

business insurance

update:
James President Burch to quit at end of 1981

CHICAGO—Fred S. James & Co. Inc. President William E. Burch is entering his last year as chief executive of the nation's fifth-largest brokerage, he told shareholders at the James annual meeting.

"When I took this job six years ago, I agreed to hold the position for five years and then return to the West Coast where

Continued on next page

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Poison feed breeds chain of suits

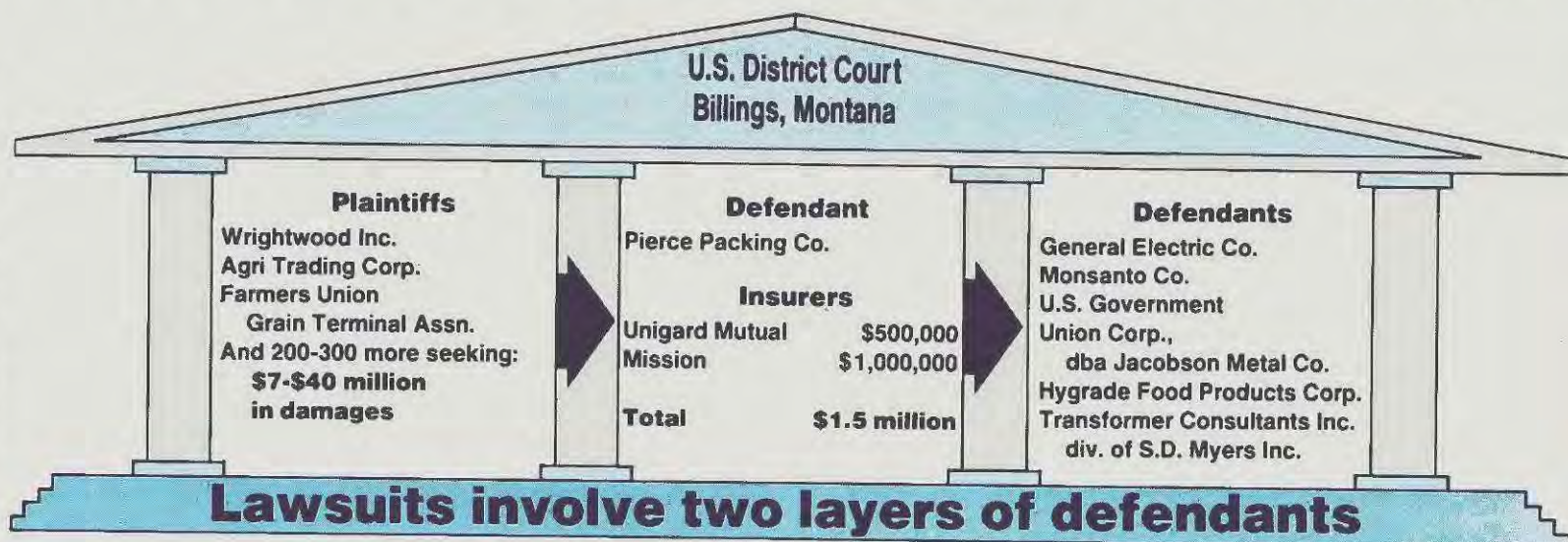
By RHONDA L. RUNDLE

BILLINGS, Mont.—A U.S. District Court judge is trying to untangle a chain of product liability litigation involving hundreds of claimants, two layers of defendants and insufficient product liability insurance.

The suits, bred by discovery 18 months ago that chemically contaminated animal feed was distributed throughout several Northwestern states (BI, Nov. 26, 1979), multiplied as the chief defendant without enough insurance looked for others responsible for the chemical accident and plaintiffs looked for defendants with more money.

Poultry farmers and other growers who used the poisoned feed are suing Pierce Packing Co., whose leaking transformer in a supply room contaminated the feed. They are seeking an estimated \$7 million to \$40 million for loss of their flocks, which were condemned by the U.S. Department of Agriculture.

Claims against Pierce Packing from more than 1,400 farmers who may have bought some of the poisoned feed are still being accepted by the court.



Pierce Packing Co. in turn is pressing a product liability action against General Electric Co. and Monsanto Co., manufacturers of the damaged electrical transformer that leaked toxic polychlorinated biphenyl (PCB) into the feed product.

Pierce Packing Co., a meat processor that furnishes inedible by-products to animal feed makers, is also suing the federal government

and three companies who previously owned or serviced the culprit transformer.

Pierce Packing claims that the Food & Drug Administration, the USDA and the Environmental Protection Administration failed to carry out their duties to quickly detect the contamination and to halt its spread.

Pierce Packing's \$1.5 million of product liability insurance isn't

enough to pay all claimants and is being held by the U.S. District Court in Billings. Unigard Mutual Insurance Co. underwrote the \$500,000 primary insurance policy and Mission Insurance Co. provided the \$1 million excess coverage.

"Since claims exceed dollars, Pierce Packing agreed the money should go to the court," said Hugh McGough, a Unigard attorney. Un-

igard's duty to defend was settled independently and the insurer is relieved of any further obligation, he added.

In addition to seeking recovery for dollar losses it will eventually sustain in payments to claimants, Pierce Packing is suing Monsanto, General Electric, Union Corp., doing business as Jacobson Metal Co., Hygrade Food Products Corp.

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Thieves robbing jewelers of riches, insurance market

By JOHN MAES

CHICAGO—Jewelers are losing their insurance market as well as their goods to a rash of burglaries and shopliftings.

The Jewelers' Mutual Insurance Co. of Neenah, Wis., is the first to respond to increasing underwriting losses on jewelers block policies that are forcing it to dip into its surplus.

The company, which has 6,500 to 7,000 policyholders, has placed a six-month freeze on all new sales of its jewelers block coverage in 11 high-crime areas and will raise rates and put stricter underwriting requirements on renewals.

Another major jewelry store insurer, St. Paul Fire & Marine Insurance Co., said its policyholders also face higher rates and tighter underwriting, but it does not plan any moratorium on underwriting jewelers blocks.

Lloyd's of London underwriters also are raising rates. "There definitely is a hardening of the market in this area," said Chris Bayleywest, director of jewelers block insurance for Alexander Howden Insurance

Continued on page 25

Firm, broker deny cheating insurer, bogus premiums

By LEN STRAZEWSKI

LYNDHURST, N.J.—A container-leasing firm, its former risk manager and its broker deny accusations leveled in two separate lawsuits of defrauding its previous broker and The Home Insurance Co.

The two suits detail the placement of cargo insurance by former insurance brokers named in lawsuits concerning the multimillion-dollar Sasse Syndicate losses at Lloyd's of London.

Interpool Technical Services, a Lyndhurst firm that leases non-refrigerated truck trailers called containers, allegedly misrepresented its loss history to The Home through New Jersey insurance broker Loudon French Ltd. to obtain vastly lowered physical damage insurance rates, according to a suit filed by The Home in California Superior Court of Orange County.

That suit also names Richard Marshall, president of Loudon French, as the main intermediary who communicated the loss history between the policyholder and insurer.

Mr. Marshall, according to the New Jersey Insurance Department, is not a licensed insurance agent in New Jersey under that name or the name of Richard Mamarella, which the Insurance Department and court papers say he also uses in business. Loudon French, however, employs some licensed agents.

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Photo: Mary Cairns

INSIDE:

Pension issue chokes
UMW contract settlement
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EPA approves self-insurance
for pollution liability coverage
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Cement workers' benefits may improve

LONESTAR INDUSTRIES Inc. employees will likely reap pension and dental plan improvements this year according to the terms of a contract tentatively reached earlier this month between 1,300 cement union workers and the Greenwich, Conn.-based company.

Over the next three contract years, starting May 1, the base pension multiplier will increase \$1 per year, bringing it to \$20.50 by the end of the new contract. This factor times years of service determines a worker's monthly pension, according to Thomas Balanoff, director of technical services for the United Cement, Lime, Gypsum and Allied Workers International Union in Chicago.

Retirees also will receive pension plan improvements as a result of the contract. For those retired as

benefit beat

of May 1, 1978, a monthly increase of \$5 will be implemented in the first contract year, \$5.25 the second and \$5.50 the third. Those retired before then will receive a \$15.75 monthly increase at the end of the three-year contract, he said.

The maximum yearly payment per person covered under the group's dental plan will also increase, to \$1,500 at the end of the contract, up from \$1,200 the first year and \$1,375 the second, he said.

Day-care savings

The Equitable Life Assurance Society has cut some child-care costs by 20% for more than 1,200

employees and agents.

Under the program launched earlier this month, Equitable has negotiated a 10% tuition discount at Kinder-Care Learning Centers Inc. and agreed to pay an additional 10% of tuition for participants, according to a spokesman. Workers in Atlanta, Albuquerque, N.M., and Columbus, Ohio, will be covered under the new program.

Arbitration

Demands for improved employee benefits, which prompted a three-day strike by 420 firefighters in Yonkers, N.Y., are in the hands of a state-appointed arbitrator.

Members of Local 628 of the Firefighters Union returned to work April 16, awaiting an arbitrator's award, expected by May 8.

Union demands include improvements in the clothing allowance and dental plan, according to Ken Spatta, union vp.

Health plans

Prudential Insurance Co.'s major coup in nabbing two major group health plans away from Colonial Penn Group Inc. of Philadelphia will be expensive for the loser.

Colonial Penn plans to offset the hefty loss with approximately \$26 million in pretax write-offs this year.

As of July 1, Colonial Penn won't have the 2.5 million-member health plans with the American

Assn. of Retired Persons and the National Retired Teachers Assns., two powerful organizations that share an administrative staff in Washington, D.C.

Prudential, which has been working for two years to get the retirement associations' insurance plans, stands to gain at least \$300 million in annual gross premium from the new account (BI, Oct. 6, 1980).

The insurance group's annual report says that it will charge off \$18 million for high marketing and administrative costs incurred in trying to retain its retirement organizations' plans.

Colonial Penn also will make a pretax write-off of \$8 million for deferred insurance acquisition costs, according to the company's annual report.

around the states

Kansas OKs tort reform; first in '81

TOPEKA, Kan.—Kansas has become the first state to approve a major product liability bill in 1981.

The measure (S.B. 165), which received final legislative approval this month, bars product liability suits against wholesalers and retailers unless the product manufacturer is bankrupt.

The legislation also makes it more difficult for plaintiffs to win product liability suits if the product in question conformed with legislative or regulatory safety standards.

Finally, in strict liability suits involving products more than 10 years old, a plaintiff will have to prove through a "preponderance of evidence" that the product was defective in order to establish liability.

Twenty-one other states have passed product liability reform bills since 1967.

Surplus insurers

JEFFERSON CITY, Mo.—Missouri Insurance Department officials have temporarily suspended the authorization of new excess/surplus lines insurers until the state's law is amended to spell out exclusion of non-admitted excess/surplus insurers from Missouri's Insurance Guaranty Fund.

Glen Jordan, chief examiner for the state Insurance Department, said state insurance regulators are "pretty sure" such insurers are excluded from the fund but they want to wait until the law is changed. "The law is just a little ambiguous and we want to make it positive," he said.

Phasing out

COLUMBUS, Ohio—Nationwide Insurance Co. has relinquished its license to sell insurance in New Jersey. The company's decision is part of a continuing slowdown of insurance operations due to mounting losses in that state.

The company is phasing out its auto, fire and commercial sales in New Jersey because of \$53 million in losses in that state in the last four years. Nationwide has failed to register a profit in New Jersey since it began operating there in 1952.

Nationwide has not sold insurance policies in New Jersey since 1977.

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THE PIONEER IN LITIGATION JOURNALS

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New York cities form group plan for E&O policies

By MARY ANN MATLOCK

ALBANY, N.Y.—The state Conference of Mayors has launched a program to provide one-stop liability insurance shopping for local government officials and municipal law-enforcement officers.

Underwritten by Republic Insurance Co. of Dallas, the program seeks to expand the insurance market for professional liability insurance available to the 492 municipalities belonging to the group.

There at least seven insurance markets underwriting or intending

to underwrite public officials' errors and omissions insurance (BI, March 16).

"We determined in keeping with the spirit of our association we ought to offer or endorse a policy for local officials who are not that familiar with insurance," said the conference's counsel, Donald F. Larson.

"Several years ago we became aware most public officials were not insured against suits that were becoming increasingly more popular—those against the individual."

Because of this erosion of immunity for government officials, "otherwise qualified people were not interested in getting involved (in politics) without this type of protection," Mr. Larson said.

So after more than a year's work with the Associated Risk Managers of New York State, which will administer the program through its 15 independent insurance agencies in the state, a program stressing loss control and affordability was developed.

"We felt there was a need for a cohesive approach," said Lawrence O'Brien, ARM's executive vp. "The available markets are relatively few, and one of the strong points of this program is the risk management aspect—working with sessions or specific programs to educate officials in terms of risk management."

The 15 independent agencies will be trained and responsible for dealing with individual municipalities for both insurance coverage and loss control. The law firm of Wilson, Elser, Edelman & Dicker will handle claims litigation.

Another advantage to the program, in which about 80% of queried municipalities have expressed an interest, is the power of collectively bargaining for rates, its advocates say.

"The fact that we represent a collective agency is an economic factor. It allows us to negotiate from a position of strength," Mr. Larson said. However, actual savings are often hard to project since an estimated 50% of the state's municipalities do not have these liability coverages now.

As an example of bargaining strength, Mr. Larson said that the minimum premium on the public officials' liability coverage is \$750, compared to minimums of \$2,500 for programs in other states.

Specific details of the public officials' basic policy as described in promotional brochures are:

- Premiums: a minimum of \$750 with actual municipal rates based on population, experience and risk factors; self-insured retention; from \$2,500 for small communities to \$20,000 for communities with a population more than 1 million.

- Limits: \$1 million aggregate each year, although higher limits are available upon request.

