June 13, 2005
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Media scandals won't have big impact on liability coverage/ 3

Diocese abuse settlement triggers insurance claims dispute/ 3

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PRESSURE BUILDS

Finite probe yields Gen Re guilty pleas

By JUDY GREENWALD

Two former executives of General Re Corp. could face up to five years in prison following their agreement to plead guilty to a conspiracy charge in connection with a sham reinsurance deal conducted more than four years ago for American International Group Inc.

A plea agreement between John Houldsworth and the U.S. Department of Justice was filed in federal district court in Alexandria, Va., last Thursday, followed by a similar agreement with Richard Napier on Friday.

The plea agreements are part of an investigation that is likely to drag on for months, if not years, as prosecutors seek to gain cooperation of lower level staff to reach former AIG Chairman Maurice R. Greenberg, if not others as well, say observers (see related story).

In addition to the criminal charges, the U.S. Securities and Exchange Commission filed a civil complaint in the matter in federal district court in New York early last week, naming Mr. Napier, formerly a Gen Re senior vp in Stamford, Conn., and Mr. Houldsworth, who had been chief executive officer of Cologne Re Dublin, as defendants. Mr. Napier was terminated as a Gen Re employee on June 8, and Mr. Houldsworth was terminated June 6. Both men have agreed to cooperate with the investigations.

In their agreements with the Department of Justice, both men consented to plead guilty to

See CHARGES / page 22

Crime and punishment

Former Gen Re executives John Houldsworth and Richard Napier entered plea agreements with federal prosecutors last week.

THE CHARGES: Conspiracy to file false financial reports, falsify books, records and accounts and mislead auditors.

THE PENALTY: Up to five years in prison and fines of $250,000 or more.

Indictments seen as basis for more action by prosecutors

By JUDY GREENWALD

Criminal indictments of two former General Re Corp. executives reflect a strategy of seeking leverage in an attempt to reach principal players in an alleged fraud between the reinsurer and American International Group Inc., legal experts say.

"It appears as though what they're trying to do is get" people cooperating to "go up the chain as high as they can," said Michael Missal, an attorney with Kirkpatrick & Lockhart Nicholson Graham L.L.P. in New York. "This is sort of a classic strategy that they employ in many investigations," he said. The government "typically doesn't accept a plea agreement unless they think somebody can be helpful to them."

John Houldsworth, former chief executive of-

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Pension reform bill introduced in House

By JERRY GEISEL

WASHINGTON—Comprehensive pension reform legislation backed by House Republican leaders will—through stiffened funding rules—reduce the likelihood of future multibillion dollar plan failures without triggering an employer exodus from the defined benefit plan system, its proponents say.

The bill, introduced last week by House Education and the Workforce Committee Chairman John Boehner, R-Ohio, and cosponsored by several Republican committee chairmen would, like a proposal earlier advanced by the Bush administration, close many of the loopholes in federal law that have allowed employers to seriously underfund their plans. That underfunding saddled the federal pension insurance agency with massive losses when those plans later failed.

Both the House Republican and administration proposals would require faster funding of pension liabilities, end the ability of employers to increase benefits when their plans are underfunded and increase premiums employers with defined benefit plans pay the Pension Benefit Guaranty Corp.

But the packages are strikingly different in other ways. The House Republican plan, among other things, would give employers greater certainty on how much they would have to contribute each year to their plans and allow employers to continue to get credit for extra pension contributions they make.

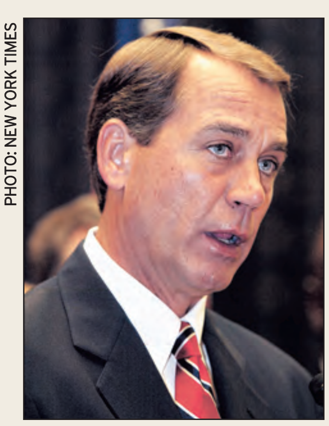
Additionally, unlike the administration package, the House Republican plan would not ramp up the funding burden of companies with junk bond credit ratings and would phase in, rather than immediately implement, a

See REFORMS/ page 21

Reform ideas in the House

House Republican leaders, led by Rep. John Boehner, below, proposed reforms that would:

PHOTO: NEW YORK TIMES



- Boost the base PBGC premium to $30 from $19 and phase in the increase over several years
- Bar employers with underfunded plans from increasing benefits
- Base interest rates used to value liabilities on age of plan participants
- Require employers to amortize unfunded liabilities over seven years
- Allow employers to fund up to 150% of plan liabilities

Late News

MMC: No plans to sell key units

Marsh & McLennan Cos. Inc. has completed a strategic review and has no plans to sell or spin off any of its principal businesses, the company said. MMC began the review in March, shortly after it settled New York Attorney General Eliot Spitzer's fraud and antitrust charges. The business units under review were: Marsh Inc., Guy Carpenter & Co. Inc., Marsh Kroll, Putnam Investments Inc., Mercer Human Resource Consulting and Mercer Specialty Consulting. Marsh, however, continues to explore "strategic alternatives" for its wholesale brokerage units, a spokeswoman said.

Quebec health cover ban ruled unconstitutional

Quebec's ban on private insurance for health care services already provided by the province is unconstitutional, according to a split decision by the Supreme Court of Canada. The 4-3 decision in *Chaoulli vs. Quebec (Attorney General)* found the prohibition on private insurance is an unjustified infringement on rights protected by federal and provincial laws. In its majority opinion, the court said the ban has the effect of allowing only the very rich, who can afford private care without insurance, to secure such care and avoid delays in the public system.

SCOR restructuring in cost-saving bid

French reinsurer SCOR S.A. has announced a restructuring plan designed to cut costs by between 24 million euros and 44 million euros ($29.3 million and $53.8 million) by 2007. As part of the plan, SCOR said it would create a wholly owned subsidiary for all its nonlife reinsurance business, including treaty business and large corporate risks, and would streamline its other operations.

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NEWSPAPER

SPOTLIGHT

GLOBAL RISK MANAGEMENT

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Health courts could be cure for malpractice woes

Special courts are needed to settle med mal disputes, a think tanks says.
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Texas workers comp reforms provide hope for employers

Reforms to the state's workers comp laws are welcomed by Texas employers.
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N.Y. HMOs above average on customer service

Scorecard gives New York HMOs high marks for service.
Page 4

Reinsurance harmonization approved in Europe

European reinsurers have welcomed legislation designed to ease regulation.
Page 17

Online poll - [6/6 - 6/10]

Regarding the civil fraud charges leveled against Maurice R. Greenberg, will the former AIG CEO:

30.4%
Be found liable

10.9%
Be found not liable

56.5%
Settle before trial

2.2%
Do not know

Participate in *BI*'s online polls at *www.businessinsurance.com.*

Departments

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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Anonymous tipster controversies will not curb media liability cover

By GLORIA GONZALEZ and RUPAL PAREKH

News organizations that print or broadcast information obtained from anonymous sources will still be able to find media liability insurance, but publications that suffer significant claims as a result of using such sources may pay more for the coverage.

Despite controversies related to the use of anonymous sources, such as the recent Newsweek magazine retraction of a story on alleged abuses of the Quran by U.S. soldiers guarding Muslim prisoners at Guantánamo Bay, Cuba, media liability insurers will not cut back coverage to exclude news stories based on unnamed sources, insurers and brokers say.

The Newsweek retraction was one of several admissions in recent years by high profile news organizations that information supplied, or allegedly supplied, by anonymous sources was erroneous.

In an open letter to its readers, Newsweek stated that it will raise is standards in determining whether to use anonymous sources in the future, but noted that "Historically, unnamed sources have helped to break or advance stories of great national importance."

Indeed, the issue of using unnamed sources was heightened shortly after the Newsweek apology was printed, when earlier this month former top FBI official W. Mark Felt revealed his identity as "Deep Throat," the confidential source for Washington Post stories investigating the Watergate scandal in the 1970s.

Despite the heightened controversy, publishers are unlikely to see their media liability policies altered as a result.

"There are no plans on our behalf to change our policy," with regard to publications' attributing information to unnamed sources, said Walter Coady, president of Clinton, Md.-based Walterry Insurance Brokers, the program administrator for Chubb Corp.'s media liability program.

Clint Johnson, senior vp, ACE USA Profes-

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News organizations that use anonymous sources, such as W. Mark Felt, who recently revealed himself as "Deep Throat," can still obtain media liability coverage.

Diocese settlement sparks claims dispute

By DOUGLAS McLEOD

ERLANGER, Ky.—The Roman Catholic Diocese of Covington, Ky., is suing its principal liability insurer, a Catholic mutual self-insurance program, after agreeing to pay $120 million to settle a class action complaint over alleged sexual abuse by priests going back as far as the 1950s.

The settlement, the largest by a diocese since the Catholic Church's sexual abuse scandal erupted several years ago, was announced last week.

Under the agreement, four compensation categories will be established to reflect the seriousness of scores of incidents over a half century, with payments ranging from $5,000 to $450,000 per claimant. Awards will be determined by a settlement administrator to be chosen jointly by the parties, according to the Covington diocese.

The deal still must be approved by a Boone County, Ky., circuit court judge.

The $120 million settlement fund will comprise $40 million in investments and real estate held by the Covington diocese and $80 million in projected insurance proceeds, according to the diocese.

"The diocese has agreed to pursue insurance coverage under its policies for class members' claims, through litigation if necessary," church officials announced.

The Covington diocese has already filed suit in Boone Circuit Court against Catholic Relief Insurance Co. of America and its management company, Catholic Mutual Relief Society of America, both based in Omaha, Neb.

Catholic Mutual operates a self-insurance program that provides liability coverage to 111 of the 195 U.S. Roman Catholic dioceses and archdioceses. The Covington diocese has participated in the program since 1968, Catholic Mutual confirmed.

The suit filed by the diocese charges that Catholic Mutual has refused to contribute to the settlement and has failed to cite any

See DIOCESE / page 6

Abuse claims settlement

The Diocese of Covington, Ky. has agreed to pay $120 million to settle sexual abuse claims.

The settlement fund will comprise:

- $40 million in investments and real estate.
- $80 million in projected insurance proceeds.

Source: Roman Catholic Diocese of Covington, Ky.

Nevada cuts RRG charges, expands offerings

Governor likely to sign bill designed to attract more insurance business to the state

By JERRY GEISEL

CARSON CITY, Nev.—The fees and premium taxes paid by risk retention groups operating in Nevada would be slashed under a bill awaiting the governor's signature.

The measure, put together by the Nevada Division of Insurance and given final approval during the closing hours of the legislative session, would reduce initial registration and annual fees paid by out-of-state RRGs that provide coverage to Nevada policyholder-owners to $250 from $2,450. Nevada's fees are the highest in the country; the fees in other states that impose them typically range from $100 to $300.

Additionally, the measure would reduce to 2% from 3.5% the premium tax that out-of-state RRGs pay on coverage written for Nevada policyholders.

Gov. Kenny Guinn is expected to sign the measure soon. The fee and premium tax reductions in A.B. 338 would become effective immediately.

The impact of the legislation, state insurance department officials and others say, will go beyond the 47 RRGs that are operating in Nevada but licensed in other states.

Many, if not all, of the 12 RRGs licensed in the state also could benefit. That is because those Nevada-licensed RRGs no longer will face retaliatory fees and taxes in other states in which they write coverage. Many states impose such penalties.

To pass the measure, state insurance department officials had to overcome the opposition of some state legislators concerned about the potential loss of revenues to the state through the reduction of fees and taxes paid by out-of-state RRGs.

To help allay those concerns, Nevada Insurance Commissioner Alice Molasky-Arman distributed to legislators an analysis prepared

See RRG / page 21

Lower fees, more options

The new risk retention group and captive legislation would:

- Lower to $250 from $2,450 the initial and annual fees paid by out-of-state RRGs.
- Lower to 2% from 3.5% premium taxes paid by out-of-state RRGs.
- Cap at $175,000 the maximum annual premium tax paid by Nevada-licensed RRGs and other captives.
- Allow the formation of sponsored or protected cell captives.

'Health courts' touted as malpractice claim option

Setup would resemble workers comp system

By MARK A. HOFMANN

WASHINGTON—Using special health courts to resolve medical malpractice disputes would provide greater certainty and fairness to victims of medical errors, say supporters of a proposed new type of jurisprudence.

As envisioned by supporters such as the New York-based bipartisan organization Common Good, which for years has been promoting the idea of health courts, and the Progressive Policy Institute, a Washington think tank associated with Democratic Party centrists, the system would operate somewhat like the workers compensation system.

Those groups, joined by other supporters of the concept, outlined their vision at a Capitol Hill gathering last week. Like workers comp, the health courts would pay benefits according to a set schedule, with benefits varying according to the injury. And like workers comp, the health courts would seek to swiftly provide consistent benefits to the injured.

All a claimant would have to do to gain access to a health court would be to fill out a form and present it to a local health court review board. The board would determine if the injury had stemmed from a clear case of malpractice. If so, the claimant's health care provider would be required to pay the scheduled benefit. If the board found that no malpractice had been committed or that the injury was not serious enough to deserve an award, the case would be dismissed. Under either of these two circumstances, both claimants and providers would have some limited right of appeal of the board decisions.

