storm surges in many parts of the world."

The exposures causing the most immediate concern to reinsurers are windstorms in Europe and Japan, as well as those along the southern and eastern coasts of the United States.

"In the long run, coastal areas and big cities like Tokyo and New Orleans are of concern. They are only a few meters above sea level, or even below, and close to the shoreline. Severe storm events, in combination with storm surges, might generate losses we never have seen before," said Swiss Re's Mr. Lemcke.

"We take the risk of climate change seriously," he said, noting that the Swiss reinsurer has a "highly specialized unit of natural scientists responsible for the design and development of Swiss Re's internal risk assessment tools looking carefully at developments in this field."

Munich Re also is developing new products to cope with the increasing magnitude and frequency of weather-related losses. As part of that effort, the reinsurer is working closely with risk modeling companies.

"In assessing natural hazards, we work with public research institutions and also with private companies which develop and market risk models. In carrying risks, we make use of the capital market to help us cover peak exposures," Munich Re stated.

Weather-related losses also are directly and indirectly influencing underwriting.

"Whereas we used to provide unlimited coverage under proportional treaties, nowadays we insist on limits or we exclude natural hazards completely. We prefer to reinsure these perils on a nonproportional basis, covering either individual natural hazards or a combination of them," Munich Re stated. The reinsurer "began to develop risk models of earthquake and windstorm at an early stage, followed more recently by models for floods as well."

These models allow underwriters to better assess the exposure of their portfolios, helping them to set prices appropriately.

Drew Caldwell, senior vp of impact forecasting at Aon Risk Consultants in Chicago, also said that modeling will become increasingly important if climate change theories are borne out scientifically.

"If climate change does affect the frequency and severity of hurricanes and other natural catastrophes, the underwriting process is likely to grow more detailed and specific, with increased reliance on experienced underwriters supported by more-sophisticated catastrophe modeling tools," Mr. Caldwell said.

"It is getting more important to have reliable and complete exposure data available," said Swiss Re's Mr. Lemcke.

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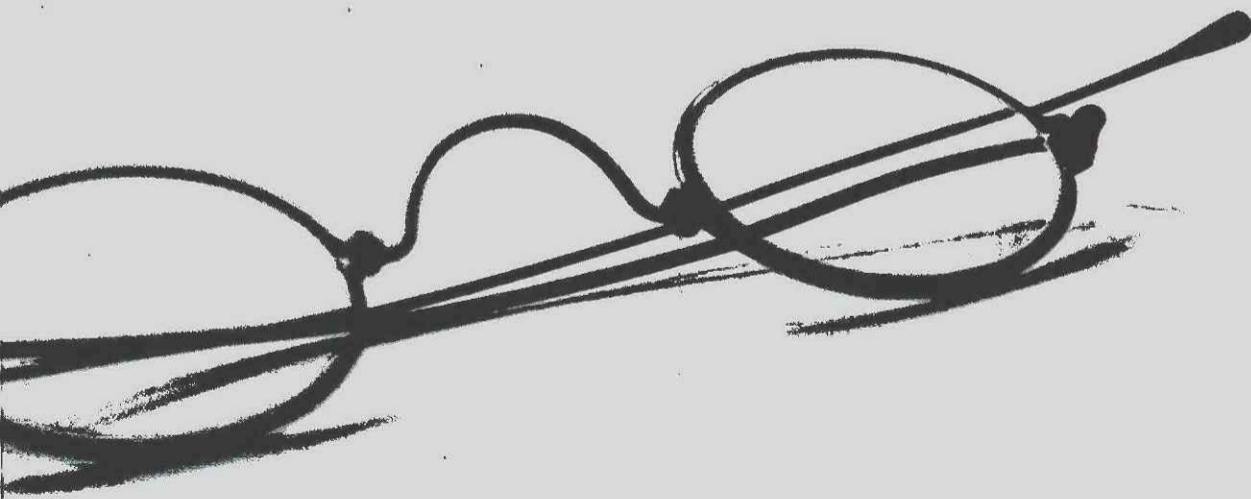
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**SPOTLIGHT**

# Markets in China and India seen as ripe for growth

By **GAVIN SOUTER**  
and **ROBERTO CENICEROS**

**W**ith their huge populations, steady economic growth and many underinsured exposures, China and India offer plenty of opportunity, and international reinsurers wait eagerly for those countries to open their markets to foreign competitors.

While international reinsurers currently can offer some coverage to insurers in both China and India, their activities have been limited to a few contracts in those tightly regulated markets.

But representatives of these reinsurers say that will change once the international reinsurers obtain licenses to conduct business within those countries. And they are quick to point out that the eventual development of alternative markets in those countries—particularly in India—could help risk managers there.

Still, reinsurer representatives acknowledge that those developments may take some time. But the size of the markets in China and India—each country has more than 1 billion inhabitants—makes the potential for growth a huge attraction.

“From a population perspective, they are the largest markets in the world,” said Henry C.V. Keeling, chief executive officer of XL Re Ltd., the reinsurance unit of Hamilton, Bermuda-based XL Capital Ltd.

“Any business strategy for Asia that ignores China and India is not likely to be a complete strategy,” Mr. Keeling said.

And both countries could benefit from increased access to reinsurance to spread the risks of

Berkshire Hathaway Inc.

China and India “are the most populous nations, with consistent economic growth, a lot of infrastructure development, lots of wealth growth. They are underinsured and have insurance exposures and cat exposures,” Mr. Droste said.

China, in particular, is undergoing rapid industrial and commercial development, Mr. Keeling said. Along with that commercial growth, it is also developing its insurance market, he said.

Notably, the People’s Insurance Co. of China, the state-owned insurer that dominates the market in China, bought its first foreign reinsurance coverage July 1.

The PICC’s catastrophe excess-of-loss program covers mainly earthquake and flood exposures up to 6 billion renminbi (\$724.8 million). The coverage was placed by Guy Carpenter & Co. and Willis Re. The leading reinsurers on the program are Munich Reinsurance Co., Swiss Reinsurance Co., Partner Re Ltd., QBE Insurance Group Ltd. and Lloyd’s of London syndicates.

The PICC bought the coverage as part of continuing governmental efforts to open the Chinese market, said Maurice Williams, regional director for Asia at

Willis Re, a unit of Willis Group Ltd. in London.

“They are owned by the government and have access to the People’s Bank, so there is no threat of insolvency. But if they are going to open up the market, they have to behave commercially to compete,” he said.

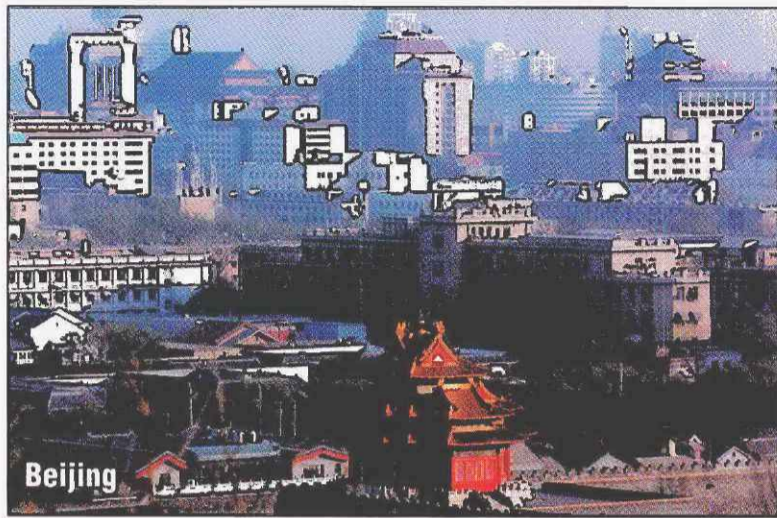
The reinsurance will allow the PICC to manage its capital more efficiently, Mr. Williams said. He noted that other, smaller insurers in China are also buying some catastrophe reinsurance.

Still, Mr. Williams acknowledged that the market has plenty of room for development. Insurers in China are required to cede 20% of their exposures to China Re, the state-owned reinsurer. China Re does not retrocede those exposures.

“They don’t get the benefit of internationalizing the risk. One of the primary problems in China is that capital is generally used inefficiently. Insurers need to increase their access to international reinsurers, so that the capital required internally is reduced,” Mr. Williams said.

The Chinese government recognizes that problem, he said. As part of its negotiations to join the World Trade Organization, it has agreed to phase out the compul-

See **Growth** on page 28



Beijing

Mr. Keeling acknowledged that restrictive regulations have, by and large, prevented international reinsurers from participating in the two markets in past decades. But he noted that those restrictions began to ease in the late 1990s, and many international insurers now target both India and China for expansion.

their massive infrastructure projects, he said.

China and India offer huge potential, agreed Wolfgang Droste, regional manager for Asia Pacific at GeneralCologne Re in Hong Kong. GeneralCologne Re is the trade name for General Reinsurance Corp. and Cologne Reinsurance Co., which are units of

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# Agent / Broker Topics

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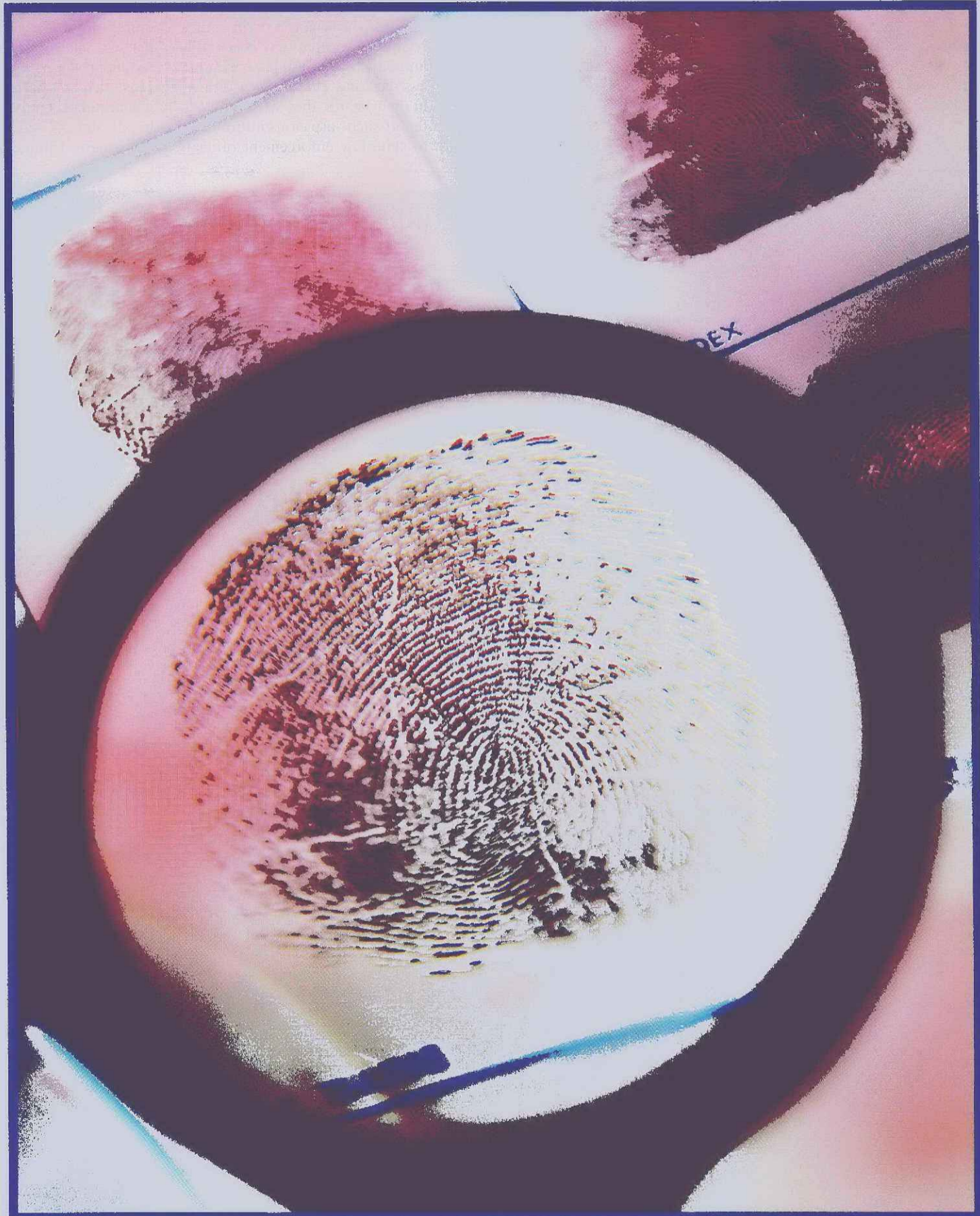
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**Background checks gaining support from industry**  
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**Insurance fraud growing in complexity**  
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**High-tech tools helping combat claims fraud**  
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**Internet attracting new types of scams**  
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# Fighting fraud

# Industry promoting background checks

By MEG FLETCHER

**A** new antifraud movement emphasizing efficient, in-depth background checks of agents and insurance executives is drawing support from most insurance regulators and industry representatives.

For example, the Council of Insurance Agents & Brokers is calling

for the creation of a uniform criminal history review—including mandatory fingerprinting—as part of the resident producer licensing processes in all states.

Currently, fewer than 20 states require background checks on agent applicants and fewer than 10 include fingerprints as part of that process, the CIAB says. There also are “significant inconsistencies” among states that conduct such background checks, according to

the Washington-based organization.

State insurance regulators who check the backgrounds of agent applicants—and who also may require background checks of insurance executives when changes occur in their companies—often may check only limited, state-based databases, unless they find something suspicious. In many states, they would have to report such suspicious information to state law enforcement officials

before they could extend their inquiry to include the Federal Bureau of Investigation’s fingerprint database, according to agent and regulatory sources.

“In addition to the fingerprint requirement, it is essential that states devise a single standard for reviews so that producers can rest assured license denial for criminal offenses will be judged on the same standard in all states,” said CIAB Board Chairman Thomas Rodell. Mr.



Rodell is managing director of Aon Risk Consultants in Chicago.

The CIAB board’s new policy, which was adopted in May, “was designed to encourage the National Assn. of Insurance Commissioners to achieve two goals—to increase standards of professionalism in the industry and to harmonize regulation of the producer licensing process,” according to a CIAB statement.

In general, those goals have received support among representatives of major agent and insurer trade organizations, as has the Financial Services Antifraud Network Act of 2001. That federal bill, now pending in Congress, would create a computerized network linking financial services regulators’ existing antifraud databases; it also recommends oversight by a new antifraud subcommittee of the President’s Working Group on Financial Markets (*BI*, April 16).

The bill “is an important advance, because it views financial services as one industry,” according to a statement by House Financial Services Committee Chairman Michael G. Oxley, R-Ohio, a former FBI agent. “In the future, con artists will no longer be able to exploit the gaps that exist among the 50 states and among banking, securities and insurance regulators,” Rep. Oxley said.

With the federal Gramm-Leach-Bliley Act lowering barriers among insurance, banking and securities businesses, it becomes increasingly easy for fraud artists who work in one segment to move to another and perpetrate fraud there, according to a spokesman for the Independent Insurance Agents of America in Alexandria, Va.

Currently, Martin Frankel—whom federal investigators have charged with swindling hundreds of millions of dollars from insurers he controlled after he was banned from the securities industry—is widely regarded as “the poster boy” for antifraud network legislation that won the approval of the House Financial Services Committee earlier this summer (*BI*, July 2).

While the goals of the bill—H.R. 1408—have always been popular, support for several of the measure’s individual provisions has grown only through negotiations.

For example, the Kansas City, Mo.-based NAIC initially expressed strong reservations about several items, including limits on the access

See **Fraud** on page 26D

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## AGENT/BROKER TOPICS

## Fraud

Continued from page 26B

of state regulators to FBI fingerprint files.

But the NAIC is "fairly pleased" with the latest version of the measure, except for a provision that gives the General Accounting Office blanket audit authority over state insurance officials, programs and activities, said Marty Nevrla, an Arkansas insurance regulator who chairs the NAIC's Antifraud Task Force on behalf of Commissioner Mike Pickens.

The National Conference of State Legislatures also opposes that GAO provision, according to a resolution it approved at a meeting in August.

From the point of view of the National Assn. of Professional Insurance Agents, "terrific progress has been made," said Pat Borowski, division vp of the Alexandria, Va.-based trade association.

Ms. Borowski said the latest draft of the bill includes essentially all of the protections and requirements jointly recommended in March by a trio of agents groups—the PIA, the IIAA and the National Assn. of Insurance & Financial Advisors. She

said, for example, that the bill would establish an acceptable balance, providing regulators with enhanced access to background information while protecting individuals' constitutional rights.

The Financial Services Coordinating Council, a coalition of five major financial services trade associations, also praised the bill for its balance. The database information "is comprised largely of final enforcement actions and other antifraud information narrow enough in scope to provide adequate privacy protection while enhancing the ability of regulators to ferret out fraudulent

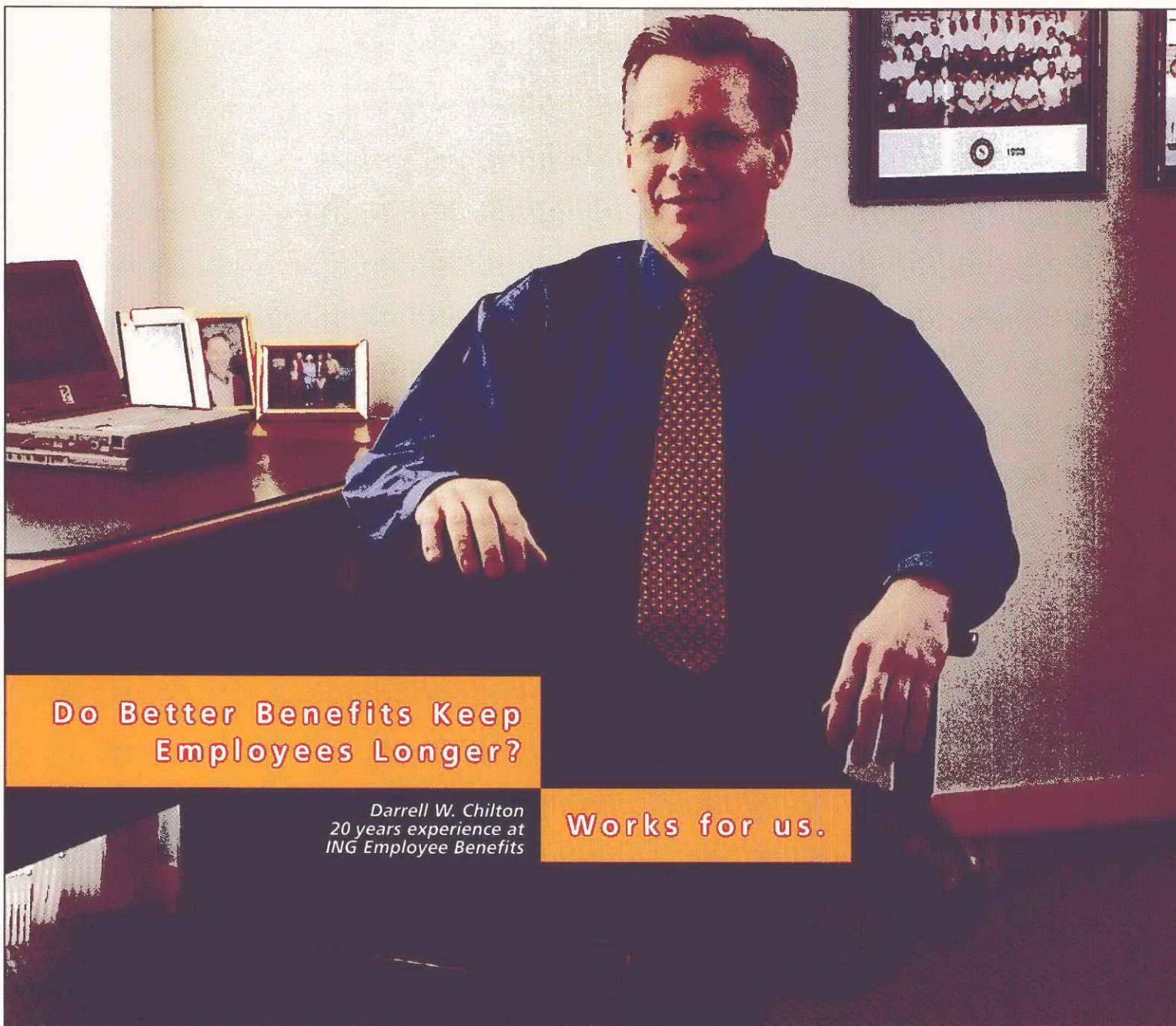
activity," according to a coalition statement. Members of the FSCC include the American Bankers Assn., the American Council of Life Insurers, the American Insurance Assn., the Investment Company Institute and the Securities Industry Assn.

Meanwhile, representatives of two other insurer trade groups still have some reservations.

The bill poses "a challenging problem," because of the number of people and agencies involved and the need to cooperate and coordinate activities, said Ann Spragens, senior vp and general counsel for

the Alliance of American Insurers in Downers Grove, Ill. Ms. Spragens also voiced concern that the proposed plan may create liability problems if the information available through the network proves to be inaccurate.

Donald S. Cleasby, assistant general counsel of the National Assn. of Independent Insurers in Des Plaines, Ill., said his organization is concerned about several aspects of the bill, including the lack of insurer access to the information, lack of NAIC accountability, and the possibility that the bill may pre-empt state confidentiality rules. **BI**



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## Growing complexity of fraud poses new challenges

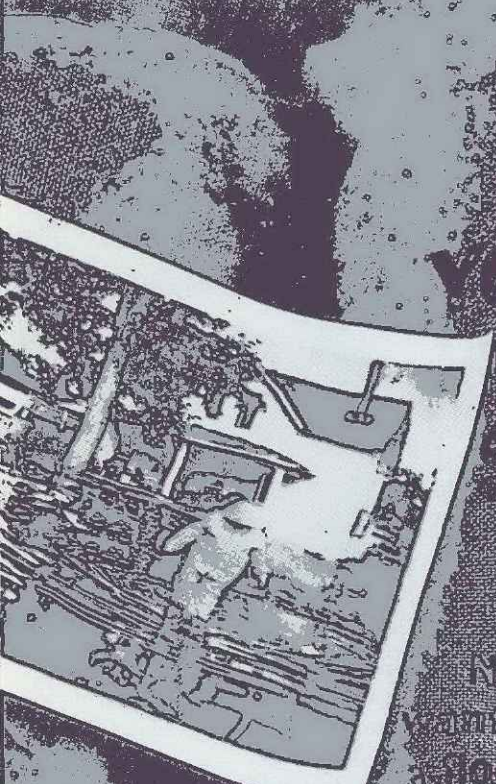
By CURTIS M. WONG

Convictions for insurance fraud more than doubled from 1995 to 2000, but the growing sophistication of insurance fraud rings may be frustrating state fraud bureaus' efforts to eradicate the problem, a recent report says.

According to a study released in July by the Coalition Against Insurance Fraud, investigations conducted by the fraud bureaus of state insurance departments led to 2,123 convictions in 2000, up from 961 in 1995. The study, which examined data from the fraud bureaus of 41 states, also found that two-thirds of the bureaus had seen their budgets increase over that period.

"I think that the results speak for themselves in showing how fraud bureaus are becoming more sophisticated and serious when it comes to controlling fraud activity," said a spokesman for the Washington-based CAIF. He acknowledged, though, that it is

See **Bureaus** on page 26F



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## AGENT/BROKER TOPICS

## Bureaus

Continued from page 26D

not known whether the increase in arrests indicates improved investigative efforts or a steady increase in criminal activity.

"We still don't know whether the results are showing that fraud is reducing or whether it's just more prevalent as a whole," the spokesman said. "We still need to find out much fraud is lurking in the shadows—that's the unknown factor."

