

business insurance

update:
Lloyd's, baseball owners settle claims question

NEW YORK—A potential dispute between Lloyd's of London underwriters and major league baseball owners over seven days' worth of strike insurance claims has been resolved, but details were unavailable on whether nearly \$7 million in remaining claims will be paid.

Ray Grebey, attorney for the baseball
Continued on next page

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XEROX ORDERS STATE-OF-ART DATA SYSTEM

By RHONDA L. RUNDLE

STAMFORD, Conn.—Triumphing over four formidable rivals, Risk Sciences Group has won the challenge to create the "Xerox" of risk management information systems for the giant Xerox Corp.

The selection climaxes one of the most comprehensive searches for risk management computer software. Before it's through, Xerox will shell out more than \$100,000 in development costs to the Mill Valley, Calif., based consulting firm.

When the system shifts into high gear in 18 months, it will be a match for any existing risk management information network handling more than 10,000 claims a year, charged to 200 separate cost centers and submitted from 800 Xerox locations in the United States and Canada.

But it is the scope rather than the size of the proposed Xerox system that makes it state-of-the-art. Xerox wants to scrutinize cash-flow pros and cons, forecast future losses and perform other quantitative analyses such as evaluation of policy renewal alternatives.

The "user friendliness" of the Sigma system and the ability of staffers "to speak our language" gave Risk Sciences Group a slim but decisive edge in the software design sweepstakes, sums up Charles M. Armstrong, Xerox's corporate risk manager.

Sigma, as the RSG system is called, obeys English commands rather than computer codes and can be operated with limited training, much like the video display terminals used by airline ticket agents.

"But it was a tough choice," said Mr. Armstrong, who explained that he did not discover huge gaps in capability among five firms that bid on the project.

Besides RSG, Xerox reviewed proposals from its present
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Oh, those aching backs

Employers are beginning to learn how to take pain out of many jobs

By EILEEN NORRIS

Employers are discovering they may not be able to take the backache out of the worker, but they can take the strain out of the job.

Redesigning the task to fit the worker may be one of the few sure-fire ways employers can tackle back injuries, experts agree.

Research suggests that years of training employees to lift with bent knees and a straight back has not been effective in preventing low back injuries, says Stover H. Snook, project director of ergonomics in Liberty Mutual Insurance Co.'s loss-prevention department in Boston.

Designing the job to reduce bending and twisting motions and excessive lifting can reduce up to one-third of compensable low back injuries, Mr. Snook says, but he adds that the industry's understanding of the problem remains "primitive."

One thing is known: Even though many employers have for years had back injury prevention programs, reports of injuries are not declining. Upper and lower back injuries make up 27% of all workers compensation claims at an average cost of \$4,100

each, according to the National Council on Compensation Insurance, which keeps statistics on losses.

About \$14 billion is spent annually on the treatment and compensation of low back injuries in the United States. Add up to an 85% chance of an injury reoccurring and it's clear why employers, insurers, consultants and medical experts are concerned.

Back injuries are one of the hardest areas of workers compensation to manage, says Myra Tobin, head of Marsh & McLennan's National Service Casualty Office in New York.

"It suffers a lot of abuse," she says. "A worker can injure himself on the weekend and come in Monday morning and fake a work-related back injury. No matter how much training an employer has, it's unavoidable."

Although blue-collar workers, such as truck drivers and material handlers, are more prone to heavy lifting in their jobs, white-collar employees are not immune from the exposure, says David B. Knight, general manager of product development in INA's Loss Control Services division.

Bank tellers, he says, have one
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Illustration: Richard Bernal

Insurers' woes multiply in second quarter

By LISA BERGSON

Now that the second-quarter results are in, the first half of 1981 looks like the kind of debacle that no insurer would want to underwrite.

For the 20 leading insurers surveyed, the period has generally been marked by an ongoing slump in operating income and stiff underwriting losses in property/casualty divisions, with combined ratios generally topping 100%.

On top of that, insurers with major overseas operations, such as American International Group, have suddenly been injured by foreign exchange losses due to the strengthening dollar. And in a few instances, companies, such as U.S. Fidelity & Guaranty and Continental, have made the alarming discovery that investment income is not enough to offset underwriting losses.

Regarding his own and many harder-hit competitors' conditions, Edward

Budd, The Travelers' president and chief executive officer, anticipates long-sought price hikes in the not-too-distant future.

Meanwhile, the insurers have adopted a range of tactics for dealing with their current adversity. Many have taken up what they call "pricing discipline." Some, such as INA, have gone in for more aggressive marketing. Others, such as AIG, stress cost control.

St. Paul Fire & Marine turned in the best second-quarter performance of the 20 insurers analyzed, increasing its operating income 36% over the second quarter of 1980. Its combined ratio for the second quarter stood at 104%, an improvement over the 104.8% posted during last year's second quarter.

Continental Corp. brought up the rear of the pack, suffering a 50% drop in operating income over last year. Continental's combined ratio zoomed to 110.6% from 106.6% in the second quarter

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Insurers: Biggest winners & losers in second quarter

| Company | Operating income in millions | % Change from 1980 | 1981 Combined ratio | 1980 Combined ratio | Investment income | % Change from 1980 |
|-----------------------------------|------------------------------|--------------------|---------------------|---------------------|-------------------|--------------------|
| St. Paul F&M | \$41.8 | 36 | 104.0 | 104.8 | \$ 53.5 | 24 |
| Conn. Gen'l. Corp. | \$17.2 | 28 | 107.7 | 109.7 | \$ 32.8 | 20 |
| CNA Insurance Cos. | \$35.9 | 26 | 112.4 | 104.7 | \$ 72.6 | 31 |
| Amer. Int'l. Group | \$78.0 | 24 | 95.5 | 95.1 | \$ 61.0 | 22 |
| Amer. General Corp. (Prop./Liab.) | \$12.7 | -23 | 112.3 | 102.8 | \$ 27.7 | 27 |
| Kemper Corp. | \$12.8 | -25 | 102.8 | 98.7 | \$ 15.5 | 6 |
| Nationwide Corp. (Prop./Cas.) | \$ 8.1 | -27 | NA | NA | \$ 37.6 | 13 |
| U.S.F.&G. | \$41.0 | -35 | 102.3 | 93.2 | \$ 60.3 | 17 |
| Lincoln Nat'l. Corp. | \$ 6.9 | -45 | 107.8 | 98.9 | \$ 15.6 | 21 |
| Aetna (Prop./Liab.) | \$21.5 | -45 | 115.6 | 106.0 | \$ 97.1 | 15 |
| Continental Corp. | \$27.5 | -50 | 110.6 | 106.6 | \$102.5 | 6 |

Chart: Toby Roberts

(consolidated)

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INSIDE:

Cost of employee benefits grows seven-fold in 30 years
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Hyatt paying medical bills; liability lawsuits grow
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update:

Strike policy dispute settled

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owners, said late last week that the matter has been "amicably resolved between both sides," but he would not disclose details pending formal notification of both sides that agreement had been reached.

Although the strike was settled July 31, major league players used the 10-day period until the Aug. 10 resumption of scheduled play for training, leaving Lloyd's underwriters to question whether they should pay claims during that time until the policy ran out Aug. 7 (BI, Aug. 10).

Mr. Grebey also said that claims money from the insurance was paid into the club owners' central fund. The money was then disbursed equally to each of the 26 teams periodically during the strike.

Carnation petitions high court

WASHINGTON—Carnation Co. filed a writ of certiorari with the Supreme Court last week, asking for a hearing on a tax decision involving Carnation's captive.

The writ argues that the 9th Circuit Court of Appeals' decision contradicts the precedent set by the Supreme Court in a landmark case that recognized corporations as separate for tax purposes. The writ also argues that the decision is very important to many U.S. corporations using captive insurance companies.

The circuit court upheld the U.S. Tax Court in finding that Carnation's dealings with its captive insurance company could not be considered the purchase of insurance for tax purposes, thus denying the company tax deductions for premiums paid and decreasing Carnation's foreign tax credit (BI, March 16).

The government must now respond to the writ, and then the court will decide whether to consider the case.

Medicare alternative studied

WASHINGTON—The Reagan administration is considering overhauling the Medicare program to allow the 29 million beneficiaries to drop out of the program and receive government vouchers to buy private health insurance.

Advocates of the voucher system say that competition among insurers for the potential \$48 billion market would lead them to offer better benefits and pressure hospitals and other health care providers to hold down costs.

The voucher concept reflects the belief of Reagan administration officials that a shift away from federal intervention and more reliance on the private sector will keep a lid on prices.

The voucher system is being studied by a Department of Health and Human Service task force that is looking for ways to restructure the nation's health care system.

Pooling act worries insurer

HOT SPRINGS, Va.—Approval of the proposed Risk Retention Act in its current form could leave policyholders exposed in cases of bankruptcy or fraud, says Maurice Greenberg, president of American International Group.

Speaking to insurance defense attorneys, Mr. Greenberg said the legislation, which would make it easier for businesses to self-fund product liability exposures, does not set tough enough standards for capitalization, licensing and financial review of the pools.

Mr. Greenberg also said that the measure could set the stage for further federal involvement in insurance.

"This is federal regulation of insurance and creates a precedent for further federal government intervention in the insurance industry," he said.

Backers of the legislation, which is pending on the Senate floor, say it would reduce state obstacles to self-insurance and does not involve federal regulation of the insurance industry.

Growers offered rejection cover

IRVINE, Calif.—California growers who fear loss of their overseas fruit markets following the medfly scare can buy rejection insurance.

Quail Street Casualty Ltd., the Bermuda captive insurance company unit of the Western Growers Assn., is underwriting the coverage at a cost of 5% of the insured value of the crop above a 10% deductible.

IWest Insurance Managers Inc., which earlier sought markets for domestic rejection insurance, says only one small policy has been written (BI, July 27).

The high cost of the policy discouraged most buyers, IWest says.

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Iowa work comp pool draws stiff competition

By WILLIAM BOOTH

DES MOINES, Iowa—In an effort to cut costs, several small Iowa towns are joining a new workers compensation self-insurance pool designed to give commercial insurers a run for their premium dollar.

When the League of Iowa Municipalities created the pool in early July, it didn't expect stiff competition from the commercial market, says Larry Huntley, chief administrator of the pool.

"All of sudden, the cities that were considering coming into the pool were getting very, very competitive bids from their old insurers," Mr. Huntley says. "We are running into much more intense competition than other pools."

For example, the pool lost Cedar Rapids to the commercial competition.

"Our carrier met or exceeded any premium or discount given by the League," says Harold Schaefer, commissioner of accounts and finance for Cedar Rap-

ids in eastern Iowa.

Bituminous Insurance Co. not only reduced the city's premium payment, but also allowed the city to extend its payment over 12 months, Mr. Schaefer says.

The pool's presence in the market is forcing the commercial insurers to aggressively compete for renewals, he says, adding that Cedar Rapids would not hesitate to go with the self-insurance pool if Bituminous did not make a superior bid.

Mr. Huntley said the pool was formed after League members complained about increasing premiums and poor service from commercial insurers.

The League sent out surveys to some of its 900 member municipalities and discovered their aggregate loss ratio (claims paid vs. premium paid) was only 32%, allowing the insurers to make more money than the League considered necessary for administrative costs and a fair profit.

Though the loss ratio gleaned from the survey is

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Royal fights large award

RIVERSIDE, Calif.—Royal Insurance is fighting a court order to pay some \$5.2 million in damages for failing to pay \$105,000 in claims to a shopper newspaper on a liability policy.

A corporate spokesman in New York would only say that Royal is insured for the loss under a "variety" of coverages and will file an appeal if its current motions to dismiss the verdict are denied.

A superior court ruled late last month that Royal should pay \$3.2 million in compensatory and \$2 million in punitive damages to California Shoppers, publishers of the Pennysaver, an ad newspaper.

The court ruled that California Shoppers was entitled to the damages under a multiperil liability policy purchased by the company to cover its publications from "advertising offenses" such as libel, slander, invasion of privacy and unfair competitive practices, said Herbert Hafif, attorney for the newspaper company.

Royal had refused to pay the claim after the Pennysaver was sued by another newspaper. The competitor, The Highlighter, challenged the Pennysaver's practice of offering two free ads for every five purchased by a customer as unfair competition.

"The Highlighter alleged that the Pennysaver was selling under cost," Mr. Hafif said.

The Pennysaver was ordered to pay \$105,000 in damages to the rival publication.

The damage award depleted the fledgling publication's capital, leading to its sale in 1977 for \$1.5 million, substantially less than for what the Pennysaver would have been sold had it collected on its insurance, Mr. Hafif said.

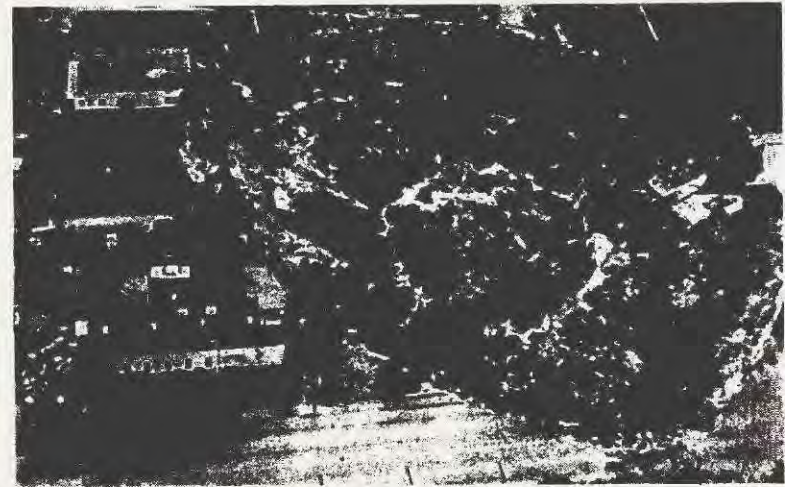


Photo: Wide World

The need for coverage grew with the giant sinkhole in Winter Park.

Florida requires insurers to offer sinkhole policy

By JOHN MAES

ORLANDO, Fla.—New state insurance legislation promises relief for commercial property owners worried about sinkholes swallowing their property.

The legislation, which will take effect Oct. 1, will require insurers doing business in Florida to offer coverage for structures damaged in sinkhole incidents. The requirement was approved in June at the tail end of the state Assembly's session as an amendment to a larger insurance bill, according to an aide to State Rep. Bruce McEwan, a sponsor.

During the past year, several sinkholes have developed in Florida in areas usually not affected.

"We recognized the need to pass this type of law" after a giant, 1,000-foot sinkhole swallowed more than \$500,000 worth of prop-

erty earlier this year in Winter Park (BI, May 18), said state Rep. Bobbie Brantley, also a sponsor of the bill.

Currently, sinkhole insurance is only offered as part of homeowner's coverage, but agents in Central Florida are anticipating brisk sales as commercial property owners take advantage of the new law.

However, legislators were unable to include coverage for sinkhole damage to land in their last-minute rush to aid commercial property owners, said the aide to Mr. McEwan. Legislators will work to update the law with that provision next year, she said.

But one agent claims he's bridged that gap with a policy covering land damage from sinkholes.

The agent, Gordon B. Phillips of

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New deferred premium deposit plan is popular with FM policyholders

By JOHN W. MILLIGAN

NEW YORK—Based on early results, buyer response to the Factory Mutual System's new deferred premium deposit plan is everything the insurance group hoped it would be.

The Allendale Mutual Insurance Co., the FM System's largest member company, says 75% of policies renewed since the plan went into effect July 1 have been converted to the deferred premium plan.

Allendale Senior Vp James Jergensen says that buyer response to the new plan has been "very good."

The deferred premium deposit plan also has been a "major key" to luring new business to the company, Mr. Jergensen says. "It is very helpful in the new busi-

ness part of our operation."

A second FM member, the Arkwright-Boston Manufacturers Mutual Insurance Co., also says it has experienced a high conversion rate on renewal coverages.

The FM System is a group of four mutual companies specializing in property insurance for highly protected risks. Other member companies are Philadelphia Manufacturers Insurance and Protection Mutual Insurance.

For years a leader in HPR insurance, the mutual group has seen greater competition from stock companies like Commerce & Industry and the Kempe Group. Part of the reason is the group's premium deposit requirement and the high interest rates on investments that are currently available (BI, June 22).

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Hyatt claims: Medical bill payments announced, but liability settlements kept secret

By STEVE SHERWOOD

KANSAS CITY, Mo.—Crown Center Redevelopment Corp. publicly says it is ready to pay only medical bills for some of those injured in last month's Hyatt Regency Hotel disaster, but the first liability claims also may have been paid already.

"There is money to pay liability claims and some claims have been paid already," said one source close to the case. "Lots of offers have been made."

Liability insurers for Hyatt Hotels Corp., which operates the hotel, are the most likely insurers to be paying any settlements now. But Occidental Fire & Casualty Co., Hyatt's primary liability insurer, would not comment on any liability settlements.

Neither Hyatt nor Hallmark Cards Inc., which owns the hotel through its Crown Center Redevelopment subsidiary, would comment on liability settlements.

The collapse of skywalks at the Hyatt on July 17 during a tea dance killed 111 people and injured 188 others.

Insurers with potential liability for the disaster met Aug. 11 in Kansas City to discuss formation of a pool to pay liability claims, *Business Insurance* learned, but the results of the meeting were kept secret.

There is more than \$300 million in liability insurance available to the potential defendants of liability for the disaster (*BI*, July 27). Hyatt Hotels has \$200 million of liability insurance and Hallmark has \$100 million. In addition, liability insurance purchased by the major contractors and subcontractors totals \$31 million, *BI* learned.

The only public offer of money to victims, however, was the announcement last week that there is a fund available to pay all reasonable medical bills incurred to date that are not covered by the victims' medical coverage. A spokesman for Crown Center Redevelopment, who made the announcement, said such advance payments will be made with the understanding that it is not an admission by anyone of liability.

Crown Center is advising claimants to use their own medical insurance first so that it won't be waived. However, those without insurance to cover medical and hospital ex-

penses are being told to contact Crawford & Co. of Kansas City, the adjuster hired by the Occidental Life & Casualty Co.

Crawford office manager Charles Self said no medical bills have been paid yet, but wouldn't comment on liability settlements.

The quiet dealings on liability settlements in the Hyatt disaster differ from the approach taken by aviation insurers and their clients in air disasters.

In the 1979 Chicago DC-10 case, for example, insurers widely publicized their willingness to settle liability claims before blame for the crash was determined. The insurers also agreed to pool funds to quickly settle claims in the hope of holding down costs and to settle among themselves later.

How many of the insurers potentially liable for the Hyatt disaster will put up money to pay claims before liability is determined remains unknown.

The pool concept is being discussed by insurers, says Richard O'Hara, senior vp of Sayre & Toso in Los Angeles. Sayre & Toso wrote a heavily reinsured \$10 million umbrella insurance policy through Mission Insurance for Eldridge & Sons Construction Co., the Hyatt's general contractor.

"We have been offered the chance to join some kind of pool, but in my opinion this is

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Photo: Wide World

A dump truck is filled with debris from the lobby of the Kansas City Hyatt Regency.

Largest suit asks \$277 million for paralysis

By DAN RUCK

KANSAS CITY, Mo.—Sally Firestone was a \$32,644-a-year custom service engineer for International Business Machines Corp. in Kansas City until July 17. When the skywalks fell at the Hyatt Regency Hotel that night, she was trapped in the rubble for two hours, her neck broken and her body paralyzed.

To compensate for her medical expenses, loss of earnings and other damages, she has filed a lawsuit in Jackson County Circuit Court seeking \$237.8 million in compensatory damages. And she wants \$39 million in punitive damages.

Ms. Firestone's \$276.8 million suit is the largest of the 51 that have been filed as of Aug. 11 in the state court and U.S. District Court in Kansas City following the Hyatt disaster that killed 111 people and injured 188. The damages she seeks equal more than a third of all the damages sought by the injured.

The suits—43 in state court and eight in federal court—seek a total of just more than \$1 billion. However, these suits represent damages for only 56 people killed or injured, about a sixth of the total number.

In addition to the \$1.03 billion specifically sought in the individual suits, a class action suit has been filed for an unspecified amount

that could go as high as \$350 million.

