

business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1 a copy; \$40 a year

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update:

Bill taps health insurers to pay malpractice fund

ALBANY, N.Y.—Gov. Hugh Carey is proposing that health insurers reimburse physicians' medical malpractice insurers for a portion of major malpractice awards or settlements.

Under a proposal submitted by the governor last week, a medical malpractice catastrophe fund would pay 90% of all medical
Continued on next page

Southern exposures

Insurers watching events in El Salvador, Falklands

By STACY SHAPIRO

LONDON—War and political risk insurers in London have their eyes glued south on Latin America.

Some underwriters already are paying claims from the turmoil in El Salvador. And others are re-evaluating premiums for war and political risks in the Falkland Islands and Argentina.

And one mutual insurer is offering war risk insurance for land risks, something that has not been done in more than 50 years (see story, page 4).

The uncertain political climate in El Salvador already has cost British government export credit insurers and private political risk insurers about 10 million to 15 million pounds (approximately \$18.7 million to \$28.1 million), says one Lloyd's broker.

"There have been some claims in that area where investment and export contracts have been canceled," he said.

But he added that it's doubtful that companies with new contracts in El Salvador could even receive a quote on political risk coverage today.

"Political risk insurance is not a matter of predicting the future, but the management of uncertainty," he said.

Some Lloyd's war risk marine cargo underwriters also are refusing to insure cargo heading toward El Salvador, a Lloyd's marine underwriter pointed out.

"One of my colleagues saw a risk to El Salvador today, but he didn't underwrite it," the marine underwriter said. "The risk was arms and ammunitions cargo and he just didn't



Photo: Wide World

Rates may rise when the fleet reaches the Falklands.

want to know about it."

Lloyd's and London war risk underwriters that are still writing the coverage for risks in El Salvador can set any rate they choose under the "held cover" rating system used
Continued on page 4

Asbestos firms hope to copy Keene success

By STEPHEN TARNOFF

Two manufacturers embroiled in lawsuits with their insurers over asbestos claims are the latest to try to latch on to a federal appeals court decision that broadens coverage for long-latent diseases.

Unarco Industries Inc. of Chicago and Eagle-Picher Industries Inc. of Cincinnati, in two separate lawsuits against their insurers, are each arguing the coverage theory laid down by the District of Columbia Court of Appeals in Keene Corp. vs. INA should also apply in their cases.

In the Keene case, the court ruled that all insurers on an asbestos risk are liable to pay the claims of victims from the time of exposure to asbestos through manifestation of the disease, including the latency period.

Unarco filed its suit against eight of its insurers April 2 in the District of Columbia Superior Court. Eagle-Picher is currently involved in litigation against its insurers in the 1st U.S. Circuit Court of Appeals in Boston.

Within the past several weeks, DES manufacturers Eli Lilly & Co. Inc. and E.R. Squibb & Sons Inc. and Agent Orange manufacturer Hercules Inc. have sued their insurers in the U.S. District Court in Washington, D.C., in an effort to apply the Keene decision in non-asbestos injury cases (BI, March 22, April 5).

In seeking application of the Keene decision, both Unarco and Eagle-Picher are rejecting other theories of liability they previously fought for in litigation with their insurers.

Unarco earlier argued the exposure theory in a separate case.
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Some employers freezing benefit levels

By LORRIE GAWLA

Upward medical costs and a downward economy are pinching employee benefits, but companies aren't squeezing too hard, yet.

Nearly a third—30%—of the benefit managers responding to a *Business Insurance* Employee Benefit Board survey said their companies are freezing benefits at current levels, deciding not to implement

planned benefit improvements.

For 23% of the companies, this freeze is already on; for another 7%, it's coming within the next six months.

Two of the 83 benefit managers that responded to the informal survey, which had a 78% response rate, actually eliminated a benefit already in force, and three others say they will cut one in the next six months.

Fifteen percent of the respondents, which include employee benefit managers from companies of all sizes in a wide range of industries who volunteer to participate in the periodic surveys, are raising employee health insurance deductibles to make their workers more responsible for medical care costs. Eight percent, or seven of the respondents, raised deductibles in the last year; another 7% will raise them in the next six months.
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employee benefit board

Benefit staffs weather recession

Employee benefit departments seem to be weathering the recession a bit better than risk management departments.

A *Business Insurance* Risk Management Board survey in March showed that 13% of the respondents had eliminated jobs in their risk management departments, including four firms that axed the top person (BI, March 15).

On the benefit side, only 8% of the respondents to an Employee Benefit Board survey have had to deal with staff cutbacks and only one firm eliminated the top benefit manager position. The manager was replaced by a personnel assistant.

Other positions dropped included a pension analyst, a supervisor, a claims analyst and several clerks and secretaries.

Another 7% of the respondents say they may have to make staff cutbacks in the next six months.

On the other hand, three firms have added to the benefit staff this year. A package delivery firm with 12,000 employees increased staff by 12%, and a foods, toys and direct mail marketing firm with 25,000 employees is adding a staff member to implement cost-management strategies.

How companies are fighting rising health care costs

	In last year	In next 6 mos.
Freeze on adding new benefits	23%	7%
Elimination of a benefit	2%	4%
Higher health insurance deductibles	8%	7%
Higher employee premium contributions	6%	8%
New claims auditing efforts	45%	13%
Cost containment education programs	34%	24%
Wellness/fitness programs	25%	18%

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Question in Paris: What if the market doesn't tighten?
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Insurers watch El Salvador, Falklands

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for troubled areas, he said.
So although the current war risk cargo insurance rate is about 0.0275 cents per \$100 dollars (0.0275%), cargo bound for El Salvador would require a much higher rate, he said.
British underwriters and brokers, however, are more concerned about the situation in the Falkland Islands, which were invaded by Argentina earlier this month.
Standard war risk rating has been suspended for British ships "fool enough" to set out for the Falklands, said Ivor Gibson, a Lloyd's marine underwriter and chairman of the Joint Hull & Cargo Committee.
"Sailings on and after today (April 6) are on a held cover basis," he said. "I might charge them 0.25% today, but 12 days from now (when the British war fleet is scheduled to arrive in the Falklands) I might charge them 2%."
The major cargo shipped between the Falklands and Great Britain is the wool sheared from the thousands of sheep raised on the islands. But a company that owns six sheep farms

in the Falklands—Falkland Island Co., a subsidiary of Coalite Group P.L.C.—hasn't reported any losses, yet.
"There seems to be no damage to our assets on the Islands," said Charles Hazelton, the London-based secretary of Falkland Islands Co. "We'll see what happens in three weeks' time."
Insurance broker for the Falkland Island Co. is Hogg Robinson Group Ltd., which operates a political risk insurance service, Investment Insurance International.
The nine British mutual war risks associations said late last week, after the British government declared a war zone around the Falklands, that any British ship leading toward the islands would not be insured. They said any British ship in the war zone would be covered so long as it left the area immediately.
"In Argentina, there is a possibility of having contracts canceled," said Julian Radcliffe, director of Investment Insurance International, which both underwrites and brokers political risk coverage.
British companies already operating in Ar-

gentina may file claims on their political risk policies, Mr. Radcliffe explained, if their investments are expropriated or their contracts are canceled by the Argentines in retaliation for the British freeze on their assets.
Some British companies don't insure their Argentine assets for political risks and are waiting to see what happens when the fleet finally reaches its destination.
"We have looked at political risk insurance in the past," said A.E. Fowler, insurance and risk manager for Shell International Petroleum Co. Ltd., which owns a refinery in Argentina. "But the cost would be tremendous."
Political risk coverage is really for new contractual arrangements, he said, and though there is some insurance available for long-standing operations, the costs would override the benefits.
Mr. Fowler said that Shell is relying on its Dutch identity to stay out of any potential conflict. Shell International Petroleum Co. Ltd. is mostly owned by Royal Dutch Co. of the Netherlands.

Reinsurer worries

LONDON—The manager of the Argentina Reinsurance Group office in London admits that his companies may encounter some problems if hostilities between Great Britain and Argentina continue.
"But we have banks in Switzerland and the United States and can continue to pay claims and receive premiums," Jorge Seigneur explained.
"The biggest problem now is paying our employees here," he said. Britain has frozen the British-based assets of the Banco de la Nacion Argentina so Mr. Seigneur cannot pay his staff or his overhead costs.
"But we are writing to the Bank of England," he said, hoping for cooperation.
If fighting does break out in the Falkland Islands, however, the reinsurance market may be affected, Mr. Seigneur says.
Two of the Argentina Reinsurance Group's companies, Rasa Re and Reaseguardora Argentina, earn about \$30 million in reinsurance premiums in foreign nations. And the major reinsurance company in Argentina, Instituto Nacional de Reaseguros Inder, earns more than \$2 billion in total premiums, he said.
Sixty percent of all Argentine risks are reinsured with Inder, and it could have trouble collecting its excess-of-loss treaties placed in the London insurance market should fighting start, he said.

War risks on land now covered

LONDON—Insurers haven't offered war risk insurance for land-based exposures since the 1936 Spanish Civil War.
That is, until now.
War risk insurance for land risks is being offered to cargo shippers by the Through Transport Mutual Insurance Assn. for the first time in 50 years, said Peter Roe, a club official.
Containers, trailers and any other cargo-handling equipment can be insured for war risks by the Through Transport Assn. in all parts of the world except Iran, Iraq and Lebanon, the club announced.
"As of this moment, Argentina and the Falkland Islands are not excluded," Mr. Roe said, adding that they could be if Britain and Argentina go to war over the Falkland Islands.
Cargo, however, is not covered by the war risk policy, Mr. Roe said, since is usually insured for war risks by property and indemnity clubs.
Finding reinsurance for the policy, however, is proving difficult because most reinsurers refuse to underwrite land war risks.
The War Risks On Land policy will insure companies for:
• Capture, seizure, arrest, restraint, detainment or confiscation.
• The consequences of hostilities or warlike operations.
• The consequences of civil war, revolution, rebellion, insurrection or civil strife.
Policy limits of up to \$500,000 per occurrence will cover the value of lost equipment plus investigation and legal expenses.
The club is charging a maximum rate of 0.15% of insured value, he said, but that could be cut in half if the risks are not located in the Middle East.

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editorial opinions

Soft-market strategy

IT WAS SPRINGTIME in Paris, an easy time to let the mind wander. But Michael C. Faiers was right on target.

Mr. Faiers, corporate staff director for risk management for manufacturer Guest Keen & Nettlefolds in Birmingham, England, offered some sound advice to risk managers attending a Paris conference sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce.

His message in a nutshell: Don't let a soft insurance market dull your creativity as risk managers and don't let it keep you off your toes.

We agree.

Look for ways to make the soft market, which Mr. Faiers—in a story on page 3—predicts may never really bottom out, work to your advantage in ways other than lower rates.

For example, come up with innovative coverage ideas that a tight market won't spring loose. This is a chance to have your ideas—buyers' ideas—fall on an eager-to-sell ear. Any breakthroughs you achieve now might just survive a tightening of the market, too, making it permanently more conducive to buyers' needs.

Or get that hard-to-place risk placed now.

Or negotiate a premium deferment or cash-flow program so your company has better cash flow to take advantage of the same high interest rates your insurer

is enjoying.

We also agree with Mr. Faiers that a soft market is the ideal time for some basic housekeeping. Look at how you have been doing things and see if there is a better way.

Look at how you are using your insurance broker. Look at the service you are getting from other suppliers. Are your claims being properly handled? Are you getting what you pay for and are you getting all you want and need?

Look at your insurance policies, too. You might want to streamline your insurance policies by packaging more risks into one policy.

Look who is underwriting those policies, too. In tight markets when rates are high and always going up, risk managers don't need to be warned to keep a close eye on their insurance contracts. But Mr. Faiers wisely warns buyers in this soft market not to be lulled into complacency.

If a buyer isn't careful, he says, he will discover that his risk is being insured and reinsured beyond his control. It's worth asking what is happening to your risk after the primary insurer gives you a policy.

The insurers have to answer. As Mr. Faiers says, "It is the obligation of the insurance market to give a feeling of confidence, not just to me, but also to my finance director and my chairman."

We agree: Make sure that obligation is fulfilled.

letters

Test-tube costs require coverage

To the editor: I'm voicing my strong endorsement of your editorial opinion (BI, March 29) discussing the present lack of coverage for infertile couples and the inequities therein.

As stated in your editorial, the defense offered by the health care industry that "test-tube" fertilization is experimental and therefore not insurable, has become an antiquated argument.

In vitro fertilization clinics are currently in operation in Europe, Norfolk, Va., Nashville, Tenn., and Canada, to mention only a few of them. The procedure is now boasting a success rate of nearly 15%.

It makes absolutely no sense that other procedures are currently being covered to correct infertility in childless couples, and yet in vitro fertilization is excluded. The use of hormones and fertility drugs, the reversal of some sterilization operations and the repair of damaged or blocked fallopian tubes using microsurgery and lasers are just some examples.

This exclusion may be a clear violation of the Pregnancy Discrimination Act of 1978, which states, "Reimbursement for medical expenses arising from pregnancy, childbirth or related conditions shall be in the same manner as are expenses incurred for other medical conditions. Therefore, whether a plan reimburses the employees on a fixed basis or a percentage of reasonable and customary charge basis, the same basis should be used for reimbursement of expenses incurred for pregnancy-related conditions."

The present treatment of in vitro fertilization may leave insurance companies wide open for a lawsuit based on this discriminatory practice.

Steven D. Sheppard

Steven D. Sheppard & Associates
Memphis, Tenn.

Adoption benefits, too

To the editor: While agreeing with your editorial concerning the cost of test-tube babies (BI, March 29), I suggest that we

take another step forward: adoption expense benefits. Because there are only a few companies now providing this benefit, I suggest that benefit managers add this to their list of things to do.

Couples, who because of infertility or a desire to provide a home for an unwanted child, often incur substantial medical and legal expenses. Why not provide these couples with a benefit equal to what would be provided under a basic employee benefits package?

I recognize, as I make this suggestion, that "adoption coverage" is not in keeping with the factors to be considered in appraising commercial insurability in that the loss must be accidental from the viewpoint of the insured.

However, our industry has deviated in the past and since very few exposures are ideal, I encourage the availability of this benefit.

Steven B. Steinberg

Vp
Emett & Chandler Texas Inc.
Houston

Too great a burden

To the editor: It would appear that you have lost sight of the purpose and the mechanism whereby insurance works when you discuss coverage for test-tube baby costs in your editorial (BI, March 29).

One of the major problems with health care insurance these days is the rapid increase in rates. Much of the increase has been caused by the constant liberalization of insurance contracts to cover conditions or services that they were not designed or intended to cover, like intestinal bypass operations, diet pills, birth control pills, etc.

Insurance was designed to decrease the impact of the cost of an illness or injury by spreading an identified risk over a larger number. Although some insurers are now paying for checkups with the idea that they will thereby reduce claims costs by early detection, the figures are not yet in as to whether this has accomplished its desired purpose. This, however, is not in the same vein as the procedure for which you are attempting to promote coverage.

Dr. Steptoe, the British scientist whose

research led to the first successful "test-tube" pregnancy, has been quoted as saying that four of five attempts are unsuccessful. American authorities say that this figure is extremely optimistic. This would indicate that it is, indeed, still experimental. Dr. Steptoe also estimates the cost at \$4,000.

The real insensitivity present here is to ask other people to bear the cost of a very expensive, purely elective procedure. Imagine if someone wanted a very large family, in vitro fertilization was the only method available and the cost was either fully or substantially paid by medical insurance.

If the couple can afford the cost, but do not choose the method due to that cost, I would question if they really desire a child.

If they want a child, but cannot afford the cost, they should be counseled on the expense of rearing a child.

S.L. Vick Jr.

President
Prepaid Benefit Services Inc.
Atlanta

Ethical behavior

To the editor: I applaud Susan Alt's article, "Ethical questions—Risk managers must learn to walk a fine line" (BI, March 29).

It is imperative a good risk manager maintain his or her professionalism. The main reason that I and some of my fellow risk managers do not attend the national Risk & Insurance Management Society Conference is the fact that the suppliers are allowed to "wine and dine, etc." the risk managers to the point of absurdity.

Touche, Ms. Alt; somebody had to say it.

Lucille A. Gallagher

Risk manager
Monfort of Colorado Inc.
Greeley, Colo.

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Three men plead guilty for role in Sasse losses

Continued from page 2

pany called U.S. Excess, to divert more than \$1 million in premiums collected by Den-Har Underwriters Inc. and owed to the Sasse Syndicate at Lloyd's.

As part of the fraud, three of the defendants concealed money in Curacao bank accounts, according to the indictment.

Mr. Mammarella also was charged with perjury at a pre-trial disposition in connection with a related civil case, Argonaut Insurance Co. vs. Goepfert et al.

John S. Martin Jr., U.S. attorney for the southern district of New York, unsealed the pleas last week.

Specifically, Mr. Goepfert pleaded guilty to four counts, including one count of conspiracy,

two counts of wire fraud and one count of mail fraud.

The plea was entered Sept. 11, 1981. He faces a maximum sentence of 20 years' imprisonment and \$30,000 fine, according to the U.S. district attorney's office.

Mr. Goepfert also is awaiting sentencing from a fraud conviction in Philadelphia more than a year ago involving the sale of bogus construction performance bonds (BI, April 6, 1981).

Mr. Assael pleaded guilty to four counts, including one count of conspiracy, two counts of wire fraud and one count of mail fraud. The plea was entered Sept. 22, 1981. He also faces a maximum sentence of 20 years' imprisonment and a \$30,000 fine.

Mr. Mammarella pleaded guilty to three counts of perjury. His plea was entered Jan. 26, 1982, and he faces a maximum sentence of 15 years' imprisonment and \$30,000 fine.

Mr. Mammarella, using the name Richard Marshall, owned and operated Loudon-French Ltd. Inc., a New Jersey excess/surplus lines brokerage. He also is named in several civil suits involving long-haul trucking coverage placed for Interpool Ltd. in New York (BI, May 11, 1981).

"By these guilty pleas, the defendants Goepfert and Assael admitted their roles in the scheme to defraud the Sasse Syndicate by diverting premiums to their own use," explains Betty Santangelo, assistant U.S. attorney in charge of the case.

"As part of the plea, Goepfert and Assael further acknowledged that they had agreed with others to conceal the fact of Goepfert's involvement in the placement of business with the Sasse syndicate."

The fourth defendant indicted last spring, Dennis Harrison of Den-Har Underwriters, is pleading not guilty to Sasse-related fraud charges and is scheduled to begin trial May 3 before U.S. District Judge Whitman Knapp in New York.

Before settlements with reinsurers, Sasse's outstanding claims on mostly substandard property risks amounted to more than \$50 million (BI, June 22, 1981).

Meanwhile, state and federal officials here continue to investigate Promotora De Occidente de Panama S.A., a Panamanian reinsurance managing general agency that billed client insurers through a service firm, POSA of New York (BI, July 13, 1981).

Investigators and insurance industry sources believe the case is linked to participants in the Sasse scandal, but have not been able to document a connection.

The New York Insurance Department has requested New York-authorized insurers, approved reinsurers and reinsurance intermediaries to report the details of any dealings with POSA groups and intermediaries SRMC Management Co. and CJV Associates in the United States and MIR Brokers Ltd. in the United Kingdom. ■

2 firms join NAI

DES PLAINES, Ill.—Two companies have joined the National Assn. of Independent Insurers, according to NAI President Lowell R. Beck.

