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November 11, 2002 $4

Chubb selects outsider as chief

By JUDY GREENWALD

WARREN, N.J.—Chubb Corp.'s decision to appoint someone outside the commercial property/casualty industry as its new president and chief executive officer could lead to some fresh ideas at the insurer.

Although the new chief does not have a background in insurance, his proven management and financial skills—which were developed in a major, diversified financial services firm—will be an asset to Chubb, observers say.


Mr. Finnegan

John D. Finnegan, who is currently chairman and president of General Motors Acceptance Corp. and executive vp of General Motors Corp., will succeed Dean O'Hare, who will retire as chairman and CEO of the Warren, N.J.-based insurer on Nov. 30. Mr. Finnegan, 53, assumes his new position Dec. 1.

In addition, long-term Chubb director Joel J. Cohen has been named its nonexecutive chairman. Chubb's board decided to separate the chairman and CEO functions in accordance with best practices in corporate governance, the company said.

Chubb also promoted Executive Vp and Chief Operating Officer Thomas F. Motamed to vice chairman and chief operating officer. Joining him as vice chairmen are President John Degnan and Executive Vp Michael O'Reilly, who will

See CHUBB/page 23

Tort reform gets new push

Terror bill may be recast

By MARK A. HOFMANN

WASHINGTON—Republican control of Congress as well as the White House could mean action on many issues important to risk managers.

These include asbestos litigation reform, class-action reform and medical liability reform. But Republican gains do not translate into the 60 Senate votes needed to choke off filibusters, so the GOP must marshal bipartisan support for legislative initiatives.

And ironically, the power shift could delay enactment of terrorism reinsurance legislation, say some industry Capitol Hill watchers. Although White House Press Secretary Ari Fleischer said three times during a post-election briefing that the president wants Congress to enact such legislation during the lame-duck session that begins this week, some Republicans first want to strengthen the measure's tort reform provisions.

Risk Management

"Our hope is that the terrorism reinsurance matter will be put to bed during the lame-duck session," said Christopher Mandel, president of the New York-based Risk & Insurance Management Society Inc. "But if it's not, we'd be concerned about the aftermath of the president's aggressive pro-Republican campaigning" because it might backfire with moderate Democrats who had supported some of his agenda, he said.

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Benefit items on agenda

Improvements to plans

By JERRY GEISEL

WASHINGTON—Last week's congressional election will improve the prospects of many employee benefit proposals and could be the kiss of death for others.

Benefit experts see brightening prospects for proposals to boost the appeal of 401(k) plans, reduce the number of uninsured individuals and expand Medicare to cover prescription drugs, as a result of Republican control of Congress and the presidency for the first time in 50 years.

Conversely, the likelihood of enacting proposals such as patient-protection legislation and investment restrictions on 401(k) plan participants—measures whose prospects have been fading for some time—now may move to near zero.

Benefits Management

While the election results may have improved the prospects of many proposals, though, they by no means guarantee them. External factors such as big budget deficits mean that the passage of costly proposals, most notably a Medicare prescription drug benefit, remains a long shot.

And the rules the Senate follows—effectively requiring 60 votes for the passage of major legislation—means the Republican leadership will have to reach out to Democrats and, at times, to compromise if it is to have any success in getting its benefit

See BENEFITS/page 22

Late News

Insurers seek to rescind Qwest coverage

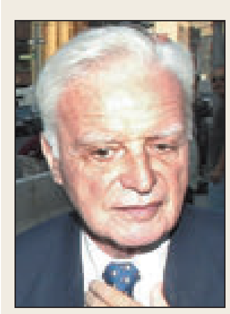
Insurers for Qwest Communications International Inc. are seeking to rescind the telecommunications company's $600 million in directors and officers liability and fiduciary liability coverage and want an arbitrator to bind the rescission. The insurers allege that Qwest, which is currently being investigated by securities regulators, made false representations in its coverage applications. Qwest claims that any coverage dispute should go to mediation because of a dispute resolution provision in its policies.

RSA posts loss, announces changes

Royal & SunAlliance Insurance Group P.L.C. will jettison about £3.5 billion ($5.47 billion) in premiums in a turnaround effort. The insurer announced the plan after it reported a £156 million ($244.0 million) pretax loss for the first nine months of 2002. RSA plans to spin off its Asia Pacific operations, focus on middle-market and personal lines business in the United States, reduce U.K. writings by about £500 million ($781.9 million) and cut staff.

Adelphia suing Deloitte & Touche

Bankrupt Adelphia Communications Corp. is accusing auditor Deloitte & Touche L.L.P. of negligence and fraud for failing to challenge the alleged looting of the cable company by ex-Chairman John Rigas and members of his family. In a lawsuit, Adelphia charges Deloitte knew of—or should have been able to spot—self-dealing by which Rigas family members allegedly diverted billions of dollars to their own benefit. Deloitte counters that Adelphia's board, including its independent directors, knew of and approved many of the transactions outlined in the complaint.


Mr. Rigas

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International

BLONDEAU OUT AS SCOR CEO

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NEWSPAPER

Inside

Consulting firm formed to help with governance

Corporate Diagnostics, which combines risk management, accounting and legal services, aims to help large companies. Page 4

Tort reformers still need to vote

While the elections are behind us, the work of tort reform advocates is just beginning, writes Editor Paul Winston. Page 6

Quick action needed for CIGNA turnaround

CIGNA Corp. must act swiftly to fix problems or risk losing customers, one of this week's editorials says. Page 8

Ergonomics programs need employee input

Ergonomics programs need not be costly to be effective, but they do require employee input. Page 16

Luxair crash probe launched

Authorities are investigating the fatal crash Nov. 6 of a Luxembourg passenger aircraft. Page 20

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

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Wellchoice IPO raises $417 million

Wellchoice Inc., the recently formed holding company for Empire Blue Cross & Blue Shield, raised more than $417 million in its initial public offering Thursday. The proceeds of the sale, however, have been frozen by a New York state court judge who granted a temporary restraining order that was sought by a consumer group, which disputes how the IPO proceeds would be used. The proceeds from the IPO will be held by the state until a Nov. 26 hearing.

Reserve boost, charges depress Trenwick results

A $90.7 million loss-reserve increase and tax-related charges increased Trenwick Group Ltd.'s net loss for the first nine months of 2002. The reinsurer's net loss grew to $188 million, compared with a $128 million loss for 2001's first nine months. The rising losses stemmed largely from the increase in reserves for accident years 1997 to 2000 on business written by Trenwick's U.S. and London units. Trenwick's total revenues climbed 7.1%, to $829.8 million, in the first nine months.

Willis sells life/health TPA operations

Willis Group Holdings Ltd. has sold its life/health third-party administration operations to Fiserv Inc. Terms of the deal were not disclosed. The TPA operation provides benefits administration and consulting services nationwide to self-funded and fully insured employers. The move is part of Willis' strategy to reduce its "noncore" businesses, Joseph J. Plumeri, chief executive officer of London-based Willis, said in a statement.

Late News

Outsourcing growth boosts Hewitt revenues

Aided by increases in its outsourcing and consulting business, Hewitt Associates Inc. reported a 16% increase in net revenues to $1.72 billion in fiscal 2002, which ended Sept. 30. Net revenues exclude reimbursements paid by clients for certain expenses incurred by Hewitt. Net income for the fiscal year was $190.4 million. Profits for the prior year, when Hewitt was privately held, were not reported.

CNA reports improvements

CNA Financial Corp. posted net income of $110 million for the nine months ending Sept. 30, compared with a $1.62 billion loss for the same period last year. The 2001 nine-month result included losses from the Sept. 11 attacks, a second-quarter reserve charge and restructuring and other related charges. CNA's property/casualty segments wrote nearly $5.41 billion in net premiums in the first nine months of this year, up 39.9% from the first three quarters of 2001.

Health plan can't force arbitration, court rules

PacifiCare of California Inc. cannot use the Federal Arbitration Act to force a plan member to arbitrate a coverage dispute, a California state appeals court has ruled. The federal arbitration act does not specifically apply to insurance, the court ruled in *Donald Imbler vs. PacifiCare of California Inc.*

Furthermore, regulation of insurers rests with the states, therefore, a California health and safety code regulating health maintenance organizations is not pre-empted by the federal act, the court ruled.

Check out Businessinsurance.com

To get breaking news as it occurs, visit *Business Insurance*'s free online Daily News, located at *www.businessinsurance.com.* Sign up for your daily e-mail of breaking news. All the material in the Late News column, as well as other content in this week's issue, is generated from Daily News postings that appeared on the *BI* Web site in the previous week.

Online this week:

- Locate resources with the help of more than 40 up-to-date **searchable directories.**
- Read new **Commentary** from Paul Winston, as well as the writing of other *BI* columnists.
- Check the **Datebook** calendar for upcoming industry meetings and events or add your own.
- Use the **Online Forum** to exchange ideas and information with other *BI* readers.

Watson Wyatt revenues grow

Increased employer spending on pension funding and regulatory compliance helped Watson Wyatt & Co. Holdings' first-quarter revenues grow 4%, to $179.0 million. Profits for the fiscal quarter ended Sept. 30 fell 3% to $13.1 million. In the Benefits Group, which accounts for more than 55% of total revenues, "client work tied to pension funding and governance" drove solid gains, said John Haley, president and CEO.

Briefly noted

A U.S. district judge has denied **JPMorgan Chase Bank**'s request for an immediate ruling that 11 insurers breached the terms of surety bonds guaranteeing $1.36 billion in purported oil and gas deals between the bankrupt Enron Corp. and a Chase affiliate based in Jersey, Channel Islands. Judge Jed S. Rakoff earlier threw out fraud claims that Chase leveled against the insurers. The insurers are seeking to rescind the bonds, charging the purported deals were fraudulently disguised loans from Chase to Enron. Judge Rakoff's denial of summary judgment means the case will proceed to trial, now scheduled to begin Dec. 2.... Rohm & Haas Co. will receive a $43 million insurance settlement from Equitas Ltd. to cover pre-1993 **liabilities associated with Superfund** sites and other facilities. A spokeswoman for the specialty chemical and material manufacturer said it agreed not to identify the primary insurers....The **Pension Benefit Guaranty Corp.** will guarantee a maximum annual benefit of $43,977.24 to participants of pension plans the agency terminates next year, up from $42,954.60. The PBGC now guarantees benefits to 624,000 individuals in the 3,000 plans the PBGC has taken over.

Nonprofit promotes inspection standards, certification

Locating mold problems

By MICHAEL BRADFORD

MINNEAPOLIS—A new organization is attacking the growing problem of mold contamination with recently developed inspection standards and a certification program for inspectors.

The Indoor Environmental Standards Organization is a nonprofit group that was established last spring to help insurers, home inspectors, real estate agents, mortgage underwriters and homeowners determine whether homes are contaminated with mold. The Minneapolis-based IESO plans to expand the program to develop procedures for inspecting commercial properties as well.