The third circumstance—in which the board could not determine whether the injury had resulted from malpractice—would send the case to a health court.

Health courts would look somewhat like regular civil courts but with notable exceptions. A judge would preside over the case, but that judge would have expertise in health and medical matters. Expert

New prescription for health care torts

Who...	Traditional tort system	Health court system
...decides the cases?	Juries	Judges with medical expertise
...chooses expert witnesses?	Parties to the lawsuits	The health courts themselves
...determines size of the awards?	Juries	A set schedule of benefits

See **HEALTH COURTS** / page 6

N.Y. HMOs get passing grade on report card

By GLORIA GONZALEZ

LAKE SUCCESS, N.Y.—New York state health maintenance organizations rate above the national average in terms of customer service but have a mixed record in providing patient care, according to the seventh annual New York state HMO Report Card.

The report, released last week by the Lake Success, N.Y.-based NYS Health Accountability Foundation, examined 2003 data from 19 commercial HMOs on 17 measures of access, service and patient care.

The percentage of New York HMO members who rated the performance of their HMOs 8, 9 or 10—on a scale of 1 to 10, with 10 being the highest—was 66% compared with a 62% national average, according to the report.

The highest overall rating was given to Albany, N.Y.-based Capital District Physicians' Health Plan, with 80% of members giving it high ratings. CIGNA HealthCare of New York had the fewest high ratings, with 50% of its members rating it 8, 9 or 10, according to the report.

Eighty percent of New York HMO members reported that they were usually or always able to get health care services when they needed them, compared with 79% nationally. While this represents a slight improvement over last year's 79% average for New York HMOs, they need to spend more time focusing on this area, said Laurel Pickering, executive director of the New York Business Group on Health.

New York HMOs were rated higher than the national average in five out of 10 categories in caring for or preventing specific illnesses such as depression, diabetes, heart disease and asthma. For example, 78% of New York HMO members received follow-up care after hospitalization for mental illness within 30 days of discharge, compared with 74% nationally.

But HMOs need to improve long-term patient care for members suffering from depression because the data shows that while they improved in providing short-term care, they showed no improvement or a slight decline in providing long-term care, Ms. Pickering said. "Depression, in particular, affects not just the employee but employers, leading to increased absenteeism and decreased productivity," she said.

New York HMOs were rated lower than the national average in three out of 10 categories and were rated the same in two other categories. For example, 67% of New York HMO child members received the recommended immunizations, compared with 70% nationally.

The HMO report card was compiled using data that all HMOs operating in New York are required to submit annually to the New York state Department of Health.

The New York state HMO Report Card can be viewed at *www.abouthealthquality.org.*

Errors & Omissions

A chart on page 1 of the June 6 issue incorrectly illustrated the restated net income of American International Group Inc. A corrected version of the chart appears on page 6 of this issue.

Startup broker Integro takes on five more former Marsh executives

NEW YORK—Recently launched insurance brokerage Integro Ltd. continues to lure away key executives from Marsh Inc. as it builds its team of professionals to service large-account business.

The New York-based brokerage, run by industry veteran Robert Clements and former Marsh Inc. executives Roger E. Egan and Peter F. Garvey, last week announced five executive appointments, including the hiring of Frank M. Gundersen, former chairman of Marsh's global property placements.

Mr. Gundersen has been named managing director of Integro and will head its New York office, the brokerage said.

Also joining Integro in New York are: Jeffrey B. Wingate, former sales leader for the New York metro region of Marsh, who is now managing director and head of client development for Integro's New York office; and Alexandra E. Littlejohn, former managing director of primary casualty placements at Marsh, who is now managing director and head of worldwide casualty.

Alexandra Littlejohn will head Integro's casualty business.

Joining Integro's San Francisco office are: Marc R. Kunney, former managing director of risk and insurance services and head of Marsh's San Francisco office, who is now managing director and head of Integro's San Francisco office; and Bruce L. Scollin, former managing director-global development for Marsh's San Francisco office, who was named a managing director.

Last month, Integro secured more than $300 million in a private securities placement to launch the brokerage. Executives said the intended use of the capital was to be able to put in place a "rapid assembly of talented brokers" (*BI*, May 9).

—By Sally Roberts

Physician networks top Texas comp reforms

Changes implemented to stop the best doctors from fleeing the system

By ROBERTO CENICEROS

AUSTIN, Texas—Employers and insurers are hoping that Texas' recently adopted workers compensation reforms will reduce costs and improve return-to-work results, while enticing good doctors back into a system that previously chased them away.

Among other measures, the reforms allow employers and insurers to direct employees into new physician networks. They also call for the adoption of treatment guidelines and allow participating doctors to independently negotiate their fees. Previously, a state commission set the fees paid to doctors treating injured workers.

While the reforms are wide-ranging, the key to making them a success will lie in crafting the new physician networks that should help control medical utilization, according to Don Rich, personnel director for General Motors Corp.'s Arlington, Texas, plant.

New networks, to be created under the reforms signed into law June 1 by Texas Gov. Rick Perry, will be able to file for state certification beginning in December, said Joe Woods, assistant vp and regional manager for the Property Casualty Insurers Assn. of America in Austin, Texas.

To create the new networks, many Texas-based health maintenance organizations and preferred provider organizations are expected to contract with occupational injury physicians, a spokeswoman for the Austin-based Texas Assn. of Health Plans said. Companies based outside Texas and specializing in creating networks are also expected to compete for business.

Once put together, properly constructed networks are expected to reduce employers' medical costs by 11% to 25%, representing one of the biggest advantages to emerge from the reforms, explained Lucinda Dean Saxon, a lobbyist for the Austin-based Texas Assn. of Business.

PHOTO: GOVERNOR'S OFFICE

Reforms signed into law by Texas Gov. Rick Perry on June 1 will permit the state's workers compensation doctors to negotiate their fees.

See **TEXAS** / page 20

Media: Despite recent errors, major changes in libel coverage not likely

Continued from page 3

sional Risk, a unit of Philadelphia-based ACE USA, does not foresee "any major swings in changes in the coverage that are written currently for those types of exposures."

Insurance companies long ago developed media liability policies to provide protections against potential libel, defamation, or copyright infringement claims, including those that arise from the use of "off-the-record" sources (see related story).

Even in instances where information provided by an unnamed source is later found to be incorrect, such policies will cover damages, provided any reporting errors were unintentional, insurers say.

"There's a lot of good will between media carriers and the mainstream media sources," said Scott Kannry, media liability broker with Aon Risk Services in Chicago. "They recognize that a lot of these recent instances are one-off, isolated incidents."

While insurers say they have no plans to reduce the scope of their coverage, some say that in certain cases, pricing of the product could be impacted if a company has an extensive claims history related to the use of anonymous sources.

For example, if an insured generates a large volume of claims, or its claims experience suggests an overreliance on confidential sources, Media/Professional Insurance Agency Inc. would take that into account in terms of pricing and insurability during renewals, said Jim Borelli, vp-claims at the Kansas City, Mo.-based company.

"Claims that involve unnamed sources often result in increased legal expense and loss potential, which will be reflected on an insured's loss history," said Michelle Worrall Tilton, president of Fairway, Kan.-based First Media Insurance Specialists Inc.

Currently, premiums can range as low as $5,000 to $10,000 for $1 million of coverage for a lower-risk publication, such as a sports magazine, and as high as $50,000 for $1 million of coverage or more, for the riskiest of publications, such as tabloid newspapers, according to Aon's Mr. Kannry.

Currently, only a handful of carriers write primary media liability coverage. Major players include: Warren, N.J.-based Chubb; Chicago-based CNA Financial Corp.; Philadelphia-based ACE USA; Media/Professional Insurance; and First Media, which was acquired last month by Boston-based OneBeacon Insurance Group.

But Melissa Shelk, vp-federal affairs for the American Insurance Assn. in Washington, said, "We support MICRA-like legislation and currently have no position on the various other ways of trying to deal with the medical malpractice crisis at the federal level." The Medical Injury Compensation Reform Act, or MICRA, is a California law that places firm caps on noneconomic damages in medical malpractice cases.

ERC pioneered libel coverage

Media liability insurance, which historically has also been referred to as libel insurance or communications liability insurance, was pioneered nearly 75 years ago by Employers Reinsurance Corp. of Overland Park, Kan.

Under the guidance of its founder, Edward Grigsby Trimble, ERC joined forces with William Allen White, famed newspaperman and then-publisher of the Kansas Emporia Gazette, to create the nation's first-ever libel insurance policy in 1930, protecting newspapers against potential claims of libel or slander.

Over the next several decades, the company grew its media business to extend coverage to book publishers, magazines, and radio and television stations.

Now a subsidiary of Kansas City, Mo.-based GE Insurance Solutions, ERC sold its media book of business in 1999 to Media/Professional Insurance Agency Inc. of Kansas City.

Source: GE Insurance Solutions

Policies generally cover all employees of a media company—editors, staff and freelance reporters, and publishers—who act within the scope of their employment.

Other recent controversies have raised the issue of reporter misconduct, specifically related to the use of anonymous sources that have been fabricated by reporters. Major print publications such as The New York Times, USA Today and the New Republic magazine have publicly disclosed that reporters have fabricated material in their publications, and some of these reports based on fictitious anonymous sources.

Representatives of those publications and others declined to comment or could not be reached for comment.

It is unclear whether lawsuits related to fabricated information would be covered under media liability policies.

According to Ms. Worrall Tilton, a media organization would still be covered even if a reporter has written a story that contains fabricated information, especially if the employer did not know that the sources were fabricated. "A reporter who makes up a source is not going to void the coverage," she said.

An insurer, though, could possibly deny coverage due to intentional misconduct by a reporter because there would be a question of whether a reporter who fabricates information is acting within the scope of his or her employment, Mr. Borelli said. But the insurer could still have an obligation to defend if fabrication has not been proven.

Going forward, most industry professionals do not expect the recent controversies regarding the use of anonymous sources to lead to an increase in claims.

"I do not anticipate an increase in claims relating to anonymous sourcing and fabricated stories," Ms. Worrall Tilton said. "While these claims do periodically arise, they are few and far between."

Health courts: Current system called 'polarizing'

Continued from page 4

witnesses would testify, but they would be expert witnesses chosen by the court itself rather than by either plaintiffs or defendants. Lawyers would represent each party, but there would be no jury.

"When people come together, they will, by and large, work things out," said Philip K. Howard, president of Common Good, at last week's briefing. He called the current system "polarizing."

U.S. Rep. Mac Thornberry, R-Texas, introduced legislation a few weeks ago that would provide federal funding for experimental health courts in as many as seven states. His measure, the Medical Liability Procedural Reform Act of 2005, H.R. 1546, has been referred to the House Judiciary Committee.

In the meantime, business and insurance groups welcomed the interest in an alternative approach to dealing with allegations of medical malpractice.

"From the NAM's perspective, we're not wed to any one solution when it comes to the high costs of medical liability lawsuits and the downstream costs on health care purchasers," said Neil Trautwein, assistant vp-human resources policy for the National Assn. of Manufacturers in Washington. "So, certainly, we commend Phil Howard and Congressman Thornberry for their efforts to find different ways to deal with this, and, certainly, we support their efforts along the same lines as we've always supported alternative means of dispute resolution and solving the litigation conundrum. We're always looking for innovative ways to find relief from the high costs of medical liability lawsuits."

> "The current system consumes 50 cents of every dollar available to pay claims."
>
> **Lawrence E. Smarr**
> **Physician Insurers Assn. of America**

"We think the concept of special health courts is a good idea," said Lawrence E. Smarr, president of the Physician Insurers Assn. of America. "The current system consumes 50 cents of every dollar available to pay claims, and it takes, on average, four and one-half years to compensate truly injured patients. And patients only receive any award 30% of the time, so, clearly, the current system just is not working well."

"Just having a court that's comprised of knowledgeable judges and lawyers should speed things up," said Mr. Smarr.

A spokesman for the Assn. of Trial Lawyers of America called the health court proposal "an outrageous antidemocratic position." It "demonstrates that the advocates of special nonjury health courts have a fundamental distrust of the American people. They want to substitute the judgment of insurance executives and politicians for that of 12 men and women who hear all the facts," the spokesman said. "They think that the same people whom they trust to make the proper decision in a capital murder case are incapable of deciding whether a doctor committed malpractice or a drug company or hospital injured a patient."

Diocese: Catholic mutual sued

Continued from page 3

terms or conditions of the insurance policies in denying coverage, according to a report in the Cincinnati Post.

Neither Covington diocesan officials nor Stanley Chesley, the Cincinnati-based lawyer representing the class plaintiffs, responded to calls about the coverage litigation.

In a statement, Catholic Mutual said it has already paid $1.7 million in defense costs in the Covington class action and has paid more than $8 million in previous claims settlements on behalf of the diocese.

"Catholic Mutual was surprised to learn that, without any prior notification to Catholic Mutual, the Diocese of Covington had agreed to settle the sexual abuse allegations through the establishment of a $120 million settlement fund," the insurer said. "Catholic Mutual is not aware of any basis on which the Diocese of Covington could contend that the self-insurance program should fund a settlement on which it was not consulted, to which it did not consent and which involves many incidents occurring prior to the diocese's initial participation in the Catholic Mutual self-insurance program."

