

business insurance

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

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EEOC drafting health plan rules

By JERRY GEISEL

WASHINGTON—The Equal Employment Opportunity Commission will finally follow Congress' intent on regulations for older workers' health care benefits.

The EEOC agreed last week to draft new regulations that will require employers to offer workers between the ages of 65 and 69 a choice of enrolling in corporate group health insurance plans or sticking with Medicare as their primary insurer.

Congress, when it passed the Tax Equity and Fiscal Responsibility Act last year, wanted older workers generally included in corporate health insurance plans to ease Medicare costs. But earlier proposed regs would have made it more advantageous for employees to stay with Medicare.

Under the forthcoming regulations, companies that offer benefits like dental or vision care that supplement basic health care packages also will be required to provide those supplemental plans to all employees up through age 69.

A company could not, for example, require older workers to pay higher deductibles for vision care coverage than younger employees.

The new regulations, not expected to be published before at least late May, also will give employers up to 90 days after the date the regulations are published before they must offer older workers the choice of programs.

The regulations will put an end to much of the confusion that has prevailed among benefit managers since last year when Congress approved the provision in TEFRA that says companies must offer older workers the same health insurance benefits they provide younger workers.

Because the provision was so vague, the EEOC, the federal agency whose responsibilities include age discrimination issues, was expected to issue regulations to help employers comply with the

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Kemper affiliate sues firms that supplied MGM materials

By RHONDA L. RUNDLE

LAS VEGAS, Nev.—American Protection Insurance Co. is suing 15 firms that furnished building materials to the original MGM Grand Hotel for recovery of \$141 million paid by AMPICO and other property insurers to rebuild the Las Vegas hotel after a 1980 fire.

AMPICO, a member of the Chicago-based Kemper Group and one of the hotel-casino company's excess property insurers, filed what may be the largest subrogation lawsuit ever on April 13 in the U.S. District Court in Las Vegas.

Most of the 15 defendants in the suit manufactured, supplied or installed plastic and other petroleum-based materials used to furnish public areas of the hotel, which burned in November 1980. One defendant makes acoustical ceiling tiles and another supplied guest room ventilation units in the original MGM Grand.

The suit brings different charges against each defendant, but in general it claims that the defendants' products are dangerous and defective. Although they did not cause the fire at the MGM Grand Hotel, AMPICO argues that the products were responsible for excessively rapid spread of the flames.

"The fire burned with great intensity and with extremely rapid flame spread, consuming the Deli Restaurant (where the fire erupted) and traversing the casino area within minutes," AMPICO says in its suit.

AMPICO is seeking full recovery of the \$141 million it and other hotel insurers have paid MGM in property and business interruption losses because it believes the fire should have been stopped at the source. The insurer's position is that highly combustible hotel furnishings nourished the flames and created a holocaust.

"This is not a frivolous lawsuit. We believe it has merit in the law and the facts and we are exercising our rights," said Alfred

Kenyon, AMPICO's vp-claims. He stressed that AMPICO is entitled to full recovery because the fire damage should have been minimal.

"It's as if I dropped a cigarette in my house, everything suddenly exploded into flames and burned down my house," he explained.

Fire damage at the MGM Grand required a complete shutdown of all hotel and casino operations during a seven-month reconstruction period. The company claims its total property damage and business interruption loss was \$211 million of which \$91 million was paid by AMPICO and \$50 million by underlying insurers.

These insurers have assigned their subrogation recovery rights to AMPICO. The defendants are sued "jointly and severally" as individuals and as a group. Any funds recovered through the lawsuit would be used to reduce the size of the loss.

Consequently, AMPICO as the top excess insurer to pay a claim, would have first priority on the recovery, followed by other excess insurers in descending order. The primary insurer—Mutual Fire, Marine & Inland Insurance Co.—has the lowest-priority claim.

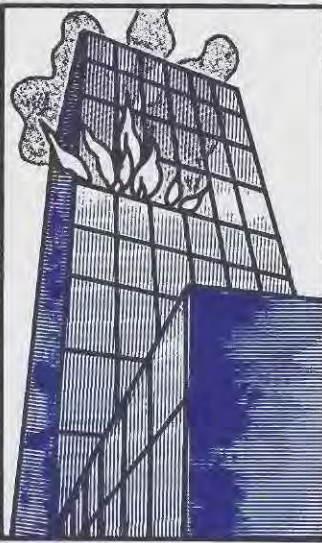
In litigation unrelated to its subrogation suit, AMPICO and Insurance Co. of North America (now part of CIGNA Corp.) are battling MGM over the proper amount of the fire damage

claim. The insurers argue that MGM's \$211 million claim includes sums spent to enhance rather than to merely rebuild the hotel and casino.

MGM insists that AMPICO owes it another \$34 million—the limits of its \$125 million policy—and that INA, which is the excess insurer above AMPICO, owes it the \$36 million portion of its claim that exceeds AMPICO's liability (BI, March 1, 1982).

Some of the defendants in AMPICO's subrogation suit also are named in wrongful death and personal injury lawsuits arising out

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Graphic: Jim Bakasetas

Chances for longshore reform improve

By JERRY GEISEL

WASHINGTON—The death of a veteran California congressman last week may remove the final barrier blocking passage of legislation to reform the Longshoremen's and Harbor Workers' Compensation Act.

Rep. Phillip Burton, D-Calif., 56, almost single-handedly blocked House approval of longshore reform legislation during the closing weeks of the last congressional session, insurance industry lobbyists said. The bill had earlier cleared the Senate unanimously.

Mr. Burton, who was known for his close ties to union groups, had a number of "concerns" about the longshore legislation, proposed by Sen. Don Nickles, R-Okla., a congressional source said.

Members of the House Education and Labor Committee, where the longshore legislation was stuck, were reluctant to act on the bill unless Mr. Burton dropped his opposition, sources said.

Mr. Burton had that type of power as a member of the committee due to his years of involvement on a variety of compensation issues including longshore benefits, an industry lobbyist said.

There were no indications that Mr. Burton was prepared to endorse this year's longshore reform bill, S. 38, which passed the Senate Labor Standards subcommittee last week.

As a result, the latest longshore legislation may have suffered the same fate as last year: unanimous approval in the Senate, followed by inaction in the House.

But Mr. Burton's death radically changes that picture. "In all due respect, with Rep. Burton's death, there now is no barrier to prevent enactment of a bill during this session," said Les Cheek, vp-federal affairs with Crum & Forster Inc.

"An obstacle has been removed," added Tom O'Day, government relations officer with the Alliance of American Insurers and chairman of a coalition of employers and in-

surers that is seeking reform of the longshore law.

Mr. O'Day believes the Senate could approve the reform bill next month, which would give the House plenty of time to consider the measure. The current session of Congress does not expire until October 1984.

Employers and insurers have been fighting for years to convince Congress to overhaul the 1927 act that covers maritime employees.

They say that 1972 amendments to the act, as well as recent court decisions, have vastly expanded its scope to cover a huge new class of workers while significantly raising benefits employers must provide to injured longshoremen.

The increase in benefits has raised insurance costs for maritime employers covered under the act. For example, William Potter, president and treasurer of Fairhaven Marine Inc., a construction and shipyard in Fairhaven, Mass., estimated that between 1972 and 1981, the 60-employee firm's longshore bene-

fit costs climbed to more than \$100,000 from \$21,000.

Sen. Nickles' bill would cut longshore costs by adding several new provisions to the Longshore Act. Those provisions include:

- Annual benefit increases would be capped at 5%. Currently, benefits are increased every October to match the annual increase in the national average weekly wage.

- Death benefits would be eliminated to survivors of injured workers who die from causes unrelated to an on-the-job injury.

- Death benefits would be capped at 200% of the national average wage. That would overturn a 1979 Supreme Court decision that widows are entitled to two-thirds of the deceased workers' weekly wages without an upper limit.

The savings from a 200% cap on death benefits would be substantial because some maritime workers can make as much as \$800 a

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Going to RIMS?
Check out our guide to good eating
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update

California closes health plans

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orized insurance companies.

The ABC/Advantage plan had been underwritten by United Bankers Life Insurance Co. until the Dallas-based insurer was taken over last October by the Texas regulators because of financial difficulties. The plan was unable to find another insurer, but continued to operate, California investigators said.

Consumers Assn. for Medical Protection, a self-funded multiple employer trust, was started after United Bankers Life failed. Some pending applications for participation in the ABC/Advantage plan were transferred into CAMP. Later, some participants in the ABC/Advantage plan were also enrolled in CAMP, investigators said.

The Insurance Department said its decision to shut down ABC/Advantage and CAMP shows "our willingness to go after these entities." Several other self-funded METs are now under investigation by the department, it says.

Kansas allows comp pools

TOPEKA, Kan.—Employers in Kansas will be allowed to form associations to self-insure workers compensation coverage beginning July 1. Currently, employers are allowed to individually self-insure work comp risks or buy coverage from commercial insurers.

Gov. John Carlin recently signed S.B. 8, which was introduced at the request of the state's Assn. of General Contractors. Most regulations affecting the pools will parallel those governing commercial work comp insurers, said William Sneed, chief counsel for the state Insurance Department, which will administer the law.

Alcoa forms Vermont captive

PITTSBURGH—Aluminum Co. of America will begin operating a Vermont-based captive insurance company this summer.

The new Alcoa captive, to be called Three Rivers Insurance Co., will insure and reinsure a wide variety of property and casualty risks, the Vermont Department of Banking and Insurance says.

By 1984, the captive is expected to have an annual premium volume of \$6 million, which would make the company the largest of the eight captives that have been licensed by Vermont.

Alcoa's entry into Vermont marks the first time that one of the nation's 100 largest industrial companies has tapped Vermont's 1981 law, which gives captives freedom from rate and form regulation.

ABC settles '20/20' suit

AKRON, Ohio—American Broadcasting Cos. has paid \$85,000 to settle a \$20.5 million libel suit filed by an Ohio attorney and his wife mentioned in a 1980 episode of the "20/20" news program.

The agreement came after an earlier suit involving the same broadcast ended in a verdict favorable to ABC. The network says it won't settle a third suit, which has not gone to trial.

The April 11 settlement was reached the day the trial was scheduled to begin, said Robert W. Blakemore, the attorney who sued the network, reporter Geraldo Rivera, producer Charles Thompson and ABC News President Rooney Arledge.

The settlement awards \$15,000 to Mr. Blakemore, \$30,000 to his wife, Joanne Blakemore, and \$40,000 in legal fees and expenses to two lawyers who represented the Blakemores, one of whom is a law partner of Mr. Blakemore. The suit said the broadcast contained allegations of improper case assignment by a probate court judge with whom Mrs. Blakemore worked.

The April 20, 1980, broadcast occurred during a period when ABC carried broadcast errors and omissions insurance from Lloyd's of London. That policy and other Lloyd's policies dating back to 1970 were the subject of a suit between ABC and its underwriters, resolved last year, over whether legal fees were included within or outside the policy limits. ABC ultimately conceded that defense costs were within limits of its \$1 million primary and first-excess coverages for the 11 years (BI, Feb. 15, June 14, July 26, 1982).

Baldwin makes deal with banks

CINCINNATI—Baldwin-United Corp., which owns MGIC Investment Corp. and two Arkansas-based life insurers, says it has been given until July 15 to repay \$682 million in bank debts (BI, Jan. 10; Nov. 1, 1982).

The company agreed to pledge essentially all of its assets, including all the stock of MGIC and the Arkansas insurers writing single-premium deferred annuities, to the two bank groups from which it borrowed to finance last year's \$1.2 billion MGIC acquisition.

Arkansas Insurance Commissioner Linda N. Garner said she examined Baldwin's agreement with the banks, announced April 12, and found it includes nothing requiring her approval.

Baldwin-United's stock, which traded on the New York Stock Exchange as high as \$66 a share during 1981, closed at \$13.38 the day after the debt extension was announced.

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Photo: Wide World

A section of a bridge spanning the Tangipahoa River near Amite, La., was washed away by flood waters.

New Orleans businesses escape worst of flooding

By BILL DENSMORE

NEW ORLEANS—Although the heavy rains and flooding that hit the South earlier this month may generate an estimated \$625 million in property damage, businesses are tallying much lighter losses.

The costliest damage occurred in recently built subdivisions in low-lying New Orleans suburbs. Almost all coverage for these homes is supplied through the National Flood Insurance Program.

Agent/Broker Profiles

Agents and brokers: *Business Insurance* will publish its annual Agent/Broker Profiles issue June 27. To be included in the issue's directory of agents and brokers, you must return a completed directory questionnaire by May 18.

If you have not yet received a questionnaire, contact Sallie J. Drury at *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5398.

Agents' group introducing new umbrella liability form

By LEN STRAZEWSKI

NEW YORK—The Independent Insurance Agents of America will unveil its own redesigned commercial umbrella liability insurance policy this week.

The new form, which the association hopes will become an industry standard, is designed to serve the needs and be understood by small- to medium-sized commercial buyers, according to Richard Kasyjanski, the IIAA's director of research, but the changes are also aimed at helping independent agents and brokers.

However, the IIAA admits that its umbrella form

errors & omissions

Computer error distorts data

ERISA Benefit Funds Inc. is writing a new computer program for analyzing the employee benefits marketplace to correct distortions that occurred in information supplied to *Business Insurance* for the article "Blues lead in policies but lag in premium: Study" (BI, April 11).

The Washington-based company had supplied BI with a computer analysis of the 50,798 Form 5500s filed with the Department of Labor by employers describing their employee benefit plans in 1980-81.

"We have identified the problem connected with the study we ran for you and have found the solution," said Judy Diamond, publisher of "Group Insurance Directories" at ERISA Benefit Funds. "New studies are being run."

In tabulating the information supplied by employers on Form 5500, ERISA Benefit Funds included forms that reported duplicate information filed by subsidiaries of parent companies with national benefit plans.

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Although early estimates of commercial, privately insured property losses were not available, brokers and civil authorities expect the figure to be a small fraction of residential losses from the April 6-10 flooding.

"Most of the damage is uninsured by the private markets," says C. Edward Hermanson, a vp of the American Insurance Assn. in Rahway, N.J., which collects property claims data. "Most of that is written through the National Flood Insurance Program."

By late last week, Mr. Hermanson said it was still too early to put a price on commercial losses and claims adjusters were just beginning to assess damages.

"We would probably be handling most of the privately insured losses," says Francis A. Richard, president of F.A. Richard Associates, an independent claims adjusting and management firm in the New Orleans suburb of Metairie. "I don't think that it will be over \$5 million. The commercial picture isn't that bad."

The Louisiana Office of Emergency Preparedness estimated damage at \$425 million. Neighboring Mississippi suffered about \$200 million in damage, officials say.

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will have to be revised to follow expected changes in the Insurance Services Office's standard comprehensive general liability policy (BI, Jan. 3).

And, a spot-check of umbrella insurers did not turn up any that said they would totally adopt the IIAA policy.

"Right now, virtually every insurer has its own umbrella policy. Attempts to collate all the differences result in telephone book-sized documents," Mr. Kasyjanski explains. "Whenever a buyer switches umbrella insurers, he or she is opened up to the possibility of creating some kind of coverage gap."

The problem is particularly acute for small buyers who lack risk managers and have trouble analyzing and comparing the coverages offered by the current variety of forms.

Since these firms tend to rely on their agents for insurance and risk management counseling, independent producers also benefit from a simplified and standardized policy, Mr. Kasyjanski adds.

"Our goal is to provide these buyers with an easy-to-read policy that offers broad coverage for most of their needs. It is not designed with the jumbo corporate risk in mind. Almost all very large risks should continue to design their own forms for their own special needs," he notes.

If the new policy, already in its fifth copyright revision, passes insurance industry muster, it will be made available to any insurer that wants to use it, Mr. Kasyjanski says.

"We won't make money on the policy; that's not why we designed it. We will license the use of the policy to any carrier that wants it because we feel it will solve the current confusion about umbrella coverage and give our agents a better product to sell."

A copy of the new policy, released in advance to *Business Insurance*, follows the current ISO CGL policy. However, ISO is currently revising that form and says it will make two variations available later this

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GPU reaches accord with shareholders, D&O underwriter

By DOUGLAS McLEOD

PARSIPPANY, N.J.—General Public Utilities Corp. and its former directors and officers liability insurer will pay more than \$20 million in cash and stock to settle a lawsuit brought by shareholders after the Three Mile Island nuclear accident.

Under the terms of the settlement, GPU will pay \$6 million in cash and will issue about 1.6 million shares of common stock to those who held GPU shares between February 1974 and April 1979.

The 1.6 million shares amount to about \$11.6 million at current market prices.

GPU, the holding company for the three utilities that own the crippled Middletown, Pa., power plant, will also provide \$750,000 to cover the costs of administering the settlement.

Meanwhile, City Insurance Co., GPU's D&O liability insurer at the time of the March 28, 1979, accident, will contribute \$4 million toward the settlement on behalf of the 10 GPU directors named in the suit. Thus, the settlement ends not only the shareholder suit but also GPU's third-party complaint against City, a subsidiary of The Home Insurance Co., which had reserved the right to deny coverage for any judgment against GPU (BI, Jan. 17).

The shareholders' amended complaint, filed in January 1980 in U.S. District Court in Newark, N.J., claimed that GPU and its directors failed to warn stockholders of the "profound consequences" of a nuclear accident on the utility's financial health. It also alleged

that the company and its directors made false and misleading statements in the company's prospectus "with intent to manipulate and artificially raise the price of GPU's common shares."

The shareholders had sought either to have their original purchases rescinded or to collect actual damages with interest, legal fees and punitive damages.

GPU estimates that stockholders have lost more than \$1 billion as a result of the accident that shut down both of Three Mile Island's twin reactors. This amount includes \$312 million in lost dividends and \$765 million in declined share value.

GPU common stock, which traded from between \$16 and \$21 a share during the class-action period, recently closed at \$7.25.

After the shareholder suit was filed and City informed the utility that it reserved the right to refuse to pay claims, GPU filed a complaint against City asking that the insurer be forced to pay any judgment against GPU under the terms of GPU's policy.

The utility's D&O policy, in force from January 1978 until June 1979 when City canceled, carried a \$10 million limit with a \$5,000 deductible per loss for each officer and a \$20,000 aggregate deductible for each loss.

City replied to the complaint by charging GPU with the same misrepresentation alleged in the shareholders suit and asked that the policy be canceled from inception.

GPU maintained last week that it settled the shareholder suit to avoid the costs involved in taking it to trial.

"If the claims had been successfully pursued to judgment, the company's cash liabilities could have been significantly greater," a GPU spokeswoman said.

Despite the settlement, GPU maintains that the shareholders suit was "improperly based on hindsight" and that the "extent of costs and losses experienced by GPU as a result of the TMI 2 accident for which GPU's property damage and decontamination insurance were

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The asbestos crisis (Part III)

Victims turning to the courts instead of work comp

By STEPHEN TARNOFF

The workers compensation system is not benefiting asbestos victims.

Recent studies indicate that less than 30% of workers exposed to asbestos or their families receive workers compensation benefits for diseases like asbestosis, lung cancer or mesothelioma that have been linked to the controversial mineral.

"Apparently, the large bulk of people who suffer or suffered from asbestos-related disease never get to the workers compensation system," says Peter S. Barth, a professor of economics at the University of Connecticut who has researched the subject.

"The workers compensation system is largely irrelevant to the worker. Asbestos has not been and is not a problem now for workers compensation. It is a pretty small piece of the action," Professor Barth concludes.

In fact, according to a new study, the greatest sources of income for asbestos victims are not workers compensation or tort suits, but Social Security benefits (see related story).

The study, by William G. Johnson and Edward Heler of Syracuse University, reports that only about one-quarter of the compensation income received by asbestos disease victims and their families in 1979 was supplied by workers compensation.



The report calls that a "serious indictment" of workers compensation.

A study released last year by the Mount Sinai School of Medicine at the City University of New York says that of the 995 insulation workers' deaths studied, only three of every 10 applied for workers compensation disability benefits before they died.

Moreover, even a smaller percentage received a benefit before they died. "Only about 15% of all disabled asbestos workers received workers compensation benefits prior to their death," the study said.

Scholars, plaintiffs and defense attorneys cite a number of reasons why most workers suffering from asbestos-related diseases don't file for workers compensation. They include:

- Ignorance by the employees and their families of the work-related nature of asbestos-related disease or ignorance of the fact that they are eligible for work comp benefits.
- The peculiar nature of asbestos-related diseases, including 20- or 30-year latency period between exposure and manifestation of a disease. Some say, state workers compensation law bar a worker from filing a claim by the time the illness appears. Also, the long latency period makes it difficult to identify the exact cause of the illness or the employer that should pay the claim.

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Plaintiffs, defendants, others search for the answer

If neither the courts nor the workers compensation system are effectively compensating victims of asbestos-related diseases, then what will?

That's a question increasingly on plaintiffs', defendants' and insurers' minds in the wake of mounting asbestos claims and litigation costs and the specter of bankruptcy hanging over the heads of some asbestos defendants.

Within the past several months, all parties in the litigation, including members of the judiciary, have taken a more active role in trying to find private, legislative and judicial resolutions to the asbestos crisis.

Among the solutions that have been suggested are:

- A private settlement among claimants, asbestos defendants and their insurers that would resolve the massive litigation over how much insurance coverage defendants have to pay claims and that would establish a central claims-handling facility to negotiate settlements with claimants.

- Legislation sponsored by Rep. George Miller, D-Calif., that would set up a system to compensate asbestos disease victims. Congress did not act on the proposal last year, but Mr. Miller is expected to reintroduce it later this month.

- Creation of an asbestos "Superfund" to be underwritten by asbestos companies and their insurers and administered by the federal Social Security Administration.

- Efforts sponsored by the National Center for State Courts to streamline court procedures for handling the tens of thousands of claims already filed and the many more that are expected to come.

- Efforts to work out a global resolution of the crisis as part of Manville Corp.'s reorganization plan, due in U.S. Bankruptcy Court in New York next month.

In addition, other alternatives have been suggested including instituting arbitration proceedings or setting up trust funds to supplement state workers compensation benefits.

Perhaps the most encouraging discussions center on various proposals to end the litigation between insurers and asbestos producers and to establish a central facility to handle all asbestos claims.

The Asbestos Claims Council, a group of the major asbestos insurers, has been meeting with asbestos companies and

plaintiffs' attorneys to discuss implementing such an agreement (BI, April 4).

A settlement would require concessions from all sides, parties in the negotiations say. For example, the workers bringing suits against asbestos defendants would have to drop claims for punitive damages. And, asbestos producers would have to drop punitive claims they have lodged against their insurers in the coverage litigation.