There are four basic plans available in the law-enforcement liability policy, with limits of coverage ranging from \$100,000 to \$1 million per person, and from \$300,000 to \$1 million per incident with aggregates of \$1 million.

Premiums will be based on the number of people in the department, the ratio of policy personnel to population, previous claims experience and training. Other than the standard \$100 property damage deductible, there are no required deductibles for municipalities with a population less than 150,000, while larger cities must have deductibles.

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THE TRAVELERS

editorial opinions

Less is more?

DON'T GET TOO EXCITED about re-trenchment at the Occupational Safety & Health Administration.

It's not clear that the Reagan administration-governed agency will relax safety rules. More important, it's not clear that all relaxed safety rules will benefit business or workers.

As much as we abhor overregulation, we are concerned that OSHA could now swing too far to the side of leniency. Even as champions of business, we know there are companies and management that have to be forced to spend money on safety.

Less OSHA regulation should be welcomed only to the extent that it cuts the costs associated with the bureaucracy of compliance, not for what can be saved by operating a more dangerous, dirty, noisy workplace. Savings from relaxing safety measures will pale in comparison with what companies will spend on increased workers compensation benefits now and in the future.

We're not talking about the height of hand-rails, a rather absurd subject for regulation. We're concerned about dangerous conditions, such as exposure to toxic substances. Consider, for example, OSHA's move to re-evaluate cotton dust and lead exposure standards.

There is danger that an administration eager to please business and remove profit-draining safety controls will go overboard and not issue strict-enough standards.

There is much disagreement among experts over what are safe levels of exposure to toxic substances. The prudent risk and safety manager will recommend protecting workers from potentially harmful substances to the fullest, not just to the degree OSHA mandates.

Our advice to business is to carefully analyze OSHA regulations for too lax a control as it has scrutinized former regulations for too tough a policy.

We would hope moral standards of protecting worker health and safety would induce business to maintain the safest possible work-

places, but sheer economics should convince employers to do all they can to protect workers from injury.

Business needs to recognize the potential liability for occupational disease claims, for example, that could be filed in years to come when workers exposed to OSHA-approved levels of harmful substances develop injuries. Just as compliance with government standards hasn't protected product manufacturers from liability for dangerous products, OSHA compliance will not protect employers from occupational disease claims.

As experts warned at the RIMS Conference earlier this month, occupational disease claims will be filed—and paid—more often in the future. No one is sure now how many occupational disease claims already are pending. In 1977, OSHA said 116,000 cases of occupational disease occur each year, resulting in lost work time and 2,000 deaths.

Business's only defense is to protect the worker in the first instance.

We know of businesses that already enforce stricter controls over exposure to toxic substances and other dangerous conditions than are imposed by OSHA. We urge all businesses to assess dangers in their workplaces, with the assistance of trained engineers and industrial hygienists, to establish what they consider to be the necessary controls to protect workers.

Business should let its workers and the public know it is policing its own workplaces above and beyond government mandates. Then unions, which are keeping vigil this week at the Capitol to protest OSHA's second thoughts on the cotton-dust standard, would not feel the health and safety of all workers are threatened by amended standards.

Regardless of what OSHA settles on as minimum health and safety standards, inaction by business to keep its workplaces safe invites an accident and workers compensation claim now, and occupational disease claims for years to come.

letters

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or sense. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

Missing captive manager . . .

To the editor: Our Bermuda office mailed the form requesting information about our captive management operations in plenty of time to make the March 3 deadline, but, unfortunately, the form must have gone astray.

We would appreciate the your including this information in a future issue:

Associated Company Management of Ebasco Ltd.

Airlie House, P.O. Box 1617, Hamilton 5, Bermuda; 809-292-0124

Year founded: 1970.

Parent company: Ebasco Risk Management Consultants Inc., Two World Trade Center, New York, N.Y. 10048.

No. of staff: 8.

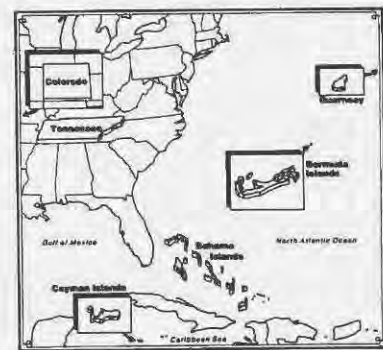
No. of captives managed: 7.

Other services: Computerized claims processing; claims reserve analysis; underwriting; loss control; captive audits.

1980 Gross revenues: Not reported.

Principal officers: Bruce H. Suter, president; Linda L. Dailey, director of company services/treasurer; Kenneth W. Richman, senior vp; Janette O'Hagan, assistant treasurer.

Michael A. Colin
Manager of client service
Ebasco Risk Management
Consultants Inc.
New York



. . . And yet another one

To the editor: I was disappointed that we were not listed in the recent captive issue in the list of management firms for captive activities (BI, April 6).

Scor Risk Management maintains a management company in Bermuda, Scor Risk Management (Bermuda) Ltd. and is establishing a sister management company in

the Cayman Islands under the name of Scor Risk Management (Cayman) Ltd.

We offer to our clients, existing and prospective, full captive management facilities both onshore and offshore in these domiciles.

Tom Miller
Scor Risk Management Inc.
Irving, Texas

Professionalism in Bermuda

To the editor: My compliments on your report on the Bermuda market scene in the April 6 issue. Except for the quotation "Who wants to write in this market?", I agree with your observations.

There was one aspect missing in print I was hopeful to see. Those students, mostly, Bermudian, who strived hard to achieve the Insur-

ance Institute of American exam qualification would have been most pleased to see that effort recognized as an example of the growing professionalism of the Bermuda insurance market.

Ken D. Biersaek
President
Ivanhoe International Ltd.
Hamilton, Bermuda

Vermont's captive law

To the editor: The April 6 article on Vermont's new captive law contains an error that could work to the detriment of Vermont in attracting this type of business.

The law will require that the captive maintain its principal place of business in Vermont and hold at least one board meeting in the state each year. We are not requiring

the "parent" to be located here, but only the captive company itself.

George A. Chaffee
Commissioner
Department of Banking
& Insurance
Montpelier, Vt.

■ Our April 13 story on the Vermont law also corrected the error.

Ratios are one and the same

To the editor: Your article "Check HMO's health before signing up" (BI, March 16) contains many valid comments from consultants. There was one comment, however, attributed to Dr. Michael J. Goran of Ernst & Whinney, that must have been misstated.

I have too high a regard for Dr. Goran and his firm to think that he would suggest the ratio of assets

to liabilities in an HMO should be 1-to-1. I am sure that what Dr. Goran actually said was that current assets should be at least in a 1-1 ratio with current liabilities.

Michael E. Herbert
Physicians Health Services
Trumbull, Conn.

■ In common parlance, it's one and the same, Dr. Goran says.

Punitive damages insurable

To the editor: I read with interest "Insurers fear rash of libel suits" (BI, April 6).

Mutual Insurance Co. Ltd. of Hamilton, Bermuda, insures more newspapers than any other insurance company in the field of libel. The statement that punitive dam-

ages are not insurable is wrong. The Mutual Insurance Co. insures every one of more than 2,600 entities against punitive damage awards.

Arthur B. Hanson
U.S. general counsel
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OSHA reconsidering lead-exposure standard

By JERRY GEISEL

WASHINGTON—The Occupational Safety and Health Administration will re-examine a 1978 standard that limits worker exposure to lead.

The reconsideration of the rule "will enable us to explore the utility of cost-benefit data" leading to "better, more responsible standards," said OSHA chief Thorne Auchter.

At the same time, OSHA filed a brief with the Supreme Court asking it to overturn an appeals court decision upholding the standard.

This is the second time this month that the administration is taking a new look at a worker health standard. The administration earlier said it will review a 1978 standard that limits exposure to cotton dust. (BI, April 13)

More reviews of worker health and safety standards are expected. A Feb. 17 executive order requires federal agencies to measure whether the costs of major regulations outweigh the benefits.

The cost benefit of the lead standard was not analyzed before it was issued in 1978. OSHA said federal law required it to seek the highest protection of workers' health.

The OSHA standard limits exposure to 50 micrograms of lead per cubic meter of air over eight hours. The previous limit was 200 micrograms of lead per cubic meter of air over eight hours.

washington

Last August, an appeals court ordered industries with the highest exposure—lead smelting, foundries and paint—to make immediate engineering changes to reduce lead levels in the workplace.

The Supreme Court, though, has stayed that part of the OSHA rule. But the required use of respirators by workers exposed to high levels of lead remains in effect.

Iran commission

President Reagan has named the three U.S. members of the international commission that will settle U.S. claims against Iran.

Appointed were District of Columbia appellate court Judge Malcolm Wilkey; Los Angeles litigation expert Richard Mosk of Mitchell, Silberberg & Knupp and Howard Holtzmann, an expert in international and arbitration law and a partner at Holtzmann, Wise & Shepard in New York.

The claims commission was set up last January as part of the U.S.-Iranian agreement that freed the 52 American hostages held in Iran.

The United States and Iran are to name three members to the panel. Panel members then will select three neutral members.

U.S. citizens and companies have filed about 3,000 claims against Iran. The commission has an escrow fund of \$1 billion to settle claims it decides are valid.

Agent Orange

WASHINGTON—There is no scientific evidence to justify banning the traditional uses of the herbicide 2,4,5-T, an ingredient in the defoliant Agent Orange used during the Vietnam conflict, according to a study.

No convincing link has been revealed "between the traditional domestic use of 2,4,5-T and any illness in humans," the American Council on Science and Health study reports.

"There is no evidence that, when used properly, 2,4,5-T causes miscarriages or birth defects in human beings," said Elizabeth Whelan, executive director of the council.

The report, though, did not examine claims by Vietnam veterans that exposure to Agent Orange caused cancer, birth defects and other disorders in themselves and their children.

"Because of a lack of scientific evidence concerning the use of Agent Orange in Vietnam in amounts to which servicemen were exposed, our study focuses only on health effects that might arise from 2,4,5-T use here in the U.S.," Ms. Whelan said.

The Air Force, though, is comparing the health of 1,100 military pilots who flew the C-123 cargo planes that carried Agent Orange and about 1,800 other military personnel in its so-called Ranch Hand study. (BI, Dec. 15, 1980)

More than 1,000 American veterans are suing the manufacturers of Agent Orange. They say exposure to the chemical has caused a variety of disorders, including cancer.

The Environmental Protection Agency currently is holding hearings on whether to ban all domestic use of 2,4,5-T.

Toxic chemicals

The Occupational Safety and Health Administration is seeking

public comment on how laboratory workers can be better protected against hazardous exposures to toxic chemicals.

OSHA says it needs the information to decide what regulatory approach would most effectively assure the health of lab workers.

Among the issues on which OSHA is seeking comments are:

- Is environmental monitoring the best method to protect lab workers or would an alternative, such as mandatory work practices, be more effective?

- In what type of laboratories should OSHA's guidelines or regulations apply?

Comments on hazardous labeling guidelines should be sent to Docket Officer, Docket No. H-150, Room S6212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210.

The deadline is July 15.

Pension suits

The Labor Department has intervened in two lawsuits to back the Teamsters Central States Pension Fund's denial of \$67 million in loans and fees to Morris Shenker, a Las Vegas casino operator, and a company he owns.

The department intervened in the suits brought against the fund by Mr. Shenker and I.J.K. Nevada Inc., a Las Vegas holding company. The fund is one of the largest multiemployer pension plans in the nation.

In one suit, Mr. Shenker seeks \$50 million for services that he says he gave during a 1973-74 estate settlement. In the other suit, I.J.K. charges that the fund promised to lend it \$17.1 million in October 1974.

I.J.K. later agreed to drop the 1974 loan agreement in favor of a \$40 million loan from the fund to M&R Investment Co., a subsidiary of Dunes Hotels & Casinos Inc. I.J.K. owns 34% of Dunes.

When a U.S. District Court ruled last year that the \$40 million loan was illegal, I.J.K. sued the fund for payment of the original \$17.1 million loan.

The department is supporting the Teamsters fund's position that neither Mr. Shenker nor I.J.K. are entitled to payments.

The department said Mr. Shenker has no legal claim to \$50 million for his services and paying him would not be in the interests of the fund. The department opposes the \$17.1 million loan to I.J.K. because I.J.K. owns one company whose subsidiary contributed to the pension fund for its employees.

ERISA bars the lending of pension plan money to organizations related to a contributing employer.

Annual report

Copies of the Pension Benefit Guaranty Corp.'s annual report for fiscal 1979 are available.

The report records PBGC's activities during the fiscal year and includes combined financial statements.

Free copies may be obtained by writing the PBGC Public Affairs Staff, Suite 7100, 2020 K St. N.W., Washington, D.C. 20006.

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INA establishing new energy unit

PHILADELPHIA—The Insurance Co. of North America is forming a special unit to support energy development with comprehensive insurance coverages and risk management services.

One of the first assignments for the new INA Energy Insurance Group is underwriting of workers compensation and general liability coverages on the Alaska section of the planned U.S.—Canadian natural gas pipeline.

The coverage will be written on a modified paid-loss retrospectively rated plan that is self-rating and self-pricing. INA already has loss-control and claims personnel in Alaska to service the existing oil pipeline.

INA's Energy Insurance Group will coordinate the company's existing risk services and coverages with the ongoing development of new capabilities required for the energy industry, company president John R. Cox said.

He emphasized that INA already provides property, casualty, business interruption and builder's risk coverages for fossil fuel and hydroelectric generating installations, pipelines, coal-mining equipment, storage depots and other energy-related activities and facilities.

INA also provides a wide range of services including claims handling, cash-flow administration and loss control. It owns Petroleum Insurance Inc. in Houston, which operates as the managing agent for a pool of reinsurers and provides underwriting capacity on a quota share basis for property risks in the petroleum and petrochemical industry.