In a February 2004 report, the Diocese of Covington—which includes 89,000 parishioners in several northern Kentucky counties—disclosed that sexual misconduct allegations had been leveled against 35 of 364 priests who had worked in the diocese.

Between 1989 and 2004, the diocese had paid $3.8 million in uninsured settlements in abuse cases and more than $1 million more for counseling and legal fees.

From 1993 to 2004, the diocese paid another $7.9 million in insured settlements and $1.5 million in legal and other expenses, according to the report.

The Covington settlement has pushed the total cost of sexual abuse settlements and related expenses to more than $1 billion for Catholic dioceses nationwide, the Associated Press reported last week.

AIG restates profits

A corrected version of the chart illustrating restated profits by American International Group Inc.

Redoing the math

AIG recalculates its profits for the past five years

Year	Change in profits
2004	-$1.32 billion
2003	-$1.27 billion
2002	+$347 million
2001	-$1.19 billion
2000	-$498 million
Total	**-$3.92 billion**

Source: AIG reports

Editorial

GOP plan offers hope for PBGC solvency

IT WOULD BE relatively easy to insulate the Pension Benefit Guaranty Corp. from future big losses and prevent the federal pension insurance agency's $23.3 billion deficit from getting any larger.

All Congress would have to do is to tighten funding rules to ensure that employers' pension plans always were fully funded.

The trouble with such an approach is that if the rules are too stringent, employers simply would terminate their defined benefit plans. That would leave the PBGC more fiscally sound, but with no plans left to protect.

That was the major and, we think, justified criticism of the Bush administration's pension funding reform proposal: it was one-sided, protecting the PBGC but offering no incentives to keep employers in the defined benefit plan system.

Fortunately, a group of House Republican leaders whose committees have jurisdiction over pension issues recognizes that it is a voluntary system. Funding reform legislation will be counterproductive if it forces out those who are sponsoring pension plans.

Their bill, as we report on page 1, would tighten pension funding rules and close loopholes that have led to massive losses for the PBGC. Those losses threaten the PBGC's ability to guarantee benefits to employees and retirees in plans it has taken over.

But we think the rules in the Republican plan are not overly stringent and would not, unlike the administration's proposal, trigger an employer exodus. And, in contrast to the administration's approach, the legislation would ensure the continuation of hybrid plans—the only type of defined benefit plan that has grown in recent years—by ending the current legal uncertainties surrounding those plans on terms acceptable to employers.

Rep. John Boehner, R-Ohio, the lead sponsor of the legislation, has pledged fast action on his measure. We hope House members heed his call.

Medical courts a worthy idea

THERE'S NO QUESTION that experimentation has driven great breakthroughs in medicine. Laboratory work translated into practical treatments has saved millions of lives.

But experimentation isn't confined to the lab. That's why we hope that a proposed experiment in an area that is as crucial to medicine as the laboratory may hold some promising results as well. It is the area of medical malpractice liability law, where a diverse group of people, not all of whom are usually to be found in the camp of those who favor tort reform, is advocating a change in the way that malpractice cases are handled.

As we report on page 4, the Progressive Policy Institute—a think tank associated with the Democratic Party—and the nonpartisan group Common Good are pushing for the creation of special health courts to try medical malpractice cases. These health courts would differ from traditional courts in many ways. Judges well versed in medicine, rather than juries, would hear the cases; all expert witnesses would be appointed by the court rather than hired by the parties; and awards would be based on a schedule of benefits rather than juries' assessments.

Backers of the proposal say such courts would be able to deliver compensation to the true victims of medical malpractice in a timely and consistent manner, something that's often missing in the current litigation-based system. That alone makes the establishment of health courts on a limited basis an experiment worth conducting, and legislation has already been introduced in the U.S. House of Representatives to fund such courts in as many as seven states on a temporary basis.

We believe such an experiment in health courts should go forward. If it fails—and we realize that it, like any other experiment, might very well fail—the existing system and the rights of plaintiffs and defendants will not have been compromised in any way. But if it succeeds, it could present the kind of breakthrough the ailing medical malpractice liability system has needed for a long time.

Schillerstrom

Letters

'Industry' of investigators

To the editor: I read the June 6 article by Sally Roberts, " 'Hiring Subsidies' May Be Terminated Amid Investigations," with great interest. Having worked in the insurance industry for many years, I just wonder how else insurance carriers can compete for business.

Providing incentives in the form of contingent commissions and other programs such as those addressed in Ms. Roberts' article are ways for a carrier to attract profitable business, to retain profitable renewals, to assure continuing growth in the classes of business the carrier is targeting. These incentives, such as "hiring subsidies," also help carriers to develop and expand upon a distribution plant that is knowledgeable of the carrier's operations and has loyalty to the carrier. Excellent business relationships are formed between the independent agent or broker and the carrier through these programs that are key to success of any business, not just insurance.

Keeping in mind that, in general, the standard insurance products are very similar among carriers, that the agent-to-carrier processes are similar as well, that the agency-company agreements are more or less the same, that rates do not vary greatly, so there is not much that independent agency companies can do to motivate agents and brokers to bring them profitable business.

I know that there are gray areas; however, insurance carriers should be able to compete by providing incentives as all other industries are allowed to do. The insurance industry has it much harder to compete than anybody else, it seems. They cannot have a "20% off all red ticket items in the store" or "buy one policy, get one free" sale. They cannot offer free checking, free airline tickets, or the lowest interest rate in town. If they did, they would be investigated. So, what can they do?

What will be "investigated" next? Maybe the fact that some companies have developed certain "elite status" and "elite programs" for their high-volume producers who are receiving perks just because they bring more business to the carrier than other agents?

What's wrong with being a better performer than others and what's wrong for being rewarded for it? And, what about some of the incentive programs for block transfers? The list can go on and can keep this brand new evolving "industry" of insurance investigators busy. The more they dig, the greater their job security and their potential to make a name for themselves, certainly another great perk and incentive that the insurance industry seems to offer.

I fully understand that there may be some gray areas. I also am concerned that these investigations, with everybody who is somebody or wants to be somebody jumping on the bandwagon, will hurt the insurance industry as a whole. In my opinion, it is turning into a circus and a witch hunt, and I am not 100% certain that all of these investigations are meant to only serve the best interest of the consumer.

Gabriela Dunne
Vp, Insurance Management
CSC Group
Chicago

Business Insurance

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Spotlight GLOBAL RISK MANAGEMENT

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E.U. cleanup laws may spur demand for stand-alone pollution coverage

By ROBERTO CENICEROS

Few companies purchase stand-alone pollution coverage for risks outside of North America because the threat of liability diminishes beyond the continent's borders.

But change is afoot in some regions of the world, notably in European Union countries, say brokers, insurers and other pollution coverage experts. And they are expecting growth in the sale of stand-alone pollution liability policies for risks across Europe.

Several forces in Europe are driving their expectations. They include: a boom in the development of contaminated properties; brisk merger and acquisition activity; and new liabilities stemming from emerging European Union laws holding polluters and property owners liable for the cleanup of contaminated sites.

With its updated laws, Europe has surpassed the United States in certain aspects of environmental regulation but still lags in others, said Don Anderson, a professor of risk management and insurance who studies pollution liability at the University of Wisconsin-Madison.

Recently adopted European Union laws, for instance, go beyond legislation in United States by requiring some manufacturers to accept returned product packaging and even certain products once they become obsolete, such as computers. Such regulations will drive companies to use materials that recycle more easily or that contain fewer toxic components that can cause harm to workers who handle the returned products, Mr. Anderson said.

But, unlike in the United States where the federal Superfund law and state laws have long imposed strict liability on parties associated with polluted sites, among other things, European countries until recently had no clearly defined rules for cleaning up contaminated property. Nor had the countries imposed liability for the cleanups, said Peter Breitstone, president of Breitstone & Co. Ltd., a Cedarhurst, N.Y.-based brokerage firm specializing in construction and pollution liability.

The creation of Superfund in 1980 was the main reason that a sophisticated market for pollution coverage purchased separately from general liability insurance emerged in North America, said Dave Dybdahl, founder of Middleton, Wis.-based Environmental Risk Resources Assn., a nonprofit organization providing education on environmental insurance.

Without such laws, there has been little need for stand-alone pollution coverage for

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Market for political risk cover broadens, softens

By MICHAEL BRADFORD

Risk managers are taking a more global approach to their political risk exposures and are finding insurers eager to accommodate them with favorable prices and coverage conditions.

"What we've seen from the broker perspective is that (buyers) are looking for broader coverage," said Bryan Squibb, Chicago-based managing director of Aon Corp.'s trade credit practice. Whereas risk managers previously were more likely to seek coverage on a country-by-country basis, they now want to "put it all together" into a "global political risk" program, he said.

"We've seen risk managers for our major clients become a lot more aggressive," he said. "They're saying, 'We need to get our hands around our aggregate political risk exposure.'"

Mr. Squibb said risk managers want coverage that will protect them throughout their companies' entire supply chains, wherever they exist.

Political risk insurance typically covers assets against confiscation, expropriation, nationalization and deprivation. It also provides coverage for contract frustration, currency inconvertibility and other exposures.

As buyers have become more intent on solving their global political risk problems, insurers have responded with capacity at reasonable prices, sources say.

Plenty of coverage is available, and, in many cases, the pricing and terms are very attractive, according to Julie Martin, senior vp in Marsh Inc.'s Washington office.

"Our view is that there has been a

See POLITICAL RISK / next page

Political risk: Buyers look for broader coverage as rate declines take hold

Continued from previous page

softening," Ms. Martin said. She noted that several insurers have entered the political risk market in the past three years, bringing some competitiveness to pricing. Underwriters, she said, have become "fairly hungry and fairly aggressive, similar to the market we saw in the late 1990s."

As new players have entered the market, existing political risk insurers have increased the amount of business they wrote, said Daniel Wagner, senior co-financing specialist at the Asian Development Bank in Manila, Philippines.

Insurers, he said, "see growth in the business from a long-term perspective, even though growth may not be significant on a year-to-year basis." Given the "realities of the world, it would be hard to imagine that there would not be long-term growth" in the political risk insurance business, Mr. Wagner said.

Ms. Martin noted that not only are premium rates falling but coverage is becoming more widely available in areas in which it had been scarce.

For example, Ms. Martin said, insurers are becoming less hesitant about writing coverage in some African countries.

"I worked on a deal that closed late last year with exposure in Africa," she said. "Two years ago, we got limited quotes from the private market. By the end of last year, we were able to bring in substantial capacity. Over two years, the appetite had changed that much."

Keith Dunford, vp and worldwide underwriting manager for Chubb & Son, a unit of Chubb Corp. in Whitehouse Station, N.J., said he has seen an increased demand for coverage in Africa, particularly from banks involved in mining interests there. Mining activity in Africa has increased to satisfy a rising demand from China for minerals, he said.

Political risk underwriters are covering the risks banks face in case the mines' operators cannot make payments on their debt because of violence, war or some other covered exposure, Mr. Dunford said.

Increased demand for coverage is also coming from the Middle East, he said. "The projects being marketed for coverage are usually large European contractors and engineering firms that are building new facilities associated with oil and gas" or are working on infrastructure development, Mr. Dunford said.

Risk managers have benefited not only from falling coverage prices but also from terms that have become more attractive in recent years, Ms. Martin said. The improved terms can be seen in how insurers now approach coverage for losses from political violence, a coverage that used to be available from private markets only in conjunction with expropriation insurance, she said.

"Last fall, (insurers) started to offer a stand-alone policy" for political violence risks, Ms. Martin said. "That's very important to our clients," many of which had previously opted for terrorism coverage—which excludes some forms of political violence—to cover that exposure, she said.

One risk that has grown for many large U.S. employers is related to outsourcing, Mr. Squibb said. As more call centers are being located in India, the Philippines and other countries, risk managers have become worried about the dangers posed to those operations, he said.

> Underwriters are "fairly hungry and fairly aggressive, similar to the market we saw in the late 1990s."
>
> **Julie Martin**
> **Marsh Inc.**

Aon has begun placing coverage with Lloyd's of London syndicates that covers losses related to political violence at those overseas centers, Mr. Squibb said.

The insurance, which would pay to re-establish a call center if it were to be shut down by an outbreak of violence, was one that employers sought because they were worried more about such problems than about physical damage to the structure from some other source, he said.

Mr. Wagner stressed, though, that while political risk insurance prices have dipped in several countries, it is not safe to assume they are or will remain low in every country.

The political risk market has been "fairly static in the past year in terms of availability and pricing," he acknowledged. But while large pricing shifts are rare in the political risk market are a whole, "there can be huge swings in premium rates for a given country," depending on conditions there, he said.

Furthermore, there remain a few places where the coverage, although available, can be a little more challenging to secure.

Buyers will find few markets interested in writing political risk insurance in Iraq and Afghanistan, Mr. Dunford said. Some insurers also stay away from countries such as Kazakhstan, Turkmenistan, Uzbekistan and others in a region known to have volatile political environments, he said.

"Those are areas where it is more difficult to purchase coverage and you will pay more for it," Mr. Dunford said.