Mold inspections have been a "big gray area," said David Fetveit, president of the IESO and executive vp at Phoenix-based Aerotech Laboratories Inc. Homeowners have found that the range of services offered by inspection firms can vary greatly, he said, and a complete indoor air quality inspection is too costly for financial institutions to require such procedures for most property transfers.

See MOLD/page 18

PHOTO: KRT/IAN MCVEA

An inspection of a house in McKinney, Texas, uncovers mold and damaged lumber framing behind plastic foam.

But tough reinsurance renewals are likely to reinforce premium targets

Some hull and liability price concessions seen

By DAVE LENCKUS

As most of the world's airlines face hull and liability insurance renewals by year's end, some underwriting competition is creeping back into the marketplace.

That does not mean insurers are slashing rates without regard for underwriting profit. Weak investment returns, coupled with a tight reinsurance market, will not support the cash-flow underwriting that marked the 1990s soft market. But underwriters are willing to make some pricing concessions under certain conditions.

And while the market's underwriting discipline over the past 12 months has attracted additional capacity, executives agree that other dynamics will keep the market firm.

What all of this means for renewals next year is uncertain, market executives say. Underwriters' January reinsurance renewals, which could be tough, will influence the direct market considerably, the executives say.

After the Sept. 11 terrorist attacks last year, the hull and liability insurance market, which already had been firming, hardened much more substantially. Underwriters established an annual premium volume goal of $4 billion, or up to four times the market's annual premium volume during the past decade.

Market executives' estimates vary on how well underwriters have succeeded. Estimates range from $3.5 billion to $4 billion for the 12-month period ending Oct. 1, and predictions for all of 2002 range from $3.25 billion to $3.5 billion.

As much as 60% of the market's premium volume during the past year was attributable to the $1.25 surcharge per ticketed passenger for $50 million of third-party terrorism coverage. The coverage is a small fraction of the limits that underwriters previously provided.

Market executives agree that airline insurers over the past 12 months earned a rare underwriting profit. They also predict that underwriters will make a profit during the 2002 calendar year at current pricing levels if losses remain relatively low. Most market executives estimate year-to-date losses at around $500 million.

For underwriters, this renewal season is all about hitting premium targets rather than setting and sticking to specified rates, market executives agree.

"We have to recapture losses of the past and engage in more stable trading going forward," said Malcolm Brett, senior underwriter for ACE Global Markets, which underwrites

See RENEWALS/page 6

***Business Insurance* Workers Compensation and Disability Management Conference**

Further rate hikes ahead for workers comp market

By JOANNE WOJCIK

SAN FRANCISCO—The workers compensation insurance market is a mixed bag of good and bad news for employers.

The good news is that many employers have been reaping huge savings over the past decade because of the success of managed care and state reforms.

The bad news is that, even with an average 13.5% increase in premiums last year, workers compensation insurers are not yet flush and will likely seek further rate hikes to catch up.

While everyone is quick to blame the Sept. 11, 2001, terrorist attacks, the workers comp market was becoming more challenging before then, said Tim Hornung, risk analyst at Snap-On Inc. in Pleasant Prairie, Wis., and treasurer of the Wisconsin chapter of the Risk & Insurance Management Society Inc.

The deteriorating economy of the past few years has produced layoffs, which traditionally trigger workers comp claims, Mr. Hornung explained during a session at the 10th Annual *Business Insurance* Workers Compensation and Disability Management Conference, held last month in San Francisco.

Furthermore, many of the state reforms of workers comp laws have been repealed, benefit levels have increased and medical costs have surged, he said. And

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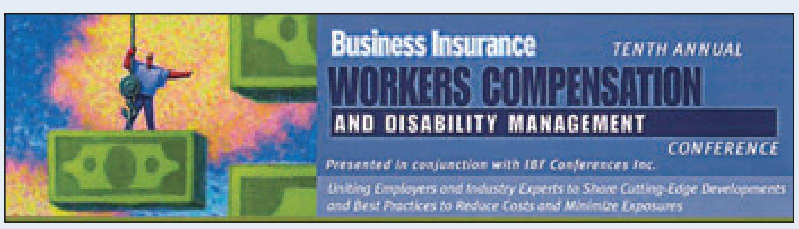


Conference coverage continues on page 16

***Business Insurance* Workers Compensation and Disability Management Conference**

Legislative trends increasing workers comp challenges

By MEG FLETCHER

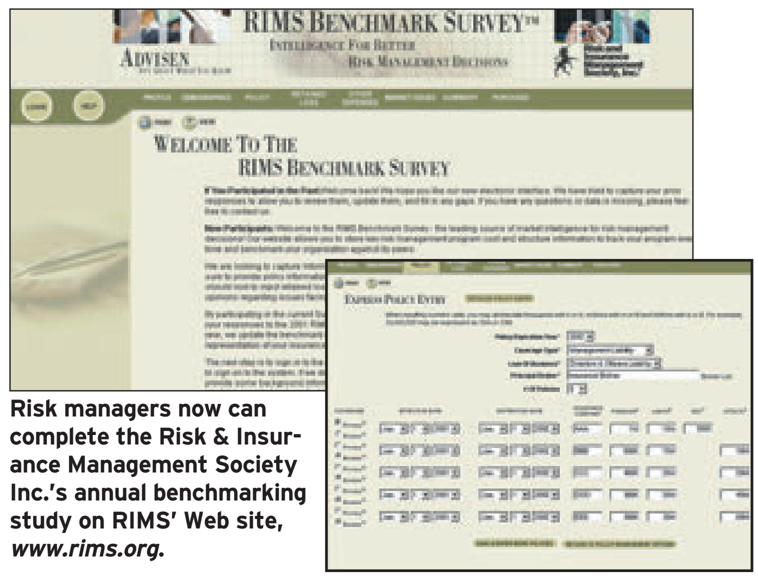
SAN FRANCISCO—Workers compensation managers are having a tough year not only because of the hard market but also because of certain state and federal legislative and regulatory trends, according to a panel of experts.

Those trends include a growing federal role in workers compensation matters, including the introduction of information-sharing requirements designed to protect the privacy of workers' medical records, said Michael Phillipus, vp of external affairs and communication for the New York-based Risk & Insurance Management Society Inc.

Mr. Phillipus was the keynote speaker at the 10th Annual *Business Insurance* Workers Compensation and Disability Management Conference. He and a five-member panel addressed legislative and regulatory trends before about 235 attendees at the conference, which was presented in conjunction with Rockville Centre, N.Y.-based IBF Conferences Inc. The event was held Oct. 21-23 at the Hyatt Regency San Francisco in Embarcadero Center.

Industry experts agree that they prefer the current privacy regulations, which go into effect next April, to those originally proposed during the Clinton administration. Mr. Phillipus said it was unfortunate, though, that the drafters didn't clearly exempt workers comp from the requirements; they merely noted in the preamble that the law does not intend to interfere with workers comp claims handling and that,

See LEGISLATIVE/page 14



Risk managers now can complete the Risk & Insurance Management Society Inc.'s annual benchmarking study on RIMS' Web site, *www.rims.org*.

Cost-of-risk survey makes move online

RIMS seeks participation, timeliness

By JOANNE WOJCIK

NEW YORK—The Risk & Insurance Management Society Inc. is making it easier for risk managers to compare notes with their peers by putting its annual benchmarking survey online.

Beginning today, risk managers can compare their own organizations' cost of risk with that of similar organizations through an interactive Web site developed by RIMS in conjunction with New York-based Advisen Inc., a technology startup operated by insurance industry veterans.

Since 1979, RIMS has co-produced the survey with various partners as a printed book, which was usually released at the society's annual conference.

The survey defines the cost of risk—a concept developed in 1962 by former RIMS President Douglas Barlow—as being made up of the following elements: insurance premiums; retained losses, including deductibles and self-insured retentions; internal administration costs; fees for outside services, including brokers, consultants, captive management and other vendor services; financial guarantees; and any other fees and taxes.

By putting its survey online, RIMS will be able to provide more extensive and up-to-date information, said Jim Blinn, a principal at Advisen who has been working on the RIMS survey for about 15 years in his former positions at Ernst & Young L.L.P. and at Tillinghast.

RIMS also hopes "to substantially increase participation in the survey," Mr. Blinn said. "At Ernst & Young, we were able to get somewhere over 800 usable responses. Our goal, over time, is to expand that substantially, so that we can provide more insight" into the cost of risk.

In the past, "we did everything we could to turn out an outstanding book that describes the elements of the cost of risk and analyzes it by industry, but it was inherently limited relative to what you could do with it because it was a book," Mr. Blinn explained. "The book was a very static set of information that, at best, was 12 months old. The next time you got an update was a year later."

See RIMS/page 21

New company aims to manage governance risks

By MICHAEL PRINCE

WASHINGTON—A new organization has been launched to help companies address exposures related to corporate governance practices.

Washington-based Corporate Diagnostics L.L.C will work with Marsh Inc., financial accounting consultants FTI Consulting and various law firms to help large publicly traded corporations prevent and respond to accounting, financial and management accountability problems.

Corporate Diagnostics will conduct reviews of a corporation's practices to identify any areas that might give rise to liabilities. Such analysis, the company said, could help hold down the corporation's directors and officers coverage costs.

"We've already been assured that additional analysis could help companies that need directors and officers liability insurance either qualify for this coverage or reduce its costs," said Thomas Vietor, chairman of FINPRO, the Marsh practice that focuses on financial and professional liability products, in a statement.

One insurer said that such efforts may indeed help policyholders.

"As an underwriting organization, we believe that it is critical for us to find additional means to evaluate and differentiate risks in the D&O market and not just class underwrite. All things being equal, proactive steps taken by insureds to improve their corporate governance should have a positive impact on an underwriter's view of a particular risk," stated John Lupica, president of ACE Ltd. unit ACE Diversified Risk in New York.

The multidisciplinary approach is needed for large companies to obtain a complete assessment of their risks, said L. Paul Bremer, chairman and chief executive officer of the crisis consulting practice at Marsh in New York.

"It brings together in one place a group of skills that are needed" to deal with corporate governance issues, Mr. Bremer said.

The new company was formed by management consulting firm Kemp Group L.L.C. and will be headed by Kemp Group founder Jack Kemp, a former Republican U.S. representative from New York and the secretary of Housing and Urban Development in the Cabinet of President George H.W. Bush.

The multidisciplinary approach "will assist companies prior to the outbreak of a high-profile crisis," Mr. Kemp said at a press conference last week in New York launching the new organization.

The new spotlight on corporate governance concerns has created a unique business environment in which all companies are under tighter scrutiny because of the misdeeds of a few, he said.

The actions of a few entities have "stained the reputation of a lot of good companies," Mr. Kemp said.

Because of this added spotlight, there is a great demand for the new venture's services, Mr. Bremer said. "It's the kind of thing that boards need to be concerned about," he said.

