

Business Insurance

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

Entire contents copyright © 1999 by Crain Communications Inc. All rights reserved.

Boeing deal with workers means better health, pension benefits

SEATTLE—The Boeing Co. will improve health and pension benefits under a new contract overwhelmingly approved last week by employees represented by the International Assn. of Machinists.

Health care plan improvements include increasing to \$1.5 million from \$1 million the lifetime maximum benefit per person, raising to 21 from 19 the maximum age to which employees' dependents will be covered, and coverage of prescription contraceptives regardless of medical necessity.

See Updates on next page

Cash balance under fire

Negative publicity grows as plans become politicized

By JERRY GEISEL

WASHINGTON—The wave of attacks on cash balance pension plans shows no sign of letting up.

The criticism of such plans is coming from a variety of fronts, and the negative publicity has some pension professionals worried about the consequences.

They note that cash balance plans have been the only bright spot in a shrinking defined benefit plan universe. Several hundred companies, including corporate giants such as International Business Machines Corp., AT&T Corp. and CBS Corp.,

now offer the plans. Most companies with the plans say they adopted them to improve benefits for shorter service employees and to increase the visibility and employee appreciation of their pension benefits.

The latest negative developments, though, include:

- Rep. Bernie Sanders, I-Vt., sent out a news release with the headline "IRS Memo Reveals Age Discriminatory Effect of Cash Balance Pension Plans." In the release, Rep. Sanders said the memo reinforces "my strong belief that companies, such as IBM, which are converting to cash balance plans, may be vio-

lating federal age discrimination laws."

In fact, the memo was from an IRS district office in Cincinnati requesting guidance from the IRS national office.

The office sought guidance on whether a particular cash balance plan it was reviewing violated federal age discrimination rules that bar pension plans from providing lower benefit accrual rates to older employees than to younger workers.

Such requests for advice from local IRS offices are common, say benefit consultants, who don't at-

See Plans on page 26



By the end of last week, Tropical Storm Dennis, which brought heavy rain to the Outer Banks of North Carolina, was drifting south away from Cape Hatteras.

SATELLITE IMAGE: NOAA

Dennis spares Carolina coast heavy damage

By MARK A. HOFMANN and MICHAEL BRADFORD

Dennis may not prove to be quite the menace it first seemed.

The hurricane, which last week was downgraded to a tropical storm, originally set a path through the Bahamas straight for the North Carolina coast, but mostly skirted the state and pummeled North Carolina's Outer Banks islands with wind and rain last week before retreating to sea.

Initial industry estimates suggest that Dennis will cost insurers less than \$100 million in claims.

Meanwhile, as the losses are tallied, many in the insurance industry again are trying to persuade Congress to change the tax treatment of catastrophe reserves.

North Carolina emergency management officials had not issued any damage estimates from Dennis as of last week. A spokesman for the state emergency management agency pointed out that the single two-lane highway linking the southern Outer Banks to the mainland was closed by high water and sand for much of last week, leaving about 5,000 residents stranded and hampering recovery efforts.

"The main trouble area is Hatteras and Ocracoke," said a spokeswoman for the Outer Banks Chamber of Commerce in Kill Devil Hills. "We haven't even been able to get crews down to assess all the damage." She said some rental cottages and hotel units near the water's edge were destroyed.

But risk managers, employers and emergency management officials in more densely populated areas of the coast report relatively light damage from the storm.

"There's been very little physical damage," said Connie Majure, president of the Greater Wilmington Chamber of Commerce.

She added, however, that local officials' decision to declare a state of emergency early last week resulted in lost

See Dennis on page 4

Fairfax backs Canadian broker

The Hub seeks rapid growth via acquisitions

By SALLY ROBERTS

TORONTO—A little-known Canadian insurance broker is setting its sights on becoming one of the world's largest brokers through an aggressive growth-by-acquisition strategy in Canada and the United States.

Since it began operating last November, Toronto-based The Hub Group Ltd. has acquired 26 Canadian insurance brokerages that combined give the broker \$125 million Canadian (\$84 million) in revenues and 1,200 employees.

The Hub Group now is looking to the U.S. brokerage marketplace to continue its aggressive growth strategy. Early last month, it made its first deal with the acquisition of Chicago-based broker Mack & Parker Inc., which expects to report \$13 million in gross revenues at the end of its Sept. 30 fiscal year and will add 120 employees to The Hub.

According to The Hub's president and chief execu-



Mr. Gulliver

tive officer, Rick Gulliver, the broker's goal is to acquire roughly \$150 million Canadian (\$100.8 million) in revenues in Canada and to acquire at least double that amount via acquisitions in the U.S. market.

Marty Hughes, president of Mack & Parker and the new president and CEO of The Hub's U.S. operations, estimates that if The Hub can find the right quality partners, it will have a company-wide total of \$250 million in revenues within the next 12 to 18 months.

"We don't like to make any promises," Mr. Gulliver added. But "if we find the right partners to help us do that, there is no limit" to The Hub's revenue potential, he said.

While The Hub may be little-known in the United States, at the moment,

See The Hub on page 25

Ryder starts charter school

Labor recruitment a key goal

By JOANNE WOJCIK

MIAMI—Ryder System Inc. is opening the nation's first charter school in the workplace this year as part of its ongoing strategy to be an employer of choice.

Other employers are considering following Ryder's move, though some benefit experts do not see it as a widespread trend.

"Our primary motivation was to attract and retain employees," explained Glenn Schneider, director of corporate services for the Miami-based transportation and logistics company. "It's also good from a community standpoint."

The project took just 15 months to go from concept to completion, with Ryder providing \$4.2 million in upfront funding and obtaining the charter from the Dade County School Board. The school is

See Ryder on page 12



PHOTO: COURTESY OF RYDER SYSTEM INC.

The Ryder Elementary Charter School in Miami is the nation's first charter school in the workplace.

To Subscribe Call
 1-888-446-1422 in the U.S. or
 1-313-446-0450 outside the U.S. or
 go online to www.businessinsurance.com

NEWSPAPER

Updates

Boeing deal sweetens benefits

Continued from previous page

Other health care changes include waiving emergency room copayments if the patient is treated in the emergency room for at least 12 hours or if the patient dies; providing coverage for acupuncture services when provided by a licensed acupuncturist who is a medical doctor; and offering unlimited coverage for hospice care, which previously was limited to 120 hours in a six-month period.

In addition, Boeing will continue to pay the full premium for all medical plans through at least next June 30. Employees will be liable for copayments only if the cost increase in Boeing's traditional medical plan exceeds the percentage increase in the medical component of the Consumer Price Index. In no event, though, could an employee's monthly premium contributions exceed \$10 for employee-only coverage, \$20 for employee and spousal coverage, and \$30 for family coverage.

The agreement also sets a 25% increase to \$50 a month per year of service from \$40 in the basic pension benefit.

Turkey quake claims estimated

IZMIT, Turkey—Total insured losses from last month's earthquake in Turkey will likely total between \$900 million and \$2.75 billion, according to consultants at Risk Management Solutions who have recently returned from the region.

Most of the insured losses were suffered by industrial facilities in the area, according to RMS, a risk management consultant and catastrophe modeling firm in Menlo Park, Calif.

Insured industrial sites likely suffered property losses of between \$600 million and \$2 billion, and other losses, including residential property, will likely total \$300 million to \$750 million, according to the RMS estimates.

"The well-engineered structures performed fairly well, but it was tragic how much life was lost in the non-engineered structures," said Laurie Johnson, the team coordinator of the RMS group that visited the site of the earthquake.

The RMS group spent four days surveying the damage from the earthquake and talking with local insurers to determine the extent of the insured damage, Ms. Johnson said.

The quake affected more than 8,300 insured risks, with a total value of \$34 billion, according to RMS estimates.

The insured loss estimates do not include the 5% deductible and 20% coinsurance requirements that apply to most earthquake coverage in the region. And little business interruption coverage is bought in Turkey, so most of the businesses will likely have to absorb the costs of any shutdowns, Ms. Johnson said.

Much of the insured loss was reinsured in London and other European markets, she said.

CGL ruling a policyholder win

SACRAMENTO, Calif.—In a policyholder victory, the California Supreme Court has ruled against insurers that argued a commercial general liability policy does not cover contractual liabilities.

The state Supreme Court last week upheld an appeals court ruling in *Vandenberg vs. Superior Court of Sacramento County*. The decision comes after a number of state and federal courts have ruled that standard CGL language excludes coverage for contractual liabilities.

The plaintiffs in the California case were operators of a family-owned automobile dealership and service facility on property leased from 1958 to 1988. In an earlier action, the property owner sued the Vandenberg, claiming, among other things, breach of contract after testing revealed contaminated soil and ground water from leaking underground storage tanks at the site.

The Vandenberg sued their CGL insurers after the insurers refused to pay a \$4 million arbitration award to the property owner.

See Updates on page 26

Errors & omissions

- A story in the Aug. 30 issue about the highest-paid insurer CEOs incorrectly reported the percentage of shares in American International Group Inc. owned by Chairman and Chief Executive Officer Maurice R. Greenberg. The correct amount, as of Jan. 1, was 2.21%. In addition, the story and an accompanying chart reported an incorrect amount of AIG common stock beneficially owned by Mr. Greenberg. Excluding options, the correct, split-adjusted figure as of June 30 is 28.7 million shares, worth \$2.72 billion as of Aug. 20.

- Due to a computer error, broker Clark/Bardes Holdings' information in the BI Stock Index has been incorrect since it was added to the index Aug. 2. The actual Aug. 27 closing price for Clark/Bardes was \$16.63, down 0.75% for the week. Also as of Aug. 27, the broker's year-to-date percent change was -1.48%, its annual high/low was 21/7.13, and its weekly volume was 114,000 shares.

- Due to an editing error, an Aug. 30 article, "Am Re, United National See New Growth Options," misstated an American Re spokesman's comments on future reinsurance arrangements for United National. American Re will be the reinsurer for business it brings to United National, but United National will retain its existing reinsurance arrangements with other reinsurers and will continue to place other new business with reinsurers other than American Re.

- A directory listing for Gerling Global Reinsurance Group in the Aug. 30 issue misspelled the name of an officer. The correct spelling is Klaus Bultmann. Also, Gerhard Neibuhr is Gerling's U.S. contact person.

California bill targets settlement confidentiality

By ROBERTO CENICEROS

SACRAMENTO, Calif.—Business and insurer organizations are fighting California legislation that would eliminate confidentiality agreements in settling certain lawsuits.

S.B. 1254 would apply to cases involving allegations of personal injury, wrongful death or financial fraud in product defect or environmental hazard cases.

The bill also would prohibit courts from issuing protective orders that conceal any information related to allegations of defective products, environmental hazards

or financial fraud, according to information from the bill's author, Sen. Adam Schiff, D-Pasadena.

Secret settlement agreements and protective orders keep health risks hidden from the public, according to Sen. Schiff. A news release from the senator cites cases involving silicone gel implants, asbestos, the diet drug combination Fen-Phen, and tobacco products as examples of instances where people were harmed because information about health risks was sealed.

Businesses warn that S.B. 1254 would force them to settle lawsuits rather than risk having pro-

prietary information, such as trade secrets or business plans, divulged to competitors.

Under the legislation, it would be difficult or impossible to obtain a protective order guarding information gathered even during a lawsuit's earliest stages, such as during a deposition or the discovery phase, said John H. Sullivan, president of the Civil Justice Assn. of California, a Sacramento, Calif.-based tort reform organization.

Therefore, plaintiffs attorneys stand to successfully force "quick and easy" settlements of frivolous

See *Lawsuits* on page 22

Stop-loss enforcement OK'd

But Maryland law likely to face additional legal challenges

By JERRY GEISEL

BALTIMORE—Maryland insurance regulators can enforce a new law that bars health insurers from selling stop-loss policies with very low attachment points, a federal judge ruled last week.

U.S. Senior District Court Judge Alexander Harvey II ruled that a permanent injunction he issued in 1996 preventing enforcement of a state regulation that placed curbs on stop-loss policies did not apply to the new law. That injunction was issued after Judge

Harvey determined the Employee Retirement Income Security Act pre-empted Maryland's earlier regulation.

Judge Harvey said last week that, while the injunction prohibited the Maryland Insurance Commissioner from enforcing the 1995 regulation, "it can hardly be construed as prohibiting the Maryland Legislature from enacting at any time in the future" legislation to regulate stop-loss insurance.

If the plaintiffs want to challenge the new stop-loss insurance law, "they should pay the filing

fee and institute a new civil action," he said. Only after a new suit is filed, evidence presented and arguments heard would the court be able to rule on whether ERISA pre-empts the law, Judge Harvey said.

This ruling came in response to a motion filed in July by insurer and third-party claims administration units of American Medical Security Group Inc. of Green Bay, Wis., and several other plaintiffs. They said enforcement of the law violated Judge Harvey's perma-

See *Maryland* on page 25

New GAAP rule adds liabilities

By MEG FLETCHER

A new accounting rule for insurance-related assessments is creating administrative headaches for self-insured employers and insurers, as most will have to report increased workers compensation liabilities.

The new rule also could ultimately reduce the availability and affordability of workers comp insurance in some states, unless insurers are successful in efforts to change how states levy such assessments.

Beginning this year, publicly held companies must immediately accrue on their financial statements estimates of future liabilities for all insurance-related assessments that are based on paid losses.

Depending upon the jurisdiction, these will include assessments for second-injury funds, guaranty funds and annual administrative costs. It also will require accrual of liabilities under the federal Longshore and Harbor Workers' Compensation Act.

The biggest exposure will likely come from second-injury funds, which are active in about 30 states and in runoff in about a dozen more, according to the American Insurance Assn. These funds—which are financed

See *Accrual* on page 27

Directories of safety consultants and rehabilitation service providers upcoming

Business Insurance will publish its annual Directory of Safety Consultants along with the annual Directory of Rehabilitation Service Providers in the Oct. 18 issue. This issue also will include a Spotlight Report on Workers Compensation.

The directories are published as an editorial service, and there is no charge to be included. Companies simply must submit a completed questionnaire by the extended deadline of Sept. 17. To be listed, companies must generate \$200,000 or more in revenues and also provide these services directly to employers on an unbundled basis. Companies must report gross revenues from these services to be listed.

If your company provides these services and has not yet received a questionnaire, please request one by calling Directory Editor Kevin Edison at 312-649-5279 or by printing one from our Web site at www.businessinsurance.com/magazine/directories.html.

Inside

- California legislation that would bar confidentiality agreements in settling certain lawsuits should be rejected as unfair and unnecessary, this week's editorial says. **PAGE 8**

- Small to medium-sized U.K. employers are likely to seek additional insurance as a result of a new employment practices law and the increased tendency of employees to sue their employers for unfair treatment. **PAGE 19**

- Time is running short for companies in Germany that must comply with the new KonTraG corporate governance laws, which mandate that public auditors report risk management information to shareholders. **PAGE 19**

Departments

- Advertiser Index 23
- Ask a Casualty Actuary 15

- Classifieds 22
- Commentary 25
- Datebook 12
- For the Record 23
- Global Briefs 19
- Insurance Services Guide 20
- International 19
- Letters 8
- Ticker 27

Business Insurance (ISSN 0007-6864) Vol. 33, No. 36, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$89 a year in U.S. \$108 in Canada and Mexico (includes GST). All other countries \$209 a year. (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1999 by Crain Communications Inc.

Indian nations considered for captive insurance role

By ROBERTO CENICEROS

Risk management consultant Richard G. Rudolph was pumping coins into a slot machine at an Indian-owned casino when his surroundings gave him an insurance idea.

It occurred to him that if Indian tribes have successfully used their sovereign-nation status to create successful gambling casinos, they might also be able to use that status to create "offshore" captive domiciles within the United States.

"It just popped into my mind that, technically, I was in a foreign country," said Mr. Rudolph, a principal consultant at Seaver, Rudolph & As-

sociates Inc. in St. Charles, Ill.

The U.S. Supreme Court has handed down several rulings holding that Indian tribes have a right to make their own laws and be governed by them. The court in 1987 also upheld the right of tribes to conduct gaming operations on their lands free of state control when states permit gaming outside a reservation.

In spite of such rulings on tribal sovereignty, though, Congress and state governments still hold considerable sway over various aspects of Indian affairs, including gaming regulations.

Last month, in fact, California's Supreme Court struck down a 1998

state ballot initiative that had expanded gambling at Indian casinos within the state.

Nevertheless, Mr. Rudolph followed up on his idea by teaming with an insurance attorney, and together they evaluated the legal standing and independent sovereign powers of Indian nations to create captive insurance domiciles.

In a report that Mr. Rudolph said will be published later this year by the CPCU Society, the two concluded that Indian nations could develop captive domiciles on their reservations free of state insurance oversight.

Indian reservations are bound by an
See Tribes on page 10



MAP COURTESY OF THE NAVAJO NATION



Monument Valley is part of the 25,000 square miles occupied by the Navajo Nation, which is developing a plan for a reservation-based captive insurer.

Selected reinsurers' global results

First-half premiums reported using GAAP accounting, except as noted.

Reinsurer	Net reinsurance premiums written 1999	Percent change 1998-1999
1. Employers Re	3,009,000	29.5
2. General Re ¹	2,650,802	6.6
3. Transatlantic Holding	717,261	8.2
4. CNA Re	673,451	7.8
5. St. Paul Re	583,488	N/A
6. Everest Re	513,934	3.1
7. Odyssey Re/TIG Re	499,192	N/A
8. Gerling Global*	387,209	N/A
9. NAC Re	290,569	4.7
10. Underwriters Re*	250,061	19.2

¹ General Re Group units only, excluding other Berkshire Hathaway affiliates, * Statutory
Source: Reinsurance Assn. of America

Reinsurers feel first-half pain

By DOUGLAS McLEOD

U.S. reinsurers may be hoping a market turn is just around the corner, but don't look to their first-half financial results for signs of tightening. Loss ratios for most reinsurers, including the largest companies, rose significantly while expenses remained virtually unchanged and overall net written premium volume grew an anemic 4.2%, according to figures compiled by the Reinsurance Assn. of America.

Factors cited for the worsen-

ing experience include soft market expansion of reinsurance coverage terms; a rising volume of business written on a quota share rather than excess-of-loss basis; reserve strengthening and the impact of underpriced workers compensation retrocessional business; and, for some reinsurers, the effect of acquisitions.

"If this first six months are an indication of the full year, we will probably have another poor year for the U.S. reinsurance market," said Grace Osborne, a director with rating agency Standard & Poor's Corp. in New York.

"Even the top-tier companies

See Results on page 6

Plans to alter retiree benefits ordered disclosed

By MICHAEL PRINCE

SAN FRANCISCO—In a pair of decisions last week, a federal appeals court in California said employers must inform affected employees when considering changes to early retirement benefit packages.

Attorneys say this might drive up employers' costs for retirement benefits.

The rulings came in two cases arising from nearly identical situations: employees retiring shortly before an enhanced retirement plan was announced for which they were no longer eligible. The rulings stated that because the employers were considering the enhanced benefit plan while the employees were deciding whether to retire, the companies had fiduciary obligations under the Employee Retirement Income Security Act to disclose the possible changes.

"Once an employer-fiduciary seriously considers a proposal to offer changed benefits under an existing ERISA plan, the employer-fiduciary has an affirmative duty to disclose information about the proposed changes to plan participants and beneficiaries whom it knows or should know are considering retirement and to whom the information would therefore be useful. This affirmative duty of disclosure arises whether or not plan participants or beneficiaries have asked the employer-fiduciary for the information," the 9th U.S. Circuit Court of Appeals stated in the first decision, *Bins vs. Exxon*.

In that case, the plaintiff, Ernest Bins, decided to retire as of Jan. 1, 1996. Prior to that, he inquired about rumors that Exxon would offer additional retirement benefits as an incentive for employees to retire. Mr. Bins was told by a number of supervisors and human resources advisers that no such plans existed.

See Rulings on page 26

RRGs fight South Carolina tax

Insurance groups say federal law bars the state license charge

By SALLY ROBERTS

COLUMBIA, S.C.—A disagreement over whether risk retention groups doing business in South Carolina are subject to an annual business license tax may wind up in court.

The Municipal Assn. of South Carolina, which is authorized to collect business license taxes on behalf of 230 South Carolina municipalities, recently sent letters to various RRGs in the state, warning that "failure to pay (the

tax) is a misdemeanor punishable by a fine and/or jail for each day of non-payment."

The National Risk Retention Assn., the trade group representing RRGs and service providers, says the federal Risk Retention Act specifically exempts RRGs from licensing requirements in non-domiciliary states and, by extension, state licensing taxes.

Passed by Congress in 1981 and later expanded in 1986, the Risk Retention Act allows RRGs, which are spe-

cial, multiple-owner captives, to operate throughout the United States if they meet the licensing requirements of their domiciliary state.

"The real bottom line is that it's a license tax, and risk retention groups don't need a license to operate in a specific state... it's clearly exempt by federal law," said Jon Harkavy, vp-general counsel for Risk Services L.L.C., a Sarasota, Fla.-based consulting and captive management firm and
See RRGs on page 23



PHOTO: AP/WIDE WORLD

This roller coaster was involved in the deaths of a mother and daughter and the injury of two others last month.

St. Paul wrote \$100,000 policy

Ride owner has liability cover

OCEAN CITY, N.J.—The owner of the roller coaster involved in the deaths of two people last month had at least \$100,000 in liability coverage from St. Paul Insurance Cos. Inc.

Two other people were slightly injured in the incident, which occurred at Gillian's Wonderland Pier in Ocean City, N.J.

St. Paul was the primary insurer for the amusement park, a St. Paul spokeswoman confirmed. She would not provide additional coverage details.

According to New Jersey regulations, amusement park owners must carry at least \$100,000 in liability insurance, and Gillian's met the requirement, said a spokesman for the New

Jersey Department of Community Affairs. The department, which oversees amusement parks in the state, is investigating the accident.

The spokesman would not give additional details about the coverage. The owners of the family-run park did not return phone calls seeking comment.

The accident occurred about 10 p.m. Aug. 28 on the Wild Wonder roller coaster.

The two people who were killed, a mother and her 8-year-old daughter, were in a car that was climbing a steep incline near the starting point of the ride. As the car approached the top of the incline, the mechanism that pulls the ride forward on the ride stopped, and the car began to roll backward.

An anti-roll back mechanism on the ride failed to engage, and the car accelerated down the slope. When the car hit a sharp curve at the bottom of the incline, the woman and the child were thrown from the car and killed.

The car remained on the tracks and continued to roll back to the start of the ride, where it collided with another car, injuring that car's two occupants.

The ride, which opened in July, passed an operational inspection July 17 and a mechanical inspection July 21, the spokesman for the DOC said.

Late last week the DOC had not yet determined what caused the failures on the ride.

—By Gavin Souter

Dennis

Continued from page 1

revenue because businesses closed.

"There's also an economic impact in terms of tourism dollars lost," she said.

Ms. Majure added that the Cape Fear Coast Convention and Visitors Bureau estimated that local businesses suffered about \$3 million in lost business because of the storm and noted that cancellations had increased for the Labor Day weekend.

But right now, we've got blue skies and wind is blowing and it's a beautiful day," she said last Thursday.

In fact, damage to New Hanover County, of which Wilmington is the county seat, is expected to total less than \$200,000, said a county spokesman.

Damage in neighboring Brunswick County is expected to total less than \$1 million, according to Cecil

Logan, the county's emergency management director.

Beachfront property owners took the heaviest hit, Mr. Logan pointed out, with at least one home, valued at around \$200,000, washed into the ocean. Other homes had roof and water damage.

"There was a very limited amount" of damage to businesses and public property, he said. The county, which has 20 municipalities, covers its property exposures with a combination of insurance in the commercial market and self-insurance.

"We had a few roof shingles blown off and a tree down here and there—nothing serious," said Jerry Ayers, corporate risk manager for Winston-Salem-based Wachovia Corp. The bank company operates around 30 branches in the coastal area hit by the hurricane.

"We were very fortunate," Mr. Ayers said.

Wachovia mobilized a response team to ensure bank branches could open when evacuees from coastal areas returned to their homes and businesses.

"We have a very comprehensive catastrophe recovery plan," Mr. Ayers said. "We have branch locations up and down the coast. When people come back, one of the first things they need is cash and banking services."

Food Lion Inc., a retail supermarket chain based in Salisbury, N.C., escaped the hurricane unscathed. The chain's eight stores on the Outer Banks were undamaged, said a spokeswoman.

Menlo Park, Calif.-based Risk Management Solutions Inc. estimates that Dennis will ultimately cost insurers less than \$100 million.

Utility companies had restored power to most homes and businesses by late last week.

"At the height of the storm,

around 120,000 customers were affected," said a spokesman for Virginia Power in Richmond, Va. "Of those, about 20,000 were on the Outer Banks."

The spokesman said fewer than 500 customers remained without power last week in the areas of North Carolina and Virginia served by the utility.

He said it is unclear how much the outages cost Virginia Power in extra expense, but those amounts are covered by the company's self-insurance program.

Raleigh-based Carolina Power & Light by last Thursday had restored electricity to nearly all its 60,000 customers that lost power in the storm. "Most were back on by Tuesday," a spokesman noted.

North of the Outer Banks, Virginia Beach also braced for a hurricane that didn't come.

"We're all tired of wind and rain," said Bob Esenberg, risk manager for

the City of Virginia Beach. He said the area experienced some erosion, but "very little structural damage so far—we've been very fortunate."

One concern is if the "storm just keeps sitting there" causing continued rainfall, soil could become so saturated that trees will topple, he said.

Meanwhile, the Insurance Services Office Inc.'s Property Claim Services unit estimated last week that Hurricane Bret, the first hurricane to hit the United States this season, caused an estimated \$30 million in insured property damage to southern Texas late last month.

The height of this year's Atlantic hurricane season coincides with a renewed push by much—but not all—of the property/casualty insurance industry to change the tax treatment of insurers' catastrophe reserves.

A bipartisan bill that would amend the tax code and allow insurers to set aside tax-deferred reserves to respond to truly catastrophic events was introduced in the House of Representatives just after the lawmakers approved this year's tax bill. Proponents of the bill expect Congress to deal with it next year.

Under H.R. 2749, the Policyholder Disaster Protection Act, insurers could place funds into the reserve on a tax-deferred basis. The amount would be capped on a case-by-case basis, based on an underwriter's catastrophe exposures for qualifying lines of business. Insurers would build up their contributions in 5% increments over a 20-year period, and reserves would be subject to federal income tax liability in the year they were withdrawn.

Insurers could draw on the reserves only to cover losses stemming from "qualifying catastrophic events" designated by the president, "the chief executive of any state, territory or possession of the United States" or ISO's Property Claim Services division. Qualifying events would include hurricanes, cyclones, tornadoes, winter catastrophes, fire, flood, hail, volcanic eruption, tsunamis and earthquakes, as well as the fires that may accompany them.