Environmental: Market for pollution liability coverage growing in Europe

Continued from page 9

risks in other countries, several observers said.

In addition, European insurers were not as quick as their U.S. counterparts to exclude certain types of pollution coverage from their general liability policies. And, without anyone holding companies responsible, a concern about existing pollution has not been an issue for companies.

That is changing, however, with E.U. countries becoming more aggressive in adopting and enforcing pollution laws that hold parties responsible for cleanups, Mr. Breitstone and others agree.

For example, as a result of the new laws, companies looking to develop "dirty sites" are under increased pressure in the United Kingdom, Italy and Germany to clean up before receiving approval to build, he said. With that occurring, more developers will purchase insurance to cover the cost of any compulsory remediation for unknown pollution, he added.

"As countries begin to enforce environmental regulations, insureds begin to buy insurance that protects them from that enforcement," Mr. Breitstone said.

In addition, although European insurers have not imposed absolute pollution exclusion on European policyholders as frequently as insurers in the United States, that is likely to change with increased environmental enforcement, said Jim Cox, managing director of Aon Environmental in New York.

> Many believe that "in the next five years (EIL coverage) will become a...dominant specialty product line in Europe."
>
> **Jim Cox**
> **Aon Environmental**

If more exclusions are included in CGL policies, that will help a specialty market for stand-alone pollution policies to grow with European and multinational insurers marketing products in the European Union. U.S. insurers already have a foothold there, they say.

"A lot of people believe that in the next five years it will become a pretty dominant specialty product line in Europe," Mr. Cox said.

With confidence that the market is primed for growth, multinational insurers and brokers agree there is potential opportunity for them.

"We are looking at it very closely and expect that we will in fact be significantly expanding our capabilities in Europe," said Karl Russek, senior vp of ACE Environmental Risk in Philadelphia.

Japan and Australia are facing similar issues as Europe, Mr. Russek and the others say. But Europe is expected to see the most immediate growth, they add.

Even in the United States, though, the market for stand-alone environmental policies produces about $2 billion in annual premiums and remains small in comparison to other insurance products. For example, in the Insurance Information Institute's figures for 2003, the latest year available, U.S. insurers wrote $38.88 billion in CGL net premiums.

But the U.S. market for stand-alone pollution liability policies has made significant inroads into certain sectors of the economy; it is profitable, and sales continue to expand, Mr. Russek said. Large multinational companies, and those with operations directly tied to land, water and other natural resources were the earliest purchasers of the coverage and continue to buy pollution insurance products.

Chemical and petroleum producers, water and sewage facilities, and public utilities have led the way in purchasing the coverage in the United States. They might also lead the way in Europe, Mr. Russek said.

Property developers, particularly those that clean up contaminated sites for development, are also significant consumers of pollution liability products, added Mr. Breitstone. With land scarcity an issue in Europe and Japan, there is a boom in developing polluted properties and a market for the insurance there, he adds.

There are other factors that could drive potential sales of stand-alone pollution liability coverage in Europe.

Among them is a growing number of established European manufacturers who are currently divesting properties. Parties participating in those real estate deals are interested in pollution liability insurance to protect them against having to pay for contamination that might come to light, Mr. Breitstone said.

"A lot of the trigger (for purchasing the coverage) is the divestiture of the properties as compared to the operation of the business," Mr. Breitstone said.

There is also a current wave of mergers and acquisitions underway in Europe, Aon's Mr. Cox said. Parties involved in those deals also want to protect themselves against any liabilities they might acquire. Additionally, investment banks that fund corporate growth often demand mitigation of potential liabilities, a trend also seen in the United States.

To be successful in selling coverage for European risks, though, insurers will have to tailor products for Europe's courts and regulatory systems, Mr. Russek said. They won't be able to replicate the exact products sold for U.S. risks.

E.U. chemical makers fight proposed rule changes

But authorities say legislation would improve risk management, promote innovation

By CAROLYN ALDRED

BRUSSELS, Belgium—Proposed chemical safety regulations under consideration by European Union authorities would hinder rather than enhance risk management efforts in the chemical industry and hamper companies' ability to develop new products, according to critics of the draft legislation.

The regulatory changes, which would be expected to saddle chemical companies and consumers with several billion euros in costs, would burden an already efficient safety regime with unnecessary bureaucracy, they claim.

But the existing regulations are already a burden, and the proposed changes would streamline the regulatory process, improve risk management and enhance innovation in the industry, the European Commission contends.

The Registration, Evaluation and Authorization of Chemicals legislation, or REACH, is under discussion in the European Parliament and the E.U. Council of Ministers. The European Commission, which drafted the legislation, expects that the regulations will take effect in 2006.

If the proposed regulations were to be enacted, they would command the attention of risk managers throughout the European Union, said Malcolm Hutton, global business development director of Environment Resources Management Ltd. in London.

The regulations and their implications "will fall on many risk managers' desks," Mr. Hutton said.

The proposals, as the name of the legislation implies, would apply three core processes to chemical safety regulation: registration, evaluation and authorization (see box).

The European Commission says that the proposals would reduce occupational health diseases throughout Europe, producing human health benefits estimated at about 30 billion euros ($36.7 billion) over 30 years.

Under existing European legislation, only chemicals developed and introduced since 1981 have to be authorized and tested. According to the European Commission, this leaves 100,106 existing substances that could continue to be used without any further testing unless the regulations are changed.

REACH would bring all chemicals under one system and would pass the burden of proof of safety onto the industry from public authorities, which currently must prove that a chemical is unsafe, according to a commission statement.

According to the commission,

Continued on next page

E.U. plans to extend REACH of regulation

In an effort to improve risk management and safety processes, European authorities have proposed regulatory changes for the European chemical industry.

The Registration, Evaluation and Authorization of Chemicals legislation drafted by the European Commission is intended to replace 40 existing directives and regulations.

Registration

Chemical manufacturers or suppliers that produce or supply at least one tonne (1.1 tons) of a chemical a year will have to register information on the chemicals. The registration will include information on the chemicals' properties, use and safe handling procedures. The register will be administered by a new European Chemicals Agency.

Evaluation

Authorities will carry out evaluations of all animal-testing proposals, with the aim of sharing data and minimizing animal testing.

They will also be able evaluate any substance where they have "justified reasons to suspect that there was a risk to human health or the environment."

Authorization

Substances of "very high concern" would require authorization for use from the European Commission. These substances would include those that have been identified as having "irreversible effects to humans and the environment."

Continued from previous page
only 140 high-volume chemicals have been singled out by public authorities for risk assessment since 1993, and only a few of these have completed the risk assessment process.

The commission also contends that, because the industry currently is obliged to assess the risks of new chemicals but not existing ones, there is less incentive to develop newer and, possibly, safer chemicals. The commission points out that the number of new chemicals introduced in the European Union since 1981 has totaled only 3,000.

Under the proposed testing regime, manufacturers and suppliers would be required to undertake computer modeling, epidemiological studies or testing in instances in which a chemical's properties were not already known.

Substances would be registered and authorized for particular uses, and any additional uses would require an updated registration, according to the legislation.

The commission estimates that the Registration, Evaluation and Authorization of Chemicals legislation would cost the chemical industry 2.3 billion euros ($2.8 billion) over 11 years, including fees to the registration agency of 300 million euros ($366.8 million). Meanwhile, the potential costs to chemical users are estimated at 2.8 billion to 3.6 billion euros ($3.4 billion to $4.4 billion), assuming that 1% to 2% of the substances would be withdrawn because continued production would not be profitable under the new system. The commission acknowledges, though, that the final cost could be even higher.

Europe's chemical industry is concerned that the system would be too costly and could result in some less profitable substances being removed from the market.

Wolfgang Grosse Entrup, a senior vp and head of governmental and product affairs at Leverkusen, Germany-based Bayer A.G., said he believes that the level of bureaucracy that might be created by REACH also could undermine effective risk management.

"It must be remembered that the E.U. chemical industry is among the safest in the world, owing to its high safety standards. This is reflected in the risk management systems that its products are subject to, the production processes themselves and the way the products are handled," said Mr. Entrup.

"Risk management is oriented to practical needs, examining questions such as: What hazard potential does a substance have? What sort of protection do we need in production and at the workplace in general?...How is product safety ensured on the customer's premises? How do we get maximum protection for the consumer?" he said.

Conversely, the REACH system emphasizes "paperwork and lots of bureaucracy," Mr. Entrup said. "Risk management becomes limited to theory, yet we don't need to improve the theory; we need to improve the practical side."

The Brussels, Belgium-based Conseil Européen de l'Industrie Chimique, the European chemical industry council, warns that 10% to 30% of low-volume substances might be withdrawn from the European market due to the costs of complying with the REACH legislation.

The London-based Chemical Industries Assn. also cautioned in an issues statement published in May that REACH would be a "costly and inefficient system in no one's interest."

Peter Newport, a director of the Crewe, Chester-based British Chemical Distributors & Traders Assn., expressed similar misgivings.

"Our concern," he said, "is that REACH, as it is currently constructed, is overly cumbersome, particularly for smaller-volume, specialty products."

Between the Lines

Compiled by Joanne Wojcik

Earnhardt policy hinges on physical

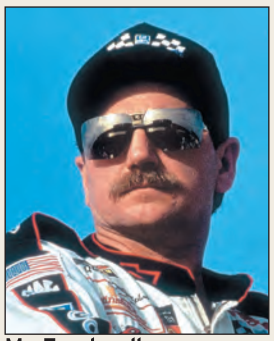


PHOTO: ZUMA PRESS

Mr. Earnhardt

More than four years after NASCAR legend Dale Earnhardt's fatal crash, his widow and racing team are still trying to collect on a $3.7 million life insurance policy bought just weeks before his final race.

The insurer, United of Omaha, maintains that the policy was never in effect because Mr. Earnhardt died before taking the required physical. The parties are also disputing whether Richard Childress Racing, Mr. Earnhardt's NASCAR sponsor, had paid the full premium.

During a bad-faith trial that began late last month in Davidson County, N.C., and is continuing, team spokesmen said it made two payments: One upfront when it purchased the policy and a second on Feb. 19, 2001, one day after Mr. Earnhardt's death.

'Bucket Brigade' aids fire departments

While it may not be part of their formal job descriptions, employees of Novato, Calif.-based Fireman's Fund Insurance Co. are becoming more involved in the business of firefighting as part of a grassroots initiative launched by President Bush.

Last month, Fireman's Fund's "Bucket Brigade" began lending a hand to fire departments around the country as part of the Fire Corps program that was launched in December to promote opportunities for community volunteers to assist emergency medical service and fire service personnel with nonemergency activities.

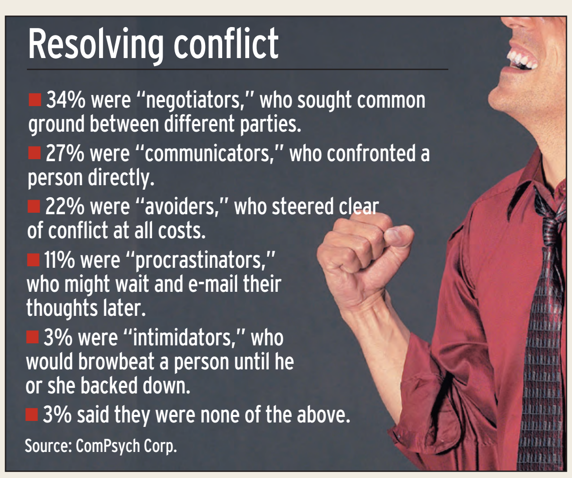
However, because they aren't actually trained firefighters, Fireman's Fund's employee-volunteers are more likely to be seen clearing brush, painting firehouses or even planting flowers to beautify their community fire stations than actually passing along buckets of water to fight fires.

Fireman's Fund has also been putting some of its financial resources to work in helping improve firefighting capabilities in the 93 communities where it has offices, awarding more than $3 million in grants since April 2004.

'Intimidators' increase referrals to EAPs

Only 3% of workers in the United States say they use intimidation tactics to resolve conflict, yet a leading employee assistance program says it has seen a 200% increase in anger management referrals, the bulk of which fit the "intimidator" profile.

The survey, conducted between March 23 and April 21 by ComPsych Corp., asked employees from more than 1,000 employers nationwide how they resolved conflict.



While only 3% of the employee population claim to be "intimidators," they account for 90% of the thousands of anger management referrals ComPsych receives each year, according to Dr. Richard A. Chaifetz, chairman and chief executive officer of the Chicago-based EAP.

"Intimidators are more prone to impulsive, aggressive behavior and often lack the self-censoring mechanism of most employees," he said. "For this reason, they are highly more inclined to outbursts, verbal threats and other inappropriate conduct, landing them in the therapist's chair for anger management issues."

Tips and feedback from readers are welcome. Please send information to jwojcik@businessinsurance.com.

Eastern Europe gets West's help in developing risk management

By BARBARA COCKBURN

Western organizations are making headway in efforts to improve risk management education in Eastern Europe, but they still have some distance to go.

As part of an education drive, risk management organizations in Western Europe are developing training programs that will be made available to companies in former communist countries.

Those efforts will build on existing programs that already have been established in the region.