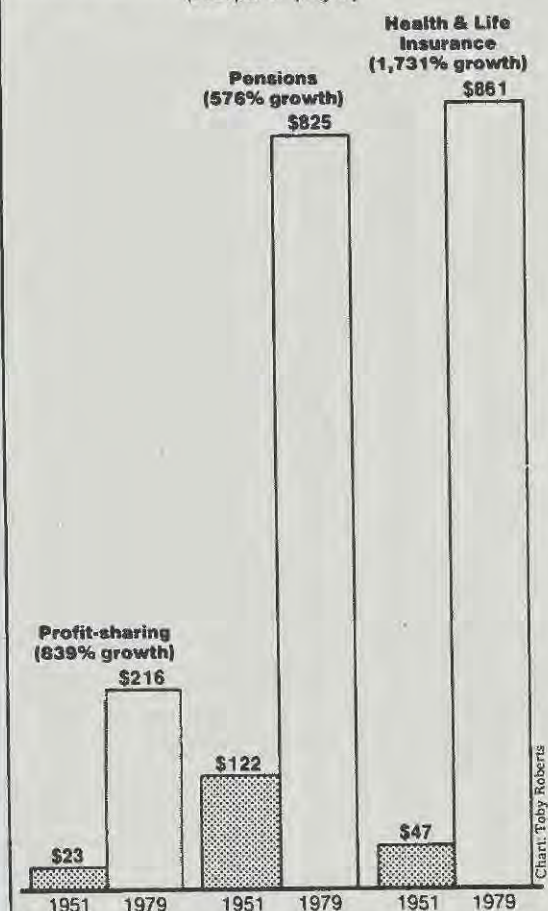
In the Firestone case, the injured woman and her lawyers have fixed her medical expenses over time at \$228.8 million and her loss of wages at \$3.97 million.

The \$39 million in punitive damages she seeks is divided among several defendants, with the largest amounts sought from the engineers and architects who designed the year-old hotel. Defendants include Crown Center Redevelopment Corp., owner of the hotel, \$7 million; Hyatt Hotels Corp., its operator, \$5 million; Eldridge & Son Construction Co., general contractor, \$8 million; Gillum-Colaco, structural engineer, \$9 million;

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Cost of employee benefits soars 763% over 30 years

How employers' benefit costs have grown (cost per employee)



By JERRY GEISEL

WASHINGTON—The cost of providing employee benefits today is more than seven times the cost 30 years ago.

In 1951, the value of benefits provided to an average worker was \$644; in 1979 (the latest year for which data is available), the average benefit cost was \$5,560, a 763% increase. During that same period, the Consumer Price Index, which reflects the rise in costs of consumer goods and services, only rose 190%.

Benefit costs as a percentage of payroll nearly doubled from 1951 to 1979, climbing to 36.6% from 18.7%.

These statistics are included in the U.S. Chamber of Commerce's long-term analysis of employee benefit costs and trends, which was released last week.

The analysis is based on the benefit surveys conducted by the group. Those surveys are considered authoritative because the 700 to 1,100 firms surveyed represent a broad cross-section of American business and industry.

Last year's survey, which reflected 1979 costs, was the first in three decades to show a dip in benefit costs, reflecting the slowing economy. In the 1979 survey, benefit costs as a percentage of payroll were 36.6%, down from 36.9% in 1978 (*BI*, Oct. 27, 1980).

But over a longer period, benefit cost increases have been feverish. A major culprit has been the huge cost increases for legally required benefits, such as Social Security and unemployment compensation.

Legally required benefits consumed 3.5% of payroll in 1951. In 1979, those benefits gobbled 9% of payroll.

Social Security, which cost virtually nothing 30 years ago, has become a major burden for employers as payroll taxes have soared.

In 1951, the FICA tax was just 1% on the first \$3,000 of wages; the maximum tax was \$30. This year, the payroll tax is 6.65% on the first \$29,700 of salary and a maximum tax of \$1,975.

The FICA tax, which amounted to 1.4% of payroll

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Buyers have to wait for insurers' refund from comp profits

By STEVE SHERWOOD

TALLAHASSEE, Fla.—Risk managers of Florida companies should not hold their breath waiting for insurers to refund premiums under the state's workers compensation insurance excess profits law.

Refunds may reach insurance buyers' hands eventually, but if the state's auto insurance excess profits law is any indication—and sources say it is—refunds will come only after a hard fight by insurers.

At stake may be at least \$50 million in "excess profits."

The workers compensation excess profit law, patterned after the earlier auto insurance law, was passed in 1979 and is to take effect in July 1982.

At that time, Insurance Commissioner Bill Gunter's office will examine profit/loss reports filed by Florida's workers compensation insurers for 1979 through 1981. If the law remains unchanged, Mr. Gunter will determine whether underwriting profits exceed 7.5% of total premium volume, minus losses and expenses. If so, the profit greater than 7.5% will be returned to buyers.

"Excess profits have been realized by insurers," a spokesman for Mr. Gunter's office says. "The law's aim is to recapture for the insurance-buying public profits in

excess of a certain percentage (7.5% of the premium dollar.)"

For example, if a company or group of companies made profits during the three test years that exceeded the cutoff point by \$1 million, the \$1 million would be returned proportionately to policyholders based on the premium each paid.

Florida is the only state that applies an excess profits law to workers compensation, sources say. Other states, including New York, South Carolina and Minnesota, have excess profits laws, but they only apply to auto insurance.

"It all started with the auto insurance excess profits law and the belief that conversion to no-fault created a windfall for insurers," says Gary Granoff, director of the Insurance Department's rating division. "The workers compensation law is the auto law's stepchild."

Apparently, the Legislature saw the auto insurance law and figured it would do the same with workers compensation, another troubled insurance line, he says. The auto law was first passed in 1977 and an amended version was passed in 1980.

"Since the workers compensation law was concurrent with the wage-loss law, one would assume people thought wage-loss would save insurers some money," Mr. Granoff says.

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Continental ESOP runs into serious setbacks

Time may be running out for Continental Airlines' proposed Employee Stock Ownership Plan after a number of serious setbacks.

Continental has been trying to set up an ESOP to block a takeover attempt by Texas Air Corp., the parent company of Texas International Airlines.

A consortium of banks, which would have loaned the company's employee association up to \$185 million to purchase 15.4 million shares of new stock, have backed out of the deal "in varying degrees," a company spokesman confirmed.

The banks' reluctance to fund the new stock issue follows an earlier decision by the Civil Aeronautics Board to approve Texas Air's acquisition of Continental.

Continental also is recovering

benefit beat

from the apparent suicide last week of Alvin L. Feldman, its 53-year-old chairman who had been a strong supporter of the proposed ESOP.

Mr. Feldman had told employees about the banks' decision hours before his death.

The Continental spokesman did not know what impact Mr. Feldman's death might have on efforts to set up the ESOP.

Last week, Continental named George A. Warde to succeed Mr. Feldman as chairman and chief executive officer. Mr. Warde had just joined Continental on Aug. 1. as president.

There is still a chance that Presi-

dent Reagan might veto the takeover by Texas Air, the Continental spokesman said.

The president, who must approve airline acquisitions when international routes are involved, has 60 days from the date of the CAB ruling to decide.

Help also might come from the California Legislature, which is considering a bill to allow Continental to issue its new stock without a vote by the company's 30,000 public shareholders.

State Commissioner of Corporations Geraldine Green ruled last month that Continental could not issue new stock in California without permission from the sharehold-

ers.

This decision also has been appealed in federal court, the spokesman said.

Coverage to continue

Medical, disability and life insurance coverage will continue for up to one year for about 835 hourly employees laid off indefinitely Aug. 10 at General Electric Co.'s Louisville, Ky., appliance plant.

Disability coverage for sickness and accidents will continue if a claim is filed within 30 days of the layoff, according to a company spokesman.

Workers will retain their group life insurance, although coverage for dependents will continue only if the employee pays for the pre-

mium.

Major medical and dental coverage will continue for one year. However, the dental plan will be scaled down a month after the date the workers were laid off.

While GE will not make cash contributions to the employees' pensions, laid-off workers will receive pension "service credits" for up to one year.

The pension plan is funded by contributions from both the company and employees, with full vesting in 10 years.

Workers will lose all benefits and pension service credits if they take a job with another company before the one year is up, the spokesman said.

Although the layoff is indefinite, some employees might be called back within the year due to a "fair amount" of normal attrition at the plant, the spokesman said.

The layoffs, which will reduce the plant's labor force to 15,200 hourly workers, results from a surplus of room air conditioners and refrigerators, a company spokesman said.

Dental coverage

Chicago-based Crain Communications Inc. has a new dental insurance plan underwritten by Allstate Life Insurance Co.

The plan covers more than 500 full-time employees at no cost to the employee, with family coverage for spouses and children up to the age of 19 available at \$3 per month.

The plan covers 100% of preventive services for routine examinations, cleaning and full mouth X-rays. It covers 80% of basic services such as extractions, fillings, oral surgery, anesthesia, endodontics and root canal work.

Major services such as inlays, crowns, bridges and full and partial dentures are covered at 50%.

These charges are subject to a combined calendar year deductible of \$50 per person, and a calendar year maximum benefit of \$1,000.

Also included is 50% coverage for orthodontic services for dependent children only, subject to a separate \$50 per child lifetime deductible and a \$1,000 lifetime maximum benefit.

The dental plan cost of \$6.11 per employee per month (plus \$12.53 for dependent coverage) is partly defrayed by savings Crain expects from switching insurers in June for its group health, life and long-term disability insurance.

Crain switched its health and life insurance to Confederate Life Insurance Co. and its disability insurance to Union Mutual.

The plans had been provided under the Publishers Insurance Trust underwritten by Connecticut General and administered by Herbert L. Jamison & Co. in New York.

Cost was the prime consideration in changing insurers, said James Franklin, vp of finance and administration, followed by the desire for higher maximum amounts for life and disability insurance, and service considerations.

In response to a previous story on the change in insurers (BI, June 22), Jamison said a review of its records showed satisfactory service.

Prescription for effective health claims administration



When Eli Lilly & Company's claims volume doubled and their workload capacity was saturated, they decided to go online with a system that was not only efficient but flexible, as well.

ClaimFacts, an online health claims processing system, filled the bill. ClaimFacts currently responds to the needs of corporations, third party administrators, Blue Cross/Blue Shield Plans, insurance carriers and welfare funds.

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ClaimFacts, as well as ImpleFacts, Erisco's benefit record-keeping product for profit sharing and thrift plans, is available on service, lease, or purchase basis.

For further information call Wayne Ferrentino at (212) 247-2444 or return the coupon below.

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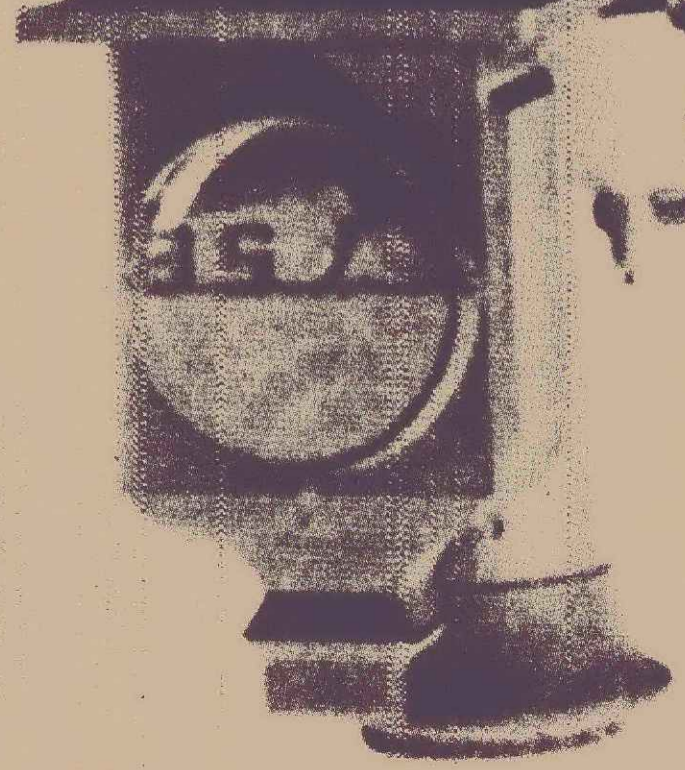


Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write John W. Milligan, Associate Editor, Business Insurance, 220 East 42nd St., New York, N.Y. 10017; 212-210-0141.

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THE MONEY BUSINESS



editorial opinions



"I DON'T UNDERSTAND WHY THEY'RE COMPLAINING ABOUT THEIR BACKS!"

The right cure

THE OBVIOUS is so often ignored. This clearly is the case with back injuries and their prevention.

Back pains and injuries, the bane of efforts to reduce worker injuries and workers compensation costs, only can be solved by redesigning jobs, not the way workers do them, experts agree.

This is not entirely new. We know of companies, for example, that have started packing their goods in smaller boxes to prevent workers from lifting boxes that are too big and heavy for safe handling. But as Eileen Norris reports this week in her articles on back injuries and how they can be prevented, the theory has yet to be put into universal practice to reduce the magnitude and cost of on-the-job back injuries.

Every employer should review claims involving back pains, look at the cause and try to redesign the job to remove the cause. "Bend from the knee" posters just won't stop back injuries, history is proving.

When you consider that 27% of all workers compensation claims involve back injuries, at

an average cost of \$4,100, it makes sense to spend the money to conduct this investigation. And it makes sense to invest in the systems and machines needed to keep workers from performing tasks that will injure their backs.

Since so much work can now be done by machine, there's no excuse for making workers "beasts of burden," as one corporate safety director puts it.

Thinking big

MOVING FROM the obvious to the orphic, Xerox's risk management department deserves a laurel for its application of computer science to risk management.

There are still risk managers who dismiss quantitative analysis for determining risk retention levels as hokum not worth the computer printouts used. We hope Xerox's example turns their heads.

Granted, not every company has the resources of a Xerox, but the techniques can be applied to some degree by many companies. Ask your broker what he can do.

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 space. Please send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

'Claims-made worries' . . .

To the editor: I have just finished Kenneth Wollner's excellent piece on claims-made insurance in the Perspective section (*BI*, July 6).

I must, however, take strong exception to the call for regulation in the last sentence. Messrs. Gereboff and Northrup had a responsibility to know the terms and conditions of their various policies and it was the duty of their agent/broker or consultant to provide the review. The recent relaxation of regulatory efforts has had a positive impact on the development of new policies to provide broader coverages and to respond to the dynamics of the marketplace. This would not occur if all policy terms and conditions were mandated and homogeneous.

Perhaps some regulation is necessary for the individual purchasing personal lines coverage. But the buyer of commercial lines coverages should be able to purchase what he or she needs and the agent/broker/consultant community should ensure that the needs are identified and addressed.

My question on the legitimate issues of this case is: Did the agent/broker/consultant selected by these CPAs do his or her job properly in advising them on their needs for coverage and the problems that existed between the three policies, as well as the accountant's obligation to report all possible claims in a timely manner so as not to jeopardize coverage?

Dennis C. Doherty
Risk manager
Hennepin County, Minn.

. . . is worrying some readers

"Claims-made worries" by Kenneth S. Wollner (*BI*, July 6) is certainly full of worries, especially the final paragraph: "Claims-made insurance can provide a positive solution for both the insured and the insurer in the area of professional liability insurance by affording the parties flexibility in handling underwriting problems associated with long time lapses. On the other hand, regulation is desirable to protect the consumer."

For the life of me, I cannot understand his intent in this paragraph and would hope that someone would come forth with a proper explanation of what he is attempting to say.

Sam W. Stone Jr.
Corporate risk manager
HCB Contractors
Dallas

Mr. Wollner replies: I would advocate that the regulation of claims-made forms includes the establishment of minimum policy form standards with respect to the smaller policyholder, including the ability at the insured's election to convert to an occurrence policy form.

Attack on accounting plan weak

To the editor: Articles in recent issues (*BI*, July 13 and 20) have attacked the Financial Accounting Standards Board's new proposal for pension accounting. I find that I agree with the positions taken by *Business Insurance*, but for different reasons. Two arguments are very weak, if valid at all.

The first assertion was that moving the unfunded retirement benefits from the footnotes to the body of the balance sheet would mislead investors. A body of empirical study indicates that this would not happen. The following two examples should make this point:

● Shyam Sunder, in a 1973 article, discussed the market reaction to changes in accounting for inventories. When a company changes from the FIFO to the LIFO inventory system during the periods of inflation, income will drop directly with the amount of change in inventory. This decline in income would, on face value, cause investors to believe the company was in a worse condition. Mr. Sunder found investors saw through the accounting changes involving inventory accounting changes. As a matter of fact, those companies that reported lower income actually realized an improvement in stock returns because investors recognized that the company would increase its cash flow as a result of a lower tax bill.

● FASB No. 2 insists that all research and development costs must be noted in the year in which they are incurred. In the past, many companies had chosen the option

of capitalizing these expenses and writing off the costs over a number of years. Many said R&D would be cut back to maintain the earnings reported on the financial statements. R.L. Vigeland, in an April 1981 article, found that, as in the inventory case, investors realized that this accounting change would not affect the internal operation of the firm. He also found that expenditures on R&D did not change as a result of managers trying to maintain the earnings figures.

As long as investors are aware of the facts, the location of the information revealing these facts seems unimportant. It also points out that management is unlikely to change pension strategies due to the location of the information on the financial statements.

A second argument was that because these future benefits were uncertain, they shouldn't be liabilities. If one looks at any financial statement, it is obvious that it contains many items that are less than certain and related to a future event, such as depreciation and allowance for bad debts.

I would suggest that rather than decry this proposal as the end of pension growth, it seems reasonable to pose this question: Why generate a liability on the balance sheet that, in turn, creates an asset of questionable intuitive value when the current disclosure system will work just as well?

Dan S. Deines
College of Business Administration
The University of Nebraska
Lincoln, Neb.

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turn to page 26

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Legislation would require insurers to pay midwives

around the states

HARRISBURG, Pa.—The state Senate has unanimously passed a bill ordering insurance companies and health service plans to pay for services performed by licensed midwives.

The proposal stipulates that when midwives are paid for childbirth services, no payment or reimbursement can be made to a doctor or osteopath for the same service.

The bill would affect all health care insurers, including Blue Cross/Blue Shield and health maintenance organizations. It now goes to the state House of Representatives.

Anti-arson law

ALBANY, N.Y.—Gov. Hugh Carey has signed an omnibus anti-arson bill that was passed by the Legislature shortly before the regular session ended.

The measure mandates jail sentences for those convicted of arson; provides for the gathering of insurance underwriting information to prevent the sale of fire insurance to potential arsonists; and provides for the collection of fire insurance claims data to prevent arsonists from collecting on claims.

The bill also closes loopholes in existing laws that have snarled police and insurance company investigations of suspected arsons.

The measure is based in part on model legislation adopted by the National Assn. of Insurance Commissioners.

Surplus lines

LANSING, Mich.—The state insurance commissioner has determined that 13 lines of insurance are generally unavailable in the admitted market and thus can be offered by surplus lines companies. The lines are: animal mortality;

environmental impairment; kidnap and ransom or extortion coverage; liability for entertainment, recreation or sporting events or facilities written to include injury to participants; personal injury and/or assault and battery when not written with bodily injury and property damage liability; products recall insurance.

Also, property/casualty insurance on mobile or traveling recreational or amusement businesses; certain property coverages on vacant buildings; rain or river-damage insurance; product liability coverage when written alone; railroad liability; flood insurance not provided under the federal flood insurance program; and high-hazard cargo insurance.

The list will be published quarterly and is open to revision. It will be mailed to all approved surplus lines insurers.

Retroactive tax

LITTLE ROCK, Ark.—A 2.5% tax on premiums collected by domestic insurers of Arkansas business, which went into effect June 17, is retroactive to Jan. 1, according to an opinion by the state attorney general.

The opinion, issued last month, said that the Legislature intended to have the taxation rate apply to all premiums in the calendar year, not from the effective date of the statute.

The state insurance commissioner requested the opinion.

The tax has been collected from foreign and alien insurers. It will now apply to premiums collected by domestic insurers on Arkansas business except for life, disability,

wet marine and foreign trade insurance premiums.

HMO management

HARRISBURG, Pa.—The state Insurance Department has accepted a proposal from Hancock Dikewood Services Inc. of Albuquerque, N.M., to take control of a cash-starved health maintenance organization, according to Insurance Commissioner Michael Browne.

Hancock Dikewood, a subsidiary of John Hancock Mutual Life Insurance Co., will take control of the Philadelphia Health Plan effective immediately. The Insurance Department had assumed control in June.

The company was selected from four applicants because it could generate management expertise and financial stability with a minimum of disruption to the plan's 27,000 subscribers.

About 25% of the subscribers are faculty and family members of three hospitals in Philadelphia.

Dr. Walter Wood, president of Hancock Dikewood, says the company will put up \$250,000 immediately and that it has reached agreement with medical groups to convert existing liability into long-term debt.