Arthur H. Liebelt has been named president of the INA Energy Insurance Group. Mr. Liebelt will also continue as executive vp and manager of all property lines for INA Underwriters Insurance Co.

New business

Underwriting manager Baccala & Shoop is representing two Hartford Insurance Co. subsidiaries: Twin City Fire Insurance Co. and Nutmeg Insurance Co.

The excess and special risks underwriting facility, owned by Corroon & Black, has authority to underwrite property and casualty excess, surplus and special risks for eight insurance companies at the present.

Twin City is an admitted insurer; Nutmeg is a newly formed nonadmitted insurer for surplus lines business.

Baccala & Shoop also underwrites unrelated risks for the captive insurance companies of Gould, Firestone and Sunbeam.

Its 1980 premium volume generated by 12 offices around the country was \$120 million on primarily major industrial and commercial accounts.

Acquisition

Horan, Goldman & Co. of Maryland has acquired the business previously handled by Montgomery General Insurance Agency Inc. of College Park, Md., said William Goldman, president of Horan, Goldman Cos.

Mr. Goldman said the acquisition underscored Horan, Goldman's commitment to growth in the metropolitan Washington, D.C., area.

Persons who have used the facilities of Montgomery General Insurance Agency's office in College Park are now advised to contact Harry Landers, vp, Horan, Goldman & Co. of Maryland, 414 Severn Building, 8600 LaSalle Road,

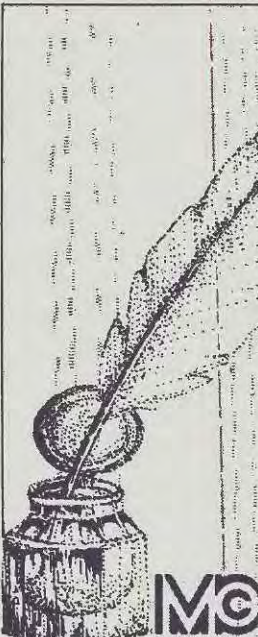
markets

Baltimore, Md. 21304; 301- 821-5900.

Regional office

Pharmaceutical Card System Inc. of Phoenix, Ariz., will open an office in the Washington, D.C., area.

Headquartered in Phoenix, PCS, a subsidiary of Foremost McKesson, is an administrator of health-care benefit plans. It also has regional offices in White Plains, N.Y., Walnut Creek, Calif., Toronto and Puerto Rico.

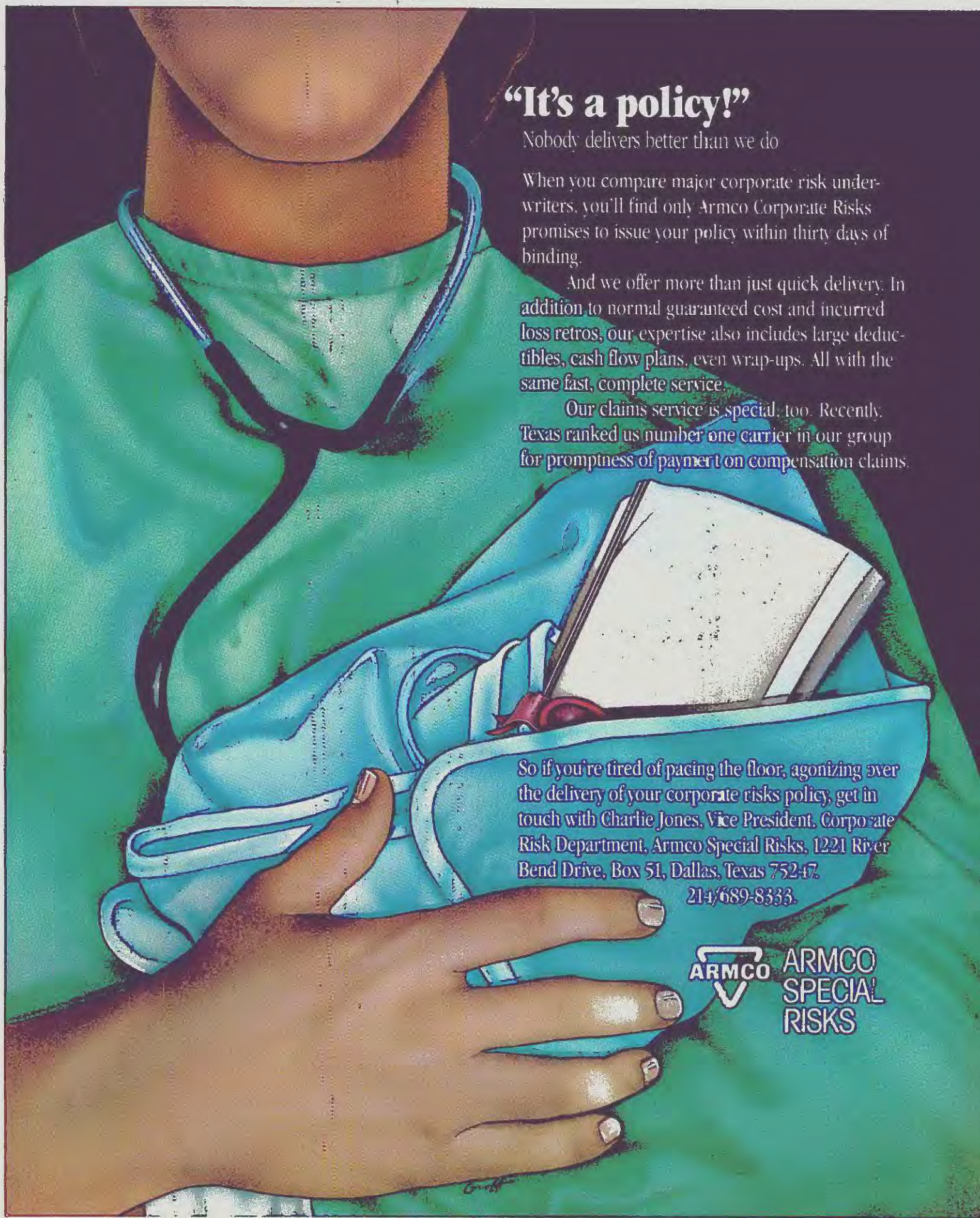


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Allegheny names Hackenburg vp

Allegheny International in Pittsburgh has promoted **P. Richard Hackenburg** to staff vp of risk management and realty services. Before this promotion, he was assistant treasurer and risk manager. Mr. Hackenburg, who reports to F.F. Babb, vp and treasurer, also has worked for Westinghouse. He has a bachelor's degree in business administration from Westminster College and a CPCJ designation.



Hackenburg

comings & goings: buyers

Wickes Companies Inc., based in San Diego, has promoted **M. Douglas Fisher**, 34, to the newly created position of insurance and risk manager. Mr. Fisher, who reports to Senior Director J.E. Morton, previously was insurance supervisor at Wickes, joining the company in January 1980. That position is vacant. Mr. Fisher will be responsible for the development and administration of the property/casualty insurance programs. He has a bachelor's degree from Ohio University and has completed courses in risk management.

Manufacturers Hanover Trust Co. in New York has named **John K. Hahn** assistant vp in the risk management and insurance department. Mr. Hahn, who reports to William J. Haggerty, vp and officer in charge of the risk management and insurance department, was formerly a risk manager at Plessey North American Corp. in Melville, N.Y. He has more than 20 years experience in insurance and related fields.

Tishman Realty Construction Co. Inc. in New York has named **Frank Viollis** assistant director of insurance to replace Diana Terenzoni, who has left the company. Mr. Viollis, who reports to Director of Insurance Lee Rosen, was previously an account executive for Corroon & Black. He has a bachelor of arts degree from Waynesburg College.

Ralph Canglosi, formerly employee benefit administrator at Kennecott Corp. in Stamford, Conn., has joined the American Management Assn. in New York as manager of insurance benefits. Mr. Canglosi, who reports to Floyd DeAngelo, manager of benefits, has extensive experience in group insurance. Before joining Kennecott, he was a benefits and compensation analyst at Sunshine Biscuit Co. and also worked at Metropolitan Life for more than 10 years. His replacement at Kennecott has not been named.

Berry Griffin, 54, former director of corporate risk and benefits at Baker International, is joining West Coast-based risk management consultants Warren, McVeigh & Griffin. **James E. Goode** is the new director of corporate insurance for Baker, which is moving its corporate offices from California to Houston, as previously reported.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., New York, N.Y. 10017 or call 212-986-5050. We'd also like to receive pictures of people.

CPCU review

BLOOMINGTON, Ill.—A review day for candidates for the national Chartered Property and Casualty Underwriter's examination will be May 16 at Illinois Wesleyan University's Sherff Hall.

Sessions for parts 1, 4, 6, 8 and 10 will begin at 7:30 a.m.

Contact Steve Junghans, One State Farm Plaza, Bloomington, Ill. 61701. The fee is \$6.50.

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Police may compensate for riot damage in Brixton

By STACY SHAPIRO

LONDON—Bombs and bricks are being replaced by insurance inspectors' measuring sticks in the aftermath of the riots in Brixton.

Both the borough of Lambeth Council and local shopkeepers could be compensated for property damage here by the Metropolitan Police under the Riot Damages Act of 1886, says I. Willett, superintendent of fire claims for Municipal Mutual Insurance Ltd., the council's property insurer.

"Anybody, including the local authority, can claim to the police (under the act), Mr. Willett said.

A claim from an officially declared riot—as is the case in Brixton—must be filed to the Metropolitan Police within 14 days of the incident. But no one is sure if that period begins at the start of the riot or at the time the damage, he explained.

"We'll probably have legal counsel anyway," said Mr. Willett, who said his insurance company also will seek compensation from the police.

But the police usually do not pay too much too quickly, a spokeswoman for the Lambeth Council said. During the Southall riots a few years ago, only 300 pounds was paid out, and no money has been distributed under the riot act for last year's Bristol riots, she said.

The council, however, will apply to the police for compensation for damaged commercial property owned by the borough because insurance doesn't cover commercial property for riots, she said.

Damage to private and public property probably will cost around 4 million pounds, a Lambeth Council spokesman said. This included nine properties that were demolished, five that were gutted and 10 that were severely damaged during the five days of rioting.

Officials have blamed the rioting on an overabundance of police in the area and a high jobless rate in the district. At least 207 people were arrested and 149 people were injured, but there were no fatalities.

So far, Municipal Mutual has been notified by the Lambeth Council that a couple of insured housing units and district offices were damaged, Mr. Willett said.

The company insures the council's housing premises and general offices on a blanket property damage policy with no deductible and no limit, Mr. Willett said.

Product extortion

A company can insure under a fictitious name when it purchases product extortion insurance from the Stewart Wrightson Insurance Broking Group.

"The policy has a condition that all reasonable efforts be made to not disclose the existence of insurance," a company newsletter says. "The placement of this insurance can actually be made under a fictitious name as is the case with kidnap/ransom."

The policy, which covers reimbursement for extortion money paid out and the company's cost of recalling or destroying products threatened or contaminated, has been led by Lloyd's of London underwriter Cassidy Davis Ltd. since last year.

Serious cases of products extortion have occurred in the United States, Puerto Rico, the United Kingdom and the rest of Europe, the Lloyd's brokerage says.

In 1980, for example, Safeway stores on the West Coast in the U.S. received threats that pickles and

london line

teriyaki sauce stocked in the stores had been laced with cyanide. It was discovered that the concentration of cyanide was enough to kill a person in 30 seconds.

Loss control also is built into the cover to help manufacturers, wholesalers, importers and re-

tailers handling foodstuffs and pharmaceutical products to prevent such extortion and quickly stop it if it does occur.

The cover is available in the U.S. through Stewart Smith Cos., which is a part of the Stewart Wrightson International Broking Group. ■

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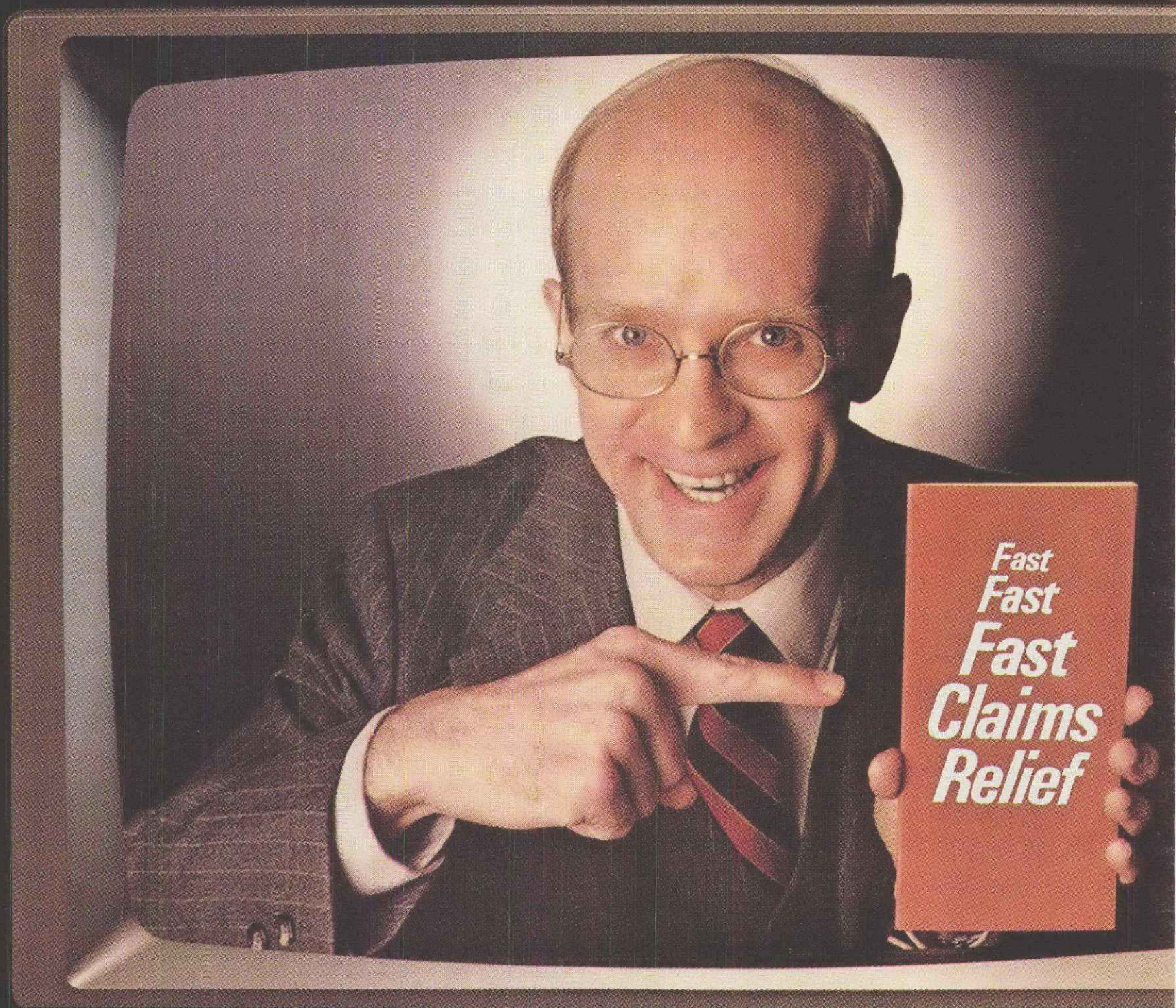
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perspective

Rent-a-captive

Old arrangement has new group advantages

By William B. Bierce

MANY MEDIUM-SIZED businesses and their trade associations can pave the way toward establishment of their own captive reinsurance companies by first establishing an offshore reinsurance broker

and "renting" an existing reinsurance company owned and operated by an unrelated party, such as a major U.S. insurance company.