The companies are Iowa American Insurance Co., a property/casualty insurer based in DeWitt, Iowa, that is licensed in Iowa, Nebraska and Nevada, and Developers Insurance Co., a surety insurer based in Los Alamitos, Calif., licensed in California and Nevada. ■

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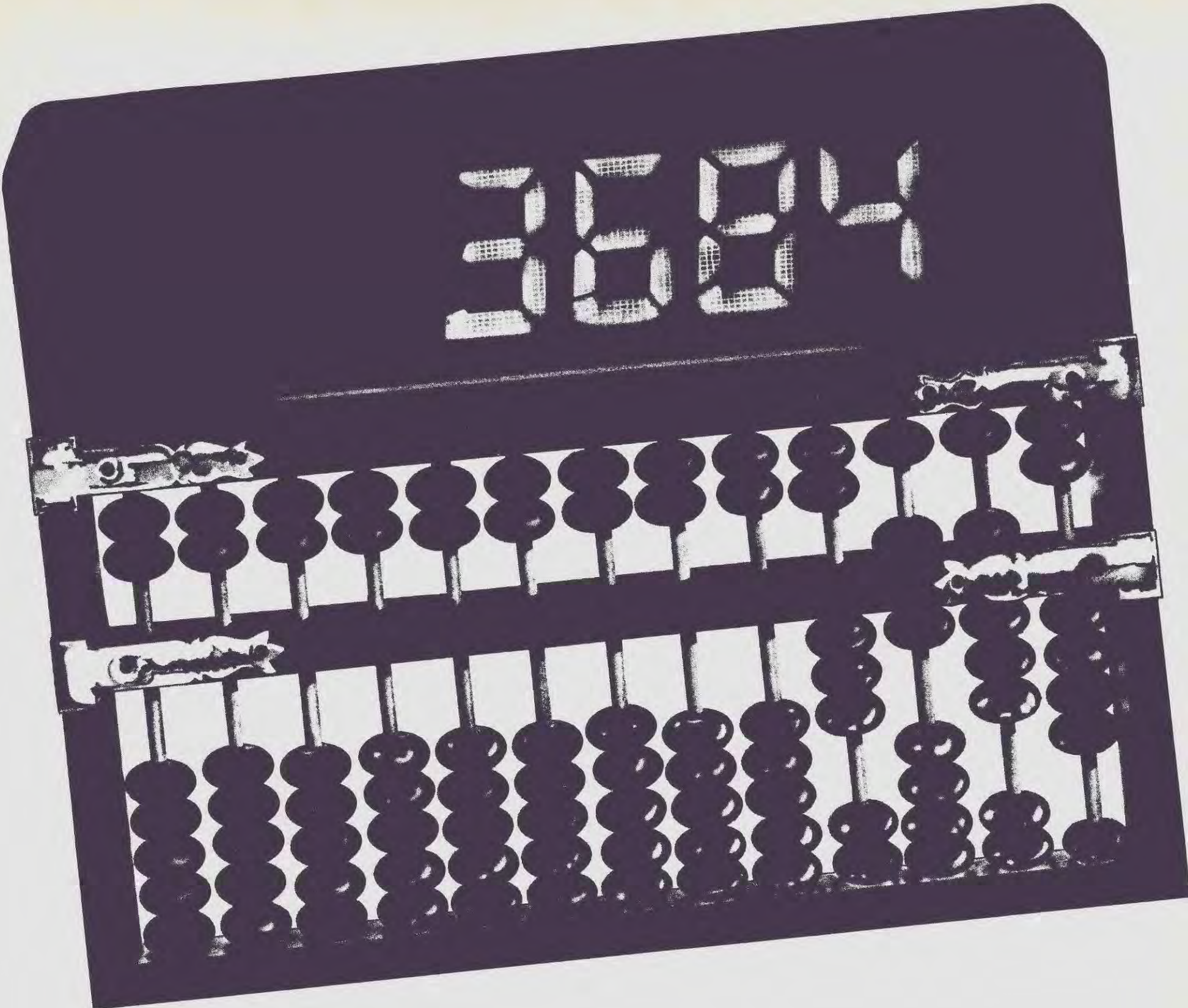
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Reagan wants to end mandatory retirement

By JERRY GEISEL

washington

WASHINGTON—President Reagan wants to eliminate mandatory retirement.

"When it comes to retirement, the criterion should be fitness for work, not year of birth," the 71-year-old chief executive said.

If Congress approves Mr. Reagan's proposal, an additional 250,000 workers, who are now forced to retire because of age restrictions, would stay on the job, according to the White House.

In 1978, Congress approved legislation that raised the mandatory retirement age to 70 from 65 for most workers. In addition, the law eliminated forced retirement at any age for federal civil servants.

Federal guidelines accompanying the 1978 law also allow employers to reduce the level of benefits to workers over 65 so that the cost of providing benefits to older employees is comparable to younger workers.

Social Security

Unless Congress overhauls the Social Security system, the program's retirement fund will run out of money by July 1983.

The outlook for the Old Age and Survivors Insurance Fund, which provides retirement benefits to 36 million people, is "significantly worse" than it was just a year ago, according to the system's trustees—the secretaries of Labor, Treasury and Health and Human Services.

Even if the retirement fund is able to continue to borrow money from the more financially robust health and disability trust funds,

the retirement fund would still run out of cash sometime in 1984.

Social Security's short-term problems have been caused by higher-than-expected inflation rates, which have boosted the level of benefits paid, and high levels of unemployment, which have decreased payroll tax contributions.

And over the long run, the public retirement system faces even more serious problems. Funding for the pay-as-you-go system will be jeopardized after the turn of the century when a smaller pool of active workers will have to fund the benefits of a growing number of retirees.

President Reagan late last year set up a bipartisan commission in an attempt to find answers to Social Security's financial problems. The commission's recommendations will be issued after the November congressional elections.

Pension insurance

The Pension Benefit Guaranty Corp. paid out more than \$36.7 million in fiscal 1980 to 55,000 workers and retirees whose companies' pension plans terminated with insufficient assets to pay promised benefits.

At the close of fiscal 1980, the PBGC was trustee to 514 pension plans. That's up from 389 plans with 43,000 participants in fiscal 1979, according to the agency's latest annual report.

The PBGC, created in 1974 by the Employee Retirement Income

Security Act, recently announced that it would seek congressional approval of a hike in pension plan termination insurance premiums to \$6 per plan participant annually from \$2.60.

Those premiums, which all employers with pension plans pay, are used to help guarantee the pension benefits of plans that fold.

Pension reports

In a move to cut employers' paperwork burdens, the Labor Department has proposed stretching out the time employers with pension plans must file summary plan descriptions, or SPDs, with the federal government.

Under a proposed regulation, pension plan administrators would be allowed to furnish SPD updates to plan participants five years after the first SPD was distributed.

If substantial amendments have been made to the plan, plan administrators would not have to furnish SPDs until 10 years after their first SPDs were distributed.

"Deferring the filing date for the updated summary plan descriptions will reduce burdens for private pension and welfare plans without adversely affecting the interests of participants and beneficiaries," the Labor Department said.

The proposal was published in the March 26 Federal Register.

Flood insurance

Insurers are willing to participate

in a joint government-industry national flood insurance program if certain conditions are met, one trade group says.

Insurance companies will join a flood insurance program so long as Congress—not the administrator of the Federal Insurance Administration—receives the power to terminate a contract between insurers and the government, said James Jones, government affairs representative of the Alliance of American Insurers.

"What our member companies object to is the termination of a contract at the whim of an administrator," Mr. Jones said.

In addition, Mr. Jones told the House Banking Committee that a national flood insurance program must undergo a complete, non-government audit by a well-recognized auditing firm.

The Federal Insurance Assn. has been operating the flood insurance program by itself after it forced insurers out of the program in 1978 after a squabble over control. The program provides coverage to thousands of small firms and individuals.

Government liability

The Supreme Court agreed last week to decide whether the federal government is exempt from having to indemnify private parties who have secondary liability for deaths or injuries caused by the active negligence of the government.

The case concerns the April 4, 1975, crash of a C-5A military transport plane in the evacuation of Vietnamese orphans during the fall of Saigon. The crash killed 144 of

the 320 passengers on board, including some civilian federal employees.

Lockheed Aircraft Corp., which manufactured the plane, found it necessary to pay settlements to victims' families, including the relatives of federal workers who had already received death benefits under the Federal Employees' Compensation Act.

The government did not dispute the fact that its active negligence caused the accident and that Lockheed, as the maker of the plane, was only secondarily liable.

Instead, it argued that the Federal Employees' Compensation Act exempted it from having to contribute to Lockheed's settlement as long as the standard death benefit had been paid.

Lockheed brought the case before the Supreme Court after it found it could not get a clear legal consensus from lower federal courts.

CPCU review day

CHICAGO—A review day for parts 1, 2, 4, 6, 8 and 10 of the Chartered Property/Casualty Underwriter examination, sponsored by the Chicago Chapter of the Society of CPCU, will be held May 22 in Rolling Meadows, Ill.

The cost of the review session, including lunch and coffee breaks, is \$25. The deadline for registration is May 7.

For more information contact Mark De Bolt, Marsh & McLennan Inc., 222 S. Riverside Plaza, Chicago, Ill. 60606; 312-648-6461.

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An interview with Larry Lance, Senior Vice President, Group Life Department, The Hartford.

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that. And so, too, does our client retention rate, which is one of the best in the industry.

Q. What are some examples of flexibility and responsiveness?

A. For one thing, we created a whole series of cash-flow/self-funding arrangements such as ASO, stop loss and minimum premium plans in response to client needs.

The Hartford will also write Life, LTD, Dental and other coverages on a mono-line basis. In fact, we'll write Life or LTD on as few as 10 lives.

Q. Has The Hartford been an innovator in Group Insurance?

A. Yes. One example is our unique "own occupation" definition of disability to age 65/70 for LTD. Another is our progressive and innovative approach to rehabilitation. Our contract allows rehabilitative employment to continue indefinitely without the two-year limit that's usually imposed.

Q. What special services does The Hartford offer Group accounts?

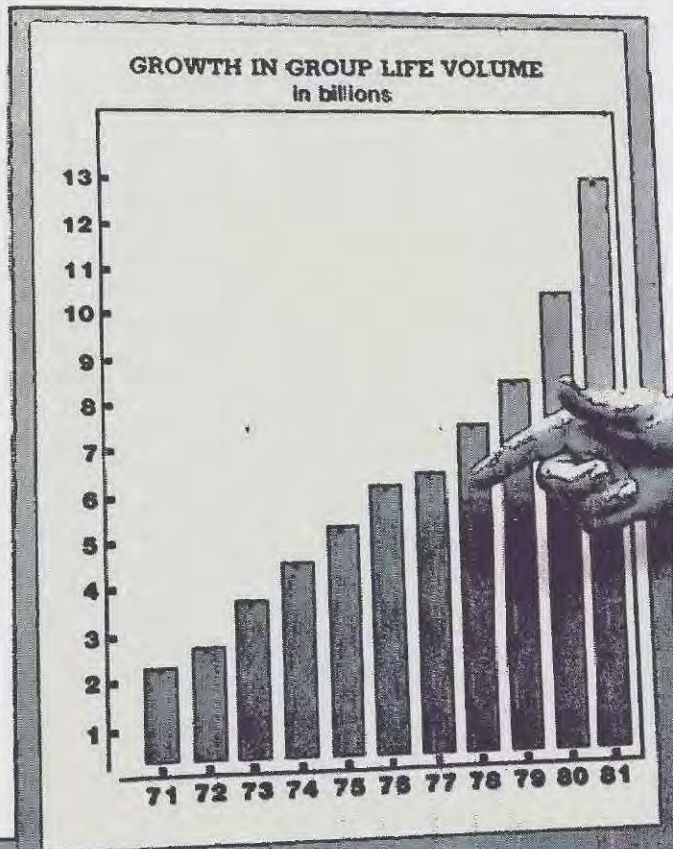
A. Our field staff and underwriters can help tailor Group coverages to each customer's needs. In addition, we've implemented a computerized claim handling system and are also developing a computer system which will automate pricing, proposals and policy issuance.

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NCCI has important role, officers say

By JOHN W. MILLIGAN

NEW YORK—The National Council of Compensation Insurers does more than set workers compensation premium rates—something that council officials hope insurers remember when the issue of open competition comes up.

Both outgoing Board Chairman Wheeler H. Hess and NCCI President Kevin M. Ryan, in remarks made at the council's annual meeting in New York earlier this month, say the NCCI has an important role to play despite pressure on state legislators to deregulate the workers compensation rating system.

Regulated at the state level,

workers compensation insurers are restricted on the premium rates they can charge.

However, four states—Arkansas, Michigan, Minnesota and Oregon—have passed open-rating laws, to take effect later this year and next year, that will deregulate the workers compensation marketplace, allowing insurers to set premium rates on their own.

A non-profit organization composed of 490 member companies and 144 subscribers, the NCCI functions as the ratemaking organization in 32 states. The council maintains an elaborate data base to which all the participating companies contribute.

Open rating could threaten NCCI's effectiveness if the laws do not authorize a statistical gathering organization.

The council performs other services, a function which Mr. Hess, also a senior vp for property and casualty lines at The Travelers Insurance Cos., says insurers should keep in mind when thinking of open competition.

While critics focus their attention on the NCCI's ratemaking activities, Mr. Hess said, "The pre-eminent function of a rate-setting organization is establishing costs that companies can rely on."

The council, Mr. Hess continued, also acts as the "leading edge for research" and provides facilities for

information and education, hears grievances and even conducts audits.

"As long as a rating organization can make an economic contribution to that system," Mr. Hess said of the workers compensation marketplace, "it is and should be important."

The result would be "tremendous cost and duplication" if insurers had to perform all these functions for themselves, Mr. Hess concluded.

Mr. Ryan adopted a similar theme, focusing his attention on the insurance buyer.

Pressed by "strong political interest in deregulation," he said

state regulators are caught between two forces: insurance buyers who have been "buffeted by high prices" and insurers who are "divided on whether to seek a new pricing system."

The insurance buyer is the "key force of the three," Mr. Ryan observed, and he suggested an alternative to complete abandonment of the present workers compensation rating system.

"Would not the most effective response be one that is aimed directly at the buyer by realistically streamlining the system so that his costs are controllable?" he asked.

The insurance buyer's concern with issues like open rating "correlates with the change in his cost," Mr. Ryan continued. This concern is illustrated by a steady rise in employers' workers compensation costs over the last decade, jumping to 2.7% of payroll in 1980 from 1.3% in 1970.

Yet the buyer's outlook has shown slight improvement over the past two years, Mr. Ryan noted. Last year's figures show that workers compensation costs dropped to 2.5% of payroll, possibly reducing pressure for open-rating legislation.

Compensation insurers are still facing severe problems. "Occupational disease, inflation, a troubled economy and non-constructive regulation are very real issues..." Mr. Ryan said.

"But the buyer no longer senses a crisis, and I believe that fact will have a positive if uneven effect on both the sellers and the regulators in the next few years."

Reinsurers scrutinizing asbestos risks: Jackson

NEW YORK—The workers compensation insurer looking for reinsurance for asbestosis risks at Lloyd's of London will have to convince underwriters there that "he knows what he's doing," says one Lloyd's underwriter.

Capacity for asbestos exposures will still be available at Lloyd's, says Robin Jackson, a director of Merrett Syndicates Ltd., but U.S. insurers can expect underwriters at Lloyd's to be very selective when approached with this line of business.

Mr. Jackson, in comments to the National Council of Compensation Insurers earlier this month, also predicts that underwriters at Lloyd's will place a maximum on the number of people covered

when reinsuring asbestosis risks. U.S. insurers ceding the risks also will have to agree that each claim constitutes a separate occurrence subject to individual retention limits.

If these conditions are met, Mr. Jackson says, reinsurance capacity should be available.

Mr. Jackson also predicts that reinsurers will start treating workers compensation the same way they have product liability and medical malpractice lines, shifting from coverage for single-person accidents to catastrophes where "multi-employees" are involved.

Along these lines, he urged that primary insurers consider retaining all the risk on "single-person losses" for many workers compen-

sation lines since "reinsurers may charge too much for this."

Mr. Jackson additionally passed along some words of caution for primary insurers when placing risks in the international reinsurance market.

He said he is concerned by the number of markets—insurers and reinsurers alike—that cede their business to "questionable companies in obscure parts of the world."

The world reinsurance market is "superficially OK," since there has not been a major natural disaster for the past several years, Mr. Jackson said.

Yet when such a catastrophe finally occurs, he predicts that many reinsurers will refuse to pay until

they are first paid by their reinsurers. The strain of a major disaster may force some reinsurers into insolvency, he concludes.

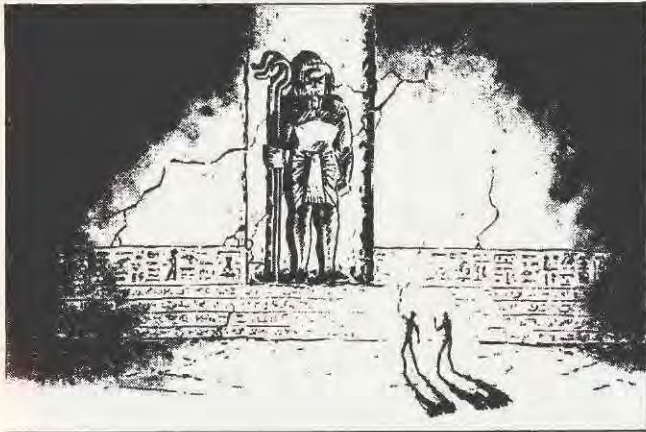
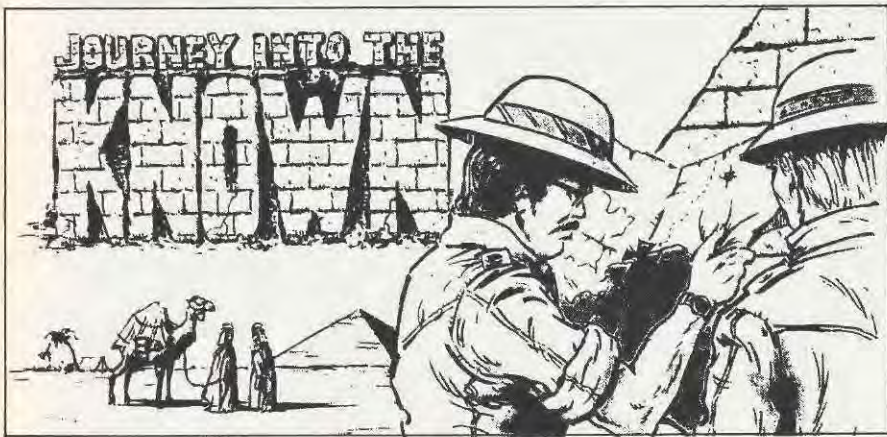
"When we are not sure amongst ourselves that we can collect our reinsurance, that's pretty horrible," he says.

Before ceding any business to a little-known reinsurer, Mr. Jackson suggests that companies first ask some hard questions.

"What is their reason for being in business?" he asks, suggesting that insurers identify where such reinsurers are investing their capital.

The ceding companies should push their brokers to get a complete accounting of a reinsurance company's assets if doubts exist, Mr. Jackson warns.

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Tax hike should bolster black lung fund: Donovan

NEW YORK—The federal government's black lung trust fund should be out of the red by 1995 following a 100% increase in a coal production tax that supports the fund.

The black lung fund had a 1981 deficit of \$1.5 billion, a debt that was increasing daily and would have ballooned to \$9 billion over the next 14 years, U.S. Secretary of Labor Raymond J. Donovan told the National Council of Compensation Insurers' meeting earlier this month.