An insurer could draw from the reserve if qualifying losses reached the lesser of 30% of its policyholder surplus for the previous year or the fund cap for the taxable year.

Proponents of the bill see it as a matter of simple prudence.

"Our main concern is that we see the insurance industry as not being prepared for very major disasters. The reason is that it appears that the tax laws are discouraging preparation for very infrequent, very large events," said Ross Davidson, vp-industry affairs for USAA Group in San Antonio. USAA has been one of the most prominent proponents of tax-deferred reserving. Mr. Davidson said the current bill, which was introduced by Reps. Mark Foley, R-Fla.; Rick Hill, R-Mont.; Robert Matsui, D-Calif.; and Ed Royce, R-Calif.—tracks "pretty closely" with USAA's original proposal.

"We're under no illusions that this will be an easy thing to do," said Joel Wood, senior vp-government affairs for the Council of Insurance Agents & Brokers in Washington.

Not everyone involved with the property/casualty insurance industry has rushed to embrace the bill. The Risk & Insurance Management Society Inc., for example, has taken no position on the measure. The Reinsurance Assn. of America remains "unenthusiastic about a cat reserve," said Franklin W. Nutter, the Washington-based trade group's president.

"We have some concerns about opening up the tax code, because it may open up other provisions of the code for revenue offsets. It's better to let sleeping dogs lie," he said. **B**

We'll go wherever your specialty needs take you.



Gulf Insurance Group
A member of citigroup

The Travelers Specialty Solution. Your Specialty Solution.

A* (Superior) by A.M. Best AA by Standard & Poors* 1998 Ward's 50 Benchmark Group

For more information call 212-816-6677

*Insurer financial strength rating



Highly Protected Risk Protecting business is becoming an increasingly tall task. That's why companies rely on Wausau. Our HPR engineering staff applies the most frequently recognized fire protection standards, while our high in-house capacity provides the flexibility to underwrite the most complex properties. Plus, we offer primary and excess layered programs, global capabilities and an A+ A.M. Best rating. It's the reason we've risen to the top of the industry.

Wausau Insurance Companies • 2000 Westwood Drive, Wausau, WI 54401 • www.wausau.com • A+ A.M. Best Rating

What can we do to help you?

Opinions

Forced exposure unfair

LEGISLATION INTRODUCED IN California would unfairly tilt the legal playing field in favor of plaintiffs attorneys at the expense of business defendants.

Lawmakers in the state should listen to businesses and insurers calling on them to reject this measure, which not only is unfair but is largely unnecessary as well.

As we report in this issue, S.B. 1254 would bar the sealing of depositions and information obtained during discovery in certain kinds of lawsuits that are settled before trial. It also would curtail state courts from issuing protective orders that protect companies from abusive service of process or discovery. The ban on confidentiality agreements would apply to allegations of personal injury, wrongful death or fraud in product liability and pollution cases.

Other states restrict confidentiality agreements in such suits but also require strong evidence that information to be disclosed represents a threat to public safety. California's bill, by contrast, would require disclosure of any material obtained in the course of litigation, including sensitive corporate information that companies have a right to shield from their competitors, especially if it bears no relevance to a plaintiff's allegations of harm.

The state senator who introduced this "sunshine" bill says it is necessary to protect the public from being kept in the dark about potential public hazards from defective products and environmental hazards.

Businesses, however, rightly fear that the measure would really be used by the plaintiffs bar to force companies to settle claims, no matter how frivolous, or risk having sensitive company information and trade secrets exposed to competitors. In California, this could be especially harmful to the state's high technology industry, or any other business where intellectual property is a critical asset.

One of the biggest problems with this legislation is that by forcing the release of their information, companies that have not been found guilty or liable for any wrongdoing in a court of law effectively would be punished. Sen. Adam Schiff, D-Pasadena, the bill's sponsor, mistakenly equates being sued with being proved liable and sees no problem with exposing companies to such a threat.

If this bill becomes law, companies will be forced either to quickly settle claims to avoid putting their information at risk, or they will be forced to engage in litigation of lawsuits they might otherwise settle as a business decision. Either way, it would be a far more costly legal environment.



Another big problem with this bill is that it is largely unnecessary. Judges reviewing settlement agreements currently have the ability to weigh a litigant's right to privacy against the public's right to know about potential hazards, risk managers say. Of course, plaintiffs can always refuse to settle or decline to make confidentiality agreements part of the bargain.

As a result, the group that really stands to benefit from this bill is the plaintiffs attorneys. This bill, if enacted, would provide them with a road map to bring copycat lawsuits against companies—as well as unfair leverage to force settlements of cases that otherwise would be without merit. Apart from being unfair, that would clog the courts and raise the cost of doing business in California.

As journalists, we support an open legal system and generally oppose efforts to block access to information, but we also recognize there are occasions when confidentiality is justified. It is unfair to force all information a defendant produces during litigation into the public realm, with no recourse to differentiate between information that affects public safety and internal corporate information, such as trade secrets and intellectual property, that has no bearing on an underlying tort claim.

Lawmakers should reject this bill and allow the current system to keep the competitive and legal playing field in the state level.

Letters

Tax avoidance is bad reason for captive

To the editor: As a proponent of captive insurance companies for more than 30 years, I am very concerned about the future implications for captives as a result of reading your Aug. 16 article, "UPS Captive Called Tax Dodge."

Early captives for rental car insurance, strike insurance and bad debt insurance

did not have traditional commercial insurance industry alternatives. The legitimate business reason for forming the captive was the lack of a commercial insurance alternative, not tax reasons. I have always advocated that if the captive makes sense for the insurance reasons, then go forward with its implementation.

If it's purely for tax deferral and tax avoidance, the captive insurance company approach is not a viable alternative.

Andy Barile
President-Commercial Division
Arrowhead General
Insurance Agency Inc.
San Diego

Not all O-ring sprinklers are unreliable

To the editor: In an Aug. 17 *Business Insurance* article, "Omega Recall Sparks

New Scrutiny," concerning the recall of Omega sprinkler heads by the Consumer Product Safety Commission, a statement—"Now all fire sprinklers with O-rings are suspect"—was attributed to me.

Without proper context, this statement could be misinterpreted and lead one to conclude that Factory Mutual Research considers all sprinklers with O-rings unreliable.

In fact, I was referring to a growing perception, namely that of many people and organizations who have reacted to

the recall publicity by wrongly assuming that all sprinklers with O-rings are unreliable.

The key point is that it was the unique way in which the O-ring was incorporated into the Omega sprinkler head's design, and not the mere presence of an O-ring, that may have contributed in some cases to their failure to operate properly.

Joseph Hankins
Fire Protection Engineering Specialist
Factory Mutual Research
Johnston, R.I.

Business Insurance®

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

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

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

Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)

Managing Editor: Regis J. Coccia (Chicago)

Assistant Managing Editor: Todd J. Behme (Chicago)

Graphics Editor: Kathy L. Barnes (Chicago)

Senior Editors: Meg Fletcher, AEM (Chicago)

Judy Greenwald (San Jose)

Dave Lenkus (Tucson)

Douglas McLeod (New York)

Joanne Wojcik (Denver)

Rodd Zalkas (Chicago)

Washington Editor: Mark A. Hofmann (Washington)

Bureau Chiefs: Sarah Goddard (London)

Gavin Souter (New York)

Associate Editors: Michael Bradford (New Orleans)

Roberto Cenicerros (Los Angeles)

Amanda L. Milligan (Chicago)

Michael Prince (New York)

Sally Roberts (Denver)

Edwin Unsworth (London)

Kevin P. Edison (Chicago)

Mary B. Nick (Chicago)

Richard Trout (Chicago)

Matt Scroggins (Chicago)

Assistant Graphics/Online Editor: Amy R. Kepka (Chicago)

Editorial Assistant: Lee Fletcher (Chicago)

Assistant to the Publisher: Karen Brown Tucker (Chicago)

Editorial Cartoonist: Roger Schillerstrom (Chicago)

Midwest Advertising Manager: Robert L. Niesse (Chicago)

Eastern Advertising Manager: Blake Delany (New York)

District Managers: Chris Graff (New York)

Elizabeth McGahren (New York)

Robert B. Murray (New York)

Deborah D. Neale (Chicago)

Classified Advertising Manager: Irais Amlashi (Chicago)

Sales Assistant: Lori Lieberman (Los Angeles)

Production Manager: Elmer Kerstowski (Chicago)

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

Promotion Manager: Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5398

Denver: 303-698-7601

London: 207-457-1400

Los Angeles: 323-651-3710

New Orleans: 504-364-1908

New York: 212-210-0100

San Jose: 408-774-1500

Tucson: 520-579-1937

Washington: 202-662-7200

ADVERTISING: Chicago: 312-649-5276

New York: 212-210-0228

Los Angeles: 323-651-3710

COMMUNICATIONS: New York: 212-210-0132

SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by Crain Communications Inc.

Keith E. Crain
Chairman

Merrilee Crain
Secretary

Rance Crain
President

Mary Kay Crain
Treasurer

William A. Morrow
Executive Vice President/Operations

Robert C. Adams
Vice President/Production

Peter Johnson
Vice President/Circulation

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

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

S.R. Bernstein
Chairman-executive committee (1907-1993)

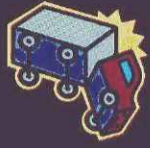
Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, E-mail: biweb@crain.com, Offices: 711 Third Ave., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; 473 Fairfield Ave., Gretna, LA 70056, Fax 504-364-1337; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 323-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hatton Garden, London EC1N 8LD England, Fax 207-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax 303-733-2244. \$4 a copy and \$89 a year in U.S. \$108 in Canada and Mexico (includes GST). All other countries \$209 a year (includes expedited air delivery). DON MERENDORF, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 888-446-1422 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com



TO SUBSCRIBE CALL 888-446-1422 • 313-446-0450 outside of the United States

TO PREPARE FOR OVERTURNED TRUCK, OIL SPILL, PLANT EXPLOSION, WORKER INJURY:



1) STOCK UP ON ANTACIDS.

2) CHOOSE THE TPA THAT
PROTECTS YOUR BOTTOM LINE.

Bad things will happen. But smart claims management can help ease your anxiety. Responding quickly to any situation, GAB Robins claims experts help minimize your business interruption. Our trained crisis managers and fraud investigators help head off unnecessary complications and costs. And by analyzing your claims experience, we can identify risk factors and recommend preventive steps that are friendly to the bottom line. Questions? answers@gabrobins.com or call 888.888.4242



Visit us at www.gabrobinsna.com

Charter

Continued from page 1

located on Ryder's corporate campus, directly across from its headquarters.

Charter schools essentially provide an alternative to public education while still receiving the same state funding as public schools. In addition, charter schools must meet at least the same educational standards as public elementary schools.

Although the Ryder school is the first charter school in the workplace, there are other corporate-owned satellite schools in operation.

Although Ryder funded construction of the school, it will recoup its investment by collecting lease payments from the school itself. The school will use part of the the \$4,500-per-student stipend that Florida allocates to public schools to make the payments.

"It was a fairly straightforward process," Mr. Schneider recalled.

"We did the upfront financing of the construction costs and then rolled it over into a (20-year) mortgage. Then we'll lease the facility to the school."

Several work and family consultants applauded Ryder's move.

"Childcare is the crown jewel in a larger work/life strategy," said Nancy Rosenzweig, vp of marketing for Bright Horizons Family Solutions in Cambridge, Mass. "More and more companies are looking at ways to provide it to their employees. Industries that were never in this business before now are becoming interested in offering this benefit." Bright Horizons specializes in child care facility design and work/life benefits.

And while the development of charter schools in the workplace may not yet be widespread, "I think we will start seeing more of them," because

"employers are trying to create more-comprehensive work/life solutions," Ms. Rosenzweig said.

"If you want to be the employer of choice in a community, this is a great thing to do," said Ingrid Van Zon, director of corporate services for Frontier Insurance Group, a specialty niche underwriter in Rock Hill, N.Y. "There's a need with today's tight labor market for employers to offer more extensive benefits."

Because Frontier is located in a rural community about 90 miles northwest of New York City, the insurer has had difficulty attracting workers. As a result, it is exploring opening a charter school for its employees' children, according to Ms. Van Zon. The company has 700 employees.

Earlier this year, Frontier opened an onsite day care center that can accommodate up to 75 preschool and 30 school-age children.

"We need a reason to attract people up here in the boonocks," said Ms. Van Zon. "But the first thing someone with kids looks at when considering whether to relocate is the quality of the schools. We have really very few options in terms of schooling up here."

But while a corporate-launched charter school may be the solution to school deficiency problems in places like Rock Hill, it may not work in all communities, said Susan Ginsberg, editor and publisher of the newsletter "Work and Family Life" and a member of the Alliance of Work-Life Professionals.

"There are a few places in the country where it's suitable, but it has yet to be shown whether charter schools will be a success," she said. "Just because a private employer puts together a school doesn't mean it'll be a good school."

But even though Ms. Ginsberg said

she doesn't think charter schools in the workplace will be the wave of the future, she acknowledged that "charter school legislation paves the way and makes them more of a possibility than years ago."

Florida, where the Ryder school is located, and New York, where Frontier is considering starting its school, are among the 35 states that, over the past nine years, have adopted legislation permitting charter schools, according to Jon Hage, president and

'You don't get this kind of flexibility with your children elsewhere,' says Cristina Saez-Aguirre of Ryder.

chief executive officer of Charter Schools USA in Fort Lauderdale, Fla. The company was formed two years ago to develop charter schools nationwide.

Charter Schools USA operates the Ryder school and is conducting a feasibility assessment for Frontier.

Charter schools are thought to provide higher-quality education because they have fewer students in each class, emphasize high-tech education both in the classroom and at home, have more school days each year, and have more experienced teachers, he explained.

And because charter schools are legally separate from the local school system, they can develop their own curricula, Mr. Hage added.

For example, the new Ryder Elementary Charter School curriculum will emphasize the use of technology

and foreign language skills.

Children enrolled in kindergarten will be taught Spanish, while children in higher grades will be taught either French or Latin, according to Cristina Saez-Aguirre, an executive assistant at Ryder and a member of the Ryder Parents Committee who helped develop the charter school's curriculum.

"The quality of instruction is superior," she said. "Teachers are required to have at least three years of experience. I've met most of the teachers, and they're very energetic and excited."

Besides that, "the school is beautiful. Big classrooms. Each class has at least one computer, plus there's a computer lab," she added.

Ms. Saez-Aguirre has two children, a 4-year-old son and a 5-year-old daughter. She began kindergarten at the Ryder school Aug. 30.

As is typical of all charter schools, Ryder parents must sign a contract, agreeing to donate a minimum of 20 hours of time per year to the school.

Fortunately, the company is giving its employees the flexibility to do that.

"They (Ryder management) said parents would be permitted to attend school functions held during the workday," said Ms. Saez-Aguirre.

And because the school is just across the street from Ryder's Miami headquarters, parents will be able to visit their children during lunch hours and at break time. Ryder operates cafeterias both in the workplace and in the school as an additional employee benefit.

"You don't get this kind of flexibility with your children elsewhere," said Ms. Saez-Aguirre.

While parents' 20 donated hours will not necessarily be on company time, parents will be able to use flex-time "if there is a need to meet with

their children," noted Ryder's Mr. Schneider.

"Being across the street brings with it a lot of benefits," including making it easier for "parents to see their kids on an as-needed basis," he said.

And because Ryder's day care center is open to provide before-and after-school care, "they have flexibility if they are required to work an extra hour or so," Mr. Schneider said. "We also will have a summer camp, so it's really a 12-month program."

Besides the new charter school, Ryder for several years has been offering full- and part-time day care for children of Ryder employees ages 6 weeks through 5 years at Kids' Corner, Ryder's child development center adjacent to the new school. The center, which is operated by Bright Horizons, also offers care on teacher institute days, holidays and in case of emergencies, and a summer camp is available for school-age children.

The Ryder elementary school conducts classes from 8:15 a.m. until 3 p.m. Ryder's day care center is open from 7 a.m. until 6:30 p.m. While the school year coincides with the Dade County School District, teachers in the Ryder school have fewer teacher institute days, which means the children have fewer floating holidays than in the public school system.

During its first year of operation, the Ryder school will provide kindergarten through third-grade education for 300 students, and the fourth and fifth grades will be added as the children matriculate.

Preference for enrollment was given to children of the 1,250 people who work on the Ryder corporate campus, which also includes employees of Andersen Consulting and IBM Corp. Vacancies were filled by children from the community. **BI**



We Cover The Great Outdoors

The Outdoorsman Agency, a leading manager of specialty insurance programs, invites inquiries from agents seeking admitted markets for outdoor professionals.

Eligible risks include: big game hunting outfitters, fishing guides, lodges, sporting clays,

wingshooting preserves, canoe/kayak and backpacking guides and...our newest program covering sporting firearms retailers and indoor & outdoor ranges.

Call to discuss the Outdoorsman advantage we can offer you and your clients.

800-849-9288 • Fax (803) 799-6609 • E-mail outdoorins@aol.com

Datebook

SEPTEMBER

SEPT. 13-14. Casualty Loss Reserve seminar in Scottsdale, Ariz., sponsored by the Casualty Actuarial Society; \$550 for members and students and \$650 for non-members. Casualty Actuarial Society, 1100 N. Glebe Road, Suite 600, Arlington, Va. 22201; 703-276-3100.

SEPT. 13-17. Fundamentals of Global Benefits Management conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; \$1,475 for members and \$1,725 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

SEPT. 16. Emerging Business Insurance Issues for the New Millennium-Y2K seminar in Rosemont, Ill., sponsored by Lorman Education Services;

\$199. Lorman Education Services, P.O. Box 509, Eau Claire, Wis. 54702-0509; 715-833-3959.

SEPT. 16-18. Assn. for Worksite Health Promotion International Conference in Nashville, Tenn., sponsored by AWHP and other industry leaders; \$420 for members and \$570 for non-members. AWHP 1999 Annual International Conference, 60 Revere Drive, Suite 500, Northbrook, Ill. 60062; 847-480-9574.

SEPT. 19-21. Houston Marine Insurance Seminar in Houston, sponsored by Marine Insurance Seminars Inc; \$300. Houston Marine Insurance Seminar, c/o Michael K. Bell; Bell, Ryniker & Letourneau P.C., 5 Post Oak Park, 4400 Post Oak Parkway, Suite 1300, Houston, Texas 77027; 713-430-6124.

SEPT. 19-22. National African American Insurance Assn. annual conference in New Orleans, sponsored by the NAAIA; \$185 for members and \$195 for non-members. NAAIA, 4010 Executive Park, Suite 406, Cincinnati, Ohio 45241; 513-733-8732.

SEPT. 19-22. National Assn. of Mutual Insurance Companies annual convention in San Antonio, sponsored by NAMIC; \$380 for members, \$500 for non-members. NAMIC, Judi Sanders, P.O. Box 68700, Indianapolis, Ind. 46268; 317-875-5250.

SEPT. 21-24. Mergers and Acquisitions in the Insurance and Financial Services Industry conference in Southampton, Bermuda, sponsored by Strategic Research Institute; \$1595. Strategic Research Institute, 333 Seventh Ave., Ninth Floor, New York, N.Y. 10001-5004; 800-599-4950.

SEPT. 22-24. National Assn. of Dental Plans annual conference in Palm Springs, Calif., sponsored by NADP; \$1,600 for members and \$1,850 for non-members. Amy B. Shaw, NADP, 5001 LBJ Freeway, Suite 375, Dallas, Texas 75244-6160; 972-458-6998, ext. 106.

SEPT. 22-23. National Employee Benefits Institute Foundation Fall Legislative Conference in Washington, sponsored by NEBI. Free for members and

\$450 for non-members. NEBI, 1350 Connecticut Ave. N.W., Suite 600, Washington 20036; 888-822-1344.

SEPT. 23-24. Environmental Liability Management conference in Dallas, sponsored by The Institute for International Research; \$1,395 for main conference only. IIR, P.O. Box 102914, Atlanta, Ga. 30368-2914; 888-670-8200.

SEPT. 27-OCT. 1. Independent Insurance Agents of America Annual Convention and Trade Show in Las Vegas, sponsored by IIAA; \$469 for members and \$545 for non-members. IIAA, 127 S. Peyton St., Alexandria, Va. 22314; 800-221-7917. **OCTOBER OCT. 2-6. National Assn. of Insurance Commissioners Fall National Conference** in Atlanta, sponsored by the NAIC; \$425. NAIC Meetings Department, P.O. Box 87-5410, Kansas City, Mo. 64187-0335; 816-889-4400.

OCTOBER

OCT. 3-5. 1999 Managed Care Institute in Palm Beach Gardens, Fla., sponsored by the Healthcare Financial Management Assn.; \$795 for members and \$895 for non-members. HFMA, Terry Arya, 2 Westbrook Corporate Center, Suite 700, Westchester, Ill. 60154; 800-252-4362, ext. 362.

OCT. 3-6. American Society for Healthcare Risk Management annual conference in Chicago, sponsored by ASHRM; \$475 for members and \$575 for non-members. American Society for Healthcare Risk Management, 1 N. Franklin St., Chicago, Ill. 60606; 312-422-3980.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the cost, if any, to attend the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed. Datebook listings also are available on the World Wide Web at <http://www.businessinsurance.com>.

INTRODUCING...

THE VIRTUAL SERVICE COMPANY

You're probably asking "what is a virtual service company?" A virtual service company is one that has the effect of being right there in your backroom — part of your operation — but it's not. It is seamless and transparent to your customers.

This is Trumbull Services. We are the outsourcing solution for insurers, MGAs and agents.


We allow you to stay in the front room, focusing on what you do best — while we stay in the background and focus on the rest. Whether you are struggling with Y2K issues, high expense ratios, or looking for innovative ways to expand your business quickly and cost effectively, Trumbull Services is your solution.

We offer a vast array of quality, cost-effective services including:

- Underwriting, Issuing, Canceling and Amending Policies
- Call Center and Fax Services
- Loss Control including IH Lab Analysis
- Premium Audit and Billing
- Premium Collection
- Claims Administration, including Subrogation
- Statistical Reporting

Call 1-877-285-2174 for more information on Trumbull Services. Or visit our web site at www.trumbull-services.com





HIGH-QUALITY
DATA CONVERSION

FAST SYSTEM ACCESS

DATA SECURITY

SEARCH OVER

The best-of-class RMIS solution is at Corporate Systems.

Corporate Systems "best-of-class" RMIS solutions can do more to help you avoid the pitfalls of managing risks.

In installation after installation, for customer after customer, we deliver the claims automation systems and services with features industry professionals have defined as the very best. You can turn loss-and-expense ratio obstacles into financial opportunities.

From ensuring the security and integrity of claims data to maximizing access speed and efficiency; from clean data conversion to delivering support for early intervention, our solutions are ready to go to work for you...optimizing response times...maximizing productivity...reducing costs.

Corporate Systems is the largest, most proven risk management information systems and services supplier in the US. We're not just a recognized leader—we're a recognized *partner*. The RMIS source for more than 4,000 customers, from insurers to third-party administrators to *Fortune 500* firms. We ensure every solution comes complete with deep technical support and superior training.

It's all part of being one of the most stable, independent suppliers in the insurance and risk industry, for workers' compensation; disability; general, product and automobile liability; physical damage; property and crime.

The search is indeed over. We put the "best" in best-of-class so you get from problem to payback faster, more efficiently, with less risk. Call 806.337.3554. Or e-mail ccogdill@csedge.com.

AD HOC
REPORTING

EASE OF USE

**corporate
systems**

The shortest distance from problem to payback.