The structure and operation of the "rent-a-captive" closely resemble those of a classic arrangement for a captive reinsurance

company. As in the classic case of an insured's use of its own captive reinsurer company, the insured pays its premiums to the locally qualified domestic insurer. After deducting its own fees, the domestic insurer retrocedes the risks to an offshore reinsurer, which is ordinarily the insured's captive.

However, with a "rent-a-captive" the insured incorporates an offshore brokerage instead of a captive reinsurer. During the rent-a-captive phase, the offshore broker receives commissions for its services as reinsurance broker for the reinsurer.

The amount and timing of payment of commissions may be agreed in advance or made within general terms as the reinsurer determines in accordance with its general business practices. Commissions could vary as a function of the reinsurer's investment experience (as with a cash-flow plan) and its underwriting income.

The principal advantage of the rent-a-captive lies in the ability of the insured to participate in the profits of the insurance business through an entity which is not currently taxed in the United States. This assumes, as for traditional captive offshore reinsurers established by trade associations, that the offshore company does not conduct its business in the United States and receives only income from non-U.S. sources and that its shareholders are not taxable under the Controlled Foreign Corporation tax rules.

It is advisable that the offshore company perform significant services customarily performed by reinsurance brokers, so that it will be respected as a separate operating business for U.S. tax purposes. In addition, U.S. securities laws must be respected, notably in the case of associations adopting this structure.

Having rapidly built its tax-free profits offshore, the captive broker may have sufficient capital to meet the minimum capital requirements (dictated either by prudent underwriting practices or local law) for

commencement of reinsurance underwriting activities. For example, local companies in Bermuda underwriting general insurance business (not including "long-term business" such as life insurance and annuities) must maintain minimum statutory capital and surplus balance of at least \$120,000.

Local legal requirements will govern how to make the transition from captive broker to captive reinsurer.

Under a governmental policy adopted by the Bermuda Monetary Exchange effective December 1, 1980, the underwriting, brokerage and insurance management functions must be performed by separate corporations. Hence, when a Bermuda captive brokerage firm sheds its cocoon to become a captive reinsurer, it must first change its corporate powers. Alternatively, its accumulated income might be transferred to its offshore parent with insurance power.

At the same time, U.S. legal requirements must be satisfied during the transition to avoid incurring unnecessary taxation and, for association captives, duplicative filings. This will require careful tax planning from the very beginning.

Such a structure can serve as a valuable alternative to traditional captive reinsurance.

For those policyholders who cannot divert capital from other sources to fund a captive insurer, this variation opens the door to eventual participation in the captive insurance business at minimal initial expense. Also, for those insureds who seek a better return on investment (especially in view of current high interest rates), the rent-a-captive structure offers a gradual approach to starting up a new business.

Finally, associations of small to medium-sized firms might wish to establish offshore captive brokers as a means of deferring many of the operational complexities and expenses of conducting an offshore captive reinsurance business. During the phase when the reinsurance broker is conducting its business for the initial participants in the program, additional subscribers may be solicited.



William B. Bierce practices international business law with Windels, Marx, Davies & Ives in New York City.

Risk management training is still necessary

Continued from previous page

use of captives and rising interest rates could prolong this situation for several years. In fact, an almost indefinite period of high competition in the industry is foreseen if interest rates continue to rise and captives continue to grow in number and sophistication.

It is said that if you ignore the past, you're doomed to repeat it. But past tightening of the market has occurred because of certain basic factors no longer present. Interest rates have never been as high. More sophisticated risk funding techniques developed during the last several years are providing alternatives for buyers seeking to decrease the overall cost of risk. If interest rates remain high and if legislation or other factors do not mini-

mize the effectiveness of captives, insurance companies must become aware that this situation may not reverse in the near future.

Many companies are now becoming aware of this. They are changing their underwriting attitudes and engaging in fronting activities along with sophisticated risk financing techniques. Also, agents are becoming more risk management oriented instead of remaining mere insurance representatives. In any event, dealing with this highly competitive market and the new, sophisticated techniques of risk financing is becoming increasingly important. That is why participation in continuing risk management and insurance education is also important.

The present situation will probably

exist for many months to come, indicating a need for seminars concerning cost as well as coverage factors. In the competitive market, cost is most important. If a buyer misses the opportunity to reduce rates while the market is competitive, overly high costs will prevail when the market tightens. Agents who don't learn this information lose business and become severely handicapped in writing new business. Insurance companies that are not sensitive to the situation will find their capacity and premium income declining.

For these reasons, insurance and risk management seminar organizations should not hit the panic button because registrations are down. As with any component of an ever-changing industry, these organizations must focus on current questions

and problems. It is relatively simple to find out whether a corporation has the proper coverage.

The topic of cost factors has often been neglected because a stable market is more concerned with coverage while a competitive or loose market is concerned with cost. The current economy requires a major shift in the philosophy of the insurance producer or company officer who has historically sought to maximize commissions by maximizing premium, whether they were justified or not. Management seminar organizations must also shift to these topics.

Don't let the competitive market halt your continuing education. This is the time when you can get the most valuable information for your dollar.

Budd new CEO of The Travelers

EDWARD H. BUDD, 47, president of The Travelers Corp., has been elected to the additional post of chief executive officer. Budd succeeds **Morrison H. Beach**, 64, who had been CEO since 1973 and who will remain board chairman.



Budd

Other insurer changes: **John Riley** and **Richard Rader** have been elected senior vps of SAFECO's property/casualty companies. **Lynn Huff** has been named vp and **Tony Borgess** has been named resident vp of SAFECO Insurance Co. of America. **Karl Kreitzer** has been named resident vp and **Ray Egan** has been named assistant vp of SAFECO's property/casualty and life companies. Also elected were **Scott Taylor**, vp; **Jim Ferris**, assistant vp; and **Brian Englund**, assistant controller of SAFECO Life Insurance Co. **George Palko** has been named assistant vp of SAFECO National Life Insurance Co.

Jack L. Burke named underwriting officer/commercial liability for St. Paul Fire and Marine Insurance Co. and **Joseph M. Mansur** named operations research officer/actuarial.

Patricia M. Sigler appointed claims manager of the suburban Chicago claims office of the John Hancock Mutual Life Insurance Co. in Schaumburg, Ill. **William M. Antill** named second vp in the group division at Massachusetts Mutual Life Insurance Co. headquartered in Springfield, Mass.



Sigler

Agents/brokers

Charles R. Hall has been appointed executive vp of Financial Guardian Group Inc. Mr. Hall is director of the Kansas City broker's national accounts division. Mr. Hall came to Financial Guardian from Alexander & Alexander in New York.

Burt N. Sempier, treasurer and chief executive officer of Johnson & Higgins since 1971, elected to the additional office of vp of the parent company in New York.

Joseph DeChristofaro named head of the new Boston international sales and marketing operation of Chicago-based Arthur J. Gallagher & Co.

Excess/surplus

Noel Higgitt has been named executive vice president of Baccala & Shoop Insurance Services. He was formerly vice president of operations.

John W. Colmer elected vice president of Victor O. Schinnerer & Co. Inc., professional liability insurance underwriters.



Higgitt

Michael M. Maglaaras has been elected vice president.

Other suppliers

R. Martin Richards has been named senior consultant at RIMCO Risk Management in Dallas. He

was vp of International Risk Management Institute. He will run a new hotline for clients and a new division designed to bring risk management services to the agent, RIMCO Agency Services.

Patricia M. Biederman elected secretary of Reliance Risk Management Inc. in Philadelphia.

Reinsurers

William S. Olsen has been appointed vp for treaty reinsurance and marketing with the National Reinsurance Corp.

Robert P. Irvan, vice president and actuary of AFIA Worldwide Insurance, named to head AFIA Re inward treaty operations.

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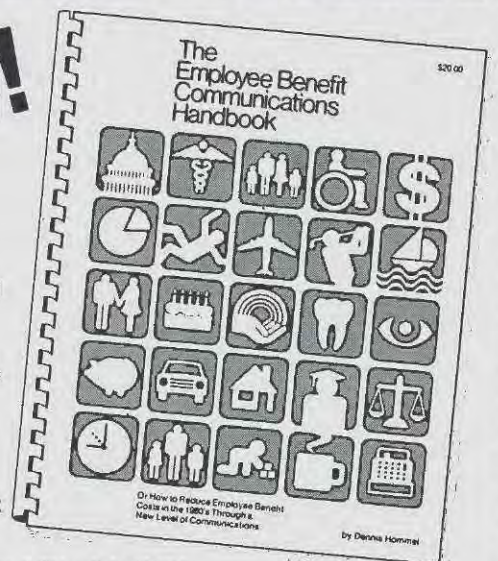
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22.

JUN 1

May 19

23. NEW YORK MARKET REPORT

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May 27

24.

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25.

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26. AGENT/BROKER PROFILES

JUN 29

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Chicago Insurance Co. (Interstate Group)
Chubb/Pacific Indemnity Group
Comstock Insurance Co. (Fremont)
Continental Insurance Co.
Crum & Forster Cos.
Delta Lloyds Insurance Co.
Employers Insurance of Wausau (Wausau Ins. Cos.)

Fireman's Fund Insurance Cos.
First State Insurance Co.
Gerling Global General Insurance Co. (Canadian)
Great American Insurance Cos.
Gulf Insurance Co.
Harleysville Mutual Insurance Co.
Hartford Insurance Group
Indiana Insurance Co.
Industrial Indemnity Co. (Crum & Forster)
Insurance Co. of North America
Interstate Fire & Casualty Co. (Interstate Group)
JEVCO Insurance Co. (Canadian)
Lexington Insurance Co. (AIG)
Lloyd's of London
Markel Insurance Co. of Canada (Canadian)
Mission Insurance Co.
New England Reinsurance Corp.
Ohio Casualty Insurance Co.
Pine Top Insurance Co.
Puritan Insurance Co.
Ranger Insurance Co.
Royal Globe Insurance Cos.
Unigard Mutual Insurance Co.
United Pacific/Reliance Insurance Cos.

Major defects, not easily corrected

Admiral Insurance Co.

American Home Assurance Co. (AIG)
American Mutual Liability Insurance Co.
Armco Insurance Group (includes Bellefonte & Compass)
Associated International Insurance Co.
Cincinnati Insurance Co.
CNA Insurance (Columbia Casualty and Transcontinental)
Commercial Union Assurance Cos.
Harbor Ins. Co.
Highlands Insurance Co.
Kemper Group
Midland Insurance Co.
Nationwide Mutual Insurance Co.
New Hampshire Insurance Cos. (AIG)
Northbrook Excess & Surplus Insurance Co.
Northwestern National Insurance Co. (Armco)
RLI Insurance Co.
SAFECO Insurance Co. of America
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Four umbrellas receive top rating

NEWPORT BEACH, Calif.—Four umbrella insurance policies are rated "best" in an analysis of 70 umbrella forms by consultants Warren, McVeigh & Griffin.

The analysis, published in the March 1981 supplement to The Umbrella Book, picks the basic umbrella liability policies offered by Allstate Insurance Co., Liberty Mutual Insurance Co., Gibraltar Casualty Co. and Northumberland General Insurance Co. as the best.

The Umbrella Book is a generally recognized reference tool for agents, brokers and risk managers negotiating umbrella policies.

Grades are assigned by Umbrella Book Editor James A. Robertson, CPCU, and Associate Editor Jonathan K. Fish after analysis and comparison of policies submitted by insurers and brokers.

Forms are evaluated on the basis

of three chief criteria, Mr. Robertson says. They are clarity of expression, number of policy restrictions and presence of ambiguities that could lead to coverage disputes with policyholders.

Following analysis, policies are assigned to one of the following categories: umbrellas with best overall coverage terms, umbrellas with minor correctable defects, umbrellas with easily corrected major defects and umbrellas with major defects not easily corrected.

A previous article on The Umbrella Book (BI, April 13), did not include the full list of the categories. The complete list is published above.