The Black Lung Benefits Law, which took effect Jan. 1, doubled the tax that surface coal mining companies pay on coal production from 25 cents to 50 cents per ton.

Similarly, the tax on coal mined underground rose from 50 cents per ton to \$1.

This action was necessary to pull the ailing fund out of trouble (BI, Nov. 30, 1981), and the coal production tax will return to previous levels once the fund's debt is paid.

"With the changes, we expect that by 1995 the fund will be totally solvent rather than \$9 billion in the red," Mr. Donovan said.

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Catastrophe losses worst in history

NEW YORK—The nation's property/casualty insurers paid out a record amount of property damage claims as a result of catastrophes in the first quarter of 1982, the Insurance Information Institute reports.

Insurers paid out more than \$404 million in losses as a result of seven catastrophes that affected portions of 39 states and the District of Columbia, according to C.E. Herman, vp of property claims services for the American Insurance Assn.

That payout is a 94% increase over the previous record of \$208.7 million in catastrophe claims, which was set in the first three months of 1979.

The 1982 claims payments also represents a 290% increase over the \$103.5 million in catastrophe claims reported in last year's first quarter and is more than half the \$715 million in catastrophe damages reported in all of 1981.

In fact, the losses recorded during this year's first quarter exceeded the total annual losses in 24 of the past 33 years, according to the institute.

Beginning this year, the insurance industry defines a catastrophe as an incident or series of related incidents in which insured property losses exceed \$5 million. Before this year, losses only had to reach \$1 million for an event to be classified as a catastrophe.

Three of the seven catastrophes in the first quarter resulted in insured property damage of more than \$50 million:

- Snow, wind and freezing temperatures from Jan. 8-14 affected 38 states and resulted in damage of more than \$220 million.

- Another winter storm from Jan. 15-20 hit 25 states east of the Mississippi and caused losses of \$60 million.

- Wind, hail and tornadoes ripped through portions of Oklahoma, Kansas and Missouri March 15-16, causing \$55.3 million in property damage.

Two other major catastrophes were reported:

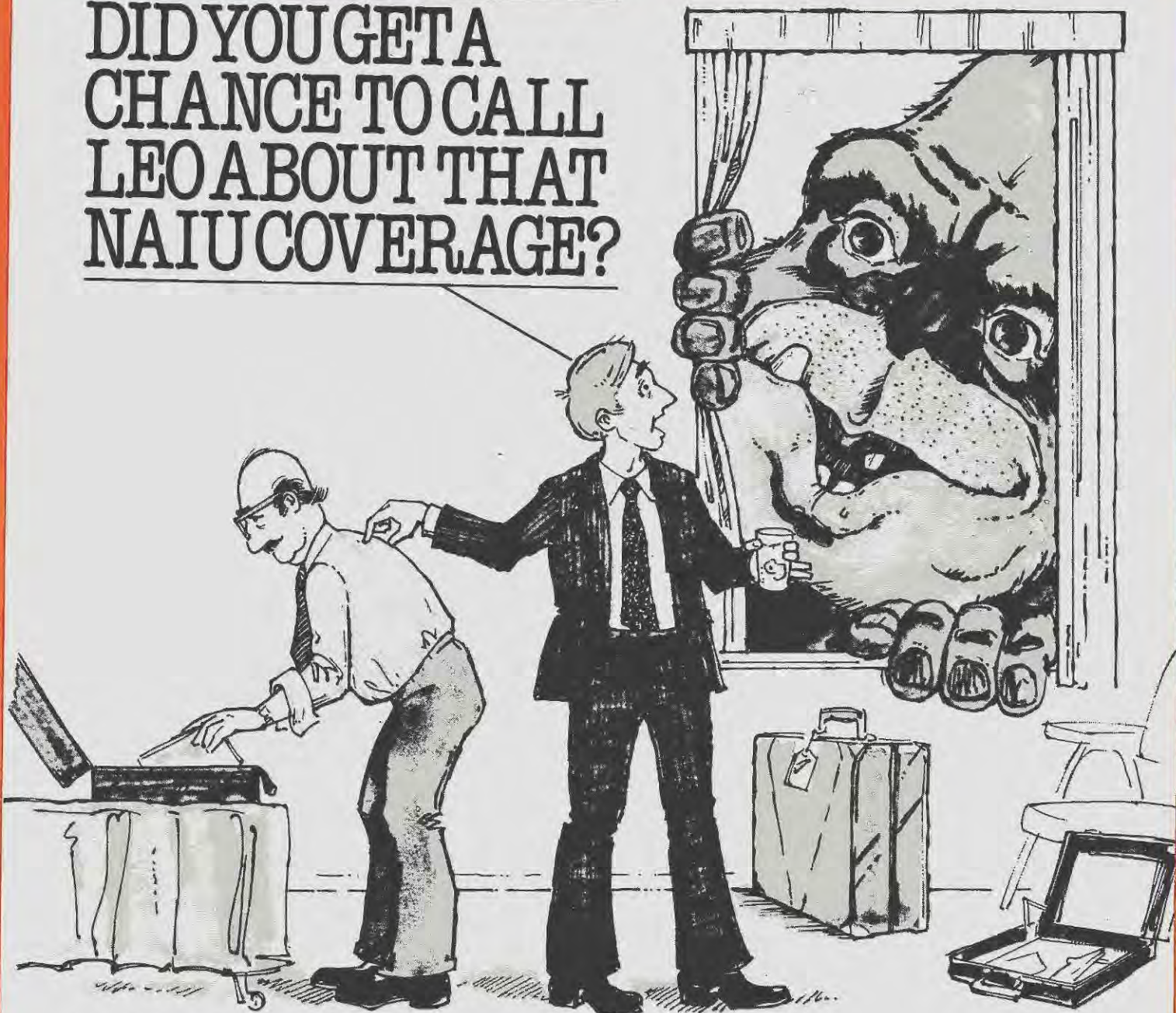
- Wind, flooding and landslides caused \$33.9 million in insured property damage in California from Jan. 3-5.

- A violent windstorm caused \$20 million in losses in Colorado on Jan. 17.

Three other catastrophes caused a total of \$35 million in losses.

Estimates of insured losses do not include damage caused by flooding, with certain exceptions, since flood damage is covered by the federal government's National Flood Insurance Program.

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Pennsylvania waste site spurs class-action suits

By JAMES C. LAWSON

CANONSBURG, Pa.—About 100 area residents and property owners are suing state and federal agencies and a host of corporations for alleged damages caused by a radioactive waste site.

One of two class-action suits, filed in U.S. District Court in Pittsburgh, asks for at least \$10,000 per person for contamination to property caused by radioactive waste dumped at the Canonsburg Industrial Park.

The park was the site of the uranium extraction facility used to make the first atomic bombs, part of the Manhattan Project during World War II.

The other suit requests an environmental impact study, a plan for public participation in waste removal planning and a plan calling for the speedy cleanup of radioactive waste at the site and nearby properties.

"My clients want to be have participation in planning the cleanup project," says Jerome Mansmann, an attorney for the plaintiffs. "We want to make sure the proper parties have an idea of what will happen with the waste before they go

ahead with the cleanup.

"They've been saying they would clean up the waste for some time—since 1977. We want them to do it soon," he adds.

The U.S. Department of Energy and the Pennsylvania Department of Environmental Resources, both named as defendants in the suits, say they have begun studies for the cleanup of the site and surrounding properties.

A third class-action suit seeking personal injury damages was to be filed last week, Mr. Mansmann says.

The suits allege the site and nearby properties were contaminated in the early 1940s when the now-defunct Vitro Corp. of America began extracting, processing and distributing uranium explosives and fuel on behalf of the federal government.

The plaintiffs charge that mill tailings—sandlike residue from the radioactive uranium—were used as fill material underneath houses in the area, located just southwest of Pittsburgh.

Mr. Mansmann says some of the mill tailings also may have been used to make bricks to construct some of the area's buildings.

The plaintiffs further contend that as much as 200,000 tons of radioactive waste, containing as much as 3,000 times the amount of radiation currently permitted under federal guidelines, has been stored at the site, contaminating the rest of the material there and nearby property.

The Vitro Corp. plant was closed in 1960. Automation Industries, a subsidiary of GK Technologies Inc., acquired Vitro in 1968. Both Vitro and GK Technologies have been named in the suits.

The suits further name Mal-linckrodt Inc., which allegedly shipped uranium and other radioactive materials to the Canonsburg site. The contamination resulted from the shipping and processing of the uranium, the suit alleges.

In addition, the suits name the U.S. Department of Defense, the U.S. Nuclear Regulatory Commission, the U.S. Department of Public Health & Welfare and the U.S. Environmental Protection Agency.

Also, the Pennsylvania Department of Environmental Resources, which condemned and took control of the site in February; the Pennsylvania Department of Health and Welfare; Penn Central Corp., the parent company of GK Technologies; Canon Development Co., which owned the site until February; and U.S. Steel Corp., which ac-

quired Illinois Steel Corp., another former owner of the site.

The legal action comes as a surprise to some of the corporations, whose officials commented the legal action was ill-conceived and not clearly focused.

"We're not aware of the basis of the suit," explains a spokesman for U.S. Steel. "I can't comment until I find out which piece of property and what our responsibility is in this thing."

Adds John Denneen, a senior vp with GK Technologies, based in Greenwich, Conn.: "A lot of questions have to be resolved. Our current reaction is that the suit is without merit."

GK Technologies shouldn't have been named in the suit, Mr. Denneen contends, because the company was not involved in the activities that led to the contamination.

"We certainly are not liable for what happened at Canonsburg," he says.

Officials from Penn Central Corp. and Canon Development Co. could not be reached for comment.

A 1978 federal law, the Uranium Mill Tailing Radiation Act, provides more than \$500 million for the cleanup of 24 contaminated sites across the country, including the Canonsburg site. Under that law, all the sites must be decontaminated by 1989.

The federal government is expected to pick up about 90% of the cost of cleaning up the Canonsburg site, with the state paying the remaining 10%.

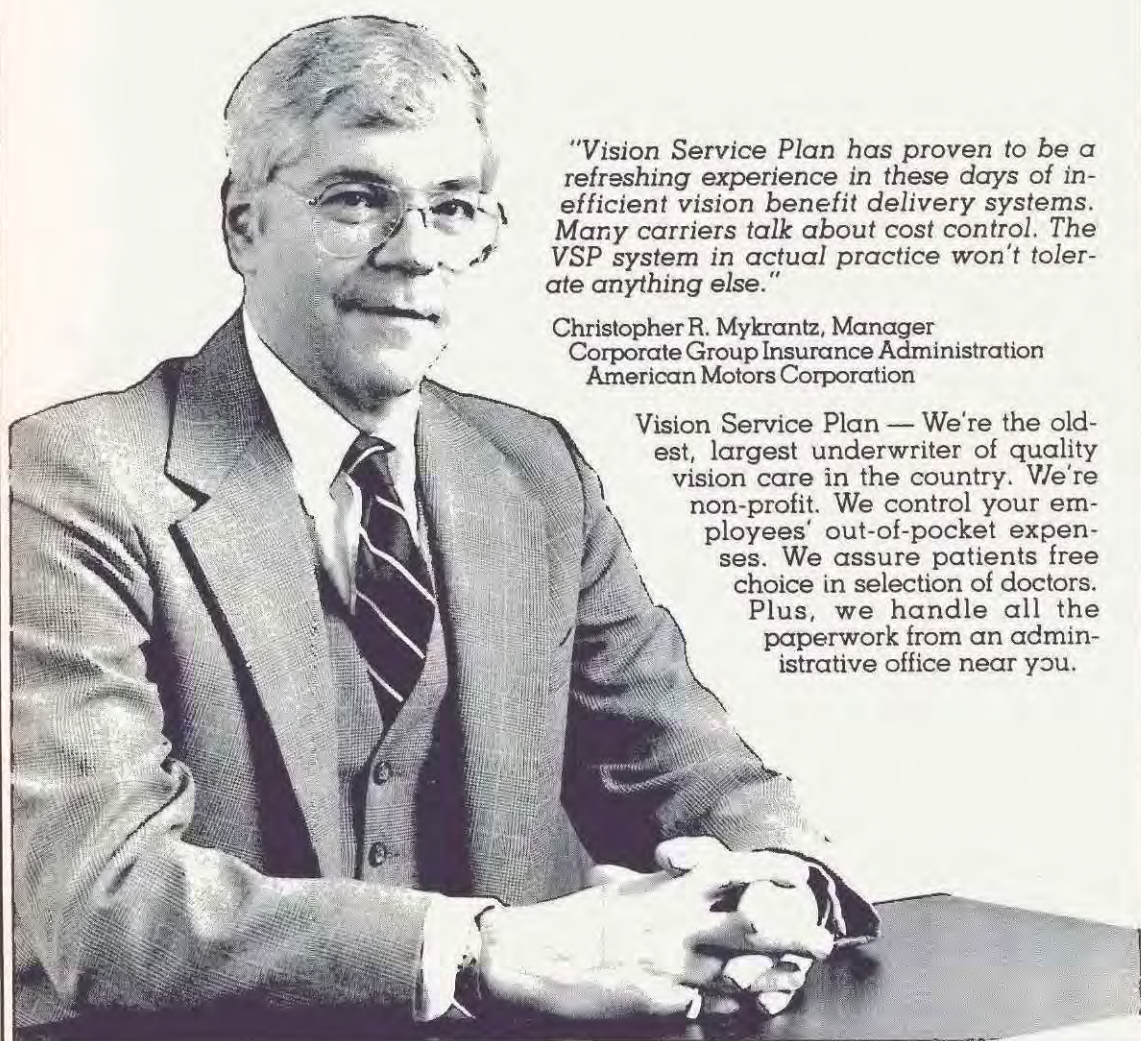
However, the corporations involved in the contamination could eventually be held liable by federal and state agencies for a portion of cleanup costs, according to Mark Matthews, a project engineer with the Department of Energy.

The first phase of the cleanup project could begin by late spring or early summer when contaminated waste is removed from about 100 properties surrounding the industrial park site.

John Carroll, an assistant counsel with the Pennsylvania Department of Environmental Resources, says that waste will be moved to the industrial park temporarily until a permanent dumping site is selected.

The waste at the industrial park is expected to be removed sometime next year, Mr. Carroll says.

Before then, however, the Environmental Protection Agency must issue cleanup standards for the waste site and the Energy Department must issue an environmental impact statement.



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Workplace diseases account for few comp claims: Study

SAN FRANCISCO—Despite widespread publicity about workplace health hazards, occupational diseases accounted for only 1.6% of disabling workers compensation claims in California last year, according to a recent study.

Older workers were most affected by occupational diseases, which was expected given the long latency of some of the diseases, says the California Workers' Compensation Institute.

Workers over age 49 filed 42% of the occupational disease claims while filing only 14% of all workers compensation claims in California last year, the study said. One of every seven occupational disease claimants was over 65.

Respiratory ailments were the most common occupational diseases, according to the study, accounting for 53% of all such claims and 75% of the claims filed by workers over 50. Skin disease, which was named in 18% of the claims, was the second most common occupational disease, the study reported.

Asbestos exposure was blamed in 17% of all occupational disease claims, the study said. Carcinogens were cited in only 1% of the cases.

Sixty percent of all occupational disease claims were filed by workers in three industry groups: metal working, construction and rubber/plastics.

Risk management seminars to explore decision process

The first in a series of seminars on "An Analytical Approach to Risk Management," sponsored by *Business Insurance* this spring, is sold out in New York on May 17.

But there's still room in the sessions in Chicago on May 19 and June 16; the second session in New York, June 14; and in San Francisco May 24 and June 21.

The one-day briefing is conducted by Dr. Kenneth R. Oppenheimer, president of Decision & Risk Analysis Inc. of Palo Alto, Calif.

It centers on three questions pertinent to every safety, insurance and risk manager:

- "How can I develop an effective, systematic approach for arriving at and justifying decisions?"

- "How can I make sure my key decisions reflect the advice of experts and the values and goals of my company?"

- "How can I communicate effectively on company risks and make decisions that show I understand company policy on risk-taking?"

Dr. Oppenheimer specializes in executive education and application of decision and risk analysis to corporate decisions.

He has presented decision and risk analysis seminars throughout the world.

He was with the decision analysis group at S.R.I. International, formerly Stanford Research Institute, for five years. He also received his doctorate in engineering/economic systems from Stanford University. While at Stanford, he was a member of the decision analysis group at Xerox Corp.

Using the three questions, Dr. Oppenheimer builds the seminar around the answers. The participants learn how to communicate better about uncertainty and risk. The language of probability is explained for use in describing loss exposures. Communicating your company's position on risk to avoid confusion and differing ideas toward company goals is stressed. Participants also learn how to clearly convey decisions to corporate officers, auditors and stockholders.

Dr. Oppenheimer also stresses the most effective way to quantify subjective judgments, how to improve your ability to forecast losses and how to correctly identify loss exposures. He explains how to avoid using historical data that isn't relevant.

The methodology designed for making decisions under an element of uncertainty is applied to risk retention and risk control decisions. Quantifying your company's risk tolerance, the ability and desire of the company to accept risk, and using it to weigh premiums against losses is also explained. How to manage your company risks with a list of sound, systematic guidelines is explored.

Finally, Dr. Oppenheimer discusses how barriers around risk management can be overcome so that decision and risk analysis methods can be used in all areas of corporate management. These methods eventually can lead the risk manager into other management areas outside traditional insurance and risk management roles.

The seminar is designed especially for corporate risk managers, chief executive officers, chief financial officers, insurance brokers, senior insurance underwriters, safety and quality control directors, accounting firm partners and corporate attorneys that work in in-

surance and safety.

The registration fee is \$435 per person and includes continental breakfast, lunch, coffee breaks and a complete package of materials. Registration and breakfast begin at 8:30 a.m., with the program starting at 9 a.m.

The seminar ends at 5 p.m.