One big problem for investigators, particularly those at smaller bureaus, is that insurance fraud has become much more sophisticated, the CAIF spokesman said.

"No longer do you have these small, isolated cases of insurance fraud," he said. "It's carefully planned and organized, almost like a corporation. These rings have astute tactics for fooling insurance companies. They're crime entrepreneurs."

While health care fraud continues to be the most prevalent type of insurance fraud, the crime rings tend to focus on the physical injury aspect of automobile insurance fraud, the CAIF spokesman said. Often, he said, fraudulent auto injury claims involve not only bogus injuries, but also phony auto salesmen, victims and physicians.

"Although it might not seem like much, automobile fraud can be a really easy way for these crime rings to scam insurance

companies," he said. "There are so many different loopholes among the different laws, and the rings know that and like to take advantage of those openings. Furthermore, many insurance companies are overwhelmed with the volume and complexity of these fake claims, making them even harder to combat."

*'These (fraud) rings have astute tactics for fooling insurance companies. They're crime entrepreneurs.'*

— Spokesman  
Coalition Against  
Insurance Fraud

Without adequate funding, fraud bureaus will find it increasingly difficult to fight the growth of organized insurance scams, the report states. Adequate staffing may become a particular concern, the spokesman noted.

More than half of all fraud bureau staff members are employed in just three states—New Jersey, California and Florida—and many other bureaus may find themselves understaffed if they face an increase in fraud activity, the spokesman said. While the New Jersey and California bureaus each employ more than 200

staff members, many bureaus tend to operate with about 30 full-time employees, he said. In addition, some smaller bureaus operate with as few as three staff members, according to the spokesman.

"Despite all of the success, many bureaus may be struggling to stay ahead of the number of cases," he said. "Often, there's a backlog waiting to be investigated. In many ways, it's a cliffhanger—they know that they have cases, but they might not have sufficient time and employees to deal with them in a timely fashion."

Nevertheless, the spokesman said that increased training, improved technology, better coordination and experience—combined with adequate funding—should allow bureaus to increase the number of criminal convictions over the next five years.

"Really, you're seeing the results of some solid investigative work," the spokesman said. "I think these bureaus have successfully put the element of fear into the minds and hearts of criminals and would-be criminals. Obviously, there are still many scams that are committed, but it's no longer the cakewalk that these criminals have come to expect. They'll constantly be having to look over their shoulders."

The CAIF is an insurer-backed organization that was formed in 1993. The text of the study is available at the CAIF's Web site, [www.insurancefraud.org](http://www.insurancefraud.org). **BI**

## High-tech tools aid fight against fraud

By MICHAEL PRINCE

**I**n their ongoing fight against fraud, health care insurers are increasingly going high tech.

In recent years, more health insurers have turned to software to help identify which health care providers are submitting suspicious bills. Using this software, health plans can narrow the field of providers to investigate, concentrating their resources and energies where they are most likely to catch fraudulent providers.

While no one knows the exact level of fraud that exists, estimates put the amount at between 3% to 5% of the \$1.2 trillion annual health care tab in the United States, said Bill Mahon, executive director at the National Health Care Anti-Fraud Assn. in Washington.

Mr. Mahon said that although individual patients often commit fraud, the real problem stems from providers or those pretending to be providers. "If you really want to make it big with health care fraud, you have to be a provider," he said.

Statistics compiled by the Blue Cross & Blue Shield Assn. in Washington show that 45 Blues plans in the United States had total recoveries and savings of \$119.5 million from their antifraud efforts in 2000. The plans opened 11,291 cases of possible billing fraud and referred 866 of them to law enforcement authorities, said David Ignatius, national antifraud director at the association in Washington.

The most-common type of fraud involves billing for services that were never provided, Mr. Mahon said. Next common is "upcoding"—when providers submit bills for procedures that are more expensive than those that were actually performed.

More than 4 billion claims are filed every year, Mr. Mahon said. Even if just a tiny percentage of those claims are fraudulent, he noted, they can lead to the loss of lots of money.

"Even a small minority has the leverage to do tremendous damage to the health care system," Mr. Mahon said.

Only a computer can sift through the mountain of data to fight fraud, said Mary Anne Shoemaker, a senior manager with Ernst & Young L.L.P. in Dallas. "It can't be done manually. There is just too much data to go through," Ms. Shoemaker said.

Claims administrators process hundreds of claims a day, "so they don't scrutinize every single bill as they did years ago, when all the claims were manual," said Adria Garneau, a senior consultant with NiiS/Apex Group Holdings Inc. in



Salem, Mass. "There is absolutely no way that a human being can detect the problems" of incorrect or fraudulent billing, Ms. Garneau said.

Software developers have created a variety of systems to attack the problem. While they differ in their particulars, each is designed to make passes through the piles of data to identify those providers that merit a second look by trained investigators, Ms. Shoemaker said.

"Any software that helps you make more intelligent decisions is worth its weight in gold," Mr. Mahon said.

One of the more-popular systems is the Fraud and Abuse Management System developed by International Business Machines Corp.

Available since 1996, more than 40 health plans have purchased FAMS, said Tom Schamber, solutions executive at IBM in Southbury, Conn. The system, he said, is "designed to help improve the efficiency of investigation and auditing."

In order to use the software, a health plan must categorize the various care providers according to their specialties, grouping together, for example, all gynecologists or all radiology labs. The plan then divides those groups further, according to geographic areas, Mr. Schamber said.

For each resultant peer group, the health plan creates a model derived from that group's billing data. The model is based on an analysis of, typically, 30 to 35 billing features chosen by the health plan from a list of 1,452 provided by FAMS.

Examples of such billing features are the average charge per patient visit and the average number of bills submitted per office visit. Some of the features are general and can be used for every type of provider, while others are tailored to particular groups, Mr. Schamber explained.

FAMS can analyze the billing data in regard to one or more billing features. It can create a report that provides the group's median figure for the selected feature and rank group members accord-

See **Billing** on next page

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## Billing

Continued from previous page  
ing to the degree to which they deviate from the median. For example, a report on office visit costs will identify the median cost for a visit and rank providers by the extent to which they are outliers.

FAMS can also create an overall report that analyzes the data in regard to all the billing features that apply to a given group. The system then can assign each provider with a "suspicion index score." The higher the score assigned, Mr. Schamber said, the greater the likelihood that a provider has engaged in some billing fraud.

"It doesn't prove that fraud did or did not take place," he explained. Instead, the system directs investigators—who might previously have spent their time engaged in random audits—to the most-fertile ground for probing, he said.

The system costs up to \$500,000, but Mr. Schamber said that many insurers report that it pays for itself within a year of its purchase.

One health insurer that has been impressed with FAMS is Regence Blue Cross & Blue Shield of Oregon. Since it began installation of the system earlier this year, the health insurer has seen a big change in its antifraud measures, said John Taylor, manager of external audits and investigations for Regence in Portland, Ore.

FAMS has made the health insurer more assertive in its fight against fraud. Before adopting FAMS, Mr. Taylor said, "we really didn't have a proactive way" to look at possible fraud.

"Without some kind of data software that you can integrate with an existing data system and (that) has the ability to look for trends, the only way you can possibly fight fraud is to rely on tips" from plan members, he said.

Using FAMS, which is in the final stages of installation, Regence has initiated three investigations. One case has been referred to federal authorities for a probe of possible Medicare fraud, while the health plan has recouped \$8,000 from the provider involved. In addition, thousands of dollars in bills from that provider have been rejected, Mr. Taylor said.

Such developments have him predicting that FAMS will more than pay for itself within two years.

Mr. Taylor praised the system for its ability to spot potential problems faster than did the old method. "The more we use it, the more excited we become," he said.

Using their old computer system, it took Regence weeks to run a series of reports to detect any unusual billing patterns. With FAMS, the same reports can be completed in minutes, he said.

And Mr. Taylor noted that saving time affects the bottom line. "Anything you can do proactively saves you money," he said. **B**

## Web brings new avenues of fraud

### Insurers, regulators exploring ways to prevent online scams

By ROBERTO CENICEROS

**A**s insurance purchasing on the Internet gains wider acceptance, insurers will need to expand their fraud deterrence efforts to fend off criminals buying coverage online in an attempt to file fake claims.

The fact that the Internet enables applicants and claimants to bypass agents or brokers in the insurance sales process will create potential fraud problems, fraud experts say.

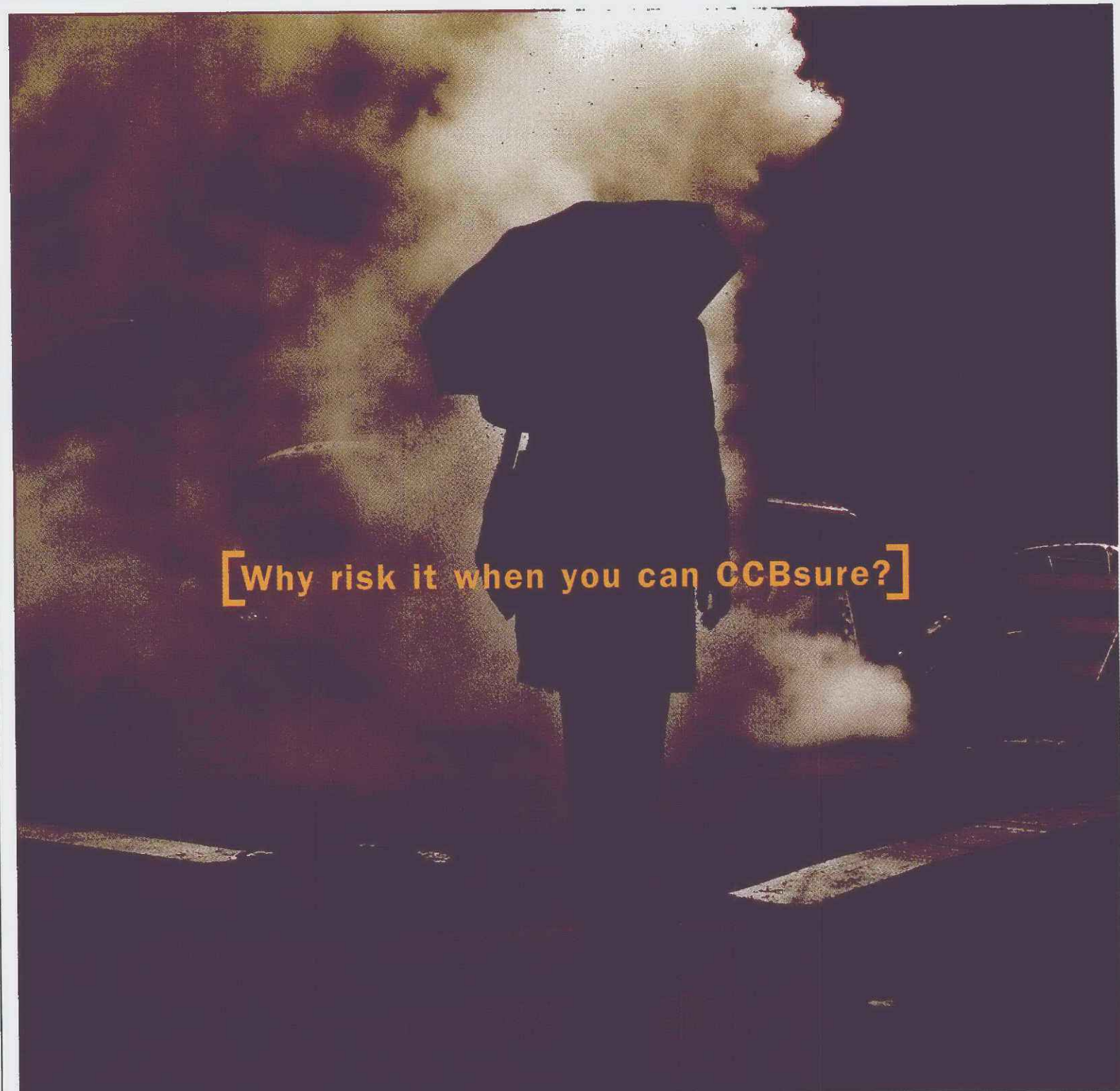
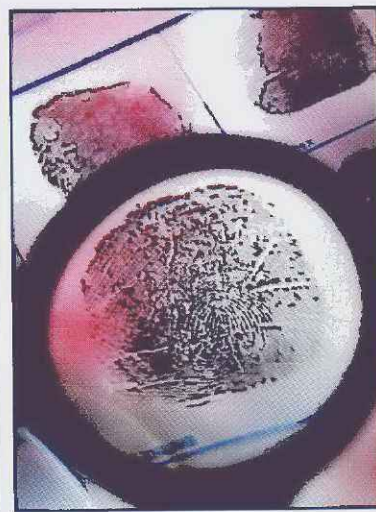
To address this risk, some insurers already are placing more of a fraud-detection emphasis on the "front end" in their underwriting procedures.

That emphasis is a shift away

from the traditional insurer practice of addressing fraud on the back end, when it shows up in claims, said Dennis Jay, executive director of the Coalition Against Insurance Fraud in Washington.

Insurers are taking such measures to deter criminals who might rely on the anonymity offered when purchasing insurance over the In-

See **Web** on next page



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## AGENT/BROKER TOPICS

## Web

Continued from previous page  
 ternet. Once they have a policy obtained with fraudulent facts, they can then attempt to file bogus claims, he explained.

"Typically, there wasn't a lot of antifraud activity going on in underwriting," Mr. Dennis said. "It was always 'Bring the money in, and then if they file claims, check them out.' That is changing, and I think that is a good trend. There is a little more emphasis before the policy is written and before the claim has a chance of getting filed."

Other types of computer-based insurance fraud also are expected to grow, including the creation of phony online insurance companies to bilk unwary consumers.

Fraud experts view the Internet as a natural tool for criminals to try to tap insurer funds by simply applying for coverage with false information.

One way is for fraud artists to falsify first-party or third-party claims, assuming that some insurers might not call an adjuster to review claims below a certain dollar threshold.

Fraudsters can give their claims the appearance of legitimacy by obtaining copies of real police reports on someone else's loss to file in support of their claim, said John Eager, senior director of claims services for the National Assn. of Independent Insurers in Des Plaines, Ill. They can then bend fabricated details of their fake claims to match the incidents contained in the police reports, he said.

"It would be very easy for me to say I was involved in an accident (described in a police report) as a policyholder and then add a third party," Mr. Eager said.

Without an agent or broker to screen applicants, insurers that sell coverage online are more likely to end up with customers who have unscrupulous motives, said John D'Alusio, a senior vp for HNC Software Inc. in Sarasota, Fla. HNC creates software that analyzes claims to detect fraud.

"You look to your agent and broker to at least give you some idea of the veracity of the person applying for insurance," Mr. D'Alusio said.

Even people who are not criminals might be tempted to file false claims after purchasing insurance over the Internet if they never meet

an agent, broker or other company representative, said Mr. Jay of the Coalition Against Insurance Fraud.

"It is easier to rip off someone you don't know than someone you do know, as far as justifying it in your mind," he said.

Just how much fraud occurs with online insurance sales is hard to determine.

With so few policies sold so far over the Internet, there is still little data on the incidence of fraud, said J. Joseph Cohen, director of the Insurance Fraud Investigative Division of the Kentucky Department of Insurance. So far, there are also very few prosecutions of people committing those types of crimes, he said.

"But it is just a matter of time," added Mr. Cohen, who is also president of the International Assn. of Insurance Fraud Agencies Inc. in Kansas City, Mo.

A 2000 report on insurance fraud prepared by Hartford, Conn.-based Conning & Co. found that it is difficult to determine just how much high-tech insurance crime occurs because there is no organization that keeps accurate statistics of this activity online. There also are many disincentives for organizations to report their

fraud losses, including publicizing that their system can be exploited, the report notes.

But expert fraud watchers can provide anecdotes illustrating how fraud artists perform their crimes.

"For example, we see cases where someone goes online and gets a policy and says they are from Ohio," Mr. Jay explained. "And then three weeks later there is a third-party claim against this policy for an accident in Brooklyn, N.Y., and the person who took out the policy can't be found. So the insurer is stuck for the claim. That type of thing is really easy to do."

Most online insurance fraud occurs on the personal lines side, with few fraud claims in the commercial lines arena, the experts say. But that could change in the future as insurers seek to reduce expenses through such methods as directly depositing workers comp disability checks into an injured worker's checking account, Mr. D'Alusio said.

It now costs insurers about \$18 to process and cut a single disability check, he said. As more insurers move to direct deposit, the more likely that criminals will hack into databases with that information and then siphon off funds.

Meanwhile, criminals also are setting up their own insurance storefronts on the Internet to rob consumers who think they are purchasing coverage from a legitimate insurer.

Once detected by authorities they quickly shut down and later start anew under a different name. They can start a new Internet storefront as fast as officials can shut them down, Mr. Eager said.

Some criminal storefronts are set up just to obtain consumer information that allows them to file fraudulent claims against legitimate insurers.

Such storefronts can do so by telling consumers they will provide them with low-cost coverage. The criminal storefronts tell the consumer all that is needed is the consumer's current policy number, current insurance effective dates and other information, Mr. Eager explained.

"You would think no one is going to buy that," he said. "On the other hand, they are not asking for your Social Security number, they are not asking for your banking account, they are not asking for your credit card number. On the surface, it doesn't sound like a bad request." **BI**

## A/BT BRIEFS

## Chubb hosts minority agents

WARREN, N.J.—Chubb Corp. recently held a two-and-a-half-day forum for minority-owned agencies at its headquarters in Warren, N.J. The event, which attracted 20 producers from 10 states, focused on areas such as product development, distribu-

tion, customer relations and business planning.

In a statement, Elizabeth Mc-Daid, Chubb's agency training manager, said that the forum "provided an opportunity for Chubb and minority producers to deepen their understanding of ways to better partner. We all gained valuable insight into customer segments, marketing approaches and distribution channels."

## Insurance sites lag: Survey

Despite an explosive growth in traffic, many insurance industry Web sites do not measure up to the sites of other financial services companies, according to a new survey by the consulting firm of Booz-Allen & Hamilton.

In 2000, the number of visitors to insurance Web sites increased by more than 1,000% over 1999, the study found. Those sites still do not attract as many visitors as do the sites of other financial institutions, though. In April 2000, for example, the top 10 insurance sites had a total of 5 million visitors, compared with 18.2 million visitors to the top 10 bank sites and 11.5 million visitors to the top 10 brokerage sites.

Booz-Allen reviewed more than 200 Web sites belonging to insurers, banks, brokerages and online intermediaries. It also analyzed

data from Nielsen/NetRatings, the Internet audience measurement and analysis firm.

## Agency systems integrated

TARRYTOWN, N.Y.—Risk Management Technologies Inc.'s Surety Bond Technician system was recently integrated with AMS Services Inc.'s Sagitta Browser agency management system.

The integration will allow information to flow between the two systems, eliminating the need for agents to enter information more than once per transaction.

In a statement, Anthony Mercaldi, the chief technical officer of Tarrytown, N.Y.-based RMT, said that RMT and Windsor, Conn.-based AMS Services have been working on the integration for the past two years.

"We are very pleased to be able to deliver a product that eliminates the time-consuming duplicate entry that agents currently experience between their surety and management systems," Mr. Mercaldi said.

## Broker rep honored

DES MOINES, Iowa—Patricia Koonce, an associate at brokerage Holmes Murphy & Associates, was recently named the 2001 "Outstanding CSR of the Year" for the state of Nebraska, the Society of Certified Insurance Representatives and the Society of Certified Insurance Counselors announced.

The award, which began in 1991, recognizes the contributions of customer service representatives in the insurance industry.

"Outstanding CSR of the Year

state winners set the standard for superior customer service within the insurance community," Mark J. Rolland, president of the Society of Certified Insurance Representatives, said in a statement.

"Pat was chosen as a state winner for exemplifying the characteristics and qualifications required to be eligible for the prestigious National Outstanding CSR of the Year Award," Mr. Rolland said.

Ms. Koonce joined the Omaha, Neb., office of Des Moines, Iowa-based Holmes Murphy & Associates in 2000.

## IIAA staffing guidance

ALEXANDRIA, Va.—The Independent Insurance Agents of America Inc. recently unveiled the latest installment of its Best Practices program—"Top Producers: Discover, Train, Reward."

The new IIAA Best Practices offering provides agents with information about finding, hiring, training and compensating insurance producers. The guide offers a comprehensive look at how successful agencies select top producers, develop career training paths, and effectively manage and motivate their staffs.

In a release, Madelyn H. Flannagan, IIAA vp-education and research, said: "Discovering new producers always has been a major concern for independent agencies. But it's no longer enough to focus on hiring a new producer, or even an experienced producer. Independent agents must find top producers," she said.

The 160-page guide is available for \$89.95 by calling 800-296-0578 and selecting fax-on-demand option 2105. **BI**

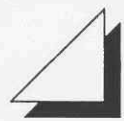
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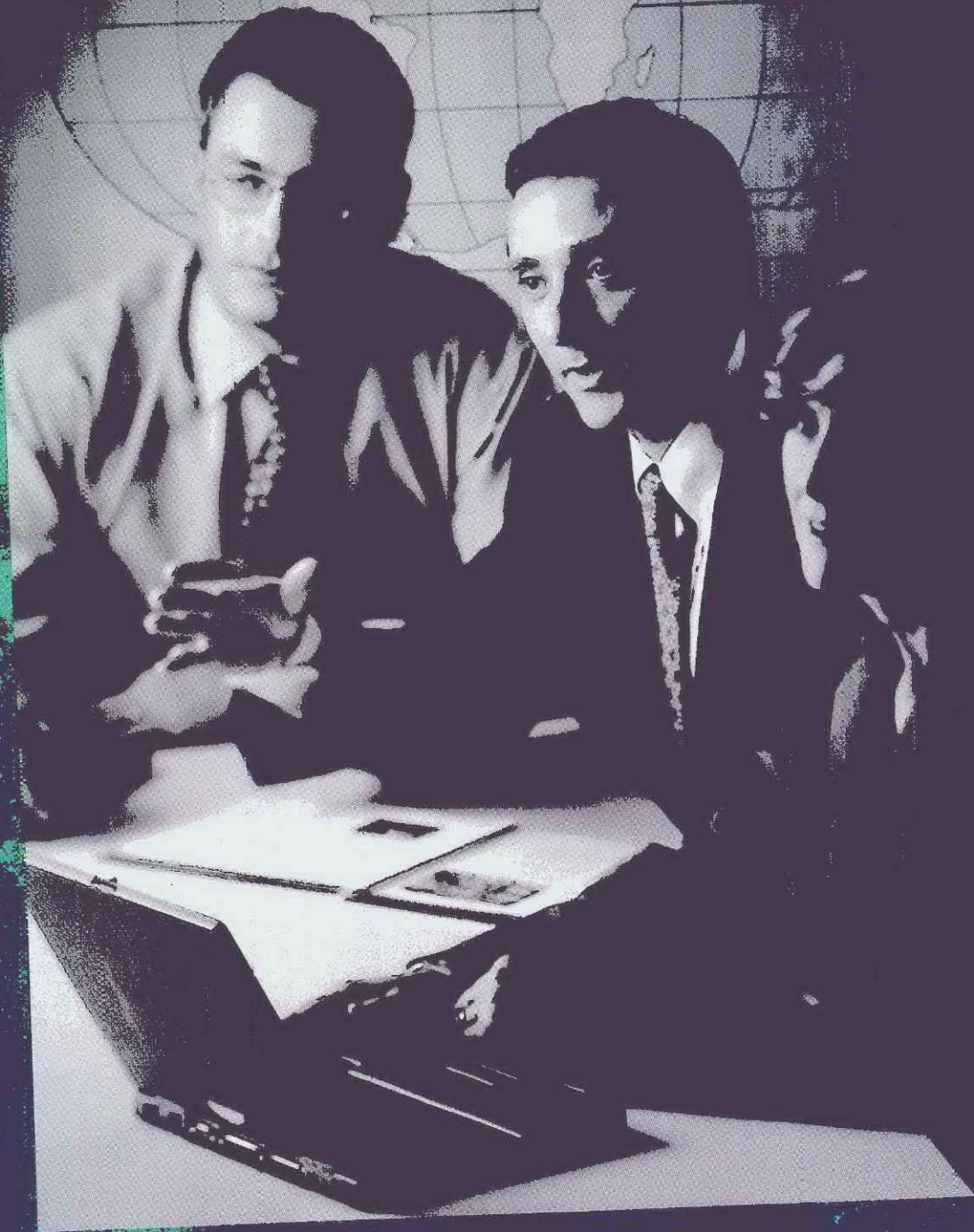
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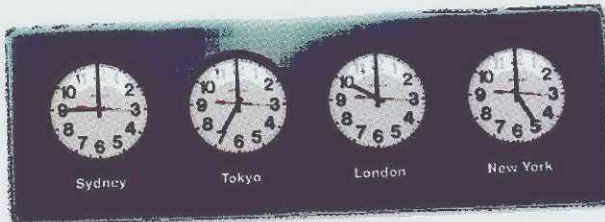
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## SPOTLIGHT

## Growth

Continued from page 26

sory cessions to the state-run reinsurer. The Chinese government has also indicated that it would license some foreign reinsurers.