In exchange, insurers would most likely offer asbestos companies a "standard grant of coverage," probably one that would establish that insurers on the risk when a victim was exposed to asbestos must pay claims, the so-called exposure theory.

The majority of asbestos defendants, and some insurers, have supported this coverage theory, while others favor the manifestation theory, which says that insurers furnishing policies when the disease manifested itself in victims should pay claims. And, some defendants are currently holding out for a much wider coverage theory—known as the triple-trigger or Keene approach—which says all insurers, from exposure through manifestation, should provide coverage for claims.

The other important feature of a private settlement is the establishment of a central claims-handling facility that would resolve claims brought by victims of asbestos disease more quickly and inexpensively than by seeking relief through the courts.

While some of the negotiators say all parties—plaintiffs' attorneys, insurers and defendants—could agree on a settlement by the end of May, others say it will take much longer.

An attorney for one asbestos defendant recently suggested that those talking about an early agreement are attempting to stampede other companies involved in the discussions into an agreement.

And plaintiffs' attorney Fred Baron of the firm of Frederick M. Baron & Associates in Dallas described the talks as "a step forward," but added that plaintiffs' attorneys have not seen a copy of any of the proposals being circulated.

Although several members of Congress have proposed legislative solutions to the asbestos crisis, only one piece of legis-

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Battle against N.Y. surplus lines law to proceed

By LEN STRAZEWSKI

NEW YORK—Surplus lines brokers in New York state may continue their fight against the controversial revised Regulation 41, a state appellate court recently ruled.

Revised Regulation 41, which went into effect almost 2½ years ago, forces New York surplus lines brokers to seek and document at least five formal declinations from licensed insurers before taking a risk to the surplus lines markets. It considerably expanded New York's earlier surplus lines rules introduced in 1962.

Called "absurd," "unreasonable" and "expensive" by New York surplus lines brokers, the regulation has generated a continuing debate and series of complaints filed with the state superintendent of insurance and the courts (BI, Aug. 10, 1981).

Until late last month, however, further court action had been blocked by an April 1982 lower-court decision that dismissed as untimely a complaint by the New York Excess & Surplus Lines Assn. (now called the Professional Insurance Wholesalers Assn. of New York State Inc.).

The lawsuit had been seeking to declare the regulation and its reporting requirements unconstitutional.

On March 29, the Appellate Division of the Supreme Court in the First Judicial Department in the County of New York overturned the dismissal pending a further response from the New York Insurance Department and ordered the lawsuit to continue. The Insurance Department will appeal the ruling.

"Realistically, this decision paves the way for a full and open accounting by the New York Insurance Department as to why and

how Regulation 41 came about," notes attorney Michael F. Kremens of the New York law firm of Abrams & Martin P.C., which represented the New York Excess & Surplus Lines Assn.

"They are now put in the position of justifying their actions. We believe that this case may have far-reaching effects upon the entire insurance industry."

William Lynch Sr., principal of Sovereign Facilities Inc., a New York City surplus lines brokerage, and immediate past president of the surplus lines association, agrees. But he hopes the lawsuit won't be necessary since there is now a new insurance regulator replacing former Superintendent Albert Lewis.

"I'm optimistic," he says. "The association stands ready to work with the new superintendent (James Corcoran) to resolve our dif-

ferences. When there's a new leader in place, there's always hope for change."

Despite the continuing insurance market competition that has reduced reliance on unlicensed insurers, surplus lines brokers have still paid dearly for complying with the regulation, he adds.

"There is still a lot of business—jewelry risks for example—that licensed insurers are not willing to underwrite. If a broker wants to place coverage for such a risk, he or she must turn to the surplus lines market and bear the considerable expense of filling out the nine-page form and maintaining records."

Another surplus lines association past president also hopes negotiation with the new superintendent will provide relief from the regulation.

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Computer error distorts data on benefit providers

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As a result, a national contract purchased by a parent company for its subsidiaries was counted as a separate benefit plan each time it was reported on a Form 5500 by a subsidiary.

Even if there is a master contract, the Employee Retirement Income Security Act, as a general rule, requires that a filing be made for each separate location and/or each separate group of employees.

"Hence, when we add premium (and number of plans or contracts), a distortion occurs."

The distortion was most obvious in the total premium volume for The Travelers Insurance Co., which was reported as exceeding the total premiums paid to Blue Cross/Blue Shield plans. This occurred because subsidiaries of manufacturer Babcock & Wilcox filed approximately 100 separate Form 5500s for their group insurance plans, although the company had a master contract with The Travelers Insurance Co. for a premium of \$44.7 million.

A new computer program will eliminate this problem and new statistics will be sent to BI.

The computer is now being programmed to identify when a plan has the same insurer the same

contract number and the same premium. For example, in the case of Babcock & Wilcox, only one plan will be counted; the other 99 will be eliminated. The computer, although rejecting the 99 duplicate contracts, will count the number of employees covered in each location. If the number of employees is identical, this count will not be done.

"All new studies are being done using this master contract deduplicating program. I apologize for the inconvenience this has caused," Ms. Diamond said. "However, as small graces go, we noticed the problem quickly and notified you quickly. Hence, we do not have to face any multiple mistakes."

"Multiple contracts are in our data base and will remain in it because thorough research demands it. Premium rates and number of employees vary per location even through the premium and other financial figures are the same in a master contract."

"Group Insurance Directories" lists information about the benefit plans provided by employers with more than 100 employees, which must file Form 5500 with the Labor Department. The 1984 edition with information from fiscal year 1982 and calendar year 1981 will be published next February.

Health premium increase worries Illinois officials

benefit beat

The total premium for the estimated 127,400 Illinois state employees covered by a Blue Cross & Blue Shield Assn. health care plan will increase by \$14 million July 1 when the coverage is set to be renewed—a cost the state cannot afford, Gov. James Thompson says.

To offset the cost increase without a tax hike, the governor has called for a freeze in state contributions for employee coverage and elimination of the \$7 monthly contribution for dependent coverage.

The state currently pays 100% of the \$67.10 monthly amount per employee, which is set to increase to \$75.56. The governor's plan would pass that \$8.46—or 12.6%—per month increase onto the employee. There are six levels of dependent

coverage: high and low options for one dependent, two or more dependents and Medicare-eligible dependents. The monthly premium for those plans ranges from \$33.98 to \$141.20. The premium for multiple dependent coverage is expected to drop about \$3 per month, but individual and Medicare coverage will increase \$4 to \$10.

The state Group Insurance Advisory Commission, an 11-member group of legislators and others, recommended after a meeting last month that the increased BC/BS rates be accepted, but it did not discuss the governor's proposals.

The current health benefits are defined by legislation and either of the governor's suggestions would require new legislation, said Thomas Wall, manager-group insurance division of the Illinois Department of Central Services.

Some state employees reportedly have already talked to legislators about the governor's proposal, but according to Mr. Wall, health insurance coverage is a non-negotiable benefit item.

About 147,000 employees (and retirees) are enrolled in the state plan. In addition to the BC/BS coverage, which was redesigned two years ago to include cost-containment provisions, employees also have the option of joining one of 10 health maintenance organizations.

Of the 19,600 employees in one of the HMOs, 8,800 have 17,800 dependents enrolled. Of the 127,400 persons in the BC/BS plan the state offers, about 34,600 have 64,000 dependents enrolled.

All employees receive high-option coverage, and they can also purchase it for their dependents. This option requires three individual \$100 deductibles for inpatient hospital costs, physician expenses associated with a hospital stay and major medical. After that, it pays 80% of eligible costs in each category and an unlimited number of days in the hospital. A stop-loss feature also caps the employee's out-of-pocket cost at \$1,000.

The low-option coverage for dependents doesn't have a stop-loss feature. Again the plan pays 80% after a \$100 deductible, but will only pay \$125 per day for hospitalization.

Both plans with the Blues will pay 100% of outpatient surgical expenses. The plans also require that 67 surgical procedures must be done on an outpatient basis to be eligible for reimbursement, unless there is medical documentation for the in-hospital stay.

Directors' pensions

More and more companies are giving retirement benefits to outside board members, according to a study by consultant Towers, Perrin, Forster & Crosby.

Forty-nine of the nation's 500 largest industrials, including 25 in the top 200, reported retirement benefits for their outside directors. In 1981, only 29 top 500 companies and 15 of the top 200 companies reported similar benefits.

The most common eligibility requirement for the benefit is a minimum five years' service on a board. Some companies, however, offer benefits whenever a member reaches age 70. Others offer benefits when outside directors reach 65 and have served at least five years.

Made any benefit changes? Write Claudette Dampier, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5282.

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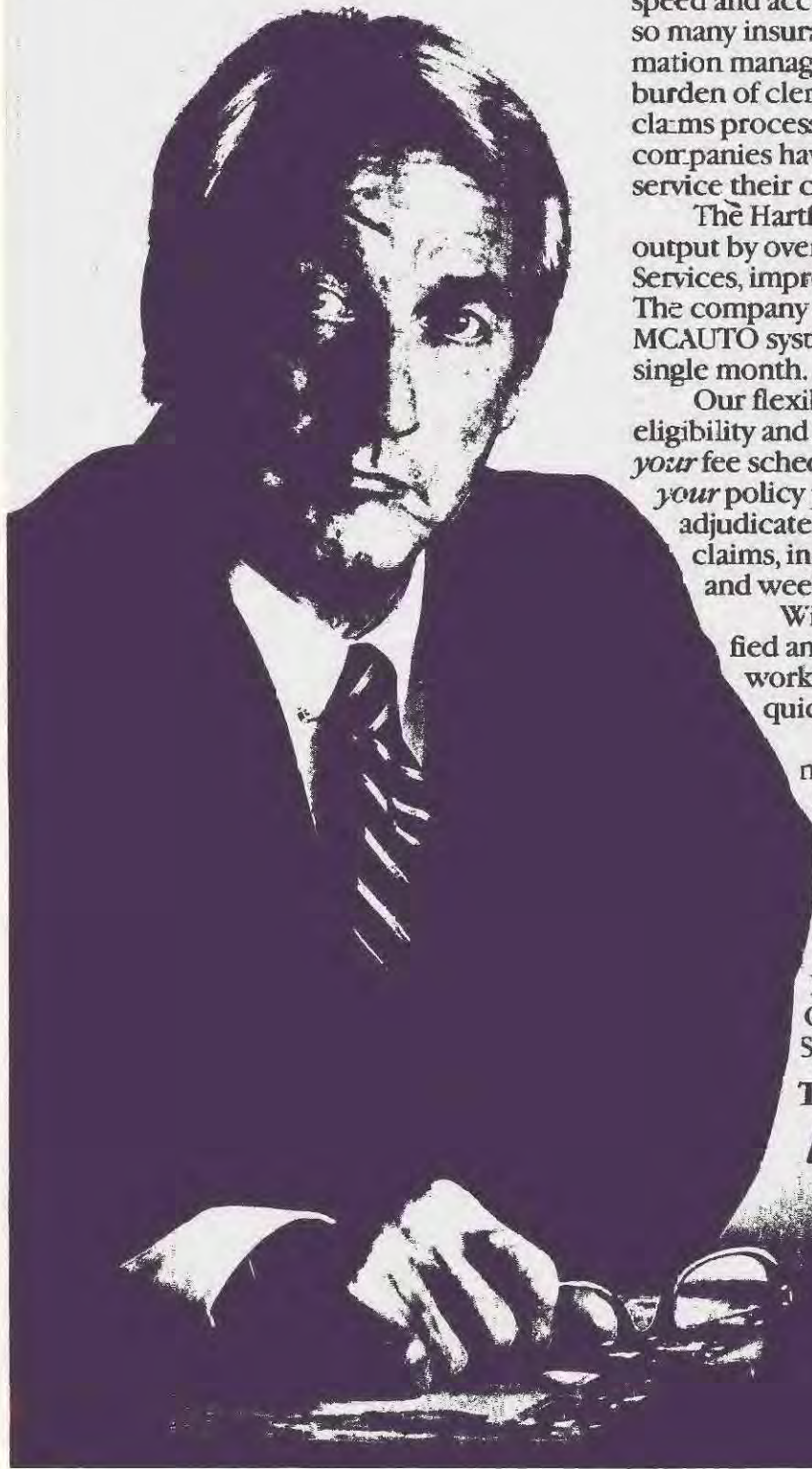
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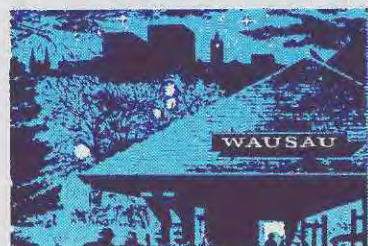
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ter in New York and on the Sears Tower in Chicago represent state-of-the-art engineering. Another Kline project (illustrated here) is the famous Mt. Sutro Tower in San Francisco, which has been called "the most important broadcast tower in the world."

About their experience as a Wausau policyholder, Mr. Kline says, "Wausau is a very strong company. Competent people and extremely responsive. If I call and say I have a problem, they'll attend to it. No excuses. That to me is priceless."

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opinions



California dreamin'

GOT A SURFIN' safari in mind?

Or maybe a little "star" gazing in Beverly Hills? It's hard to pack those bags for next week's Risk & Insurance Management Society conference in Los Angeles without dreaming of having some fun in that warm California sun—especially if this is your first time in Los Angeles or your first time at RIMS.

If you grew up on the Beach Boys' music and disagree with Interior Secretary James Watt that Wayne Newton is entertainment, then you've just got to check out that surf. You owe it to yourself, right? At least, before you're too old to Hang Ten.

After struggling last Monday to stay awake to the very, very end of the Academy Awards only to find out that your favorite long-necked star—E.T.—lost out to Mahatma Gandhi, you do deserve a lunch or two at the Polo Lounge in the Beverly Hills Hotel to catch a glimpse of a star in the flesh.

It's just good old human curiosity that will push you aboard that sightseeing bus for the grand tour of the movie stars' homes or to see what "77 Sunset Strip" really looks like.

And, there's that little bit of make-believe in all of us that will send you for a stroll down famed Rodeo Drive, pretending you really do intend to buy something in the boutique where the stars buy their mink lingerie—until you give away the size of your pocketbook by innocently asking, "How much does it cost?"

Speaking of make-believe, you don't intend to leave the Los Angeles area without seeing a star who is possi-

bly more lovable than E.T. and brings back even more memories of growing up than the Beach Boys? That's right, you're in Mickey Mouse land. A stop at Disneyland is in order. Actually, it's almost a matter of patriotism.

Gosh, to actually be within a stone's throw of the stars you secretly loved as a kid and actually see all the places that television and your imagination made bigger than life 'way back when we were all still dreamers. . . .

Hey, we say go for it—either on the weekend before the RIMS conference or the weekend after it. . . but not during it.

Take it from some people who have been covering the RIMS conference for years: you don't want to give up a minisession, industry session or general session for anything—not for a glimpse of Paul Newman, not for a peek at Raquel Welch, not even for a private session with Mickey Mouse.

This is one conference where traditionally more people are in the sessions than in the halls and, for once, we advise you follow the crowd.

From what we hear, the surf comes up every day along the Pacific and the stars always come out at night in Hollywood, so set aside that surfboard and autograph book, grab your clipboard instead and head back into those conference hotels.

Granted, the speakers won't tap dance across the stage or sing their messages to a Beach Boys' beat, but we think you'll like the show.

letters

Shortcomings apply to all policies

To the editor: In "Lloyd's well-control policy doesn't cover all exposures facing operator: Broker" (BI, March 21), the reporter states that my talk specifically addressed the shortcomings of the Lloyd's form. This assertion is in error.

In fact I aimed my discussion at all control-of-well forms, both those issued by Lloyd's and by domestic U.S. insurers. Indeed, certain blowout definitions which I quoted were taken from policies issued by

U.S. underwriters and the gaps in coverage which I targeted occur more often in U.S. policies than in Lloyd's.

Edward W. Cooke
Metairie, La.

Membership omitted

To the editor: I appreciate the listing in your Feb. 21 consultants' directory, but our membership in the Insurance Consultants' Society was omitted. We take pride in our membership and feel that information is material to the listing.

Leonard R. Friedman
Leonard R. Friedman Risk Management Inc.
Great Neck, N.Y.

Coverage insures all robot risks

To the editor: In response to your article "Industrial robots" (BI, March 28), Factory Mutual's comprehensive all-risk policy is for just such exposures, suitable without exception. All equipment is covered for electrical, mechanical breakdown and change in temperature as well as the "traditional" all-risk perils. Additionally, the full limits of the fire policy would apply.

This policy was introduced about one year ago.

Robert N. Reynolds
Account Representative
Allendale Mutual Insurance Co.
Charlotte, N.C.

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Reporting weekly for corporate risk, employee benefit and financial executives

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How The Hartford improves cash flow for groups of 100 or more.

"If you're still paying standard premiums, you're losing money."



Ray Drury, Vice President, Group Sales, tells benefit plan managers how The Hartford's full range of cash flow options can cut insurance costs.

Q. How did your Minimum Funding Group Life Insurance slash premium payments by almost 90% for a large Southwestern city?

A. By replacing the standard monthly premium that would have been due on the city's half-billion dollars of Group Life with a two-part premium—one part fixed and based on expenses and the premium for pooled coverages, the other part variable and tied to actual claims.

Thanks to this arrangement, the city's fixed monthly premium was reduced from \$135,000—the estimated standard premium that would have been due—to less than \$15,000. And the city has the use of the funds without any dilution of coverage or insurance safeguards.

Q. If losses become higher than normal, will the city pay more than the standard premium?

A. Absolutely not. Our Minimum Funding plan caps total monthly premiums—fixed and variable combined—so that they never exceed what would be due under a standard-premium plan.

Q. Can cash flow advantages be realized by small groups?

A. Definitely. While our Minimum Funding Group Life and cash flow LTD plans are designed for larger groups, we also have a full spectrum of options for groups of 100 or more. They include Minimum Premium Plan, Administrative Services Only, and Excess Risk Insurance.

With these options, you retain all or part of the risk and responsibility relating to claim payments. In doing so, you also retain all or part of the funds you'd ordinarily pay the insurance company for assuming that risk and responsibility. The cash flow advantages stem from having the use of those funds. If you hold reserves, you can also realize cash flow advantages from interest income generated by that money.



Q. How great a cash flow improvement can a small group realize by self-funding?

A. The improvement can be dramatic. For example, a West Coast electrical equipment manufacturer with 300 employees completely self-funded its medical benefits, while The Hartford provided Stop Loss coverage. As a result, the company reduced its fixed monthly cost from over \$100 per family in standard premiums to under \$10 per family—including third-party administration.

Q. What ways do you have to improve cash flow with your fully insured plans? And what kind of impact can they have?

A. We have Deferred Premium plans and Retrospective Rating Agreements which are available with our full range of group Life/Health coverages. Using both those options, a Midwest food processor with some 4,000 employees improved its cash flow by more than \$1 million in a conventionally insured Hartford group plan. And that's not an isolated example.

To sum up, we have a full spectrum of cash flow options. And we'll work closely with you—and your broker, agent or Hartford-approved third-party administrator—to determine which options can best improve your bottom line results.



Q. How can I get a brochure describing The Hartford's full range of cash flow options?

A. Just call me at 203-683-8599. Or write Cash Flow Options, Group Sales Dept., Hartford Life Companies, P.O. Box 2014, Hartford, Conn. 06145.

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Formaldehyde firms win case, lose another

NEW YORK—Installers, manufacturers, distributors and insurers facing potential claims for the removal of urea-formaldehyde foam from an estimated 50,000 U.S. homes are digesting both good and bad news.

On April 8, the 5th U.S. Circuit Court of Appeals in New Orleans sided with the Formaldehyde Institute, a trade group of 62 manufacturers or users of formaldehyde. It overturned the U.S. Consumer Products Safety Commission's Feb. 22, 1982, ban on the use of insulation materials containing the chemical, saying the ban was imposed based upon inadequate evidence and improper regulatory procedures.

But the Massachusetts Supreme Judicial Court, the state's highest court, on April 13, upheld a similar state ban imposed in late 1979 by the state's commissioner of public health.

The Massachusetts ban was challenged by Borden Inc., the Formaldehyde Institute and other industry groups.

It also required installers, distributors or

manufacturers to pay the cost of insulation removal and home restoration, and to refund to homeowners the purchase price of the insulation at an estimated cost of \$10,000 to \$15,000 per home for several hundred homes.

The repurchase requirement applied only to homeowners exhibiting symptoms of disease due to formaldehyde exposure and had been stayed pending the court appeal. It is believed to be the only such state repurchase regulation nationwide.

Class-action lawsuits brought by owners of homes insulated with the formaldehyde-containing foam insulation are pending in Cook County Circuit Court in Chicago and in the Supreme Court of New York, in Buffalo, N.Y. Plaintiffs' lawyers are pressing similar claims in Maine, Connecticut and Oregon.

In Cleveland, a personal injury law firm has filed five suits seeking \$20 million for three homeowners who allege they suffered cancer

or other injuries after their homes were insulated in 1979 and 1978.

Formaldehyde's alleged cancer-causing properties are a matter of dispute. Government-sponsored research shows that it can cause nasal cancer in rats that are forced to inhale high concentrations. But epidemiological studies on humans exposed in lower-concentration industrial settings are inconclusive.

The United Auto Workers union is seeking imposition of an emergency workplace standard limiting formaldehyde exposure. It says a suit it filed against the Occupational Safety and Health Administration under the Freedom of Information Act yielded documents showing the hazards of such exposure.

Formaldehyde is used to bond plywood, in the manufacture of automobiles, as a treatment for synthetic fabrics and in numerous other industrial processes.

The number of foam insulation manufacturers has shrunk dramatically in recent years.

N.Y. brokers press fight against rule

Continued from page 3

"The ruling puts us in a position to be heard," remarks Walter S. Groden, president of the David C. White Agency, which operates on the New York Insurance Exchange.

"We may be in a better bargaining position and now that Al Lewis is gone, we may be able to hold discussions directly with the (new) superintendent and communicate our problems," Mr. Groden told *Business Insurance*.

Regulation 41, Mr. Groden adds, "has practically killed excess and surplus lines business for independent brokers."

"There's no E/S business in New York any more. It's too difficult and too expensive to place and many insurers simply won't underwrite in New York because of the requirements."

The recent court decision also set a new standard for reviewing the timeliness of regulatory complaints.

The appellate decision noted that even though the revised regulation had been promulgated in November 1980, agents, brokers and surplus lines insurers affected by the regulation had not been able to effectively judge the impact until more than three months later when the insurer declination reporting forms first became available from the department.

