

Rating agency standards falling, report charges / 2

Regulators fault leaders of failed insurer / 3

Business Insurance

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\$4

Broker contends liability for Sept. 11 losses less than market expects

Airlines may dodge losses

By SARAH VEYSEY

LONDON—Aviation underwriters should drop surcharges imposed on airlines to fund potential terrorism losses, because the airlines are unlikely to be held liable for damages caused by last year's terrorist attacks, a leading aviation broker contends.

The surcharges have been levied in the wake of the terrorist attacks last Sept. 11—in which four commercial airline jets were hijacked and used as terrorist weapons—until questions of liability and where losses should fall have been determined within the market.

In an open letter to London mar-

ket aviation underwriters, Jonathan Palmer-Brown, chairman of the London Market Brokers Committee, said that because aviation losses stemming from Sept. 11 might not be as great as first feared, airlines should not be subjected to the severe rate hikes and surcharges the market imposed following the attacks.

Liability for the event first must be proved, which will take years, and there are persuasive arguments that liability will not come to rest with the airlines involved, said Mr. Palmer-Brown, chairman of U.K. specialty at Aon Ltd. in London, in an interview that echoed many of

See **AVIATION**/page 26



PHOTO: REUTERS

Insurance sources do not expect airports such as Boston's Logan Airport or airlines to be found negligent in the Sept. 11 hijackings.

Defense contractor liable in chopper crash

Court upholds award against helicopter maker

By MICHAEL BRADFORD

NEW YORK—Government contractors must be careful to adequately warn the government about potential hazards associated with their products, following a recent federal appellate

court ruling.

The 2nd U.S. Circuit Court of Appeals in New York on March 12 upheld a \$22.9 million jury verdict against United Technologies Corp. in a product liability lawsuit filed by survivors and family members of U.S. Army soldiers killed in a 1993 crash of a Blackhawk helicopter.

The helicopter crashed at the U.S. Army base in Wiesbaden, Germany, killing four of those aboard and injuring two others. The survivors and family members of those killed then sued United Technologies, whose Sikorsky Aircraft Corp. division was the manufacturer of the Blackhawk.

A jury found United Technologies liable for failing to warn the Army that the helicopter could become uncontrollable during foreseeable flight conditions. The jury awarded the plaintiffs \$22.9 million in damages; United Technologies appealed. Insurance is available to pay an award if one is upheld, but United Tech-

See **BLACKHAWK**/page 27



PHOTO: AFP

A 1993 Blackhawk crash killed four U.S. soldiers.

Work/life benefits propagating

By JOANNE WOJCIK

Despite the recession, few U.S. employers are dropping work/life benefits; in fact, many are beefing them up.

For example, Coors Brewing Co. in February enhanced its work/life benefits program to include child and elder care services, financial and legal advice and other services.

And mortgage lender Fannie Mae in January changed its program to offer its employees enhanced home and college financing benefits.

But Coors and Fannie Mae are not alone in offering better programs, consultants say. Increasingly, they say, employers throughout the country are adding to their work/life benefits programs despite cutbacks elsewhere.

Why this commitment to frilly perks even during tough economic times? They don't cost much; employers can use them to make the increased health care cost shift a little

See **WORK/LIFE**/page 24

Late News

MRM's U.S. units placed in rehabilitation

Mutual Risk Management Ltd.'s insurance units in the United States have been placed in rehabilitation by Pennsylvania insurance regulators. The Philadelphia-based companies, Legion Insurance Co. and Villanova Insurance Co., which write workers compensation and various liability lines, have a combined \$1.3 billion in assets but have suffered problems with reinsurance recoverables for more than a year. "We are taking these actions, with the consent of the companies, in an attempt to halt further financial deterioration of the insurance companies and to see that policyholders are protected," Pennsylvania Insurance Commissioner Diane Koken said.

Lloyd's fulfills pact to boost U.S. trust funds

Lloyd's of London last week completed the two-part transfer of more than \$5 billion to its trust funds in the United States, which fulfills a November 2001 agreement with U.S. regulators over Lloyd's funding of claims stemming from the Sept. 11 attacks. "Lloyd's has met its legal requirement under the rules of the National Assn. of Insurance Commissioners," said John Oxendine, the Georgia insurance commissioner, who chairs the NAIC's Reinsurance Task Force. Lloyd's paid 60% of its estimated liabilities to its U.S. reinsurance and surplus lines trust funds in November.

PBGC takes over LTV pension plans

The Pension Benefit Guaranty Corp. is officially taking over and terminating bankrupt steelmaker LTV Corp.'s three massively underfunded pension plans, the biggest takeover and loss in the federal agency's 27-year history. The PBGC announced last week that it is taking over the plans and set a March 31 termination date. According to the PBGC's latest estimates, the plans, which have about 82,000 participants, are underfunded by approximately \$2.2 billion, with about \$4.4 billion in liabilities and \$2.2 billion in assets.

See **LATE NEWS**/next page

International

SATELLITE FAILS TO REACH ORBIT

Begins on page 19



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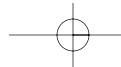
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NEWSPAPER



Inside

A second shot to hit the target

A recent commentary about captive insurance apparently missed its mark, Editor Paul D. Winston says in this week's Commentary. **Page 6**

Out of Enron scandal comes an opportunity

Risk managers can use the Enron debacle to draw attention to the risks created by poor corporate governance, this week's editorial says. **Page 8**

Asking the right questions

In Perspectives, Nancy A. Froude of ManagedComp offers 10 questions to gauge the quality of workers comp providers. **Page 12**

Class actions threaten regulators

The NAIC is urged to respond to threats to regulators posed by class-action litigation. **Page 18**

Premium tax cuts urged in U.K.

U.K. policyholders and insurers are lobbying the government to cut premium taxes. **Page 19**

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REPORTING WEEKLY ON CORPORATE RISK, EMPLOYEE BENEFIT AND MANAGED HEALTH CARE NEWS

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CONTINUED FROM PAGE ONE Trenwick to exercise cat equity option

Trenwick Group Ltd. has announced it will exercise catastrophe equity put option it entered into with Swiss Reinsurance Co. subsidiary European Reinsurance Co. of Zurich. Exercising the put will allow Hamilton, Bermuda-based Trenwick to add capital to offset property losses incurred by Trenwick subsidiary LaSalle Re Ltd. in connection with the Sept. 11 terrorist attacks. The option agreement entitles Trenwick to raise \$55 million by selling to European Re 550,000 convertible perpetual preferred shares at \$100 per share.

California HMOs to cover 'morning-after' pill

California Gov. Gray Davis last week ordered health maintenance organizations in the state to cover so-called "morning-after" contraception for women. Under the directive, an HMO must cover the



Gov. Davis

costs for morning-after contraception provided by pharmacists within its network and, in emergency situations, for such contraception when provided by nonnetwork pharmacists as well. "A woman's right to choose must never

Late News

be held up by red tape," said Gov. Davis, who is seeking re-election and recently won the endorsement of reproduction-rights groups.

Australian government bails out doctors' mutual

The Australian government has bailed out the country's largest mutual insurer for doctors with a \$35 million Australian (\$18.6 million) financial guarantee. The government backstop should ensure that Australasian Medical Insurance Ltd., the main operating unit of Sydney-based United Medical Protection Ltd., will be able to meet demands by the country's insurance regulator that



the nonprofit mutual boost its capital and reserves by June 30. AMIL, which covers 60% of doctors in Australia, has faced several problems over the past year, including an increase in reinsurance costs and a rise in claims volume as a result of legislative changes (see story, page 19).

Boston drops gun liability lawsuit

The City of Boston and the Boston Public Health Commission are abandoning their case against gun makers and dealers because they can no longer afford to pursue the lawsuit. The city and the health



commission released a statement saying they will not continue with their claims against

gun manufacturers "in a time of fiscal austerity." The suit, filed in 1999, charged that 31 defendants have done nothing to stop the flow of their firearms to criminals.

Drug spending rises 17% in 2001: Study

Consumer spending on prescription drugs continued to rise at a rapid pace in 2001, a new study reports. Last year, spending on outpatient prescription drugs dispensed through U.S. retail stores and pharmacies leaped 17.1%, to \$154.5 billion, according to the study by the nonprofit National Institute for Health Care Management in Washington. 2001 marks the fourth consecutive year that drug spending has increased by at least 17%, the study states.

Patient Choice enters Massachusetts

Patient Choice Healthcare Inc. is once again expanding, this time into Massachusetts, after two employer groups in the state announced their support for the expansion. Patient Choice, a spinoff from the Minneapolis-based Buyers Health Care Action Group, operates the Choice Plus health care program. Under the program, providers align themselves with care systems that provide a full range of health care services directly to employers. Patient Choice's first expansion outside of its headquarters in Minnesota took place last year, when it launched programs in Oregon and Colorado.

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All the material in the Late News column, as well as other content in this week's issue, is generated from Daily News postings that appeared on the Web site in the previous week.

Rating agency criticized for A- preliminary rating to unfunded start-up Morgan Stanley berates Best's standards

By SALLY ROBERTS

After years of relaxing its standards for assigning new ratings, one ratings agency "reached a new low" by assigning an A- rating to a reinsurer that had little capital, a securities firm asserts in a new report.

Late last year, Oldwick, N.J.-based A.M. Best Co. assigned an "indicative" financial strength rating of A- to Danish Re Bermuda Ltd., pending the completion of a \$200 million private equity placement. A.M. Best withdrew its rating March 8 following a delay in the capital raising effort, which would have boosted the company's total capital to \$250 million (*BI*, March 18).

New York-based Fitch Ratings also gave Danish Re an indicative rating of A-, which was withdrawn March 12.

Danish Re was formed in 1999 by Trident II L.P., an investment fund managed by MMC Capital Inc. Danish Re began underwriting at Lloyd's of London in late 1999 and planned to boost the capital of its Bermuda company to take advantage of the pricing upturn in the market. It was founded by former Copenhagen Re executives Leif Corinth-Hansen, who serves as chief executive officer in Copenhagen, and Matthew Petzold, who is active underwriter of syndicate 1400 in London.

In its most recent property/casualty insurance brief, Morgan Stanley analysts criticize Best for easing



Ms. Schroeder

PHOTO: FRANCES M. ROBERTS

its rating standards to a point where "it is not necessary even to have money in hand with which a single claim can be paid" to receive an "Excellent" rating.

"What's next, giving a rating to some guy who has an idea for a start-up company but hasn't incorporated yet?" the brief asks.

Morgan Stanley's report goes on to state that "a rating used to be indicative of claims-paying ability. Now, it essentially means something on the order of 'presumed innocent until proven otherwise by a jury of its peers, customers and regulators.' This unfortunately makes the rating all but meaningless in

See **RATING**/page 22

heroes scapegoats

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April 1, 2002

Pennsylvania regulators' suit blames failed insurer's directors and officers

PHICO execs deny fault for insolvency

By DOUGLAS McLEOD

HARRISBURG, Pa.—Former top officers and directors of the defunct PHICO Insurance Co. are denying charges that they failed to check reckless underwriting and reserving practices that left PHICO insolvent by more than \$250 million.

Former PHICO Chief Executive Officer Barry Persofsky, described by Pennsylvania regulators as the architect of the medical malpractice liability insurer's troubles, also counters that regulators knew of PHICO's poor financial health "and failed to take necessary steps to ensure (its) continued viability."

The Pennsylvania Insurance Department, in turn, rejects that charge and contends that PHICO's misleading financial reports made it impossible to detect the insurer's true condition until it was too late.

The exchange of charges is the latest in a lawsuit that Pennsylvania Insurance Commissioner M. Diane Koken filed against 15 former PHICO officers and directors last November in the wake of the insurer's collapse.

State regulators initially placed PHICO in rehabilitation last August after the insurer filed a midyear

2001 financial statement showing that its surplus had dropped to \$6.8 million from more than \$127 million at the end of 2000. A state judge ordered the insurer liquidated Feb. 1 after regulators concluded it was hugely underreserved and insolvent by at least \$250 million.

The insurer's parent company, PHICO Group Inc., filed for Chapter 11 bankruptcy reorganization last December. PHICO Group's sole shareholder is the Health Alliance of Pennsylvania, a nonprofit association of hospital and

physician groups.

Within a few months of last year's rehabilitation order, Pennsylvania regulators filed their lawsuit in Commonwealth Court in Harrisburg, charging PHICO officials with failing to head off the insurer's demise.

According to the complaint, PHICO's troubles started when Mr. Persofsky, hired as president and CEO in 1996, launched an aggressive growth campaign in which PHICO expanded into new regions and substantially underpriced competitors on malpractice liability, workers compensation and other insurance products.

See PHICO/page 25



Ms. Koken

National Assn. of Insurance Commissioners

NAIC urges rejection of some exclusions

By MEG FLETCHER

RENO, Nev.—The National Assn. of Insurance Commissioners recommends that, in general, state insurance regulators reject insurers' filings for terrorism exclusions for group and individual life, and accident and health insurance products, according to a statement adopted at the group's recent spring meeting.

"It is the sense of the NAIC membership that terrorism exclusions are not necessary for individual life and health products and are generally not necessary to maintain a competitive market for group life and health products," the statement said. Such filings "also may violate state law," the statement said, although such laws "vary in their authority and discretion."

More NAIC coverage begins on page 16

State regulators recognized, though, that "there may be unique company circumstances in the group market that need to be considered on a case-by-case basis. We expect the need for these exceptions to be limited," said the statement, which was adopted at the March 16-19 meeting in Reno, Nevada.

The NAIC statement then urged insurers and governmental entities "to explore private and public pooling mechanisms in the group market and all other available alternatives to mitigate problems that arise from concentration of risk."

Previously, the NAIC issued a similar rejection of terrorism exclusions for personal lines filings, though it endorsed such exclusions for commercial lines risks (*BI*, Jan. 7). Subsequently, most states have permitted insurers to include such exclusions in their commercial lines policies, although regulators in California, Florida, Georgia and New York have not.

In addition to dealing with insurers' exclusion requests, regulators addressed several

See NAIC/page 15

Employers see some concerns in plan to simplify regulations

HHS proposes amending privacy rules

By MARK A. HOFMANN

WASHINGTON—Proposed medical records privacy rules may be aimed at health plans and health care providers, but their impact also would be felt by employers, health care experts say.

Employer and insurance groups generally welcomed the Department of Health and Human Services announcement late last month that it wanted to modify health records privacy rules that the agency promulgated in late December 2000 (*BI*, Jan. 1, 2001). HHS had to issue the rules because Congress had failed to meet its own deadline for doing so, as required by the Health Insurance Portability and Accountability Act of 1996. But the rules issued in 2000 went far beyond Congress' intention by extending new privacy protections to all types of medical records and communications, rather than just electronic ones, critics charged. Covered entities—which include health plans, health care providers and data clearinghouses—would face a variety of civil and criminal penalties for violating the rules.

A paperwork error permitted the incoming Bush administration to review the rules—

which aren't slated to take effect until next year—and to offer modifications. The major proposed modifications appeared in the March 27 Federal Register for comment.

HHS proposes changing the rules' original requirement that patients give consent to the release of information prior to receiving treatment. Instead, HHS proposes that while patients would have to be notified of their privacy rights, providers could treat them without first receiving a signed privacy consent form.

The new HHS proposals also would tighten restrictions on the use of medical records for marketing purposes. The proposed rule changes, however, would leave intact the compliance date of April 14, 2003, for most covered entities and would not pre-empt state privacy laws.

"We genuinely welcome the department's efforts to simplify and further clarify the regulations, but there are also some issues they left off the list this round that we think still need more work and attention," said Paul Dennett, vp-health policy for the employer-backed American Benefits Council in Washington.

Without pre-emption, every company af-

See HHS/page 26



PHOTO:AFP

HHS Secretary Tommy Thompson has proposed simplifying medical records privacy regulations.

Bond Market Assn.'s Second Annual Risk-Linked Securities Conference

Mispricing besets risk securitizations

By RODD ZOLKOS

AVENTURA, Fla.—At a time when many see risk-linked securities as a solution to some capacity and pricing problems in the insurance market, issuers of the instruments face an essential conundrum.

While investors are eager to buy more insurance-linked securities, the returns they've been demanding on the instruments are too high for many potential issuers.

Gathering last month at the Bond Market Assn.'s Second Annual Risk-Linked Securities Conference in Aventura, Fla., key players from across the market—including those who issue, structure and buy the securities—discussed their market's pricing, its potential and the various factors that might affect it.

Much of the discussion focused on what's needed for the still-developing market to achieve a critical mass, a point at which some suggested risk-linked securities pricing might serve to cap price increases for insurance and reinsurance.

For now, though, there was agreement among both sellers and buyers that risk-linked securities tend to be mispriced.

"I think this will be a big and important market," said Morton N. Lane, the president of broker-dealer Lane Financial L.L.C. in Ken-

Risk-linked securities 'will be a big and important market,' but 'questions about (their) pricing and structure need to be resolved.'

Morton N. Lane
Lane Financial L.L.C.

ilworth, Ill. But, he said, "questions about pricing and structure need to be resolved."

In its early days, the risk-linked securities market was bedeviled by the fact that there was supply but no demand, Mr. Lane said. Now, he said, "there are investors, but not

enough supply."

Mr. Lane noted that many investors are attracted to the asset class because the securities' risks are uncorrelated with others in their portfolios. He suggested, though, that the market has not yet acknowledged the value attached to that diversification, because it is still demanding a high price on cat bonds.

"A rational price for these catastrophe bonds could be substantially lower than they are right now," agreed John S. Seo, managing partner at Fermat Capital Management in Westport, Conn.

Edouard Schmid, manager of the Catastrophe Perils Unit and a member of senior management at Swiss Reinsurance Co. in Zurich, Switzerland, noted that Swiss Re has been active in the risk-linked securities market from its start, primarily because of the opportunity to achieve fully collateralized risk transfer.

"We are a little disappointed that spreads haven't tightened more over time," Mr. Schmid said, though he added that the ongo-

See BONDS/page 23

Professional Liability Underwriting Society Medical Professional Liability Symposium

Suits have managed care facing 'very perilous times'

By MEG FLETCHER

CHICAGO—Managed care organizations are facing increased liabilities, with potentially even greater challenges on the horizon, a panel of experts says.

"Managed care organizations are indeed operating in very perilous times," said Dana P. Switzer, senior vp with Aon Risk Services in St. Louis.

In addition, the scope of their activities affect, either directly or indirectly, a wide variety of entities, in-

cluding employers that self-fund or purchase insurance or services, publicly traded national insurers, Blue Cross organizations, provider-owned health plans and specialty providers.

Ms. Switzer chaired a panel discussion on the future of managed care organizations during a recent symposium on medical professional liability sponsored by the Professional Liability Underwriting Society. About 400 individuals attended the sessions, held March 21-22 in Chicago.

One of the biggest threats to managed care entities are lawsuits filed by a wide variety of claimants—including local medical boards, individuals and class-action plaintiffs—in various state or federal courts, said James M. Bream, a partner with the law firm of Querrey & Harrow Ltd. in Chicago.

Mr. Bream said litigation trends include a "general expansion of vicarious liability," in which the imposition of liability on one entity for the actionable conduct of another is based solely on a relation-

ship between the two entities. In addition, he said, "courts look to the very operation of the managed care organization as sufficient proof of agency," so that the words or actions of such an organization may be binding on its partners.

Other types of recent claims include alleged violations of the Racketeer Influenced and Corrupt Organizations Act "by misleading consumers about the quality of health care they are getting" as well as alleged "breach of fiduciary duty" under the Employee Retirement In-

come Security Act, Mr. Bream said.

Pending federal and state laws also offer new challenges, said Alice Johansson, assistant vp with Chubb Specialty Insurance in Simsbury, Conn.

On the federal level, lawmakers are discussing matters that include a patients' bill of rights and changes to the Medicare and Medicaid programs. On the state level, there is more activity by lawmakers on concerns such as external grievance review, health plan liability and direct access to specialists, Ms. Johansson noted.

In addition, "we have seen a fair

Recent types of claims include alleged violations of RICO 'by misleading consumers about the quality of health care they are getting.'

*James M. Bream
Querrey & Harrow Ltd.*

amount of activity" from states' attorneys general who are challenging the decisions of managed care organizations as they relate to coverage denials, prompt payment and financial incentives, she said.

Companies can reduce their exposure to litigation through appropriate risk management policies, said Mark E. Lutes, an attorney in the Washington office of Epstein Becker & Green P.C.

The best approach is for a company to develop a systematic way to periodically review its uses and disclosure of personal health information, Mr. Lutes said. Such an inventory "protects your professional reputation and that of your organization," he said.

In order to survive, "managed care will continue to evolve," said Susan Angelo, assistant vp with Lexington Insurance Co. in Boston.

Ms. Angelo noted that one way for the managed care industry to meet the challenge of health care inflation—9.6% last year and estimated at 8.6% this year—is to pass on the higher costs to plan participants. She noted, though, that such actions would result in participants facing higher copayments for name-brand drugs and services from specialty hospitals.

Errors & Omissions

- A story on page 19 reports that Australian health care providers could face a capacity crunch if Australasian Medical Insurance Ltd. failed to raise capital to meet regulatory requirements. After that page went to press, the insurer received government aid to meet the requirement.
- Due to a production error, part of a March 25 story on an economic stimulus bill was omitted. A complete version of the story is on page 14.

LORD OF THE JUMBLE

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Strategic risk management endorsed by CFOs: Survey

By **RODD ZOLKOS**

A new survey of chief financial officers shows that many finance executives see strategic risk management—an integrated risk management approach across the organization—as more effective than a traditional approach to risk management.

According to the results of the survey conducted last fall by Aon Corp. and CFO Research Services, 39% of the CFOs said their companies will manage risk across the organization within three years, but only 12% said their companies already integrate risk management

functions.

Only 5% of those surveyed were “very satisfied” that their company’s current approach to risk management supports their business objectives.

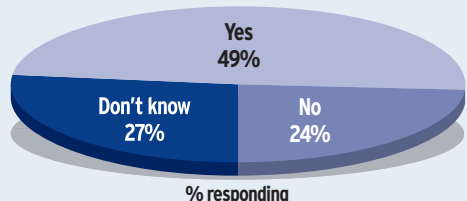
Nearly half of the finance executives—49%—said risk management can provide their company with a competitive advantage, primarily through better capital allocation and superior management of key industry risks. Top motivations for taking a strategic risk management approach include: improved response to a full range of risks, 38%; better capital allocation, 28%; competitive advantage, 27%; reduced earnings volatility, 27%; and lower cost of risk transfer, 18%, according to the survey.

Despite the appeal of strategic risk management, only 15% of companies had a chief risk officer, and 5% said their company will create such a position. Senior-level risk management committees are more common, however, with 34% of respondents indicating their company has such a group and another 5% saying their company will form one.

The survey results were based on responses from 416 executives in North America and Europe representing a wide range of industries. The report, “Strategic Risk Management: New Disciplines, New Opportunities,” is available online at www.aon.com.

COMPETITIVE ADVANTAGE

CFOs surveyed on whether strategic risk management would create a competitive advantage for their companies



Source: CFO Research Services

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Commentary

An alternative way to hit the mark

When I was a kid, I thought I had pretty good aim. Whether I was shooting a BB gun or hurling a snowball, I fully expected to hit my target. In fact, though, I often was wide of the mark. Once in a while, I wouldn't even come close. And sometimes those misses would result in me hitting—and maybe, worse yet, breaking—something else entirely.

So it also can be in writing an opinion piece. I'm usually pretty confident that I'm on target. In reality, though, my arguments sometimes miss their mark. And once in a while, I hit an entirely unintended target.

In my March 18 column, “Taking Captives Beyond Insurance,” I wrote about the resurgence of captive insurance growth in the current hard market and sarcastically suggested that this same solution could be applied to a host of other functions that give businesspeople and their companies fits.

And then the e-mails started to roll in.

One reader said he couldn't really get past the tone to determine what I was trying to say:

“I read your article, and I am a little befuddled. Do you feel captives are a way to ‘true happiness’ or do I detect real doubt? I can't tell.”

Another reader was more expansive, as excerpted here:

“As a risk manager for a large company, I would like to speak on behalf of other risk managers and buyers of insurance whom you seem to think are somewhat stupid and should be totally dependent on the insurance broker, carrier and other vendors of risk-related products. You make comments that insureds are looking for alternative sources. There is nothing wrong with this at all. Options should be evaluated and compared.”

“Your tone was somewhat insulting to the buyer of risk products and services. You seem to think we are naive and not informed, that we are sheep following some indefinite aroma, that we do not examine and understand the business.”

“Your sarcasm was unfounded in reality, uninformed and insulting....”

The mail I received told me that perhaps I had, in trying to use what I thought were clever analogies to make a point, let style get in the way of substance. So I figured I'd better make another try to hit my target.

First, let me say that I fully support risk managers' self-reliance and use of captives. I have

the utmost respect for risk managers who use the tools of insurance to fund their own risks in a more cost-effective and responsive approach than is available from insurers.

Some of these risk managers do so because they have the assets and knowledge to retain and manage their own risks more cost-effectively than they could using traditional insurance. Others see captives as a way to gain financial benefits, such as tax advantages or greater flexibility. Others use captives to provide coverage and enhanced customer service to their clients. In short, there are numerous sound and successful reasons for turning to captives.

But many companies are turning to captives, especially in current market conditions, because their insurance options have grown limited and unattractive. They would rather not be in the business of insurance, preferring to leave that endeavor to insurance companies while they stick to making widgets.

These are companies that have seen their insurance premiums soar out of all relation to their risks. They are dissatisfied with the scope of coverage as terms and conditions are restricted and exclusions proliferate. While they do not begrudge having to make up for industry losses, these companies resent paying more to make up for the poor business decisions of their insuring partners in recent years. Or, they find that the coverage they need simply is not available.

I think it is a shame that the insurance industry is so unable to meet the needs of a significant portion of its customers—most of which are not bad risks—that it drives them to do it themselves. I intended not to indict the risk managers who take advantage of captives but the industry that drives them to do it.

The corporate buyer of insurance is fortunate to have alternatives. And I would be remiss if I did not mention that many insurers, reinsurers and brokers are supportive of captives and have assisted risk managers as they assume more risk. But if the insurance industry believes such alternatives are the first choice of all buyers, it is way off target.

Editor Paul D. Winston's Commentary appears fortnightly and on www.businessinsurance.com. He can be reached at pwinston@crain.com.



Paul D. Winston

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Editorial

Find lessons in Enron scandal

THE LIABILITIES FACED by organizations in the court of opinion can be far greater than any exposure they have to damages in the courts.

And because companies are unlikely to be able to shift those costly exposures to insurers or other entities, as they would civil court awards, the management of reputational risks becomes all the more important.

The scandal swirling around Enron Corp. and its auditor, Arthur Andersen, is proof of this. While risk managers may not be able to prevent senior executives from engaging in behavior that damages the reputation of their organizations, they can use today's lessons to make their organizations aware that their missteps can have ruinous consequences.

In recent years, much attention has been given to broadening risk management to encompass a wide range of business risks, many of which are uninsurable and traditionally out of the risk manager's purview. Ironically, some of the leading proponents of the enter-

prise risk management approach have been the major accounting firms.

Reputational risk is but one of these exposures that traditionally have not been assessed and managed by risk managers. Others are similarly abstract concepts, such as brand risk, while still others are more financial in nature, such as exchange rate risk.

For risk managers who have tried to instill the importance of taking a broader, enterprisewide view of risk, the problems faced by Enron and Andersen are ready examples that such problems can be just as costly as "routine" property/casualty risks.

A poor reputation can result in the loss of customer, shareholder and employee confidence and can cost millions of dollars in additional marketing and public relations expenses to attempt to restore what was damaged. Ultimately, such blows to corporate image can drive companies out of business.

Andersen is still in business but is fighting for its survival after being indicted on federal criminal charges of shredding documents related to

its Enron audit. It is losing clients in droves and seeking another firm to merge with or acquire it.

The problems these firms face also illustrate how shortfalls in corporate governance can allow problems to grow. Not only does the Enron situation illustrate the dangers of inadequate corporate oversight but it also shows the conflicts of interest that are inherent in situations where a firm's auditor also provides various consulting services.

We've said before that there is a potential conflict of interest when public accountants provide non-audit services. Clients may feel compelled—whether they actually are or not—to purchase services or follow advice provided by an accountant to win a clean audit opinion.

That potential conflict has been a bone of contention among financial regulators for years, with the former chairman of the Securities and Exchange Commission, Arthur Levitt, especially vociferous in his attacks on having the same firm that audits a company providing it with other business services. Former Federal Reserve Chairman Paul Vol-

cker, who now heads a committee running Andersen, also has called for auditing firms to shed their consulting operations.

Our view is that a company can provide either audit services or consulting services to a client, but not both.

Inadequate corporate governance also provides a more tangible lesson: higher directors and officers liability insurance costs. D&O premiums already were soaring in light of increased shareholder litigation. A greater number of shareholders were bringing class-action lawsuits against companies, spurred by the weak economy and depressed stock market valuations. Now D&O rates are likely to firm up even more, unless companies can demonstrate that broad risk management is a part of their culture.

The Enron/Andersen scandal clearly shows that corporations' failure to identify and minimize risks—especially uninsurable exposures—could lead to their downfall. Risk managers have an opportunity to use these lessons to reduce the likelihood of that happening.

Revise medical privacy rules

THE DEPARTMENT OF HEALTH and Human Services made the right move last week when it proposed further changes in a controversial medical records privacy regulation.

While no one can argue with the need to take every reasonable step

to protect patient privacy, the rule, as written, presents numerous problems. In fact, the rule—which hasn't taken effect—could have the unintended consequence of placing patients' health at risk under some circumstances by requiring compliance with a complex consent regi-

men before health care providers, health plans and others can share medical information covered by the rule. HHS has proposed easing that requirement as well as some others before covered entities must comply with the regulation.

Such proposed changes could

represent real progress in what has been a less-than-edifying process. Congress had initially assigned itself the job of crafting privacy rules when it passed the Health Insurance Portability and Accountability Act back in 1996 but failed to meet its own deadline. As a result, the task fell to HHS, which during the last days of the Clinton administration issued a "final" rule that went beyond what Congress had intended. Only a paperwork glitch prevented the rule from going into effect, giving the new administration time to propose further changes.

And time is what needs to be added to the process. In last week's proposed changes, HHS let stand the compliance date of April 14, 2003, for most covered entities. But, given that the rule itself is far from final and that congressional critics of the most recent proposal want to hold hearings on the matter before making even more changes, such an early compliance date is unrealistic. When it first approved the rule, Congress made clear that it wanted covered entities to have two years to ready themselves for compliance—which promises to be a complex and expensive process.

HHS should seriously consider rolling back the compliance date to two years after a truly final rule is in place. HHS has made considerable progress in crafting a reasonable rule—it should assure there's a reasonable timetable for implementing it as well.

Schillerstrom



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Aetna turnaround seen as a tough task for CEO

By LAURA B. BENKO

A full year after being christened amid much fanfare, the "new Aetna" is still struggling to reinvent itself.

Once an insurance industry pillar, Aetna Inc. is now awash in red ink and has forfeited its title as the nation's largest health insurer, as it continues to unload millions of members in a massive turnaround effort. And its relationship with providers remains as strained as ever.

"Aetna is a big ship that's proving difficult to turn," said Dr. Richard Corlin, president of the American Medical Assn.

Determined to slim down its bloated corporate structure and rein in costs, Aetna intentionally has been kissing off large chunks of its membership while sharply raising rates. It has also backed away from its traditional HMO business and scrapped half of its Medicare+Choice plans, focusing instead on its "fee-based" roster of employers that self-fund employees' medical bills.

As of Jan. 1, the Hartford, Conn.-based insurer's enrollment had fallen to 15.4 million, from a peak of 21 million in 1999, relegating the longtime leader in membership to No. 2, behind Minneapolis-based UnitedHealth Group, now with 17 million members. And Aetna is in the midst of slashing a projected 6,000 jobs, or 16% of its workforce.

This aggressive downsizing, however, has yet to buoy Aetna's sagging bottom line. Earlier this year, Aetna posted a fourth-quarter operating loss of \$84.6 million—below analysts' worst loss projections. For 2001, Aetna recorded an operating loss of \$266.4 million, compared with operating earnings of \$193.6 million in 2000.

Aetna's profits continue to be eroded by high medical costs, fueled largely by efforts to eliminate the most restrictive of its managed care cost controls. In fourth-quarter 2001, Aetna's medical-cost ratio, the portion of revenue spent on medical care, hit 89.7%, down from 90.1% in the third quarter but still higher than the 87.2% of a year earlier.

Since taking the helm in September 2000, Dr. John Rowe, Aetna's president, chairman and chief executive officer, has worked to repair the insurer's frayed relationship with providers by, among other things, loosening its much-criticized preapproval requirements. How much these concessions have improved Aetna's reputation remains a question.

"John Rowe really has an awareness of doctors' needs. But there's a huge gap between what he says and what happens at the local level," said Dr. Corlin. "His intentions are good, but he's the CEO of a company that's such a bureaucratic mess that it's almost beyond his ability" to create dramatic change.

Dr. Rowe was unavailable for comment.

Aetna has been fined a total of \$2.3 million for violating prompt-payment laws by at least four states

since January 1999.

Many hospitals, too, are discovering that while relaxing its preapproval requirements, Aetna has simply shifted more of the administrative burden to hospitals' back end, said Patricia Kolodzey, director of insurance and managed care for the 453-member Texas Hospital Assn.

Take an emergency heart bypass operation, for example. "Even though Aetna may no longer require preapproval for the initial hospitalization, they expect you to call them or file additional forms 23

hours later to get approval for the patient to be admitted to a recovery room," Ms. Kolodzey said. "I mean, where else is the patient going to go—the lobby? The process is so backward that I have to laugh sometimes."

Industry observers don't blame Dr. Rowe for Aetna's financial problems, which they lay at the feet of previous management and long-time directors. But Aetna's predicament has forced some experts to question whether the gerontologist/former hospital administrator was the best choice to turn the

company around.

Previously, the 57-year-old doctor was CEO of nonprofit Mount Sinai NYU Health in New York, which had 2000 revenue of \$1.8 billion. He once even considered suing Aetna because of its slow reimbursements.

One glimmer of hope for Aetna, though, is Dr. Rowe's choice of a right-hand man. Analysts and industry observers give the CEO high marks for snagging Ronald Williams, former president for the large-employer group at rival WellPoint Health Networks of Thousand

Oaks, Calif., which has been growing at an impressive clip. They say that Mr. Williams, now Aetna's chief of health operations, is fastidious, detail oriented and skilled enough to figure out what's wrong with Aetna's broken health care business.

Mr. Williams, who helped revive an ailing WellPoint 10 years ago, is confident about Aetna.

"There is nothing here that I have not seen before," he said. "There is nothing here that I believe cannot be fixed."

Continued on next page

Disability

Life is unpredictable

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Continued from previous page

Most of Aetna's woes can be blamed on a botched buying spree in the mid- to late '90s.

Craving size, the insurer paid \$8.9 billion in 1996 for U.S. Healthcare, known to be among the most hard-nosed of insurers. Two years later, it added NYLCare Health Plans and Prudential HealthCare. All the while, the insurer kept prices artificially low to attract droves of new customers.

Aetna used its newly amassed membership as leverage in getting doctors and hospitals to accept lower fees. It also figured size could improve operating efficiency.

But Aetna's rigid preapproval requirements, frequent coverage de-

nials and inflexible provider contracts drove away some customers and doctors, while its enormous size made it a lightning rod for attacks on managed care.

In December 2000, Aetna sold its international and financial services units and spun off its health care operations to shareholders. The "new Aetna" has remained so saddled with underpriced business, though, that it has been forced to jack up prices in some markets by more than 20% to cover costs.

For now, though, much of Wall Street remains content viewing Aetna's losses as inevitable bumps on the road to recovery.

"We believe our focus on profitability over growth has been suc-

cessful," Dr. Rowe said during a Feb. 21 conference call. "We have a smaller book of business and a more favorable economic outlook. We now enter 2002 positioned for profitability."

But for all his optimism, Dr. Rowe declined to give earnings guidance for 2002 until after the end of the quarter, leaving some analysts skeptical.

Lori Price, senior healthcare analyst with J.P. Morgan in New York, predicted that Aetna's sales, general and administrative cost ratio will spike this year because of its rapid loss of membership. While the company contends that it will save about \$130 million this year through job cuts, that adjustment

may not be enough given its lower revenue base, Ms. Price said. Aetna's revenue fell 9% in the fourth quarter of 2001 alone, to \$6 billion.

Analysts have reason to be cautious. In April 2001, after promising that earnings were on track, Aetna warned that analysts' first-quarter projections of a penny-per-share profit were too high in light of fast-rising medical costs. A month later, the company posted a per-share operating loss of 26 cents, sending its stock price into a tailspin.

Then in June 2001, Aetna announced it mistakenly had been paying millions of dollars in claims for former members whose benefits had expired. The stock plunged once more, triggering a class-action

lawsuit that charged Aetna with misleading investors about the effectiveness of its recordkeeping systems. That suit is still pending in U.S. District Court in New York.

Now, some analysts are wondering just how much slack to give the once-venerable Aetna.

The company has posted four straight quarters of operating losses even as its competitors have enjoyed robust profit growth, said analyst William McKeever of UBS Warburg in New York. In February, WellPoint, Humana Inc., Anthem Inc., Oxford Health Plans and Coventry Health Care all posted fourth-quarter earnings growth of 10% to 32%.