Licensing would greatly help foreign reinsurers, said Kevin McDermott of American Re-Insurance Co. in Princeton, N.J. "You can go out and transact business directly there. You can issue contracts there and collect money there," he said.

One significant advantage of having a license is the ability to conduct business using local currency. At this point, reinsurers typically insure risks in China through offshore deals that rely on foreign currency. Mr. McDermott said those deals then must be settled in U.S. dollars, a cumbersome process.

"Companies want to do business with their neighbors that are there, that have a stake in the market, that have an interest in the market, because they are investing their time and money to have a branch there. So there is a tremendous business perspective for having (a branch) there," Mr. McDermott said.

Despite the restrictions, international reinsurers do write some proportional and nonproportional treaties and facultative reinsurance coverage for both state and private industry in China,

said Mr. Droste of General Cologne Re.

"Sometimes, foreign risks have better access than state-owned risks. But it is a small market, and the number of risks is particularly small," he said.

General Cologne Re has offices in Shanghai and Beijing, but their activities are limited, Mr. Droste said.

"We, like other reinsurers, are only licensed in China for representative office licenses. That limits our activity to meeting with insurance companies or arranging training courses for the staff of ceding companies," he said.

Like China, India has changed its insurance regulations over the past several years.

For more than 20 years, only one reinsurance contract covered the Indian market. That was the treaty for the General Insurance Corp., the state-owned insurer, which had largely been placed in the London market, explained David Baldwin, a divisional director at Willis Re.

The GIC has four subsidiaries, and they, until recently, were the only insurers in the country. Reforms introduced over the past three years, though, have brought significant changes to the Indian market.

As a result of the changes, the GIC subsidiaries can purchase their own reinsurance coverage, and foreign insurers may own up to 26% of the joint-venture insur-

ers they establish with Indian partners. Several joint ventures have been established this year; foreign partners include Royal & SunAlliance Insurance Group P.L.C. and Tokio Marine & Fire Insurance Co. Ltd.

*'One of the primary problems in China is that capital is generally used inefficiently. Insurers need to increase their access to international reinsurers, so that the capital required internally is reduced.'*

— Maurice Williams  
Willis Re

While the reforms are welcome and will bring increased opportunities for reinsurers, restrictions continue to hinder the establishment of a truly open insurance and reinsurance market in India, said Willis' Mr. Baldwin.

For example, he said, although two of the GIC's subsidiaries—New India Assurance Co. Ltd.

and United India Insurance Co. Ltd.—bought their own reinsurance contracts on April 1, they remain obliged to cede about 15% under the excess-of-loss contract deal to the GIC.

Large portions of the new contracts were placed in the London market, but insurers in Hong Kong and Singapore also took sizable shares, Mr. Baldwin said.

And the 26% restriction on the foreign ownership of joint ventures also slows the development of the market, said Davinder Rajpal, a member of the executive team, division Asia, at Swiss Reinsurance Co. in Zurich, Switzerland.

Foreign insurance companies that bring their expertise and capital into the market want a more significant ownership stake in the joint ventures, Mr. Rajpal said. Furthermore, he said, few Indian companies can supply their 74% share of the required minimum capital of 1 billion rupees (\$21.2 million) for nonlife insurers.

The Indian market needs additional reforms before it can reach its full potential, said American Re's Mr. McDermott.

"It's been a difficult process. Nonetheless, the market is now open, and a few companies now have operations there with their partners," he said. "It's just (a matter of) waiting to see how and when and in what fashion this business can work."

Swiss Re's Mr. Rajpal said the

Indian market holds significant potential for reinsurers. The non-life market in India now produces about \$1.8 billion in premiums, and that could grow to more than \$3 billion by 2005, he said.

The premiums will grow along with accelerated economic growth and increased spending on infrastructure projects in India, Mr. Rajpal said.

"If you are a serious international reinsurer, you have to treat India with respect," Mr. McDermott said. "It's just too potentially big to ignore. But it will be a while before there are any real profits out of that market."

And Mr. McDermott noted that, as reinsurers increase their businesses in India, risk managers could benefit.

"India once had a vibrant private insurance market. ... So I feel there will be more interaction with risk managers and reinsurers, because there is a history and there are private insured companies looking for creative financing beyond just buying insurance. So the alternative market will open up there sooner than in China," he said.

Mr. McDermott predicted that more sophisticated reinsurance products could become popular in India within five years.

"There is a risk management profession among large Indian conglomerates," he said. "Risk managers for those Indian conglomerates are interested in the best way to finance risk." **BI**

## Standard &amp; Poor's top 25 international reinsurer groups

Ranked by net reinsurance premiums written (\$U.S. in millions)

Company	Net reinsurance premiums written			Adjusted shareholders' funds <sup>1</sup>			Loss ratio		Expense ratio		Pre-tax operating income			Return on revenue	
	2000	1999	% Change	2000	1999	% Change	2000	1999	2000	1999	2000	1999	% Change	2000	1999
1 Munich Re Group	\$15,276.6	\$13,553.9	12.7%	\$19,437.0	\$16,517.5	17.7%	85.0%	88.2%	30.3%	30.7%	\$529.8	\$375.0	41.3%	2.8%	2.2%
2 Swiss Re Group	14,478.8	12,853.2	12.6	14,139.4	11,123.8	27.1	88.0	85.0	29.0	31.0	-384.7	217.7	-276.7	-2.3	1.5
3 Berkshire Hathaway Reinsurance Group <sup>2</sup>	8,574.7	9,452.5	-9.3	40,140.0	39,580.0	1.4	94.8	94.7	16.8	22.7	N.A.	1,177.8	N.A.	N.A.	13.4
4 Employers Reinsurance Group	7,924.0	6,921.0	14.5	6,025.0	5,575.0	8.1	84.4	77.8	31.4	34.1	-11.0	245.0	-104.5	-0.1	2.9
5 Hannover Re Group	4,994.3	4,171.9	19.7	1,481.5	1,240.8	19.4	85.8	71.1	20.8	24.8	116.4	113.1	2.9	2.1	2.4
6 Gerling Global Reinsurance Group	4,117.0	3,921.9	5.0	1,388.4	1,333.9	4.1	86.4	87.0	25.7	25.4	-43.6	-74.2	N.M.	-1.0	-1.8
7 Lloyd's of London	3,952.9	3,807.8	3.8	8,268.4	9,093.1	-9.1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
8 Allianz Reinsurance Group	3,726.5	3,295.9	13.1	53,414.1	45,376.3	17.7	76.0	74.4	32.9	33.0	185.7	250.0	-25.7	4.6	6.8
9 SCOR	2,809.8	2,718.1	3.4	1,267.4	1,241.1	2.1	88.0	80.7	32.0	29.0	71.6	128.5	-44.3	2.5	4.5
10 Zurich Re	2,485.0	1,878.0	32.3	1,541.6	1,503.8	2.5	83.1	82.6	22.6	21.9	42.8	276.7	-84.5	1.6	12.7
11 Transatlantic Holdings Inc.	1,658.6	1,498.5	10.7	1,856.4	1,642.5	13.0	73.4	77.4	26.5	27.8	234.9	153.3	53.2	12.6	8.9
12 AXA Reinsurance Group <sup>3</sup>	1,424.7	1,137.6	25.2	1,628.2	1,268.0	28.4	80.2	93.0	37.5	28.0	-51.6	10.8	-577.6	-3.1	0.9
13 PartnerRe Ltd.	1,380.3	1,326.4	4.1	2,086.0	1,840.7	13.3	70.2	77.1	32.3	32.7	161.3	66.9	141.3	10.2	4.1
14 St. Paul Re	1,251.5	1,056.4	18.5	7,178.0	6,448.0	11.3	79.2	69.3	34.8	31.2	N.A.	N.A.	N.A.	N.A.	N.A.
15 Everest Re Group Ltd.	1,218.9	1,095.6	11.3	1,583.4	1,327.5	19.3	75.3	72.0	27.6	31.5	230.9	213.3	8.2	15.6	16.1
16 XL Re Ltd.	1,022.2	970.0	5.4	5,573.7	5,577.1	-0.1	74.3	65.6	35.9	36.0	213.5	N.A.	N.A.	16.8	N.A.
17 Korean Re	977.5	755.5	29.4	323.4	262.1	23.4	76.4	75.2	21.4	23.4	34.0	34.4	-1.2	3.4	4.2
18 CNA Re	951.0	1,275.0	-25.4	8,387.0	8,679.0	-3.4	81.6	84.9	27.3	31.5	89.0	-28.0	N.M.	6.9	-2.1
19 Toa Reinsurance Co. Ltd.	942.4	1,101.8	-14.5	2,204.0	2,933.3	-24.9	69.4	74.8	N.A.	37.0	25.8	-22.4	N.M.	2.5	-2.1
20 Hartford Re Group	825.9	703.0	17.5	5,668.0	6,897.8	-17.8	77.1	74.5	31.7	32.7	N.A.	N.A.	N.A.	N.A.	N.A.
21 Tokio Marine & Fire Insurance Co. Ltd. <sup>3</sup>	705.3	843.2	-16.4	20,432.2	13,061.9	56.4	60.3	62.1	36.0	36.4	440.2	1,264.0	-65.2	3.1	7.1
22 OdysseyRe	701.3	502.6	39.5	957.9	806.3	18.8	73.9	75.5	36.9	35.9	57.0	74.8	-23.8	7.0	11.7
23 ACE Tempest Re	699.1	145.7	379.9	1,281.6	1,151.4	11.3	49.0	69.2	33.0	24.4	156.4	57.2	173.4	23.6	28.4
24 CCR	694.9	792.5	-12.3	1,131.4	1,018.0	11.1	75.6	98.7	12.5	22.5	178.6	-68.0	N.M.	22.7	-8.6
25 Sirius International Insurance Corp.	599.1	435.7	37.5	849.7	800.5	6.2	80.0	N.A.	23.0	N.A.	67.6	125.0	-45.9	9.1	21.8
<b>Totals</b>	<b>\$83,392.1</b>	<b>\$76,213.7</b>	<b>9.4%</b>	<b>\$208,243.7</b>	<b>\$186,299.4</b>	<b>11.8%</b>	<b>84.7%</b>	<b>83.3%</b>	<b>27.4%</b>	<b>29.4%</b>	<b>\$2,344.5</b>	<b>\$4,590.9</b>	<b>-48.9%</b>	<b>2.5%</b>	<b>4.8%</b>

<sup>1</sup> Reported adjusted shareholders' funds include both primary and reinsurance operations. <sup>2</sup> Standard & Poor's has estimated the 1999 and 2000 expense and loss ratios. <sup>3</sup>

All figures (except net reinsurance premiums written) include primary and reinsurance businesses.

Assicurazioni Generali Group (Italy) failed to provide its figures. Therefore, it is not included in this year's top 25 groups.

N.A.—Not available; N.M.—Not meaningful.



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# BI's annual directory of worldwide reinsurers

## A

### ACE Tempest Re

Wessex House, 45 Reid St., Third Floor,  
Hamilton, HM 12 Bermuda;  
441-292-2603; fax: 441-292-2395  
www.ace.bm

	2000	1999
Premiums written	\$699,129,000	\$145,673,000
Premiums earned	\$589,253,000	\$140,094,000
Capital/surplus	\$1,281,616,000	\$1,151,406,000
Net income	\$120,422,000	\$52,654,000
Losses	\$289,498,000	\$96,935,000
Loss ratio	49.1%	69.2%
Expenses	\$195,910,000	\$34,132,000
Expense ratio	33.2%	24.4%
Combined ratio	82.4%	93.6%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

**Founded:** 1993.  
**Parent:** ACE Ltd.  
**Employees:** 60.  
**Locations:** 1 domestic, 2 foreign.  
**Specialties:** property catastrophe.  
**Officers:** John Engstrom, CEO; Chris McKewen, president; Sean Ringsted, COO.

### Alea Group\*

c/o Alea Group Holdings A.G.,  
Lindenstrasse 16,  
Basel, 6340 Switzerland;  
41-41-767-0400; fax: 41-41-767-0467  
www.aleagroup.com

	2000	1999
Premiums written	\$331,185,000	\$317,536,000
Premiums earned	\$301,365,000	\$295,108,000
Capital/surplus	\$214,666,000	\$252,380,000
Net income	[\$20,977,000]	[\$143,977,000]
Losses	\$206,943,000	\$364,133,000
Loss ratio	68.7%	123.4%
Expenses	\$120,357,000	\$90,432,000
Expense ratio	39.9%	30.6%
Combined ratio	108.6%	154%
Treaty	96.5%	NA
Facultative	3.5%	NA
Life	4%	NA
Non-life	96%	NA

**Founded:** 1976.  
**Parent:** Alea Group Holdings A.G.  
**Employees:** 221.  
**Locations:** 2 domestic, 14 foreign.  
**Specialties:** alternative risk solutions, bespoke financial solutions.  
**Officers:** Dennis Purkiss, chairman/CEO; Amanda Atkins, group CFO; Stewart Laderman, group chief underwriting officer.  
**Contact:** Michael H. Hayes, CEO-Alea North America; 203-849-6200.  
*\*Formerly Rhine Re Group.*

### American Agricultural Insurance Co.

225 Touhy Ave.,  
Park Ridge, Ill. 60068;  
847-685-8600; fax: 847-685-8965  
www.aaic.fb.com

	2000	1999
Premiums written	\$304,278,179	\$223,745,737
Premiums earned	\$279,488,937	\$201,392,948
Capital/surplus	\$293,934,977	\$288,543,192
Net income	\$22,393,575	\$536,089
Losses	\$210,332,573	\$188,568,282
Loss ratio	75.3%	93.6%

Expenses	\$62,477,972	\$45,488,817
Expense ratio	22.4%	22.6%
Combined ratio	97.7%	116.2%
Treaty	99.8%	99.7%
Facultative	0.2%	0.3%
Domestic	92.2%	95.6%
Foreign	7.8%	4.4%
Non-life	100%	100%

**Founded:** 1948.  
**Employees:** 79.  
**Locations:** 2 domestic.  
**Specialties:** property reinsurance.  
**Officers:** Roy Robert Stallman Jr., president; Richard D. Harris, secretary/treasurer; Virgil Applequist, executive vp/general manager.  
**Contact:** Virgil Applequist, 847-685-8725; David Grant, vp-reinsurance assumed, 614-416-5005.

### American Re-Insurance Co.

555 College Road E.,

Princeton, N.J. 08543;  
609-243-4200; fax: 609-243-4257  
www.amre.com

	2000*	1999*
Premiums written	\$3,165,478,948	\$2,821,260,576
Premiums earned	\$3,206,724,757	\$2,848,826,265
Capital/surplus	\$2,165,369,287	\$2,146,112,289
Net income	[\$96,687,835]	[\$182,327,073]
Losses	\$2,752,720,658	\$2,456,942,744
Loss ratio	85.8%	86.2%
Expenses	\$991,155,008	\$819,144,508
Expense ratio	30.9%	28.8%
Combined ratio	116.7%	115%
Treaty	69.6%	72.2%
Facultative	30.4%	27.8%
Domestic	81.7%	83.7%
Foreign	18.3%	16.3%
Non-life	100%	100%

*\*Results reported on a statutory basis.*  
**Founded:** 1917.  
**Parent:** Munich Reinsurance Co.  
**Employees:** 1,586.  
**Locations:** 14 domestic, 16 foreign.

**Officers:** Edward J. Noonan, chairman/president/CEO; Robert Kyle Burgess, executive vp/general counsel/secretary; George Thomas O'Shaughnessy Jr., executive vp/CFO.

**Contact:** Tom Walker, senior vp; 609-243-4679.

*Information for American Re-Insurance Co. is included in the consolidated Munich Re Group listing.*

## B

### Berkley Insurance Co.

100 Campus Drive,  
Florham Park, N.J. 07932;  
973-301-8000; fax: 973-301-8155  
www.wrbkberkley.com

	2000	1999
Premiums written	\$444,683,570	\$399,372,212

Premiums earned	\$438,973,418	\$387,126,790
Capital/surplus	\$615,384,056	\$250,674,391
Net income	\$19,142,602	\$4,048,239
Losses	\$329,722,378	\$291,124,091
Loss ratio	75.1%	75.2%
Expenses	\$146,573,263	\$132,848,768
Expense ratio	33.4%	34.3%
Combined ratio	108.5%	109.5%
Treaty	88%	90%
Facultative	12%	10%
Domestic	99%	96%
Foreign	1%	4%
Non-life	100%	100%

**Founded:** 1975.  
**Parent:** W.R. Berkley Corp.  
**Employees:** 138.  
**Locations:** 4 domestic.  
**Officers:** Ed Norris, James McCleary, executive vps; Craig Johnson, executive vp/president-Signet Star Re.  
**Contact:** Craig Johnson.

Continued on next page

**THE TOA REINSURANCE COMPANY OF AMERICA**  
177 MADISON AVENUE, P.O. BOX 1930  
MORRISTOWN, NJ 07962-1930  
PHONE: 973-898-9480  
FAX: 973-898-9495  
WEB SITE: www.toarc.com

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## Exchange rates and conversions

All monetary figures appearing in the directory are listed in U.S. dollars, based on average exchange rates supplied by the U.S. Federal Reserve. The average exchange rates used for specified fiscal year-ends are: Australian dollar=\$.624 (6/30/00), \$.625 (6/30/99); British pound=\$1.516 (12/31/00), \$1.618 (12/31/99); Canadian dollar=\$.672 (12/31/00), \$.675 (12/31/99); Danish krone=\$.124 (12/31/00), \$.142 (12/31/99); euro=\$.923 (12/31/00), \$1.065 (12/31/99); German mark=\$.474 (12/31/00), \$.542 (12/31/99); Italian lira=\$.0005 (12/31/00), \$.0006 (12/31/99); Japanese yen=\$.008 (3/31/01), \$.009 (3/31/00); Swedish krona=\$.1084 (12/31/00), \$.121 (12/31/99); Swiss franc=\$.591 (12/31/00), \$.662 (12/31/99).

Continued from previous page

**Berkshire Hathaway Reinsurance Group**

100 First Stamford Place,  
Stamford, Conn. 06902-6745;  
203-363-5200; fax: 203-363-5221  
www.berkshirehathaway.com

	2000	1999
Premiums written	\$4,724,000,000	\$2,410,000,000
Premiums earned	\$4,705,000,000	\$2,382,000,000
Losses	\$4,766,000,000	\$2,573,000,000
Loss ratio	101.3%	108%
Expenses	\$114,000,000	\$65,000,000
Expense ratio	2.4%	2.7%
Combined ratio	103.7%	110.7%
Non-life	100%	100%

**Founded:** 1969.  
**Parent:** Berkshire Hathaway Inc.  
**Subsidiaries:** National Liability & Fire Insurance Co., Stamford, Conn.; Columbia Insurance Co., Omaha, Neb.; National Fire & Marine Insurance Co., Omaha, Neb.; National Indemnity Co., Omaha, Neb.; Wesco-Financial Insurance Co., Omaha, Neb.  
**Employees:** 16.  
**Locations:** 1 domestic, 1 foreign.

**Specialties:** casualty and property excess of loss, catastrophe, finite risk solutions, loss portfolio transfers, prize indemnification, property facultative reinsurance.

**Officers:** Ajit Jain, president; Scott Doerr, senior vp; Brian Snover, vp.  
**Contact:** Scott Doerr; 203-363-5207.



**CCR**

31 Rue de Courcelles,  
Paris, 75008 France;  
33-1-44-35-3100; fax: 33-1-44-35-3131  
www.ccr.fr

	2000	1999
Premiums written	\$738,939,032	\$840,623,670
Premiums earned	\$566,948,135	\$812,661,030
Capital/surplus	\$595,313,771	\$631,844,265
Net income	\$67,714,972	\$25,121,220
Losses	\$501,240,688	\$721,900,665
Loss ratio	88.4%	88.8%
Expenses	\$92,136,629	\$188,773,380
Expense ratio	16.3%	23.2%
Combined ratio	104.7%	112%
Treaty	96%	93%

Facultative	4%	7%
Domestic	76%	72%
Foreign	24%	28%
Life	14%	26%
Non-life	86%	74%

**Founded:** 1946.  
**Employees:** 189.

**Officers:** Thierry Masquelier, chairman/CEO; Jean-Paul Lasserre, René Vandamme, Jean-Philippe Casanova, executive vps.  
**Contact:** Pascale Jez, communications.

**CNA Re**

200 S. Wacker Drive,  
Chicago, Ill. 60606;  
800-200-1546; fax: 312-876-5429  
www.cnare.com

	2000	1999
Premiums written	\$951,200,000	\$1,274,800,000
Premiums earned	\$1,088,600,000	\$1,176,000,000
Net income	\$136,700,000	\$8,500,000
Losses	\$888,100,000	\$998,100,000
Loss ratio	81.6%	84.9%
Expenses	\$298,200,000	\$370,900,000
Expense ratio	27.3%	31.5%
Combined ratio	108.9%	116.4%

Treaty	93.6%	91%
Facultative	6.4%	9%
Domestic	64%	55%
Foreign	36%	45%
Non-life	100%	100%

**Founded:** 1954.

**Parent:** CNA Financial Corp.  
**Subsidiaries:** CNA Reinsurance Company Ltd., London.  
**Employees:** 360.  
**Locations:** 7 domestic, 5 foreign.  
**Officers:** William J. Adamson, CEO; Debra McClenahan, COO.  
**Contact:** Richard Mueller, senior vp/COO.

**Centre Solutions (Bermuda) Ltd. & Subsidiaries**

The Zurich Centre, 90 Pitts Bay Road,  
Pembroke, HM 08 Bermuda;  
441-295-8501; fax: 441-292-0951  
www.centresolutions.com

	2000	1999
Premiums written	\$580,807,000	\$374,483,000
Premiums earned	\$611,688,000	\$301,342,000
Capital/surplus	\$1,107,378,000	\$1,063,305,000
Net income	\$31,494,000	\$181,872,000

Losses	\$695,604,000	\$321,827,000
Loss ratio	113.7%	106.8%
Expenses	\$152,957,000	\$131,187,000
Expense ratio	25%	43.5%
Combined ratio	138.7%	150.3%
Life	1%	2%
Non-life	99%	98%

**Founded:** 1988.

**Parent:** Zurich Financial Services Group.  
**Subsidiaries:** Centre Reinsurance Ltd., Centre Solutions (U.S.) Ltd., Bermuda; Centre Solutions (Asia) Ltd., Hong Kong; Centre Insur-

Continued on next page

**Directory terms explained**

The directory of international reinsurance companies lists organizations with worldwide net reinsurance premiums in 2000 that exceed \$100 million. The listings are published free as an editorial service.