An earlier version of the form promulgated along with the regulation was not valid for the purposes of the lawsuit, the appellate court reasoned.

It explained that the earlier form contained an item that required surplus lines brokers to explain why the five licensed insurers rejected the risk in question, a requirement not covered in the revised regulation.

Moreover, the appellate court decision says, surplus lines brokers had reason to believe that the form was not yet final because a spokesman for the state Insurance Department had told brokers that it was still consulting with surplus lines insurers on the reporting requirements.

Longshore reform may win approval

Continued from page 1
week.

- Workers who build small boats—defined as vessels less than 70 tons or 65 feet long—would not be covered under the federal compensation program unless they were unable to obtain benefits under a state workers compensation program.

- Benefits under the program would be based on only an employee's salary.

A federal appellate court decision, which is now being reviewed by the Supreme Court, says if the costs of benefits received by an employee under the Longshore Act can be identified and calculated, they must be included in the average weekly wage on which the workers compensation award is based (*BI*, Feb. 8, 1982).

If the Supreme Court upholds the appellate court ruling, employers' longshore claims cost could increase by as much as 50%, some experts earlier warned.

Sen. Nickles' legislation would make it clear that only salary, and not employee benefits, would be considered as wages in computing awards to injured workers under the Longshore Act.

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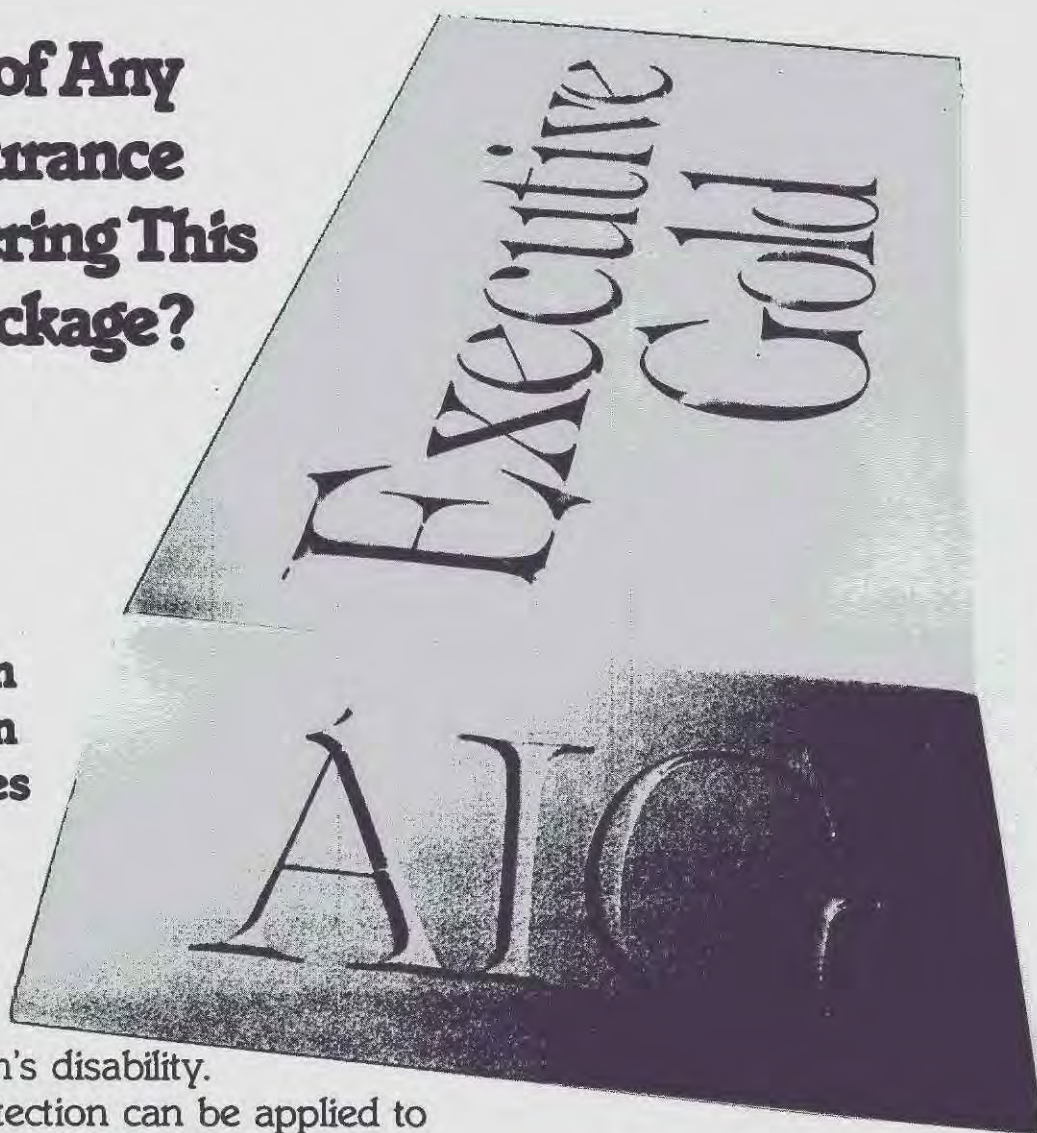
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New IRA rules could affect pension tax breaks

By JERRY GEISEL

washington

WASHINGTON—Congress may sweeten tax breaks for Individual Retirement Accounts at the expense of private pension plans, a consulting firm reports.

According to consultants Coopers & Lybrand, Sen. Robert Dole, R-Kan., chairman of the Senate Finance Committee, has asked the Congressional Budget Office to analyze whether further increases in tax incentives for IRAs, possibly financed by reductions in tax incentives for pension plans, are desirable.

During its two last sessions, Congress approved bills that broadened the appeal of IRAs, while cutting back private pension benefits.

For example, in 1981, as part of the Economic Recovery Tax Act,

Congress said all workers, including those covered by private pension plans, could set up Individual Retirement Accounts.

On the other hand, last year, as part of the Tax Equity and Fiscal Responsibility Act, Congress reduced the maximum annual contribution an employer can make to a defined contribution plan, like a profit-sharing plan, to \$30,000 from \$45,475. The maximum annual benefit a participant in a defined benefit plan could receive was slashed to \$90,000 from \$136,425.

Pregnancy policy

The Buffalo, N.Y., Board of Edu-

cation is violating the federal Pregnancy Discrimination Act, the Justice Department charges.

In a suit filed in U.S. District Court in Buffalo, the Justice Department alleges that the school board and several other parties violated the 1978 act by discriminating against pregnant employees.

Alleged violations by the school board include:

- Excluding from long-term disability insurance coverage those disabilities caused by pregnancy and by complications resulting from pregnancy.

- Requiring a pregnant employee to furnish a monthly statement indicating her ability to

work, while other employees are not required to do so.

- Requiring an employee on maternity leave to furnish a doctor's statement indicating whether she is able to return to work, while not requiring such a statement from other disabled employees.

- Allowing long-term employees to receive up to 60 additional days of paid sick leave when they have exhausted sick leave benefits, while providing women disabled by pregnancy-related conditions only unpaid leaves of absences after they used up paid sick leave.

The suit asks the court to bar the defendants from engaging in all sex-based discriminatory employment practices. The suit also asks that the school board to compensate women who have been discriminatorily denied pregnancy-related

benefits.

Under the Pregnancy Discrimination Act, employers must provide the same benefits to pregnant employees as they offer other employees.

Other defendants named in the Justice Department suit include the Buffalo Teachers Federation, Local 650 of the American Federation of State County & Municipal Employees and the Buffalo Board of Education Professional, Clerical & Technical Employees Assn.

Flood insurance

The Federal Emergency Management Agency has awarded a \$23.5 million contract for the day-to-day operation of the National Flood Insurance Program to Computer Sciences Corp. of Los Angeles.

The flood insurance program has 2 million policyholders, most of them small employers and individuals who cannot obtain coverage in the commercial insurance market.

Meanwhile, the American Insurance Assn. is urging that Congress renew the flood insurance program later this year when the current authorization expires.

Even if private insurers eventually agreed to participate in the federal program, "no one should be under any illusion that the need for substantial federal subsidies will disappear," said Washington attorney George Bernstein, who represented the AIA at a congressional hearing.

ERISA settlement

Trustees of a New Hampshire pension plan have agreed to pay more than \$550,000 to the plan under a voluntary compliance settlement with the Labor Department.

The department had charged that trustees of Yankee Publishing Inc.'s pension plan in Dublin, N.H., violated the Employee Retirement Income Security Act by placing too many plan assets in the same or similar investments. ERISA requires plan fiduciaries to diversify investments to minimize the risk of large losses.

According to the department, 87% of the plan funds were invested in limited partnerships managed by Robert M. Stewart and James R. Meyers. Those partnerships later declared bankruptcy.

On March 11, the Labor Department notified the Yankee Publishing pension plan trustees of their alleged ERISA violations.

The trustees, rather than await the outcome of the bankruptcy proceedings, agreed to repay to the plan \$557,908.61 and to appoint an investment manager to handle the plan's future investments, the Labor Department said.

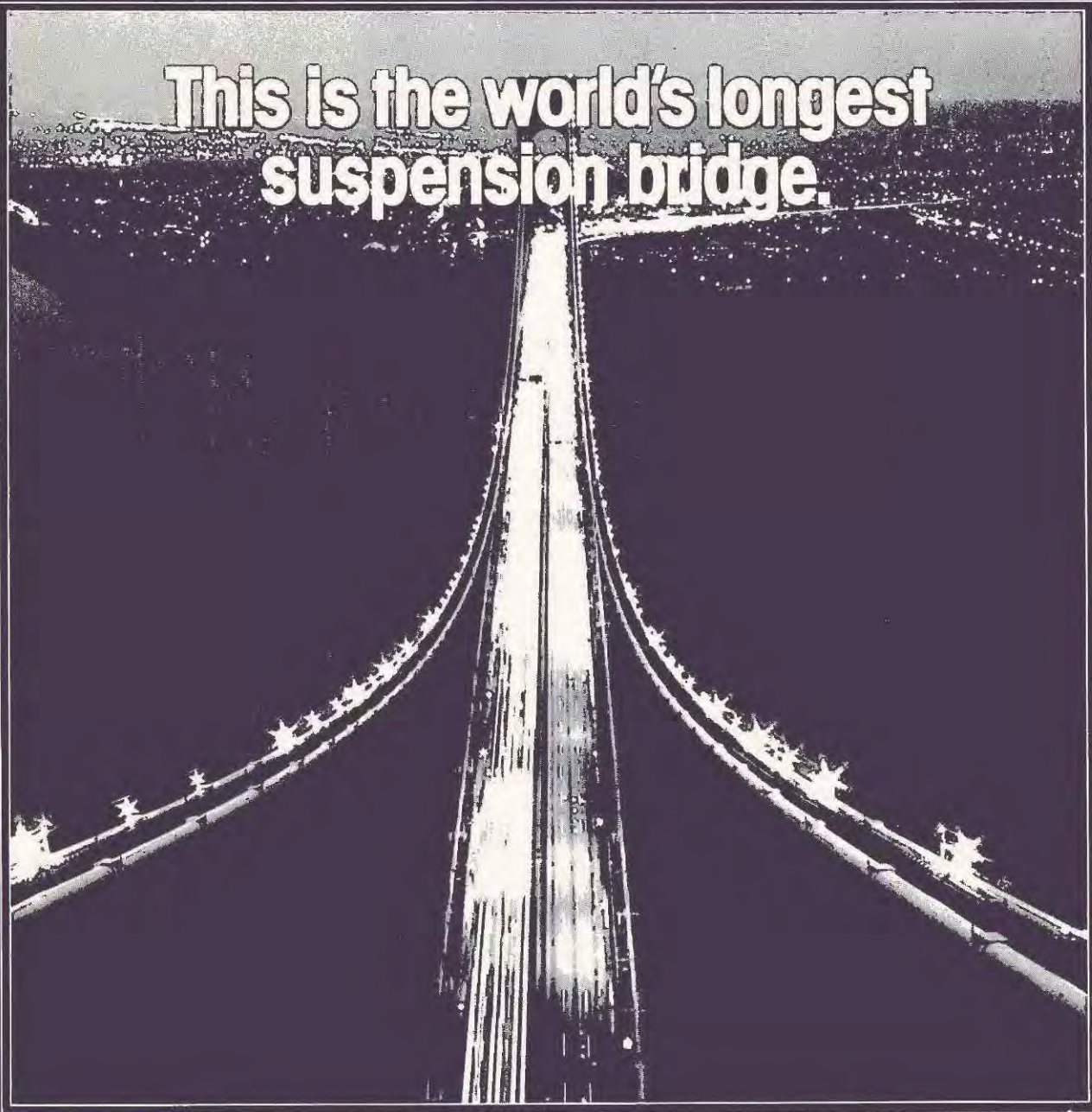
Rep. Burton dies

Rep. Phillip Burton, D-Calif., a leading benefit expert in Congress, died last week in San Francisco of a possible embolism.

As chairman of the House Labor Management Relations subcommittee, Mr. Burton, 56, played a major role in legislation Congress passed last year to give state insurance departments more power to regulate self-funded multiple employer trusts (BI, Dec. 27, 1982).

This year, Mr. Burton and his staff had been expected to be involved in legislation that would overhaul the Employee Retirement Income Security Act to make it tougher for companies to dump their underfunded pension plans onto the Pension Benefit Guaranty Corp.

A special election will be held to fill the vacant congressional seat. ■



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Biggest companies lead in pension benefits: Study

GREENWICH, Conn.—Large corporations provide the most generous pensions to their retirees, according to a new survey.

In 1981, the most recent year complete statistics are available, the nation's 100 largest industrial companies, as ranked by Fortune magazine, paid newly retired workers an average pension benefit of \$7,248.

On the other hand, the bottom 100 members of the Fortune 1,000 paid workers who retired in 1981 an average pension benefit of \$2,729, according to the survey.

The differences in pension benefits according to company size is one of several major findings in a pension survey of large corporations conducted by Greenwich Research Associates, a research and consulting firm based in Greenwich, Conn.

To measure pension trends, Greenwich Research interviewed senior financial executives responsible for pension funds at 1,679 of the nation's largest companies.

Large companies pay a high price for offering big pension benefits to their retirees, according to the survey.

For example, pension contributions as a percent of payroll averaged 12.2% among the 100 largest members of the Fortune 1,000.

The smallest 100 companies among the Fortune 1,000 paid an average of 6.5% of payroll for pension contributions.

The largest firms also had the highest percentage of pension plan participants who had vested or had a right to receive a pension benefit. Some 53.2% of pension plan participants with the top 100 industrial companies were vested in 1981, compared with 48.7% of plan participants with the smallest 100 members of the Fortune 1,000.

Among all companies surveyed, 48.8% of active pension plan participants were vested.

Some 90% of the largest 100 members of the Fortune 1,000 offer 10-year cliff vesting in which a pension plan participant has a right to a benefit after 10 years of service. However, only 47% of the smallest 100 members of the Fortune 1,000 offer 10-year cliff vesting.

The second most popular vesting schedule among the smallest members of the Fortune 1,000 is the so-called "5-15" schedule, in which an employee gradually earns the right to a benefit over a 15-year period.

The largest firms were most likely to use a final-pay formula to determine an employee's pension benefit. A final-pay method offers greater protection against inflation than a career-average for-

mula since salary, on which the benefit is based, is usually highest during an employee's last years of employment with a corporation.

Some 85% of the nation's 100 largest companies in 1981 used a final-pay formula to compute pension benefits, while 11% used a career average formula.

However, just 65% of the bottom 100 companies in the Fortune 1,000 offered final-pay formulas.

A higher percentage of plan participants were retired at the largest corporations, compared with the

smaller firms.

Some 22.2% of plan participants at the 100 largest companies were retired, while 11.2% of participants at the smallest companies of the Fortune 1,000 were retirees.

Large companies also funded their pension plans better than smaller firms. For example, members of the Fortune 100, on the average, had funded 92% of the pension benefits they promised to participants. By contrast, the bottom 100 members of the Fortune 1,000 had put aside enough assets to pay

only 76% of their pension obligations.

Pension liabilities among all surveyed companies totaled \$325 billion in 1981, while the firms had put aside \$295 billion to pay for those obligations, a funding shortfall of \$29 billion.

Other findings include:

- In 1981, Fortune 1,000 companies paid their pension plan participants \$24.8 billion in pension benefits.

- The typical large company offers an average of 10.1 different

employee benefit plans. The 200 largest industrial companies provide an average of about 22 employee benefit plans.

Surveyed companies had an average of 5.5 pension plans for hourly employees and 1.7 pension plans for salaried employees.

Copies of "Large Corporate Pensions 1983: Report to Participants" are available from Greenwich Research Associates, Office Park Eight, Greenwich, Conn. 06830; 203-629-1200. The cost is \$25.

College holds registration

NEW YORK—Registration for summer classes at The College of Insurance will be held April 18 through 21 from 11:30 a.m. to 2 p.m. and 4:30 to 6 p.m.

Summer evening classes, held in two terms, begin April 25. The first term ends June 16, while the second term begins June 20 and ends Aug. 11.

Evening undergraduate division tuition is \$123 per credit hour for employees of companies sponsoring the college and \$139 per credit hour for others. Graduate tuition is \$149 per credit hour for sponsors' employees and \$162 for others. There is an additional \$18 registration fee for all students.

For more information contact The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

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Where to eat at RIMS

Los Angeles offers wide dining variety for risk managers

By DOUGLAS ZABILSKI

LOS ANGELES—You've just touched down in Los Angeles. It was a long flight and the airline meal was inedible. Your stomach reminds you how long it's been since you ate well. Your calendar—filled with appointments during the April 24-29 Risk & Insurance Management Society Conference—reminds you of the need to make restaurant reservations.

But where?

Whether you desire a quick cafe breakfast or extravagant continental cuisine, this article will help you understand the options.

The restaurants discussed here are listed according to region—with an emphasis on downtown where you probably are staying in one of the four conference hotels. You'll need a ride to explore other sections of town, including the Mid-Wilshire District, Beverly Hills, Westwood Village, Century City and Santa Monica.

Hopefully, you'll be able to escape from downtown at least once during your visit, since downtown Los Angeles is not the real Los Angeles. Do not expect to see a lot of people on the downtown streets at night: this is not New York. Try Westwood Village for nighttime street life. For adult entertainment, head for the Sunset Strip.

All of the restaurants listed in this directory are appropriate for business entertainment. Some are fancy, others are casual. An effort has been made to include some of the city's best-known eateries as well as those with a typical Southern California flavor. The general price range, address, phone number and credit card and reservation policies also are listed.

First, decide what part of town you want to explore.

Downtown is a section with more square feet above the ground than on the surface. It is a conglomeration of steel, cement and glass combined to form the headquarters of some of the world's largest corporations.

All of the convention hotels have restaurants, some of them excellent. This listing also will include a couple of alternatives that are a short walk or cab ride away.

Wilshire Boulevard may be the only street you have ever heard of in Los Angeles. It stretches from downtown to the sea in Santa Monica. About five miles west of downtown is the **Mid-Wilshire District**, home to brokers Marsh & McLennan, Alexander & Alexander, Frank B. Hall, Fred S. James and insurance companies too numerous to mention. There are good places to dine if you're in the neighborhood—especially for lunch—but don't make it a nighttime destination. The restaurants are open, but everything else in the area shuts down after business hours.

Renowned for its wealth and elegance, **Beverly Hills** is a city within a city, totally surrounded by Los Angeles. The commercial section is bordered on one edge by Wilshire Boulevard, about 10 miles west of downtown.

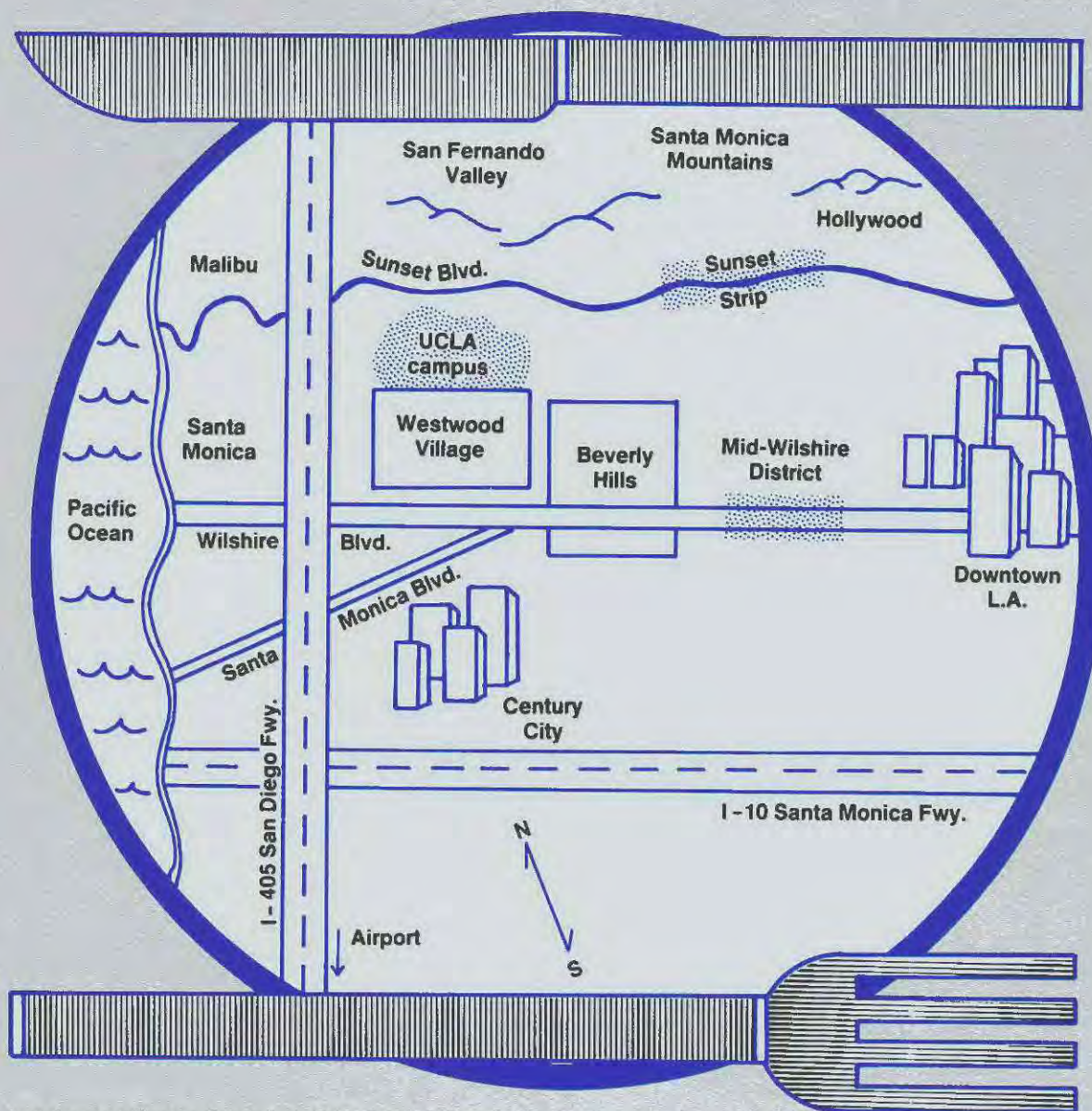
A few words not found in Beverly Hills directories are "common," "average" and "how much?" Window shopping along fashionable Rodeo Drive is de rigueur. Natives have an instinctive ability to look bored by it all. Visitors mostly gaze through the windows and wonder why they don't see price tags.