The existing programs already have had an impact on industry in Eastern Europe and the former Soviet bloc, according to Thierry Van Santen, chairman of the Federation of Risk Management Assns.

Companies that have been exposed to the educational efforts are, in some cases, using more modern risk management techniques than many of their Western counterparts, he said.

"These countries are starting from scratch and often they are more advanced than the West because they are new to this and are doing everything by the book," said Mr. Van Santen, who is also executive vp in the corporate risk management department of Paris-based Groupe Danone.

But for the most part, industries in the former communist countries fall short on risk management and safety issues, several other observers say.

Industrial facilities in those countries are outdated and poorly maintained compared with facilities in the West, which hampers risk management efforts, observers say.

Jeff Manners, chief executive officer of Central and Eastern Europe for Marsh Inc. in Brussels, Belgium, said he had concerns with the health and safety aspects of power plants in both regions.

Mr. Manners said that when conducting risk management inspections in Eastern Europe, he saw several examples of poor safety practices. In addition, the facilities had insufficient insurance coverage because, during the early 1990s, the concept of insurance was not well understood by some Eastern European companies, he said.

In addition, Eastern European industry needs significant investments in the factories and equipment, he said.

Peter Coman of risk engineering consultant Peter Coman Associates Ltd. in Burwash, England, said that updating Eastern European industrial plants to western risk management standards is a gradual process.

> "These countries are starting from scratch and often they are more advanced than the West because they are new to this and are doing everything by the book."
>
> **Thierry Van Santen**
> **Federation of Risk Management Assns.**

Mr. Coman said he has spent the past 10 years visiting Eastern European plants, organizing seminars to teach the plants' senior managers to identify and manage risks.

But often, implementing risk management programs and buying insurance costs too much for many companies, he said.

The replacement costs of machinery are high because the companies have to pay Western prices for Western parts, he said. "The cost of making these changes will place a huge burden on their economies, but it's a necessity if they are to bring the plants up to acceptable E.U. standards," he said.

In addition to informal efforts by brokers and consultants, formal risk educational programs are available in some Eastern European countries.

Jaroslaw Gniadek is a Poznan, Poland-based director with Marsh and a lecturer in risk management for Poznan Economic University, where he teaches his students about risk assessments and solving risk problems in the context of political, social, economic and engineering factors.

The students in the university's post-graduate courses include lawyers and engineers, and the qualification they obtain is of a similar standard to the U.K.'s Chartered Insurance Institute's financial planning exams, he said.

Associations forming

Also, some risk managers in Eastern Europe are forming risk management associations in an attempt to keep up to date with the standards in rest of the developed world.

For example, in Russia, a risk management society was established in 2003 to develop risk management services in accordance with modern standards.

FERMA helps emerging markets establish their own risk management organizations to share knowledge and allow networking opportunities, and these markets are learning the processes and techniques of risk management through FERMA's conferences as well, said Mr. Van Santen.

And, in association with risk management associations in France, Germany, Italy and the United Kingdom, and with several European universities, FERMA is developing a European risk management course called the Leonardo Project. The project is funded by a grant from the European Union.

The course will include face-to-face training with practitioners and online classes that allow people to study in their own time. It focuses on practical guidance for companies.

E.U. measure sets reinsurance standards

By SARAH VEYSEY

STRASBOURG, France—European reinsurers welcomed the European Parliament's approval last week of a directive designed to harmonize regulation across the European Union.

The reinsurance directive would impose a single regulatory framework—including solvency requirements—in all 25 member states of the European Union. Once the directive is enacted, a reinsurer licensed to operate in one E.U. member nation would be able to operate in all member states without having to apply for authorization in each.

The directive, whose provisions apply to traditional as well as captive reinsurers (see story, page 20), also would bar member states from imposing collateral requirements on foreign reinsurers and defines "finite" reinsurance, among other changes.

The directive will now be sent to the E.U. Council of Economics and Finance Ministers, which is expected to approve it. The directive will then be written into the national laws of E.U. member states and likely will become effective in 2007, with a further one-year transition period before all member states must be fully compliant in 2008.

What the directive would do

The E.U. reinsurance measure would require member states to:

- Impose standardized solvency rules
- Bar collateral requirements
- Set rules for finite reinsurance and special-purpose vehicles

Reinsurer representative bodies hailed the European Parliament's approval of the directive.

"The directive should help boost cross-border reinsurance operations and raise the international competitiveness of European reinsurers," the Paris-based Comité Européen des Assurances said in a statement.

Nick Lowe, director of government affairs at the International Underwriting Assn. in London, said that the directive would remove competitive imbalances for reinsurance companies throughout the European Union and reduce the costs to reinsurers of complying with several regulatory regimes.

In addition, Mr. Lowe noted that "any non-European company setting up an authorized subsidiary in Europe will now gain access to the whole of the E.U.," he said.

A spokeswoman for Munich Reinsurance Co. said that the company welcomed the simplification of regulation that the directive would bring. She also noted that Munich Re was glad the directive will do away with collateral requirements states impose on foreign reinsurers.

Currently, France, Portugal and Spain require foreign reinsurers to deposit collateral in order to operate in their markets.

New rules

The directive requires reinsurers to have a guarantee fund of at least 3 million euros ($3.7 million) and to comply with an E.U. solvency margin.

That margin differs for lines of business, but

See **REINSURANCE** / page 20

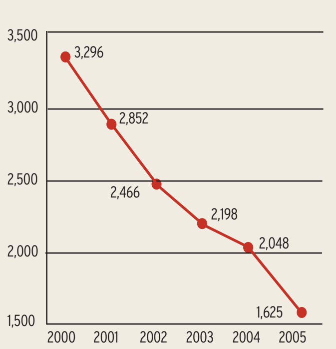
U.K. to let Lloyd's names convert liability status

LONDON—The U.K. government has approved plans to let individual investors at Lloyd's of London convert to limited liability partnerships without losing what they see as key tax benefits.

Michael Deeny, chairman of the Assn. of Lloyd's Members, told delegates at the association's annual conference in London last week that the U.K. Treasury this month gave approval for such investors, known as names, to receive the same tax treatment as other so-called "sole traders" who convert to limited liability partnerships. Previously, names seeking to convert to limited liability status lost tax advantages related to income and capital gains.

Tradition in decline

The number of Lloyd's names with traditional unlimited-liability status has dwindled.



Source: Lloyd's of London

The proposals already have been approved by the Financial Services Authority and the Department for Trade and Industry.

A working group representing unlimited liability names at Lloyd's is now developing a structure to enable investors to convert to limited liability partnerships and hopes that the framework will be in place to enable names to underwrite as limited liability partnerships next year, the ALM said.

Under the traditional unlimited liability system, names' entire personal wealth is exposed to underwriting backed by their investments at Lloyd's. By contrast, limited liability status would allow them to restrict their exposures while retaining key tax breaks.

There are currently 1,625 unlimited liability names providing £1.45 billion ($2.76 billion) of Lloyd's total capacity of £13.7 billion ($26.0 billion) for 2005, according to the ALM.

U.K. Chancellor of the Exchequer Gordon Brown last year announced that names would be given the same tax rights as other sole traders—such as the self-employed—when converting to limited liability. The proposal stalled, though, during the process to gain approval from the Department of Trade and Industry and the Financial Services Authority, as well as the Treasury.

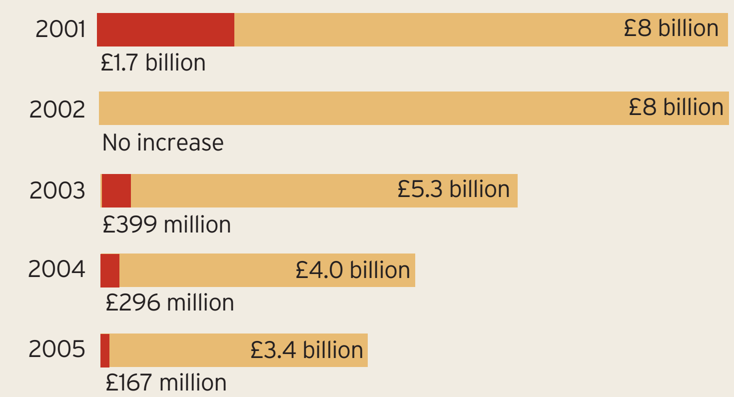
Limited liability partnerships were introduced in the United Kingdom in 2001. Previously, some names had become members of Scottish limited partnerships, a legal structure that enabled them to trade with limited liability but does not give names control over syndicate selection.

The ALM said in a statement that converting to limited liability partnerships would enable names to treat profits as earned income that may be used for pension contributions. And the structure would allow names who lose money on underwriting to set those losses off against other income.

—By Sarah Veysey

Equitas asbestos reserve boost

Asbestos reserve increases as a part of total asbestos reserves



Source: Equitas Ltd.

Equitas shows small increase to surplus

Asbestos reserves rise to $6.42 billion

By SARAH VEYSEY

LONDON—The year ending March 31, 2005, was one of "good progress" for Equitas Ltd., but serious challenges still lie ahead for the runoff reinsurer, according to its chief executive officer.

Last week, Equitas, the runoff reinsurer for the pre-1993 long-tail liabilities of Lloyd's of London syndicates, announced a small improvement to its surplus and a boost to its asbestos reserves.

London-based Equitas said that accumulated surplus for the year ended March 31 was £476 million ($899.1 million), an improvement of £16 million ($30.2 million) over the previous year but a development described as "neutral" in the context of the size of the company's liabilities by CEO Scott Moser.

During the year to March 31, Equitas boosted its reserves for asbestos by £167 million ($315.4 million), bringing its total gross undiscounted reserves for asbestos to £3.4 billion ($6.42 billion), according to an Equitas spokesman.

Mr. Moser said this increase resulted from a need to bolster reserves for non-U.S. asbestos claims, most notably those from Australia but also from the United Kingdom.

He said that Equitas also needed to strengthen reserves because it had received late notification of several reinsurance claims dating from the London market excess-of-loss spiral of the late 1980s.

Equitas said it paid gross claims of £1.03 billion ($1.95 billion) in the year ended March 31, compared with gross claims of £1.38 billion ($2.54 billion) in the previous year.

Equitas' solvency margin—its accumulated surplus stated as a percentage of its net claims outstanding—improved to 12.2% from 9.8% during the year to March 31, the company said.

See **EQUITAS** / next page

Updates

E.C. to investigate insurance competition

The European Commission is set to launch a probe into commercial insurance to check whether there has been any anticompetitive behavior. An EC spokesman said that the September 2004 decision to launch these inquiries in several sectors, including telecommunications and energy, among others, is to determine "whether regulatory barriers have led to anticompetitive behavior." The inquiries are to be launched this week, the spokesman said.

Amlin in talks to buy Chaucer

Lloyd's of London company Amlin P.L.C. says it is in talks to acquire Chaucer Holdings P.L.C. Amlin, which operates multiline syndicate 2001 at Lloyd's, said in a statement that there was "a very strong rationale for a combination of the two businesses." Amlin's syndicate 2001 has capacity of £850 million ($1.6 billion) for 2005 and specializes in marine, nonmarine and aviation business. Chaucer manages and contributes capacity to syndicates 1084 and 1176 at Lloyd's—which have capacity of £418 million ($767.8 million) for 2005—and specializes in auto, aviation, marine, property and specialty lines, as well as European business.

AIG to open Georgia office

AIG Europe S.A., the Paris-based subsidiary of American International Group Inc., has received approval to set up a branch in Tbilisi, Georgia. AIG is licensed to sell aviation, cargo, property and professional liability insurance, among other lines, in Georgia, it said in a statement. The Tbilisi branch will be headed by Nikoloz Kitiashvili, previously a representative for Marsh Caspian Services in Georgia.

U.K. pension proposal requires employee input

The U.K. government plans to require that employers consult with employees before making any major changes to their occupational pension plans. The Department for Work and Pensions published a consultation paper last week outlining its plans. Under the proposals, employers with more than 50 employees would be required to consult with active and prospective pension plan members and their representatives on changes such as increasing the age at which pension benefits would become payable, preventing new members from being admitted to plans and any changes to member contributions. The proposals are slated to come into force in April 2006.

Equitas: Asbestos reserves rise to cover non-U.S. claims

Continued from previous page

During the year to March 31, Equitas continued its policy of pursuing global settlement deals with policyholders, noted Mr. Moser. He said that while Equitas has been watching with interest developments in Washington on the Fairness in Asbestos Injury Resolution Act, the company has decided "not to wait for Washington."

Last year, Equitas completed policy buyouts with 25 policyholders and settled three of its five largest asbestos exposures, Mr. Moser said. Additionally, he said, Equitas commuted with 85 reinsurers during the year.

Asbestos claims continue to be the largest threat to Equitas, Mr. Moser noted.

Equitas' investment return fell to £133 million ($251.2 million) from £395 million ($726.8 million) in the year to March 31, 2004. But when the discounting of Equitas' liabilities is "unwound," the investment return exceeded that unwinding of the discount by £88 million ($166.2 million), according to Jane Barker, finance director of Equitas. Equitas discounts its liabilities to take into account the time value of money, since it expects its liabilities to be settled over a long period of time. Thus, the return which the company expects to earn on its long-term investments held to meet these liabilities is anticipated through the discounting process. If, when the discount is unwound, expected investment returns exceed liabilities, the company has more than the minimum needed to meet expected liabilities.