"First quarter, they have to show improvement," Mr. McKeever said. "If they don't, the whole story falls apart."

Laura B. Benko is a reporter for Modern Healthcare, a sister publication of Business Insurance.

Company to appeal tobacco award

PORTLAND, Ore.—Philip Morris U.S.A. plans to appeal an award of more than \$150 million to the estate of a smoker who died from lung cancer after switching to low-tar cigarettes.

The state court jury in Portland, Ore., last Friday awarded the family of Michelle Schwarz \$168,000 in compensatory damages and \$150 million in punitive damages. Attorneys for the plaintiffs argued that despite the cigarette maker's claims that the Merit cigarettes Ms. Schwarz switched to in 1976 were low-tar, the cigarettes were "defective and unreasonably dangerous." Ms. Schwarz died in 1999 at age 53.

New York-based Philip Morris said in a statement that Ms. Schwarz was aware of the risks when she began smoking at age 18 and that the jury should have found her responsible for her actions.

"There is no such thing as a safe cigarette," William Ohlemeyer, vp and associate general counsel for Philip Morris, said in the statement. He said the tobacco company has never marketed any of its cigarettes as being safe.

In another case, a jury in a Rhode Island state court on March 21 ruled in favor of Philip Morris in a suit filed by the wife of a deceased smoker. She claimed the company failed to properly warn of the hazards of smoking when her husband began smoking as a teen-ager in 1959.

The court ruled that the health risks associated with smoking were well known at that time.

—By Michael Bradford



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Look beyond just upfront pricing when seeking work comp service value

By Nancy A. Froude

It's a given that the terrorist attacks of last Sept. 11 severely affected the insurance industry, including the workers compensation line. We're just now beginning to understand the magnitude of the events and the effect of the tens of billions of dollars in claims.

One implication is that insurers and businesses are now faced with new concentrations of risk. This concern is



expected to increase workers comp rates as much as 50% nationwide, according to Standard & Poor's Corp..

But the workers comp market, much like our

economy, was already in decline before last Sept. 11. Discounts and dividends were no longer a given, combined ratios were deteriorating and rates had dramatically increased. Put simply, the market was hardening, and insurers were again very focused on rates.

But those of us business veterans who've experienced the last cycle know that buying services from an insurer or a third-party administrator based solely on price is a mistake. Workers comp is not discount furniture, and it can't be priced as a

commodity.

So, now more than ever, a business needs to look beyond the lure of low upfront pricing and focus on the value received for the premiums or service fees. It needs to seek not just a vendor but a partner that will be accountable for performance and managing costs over the long haul.

So how does a company ensure that it is receiving the value it should expect? The first step is ask a current or potential service provider some revealing questions.

Here are 10 to consider:

1. How does your service provider's average cost per claim compare with national and state averages?

Compare the service provider's historical data against national data, such as that gathered by the National Council on Compensation Insurance. A TPA that effectively channels injured workers into a network of occupational physicians and specialists will be able to influence the severity of injuries and directly lower the average cost per claim.

2. What is its prevention approach and frequency rate?

The prevention of injuries should be the service provider's primary goal. A business needs to evaluate how focused its partner is on eliminating the sources of injuries—both physical and behavioral. Ask the service provider for its rate of injuries to premium.

3. What's the service provider's closing ratio compared with national and state benchmarks?

Closing claims quickly and cost effectively starts with early reporting. Early reporting has a direct correlation with claims costs.

4. What is the service provider's disability duration, and how does it compare with national benchmarks?

Ensure that it has a track record of returning people to work and evaluate its transitional duty program. Early return to work helps reduce wage replacement, one of the largest cost drivers, and helps employees recover sooner.

5. How is injured employee satisfaction measured and what are the litigation rates?

The way an injured worker is treated at the time of his or her injury and in subsequent days has a great impact on costs and often is a determining factor in whether he or she turns to an attorney. Look for a partner that conducts sampling of injured employees and tracks satisfaction and litigation rates.

6. What provider networks are in place, and what are their return-to-work rates?

Efficiently channeling injured employees to occupational physicians within a network helps keep minor injuries from becoming lost-time claims and reduces the duration of those that do require lost time.

7. What is the network penetration rate for all claims under management?

The network penetration rate indicates whether your partner's programs are effective at delivering managed care, including negotiating discounts for you, and at controlling medical cost inflation.

8. Can it provide real-time performance feedback tools?

A partner should use real-time tools and report cards to signal potential breakdowns in the system before they become serious and

costly problems. For instance, e-mail alerts that signal when an injury isn't reported within 24 hours or when transitional duty isn't available go a long way toward keeping a program on track.

9. What are its service performance standards?

In short, work with a full-service partner that works smart; is focused on long-term outcomes; and is an expert in claims, case management and managed care. Beware of hidden costs, scrutinize price add-ons and resist the urge to unbundle.

10. Does the service provider have performance incentive provisions?

Ask your insurer or TPA about its performance guarantee provisions—will its compensation rise and fall with your success? Such provisions make the difference between a partnership and a mere vendor/client relationship.

Managing workers comp programs is never easy, but doing it in a deteriorating economy with new risks is quite a challenge. While low upfront pricing can be alluring to some businesses, both buyers and sellers need to apply a market-correcting discipline that puts quality over price.

In return for higher premiums, an employer should demand better quality and a full-service provider that delivers measurable outcomes. One way to be sure you're buying good performance and your partner is delivering high-quality service is to ask the right questions.

Nancy A. Froude is the president and chief executive officer of Woburn, Mass.-based ManagedComp, a specialty workers compensation service company.

Contractor's intentional demolition not a covered 'occurrence'

Damage from a building contractor's intentional removal of a common wall that was shared with another structure was not an "occurrence" covered by the contractor's general liability insurance policy, according to the Court of Appeals of Tennessee.

Harold Angus purchased a general liability insurance policy from Western Heritage Insurance Co. in 1992. In 1993, the City of Jackson, Tenn., awarded Mr. Angus a contract to demolish a building known as Buddie's Pawn Shop. City regulations required the contractor to have general liability insurance before beginning work. He purchased an endorsement to his 1992 policy that covered the "wrecking of buildings," specifically Buddie's Pawn Shop.

Buddie's Pawn Shop shared a wall with another structure, and it was expected by the parties that the demolition project would require its removal. After the completion of the demolition, the owners of the adjoining building sued Mr. Angus for damages, claiming damage to their building and their business as a result of the project. Mr. Angus sought coverage under the policy with Western. The insurer denied liability. Mr. Angus sued Western and won in the trial court.

The appellate court said that an endorsement to the policy clearly intended that Angus would demolish buildings and have liability coverage for "occurrences" that arose during the demolition. However, the court said that the endorsement did not alter the policy's exclusion of coverage for intentional or expected damages. Here, the

Legal Briefs

court said, Mr. Angus expected property damage to the adjacent structure, and, by the language of the policy, any damage caused by an intentional act could not be an "occurrence." Accordingly, the court said that, because the damage was not caused by an "occurrence," it was not covered under the policy. The trial court decision was reversed.

Angus vs. Western Heritage Insurance Co., Court of Appeals of Tennessee, Nov. 13, 2000 (BI/02/D.-\$10)

Loss of consortium comp claim denied

The workers compensation exclusive remedy doctrine precludes an action in the courts for a spouse's loss of consortium claim arising from a covered workplace injury, according to the Supreme Court of Missouri.

Patricia Bosch, a nurse at St. Joseph Health Center, was required to draw blood in the course of her employment. In February 1994, she drew blood from a patient infected with hepatitis C. After drawing the blood, she tripped over a small child in a crowded hall, causing her to be pricked by the needle she had used to draw the blood. Ms. Patricia contracted hepatitis C as a result of the needle prick. In 1999, Ron Bosch, Patricia's husband, sued the operator of the hospital, alleging he lost his wife's consortium as a result of the

accident and sought to recover damages. The trial court dismissed his suit.

The state supreme court said that loss of consortium is a derivative claim that arises out of the original injury to the spouse. As such, the court said, it falls directly within a section of the workers' compensation law that excludes all other rights and remedies of the employee, his wife or husband, parents, personal representatives, dependents, heirs or next of kin. The trial court decision was affirmed.

Bosch vs. St. Louis Healthcare Network, Supreme Court of Missouri, March 20, 2001 (BI/03/D.-\$10)

Worker's malaria is compensable: Court

The Court of Appeals of Georgia ruled that malaria is an occupational disease entitling an employee to recover workers compensation benefits.

Delta Pride employed Randall McCarty as a construction worker in the Central American nation of Belize. Mr. McCarty contracted malaria. He and two other workers prepared and loaded equipment into a Delta Pride van in Georgia, drove the van from Georgia to Belize, and then remained for six weeks to install irrigation pipes and equipment on a banana plantation. While in Belize, Mr. McCarty first began to experience symptoms of what was subsequently diagnosed as malaria. Mr. McCarty required treatment in a hospital. He applied for workers compensation

benefits. While the state compensation board approved benefits, a trial court ruled against Mr. McCarty and he appealed.

On appeal, the employer argued, in part, that to qualify for benefits, Mr. McCarty had to prove that malaria was not an ordinary disease of life to which the general public is exposed. According to the employer, evidence indicated that just about everybody in Belize gets malaria at some time or other.

However, the appellate court concluded that a reasonable and logical interpretation of the occupational disease section of the workers compensation law—which was consistent with the intent of the Georgia General Assembly—is for the section to apply to ordinary diseases of life to which the general public of Georgia is exposed. The court pointed to evidence introduced that there was virtually no possibility of contracting malaria in Georgia or in the United States. Furthermore, the court said that this statutory construction was consistent with the beneficent purpose of the Georgia Workers Compensation Act of protecting employees who sustain work-related injuries. The court awarded Mr. McCarty benefits.

McCarty vs. Delta Pride, Court of Appeals of Georgia, Jan. 30, 2001 (BI/05/D.-\$10)

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available, at \$10 each, by sending a check payable to Mayo H. Stiegler, to Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Provide the listed number for each opinion ordered.

Pension savings expected in rate change

By **JERRY GEISEL**

WASHINGTON—Pension funding provisions tucked in a hastily enacted economic stimulus bill will dramatically shave employers' pension plan contributions and improve corporate cash flow.

Those provisions, included in the

Editor's note: Due to a production error, the version of this article that appeared in the March 25 issue was incomplete.

Job Creation and Worker Assistance Act of 2002, which President Bush signed last month, will allow employers to use higher interest rate assumptions—compared to prior law—to calculate pension liabilities that are the basis for contributions and for premiums paid to the Pension Benefit Guaranty Corp.

While the precise financial impact of the interest rate assumption change is not known, experts say it will be considerable.

"This is money in the bank for many employers," said Bill Miner, a consultant in the Chicago office of

Watson Wyatt Worldwide.

"This is going to save significant monies for pension plans, many of which are already well-funded," said Ethan Kra, chief actuary for William M. Mercer Inc. in New York.

The changes, though, are only temporary and will expire at the end of next year. In the interim, benefit experts hope Congress will devise a more realistic way for employers to calculate pension liabilities.

"We do need a permanent fix. We should now have the time to settle on what should be an appropriate formula," said James Klein, presi-

dent of the Washington-based American Benefits Council.

"Over the long term, we need something that is more reflective of what pension liabilities actually are," said Michael Johnston, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill.

For now, though, the new law fixes temporarily what Chris Bone, chief actuary at Aon Consulting in Somerset, N.J., describes as a "broken funding mechanism."

Under that mechanism, employers use an interest rate—tied to the yield on 30-year Treasury bonds—to

value pension liabilities. Specifically, employers had been required to use a range of 90% to 105% of the four-year weighted average of the yield on 30-year Treasury bonds.

Interest rate assumptions are a critical component in determining how much money will be needed today to pay a future benefit. The lower the interest rate assumption the greater the reported liabilities—and the contributions required to fund the liabilities—will be. Generally, when pension plans are less than 90% funded, employers must accelerate plan contributions.

Yields on Treasury bonds in recent years have dropped as the federal government has paid down its debt. And yields have fallen further in the wake of the Treasury Department's decision late last year to suspend the sale of new 30-year bonds. This has increased the likelihood that a plan, for reporting purposes, would be considered underfunded and that employers would have to accelerate contributions.

The new law, though, makes that result much less likely. For the 2002 and 2003 plan years, the top end of the range to value liabilities will rise to 120% from 105% of the four-year weighted average yield on 30-year Treasury bonds.

With the four-year weighted average on the long bond at 5.71%, an employer, with the 120% ceiling, could use a 6.85% interest rate to value plan liabilities this year, instead of 6.0% using a 105% ceiling.

With pension liabilities declining roughly 12% for every 1% increase in the interest rate assumption, the new law with its higher interest rate ceiling will mean many plans will be above the 90% funding level that triggers additional contributions.

"Plans that would have just slipped below the threshold no longer will," Mercer's Mr. Kra said.

The increase in the interest rate ceiling to 120% also will decrease the likelihood that employers will have to make contributions in quarterly installments rather than after the end of the plan year. That is because the law requires employers to pay estimated contributions in quarterly installments for the current year if a plan is less than 100% funded in the prior year. Employers dislike making quarterly payments, because it diverts cash they could use for other corporate purposes.

The stimulus law would decrease the likelihood of the quarterly contribution requirement being triggered because the 120% ceiling—rather than the 105% limit—could be used to value plan liabilities going back to 2001.

The stimulus law also could reduce the amount of premiums that employers with underfunded pension plans pay to the PBGC. Employers with fully funded plans pay a base annual premium of \$19 per plan participant. Plans that are not fully funded pay an additional premium of \$9 per participant for each \$1,000 in underfunding.

In valuing liabilities to determine the amount of PBGC premiums, employers had been required to use an interest rate of 85% of the yield on 30-year Treasury bonds. The stimulus bill, for the 2002 and 2003 plan years, allows employers to use an interest rate assumption of 100% of the yield on those bonds.

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AGENT/BROKER TOPICS

A MONTHLY EDITORIAL SECTION SENT EXCLUSIVELY TO AGENTS, BROKERS AND CONSULTANTS



Employee Recruiting & Training

Online education getting good marks

E-learning seen as more cost-effective, efficient than classroom approach

By **RODD ZOLKOS**

Offering the potential for the combined benefits of decreased costs and increased revenue, online education is gaining in popularity with insurance companies and the agents and brokers who distribute their products.

By using Internet or company intranet-based training systems—instead of the traditional approach of gathering individuals in a single classroom site—insurance companies can quickly and efficiently educate far-flung agency forces about new products.

Companies can also use the technique to improve employees' skills and increase their productivity, and to meet and track employees' continuing education requirements.

And because those receiving training can get access to information through their

computers at times that are convenient for them, education can be delivered on a "just-in-time" basis, with those being trained receiving new information as they need it.

"People can get online when they need to get online and they have the time to do it," said Gerry Pulvermacher, a partner in the financial services division of Deloitte Consulting in New York. "It's just a much more efficient way, and it's a better way for many types of skills."

Clients with educational needs are "looking for new ways to do what they used to do in the classroom," said Howard Marks, chief executive officer of New York-based eMind L.L.C., a training firm that specializes in the financial services industry.

"Our vision of the world in financial services is that the knowledge these companies can deliver to their workers is critical," Mr. Marks said.

"There are several different ways that companies are using it," Deloitte's Mr. Pulvermacher said of e-learning.

"They're recognizing that, from a cost perspective, there's a significant savings to be had by utilizing these learning-management systems," he said. Such systems can provide information to management "on how training is being deployed," so they can keep track of what employees are learning—and how well they're learning it.

"Learning-management systems were kind of the first entry for a lot of these companies," Mr. Pulvermacher said. In the next step, they started examining their education systems and realized there were costs associated with inadequate training.

"In some areas, it's clear that that traditional kind of learning is not reaping the benefits and it's a very costly process," the consultant said.

"Learning is a vehicle for enhancing performance," and there are several ways e-learning can help achieve that end, Mr. Pulvermacher said.

With computer-based education, "it's something people can go back to in a

performance-support function," he said. With an Internet-based or intranet-based training program, an employee can go back and focus specifically on areas in which he or she might be having trouble.

Electronic educational systems can also be used to improve meetings with clients, Mr. Pulvermacher said. When a producer goes to call on a customer, the company can turn to an electronic profile to identify other dealings with that customer and what the producer might need to learn before the visit. "So when that individual goes off, they're much better prepared for the meeting than just what could be gained through the manual," he said.

The consultant noted that many insurance companies have invested heavily in computerized customer relationship management systems, and data from those systems can be used to structure an e-learning approach based on a recognition of what customers' needs might be.

See **EDUCATION**/next page

Use of restrictive covenants growing / 12C

Tips for hiring successful producers / 12D

AGENT/BROKER TOPICS

Education: Popularity of online approach growing

Continued from previous page

In such cases, the training programs become "an ongoing

approach to performance, rather than just a training program," Mr. Pulvermacher said.

And, he said, in dealing with education for agents and brokers, insurance companies should be aware that the training often must be provided for others in addition to the person selling the policy.

"Oftentimes, it's not only the salesperson who needs the training, but there are back-office people who also touch the customer as well," Mr. Pulvermacher said. E-learning can provide a way to offer more effective education to those individuals as well, rather than the traditional approach of "sending them brochures," he said.

And better training can result in increased sales, the consultant said, because "people will typically tend to stick to what they know and sell what they know."

Bart Shachnow, CEO of the New York-based insurance education company Insure'Ed, said the need for appropriate training is particularly compelling for producers in the current market environment.

Faced with higher premiums, buyers are relying more on agents and brokers for advice, he said. And to provide that advice, those selling the products must be trained.

Mr. Pulvermacher said that although not every type of training lends itself to e-learning, "there is definitely a role for enhancing the learning and managing the

learning experience."

"And there's some material you can use in a classroom and use e-learning to support that education," he said.

Mr. Shachnow's company, in fact, is a provider of classroom-based education and training, though it recently entered into a strategic partnership with eMind to

'Oftentimes, it's not only the salesperson who needs the training, but there are back-office people who also touch the customer as well.'

*Gerry Pulvermacher
Deloitte Consulting*

offer combined classroom and e-learning training programs.

Some continuing education requires classroom work, he said, while other kinds of education and training on new products can be done entirely online, available 24 hours a day, seven days a week.

"This is a needs-based solution that we bring to the table, as opposed to a products-based solution," Mr. Shachnow said. "There has been a tremendous receptivity to the concept. We are

making our clients aware of education needs that they weren't aware that they had."

In looking at online employee education, insurers should recognize the potential not just for savings on training costs but for increased earnings as well, Mr. Pulvermacher said. "You want to recognize that there are benefits to the top line as well," he said.

With that in mind, companies should look at education and training from a strategic perspective, the consultant said.

"I think one needs to build a business case," he said. "Organizations like insurance companies tend to be risk-averse by their very nature. So having a business case gives them some sort of platform to work from."

**Compliance & Filing
2 column x 5"
b/w**

Errors & Omissions

Due to an editing error, a quote in a March 4 Agent/Broker Topics story, "Buyers Shopping for Agencies Experiencing a Seller's Market," was incorrectly attributed. Timothy Cunningham, principal at insurance consulting firm IMCG in Chicago, said: "It would be pure folly to view the hard market cycle to have any sustainability to it. To base price on a four- to five-year hard market cycle is absolute folly."

**Reagan Consulting
5 column x 7"
4/color**

April 1, 2002

AGENT/BROKER TOPICS

Restrictive covenants seeing more use, enforcement

By MICHAEL PRINCE

To protect their businesses, agents and brokers increasingly are requiring that their producers sign restrictive covenants, and increasingly they are going to court to enforce those agreements.

In businesses such as insurance brokerages, where the main assets are client relationships, employers see such agreements as critical in preventing employees from walking out the door with their assets, consultants and brokers say.

"Employers increasingly are concerned about protecting their assets—their clients," said Richard Meyers, president and chief executive officer at Richard Meyers & Associates Inc., an insurance industry executive search firm in Florham Park, N.J.

The number of agents and brokers using such agreements has risen by about 40% in the past four years, Mr. Meyers said. He noted that regional and small organizations now use the agreements on a regular basis; previously, he said, only national organizations made use of them.

On its face, an agreement prevents an employee from walking out with a client's account. But, in fact, the agreements establish who owns the business by specifying who owns the accounts—the employer or the employee.

"Basically, that is the provision for agency owners to have in place, or they really don't own the business," said Tom Doran, a principal with Reagan Consulting Inc. in Atlanta.

Restrictive covenants fall into two categories: noncompete agreements and nonpiracy agreements. A noncompete agreement prohibits a departing employee from working in the same industry for a specified length of time. While such an agreement is useful when an agency is sold and the buyer wants to prevent the seller from taking clients with him and setting up shop across the street, they are less as useful in other situations. That's because courts rarely enforce them.

"They are proven to be much more difficult to enforce legally. You really can't prevent someone from earning a living," Mr. Doran said.

The more commonly used variety is the nonpiracy agreement. These prevent a departing employee from taking the accounts

he or she has worked on, or soliciting these accounts, for a specified number of years, often two to three.

When structured this way—specifying a limited client list for a limited period of time—they effectively balance the employer's need to protect its business with the employee's right to work in the same field. And courts would be more likely to enforce such narrowly drafted agreements, attorneys say.

"A covenant is enforceable if it's

reasonably limited in geography and time," said an attorney familiar with such covenants. The attorney works at a large insurance broker but did not want to be identified.

"The courts tend to be more permissive in enforcing the contract, in part under the theory the client list is corporate property," the attorney said.

One important concern that is rarely addressed is the effect the agreements have on clients, said Timothy Cunningham, a principal with OPTIS Partners L.L.C., a newly

formed insurance consulting firm in Chicago.

"To what extent do nonpiracy agreements get in the way of the ultimate consumer working with the broker they want to do business with?" he asked. "That is the big unanswerable question."

Mr. Cunningham said he is aware of situations in which a client has been blocked, because of an agreement, by the former employer from moving its business to the new broker.

The main goal of employers that

use the agreements is the retention of employees. "It has an inhibiting effect on somebody moving," the broker's attorney said.

But the agreements provide additional benefits to employers. If an employee decides to leave, the agreement keeps the business with the employer.

"They provide an important weapon in the employers' arsenal to insure appropriate employee conduct post-employment," said Michael P. Zweig, a senior litigation

See **COVENANTS**/page 14D

Distinguished Program Dev.
4 column x 10"
4/c

Agent/Broker Topics

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AGENT/BROKER TOPICS

Covenants: Increasing use and enforcement

Continued from previous page partner with Loeb & Loeb in New York. Mr. Zweig represents brokerage firms in employment disputes involving restrictive covenants.

Finally, if the producer does solicit the business of his or her former employer and take it away, the agreement gives the former employer recourse to seek damages against the employee's new employer.

Several recent disputes involving restrictive agreements illustrate this point. Last year, Lockton Cos. paid

millions of dollars to Willis Group Holdings Ltd. to settle a suit filed by Willis after three executives left to join Lockton. Other Willis employees joined their former colleagues at Lockton, along with as many as two dozen clients. The executives all had signed agreements with Willis that prevented them from soliciting business from their Willis clients for up to two years (BI, Aug. 13, 2001). The agreements bolstered Willis' case in its efforts to get payment from Lockton for the defections and loss of clients.

In another action, Near North Insurance Brokerage Inc. is suing Aon Corp. after three senior employees left to join Aon (BI, Feb. 25).

These lawsuits are just a sampling of current litigation, as brokers and agencies vigorously enforce these agreements, Mr. Meyers said. The brokers and agencies are sending a message to other employees that the employer takes the agreements seriously, Mr. Meyers said.

"The day agencies stop trying to enforce those contracts, they basically become contracts without

any value," Mr. Doran said.

Experts say, though, that the legal environment is not favorable for employers trying to uphold restrictive covenants. As a result, many high-profile cases end up settling, giving the former employers money to compensate for the departure of employees and accounts, rather than ending up at trial, Mr. Meyers said.

Mr. Doran recommends that all brokers and agencies require their employees to sign nonpiracy agreements that would not merely limit a former employee from

soliciting the employer's clients but also prevent that individual from working on those accounts with his or her new employer.

In recent years, employers have turned more to other means to keep employees from leaving, the broker's attorney said. These include the use of deferred compensation agreements, which build in value over time and give employees an incentive to stay, he said.

Another means of retaining employees is creating a supportive work environment, Mr. Cunningham said. "If you have a good environment, it renders the issue of restrictive covenants academic," he said.

Seven steps to successful producer recruitment

With the odds that only one out of three new producers hired will be successful, recruiting and developing is a risky and expensive, albeit necessary, endeavor for any insurance agency or brokerage today. Using a seven-step process called Blue Print, it is John K. Rauschenberger's goal to help agents and brokers raise that success rate to three out of every four candidates.

Mr. Rauschenberger is a partner in the newly established agency consulting firm OPTIS Partners L.L.C. in Chicago. He specializes in recruiting and developing top producers, with an emphasis on hiring inexperienced producers. Before co-forming OPTIS, Mr. Rauschenberger was president of his own agency consulting firm in Columbia, Mo.

Mr. Rauschenberger recently talked with Associate Editor Sally Roberts about trends in producer recruiting and the keys to a successful hire.

process to hiring top producers. What does that entail, and how does one begin the process?

A: The seven steps in the process are defining, locating, recruiting, hiring, training, developing and retaining.

The first step, if an agency principal is looking to hire a new producer, is to define your agency's past successes and future needs and develop a profile of an individual who will work and succeed at



Mr. Rauschenberger

your firm. Commercial brokers are so individualized; no two cultures are the same. So you need to develop a profile of who you need. The second step is to begin the

process of locating that individual and then start the recruiting process.

Q: Do most firms do this now?

A: Most firms do that backwards. They begin the recruiting and then they begin to figure out where they might locate the producers, and then, as they find the people, they begin defining what they need.

Q: What do you think is the key to success with this process?

A: The key to success with the process is using the law of large numbers. Meaning that, for every one person hired, a firm really should have contacted 100 people. If you contact 100 people, you'll find 50% interested. Then you take 30 of them to an initial pre-screening interview, be it by phone or in person. About 20 will become prospects, and then you get down to your top eight to 10 people.

Q: What's the biggest mistake agents and brokers make when attempting to hire a new producer?

A: They have not developed a large-enough selection pool. They are not making choices; they are just hiring. When you start with 100 people and get it down to 10 people, there are five who are really what you're looking for, and a couple of those will not be interested. So you end up with three that you can select from.

Q: Where are most new hires coming from?

A: Two out of three new producer hires today are coming out with pre-existing insurance background at some level, whether it's from insurance companies or other insurance agencies.

Q: Do you suggest agents recruit from college campuses at all?

A: I have a bias toward recruiting new producers between the ages of 28 and 45. I have not seen consistent success with pursuing commercial producers directly out of college. There are exceptions. But the goal is to increase your odds of success, and you'll be more successful with someone who has had more life experience.

Q: What type of investment are agents and brokers looking at when hiring a new producer?

A: Today to find a producer that you're going to want to hire and if you're a top-level firm, you're going to have to pay a salary of between \$60,000 and \$85,000. So, in the first two years just in salary alone, plus the cost of benefits on that and plus the cost of incidental expenses, you're easily looking at \$150,000, excluding management costs and indirect costs. And, according to agency statistics, only one out of three new producers succeed, so you can see the cost involved.

Q: Is that the typical compensation today for new producers?

A: To hire a qualified candidate with the characteristics you're looking for and a successful track record, you're going to be paying anywhere from \$65,000 to \$90,000. You're not going to find many anymore for \$45,000 to \$50,000.

Q: What is the typical validation schedule for a new producer?

A: Most agencies today are hiring new producers on a three-year agreement, and the producer is expected to validate, or produce, 25% of his or her salary the first year, 55% the second year and 100% the third year.

Q: What if the producer doesn't meet those expectations? Does he or she owe the agency the money back?

A: Years ago, agencies would put out \$50,000 in salary, and producers would have to validate that. If they failed, they owed the money back. Today, if a producer fails or is terminated by the firm due to lack of productivity or progress, he's just terminated and the money is gone.

Q: Once the new producer is hired, how are agents and brokers performing in the areas of educating, training, coaching and mentoring him or her?

A: Average to good.

Q: What do they need to do to improve it?

A: They need a committed in-house person to focus on the process of developing new and existing producers.

Q: Do agencies generally have an in-house person to perform this function?

A: A little over half of the firms, I would say, have a specific individual in the role of developing the sales management process. The other half of the firms are looking for that person.

Q: Can agents and brokers outsource this function?

A: That's an option.

Q: If a new producer becomes successful, what is the best way for agents and brokers to retain him or her?

A: Successful producers are looking for ownership opportunity in the firm. They want a vested interest.

Q: Are most agents and brokers willing to give up ownership to top-level producers?

A: The good ones are.

Q: On the flip side, what's the best way agents and brokers can lure away top producers from other firms?

A: Established successful producers who have ownership in their current agencies don't leave.

Q: It seems, though, that a lot of experienced producers from big brokers are being lured away to competitors these days. Why are they leaving? Is it money?

A: Most of the top producers who leave don't leave for money. They leave because of the lack of perception of being valued at their current employer.

Q: Do you recommend agencies require new producers to sign restrictive covenants as part of their employment contract with the agency?

A: Absolutely. I would say the vast majority of firms have noncompetes and they live by them and honor them. With the costs of running firms today ...you've got to protect that asset.

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April 1, 2002

Terrorism: NAIC discusses need for federal backstop

Continued from page 3

other terrorism issues during the meeting.

During a symposium attended by more than 200 people, "there was general consensus that terrorist acts have been elevated from an insurable risk to a risk that is better borne by society as a whole," because their frequency and severity are unpredictable, according to an NAIC symposium summary.

In particular, insurer representatives expressed their concern about the potential financial burden created by their statutory liability in many states for fires that might fol-

low terrorist attacks, despite the use of such exclusions (*BI*, Feb. 11).

Insurers also are concerned about their statutory liability to provide workers compensation coverage for employers, many of which are turning to state-mandated residual markets for coverage.

According to the symposium summary, "There is general agreement that a federal solution is necessary and would greatly improve the condition of the marketplace." Two bills that would establish a federal backstop program are currently stalled in Congress, though.

Several insurance industry repre-

sentatives urged state insurance commissioners to contact their re-

'There is general agreement that a federal solution is necessary and would greatly improve the condition of the marketplace.'

National Assn. of Insurance Commissioners

spective state and federal lawmakers and encourage them to support a

federal backstop program.

Symposium speakers also considered other alternatives, including the establishment of a state or federal pooling mechanism, the creation of a tax-deferred catastrophe reserve and the solicitation of funding assistance from capital markets.

In other action at the meeting, commissioners:

- Heard a representative of the National Council on Compensation Insurance report on state regulators' responses to two recent filings.

- So far, about two-thirds of state regulators have approved a filing that would eliminate the use of

Sept. 11-related losses in the calculation of an employer's experience rating modifier, which is a component in determining its future premiums. The losses related to the terrorist attacks are not considered predictive of an employer's future losses, an NCCI spokeswoman said.

No state regulators have accepted the NCCI's filing for a 4% "catastrophe loading," though. Many state regulators have questioned the filing for being made "across the board"—in numerous states—as well as being applied to outstanding policies, according to NCCI representatives.

- Heard a representative of the Self-Insurance Institute of America express concerns about the lack of uniformity among states in the regulation of employers that self-insure their workers compensation liability. The NAIC's Workers Compensation Task Force forwarded his concerns to a joint working group that includes representatives of the International Assn. of Industrial Accident Boards & Commissions.

- Gave subgroup approval to a recommendation that individual state laws determine the degree of public access consumers would have to insurer-specific data.

- Presented Nevada's Insurance Department with a first-round accreditation award and presented Iowa's department with a third-round award.

- Recognized Alaska and New Hampshire for successfully implementing all 12 technology-based initiatives in the NAIC's Uniform Regulation Through Technology program.

Puzzled?

RYOHCELPOID

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"covered" by the umbrella?

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National Assn. of Insurance Commissioners

Plan to ban claim discretions advances

By MEG FLETCHER

RENO, Nev.—Despite the protests of several employer and health insurer representatives, a subgroup of the National Assn. of Insurance Commissioners has adopted a proposed ban on a “health carrier”—a designation that includes self-insured employers—from using contract wording that gives them discretion to interpret the terms of care.

The NAIC’s Health Insurance and Managed Care Committee unani-

mously adopted that provision as part of a two-page model act prohibiting the use of so-called “discretionary clauses” during the NAIC’s recent spring meeting in Reno, Nev.

Regulators from states including Indiana, Minnesota, Vermont and Wisconsin joined representatives from several consumer groups in emphasizing that such a ban is needed.

The ban is designed to ensure that a health plan enrollee whose claim has been denied by a health carrier receives a fair review of his or

her case, according to the proposal by the committee’s ERISA—Employee Retirement Income Security Act—Working Group.

“The purpose of this act is to assure that health insurance benefits are contractually guaranteed, and to avoid the conflict of interest that occurs when the health carrier responsible for providing benefits has unfettered authority to decide what benefits are due,” according to the proposal.

Currently, the majority of states have some type of independent ex-

ternal review process for appealing a health carrier’s denial of a claim, said committee chair Kevin McCarty, a deputy commissioner of the Florida Department of Insurance. Mr. McCarty noted, though, that the required standard of proof varies from state to state.

Typically, the next level of appeal in a health care claim-denial case is a court of law, which demands what some state regulators consider to be an unreasonably high burden of proof.

Representatives of employers and health insurers strongly opposed adoption of the measure at an earlier meeting of the ERISA working group. They also repeated those comments to committee members, but only after the regulators voted to adopt the measure.

The purpose of the proposed model act ‘is to assure that health insurance benefits are contractually guaranteed.’

NAIC Health Insurance and Managed Care Committee

Mr. McCarty subsequently apologized for failing to call for comments prior to the vote.

Several major employer groups—including the National Assn. of Manufacturers and the Washington Business Group on Health—“expressed grave concern” that the measure would increase employers’ and insurers’ costs as a result of increased litigation, said Jessica Waltman, manager of state health policy for the National Assn. of Health Underwriters in Arlington, Va. Ms. Waltman said she also spoke for those employer groups.

“Litigation costs are real,” in part because attorneys’ fees are recoverable, said Donna Horoschak, a representative of the American Assn. of Health Plans in Washington.

In addition, several other insurer representatives questioned the authority of state regulators to make determinations affecting the federal ERISA law.

“We are not trying to amend ERISA. What this does is clarify our (state regulators’) authority under forms review,” said John Morrison, a former plaintiffs attorney who is now the Montana insurance commissioner.

Consumer groups speaking in favor of the measure included representatives of the Georgetown University Institute for Health Care Research and Policy and the National Partnership for Women and Families, which are both based in Washington.

The proposed model act could be adopted by the full NAIC membership as early as its summer meeting, scheduled for June 8-11 in Philadelphia.

Depending upon individual state law, the measure could be enacted by states following either regulatory or legislative approval.

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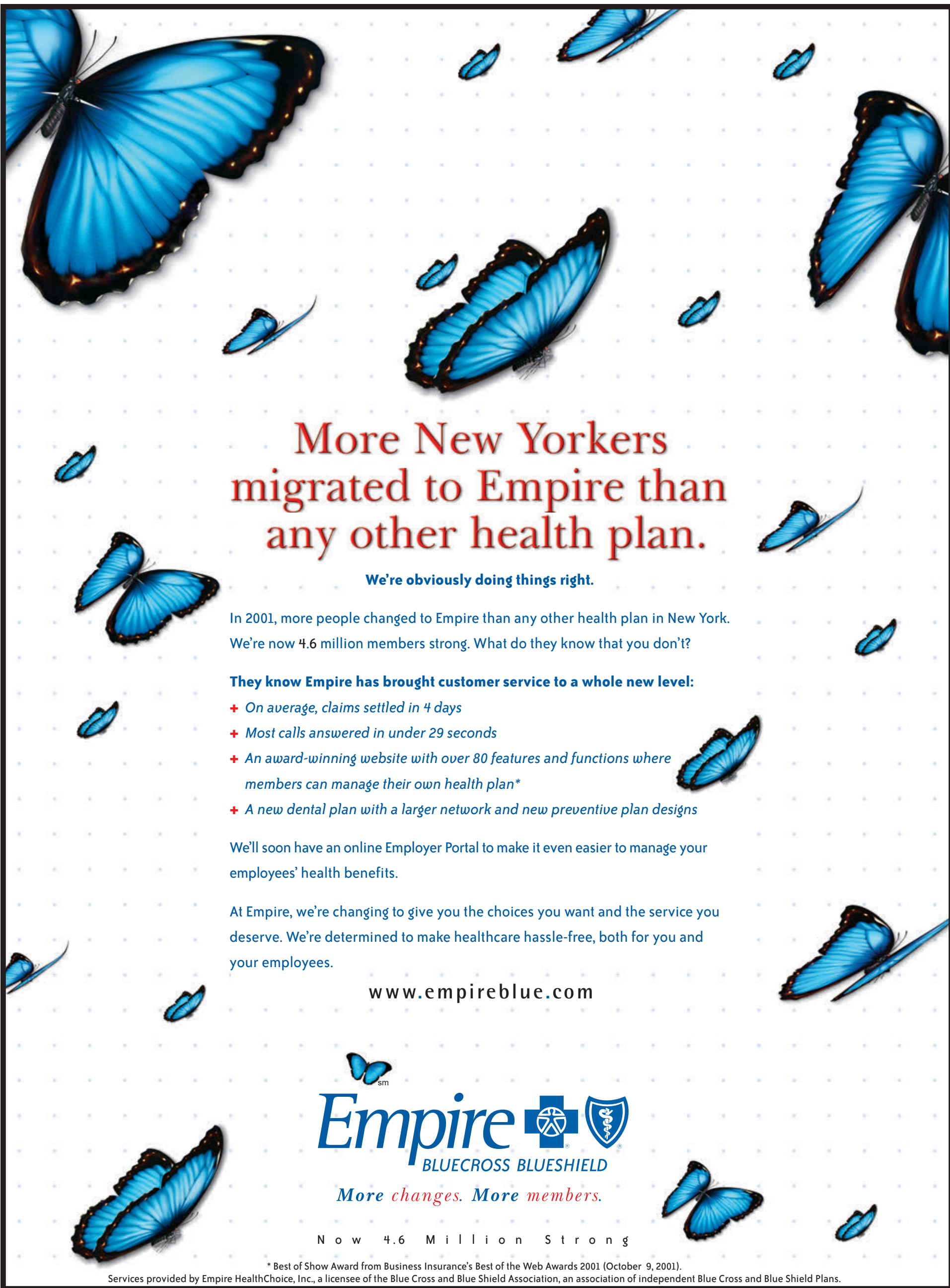
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National Assn. of Insurance Commissioners

Class actions seen as threat to regulation

By MEG FLETCHER

RENO, Nev.—Class-action litigation is a major threat to the authority of individual state insurance regulators, insurance industry representatives warn.