But if you need to ask, you probably can't afford it.

Besides shopping, there are scores of fine restaurants in Beverly Hills, which is one of the few urban centers in Los Angeles where you can park your car and stroll the streets. Some of the city's best people watching is done from the sidewalks of Beverly Hills, where movie stars and entertainment moguls can be seen frequenting their hairdressers, agents or favorite clothing boutique.

If it's nightlife you seek, **Westwood Village** is probably your best bet. Home of the UCLA Bruins, the "village" is more than a student town. The streets are crammed on weekend nights with a mix of students, shoppers, diners and sidewalk performers. Scores of movies play to capacity crowds. There are many major bookstores to browse in as well as other small retail stores and knickknack shops. Casual dining is the norm in Westwood, although there are a handful of more formal restaurants.

Century City has begun to rival downtown Los Angeles for its cluster of high-rise buildings. It's a city filled with people on the go, including your broker, if he or she happens to work for Johnson & Higgins or Emmett & Chandler. The key attraction is the ABC Entertainment Center, located on three levels along Avenue of the Stars. An underground chain of shops, restaurants and theaters link the Entertainment Center with the Century Plaza Hotel.



entertainment Center, located on three levels along Avenue of the Stars. An underground chain of shops, restaurants and theaters link the Entertainment Center with the Century Plaza Hotel.

Santa Monica is by the sea where the atmosphere can best be described as "slow down—you're moving too fast." The city is looking for \$15 million to rebuild its storm-ravaged pier, movie location for "The Sting" and countless television series episodes.

If you want to merely pass through, drive along San Vicente Boulevard, used as a location for the movie "10." Better yet—park near Bundy Drive and jog with the stars for five miles or so along the tree-lined grassy median to the end of the boulevard, which meets the Santa Monica palisades overlooking the sea.

Now that you know what each of these areas has to offer in atmosphere, here is what they have to offer your appetite:

Downtown

Westin Bonaventure
404 S. Figueroa St.
213-624-1000

For truly elegant continental cuisine suitable for the most formal business affairs at lunch or dinner, try **Beaudry's** in the Westin Bonaventure. Chain-like curtains separate each booth, giving the diner a special feeling of privacy.

The dinner menu begins with a selection of gourmet appetizers including caviar, jumbo shrimp cocktail, escargot and mushroom crustade. You'll pay about \$7 for any of these treats.

There is a decent selection of seafoods and meat from the broiler in addition to an impressive selection of specialty dishes. Expect to pay \$15 to \$19 for dinner entrees. The luncheon menu also includes a fine choice of seafood, meat and poultry. Lunch entrees are \$10 to \$15.

All entrees are served with spinach salad and a fresh vegetable of the day.

Beaudry's cocktail lounge has a piano bar that begins at 7 p.m.

Lunch is served from 11:30 a.m. to 2 p.m. Monday through Friday; dinner is 6 to 11 p.m. daily. Reservations are suggested for dinner; all major credit cards

accepted.

To enjoy the picturesque view from 35 stories up, try **Top of Five**. Although this restaurant is not really suitable for formal business gatherings, it is adequate for more casual events. The decor is less than extravagant, but what is missing in furniture is compensated for by the view.

Dinner at Top of Five includes an adequate selection of appetizers, soups and salads. The entrees focus mainly on meat dishes and combination meat and seafood plates. There is also a limited choice of fish, poultry and veal. Single selection entrees average \$15 to \$18, while combination plates will cost as much as \$28.

Lunch entrees offer a good variety. Choose from something as light as an avocado omelette or fill up with a half-pound of choice sirloin. Individual salads and sandwiches are also available. Most lunches cost \$7 to \$10.

Before dinner, enjoy a drink just below at the Bona-Vista Lounge. The view here is made even more spectacular because the lounge revolves, allowing you to see the entire city. A full revolution takes 60 minutes.

Dinner is served at Top of Five from 6 p.m. to midnight daily; lunch hours are 11 a.m. to 2:30 Monday through Friday. Reservations are suggested; major credit cards accepted.

If cafe dining is more to your desire, the **Sidewalk Cafe** will accommodate you in style. Elegant but simple water fountains highlight the surroundings. You can have breakfast, lunch and dinner at the cafe, which is open from 6 a.m. to 1 a.m.

The breakfast menu includes the usual eggs, bacon, pancakes, etc. A typical bacon-and-egg breakfast will cost anywhere from \$4 and up. A fancier steak-and-egg plate will run more than \$10.

Lunch at the Sidewalk Cafe will cost \$5 to \$10. Hamburgers are all in the \$5 range. Dinner selections will vary from \$10 for lemon-broiled chicken to as much as \$17 for a New York strip steak.

Reservations and major credit cards are accepted.

The Westin Bonaventure also offers dancing at the **Cabaret** and a vast selections of shops and boutiques.

Continued on next page

Hotels at RIMS offer wide variety of dining

Continued from previous page

The Biltmore Hotel

515 S. Olive St.
213-624-1011

Bernard's, with its French cuisine, is definitely the most plush restaurant in the Biltmore. The decor is tasteful but not overdone. Gentlemen are required to wear jackets, and diners are entertained by a harpist as they eat.

Hors d'oeuvres, from escargot to smoked eel, are plentiful. The din-

ner menu has an extensive choice of seafood dishes that average \$17 to \$20. A limited selection of red meat is available at \$18 to \$19.

Lunch also features mainly seafood dishes, but some meat and chicken courses are available. Luncheon salads also are served. Most full lunches cost \$14 to \$16, but a light eater can dine for \$4.50.

Dinner is served 6 to 10 p.m. Monday through Thursday and 6 to 11 p.m. Friday and Saturday. Lunch is served 11:30 a.m. to 2 p.m.

Monday through Friday. Reservations are suggested; all major credit cards accepted.

The Cafe is more suitable for the informal diner.

Breakfast at The Cafe can be as inexpensive as \$3 to \$4 for pancakes or as much as \$10.50 for steak and eggs. A combination egg plate will cost about \$5.50. The prices of omelettes vary from \$3.60 to \$5.50.

The Cafe has a lunch menu ranging from salads and sandwiches to entrees. Salads run \$5.50 to \$7.50. Sandwiches generally cost \$4 to \$5; entrees are \$6 to \$10.

The Cafe also offers a luncheon buffet from 11:30 a.m. to 2:30 p.m. Monday through Friday. For \$6.50, a diner can choose from a variety of salads, cold cuts, cheeses, fruits and cakes.

The dinner menu does not differ much from the luncheon. Appetizers, mostly seafood, cost \$5 to \$7. Salads, from \$5.50 to \$7, include fruit, seafood, vegetable, chicken and more. Most hamburgers are around \$4; a roast beef sandwich will cost \$5.75.

The Cafe is open daily from 6 a.m. to 11 p.m. Reservations are required for lunch only; all major credit cards accepted.

There are two cocktail lounges in the Biltmore. The **Lobby Lounge Bar** offers a very nice atmosphere suitable for business conversation, with no happy hour or entertainment. The bar is open 10 a.m. to 2 a.m. daily.

The **Grand Avenue Bar** is only open Monday through Friday from 11:30 a.m. to 1:30 a.m., although the hotel brochure says it is open Saturdays. This bar is not as plush as the Lobby Lounge Bar, but does offer a cold French buffet from 11:30 a.m. to 3 p.m. Reservations are required.

Hyatt Regency Hotel

711 S. Hope St.
213-683-1234

The Pavan is a new restaurant in the Hyatt offering outstanding cuisine. Its peach-glass setting provides a very nice atmosphere for a business luncheon or dinner.

The house specialties include braised scallops in vermouth and braised breast of pheasant laced with cognac and berries. Other menu items include veal, lamb, duck and fish.

Prices are very reasonable, from \$11 for roasted chicken to \$18 for noisettes of lamb or sirloin steak.

The appetizer selection is somewhat limited but, like the entrees, reasonably priced.

Luncheon dishes run from \$9 to \$14. The selections consist mostly of meat, fish, veal, duck or chicken.

The cocktail lounge offers classical guitar entertainment Tuesday through Friday. Dinner is served from 6 to 10 p.m. Monday through Friday; lunch is 11:30 a.m. to 2 p.m. Reservations are suggested; all major credit cards accepted.

The Sun Porch Coffee Shop is intended for the more informal diner. It is nicely decorated in a Parisian style, yet still rather simple. It did not, however, acquire its name for dining in the sun.

Breakfast, which begins at 6 a.m., ranges from \$4 for pancakes and to as much as \$8.50 for steak and eggs. A typical combination plate including eggs is about \$5.50.

The lunch and dinner menus are very similar. Appetizers and cocktails are available. The menus consist mainly of hot and cold sandwiches for about \$5; salads \$6 to \$7; and entrees up to \$10.95 for a steak.

Hours are 6 a.m. to 11 p.m. Monday through Saturday. Reservations are required for luncheon parties of 10 or more; major credit cards accepted.

Angel's Flight is a revolving rooftop restaurant on the hotel's 25th floor. It is neatly decorated but may fall short of your expectations if you are looking for formal dining. Both lunch and dinner menus somewhat limited. The luncheon menu offers a total of eight items, not including soups and appetizers. Prices range from \$6 to \$9.

Dinner entrees consist of six choices including beef, chicken, salad and fish. Prices are between \$8.50 and \$16.50.

Overall, this is not a primary recommendation for formal business affairs, but it is certainly pleasurable for enjoying a cocktail.

Lunch is served from 11:30 a.m. to 2:30 p.m. Monday through Friday; dinner is from 6 to 10 p.m. The bar stays open for cocktails every evening until midnight.

Reservations are suggested; major credit cards accepted.

Los Angeles Hilton Hotel

930 Wilshire Boulevard
213-629-4321

The Beef Baron, the most formal restaurant in the hotel, is elegant in decor but not overly plush. The menu is strictly American, offering several meat dishes and a "fish of the day." Dinner entrees are priced between \$13.50 and \$25 and include bread, fresh vegetable, baked potato or rice and access to an extravagant salad bar.

For lunch try chili, burgers, hot sandwiches, salad, shrimp, chicken or Mexican food for \$6 to \$12.

Lunch is served from 11:30 a.m. to 2 p.m. Monday through Friday; dinner from 5 to 10 p.m.

Reservations are suggested; all major credit cards welcome. The Beef Baron does not serve dinner on weekends if hotel occupancy is very low.

The Gazebo has both an elegant dining area and a 24-hour coffee shop. Miniature lights in both areas give an intimate effect.

The dining room serves only a buffet from 5 to 10 p.m. daily that costs \$11.75 per person for all you can eat. The selections, all nicely prepared, consist of meat, fish, potatoes, rice, two vegetables, salad bar and dessert. Coffee, tea and milk are included and cocktails and wine are available.

Lunch is from 11:30 a.m. to 2 p.m. and includes menu selections or access to the salad bar.

The 24-hour coffee shop has typical breakfast, lunch and dinner menus at typical coffee shop prices.

Reservations are accepted for the dining area, but are not required; major credit cards accepted.

If authentic Japanese cuisine is what you crave, **Kinku of Tokyo** is the place to go.

With a semiformal atmosphere, Kinku offers lunch, dinner and sushi. Dinner menu ranges from sirloin teriyaki at \$11.50 to a combination plate of tempura and beef teriyaki at \$16.

Lunch is served from 11:30 a.m. to 2 p.m. Monday through Friday (except holidays); dinner is served from 5:30 to 10:30 p.m. Monday through Saturday (except holidays). The sushi bar is open 11:30 to 2 p.m. Monday through Friday and 5:30 to 9:30 p.m. Monday through Saturday. Reservations are accepted; major credit cards accepted.

Lawry's California Center

570 West Ave.
213-225-2491

You thought Lawry's only made spices? Have we got a surprise for you. Just a few minutes north of downtown, planted in an oasis of beautiful gardens, Lawry's California Center is a must-see experience long to be remembered.

Enjoy lunch daily from 11 a.m. to 3 p.m. in probably the most relaxing atmosphere you will find in Los Angeles. Choose from either Mexican dishes or barbecued meats in the \$4 to \$7 range. After lunch on the outdoor patio, stroll the gardens or take a behind-the-scenes tour to witness the making of more than 80 Lawry's products.

In addition to the food, the center offers an array of gifts, premium wines and gourmet shops. The shops are open 10 a.m. to 5 p.m. weekdays and 11 a.m. to 3 p.m. on weekends. The tour is conducted at 11:30 a.m., 1 p.m. and 2:30 p.m. weekdays on a first-come, first-serve basis, though groups of 10 or more can reserve ahead by calling 213-224-6840. Parking, admission and the 45-minute tour are free.

Mid-Wilshire District

There are two elegant restaurants in this not-so-elegant part of town. Whether by coincidence or by theory of competition, they happen to be situated across the street from one another.

The Windsor

319½ 7th St.
213-382-1216

The first of these two spots, a favorite of the insurance community, is the Windsor. The plushly decorative, English-style atmosphere is highly suitable for any business meal. And the restaurant is noted for its excellent service and remarkable wine cellar.

Dinner selections consist of a variety of soups, salads, pastas, broiled meats, fowl, veal, fish and 15 specialty dishes. The specialties range from \$11 for sauteed lamb kidney to \$20 for rack of lamb. Italian dishes are \$8 to \$12 and most other entrees are \$15 to \$22.

The luncheon menu consists of a variety of dishes, including lighter omelettes, soups and sandwiches for \$11 to \$17.50.

The Windsor is open for lunch from 11:30 a.m. through dinner Monday through Friday. Dinner begins on Saturday at 4 p.m. The kitchen closes at 11 p.m. nightly.

Reservations are suggested; major credit cards welcome.

The Cove

3191 W. 7th St.
213-388-0361

The Cove, has a plush decor reminiscent of New York and is highly suitable for formal business meals.

Continued on facing page

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Continued from facing page

The most difficult part of reading the dinner menu is knowing where to begin. There are almost 20 appetizers priced from \$2 to \$10.25.

There are more than 10 seafood entrees ranging from \$11.75 for mountain trout to \$19.95 for Australian lobster. The broiler selections include 10 choices ranging from \$10 to \$20.

A late-supper menu offered after 10:30 p.m. is much more limited and simpler for \$6.95 to \$14.50.

The luncheon menu offers a selection of entrees at \$9.75. Other items include appetizers, soups, salads, eggs and omelettes, fish, sandwiches and hot specialties.

The Cove is open from 11:30 a.m. to midnight Monday through Friday. Dinner is served from 4:30 p.m. to midnight on Saturday and 4:30 to 10 p.m. on Sundays. Reservations are highly recommended; credit cards are accepted.

Beverly Hills

Beverly Hilton Hotel

9876 Wilshire Blvd.
213-274-7777

There are two notable restaurants inside the hotel that are ideal for the most formal business affairs: L'Escoffier and Trader Vic's. Both are open for dinner only.

L'Escoffier is an extravagant French restaurant. It offers a plentiful selection of hors d'oeuvres from \$4.50 for fruit to \$34 per ounce for caviar.

Fish dishes range from \$16 to \$20. Other entrees run from \$16 for chicken prepared in wine to veal cutlets flavored with apple brandy at \$24. Meat dishes can cost \$20 for a broiled minute steak or \$25 for a prime sirloin.

Dinner is served from 6:30 p.m. to 12:30 a.m. Monday through Saturday. A four-piece combo plays nightly. Reservations are suggested; major credit cards accepted.

Trader Vic's offers continental specialties, curries, seafood and meats from the Chinese oven.

An abundant list of appetizers heads the menu ranging from tofu balls at \$3.50 to a two-person serving of langostinos mimosa at \$9.50.

Mahi Mahi is the least-expensive fish selection at \$10. Abalone Monterey tops the list at \$18. Curry dishes range from \$11 to \$14.50. Chinese entrees are \$8 and \$14.

Trader Vic's serves dinner every night from 4:30 p.m. to midnight. Reservations are recommended; major credit cards accepted.

The Beverly Hills Hotel

9641 Sunset Blvd.
213-276-2251

Two noteworthy places to dine in the Beverly Hills Hotel are The Coterie and its luncheon counterpart, The Polo Lounge.

The Coterie specializes in contemporary French and continental cuisine. Fish, meat, veal and poultry dishes range from \$14 to \$21. Appetizers begin at \$4.75 for pate of

duck liver and can go as high as \$13.50 for cracked crab on ice.

Dinner is served every day from 6:30 to 10:30 p.m. Reservations are suggested; major credit cards accepted.

Lunch and late dinners at the Beverly Hills Hotel are served in the **Polo Lounge**. Do not be surprised, however, if you are not seated at the best available table. The lounge often keeps choice seats open just in case a celebrity happens to drop in unannounced.

The menu offers daily specials for \$11 to \$13. Salads run from \$11 for mixed greens, chicken, cheese and ham to \$16 for an assortment of seafood. A selection of hot and cold sandwiches costs \$10 to \$13.

Lunch is served from 11:30 a.m. to 3 p.m. daily with patio seating available. Late dinner is served from 10:30 p.m. to 1 a.m. The lounge is open from 11:30 a.m. to 1 a.m. Reservations and all major credit cards are accepted.

Cafe Swiss

450 N. Rodeo Dr.
213-274-2820

With a wood decor and intimate lighting, the Cafe Swiss is considerably more extravagant than what you would expect from a cafe.

The dinner menu includes a good selection of appetizers ranging from \$5 to \$8. A large selection of specialty dishes including Italian food, meat and veal, are available for \$11 to \$20. Fish and broiled meats run from \$12 to \$20.

The best deal for lunch is the daily special at \$5. However, the lunch menu also includes an abundance of egg dishes, sandwiches, salads, fish, meat and a cold buffet for \$6 to \$16.

Open Monday through Saturday, Cafe Swiss serves lunch from 11 a.m. to 4:45 p.m. and dinner from 5 to 11:30 p.m. Heated patio dining is available. Reservations are encouraged; major credit cards accepted.

Westwood Village

Stratton's
10886 Le Conte Ave.
213-208-8886

Across from UCLA, Stratton's offers a warm, elegant atmosphere indoors with a wood-burning fireplace and a shaded garden patio for outside dining.

The impressive list of appetizers includes escargot smoked salmon, quiche Lorraine and oysters from \$5 to \$7.50. Entrees, which include fish, meat, chicken, veal and duck, run from \$16 to \$18.

The lunch menu is basically a more limited version of the dinner menu with a larger selection of salads for around \$8 to \$10.

Looking for Sunday brunch? You can get it here from 11:30 a.m. to 2:30 p.m.

Lunch is served from 11:30 to 2:30 Monday through Saturday. Dinner is served from 5:30 to 10 p.m. Tuesday through Thursday; 5:30 to 11 p.m. Friday; 5 to 11 p.m.

Saturday; and 5 to 9 p.m. Sunday. Stratton's is closed on Monday. Reservations are recommended; major credit cards accepted.

Hamburger Hamlet

11648 San Vicente Blvd.
213-826-3558

Do not let the name fool you. This is not your typical fast-food pit stop. Decorated in fancy New Orleans style, Hamburger Hamlet offers an extensive menu.

One menu offers both lunch and dinner. You can start off with soups, salads or appetizers and then choose from 12 custom hamburgers that cost \$4.50 to \$5. However, if ground beef isn't what you have in mind, don't worry. There's a shrimp salad for \$5.95 or a salmon steak sandwich for \$7.95. Or how about ribs, steak or chili?

To work off the food, there is disco dancing nightly from 10 p.m. to 1:30 a.m. Conrad Janis, who played Mindy's father on "Mork and Mindy," appears with his jazz band from 2:30 to 5:30 p.m. Sundays.

Dining hours are 11:30 to midnight daily, though Sunday brunch begins at 10 a.m. Lunch and dinner reservations are accepted for parties of eight or more. Major credit cards are accepted.

Santa Monica

The Chronicle

2640 Main St.
213-392-4956

Originally built in 1901 as a two-story home for the mayor, The Chronicle offers a very quaint, charming atmosphere for dining. Each room is nicely furnished in an intimate Victorian style.

The dinner menu is continental with daily specials, regular specialties, seafood and meat. Specialties range from \$13.50 for chicken to \$20.25 for veal chop Oscar. Fish selections run from \$12.50 for Pacific snapper to \$16.50 for poached salmon. Broiled meats can run as high as \$39.50 for a double New York steak.

Both cold and hot appetizers are available for \$6 to \$10.50.

The luncheon menu includes house specialties like poached eggs benedict for \$6.50 to fettuccine a la Chronicle or a prime New York steak sandwich for \$12.50.

Lunch is served 11 a.m. to 3 p.m.



Photo: Douglas Zabalski

The Chronicle in Santa Monica is furnished in Victorian style.

Monday through Friday. Dinner is 6 to 11 p.m. daily. Reservations are preferred; major credit cards accepted.

Les Angeles

14809 Pacific Coast Highway
213-454-1331

Open for dinner only, Les Angeles is a modern-style French restaurant with a splendid ocean view. It is elegant yet simple.

The menu includes meat, chicken, veal and duck, but Les Angeles is best known for its seafood. Entrees run from \$15 for poulet with garlic and shallots to \$24 for rack of lamb. Appetizers vary from salad for \$6.50 to caviar for \$35.

Dinner begins at 6:30 p.m. nightly with live jazz piano from 7 to midnight. Los Angeles is closed on Monday. Reservations and all major credit cards are accepted.

Century City

The Garden

Century Plaza Hotel
2025 Ave. of the Stars
213-277-2000

Dine and dance amidst lush gardens, fountains and reflecting pools at The Garden. The decor is more like that of a fine cafe and the picturesque surroundings add a special touch of elegance. However, it may not be suitable for formal business dinners. For luncheon gatherings, the relaxing atmosphere is formal enough for most business.