Hancock Dikewood was formed by a merger between John Hancock Mutual Life and Dikewood Industries. It is under contract to operate two other HMOs and operates a data system for seven other HMOs.

Work comp rate cut

NEW YORK—The state insurance Department has approved a 20.4% rate cut for workers compensation insurance. The decrease, effective July 1, is the largest approved by the state since the coverage was first written in 1914.

The reduction was due to recent favorable loss experience and a technical offset factor for anticipated higher wages. Compensation insurance rates are generally applied to payrolls so that inflationary increases in wages would automatically generate additional premium income unless rates were adjusted downward.

Insurance Superintendent Albert B. Lewis added that the department will examine the books of some larger companies to verify that the improvement in loss experience has not resulted from a change in reserve patterns but in real changes in the number and cost of claims.

Workplace hazard

MUSKEGON, Mich.—A Michigan circuit court has ruled that five employees who claimed that exposure to benzidine gave them bladder cancer had to seek relief through the workers compensation system before bringing suit.

The Bofors Lakeway employees alleged that the company intentionally misled them about the harmful effects of benzidine. All five contracted cancer while working. They say because they are still able to work, they cannot use workers compensation, which is a remedy only if a worker is disabled.

The Michigan court, however, ruled the workers must exhaust all remedies before entering the judicial system. The attorney for the plaintiff plans to appeal.

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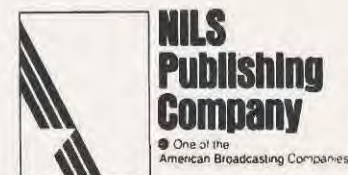
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Saudi risk management: A lesson in irony

By JOHN W. MILLIGAN

NEW YORK—If Bill Thomas knows a lot about risk management, he also knows something about irony—Saudi Arabian style.

Since the early part of 1979, Mr. Thomas has taught the Saudis about the intricacies of risk management—a term with no direct translation in Arabic. He also has placed the insurance coverage on a \$60-billion construction project—in a nation where insurance is illegal by the dictates of religious law, but the industry generates \$250 million a year in business.

Even Mr. Thomas' business card has a twist to it: It's printed in English on one side and Arabic on the other.

Mr. Thomas, president of Alexander & Alexander Middle East Ltd., is responsible for an extensive operation in Saudi Arabia (BI, Aug. 11, 1980). He recently returned to the United States for a three-week

stay, one of the two visits he generally makes each year.

Alexander & Alexander has a five-year contract with the Saudi government to provide risk management and insurance brokerage services on two construction projects at Jubail on the Persian Gulf and Yanbu on the Red Sea. It won the contract, awarded in March 1979, with a \$10 million bid.

Alexander & Alexander Middle East Ltd., a recent addition to the brokerage firm, provides a full range of brokerage services and takes care of the Saudi operations of several U.S. companies, such as Bendix and Westinghouse.

With a 16-member staff in Saudi Arabia, A&A provides risk management consulting services that include safety, fire protection, claims administration and insurance techniques.

A&A's most vital function, Mr. Thomas says, is its training program, which teaches Saudis the

William C. Thomas
President

Alexander & Alexander
Middle East, Ltd.

Alexander & Alexander

10th Floor Hyatt/Redec Plaza, Airport Road,
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techniques of risk management. Training takes place in the United States and London as well as in Saudi Arabia and "is the type of thing where you continually work yourself out of a job."

Risk management services is about 75% of the company's efforts, Mr. Thomas says, and has been a success. A&A has reduced insurance costs for the Saudis by at least 50% while "drastically increasing" their coverage, he says.

If risk management is difficult for U.S. business executives to understand, it's "completely foreign to the Saudis," he says.

The Saudis are now constructing the basic facilities for the massive industrialization planned at Jubail and Yanbu. The cities are now little more than fishing villages but hold great promise because of their excellent port facilities.

The cities will one day have petrochemical plants, oil refineries and other primary industrial facilities, each of which will be a \$1 billion to \$2 billion project, Mr. Thomas says. The projects are part of the Saudis' effort to add value to their crude oil before it is exported, he says.

The two projects involve 30 to 40 different contractors of many nationalities and pose—at least by American industrial standards—some unique problems. Mr. Thomas calls it adapting risk management principles to a different lifestyle.

"It's very difficult to get construction people to wear shoes, let alone safety shoes," he says.

There is also the problem of water, the Saudis' most precious asset, according to Mr. Thomas. Rather than rely on the same



Photo: John W. Milligan

Bill Thomas, president of Alexander and Alexander Middle East Ltd., does business with Saudi Arabia with cards printed in English on one side and in Arabic on the other.

type of sprinkler systems used in U.S. factories, A&A proposed a hydraulic system that uses only that water actually needed at the sprinkler source. The Saudis can't afford to have such an important resource laying around in a pipe somewhere, he says, "so you have to come up with some very imaginative ways of controlling these things."

Mr. Thomas praises the Saudis as good businessmen.

"They're clever, precise, accurate and know what they want. If you have their confidence, you can do a lot of business in Saudi Arabia."

According to Islamic law—the Sharia—insurance is considered the same as gambling and, thus, is illegal, Mr. Thomas says.

The religion says if it is God's will that something happen, it will happen and it's your destiny to re-

cover from it, he explained.

Mr. Thomas says he has had numerous discussions on this point with many Saudis, and he thinks that he has persuaded some of them that distinct differences exist between insurance and gambling.

The Saudis evade the Islamic ban on insurance by registering all their insurance companies in foreign nations, even though Saudis are principal stockholders in many of them.

There are 33 Saudi insurance companies involved with the two construction projects alone, Mr. Thomas says. He estimates that Saudi companies write some \$200 million to \$250 million in coverage each year.

He says that one Saudi faction is working to legalize the insurance industry, but has no idea if it will accomplish its goal.



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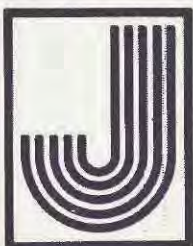
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Benefit professionals polled on Social Security

A majority of employee benefit professionals favor the Reagan administration's plan to sharply reduce Social Security benefits for early retirees, provide greater incentives for people to work past age 65 and reduce eligibility for disability insurance, according to a survey.

However, most of those polled in the International Foundation of Employee Benefit Plans' National Opinion Panel survey disagreed with the administration's proposal to raise the Social Security retirement age to 68.

The foundation surveyed 128 employee benefits professionals, trustees and administrators.

Some 61% of those polled said they favored the administration's plan to cut benefits for early retirees. A whopping 79% favored greater incentives for individuals to work past the retirement age.

Some 55% said they were in favor of eliminating minimum Social Security benefits, and half thought reduced eligibility for disability insurance was a good idea.

However, only 44% favored reducing the basic pay formula for future retirees. Forty-eight percent opposed the idea, with 8% not answering. And 42% said they opposed raising the retirement age from 65 to 68. Fifty-two percent were opposed, with 3% expressing no opinion.

Forty-one percent of those surveyed said they thought Social Security should be removed from the federal budget. Some 28% were opposed to the idea, with 31% expressing no opinion.

The National Opinion Panel was organized from IFEBP's membership as a means to measure the attitudes of employee benefits professionals.

INA to buy captive manager, reinsurer

The Insurance Co. of North America has agreed to purchase Crum & Forster's Bermuda captive management operations and a Bermuda-based reinsurance company for an undisclosed amount of money.

The two companies have come to a handshake agreement on the purchase of C&F Managers, the captive manager, and J.H. Blades International, a reinsurance company, a spokesman for Crum & Forster said.

The sale is expected to be closed within two to three weeks.

Blades International will be purchased by the reinsurance division of INA's property/casualty group. Since the sale has not yet been finalized, the spokesman said it is too early to determine whether there will be any staff changes at Blades International or if the company will be merged with INA's reinsurance activities.

Crum & Forster acquired Houston-based J.H. Blades & Co. in 1978, which included Blades International and a captive management operation.

Crum & Forster is selling C&F Managers and Blades International because "this offshore reinsurance company and captive management operation were not a fit with what we usually do," the spokesman said.

Crum & Forster will retain two small Bermuda-based companies, one a part of the Blades operation, that write primary insurance for the aviation market.

New RBH division

Rollins Burdick Hunter Co. has formed a Risk Management Services Group that will provide claims management, statistical reporting and analysis, financial analysis and safety engineering services.

Consulting firm

Eugene F. Johnson, CPCU, ARM, former director of insurance for Dart Industries Inc., has formed a risk management consulting firm called Eugene F. Johnson Co.

The company is at 1326 Wilder St., Thousand Oaks, Calif. 91362; 805-497-6200.

New subsidiary

BMF Marketing Insurance Services Inc. has been formed by the brokerage firm of Bayly, Martin & Fay International Inc.

Headquartered in Los Angeles, the new firm will specialize in general and health insurance programs for associations and trade groups.

Workplace injuries decline in California

SAN FRANCISCO—The number of disabling work injuries reported by California employers declined 2% last year, according to the State Division of Labor Statistics & Research.

More than 373,000 disabling work injuries were reported in 1980, down from more than 382,000 the year before, according to the state agency.

There were 37.5 workplace injuries per 1,000 workers in California last year, the lowest such rate since 1975, the agency reported. More than 39 injuries per 1,000 workers were reported in California in 1979.

Work-related fatalities in California reached their lowest level in 40 years, with 541 workplace deaths recorded. Some 669 work-related deaths were reported in

markets

Administrator

Caspari Associates, a third-party insurance administration firm, has been formed in St. Louis to provide consulting services on employee benefit and life insurance plans.

The company, established by Charles W. Caspari, is at 7730 Carondelet Ave., St. Louis, Mo.

Acquisitions

Peters Reimers Insurers of

Spencer, Milford and Spirit Lake, Iowa, has merged with Kirke-Van Orsdel Insurance Services of Des Moines. Peters Reimers will become a division of Kirke-Van Orsdel.

William Munch Inc., a Puerto Rican-based insurance agency, has been acquired by Seguros de San Miguel Inc. of San Juan, Puerto

Rico. The firm will be renamed San Miguel-Munch Inc.

New offices

Frontier Adjusters Inc. has opened three new offices: 4420 Madison, Suite 180-14, Kansas City, Mo. 64111; Box 12362, Columbus, Ohio 43212; and Box 611, Rockford, Mich. 49341.

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OSHA to review medical record rule

By JERRY GEISEL

WASHINGTON—The Occupational Safety and Health Administration will review a 1980 regulation that allows employees exposed to a toxic substance to obtain copies of medical records maintained by the employer.

The Aug. 21, 1980, regulation, which former OSHA chief Eula Bingham called "the most important" rule issued during her four-year term (*BI*, May 26, 1980), allows an employee to examine and copy an employer's records of employee exposure to toxic materials, the employee's personal medical records and analyses based on these records.

The regulation allows "workers to obtain vital information that previously had been locked away

washington

in employers' files," Dr. Bingham said at the time the regulation was released.

But employers complained the regulation would result in a mountain of paperwork for them. Some groups also questioned whether OSHA had the authority to issue the rule, and said it didn't adequately protect trade secrets.

While a decision to scrap or overhaul the medical records regulation won't be made until at least the end of the year, OSHA is proposing to slightly modify the rule to increase employer protection against possible disclosure of trade secrets by workers' physicians or union representatives.

OSHA suggested allowing employers to include monetary penalty clauses in confidentiality agreements employees sign before they can gain access to the records.

OSHA's analysis of the employee access to medical records rule was published in the Aug. 7 issue of the *Federal Register*. The department will accept comments until Sept. 21.

Social Security

Public employees should not be forced to participate in the Social Security system, President Reagan says.

"I am opposed to mandatory So-

cial Security coverage for employees of state, county and municipal entities," Mr. Reagan said in a letter to Sen. Paul Laxalt, R-Nev.

Although several research groups, such as the President's Commission on Pension Policy, have endorsed universal coverage, Mr. Reagan said public employees' pension benefits could be jeopardized if their retirement programs were integrated with Social Security.

The president also noted that public employees' retirement programs and Social Security were created to meet different needs.

Social Security, he said, was created as a benefit floor to supplement income from individual savings or a private pension. But public pension systems were established to meet the entire retire-

ment needs of participants, he said.

"It would be dangerous, if not impossible, to merge these divergent systems," Mr. Reagan said.

New OPIC treasurer

C. Dale Duvall, a member of the Reagan administration's transition team, has been named treasurer of the Overseas Private Investment Corp. OPIC is a federal agency that provides political risk insurance to businesses investing in less-developed countries.

Before coming to Washington, Mr. Duvall was a partner at Morris, Lee & Co., an accounting firm based in Spokane, Wash. He is a member of the American Institute of Certified Public Accountants.

Federal tort reform

A federal product liability law is needed to restore balance to the nation's legal system, says Rep. James Collins, R-Texas.

Federal legislation is "essential if we are to reach the root of the product liability problem," Rep. Collins said.

Essential elements of a federal tort bill would include a limitation on suits involving very old products and a limit on the amount of compensation an accident victim can receive, he said.

"They (the courts) cannot let these claims run on and on, 20 years after you manufacture a product," Rep. Collins added.

Senate Commerce Committee staffers and Reagan administration officials are drafting a federal product liability bill that will address some of Mr. Collins' concerns. The bill is expected to be ready next month.

Too many reports

Employers, particularly those with small pension plans, are submitting reports no longer required by the Pension Benefit Guaranty Corp.

For example, employers with pension plans that have fewer than 100 participants only have to inform the PBGC annually if they decrease benefits or if the number of participants has dropped, the PBGC said. Until last year, notification was required 30 days after the change.

PBGC has published a free booklet outlining notification rules. "Reportable Events" may be obtained from the Pension Benefit Guaranty Corp., Public Affairs Staff (160), 2020 K St. N.W., Washington, D.C. 20006; 202-254-4827.

Council approves CEBS program

The 10 courses in the Certified Benefit Employee Specialist program have been recommended for academic credit by the American Council on Education.

The ACE recommendation allows participants in the CEBS program to receive college credit, either undergraduate or graduate, for each completed course, retroactive to 1977.

The CEBS program is co-sponsored by the International Foundation of Employee Benefit Plans and the Wharton School of Finance at the University of Pennsylvania.

Nearly 9,000 people have registered for the program and 329 have successfully completed the 10 examinations leading to the CEBS designation.

For more information about the CEBS program, contact the IFEBP, Box 69, 18700 W. Bluemound Road, Brookfield, Wis. 53005.

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comings & goings: buyers

Robert Reider joins Pacific Gas & Electric

Pacific Gas & Electric Co. has appointed **Robert M. Reider** as director of insurance administration. Mr. Reider, 41, will assist in the administration of all insurance and risk management activities for PG&E and its subsidiaries. Before joining the company, he was associated with the St. Paul Insurance Cos. and several insurance brokerage firms in San Francisco and Oakland, Calif. Mr. Reider has a bachelor's degree from St. Thomas College in St. Paul, Minn., and has earned the CPCU and ARM designations. He will report to William P. Noone, manager of insurance.



Reider

vised and marketed property/casualty coverage for hospitals, industries and businesses. She has a bachelor's degree in education from the University of Wisconsin and a master's in education from Rockford College. She will report to company President Edwin W. Murphy.

We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Stephen Tarnoff, Associate Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5482.

Ted L. Young, 21, has joined Piedmont Natural Gas Co. Inc. in Charlotte, N.C., as corporate risk manager. His responsibilities include identifying and evaluating risks and administering the company's property/casualty and workers compensation insurance program. Mr. Young received a bachelor of administration degree in risk management from the University of Georgia. He reports to J.H. Paylor Jr., vp of general services.

Wayne Wickham, 30, has been named director of corporate insurance for National Semiconductor Corp. in Santa Clara, Calif. Mr. Wickham formerly served as property and loss-control manager at the company. He holds a bachelor of science degree in electrical engineering from Texas A&M University. He will report to Pat Brennan, corporate treasurer.

Ancilla Domini Health Services, Inc. in Des Plaines, Ill., has named **Alicia E. Lerner** to the recently created position of manager of insurance programs. Ms. Lerner, 30, will monitor and facilitate the risk management programs of Ancilla Domini and seven member hospitals. The programs include all forms of property/casualty insurance protection. Before joining Ancilla Domini, she was an account representative for Corroon and Black of Illinois, where she ser-

Life, health cover course offered

NEW YORK—The College of Insurance is offering a course in life and health insurance to prepare individuals for the New York State licensing examination for life and health insurance agents.

The course will meet for three hours at 6 p.m. on Mondays beginning Sept. 21. The fee for the entire six-week course is \$125. Classes focusing on life insurance topics will be held from Sept. 21 through Oct. 5. Classes focusing on health insurance will be held Oct. 13-21. The tuition for one section is \$75.

Subject matter to be covered includes the principles and uses of life and health insurance, companies, policies, provisions, Keogh plans and IRAs, underwriting, Social Security, New York insurance law and agents' duties and responsibilities.

For further information, contact The College of Insurance, 123 William St., New York, N.Y. 10038. ■

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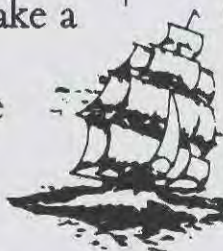
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Financial Strategies in Life Insurance

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"Pension planners face a big challenge today," says John J. Griffith, president of Griffith & Bennett, Inc., a leading independent pension consulting firm. "We have to find stable, competitive investments for our clients, but ones that are flexible enough to respond to broad shifts in market conditions."

Several months ago, Griffith learned that the Life Insurance Company of North America—whose single-premium deferred annuity product he had used for some time—was developing a new accumulation contract for pension investment.

"We were attracted right away by the contract's high annual yield," recalls Griffith. "But there were certain modifications needed to make the product more salable to our clients." Griffith expressed his concerns to LINA—and a constructive dialog began. Soon, a revised version of the contract was presented to Griffith, and he began including it in his clients' pension programs.

"The people at LINA were extremely open to our ideas," he comments. "They didn't just say, 'This is the product, take it or leave it.' Instead, they wanted to make a good product even better." It is this type of willingness to innovate which Griffith sees as essential in the current investment market. "Our clients tend to be corporations with 600 or fewer employees," he notes, "which means that every dollar of their pension funds has to work very hard. And when you find a company like LINA that is responsive to your clients' particular needs, it makes designing sound investment strategies that much easier."

In order to expand client service and build profits, many P/C agencies are aggressively entering the life insurance field.

"We wanted the extra income that life insurance sales would bring in," recalls Louis R. Kolber of Valley Forge Insurance Management, a Chadds Ford, Pa., agency. "But we knew if it meant increasing our administrative staff, the added profit margin would be greatly reduced."

Clearly, the solution lay in finding a life company with

Adding profits to our book of business.
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Louis R. Kolber



comprehensive support services—and the strong business life insurance capability that would allow the agency to provide an extra dimension of service to its large P/C clients. Valley Forge's choice was INA Life.

Kolber explains: "Most business owners want to make sure that their company will remain intact after their death, and that often entails using life insurance as a business tool. With INA Life's estate and business insurance planning expertise behind us, we can now advise our clients on matters such as funding buy-sell agreements with life insurance."

In Kolber's view, adding life insurance to the agency's product mix has allowed it to offer a broader range of services to its P/C clients—without tying up its own staff: "INA Life backs us up on sales calls and does most of the administrative work. But when a sale is made, it's *our* income."

"In theory, there are several ways to provide for an individual's death tax liability," says Doyne Basye, CLU, president of Anacapa Insurance Services. "But, in reality, the options can be quite limited." To illustrate, Basye cites the case of one of his estate planning clients, the middle-aged owner of a small corporation. After extended consultation with the client, Basye determined that his "death costs"—federal and state income and estate taxes—would total approximately \$1 million.

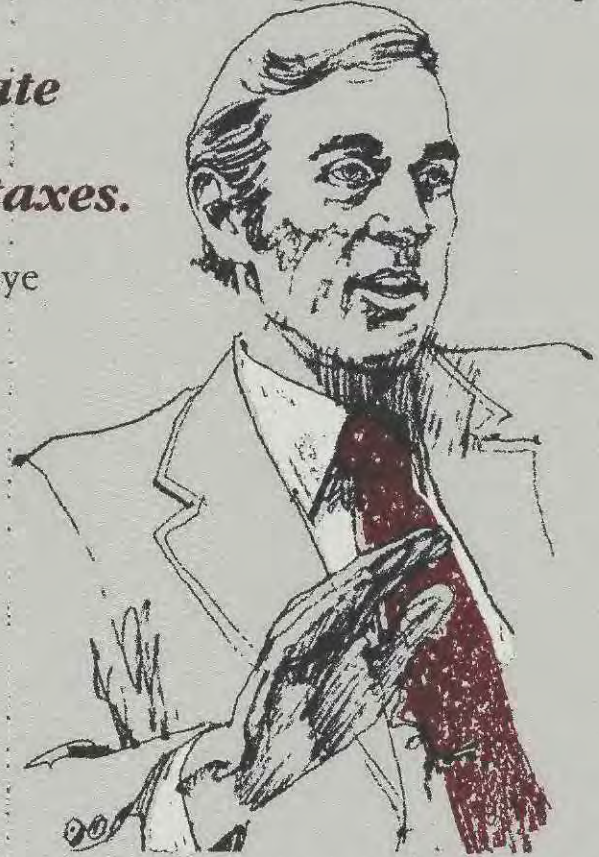
"The man didn't have sufficient cash reserves to meet these costs, didn't want his estate to have to sell a major asset, and knew interest rates would make a bank loan too expensive," recalls Basye. "The solution appeared to be permanent life insurance, but premiums would be steep."