All figures are reported in U.S. dollars using average exchange rates for each company's balance sheet fiscal year; a list of the rates used appears on page 30.

Each listing begins with the company's home office address, telephone and fax numbers and World Wide Web address. Financial information is provided for 2000 and 1999 and is based on the company's worldwide consolidated reinsurance operations, unless otherwise noted.

**Net premiums written, net premiums earned, total capital and surplus, net income, loss and loss adjustment expenses and underwriting expenses** are given. In addition, **loss ratios, expense ratios and combined ratios** for 2000 and 1999 are listed. The loss ratio is loss and loss adjustment expenses divided by premiums earned. The expense ratio is underwriting expenses divided by premiums earned, except where noted. Combined ratio is the sum of the loss and expense ratios.

The percentage of business written on a **treaty** basis is provided, along with the percentage written on a **facultative** basis. In addition, business is broken out by percentage written in **domestic** vs. **foreign** markets and percentage written for **life** vs. **non-life** lines.

The **year founded, parent company and major reinsurance subsidiaries** are listed after the financial information. If a company did not include results from subsidiaries in its financial information, a note to that effect follows the list of subsidiaries. The number of **employees** (in full-time equivalent for year-end 2000) and the number of **domestic and foreign locations** are also included. The term domestic refers to the country in which the company is based. A list of the risks in which a company specializes is provided under **specialties**. Names and titles of principal **officers**, as well as a **contact** person complete the each listing.

Although *BI* makes every effort to publish complete and accurate information, we are not able to verify all information provided.

If your company would like to be listed in the 2002 directory, contact Directory Editor Kevin Edison at 312-649-5279 or [kedison@crain.com](mailto:kedison@crain.com) to obtain a questionnaire.



Continued from previous page

ance International Co., Centre Reinsurance International Co., Ireland; Centre Insurance Co., Centre Life Insurance Co., ZC Specialty Insurance Co., United States.

**Employees:** 350.  
**Locations:** 3 domestic, 7 foreign.  
**Specialties:** collateralized debt obligations, emerging markets, health/life, project finance, property/casualty reinsurance, real estate, residual value insurance, structured asset finance.

**Officers:** Paul Hellmers, president/CEO-Bermuda; Tara Leonard; senior vp/chief accounting officer.

**Contact:** Tom Dickson, CEO-Centre Group of Cos., 212-898-5300; Bryan Bowers, chief underwriting officer-Centre Group of Cos., 212-898-5300.

**Chubb Re**

4 Essex Ave., Suite 300,  
Bernardsville, N.J. 07924;  
908-630-2700; fax: 908-630-2701  
www.chubbre.com

	2000	1999
Capital/surplus*	\$3,394,916,701	\$2,972,312,219
Treaty	100%	100%
Domestic	53%	45%
Foreign	47%	55%
Non-life	100%	100%

\*Capital and surplus figures are those of Federal Insurance Co.  
**Founded:** 1998.  
**Parent:** Chubb Corp.  
**Employees:** 23.  
**Locations:** 1 domestic.  
**Officers:** John Berger, president/CEO; Wayne Paglieri, Brian B. Hegarty, managing directors.

**Contact:** Brian B. Hegarty; 908-630-2785; brian.hegarty@chubbre.com.  
*Chubb Re is a management company writing in behalf of Federal Insurance Co.*

**Cologne Re Group**

Theodor-Heuss-Ring 11,  
Cologne, 50668 Germany;  
49-221-9738-0; fax: 49-221-9738-494  
www.gcr.com

	2000	1999
Premiums written	\$3,608,930,000	\$3,730,695,000
Premiums earned	\$3,578,471,000	\$3,635,910,000
Capital/surplus	\$1,425,112,000	\$1,414,320,000
Net income	\$167,986,000	\$21,861,255
Losses	\$2,958,215,000	\$3,021,405,000
Loss ratio	82.7%	83.1%
Expenses	\$926,692,000	\$1,012,815,000
Expense ratio	25.9%	27.9%
Combined ratio	108.6%	111%
Treaty	96%	97%
Facultative	4%	3%
Domestic	20%	23%
Foreign	80%	77%
Life	52%	48%
Non-life	48%	52%

**Founded:** 1846.  
**Parent:** Berkshire Hathaway Inc.  
**Subsidiaries:** Cologne Reinsurance Co. of America, Stamford, Conn.; General & Cologne Life Re of America, Stamford, Conn.; Idealife Insurance Co., Stamford, Conn.; General-Cologne Re Rückversicherungs-A.G., Vienna, Austria; General & Cologne Life Re Australasia Ltd., Sydney, Australia; General & Cologne Life Re (Barbados) Ltd., General & Cologne Re (Barbados) Ltd., Bridgetown, Barbados; General & Cologne Re (Bermuda) Ltd., Hamilton, Bermuda; The Cologne Reinsurance Co. Ltd., General & Cologne Life Re U.K. Ltd, London; Europa Rückversicherung A.G., Gothaer Rückversicherung A.G., Cologne, Germany; Cologne Reinsurance Co. Ltd., Europe Re (Dublin) Ltd., Dublin, Ireland; The General & Cologne Re Africa Ltd., Kapstadt, South Africa.  
**Employees:** 1,332.  
**Locations:** 3 domestic, 41 foreign.  
**Officers:** Peter Lütke-Bornefeld, chairman; Hans-Peter Gerhardt, Rainer Isringhaus, Jürgen Meisch, Franklin Montross IV, executive directors.

**The Copenhagen Reinsurance Co. Ltd.**

7 Midtermolen,  
Copenhagen, DK-2100 Denmark;  
45-35-47-4545; fax: 45-35-47-7272  
www.copre.com

	2000	1999
Premiums written	\$304,324,148	\$294,142,066
Premiums earned	\$291,061,852	\$283,621,286
Capital/surplus	\$215,058,408	\$228,504,554
Net income	(\$9,280,780)	[\$28,602,492]
Losses	\$225,144,816	\$282,327,950
Loss ratio	77.4%	99.5%
Expenses	\$109,579,048	\$100,515,268
Expense ratio	37.6%	35.4%
Combined ratio	115%	134.9%
Treaty	73%	72%
Facultative	27%	28%
Domestic	9%	8%
Foreign	91%	92%

**Founded:** 1914.  
**Parent:** General Electric Co.  
**Subsidiaries:** Core Insurance Group, Employers Reinsurance Corp., Employers Reinsurance Corp., ERC Life Reinsurance Corp., GE Frankona Reassurance Ltd., GE Frankona Reassurance A/S, GE Frankona Reinsurance Ltd., GE Frankona Rückversicherungs-Aktien-Gesellschaft, GE Reinsurance (Bermuda) Ltd., GE Reinsurance Corp., Industrial Risk Insurers, Irish European Reinsurance Co. Ltd., Luxem-

	3%	2%
Life	97%	98%
Non-life		

**Founded:** 1915.  
**Parent:** ALM Brand A/S.  
**Subsidiaries:** The Copenhagen Reinsurance Co. Ltd., U.K. Branch, London.

**Employees:** 165.  
**Locations:** 1 domestic, 7 foreign.  
**Specialties:** engineering, financial institutions/banks.

**Officers:** Jan Hornsberg, CEO; Henrik Haugaard Jensen, general manager; Robert Johnston, managing director.

**Contact:** Carsten Sonnichsen, area manager; carsten.sonnichsen@copre.com.



**Everest Re Group Ltd.**

2 Custom House Plaza, IFSC,  
Dublin 1, Ireland;  
353-1-612-5716; fax: 353-1-829-1400  
www.hannover-re.com

	2000	1999
Premiums written	\$164,645,663	\$149,008,410
Premiums earned	\$164,150,012	\$147,247,965
Capital/surplus	\$132,947,997	\$182,025,540
Net income	\$8,420,529	\$16,822,740
Losses	\$208,010,972	\$151,543,110
Expenses	\$7,108,946	\$9,052,500
Combined ratio	99.1%	97.5%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

**Founded:** 1992.  
**Parent:** E+S Rückversicherungs-A.G.  
**Employees:** 11.  
**Locations:** 1 domestic.  
**Specialties:** financial reinsurance.  
**Officers:** Reinhard Elers, managing director; Tom Doran, associate director-underwriting; Piers Murphy, financial controller.

**E+S Rueck**

Karl-Wiechert-Allee 50,  
Hannover, 30625 Germany;  
49-511-5604-0; fax: 49-511-5604-1188  
www.es-rueck.de

	2000	1999
Premiums written	\$852,660,016	\$770,684,055
Premiums earned	\$834,907,034	\$774,286,950
Capital/surplus	\$420,854,772	\$475,787,685
Net income	\$30,736,000	\$10,437,000
Losses	\$599,281,748	\$609,593,220
Loss ratio	71.8%	78.7%
Expenses	\$302,851,068	\$211,432,320
Expense ratio	36.3%	27.3%
Combined ratio	108.1%	106%
Treaty	97%	97%
Facultative	3%	3%
Domestic	61%	70%
Foreign	39%	30%
Life	18%	15%
Non-life	82%	85%

**Founded:** 1923.  
**Parent:** Hannover Re.  
**Subsidiaries:** Hannover Life Re of Australasia Ltd., Sydney, Australia; E+S Reinsurance (Ireland) Ltd., Dublin, Ireland.  
**Employees:** 193.  
**Locations:** 1 domestic, 2 foreign.  
**Specialties:** aviation/marine, commercial liability, credit, financial reinsurance, life/health, motor, special product partnerships in life/health, surety/fidelity.  
**Officers:** Wilhelm Zeller, chairman; Herbert K. Haas, CFO; Wolf Becke, executive board member-life/health.

**Employers Reinsurance Group**

5200 Metcalf, P.O. Box 2991,  
Overland Park, Kan. 66201;  
913-676-5200; fax: 913-676-5380  
www.ercgroup.com

	2000	1999
Premiums written*	\$8,342,000,000	\$8,239,000,000
Premiums earned	\$8,001,000,000	\$6,896,000,000
Capital/surplus	\$6,025,000,000	\$5,575,000,000
Net income	\$581,000,000	\$720,000,000
Losses	\$6,727,000,000	\$5,385,000,000
Loss ratio**	83.7%	78.2%
Expenses	\$2,442,000,000	\$2,357,000,000
Expense ratio**	30.9%	33.6%
Combined ratio**	114.6%	111.8%
Domestic	57.9%	58.6%
Foreign	42.1%	41.4%
Life	24.5%	23.7%
Non-life	75.5%	76.3%

\*Net reinsurance premiums written reported on statutory basis. \*\*Non-life only.  
**Founded:** 1914.  
**Parent:** General Electric Co.  
**Subsidiaries:** Core Insurance Group, Employers Reinsurance Corp., Employers Reinsurance Corp., ERC Life Reinsurance Corp., GE Frankona Reassurance Ltd., GE Frankona Reassurance A/S, GE Frankona Reinsurance Ltd., GE Frankona Rückversicherungs-Aktien-Gesellschaft, GE Reinsurance (Bermuda) Ltd., GE Reinsurance Corp., Industrial Risk Insurers, Irish European Reinsurance Co. Ltd., Luxem-

bourg European Reinsurance S.A., Westport Insurance Corp.

**Employees:** 3,892.  
**Locations:** 19 domestic, 30 foreign.  
**Officers:** Ronald R. Pressman, CEO; Marc A. Meiches, CFO; Nicholas J. Spaeth, senior vp/global chief legal officer.  
**Contact:** Dean Davison, public relations/communications; dean.davison@ercgroup.com.

**Everest Re Group Ltd.**

c/o ABG Financial &  
Management Services Inc.,  
Parker House, Wildey Business Park,  
Wildey Road,  
St. Michael, Barbados;  
246-228-7398; fax: 908-604-3410  
www.everestregroup.com

	2000	1999
Premiums written	\$1,218,906,000	\$1,095,569,000
Premiums earned	\$1,174,183,000	\$1,071,451,000
Capital/surplus	\$1,583,352,000	\$1,327,482,000
Net income	\$186,380,000	\$158,061,000
Losses	\$884,616,000	\$771,570,000
Loss ratio	75.3%	72%
Expenses	\$324,080,000	\$337,018,000
Expense ratio	27.6%	31.5%
Combined ratio	102.9%	103.5%
Treaty	92%	92%
Facultative	8%	8%
Domestic	75.8%	72.6%
Foreign	24.2%	27.4%
Non-life	100%	100%

**Founded:** 1973.  
**Parent:** Everest Re Group Ltd.  
**Subsidiaries:** Everest Reinsurance Co., Everest Re (Bermuda), Ltd.  
**Employees:** 417.  
**Locations:** 5 domestic, 5 foreign.  
**Officers:** Joseph V. Taranto, CEO; Thomas J. Gallagher, president/COO; Stephen L. Limauro, executive vp/CFO.  
**Contact:** Stephen L. Limauro; 908-604-3150.



**Folksamerica Reinsurance Co.**

1 Liberty Plaza,  
New York, N.Y. 10006;  
212-312-2500; fax: 212-385-2279  
www.folksamerica.com

	2000	1999
Premiums written	\$332,691,000	\$214,552,000
Premiums earned	\$312,482,000	\$210,991,000
Capital/surplus	\$443,928,000	\$338,472,000
Net income	\$704,000	\$58,178,000
Losses	\$255,298,000	\$166,050,000
Loss ratio	81.7%	78.7%
Expenses	\$121,765,000	\$72,775,000
Expense ratio	39%	34.5%
Combined ratio	120.7%	113.2%
Treaty	91%	98%
Facultative	9%	2%
Domestic	82%	85%
Foreign	18%	15%
Non-life	100%	100%

**Founded:** 1979.  
**Parent:** White Mountain Insurance Group Ltd.  
**Employees:** 170.  
**Locations:** 5 domestic, 1 foreign.  
**Officers:** Steven E. Fass, president/CEO; Michael E. Tyburski, executive vp/CFO; Robert F. McGoldrick executive vp.  
**Contact:** Ralph Salamone, vp/controller; 212-312-2553.



**GeneralCologne Re**

695 E. Main St., Financial Centre,  
Stamford, Conn. 06904-6423;  
203-328-5601; fax: 203-328-5061  
www.gcre.com

	2000	1999
Premiums written	\$8,816,000,000	\$7,043,000,000
Premiums earned	\$8,695,000,000	\$6,905,000,000
Capital/surplus	\$8,042,000,000	\$7,710,000,000
Net income	\$417,000,000	\$323,000,000
Losses	\$7,606,000,000	\$6,022,000,000
Loss ratio	87.5%	87.2%
Expenses	\$2,313,000,000	\$2,068,000,000
Expense ratio	26.6%	29.9%
Combined ratio	114.1%	117.1%
Domestic	55%	53%
Foreign	45%	47%
Life	26%	25%
Ncn-life	74%	75%

**Founded:** 1921.  
**Parent:** Berkshire Hathaway Inc.  
**Subsidiaries:** Cologne Reinsurance Co., General & Cologne Re Compania de Reaseguros S.A., GeneralCologne Re Australia Ltd., GeneralCologne Re U.K. Ltd., General Reinsurance Corp., General Star Indemnity Co., General Star National Insurance Co., Genesis Indemnity Insurance Co., Genesis Insurance Co., Na-

tional Reinsurance Corp.

**Employees:** 3,543.  
**Locations:** 36 domestic, 40 foreign.  
**Officers:** Ronald E. Ferguson, chairman/president/CEO; Joseph P. Brandon, Peter Lutke-Bornefeld, Franklin Montross IV, Hans-Peter Gerhardt, executive vps.

**Assicurazioni Generali S.p.A.**

Piazza Duca Degli, Abruzzi 2,  
Trieste, 34132 Italy;  
39-040-67-1111; fax: 39-040-67-1600  
www.generali.com

	2000	1999
Premiums written	\$3,951,921,500	\$4,073,047,800
Premiums earned	\$4,020,397,500	\$4,128,081,000
Capital/surplus	\$8,755,981,000	\$8,307,196,200
Net income	\$1,379,561,000	\$950,815,800
Losses	\$2,669,086,000	\$2,759,689,800
Loss ratio	66.4%	66.8%
Expenses	\$1,048,476,000	\$1,158,217,800
Expense ratio	26.1%	28.1%
Combined ratio	92.5%	94.9%
Treaty	96.3%	96.6%
Facultative	3.7%	3.4%
Domestic	15.5%	16.1%
Foreign	84.5%	83.9%
Life	57.7%	49.2%
Non-life	42.3%	50.8%

**Founded:** 1831.  
**Contact:** Alessandro Moro.

**Gerling Global Reinsurance Group**

Gereonshof,  
Cologne, 50670 Germany;  
49-221-144-1; fax: 49-221-144-4665  
www.gerling.com

	2000	1999
Premiums written	\$4,053,363,600	\$4,160,684,138
Premiums earned	\$3,987,951,600	\$3,955,836,322
Capital/surplus	\$1,366,968,600	\$1,408,278,600
Net income	\$92,572,200	\$15,090,364
Losses	\$3,444,937,200	\$3,442,631,156
Loss ratio	86.4%	87%
Expenses	\$1,024,171,800	\$1,004,068,550
Expense ratio	25.7%	25.4%
Combined ratio	112.1%	112.4%
Domestic	25.7%	28.3%
Foreign	74.3%	71.7%
Life	22%	19.5%
Non-life	78%	80.5%

**Founded:** 1954.  
**Parent:** Gerling Versicherungs-Beteiligungs-AG.

**Subsidiaries:** Gerling Global Life Reinsurance Co., Los Angeles; Constitution Holding Inc., Dover, Del.; Gerling Global Holdings Inc., Wilmington, Del.; Constitution Insurance Co., New York; Gerling Global Financial Products Inc., New York; Gerling Global Offices Inc., New York; Gerling Global Reinsurance Corp. of America, New York; Gerling Global U.S. Investment Inc., New York; Gerling Global Reaseguros S.A., Buenos Aires, Argentina; Versicherungsgruppe Ausland, Austria; Sonstige Gesellschaften, Vienna, Austria; Gerling Global Group of Australia Pty. Ltd., Sydney, Australia; Rex Insurance Ltd., Hamilton, Bahamas; Gerling Global Life Reinsurance International Co. Ltd., Gerling Global Life Reinsurance Co. Ltd. Bridgetown, Barbados; Gerling Global Re do Brasil S/C Ltda., Sao Paulo, Brazil; Gerling Consulting Canada, Gerling Global Life Insurance Co., Gerling Global Reinsurance Co., Global Investment Corp. Ltd., Toronto; Gerling Global Life Reassurance Co. (U.K.) Ltd., Gerling Global General & Reinsurance Co. Ltd., Gerling Group Financial Products Europe Ltd., Gerling Group London Market Ltd., International Mining Industry Underwriters Ltd., London; GERANTA Vermögensanlagen GmbH, Cologne, Germany; Gerling Global Reinsurance Co. Ltd., Dublin, Ireland; Gerling Security Rückversicherungs-Gesellschaft S.A., Gerling Service Luxembourg S.A., Luxlife S.A., Luxembourg; Gerling Mexico S.A., Mexico; Gerling Global Reaseguros S.A., Madrid, Spain; Gerling Global Reinsurance Co. of South Africa Ltd., Johannesburg, South Africa; Gerling Global Sweden Reinsurance Co. Ltd., Stockholm, Sweden; Gerling Global Rückversicherung A.G., Gerling Security Corp. A.G., Zug, Switzerland.  
**Employees:** 1,078.  
**Locations:** 1 domestic, 31 foreign.  
**Officers:** Norbert Strohschen, chairman, Klaus Bultmann, Uwe Eyrer, Gerhard Niebuhr, Volker D. Weisbrodt, executive board members.  
**Contact:** Thomas Tartaro, president-Gerling Global Reinsurance Co. of America; 212-754-7509; tartaro@ggrca.com.

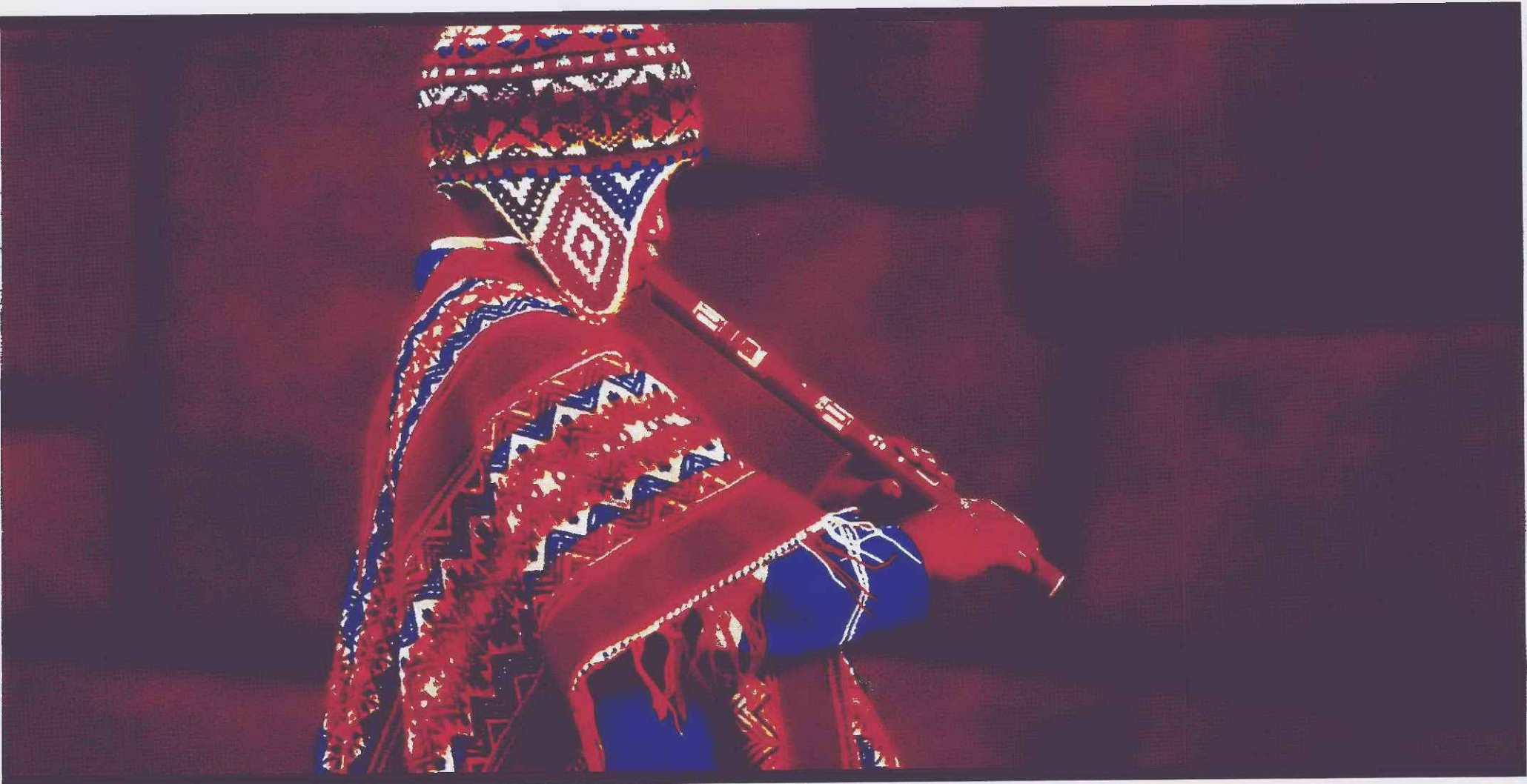
**HDI Reinsurance (Ireland) Ltd.**

2 Custom House Plaza, IFSC,  
Dublin 1, Ireland;  
353-1-612-5717; fax: 353-1-829-1400  
www.hdi.de

	2000	1999
Premiums written	\$173,585,841	\$214,200,255

	\$177,465,210	\$214,405,800
Premiums earned	\$177,465,	

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Continued from page 32

Reinsurance (Ireland) Ltd., Dublin, Ireland; Hannover Reinsurance (Ireland) Ltd., Dublin, Ireland; Hannover Life Reassurance (Ireland) Ltd., Dublin, Ireland; Hannover Life Reassurance Africa Ltd., Johannesburg, South Africa; Hannover Reinsurance Africa Ltd., Johannesburg, South Africa; Hannover Re Sweden Insurance Co. Ltd., Stockholm, Sweden.