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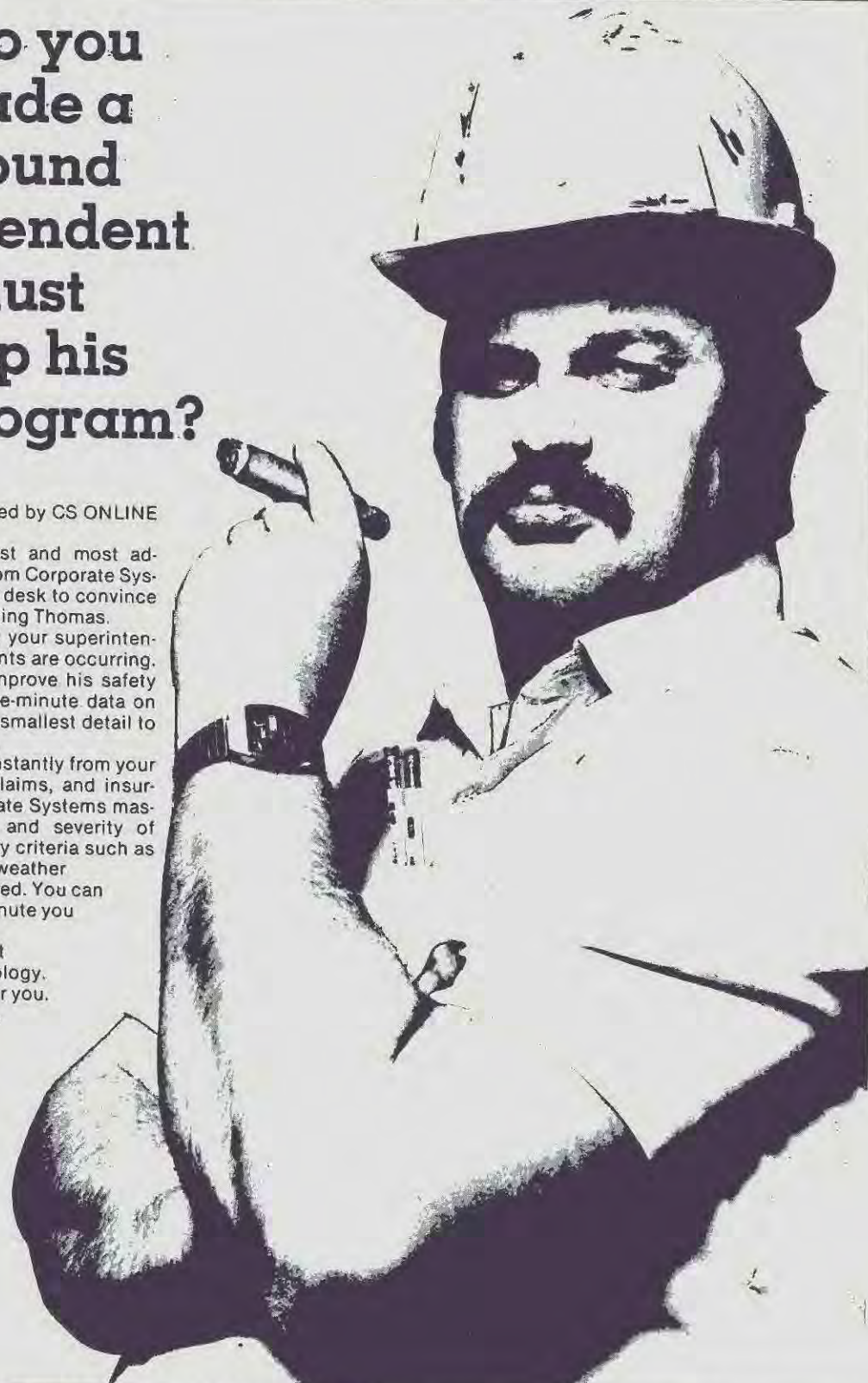
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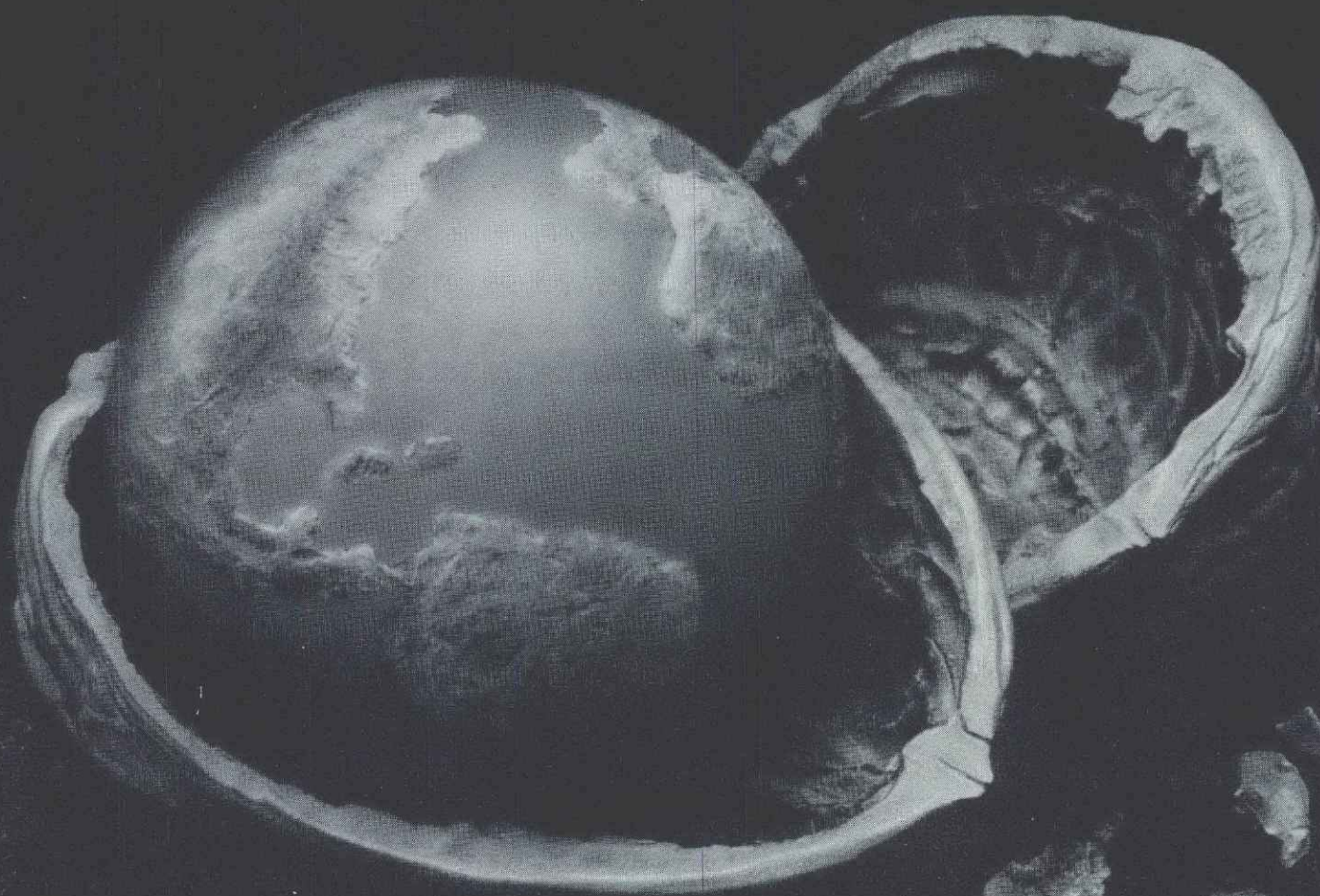
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HAZARDOUS WASTE SITES

Incentives will spur necessary development

By Joseph A. Greenwald

ENVIRONMENTAL IMPAIRMENT caused by hazardous waste is a great concern to industry, individuals and governmental entities alike.

In some areas of the country, waste chemicals have already seeped into the local water supply. One case is Egg Harbor Township, N.J. At least one resident has died and the ground water is undrinkable due to chemicals that leaked into the water from a hazardous waste dump site.

The problem is immense and growing. In 1981, a total of nearly 51.9 million tons of hazardous wastes, as defined by the Environmental Protection Agency, were generated in the United States. That is enough waste to fill one 55-gallon drum for every person in the country. Growing at an annual rate of 3%, hazardous waste production will almost double by the end of this century.

The EPA estimates that there are between 30,000 and 50,000 dump sites for hazardous materials in the United States. That's an average of 600 to 1,000 sites per state. An estimated 90% of these dump sites do not comply with the most recent federal regulations promulgated under the Resource Conservation and Recovery Act. Furthermore, 2,000 of these dump sites pose a severe health hazard to the communities in which they are located.

As the enforcement of RCRA advances, the disposal sites that do not measure up to federal standards will be closed. Closing substandard dump sites and producing increased volumes of hazardous wastes every year combine to emphasize the importance of establishing replacement sites that use "state-of-the-art" techniques in hazardous waste disposal.

Unfortunately, community resistance to establishment of hazardous waste disposal sites has been fierce and widespread. The resistance has occurred despite the fact that modern waste disposal facilities will help ensure the health of local populations and enhance the vitality of local businesses.

Several states are beginning to take action to help solve this dilemma. New Jersey, a state beset with severe hazardous waste problems, recently passed legislation to address the hazardous waste siting issue. The legislation, the Major Hazardous Waste Siting Act, was enacted on Sept. 16, 1981.

As reported in the December 1981 edition of New Jersey Municipalities, the act establishes two governmental entities, the Hazardous Waste Facilities Siting Commission and the Hazardous Waste Advisory Council. Only the commission exercises authority; the council functions only as an advisory body. Members of both entities are nominated by the governor and they must be approved by the New Jersey Senate.

The council has 13 members, with four representing local governments. The commission is made up of nine permanent members and two or more temporary members. Three of the permanent members are local government representatives. The other permanent members are from public interest groups and business interests.

The temporary members are appointed when the commission is evaluating a specific site for a hazardous waste disposal facility. In this case, each county and town of the proposed site appoints a representative to the commission.

One of the major responsibilities of the commission is to develop a Major Hazardous Waste Facilities Plan. The plan contains a detailed analysis of the number and type of facilities that will be required to adequately manage the state's hazardous waste exposure. The commission also proposes new hazardous waste sites based on criteria developed by the New Jersey Department of Environmental Protection.

The act requires that all communities where a proposed

hazardous waste site may be located be given written notice of the proposal. Funds also are given to conduct a "site suitability study" for the proposed location. The study must be completed, and the results be made available to the commission within six months. Then, an administrative law judge will review all available facts on the proposed site and rule on its environmental suitability. The commission makes its decision only after the judge rules on the site. The commission decision then can be appealed to the appellate division of the New Jersey Superior Court.

Once the site is approved, the new legislation requires that a similar review be conducted on both the design of the facility and its proposed operator. The facility must be approved by the New Jersey Department of Environmental Protection. In addition, a review of the proposed facility operator is conducted by the host municipality. Once again, the next step is a review by an administrative law judge.

After a proposed hazardous waste site successfully passes through all the steps, it becomes exempt from all local zoning ordinances. Upon completion of the waste facility, weekly inspections by local health agencies are mandatory. The New Jersey Department of Environmental Protection's hazardous materials training program will prepare local health officials to conduct the inspections.

If a violation is discovered in a hazardous waste site, fines are imposed accordingly. Fifty percent of all penalties are allocated to the host government. A hazardous waste site that continuously violates the law and is considered dangerous can be taken over by the state courts.

New Jersey's recent enactment of the Major Waste Facilities Siting Act is a step in the right direction. It is imperative that safe and state-of-the-art disposal facilities be constructed to handle the growing amount of hazardous materials produced. Time and again, groups of incensed local citizens have mobilized to protest the planned construction of a much-needed hazardous waste facility. Unfortunately, they often achieve their goal, and plans for another facility are extinguished. Yet it is a Pyrrhic victory.

The failure of the nation to supply adequate facilities to dispose of hazardous materials safely presents a serious problem that affects us all. Consequently, antiquated facilities will still be used and dangerous practices, such as midnight dumping, will continue.

New Jersey's attempt to involve local government in both the facility siting process and disposal operation monitoring appears to be effective. The established procedures are sufficiently detailed, and the involvement of the proposed host municipality is substantive. New Jersey's approach, however, though more advanced than that of other states, lacks a provision for economic incentive for the proposed host municipality.

In our society, the image of many facilities invokes a strong negative reaction. Examples of such feared facilities include penal institutions and some types of heavy industry.

However, these undesirable facilities seldom face the public opposition hazardous waste sites do. The reason for this can be found in the economic value of these facilities in relation to their host communities.

Large prisons create jobs and often purchase supplies and services from local businesses. Heavy industry, in addition to providing jobs, makes significant tax contributions to local governments. Thus, there are economic incentives to help offset the negative aspects of these institutions.

Unfortunately, the same cannot be said for hazardous waste facilities. Such facilities employ only a handful of specially trained technicians who are often brought in from other regions. In addition, hazardous waste facilities do not involve large capital

Continued on next page

perspective

WHO'S LIABLE UNDER THE SUPERFUND LEGISLATION?

By Walter D. Vinyard Jr.
with Cathy Carlson Moran

GOLIGHTLY Trucking Inc. hauls waste under a contract with Venom Manufacturing Co. The waste is hauled from Venom's Bronx plant to the Eternal Disposal Site in the New Jersey Meadowlands.

Employees of a warehouse in the area recently noticed a noxious odor and an odd color in the tidal waters from the Meadowlands. Environmental authorities were alerted. State and county governments and the Environmental Protection Agency conducted a joint cleanup operation. Afterwards Venom was presented with a bill for \$10 million alleging that its waste product was responsible for the damage.

Can Venom avoid or limit its liability by showing Golightly damaged the drums in transit? If Eternal's improper storage caused the waste release, could Venom pay a lesser sum? Venom is insured by an \$8 million general liability policy including \$3 million of specific pollution coverage with Old Balderdash Insurance Co. If Venom files a claim with Old Balderdash what is the maximum amount Balderdash might have to pay? What risks may Balderdash face if it denies coverage?

Questions like these will arise under Public Law 96-510, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, known as the Superfund.

The new law authorizes the president to take remedial action when there is a substantial threat of or actual release of hazardous substances into the environment. Funding for this action is provided largely by a tax on the chemical industry. The rest comes from general federal revenues.

Amounts spent for remedial action, as well as damages to government-owned natural resources, may be recovered from designated liable parties or their "guarantors" (insurers or others providing

evidence of financial responsibility.)

Liability is not limited, however, if the defendant acted deliberately or fails to cooperate in cleanup efforts. In addition, various financial responsibility requirements are established for owners or operators of vessels, motor carriers and other facilities containing or carrying hazardous substances.

Venom might believe it is not liable because the release of hazardous waste occurred after the drums were out of its control. Yet Superfund Section 107(a) imposes liability not only on the owner or operator of a facility where the release occurred, but also on prior owners, operators, transporters and "any person who by contract, agreement or otherwise... arranged with a transporter for transport (of hazardous substances) for disposal..." Venom would fall under the definitions of Section 107(a).

Venom's lack of possession or control is irrelevant to liability under Section 107(a). Even though Venom may not have been negligent and exercised great care choosing a transporter and disposal site, it may still be liable. They were the original owners. Although the explicit imposition of strict liability found in predecessor bills was deleted in Public Law 96-510, strict liability still appears to be the standard.

If Golightly damaged the drums in transit, would Venom be able to avoid or limit liability? Section 107(b) allows Venom to avoid liability by showing that the release was caused by a third party. But the third party cannot be "an employee, agent or other person in a contractual relationship." Thus Venom must prove it exercised due care and guarded against foreseeable problems. This defense will probably be available only where the third party is a complete outsider.

Case law under Section 311 of the Clean Water Act narrowly construes its affirmative defenses, which are similar to those of the Superfund. Section 311 does not limit third parties to those who are not employees, agents or in a contractual relationship. Yet the term "third party" has been held by courts to refer only to an outsider, like a colliding vessel, and not to a hired independent contractor. The Superfund third-party defense appears to follow this interpretation of Section 311. Consequently, Venom will not be able to shift liability to Golightly because Venom

hired Golightly.

Venom appears to be unavoidably liable. So its next question will probably be whether there are other parties that will share the liability. Venom believes Golightly, the transporter, and Eternal, the operator of the site, can also be held liable under Section 107(a). Venom may be in for a surprise. Golightly will probably point out that Section 107(a)(4) imposes liability on a transporter "who accepts or accepted any hazardous substances for transport to disposal... sites selected by such (transporter)..." Golightly can argue that Venom selected the disposal site and thus it is not liable under this section.

Under other circumstances, Golightly might be liable despite the fact it did not choose the destination. If the release had occurred in transit, Golightly might be liable under Section 107(a)(1) as the owner or operator of a facility, the truck, that was the source of the release.

Probably, Eternal Disposal Site would also contest liability. Eternal could argue Section 107(a)(1) imposes liability on the owner of a facility where a release occurs, but that the word "facility" in Section 101(9)(A) of the new statute includes storage containers. Venom's drums, it might maintain, were the "facilities" that were the source of the release.

Venom decides to inform EPA it will pay some, but not all, of the \$10 million bill. The remainder of the cleanup costs, Venom suggests, should be presented to Golightly and Eternal. The EPA, however, may insist that Venom pay the whole amount, and then seek contribution under Section 107(e) from other parties.

The specific provision for joint and several liability in predecessor bills, like the provision for strict liability, was deleted in the enacted law. Section 107(a) seems to allow joint liability, but several liability is neither provided for nor prohibited. Section 107(e), which states the Superfund does not bar a cause of action a liable party may have against another, may support the several liability argument. The right of contribution it shows is the ability of one party to discharge a common liability to other liable parties to recover a proportionate share from them. The history of Superfund contains conflicting statements as to whether joint and several liability was contemplated.

Venom is insured by Old Balderdash under an \$8 million general liability policy including \$3 million of specific pollution coverage. What is the maximum amount Balderdash will have to pay?

Section 108(d) provides that a "guarantor" acting in good faith is liable only up to the monetary limits of the policy and only to the extent of liability not excluded by restrictive endorsement. Apparently, then, policy limits and endorsements are dismissed if the guarantor does not act in good faith.

Although Balderdash is not a "guarantor" under Section 108(d), the idea of an insurer acting in good faith towards insureds is generally accepted. The consequences of failing to do so are similar to those provided in Section 108(d).

If Balderdash refused to agree to a settlement that was reasonable and, by doing so, prejudiced Venom's interest in the amount over the policy limits, a court might ignore the \$3 million pollution limit or even the \$8 million liability limit.

Thus an insurer that unreasonably refused to settle a claim could be liable in full, even beyond the policy limits, for the consequences of its unreasonable conduct.

Here's an example. Niagara County, N.Y., one defendant in many suits relating to Love Canal, asked Utica Mutual to defend it under its multiperil liability policy. Utica Mutual refused any defense, citing a clause that excluded coverage for non-sudden and accidental releases. The county sued. The appellate court found some allegations against Niagara County were outside the pollution exclusion. The court held the county was entitled to a defense by Utica Mutual.

The question of whether the loss was within an "ambiguous" exclusion clause was supposedly answered in that "the ordinary businessman would have thought himself covered." The court thought there was little doubt Niagara County considered itself protected by the multiperil policies.

Claimants will probably attempt, among other things, to apply the new liabilities explicit or implicit in Superfund to facilities operated and insurance policies signed years ago. Future judicial decisions could result in imposition of cleanup costs plus \$50 million for a defendant that acted within the law. Unlimited costs could be expected for a defendant who acted deliberately or uncooperatively.



Walter D. Vinyard Jr. is a partner in the law firm of Alston, Miller & Gaines in Washington, D.C.

Incentives spur development of waste sites

Continued from previous page
investments. Given the low asset base, they pay a similarly low real estate tax.

New Jersey attempted to alleviate this problem by allowing host municipalities to levy a 5% gross revenue tax on hazardous waste sites. Such a tax would generate

substantial receipts, but the use of the funds is limited to facility-related services. So, the municipality that hosts the facility derives no real economic benefit, and public opposition is likely to continue unabated.

As a solution to the siting dilemma, a variation on the "competitive bid" process can be used to provide economic incentive. For example, a list of municipalities that possess equally suitable sites for a facility would be drawn up. The municipalities would then be invited to submit bids for the facility. The bids represent the amount of compensation the municipality wants to receive in exchange for accepting a

hazardous waste facility. Low bid wins.

Municipalities A, B, C and D submit bids of \$2 million, \$3 million, \$10 million and \$50 million respectively. Municipalities C and D, with high bids, are clearly not interested in a facility. The bids submitted by A and B show they are serious contenders and A wins by virtue of its low bid. The cost of compensating the host municipality is borne by the facility operator who incorporates the cost in its disposal charges.

The state of Massachusetts has already successfully used a similar competitive bid process in placing hazardous waste sites. The advantages of such a system are

numerous. It serves to compensate the host municipality for accepting the risk of a hazardous waste site. The funds can be used as the host municipality deems appropriate: lower taxes, expanded services or reduced debt load.