The National Assn. of Insurance Commissioners should respond to this problem "by establishing a clear priority, policy and expedited approval mechanism for participation in state cases threatening insurance regulation," according to a preliminary recommendation from

David F. Snyder, assistant general counsel with the American Insurance Assn. in Washington.

Mr. Snyder made a short presentation on the AIA recommendation before the NAIC/Industry Liaison Committee meeting, held during the NAIC's recent spring meeting in Reno, Nev. Several regulators joined in discussing the topic, although no formal action was taken.

Mr. Snyder's comments were drafted with the assistance of repre-

sentatives of the American Council of Life Insurers and the National Assn. of Mutual Insurance Cos.

There are several dimensions to the issue of class-action lawsuits, Mr. Snyder said in his presentation.

For example, class-action lawsuits, in some instances, "are filed in a state in which only that state's residents are involved but in which judicial intervention is destructive of the ability of that state's insurance regulator to apply the state's insurance laws to the residents of

that state," he said in a two-page statement.

That was the situation recently, he said, in Ohio, where plaintiffs asked a court to invalidate rates for uninsured motorist coverage that had been approved by the Ohio Insurance Department. In some cases, the Ohio state insurance regulator was able to successfully intervene by emphasizing his department's authority and prior regulatory action in determining those rates.

In other instances, "class actions

affecting citizens of many states are filed in one state that could determine the rights and responsibilities of citizens in the other states, inconsistent with insurance regulation in those other states, the concept of state regulation and constitutional principles," Mr. Snyder said in his statement.

"In *Busani vs. USAA*, a Washington state case determining insurers' responsibilities under uninsured motorists coverage, the court in one state had before it class members from 27 states in which the defendant was an out-of-state company, most of the class members resided out-of-state and the statutes, regulation and judicial opinions varied significantly among the states," he said.

Mr. Snyder said the NAIC filed an amicus brief in the case that stated, "The superior court's certification has the effect of applying Washington law to insurance policies of individuals residing in 27 states...in contravention of established principles of constitutional and regulatory law."

"Effectively, state legislators and regulators in 26 other states are held hostage to one trial court in one state," the NAIC brief stated.

"Underlying these intrusions on state insurance regulation is a serious threat to the basic concept of state insurance regulation and the ability of insurance regulators to perform their statutory roles and accomplish their important public-policy missions," Mr. Snyder said. While juries and courts have "narrow roles circumscribed by the rules of evidence," he said, insurance regulators have "broad, public-policy responsibilities, including solvency regulation, consumer protection and encouragement of competition."

Mr. Snyder said that if one state is free to determine issues of insurance regulation in other states without the expertise to do so, it potentially undermines insurance regulation in those other states and may raise questions about defendants' constitutional rights, including due process.

Regulators from the District of Columbia and Ohio voiced strong support for the NAIC to consider the preliminary recommendations. Class-action lawsuits "are a major threat to consumers," said Ohio Insurance Director Lee Covington.

Meanwhile, Illinois Insurance Director Nat Shapo raised several questions about class-action lawsuits, noting that the NAIC's amicus briefs sometimes support consumers and other times support insurers. "It's important to do this in a reasonable way," he urged.

Mr. Snyder said he plans to present a more-detailed analysis of the issue in an AIA white paper.

Phillip E. Stano, an attorney with the law firm of Jordan Burt L.L.P. in Washington, suggested an alternative approach to the matter. Mr. Stano recommended that insurance regulators include in every proposed insurance act a provision giving a state insurance regulator primary jurisdiction to adjudicate any alleged violation of that act.

The Alliance of American Insurers included a similar recommendation in its 25-page analysis of the issue.



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International

19

U.K. urged to cut premium tax

Risk managers, insurers asking finance minister to ease burden

By CAROLYN ALDRED

LONDON—Commercial insurance policyholders in the United Kingdom are urging the government to cut premium taxes to alleviate the impact that higher rates are having on their insurance costs.

Buyers and insurers alike are lobbying U.K. Chancellor of the Exchequer Gordon Brown to cut—or at least not increase the 5% insurance premium tax—when he announces his budget later this month.

The United Kingdom's premium tax level is low by European standards and, prior to the current surge in insurance costs, some observers had predicted that it would be increased. But the current level is already burdensome, according to

buyers and insurers.

The Engineering Employers Federation—which represents about 6,000 engineering and manufacturing companies—and about 20 other groups, such as the Society of British Aerospace Cos., the U.K. Steel Assn. and the Manufacturing & Technology Tools Assn. are lobbying Mr. Brown, who is the U.K. finance minister, to halve the premium tax to 2.5%, said Stephen Radley, chief economist for the EEF.

"Industry margins are very squeezed, and the extra costs of insurance is making life very difficult for many of our members," said Mr. Radley.

The government can do little to reduce the huge increases in premiums, but a reduction in the premi-



PHOTO: AP/WIDE WORLD

Mr. Brown

um tax would be helpful for cash-strapped companies, he said.

The Assn. of British Insurers is also lobbying Mr. Brown, but in-

stead of asking for a tax cut it is urging him not to increase the tax, as had been feared.

"We certainly will be urging the chancellor not to increase (the premium tax) and pointing out that with premium increases government already is getting more revenues from this tax, which in the ideal world we would wish to see abolished," said an ABI spokesman.

David Gamble, executive director of the Assn. of Insurance & Risk Managers, said he hoped that, after rate hikes increased the cost of insurance, the U.K. government would consider reducing its premium tax. "Our members are already being hit by significant increases in insurance charges. They would be

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PHOTO: NASA

An artist's rendition of the recently launched NASA satellite.

Satellite mishap could cost market \$190 million

Rates on space risks not expected to rise

By EDWIN UNSWORTH

SEAL BEACH, Calif.—The potential insured loss of a malfunctioning NASA satellite is not expected to immediately drive up space insurance rates.

Space insurers could be hit with a loss of \$190 million for the satellite if its manufacturer, Boeing Satellite Systems, fails to correct a problem that has prevented the satellite from reaching its final orbit.

The Tracking and Data Relay Satellite-I was the second of three satellites ordered by the National Aeronautics and Space Administration from the Seal Beach, Calif.-based subsidiary of Boeing Co.

The satellite was launched

March 8 from Florida's Cape Canaveral Air Station aboard an Atlas rocket. A problem, though, prevented the satellite from reaching its final orbit.

Under its contract with NASA, BSS retains ownership of the satellite until it reaches its final orbit. BSS, which is working to correct the problem, has insurance coverage for the loss of the satellite, a BSS spokesman confirmed.

Marsh Inc. placed the coverage, with limits of \$190 million, market sources say. Sources note that the coverage is spread throughout the major satellite insurance markets in the United States and Europe.

Space insurers, which have

See SATELLITE/next page

Australian docs fear cover crunch

If ailing mutual insurer fails, capacity may shrink

By DAMIEN TOMLINSON

SYDNEY, Australia—Medical professionals in Australia may face a liability insurance crunch if the country's largest mutual insurer for doctors is unable to satisfy regulatory demands that it boost its capital.

The Australian Prudential Regulation Authority, which regulates insurers in Australia, in late February told Australasian Medical Insurance Ltd., the main operating unit of Sydney-based United Medical Protection Ltd., that it must raise \$30 million Australian (\$15.9 million) in capital by June 30 to meet APRA's capital-reserves standards. In addition, APRA has told AMIL it will need to raise a further \$100 million Australian (\$53.1 million) by 2004.

AMIL wrote gross premiums of \$135 million Australian (\$71.7 million) for the fiscal year 2000/2001.

UMP Chairman Dr. John Quayle said that the insurer may successfully raise the \$30 million Australian due by the June 30 deadline but that the effort would be "touch and go." The \$100 million Australian target, though, would be difficult to achieve without government assistance, Dr. Quayle said.

As a mutual, AMIL must raise funds either by hiking premiums at renewal or issuing a call its 39,000 members, forcing them to pay an additional year's premiums.

A spokeswoman for UMP said the nonprofit mutual, which provides medical malpractice and other professional liability coverages to more than 60% of Australian doctors, would "probably" collapse without financial backing from the government.

UMP has been in negotiations with the Federal Treasury to try to secure capital guarantees for AMIL. A spokeswoman for the Treasury would not comment on the talks but said the government is considering the options presented to it by UMP.

The Sydney-based Australian Medical Assn. Ltd., a trade group for medical professionals, has said that if AMIL collapses, doctors will stop performing surgery.

In a letter to federal ministers, AMA President Dr. Kerryn Phelps urged the government to provide capital guarantees to AMIL, saying some doctors already

were considering taking early retirement or reducing their workload because of skyrocketing insurance costs for medical liability coverage. In December, AMIL increased its rates for average-risk doctors by an average of 52%, according to the company. Some specialists, such as obstetricians, now face annual premiums of more than \$100,000 Australian (\$53,100).

"The threat of legal action and the cost of medical indemnity are the major factors causing the exodus," Dr. Phelps wrote.

"Some breathing space is essential until a long-term solution can be negotiated among federal and state governments, medical defense organizations and doctors. In the longer term, the current medical indemnity system is unsustainable as a consequence of mounting claims and rising legal costs," she wrote.

According to an APRA statement, AMIL has "suffered a number of ex-

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World Updates

Generali to buy four ZFS operations

Zurich Financial Services Group has agreed to sell its operations in the Czech Republic, Hungary, Poland and Slovakia to Italian insurer Assicurazioni Generali S.p.A. In addition, Trieste-based Generali will service ZFS' international corporate clients in those four countries. Zurich, Switzerland-based ZFS said that the total gross written premium volume of the Eastern European operations is about 85 million euros (\$74.5 million) and that the Polish companies manage pension funds and other assets worth 270 million euros (\$236.8 million). Terms of the transaction were not disclosed. ZFS said that the sale is part of its strategy to concentrate on key markets in Europe. ZFS also announced the sale of its Mexican private retirement fund management company, Zurich Afore, to The Principal Financial Group.

E.U. extends period for aviation war risk

The European Union has agreed to permit member countries to extend their aviation war and terrorism insurance coverage packages by 60 days. Government-provided coverages were due to expire in E.U. countries on March 31. But at a meeting in Brussels, Belgium, on Tuesday, E.U. transport ministers agreed to extend coverage for two months, in line with an extension granted to airlines in the United States.

Generali sees lower profits

Assicurazioni Generali S.p.A. reported profits of 1.1 billion euros (\$980.7 million) for 2001, a 4.5% decline from the previous year. Generali, which is Italy's largest insurer, said that profits were lower due, in part, to losses of about 103 million euros (\$91.8 million) stemming from the financial crisis in Argentina. Generali owns a 47.5% stake in insurance group Caja de Ahorro y Seguro S.A. in Buenos Aires.

Sept. 11, Petrobras sink Goshawk profits

Goshawk Insurance Holdings P.L.C. recorded a pretax loss of £7.4 million (\$10.8 million) for 2001, compared with a profit of £2.9 million (\$4.2 million) for 2000. Contributing to the results were certain large losses in 2001, London-based Goshawk said. Goshawk estimated that its gross loss from the Sept. 11 terrorist attacks would be £19.2 million (\$28.0 million), while its loss net of reinsurance would be £11.0 million (\$16.0 million). In addition,

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Tax: U.K. cut urged

Continued from previous page

extremely unhappy if there was any increase in (the premium tax), which would be seen as a stealth tax on a stealth tax. We are looking for a reduction, not an increase."

Many commercial policyholders have experienced premium increases of more than 300%, which means they are seeing similar increases in the level of premium taxes they pay, Mr. Gamble said.

"The government should be encouraging people to take out insurance, not penalizing them for doing so," he said.

A survey of 80 engineering and manufacturing companies conducted by EEF this month shows that property insurance premiums have

increased by an average of 60% this year, with 40% increases in employers liability and product liability insurance premiums. And several members reported problems obtaining coverage even for compulsory forms of insurance, such as employers' liability.

Factors leading to the premium increases cited by members include reduced reinsurance capacity and lack of terrorism insurance coverage; severe weather claims in recent years, including flood damage; increased exposure to employers' liability claims caused by increased litigation and court awards in the United Kingdom; and insurers viewing manufacturing companies as high risk.

Satellite: Drifting

Continued from previous page

long complained that rates were far too low, this year raised rates by around 50% and tightened terms considerably.

Given this background, it is unlikely that the loss of the TDRS-I satellite would prompt a further rate increase, said Simon Clapham, managing director of the Marham Space Consortium in London. Furthermore, he said, this year has already seen two self-insured satellite launches, and more could result if the market hardens further.

But, Mr. Clapham said, the loss could lead to a reduction in capacity. Another leading figure in the London market also said that the loss of the BSS satellite alone likely

would not prompt underwriters to raise rates again. But, he added, that there is another potential problem that could do even more to harden the market.

He said a series of Boeing 702 satellites already deployed appears to have a "generic" problem that is causing them to degrade. If the problem is not corrected and the owners submit insurance claims, space insurers could see losses of up to \$1.5 billion, he said.

A BSS spokesman confirmed that there currently are six flawed 702 satellites that will not function as long as was intended. He said insurers are aware of the problem, which was corrected in later models of the 702.

Attacks force U.K. retailers to shop for their coverage

By CAROLYN ALDRED

LONDON—New awareness of terrorism exposures, along with other factors, are sharply raising insurance costs and forcing a reappraisal of retentions for at least two U.K. department stores.

Announcing its annual financial results this month, Selfridges P.L.C. noted that insurance premiums for its central London and Manchester stores increased nearly fivefold to £1.9 million (\$2.71 million) from £400,000 (\$569,678) at renewals in the aftermath of Sept. 11.

A spokesman for the London-based retailer would not provide any further details on its insurance program.

Rival department store operator John Lewis Partnership also reported huge premium increases, which were a direct result of the World Trade Center terrorist attack, when it renewed its property program in January, said Paul Clift, the company's risk and insurance manager.

Like Selfridges, John Lewis' flagship store is in Oxford Street, the center of London's main shopping district.

In an article for John Lewis' employee magazine, Mr. Clift de-

scribed how the loss of the World Trade Center "proved that the impossible was possible, and rocked the entire world insurance industry."

The World Trade Center loss, however, was the "catalyst rather than the cause" of the rate increases companies now face, said Mr. Clift. He noted that other losses and the decline in world capital markets had also led to rate increases.

As a result, the retailer had to completely restructure its insurance program and adopt a new corporate approach to risk management.

"Before Sept. 11, no one could have imagined that we would ever lose the whole of John Lewis Oxford Street but now insurers want premiums to cover that eventuality. We have to decide what we cover by insurance and whether we have enough confidence in our risk management to retain part of the risk within the business," according to Mr. Clift.

At the end of last year, the company replaced its internal Insurance Committee with a new Risk Committee, which includes its deputy chairman, two directors of trading, the development director, the finance director, the

director of building and services, the director of legal services and Mr. Clift.

"Our insurance focus has changed to a much more strategic level in recognition that we need to take risk management beyond insurance to all business risks," said Mr. Clift.

Before the company's Jan. 31 renewal, "we dealt with one insurance company; we now use 37," he said, explaining that "the companies all now want to spread the liability."

Previously, Royal & SunAlliance P.L.C. covered the entire program, Mr. Clift said. RSA still leads the primary layer and Zurich Financial Services Group and RSA are the lead insurers of the excess layers, he said.

John Lewis' reputation for good risk management "means that we are not in the top band for increases, but our property-based insurance costs have still increased by several million pounds," said Mr. Clift.

Meanwhile, the company is making greater use of its Guernsey-based captive to cover its liability risks, he said. The captive now retains about 250% more of the liability risk than it did in 2001, Mr. Clift said.

Medical: Finances ailing mutual

Continued from previous page

ternal shocks," causing its capital to dwindle from \$118 million Australian (\$62.7 million) to \$38 million Australian (\$20.2 million) from June 30, 2001, to Dec. 31, 2001. Those events include:

- Changes to the New South Wales health care legislation in 2001, which caused a significant increase in claims.

The Health Care Liability Act 2001 (NSW) reformed tort law in New South Wales, reducing awards available for large claims and eliminating some small claims. The act prompted a flood of claims against UMP in the three months leading

up to its July 1, 2001, start date.

- Investment losses and rising reinsurance costs in the aftermath of the Sept. 11 terrorist attacks in the United States.

- The failure of one of its reinsurers, HIH Insurance Ltd. HIH collapsed last March (*BI*, March 23, 2001).

- A reduction in overall reinsurance capacity.

In November 2000, AMIL called on members to provide a full year's extra premium after actuarial data indicated that reported claims would rise by 30% in 2001. That effort raised \$74.9 million Australian (\$39.8 million).

For the financial year 2000/2001, AMIL paid 1,240 claims, at a cost of \$97.3 million Australian (\$51.6 million). That was more than double the number of claims recorded just five years earlier.

Despite AMIL's troubles, APRA Chief Executive Graeme Thompson said in a statement that shutting the mutual insurer's doors is a "highly unlikely outcome."

"Some sort of restructuring of the provision of this insurance may be required in the longer term. There are a number of ways of resolving the situation of a company that comes to the view that it doesn't have a future," he said.

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World Updates

Continued from previous page
the insurer reported £7.1 million (\$10.3 million) in net losses from the sinking of the Petrobras oil rig in March 2001.

Peter Butler elected AIOA chairman
Peter Butler, underwriting executive at London-based Global Aerospace Underwriting Managers, has been elected chairman of the Aviation Insurance Office's Assn. He succeeds Graham Nichols, chief executive officer of London-based

Westminster Aviation Insurance Group. Nick Brown, director at London-based Redholm Underwriting, has been elected to the post of deputy chairman, the AIOA said.

Briefly noted
John Keeble has been appointed director of knowledge management at **Aon Ltd.** in London. Formerly, Mr. Keeble was head of knowledge management at Enterprise Oil....London-based Zurich Professional Ltd., a unit of Zurich, Switzerland-based **Zurich**

Financial Services Group, is expanding its coverage to include accounting firms. Beginning April 2, Zurich Professional will offer coverage to accountants, either directly or through insurance brokers....Steve Fowler has been appointed executive director of the London-based **Institute of Risk Management**. Mr. Fowler, who was senior manager at Royal & SunAlliance Insurance Group P.L.C. in London, succeeds David Ovenden, who had been the institute's acting chief executive since the departure of Maureen Gibbins last summer.

April 1, 2002

Products & Services

Chubb offers tech E&O risk management guide

WARREN, N.J.—A new guidebook from Chubb Corp. aims to help technology companies manage their errors and omissions liability exposures.

The "Errors & Omissions Risk Management Guide for Information and Network Technology Companies" reviews, among other things, exposures related to contracts and agreements; quality and support of products and services; operational controls; networking issues; and allegations of nonperformance.

For example, the guide urges the use of standard business contracts that are thoroughly scrutinized by legal counsel, rather than customized contracts that could be confusing.

Among the advice provided is to include arbitration provisions in contracts as a way to resolve customer disputes and to avoid costly lawsuits.

Free copies of the E&O risk management guide are available by sending a request to Maureen Waterbury, Chubb Group of Insurance Cos., 15 Mountain View Rd., Warren, N.J. 07059; or by e-mail to mwaterbury@chubb.com.

Fortis offers tiered disability program

KANSAS CITY, Mo.—Fortis Benefits Insurance Co. is offering a new three-tiered group disability insurance product.

The Disability Income Solutions product can be customized to offer a range of income protection options to a single workforce. Benefits range from basic coverage that pays entry-level workers if they become disabled, to comprehensive packages that protect an employee's income, retirement savings and medical insurance.

The product's top tier includes features comparable to an individual disability insurance policy. The middle tier offers employers flexibility in selecting disability definitions and plan provisions that fit their needs. The bottom tier is an affordable income protection to entry-level workers and those who have never had access to disability coverage.

More information is available from Fortis at 816-474-2673.



New AIG program covers power plants

NEW YORK—American International Group Inc. is offering a comprehensive package of insurance

products and services for the construction and operational phases of power generation facilities.

AIG PowerBuild includes coverage for construction wrap-up, excess umbrella, builder's risk/property, environmental, professional liability and surety exposures. The builder's risk coverage addresses exposures related to commissioning a new plant and operational testing, startup delays, transit and off-site storage.

The insurance for the operating facility covers exposures including

primary and excess casualty, environmental risks, property, boiler and machinery/equipment breakdown and management liability.

More information on PowerBuild is available from David Schwartz of American International Group at 212-837-3063, or by e-mail at david.schwartz@aig.com.

PacifiCare product targets mental health

LAGUNA HILLS, Calif.—PacifiCare Behavioral Health has introduced Spectrum, a comprehensive behavioral health product that includes a number of programs that address mental health and chemical dependency problems.



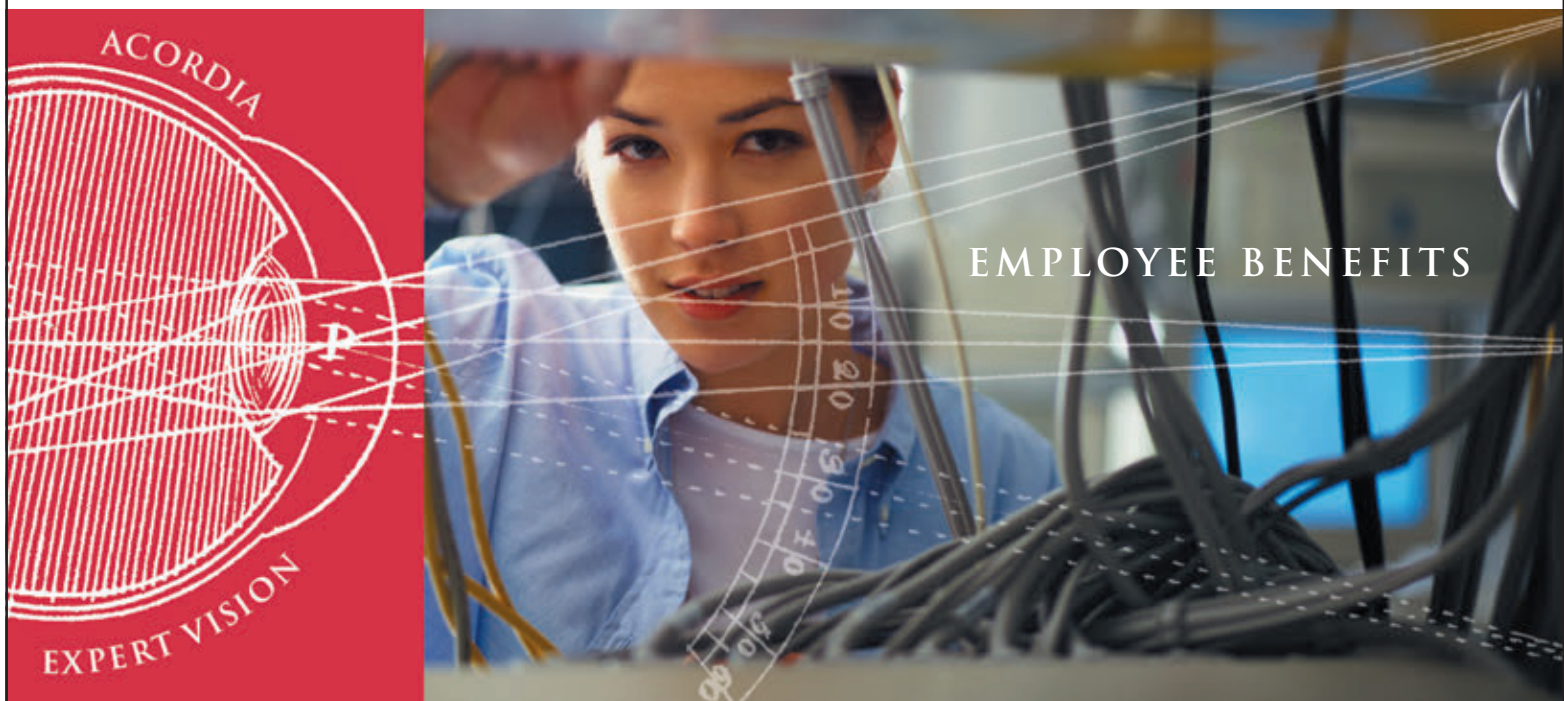
Spectrum services include treatment for inpatient and outpatient mental health and chemical dependency problems; treatment of severe mental illness and serious emotional disturbances in children; health management programs for

smoking cessation, diabetes and depression; work/life referrals for child and elder care; employer support in traumatic workplace events; and other programs.

"Spectrum's comprehensive approach can help decrease staff absenteeism, increase productivity, lower medical costs and reduce workers compensation claims," said a statement issued by Dr. Jerry Vaccaro, president and chief executive officer of PacifiCare Behavioral Health, a Laguna Hills, Calif.-based unit of PacifiCare Health Systems Inc.

More information on Spectrum is available from Maria T. Connelly, vp-sales and marketing at PacifiCare Behavioral Health, at 949-348-5243.

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Rating: A- for start-up criticized

Continued from page 2

our view and leaves would-be users of ratings to their own devices."

"Unless and until some standards are restored, we suggest that insurance buyers do their own homework," the analyst's report concludes.

Michael Albanese, group vp for A.M. Best, said that the A- rating for Danish Re was what the agency calls an "indicative" financial strength rating, "which essentially indicates to the marketplace what the rating will be upon the successful execution of a number of items." In Danish Re's case, the rating was contingent on raising the capital.

"Technically, it didn't get a rating," Mr. Albanese said. "They got an indication of what the rating would be if they got the capital."

Alice Schroeder, a managing director with Morgan Stanley and one of the report's authors, said: "If policyholders can't really rely on a rating, what good is it? I can't believe that customers would be asking for these ratings, so whose interests are really being served here?"

Morgan Stanley's report goes on to say that rating agencies, "eager to court new companies," have gradually relaxed their rating standards in recent years. It says, for instance, that less than 10 years ago, a company had to be in business for five years, with an established track record, to have a rating assigned to it.

"This made eminent sense," the report says. "The rating agency had an understanding of the company's claims-paying history at that point."

More recently, the report continues, "any company that has raised enough capital, seemingly from any source short of organized crime, can apparently get an 'Excellent' rating."

Rating agencies counter that their standards have not dropped, contending that they are simply responding to significant market changes—namely, the major start-up companies that have formed over the last several years.

"We are responding to the needs of constituents in the market, including agents, brokers, lenders and the capital markets, who are looking to rating agencies to provide commentary as to whether these are legitimate operations and whether they have a long-term chance of success and relative ability to meet their obligations to their

policyholders," Best's Mr. Albanese said.

Although Best's prefers to see some operating experience before rating a company, such experience is not necessary if certain other conditions are met, Mr. Albanese said. These conditions include the company's management track record and experience in the business, the sponsorship of the company, the company's business strategy, the safeguards that are in place to ensure that the business plans stay consistent with profitability expectations, and the level of capital.

"There is no guarantee that we will rate any and all start-ups," Mr. Albanese said. "But under certain conditions, we do feel comfortable enough to assign an initial rating."

New companies "are raising a large amount of capital and are marketing themselves to the world," said Mark Puccia, managing director of Standard & Poor's Corp.'s Financial Services Group in

New York. "The world is saying, 'There's an insurer that wants to do business with me,' and it is asking us if they are viable players," he said.

The challenge for the rating agency is to "make sure it is a credible player," Mr. Puccia said.

S&P did not assign an indicative rating to Danish Re.

At least one brokerage executive doesn't see much of a problem with assigning a rating to a start-up company.

"I don't know if that's necessarily wrong," the executive said.

"If the firm starts out with a billion and a half dollars of capital, and it's going to be putting out very selective and limited lines of coverage, and it is going to be doing that with a group of underwriters with a good and successful track record in the business...I'm not so sure you can suggest that the company ought not to be rated A (Excellent)."

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SOUTHERN DISTRICT OF NEW YORK
IN RE PETITION OF
DAN YORAM SCHWARZMANN AND
COLIN GRAHAM BIRD,
AS JOINT PROVISIONAL LIQUIDATORS OF
BLACK SEA AND BALTIC GENERAL
INSURANCE COMPANY LIMITED,
CASE NO. 98-B-46759 (CB)
NOTICE IS HEREBY GIVEN THAT ON MARCH 20, 2002, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. § 304 ORIGINALLY ENTERED IN THIS CASE ON OCTOBER 5, 1998. THE ORDER SHALL REMAIN IN EFFECT UNTIL SEPTEMBER 25, 2002. A HEARING TO CONSIDER WHETHER THE ORDER SHALL BE CONTINUED IS SCHEDULED TO BE HELD ON SEPTEMBER 18, 2002 AT 2:00 P.M. (THE "RETURN DATE") BEFORE THE HONORABLE CORNELIUS BLACKSHEAR, IN ROOM 601 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE CORNELIUS BLACKSHEAR AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.
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April 1, 2002

Bond Market Assn.'s Second Annual Risk-Linked Securities Conference

Market explores other risks for securitization

By **RODD ZOLKOS**

AVENTURA, Fla.—Property catastrophe bonds have been the most prominent feature of the risk securitization marketplace thus far, but experts say several other exposures lend themselves to tapping capital market capacity.

"There is more than cat bonds that is going on in the marketplace," said Emilio M. Fernando, senior vp at Swiss Re Capital Markets Corp. in New York. "The bottom line is that there are other types of risks that could be and want to be securitized."

"It's a matter of how they could be packaged in such a way that they would meet both issuer and investor requirements," he said.

Mr. Fernando and others discussed exposures with potential for securitization as part of a panel on emerging asset classes in the risk-linked market at the Bond Market Assn.'s Second Annual Risk-Linked Securities Conference last month in Aventura, Fla.

Another panelist, John Nicholson, managing director at Lehman Brothers Inc. in New York, said, "Post 9/11, you've seen a relative increase in the value of securitization."

"We think that the outlook for securitization of new noncat types is very promising," Mr. Nicholson said. He added that, in some cases, "The sponsors are now starting to see better prices than you can see in the reinsurance market."

Ceding companies' motives for risk securitization include risk transfer, capital management and risk financing, Mr. Fernando said.

To be securitized, an exposure must be quantifiable, lending itself to modeling by a third party. Also, the ability to secure a rating on the issue is a plus, and the risk should be free of moral hazards, Mr. Fernando said.

Michael Millette, a vp at Goldman Sachs & Co. in New York, said several risks—aviation, contingent business interruption, terrorism,

workers compensation catastrophe, per risk reinsurance and property catastrophe reinsurance—have ex-

'We think that the outlook for securitization of new noncat types is very promising. The sponsors are now starting to see better prices than you can see in the reinsurance market.'

*John Nicholson
Lehman Brothers Inc.*

perienced market dislocation since Sept. 11.

"If we could develop bonds to address all six of these areas, presumably there would be a ready market of issuers," Mr. Millette said.

Of terrorism, Mr. Fernando said, "I personally don't think that is se-

curitizable, but that question has always been asked."

Other risks to be considered, Mr. Millette said, are those that senior managers of companies cite as concerns. One of those is mold, which "is not to my knowledge yet being modeled, but this is an area where the risk markets could have traction," he said.

High-risk group life might be another area where risk securitization could come into play, he said. "It's sad to say, but it's going to be harder for police and fire and certain professions to find reinsurance coverage," Mr. Millette said.

There also might be ways to tap the capital markets to transfer various risks arising in mergers, such as pending litigation, environmental exposures, tax risks or transaction-related legal opinions, he said.

Mr. Nicholson noted that in addition to property catastrophe risk, areas such as weather risk, residual value and contingent capital also have already been the subjects of

risk-linked securities, adding that he sees potential for securitizing political risk, aviation exposures and reinsurance recoverables.

"Political risk is something that we have seen much more interest in and something that we are actually working on now," he said.

Workers compensation is an area where ceding companies might look to risk securitization to achieve capital management advantages, Mr. Fernando said.

"The ceding company would like to free up capital in order to move into other types of business," he said. Considerable research and development has already been done toward transferring workers comp risks into the capital markets, he added.

In the long term, Mr. Fernando said he sees such capital management considerations driving more noncatastrophe securitization. "And if there is a structural breakthrough, this is where the expansive growth will be," he said.

Bonds: Risk-linked securities face pricing problems

Continued from page 3

ing convergence of insurance and the capital markets might continue to make risk-linked securities attractive to both issuers and investors.

Once cat bond prices do come down, Mr. Schmid said, he thinks there could be an "explosion" of issuance. "The whole issue is really to broaden the spectrum of investors to make this market develop," he said. "We really think that insurance-linked securities are an important source of capacity and will become even more so."

Tim Richison, the chief financial officer of the California Earthquake

Authority in Rancho Cordova, Calif., said his organization is currently exploring transferring risk into the capital markets.

Mr. Richison said the CEA is looking to reduce its reliance on the reinsurance markets, which currently provide 40% of its \$7.2 billion in claims-paying capacity.

'Certainly, there's a lot more awareness of insurance or catastrophe-related risk in the wake of the World Trade Center.'

*Andrew Sterge
Cooper Neff Group*

In fact, the higher of the CEA's two existing reinsurance layers was originally intended to be transferred to the capital markets, he said, but the lack of such a risk-linked market in 1996 led it to use traditional reinsurance.

If the authority does issue cat bonds, it plans to issue \$400 million to replace some of its lower layer of reinsurance and another \$338 million to fund part of a higher layer. In case the CEA can't successfully complete its cat bond deals, it is negotiating with reinsurers to purchase reinsurance.

"If we're not able to do bonds—and at a rate that's cheaper or equal to the price we pay for reinsurance—it's doubtful that we're going to continue with that endeavor," he said. "We want to diversify, but not at an overall cost to the organization."

While many expected the losses of Sept. 11 to spur an increase in the issuance of risk-linked securities, that hasn't happened yet.

"If you'd asked me on the 12th of

September what I expected the issuance calendar to be over the next five or six months, I certainly would have expected a wider range of issues than we saw," said Martin Jones, director of insurance derivatives and structured products at Societe Generale in London.

"I have to say I'm disappointed by what's happened," said Mr. Lane. "I'm still optimistic, but I think there are more subtle things that have to be done here to match supply and demand. And I think we're going to find it."

If Sept. 11 losses didn't drive new issuance, they did increase some investors' interest in risk-linked securities.

With the impact of the Sept. 11 attacks on various markets, institutional investors see an attraction in quantifiable non-credit-based assets, Mr. Seo said.

"Certainly, there's a lot more awareness of insurance or catastrophe-related risk in the wake of World Trade Center," said Andrew Sterge, the chairman and chief executive officer of Cooper Neff Group in King of Prussia, Pa.

But Mr. Sterge said that, even before Sept. 11, he talked with many institutional investors about the risk-linked class, "and, without exception, everyone was interested."

"There's definitely been awareness even before World Trade," he said. "People also know that it's mispriced. It's certainly mispriced compared to corporate bonds, in my opinion."

Going forward, other concerns before the risk-linked securities market include finding ways to tap the capital markets to transfer more than property catastrophe risks.

"Most of the transactions so far have covered catastrophe risks," Mr. Schmid said. "But Swiss Re thinks there will be other asset classes that

will be suitable to ceding to the capital markets."

Steven Goldberg, a senior vp at Benfield Blanch Inc. in Minneapolis, offered a similar opinion. "There are going to be other things securitized besides just property cat, I'm convinced," he said.

Those in the market also are keeping an eye on possible regulatory and accounting concerns.

To date, most issues have been done using offshore special-purpose vehicles. But Molly A. McQueen, chief counsel of MMC Enterprise Risk in New York, noted that, for several years, there has been a move to bring these deals onshore.

That effort has been led largely by the National Assn. of Insurance Commissioners, which drafted model protected cell legislation and model special-purpose reinsurance vehicle legislation to encourage such activity. Onshore deals also can be done through INEX, the Illinois Insurance Exchange.

There remain significant obstacles to doing the deals onshore, though. "The big one has been and continues to be the tax issue in the United States," Ms. McQueen said. Regulatory capital requirements can be another problem.