©1999 Corporate Systems, Inc. 08/99 • www.csedge.com

CLAIMS
ADMINISTRATION

THIS
WAY

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Inside:

**Specialization key
to high productivity**
page 14B

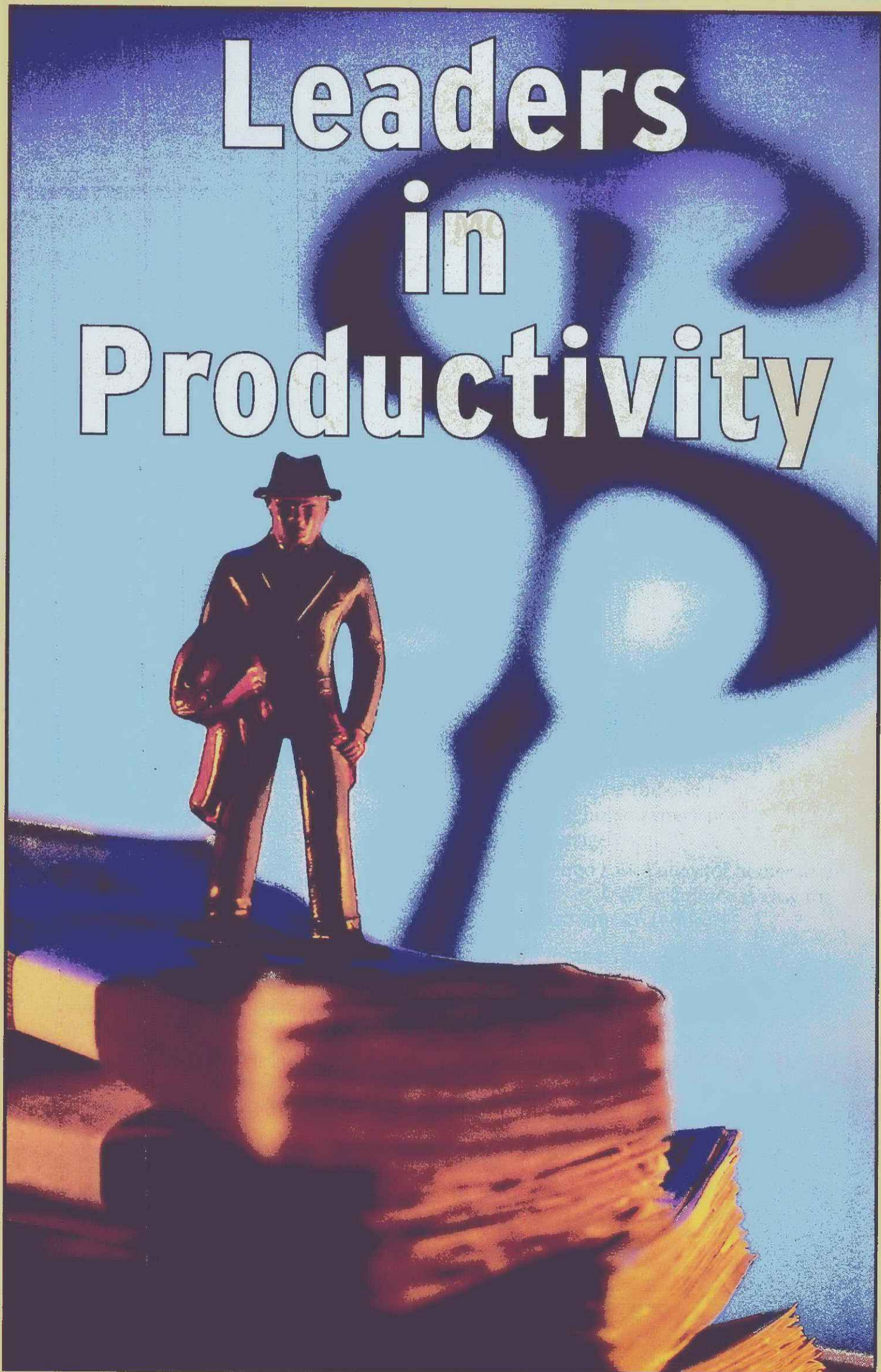
**Chart of 20 most
productive brokers**
page 14D

**Technology, culture
keep AirSure flying
high** page 14F

**Mellon/Clair Odell
banks on expanded
sales** page 14H

**Kelter-Thorner
strives to keep client
happy** page 14J

**Kaye Group
programmed for
growth** page 14L



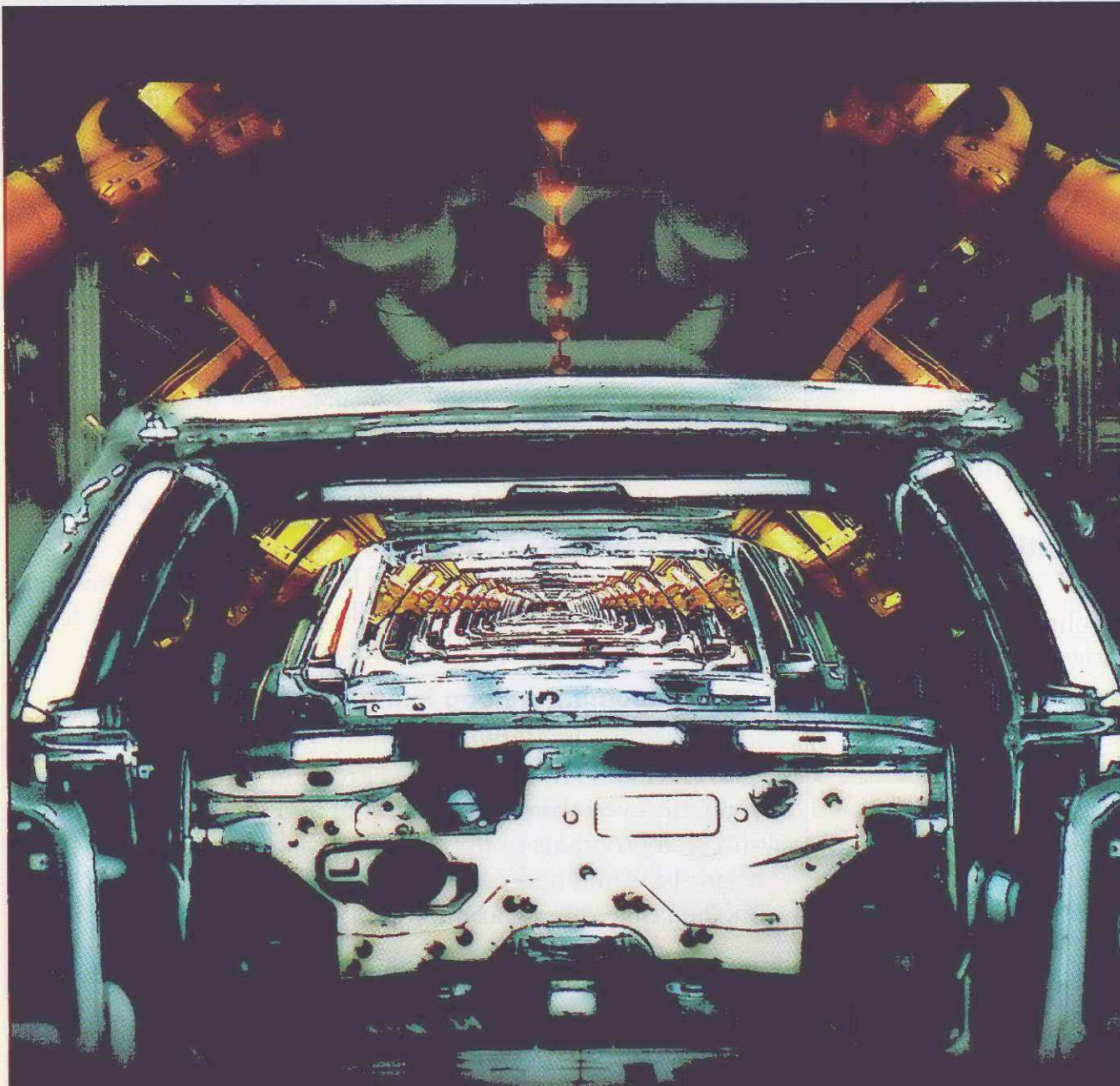
Leaders in Productivity

Most productive U.S. agents and brokers

Ranked by 1998 brokerage revenues per employee for companies deriving a majority of their revenues from commercial retail business

Company	Revenue/employee			Brokerage revenues			Employees		
	1998	1997	% change	1998	1997	% change	1998	1997	% change
1 Joseph Held Co. Inc.	\$323,125	\$308,438	4.8%	\$2,565,000	\$2,467,500	4.8%	8	8	0.0%
2 Healthcare Insurance Services Inc.	309,099	240,753	28.4	38,019,229	43,335,455	-12.3	123	180	-31.7
3 AirSure Ltd.	256,990	241,245	6.5	5,139,809	4,824,908	6.5	20	20	0.0
4 Frank Crystal & Co.	239,304	215,260	11.2	55,040,000	48,864,000	12.6	230	227	1.3
5 The Sklover Group Inc.	232,750	226,738	2.7	1,362,000	1,813,900	2.7	8	8	0.0
6 Norwest Insurance Inc.	217,689	187,722	16.0	161,090,000	126,900,000	26.9	740	676	9.5
7 Hcbbs Group L.L.C.	213,788	198,802	7.5	50,240,100	28,229,910	78.0	235	142	65.5
8 Mellon/Clair Odell Group	208,667	187,079	11.5	20,658,000	18,895,000	9.3	99	101	-2.0
9 HCM Benefits Inc.	197,861	155,536	27.2	8,310,145	6,843,578	21.4	42	44	-4.5
10 Jordan Shields Insurance Agency Inc.	194,000	180,000	7.8	970,000	900,000	7.8	5	5	0.0
11 Aviation Insurance Services ¹	186,480	163,000	14.4	4,662,000	4,075,000	14.4	25	25	0.0
12 MLW Services Inc.	184,619	174,023	6.1	11,077,110	11,137,500	-0.5	60	64	-6.3
13 ISU Insurance Services of San Francisco	175,667	154,286	13.9	3,162,000	3,240,000	-2.4	18	21	-14.3
14 James Econn & Co.	171,591	173,140	-0.9	5,147,734	5,540,470	-7.1	30	32	-6.3
15 San Diego Associates Inc.	166,667	166,667	0.0	1,000,000	1,000,000	0.0	6	6	0.0
16 Kelter-Thorner Inc. ²	166,661	142,932	16.6	16,166,150	13,864,440	16.6	97	97	0.0
17 The Graham Co.	165,713	156,653	5.8	21,542,745	19,895,000	8.3	130	127	2.4
18 Rebsamen Insurance	163,425	154,264	5.9	24,513,870	21,905,423	11.9	150	142	5.6
19 Cal-Surance Associates Inc.	162,585	130,648	24.4	21,949,000	16,723,000	31.3	135	128	5.5
20 Horton Insurance Agency Inc.	162,461	99,901	62.6	16,246,117	9,990,123	62.6	100	100	0.0
Averages/totals	\$204,957	\$182,854	13.7%	\$469,381,009	\$390,445,207	20.2%	2,261	2,153	5.0%

¹ Fiscal year ending 6/30 ² Fiscal year ending 9/30
Source BI survey



Who Knows What Will
Happen Down The Line?

Be Safe and Secure with One of
the Leading Industrial and
Commercial Insurers.

 GERLING

Leaders

Continued from page 14B

Appearing in third place is Air-Sure Ltd. The agency, based in Golden, Colo., averaged brokerage revenues of \$256,990 per employee, up 6.5% from 1997, while its employee count remained steady at 20.

Coming in at fourth place is Frank Crystal & Co., with average brokerage revenues of \$239,304 per employee. The New York-based agency saw revenues increase by 11.2%.

Although specialization is a significant factor in greater productivity, it's certainly not the only one, said Bobby Reagan, president and chief executive officer of Reagan & Associates, an agency management consultant in Atlanta.

Perhaps equally important is having a workforce that is willing to work hard, Mr. Reagan said. To develop a dedicated workforce, a company's leaders must encourage the right culture.

"Notwithstanding the fact that a sales focus and a niche strategy are certainly very important, in my opinion, the two most remarkable attributes of agencies with high productivity are they execute very well and have a real passion for the business," said Timothy J. Cunningham, a principal at agency consulting firm INSIGHT Management Consultants in Chicago.

"It's the intangibles that are really important," he said, including passion, motivation and an upbeat attitude about the business.

In addition, efficient operations result in higher productivity. Thus, automation and other resources are needed to support workers' efforts, Mr. Reagan said.

Not all highly productive agencies have all three elements, however. Some have succeeded by excelling at one or two, and these firms could improve productivity by focusing on the lagging elements, he said.

With greater competition from sources such as banks as well as with calls for more services to satisfy customers, it's difficult to increase revenues. As a result, agents and brokers must become more efficient to increase profits, Mr. Reagan said. This means a company must find the best and most motivated people.

"The ones that succeed are the ones likely to find, attract and retain that talent," he said.

The key to the productivity of Frank Crystal & Co. is its dedicated people, said James Crystal, chairman and CEO of the fourth-ranked broker.

The company hires good people and then gives them the systems "that help make their jobs easier," Mr. Crystal said. Systems and infrastructure help to increase productivity, "but you have to have the right people to begin with," he said.

Norwest Insurance Inc. of Minneapolis, the largest firm on the list in terms of employees and gross revenues, ranked as the sixth

most-productive company. Norwest had 1998 brokerage revenues of \$161.1 million, with an average

firm had 1998 brokerage revenues of \$213,788 per employee, a 7.5% increase over 1997. Mellon/Clair

Odell Group of Plymouth Meeting, Pa., ranked eighth, with \$208,667 in brokerage revenues per employee, an 11.5% increase from its 1997 level. HCM Benefits Inc. of

Torrance, Calif., ranked ninth, with \$197,861 in brokerage revenue per employee, up 27.2% from 1997.

Finishing off the top 10 was Jordan Shields Insurance Agency Inc., based in Novato, Calif. The agency had \$194,000 in 1998 brokerage revenues per employee, up 7.8% from 1997.

While specialization has been a key factor in increasing productivity, it nevertheless has its drawbacks. Most notably, specializing in one field exposes the agency to a downturn in business in that particular area, Mr. Crystal said. He recommends that an agency put no more than 15% of its business into one specific area. "You can't take your eye off the whole business world," he said.

In the past few years, the Inter-

net has become a big factor in increasing agency productivity, Mr. Sklover said. An agency's Web site, for example, can be used to market the agency, answer questions and submit applications. In the past, such activities had to be performed by staff members.

In recent years, agencies have also more fully integrated automation into their work routines, Ms. Hammes said. For example, an agency now can enter policy information into computer and electronically send it to an insurer, saving time over paper submissions that the insurer must then re-enter into its own systems. Additionally, a sin-

See Leaders on page 14F

'The two most remarkable attributes of agencies with high productivity are they execute very well and have a real passion for the business.'

— Timothy J. Cunningham

of \$217,689 for each of its 740 employees, a 16% jump over 1997.

In the seventh position is Hobbs Group L.L.C. The Atlanta-based

\$250,000,000
Umbrella Liability for
as little as \$3,560?
[now that's aggressive]

Designed for the following
 eligible classes: Apartments,
 Condos/Co-Ops,
 Hotels/Motels and LRO
 Shopping Centers, Office
 Buildings, Strip Malls and
 Warehouses. Interested in a
 price comparison? Call PMI
 today at 888-310-8293.

P.M.I.

PROPERTY MANAGERS RISK PURCHASING GROUP, INC.

You can't find better umbrella coverage at a better price.

Leaders

Continued from previous page
gle entry means fewer errors, which further increases productivity.

But technological advances such as the Internet can also cause trouble for agencies, Mr. Sklover pointed out. More and more insurers are selling policies directly to consumers and businesses, bypassing agencies entirely. To avoid being left out of the loop, Mr. Sklover recommends that an agency become a specialist in one area. Interested customers will be drawn to the agency because of its reputa-

tion and expertise, and that will help prevent insurers from grabbing the agency's business, he said.

"Specialize or die," Mr. Sklover quipped.

Another trend that has increased productivity has been a change in management philosophy, Ms. Hammes noted. More agencies now use a team approach, where each of an agency's employees receives bonuses based not on his or her individual performance but on the agency's total performance. This approach increases morale and gets employees to work harder, with the goal of improving the agency's profits, she said. **BI**

Culture, technology help AirSure take-off

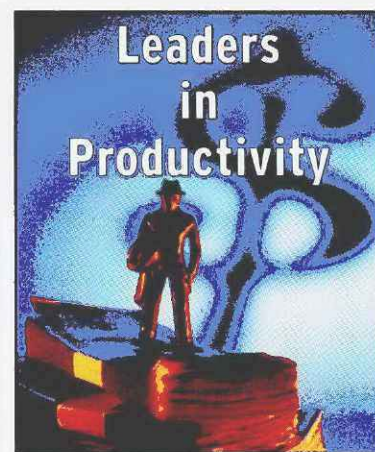
By SALLY ROBERTS

Some might look to AirSure Ltd.'s ongoing commitment to upgrading its automation system as the catalyst behind its high productivity levels.

Others who visit the agency's headquarters nestled in the Rocky Mountains might suggest that it is

this environment that inspires employees to work harder. Then again, maybe it's the broker's aviation niche, its producer compensation package, or the fleet of private airplanes that producers can use to improve travel efficiency.

Bill Behan, founder and president of Golden, Colo.-based AirSure, says that all of these elements together make up the agency's culture. And it's this cul-



ture, he said, that is behind AirSure's average revenue per employee reaching \$256,990 in 1998, a 6.5% rise over 1997. AirSure comes in at No. 3 in the *Business Insurance* ranking of the 20 most productive U.S. agents and brokers.

AirSure's gross premium volume rose 5.7% in 1998 to \$40.1 million, while brokerage revenues increased 6.5% to \$5.1 million. Mr. Behan said that the firm has grown steadily since moving its headquarters to Golden from Dallas in 1991.

While other agents and brokers are increasing revenues by making numerous acquisitions and adding to their employee count, AirSure has maintained its total of roughly 20 employees over the past several years and has made only one small acquisition.

"It's really blocking and tackling," Mr. Behan said of the company's growth.

He also points to the agency's niche focus as a factor in its continued success.

When AirSure moved to Colorado, it sold its small aircraft owners book of business and decided to focus on areas of business "that seemed to be receiving less and less attention from other brokers," he said. These areas include liability insurance and general liability and workers compensation coverages for airport operators, helicopter operators, corporate flight departments, fixed-base operations as well as other unique aviation operations, including hot air balloons and agricultural spraying. Average premiums range between \$150,000 to \$170,000.

"We've tried to concentrate our growth on coverages that are not well known—those accounts that are really going through some difficulty with their insurance program," Mr. Behan said. "This is not an off-the-shelf product that they need. There's a tremendous amount of customizing of the policy that needs to be done for most clients."

To that end, AirSure in 1994 worked with a local software vendor to develop its own customized aviation automation software that, among other things, allows the broker to customize reporting forms (*A/BT*, Sept. 4, 1995). That software has since been implemented by other aviation specialists in the market, Mr. Behan noted.

"There was no off-the-shelf
Continued on next page

The STANDARDSM INSURANCE



1 PROTECTION

For more than 93 years, we've taken people under our wing, providing financial security for families and businesses. It symbolizes strength and caring protection.

People. Not just policies.®

3 BANNER

We hang our banner with pride, determined to be The Standard by which industry products and services are measured.

2 PEOPLE

While helping individuals and groups secure financial protection, our priority has always been people, not just policies.

The Standard is changing.
We're raising the bar, setting
The Standard for our
customers, shareholders
and ourselves. Now our
brand says it all.

STANDARD INSURANCE COMPANY
MEMBER, STANCORP FINANCIAL GROUP, INC.
1100 SW SIXTH AVENUE PORTLAND, OREGON 97204
1-800-642-9888
WWW.STANDARD.COM

LIFE INSURANCE
DISABILITY INSURANCE
DENTAL INSURANCE
RETIREMENT PLANS

MEMBER, INSURANCE MARKETPLACE STANDARDS
ASSOCIATION, PROMOTING
ETHICAL MARKET CONDUCT FOR
INDIVIDUAL LIFE INSURANCE AND ANNUITIES.

PRESENTING A SHORT

GUIDED
TOUR

OF OUR NEW LOGO.

Continued from previous page
automation software product out there for the aviation business," he said. "So we emulated the best ones out there and customized it" to meet AirSure's specific needs.

Just as AirSure's software has evolved, so too has the speed, capacity and capability of computers. As a result, AirSure has a policy of not keeping computers for longer than two years, Mr. Behan said.

"You won't find a computer in our company today that is older than four months," he said. "We are never two or three series behind."

"We've really looked at (automation) as you don't acquire this stuff. You don't make a decision that I'm going to buy a new automation system; you invest in a continual program that is updating you, so that every year you've got something new" and every two years you've gone through all a system has to offer, he said.

For insurance agencies today, "if you're not focused upon being as efficient as you possibly can be, why would you spend more money on people to get a job done, when the people that you have just want better tools and you've got it within your where-withal?"

"It's as much a part of our culture as having employees," Mr. Behan said of automation.

In addition to improving automation, the broker also has aimed to make travel more efficient.

AirSure owns three airplanes, which are located in airports near Denver, Aspen, Colo., and Boise, Idaho.

"When you look at the cost of producers and the expense of traveling today, it's an efficient means of transportation," Mr. Behan said. "If we didn't believe in it, we wouldn't have any customers."

Of AirSure's 20 employees, five are producers, and two of those producers work from home in Idaho and New Jersey. Mr. Behan noted that AirSure's producers are constantly on the road, visiting clients all over the United States.

"The cost of acquiring and maintaining an account is extremely high," Mr. Behan said, noting that it costs the agency anywhere from \$5,000 to \$10,000 a month to support travel, and this does not include the expenses associated with the airplanes.

However, the time saved by owning the airplanes is invaluable, Mr. Behan said.

On any given day, producers can visit four or five clients in different areas, he said.

"It's just an efficient way of doing business," he said.

With efficiencies gained through automation and travel, AirSure's producers are left with more time to sell, and a new compensation structure is giving them more incentive to do so.

A little over two years ago, AirSure changed its producer compensation structure from a straight-salary-plus-bonus arrangement to a 100% commission-based structure.

Mr. Behan said that prior to the change, "I didn't have the heart to reduce anyone's salaries" if a producer did not have a good year. But

he said.

Mr. Behan said he tried to compare what it costs AirSure to employ a producer compared to other



'People spend more time at work than they do at home. Why should it not be everything that it could be?'

— Bill Behan

at the same time, if that person had a stellar year, his or her salary didn't adequately reflect that success,

property/casualty companies and developed a new-and-renewal commissions arrangement. Under

that arrangement, AirSure producers make 35% commission on new accounts and 22.5% on renewals.

"For the producers who've been on this for two years now, they are extremely happy," Mr. Behan said. "And we're extremely happy because the expected results are what we've seen—sales have taken off. The last two years, our (sales) growth has been 35% to 40% for the two years," he said.

In addition to its compensation structure, AirSure offers employees a 401(k) retirement savings plan.

Another incentive for employees undoubtedly is the agency's location, Mr. Behan said.

"People spend more time at work

than they do at home. Why should it not be everything that it could be?" Mr. Behan asked. "So we spent a lot of money on a building where people enjoy themselves. They may not like the work every-day, but the environment is great."

Indeed, the 10,500-square foot, recently remodeled corporate headquarters is ensconced in the mountains just off the highway that leads to many of the state's renowned ski resorts. The floor-to-ceiling windows offer the opportunity to view the deer and elk that like to eat the plants and trees landscaping the building, Mr. Behan said.

See AirSure on next page

Our moves may surprise you.

Our speed and flexibility often surprise those who think of us mainly as expert underwriters backed by sound financial stability.

Fact is, bonding often requires creative problem solving. A surety has to know how to bend, be responsive.

Tell us what you need. Watch us move.

Challenge us.™

CNA SURETY

CNA is a registered service mark and trade name of CNA Financial Corporation.

AirSure

Continued from previous page

For AirSure, productivity is a result of "the right combination of being able to have the tools and the people and the incentives, and then finding the right customer that fits," Mr. Behan said.

"For the most part, our clients are people who really need us. They are people that can't find the depth of our service capabilities outside of what we offer, with the exception of one or two other specialists in this country."

As a result, AirSure has about a 98% retention rate, he said. "We find that, of the small amount of

business that we lose annually, about half of it is because the company was sold or something else that is out of our control."

Despite continued growth and being one of the most productive agencies in the country Mr. Behan is pragmatic about AirSure's future.

"Ultimately, AirSure has to be

bought," he said. "We will not be a two- to three-generation firm. We will find, in the future, the right partner in our life, and they'll make us happy and we'll make them happy."

"That day will come. And when that day comes, it will be because I like the people and I trust them and I respect them.

But if they can't get through that initial mine field, then that's where it ends and we've had some very nice people come talk to us. But there's no motivating reason that we've got to do something at any point and time."

"I hope it's a sellers' market for a while," he said. **BI**

Loyal clients propel Mellon/Clair Odell

By **RODD ZOLKOS**

Already one of the country's most productive brokers, the added business muscle that Clair Odell Group gained when it was bought by Mellon Bank N.A. brings the potential for even greater results.

As Mellon/Clair Odell Group, the Plymouth Meeting, Pa.-based broker's relationship with its Pittsburgh-based parent offers a host of benefits, including Mellon Bank's financial strength, cross-selling opportunities and technical know-how. Mellon bought the broker in June 1998.

Mellon/Clair Odell typically serves two target markets: indi-

viduals with a high net worth and medium-sized commercial businesses, according to William Kanehann, executive vp and chief operating officer at Mellon/Clair Odell.

The group of businesses the broker serves represents "a relatively broad band," Mr. Kanehann said. "It starts at a point just below the Fortune 100 and goes to just above your Main Street business."

From its base in the Philadelphia area, the company does most of its business in Pennsylvania, New Jersey and Delaware, though Mellon/Clair Odell has customers in all 50 states.

Mellon/Clair Odell posted 1998 brokerage revenues of nearly \$20.7 million. With 99 employees in 1998, it generated av-

erage revenues per employee of \$208,667, a figure that puts it in the No. 8 spot in the *Business Insurance* ranking of the most productive U.S. agents and brokers.

Last year's productivity was an 11.5% increase from the \$187,079 generated per employee in 1997.

Mr. Kanehann noted that Mellon/Clair Odell expects growth to come from three sources: organic growth of the company's existing book of business, Mellon's customer base and acquisitions.

On the subject of organic growth, Mr. Kanehann said: "Our retention rate is extremely high. Our customers are very pleased with our level of service." As a result of that customer satisfaction, "we have

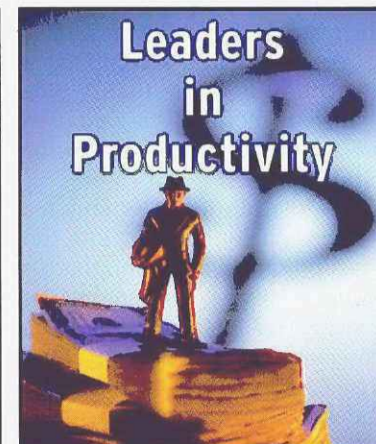
tremendous organic growth based on referrals," the COO said.

With regard to tapping Mellon's customer base for growth opportunities, Mr. Kanehann noted that Clair Odell is one of several Mellon-owned businesses. Others include Buck Consultants Inc. and the Dreyfuss Corp.

"Mellon's customers are used to buying a lot of other products from Mellon Bank other than just loans and deposits," Mr. Kanehann said. "As a result, they are tremendously receptive to Clair Odell."

The third potential growth source is acquisitions, an area where the parent company's backing is expected to provide significant opportunities.

"Mellon is very, very anxious



to provide funds to enable us to make acquisitions," Mr. Kanehann said.

"For the year 2000, we clearly have a platform that says books of business or companies are in our sightline here," said Frank Svitek, Mellon/Clair Odell Group's president and chief executive officer. "We plan on concluding some deals in that

Continued on next page

GETTING LESS FROM YOUR INSURANCE COMPANY COULD GET YOU IN TROUBLE.



GET MORE. When you do business with Philadelphia Insurance Companies, you really do get more. More comprehensive coverage. More policy enhancements. More opportunities for growth. If you are getting less from your current carriers, call us today.

- Private schools
- Social services/nonprofits/day care
- Health & fitness clubs
- Guides & outfitters
- Condo/homeowners associations
- Inland marine/specialty property
- Auto leasing & rental
- Professional liability/directors & officers
- Boat dealers & marinas
- Homeowners/mobile homes

- 15% commission
- A.M. Best rating "A+" (Superior)
- Unique coverage enhancements
- Rapid turnaround on new business



**Philadelphia
Insurance Companies**

GET MORE.

1-800-873-4552

www.getmore.com

Continued from previous page area."

"We probably have more opportunities to grow our customer base than we have producers to chase it right now," he said. "We have a parent company that is very, very anxious to fund acquisitions."

As far as attracting, motivating and retaining those producers, a key to Mellon/Clair Odell's productivity has been its flexible approach.

"Talent is the most precious resource in our business and a resource we're willing to pay for in terms of our compensation formula," Mr. Svitek said.

"We're trying everything, whatever methodology we can use to attract bright producers," Mr. Kanehann said. "Those with books of business and those without books of business, we're trying it."

And typically, Mellon/Clair Odell crafts the compensation scheme to meet the needs of the producer.

"I'd say we tailor the compensation to the particular needs of the situation," Mr. Kanehann said. "We're very flexible."

Mr. Svitek added that he's not averse to compensation formulas based on salaries, commissions, long-term payouts or short-term payouts. "I'm not averse to real high first-year renewal commissions," the broker's president and CEO added.

"The fact of the matter is the individual needs of the producer or the groups of producers really dictate the circumstances," Mr. Kanehann said.

"Compensation is supposed to be fair and motivating," he said. "And what is fair and motivating to one person might not be fair and motivating to someone else."

Mellon/Clair Odell also recognizes technology's value in maximizing productivity. To that end, it is engaged in a significant upgrade of its information technology system—a move again backed by the broker's corporate parent.

"We've got wires coming out of the ceiling right now," said Mr. Svitek. "We're embarking on a big, big capital expansion, which is another feature of our ownership."