The dinner menu is limited to 10 entrees ranging from chicken at \$10.50 to steak and lobster at \$18.

Playboy Club

2020 Ave. of the Stars
213-277-2777

The Playboy Club offers a business environment with a taste of adult entertainment. It is a private club, but exceptions will be made for visitors in town for conventions. Call well in advance.

Dinner is served in two areas: the Living Room and the Cabaret.

The Living Room has a modern but not overly fancy decor highlighted by a colored glass ceiling. Dinner entrees range from roast duckling a la orange or fresh seafood of the day at \$9.95 to filet mignon and lobster at \$17.95.

The Cabaret is much more plush than the Living Room with mirrored walls and brass trimmings. Dinner entrees range from \$9.95 to \$15.75. All major credit cards are accepted.



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Photo: Douglas Zabalski

Cafe Swiss in Beverly Hills offers dining in a heated patio.

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CHARTING TRENDS

A brokerage chairman looks into insurance's future

By Robert V. Hatcher Jr.

OUR WHOLE COUNTRY—especially the business community—has its attention fastened on an author named John Naisbitt. Mr. Naisbitt has written a bestseller called "Megatrends." What fascinates us is that the book draws a picture of the future by projecting some trends drawn from current statistics, based on what's really happening. We can disagree with Mr. Naisbitt's projections—but the facts on which he bases his trends are not in dispute.

This author also has a basic humility that appeals to me. He doesn't insist that every projected trend is infallible. For instance, here are some words of comfort that he offers for those of us who like to attend meetings:

"Teleconferencing is so rational—it will never work. If it's important, you've got to get together." I like that kind of honesty.

What I want to do today is discuss some megatrends in the world of insurance. They are neither exhaustively researched nor based on statistical analysis. They are based on my instincts about what is happening, what it means and where it's going to take us.

I will concentrate on only a few trends. When I'm finished, I hope you will tell me about trends that I've left out, or about ones that I have put in with which you disagree.

I don't think we need Mr. Naisbitt to tell us we are living in the Information Age. We now know that our business of insurance fits under a tent called financial services, and that the whole tent of financial services fits under a much larger tent called information business.

It is our business to provide information. Naturally, we want to provide information efficiently and the computer is a proficient tool to do this. So the computer types—the programmers, the systems analysts and the hardware specialists that we see among us—are an indispensable part of our business. Moreover, not only are they indispensable, they are an indivisible part of our business. Perhaps it is we who have joined their business, which is the information business.

The new breed of insurance professional will be one who is equally at home in insurance and computer technology. When that happens, the computer will finally be responsive to the information needs of our industry. Too often in the past its performance has fallen short of its potential because users of information and computer professionals could not communicate.

The computer has been much more successful in personal lines than in commercial lines of insurance.

Personal lines have been increasingly automated through direct billing and computer-assisted quotations and policy issuance. Commercial lines, to the extent they involve manuscript policies and negotiated rates, have escaped most automation to date. However, small commercial lines policies whose premiums are based on standard rates are now issued by computers. Moreover, the basic underwriting information for the commercial lines coverages for larger risks, such as losses and units of exposure to loss, are now easily available through computers.

The result is that risk managers are underwriting the primary risk areas and only then are electing to self-insure or use a loss-responsive insurance plan.

Architects of future systems will know how vital it is to involve the workers who will be affected by technological change. That change can come more swiftly and more efficiently if those workers enlist in the cause.

The new technology must be seen as one that promotes efficiency and creates new jobs—and leads to customer satisfaction, an opening to new customers and new ways of serving the existing ones. Much will depend, then, on the humanistic skills of the managers of this technology. Again, a

merger of skills of insurance and information science will provide the raw material for the necessary new leadership.

The microcomputer casts its small shadow in the direction I think we are all going. An often-used buzz word of computer people is that a certain application is user-friendly, meaning that non-professionals can use a system easily. Well, the micro is so friendly that it propels the user into the driver's seat and hands the technology back to the production people and away from those who have been walled off as "only" computer people.

The micro promises competition for services and decentralization of computer technology. All of this is good for the information business and, therefore, the insurance business. Now companies and brokers will vie not only with each other but also with risk managers to be the providers of the best of the new systems. The ultimate consumers will make the market decision.

In the past, some among us have cautioned against expenditures on computer technology because they were too expensive, or were growing in unknown directions or would be pioneered by others. They gave shortsighted advice. Those who would keep abreast of changing technology must pay their dues throughout all the stages of change. The consequences of not doing so are to abandon the field to competitors and be left behind.

The blurring of those lines of function among insurers, reinsurers, brokers and even risk managers will certainly not be halted by the information technology of the future. Each must preserve its place in the economy by adapting to change and reaching out for new services. Next-generation insurance distributors will be wholesalers of specialized financial software and will be capable of interacting with any of the megasystems of insurers so that buyers can preserve independence and choice.

THE NEW TECHNOLOGY will also open to commercial distributors a whole new field of consumers whose premium size previously made them unreachable. And telecommunications will provide a key to the global village for much smaller distributors than ever before. So the age of information in the insurance business means challenge and change and, as always, survival for those who can accept both.

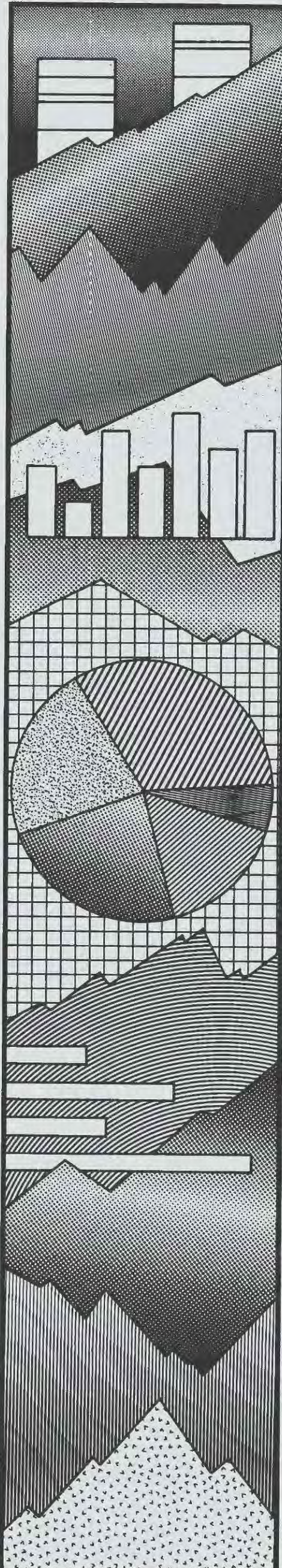
Now, let's shift to another megatrend. The National Council of Self-Insurers reports an erosion of members during 1982. That erosion is a direct result of the soft market in insurance. I guess all of us have suffered during the soft market—even the self-insurance establishment!

But this glitch in the total of self-insureds can only be seen as a minitrend. When the soft market goes away, we will again be engulfed in the megatrend toward self-funding. That trend shows the following: according to Conning & Co., in 1974 self-insurance claimed 7% of the commercial market, while captives claimed 2%; in 1980, self-insurance claimed 15% and captives 7%; the projection for 1984 is that self-insurance will stand at 18% and captives at 10%. The figures I have just quoted are from the property/casualty commercial lines of business. On the health benefits side, the advance of self-funding is even swifter and more certain.

In the future, the basis of taxation probably will be the same for self-insurance as it is for conventional insurance. The Loss Reserve Deduction Committee, composed of risk managers and brokers, is becoming an effective lobby for tax equality. It may not happen immediately, but it will happen. The reason is based not so much on equality as it is on practicality. Risk managers now have the same tools, computerized or otherwise, as insurers, enabling them to establish and monitor loss reserves.

Many consequences arise from this trend. The products that serve self-insurers are the products of conventional insurance,

Continued on next page



In group coverage, waivers and forfeitures aren't interchangeable

A FLORIDA appellate court held that the doctrines of waiver and estoppel were not applicable to matters of coverage of a group insurance policy as distinguished from the grounds for forfeiture.

Starlight Services Inc. was covered under a group life, accident and sickness policy issued by The Prudential Insurance Co. of America. Under the policy, a new employee was not automatically covered from the first day on the job.

Instead, the policy required the employee to have worked for one month on a full-time basis. Once this was satisfied, the employee was required to request insurance, agree to make the necessary contributions, furnish evidence of insurability (if he or she had not requested to be included within the first month of employment) and be actively working on a full-time basis.

Eddie Ross was employed by Starlight on April 19, 1978. He was injured in an automobile accident Sept. 9 and hospitalized until Nov. 11. On Sept. 19, while hospitalized, Ross' application for

speaking out

insurance was submitted to Prudential. It was accepted it and a certificate was issued dated Sept. 18.

The employer maintained a Prudential agent was told of the accident and he advised them to file a claim. Prudential then denied coverage. Mr. Ross sued but lost in the trial court.

The appellate court pointed out that it was undisputed that Mr. Ross did not apply for insurance until after his injury and that Prudential's acceptance of this application was made subject to Mr. Ross' compliance with the active work requirement of the group policy.

Such a clause, the court said, was a condition of coverage that could not be waived by the conduct or action of Prudential. *Starlight Services vs. Prudential Insurance Co. of America*, District Court of Appeal of Florida, July 21, 1982, rehearing denied, Aug. 30, 1982 (BI/03/A.-\$5).

Insuring damages only

An "accident" within the meaning of a policy insuring against liability, unless otherwise defined, does not occur until damages resulting from an insured act actually occur, the Supreme Court of Idaho ruled.

Ed Bailey Inc., a contractor, was insured by Millers Mutual Fire Insurance Co. of Texas Inc. under a comprehensive general liability policy. "Occurrence" under the policy was defined as an accident resulting in bodily injury or property damage neither expected nor intended from the standpoint of the insured.

During the policy period, Bailey installed insulation in a storage structure being constructed for the Thibaults. In September 1976, after the policy period had expired, a fire occurred in the structure, apparently caused by a welder's spark setting off the insulation. The

Thibaults sued Bailey and Upjohn Co. Bailey tendered the defense to Millers Mutual and was rejected.

Millers Mutual brought this action seeking to have the court determine if it was obligated to defend. The trial court said no.

The appellate court said that the time of the occurrence of an accident was not the time the wrongful act was committed but when the party was actually damaged. Thus, the court said liability here did not arise until damages occur.

"If damages could be presumed from the mere existence of a dangerously defective product," the court emphasized, "then liability would be unlimited." The court affirmed the lower court decision. *Millers Mutual Fire Insurance Co. vs. Ed Bailey*, Supreme Court of Idaho, July 7, 1982 (BI/05/F.-\$5).

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

A brokerage chairman looks ahead

Continued from previous page

except for the primary risk bearing. This invites vendors of every stripe to offer combinations of services that include claims administration, safety engineering, data tracking and computation, auditing, actuarial and management oversight.

How else will those vendors replace their lost shares of primary insurance? And since insurance companies and insurance distributors both perform these services, there will be a further shrinkage of the differences between them.

Insurance products will have to compete with self-insurance on its own terms. And those terms demand a flexible approach, an unbundled approach. Insurers can no longer view risk-bearing as their sole province, just as brokers can no longer view commissions as their sole source of income. The alternative to accepting change is not always to stay the same as you are now—sometimes it is to join the dinosaur and the dodo bird.

Unbundled competition among insurance vendors will eventually help to disestablish self-insurance in the public mind. It will remain a good business principle that any business should spend its time doing the things that it does best, whether that is manufacturing, communicating, distributing or whatever. And in the global economy that is now forming, where components of a single product will be manufactured in half a dozen countries, even the most dedicated self-insurer must allow exceptions or lose the ability to manage. So I see the trend toward self-insurance as a finite one—but one that will cause a radical shakeout in the insurance market.

The last megatrend I want to talk about is financial services integration. The story is most familiar: banking has been invaded by mutual funds, brokerage houses, insurance companies, S&Ls, electric and gas utilities and retail stores. Sears, Roebuck & Co. has become not just a retailer but also a stockbroker, insurance company, real estate firm, mutual funds manager and a savings and loan. Merrill Lynch, American Express and several others are providing multiple financial services—and are banks by any other name.

What is not so well-documented is the trend for banks to return fire. Citicorp is a good example. It already has 848 offices in 40 states; 284 of those are branches and nearly 500 of them are subsidiaries outside New York state.

Banking has always been the alter ego of the insurance business. A casualty insurance policy is simply a conditional letter of credit that the buyer can invoke after an occurrence takes place. A surety bond is simply an instrument of credit.

Banking regulation is loosening and I look for banks to be more expansive in all financial services, but particularly in the direction of insurance.

The banks' first target will be in personal lines distribution. Commercial lines and underwriting will be more difficult, but they are also targets. The first two megatrends play a role in the target selection. Electronic transfer of existing deposits is the banks' lead-in to personal lines and self-insurance administration secured by letters of credit is the entry to underwriting and commercial lines distribution.

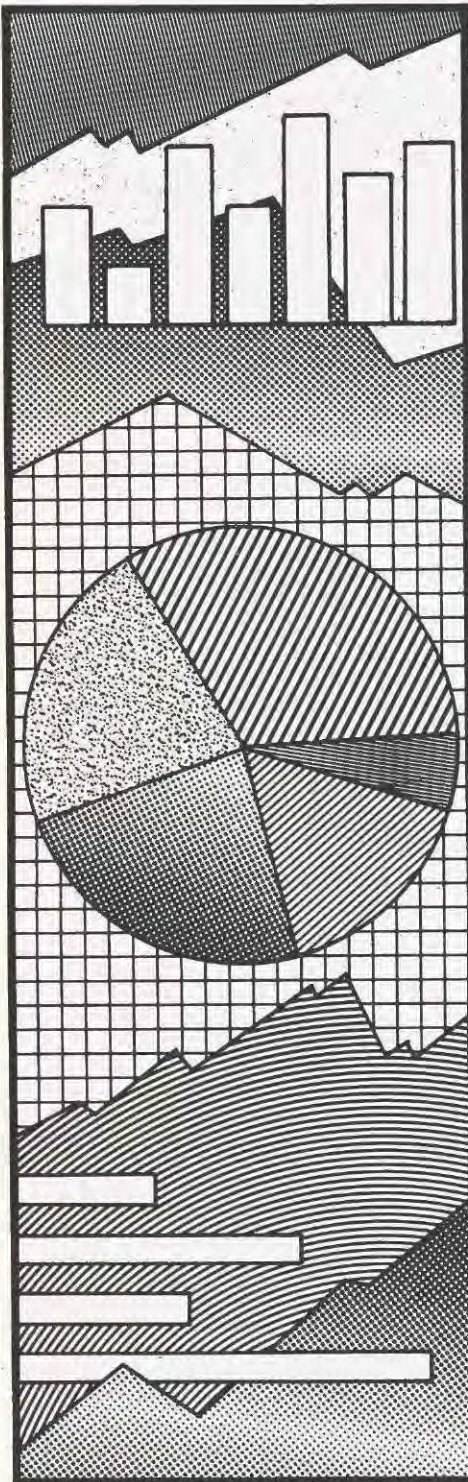
But financial services integration is not a new idea. It has been tried before. American Express has owned Fireman's Fund since 1968. No real synergy has sprung from that union. The Continental Cos. ended years of struggle by putting a "for sale" sign on their Diner's Club property. There are many other examples. The financial services disciplines are perverse in sticking to their own ways of doing things.

Perhaps we have all placed too much reliance on what common ownership can do to induce cross-selling. But there is a more basic problem. Business functions that are highly evolved simply resist change. Thus, securities salespeople don't sell much life insurance; life insurance agents don't seem to thrive on selling securities; and real estate agents seldom are successful insurance brokers.

These disciplines may coexist—some of them—in combinations that find synergy in their union. I find that a much more harmonious thought than is, let's say, a convergence of function. And, speaking for myself, I feel much more apt to find synergy within the industry of insurance than outside of it.

What I'd like to leave with you is this: the changeover from the Industrial Age to the Information Age will favor the development of our business. I'm absolutely convinced of that. We face change, yes, but we have a magnificent opportunity to enlarge the value our industry adds to the global economy—and to society as a whole.

Robert V. Hatcher Jr. is chairman of Johnson & Higgins. He delivered this speech at a Georgia CPCU chapter meeting in Atlanta in February.



Lloyd's panel proposes divestment rules

By STACY SHAPIRO

LONDON—Lloyd's of London brokers have until July 1987 to divest their Lloyd's underwriting agencies, according to a report put out by the Lloyd's working party studying divestment.

The report, which is being sent to the Council of Lloyd's for approval, outlines the rules the brokers must follow when they sell their underwriting agencies. It also contains guidelines on how the agencies should be managed after divestment.

Parliament, in passing last year's Lloyd's Act, mandated that the brokers must sell their underwriting agencies. Supporters of the bill felt a conflict of interest existed when a Lloyd's broker owned an underwriting agency.

According to the new report, brokers must sell at least two-thirds of an underwriting agency's stock to Lloyd's members. No more than 40% of the voting stock can be controlled by any one person and his associates.

Also, according to the report, the Council of Lloyd's must approve any person or company hoping to acquire more than 10% of an

agency.

The report also details how the new agencies should be managed after divestment. A syndicate's underwriters should be directors of the agency, for example.

Business theft

Commercial theft is on the increase in Britain, according to the British Insurance Assn.

More than 50.4 million pounds (about \$75 million) of goods were stolen from businesses and industrial premises last year, a 41% increase from 1981.

However, most of the goods stolen in Britain last year, 234.1 million pounds (about \$350 million), were taken from private homes, the BIA says.

"Almost two-thirds of this rise relates to household policies but the very rapid rise in commercial claims must not be ignored," said Stan Blake, chairman of BIA's crime prevention panel.

"If this runaway upsurge does not slacken, I believe insurance companies will have to look for

further premium rate increases."

Glover resigns

Michael Glover, chief executive officer of Alexander Howden Group P.L.C., will retire in June for personal reasons.

Mr. Glover, 52, says he considered retiring last year, but thought it would be inappropriate after Howden's parent, Alexander & Alexander Services Inc., filed suit against five former Howden directors, including former Chairman Kenneth Grob, for allegedly misappropriating more than \$55 million of underwriting funds.

"I am leaving strictly for personal reasons," he said. "I wanted to retire at 55 and soon I will be 53, so now I want to spend more time with my wife. I'm thinking of starting a local business."

"I will not say what it is, but it is not insurance. I will become a testy client, instead," he said.

Mr. Glover, who has been in the brokerage business for 32 years, will serve as a Howden consultant for two years.

A&A Chairman and Chief Executive Officer John A. Bogardus Jr. "said how entirely disappointed he was that I was leaving and asked me to accept a consultancy agreement for two years, which I did," said Mr. Glover.

Mr. Bogardus was in London last week to discuss a possible replacement for Mr. Glover.

New underwriter

Minet Holdings P.L.C. has ap-

pointed a new Lloyd's underwriter for troubled P.C.W. Underwriting Agencies Ltd.

Ronald Patement, 50, a long-time underwriter for G.L. Towers & Others, will begin his new post in June.

Minet dismissed three P.C.W. underwriters last year after allegations that the underwriters and other P.C.W. and Minet officials had interests in reinsurance companies doing business with P.C.W. syndicates.

datebook

MAY 16. An Analytical Approach to Risk Management seminar in New York, sponsored by Business Insurance; \$535; 10% discount for additional registrants from the same company. Also **May 18** in Dallas, **May 23** in Los Angeles, **June 15** in Chicago and **June 20** in San Francisco. Ann Vazquez, Business Insurance, Communications Services Department, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.

MAY 16-19. Inspector Training seminar in Houston, sponsored by the International Safety Academy; \$490. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

MAY 16-20. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$425. Also **May 25-26** in Chicago. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

MAY 17. Manual Lifting seminar in Schaumburg, Ill., sponsored by the International Safety Academy; \$150. ISA, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

MAY 17-18. Health Care Cost Containment conference in San Francisco, sponsored by the National Assn. of Employers on Health Care Alternatives; \$295; \$200 for additional registrants from the same company. NAEHCA, 1134 Chamber of Commerce Building, 15 S. 5th St., Minneapolis, Minn. 55402; 612-338-4823.

MAY 18-20. National Safety Management Society annual conference in Arlington, Texas; \$250 for members; \$295 for non-members. David M. Wassum, NSMS, P.O. Box 170174, Arlington, Texas 76003; 214-631-6070.

MAY 22-27. American Industrial Hygiene conference in Philadelphia, sponsored by the American Industrial Hygiene Assn. and the American Conference of Governmental Hygienists; \$65 for members; \$90 for non-members; \$15 additional for on-site registration. Stephanie Beidler, AIHA, 475 Wolf Ledges Parkway, Akron, Ohio 44311; 216-762-7294.

MAY 23-25. Employee Benefits symposium in San Francisco, sponsored by the International Society of Certified Employee Benefit Specialists; \$420 for members; \$495 for non-members. ISCEBS, Box 209, Brookfield, Wis. 53005; 414-786-6700.

MAY 23-25. Fundamentals of Industrial Exhaust Ventilation course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$350. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

MAY 23-25. Techniques of Loss Control course in New York City, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Education Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MAY 23-25. An Advanced Course in Employee Benefits in New York, sponsored by the American Management Assn.; \$695 for members; \$800 for non-members. AMA, 135 W. 50th St., New York, N.Y. 10020; 518-891-0065.

MAY 23-27. Basic Safety Management seminar in Atlantic City, N.J., sponsored by the International Safety Academy; \$570. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

MAY 24-26. Benefits in Crisis conference in Washington, sponsored by the Assn. of Private Pension & Welfare Plans; \$315 for members; \$345

for non-members. APPWP, 1201 Pennsylvania Ave. N.W., Suite 340, Washington, D.C. 20004; 202-737-6666.

MAY 24-27. Ergonomics seminar in San Jose, Calif., sponsored by the International Safety Academy; \$375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77224; 713-932-9400.

MAY 25. Insurance Accounting & Statistical Assn. conference in Detroit; \$135. International Office, IASA, Mutual Plaza, Durham, N.C. 27701 919-683-2356.

MAY 26. Employee Health & Fitness: The Corporate View conference in Chicago, sponsored by Campbell Soup Co. and Universal Gym Equipment; \$150. Employee Health & Fitness, Box 741, Cedar Rapids, Iowa 52406; 319-365-1663.

MAY 26-28. Litigation in Aviation and Space Law second national institute in Washington, sponsored by the American Bar Assn.; \$393 for members; \$418 for non-members; \$368 for tort and insurance practice lawyers; \$343 for young lawyers and government employees; \$75 for law students. ABA, Division of Professional Education, 10 W. 35th Street, Chicago, Ill. 60616; 312-567-4675.