**Employees:** 1,528.  
**Locations:** 1 domestic, 19 foreign.  
**Specialties:** alternative risk financing/securitization, aviation/marine, credit business, financial reinsurance, life/health business, professional liability, program business, property super cat XL layers, surety/fidelity, alternative risk financing/securitization, aviation/marine, credit business, financial reinsurance, life/health business, professional liability, program business, property super cat XL layers, surety/fidelity.  
**Officers:** Wilhelm Zeller, chairman; Herbert K. Haas, CFO; Wolf Becke, executive board member-life/health.  
**Contact:** Denis Burk, vp-U.S. Representative Office; 847-310-3852.

**Hannover Reinsurance (Ireland) Ltd.**

2 Custom House Plaza, IFSC, Dublin 1, Ireland; 353-1-612-5715; fax: 353-1-829-1400 www.hannover-re.com

	2000	1999
Premiums written	\$577,237,739	\$351,457,455
Premiums earned	\$574,940,392	\$345,454,050
Capital/surplus	\$166,163,075	\$193,593,570
Net income	\$32,532,981	\$42,622,365
Losses	\$681,039,242	\$226,679,925
Expenses	\$37,531,026	\$139,414,890
Combined ratio	95.8%	95.2%
Treaty	100%	100%
Foreign	100%	100%
Life	0.9%	2.2%
Non-life	99.1%	97.8%

**Founded:** 1992.  
**Parent:** Hannover Rückversicherungs-A.G.  
**Employees:** 11.  
**Locations:** 1 domestic.  
**Officers:** Reinhard Elers, managing director; Tom Doran, associate director-underwriting; Piers Murphy, financial controller.

**HartRe Co. L.L.C.**

55 Farmington Ave., Suite 800, Hartford, Conn. 06105; 860-520-2700; fax: 860-520-2726 www.hartre.com

	2000	1999
Premiums written	\$825,879,000	\$702,961,000
Premiums earned	\$809,276,000	\$681,422,000
Losses	\$624,352,000	\$507,416,000
Loss ratio	77.1%	74.5%
Expenses	\$262,118,000	\$230,061,000
Expense ratio	32.4%	33.8%
Combined ratio	109.5%	108.3%
Treaty	98%	98%
Facultative	2%	2%
Domestic	83%	80%
Foreign	17%	20%
Non-life	100%	100%

**Founded:** 1982.  
**Parent:** The Hartford Financial Services Group Inc.  
**Employees:** 215.  
**Locations:** 5 domestic, 7 foreign.  
**Specialties:** alternative risk transfer, professional liability.  
**Officers:** John Sullivan, president/COO-worldwide underwriting; William MacLachlan, president/COO-alternative risk; Ray Sprague, executive vp.  
**Contact:** Ray Sprague, 860-520-2860; Sue Honeyman, 860-547-4976.

**IPCR Ltd.**

American International Building, 29 Richmond Road, Pembroke, HM 08 Bermuda; 441-298-5100; fax: 441-292-8085 www.ipcre.bm

	2000	1999
Premiums written	\$93,757,000	\$97,162,000
Premiums earned	\$86,961,000	\$94,967,000
Capital/surplus	\$561,370,000	\$506,221,000
Net income	\$45,131,000	\$3,892,000
Losses	\$53,661,000	\$129,362,000
Loss ratio	61.7%	136.2%
Expenses	\$19,799,000	\$22,390,000
Expense ratio	22.8%	23.6%
Combined ratio	84.5%	159.8%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

**Founded:** 1993.  
**Parent:** IPC Holdings Ltd.  
**Subsidiaries:** IPCRe Europe Ltd., Dublin, Ireland.  
**Employees:** 13.  
**Locations:** 2 foreign.  
**Specialties:** property catastrophe reinsur-

ance, excess of loss basis.  
**Officers:** J.C.H. Johnson, chairman; James P. Bryce, president/CEO; John R. Weale, vp/CFO.

**K**

**Korean Re**

80 Chongno-Gu, Susong-Dong, Seoul, 110-733 Korea; 82-2-3702-6000; fax: 82-2-3702-6401 www.koreanre.co.kr

	2000	1999
Premiums written	\$901,800,000	\$786,600,000
Premiums earned	\$877,800,000	\$771,000,000
Capital/surplus	\$267,200,000	\$287,400,000
Net income	\$21,800,000	\$24,900,000
Losses	\$654,000,000	\$592,800,000
Loss ratio	74.5%	76.9%
Expenses	\$161,000,000	\$156,900,000
Expense ratio	18.3%	20.3%
Combined ratio	92.8%	97.2%
Treaty	85.5%	85.2%
Facultative	14.5%	14.8%
Domestic	94.9%	95.1%

Foreign	5.1%	4.9%
Life	12.5%	15.1%
Non-life	87.5%	84.9%

*Fiscal years ending 3/31/01 and 3/31/00.*  
**Founded:** 1963.  
**Subsidiaries:** World Wide Insurance, Hong Kong; Korean Insurance Co. (U.K.), London; Korean Re, Singapore.  
**Employees:** 230.  
**Locations:** 1 domestic, 6 foreign.  
**Officers:** Jong-won Park, chairman/president; Sung-mo Yang, vice chairman/executive vp; Kyung-duk Min, managing director.  
**Contact:** Yong-man Kim, manager-overseas department; 82-2-3702-6285; ymkim@koreanre.co.kr.

**L**

**LaSalle Re Ltd.**

Continental Building, 25 Church St., Hamilton, HM 12 Bermuda; 441-292-3339; fax: 441-292-2656 www.lasallere.com

	2000	1999*
Premiums written	\$98,532,000	\$110,819,000

Premiums earned	\$108,096,000	\$126,615,000
Capital/surplus	\$464,091,000	\$361,960,000
Net income	\$24,104,000	[\$5,679,000]
Losses	\$80,586,000	\$131,147,000
Loss ratio	74.6%	103.6%
Expenses	\$13,342,000	\$13,733,000
Expense ratio	12.3%	10.8%
Combined ratio	86.9%	114.4%
Treaty	100%	100%
Domestic	53.1%	53%
Foreign	46.9%	47%
Non-life	100%	100%

*Fiscal years ending 12/31 and 12/31 & 9/30.*  
 \*Results include fiscal year ending 9/30/99 and the three months to 12/31/1999.  
**Founded:** 1993.  
**Parent:** Trenwick Group Ltd.  
**Subsidiaries:** LaSalle Re Corporate Capital Ltd., Hamilton, Bermuda.  
**Employees:** 27.  
**Locations:** 1 domestic  
**Specialties:** property/catastrophe.  
**Officers:** Guy D. Hengesbaugh, president/CEO; Clare E. Moran, CFO; Mark C. Stockton, chief underwriting officer.  
**Contact:** Greg Garside; ggarside@lasre.com.

**Lincoln Re**

1 Reinsurance Place, 1700 Magnavox Way, Fort Wayne, Ind. 46804; 219-455-2000; fax: 219-455-9032 www.lincolnre.com

	2000	1999
Premiums written	\$1,383,500,000	\$1,425,500,000
Premiums earned	\$1,373,100,000	\$1,435,400,000
Capital/surplus	\$1,113,500,000	\$1,101,800,000
Net income	\$122,300,000	\$40,600,000
Loss ratio*	97.8%	88.9%
Treaty	95.4%	93%
Facultative	4.6%	7%
Domestic	87.4%	86.9%
Foreign	12.6%	13.1%
Life	71%	52%
Non-life	29%	48%

\*Loss ratio is for individual life mortality.  
**Founded:** 1912.  
**Parent:** Lincoln National Corp.  
**Subsidiaries:** Lincoln National Health & Casualty Co., Fort Wayne, Ind.; The Lincoln National Life Insurance Co., Fort Wayne, Ind.; Lincoln National Reassurance Co., Fort Wayne,

Continued on next page



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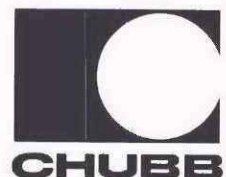


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Facultative	2%	3%
Domestic	95%	100%
Foreign	5%	0%
Non-life	100%	100%

**Founded:** 1981.  
**Parent:** PMA Capital Corp.  
**Employees:** 150.  
**Locations:** 1 domestic.  
**Specialties:** facultative, finite risk and specialty reinsurance.  
**Officers:** John W. Smithson, chairman/CEO; Stephen G. Tirney, president; Albert D. Ciavardelli, treasurer.  
**Contact:** Anthony J. Grosso, senior vp; 215-665-5105; agrosso@pmare.com.  
*\* Formerly PMA Reinsurance Corp.*

**PXRE Group**

99 Front St.,  
 Hamilton, HM12 Bermuda;  
 414-296-5858; fax: 441-296-6162  
 www.pxregroup.com

	2000	1999
Premiums written	\$172,701,000	\$138,845,000
Premiums earned	\$160,206,000	\$128,503,000
Capital/surplus	\$378,840,000	\$423,605,000
Net income	(\$10,800,000)	(\$42,139,000)
Losses	\$137,765,000	\$159,259,000
Loss ratio	86%	123.9%
Expenses	\$70,306,000	\$57,754,000
Expense ratio	43.9%	44.9%
Combined ratio	129.9%	166.8%
Treaty	100%	100%
Domestic	25%	33%
Foreign	75%	67%
Non-life	100%	100%

**Founded:** 1982.  
**Parent:** PXRE Group Ltd.  
**Subsidiaries:** PXRE Reinsurance Co., Edison, N.J.; PXRE Reinsurance Ltd., Hamilton, Bermuda.  
**Employees:** 83.  
**Locations:** 2 domestic, 2 foreign.  
**Specialties:** finite risk, marine/aerospace, multi-line direct property/casualty, property catastrophe.  
**Officers:** Gerald L. Radke, chairman/president/CEO; James F. Dore, executive vp/CFO; Gordon Forsyth III, executive vp/chief underwriting officer.  
**Contact:** Gordon Forsyth III; gordon\_forsyth@pxre.com.

**PartnerRe Ltd.**

Chesney House, 96 Pitts Bay Road,  
 Pembroke, HM 08 Bermuda;  
 441-292-0888; fax: 441-292-7010  
 www.partnerre.com

	2000	1999
Premiums written	\$1,380,400,000	\$1,326,400,000
Premiums earned	\$1,314,400,000	\$1,338,000,000
Capital/surplus	\$2,086,000,000	\$1,840,700,000
Losses	\$975,700,000	\$1,130,100,000
Loss ratio	74.2%	84.5%
Expenses	\$422,600,000	\$411,700,000
Expense ratio	32.3%	30.8%
Combined ratio	106.5%	115.3%
Treaty	93%	94%

Facultative	7%	6%
Foreign	100%	100%
Life	13%	18%
Non-life	87%	82%

**Founded:** 1993.  
**Subsidiaries:** PartnerRe U.S., Greenwich, Conn.; PartnerRe Insurance Co. Ltd., Pembroke, Bermuda; PartnerRe S.A., Paris.  
**Employees:** 612.  
**Locations:** 1 domestic, 14 foreign.  
**Specialties:** agriculture, aviation, catastrophe, credit, surety.  
**Officers:** Patrick Thiele, president/CEO; Albert Benchimol, executive vp/CFO; Scott D. Moore, Bruno Meyenhofer, Graham Dimmock.  
**Contact:** Scott D. Moore, president/CEO-PartnerRe U.S.; 203-485-4200.

**R**

**Reinsurance Group of America Inc.**

1370 Timberlake Manor Parkway,  
 Chesterfield, Mo. 63017-6039;  
 636-736-7309; fax: 636-736-7709  
 www.rgare.com

	2000	1999
Premiums written	\$1,404,100,000	\$1,315,600,000
Premiums earned	\$1,404,100,000	\$1,315,600,000
Capital/surplus	\$862,900,000	\$732,900,000
Net income	\$105,800,000	\$53,000,000
Losses	\$1,103,600,000	\$1,067,100,000
Loss ratio	78.6%	81.1%
Expenses	\$243,500,000	\$218,300,000

Expense ratio	17.3%	16.6%
Combined ratio	95.9%	97.7%
Treaty	75%	75%
Facultative	25%	25%
Domestic	74%	72.2%
Foreign	26%	27.8%
Life	100%	100%

**Founded:** 1973.  
**Parent:** Metropolitan Life Insurance Co.  
**Subsidiaries:** RGA Reinsurance Co., Chesterfield, Mo.; RGA Reinsurance Co. of Australia, Sydney, Australia; RGA Life Reinsurance Co. of Canada, Toronto.  
**Employees:** 551.  
**Locations:** 1 domestic, 13 foreign.  
**Specialties:** life reinsurance; financial re-

insurance, including annuities.  
**Officers:** A. Greig Woodring, president/CEO; David B. Atkinson, executive vp/COO; Jack B. Lay, executive vp/CFO.

**RenaissanceRe Holdings Ltd.**

Renaissance House, 8-12 E. Broadway,  
 Hamilton, HM 19 Bermuda;  
 441-295-4513; fax: 441-296-5037  
 www.renre.com

	2000	1999
Premiums written	\$293,303,000	\$213,513,000
Premiums earned	\$267,681,000	\$221,117,000
Capital/surplus	\$700,818,000	\$600,329,000

Continued on page 39

**Q**

**QBE Insurance Group Ltd. (Reinsurance Division)**

82 Pitt St.,  
 Sydney, New South Wales 2000 Australia;  
 61-2-9375-4444; fax: 61-2-9375-4884  
 www.qbe.com

	2000	1999
Premiums written	\$1,000,147,200	\$698,500,000
Premiums earned	\$896,625,600	\$622,250,000
Capital/surplus	\$417,892,800	\$363,062,500
Net income	\$41,870,400	\$54,062,500
Losses	\$637,852,800	\$433,750,000
Loss ratio	71.1%	69.6%
Expenses	\$292,094,400	\$203,812,500
Expense ratio	32.6%	32.7%
Combined ratio	103.7%	102.3%
Treaty	39.8%	61.7%
Facultative	60.2%	38.3%
Domestic	3.3%	5.5%
Foreign	96.7%	94.5%
Non-life	100%	100%

**Founded:** 1886.  
**Parent:** QBE Insurance Group Ltd.  
**Subsidiaries:** QBE Reinsurance Corp., New York; QBE Reinsurance Asia Pacific, Sydney, Australia and Singapore; QBE International Insurance Ltd., London; QBE Corporate Ltd., London; QBE Reinsurance (UK) Ltd., London; QBE Reinsurance (Europe) Ltd., Dublin, Ireland.  
**Employees:** 2,695.  
**Locations:** 1 domestic, 22 foreign.  
**Officers:** Frank O'Halloran, managing director/CEO; Neil Drabsch, CFO; Gayle Tollifson, group general manager corporate.  
**Contact:** Chris Fish, CFO-QBE Reinsurance Corp.; cfish@sydneyre.com.

The Business Insurance listing of the world's largest reinsurers is on page 10.  
 Standard & Poor's listing of the top 25 international reinsurers is on page 28.

**"Someday there will be one in every city!"**

An anonymous observer to Alexander Graham Bell after a demonstration of the telephone



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Contact: Alan J. Levin (Chair) 860-541-7747 (alevin@ealaw.com), Nick Pearson 212-756-0275 (npearson@ealaw.com) or Vince Vitkovsky 212-756-0238 (vvitkovsky@ealaw.com)

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HARTFORD NEW YORK BOSTON WEST PALM BEACH PROVIDENCE SHORT HILLS





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Specialists in the alternative risk market.

Continued from page 37

Net income	\$127,228,000	\$104,241,000
Losses	\$108,604,000	\$77,141,000
Loss ratio	40.6%	34.9%
Expenses	\$76,484,000	\$62,268,000
Expense ratio	28.5%	28.1%
Combined ratio	69.1%	63%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

**Founded:** 1993.  
**Subsidiaries:** Renaissance Reinsurance Ltd., Hamilton, Bermuda.  
**Employees:** 100.  
**Locations:** 1 domestic, 3 foreign.  
**Specialties:** catastrophe excess of loss, property excess of loss, retrocessions, marine/aviation.  
**Officers:** James N. Stanard, president/CEO; William I. Riker, executive vp/COO; David A. Ek-lund, executive vp/chief underwriting officer; John M. Lummis, senior vp/CFO.  
**Contact:** John M. Lummis.

**S**

**St. Paul Re**  
 195 Broadway,  
 New York, N.Y. 10007-3181;  
 212-238-9200; fax: 212-238-9493  
 www.stpaulre.com

	2000	1999
Premiums written	\$1,251,493,000	\$1,056,477,000
Premiums earned	\$1,270,124,000	\$1,009,536,000
Losses	\$1,006,182,000	\$695,879,000
Loss ratio	79.2%	68.9%
Expenses	\$435,689,000	\$329,446,000
Expense ratio	34.3%	32.6%
Combined ratio	113.5%	101.5%
Treaty	99%	95%
Facultative	1%	5%
Domestic	65%	65%
Foreign	35%	35%
Non-life	100%	100%

**Founded:** 1983.  
**Parent:** The St. Paul Cos. Inc.  
**Subsidiaries:** Discover Re, Farmington, Conn.; St. Paul Reinsurance Co. Ltd., London.  
**Employees:** 557.  
**Locations:** 4 domestic, 7 foreign.  
**Specialties:** financial reinsurance, marine, property/casualty, specialty lines.  
**Officers:** James F. Duffy, chairman/CEO; Michael Schell, president/COO; David Grefe, executive vp/chief administrative officer.  
**Contact:** Peter Aubrey-Smith, executive vp-business development; 212-238-9275.

**SCOR**  
 1 Ave. du General Charles de Gaulle,  
 Paris la Defense, 92074 France;  
 33-1-46-98-7000; fax: 33-1-47-67-0409  
 www.scor.com

	2000	1999
Premiums written	\$2,754,232,000	\$2,882,955,000
Premiums earned	\$2,569,632,000	\$2,777,520,000
Capital/surplus	\$1,255,280,000	\$1,333,380,000

Net income	\$103,376,000	\$106,500,000
Losses	\$2,313,038,000	\$2,232,240,000
Loss ratio	90%	80.3%
Expenses	\$812,240,000	\$825,375,000
Expense ratio	31.6%	29.7%
Combined ratio	121.6%	110%
Treaty	61%	72%
Facultative	39%	28%
Domestic	14%	14%
Foreign	86%	86%
Life	18%	19%
Non-life	82%	81%

**Subsidiaries:** SCOR U.S. Corp., New York; SCOR Life U.S., Dallas; SCOR Canada, Canada; SCOR France; SCOR Deutschland, Germany; SCOR Re Asia, Hong Kong; SCOR Italia, Italy; SCOR Asia Pacific, Singapore; SCOR U.K., United Kingdom.  
**Employees:** 1,196.  
**Locations:** 1 domestic, 30 foreign.  
**Specialties:** alternative risk transfer, credit, large corporate accounts, political risks, surety.  
**Officers:** Jacques Blondeau, chairman/CEO; Serge Osouf, president/COO; Pierre-Denis Champvillard, group executive vp.  
**Contact:** SCOR U.S. Corp.; 2 World Trade Center, 23rd Floor, New York; 212-390-5200; us@scor.com.

**Sirius International Insurance Corp.**  
 Birger Jarlsgatan 57 B,  
 Stockholm, SE-113 96 Sweden;  
 46-8-458-5500; fax: 46-8-458-5599  
 www.siriusinsurance.com

	2000	1999
Premiums written	\$611,500,877	\$449,498,665
Premiums earned	\$598,598,133	\$416,871,257
Capital/surplus	\$867,265,690	\$825,907,522
Net income	\$56,569,407	\$94,494,587
Losses	\$519,711,768	\$228,743,845
Loss ratio	86.8%	54.9%
Expenses	\$117,717,088	\$205,298,038
Expense ratio	19.7%	49.2%
Combined ratio	106.5%	104.1%
Life	3.6%	NA
Non-life	96.4%	NA

**Founded:** 1945.  
**Subsidiaries:** Scandinavian Re, Bermuda.  
**Employees:** 201.  
**Locations:** 1 domestic, 6 foreign.  
**Officers:** Goran Thorstenson, president; Lars Ek, executive vp/CFO; Lars Olofsson, senior vp/chief investment officer.

**Swiss Re Germany A.G.\***  
 Sederanger 4-6,  
 Munich, 80538 Germany;  
 49-89-3844-0; fax: 49-89-3844-2279  
 www.bavarian-re.com; www.swissre.com

	2000	1999
Premiums written	\$1,221,959,700	\$1,281,024,277
Premiums earned	\$1,179,040,200	\$1,272,336,639
Capital/surplus	\$213,582,200	\$934,603,959
Net income	\$53,995,500	\$27,659,573
Losses	\$927,153,500	\$1,045,011,450
Loss ratio	78.6%	82.1%
Expenses	\$357,477,900	\$376,160,721
Expense ratio	30.3%	29.6%
Combined ratio	108.9%	111.7%

Treaty	90.2%	90.8%
Facultative	9.8%	9.2%
Domestic	48.3%	50.7%
Foreign	51.7%	49.3%
Life	10.7%	11.2%
Non-life	89.3%	88.8%

**Founded:** 1911.  
**Parent:** Swiss Re Group.  
**Subsidiaries:** Bavarian Re Ireland, Dublin, Ireland; Bayerisch Ruck Norge, Oslo, Norway.  
**Officers:** Stefan Lippe, Anton Wittl, Ludger Arnoldussen.  
*\*Formerly Bavarian Re., Bavarian Re was integrated into the Swiss Re Group as of July 2001.*  
*Information for Swiss Re Germany A.G. is included in the consolidated Swiss Re Group listing.*

**Swiss Re Group**  
 Mythenquai 50/60, P.O. Box CH-8022,  
 Zürich, 8022 Switzerland;  
 41-1-285-2481; fax: 41-1-285-2038  
 www.swissre.com

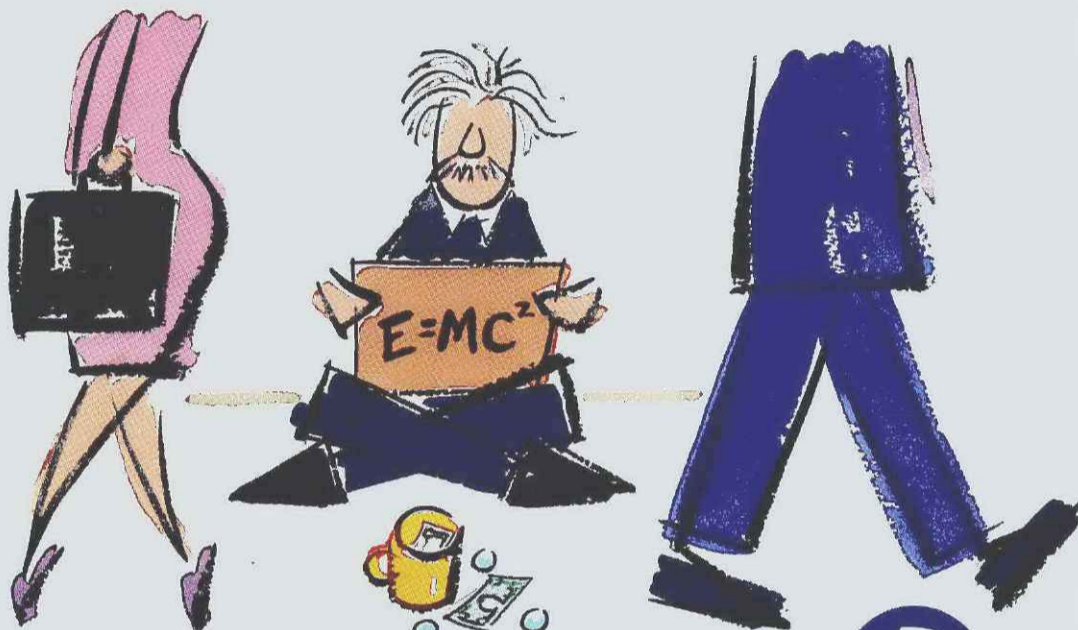
	2000	1999
Premiums written	\$13,790,394,000	\$12,415,810,000
Premiums earned	\$13,049,871,000	\$11,949,762,000
Capital/surplus	\$13,467,117,000	\$16,438,784,000
Net income	\$1,752,906,000	\$1,619,252,000
Losses	\$11,601,921,000	\$10,282,846,000
Loss ratio *	88%	90%
Expenses	\$4,702,587,000	\$4,473,796,000
Expense ratio *	29%	32%
Combined ratio *	117%	122%
Domestic	6%	3.9%
Foreign	94%	96.1%

Life 35.7% 39%  
 Non-life 64.3% 61%  
*\*Ratios are for non-life only.*  
**Founded:** 1863.  
**Subsidiaries:** Swiss Re Australia Ltd., Swiss Re Life & Health Australia Ltd., Australia; European International Reinsurance Co. Ltd., Barbados; Swiss Re Life & Health, Canada, Swiss Reinsurance Co. Canada, Canada; Bavarian Reinsurance Co. Ltd., Germany; Bavarian Reinsurance Ireland Ltd., Ireland; Swiss Re Italia S.p.A., Italy; Swiss Re Mexico S.A., Mexico; Holland Re Holding B.V., NCM Holding N.V., Netherlands; Swiss Re Life & Health Southern Africa Ltd., Swiss Re Southern Africa Ltd., South Africa; European Reinsurance Co.,

Continued on next page

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Albert Einstein's teacher, 1895



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Continued from previous page

Zurich, Switzerland; SR International Business Insurance Co. Ltd., Swiss Re Life & Health Ltd., Swiss Reinsurance Co. U.K. Ltd., United Kingdom; Life Re Corp., North American Specialty Insurance Co.; Swiss Re America Holding Corp., Swiss Reinsurance America Corp., Underwriters Re, United States.