The municipalities that are adamantly opposed can avoid becoming unwilling hosts by submitting a high bid. By introducing competitive bids to the hazardous waste facility siting process, a difficult problem can be mitigated. More importantly, by constructing an adequate number of sites for the safe disposal of hazardous wastes, a safer environment is created for everyone.



Joseph A. Greenwald is a staff consultant with Risk Planning Group Inc. in Darien, Conn.

AIRMIC conference

Market may not tighten: Risk manager

Continued from page 3
because that's where some profit can be found.

Occasionally the buyer, if he isn't careful, will discover that his risk is being insured and reinsured beyond his control, he said.

But the corporate insurance buyer can use the soft insurance market to his company's best advantage if he plays his cards right, Mr. Faiers noted.

When examining his company's insurance program during a soft market, Mr. Faiers said the buyer can:

- Increase the company's cash flow by negotiating premium deferment or retrocession programs with insurers. That way the company can take advantage of high interest rates without necessarily retaining the risk itself.

Through such plans, a company like Mr. Faiers', which does not use a captive, can buy insurance and still protect cash flow, he explained.

- Introduce new risks to underwriters that might not have been insurable in a hard market.

"A soft market, where insurers are competing for new business, tends to assist the generation of new ideas, innovations and contracts previously unacceptable to be underwritten," he said.

- Cut the cost of administering insurance. Such cost cutting may result from eliminating the middleman—the broker—from the transaction.

"Buyers must reconsider why

and if they need a broker and, if they do, are they getting value for money. Are the broker's duties clearly spelled out and does the brokerage (commission) on the account reasonably compensate the broker, or do you wish the broker were paid on a fee basis?" asked Mr. Faiers.

- Take a long-range view of his company's insurance-buying strategy. A company's insurance program should be unaffected by the market's volatile changes, he says. It must incorporate the company's personal financial philosophies and should accommodate any changes in corporate structure.

A corporate insurance buyer also must have faith in the broker, insurers and reinsurers handling his risks, Mr. Faiers told the conference.

"Most buyers seek to establish that esoteric relationship variously described in French as 'rapport,' in English as 'good will' and in American as 'long-term meaningful working relationship,'" Mr. Faiers said.

But all too frequently, that trust can be abused as brokers and insurers scramble for business and perhaps overlook the buyer.

"How do you react when you discover indirectly that the terms you have so painfully developed over a period of years are being undercut in the marketplace by your own insurer?" Mr. Faiers asked. "These actions attack the very foundations of that relationship, which the two

parties have worked so hard to establish over a period of years."

The buyer's confidence in the insurance market also may wane when he looks at the list of reinsurers on his risks.

As Ken Addison, deputy chief general manager of Sun Alliance Insurance Group, quipped, "The attainment of independence of any new nation is inevitably followed by two things: first, the establishment of a national airline, and second, the establishment of a reinsurance company."

The reinsurance glut makes some insurance buyers worry about the security of their risks as the list of unknown reinsurers grows on their underwriting slips, Mr. Faiers said.

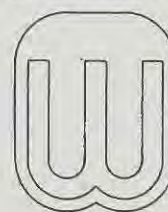
"Large risks are becoming so fragmented by reinsurance as all concerned seek to obtain a piece of the action that there must be concern as to the underlying stability of the market," he said.

"Today's insurance man is not posed questions about the type of contracts he is underwriting, but about the contract's security," Mr. Faiers explained. "We are hearing of some reinsurance failures and we buyers tend to see—if we turn over the cover notes—some very odd names on the underwriting slips. I might ask for the name of the antecedent, but I get indirect answers."

"It is the obligation of the insurance market to give a feeling of confidence, not just to me but also to my finance director and my chairman," he said.



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Paris lures buyers, suppliers

PARIS—Daffodils are blooming near the Eiffel Tower, couples are rowing down the Seine to Notre Dame and the sun glows over the Arc de Triomphe.

On the streets, vendors sell crepes and passersby sit in outdoor cafes sipping champagne and nibbling on fresh seafood. And though not everyone understands the language, the upbeat lifestyle oozes from the cabarets, bistros and cafes on the streets of the capital of France.

It's Paris in the springtime, the city that attracts lovers from all over the world. And last month, members of the British-based Assn. of Insurance & Risk Managers in Industry & Commerce crossed the channel and held its Fifth International Insurance Conference here.

More than 250 delegates from all parts of the world gathered at the Hotel Meridien to discuss world insurance buying trends and ways to improve it in the future.

But although the conference was geared toward insurance and risk managers, few attended. The brokers, insurers and consultants outnumbered the buyers. The recession may have pinched the risk managers' budgets more than the suppliers', commented one French risk manager.

The languages varied among the conference delegates, but the buyers shared the same worries: They are concerned about the solvency of the underwriters on their risks, and they're concerned about the future of risk management in commerce and industry.

Underwriters now tailoring policies to fit risks: Insurer

By STACY SHAPIRO

PARIS—Step up to your insurer and make yourself heard, corporate insurance buyers.

Tell your insurer what kind of new and innovative insurance packages you want and he may write to order, says Ken Addison, deputy chief general manager of Sun Alliance Insurance Group in London.

Time was, not long ago, when the insurance buyer could only buy ready-to-wear insurance policies for property/casualty risks. But most of today's underwriters, seeking new business in this hotly competitive market, are open to all sorts of tailor-made ideas for corporate insurance programs.

"I believe historians will say that

in the late 1970s the insurance industry held on a little too long to traditional positions," said Mr. Addison at last month's Fifth International Insurance Conference, sponsored by the Assn. for Insurance & Risk Managers in Industry & Commerce.

"The industry has not been as innovative as it should be," he said. But today, "I believe you will find in many parts of the insurance industry a ready ear and a cooperative reception when discussing novel kinds of cover, high risks or not."

However, a policy that is custom-written to meet a company's needs may carry a high price tag.

"We like the challenges of voyages of discovery but not if we end

Continued on next page



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Restrictions are aiding Nigerian insurers

PARIS—Government restrictions are fostering international insurance cooperation in the Third World country of Nigeria.

Nigerian laws mandate that multinational risks in the country—including the three oil refineries worth more than \$800 million each—must be partially insured and reinsured through state-owned companies.

But the maturing Nigerian insurance market is willing to bend the rules a bit, especially if the multinational wants to place the risk with its captive, said J.O. Irukwu, managing director of Nigeria Reinsur-

ance Corp.

"In the insurance of large risks, oil risks for example, captives can be brought into greater use in accepting reinsurance on risks of special interest to the parent companies," Mr. Irukwu told last month's Fifth International Insurance Conference, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce.

"In such situations it should be possible to work out a risk-sharing arrangement which could operate to the mutual advantage of all the interests concerned and be achieved with the provisions of the insurance laws of most developing countries," he said.

Already, Mobil Oil Corp. has set up this type of reciprocal arrangement with the Nigerian insurance market, said Mr. Irukwu. Mobil, by law, insures through the state-owned insurance company. But the majority of the oil company's risk is reinsured through Mobil's captive, said Mr. Irukwu.

In such an arrangement, the company might then be informally asked to reinsure some of its captive's business with Nigeria Reinsurance Corp., Mr. Irukwu pointed out. The multinational can place its

risk with its captive, and the Nigerian company can get a better spread of risk through the captive's reinsurance.

This is a complicated way of getting around Nigeria's protective insurance regulations, Mr. Irukwu admitted. But those regulations have helped make Nigeria's insurance industry a powerful Third World market, he said.

"In African and other Third World countries, modern insurance is still at an early stage of development," Mr. Irukwu said. "Undoubtedly this intervention and involvement by Third World governments in the business of insurance, including reinsurance, has been primarily responsible for the growth and development of most of the new direct and reinsurance markets in the developing countries."

Third World governments and global organizations like the U.N. Conference on Trade & Development saw the need for strong local

insurance industries in the drive to build developing economies in the early 1960s. A strong insurance/reinsurance industry reduces a Third World nation's dependence on industrialized countries, improves its economic development and prevents local funds from being sent to reinsurance markets in other nations.

"The Third World governments have a duty and a responsibility to take steps at all times aimed at protecting and promoting the growth and development of their national economies," said Mr. Irukwu. "To that extent, these reinsurance institutions have contributed in the development of their national economies by giving good-quality insurance and reinsurance services and by creating additional capacity within their areas."

Government intervention differs from country to country, but usually includes mandatory ceding to state-owned insurance or reinsur-

ance companies. In the case of Nigeria and Kenya, 20% to 30% of a company's reinsurance must be placed with state-owned reinsurers.

The state-owned reinsurance company also has the "right of first refusal" so that it can dictate what may be reinsured outside of the country. In this way, the reinsurer monitors the movement of reinsurance outside the country for the government.

Government intervention, however cumbersome, has aided the growth of new insurance markets in developing nations like Nigeria, said Mr. Irukwu. Barely 5 years old, Nigerian Reinsurance Corp. already has increased the capacity of the national market by \$100 million.

Only through international cooperation can Nigeria grow into a major insurance market with international expertise and knowledge, Mr. Irukwu said.

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Continued from previous page
the voyage minus our shirts."

And new insurance contracts can be like new pharmaceutical products, he pointed out. "One is not entirely certain about the outcome until one has had some trial runs."

But insurers are still eager to explore alternative methods with the buyer, Mr. Addison said. For example, insurers and buyers may want to eliminate the time-consuming annual renewal ritual.

"Both parties would welcome less time spent on annual renewal negotiations including the obtaining of an alternative or possibly several alternative quotations," he said.

Instead, insurers and buyers could negotiate contacts that run for several years and are calculated on a cost-plus basis, he said. Some form of excess layer could be negotiated to cover claims that exceed the original insurance contract.

"In this way, the company achieves its own objectives in the negotiations, the insurer spreads his loss by time rather than by location and administrative costs are cut," he said.

Insurers also can cooperate with the buyer to fight the huge damage claims leveled by consumers, he said. "Consumerism is reaching, and in some countries has reached a point where the balance against a supplier has moved so far that it is taking products and services out of the market altogether."

Pollution, product, public and employers liability coverages are becoming "onerous" for the policy-

holder as court awards skyrocket, he explained. But insurers can help keep a company solvent with an integrated property/liability insurance package, Mr. Addison said.

"There is an increasing demand for cover against claims for financial loss that flow from performance failure, from product guarantees and from environmental and political risks," Mr. Addison told the conference. "We are seeing demands for retrospective cover in both liability and property areas and demands for the insurance of deductibles in the event of the insolvency of the policyholder."

"We are, therefore, reaching a point where liability, property and solvency insurance are coming together in an integrated package."

Innovative ideas, however, cannot necessarily replace expertise. "Whiz kids" often discard old-fashioned insurance ideas for questionable technological advances, and this trend worries Mr. Addison.

"Underwriting whiz kids are unmindful of the lessons of yesterday and careless of tomorrow in an industry where tomorrow is not a day or a week but a few decades."

Underwriting by computer, instead of by inherent knowledge, can have its drawbacks and may affect the insurance buyer's ultimate policy package, Mr. Addison said. It all depends on how you see the future relationship between underwriter and insurance buyer.

"If you see insurance as a take-it-or-leave-it, slip-initialling operation, then you are likely to view underwriting by a computer as an acceptable practice," he said.

"If, on the other hand, you believe that insurance is a relationship that is designed to reduce economic waste, to protect from financial loss by tailor-made contractual arrangements and to eliminate risks by a careful assessment of a company's individual needs, then you may feel some reservations about such a change."

French seek global business

PARIS—Risk managers for multinational companies may need an interpreter to understand the French insurance market as well as the French language.

But once the buyer has mastered its many rules and regulations, the French insurance market is a good spot to place international risks, says Paul Beraud, directeur general adjoint for the French insurer, Les Assurances Generales de France.

"The French market always will provide an insurance partner capable of responding suitably to the needs of any cover, no matter what nationality," Mr. Beraud said at the opening last month of the Fifth International Insurance Conference, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce.

For multinational risks, France is the most important insurance and reinsurance market in the world after Britain and the United States, Mr. Beraud said. It accounted for 15% of the world's premium volume in 1980 with \$26.4 billion in premiums, he said, adding that 17% of the French business originates in the United States.

"Our market is not only an effective arm of the French invisible exports, making a useful combination to the revival of the economic activity of our country, but it is also, in a more general context, a market that can match up to the increasing demands of international covers," Mr. Beraud said.

But the multinational company opening a subsidiary in France does not have complete freedom to use insurance companies outside France. Although a multinational's primary insurer may be based in Connecticut, the company's French subsidiaries must be insured through French companies.

But companies can skirt this requirement by using a combination of French and other Common Market insurers, which is allowed under a directive from the European Economic Community.

"The relatively frequent recourse to the techniques of co-insurance, either section-by-section for large contracts or under certain types of syndicates of varying sizes, (is used for) covering certain little-known or catastrophic risks," he said.

Insurance companies located in other Common Market countries, particularly in England, have been lobbying for a new directive that would abolish the French requirement. But, "it will be more like years than months" before such a directive is passed, said a spokesman for British Insurance Brokers Assn.

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6. Analyzing risk control alternatives (case study)
7. Conclusion

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APRIL 18-22. Inspector Training seminar in Houston, sponsored by the International Safety Academy; \$490. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

APRIL 18-23. Accredited Safety Auditors conference in Atlanta, sponsored by the International Loss Control Institute; \$625. ILCI, Box 345, Loganville, Ga. 30249; 404-466-2208.

APRIL 18-23. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$425. Also **June 14-18** in Long Grove. John N. Garis, Manager, NATLSCO, G-3, Route 22, Long Grove, Ill. 60049.

APRIL 20-21. International Cargo Insurance seminar in San Francisco, sponsored by Fritz International Insurance Brokers; \$350; for two or more participants from same company, \$300. Sherry Bradner Wright, Fritz International Insurance Brokers, 735 Market St., San Francisco, Calif. 94103; 415-393-8436.

APRIL 20-21. Product Liability & Tort Law Reform conference in Arlington, Va., sponsored by the National Legal Center for the Public Interest; \$285. J.J. Wuerthner Jr., NLCPI Conference Coordinator, 1101 17th St. N.W., Suite 810, Washington, D.C. 20036; 202-296-1683.

APRIL 20-22. Industrial Fire School course in Marinette, Wis., sponsored by The Ansol Co.; \$650. Ansol Fire School, 1 Stanton St., Marinette, Wis. 54143; 715-735-7411.

APRIL 21-22. Fire Safety in Buildings conference in New York, sponsored by the Society of Fire Protection Engineers and the Engineering News Record; \$477; two or more participants from the same company, \$420. D. Peter Lund, Executive Director, Society of Fire Protection Engineers, 60 Battery March St., Boston, Mass. 02110; 617-482-0686.

APRIL 22. Employee Benefits in a Changing Economy conference in Portland, Ore., sponsored by Western Pension Conference; members, \$45; non-members, \$55. Ronald S. Grossmann, 900 S.W. Fifth Ave., Suite 2200, Portland, Ore. 97204; 503-224-3380.

APRIL 22-23. Management of Oil & Gas Exploration Risk seminar in Pittsburgh, sponsored by The Wharton School of the University of Pennsylvania; \$795, plus \$100 registration fee per organization. Also **May 20-21** in Kansas City, Mo. Registrar, 14th Floor, University Conference Center, 360 Lexington Ave., New York, N.Y. 10017; 212-953-9022.

APRIL 22-23. Product Safety Concepts and Practices course in Washington, sponsored by the International Institute of Safety & Health; \$245; for three or more participants from the same company, \$195. Harold M. Gordon, IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

APRIL 25-28. NAII Annual Workshop in Phoenix, Ariz., sponsored by the National Assn. of Independent Insurers; members, \$125; subscribers, \$200. NAII Convention Office, 333 N. Michigan Ave., Suite 1632, Chicago, Ill. 60601; 312-782-2958.

APRIL 25-28. Insurance for Non-Insurance Professionals seminars on life/health and property/casualty in Princeton, N.J., sponsored by The College of Insurance; \$495. Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

APRIL 25-28. World Insurance Congress in Philadelphia, sponsored by the Philadelphia World Insurance Congress; \$1,000; full-time municipal, state, national government and governmental agencies, legislators, full-time teachers at accredited colleges and universities, \$250. Philadelphia World Insurance Congress, Box 1982, Philadelphia, Pa. 19105; 215-563-5815; telex 831 519.

APRIL 26-27. Hospital Risk Management for the Mid-1980s course in Dallas, co-sponsored by the Indiana University School of Continuing Studies and the American Institute of Hospital Risk Management; \$325. Anne Faulkner, Indiana University, School of Continuing Studies, Owen Hall 205, Bloomington, Ind. 47405; 812-335-4661.

APRIL 26-27. Loss Prevention: Explosion Hazards in Industry seminar in Woodbridge, N.J., sponsored by the New Jersey Institute of Technology, Division of Continuing Education; \$475. Division of Continuing Education, 323 High St., Newark, N.J. 07102; 201-645-5235.

APRIL 26-27. Western States Self-Insurance Colloquium symposium in Portland, Ore., sponsored by the Western States Self-Insurance Colloquium; members, \$200; non-members, \$250. WSSIC, Box 60126, Seattle, Wash. 98160; 206-542-1535.

APRIL 26-28. Safety Inspection Training seminar in Houston, sponsored by the International Safety Associates; \$395. International Safety Associates, 126 Northpoint Drive, Suite 157, Houston, Texas 77060; 713-999-0000.

APRIL 26-30. Health Promotion: The Payoff for Business and Industry conference, sponsored by the Indiana affiliate of the American Heart Assn., Florida Governor's Council on Physical Fitness & Sports, Southeastern Assn. of Health Systems Agencies, Florida Assn. of Health & Rehabilitative Services and Blue Cross/Blue Shield of Florida Inc.; \$465. Health Promotion Conference, Sheraton Palm Coast Resort, Box 4000, Palm Coast, Fla. 32037; 219-392-7151.

APRIL 26-30. Industrial Ventilation course in Los Angeles, sponsored by the Institute of Safety

& Systems Management; \$415. University of Southern California, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 9007; 213-743-6523/6524.

APRIL 26-30. Structure of the Risk Management Process course in Atlanta, sponsored by the International Loss Control Institute; \$625. International Loss Control Institute, Box 345, Loganville, Ga. 30249; 404-466-2208.

APRIL 27. One-Day Benefit Briefing in Philadelphia, sponsored by the International Foundation of Employee Benefit Plans; members, \$130; non-members, \$155. Also **April 28** in Akron, Ohio. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

APRIL 28-29. Current Legal Issues in Hospital Risk Management course in Dallas, co-sponsored by the Indiana University School of Continuing Education and the American Institute of Hospital Risk Management; \$325. Anne Faulkner, Indiana University School of Continuing Studies, Owen Hall 205, Bloomington, Ind. 47405; 812-335-4661.

APRIL 29-30. Hazard Control Management Fundamentals course in Washington, sponsored by the International Institute of Safety & Health; \$245; for three or more participants from the same

company, \$195. Harold M. Gordon, IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

MAY 2-5. National Council of Self-Insurers annual meeting in Bloomington, Ill.; members, \$225; non-members, \$250. Mary Ann DeSanto, Administrator, NCSI, 420 Lexington Ave., Suite 2910, New York, N.Y. 10170; 212-867-9200.