"Frankly, I question whether there is any need for this," said Malcolm Wattman, a partner at Cadwalader, Wickersham & Taft in New York. "It seems to me there's a lot bigger issues facing this market than trying to move these deals onshore."

Another concern is the Financial Accounting Standards Board's SPV consolidation project. "This is a response to Enron and some perceived abuses and uses of loopholes," said George Miller, deputy general counsel of the Bond Markets Assn. in New York.

FASB's intention is to create a sin-

gle set of accounting rules that apply to SPVs across all industries, Mr. Miller said. FASB has said it intends to release the new rules this summer, but Mr. Miller said he expects them to be completed by the end of the year.

Mr. Jones called FASB's move to subject the SPVs used in risk-linked securities issuance to the same accounting regulations as all other special entities "totally misguided." He said that the SPVs used in the risk-linked deals serve "legitimate commercial purposes," unlike some of the structures Enron Corp. is accused of using.

Securities gathering draws 150

AVENTURA, Fla.—The Bond Markets Assn. drew approximately 150 attendees to its Second Annual Risk-Linked Securities Conference, which was held March 20-22 in Aventura, Fla.

Conference-goers came from across the spectrum of those participating in the market for insurance-linked bonds, including insurers and reinsurers, investment bankers, investors, lawyers, consultants, modeling firms and rating agencies.

Details of next year's conference are still being set. For more information, visit the association's Web site, www.bondmarkets.com.

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Work/Life: Employers keeping benefits

Continued from page 1

more palatable to employees; and most employers realize that when the good times return, they'll need these benefits to attract and retain talented workers.

When the economy began to slow in mid-2000, there had been a concern that employers would cut these noncore benefits programs; however, just the opposite has happened, said Sharon Stein, senior vp at consultant Ceridian LifeWorks Services in Minneapolis.

"There's still a keen interest in these services," and, in many cases, "we're seeing employers making sure that they are effectively communicating their availability," Ms. Stein said.

At some places of employment where staffing reductions are forcing the remaining employees to work more hours, so-called "convenience services" are being added, such as onsite dry cleaning pickup and delivery, film developing and automated teller machines, according to Carol Sladek, work/life con-

sultant at Hewitt Associates L.L.C. in Lincolnshire, Ill.

"Onsite conveniences sound like a small thing, but if employees have to work more hours because of layoffs, they need these services," Ms. Sladek said.

Adding such perks often costs the employers little or nothing, Ms. Sladek noted. "The employer provides the space, but there's no other expense," she explained.

In some cases, employers are expanding existing work/life benefits programs to reach a larger demographic group, consultants say.

For example, if an employer initially offered resource and referral services for child care, it may now be adding referral services for elder care or for financial planning or legal assistance, Ms. Stein said.

"There is a trend toward retaining the work/life initiative and, in some cases, enhancing it so it's not just dependent-care focused," said Karol Rose, managing director of work-force effectiveness as Westport, Conn.-based work/life consultant

LifeCare Inc.

Employers remain committed to work/life benefits because they recognize the reciprocal relationship between an employee's homelife and worklife, Ms. Rose said.

This reasoning was partly why Coors recently enhanced its work/life benefits program, according to Jacob Lawrence, manager of health and welfare benefits at the Golden, Colo.-based brewing company.

"How do we ensure employees are working at their peak when life happens?" he asked, rhetorically.

Mr. Lawrence said that many employees had been asking for better resources. He cited as an example the case of an employee who was forced to find a new daycare provider almost overnight, when the daycare provider the individual had been using suddenly became unavailable.

But Coors wants to do more than merely provide childcare resources, Mr. Lawrence said. That's because a growing proportion of Coors' workforce is becoming part of the so-

called "sandwich generation," needing services for both their children and their parents, he said.

"Many of these employees were looking beyond daycare to finding and funding colleges," he said.

So the enhanced work/life bene-

'Onsite conveniences sound like a small thing, but if employees have to work more hours because of layoffs, they need these services.'

Carol Sladek
Hewitt Associates L.L.C.

fits program Coors added this year, which is provided by Minneapolis-based Ceridian, includes not only childcare referral services but elder care referral services, general legal consulting, education assistance, financial services and help with such everyday matters as finding pet sitters and plumbers.

And this extensive work/life benefits program, which even includes Spanish-speaking counselors for Coors workers in Puerto Rico, came with a reasonable price, when compared to the cost of other employee benefits.

"It's a pretty wonderful program for \$70,000," Mr. Lawrence said.

This made it economically feasible for Coors to give employees something back "at a time when we're asking our employees to share more health care expenses," he said.

Indeed, "while charging more for one benefit, they can add this for a lot less," said Hewitt's Ms. Sladek.

Depending on the scope of services offered, work/life benefits programs cost anywhere from \$1 to \$3 per month per employee, according to Ceridian's Ms. Stein.

"This is one way of finding some counterbalance," said James McCann, director of new business development at WorkLife Benefits, a consulting firm in Philadelphia. "It's a giveback."

Recognizing that employees are

facing increasing costs in other areas besides health care, employers are, in some cases, enhancing the kind of work/life benefits that can be useful to employees during tough economic times, consultants say.

For example, Mr. McCann said he is seeing increased interest among human resource departments seeking debt-counseling services on behalf of employees who may be "living a little closer to the edge with credit cards."

To help its employees out economically, Washington-based mortgage lender Fannie Mae increased the amount of financial assistance it provides for buying houses and adopting children. As of the beginning of 2002, Fannie Mae employees can borrow up to \$15,000 to purchase a home anywhere in the United States, and up to \$17,000 in the District of Columbia, she said. This is up from \$13,000 nationally and \$15,000 in the District. The adoption reimbursement was doubled to \$10,000 from \$5,000, and the employee can receive the benefit as soon as legal custody is obtained.

"We figured the employees needed them more at this time," a company spokeswoman said.

Fannie Mae also set up a Section 529 plan at the beginning of 2002 for employees who want to save money for their children's college educations on a tax-deferred basis.

Nationally, "we're seeing a lot of interest in Section 529 plans," said Dawn Di Leo, a senior consultant at William M. Mercer Inc. in Chicago.

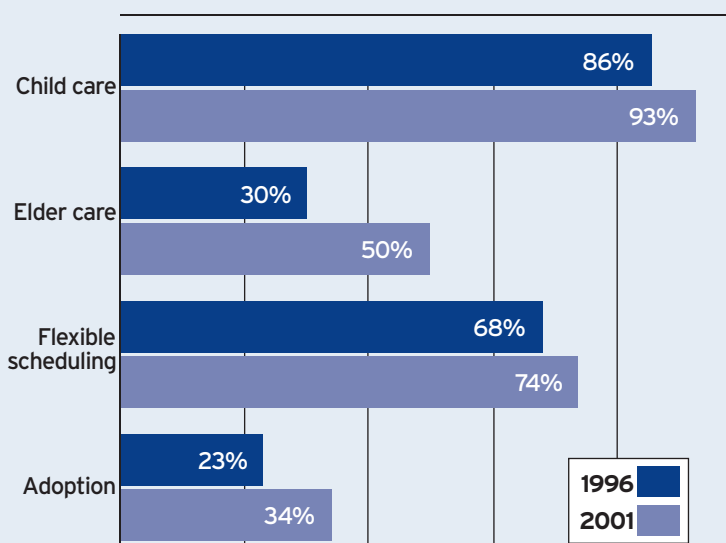
But times like these won't last forever, another reason why companies such as Coors are enhancing their work/life benefits programs now, when the economy is sluggish, say Mr. Lawrence and others.

"It will turn around," Mr. Lawrence said. "The pressure found in the '90s to find and hire people will come back. This is the kind of program that will attract and retain people."

"You aren't going to wait for the economy to get strong and then go out and redesign your benefits," agreed Dick Barrons, national practice leader for employee benefits at Deloitte & Touche L.L.P. in Minneapolis.


EMPLOYERS BOOST BENEFITS

The percentage of companies offering work/life benefits has increased



Source: Hewitt Associates L.L.C.

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April 1, 2002

PHICO: Insurer execs, regulators trade accusations

Continued from page 3

The insurer's net premium volume in an already competitive market shot from \$172 million in 1997 to \$268 million in 1999, the suit says. By late 1999, though, PHICO's actuaries and its outside auditor, PricewaterhouseCoopers L.L.C., had concluded that the insurer was facing massive losses and would have to boost reserves as of year end by \$130 million, an amount equal to about half its surplus at the time, the suit says.

PHICO's board also hired PwC to review its claims, underwriting and pricing practices, and PwC produced a report that criticized PHICO's chronic underreserving.

Despite mounting evidence of trouble, though, Mr. Persofsky and other PHICO officials did nothing to correct the problems and actually took actions that made them worse, state regulators charge.

The insurer renewed many of its accounts in January 2000, for example, with no meaningful tightening of underwriting terms or pricing, the suit alleges. While Mr. Persofsky told PHICO's board that its Missouri business was so unprofitable it was not worth writing, he later allowed the company to write more than \$2 million in Missouri risks previously insured by PIE Mutual Insurance Co., which had become insolvent, the suit charges.

In May 2000, Mr. Persofsky and other PHICO officers also launched an "absurd" effort to push down

In May 2000, PHICO officers began an 'absurd' effort to push down the insurer's already deficient reserves to bolster its reported financial condition and to prevent ratings downgrades, regulators charge.

the insurer's already deficient reserves to bolster its reported financial condition and prevent downgrading by rating agencies, regulators allege. The effort included:

- Establishing reserves for only one policyholder on claims that involved multiple PHICO policyholders.
- Imposing an arbitrary incurred loss "budget" on the claims department that made it impossible to increase reserves.
- Revoking the authority of claims department personnel to set reserves.

As a result, PHICO operated on a "pay as you go system," with reserves increased only to make cur-

rent loss or expense payments, the suit says.

Regulators charged Mr. Persofsky and several other PHICO officers with breaching fiduciary duties to the insurer and misrepresenting its operations and financial condition to PHICO's board. The suit also charges PHICO directors with breaching fiduciary duties by failing to discover and act on evidence of PHICO's growing problems.

The PHICO officers and directors named in the suit generally denied the Pennsylvania department's charges in answers filed last month. Mr. Persofsky, in particular, main-

tains that he performed all of his duties properly and that regulators in fact failed to take "necessary steps" to save PHICO.

Regulators deny this, charging that Mr. Persofsky provided misleading information and financial reports that made it impossible for the insurance department to take action before "PHICO had sustained enormous financial losses and was virtually insolvent."

Several of the defendants are also officials of bankrupt parent PHICO Group, which bought directors and officers liability insurance late last year from a unit of ACE USA. The

\$5 million ACE policy would likely not respond to the Pennsylvania department lawsuit, though: It took effect Dec. 1, 2001, a few days after the lawsuit was filed and months after PHICO Insurance entered rehabilitation.

PHICO Group filed its bankruptcy petition two weeks after the D&O policy took effect, and while ACE was initially listed as the parent's second-largest creditor, PHICO Group has since paid \$505,053 in D&O premiums, bankruptcy court records show.

An ACE USA spokeswoman declined to comment.

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Aviation: Broker examines terrorism liability

Continued from page 1

the points made in his letter. He made the analogy that if a car were stolen and the thieves caused a death by careless driving, then it would be the thieves and not the owner of the car who would be held responsible.

Mr. Palmer-Brown said there is little evidence to suggest negligence on the part of the airlines in allowing the terrorists to board the planes and, once on board, in attempts by crew to mediate with the hijackers.

"The security people and the airport authorities surely were not negligent in allowing people to board the aircraft who were not on the 'wanted list,' if I can put it that way, and that had nothing in the way of arms or banned materials that gave cause to reject them boarding the aircraft," he said. "If individuals were not negligent in the security manner of the airport...how could (the airline) be incorporated into responsibility for the loss?"

Mr. Palmer-Brown added that once the hijackers gained control of the aircraft, the crew of those aircraft acted within regulations and Federal Aviation Authority guidelines in attempting to mediate with them. "The fact that somebody else had taken control of the aircraft and flown them into the buildings, was that the responsibility or the negligence of the airlines?" he asked.

Mr. Palmer-Brown said that immediately after the attacks there was widespread fear in the aviation market that the terrorist attacks would produce a \$70 billion loss, much of which could fall upon the aviation market if airlines were shown to be liable for surface damage caused by the attacks.

Today, though, the aviation market's exposure may be far smaller, he said.

Aviation market estimates of underwriters' exposure to losses from the terrorism attacks range from about \$3 billion to \$6 billion.

Airline risk managers, though, have seen rate increases of anywhere up to 500% on their insurance programs since the attacks.

Airlines could be facing higher rates for as long as 10 years, given the length of time required to settle liability disputes of this nature and for payments to be made, said Mr. Palmer-Brown. "The dispute over the insurance policy covering the World Trade Center itself may take many years to settle. And only when they know what that loss is, or isn't, will they be able to possibly consider subrogation against a third party. So this all could take years."

Therefore, the higher rates being imposed on airlines should be reduced, he said. "Sure, if those losses turn out to be losses later on, then the basic premium should be increased again," he added.

The broker's arguments are sparking discussion—and varying de-

grees of support—in the market.

"One can see the argument that once the aircraft is no longer under the control of the airline, why should it have a liability?" said Simon Phippard, a partner in the aviation department of law firm Bar-

'Once you start talking about surface damage, it becomes a bit more a cold dispute between airlines' liability insurers and the people insuring the World Trade Center.'

Philip Reed
Norton Rose

low Lyde & Gilbert in London. "Nobody has identified, certainly not publicly, any specific shortcomings in security at Boston or Newark, where the flights departed," he added.

For claimants to receive payouts for surface damage caused by the planes, they would have to prove a breach of duty on the part of the airlines, Mr. Phippard explained.

"Once you start talking about surface damage, it becomes a bit more a cold dispute between the airlines' liability insurers and the people insuring the World Trade Center itself," and other damaged buildings, said Philip Reed, a partner in the aviation practice of Norton Rose in London.

Mr. Reed predicted that airlines and their insurers are likely to concede liability for the death of passengers and crew. But in the case of claims for surface damage, arguments being put forward suggest that the airlines may not held liable, he said.

Underwriters in London confirmed that discussions have been taking place about issues of liability.

"Certainly the airlines are entitled to a robust defense, and they will get that," said Peter Butler, underwriting executive at London-based Global Aerospace Underwriting Managers Ltd. and chairman of the Aviation Insurance Office's Assn.

Until shown otherwise, however, aviation insurers say they must budget for the likelihood that the loss may fall on them.

"For the time being that loss is there and it would be foolish of us to act as though it doesn't exist," said Jacques Mercier, CEO of Assurance France Aviation in Paris. "And airlines would be foolish to expect their underwriters to pretend that it doesn't exist," he added.

Graham Nichols, chief executive of London-based Westminster Aviation Insurance Group, said that while he understood Mr. Palmer-Brown's position, "it is inconceivable that anybody would recommend that insurers would not create proper reserves."

Nigel Weyman, managing director of the aerospace department at

London-based broker Heath Lambert Group, said it is likely that at least a portion of the Sept. 11 loss would fall upon aviation underwriters.

"The U.S. government has ring-fenced the limit of liability of the airlines to their insurance, to stop them going into technical bankruptcy, but there are some very strong arguments to say that they were their aircraft and they have a strict liability for what happens as a result of those aircraft hitting anything," Mr. Weyman said.

But he added that an argument exists that the airlines were no longer in control of the aircraft and that it was an act of war that occurred when the aircraft were hijacked. "Can an airline be held responsible for the subsequent damage that the aircraft caused?" he said. "It is a good argument to exercise, but I don't think that the aviation market is going to get away without paying anything. They took the money to cover these aircraft whatever. And the event happened. That is what the insurance is for."

Meanwhile, Mr. Palmer-Brown warned insurers to think very carefully about the rates they are charging airlines. "Otherwise, they will force the airlines into creating regional or captive companies that will take their business away from them if they continue to try to develop too great a margin," he added.

HHS: Modifying medical privacy rules

Continued from page 3

affected by the rules will have to conduct its own analysis of how state and federal rules would interact, he said. ABC President James Klein issued a written statement calling on HHS "to seek clear statutory authority from Congress to establish the final regulations on a single, nationally uniform basis, so conflicting or duplicative state laws would not apply to employer-sponsored health plans."

Mr. Dennett also noted that some who have criticized HHS' most recent proposal as being insufficient to protect patient privacy—notably Sen. Edward Kennedy, D-Mass.—are already talking about making further changes. Congress had initially called for giving covered entities two years to comply.

"We're now about a year from the compliance date of April 14, 2003, and even these proposed changes are subject to further review and even potential further changes, so we still don't have an absolutely final document," Mr. Dennett said. "We believe once the regulations are truly final, they need to adjust the compliance date accordingly."

"The HHS action narrowly averted a disaster," said Neil Trautwein, director-employment policy for the National Assn. of Manufacturers in Washington.

"The disaster was hamstringing the modern health care system, which depends on the free flow of information. I understand the frustration of the privacy advocates, who have never been inclined to want to compromise on this lan-

'I think HHS has found a good way to help protect confidential information but assure the necessary flow of information throughout the health care system.'

Neil Trautwein
National Assn. of Manufacturers

guage, but I think HHS has found a good way to help protect confidential information but assure the necessary flow of information throughout health care system."

Employers still have several reasons for concern, Mr. Trautwein said.

"This is potentially a huge cost issue in terms of additional regulatory burdens. This is something that could have stopped dead in the tracks employers efforts to conduct disease management and health promotion programs," he said.

But employers and others would get a break on one facet of the pro-

posal. The original 2000 rule requires covered entities to have contracts with their "business associates" to ensure they follow privacy rules. The proposed changes would include model contract provisions and would extend the deadline for compliance an additional year, to April 14, 2004.

"The business-associate change will be important for people who have agreements in place with partners like pharmacy benefits management companies, disease management companies, and claims administrators," said Timothy J. Stanton, a partner in the Chicago law

firm Gardner Carton & Douglas who specializes in benefits law. "This gives them a little bit of relief; they don't have to renegotiate all of their contracts by the 2003 deadline—they have an additional year."

Alissa Fox, executive director-policy for the Blue Cross & Blue Shield Assn. in Washington, noted that covered entities still don't know what they will have to do to achieve compliance by next year.

"It's not final. It's very unclear what will happen ultimately," she said. HHS should seek to further streamline the process, she said.

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April 1, 2002

Blackhawk: Contractor immunity claim rejected

Continued from page 1

nologies would not release policy details. Coverage is written by Global Aerospace Underwriting Managers Ltd. of London.

The crash is believed to have occurred when the craft became heavier on one side because of an unequal fuel load.

In its appeal, United Technologies argued, among other things, that the government contractor defense protected it from liability, because the Army had approved the design and was aware of the dangers related to the problem believed to have caused the crash. Therefore, the company argued, there was no duty to warn the Army of hazards that the Army already knew existed.

Standards for the government contractors' immunity defense were established in the 1988 case *Boyle vs. United Technologies Corp.* In that case, the U.S. Supreme Court held that such a defense is valid if the government was involved in the design of a product, was in control over the nature of warnings provided to the end-user and was told by the manufacturer of all product dangers it knew of that the government did not also know about.

The appeals court in the recent decision rejected United Technologies' immunity claim, agreeing with the lower court that United Tech-

nologies could not invoke such a defense because the company knew the Blackhawk could become uncontrollable when the fuel loads were uneven and "the Army did not have similar knowledge."

United Technologies had argued that the Army did, in fact, have that knowledge by virtue of having been involved in the development and

'There's no question that the decision represents a radical change in prior law.'

Andrew L. Frey
Mayer, Brown Roe & Maw

testing of the Blackhawk.

The appeals court ruled that the "government contractor defense applies only when the government, for reasons of federal interest, chooses to limit the warnings provided by the seller to the end-users," in this case, the pilots. It does not apply, the court stated, "to limit the warnings that a reasonable seller would provide to the government itself."

The court said that Hartford, Conn.-based United Technology's immunity claim was "meritless" and "should not have been sent to

the jury in the first instance."

Attorneys disagree on whether the decision deviates from prior rulings.

Andrew L. Frey of Mayer, Brown, Roe & Maw in New York—who represented United Technology—said the appeals court ruling was unexpected, and he asserted that the rejection of government contractor's immunity likely would create a burden for contractors and result in higher insurance costs.

"I think there's no question that the decision represents a radical change in prior law," Mr. Frey said. "It came completely out of left field."

Plaintiffs' attorney Robert F. Spohrer, of the Jacksonville, Fla., firm of Spohrer, Wilner, Maxwell & Matthews, disagreed.

"The court makes it clear that this decision is based on the facts of this case and is not a sweeping revision of government contractors' immunity," Mr. Spohrer said. "The court correctly states that there is a common-law duty for manufacturers to warn of potential defects in their products.... Military contractors have a duty to warn, just like any manufacturer has a duty to warn."

A contractor can be absolved of its duty to warn of possible hazards only if the government decides to limit its warnings to an end-user,

Mr. Spohrer said.

Mr. Frey said, though, that the appeals court's rejection of the immunity claims was inconsistent with the *Boyle* case and that United Technologies had met the burden for immunity set by that case.

'This decision is based on the facts of this case and is not a sweeping revision of government contractors' immunity'

Robert F. Spohrer
Spohrer, Wilner,
Maxwell & Matthews

"When you're talking about tanks and helicopters," he said, there always is communication between the contractor and the government about the potential hazards related to the equipment. "The (appeals) court basically said that government contractor immunity does not apply in the majority of cases where you would think it is most applicable."

"We're going to ask the court to take a fresh look" at the case, Mr. Frey said. If that request is rejected, he said, the company will seek a Supreme Court review.

If the appeals court decision

stands, it could have significant consequences, Mr. Frey said. If plaintiffs can circumvent government contractor immunity by claiming a failure to warn, "the defense is not worth much," he said.

The only way for contractors to be sure they are protected from such claims would be to bombard the government with warnings, Mr. Frey said. "They would have to come up with every warning you can think of and inundate the government with warnings on things they already know.... They are going to be providing a lot of meaningless paper."

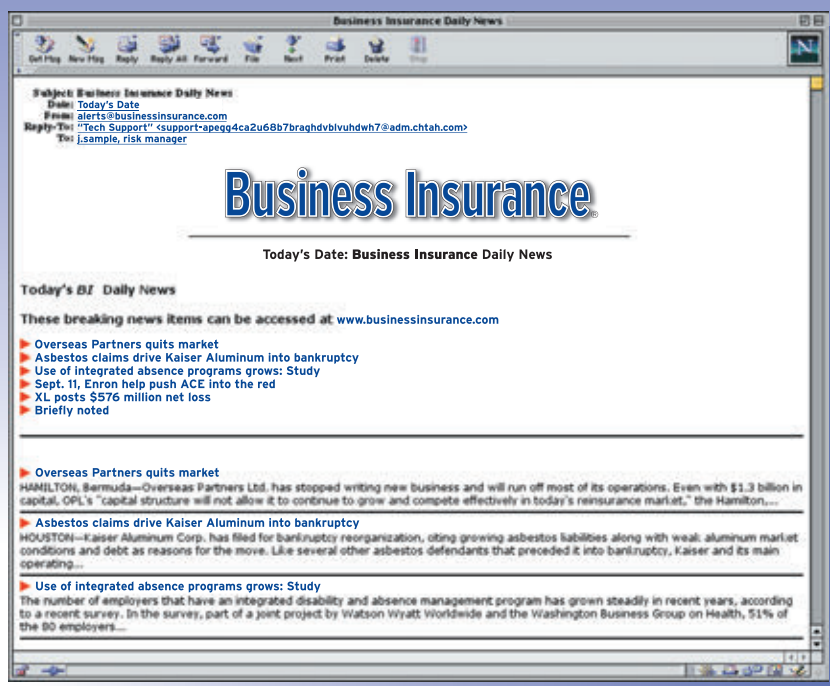
And the decision could lead to higher liability insurance costs, he speculated. "If I were an insurer of military contractors, I would be very concerned. If you are an underwriter, you have to think about whether you need to raise premiums, because this increases the liability risk."

If liability can be established in the United Technologies case, "there probably is a lot more liability out there that was previously unsupported," Mr. Frey said.

Kathleen Densberger et al. vs. United Technologies Corp. 2nd U.S. Circuit Court of Appeals. No. 00-9512. March 12, 2002.

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California bills seek to rein in comp costs

Three bills seeking to control workers comp costs have been introduced in California. A.B. 1808 would require doctors to undergo a training and certification program created by the state Industrial Medical Council before treating workers compensation injuries. A.B. 1809 would base outpatient medical services billing on a uniform medical fee schedule. A.B. 2611 would require doctors to follow American Medical Assn. guidelines when evaluating a permanent impairment.

Moody's watching insurers' asbestos exposure

In light of the increasing cost of asbestos-related legal settlements, Moody's Investors Service Inc. said asbestos claims have become more of a factor in its credit analysis of U.S. property/casualty insurance companies. Underfunding of asbestos liabilities could prompt a rating downgrade, Moody's said, adding that a combination of asbestos exposure and underreserving also could affect an insurer's rating. The rating agency said updated estimates indicate that the insurance industry may have underestimated the ultimate cost of asbestos liabilities.

AXIS buys shell companies to write U.S. business

Recently formed Bermuda insurer AXIS Specialty Ltd. has bought two U.S. insurer shell companies, giving AXIS licenses to write coverage throughout the United States. AXIS announced last week that it had bought Royal & SunAlliance Personal Insurance Co. and Connecticut Specialty Reinsurance Co. for an undisclosed amount. The two companies will be renamed Axis Specialty Reinsurance Co. and Axis Specialty Insurance Co., respectively. Upon completion, Axis Specialty Re will be licensed to write insurance and reinsurance in all 50 states, the District of Columbia and Puerto Rico. Axis Specialty Insurance will write business on a surplus lines basis in 38 states.

Pension plan funding levels fall in 2001: Survey

The downturn in world capital markets in 2001 contributed to an overall drop of 10% to 15% in the funding level of defined benefit pension plans worldwide, according to a survey of benchmark plans by New York-based consulting firm Towers Perrin. Combined with the reduction in 2000, the fall in plans' funding level in 2001 creates a two-year drop of about 25% for defined benefit plans in the United States, the United Kingdom, Japan and the 12 countries that use the euro currency. "The results in 2001 are a

reflection of the combined impact of poor investment results and increasing liabilities," Towers Perrin said in a statement.

Product safety campaign launched

A safety group has launched a campaign to help reduce product-related injuries and recalls. Ann Brown, who heads Safer America for Everyone—or SAFE—announced the new SAFE Circle initiative last week. Companies participating in the SAFE Circle will adopt 10 key safety principles as part of an effort to promote product safety for children and families. Companies



Ms. Brown

participating in the initiative will display the SAFE Circle seal as a sign of their commitment. Ms. Brown founded SAFE in November 2001. Its 22 member

companies include McDonald's Corp.; Binney & Smith, which makes Crayola crayons; office supplies retailer Staples Inc.; Toys "R" Us Inc.; IKEA North America Inc.; and Levi Strauss & Co.

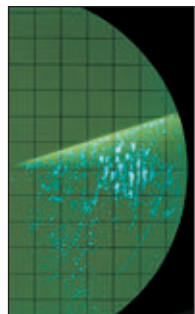
Cayman sees captive growth in first quarter

The Cayman Islands reported growth for its captive insurance market in the first quarter of 2002. Cayman, the world's second-largest captive domicile, will have licensed 16 new captives by the end of March, with an additional 24 applications in progress, according to the Cayman Islands Monetary Authority. Half of the 16 new captives are health care-related. Despite the new formations, Cayman's total captive count increased by only four from year-end 2001, to 546 captives, as 12 captives have folded so far in 2002.

German soldiers plan to sue U.S. radar makers

A German law firm is planning to launch a lawsuit against U.S. manufacturers of military radar systems, alleging the equipment caused

hundreds of German soldiers to develop cancer. Berlin-based law firm Reiner Geulen last week filed lawsuits against the German Ministry of Defense on behalf of the former soldiers. The suits charge that the soldiers developed various forms of



cancer as a result of working with the radar systems over a period over 20 years, up until the early 1980s. Remo Klinger, a lawyer with the firm who is working on the case, said Wednesday that the law firm is planning to make similar charges in a class-action lawsuit in the United States, where some of the radar systems were manufactured.



PHOTO: AP/WIDE WORLD

Deadria Farmer-Paellmann is suing three companies, charging that they have profited from slavery.

U.S. companies sued for promoting slavery

A lawsuit seeking class-action status filed last week seeks, for the first time, monetary damages against corporations for their role in promoting slavery in the United States. The suit seeks to represent all descendants of slaves and alleges that the three defendants—Aetna Inc. of Hartford, Conn.; CSX Corp. of Richmond, Va.; and FleetBoston Financial Corp. of Boston—"profited from slave labor and have retained the benefits and use of those profits and products derived from that slave labor." Specifically, the suit claims that: Aetna's predecessor companies insured slave owners against the loss of slaves; the railroads owned by CSX's predecessors were built with slave labor; and Providence Bank—a predecessor entity to FleetBoston—was founded with money from slave trading after such trading had been outlawed.

Doctors sue Blues for payment denials

Two medical groups have sued Premera Blue Cross and Regence BlueShield, alleging the health insurers delay and deny payments to doctors participating in their preferred provider organizations. Orthopedic Surgeons Inc. and Franciscan Medical Group, both based in Tacoma, Wash., filed the lawsuits last week in Superior Court in Tacoma, Wash. The lawsuits seek class-action status and claim that Premera and Regence manipulate Current Procedure Terminology Codes, used to determine doctor payments. The plaintiffs accuse the insurers of systematically "downcoding" and "bundling" the codes. "Downcoding" refers to paying for a lower-priced procedure than the one billed. "Bundling" refers to lumping together several procedures instead of paying for them separately, which results in a lower fee.

Ernst & Young service aims to control drug costs

Ernst & Young L.L.P. has launched a service designed to help self-funded employers and health plans manage prescription drug costs. Through the

service, called RxManager, Ernst & Young will use medical professionals and health care actuaries to analyze an employer's drug spending and to come up with a strategy to rein in costs. The service is geared to "anybody that has a concern about runaway pharmacy costs," said David Axene, an Ernst & Young partner in San Diego, who heads RxManager. The service will team actuaries with physicians, nurses and pharmacists, he said. "It integrates the profession of medicine and the profession of actuarial science," Mr. Axene said.

Marsh RMIS adds new features

Marsh Inc. has made enhancements to the Windows version of its STARS risk management information system, including a customizable home page and more data management capabilities. In addition to the risk modeling, risk analysis and other capabilities included in earlier versions, STARS 7.0 for Windows offers a personalized home page for each user and incident tracking capabilities. A customizable workflow engine permits the system to be configured to individual users'

needs. Also new to STARS for entities that self-administer claims are workflow management tools, enhanced occurrence-level handling of claims and statutory reporting features.

Briefly noted

Standard & Poor's Corp. has placed its A rating of the **Kemper Insurance Cos.** Intercompany Pool under review, citing year-end reductions of statutory capital, ongoing questions about asbestos and environmental reserve levels and the impact of the Kemper companies' restructuring. Pool members include Lumbermens Mutual Casualty Co., American Motorists Insurance Co. and American Manufacturers Mutual Insurance Co. Moody's Investors Service cited similar concerns in placing its A2 financial strength rating of Kemper under review earlier this month...**W.R. Berkley Corp.** has added \$50 million in capital to its Berkley Insurance Co. subsidiary in anticipation of an increase in underwriting. The move follows a \$44 million contribution during last year's fourth quarter. The insurer's policyholder surplus now is \$700 million.

Online Poll [3/25 - 3/29]

What percent of eligible employees at your company take FMLA leave during the year?

0%-5%

71.4%

10%-15%

2.4%

5%-10%

19.1%

More than 15%

7.1%

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BI Stock Index [3/4 - 3/8]

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BI Stock Index
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Dow Jones
10,403.94



S&P 500
1147.39

Largest gains

IPC Holdings Ltd. 8.11%
Navigators Group 7.40%
PXRE Corp. 6.90%
Clark Bardes Holdings 6.27%
Humana Inc. 6.12%

Largest losses

Trenwick Group Ltd. -7.14%
Gainsco Inc. -6.90%
ESG Re Ltd. -6.67%
Seibels Bruce Group -6.45%
Unico American Corp. -5.78%

Weekly change by market segment

Brokers 0.20%
Insurers/Reinsurers 0.50%
Managed Care Organizations 3.20%

Source: CNET Investor (investor.cnet.com)

Facing new challenges after Sept. 11, RIMS leadership prepares to change

RIMS resuming efforts to achieve its objectives

By MICHAEL BRADFORD

The Risk & Insurance Management Society Inc. is sharpening its focus after the unsettling events of last September.

The terrorist attacks that disrupted organizations around the world also served to rattle New York-based RIMS somewhat, but the society is heading back on course in its efforts to grow the organization, provide resources for its members and raise the profile of risk management.

"You almost have to divide this year into two pieces: the part that occurred before Sept. 11 and the part that occurred after," said RIMS President David Mair, who will end his term at this year's annual conference in New Orleans. "As much as we have tried to stay true to our theme for the year, it really required a different focus" after the terrorist attacks, he said.

Instead of a year in which all its goals were met, the past 12 months for the organization became more of a time for implementing changes that RIMS hopes will come to fruition in the coming months, according to Mr. Mair. For example, the organization expects to see an increase in the number of risk managers pursuing its revised RIMS Fellow program; growth in the use of its popular Web site, www.rims.org; and the development of a quality initiative that will improve working relationships between insurance buyers and their business partners, among other initiatives.

In a wide-ranging discussion, Mr. Mair, who is risk manager for the U.S. Olympic Committee in Colorado Springs, Colo., recently talked about how risk management and the society have changed in the past year. He was joined by Christopher E. Mandel, who will begin his term as RIMS' president at the conference. Mr. Mandel is assistant vp-enterprise risk management at USAA Group in San Antonio.

Mr. Mair pointed out that despite the turmoil created by the terrorist attacks, there were some silver linings in the dark clouds of Sept. 11.

While they would never have wished for such an event as the terrorist attacks, he said, risk managers have seen their profile rise as congressional and business leaders have sought their advice.

"I think Sept. 11, frankly, helped us a great deal more than we could ever have projected," said Mr. Mair. "There are a lot of risk managers now who are having conversations with their (chief executive officers), sitting in on board meetings and being where I believe we should have always been."

And, he pointed out, "Sept. 11 gave RIMS a voice on Capitol Hill that it really didn't have before." The recognition that RIMS has received and the input that has been sought by lawmakers would eventually have come, "but it would have taken longer" had the attacks not happened, Mr. Mair noted.

Among the society's goals that were met during the past year was the implementation of changes to RIMS' financial structure, one of Mr. Mair's key aims for his presidency.

"In difficult economic times, I wanted to make sure that...RIMS was going to be financially strong for the future," he said. "We instituted a multiyear budgeting process that I think will serve us very well. We really focused hard on the revenue side of the RIMS budget equation to make sure that...we had the resources to support the strategically important programs that we wanted to conduct."

A \$1 million investment in a revamped



PHOTO: MICHAEL MARCOTTE

Outgoing RIMS President David Mair, left, will be succeeded by Christopher E. Mandel at this year's conference in New Orleans.

Internet presence was a significant investment that is starting to pay off.

The society expected a three- to four-year return on its investment in the site, but the payoff is coming "way faster than expected," Mr. Mair said. In its first year, the site has produced income and helped reduce expenses that together have totaled just under \$400,000 in revenue and savings, he said.

Mr. Mair and Mr. Mandel praised the site's features, such as its job bank, powerful search engine, the "company store" selling RIMS-related products, the conference registration function and many others. Developed in response to the September attacks, an online "crisis resource center" has become a permanent part of the site, giving users access to information that helps them respond to catastrophes.

Around three-fourths of the society's 85 chapters have set up their own Web sites by using tools available at RIMS' main site. "It's a pretty simple process to set up your own site and have connectivity to the main site," said Mr. Mandel.

Despite its accomplishments, RIMS

continues to face a shrinking corporate membership base. The number of corporate members in 2001 fell by 150 from the previous year, leaving 3,783.

Members are disappearing as mergers and acquisitions thin the ranks and as some companies decide to outsource risk management functions, according to Mr. Mair.

One way of increasing the membership is to get the word out to the many middle-market companies that don't have a risk manager, he noted. "The opportunity for us from an outreach perspective is to the finance officer or the organization that has risk to manage but doesn't have someone that they call a 'risk manager,'" Mr. Mair said. Brokers and other partners can help get the RIMS message to those prospects, he added.

The number of deputy members also has decreased as the corporate membership roll has thinned. There were 7,388 deputy members at the end of the year, down from 7,478 at the end of February 2001. Associate members, however, are increasing, with 591 such members at the end of last year,

compared with 460 in February 2001. All but 16 chapters allow associate members to join.

Mr. Mair said he hopes an individual membership category that is expected to be approved by RIMS will attract new members. Those individuals will come from companies that either are not eligible for RIMS membership or are not interested. "We've heard from a lot of people who have said, 'I want to be a part of RIMS, but my company simply won't join.'"

The number of RIMS chapters has decreased, falling to 85 after three disbanded and four consolidated into two.

There also have been changes on the education front for RIMS.

One idea, a challenge by Mr. Mair at the beginning of his term for risk managers to complete 20 hours of continuing education, never took hold. "If there's anything that I'm disappointed that we didn't really get established, that's the one," he said.