**Employees:** 9,585.  
**Officers:** Walter B. Kielholz, CEO; Rudolf Kellenberger, deputy CEO; John H. Fitzpatrick, CFO.

**Contact:** Andreas Beerli, CEO-Swiss Re America Corp.; andreas\_beerli@swissre.com.

	2000	1999
Premiums written	\$952,400,000	\$1,046,214,000
Capital/surplus	\$359,832,000	\$431,766,000
Net income	\$37,064,000	\$29,052,000
Losses	\$654,400,000	\$782,001,000
Loss ratio	68.7%	74.7%
Domestic	69.3%	75.4%
Foreign	30.7%	24.6%
Life	8%	9.4%
Non-life	92%	90.6%

\*Fiscal years ending 3/31/01 and 3/31/00. Ratios calculated using premiums written, premiums earned figures are not available.

**Founded:** 1940.  
**Subsidiaries:** The Toa Reinsurance Co. of America, Morristown, N.J.

**Employees:** 346.  
**Locations:** 1 domestic, 6 foreign.  
**Officers:** Shinya Yoshikoshi, president/chief executive; Yoshio Shimizu, Shinya Shimohira, senior managing directors.

Exchange rates used in this directory are listed on page 30.

**The Toa Reinsurance Co. of America**

177 Madison Ave., P.O. Box 1930, Morristown, N.J. 07962-1930; 973-898-9480; fax: 973-898-9495  
www.toare.com

	2000	1999
Premiums written	\$157,313,000	\$125,867,000
Premiums earned	\$143,336,000	\$120,673,000
Capital/surplus	\$302,791,000	\$281,578,000
Net income	\$13,819,000	\$14,688,000
Losses	\$116,603,000	\$96,022,000
Loss ratio	81.4%	79.6%
Expenses	\$45,024,000	\$39,665,000
Expense ratio	31.4%	32.9%
Combined ratio	112.8%	112.5%
Treaty	83.8%	87.7%
Facultative	16.2%	12.3%
Domestic	94.2%	96.4%
Foreign	5.8%	3.6%
Non-life	100%	100%

Information for The Toa Reinsurance Co. of America is included in the consolidated listing to The Toa Reinsurance Co. Ltd.

**Founded:** 1982.  
**Parent:** The Toa Reinsurance Co. Ltd.  
**Employees:** 46.  
**Locations:** 1 domestic, 1 foreign.  
**Officers:** William L. Munson, chairman/CEO; James A. Pilla, executive vp; Thomas M. Sheehy, senior vp/CFO.  
**Contact:** Thomas M. Sheehy; 973-898-9489; tsheehy@toare.com.

**The Tokio Marine & Fire Insurance Co. Ltd.**

2-1 Manunouchi 1-chrome Chiyoda-ku, Tokyo, 100-8050 Japan; 81-3-3285-1707; fax: 81-3-5223-3160  
www.tokiomarine.co.jp

	2000	1999
Premiums written	\$712,816,000	\$800,739,000
Domestic	75.8%	74.3%
Foreign	24.2%	25.7%
Non-life	100%	100%

\*Fiscal years ending 3/31/01 and 3/31/00.  
**Founded:** 1879.  
**Subsidiaries:** Tokio Marine Millennium Re, Bermuda; Tokio Marine Global Re, Kuala Lumpur, Malaysia.  
**Employees:** 13,616.

**Locations:** 551 domestic, 80 foreign.  
**Officers:** Koukei Higuchi, chairman; Kumio Ishihara, president.

**Transatlantic Holdings Inc.**

80 Pine St., New York, N.Y. 10005  
212-770-2000; fax: 212-742-9457  
www.transre.com

	2000	1999
Premiums written	\$1,658,579,000	\$1,498,524,000
Premiums earned	\$1,631,536,000	\$1,484,634,000
Capital/surplus	\$1,856,365,000	\$1,642,517,000
Net income	\$211,638,000	\$187,362,000
Losses	\$1,196,896,000	\$1,148,817,000
Loss ratio	73.4%	77.4%
Expenses	\$439,760,000	\$416,558,000
Expense ratio	27%	28.1%
Combined ratio	100.4%	105.5%
Treaty	96%	97%
Facultative	4%	3%
Domestic	51%	50%
Foreign	49%	50%
Non-life	100%	100%

**Founded:** 1952.  
**Parent:** American International Group Inc.  
**Subsidiaries:** Putnam Reinsurance Co., New York; Transatlantic Reinsurance Co., New York; Trans Re Zurich, Zurich, Switzerland.  
**Employees:** 390.  
**Locations:** 2 domestic, 13 foreign.  
**Specialties:** property/casualty, specialty risks.

**Officers:** Robert F. Orlich, president/CEO; Paul A. Bonny, executive vp/president-international operations; Steven S. Skalicky, executive vp/CFO; Javier E. Vijil, executive vp/president-Latin American division.

**Contact:** Seymour H. Katz, vp/assistant controller-Transatlantic Reinsurance Co.; 212-770-2078; skatz@transre.com.

**Trenwick Group Ltd.**

Continental Building, 25 Church St., Hamilton, HM 12 Bermuda; 441-292-4985; fax: 441-292-4878  
www.trenwick.com

	2000*	1999
Premiums written	\$833,952,000	\$354,610,000
Premiums earned	\$787,408,000	\$325,114,000
Capital/surplus	\$652,187,000	\$482,249,000

	2000	1999
Net income	[\$50,441,000]	[\$11,048,000]
Losses	\$649,758,000	\$254,538,000
Loss ratio	82.5%	78.3%
Expenses	\$308,254,000**	\$97,992,000
Expense ratio	39.2%	41.1%
Combined ratio	121.7%	119.4%
Treaty	94.5%	99%
Facultative	5.5%	1%
Non-life	100%	100%

\*Pro-forma figures for Trenwick Group Inc. and LaSalle Re  
\*\*Underwriting expenses includes acquisition costs.

**Founded:** 1999.  
**Subsidiaries:** Trenwick America Reinsurance, Stamford, Conn.; Canterbury Financial Group, Stamford, Conn.; LaSalle Re Holdings Ltd., Hamilton, Bermuda; Chartwell Managing Agents, Trenwick International, London.

**Employees:** 427.  
**Locations:** 1 domestic, 3 foreign.  
**Officers:** James F. Billet Jr., chairman/president/CEO; Coleman D. Ross, executive vp/CFO; Steven J. Bensinger, executive vp; Paul Feldsher, executive vp/chief underwriting officer; Robert A. Giambo, executive vp/chief actuary.  
**Contact:** Nicole Levesque, vp-global financial reporting; 203-353-5563; nicole.levesque@trenwick.com.

**XL Re Ltd.**

XL House, 1 Bermudiana Road, Hamilton, HM EX Bermuda; 441-292-1358; fax: 441-292-0876  
www.xlre.com

	2000	1999
Premiums written	\$1,022,193,000	\$969,615,000
Premiums earned	\$981,266,000	\$909,915,000
Capital/surplus	\$2,914,097,000	\$2,548,864,000
Net income	\$162,148,000	\$249,261,000
Losses	\$728,777,000	\$692,269,000
Loss ratio	74.3%	76.1%
Expenses	\$352,186,000	\$326,337,000
Expense ratio	35.9%	35.9%
Combined ratio	110.2%	112%

Continued on next page

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Continued from previous page

Domestic	0.8%	1.2%
Foreign	99.2%	98.8%
Life	1.3%	0%
Non-life	98.7%	100%

**Parent:** XL Capital Ltd.  
**Subsidiaries:** XL Reinsurance America Inc., Stamford, Conn.; Latin American Re, Bermuda; XL Re Ltd., Bermuda; NAC Reinsurance International, London.

**Employees:** 389.  
**Locations:** 2 domestic, 18 foreign.

**Specialties:** XL Re Ltd.-marine/aerospace, property/casualty, credit, financial reinsurance, life/health, political risk; XL Reinsurance America Inc.-marine, property/casualty facultative lines, property treaty, specialty casualty reinsurance, surety.

**Officers:** Henry Keeling, executive vp-XL Capital/chief executive-reinsurance operations; C. Fred Madsen, president/chief underwriting officer-XL Reinsurance America Inc.; Robert L. Nason, executive vp/chief underwriting officer-XL Re Ltd., Bermuda.

**Contact:** James M. Norris, vp-financial analysis; 203-964-5388.

## Y

### The Yasuda Fire & Marine Insurance Co. Ltd.

26-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, 160-8338 Japan; 81-3-3349-3970; fax: 81-3-5322-6013 www.yasuda.co.jp

	2000	1999
Premiums written	\$504,644,721	\$548,889,327
Capital/surplus	\$5,782,016,000	\$2,936,070,000
Net income	\$120,976,000	\$115,794,000

Terms used in this directory are defined on page 31. Exchange rates are listed on page 30.

Domestic	82.3%	82.4%
Foreign	17.7%	17.6%
Non-life	100%	100%

\*Fiscal years ending 3/31/00 and 3/31/01.

**Founded:** 1888.  
**Subsidiaries:** Yasuda Reinsurance Co. Ltd., Hong Kong.

**Employees:** 51.  
**Locations:** 1 domestic, 2 foreign.  
**Officers:** Hiroshi Hirano, president; Masao Miyakawa, deputy president; Bunichiro Maki, senior executive managing director.

## Z

### Zurich Re

General Guisan-Quai 26, Zurich, CH-8022 Switzerland; 41-1-639-9393; fax: 41-1-639-9090 www.zurichre.com

	2000	1999
Premiums written	\$2,485,000,000	\$1,878,000,000
Premiums earned	NA	\$1,699,700,000
Net income	\$163,000,000	\$264,000,000
Loss ratio	83.1%	82.6%
Expense ratio	5.6%	6.6%
Combined ratio	88.7%	89.2%
Treaty	89%	89.1%
Facultative	11%	10.9%
Life	5.1%	3.6%
Non-life	94.9%	96.4%

**Founded:** 1873.  
**Parent:** Zurich Financial Services Group.  
**Subsidiaries:** Zurich Re (North America) Inc., New York; Zurich Re (Cologne) Ltd., Cologne, Germany.

**Employees:** 715.  
**Locations:** 1 domestic, 21 foreign.

**Specialties:** accident/health, agribusiness, e-commerce risks, facultative, life, professional risks, risk strategies (structured finite solutions).

**Officers:** Dirk Lohmann, CEO-Zurich Re; Richard E. Smith, CEO-Zurich Re (North America); Frank Schaar, CEO-Zurich Re (Cologne).

**Contact:** Richard E. Smith; 212-898-5021; richard.smith@zurichre.com. **BI**

**"640 K ought to be enough for anybody."**

Bill Gates, 1981



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## GLOBAL BRIEFS

**Munich Reinsurance Co.** reported consolidated net profits of 1.30 billion euros (\$1.89 billion) for the six months ending June 30, up nearly 100% over the same period of 2000, due to the sale of stakes in units of Allianz A.G. Holding. Munich Re's first-half gross written premiums were 17.1 billion euros (\$24.80 billion), up 12.5% from the year-earlier period. ...A.M. Best Co. has downgraded its financial strength rating of London-based **CNA Re Ltd.** to B+ from A-. Best said the rating downgrade reflects uncertainty over the future ownership and operating status of CNA Re after its parent, Chicago-based CNA Financial Corp., confirmed that the London unit is up for sale. The rating agency added that there is a significant likelihood that the company could be placed into runoff. ...**Hiscox Syndicates Ltd.** has not changed its forecast for the 1999 underwriting results of composite syndicate 33, which is due to close at the end of the year. Hiscox forecasts a loss of between 6.5% and 11.5% of the syndicate's £360 million (\$605.9 million) of capacity for 1999. Robert Hiscox, chairman of the managing agency, said its forecast is unchanged from earlier estimates because syndicate 33 has had no material failures among its reinsurers and little exposure to D&O liability and financial institutions insurance, which are two lines expected to produce poor results for the 1999 year in the Lloyd's marketplace. ...**Marsh Ltd.**, the London-based subsidiary of New York-based Marsh Inc., has been appointed insurance advisor to the States of Guernsey, which is the island's government. Marsh said it will also work with the government to embed risk management into its culture and working practices. ...**Michael Bright**, the former CEO of failed Independent Insurance Co. Ltd., will be eligible for pension benefits worth about £3 million (\$4.3 million), his lawyer has confirmed. The pension fund will be protected from creditors of the collapsed London-based insurer, which went into liquidation in June, said Trevor Sears, a partner at law firm Davenport Lyons. Mr. Bright, who this month declared himself bankrupt, had been rumored to have a pension fund with about £11 million (\$16.0 million) in assets. ...**Brian Waite** has been appointed deputy head of the U.K. International Benefits Practice on London-based Aon Consulting. Before joining Aon, Mr. Waite worked for the international practice of benefit consulting firm William M. Mercer in London. ... Many small to medium-size U.K. companies are unaware that **stakeholder pension plans** must include a statement of investment principles, according to a survey by London-based insurer Friends Provident P.L.C. The survey of 200 small to medium-size companies found that only 10% of respondents were aware of the requirement to issue a statement of investment principles. Such a statement outlines a company's approach to socially responsible investment. Low-cost stakeholder pensions come into force in October. By then, all companies with five or more employees must offer staff access to a stakeholder plan or an equivalent plan. Administrative fees for stakeholder plans must total less than 1% of the value of the fund. ... The former chief executive of the London-based **Institute of Risk Management**, Maureen Gibbins, is suing her former employer. Ms. Gibbins, who had spent 16 years at the institute, resigned in June after returning from maternity leave. An IRM spokesman confirmed that an employment tribunal has been set for January 2002, but he said he could not disclose any details of Ms. Gibbins' grievances.

## Lloyd's market to face more losses ahead

### Chatset sees declines in most lines of business

By SARAH VEYSEY

Both Lloyd's of London and syndicate analyst Chatset Ltd. have predicted marketwide losses at Lloyd's for the 1999 and 2000 years of account, though Lloyd's is optimistic that its performance will improve for 2001.

Chatset forecasts a marketwide loss of £1.20 billion (\$1.94 billion) for Lloyd's 1999 year of account and a loss of £259 million (\$386.7 million) for the 2000 year. In its own forecast, issued last week, Lloyd's predicted a marketwide loss of £1.39 billion (\$2.24 billion) for the 1999 year and a loss of £694 million for 2000 (\$1.04 billion). Lloyd's projection was its first for the 2000 year, which had a total capacity of £10.08 billion (\$16.28 billion).

London-based Chatset announced its forecast this month with the publication of its 1998 Lloyd's League Tables & 2001 Auction Review. The 1998 year of account, which closed on Dec. 31, 2000, is the most recent to close under Lloyd's three-year accounting system.

Chatset predicted in its report that all classes of business except life would record losses for the 1999 and 2000 years of account.

The worst-performing syndicates for the 1999 and 2000 years would be those writing nonmarine business, Chatset predicted. The analyst said it expected the nonmarine class to record a total loss of £523 million (\$844.6 million) for 1999 and £110 million

(\$164.2 million) for 2000.

Chatset predicted a total loss of £114 million (\$184.1 million) for the aviation class in 1999 and a loss of £38 million (\$56.7 million) for 2000. It estimated that composite syndicates—those writing several classes of business—would record a total loss of £206 million (\$332.7 million) for 1999 and a loss of £36 million (\$53.7 million) for 2000.

The analyst predicted that marine syndicates would post a loss of £225 million (\$363.4 million) for 1999 and a loss of £38 million (\$56.7 million) for 2000, while motor syndicates would see a loss of £138 million (\$222.9 million) for 1999 and £41 million (\$61.2 million) for 2000.

Life business, though, would record a profit of £2 million (\$3.2 million) in 1999 and a profit of £4 million (\$6.0 million) in 2000, Chatset predicted.

In a statement announcing its predictions, Lloyd's said, "1999 is widely acknowledged to represent the low point of the global insurance market, and Lloyd's results reflect those conditions."

"The trends and specific events affecting the 2000 result have already been scrutinized by commentators," Lloyd's said. Although catastrophe losses were low in 2000, "this factor alone cannot negate the impact of poor rates on the market as a whole," the statement says.

In its statement, Lloyd's said it was optimistic that the market's results would improve. "With shrinking capacity in the

See Lloyd's on next page

## LLOYD'S

## Australian buyers seek transparency in premiums

By DAMIEN TOMLINSON

CANBERRA, Australia—Australia's federal financial services regulator says that insurers' premiums must be more transparent if they are to win back the confidence of Australian insurance buyers.

Buyers have been especially critical of insurer rate hikes in the wake of the collapse earlier this year of Sydney-based HIH Insurance Ltd. Insurers, for their part, contend that greater transparency will show that a big factor behind high insurance premiums is hefty state and federal taxes on insurance, rather than unfair pricing.

Minister for Financial Services and Regulation Joe Hockey told a Canberra conference of the Sydney-based Insurance Council of Australia on Aug. 9 that there are "many things" insurance buyers need in terms of information about their premiums, as well as the reason why insurers have withdrawn capacity from some classes of business since HIH entered provisional liquidation in March (BI, March 19).

"Unscrupulous pricing will only do further damage to an industry whose image has copped a battering in recent times," Mr. Hockey told the ICA conference.

Market dislocation after the HIH col- See HIH on page 46

### Derivative would cover quake loss

## Insurers securitize World Cup risk

By CAROLYN ALDRED

MUNICH, Germany—Munich Re Capital Markets has structured a unique derivative tool that would pay out if next year's World Cup soccer championship in Japan were disrupted by an earthquake.

A \$50 million derivative contract underwritten by Berkshire Hathaway Group in Stamford, Conn., will protect AXA Colonia Versicherung A.G. and Munich Re, which are underwriting the event-cancellation coverage for the World Cup. The derivative would respond to cancellation losses sustained by the International Federation of Football Assns., or FIFA, which organizes the World Cup, if games in the championship are postponed, discontinued or canceled due to an earthquake.

FIFA expects the tournament to generate revenues of about 750 million Swiss francs (\$450.4 million), according to a spokesman for the Zurich, Switzerland-based association.

The product, which provides a "certain degree of relief to both companies for the risks assumed, is triggered if an earthquake exceeds certain magnitude values in precisely stipulat-

ed geographical zones in Japan," according to a joint statement issued by Munich Re and AXA Colonia.

The derivative is triggered if games are affected by an earthquake with a magnitude of between 6.8 and 7.9, as measured by the Japanese Meteorological Agency, said a Munich Re spokeswoman. The spokeswoman added that all 10 stadiums hosting the games are covered under the derivative deal.

Munich Re Capital Markets, a Munich Re unit specializing in capital markets products, carried out the structuring and modeling of the derivatives coverage in close cooperation with AXA Colonia. Munich Re placed the coverage with Berkshire Hathaway, which is fully underwriting the product, according to the companies' statement.

The Munich Re spokeswoman said her company believes that the coverage is the first derivative product to be used for cancellation-of-event insurance and reinsurance.

But she predicted that, "due to the enormously increased prices for the marketing rights to sporting events, this kind of coverage will continue to gain in importance."



PHOTO: JANGWOOK KIM.IPHOTO.CA

Munich Re and AXA Colonia are using a derivative to protect against earthquake losses during the 2002 World Cup in Japan.





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## INTERNATIONAL

## HIH

Continued from page 43

lapse enabled other insurers to accelerate the introduction of rate increases that had been expected to occur in late 2001 and 2002, according to a report prepared by Sydney-based auditor Deloitte Touche Tohmatsu and Melbourne-based stockbroker JP Morgan Ltd. (BI, July 9).

The Canberra-based Australian Competition & Consumer Commission is investigating certain rate hikes adopted by some Australian insurers following the HIH collapse, particularly for professional indemnity insurance (BI, April 16).

"The everyday person does not see any upside to premium hikes," Mr. Hockey told the ICA.

In his address, Mr. Hockey also urged insurers to be more transparent about taxes and their effect on insurance premiums, suggesting that insurers indicate in renewal notices the state and federal taxes

payable on premiums.

In May, the New South Wales government imposed an extra tax of \$69 million Australian (\$36.9 million), divided among insurers according to their share of the state market, to partially fund its Policy Protection Fund, a \$600 million Australian (\$320.8 million) rescue package for HIH hardship cases.

The PPF, announced in May by NSW Treasurer Michael Egan (BI, May 28), is separate from federal funding to finance the claims of HIH policyholders. Australia has no formal system of guaranty funds to address insurer insolvencies.

Mr. Hockey called the imposition of the NSW tax "reprehensible." He noted that while the NSW government forbade insurers from passing the tax on to policyholders in the state, nothing prevents insurers from shifting the cost onto policyholders in other states. "I would be dumbfounded if insurers operating outside New South Wales did not try to increase premiums (to compensate for the

tax)," he said.

The Assn. of Risk & Insurance Managers of Australasia is seeking premium tax relief in connection with the HIH collapse. The risk

*'We have tried desperately to communicate to buyers that premiums are directly influenced by federal and state taxes.'*

— Raymond Jones  
Insurance Council  
of Australia

manager group has asked every Australian state government to

grant exemptions to the stamp duty—a tax on all contracts, including insurance policies—levied on policies bought to replace HIH policies.

ARIMA President Bruce Ferguson said the Sydney-based association has suggested that, alternatively, state governments refund the taxes that were paid on now-worthless HIH policies, rather than "double-dipping."