The company said it reduced operating costs by 11%, during the year to March 31, to £81 million ($153.0 million).

> Asbestos claims continue to be the largest threat to Equitas.
>
> **Scott Moser**
> **Equitas Ltd.**

Equitas watching FAIR Act effort to gauge impact of potential protection

LONDON—Equitas Ltd. is closely watching the legislative effort in the United States to replace the current litigation-based system for compensating victims of asbestos-related disease, according to its chief executive.

Scott Moser, chief executive officer of London-based Equitas, said the runoff reinsurer would continue to lobby to ensure that its interests are protected as lawmakers consider the Fairness in Asbestos Injury Resolution Act.

The FAIR Act, which would create a no-fault $140 billion trust fund financed by asbestos defendant companies, insurers—including Equitas—and existing trusts, recently was approved by the Senate Judiciary Committee (*BI*, June 6).

The measure also would have an impact on some of Equitas' recent large settlements (see related story), as Equitas has included a "clawback" provision in those pacts stating that, should the FAIR act be passed, Equitas will not be required to pay again any liabilities covered by the deal that subsequently become subject to the asbestos trust fund. Those "clawback" agreements are subject to time limits, Mr. Moser explained, some of which have now passed but some of which are still to be met.

A spokesman for Equitas said the company was broadly happy with the bill in its current form, but would continue to take an active interest to try to ensure that areas such as medical criteria for claimants meet Equitas' standards.

Mr. Moser noted, however, that it was by no means certain that the bill would be passed in its current form. Earlier lobbying efforts have paid off, Mr. Moser said.

In late April, Congress agreed to drop a clause that effectively would have prevented Equitas from seeking hardship relief if its payments into the fund would have threatened it with insolvency.

The bill would allow the administrator of the fund to grant hardship adjustments to companies paying into the fund if those payments could force contributors into bankruptcy.

However, a previous version of the measure made an exception for Equitas, which, the bill said, while the bill didn't explicitly name Equitas, it did make an exception for companies that are underwritten by individual investors.

Under the previous version Equitas would have seen hardship payments from Lloyd's names—who are reinsured by Equitas—if any of its payments to the fund threatened it with bankruptcy.

—By Sarah Veysey

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LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA
COMPANIES (WINDING-UP)
NO. 172 OF 2000
IN THE MATTER OF
TRA INSURANCE COMPANY LIMITED
IN LIQUIDATION
and IN THE MATTER OF THE COMPANIES ACT 1981
(Under an Order for Winding-Up the above-named Company, dated 29 September 2000)
NOTICE TO CREDITORS TO SUBMIT CLAIMS

NOTICE IS HEREBY GIVEN that the creditors of the above named Company are required on or before 29 July 2005 to send their Names, addresses and descriptions, full particulars of their debts or claims, to the Joint Liquidators, TRA Insurance Company Limited - in Liquidation, c/o PricewaterhouseCoopers, P.O. Box HM 1171, Hamilton, HM EX, Bermuda.

Creditors are required to return their Sworn Proofs of Debt to the Joint Liquidators by 5.00pm 29 July 2005, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Forms of Proof of Debt are available from the Joint Liquidators of TRA Insurance Company Limited - in Liquidation, c/o PricewaterhouseCoopers, P.O Box HM 1171, Hamilton, HM EX, Bermuda (Tel: 441-295-2000 Fax: 441-295-1242).

Dated this 31 May 2005
PETER C.B. MITCHELL *Joint Liquidator*
TRA Insurance Company - In Liquidation
C/o PricewaterhouseCoopers, Dorchester House,
P.O. Box HM 1171, Hamilton HMEX, Bermuda

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re **MERCANTILE & GENERAL REINSURANCE COMPANY LIMITED,** Debtor in a Foreign Proceeding	) In a Proceeding under Section 304 of the Bankruptcy Code Case No. 05-14076(BRL)

NOTICE OF PETITION AND MOTION FOR PERMANENT INJUNCTION AND ORDER PURSUANT TO SECTIONS 105(a) AND 304(b) OF THE BANKRUPTCY CODE AND RELATED HEARING

PLEASE TAKE NOTICE that a petition ancillary to a foreign proceeding, pursuant to 11 U.S.C. § 304, and the Petition and Motion for Permanent Injunction and Order Pursuant to Sections 105(a) and 304 of the Bankruptcy Code (the "Petition and Motion"), were filed on June 6, 2005 in the United States Bankruptcy Court for the Southern District of New York.

PLEASE TAKE NOTICE that, among other things, the Petition and Motion seek the entry of an order giving full force and effect in the United States to the Scheme of Arrangement (the "Scheme"), pursuant to section 425 of the Companies Act 1985 of Mercantile & General Reinsurance Company Limited ("Mercantile").

PLEASE TAKE NOTICE that the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), has scheduled a hearing with respect to the Petition and Motion for 10:00 a.m. on July 6, 2005.

Copies of the Scheme and the related Explanatory Statement, the Summons, the Petition and Motion, and the form of the Order requested are available to parties in interest on the Bankruptcy Court's Electronic Case Filing System, which can be accessed from the Bankruptcy Court's website at http://www.nysb.uscourts.gov (a PACER login and a password are required to retrieve a document) or upon written request to the Petitioner's counsel (including by facsimile or email) addressed to:

Clifford Chance US LLP
31 West 52nd Street, New York, New York 10019
(212) 878-8375 (Facsimile)
Attention: David A. Sullivan
david.sullivan@cliffordchance.com

PLEASE TAKE FURTHER NOTICE that answers or objections to the Petition and Motion must be made in writing describing the basis therefor and must be filed with the Court electronically in accordance with General Order M-182 by registered users of the Court's electronic case filing system, and by all other parties in interest, on a 3.5 inch disc, preferably in Portable Document Format (PDF), Word Perfect or any other Windows-based word processing format, with hard copy to the Chambers of the Honorable Burton R. Lifland, and served upon Clifford Chance US LLP, at the address below (Attention: David A. Sullivan), counsel to the Petitioner, so as to be received on or before June 28, 2005 at 5:00 p.m., New York time.

The hearing with respect to the relief requested in the Petition and Motion may be adjourned from time to time without further notice other than an announcement in open court of the adjourned date or dates at the hearing or any further adjourned hearing.

Dated: New York, New York • June 6, 2005
CLIFFORD CHANCE US LLP
31 West 52nd Street, New York, New York 10019
(212) 878-8000, Attorneys for the Petitioner
Attention: Peter R. Chaffetz • David A. Sullivan

COMINGS & GOINGS - INDUSTRY

Insurers:

New York-based Mutual of America Life Insurance Co. has made three senior-level appointments:

- **Joan M. Squires** was appointed executive vp, office of technology. Before her promotion, she was executive vp, office of technology-New York.
- **Nicole Lanni** is the new senior vp, technical services. Previously, she was vp, billing services.
- **John J. Corrigan** has been named senior vp, internal audit. Before his promotion, he was vp, internal audit.

St. Paul, Minn.-based St. Paul Travelers Cos. has promoted **Brian MacLean** to chief operating officer in addition to his duties as executive vp.

Beazley USA, a Farmington, Conn.-based subsidiary of Beazley Group P.L.C., has named **Jerry Sullivan** errors and omissions product leader for specialty lines. Previously, Mr. Sullivan was vp at Lexington Insurance Co.

Robert Gaffney is the new president of Boston-based Liberty Mutual Alternative Markets, formerly known as Liberty Mutual Captive Services. Previously, he was senior vp for ACE Ltd.

San Antonio-based Argonaut Group Inc. has appointed **John F. Gribbin** president of its risk management segment, replacing John Gantz, who left the company in May. Previously, Mr. Gribbin was chief underwriting officer for risk management.

Agents/Brokers:

Karl F. Snearer has been named president of Apex Insurance Agency Inc., Apex Insurance Services of Illinois Inc. and Summit Risk Services. Before his promotion, Mr. Snearer was COO.

Aon Corp. unit Aon Consulting has named **Larry Kurzner** senior vp in its human resources outsourcing division in New York. Previously, he was a principal and national director for the human resources management business of Mellon Human Resources & Investor Solutions.

Reinsurance:

New York-based Folksamerica Reinsurance Co. has promoted **Brian Kensil** to COO from senior vp of administration.

Texas: Comp reform eases physician network rules

Continued from page 4

Such savings would result from employers' and insurers' ability to direct employees into the networks limited to doctors with favorable track records, Ms. Saxon said.

Though current law permits the use of physician networks in Texas, insurers and employers have not been able to require employees to use those networks, and their structures often failed to produce favorable results.

The PCIA's Mr. Wood explained that the existing networks typically offer a discount off normal fees in cases in which an employee happens to "stumble into the network."

GM hopes to benefit from the new networks created under the reforms by providing quality medical care that helps injured employees return to work earlier, Mr. Rich said. Absenteeism related to workers comp injuries currently is higher, on average, at GM's Arlington plant than at other GM facilities nationwide.

But how self-insured employers and insurers will put networks into place remains to be seen. For example, whether GM will create its own network from scratch or contract with one of the network organizations expected to emerge remains to be determined, he said.

Mr. Rich added last week that he was still "walking through the (adopted legislation) in its entirety, trying to clearly define the bill and interpretations of the bill." He noted that there are also rules the state must implement for network use and medical utilization.

> "We ran out the best (workers comp doctors), and the worst we couldn't do anything with."
>
> **Richie Jackson**
> **Texas Restaurant Assn.**

The standards, which must still be developed and approved, will address matters such as the number of specialists that a network must include and an employee's ease in accessing network doctors, Mr. Woods said. "You can't expect someone to drive 75 miles to see a treating doctor," he explained.

As such rules emerge, GM will gain a clearer understanding of its business needs, Mr. Rich said. For now, he hopes the reforms reverse a trend that, he said, saw the better doctors with experience in treating occupational injuries leave the workers compensation system.

Under existing law, the Texas Workers' Compensation Commission maintained a list of doctors it approved to treat injured workers. But any doctor could get on the list and into existing networks, essentially making Texas' workers comp system open to "any willing provider," said Richie Jackson, executive vp and chief executive officer for the Texas Restaurant Assn. in Austin.

In attempting to weed out undesirable doctors, the TWCC implemented a lot of bureaucratic hurdles such as excessive paperwork, Messrs. Jackson and Rich said. But they failed to eliminate the problem, which, when coupled with the low medical fees paid for treating work comp injuries, led many of the better doctors to flee the system.

"We ran out the best, and the worst we couldn't do anything with," Mr. Jackson said. Many of the doctors who continued to treat workers in the system made up for low fees by increasing utilization through unnecessary treatment.

Under the reforms, the TWCC will be abolished. It will be replaced by a Division of Workers' Compensation to be created no later than Sept. 1, under the Department of Insurance. The governor is to appoint a Division of Workers' Compensation Commissioner no later that Oct. 1.

Last week, Gov. Perry named Mike Geeslin Texas' new insurance commissioner, subject to Senate approval. Mr. Geeslin previously served as the Department of Insurance's deputy commissioner for policy. His experience will help him implement the workers compensation reforms, the governor said.

Some measures in the reforms will benefit employees more than employers, business observers say. For example, an Office of Injured Employee Counsel will be created to advocate for and represent injured workers.

The reforms also will increase an average weekly wage that serves as a foundation for determining benefit levels. Gov. Perry said that injured employees will see their weekly benefits increase by up to 15%.

Reinsurance: E.U. approves single regulatory framework

Continued from page 17

generally it will be calculated by taking the higher figure of either the gross written premiums for the past financial year, subject to a weighting; or the sum of the average claims burden for the past three years, or seven years for some claims, including hail or storm damage.

A representative of one large European reinsurer, who did not wish to be named, noted that the solvency requirements set out by the directive likely will not negatively affect large reinsurance companies, as they are already subject to stringent solvency requirements in order to obtain favorable ratings from credit rating agencies.

The directive also imposes a minimum guarantee level and solvency margin on reinsurance captives.

In addition, the directive requires member states to set out rules for the authorization of special-purpose vehicles, which are often used in alternative risk transfer transactions, said Jonathan Drake, a partner at London-based law firm Clyde & Co.

The directive also defines finite reinsurance and includes a provision for member states to treat finite reinsurance differently than conventional reinsurance, Mr. Drake pointed out.

The directive defines "finite" reinsurance as that "under which the explicit maximum loss potential, expressed as the maximum economic risk transferred, arising both from a significant underwriting risk and from a timing risk transfer, exceeds the premium over the lifetime of the contract, by a limited but significant amount," together with at least one of these features:

- Explicit and material consideration of the time value of money.
- Contractual provisions to moderate the balance of economic experience between the parties over time to achieve the target risk transfer.

The directive will require regulators in each member state to ensure that finite reinsurance deals comply with the E.U. definition and are not simply being used as a "cosmetic device," said Mr. Lowe.

Compliance demands captive adjustments

Risk managers who operate reinsurance captives in the European Union may have to make financial adjustments to the captives to comply with the European reinsurance directive approved last week.