MAY 4-6. Financial Analysis for Risk Management seminar in Chicago, sponsored by Cozzolino Associates Inc.; \$685, plus \$50 registration fee. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

MAY 5. Cash or Deferred Arrangements seminar in Washington, sponsored by the Employers Council on Flexible Compensation; members, \$150; non-members, \$250. Kevin P. O'Brien, ECFC, 1700 Pennsylvania Ave. N.W., Washington, D.C. 20006; 202-393-1728.

MAY 7. Dilemma of Workers Compensation program in Rockford, Ill., sponsored by the SwedishAmerican Hospital; \$35. Dennis Pankratz, SwedishAmerican Hospital, 1400 Charles St., Occupational Health Services, Rockford, Ill. 61101; 815-966-2060.

MAY 10-14. Sampling Strategies course in San Diego, sponsored by the University of Southern California, Institute of Safety & Systems Management; \$475. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/6524.

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18. RIMS Conference Report #2

MAY 3

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more to come :

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15. Employee Benefits Board Survey

APR 12

~~Mar 31~~

16. CAPTIVES/OFFSHORE...RIMS REVIEW

APR 19

~~Apr 6~~

17. RIMS REPORT #1

APR 26

Apr 14

18. RIMS REPORT #2 and Annual Report Section

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20. Risk Management Board Survey

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23. EMPLOYEE BENEFITS: CONFRONTING THE FUTURE

JUN 7

May 25

24.

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25. Employee Benefits Board Survey

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California consulting firm gets new blood

Advanced Risk Management Techniques, a Newport Beach, Calif., consulting firm founded in 1979, is sporting a new look following a recent change of ownership.

Called ARM Tech for short, the risk management and actuarial consulting firm offers a broad range of related services on a nationwide basis.

Four new partners have already joined the firm, and a fifth will

come aboard this week. Three of the new partners worked together at Warren, McVeigh & Griffin, another risk management consulting firm located in Newport Beach.

ARM Tech will work with clients ranging from government entities to private corporations and will provide "virtually any type of risk management study you can imagine," says Michael M. Kaddatz, one of the new partners.

ARM Tech was founded in 1979 by Allan Greene, who has since left the risk management consulting field.

The new partners, each of whom boasts considerable risk management experience, started their own organization because "we wanted some ownership of a consulting firm at this point in our careers," explains Mr. Kaddatz.

markets

Mr. Kaddatz says ARM Tech can offer its clients a high degree of stability, since "experienced consultants will be partners in the firm." He says that will help prevent the firm from losing senior professionals.

While Mr. Kaddatz emphasizes that ARM Tech will handle "all types of business for all industries," each partner brings individual areas of expertise.

The new partners are:

- Mr. Kaddatz, who was most recently with Warren, McVeigh & Griffin in Newport Beach. Mr. Kaddatz has five years of consulting experience, two of which were spent with Southern California

Edison. He was also a commercial casualty underwriter with Wausau Insurance Cos. for four years. His background includes experience with utility, transportation, food, entertainment, hotel, contracting and oil industry risks. He has a CPCU designation.

- Steven P. Kahn, CPCU, ARM, who also was formerly with Warren, McVeigh & Griffin. He has been a risk management consultant for six years and spent two years as an underwriter with The Hartford Insurance Group. His expertise includes developing pooling programs for governmental groups and risks in the electronics, banking, contracting and manufacturing industries.

- William S. Mortimer, CPCU, ARM, who has 25 years of risk management experience. He has been an independent risk management consultant for the past five years, specializing in risk financing and captive insurance companies. He was formerly risk manager for Douglas Aircraft Co. and Norton Simon Inc., director of risk management for Insurance Co. of North America and national president of the Risk & Insurance Management Society.

- Oakley E. Van Slyke, FCAS, who was a consultant with Warren, McVeigh & Griffin before joining ARM Tech. Mr. Van Slyke has seven years of actuarial consulting experience and worked with insurers for four years. He specializes in financial planning, loss-reserve analysis, risk management information systems and risk collection allocation plans.

- Richard Huntington, a registered professional engineer in three states, who will join the firm this week. He has 11 years of risk management consulting experience, most recently with The Wyatt Co. in Chicago. His specialties include the utility and health care industries.

E/S broker

Dimock & Associates Inc., a San Francisco-based excess/surplus lines insurance broker, has been appointed the Northern California representative for Unigard Specialty Associates Inc.

Unigard Specialty is a wholly-owned subsidiary of Unigard Insurance Group of Seattle.

Acquisitions

The Laub Group Inc. has acquired Schiff Terhune Inc. of Wisconsin from Schiff Terhune International.

Corroon & Black Corp. has reached an agreement in principle to acquire Rowan-Wilson Inc., an insurance brokerage in Pasadena, Calif.

New offices

Aneco Marketing Co. Ltd. has moved its corporate office from New York to 1900 Market St., Philadelphia, Pa. 19103; 215-569-1800. ■

Florida comp chief

TALLAHASSEE, Fla.—Margaret S. Veigas is the new chief of the Florida Insurance Department's bureau of workers compensation.

Ms. Veigas has been serving as workers compensation administrator for the department since February 1981. Before joining the department in December 1979, she held workers compensation and statistical positions at Aetna Insurance Co. in Hartford, Conn., for eight years.

"Peggy Veigas has the background to do an outstanding job in this position," said state Insurance Commissioner Bill Gunter. ■



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About the Speaker

Dr. Kenneth R. Oppenheimer, President of Decision and Risk Analysis, Inc., of Palo Alto, California, specializes in executive education and the application of decision and risk analysis to corporate decisions in the insurance, fire protection, banking, wood and paper products, data processing, cattle feeding, and oil and gas drilling industries. Prior to founding Decision and Risk Analysis, Inc., he spent five years with the Decision Analysis Group at S.R.I. International (formerly Stanford Research Institute). His academic background includes a B.S. in mathematics from Tufts University, and a M.S. and Ph.D. in Engineering-Economic Systems from Stanford University. While at Stanford, he was a member of the Decision Analysis Group at Xerox Corporation.

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Bonding company leaves buyers with debts

Continued from page 3

surety bonds for about a dozen construction projects in north Texas. Four of the bonds, including those belonging to the Greenville school district and Portion Trol, covered Hudler-Tye and had a total face value of more than \$3.5 million.

When Hudler-Tye went out of business in September 1981, project owners called on Metropolitan Trust to complete their buildings as guaranteed by the bonds.

Metropolitan Trust President Donald A. Long and several business associates formed Alcon Construction Co. in an attempt to do this. Alcon did only a portion of the work before Metropolitan Trust was taken over by court-appointed receiver Anthony G. Harris, liquidator for the Texas State Board of Insurance.

Following an examination of Metropolitan Trust's meager financial records, which fit easily into two filing cabinet drawers, the court issued further orders on Dec. 17, 1981, finding that Metropolitan Trust was insolvent and operating illegally as an insurance company.

In Texas, only licensed insurers are permitted to write surety bonds, and the insurers must be fully reserved, pay premium taxes and open their records to state auditors.

Metropolitan Trust met none of these requirements, the court order says, and, therefore, was an illegal insurance company. Further, its own corporate charter forbids the company from entering the insurance business.

Since Metropolitan Trust never applied for an insurance license,

the state Board of Insurance was unaware of its activities until complaints of unfulfilled obligations started coming in, says attorney Chris Maisal, who represents Mr. Harris.

"It not only didn't have a license, it was hopelessly insolvent," he adds.

A third court order signed Dec. 30, 1981, froze the assets of other companies tied to Mr. Long, including Alcon, and the personal assets of Mr. Long and his wife, Cynthia, because all were "so intertwined and interwoven with those of Metropolitan Trust Co. to make them indistinguishable," Mr. Harris said in papers filed with the court.

"In the end, Metropolitan Trust's checking accounts were overdrawn \$70,000 to \$110,000," Mr. Maisal says. "A lot of people got checks

that bounced, including a number of subcontractors that did work and paid their own bills but were not paid in return."

Their unpaid bills hit about Christmastime, he says, adding, "If this had been a legitimate insurance company, the claims might have been covered by the state's guarantee fund, which covers insolvent insurers. But it wasn't."

Mr. Long could not be reached for comment, despite frequent attempts by *Business Insurance* to contact him.

As for the Greenville school district and Portion Trol, officials of each indicate they have little hope

of recovering potential losses from Hudler-Tye or Metropolitan Trust and may have to pay outstanding debts to subcontractors.

"To this point, three lawsuits are filed (involving subcontractors' bills) and we are named as defendants along with Hudler-Tye and Metropolitan Trust," says Greenville's Mr. Kennedy. "The courts will have to decide what we'll be out."

Portion Trol is named in three lawsuits involving subcontractors' bills and there is the potential of more, says attorney Mr. Brown. "Our main objective here is to minimize losses."

Several things fall through for Metropolitan Trust Co.

HURST, Texas—State Insurance Department investigators were surprised when Donald A. Long took to the ceiling and crawled away from them above the suspended tiles over his office.

"We were only trying to serve him with temporary civil injunction papers for Metropolitan Trust Co.," one investigator says. "No one was trying to arrest anybody."

Mr. Long is president and chairman of Hurst-based Metropolitan Trust, a bonding company placed in temporary receivership by a state court in December 1981.

On Dec. 7, the investigators and a constable spent an hour knocking on Mr. Long's office doors—one for Metropolitan Trust and another for Alcon Construction Co., which Mr. Long also ran—without an answer.

Suddenly, a secretary burst out of an adjacent office shouting that a man was crawling above the acoustical ceiling tiles.

Rushing in, the investigators found Mr. Long brushing tile fibers from his clothing after apparently falling through the ceiling to the floor. The constable "secured" him and escorted him back to his own office, where he was served with the civil court papers and later gave a deposition.

In addition to its bonding business, which originally drew the attention of Anthony G. Harris, a court-appointed temporary receiver and liquidator for the Texas State Board of Insurance, Metropolitan Trust managed individual trust accounts and put together fi-

nancial deals involving oil, real estate and aviation companies.

Total claims against the company from all quarters amount to about \$990,000, Mr. Harris' investigators say. Its assets, including \$4,000 cash, probably total no more than \$20,000, depending on the value of certain stock certificates it owns.

The company lost money in 1980 and income during its two-year life span was "negligible," Mr. Long said in his Dec. 7, 1981, deposition.

No general ledger was kept and there was no formal listing of assets belonging to each of six trust accounts the company handled, Mr. Long said in the deposition. He also estimates the total value of trust assets to be \$250,000. The only payment-of-receipt documents were checkbooks and bank deposit slips.

"Other than yourself, who would be knowledgeable about what Metropolitan Trust is responsible for?" Chris Maisal, an attorney representing Mr. Harris, asked during the deposition.

"Just me," Mr. Long replied.

Mr. Maisal also asked whether any trust beneficiaries are claiming that their property has been mismanaged or that they are due more money.

"None that immediately comes to mind," Mr. Long said.

But Preston Young of Cerritos, Calif., filed a complaint with the Federal Trade Commission on Oct. 14, 1981, claiming Mr. Long still held \$50,000 of \$150,000 he gave him to put in escrow pending a real estate deal.

"After waiting 4½ months for the deal to close, it did not appear the deal was drawing to a conclusion," Mr. Preston states. "I decided to withdraw the money and called Mr. Long. . . . After two weeks and several phone calls, I received \$50,000 and was told another \$50,000 was on its way."

The second \$50,000 was received but, "to date I am still short \$50,000 in addition to any interest that may have accrued," he says in the FTC complaint.

Mr. Preston's \$50,000 is part of the \$990,000 in claims against Metropolitan Trust. If the company is placed in permanent receivership, Mr. Harris will attempt to pay these claims with any assets he can gather, possibly through lawsuits. The hearing date for permanent receivership has not been set.

Metropolitan Trust's temporary receivership is not Mr. Long's first scrape with regulators.

On Oct. 6, 1981, the federal Securities and Exchange Commission barred him from association with any investment adviser.

The commission sought the order because of Mr. Long's alleged activities while chief executive officer and chairman of Galaxy Investments Advisory Service Inc. of Downingtown, Pa.

From September 1975 through December 1977, Mr. Long unlawfully offered and sold membership interests in three investment clubs without filing registration statements, says an SEC docket report published Oct. 20, 1981.

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Minnesota work comp reform vetoed

Continued from page 2

weekly benefit payment from two-thirds of gross weekly wages to 70% of average net earnings during the first five weeks of disability and 80% thereafter. It would have also increased the maximum weekly benefit to 150% of the statewide average weekly wage from the current 100%.

Employers blame the state's powerful labor movement for dramatically changing the bill to make it unbearable for business, but they are also critical of the state's "ultra-liberal" Legislature, which knuckled under to labor's demands and threats, says Michael J. Glapion, chairman of the Minnesota Workers Compensation Coalition.

"The unions here intimidated both political parties into passing a bill out of the House and Senate that did not represent adequate workers compensation reform," added Mr. Glapion, who is also president of the Minnesota Chapter

of the Risk & Insurance Management Society.

But, there is considerable hope among employers, insurers and trade groups that new legislators, more favorable to their cause, will be elected this November.

The Insurance Federation of Minnesota, a trade association that lobbys on behalf of workers compensation insurers and supported the Markman bill, predicts that workers compensation reform will still be a viable issue in 1983.

"The business community has a reform package that they can get behind. Now we just need some legislators who will pass it," he added.

Not all workers compensation reform in Minnesota died with the Markman bill. Last year, Minnesota became the first state to pass a law establishing open rating for workers compensation. It will require insurers to compete on price beginning in mid-1983.

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See Page 27

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Asbestos firms hope to broaden coverage

Continued from page 1
rate suit filed against it in Chicago by Commercial Union Insurance Co.

Eagle-Picher only recently successfully argued the manifestation theory in the district court, but then in search of broader coverage changed to the Keene "triple-trigger" theory on appeal.

Under the exposure theory, insurers on the risk at the time the victims inhale asbestos are liable. With manifestation, insurers on the risk when the disease manifests itself are liable. Both theories provide less coverage than the Keene theory.

Which theory the courts choose determines whether the asbestos manufacturers or their insurers will pay millions of dollars to thousands of victims of asbestos-related diseases.

The Unarco suit names as defendants Zurich Insurance Co., Bituminous Casualty Co., The Conti-

mental Insurance Co., Commercial Union Insurance Co., Falcon Insurance Co., Continental Casualty Co. (CNA), The Home Insurance Co. and First State Insurance Co.

All wrote either primary or excess insurance coverage for Unarco between 1958 and 1977.

The five-count complaint states that the defendants have refused to properly pay or defend thousands of lawsuits brought against Unarco by victims of asbestos-related diseases.

It seeks a court determination that the insurers must pay asbestos claims and defense costs in accordance with the Keene theory and a determination that Zurich and Bituminous have an obligation to defend Unarco even after policy limits are exhausted.

Alleging breach of its insurance contracts, Unarco also seeks recovery of \$20 million it has paid out in attorneys fees and settlement, defense and judgment costs.

In separate counts, Unarco further asks the court to:

- Reject an interpretation by Zurich that the aggregate limits of two \$500,000 policies written for less than one year should be reduced proportionately to conform to the time period they were in existence.

- Reject an interpretation of an extension of a policy it entered into with The Home in 1976. In question is an agreement over how much underlying insurance Unarco had.

Unarco's intent in filing the suit was to apply the Keene decision, according to Unarco's attorney C. Haker Rhodes Jr. of the firm of Sonnenschein Carlin Nath & Rosenthal in Chicago.

"Unarco believes the rule in Keene is proper," Mr. Rhodes said.

"Our insurers disagree. The lawsuit is to find out if we are right or they are. We think we are."

"I would not say the suit is unique at all," he added. "We've not espoused any unique theories."

Unarco, a subsidiary of UNR Industries Inc., has been named in more than 6,500 pending lawsuits by former asbestos workers. According to the suit, it has paid out more than \$8 million in settlements and judgments and spent more than \$12 million defending lawsuits.

The company had primary coverage with Zurich between June 1958 and November 1964, Bituminous between November 1964 and November 1970 and Continental Insurance Co. between November 1970 and December 1979.

From 1961 through 1970, Unarco had excess coverage with Employer's Surplus Lines Insurance Co. (now Falcon Insurance Co.) and Employer's Liability Assurance Co. Ltd. (now Commercial Union Insurance Co.)

From November 1970 to November 1973, excess coverage was with Continental Casualty Co.; from Nov. 1, 1973 through Dec. 31, 1976, it was with The Home; and from Nov. 26, 1974, through Dec. 31, 1977, it was with First State.

Zurich allegedly wrote total aggregate limits of \$4 million during the six years it was Unarco's primary insurer, according to the suit.

The aggregate limit with Continental Insurance for Jan. 1, 1976, through December 1976, was \$500,000, according to the suit.

Unarco is also embroiled in separate suits with Commercial Union, Falcon, The Home and Bituminous, according to Mr. Rhodes.

Whether those proceedings will be stayed while the most recent

Unarco suit continues is up to the court, he said.

Mr. Rhodes also said that a procedural rule prevented Unarco from filing in federal court in Washington, D.C., where the Keene case is currently the law. But there is "respectful deference" paid to the federal court by the superior court, he added.

Like Unarco, Eagle-Picher is arguing Keene as the appropriate coverage theory. It changed from the manifestation theory in briefs argued before the appellate court in Boston.

"Eagle-Picher espouses adoption of the continuous injury construction which holds that coverage is provided by each policy in effect during the indivisible injurious process of asbestos-related disease," one brief says.

"The court should hold that each insurer on the risk between the initial exposure and the manifestation of asbestos-related disease is liable to Eagle-Picher for indemnification and defense costs."

The change in theory came under criticism from several defendants in the case including Liberty Mutual Insurance Co. and American Motorists Insurance Co.

"Throughout the entire proceedings in the district court, however, Eagle-Picher steadfastly and consistently pressed for the adoption of a manifestation theory" of coverage, a brief of the defendants says.

"Suddenly, Eagle-Picher contends that the manifestation theory is incorrect and advocates that this court adopt the substantively distinct Keene approach."

"This court should not permit Eagle-Picher to alter the theory of coverage it advocated below and upon which the district court based its decision," the brief said.

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THE SPECIALISTS

Keene takes excess insurers to court

WASHINGTON—Keene Corp., which recently won a federal appellate court decision broadening its primary insurance coverage in asbestos injury cases, is back in court seeking the same decision against its excess insurers.

Keene, which last October won the landmark "triple-trigger" decision against its primary insurers, filed another declaratory judgment suit in District of Columbia Superior Court March 8 against its excess insurers: Insurance Co. of North America, The Home Insurance Co., Continental Casualty Co., Aetna Casualty & Surety Co. and American Home Assurance Co.

The suit alleges that each is refusing to pay Keene, without apportionment, all sums that Keene

became legally obligated to pay in damages because of bodily injury due to asbestos during one or more policy years.

It also says the companies have refused to defend Keene or investigate lawsuits to determine if the bodily injury occurred during a policy year. The companies are required to do so according to the insurance contracts, the suit says.

Keene has been hit with more than 10,000 suits brought by asbestos victims.

The suit comes shortly after the U.S. Supreme Court let stand the decision against Keene's primary insurers that said all insurance companies writing product liability coverage for Keene are required to pay the claims of victims with asbestos-related diseases up to their policy limits.

The companies must pay whether they were on the risk during the victim's exposure to asbestos, the disease's latency period or when the disease became manifested in the victim, the decision said.

Of the excess insurers, INA provided more than \$30 million in coverage from 1962-68 and 1971-73. It also provided primary coverage from 1962-1967.

The Home provided more than \$30 million in coverage from 1969-

71 while American Home provided about \$40 million in coverage from 1972-74.