Neither Marsh, FTI nor the law firms will have an ownership interest in Corporate Diagnostics. Rather, the various organizations will work together to provide the services that companies desire. "It's more like a joint-marketing venture," Mr. Bremer said.

Marsh's role will focus on crisis management consulting, as well as the placing of D&O insurance. FTI Consulting will focus on securities and forensic accounting and other financial analysis, while the law firms, including Washington-based Patton Boggs L.L.P., will focus on regulatory compliance and communications after a crisis breaks out.

Corporate Diagnostics' costs will vary, depending on which services are used, Mr. Bremer said.

Renewals: Some price cuts seen

Continued from page 3
through Lloyd's of London syndicate 2488.

Although underwriters are evaluating risks differently this renewal season in an effort to meet their premium and profit goals, they are cutting premiums for some airlines.

For example, underwriters largely have moved away from pricing based on an airline's revenue per passenger mile and now are focusing on passenger enplanements, departures and landings. That shift should not only stabilize both premium flow for underwriters and costs for airlines but also lead to premium reductions for some airlines, market executives agree.

For North American airlines, underwriters in recent months also have been integrating the terrorism coverage surcharge into a risk's overall premium and effectively reducing the surcharge by as much as half, market executives say.

In addition, underwriters are willing to bargain when an airline has good loss experience, when the underwriter can write a bigger piece of the airline's program, and when a small airline moves into a group program with a larger affiliate, market executives say.

The premiums that lead underwriters on accounts command are softening marginally, many market executives say. But competition has been sufficient to prompt two airlines to switch to different lead insurers, a London broker noted.

Following markets are discounting premiums more significantly—5% to 20%—but they still command premiums that will generate underwriting profits if losses remain normal, market executives say.

This so-called "verticalization" of the marketplace has developed because following markets do not have the same expense load as lead markets, explained Harold J. Clark, chairman and chief executive underwriter of U.S. Aviation Underwriters Inc. of New York.

'I think that any underwriter who's satisfied with the price is trying to write the full share.'

Joe Trotti
Willis Group Ltd.

Airlines coming off long-term programs, though, will face significant premium increases, market executives note. The London broker said such airlines have been hit with 30% premium hikes this renewal season.

Still, unlike the situation in previous hard markets, airlines do not have to contend with capacity problems. Liability limits of $1.5 billion remain readily available, and one Asian airline purchased $2 billion of limits this year, according to market executives.

Indeed, underwriting and broker executives estimate that the market is overcapitalized by 40% to 70%, as the market's newfound profitability has attracted additional capacity from both established and new sources.

For example, many long-established direct underwriters now are trying to write their full line of capacity for risks, said Joe Trotti, chief executive officer for Global Aviation-North America at Willis Group Ltd. in New York. In recent years, if those underwriters had the capacity to underwrite 10% of a risk, they offered 5%, he said.

"I think that any underwriter who's satisfied with the price is trying to write the full share," Mr. Trotti said. "As intermediaries, we're trying to leverage that and get prices down as much as possible."

New capital also has flowed into the market. For example, Bermuda-based AXIS Specialty Ltd. writes lead and following coverage. Endurance Specialty Insurance Ltd., also based in Bermuda, is focusing on providing reinsurance capacity for airline underwriters. Both facilities formed late last year.

But the current level of overcapacity might be short-lived, if reinsurance capacity constricts as expected during airline underwriters' January renewals.

Daniel M. Izard, an executive vp with Endurance, said he would not be surprised if the direct market's capacity drops 25 to 30 percentage points next year. Furthermore, he said he expects that insurance rating agencies will downgrade additional reinsurers, leading to an even-tighter reinsurance market for airline underwriters.

For airlines, though, "the greatest likelihood is that pricing won't shift dramatically" next year, Mr. Izard said.

Paul Winston

The suit du jour: chocolate tort

After almost every election, people tend to wonder, "Does my vote really count?"

Given the election fiasco in Florida two years ago, the obvious answer is a resounding "yes!" But it's human nature to wonder anyway.

In the wake of last week's elections, which gave the Republicans a majority in both chambers of Congress, tort reform proponents were quick to praise the impact voters had on their agenda.

The American Tort Reform Assn. last week issued several press releases that characterized the elections as a demonstration of voters' opposition to judicial activism and trial attorneys.

I'd like to believe that the voters had tort reform on their minds when they went to the polls—and that their voice will be heard—but I'm skeptical they were thinking along those lines in the voting booths.


Paul Winston

Even if a candidate is a champion of tort reform, he or she is not likely to draw attention to that cause during a campaign. I suspect most political consultants would consider such platforms tantamount to suicide. There is a high risk that opponents would twist such messages to their advantage by making tort reform efforts seem like attempts to pull the rug out from under widows and orphans.

I also think that tort reform is too complex an issue to be distilled into a sound bite for the average voter—let alone the average lawmaker—to comprehend. Business executives, risk managers and insurance professionals, after all, account for only a very small minority of the voting public.

Regardless of the reason, we can only watch and wait to see what the new lawmakers and judges do with the offices to which they were elected. While the Republicans regained the majority in the Senate, they still lack the numbers needed to push their agenda without the support of Democrats. Compromise will still be necessary.

Meanwhile, there is another forum where voters can make a difference, without any doubt, on an important tort reform issue.

Citizens Against Lawsuit Abuse, a California-based advocacy group, is holding its annual competition for the most outrageous lawsuit of 2002. The top vote-getter wins the "Grand Caesar," named for Caesar Barber, the man who is trying to make fast food addiction a tort.

This annual award used to be called the Stella, after the woman who made spilling hot fluids on oneself while driving a tort.

CALA's Web site, *www.cala.com*, is seeking votes on this year's entries for the most outrageous lawsuit. The half-dozen contestants are:

- A lawsuit filed in Los Angeles Superior Court against Hershey Food Co. and Nestle USA Inc., which claims chocolate contains deadly amounts of lead. The suit seeks to compel the companies to put health warnings on chocolate bars.
- A discrimination complaint filed with the San Francisco Human Rights Commission over a Jazzercise policy that its exercise instructors must look fit. The complaint, which CALA says alleged violations of San Francisco's so-called "short and fat law," was filed by a 240-pound woman who was denied a job as an instructor. Jazzercise opted to settle, rather than litigate. But when it dropped its policy, the claimant decided she didn't want the job after all.
- A lawsuit that seeks $15 million from Air Canada and others for losing a couple's cat on a flight to San Francisco from Toronto. The suit claims negligence, negligent infliction of emotional distress, fraud and false advertising. The couple say their suit "is not about the money," CALA reports.
- A wrongful death lawsuit seeking $41.25 million from the U.S. Fish & Wildlife Service on behalf of the families of 11 of 14 individuals who died during an illegal border crossing. The suit contends the U.S. agency wrongly denied a private group's efforts to provide water at illegal border crossings.
- A much-publicized class-action lawsuit against several fast food companies, in which the lead plaintiff, Caesar Barber, is claiming the restaurants that he ate at four to five times a week are responsible for his poor health. Mr. Barber, who is overweight and has diabetes, hypertension, a hyperthyroid and high cholesterol, contends the restaurants were irresponsible, were deceptive in their nutritional information, did not provide healthier menu items and provided a product that is addictive.
- A lawsuit threatened against the Penobscot County (Maine) Sheriff's Office by a convicted sex offender who was injured while being chased by law enforcement officers. The suit blames detectives for being too slow and not finding him in the woods before he lost two toes to frostbite.

Here's hoping that tort reform efforts move with greater speed.

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Editorial

Swift action can remedy CIGNA ills

HOW COULD A HEALTH insurer once known for innovation and profitability find itself in such a mess?

That is a question many are asking in the wake of the torrent of bad news pouring out of CIGNA Corp. CIGNA, one of the nation's biggest health insurers, last week disclosed that it lost nearly half a billion dollars for the first nine months of the year, compared with net income of nearly $800 million for the same period last year.

If that massive loss weren't bad news enough, CIGNA also reported that it expects its service and underwriting problems to reduce its plan enrollment next year by 4% to 5%. And, on top of that, the Securities and Exchange Commission has begun an informal inquiry into the company.

While the bad news now is tumbling out, we believe the seeds of this mess were sown nearly a year ago. CIGNA's top executives have acknowledged publicly that, for "competitive reasons," a chunk of business was underpriced, which generated massive losses. Put another way, the premium charged had little relationship to the risk.

Bad underwriting is not CIGNA's only problem, though. At the beginning of the year, CIGNA laid off 2,000 people in anticipation of "productivity gains." But the insurer failed to realize those productivity gains, and its switch to a new computer system resulted in such a mess that its understaffed service centers received even more calls.

Boiled down to its most elementary level, the explanation for CIGNA's woes is that the insurer blew the basics. It didn't underwrite properly, it laid off too many people and it didn't implement new technology smoothly. For those mistakes, CIGNA is being punished by investors who have bailed out and by dissatisfied employers that are now looking for new insurers.

Why such basic mistakes were made is beyond us. But, having said that, it is not too late for CIGNA to turn its fortunes around. It still has many strengths, including a big customer base and large provider networks.

Most importantly, its leadership acknowledges the many mistakes that have been made and says it is working to correct them.

Certainly, a turnaround is possible. Aetna Inc., for example, had enormous difficulties integrating U.S. Healthcare Inc. following its acquisition, but the insurer eventually overcame them.

We believe CIGNA also can surmount its problems. However, in a competitive health insurance market with many options for employers, CIGNA must move quickly and effectively to solve its problems. Customer loyalty is ephemeral in the health insurance business, and if CIGNA does not promptly improve its situation, its customer base may migrate to those insurers that can underwrite more predictably and provide better service.

Bipartisanship crucial for reforms

WILL A CONGRESS and an executive branch controlled by the same party be more successful in reaching agreements on employee benefit and risk management issues than a divided government has been?

If that is to happen, Republican lawmakers and the Bush administration must study the mistakes of the past—and avoid repeating them.

Remember 1992, when Bill Clinton won the presidency and Democrats controlled both houses of Congress? Arrogant Democrats froze out Republicans in developing a health insurance reform package, and, not surprisingly, the plan failed spectacularly.

Republicans, too, have been guilty of political arrogance. In the 1980s, when they controlled the Senate and the executive branch, tort reforms may have had a much better chance of passage had Republicans opted for more moderate reforms than the ones they proposed.

The point is, in our system of government—particularly given the fact that, effectively, 60 votes are needed in the 100-seat Senate to pass major legislation—bipartisanship is crucial.

Certainly, the risk management and benefits-related legislative agenda the new Congress faces is a big one. Tort reform, a Medicare prescription drug benefit, pension funding relief and 401(k) reforms are just a few of the issues that legislators are expected to consider.