As a general agent for INA Life, however, Basye was able to offer his client another option: Retired Lives Reserve (RLR). The corporation could buy RLR group term life coverage for the owner (and other key employees) and deduct the cost as an employee benefit expense. At the same time, a portion of each of the company's payments would automatically flow into an interest-earning reserve fund which, upon retirement, would continue to pay the insureds' premiums for life.

"RLR allows a corporation to provide income tax-free death benefits to the estates of its key people, and do it with tax-deductible dollars," observes Basye. "The product's obvious cost efficiencies make it the best alternative for many of my executive clients."

Covering estate costs while minimizing taxes.

-Anacapa Insurance Services' Doyne Basye



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SEPT. 9-11. Fundamentals of Insurance course in Dallas, sponsored by the Risk & Insurance Management Society; members, \$295; non-members, \$395. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 11-12. Legal Consequences for Roofing Contractors seminar in Chicago, sponsored by the National Roofing Contractors Assn.; NCRRA members, \$175; non-members, \$200. Ms. Patricia Applehans, National Roofing Litigation Center, 1515 N. Harlem Ave., Oak Park, Ill. 60302.

SEPT. 15-17. Financial Analysis for Risk Management Decision seminar in Chicago, presented by Dr. John Cozzolino; \$685 per person plus \$50 registration fee per company includes workbook and calculator. Also Oct. 20-22 in New York; and Nov. 17-19 in San Francisco. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

SEPT. 21-22. Association Captives conference in New York, sponsored by Interforum Group Inc.; \$595. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

SEPT. 21-24. Fundamentals of Reinsurance seminar in Irving, Texas, sponsored by the University of Dallas Risk Management Institute; \$395. Professor Bruce D. Evans, University of Dallas

Risk Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-579-5360 or 214-579-5299.

OCT. 7-9. Western Regional conference in Phoenix, Ariz., sponsored by the Risk & Insurance Management Society; \$175. Jim Mullen, Arizona Public Service, Box 21666, Phoenix, Ariz. 85036; 602-271-2806.

OCT. 11-14. Health Care Cost Containment seminar in Palm Springs, Calif., sponsored by the International Foundation of Employee Benefit Plans; \$360. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 19-22. 68th National Safety Congress in Chicago, sponsored by the National Safety Council; members, \$60; non-members, \$90, \$80 in advance. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

OCT. 21-24. International Benefits Seminar in Montreal, sponsored by the International Foundation of Employee Benefit Plans; members, \$440; non-members, \$515. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005.

OCT. 22-23. Human Error Reduction Techniques course in Chicago, sponsored by Don Petersen, management consultant; \$275. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

OCT. 23-24. Hospital Liability and Risk Management seminar in New York, sponsored by the Practising Law Institute; \$275. Also Nov. 20-21 in Miami. Practising Law Institute, Dept. SWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

OCT. 25-28. 1981 Corporate Benefits Management conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; members, \$440; non-members, \$515. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 26-27. Eighth Annual Environment and Safety Briefing sessions in Washington, D.C.; \$250. Environment Conference Secretary, BNA Education Systems, Suite S-602, 1231 25th St. N.W., Washington, D.C. 20037; 800-424-9890; 202-452-4420.

OCT. 26-27. Industrial Hygiene for Managers of Hazardous Activities seminar in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

OCT. 26-28. Product Safety Engineering course in Baltimore, sponsored by the Institute of Product Assurance; \$450. IPA, 9811 Mallard Drive, Suite 213, Laurel, Md. 20811; 301-792-0710.

OCT. 26-27. How to Make Your Numbers Count conference in New York, sponsored by Interforum Group Inc.; \$595. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

OCT. 29-30. Techniques of Loss Control course in Chicago, sponsored by the Risk & Insurance Management Society; members, \$295; non-members, \$395. Also Dec. 2-4 in New York. Ms. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 212-286-9292.

OCT. 29-30. Radiation Protection of the Public in a Nuclear Accident course in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 23. Management of Radiation Accidents course in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 24. Benefits Processing Institute program in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members, \$435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 11-14. 1981 Public Employees conference in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; members, \$360; non-members, \$435. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

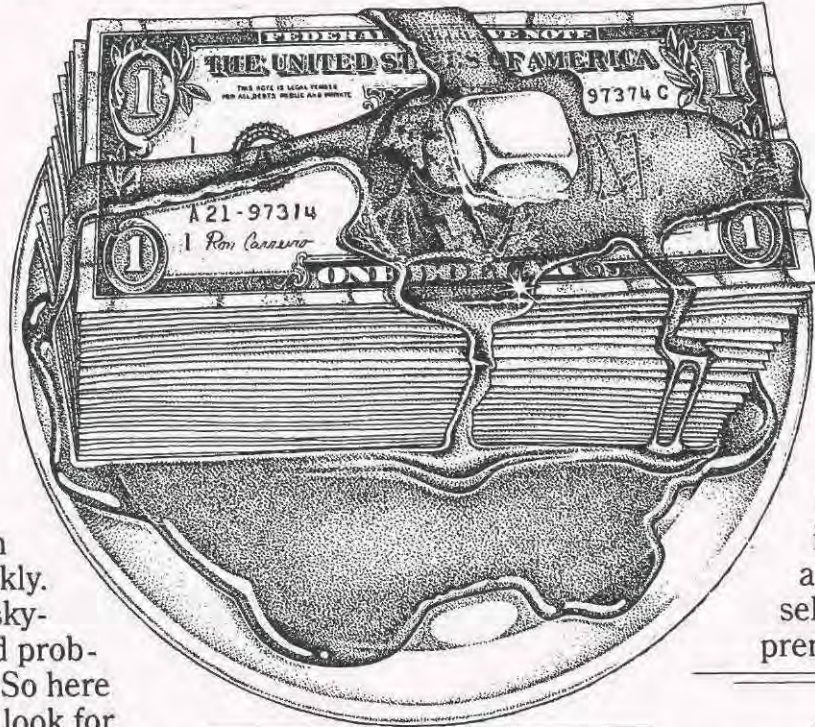
NOV. 15-17. Business Insurance Communicator Employee Benefits conference in Chicago, sponsored by Business Insurance. The latest tips and techniques to effectively communicate benefits to employees. Registration fee includes Nov. 16 awards dinner honoring winners of the BI Benefits Communications competition. Valerie Adams, Crain Educational Division, 740 N. Rush St., Chicago, Ill. 60611; 1-800-621-6877; in Illinois, 312-649-5242.

NOV. 16-18. Analyzing Safety Performance course in Tucson, Ariz., sponsored by Don Petersen, management consultant; \$375. Don Petersen, 9236 East Walnut Tree Drive, Tucson, Ariz. 85715; 602-749-2319.

NOV. 18. Insurance Perspectives 1981 seminar in Dallas, sponsored by Peat Marwick, Mitchell & Co.; free to clients. Keith Tucker, Peat, Marwick, Mitchell & Co., Suite 1500, 2001 Bryan Tower, Dallas, Texas 75201; 214-747-8911.

NOV. 19-20. Basic Radiation Hazard Control seminar in Arlington, Va., sponsored by the International Institute of Safety & Health; \$295; three or more from same firm, \$250. IISH, 5010A Nicholson Lane, Rockville, Md.; 301-984-8969.

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Rehabilitation



Illustration: John Sandford

Prompt evaluation will help both sides become winners in personal injury suits

By Vincent J. Mangano

STRUCTURED SETTLEMENTS and periodic payment plans are gaining popularity as an aid in settling personal injury lawsuits, especially costly ones.

Rehabilitation of the injured person can aid such settlements even more.

Traditionally, personal injury cases stress development of information on the extent and duration of the injury and related damages involved, whether from the claimant or defense point of view.

In serious injury cases, early attention to rehabilitation will benefit both sides. The claimant has an obligation to mitigate damages and a desire to attain maximum recovery in the shortest period of time. Likewise, the defense seeks to limit exposure and hasten disposition of the case. The more serious the injury, the greater the need for rehabilitation and the stronger the justification will be for the defense to pick up related expenses, especially in the case's earliest stages.

The most obvious benefit of rehabilitation is the recovery of the injured person. The injured's well-being should be a major concern for all involved.

A secondary benefit evolves from early identification of the victim's present and future condition and the cost factors involved. In the framework of a claim or lawsuit, an early, more precise presentation of such details helps not only the plaintiff and defendant but also facilitates negotiation and disposition.

In the initial handling of serious injury losses, it has become accepted practice today for the employer/insurer to absorb the cost of medical treatment without regard to liability. This is also the appropriate time to begin rehabilitation efforts. Regardless of whether any settlement, structured or otherwise, is to be negotiated, rehabilitation evaluation will provide information and guidance to both sides.

In addition to dealing with the injury

itself, prompt rehabilitation efforts can help provide estimates of the costs of the various stages of treatment, recovery time, extent of disability and long-term care. Although these estimates may require revision, at any given point they provide a more accurate and precise picture of the claimant's present condition and future needs.

Given this type of information, negotiations are facilitated by applying the information obtained from the cost and need analysis to a plan that seeks to provide the necessary funding for the injured person's medical and living requirements.

Here's an example of how this theory can work:

Approximately three years ago, a claim developed into a classic, rehabilitation-assisted deferred payment settlement. The claimant, a marine industry worker in his early 20s and unmarried, was left a quadriplegic by an

on-the-job injury. Initial medical treatment did little more than prevent his death. Despite lingering liability questions, the insurer authorized substantial payments to:

- Transfer the claimant to a sophisticated rehabilitation facility.
- Provide better treatment for his immediate medical needs.
- Evaluate, plan and manage his rehabilitation.

In addition, an adjuster was assigned to meet with the claimant's parents regularly to help them deal with the various problems associated with their son's injury.

Over the next year, a significant investment of time, effort and money was made in treating the claimant's medical and rehabilitational needs and in assisting his family to handle practical and emotional problems of the present and prepare them to handle future ordeals on their own.

Continued on next page



Photo Chicago Historical Society
The Pullman Strike of 1894 forced firms to offer benefits.

Communications don't have to fail

By Dennis Hommel
First of three parts



INITIALLY, most benefit programs were created because of the demands of organized labor. But even non-union workers and white-collar employees were given comparable benefit packages by the employer in an effort to avoid further union organization or to remain competitive with other businesses.

Because employers had been intimidated into providing benefits in the first place, it was only natural that they would place a low priority on the need to communicate these benefits.

After all, since the employer was nice enough to provide benefits, shouldn't employees automatically appreciate them? This is a justifiable position, but

one that unfortunately has not worked.

Typically, when benefits were first provided, employers simply handed out announcements and the literature the insurance companies provided for free. The literature was written to protect the interests of the insurers, but was not necessarily to the advantage of employers.

Eventually workers had a pile of very legal-sounding folders and booklets from various insurance companies. This literature was confusing and very boring to the employees. As a result, they usually tossed the material in a drawer at home and ignored it when claims needed to be filed, they went to the employer.

In an effort to avoid employee confusion caused by lack of knowledge and overcome employee apathy

Continued on next page

perspective

Communicate benefits effectively

Continued from previous page
by lack of knowledge and overcome employee apathy, employers put together brief pamphlets that were intended to summarize and simplify benefit information. Employers were again intimidated into doing something for employees, this time spending money to tell employees what they should have automatically appreciated.

Then came the Employee Retirement Income Security Act of 1974. Now employers had to inform workers, again at the company's expense, what they had been given in the first place. But because of ERISA's requirements for compliance, what emerged was usually not effective communication but legal disclosure.

Summary plan descriptions and complex binders were put together at a great deal of legal expense, but were most often wasted on the employees. The employer did what the government ordered and very little, if any, time or money was available for developing messages that would "sell" the benefit programs to employees. Once more, the materials that were intended to communicate benefits were usually ignored.

ERISA and the existing lack of employee appreciation for benefits triggered a negative attitude on the part of many employers towards the entire subject of benefit communications. In short, employers have spent a great deal of money on benefit communications, but still have not instilled positive employee

attitudes toward benefits.

Another reason why communication efforts have failed is because the people who have often been given responsibility for putting together the benefit information packages, through no fault of their own, are not communications professionals. Many are either clerical workers or insurance company or brokerage employees.

Occasionally an artist would assist, but the end result was often only window dressing and not effective communications.

Since benefit communication efforts have often been the result of intimidation and produced by non-professionals, it is not surprising that management has failed to put a priority on the importance of ongoing benefit communication programs.

After all, what has been done in the past has not been particularly effective. As a result, very few companies spend even 1% of their annual benefit costs on communication.

A lesson can be learned from labor unions and Japanese companies on the value of instilling positive attitudes. Unions have done an excellent job of convincing their members they are getting a good deal from their union. And through the years, Japanese workers have been convinced that their employer is taking good care of their total needs through benefits.

Now it is time for U.S. employers to do a better job of convincing employees that



Photo: Chicago Historical Society

AFL-CIO executive board seeks benefit gains.

they are indeed getting a good deal. Only then can companies realize a fair return on their benefits investment and begin to build the necessary framework for controlling rising benefit costs.

The objective of future employee benefit communications should be to maximize the effectiveness for the company.

In other words, benefit communications should be viewed as a tool that will help the company and not just as something required to comply with ERISA.

Realistically, employers should expect an effective benefit communications program to change employee attitudes about their benefits and:

- Create appreciation for current benefits.
- Improve the employee's sense of self-worth and financial security.
- Provide a higher level of benefit understanding.
- Encourage the prudent use of benefits.

When these attitudes are instilled in employees, the goal of reducing escalating benefit costs starts becoming a reality, specifically reducing many direct, indirect and related benefit costs.

An effective benefit communications program reduces the direct cost for insurance premiums by minimizing employee misuse, a prime cause of rate increases. Employee demand for additional benefits in the future is also reduced.

There are numerous indirect benefit costs that are also reduced. Virtually all the time required to curtail benefit rumors and to answer common, individual benefit questions is eliminated. And productivity lost while employees attend lengthy orientation meetings is minimized. Also, a good benefit communications program can actually reduce absenteeism caused by poor morale.

Costs for recruiting and training new employees can also be cut. When a company has a good benefit communications program, it enjoys a better image in the community and therefore is able to attract new, qualified personnel more easily and at less cost. What's more, an effective benefit communications program reduces turnover and thereby reduces the cost of training new employees.

legal briefs

Vacation time doesn't affect life coverage

AN INDIANA appellate court ruled that the addition of vacation pay in a final paycheck did not extend an employee's active term of work in determining the date of termination for purposes of insurance coverage.

Edward Sheller was covered under a group life insurance policy issued by Equitable Life Assurance Society of the United States. Under the policy, an insured who died within 31 days after termination would be covered and the beneficiary would be entitled to the death benefits.

Mr. Sheller developed cancer in October 1973 and entered the hospital Jan. 15, 1974. Mr. Sheller retired from employment on Jan. 31, 1974, pursuant to his employer's mandatory retirement policy. He died March 18. On Feb. 15, he received a final paycheck for the pay period ending Jan. 31, plus 20 days of vacation pay. Mrs. Sheller filed for death benefits. Equitable denied the claim. She sued and won in the trial court.

The appellate court noted that the policy language was unambiguous in defining termination of employment as "cessation of active work." According to the court, "vacation" denoted a scheduled period of inactivity. It concluded that Equitable was not liable. *Sheller-Globe Corp vs. Sheller*, Court of Appeals of Indiana, Dec. 15, 1980 (BI/01/Jy.-\$5).

Comprehensive liability

The Supreme Court of Ohio ruled that a "business risk" clause in a comprehensive liability insurance policy did not apply to injuries sustained by a child in the operation of a toy manufactured by the insured.

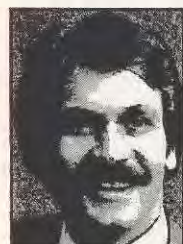
Louis Marx Co. Inc., a toy manufacturer, was insured under the policy issued by Continental Insurance Co. The policy excluded coverage for bodily injury resulting from the failure of the insured's product to perform the function intended.

Marx manufactured a six-wheeled riding toy advertised to be safe for children aged 3 to 10. A 6-year-old child was injured while using the toy. Marx was sued. Continental defended but notified Marx that it reserved the right to not indemnify. The suit was settled with Marx and Continental each paying the child \$55,000.

A suit was then brought by Continental, seeking reimbursement from Marx of the \$55,000. Marx, in turn, sought recovery of the settlement it had paid. The trial court held that coverage existed, but was reversed by an intermediate appellate court.

The Supreme Court reversed, concluding coverage existed. It rejected arguments that ads for the toy that mentioned its safety were evidence that the purpose intended was to assure "a safe and controlled ride." *Continental Insurance Co. vs. Louis Marx Co. Inc.*, Supreme Court of Ohio, Dec. 30, 1980 (BI/02/Jy.-\$5).

The entire decision may be obtained by sending \$5 to Cases Unlimited, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.



Dennis Hommel is president of Dennis Hommel Associates, consultants in employee communications. This series is from his *Employee Benefit Communications Handbook*.

Seek prompt rehabilitation

Continued from previous page

Once the claimant's medical condition had stabilized and his rehabilitative course had been defined, a long-term settlement was negotiated.

It provided for immediate cash payments to the claimant and to his parents. It also set up an annuity to provide monthly payments for the balance of the claimant's life.

The form of settlement greatly benefited both sides. The deferred payment plan avoided a greater exposure for the insurers, while providing a reasonable amount of present and future payments to the claimant.

The key to this disposition was the early decision to commit time and money to rehabilitation. This convinced the claimant and his family that it was in their best interest to cooperate with the

insurer's efforts. The parties worked with each other, rather than as adversaries, which was fostered by the manner in which the insurance company handled the claim.

Structured settlements incorporating rehabilitation proposals can be a big help in workers compensation claims where the obligation for medical payments is unlimited. Early rehabilitation efforts can pave the way for evaluation of the use of an annuity to fund future benefits or arrange settlement of a long-term or permanent disability claim.

In fact, annuities are being employed more frequently in this manner and their use is consistently approved by state workers compensation boards. Approximately 30 state boards have formally approved or informally allowed the use of annuities to finance employer obligations.

Consideration of the costs vs. benefits should always be a risk manager's guide, but it will be a rare claim in which the benefits of rehabilitation will not outweigh the costs. This especially holds true when seeking to settle the claim through some form of deferred payment plan.



Vincent J. Mangano is a Westport, Conn., attorney/claims consultant specializing in structured settlements.

Life policy for executives introduced

Connecticut Mutual Life has streamlined the underwriting on its regular series individual life and disability products to offer groups of five or more executives individual whole life or term policies.

Under the Guaranteed Acceptance Plan for Executives, executives who might otherwise be uninsurable because of health would be covered, but charged an extra premium.

CML also will consider negotiating a guaranteed premium outlay before medical underwriting where a specific formula is used to predetermine benefit amounts for 25 or more executives. This plan should not be confused with guaranteed-issue group insurance; each executive in a GAPE plan is covered with an individually owned contract.

The program has been specifically designed for use by companies to purchase large amounts of insurance on the lives of their highly compensated executives, usually those making \$50,000 or more a year.

GAPE can lower the aggregate group term premium per \$1,000, and each executive is protected with an individual non-cancelable, guaranteed renewable policy. These policies can be continued, without penalty or experience charge, by an executive after his retirement or termination from his job.

Insurance physical exams can be arranged nationwide with the Life Extension Institute, a health care division of Control Data Corp., which is cooperating with CML on this program.

For more information contact Bruce R. Schlesinger, Connecticut Mutual Life, 180 N. LaSalle St., Chicago, Ill., 60601; 312-984-5757.

Entertainment policy

The Entertainment/Media and-Special Risk Department of American National General Agencies has increased limits on its entertainment policy.

