

business insurance

WEEK OF AUGUST 23, 1982

update:

California hikes work comp benefits

SACRAMENTO, Calif.—Employers can expect to pay \$510 million in increased workers compensation benefits beginning in January, following the swift approval of a major piece of legislation.

A.B. 684 passed the majority of both the Assembly and Senate on Aug. 17 and is awaiting the signature of Gov. Edmund G.

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

Employers offer range of group life variations

By KATHRYN J. MCINTYRE

A competitive group life insurance plan will be paid for by the company, provide twice the employee's annual salary as a basic benefit and offer the opportunity to buy additional coverage.

Executives may be offered higher supplemental benefits but all employees have the chance to buy additional coverage for themselves. Optional coverage for spouses and children will make the plan a cut above the ordinary.

The cost to the company for this plan is probably the same as it was last year, perhaps even a little cheaper, and the plan is underwritten by the same insurer as last year.

This composite of a corporate group life insurance plan emerges from the most recent survey of the *Business Insurance Employee Benefit Board*.

Seventy-nine or 75% of the 109 employee benefit managers on the board responded to the survey, describing their group life insurance benefits.

One large corporation, however, included separate responses for its 19 divisions, bringing the total number of responses to 97. Although the 19 divisions offered different life insurance benefits, the plans showed distinct similarities with the other divisions of the major corporation.

The members of the board are executives with companies, institutions and government entities who administer employee benefit plans and have volunteered to respond to regular surveys from *BI*.

Seventy-nine of the basic life insurance plans described by respondents are provided by the employer at no cost to the employee. Only 16 respondents require the employee to contribute to the cost of basic life insurance. (Two did not answer this question.)

Of the 16 who require employees to pay toward their basic life insurance benefit, only a chemical manufacturer with 7,800 employ-

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employee benefit board

Tax bill renews interest in safe-harbor coverage

By BETSY SHARKEY

WASHINGTON—The federal government's \$98.3 billion revenue bill is generating a new wave of interest in insurance coverage designed to protect tax benefits transferred in safe-harbor leasing agreements.

A safe-harbor lease allows companies that can't use tax benefits derived from buying new property and equipment to sell those benefits to more profitable companies.

In this kind of agreement, the buyer becomes the "tax owner" of the property and the seller becomes the "tax lessee." Typically, there is no change in legal ownership or possession of the property. But if, for example, the property or equipment is destroyed by fire, the Internal Revenue Service can "recapture" or take back those benefits from the tax owner.

Corporations that plunged into multimillion-dollar safe-harbor leasing deals after Congress cleared the way last November found themselves casting about for some way to protect themselves if the IRS should recapture those benefits before the lease expires.

Insurance companies, however, were slow to react to the new legislation. And, by the time policies were on the drawing board, talk in Congress of repealing safe-

harbor leasing stifled both insurance policy development and tax-leasing activity.

But several major brokers say approval of the tax bill would rekindle activity because while the bill modifies safe-harbor leasing, it leaves the general provisions intact (see story, page 36).

Passage of the bill also would take the uncertainty out of safe harbor's future, brokers say, allowing insurance companies to plan specific coverages.

"In the initial months, it seemed like a lot of small insurance companies that didn't really understand the situation jumped in," said Otto Lombardo, president of Cleveland-based New York

Leasing Exchange, which has handled more than \$100 million in tax benefit transfers.

As a result, Mr. Lombardo didn't feel comfortable with the coverages offered and insurance has not been a part of his leasing transactions. Instead, most of his client companies turned to other forms of protection like bonds or letters of credit.

However, the entry of larger insurance companies like American International Group, Insurance Co. of North America and Lloyd's of London into the market in recent months has piqued his interest. "We probably

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Graphic: Amy Palmer

Snags could slow wage-loss success

By EILEEN NORRIS

TALLAHASSEE, Fla.—Employers are facing a possible 24% increase in workers compensation rates—the first thorn to prick at the success of the state's wage-loss reform.

That sting is being partially soothed, employers say, by a recent court decision upholding the constitutionality of the wage-loss system, which has drastically cut claims and the amount of benefits paid out.

But the number of appeals of workers compensation claims by insurers is adding another bramble to be weeded out.

The wage-loss reform, which replaces permanent partial disability benefits with compensation only for proven lost wages after an accident, was unanimously upheld as constitutional by the state's First District Court of Appeals Aug. 9.

At issue was a workers compensation claim involving Walter Nevin Acton, an employee of Fort Lauderdale Hospital, who slipped on the hospital's wet floor and reinjured a leg

that already was 40% disabled.

He received disability benefits from February 1980 until June when he returned to work at the same wage he was making before his accident.

In his attack on the wage-loss system, his attorney urged the court to allow workers with permanent injuries to sue their employer for benefits outside the workers compensation system.

The court rebuffed that plea and said the workers compensation system provides a more certain, although not as lucrative, payment to the injured worker.

Under the new law, workers do not receive compensation beyond the time they are off work unless they can prove their injury caused them to lose wages when they re-

Florida wage-loss savings

(Dollars in millions)

	1978	1979	1980	1981	1982 (est.)
New claims filed	29,310	26,775	17,746	11,566	9,420
Attorneys' fees	\$21M	\$19.7M	\$17.5M	\$16M	\$14M
Lump-sum settlements	25,214	22,220	12,684	7,150	4,989
Amount of benefits awarded	\$89.5M	\$91M	\$78M	\$62M	\$54M

Wage-loss became effective Aug. 1, 1979.

turned to work. For example, if a worker's injury prevented him from returning to his original job and instead he was placed in a lower-paying position, he would be compensated for that wage difference.

In Mr. Acton's case, the disability in his left leg did not qualify him for impairment bene-

fits, which are awarded only for amputations, loss of 80% or more of vision or serious head or face disfigurements.

The court dismissed his contention that wage-loss denies injured workers equal protection and access to the courts.

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California comp law

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Brown Jr., who has indicated full support for the measure.

Employer groups opposed the bill, which could increase the cost of workers compensation benefits 21% by 1984 (BI, Aug. 16).

Asbestos trial judge named

SAN FRANCISCO—After more than a year of uncertainty, a judge has finally been appointed to preside over four consolidated cases that will determine who will pay for the claims of California asbestos victims.

San Francisco Superior Court Judge Robert W. Merrill was appointed Aug. 12 and succeeds Judge John E. Benson, who had been appointed but then disqualified himself. Judge Benson subsequently changed his mind and sought to hear the case, but was challenged.

The court proceedings, which have been stayed since March 1981 while a new judge was sought, will determine the theory of liability under which insurers will pay asbestos cases in California.

Texaco settles pension dispute

PORT ARTHUR, Texas—Striking refinery workers are expected to return to their jobs this week after ratifying a 3½-year contract and winning a \$3 million out-of-court settlement from Texaco Inc.

The settlement, to be paid to the 3,400-member Oil, Chemical & Atomic Workers Union Local 423, came after a U.S. District Court agreed that Texaco had unfairly raised the rate at which it reduces pension benefits paid out in lump sums from 4% to 10.5% without first contacting the union.

Texaco had planned to appeal, arguing that it could use the 10.5% rate because it had been prescribed by the Pension Benefit Guaranty Corp. Under the settlement, Texaco can continue using the higher rate.

Baldwin sells 40% of brokerage

CINCINNATI—Baldwin United Corp., a financial service and musical instrument company here, has agreed to sell 40% of subsidiary insurance brokerage Bayly, Martin & Fay International Inc. to buyers that include the brokerage's present management.

Baldwin will receive \$40 million in cash and Baldwin United stock purchased on the open market for the interest.

Cost-containment laws passed

NEW YORK—New legislation in both New York and Massachusetts will establish new budgeting systems for hospitals and eventually create more equitable rates for all hospital payers.

Both laws will become effective only if the federal government agrees Medicaid and Medicare can pay more for hospital services.

Under the laws, hospitals would estimate their annual budgets based on last year's budget plus an inflation factor. Hospitals that did not live within the budget would have their budgets cut the following year.

Both laws are designed to reduce the discounts for hospital services that Blue Cross currently enjoys over commercial insurers and eliminate costshifting from Medicare and Medicaid patients.

IRS to limit captive rulings

WASHINGTON—You can no longer depend on the Internal Revenue Service to tell you if your arrangements with your captive will pass an IRS review.

In a new revenue procedure issued late last month, the IRS said that it will respond to a taxpayer's request regarding the deductibility of premiums paid to a captive under only two circumstances. Either the facts of the arrangements have to fall within the scope of Revenue Ruling 77-316 or Revenue Ruling 78-338, or the taxpayer must show unique and compelling reasons why the IRS should rule.

Specifically, the IRS said it normally won't rule on whether arrangements with a captive insurer contain the required risk shifting or risk distribution for premiums paid to qualify for a business expense deduction or on whether a company is an insurance company.

Revenue Ruling 77-316 details when arrangements between a corporation and its wholly owned offshore insurance company are not insurance and do not provide tax deductions for premiums paid. Revenue Ruling 78-338 details the facts under which a group-owned captive is considered a bona fide insurance company and provides policyholders with tax deductions for premiums paid.

"This shows the IRS is going to be extremely reluctant to issue rulings to clear up the grey area that presently exists between these two extremes" described in the two rulings, notes tax attorney James Cameron in the New York office of Baker & McKenzie.

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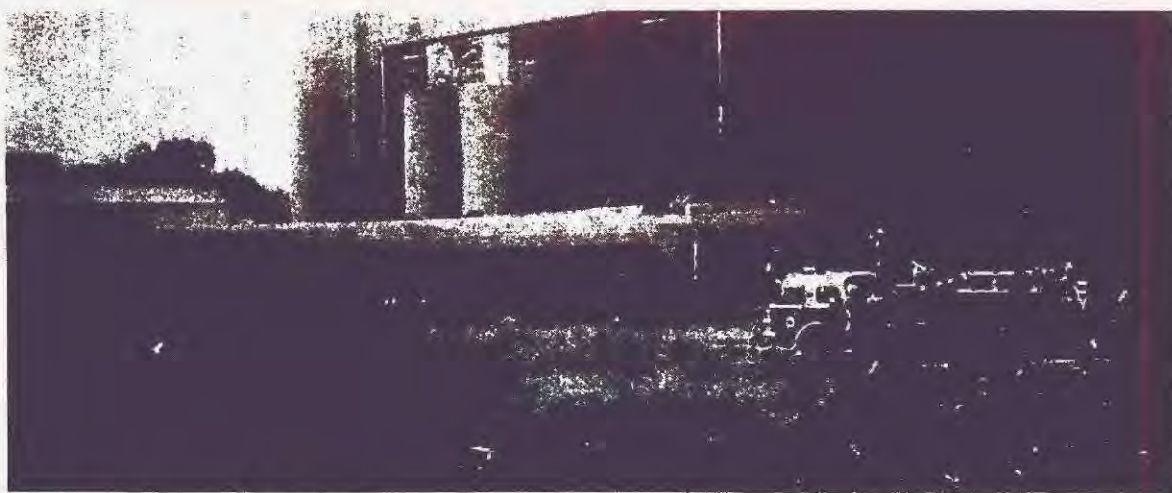


Photo: The Shopper Newspapers, Fairlawn, N.J.

The train smashed into the pasta factory after teen-agers threw a switch, diverting it from the main line.

Transit, Conrail deny liability after train hits pasta factory

By STEVE TARAVELLA

FAIR LAWN, N.J.—New Jersey Transit, which owns a passenger train that crashed into a pasta factory in Fair Lawn last month, says it's not liable for damages to the factory and for the costs of cleaning up the accident.

But Conrail, which operates trains for New Jersey Transit, says it isn't liable for the accident, either.

The July 7 accident occurred when a group of teen-agers pulled a railroad switch, sending the seven-car train from the main line down a siding into the pasta factory.

Property damage to the plant, owned by A. Zerega's Sons Inc., is estimated at \$1.5 million. The plant, which was closed for three weeks after the accident, is still operating at only about 70% capacity, creating an undisclosed but insured business interruption loss.

The train's 50-year-old engineer was killed in the accident and a 14-year-old passenger was hospitalized but

later released.

New Jersey Transit, a state-run transportation agency that owns all of New Jersey's commuter railroads, contracts with Conrail to operate the trains. Transit, however, retains ownership of the rail cars.

"In our contract with Conrail to service us, they're liable for everything—that's the way it works," says Anthony Grazioso, a Transit spokesman in Newark. "They assume responsibility for the results of the accident except for the equipment that we own."

Mr. Grazioso contends Conrail is responsible for any damage or loss of operations to the pasta factory, injuries to third parties, cleanup costs, loss of revenue to the rail line and damage to the railroad siding. He said, though, that it was too soon to tell whether Transit would sue Conrail for any losses.

However, Conrail spokesman Art Jenser says that Transit is responsible for any damages. "The insurance coverage, and I'm sure the liability, was covered by

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A&A audit of Howden reveals additional liabilities, assets

By LEN STRAZEWSKI

NEW YORK—Rumors that Alexander Howden Ltd. had misplaced millions of pounds generated by its underwriting opera-

tions in Britain could have forced Alexander & Alexander Services Inc. to revise its accounting of the acquisition.

But the rumors turned out to be more noise than fact, according to

John A. Bogardus, A&A chairman and chief executive officer.

"A lot of noise," Mr. Bogardus told *Business Insurance*. "A lot of noise, but no real substance. Our audit of Howden did reveal some additional liabilities within a couple of Howden-owned insurance companies, but it also discovered some additional assets, including reinsurance recoverable for those companies. The two basically cancel each other out."

Specifically, the review revealed that two Howden-owned insurers were underreserved for losses. They are: The Sphere Drake Insurance Co. Ltd., based in Great Britain, and Trent Insurance Co. of Bermuda, a subsidiary of Sphere.

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errors & omissions

- A story on the recall of the drug Oraflex (BI, Aug. 16) incorrectly attributed a quotation by Hugh Smith, a vp at Alexander & Alexander Inc. in Philadelphia, to another person. The statement was: "The number of recalls companies institute themselves make it a constant process. Most consider it as part of their business expense."

- A headline in the same issue incorrectly identified the source of a list of insolvent insurers. The list was drafted by a task force of the National Assn. of Insurance Commissioners.

Castle & Cooke not covered for recall

By RHONDA L. RUNDLE

HONOLULU—Castle & Cooke Inc., the giant food processor, will spend more than \$750,000 to recall all of its Bumble Bee Seafoods and other tuna products packed in its Honolulu cannery from January 1981 to June 1982.

The nationwide recall, which began June 4, was voluntarily undertaken by Castle & Cooke after three or four consumers complained to the federal Food and Drug Administration that they found small holes in cans of Bumble Bee tuna they had purchased.

There have been no reports of illness, but a can with a hole could permit bacteria to enter the tuna, said an FDA spokesperson. Although the possibility of contamination is small, the FDA determined that immediate recall was necessary. Castle & Cooke agreed.

No claims have been filed against the company as a result of the defective cans, said Rita Garcia, director of risk management at the company's corporate offices in San Francisco.

Castle & Cooke has not yet calculated the entire cost of the recall, she added. But estimates of expenses in-

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Photo: Merrill Saltzman

Castle & Cooke's recall includes Bumble Bee tuna.

Tax bill could greatly affect benefits

By JERRY GEISEL

WASHINGTON—Nearly every employer, from corporate giants to corner drug stores, will be hit with massive new benefit requirements and higher administrative costs if the pending federal tax bill becomes law.

Some of the changes would have their greatest impact on big companies.

For example, large employers would face the Herculean task of notifying tens of thousands of retirees that they will have to decide whether they want withholding taxes taken out of their pensions.

Fielding questions from retirees confused about the withholding provision could tie up corporate personnel offices for weeks, warns Robin Holloway, head of Towers, Perrin, Forster & Crosby's benefit consulting division in New York.

Other provisions in the tax bill, which had not been approved by either the House or Senate as of 2 p.m. Thursday but was scheduled for a vote late last week, would mainly affect small employers.

For example, some experts say as many as 80% of companies with fewer than 50 employees would have to overhaul their pension plans to comply with a rule requiring employers with "top-heavy" plans to offer much faster vesting schedules. A pension plan is considered top-heavy if 60% of the benefits go to key employees, like officers.

Other sections of the legislation will have vastly uneven effects. For example, most employers would incur only negligible health care cost increases in complying with a provision that requires companies to offer the same health insurance benefits to workers ages 65 through 69 as they provide younger employees. That's because so few employees stay on the job after 65.

However, selected industries that employ large numbers of older workers would be hit hard by the change in the law.

Finally, some provisions would equally affect employers, regardless of their size or industry.

For example, companies will have to search for new ways to provide corporate officers with retirement benefits because of a provision that

would slash the amount corporate brass can receive from qualified pension plans.

In sum, the tax bill, if passed, would result "in the most significant changes in the employee benefit arena since the Employee Retirement Income Security Act of 1974," said Lou Mazawey, a principal with Groom & Nordberg, a highly regarded Washington law firm that represents major insurers.

Employers can't begin to prepare for these changes too soon. For example, employers would have only until Nov. 1 to notify their retirees that they must decide if they want taxes withheld from their pension checks beginning next year.

Under this section of the bill, taxes must automatically be withheld from the pensions of retirees who don't respond to the notice, unless their annual benefit is less than \$5,400.

For retirees who want taxes withheld from their pension checks, the amount withheld would be determined by treating the retiree as if he or she were still working and claimed three exemptions.

For example, a retiree who receives a \$20,000 annual pension would have the same amount withheld as if he were working, claimed three exemptions and earned a \$20,000 salary.

Retirees would be able to make a one-time decision on whether they want taxes withheld. However, employers would still have to notify retirees of the option every year.

Communicating the withholding provision would cause employers the most problems, experts say.

"You'll get a lot of sticky questions," said Lloyd Kaye, a principal with William M. Mercer Inc., a New York-based benefit consultant. "Some retirees will think their Social Security benefits are being taxed. This provision is going to take a lot of careful explaining."

It would also take a lot of money to comply. It could cost some employers \$400,000 to \$500,000 to prepare and mail pension withholding notices.

At the other end of the corporate spectrum, many small employers, generally companies with fewer than 50 employees, would have to make dramatic changes in their pension plans' vesting schedules if their plans are "top-heavy."

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How benefits will be affected

Pensions

All employers:

- Notices must be mailed by Nov. 1 to retirees asking if they want taxes withheld from their pension benefits beginning next year. Taxes automatically will be withheld from pensions of retirees who don't respond to the notice, unless the annual benefit is less than \$5,400.

- Effective Jan. 1, 1983, the maximum annual contribution an employer can make to a defined contribution plan, like a profit-sharing plan, will be reduced to \$30,000 from the current \$45,475. In addition, a participant in a defined benefit plan will be allowed to receive a maximum annual pension of \$90,000, down from the current \$136,425. Maximum benefit limits for both defined benefit and defined contribution plans will be frozen until 1986.

- The maximum loan a pension plan could make to a participant at any one time would generally be \$10,000, but could be as high as \$50,000 if the loan is for a home mortgage. Most loans would have to be paid back within five years.

- The maximum benefit level from combined pension plans, now 140% of the single-plan limit, will drop to 125%.

Small employers:

- "Top-heavy" pension plans, in which 60% of the benefits go to key employees, will have to adopt one of two fast vesting schedules. Employees will have to be 100% vested after three years or be offered a six-year graded plan in which an employee is 20% vested after two years and 100% vested after six years. Some benefits cannot be reduced or offset by Social Security. Effective date: Jan. 1, 1984.

Health insurance

- Employers with 20 or more employees will have to cover workers 65 through 69 years old in their group health insurance plans. Effective date: Jan. 1, 1983.

Keene's legal battles far from finished

Claims insurers changed policy interpretations

By STEPHEN TARNOFF

WASHINGTON—Keene Corp. is accusing its four primary insurers of deliberately changing their interpretation of insurance policies to avoid liability for asbestos claims.

In a 34-page complaint filed July 21 in U.S. District Court for the District of Columbia, Keene also charges that the companies intentionally misinformed Keene about how the policies were to be interpreted.

The change in position conflicted with insurance trade organizations' positions and the companies' own beliefs of how the policies should be interpreted, the complaint says.

Keene, a New York-based subsidiary of Bairnco Corp., seeks

more than \$140 million in compensatory and punitive damages from the defendants, alleging breach of contract, malicious breach of contract, misrepresentation and other tortious conduct.