Both Allstate and Liberty Mutual forms were top-rated last year, but Northumberland General Insurance Co. and Gibraltar Casualty Co. are new to the consultants'

analysis. They earned a spot in the top group for clear wording and minimal restrictions.

Forms with minor defects that are listed in the second category can be corrected with extra care, Mr. Robertson says. The third group contains listings of forms whose major defects can be corrected by simple endorsements.

In the last category, however, the forms are so defective that corrections are impossible, Mr. Robertson says. Because of the difficulties in ironing out ambiguities in these forms, it is probably better to seek a less-restrictive, more-clearly worded umbrella from another insurer, says Mr. Robertson.

The Umbrella Book, published by Warren, McVeigh & Griffin at 1420 Bristol St. North, Newport Beach, Calif., 92660, costs \$150.

info

• Bayly, Martin & Fay has just published a summary of new **OSHA workplace noise standards**. For a free copy of the analysis and summary write, Samuel Alcorn, senior vp, Bayly, Martin & Fay International Inc., 3200 Wilshire Blvd., Los Angeles, Calif. 90010; 213-736-9831.

• Hewitt Associates' new brochure, **Paying for Pensions**, describes the pension funding process. For a free copy write Christine Seltz, Hewitt Associates, 100

Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

• Carnow, Conibear & Associates Ltd. has released two pamphlets. One describes its services in **occupational disease monitoring**, risk assessment and evaluation, medical surveillance, education, emergency service. The other details how the firm works in the area of **industrial hygiene**, follow-up and education. For free copies of the pamphlets write Carnow, Conibear & Associates Ltd., 20 N. Wacker Drive, Suite 810, Chicago, Ill. 60606; 312-782-4486.

• A new institution and service risks booklet from IRI discusses capabilities in providing **property insurance for nonmanufacturing facilities**. For a free booklet write Communications Dept., Industrial Risk Insurers, 85 Woodland St., Hartford, Conn. 06102.

• A new publication, "A Problem-Solving Organization," details the services available from the **Inland Marine Underwriters Assn.** This publication is free from Dora E. Rothman, Inland Marine Underwriters Assn., 14 Wall St., New York, N.Y. 10005.

• A new 1981 information booklet titled **For Better Benefits Management** describes some of the services, programs and publications of the International Foundation of Employee Benefit Plans. This free booklet is available by

writing IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

• The 1980 **EDP Institute Proceedings** are available from the International Foundation of Employee Benefit Plans. The cost to members is \$5 each, 1-4 copies, \$4.50 each, five or more; nonmembers, \$8 each, 1-4 copies, \$7.50 each, five or more. To order your copy write IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

• The proceedings of the **13th Annual Canadian Conference** of the IFEBP are now available. The book cost to members is \$6.50 (Canadian) each, 1-4 copies, \$6 each, 5 or more; nonmembers, \$11 each, 1-4 copies, \$10.50 each 5 or more. To purchase your copy write IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005.

• The Risk Management and Insurance Society has published a booklet entitled **"Risk Management,"** which traces the history of the subject. The booklet covers the basic concepts of risk management: risk identification, measurement and evaluation, control through reduction or elimination, and finance. Copies of the booklet are \$1 for 25 copies or less; 75 cents each for 26 to 100 copies; and 50 cents each for more than 100. Payment should be sent to Mitchell York, RIMS, 205 E. 42nd St., New York, N.Y. 10017.

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MAY 21-22. Hospital Risk Management Seminar in Traverse City, Mich., sponsored by the Michigan Society of Hospital Risk Management. J.C. Holland, secretary/treasurer, William Beaumont Hospital, 3601 W. Thirteen Mile Road, Royal

Oak, Mich. 48072; 313-288-7190.

MAY 27-28. Workers Compensation and Workplace Liability Seminar in Washington, D.C., sponsored by the National Legal Center for the Public Interest; \$250. J.J. Wuerthner Jr., NLCPI Conference coordinator, 1101 17th St. NW, Suite 810, Washington, D.C. 20036.

MAY 28. Vermont Special Insurer Act of 1981 Seminar in New York City, sponsored by the Risk and Insurance Management Society Inc. and Vermont Seminars Inc.; \$185 for members, \$225 for nonmembers. RIMS, Governmental Affairs Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292, ext. 17.

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About the authors

Bernard L. Webb, professor of actuarial science and insurance at Georgia State University, is a prolific author, a past editor of the CPCU Journal and a consultant to U.S. Government investigating committees. He has had extensive experience in the private insurance industry.

Claude C. Lilly III, associate professor of insurance, Florida State University, has written books, monographs and numerous articles, including an historical review of insurance regulation. He is editor of the CPCU Journal.

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Adjusters begin sifting through elevator debris

Continued from page 3

Although damage to the \$50 million facility have been estimated at 50% to 70%, "Until each building and structure is examined closely, that is only guess," Mr. Brakebill said. The final damage figure will be set through discussions between the port—represented by Mr. Brakebill—and the nine insurance companies that wrote the layered \$66 million all-risk property and business interruption policy that covers the port's assets (BI, April 20). The insurers are represented by adjuster GAB Services Inc.

The prime insurers are Holland America Insurance Co. with \$5 million, Houston General Lloyd's with \$5 million and Wetzel Co., which has a \$16 million package distributed as follows: Northbrook Excess & Surplus Insurance Co., \$5 million; Great American Surplus Lines Insurance Co., \$2 million; Employers Mutual Casualty Co., \$1.6 million; Lloyd's of London, \$2.8 million; and Lexington Insurance Co., \$4.6 million.

The additional \$40 million in excess insurance is divided among Northbrook, \$8.36 million; Employers Mutual, \$3.5 million; Lloyd's, \$7.7 million; Lexington, \$5 million; Northeastern Fire Insurance Co., \$5.44 million; and National Surety, \$10 million.

Four companies sent claims representatives April 16 to tour the elevator. They were accompanied by GAB adjusters, port officials and brokers from Alexander & Alexander, who put the insurance package together.

"They (the insurers) were there primarily for background, to find out what the problems are and the extent of damage done," said GAB's Jerry Martin, executive general adjuster from Kansas City. "They like to see who is representing them and talk to the people

"These people are experts in running a grain elevator and the rest of the port facilities, but are not experts in handling disasters."

accumulating data."

The insurers' representatives were gauging the damage so their companies can set aside sufficient reserves to cover losses as required by law, Mr. Brakebill said.

Mr. Martin and Mr. Brakebill are experienced in handling claims for damaged grain elevators. In fact, they worked together as adjusters following the 1968 explosion of another Port of Corpus Christi elevator that killed one man.

An adjuster's job begins moments after a loss occurs and ends only after the insurance checks are delivered, Mr. Brakebill said. Along the way, he helps solve problems to facilitate collecting the necessary information.

"These people are experts in running a grain elevator and the rest of the port facilities, but are not experts in handling disasters," he said. "They don't have the manpower to look in on one thing. That would mean letting the other important aspects of the operation go without the attention they deserve. That's why consultants and adjusters are called in."

The adjuster has to sift through major problems and assign priorities, Mr. Brakebill said. "Order must be established out of the chaos. Until you get a little order, you have to put one fire out, then move on to the next."

Some demand simultaneous attention. "People are the number-

one problem," he said. "Getting the men out, of course, is the first priority. You must concentrate on answering inquiries about the injured and dead. At the same time, a good security system needs to be established to keep spectators away or there could be liability problems."

A cutoff date for pulling together the elevator's business records must be set, and telegrams must be sent out immediately to notify grain owners of the loss so they can cover shipments, Mr. Brakebill said. "The grain that was destroyed or damaged already was sold. Owners need to buy more to fulfill their contracts."

Once immediate obligations are met, the adjuster can turn his attention to determining losses, he said. "The grain, buildings and revenue are all treated separately and simultaneously."

Efforts to remove grain from the elevator were being made during the insurance representatives' tour. Men suspended by crane cables used jackhammers and cutting torches to drill holes in the sides of bins. This served the triple purpose of putting out fires (by removing the fuel), emptying bins so they could be inspected for structural damage and salvaging the grain.

"We have to evaluate the structures, and we can't do that until the fires are out and the grain is out of the bins," Mr. Brakebill said. "When they are cleaned out and made safe, then we can bring in the experts."

The experts will find out what is wrong with each structure and piece of equipment and the stored grain from a technical standpoint, he said.

"Experts do not make insurance judgments," he said. "They give technical advice on whatever is necessary. This is then carefully evaluated. We may come up with a sudden need for an expert seven or eight months down the road. We don't know. We'll evaluate the need as we go along."

"You never know until the final adjustment how much the settlement will be," Mr. Brakebill said. "As long as you have a flow of data you have to re-evaluate the differences of interpretation between the insurer and the insured."

The port has its interests and the insurance companies have their interests, he said. "They have to come together in a final meeting of minds. This determines the final dollar."

Mr. Brakebill and Mr. Martin will negotiate on behalf of their clients.

"Mr. Martin is the eyes and ears of the insurance companies and they rely almost entirely on his expertise," Mr. Brakebill said. "I work for the port in the same capacity. We resolve differences, but the final decision rests with the port and the companies. We report to them."

Mr. Martin agreed. "Information is discussed with the companies constantly," he said. "They will decide jointly when an acceptable amount is reached. We advise them where things stand as we go along. They make the decisions." ■

Poison feed breeds chain of liability suits

Continued from page 1

and Transformer Consultants Inc., a division of S.D. Myers Inc., for \$25 million in punitive damages.

At least four separate actions involving parties to the Pierce Packing Co. case have been consolidated under the jurisdiction of the U.S. District Court in Billings.

This procedural arrangement appears to link Pierce's suit to those of other defendants it is suing. Claimants against Pierce Packing have in fact joined as intervenors in the action against the transformer manufacturers and former owners.

"There are all sorts of jurisdictional problems in this case," said Jay Ortiz, attorney for Monsanto Co., which manufactured the PCB chemicals used in Pierce Packing's electrical transformer. "We don't believe Pierce's products liability action filed against us should be part of the same lawsuit (as that of claimants against Pierce)."

Pierce's action against General Electric and Monsanto alleges that "the electrical transformer and the coolant fluid therein were unreasonably dangerous and defective in design and manufacture, containing concentrations of PCBs sufficient to cause hazard to human health and to cause damage to property."

"We think the chances that we have liability are extremely remote," Mr. Ortiz said. "We intend to vigorously defend the suit."

The hazards of PCBs have been greatly exaggerated, said Dan Bishop, director of environmental communications at Monsanto. "It is moderately toxic, not a human cancer-causing agent as has often been incorrectly reported," he stressed.

PCBs are the best product ever developed for use in electrical transformers, he said. They have a high flashpoint and low flammability and have been used to protect human life against fire. A number of transformers using PCBs are still legally in service.

Monsanto voluntarily stopped manufacturing PCBs in 1977 after the public indicated it didn't want to accept the risks perceived in the chemical versus its documented benefits, Mr. Bishop said.

There is no evidence that the poisoned feed ever caused injury to human health in this case, attorneys close to the litigation pointed out. "The suits are all about financial business losses," observed Joan Bernott, trial attorney for the U.S. Justice Department.

The Federal Tort Claims Act permits suits against the United States for normal torts but does not establish a duty to protect companies against business losses, Ms. Bernott said. "This is not an ordinary tort," she said. "Pierce Packing Co. is trying to create a new cause of action against the government for failure to regulate."

According to court documents, the best estimates of total losses to turkey, hog, chicken and other growers range from \$7 million to \$40 million. A more precise figure must await responses to interrogatories still in the initial stages, the attorneys in the case said.

Some of the claims have already been settled by insurers of intermediary suppliers in the feed distribution chain. Some growers and feed brokers are pursuing cross claims among themselves.

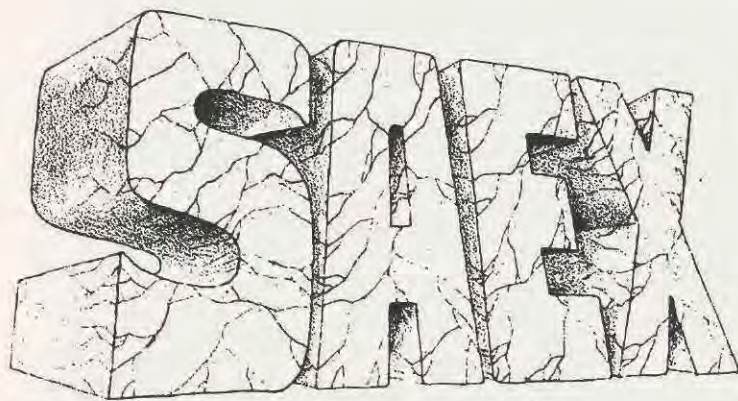
Judge James F. Battin has appointed a group of attorneys to represent the 200 to 300 claimants.

Attorneys for Agri Trading Corp. are coordinating all aspects of the litigation as lead counsel. Farmers Union Grain Terminal Assn. lawyers are overseeing the suits against Pierce Packing Co. Wrightwood Inc. counsel is working with Pierce Packing Co.'s attorneys on actions against other potentially liable parties.

More than 1,400 farms in Montana, Idaho, Oregon, Washington, Colorado, Utah and the Dakotas may have bought some contaminated feed. Claims against Pierce Packing are still being accepted by the court, although a cutoff will eventually be set.

The contamination was discovered in the fall of 1979 when the USDA turned up traces of PCBs in routine lab checks of Montana hens. The FDA and USDA followed a trail of purchase invoices back to Pierce Packing Co.

In an isolated supply room, the investigators found a damaged electrical transformer leaking coolant into the feed.