"There's a tremendous resource out of Pittsburgh that's helped us with: 'Here's where you need to be in terms of tech-

nology. Here's where you need to be today, and here's where you need to be five years from

should both improve customer service "and drive our returns north."

'We probably have more opportunities to grow our customer base than we have produces to chase it right now.'

— Frank Svitek

now," Mr. Svitek said.

"I'll call it a seven-figure investment," said Mr. Kanehann, adding that the investment

Looking forward, Mr. Kanehann sees numerous avenues for increased productivity at Mellon/Clair Odell.

"We have tremendous opportunities both within and outside the bank," Mr. Kanehann said. "In addition, we have some tremendous insurance company partners who are willing to help us make this happen."

Martin McGuinn, Mellon Bank's chairman and CEO, "is a

champion of insurance sales growth at the bank. It was his idea to buy Clair Odell," Mr. Kanehann said. "He's very supportive of our cross-selling efforts."

Mr. Svitek said the nature of the broker's relationship with its parent company bodes well for maintaining Mellon/Clair Odell's high level of performance.

One key, he said, is that Mellon Bank executives recognize that the insurance agency business differs from banking and are willing to let Mr. Svitek's company do business in the manner that's brought them success.

"We've been very fortunate in that regard," Mr. Svitek said. "We wanted to continue to do business the way we do it."

"The bank has been very, very accommodating," he said. "The agency culture is very, very different from the bank culture, and I don't think a lot of other banks would have recognized that up front."

Though it's been more than a year since the acquisition, "the romance has lasted longer than we expected, and that's good," Mr. Svitek said. "It's such that we want to perform well because they've done what they said they'd do for us." **BI**

YOUR CLIENTS CAN GET A BETTER UMBRELLA.

Make sure it is from you.

It's always in the back of your mind. Even your most loyal clients could jump ship for a better offer. Don't let the umbrella policy cause them to doubt you and the competitiveness of the total program you have designed. If your clients include office buildings, industrial parks, shopping centers, residential real estate, hotels or contractors, you'll want to get your hands on one of our umbrella products before your competition does. We are the foremost developer of umbrella purchasing groups in the country. We offer group buying power that gives your clients the industry's best terms, limits from \$10 million to \$200 million and pricing that will astound you, all with the backing of markets rated "A-" or better. So let's talk before your clients find out about us from your competition. Call Carla Vel today.



THE DISTINGUISHED PROGRAMS GROUP

6 E. 43rd St., New York, NY 10017 • 888-355-4626 • email: cvel@distinguished.com

Get with the program.

Business Insurance®

• SERVICES •

SINGLE-COPY SALES

To order any current or back issue of *Business Insurance*, call the single-copy sales division of *BI's* Circulation Department:

888-446-1422
313/446-1609

All clients treated like new clients

Execs say straight dealing with underwriters also key to success

By MICHAEL BRADFORD

A family-owned agency that has been in business 69 years credits its personalized service for its record of consistent productivity.

Kelter-Thorner Inc. treats all its clients—new and old—as if it is meeting them for the first time, said Marilyn Chernoff, president and chief executive officer of the Birmingham, Mich.-based agency.

When a client needs service, someone is available to make sure they get it.

Whether it is an account that is renewing for the first time or one that has been on the books for decades, each "must be treated as if they are a brand new client" when the two sides meet to talk business, according to Ms. Chernoff.

Once on board, a client is assured of responsive service, she stressed. Telephone calls must be returned promptly, even by a vacationing employee if that is the

person who can help, Ms. Chernoff said.

"I have returned calls from a recovery room," she remarked, adding that clients "know they can call us on a Saturday or a Sunday and get a response."

"We take great pride in servicing the client," agreed Jeff Swarbrick, senior vp. "We don't know the word 'no.' If a client says, 'Can you get this covered?' we say 'yes.'"

"And then we figure out how to do it," Ms. Chernoff added.

Mr. Swarbrick said that always dealing above-board with insurers helps, too. "They trust us; they have a great deal of confidence in us, and they give us their best products."

Ms. Chernoff said her "cardinal rule is to never, never lie to an underwriter. If losses are lousy, tell them. If the risk isn't great, tell them. That's the foundation for our success."

That success is seen in Kelter-Thorner's 1998 year-end numbers. Agency revenues for 1998 were \$16.2 million, up 16.5% from \$13.9 million the year be-

fore. With 97 employees in both years, that's revenue per employee of \$166,661 last year, up 16.6% from \$142,932 in 1997.

Kelter-Thorner places No. 16 in *Business Insurance's* ranking of the 20 most productive agents and brokers based on average brokerage revenue per employee in 1998.

The agency's attentive service has kept some Kelter-Thorner accounts around for a long time. Some first signed on 60 years ago, and the average age of an account is 18 years.

The company's roots were planted in 1930, when Theodore Kelter Sr. opened the doors and began selling homeowner's insurance "before it was the popular thing to do," said Ms. Chernoff. "He was a man way ahead of his time," she noted, pointing out that he was offering managing general agency agreements "before anyone knew what they were" and establishing the first profit-sharing plan in a private-sector business in Michigan.

In 1968, Mr. Kelter purchased

Continued on next page

EXPERIENCE

DISTANCE

STRENGTH

HEART

SPEED

IF YOU OWNED A FOOTBALL TEAM, WE'D BE YOUR NUMBER ONE DRAFT PICK.

Interested in piling up more wins on mid-size commercial accounts? We've got what you need to compete and succeed. Competitive products. Veteran underwriters who know their stuff. The speed and flexibility it takes when the competition's tough. The strength to go the distance. (Our parent is among Standard & Poor's top 10 global business insurers.)

Plus we're committed. Committed to the middle market and a level of service you won't see every day. Because we ascribe to a 110-year old corporate-wide philosophy that says losing even one customer is too much. So make the call and get Yasuda on your team.



**The Yasuda Fire & Marine
Insurance Company of America**

212-416-1200 www.yasudaamerica.com
New York • Atlanta • Chicago • Los Angeles • Nashville

Solutions For Difficult Risks



COMPREHENSIVE PRODUCTS FOR:

- Specialty Program Business
- Pollution Risks
- Staffing/PEO Risks
- Environmental Professionals
- Surety Requirements

Coverages available on an Admitted or E & S Basis. For more information, call

(800) 388-3647

AMERICAN SAFETY INSURANCE GROUP
1845 The Exchange, Suite 200
Atlanta, GA 30339
www.americansafetygroup.com



RATED "A (EXCELLENT): VII" BY A.M. BEST



Continued from previous page
a high-profile agency called
Thorner & Co. and began oper-
ating the combined companies
as Kelter-Thorner.

Mr. Kelter's son Theodore Kel-
ter Jr., who now serves as chair-
man of the company's board,
was president of the combined
operation in 1968; Ms. Chernoff
was his secretary.

Thorner & Co. handled some
"high-profile real estate ac-
counts," Ms. Chernoff recalled,
"and that kind of became my
specialty."

Kelter-Thorner expanded the
business to include accounts
that were some of the top real es-
tate developers in the United
States.

The agency also specializes in
lawyers professional liability
coverage written under MGA
agreements. An office in Red-
wood City, Calif., places proper-
ty/casualty coverages for hotels
and motels, and a Michigan-
based program specializes in cov-
erage for white-table restaurants
in the state.

Michael Kelter, executive vp,
runs the professional liability di-
vision, and David Kelter, vp, is
in charge of the program for
restaurants.

"We try to stay ahead of the
pack," said Ms. Chernoff. "We
started selling long-term care
when only CNA was writing it.
Now it's common. Employment
practices liability became a spe-
cialty nine years ago" when no
one thought it would become a
popular coverage.

Kelter-Thorner isn't picky
about the size of its clients.

"We don't care," Ms. Chernoff
said, as long as the account is a
"quality" company. "We don't
target a certain amount of
money." Commissions generally
amount to 12% to 15%.

The agency's accounts range
from around \$50,000 to around
\$7 million in annual premi-
ums. Kelter-Thorner's premium
volume was \$144.4 million in
1998.

Mr. Swarbrick said 35% to 45%
of the agency's business is writ-
ten outside of Michigan. In
1998, 72.5% of its revenues were
from retail business. Its whole-
sale operation contributed 10%
of the revenues, and personal
lines was another 10%. The re-
mainder comes from employee
benefits business, interest in-
come and other services.

When looking for employees
to produce business and service
accounts, Kelter-Thorner likes
"people who don't skip around,"
according to Ms. Chernoff. "If I
look at a resume and they've had
a different job every two years, I
don't want them."

Employees generally stay on
for eight to 10 years, Ms. Cher-
noff said.

Mr. Swarbrick said prospective
Kelter-Thorner employees don't
need an insurance background.
"We'll train them" if they have
the skills needed for the posi-
tion, he noted.

Ms. Chernoff said she is always
looking for client managers,
which some companies refer to

We pay very well for those peo-
ple, and we are always looking to
expand that part."



*'Our dream and our hope is that we
will keep on growing the way we have
been growing. Our goal is to double
our size in the next five years' via ac-
quisitions and increased writings.*

— Marilyn Chernoff

as customer service representa-
tives. Those managers at Kelter-
Thorner are licensed agents,
"and they service the account.

Kelter-Thorner has some in-
centives in place to keep its em-
ployees productive.

Prior to this year, a four-day

cruise was given to employees
who increased their business to
certain levels. This year, cash
bonuses are being awarded for
meeting growth goals.

There are three award levels,
and an employee that reaches
them all can take away "a very
high amount of cash," said Mr.
Swarbrick.

Other incentives are in place
to keep workers happy and pro-
ductive.

Kelter-Thorner employees are
allowed to dress casually, which
"really does make them happy,"
said Ms. Chernoff.

They also are treated to a Fri-
day off every two months after

two years of service. Having an
extra day off is especially appre-
ciated by mothers with small
children, Ms. Chernoff said.

Employee appreciation days
are held occasionally, with the
staff treated to lunch that is
brought to the office.

While Kelter-Thorner doesn't
plan to add to its six offices, it
does hope growth is on the hori-
zon.

"Our dream and hope is that
we will keep on growing the way
we have been growing," said Ms.
Chernoff. "Our goal is to double
our size in the next five years"
through acquisitions and in-
creased writings, she said. **BI**

Accept no compromise on rail coverage.

While the railroad industry struggles with tough issues on
various business fronts, let there be no question of the choice
of insurance carrier. Known for our leadership in risk management
services to policyholders, our value to producers is illustrated by:

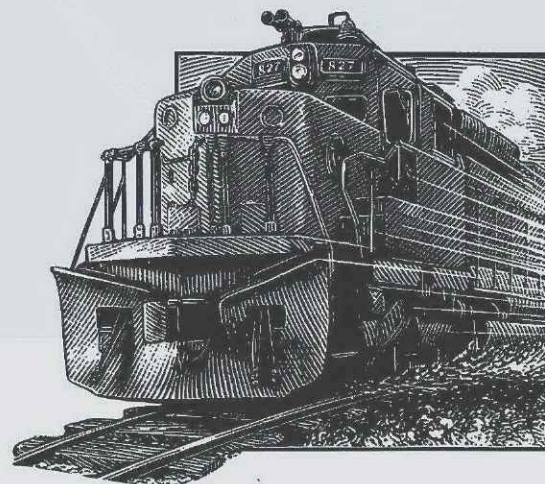
- A specialized railroad business unit
- Railroad-specific underwriting, claims unit, loss control
and risk management
- Property and casualty coverage in one package
- Ongoing product development
- Domestic and international coverage

In addition, CNA E&S has a variety of products unique to the industry.
For complete information on our products and services,
call Bridget Malone, Assistant Vice President, Underwriting at:

212-440-2545

One package, one source.

CNA E&S



This program is underwritten by one or more of the CNA companies.
CNA is a registered service mark and trade name of CNA Financial Corporation.

Owning insurer gives broker another perspective

By GAVIN SOUTER

Keeping both sides of the coverage equation happy is one of the keys to the success of Kaye Group Inc., its top executive says.

By building a staff that understands both its clients' needs and the needs of insurers, the New York broker has thrived, said Bruce D. Guthart, chairman, president and chief executive officer.

"You have to have a good relationship with the insurance carriers," he said.

By developing such relationships, brokers can select insurers that will cover a client for the long term, he said.

And Kaye has gone a step further.

For 20 years, the broker has owned its own insurer, Old Lyme Insurance Co. In addition to boosting revenues, this insurer has helped the brokerage understand the risks it is placing both with its own insurer and with others, Mr. Guthart said.

"It helped us concentrate on really knowing the business," he said.

Kaye also has gained expertise in particular niches by developing programs for affinity groups, and, more recently, by acquiring several rival brokerages.

And through its membership in an international network of independent brokerages, Kaye can easily tap expertise from other sources and arrange coverage, Mr. Guthart said.

Kaye Group did not make the list of *Business Insurance's* top producers, as less than 50% of Kaye's revenues

come from retail brokerage, in part due to the success of Old Lyme. The New York-based brokerage, however, is one of the most productive of the larger broker's surveyed by *BI*, with average brokerage revenues per employee of \$170,091 for 1998.

Kaye's 264 brokerage employees accounted for 61% of its \$73.6 mil-

lion total corporate revenues in 1998. The remaining 39% is largely attributed to Old Lyme.

Old Lyme currently covers about 30 programs, roughly one-third of which are produced by Kaye. The insurer has been profitable, and over the past several years, it has achieved combined ratios of between 70% and 80%, Mr. Guthart said.

In recent years, many agents and brokers have set up captive insurers or rent-a-captive programs in order to participate in the underwriting



In addition to generating additional revenues, owning an insurer has helped Kaye 'concentrate on really knowing the business.'

— Bruce D. Guthart

20/20 Hindsight, Beforehand.

High performance organizations need employees with vision—and know-how—in today's unforgiving business climate. Employees can gain the specialized knowledge and skills they need to visualize, create, and sustain a high performance organization from the American Institute for CPCU and the Insurance Institute of America.

The Institutes' educational offerings give students choices—textbooks, audiotapes, videotapes, CD-ROMs, online learning, and computer-delivered exams. Insurance practitioners who take Institute courses have the opportunity to achieve professional goals, earn official recognition, and gain confidence in dealing with colleagues and employers. And earning insurance-specific credentials expands their career options.

Employers who hire people with Institute credentials know they're getting high achieving professionals who place a premium on gaining and maintaining technical competence.

Have the vision to position yourself and your organization to thrive in today's competitive business environment. Become—or hire—the type of employee with proven knowledge, skills, and insight that come from professional education provided by the American Institute for CPCU and the Insurance Institute of America. Use 20/20 hindsight *beforehand* to position yourself and your organization for success.

For more information, contact the Institutes at the numbers below (mention Value 1) or visit our Web site:

AICPCU
IA

AMERICAN INSTITUTE FOR CPCU
INSURANCE INSTITUTE OF AMERICA

720 Providence Road • P.O. Box 3016 • Mendon, MA 01942
Phone: (800) 644-2101 • Fax: (508) 548-2101
E-mail: cserv@aicpcu.com
Web site: www.aicpcu.com

©1999 AICPCU/IIA

THE GOLD STANDARD FOR SECURITY PROFESSIONALS



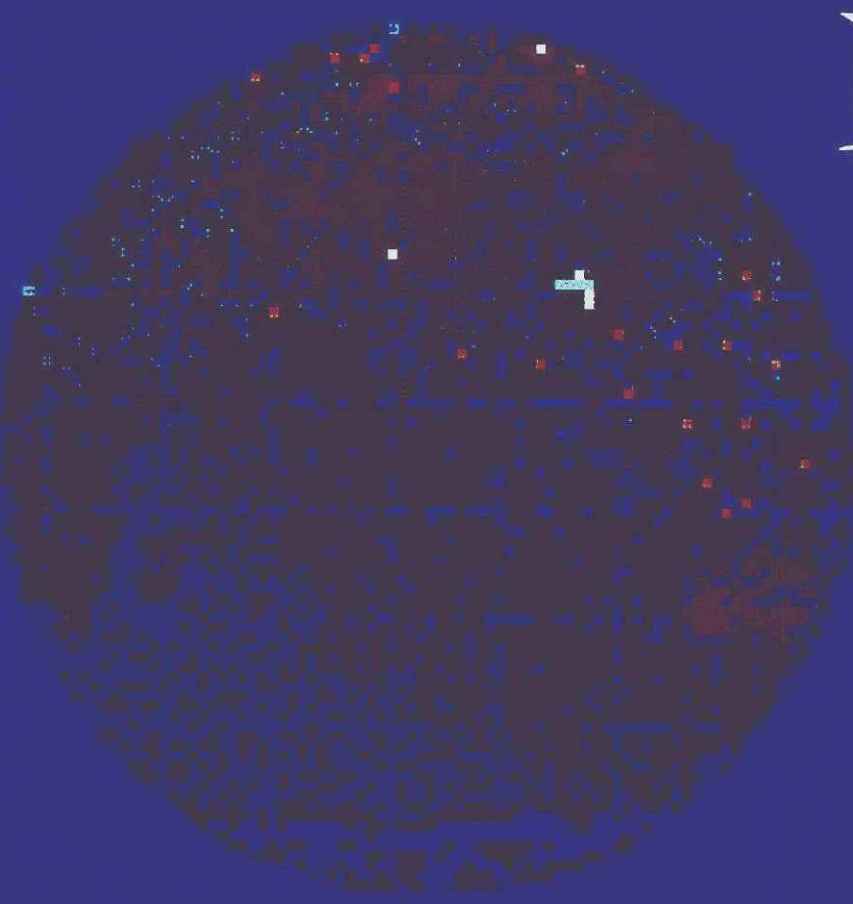
**No Other Liability
Program Stacks Up to the
"Gold Standard."**

The BestGuard Plan® is a comprehensive preferred risk insurance program for security guard agencies.

To see if your clients qualify for coverage, call Brownyard Programs at 800.665.7304 or email us at brownyardb@aol.com.

**BROWNYARD
PROGRAMSLTD**

Underwritten by Chubb Executive Risk. Coverage may not be available in all states.



Not quite clear where on earth to find it ?

It's clear. Your best resource is here !

1998 DIRECTORIES

Issue Date	Directory
Feb 2	Utilization Review Providers & Case Managers
Feb 16	Third-Party Administrators
Mar 2	Benefit Information & Claims Systems
Mar 16	Risk Management Consultants
Apr 6	401(k) Plan Administrators
Apr 27	Captive Managers
May 25	Environmental Risk Management Consultants
Jun 8	Alternative Risk Financing Facilities
Jun 15	EAPs & Dependent Care Resources & Referral Services
Jul 20	Agents & Brokers
Aug 3	Prescription Benefit Managers
Aug 17	Property Loss Control Consultants
Aug 31	Leading Reinsurers Worldwide
Sep 7	Surplus Lines Insurers & Wholesalers
Oct 5	International Insurers & Benefit Networks
Oct 26	Safety Consultants & Rehabilitation Services
Nov 9	Reinsurance Brokers
Nov 23	Benefit Communication Systems
Dec 7	Risk Management Information Systems
Dec 14	Employee Benefit Consultants
Dec 28	Managed Care Providers—HMOs, PPOs, and POS Plans

If you're in immediate need, order now from our list of 1998 issues, while quantities last, call Wendy Kobylarz at 1-888-446-1422.

Are you looking for a list of agents and brokers, TPAs, UR providers and case managers, risk management or benefit consultants, captive managers or alternative facilities, safety consultants and rehabilitation services, international insurers and benefit networks, reinsurers, or other suppliers of insurance services?

Search no more. Every year, the editors of *Business Insurance* compile the most comprehensive directories of the insurance services providers that you need.

But these issues are so popular they might not make it past the first name on your company's routing slip.

So when you're trying to locate lists of suppliers you know must exist somewhere, don't go to the ends of the earth trying to find them. Just take a look at the exclusive directories *BI* offers.

You're sure to find the ones that are right for you ... To order your copies, call 1-888-446-1422.

1999 DIRECTORIES

Issue Date	Directory
Feb 1	Utilization Review/ Case Managers
Feb 15	Third-Party Administrators
Mar 1	Benefit Information Systems
Mar 15	Risk Management Consultants
Apr 12	Captive Managers
May 10	401(k) Plan Administrators
May 24	Environmental Risk Management Consultants
Jun 7	Alternative Risk Financing Facilities
Jun 28	EAPs & Dependent Care Resource & Referral Services
Jul 19	Agents & Brokers
Aug 2	Prescription Benefit Managers
Aug 16	Property Loss Control Consultants
Aug 30	Leading Reinsurers Worldwide
Oct 4	Surplus Lines Insurers & Wholesalers
Oct 18	Safety Consultants & Rehabilitation Services
Oct 25	International Insurers & Benefit Networks
Nov 1	Reinsurance Brokers
Dec 6	Risk Management Information Systems
Dec 13	Employee Benefit Consultants

To reserve your 1999 directory issues, call Wendy Kobylarz at 1-888-446-1422. For directory information, contact Lee Fletcher at (312) 649-5398.

Business Insurance®

<http://www.businessinsurance.com>

Need a purchasing group formed?

Fast & accurate setup on a fixed quote basis

Don't staff for occasional needs...
OUTSOURCE IT!

- Preparation & submission of your purchasing group forms
- No obligation, same day Qwik quote
- No project too large or small



Compliance & Filing Solutions

Call 800-778-8100

Kaye

Continued from page 14L

programs, they develop expertise in those industries and are better able to win clients that would benefit from the program. In addition, they are better able to steer other clients toward different coverage options, Mr. Guthart said.

The programs also enable Kaye to write profitable "Main Street" business by offering policyholders policies tailored to their needs, he said.

For example, restaurants that have the right profile for Kaye can join Kaye's program, while others—ones with large liquor sales, for example—would not make the program, Mr. Guthart said.

Because the premium at stake is relatively low, Kaye likely would not place the coverage elsewhere, he said. "We could find them insurance, but then we would be competing with every independent agent out there," he said.

The conventional retail business Kaye places is generally for middle-market policyholders, Mr. Guthart said. A significant number of clients

are involved in real estate, retail and manufacturing in the New York area, he said.

Again, knowing the underwriting side of the business is key, Mr. Guthart said.

While ample insurers offer very competitive rates, brokers need to know which insurers are likely to be there for the long term in order to offer stable coverage to policyholders, he said.

"You have to match the client's expectations with the carrier's," Mr. Guthart said.

While Kaye has seen profits and revenues increase consistently over the past several years, there have been some disappointments.

In July, Kaye was replaced as the primary broker for what had been one of its largest accounts, the Combined Coordinating Council Inc., a New York-based risk management service organization for several hospitals. Kaye still will place some of the account, but the loss will likely lead to a decrease in profits and revenues in the third quarter of 1999. Nevertheless, the brokerage still is on course to have a record year, Mr. Guthart said.

In addition to New York, Kaye has operations in Florida, California, Westport, Conn., and Warwick, R.I.

The Florida businesses came as part of an acquisition-based expansion strategy Kaye has employed over the past two years. In 1997 it bought Western Insurance Associates in Pasadena, Calif. In 1998 it bought Florida Insurance Associates and Laub Group, both based in Hollywood, Fla., and Daniel V. Keane Agency Inc. in Bridgeport, Conn. And in January 1999, Kaye bought Seaman, Ross & Weiner Inc. in Woodbury, N.Y.

Seaman, Ross & Weiner, which was the seventh most-productive agency in the 1998 *BI* ranking, will likely become a hub for further acquisitions on Long Island, Mr. Guthart said.

Acquiring other agencies is a good way to increase business and to add new expertise, he said.

"Sometimes it is healthy to bring in another culture. When you bring in new people you get new ideas. One of the reasons why we bought Seaman, Ross was because we liked their culture, their work ethic and their operational efficiencies," Mr. Guthart said.

Another recent move that helped Kaye increase revenues was joining the Worldwide Broker Network in 1998. WBN is an international network of independent brokers that aid one another in placing international business.

The benefits of the network became apparent when Kaye client Niagara Corp., a steel producer, bought a division of Glynwed International in the United Kingdom. Kaye was able to place the property/casualty coverages for Glynwed's 11 locations through Alec Finch & Co. Ltd., the U.K. member of WBN.

Mr. Guthart said the WBN membership also will aid Kaye in one of its target growth areas: middle market international business.

"Most independent agents don't have any representation overseas, so with WBN we have something that differentiates us," he said.

Kaye is also able to distinguish itself from other brokers and agents in environmental coverage, which is another target area for growth Mr. Guthart said.

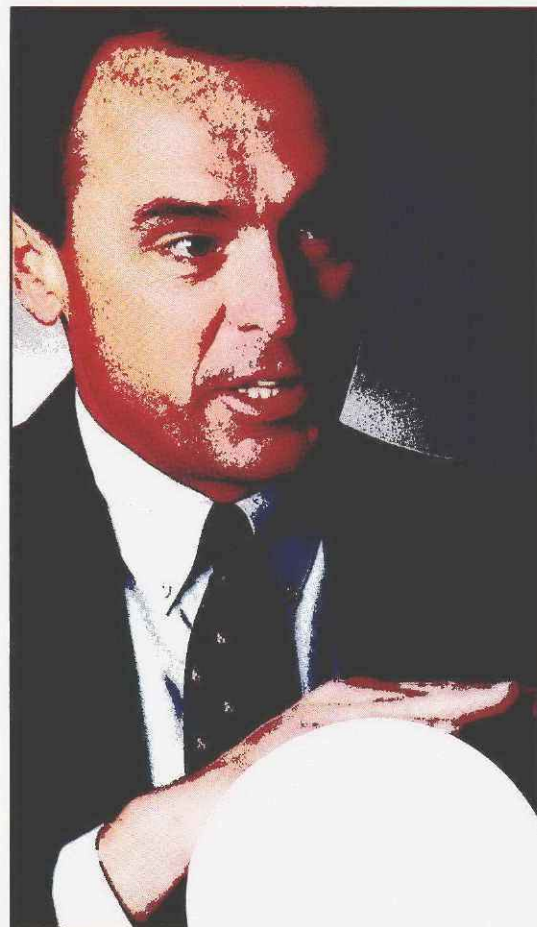
"At our size we are able to invest capital in the staff we need," he said.

Finally, Kaye also can claim the upper hand in the target area of high-tech companies, he said.

Few middle-market brokers in the New York area have specialists that focus on high-tech coverages, and with the growth of high-tech firms in New York's Silicon Alley and elsewhere in the area, there is a demand for the expertise Kaye can offer, Mr. Guthart said.

High-tech firms need specialist coverages, such as intellectual property and directors and officers placements for initial public offerings, he said.

Because Kaye itself went through a NASDAQ IPO in 1995, executives at the brokerage have an intimate knowledge of the insurance requirements for other companies listed on the NASDAQ exchange, Mr. Guthart said.



JOHN CONNELLY,
PRESIDENT OF
CONNELLY INSURANCE
GROUP IN CLEARWATER, FLORIDA

The Connelly Insurance Group, a long-time Marsh•Berry client, is one of the most profitable and productive agencies in the United States because of its dedication to the business principles at the heart of APPEX and embodied in Marsh•Berry's PHP (Perspectives for High Performance) reports.