"Corporate insureds...have already paid substantial duties on policies bought before HIH's collapse," Mr. Ferguson said. He warned that the Australian economy would enter a "nose dive," unless state governments reduce the tax burden for buyers.

"They are now paying (stamp duty) again and, because the duties are based on a percentage of premiums, they're paying far more, because insurance costs have risen since the HIH demise. ARIMA members are not receiving coverage for the substantial premiums they have already paid and are unlikely to see any significant returns

for the unused portions of their premiums in the final washup of the HIH companies," he said.

Insurers also have lobbied against hefty premium taxes this year.

Raymond Jones, the president of the ICA and managing director of Sydney-based QBE Australia Ltd., said insurers support Mr. Hockey's views on insurance taxes and welcome the federal government's investigation into the collapse of HIH, which will include a review of insurance taxes (BI, May 28).

"We have tried desperately to communicate to buyers that premiums are directly influenced by federal and state taxes," Mr. Jones said.

A second report by Deloitte Touche Tohmatsu, released in July, found that Australia "holds the world record" for insurance premium taxes. Rod Hill, DTT tax specialist, said in the report that Australian taxes on fire insurance premiums are 4,200% greater than those in Ireland, and 1,680% higher than those in Britain. **BI**

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Proposers can arrange for pick-up and/or mailing of this Request for Proposal by contacting the Procurement Department at 312-917-0783.

Ten copies of your proposal must be submitted to the RTA no later than 5:00 p.m. on **September 28, 2001**. Proposals submitted after the designated time and date will be rejected.

A pre-proposal conference will be held at 10:00 a.m. on September 12, 2001 in the RTA Board Room, at which time questions regarding this request for proposal will be answered. Questions regarding this RFP will not be accepted at any other time.

The RTA reserves the right to negotiate the terms of an agreement for the work to be undertaken.

Procedural questions regarding DBE participation and Affirmative Action requirements should be directed to Ms. Lillian Wallace, Paralegal at (312) 917-0733.

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# Athletics

Continued from page 3

erages, Northwestern does have an excess liability policy with United Educators Insurance Reciprocal Risk Retention Group Inc. United Educators' excess and umbrella programs include coverage for catastrophic losses arising out of sports, with limits up to \$50 million.

"None of our policies exclude athletic risk," said a spokesman for Chevy Chase, Md.-based United Educators. He added that the RRG, which is domiciled in Vermont, has been notified about the suit against Northwestern.

Larry V. Stephens, director of risk management at Indiana University in Bloomington, Ind., and president-elect of the University Risk Management & Insurance Assn., said that in an athletic liability suit, such as the one at Northwestern, several coverages would likely apply.

Coverage for negligence likely would fall under general liability policies purchased by the university, Mr. Stephens said.

Also, the university might purchase supplemental coverage specifically for athletic risks, he said.

Coverage for any claims for negligence by trainers would fall under professional liability coverage, which, Mr. Stephens said, would be purchased by the trainers themselves at I.U.

"The other kind would be the NCAA catastrophe insurance that responds if the player is seriously injured," the Indiana University

risk manager said.

The coverage provided by the National Collegiate Athletic Assn. is a blanket policy for athletes, student trainers, student managers, mascots and cheerleaders, said Mike Robbins, senior vp at American Specialty Insurance Services Inc. in Roanoke, Ind., administrator of the NCAA Catastrophic Injury Insurance Program.

The NCAA program, underwritten by the Mutual of Omaha Insurance Co., covers student-athletes who are catastrophically injured while participating in a covered intercollegiate athletic activity. The NCAA pays the entire premium for the policy, which has a \$10,000 death benefit and a maximum benefit of \$20 million with a \$50,000 deductible.

In the wake of Mr. Wheeler's death, Northwestern has begun an investigation that is examining the conditioning test in which Mr. Wheeler was participating with approximately 80 teammates at the time of his death, along with other university procedures.

Mr. Walker, the football coach, has been directed to stop running the conditioning test, which involves a series of sprints with short intervals in between.

"Basically, the purpose of our internal review, which is now underway, is to examine the university procedures which are in place...and take a look at whether there are additional things that we could do to hopefully prevent a tragedy like this from occurring again," Mr. Cabbage, the university vp, said.

He said that as part of the investigation, Northwestern will bench-

mark its conditioning programs against those at other universities, as well as compare its emergency procedures and emergency preparedness against other schools'.

"The review will also take a look at how we responded to that emergency," Mr. Cabbage said, as well as "medical staffing at drills and how we compare to other institutions in that regard."

*'One of the areas where they (risk managers at universities) don't have the expertise is athletics.'*

— Herb Appenzeller  
Athletic risk management consultant

"And, while this isn't an insurance matter, there's a question about the use of supplements by the football team," Mr. Cabbage said. While the supplements in question are legal, the NCAA bans their use.

Mr. Cabbage said the university's risk management department has been involved in managing athletic risks at Northwestern, and will be involved in the investigation.

Indiana's Mr. Stephens said it's typical for university risk managers to rely heavily on the expertise of athletic department trainers

in the management of risks associated with training issues.

At I.U., "We have almost no involvement as far as training risk management," Mr. Stephens said. "We really have no expertise within the risk management department in that area."

Instead, I.U.'s risk management department relies on trainers in the athletic department, "because they're the ones with the knowledge," the risk manager said. "And I would think you would find that almost universal."

"Although there might be some involvement (by risk management), I think the driving force in that area is the athletic department, the trainers themselves," Mr. Stephens said. "That certainly doesn't mean that the lives of our students aren't important, but in that very specific area there are people with more expertise than us."

The experience of one athletic risk management consultant supports Mr. Stephens' view.

Herb Appenzeller, an athletic risk management consultant in Summerfield, N.C., said he and a colleague are typically called upon by university risk managers who "feel that while they're knowledgeable in just about everything...one of the areas where they don't have the expertise is athletics."

Mr. Appenzeller, who spent 40 years as an athletic director at the high school, junior college and college level and now teaches risk management in the sports management program at Appalachian State University in Boone, N.C., said he frequently sees a lack of coordination between university-

wide risk management activities and those involving athletic programs.

"I think one of the real problems is sometimes one group doesn't know what the other group is doing," Mr. Appenzeller said. "There's no central plan of risk management."

He recommends that the institutions he works with establish risk management committees to address athletic risk issues and establish guidelines.

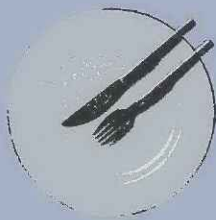
Those guidelines should address several issues, among them supervision, pre-participation physicals, weather guidelines for practice and the presence of proper emergency equipment on the field.

"We're finding now that a lot of people are putting defibrillators on the field," Mr. Appenzeller said. "You don't have a lot of time if somebody has a heart attack."

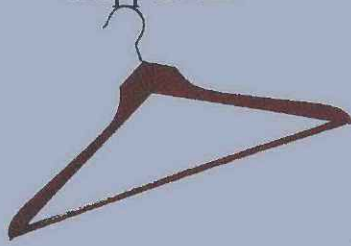
It's also essential to establish an emergency medical plan for athletic emergencies, as well as a protocol between athletic trainers and emergency medical technicians. "You'd be amazed at how much bickering goes on on the field," the consultant said. "You need to have that established before the season starts."

In cases of athletes with chronic illnesses, such as Mr. Wheeler, "We say the school needs to have a form where the person is told what potentially could happen," Mr. Appenzeller said. "Then you talk about what the alternatives are, other things they can play, other sports. And then, if the person still wants to play, you have a form they can sign that says they understand."

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## COMMENTARY

# Putting eggs in the company basket

If you are depressed by the slumping stock market, thank your lucky stars that your retirement fund wasn't totally invested in Lucent Technologies Inc.

I have a friend whose wife works at Lucent, and they have watched in disbelief as her comfy retirement fund has shrunk by 80%. She was among the Lucent employees who had almost all their 401(k) money in Lucent stock, confident that the company's future was secure.

Now that Lucent's stock has fallen 90% since the end of 1999, some people are beginning to question the wisdom of allowing employees to put all their money into their employer's stock.

A recent front-page article in *The New York Times* reported on the vanishing retirement funds of Lucent employees. In it, a professor said that there should be a limit on how much an employee can invest of his or her retirement account in the employer's stock, suggesting 10% might be appropriate.

I called my friends to find out whether they blame Lucent for allowing them to bet their retirement income on the company's stock.

After lambasting Lucent's management for financing sales to up-and-coming telecom companies that no longer exist, the disastrous business strategy that is most responsible for Lucent's current woes, my friend was equally emphatic that they should not have been precluded from buying as much Lucent stock as they wanted.

"There were many alternatives to Lucent stock. Lots of safe ones," he said. "And the literature had all the normal warnings" about the risky nature of equity investments, he noted.

My friend, who asked not to be identified in this column, is a pretty savvy investor who has doubled the value of his individual retirement account in six years. He says he never imagined that the stock could go down 90%. He was betting a downturn wouldn't hammer Lucent for more than 10%. Now, he is expecting Lucent to get back to the mid-teens. "If it got back to \$30, we'd consider ourselves fortunate," he says.

My friends are barely into their 40s and have lots of time to save for their retirement, so they aren't panicking. And, she is happy to still be employed by Lucent and not among the 30,000 losing their jobs at the company this year. In addition, she has been granted stock options at prices that give her a chance of cashing in to recover some of her loss.

My friends are in a much better position than are those who are older and have lost their jobs at Lucent. Considering the less promising employment prospects for older and out-of-work Lucent employees who had invested in their company, I can understand why the professor suggests that employees should not be allowed to put all their retirement money into their employer's stock. But, if that were to become a regulation, think of all the unhappy employees at other companies whose stock keeps rising while they were precluded from reaping the benefits of their hard work.

Given the slump in mutual fund prices, many of us are wishing we had more of our retirement funds in cash of late. If employees should be restricted from investing their retirement money in their own companies, should there also be limits on the amount of funds in a 401(k) account that can be invested in equities? If the stock market keeps falling, someone will surely make that suggestion, too.

Congress may consider such restrictions, but I suspect that they will go nowhere. Regulations to protect employees from falling stock prices look pretty stupid in the face of run-ups in retirement accounts that employees have enjoyed during the 1990s.

As I start to fret about the falling price of my mutual funds, I remind myself what my banker friend told me a few months ago. "You haven't lost anything until you sell below what you bought it for. It will come back."

At some point, I believe that most of us will see our retirement accounts bounce back. But it's unlikely that Lucent employees will ever see their Lucent stockholdings recover. To say that is very sad is an understatement.

*Publishing Director Kathryn J. McIntyre's commentary appears fortnightly and on [www.businessinsurance.com](http://www.businessinsurance.com). She can be reached at [kmcintyre@crain.com](mailto:kmcintyre@crain.com).*



Kathryn J. McIntyre

## Pollution

*Continued from page 1*

not provide the company the total recovery it sought. Hercules argued that its insurers were liable for the full limits they wrote each and every year they covered the company.

The defendant insurers variously covered Hercules from July 31, 1963, through Oct. 31, 1970, and from July 31, 1973, through April 1, 1980.

Total cleanup costs at the sites, where the lower court jury ruled that contamination occurred from 1957 through 1980, exceed \$100 million. Of that amount, \$28.5 million is attributable to the Jacksonville, Ark., test site at the center of the Delaware case.

Hercules' ultimate pollution liability, however, has not been determined.

Although the Delaware Supreme Court ruled for the policyholder on the limits allocation issue, it upheld three lower-court rulings favorable to insurers:

- Hercules is not covered for the cost of measures it took to try to prevent third-party property damage.
- Pollution exclusions in Hercules' policies beginning in 1973 barred coverage unless the damage was caused by "sudden, unexpected and unintended events."
- The prejudgment interest insurers must pay on they coverage they owe Hercules began accruing at the time Hercules filed its suit against its insurers, not from the date it gave notice of a claim.

"Three out of four isn't bad," said Laura A. Foggan, who represents the Insurance Environmental Litigation Assn. The insurance industry-backed IELA filed an amicus brief in the case.

For insurers, the most significant issue in the case was whether they would be required to pick up the tab for the policyholder's preventive measures, said Ms. Foggan, a part-

ner at Wiley, Rein & Fielding L.L.P. in Washington.

"The court reaffirmed that you have to have actual property damage or bodily injury" for coverage to be triggered, she said.

But Hercules attorney Jerry Oshinsky, a partner with Dickstein Shapiro Morin & Oshinsky L.L.P. in Washington, said the policyholder won the most important issue.

The policy limits allocation issue "has been litigated across the country with conflicting results," he said.

In reversing the trial court's ruling that the covered costs must be prorated by each insurer's time on the risk, the Delaware Supreme Court relied on its 1994 decision in *Monsanto Co. vs. C.E. Health Compensation & Liability Insurance Co.* In that case, the high court held that any triggered policy must pay all sums the policyholder is responsible to pay as a result of an occurrence that triggers the policy, even if additional damage occurs beyond the policy period.

"In *Monsanto*, we held that the 'all sums' language is inconsistent with pro rata allocation based on time on the risk," the court noted.

The court also pointed out that the second paragraph of a noncumulation clause in Hercules' liability insurance policies confirmed that the coverage extends to damage that continues beyond the policy period.

In a press release issued immediately after the decision, the IELA said the allocation portion of the decision counters the 7th U.S. Circuit Court of Appeals' ruling last month in *Great Lakes Dredge & Dock Co. vs. the City of Chicago* (BI, Aug. 20).

The IELA also filed an amicus brief in that case, in which a 7th Circuit panel was asked to determine whether Chicago's "Great Flood" in April 1992 or the August 1991 bridge repair work that eventually caused the flood was the occurrence that triggered a dredging contractor's liability insurance. The con-

tractor had changed its insurance program between the time it performed the bridge repairs and when the city flooded.

The 7th Circuit panel ruled that the flood was the occurrence and that only the policies in force for the contractor at that time must respond to flood claims against it.

According to the Delaware decision, which applies the doctrine of joint and several liability, "essentially, the policyholder could pick one insurer out of the many that wrote coverage and force it to pay for the entire loss," said insurer attorney John Yang, who also is a partner at Wiley Rein & Fielding.

By contrast, in *Great Lakes*, "the insurer is only obligated to pay the portion of the loss that occurred under its policy period," Mr. Yang said.

But Richard M. Kuntz, an attorney at Bollinger Ruberry & Garvey in Chicago who represented the insurers in the *Great Lakes* case, said the coverage trigger applied in *Hercules* was consistent with the one the 7th Circuit adopted in *Great Lakes*.

"When there was property damage, the policy in effect when the damage occurred was triggered," he said.

The 7th Circuit case "is not the same issue that was before the court in *Hercules*," he said. The *Great Lakes* case was a trigger case, while the *Hercules* case was an allocation case, he asserted.

"These two cases are distinct," Mr. Oshinsky agreed.

Insurer attorney James Schaller of Jackson & Campbell in Washington, who represents AIU Insurance Co., the lead defendant in the *Hercules* case, said the insurer has not decided whether to seek a rehearing.

Mr. Oshinsky said Hercules also is evaluating the decision before deciding its next step.

*Hercules Inc. vs. AIU Insurance Co., Delaware Supreme Court, No. 193, 2000; Aug. 15, 2001.*

## Vouchers

*Continued from page 3*

have to give a 1099," he noted.

Structuring a plan so that it is funded with noncash benefits is unusual, said Henry Saveth, an attorney with William M. Mercer Inc. in New York. "Most employers have discovered that unless they are doing some kind of a severance plan, deferral of income results in a pension plan," which, "as a practical matter" is going to fall under federal regulations, he explained.

The case is "very unusual," said Gary Howell, an attorney with Gardner, Carton & Douglas in Chicago. "If you read the facts of the case and lay them against the statute, you scratch your head and say it does seem to meet the requirements" for a pension plan, he said.

Nancy Picard, an attorney with the Metairie, La., firm Robein, Urann & Lurye, which represented the retirees, argued that the plan was governed by ERISA and the act's rules require employers to set aside funds to pay promised benefits.

As for whether the vouchers were simply gratuities, the fact that the chain took tax deductions for the amounts "was not consistent with a gift," she said. "Schwegmann treated the grocery vouchers the same way they treated monetary retirement benefits that were given to

certain employees. That indicated that they considered it to be income."

An important part of the ruling was that "retirement income" need not be cash, Ms. Picard said.

Ms. Picard said the retiree class totals around 200, but it is undetermined as to whether all will be eligible for payments if the ruling is upheld. The plaintiffs are seeking resumption of the vouchers or a "monetary equivalent" of \$216 per month for life, plus back payments. Ms. Picard said \$4.1 million is a rough estimate of the amount owed to retirees in a cash equivalent, but that could change if some class members are deemed ineligible.

USF&G's attorney argued that its coverage specifically excludes fiduciary liability in Schwegmann's failure to keep up the vouchers. "The court found that there was an ERISA plan" and that there was a breach of fiduciary responsibility, said Howard Kaplan of Bernard, Cassisa, Elliott & Davis in Metairie. "For some reason, there was not one word as to why the fiduciary liability exclusion was not permitted."

Mr. Kaplan said the insurance covers only negligent acts committed in the course of administering benefits. For example, it would respond in a case in which an employee filed a health care claim only to find that the benefits administrator had neglected to enroll the employee in a health plan.

At any rate, the coverage written for Mr. Schwegmann carries a \$250,000 deductible, "meaning our coverage doesn't kick in until each claim exceeds \$250,000," Mr. Kaplan said. Even if coverage did apply, that would mean each retiree claim would have to exceed that amount before the insurer was on the hook, he argued.

Mr. Howell said it is significant that the judge ruled that fiduciary duty was breached by the corporate officers for "not funding a plan that they didn't know was a plan. That is an important part of the ruling. The court found a way to order some pretty substantial relief."

He said the ruling continues the "trend of courts to find ways to give make-whole remedies under ERISA without having them characterized as money damages."

Mr. Gegenheimer is adamant that the judge's ruling concerning his client is in error. "ERISA just doesn't apply in these situations," he said. "The judge inexplicably chose to ignore that. I guess he just wanted to give these people money."

Mr. Saveth warned employers that "it's hard to have an informal retirement plan these days for the rank-and-file employees. So be careful. There may be ways to approach it as a severance plan or there may be ways to approach it as an employee discount plan. But trying to have an informal retirement plan can be trouble." BI

# Insurers

Continued from page 3

tomers with higher cost ratios than those with healthier books of business," Ms. Zuraitis said. "I think it's going to be an individual-company answer."

She added that St. Paul is already beginning to see rate hikes lead to improved combined ratios in many of its business segments. Companywide, its statutory combined ratio improved to 105.5% in the first half, compared with 106.6% the year earlier.

Ms. Zuraitis also pointed to cost-cutting efforts. "One of the things I think you should be looking at, as far as results, is the expense side of the combined ratio equation. I think that companies have been spending an awful lot of time trying to do more with less and using traditional expense-cutting measures."

The "next generation," she said, will include insurers that seek innovative ways to cut costs. "I think that the current climate is going to force some of that," she said.

John L. Ward, of the Cincinnati-based Ward Financial Group, said the outlook for insurer profitability "remains tough."

On the positive side, he said, "the rate of price increases is accelerating, and we're seeing companies continuing to get 15%, 20% rate hikes. So once those rate increases make their way to the income statements, that'll be a substantial plus for the industry."

But on the down side, he added, investment results "look like they're going to have some problems going forward. Troubles in the equity market have impacted some insurers, but by far the bigger concern is the rapid drop in interest rates."

Mr. Ward noted that many insurers' portfolios are heavily invested in bonds. "A lot of companies are

finding their large fixed-income portfolios maturing and going back into the market at substantially lower interest rates, and so the concern there is that the projected core investment returns will more than offset the favorable impact of significant price increases."

Apart from declining net income, other findings from BI's survey of the first-half results of 19 major commercial property/casualty insurers include:

- Net premiums written were \$47.04 billion, up 9.3% over the first six months of 2000.

- The combined ratio was 111.2%, a deterioration from the 105.6% ratio a year ago.

- Policyholder surplus for the 17 insurers that provided this data was \$49.88 billion as of June 30, down 5.9% compared with a year earlier.

"The industry's having a hard time taking their top-line gains and moving it to the bottom line, and I think it was crystallized with the CNA results," said Mr. Lewis, who added: "I think CNA probably experienced every possible problem impacting the group."

CNA posted a \$1.47 billion loss for the first half, which the insurer said reflected reserve strengthening, a restructuring charge related to information technology and realized losses associated with certain subsidiary operations.

The U.S. property/casualty industry's results in the half were similar to 1985's pattern when, in the first full year of a pricing upturn, premiums were up but earnings down, said Michael Smith, an analyst with Bear Stearns in New York. "What is manifesting itself right now is the fundamental cause for the up cycle—that is, balance sheets have been so eroded they now have to be rebuilt"—so the benefits of price hikes are reflected there rather than in the income statement, he said.

"The problems that we are see-

ing among domestic P/C companies seem to be a classic sign of where we are in the pricing cycle, meaning that, now that prices are increasing, a number of carriers are taking some of the rate increases to effectively shore up their balance sheet," said Ken Zuckerberg, vp in equity research at New York-based Dresdner Kleinwort Wasserstein.

Todd Bault, a research analyst at Sanford Bernstein & Co. in New York, said first-half results seem to have been "primarily driven by the need to shore up inadequate loss reserves."

*'We don't see any reason why they (double-digit rate increases) won't continue through 2003.'*

— Marita Zuraitis  
The St. Paul Cos. Inc.

Based on his own reserve review, Mr. Bault estimates the industry is under-reserved by \$25 billion for non-asbestos claims alone.

Various industry estimates have pegged asbestos reserve inadequacy at from \$10 billion to \$40 billion.

Asbestos claims are "like Jason coming out of the grave," said Mr. Smith, referring to the "Friday the 13th" series of horror movies. "We all thought the asbestos problem was taken care of years ago, and all of a sudden, it's back with a vengeance."

Mr. Ward pointed to problems from catastrophe losses. "Most companies would have reported some modest improvement in their

fundamentals but for the increase in cat losses," he said.

"One of the unique things about the cat losses is that, with the exception of Tropical Storm Allison, most of the storms there were not major ones. There were just many small, regional storms, but it's interesting how those storms seem to find their way into explanations of most companies' results for the quarter," Mr. Ward said.

Meanwhile, there is disagreement as to how long rate hikes are likely to continue.

"We have seen double-digit price increases throughout all 2002, and we have said—and do believe—those double-digit rate increases will continue at least through 2003," said St. Paul's Ms. Zuraitis.

"We don't see any reason why they won't," she said. "Part of the reason, I think, is that the upturn has been much more gradual than the last time." The gradual upturn means it will take prices longer to catch up with loss costs, she explained.

But Mr. Lewis said that while he believes the rate hikes may continue for another year, he doubts that double-digit hikes will continue as long as 2003. "In a soft, weak economy, I'm hard pressed to see policyholders continuing to be willing to accept double-digit rate increases, nor do I see the industry remaining that disciplined over time. I still believe that their primary emphasis is on gaining market share, as opposed to disciplined underwriting," he said.

"Notwithstanding reserve issues for asbestos and non-asbestos claims, I think for 2002 we would expect the firming rate environment to continue for commercial lines," said Matthew Coyle, director at rating agency Standard & Poor's Corp. in New York. "But thereafter we remain skeptical, because we don't think employers are going to be receptive to funding the insurance companies' pricing diffi-

culties, which could cause many employers to seek alternative risk coverages," including retaining their own risk and turning to captives, he said.

Insurers' corporate clients are "having difficulties achieving the kind of earnings they need to keep their constituents happy, which is resulting in layoffs," Mr. Coyle added. As a result, he said, they are seeking to streamline their insurance costs.