The liability limits on guild/union accident insurance for motion picture and television production companies has been increased to \$10 million from \$2 million. This aggregate limit is effective on all in-force, new and renewal policies for no additional premium.

For information, contact any of the ANGA offices in Los Angeles; Portland; San Francisco; Seattle; Phoenix; Salt Lake City; Atlanta; New York; Denver; St. Louis; Lexington, Ky.; Kansas City, Mo.; Boise, Idaho; and London.

New group plans

SAFECO Life Insurance Co. has introduced two new plans.

The 10/50 Group Plan is a fully insured MET for companies with 10 to 50 employees.

This plan offers medical benefits, life insurance and disability insurance with various options.

SAFECO also has introduced dental insurance to companies with 10 to 50 employees. The dental insurance plan can be used with the 10/50 Group Plan or SA-

Premium rise

STOCKHOLM, Sweden—Premium income for Swedish insurance companies rose 8.5% last year, fueled by a 50% drop in machinery losses in industry, the National Federation of Swedish Insurance Companies report.

Premiums for the year totalled \$401.8 million while losses were \$259.2 million.

products & services

FECO's 110 Healthcare Plan.

It covers a range of dental services, from diagnostic and preventive care to basic and major restoration.

For further details contact Gordon Hamilton, SAFECO Corp., SAFECO Plaza, Seattle, Wash. 98185; 206-545-5705.

Architects' coverage

Victor O. Schinnerer & Co. Inc. now offers immediate quotations for up to \$25 million under both the architects and engineers professional liability policy and the project insurance policy. Both policies are issued through the Conti-

mental Casualty Co.

Limits in excess of \$25 million can be acquired through Schinnerer's domestic and London facilities.

Contact Victor O. Schinnerer & Co. Inc., 5028 Wisconsin Ave. N.W., Washington, D.C. 20016; 202-686-2850.

Emergency fountain

The Haws Drinking Faucet Co. has introduced an outdoor, freeze-proof emergency eye-wash fountain.

The Haws Model 7433FP fountain has a freeze-proof valve system that connects to a water supply originating and draining within a

building. A steady water flow is maintained under varying pressures with a dual automatic pressure compensation device. An emergency identification sign and wall bracket are included with the fountain.

Contact Haws Drinking Faucet Co., P.O. Box 1999, Berkeley, Calif. 94701.

Limits increased

Albert H. Wohlers & Co., insurance brokers and consultants, has negotiated higher limits on their Association Professional Liability Insurance Plan. Policies have been increased to three-year terms with limits up to \$2 million.

Albert H. Wohlers & Co. has various association-sponsored group insurance plans in addition to the Association Professional Lia-

bility Insurance Plan. For further details contact Albert H. Wohlers & Co., Group Insurance Administrators, 1500 Higgins Road, Park Ridge, Ill. 60068; 312-698-2221.

Liquor liability

The Continental Agency now offers liquor law legal liability coverage in New Jersey from two admitted companies.

Coverage for liquor liability is available in conjunction with general liability, as part of a multiperil program or by itself. All classes of risks can be written, including package liquor stores, bars, restaurants and private clubs.

For more information contact Continental Agency, 277 Forest Ave., Paramus, N.J. 07652; 201-261-6600.

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Fahys to oversee new M&M division

Joseph Fahys, senior vp of Marsh & McLennan Inc., has been named head of the newly formed Management Services Group. Mr. Fahys was formerly national services officer, responsible for reinsurance, casualty insurance, risk management services and special projects.

The new group will include Marsh & McLennan (Bermuda) Ltd., M&M Insurance Management Services Inc., contract insurance service facilities, special-purpose insurance management services and risk retention and similar groups.

Before joining M&M in 1977, Mr. Fahys was a vp at General Reinsurance Corp.

Other agent/broker changes:

Robert A. Earp named president of Fred S. James & Co. of Texas Inc. Mr. Earp, previously executive vp, is responsible for managing James' Dallas office.

Michael T. Coyle named manager of marine loss control at the New York office of Alexander & Alexander Services Inc.

Robert E. Kuntz appointed director of risk management for Fred S. James & Co. Inc.'s Midwestern region.

comings & goings: industry

Anne Salemmo appointed assistant vp of Bayly, Martin & Fay Inc. in Philadelphia.

Michael S. Croce joined Frank B. Hall & Co. in Cleveland to produce new commercial lines business.

Robert T. Cottam promoted to vp of Corroon & Black of New York Inc.

Jon E. Johnson named senior vp and chief operating officer of Corroon & Black of Greenville, S.C. He previously had been with Corroon & Black in Atlanta and Chicago.

Donald D. Morrell named senior vp and director of major account development for Corroon & Black of the Carolinas.

Roy S. Good named vp of the Detroit office of Alexander & Alexander of Michigan Inc. He is a consultant on the design and funding of international employee benefit plans.

Mary Kaye Holt joined Bayly, Martin & Fay's Tulsa division as an account executive. **Paul T. Katsenes** was also named account executive at the same firm.

at the same firm.

Matthew A. Murphy appointed senior vp of BRI Coverage Corp. in New York. At the same firm, **Joseph Zweig** appointed vp and general manager of subsidiary HCE Agency Inc.

Frank L. Oakes elected chairman of Picton-Cavanaugh Inc. in Toledo, Ohio. He replaces **Robert D. Falconer**, who will continue as director. Replacing Mr. Oakes as president is **Harry W. Falconer**. **Dean L. Sutton** was elected executive vp-general manager.

David Cootes named executive vp of Emmett & Chandler of Northern California. He was formerly deputy managing vp of Alexander & Alexander in San Francisco. Also at Emmett & Chandler, **Robert J. Ratto** was named vp and director of claims.

Lawrence W. Carlstrom joined King & Neel Inc. of Honolulu as an account executive.

Robert W. Lindner appointed vp of Sherwood Insurance Services in San Francisco.

Ralph P. Howard joined Houston-based Adams & Porter Associates Inc. His responsibilities will include producing, marketing, placing and servicing insurance accounts in the petroleum, marine and aviation fields.

Orville B. Coborn Jr. named bond manager at Ellis Crotty Powers & Co. Inc. in Dallas. **Alice Chumley** has been promoted to sales at the same firm.

Peter R. Golia joined Adams & Porter Inc. in New York as a vp in charge of its average adjusting and claims department.

Dale Perkins joined the Fair Oaks, Calif., office of Insurance Resources as an account executive.

Richard F. Perrotty named president of DeLanoy & Kipp Inc., an insurance brokerage firm based in Montclair, N.J., which is part of Bache Insurance Services Inc.

George Evertsberg appointed special accounts manager of Davies & James of Hawaii Inc. in Honolulu.

Insurers

Richard E. Stewart has resigned as senior vp of the Chubb Corp. and as an officer and director of several of its subsidiaries to become chairman of Stewart Economics Inc., an insurance consulting firm.

J. Bruce Arrington named vp of Commercial Union Life Insurance Co. of America in Boston. He is responsible for group life and group health insurance.

Ralph E. Sunday and **Richard E. Ehret** elected senior claims officers at St. Paul Fire & Marine Insurance Co.

Darrell K. Parath appointed resident vp of INA Underwriters Insurance Co. and its subsidiary, Pacific Employers Insurance Co. He was also named general manager of a new INA office in Atlanta.

Harry E. Strong named assistant vp at AFIA Worldwide Insurance in New York. **David E. French** appointed general manager of AFIA's operations in West Germany.

Arthur H. Towne elected senior vp of United Pacific Insurance Co. in Federal Way, Wash. **Frank H. Swanson** elected vp and **Vernon L. Myers**, **David W. Zierath** and **Gerald C. Lyon** elected assistant vps at the same company.

Reinsurers

Jacobus J. Van de Graaf

elected president of Herbert Clough Inc, a reinsurance broker and intermediary and a subsidiary of General Reinsurance Corp.

Willis M. Ball III named president of the reinsurance division of Charter Insurance Group Inc.

William M. Walsh named group vp at Bernard Fleischer Associates Inc. in Queens, N.Y.

Excess/surplus

Four other elective appointments were made at Capacity Managers International Inc. in New York last month when **James P. Craig** was named chairman of the board and **Lee A. Orabona** was named president. **Roger W. Metzger** was named senior vp-property; **George P. Dunn** was named senior vp-field operations; **Abe Snyder** was named vp-regional casualty underwriting and production and **Samuel R. Salvo** was named vp-property.

Don Munson is the newly named president of Capacity Managers International Insurance Agency based in Los Angeles, with Mr. Craig as chairman. This company anticipates a name change.

Mr. Craig also is the newly elected president of Midland Insurance Co. Capacity Managers and Midland are independent principal members of Ashford Holding Corp., a wholly owned subsidiary of Katy Industries Inc.

John R. "Skip" Hartman elected broker manager for St. Paul Surplus Lines Insurance Co., a subsidiary of St. Paul Fire & Marine Insurance Co.

Other suppliers

Joel Hirsch named president of Smith-Sternau Organization Inc. in Washington, a subsidiary of William M. Mercer Inc.

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info

• A quarterly newsletter published by Martin E. Segal Co., entitled **Health Report**, is designed to supplement a company's efforts to contain health care costs. The newsletter offers readers information about health care prevention and seeks to help readers make educated judgments that may significantly reduce long-term health care costs. Write Director of Information Services, Martin E. Segal Co., 730 Fifth Ave., New York, N.Y. 10019.

• **Practical Risk Management** is a new 240-page manual on risk

management topics that includes 55 charts and diagrams and 46 pages of checklists. The manual covers risk identification, risk measurement, risk control, risk financing, risk management organization, the management of non-insurable risks and other risk management topics. The manual costs \$39, including air mail delivery. For a copy write Risk Research Group, Bridge House, 181 Queen Victoria Street, London, EC4V 4DD England.

• The Employee Benefit Research Institute has published **Retirement Income Opportunities in an Aging America: Coverage and Benefit Entitlement**. The 130-page book examines the growth in the nation's retirement income programs and analyzes how those programs are expected to expand in the years ahead. Copies of the study are available for \$10 from EBRI Publications, 1920 N. St. N.W., Washington, D.C. 20036; 202-659-0670.

• **Business, Government and the Media: The Trade Association Connection**, a booklet describing the role of trade associations in formulating public policy development, has been published by the Alliance of American Insurers. The booklet is based on a speech by Paul S. Wise, the president of the alliance, that was given at the association's annual meeting. The booklet outlines how a trade association can measure its performance and use public affairs programs to support legislative, regulatory and political objectives. For

a free copy write Alliance of American Insurers, 20 North Wacker Drive, Chicago, Ill. 60606; 312-558-3700.

• Insurance Education Specialists Ltd. has prepared a **Handbook of Designation and Certification Programs**. The handbook is a reference source for those interested in formal programs leading to designation and certification. Each program is identified as to requirements, preparation and information source. The booklet costs \$3.50 per copy plus \$1 handling. Bulk prices are available. Write Industrial Education Specialists, 43 Norfolk Ave., Clarendon Hills, Ill. 60514; 312-325-9697.

• **A report on flexitime**, discussing the implications of allowing employees to choose the hours they work, is available from Personnel Research Associates. The report is designed to provide the reader with a basic understanding of flexitime, how it can be implemented and its advantages and problems, with suggestions on how to solve them. The report costs \$15. Write Personnel Research Associates, 49 Oakridge Road, Verona, N.J. 07044.

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Xerox orders state-of-art data system for claims

Continued from page 1
 broker Marsh & McLennan, and its in-house systems division as well as Anistics Inc., a subsidiary of Alexander & Alexander and TMI Space Systems Corp.

The competition was especially satisfying to win because Xerox did its homework, said RSG President Joseph A. Destein. "They drafted their own detailed specifications—we didn't have to educate them as to what they wanted."

The credit for 40 pages of "results-oriented" specifications goes to Ronald Grimm, manager of risk management administration for Xerox, who joined the department in January. With his systems background, Mr. Grimm was able to translate risk management needs into the systems language understood by computer programmers.

The specifications detailed functional categories and summarized Xerox's objectives. They also described parameters of the company's exposures, including number of claims and number and type of locations. The bulk of Xerox's 10,000 claims a year falls into the casualty category, including workers compensation, general, auto and product liability. The company is self-insured for workers compensation in five states and uses contract administrators to handle claims.

Other casualty exposures are insured on a cost-plus basis using policies priced to pay claims plus administrative expenses and profit to the insurer. "We perceive what we purchase to be 95% service and claims management and 5% insurance," Mr. Armstrong said.

Property exposures are primarily insured through the Factory Mutual system with deductibles that vary by peril from \$200,000 to \$5 million. One use of the new information system will be to evaluate these retentions and to set optimal levels.

"We understand that the system we find now should evolve and perhaps look a lot different a year or two out," added Mr. Armstrong. But from the outset, Xerox looked for a system with the capability to:

- Monitor and analyze its loss experience.
- Evaluate self-insurance re-insuring practices and the effectiveness of claims administrators.
- Allocate insurance costs to various operating groups.
- Establish risk profiles at insured locations.
- Identify risk control needs and monitor programs once they are installed.

- Forecast future losses.
- Analyze risk treatment alternatives incorporating tax and other financial considerations.

After canvassing recommendations from risk managers and watching demonstrations at the RIMS Conference in San Francisco in April, Mr. Armstrong and Mr. Grimm selected five firms to submit bids. Specifications were mailed in early May and proposals requested in 30 days.

The bid process can take much longer, however, if vendors do not understand the client's specifications. In such cases, it may be necessary for the bidder to virtually redraft the specifications before making its proposal.

Any one of the firms could have provided the service Xerox wanted. "It became a matter of determining what were the major priorities to us," Mr. Armstrong said. The major difference was in the type of management reports vendors had on the shelf and what they needed to custom-tailor for Xerox.

"Some had canned strengths in claims administration, analytic capability or accounting," he explained. "You end up filling in the weaknesses."

Top management had encouraged Mr. Armstrong to solicit bids after reviewing his initial concept proposal. After the bids were received, the risk management department put together a detailed business plan including cost justification.

"It was received with enthusiasm," Mr. Armstrong said.

Cost was never a driving factor. Xerox believed the ultimate value of installing the best system would vastly outweigh differences in development cost.

Indeed, it expects to fully recover its capital outlay 18 months after the computer system is fully operational. Savings are anticipated through improved claims management and loss control, better reserving practices and choice of risk funding vehicles. Annual operating costs are estimated to exceed \$100,000.

To evaluate the five formal proposals, the decision team of Armstrong and Grimm developed a list of 12 subjectively weighted criteria.

The criteria included: development cost; ongoing operational costs; payment flexibility; risk management experience; insurance experience; stability of supplier company; development time; system dependability and response;

system flexibility; support services; migration capability (to bring the system in-house); and relationship bias.

"We were aware that some of the bidders were brokers who might have other services to sell," Mr. Armstrong said. "That's what we mean by relationship bias, and it was an important consideration."

Although the decision was a close call, the nod went to Risk Sciences Group in early July. The Sigma on-line system with easy entry into video display terminals won high marks. So did the ability of project manager Rick Denning and other personnel to communicate in both risk management and technical systems terms.

Xerox's data base that interacts with RSG software will be maintained on computers owned by National CSS, a subsidiary of Dun & Bradstreet. But Xerox will own its own data and may remove it in a computer-compatible form at any time.

RSG software is also compatible with computer hardware owned by Xerox which gives it the option of bringing the system in-house rather than using national CSS on a time-sharing basis. Other vendors' programs did not offer this possibility. "One of the most challenging areas for us will be integrating Xerox's internal accounting into the system," Mr. Destein said. "They have a very complex method of allocating accruals to different cost centers."

Risk Sciences Group recently opened a four-person office in New York and plans to add another half-dozen people in the next year to handle Xerox, Dart & Kraft Inc. and other new accounts.

The consulting firm uses a matrix management approach in which the project manager can draw on financial, quantitative and other skills of individual staffers as needed.

Working in tandem with National CSS, Xerox plans to tie in its new microprocessor Model 820 to store open claims and summary information and eventually to permit data exchange among Xerox offices throughout the country.

"Using this approach, we won't have to be tied into the main NCSS computer all the time," Mr. Armstrong said. "We can connect for massive processing or data base updating."

The Xerox 820, dubbed the Worm, is the company's answer to the popular Apple line of personal and business computers.

How to be 'just like a Xerox'

MILL VALLEY, Calif.—Having the smarts on staff to draft computer specifications speeded Xerox Corp.'s search for a risk management information system.

But what if your company is not blessed with staff expertise to perform this vital function? Starting off on the right foot under such circumstances may be a lot tougher.

Joseph A. Destein of Risk Sciences Group recommends that firms in this predicament hire a risk management information system vendor to write specifications. Then, according to Mr. Destein, make it compete along with other bidders to do the actual systems design.

This approach gives the specifications-writing firm an enormous edge, he concedes. But it probably can't be avoided.

Consultants outside the computer systems specialty can't do the job, says Mr. Destein.

"I know of no outside consultant capable of doing the specifications worked up by Xerox, for example."

If a company can afford it, it might be wise to pay two different firms to write specifications—then use the best results to design bids, he adds.

Before selecting a firm to draw up specifications, ask the contenders to submit a complete client list including the name of a contact person and his telephone number.

Start calling around and ask clients if they're happy. Look at the systems demonstrations and ask a lot of questions. Get a feel for the general capabilities of the group.

Once you identify a group you have confidence in, commit to work with those people, Mr. Destein says.

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N.J. hospitals to increase contributions to benefit fund

Five New Jersey hospitals have agreed to a 1.1% increase in contributions to the National Benefit Fund for Hospital Employees as part of a new two-year contract.

The agreement, which followed a five-day strike by some 2,500 members of the Hospital and Health Care Workers Union, also provides a 9% wage increase for each year of the contract. The contract was ratified July 11.

The hospitals had been contributing 12% of gross payroll to the union's benefit fund, said Harold L. Hoffman, the hospitals' attorney who was involved in the negotiations.

The union sought a contribution increase to maintain benefits at their present level in New Jersey, Mr. Hoffman said, and presented actuarial data that the union said

supported the need for an increase.

The hospitals countered that the benefit fund has a \$17 million surplus, strongly opposing raising their contribution to 13.1%.

The hospitals were paying an estimated \$1,680 a year per employee into the fund, Mr. Hoffman said, for an annual average contribution of approximately \$4.2 million per each hospital.

The hospitals finally agreed to the 1.1% increase when the union agreed to a 20-month suspension of a 1% contribution into a union training fund, which Mr. Hoffman said is not used in New Jersey.

The hospitals involved were Newark Beth Israel Medical Center, St. Michael's Hospital, the Hospital Center in Orange, Clara Mass Hospital in Belleville and St. Barnabus Hospital in Livingston.

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Companies try to prevent back injuries

Continued from page 1

of the highest incidence of back injuries of professionals that would seem to hold low-risk positions. "Banks tellers have to lift heavy bags of coins from storage below their counter and they often underestimate just how heavy those bags can be," Mr. Knight says.

"Our job is to try to improve the odds against an injury by improving the flow of materials so that they're within reach," he says. "It is possible to engineer out the exposure."

"There are only a couple of 'knowns' in back injuries. It helps to lift close to the body, and as the weight of the item increases so do the hazards," Mr. Knight says. "The exact, proper (lifting) technique is certainly being researched and questioned."

Another consultant, however, tells his clients to take pre-employment screening X-rays of job applicants to avoid "buying a (back) problem off the street."

He says the screening is especially important for the public sector. "Municipal employees are much more aware of their claim rights," says David Marceau of Fleming, Marceau & Associates in Los Angeles. He is a claims consultant to many Southern California self-insured municipalities, including San Bernadino and Pasadena.

Back injury claims can be initially prevented, he says, by redesigning a job to fit the person hired, but that requires certain givens.

For example, police officers who patrol in a squad car for eight hours a day need to ride in a car specifically designed for the officer "who is probably a larger individual, anyway," he says.

But many towns and cities, faced with budgetary constraints, are ordering smaller cars that get better mileage.

"If a car is not designed or large enough for a 6-foot-2-inch guy, you're going to end up with back problems," Mr. Marceau says.

Firefighters and paramedics are often faced with what he calls "uncontrolled circumstances" in lifting. The exposure can range from lifting a 300-pound man onto a stretcher to slinging a heavy fire hose over the back, he says. "All an employer can do is make sure his workers are as physically fit as possible," he says.

More precise research into what causes back injuries is needed, says Roman Diekemper, manager of Marsh & McLennan Protection Consultants' Central Region in Chicago.

"We've had back programs for years, but I'm not sure we're getting anywhere," he says. "I ruptured my disc while I was putting a movie projector in the backseat of my car and I was in traction for weeks. There's a much greater degree of people on the street with back problems than one would think," he says.