During 1970, Aetna wrote about \$10 million in coverage. CNA wrote about \$500,000 from 1967-68.

In addition to a declaratory judgment setting forth the proper theory of insurance coverage, the suit also seeks attorneys' fees, costs and expenses.

Keene attorney Jerold Oshinsky said that the suit was brought because Keene wants to be certain its excess insurers are bound by the original decision, which did not specifically name them.

"We have no reason to believe that excess insurers will take a contrary position," he said. "We're just trying to protect our clients interests."

Some of the excess insurance companies do not agree with the Keene decision and asserted contrary theories of coverage liability in briefs filed with the U.S. Supreme Court when it was asked to hear the case, Mr. Oshinsky added.

The suit was not filed in the District of Columbia federal court (where the original Keene case was heard) because procedural requirements prevented the case from being heard there, Mr. Oshinsky said.

The deadline for filing answers to the suit is May 17.

Stock option plans popular: Survey

NEW YORK—A large number of employers are considering incentive stock option plans for their high-level executives.

Some 84% of Fortune 500 employers surveyed by consultants Towers, Perrin, Forster & Crosby said they plan to offer such options to their executives.

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Court ruling limits accountants' liability

Continued from page 3

"Previously, anyone who thought they could would try to tap the accountants' deep pockets through their insurance."

Now, says Mr. Schneeman, attorneys defending accountants will be able to cite the Cenco decision in their clients' favor when they are accused by management of not properly auditing a company's books.

"It (the decision) should put auditors in a better light with the insurance industry," says Richard A. Meyer, general counsel of Seidman & Seidman.

It's estimated that premium volume for professional liability coverage for the nation's 17,000 accounting firms is about \$100 million a year, generating mostly from the Big Eight accounting firms that audit the majority of publicly held companies. It is one of the most costly professional liability coverages.

In *Business Insurance* interviews, none of the three major underwriters of accountants' errors and omissions insurance—the Merrett Syndicate at Lloyd's of London, L.W. Biegler of Chicago and American Home Assurance Co. in New York—forecast any immediate impact on insurance rates following the Cenco decision, but they are looking with interest at the ruling.

"Auditors are not police," pointed out Robin A. Jackson of the Merrett Syndicate, lead underwriter for all the Big Eight firms except Coopers & Lybrand. "We like it (the Cenco opinion)," he said.

But he added that it is too soon to know whether the management fraud vs. employee fraud distinction made in the Cenco case would

help defend other claims against corporate auditors.

The largest such claim pending, Mr. Jackson confirmed, is an \$80 million federal court jury award handed down Nov. 4 in Manhattan against Chicago-based Arthur Andersen & Co. It involved a suit by shareholders of a mutual fund, Fund of Funds Ltd., who claim they were misled by the accountant during the 1960s.

Ordinarily, a jury's verdict may be accepted, reduced or revised by the trial judge. In the Fund of Funds case, Judge Charles E. Stewart took action on Dec. 15, but he sealed his decision. Arthur Andersen, however, is fighting Judge Stewart's sealed verdict through pleadings, which are also in part sealed.

It is not known whether Arthur Andersen had enough professional liability insurance to cover an \$80 million judgment. Andersen won't say, nor will its broker, J.H. Minet (Canada) Ltd. of Montreal, a subsidiary of Minet Holdings.

Arthur Andersen is also a defendant in a 10-year-old securities fraud case in Boston that may be reaching a conclusion. A year ago, a federal jury found Andersen and two former executives of Viatron Computer Systems Corp. liable for misstatements in a prospectus for a stock offering by the now-defunct company.

The parties have reached a tentative out-of-court settlement that one source says calls for Andersen to pay \$10 million to shareholders, part of three separate settlements by various parties totaling \$15 million.

Andersen won't discuss the settlement provisions. A hearing before U.S. District Judge Joseph L. Tauro is scheduled for April 21 in Boston.

Officials at L.W. Biegler Inc. in Chicago, an underwriting manager affiliate of Crum & Forster that writes an insurance program for 11,000 of the 17,000 members of the American Institute of Certified Public Accountants, said they regard the Cenco opinion as "significant" but added that the firm had not yet analyzed it fully.

The American Institute insurance program is brokered by Rollins Burdick Hunter Co. and mostly placed with North River Insurance Co. and International Insurance Co., also Crum & Forster units.

An underwriter at American Home Assurance, who asked not be identified, suggests the ruling could be a factor in the rating of firms that have endured management fraud claims in the past.

"Gee, that's nice the court did that," the underwriter said of the Cenco opinion. "It might effect how you might evaluate a risk that has a large percentage of claims in the auditing area (as opposed to general accounting work on such things as tax matters)."

The ruling comes at a time when both the frequency and severity of losses are up among the Big Eight accountants, notes Bert M. Thompson, a vp and general counsel of Shand, Morahan & Co. Inc., an Evanston, Ill., surplus-lines writer of E&O insurance that competes for coverage of smaller firms not with Biegler.

"You can be sure they're buying very large limits," he says of the Big Eight, adding that his firm, even with the smaller clients, can write \$25 million limits.

The coverage for the big firms, however, does not come cheap. Mr. Jackson of Merrett Syndicate would not reveal specific premium figures but said the coverage is the

"most costly" of professional liability insurance.

Another underwriter familiar with accountants' coverage said that \$5 million is now a common deductible for the large accounting partnerships.

However, Louis W. Biegler, president of L.W. Biegler, noted that while accountants have a significant professional liability exposure, firms smaller than the Big Eight partnerships often pay premiums about the size of typical auto insurance premiums.

The subject of professional liability is held close to the vest by the accounting firms who fear embarrassing details of their slipups filed in open court might harm relations with other clients.

By one underwriter's estimate, four out of five professional liability suits filed against accountants are settled out-of-court. Thus there are few legal precedents on which a firm can rely for defense.

Policies are generally written on a claims-made, duty-to-defend basis so the insurers play a considerable role in deciding whether to settle or defend.

Another accounting firm lawyer noted that the facts in the Cenco case—management of a fraud-exposed company seeking to shift some blame to its auditors—is common to many of the celebrated stock scandals of the last decade, like the Equity Funding and National Student Marketing cases.

"The issue is inherent in almost every accountant suit that comes up," says Victor M. Earle III, general counsel in New York for Peat, Marwick, Mitchell & Co., another member of the Big Eight.

He says a typical situation might consist of a failing company in which management decides to "cut a few financial corners" hoping to

pull itself out of the hole.

"I think if this (the Cenco decision) had been the law at the time, you wouldn't have seen any offers of settlement in Equity Funding," suggests Mr. Schneeman of the American Institute of Certified Public Accountants.

Peat, Marwick and a former client, Rockwood National Corp. of Elmsford, N.Y., reached an agreement last month to end a dispute over alleged errors in the firm's 1974 financial statements audited by the accountant.

Under the agreement, Peat, Marwick will lend Rockwood \$5.25 million at an interest rate five points below the prime rate for six years to settle the lawsuit.

The Cenco case stemmed from a stockholder suit brought several years ago against Cenco, a Chicago-based operator of nursing homes, after the Securities and Exchange Commission found the company had systematically inflated the value of inventories between 1970 and 1975.

This caused the price of its stock to climb, allowing the company to obtain loans and insurance at favorable rates.

Newly installed management settled the claims with stockholders for about \$11 million, according to Cenco lawyers, and also filed a cross-complaint against Seidman & Seidman. The suit accused Seidman & Seidman of allowing the previous management—including Cenco's president and chairman—to carry on the fraud undetected or unreported.

The three-judge appeals panel found Cenco's new management had no grounds to sue its accountant since the company's previous management had itself committed the fraud.

Superfund unfair to insurers: Report

Continued from page 2

1980 law. Other findings include:

- Financial responsibility requirements for hazardous waste sites should be kept "reasonable and flexible."

However, the report said the Environmental Protection Agency's recently issued pollution liability insurance regulations, mandated by the Resource Conservation and Recovery Act, "appear to be a step away from flexibility."

The EPA recently proposed that all treatment, storage and disposal facilities should have coverage of \$1 million per occurrence and \$2 million annual aggregate for sudden and accidental pollution incidents.

In addition, disposers of hazardous waste would be required to have coverage for non-sudden or gradual pollution liability of \$3 million per occurrence with a \$6 million annual aggregate. The requirement would be phased in over an 18-month period (BI, April 5).

- Operators of hazardous waste facilities can readily obtain insurance in the commercial market for sudden accidents.

The report added the availability of insurance for non-sudden or gradual incidents is increasing.

- Private insurers cannot provide "cradle to grave" coverage for hazardous waste operators. As a result, a federally administered pool, funded by a tax on hazardous

wastes, is needed to ensure that money is available to clean up damages for up to 30 years after a hazardous waste site has been closed.

Under the Superfund legislation, hazardous waste operators, beginning Sept. 30, 1983, will pay a tax of \$2.13 per dry weight ton of hazardous wastes to the federally administered Post Closure Liability Fund (PCLF). The tax will cease when the fund reaches \$200 million.

Insurance coverage during this post-closure period probably won't be able to substitute for the PCLF because its coverage "is simply too distant from that of the traditional property/casualty insurers to be assumed by the latter," according to the Treasury Department report. ■

Frightened fowl worry Arkansas storm victims

Continued from page 3

will cost the farm, she says. "The hens may not lay again for two or three months. Some may never lay again."

The Thurmans keep chickens for Koen Farms, a large agribusiness operation based nearby. Although the birds survived the tornado's direct blast, they were trapped inside wire cages underneath debris for several days without food or water.

Koen Farms' owner, Hillman Koen, says he hopes to rescue most of the chickens but, depending on salvage efforts, losses may range from \$50,000 to \$150,000.

His chickens are insured at \$2.50 a bird, partially by Lexington Insurance Co. through a policy put together by the United Egg Producers Assn., he says.

Mrs. Thurman is unsure whether her family egg operation will recover, but says, "We have about 17,000 birds that won't have to be moved and one or two buildings have been righted. Thanks to friends and neighbors, we may have saved more than we thought."

Farm Bureau Mutual Claims Manager Weldon Davis says the Thurmans' loss is part of \$2.5 million in tornado damage claims his company is paying.

"We cover mainly rural property, including chicken houses, farm machinery and granaries," he says. "Claims have come in from 30 of 75 counties in Arkansas, and we paid most of the total losses Saturday, right after the tornado."

He believes losses in Arkansas, where 13 people were killed, will be higher than the \$12 million estimate by the Office of Emergency Services. "I would say losses will total about \$30 million, with about 50% being commercial."

In Texas, the worst damage was done in Paris, a town of about 12,000 located 100 miles northeast of Dallas.

There, the Texas Insurance Advisory Assn. in Austin estimates insured damages will run from \$25 million to \$40 million. A TIAA spokesman says it is too early to confirm these figures, but adds, "It is obvious the damage is extensive."

American Box's plant was the largest single commercial property loss in Paris.

"We feel like it's a major loss for us," says Charles Leonard, vp and treasurer of American Box Co., which is headquartered in Farmwood, Miss., and is a wholly owned subsidiary of New Orleans-based Altamil Corp. "There is about one building left out of five."

Although he could not specify damages, he did say they should be less than \$10 million.

"We are fully insured for replacement value," Mr. Leonard says. Factory Mutual System insurers write the company's property policy.

Landslide victims file \$18 million suit

By CAROL G. BLITZER

PACIFICA, Calif.—The parents of three Northern California children who were killed in their home during a January landslide are suing the builders and developers of the property for \$18 million.

A suit filed last month in San Mateo County Superior Court in Redwood City, Calif., on behalf of William and Mary Barbara Velez seeks \$2 million in damages for the deaths of each of the three children, another \$2 million for their emotional distress and \$10 million in punitive damages.

The suit says that after several days of unrelenting rain, a neighboring house slid off its foundation into the Velez house, crushing the home and trapping the three children inside.

The parents escaped serious injury.

The couple claims in the suit that the builders and developers of Park Pacifica No. 3, a residential development in the San Francisco suburb of Pacifica, were "negligent and careless" when they developed the land and particularly when they provided underground drainage.

The complaint further asserts that the defendants knew of the defective condition of the lots and that there had been persistent and widespread drainage problems that had not been adequately corrected.

The attorney for Mr. and Mrs. Velez, Jack Stein of the firm of Boccardo, Lull, Niland & Bell in San Jose, charged that the construction of a temporary washway at the base of the hill in the development was like putting "a Band-

Aid on cancer."

Mr. Stein said there is considerable precedent by appellate courts to allow claimants to recover from builders for strict liability. Since the home was built and sold in 1974, the case was filed well within the state's 10-year statute of limitations for architects' and engineers' liability, he added.

The defendants named in the suit include Levitt & Sons of California Inc.; Levitt-West Inc.; Challenge Developments Inc.; Alcoa Aluminum Inc.; Jo Crosby & Associates Inc., a geological engineering firm; Jo K. Crosby; civil engineer Roy E. Moore; and 30 others.

The Velez couple recently moved into another home in the Park Pacifica development, their attorney said, but not near the area where the problems occurred. ■

Some firms freezing employee benefits

Continued from page 1

Fourteen percent of the respondents have decided to fight rising health care costs by making the employee foot more of the cost of health insurance. Six percent increased the employee's share of the premium within the last year and another 8% will take this step in the next six months.

While these figures show that employers are taking steps to curb rising benefit costs, they do not indicate a wholesale slashing of benefits. In fact, in contrast to the 30% who are freezing benefit levels, another 60% of the respondents have added new benefits in the last year or will add them in six months.

What the survey does show overwhelmingly is that employers are tuned into health care cost containment and that they prefer to attack the problem of runaway health care costs at its source rather than simply ask employees to give up benefits or pay more for them. It also indicates that employers may be trying to find a solution that is less painful than tapping employees' pocketbooks.

For example, 58% of the survey respondents are trying to cut health care claims costs through new efforts at claims auditing. Forty-five percent implemented new auditing programs in the last year and 13% have programs on the drawing board for the first half of this year.

Fifty-eight percent also will try to make employees more aware of their responsibilities to help contain costs through educational programs. Such programs were instituted at 34% of the companies in the last year and 24% plan to get the word out in the next six months.

Another 43% want to reduce the use of health care by improving the health of their employees. To achieve this, 25% have initiated wellness or fitness programs in the last year, and another 18% will try in the next six months to get into shape workers who abuse their bodies through overeating, over-

smoking or just plain laziness.

"Cost sharing will not by itself control medical costs," responded one benefit manager. "Combinations of the following may (or will) get the cost down: 1. Wellness; 2. Education programs; 3. 'Freeze' on medical service and a graduated 'freeze' on hospital expenses."

The director of employee benefits for a foods, toy and direct mail marketing business with 25,000 employees agreed. He said that his company is developing plans to increase employee health insurance deductibles and coinsurance in the next year or two, "but more importantly wellness and dividend incentives" will be implemented.

Others have decided to implement actual cost-containment measures.

"In the past year, we have expanded to 100% reimbursement of outpatient procedures and pre-admission testing," said the benefits coordinator for a manufacturer of chemical products with 2,800 U.S. employees. "We also tried a mandatory second opinion provision, but the state insurance board declined it."

"Within the last year, we added a second opinion surgery provision, outpatient surgery and pre-existing conditions limitation," said the manager of employee benefits for a photographic firm with 2,700 employees.

For the 30% of the companies that have decided to freeze benefits at current levels, the benefit most often placed on the back burner is dental insurance. Six companies have delayed providing it.

Four are delaying vision insurance; three are holding back on long-term disability insurance; one says it is delaying a prescription drug plan; one, an adoption plan; and one, a pension plan. Six said they will not make any improvements in general.

Two firms completely eliminated a benefit in an effort to contain costs. A bioengineering firm with

More employers warming up to IRAs

An earlier *Business Insurance* Employee Benefit Board survey showed that benefit managers were reluctant to help employees take advantage of provisions of the Economic Recovery Tax Act of 1981 that would allow them to make tax-deductible contributions to retirement savings plans (*BI*, Nov. 2, 1981).

They cited the extra administrative work and the fear that they could be sued as fiduciaries by employees unhappy with the rate of return on their payroll-deductible investments.

But the most recent Employee Benefit Board survey indicates that employers are warming up to the idea. Forty-one percent of the respondents have either implemented a payroll-deduction Individual Retirement Account plan or will in the next six months. That figure breaks down to 19% that have already set up programs and 22% that will sometime this year.

In contrast, the freeze on contributions to company-sponsored pensions plans still exists. None of the survey respondents is allowing tax-deductible contributions to company pension plans and only two are allowing tax-deductible contributions to profit-sharing plans.

Under the new tax laws, an employee can contribute up to \$2,000 (\$2,250 if the employee has a non-working spouse) to an IRA or a company-sponsored pension plan and take a tax deduction on it.

However, 22% of the survey respondents are more interested in salary reduction plans, which allow employees to reduce their pretax income by up to 10% and put that amount in a company profit-sharing or savings plan where it accumulates interest.

Because the money is paid into these cash and deferred contribution plans directly by the employer instead of the employee, it counts as an "employer" contribution and is not considered taxable income to the employee.

One company has implemented such a program via its profit-sharing plan and five others have implemented plans via their savings plans. Eleven others expect to put salary reduction plans into operation within the next six months.

Some employers believe the salary reduction plans, also known as 401(k) plans after the Internal Revenue Service rule that governs them, are more advantageous for employees because they allow them to set aside more than \$2,000 a year and the withdrawal penalties for tapping the fund before age 59½ are less severe.

The 401(k) plans, which are not governed by the 1981 tax act, are not a new idea, but the IRS only recently issued regulations for them.

Of the 35% of the survey respondents who do not plan to institute any tax-deductible savings plan, 22% cite the additional administrative cost as their reason for holding off.

4,800 employees changed its tuition reimbursement policy, and a pharmaceutical manufacturer with 12,000 U.S. employees dropped the extension of medical benefits to workers who terminate employment while pregnant.

In July, a state government with 148,000 employees revised its health plan, cutting benefits by 12.1% but adding more coverage for outpatient surgery and non-hospital emergencies. The cost of its health benefits had increased 26.5% over the last year.

For the 29% of the respondents who are looking to higher employee health insurance deductibles and premium payments to cut their costs, exactly what will be asked of employees varies by company.

On the raising of deductibles, employee benefit managers who listed exact increases reported:

- Increases to \$100 from \$50 at a diversified manufacturing firm with 22,000 employees and an industrial manufacturer with 5,000 employees.

- An increase to \$150/\$300, depending on salary, from \$50/\$100 at an apparel firm with 1,100 employees.

- An increase to \$50/\$150 from \$25/\$75 at a packaging and glass firm with 40,000 employees.

- An increase to \$150 from \$100 at an automotive retail parts and service firm with 500 employees.

Reports on making employers pay a larger share of the premium showed:

- An increase to \$20 a month from \$5 a month at a packaging and glass firm with 40,000 employees.

- An increase to \$40 a month

from \$28 a month at a package delivery company with 12,000 employees.

- An increase to \$10 a month from \$6.85 at a food products company with 35,000 employees.

- An increase to \$13 a month for a family plan from \$8 for a bank with 1,350 employees.

The benefit manager for a package delivery service with 12,000 employees pointed out that it "is moving with caution in adding any benefits. In fact, over the past several years, no significant benefits have been added that do not have employee cost-sharing provisions."

And the first up at an insurance company with 281 employees reports that its workers pay one-half the cost of their health and dental insurance.

Nearly a quarter of the benefit managers say they have negotiated new cash-flow/premium payment plans to ease the burden of spiraling health insurance costs. Another 17% said they will seek such arrangements in the next six months.