The "wild card" for primary rate hikes is the reinsurance industry, which began to introduce hikes later and "has a lot further to go," said Adam Klauber, director of investment research at Chicago-based Cochran, Caronia & Co. Higher reinsurance rates may pressure primary insurers to extend the period during which they hike rates, he said.

Meanwhile, property/casualty stocks have not had a great year. The insurer and reinsurer stocks covered by the BI Stock Index advanced just 6.5% for the year to date, as of Aug. 24.

"It's a cyclical industry," and the huge runup that the stocks had last year "probably took into account some of the recovery," Mr. Lewis said. "My concern is that if the industry can't show the ability to substantially improve its (return on equity), either investors will get tired of the sector" or other sectors will begin to get healthier and investors will rotate out of insurer stocks.

"My guess is a lot of the investors out there are going to be in somewhat of a holding pattern until the issue of reserves is resolved," Mr. Klauber said. The one thing investors hate is uncertainty, he added.

But Mr. Smith said, "I think we're in a replay of 1985, and in 1985 the stocks, after stumbling in the third quarter, did quite well in the fourth, and I think the same will hold true this time." **BI**

## Property/casualty insurers' 2001 first-half results

Ranked by change in net income. Dollar figures in thousands.

	Corporate			Property/casualty operations					
	Net income 2001	Percent increase 2001-2000 (decline)	Consolidated 2001 revenues	Combined ratio 2001 <sup>1</sup>	Combined ratio 2000 <sup>1</sup>	Net premiums written 2001	Percent increase 2001-2000 (decrease)	Policyholder surplus 2001	Percent increase 2001-2000 (decrease)
Argonaut Group Inc.	\$11,883	119.4%	\$91,420	138.1% <sup>2</sup>	328.0% <sup>2</sup>	\$59,449 <sup>2</sup>	19.1%	\$306,234	(31.9)%
Ohio Casualty Corp.	12,556	115.1	918,502	114.1 <sup>2</sup>	122.3 <sup>2</sup>	760,732 <sup>2</sup>	(2.1)	793,680	5.5
Old Republic International	175,529	40.7	1,136,812	102.3 <sup>2</sup>	108.2 <sup>2</sup>	517,175	21.8	1,448,056	8.4
Travelers P/C Corp.	859,000	23.4	6,040,000	100.4 <sup>2</sup>	101.6 <sup>2</sup>	4,818,800 <sup>2</sup>	13.3	7,554,000	1.8
American International Group Inc.	3,158,760	14.7	24,728,603	95.7 <sup>2</sup>	95.9 <sup>2</sup>	9,919,900 <sup>2</sup>	13.6	N/A	N/A
RLI Corp.	15,338	13.6	147,036	97.1	94.2	254,125	15.3	276,207	(1.4)
Hartford Fin'l Services Group Inc.	466,000	3.3	7,569,000	102.9	103.0	3,900,000	13.1	5,914,000	10.9
Royal & SunAlliance USA	47,000	(2.8)	N/A	104.7	107.8	1,705,000	10.0	3,114,000	0.4
Chubb Corp.	321,800	(4.9)	3,806,000	101.7	100.2	3,370,900	8.1	3,697,600	8.0
ACE Ltd.	249,911	(13.4)	3,151,189	97.6	95.7	3,205,763	20.0	N/A	N/A
Cincinnati Financial Corp.	121,581	(21.1)	1,263,272	101.4 <sup>2</sup>	97.0 <sup>2</sup>	1,087,124 <sup>2</sup>	14.2	2,913,932	13.6
The St. Paul Cos. Inc.	306,300	(46.2)	4,330,200	105.5 <sup>2</sup>	106.6 <sup>2</sup>	3,698,600	28.0	5,934,600	(1.4)
American Financial Group	19,400	(68.2)	1,965,500	105.7	105.5	1,372,900	3.1	1,717,500	8.4
CNA Financial Corp.	(1,467,000)	(411.5)	6,346,000	204.0 <sup>2</sup>	114.8 <sup>2</sup>	3,791,000 <sup>2</sup>	(7.1)	5,044,000	(36.5)
SAFECO Corp.	(897,200)	(1,623.3)	3,486,900	115.2	111.3	2,271,400	(3.0)	2,366,700	(6.9)
Kemper Insurance Cos.	N/A	N/A	1,720,870	106.1 <sup>2</sup>	109.8 <sup>2</sup>	1,357,523 <sup>2</sup>	2.0	2,054,452	(19.0)
Liberty Mutual Ins. Co. <sup>2</sup>	N/A	N/A	N/A	114.1	113.3	4,772,000	10.3	6,607,000	(8.4)
Fremont Compensation	N/A	N/A	249,861	127.4	189.4	174,484	(67.1)	138,053	(72.3)
<b>Cumulative</b>	<b>\$3,400,858</b>	<b>(42.2)%</b>	<b>\$66,951,165</b>	<b>111.2%</b>	<b>105.6%</b>	<b>\$47,036,875</b>	<b>9.3%</b>	<b>\$49,880,014</b>	<b>(5.9)%</b>

<sup>1</sup>Including dividends. <sup>2</sup>Statutory. NA-Company did not provide data. Source: BI Survey

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# Catch-up

Continued from page 1  
Employees must satisfy before they can make additional contributions.

Under the tax law, before making a catch-up contribution, an eligible employee first must make the maximum allowable salary deferral. That amount is \$11,000 next year.

The law allows employees to make catch-up contributions if limits imposed by their 401(k) plans, such as those that enable plans to pass nondiscrimination tests, prevent employees from making the maximum salary deferrals.

For example, an eligible highly compensated employee can defer—in order for the 401(k) plan to meet nondiscrimination tests—a maximum of \$8,000. In that employee's case, he or she could make a \$1,000 catch-up contribution, assuming that individual deferred the full \$8,000.

The problem with specific plan requirements—and their interplay with catch-up contributions—is one of timing, benefit experts say.

Consider an employee who elects both to defer 10% of pay to a 401(k) plan annually and to contribute about \$83 in catch-up contributions each month to reach a total \$1,000 of catch-up contributions for the plan year. Then, in July, financial problems force the employee to stop making salary deferrals for the remainder of the year.

The new law does not address whether that employee was entitled to make the catch-up contributions for the six months when the 10% salary deferrals were made. If the catch-up contributions would not be allowed, the law does not address how to treat the catch-up contributions that were made.

The new law also creates another potential contribution

timing problem for eligible employees. Many employers do not complete nondiscrimination testing until the end of the plan year or weeks later, after all deferrals have been made and tabulated. At that point, otherwise-eligible employees may have missed the end-of-plan-year deadline for making catch-up contributions.

"The year is over, and there no longer is an opportunity to make the contribution," said Jesse Yaloff, a director of Unifi Network's outsourcing practice in Fort Lee, N.J.

*'The law is general enough that guidance, through well-drafted regulations, could solve the problems.'*

— Peggy Howell  
The Principal  
Financial Group

Some experts say the answer to these and other problems is not to tie the ability to make catch-up contributions to satisfying other current-year requirements. Instead, in an approach suggested by Mercer's Mr. Kra and expected to be endorsed by the American Academy of Actuaries' pension committee, older employees automatically could make catch-up contributions if they satisfied the law's requirements—such as making the maximum salary deferral—during the prior year.

With this "simpler" approach, plan administrators would know near the beginning of the plan year whether eligible employees could make catch-up contributions, Mr. Kra said.

Some experts endorse the idea. "It is a wonderful, practical approach," said Don Segal, a senior vp with The Segal Co. in New York.

"It is worthy of consideration," said David Wray, president of The Profit Sharing/401(k) Council of America in Chicago.

Others are less supportive, noting that some employees could be hurt by it. For example, an employee who did not make the maximum salary deferral during the prior year because of financial problems would not be able to make a catch-up contribution the following year even if his or her financial situation were to improve.

Some experts suggest waiting to see how much regulatory guidance and clarification the Treasury Department provides in soon-to-be released regulations before seeking congressional intervention.

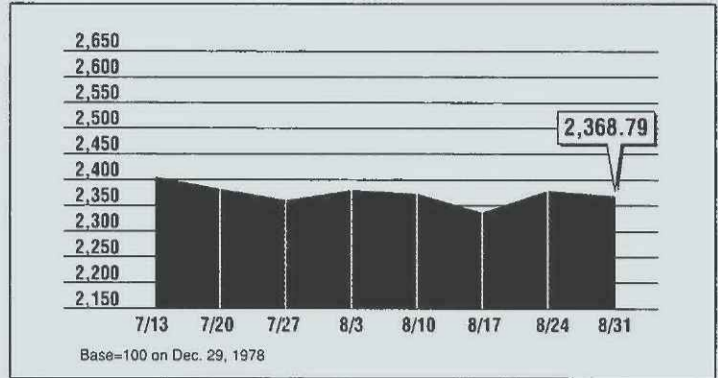
"The law is general enough that guidance through well-drafted regulations could solve the problems," said Peggy Howell, compliance consultant with Des Moines, Iowa-based The Principal Financial Group, the nation's largest 401(k) plan administrator.

Benefit managers say allowing older employees to make catch-up contributions represents sound public policy. "This is a good law that helps employees," said Kevin Wilcox, director of employee benefits at Allergan Inc., an Irvine, Calif.-based prescription drug manufacturer.

But benefit managers also are anxiously awaiting guidance. "We are waiting with bated breath," said Cindy Stolber, benefits administrator with Lear Corp. in Southfield, Mich., a manufacturer of automotive interiors.

Said Adele Kellman, a vp at Aon Consulting in Somerset, N.J., "The problems have to be figured out real, real quick." **BI**

# B/Stock Index - 8/31/2001



## BROKERS

Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol. (000)
Aon Corp.	37.15	-3.46	8.47	42.31	28.13	2830
Arthur J. Gallagher & Co.	26.51	-3.39	-16.67	34.25	21.88	1593
Brown & Brown	44.23	-4.06	26.37	50.69	26.25	303
Clark Bartles Holdings	24.59	-2.77	142.86	33.30	7.25	57
E.W. Blanch Holdings Inc.	13.50	0.00	-22.58	29.50	6.70	0
Hib, Rogal & Hamilton	42.70	0.73	7.08	48.16	33.75	129
Marsh & McLennan	92.90	-6.49	-20.60	135.69	80.30	4430
Willis Group Holdings Ltd.	18.81	-2.03	13.31	20.20	15.50	883
BROKERS AVERAGE		-2.68	17.28			

## INSURERS/REINSURERS

ACE Ltd.	33.17	-3.35	-21.84	43.94	31.59	5718
Accel International Corp.	0.07	0.00	-76.42	0.59	0.06	0
Acceptance Insurance Cos.	5.95	7.59	13.33	6.94	3.70	71
AEON N.V.	30.20	-2.89	-27.12	43.00	25.92	612
AFLAC Inc.	27.52	-2.24	-23.75	37.47	23.38	6951
Allmerica Financial Corp.	53.27	0.60	-26.52	74.25	46.30	1238
Allstate Corp.	33.93	-1.65	-22.11	45.90	29.00	11864
Ambac Financial Group	59.20	-1.40	1.52	64.00	42.58	2182
American Financial Group	23.42	-1.60	-11.83	30.75	18.69	420
American General	44.55	-0.54	9.33	47.44	33.66	8321
American Intl Group	78.20	1.30	-20.66	103.75	72.64	45020
American Safety Insurance	10.10	1.00	64.90	10.36	3.25	10
Argonaut Group	17.59	-7.42	-16.24	21.25	13.50	130
AXA-UAP Group	27.55	-7.24	-23.27	38.09	24.58	1008
Baldwin & Lyons Inc.	22.15	-13.54	-4.73	28.75	18.38	10
Berkley W.R. Corp.	38.10	-4.80	-19.26	48.75	25.75	329
Berkshire Hathaway Inc.	69400.00	-0.57	-2.25	74600.00	53500.00	1
Capitol Transamerica Corp.	16.28	0.06	30.89	16.50	10.31	48
Chubb Corp.	67.50	-2.33	-21.97	90.25	63.30	2938
Cincinnati Financial Corp.	40.00	-5.06	1.11	42.92	32.56	1273
Citigroup	45.80	-5.18	-10.31	59.06	39.00	55576
CNA Financial Corp.	27.77	-3.51	-28.34	41.00	27.70	1888
CNA Surety	14.06	0.00	-1.40	14.70	10.63	38
EMC Insurance Group Inc.	14.00	2.19	19.15	15.86	9.25	8
ESG Re Limited	3.40	-6.34	84.41	4.00	1.72	31
Everest Reinsurance	64.90	-2.01	-9.39	75.50	39.75	1940
Fremont General Corp.	5.86	-5.33	108.36	6.97	1.50	638
Gainco Inc.	1.40	-6.67	-46.67	4.25	1.10	130
Harleysville Group	24.25	-9.31	-17.09	30.63	18.52	228
HCC Insurance Holdings	25.22	-0.67	-6.38	29.66	17.63	837
ING Group N.V.	31.68	-5.85	-20.92	41.97	27.92	920
IPC Holdings Ltd.	24.09	5.20	14.71	25.05	16.25	80
Hartford Financial Services	64.80	-2.28	-8.25	80.00	53.50	2793
John Hancock Fin. Services	39.95	-1.31	6.18	42.00	24.56	4488
Lincoln National	49.86	-2.67	5.38	56.38	38.00	2081
Market Corp.	184.92	-3.89	2.17	207.47	133.50	150
MBA Insurance Group	54.01	-4.27	9.30	57.49	40.05	2189
Meadowbrook Insur. Group	3.25	3.17	-60.00	8.38	2.45	33
MetLife	30.50	0.33	-12.66	36.63	23.38	8562
Mutual Risk Mgmt. Ltd.	10.56	-1.58	-30.47	23.56	3.40	836
Navigator Group	19.10	-0.04	43.47	20.86	10.63	5
NYMagic Inc.	20.00	0.00	5.96	22.70	14.13	6
Ohio Casualty Corp.	13.81	-0.29	38.10	14.34	6.13	870
Old Republic Intl	26.85	-4.58	-16.09	32.06	21.25	2547
Partner Re Ltd.	49.35	-1.89	-19.10	62.50	41.69	513
Penn-America Group Inc.	10.00	-0.99	31.15	10.60	6.69	9
PMA Capital Corporation	18.00	-1.10	4.35	18.94	15.19	86
Philadelphia Cons. Holding	29.80	-8.00	-3.48	37.50	16.44	541
ProAssurance	18.08	6.35	8.34	19.25	11.75	123
PXRE Corp.	16.88	1.08	0.03	20.10	12.56	97
RenaissanceRe Holdings Ltd.	71.35	-2.82	-8.89	84.19	47.63	275
RLI Corp.	44.68	0.86	-0.02	46.16	37.44	53
St. Paul Cos.	42.03	-4.37	-22.61	57.00	39.58	4323
SCOR	45.40	1.23	-9.65	53.75	40.50	12
SAFECO Corp.	30.08	-1.05	-8.50	35.88	21.50	2480
SCPIE Holdings Inc.	21.03	-0.61	-10.98	31.40	17.78	NA
Selbels Bruce Group	2.74	3.01	387.11	3.25	0.55	1
Selective Ins. Group	25.12	-5.17	3.59	28.22	15.25	235
Tokio Marine & Fire	52.11	-0.91	-8.58	58.25	45.10	102
Torchmark Corp.	42.24	-1.88	9.89	43.25	26.81	2380
Transatlantic Holdings	73.35	-1.98	3.92	84.16	57.80	70
Trenwick Group Ltd.	14.09	-5.75	-43.21	27.13	13.90	572
Unico American Corp.	6.25	-2.34	6.38	7.75	5.27	5
United Fire & Casualty	28.47	-1.45	44.15	34.52	16.19	16
Unibris	36.80	-5.52	-9.42	41.94	29.25	380
UNUM Corp.	28.02	-1.86	4.26	33.75	20.31	2693
Vesta Insurance Co.	11.67	13.74	130.52	11.95	4.25	1308
XL Capital Ltd.	83.00	5.87	-5.01	89.25	64.88	18404
Zenith National Ins.	30.00	1.01	2.13	30.70	20.00	41
INSURERS/REINSURERS AVERAGE		-1.65	5.20			

## MANAGED CARE ORGANIZATIONS

Aetna Inc.	29.90	-0.33	-27.18	42.69	23.02	2789
CIGNA Corp.	90.00	-0.08	-31.97	136.75	86.48	2835
Health Net Inc.	18.87	0.86	-27.94	26.94	15.56	2403
Humana Inc.	12.00	0.00	-21.31	15.81	8.13	3130
Oxford Health Plans	26.85	-4.58	-32.03	32.06	21.25	2547
Pacificare Health Sys.	14.70	0.00	-2.00	56.13	9.81	1599
Sierra Health Services	10.00	-1.96	163.16	11.16	2.75	584
United HealthGroup	68.06	-0.07	10.89	70.00	44.84	9567
Wellpoint Health Networks	106.48	-0.47	-7.61	121.50	81.66	2708
MANAGED CARE AVERAGE		-0.74	2.67			

ALL COMPANIES -1.69 8.38  
Top advancing issues: Vesta Insurance Co., Acceptance Insurance Cos., Pro Assurance, XL Capital Ltd., IPC Holdings Ltd. Leading decliners: Baldwin & Lyons Inc., Harleysville Group, Philadelphia Cons. Holdings, Argonaut Group, AXA-UAP Group. Most active issues: Citigroup, American International Group, XL Capital Ltd., Allstate Corp., United HealthGroup. The B/Stock Index fell 0.42%; the Dow Jones 30 Industrials fell 4.54%; the S&P 500 fell 4.33%; and the NYSE Composite dropped 3.41%. Average P/E: Brokers, 25.41% Insurers/reinsurers, 21.26%; and managed care companies, 18.19%.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.

# WellPoint defections spur suit

## Suit claims Aetna improperly recruiting WellPoint staff

NEW YORK—WellPoint Health Networks Inc. is suing rival Aetna Inc. for raiding its corporate brain trust.

The suit, filed Aug. 20 in U.S. District Court for the Southern District of New York, charges that Aetna violated a non-hire, nonsolicitation agreement the two companies had entered into last year while negotiating a possible merger. The agreement, dated Aug. 11, 2000, said neither company would hire or solicit certain employees without the other's consent for a period of one year, according to WellPoint's complaint.

The suit seeks an injunction against further hiring of employees by Aetna, as well as compensatory damages—including lost profits—and attorneys' fees.

On March 15, Hartford, Conn.-based Aetna hired Ronald Williams, group president of WellPoint's large group division and president of WellPoint's Blue Cross of California subsidiary. Mr. Williams now serves as executive vp and chief of health operations,

reporting directly to Aetna President and Chief Executive Officer Dr. John W. Rowe.

Since he joined Aetna, Mr. Williams has recruited other WellPoint employees, many of whom have proprietary information about

the management restructuring is Ronald Williams."

While at Thousand Oaks, Calif.-based WellPoint, Mr. Williams worked closely with President and CEO Leonard Schaeffer, whom many in the health insurance industry consider one of the most forward-thinking and successful executives in managed care.

In a prepared statement, Aetna said: "We were surprised and disappointed to hear of this lawsuit by WellPoint, given the fact that WellPoint raised no objections when informed by Mr. Williams of his intent to leave, that WellPoint was able to fill his position with a permanent replacement immediately upon his departure, and that more than five months have passed since he joined Aetna."

"While we disagree strongly with WellPoint's position, as reflected in the complaint, we are particularly offended by their allegations that Mr. Williams has provided Aetna with any proprietary information," the statement says.

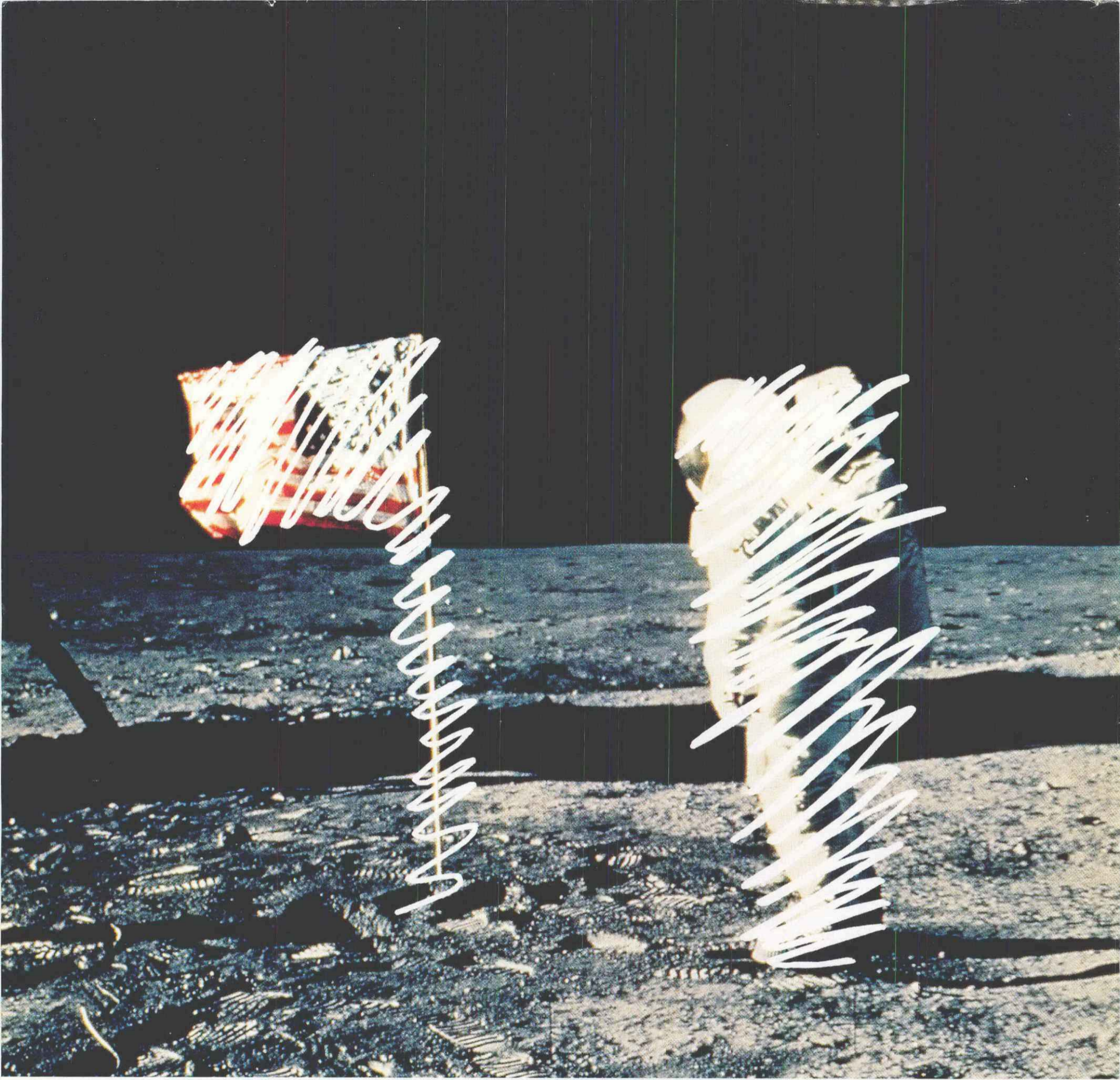
—By Joanne Wojcik



the company's operations, the complaint charges.

"As an officer of WellPoint, Williams acquired confidential information and trade secrets concerning WellPoint's operations, its future plans and methods of doing business, the identity of employees and the compensation of its employees," the suit states.

In fact, Aetna's Dr. Rowe touted the acquisition of such expertise during a conference call with analysts earlier this month, in which he unveiled the company's turnaround plan, the suit states. "The company has launched a vast management overhaul," Dr. Rowe said in the call, adding that "the architect of



Admission Buzz 1/1/10, Apollo 11 Mission (NASA) Photo Courtesy: NASA, L.A. 100 00734. All Rights Reserved.

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