JUNE 1-3. Fundamentals of Insurance conference in Chicago, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 1-4. Public Risk and Insurance Management Assn. annual conference in St. Paul, Minn.; \$220 for members before April 25; \$275 for members after April 25; \$425 for non-members; \$375 for subsequent non-members registrants from the same organization. PRIMA, 1120 G St. N.W., Suite 707, Washington, D.C. 20005; 202-737-7556.

JUNE 2-3. Principles of Petroleum Insurance workshop in Denver, sponsored by Professional Development Institute; \$395. Also **June 9-10** in Oklahoma City, PDI Accounting & Insurance Center, Box 13288, NT Station, Denton, Texas 76203; 817-565-3383.

JUNE 7. Health Care Cost Containment briefings in Kansas City, Mo., sponsored by the International Foundation of Employee Benefit Plans; \$130 for members; \$155 for non-members. Also **June 8** in Milwaukee, **June 28** in Pittsburgh and **June 29** in Tarrytown, N.Y. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JUNE 7-8. Legal Aspects of Occupational Safety & Health course in Los Angeles, sponsored by the University of Southern California; \$250. USC, Institute of Safety & Systems Management; Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523.

JUNE 7-9. Risk and Insurance Management in Banking seminar in New Orleans, sponsored by the American Bankers Assn.; \$395 for members; \$595 for non-members. Robin Craighill, ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

JUNE 10. Workers Compensation Cost Containment seminar in New York, sponsored by the National Council on Compensation Insurance; \$90 for members; \$125 for non-members. NCCI, One Penn Plaza, New York, N.Y. 10119; 212-560-1095.

JUNE 13-15. Techniques of Risk Management conference in New York City, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial De-

partment, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 13-17. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$570. ISA, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

JUNE 19-22. Collection of Employer Contributions institute in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JUNE 22-23. Health Care Cost Containment workshop in Boston, sponsored by the Health Research Institute; \$395. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-675-2320.

JUNE 22-29. Safety for the Oilfield seminar in San Francisco, sponsored by the International Safety Academy; \$395. ISA, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

JULY 21-23. Labor-Management Trustees and Administrators institute in Toronto, sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JULY 27-30. Corporate Benefits Management conference in Monterey, Calif., sponsored by the International Foundation of Employee Benefit Plans; \$470 for members; \$545 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

JULY 28-30. Florida Surplus Lines Assn. annual convention in Boca Raton, Fla.; \$125 for members and associate members; \$150 for non-members. Philip R. Cree, FSLA, Box 343800, Coral Gables, Fla. 33114; 305-448-2211.

AUG. 3-6. Public Employees conference in Seattle, sponsored by the International Foundation of Employee Benefit Plans; \$390. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

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Minority of asbestos victims file comp claims

Continued from page 3

• The low benefits levels often offered to asbestos victims compared with the size of awards victims can get by filing a tort suit.

• Various legal strategies followed by both claimants and defendants. Some say seeking workers compensation can jeopardize a plaintiff's tort suit against asbestos producers and/or distributors. And, employers and their insurers often drag out work comp proceedings by charging the asbestos diseases are not work-related.

Employees who suffer from asbestos-related injuries worked for a variety of employers, including those in the construction and shipbuilding industries. These employees are eligible to receive benefits under state workers compensation systems, the federal Longshoremen's and Harbor Workers' Compensation Act if they were considered maritime employees or the Federal Employee Compensation Act if they worked in government-owned installations.

In addition, victims can file product liability suits against companies that produced and/or distributed the asbestos products causing their injury.

But, so far, it appears that most asbestos victims are shunning the workers compensation system and turning instead to the courts.

Professor Barth of the University of Connecticut says a major reason why victims don't file comp claims is because they aren't aware they are eligible for benefits.

Despite the widespread publicity, many simply do not know their illnesses could be caused by occupational exposure to asbestos, he says. And, more importantly, employees and their families don't know their rights under workers compensation.

"Our findings suggest...that the most important factor by far is ignorance, either of the source of the disease or the legal rights of survivors to compensation," Professor Barth reports in his study, which says two of three workers who stopped working because of asbestos illness do not file a work comp disability claim.

One-half of victims who are disabled for two years or more do not file, the study adds.

But, Professor Barth notes that the frequency of workers compensation and other disability claims is

'Workers compensation is one of the worst systems for compensating injured workers ever conceived,' says plaintiffs' attorney Robert Sweeney with the Cleveland firm of Robert Sweeney & Associates.

rising in recent years. "If one can extrapolate from this, there will be a rising incidence of claims in the future, at least among asbestos insulation workers and their survivors."

Another major reason why workers compensation is not paying for a larger portion of the asbestos crisis is the inability of individual state statutes to adapt to diseases with long latency periods, which can take 20 or 30 years before symptoms are discovered.

Statutes of limitations in some states require a worker to file within two years from the date of injury, determined as the time he is exposed to asbestos, some observers point out. In many cases, this deadline is well before an employee knows he has an asbestos-related disease and thus bars him filing a comp claim.

"Workers compensation statutes were really designed for traumatic injuries," adds Arthur Larson, emeritus professor of law at Duke University and an authority on workers compensation law. "An awful lot of the mechanics are designed for accidents or traumatic injuries but have never fit occupational disease very well."

"By far the most troublesome thing is the long latency," Professor Larson adds. "Some states have tried to adapt to diseases with long latency but it hasn't been easy. Some states can't do it at all."

But Eric J. Oxfeld, employee benefits attorney for the U.S. Chamber of Commerce in Washington, says he believes that all state workers compensation systems permit claimants to file a claim after the disease is discovered.

However, a minority of states require that the disease appear within a specified number of years after the worker leaves his job, he says.

In some states, such as North Carolina, disability from an asbestos-related disease must occur within 10 years of the last exposure to asbestos, Mr. Oxfeld explains.

As an example, he says a former construction worker who handled asbestos products on the job and discovers he has an asbestos-related

disease more than 10 years after he leaves the job could be denied benefits under such a statute.

"This may prevent some claimants from recovering workers compensation," Mr. Oxfeld says.

Another problem, which Professor Larson at Duke calls a "very real factor" affecting the number of victims who file comp claims, is that some states base the comp benefit a claimant can receive at the time of exposure.

Plaintiff's attorney Fred Baron of the Dallas firm of Frederick M. Baron & Associates says that a New Jersey client who filed a comp claim several years ago was told he would receive only \$17 a week in benefits, the benefit rate in effect at the time he was exposed to asbestos.

But, according to the Chamber's Mr. Oxfeld, the most obvious reason why victims don't use the workers compensation system is that many of those who file suit against asbestos companies aren't disabled, though they may have lung impairment (BI, April 11).

Workers compensation statutes were set up to compensate disability and a loss in income, he says. Some of those bringing tort suits are still working at their normal jobs, he explains.

But workers who are indeed disabled often are stymied in their attempt to claim comp benefits because it's difficult to locate the employer responsible for the injury that must pay the comp benefits, some say.

A plaintiff that worked in the construction industry may have had many employers over many years, one defense attorney points out. Picking out the employer responsible for the worker's injury would be very difficult. And sometime the responsible employer, if it can be determined, is no longer in business, he says.

The issue of "who's responsible" is important, agrees plaintiffs' attorney Mr. Baron, explaining that the long-latency period and the fact many of the victims changed jobs often are impediments to collecting workers compensation.

But, even if a worker who is disabled by an asbestos disease can locate the responsible employer, he is likely to be faced with long, drawn out workers compensation proceedings. Defendants and their insurers often contest these claims at every step of the way.

The studies by Mount Sinai and Professor Barth agree that seeking benefits through workers compensation takes a long time. The Barth study says that asbestos disability claims are often pending at the time the worker dies and that the death claim process for survivors can also take a very long time.

The Mount Sinai study found that nearly half of the comp claims filed by asbestos workers were contested by insurers, usually on the basis that the illness was not work-related. Overall, two-thirds of the claims filed took more than a year to resolve, the study said.

"The workers compensation system in most states takes just as long or longer than third-party litigation," says Mr. Baron.

In addition, claims are often delayed because different insurers

disagree over which workers compensation policy should pay the claim, he explains.

"Insurance companies particularly with legal expertise can stretch out the (work comp) procedure so the plaintiff gives up or compromises," says Arleen Gilliam, assistant director of the AFL-CIO's Social Security department.

In addition "many employees have heard horror stories of the kinds of hoops they have to jump through in the different states," she says. In many states, the claimant must assume the entire burden of proof in the proceeding, she adds.

Mr. Baron points out that victims who worked for the federal government and who must file for compensation under the Federal Employment Compensation Act must wait even longer for benefits. Attorneys generally steer away from making claims under FECA, he says, since cases can take as long as 3½ years and the attorneys' shares of the awards aren't worth the lengthy proceedings.

Finally, observers of the asbestos crisis suggest that workers do not file for workers compensation benefits because they can get more money by filing claims against asbestos producers and because comp benefits can be deducted from tort awards.

"Workers compensation is one of the worst systems for compensating injured workers ever conceived," says plaintiffs' attorney Robert Sweeney with the Cleveland firm of Robert Sweeney & Associates.

It does not give the worker "5 cents for pain and suffering, 5 cents for loss or consortium or 5 cents for punitive damages," he adds.

In some states, plaintiffs may also not have much incentive to file for comp benefits because what they receive may be subtracted from any amount they receive in a tort suit. Mr. Oxfeld also says that a plaintiff's Social Security benefits are reduced if he receives workers compensation, but not if he wins a lawsuit, adding that this further discourages workers compensation claims.

Some defense lawyers contend that plaintiffs' attorneys are reluctant to tell their clients to file workers compensation claims because an adverse judgment by an industrial commission or potentially damaging evidence brought out at a work comp could subsequently be used by defendants in a tort suit.

But Mr. Baron, a plaintiffs' attorney, denies that this is not a major reason plaintiffs don't file comp claims.

While it's clear that most victims of asbestos-related diseases do not file for workers compensation, some Chicago-area workers are seeking both workers compensation benefits and tort damages from an asbestos producer.

As many as two-thirds of the asbestos plaintiffs in northern Illinois are present or former employees of a Manville Corp. plant in Waukegan, Ill. Most are asserting they are entitled to sue their employer under the dual-capacity doctrine because Manville produced the product that caused their occupational injuries and that Manville intentionally injured them, according to Michael D. Freeborn, an attorney with the Chicago firm of Rooks, Pitts, Fullagar & Poust.

U.S. District Court Judge Milton Shadur has ruled that employees who have sought workers compensation benefits from Manville should be barred from seeking a tort recovery, but the decision has not been implemented pending the outcome of Manville's bankruptcy petition, Mr. Freeborn said.

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Social Security provides most compensation

By STEPHEN TARNOFF

The Social Security system, funded by American taxpayers, is providing the largest share of the compensation paid to victims of asbestos disease and their survivors, a new study reports.

Despite the millions of dollars that asbestos companies and their insurers have paid to victims through jury awards and settlements, they are not paying a major share of the compensation so far, the study says.

In addition, victims of asbestos disease and their survivors are only being compensated for about half what they lose in wages, it points out.

The study, entitled "The Costs of Asbestos-Associated Disease and Death," was conducted by Professor William G. Johnson and research associate Edward Heler of the health studies department at Syracuse University.

The study was based on interviews with the widows of 682 insulation workers whose husbands died of asbestos-related diseases between 1967 and 1979.

The study's major conclusions include:

- The victims and their families suffered an average gross loss in wages of \$214,000 over the 12 years surveyed. But, they only received about 40% of this amount in compensation for the illness.

- Asbestos companies and their insurers do not have many reasons to reduce the risk of exposure to asbestos since they have not had to pay a significant share of the compensation. For example, tort suits filed by victims and families accounted for only 16% of the compensation received.

- The total gross wage loss from the asbestos crisis could come to \$326 billion for an estimated 350,000 deaths from asbestos-related diseases between 1979 and 2027. The deaths would be the result of asbestos exposure between 1940 and 1979.

"The (compensation) system is inadequate," Mr. Heler says. "The victims themselves have borne the greatest burden of the cost."

"The 'system' imposes more than one-half of net losses or approximately 60% of gross wage loss on the families of the affected workers," the study adds.

According to the study, asbestos victims' survivors are compensated by five sources. The sources and the amount of total compensation they provide are:

- Social Security benefits—29.3%.
- Workers compensation—27.9%.
- Private pensions—23.6%.
- Tort awards and settlements—15.9%.
- Veterans' benefits—3.3%.

"Social insurance is a primary source of the compensation that is paid, leaving producers (asbestos companies) with a very small share of the total," the study concludes. "The system is inadequate in terms of compensation and shifts much of the burden of the compensation that is paid to taxpayers rather than asbestos producers."

"Less than one-half of the compensation for this occupational disease is paid by workers compensation and tort awards," the study adds. "Approximately 57% of the compensation paid in 1979 was obtained from social insurance or private pensions that are not specific to work-related disability or death."

"The fact that the common law and workers compensation provide such a small proportion of the payments to the victims of occupational illness from asbestos is a serious indictment of both approaches."

The study also addressed the im-

pact and adequacy of compensation to 249 of the widows. Of these, 124 received some form of compensation in 1979, while 125 widows did not receive any benefits.

According to the study, the entire group lost \$3.4 million in wages in 1979 because their husbands had died, while they only received \$777,637 in compensation.

Of the widows who did receive compensation, only 34.3% of the lost income was replaced, the study says. "In other words, the widows bore approximately 66% of the annual loss due to their husbands' death."

The 125 widows who did not receive compensation in 1979 suffered a median net loss of \$14,215. However, many of these may have had other sources of income, the study says.

The study notes that the income

replacement ratios could be low because the probability of recovery from asbestos disease was lower in the years of the study than now, but Mr. Heler said that the differences between the study and current figures should not be significantly greater.

Although there more tort suits have been filed and the number of settlements has increased since 1979, the amount paid now would not significantly differ from the survey results, Mr. Heler said. "Basically, they (the figures) are still pretty good."

In estimating all the losses, the study did not include medical care expenses, losses in "quality of life," and the effect on families where other members contracted the disease after being exposed to an asbestos worker.

Continued on next page

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Social Security provides most benefits: Study

Continued from previous page

"The net effect of these omissions is that our estimates must substantially understate the costs of disease and death from asbestos," the study says.

An earlier version of the study conducted by Professor Johnson and Mr. Heler, released in 1981, comes to similar conclusions on the impact on the victims and their families.

Those results also found that Social Security disability insurance is the primary source of income for disabled workers and Social Security survivors' benefits are one of

the three most important sources of survivors' income.

"Since these payments are financed by fixed-rate taxes on employers and their workers, increases in program expenditures that occur from asbestos disease are spread over all employers and workers in the economy. Social insurance therefore subsidizes the use of asbestos relative to less risky substitutes," the latest report explains.

"It is...obvious that one of the primary sources of compensatory income is the Social Security pro-

gram, thereby reducing to an even smaller percentage the costs of death borne by the firms in which the workers were exposed to the substance which ultimately caused their death," the study adds.

"In other words, the portion of the costs created by death from exposure to asbestos, among the workers studied, is shared by their survivors and by society as a whole. Only a small part of the total cost is borne by employers."

Tort settlements and awards and payments from employer-sponsored pension plans can serve to

deter companies from producing or distributing dangerous products like asbestos, the study says. "Tort suits provide the most direct incentives to producers of asbestos to reduce human exposure and to inform users of the product of the hazards inherent in normal use of the material."

"Our data, based on experience over 10 years, demonstrate that tort suits provide high levels of compensatory income to successful litigants when compared to other sources of income."

The study also notes that em-

ployer-sponsored pension plans, an important source of income to survivors and disabled workers, also could provide incentives for risk reductions if payments increase.

"The results (also) support the conclusion that the observed allocation of costs among employers, workers and other members of society is not one that leads to the efficient use of asbestos at its true cost," the study concludes.

The Johnson-Heler study will be published later this spring by the Milbank Memorial Fund quarterly, Health and Society, a scholarly journal.

Plaintiffs, defendants search for answer

Continued from page 3

lation, Rep. Miller's, is receiving much attention.

A revised version of Rep. Miller's proposal is currently being circulated and is expected to be formally introduced later this month, according to Michael L. Goldberg, chief counsel to the House Labor Standards subcommittee.

The new version will contain some important changes from the legislation introduced last year, Mr. Goldberg said. For example, this year's bill will encourage development of an insurance pool for compensating victims and will only compensate victims of asbestos-related diseases. Last year's proposal also included compensation for illnesses caused by exposure to uranium ore.

The bill introduced last session would have established a no-fault remedy under which claimants would not have to prove an employers' liability in court.

Compensation under last year's bill would be the victim's exclusive remedy for asbestos injuries, and the legislation would bar workers from bringing lawsuits against asbestos companies.

Asbestos-disease claims would be processed through the Labor Department's Office of Workers Compensation Programs, which would award or deny compensation.

The victim's last employer would be liable for providing all compensation to the victim. If the employer employed the victim for fewer than two years, however, compensation would come from an excess liability fund to be financed by asbestos manufacturers, importers and employers that use asbestos products.

One controversial aspect of the bill was its use of presumptions. If a claimant proved to have had an asbestos-related disease and had been

exposed to asbestos, causation and compensation would be presumed.

Last year's bill also excluded the federal government from contributing to the fund. Those exposed to asbestos while employed by the federal government would continue to receive benefits under the Federal Employees Compensation Act.

Rep. Miller said last month that the "biggest obstacle" to enactment of such legislation this year would be if the parties in the litigation do not perceive it to be in their interest at the current time.

But, the reorganization filings by Manville Corp., UNR Industries Inc. and Amatec Corp. could ease passage of his legislation, Rep. Miller said. "I think it may have increased the possibility of being passed. There clearly is increased visibility and concern."

But he said that government contributions to asbestos compensation will not be included in this year's bill.

However, another proposal now being offered would include contributions by the federal government, which many asbestos defendants believe should help compensate victims.

Attorneys for Keene Corp., a major asbestos defendant, propose creation of a federal Superfund, like the one that is now used to clean up toxic wastes. The fund would be financed by contributions from asbestos companies, their insurers and possibly the federal government under a "tiered approach."

Under the plan, asbestos miners, fabricators, installers and users would contribute to the fund in that order.

Asbestos miners, like Manville, those currently selling asbestos or asbestos insulation products and

those who have had punitive damage awards assessed against them would be required to pay cash or shares of stock into the fund.

Other defendants would contribute their remaining primary and excess liability insurance proceeds prior to July 29, 1982, the date when UNR filed for bankruptcy.

Contributions by the insurance industry would come from primary and excess insurers on behalf of miners, fabricators, installers and users in that order. Those insurers providing coverage that includes coverage for defense costs would contribute an amount equal to 200% of remaining policy limits.

The federal government would step in as an "insurer of last resort" and pay victims' claims after contributions from the asbestos companies and their insurers have been exhausted.

There would be no presumptions creating an automatic entitlement to the disease. Victims would have to prove they're entitled to compensation based upon criteria established by the fund's board of trustees, which would be composed of plaintiffs' attorneys.

The fund would be the exclusive remedy of asbestos victims participating in it. However, participation would not be mandatory and victims could still bring suits against asbestos companies.

The Superfund would be administered by the Social Security Administration and payments made to victims through the fund could be taken as a federal tax credit by contributors.

Eugene R. Anderson of the New York law firm of Anderson Baker Kill & Olick, who has been in the forefront of the Superfund concept, calls it a "serious effort to get a discussion going about specific legislation."

Although attempts to solve the

asbestos crisis through industry agreements and federal legislation have garnered the most attention, others are trying to resolve the problem through the court system, even though judges and lawyers have expressed doubts over the ability of the tort system to handle the avalanche of claims.

Currently, a group of judges, insurers, plaintiffs' attorneys and asbestos defendants under the auspices of the National Center for State Courts is discussing various proposals for speeding asbestos litigation including mandating bench trials for asbestos suits, working out mass settlement procedures and instituting methods of group discovery.

Judge James M. McMonagle of the Cuyahoga County Court of Common Pleas in Cleveland says the group will not challenge current substantive law but it could change nuances in current procedures that could reduce litigation costs and expedite payments to victims.

For example, specific proposals include the use of standardized forms to determine victims' employment history and medical conditions and assigning cases in a

given court to one judge or a group of judges.

Other proposals focus on limiting punitive damages, encouraging private agreements among defendants to apportion awards and setting national standards of degrees of injury.

The group, which met earlier this month, will meet again this summer and may present position papers at the American Bar Assn. convention in August, Judge McMonagle said.

Finally, some say that a solution to the asbestos crisis satisfying all parties could be included in the reorganization plan that is scheduled to be submitted next month by Manville Corp., which faced more claims than any other defendant when it filed for bankruptcy last August.

"Defendants other than Manville are attempting to formulate a plan within the context of the Manville bankruptcy that would provide some kind of global resolution," an attorney close to the litigations said.

"Manville is the key player in the game. If the key player is made part of a solution, there should be a way for others to be a part of it," the attorney added.

Order is tons of trouble

SAN FRANCISCO—Asbestos companies and insurers locked in coverage litigation in California are finding out how big a burden the asbestos crisis can be.

Literally hundreds of tons.

That's how much paperwork four asbestos defendants and about 80 insurers have been ordered to submit to San Francisco Superior Court Judge Ira A. Brown Jr., who is handling the litigation.

The litigation, which will determine how much coverage the asbestos producers have, has been stayed for much of the last two years. However, Judge Brown pushed the proceedings ahead quickly last month by ordering that "all relevant documents" had to be produced by March 31.

The ensuing rush to meet the deadline—which the parties still haven't accomplished—has left many of them drowning in documents and spending inordinate amounts of staff time and money on the project.

For example, Manville Corp. says it has set aside more than 50,000 square feet of space at its Denver headquarters for the documents. It says 2 million pages weighing 17 tons have already been produced.

The documents occupy a portion of the company's board room, half of all conference rooms at the headquarters, a large storage room and a 300-seat auditorium, a Manville spokesman says.

In addition, Manville lawyers are working 17 hours a day Monday

through Friday and eight hours a day on weekends to complete the job. By the end of April, an estimated 5.2 million documents weighing 47 tons will have been compiled, he said.

At a hearing on March 31—the original deadline for the submission of the documents—a number of insurers complained to Judge Brown about the chaos that the order has caused.

Howard Garfield, an attorney for Travelers Corp. with the San Francisco firm of Long & Levit, said the insurer has a team of 35 lawyers—plus administrators, legal assistants and other personnel—to screen the documents.