Named as defendants are Aetna Casualty & Surety Co. and Hartford Accident & Indemnity Co., both of Hartford, Conn.; Insurance Co. of North America of Philadelphia; and Liberty Mutual Insurance Co. of Boston. They were Keene's primary liability insurers between 1961 and 1981.

All have denied the charges, contending that the allegations in the complaint are false and taken out of context.

Keene is at least the third company to allege these types of

charges against its insurers in ongoing asbestos litigation.

GAF Corp. of New York and Nicolet Industries Inc. of Ambler, Pa., have filed similar allegations in coverage litigation in California.

At issue is who will pay the injury claims of thousands of people with asbestos diseases. Under comprehensive general liability policies, the insurer on the risk when the injury occurs is liable but insurers and policyholders disagree on when the asbestos injury occurs.

Arguing the manifestation theory, some companies, including Aetna, INA and Liberty Mutual, say that injury occurs when the disease shows up in the victims. Others, including Hartford, argue for the exposure theory, which says injury occurs when the claimant first inhales the asbestos.

Last October, the District of Columbia Court of Appeals in the Keene Corp. vs. INA decision considerably broadened coverage, saying that all insurers on the risk from the time of exposure through manifestation, including the latency period, are liable.

In its most recent suit against the insurers, Keene says that the insurance industry as a whole always intended this triple-trigger theory to apply, but that individual insurers switched to other interpretations to reduce their liability from asbestos claims.

Citing insurance industry papers and internal insurance company memos obtained through discovery, Keene attempts to show that the companies and the industry organizations rejected both the exposure

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Says U.S. is liable for claims

WASHINGTON—Besides filing suit against its insurers over its asbestos coverage, Keene Corp. has filed an additional suit against the federal government charging it with liability for asbestos claims.

The lawsuit, filed last month in U.S. District Court for the District of Columbia, marks at least the fifth time in which Keene, a New York subsidiary of Bairnco Corp., has sued the government for asbestos claims.

The complaint charges the government with numerous acts of negligence and breaches of warranty. It also claims that the government was strictly liable through its handling of asbestos from the 1930s to the present.

The suit specifically seeks \$14.9 million from the government, which includes Keene's attorneys' fees, increased insurance costs and the costs of executive time.

Keene, which is faced with more than 13,000 lawsuits, alleges in the complaint that the government knew of potential health problems from asbestos exposure, had more knowledge than Keene of that danger and failed to disclose that danger to Keene.

The suit also says the government promulgated health standards and safety requirements for asbestos use but failed to enforce them and to disclose that it was violating its own standards.

The complaint further states that the government required asbestos be used in products Keene later manufactured or sold.

"During the times relevant herein, defendant (the federal government) knew or believed that the inhalation of asbestos-laden dust might cause asbestosis and other harmful conditions," the complaint says.

"Defendant further believed that the danger could be controlled by maintaining a modest level of exposure," it continues.

"Defendant's programs to prevent asbestosis and other harmful conditions among insulation workers in facilities subject to its control and regulation have been haphazard, inadequate or unenforced."

Among the specific charges are that the government made negligent or wrongful acts or omissions in failing:

- To warn insulation workers of the dangers of asbestos.
- To provide a safe place in which to work.
- To promulgate and enforce proper and adequate safety regulations.
- To provide and enforce the wearing of respirators.
- To conduct inspections.
- To provide adequate medical care.

It also charges the government with breaching warranties that the asbestos fiber was safe and reasonably fit for its intended purpose. The government is also strictly liable to Keene for having placed into commerce unreasonably dangerous products, the complaint says.

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UNR filing stays trials

CHICAGO—Asbestos litigation has been temporarily stayed against all defendants in at least three courts following UNR Industries Inc.'s July 29 petition for reorganization.

Three federal courts in Ohio have granted stays for all defendants in cases naming UNR, according to plaintiffs' attorneys, while an Ohio state court has severed UNR from another proceeding and ordered the case against other defendants to continue.

Courts in Texas and California have also rejected motions to stay proceedings against defendants other than UNR.

Attorneys for Johns-Manville Corp. and other defendant companies have requested stays in courts across the country where UNR or its Unarco subsidiary is a defendant, according to the Asbestos Litigation Reporter, a bimonthly publication dealing with asbestos issues.

The federal bankruptcy code automatically stays litigation against a debtor, but J-M and other asbestos defendants are asking courts to enter stays for them, too, under Section 362(a) of the code.

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NBC helps employees plan for retirement

Employees of the National Broadcasting Co., a subsidiary of the New York-based RCA Corp., are learning how to prepare for their golden years through a new two-day pre-retirement planning program.

The new program, launched earlier this year, provides employees with detailed information about company benefits, their retirement options, what Social Security benefits they're entitled to and how to financially plan for their retirement.

Company retirement benefits are explained during the sessions by company officials, while Social Security benefits are explained by an official with the Social Security Administration.

Other aspects of financial retirement planning are discussed by a

benefit beat

financial adviser.

Retirement benefits and financial planning are discussed during the first day of the two-day session, which is conducted during normal working hours.

During the second day of the session, which usually is conducted a week after the first session, employees are provided information on lifestyle planning for retirement and are given physical fitness advice.

The program is led by a combination of corporate and outside experts and encourages employee participation through the use of worksheets and an audiovisual demonstration.

So far, 100 employees—most of whom are at least 50 years old—have participated in the voluntary program.

The program, designed by NBC employee benefits personnel with the help of consultant and broker Johnson & Higgins, costs approximately \$4,000 per session, says Jack Krupinsky, manager of employee benefits.

"We felt there was a need for it," explains Mr. Krupinsky.

"It's another way to service the people."

The program, Mr. Krupinsky says, was developed to provide younger persons with pre-retirement information, allowing them

to prepare for retirement long before they actually retire.

There is no minimum age for participation in the NBC pre-retirement program.

Federal pensions

Congress's drive to snip billions of dollars from the federal budget will cut into the pension benefits received by federal and military retirees.

Under an agreement reached last week by House and Senate conferees, cost-of-living increase adjustments to federal and military pensions will be delayed one month during each of the next three years.

As a result, the next benefit adjustment, which had been set for March 1983, will be delayed until April 1983, with new adjustments

occurring in May 1984 and June 1985.

In addition, pension benefits for retirees under 62 will only be boosted to reflect one-half of the increase in the Consumer Price Index.

Currently, pension benefits for all federal and military retirees are increased annually to match the CPI.

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 benefit plan changes. Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.



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WALTON
Insurance Limited

A&A completes audit of Howden

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Drake. The insurers underwrite property, liability, marine and aviation risks.

Mr. Bogardus would not reveal exactly how large the discovered liabilities were or how much reinsurance recoverable was now available, but he said the amounts would be reported later this year in the insurers' financial statement.

The amounts, however, "were more than just what one finds in a routine audit," he remarked.

A&A delayed filing its second-quarter results until Aug. 16, the final deadline set by the Securities and Exchange Commission, fearing that poor accounting of funds at Howden would require a revaluation of how the "good will," or the value not accountable in Howden book assets, would be amortized.

No changes in the accounting of the \$299.9 million purchase of Howden are now planned, according to Mr. Bogardus, adding that the acquisition still appears to have been a sound deal.

Although Howden Chairman Kenneth V. Grob recently resigned from the A&A board of directors, Mr. Bogardus said the move was not related to the audit and that no other personnel changes are expected (BI, Aug. 2).

"Howden added substantial revenues in the first half and we are pleased with those results. However, it appears that the acquisition will be slightly dilutive of earnings overall," he said.

A&A's operating revenue for the first six months of 1982 grew 38% to about \$293.9 million from about \$212.9 million in the corresponding period last year. Excluding sales from Howden, however, revenues grew only 5.2% for the first half.

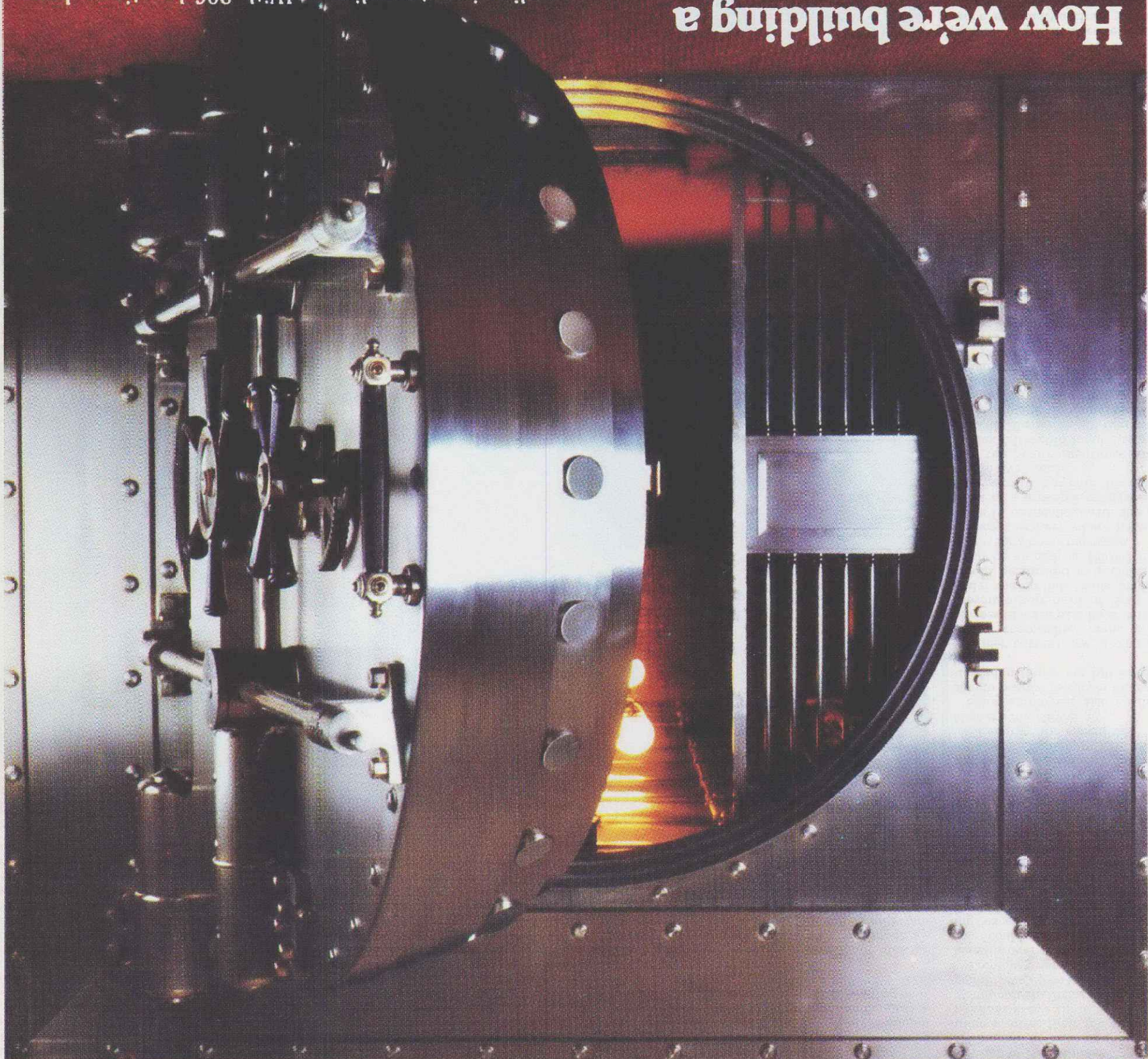
Net income for the first half rose 8% to about \$31.3 million from nearly \$29 million. Earnings per share fell to \$1.23 from \$1.46.

Gross revenues for the second quarter grew 38.1% to \$143.3 million from about \$103.8 million in 1981. Excluding Howden revenue in the second quarter, A&A revenues grew only 3.4%.

Net income slipped 2.7% in the quarter to about \$12.5 million from \$12.8 million for the same period in 1981. Earnings per share fell to 50 cents from 65 cents in the second quarter of 1981. A&A attributed the earnings decline to an increase in the number of shares related to the Howden acquisition.

"It was not a particularly good first half," noted Mr. Bogardus. "The soft market continues to exert a considerable influence and all we can do is tighten up on our management overhead and generate as much new business as we can so that when the markets turn, we will be in good position."

WAUSAU WORKS.SM



How we're building a strong relationship with Rainier Bancorporation.

Big, growing Rainier Bancorporation has a natural vitality associated with its home base, the Pacific Northwest. And it's natural they'd team up with an insurer with the same innovative spirit. Wausau Insurance won Rainier's property insurance business in 1980.

Barbara McDaniel, Rainier's Assistant Vice President and Insurance Manager, says, "The broadness of the coverage we have in a single



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policy is extraordinary: With 206 locations, handling everything handled with one policy saves us time, correspondence, discussion and worry. "It's a policy written especially for Rainier. Wausau listens — and accommodates. This is where I see a difference." We're proud to serve the company with the reputation of having the most extensive international network of any regional bank of its size in the U.S. State-of-the-art banking deserves state-of-the-art insurance. And Wausau is strong in knowing how to make business insurance work for a living.

editorial opinions

Equalizing the clout

EMPLOYERS IN CALIFORNIA that self-insure group health plans are justifiably concerned about the effect of a new state law allowing insurers to negotiate rates with hospitals (*BI*, Aug. 16).

If hospitals promise insurance companies lower rates but do not cut their operating costs, someone else is going to pay for the costs not covered by insurers. Logically, it will be the consumer with the least clout. Self-insured employers with a few customers to offer hospitals will wield just a little more clout with hospitals than the individual patient who isn't covered by health insurance or an employer's self-funded plan.

This cost-shifting issue has been raised by commercial insurers themselves in other states where only Blue Cross plans are able to negotiate lower hospital rates. Obviously, such negotiated rates look fair to the party with negotiating clout and look unfair to those left out of the bargaining.

We strongly support any efforts to control health care costs, which are primarily a function of hospitalization. We do not, however, favor the mere shifting of

costs from one group of patients to another.

That's why the new Massachusetts and New York legislation mandating that each hospital charge the same rates of all third-party payers within a set operating budget looks interesting (see story, page 2).

The only way to avoid cost shifting while allowing insurers to negotiate rates with hospitals would be to force hospitals to offer the same discounts to all patients who meet the conditions of the lower rates. If, for example, an insurer gets a 5% discount for paying bills within 30 days, all patients who pay bills within 30 days should get the same discount. This restriction, however, would preclude insurers from negotiating lower rates on sheer volume of patients.

Self-insured employers may be able to offer volume if they band together to negotiate rates with health care providers, but we strongly suggest that before they do, they get the advice of a good antitrust attorney. It is not inconceivable that doctors and hospitals opposing such negotiations might try to accuse them of conspiring to restrain trade.

letters

A businesslike, fairer system

To the editor: We at the American Medical Assn. strongly disagree with some statements contained in your editorial "Keep doctors under FTC care" (*BI*, June 28).

Your assumption that exemption of health care professionals from Federal Trade Commission jurisdiction would allow physicians and dentists to "institute non-competitive price policies" is incorrect. Health professionals would continue to be subject to provisions of the Sherman Antitrust Act and duly enacted laws of states. Thus, professional associations accused of wrongdoing could be charged in federal courts or in state courts.

Using the court system with impartial judges is, in our opinion, a much more businesslike and fairer system than that of holding administrative hearings before an employee of the agency making the complaint, with appeals going to the same agency.

In regard to physician dominance of Blue Cross/Blue Shield boards, most of the Blues' groups had voluntarily started long before the FTC investigations to increase the number of non-physicians on their governing boards. We believe this trend will continue regardless of the decision regarding the FTC's proper role.

The AMA believes that the jurisdiction over the professions that the FTC has assumed was never intended by the Congress and that its continuation could adversely affect the quality of medical care. The AMA has experienced the staggering costs and burdens of responding to an FTC complaint and knows that medical associations face an unacceptable dilemma when confronted by the agency. A medical organization named in an FTC complaint must either divert scarce resources from socially beneficial activities to defend against unfounded charges or simply capitulate because of the overwhelming amount of time and money needed to defend meritorious positions. We believe these resources should be used for continuing to improve medical education, to disseminate scientific information and in other ways that advance the science and art of medicine.

It is our position that the expertise of medical professionals is required to set standards to protect the public from deception and incompetence in the profession. The FTC does not have this expertise. We believe our patients have the right to have qualified medical professionals responsible for self-regulation that

embraces a commitment to serve the public and improve the quality of life in our society.

If the FTC is successful in forcing the medical profession to abandon or minimize responsible self-regulation, the real losers will be the nation's patients whom such self-regulation is intended to protect.

James H. Sammons, M.D.

Executive vp
American Medical Assn.
Chicago

Integrating products

To the editor: Your editorial, "Appealing combination" (*BI*, Aug. 2), indicates the idea of integrating group life and health products with workers compensation may be something new. Far from it.

Direct writers, like the one I represented for 19 years, have long considered this possibility.

However, the liberals in Congress have been working behind the scenes for almost 10 years to enlarge the Social Security system to provide the exclusive remedy for:

- Workers compensation (for on-the-job injury and illness).
- Group life and health (for off-the-job illness and injury).
- Bodily injury liability claims (for liability-caused injury and illness).

I, too, admire "far-sighted insurance company executives." Unfortunately though, we may be hastening our own demise.

Robert J. Small

Robert J. Small Insurance Services Inc.
Bakersfield, Calif.

Natural combination

To the editor: Your editorial, "Appealing combination" (*BI*, Aug. 2), on the integrating of workers compensation and life and health insurance indicates a certain "newness" to the concept.

I wrote an article for the *Chartered Property & Casualty Underwriter Annals* back in September 1977 suggesting a similar approach for the resolution of the national health problem.

The combination is a natural and will eventually become the format for responding to the pressures of national health insurers and runaway medical costs.

Positive legislation is needed after the accident and health and property and casualty companies join together and recommend a possible program to our legislators.

Martin Beitler
Homestead Insurance Co.
New York

Value of loss control

To the editor: A letter by Harold W. Horton in the Aug. 2 issue of *Business Insurance* concerned the lack of risk management at the Kansas City Hyatt Regency Hotel fiasco. Mr. Horton, of course, is absolutely correct, and I want to add my heartfelt thought that any type of risk management without loss-control management is simply putting one's "head in the sand."

I have come to realize that loss-control management is at least 60% to 65% of good risk management and would like to point out that if you prevent a loss, you do not have to finance that loss, be it through self-assumption, captive, retro, guaranteed-cost insurance or whatever.

While present-day buzzwords do, as Mr. Horton said, include risk benefit, cash flow, cost-effective and bottom line, that bottom line should strongly stress good loss control/safety, and again, that does include old-fashioned "walk-arounds."

Robert F. Healey

Risk manager
City of Duluth
Duluth, Minn.

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

action line

Action Line: Are there any individuals or organizations who have available photographs, slides, posters or other audiovisual materials on serious claims? I would like such representations for educational purposes, not for commercial publication.

D. S. Hansell
Director of insurance
studies/training officer
The Bermuda Insurance Institute
Hamilton, Bermuda

Mr. Hansell: Industrial Risk Insurers has agreed to send you several brochures and booklets containing disaster photographs. If any other companies are able to supply such photos or materials, please contact D.S. Hansell, The Bermuda Insurance Institute, P.O. Box 1351, Hamilton 5, Bermuda.