RIMS' Executive Council was hesitant to back the challenge without being certain there were sufficient programs to allow risk managers to take on the task, Mr. Mair noted.

See **PRESIDENTS**/page T8

Presidents: RIMS back on course after Sept. 11 disruption

Continued from page T6

"We planted the seed with the idea; now we'll see whether it germinates. I still think it's critically important, and it's one of the fundamental principles of the RIMS Fellow."

The value of the RIMS Fellow designation, he added, "is not getting it, it's keeping it, because there is a professional education requirement that goes with that."

As of last month, 86 professionals were pursuing the designation and 163 held it, including those individuals who

had previously obtained the Fellow in Risk Management in Canada, Mr. Mair said. The number of those pursuing the designation is nearly unchanged from a year ago, after the designation requirements were revamped in an effort to make it more attractive to a broader and, in particular, more experienced population of risk managers.

RIMS also is targeting senior risk managers with its professional development offerings.

The society has "completely overhauled" the professional development courses that it offers,

according to Mr. Mair.

"We sat down in July and said we need to take a hard look at all that we are doing in the professional development area. And what we found was we had a lot of courses that were targeted at risk managers in the early stages of their careers but not really a lot that helped risk managers stretch the skill sets they needed to grow."

While some of the courses have been "very successful" and will continue to be offered, others have been set aside or reworked to appeal to a larger audience, Mr.

Mair said. One new offering is a workshop that is being developed on managing captive insurance companies, he noted.

RIMS also is continuing work on the quality-improvement process introduced at the national conference last year in Atlanta. At the New Orleans meeting, "quality guidelines"—developed by the society and industry partners—will be introduced.

The guidelines are the first step toward implementing a "performance-measurement tool" that will show how well risk

managers and their business partners are meeting quality standards, Mr. Mandel explained. Plans are to publish those results at RIMS' 2003 annual conference in Chicago.

"I'm really excited," Mr. Mandel said, "because I think we've really got it right this time. One of the many ways we've done that is by partnering with people whom it will affect directly," such as trade associations that represent insurers and brokers.

The quality effort has a somewhat rocky history. A quality scorecard developed in 1999 with the now-defunct Quality Insurance Congress was poorly received. The companies ranked by the scorecard criticized the tool, contending it used a narrow sampling and a flawed methodology. A second

At this year's Washington 'fly-in,' RIMS likely 'will be met with a marked increase in respect...I've been in Washington six times since Sept. 11, and each time, doors were opened that were closed before.'

David Mair

scorecard a year later produced results and feedback not very different from the first.

"We knew in our minds as the Executive Council and as RIMS that what we had done was fix a starting point," Mr. Mair said of those early efforts. Some others, however, "looked at it and said, 'This is the nature of the industry, and it's not very good.'"

The new guidelines are not a "standard set of things" that will be imposed on service providers "whether they agree with them or not," Mr. Mandel explained. "What we're promoting is dialogue between the parties," he said, in an effort to "get our expectations straight" with regard to how the business partners will be measured.

As part of its efforts to address national issues, RIMS will continue its popular "fly-in" to Washington this year on June 5-6. Because the society's profile has risen, "I believe we will be met with a marked increase in respect," Mr. Mair said. "I've been in Washington six times since Sept. 11, and each time, doors were opened that were closed before," he said.

At the annual meeting in New Orleans, RIMS will elect a first vp to its executive council, traditionally the step that precedes the presidency. Nominated for the position is Lance J. Ewing, senior director of risk management at GES Exposition Services Inc. in Las Vegas.

That position will take on new significance in the coming year. Mr. Mandel plans to appoint the first vp as chief risk officer of the society, with responsibility for implementing an enterprise risk management program.

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Mandel charts RIMS' course for the year

Incoming president sets sights on ensuring financial stability, membership growth

By MICHAEL BRADFORD

Christopher E. Mandel isn't afraid to go out on a limb with his goals for the Risk & Insurance Management Society Inc. during his term as president.

"First and foremost," he stated with seriousness, "is the financial stability of the society, through what I refer to as 'surplus enhancement'—promoting more and new revenue streams and

greater product and service delivery efficiency."

"And I'm fully aware," he said with a smile, before listing other objectives, "that you will ask me a year from now whether I met these goals."

Accountability, though, is no problem for Mr. Mandel, 47, who is assistant vp-enterprise risk management at USAA Group in San Antonio. With confidence, he listed the other ideas he has for the

society after he takes the president's gavel during RIMS' annual conference in New Orleans.

"No. 2 would be the growth, both in depth and breadth, of the membership," Mr. Mandel noted. "I've always had in my mind that we can broaden this membership base. We may not ever attract the majority of the financial risk managers of the world, but there's no reason why we can't attract some, as an example."

He acknowledged that part of that challenge will be to "enhance member value. If we are going to grow membership, we've got to improve the value proposition."

He wants RIMS to "update and revise our strategic priorities."

"I think a good strategic plan is one that is regularly revisited and made sure that it is contemporary."

And, he said, he plans to work on moving risk management "closer to a full recognition as a



Mr. Mandel

profession. People sometimes think of us as a profession, but I really think we are more of a discipline." Part of that work is to define "what you do as more than just another function," he said, "and I believe we are well along that road."

The more successful that risk managers are in establishing themselves as essential components of their organizations, "the more successful we will be in our other goals, like accessing senior management or becoming part of that senior management in the future," Mr. Mandel said.

Keeping the society's Web site current also is on Mr. Mandel's list of priorities. "We really kind of let it go for nine years, and that's one

RIMS 'may not ever attract the majority of the financial risk managers of the world, but there's no reason why we can't attract some.'

Christopher E. Mandel

reason we had to spend a million bucks to get it where it is today."

Although it is difficult to find experienced risk managers who came to the job through a conventional route of study and an ambition to buy insurance and control losses for a corporation, Mr. Mandel's route is closer to that path than many others'.

Unlike other RIMS presidents, he wasn't entirely outside the field when his career began.

"I wish I could say—like Wilder—I was driving a cab. That's always cool," he joked, referring to former RIMS President Steve Wilder, who spent time behind the wheel of a taxi before rising up the risk management ranks to become vp-risk management at The Walt Disney Co.

But, a less hazardous choice of jobs found Mr. Mandel in the claims department at Liberty Mutual Insurance Co. after earning a business degree from the Virginia Polytechnic Institute and State University in Blacksburg, Va.

He soon "grew tired of the idea" of working in claims for his entire career, Mr. Mandel recalled, and he left to become a consultant with Marsh & McLennan Cos. Inc. in Washington and Baltimore.

In 1985, he left the brokerage to join Bell Atlantic Corp. and "help them develop a risk management department from scratch," Mr.

See MANDEL/page T12

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Mandel: Financial, membership growth planned

Continued from page T10

Mandel said. "I worked my way through different positions, different specialties. I developed risk management software for them for a while. I did loss prevention for a while" and improved the claims operation, he added.

Because there was "a guy roughly my age in the top job," Mr. Mandel said he decided to avoid that obstacle to advancement and leave Bell Atlantic. He joined the Washington-based American Red Cross in 1989 to "take the top job there" in the risk management

department. "That was my big break, I guess you would say. And that was really fun...nonprofit risk management is kind of cool," he said.

Five years later, Mr. Mandel decided to re-enter the world of public companies and joined PepsiCo Inc.'s Kentucky Fried Chicken unit in Louisville, Ky. During his stint as director-global risk management, PepsiCo spun off the KFC unit into newly formed Tricon Global Restaurants Inc. In March 2001, he took his current job with USAA.

Mr. Mandel has held a number of officer positions with RIMS chapters and began serving in positions at the national level in the late 1980s. He has worked on the society's committee that became the external affairs committee, as well as the conference committee.

"Interestingly, I was asked to join the Executive Council in '93, but I was changing jobs at the time and had to decline," Mr. Mandel said. "Having no prospects of ever getting the offer again, I turned it down, and then four years later"

the council approached Mr. Mandel again, he said. "And I was happy to be able to then move into the E.C."

Among his duties with the council were acting as vp-member and chapter services and helping put together internal affairs and government affairs teams for the society.

Although the duties of his presidency and job with USAA will demand much of Mr. Mandel's time during the next year, he will continue in his private life as a worship leader at the Cibolo Creek

Community Church. "I've been serving in volunteer capacities in churches for the past 15 years, mostly in a music capacity." He describes himself as a "longtime guitar player."

"Mainly, I'm just focusing with what little spare time I have on raising the kids," Mr. Mandel said, and making sure his relationships with his wife, two sons and daughter are in order.

"My wife is tremendously supportive of all of this, and that has been a huge boon to me," Mr. Mandel said.

RIMS 2002: Focus on new risks

Continued from page T5

transform change from a disruption into a positive force. She will speak at a luncheon on Tuesday, April 16.

On Wednesday, RIMS will hold the annual networking luncheon. In a twist this year, the lunch will allow members of a variety of "e-groups" that have been chatting over the Internet the past year to gather and talk in person about industry-specific issues, Ms. Barnes said.

This year's conference will unveil plenty of new and interesting activities. Perhaps the most noteworthy is the cyber cafe, Ms. Barnes said. At the cyber cafe, located at Booth 1000 in the exhibit hall, attendees can check their e-mails and access the Web. A special feature will also allow the exchange of e-mail messages through accounts established solely for attendees.

The New Orleans meeting will feature another new twist—the ability to attend a second conference. Located in another exhibit hall in the convention center, Contingency Planning & Management 2002 consists of disaster recovery companies and consultants. An agreement between CPM 2002 and RIMS will give RIMS attendees access to the contingency planning exhibit hall on April 17. The RIMS exhibit hall will be open to attendees of the other conference on Thursday, Ms. Barnes said.

"It gives us a chance to network with business contingency professionals that may not necessarily go to our conference," she said.

A new event this year will be a session titled "Meet the Masters," in which risk managers will have an opportunity to question a panel of veterans in the field. It will be held on Thursday from 2 p.m. to 4 p.m. and is open only to RIMS members.

This year, a popular session, "Speak Finance Like a Native," will return, and a more-advanced version will debut in New Orleans.

See RIMS 2002/page T14



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RIMS 2002: Conference focusing on new risks

Continued from page T12

"Speak Finance II, The Application," which is scheduled for Thursday morning, will give risk managers an advanced education on financial issues.

In addition to this year's new offerings, some old standards will return in New Orleans. The opening reception, to be held on Sunday night at the New Orleans Marriott, will feature an international theme.

Also, the annual membership meeting will take place Monday morning. It will include the inaugural address by Mr. Mandel. Awards for chapter activities will be handed out, and a tribute will take place for those RIMS members lost in the Sept. 11 terrorist attacks.

Popular sessions that return this year include those about captive insurance, claims auditing and the basics of risk financing, Ms. Barnes said. One popular session changes slightly this year; the session on business interruption, which usually draws a large crowd, will shift to Thursday from early in the week, Ms. Barnes noted.

The core of the RIMS conference remains the rich array of educational sessions. The goal of the conference is to "get people better educated and get them connected to each other and segments of the community," Mr. Mandel said.

In the current economic environment and the hard market, risk managers need to focus more on education than in the past, he said.

"There is plenty of time to socialize at night. During the day, people should focus on finding solutions to their problems," Mr. Mandel said. This includes both the educational sessions and visits to the exhibit hall.

While the titles of only a few sessions specifically address strategies for success in a hard market, many sessions will address that concern, he said.

"Even if the session is not specifically about the hard market, it will include that as a component when it's delivered," he said.

One objective of the conference is to increase the number of attendees from

outside the traditional core of risk managers, Mr. Mandel said. These people include chief financial officers, treasurers, enterprise risk managers and information technology risk managers.

"If we can get a higher percent of those people than in the past, that will be a success," he said.

Onsite registration fees for Sunday through Thursday are \$895 for RIMS deputy members, \$995 for associate members and \$1,195 for nonmembers.

The exhibit hall at the Morial Convention Center will feature more than 400 exhibitors. Exhibit hall hours are 9 a.m. to 5 p.m. on Monday through Wednesday, and 9 a.m. to noon on Thursday.

As in previous years, RIMSTV, produced by *Business Insurance*, will provide news coverage of conference events, educational sessions and the exhibit hall. RIMSTV will be shown at conference hotels in New Orleans, as well as throughout the conference center and exhibit hall.



PHOTO: MICHAEL MARCOTTE

Business Insurance's RIMSTV will again broadcast conference news and feature stories on risk management.

Sports events to raise funds for Spencer foundation

Proceeds from golf, tennis and run-walk to support educational initiatives

Several sporting events benefiting the Spencer Educational Foundation Inc. will allow conference attendees to hit the road, court or fairway.

Tennis players, golfers and runners will have the opportunity to take part in events on Sunday, April 14, in New Orleans to help raise money for risk management education.

The Spencer Educational Foundation awards scholarships to both undergraduate and graduate students in risk management and insurance. The foundation honors the late Robert S. Spencer, an advocate of the risk management profession who was president of the Risk & Insurance Management Society Inc. in 1977-78.

A live jazz band will be on hand to greet runners, who will receive a continental breakfast, race bibs and a souvenir T-shirt. There will be six age divisions, with prizes being awarded to the top finishers, male and female, in each division. Souvenir Mardi Gras-type beads will also be given to all finishers.

This year, a video of race highlights will be shown at the Aon exhibit at RIMS. Bib numbers and race information will be mailed to people who register by April 1. Those registering after April 1 may pick up their numbers at the race site.

The entire \$25 entry fee, which is tax deductible, will be donated to the Spencer foundation.

Runners can register online for the event at www.active.com/



Foundation.

The Eighth Annual Spencer/Logic Tennis Tournament will take place at 8 a.m. April 14 at the City Park Tennis Center.

Men and women may enter the round robin singles tournament in either the A level or B level. The men's A level is open to players with ratings of 4.0 or better, and B is for 2.5-3.5 ratings. The women's A level is for players with ratings of 3.5 or better, while B is for 2.5-3.0 ratings.

Logic also is offering fast-serve and target-serve contests. A luncheon and awards ceremony will follow the tournament.

The City Park Tennis Center is at 1 Palm Drive, about 10 minutes from New Orleans' Morial Convention Center. It's one of the largest tennis facilities in the South, with 24 hard courts, 10 clay courts and two stadium courts. The center has a full-service pro shop, and racket rentals are available. The tennis center can be reached at 504-483-9383.

The entry fee is \$75 per player, and corporate sponsorships are available.

For information, contact Bill Perry at Logic Associates, 212-227-8000.

includes transportation, breakfast, lunch, greens and cart fee and mulligans. Club rentals are available at an additional cost.

The Spencer/Gallagher tournament will be played on Eastover's two courses, the Teeth of the Gator and Rabbit's Foot. In addition to prizes for the men's and women's winner and runner-up, the tournament will offer contests including longest drive, most accurate drive, closest to the pin and hole in one. A "challenge hole" on each course will offer players a cash prize for hitting a target drawn on the green.

For information or to register, contact Dean Shrable at 504-888-1100 or Butler Bourgeois at 225-292-3515.

Hockey on ice

Many things come to mind at the mention of New Orleans, but ice hockey is not one of them. And at the 2002 RIMS conference, where Team U.S.A. was to battle Team Canada for the Spencer Cup, is not going to change anyone's mind. A shortage of ice rinks in New Orleans means the Spencer Cup will not be held this year.

—By Joe Walker and Regis Coccia



In the running

The Bayou Bash will give RIMS attendees a chance to run—or walk—in a beautiful New Orleans park and support the future of risk management at the same time.

The Third Annual Spencer/Aon 5K Walk-Run will take place April 14 in New Orleans' Audubon Park on St. Charles Avenue, beginning at 9 a.m.

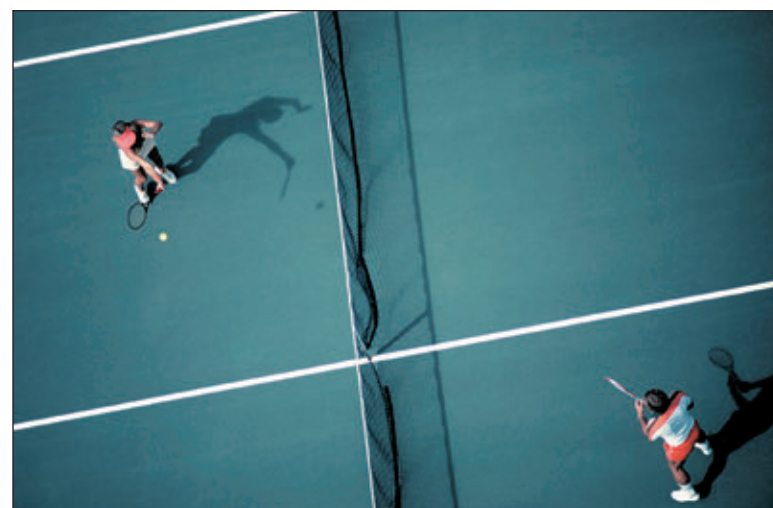
Transportation from the conference hotels will be provided.

[event_detail.cfm?event_id=982025](http://www.active.com/event_detail.cfm?event_id=982025).

For local information, call Mike Andrews of Southern Runner Sports at 504-891-9996, or Ken Melvin, a marketing specialist at Aon, at 312-381-6065, or by e-mail at ken_melvin@aon.com.

Anyone for tennis?

Logic Associates Inc. is calling on tennis players of all abilities to take part in its annual fund-raiser serving the Spencer Educational



April 1, 2002

RIMS 2002

Business Insurance / T15

Spencer Educational Foundation's 2001 donors

Contributions by individuals, organizations boost scholarship programs

Now in its 24th year, the Spencer Educational Foundation Inc. is continuing its mission of supporting risk management education.

The foundation awarded \$125,000 in scholarships during 2001. Seven undergraduate students received \$5,000 scholarships, while four master's degree students were awarded \$10,000 scholarships.

In addition, the foundation awarded \$80,000 to its student internship and risk manager-in-residence programs.

The foundation, established in 1979, honors the late Robert S. Spencer, who was president of the Risk & Insurance Management Society Inc. in 1977-78 and was an outspoken proponent of the risk management profession.

Information on the Spencer Educational Foundation and contributions can be found at the

RIMS Web site, www.rims.org.

Contributions and pledges received by the foundation from Jan. 1 through Dec. 31, 2001, are:

20th Anniversary Club (\$100,000 or more)

Risk & Insurance Management Society Inc.

Millennium Leadership (pledge of \$50,000 or more for three years)

Aon Risk Services; Atlanta Chapter of RIMS; Greater Kansas City Chapter of RIMS; Marsh Inc. (National)

Millennium Club (pledge of \$30,000 - \$49,999 for three years)

Delaware Valley Chapter of RIMS; Liberty Mutual Insurance Co.; St. Louis Chapter of RIMS; XL

Insurance Co. Ltd.

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See SPENCER/next page

RIMS conference information online

More information on the 40th Risk & Insurance Management Society Inc. Annual Conference and Exhibition can be found on the RIMS Web site, www.rims.org.

RIMS' Web site includes information on conference registration, sessions, exhibit hall hours, exhibitors and details on conference hotels in New Orleans.



CONFERENCE GENERAL INFORMATION

The Risk and Insurance Management Society's Annual Conference & Exhibition is the definitive event for risk management and insurance professionals. Attracting thousands of registrants, this prestigious annual conference & exhibition offers attendees the widest range of educational and networking opportunities available. Below is a listing of the 2002 Conference Programming Committee (CPC), the RIMS members who volunteer their time to plan educational content that is both rewarding and exciting. You will undoubtedly run into them in New Orleans during conference week, and they will be more than interested in what you have to say. Please do not hesitate to discuss your conference experience with them.

For information on exhibiting, contact:
Cheryl Patscherych, Exhibits Sales Manager
Phone: 212-665-6652
Email: cpatsch@rims.org

For information on attending, contact:
Madeline Box, Customer Service Manager
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Tom Regan; Frank C. Rice; Allen and Susan Silverstein; Jim and Reggie Smirles, best wishes to Al and Susan Silverstein for a speedy recovery; Judith Tornese; George Trotti; Brec Woodbridge.

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Individuals:

Maryann Amici; Andrea Dudek; Arthur Bostwick, in memory of Edward Lalley; Mary Claire Goff; A. John Guignon; Fenhua Liu; John Pinner; John L. Terlisner; Ron and Kelly Winans, in memory of Virginia Ann Kelly Cannard; Ron and Kelly Winans, in memory of Frank Celustka; Ron and Kelly

Winans, in memory of Arthur H. Crow; Ron and Kelly Winans, in memory of Richard L. Hardy; Ron and Kelly Winans, in memory of Carol Ann Crandal Kowallis; Ron and Kelly Winans, in memory of Joan Lingenfelter; Ron and Kelly Winans, in memory of Robert Edward Long; Ron and Kelly Winans, in memory of Don McKinney; Ron and Kelly Winans, in memory of Anna R. Porter; Ron and Kelly Winans, in memory of Franklin K. Ramey; Ron and Kelly Winans, in memory of Virgil B. Sterling Ph.D.

Organizations:

Butler Manufacturing Co.; The Co-operators Group Ltd. (Canada); Dallas/Fort Worth Chapter of RIMS, on behalf of Steve Cataldo and Mike Whelan; Jonquil Consulting Inc. (Japan); New York Life Insurance Co.; Safety Services of America Inc.; Saskatchewan School Trustees Assn.; Solutia Corp.; Stevens Transport; Tricon Global Restaurants.

Pack an umbrella for April showers

While beads and feathers might have been de rigueur accouterments for February's Mardi Gras, a light jacket and umbrella should do nicely for April's RIMS conference.

Historically, mean daily temperatures for New Orleans from April 12 through 19 have been from 68 to 70 degrees Fahrenheit. Daily highs and lows average 10 degrees above and below the mean.

Extreme weather is, of course, a possibility; April 12 saw a record daily low of 40 degrees in 1989, and April 18 produced a record high of 91 degrees in 1987. Although precipitation for the month averages 4.5 inches, humidity in April varies greatly, with a

pleasantly dry day apt to be followed by one that is miserably soggy.

Conference goers would do well to pack clothing made of natural fabrics that can be layered.

—By Mary Nick



PHOTO: MATT SCROGGINS

Web offers host of resources on the Crescent City

By AMY R. KEPKA

There's loads to do and much to see in New Orleans, where the city's motto is "Laissez les bons temps rouler" or "Let the good times roll!" And as you prepare for your trip, you might want to check out some of these Web sites for ideas about how to do just that.



The New Orleans Metropolitan Convention and Visitors Bureau, www.neworleanscvb.com, and New Orleans Online, www.neworleansonline.com, are good places to start.

You can take a virtual tour of the city, find travel tips and get an overview of that famous New Orleans Creole and Cajun cuisine. The Web sites feature pages on the city's events, hotels, family attractions, restaurants and culture.

Before flying into the city, a quick peek at the Web site of the **Louis Armstrong New Orleans International Airport (MSY)**, www.flymsy.com, provides information on airlines, airport facilities, flights, ground transportation to various



areas of the city and weather.

As you begin to get a feel for the city and all it has to offer, you might want to check out some of the following specialty sites for in-depth information on a variety of New Orleans attractions:



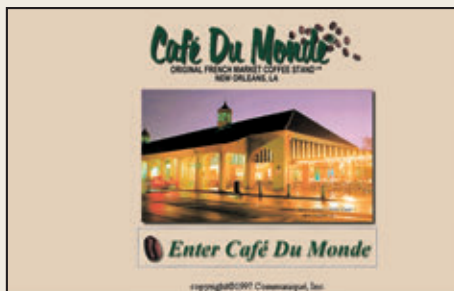
No trip would be complete without visiting the **French Quarter and Bourbon Street**. The French Quarter Festival is described at www.french-quarterfestivals.org. The three-day free festival, which promotes the music and food of New Orleans, will be in full swing during the first days of the RIMS annual conference and exhibition. Nearly 300,000 visitors and locals are expected to participate in this, the 19th annual festival, held April 12-14.

For more general information about the Quarter, check out www.frenchquarter.com. This site offers a virtual tour of the streets of the 10-block square; maps; and information on music, hotels, walking tours and historic



museums. The site sponsored by the **Friends of Jackson Square**, www.jackson-square.com,

offers additional information about the open area at the heart of the Quarter that was originally known as the Plaza d'Armas. The Web site links visitors to artists at Jackson Square, shops, businesses and



galleries. The site for perhaps one of the most famous of the New Orleans eateries, the **Cafe du Monde**, www.cafedumonde.com, offers a brief history of the original coffee stand, which was established in 1862 in the French Market. This site will prepare you for the famous beignets and café au lait that are available 24 hours a day, seven days a week.



A tour of the **Cities of the Dead**, described at www.neworleansweb.org/deadcity.html—the aboveground tombs in the cemeteries of New Orleans—is also a must. There are 42 cemeteries in the metropolitan New Orleans area. For safety's sake, though, travelers shouldn't visit the cemeteries without the security of a tour group.

The **New Orleans Historic Voodoo Museum** would like the opportunity to



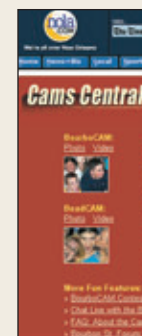
clear up some of the misconceptions regarding the religion of voodoo. Its Web site, www.voodoomuseum.com, offers information on the museum's vast collection of voodoo artifacts, walking tours, swamp tours and various rituals, providing enlightenment about the religion as well as unique gifts; spiritual services; rituals; readings; as well as gris-gris, or charms.

And after your curiosity has been piqued, you might want to check out the Web site for **Haunted History Tours**, www.hauntedhistorytours.com. The site offers information on ghost tours, spellbound tours and vampire tours.

But perhaps the best place to plan all your tours is the **Gray Line New Orleans**, www.graylineneworleans.com. Gray Line has been showcasing New Orleans to visitors from around the world since 1924. Tours include plantation tours, swamp and bayou tours, French Quarter tours and Garden District tours.

And finally, while you're out exploring the Big Easy, keep one thing in mind: there might just be a camera capturing your every move.

Both the **BourboCAM**, www.nolalive.com/bourbocam, and the **EarthCam**, www.earthcam.com/usa/louisiana/neworleans/tricou/main.html, capture the action as it happens, with frequent snapshots of Bourbon Street.



RIMS 2002

The 40th Risk & Insurance Management Society Inc. Annual Conference and Exhibition heads to New Orleans April 14-18, and more than 400 exhibitors are expected to take part. Exhibitors will include insurance and reinsurance companies, brokers, consultants and service providers. Access to exhibits is free with conference registration, but exhibit hall-only passes are available. No one under 21 will be admitted.

Exhibit hall hours:

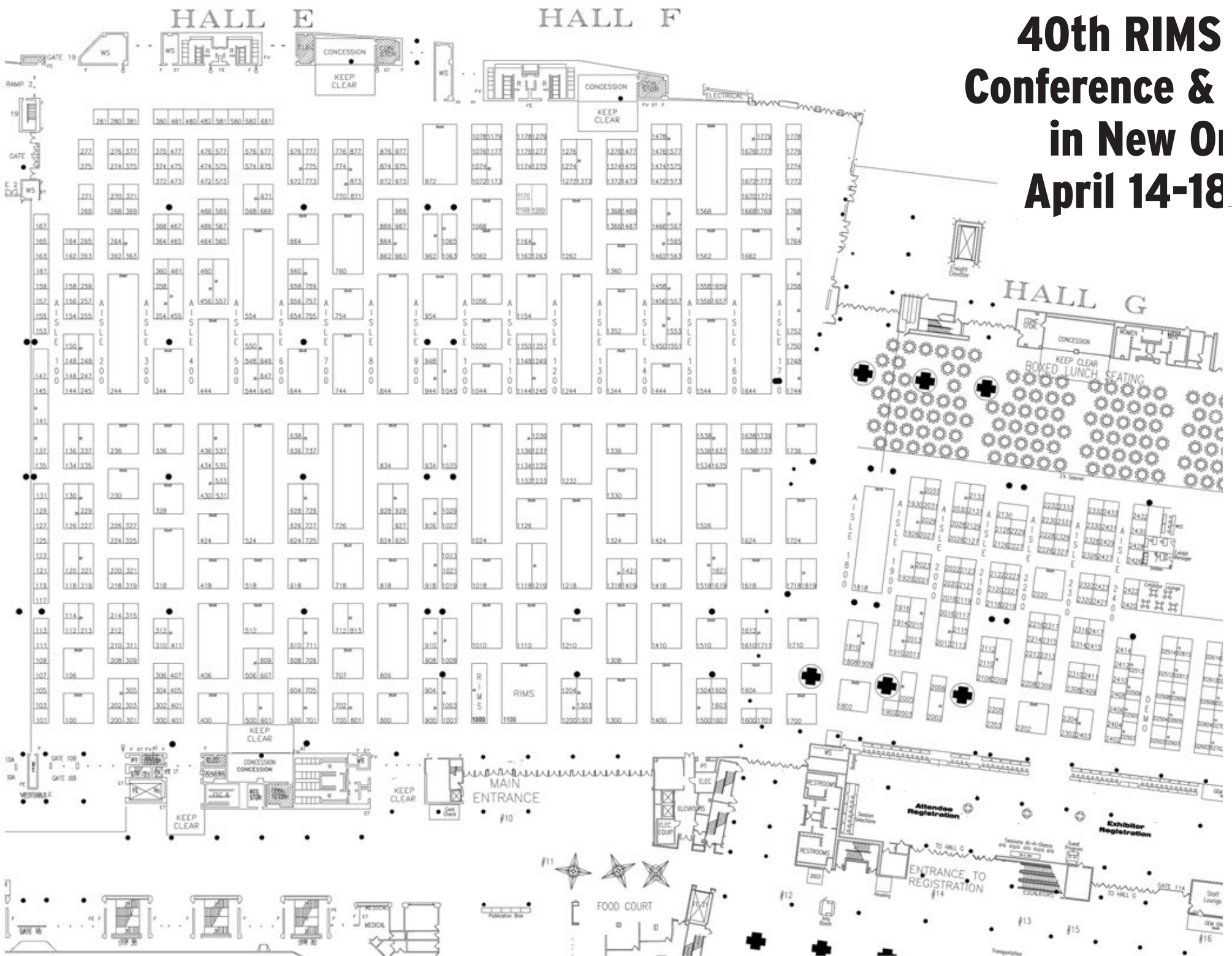
Monday, April 15, through Wednesday, April 17: 9 a.m. to 5 p.m., and 9 a.m. to noon on Thursday, April 18. Exclusive exhibit hall hours, during which no other conference activities are scheduled, are: Monday, 10:30 a.m. to 1:45 p.m.; Tuesday, 11 a.m. to noon and 1:45 to 3 p.m.; Wednesday, noon to 1:45 p.m.; and Thursday, 11 a.m. to noon.

@ Global.....	702
A.M. Best Co.....	1118
abd Insurance and Financial Services.....	1066
ABS Consulting.....	1330
Accenture.....	1909
Accruent.....	1575
ACE USA.....	1818
ACORD.....	1366
Acordia Inc.....	760
ActecSystems/DriverCheck.....	624
Adjusters International.....	910
ADP Integrated Medical Solutions.....	100
ADREM Profiles Inc.....	2116
Advanced Driver Training Services.....	636
Advisen Ltd.....	1245
AEIGS Insurance Services Inc.....	873
AFCO Credit Corp.....	533
Afni Insurance Solutions Group.....	311
AI Group.....	1269
AI Group.....	757
Albors & Associates Language Services.....	548
Alliance Medical Case Management.....	774
Allegiant Systems.....	411
Allianz Insurance Co.....	954
American Appraisal Associates.....	1019
American Arbitration Assn.....	2112
American Institute for CPCU/ Insurance Institute of America.....	700
American International Group.....	1154
American International Group.....	1244

American Professional Risk Services.....	2226
American Technical Services Inc.....	1736
AMSEC Loss Control Services dba Amsec International.....	306
AnciCare PPO Inc.....	610
Andersen.....	1352
Anderson Kill & Olick P.C.....	2227
Anderson Kill Insurance Services.....	2229
Aon.....	1218
Apollo Inc.....	2232
Applied Insurance Research (AIR).....	2133
AQUILA.....	1764
Arbitration Forums Inc.....	828
Argonaut Insurance Co.....	506
ArgosyHealth.....	1910
Arthur J. Gallagher & Co.....	834
Arup Risk Consulting.....	226
ASCR International.....	2031
ASI Services Inc.....	1173
The Assn. of Certified Fraud Examiners.....	1275
Atlantic Mutual Cos.....	418
Attenta Inc.....	101
Bancroft NeuroHealth.....	144
Bank of Butterfield.....	1419
Bar List Publishing Co.....	1657
Becher + Carlson Cos.....	1056
Belfor USA.....	1500
Bermuda.....	1110
Bill Sims Co. Inc.....	2033
Black Diamond Transportation & Translation Service.....	2326

BMEGateway.....	1914
BMS Catastrophe.....	711
Bongarde Communications Ltd.....	1737
British Virgin Islands.....	754
Bunch & Associates Inc.....	535
Business Insurance.....	800
Callan Salvage & Appraisal Co. Inc.....	609
CalSurance.....	1078
Cambridge Integrated Services.....	1035
Campos & Associates Inc.....	354
Canadian Litigation Counsel.....	1802
CAP Index Inc.....	245
Cardiac Science Inc.....	2309
Carlisle Medical Inc.....	304
Cayman Islands Government.....	618
CDM Inc.....	465
The CEI Group Inc.....	944
Central Bank of Barbados.....	706
CFO Publishing.....	1710
Championship Golf Tours.....	872
Chilington International Inc.....	305
Chubb Group of Insurance Cos.....	444
Claim Analyst.....	403
Claims Control Inc.....	235
Claims Support Professional Assns. Inc.....	1170
CNA.....	244
CNA.....	344
Coalition America Inc.....	2113
Cogentrix.....	319
Comaxial - Computer Risk Management Inc.....	1168
Combustion Safety Inc.....	2208

Combustion Science & Engineering.....	2021
Comerica Bank.....	512
Commercial Business Intelligence.....	2304
Commonwealth Risk.....	1200
CompConnector.....	327
Comp IQ Corp.....	137
Compensation Management Associates.....	1659
Compliance Services Corp.....	1672
CompManagement Inc.....	2005
Concentra.....	1262
Confidential Business Resources.....	1372
ConfirmNet Corp.....	401
Conning & Co.....	1819
Considine & Associates.....	1467
Consolidated Service Corp. (CSC).....	1303
Contaminant Control.....	2212
Contour Design Inc.....	220
CorpMed.com.....	1601
Corporate Claims Management.....	1263
Corporate Insurance & Risk.....	130
Corporate Systems Inc.....	1232
Correlation Technologies Inc.....	328
CorVel Corp.....	554
CorVel Corp.....	557
CP Commercial Specialists.....	2027
Crawford & Co.....	806
Crisis Care Network.....	1573
CSC.....	1624
Cunningham Lindsey.....	744
Custard Insurance Adjusters.....	147
CVS/pharmacy.....	1635



40th RIMS Conference & Exhibition in New Orleans April 14-18

Exhibitors list and floor plan as of 3/26/02

Cybersettle.com	649
DAVID Corp.	1144
David Morse & Associates	1421
Defender Fleet Services	219
Deloitte & Touche	1444
Dempsey, Myers & Co.	1336
DENT ESTIMATORS	210
Detail Masters Inc.	2110
directDME	866
Disaster Management Inc.	2327
Disaster Resource Guide	2022
Dispute Resolution Management Inc.	1134
Document Prospects	1279
Document Reprocessors	312
DriveCam Video Systems	626
driversshield.com Corp.	1251
Drugtest Inc.	1557
Dublin	2209
Dynatronics	1670
Eagle Industrial Hygiene Associates Inc.	208
eAutoclaims	2028
EFI Investigations	934
Electronic Loss Recovery Services L.L.C.	604
Employers Comp Advocate	1368
Employers Insurance Co. of Nevada	2313
Engineering Design & Testing Corp.	259
Envision Technology Solutions/ Certificate Management	1562
EOS Group	544
EPS Settlements Group Inc.	871

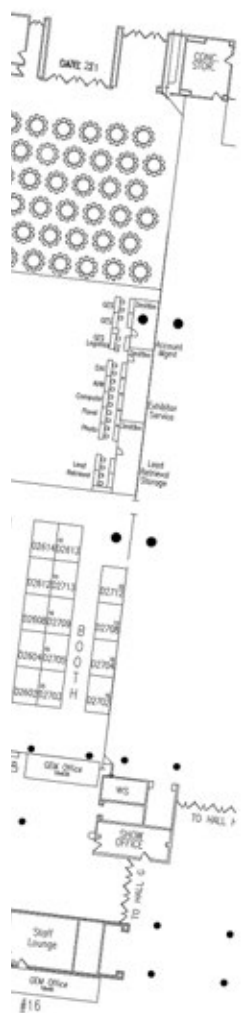
Ergonomic Technologies Corp.	321
Ergoweb Inc.	2333
e-Sher Underwriting Managers	249
ESRI	1920
Euclidian Ventures	567
EULER American Credit Indemnity	864
Examen Inc.	770
Exemplar International	309
Experian	405
Faction Inc.	1462
Factual Photo Inc.	2404
Fire Protection Solutions Inc.	1668
First Data Solutions	1750
First Flash Inc.	1565
First Health	1324
Flagship Services Group Inc.	247
FlightSafety International	1619
FM Global	1010
FORCON International Corp.	1001
Forensic Analysis & Engineering Corp.	1676
The Frank Gates Cos.	1604
Fried & Epstein L.L.P.	1610
Frontier Adjusters Inc.	658
FTI/SEA Consulting	1023
Future Industrial Technologies	1637
GAB Robins	1308
GARMI	364
GatesMcDonald	1018
GE ERC Commercial Insurance	1044
GENEX Services Inc.	718
GenSource Corp.	1003
Georgia Captive Assn.	1769
Geotrac	973
Global Aerospace (A.A.U.)	1926
Global Reinsurance	263
Global Risk Consultants	236
Goldtouch Technologies Inc.	2127
Grupo Nacional Provincial	1136
GRX Technologies	537
Guernsey Financial Services Commission	712
Haag Engineering Co.	962
The Hartford	1526
Hartford Steam Boiler Inspection & Insurance Co.	1210
HazCom Solutions Inc.	1478
Health Advocate Inc.	2115
HealthSouth	568
Heller Ehrman White & McAuliffe L.L.P.	1930
Hertz Claim Management	900
HIAA	1473
Hillmann Environmental Group L.L.C.	2223
HMHTTC Response	2205
HNC Software Inc.	1360
Homelink	727
HSBC Insurance Management	729
HTH Worldwide	229
HYTEST Safety Footwear Network	2029
IBDS - Brazilian Institute of Insurance Law	1752
Imperial A.I. Credit Cos.	1551
Infoglide Software Corp.	227
Inform Applications Inc.	363
Informa Professional Publishing	1567
Infrared Testing Inc.	759
Ingenix	1700
Innovent Technology Inc.	1373
Ins-Cert Corp.	2203
InServices Inc. & i Corp.	135
InStranet	2020
Insurance Consulting Co. L.L.C.	224
Insurance Data Services	705
Insurance Overload Systems	1518
Insurance Solutions Group	358
Integrated Vehicle Systems	1711
IntegResource Inc.	2108
Intellectual Property Insurance Services Corp.	1636
International Insurance Consultants Inc.	1150
International Risk Management Institute Inc.	1063
International SOS	1638
Interstate Restoration Group Inc.	1469
Int'l Captive Consultants Ltd.	1504
Intracorp.	1418
ISO	400
JW Software Inc.	464
Kaiser Permanente	601
Kemper Insurance Cos.	1424
Kevin F. Donoghue & Associates	1538
Key Strategies L.L.C.	607
Knapp Shoes/Division Iron Age Corp.	2129
Kovacic Ergonomic Health & Safety	2002
KPMG L.L.P.	2202
Kroll	929
LabOne	2332
Lawson	2403
Legal Net	1276



PHOTO: NEW ORLEANS METROPOLITAN CONVENTION AND VISITORS BUREAU

The 40th Risk & Insurance Management Society Inc. Annual Conference and Exhibition will take place April 14-18 at New Orleans' Morial Convention Center.