"Our agency has transitioned from survival to success using the services of Marsh•Berry. We've followed their advice for years, learned from their appraisals and used PHP religiously. Now we belong to APPEX, one of the most powerful and productive tools in the Marsh•Berry arsenal. If your vision is to develop a financially strong agency that is respected by peers and insurance companies, then APPEX is the best place to learn how to do it right. In a highly structured environment, you work closely with and learn from the leaders of the highest quality agencies in the country. APPEX is rigorous but worth it — my agency has benefited tremendously."

*One of the best agencies in North America...
Got serious about its future.*

An Organization Exceeding The Standard

MARSH•BERRY'S AREAS OF EXPERTISE:

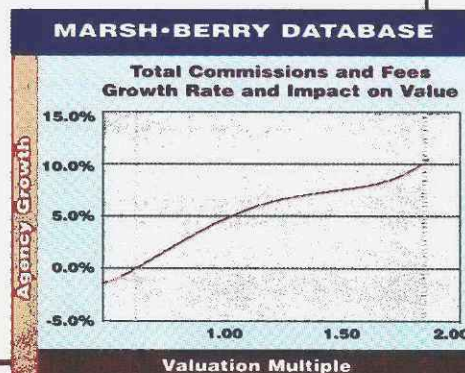
- Merger and Acquisition facilitation services
- Appraisals and valuation enhancement consulting
- Perpetuation and operational consulting
- APPEX – An organization dedicated to helping agencies reach their highest business potential
- PHP – New perspectives of industry high performance standards

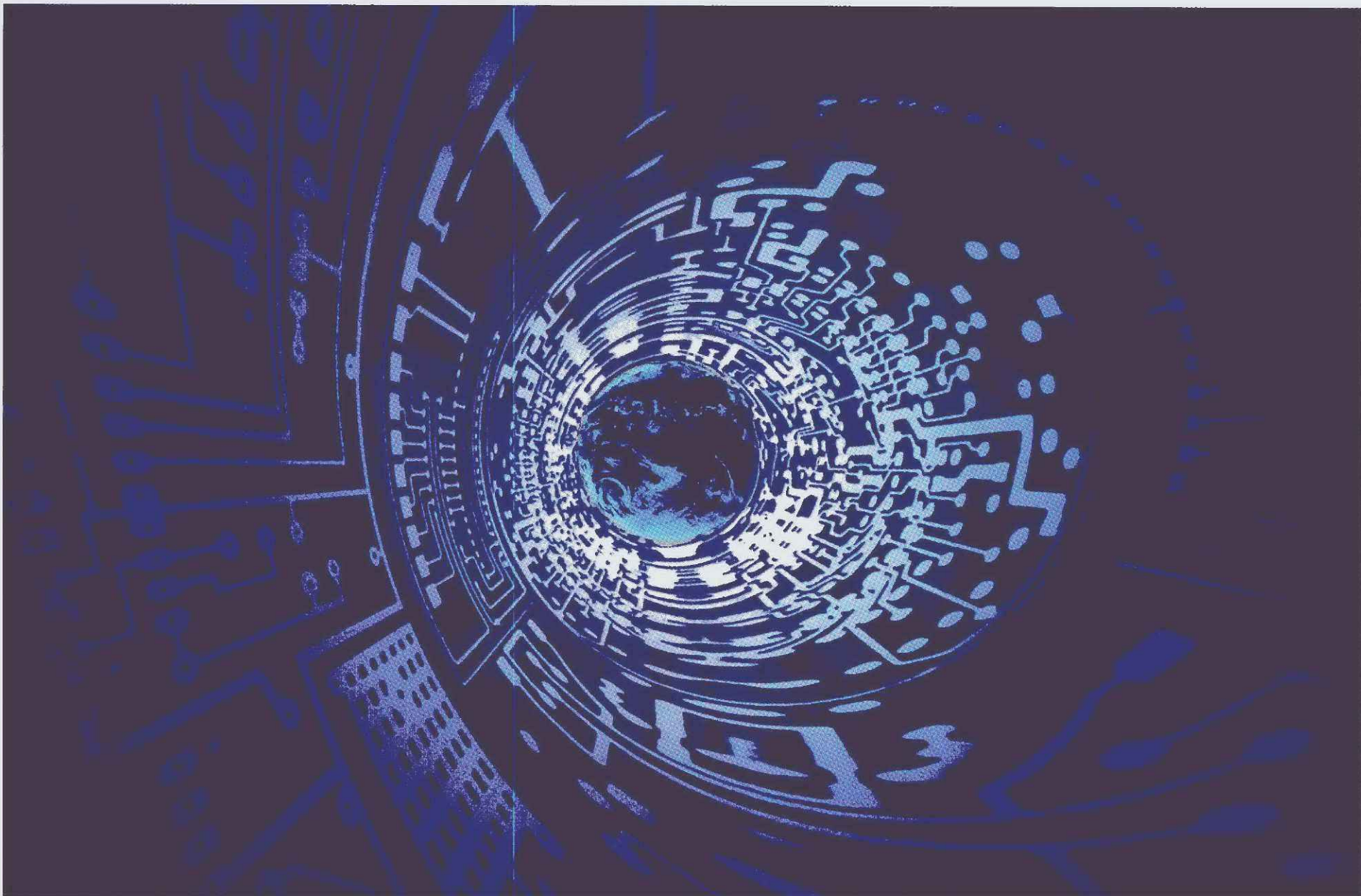
MARSH•BERRY

A SPECIALIZED CONSULTING SERVICE
TO INSURANCE AGENTS AND BROKERS

7466 AUBURN ROAD • CONCORD, OHIO 44077
TEL: 440-354-3230 • 800-426-2774 • FAX: 440-354-0371

E-MAIL: marshberry@marshberry.com
WEB SITE: <http://www.marshberry.com>





Enter a whole new world.

Now you can find *Business Insurance* online at www.businessinsurance.com on the World Wide Web. And just as you rely on *BI*'s weekly issues for up-to-the-minute, in-depth news reporting and tracking of trends and developments, you'll rely on *BI*'s online departments for:

UPDATES

Late breaking news items from the magazine updated every Friday evening.

MAGAZINE

Information about *BI* ... including editorial calendar listing spotlight reports, specialized directories, events and services, advertising information, and subscription or renewal opportunities, directly, online.

CYBER BEAT

Articles from *BI* on insurance industry-related technology application and issues.

GLOBAL FOCUS

Articles on international risk management issues from *BI*'s Global Focus demographic section which is mailed only to subscribers outside the U.S.

DATEBOOK

A searchable listing of industry-wide meetings and events, through the year.

A forum for users to exchange information and discuss a wide range of risk management or benefits management topics.

WEB LINKS

A directory of related sites on the Web of interest to risk and benefit managers and others involved in the insurance business.

CLASSIFIEDS

A weekly posting of our classified section, The Professional Marketplace.

OPINIONS

Viewpoints from *Business Insurance*.

BI's stock index of leading companies in the commercial insurance industry, with trading information updated continuously, and columns by insurance analyst Myron Picoult.

ARTICLE ARCHIVE

A searchable database of more

than four years of *BI* articles covering a wide range of insurance issues and also includes *BI*'s comprehensive in-publication directories.

PLUS ... SUBSCRIBE or renew your subscription to *BI*'s weekly issues, or send your **FEEDBACK** to our editors directly on our home page.

So if you're among the regular weekly readers of *BI* — corporate executives responsible for risk management, employee benefits and managed health care ... an insurer, reinsurer, agent, broker, consultant, managed care executive, attorney, or among the scores of others who surf the Internet — visit our home page at ... www.businessinsurance.com

Business Insurance
www.businessinsurance.com

AIG offers online access for agents to quote, bind business

NEW YORK—American International Group Inc. has unveiled a new Web-based system that lets eligible agents and brokers quote and bind certain coverages for qualified mid-sized accounts via AccessAIG, the insurer's Web site for intermediaries.

AIG eWriter lets brokers reserve accounts, qualify prospects, generate a quote indication and indication letter, view detailed product information and view and print policies and applications.

AIG eWriter will initially be used to bind three management liability coverages: PrivateEdge, Not-for-Profit Protector and Fidelity Flashquote.

PrivateEdge provides coverage for directors and officers and private company liability as well as employment practices liability insurance for private, mid-sized businesses with revenues up to \$50 million and up to \$5 million in limits. Not-for-Profit Protector provides D&O and EPLI coverage for not-for-profit accounts with up to \$50 million in revenues and \$5 million in limits. Fidelity

A/BT Briefs

Flashquote provides customized commercial crime protection insurance for accounts with \$100 million in assets or revenues and \$2.5 million in limits.

Additional coverages, as well as renewal processing, will be available in the future on AIG eWriter. AIG eWriter can be accessed through AccessAIG by brokers and agents with a user ID and password.

Prospecting aid

FORT LAUDERDALE, Fla.—A new list generation product is designed to help insurance agents identify prospects according to buyers' insurance needs.

Data Warehouse, a Fort Lauderdale, Fla.-based lead generating company, has developed profiles that identify specific commonalities among individuals who buy particular types of insurance. Using the profiles, agents can get a targeted list of

prospects who either have an potential interest in or need for a specific insurance product.

"An agent selling Medicare supplement insurance is not going to have the same prospects as an agent selling long-term care insurance," David Hadaway, insurance service manager at Data Warehouse, said in a statement. "We are able to deliver quality leads based on the type of insurance being sold."

Data Warehouse's leads are available for long-term care insurance, property/casualty insurance, commercial insurance, life insurance, mortgage life insurance, fixed and variable annuities and medical insurance.

In addition to providing product-specific leads, Data Warehouse also is offering agents direct mail and telemarketing packages.

For more information, call 888-707-7610 or visit Data Warehouse's Web site at www.dwcleads.com.

Hartford repo cover

HARTFORD, Conn.—The Hartford Financial Services Group Inc. has introduced a new insurance program for professional recovery agents.

The program insures licensed recovery agents in Florida and California as well as recovery agents in states that are certified or becoming certified by the Society of Certified Recovery Specialists Inc.

The Hartford and its program administrator, The Campbell Agency Inc., support the following associations: American Recovery Assn., California Assn. of Licensed Repossessors Inc., Florida Assn. of Licensed Recovery Agents, National Finance Adjusters, and Time Finance Adjusters.

"Recovery agents face many risks, including the loss of their livelihood, if property in their care is damaged or if they are sued for wrongful repossession," said Mike Thulis, program manager for The Hartford in a statement. "The Hartford program

provides coverage for these and other situations."

In addition to the standard insurance coverages for general liability, commercial auto, property and umbrella, The Hartford program also includes coverage for personal injury and wrongful repossession, with limits up to \$1 million.

Interested agents should contact Bob Roddenberry of The Campbell Agency at 800-938-7825.

E&O enhancement

NEW HARTFORD, N.Y.—Utica Mutual Insurance Co. recently announced enhancements to its errors and omissions coverage for insurance agents.

These include broadened coverage to include contractual liability and the addition of coverage for punitive damages, where permitted by law.

In addition to the enhanced coverages, which will be standard on Utica E&O policies for agents, the insurer is also offering several new optional coverages. These options include coverage for financial products, loan origination, professional employer organization marketing services and employment practices liability.

For more information about Utica's E&O coverage, call 800-274-1914.

Citibank access

HARTFORD, Conn.—Independent agents associated with Travelers Life & Annuity and Travelers Property Casualty Corp. are now able to provide their customers access to Citibank for an expanded range of specially priced products.

This effort is part of a program launched for agents last year called Travelers Financial Edge. Under the new program, dubbed Travelers Financial Edge Version 2.0, customers of Travelers agents can gain access to Citibank for such consumer products as home mortgages, home equity loans, home equity lines of credit

and installment loans. On the commercial side, agents can introduce customers to business and professional loans and an equipment-leasing program.

Information kits on Travelers Financial Edge Version 2.0 are available to independent agents by calling 888-316-8841.

Wholesaler formed

SOUTHFIELD, Mich.—Meadowbrook Insurance Group Inc. recently formed a wholesale brokerage subsidiary, Market Place Resources Inc.

MPR provides complete administrative services, including marketing, underwriting, policy issuance, inspections and audits for all commercial lines.

William J. McCarthy, former executive vp of Meadowbrook, has been named president of the managing general underwriter.

MPR programs are open to all agents and brokers.

Agencies combine

SHORT HILLS, N.J.—Three New Jersey-based agencies have recently joined forces.

Short Hills, N.J.-based Bollinger Inc.; Jersey City, N.J.-based F.J. Wilkes & Co.; and Bridgewater, N.J.-based Young & Perry have combined under the Bollinger name in Short Hills.

Combined, Bollinger will have more than \$32 million in commission revenues and 165 employees.

Bollinger's niche lies in such specialty insurance products as amateur sports, school and college insurance programs and golf and country clubs. F.J. Wilkes brings experience in insuring health care services, financial institutions and schools, while Young & Perry specializes in emergency services and fire and rescue squads.

Bank makes buy

STONEHAM, Mass.—Stoneham Savings Bank is acquiring two of the largest insurance agencies in Stoneham, Mass.—Robert F. O'Neil Insurance Agency Inc. and W.G. Leavitt & Son Insurance Agency Inc.

The two agencies will merge to form Leavitt & O'Neil Insurance Agency, which will become a subsidiary of Stoneham Savings Bank. The agency will sell auto, home, life, health and business insurance.

The agencies will stay in their current offices for the remainder of the year and will move into a new Stoneham, Mass., office sometime next year. The merged agency will retain W.G. Leavitt's Wilmington, Del., office.

Kim O'Neil, president of the Robert F. O'Neil agency, will become president of the merged agency. Donald W. Leavitt, president of the W.G. Leavitt agency, will become vp.

Stoneham Savings Bank submitted its plans to state banking and insurance regulators and is awaiting approval of the acquisition. **B**

We've got your commercial accounts covered (from high rises to main street)

You want to write business in the New York metro area. You know it's competitive and complex, but not out of your reach. Where do you turn? To GNY, of course.

GNY's experience in the real estate, hotel, retail, movie theatre, restaurant, food importers and distributor business, strip malls and light manufacturing make us an ideal market for these and so many other risks.

With statutory surplus of \$180 million and an A.M. Best "A+" rating to boot, GNY



has the experience and stability your clients will demand. Couple this experience with superior claims handling, and you will realize the tight control GNY can keep with your clients' insurance costs.

Working with GNY gives you the benefit of a company who knows its business and yours. It's a difference you'll see, and a difference you'll appreciate right away.

Discover why GNY has so many of your commercial accounts expertly covered. Welcome to GNY.



Greater New York Mutual Insurance Companies
Insurance Companies of Greater New York
A Stock Company

200 Madison Ave., New York, NY 10016 212-683-9700 Fax 212-685-0826

Agent/Broker Topics

ADVERTISER INDEX

Issue of September 6

ADVERTISER	PAGE #	ADVERTISER	PAGE #
American Institute for CPCU	14L	FEMA	14C
American Safety Ins. Group	14J	Gerling America	14D
AXA Nordstern Art Insurance	14B	Greater NY Insurance Co.	14P
Business Insurance	14O	Marsh & Berry	14N
CNA/E&S	14K	Philadelphia Insurance Co's	14H
CNA Surety Corp.	14G	Property Managers Inc.	14E
Compliance & Filing Solution	14N	Standard Insurance Co.	14F
Distinguished Program Dev.	14I	Yasuda Fire & Marine Insurance	14J
Executive Risk Mgmt. Assoc.	14L		

ASK A CASUALTY ACTUARY

Q

Which products should a potential purchaser of loss reserve software consider, and why?

A

The basic question that needs to be answered is, "Which product is best suited for my future business needs and objectives?"

In this article, I will provide a product overview, a discussion of which product is probably best suited for each of several types of users, a comparison of features and prices, contact information, and some discussion of what the next generation of products might be like.

To your good fortune, it is a buyer's market for loss reserving software. Because of this, it is probably less expensive and easier today to buy desktop software than to design it yourself. In addition, limited internal resources for information systems, ever-changing hardware and software platforms, Y2K compliance issues, and greater demands placed on insurance and finance professionals today leave little time for developing new software in-house.

Currently, I'm aware of six reserving software products that are frequently evaluated and purchased by large and small operations internationally. Five years ago, when I wrote a similar article, only two were available.

The availability of more products and upgraded versions make it easier to find what you are looking for, and these products can be delivered fully loaded, with all of the add-on software utilities for a scalable solution. And aids such as consulting, training, customization and actuarial services often are also available. All of the products identified here include documentation, maintenance and support plans.

Product overview

Let's first take a quick look at what each of the six products can handle and how each performs:

- **Corporate Affinity:** This is a database management product that uses database software such as Microsoft SQLServer 7.0 or Oracle 8.0. This custom-built database, fit to each client's data directly by the vendor, is linked to actuarial software models and tools within Microsoft Excel (see Professional Affinity).

It contains TriangleMaker, which is effective for formatting triangles prior to importation to the database. The software is geared toward operations that seek a high-volume production tool that can be centralized for many users with varying degrees of expertise. It requires a Windows NT Server to house the database, network software to link each PC to the database, and Microsoft Excel and respective ODBC drivers.

- **Professional Affinity:** This desktop software is integrated within Microsoft Excel. It focuses on methods and how to combine and summarize them and print meaningful reports. It contains the most advanced listing of actuarial methods of all of the products to date that offer preformatted and defined templates beyond loss development or Bornhuetter-Ferguson. These methods include Cape Cod, Thomas Mack, Bootstrapping and the full range of Berquist-Sherman templates.

It can be easily customized, allows users to write for Visual Basic macros, and will easily reformat itself for data from a new period. Data can be imported through Excel, or entered manually or by

the copy/paste method. It requires Windows, Microsoft Excel and a dongle, which is a hardware-based security device.

- **ICRFS-PLUS:** This is Windows-based desktop software designed for the advanced statistical user. A superset of ICRFS-SDFT (see below), it adds stochastic modeling to the reserving process for analyzing data prior to forecasting. Tens of thousands of iterations may be taken on the data within five minutes with a specialized calculation engine written in Visual Basic. It offers the most advanced approach to reserving in the marketplace, trending the data by development, accident or calendar periods prior to fitting the factors used for the projection. It includes credibility tests, ranges of estimates and statistics to support its findings. Data must be manually entered or copy/pasted. It requires Windows and a dongle.

- **ICRFS-SDFT:** This product, which is desktop software for Windows, aims to aid a reserving analyst with the initial phases of reserving. As opposed to other reserving software, it does not assume that standard age-to-age link ratios can be used to determine trends or to forecast the future.

A subset of ICRFS-PLUS, it contains a limited yet standard set of actuarial techniques, including loss development, Bornhuetter-Ferguson and Fisher-Lange. Data is kept centrally within a proprietary

Currently, there are six reserving software products that are frequently evaluated and purchased by large and small operations internationally. Five years ago, only two were available.

format and must be manually entered or copy/pasted. It requires a dongle.

- **ReservePro:** ReservePro is Windows-based desktop software designed for the reserving professional who needs to run a consistent set of data through a standard set of methodologies. It is "data-centric" software—all data is housed within its internal file format, which manages the flow of the data through the rest of the interface.

There are built-in import modules for greater flexibility in importing from ASCII or Lotus formats. A button workflow within a navigation window allows an analyst to step through the reserving process easily and efficiently, minimizing errors.

- **RESQ:** This is desktop software designed for the analyst who needs to review the data, analyzing the graphics and statistical indications, prior to determining which methodologies to use. The workflow is open for ad-hoc types of analysis, including "what-if" scenarios. It works very well on data for which typical development approaches do not provide good results. The data is centrally stored in proprietary files by the software and can be imported from other software or manually entered. It requires Windows and a dongle.

Matching products to users

Key questions in selecting a software product are: "Which product is most often selected by different types of users, and which products are best designed to meet the needs of each group?"

While an opinion of software choices has been provided for each user group, we are not suggesting that prospective buyers consider only the product cited. Clearly, buyers should also evaluate other products that appear to be well suited. For each type of user mentioned, the reasons for my preference follow.

- **Accountants:** ReservePro. Is easy to implement and follow, automated calculation of numbers and results, forced "tail factor" knowledge to learn what they are doing. Generates cash-flow reports, profit reports, works with Schedule P.

- **Actuarial consultants (standard analysis):** Professional Affinity or ReservePro. Provides a flexible and consistent production tool that does more automation of the tedious work; standardizes the process among the users and with the client for easier exchange of data and results.

- **Actuarial consultants (advanced analysis):** ICRFS-PLUS, Professional Affinity. Has a range of advanced methods and techniques. ICRFS-PLUS incorporates pricing with reserving.

- **Actuarial students:** ReservePro. Provides a good learning tool; few programming efforts allow students to learn reserving techniques.

- **Chief financial officers:** ICRFS-PLUS, Corporate Affinity. Provides decision-support software, bigger-picture production for those willing to spend more money.

- **Financial professionals:** ICRFS-PLUS. Provides decision-support analysis, scenario management, incorporates pricing with reserving.

- **Group health actuaries:** Professional Affinity. Is specifically modeled for health actuaries, allows for custom labeling, formulas and data sets.

- **Insurance brokers:** ReservePro. Supports new business pricing with a quick and understandable analysis.

- **Pricing actuaries:** ICRFS-PLUS. Offers pricing models, is flexible to allow different layers and to manage the results of different loss picks and their impact on rates.

- **Reinsurers:** ICRFS-PLUS, Corporate or Professional Affinity. Does high-volume processing, strong data management with flexibility to change formatting and labeling for the reinsurance world, able to work with incomplete data more easily.

- **Reserving actuaries:** Professional Affinity and ReservePro. Provides a production tool for those who need to crunch through lots of data and require some flexibility; ability to work with all types of data easily; ease of importation and batch processing.

- **Reserve experts:** Professional Affinity, RESQ. Is appropriate for those advanced users who love graphics and scenario management and who want to play in spreadsheets.

- **Risk managers:** ReservePro. Simplifies learning, easy diagnostics and reporting.

- **Tax specialists:** ReservePro. Is easy to follow and display to management.

- **U.K.-based actuaries and analysts:** RESQ.

Provides a statistical, ad hoc query tool with scenario management, excellent graphics, lots of statistics displayed around the data and estimates.

- **Underwriters:** ReservePro, Professional Affinity or RESQ.

To some degree, the above user preferences have been influenced by the marketing emphases of their various firms, their years available on the market and their name recognition.

Another viable option for buyers wishing to use two or more of these products could be made for ICRFS-PLUS and any of the desktop reserving tools, as well as pairing RESQ and one of the Affinity products.

ICRFS-PLUS represents a much more advanced tool that could be used when new business is being written and there is no history or when the results lead to very uncertain answers. Stochastic-type approaches may work better than simply guessing here. In addition, RESQ coupled with Affinity—both are desktop tools—could work very well within one firm, as there are certain business lines that fit the production mode of Affinity while other lines of business better fit the modeling mode of RESQ.

Continued on next page

Perspective

Continued from previous page

Features of the products

The chart below details more than 30 features

Features by product

Feature	Least	Some	More	Most
Audit trail	RESQ	ICRFS	RPRO	AFF
Ability to modify	ICRFS	RESQ	RPRO	AFF
Availability of pricing models	RPRO	AFF	RESQ	ICRFS
Ad hoc reporting	AFF	RPRO	ICRFS	RESQ
Built-in workflow	AFF	RESQ	ICRFS	RPRO
Centralized data, like database	ICRFS	RPRO	RESQ	AFF
Consistency	ICRFS	RESQ	AFF	RPRO
Custom exhibits	ICRFS	RPRO	RESQ	AFF
Cutting-edge technology	AFF	RESQ	RPRO	ICRFS
Diagnostics	AFF	ICRFS	RESQ	RPRO
Documentation	RESQ	AFF	ICRFS	RPRO
Efficiency-ad hoc analysis	RPRO	ICRFS	AFF	RESQ
Factor selection utilities	AFF	RPRO	ICRFS	RESQ
Flexibility to add own macros	RPRO	ICRFS	AFF	RESQ
Flexibility to add own methods	ICRFS	RESQ	RPRO	AFF
Global presence	RESQ	RPRO	AFF	ICRFS
Global support	ICRFS	RESQ	—	RPRO, AFF
Graphics-pre-defined	AFF	RPRO	ICRFS	RESQ
Handling all types of data	RPRO	AFF	ICRFS	RESQ
Handling erratic data	RPRO	AFF	RESQ	ICRFS
Import module	ICRFS	RESQ	RPRO	AFF
Internal linkages to pricing	RPRO	RESQ	AFF	ICRFS
Methodologies available	RESQ	ICRFS	RPRO	AFF
Non-schedule P data layouts	RPRO	AFF	ICRFS	RESQ
Openness of system	RESQ	ICRFS	RPRO	AFF
Productivity tool	ICRFS	RESQ	AFF	RPRO
Predefined reports	AFF	ICRFS	RESQ	RPRO
Scalability	RPRO	RESQ	ICRFS	AFF
Sensitivity analysis	RPRO	AFF	ICRFS	RESQ
Simplified learning curve	RESQ	AFF	ICRFS	RPRO
Stochastic modeling	RPRO	AFF	RESQ	ICRFS
Summarizing tools	ICRFS	RPRO	AFF	RESQ
Universal cultural/language	AFF	—	RESQ	ICRFS, RPRO
Works with schedule P	RESQ	ICRFS	AFF	RPRO

reporting, and batch processing) than build it. As the industry becomes more competitive and even-larger companies join forces across industries, software will become increasingly important as a

means to save time. Better automation of reserving operations will allow additional time to be spent on decision-support and competitive pricing analysis.

Looking forward

The future of these products and the solutions they offer is promising.

In addition, WINRES is a very new product, based out of London and created by Ernst & Young International. ICRFS will soon offer a database version with an easy import/export module. ReservePro is adding a database version to PricewaterhouseCooper's actuarial tools. And there may be a new JAVA tool for industry that will handle everything from the "drill-down" of data to actuarial analysis and reporting when a new software vendor joins the marketplace.

Database software and stochastic modeling approaches distinct from the typical loss development approach seem the wave of the future. The use of pricing and dynamic financial

analysis-type models also is growing rapidly.

There are excellent choices out there for almost any prospective buyer.

Purchase decisions will likely be based on such factors as familiarity with the user interface, comfort with the workflow, ease of integration with existing systems, and the need for the most-advanced technology.

Other bases for purchase decisions include immediate understanding of the graphics and calculations, along with projected needs for graphical and modeling options, trust in the future of the vendor's hardware and software platforms, and a strong relationship with a specific vendor contact. **BI**

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

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

This month's column on actuarial issues in the casualty field is written by Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore. Dennis J. Nirtaut, managing director of compensation and benefits for Arthur Andersen L.L.P. in Chicago, answers questions for benefit managers.