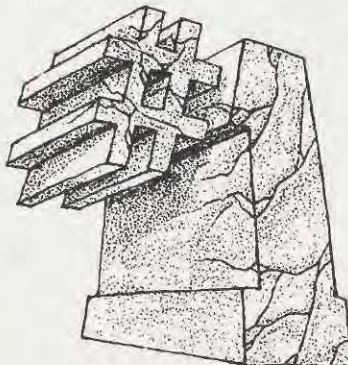


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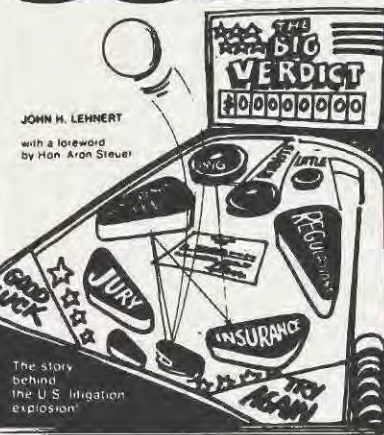


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High court to rule on Searle appeal

Continued from page 3

litigation, said his wife delayed filing suit because she was too depressed until 1974 to take action.

In addition, evidence that links ingestion of birth control pills to paralysis did not emerge until the late 1960s and early 1970s, Mr. Cohn said.

Searle denies its birth control pills are responsible for Mrs. Cohn's injuries.

Searle fought the Cohn suit, but a federal appeals court ruled that the tolling statute, which gradually is being removed in other states, did not violate the company's rights.

Searle argues that the statute violates the equal protection clause of the Constitution which bars arbitrary discrimination between persons or companies in similar situations.

While companies based or registered in New Jersey are protected from old product liability suits by the two-year statute of limitations, the tolling statute bars similar protection for out-of-state companies, Searle said in its court brief.

As a result, "Searle is forever barred from asserting the defense of the statute of limitations," the brief said.

To avoid an open-ended statute of limitations, Searle would have to register as a corporation authorized to do business in New Jersey. Searle would have to open an office in the state and be subject to state taxation.

"Such requirements impose upon a foreign corporation engaged totally in interstate commerce an unfair burden," Searle said.

"In effect, every foreign corporation transacting business in New Jersey must now take some affirmative action or be denied the benefit of the statute of limitations," Searle added.

But Mr. Cohn said the tolling statute is needed to protect consumer rights. "A plaintiff may

very well not know in which of the remaining 49 states to begin looking for a non-represented corporate defendant," he explained.

As a result, extra time is needed for a plaintiff to file suit against an out-of-state company, he added.

But a legal scholar disagrees. Morris Schnitzer, a professor at Rutgers University School of Law in Newark, says tolling statutes are outdated.

They were enacted decades ago when plaintiffs faced legal difficulties filing suit against out-of-state companies. But the passage of "long-arm" statutes make it as easy to sue a company based in the state as an out-of-state company, Mr. Schnitzer said.

2 captives await merger

Continued from page 3

ing mechanism. HUG, with an annual premium volume of about \$12 million to \$13 million, insures the risks of three other owner-hospital companies: Lifemark Corp. of Houston; National Medical Enterprises of Los Angeles and Charter Medical Corp. of Macon, Ga.

If HCA were to pull out of HUG, the pool could effectively continue to serve the other three owners, said Peter Volpe, vp at Marsh & McLennan in charge of captive management in the United States. M&M manages HUG.

HUG renewals in June are expected to proceed as planned since the HCA acquisition of Hospital Affiliates International isn't expected to be completed until the fall. HAI risks would then be committed to HUG until June 1982.

HUG lost another member under similar circumstances when Humana Inc. of Louisville, Ky., purchased American Mediacorp. and pulled it out to insure the risks in its own captive.

In addition to looking at HUG, Mr. Reeves and his 17-person risk management department at HCA must audit the risk management program of Hospital Affiliates.

The acquisition will certainly require additions to the HCA risk management staff in loss prevention, quality assurance and claims, Mr. Reeves said.

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Interpool, broker deny cheating insurer

Continued from page 1

Another suit, filed by William Johnston, who claims to have been Interpool's broker, charges Interpool and Loudon French with defrauding Mr. Johnston of commissions earned on the physical damage coverage. It also charges that former Interpool risk manager Richard Bessette and Interpool corporate counsel Joseph Simon diverted premium payments to themselves in excess of the rate charged by The Home and an earlier insurer.

Attorneys for Interpool and Loudon French refused to comment on either suit pending their formal response to the court.

Vigorous denial

Joseph Simon, Interpool's corporate counsel who was named in Mr. Johnston's suit, vigorously denied any wrongdoing by his company or himself. "There's really nothing to deny," he told *Business Insurance*. "We have done nothing wrong."

Mr. Simon also denied that Richard Bessette, Interpool's former risk manager who supervised the coverage, was fired.

"He could've worked here as long as he wanted. He just found a better job," Mr. Simon said.

Mr. Bessette left Interpool before the suits were filed and is now comptroller of Candon Syndicate N.V., a New York Insurance Exchange syndicate.

"I was named because I was an employee of Interpool at the time," he said. "I'm really out of the action now."

Interpool's attorneys are also defending Mr. Bessette.

The Home suit, filed last month, seeks to have the insurer removed from liability for the policy that was billed to Interpool for a \$2.5 million premium. Interpool had paid several installments of the premium now being held in escrow

by The Home.

"The premium rate quoted for the policy of insurance was 32 cents per container lease day for a total premium of \$2.5 million payable in monthly installments of \$250,000 until fully paid," the court document says.

"It was expressly understood that the premium rate quoted in the binder was based on the loss account history as represented by Interpool, its agent Loudon French and/or Richard Marshall.

"The true facts were that the actual loss history of the defendant (Interpool) was three to four times greater than the loss history previously supplied," The Home complaint says.

The rate, originally cited in a November 1980 binder, should have been 99 cents per container lease day, according to the suit filed by The Home.

Mr. Johnston's suit alleges that Mr. Simon, Mr. Bessette and others, including Dennis Harrison, formerly of Den-Har Underwriters Inc., a central figure in the Sasse affair, intended to defraud Mr. Johnston and insurers.

Mr. Marshall of Loudon French, similarly charged, is also linked to the Sasse losses. Mr. Marshall replaced some of the property insurance on buildings in the Bronx originally sold by Den-Har, according to the Florida Insurance Department, which had investigated Den-Har in 1976 and 1977.

Mr. Harrison never personally held a surplus lines license in Florida and no charges were ever brought against him, according to that state's insurance department.

A Richard Mamarella is named in British lawsuits involving the Sasse losses. He is alleged to have received improper binding authority through Den-Har (*BI*, Feb. 11, 1980).

According to the Johnston suit, filed by the Newark, N.J., law firm

"There's really nothing to deny. We have done nothing wrong," says Joseph Simon, corporate counsel of Interpool Technical Services Inc.

of Saiber, Schlesinger, Satz & Goldstein in late March in the New Jersey Superior Court of Bergen County, Interpool "had expressed interest and desire in placing coverage" through Mr. Johnston.

Mr. Johnston, in turn, contacted Dennis Harrison as part of the search for insurance, according to the complaint. Mr. Johnston told *BI* that he had met Mr. Harrison at a social function.

"Harrison falsely and fraudulently represented that he was licensed to place coverage in this state with an eligible surplus lines insurer and that he could obtain the coverage at competitive rates from a solvent and reputable carrier," the complaint alleges.

The New Jersey Insurance Department, which confirmed that it is investigating Mr. Johnston's accusations, also confirmed that Mr. Harrison is not a licensed agent in that state. Mr. Harrison is no longer a licensed agent in Florida, where his Den-Har firm was based, according to the Florida Insurance Department.

Mr. Harrison, the complaint continues, introduced Mr. Johnston to "Richard Mamarella" of Loudon French who "further falsely and fraudulently represented that he was a licensed insurance broker and surplus lines agent in New Jersey."

"A meeting was subsequently arranged to be held between plaintiff (Mr. Johnston), Mamarella and Harrison and representatives of Interpool for the purposes of pre-

senting a contract proposal to Interpool of the coverage to be placed. Mamarella fraudulently misrepresented to the plaintiff the time and place of the meeting, causing the plaintiff not to attend, and he attended this meeting in plaintiff's absence."

Mr. Harrison could not be reached for comment on the suit, but an employee of Loudon French responded to a *Business Insurance* telephone call to Mr. Harrison at the firm with "Can I tell him who is calling?"

Calls not returned

The employee then accepted a message for Mr. Harrison, who never returned calls to Crain Communications, publisher of *Business Insurance*.

Mr. Marshall, who later accepted a call for Mr. Harrison, told *BI* that he had not seen Mr. Harrison "for some time" and that Mr. Harrison was not working for Loudon French.

"The last I heard was that he was in Florida," Mr. Marshall said.

According to the Johnston suit, Mr. Marshall negotiated for Loudon French at the Interpool meeting in New Jersey in 1980, effectively cutting Mr. Johnston out of the relationship. Thereafter, Loudon French placed the Interpool insurance first with an ineligible surplus lines insurer, Mr. Johnston's complaint says.

A New Jersey Insurance Department investigator said the Inter-

pool cargo insurance was first placed with Westborn Insurance Co. in the United Kingdom, reinsured by Facultative Mutual Insurance Co. with the help of British reinsurance broker Eamon Baird Ltd. Westborn is not an eligible surplus lines insurer in New Jersey.

The New Jersey Insurance Department, however, has not completed its investigation, the investigator said.

The risk was later offered to the Elkhorn Insurance Co. of Kentucky with reinsurance to be provided by the Dover Insurance Co. in the United Kingdom. The risk, according to the investigator, was refused.

The Interpool cargo risks were then offered to The Home through a Los Angeles broker not named in either suit, sources say.

During the period the coverage was with Westborn and also during The Home policy period, the Johnston suit charges, "Simon and Bessette, individually and as agents of Interpool, and Mamarella" with other employees of Loudon French and Mr. Harrison "agreed and conspired among themselves to perpetrate a fraud upon the plaintiff by diverting for their own use and benefit moneys which should have been paid to the plaintiff."

Further allegations

The suit further alleges that Mr. Simon, Mr. Bessette, Mr. Marshall, Mr. Harrison and Loudon French employees, including Rosemarie A. Calton and Eugene Brew, kept brokerage commissions and charged Interpool a higher premium than the insurer quoted the brokers, keeping the difference.

The U.S. attorney general's office in Trenton, N.J., is monitoring the state insurance department probe, but no criminal charges have been filed.

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Thieves rob jewelers of millions in riches and insurance market

Continued from page 1
Brokers Ltd.

"Whatever they go up isn't going to be enough because the experience is so lousy," said a Lloyd's underwriter, complaining that losses of \$10,000 and \$25,000 are hurting underwriters the most.

Small independent jewelers will be hurt by tight underwriting markets, the risk manager of a large jewelry store chain says.

The larger jewelers have less to fear from their insurers than their smaller counterparts because most claims fall within their usually high deductibles, said Harry D. Johnson, vp of risk management at the Dallas-based Zale Corp.

Zale, with 1,350 stores worldwide, is insured in foreign markets through the William H. McGee Co., general agents for Baloise Insurance Co., the Scottish underwriter of jewelers block policies. Baloise is part of the Royal Assurance Exchange of America Group which is owned by the Guardian Royal Exchange of London.

Mr. Johnson said Zale will not be affected by the Jewelers' Mutual action.

The brunt of the restricted underwriting at Jewelers' Mutual will primarily be borne by new entries into the retail jewelry business and jewelers that have been canceled and are looking for new coverage, said Ronald Harder, the company's administrative vp.

The freeze will affect jewelers in Alabama, Arizona, California, Florida, Kentucky, Nevada, New Jersey, Ohio, Texas, New York City and Long Island, N.Y.

Sparking the action has been a steep increase in losses over the last few years, Mr. Harder said.

Last year, the insurer paid out \$14.2 million in losses while taking in only \$13 million in premiums, approximately a 109% loss ratio. The 1980 losses were more than three times the \$4.3 million paid out in 1977. "Our average loss is between \$15,000 and \$20,000," he said.

Jewelers' Mutual, which writes jewelers block coverage, a multi-peril policy covering premises and inventory, wants to lower its premium to surplus ratio. Currently the ratio is hovering between 4½-to-1 and 5-to-1. "Our losses have been eating into our surplus," he said.

Mr. Harder said Jewelers' Mutual will review loss ratios when the freeze expires to determine whether or not it should be lifted. He did not rule out the possibility that the insurer could start canceling policies if the situation significantly worsens.

Retail jewelers obtaining policies can expect rates to continue climbing, Mr. Harder warned. Some rates already have risen 20% to 50% in the last year.

California jewelers, who are reporting \$1.50 in losses for every dollar in premium, are paying triple their previous rates in some cases.

"Present policyholders will be re-underwritten based on new requirements, but the coverage will still be offered them," according to Mr. Harder. Underwriters may require jewelers to keep more of their inventory in safes and in some cases maintain armed guards on the premises.

A wave of armed robberies, burglaries and shoplifting has plagued jewelers, a trend tied to the steep rise in the price of gold to about \$500 an ounce and the price of silver to \$13 to \$14 per ounce.

Jewels are popular among thieves because they can be turned over quickly to fencing operations at high return.

"Our problem is basically two different types of losses," Mr. Harder said. "There are a lot of armed robberies and these three-minute burglaries where they break in, and regardless of the alarm system, grab whatever they can and they're gone in two to three minutes before the police can respond."

Another common crime is called the "smash and run," in which a thief smashes open a display case, grabs a handful of items and runs from the store.

There were some 500 armed robberies of jewelry stores last year, averaging about \$400,000 per incident, said James B. White, president and counsel for the Jewelers Security Alliance of the United States, an industry association that monitors the crime problem.

Earlier this month, authorities shot and killed a suspected thief running from a jewelry robbery at the Gucci shop in Chicago's fashionable North Michigan Avenue shopping district.

The increasing number of such incidents and underwriting losses in the "last year or two," however, are not driving St. Paul Fire & Marine out of the market.

"We try and take a long-term view of jewelers block coverage and provide a stable market," said Gordon Paine, vp of commercial property for St. Paul. "Because of experience, we did not make money on jewelers block business in the last year or two, but we had an increase in business last year and it will increase again this year."