"We have incurred in the last three weeks a major disruption to the operations of the corporation," he said. "We have incurred staggering costs and expense."

"The Xerox bill alone with which we were presented for the first batch of documents that we have been able to screen was \$150,000," he added.

The Travelers has indicated that it would have to review 10 million documents, including 64 tons of engineering papers. It estimates that if the order stands, costs for photocopying alone will total between \$5 million and \$7.5 million.

After the hearing, The Travelers filed a writ asking the judge to stay all proceedings because of the difficulties created by his order. The writ was subsequently denied.

Oh yes, the writ was 270 pages long.

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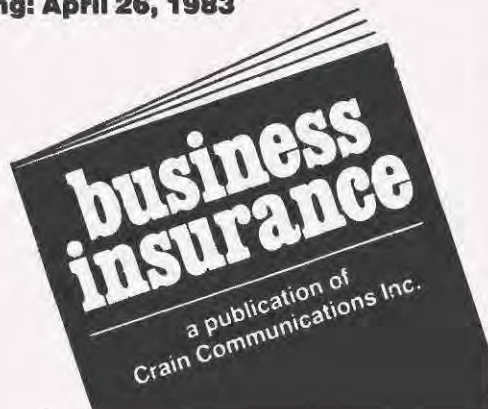
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AIU names DeAlessandro, two others senior vps

Joseph P. DeAlessandro, **William L. Munson** and **Donald P. Nelson** have been appointed senior vps at American International Underwriters in New York, the foreign general insurance unit of American International Group Inc. In addition, **John F. Malloy** and **Robert E. Svensk** have been named vps at AIU.

Mr. DeAlessandro is currently AIU's vp for domestic brokerage insurance and president of National Union Fire Insurance Co. of Pittsburgh, Pa., an AIU unit.

Mr. Munson had been president of Commerce & Industry Insurance Co. He will assume executive underwriting responsibility for AIU's foreign general insurance operations.

Mr. Nelson is vp and manager of worldwide property operations for AIU.

Mr. Malloy is AIU's New York branch casualty manager, and Mr. Svensk is president of AIG Political Risk Inc. and vp of both American Home Assurance Co. and National Union.

Other insurer changes:

Allan Z. Loren named senior vp of CIGNA Corp. and head of CIGNA's new systems division in New York. He will be responsible for data processing and telecommunications development and operations. Mr. Loren had been the head of the CIGNA property/casualty group's operations division. Also, **Peter R. Wilde** named chief administrative and financial officer of the CIGNA employee benefits and financial services group. He will head the group's financial planning, control, personnel and marketing activities. Mr. Wilde was previously head of the group's individual financial division.

James Cordle elected president of Whiting National Insurance Co. in Tampa, Fla. He previously was executive vp at Whiting. Also **Ralph S. Walby**, **Robert S. Smith** and **Glen R. Gustafson** were elected vps at the company.

Benjamin R. Whiteley elected president and chief executive officer of Standard Insurance Co. in Portland, Ore. He had been named executive vp at Standard in 1980 and chief operating officer in January 1983. Mr. Whiteley replaces **Louis B. Perry**, who is retiring.

James A. Lane elected senior vp of Kaiser Foundation Health Plan Inc. and Kaiser Foundation Hospitals in Oakland, Calif. Mr. Lane also was appointed head of a newly formed staff group responsible for policy development, strategic planning and quality assurance. He was previously vp-government relations at Kaiser-Permanente Medical Care Program.

Robert M. McDonough promoted to senior vp-group pensions division at Union Mutual Life Insurance Co. in Portland, Maine. He will be in charge of all group pension operations. Mr. McDonough had been a vp-pensions at Union-mutual.

Robert E. Evans Jr. named senior vp-underwriting at American Centennial Insurance Co. in Peapack, N.J. Mr. Evans was most recently senior vp at Cameron & Colby Co. Inc.

Oliver M. Heim joined Philadelphia Manufacturer Mutual Insurance Co. in Valley Forge, Pa., as vp-reinsurance. He had been vp at American Centennial Insurance Co.

R. Thomas Schooley elected vp-package underwriting at St.

Paul Fire & Marine Insurance Co. He had been senior underwriting officer. Mr. Schooley succeeds **R. Murray Smith** who resigned.

William R. Braman joined Reliance Insurance Co. in Philadelphia as vp-field operations. Mr. Braman was formerly a marketing vp for CIGNA Corp. in its northern New England marketing office.

Leonard W. Kulawiec appointed vp of Fireman's Fund Insurance Cos. in Novato, Calif. He had been operations executive for national accounts, and risk management services and underwriting superintendent for national accounts.

Wallace C. Orr elected vp of Lincoln National Life Insurance

Co. in Fort Wayne, Ind. He currently serves as director-group operations. He formerly was second vp at Lincoln National.

Agents/brokers

George E. Francis named chief operating officer of Torrance, Calif.-based Cal-Surance Associates Inc.'s truck division, one of the nation's largest truck insurance agencies. Mr. Francis previously was a vp at the company.

Excess/surplus

John E. Baney named head of CIGNA Corp.'s special risk, excess and surplus and field support/pro-

cessing divisions in New York, all part of the company's property/casualty group. He most recently was head of the resources and services division in CIGNA's employee benefits and financial services group.

Other suppliers

Robert J. Myers has joined Meidinger Inc. in Louisville, Ky., as a special consultant in the Social Security division. Mr. Myers was the former executive director of the National Commission on Social Security Reform. Mr. Myers had been the chief actuary for the Social Security Administration from 1947 to 1970. He was deputy commissioner of the administration in 1980-1981.

Richard I. Citron appointed executive vp and member of the

operating committee in the national benefit services division at Frank B. Hall Consulting Co. in New York. He will head research/legal, group actuarial, administrative, flexible benefits, communications, special group and cost-containment services. In addition, **Craig Adams** appointed vp of special group, group actuarial and cost-containment services; **Richard Seiden** promoted to senior vp and director of research/legal services; and **Robert Howard** promoted to senior vp of the actuarial/pension consulting group.

Grant Dougherty joined the Pension Planning Co. Inc. in New York as vp of group insurance consulting division. He previously was with Frank B. Hall. Pension Planning Co. is part of Republic Hogg Robinson Corp.

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- and much more

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For more information, call Ann Vazquez
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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.

Seminar Dates

May 16	New York	Grand Hyatt
May 18	Dallas	Doubletree Inn
May 23	Los Angeles	The Biltmore
June 13	New York	Grand Hyatt
June 15	Chicago	Ritz Carlton
June 20	San Francisco	The Fairmont

Agenda

1. Introduction to decision and risk analysis
2. A risk management decision (case study)
3. Assessing the probabilities of loss
4. Assessing the corporate attitude toward risk
5. Analyzing risk transfer alternatives (case study)
6. Analyzing risk control alternatives (case study)
7. Conclusion

GPU settles shareholder, coverage disputes

Continued from page 3

insufficient were totally unforeseen by the industry and the government."

A spokesman for City would not comment on the insurer's decision to participate in the settlement.

Under the agreement which must be approved by U.S. District Court Judge H. Lee Sarokin, GPU will issue a \$6 million non-interest bearing note maturing on Oct. 7, six months after the settlement date. The money will then be placed in an interest-bearing escrow account until procedures for distribution among shareholders are worked out.

GPU doesn't know how many shareholders may be involved but says there were up to 300,000 stock purchases

during the class-action period. Proof-of-loss forms will be available in two months, according to GPU.

The company will also issue shareholders 1.6 million new shares of common stock provided that the selling price of the stock on the effective date of the settlement is between \$6.50 and \$9 a share. If the price is less than \$6.50, more shares will be issued; if it's more than \$9, fewer shares will be issued. The Securities and Exchange Commission must also approve the new issue.

The \$4 million contribution from City under the D&O policy was also placed in escrow last week.

The settlement of the shareholder suit leaves only one major piece of Three Mile Island litigation unresolved: GPU's \$4 billion suit against the Nuclear Regulatory Com-

mission. The utility claims the NRC should have warned it of alleged defects in the plant.

That suit was filed Oct. 1 in U.S. District Court in Philadelphia. No trial date has yet been set.

In January, GPU settled its \$4 billion lawsuit against the Three Mile Island plant's manufacturer, Babcock & Wilcox Co., a unit of McDermott Inc., for \$37 million (BI, Jan. 31).

Compensation of residents and businesses within 25 miles of Three Mile Island is continuing from a \$25 million fund established by American Nuclear Insurers, GPU's liability insurer, as part of a settlement of another class-action lawsuit.

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Circulation Breakdown*

Commercial Consumers

Administrative Management:
owners, presidents,
vps, etc. 6,497

Financial Management:
chief financial officers,
vps of finance, secretaries,
treasurers, etc. 9,634

Insurance Management:
vps, directors, managers of
insurance, risk, benefits,
compensation, safety,
security, etc. 5,948

Government, Associations,
Unions, Educational
Institutions 1,004

Commercial Consumers
Sub-total 23,083

Insurance Agents
& Brokers 9,629

Insurance Cos. 4,944

Financial Institutions 314

Actuaries, Attorneys,
Adjusters, Appraisers
& Consultants 2,408

Others allied to the field 854

TOTAL 41,232

*Source: Business/Occupational breakdown of qualified circulation, May 3, 1982 issue, as submitted to BPA for June 1982, BPA Publisher's Statement.

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Businesses escape worst of flooding

Continued from page 2

Among the hardest-hit large businesses was South Central Bell Telephone Co. in New Orleans, where basement flooding and a generator failure knocked out service to up to 40,000 telephones for as long as seven hours.

South Central's losses, which may be as much as \$500,000 including lost revenues, probably will not be covered under the company's unique nationwide blanket property coverage, managed by American Telephone & Telegraph Co. in New York, Bell spokesmen said.

EEOC issuing new regulations on older worker health plans

Continued from page 1

The rules were expected to be published in December so older workers who wanted to enroll in their employers' group health plans could have done so by Jan. 1, when the provision in TEFRA went into effect.

The EEOC did approve regulations in mid-December, but those regulations were never published and were later withdrawn after the Office of Management and Budget rejected them (BI, Jan. 31).

The regulations were rejected because they would have required employers to provide extra benefits, like dental care, to older workers who selected Medicare as the primary payer of medical and hospital bills.

The rules drafted by the EEOC in December said that employers should spend the same amount of money on older workers who selected Medicare for their primary coverage as the company spent on group health insurance for younger employees.

For example, a company that spends \$60 a month per employee for individual health care coverage would have had to spend \$60 a month on health-related benefits for older workers who stayed in the Medicare program.

In order to equalize costs for both groups, employers would have been required to offer their older workers a wide array of benefits, like dental and vision care.

As a result, older workers would have had an incentive to stick with Medicare because they could have obtained extra benefits from their employers. That would have defeated Congress's intent when it passed TEFRA: to encourage older workers to enroll in corporate

health plans, thereby trimming Medicare's costs by about \$350 million.

The new regulations, now being drafted by the EEOC's staff, will encourage older workers, as Congress intended, to stay in their employers' group health plans.

Given a simple choice between selecting Medicare and employer-provided health insurance, most older workers will opt for the corporate plan because they tend to be much more generous than Medicare.

"The bias is toward the employer plan, which is what Congress intended," said Andrew Weber, vp with the Washington Business Group on Health.

The upcoming regulations will facilitate compliance with TEFRA, added Michael Romig, director of employee benefits at the U.S. Chamber of Commerce.

Although employers will have several months before they have to formally offer their older workers a choice of enrolling in their group health insurance plan, they may be already incurring unexpected health care claims.

Despite the new regulations, the EEOC and the Health Care Financing Administration, which administers Medicare, still say that employer plans—and not Medicare—have been the primary payers of older workers' medical bills since Jan. 1 (BI, March 21).

The HCFA, for example, says employer plans for older workers that directly supplement Medicare, such as picking up Medicare deductibles and copayments, should have been terminated on Jan. 1.

"We expect the employer plan to be primary and provide the same benefits as those offered to younger

employees," an HCFA official earlier told *Business Insurance*.

That view will be officially confirmed when the HCFA publishes its own set of regulations on health care for older workers. Those regulations were expected to be published in the Federal Register late last week.

Apparently, the only employers that wouldn't incur this liability would be those companies that, despite the absence of regulations, already allow their older workers a choice of enrolling in their group plans.

However, it isn't clear how HCFA will require employers to pick up bills incurred after Jan. 1.

The older worker regulations only affects employers with more than 20 workers.

through drain pipes," said Carolyn Sheridan, a spokeswoman for the local phone company.

Then, the oil-cooling system of South Central Bell's backup generator failed, causing the generator to overheat and fail. The company's other backup power source—batteries—ran down after the expected six hours.

For the 570-bed Southern Baptist Hospital, one of the city's largest, the April flooding coincided with construction work in its adjacent parking garage. As a result, 6 feet of water leaked into the garage

basement and 6 inches of water flowed into the basement of the hospital itself.

"We're 'guesstimating' \$250,000 flood damage," says Cameron Barr, the hospital's planning administrator. He says the hospital lost regular power during the flooding and two elevators—which were supposed to operate on emergency generator power—failed, forcing nurses and other personnel to carry patients, meals and materials up and down stairways in the eight-story structure.

The hospital carries federal flood insurance and expects to collect any losses above a deductible ranging from \$10,000 and \$25,000, Mr. Barr says.

"This is the first time we've had any serious flooding," he adds.

In Kenner, La., another New Orleans suburb, 632 structures, including many small stores, were flooded by a few inches or, in extreme cases, up to a foot of water, says James J. Martinez, an assistant to the mayor.

The 120-store K & B drugstore chain, with outlets in Louisiana, Alabama and Mississippi, escaped the flooding relatively unscathed, says Treasurer Charles T. Althans.

One K & B store in a shopping center in Denham Springs, La., near Baton Rouge, suffered damage from several inches of standing water. K & B carries property coverage for an undisclosed amount from Wausau Insurance Cos., which is brokered by Johnson & Higgins of New Orleans, Mr. Althans says.

"Everything was floating around and we'll probably have to junk

(merchandise)," he says. "You never quite gain back what you lose on that because your customers tend to go elsewhere." However, Mr. Althans was unable to give an early estimate of losses.

The New Orleans-based drugstore chain also suffered less severe flooding at several other stores.

Mr. Althans says managers at most of the company's stores have plans for dealing with flooding, ranging from movement of stock to higher ground to erection of temporary walls around the building.

Businesses throughout the Mississippi Delta region are accustomed to occasional flooding. They prepare for it, local experts say, by fortifying basement walls and stocking sandbags and other dyke-building materials. But even the best-laid plans may not be effective when heavy rains come.

Last week's flooding was the third time in five years the region has suffered heavy flood losses. Heavy rains caused serious flood damage in May 1978 and Hurricane Frederic, which hit shore near Mobile, Ala., in August 1979, cost insurers \$752 million for flood and other weather-related damages.

The heaviest damage from this year's flooding was suffered by New Orleans, Slidell, Franklinton, Baton Rouge and Denham Springs in Louisiana and Foxworth, Hattiesburg and Columbia, Miss.

The deaths of six people in Mississippi, four in Louisiana and two in Tennessee were blamed on the flooding, and Louisiana Gov. Dave Treen sought a federal disaster declaration for 16 parishes along a 100-mile line from Baton Rouge eastward to the Mississippi border.

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Private pensions cover 50 million

WASHINGTON—More than 50 million people in the United States are enrolled in private retirement plans, an industry trade group says.

In addition, 27.9 million people in 1981 participated in pension plans that are insured by insurance companies, up from 26 million in 1980, according to the American Council of Life Insurance's latest edition of "Pension Facts."

However, the number of people covered by state and local government pension plans stayed even at 13.9 million between 1980 and 1981. That stagnation in pension growth reflects the cutbacks in public employment.

However, Social Security, the nation's largest retirement program, continues to grow as more people retire and become eligible for benefits. In 1981, 145 million people had worked long enough to be fully insured, up from 137 million in 1980.

In addition, Social Security paid out far more in benefits than it received in payroll taxes. In 1981, employers and employees paid \$139.4 billion in FICA payroll taxes (excluding Medicare), while Social Security benefits paid out totaled \$171.3 billion.

Benefit costs grew at the state and local level. Employers and employees contributed \$27.3 billion to public pension plans in 1981, while \$13.8 billion in benefits were paid out to 2.4 million retirees, survivors and dependents.

In 1980, public plans collected \$24 billion in contributions and paid \$12.2 billion in benefits to 2.4 million people.

Free copies of "1982 Pension Facts" are available free from the American Council of Life Insurance, Information, Reference and Statistical Services, 1850 K St. N.W., Washington, D.C. 20006.

Kemper affiliate sues MGM's suppliers

Continued from page 1

of the fire, one of the worst in recent U.S. history. For example, Simpson Timber Co., which manufactures wood fiber acoustical ceiling tiles, has already committed \$9.4 million to settle many of those claims (BI, April 11).

But, in a complicated agreement that is a cornerstone of the MGM master settlement plan, AMPICO does not name the bulk of the 112 non-MGM defendants in its subrogation suit. This release from the threat of involvement in AMPICO's suit has speeded settlement by many non-MGM defendants with fire victims.

In exchange for AMPICO's agreement not to pursue claims against most of the non-MGM defendants, the Plaintiffs' Legal Committee agreed to release AMPICO itself from the victims' liability suits.

The PLC had charged that AMPICO, as property insurer for the hotel, had negligently inspected the premises (BI, Jan. 10, Jan. 17).

The PLC and AMPICO also are cooperating to pool technical and

investigative information to advance both the subrogation and injury claims. AMPICO and PLC clients will share the proceeds of subrogation recoveries according to an undisclosed formula.

AMPICO decided it was better strategy to focus on the materials defendants "whose negligence was blatant and stark" in the property damage rather than to sue the broad spectrum of defendants, explains Tom H. Foulds, a partner in the Seattle firm of Foulds, Felker, Johnson & McHugh Inc., which represents AMPICO.

The suit brings six charges against most defendants including negligence, violation of the 1982 Consumer Protection Product Safety Act, strict liability, fraudulent concealment and fraud on the market and two counts of breach of implied warranty.

This is one of the first lawsuits brought on the basis of the 1982 Consumer Product Safety Act, which requires manufacturers, distributors and retailers to notify the Product Defect Correction Division of the Consumer Product Safety

Commission that a "consumer product contains a defect which could create a substantial risk of injury to the public."

"We tried to be fairly specific in making our claims against each defendant," said Mr. Foulds.

For example, the lawsuit charges that plastic pipe manufactured by Apache Plastics Inc. generates dense smoke, noxious fumes and toxic gases and melts and flows into a flaming liquid that spreads fire. Investigative evidence shows that this liquid dripped flame down on whatever was beneath it, said Mr. Foulds.

Simpson Timber Co.'s acoustical ceiling tiles "were defective because they were not non-combustible, did not contain a sufficient quantity of fire-retardant chemicals (and) had an excessively high rate of flame spread under actual fire conditions," the suit says. In addition, the tiles allegedly had an erroneous flame-spread classification printed on them.

Essex Chemical Corp. made the adhesive material used to fasten Simpson's tiles to the casino ceiling.

More than 20 tons of it was used throughout public areas of the hotel, says Mr. Foulds.

"The (adhesive) material was defective because it easily ignites, and burns with an excessively high rate of heat release and flame spread, and generates dense smoke, noxious fumes and toxic gases," according to the suit.

Since the adhesive cannot withstand fire temperatures higher than 800 degrees Fahrenheit, it broke down during the fire, permitting flaming wood fiber acoustical tiles to rain down from the ceiling, said Mr. Foulds.

Other defendants manufactured or supplied the Las Vegas hotel with acrylic mirrors, paint, vinyl wallcoverings, vinyl-coated upholstery fabrics or plastic foam or simulated leather used in booths and other furniture.

They include Rohm & Haas, Olson Glass Co. Inc., General Tire & Rubber Co., Sav-Mor Upholstery Supply Co. Inc., Columbus Coated Fabric Inc., Paint & Coatings Corp., Lewis Industries Inc., Shelby Williams Industries Inc., LaFrance Industries Inc. and Uniroyal Inc.

Duo-Flex Corp. installed, but did not manufacture or supply, the acoustical ceiling tiles. Hydro-Air Equipment, doing business as Lanco Inc., manufactured or supplied guest room ventilation units used in the hotel.

These units "drew smoke, noxious fumes and toxic gases from the hallways into the guest rooms on the upper floors of the MGM Grand Hotel, thereby causing considerable property damage," says the suit.

Besides AMPICO, other MGM Grand Hotel property insurers at the time of the fire included: Mutual Fire, Marine & Inland Insurance Co. for \$2.5 million; Pine Top Insurance Co. and Puritan Insurance Co. for \$7.5 million; Lexington Insurance Co. for \$15 million; Northbrook Excess & Surplus Insurance Co. for \$2.5 million; and Holland-America Insurance Co. for \$22.5 million.

Above AMPICO's \$125 million layer excess of \$50 million was a \$40 million layer underwritten by INA to complete MGM's \$215 million property and business interruption package (BI, Dec. 1, 1980). ■

Agents' group introduces umbrella liability form

Continued from page 2

year. One will keep the current occurrence coverage trigger but will simplify and modernize the wording. The other will be a completely new claims-made form.

Mr. Kasyjanski says the IIAA's proposed umbrella form will also be revised when ISO completes its project. The current IIAA proposal also uses an occurrence trigger.

"We had to be realistic in our design," he explains. "It is still unclear when ISO will complete its new form or exactly what changes will be made. In order to go ahead with our project, we had to use the information available to us."

One of the most interesting features in the IIAA policy to be released this week is the elimination of such standard insurance terms as "self-insured retention," and "ultimate net loss."

In the insuring agreements portion of the policy, for example, the IIAA sets a standard \$10,000 retention for bodily injury, personal injury, property damage and advertising injury coverage rather than allow a variable retention to be established in the policy declarations.

"This does away with the need to refer back to the declarations to find out the amount of the retention," says the IIAA explanatory

notes provided with the advance policy. "The figure of \$10,000 is incorporated in the insuring clause since this is the most common self-insured retention in use. It is felt that in cases where a different deductible is negotiated, this can be handled by an endorsement."

The policy also attempts to clarify when the umbrella insurer will investigate and defend claims.

"A simple trigger is provided—when no other insurer is obliged to defend the insured," the policy notes explain. "This takes care of the situation of providing defense when the insurer of the underlying insurance has paid its limits and is no longer required to provide defense. When the insurer is prevented by law from defending, the insured will be reimbursed for such costs."