We would hope that Republicans reach out to Democrats to come to bipartisan agreements on these issues, as failure to do so will surely lead to the death of such proposals. By the same token, we hope that Democrats will work with Republicans and that, together, the two parties will find that elusive middle ground on these and other issues of national importance.

Schillerstrom

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Ask a Benefit Actuary

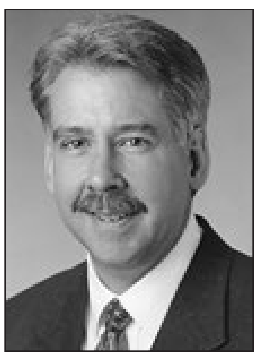
Good governance vital to plan management

By William J. Miner and Alec Dike

Q: In what areas of benefit plan management should good governance be applied?

A: This question comes from the treasurer of a Fortune 500 company. Her company sponsors several defined benefit plans, 401(k) plans, preferred provider organizations, health maintenance organizations and indemnity medical plans, as well as comprehensive disability and life insurance benefits.

The treasurer's question relates to my June 3 column, which discussed how good governance could reduce benefit plan risk. I noted three key principles for good benefit plan governance:



- The compensation committee of the board must carefully allocate decision-making responsibility to the right individuals and committees.
- Decision-makers must have access to the data and tools they need, tools should be process-oriented and represent current best practices, and decision-making should be documented.
- Those making appointments—starting with the board of directors—must monitor and evaluate the quality of decision-making.

It is important to apply these principles to the broad array of plan management functions, not just to those areas over which the treasurer has direct responsibility. Many employers have found it helpful to divide benefit plan functions into five areas: plan design, administration and communications, compliance, asset management, and financial management.

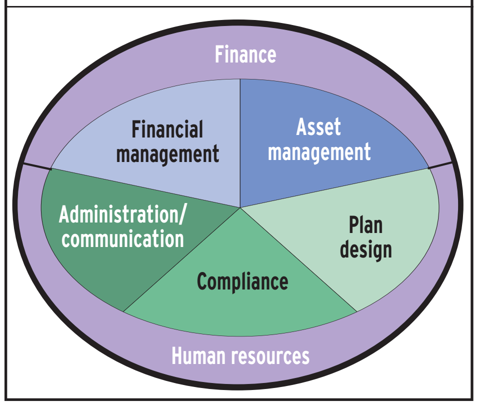
The circle graphic illustrates how companies often allocate these five functions between their corporate finance and human resources departments. A circle is appropriate, given that these functions are interrelated and should not be considered in isolation.

All benefit plans need good governance in the first three functions, although compliance concerns vary depending on the type of plan. Retirement plans and employee benefit plans funded through a voluntary employees' beneficiary association may also need asset management and financial management. The current economic environment has increased the focus on asset management and financial management, and on whether employers are applying appropriate governance to those areas.

The application of the three key governance principles depends on the plan governance functions. For example, a well-organized administrative structure will allocate responsibilities among policymakers, supervisors and implementers. Generally, the compensation committee will get involved with specific administrative issues only when they rise to the policy decision-making level. The compensation committee, though, retains ultimate responsibility for correct, compliant and cost-efficient administration.

A critical first step for putting the governance house in order is ensuring that administrative committees are appropriately staffed and are meeting as frequently as required by plan and trust documents. Those documents that contain governance procedures that are not being implemented may violate the Employee Retirement Income Security Act and the Internal Revenue Code, for the simple reason that both statutes call for plan terms to be followed. This step needs to be followed for all plan governance functions.

APPLIED PLAN GOVERNANCE



For every plan governance function, a plan sponsor needs to have access to tools, data and best practices when making plan decisions. Not all employers can afford to hire employees who are expert in the current best practices or who can invest the time necessary to stay current.

Employers can often save money by supplementing the knowledge of their employees with that of independent third parties. When retaining consultants or advisors, though, employers must be aware of potential conflicts of interest. This may occur when the adviser has a financial interest in a particular outcome, such as the purchase of investment products. Finally, the plan sponsor remains responsible for exercising appropriate due diligence in the selection of a consultant or adviser.

The particular tools, data and best practices needed by decision-makers will also vary by plan function and by the nature of a particular decision. For example, prudent tactical asset management often requires the review of quarterly investment performance and its comparison with appropriate indices and peer groups, as well as other quantitative and qualitative analysis. Generally, only the largest employers will have a staff equipped to assemble, much less analyze, investment data with such frequency. Strategic defined benefit pension plan asset management, such as might occur in resetting an asset allocation strategy, requires a different set of analytic tools that may include stochastic modeling of plan assets and liabilities.

As another example, strategic benefit plan redesign generally should include comparison with the benefit practices of an employer's competitors and should consider the interplay of all benefits, compensation, incentives, and financial and administrative considerations. Tactical benefit plan redesign, on the other hand, may be in response to a specific legislative opportunity, such as whether to allow and match catch-up contributions in a 401(k) plan, and usually requires less extensive analysis, given the lesser risk of unforeseen consequences.

Finally, the monitoring and evaluation of decision-making by those ultimately responsible will take a variety of forms based on plan function. For example, given the constant need for asset management and review, the performance of any third parties that provide quarterly assistance should itself be reviewed at least annually. Similarly, while a plan should always have processes and procedures intended to ensure compliance, many employers will have periodic compliance reviews of both the adherence to their established procedures and the quality of such procedures. Such reviews are in addition to the ad hoc compliance reviews that might occur when the employer makes an acquisition, changes vendors or has another transactional motivation for a compliance review.

Good governance calls for a holistic perspective in establishing and applying processes for ongoing benefit plan improvement. Since each of the five functional areas can affect the other four, governance for any area should not be approached in a vacuum. Further, governance needs and tools should be identified and applied across the various types of benefits, given that different benefits can affect one another. Finally, governance procedures themselves should be subjected to periodic review to ensure that the most-current best practices are in place.

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

This month's column on actuarial questions in the benefits field is written by William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago. Alec Dike, a senior consultant in Watson Wyatt's Chicago office, assisted Mr. Miner with the research for this column.

Address your questions to ASK, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Loss of enjoyment not property damage under CGL

Legal Briefs

Claims for the loss of enjoyment of property did not trigger coverage under a commercial general liability insurance policy's property damage provisions, according to the 4th U.S. Circuit Court of Appeals.

Custom-home builder Mitchell, Best & Visnic Inc. was covered under a CGL insurance policy issued by Travelers Property Casualty Corp. That policy provided coverage for "bodily injury" or "property damage" caused by an "occurrence," and property damage was characterized as physical injury to tangible property. Mitchell became involved in a suit that involved the interpretation of restrictive covenants in a subdivision where it was building several homes. At issue was whether those homes were too big and, therefore, violated the covenants. Several home purchasers sued Mitchell, and Travelers refused to defend or indemnify the builder.

Mitchell then sued the insurer, seeking a declaration that it had a duty to defend and pay damages arising from the underlying purchasers' suit. The trial court ruled for the insurer.

On appeal, Mitchell argued that the claims in the underlying suit had the potential of resulting in a tear-down order, which it asserted would constitute an occurrence that caused property damage under the policy. The court agreed with the trial court that the underlying suit did not state a claim for property damage because loss of enjoyment was insufficient to establish property damage, which, under the insurance contract here, required physical injury to, or loss of use of, tangible property.

Thus, the court agreed that the underlying suit did not qualify for coverage under the CGL insurance policy.

Mitchell, Best & Visnic vs. Travelers Property Casualty Corp., 4th U.S. Circuit Court of Appeals, May 16, 2002 (BI/05/D.-$10)

Suicide not compensable under Missouri comp law

Assuming an employee's depression was due to his job-related accident and that this depression led to his suicide, such depression was not an occupational disease under the Workers' Compensation Act, according to the Supreme Court of Missouri.

Dennis Greenlee sustained head and neck injuries in a work-related accident. After the accident and surgery, he developed a seizure disorder and became depressed. He filed for and was awarded permanent total disability and future medical benefits.

Subsequently, Mr. Greenlee committed suicide, and his widow filed a second claim for workers compensation death benefits. She claimed that he committed suicide as a proximate result of the depression he suffered after his accident. Her claim was denied on the basis that Mr. Greenlee's death occurred more than 300 weeks after the accident and was not the result of an occupational disease. She appealed.

The appellate court noted that the workers compensation law allows death benefits if death resulted from the accident within 300 weeks after the accident, except in cases of occupational disease.

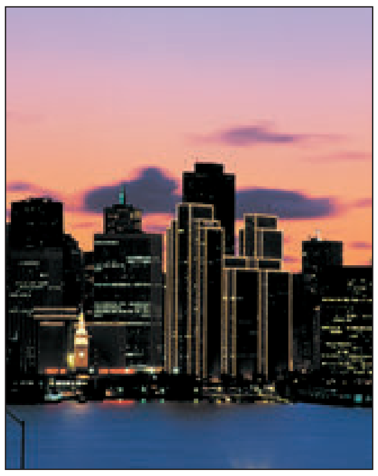
Here the court said, Mr. Greenlee died more than 300 weeks after the accident occurred.

Furthermore, the court ruled that the occupational disease exemption did not apply because Mr. Greenlee's depression did not arise out of his job of hanging drywall. The court affirmed the denial of death benefits.

Greenlee vs. Dukes Plastering Service, Supreme Court of Missouri, May 28, 2002 (BI/04/D.-$10)

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

Market: Comp buyers facing rising rates



San Francisco hosted the 10th Annual *Business Insurance* Workers Compensation and Disability Management Conference.

Continued from page 3

the severity of workers compensation claims has doubled since 1986, according to the Masterson Index of Workers Compensation Claim Severity, which is published by A.M. Best Co.

The convergence of these factors has been disastrous for insurers' bottom lines. For every $1 collected in premiums, comp insurers are paying out $1.29 in claims costs, Mr. Hornung said, citing Marsh Inc.'s "2002 Insurance Market Review and Forecast." Workers comp reinsurers are faring even worse, with a combined ratio of 145%, compared with 116.4% in 2001, he said, citing Marsh's figures.

Add to this that workers comp insurers legally cannot exclude terrorism exposures from coverage and it's no wonder that insurers are underwriting each risk carefully, asking where large groups of workers are located at any one time and how many and which floors are occupied in high-rise buildings, Mr. Hornung said.

And because treaty reinsurance has become so costly, insurers are buying mostly facultative coverage for individual risks, which is making them "very, very selective," he said.

Indeed, comp renewals have been a tough sell for Jeffrey W. Pettegrew, vp of risk management and insurance at Westaff Inc. The Walnut Creek, Calif.-based temporary staffing firm employs approximately 180,000 people. "Workers compensation costs are our biggest expense," he said.

And, because of market constriction, Mr. Pettegrew said he's practically had to jump through hoops to get coverage.

"With a paid-loss retro or a large-deductible program, they want complete collateralization of past claims and the upcoming year as well," he explained. "But the bond market has eroded to the point where, unless you have oodles of money, you won't secure a bond. So (letters of credit) are all that remain."