Low back pain is said to affect more than half of the working

population at some time during their careers, according to Dr. M. Laurens Rowe, a clinical associate professor in orthopedic surgery at the University of Rochester in New York.

He performed several studies for Eastman Kodak Co. from 1962 to 1979 and found that about 60% of a diverse group of male pre-retirees had received treatment for backache in the company's medical facilities at least once during their working years. About half of those had lost time from work because of low back pain.

He found, too, that X-ray evidence of disc disease was more likely to be present in those workers who had previously suffered back problems than those who had not. For that reason, he suggests that every job applicant over the age of 30 receive a thorough low back appraisal before employment, even though he says there is no statistical evidence that pre-employment exams have any significant effect on solving the back injury problem.

He says there are a lot of factors besides the job that can affect the medical condition of the lower back, such as aging.

"It is low back disability—not low back injury—which we seek to prevent," he says.

Another expert in the field, Dr. Alf L. Nachemson, chairman of the Department of Orthopedic Surgery at the University of Goteborg in Sweden, says that 80% of the population will have back pain one day or another, with most being affected during their 40s.

Along with researchers from the University of Washington in Seattle, he is examining Boeing Co. employees who have had back problems. The study, upon which he says he cannot yet elaborate, is expected to be completed in three years.

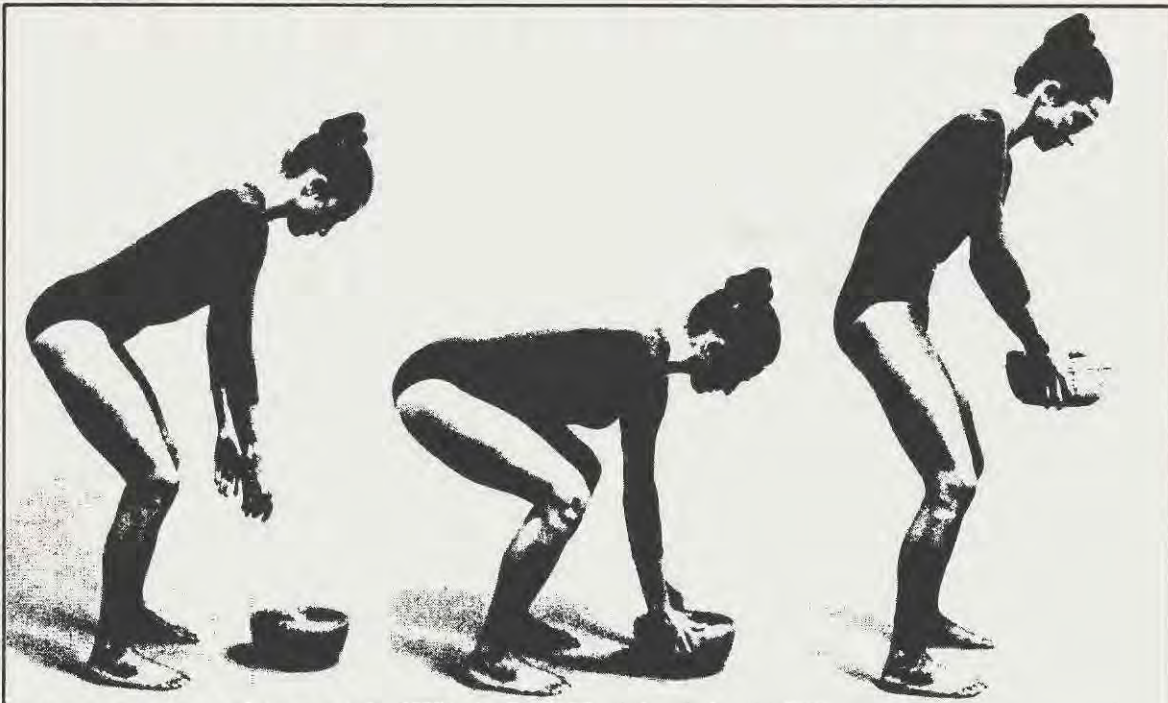
"Since back pain is so common and malingering rare, the major question is not whether the back hurts, but whether or not the injury is compensable," Mr. Snook says.

In California, back injuries are the most frequently litigated claims, accounting for 25% of all injuries and 36% of all litigation.

A lot of workers compensation claims are paid "because we don't know anything better a lot of times," Mr. Snook admits. "There's a great temptation for the employer to look at workers compensation as something he or she is entitled to," he says.

Employers vary in how they attempt to prevent back injuries, but there is a trend away from elaborate training or lectures on "how to" lift materials and a marked increase in ergonomics, or job design.

Transcon Lines, an interstate hauler based in Los Angeles, has reduced its number of worker compensation claims by 19% and lowered its insurance rate by 27% with a new program aimed at fitting the task to the worker, says



Photos: The Back School, The C.V. Mosby Co.

The California Back School in Tiburon teaches students the best way to lift heavy objects.

California school specializes in preventing backaches

TIBURON, Calif.—If an employee in California hurts his back, he can go to school for a few hours and learn how he could have prevented the injury.

Better yet, the employer can get in the act beforehand, take a course in back injury prevention, and teach employees how to minimize the chance of injury.

The California Back School, which was founded in this small town near San Francisco in 1976 for after-the-fact injury, was modeled after a similar school in Sweden, says Lynne A. White, the school's president. She started a sister company called Health Education Systems to market a back injury prevention seminar for safety and training officers.

The two-day prevention seminar teaches employer representatives about body mechanics, lifting and ergonomics, how to apply the information to the needs of the workers, how to evaluate work tasks and how to design continuing education instruction for employee injury prevention.

All the information the training officer absorbs in the two-day course can be relayed to employees in a two-hour presentation, Ms. White says. The fee for

the seminar and the trainer's manual is \$300, not including meals or accommodations.

The most important aspect of the program that should be transmitted to the worker, she says, is that the employee has to be responsible for his or her own back 24 hours a day.

"Otherwise, what good is learning how to bend and sit correctly on the job if one doesn't know how to lift a set of golf clubs out of the car during off hours?" she asks.

What do workers learn in the California Back School after they've injured their back? "All the things they should have already known," Ms. White says.

The plan calls for three visits in a three-week span, with a follow-up visit one month later. Each visit lasts only about an hour—patients find it difficult to sit longer than that—and the maximum size of a class is four students.

The course objectives include education in low back pain, a battery of tests to determine body performance and a program of exercises for the home, work and recreation. The fee is \$300.

Mike Craig, risk manager for the company, which employs 4,000 dock workers and truck drivers.

Instead of sending a two-man team across country, each driving the 80,000-pound loaded rig for four-hour shifts, Transcon drivers now travel no more than nine hours from their point of origin. Drivers are gone from the home base no more than 30 hours, as opposed to being gone for two weeks under the previous system, Mr. Craig says.

He said that truck drivers seem to have fewer back injuries than Transcon dock workers, who are more often required to lift heavy objects.

United Technologies Corp. in

Hartford, Conn., has found that taking the risk out of the job can contribute to a healthier claims record, says Jim Martin, corporate safety director.

At subsidiary Pratt & Whitney's aerospace division, where 35,000 employees assemble jet engine parts, the lifting of heavy objects is primarily done by hoists.

"Employees here don't have to lift or carry the parts," Mr. Martin says. "For one, we can't afford to have these parts dropped, and we can't eliminate all physical effort, but we sure try. We study the job and record the demands of the job and then see if it is compatible with the job applicant. We want to preserve our parts and the backs of

our employees."

Between 1978 and 1979, the aerospace division reported only 485 back injury claims that amounted to \$900,000 in payments, Mr. Martin says. He attributes the low injury record—considering the division employs thousands—to the hoists and "not letting the worker do beast-of-burden activities," as he puts it.

"We just know so little about back pain," Mr. Snook says. "Too much has been written from too few facts."

"If an employer is going to try to prevent injury, it's better to redesign the task than redesign the way a worker lifts—when no 'right' way is known."

Hospital offers back seminar to workers

WASHINGTON—Surgeons, who spend hours stooped over the operating table, are not immune from back problems.

Neither are nurses, who have to pivot, roll or slide sick patients around all day long.

Greater Southeast Community Hospital in Washington started its Back Conservation Program for the patients who sought treatment in its rehabilitation department, according to the program's coordinator Anne Kuntavanish.

But the 7-year-old program caught on in-house and is now part of the hospital's safety program for all employees.

The patient program is tailored to the individual's needs, giving injured workers education in body exercises to alleviate stress on the

back, both on the job and at home, she says.

Not enough is known about the back to treat patients in a universal manner, Ms. Kuntavanish says.

"We started the program because we found that traditional X-rays, massages and traction would give the patient relief, but the effect was not long-term. A one-on-one program allows the person with an injured back to get the treatment that best suits his or her needs."

Dentists and mail carriers are frequent hospital patients, as are federal government workers who do any kind of lifting or bending in their job, she says.

In-house training for doctors, nurses, medical records personnel—even janitors—is given

twice a week in groups of four or five according to job classification.

"It's surprising, but when someone is trying to do his job, he doesn't think of the movements he is making—he just wants to get the job done."

"We show nurses how to team up to transfer a patient from one bed to another without lifting. And we give our medical records department people advice on how to lessen their neck stress, which comes from searching for and reviewing records," she says.

A lot of backaches are caused by stress, she says. "There may be a physical weakening of the back, but it's irritated by stress. The back is like an elastic band stretched out. If it snaps from tension, the muscles snap."

Cost of benefits skyrockets

Continued from page 3
costs in 1951, consumed 5.8% of payroll costs in 1979.

Other benefit costs have increased nearly as much. Employers' health and life insurance costs ate up 1.4% of payroll in 1951 compared with 5.8% in 1979. That increase reflects the tremendous expansion and improvement of employer-provided group health and life insurance programs during the last 30 years.

At the same time, pension costs as a percentage of payroll grew to 5.4% from 3.6%.

In dollars and cents, group life and health insurance policies cost an average of \$47 per employee in 1951 compared with \$861 in 1979, a hard-to-fathom increase of 1,731%.

Pension costs during the same period shot up to \$825 per employee from \$122, a 576% increase.

Employers' payments to profit-sharing plans averaged \$23 per employee in 1951. In 1979, that figure rose to \$216, a whopping increase of 839%.

Industries, such as petroleum and chemicals, that provided the most generous benefits in 1951 maintained the highest benefits costs throughout the 30-year survey period.

But the primary metals industry, which was one of the most tight-fisted industries in providing benefits in 1951, became one of the most generous providers by 1979.

In 1951, employers in the primary metal industries spent an average of 14.6% of payroll for benefits. Only the textile and stone, clay and glass products industries spent less.

By 1979, however, employers in the primary metals industries were spending a whopping 43% of payroll on benefits; only the petroleum industry and the chemical industry spent more.

Benefit costs were 44.5% of payroll in the petroleum industry and 43.1% of payroll in the chemical industry.

The big increase in benefit costs in the primary metals industry probably was due to union success at the bargaining table, said Fred D. Lindsey, a Chamber consultant who prepared the benefit data.

But benefit costs have remained low in the textile industry where employers, until recently, have resisted union efforts to organize employees.

Employers in the textile industry spent an average of 14.1% of payroll for benefits in 1951, the lowest percentage of the 21 industries surveyed that year.

In 1979, textile industry employers spent 29.2% of payroll on benefits, the second-lowest of surveyed industries.

Only the hospital industry, which was not surveyed in 1951, spent less on benefits in 1979, 28.2% of payroll.

The survey also shows the dramatic growth of dental insurance as an employer-provided benefit.

In 1951, none of the 736 companies surveyed provided a dental insurance plan to their employees. But by 1975, the benefit began to catch on and 12% of the 761 companies surveyed offered dental coverage.

That figure grew to 19% in 1977 and then rose to 33% of the 922 employers surveyed in 1979.

Dental insurance continues to be an inexpensive benefit when compared to other benefits. Employers spent an average of \$40 per employee in 1979 on dental insurance, up from \$11 in 1975 and \$30 in 1978.

By contrast, employers spent an average of \$325 per employee for pension plan contributions and

\$861 for health and life insurance in 1979.

Some employee benefits have barely held their own or have decreased in popularity over the three decades, according to the Chamber report.

For example, in 1951, 50% of employers offered Christmas or other special bonus or service awards. In 1979, only 45% offered such benefits.

In 1951, 15% of employers offered discounts on goods and services provided to employees; the same percentage offered them in 1979.

More employers are contributing to employee thrift plans, the Chamber study shows. In 1963, 5% of surveyed firms contributed to thrift plans, while 13% did so in 1971 and 20% in 1979.

Benefit costs have consistently varied by region. In 1951, employers in the Southeast paid 17.2% of payroll for benefits, compared with 17.7% for North Central employers, 19.7% for Northeast employers and 19.8% for employers in the West.

In 1979, Southeast employers came in at the bottom again, contributing 33.9% of payroll to benefits; employers in the West contributed 35.2%; in the North Central states, 37.9%; and in the Northeast, 38.1%.

Copies of "Employee Benefits Historical Data: 1951-1979" are available from the U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062. The cost is \$12 per copy. Discounts are available for bulk orders. Specify publication #6460.

Insurers must offer sinkhole cover

Continued from page 2

Orlando, said he's already placed insurance for \$11.5 million in land values since first offering the coverage in early June. He said inquiries are received daily.

Ten years ago, when land values were much less and sinkhole incidents were fewer, the coverage probably would have been unpopular. But now, with land values skyrocketing, the market will be there, he predicted.

"Insurance on land has never been offered before because it was never needed so badly. The increased frequency of sinkholes in the Central Florida region and the high cost of land has made this type of insurance a necessity," he said, pointing to geotechnical engineering forecasts that more of the gaping, crater-like holes will appear in Florida in the coming months.

Sinkholes are caused when underground water tables dry up because of drought, excessive drain of wetlands by water users and land erosion of topsoil by environmental pollution.

The coverage, with limits of up to \$1 million on a single parcel of land, is being placed with several insurers, including Lloyd's of London; St. Paul Surplus Lines Insurance Co., a branch of St. Paul Fire & Marine; Zurich American Insurance Co. of Illinois; Great Southwest Fire Insurance Co. of Scottsdale, Ariz.; Northfield Insurance Co. of St. Paul, Minn.; and Canadian Universal Insurance Co. of Boston.

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Refund of excess comp profits a long way off

Continued from page 3

Granoff says. During the past two years this has been proven by loss experience under wage-loss (BI, Aug. 3).

Florida employers paid an estimated \$650 million to \$700 million a year to workers compensation insurers during 1979 and 1980. Underwriting profits for each of these years were roughly \$100 million or 15% to 17% of the premium volume. With the 7.5% cutoff point, this would mean excess profits of 7% to 10%.

Estimates for 1981 are not in and full data for all three years has not been processed yet, Mr. Granoff stresses, adding that any estimate on the amount of excess profits is only a guess. But based on the estimates, he says, excess profits for 1980 alone could hit \$50 million.

Insurers made these profits despite the rate reductions that followed implementation of the wage-loss law. With Mr. Gunter's latest order to reduce rates 15.6%, total rate reductions for workers compensation insurance during the first two years of the wage-loss program could reach 42%.

Proponents of the workers compensation excess profits law see it as a way for insurance buyers to recoup windfall profits they say insurers made when the wage-loss program began. They say higher rates were still in effect then, but losses declined.

Risk manager Robert Cope of Racal-Milgo Inc., a Miami computer firm with 2,500 employees, is very much in favor of the excess profits law, although it may mean only minor savings to his company.

"It will have some small effect on us, but this will not be as substantial as (the amount for) those insured on a straight premium

basis," he says. Racal-Milgo has a three-year retrospectively rated policy for workers compensation written by The Hartford Insurance Co.

"Our premium runs about \$250,000 a year and we usually get back upwards of \$100,000 because of good loss experience," he says. "We will be in on the refund and can look forward to some savings."

About one-third of Florida's employers self-insure workers compensation and, therefore, are not included in the refund.

Charles Baggett, risk manager for Mercy Hospitals in Miami, says, "If I was insured and had excess profits coming back, I would be delighted, but we went self-insured four or five years ago. Excess profits was a subject that bothered me then and is one reason we went self-insured."

Insurers, however, see excess profit laws as unfair, unjustified and unconstitutional. Such laws, they say, penalize companies whose efficient operations allow them to make higher profits, thus having a negative impact on the marketplace.

"Excess profit laws are a one-way street," says a spokesman for Liberty Mutual Insurance Co. of Boston, a major workers compensation insurer. "When we do make profits they want to take them away, but when we lose money, no one steps forward to reimburse us."

Liberty Mutual, Florida's largest workers compensation insurer, wrote \$49 million of business in 1980. The company says rate reductions and competition are enough to keep insurance costs under control. Rate reductions, combined with excess profit laws, form a double-edged sword that

hits insurers coming and going, he says.

"With changes in the workers compensation law in Florida, rates have improved and the companies are filing downward rate deviations," the Liberty Mutual spokesman says. "We feel this takes care of the need for regulatory action in this area."

Liberty Mutual, United States Fidelity & Guaranty of Baltimore and several other insurers that write both workers compensation and auto insurance in Florida began fighting the excess profits concept in 1979 when the auto insurance law was applied.

The insurers filed suit charging the law was unconstitutional because it gave the insurance commissioner too much discretion on who would be required to report profit data and return excess profits. He had the power to decide whether to require small companies to report profits.

Just before the 1980 legislative session in Florida, the Leon County Circuit Court ruled that the law was unconstitutional on that basis.

In response, the Legislature amended the law to reduce the commissioner's discretionary authority in applying the law.

The insurers then challenged the amended law, focusing on its retroactive application of the excess profits test. This test would examine profits for 1977, 1978 and 1979 to determine which companies would refund profits. The insurers argued that profits made before the new law was enacted in 1980 were vested and that returning excess profits for these years constituted impairment of the contract between insurers and policyholders. The lower court agreed.

Then the Insurance Department appealed to the Florida Supreme Court, which in July ruled 4-3 that the auto insurance law's retroactive application is constitutional. But it excluded profits from 1977 because the original excess profits law was enacted late that year.

Without profits from 1977, a very good underwriting year, the amount that eventually will be returned to auto insurance buyers was cut from \$41.5 million to \$11.7 million. Buyers are still waiting for their refunds.

On July 28, Mr. Gunter lauded the high court's ruling, saying it "virtually cleared the way for applying the excess profits test to workers compensation insurance. A significant savings will emerge from this endeavor next year in the form of refunds of excess profits to employers."

However, insurers already have petitioned the Supreme Court for a rehearing on the auto insurance law, saying the court based its judgment on the 1977 version of

the law rather than the 1980 version. The latest ruling should have dealt only with the 1980 law, they say.

Insurers will fight the workers compensation excess profits law just as hard, delaying the return of excess profits to employers, sources say.

The Liberty Mutual spokesman says, "If the commissioner does move in the same direction with workers compensation, we will have to take a hard look at it in line with the actions we have taken on two prior laws."

In any case, the Supreme Court's ruling that 1977 will not be considered in determining auto excess profits might effect the workers compensation law for the profit year 1979, Mr. Granoff says, adding "1979 might be knocked out."

Even if this happens, excess profits for 1980 and 1981 will likely still be in the tens of millions of dollars, he says. "There's no way to know for sure just how much it will be until all the data is in." ■

Kiwi fruit claim is settled

CHICO, Calif.—A California fruit grower has received almost \$2.4 million in insurance payments for the loss of 1,000 tons of Kiwi fruit.

Alkop Farms of Chico received \$2.38 million from Fireman's Fund Insurance Cos., according to Alkop's insurance agent, Tim Hanna of Gorman, Lindo, Roth & Hanna. "This is the largest single claim in the 55 years of my insurance agency's history," he said.

The fruit was lost between Nov. 2 and Jan. 10, when a new cold storage plant malfunctioned on three occasions. Some of the fruit was grown by Alkop Farms, but

most was on consignment from about 110 other Kiwi growers.

Alkop Farms is covered by a warehouseman's legal liability policy from Fireman's Fund, Mr. Hanna said. He said the \$2.4 million claim settlement is the difference between what Alkop Farms would have received for the fruit and what it actually sold for.

Kiwi fruit, which was originally grown in New Zealand, grows on a vine. It has brown skin like an avocado. The fruit itself is green with a cluster of small, dark green edible seed in its center. It is sold as a fresh fruit and is used in jams, jellies and pastries. ■

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*Source: Business/Occupational breakdown of qualified circulation, May 4, 1981 issue, as submitted to BPA for June 1981, BPA Publisher's Statement.