Have a question regarding insurance or your profession? Write Action Line, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

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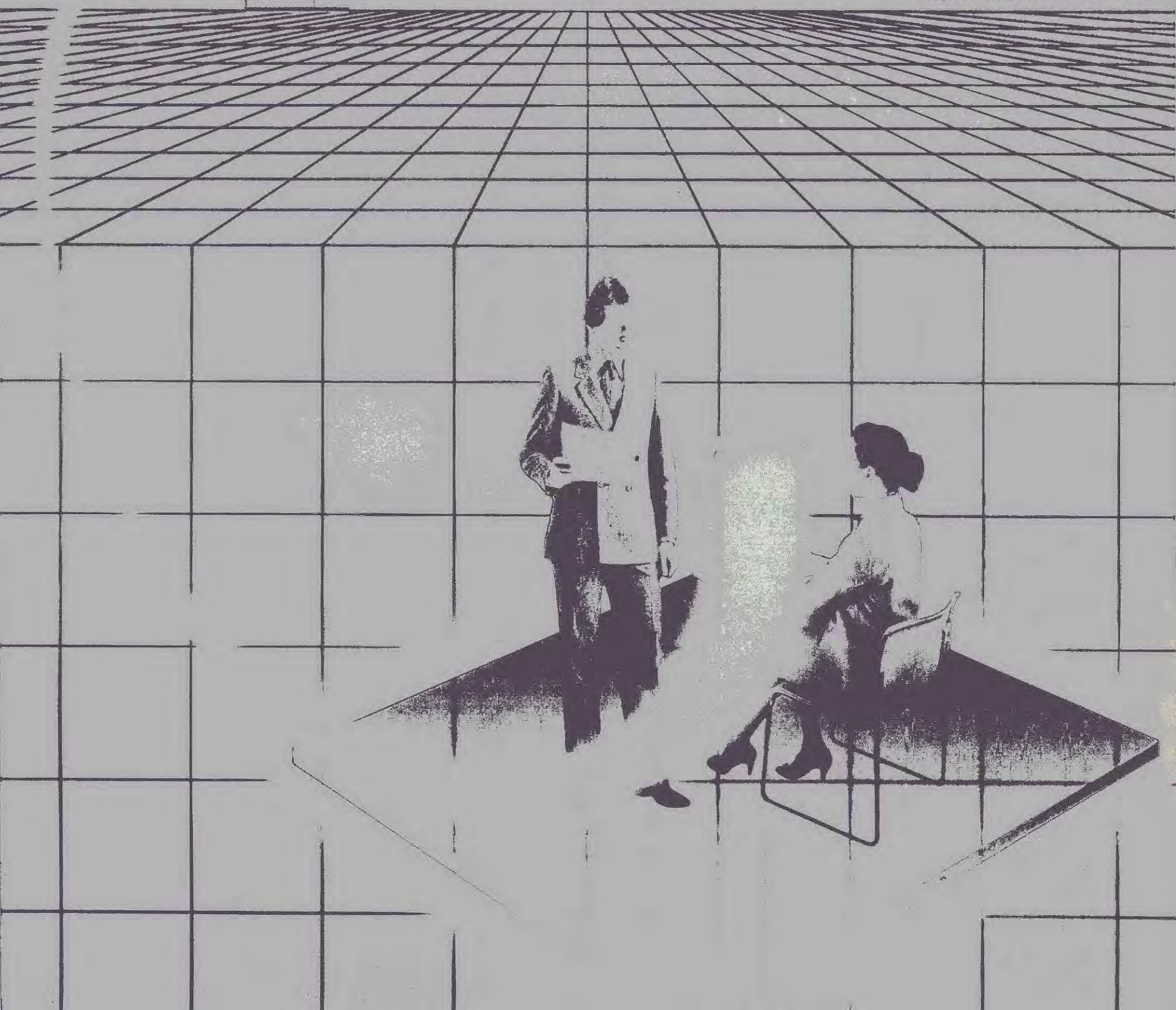
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Hospitals quitting Social Security to be identified

By JERRY GEISEL

WASHINGTON—Employees can now find out from the Social Security Administration if their employers are trying to withdraw from the financially troubled system, says the Internal Revenue Service, reversing previous policy.

The Service Employees International Union, which has filed a Freedom of Information Act suit against the IRS to obtain a master list of the 373 hospitals that have notified the government that they intend to withdraw from Social Security, called the IRS decision "a major victory."

"Prior to the IRS ruling, there was no way an employee or union could find out if the employer had filed a withdrawal notice," said John Sweeney, president of the

Washington

SEIU, which represents about 250,000 health care workers.

"This meant for many employees, the decision could be made and implemented before a protest could be launched or the matter subjected to the normal collective-bargaining process," Mr. Sweeney said.

Until recently, few non-profit employers, like hospitals, took advantage of a loophole in the Social Security Act that gives them the right to opt out of Social Security two years after they notify the IRS of their intentions. Once an employer withdraws, it cannot return to the program.

But as Social Security costs have risen, more hospitals have begun to

tap this loophole, believing they can slash their retirement costs by offering private pension plans to their employees in place of paying the Social Security FICA tax.

Some 63 hospitals have filed notices that they may withdraw this year, while 302 hospitals have notified the government that they may opt out in 1983. Another eight hospitals have filed notices to withdraw in 1984.

But the SEIU is concerned that workers may be getting a bad deal when their employers leave Social Security. No private plan can ever replace Social Security, Mr. Sweeney contends.

Meanwhile, in a related issue,

Sen. John Heinz, R-Pa., has asked the General Accounting Office to investigate why so many hospitals want to leave Social Security.

"I am told that some hospitals have made the decision to terminate (Social Security) coverage based on the exaggerated claims of a single consulting firm, without seeking an outside evaluation of these claims by an independent actuary," Mr. Heinz said.

"We need an impartial fact-finding review of this situation to establish whether abuses are occurring and how widespread they are before taking action," he added.

PBGC committee

President Reagan will appoint five new members to the Pension Benefit Guaranty Corp.'s advisory

committee. They are:

- L.R. Hubbard Jr., a general contractor and former deputy mayor of San Diego. Mr. Hubbard will chair the committee, which will advise the PBGC on policies and procedures. The PBGC is a federal agency that guarantees workers' pension benefits. Mr. Hubbard will represent the general public on the committee.

- Perry Joseph, business manager for Carpet, Linoleum, Hardwood & Resilient Tile Layers' Local Union No. 1310 of St. Louis. He will represent employee organizations.

- Roger Martin, senior vp of MGIC Investment Corp. of Milwaukee, who will represent the public.

- Charles Tharp, vp of General Investment Funds, the Chevy Chase, Md., in-house manager of \$500 million in pension funds of General Tire & Rubber Co. and its affiliates. Mr. Tharp will represent employers.

- Ralph Wood Jr., a member of Gerwood Inc., a pension service firm in Flossmoor, Ill. He also will represent employers.

All the new appointees' terms, except Mr. Wood's, expire in February 1984. Mr. Wood's term expires in February 1983.

Age discrimination

The Equal Employment Opportunity Commission says it will, upon request, issue formal opinions to employers on whether an employment practice violates the Age Discrimination in Employment Act.

The Labor Department had issued advisory opinion letters under the discrimination act when it enforced the act. But the EEOC did not follow the Labor Department's lead after it gained jurisdiction over the act in July 1979.

A request for an advisory opinion letter should be submitted to the Chairman, Equal Employment Opportunity Commission, 2401 E St. N.W., Washington, D.C. 20506.

The letter should contain:

- A concise statement of the issues on which an opinion is requested.
- As full a statement as possible of relevant facts and law.
- The names and addresses of the persons making the request. ■

Reinsurance course offered

NEW YORK—The "Brief Course in Reinsurance" will be offered by The College of Insurance in the next academic year in New York, Chicago and Los Angeles.

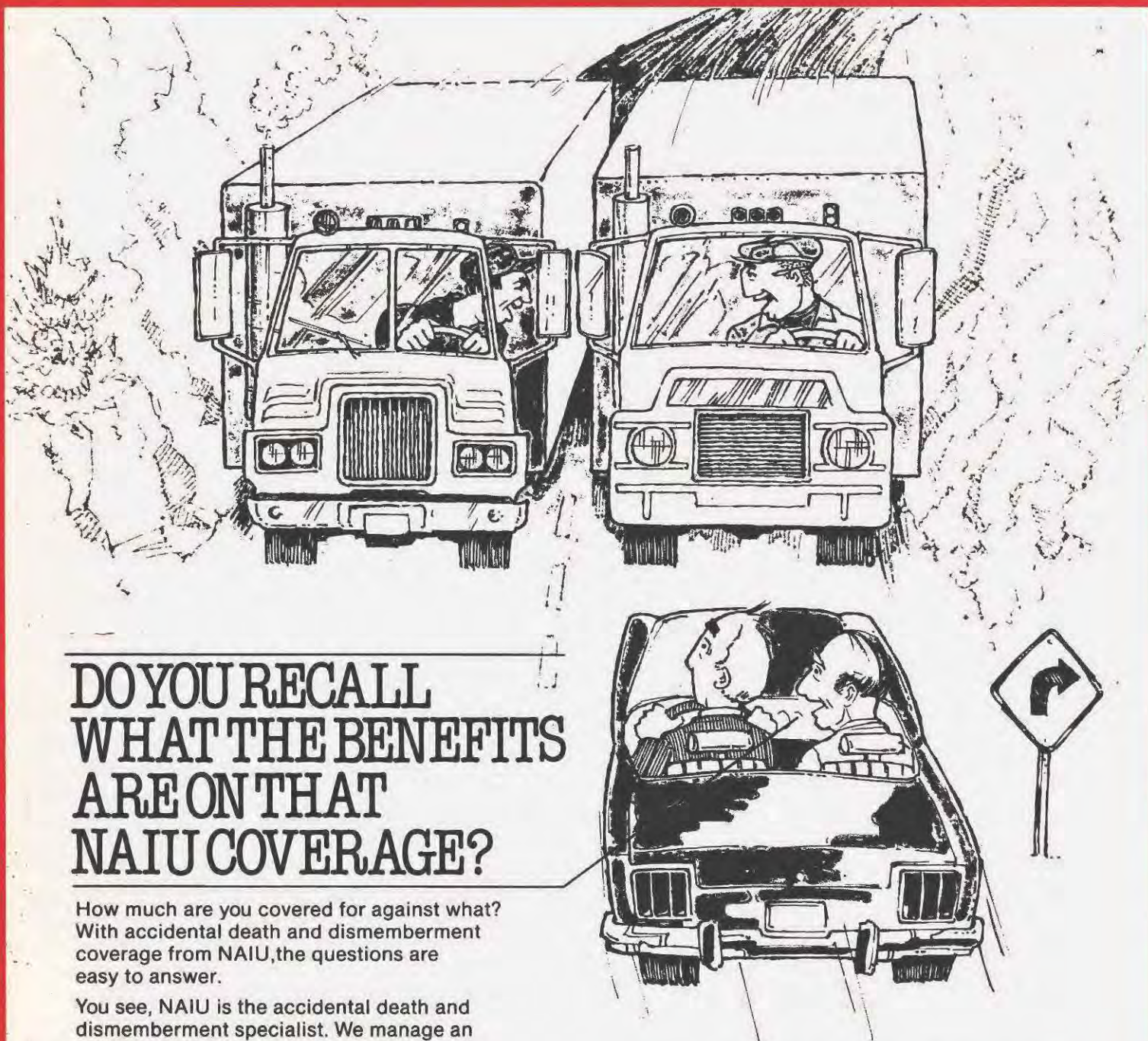
The course explains the principles and uses of reinsurance, the difference between facultative and treaty reinsurance and excess plans.

The course will be offered in New York at the college on Sept. 30-Oct. 1; Nov. 11-12; Dec. 16-17; Jan. 20-21; Feb. 24-25; March 24-25; May 19-20; and June 23-24. Tuition for the course in New York is \$105.

The class will be offered in Chicago on Nov. 1 and in April. It will be held at the Marriott Hotel-O'Hare. The fee is \$135.

The course will be held in Los Angeles at the college's Western Division on Oct. 14-15; Jan. 20-21; April 14-15; and July 21-22. The Los Angeles course fee is \$95.

For information contact Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038. For Los Angeles courses contact Gilda Hazan, The College of Insurance, 3142 Wilshire Blvd., Los Angeles, Calif. 90010. ■



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• Republic Hogg Robinson Inc. has prepared a seven-page technical bulletin to assist risk managers in understanding and selecting **computer-supported risk management information systems**. For a free copy, write William Kuebler, Manager, National Accounts Department, Republic Hogg Robinson Inc., Box 5007, Southfield, Mich. 48037.

• Where can you turn when you need a high-caliber occupational or environmental safety and health specialist? Try the International Institute of Safety and Health's **Directory of Certified Hazard Control Consultants**, which lists each consultant and his or her specialty area. To take advantage of a special introductory price of \$15, write the IISH, 5010A Nicholson Lane, Rockville, Md. 20852.

• The current recession means bad news all around, and it's often the risk manager who must communicate that news. Whether you must explain increased insurance costs to the president or layoffs to employees, you'll need to know **how to communicate bad news**. Kwasha Lipton has published a newsletter that discusses this responsibility. To order your free copy, write Kwasha Lipton, Department M, Box 1400, Fort Lee, N.J. 07024.

• Oregon employers are facing **competitive rating for workers compensation coverage**. To better understand the new work comp environment in Oregon and how it affects you, send for "Oregon Competitive Rating" from the National Council on Compensation Insurance. The booklet is \$25 for NCCI members and \$40 for non-members. To order, write NCCI, Box 6585, Church Street Station, New York, N.Y. 10249.

• The International Foundation of Employee Benefit Plans has published a collection of **papers presented at the 1981 Electronic Data Processing Institute**. The cost is \$6 for IFEBP members and \$10 for non-members. To order, enclose payment and send to IFEBP, Box 69, Brookfield, Wis. 53005.

• "Your Personal Health Alert Program" is a free brochure explaining Pelam Health System's **voluntary program for the early detection of potential employee health problems**. Send requests to Pelam Health Systems, 5145 N. California Ave., Chicago, Ill. 60625.

• A folder explaining **chartering and licensing an insurance company in the Caymans** is available from Cayman Information Centre Inc. To order, send \$15 to CICI, 1000 Potomac St. N.W., Suite 204, Washington, D.C. 20007.

• Handy, pocket-sized summaries of **property/casualty insurance data for Maryland and Virginia** are offered by the Insurance Information Institute. For a free copy, write the I.I.I., 1025 Vermont Ave. N.W., Washington, D.C. 20005.

• William M. Mercer Inc. has published a booklet, **"Flexible Compensation and Benefits: Innovations and Issues for the '80s."** It's based on an address by the Mercer manager of development planning. It discusses private-sector benefit planning and addresses questions that must be raised for corporations to enjoy intelligently structured compensation and benefit programs. Free copies can be obtained by writing William M. Mercer Inc., Department 99, 1211 Ave. of the Americas, New York, N.Y. 10036.

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Firm not covered for recall of tuna

Continued from page 2
curred so far to retrieve about 40% of the suspect cans are running close to \$750,000.

"We do not have product recall insurance," said Ms. Garcia. "We have chosen not to buy it because of the cost." The coverage does not pay for product loss or loss of profits from a withdrawal, she noted.

A total of about 46 million varying-sized cans of tuna carrying the Bumble Bee Seafoods, Mid Pacific, Cloverleaf and Coral labels have been recalled for inspection. More than 275,000 cases were still in company warehouses at the time of the FDA investigation. About 90,000 cases have been returned to warehouses across the country.

"Only a very small number—maybe two or three cans—have actually been found to contain the holes," noted Homer Eaton, president of Castle & Cooke's processed foods division. If the cans pass inspection, they can be resold to consumers, he said.

"The financial impact of the recall on Castle & Cooke is insignificant," stressed Mr. Eaton. The company reported sales of \$1.8 billion for the fiscal year ended June 19.

The processed foods division markets many other food products besides tuna, including Bumble Bee salmon, oysters and clams and Dole pineapple, juices and syrups. The division operates two canneries that are larger than its Honolulu plant.

Since all but a handful of cans can be returned to market, Castle & Cooke's product loss from the recall will be small. Recall costs include notification to distributors and retailers, transportation back to warehouses for inspection, performing the inspection and miscellaneous travel expenses.

The company also has had to lease additional warehouse space to store returned merchandise awaiting inspection, said Ms. Garcia.

Product recall insurance or product withdrawal expense insurance, can be written separately or as part of a comprehensive general liability policy, said Ray Gardner, assistant vp of excess and special risks at Fireman's Fund Insurance Cos.

Fireman's Fund, described as a pioneer of the product by surplus lines brokers, issues a separate policy to cover the exposure. The biggest market for it is the food industry.

But not all the expenses of recall are covered by Fireman's Fund, said Mr. Gardner.

The policy reimburses expenses to notify retailers to take the product off the shelf and of on-site disposal. But the policy does not cover the costs of transporting goods back to the plant for disposal or inspection unless the FDA specifically requires the company to retrieve the product.

Most companies have not sat down with an accountant to figure what their expenses would be if a product recall became necessary, notes Mr. Gardner. An estimate must be submitted to underwriters to obtain the coverage.

Fireman's Fund offers product recall coverage with deductibles ranging from \$1,000 to \$25,000 and limits of \$50,000 to several million dollars.

However, Mr. Gardner said these numbers are flexible. He said costs are difficult to estimate because they vary significantly by product and policyholder.

The San Francisco-based insurer is currently adjusting its largest product recall claim, running to several hundred thousand dollars—substantially less than Castle & Cooke's expected recall tab.

An FDA inspection at Castle & Cooke's Honolulu plant showed that the most probable cause of the defective cans was damaged wire baskets used to hold cans during heat processing. The company says these baskets are no longer in use.

The recall does not affect tuna packed at any of the company's other plants.

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Liability policy increases with inflation

How much will inflation erode your liability insurance?

Johnson & Higgins in New York is introducing a new excess liability coverage designed to prevent inflation erosion by expanding its limits to match increases in the Consumer Price Index, says Vp Howard M. Metzger.

The coverage, an endorsement to the standard excess liability following form, is called Constant Value Cover. It provides up to \$10 million in umbrella liability insurance that can expand up to 2½ times, or \$25

products & services

million, within five years.

"The coverage is designed primarily as a top layer of excess liability coverage for the company that suspects it might have a long tail of liability or a liability exposure very much subject to inflation," Mr. Metzger explains.

"For example, if a company is considering expanding its umbrella liability coverage but isn't sure how

much coverage it will need, the policy is a good hedge. A \$10 million limit Constant Value Cover purchased in 1982 could expand to \$25 million by the middle of 1988. Basically, what this policy does is maintain the real value of insurance purchased."

The need for this kind of coverage, Mr. Metzger points out, "is well-illustrated by the recent gov-

ernment announcement that medical costs had increased in a 12-month period by some 15%. Medical costs are a very important component in the settlement of most liability suits.

"Generally speaking, economic history shows us that inflation is inevitable and that the only question is the rate. Whether its 5% or 15%, the cumulative effect on business is devastating and businessmen are well advised to insure themselves against it."

J&H would not reveal the name

of the underwriter of the new coverage but did tell *Business Insurance* that the policy will be underwritten by a major New York stock insurer. The insurer will be revealed after the product is made available to the insurer's agency force.

The underwriter, according to Johnson & Higgins, will rate the new coverage like standard umbrella liability policies and then charge an additional one-time fee based on the premium. Coverage is available up to a purchase-date limit of \$10 million.

For more information, contact Mr. Metzger at 212-701-7500.

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The Fisher Associates, a claim-adjusting firm based in Torrance, Calif., is offering a videotape record service to businesses, insurers and insurance brokers.

For a negotiated fee, the company will videotape personal and commercial property, contents, jewelry, receipts, vehicles and other personal and commercial property as a record of insured item. The videotape, the company says, will be stored in a secure, fire-proof area and be used to help document property losses when other records may be lost or destroyed.

The service is available in Los Angeles, Orange County, San Diego County and San Francisco, Calif.

For more information, contact Fredrick J. Fisher, The Fisher Associates, 3858 Carson St., Torrance, Calif. 90503; 213-540-8803.

Trust staff E&O

INAPRO Inc., an affiliate of the Insurance Co. of North America and part of the CIGNA group, has developed a professional liability policy to protect employees of financial institution trust departments against errors and omissions claims.

The policy covers trust department employees who are responsible for managing the financial and legal aspects of funds entrusted to them, within the trust department's guidelines.

The coverage pays claims-related defense costs and protects an employee's personal assets and the assets of the financial institution.

The policy has a \$10 million annual aggregate limit and is written on a one-year or three-year basis.

For further information, contact Corinne Berke, Vp, INAPRO, Box 353, Peck Slip Station, New York, N.Y. 10272; 212-556-5000.

Birth center liability

A new comprehensive general liability and professional liability program for birth centers has been introduced by Integrity Insurance Co. through underwriting manager J.J. Negley Associates Inc.