Most common umbrella liability exclusions remain, though some exclusions are modified in the new policy. Although the policy, for example, continues to exclude coverage for bodily or personal injury done to fellow employees, corporate executive officers are covered if the injury arises out of his or her employment.

War risks are also excluded, but the policy avoids such standard terms as "insurrection" and "rebel-

lion."

"These words have not been included because of the difficulty in distinguishing these from riots and merely local civil disturbances," the policy notes say. "We feel the proper intent is included in the words 'civil war or revolution.'"

Umbrella liability insurers contacted by BI were aware of the IIAA policy project, but had not yet seen the new policy. While the insurers—including Travelers Corp., Allstate Insurance Group, Hartford Insurance Group and St. Paul Fire & Marine Insurance Co.—were interested in the policy, they doubted they would totally adopt the form.

"I'm surprised the agents are this far along," remarks Ray J. McMa-

hon, senior underwriting officer at St. Paul Fire & Marine Insurance Co. in St. Paul, Minn. "We are interested, but it is unlikely we would use it. We just spent a year revising and simplifying our own umbrella form."

Mr. McMahon also doubts that the insurance industry in general will be quick to adopt the standardized policy. "ISO is still revising the CGL form, and umbrella policies will have to change to conform. It is unlikely insurers will adopt a new form knowing that it will soon have to be changed."

Agents, however, will probably prefer the IIAA policy form, he predicts.

"Certainly a standard form will be easier for agents to sell. They won't have to evaluate every insurer's policy when making recommendations. The IIAA policy may also provide some measure of errors and omission protection. If an off-the-shelf policy is generally recognized as complete, it is unlikely a client will be able to make claims for losses that fall through the cracks."

A spokesman for Allstate's commercial division, another large umbrella liability insurer, agrees.

"We have no plans to change, but we are willing to take a look. If there are some improvements in their form, we will consider incorporating them in ours," he says. ■

Transamerica Occidental offers small-employer health care plan

products & services

Transamerica Occidental Life Insurance Co. has introduced EconoMed, a major medical plan for employers with two to 100 employees that includes cost-containment incentives.

The standard deductible in the EconoMed plan is \$200 per insured employee and \$500 per family for each calendar year. Covered expenses are reimbursed at 80% for the first \$5,000, 90% up to \$50,000 and 100% thereafter per calendar year.

However, covered expenses under the plan are reduced by 50% of the standard semiprivate room charge on the first day of a hospital confinement.

The lifetime maximum under the EconoMed program is \$1 million.

Among the other cost-containment features included in EconoMed are:

- If an employee doesn't submit a claim for any calendar year, a \$50 credit toward the next year's deductible is applied.
- There is no deductible for the first \$100 of expenses incurred for a confirming second surgical opinion.

If the second opinion doesn't uphold the original diagnosis, the same benefit applies to a third opinion. When a second opinion is obtained for specific non-emer-

gency surgical procedures, the covered expense is increased by another \$100.

- Usual and customary outpatient surgical charges are reimbursed at a 90% rate and no deductible is applied.
- Pre-admission tests performed within seven days of hospital admittance are reimbursed at a 90% rate.

- For confinement at a convalescent hospital or nursing home within seven days of hospitalization, reimbursement under the plan is based on 50% of the average semiprivate room rate for hospitals in the area.

Transamerica Occidental also provides handouts, posters and payroll stuffers to help educate and notify employees about the EconoMed program.

The cost of the program is based on a variety of factors like number of employees, age and the type of industry of the insured group. The program typically costs 30% less than the average \$100 deductible and a \$2,500 coinsurance limit major medical program for small employers, Transamerica Occidental says.

For more details on the Econ-

oMed major medical program, contact your local Transamerica Occidental agent or broker.

Arson detection

The Fireman's Fund Environmental Laboratory now conducts arson analysis for municipal law enforcement and fire department investigators.

The lab, part of Fireman's Fund Insurance Cos.' loss-control department, tests debris and air samples from a suspected arson. Those tests are used to check for accelerants and other substances that might contribute to a fire.

The arson testing is done on a fee basis for government entities. A gas chromatography test costs \$45; a gas and mass spectrometer test, \$200.

Other more extensive tests or combinations of tests can be performed.

Discounts are available for multiple tests.

For further information, contract Loss Control, Fireman's Fund Risk Management Services, 1600 Los Gatos Drive, San Rafael, Calif. 94911; 800-227-0765; in California, 1-800-227-5889. ■

insurance services guide

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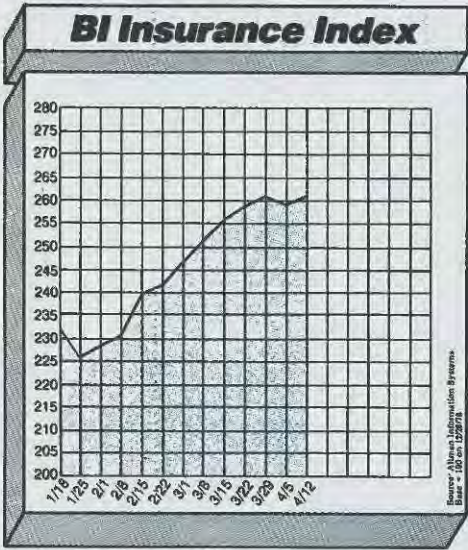
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Insurance industry stocks rebounded after a one-week skid as the *Business Insurance* stock index rose 1.5 points to 260.9 on April 12 from 259.4 the previous week. Twenty-seven issues posted gains, 23 stocks declined and 14 were unchanged. The leading gains were tallied by Fremont General Corp., 15.0%; Mission Insurance Group Inc., 10.1%; Jefferson National Life Insurance Co., 7.7%; Integrated Resources Inc., 7.4%; and Employers Casualty Co., 6.3%. The largest declines were suffered by Optimum Holding Corp., 9.9%; American Indemnity Financial Corp., 7.7%; Old Republic International Corp., 3.7%; Northwestern National Life Insurance Co., 2.8%; and Combined International Corp., 2.6%. The *BI* index gained 0.6% during the period, less than the major market averages.

British Issues

12 Apr Companies	Price	P/E	Div.	Yield	High—Low
Comm Union	146	44.2	16.86	11.5	146—142
Eagle Star	410	16.3	24.29	5.9	413—383
Genl Accident	424	13.5	24.29	5.7	424—402
Gdn Royal Exch	456	12.1	27.86	6.1	456—444
Phoenix	332	18.1	25.00	7.5	332—308
Royal	518	13.4	37.86	7.3	518—503
Sun Alliance	1187	16.3	68.57	5.8	1187—1037

Brokers	Price	P/E	Div.	Yield	High—Low
CE Heath	360	10.3	18.71	5.2	362—360
Hogg Robinson	106	8.2	8.57	8.1	106—104
JH Minet	133	12.1	5.43	4.1	134—131
Sedg Grp	254	14.5	10.00	3.9	254—242
Stenhouse Hldg	114	10.7	7.86	6.9	114—107
Stew Wrightson	265	9.6	20.43	7.7	265—260
Willis Faber	573	15.1	25.00	4.4	573—570

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

ISO reporting large bulges in loss ratios for liability lines

By BILL DENSMORE

MEDICAL MALPRACTICE claims are climbing toward the point where insurers will be paying out almost \$2 in losses for every \$1 of premium they collect, new figures compiled by the Insurance Services Office show.

The medical malpractice aggregate loss ratio, according to the ISO data, has risen steadily to 183.1% from 100.1% for the two years ending Dec. 31, 1982. This can be translated to the insurers paying out \$1.83 in losses for every \$1 in premium plus expenses.

However, these figures do not take into account the investment income that insurers earn on the reserves they set aside to pay claims. And, in the case of medical malpractice it can take as much as 15 years to close claims from a particular policy year.

Among the 12 commercial coverages ISO watches, only two—fire and allied property—show estimated loss ratios that could yield anything close to an underwriting profit for insurers. They are the only lines to show definite signs of a decline in loss ratios for the final quarter of 1982, although there is evidence of a stabilization of losses in commercial auto liability and physical damage and commercial multiperil.

The statistics on projected earned premiums and incurred losses for commercial property/casualty insurance lines are generated by ISO's Fast Track Monitoring System.

The system makes quarterly estimates of loss ratios based on a sampling of reporting insurers and then distributes those projections to industry executives as an "early warning" indicator of loss movements.

However, ISO stresses that these statistics are drawn from a limited sample of companies.

"The main thing to keep in mind is that the data is provided by a sample of companies, and the sample changes from quarter to quarter," says David E. Ostwald, a vp of corporate communications at ISO, the insurance industry's advisory rating organization.

Mr. Ostwald says that because the data are reported relatively quickly—within 45 days of the close of a quarter—and the numbers are just a sampling of all underwriting, "We

can't have too much confidence in the absolute values."

In effect, the monitoring system is like a public-opinion poll—indicative of swings and relationships among lines of coverage but not absolutely precise. The premium and loss figures submitted by the participating insurers, of course, are just a fraction of total underwriting in a given line.

With those caveats, the data released by ISO this month show generally that casualty lines continue to produce dramatically greater losses per premium dollar than property lines.

Here are highlights of the survey according to lines monitored:

- **Product liability:** Losses clearly are on the rise, but the movement has been erratic. During 1980, the product liability loss ratio rose to 71.5% from 63.6% but eased back to 68.0% at the end of the first quarter of 1981.

Underwriting then deteriorated quickly. The loss ratio surged 21 percentage points in just three months from April 1 through June 30, 1981. The rate of increase slowed for the rest of 1981 before a second huge hike of 24.7 percentage points in one quarter to 120.1% on March 31, 1982.

After easing again for two quarters, the loss ratio surged a third time in the last quarter of 1982, the survey shows, to an aggregate estimated loss ratio of 127.6% at year-end.

- **Owners and builders risks:** Both owners, landlords and tenants and manufacturers-contractors liability coverages are accumulating losses as fast as product liability and medical malpractice. But they started in 1980 at a lower base.

As a result, the Fast Track Monitoring data indicates, insurers of owners, landlord and tenants coverage had an estimated composite loss ratio of 105.1% at the end of 1982, up from 63.2% two years earlier.

Underwriters of manufacturers-contractors liability coverage experienced a 100.2% loss ratio at year-end 1982, up from 61.6% two years earlier, despite a fourth-quarter 1981 decline in loss ratio.

- **Composite-rated and other liability risks:** Composite-rated risks in the general liability category reached a loss ratio of 124.6% at year-end 1982. It rose 17.4 percentage points in the fourth quarter alone. It had

been 90.3% at March 31, 1982. With the exception of a 1.1 percentage point drop in the first quarter of 1981, the line's loss ratio has risen rapidly for almost 2½ years.

The all-other general liability grouping finished 1982 at 104.3% after two quarters of relative stability in the 90% range.

The only bright liability light, from the insurers' perspective, is in the commercial auto liability line—and it is a low-wattage bulb indeed. The estimated ISO loss ratio for that line dropped 0.7 of a percentage point in the final quarter of 1982 to 102.6%. The change is too small to be statistically significant. But it comes after 2½ years of steadily rising estimated loss ratios.

- **Fire and allied property:** On the property side, the picture for insurers is considerably brighter. Among the five property coverage categories checked by ISO, all appear to be showing evidence of a decline in loss ratio.

The best evidence of this is in the commercial fire line, where ISO estimates insurers finished 1982 with a loss ratio of 44.0%—or 44 cents worth of losses for every \$1 of premium collected. With expense ratios running anywhere from 25 cents to 35 cents per \$1 of premium, insurers are making money on this line.

Surprisingly, the commercial fire business has been getting more profitable for insurers ever since the first quarter of 1981. At March 31, 1981, according to the ISO estimates, the fire loss ratio was 59.5%—15.5 percentage points higher than at the end of last year.

ISO's Fast Track system also shows an apparent dramatic improvement in the loss ratio for the commercial allied property line at year-end. This line zigzagged from a 48.1% loss ratio at the beginning of 1980 to 56.8% at March 31, 1982. Then it soared over two quarters to 68.7% at Sept. 30, 1982. But by year-end 1982 it was back down to 56.7%, probably a profitable level for most insurers.

- **Auto physical, farm and multiperil:** In three remaining property lines, insurers would probably like to see some improvement in loss ratios, but they aren't hemorrhaging at present.

The ISO estimates for commercial auto physical damage show a gradual rise in loss ratio to 75.7% by Sept. 30, 1972, from 66.3% at the beginning of 1980. In the final quarter of 1982, however, the ratio dropped 0.6 of a percentage point to 75.1%. However, there was also a similar slight drop in 1980, thus a continued gradual rise seems likely.

Likewise, loss on commercial multiperil policies are estimated to have produced an aggregate loss ratio of 76.0% at year-end 1982, essentially flat for the final quarter and up moderately from 68.0% a year earlier. At the start of 1980 the figure was 58.5%.

Finally, the ISO figures show farm losses at 84.1%, down from 85.4% on June 30, 1982. Prior to that, farm losses had produced a rising loss ratio except for one quarter in 1981. ■

BI Industry Stock Report

APR. 12, 1983										4/6/83 THRU 4/12/83										APR. 12, 1983										4/6/83 THRU 4/12/83									
Insurance Cos.																																							
		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)			Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)			Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)										
Aetna Life & Cas Co	NYSE	39.00	2.3	6.7	2.64	6.8	39.00	38.00	798.6	Travelers Corp	NYSE	30.50	2.5	8.3	1.80	5.9	30.50	28.88	872.2																				
American Bankers Ins Group	OTC	13.50	2.9	10.5	0.50	3.7	13.50	13.00	77.4	United Fire & Cas Co	OTC	31.50	-0.8	10.3	0.88	2.8	31.50	31.50	0.6																				
American Gen Ins Co	NYSE	66.25	2.9	9.0	2.20	3.3	66.25	63.75	685.8	United States Fid & Gty Co	NYSE	50.38	3.1	12.7	3.84	7.6	51.25	48.00	434.1																				
American Indty Finl Corp	OTC	21.00	-7.7	20.8	1.12	5.3	22.75	21.00	23.5	United Svcs Life Ins Co	OTC	20.25	0.6	6.1	1.00	4.9	20.25	20.00	15.4																				
American Intl Group Inc	OTC	91.25	5.2	13.0	0.55	0.6	91.25*	88.75	257.1	USlife Corp	NYSE	25.00	0.0	6.7	0.88	3.5	25.25*	25.00	102.7																				
American Natl Ins Co	OTC	18.63	0.7	7.8	0.84	4.5	18.63	18.38	53.8	Washington Natl Corp	NYSE	26.38	-0.9	12.7	1.08	4.1	26.88	26.00	95.4																				
American Sts Life Ins Co	OTC	27.50	0.0	7.8	0.88	3.2	27.50	27.50	0.1	Zenith Natl Ins Corp	OTC	19.75	-2.5	9.9	0.80	4.1	19.75	19.75	28.2																				
Aneco Reins Ltd	OTC	3.25	0.0	81.2	0.00	0.0	3.25	3.25	13.3	INSURANCE COMPANIES										AVERAGE																			
Aveco Corp	AMEX	15.50	-1.6	9.0	0.58	3.7	16.00	15.50	6.1											10.4																			
Banks Iowa Inc	OTC	42.00	0.0	11.7	1.52	3.6	42.00	42.00	4.3											3.8																			
Bitco Corp	OTC	38.00	0.0	6.7	2.00	5.3	38.00	38.00	18.2	Agents/Brokers																													
Carolina Cas Ins Co	OTC	7.25	0.0	10.7	0.32	4.4	7.25	7.25	1.2	Alexander & Alexander Svcs	NYSE	20.00	-5.3	0.0	1.00	5.0	20.00	19.63	558.5																				
Chubb Corp	OTC	58.38	0.0	9.7	2.92	5.0	58.38	57.38	106.1	Baldwin & Lyons Inc	OTC	41.50	0.0	7.5	0.80	1.9	41.50	41.50	10.3																				
Combined Intl Corp	NYSE	32.00	-2.7	10.8	2.00	6.3	32.63	32.00	119.9	Corroon & Black Corp	NYSE	26.38	1.0	12.6	1.80	6.8	26.63	25.88*	28.6																				
Continental Corp	NYSE	35.63	3.3	17.5	2.60	7.3	36.13	34.38	415.2	Crump E H Cos Inc	OTC	10.13	1.2	14.5	0.40	4.0	10.13	10.00	9.9																				
Crawford & Co	OTC	18.75	-2.6	14.0	0.57	3.0	19.25	18.75	4.3	Emett & Chandler Cos Inc	OTC	10.88	-1.1	0.0	0.00	0.0	11.00	10.88	2.8																				
Crown Life Ins Co	OTC	96.00	-1.0	6.3	3.10	3.2	97.00	96.00	0.3	Hall Frank B & Co Inc	NYSE	30.50	1.7	14.7	1.70	5.6	31.38	30.25	123.2																				
Employers Cas Co	OTC	38.00	6.3	8.0	1.20	3.2	38.00*	36.50	43.2	Integrated Res Inc	AMEX	47.00	7.4	13.0	0.00	0.0	47.00*	42.38	118.0																				
Equifax Inc	NYSE	30.88	1.2	15.1	1.40	4.5	30.88	30.38	22.9	Marsh & McLennan Cos Inc	NYSE	42.00	1.2	12.5	2.20	5.2	42.00	41.38	229.0																				
Excelsior Ins Co	OTC	11.00	0.0	0.0	0.70	6.4	11.00	11.00	4.4	Poe & Assoc Inc	OTC	6.75	0.0	63.1	0.40	5.9	6.75	6.75	6.9																				
Farmers Group Inc	OTC	42.25	1.2	11.5	1.36	3.2	42.25	41.75	229.2	Reed Stenhouse Cos Ltd	OTC	15.63	0.8	14.9	0.60	3.8	16.00	15.63	7.9																				
Foremost Corp Amer	OTC	48.50	0.5	15.4	1.24	2.6	48.50*	48.25	16.2	AGENTS/BROKERS										AVERAGE																			
Fremont Gen Corp	OTC	25.88	15.0	47.9	0.48	1.9	25.88*	22.63	335.7											14.3																			
Great West Life Assurn Co	OTC	188.00	0.0	15.3	10.00	5.3	188.00	188.00	0.0	Conglomerates/Holding Cos.																													
Hanover Ins Co	OTC	47.25	3.8	7.1	0.88	1.9	47.25*	45.25	12.1	American Express(Fireman's Fd)	NYSE	63.63	4.5	14.0	1.80	2.8	63.63*	59.63	1,799.3																				
Hartford Steam Boiler Insptn	OTC	51.00	3.0	11.3	3.00	5.9	51.00	49.50	17.4	Anderson Clayton(Ranger/Panka)	NYSE	31.25	-3.5	12.9	1.32	4.2	32.38	31.25	81.8																				
Jefferson Natl Life Ins Co	OTC	49.00	7.7	12.7	0.76	1.6	49.00*	45.50	16.2	Araco Inc	NYSE	18.50	0.0	0.0	0.80	4.3	18.75	18.13	417.5																				
Keapier Corp	OTC	41.25	-0.3	7.8	1.80	4.4	41.38	41.13	61.9	City Investing Co. (Home Ins.)	NYSE	31.13	1.2	8.6	1.80	5.8	31.50	30.38	442.8																				
Lincoln Natl Corp Ind	NYSE	49.75	-1.5	8.9	3.00	6.0	49.75	49.25	71.1	CNA Finl Corp (CNA)	NYSE	18.50	-2.6	7.6	0.00	0.0	19.00	18.50	103.1																				
Mission Ins Group Inc	NYSE	39.50	10.1	9.9	1.00	2.5	39.50*	37.00	187.2	Control Data (Comm. Credit)	NYSE	46.50	1.6	11.3	0.60	1.3	46.63	46.00	748.5																				
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	41.75	41.75	0.0	General Re Corp	NYSE	66.75	-0.7	14.3	1.28	1.9	66.75	65.25	283.6																				
Northern Natl Life Ins	OTC	35.00	-2.8	24.5	1.50	4.3	35.25	34.63	47.1	Gulf Utd Corp	NYSE	27.25	0.0	8.8	1.32	4.8	27.25	27.00	749.6																				
Ohio Cas Corp	OTC	48.38	-1.0	9.9	2.52	5.2	48.38	48.25	27.9	Cigna Corp	NYSE	47.75	-0.8	7.1	2.48	5.2	47.88	47.38	488.0																				
Old Rep Intl Corp	OTC	32.88	-3.7	8.4	0.92	2.8	33.50	32.25	187.2	ITT (Hartford Group)	NYSE	37.63	6.7	7.9	2.76	7.3	37.63	36.75	1,976.0																				
Orion Cap Corp	NYSE	23.38	5.1	12.4	0.66	2.8	23.38*	22.50	87.2	Optimum Hldg Corp	OTC	8.00	-9.9	7.7	0.00	0.0	8.63	8.00	9.2																				
Preferred Risk Life Ins Co	OTC	29.75	-1.7	8.0	1.00	3.4	30.25	29.75	16.9	Sears Roebuck & Co. (Allstate)	NYSE	37.25	9.2	15.1	1.52	4.1	37.25*	36.50	2,118.0																				
Provident Life & Acc Ins Co	OTC	60.50	0.0	8.4	2.60	4.3	60.50	60.50	26.1	Baldwin Utd Corp	NYSE	14.63	-3.3	7.0	0.88	6.0	14.88	11.50*	2,695.8																				
St Paul Cos Inc	OTC	68.38	-0.7	7.0	2.80	4.1	68.63	68.25	119.4	Teledyne Inc (Argonaut)	NYSE	147.00	2.1	11.6	0.00	0.0	147.00	145.13	605.3																				
Safeco Corp	OTC	52.88	-0.2	12.6	2.40	4.5	52.88	52.50	100.5	Transamerica Corp	NYSE	27.38	-1.4	9.6	1.50	5.5	27.50	27.00	316.9																				
Sri Corp	OTC	44.25	-1.7	8.9	1.12	2.5	45.00	44.25	76.8	(Occidental & Fred S. James)	NYSE	27.38	-1.4	9.6	1.50	5.5	27.50	27.00	316.9																				
Seibels Bruce Group Inc	OTC	22.50	-7.2	11.1	0.80	3.6	24.25	22.50	71.6	CONGLOMERATES/HOLDING COS.										AVERAGE																			
Statenman Group Inc	OTC	7.50	-1.6	5.5	0.15	2.0	7.75	7.50	67.9											12.0																			
Tokio Marine & Fire Ins Co	OTC	109.75	0.7	17.6	0.92	0.8	109.75	108.00	27.1											2.9																			
*Record high/low since Jan. 1, 1983																																							
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