Christopher E. Mandel, director of risk management at Tricon Global Restaurants Inc. in Louisville, Ky., answers questions on risk management issues.

William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions on benefits issues.

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



Mr. Sherman

that each of the four products (ICRFS and AFF will be used to reflect both products unless otherwise noted) possesses, with the degree of the feature—least to most—that each offers.

Obviously, your selection of one product over another will be based on several additional criteria, including price, which is covered next.

Price comparisons

The prices of the software products are very similar, but it is important to discuss each product reviewed, from least to most expensive.

The cost/benefit approach to evaluating these alternatives is fairly straightforward. The cost is the compilation of license fees, maintenance fees, training services and, perhaps, some advisory services, as compared to the benefit or value of immediately implementing software that automates your reserving analysis and documentation.

Insurers' software preferences

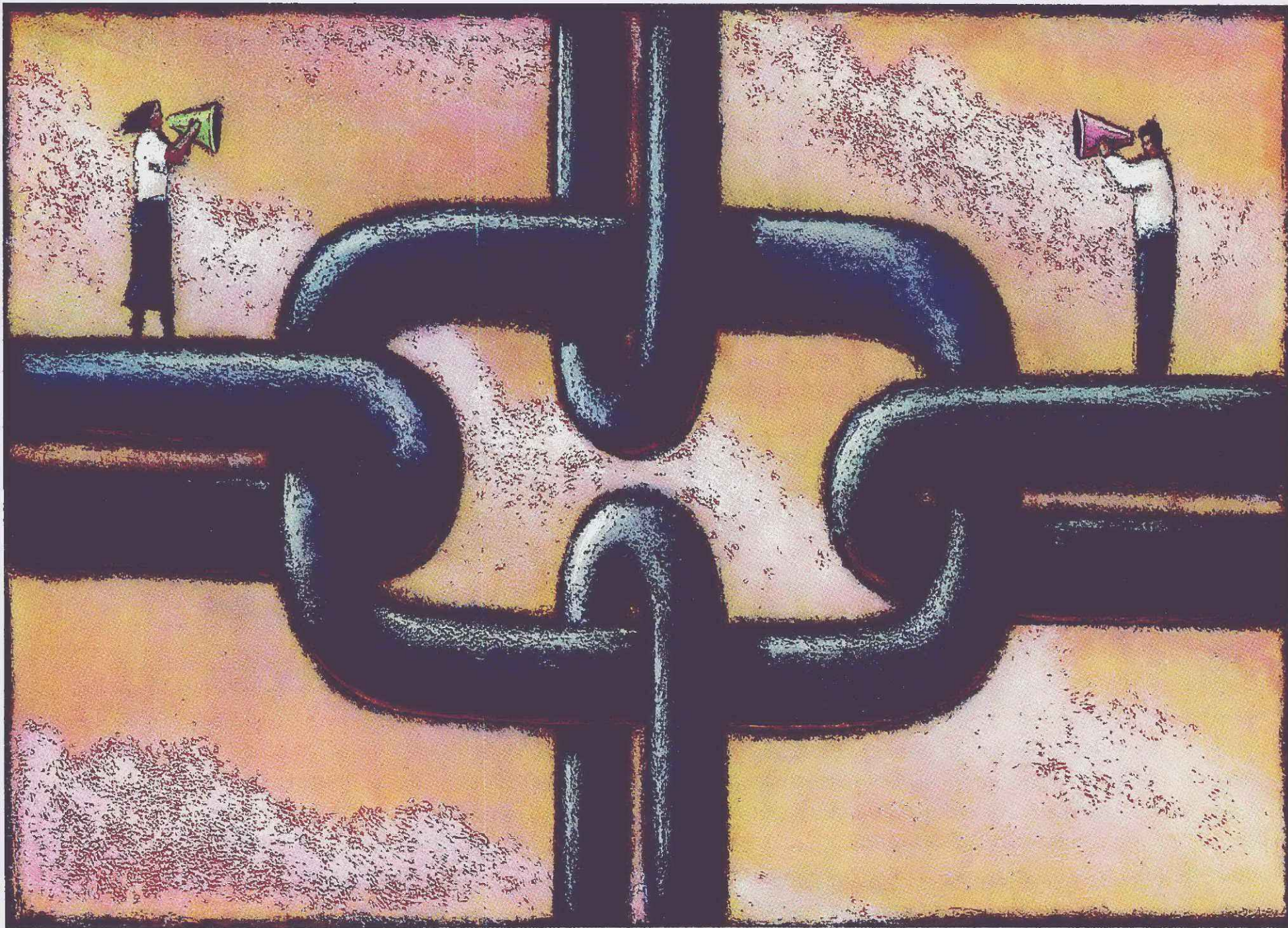
Historically, large insurance companies with information systems teams have chosen to build their own software.

These companies likely will continue to do so in the future, as they have much too much invested in their current platforms and current ways of thinking about the reserving process, including workflow, and actuarial and systems staffing issues. Also, it is unlikely that industry leaders would buy vendor software, as they will probably not get what they want.

To date, there is only one product available—Corporate Affinity—for the systems group or large actuarial firm that would rather buy actuarial software (with storage,

Additional fees per user

Product/contact	One	Two	Three	Four	Five	Other
ICRFS-SDFT Dr. Benhamine Zenwirth Insureware PTY Ltd. E. St. Kilda DIC, Australia 3183 Phone: 61-3-9527-3084 Fax: 61-3-9527-2349 E-mail: insureware@insureware.com	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$200 shipping and documentation
RESQ Andrew English Matthews Brockman Nightengale House, 46-48 East Street Epsom, Surrey KP17 1HP, United Kingdom Phone: 44-1-372-814-800 Fax: 44-1-372-743-904 E-mail: andrewenglish@emb.co.uk	9,000	0	750	750	750	\$3,750 Stochastic model; \$1,500 Average cost model average; \$1,600 training per day or \$500 per trainee per day plus expenses
ReservePro JoAnn S. O'Hara PricewaterhouseCoopers L.L.P. Suite 1700, Fort Lauderdale, Fla. 33301 Phone: 954-356-5944; Fax: 954-356-5965 E-mail: joann.ohara@us.pwcglobal.com	9,600	4,800	4,800	3,600	3,600	\$2,000 training per day plus expenses
Affinity JoAnn S. O'Hara PricewaterhouseCoopers L.L.P.	9,600	4,800	4,800	3,600	3,600	\$2,000 training per day plus expenses; \$3,500 Designer's toolkit; \$5,000 TriangleMaker
ICRFS-Plus Dr. Benhamine Zenwirth Insureware PTY Ltd.	25,000	5,000	5,000	5,000	5,000	



S U R P L U S L I N E S

A Spotlight Report on

SURPLUS LINES

including BI's Directory of

SURPLUS LINES INSURERS & WHOLESALERS

plus distribution at ASHRM; CIAB/CICE; ISCEBS; NAIC; NAPSLO

Publishing ——— October 4, 1999
Ad Closing —September 22, 1999

**Business
Insurance**[®]

www.businessinsurance.com

New York: 212-210-0134 ■ Fax: 212-210-0704
Chicago: 312-649-5276 ■ Fax: 312-649-7937
Los Angeles: 323-651-3710 ■ Fax: 323-655-8157

SIEBEL

eSALES · eMARKETING · eSERVICE

"More than 4000 Compaq sales and marketing representatives rely on Siebel applications. Compaq and Siebel eBusiness solutions are establishing a new standard in the industry."

MIKE CAPELLAS
President and CEO

COMPAQ

"Siebel Web-based applications are the tried, tested, and proven market leaders in sales, marketing, and customer service."

SCOTT HARTZ
Global Managing Partner

PRICEWATERHOUSECOOPERS 

"We standardized on Siebel software for our sales and business development activities. We are excited about their new Web-based products."

CHARLES SCHWAB
Chairman and Co-CEO

Charles Schwab

"While other vendors talk, Siebel delivers Internet-based solutions."

CRISTINA MORGAN
Managing Director

HAMBRECHT & QUIST
Investment Banking for the New Economy

"Siebel Systems' Internet-based applications empower our employees and our customers with up-to-the-minute information."

LEW COLEMAN
Chairman

Banc of America Securities LLC
Bank of America.



"Thousands of our sales and service representatives are now able to better serve millions of customers every day as a result of our standardization on Siebel's Web-based products."

OMAR LEEMAN
President Special Markets

MCI WORLDCOM

"Siebel Systems fully supports Internet self-service and eCommerce."

ERIC SCHMIDT, PH.D.
Chairman and CEO

Novell

"Only Siebel delivers true Web-based front office applications."

DOUGLAS MASSINGILL
President and CEO

JDEdwards
Enterprise Software

SIEBEL

THE LEADER IN FRONT OFFICE eBUSINESS

For more information, visit us at www.siebel.com or call 1-800-273-9913 EXT-102038

INTERNATIONAL

Global Briefs

Lloyd's of London insurance group **Amlin P.L.C.** expects syndicate 2001, one of the largest at Lloyd's, to report 1998 losses of between £5 million and £30 million (\$8.3 million and \$49.7 million). While such losses are in line with results generally expected for the Lloyd's market overall, Amlin said efforts it has made this year to discontinue loss-making business will lead to better results for 1999. Of Amlin's two smaller syndicates, it expects syndicate 902 to produce either a small loss or a small profit in 1998 and syndicate 1141 is expected to either break even or make a profit of up to £3.8 million (\$6.2 million). . . . Lloyd's underwriter **Kiln P.L.C.** has opened an office in Johannesburg, South Africa. It expects Kiln South Africa (Pty.) Ltd. initially to underwrite property, health and accident, and motor risks, with premium volume of around £500,000 (\$802,750) in the first year. . . . Standard & Poor's Corp. has raised its long-term counterparty credit and insurer financial strength ratings on **Trans Re Zurich** to AA from A and revised the outlook to "stable" from "positive." S&P said the action reflects TRZ's status as a core subsidiary of U.S.-based reinsurer Transatlantic Reinsurance Co., which it also rates AA. . . . Gerling Holding A.G. and other insurers are looking to recoup 150 million deutsche marks (\$81.1 million) in damages from Dusseldorf Airport GmbH in a civil lawsuit stemming from a **1996 airport fire**. Gerling paid the business interruption claims of German airline Lufthansa for canceled and diverted flights and now hopes to recoup its payments. The Dusseldorf district court began hearings Aug. 24 on the insurers' charges that the airport was negligent in not preventing the fire, which killed 17 people and injured 87. The airport operator denies responsibility for the fire, which began when sparks from welding work for repairs on a roadway ignited electrical cables. A court ruling is expected Nov. 2. . . . Lloyd's of London has **banned John Michael Paxton**, a former director of Fenchurch Insurance Brokers Ltd., and fined the firm £150,000 (\$240,825). A Lloyd's Disciplinary Tribunal found Mr. Paxton guilty of operating a scheme to skim \$500,000 (\$802,750) from a U.S. client. Lloyd's also has fined Mr. Paxton £50,000 (\$80,275). . . . GE Reinsurance Corp. has agreed to sell for an undisclosed sum Belgium-based **Kemper Europe Reassurances S.A.** to Zurich, Switzerland-based ABB Ltd., the global technology and engineering group. ABB will acquire Kemper Belgium, which offers reinsurance services—mainly to European clients—through its Stockholm, Sweden-based subsidiary, Sirius International Insurance Corp. ABB said Kemper Belgium will help Sirius to expand beyond its traditional base in the Nordic countries. . . . Cayman-based **United Insurance Co.**, owned by 17 multinational corporations, has set up a protected cell company insurance captive in Guernsey. United Insurance Co. PCC Ltd., with core capital of £1 million (\$1.6 million), will be managed by International Risk Management (Guernsey) Ltd. . . . Lloyd's syndicate **490** ceased underwriting last week after receiving notice that its owner, New York-based Capital Re Corp., will not be underwriting on the syndicate for the 2000 year of account. Capital Re reached its decision after failing to find a buyer for RGB Underwriting Agencies Ltd., its 100% owned London subsidiary that manages syndicate 490. . . . **Air New Zealand** will offer an undisclosed amount of compensation to a passenger who found a rat sitting on her lap under a blanket during a flight from Los Angeles to Auckland, New Zealand.

More EPL demand foreseen

U.K. law's provisions include increasing maximum payment for unfair dismissal

By EDWIN UNSWORTH

LONDON—Small to medium-sized U.K. employers are likely to seek additional insurance as a result of a new employment practices law and the increased tendency of employees to sue their employers for alleged unfair treatment, experts predict.

The Employment Relations Act 1999 received royal assent from Queen Elizabeth II earlier this summer; its provisions will take effect progressively over the coming year or so.

Its main provisions include increasing the maximum compensation payable by an employer for unfair dismissal to £50,000 from £12,000 (\$80,275 from \$19,266); reducing to one year from two the time a worker must be on a job before he or she can claim unfair dismissal; giving part-time workers the same rights as full-time workers; improving maternity, parental leave for mothers and fathers; and unfair dismissal rights.

Gary Freer, a partner and head of the employ-

ment law team in the London law firm of Barlow Lyde & Gilbert, said, "These changes seem certain to result in a greater volume of claims and significantly higher awards."

But David Gamble, executive director of the Assn. of Insurance & Risk Managers, said of the Employment Relations Act, "At the moment, it'll be a question of wait and see how this develops."

Mr. Gamble said very large companies are likely to self-insure against the expanded risks the act poses, but "they will be looking very carefully at their risk management practices to ensure they don't end up with a lot of problems connected to their employment practices," particularly with regard to issues of discrimination.

AIRMIC maintains, however, that if a company has good risk management and proper terms of employment in place, the act should not cause concern, as there would be no unfair dismissals.

Employers have voiced concerns about the act's implications for them.

The Confederation of British Industry is more

concerned about measures in the new law for which employers cannot buy insurance. It said in a statement that U.K. business opposes the act's provisions concerning statutory recognition of a trade union where the majority of workers in a company want one and provisions relating to unfair dismissal of striking workers.

The CBI said it was glad, however, that more onerous provisions that had been under consideration for inclusion in the law had been altered. Earlier proposals that later were toned down included a call for the removal of any cap on compensation for unfair dismissal and workers being entitled to time off for any "domestic incidents." That proposal was subsequently limited in the act to time off for taking care of dependents.

Mr. Freer said the new law will raise the expectations of claimants and will make it more difficult for employers to settle unfounded claims for small "nuisance" payments.

With the stakes raised, an employer will find

See Workers on next page

Holocaust-era claims formula draws concern

By MEG FLETCHER

WASHINGTON—European insurers participating in an international commission to resolve unpaid Holocaust-era insurance claims may seek changes to a controversial valuation formula for determining payments before it is approved for use.



PHOTO: AFP
Lawrence Eagleburger heads a Holocaust-era claims commission.

Lawrence Eagleburger, chairman of the International Commission on Holocaust Era Insurance Claims, announced the complex payment formula in August. That formula will require many insurers to pay as much as 10 times the face value of the original policies, said Neal M. Sher, chief of staff for the Washington-based commission. Most of the policies at issue are personal life insurance policies, though other types of policies eventually may be adjudicated.

For claimants in countries outside Eastern Europe, the formula is based on the yield of long-term government bonds in the country that issued the currency in which the policy was denominated. A more complicated formula was used for

See Holocaust on next page



AP/WIDE WORLD PHOTOS

Jet's hull valued at \$4.8 million

Scores of passengers, crew and people on the ground were killed, but dozens of passengers survived the crash of a **Lineas Areas Privadas Argentinas Boeing 737** last week. The 29-year-old jet crashed on takeoff from an airport in Buenos Aires, Argentina. As it struggled to gain altitude, the jet hit vehicles on a highway and then crashed near a golf course. An insurance market source said the jet had mechanical problems earlier in the day, but the Argentine airline's president said in a TV interview that the plane had no mechanical problems. LAPA purchased \$1.5 billion of liability limits, and the hull was valued at \$4.8 million, market sources said. Marsh Ltd. in London was involved in placing the coverage, which renews Nov. 1, sources said.

Enforcement time nears for German law

KonTraG compels publicly held companies to detail risk management information

By DON LEWIS KIRK

BONN, Germany—Time is running short for companies that hope to comply with new corporate governance rules in Germany.

Under the new KonTraG disclosure law, the public auditors who examine the 1999 balance sheets of publicly held corporations also will be making sure those companies have risk management and control systems in place. Under the law, risk management information, like financial information, must be reported to shareholders.

In May 1998, German lawmakers passed KonTraG—a

contraction of the German phrase "Law for Control and Transparency in Business"—after a heated public debate over several high-profile company failures. An amendment to German corporate laws aimed at making risks clearer to investors, KonTraG calls for managing boards to establish risk management systems as a part of corporate governance (BI, March 29).

While the KonTraG law doesn't contain specific sanctions for managers, its implications are far-reaching, said Ulrich Seibert, ministerial counselor in Berlin for the Federal Ministry of Justice. "KonTraG violations would

weigh heavily against those who lead a company into bankruptcy."

The results of the audit report will be supplied both to a corporation's shareholders and its board of directors. A manager who is negligent in regard to this issue could risk his or her personal wealth from a lawsuit claiming mismanagement, brought by shareholders or by the board, Mr. Seibert said.

To evaluate compliance with KonTraG, public auditors will scrutinize corporate records for information about their risk management systems. Every publicly held corporation must provide docu-

mentation showing that it has a risk management system in place, and it must provide detailed descriptions of the risk assessment and control processes that inform its corporate decisions.

"Every well-run company has risk management tools in place," said Gerd Stuerz, a public accountant with Arthur Andersen in Cologne, Germany. "But they are not always systematically conceived and documented; the overview is missing."

To develop such an overview, Ralf Oelssner, head of Cologne-based Albatros Insurance Broker & Agents, a

See Germany on next page

INTERNATIONAL

Holocaust

Continued from previous page
claimants in Eastern European countries—Czechoslovakia, Hungary and Poland—where insurance industries were nationalized after policies were issued, said a spokesman for Trieste, Italy-based insurer Assicurazioni Generali S.p.A.

Units of the five insurers participating on the voluntary commission wrote roughly 40% of all pre-World War II policies. In addition to Generali, the other insurers are Allianz A.G. Holding of Germany, AXA Group of France, and Winterthur Swiss Insurance Co. and Zurich Financial Services Group, both of Switzerland.

For the past several months, Holocaust Commission participants have discussed details of and resolved some issues about the proposed claims-paying process, Mr. Sher said. For example, the commission plans to open a claims-processing unit Oct. 29 at its London offices. Survivors and heirs will have two years from that date to file claims, Mr. Sher said. In addition, toll-free lines will serve claimants in other countries.

Compared to the Holocaust-era

banking issue, "this is a very layered and complicated issue because of the vastly different nature of the insurance industry and the variety of countries involved," the Generali spokesman said.

In spite of such challenges, however, Mr. Eagleburger last month had to "reluctantly" step in and finalize the formula, Mr. Sher said.

'We are confident that this issue will be satisfactorily resolved in September,' says a spokesman for Allianz.

The valuation issue was one of the "tough" questions that members of the broad-based commission discussed at length, said North Dakota Insurance Commissioner Glenn Pomeroy, who is primarily observing the commission's operations for the National Assn. of Insurance Commissioners. Mr. Eagleburger's decision "broke the logjam," said Mr. Pomeroy.

Among the five participating in-

surers, "there is a general disappointment at Mr. Eagleburger's proposal," said a spokesman for Allianz.

The five insurers generally are concerned about how the formula was derived. They also are concerned about whether the formula appropriately distributes liabilities for unresolved claims, a determination that requires recognizing the individual companies' varied histories of paying such claims as well as their general willingness to support humanitarian relief.

"I think the situation is somewhat in a state of flux," the Generali spokesman said.

"We expect these details will be further discussed," a Zurich spokeswoman said.

It's still too soon to say whether any insurers will back out before the commission's Sept. 22 meeting in London, the Generali spokesman said. The insurers are expected to voice their opposition to the formula at that meeting.

It also is too soon to determine whether insurers will respond individually or as a group to Mr. Eagleburger's formula, the Allianz spokesman said.

Yet some commission participants remain cautiously optimistic that the

issue will be resolved and claims payments can begin.

"Insurers want to see this thing resolved sooner rather than later," the Generali spokesman said.

"We are confident that this issue will be satisfactorily resolved in September," the Allianz spokesman said.

"We are convinced that we should try to find a joint solution and are supporting the process," the Zurich spokeswoman said.

"The expectation is that everybody will proceed in good faith," said Mr. Sher.

One motivation for insurers to participate in the Holocaust Commission's claims-paying process is that those failing to fully participate—and their U.S. subsidiaries—are expected to face tougher scrutiny from some insurance regulators in the United States.

Five states have passed laws relating to Holocaust-era claims: California, Florida, Maryland, New York and Washington. Most of those states have created safe harbors for insurers that cooperate with the commission, Mr. Pomeroy said.

However, "California has no such safe harbor and is pursuing claims against other companies not current-

ly participating in the commission," a California Insurance Department spokesman said. "We have very hard evidence that justifies the department moving forward with a Sept. 17 hearing on Munich Reinsurance Co.," he added. The hearing concerns the alleged failure of a Munich Re affiliate to pay Holocaust-era claims, he said.

"We are cooperating with the California Department," said a spokesman for American Re-Insurance Co., a separate Munich Re subsidiary named in the proceedings.

In addition, Munich Re said in a statement last month that it is prepared to join an organization resolving open Holocaust questions, but it requires some preconditions. For example, such a group must take into account its role as a reinsurer that did not issue any individual policies. In addition, the reinsurer also expects "full and lasting relief from legal and administrative action," according to its statement.

In related action, California lawmakers enacted a measure last year—S.B. 1530—that allows the state insurance commissioner to suspend the certificate of authority of any insurer that fails to pay a valid claim, according to the spokesman. **BI**

Germany

Continued from previous page
captive broker of the German airline Lufthansa, helped launch a KonTraG project to analyze and document Lufthansa's operations.

"Extensive risk mapping helped us set risk priorities, which are essential to decision-making. The most satisfying thing about it is that we had no surprises," Mr. Oelssner said.

Still, compliance can be a real concern, admitted Rolf Ditz, risk man-

ager of Bonn-based IVG Holding A.G., a construction company that has been hired to build the new Berlin airport. "Corporate risks are so complex and far-reaching that companies have a hard time fully recognizing and documenting them. It's hard to tell when the job is done," Mr. Ditz said.

"A guarantee for KonTraG compliance is as improbable as a guarantee for Y2K compliance," said Michael Fischer, management consultant for business risks and project director of KonTraG for German broker Aon Jauch & Huebener in Muehlheim,

Germany. "It requires the cooperation of management, divisions and safety engineers, and external services for special questions and analysis."

As a result, more risk managers are turning to brokers and consultants for help in analyzing and documenting risks. "The rapid transfer of well-prepared risk data is a key to adequate risk handling," said Mr. Fischer. "In the long term, I'm sure the current KonTraG discussion will become part of strategic corporate planning, asset management and leadership." **BI**

Workers

Continued from previous page
it more worthwhile to hire a lawyer, to defend itself against claims, and to buy insurance to cover the associated costs, said Mr. Freer.

Mr. Freer pointed out: "Employers, particularly small and medium-size organizations, are beginning to realize that these new exposures are significant and worrying. This ought to lead to an increased demand for insurance cover against liabilities for damages and for the legal costs involved in defending them."

Gary Freer of Barlow Lyde & Gilbert expects U.S. insurers with EPL experience to enter the U.K. market.

He said the act creates one kind of claimant "for whom the sky is the limit." Whistle-blowers—those dismissed for bringing to light health and safety problems or wrongdoing in the workplace—will be entitled to unlimited court awards as opposed to the current £12,000 limit. According to Mr. Freer, many of those likely to claim unfair dismissal on these grounds will be well-paid senior employees who could make large claims running into millions of pounds each.

Mr. Freer expects U.S. insurers with experience providing employment practices liability coverage in the U.S. market to enter the U.K. market to meet the growing demand for EPL cover here.

Chubb Insurance Co. of Europe S.A. has already launched an EPL policy for the United Kingdom and Ireland. Chubb says the policy is one of the first in these countries designed specifically to address employment-related legal actions taken by employees against employers or other employees.

When launching the coverage, Chubb said that recent employment-related legislation in both the United Kingdom and Ireland, combined with further European Commission initiatives to improve the rights and working conditions of employees, are likely to increase awards and to lead

to more actions against employers.

Chubb's EPL policy provides coverage for companies, their managers and their employees for accusations that include discrimination, harassment and failure to hire or promote; coverage for compensatory awards, compensation for injury to feelings and aggravated damages; defense costs for breach-of-contract claims; and broad coverage for whistle-blower, or retaliatory, claims. That last aspect of the coverage would pay a wrongfully dismissed whistle-blower's salary for the length of his or her contract.

Neil McCarthy, an executive protection underwriter with Chubb Insurance Co. of Europe, said there has been a huge growth in small to medium-sized U.K. companies' interest in EPL-specific insurance products.

He said this interest stems not only from the new laws but from courts reinterpreting existing laws. This includes a case in recent years in which a court held an employer liable for serious racial abuse of an employee by his colleagues, and another case where the court expanded the scope of the law and held that an employer could be liable for a staff member sexually harassing another outside the workplace.

Last month, Lloyd's of London underwriter Cottrell & Mcguire launched a new EPL product as a direct response to the Employment Relations Act. Its coverage is similar to Chubb's, but it has a £5 million (\$8 million) limit.

Sarah McCooney, an underwriter at Cottrell & Mcguire, which has already written EPL policies in the United States, said EPL coverage is increasingly becoming necessary in the United Kingdom. "We're playing catch-up with the United States when it comes to employment practices," Ms. McCooney said.

Because of the new legislation and court awards for claims against employers that are now reaching in excess of £1 million (\$1.6 million), "it's really the time to put together a product that addresses the concerns the clients have," she said.

Ms. McCooney stressed that, along with the EPL coverage, Cottrell & Mcguire is trying to provide risk management help for employers' liability problems. Where necessary, it can arrange counseling from specialist lawyers and consultants and seminars for affinity groups or senior management. **BI**

Products & Services Guide

To place your ad, contact Irais Amlashi

Phone: (312) 649-5340 Fax: (312) 649-7937

E-Mail: iamleshi@crain.com

CPCU® CIC and IIA candidates

I guarantee you'll learn more in less time with The Burnham money back!
Ray Burnham, Chairman, American Insurance Association
19 Evergreen, Solon, Ohio 44139-0155
Call 1-888-BURNHAM Now!

To Advertise in the
Products & Services Guide
Call 312-649-5340

To Be Heard..... You Have to Be Seen

EXECUTIVE FORUM • EXECUTIVE FORUM •

Ninth Annual Insurance Executive Forum

A Breakfast Seminar for Insurance Executives and Risk Managers

Wednesday, October 13, 1999 8 - 11:45 a.m. Fairmont Hotel, Chicago

Program: Today's soft market is having an impact on the skills and knowledge, professionalism, reserves, marketing, and customer service the industry will require to successfully meet the challenges of the future. Insurers, reinsurers, and insurance buyers are aggressively pursuing new products and innovative solutions to gain a competitive edge as they enter the new millennium.