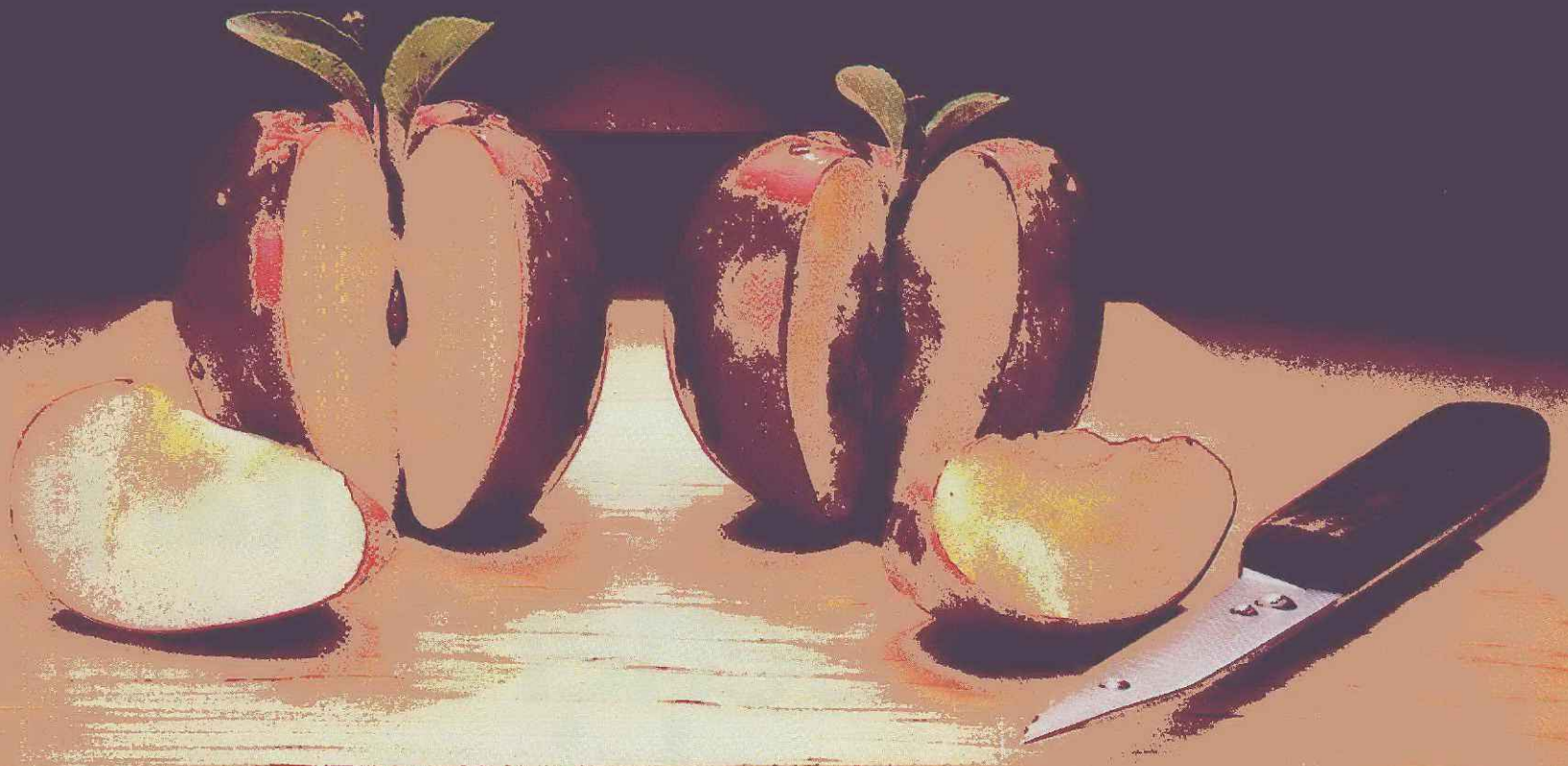
The program, developed in cooperation with the Maternity Center Assn., is endorsed by the Cooperative Birth Center Network, whose members offer an alternative to the traditional in-hospital delivery.

The policy covers the birth center itself from a variety of exposures under the comprehensive general liability portion of the package, while the professional liability policy covers all employees of the center, from doctors and nurses to receptionists and volunteers.

Standard limits are \$1 million per occurrence and \$1 million aggregate. Higher limits are available.

For further details on the birth center liability program, contact Dr. Edward T. Negley, J.J. Negley Associates Inc., Box 206, Cedar Grove, N.J. 07009; 201-239-9107.

Prescription Drug Coverage -- PCS vs Major Medical?



Let's compare apples!

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Cost Controls			
Employee Cost Sharing	Deductible per prescription (varies by plan)		Deductible, co-insurance (varies by plan)
Cost of Drug	Wholesale price		Retail price
Pharmacy Dispensing Fee	Set by client		Retail fee set by pharmacy
Claims Payment Control	19 Computerized Edits on every claim		Few controls (varies by plan)
Post-Payment Audit	Yes, in-house and field auditors		Rarely
Utilization Review	Computerized Activity Reports		Rarely
Claims Processing Costs	Less than 71¢ per claim		From \$5.00 to \$10.00 per claim
Visibility	Personalized plastic "Credit Card"		Minimal
Popularity	"The last benefit they would give up."		Minimal - hassle of reimbursement procedure
Cost-Containment Effectiveness*	Optimal		Minimal

★ The proper use of prescription drugs is one of the most effective methods of health care cost-containment. Studies indicate that: **proper drug therapy can actually lower employee benefit costs.**

When a PCS program is adopted, some feel the resulting "first dollar" benefit will increase costs. However, good drug therapy has been proven to reduce hospital/surgical expenses and employee absenteeism.

Under a major medical plan, employees must pay cash for their prescriptions and wait for reimbursement. Estimates of the number of prescriptions written by doctors but never picked up at the pharmacy range as high as 30%. The demand for cash in advance is the primary reason. Thus, drug coverage under major medical diminishes the full cost-containment effectiveness of a drug program.

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Larry Lance, Senior Vice President, Group Department, talks to benefit plan managers about The Hartford's total commitment to group dental insurance.

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Q. What incentives do your plans offer to encourage preventive dentistry?

A. Preventive dentistry keeps costs down for the employee and the employer. You can elect to have your plan pay 100% of the cost of preventive services—with no deductibles. Or up to 85% of the cost of basic dental care. Lifetime deductibles of as little as \$25 for basic services are also available.

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Q. What are some of the capabilities of your automated claims system?

A. It has superb on-line capability—for inquiries, claim coverage and history updating. It provides eligibility and provider verification, claim calculation with tooth chart edit and update, and predetermination of benefits. It also handles correspondence, draft production, explanation of benefits, and automatic updating of exceptional situations such as refunds and stop payments.

Q. How is your service superior to that offered by other insurance companies?

A. In addition to our experienced sales staff, we have highly qualified service reps across the country whose sole job is to solve problems and answer questions for agents and benefit plan managers. Many insurance companies simply don't offer our kind of in-depth service. And it doesn't end there, because our service reps can call in additional specialized help—from the home office, if necessary—to address difficult or unusual situations.

We also have a national network of dental consultants who review proposed treatments and—on a case-by-case basis—suggest alternative treatments that may be more appropriate and cost-effective.

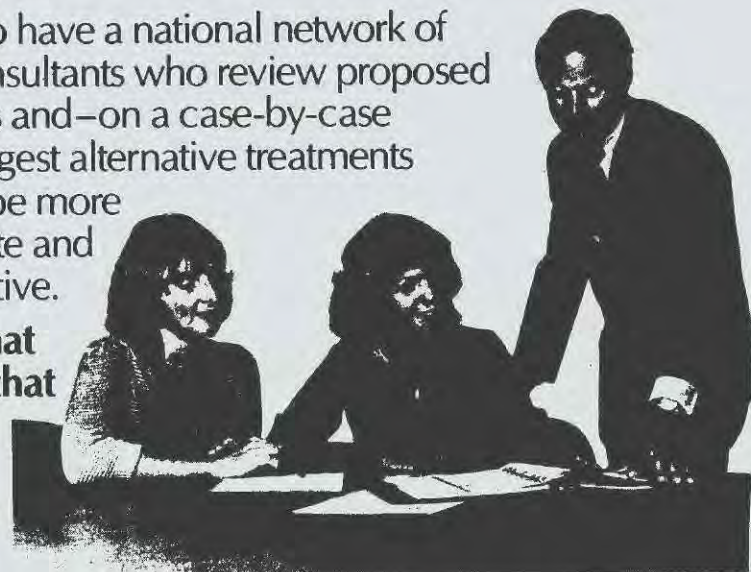
Q. To what extent is that superior service available to small groups?

A. It's available without

qualification to groups of *all* sizes. We pride ourselves on being able and willing to give small groups the same kind of attention and quality service we give to large groups. The fact is, many insurance companies simply aren't equipped or motivated to deliver the kind of service we provide to smaller groups.

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Broker, client and Hartford service rep discuss the many options available with The Hartford's dental plans. (l. to r.) Pamela Hyder, Administrative Service Rep., The Hartford; Christine W. Roberts, Director of Employee Benefits, National Medical Enterprises, Inc., and D. Keith Colwell, V.P., Employee Benefit Planning Department, Johnson & Higgins, Los Angeles.

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BI-9/82

Transit, Conrail deny liability for accident

Continued from page 2
New Jersey Transit," the spokesman says.

Mr. Jensen says Transit or its insurers is responsible for damages to railroad property and to the factory and for the cost of cleaning up the debris.

Transit self-insures its liability risks and some of its property risks. It buys property insurance for its rolling stock, excluding locomotives, from American Centennial Insurance Co. of Wilmington, Del.

American Centennial adjusted Transit's covered loss at \$1.25 million, Mr. Grazioso says. The property coverage carries a \$750,000 deductible.

Transit's total property loss has been estimated at about \$4.5 million, including the damage to the siding and the cars, equipment and the locomotive that were not covered by the American Centennial policy.

Mr. Grazioso says the loss of revenue to the rail line because of the accident, however, was minimal. "We were able to run trains at all times," he says, adding that the line was only shut down for about an hour.

Michael Garofalo, an underwriter for Chicago-based L.W. Biegler Inc., a major U.S. railroad

insurer, says the company insures Conrail's liability risks, adding that the line's property coverage is underwritten by London insurers.

Conrail carries a minimum of \$100 million in liability coverage, he says, adding that such a limit is "very common today."

Two of the pasta factory's seven production lines are still not operating more than a month after the train accident, says Paul Vermynen, president of A. Zerega's Sons Inc.

The accident knocked out the factory's main transformer, he says, forcing the plant to shut down completely for three weeks.

Some production lines will be shut down for as long as four more months while machinery is shipped from overseas to replace equipment destroyed in the accident, says Rob Vermynen, another company official. In particular, lasagne production has been halted, awaiting the arrival of a new pasta mixer.

The company cannot estimate how much the shutdown will cost it, Paul Vermynen says.

The factory was closed at the time of the accident for an employee vacation period, so none of the company's 130 employees was injured, Rob Vermynen says, adding that about 20 employees have been laid off until production returns to normal.

Although the company hasn't totaled its business interruption losses, he says its combined property and comprehensive business interruption policy, underwritten by Kemper Insurance Co. of Long Grove, Ill., "should cover most of our losses."

Zerega wouldn't disclose details of its coverage.

"If companies don't (have business interruption coverage), they could be wiped out in a tragedy," Rob Vermynen explains. "We're a little more forward-thinking than that."

Harry Hanson, a property claims officer at Kemper, says business interruption coverage is designed "to do for the business what the business would have done itself had the loss not occurred."

"We're assuming the insurance will put us back where we were, and don't plan to sue," Paul Vermynen adds.

Mr. Hanson says Kemper is considering suing Conrail and/or Transit for whatever claims it pays.

"We're always interested in subrogation," he pointed out. "We wouldn't be doing our job if we weren't."

Both the Conrail and Transit spokesmen say they are not aware that any suits have been filed in the case, including claims from passengers.

Conrail's Mr. Jensen says that the engineer's survivors will not be eligible for New Jersey workers compensation benefits because the state workers compensation law generally does not apply to railroad employees.

However, a spokesman for the Railroad Retirement Board, a federal agency in Washington, D.C., says that the engineer's survivors could receive benefits from the board, especially if he had children under 21.

Local police have charged the five youths that switched the train from the main line to the siding with manslaughter. Their ages range from 15 to 17.

A spokesman for the Bergen County Prosecutor's Office said it hasn't been decided whether to try the teen-agers as juveniles or adults.

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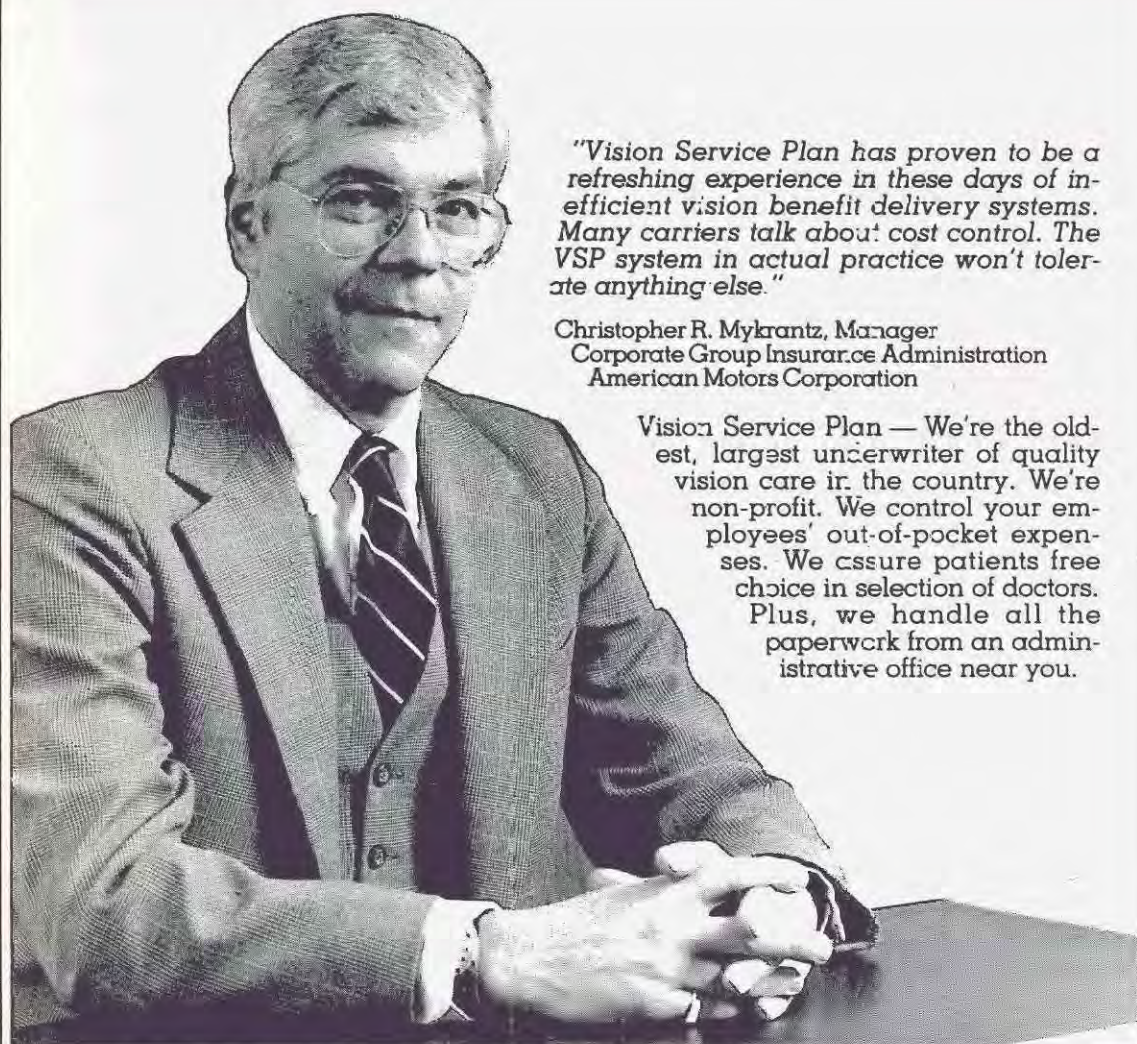
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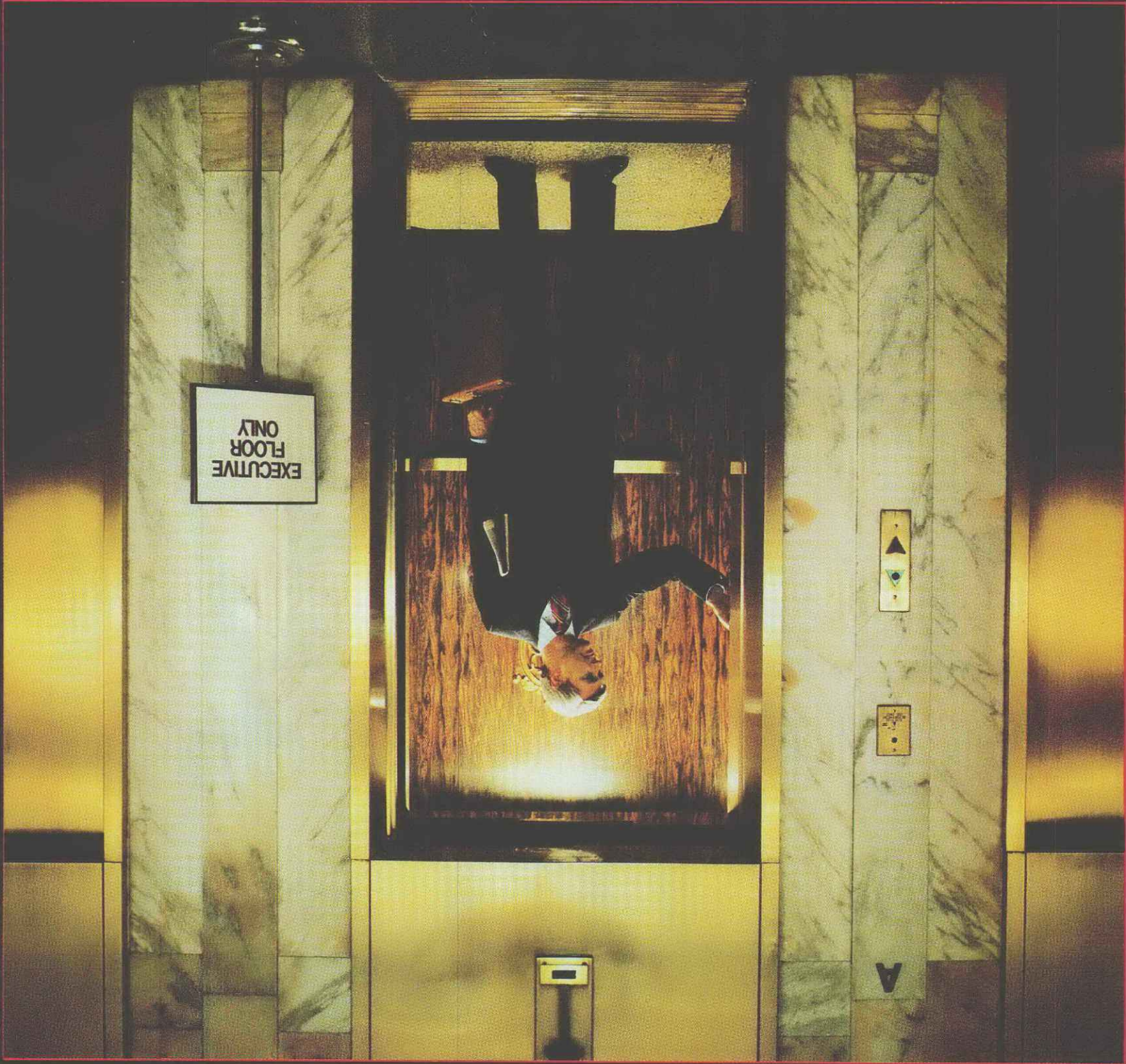
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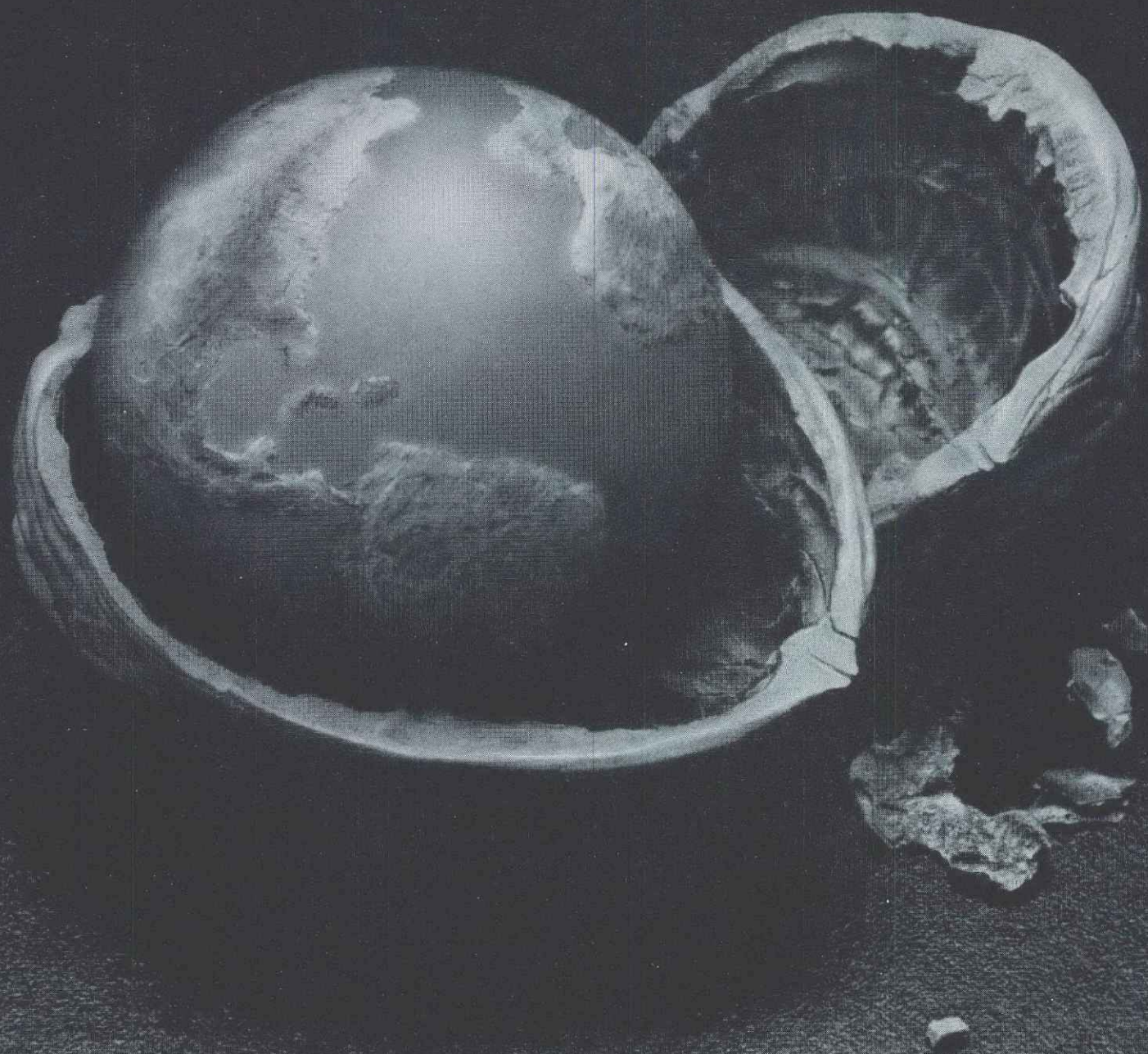
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By Michael A. McMurray