Thierry Van Santen, executive vp in the corporate risk management department at Groupe Danone in Paris, said that some risk managers may have to increase the solvency levels of their reinsurance captives once the directive comes into force.

Under the terms of the directive, reinsurance captives must have minimum guaranteed funds of at least 1 million euros.

In addition, the directive requires captives to comply with an E.U. solvency margin. That margin will differ according to different weightings for different lines of business but will be taken to be the higher of gross written premiums for the past financial year or the average claims burden for the past three years.

Risk managers will seek clarification about which lines of business the E.U. directive will impose higher margins, and how much that "uplift" might be for certain lines, said Stephen Cross, CEO of Aon Ltd.'s Captive Services Group.

But most reinsurance captives likely will already comply with the solvency margins required under the directive, he said.

The directive will be largely positive for risk managers operating reinsurance captives as at it will increase minimum levels of corporate governance and best practice, noted Ken MacDonald, chief operating officer-Europe and Asia for Aon's Captive Services Group.

—By Sarah Veysey

Reforms: Bill seeks to toughen pension rules without scaring off plan sponsors

Continued from page 1

sharp increase in the PBGC premium rate.

These differences, say House Republican leaders, are deliberate. They say the administration plan is focused solely on shoring up the PBGC's financial base and that many of the rules are so harsh as to drive employers out of the defined benefit plan system.

Pension plans, Rep. Boehner said last week at a press briefing, are voluntary. "Make the rules too harsh, and you drive employers out," he said.

The introduction of the legislation comes amid warnings to legislators that the PBGC, which has a $23.3 billion deficit, will face more huge losses, increasing the likelihood of a taxpayer bailout of the agency.

PBGC Executive Director Bradley Belt last week told the Senate Finance Committee that unless comprehensive funding reform is enacted, the agency will continue to "hemorrhage" with "continued large losses for participants, premium payers and, potentially, taxpayers."

Without action, "taxpayers will be at great risk" for a PBGC bailout, Rep. Boehner said.

Some benefit experts already are praising the House Republican bill as vastly superior to the one proposed by the administration.

"While still by no means perfect, it is a quantum level better than the administration proposal. (House Republicans) have attempted to address plan underfunding, while still giving employers the means to stay in the system," said Ethan Kra, chief actuary with Mercer Human Resource Consulting in New York.

> "Make the (funding) rules too harsh, and you drive employers out."
>
> **Rep. John Boehner**
> **R-Ohio**

"The administration proposal did not strike the right balance among the various stakeholders. Its focus was on what was best for the PBGC," said Kyle Brown, an attorney with Watson Wyatt Worldwide in Washington.

Employer groups, while welcoming the Republican bill, say there are still many unknowns, chief of which is how the measure, which is slated for a House committee vote later this month, will be revamped as it moves through Congress.

"The real question is whether the goal of keeping employers in the system is met, and we might not know that until the end of the process," said Lynn Dudley, vp-retirement policy at the American Benefits Council in Washington.

"All major bills change as they move through Congress, and this bill will be no exception. Still, the fact that two committee chairmen support the measure bodes well for its passage in the House," said Frank McArdle, a consultant with Hewitt Associates Inc. in Washington.

Provisions in the measure deal with such issues as:

- **PBGC premiums**. The base PBGC premium, now $19 per participant for well-funded plans, would gradually be increased to $30. The increase would be phased in over five years for plans that are at least 80% funded and over three years for plans that are less than 80% funded.
- **Benefit improvements.** Plans less than 80% funded could not increase benefits, while plans less than 60% funded would be frozen and participants would not accrue new benefits until funding levels improved.
- **Credit balances.** Employers would be limited in their use of credit balances. Under current law, employers who make more than the minimum required contributions to their plans receive a credit to offset future required contributions.

These credit balances are allowed regardless of a plan's current funding level. That has resulted in situations—most notably that of United Airlines—in which companies have been able for years to skip contributions even though their plans had billions of dollars in unfunded liabilities.

While the administration bill would eliminate the use of credit balances, the House Republican bill would allow employers to continue to use them so long as their plans were at least 80% funded, a flexibility that is key to improved plan funding, experts say.

"You want to give employers incentives to prepay their pension obligations," said Chris Bone, chief actuary with Aon Consulting in Somerset, N.J.

- **Interest rate assumptions.** Both the administration and House Republican plans would use corporate bond rates of varying maturities to value liabilities. The House Republican approach, though, is much simpler and would allow a technique—known as smoothing—which experts say is of critical importance to employers.

Under the Republican approach, the actual rate to be used would be a three-year weighted average of bond rates. The administration approach would not allow such smoothing, with plan liabilities essentially valued on the basis of current interest rates.

The ability to smooth rates is vital for employers because it gives them more certainty about the size of their future liabilities and how much they will have to contribute to their plans, experts say.

"Predictability is a key element to keeping employers in the system," Ms. Dudley said.

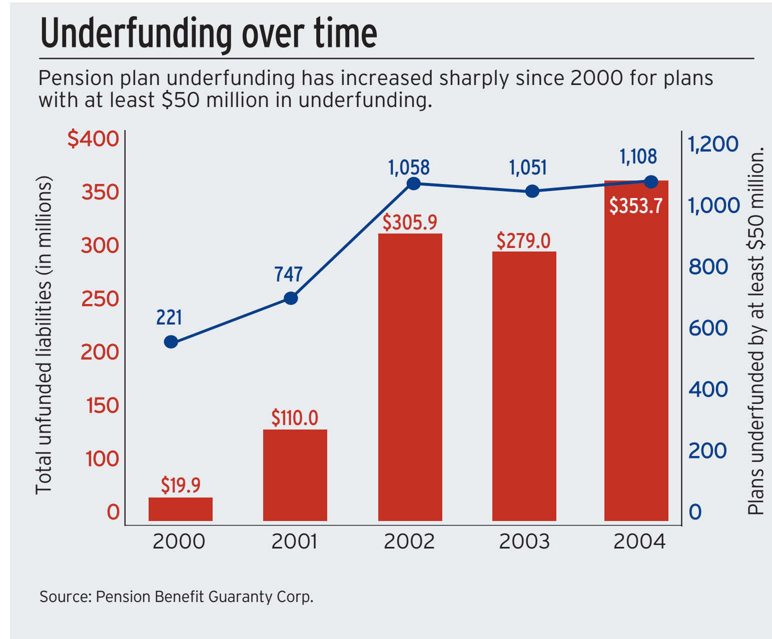
Additionally, both measures would require employers to amortize plan underfunding over seven years, considerably faster than current rules.

However, the administration proposal would require employers with junk bond status to use liberal actuarial assumptions—the effect of which would be to increase plan liabilities and their contributions—to value liabilities.

Experts say such a requirement would be counterproductive and put financial pressure on employers at a time when they could least afford it.

"The cost of your credit is going up, and you have to put more in your plan. It is a double whammy," said Mike Johnston, a Hewitt consultant in Lincolnshire, Ill.

The House Republican bill also would mandate the use of liberal actuarial assumptions, but only for plans less than 60% funded.



Bill would dispel cash balance doubts

WASHINGTON—Pension legislation introduced in the House of Representatives last week would eliminate the legal uncertainty that has surrounded cash balance plans and dimmed their once-bright future.

The legislation, proposed by House Education and the Workforce Committee Chairman John Boehner, R-Ohio, as a companion to his sweeping pension funding reform measure, would make clear that the basic design of cash balance plans does not violate federal age discrimination law.

Provided the accrued benefit of an older employee who had worked the same amount of time and received the same compensation as a younger employee was at least equal to the younger employee's benefit, a plan would not be considered discriminatory.

That is a standard that most, if not all, cash balance plans could meet, as under a cash balance plan design, all employees receive benefit credits that are expressed as a percentage of their compensation.

Additionally, employees receive interest credits, such as the one-year Treasury bill rate plus one percentage point, on the benefits they have earned. The entire benefit earned—or the accrued benefit—is expressed as a lump sum.

Because older employees, under typical plan designs, receive either the same or greater benefit credits as younger employees, the accrued benefit of an older employee would always be at least equal to the benefit of a younger employee whose length of service and pay was identical. Therefore, under the Boehner proposal, the plan would be non-discriminatory.

The Boehner legislation, which would apply to all cash balance plans regardless of when they were established, "would eliminate the uncertainty about the age discrimination issue" and the pressure on employers that offer the plans to exit the defined benefit plan system, said Ethan Kra, chief actuary for Mercer Human Resource Consulting in New York.

—By Jerry Geisel

RRG: Nevada bill would reduce taxes, fees paid by out-of-state groups

Continued from page 3

by the department showing that the fee and tax reduction would avert a drastic decline in revenues if the current fee and tax structure remained in place.

That is because, the analysis found, many of the 12 licensed RRGs would pull up stakes and relocate to avoid retaliatory taxes and fees, while many out-of-state RRGs would stop doing business in Nevada because of the high cost.

Keeping the current tax and fee structure "would have been penny-wise and pound-foolish," Ms. Molasky-Arman said. "In the long run, we would be losing money."

In 2004, out-of-state RRGs paid about $1.05 million in premium taxes and $135,000 in fees, while captives licensed in Nevada paid premium taxes of $514,000.

Additionally, Ms. Molasky-Arman said, lowering RRG fees and taxes likely would attract new RRGs.

"A more welcoming tax environment would make Nevada an attractive business destination for these groups," she wrote in her analysis.

Furthermore, the insurance commissioner said, enactment of the legislation could bolster the state's effort to attract other types of captives by demonstrating that it is responsive to the concerns of the alternative risk transfer community.

Reducing RRG fees and taxes "symbolizes the welcome" that Nevada wants to provide to all captives, Ms. Molasky-Arman said. The state's high RRG fees and taxes had sent a "bad message" to the captive community, which the enactment of the new legislation should dispel, she said.

Others expect that to happen. "This is great news for Nevada and will make the state a much more attractive domicile for risk retention groups," said Jon Harkavy, vp and general counsel in Arlington, Va., for Risk Services L.L.C., a manager of RRGs and captives.

Nevada, in fact, is one of the nation's fastest-growing captive domiciles. In 2004, Nevada licensed 24 captives, bringing its year-end total to 38. Nevada now 41 captives, including the 12 RRGs.

Ms. Molasky-Arman attributes that growth to Nevada's attractive business climate and its regulatory attitude towards captives.

"I like the idea of organizations being able to control their own destiny" through captives, adding that she believes in fast, effective and sound regulation of the programs.

Other provisions in the legislation also could help boost Nevada's appeal as a captive domicile. Among other things, the measure would cap at $175,000 the maximum annual premium taxes a captive would pay, and would permit protected cell captives.

PRESSURE BUILDS

Charges: Gen Re executives plead guilty to criminal conspiracy charges

Continued from page 1

one count of conspiracy to file false financial reports, falsify books, records and accounts and mislead auditors. That charge carries a maximum prison term of five years, fines of $250,000 or twice the gross gain or loss, whichever is greater; full restitution; a special assessment; and three years of supervised release. They may be credited with any fines paid stemming from the SEC complaint.

Sentencing is scheduled for Dec. 9. The plea and cooperation agreements for both men indicate the government may seek reduced sentences in return for their cooperation.

In relation to the SEC lawsuit, both executives consented to the entry of partial final judgments that resolve all issues of liability against them, but without admitting or denying the SEC's allegations. Both men are also barred from serving as officers or directors of public companies. Civil penalties will be determined at a later date, according to the SEC.

AIG has admitted that the $500 million loss portfolio deal between AIG and Gen Re should not have been accounted for as insurance. The deal has also been a key focus of New York Attorney General Eliot Spitzer's probe of AIG and was cited in the civil suit he filed last month against AIG, Mr. Greenberg and former AIG Chief Financial Officer Howard I. Smith.

The SEC complaint states: "This case is not about the violation of technical accounting rules. It involves the deliberate or extremely reckless efforts by senior corporate officers of a facilitator company (Gen Re) to aid and abet senior management of an issuer (AIG) in structuring transactions having no economic substance, that were designed solely for the unlawful purpose of achieving a specific, and false, accounting effect on the issuer's financial statements."

According to the complaint, the transaction was launched after former Gen Re CEO Ronald E. Ferguson was contacted by Mr. Greenberg, who wanted to quell criticism about a reduction in AIG's loss reserves in the third quarter of 2000. Others involved in the deal included former Gen Re CFO Elizabeth Monrad, among others, according to the complaint.

The complaint relates how, at one point in November 2000, Mr. Houldsworth and Ms. Monrad were discussing the deal. According to a transcript of the recorded telephone conversation, Ms. Monrad said, "Well, I think if we spend a lot of time trying to figure out how to transfer 500m of risk, we won't get this deal done in the time they want."

Mr. Houldsworth responded, "Yes, I mean, as you say, if there's enough pressure on their end, they'll find ways to cook the books, won't they?!" Ms. Monrad laughed, according to the transcript, and Mr. Houldsworth continued, "It's no problem there; it's up to them! We won't help them to do that too much. We'll do nothing illegal!"