For a fourth of the employee benefit managers answering the survey, their efforts toward cost containment and cost cutting are well founded. The survey shows that 25% of them have seen their cost of benefits as a percent of payroll increase at least 10% in the last year. And for more than half of them, the increase was 20% or more.

The largest increase in cost of benefits as a percent of payroll was 45%, reported by an automotive retail parts and service company with 500 employees. It has in the past year increased its health insurance

deductible to \$150 from \$100 and reduced the number of paid sick days to six from 12 over 12 months.

When asked for topics it thinks should be discussed at an upcoming *Business Insurance* conference on communicating employee benefits, the personnel assistant aptly wrote: "How to communicate to the employee the need for restructuring the benefits program to include more employee participation in cost or the reduction in benefits without it being a negative."

Others who reported benefit cost increases of 20% or more included a packing and machinery firm with almost 9,000 employees, 33%; a workers compensation insurer with 840 employees, 30%; and an apparel firm with 1,100 employees, a service organization with 950 employees and a retailer of women's apparel with 3,000 employees, 20%.

But the rising costs have not stopped everyone from improving benefits:

- Twenty percent of the survey respondents have added a dental plan or improved their current plan in the last year.

- Eight percent added a vision care plan.

- Eight percent added an adoption plan.

- Smaller percentages of employers improved retirement benefits, increased pensions or added psychotherapy, prescription drug, tuition, short-term disability, long-term disability, dependent life, day-care or hospice benefits.

And, half of the respondents say their cost of benefits as a percent of payroll have risen only 3% or less in the last year. The pinch is on, but the squeeze isn't here. ■

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Losses in Wolf Trap theater fire not insured

Continued from page 2

canceled because of an event beyond its control, a spokeswoman explained.

The gutted theater, known as the Filene Center, was built in 1971 with the aid of philanthropist Catherine Filene Shouse, who donated the land for the park and \$2.3 million to build the theater to the federal government.

Wolf Trap officials say it will cost \$5 million to \$6 million to build a new theater.

Ironically, a sprinkler system that possibly could have saved the structure was 95% complete at the time of the fire.

Fairfax County fire officials had earlier urged the U.S. National Park Service, which administers Wolf Trap, to install a sprinkler system at the theater.

After years of delay, the National Park Service agreed, but the fire came before the project could be completed, said a park service spokeswoman.

President Reagan says he will see if the federal government can lend any financial support to build a new theater. Congress would have to appropriate funds.

Meanwhile, the Wolf Trap Foundation, which is in charge of scheduling events at the cultural center,

is accepting private contributions.

"The show will go on. We'll keep plugging away," a Wolf Trap spokeswoman says. But Wolf Trap officials don't know how much they can expect from the federal government until the cause of the blaze is determined.

The April 4 fire, which occurred about 9:45 p.m., melted the aluminum roof of the 6,500-seat theater. It took nearly 17 hours to extinguish the fire.

Virginia State Police officials say it is too soon to determine the cause of the fire, Wolf Trap's third since 1971. Arson has not been ruled out. ■

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BI Insurance Index

Mergers between insurers, brokers won't solve problems

By LEONARD M. WILSON
Special to Business Insurance

BI ticker

CONVERGENCE IS a term that has been pressed into service to describe the combination of underwriters with insurance brokers.

Some observers believe that convergence—sometimes known as vertical integration—is the wave of the future for the property/casualty insurance industry. The creation of financial conglomerates in other fields has reinforced the expectations of alliances between underwriters and brokers.

Certainly, there are already several examples of convergence of an incipient kind.

Recently, American Financial Group, parent of Great American Insurance Co., acquired Nordstrom Group Inc., a Minneapolis insurance broker. Continental Insurance Co. has for some time maintained an ownership interest in Reed Stenhouse through Stenhouse Holdings Ltd. Reliance Insurance Group has what amounts to a controlling position in E.H. Crump Cos., while Ryan Insurance Group is both a broker and an underwriter.

Perhaps these links show the logic to the principle behind convergence. But we doubt it.

No one can deny that changes in the distribution of commercial insurance lie ahead. The alphabet brokers probably are destined to add to their market share in future years. Smaller brokers and agents are feeling increased pressure from direct writers in small commercial lines. And the availability of

markets and sophisticated electronic data processing to association pools could enable the alphabet brokers to gain small-ticket volume, as well.

It is also reasonable to expect that the bulk of commercial lines volume may be increasingly concentrated in fewer brokerage hands. This trend could be threatening to some insurers. The theory of convergence may well emanate from the anxiety that underwriters feel over the possible loss of autonomy to megabrokers, which could control vast flows of premium volume.

A merger with an insurance broker would ostensibly provide an insurer with a secure, internally controlled distribution system that would deal with the supposed dilemma of concentrated premium flow.

But, in our view, convergence represents a knee-jerk reaction to a complex problem. For a merger to make sense, there must be clear beneficiaries. Under close scrutiny, it is apparent that vertical integration does not serve the needs of the insurance company, the broker or the client.

The linkage of an underwriter with an insurance broker is aimed at providing an assured flow of business. But in actuality, a broker inevitably will lose credibility with clients if a significant amount of volume is placed with an underwriting affiliate. Therefore, only a small portion of the broker's placements are likely to end up with the affiliated insurance company.

Consequently, the goal of more secure distribution turns out to be illusory.

Are there any advantages of greater coordination from vertical integration? No overriding ones, given the smooth workings of existing markets that are long accustomed to quick and sophisticated responses.

Linkage also could hurt the underwriter's relationships with independent brokers that, in turn, are competing with the insurer's affiliated brokerage operation. They may be less inclined to place their best quality risks with what can only be perceived as a competitor.

For an insurance broker, merging with an insurance company is likely to present problems of image. In the competition for clients, the broker might be at a disadvantage to independent brokers, which could tout their lack of implicit or explicit conflicts of interest.

Even markets may wonder if they are getting a fair look at the affiliated broker's full spread of quality business.

For the client, convergence has been touted as a means of reducing costs. But acquisition and servicing costs are not likely to decline. For one thing, brokerage compensation is increasingly tied to the total cost of servicing the client. Therefore, vertical integration is unlikely to make a noticeable dent in these costs.

Moreover, the total cost of insurance is ultimately determined by the competition between markets. It is this function of an insurance brokerage that remains crucial to the process of reducing the buyer's expenses. If the benefits to the client are ambiguous, then the concept surely is doubtful.

The advocates of convergence assert that in the real world of insurance, an arms-length relationship between the underwriter and the broker could put to rest any concern over potential conflicts of interest. A rigorous arms-length relationship, though, would vitiate the premise of the merger. The affiliated broker would not be a major source of controlled distribution, and, therefore, the idea behind convergence would be negated.

Notwithstanding the fallacy of convergence, we cannot rule out the possibility of mergers between brokers and property/casualty insurers.

Indeed, the current contest between Frank B. Hall & Co. and Ryder Systems Inc., a truck leasing concern, could plausibly end with an insurance company riding into the picture as a white knight. But the acquisition of a major brokerage by an underwriter probably should be justified on financial grounds alone, rather than on the shaky basis of operating benefits.

The structural changes of the past few years are forcing property/casualty insurers and brokers alike to take a careful look into the future because both underwriting and insurance brokerage have become less profitable. Competition at all levels of the industry seems to be intensifying.

The questions are complex, and the answers are not easily discernible. But convergence of underwriters and brokers seems to be a dubious response to the concerns that are facing the brokerage industry.

Financial briefs

Hartford Steam Boiler

The Hartford Steam Boiler Inspection & Insurance Co. has declared a regular quarterly dividend of 70 cents per share, payable April 30 to shareholders of record April 9.

E.H. Crump

E.H. Crump Cos. Inc. has declared a regular quarterly dividend of 10 cents per share, payable April 9 to shareholders of record March 31.

AIG

American International Group Inc. has declared a regular quarterly dividend of 12 cents a share, payable June 18 to shareholders of record June 3.

Prudential Re

Prudential Reinsurance Co. wrote a record \$378 million in net premiums in 1981, a 10% increase over the previous year.

Pru Re and its seven subsidiaries showed an aftertax profit of \$35.3 million and posted a combined ratio of 108.5%. Assets increased by \$244 million to \$1.6 billion, according to its annual report.



Mr. Wilson

British Issues

6 April	Price	P/E	Div.	Yield	1 Week
Companies	pence		pence	%	High—Low
Comet Union	132	11.1	16.86	12.8	139—132
Eagle Star	378	12.8	21.43	5.7	387—378
Genl Accident	306	6.8	23.21	7.6	320—306
Gdn Royal Exch	292	6.9	25.00	8.6	304—292
Phoenix	242	8.1	22.43	9.3	254—242
Royal	335	8.4	36.07	10.8	360—335
Sun Alliance	826	8.6	53.57	6.5	850—826

Brokers	Price	P/E	Div.	Yield	1 Week
	pence		pence	%	High—Low
CE Heath	326	9.4	15.71	4.8	335—323
Hogg Robinson	105	8.1	8.57	8.2	111—102
JH Minet	170	10.0	6.80	4.0	174—167
Sedg Grp	168	10.8	8.57	5.1	170—165
Stenhouse Hldg	110	8.0	7.78	6.6	116—109
Stew Wrightson	206	9.4	17.14	8.3	208—200
Willis Faber	456	11.4	21.43	4.7	462—455

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

APR. 6, 1982 3/31/82 THRU 4/6/82

APR. 6, 1982 3/31/82 THRU 4/6/82

Insurance Cos.	Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
Aetna Life & Cas Co	NYSE 47.38	3.3	7.8	2.52	5.3	47.38	45.50	341.4
American Bankers Ins Group	NYSE 8.00	3.2	6.7	0.48	6.0	8.25	8.00	141.6
American Gen Ins Co	NYSE 42.63	0.6	6.4	2.20	5.2	42.75	42.38	87.9
American Indty Finl Corp	NYSE 15.63	0.0	7.5	1.12	7.2	15.63	15.63	16.2
American Intl Group Inc	NYSE 69.00	3.8	11.5	0.48	0.7	69.00*	67.00	214.6
American Natl Ins Co	NYSE 14.00	0.0	5.9	0.76	5.4	14.00	14.00	23.8
American Sta Life Ins Co	NYSE 17.00	9.7	5.4	0.80	4.7	17.00	15.75	0.9
Aneco Reins Ltd	NYSE 1.75	-6.7	0.0	0.00	0.0	1.88	1.75	10.5
Appalachian Natl Corp	NYSE 2.63	0.0	0.7	0.00	0.0	2.63	2.63	0.0
Avesco Corp	NYSE 11.63	1.1	7.6	0.54	4.6	11.75*	11.38	11.2
Banks Iowa Inc	NYSE 35.00	-2.8	5.4	1.48	4.2	36.00	35.00	2.1
Bitco Corp	NYSE 30.25	-2.4	4.5	1.92	6.3	31.00	30.25	9.0
Carolina Cas Ins Co	NYSE 6.75	0.0	6.3	0.32	4.7	6.75	6.63	6.1
Chubb Corp	NYSE 44.63	1.1	5.3	2.92	6.5	45.25	44.38	122.1
Combined Intl Corp	NYSE 20.38	-1.2	5.5	1.80	8.8	21.25	20.25	177.9
Connecticut Gen Ins Corp	NYSE 50.50	0.5	5.8	2.04	4.0	50.50	50.50	153.0
Continental Corp	NYSE 28.00	3.2	7.0	2.60	9.3	28.00*	27.13	278.6
Crawford & Co	NYSE 12.25	0.0	9.6	0.56	4.6	12.25	12.25	2.0
Crown Life Ins Co	NYSE 80.25	0.0	5.9	3.10	3.9	80.25	80.25	0.5
Cum & Forster	NYSE 32.25	-1.1	5.2	1.64	5.1	32.75	31.75	285.8
Employers Cas Co	NYSE 28.50	0.9	6.1	1.20	4.2	28.50*	28.25	8.0
Equifax Inc	NYSE 30.13	-2.4	8.6	2.60	8.6	30.88	30.13	10.6
Excelsior Ins Co	NYSE 17.75	0.0	12.2	0.70	3.9	17.75	17.75	7.0
Farmers Group Inc	NYSE 35.25	3.7	10.0	1.24	3.5	36.25*	34.13	309.9
First Colony Life Ins Co	NYSE 63.88	0.4	19.0	1.02	1.6	63.88	63.63	1.0
Foremost Corp Amer	NYSE 27.50	1.9	7.6	1.12	4.1	27.50	27.00	7.9
Great West Life Assurn Co	NYSE 215.00	0.0	8.4	10.00	4.7	215.00*	215.00	0.5
Hanover Ins Co	NYSE 33.00	3.1	4.1	0.72	2.2	33.25	32.50	21.1
Hartford Steam Boiler Insptn	NYSE 38.50	1.3	6.7	2.80	7.3	38.50	38.00	24.0
Jefferson Natl Life Ins Co	NYSE 35.50	4.4	10.9	0.76	2.1	35.50*	35.50	12.4
Kemper Corp	NYSE 32.88	0.0	5.4	1.80	5.5	32.88	32.75	69.1
Lincoln Natl Corp Ind	NYSE 39.25	0.3	6.4	3.00	7.6	40.00	38.75*	39.3
Mission Ins Group Inc	NYSE 81.00	21.0	7.1	1.20	2.9	81.00*	35.50	102.1
Nationwide Corp Ohio	NYSE 26.75	0.0	7.8	0.70	2.6	26.75	26.75	0.6
Northwestern Natl Life Ins	NYSE 26.63	1.9	5.5	1.36	5.1	26.75	26.13	10.0
Ohio Cas Corp	NYSE 44.63	0.6	6.7	2.36	5.3	45.13*	44.63	52.8
Old Rep Intl Corp	NYSE 19.38	6.2	4.8	0.92	4.4	20.00	18.50	61.2
Preferred Risk Life Ins Co	NYSE 21.73	5.6	6.3	0.92	4.1	21.73	20.50	11.8
Provident Life & Acc Ins Co	NYSE 48.00	1.1	6.0	2.44	5.1	48.00	47.50	12.0
Ryan Ins Group Inc	NYSE 20.50	7.9	8.7	0.16	0.8	20.50*	19.25	12.3
St Paul Cas Inc	NYSE 49.13	3.1	6.5	2.60	5.3	49.25	47.63	356.7
Safeco Corp	NYSE 39.50	-0.6	6.8	2.20	5.6	40.25	39.50	279.2
Sri Corp	NYSE 22.75	1.1	4.6	1.00	4.4	23.25	22.50	35.4
Seibels Bruce Group Inc	NYSE 22.25	7.2	10.7	0.80	3.6	22.25	21.00	48.9
Statesman Group Inc	NYSE 5.63	0.0	4.4	0.15	2.7	5.63	5.50	123.4
Tokio Marine & Fire Ins Co	NYSE 93.25	-2.6	7.4	1.00	1.1	94.63	93.25	3.9

Agents/Brokers	Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
Travelers Corp	NYSE 49.88	-0.7	5.9	3.28	6.6	51.00	49.88	260.3
United Fire & Cas Co	NYSE 29.50	-1.7	7.7	0.88	3.0	30.00	29.50	1.1
United States Fld & Gty Co	NYSE 44.88	0.0	7.5	3.60	8.0	45.13	44.88	100.5
United Sves Life Ins Co	NYSE 15.25	4.3	5.6	1.00	6.6	15.25*	14.63	18.1
USLife Corp	NYSE 22.13	4.7	4.5	0.54	3.8	22.25	21.25	131.8
Washington Natl Corp	NYSE 16.83	15.4	6.0	1.08	6.4	17.00	14.63	89.7
Zenith Natl Ins Corp	NYSE 17.00	1.5	8.5	0.76	4.5	17.25	17.00	12.7
INSURANCE COMPANIES	AVERAGE		5.9		6.5			
Agents/Brokers	Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
Alexander & Alexander Sves	NYSE 28.88	1.8	9.7	1.94	6.7	29.00	28.50	80.8
Baldwin & Lyons Inc	NYSE 35.00	0.0	6.3	0.80	2.3	35.00	35.00	1.3
Corroon & Black Corp	NYSE 20.25	0.0	11.4	1.76	8.7	20.38	20.25	13.6
Crump E H Cas Inc	NYSE 8.88	0.0	16.4	0.40	4.5	9.00	8.88	0.8
Hall Frank B & Co Inc	NYSE 29.25	3.1	11.0	1.70	5.3	29.25	28.25	245.7
Integrated Rea Inc	NYSE 15.00	5.3	5.3	0.90	0.0	15.00	14.00	31.2
James Fred S & Co Inc	NYSE 23.13	5.7	10.8	1.60	6.9	23.63*	21.75	45.4
Marsh & McLennan Cas Inc	NYSE 34.63	3.4	10.6	2.00	5.8	34.63*	33.50	242.6
Pennacorp Finl Inc	NYSE 6.13	0.0	4.9	1.60	2.6	6.25	6.13	75.9
Pinehurst Corp	NYSE 8.88	0.0	10.7	0.00	0.0	8.88	8.88	1.1
Poe & Assoc Inc	NYSE 9.00	0.0	10.2	0.80	8.9	9.00	9.00	0.0
Reed Stenhouse Cos Ltd	NYSE 11.63	0.0	9.5	0.60	5.2	12.13	11.63	4.2
Rollins Burdick Hunter Co	NYSE 18.50	1.4	11.6	1.32	7.1	18.50	18.25	10.5
AGENTS/BROKERS	AVERAGE		9.1		5.3			
Conglomerates/Holding Cos.	Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
American Express (Fireman's Fd)	NYSE 48.38	3.8	8.7	2.20	4.5	48.75*	47.00	1,292.4
Anderson Clayton (Ranger/PanAm)	NYSE 29.50	0.4	6.0	1.32	4.5	30.00	29.50	68.3
Araco Inc	NYSE 19.88	1.9	4.0	1.80	9.1	20.00	19.13*	686.9
City Investing Co. (Hose Ins.)	NYSE 22.25	0.0	6.4	1.70	7.6	22.25	21.88	297.0
CNA Finl Corp (CNA)	NYSE 14.50	1.8	6.0	0.00	0.0	14.75	14.25	40.7
Control Data (Comm. Credit)	NYSE 31.88	3.7	7.1	0.55	1.7	32.00	30.00	515.1
General Re Corp	NYSE 84.50	1.2	10.4	2.16	2.6	84.50	83.25	77.7
Gulf Wtd Corp	NYSE 17.75	-0.7	5.9	1.32	7.4	18.00	17.63	44.0
INA Corp (Ins. Co. of MA)	NYSE 46.50	0.0	6.3	2.40	5.2	46.50	46.50	101.8
ITT (Hartford Group)	NYSE 25.63	3.5	5.5	2.68	10.5	25.63	24.38	810.2
Optimum Hldg Corp	NYSE 9.25	2.8	7.1	0.00	0.0	9.25	9.00	1.6
Sears Roebuck & Co. (Allstate)	NYSE 19.00	-0.7	9.2	1.36	7.2	19.63*	19.00	2,075.5
Baldwin Wtd Corp	NYSE 65.50	10.8	9.4	1.60	2.4	65.50	60.25	124.4
Teladyne Inc (Argonaut)	NYSE 121.00	3.3	6.1	0.00	0.0	121.00	116.75	827.3
Transamerica Corp (Occidental)	NYSE 19.63	0.6	5.7	1.40	7.1	19.63	19.00*	683.5
CONGLOMERATES/HOLDING COS.	AVERAGE		7.0		3.6			

*Record high/low since Jan. 1, 1982

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