IN THE LAST year or two, risk managers and financial officers of public organizations have found it increasingly difficult to "protect" the funds that have been accumulated to pay various claims under their self-insurance programs. Although this is not a new phenomenon, it has been happening more frequently subsequent to the passage of tax-limitation legislation in several states, such as California's Proposition 13. The cities of San Jose and Sacramento are the two best-known cases of reserve raiding (*BI*, Aug. 3, 1981; Feb. 1, 1982).

Risk managers and financial officers have encountered a lack of understanding on the part of many city councils and boards of supervisors as to why loss reserves should not be used as an "emergency loan" fund.

There are two primary reasons for this. First, they frequently do not have access to the actuarial information necessary to support their reserve levels. Second, many elected officials do not thoroughly understand the basic concept of why loss reserves should be maintained at all.

Here is an attempt to assist those who must manage self-insurance programs for public institutions. It is written specifically to explain the fundamental role that loss reserves play. It does not, however, address the more detailed actuarial, legal and accounting issues surrounding reserves.

The following excerpt from the New York state insurance law is typical of the statutory requirements placed on commercial insurers:

"...Every insurer shall maintain reserves in an amount estimated in the aggregate to provide for the payment of all losses or claims incurred on or prior to the date of statement, whether reported or unreported, which are unpaid as of such date..."

These requirements are designed to make sure that the insurers earmark sufficient funds to meet insurance contract obligations that have already accrued. Loss reserves then serve to protect the interests of policyholders and claimants in the commercial insurance market.

The obvious question is, "Why should public entity self-insurers have any less concern with protecting policyholders and claimant interests?" The answer lies in the characteristics of a public entity as opposed to those of a commercial insurer. The statutory reserve requirements are intended to protect policyholders and the insurance market.

In such a market, instances of financial impairment and outright insolvency are inevitable among the hundreds of participating insurers. By maintaining the loss reserve requirement, state insurance regulators are attempting to minimize the frequency of default on policy obligations.

On the other hand, a self-insured public entity is not involved in a competitive market and has only one policyholder—itsself—to protect. Of

course, it also has obligations to its claimants. Until recently, however, there was never any question as to whether the public entity would be in existence to fulfill its obligation to pay claims, so it did not appear that the traditional reason for establishing adequate loss reserves was applicable to public entities.

Then why should elected officials be concerned with maintaining self-insurance loss reserves? To answer this question, it would be useful to study a hypothetical example of a self-insured plan.

Consider a city that first became self-insured for public liability in January 1977. Suppose that ultimate incurred losses (the actual dollar settlement value of all claims) for all public liability claims associated with accidents occurring in 1977 are \$500,000. But also assume that the actual ultimate incurred losses increase \$50,000 for each subsequent year. Thus, losses in 1981 would be \$700,000, losses in 1982 would be \$750,000, and so on. Our final assumption is that claims will be paid at the rate reflected in the commercial

insurer general liability experience compiled by A.M. Best Co.

This industry data show that approximately 10% of ultimate losses are paid within 12 months of the beginning of the accident year, 21% within 24 months, 33% within 36 months, 47% within 48 months and 60% within 60 months. For purposes of this example, we have extrapolated a payout pattern for the remaining 40% to be paid after 60 months.

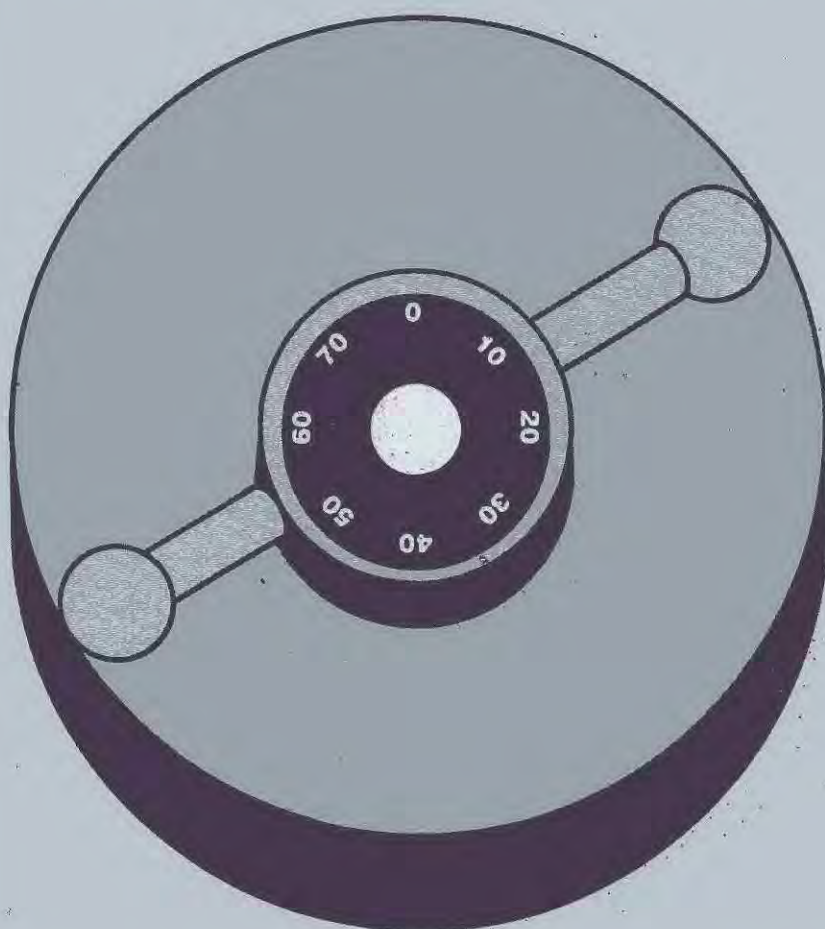
Based on this assumption, we can derive a table of annual insurance costs for calendar years 1981 through 1985 for our hypothetical city (see next page). For simplicity, we have assumed that there are no administrative expenses.

The first column of the table corresponds to the year's insurance costs if claims are funded at the time the accident occurs. Implicit in these costs is a provision for incurred but not reported losses (IBNR). The costs in this column reflect a traditional insurance financing approach.

The fourth column of the table corresponds to the year's insurance costs

Loss RESERVES

Do public entities really need them?



if claims are funded only at the time of payment. Under this system, a kind of pay-as-you-go financing, no loss reserves are established.

Column No. 5 represents the level of unpaid losses remaining at year end for all claims to date since the conversion to self-insurance in 1977. This column is equivalent to the cumulative unfunded liabilities for all past- and present-year accidents if a pay-as-you-go financing approach is used.

Just a quick review of the table indicates why some form of pay-as-you-go financing can appear to be advantageous: Current insurance costs are reduced by deferring recognition of existing liabilities. In this example, the apparent reduction in insurance costs ranges between 49% in 1981 to 26% in 1985. We should stress that this example, although realistic, was specifically designed to make pay-as-you-go financing appealing. At a lower rate of annual cost increases, the apparent savings would be reduced.

Given that the city may now be suffering a revenue crisis, and that the statutory reserve requirement is not totally applicable, the rationale for financing self-insurance under traditional concepts may be difficult for the city council to appreciate. However, there are real consequences that should be considered before reserve funds are raided.

First of all, any move away from an adequate reserve philosophy is only delaying funding for existing liabilities. With the pay-as-you-go financing (as shown in Column No. 5), the amount of unfunded loss reserves, which will eventually be charged against future revenues, ranges from \$2 million at the end of 1981 to \$3.1 million at the end of 1985.

In the past, this was not a disturbing prospect. Yet now, with the possibility of tax-ceiling legislation, there is genuine concern over how these future revenues are going to be generated. By tampering with today's reserves, elected officials may only be dooming the public entities to even more severe fiscal crises in the coming years.

A second consideration is the duty owed to today's claimants. As noted above, this was not a serious problem in the past because of flexible taxing abilities, but there is now some uncertainty regarding the availability of future funds to pay claims. This concern has even prompted the National Assn. of Insurance Commissioners to consider whether the type of stringent fiscal controls required of commercial insurers should be extended to self-insured entities. A trend of frequent raiding of loss reserves may spur the NAIC into action and could jeopardize the cost benefits inherent in many existing self-insurance plans.

A third point to consider is whether or not the public entity's commitment to existing self-insurance retention limits is permanent. In today's soft market, it is sometimes possible to find bargains in the commercial insurance sector that may make it desirable to have a lower

Continued on next page

perspective

Permanent life policy rewarding for executives and companies

By Joseph S. Robinson
Attorney-at-Law

RECENT SURVEYS show a trend among corporations toward purchase of permanent life insurance plans. The decision to purchase these plans involves a number of factors.

One factor is that if the key executive leaves the company before he or she retires, the cash value in the policy can be used as a fund to acquire a replacement. Another is that when the executive retires, the company could retain the policy as an investment, surrender it for cash or sell it to the retired executive.

A study made it clear that termination of a large percentage of group term insurance for employees on reaching age 65 shows that four out of five male executives included in their company's group plan will move into a higher mortality category when they no longer have this protection.

Apart from these reasons, an analysis of the cost comparison probably provides the real clue to the selection of permanent insurance instead of term insurance. While it's true that for the first few years the cumulative cost for term insurance is lower, the buildup of cash values in the permanent policy later reverses this position.

For example, \$100,000 in coverage for a

benefit tax slants

45-year-old male would cost approximately \$900 for a five-year renewable participating term policy. For an ordinary life policy, the initial cost would be \$3,100. At age 65, the cumulative premium comes to \$49,045, using dividends to purchase additional term in the amount of cash value. But the ordinary life policy would show a cash value of \$46,877 at that time. Therefore, net insurance cost would be reduced to \$2,168 over 20 years.

Remember, these figures represent the cost to maintain the policy while the insured is alive. In other words, this aspect of a key-executive policy represents the cost to the company if the executive terminates employment before or at retirement.

It is only in the area of death benefits prior to retirement that the term policy will stand up well. If it were certain that the executive would remain with the company and die before age 65, the term policy would be the better buy. But that is not likely to occur. Insurance company tables indicate that the probability of a 45-year-old male surviving past 65 is very good—an 80% probability. Indeed, 70% will

be around at age 70.

Therefore, since there is every likelihood that the insured executive will outlast the term, to age 65, the \$100,000 term policy will go down the drain with no salvage value whatsoever. Although if the company selected the ordinary life policy, and death occurred at age 66, the firm could then pick up roughly \$149,000 in death benefits, tax-free.

If the insured lived to age 70, the company would be entitled to \$153,000 on the same tax-free basis. In the event the company chose to suspend further premium payments upon the retirement of the insured at age 65, it could stand pat with \$63,000 in paid-up insurance.

So while key-executive insurance may be bought at lower premium term rate initially, the numbers favor permanent insurance over the long haul. The odds support the chance of a tax-free windfall whenever the insured dies.

Qualifying pension plans

Just because the Treasury approves a closely held company's retirement plan does not mean it cannot later be disqualified if an Internal Revenue

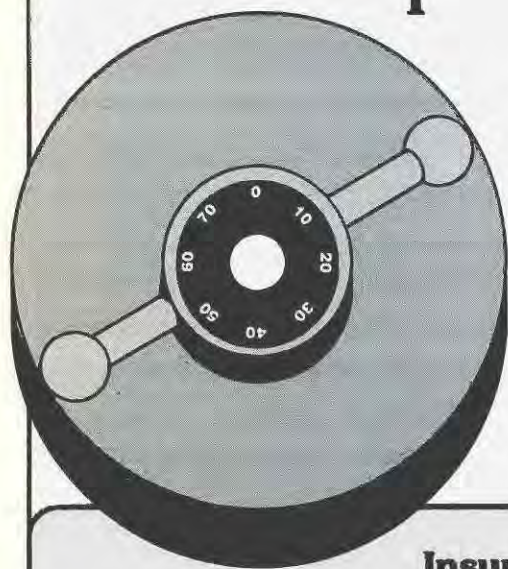
Service agent finds that the plan discriminates in operation.

Worse yet, according to a tax court decision, the disqualification can be retroactive. This holds true even though the discrimination was the result of unforeseen external business conditions not caused by or the intention of the corporation.

A roofing company's plan was held to discriminate in favor of officers. This happened when the firm's residential business had dropped, causing a change in the mix of employees. The tax court was unmoved by the taxpayer's contention that a change caused by unforeseen external business conditions beyond its control should not cause disqualification, even though the change meant the plan was then discriminatory.

While disqualification resulted from events beyond the employer's control, the tax court nevertheless held the IRS could retroactively disqualify the plan. Here "there was a permanent change in the character of taxpayer's business and the composition of its workforce... changes as to which (IRS) can hardly have been said to have been on notice—to say nothing of the fact that the claimed unforeseen circumstances developed prior to the taxable years at issue herein." *Pulver Roofing Co. Inc.*, 70 TC No. 89.

Do public entities need loss reserves?



Continued from previous page
self-insurance retention limit. However, this may be fiscally impossible if a form of pay-as-you-go financing has been used.

The commercial insurance premiums combined with the current year's self-insurance costs, which largely reflect prior years' accidents, may result in a total insurance cost that is prohibitive. Such a problem would not exist if claims on prior years' accidents have already been funded.

A fourth consideration is the impact that any form of pay-as-you-go

financing may have on internal loss-prevention and loss-control efforts. Knowing that the self-insurance costs for a calendar year are largely determined even before the year begins can impede the motivation for improvements and expenditures in this area.

Why bother if, as in the case of our hypothetical city, only 13% to 19% of the current year's insurance costs can be affected by improvements in this area? With the rewards of enhanced loss

prevention and safety efforts taking so long to be realized in a tangible way, the impetus may be lacking. On the other hand, such efforts would have immediate impact under traditional insurance financing.

The fifth and last point to be mentioned is the uncertainty regarding the amount to be actually paid out on claims and the timing of such payments. In the hypothetical case presented, both of these aspects of claim settlement were treated as known and constant. In reality, they can be very sporadic and difficult to predict.

Commercial insurers depend on their loss reserves combined

with their policyholders' surplus to help smooth the impact of these fluctuations on their financial condition. Loss reserves combined with liquid assets perform the same function for self-insured entities. To the extent that their loss reserves drop below an adequate level, this cushion is diminished and the cost of self-insurance becomes much more volatile.

In conclusion, loss reserves play an important role in determining the character of a self-insurance program. This is not to say that the maintenance of adequate reserve levels is a cure-all for the problems inherent in self-insurance.

The determination of appropriate reserves, taking into account both expected losses and contingencies, is a very difficult process for most self-insureds. However, intentional reductions below an adequate reserve level should not be made without a full understanding of the ramifications involved and possible consequences.

Insurance costs (in thousands)

Calendar year	(1) Total cost of current year accidents	(2) Paid losses for current year accidents	(3) Paid losses for prior year accidents	(4) Total paid losses during year (2)+(3)	(5) Total unpaid losses at year-end
1981	\$700	\$70	\$285	\$355	\$2,044
1982	750	75	364	439	2,355
1983	800	80	437	517	2,638
1984	850	85	506	591	2,897
1985	900	90	572	662	3,135



Michael A. McMurray is a consulting actuary and associate member of Milliman & Robertson Inc. in Pasadena, Calif.

datebook

SEPT. 8-10. Fundamentals of Insurance course in Chicago, sponsored by the Risk & Insurance Management Society; members, \$345; \$195 for each additional registrant from the same company; non-members, \$445. Claudia Shnider, RIMS School Administrator, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 12-15. International Benefits seminar in St. George's, Bermuda, sponsored by the International Foundation of Employee Benefit Plans; members, \$470; non-members, \$545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-788-6700.

SEPT. 13-14. A Total Systems Approach to the Occupational Back Injury and Cost-Control Problem seminar in San Francisco, sponsored by Back Dynamics; \$745. Back Dynamics, Box 8104, Foster City, Calif. 94404; 415-574-1087.

SEPT. 13-15. Techniques of Risk Management course in Washington, sponsored by the Risk & Insurance Management Society; members, \$345; \$195 for each additional registrant from the same company; non-members, \$445. Claudia Shnider, RIMS School Administrator, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 13-17. Fundamentals of Money Management workshops in Philadelphia, sponsored by the Wharton School of the University of Pennsylvania and the International Foundation of Employee Benefit Plans; members, \$650; non-members, \$775. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-788-6700.

SEPT. 13-17. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$535. Also Oct. 4-8 in Houston. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 13-24. Insurance Management course in Long Grove, Ill., sponsored by Kemper Group; \$900. Chris Miller, Education, F-6, Kemper Group, Long Grove, Ill. 60049; 312-540-2884.

SEPT. 13-16. Crossroads for Security program in Atlanta, sponsored by the American Society for Industrial Security; members, \$220; non-members, \$295. Patricia Rivers, ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

SEPT. 14-15. General Liability Insurance conference in Philadelphia, sponsored by the International Risk Management Institute; \$295. IRMI, 10300 N. Central Expressway, Building III, Suite 208, Dallas, Texas 75231; 214-363-9656.

SEPT. 16. Targeting Results in Risk Management Communications workshop in Culver City, Calif., sponsored by Barbara Y. Akk & Associates; \$95; \$75 for additional registrants from the same company. Barbara Y. Akk & Associates, 33 Sequoyah View, Oakland, Calif. 94605.

SEPT. 16-17. Occupational Noise and Hearing Conservation: Compliance with the New Laws course in Los Angeles, sponsored by the University of Southern California; \$200. University of Southern California, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007.