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Paralyzed woman seeking \$277 million

Continued from page 3
and the architects, PBNMML Architects Planners Inc., \$10 million.

Hyatt Hotels Corp. and Crown Center Redevelopment Corp., or its parent Hallmark Corp., are named as defendants in almost all the suits. The next most often named—Concordia Project Management, Inc., an inspection firm; Architects Planners Inc.; Eldridge, Gillum-Colaco; and Haven Steel—are each cited in almost half the suits.

Smith & Boucher Inc. of Kansas City, Midwestern Mechanical Contractors Inc., Fordyce Concrete Inc. and the city of Kansas City are each named in almost a third of the suits. All the suits charge negligence.

A check of court records shows \$286.9 million is being sought in the names of 31 people killed, and \$741 million for 24 people injured.

The plaintiffs are seeking close to \$370 million in compensatory damages and about \$560 million in punitive damages. Several suits, totaling around \$90 million in dam-

ages, do not specify if the amount sought is for compensatory or punitive damages. Another \$1.1 million is sought by family members of those killed or injured for loss of services.

A class action suit that could total \$350 million has been filed by Molly Riley, a suburban Kansas City woman injured in the action. The suit does not seek a specific amount, but notes that compensatory claims probably will amount to more than \$100 million and that punitive damages probably will top \$250 million.

In the 31 death cases, \$79.8 million is sought in compensatory damages and \$119.3 million in punitive damages. Another \$87.8 million in damages not specified as compensatory or punitive is sought.

Of the \$741 million in personal injury damages sought, the injured themselves are seeking \$288.2 million for compensatory damages and \$437.9 million for punitive

damages. Unspecified claims total \$1.1 million.

Spouses of the 24 injured have filed suits seeking a total of \$1.15 million for loss of companionship and service, \$1.8 million for compensatory damages and \$10.8 million in punitive damages.

Claims filed in death cases range from \$300,000 to \$54 million. In one case, \$49 million is sought in unspecified damages and in another case, \$54 million—\$24 million in compensatory and \$30 million in punitive.

With the exception of Ms. Firestone's case, unspecified damage claims for personal injuries range from \$100,000 to \$500,000. Personal injury compensation and punitive damage claims generally range from \$500,000 to \$5 million, although in three cases \$100 million in punitive damages are requested.

Claims for loss of companionship and services of the injured range from \$100,000 to \$400,000. In two cases, \$5 million in punitive damages is sought on that score. ■

Medical payments announced

Continued from page 3
not the kind of case that is poolable," Mr. O'Hara said, adding that others might think otherwise. "Blame hasn't been established. Who knows who will be responsible?" he asked.

Primary insurers may want to pool liabilities for small personal injury claims, but there must be a better idea of each policyholder's degree of responsibility before any kind of settlement can come in the serious injury and death cases, Mr. O'Hara said.

"Our attitude is we probably would not be interested in a liability fund at this time. Of course, if the engineering reports indicate

the contractor was in any way at fault, we might change our mind," he said.

Litigation concerning the catastrophe will take years to resolve, he said. "This is not a case you can settle in four months."

Kansas City plaintiffs' attorney Clayton Chittim said he does not know of any claims that have been settled.

"It's the exact opposite," he said. "I doubt if we will see any for nine months to a year. The size of this thing is so monstrous."

Mr. Chittim is working on "several" injury cases. One of his clients is suing for \$7 million in ac-

tual damages and several hundred million dollars in punitive damages.

Attorney Charles Curry, who is handling one wrongful death suit for \$2 million in actual damages and \$100 million in punitive damages, also said he knows of no one who has settled.

"I would virtually bet the farm that not a single case has been paid now," he said. "What actually went wrong will determine who is left holding the bag here. I don't think there will be any settlements until those questions are answered. As an attorney I feel I would be ill-advised to settle until all the facts are in." ■



Photo: Wide World

A crane used to clear some of the wreckage out of the Hyatt Regency can be seen through the lobby windows.

New FM premium plan winning acceptance

Continued from page 2
The FM System's deferred premium plan is a step to battle the reluctance of many companies to hand over large sums of money that they could invest themselves.

In the past, the system usually required a buyer to pay the full premium on the day of policy inception.

If a company had a three-year policy costing \$100,000 a year, for example, it was required to pay a \$300,000 premium deposit up front to the insurance company.

The FM System would absorb 18.7% a year as premium payment, with the company receiving a dividend at the end of the third year of about 44% of its premium deposit.

Under the new plan, the company can spread its premiums out, paying \$100,000 a year during the three-year policy.

While the FM System absorbs the yearly premium deposits at a higher rate, giving the buyer a dividend of about 32%, the payoff for the buyer is improved cash flow for investment purposes.

By holding on to more of the premium deposit, policyholders can take advantage of the current high interest rates in the investment market.

The deferred plan is not a temporary offering, designed to counteract the pressures of high interest rates, but is here to stay, Allendale's Mr. Jergensen says.

"This plan was put in place with no intention of a short life span."

Glenn Yancey, senior vp of marketing at Arkwright-Boston, agreed with Mr. Jergensen about the plan's success.

While he says it's still a little early to judge buyer response to the new plan, "We think it's going to have good marketplace acceptance."

It also has "helped us in new business," he adds, with most of Arkwright-Boston's gains attributed to the deferred payment plan.

A third positive assessment is provided by D.A. Betterley Risk Consultants of Worcester, Mass., which compared several FM payment plans and judges the latest

one to be the best.

In the August issue of its monthly newsletter, Risk Management Commentary, the firm compared the new deferred plan, the older plan that required the entire premium up front and two other plans that are available on a "strictly negotiated basis" that involves interest or finance charges for the buyer.

The four payment options were compared on a "present-value basis," says Betterley consultant Dan Tracy, taking into considera-

tion the time value of money.

The new plan is preferable to older payment options if the cost of money to a company is "at least 10%," the study concludes.

"If your cost of money is high, the deferred plan is preferable" to the older FM plan, Mr. Tracy says.

In this example, the term "cost of money" implies not only the actual cost of borrowing money, but also what a company would lose by not investing it now.

Important factors cited in their conclusion are the rate of absorp-

tion FM may assess on an individual policy and the interest rate or finance charge that a buyer might have to pay on a negotiated plan.

The newsletter also provides risk managers with the necessary "methodology" to make their own comparisons of various policies, Mr. Tracy says.

This methodology shows risk managers how to determine the present value of cash deposits and cash refunds, and come up with a "more accurate figure of what the cost is to you," he says. ■

Some U.K. brokers evade registration rule

By STACY SHAPIRO

LONDON—British insurance brokers must be registered with the Insurance Brokers Registration Council by Dec. 1, the British Insurance Brokers Assn. says.

By registering, the broker pledges to follow financial standards and a code of conduct established by the Insurance Brokers Registration Act of 1977, says a BIBA spokesman.

A premium fund must be established by the broker to be used only to pay insurance company premiums and broker commissions. Each brokerage also must retain \$250 million in professional liability insurance or three times its net retained worth, whichever is greater.

"From Dec. 1 this year, no one who has not registered can call himself an insurance broker," the spokesman said.

london line

"If the public wants to go to a broker and know that he is financially sound, follows a code of conduct, etc., they can go to one who's registered," he said.

But some brokers are refusing to register. They are starting to call themselves "insurance consultants" to avoid registration.

"There's no commercial advantage to registering under the act, so what's the point?" asked Frederick Bush, partner and practicing accountant for Blanche & Co.

Mr. Bush questioned whether there is any point to calling a company a brokerage when an insurance consultant does the same thing without the financial hassle.

"If you want to call yourself a broker, you must go under the act," Mr. Bush said. "But call yourself a

consultant and you can do exactly the same thing as a broker.

"That's ludicrous," he said. As a consultant, the company doesn't have to maintain the premium fund and it can dip into premiums for investing in property and other assets, he said.

"It seems to me it's all in a name, really," he said.

Takeover insurance

Corporate takeovers through tender offers have become somewhat of a financial fad, but coverage for tender offer defense costs hasn't become fashionable yet.

"It's a good product," said Tony Cassidy, a Lloyd's underwriter who has put a tender offer policy together.

The policy, geared to U.S. companies with \$150 million to \$250 million in gross revenue, covers outside legal, public relations and other expenses up to \$5 million if the company resists the takeover attempt.

But not too many companies are biting, Mr. Cassidy said. Insurers so far have collected \$300,000 in premiums and already there's a potential \$1 million loss on a company presently battling a tender offer takeover attempt.

Mr. Cassidy said the policy is not geared for large corporations that have been the targets of takeovers in recent months. "That's why we're not seeing any movement or action," he said.

Mr. Cassidy said that it's difficult to raise the limits on the policy, which is what larger corporations are seeking, because the current pool of premiums is not large enough. ■

Insurers' woes multiply in second quarter

Continued from page 1 of 1980.

The average combined ratio for the 20 companies was 104.7%, compared with 101.6% in the second quarter of last year and 104.2% for the first quarter of 1981.

(All insurers' loss ratios are expressed by *Business Insurance* after dividends to policyholders, although some insurers release the lower ratio compiled before dividends to policyholders.)

The average operating income net of realized gains was abysmal, 8% less than the average in the second quarter of 1980, quite a departure from the first quarter's 0.25% year-to-year increase.

Looking at the companies as a whole, at least 20% of the insurers examined happened to be restructuring their operations to some extent.

Aetna has decided to reorganize its lines of business, USF&G and Reliance are planning to create holding companies to subsume their existing operations and American General is continuing its four-year program to repurchase its stock.

The 20 insurers analyzed are listed in order of second-quarter performance. The property/casualty divisions of each company are highlighted wherever possible:

St. Paul Fire & Marine

"Substantially improved earnings from our property/liability insurance subsidiary accounted for the bulk of our consolidated increases," said Carl Drake Jr., the chairman of The St. Paul Cos. Inc.

He referred to a handsome increase in operating earnings for the first six months of 1981 to \$89.4 million from \$71.9 million in the

same period last year.

"Strong second-quarter results from our major enterprises provided improvements in total earnings of 28% for the quarter and 24% for the first half," he added.

What made the critical difference for the company, according to Mr. Drake, was the continued health of its investment income, which increased 24% in the second quarter over the corresponding quarter of 1980.

But underwriting losses for the first half were up—\$25.6 million vs. \$21.8 million for the first six months of 1980. As a consequence, the combined ratio was 104% vs. 103.3% for last year's first half.

In the second quarter, though, the combined ratio flattened to 104%, compared to 104.8% in the second quarter of 1980.

Property/liability premiums written were also relatively level until a marked decline occurred in the second quarter. The reversal came as a result of The St. Paul's stated refusal to "price below what we consider a reasonable opportunity for fair profit," the company's chairman said.

In the first six months, property/liability premiums totaled \$731.6 million, as opposed to \$729.3 million in the first half of 1980. This changed in the second quarter as premiums written fell to \$362.3 million from \$374.4 million in the second quarter in 1980.

Connecticut General Corp.

Connecticut General may not be making money on underwriting, but winning investments have been a considerable cushion against losses.

Operating income for the second quarter was up 28% over last year, largely because of a 20% rise in net investment income. And, while the combined ratio remained high, it dipped slightly in the recent quarter.

Termining underwriting losses "unsatisfactory," Robert Kilpatrick, Connecticut General's president, contended, "Our programs for selecting, pricing and reserving our business have enabled us to maintain control in the current unfavorable industry environment."

CNA Insurance Cos.

In spite of a sharp upswing in underwriting losses, CNA managed to achieve a 26% gain in operating income in the second quarter to \$36 million.

Like many of its fellow insurers, the company relied on investment income to counter the downturn in its principal business. In this case, investments performed admirably, with a 31% increase to \$72.6 million.

The company's insurance subsidiary was its only profitable division for the period. The parent company, CNA Financial Corp., saw net operating income drop to \$32.1 million for the quarter and \$58.5 million for the first half compared to, respectively, \$44 million and \$77.6 million in 1980.

AIG

American International Group's usually sparkling results were slightly tarnished in the last quarter. The company's underwriting profit fell 8.1% to \$19.5 million from last year's \$21.3 million.

AIG's international leanings proved a detriment when it came to translating foreign-denominated premiums into strengthened U.S. dollars. As a result, AIG bore a second-quarter exchange loss of \$300,000 against last year's gain of \$2 million.

Still no slouch, AIG's consolidated income for the quarter was up 23.6% to \$78 million, prompting a six-month increase to \$160 million or 22.4% over the prior year.

AIG also brought its consolidated assets and capital funds to record levels—\$7.5 billion and \$1.7 billion, respectively. The increase was achieved, in part, by the sale of the company's shares in Mission Insurance Group.

Looking ahead, M.R. Greenberg, AIG's president, said, "Our strong foreign business and extensive product line will provide the base for superior insurance underwriting results throughout this cycle."

General Re Corp.

General Re's second-quarter results look good, with a 15.6% increase in operating earnings to \$43.9 million, a 99.9% combined ratio, a 28% upswing in gross premiums written to \$338.6 million and its 22.3% rise in investment income to \$42.9 million.

These results were mirrored by the whole first half, which saw a 16.8% surge in operating income over the first half of 1980 to \$84 million, a 99.4% combined ratio, a 35% increase in gross premiums written to \$678.6 million and 19% growth in after-tax investment in-

come to \$83 million.

Over the first six months, General Re's domestic property/casualty writings were up 14%. Notably, this segment was "favorably affected by the continued flow of premiums from two large accident and health accounts first written in the third quarter of 1980," the company reported.

Also, the combined ratio for the domestic property/casualty division for the first six months was 99.3%, compared with 98.6% for the first half of 1980. In the second quarter, however, this measure rose to 99.9%.

Mission Insurance Group

Mission gave a solid performance in the second quarter and first half. Year-to-year operating income for the first six months rose 15% to \$22.8 million, underwriting revenues were up 7% to \$190.7 million and the combined ratios was 99.5%, compared to last year's 98.6%.

Mission's hefty 31% upswing in after tax investment net income to \$20.1 million from \$15.4 million a year ago went a long way toward offsetting a slump in underwriting profits.

Together, after tax brokerage fee income and underwriting profit slipped to \$2.6 million in the first half from \$4.4 million in the same period in 1980.

E.R. DeRosa, president of the Los Angeles-based insurance holding company, pointed to inflation, an increase in individual accounts written and start-up costs for new offices as the main reasons for the decline.

Fireman's Fund

Fireman's Fund Insurance Cos. reported record net operating income of \$57 million for this year's second quarter, the bulk of which—\$54 million—stems from the firm's property/liability division.

For the first half, net operating income increased 9.4% to \$111 million on a revenue increase of 4% to \$1.5 billion. "We continue to be pleased with our earnings in the face of unusually strong price competition," said Myron Du Bain, chairman and president of Fireman's Fund.

Investment income also climbed 20% over last year's second quarter to \$85 million. The increase helped to compensate for the property/casualty division's 102.3% combined ratio, which was, in fact,

slightly less than the ratio in last year's second quarter. For the first half, the ratio declined to 102.8% from 103.6%.

"These favorable underwriting results can be attributed to our improved loss ratio during the period and our firm control of expenses," Mr. Du Bain explained. "We are very much encouraged by our performance this year and hope that we are beginning to see the first signs of a firming-up in the market."

The Travelers

The Travelers Insurance Co. is the ninth and last of the leading companies to show an increase in operating income. The Travelers' increase for the quarter was a meager 2% to \$39.8 million over last year's period.

But, there is reason to believe that its combined ratio of 109.5%, combined with its sluggish growth in net written dividends and in investment income, bode ill for the future.

The industry downturn will "run well into 1982," predicted Edward Budd, the company's president and chief executive officer. Like other insurance executives, he finds that the cost-price squeeze prompted by competitive pressures and inflation has strangled underwriting results.

Separately, The Travelers' pension business "established new records in the first half," Mr. Budd said. New pension business totaled more than \$706 million in the first six months of 1981, a 30% gain over the first half of 1980.

Crum & Forster

Crum & Forster's operating income for the quarter was down 3.5% to \$41.9 million. The company's top executives point to a \$5.4 million non-recurring charge tied to its recently discontinued Bermudian reinsurance business and a \$10 million loss from a May hail storm in Texas as the chief factors for the loss.

But, other than workers compensation and general liability, Crum & Forster's lines mostly showed losses. The combined ratio in the second quarter was 103.2%, compared to 100.5% in the second quarter of last year.

"Higher interest rates and the intensive search to find ways to reduce premiums paid to insurers" make the industry down cycle

Continued on next page

CORRECTION

The Systems Development Corp. advertisement appeared in the August 3 issue of *Business Insurance* with an incorrect address.

The correct address is:

2311 W. 22nd Street
Suite 209
Oakbrook, Ill. 60521
(312) 789-2777

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Iowa pool facing competition

Continued from page 2

"imperfect," and does not take into account reserves or a margin for case development, Mr. Huntley supports its value for making ball park assumptions about the commercial insurers' profits, and, therefore, the pool's ability to compete with them.

"Our cities have been lead to believe that municipalities are tough business to carry," says Mr. Huntley. "But the survey revealed in five years there were only 16 claims that required reserves in excess of \$25,000, bringing the total loss resulting from the 16 claims to somewhere between \$600,000 and \$700,000."

Even if the 32% figure does not include reserves, Mr. Huntley says it still could indicate that the reserves have been relatively small.

"The data was phenomenal. It looked like the insurance companies had been ripping us off. We looked at the surveys and realized there was a real potential for sav-

ing our cities some money."

Five municipalities now are participating in the self-insurance pool, with an annual premium base of \$150,000. Mr. Huntley estimates that by the end of the year, the pool will have as many as 40 cities with an annual premium of more than \$300,000.

Burlington was one of the first cities to opt for the League's pool. The premium for coverage of 260 city employees is \$53,000 this year, compared with \$65,000 paid last year to its commercial insurer, Maryland Casualty.

Aside from the lower premium, the League offered a 15% discount up front and will pay Burlington a dividend depending on its loss experience for the year, says Harry Shaw, Burlington's controller.

Because many of the League's members are small towns that are spread across the state, the pool relies on local agents and brokers to sell the package to town councils and city clerks.

The utilization of local agents is unique, Mr. Huntley says, because they are being asked to sell a policy that brings in less premium at a smaller commission for their services.

"I hope that it doesn't prove to be an albatross for us," Mr. Huntley says. "We might have to rethink the decision if the agents are reluctant to push us," he says.

The League expects the workers compensation pool to hit a plateau in about four or five years with about 125 cities participating, Mr. Huntley says. It does not expect any of the state's largest cities to join because they are often already self-insuring a portion of their risks.

The pool is managed by Hall Risk Management Services in Cedar Rapids. The Hall group, a subsidiary of Frank B. Hall & Co., is also assisting the League in forming a property/casualty group insurance system that could evolve into a self-insured pool in the next several years, Mr. Huntley says. ■

Continued from previous page
 "unique," according to the company's management.

Chubb Corp.

Chubb's operating income for the six months fell to \$45.5 million from \$50.2 million in 1980. Yet, the second-quarter decline was less extreme, with a report of \$22.4 million vs. the \$23.5 million last year.

Chubb's first-half results were impaired by an aftertax foreign exchange loss of \$5.6 million as opposed to a \$500,000 gain in last year's first six months.

Property/casualty underwriting losses soared to \$4.8 million in the first half, compared with income of \$1.1 million during the first six months of 1980. This upsurge was prompted by Chubb's commercial insurance line, primarily automobile, in which the combined ratio rose to 136% from 103%. The combined ratio for casualty lines rose to 114.5% from 105%, and the ratio for multiple peril and property rose to 107.2% from 103.7%.

INA Corp.

Slammed by high foreign currency translation losses and tough conditions in the property/casualty market, INA still managed to show a slight rise in earnings over the like periods of 1980. "Satisfactory" was the way Ralph Saul, INA's chairman and chief executive officer, termed the results.

Income from operations reached \$75.9 million for the second quarter, compared with \$74.1 million in 1980. Operating income for the first half was \$144 million for the first half, more than the \$138 million reported in the first six months of 1980.

Earnings were depressed by 8% as a result of foreign exchange losses, according to Mr. Saul. In fact, translation losses in the first half of 1981 totaled \$6.3 million, a sharp rise from the \$1.2 million reported in the corresponding period in 1980.

Not only did INA's property/casualty division bear the brunt of these exchange losses, but it also is subject to the price competition and inflationary claim costs that batter the industry.

In the property/casualty group, operating income for the second quarter dropped to \$47 million from \$49.7 million a year ago. The combined ratio, before policyholders' dividends, was 104.1%, compared with 102.9% in the second quarter of 1980.

SAFECO Corp.