In this context, a panel of industry experts will discuss the issues and address important questions such as the following: Has a prolonged soft market allowed underwriters' skills and expertise to atrophy? Has the industry developed the right products to satisfy the needs of its customers? Has consolidation delivered the efficiencies and cost savings the industry needs? The seminar will help you understand the issues and evaluate how "fiscally" prepared you are to remain competitive in the 21st century.

Panelists: Heidi Hutter, president, chairman, and chief executive officer, Swiss Reinsurance America Corp.; J. Patrick Gallagher, president and chief executive officer, Arthur J. Gallagher & Co.; Alan Levin, managing director, Standard & Poor's; Bernard L. Hengesbaugh, chairman and chief executive officer, CNA Insurance Companies; and Susan R. Meltzer, assistant vice president, Sun Life Assurance Company of Canada.

Moderator: Donna Galer, executive vice president, Zurich-American Insurance Group.

For more information: Call (309)438-3021 or (800)697-8692, fax (309)438-7753, or e-mail atnappi@ilstu.edu

Topic

THE STATE OF
THE INDUSTRY
"We've Fished It
to the 21st Century"

KATIE

Chair of Insurance

INSURANCE

and Financial Services

SCHOOL

College of Business

ILLINOIS STATE UNIVERSITY

We Are A Fly-By-Night™ Operation...

*or daytime,
weekends, holidays...
whenever you need us.*



CARL HEINRICH
COMPANY PILOT

JIM THOMPSON
PRESIDENT

WAYNE CAMPBELL
VICE-PRESIDENT

CHARLIE SALERNO
VICE-PRESIDENT

IF YOUR DISASTER CAN'T WAIT, CALL US!

Instant response to large commercial and industrial disasters has been the hallmark of Jim Thompson's International Disaster Strike Force® for many years.

We clean up and dry out large facilities that have been devastated by water damage as a result of fires, floods and hurricanes.

We own our aircraft, fleet of trucks, semi-trailers, generators, power grids, semi-truck mounted dehumidifiers and air-conditioners and all ancillary equipment necessary to get your facility dried out, sanitized and cleaned up fast.

Our trained professionals are the best in the world.

We don't have to wait to rent equipment from outside sources so you don't have to wait on us.

**PROFESSIONAL INSTANT RESPONSE WITH THE EXPERIENCE,
INTEGRITY AND THE EQUIPMENT TO GET THE JOB DONE.**

JIM THOMPSON'S™ INTERNATIONAL

DISASTER STRIKE FORCE®

**AROUND THE CLOCK
AROUND THE WORLD™**

U.S. AND CANADA **1-800-839-6789**

INTERNATIONAL **1-877-839-6789**

Lawsuits

Continued from page 2

lawsuits as companies opt to protect their information, Mr. Sullivan said.

If a lawsuit did not settle quickly, then all information obtained through discovery or as a result of a settlement could be placed on a Web site, allowing other plaintiffs attorneys to file copycat lawsuits, Mr. Sullivan said.

"Either way, if it's the short scenario or the long scenario, the lawyers win and the employers lose," he said.

Victoria Jones, manager of governmental relations for the Oakland, Calif.-based The Clorox Co., said the bill is unnecessary.

"If there are potentially dangerous products or other public hazards, courts already have the power to prevent the sealing of documents that include information vital to the public's safety. We thus see no need for this

bill," she said.

Clorox is among several national companies that have focused lobbying efforts on defeating the bill, which already has passed the California Senate. It is now in the Assembly Appropriations Committee. The legislative session ends Friday, but S.B. 1254 will be taken up next year with modifications likely.

Danbury, Conn.-based Union Carbide Corp. opposes the measure in its current form because protective orders facilitate efficiency in the discovery process, said Robert A. Butler, the company's chief litigation counsel. Without protective orders, companies would have to put much greater effort into objecting to the disclosure of proprietary business or technical information, he said.

"When the companies do that, then plaintiffs attorneys will put more effort into arguing they should receive these documents," he said. "The court

will have to do a lot more work to review documents."

Nine states now limit or prohibit confidentiality agreements in lawsuits that affect public safety, according to Sen. Schiff's office. Those states are Florida, Arkansas, Louisiana, Kentucky, Nevada, North Carolina, Oregon, Virginia and Washington.

But many of the laws in those states are narrower than the version currently proposed in California, according to Mr. Sullivan. For example, he said, under Florida's law, plaintiffs must show that information they are seeking to make public already has caused injury or is likely to cause injury. The California bill as it now stands does not have a similar test to make plaintiffs to show keeping information confidential presents a clear danger, Mr. Sullivan said.

Washington's law says a judge must balance the public's right to privacy with the public interest in knowing

about potential hazards, Mr. Sullivan said. California's proposed law would strip a judge's power to make that determination, Mr. Sullivan said.

To protect information under S.B. 1254, defendants would have to go through costly mini-trials to prove that confidentiality will not conceal information pertaining to public safety, according to the California Civil Justice Assn.

But proponents of the bill that has been introduced say a company's trade secrets would still be protected. They also say the bill protects against the complete undermining of protective orders.

"You can still get a protective order, but it has to be for a legitimate purpose, and the court has to review what you are seeking to maintain confidential," an aide to Sen. Schiff said. "Anything that could be interpreted as evidence of a defective product, a financial fraud or environmental hazard,

those things could not be kept confidential. Everything else could be."

The current bill's supporters include the Sierra Club, Congress of California Seniors, the California Newspaper Publishers Assn. and the Consumer Attorneys of California.

"From our perspective, the public has the right to know the truth," said a spokeswoman for Consumer Attorneys. "Defendants keep agreements secret because they want to prevent public exposure about their wrongdoing."

For example, she said, amusement park operators regularly enter into confidential settlements in cases involving injuries on their rides so as not to discourage attendance.

Opponents of the legislation as it now stands include the California Manufacturers Assn., the California Chamber of Commerce and the Assn. of California Insurance Companies. **BI**

Professional Marketplace

www.businessinsurance.com

To place your ad, contact Irais Amleshi

Phone: (312) 649-5340

Fax: (312) 649-7937

E-Mail: iamleshi@crain.com

Business Insurance, Classified Department, 740 N. Rush Street, Chicago, IL 60611-2590

Call for details on Blind Box and Internet Advertising

HELP WANTED

Insurance

Join the Most Admired Company

Strong Organization

GE Financial Assurance is a family of insurance and investment companies with a proven track record of success in the financial services industry. Our headquarters in Richmond, VA is currently searching for a Risk Process Leader. And since GE was recently named 'America's Most Admired Company' in FORTUNE® magazine, there's never been a better time to join us!

Key Position RISK PROCESS LEADER

The successful candidate will have extensive interaction with multiple functional areas and will ensure the implementation and maintenance of risk processes for all products, including periodic reviews of blocks of in force business. The successful candidate will have 5+ years of combined life/annuity insurance industry and risk management experience, high energy level, project management/process improvement background, proven leadership and presentation skills, and strong quality orientation.

Join Us

We offer a competitive salary and an excellent benefits package. Please e-mail your resume and a cover letter explaining how your skills align with the job requirements (as an MS Word document or text attachment) to: gefarecruiter@gecapital.com. Or forward to: GE Financial Assurance, Human Resources/BI-RISK, 6620 W. Broad Street, First Floor, Richmond, VA 23230. Fax: 804-281-6395. Visit our web site: www.gefinancialassurance.com. An Equal Opportunity Employer.



GE Financial Assurance

We bring good things to life.

HELP WANTED

Manager of Internal Audit

The Louisiana Worker's Compensation Corporation is a private mutual insurance company that offers competitive salaries and benefits, as well as the challenge of being a part of a progressive organization. We currently have an excellent opportunity for a Manager of Internal Audit in our Baton Rouge office. This individual will provide overall direction to the internal audit function of LWCC under the guidance of the Audit Committee of the Board of Directors.

Qualified applicants must have:

- Bachelors degree and professional certification (either CIA or CPA), or Masters degree in appropriate discipline
- Minimum of eight to ten years of internal audit, accounting, analysis and/or insurance experience
- Significant portion of experience must be in a supervisory or management capacity
- Excellent leadership and interpersonal skills
- Excellent oral and written communication skill
- Strong project management and analytical capability are required along with ability to work effectively with computerized information systems

Please respond to:

LWCC
Recruiter
2237 S. Acadian Thruway
Baton Rouge, LA 70808
Ph: (225) 231-0580
Fax: (225) 231-0631
EOE

HELP WANTED

Insurance Risk Management Director Based in Erie, PA

Seeking qualified individual to develop and direct risk management department. Qualifications include:

- 8-12 years in insurance/risk management, preferable with 5 years at number 1 or 2 position
- Undergraduate college degree, graduate level work, designations, and other advanced skills are a strong consideration
- Must possess excellent oral and written communication skills, through understanding of financial and accounting basics, basic understanding of contractual risks, operational understanding of safety and risk control techniques, and thorough knowledge of underwriting requirements and brokerage operations.

It is important that this person have a compatible philosophical and social perspective. This candidate will have strong compensation package, good health and dental benefits, access to top management, and well performing savings plan.

Send resumes to:
JoAnn Barnes, RentWay
Fax (814)455-3892
AND
Michael Vogler, PricewaterhouseCoopers
Fax (404)870-1335

**NEXT ISSUE:
SEPTEMBER 13**

REQUEST FOR PROPOSALS

Third Party Administrative Services

Westchester County Department of Law, Office of Risk Management is accepting proposals to provide Third Party Administrative Services for the County's self insured liability program.

Copies of the proposal may be obtained by calling Anthony R. Arena at (914) 285-2740. Or by visiting the County's WEB site: www.co.westchester.ny.us/irfp

Return date for proposal is 10/1/99.

Looking for a candidate to fill the job?

Call: Irais Amleshi at 312-649-5340 for advertising details.

Business Insurance

Circulation Breakdown Commercial Consumers

Administrative:	
CEO's, Presidents, and Owners	4,194
Vice Presidents, General Managers and Other Administrative Personnel	3,965
Financial:	
Chief Financial Officers and Vice Presidents of Finance	4,190
Secretaries, Treasurers, controllers and other Financial Personnel	4,945
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	13,572
Sub-total	30,866
Associations	237
Government, Unions and Educational Institutions	972
Commercial Consumers	
Sub-total	32,073
Insurance Agents and Brokers	7,763
Insurance Companies	6,357
Accountants, Actuaries, Attorneys & Consultants	2,361
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,347
Others Allied to the Field	1,008
Total Qualified	50,909
Non-qualified/Paid Subscriptions	21
Single Copy Sales	3
TOTAL CIRCULATION	50,933
* Source Business/Occupational breakdown of qualified circulation, May 31, 1999 Issue, as submitted to BPA for June 1999 BPA Publisher's Statement	

www.businessinsurance.com

Business Insurance

For all the latest in Corporate Risk, Employee Benefit and Managed Health Care News Visit BI online for a host of in-depth news and services that include Updates, Datebook, Classifieds, Article Archive and more

New York: Tel: 212-210-0134 • Fax: 212-210-0704
Chicago: Tel: 312-649-5276 • Fax: 312-649-7937
Los Angeles: Tel: 323-651-3710 • Fax: 323-655-8157

FTR FOR THE RECORD

Helicopter maker sues defunct rebuilder

SEATTLE—In the first salvo of its nationwide campaign against helicopter rebuilders that produce unsafe commercial aircraft bearing pirated trademarks, Bell Helicopter Textron Inc. has sued a defunct Washington company and its officials.

In a suit filed Aug. 18 in federal district court in Seattle, Bell names Intrex Helicopter Inc., company officials James Anderson and Kim and Pamela Powell, and an unidentified trust fund that Bell says Mr. Anderson used to support Intrex's operations.

Alleging that the defendants infringed on Bell's trademark, misappropriated trade secrets and engaged in unfair competition, the Fort Worth, Texas-based manufacturer is seeking unspecified compensatory and punitive damages. Bell also is concerned about the liability issues that counterfeit helicopters raise for itself and helicopter operators.

Bell alleges that the defendants rebuilt a military helicopter with unapproved surplus military parts from many nations but leased the craft as a Bell commercial helicopter.

In 1996, the defendants fooled the Federal Aviation Administration into issuing an airworthiness certificate for the rebuilt helicopter, the lawsuit alleges. Forging a bill of sale and a helicopter data plate, the defendants convinced the agency that the owner of a helicopter destroyed in a 1966 crash had sold that helicopter to Intrex, the suit says.

Later in 1996, Intrex leased the helicopter to the Forest Service for use in firefighting operations, the lawsuit says. But the Forest Service discovered the craft's non-conforming parts, canceled the contract and alerted the FAA.

Even after the FAA revoked the craft's airworthiness certificate in January 1997, the defendants attempted to use the "counterfeit" helicopter in commerce, the lawsuit says.

Intrex has been placed in receivership. The receiver, certified public accountant Tommy Thompson, and the receiver's attorney, Timothy W. Carpenter, both of Bellingham, Wash., refused to comment.

Alabama punitive damage award reduced

GREENSBORO, Ala.—An Alabama circuit court judge has cut by nearly half a \$580 million punitive damages award levied against Whirlpool Financial National Bank and others for allegedly overcharging three people for television satellite dishes.

Judge Marvin W. Wiggins, however, in his order reducing the award to \$300 million, praised the Hale County, Ala., jury for its "courage and vision" for making the award in the first place (*BI*, May 17). "They spoke their minds regardless of how acceptable, popular, politically correct or justifiable the consequences," he wrote. But Judge Wiggins said that upon review of the trial transcript, post-trial evidence and the arguments of counsel, he had to reduce the award.

Benton Harbor, Mich.-based Whirlpool Corp.—the former owner of Whirlpool Financial National Bank—already has said it will appeal Judge Wiggins' ruling to the Alabama Supreme Court.

The initial verdict in the case, *Barbara Carlisle vs. Whirlpool Financial National Bank et al.*, had once again turned tort reformers' attention to Alabama, which they have long pointed to as exemplifying a civil justice system run amok. The plaintiffs claimed they had been scammed for \$612 for each of two satellite dishes because a salesperson told them they would be paying \$34 a month for three years to buy the devices when the contract actually ran half again as long. The jury in May ordered Whirlpool to pay the plaintiffs \$975,000 in compensatory dam-

ages as well as the \$580 million in punitive damages.

Alabama enacted several tort reforms, including a cap on punitive damages, a few weeks after the initial award (*BI*, June 7).

Distress damages award reversed

SAN FRANCISCO—The California Supreme Court has reversed a lower court decision that granted emotional distress damages in a construction defect case.

The case stemmed from a 1991 lawsuit, *Erlich vs. Menezes*, filed in San Luis Obispo County Superior Court over the construction of a "dream house" that became a nightmare after a rainstorm. The trial court determined that while the contractor was negligent, he was not guilty of fraud and did not intentionally harm the plaintiffs. Nevertheless, in addition to a \$406,700 award for repair costs, the court granted the homeowners \$100,000 for emotional distress, \$50,000 for pain and suffering, and \$15,000 for lost wages. The decision was affirmed by the 5th District Court of Appeal in Fresno, Calif.

But the California Supreme Court reversed the appellate court decision, ruling in its Aug. 23 opinion that "adding an emotional distress component to recovery for construction defects could increase the already prohibitively high cost of housing in California, affect the availability of insurance for builders and greatly diminish the supply of affordable housing."

Online prescription venture formed

ST. LOUIS—Pharmacy benefits management firm Express Scripts Inc. has entered into an agreement with PlanetRx.com Inc. under which PlanetRx.com will serve as the exclusive Internet pharmacy for Express Scripts' 36 million members.

Under the agreement, St. Louis-based Express Scripts will transfer the e-commerce assets of its Internet pharmacy subsidiary, yourPharmacy.com, to PlanetRx.com, simultaneously with a planned initial public offering by PlanetRx.com. In exchange, Express Scripts will obtain a 19.9% ownership share in PlanetRx.com.

In addition, South San Francisco, Calif.-based PlanetRx.com will pay Express Scripts more than \$11 million in fees annually and as provide additional financial support for the development of Express Scripts other Internet capabilities for five years, with a possible five-year extension.

Case settled in bus crash that killed 14

Insurers for New York-based Salant Corp. will pay \$30 million in damages to the families of 14 Mexican workers killed when a bus taking them to the clothing company's maquiladora factory rolled into a ditch and caught fire, a Salant representative said.

Lou Mattioli, general counsel for Salant, declined to comment other than to say that the apparel manufacturer's insurers decided to settle the case. The company disclosed the settlement last month. In the June 1997 accident, which took place about 20 miles south of Brownsville, Texas, 12 workers also were injured. Salant manufactures the Perry Ellis line of clothing and other brands.

Plaintiffs in the case argued that Salant's bus lacked safety features and that the driver was not trained. The Texas Supreme Court had ruled that the case could be heard in Texas because a Salant subsidiary in Texas made operating decisions for the company's Mexican operations.

Sources familiar with the case said that Chubb, The Hartford and CIGNA participated in the settlement. All three insurers declined to comment.

Oklahoma department to reprint report

OKLAHOMA CITY—The Oklahoma Department of Insurance is covering the errors and omissions in its annual report by ordering a reprint.

The groans that sounded through the halls of the department about two weeks ago arose when nearly 100 misspellings were found in the newly printed report.

The most glaring mistake? Under a picture of Carroll Fisher, the state's top insurance regulator, the word "insurance" was spelled "isurance."

Elsewhere in the report, even the state's name was misspelled. The department paid \$11,990 for the first printing job, and it will cost an additional \$11,000 to reprint the reports, according to an Insurance Department spokesman.

The mistakes "slipped through the cracks," he said. "There was not enough attention to proofreading."

The spokesman said only a few copies of the report left the insurance department.

It is uncertain when a new copy will be printed, the spokesman said. "This time, we're double-checking the numbers as well," he said.

Comings & Goings: Industry

Darren Cook, chief financial officer of the National Assn. of Insurance Commissioners, was named acting director of the organization's Securities and Valuation Office, which is being reorganized. He replaces **Bob Carcano**, who will resume his duties as SVO counsel. . . **Kenneth Brandt** has been named vp-specialty insurance companies for the property/casualty segment of Em-

ployers Reinsurance Corp. He previously was second vp and western territory manager for the property/casualty reinsurance segment. Also at Overland Park, Kan.-based Employers Re, **Jeffrey Cooper** was named vp-retrocession for the global property/casualty team. Prior to joining the company in April, he worked for Kemper Reinsurance Co. in Long Grove, Ill. . . Reliance National Insurance Co. of New York has appointed **Alex Krutov** managing vp of its financial risk management division. Mr. Krutov comes to Reliance from investment bank Warburg Dillon Read. . . New York-based American International Group Inc. has named **Cecilia Norat** director of state relations in the AIG corporate law department. She previously was president of AIG Vendor Services Inc.



Mr. Krutov

Information in brief

XL Capital Ltd. in Hamilton, Bermuda, plans to change its fiscal year end to Dec. 31 from Nov. 30 to bring the company into alignment with most other insurers. The change will take effect so that the third-quarter 1999 results will end on Sept. 30, 1999. . . Crawford & Co.'s Peruvian subsidiary, **Crawford, Fry & Behr S.A.**, has acquired Lima, Peru-based marine cargo loss prevention and adjusting service company Certiser S.A. from Ransa Commercial S.A. Terms of the transaction were not disclosed. . . **FOCUS Healthcare Management Inc.** and **Kemper Insurance Cos.** have expanded their partnership to add Georgia and Colorado to the 14 other states where Kemper clients can access the FOCUS workers compensation provider network. **BI**

RRGs

Continued from page 3

member of the NRRA. "We've declined to pay" the tax, noted Valerie Smith, regulatory compliance coordinator for Vermont Insurance Management Inc., a Montpelier, Vt.-based captive manager. "We just don't believe a municipal license tax is applicable to a foreign risk retention group."

But Gail Hampton, collection programs manager for the MASC in Columbia, said the association will not back down in its efforts to collect the tax and is willing to go to court if that's what it takes to bring the RRGs operating in South Carolina into compliance.

"Risk retention groups are hung up on the word 'licensed,'" Ms. Hampton said. "To the South Carolina Department of Insurance, 'licensed' and 'registered' is one and the same." All RRGs conducting business in the state must be registered with the Insurance Department, Ms. Hampton said.

"Just because they use different terminology . . . it doesn't set them apart

from any other insurance company doing business in the state," she said.

The MASC has been levying the business license tax, which is based on premiums collected in the municipality, on insurance companies since 1994, but this is the first year it is getting serious about penalizing companies that have not complied, Ms. Hampton said. She noted that RRGs "is the biggest group that we've gotten flack from."

Between 65% to 70% of the RRGs conducting business in South Carolina have already paid the fee this year, which was due May 31. For the other 30% to 35%, "it's time to come into compliance," Ms. Hampton said.

"We're willing to work with them," she noted. "We're not Scrooge, but they have totally disregarded us."

Phil Olsson, general counsel for the NRRA and partner in the law firm of Olsson, Frank & Weeda P.C. in Washington, noted that the NRRA addressed this issue with the MASC two years ago in a letter stating that the MASC has no jurisdiction over non-domiciliary RRGs operating in the state.

"South Carolina is continuing to do what we objected to two years ago,

and that is trying to impose a license fee in the guise of a premium tax. We wrote to the counsel two years ago explaining that we just didn't believe that they had the authority to do that," Mr. Olsson said. "The point is, the Act makes it very clear that a risk retention group does not have to maintain state-by-state licenses."

Meanwhile, the Louisiana Insurance Department recently sent notices to non-domiciled RRGs conducting business in the state, warning that failure to provide the Annual Municipal Premium and Tax Report could result in the insurance commissioner refusing, suspending or revoking the certificate of authority of a foreign or alien insurer.

"The department is not trying to collect a tax," stressed Allan Pursnell, deputy commissioner of the Louisiana Department of Insurance in Baton Rouge. "We merely want RRGs to file the report, like other insurance companies do, to show how much premiums are written" in the state. Mr. Pursnell said that, in some cases, groups are telling the Insurance Department that they are operating under the federal Risk Retention Act when they are not actually an RRG.

"If we can clearly identify those that are (RRGs), it will help us with misrepresentation and fraud," he said.

Mr. Pursnell said the department is seeking legal advice as to its authority to seek such a request from RRGs.

Jim Bowlin, general counsel of the American Assn. of Orthodontists Insurance Co., a Vermont-domiciled RRG that is based in St. Louis, said that the company is still evaluating its position regarding the Louisiana notice.

"We've not yet reached a conclusion," he said.

In 1996, the NRRA successfully fought a 1995 Louisiana law and department application procedures that imposed a wide variety of fees and capital and surplus requirements on RRGs licensed in other states that wanted to issue policies to members in Louisiana.

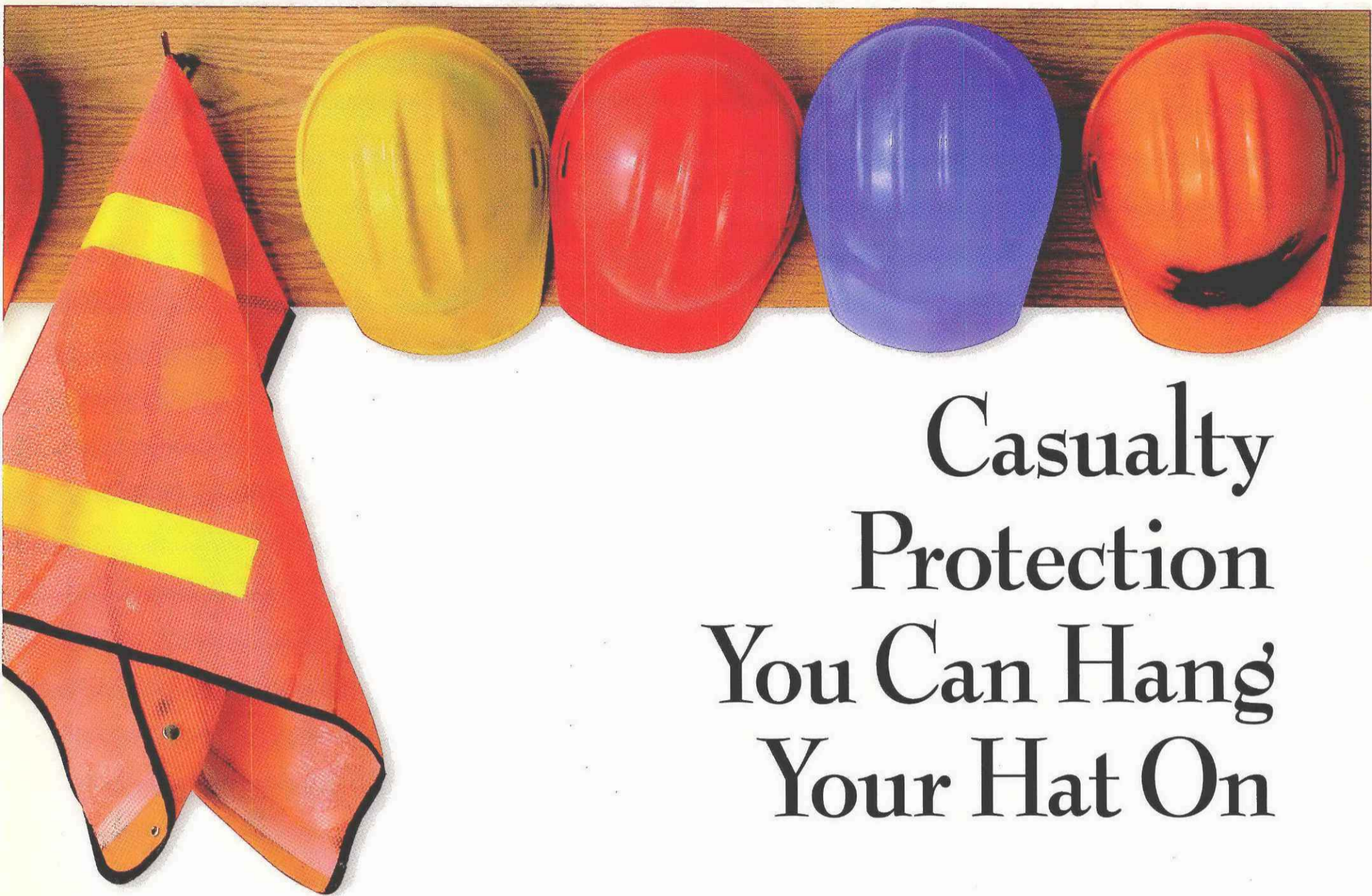
Those requirements were struck down by a federal judge, who said Louisiana's requirements were just the kind pre-empted by the Risk Retention Act (*BI*, June 10, 1996). The 5th U.S. Circuit Court of Appeals in 1997 affirmed the lower court ruling in 1997. **BI**

ADVERTISER

INDEX

Issue of September 6

ADVERTISER	PAGE #
AIG Corporate	28
Burnham Systems	20
Business Insurance	17
Chubb Corporate	13
Corporate Systems	14
GAB Robins	9
Gulf Insurance Company	4
Outdoorsman Agency	12
Pennsylvania Casualty	24
Siebel Systems, Inc.	18
State Comp. Ins. Fund	17R
Swiss Re America	7
The Hartford - EBD Group	10/11
Jim Thompson & Company, Inc.	21
Trumble Services, LLC	12
Wausau Insurance Company	5



Casualty Protection You Can Hang Your Hat On

Introducing Pennsylvania Casualty Company

**Pennsylvania
Casualty Company**SM
a PHICO Group Company

Visit us at www.phico.com • 800-382-1378

At Pennsylvania Casualty Company, we work to find the right combination of insurance products to suit your specific needs. In fact, we pride ourselves on partnering with clients to develop custom insurance, claims and loss control programs that reduce claim frequency and severity.