SEPT. 16-17. Human Factors Engineering for Controlling Hazards course in Washington, sponsored by the International Institute of Safety & Health; \$295; \$250 for three or more registered from the same company. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

SEPT. 16-17. Ergonomics course in Occupational Safety and Health in Los Angeles, sponsored by the University of Southern California; \$225. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523.

SEPT. 16-17. Fifth Annual Aviation Law-Insurance symposium in Orlando, Fla., sponsored by Embry-Riddle Aeronautical University; \$250. Professional Programs, E-RAU, Star Route Box 540, Bunnell, Fla. 32010; 904-672-3439.

SEPT. 20-21. Financial Considerations of Managing Offshore International Insurance Companies seminar in Bermuda, sponsored by Tillinghast, Nelson & Warren Inc.; \$500. Frederick O. Kist, 3340 Peachtree Road, Suite 2000, Atlanta, Ga. 30026; 404-261-5420.

SEPT. 20-22. Risk and Insurance Management conference in Chicago, sponsored by the American Management Assns.; members, \$405; non-members, \$465. Registrar, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

SEPT. 20-22. Employee Benefits Management conference in Chicago, sponsored by the American Management Assns.; members, \$405; non-members, \$465. Registrar, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-586-8100.

SEPT. 20-23. Inspector Training seminar in Houston, sponsored by the International Safety Academy; \$150. Also Oct. 4-7 in St. Louis. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 20-24. Total Loss Control Management seminar in Boston, sponsored by the International Safety Academy; \$570. Also Oct. 11-15 in Boston. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 21. Safety/Loss Control: Plan, Design and Evaluation seminar in Seattle, sponsored by the International Safety Academy; \$150. Also Oct. 14 in Seattle. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 21-23. Fundamentals of Reinsurance seminar in Dallas, sponsored by the University of Dallas Risk Management Institute; \$445. Professor Bruce Evans, University of Dallas, Risk Manage-

ment Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-721-5299.

SEPT. 23-24. Quantitative Techniques for Risk Management seminar in San Francisco, sponsored by The College of Insurance; \$495. Also Dec. 2-3 in Newport Beach, Calif. Margaret Wilder, The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

SEPT. 23-24. Black Lung Liability Under the New Legislation conference in Arlington, Va., sponsored by The Energy Bureau Inc.; \$695. Barbara Louis, The Energy Bureau, 41 E. 42nd St., New York, N.Y. 10017; 212-687-3178.

SEPT. 23-24. Radiation Protection of the Public in a Nuclear Accident course in Washington, sponsored by the International Institute of Safety & Health; \$295; \$250 if three or more are registered from the same company. IISH, 5010A Ni-

cholson Lane, Rockville, Md. 20852; 301-984-8969.

SEPT. 23-25. Depositions in Corporate Litigation seminar in San Francisco, sponsored by the Practising Law Institute; \$425. PLI, Department YWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 27-29. Loss Control for Risk Management seminar in Houston, sponsored by the International Safety Academy; \$375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

SEPT. 27-30. Captive Insurance Companies: Establishment, Operation and Management conference in Hong Kong, sponsored by Risk Research Group Ltd.; \$25 pounds (approximately \$920); 500 pounds (\$875) for additional registrants from the same company. Sue Moore, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175; telex 8811636.

SEPT. 28. Workers Compensation and Workplace Liability conference in Harrisburg, Pa.,

sponsored by the Pennsylvania Chamber of Commerce, \$65. Tim Holt, Manager of Compensation and Casualty Insurance, Pennsylvania Chamber of Commerce, 222 N. Third St., Harrisburg, Pa. 17101; 717-255-3271.

SEPT. 28. Cost and Benefit seminar in Chicago, sponsored by the National Council on Compensation Insurance; members, \$70; non-members, \$110. Virginia Lawless, NCCI, Box 1238, Springfield, Ill. 62705; 217-787-1072.

SEPT. 29-30. Casualty Loss Reserve seminar in Chicago, sponsored by American Academy of Actuaries/Casualty Actuarial Society; \$175. Sue Hendrickson, Casualty Loss Reserve Seminar, 1835 K Street N.W., Suite 515, Washington, D.C. 20006; 202-223-8316.

SEPT. 29-OCT. 1. Risk Financing Techniques seminar in Denver, sponsored by St. Paul Risk Services Inc.; \$335. Kathleen Moriarty, St. Paul Risk Services Inc., 230 Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102; 612-221-7763.

SEPT. 29-OCT. 1. Risk and Insurance Manage-

ment in Banking seminar in Denver, sponsored by the American Bankers Assn.; \$395 for bankers; \$595 for non-bankers. Shelly Davis, ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

SEPT. 29-OCT. 2. Benefits in a Changing Environment conference in Palm Beach, Fla., sponsored by the Southern Pension Conference; members, \$150; non-members \$225. Nancy Connell, SPC, P.O. Drawer 47309, Atlanta, Ga. 30362; 404-458-6233.

SEPT. 30-OCT. 1. Corporate Risk Financing Insurance conference in Warren, Vt., sponsored by Risk Planning Group Inc.; \$550. Eileen B. Callahan, Conference Coordinator, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by Business Insurance; \$475; 10% discount for additional participants from same company. Ann Vazquez, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.



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Murray to head CU Commercial Lines

comings & goings: industry

Ralph W. Murray has been named president of CU Commercial Lines Inc., a division of Commercial Union Insurance Cos. in Boston.

Mr. Murray was most recently executive vp and chief operating officer of CU Commercial Lines. Mr. Murray joined Commercial Union in 1952.

Other insurer changes:

David J. Prentiss named head of the retail property/casualty division of CIGNA Corp. in Philadelphia. He was formerly head of field operations for Aetna Insurance Co. in Hartford, Conn. Mr. Prentiss replaces **Herrick A. Drake**, who is leaving the company.

George W. Ansbro named chairman and chief executive officer of the operating companies of Royal Insurance in New York, effective Oct. 31. Mr. Ansbro will retain his current position of president and chief operating officer. Mr. Ansbro succeeds **J. Roy Nicholas**, who is retiring.

William M. Thornhill appointed vp of the underwriting staff at Allendale Insurance in Johnston, R.I. His duties include managing the boiler and machinery underwriting staff. Mr. Thornhill was most recently boiler and machinery underwriting staff specialist at Allendale, part of the Factory Mutual System.

William E. Lachner elected president and chief operating officer at Redwood Fire & Casualty Insurance Co. in Los Angeles. Mr. Lachner was previously senior underwriting officer at Insurance Co. of North America for workers compensation lines on the West Coast.

Gary W. Hertel named vp for persons and group life at Lutheran Mutual Life Insurance Co. in Waverly, Iowa. He had been with the actuarial department of Connecticut General Life Insurance Co. in Hartford, Conn.

David M. Klein named head of the property/casualty marketing department at The Hartford Insurance Group in Hartford, Conn. The department has been reorganized and now includes product development and portions of field operations. Mr. Klein had been director

of actuarial/research operations and remains a Hartford vp. Also, **Foster R. Drury** named a vp at The Hartford. He continues in his post as director of the group life and health insurance sales department. **Donald R. Cahill**, also elected a vp. He is the director of field office administration and is responsible for the commercial lines automation support and planning division. **John F. Donahue** named head of Hartford's commercial property underwriting. Mr. Donahue succeeds **Robert W. Dressel**, who was named president and managing director of Abbey Overseas Group, the Bermuda subsidiary of The Hartford Group.

Agents/brokers

Two promotions were announced

at Fred S. James & Co. Inc. **Leon W. Holmes** promoted to executive vp of Fred S. James & Co. of California and profit-center manager of the Fred S. James Irvine, Calif., office. Mr. Holmes had been the assistant manager of the office. Also, **Roger E. Clayton** promoted to president of Fred S. James & Co. of Arizona. In addition to his new post, Mr. Clayton will continue as profit-center manager for the Tucson and Tempe, Ariz., offices.

William E. Smith and **Richard M. de Sola Mendes** named vps at Johnson & Higgins in New York. Mr. Smith is a member of the property loss-control department. Mr. Mendes is a member of the systems and data processing department.

William G. Kelley named head of the William G. Kelley division of Everett W. Stark & Co. in Sausalito, Calif. Mr. Kelley was formerly a principal of McDonald & Kelley Co.

Paul Casey appointed vp of Jardine Ter Bush & Powell Inc. of Schenectady, N.Y., responsible for management of the Syracuse office. Mr. Casey had been a branch manager for Jardine.

Reinsurers

A number of promotions were announced at E.W. Blanch Co., a reinsurance services firm. **Michael W. Cashman Sr.** elected president. He was also named chairman of MRM Inc., Blanch's wholly owned facultative subsidiary. **Frank S. Wilkinson Jr.** elected vice chairman. He also was named chairman and president of E.W. Blanch Co. (Bermuda) Ltd. **John B. Collins** named chairman of AgRe, Blanch's crop and hail subsidiary. **Arthur M. Horwitz** named Midwestern regional manager. **Andrew M. O'Brien** elected senior vp, responsible for management of the treaty professional liability unit.

Also, Blanch has made the following changes in its Minneapolis home office management: **Robert Broberg** elected vp-finance; **James A. Brost** elected a Blanch vp; and **Patricia A. Stankovitch** named vp-human resources.

John C. Follansbee elected executive vp and manager of the international division of Intere Intermediaries Inc. in New York. Mr. Follansbee had been senior vp.

Other suppliers

Anna M. Rappaport named to develop and coordinate professional practices and standards, training and information systems for the Western region of William M. Mercer Inc. She will remain a principal and a senior consultant in the Chicago office.

Steven W. Fargason named senior vp of A.S. Hansen Inc. in Atlanta. He is responsible for Eastern seaboard operations, including nine offices.

Burke Leahey named vp and manager of the Boston office of Meidinger Inc. He is responsible for consulting and actuarial services for Meidinger clients in New England. He had been a consultant and manager of welfare benefits for Hewitt Associates.

Excess/surplus

Bruce A. Esselborn elected executive vp of North American Managers Inc. in New York, a member of the American International Group Inc. North American Managers manages the interests of six foreign insurers in the United States. He was most recently executive vp of American International Life Assurance Co., Delaware American Life Insurance Co. and AIG Life Insurance Co.

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DEPOSITOR

Coal barges' loss records improve

By STACY SHAPIRO

london line

LONDON—Shipping coal down the Mississippi River has not been so hazardous this summer.

In the past, the intense heat on the southern Mississippi has triggered explosions in the holds of coal-carrying barges (BI, May 3). However, only minor incidents have been reported so far this summer, says Paul Koronka, an associate of the West of England Protection & Indemnity Club.

The good loss record is the result of guidelines on how to properly carry coal issued to barge owners and coal companies earlier this year by the International Group of Protection & Indemnity Clubs, whose members insure about 95% of the world's cargo-carrying ships.

"There have been some problems

of overheated coal, but the problem has been spotted before loading," said Mr. Koronka. "Since last year, there has been much more cooperation. Shippers are now giving shipowners coal in a fit state."

Another reason for the reduced losses is the downturn in the U.S. coal industry. Coal exporters have not been receiving as many orders to ship their product to New Orleans to be sent overseas.

"The test will come when the market picks up again in two or three years' time," he said.

War risk rates

Restrictions on war risk coverage

rates have shifted from the South Atlantic to the Middle East.

The War Risks Rating Committee in London has removed coverage restrictions on ships and airlines heading toward the Falkland Islands, effective Aug. 2. Shippers whose vessels were en route to the South Atlantic had found that war risk coverage was virtually unavailable.

The renewed fighting between Iran and Iraq, however, has caused the War Risk Rating Committee to place new restrictions on vessels in the Persian Gulf.

All ships traveling in the vicinity of Kharg Island, the center of Iranian oil refinery operations, will be

charged a minimum war risk premium of \$1 per \$100 of insured value, a 75-cent increase. Ships heading to other Iranian ports will still be charged 25 cents per \$100 of insured value.

Bowring results

C.T. Bowring Ltd. is moving out from the shadows of parent Marsh & McLennan Cos. Inc. and is making a name for itself again.

For the first time since it was acquired by M&M in 1980, Bowring has released its own half-year results, showing a boost of 76% in pretax net income.

Strong growth in reinsurance and wholesale broking operations—topped with a glut of business received from M&M—boosted Bowring's pretax earnings to 19.2

million pounds (approximately \$32.6 million) for the first six months of the year, compared with 10.9 million pounds (\$18.5 million) in the first half of 1981.

Reinsurance and wholesale divisions contributed 28.8 million pounds (49 million) of the 45 million pounds (\$76.5 million) in operating revenues for the first six months, compared with 33.9 million pounds (\$57.6 million) last year, according to Chairman Gilbert Cooke. Some of that increase was due to M&M input, he said, but there was genuine growth in new business, which "was no mean achievement."

"We are very anxious not to get lost sight of in the London market," he said. "This way (by releasing financial figures), we are trying to put Bowring on the map."

Bowring lost staff members and business when M&M took over in 1980 and this was reflected in the 1981 results, Mr. Cooke said. "It was not exactly an outstanding year because of the transition."

But Bowring has now beefed up its staff and new business is coming in, Mr. Cooke said, explaining that Marsh & McLennan has provided Bowring with worldwide resources to extend external business, plus the monopoly on its London market business.

"After two years of transition and getting climatized to Marsh, I'm happy to say we are back on an even keel," he said.

Hogg Robinson

Revenue for Hogg Robinson P.L.C. is up, but net profits are down.

Hogg Robinson's share of the acquisition cost of Penn General Agencies and Bankers & Shippers Insurance Co. of New York last year—a joint venture with Republic Steel Corp.—cut deeply into its earnings.

A subpar year by its Lloyd's of London underwriting agencies also hurt Hogg Robinson's profits, and the brokerage set aside another million pounds for "uncertainties in the worldwide insurance market."

All told, Hogg Robinson's pretax net income dropped to 8.5 million pounds (\$14.5 million) in the fiscal year ending March 31, compared with 9 million pounds (\$15.3 million) in the previous year. However, gross revenues increased to more than 53 million pounds (\$90.1 million) from 45 million pounds (\$76.5 million).

"We are not unhappy with our results for the year," said Chairman Morris Abbott, explaining that the decrease in earnings is understandable considering the "virtual standstill" of the British insurance market.

"Despite these difficulties, our worldwide insurance broking profits, which include our U.S. acquisition, are showing substantial increase with the help of exchange-rate differentials, while our transport, travel and specialist services activities have once again increased their contribution to the group's figures," he said.

Hogg Robinson has not broken out Republic Hogg Robinson's contribution to its profits because it has "no obligation" to do so, said Finance Director John Potts. "There is no information of any loss of business (for RHR)."

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Vehicles greatest cause of workers deaths: Study

BALTIMORE—Motor vehicle accidents kill more workers than any other type of on-the-job accident, according to a new study.

Vehicles were involved in 41% of all job-related deaths. Guns were the second most common cause of on-the-job fatalities, accounting for 11% of deaths in the workplace.

These key findings emerged in a survey conducted by the Johns Hopkins School of Hygiene and Public Health in Baltimore. The survey was funded by the Insurance Institute for Highway Safety, a Washington-based research group supported by the insurance industry.

To get a handle on what are the significant causes of worker fatalities, the study examined the circumstances surrounding all 148 work-related deaths that occurred in Maryland during 1978.

Although motor vehicle crashes account for a major percentage of workplace deaths, the federal government is doing little to reduce the risk, according to the study, which was published in the Aug. 13 issue of the Journal of the American Medical Assn.

For example, the federal Occupational Safety and Health Administration has not issued regulations to require seat belt use in company-owned cars.

In addition, most private employers do not require their employees to buckle up even though use of seat belts substantially reduces deaths to automobile occupants.

Most occupational safety programs virtually ignore transportation vehicles as a cause of workplace deaths and injuries, the study said.

Instead, "The occupational safety literature, regulations and training programs continue to emphasize injuries in the manufacturing industry, where only 14% of all work-related deaths occur," the study said.

The survey also found that taxi drivers are 10 times more likely to die in an on-the-job accident than the average worker.

"Taxi drivers are at special risk both because they offer tempting targets for armed robbers and because they spend their working hours exposed to, and inadequately protected from, the kinetic energy of crashes," the study said.

Other significant causes of work-related deaths include:

- Firearms. Sixteen workers, all men, died after being shot on the job. Three taxi drivers, three grocers, two gas station operators and two vendors died from gunshot wounds after they were held up.

In addition, three police officers were killed by shots fired from service revolvers. Two victims died when a 15-year-old grabbed a service revolver and shot the officers.

- Falls. Thirteen workers died in falls, including four painters and two tree trimmers. Only one of those workers was wearing a life-line at the time of the accident.

The survey also found that 146 of the 148 workers who died because of on-the-job accidents were men. The median age of the victims was 37.

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ISO develops endorsements

NEW YORK—The Insurance Services Office has developed new computer crime endorsements.

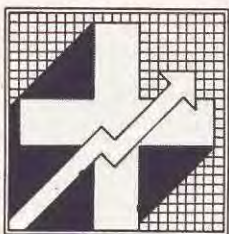
Mandatory exclusion endorsements for use with the Blanket Crime Policy, the Comprehensive Dishonesty, Disappearance and Destruction Policy and the Money and Securities Broad Form Policy are now available in most states. A revised Mercantile Open Stock Theft Endorsement is also available.

These endorsements clarify that current policy forms were not intended to cover computer fraud.

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San Francisco Re to underwrite facultative reinsurance in U.S.

markets

San Francisco Reinsurance Co., a subsidiary of Fireman's Fund Insurance Cos., has entered the domestic facultative reinsurance market by assuming the domestic facultative business of Excess & Special Risk Market Inc., another Fireman's Fund unit.

San Francisco Re also underwrites treaty reinsurance worldwide and facultative reinsurance outside the United States.

Fireman's Fund shifted responsibility for domestic facultative reinsurance to San Francisco Re to consolidate reinsurance functions, according to Dennis Arnold, a San Francisco Re vp.

The company's facultative reinsurance limit for property/casualty risks is \$5 million. Property reinsurance is written on both a pro rata and excess-of-loss basis, while liability coverage is written on an excess-of-loss basis.

Actuarial services

Milliman & Robertson Inc. will now handle actuarial valuation and administrative services for group qualified defined benefit pension plans managed by Great-West Life Assurance Co. Great-West will continue to manage the investment activities of these funds.

Illinois exchange

The Illinois Insurance Exchange has approved three more broker members: Reinsurance Agency Inc. of Chicago; Beresford-Wood & Co. of Concord, Calif.; and Relex Bro-

kers Inc. of Chicago. The exchange now has 27 broker members.

The exchange also has announced that it has been approved in 24 states for reinsurance and in 21 states as an excess/surplus insurer.

Offices closing

Swett & Crawford, a surplus lines brokerage unit of Foremark Corp., a management holding company owned by Continental Corp., has closed its two-person Minneapolis branch office.

In addition, RFC Intermediaries Inc., a reinsurance intermediary affiliate of Foremark Corp., will consolidate its Parsippany, N.J., operation with another office in New York. Three employees will lose their jobs as a result of the move, a company spokesperson said.

"This is not a remarkable development. We go through constant re-evaluation of our business, which results in office openings and closings all the time," the spokesperson said.

Swett & Crawford plans to open new offices in Philadelphia and the San Fernando Valley north of Los Angeles later this year.

New York exchange

The New York Insurance Exchange has approved First State Syndicate, a wholly owned subsidiary of New England Reinsurance Corp., as its 31st underwriting member.

The exchange also has approved three new broker members: O'Connor Associates Ltd.; Delaney Intermediaries; and Bowes & Co. Inc. Delaney Intermediaries replaces Delaney Offices Inc., which has withdrawn as a broker member. O'Connor Associates Ltd. had been an associate broker since last year.

In addition, Alan Adelstein & Associates has been approved as an associate broker. The exchange now has 59 broker members and 24 associate brokers.

Acquisitions

E.H. Crump Cos. Inc. has signed a letter of intent whereby Ligon, Gump & Ligon Inc., a Dallas agency, will become a Crump affiliate. Crump, based in Memphis, Tenn., has also signed a letter of intent to sell affiliate Fisher-Brown Inc. of Pensacola, Fla., to Don Rushing & Associates. The transaction, if consummated, will be effective July 1, 1982.

Two Pasadena, Calif., insurance brokerages, Ingham, Coates & Paine and Chapman & Associates Inc., have merged. The company will be called Ingham, Coates & Paine.