SAFECO's operating income for the first

half sank to \$53 million from \$60.2 million in the first six months of 1980.

Although property/casualty underwriting did show a modest improvement in the second quarter compared with the first, the total for the first six months was less than half that of 1980—down to \$9.5 million from \$23.8 million.

SAFECO maintained a combined ratio of 96.2% for the first half, up from 93.6% a year ago. And property/casualty premiums increased a scant 1.2% over the first six months of 1980.

Due to serious losses in group life, SAFECO's life and health insurance operations dropped to \$3.5 million from \$7.8 million for the first half of 1980. "The entire industry continues to experience higher-than-expected claims on group medical, and we have taken appropriate rate action to bring our coverage back to profitable levels," said William Hammersla, senior vp of finance.

Reliance Group

Reliance's operating earnings for the second quarter slid to \$8.9 million from \$15.1 million in the year-ago period. In addition, figures for the first six months dipped to \$28.8 million from \$37.8 million.

Net income of \$26.7 million for the quarter was strongly bolstered by investment gains, particularly an after-tax windfall of \$10.5 million on the sale of the company's interest in Federal Paper Board Co.

The property/casualty division posted quarterly underwriting losses of \$6.4 million, spurring a combined ratio of 102.1%.

Further, the division's operating income for the second quarter was impaired by translation losses on foreign currency, totaling \$3.3 million, compared with gains of \$1.7 million in the second quarter of 1980.

Saul Steinberg, Reliance's chairman and chief executive officer, said, "Excess capacity and high interest rates are among the factors that have intensified price competition and, when combined with the inflationary cost of claims, are prolonging the down portion of the underwriting cycle."

In the near term, Mr. Steinberg foresees continued underwriting losses, but he contends that Reliance's "commitment to responsible pricing" will lead to improved conditions.

American General Corp.

The company's operating earnings for the first six months slumped to \$73.5 million from \$79 million a year ago

A leap in operating earnings from life, health and annuities to \$52.5 million from

\$48.8 million failed to offset the decline in American General's property/liability earnings, which fell to \$27.6 million from \$36.4 million in the first half, the result of a sharp drop in underwriting performance.

Indeed, the property/liability division showed an underwriting loss of \$28.7 million for the first six months of 1981, compared with a gain of \$1.4 million for the first half of 1980. That loss was reflected in a combined ratio that climbed to 108.5% from 100%. Written premiums, meanwhile, dropped to \$342.7 million from \$361.4 million.

Kemper Corp.

Kemper's six-month sales ballooned 32% to \$892.6 million from \$679.4 million for the first half of 1980. Even so, operating earnings slipped 12.2% to \$39.3 million from \$43 million.

Kemper fared worse in the second quarter with a 15.6% drop in earnings to \$22 million.

For Kemper's property/casualty division, operating earnings fell to \$20.5 million for the first half, as opposed to \$27 million for the same period in 1980. Joseph Luecke, Kemper's chairman and chief executive officer, indicated that intense competition was behind his company's poor showing.

Nationwide Corp.

Nationwide's quarterly earnings skidded 27% to \$8.1 million from last year's second quarter. Similarly earnings for the first half of 1981 sank to \$17.2 million from \$19.9 million last year. The predominantly life-oriented company blamed its poor results on high lapses in surrenders of life insurance and on high operating expenses.

U.S. Fidelity & Guaranty

It was a bad season for USF&G, as well. The company reported operating income for the quarter of \$41 million, compared with \$63.4 million for the first quarter of 1981.

The company noted that a "favorable increase in investment income was offset by a decline in the underwriting results." Inflation and competition led to across-the-board losses in all lines. This was compounded by a 3% decrease in premiums written for the second quarter compared with last year's corresponding period.

Mainly, competition cut into USF&G's general liability, fire, marine and multiline and workers compensation lines.

Aetna Life & Casualty

In the first six months, the operating earn-

ings of Aetna's property/casualty division fell 56% to \$47 million. The combined ratio for property/casualty in the first six months of the year was 114.5%, against a 103.5% ratio a year ago.

Aetna cited losses in commercial casualty lines, particularly from professional liability (medical malpractice) and commercial auto coverages.

Lincoln National Corp.

Lincoln National's property/casualty earnings thudded to \$6.9 million in the second quarter, a 45% reduction from the period a year ago.

A huge storm loss in Texas tacked three points onto the combined ratio, lifting it to 107%. Even barring the impact of the storm, the results represented an "unfavorable trend" in the Lincoln National Corp.'s management's view.

Continental Corp.

In yet another discouraging report, Continental's principal business, its property/casualty line, suffered a pretax loss, including investment income, of \$9.5 million for the quarter and a pretax profit of \$12.6 million for the first half. In contrast, 1980 profits for the periods were \$17.2 million and \$55.4 million.

These results reflect a second-quarter combined ratio of 110.6%, up from 106.6% last year.

"A substantial increase in fire and theft claims due to the inflationary effect on the value of personal property" and "the continuing onerous burden of the residual auto market" were the problems underscored by John Ricker, Continental's chairman.

He added that severe competition and a "heavy influx of environmental claims or policies already expired" hurt commercial lines business.

BI Insurance Index



Insurance industry stocks faltered slightly last week as the Business Insurance stock index fell 0.5 points to 181.3 from 181.8. Twenty-two issues increased, 29 fell and 20 were unchanged. The leading gainers were The Travelers Corp., 9.5%; Connecticut General Corp., 7.6%; Banks Iowa Inc., 6.3%; Ryan Insurance Group Inc., 5.7%; and American General Corp., 4.2%. The biggest losses were suffered by American Bankers Insurance Group, 11.5%; Aneco Reinsurance Ltd., 8.3%; Crown Life Insurance Co., 7.4%; Integrated Resources Inc., 5.4%; and Frank B. Hall & Co. Inc., 5.4%. The 0.3% index decrease lagged behind the major market averages.

British Issues

| 8/11 Companies | Price pence | P/E | Div. pence | 1 Week High—Low | |
|----------------|-------------|------|------------|-----------------|---------|
| | | | | Yield % | pence |
| Comm Union | 174 | 11.6 | 16.07 | 9.2 | 175-169 |
| Eagle Star | 312 | 10.4 | 21.43 | 6.9 | 312-304 |
| Genl Accident | 376 | 8.0 | 21.07 | 5.6 | 376-354 |
| Gdn Royal Exch | 362 | 9.3 | 22.14 | 6.1 | 362-342 |
| Phoenix | 292 | 8.6 | 21.29 | 7.3 | 292-272 |
| Royal | 393 | 10.9 | 34.29 | 8.7 | 393-380 |
| Sun Alliance | 980 | 9.8 | 47.14 | 4.8 | 980-960 |

| Brokers | Price | P/E | Div. | 1 Week High—Low | |
|----------------|-------|------|-------|-----------------|---------|
| | | | | Yield % | pence |
| CE Heath | 308 | 12.0 | 15.00 | 4.9 | 308-290 |
| Hogg Robinson | 108 | 8.6 | 8.57 | 7.9 | 108-103 |
| Alex Howden | 134 | 8.7 | 10.00 | 7.5 | 134-126 |
| JH Minet | 151 | 13.7 | 6.50 | 4.3 | 156-139 |
| Sedg Grp | 152 | 12.4 | 7.14 | 4.7 | 152-138 |
| Stenhouse Hldg | 95 | 6.5 | 6.64 | 7.0 | 95-91 |
| Stew Wrightson | 223 | 11.7 | 17.14 | 7.7 | 223-210 |
| Willis Faber | 378 | 13.0 | 17.14 | 4.5 | 378-363 |

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

BI Industry Stock Report

| Insurance Cos. | AUG. 11, 1981 | | | | 8/5/81 THRU 8/11/81 | | | | Price | % Chg. | P/E | \$ Div. | % Yld. | High | Low | Vol. (000) | |
|------------------------------|---------------|--------|-------|------|---------------------|-----|--------|--------|-------|--------|-----|---------|--------|------|-----|------------|--|
| | NYSE | OTC | NYSE | OTC | NYSE | OTC | NYSE | OTC | | | | | | | | | |
| Aetna Life & Cas Co | NYSE | 39.13 | 2.3 | 6.9 | 2.32 | 5.9 | 39.13 | 38.75 | 255.5 | | | | | | | | |
| American Bankers Ins Group | OTC | 6.75 | -11.5 | 12.7 | 0.88 | 6.5 | 7.50 | 6.75 | 26.2 | | | | | | | | |
| American Gen Ins Co | NYSE | 40.75 | 4.2 | 5.4 | 2.00 | 4.9 | 40.75 | 39.88 | 68.0 | | | | | | | | |
| American Indty Finl Corp | OTC | 16.25 | 0.0 | 6.5 | 1.12 | 6.9 | 16.25 | 16.25 | 3.0 | | | | | | | | |
| American Intl Group Inc | OTC | 59.25 | -0.4 | 11.3 | 0.40 | 0.7 | 59.50 | 58.75 | 116.4 | | | | | | | | |
| American Natl Ins Co | OTC | 12.88 | 0.0 | 5.8 | 0.58 | 5.3 | 12.88 | 12.75 | 47.1 | | | | | | | | |
| American Sta Life Ins Co | OTC | 20.25 | -1.2 | 6.5 | 0.72 | 3.6 | 20.50 | 20.25 | 0.0 | | | | | | | | |
| Aneco Reins Ltd | OTC | 2.75 | -8.3 | 0.0 | 0.00 | 0.0 | 3.00 | 2.75 | 10.2 | | | | | | | | |
| Appalachian Natl Corp | OTC | 2.50 | 0.0 | 7.1 | 0.00 | 0.0 | 2.50 | 2.50 | 1.0 | | | | | | | | |
| Aveco Corp | AMEX | 10.50 | -3.1 | 8.7 | 0.50 | 4.8 | 11.13 | 10.50 | 8.8 | | | | | | | | |
| Banks Iowa Inc | OTC | 42.50 | 6.2 | 6.8 | 1.44 | 3.4 | 42.50* | 42.00 | 22.1 | | | | | | | | |
| Bitco Corp | OTC | 39.00 | -2.5 | 5.5 | 2.16 | 5.5 | 40.00 | 38.50 | 2.2 | | | | | | | | |
| Carolina Gas Ins Co | OTC | 6.75 | 0.0 | 4.9 | 0.32 | 4.7 | 7.00 | 6.75 | 5.7 | | | | | | | | |
| Central Natl Finl Corp | OTC | 9.75 | 0.0 | 3.6 | 0.65 | 6.7 | 9.75 | 9.75 | 0.1 | | | | | | | | |
| Chubb Corp | OTC | 46.63 | 0.3 | 5.7 | 2.68 | 5.7 | 46.63 | 46.50 | 112.5 | | | | | | | | |
| Combined Intl Corp | NYSE | 21.25 | -2.9 | 6.0 | 1.60 | 7.5 | 21.25 | 20.50 | 64.9 | | | | | | | | |
| Connecticut Gen Ins Corp | NYSE | 51.50 | 7.6 | 6.8 | 1.76 | 3.4 | 51.50 | 49.00 | 186.4 | | | | | | | | |
| Continental Corp | NYSE | 27.13 | 1.4 | 8.6 | 2.40 | 8.8 | 27.13 | 26.38 | 119.9 | | | | | | | | |
| Crawford & Co | OTC | 16.25 | 0.0 | 12.5 | 0.52 | 3.2 | 16.25 | 16.25 | 8.0 | | | | | | | | |
| Crown Life Ins Co | OTC | 100.00 | -7.4 | 8.4 | 2.80 | 2.8 | 108.00 | 100.00 | 14.4 | | | | | | | | |
| Crum & Forster | NYSE | 32.25 | 2.0 | 5.6 | 1.64 | 5.1 | 33.00 | 32.13 | 133.3 | | | | | | | | |
| Employers Cas Co | OTC | 36.75 | -0.7 | 6.0 | 1.20 | 3.3 | 37.00 | 36.75 | 2.2 | | | | | | | | |
| Equifax Inc | NYSE | 25.00 | 2.4 | 5.7 | 2.40 | 9.6 | 25.00 | 24.25 | 9.2 | | | | | | | | |
| Excelator Ins Co | OTC | 16.50 | 0.0 | 17.6 | 0.70 | 4.2 | 16.50 | 16.50 | 0.1 | | | | | | | | |
| Farmers Group Inc | OTC | 30.13 | 0.0 | 9.5 | 1.12 | 3.7 | 30.13 | 30.00 | 166.6 | | | | | | | | |
| First Colony Life Ins Co | OTC | 47.00 | 1.1 | 14.3 | 0.80 | 1.7 | 47.50 | 46.00 | 11.9 | | | | | | | | |
| Foremost Corp Amer | OTC | 28.75 | 0.0 | 8.6 | 0.80 | 2.8 | 29.00 | 28.50 | 30.6 | | | | | | | | |
| Great West Life Assurn Co | OTC | 250.00 | -0.8 | 10.1 | 10.00 | 4.0 | 252.00 | 245.00 | 0.8 | | | | | | | | |
| Hanover Ins Co | OTC | 30.00 | 2.6 | 4.1 | 0.72 | 2.4 | 30.00 | 29.25 | 6.7 | | | | | | | | |
| Hartford Steam Boiler Inaptn | OTC | 45.50 | -1.1 | 8.1 | 2.60 | 5.7 | 45.50 | 45.50 | 5.9 | | | | | | | | |
| Jefferson Natl Life Ins Co | OTC | 36.00 | 0.0 | 29.0 | 0.64 | 1.8 | 36.25 | 36.00 | 3.7 | | | | | | | | |
| Kemper Corp | OTC | 34.25 | 0.0 | 5.6 | 1.60 | 4.7 | 34.25 | 34.13 | 47.6 | | | | | | | | |
| Lincoln Natl Corp Ind | NYSE | 42.00 | -0.6 | 6.4 | 3.00 | 7.1 | 42.13 | 41.50 | 57.6 | | | | | | | | |
| Mgic Invt Corp | NYSE | 39.13 | 3.3 | 10.2 | 1.28 | 3.3 | 39.13 | 37.38 | 191.1 | | | | | | | | |
| Mission Ins Group Inc | NYSE | 44.75 | -4.3 | 8.2 | 1.00 | 2.2 | 46.63 | 44.75 | 46.1 | | | | | | | | |
| Nationwide Corp Ohio | OTC | 24.63 | 0.0 | 7.0 | 0.70 | 2.8 | 24.63 | 24.63 | 6.3 | | | | | | | | |
| Northwestern Natl Life Ins | OTC | 25.88 | -4.2 | 6.4 | 1.36 | 5.3 | 27.00 | 25.88 | 54.9 | | | | | | | | |
| Ohio Cas Corp | OTC | 40.00 | -0.6 | 6.1 | 2.04 | 5.1 | 40.75 | 39.88 | 41.1 | | | | | | | | |
| Old Rep Intl Corp | OTC | 16.38 | 0.8 | 4.2 | 0.92 | 5.6 | 16.63 | 16.38 | 48.5 | | | | | | | | |
| Pinehurst Corp | OTC | 6.63 | 0.0 | 0.0 | 0.00 | 0.0 | 6.63 | 6.63 | 7.9 | | | | | | | | |
| Preferred Risk Life Ins Co | OTC | 19.75 | -4.2 | 6.1 | 0.80 | 4.1 | 20.63 | 19.75 | 4.3 | | | | | | | | |
| Provident Life & Acc Ins Co | OTC | 44.50 | 1.1 | 6.2 | 2.20 | 4.9 | 44.50 | 44.25 | 22.4 | | | | | | | | |
| Ryan Ins Group Inc | OTC | 23.25 | 5.7 | 9.3 | 0.12 | 0.5 | 23.25 | 22.25 | 1.5 | | | | | | | | |
| St Paul Cos Inc | OTC | 48.25 | -0.8 | 8.3 | 2.32 | 4.8 | 48.63 | 48.25 | 84.4 | | | | | | | | |
| Safeco Corp | OTC | 36.25 | -0.7 | 6.9 | 2.00 | 5.5 | 36.63 | 36.25 | 45.4 | | | | | | | | |
| Srl Corp | OTC | 25.00 | 2.0 | 5.7 | 1.00 | 4.0 | 25.00 | 24.75 | 28.7 | | | | | | | | |
| Seibels Bruce Group Inc | OTC | 21.00 | 0.0 | 11.3 | 0.80 | 3.8 | 21.00 | 21.00 | 13.1 | | | | | | | | |
| Statestman Group Inc | OTC | 6.88 | 0.0 | 5.8 | 0.15 | 2.2 | 6.88 | 6.88 | 7.4 | | | | | | | | |
| Tokio Marine & Fire Ins Co | OTC | 147.00 | 2.8 | 17.1 | 1.03 | 0.7 | 147.88 | 145.13 | 3.3 | | | | | | | | |
| Travelers Corp | NYSE | 46.25 | 9.5 | 5.4 | 2 | | | | | | | | | | | | |

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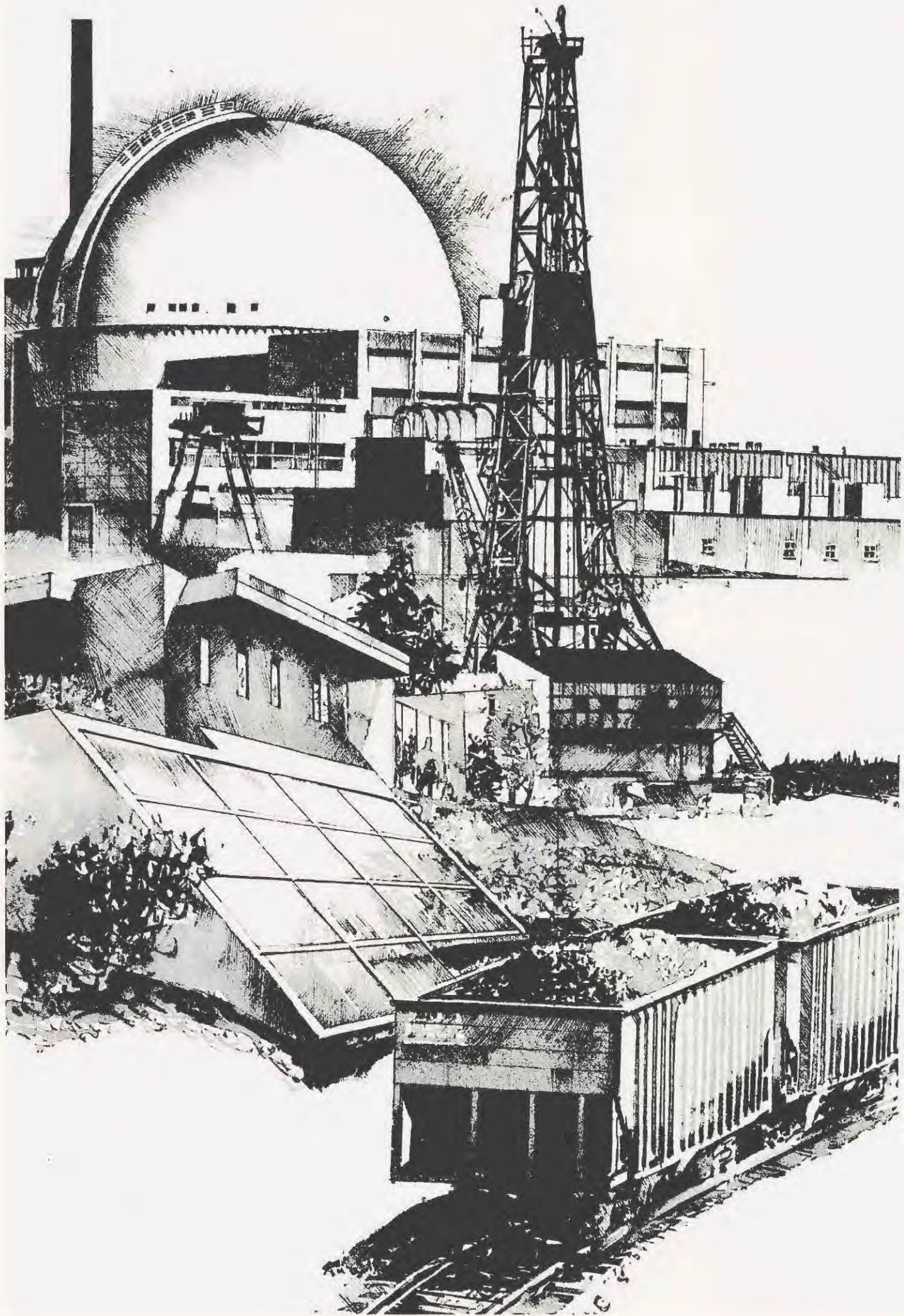
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