S Annual & Exhibition Orleans 18, 2002



Lehigh Safety Shoe Co.	656
Lemle & Kelleher L.L.P.	103
LewisCo Group	455
Liberty Mutual	1024
Lien On Me Inc.	2013
Life Hammer	134
Lighthouse Underwriters	218
Lloyd's	1568
Logic Associates Inc.	908
LoJack	2126
ManageAbility Inc.	1456
Managed Response	2130
ManagedComp	600
Marsh	424
Marsh	518
Marsh	524
Matrix Risk Consultants Inc.	1009
Maximus	654
Maxson Young Associates Inc.	131
McLarens Toplis	1219
Medata Inc.	1724
Medcor Inc.	315
Medfocus	2030
Medical Consultants Network (MCN)	725
Medical Evaluation Specialists	1558
Medivest Benefit Advisors	325
MedLink Healthcare Networks Inc.	550
MedRisk	669
Medtronic Physio Control	2220
MEMIC	141
Midwest Employers Casualty Co.	1612
Milliman USA	1237
Mitre House Publishing	1536
MJM Investigations Inc.	1744
Moody's Investors Service	2011
MountainView Software	436
MSUSA/CCMSI	310
MultiPlan Inc.	967
Munich-American RiskPartners	1644
Murdock Claim Management Co.	660
National Assn. of Insurance Commissioners	500
National Insurance Crime Bureau	975
National Resource Safety Center	608
National Underwriter	1318
NCCI Inc.	1618
NCI Information Systems Inc.	1812
Near North National Group	1450
The Network Inc.	1126
NJ & Associates Inc.	645
North American Risk Services	1072
NovaCare Rehabilitation	430
Numerex	202
Occupational Safety & Health Administration	112
OES Technical Restoration	977
Omega Insurance Services Inc.	969
One Call Medical Inc.	963
Pacific Handy Cutter Inc.	2006
Packer Engineering Inc.	2003
Palmer & Cay	1062
Paul Davis Restoration Inc.	2026
Peer Review Analysis	925
PerDatum Inc.	927
Periculum Services Group	638
PHI Enterprises Inc.	1556
Photofax Surveillance Corp.	1164
Physio Metrics Inc.	1739
Pinkerton	1718
Pinnacle St. Lucia	2122
PJ Services Inc.	1748

The PMA Insurance Group	1621
Practical Risk Management	1301
Premier Pet Product L.L.C.	1162
PreventionPoint L.L.C.	2310
PricewaterhouseCoopers L.L.P.	1410
Progressive Data Solutions	2018
Progressive Medical Inc.	1701
Property Loss Resource Bureau	2023
Protegrity Holdings Inc.	336
Pure Safety	1577
Quest Insurance Solutions Ltd.	1233
QuestPro Consultants	647
Reactions Publishing Group	709
RealLegal	2012
Record Solutions L.L.C.	460
Recordables Inc.	2123
Re-Employment Services	2128
Regional Reporting Inc.	1029
Regulatory Compliance Services Inc.	118
Reinsurance Solutions International L.L.C.	1466
Remedy Interactive	2120
ReviewWorks	2402
Richard Meyers & Associates Inc.	531
Rimkus Consulting Group	1808
RIMS TV	801
Ringler Associates	1758
Rising Medical Solutions Inc.	1902
Risk & Insurance Magazine	1050
Risk and Insurance Management Society Inc.	1100
Risk and Insurance Management Society Inc.	1000
Risk Enterprise Management Ltd.	1300
Risk Laboratories L.L.C.	972
Risk Management Solutions	456
Risk Technologies Inc.	230
Riskclick Inc.	126
Royal & SunAlliance	726
RQA Inc.	302
SAFECO Surety	672
Safety Investigative Services Inc.	755
Safety National Casualty Corp.	1553
Safety Realm Software Inc.	1376
Safety Source Productions	360
SafetyNet Corp.	677
SalvageSale Inc.	120
SAVE A BACK Inc.	1021
SB&T Captive Management Co.	1249
ScanSoft Inc.	2121
Scheer's Inc.	862
Schirmer Engineering Corp.	813
Scrip World	125
SEB Asset Management America Inc.	1235
SEEC Inc.	303
Self-Insurance Institute of America Inc.	2131
Self-Insurance Marketing Service	1600
ServiceMaster Recovery Management	2016
Shoes For Crews Inc.	628
Shorman Solutions	1132
Silver Plume	2308
Smith System Driver Improvement Institute	262
Specialty Group Inc.	301
SS&C Technologies	407
St. John's University-School of Risk Management	1534

The St. Paul	1400
Standard Publishing Corp.	1204
StarTech Software Systems	1458
State of Hawaii	1045
State of Vermont	1344
The Steele Foundation	664
Stops Inc.	117
StrataCare	237
Strohl Systems	918
Stuart Maue	824
Sun Biotechnologies Inc.	1274
Swidler Berlin Shereff Friedman L.L.P.	1148
Swiss Re Capital Partners	221
TASconsulting	2118
TATA Consultancy Services	569
TC Big Bear	1168
Tele-Interpreters	2302
Terrell Miceli Investigations	300
Thomson Financial Insurance Solutions	1027
TISCOR	461
Tillinghast-Towers Perrin	1510
Top Driver-FLI Inc.	737
Total Medical Solutions	145
Toyota Material Handling U.S.A. Inc.	1472
Trade Winds Environmental Restoration Inc.	773
Travelers/CSS	1544
Tropics Software Technologies	671
Trucking Industry Defense Assn.	257
Turks & Caicos Islands	1662
TyMetrix Inc.	1477
U.S. EPA Climate Change Group	1563
U.S. Jacclean Inc.	1810
UnumProvident	2015
USA Risk Group	1239
USI Insurance Services of Texas	106
USIME	1916
Valley Oak Systems Inc.	136
Veracity Research Co. Investigations	2219
VerNova Inc.	565
Vocalex Inc.	701
W. Kent Jessee & Associates	255
Ward North America Inc.	644
Washington Group International	904
Weiss Ratings Inc.	2433
West Group	1179
Westfield Services Inc.	200
WETYPE4U	573
The Wexford Group	434
Willis	406
Willis Administrative Services Corp.	214
WorkersCompensation.com Inc.	1603
Worldgroup Consulting	1605
Worldwide Assistance	948
Worldwide Broker Network	1065
The Worley Cos.	213
XL Insurance	318
York Claims Service Inc.	926
Young Adjustment Co. Inc.	1174
Zurich North America	844

More information on exhibitors can be found on the RIMS Web site, www.rims.org.

New Orleans has own patois

Understanding the language

A risk manager who stops for a little chitchat with a local may find that there are words and phrases spoken in New Orleans that just don't play in Peoria. Herewith, a short guide to linguistic form in the Crescent City:

If you hear:	It means:
Where y'at?	How are you?
How's ya mom 'n 'em?	How is your mother and other family members living with her? Can also be an inquiry about your parents, brothers and sisters, regardless of whether or not they live under one roof
You are wrong for dat	What you said or did was inaccurate or inappropriate
For true?	Are you telling the truth?
Neither me	Me either.
Making groceries	Grocery shopping
What you did yourself?	An expression of concern. It translates roughly to "Are you OK?" and usually is asked in reply to the wail of someone who has banged a shin on a coffee table or smashed a thumb with a hammer
Pass the Hoover	Vacuum the floor
Locker	Closet
Coffee and doughnuts	Cafe au lait and beignets
Neutral ground	Median between streets
Banquette	Sidewalk (usually heard in the Quarter)
Lagniappe	Something extra. A freebie, like an extra beignet with your order.

Other language oddities and hints for keeping out of trouble:

It's "streetcar," not "trolley."

Do not file sexual harassment suits when waitresses call you "doll," "darling" or "babe." It happens in fine restaurants and the dives, so don't assume your server is attracted to you.

Do not attempt to speak with a New Orleans accent, and please don't say "N'Awlins." It annoys everyone in the hospitality industry, and, because it is impossible for all but the locals to pull off, brands you as a tourist.

The name of the street a

block from Convention Center Boulevard (Tchoupitoulas) is pronounced "Chop Ah Toulis."

New Orleanians have all but banned the word "take" from their vocabulary. Use "bring" in every instance, as in "Bring me to the airport."

The word "never" is often used in place of "haven't" and accompanies a garbled mix of tenses. Example: "I never ate no lunch yet."

If a young man walks up to you on Bourbon Street and says, "I bet you a dollar I know where you got them shoes," play along at your own risk. The answer is obvious, but if you accept the bet and lose, be a sport and pay up.

New Orleans: Fun in the Big Easy

Continued from page T5

and dry in a place where the soil is too mushy for underground burials. Horses pulling tourist carriages clomp down Prytania Street and the streetcar rumbles through uptown. In the high branches of some trees are reminders of Mardi Gras—colorful strands of beads that were flung from parade floats and still hang out of reach.

Uptown New Orleans is not strictly defined but is considered to be the neighborhoods that flank St. Charles Avenue, bounded on one side by the Mississippi River until it curves at Carrollton Avenue. Downtown is the central business district near Canal Street and includes the French Quarter.

April is perhaps the best time of year to visit New Orleans. There may be a shower or two, but skies are usually clear and sunny. Most importantly, the crippling humidity is still several weeks away.

With little time for sightseeing during a conference week of



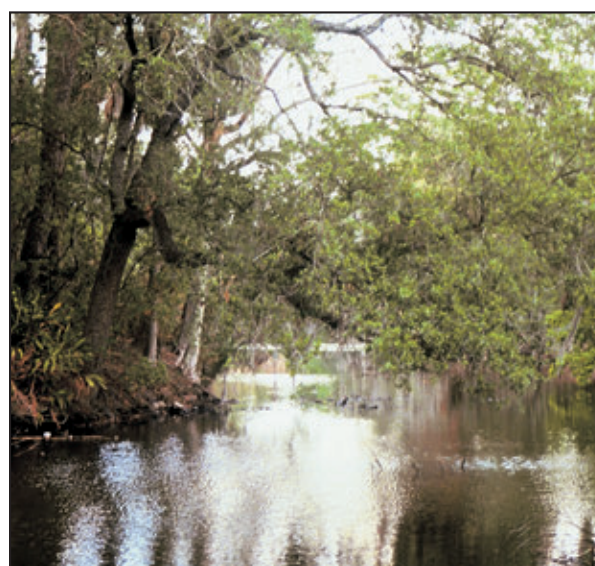
A horse-drawn sightseeing carriage passes the Royal Cafe in the French Quarter.

meetings and cocktail gatherings, visitors need to concentrate on the highlights. The French Quarter is the first stop for most tourists, given its proximity to downtown hotels and the lure of its famous nightlife.

The Quarter's clubs offer up an entertainment potpourri for nearly every taste. The length of Bourbon Street is a mishmash of jazz clubs, restaurants, strip joints, piano bars and shops filled with overpriced souvenirs. Just remember that your 9:00 session is earlier than you think when you are in a place where bars are open until the wee hours of the morning.

The Quarter is home to many fine antique and art shops along Royal Street. This isn't flea market junk, but store after store of impressive old furniture, jewelry and other items imported from Europe and Asia and collected from around the United States. Book and music lovers will find a few fine old stores selling used books and records.

Part of the Quarter's appeal is that it can be a pleasant stroll on a sunny weekday afternoon. It's a much different place when the partying is subdued, the saloon doors are propped open and the cafe tables are filled along the sidewalks. Walk the length of Royal Street and stroll through Jackson Square with its magnificent cathedral, street performers and artists.



Outside the city, swamp tours are available for people longing for a little quiet.



The French Market offers everything from New Orleans T-shirts to multiple varieties of hot sauce.

Poke around in the shops where you will find local arts and crafts, imported treasures and just plain souvenir junk. Finish the afternoon with a stroll up the Riverwalk and take in the curving, muddy Mississippi River that winds its way to the Gulf of Mexico.

And, if you tire of New Orleans charm, take a pocketful of bills into Harrah's Casino and try your luck. The downtown casino is a dark, rambling monument to typical gambling gaudiness. Don't go for the atmosphere. In here, you could be anywhere, and if your luck turns sour, you will wish you were.

There is much more to New Orleans than its fabled French Quarter, and lots of tours make the surroundings easy to explore. Hotel concierges can put visitors in touch with companies that lead tours through the cemeteries, around the Garden District or away from the city to the swamps and bayous. There are riverboat tours that begin at the downtown docks. Or, simply hop the streetcar and head through the Garden District. It's a great way to see the impressive homes on what was once plantation land. If time permits, jump off at Tulane University and spend some time strolling through Audubon Park.

One word of caution: Don't wander into the cemeteries alone, particularly the ones in the downtown area. Tombs make great hiding places for muggers and there have been problems with crime.

In New Orleans, a hungry visitor has a lot of options; most of them very good. Seafood lovers, in fact, face a bewildering number of choices. Oysters on the half shell, crawfish, shrimp, blackened redfish, catfish, softshell crab. You name it, and if it comes from the sea, there's a good chance you are close to a restaurant that serves it. For dessert, try the bread pudding with a cup of chicory coffee.

Most New Orleans diners are familiar with the giants of the local restaurant scene: Commander's Palace, Brennan's, Antoine's and other big-name eateries. They are worth their reputations but are always crowded. Instead of heading straight for the dining rooms full of other conference-goers, take a short cab ride down to Magazine Street or Prytania Street and try some of the equally good and usually less-crowded spots like Kelsey's, Uppeline or Vaqueros.

Before you leave, have a po-boy, a New Orleans institution. Stop in at Central Grocery in the Quarter or join the noon crowd at Mother's, a Poydras Street landmark that's been in business for 64 years.

When you tire of the French Quarter shopping scene, take some time to visit the shops along Magazine Street. The area is a hodgepodge of antique galleries, funky clothing stores, books and record shops, import boutiques, furniture stores and a lineup of casual bars, coffee shops and cafes. For the best view of the area, sit outside on the second floor of the Balcony Bar and cool off with a soft drink or one of their dozens of locally brewed or imported draft beers. From that vantage point, you can lean over the railing and pick out a great pizza joint or pasta place for your next meal.

If time permits, there are diversions worth seeing outside the city. Swamp tours provide a chance to see bayou country and look at a Louisiana alligator. Check into a river cruise that will offer a scenic look at the city from a different angle, or rent a car and drive toward Baton Rouge to see the old plantation homes.

Whatever you decide, do it in the spirit of the Big Easy. Slow down, relax. And, as they say in New Orleans, "Let the good times roll!"

Making the past come alive once again

New Orleans museums showcase local, international history in vivid detail

In addition to its many gorgeous homes, restaurants, boutiques and Bourbon Street amusements, New Orleans boasts several museums that are well worth a visit.

At the edge of downtown New Orleans, two very different wars come together.

The National D-Day Museum is a collection of equipment, exhibits and personal stories from those who fought in World War II. Across the street is the state's oldest operating museum, Confederate Memorial Hall, which houses a large collection of Civil War artifacts and memorabilia.

Some of the vehicles used in the war, including a Jeep, motorcycle, Sherman tank and White M-3 halftrack are parked on the ground floor. From the ceiling hangs a replica of a TBM Avenger torpedo bomber.

A 45-minute documentary film on the battles in Europe and fighting in the Pacific educates visitors before they head upstairs to exhibits and documentary information.

Inside small booths, visitors hear two-minute oral histories on the world before and during the war told by Americans who lived through the times. A seven-minute

Pacific. The newest section of the museum, which opened on Pearl Harbor Day last December, chronicles the American landings in the Pacific. The history of fighting in the Pacific begins with the attack on Pearl Harbor and ends with the final assault and dropping of the atomic bombs on Japan.

The D-Day Museum is at 945 Magazine St., 504-527-6013. Hours are 9 a.m. to 5 p.m. daily, and admission for adults is \$10. More information is available at www.ddaymuseum.org.

Confederate Memorial Hall

Crossing the street to the Confederate Memorial Hall is like stepping back through the centuries. The brown brick building, with its arched entrance, evokes the period during which much of the structure was built. A large cannon on the front terrace was placed there in 1899 as a monument to survivors of the Union siege of Mobile, Ala.

Inside the spacious wood-paneled hall, display cases, artifacts and artwork tell the Confederate story. As in the the D-Day Museum's collection of personal artifacts, here are to be found items the soldiers owned, such as tobacco pouches, money cases and corn cobs. The assortment of implements from everyday life are among the most interesting, whether they be camp mess kits and binoculars, uniform buttons or hats worn in battle.

Among the flags on display is one riddled with 83 bullet holes, from shots fired during the Confederate charge up Snod Grass Hill in Chickamauga, Ga. Thirteen flag bearers were killed or wounded carrying the flag up.

One of the museum's most notable displays features the saddle, rifle and suitcase of Jefferson Davis, president of the Confederacy. The items were donated by his wife, Varina Howell Davis.

The weapons exhibit includes pistols, rifles and swords used in battle. Bullets and shells also make up the presentation on weaponry.

The museum is at 929 Camp St. Hours are 10 a.m. to 4 p.m., Monday through Saturday, and admission is \$5 for adults. More information is available by calling 504-523-4522 or at www.confederatemuseum.com.

The Cabildo

One of New Orleans' most prominent museums offers visitors a chance to learn the history of the city—and to stand in the very rooms where some of its most significant events took place.

The Cabildo, which sits alongside the St. Louis Cathedral on the edge of Jackson Square, dates back to the late 18th century,



PHOTO: MATT SCROGGINS

The Cabildo, on Jackson Square, has been home to both the Spanish colonial government and the Louisiana Supreme Court.

when the building housed the Spanish colonial government. The Cabildo was later home to the Louisiana Supreme Court and now stands as the main building of the Louisiana State Museum, a system of several museums. The Cabildo's many exhibits, which occupy three floors, illustrate and explain in great detail the people and events that shaped the history of Louisiana.

The first floor of the Cabildo is largely devoted to the state's early settlers and to life in the colonial period. On display are garments,

public accommodations for whites and blacks. The second floor also features displays on life—and death—in antebellum Louisiana, as well as a large display on the Battle of New Orleans during the War of 1812, which includes a lock of hair believed to have come from one of the battle's key figures, Major General Andrew Jackson.

Civil War buffs will find much to explore on the Cabildo's third floor, which includes extensive exhibits on the conflict itself, as well as the cultural backdrop against which it unfolded.



PHOTO: MICHAEL BRADFORD

Among the military equipment on display at the National D-Day Museum is this tracked landing vehicle.

National D-Day Museum

The D-Day Museum is the result of efforts by historian Stephen Ambrose and others to preserve the history of the assault in France on German positions. While focusing mainly on that historic event, there are exhibits on other battles as well.

Just inside the museum's entrance is a collection of military equipment, most notably a reproduction of the Higgins boat. The craft, which was produced by a New Orleans area shipbuilder, allowed troops to approach the shore and disembark from a tailgate-style ramp. The Higgins boat has been credited with helping win the war.

film outlines the events that led to the fighting.

Daily soldier life is depicted in realistic detail in exhibits that show a re-created barracks, complete with neatly made bunks and lockers holding packs of Lucky Strikes, foot powder, shaving supplies and other items from the period. Display cases hold the weapons and uniforms of both American and German soldiers.

One floor covers the planning for D-Day through the landing at Normandy's beaches and the fighting that followed. Artifacts and recorded accounts by soldiers tell the stories of battle from the beaches and hedgerows to the time an Allied victory was ensured.

Exhibits also depict battles in the



PHOTO: MATT SCROGGINS

Soda fountains, such as this one at the New Orleans Historical Pharmacy Museum, were a fixture of early drugstores.

weapons and various other artifacts, and there is a brief film on the area's earliest immigrants. Of particular interest to those in risk management may be an exhibit on the disasters that have befallen the city, including two major fires, floods and hurricanes.

The second floor contains some of the most fascinating elements of the Cabildo. Among them are a death mask of Napoleon Bonaparte—one of four made by the exiled emperor's physician—and the Sala Capitular, the meeting room in which the Louisiana Purchase was signed and in which the state Supreme Court heard such landmark cases as *Plessy vs. Ferguson*, which affirmed the legal concept of "separate but equal" in

The Cabildo, at 751 Chartres St., is open Tuesday through Sunday, 9 a.m. to 5 p.m. Admission is \$5 for adults and free for children age 12 and under. For more information, call 504-568-6968 or visit <http://lsm.crt.state.la.us>.

New Orleans Historical Pharmacy Museum

A hypochondriac's worst nightmare, the New Orleans Historical Pharmacy Museum offers visitors a glimpse into medical history that may inspire a new appreciation for how far the healing arts have come in just a couple of centuries.

The museum is located on the
See MUSEUMS/next page



PHOTO: MATT SCROGGINS

The National D-Day Museum features a replica of a Higgins boat, credited with helping Allied forces win World War II.

Museums: Making the past come alive again in vivid detail

Continued from previous page
site of one of the country's first licensed pharmacies, which was established in 1823 by Louis J. Dufihlo Jr. Inside, visitors will find hundreds of apothecary bottles containing a bewildering array of remedies, tonics and powders, as well as several display cases containing a variety of nightmarish medical tools of times past. The tonsil guillotine and the scarifier, a bloodletting device, are but two such instruments likely to elicit a shudder. There also is a jar of live leeches and a discussion of their traditional and contemporary medical uses.

Long-abandoned bad ideas abound, such as the gold-coated pills favored by the aristocratic class that, unfortunately for them, were useless as medicine. Another display is devoted to laudanum, a concoction of alcohol and opium derivatives once widely believed to have salutary qualities and other beneficial effects (other than contributing mightily to Victorian literature). The museum also features an antique soda fountain—a fixture of early pharmacies—as well as vintage pill rollers, mortar-and-pestle sets and other tools of the pharmaceutical trade.

The museum's second floor features a display on the various diseases that have ravaged New Orleans—"the City that Care Forgot"—during its history. Another display on the second floor is devoted to the history of eyewear and vision aids.

The New Orleans Historical Pharmacy Museum, at 514 Chartres St., is open Tuesday through Sunday, 10 a.m. to 5 p.m. Admission is \$2. For more information, call 504-565-8027 or visit the museum's Web site, www.pharmacymuseum.org.

The Old U.S. Mint

Although The Old U.S. Mint does include some displays on the currency minting operations it once housed, the museum's real draw is its exhibit on the history of jazz in New Orleans.

Part of the Louisiana State Museum—the museum system that also includes the Cabildo—The Old U.S. Mint is home to a large collection of artifacts and photographs that pay tribute to the city's rich and vibrant musical heritage. Biographies and pictures of the prominent figures in the history of New Orleans jazz are, in many cases, accompanied by the actual instruments played by those musical pioneers.

The exhibit chronicles the history of jazz—including some discussion of music theory—and the role that musicians in New Orleans had in shaping the genre.

A suitably reverent display is devoted to the life and art of the most well-known figure in New Orleans jazz, Louis Armstrong. On display are photographs, vintage records cut by the man known as

Satchmo and the cornet on which he learned to play. There's even a touch of the irreverent: an Armstrong-sanctioned weight-loss guide (which, unfortunately, is not available for perusal).

The exhibit concludes with a large photo gallery that honors a grand musical tradition as well as those individuals—both the world-famous and the largely unknown—who carry it on today.

The Mint also houses a collection

of pottery and crafts, as well as an exhibit on the former minting operations, which ceased in 1909.

The Old U.S. Mint is at 400 Esplanade Ave. and is open Tuesday through Sunday, 9 a.m. to 5 p.m. Admission is \$5 for adults, free for children age 12 and under. For more information, call 504-568-6968 or visit <http://lsm.crt.state.la.us>.

—By Michael Bradford
and Matt Scroggins



PHOTO: MATT SCROGGINS

The Old U.S. Mint, part of the Louisiana State Museum complex, pays tribute to the city's rich and vibrant jazz heritage.

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Exhibits showcase more than 2,000 animals from around the world

Audubon Zoo offers visitors a restful urban habitat

By MICHAEL BRADFORD

In a city with a world-famous nightlife and so many diversions, a zoo might be easy to overlook.

But New Orleans' Audubon Zoo is an attraction the city is rightfully proud to promote. Tucked into the shady acreage at one end of Magazine Street, the zoo is among the best in the country, featuring more than 2,000 animals in their natural settings. A leisurely afternoon in this urban jungle is a restful counterpoint to a week of meetings and late nights.

The zoo has completed improvements in recent years, most notably a redesigned entrance with what is known as the "welcoming committee" of pink flamingos inside an enclosure just beyond the gates.

Also updated is Monkey Hill, the

highest ground in New Orleans, built in the 1930s so New Orleans children could experience playing on a hill. It's just a bump on the landscape, really, but is a popular spot where kids traverse the Discover Trail to the top and navigate a rope bridge. A waterfall and winding stream make it a soothing rest stop.

Once inside the grounds, the best route is to head beyond the flamingos and turn right at the elephants. The Asian Domain is home to lions, camels, jaguars and tigers. Don't miss a look at the white tigers, 270-pound beasts that are among the facility's major attractions.

A Discovery Walk, staffed with zoo workers who hold snakes that can be touched, leads to a petting zoo. Here, there are mostly domestic animals such as sheep and goats that calmly munch twigs

while visitors mingle among them.

The primate area is a popular point, where orangutans, monkeys and gorillas mug for their visitors or simply go about their daily routines of romping and snoozing.

A walk through the zoo feels, in some areas, like a stroll through a jungle in Asia. Throughout, there are bamboo forests and carefully positioned "ruins" that look as if they were lifted from a Buddhist temple. The experience becomes entirely different in the Louisiana Swamp, though, an area where alligators loll in still green water and bears move through their re-created habitat.

The swamp is a nice midpoint, and food is available at the Cypress Knee Cafe.

For those who love big game, the African Savanna features giraffes, rhinoceros and hippopotamuses. Jungle creatures such as the anteater and sloth pick their way through the landscape. Farther along are the wallaby, kangaroo and birds of Australia.

The zoo also has an exhibit a four-foot long Komodo dragon. Relocated from Indonesia, the reptile looks docile and quite out of place behind the plate glass, not like a giant lizard that can sprint toward its prey at 15 mph. Also glassed in are a number of boas, pythons and other ominous-looking snakes at the Reptile Encounter.

If you haven't had enough walking after covering the zoo, there are other pleasant strolls in the area. There is a paved path along the river levee just beyond the zoo. It's a great spot to watch



PHOTO: MICHAEL BRADFORD

Flamingos, among a wide variety of bird species on display, greet visitors at the entrance to the Audubon Zoo.



PHOTO: MICHAEL BRADFORD

New Orleans' Audubon Zoo can offer weary conference-goers a restful alternative to the city's diversions.

the large boats navigate the river or to take a nap in a sunny spot on the grass.

If you choose to walk, stay to the right side, lest you become entangled with one of the many fast-moving cyclists who will be approaching from the rear on a training ride.

Across Magazine Street from the zoo is Audubon Park, a popular gathering spot for walkers, roller bladers and cyclists. A paved two-mile circuit loops the area and runs for a short stretch along the university area of St. Charles Avenue. The golf course at the park is undergoing an extensive renovation that will transform it into an 18-hole, par-62 course with \$500,000 in new landscaping and a new clubhouse.

Getting to the zoo and the park is uncomplicated. From downtown,

drive the length of Magazine Street. The grounds are on the left before the road ends at an intersection just before the river.

Another option is to ride the streetcar to stop No. 36 and catch a free shuttle that runs from 9:30 a.m. to 5 p.m. daily. And the John James Audubon Zoo Cruise runs between the zoo and the Audubon Aquarium of the Americas at the edge of the French Quarter. Tickets can be purchased for both attractions, and the boat departs four times daily from each location. Information about the zoo and the cruise is available by calling 504-581-4629.

Entrance to the zoo costs \$9 for adults and \$4.75 for children ages 2 through 12. Seniors over 65 are charged \$5. Hours are 9:30 a.m. to 5 p.m. during the week and 9:30 a.m. to 6 p.m. on weekends.

French Quarter contains a whole lot of attractions

On Bourbon Street, home to bars of all stripes, every night is a party

By MICHAEL BRADFORD
and MATT SCROGGINS

Whatever it is you've come to New Orleans in search of, you'll likely find it in the French Quarter.

The Quarter, which is bounded by Canal Street, Esplanade Avenue, North Rampart Street and the Mississippi River, is the area many people most closely associate with the Big Easy. Home to some of the United States' most recognizable architecture, the French Quarter's tight grid is lined with brightly colored two- and three-story buildings, many of which feature balconies of ornate ironwork. Another aspect for which the Quarter has become renowned is the debauchery that unfolds nightly on Bourbon Street, where revelers come to lose their inhibitions and, quite frequently, their lunches.

An eminently walkable area, the entire Quarter can be covered on foot in just a few hours. At the same time, a first-time visitor could easily spend several days exploring the area's many nooks and crannies and simply strolling around, peering in shop windows and soaking up the atmosphere.

The French Quarter is perhaps best defined

by its diversity. And two of the Quarter's main streets, Royal Street and Bourbon Street, are a study in particularly stark contrasts. Night and day, although cliché, is apt here: Royal Street, with its upscale, urbane shops and restaurants, is the busier of the two during the morning and afternoon hours; then, after dark, Bourbon Street is thick with raucous revelers and the atmosphere of abandon.

Dr. Jekyll to Bourbon Street's Mr. Hyde, Royal Street offers a long stretch of antique stores, cafes, boutiques and art galleries, as well as some of the highlights of the Quarter's architecture. During the day, Royal Street is closed to cars, and stretches of road become makeshift stages for the magicians and other street performers who entertain the passersby.

The next street over from Royal is New Orleans' famed Bourbon Street, home to a diverse array of bars, taverns, nightclubs, brewhouses, gin mills, saloons, watering holes and, for variety's sake, strip clubs. Indeed, while the employees of Royal Street's many galleries and antique shops are dressed to the nines, some of the staff across the way on Bourbon are undressed to a similar extent.

The action on Bourbon is thickest between

Conti and St. Ann, a five-block stretch featuring countless bars appealing to a wide variety of tastes. At night, when it's really swinging, Bourbon Street is a swirl of sights, sounds and smells unlike any other. Many of the nightspots feature live music, running the gamut from jazz to heavy metal to funk, and there's rarely a cover for the music clubs. Like Royal Street, Bourbon also features street performers, though the acts are somewhat more impromptu—and the performers, in many cases, may not remember them in the morning.

One place famous for its memory-erasing concoctions is Pat O'Briens, at 718 St. Peter St., just off Bourbon. Pat O's, as it is known to its enthusiasts, is a New Orleans institution and is perhaps the most popular Bourbon Street stop among the tourist set. Pat O'Briens' fans are many—the place generally is packed with partiers slurping down the sweet, rum-based hurricanes for which the place is known. Particularly popular drinking spots are the courtyard, which features flora and a flaming fountain, and the dueling-pianos room.

Next door to Pat O'Briens St. Peter Street entrance stands a sacred space for fans of traditional Dixieland jazz: Preservation Hall.

Five bucks will get you into Preservation Hall, which is home to some of the finest music in the city. The Preservation Hall Jazz Band plays 30-minute sets, and the cover allows you to stay until the last set ends, which is

See **NEIGHBORHOODS**/next page



PHOTO: MATT SCROGGINS

Preservation Hall in the French Quarter is renowned as a spot to hear traditional Dixieland jazz.

Neighborhoods: French Quarter, Magazine Street

Continued from previous page
sometime before midnight. Seating on the hall's few wooden benches can be scarce, particularly for latecomers, though parking yourself on the floor is allowed. Drinks aren't, however, so you'll need to finish your to-go beverage before heading inside. For a couple of dollars, the combo will play a

late-18th-century structure that dominates Jackson Square, is itself a popular attraction, and tours are available. For more information, visit www.saintlouis cathedral.org.

Across from Jackson Square at 800 Decatur St. stands one of the great culinary institutions of the Big Easy. Café du Monde, which has been in operation since 1862,

the shop promises. On the next corner is a clutch of retailers that reveal the nearly schizophrenic personality of the street; on one side is upscale Mire Antiques, while across the street sits Southern Fossil & Mineral Exchange. And it doesn't seem odd to find House of Lounge lingerie next to the rock shop.

If you want to get organized before arriving in New Orleans, visit www.magazinstreet.com. The Magazine Street Merchants Assn. operates the Web site, which gives plenty of details on the retailers. You can also request a guidebook and map of the area.

There are lots of stores selling antique European furnishings. Mire Antiques is one to explore, at 2050 Magazine St., where you will find a nice collection of well-made furniture, Art Deco pieces, mirrors and clocks, all selected by the owner. Further along, near the intersection at Jackson St., there is a broad and interesting mix of European antiques as well as textiles, artwork and other pieces from around the world at Interiors Market. Located at 2240 Magazine St., the dealers who stock the vignettes at Interiors Market scour the world for unusual items.

Book lovers should make a point to stop in at 3109 Magazine St. and roam the aisles at George Herget Books. With a varied stock of around 20,000 books, it's possible to pick up anything from an affordable copy of the Koran to a New Orleans recipe book.

Among the street's jewelry stores

is Sabai, at 3115 Magazine St. Made of silver and precious stones, Sabai's pieces evoke the feel of the Orient in a Buddhist-themed setting. Further along, Funky Monkey is a well-known vintage clothing store and a popular stop for Mardi Gras and Halloween costumers.

If it's time for a break, Rue de la Course is a spacious and comfortable coffee shop across the street from Funky Monkey. Rows of wooden tables lit by bankers' lamps are usually filled by students studying for exams and locals sitting over café au lait and the Times-Picayune.

The clutch of eateries located around the intersection at Ninth St. provides a good choice for lunch or dinner. Rocky's Gourmet Pizza has perhaps the best pies in the city. Baked on thin white or wheat crust and topped with warm cheese and a variety of toppings, the pizzas go great with a cold Abita beer from the restaurant's bar. In the same block, Semolina's pasta is something of a local favorite. But a few doors down, at Mystic Cafe, the menu is a little more imaginative and, in

the eyes of some critics, somewhat tastier than the more-traditional fare at Semolina's.

One other jewelry store that bears a mention is Mignon Faget Ltd. A highly recognized jeweler, Mignon Faget is a local resident whose designs are known around the world. While her work is of the quality that one might not expect

See **NEIGHBORHOODS**/next page



PHOTO: MATT SCROGGINS

A group of street musicians gathers in Jackson Square to play for tourists and locals alike.

request, though "The Saints" will cost you \$10.

If you're looking for an interesting Bourbon Street bar but could do without the frat-party-run-amok atmosphere that dominates the busier areas, check out Lafitte's Blacksmith Shop, at 941 Bourbon St. One of the oldest establishments in the Quarter, Lafitte's dates back to the 1700s, when lore holds that it served as a legitimate business for the infamous pirate Jean Lafitte. With its dim, crumbling charm, this darkened den stands in sharp contrast to the neon nether world down the way. What little light there is comes from a handful of candles, and a piano player tucked around the corner in the back further sets the mood. And while Pat O'Briens' hurricanes are the Quarter's most famous, many fans maintain that Lafitte's are the best.