Alexander & Alexander Inc.

has sold Gordon & Brown Insurance Agency of Louisville, Ky., to Bernard Gordon, a former president of the agency.

Bolton & Co., a commercial brokerage based in South Pasadena, Calif., and John T. Boyle Co., a commercial brokerage based in Alhambra, Calif., have agreed in principle to merge operations.

Security Insurance Group, a subsidiary of Orion Capital Corp., has acquired Intercon General Agency of Dallas, a managing general agent.

John H. Crowther Inc., a unit of National Insurance Wholesalers Inc., has acquired the Denver branch office of H&W Insurance Services Inc. Also, the Denver office of IWest Insurance Managers Inc., another NIW unit, will be merged with the Crowther Denver office. NIW is a subsidiary of The St. Paul Cos. Inc.

The Manufacturers Life Insurance Co. of Toronto has purchased the stock of National Liberty Life Insurance Co. of America, a subsidiary of National Liberty Life Insurance Co. of Frazer, Pa. Manufacturers Life, which markets group life and annuity products, will change the name of the newly acquired company to Manufacturers Life Insurance Co. of America.

New offices

Allstate Insurance Co. is relocating several of its facilities—including the headquarters of Allstate Commercial Insurance Division, Northbrook Property & Casualty Insurance Co., Northbrook Indemnity Co., Northbrook Excess & Surplus Lines Insurance Co. and the Allstate Reinsurance Division—to new offices at 51 W. Higgins Road, South Barrington, Ill. 60010.

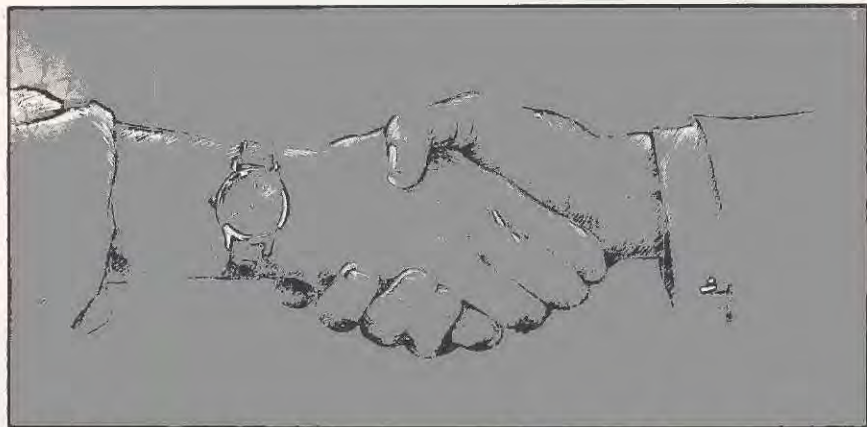
Gates McDonald & Co. has opened two new service centers for workers compensation clients. One is in the Monumental Title Building, 650 Ritchie Highway, Baltimore, Md. 21202 and the other is at 4455 Transit Road, Buffalo, N.Y. 14202.

Reed Stenhouse Cos. Ltd. has moved its Dallas office to 2001 Bryan Tower, Suite 880, Dallas, Texas 75201.

Pennsylvania Casualty Co. has opened a regional office in Denver at 3955 E. Exposition, Denver, Colo. 80209; 303-698-0881.

Tomenson Saunders Whitehead Ltd. has moved its Calgary, Alberta, office to 1212 31st Ave. N.E., Suite 3400, Calgary, Alberta T2E7S8; 403-276-8134.

The Fisher Associates, an adjusting company, has opened a new office at 3304 Geary St., Suite 653, San Francisco, Calif. 94118; 415-221-5891.



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Hospital cuts patient losses

CHICAGO—St. Joseph Hospital has cut patient property losses by 50% through its security department's patient representative program.

Under the program, which was started in 1980, a representative of the security department visits each patient, urging him to let the hospital lock valuables in its vault.

"Although all patients are advised (by the admitting officer) to store their valuables, at such a time people are not always able to grasp everything said to them," says hospital Security Director Jack White.

"We go to them after they've had a chance to settle down."

"Even if you provide a vault, people will still opt to hide things in their pillowcases," Mr. White adds.

If a patient refuses to let the security guard take valuables to the hospital vault, a notation is made as to what the items are.

"This has helped us a lot because it shows that the hospital is trying to safeguard the patient's valuables. If something turns up missing and the patient tried to hit us with a lawsuit, we could come back and say, 'Hey, we tried.'"

Keene says insurers switched policy interpretations

Continued from page 3

and manifestation theories during the 1950s and 1960s.

Much of Keene's ammunition is taken from minutes of industry organizations' meetings that discussed the drafting of standardized policy language.

The organizations include the National Bureau of Casualty Underwriters, the Mutual Insurance Rating Bureau, the Insurance Rating Board and the Insurance Services Office.

"The records of the aforesaid organizations demonstrate that, at the time the standard policy language was drafted, the insurance industry did not intend the policy interpretation theories advocated by the defendants in litigation against Keene and other policyholders, including the manifestation theory and the inhalation exposure theory, to govern their coverage obligations," the complaint says.

"The defendants participated in the insurance industry deliberations which led to the drafting of the standardized policy language and were, and are, well aware that the insurance industry rejected the manifestation and inhalation exposure theories of coverage.

"Rather, the insurance industry, including defendants, collectively determined that insurance coverage obligations under the language of the standard comprehensive general liability insurance policies consecutively sold to Keene by defendants would be triggered by injury during their policy periods."

The complaint alleges that the standard policy language provided that "injury" and not simply manifestation or exposure triggered coverage and that the insurance industry organizations rejected proposed manifestation and exposure coverage triggers in the 1960s.

But despite the rejection by the industry and the companies, the insurers subsequently deliberately adopted manifestation or exposure coverage positions to avoid financial liability, the complaint says.

"Defendants Aetna, INA and Liberty switched to a manifestation interpretation of their comprehensive general liability insurance policies in an attempt to minimize or deny coverage to Keene and other policyholders, both prospectively and retrospectively, with respect to the asbestos lawsuits and for the sole purpose of enabling such defendants to escape their enormous potential liability for the asbestos lawsuits.

"Prior to the switch, defendants Aetna, INA and Liberty provided coverage for asbestos lawsuits in which the claimants alleged that injury had occurred as the result of exposure to asbestos products during one or more of such defendants' policy years."

After the switch, such defendants refused to provide coverage for Keene and other policyholders unless the claimant alleged that an asbestos-related disease first manifested itself within one of such defendants' policy years.

The suit also charges that Aetna, INA and Liberty Mutual misrepresented to Keene that manifestation was the proper approach.

Aetna, for example, advocated the continuing injury approach, later upheld in Keene vs. INA, until 1975 when it switched to manifestation, the complaint says.

Three years later, the officer in charge of Aetna's claims department said he would not object to simultaneously contending for both the pro rata theory, based on market share, and the manifestation theory in different courts, the suit adds.

INA switched to a manifestation interpretation in March 1977 but before that, the company's home

office told its field offices that an exposure theory governed payment and defense of asbestos damage claims, the complaint adds.

It cites various INA personnel, including the company's asbestos coordinator, who said that its potential liability was \$20 billion under exposure but practically nil under manifestation.

"We are taking the position that injury occurred when the disease manifests itself," the suit quotes an INA official as saying. "If we are successful, our exposure is very light because we have not written most of these risks for years.

"We are going to try and influence case law by picking and trying the ideal case, jurisdiction, etc. Odds are against us, but it is worth a try."

The complaint also quotes an

INA product liability specialist saying in 1977 that manifestation represents a "radical departure" from established practices and that a coverage suit against INA "might not be defensible."

Liberty Mutual sometimes used an exposure principle and sometimes refused to defend Keene and switched to the manifestation theory in 1975 or 1976 to reduce its liability, the complaint says.

The suit also charges the insurers with other violations of duties owed to Keene as their insured.

One of the companies, Hartford, sought to escape responsibility for settlements in 1,600 California lawsuits by requiring unreasonable documentation while all the companies have failed to properly investigate the underlying lawsuits by asbestos victims, the complaint

says.

"Defendants have breached their covenants of good faith and fair dealing by their intentional, malicious, and oppressive refusals and failures to indemnify and defend Keene in the asbestos lawsuits, while retaining for their own use moneys owing to Keene," the complaint says.

This was done "for the intentional purpose of withholding from Keene its rights and benefits under such insurance policies. . . ."

"Defendants adopted said coverage theories to further their own financial interests at the expense of their policyholders, including Keene."

Keene attorney Jerry Oshinsky of the Washington firm of Anderson Baker Kill & Olick said that much of the information was ob-

tained through "painstaking discovery" and that additional documents not referred to in the complaint illustrate Keene's allegations.

While Keene's original suit against the insurers was for a declaratory judgment on the particular theory, this suit should prove the harm caused to Keene by the insurers' actions, Mr. Oshinsky said.

Insurance company spokesmen denied Keene's allegations, contending they were taken out of context from thousands of documents.

"If you saw the entire series of documents, you would not necessarily come to the same conclusion," says Christopher Mansfield, an attorney and assistant vp with

Continued on next page

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Keene again sues insurers. . .

Continued from previous page
Liberty Mutual.

"Keene picked out excerpts to support their position. There are other excerpts which dispute them substantially."

The complete scope of the various insurance industry drafts involve more than 40,000 pages of documents, Mr. Mansfield said.

With regard to Liberty Mutual, Mr. Mansfield said that "factually, they (Keene's allegations) are just not true."

A spokesman for Aetna specifically denied the allegations and said that the company had always maintained the manifestation theory. "We've handled the (claims) for all insureds on a manifestation basis," said John Shea, vp and claims counsel at Aetna.

Mr. Shea also said that a lot of the memos and other information were taken out of context and that what was said at industry trade organizations or by field personnel did not reflect necessarily a company's position. "They're not binding on any particular company," he said.

John P. Arness, an attorney for Hartford with the Washington firm of Hogan & Hartson, also denied that Hartford was inconsistent in its position, having always endorsed the injurious exposure theory.

Moreover, he said that the triple-trigger theory was not fully advanced until the decision came down in Keene vs. INA and that for much of the litigation, Keene advanced an exposure theory similar to Hartford.

"There is no way Keene can establish any breach of contract," Mr. Arness said.

Keene previously tried but has

never been able to establish that Hartford took inconsistent positions, and Hartford has always been willing to pay its fair share of costs, he added.

Keene's suit asks for the compensatory damages proved at trial, currently amounting to more than \$12 million, consequential damages—including all defense costs, judgments and settlements—and reasonable attorneys' fees, expenses and costs for prosecuting this action and Keene vs. INA.

It also seeks punitive damages of \$10,000 from each defendant for each case where defense has been wrongfully withheld, plus interest. ■

. . . And government

Continued from page 3

In all of the counts, the complaint says that if Keene is found liable to claimants for alleged asbestos injuries, the government has breached its duties and various warranties to Keene.

Spokesmen for the government were unavailable for comment on the suit.

According to Jerold Oshinsky, attorney for Keene with the Washington firm of Anderson Baker Kill & Olick, if the government had properly handled asbestos, Keene would not be in the situation of having to defend and possibly pay 13,000 asbestos claims.

In addition to filing the suit against the government in Washington, the company filed a similar complaint in U.S. District Court in New York.

Keene is also involved in litigation against the government in the U.S. Court of Claims in Washington and in federal court in New York state, Mr. Oshinsky said. ■

Asbestos defendants ask for stays

Continued from page 3

"Unfortunately, some courts have ignored statutory language indicating that the (UNR) stay affects 'all entities,' and have tried to subdivide cases into several proceedings, halting proceedings against the debtor while allowing the case to proceed against other defendants," a motion by Johns-Manville in an Ohio federal court case says.

"As the plaintiff's claims against the manufacturers or asbestos products arise from one set of facts and the legal theories against the various defendants are identical, the entire proceeding before this court is stayed under Section 362(a)."

Plaintiffs' attorneys, meanwhile, are arguing that the section does not pertain to companies other than UNR.

"There is no automatic stay pursuant to Section 362(a) or any other section as against any other defendant than the debtor, Unarco," says a motion for reconsideration in the same court made by plaintiff's attorney Robert Sweeney of the Cleveland firm of Robert E. Sweeney & Associates.

"Contrary to this court's decision, this provision was never intended by Congress to operate in favor of a co-defendant, but only the bankrupt debtor."

UNR has reportedly opposed any stays of litigation applying to any other companies.

At a recent hearing, the federal bankruptcy court judge in Chicago who is presiding over UNR's Chapter 11 reorganization petition was reportedly set to sign an order applying the stay to UNR only, but will now permit J-M to file a motion arguing for the broader stay.

Attorneys disagree on whether a ruling in the Chicago bankruptcy court would be binding on other courts across the country.

The court's next hearing regarding the UNR reorganization has been scheduled for Sept. 15.

UNR is facing suits from 17,000 claimants stemming from its former role as manufacturer and seller of insulation products that contained asbestos. It has not been involved with asbestos since 1969.

By Stephen Tarnoff

NCCI hopes to consolidate state assigned risk pools

NEW YORK—By restructuring and consolidating state assigned risk plans into a national pool, The National Council on Compensation Insurance hopes to improve the economic condition of the residual market.

In 1981, the workers compensation pools managed by the NCCI underwent a restructuring that included the elimination of five pools, an improvement in the insurance rules for the residual market and a strengthening of the administrative, actuarial and financial management of the plans.

By consolidating 13 pools into the NCCI's national pool, which operates in 37 states, the council plans administrative savings and expansion of the national pool's membership base, which will take the residual market out of the role of "second-class citizen," says William L. Clark, vp of the NCCI's Midwest regional office.

The NCCI manages 20 of the state-mandated workers compensation insurance plans for the benefit of those businesses unable to obtain coverage in the voluntary market. Mr. Clark said the plan rules governing risk eligibility, coverage, assignment, reinsurance and appeals were strengthened to benefit both insureds and insurers.

To upgrade the pools' financial controls, an internal audit division

was established in 1981, he added. For calendar year 1981, the national pool recorded a \$124.6 million operating loss on earned premium of \$723.6 million.

The NCCI reports that the loss ratio of 83.5% was the second lowest reported since 1974, with a 22% decrease since 1980. For 1981, written premium totaled \$681.2 million, a 15.8% decline from 1980 and the first written premium decrease in the 12-year history of the national pool.

The operating loss and loss ratio improvement should be tempered with the knowledge of two changes which adversely impacted the national pools' results, explained Tom Schell, general manager of the NCCI's residual market operations.

"First, reserve strengthening was undertaken in 1980 in the national pool, corresponding to a recognition of a lengthening loss tail and a recording of incurred but not reported losses to offset the estimates of earned but not recorded premium, which is not reflected in the pools' financial statements," said Mr. Schell.

Secondly, black lung reserves were strengthened in the national pool in early 1980, primarily because of an increase in black lung liabilities, he added.

Total loss reserves for all of the

residual market pools amounted to \$2.5 billion at the end of 1981 to represent an increase of 8.7% over the \$2.3 billion in loss reserves carried at the end of 1980.

In the NCCI's management summary, the group reported that Florida, New Jersey, Illinois and Massachusetts had the most risks in the assigned risk pool followed by Louisiana, Michigan, North Carolina, Connecticut, Maine and Kentucky.

The NCCI also found that employers in Rhode Island, the District of Columbia and New Mexico paid the highest average premium for coverage in the residual market.

Rhode Island averaged \$4,553, the District of Columbia averaged \$4,272 and New Mexico followed with an average \$4,149.

Arizona, Alaska, Louisiana, Mississippi, Alabama, Illinois and Missouri followed with average premiums for employers ranging from \$3,853 in Arizona to \$2,906 for a Missouri employer in the residual market.

The states with the highest residual market share in 1980 (as percent of total premium) were New Hampshire, 27.2%; Maine, 25.7%; Vermont, 24.6%; Kentucky, 22.3%; Rhode Island, 21.8%; Massachusetts, 21.7%; Louisiana, 17.8%; Virginia, 16.5%; Illinois, 16.2%; and Florida, 15.7%. ■



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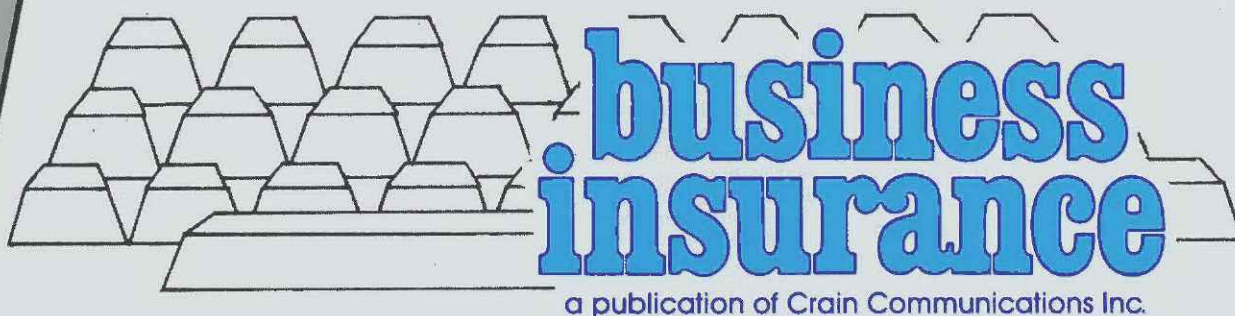
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EMPLOYEE BENEFITS: PERSONNEL ADMINISTRATION	SEP 27	Sep 14
	OCT 4	Sep 22
FINANCIAL SERVICES: FOR CAPTIVES & SELF-INSURERS	OCT 11	Sep 28
Employee Benefits Board Survey	OCT 18	Oct 6
REINSURANCE: NAI Conference	OCT 25	Oct 12
	NOV 1	Oct 20
NEW ENGLAND MARKET REPORT	NOV 8	Oct 26
Risk Management Board Survey	NOV 15	Nov 3
INTERNATIONAL INSURANCE	NOV 22	Nov 9
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Employee Benefits Board Survey	DEC 20	Dec 8
	DEC 27	Dec 15

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Employers offer many group life options

Continued from page 1

ees requires the employee to pay the full cost of 43 cents per month per \$1,000 of coverage.

Coverages and rates at other companies with mandatory contributions vary greatly. Three companies offering a benefit equal to twice annual salary illustrate the diversity.

An agricultural processor with 8,000 employees requires the employee to pay half of the 60-cent rate per \$1,000 of coverage. An apparel concern with 1,100 employees requires the employee to contribute 15 cents of the 40-cent rate per \$1,000 of coverage. A consumer products manufacturer with 15,000 employees requires the employee to pay 32 cents of the 46-cent rate per \$1,000 of coverage.

Most of the respondents, 87%, link the basic life insurance benefit to an employee's annual salary, either as a multiple of salary or according to a schedule of pay.

Of the 84 companies that link the benefit to salary, 34 provide a benefit of two times annual salary or earnings, 18 provide a benefit equal to annual salary and another eight fall in the middle, providing 1½ times salary as the basic benefit.

At 10 companies, the basic benefit increases according to a schedule of income instead of as a multiple of earnings.

At one consulting company with 250 employees, the basic life benefit is determined by salary classification. Eight different benefit levels are provided, ranging from \$10,000 in coverage for employees earning less than \$10,000 to \$140,000 for employees earning more than \$40,000.

At an insurance company with 286 employees, the basic benefit ranges from \$10,000 to \$50,000 depending upon monthly earnings.

Only 12 of the respondents provide only a flat amount of life insurance to all employees. The flat benefits ranged from a low of \$500 at a film production company with 1,300 employees and a film production studio with 330 employees to a high of \$100,000 for all the executives of a service organization with 1,000 employees, whose non-exempt employees get a flat \$10,000.

Among the other nine companies, the flat benefit amount was either \$1,500, \$2,000, \$5,000 or \$10,000.

Among the 96 companies that described their basic life benefit, 10 said they provide a lower basic life benefit to lower-paid employees than the basic benefit provided to higher-paid employees. Another six noted they were describing benefits to salaried workers only.

At a retail company with 11,000 employees, for example, the non-exempt employees with earnings up to \$7,000 receive life benefits ranging from \$1,000 for those with annual earnings of less than \$2,000 to \$7,500 for those earning up to \$6,999. Those earning more than \$7,000 receive coverage that matches their annual earnings. Exempt employees, however, receive coverage equal to two times salary to a maximum of \$100,000, and executives receive three times their earnings up to \$100,000.