St. Paul's premium volume on jewelers block policies rose 12% to 13% in 1980. St. Paul believes the coverage can be profitable, he said.

St. Paul's underwriting requirements are tougher in some of the same high-crime areas targeted by Jewelers' Mutual such as New York City, California and southern Florida. "Our underwriting is probably more conservative there than it is in some other areas," Mr. Paine said.

Insurance Co. of North America, which entered the jewelers block market only six months ago, is also experiencing increasing crime-related losses. But Byron Oliver, vp of commercial property at INA, said it's too early to comment on how the insurer will respond to the trend. INA entered the market with tough underwriting rules, "so we don't have to raise them," he said.

EPA delays requirement for pollution liability cover

Continued from page 2

pollution liability insurance (\$3 million per occurrence and \$6 million aggregate) for companies with annual sales of \$10 million or more is expected to be delayed 60 to 90 days, too.

The postponement follows an EPA decision to allow hazardous waste TSDFs to use self-insurance to comply with sudden and non-sudden pollution liability insurance requirements, according to Ken Feldman, a specialist in the EPA's office of solid waste. The original rules did not allow self-insurance.

The revised regulations to allow self-insurance will be completed by August, he said. A period for public comment must follow before they can go into effect.

Mr. Feldman said the switch in EPA sentiment to self-insurance recognizes insurance market capacity, which presently is deemed too small to meet the EPA demands. He said the agency received more than 100 responses to its original proposed regulations before the March 27 deadline.

The EPA is also seriously considering changing the mandatory endorsement that it had required be attached to a policyholder's con-

tract with the insurer.

The original endorsement was a drafting error, according to Gerry Curtis, senior vp of Alexander & Alexander in New York.

He said it changed the condition of the cover the insurer was offering and insurers, obviously, were reluctant to underwrite the "ambiguous" risk.

"In effect, the endorsement superseded the contract the insured had and changed the meaning," Mr. Curtis said.

The revamped endorsement basically says that the addition to the policy is issued to the policyholder in conformance with obligations under the EPA, he said.

The Chemical Manufacturers' Association, the American Insurance Association and other powerful lobbyists have had a hand in the changes the EPA plans to make, Mr. Feldman conceded. He said the agency is convinced that the market for nonsudden pollution liability insurance is just too slim for the thousands of hazardous waste operators.

The markets for nonsudden pollution liability insurance are Cranford Insurance Co. through Wohlreich & Anderson in the

United States, with limits of \$10 million per occurrence and \$20 million aggregate; Evanston Insurance Co. through Shand, Morahan and Co., \$10 million per occurrence and \$20 million aggregate; American International Group, \$30 million per occurrence and \$30 million aggregate; Great American Surplus Lines Co., \$5 million per occurrence and \$10 million aggregate (an additional \$5 million to \$10 million can be arranged); and L.W. Biegler Inc. in Chicago, a subsidiary of Crum & Forster, \$10 million per occurrence and \$20 million aggregate.

For the nonsudden coverage, deadlines were assigned according to company size. After the deadline for companies with annual sales of \$10 million or more, a January 1983 deadline is set for companies with less than \$10 million but more than \$5 million in annual sales. Smaller companies would have until 1984 to comply.

The EPA has not decided if it will push back all the deadlines, Mr. Feldman said.

Brokers and insurers specializing in hazardous wastes have estimated there are 5,000 to 40,000 risks that will need nonsudden pollution coverage.

Colorado fund holds cover on miners killed in explosion

Continued from page 3

Workers compensation benefits, set each year by the Colorado Division of Labor, follow the state of the economy, he said.

Death benefits to surviving spouses equal the maximum weekly benefit an injured worker would receive. "What the statutes say (for an injured worker) is that two-thirds of an employee's wage will be paid, up to 80% of the average weekly wage set each year. Currently the maximum weekly benefit is \$244.65.

"If there is a benefitting widow, the insurance would pay her \$244.65 a week for the rest of her life unless she remarried. Then she would be paid a two-year lump sum."

Social Security benefits are offset 100%, Mr. Boulton said. "In other words, if the company was obligated to pay a widow or widower \$1,000 in death benefits and that person received \$500 a month from Social Security, the insurance company's obligation would be reduced to \$500 a month."

Coal-mining companies pay the state insurance fund premiums of \$18.10 per \$100 payroll.

"This level indicates a high-risk occupation," he said. "Clerical office employees pay 18 cents per \$100 payroll."

Dutch Creek No. 1 mine is south of Glenwood Springs near Aspen, said Mr. McCauley of the Division of Mines. The entrance is near the timberline, at 10,000 feet above sea level, and the shaft dips into the mountain at a 15% slope.

Besides Dutch Creek No. 1, which Mr. McCauley described as an average-sized mine for Colorado, Mid-Continent operates four other coal mines in the Redstone area. Dutch Creek No. 1 produced 10,000 tons of coal in February.

Mr. McCauley said federal inspectors go into the coal mine two or three times a week, but that the state's last inspection took place in November 1980. "Our staff was cut last year from 26 to six," he explained.

Inspectors look for any safety infraction in ventilation, roof control and gas accumulation, he said.

"Gas is controlled strictly through ventilation. This gets tougher the deeper you go. Everyone is aware of the gas problem and is constantly on the watch for

it."

This was particularly true at Dutch Creek No. 1, which had an earlier fatal gas explosion, he said. "That was in 1965, I believe, and it killed nine people."

Company officials could not be reached for comment.

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THE SPECIALISTS

Survey shows across-the-board rate cuts

Continued from page 2

tion to questioning risk managers on topical subjects, BI has begun to ask brief questions about recent renewals to take the pulse of the insurance market.

Of the 36 board members who answered the pricing questions, 29 reported lower rates on recently renewed insurance policies, five reported renewing at the same rate and only two risk managers reported rate increases. Few buyers reported switching insurers or brokers in order to gain the rate reductions.

Board members report 10%, 15%, 20% and even 30% rate reductions for 12 policies combining workers compensation, general liability and auto liability risks in various mixtures. Among them:

- A combination workers compensation and product liability policy was renewed with the same terms and conditions and market by a tire manufacturer with a 20% reduction.

- A comprehensive general liability insurance policy was renewed by a lodging and restaurant company with \$500 million in sales at 10% off the previous policy rate.

- Primary casualty insurance for

a pulp and paper company with \$2.7 billion in sales was purchased from a new insurer through a new broker at a 15% lower rate than the previous policy for broader coverage.

Five umbrella insurance policies, the cheapest insurance product in the market today, were renewed at rates ranging from 10% to 33% less than last year, board members report.

A forest products company with \$3 billion in sales, for example, sliced 25% off its umbrella liability insurance rates for the same coverage with the same insurer and broker.

A financial institution broadened its umbrella coverage and still cut 23% off its umbrella rates, again with the same market and broker.

Three directors and officers liability insurance policies were renewed at lower rates for broader coverage: 25% less for a publishing company with \$2 billion in sales using the same insurer and broker; 15% less for a chemical coatings company with \$350 million in sales using the same insurer and broker but adding another insurer for more limits; and 10% less for a company in the leisure management business with \$330 million in

sales using the same market and broker.

Three fire insurance policies were also renewed at lower rates for broader coverage, with rate reductions ranging from 10% at a manufacturing company with \$700 million in sales using the same market and broker to 50% at a conglomerate with \$300 million in sales using the same broker but a new insurer. A consumer products company with \$2.5 billion in sales renewed its fire policy at 15% less than before.

A government entity with 2,000 employees saved 10% on its auto physical damage insurance policy rate.

Five other board members reported lower rates on an aviation policy, reinsurance of a captive insurance company, fiduciary liability insurance, excess insurance and "all policies."

Among the five policies renewed at existing rates were an aviation policy for a company with \$2 billion in sales, a property policy and a general liability policy for an education and research foundation, and liability policies for a conglomerate and a large county government.

Only two board members reported paying more for insurance at the last renewal. A freight transportation company is paying 8% more for its fleet liability, cargo, workers compensation and comprehensive general liability insurance. A pharmaceutical company is paying a 50% higher rate than last year for advertisers' liability insurance.

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A seminar for those with reinsurance experience will be held May 26-29 at the O'Hare Marriott Hotel in Chicago. The fee is \$675 for instruction and materials. Hotel arrangements must be made separately.

A reinsurance buyers' seminar, restricted to primary insurer personnel at the officer level, will be held Aug. 3-6 at the Louisville/Clarksville Marriott Inn in Clarksville, Ind. The fee is \$645 for instruction, material and some meals.

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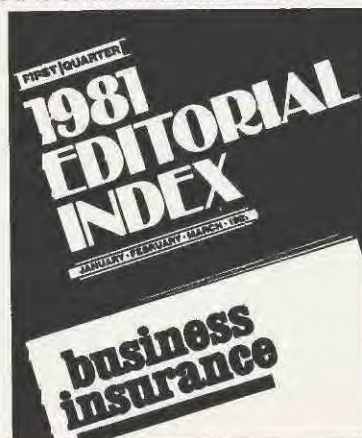
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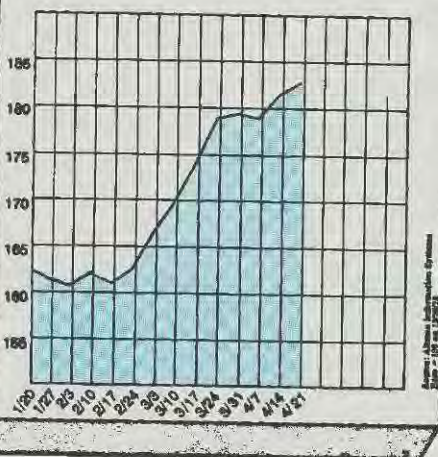
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BI Insurance Index



The Business Insurance stock index rose again last week, 1.6 to 183.5 from 181.9 with 33 stocks rising, 21 declining and 16 unchanged. Largest increases: MGIC Investment Corp., 13%; Aneco Reinsurance Ltd., 9.7%; Carolina Casualty Co., 8.8%; Hartford Steam Boiler Inspection, 6.3%; and American Bankers Insurance Group, 5.5%. Largest declines: Avemco Corp., 5.7%; Jefferson National Life Insurance Co., 4.5%; E.H. Crump Cos. Inc., 4.2%; Foremost Corp. of America, 3.5%; and Old Republic International Corp., 2.2%. The 0.8% index rise, however, fell behind the major market indicators. The Dow Jones 30 Industrials average rose 1.7%, Standard & Poor's rose 1.2% and the NYSE rose 1.1%.

British Issues

4/21	Price	P/E	Div.	Yield	1 Week
Companies	pence		pence	%	High-Low
Comm Union	162	8.8	15.43	9.4	184-158
Eagle Star	246	9.2	15.00	6.1	245-239
Genl Accident	358	8.9	19.29	5.4	360-350
Gdn Royal Exch	348	8.5	22.14	6.3	350-342
Phoenix	270	9.6	21.29	7.9	274-268
Royal	383	8.4	34.29	9.0	400-370
Sun Alliance	844	10.1	47.14	5.6	844-822

Brokers	Price	P/E	Div.	Yield	1 Week
	pence		pence	%	High-Low
CE Heath	255	11.5	13.87	5.4	255-240
Hogg Robinson	120	10.1	8.14	6.8	123-116
Alex Howden	126	9.6	10.00	7.9	126-122
JH Minet	114	12.9	6.50	5.7	114-102
Sedg Grp	128	12.7	7.14	5.6	128-122
Stenhouse Hldg	87	8.5	6.64	7.6	87-81
Staw Wrightson	220	12.2	17.14	7.8	220-210
Willis Faber	335	14.0	17.14	5.1	335-320

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

Aetna's rate hike could lead to gradual market tightening

By MYRON M. PICOULT
Special to Business Insurance

AETNA LIFE & CASUALTY'S plan to raise rates rather than live with underwriting losses could well be the start of a gradual tightening of the property/casualty market.

In the past few months, we have noted the pressures in the current underwriting cycle and the likelihood of those pressures intensifying.

We also noted that to get the pricing momentum going in the right direction, a visible insurer had to publicly acknowledge its mistakes and make the fear of losing its market share secondary to underwriting integrity.

Aetna's recent announcement seems to fit that mold.

In a letter sent March 26 to the company's agents, Aetna President William O. Bailey indicated that underwriting results were quite unsatisfactory and that considerable deterioration was likely in the first quarter unless some action was taken.

In announcing the unspecified rate hikes, Mr. Bailey said, "We must face up to our pricing responsibilities even if this must mean some temporary shrinkage in our business."

Some sting was taken out of that statement by a later comment from an Aetna vp that indicates the insurer is not going to focus on large corporate accounts (BI, April 6). These large corporate plans fall in the national ac-



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BI ticker

count area where no new business has been sold for several months. Furthermore, the retrospectively rated plans inherent to these accounts help keep costs in line.

Management candidly acknowledged that Aetna itself had been part of the problem because it had responded to increasing price competition for commercial risks and had failed to increase personal auto and homeowners' premium levels sufficiently to reflect worsening losses.

The company's candor was most refreshing and most interesting since its annual report had just been released.

Reading between the lines, the implication from a capital perspective was that Aetna was strong and could weather the problems of the cycle. Had the roof not caved in, it might have been an interesting bet.

Some industry observers were obviously disappointed that other companies did not quickly jump on the bandwagon and follow Aetna's lead. But most companies do not like to admit that they have been aggressive in price-cutting. Hence, there has been no reason to take such action.

Nonetheless, Aetna's announcement could be the start of a gradual tightening of the property/casualty rate structure.

We do not look for a quick turn but rather a gradual easing of competitive pressures.

While it is easy to take a cavalier attitude and suggest that other companies could well use Aetna's period of indigestion as an opportunity to increase their market share, the following should be noted:

- Aetna is reputed to have one of the better reporting systems in the industry. Hence, other companies may sense that Aetna is experiencing problems before they are. If nothing else, outside directors should be more critical of trends.