Westaff had a $12 million bond with a foreign insurer that called on the bond—and the letters of credit—when it sold its overseas operations last year. The bond wasn't reinsured, Mr. Pettegrew explained.

'With a paid-loss retro or a large-deductible program, (workers comp insurers) want complete collateralization of past claims and the upcoming year as well.'

Jeffrey W. Pettegrew
Westaff Inc.

The annual premium for excess coverage above Westaff's $500,000 per occurrence deductible surged 312% in November 2001 and is expected to leap another 27% at this year's renewal, "and we felt good," Mr. Pettegrew quipped.

"Only one other major insurer was interested in bidding on our business, and their vp of underwriting spent a half a day asking questions" before making a proposal that would cost Westaff even more, he said.

"Prepare yourself for that kind of detail," Mr. Pettegrew warned other risk managers in the audience.

Even the "long-term relationship" that Mary King, vp of workers compensation at Fox Entertainment Group in Beverly Hills, Calif., had with her insurer didn't save her from a hard-market heartbreak.

"We had a relationship with an insurer that was severed after 18 years," she said. "They raised our premium over $1 million for one large exposure, so they were a fair-weather friend, as far as we were concerned."

After the relationship ended two years ago, Ms. King "went on the road" to sell her company's workers compensation risk.

"We told them what we do, making us sound like the best thing since sliced bread," she said. "Finally, we got a three-year program that's now in its second year. And our hard costs went up only 13%, which is pretty darn good."

Ironically, United Parcel Service of America Inc., whose credit is a squeaky-clean AAA-rated, was asked by its workers comp insurer to obtain LOCs from banks that had lower credit ratings, according to Rami Suleiman, UPS's worldwide casualty risk manager in Atlanta.

Instead, UPS set up a trust, using its aircraft as collateral, Mr. Suleiman said.

"Our enemy is not the post-9/11 market but the post-Enron market," he said. "It's been an interesting selling job."

Mr. Hornung moderated the panel discussion.

Legislative: Changes adding to market challenges

Continued from page 3

if it does, it will be reviewed.

As a result, insurance industry experts fear that there will be problems in getting doctors to release injured workers' personally identifiable health information, which, they say, will prevent claims from being handled in a complete and timely way.

"Whoever wrote this probably believes in the Easter Bunny and Santa Claus," said Nancy Schroeder, assistant vp with the Des Plaines, Ill.-based National Assn. of Independent Insurers.

It may still be possible to achieve a better outcome for the workers comp system, though, said Bruce Wood, assistant general counsel with the Washington-based American Insurance Assn. He urged employers and insurers to provide input as federal regulators develop their implementation guidance, in the form of answers to a list of frequently asked questions.

Additional federal intervention into workers comp involves the Medicare system's efforts to monitor older injured workers who receive lump-sum settlements for workers comp claims, according to panel moderator Michael Zea, a settlement annuity specialist with Newport Beach, Calif.-based Ringler Associates.

Such a settlement is typically supposed to include money to pay older injured workers' future medical costs, but Medicare officials complain that too many workers have been pocketing that treatment money and then seeking their future medical care through Medicare, thereby shifting treatment costs onto the government.

News on the regulatory front is not all bad, though, for employers and insurers.

In particular, employers welcome the progress that has been made in developing a federal terrorism insurance backstop, as well as federal authorities' adoption of voluntary—rather than mandatory—ergonomics guidelines, speakers say.

RIMS is "extremely pleased" that the federal Occupational Safety and Health Administration decided to adopt voluntary ergonomics guidelines, and the society has forged an alliance with OSHA to further the goal of creating safer workplaces, Mr. Phillipus said.

On the state level, one key issue is rising medical costs, especially in California, Florida, Illinois and Texas, said Greg Heidrich, senior vp, secretary and treasurer of the Downers Grove, Ill.-based Alliance of American Insurers. A partial solution may be found in the greater use of generic drugs and pharmacy fee schedules, he said.

In addition, California employers

RIMS is 'extremely pleased' that the Occupational Safety and Health Administration decided to adopt voluntary ergonomics guidelines.

Michael Phillipus
Risk & Insurance Management Society Inc.

are struggling to cope with the effects of A.B. 749, which goes into effect Jan. 1, 2003 (*BI*, Feb. 11). The measure increased various benefits for injured workers at a time when the state's reduced budget does not permit the allocation of sufficient staff to oversee new fee schedules, said Mary Garry, business risk manager for Hewlett-Packard Co. in Palo Alto, Calif.

Business Insurance **Workers Compensation and Disability Management Conference**

Employer coping strategies vital in a tough market

By MEG FLETCHER

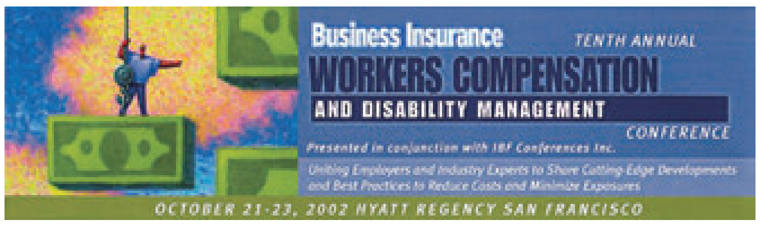
SAN FRANCISCO—Sellers of workers compensation and disability management coverages and services are offering employers a variety of strategies to cope with the challenging marketplace.

The market is difficult because insurers are seeking higher prices, in part because of "very poor" financial results, said Barry Lipton, senior actuary in Agoura Hills, Calif., for the National Council on Compensation Insurance Inc.

Private insurers' calendar-year combined ratio reached 122% last year—a 10-year high—with about 1.9% of that attributed to the Sept. 11 terrorist attacks, Mr. Lipton said at *Business Insurance*'s recent Workers Compensation and Disability Management Conference.

Also contributing to higher workers comp costs are rising wage-loss and medical benefits.

Average annual increases in wage-loss benefits were 6.3% during 1996 and 2001, compared with annual increases of 0.6% between 1991 and 1995. Meanwhile, annual medical claim costs consistently rose an average of 6.8% between 1996 and 2001, compared with 4.2% between 1991 and 1995, according to Mr. Lipton.



States' residual markets, which require voluntary market writers to provide workers comp insurance to employers seeking it, have seen a 65% increase in total premiums, to $375.3 million, in the first half of 2002 from a similar period a year earlier. While the number of policies written by residual market insurers went up only 27%—to 73,017 during the same period—the new risks were disproportionately large. For example, the number of employers paying premiums in excess of $100,000 during the first six months of 2002 increased 102% from the year-earlier period, Mr. Lipton said.

Employers seeking workers comp coverage may want to improve communication with their insurers, advised Betsy Dugdale, Pleasanton, Calif.-based division manager-underwriting for Liberty Mutual Insurance Co. "What's really important is that the underwriter understands your business," she said.

Inviting an underwriter to see your business and learn about your loss control strategies is "a good investment of time" for risk managers, Ms. Dugdale said. In addition, she said, companies considering deductible-type programs must decide how much risk they are willing to bear.

Employers also should consider other strategies that help them manage their workers, said Todd Squiers, the Concord, Calif.-based regional sales manager for disability management consultant GatesMcDonald.

Mr. Squiers encouraged employers to consider "total absence management," which "focuses on controlling the costs of absences once they have occurred and also on identifying opportunities to continually reduce" absences.

Such a program typically includes absence reporting and coordinating a variety of leave programs—such as those for family medical needs, disability and workers comp—as well as medical case management and return to work.

Another strategy that can help employers is to adopt effective claims-handling procedures, suggested Barry Thompson, the president of Risk Acuity L.L.C., a consultant based in Thomaston, Conn.

Good claims adjusting should be interactive and involve knowledgeable people who anticipate and mitigate developments while maintaining an overall strategy focused on closing claims, Mr. Thompson said.

Appropriate health care interventions also should be part of an effective claims-handling strategy, said Brian Boon, president and chief executive officer of The Rehabilitation and Accreditation Commission in Tucson, Ariz.

An employer should want an injured worker to receive the most appropriate and effective health care from a competent provider at the right time. In selecting a provider, an employer should consider whether it is appropriately accredited by a third-party organization, Mr. Boon said.

In addition, employers should be willing to pay fair prices for sustained outcomes, Mr. Boon said. He urged employers to screen providers by asking, "What is your program's return-to-work rate?"

Judy Merante, Philadelphia-based senior manager-claims for Accenture, moderated the discussion.

Business Insurance **Workers Compensation and Disability Management Conference**

Ergo programs require worker input, not big bucks

By JOANNE WOJCIK

SAN FRANCISCO—Ergonomics programs don't have to be expensive to be effective, but employee participation is vital, experts say.

"There are a lot of programs that don't cost anything," said Jerome Steed, risk analyst at Emeritus Assisted Living in Seattle. By working with state safety regulators, he was able to implement a low-cost ergonomics program for the nursing home operator.

"Employers often hesitate to bring in the state, but it was very beneficial, and it didn't cost anything other than a couple of lunches," Mr. Steed said during a session at the 10th Annual *Business Insurance* Workers Compensation and Disability Management Conference last month in San Francisco.

Furthermore, he said, it helped the nursing home operators meet requirements under regulations promulgated in 1999 by the Washington state Department of Labor and Industries.

> **'Don't give (employees) a program without their input. Ask them questions about their jobs.'**
>
> *Jerome Steed*
> *Emeritus Assisted Living*

To develop Emeritus' ergonomics program, Mr. Steed asked employees questions about their jobs, followed employees through their shifts and compared how similar tasks were performed at different facilities. He then compiled the information and put his ideas to work in the various locations.

"Don't give (employees) a program without their input. Ask them questions about their jobs. Ask them for wish lists," he advised.

And, after implementing an ergonomics program, "you've got to go back to your employees within a week to see if the changes were helping and, if not, to re-address" the situation, said Karen Thesing, who established an ergonomics program while serving as general manager of the Public Agency Risk Sharing Authority of California in Sacramento.

Although increasing employees' awareness of ergonomics may initially lead to more reports of discomfort, addressing the situations early ultimately will reduce the severity of claims, she said.

It didn't cost PARSAC anything to set up its ergonomics program, because "we used existing manpower," she said. Instead, the program produced a dividend, according to Ms. Thesing.

The average ergonomics claim cost dropped to $11,000 from $18,000 after the program was implemented, she said.

For most employers, implementation likely will involve some costs, but these expenses will be offset by savings in claim costs, according to Mr. Steed.

"We saw a 2% to 7% increase in labor costs, depending on the size of the community," he said, explaining that the greater cost increases were seen at larger facilities. "But the larger facilities also saw the biggest drop in ergonomics claims," he said.

Sharon A. Falkenburg, managing director of national risk control at Aon Risk Consultants in Milwaukee, moderated the session.