Although the nights can be long in the Quarter, there's much to see and do during the day as well.

A stroll down Chartres Street—the next down from Royal—will take you past a good many shops and restaurants to the heart of the Quarter—Jackson Square. On Saturday and Sunday afternoons, Jackson Square is a vibrant, bustling swarm of tourists, street vendors and performers of various stripes. On sunny afternoons, there's a good chance that a collective of jazz musicians will have gathered in Jackson Square to entertain the ever-present crowds. If you stop to listen, remember to throw in a buck or two when the band passes the hat.

Adjacent to Jackson Square are the St. Louis Cathedral and the Cabildo, a former government building that now houses a large collection of exhibits on the history of Louisiana (see story, page 23). St. Louis Cathedral, a magnificent,

serves up café au lait and beignets—or, as the locals say, "coffee and donuts"—24 hours a day, seven days a week. It's a great place to refuel before heading down Decatur Street, away from Jackson Square, to the French Market. The French Market and the nearby Farmers Market are home to numerous peddlers of Crescent City kitsch—beads, Mardi Gras masks and the like—and groceries that run from the mundane to the esoteric.

There's plenty to see, do, buy, eat and drink on Magazine Street

From funky to fine, you can find it on Magazine Street.

A six-mile stretch of antique shops, art galleries, specialty stores, bars and cafes, this uptown street is pretty close to paradise for the shopper who likes an eclectic assortment. It has the feel of a European neighborhood, with ornate railings along the balconies of converted warehouses and an agreeably shabby flavor on some blocks. It's the kind of street on which you would expect to find a junky furniture store next to one selling fine jewelry. And you do.

You can start anywhere, but if it's lunchtime, a good place to fuel up for the afternoon is the Flying Burrito, at the corner of St. Andrew. Try one of their signature wraps, then hit the street.

Pottery lovers can stroll down to Derby Pottery, at 2029 Magazine St., for an assortment of unique pottery, tiles and sculpture, all crafted on site and with a "distinctly New Orleans flair," as



PHOTO: MICHAEL BRADFORD

New Orleans' Magazine Street offers a wide variety of shopping and dining.

Carvill
3 column x 6"

Neighborhoods: Variety of sights greet visitors

Continued from previous page

to find within a stretch of merchants along a street such as this, it is here, nonetheless, at 4300 Magazine St. Take a sneak peek at what's available on the store's Web site, at www.mignonfaget.com. Many of the designs are influenced by the city's history and architecture. (For those who don't want to leave downtown, there's a Mignon Faget location at Canal Place as well.)

If it's a general assortment of American memorabilia and antiques you are after, the best way to find them is to start walking. Antique shops and malls are scattered all along the length of Magazine Street. Chances are you will find much that you are looking for and plenty that you aren't.

Garden District

A nice complement to an afternoon of poking around Magazine Street's stores is a stroll through New Orleans' famous Garden District, where the city's most magnificent homes are on display. Although its gardens

lend the area its name, the Garden District's most striking feature is its many extravagant mansions, which stand as a grand reminder of a past exercise in aristocratic one-upmanship.

In the Garden District, even the dead have impressive homes, some of which can be seen in the Lafayette Cemetery No. 1, located at 1427 Washington Ave. New Orleans' high water table makes conventional burial largely impractical, which led to the use of above-ground tombs in the city's various cemeteries. In addition to Lafayette, one of New Orleans' most well-known and fascinating "cities of the dead" is the St. Louis Cemetery No. 1, located near the French Quarter on St. Louis Street at Basin Street. Inside St. Louis No. 1 is one of the most-visited tombs in the city—that of "voodoo queen" Marie Laveau.

A word of caution: New Orleans' cemeteries can be dangerous places, and you should not venture into one alone. If you want to see one of the cemeteries, your best

bet is take a tour. Several organizations in New Orleans offer cemetery tours, including Historic New Orleans Walking Tours Inc.

(www.tourneworleans.com) and Save Our Cemeteries (www.saveourcemeteries.org), a nonprofit organization dedicated to the preservation of New Orleans' cemeteries.

If you're not in the mood for walking or if the weather's bad, one great way to experience some of the grandeur of the Garden District is to ride the St. Charles Avenue streetcar. In a trip that lasts less than an hour, the streetcar goes from the edge of the French Quarter, through the Garden District and into Uptown. The fare is only \$1.25 each way—or \$5 for a full-day pass—and the pace of travel is slow enough to allow plenty of opportunity to admire the enormous homes that line both sides of St. Charles Avenue.



PHOTO: MATT SCROGGINS

St. Louis Cathedral is one of several historic attractions in New Orleans' Jackson Square.

New Orleans renowned for restaurants

Epicures can delight in city's eateries

By MICHAEL BRADFORD
and MATT SCROGGINS

From \$4 breakfasts to four-star dinners, New Orleans has something to suit virtually every budget and taste.

Although Cajun and Creole dishes dominate the city's culinary scene, New Orleans' countless eateries serve up a wide range of cuisines, both traditional and inventive, that draw upon the city's rich and diverse cultural heritage.

A guide to many of the city's restaurants—including information on cuisine, location, and price—begins on page T29. Here are some of our favorites.



PHOTO: BRENNAN'S RESTAURANT

Brennan's

Tell people you've been to New Orleans, and one of the questions they're likely to ask is, "Did you have breakfast at Brennan's?"

A thoroughly leisurely affair, a breakfast at Brennan's, when done properly, spans three courses and takes up the better part of a morning. And each morning, the restaurant's elegant dining rooms fill up with tourists in search of the Brennan's experience—and the egg dishes that put the place on the map.

Breakfast is available a la carte or as a three-course prix fixe, which includes an appetizer, entrée and dessert for \$35. Appetizers include turtle soup, a southern baked apple, and strawberries with double cream. Brennan's entrees include its famous eggs hussarde—poached eggs atop Canadian bacon and topped with hollandaise sauce—as well as

eggs benedict and a dish called "eggs Nouvelle Orleans," poached eggs served on crabmeat and topped with a brandy cream sauce. Brennan's also offers several omelets, including a crabmeat omelet and one made with spicy andouille sausage and cheddar cheese. Omelets range in price from \$15.75 to \$20.75.

For dinner, Brennan's offers a four-course meal for \$38.95. Entrees include Brennan's blackened redfish, trout amandine and chicken Lazone, a sauteed chicken breast served in a light cream sauce.

Whether dinner or breakfast, no meal at Brennan's is complete without the restaurant's renowned bananas Foster, a delicious dessert involving warm, caramelized banana slices, banana liqueur and several scoops of vanilla ice cream.

Regardless of the hour or the dish, wine is de rigueur. "Breakfast at Brennan's without wine is like a day without sunshine," the menu states, and wine recommendations accompany the various entrees.



PHOTO: MICHAEL BRADFORD

Cafe Atchafalaya

Anchoring an unassuming corner on an Uptown street, Cafe Atchafalaya is one of those diners you can't believe you've happened upon.

You know from the moment you walk through the door of this pleasantly creaky old place that you are about to enjoy some real Louisiana cooking. The menu lists several local favorites, along with some plain-old home cooking you might find in other parts

of the South. It's an appealing alternative to the week of white-linen fare that RIMS-goers often endure.

For starters, have a plate of fried green tomatoes for \$3.50 or Creole crabcakes with choron sauce. One of the cakes costs \$4.95, and a pair is \$8.50.

Among the southern specialties are chicken and dumplings at \$7.50, boiled brisket with potato and vegetable for \$10.95, and fried catfish or shrimp for \$8.95 and \$12.95, respectively. Soft-shell crab is available in season at \$14.95. The restaurant serves no frozen seafood, so your catch is guaranteed fresh.

Cafe Atchafalaya casual atmosphere is part of its appeal. There's a roomy dining area on the first floor beyond the bar at the entrance. In here, you will be tempted to linger for a while over cocktails or coffee and dessert of homemade ice cream or fruit cobbler. A smaller section upstairs seats additional guests when this popular eatery gets busy.

High on a wall on one side of the dining room is a dry-erase board with the day's specials. These items reflect a little more imagination than the Deep South listings on the regular menu, and the prices are higher. Starters here, for example, are items such as shrimp coated with pistachios, and the entrees include roasted duck with plum ginger sauce and calypso rice. Grilled quail also is available, as is a grilled veal porterhouse with garlic mashed potatoes.

Cafe Atchafalaya is a perfect spot for ending a day of sightseeing in the Garden District or for unwinding after too much talk about insurance and risk management.



PHOTO: MATT SCROGGINS



PHOTO: NOMCVB/CPURCELL

Café du Monde

There simply is no better \$4 breakfast (or lunch or dinner or 4 a.m. snack) than a cup of steaming café au lait and a plate of fresh beignets at Café du Monde. As much a part of New Orleans' culture and history as Dixieland jazz and late-night revelers, Café du Monde has been serving up its two house "specialties"—you won't find much else on the menu—since 1862.

During the busy morning hours, an endless stream of tourists moves through Café du Monde, and tables, though numerous, can be scarce at times. Tables tend to turn over quickly, though, and with a keen eye, you'll likely spot a seat within a couple of minutes. Open around the clock, Café du Monde is perhaps best enjoyed during the afternoon, when the atmosphere is a little less frenetic and when street musicians provide the perfect soundtrack for reading or watching the festive bustle of nearby Jackson Square. In the wee hours, the bar crowd heads to Café du Monde for some pre-slumber fortification.

The chicory coffee, served black or, more commonly, mixed half-and-half with hot milk—is wonderful, as are Café du Monde's beignets (pronounced "BIN-yays," which are square French doughnuts that are covered in powdered sugar (a trait they share with a good many of the customers). Beyond that, the menu lists milk, some juices and soft drinks. In addition, Café du Monde sells cans of coffee and boxes of beignet mix, so you can get your fix after you've gone home.

The Gumbo Shop

In the French Quarter, gumbo is as ubiquitous as beads at Mardi Gras and as varied as the famous color scheme of the

Dining: Plenty to choose, from gumbo to veal marsala

Continued from previous page

Quarter's architecture. Although not its exclusive stock in trade, the Gumbo Shop offers three varieties of the well-known dish, a thick, spicy blend of rice, broth, meats and vegetables.

Located less than a block from the Quarter's historic Jackson Square, the Gumbo Shop serves up rich Cajun and Creole cuisine in a relaxed, yet elegant setting. The décor of the large, square dining room is soft and muted, though the flavors within are anything but. Large, earth-toned murals depict scenes from New Orleans' past, a rich history that the Gumbo Shop's chefs draw upon in their dishes.

Start things off with a cup of the restaurant's namesake dish. The chicken andouille gumbo is very good, and the Gumbo Shop also offers a seafood okra variety and gumbo z'herbes, which is made with a variety of greens. Entrees include New Orleans staples such as jambalaya and red beans and rice—both available for less than \$10—as well as crawfish etouffee for \$12.95. The blackened chicken breast is accompanied by a heap of garlic mashed potatoes—available as a side to any entree—that may alone be worth a visit. The Gumbo Shop also offers a vegetarian dish of the day, prepared Creole style, for \$7.95. And the service, like the food, is terrific.

For those with a big appetite, there is the complete Creole dinner for \$18.95. Dinners include an appetizer, entrée—choose from the Creole combination platter, crawfish etouffee or chicken espagnole—side and desert.

Another well-known part of New Orleans cuisine is also on the menu: the po-boy sandwich. The Gumbo Shop serves up a variety of po-boys—from Cajun sausage, to hot roast beef, to grilled cheese—all for less than \$8.

Kelsey's Restaurant

When Kelsey's Restaurant changed ownership recently, they kept the chef.

Good move. Chef Randy Barlow's menu keeps the faithful returning to this uptown eatery. The white-tablecloth ambiance and convivial bar in the front are added attractions. Modern oil and acrylic paintings line the dining room walls and, for a price, can be taken home.

Kelsey's reassembles some New Orleans favorites into interesting Southern-style combinations. Among the starters, for example, is fried green tomatoes with crawfish remoulade. Eggplant is breaded and deep-fried, topped with shrimp and smothered in pepper sauce. Or, try crab and corn cake with plum and satsuma sauce. Appetizers start at \$5.50.

The house specialty is eggplant Kelsey. Served in an eggplant pirogue (a word for a small swamp-going boat), it is cooked with olive oil, garlic and fresh tomatoes. Dusted with parsley and lemon juice, it is accompanied with



PHOTO: NOMCVB/CPURCELL

known restaurants of uptown and downtown. The spacious dining area is comfortable and roomy, with white tablecloths and a low-light ambiance one might find in a quiet corner of Rome or Florence. With such reasonable prices and authentic cooking, the short ride from downtown is worth the trouble.

The restaurant's seafood specialties include shrimp Mandina—butterflied shrimp cooked in a spicy sauce and served with pasta. Another dish features veal topped with shrimp, crab and sauce, served with a side of angel hair pasta marinara.

Mandina's takes pride in its brociolone with pasta, which is beef rounds accented with the restaurant's concoction of seasonings and rolled into a loaf of hearty proportions.

Lighter dishes of grilled lemon-pepper chicken and grilled yellowfin tuna also are available, as are broiled catfish and paneed veal.

For dessert, try the homemade bread pudding with rum sauce, a New Orleans favorite that is properly prepared at Mandina's. Top it off with a cafe au lait, espresso or cappuccino.

Mother's Restaurant

There was a time when scraps of roast beef and gravy were served in sandwiches made of French bread to the poor boys who knocked on the back doors of restaurants.

Today, the po-boy sandwich is a

New Orleans institution. For convention-goers, Mother's is the place to pick one up.

You don't have to knock on the back door of this downtown diner to order one of 19 po-boys or the seafood or daily specials. Apart from the sandwiches, Mother's serves a fine bowl of gumbo, jambalaya, red beans and rice and a selection of fried seafood. Daily specials priced from around \$13 feature such local favorites as white bean soup with beef stew, lima beans and cabbage and turkey noodle soup with red beans and rice.

Mother's also serves up home-cooked breakfast any time. Two eggs, grits, biscuits and meat with coffee is \$7.50. Or, seafood lovers can order a crawfish or shrimp etouffee omelet for \$10.

But it's the po-boys that get most of the attention. The roast beef sandwich is piled with meat and dripping with gravy. Served with french fries, it is a sleep-inducing feeding that goes down well but may cause a few nods in the afternoon sessions. For lighter fare, try a grilled chicken or turkey po-boy. When available, the soft-shell crab sandwich with lemon butter sauce is an interesting and tasty local favorite.

Part of the fun of Mother's is reading the wall. Decorations include lots of photos of New Orleans notables as well as interesting memorabilia, such as the faded menu from the restaurant's early days.

The Napoleon House Bar & Cafe

A more than 200-year old landmark in the heart of the French Quarter, the Napoleon

House is regarded fondly by locals and visitors alike for its old-world charm and inviting air.

As the story goes, the Napoleon House takes its name from a plan, hatched in the early 1800s by a group of prominent New Orleans citizens, to rescue Napoleon Bonaparte from exile and establish a residence for him in the building. Although the plot failed, the diminutive emperor's presence looms large in the paintings and decorations that adorn the walls. Strains of classical music round out the urbane, yet relaxed and unpretentious charm of the place.

In addition to a full bar, the Napoleon House offers a variety of appetizers, salads and sandwiches, including the famous muffuletta sandwich that is the house specialty. A New Orleans tradition, the muffuletta is piled with ham, Genoa salami, pastrami, Swiss and provolone cheeses, topped with olive salad, and warmed up just enough to melt the cheese slightly. Ten dollars will get you a whole muffuletta, which should easily fill two hungry people. Also available are local favorites jambalaya and seafood gumbo, as well as several desserts.

In addition to its delicious muffuletta, the other specialty of the Napoleon House is its bar, particularly the traditional cocktails the sazerac and the Pimm's cup. The sazerac, thought to be one of the first cocktails ever created, is a sweet concoction of rye whiskey, bitters, sugar and a splash of pernod; the Pimm's cup is made with a gin-based liquor, ginger ale and a twist of lemon. Either provides the perfect companion for whiling away a late afternoon hour in this endearing

See DINING/next page

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Dining: New Orleans offers something for every taste

Continued from previous page spot in the Quarter.

NOLA

For many visitors to New Orleans, no trip is complete without a visit to one of the three restaurants operated by charismatic celebrity chef Emeril Lagasse. Mr. Lagasse's fans are legion, due largely to his immensely popular cooking show, and tourists flock to his restaurants in search of the Emeril mystique and his signature approach to cuisine. Bam, anyone?

NOLA, the second restaurant to join the Lagasse empire in New Orleans, is a popular spot for lunch and dinner. Given tourists' enthusiasm for the place, an early lunchtime visit may be your best bet, particularly if you don't have a reservation. During dinner hours, reservations are essential.

Although Emeril doesn't prepare the food himself at NOLA—that's left in the capable hands of Chef de Cuisine Joel Morgan—his



PHOTO: MATT SCROGGINS

complex flavors and contemporary take on Creole cuisine define the dishes. For lunch, try the savory smoked pulled pork barbecue sandwich, which is served on smoked cheddar-chipotle brioche with a side of Creole sweet potato crisps. Although dessert at lunch might seem a trifle decadent, remember that you are in New Orleans (where restraint is considered unsporting) and get the peanut butter pie, which is good enough to make you forget your justifications.

At dinner, NOLA offers such complicated fare as hickory-roasted duck with whiskey-caramel glaze for \$27 and grilled double-cut porkchop with brown sugar-glazed sweet potatoes for \$26. As dizzying as the entrees are, the desserts, ranging from banana-rum cheesecake to something called the "NOLA chocolate buzz bomb," a mousse torte with Oreo crust.

Be warned: The place gets busy, and the food may take a while, though your small army of waitstaff will see that you are well attended to throughout. And if you happen to get a table near the kitchen, just sit back and enjoy the show as Emeril's troops go to work.

Although NOLA is an abbreviation for "New Orleans, La.," it could just as well be short for "New Orleans, Lagasse," because in the minds of countless armchair epicures, he owns the place.

The Palace Cafe

The Palace Cafe can get crowded when a conference is in town, but it's worth the wait.

Situated on Canal Street, the Palace Cafe's location is perfect. It's a short walk from most hotels, and during April, there's a good chance the weather will be fine for a stroll down the street's busy sidewalk. Once there, ask for a seat upstairs; the view of some of the city's architecture is a little more interesting than that of fellow diners on the lower floor.

Executive Chef Gus Martin has come up with a creative list of luncheon specials at the

Palace Cafe, one of the restaurants in New Orleans owned by the Brennan family. Cooking Light magazine has featured Ralph Brennan's garlic and herb crusted gulf fish medallions in its pages. Served on a bed of sauteed spinach and creamy polenta, the fish is brushed with a light tomato broth.

The Brennan family has committed to supporting Louisiana oyster farmers by buying its stock from a local farming company for the past 50 years. At lunch, the Palace Cafe serves fresh fried oysters with mixed baby greens. The greens are tossed with a green onion and cayenne vinaigrette and topped with shaved red onion, bacon, roasted peppers and fried pepper-jack cheese. Or, as a starter, try the oysters sauteed with shallots, butter and herbs in a chardonnay sauce and served in a pastry shell.

The cafe's entrees start at \$9.50 at lunch and around \$12 in the evening. Appetizers range from \$4.75 for eggplant fingers to \$6.75 for crabmeat cheesecake.

Among the seasonal entrees is catfish pecan meuniere. That dish, which is found in some local restaurants, rarely is prepared as well as it is at the Palace Cafe. The fish is crusted with pecans and pan-sauteed; topped with a Creole meuniere sauce, the dish has a nearly sweet taste and is accompanied by rice and vegetables.

Andouille sausage shows up in some of the Palace Cafe's entrees. There is a chicken and andouille etouffee, smothered with peppers, onions, celery, garlic and thyme. It is served with spicy pork jambalaya. The Pasta St. Charles is a combination of shrimp and smoked andouille tossed in a green onion mustard sauce with penne pasta.

If a light meal is all you have time for, grab a bowl of turtle soup with fresh lemon and sherry and a spinach salad with roasted pecan vinaigrette.

Pascal's Manale

If you are serious about trying barbecue shrimp in New Orleans, there's one place that can't be missed.

Pascal's Manale is nearly synonymous with the dish. The family-owned and operated restaurant has been serving it for many years, first opening its doors in the Napoleon Avenue neighborhood in 1913.

The first thing you will notice at the front door is a sign indicating that proper attire is required. Ignore it unless you are very poorly dressed. Proper attire in New Orleans has a meaning all its own: If you are clothed, wearing shoes and without too much flesh in view, that's proper at Pascal's.

The restaurant is a local institution, and the city's movers and shakers mix with the commoners at the comfortable bar in the front or the cozy dining room. When it's crowded, it can also get loud. Barbecue shrimp are spicy and have been known to induce bouts of drinking to calm the fiery aftertaste.

If there's a wait, have a seat at the bar in front and enjoy a beverage while scanning the framed photos of celebrities and the memorabilia that cover the walls. Smoking is allowed only in the bar, so it can get a bit hazy at times.

The signature dish is a small mountain of shrimp prepared in a spicy sauce. It comes



PHOTO: NOMCVB/CPUCELL

quickly from the kitchen and is the best choice if you're in a hurry to head back to the conference hall or your hotel. The shrimp is priced at \$19.95.

Appetizers include mushrooms stuffed with crabmeat dressing and topped with hollandaise sauce, escargot in mushroom caps, oysters Francesca (lightly fried atop grilled ham with hollandaise) and raw oysters. Served raw, oysters are priced at \$7.50 for a dozen. Other starters range from \$7.25 to \$8.95.

If you didn't come for the signature dish, Pascal's other specialties include several veal dishes and other varieties of shrimp, such as shrimp ala scarpia, served sauteed in butter and garlic sauce over pasta. The veal gambero is paneed veal with peeled barbecue shrimp. Specialties are priced from \$10.95 to \$23.95.

There's also a selection of fried seafood, including, of course, fried shrimp with french fries. Fried oysters and fried soft-shell crab also are offered when available.

Seafood prices start at \$8.95 for a half dozen fried oysters to \$21 for a platter of shrimp, oysters, calamari, scallops, catfish, stuffed shrimp and potatoes.

Rita's Olde French Quarter Restaurant

Located at the quieter end of the Quarter's Chartres Street, Rita's Olde French Quarter Restaurant offers delicious Creole dishes in a cozy, unassuming setting.

Dim lighting, soft rhythm-and-blues music and a minimalist decor set the atmosphere, but the bold flavors and generous portions of traditional Creole and Cajun fare—not the atmosphere—are the draw at Rita's.

For lunch, Rita's offers a variety of options, ranging from red beans and rice with sausage for \$7.00 to veal Irvin—veal sauteed in mushrooms and white wine sauce—for \$13.95.

Dinner is a bit more pricey, with dishes running from \$11.95 for veggie pasta to \$20.95 for stuffed catfish, which is grilled Cajun-style and served with crawfish tails. If it's on the menu that night, try the Cajun stuffed chicken, served drowned in a rich gravy and complemented by sweet yams.

Rita's also offers a lesson in Louisiana cuisine, known as the "Taste of New Orleans," for \$15.95. Dishes include gumbo, red beans and rice, ribs, crawfish pie,

vegetables, shrimp Creole, yams, pasta jambalaya and—if you can manage it after all that—bread pudding for dessert.

In addition to the bread pudding, Rita's serves up sweet potato pecan pie and another popular New Orleans dessert, bananas Foster. That dish, which is prepared tableside with a flourish of flaming spectacle, is not to be missed when in the Big Easy.

Rocky's Gourmet Pizza

Gumbo. Jambalaya. Red beans and rice. Etouffee. Pizza? Although most food hounds don't go to the Crescent City in search of pizza, those with a taste for a good pie would do well to seek out Rocky's Gourmet Pizza.

Rocky's, located on New Orleans' eclectic Magazine Street (see story, page T25), offers a wide variety of pizzas, focaccia sandwiches, salads and pasta dishes.

Rocky's pies run from the prosaic (pepperoni, sausage, mushrooms and ham) to the peculiar (the Irish Channel—shrimp, crawfish, onions and feta cheese) to the personal (build your own).

While some purists might balk at a "traditional" pizza topped with Cajun spices, shrimp, crawfish and onions, "traditional" at Rocky's means made with tomato sauce; several of the pies are also available as a white pizza, prepared with a sauce of garlic, butter and herbs. There's even a pizza version of New Orleans' famous muffuletta sandwich, which is topped with olive salad, ham, salami, mozzarella and provolone.

Rocky's pizzas, which are served on either regular or wheat crusts, are very tasty; particularly good is the Southwest chicken, which is topped with spicy chicken, portabella mushrooms and enough garlic to keep any vampires well away.

The pies come in two sizes—small and large—and the small is more than enough for one. Prices vary slightly depending on the pizza, though most are around \$9 for a small and \$14 for a large. Focaccia sandwiches, which include the Big Easy (grilled chicken, roasted garlic and feta) and the muffuletta, are \$6.95.

Also on the menu at Rocky's are several beers, including some varieties of the locally brewed Abita beers.

Flavorful and inventive pies, good brew and classic rock tunes—what more could you want from a pizza joint?

Getting a taste of local flavors

Deciphering terms that spice menus

By JOE WALKER

Any discussion of Cajun and Creole cuisine should begin with what it is not.

Many alleged Cajun and Creole dishes served in some restaurants have enough hot pepper to strip the hide from your tongue. "Hot" and "Cajun" are not synonymous. Do Cajuns like spicy food? Sure, but they don't put Tabasco on ice cream. Well, at least not all the time.

And, sorry, but blackened redfish is not a traditional Cajun dish. Blackening, the technique of dipping fish into melted butter, coating it with spices and cooking it at extremely high heat, was invented by Paul Prudhomme when he was the executive chef at Commander's Palace. But while blackened fish may not be a traditional dish, that doesn't mean it can't be a tasty addition to a Cajun meal.

Cajun and Creole cuisines have many similarities: they both use many of the same ingredients and they

are both influenced by many cultures, including French, Spanish and African. The simplest explanation of the differences between the cooking styles is that Creole cooking is city food, using a lot of butter and cream, while Cajun cooking is country food, often with everything cooked in a single pot.

But it's hard to nail down an exact definition for anything in Creole-Cajun country, and the following terms that you might find on a New Orleans menu are no exception. "Usually," and "most often" are sometimes as close as you can get.

Some cooking terms, with pronunciations in parentheses, follow:

Andouille (ahn-DOO-ee): A heavily smoked pork sausage often used in gumbos, jambalayas and red beans and rice.

Beignet (BIN-yay): A fried square doughnut sprinkled with powdered sugar.

Bisque (bisk): A thick seafood soup.

Boudin (BOO-dan): A sausage made with meat, rice and herbs.

Chaurice (shoh-REESE): A spicy smoked sausage.

Chicory: The root of a type of endive that is used to flavor coffee.

Crawfish: Freshwater crustacean eaten in etouffees and gumbos, boiled or fried. In other parts of the country, these are called "crayfish" or "crawdads."

Dirty rice: Often called "rice dressing." Dirty rice is a side dish made with chicken giblets.

Etouffee (ay-too-FAY): Literally means "smothered," in the cooking sense of the word. A dish usually made with shrimp or crawfish, onions, bell peppers and celery, served over steamed rice.

File (FEE-lay): Ground saffras leaves used as a thickening and flavoring agent for gumbo.

Gumbo: An African word for "okra." Gumbo is a stew made with meat or seafood and vegetables, flavored with a dark roux and thickened with either okra or file, served over steamed rice.

Jambalaya: (jumbuh-LIE-uh): A rice dish, often flavored with sausage and/or seafood.

Mirliton (MER-le-tahn): Chayote squash. It has a mild flavor and is used in a variety of Cajun dishes.

Muffuletta (muff-ah-LOT-ta): A sandwich made with a variety of meats and cheese, topped with a green-olive relish.

Poor boy: A sandwich said to have been created during the New Orleans streetcar strike in the early 1900s. Poor boys, or po-boys, are made of almost any kind of meat, with fried oysters or fried shrimp being popular selections. If you're asked if you want the sandwich "dressed," that means with lettuce, tomato, onion and condiments.

Pralines (PRAH leens): A confection made of sugar, cream and nuts.

Pain perdu (pan per-DOO): Literally, "lost bread." French toast.

Remoulade: (RAHM-uh-lahd): A sauce, usually made with mustard and horseradish, poured over shrimp or crawfish.

Roux (roo): The basis for many Cajun dishes, a roux is a mixture of flour and oil, usually cooked until it is dark brown.

Tasso: A ham cured with cayenne pepper.



PHOTO: NOMVCB/RNOWITZ

A guide to eateries around New Orleans

Arnaud's Jazz Bistro

811 Bienville St., New Orleans
504-523-5433; Fax: 504-581-7908
www.arnauds.com
Atmosphere: Festive, casual setting.
Cuisine: Creole.
Specialties: Shrimp Arnaud, pompano duarte, bananas foster.
Average dinner for two: Over \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: 6 p.m.-10 p.m.; live Dixieland jazz nightly from 6:30 p.m.-10:30 p.m.
Reservations: Recommended.
Parking available

Arnaud's Restaurant

813 Bienville St., New Orleans
504-523-5433; Fax: 504-581-7908
www.arnauds.com
Atmosphere: Intimate cigar bar and a unique Mardi Gras museum. Includes three dining rooms: main dining room is more upscale; the two others are business casual.
Cuisine: Creole.
Specialties: Shrimp Arnaud, oyster Arnaud, pompano duarte.
Average dinner for two: Over \$100.
Neighborhood: French Quarter.
Attire: Jacket required.
Credit cards accepted: All major credit cards.
Hours: Jazz brunch: Sunday, 10 a.m.-2:30 p.m.; lunch: Monday-Friday, 11:30 a.m.-2:30 p.m.; dinner: Sunday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-10:30 p.m.
Reservations: Recommended.

Begue's

300 Bourbon St., New Orleans
504-553-2278; Fax: 504-553-2355
www.royalsonestano.com
Atmosphere: Courtyard adjacent to dining room of traditional New Orleans architecture.
Cuisine: Continental.
Specialties: Lamb chops, filet mignon, tilapia with crabmeat.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Champagne brunch: Sunday, 10:30 a.m.-2 p.m.; breakfast: 6:30 a.m.-11:30 a.m.; lunch: noon-2 p.m.; dinner: 6 p.m. to 10 p.m.; Friday seafood buffet: 11:30 a.m.-2 p.m.
Reservations: Recommended.
Parking available

Bella Luna

914 N. Peters, New Orleans
504-529-1583; Fax: 504-522-4858
www.bellalunarestaurant.com
Atmosphere: Continental elegance with Creole charisma with a view of the Mississippi.
Cuisine: Continental.
Specialties: Jumbo gulf shrimp stuffed with lump crabmeat, Bella Luna pork chop in pecan crust with horseradish mashed potatoes.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Sunday 6 p.m.-9:30 p.m.; Monday-Saturday, 6 p.m.-10:30 p.m.
Reservations: Recommended.
Parking available

The Bombay Club

830 Conti St., New Orleans
504-586-0972; Fax: 504-525-5444
www.thebombayclub.com
Atmosphere: British motif with overstuffed wingback leather chairs and sofa. Private dining booths, beautiful fountains courtyard.
Cuisine: Creole.
Specialties: French Creole cuisine featuring rack of lamb, barbecue shrimp, veal shank provincial, plantation duck, martinis, single malt scotches.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Dinner: daily, 5:30 p.m.-10:30 p.m.; late night menu: Wednesday-Saturday: 10:30 p.m.-1:30 a.m.
Reservations: Recommended.
Parking available

Ralph Brennan's Bacco

310 Chartres St., New Orleans
504-522-2426; Fax: 504-521-8323
www.bacco.com
Atmosphere: Four elegant dining rooms with hand-painted silk chandeliers, hand-blown Venetian glass sconces and a ceiling mural of Bacchus.
Cuisine: Italian.
Specialties: Creole Italian dishes.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Lunch: 11:30 a.m.-2:30 p.m.; dinner: 6 p.m.-10 p.m.

Reservations: Recommended.
Parking available

Ralph Brennan's Red Fish Grill

115 Bourbon St., New Orleans
504-598-1200; Fax: 504-598-1211
www.redfishgrill.com
Atmosphere: Fun, casual seafood restaurant located at the gateway to the French Quarter.
Cuisine: Seafood.
Specialties: Sweet potato catfish, bananas Foster.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, Discover, MasterCard, Visa.
Hours: Lunch: 11 a.m.-3 p.m.; dinner: 5 p.m.-11 p.m.; bar and menu: 11 a.m.-11:30 p.m.
Reservations: Recommended.

Brennan's Restaurant

417 Royal St., New Orleans
504-525-9713; Fax: 504-525-2302
www.brennansneworleans.com
Atmosphere: Twelve elegant dining rooms, seating upstairs and down and a courtyard for cocktails.
Cuisine: Creole.
Specialties: French Creole cuisine featuring eggs hussarde, oysters Rockefeller, trout Nancy, filet Stanley, veal Kottwitz, bananas Foster.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Breakfast: 8 a.m.-2:30 p.m.; dinner: 6 p.m.-10 p.m.
Reservations: Recommended.

Bubba Gump Shrimp Co.

429 Decatur St., New Orleans
504-522-5800; Fax: 504-522-5810
www.bubbagump.com
Atmosphere: Casual seafood restaurant located in the heart of the French Quarter.
Cuisine: Seafood.
Specialties: Bourbon Street mahi mahi, dumb luck coconut shrimp, Dixie-style baby back ribs.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Reservations: Not accepted.

Continued on next page

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PHOTO: NOMCVB/RNOWITZ



Continued from previous page

Jimmy Buffett's Margaritaville Cafe
1104 Decatur St., New Orleans
504-592-2565; Fax: 504-592-2555
www.margaritavillecafe.com
Atmosphere: Casual, upbeat drinking and dining. Fresh gulf-coast cooking and plenty of "booze in the Blender."
Cuisine: American.
Specialties: Cheeseburger in paradise, signature key lime pie.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, Discover, MasterCard, Visa.
Hours: Dinner: 11 a.m.-10:30 p.m.; local live music: 3 p.m.-midnight.
Reservations: Not accepted.

Bugsy's Bar & Grill
829 Convention Center Blvd., New Orleans
504-561-9032; Fax: 504-561-9033
www.bugsysbarandgrill.com
Atmosphere: Casual, directly across the street from Hall A of the Morial Convention Center. Serving food and spirits 24 hours a day.
Cuisine: Cajun.
Specialties: Cajun lunch buffet.
Average dinner for two: Under \$25.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Open 24 hours.
Reservations: Not accepted.

Cafe Atchafalaya
901 Louisiana Ave., New Orleans
504-891-5271
Atmosphere: Casual and comfortable neighborhood restaurant.
Cuisine: Creole.
Specialties: Southern Creole cuisine featuring shrimp Creole, double-cut stuffed pork chop, veal porterhouse, vegetarian delight.
Average dinner for two: \$25 to \$50.
Neighborhood: Garden District.
Attire: Casual.
Credit cards accepted: MasterCard, Visa.
Hours: Brunch: Sunday, 8:30 a.m.-2 p.m.; lunch: Tuesday-Saturday, 11:30 a.m.-2 p.m.; dinner: Tuesday-Saturday, 5:30 p.m.-9:30 p.m.
Reservations: Recommended.

Cafe Degas
3127 Esplanade Ave., New Orleans
504-945-5635; Fax: 504-486-1144
www.cafedegas.com
Atmosphere: Patio covered deck surrounded by lush greenery facing beautiful Esplanade Avenue.
Cuisine: French.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Brunch: Sunday, 10:30 a.m.-3 p.m.; lunch: Tuesday-Saturday, 11:30 a.m.-2:30 p.m.; dinner: Monday-Sunday, 5:30 p.m.-10 p.m.
Reservations: Recommended.

Cafe du Monde
800 Decatur St., New Orleans
504-525-4544
www.cafedumonde.com
Atmosphere: Serving cafe au lait and beignets since 1862.
Cuisine: Coffeehouse.
Specialties: Coffee, beignets.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: Credit cards not accepted.
Hours: Open 24 hours.
Reservations: Not accepted.

Cafe Giovanni
117 Decatur St., New Orleans
504-529-2154; Fax: 504-528-9276
www.cafegiovanni.com

Atmosphere: Italian ambience with New Orleans decor.
Cuisine: Italian.
Specialties: New World Italian cuisine with a touch of New Orleans.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: 5:30 p.m.-10 p.m.; live opera music: Wednesday, Friday-Saturday, 7 p.m.-10 p.m.
Reservations: Recommended.
Parking available

Cafe Gumbolaya
1000 N. Peters St., New Orleans
504-523-7418; Fax: 504-522-5806
Atmosphere: Casual indoor and outdoor dining.
Cuisine: Seafood.
Specialties: Blackened catfish.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, Discover, MasterCard, Visa.
Hours: 10 a.m.-7 p.m.
Reservations: Recommended.