- It will now be easier for other major insurers to follow Aetna's pricing lead because someone has broken the ice.

- At first glance, agents representing Aetna would seem to have the incentive to shift business to other insurers. However, the agents are not getting any contingent com-

missions that are based on underwriting profits, and recent rumblings about sharing investment income is a moot point when the investment income figure is totally offset by underwriting losses.

- Finally, regulatory bodies should recognize the industry's plight and put it in the proper perspective. Accordingly, we believe the rate filings of the Insurance Services Offices should get a better reception from the regulators.

Some believe that an enormous catastrophic loss must strike the industry before pricing will tighten. Others believe that return on equity must shrink to 6% to 8% as was the case in the last cycle. To be sure, with inflation at 9% to 11% and cost of capital at 16% to 20% (as per current multiple relationships), the current return on equity of 11% to 13% is clearly inadequate.

Notwithstanding the industry's long-term inherent growth characteristics, managements that do not recognize the present inefficient return on equity relationships should be rewarded accordingly.

Financial Briefs

American Express

American Express Co., the nation's third-largest financial services company, and Shearson Loeb Rhoades Inc., the second largest securities company, have agreed to merge in a deal valued at \$900 million.

The combination follows a similar combination last month when Prudential Insurance Co. of America announced a \$385 million takeover of Bache Group Inc.

Myron Du Bain, chairman and president of Fireman's Fund Insurance Cos., a major American Express subsidiary, participated in the merger negotiations with Shearson.

"This development broadens our scope of opportunities in the financial services area," he said. Mr. Du Bain also said that Sanford I. Weill, chairman and chief executive officer of the brokerage and investment company, will be a great asset to American Express.

Meanwhile, Fireman's Fund's net operating income increased by 16% in the first quarter of 1981 to \$54 million. Revenues for the first three months of the year rose 4% to \$738 million.

The company's property/liability subsidiaries showed a 14% increase in operating income to \$52 million, while earned premiums rose 1% to \$600 million. The combined ratio dropped 1 point to 103.2%, which Mr. DuBain said was an improvement "we feel few companies will match."

Investment income continued to grow, showing a 13% increase to \$83 million.

CIC Financial

CIC Financial Corp. registered gains in direct premiums written, net income and earnings per share in the first quarter of 1981.

Direct premiums written for the quarter ended March 31 totaled \$12,496,302 or 1% above the figure for the corresponding quarter of 1980. Net income was \$1,231,928 or 94 cents a share, a 36% jump from the first quarter of 1980.

During the first quarter of 1981, claims and claims expenses totalled 69.5% of earned premium income, against 68.8% in the corresponding period last year.

Manhattan Life Corp.

Manhattan Life Corp. increased fourth-quarter operating income 27.7% to \$922,000 from \$722,000 in the corresponding period in 1979, and net income grew 17% to \$811,000 from \$693,000. Revenues for the year's last quarter rose 7.1% to \$42.3 million from \$39.5 million.

Operating income for the full year rose 15%, to \$4.02 million from \$3.5 million in 1979, while net income jumped 15.8% to \$4.3 million from \$3.48 million. Revenues for the entire year rose 8% to \$140.7 million from \$130.2 million.

BI Industry Stock Report

APR. 21, 1981

4/15/81 THRU 4/21/81

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	33.75	-1.5	5.4	2.32	6.9	35.25	342.3
American Bankers Ins Group	OTC	7.25	5.5	4.9	0.22	3.0	7.25	115.4
American Gen Ins Co	NYSE	43.75	-1.7	6.7	2.00	4.6	44.50	73.6
American Indty Finl Corp	OTC	16.13	-0.8	6.2	1.12	6.9	16.13	14.4
American Intl Group Inc	OTC	81.50	2.5	10.9	0.60	0.7	81.75	80.75
American Natl Ins Co	OTC	14.50	1.8	6.6	0.68	4.7	14.50	63.6
American Sto Life Ins Co	OTC	18.50	0.0	4.3	0.72	3.9	18.50	2.9
Aneco Reins Ltd	OTC	4.25	9.7	0.0	0.00	0.0	4.25	14.4
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	0.4
Avemco Corp	AMEX	10.25	-5.7	8.7	0.50	4.9	10.75	10.4
Banks Iowa Inc	OTC	30.50	0.0	5.1	1.44	4.7	30.50	2.8
Bitco Corp	OTC	42.50	1.2	6.1	2.16	5.1	42.50	10.9
Carolina Cas Ins Co	OTC	9.25	8.8	5.9	0.32	3.5	9.50	2.9
Central Natl Finl Corp	OTC	10.75	-1.1	4.0	0.65	6.0	10.88	10.75
Chubb Corp	OTC	43.75	2.9	5.1	2.68	6.1	43.75	63.6
Combined Intl Corp	NYSE	22.13	1.1	6.3	1.60	7.2	22.25	21.88
Continental Gen Ins Corp	NYSE	51.75	-1.4	6.8	1.76	3.4	53.25	167.3
Continental Corp	NYSE	27.13	5.3	7.3	2.40	8.8	27.13	153.2
Crawford & Co	OTC	19.25	0.0	15.0	0.52	2.7	19.25	19.8
Crown Life Ins Co	OTC	121.00	2.5	10.1	2.80	2.3	121.00	117.00
Crum & Forster	NYSE	29.50	-2.1	5.5	1.44	4.9	30.38	29.25
Employers Cas Co	OTC	34.25	0.0	5.5	1.20	3.5	34.25	34.25
Equifax Inc	NYSE	22.00	3.5	7.0	2.40	10.9	22.00	21.13
Farmers Group Inc	OTC	31.00	1.2	9.8	1.12	3.6	31.00	30.50
First Colony Life Ins Co	OTC	41.00	1.2	14.0	0.80	2.0	41.00	41.00
Foremost Corp Amer	OTC	27.25	-3.5	9.0	0.80	2.9	27.25	26.50
Great West Life Assurn Co	OTC	251.00	0.0	10.4	12.00	4.0	251.00	251.00
Hanover Ins Co	OTC	44.00	0.6	4.0	1.08	2.5	44.00	44.00
Hartford Steam Boiler Inaptn	OTC	42.00	5.3	8.5	2.60	6.2	42.00	39.50
Jefferson Natl Life Ins Co	OTC	42.50	-4.5	29.5	3.64	1.5	43.50	42.50
Temper Corp	OTC	33.75	1.5	5.1	1.60	4.7	33.75	33.50
Lincoln Natl Corp Ind	NYSE	42.50	2.4	5.9	3.00	7.1	42.88	41.88
Equi Inv Corp	NYSE	38.00	13.0	10.4	1.28	3.4	38.00	33.63
Union Ins Group Inc	NYSE	44.75	1.4	8.8	1.00	2.2	44.75	44.38
Nationwide Corp Ohio	OTC	24.00	0.0	6.8	0.70	2.9	24.00	24.00
Northeastern Natl Life Ins	OTC	30.38	-0.4	6.7	1.25	4.1	30.38	30.38
Old Cas Corp	OTC	41.00	0.6	6.9	2.04	5.0	41.00	40.88
Old Rep Intl Corp	OTC	16.75	-2.2	4.6	0.92	5.5	17.25	16.75
Prudential Corp	OTC	7.00	1.8	0.0	0.00	0.0	7.00	6.88
Preferred Risk Life Ins Co	OTC	19.63	-0.6	6.6	0.80	4.1	19.63	19.50
Provident Life & Acc Ins Co	OTC	45.50	0.0	6.7	2.20	4.8	45.50	45.50
Republic Natl Life Ins Co	OTC	27.13	0.5	16.3	0.70	2.6	27.13	27.00
Sayon Group Inc	OTC	24.00	0.0	9.4	0.12	0.5	24.00	24.00
St Paul Cos Inc	OTC	41.88	1.8	7.9	2.32	5.5	42.00	41.63
Sweco Corp	OTC	39.25	-0.6	7.0	2.00	5.1	39.75	39.25
Tri Corp	OTC	24.25	3.2	6.0	0.80	3.3	24.25	23.50
Wabash Bruce Group Inc	OTC	22.00	1.1	11.1	0.80	3.6	22.00	21.75
Wabash Group Inc	OTC	5.75	0.0	4.4	0.15	2.6	5.75	5.75
Wabash Marine & Fire Ins Co	OTC	165.50	0.6	18.3	1.03	0.6	165.50	164.50
Wabash Corp	NYSE	50.00	3.9	5.8	2.88	5.8	50.00	48.50

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4/15/81 THRU 4/21/81

		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
United Fire & Cas Co	OTC	48.50	0.0	12.7	1.00	2.1	48.50	48.50	3.9
United States Fld & Cty Co	NYSE	45.13	2.6	5.5	3.20	7.1	45.13	43.75	141.7
United Svs Life Ins Co	OTC	16.13	0.0	6.5	1.00	6.2	16.13	16.13	17.2
Unifire Corp	NYSE	30.75	0.0	7.6	0.72	2.3	32.00	30.75	163.3
Washington Natl Corp	NYSE	24.86	0.5	7.3	1.08	4.3	26.00*	24.67	81.0
Zenith Natl Ins Corp	OTC	17.25	-1.4	10.1	0.50	2.9	17.75*	17.25	22.4
INSURANCE COMPANIES	AVERAGE			8.0		3.8			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	37.50	0.0	12.3	1.84	4.9	38.00*	37.50	99.1
Baldwin & Lyons Inc	OTC	33.50	0.0	5.9	0.80	2.4	33.50	33.50	1.1
Corroon & Black Corp	NYSE	25.25	-1.0	10.7	1.76	7.0	25.25	25.13	14.6
Crump E H Cos Inc	OTC	11.50	-4.2	10.6	0.40	3.5	11.88	11.50*	16.6
Hall Frank B & Co Inc	NYSE	27.00	0.0	9.9	1.60	3.9	27.50	26.88	22.9
Integrated Res Inc	AMEX	17.13	-1.4	8.0	0.00	0.0	17.25	17.13	21.2
James Fred S & Co Inc	NYSE	27.75	0.9	11.9	1.60	5.8	27.75*	26.50	71.4
Marsh & McLennan Cos Inc	NYSE	36.38	-1.0	11.7	2.00	5.5	37.88	36.38	192.2
Pennacorp Fincl Inc	NYSE	6.00	-2.0	5.4	0.16	2.7	6.13	6.00	77.0
Reed Stenhouse Cos Ltd	OTC	12.50	-2.0	11.9	0.56	4.5	12.50	12.00	6.8
Rollins Burdick Hunter Co	OTC	25.50	1.0	12.3	1.24	4.9	25.50*	25.25	32.7
AGENTS/BROKERS	AVERAGE			9.7		4.6			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	40.75	-6.3	7.7	2.00	4.9	43.50	40.75	1,818.1
Anderson Clayton(Ranger/Pennak)	NYSE	22.88	5.8	6.2	1.20	5.2	23.25*	22.75	44.5
Armo Inc	NYSE	37.50	-0.7	9.6	1.64	4.4	39.13	37.50	157.5
City Investing Co. (Home Ins.)	NYSE	28.38	3.2	7.8	1.60	5.6	28.38*	27.00	915.5
CNA Finl Corp (CNA)	NYSE	11.38	2.2	6.4	0.00	0.0	17.50*	17.38	89.4
Control Data (Comm. Credit)	NYSE	74.25	6.5	8.7	0.90	1.2	74.75*	71.50	248.8
General Re Corp	NYSE	66.38	4.1	9.4	1.76	2.7	66.38*	64.38	127.8
INA Corp (Ins. Co. of NA)	NYSE	44.13	3.5	6.2	2.40	5.4	45.75*	43.63	183.3
ITT (Hartford Group)	NYSE	33.13	0.8	5.4	2.60	7.8	33.38	33.00	506.4
Reliance Group Inc	NYSE	73.50	-3.1	5.9	3.00	4.1	75.88	73.50	21.6
Sears Roebuck & Co. (Allstate)	NYSE	19.38	1.3	10.1	1.36	7.0	19.50	19.25	1,063.4
S & H Co. (Bayly Martin & Fay)	NYSE	31.75	-1.6	14.8	1.00	3.1	32.25	31.75	7.7
Teledyne Inc (Argonaut)	NYSE	152.00	1.1	9.3	0.00	0.0	152.13*	147.25	480.3
Transamerica Corp (Occidental)	NYSE	21.00	0.6	5.7	1.28	6.1	21.00	20.75	182.2
CONGLOMERATES/HOLDING COS.	AVERAGE			7.8		3.1			
*Record high/low since Jan. 1, 1981.									
System design: Altman Information Systems									

The cash-flow view of a growing company



Potato chip quality control inspection at Jays Foods, Inc. in Chicago—a typical expanding business with expanding risk management needs.

A business built with an entrepreneur's dreams and drive requires insurance broker planning that capitalizes on every possibility, avoids every pitfall. How Alexander & Alexander looks at a potato chip manufacturer will help explain how we will look at your business. In this case, we look through an owner's eyes. Study the insurance costs of crispness and the effects of the money crunch. Probe for risks in delivery routes and avenues for new plant financing.

Personalized risk management

Only by working from a client's point of view can we be sure a company gets the most comprehensive, cost-efficient programs possible.

This insider's vantage point enables us to assume the function of risk manager for any medium-sized or small business.

Protecting against an owner's personal liabilities; planning the funding of workers' compensation, profit sharing, pensions; dealing with life insurance, acquisitions, OSHA requirements; and handling claims as if they were our own.

Each industry has different needs. For insurance, for risk management, for human resources management, for financial services. And each of our 120 offices here and overseas has the facilities, expertise and strength to fulfill the requirements of any company, large or small, in any industry.

We think a big reason A&A has become one of the largest and most trusted insurance brokers worldwide is that we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.