Mr. Greenberg is also referred to in the SEC complaint. In a subsequent telephone call among Mr. Houldsworth, Ms. Monrad and Mr. Napier, Mr. Napier said Mr. Greenberg was calling daily about the deal, the complaint states. "He's pretty excited about it, so it would not be a problem to get a team of AIG people together in the next day or two (to discuss what Gen Re has come up with as the potential transaction.)," Mr. Napier said.

In a description similar to that in Mr. Spitzer's lawsuit, the SEC complaint describes how there was no actual risk transfer in the deal, noting that Gen Re eventually received a $5.2 million fee through the commutation of a separate, unrelated reinsurance contract.

Mr. Houldsworth created a paper trail that made it appear as though Cologne Re Dublin had solicited the transaction from AIG, says the SEC filing. The complaint describes how Gen Re accounted for the transaction on its own books as deposits and AIG accounted for the deal as an addition to its loss reserves.

Ms. Monrad's attorney, Paul Schechtman of Stillman & Friedman in New York, said, "Betsy Monrad is a person of extraordinary integrity, and I've seen nothing that changes my view of the matter."

Mr. Houldsworth's attorney, Larry White of White & Case L.L.P. in New York, said Mr. Houldsworth is "accepting full responsibility for his actions."

Mr. Napier's attorney could not be reached for comment. Mr. Ferguson's attorney and a Gen Re spokesman had no comment on the filings.

Attorneys: Plea deals seen as basis for more action by prosecutors

Continued from page 1

ficer of Ireland-based Gen Re unit Cologne Re Dublin, and Richard Napier, former senior vp of Gen Re in Stamford, Conn., each pleaded guilty late last week to one count of conspiracy to file false financial reports, falsify books, records and accounts and mislead auditors in connection with the Gen Re-AIG deal. The plea agreements with the Department of Justice were filed in U.S. District Court in Alexandria, Va. Both men separately settled civil charges filed by the Securities and Exchange Commission (see story, page 1).

Attorneys not involved in the case, who were interviewed before Mr. Napier's guilty plea, said the government likely will try to build its case with witnesses.

The government needs "cooperating witnesses who really provide the connection between the target, who in this case is most probably AIG and its officers, and the criminal act," speculated Jerry Reisman, a defense attorney with Reisman, Peirez & Reisman in Garden City, N.Y.

"You don't have to be a rocket scientist" to expect that the government will seek additional indictments, based on what Mr. Houldsworth is going to say, said Howard Schiffman, head of the securities and corporate litigation and regulation practice of Dickstein, Shapiro, Morin & Oshinsky L.L.P. in Washington.

Lowell Peterson, an attorney with Meyer, Suozzi, English & Klein P.C. in New York, said future indictments may not necessarily be confined to the AIG-Gen Re deal. The deal "was apparently an isolated incident, and I would be interested in seeing" if other entities "used what you would call phony insurance arrangements to prop up AIG's books," said Mr. Peterson.

The investigation and subsequent litigation may last for years, legal experts say.

Edward J.M. Little, an attorney with Hughes, Hubbard & Reed in New York, who said he expects to see close coordination between state and federal regulators, noted, "I don't think you're going to see any results until next year" at the earliest.

"Cases of this magnitude typically take six months to a year to go to trial, whether it's state or federal. They're obviously very complex matters requiring a lot of time" and document preparation, said Mr. Little. "The whole thing won't be resolved until well into next year."

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> **Hughes, Hubbard & Reed**

Michael B. Himmell, chairman of Lowenstein, Sandler P.C.'s white-collar criminal defense practice group in New York, said cases in Virginia's eastern district court tend to move quickly. But a criminal case "isn't going to get tried until it's investigated, and the court system doesn't control the speed of indictments. That's controlled by the Department of Justice."

Although New York Attorney General Eliot Spitzer has filed a civil fraud suit against AIG, former Chairman and CEO Maurice R. Greenberg and former AIG Chief Financial Officer Howard I. Smith, criminal charges had not been filed as of Friday. Mr. Spitzer has not ruled out the possibility of seeking criminal indictments (*BI*, May 30).

A settlement at least involving AIG is likely, some legal experts say.

Mr. Little said, "I'd say it's plain to me that AIG will settle to put the matter behind it, but I would expect Greenberg and his lawyers to fight" the civil and any potential criminal charges aggressively.

Gen Re's involvement in the investigation "is harder to call," said Mr. Little. He said he would anticipate Mr. Spitzer "trying to get their cooperation if he intends to go ahead" with trying a case against Mr. Greenberg. "I think results there will pretty much depend on the need for testimony."

Neither Mr. Greenberg nor Mr. Smith has been charged with criminal wrongdoing, and prosecutors would have to prove any charges in court.

"If the attorney general proves his case and gets a guilty conviction, it's going to be up to the judge whether or not Mr. Greenberg's age would mitigate against prison time," said Robert Heim, an attorney with Meyers & Heim in New York. Mr. Greenberg is 80.

"But I think we're still pretty far away from a final resolution for Mr. Greenberg's case. He's already indicated he's going to fight the charges, and these are just allegations that have to be proved in court," Mr. Heim said.

Greenberg, Smith resign from AIG's board

By JUDY GREENWALD

NEW YORK—In a move observers describe as unsurprising, former American International Group Inc. Chairman and Chief Executive Officer Maurice R. Greenberg resigned from the company's board of directors last week.

In his resignation letter, Mr. Greenberg said that although he had previously decided not to stand for re-election, he decided to step down now because of his "inability to receive information regarding the company and its operations necessary to fulfill my fiduciary duties."

AIG announced late last week that former Chief Financial Officer Howard I. Smith also had resigned from its board.


Mr. Greenberg

Mr. Greenberg resigned from his chairman and CEO positions in March. He has been under fire in recent months, which has included being named as a defendant in a lawsuit filed by New York Attorney General Eliot Spitzer in which he is charged with fraud, and was a focus of both Department of Justice and Securities and Exchange Commission investigations. Mr. Smith is also named as a defendant in Mr. Spitzer's suit.

Mr. Greenberg's resignation from the AIG board will have little impact on the insurer, observers say.

"It doesn't really change anything. He had already resigned as chairman and CEO," said Peter C. Streit, an analyst with Williams Capital Group in New York. "He was not attending the board meetings, and according to his attorneys, was not being provided any information on AIG, so it's not a surprise that he has now resigned from the board."

John L. Ward, a Cincinnati-based independent insurance analyst, said the announcement was expected "and in the relative scheme of things is a nonevent."

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Late News

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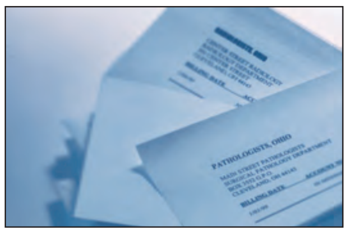
The company said that up to 220 positions worldwide could be lost as a result of the changes. In 2003, SCOR announced that it would spin off its life reinsurance business into a separate subsidiary.

HMO rate hikes slowing: Study

Health maintenance organizations are seeking 2006 rate increases averaging 12.4%, according to a new analysis. That 12.4% rate hike compares with rate hikes averaging 13.7% that HMOs initially sought at



the same time last year for 2005, according to data on large employers collected by a unit of Hewitt Associates Inc. After U.S. companies complete negotiations and plan changes, rate increases could be even lower, Paul Harris, a senior health care strategist in Hewitt's Norwalk, Conn. office, said in a statement. Rates in 2005 increased an average of 9% after negotiations.

Postal Service, insurer settle 9/11 claim

Factory Mutual Insurance Co. has agreed to pay $75 million to the United States Postal Service to settle a coverage dispute stemming from damage to a downtown Manhattan post office resulting from the Sept. 11, 2001, terrorist attacks. The Postal Service in June 2003 sued Factory Mutual, which does business as FM Global, alleging breach of contract under a property insurance policy for failure to reimburse USPS for the repair, decontamination and restoration of the Church Street Station post office building. The settlement includes more than $26 million already paid, according to FM Global.

Best reviewing Alea ratings

Alea Group Holding (Bermuda) Ltd.'s financial strength and issuer credit ratings have been put under review with negative implications by A.M. Best Co. Alea, a Hamilton, Bermuda-based insurer and reinsurer, holds an A- rating in both categories. Best has indicated that Alea will have to significantly increase its capital to maintain the ratings. In an unrelated development, Alea said it received a subpoena June 9 from the Securities and Exchange Commission for documents relating to nontraditional, or loss mitigation, insurance products as part of an industrywide investigation. The insurer said it is cooperating.

Nevada approves reimportation bill

Canadian pharmacies licensed by the Nevada State Board of Pharmacy could sell prescription drugs by mail order to Nevada residents under a bill approved by state legislators. The legislation, A.B. 195, would require that the approved pharmacies be posted on a state-maintained Web site, which would provide links to the pharmacies. Gov. Kenny Guinn is expected to sign the bill.

Alaska enacts med mal reforms

Alaska Gov. Frank H. Murkowski last week signed the Alaska Medical Injury Compensation Reform Act, which caps at $400,000 noneconomic damages in medical malpractice cases that involve wrongful death or a permanent physical impairment that is more than 70%. Where the injury is less severe, the cap is reduced to $250,000. It does not apply to intentional misconduct or a reckless act or omission.

PHOTO: ROLL CALL PHOTOS

Gov. Murkowski

Vermont lawmakers OK health coverage plan

Vermont's Legislature has sent universal health care legislation to Republican Gov. James Douglas. The measure, H. 524, calls for providing primary and preventive coverage for uninsured Vermont residents by July 2006, provided that certain cost-containment measures were in place. Hospital coverage would be added in 2008. The plan would be funded by a combination of payroll and individual income taxes. Gov. Douglas had threatened to veto an earlier version of the bill, but his office did not return calls seeking comment on his plans for the current measure.

FM Global places $300 million cat bond

Factory Mutual Insurance Co. has placed a $300 million catastrophe bond to cover earthquake losses in the Pacific Northwest. The private placement is the first of its kind for Factory Mutual, which does business as FM Global. Investment banking firm Goldman, Sachs & Co. served as lead manager in the bond placement.

Oklahoma enacts comp reforms

Oklahoma Gov. Brad Henry last week signed workers compensation reform legislation that will allow self-insured employers and insurers to choose doctors for injured employees, while allowing claimants to apply for a change in physicians through a dispute resolution process. In addition, the measure increases certain benefits, allows workers comp judges to appoint independent doctors to evaluate injured employees and implements a file-and-use system for workers comp rates.

Gov. Henry

Briefly noted

OneBeacon Insurance Group is cooperating with a subpoena as it has received from Connecticut's attorney general seeking information on its dealings with brokers. The subpoena was reported in a Securities and Exchange Commission filing by OneBeacon parent White Mountains Insurance Group Ltd. ...Mike Geeslin has been named **Texas Insurance Commissioner**, replacing Jose Montemayor, who announced earlier this year that he was not interested in serving another term. Mr. Geeslin has served as deputy commissioner for policy at the Texas Department of Insurance since January 2003.

At *BusinessInsurance.com*

New **Online Poll**: Are you aware that employers must notify all their Medicare-eligible employees of whether their group prescription drug coverage is equal to what Medicare will provide?

Items in the Late News column originally appeared in BI's Daily News feature on *www.businessinsurance.com*. Visit the BI Web site to sign up to receive BI's Daily News by e-mail.

Older injured workers slower to return

Injured workers older than 55 are 12 to 35 percentage points less likely to return to work than are workers ages 25 to 39, according to a study by the Workers Compensation Research Institute.

The older workers who do return to work are likely to be away 62% to 276% longer, according to the WCRI study, "Return-To-Work Outcomes of Injured Workers: Evidence from California, Massachusetts, Pennsylvania, and Texas."

The findings are particularly significant, given that the number of workers age 55 and older is projected to grow by 49% over the next decade, the WCRI noted in a statement. That is four times the growth rate projected for the overall U.S. labor force and will translate to 11 million more workers older than 55 by 2012.

Education levels also influence the length of time off work for injured employees, with the WCRI finding that those with only a grade-school education were out of work two to 4.5 times longer than high school graduates.

"Quantifying the impact of the aging 'baby boom' generation, employees' educational level and injury severity may help policymakers, employers, the medical community and others develop new strategies that promote a more effective and timely return to work," said Dr. Richard Victor, executive director of the Cambridge, Mass.-based WCRI.

—By Roberto Ceniceros

BI Stock Index [6/6 - 6/10]

Up-to-the-minute data for all 87 companies that comprise the *BI* Stock Index can be found at *www.businessinsurance.com*

Percentage change of *BI* Stock Index vs. key indicators

BI Stock Index	2492.51	0.24
Dow Jones	10512.63	0.49
S&P 500	1198.11	0.17

Largest gains

Tower Group Inc.	10.16%
WellChoice Inc.	6.06%
United Fire & Casualty Co.	4.80%
CIGNA Corp.	4.67%
CNA Surety	4.26%

Largest losses

Clark Inc.	-11.60%
Gainsco Inc.	-6.92%
Willis Group Holdings Ltd.	-4.90%
Sierra Health Services	-2.76%
PXRE Corp.	-2.44%

Weekly change by market segment

Brokers	-1.33%
Insurers/Reinsurers	0.68%
Managed Care Organizations	0.95%

Source: FinancialContent Inc. *(http://financialcontent.com)*