Cafe Sbis
1011 Decatur St., New Orleans
504-522-5565; Fax: 504-523-8095
www.cafesbis.com
Atmosphere: Authentic Creole cuisine served in unique turn of the century dining rooms.
Cuisine: Creole.
Specialties: Fried green tomatoes topped with shrimp remoulade, blackened red fish, barbecue shrimp, pecan crusted catfish.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Brunch: Sunday, 10:30 a.m.-3 p.m.; dinner: Sunday-Thursday, 5:30 p.m.-10:30 p.m.; Friday-Saturday, 5:30 p.m.-11 p.m.
Reservations: Recommended.

Casamento's Restaurant
4330 Magazine St., New Orleans
504-895-9761; Fax: 504-899-3627
Cuisine: Seafood.
Specialties: Oysters on the half shell, fried seafood.
Average dinner for two: Under \$25.
Neighborhood: Garden District.
Attire: Casual.
Credit cards accepted: Credit cards not accepted.
Hours: Lunch: Tuesday-Saturday, 11:30 a.m.-1:30 p.m.; dinner: 5:30 p.m.-9 p.m.
Reservations: Not accepted.

Chateaubriand Steakhouse
310 N. Carrollton Ave., New Orleans
504-207-0016; Fax: 504-207-0086
www.chateaubriandsteakhouse.com
Atmosphere: Comfortable and inviting steakhouse with French flair.
Cuisine: Steak.
Specialties: Chateaubriand for two, Maine lobster stuffed with crabmeat.
Average dinner for two: Over \$100.
Neighborhood: Mid-City.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Brunch: Sunday, 11:30 a.m.-2 p.m.; lunch: Monday-Friday, 11 a.m.-3 p.m.; dinner: daily, 5:30 p.m.-10:30 p.m.
Reservations: Recommended.
Parking available

Christian's Restaurant
3835 Iberville St., New Orleans
504-482-4924; Fax: 504-482-6852
Atmosphere: Charming renovation of an old church, complete with stained glass windows, cathedral ceilings with exposed beams and a lot of greenery.
Cuisine: Creole.

Specialties: Fish filet stuffed with shrimp and crabmeat.
Average dinner for two: \$75 to \$100.
Neighborhood: Mid-City.
Attire: Business casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Lunch: Tuesday-Friday, 11:30 a.m.-2 p.m.; dinner: Tuesday-Saturday, 5:30 p.m.-9:30 p.m.
Reservations: Recommended.

Clover Grill
900 Bourbon St., New Orleans
504-598-1010; Fax: 504-566-1835
Atmosphere: Campy, service full of attitude.
Cuisine: American.
Specialties: Mushroom bacon cheeseburger cooked under a hubcap.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Open 24 hours.
Reservations: Not accepted.

Cobalt
333 St. Charles Ave., New Orleans
504-565-5595; Fax: 504-565-5598
Atmosphere: New design adjacent to the historic Hotel Monaco.
Cuisine: American.
Specialties: Regional American cuisine, oyster bar.
Average dinner for two: \$50 to \$75.
Neighborhood: Central Business District.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Breakfast: 7:30 a.m.-10:30 a.m.; lunch: 11:30 a.m.-2:30 p.m.; dinner: 5:30 p.m.-10 p.m.; live jazz Wednesday-Sunday.
Reservations: Recommended.
Parking available

The Court of Two Sisters
613 Royal St., New Orleans
504-522-7261; Fax: 504-581-5804
www.courtoftwosisters.com
Atmosphere: Romantic courtyard dining.
Cuisine: Creole.
Specialties: Crawfish Louise, filet de poisson orleannaise.
Average dinner for two: Over \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Jazz brunch buffet: daily, 9 a.m.-3 p.m.; dinner: 5:30 p.m.-10 p.m.
Reservations: Recommended.

Crescent City Brewhouse
527 Decatur St., New Orleans
504-522-0571; Fax: 504-522-0577
www.crescentcitybrewhouse.com
Atmosphere: Exposed brick wall and copper kettles greet you as you enter the brew pub.
Cuisine: Brew pub.
Specialties: Freshly brewed beer, great food, live jazz.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Sunday-Thursday, 11 a.m.-10 p.m.; Friday-Saturday, 11 a.m.-midnight.
Reservations: Recommended.
Parking available

Deanie's Seafood Restaurant
841 Iberville St., New Orleans
504-581-1316; Fax: 504-581-5712
www.deanies.com
Atmosphere: Deanie's continues the tradition of serving the finest seafood in our restaurant and retail market.
Cuisine: Seafood.
Specialties: Fried seafood, boiled seafood, barbecue shrimp.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Sunday-Thursday, 11 a.m.-10 p.m.; Friday-Saturday, 11 a.m.-11 p.m.
Reservations: Not accepted.

Mike Ditka's
600 St. Charles Ave., New Orleans
504-569-8989; Fax: 504-569-8959
Atmosphere: Sophisticated, yet casual dining atmosphere. Elegant bar is cigar friendly and stocked with premium libations.
Cuisine: Steak.
Specialties: Lobster, double-cut pork chop, fish, steaks.
Average dinner for two: \$75 to \$100.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: Monday-Friday, 11 a.m.-2 p.m.; dinner: Monday-Sunday, 5:30 p.m.-10 p.m.
Reservations: Recommended.

Parking available
827 1/2 Toulouse, The Restaurant & Bistro
Moise
827 1/2 Toulouse St., New Orleans
504-571-2888; Fax: 504-636-1095
Cuisine: Creole.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 7 a.m.-10 p.m.
Reservations: Recommended.
Parking available

Eleven79
1179 Annunciation St., New Orleans
504-299-1179; Fax: 504-569-0002
Atmosphere: Intimate and cozy. Charming renovation of an 1830s merchant's cottage. Rare example of early Spanish construction in New Orleans.
Cuisine: Italian.
Specialties: Veal, seafood, pasta.
Average dinner for two: \$50 to \$75.
Neighborhood: Warehouse/Arts District.
Attire: Dressy.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Monday-Thursday, 5:30 p.m.-11 p.m.; Friday-Saturday, 5:30 p.m.-midnight.
Reservations: Recommended.
Parking available

Embers Steakhouse
700 Bourbon St., New Orleans
504-523-1485; Fax: 504-525-2534
www.emberssteakhouse.com
Atmosphere: On Bourbon Street with a balcony overlooking the area.
Cuisine: Steak.
Specialties: Prime rib, Cajun platter.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit

cards.
Hours: 5 p.m.-midnight.
Reservations: Recommended.
Emeril's Delmonico Restaurant and Bar
1300 St. Charles Ave., New Orleans
504-525-4937; Fax: 504-558-3925
www.emerils.com
Atmosphere: Building of Victorian and Edwardian design is over 100 years old. Interior reflects classic understated elegance with high ceilings, wood floors and large paned windows overlooking St. Charles Avenue.
Cuisine: Creole.
Specialties: Classic style of Creole cuisine.
Average dinner for two: Over \$100.
Neighborhood: Garden District.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Brunch: Sunday, 10:30 a.m.-2 p.m.; lunch: Monday-Friday, 11:30 a.m.-2 p.m.; dinner: Sunday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-11 p.m.
Reservations: Recommended.
Parking available

56 Degrees
610 Poydras St., New Orleans
504-212-5656; Fax: 504-212-8660
www.lemongrassrest.com
Atmosphere: Elegant, classy ambience.
Cuisine: American.
Specialties: Contemporary American cuisine featuring ginger and lemongrass hoisin marinated rack of lamb.
Average dinner for two: \$75 to \$100.
Neighborhood: Central Business District.
Attire: Business casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Breakfast: daily, 6 a.m.-10 a.m.; lunch: Monday-Friday 11 a.m.-2 p.m.; dinner: Sunday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-11 p.m.
Reservations: Recommended.

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Restaurants by cuisine

American

Jimmy Buffett's Margaritaville Cafe
Clover Grill
Cobalt
56 Degrees
Hard Rock Cafe
Hyde Park Grille
Poppy's Grill
Stella
True Brew Cafe and Theater
Barbecue
VooDoo BBQ

Brew pub

Crescent City Brewhouse

Cajun

Bugsy's Bar & Grill
House of Blues
Mulata's-The Original Cajun Restaurant
Remoulade
Cajun Creole
NOLA
Petunias
Coffeehouse
Cafe Du Monde
Continental
Begue's
Bella Luna

Creole

Arnaud's Jazz Bistro
Arnaud's Restaurant
The Bombay Club
Brennan's Restaurant
Cafe Atchafalaya
Cafe Sbis
Christian's Restaurant
The Court of Two Sisters
827 1/2 Toulouse, Restaurant & Bistro
Emeril's Delmonico Restaurant and Bar
Gabrielle Restaurant
Gamay Bistro and Bar
Gumbo Shop
Kelsey's Restaurant
Mother's Restaurant
Napoleon House Bar & Cafe
Olivier's Creole Restaurant
Original Papa Joe's
Alex Patout's Louisiana Restaurant
The Pelican Club Restaurant and Bar
The Praline Connection
The Praline Connection Gospel & Blues Hall

Rita's Olde French Quarter Restaurant
Tujague's
201 Restaurant & Bar

French

Cafe Degas
Louis XVI Restaurant Francais
Martinique Bistro
Zoe Bistrot

Italian

Ralph Brennan's Bacco
Cafe Giovanni
Eleven79
Tony Mandina's Restaurant
Reginelli's Pizzeria
Rocky's Pizza
Tortoric's Italian Restaurant

Mediterranean

Marisol
Regional
Restaurant Indigo
Snug Harbor Jazz Bistro

Seafood

Ralph Brennan's Red Fish Grill
Bubba Gump Shrimp Co.
Cafe Gumbolaya
Casamento's Restaurant
Deanie's Seafood Restaurant
Franky & Johnny's
French Market Restaurant
GW Fins
Andrew Jaeger's House of Seafood
La Cuisine Restaurant
Palace Cafe
Pascal's Manale Restaurant
Uglesich's Restaurant

Southwestern

Kokopelli's Taste of the Southwest

Steak

Chateaubriand Steakhouse
Mike Ditka's
Embers Steakhouse
Morton's of Chicago
Smith & Wollensky

Tapas

Patrick

Continued from previous page

Franky & Johnny's
321 Arabella St., New Orleans
504-891-8573; Fax: 504-891-0840
Atmosphere: Casual and comfortable; old New Orleans neighborhood restaurant.
Cuisine: Seafood.
Specialties: Fried and boiled seafood, stuffed artichoke, fried bell pepper rings.
Average dinner for two: Under \$25.
Neighborhood: Uptown.
Attire: Casual.
Credit cards accepted: American Express, Discover, MasterCard, Visa.
Hours: 11 a.m.-10 p.m.
Reservations: Not accepted.

French Market Restaurant
1001 Decatur St., New Orleans
504-525-7879; Fax: 504-568-1522
Atmosphere: Great family atmosphere with the flavor of boiled crawfish.
Cuisine: Seafood.
Specialties: Lobster, etouffee, chargrilled oysters.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Monday-Thursday, 11 a.m.-10:30 p.m.; Friday, 11 a.m.-11 p.m.; Saturday-Sunday, 11 a.m.-11:30 p.m.

GW Fins
808 Bienville St., New Orleans
504-581-3467; Fax: 504-565-5459
www.gwfins.com
Atmosphere: Upscale, white-tablecloth restaurant with a relaxing, casual atmosphere.
Cuisine: Seafood.
Specialties: Fresh seafood.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 5 p.m.-11 p.m.
Reservations: Recommended.

Gabrielle Restaurant
3201 Esplanade Ave., New Orleans

504-948-6233; Fax: 504-949-7459
Atmosphere: Nestled among the oak trees of Esplanade Avenue.
Cuisine: Creole.
Specialties: Lobster enchilada con queso.
Average dinner for two: \$75 to \$100.
Neighborhood: Mid-City.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: Friday, 11:30 a.m.-2 p.m.; Dinner: Tuesday-Saturday, 5:30 p.m.-10 p.m.
Reservations: Recommended.
Parking available

Gamay Bistro and Bar
320 Decatur St., New Orleans
504-299-8800; Fax: 504-299-8802
www.hob.com
Atmosphere: Contemporary Louisiana cuisine in a luxurious setting.
Cuisine: Creole.
Specialties: Grilled mayhonn cheese with oysters, reduced cream and caviar.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: Friday, 11:30 a.m.-2 p.m.; dinner: Tuesday-Saturday, 5:30 p.m.-10 p.m.
Reservations: Recommended.

Gumbo Shop
630 St. Peter St., New Orleans
504-525-1486; Fax: 504-524-0747
www.gumboshop.com
Atmosphere: Restored 1795 building and patio. Old New Orleans atmosphere with antique murals covering dining room walls.
Cuisine: Creole.
Specialties: Traditional and contemporary cuisine.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11 a.m.-11 p.m.
Reservations: Not accepted.

Hard Rock Cafe
418 N. Peters, New Orleans
504-529-5617; Fax: 504-581-4960
www.hardrock.com

Atmosphere: Classic American with a touch of rock 'n' roll, rock memorabilia.
Cuisine: American.
Specialties: Burgers, barbecue ribs and chicken, desserts.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Sunday-Thursday, 11 a.m.-10:30 p.m.; Friday-Saturday, 11 a.m.-midnight.
Reservations: Not accepted.
Parking available

House of Blues
225 Decatur St., New Orleans
504-529-2624; Fax: 504-524-4755
www.hob.com
Atmosphere: Eclectic, funky.
Cuisine: Cajun.
Specialties: Creole seafood jambalaya, skillet baked rosemary cornbread with maple butter, white chocolate banana bread pudding.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11:30 a.m.-11 p.m.
Reservations: Recommended.

Hyde Park Grille
1525 St. Charles Ave., New Orleans
504-586-1884; Fax: 504-586-1515
www.hydeparknola.com
Atmosphere: Elegant club-like setting on historic St. Charles Avenue.
Cuisine: American.
Specialties: Wood grilled seafood, steaks, chops.
Average dinner for two: \$75 to \$100.
Neighborhood: Garden District.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: Monday-Friday, 11:30 a.m.-2 p.m.; dinner: Monday-Friday, 5:30 p.m.-10 p.m.; Saturday, 5:30 p.m.-11 p.m.
Reservations: Recommended.
Parking available

Andrew Jaeger's House of Seafood
622 Conti St., New Orleans
504-522-4964; Fax: 504-522-5873
www.andrewjaegers.com
Atmosphere: Live New Orleans jazz and blues.
Cuisine: Seafood.
Specialties: Traditional Cajun and Creole cuisine.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Dinner: 6 p.m.-11:30 p.m.
Reservations: Recommended.

Kelsey's Restaurant
3923 Magazine St., New Orleans
504-897-6722; Fax: 504-897-6763
www.kelseysrest.com
Atmosphere: Eclectic, elegantly casual dining room filled with local art.
Cuisine: Creole.
Specialties: Grilled fish, Southern Comfort candied duck breast, apple mango chutney.
Average dinner for two: \$25 to \$50.
Neighborhood: Garden District.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: 11:30 a.m.-2 p.m.; dinner: 5:30 p.m.-10 p.m.
Reservations: Recommended.
Parking available

Kokopelli's Taste of the Southwest
3150 Calhoun St., New Orleans
504-861-3922; Fax: 504-865-9089
Cuisine: Southwestern.
Specialties: Burritos, tacos, salads with a bit of New Orleans flavor.
Average dinner for two: Under \$25.
Neighborhood: Uptown.
Attire: Casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: 11 a.m.-10 p.m.
Reservations: Not accepted.

La Cuisine Restaurant
225 W. Harrison Ave., New Orleans
504-486-7664; Fax: 504-486-9845
Atmosphere: Casual and relaxed ambience.
Cuisine: Seafood.
Average dinner for two: \$50 to \$75.
Neighborhood: Lakeview.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Sunday, 11:30 a.m.-8 p.m.; lunch: Tuesday-Saturday, 11:30 a.m.-2 p.m.; dinner: 5:30 p.m. to 9 p.m.
Reservations: Recommended.
Parking available
Louis XVI Restaurant Francais



PHOTO:NONV/CB/CPURCELL

730 Bienville St., New Orleans
504-581-7000; Fax: 504-679-5013
www.louisxvi.com
Atmosphere: French doors open to lush courtyard with tropical greenery, banana trees, flowering plants and a shimmering fountain.
Cuisine: French.
Specialties: Feuilletonne de crustacees: puff pastry filled with Louisiana seafood prepared in a light nantua sauce.
Average dinner for two: Over \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Breakfast: Monday-Thursday, 7 a.m.-11 a.m.; Friday-Saturday, 7 a.m.-noon; dinner: 6 p.m.-10
Reservations: Recommended.

Tony Mandina's Restaurant
1915 Pratt St., Gretna
504-362-2010; Fax: 504-362-8512
www.tonymandinas.com
Atmosphere: White-tablecloth restaurant that is casual, yet romantic.
Cuisine: Italian.
Specialties: Shrimp and crabmeat veal classico, eggplant Dominic, shrimp Mandina.
Average dinner for two: \$50 to \$75.
Neighborhood: Gretna/Westbank.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Tuesday, 11 a.m.-9 p.m.; Wednesday-Thursday, 11 a.m.-2 p.m.; Friday, 11 a.m.-10 p.m.; Saturday, 5 p.m.-10 p.m.
Reservations: Recommended.
Parking available

Marisol
437 Esplanade Ave., New Orleans
504-943-1912; Fax: 504-943-2028
www.marisolrestaurant.com
Atmosphere: Intimate, charming dining room and romantic, tropical courtyard. Candlelit ambience with full bar.
Cuisine: Mediterranean.
Specialties: Thai crab and coconut soup, mussels in white wine and butter sauce, seafood, steaks.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Brunch: Sunday, 11 a.m.-2 p.m.; lunch: Tuesday-Friday, 11 a.m.-2 p.m.; dinner: Sunday, Tuesday-Thursday, 6 p.m.-10 p.m., Friday-Saturday, 6 p.m.-11 p.m.
Reservations: Recommended.

Martinique Bistro
5908 Magazine St., New Orleans
504-891-8495; Fax: 504-891-8414
Atmosphere: Small French restaurant with outdoor seating in a lush garden.
Cuisine: French.
Specialties: Lamb shank braised with tomatoes and herbs, double-cut pork chop with caramelized onions, apple smoked bacon and calvados.
Average dinner for two: \$50 to \$75.
Neighborhood: Garden District.
Attire: Business casual.
Credit cards accepted: MasterCard, Visa.
Hours: Sunday-Thursday, 5:30 p.m.-10 p.m.; Friday-Saturday, 5:30 p.m.-10:30 p.m.
Reservations: Recommended.

Morton's of Chicago
365 Canal St., New Orleans
504-566-0221; Fax: 504-566-8326
www.mortons.com
Atmosphere: Club-like, dark mahogany accents.
Cuisine: Steak.

Specialties: Porterhouse steak, hot Godiva chocolate cake.
Average dinner for two: \$50 to \$75.
Neighborhood: Central Business District.
Attire: Business casual.
Credit cards accepted: American Express, Diner's Club, MasterCard, Visa.
Hours: Sunday, 5:30 p.m.-10 p.m.; Monday-Saturday, 5:30 p.m.-11 p.m.

Mother's Restaurant
401 Poydras St., New Orleans
504-523-9656; Fax: 504-596-2107
www.mothersrestaurant.com
Atmosphere: Cafeteria-style dining in a very relaxed atmosphere.
Cuisine: Creole.
Specialties: Ferdi Special: a combination of baked ham, roast beef and roast beef gravy (debris).
Average dinner for two: \$25 to \$50.
Neighborhood: Central Business District.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Sunday 7 a.m.-10 p.m.; Monday-Saturday, 6:30 a.m.-10 p.m.
Reservations: Not accepted.
Parking available

Mulate's-The Original Cajun Restaurant
201 Julia St., New Orleans
504-522-1492; Fax: 504-523-6011
www.mulates.com
Atmosphere: Live Cajun music nightly.
Cuisine: Cajun.
Specialties: Catfish mulate's, homemade bread pudding with butter rum sauce.
Average dinner for two: \$50 to \$75.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11 a.m.-10:30 p.m.
Reservations: Recommended.
Parking available

Napoleon House Bar & Cafe
500 Chartres St., New Orleans
504-524-9752; Fax: 504-524-9774
www.napoleonhouse.com
Cuisine: Creole.
Specialties: Duck entree, muffledetta sandwich and Pimm's cup.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11 a.m.-midnight.

NOLA
534 St. Louis St., New Orleans
504-522-6652; Fax: 504-524-6178
www.emerils.com
Atmosphere: Renovated four-story French Quarter warehouse. The look is contemporary, with an interior design using materials chosen to complement the building's character and unique neighborhood.
Cuisine: Cajun Creole.
Specialties: Lighter version of Creole cuisine with occasional ethnic twists.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: Monday-Saturday, 11:30 a.m.-2 p.m.; dinner: Sunday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-midnight.
Reservations: Recommended.
Parking available

Oliver's Creole Restaurant
204 Decatur St., New Orleans
504-525-7734; Fax: 504-525-7730

Continued on next page

Dining guide by cost

Under \$25

Jimmy Buffett's Margaritaville Cafe
Bugsy's Bar & Grill
Cafe du Monde
Casamento's Restaurant
Clover Grill
Deanie's Seafood Restaurant
Franky & Johnny's
Hard Rock Cafe
Kokopelli's Taste of the Southwest
Napoleon House Bar & Cafe
Poppy's Grill
The Praline Connection Gospel & Blues Hall
Reginelli's Pizzeria
True Brew Cafe and Theater
VooDoo BBQ

\$25 to \$50

Bubba Gump Shrimp Co.
Cafe Atchafalaya
Cafe Degas
Cafe Gumbolaya
Gumbo Shop
House of Blues
Kelsey's Restaurant
Mother's Restaurant
Original Papa Joe's
Patrick
The Praline Connection
Remoulade
Rocky's Pizza
Tujague's
Uglesich's Restaurant

\$50 to \$75

Bella Luna
The Bombay Club
Ralph Brennan's Red Fish Grill
Cobalt
Crescent City Brewhouse
Eleven79
Embers Steakhouse
French Market Restaurant
La Cuisine Restaurant

Tony Mandina's Restaurant
Marisol
Martinique Bistro
Morton's of Chicago
Mulate's-The Original Cajun Restaurant
Pascal's Manale Restaurant
Petunias
Rita's Olde French Quarter Restaurant
Snug Harbor Jazz Bistro

\$75 to \$100

Begue's
Ralph Brennan's Bacco
Brennan's Restaurant
Cafe Giovanni
Cafe Sbsa
Christian's Restaurant
Mike Ditka's
827 1/2 Toulouse, The Restaurant & Bistro Moise
56 Degrees
GW Fins
Gabrielle Restaurant
Gamay Bistro and Bar
Hyde Park Grille
Andrew Jaeger's House of Seafood
NOLA
Olivier's Creole Restaurant
Alex Patout's Louisiana Restaurant
Restaurant Indigo
Smith & Wollensky
Stella
Tortorici's Italian Restaurant
201 Restaurant & Bar
Zoe Bistrot

Over \$100

Arnaud's Jazz Bistro
Arnaud's Restaurant
Chateaubriand Steakhouse
The Court of Two Sisters
Emeril's Delmonico Restaurant and Bar
Louis XVI Restaurant Francais
Palace Cafe
The Pelican Club Restaurant and Bar

Continued from previous page

www.olivierscreole.com
Atmosphere: Fine dining in a casual atmosphere surrounded by the sweet sound of jazz and classical music.
Cuisine: Creole.
Specialties: Creole rabbit, gumbo sampler, peach cobbler.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: 11:30 a.m.-3 p.m.; dinner: 5 p.m.-10 p.m.
Reservations: Recommended.

Original Papa Joe's

600-610 Bourbon St., New Orleans
 504-529-1728; Fax: 504-779-0250
Atmosphere: Casual restaurant in the heart of the French Quarter.
Cuisine: Creole.
Specialties: Gumbo, jambalaya, etouffee.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Monday-Thursday, 11 a.m.-midnight.

Palace Cafe

605 Canal St., New Orleans
 504-523-1661; Fax: 504-523-1633
www.palacecafe.com
Atmosphere: Classic, contemporary Creole cuisine served at upbeat and lively grand cafe.
Cuisine: Seafood.
Specialties: crabmeat cheesecake, white chocolate bread pudding.
Average dinner for two: Over \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Lunch: Monday-Friday, 11:30 a.m.-

2:30 p.m.; dinner: 5:30 p.m.-10 p.m.; live jazz brunch: Saturday-Sunday, 10:30 a.m.-2:30 p.m.
Reservations: Recommended.
Parking available

Pascal's Manale Restaurant

1838 Napoleon Ave., New Orleans
 504-895-4877; Fax: 504-897-3755
Atmosphere: Rustic old bar with pictures featuring two main dining rooms: an opera room and a sports room.
Cuisine: Seafood.
Specialties: Barbecue shrimp.
Average dinner for two: \$50 to \$75.
Neighborhood: Garden District.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Sunday, 4 p.m.-9 p.m.; Monday-Friday, 11:30 a.m.-10 p.m.; Saturday, 4-10 p.m.
Reservations: Recommended.
Parking available

Alex Patout's Louisiana Restaurant

720 St. Louis St., New Orleans
 504-525-7788; Fax: 504-525-8034
www.patout.com
Atmosphere: Two floors dedicated to dining: a bistro-like area and an elegant terrace dining room.
Cuisine: Creole.
Specialties: Traditional Creole cuisine.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 5:30 p.m.-10:30 p.m.
Reservations: Recommended.
Parking available

Patrick

748 Camp St., New Orleans
 504-821-9900; Fax: 504-821-8080
www.patrickmartinibar.com
Atmosphere: Casual dining and happy hour

in renovated warehouse.

Cuisine: Tapas.
Specialties: Martinis.
Average dinner for two: \$25 to \$50.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: American Express, Visa.
Hours: 5 p.m.-2 a.m.
Parking available

The Pelican Club Restaurant and Bar

312 Exchange Alley, New Orleans
 504-523-1504; Fax: 504-522-2331
www.pelicanclub.com
Atmosphere: Casual, yet elegant dining in a renovated French Quarter townhouse.
Cuisine: Creole.
Specialties: Asian Creole cuisine featuring Louisiana cioppino, seafood fricassee.
Average dinner for two: Over \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: 5 p.m.-10 p.m.
Reservations: Recommended.
Parking available

Petunias

817 St. Louis St., New Orleans
 504-520-6440; Fax: 504-528-9042
www.petuniasrestaurant.com
Atmosphere: Great ambience in an 1830s Creole townhouse.
Cuisine: Cajun Creole.
Specialties: Eggs melanzana, Cajun pasta.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 8 a.m.-11 p.m.

Poppy's Grill

717 St. Peter St., New Orleans
 504-524-3287; Fax: 504-566-1835
Atmosphere: 1950s diner in heart of French Quarter.
Cuisine: American.
Specialties: Daily blue plate specials.
Average dinner for two: Under \$25.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Open 24 hours.

The Praline Connection

542 Frenchmen St., New Orleans
 504-943-3934; Fax: 504-943-7903
www.pralineconnection.com
Atmosphere: Black and white decor perked up with framed prints of black art.
Cuisine: Creole.
Specialties: Soul Creole cuisine featuring Filé gumbo, soft-shell crawfish, shrimp or crawfish etouffee.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Reservations: Not accepted.

The Praline Connection Gospel & Blues Hall

907 S. Peter St., New Orleans
 504-523-3973; Fax: 504-522-5872
Atmosphere: Black and white decor; open, airy French Quarter courtyard feel.
Cuisine: Creole.
Specialties: Serves lunch buffet daily.
Average dinner for two: Under \$25.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Gospel brunch: Sunday, 11 a.m.-2 p.m.; lunch: Monday-Friday, 11 a.m.-3 p.m.

Reginelli's Pizzeria

741 State St., New Orleans
 504-899-1414; Fax: 504-899-7019
www.reginellis.com
Atmosphere: Casual family-oriented dining experience with vaulted ceilings.
Cuisine: Italian.
Specialties: Shrimp pesto pizza, uptowner sandwich with hot pepper relish, chicken pita.
Average dinner for two: Under \$25.
Neighborhood: Uptown.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Sunday-Thursday, 11 a.m.-11 p.m.; Friday-Saturday, 11 a.m.-midnight.
Parking available

Remoulade

309 Bourbon St., New Orleans
 504-523-0377; Fax: 504-581-7908
www.remoulade.com
Atmosphere: From its granite topped tables and magnificent antique mahogany bar to the eclectic menu, the restaurant fits right in with the casual, relaxed flavor of Bourbon Street.
Cuisine: Cajun.
Specialties: Jambalaya, barbecue shrimp,

Shrimp Arnaud.

Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11:30 a.m.-midnight.

Restaurant Indigo

2285 Bayou Road, New Orleans
 504-947-0123; Fax: 504-947-9922
www.indigonola.com
Atmosphere: Serene lighting make this 1860s building a perfect venue for a romantic dinner or gathering with friends.
Cuisine: Regional.
Specialties: Lobster salad, lamb shank and rack duo, Chilean sea bass and crabmeat in wild mushrooms.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Tuesday-Sunday, 6 p.m.-10 p.m.
Reservations: Recommended.
Parking available

Rita's Olde French Quarter Restaurant

945 Chartres St., New Orleans
 504-525-7543
Atmosphere: Cozy and relaxed atmosphere with friendly and hospitable service.
Cuisine: Creole.
Specialties: Stuffed catfish, blackened catfish, veal Irvin.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: 11 a.m.-10 p.m.
Reservations: Recommended.

Rocky's Pizza

3222 Magazine St., New Orleans
 504-891-5152; Fax: 504-891-4233
Atmosphere: Different and relaxing.
Cuisine: Italian.
Specialties: Pizza, salad.
Average dinner for two: \$25 to \$50.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Sunday-Monday, 11 a.m.-10:30 p.m.; Wednesday-Thursday, 11 a.m.-10:30 p.m.; Tuesday, Friday-Saturday, 11 a.m.-11 p.m.

Smith & Wollensky

1009 Poydras St., New Orleans
 504-561-0770; Fax: 504-561-0747
www.smithandwollensky.com
Atmosphere: Polished wood floors, high ceilings, cigars, great wine and steak.
Cuisine: Steak.
Specialties: Prime and dry aged beef.
Average dinner for two: \$75 to \$100.
Neighborhood: Central Business District.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: 11 a.m.-2 a.m.
Reservations: Recommended.
Parking available

Snug Harbor Jazz Bistro

626 Frenchmen St., New Orleans
 504-949-0696; Fax: 504-949-7620
www.snugjazz.com
Atmosphere: Casual dining daily.
Cuisine: Regional.
Specialties: Shrimp, beef, blackened fish.
Average dinner for two: \$50 to \$75.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: American Express, MasterCard, Visa.
Hours: Sunday-Thursday, 5 p.m.-10:45 p.m.; Friday-Saturday, 5 p.m.-11:45 p.m.
Reservations: Recommended.

Stella

1032 St. Charles St., New Orleans
 504-587-0091; Fax: 504-587-0092
Atmosphere: Charming, romantic French Quarter restaurant near Jackson Square.
Cuisine: American.
Specialties: New American cuisine featuring marinated, then seared, breast of mallard duck with foie gras wontons, mu shu stir-fry and currant cassis reduction.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Sunday-Monday, 6 p.m.-10 p.m.; Wednesday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-10:30 p.m.
Reservations: Recommended.

Tortorici's Italian Restaurant

441 Royal St., New Orleans
 504-522-4295; Fax: 504-525-2534
www.tortoricis.com
Atmosphere: Old New Orleans dining.
Cuisine: Italian.

Specialties: Tortorici's trio: beef tenderloin medallion in mushroom sauce, chicken breast in Creole crawfish sauce and shrimp scampi.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: 5 p.m.-11 p.m.
Reservations: Recommended.

True Brew Cafe and Theater

200 Julia St., New Orleans
 504-524-8441; Fax: 504-524-8466
Atmosphere: Casual neighborhood cafe.
Cuisine: American.
Specialties: Homemade biscuits and muffins, sandwiches, wraps, gourmet coffee and full bar.
Average dinner for two: Under \$25.
Neighborhood: Warehouse/Arts District.
Attire: Casual.
Credit cards accepted: MasterCard, Visa.
Hours: Sunday-Monday, 6:30 p.m.-9 p.m.; Tuesday, 6:30 p.m.-11 p.m.; Wednesday-Thursday, 6:30 p.m.-9 p.m.; Friday-Saturday, 6:30 p.m.-2 a.m.

Tujague's

823 Decatur St., New Orleans
 504-525-8676; Fax: 504-525-8785
www.tujagues.com
Atmosphere: Paris-style bistro in a 200-year-old building.
Cuisine: Creole.
Specialties: Boiled brisket with horseradish sauce.
Average dinner for two: \$25 to \$50.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Lunch: 11 a.m.-3 p.m.; dinner: 5 p.m.-10 p.m.
Reservations: Recommended.

201 Restaurant & Bar

201 Decatur St., New Orleans
 504-561-0007; Fax: 504-561-9655
Atmosphere: Contemporary Louisiana food served in a casually chic atmosphere in the heart of the French Quarter.
Cuisine: Creole.
Specialties: Barbecue shrimp, crab cakes, oysters, rack of lamb, pork tenderloin.
Average dinner for two: \$75 to \$100.
Neighborhood: French Quarter.
Attire: Casual.
Credit cards accepted: All major credit cards.
Hours: Sunday-Thursday, 6 p.m.-11 p.m.; Friday-Saturday, 6 p.m.-midnight.
Reservations: Recommended.

Uglesich's Restaurant

1238 Baronne St., New Orleans
 504-525-4925; Fax: 504-899-8256
Atmosphere: Old-time New Orleans; simple, fun and enjoyable.
Cuisine: Seafood.
Specialties: Oysters, shrimp, trout, catfish and soft-shell crabs.
Average dinner for two: \$25 to \$50.
Neighborhood: Central Business District.
Attire: Casual.
Credit cards accepted: Credit cards not accepted.
Hours: Lunch: Monday-Friday, 10:30 a.m.-4 p.m.
Reservations: Not accepted.
Parking available

VooDoo BBQ

1501 St. Charles Ave., New Orleans
 504-522-4647; Fax: 504-522-4642
Atmosphere: Hip New Orleans barbecue joint serving "Real 'O'" for the true barbecue connoisseur.
Cuisine: Barbecue.
Specialties: Beef brisket, pulled pork, slow cooked ribs, corn pudding, potato salad.
Average dinner for two: Under \$25.
Neighborhood: Garden District.
Attire: Casual.
Credit cards accepted: American Express, Discover, MasterCard, Visa.
Hours: Sunday-Thursday, 11 a.m.-9 p.m.; Friday-Saturday, 11 a.m.-10 p.m.
Parking available

Zoe Bistrot

333 Poydras St., New Orleans
 504-207-5018; Fax: 504-568-9312
Atmosphere: Modeled in the tradition of a vintage French brasserie.
Cuisine: French.
Specialties: Warm onion tarts, escargot, steak frites, lobster pie, creme brulee.
Average dinner for two: \$75 to \$100.
Neighborhood: Central Business District.
Attire: Business casual.
Credit cards accepted: All major credit cards.
Hours: Breakfast: 6:30 a.m.-10:30 a.m.; lunch: 11:30 a.m.-2:30 p.m.; dinner: 6 p.m.-10:30 p.m.
Reservations: Recommended.
Parking available

Dining guide by locale

Central Business District

Cobalt
 56 Degrees
 Morton's of Chicago
 Mother's Restaurant
 Smith & Wollensky
 Uglesich's Restaurant
 Zoe Bistrot

French Quarter

Arnaud's Jazz Bistro
 Arnaud's Restaurant
 Begue's
 Bella Luna
 The Bombay Club
 Ralph Brennan's Bacco
 Ralph Brennan's Red Fish Grill
 Brennan's Restaurant
 Bubba Gump Shrimp Co.
 Jimmy Buffett's Margaritaville Cafe
 Cafe Degas
 Cafe du Monde
 Cafe Giovanni
 Cafe Gumbolaya
 Cafe Sbis
 Clover Grill
 The Court of Two Sisters
 Crescent City Brewhouse
 Deanie's Seafood Restaurant
 827 1/2 Toulouse,
 The Restaurant & Bistro Moise
 Embers Steakhouse
 French Market Restaurant
 GW Fins
 Gamay Bistro and Bar
 Gumbo Shop
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 House of Blues
 Andrew Jaeger's House of Seafood
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Remoulade
 Restaurant Indigo
 Rita's Olde French Quarter Restaurant
 Snug Harbor Jazz Bistro
 Stella
 Tortorici's Italian Restaurant
 Tujague's
 201 Restaurant & Bar

Garden District

Cafe Atchafalaya
 Casamento's Restaurant
 Emeril's Delmonico Restaurant and Bar
 Hyde Park Grille
 Kelsey's Restaurant
 Martinique Bistro
 Pascal's Manale Restaurant
 VooDoo BBQ

Gretna/Westbank

Tony Mandina's Restaurant

Lakeview

La Cuisine Restaurant

Mid-City

Chateaubriand Steakhouse
 Christian's Restaurant
 Gabrielle Restaurant

Uptown

Franky & Johnny's
 Kokopelli's Taste of the Southwest
 Reginelli's Pizzeria

Warehouse/Arts District

Bugsy's Bar & Grill
 Mike Ditka's
 Eleven79
 Mulate's-The Original Cajun Restaurant
 Patrick
 The Praline Connection Gospel & Blues Hall
 Rocky's Pizza
 True Brew Cafe and Theater



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