Mold: Promoting inspection standards, certification

Continued from page 2

"So we needed to come up with a standardized procedure for how inspections are done," said Mr. Fetveit.

The IESO then set about to develop fundamental guidelines for home inspectors and indoor air quality professionals to use in assessing whether properties are contaminated by mold. A volume of standards was published this summer, and a program to certify home inspectors has been put in place.

The IESO is guided by a 16-member advisory board that consists of executives with indoor air quality groups and other industries with a stake in the mold problem.

The IESO certification and training program educates inspectors on several key factors that could suggest the presence of mold in a property. Inspectors are instructed to look for water intrusion and other problems that could give rise to mold, and they are taught how to conduct limited air sampling.

If an inspector can't rule out the presence of mold and does not have the expertise to conduct a further evaluation, he or she can then refer the case to a specialist consultant such as an industrial hygienist or engineer. Those consultants can be located through a referral system operated through the IESO's Web site.

Mr. Fetveit pointed out that the site, *www.iestandards.org*, lists the schedule of about 20 two-day inspector certification courses. Copies of "Standards of Practice for the Assessment of Indoor Environmental Quality, Volume I: Mold Sampling and Assessment of Mold Contamination" also are available at the site for $25 for non-IESO members.

Inspectors earning IESO certification are eligible to apply for errors and omissions liability coverage through a program offered by Milne Scali & Co., a brokerage based in Phoenix. The brokerage worked with IESO to put together the coverage specifically for certified inspectors.

An executive with Milne Scali did not return phone calls seeking details of the coverage.

Products & Services

Free e-commerce risk CD-ROM available

SCHAUMBURG, Ill.—Employers can learn to protect themselves from e-commerce risks with a new tool from Zurich North America Financial Enterprises.

E-RiskEdge is a CD-ROM interactive program that uses detailed scenarios of e-commerce exposures. Quizzes test users' knowledge of such risks, and immediate feedback shows areas of vulnerability and recommends courses of action to prevent losses.

The CD-ROM, which is free, also contains information on Schaumburg, Ill.-based Zurich's program that provides broad coverage for many e-commerce exposures in a single policy.

An employer can obtain a copy of the CD-ROM by calling 800-821-4635 or by sending an e-mail to *cynthia.brown@zurichna.com.*

Online mental health self-assessment offered

RALEIGH, N.C.—A new online source for mental health and substance abuse self-assessments is available to employers who want to offer the information to their employees.

Workplace Options Inc., a Raleigh, N.C.-based wholesaler of work/life services, is offering the Emotional/Wellbeing Module as part of its Advantage Web product.

Available in January 2003, the module is a comprehensive resource that individuals can use to assess their behaviors and make healthier lifestyle choices. The module covers addiction and recovery, anxiety disorders, coping skills, depression, eating disorders, personal development and stress issues.

More information is available at *www.workplaceoptions.com* or by calling 800-699-8011.

New editions out on state workers comp info

DOWNERS GROVE, Ill.—The latest editions of two workers compensation publications are available from the Alliance of American Insurers.

"Workers Compensation Insurance: Profiles of the State Systems" provides state-by-state information, including insurer market share, the structure of residual markets, average claim costs and more. Contact information for each state's workers comp administrator also is included. The profiles are structured to allow quick comparisons among states, and, for some items, between state and national results.

The latest edition of the "Survey of Workers Compensation Laws" reflects recent changes to state laws and regulations. It provides a summary of major workers comp provisions in charts and tables. Topics such as benefit offset provisions, temporary total and permanent partial disability benefits, access to medical information and cancellation requirements are covered.

The books can be purchased from the group's Web site, *www.allianceai.org.*

Affiliated FM to cover French exposures

JOHNSTON, R.I.—Commercial property insurer Affiliated FM's products and services are now available to U.S. multinationals with locations in France.

Earlier this year, Johnston, R.I.-based Affiliated FM began offering its products to clients with operations in the United Kingdom. The expansion into France came after the insurer received requests from brokers and clients for international offerings.

The insurer specializes in property coverages to middle-market risks such as manufacturing facilities, real estate and retail/commercial operations. Its core product is an enhanced all-risk property policy, called proVision, which is backed by a line of coverages that include boiler and machinery, inland marine, builders risk and ocean cargo.

More information is available at *www.affiliatedfm.com.*

Planned stock issue may not cover projected loss of nearly $250 million

Blondeau out, Kessler in at SCOR

By SARAH VEYSEY

PARIS—A turbulent month for SCOR S.A. has seen the Paris-based reinsurer stun analysts with a profit warning, replace its chief executive and win approval to issue shares.

Despite ratings downgrades, however, SCOR is hopeful that a proposed turnaround plan will enable it to restore investor and client confidence.

In late October, SCOR announced it was expecting a 250 million euro ($249.2 million) loss for 2002, stemming principally from European flooding, poor investment returns and a 100 million euro ($99.7 million) loss from its Bermuda-based subsidiary, Commercial Risk Partners Ltd.

SCOR's loss announcement was "unexpected by everybody" said Marcus Rivaldi, an analyst at Standard & Poor's Ratings in London, which downgraded the reinsurer to A- from A after the profit warning.

On Friday, Moody's Investors Service downgraded SCOR's insurance financial strength rating to Baa1 from A1

SCOR, which previously promised a stock offering to raise capital for underwriting, said it won shareholder approval for the offering at an extraordinary general meeting Nov. 5.

Late on Nov. 4, though, SCOR announced the departure of Jacques Blondeau, who had been the group's chairman and chief executive for eight years. SCOR declined to comment on his exit. He was replaced by Denis Kessler, who was formerly chairman of the French insurance federation, the Federation Francaise des Societes d'Assurances; deputy chairman of the French employers' federation Medef; and previously a managing director at AXA S.A.

PHOTO: SARDIGROUP.COM

Jacques Blondeau was replaced after eight years at the helm of SCOR.

Mr. Kessler pledged to restore confidence in SCOR and rapidly return it to profitability. "In the immediate future, I therefore intend to concentrate on the planned rights issue while also being actively involved in the end-of-year renewal season."

Mr. Blondeau had proposed a share offering earlier in the year, which SCOR expected then would raise about 400 million euros ($398.7 million) to take advantage of improving market conditions. In the wake of the profit warning, though, SCOR said it hoped to raise at least enough money to offset its predicted 2002 loss.

"In current market conditions, that is going to be quite difficult," said Greg Carter, an analyst at Fitch Ratings in London, which has downgraded SCOR to BBB from A+. "The company clearly needs to raise capital to get back on track with its plans."

Despite expected strong support from Groupama-GAN, a major shareholder in SCOR, Mr. Carter said he remained "a little skeptical about capital raising until the money is in the bag."

The SCOR management board will meet Nov. 15 and then announce terms and conditions of the offer of 103 million shares, the company said.

Just before his departure, Mr. Blondeau said there were "two schools of thought" on the amount that SCOR should try to raise via the share issue. Either the proceeds should be enough to cover the losses, he said, or the company could raise more than the 250 million euro figure and use the excess to write more business.

Some industry observers say that with SCOR's financial position, though, it could be difficult for the company to raise more than 250 million euros.

"We are listening to both schools of thought, and the board will make the decision," Mr. Blondeau said.

"SCOR will need to get its act together pretty quickly to give its client base confidence," Mr. Carter said.

In announcing the profit warning, Serge Osouf, the group's chief operating officer, said he was confident that the news would not have any adverse effect on SCOR's year-end renewals with European clients. But he conceded that SCOR

See **SCOR/next page**

PHOTO: MONTAIGU HERVE/GETTY

Luxair Fokker 50 plane insured for $13.5 million

LUXEMBOURG—A Luxair Societe Luxembourgoise de Navigation S.A. Fokker 50 passenger aircraft crashed on Nov. 6, killing 20 of the 22 passengers and crew on board.

The aircraft was headed to Luxembourg from Berlin when it went down in early morning fog about five miles from its destination. The cause of the accident is under investigation.

Luxair is 13% owned by German airline Deutsche Lufthansa A.G., and its insurance coverage is placed by Lufthansa's in-house broker, Albatros. Hull and liability coverage was placed with Allianz A.G. Holding in Munich, Germany, and reinsured in the London market. The 11-year-old aircraft was insured for $13.5 million.

—By Edwin Unsworth

Germans to extend asbestos exclusions

By CAROLYN ALDRED

BERLIN—German insurers are planning to expand the use of asbestos liability exclusions in upcoming renewals, as concern about growing asbestos liabilities extends beyond the United States.

Most insurers in Germany already impose asbestos exclusions for risks based in the United States and will likely extend the exclusions to cover risks in Europe and other regions at Jan. 1, 2003, renewals, said a spokesman for the Gesamtverband der Deutschen Versicherungswirtschaft e.V., the German insurance association, in Berlin.

A spokesman for Allianz Global Risks, a unit of Allianz A.G. Holding, confirmed that the Munich-based insurer plans to introduce asbestos liability exclusions, similar to those applied to U.S. risks, for exposures across Europe.

The decision to use the exclusions, which Allianz will apply on a client-by-client basis, follows recent court rulings in the United Kingdom and France that have expanded employers' liability for asbestos-related claims, the Allianz spokesman said.

''Our aim is to, step by step, exclude asbestos coverage throughout Europe,'' he said.

A spokesman from Haftpflichtverband der Deutschen Industrie V.a.G confirmed that the Hannover-based insurer is introducing worldwide asbestos exclusions from January, to be applied on a client-by-client basis.

World Updates

E.U. countries extend coverage to airlines

Five E.U. nations are continuing to provide coverage for their airlines' war risk and terrorism liability exposures, despite the European Union's withdrawal of approval last month for such programs. France, Germany, Greece, Italy and Portugal are still providing coverage guarantees, claiming that commercial insurance is too expensive or too difficult to negotiate. E.U. members began providing the guarantees after insurers withdrew or curtailed coverage following the Sept. 11, 2001, terrorist attacks. The European Union determined, though, that sufficient coverage was available in the commercial market.

Beazley to raise $234 million in IPO

Beazley Group P.L.C., the holding company for Lloyd's of London managing agency Beazley Furlonge, hopes to raise about £150 million ($234.6 million) through a Nov. 12 initial public offering on the London Stock Exchange. Chief Executive Andrew Beazley said proceeds would be used to boost underwriting. The company will raise the capacity it manages at Lloyd's by nearly 64%, to £660 million ($1.03 billion), for 2003.

RMS revises estimates of windstorm damage

Based on additional analysis of wind speeds, Newark, Calif.-based Risk Management Solutions Inc. has revised its estimate of maximum insured losses from last month's European windstorms to 1.2 billion euros ($1.19 billion), more than four times its original estimate. RMS says total damage may exceed 1.5 billion euros ($1.49 billion) and that insured losses will likely be between 800,000 euros ($797,440) and 1.2 billion euros. Most of the insured losses will be in the United Kingdom, Germany and the Netherlands, RMS said.