We work with construction, distribution and manufacturing operations nationwide. And, unlike many larger carriers, our workers compensation, general casualty and excess casualty programs are easily adaptable to changing market conditions.

What's more, PCC is part of the PHICO Group of companies. That means we're backed by over \$1 billion in assets and a national reputation for outstanding customer service.

To learn more about how PCC can partner with your organization, contact your insurance broker or call Steve Fogg, Vice President at 800-930-2368.

Competitive Rates. Flexible Coverages. Innovative Programs. Outstanding Service. It all adds up to a commitment to reduce your insurance costs.

Foundation builds future for students

More than 100 people gathered last week to play golf and share dinner in memory of one terrific guy: Angus Robinson Jr.

The annual Angus Robinson Jr. Memorial Golf Tournament, held at the Burning Tree Country Club in Greenwich, Conn., is one of the least-publicized and most enjoyable events in the insurance business. It's not deliberately private or secret. It just gets sold out every year without a lot of fuss.

But I am about to blow the cover on this great day and tell the younger people in the business who didn't know Angus a little bit about him.

Angus loved life, and he loved people. He was the one who always made sure people were having fun. He also loved the business of reinsurance and was dedicated to doing business the right way. He was creative, dynamic and charismatic. He was a maverick and a magnet. He had an infectious laugh and was one of the world's greatest pranksters. As a practical joke, Angus once borrowed a black African goat from a petting zoo and smuggled it into an elite hotel in San Francisco to leave as a "room service" surprise for a friend.

Angus started his career at General Re in 1972. In 1979, he became one of the founding partners of Trenwick, which he helped create to serve the alternative risk financing market. His passion and hard work saved many a client's reinsurance program. His stubborn attachment to the claims-made policy form also was legendary. In a business where people are pigeon-holed either as actuarial types or as marketers, he had a talent for both. While at Trenwick, he spearheaded its service contract for the fledgling XL Insurance Co.

Angus left Trenwick in the late 1980s and was hired to revive a rudderless NWNL Re. He promptly said that NWNL Re had to be renamed and moved from the Midwest to the East Coast, where the mainstream reinsurance action was. As a Midwesterner, I was offended, but I knew he was right. He renamed the company Chartwell, after Winston Churchill's longtime home in Kent, England. Chartwell was a name Angus' wife, Pat, suggested after an office competition for a new name failed to elicit anything she thought worthy of consideration.

Angus lived to see the name change in 1989 but not the move to Stamford, Conn., in 1990. He died of cancer in April 1990, at the age of 42.

Shortly thereafter, his grief-stricken friends established a foundation in his name to provide scholarships to financially needy students of insurance.

The founding trustees were Jacques Bonneau, senior executive vp of Chartwell Reinsurance Co.; James Damonte, vp of General Reinsurance Corp.; Michael Hayes, executive vp of Chartwell Re; Mark Hinkley, executive vp of Odyssey Reinsurance; Brian O'Hara, chief executive officer of XL Capital Ltd.; Pat Robinson, vp of Odyssey; and Dennis Williams, vp of General Re. I joined soon after, followed by other friends of Angus, including Michael O'Halleran, president and chief operating officer of Aon Corp.; Daniel Siegel, senior vp of Guy Carpenter & Co. Inc.; Graham McKean, chairman of BMS Associates Ltd.; William Clark, CEO of Equus Re; Bruce MacCready, president of Conestoga Casualty Insurance Co.; and retired Aon senior executive Thomas Sullivan.

Angus' two daughters, Ayr and Ashley, also have joined the board.

After collecting initial contributions in Angus' memory, the foundation has raised money with an annual golf tournament and dinner. The event allows Angus' friends to gather every year to remember him, play golf and have a good time. Non-golfers come just for the dinner. It's one of the few places where you will see direct writing reinsurers rub shoulders with broker market reinsurers.

The proceeds from this great event, as well as those from an annual raffle held in conjunction with the Aon Saint Patrick's Day party in Chicago, have helped the foundation net more than \$800,000. The foundation has awarded hundreds of scholarships, totaling \$225,000, and its assets exceed \$600,000. This year, the foundation will award about \$50,000 in scholarships to students with strong academic records who need financial assistance to continue their studies.

Next May 18, the foundation will host a 10th anniversary black-tie celebration in New York to remember Angus and, yes, to raise a few more dollars for scholarships.

One of Angus' favorite sayings when confronted with a stressed-out friend was: "Is this a problem that money can solve?"

In Angus' memory, for students with problems that money can solve, the foundation is there.

Publisher and Editorial Director Kathryn J. McIntyre's column appears fortnightly. Reach her at kmcintyre@crain.com.



Kathryn J. McIntyre

The Hub

Continued from page 1
its creator is anything but.

The Hub Group is the brainchild of V. Prem Watsa, president and CEO of Toronto-based Fairfax Financial Holdings Ltd., which has taken a 45% equity interest in the broker. The Hub Group owns another 40% of the company, and the remaining 15% is traded publicly on the Toronto Stock Exchange.

Fairfax came onto the U.S. insurance scene in 1993 with the acquisition of Ranger Insurance Group. Since then, Fairfax has acquired such insurance and reinsurance giants as Skandia America Group, Crum & Forster Holdings Inc. and TIG Holdings.

Fairfax did not return phone calls last week. Observers of the company, however, speculate that Fairfax's investment in The Hub is similar to other insurers that have taken equity interests in brokers as a means to maintain variety and stability in an ever-consolidating distribution system.

As with those other deals, The Hub has direct access to Fairfax's property/casualty insurance and reinsurance business, but there are no exclusivity arrangements, Mr. Gulliver said.

The Hub Group began operating in November 1998, as a combination of 11 Canadian insurance brokers that merged into one entity with \$60 million Canadian (\$39.3 million) in combined revenue, Mr. Gulliver explained. In January, Fairfax made a \$55 million Canadian (\$37 million) capital investment in the broker, and The Hub also raised \$50 million Canadian (\$33.6 million) in January with its initial public offering.

"That gave us a base of capital to go find another couple hundred million in revenues," Mr. Gulliver said.

In describing The Hub's inception, Mr. Gulliver said the idea was that of Mr. Watsa, with whom he met last May over lunch to discuss the idea.

Mr. Watsa "had his team look at publicly traded brokers and broker consolidators in the marketplace... and he saw an opportunity," Mr. Gulliver said.

The Hub Group's strategy is to

find the best entrepreneurs in the distribution system; assist them with capital; and let them run autonomously, grow and become dominant, Mr. Gulliver said.

By giving the acquired firms equity interest in The Hub and asking for a 10-year commitment, the broker plans to differentiate itself from other large consolidators of middle-market brokers by allowing the acquired firms to remain independent instead of being integrated into one company.

Mr. Gulliver said that strategy allows the brokers to maintain their strong sales and customer focus but at the same time have access to new products, services, expertise and capital to grow their businesses.

With its Canadian operations almost filled out, The Hub now is focusing on expanding in the United States.

"We were looking for the right party to start our initiative in the U.S., and we chose Mack & Parker," Mr. Gulliver said.

The Hub expects to close the deal with the 65-year-old property/casualty broker in early October. Terms were not disclosed.

"We never wanted to sell out to a megabroker because not everyone gets to keep their job," Mr. Hughes said. By joining The Hub Group, "we control our own destiny."

As the new president of The Hub's U.S. operations, which will be renamed in the United States, Mr. Hughes has been assigned the task of growing Hub's U.S. business.

"We will aggressively become an acquirer of quality operations like Mack & Parker," he said.

"We really do intend to encourage the people to run their own shop," he noted. "And we will try to find a way to provide services to them on a uniform basis that adds value."

Currently, The Hub's business makeup is 45% personal lines business; 45% commercial lines; and 10% life and financial services. The broker has been focusing on middle-market business in Canada that generates on average between \$10,000 and \$20,000 Canadian (\$6,723 to \$13,446) in annual premiums. Mr. Gulliver pointed out, however, that The Hub also places \$1 million Canadian (\$672,300) accounts.

Mack & Parker targets middle-market accounts with no risk managers and less than \$5 million in annual premium.

Analysts and consultants have reacted positively to the new broker.

"Hub stands a very good chance of success, particularly because of the financial backing of Fairfax Financial," said Ted Belton, director of research for RBC Underwriting Management Services Inc., a subsidiary of Royal Bank of Canada in Toronto.

"Access to capital is a key issue when you're buying companies left and right," he said. In addition, unlike other consolidators that have acquired many firms and integrated them into the company, The Hub intends to leave the firms autonomous. "This is good because it encourages entrepreneurial spirit," which can get lost when a firm is integrated into another, Mr. Belton said.

"Fairfax certainly plays a major role in the U.S. with Crum & Forster, TIG and others," said Timothy J. Cunningham, a principal in the Chicago office of INSIGHT Management Consultants, an agency management consulting firm. "And their strategy is certainly right on the mark with its first U.S. deal with Mack & Parker," which Mr. Cunningham describes as a "real high-class trophy firm."

Other observers point to the continuing trend among insurers taking equity ownership in various brokers, including Willis Corroon Group P.L.C. and USI Holdings Inc.

John L. Ward, chairman of Ward Financial Group in Cincinnati, said he foresees more of these types of investments taking place in the future.

"It's one of the very biggest trends going on in the industry," he said.

"I think it's driven by carriers heavily dependent by the agent and broker system trying to really lock in... a distribution outlet."

Ken A. Crerar, president of the Council of Insurance Agents & Brokers in Washington, said "the whole concept of Fairfax owning a distribution network doesn't surprise me."

It's an example of the whole convergence concept. "If banks can own a distribution system, why not an insurance company?"

Maryland

Continued from page 2
nent injunction. They sought enforcement of the law, as well as an order requiring Insurance Commissioner Steve Larsen to show cause why he should not be held in contempt of court.

Last week's ruling by Judge Harvey is the latest twist in what has become a four-year legal controversy that has pitted regulators against stop-loss insurers and self-insured employers.

Regulators say insurers selling stop-loss policies with very low attachment indicates that self-insured employers really are trying to circumvent state laws. These laws, among other things, require insurers selling fully insured plans to abide by certain requirements, such as meeting state-mandated benefit requirements. Mr. Larsen, for example, has described low-limit policies as "sham" arrangements.

On the other hand, stop-loss insurers and third-party administrators say restrictions on stop-loss policies interfere with the ability of small employers to self-fund their health care programs.

"ERISA allows employers to put together their own benefit plans. This law prohibits small groups from establishing plans that may have afforded less benefits but also are less costly," said Tim Moore, general counsel and senior vp with American

Medical Security.

In 1995, Maryland, through regulation, said a stop-loss policy must have at least a \$10,000 attachment point for specific claims and an aggregate attachment point of at least 115% of expected claims. Policies below those levels would be considered health insurance and would have to abide by state requirements, such as offering benefits mandated by state law.

American Medical Security then challenged the regulation, and Judge Harvey—and later the 4th U.S. Circuit Court of Appeals—ruled that ERISA pre-empted it. Judge Harvey said the regulation imposed significant restrictions on employee benefit plans and thus was pre-empted by ERISA.

In the wake of those decisions, Maryland went back to the drawing board.

"We studied the decision and drafted language to avoid the pitfalls" of the struck-down regulation, Commissioner Larsen said earlier this year.

"The new statute is fundamentally different than the regulation. The statute is directed exclusively to insurers" and not to benefit plans, said Deputy Commissioner Dennis Carroll. While ERISA pre-empts state laws and regulations that "relate" to employee benefit plans, it does not pre-empt state regulation of the insurance industry.

Under the Maryland law, health insurers are barred from offering employers stop-loss policies with attach-

ment points of less than \$10,000 for expected claims and an aggregate attachment point of less than 115% of expected claims.

American Medical Security, in papers filed by the law firms of Kramon & Graham in Baltimore and Edward J. Birrane Jr. Chartered in Towson, Md., said the new law is in "direct contravention" of the permanent injunction because it mandates minimum attachment points for stop-loss policies.

But Judge Harvey, in last week's ruling, said the injunction applied only to "any then-existing regulation or statute" and not to future legislation "which sought to regulate stop-loss insurance in a manner which would attempt to comply with the decisions of this court and the 4th Circuit."

In fact, Judge Harvey noted that while the appeals court ruled that ERISA pre-empted the 1995 regulation, the court said the state had the right to enact legislation to regulate stop-loss policies.

Mr. Moore said American Medical Security now plans to ask a court to rule that ERISA pre-empts the Maryland law.

"We believe the law may be different in form but not in substance to the regulation" that courts earlier ruled was pre-empted by ERISA, he said.

American Medical Security Inc. vs. Larsen; No. H-95-1463; U.S. District Court for the District of Maryland.

Plans

Continued from page 1

tach any particular importance to them.

"Going for technical advice is common. Perhaps the local office did not have much experience in dealing with cash balance plans," said Larry Sher, a principal with PwC Kwasha in Teaneck, N.J.

"This is not an indication of what the IRS national office does or does not think," said Kyle Brown, an attorney with Watson Wyatt Worldwide's Research and Information Center in Bethesda, Md.

More insight on whether the IRS believes cash balance plans violate federal laws may be forthcoming when it responds to a letter from Rep. Sanders and 39 other congressmen asking the IRS to comment. The IRS is in the process of responding to the Sanders letter, an IRS spokesman said.

• Legislation introduced in Congress by Rep. Maurice Hinchey, D-N.Y., would require that employers converting their traditional defined benefit plans to cash balance plans give vested participants the automatic right to choose between the two plans. Such a requirement, say critics, would be yet another deterrent for employers against offering defined benefit plans, as it could lock them into offering two plan designs for what could be decades.

"The battle for common sense appears to have been lost," Mr. Brown said.

• The IRS has filed an amicus brief

in a suit that challenges how Georgia-Pacific Corp. calculates employees' cash balance plan accounts and suggests a new, complex way of calculating balances for terminating employees.

The methodology would involve determining—using one interest rate assumption—how much the employee would be entitled to if he or she

'The IRS is starting to take positions that are hostile to cash balance plans,' says attorney Richard Shea.

stayed in the plan until normal retirement age, converting that amount to a monthly annuity, and finally—using another interest rate assumption—determining how much money would be needed today to pay the future monthly annuity.

If the IRS enforced the brief through regulations, that would, in many cases, provide employees with considerably larger account balances than employers expected to pay.

In addition, employees would not know until they left a company the exact amount of their cash balance plan benefit.

"The IRS is starting to take positions that are hostile to cash balance plans," says Richard Shea, a partner with the law firm of Covington & Burling in Washington.

While the plans have been popular

with large employers, not everyone has been happy with cash balance plans. One large and vocal group of opponents, for example, has been employees in their 40s.

When companies convert traditional defined benefit plans to cash balance plans, they nearly always offer a benefit package—often called transition benefits—to ease the effect of the conversion on older employees. That is because those workers might be only a few years away from qualifying for benefits—such as rich early retirement pensions—that will not be offered under the cash balance plan.

To ease this impact, many companies let employees within a certain number of years—perhaps 10—of normal retirement age remain in the old plan.

But in some cases, these transition plans don't extend down to employees in their early 40s, and many of those employees have been speaking out, arguing they are entitled to greater future benefits.

"Let's say 80% of a workforce benefits from a cash balance plan and 20% does not. You don't hear from the 80%. Winners don't speak out, but the 20% is screaming," said Paul Strella, an attorney with William M. Mercer Inc. in Washington.

And those "screams" are being heard by politicians. Rep. Sanders, for example, jumped on the anti-cash balance plan bandwagon after IBM adopted such a plan. IBM has about 7,000 employees in Vermont, making it the state's largest private employer. **BI**

Rulings

Continued from page 3

Nevertheless, Mr. Bins postponed his retirement until Feb. 1. Mr. Bins left work on Dec. 27, 1995, and used vacation time until his retirement became effective on Feb. 1. During that time, he stopped asking about the rumored benefit package.

On Feb. 13, 1996, the company announced an enhanced retirement package, to which he was not entitled. He sued, claiming Exxon breached its fiduciary duty under ERISA.

Because the decisions do not establish a clear rule, they create 'a fertile ground for more litigation,' says James Severson.

A district court judge dismissed the suit, agreeing with Exxon's contention that, because Mr. Bins stopped asking about the rumored changes after Dec. 27, the company did not have an obligation to disclose the changes after that date.

But the 2-1 decision by a panel of the 9th Circuit reversed the lower court decision and reinstated Mr. Bins' suit. Appellate court Judge William Fletcher wrote the opinion for the majority.

The appeals court opinion stated that because Exxon was seriously considering an enhanced retirement benefits package while Mr. Bins was inquiring about it during the fall of 1995, the company had an obligation as a fiduciary under ERISA to disclose the plans to Mr. Bins and other affected employees.

Other circuits have ruled that employers have an obligation to disclose when they are giving "serious consideration" to a proposal, but only when an employee asks, the ruling states.

But "We believe that once an ERISA fiduciary has material infor-

mation relevant to a plan participant or beneficiary, it must provide that information whether or not it is asked a question," the opinion states.

The second opinion, also a 2-1 panel decision with the majority opinion written by Judge Fletcher, ruled that, based on the opinion in *Bins*, a group of six employees who retired from Pacific Bell Group should have been provided information about the company's consideration of providing additional retirement benefits. The plaintiffs would have received additional benefits whose cash values ranged from \$26,962.74 to \$99,241.38, the opinion states. This enhanced program was announced in October 1995, four months after the plaintiffs accepted early retirement under a less generous benefits program.

But the company was engaged in serious discussions about implementing the enhanced program with a union during collective bargaining negotiations starting in late 1994, the opinion states.

The decisions will hurt employers, as they create "fertile ground for more litigation," by not establishing a clear rule for employers to follow, said James Severson, Exxon's attorney with the firm of McCutchen, Doyle, Brown & Enersen in San Francisco.

But Thomas Moukawsher, Mr. Bins' attorney, said the standard set by the court "is vastly less confusing" than the previous one. That is because now, an employer simply must announce that it is seriously considering a change to a retirement package, said Mr. Moukawsher, who is with Moukawsher & Walsh in Hartford, Conn.

This rule eliminates the need for the company to answer employees' questions about changes to a plan, possibly giving the wrong answer, he said. In addition, a company representative, such as a member of the human resources staff, no longer has to evaluate an employee's question and decide whether it addresses a proposed change or is too vague. And, with a written disclosure, it is clear what the company told the em-

ployee, he said.

For many employers, the rulings won't change anything, noted Kyle Brown, an attorney with Watson Wyatt Worldwide's Research and Information Center in Bethesda, Md. Often companies will make a plan change retroactive to include employees who retired a few months prior to the effective date of the change, he said.

For example, if a company has begun serious consideration of a change on Sept. 1 and makes the plan change as of Nov. 1, it might opt to provide the increased benefit to all employees who retired as of Sept. 1, he explained.

A drawback with this approach, he noted, is that it costs more money, as more employees get the enhanced benefits.

The added costs could make it more difficult for employers to offer additional benefits as an inducement to early retirement, said William Hanrahan, a partner with the Groom Law Group in Washington.

So, either a company offers the benefit retroactively, or it announces it's considering an enhanced retirement package, likely causing employees to delay retirement and accept the higher benefits. "One way or another, you're increasing the number of people who will get the benefit of the program," he said.

He also noted that with the Pacific Bell decision, the 9th Circuit's opinion did not address the impact of federal labor laws. One concern, he noted, is that generally employers are prohibited from disclosing offers made to a union during collective bargaining negotiations. But the court decision now requires such disclosure, he said. The decision also does not indicate whether a union also must disclose its proposal for enhanced retirement benefits, he added.

"It's a rather superficial examination of the problem," he said.

Bins vs. Exxon, 9th U.S. Circuit Court of Appeals, Aug. 30, 1999, No. 98-55662; Wayne vs. Pacific Bell, 9th U.S. Circuit Court of Appeals, Aug. 30, 1999, No. 97-56456.

Updates

CGL ruling a policyholder win

Continued from page 2

Two of the insurers, Centennial Insurance Co. and United States Fidelity & Guaranty Co., argued that they should not have to indemnify because the policy contained a pollution exclusion, and they were joined by other insurers in arguing that contractual damages were not covered.

After the insurers won at the trial level, an appeals court overturned that decision.

In upholding the appellate court ruling, the state Supreme Court ruled that "the coverage phrase 'legally obligated to pay as damages,' as used in a CGL policy, may provide an insured defendant with coverage for losses pleaded as contractual damages."

Frontier enters reinsurance

ROCK HILL, N.Y.—Frontier Insurance Group Inc. has formed a division that will write mainly excess-of-loss treaty reinsurance.

Frontier Re is a broker market reinsurer and will focus on regional insurers and non-worldwide international accounts, said Robert Evans, president of the new division, which will operate from Morristown, N.J.

Initially, Frontier Re will offer about \$1 million per program in capacity, and it will cover mainly property risks, he said.

While the reinsurance market still is soft, there are opportunities in profitable niches, such as regional insurer business, Mr. Evans said.

Mr. Evans formerly was a senior vp at Allmerica Re. He is joined by two other former Allmerica Re employees: Phil Ward, who will be a senior vp at Frontier Re; and Brian Kerke, who will be vp.

Frontier Re will not be separately capitalized. Rock Hill, N.Y.-based Frontier Insurance has more than \$50 million in capital.

Former operators convicted

OKLAHOMA CITY—Two former operators of the defunct First Assurance & Casualty Co. Ltd. of the Turks & Caicos Islands are facing prison terms after their conviction on bankruptcy fraud and embezzlement charges.

A federal jury last week found Jesse J. Maynard and Samuel B. Love guilty of conspiring to siphon millions of dollars away from First Assurance both before and after it filed for bankruptcy protection in Oklahoma in 1993.

Mr. Maynard was the insurer's owner while Mr. Love headed Frontier Administrators Inc., a First Assurance management company based in Scottsdale, Ariz.

A third defendant, Clara June Jones, a former First Assurance officer, was acquitted.

Prosecutors charged that First Assurance's operators collected premiums without maintaining funds to cover claims and diverted the money to various service companies they controlled. Mr. Maynard and Mr. Love also continued to divert funds after First Assurance filed for bankruptcy amid a torrent of claims from the 1992 Los Angeles riots, prosecutors argued.

Mr. Maynard and Mr. Love face maximum sentences of five years on each of eight counts on which they were convicted. They were released on bond, and Mr. Love said he will appeal the verdict. Mr. Maynard could not be reached.

The jury acquitted the two men of charges that they used First Assurance money in 1993 to capitalize what prosecutors described as a successor company, International Casualty & Surety Co. Ltd. of New Zealand, according to Mr. Love, IC&S's sole director.

Mr. Love, who continues to manage IC&S, said his conviction may affect the insurer's business "to some degree, but I don't think it will be severe... Only time will tell."

"I've never knowingly done a dishonest thing in my life," he added. "I won't be the first innocent person to go to jail and won't be the last, if I go to jail."

Donald P. Havenar, another First Assurance officer charged in the case, continues to be held by authorities in Mexico pending extradition. Charges against a fifth defendant, Vikash Jain, were dropped.

Briefly noted

Merger and acquisition transaction value in the insurance industry is down 71% for the first half of 1999 compared with the first six months of 1998, according to a study conducted by Conning & Co. of Hartford, Conn. . . **L. Ben Lytle**, chief executive officer of Indianapolis-based Anthem Inc., announced last week that he will retire on Oct. 22 after 23 years with the company. He will remain chairman of the mutual insurer. It is expected that Larry C. Glasscock, president and chief operating officer, will be named Mr. Lytle's successor. Mr. Lytle, 53, plans to begin a second career as a writer and health policy analyst with one or more think tanks. . . **The Pension Benefit Guaranty Corp.** says its systems are Year 2000-compliant, meaning it does not expect any interruptions in the \$69 million in monthly checks it sends to the 209,000 participants in failed and underfunded pension plans the agency has taken over. . . **Acordia Southeast**, one of the four regional divisions of Indianapolis-based Acordia Inc., last week announced the acquisition of Wm. Allen & Associates, a Dunedin, Fla.-based agency. Terms were not disclosed. . . **Standard & Poor's Corp.** last week raised insurer financial strength ratings for Peoria, Ill.-based **RLI Insurance Co.** and its Mount Hawley Insurance Co. surplus lines subsidiary to A+ from A. . . **American Home Products Corp.** is recalling a stimulant used in insect-sting and food allergy treatment kits. The product is Epinephrine Injection in a syringe. The recall covers about 510,000 units and affects only certain lots that were distributed by Derm/Buro Inc. and Bayer Corp. between April 1997 and February 1999. American Home will replace the recalled drugs. . . **NatWest Group**, the London-based banking and financial services company, confirmed Friday that it is in talks aimed at acquiring Legal & General Insurance Society Ltd., one of Britain's biggest life insurers. A joint statement said the talks "may or may not lead to a recommended offer."

Only one company on earth has this many ways to help you manage your risks.

- All forms of property/casualty insurance
- Life, accident & health insurance worldwide
- Claims management and cost containment services
- Global employee benefits and pension management
- Loss control and engineering
- Premium financing
- Political risk coverage
- Trade credit insurance
- Emergency evacuation and security services
- Economic and political assessment
- Local currency financing
- Consumer finance in many countries
- Direct equity investment funds in many countries
- Third-party asset management
- Infrastructure finance in emerging markets
- Market making in all forms of interest rates, currency and equity risk management products
- Trading and market making in foreign exchange, interest rates, base and precious metals, commodities and commodity indices
- Aircraft leasing for airlines
- Personal auto insurance through various distribution systems
- Retirement savings products from SunAmerica
- Reinsurance

With 80 years of international experience, only Triple-A-rated AIG has the worldwide insurance and financial services capabilities to help you manage all your balance sheet and other risks. And our list of ways to help you manage business risks continues to grow. For more information about insurance and services provided by our member companies, write to American International Group, Inc. or visit our website at www.aig.com

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES

American International Group, Inc., 70 Pine Street, Dept. A, NY, NY 10270. www.aig.com

AIG