Briefly noted

The number of **active U.K. occupational pension plans** fell to 103,165 in the 2001/2002 financial year, from 130,300 in 1998/1999, according to a report by the U.K. government's National Audit Office....Litigation against airlines over **deep-vein thrombosis** was adjourned in the U.K. High Court until Nov. 18, after the presiding judge revealed he owns shares in British Airways P.L.C., one of the 28 named defendants. The suit was brought by 56 victims of so-called "economy-class syndrome" and their families, who charge that the airlines failed to adequately warn passengers about the risks of DVT.

RIMS: Survey now available online

Continued from page 3

Furthermore, Mr. Blinn said, because the survey was printed, the amount of information it could contain was limited.

By contrast, the online version will have information on 30 different lines of coverage, and it will survey participants on current industry concerns, such as corporate governance, terrorism insurance and captive use, he said.

And Mr. Blinn predicted that, because the information will be updated on a regular basis, it will prove especially helpful at renewal time.

Before risk managers renew their coverage, "they can get on to the system, look at the issues, such as what limits are people buying, what sort of retentions are people getting, how much they're paying. And then, when they actually renew their policies, they can also update their information, so that we're able to keep a current log of what's happening in the risk financing market," he said.

Initially, risk managers will be able only to print out copies of the benchmarking reports they create online, but they eventually will be able to capture and download the results into spreadsheet programs, Mr. Blinn said.

The ability to download data will allow risk managers to manipulate it in ways they couldn't previously, said RIMS President Chris Mandel, director of enterprise risk management at USAA Group in San Antonio.

"This is a dynamic and much-needed RIMS product and will be a critical resource," Mr. Mandel said.

Participating in the survey and using the new analytical tools to create benchmarks using data dating back 12 months will be free to both RIMS members and nonmembers.

A subscription to continuously refreshed data, which will be available beginning in January 2003, will cost $175 for RIMS members participating in the survey, $250 for non-RIMS members participating in the survey, $500 for RIMS members not participating in the survey, and $600 for non-RIMS members not participating in the survey.

Copies of the printed annual report will cost $125 for RIMS members participating in the survey, $200 for non-RIMS members participating in the survey, $400 for RIMS members not participating in the survey, and $500 for non-RIMS members not participating in the survey.

More information about the RIMS benchmark survey is available through the organization's Web site, *www.rims.org*.

SCOR: Turnaround effort ahead

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"may have to address some difficulties in the U.S." when renewals come around.

Analysts said that it remained to be seen how cedents would react to the news.

As part of its turnaround plan, SCOR said it would "drastically" reduce underwriting within its alternative risk transfer and credit and surety reinsurance arms.

One London-based underwriter said that SCOR was not alone in needing to restructure its portfolio and said that several large reinsurers would likely scale back on the types of business they underwrite.

Mr. Carter noted that SCOR is not the only reinsurance company that was forced to strengthen reserves this year. He cited Munich Reinsurance Co., Employers Reinsurance Corp. and General Re Corp. as among the companies that have increased reserves.

"SCOR is symptomatic of the industry," Mr. Carter said. "But this isn't the first time (in its recent history) that SCOR has gone through a reserve strengthening." "Have they got a handle on it?" he asked.

SCOR's recent troubles are having an effect on its renewals, as the company tries to tighten terms and conditions on European policies, according to one London-based reinsurance broker.

"Particularly on European covers, (SCOR) has swung from being a very helpful market in previous years to a very difficult market," he said. Because of this tightening of terms, SCOR is being replaced as the lead on many covers, he said.

The broker predicted that SCOR would likely have to address this issue at the next renewal and relax its terms again to avoid being permanently replaced on a number of large European covers.

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Benefits: Bill outlook favorable

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agenda passed, noted Mark Ugoretz, president of the ERISA Industry Committee in Washington.

Still, the election results, in general, are favorable for employers.

"There are more opportunities for positive things, while employers stand a much better chance of avoiding damaging legislation," said Frank McArdle, a consultant with Hewitt Associates Inc. in Washington.

Indeed, there is a near-consensus among benefit experts that the new Republican-controlled Congress and the Bush administration will make a major push for legislation next year, to be introduced by Reps. Rob Portman, R-Ohio, and Ben Cardin, D-Md., that would, among other things, accelerate scheduled increases in 401(k) deferral limits and ease certain pension rules.

The likelihood of such a proposal winning congressional approval is high, said Nell Hennessy, the president of Aon Fiduciary Counselors Inc. in Washington.

"Both parties want to position themselves for the 2004 elections," Ms. Hennessy said. Democrats and Republicans alike would like to say that they did something to protect voters' entitlement to retirement benefits, she said.

On another 401(k) issue—that of reducing the likelihood of participant account balance meltdowns when companies go into bankruptcy—proposals to be taken up by the new Congress are likely to be more employer-friendly than some considered this year.

Proposals backed by some Democrats, such as outgoing Senate Health, Education, Labor and Pensions Committee Chairman Edward Kennedy, D-Mass., and opposed by employers, that would restrict the matching contributions employers can make in company stock now have no chance of passage.

"Democrats will talk about them, but they lack the votes," Mr. McArdle said.

Instead, benefit experts see passage of an investment protection bill along the lines of a measure the House approved this year. That bill, which the Senate did not take up, would let 401(k) plan participants sell company stock contributed as a match after three years and would improve investment education.

There is less certainty about other pension proposals expected to be introduced, such as those that would replace the current index used to establish the value of pension liabilities—the interest rate on the 30-year Treasury bond—with indexes made up of long-term corporate bonds. Business groups say the interest rate on Treasury bonds, which the federal government no longer issues, is artificially low. That inflates pension liabilities and forces employers to make bigger contributions to their pension plans than they would if other indexes were used, they say.

Ms. Hennessy said the use of the 30-year Treasury bond is "killing defined benefit plans," and she said she sees finding a new way to measure pension liabilities as a bipartisan issue.

Kyle Brown, an attorney with Watson Wyatt Worldwide in Washington, said, though, that if the government resumes issuing 30-year Treasury bonds—a possibility due to the need for increased government borrowing—the need for Congress to act would be reduced.

On the health care side, the administration, with more support from Republican congressional allies, is expected to unveil proposals to give new tax breaks to the uninsured to help reduce the out-of-pocket cost for health insurance premiums, while affirming its support for legislation making it easier for trade groups to provide health care coverage to members.

The latter proposal has passed the House several times but has gone nowhere in the Democratic-controlled Senate.

With Republicans in control of the Senate, "we are in a lot better shape than before the elections," said Jim Anderson, vp-government relations at the National Assn. of Wholesaler-Distributors in Washington.

Still, with intense opposition from powerful groups such as the Blue Cross & Blue Shield Assn., enactment of the proposal will be difficult.

And that opposition will continue. "We have looked at the issue for years, and it is very difficult to find a middle ground," said Mary Nell Lehnhard, the Blues senior vp in Washington. Ms. Lehnhard added that such group plans could skim off good risks and lack adequate regulation.

Interest in one long-time hot-button issue—legislation expanding the ability of enrollees to sue health plans for improper denial of coverage—is certain to wane next year, as Congress and the administration focus more on ways to reduce the number of uninsured individuals.

Indeed, any proposal, such as patient protection legislation, that could increase costs would be viewed much more cautiously at a time of surging health costs, said Paul Dennett, vp-health policy at the American Benefits Council in Washington.

Agenda: Tort reforms possible

Continued from page 1

The White House struck a deal with Senate Democrats a few weeks ago, upsetting some conservative Republicans in both chambers who believed the administration should have insisted on stronger tort provisions," said Joel Wood, senior vp-government affairs for the Council of Insurance Agents & Brokers in Washington. "Whether this deal can hold up is unclear, but we have been encouraged that soon-to-be Senate Majority Leader Trent Lott (R-Miss.) identified terrorism insurance several times the day after the election as an issue that can be resolved in the lame-duck session," he added.

Mr. Wood said the bottom line is that the White House will have to decide whether it's worth trying to get a better deal with the GOP, "in which case we'll be back to the drawing board in January. If, however, it indicates to Senate Republican leaders that it strongly wants the deal enacted, then we believe there's a good chance for success."

Looking ahead to the newly elected Congress that will convene in January, Mr. Mandel said "Assuming that the terrorism insurance issue isn't put to bed, which I hope I'm wrong about, that's still our No. 1 issue. Our others that follow include the expansion of the Risk Retention Act, the optional federal insurer charter issue—which we understand to be a long-term issue but which nonetheless is a priority—and class-action lawsuit reform." He said RIMS also is continuing to monitor patients' bill of rights legislation and ergonomics legislation.

Meanwhile, the return of the Senate to Republican control encourages tort reform advocates who had watched civil justice measures pass the House and go nowhere in the Senate. Having tort reform supporters in leadership "will have a substantial impact on the prospects of a number of issues, including medical liability, class-action reform, terrorism reinsurance and when it's ready to go, the whole asbestos litigation reform area," said Sherman Joyce, president of the Washington-based American Tort Reform Assn.

"In general, the Republicans gained the agenda in the Senate, because they will occupy the chairs," said David Farmer, senior vp in the Alliance of American Insurers' Washington office. "Issues that are of concern to the business community will be discussed and debated more in the next Congress. But if you look simply at the raw numbers, there is not a 60-vote Republican majority, which means that any legislation that passes the Senate and ultimately is on the president's desk will have to be a product of some compromise," he said.

"The top items on our agenda—terrorism insurance, asbestos litigation reform and optional federal chartering—are policy-based issues rather than political issues," said Julie Rochman, senior vp with American Insurance Assn. in Washington. "And we've always recognized that we need bipartisan support to get enactment of any of those pieces of legislation, so for us, not a lot has changed. Obviously, we have a better chance of having Republicans bring things to the floor like tort reform, class action and other more political issues that we support, but on our big three, we just keep working away," she said.

Carl Parks, senior vp in the National Assn. of Independent Insurers' Washington office, said the new less-litigation-minded and more pro-competition Congress will be "considering issues like class-action reform, asbestos litigation reform and other issues that affect the cost" of property/casualty insurance, even if indirectly.

These issues include the cost of prescription drugs and the patients' bill of rights. Given the makeup of the new Congress, "we're very pleased with the early indications of how those issues will be dealt with," he said.

Governor races may shake up commissioners

By MEG FLETCHER

The outcome of gubernatorial races last week could lead to widespread change among state insurance commissioners.

It may be too early to say whether the new governors will want to change commissioners, who are appointed in most states.

However, Illinois Insurance Director Nat Shapo—the secretary/treasurer of the National Assn. of Insurance Commissioners—may be vulnerable since Democrats wrested the governor's office from Republicans for the first time in more than two decades.

Democrats seized control from Republicans in 10 states—Illinois, Kansas, Maine, Michigan, New Mexico, Oklahoma, Pennsylvania, Tennessee, Wisconsin and Wyoming. A Democrat also is leading in unresolved balloting in Arizona.

Meanwhile, Republicans took over in seven states—Alaska, Georgia, Hawaii, Maryland, Minnesota, New Hampshire and South Carolina. The Republican candidate is the apparent winner in Vermont, though the Legislature must confirm that outcome, because no candidate received a majority of the vote.

"We see governors becoming more and more involved in the debate over regulatory modernization," said Bruce Ferguson vp of state relations at the American Council of Life Insurers in Washington. He noted two former commissioners were elected governor of their respective states: Kathleen Sebelius in Kansas and Ted Kulongoski in Oregon.

Winners in the four elected insurance commissioner races were divided between the two parties. Democrat winners were John Garamendi of California and incumbent Carroll Fisher of Oklahoma. Republican winners were incumbent John Oxendine of Georgia and Sandy Praeger of Kansas.

Outside of commissioner and gubernatorial races, several ballot initiatives and judicial elections of interest to insurers and policyholders were decided on election day.

Among ballot initiatives, Oregon voters rejected a proposal that would have created a universal health care program for the state. The proposal was supported by only 21% of voters. The single-payer system had been opposed by several employer and insurer groups that claimed it would be expensive, unwieldy and difficult of administer.

Oklahoma voters voted down a proposal that would have changed the administration of the state's tobacco trust fund. Voters in Oklahoma also voted down a measure that would have allowed state entities to limit the contractual liability of parties contracting to provide information technology goods and services to the state.

Voters in Montana rejected a legislative proposal that would have allowed local government group self-insurance programs to invest up to 25% of their assets in private corporate capital stocks.

In Colorado, voters rejected a proposal that would have allowed local governments to jointly own health care services or facilities with private companies or individuals.

South Carolinians defeated a measure that would have broadened the range of companies in which state employee pension funds could be invested.

Among judicial elections, in Alabama, voters returned Republican incumbent Harold See to the state's Supreme Court. Insurers supported Mr. See because of his pro-business stance.

In Mississippi, attorney Jess Dickinson was elected to the state's Supreme Court in his race against Chuck McRae. Neither candidate is affiliated with a party. Business leaders and insurers had opposed Mr. McRae because of his opposition to tort reform efforts.

Ohio insurers and employers hope the election of two business-backed candidates will shift the orientation of the state high court's 4-3 activist majority.

In those races, Maureen O'Connor beat Justice Tim Black and Justice Evelyn Stratton was re-elected over challenger Janet Burnside.

Michael Bradford, Mark A. Hofmann, Dave Lenckus, Sally Roberts and Joanne Wojcik contributed to this report.

For the Record

This roundup of news from the previous week is generated by *BI*'s daily news reporting. To get breaking news as it occurs, log on to *www.businessinsurance.com*, or sign up online for free *BI* Daily News by e-mail.

Suit charges LTD denials from UnumProvident

UnumProvident Corp. is facing a lawsuit that charges that its subsidiaries improperly denied long-term disability claims. Plaintiffs charge that the nation's largest disability insurer implemented an "elaborate corporate scheme" to deny benefits to plaintiffs. The suit, which seeks class-action status, alleges that subsidiaries of the company awarded bonuses and promotions to employees based upon the number of claims they denied. UnumProvident has vowed to defend the lawsuit.

Cleanup costs allocated to municipalities upheld

District court judges have the authority to allocate the costs of Superfund cleanups among municipalities and corporate defendants, a panel of the 2nd U.S. Circuit Court of Appeals has ruled. The panel's decision in *Goodrich Corp. et al. vs. Town of Middlebury et al.* could pave the way for a group of corporate defendants to recover from local governments some of the $80 million they spent cleaning up two Connecticut Superfund sites.

GM hikes some retirees' medical premiums

General Motors Corp. said rising prescription drug costs have prompted it to increase the premiums paid by about 164,000 of the automaker's retiree medical plan participants. Beginning in January, the retirees will see their premiums rise, on average, by $25 per month. Only retired salaried workers will be affected; more than 500,000 retired hourly workers' benefit plan costs are protected under union contracts.

Anthem sees profits jump in first nine months

Growing enrollment and good claims experience helped Anthem Inc. post a 48% increase in profits to $377.2 million for the first nine months of 2002. Total medical enrollment reached nearly 11 million lives as of Sept. 30, representing a 40% increase over the same point in 2001. Most of the membership growth stemmed from Anthem's July 31 acquisition of Trigon Healthcare Inc. Total revenues were $9.09 billion, up 21% from the comparable period in 2001.

Dependent care tax break increased

Employees using dependent care providers will be eligible for a bigger federal tax credit next year. Effective Jan. 1, 2003, up to $3,000 of dependent care expenses for one child and $6,000 of expenses for two or more children may be claimed for the dependent care tax credit. This year's limits were $2,400 for one child and $4,800 for two or more children. In addition, the percentage of expenses eligible for the tax credit is increasing.

Benefits administrator buying eBenX

Benefits administration company SHPS Inc. has agreed to buy online benefits exchange provider eBenX Inc. for $97.2 million. The online benefits exchange allows buyers to solicit bids for business from various health insurers. In addition, eBenX can enroll employees, administer the plans and handle claims and payment to the health plans. "By combining our two companies, we believe we can deliver a significantly better set of products and services," said David Garner, president and chief executive officer of SHPS.

Rate hikes extinguish U.K. fireworks displays

Rocketing insurance premiums prompted the cancellation of many traditional Nov. 5 firework displays and bonfire parties in the United Kingdom. Nov. 5 marks the anniversary of a thwarted plot to blow up the Houses of Parliament in 1605. After a rash of injuries last Nov. 5, concerns about safety and fears of litigation prompted many underwriters to increase quotes this year, said a spokesman for the National Campaign for Firework Safety. Villagers in Sherston, Wiltshire, celebrated with an artificial bonfire constructed with lights and a smoke machine, because insurance for an actual bonfire would have cost £2,500—up from £237 ($3,894 from $369) last year.

Aon develops new cat modeling programs

Aon Re Inc. and another Aon Corp. affiliate, Impact Forecasting, have developed property and workers compensation catastrophe modeling programs for earthquake and terrorism risks. The earthquake model provides estimates of the range of potential injuries and deaths associated with various earthquake scenarios. The model also forecasts the financial consequences of those possible employee injuries and deaths. In addition, the terrorism model assesses aggregations of property and workers compensation exposures.

Briefly noted

The Council of Lloyd's has formally elected Peter Levene, Lord Levene of Portsoken, as chairman of **Lloyd's of London**. Lord Levene, a former lord mayor of the City of London and, most recently, the chairman of Deutsche Bank London, is the first Lloyd's chairman to come from outside the market. He replaces Sax Riley, who is retiring after two years in the post....**Max Re Capital Ltd.** reported a net loss of $16.7 million for the first nine months of 2002, compared with a $7.6 million loss for the same period in 2001. Net premiums written rose 21.9% to $477.7 million....**PartnerRe Ltd.** reported profits of $101.9 million for the first nine months, compared with loss of $217.2 million for the same period in 2001. The reinsurer reported a loss of $27.9 million for the third quarter of 2002, due in part to losses from flooding in Europe, compared with a $338.5 million loss in the third quarter of 2001, which stemmed from World Trade Center-related losses.

Online Poll [11/4 - 11/8]

Do the Labor Department's new notification requirements for 401(k) blackout periods:

Exceed your current notification policy **35.0%**

Meet your current notification policy? **35.0%**

Fall short of your current notification policy? **30.0%**

Take part in our weekly poll at *www.businessinsurance.com*

Chubb: Taps outsider as CEO

Continued from page 1

retain their current responsibilities.

Mr. Finnegan joined GMAC's tax department in 1976. He has held various positions at both GM and GMAC since and assumed his current titles in 1999.

Commenting on his lack of expertise in the commercial property/casualty industry, Mr. Finnegan said, "I think, if you were going into a company that didn't have terrific expertise, it would certainly be a detriment." But Chubb, he said, has "strong management and terrific underwriting expertise, so it shouldn't be a significant detriment."

While Mr. Finnegan acknowledged that there will be a lot for him to learn, he said he should be able to do so fairly quickly while also contributing "some positives," including his general management and financial skills.

Brian Meredith, senior property/casualty insurance analyst with Banc of America Securities in New York, was enthusiastic about the appointment. "The guy's got a great reputation. He has consistently delivered better revenues and earnings at GMAC. He's got the reputation or the ability to manage a diversified financial services organization, which may lead to Chubb diversifying its operations at some time."

John Ward, chairman of the Cincinnati-based Ward Group, said Mr. Finnegan will bring some fresh thinking with him. "He'll be a good addition. He's a strong financial person, a good strategic thinker."

John Wicher, of San Francisco-based John Wicher Associates, an insurance investment bank, said, "Chubb does have balance sheet issues" and issues with rating agencies. "The sort of skills one brings from GMAC, which regularly navigates with the rating agencies and with the capital markets, is certainly going to be applicable," he said.

W. Dolson Smith, senior financial analyst at Oldwick, N.J.-based A.M. Best Co. said, "I'm sure there are other qualities than just in-depth knowledge of the insurance industry that are extremely important in the running of any large financial services company."

Michael Smith, an analyst with Bear Stearns in New York, said: "Obviously, the stock market likes the idea, because there's a broad misperception that Chubb is a broken company and needs an outside perspective. On the other hand, I tend to be a bit cautious when people come in from outside the industry to run insurance companies. Past experience hasn't always been real successful."

Some observers have commented that Chubb may have looked outside the insurance industry for Mr. O'Hare's replacement because of a dearth of talent within the industry.

Mr. Meredith said, though, that he does not believe this was the case. "I think what Chubb was looking for was the best financial services CEO they could find, and I think he fit the bill."

Todd Bault, a research analyst at Sanford Bernstein & Co. in New York, said, "this has been a trend for a while, of people looking for expertise from broader financial services."

Gary Ransom, senior vp at Hartford, Conn.-based Conning & Co., said: "The reason you go outside is to get a fresher view of the world you're in, someone who doesn't have any baggage they have to carry."

BI Stock Index [11/4 - 11/8]

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	Dow Jones	S&P 500
-0.57	0.23	-0.69
1887.93	8537.13	894.74

Largest gains

Gainsco Inc.	100.00%
Vesta Insurance Co.	28.10%
Unico American Corp.	19.05%
Navigators Group	15.86%
MetLife	10.93%

Largest losses

Acceptance Insurance	-41.67%
Trenwick Group Ltd.	-38.85%
CNA Surety	-27.14%
Meadowbrook Ins. Group	-18.05%
Hub International	-13.22%

Weekly change by market segment

Brokers	-1.26%
Insurers/Reinsurers	-0.28%
Managed Care Organizations	-6.37%

Source: CNET Investor (investor.cnet.com)