A toy manufacturer employing 470 people provides non-exempt employees with coverage equaling their salaries, exempt employees

with two times salary and various multiples to special categories of employees.

At a law firm employing 850, the legal staff receives coverage equal to three times their base salary up to \$250,000, and the support staff receives coverage of 2½ times salary up to \$150,000.

Only three respondents vary the basic life insurance benefit with age and/or years of service in addition to salary.

An office equipment company that does so did not elaborate on its coverage. A non-ferrous metals company employing 15,000 workers provides coverage equal to two times annual salary until age 55 and then coverage that matches salary until retirement. A Midwestern state provides a basic benefit of one-half of salary until age 55 with a 5% reduction in benefit per year beginning at age 56.

A grocery products manufacturer noted it has reduced its basic benefit from 2½ times salary for salaried workers hired before Jan. 1 to 1½ times salary for those hired after that date.

Supplemental life insurance plans are offered at 67 of the responding companies. The plans generally offer employees the opportunity to purchase supplemental life insurance in multiples of their earnings under varying restrictions.

At 11 of the 67 companies with supplemental life plans, the only supplemental benefit available is equal to an employee's annual earnings. Nine companies restrict the supplemental benefit to twice annual earnings.

Another 40 respondents also link the supplemental benefit to annual earnings, but set limits on the increments that can be purchased ranging from 25% of annual earnings to up to four times annual earnings.

The purchase options open to employees under these 40 supplemental plans vary tremendously. For example, one company allows employees to choose a supplemental benefit in increments of 25% of earnings up to an amount equal to salary, but two other companies restrict the supplemental purchase to either one, two, three or four times annual earnings. Four others restrict the supplemental amount to either one or two times annual earnings.

Maximum and minimum dollar amounts exist under some plans. A manufacturing company with 9,000 employees limits the sum of the basic and supplemental life benefit to \$50,000. Another company requires an employee buying supplemental life insurance to purchase at least \$5,000 within 25% incremental options to a maximum of one times salary.

Seven of the 40 employers offering supplemental coverage in multiples of earnings restrict the amount of supplemental life insurance an employee can purchase by a schedule of benefits related to either age, salary or years of service.

One manufacturing company with 600 employees allows employees up to age 35 to purchase four times their annual salary. With each additional 10 years of age, the available benefit is reduced by one multiple of earnings. No supple-

mental benefit is available when the worker reaches age 65. The basic benefit is two times annual salary.

Another manufacturing company, which provides a basic benefit of 1½ times salary, also limits the amount of available supplemental life insurance by the age of the employee. Employees under 25 years for example, can purchase coverage equal to up to four times their salaries, but employees over 64 can buy only an amount equal to the salaries.

A trucking services company with 20,000 employees allows employees making up to \$25,000 to purchase additional coverage equal to their earnings and those making more than \$40,000 can purchase coverage equal to up to three times earnings.

A chemical company employing 10,000 people offers supplemental life insurance equal to annual salary during a worker's first 10 years of service and offers supplemental coverage equal to two times annual salary after that.

Six companies also permit supplemental life benefit purchases in flat amounts, ranging from a low of \$5,000 to a high of \$100,000.

At one company, the available amount ranges from \$10,000 to \$200,000, according to the employee's choice.

One manufacturing company with 15,000 employees offers the option of supplemental coverage equal to one, two or three times earnings or a flat \$5,000, \$10,000, \$15,000 or \$20,000.

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Continued on facing page

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Commercial Consumers

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vps, etc. 6,823

Financial Management:
chief financial officers,
vps of finance, secretaries,
treasurers, etc. 9,385

Insurance Management:
vps, directors, managers of
insurance, risk, benefits,
compensation, safety,
security, etc. 5,791

Government, Associations,
Unions, Educational
Institutions 1,001

Commercial Consumers
Sub-total 23,000

Insurance Agents
& Brokers 9,741
Insurance Cos 4,735
Financial Institutions 303
Actuaries, Attorneys,
Adjusters, Appraisers
& Consultants 2,208
Others allied to the field 776

TOTAL 40,783

*Source: Business Occupational
breakdown of qualified circulation
Nov. 2, 1981 issue, as submitted to
BPA for December 1981. BPA
Publisher's Statement.

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Continued from facing page
benefit available to employees under the basic and supplemental plans ranges from \$2,000 to coverage limited only by multiples of earnings at 12 companies.

The most common maximums were: \$100,000 at eight companies; \$1 million at six companies; \$500,000 at five companies; \$300,000 at four companies; \$400,000 at four companies; and \$750,000 at four companies.

At companies offering supplemental life insurance to their employees, only 34 companies relate the rate paid by employees to their age.

Under the Age Discrimination in Employment Act, companies do not have to vary the price employees pay for supplemental life insurance. Some companies do vary the rate so that younger employees are not subsidizing benefits for older employees.

Only 39 of the responding companies offer dependent life insurance benefits; 58 do not.

Thirty-five of the plans offer

coverage for both the spouse and children. Three plans allow life insurance purchases for spouses but not children, while one allows employees to buy life insurance for their children but not their spouses.

Among the 39 dependent plans, 33 restrict dependent life insurance to a flat amount. For spouses, the flat amounts range from a low of \$1,000 to a high of \$15,000. The most common flat benefit for spouses are: \$5,000, offered at eight companies; \$10,000, offered at five companies; \$2,000, offered at five companies, and \$1,000, offered at four companies.

One company allows its employees to buy life insurance for their spouses of up to 50% of their basic life benefit to a maximum of \$25,000.

For children, the flat benefit amount ranges from \$100 to \$1,000 depending upon age in one plan, to a high of a \$3,000 maximum depending upon age. The most common flat benefit for a child is \$2,000, offered at 12 companies. Another eight companies offer

\$1,000.

Group life insurance is one benefit whose cost employers aren't fretting. At 71 of the 97 responding companies, or 73%, the cost has stayed the same within the last year. Rates went up for only three companies and declined for 19 others.

The monthly rates quoted by survey respondents per \$1,000 of coverage ranged from a low of 2.2 cents under a flexible funding plan to a high of 72 cents. Most rates reported were in the 40-cent to 60-cent range.

Thirty-eight companies said their life insurance plan is retrospectively rated, and only one of these companies said that type of plan is not saving the company money. Two respondents noted, however, that had they purchased retrospective rating, their life insurance costs would be higher than they are now.

At 25 of the companies, the life insurance plan is experience-rated with the health insurance plan. Only one respondent said the plan

is not saving the company money.

Eighteen companies said they use flexible funding or a minimum premium plan. Four companies said their plan is not saving them money.

Only eight of the responding companies self-fund any portion of their group life benefits.

Many of the survey respondents attributed their steady and acceptable rates to good experience.

Employers' satisfaction with their rates and insurers is reflected in the loyalty to life insurers. Only seven of the respondents changed insurers in the last year.

Among the 90 who did not change, most of the respondents said they are satisfied with their current plans and see no reason to change.

"We've been with same company for 53 years," declared the director of benefits and services for a media company employing 5,000.

A few, however, noted other reasons. Two had just changed two years ago.

"Minimum premium contract in

effect but two years; insufficient experience as yet to consider changing," noted a the director of employee benefits for a diversified holding company employing 50,000 people.

Among the seven who changed insurers, a commercial bank employing 1,350 people noted it changed insurers to reduce its rate from 22 cents per \$1,000 of coverage to 12 cents per \$1,000 under a guaranteed cost plan. An information processing company employing 16,000 said it switched insurers for lower rates, better service and lower retention charges.

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Wage-loss law's constitutionality upheld

Continued from page 1

Mr. Acton's attorney, Frank Maloney Jr. of Jacksonville, said he will not petition for a rehearing of the case since the judges' decision was unanimous.

Just as employers were celebrating the outcome of that decision, the National Council on Compensation Insurance filed for a 24% workers compensation rate increase to become effective Sept. 1.

Even though wage-loss has cut claims by more than half since its inception and reduced benefits by 40%, inflation and skyrocketing medical costs have finally caught up with Florida's workers compensation insurance rates, sources say.

The state Insurance Department plans to rule on the rate request increase after an Aug. 27 hearing to determine if rates should go up, and if so, by how much.

Employer groups are downplaying the effect of the proposed rate increase, pointing out that workers compensation rates have decreased more than 50% since wage-loss became effective in August 1979.

"There was an overreduction in rates," says Gilbert Waters, president of the Associated Self Insurers of Florida. More than 38% of all workers compensation coverage in Florida is self-insured, according to the state Department of Labor, up from 28% a year ago.

"The medical fee schedule increased 33% in 1980," he added.

"Compared with what things were like in 1978, wage-loss is still a very successful program," added Roy Perkins, insurance manager for Southeast Banks in Miami.

Associated Industries of Florida President Jon L. Shebel also pointed to the 53% decrease in workers compensation rates since wage-loss was signed into law.

But he added, "There is definitely an increase sitting in the wings."

Further threatening to halt the rapid decline in comp costs is a proposal by the Florida Medical Assn. to raise medical and surgical fees by nearly 11% next year, a move that could force insurers to ask for another rate hike.

But another big problem also is cutting into the immediate success of wage-loss in Florida:

The chief judge of 1st District Court of Appeals is unhappy with the "intolerable" number of workers compensation claims being appealed to that court by employers and their insurers.

In 1979, as part of the wage-loss package, the state Industrial Relations Commission was abolished and disputed workers compensation claims are now ruled on by

deputy commissioners in the division of workers compensation under the Department of Labor and Employment Security.

One of the goals of wage-loss was to reduce the number of cases disputed by workers displeased with benefits. Previously, benefits levels in Florida were among the lowest in the nation. The new law provides better benefits for those who merit them.

Under the old law, there was an incentive for a worker to challenge a work comp ruling because the employee paid only 25% of the attorney fees while the remaining 75% was paid by the employer or its insurer.

But when wage-loss was introduced in 1979, the responsibility for paying attorneys' fees was shifted entirely to the claimants, and the number of cases litigated dropped.

But now, insurance companies are filing appeals with the district court when they disagree with the ruling of the deputy commissioner, who rules on a claimant's degree of disability and the legitimacy of the workers compensation claims.

The 1st District Court had 1,100 appeals dumped in its lap when the Industrial Relations Commission was abolished in 1979, but new appeals to the court are close to the same number appealed before wage-loss.

The district court has a backlog of 700 cases, with 75 new appeals of workers compensation claims being filed every month—mostly by insurers.

To deal with the new wave of appeals, Judge Robert Smith, the court's chief judge, has issued new directives aimed at insurers.

He said they "must be urged to serve their own interest, and the workers' legitimate interest, by increasing efforts to keep claims out of litigation."

"The settlement of cases, even after litigation has progressed to the 1st District Court of Appeals, is an important element in reducing the court's case load," he said.

The chief judge also urged insurers' lawyers to improve the quality of their cases before the deputy commissioners and he urged judges in the 1st District to consider why their numerous opinions have not "made predictable" the legal principles to be applied in hearing appeals.

The Florida Assn. of Insurance Agents insists the workers compensation appellate caseload is not unreasonable.

If a problem exists, it is with the quality of the records and sometimes erratic decisions of the deputy commissioners who rule on

contested claims, the group says.

"The court is snowed under right now, but once the backlog clears out, things will be better," said Mr. Shebel of Associated Industries of Florida. He estimated it might take a year before the court can clear the heavy caseload.

While a solution to the court's dilemma is being worked on, the Florida business community is still waiting for another legal challenge to the wage-loss system to be decided. It involves Steven M. Ortega, a worker who was blinded in one eye while working at the Jacksonville plant of Owens-Corning Fiberglas Corp.

Mr. Ortega, who returned to work following his injury at his same wage, contends that the new wage-loss law was unclear on whether the provision in the law allowing impairment benefits for 80% loss of vision applied to one or two eyes. In either case, the lawsuit said, the benefit was not sufficient.

Judge John S. Cox of Duval County Circuit Court ruled in February 1981 that an injured worker in Florida is required to utilize the wage-loss-benefit system for a claim, but that decision was reversed and the case is back at the trial level in the 4th Judicial Circuit Court in Florida. No court date has been set.

Despite the new rough spots caused by the large number of cases disputed in the appeals court and

the possible 24% rate increase, most employers and insurers say wage-loss is a good solution to rising work comp costs. To prove it, they point to the system's good record in reducing claims, benefits paid out, attorney fees and lump-sum awards (see chart, page 1).

If projections for 1982 are correct, the number of workers compensation claims filed since 1980, the first year after wage-loss took effect, has decreased 47% to an estimated 9,420 from 17,746.

Benefits paid to claimants has declined 31% to an estimated \$54 million this year from \$78 million in 1980.

Lump-sum settlements have decreased more than 60% to a projected 4,989 this year from 12,684 in 1980.

A study conducted by the Asso-

ciated Industries of Florida in 1979 found that in 76% of the cases it studied, lump-sum settlements were approved. Now, they are only allowed in rare circumstances.

Attorney fees have decreased 20% since 1980 to an estimated \$14 million this year from \$17.5 million in 1980.

If this year's expected experience is compared with pre-wage-loss statistics, the contrast is even greater.

New claims filed since 1978, the year before wage-loss took effect, decreased a whopping 68% and benefits paid out to claimants dropped 40% in that five-year period.

The number of lump-sum settlements have decreased 80% since 1978 and attorneys' fees dropped 33%.



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Interest in safe harbor renewed

Continued from page 1
will start to utilize it," he said.

Spencer Traver, assistant treasurer of BFGoodrich Co. in Akron, Ohio, characterized its safe-harbor coverage as "fairly easy to maneuver as part of property insurance policy."

Goodrich's policy, written by INA, does not, however, include coverage if the lessee should go bankrupt.

Both sides in tax credit transactions have shown interest in the safe-harbor insurance because depending on the lease agreement either might have to shoulder the loss if the IRS recaptures the tax credit. For example, as part of an agreement the seller might promise to indemnify the tax credit buyer if the IRS later takes back the benefits.

Many companies active in safe-harbor leasing deals, such as Pittsburgh-based U.S. Steel Corp. and Ford Motor Co. in Dearborn, Mich., have chosen to self-insure instead.

"I did read about this kind of insurance," said one U.S. Steel executive. "And the insurance to cover disallowances by IRS is interesting. But it is our general practice to self-insure."

A Ford spokesman said the automaker, which sold tax credits in the last year, looked at several policies that were being offered, but decided against insurance.

Several factors have provided stumbling blocks to the development of insurance coverage in this area, including the newness of the tax-lease provision and a general lack of understanding of the exposure among both corporate risk managers and the insurance companies themselves.

"I was in Denver last fall when an attorney friend of mine asked me if I knew anyone who was cov-

ering safe-harbor leasing—I thought he was talking about boats," said Arthur A. Blumeyer, president of Tax Lease Management Corp. in St. Louis, which was formed in response to the safe-harbor legislation.

Mr. Blumeyer, who specializes in hard-to-place risks, approached several U.S. insurance companies with the idea of developing some type of coverage to indemnify the possible loss of tax benefits. But no one seemed interested.

He turned to the London market, and his Tax Lease Management Corp. is now the representative for a new policy offered by Lloyd's of London through broker Blackwall-Green Ltd.

Safe-harbor lease coverages fall into two areas—recapture of the benefits due to physical losses, like damage to the leased property, or non-physical losses, like bankruptcy.

However, most companies shy away from offering bankruptcy coverage because of the faltering economy that has sent the number of bankruptcies skyrocketing.

National Union Fire Insurance Co. of Pittsburgh, Pa., an AIG subsidiary, did develop bankruptcy coverage in the form of a safe-harbor bond.

"It would cover the purchaser of the tax credits from a tax benefit loss if the seller went out of business," said Bob Ungerleider, a National Union vp.

But the policy was put on the back burner because of the uncertain future of the safe-harbor law.

"We were just gearing up and starting to quote people on it prior to February when Sen. (Robert) Dole put everybody on notice (that the provision might be repealed)," he said. "We're waiting to analyze the final outcome in Congress, then

we are going to restudy the policy."

No safe-harbor bond policies were ever issued by National Union, he added.

Tax Lease Management's Tax Benefit Indemnity Insurance does include bankruptcy coverage and the company's first policies are expected to be in force this week.

"I would not describe the policy as a total financial guarantee," Mr. Blumeyer said. "In the case of bankruptcy, we would pay the lessor (the purchaser of tax benefits) and then go back in and file a claim for the loss with the lessee (the seller of tax benefits)."

North American Managers, another AIG subsidiary that underwrites for foreign insurers, is writing an Investment Tax Credit Recapture Indemnity policy, which offers protection against a loss of tax benefits when a piece of equipment is destroyed. The policy is being aggressively marketed, according to industry sources.

INA's policy offers a menu of coverages. Options include coverage for loss of benefit from property damage—the only coverage the company is currently writing—and loss of benefit from a non-physical loss resulting from "breach of representation of warranty by the lessee and breach of covenants," said Akos Swierkiewicz, INA's special risk vp.

"In the past few months we have written about a half-dozen policies," he said. "There is not much

competition (from other insurance companies). I have heard of a few companies coming into it, but just a few, except for some strong action from London."

While most policies are purchased by companies that are buying the tax break, Tax Lease Management's coverages are attracting those who are trying to sell their tax credits.

INA also said it had been approached very recently by a company "who was looking for lessors (someone to buy the tax benefits) and was trying to bring the insurance as part of making the deal possible," said Mr. Swierkiewicz.

"More normally, the premiums are paid by the lessor, but we have had very limited experience."

Processing an application for safe-harbor coverage can run as high as \$5,000 due to the massive nature of the leases themselves. Some offer a sliding rate based on the size of the transaction, while others have a flat fee.

"We have tremendous out-of-pocket expenses and there are tax attorneys that have to be involved," Mr. Blumeyer said. "Usually each policy is individually manuscripted to reflect the elements of the lease."

The processing fee is typically deducted from the total premium.

Deductibles on safe-harbor coverages vary from very high to very low depending on the terms of the lease.

Mr. Blumeyer's policy, on the other hand, has no deductible. "It is a total loss policy," he explained.

The cost and the limits of these tax indemnity policies generally

are tied to the specific equipment or property involved in the terms of the lease. The typical final cost of coverage is falling in the range of 3% to 10% of the average termination value of the property or equipment.

The value of the property or equipment plus the value of the tax benefits form the limits on most policies.

"On the property exposure, basically, all you're doing is increasing the value of the property to include the consequences of losing the tax benefit," said Theodore A. McGraw, an account executive for Johnson & Higgins in New York.

"For example, if you bought a tractor for \$100, you would insure it for \$120, \$100 to replace the tractor if it were damaged and \$20 to pay for the tax consequences of losing the benefits you received from owning that equipment."

While interest in safe harbor is expected to increase with the enactment of the tax bill or die without it, there is still a huge untapped market already in place, according to several industry observers.

"It is difficult to predict what will happen in the future until we know which way the legislation will go in Congress," said Mr. Swierkiewicz. "The product may disappear if corporations decide safe-harbor leasing is not attractive."

"But there will continue to be interest in deals that have already been completed. There were some \$33 billion in safe-harbor transactions between Nov. 13, 1981, and Dole's speech (in February 1982). That \$33 billion could be insured." ■

Firms quickly took advantage of law

WASHINGTON—The safe-harbor leasing provision, which was a part of President Reagan's 1981 overhaul of corporate taxation, went into effect last year virtually unquestioned by Congress.

Safe harbor, which short-circuits most conventional leasing deals, basically allowed companies to buy and sell tax credits. It was designed to encourage new investments and greater re-industrialization despite a sluggish economy.

As soon as the provision was approved, corporations across the country jumped in with both feet. By the end of 1981, estimates put the total amount of tax credits transferred by U.S. companies at more than \$20 billion. More recent figures place that transaction level closer to \$33 billion.

"This provision is the kind of thing that enables a company that is not doing well in the market to better compete in that market and to re-equip," said a spokesman for Miami-based Eastern Airlines. "We think that makes sense. It also allows a company who can use the tax benefit to have that benefit."

For example, Eastern was able to buy aircraft in 1981 and then sell the tax benefits tied to its new investment for a net gain of \$29.8 million, he explained.

The company purchasing Eastern's investment tax credits then uses those credits to reduce its taxable income.

Because the safe-harbor leasing provision benefits both financially strong and weak corporations, it soon had a throng of supporters in most industry circles.

But the huge tax savings safe-harbor offered profitable corporations quickly overshadowed the new investments weaker companies were able to make with cash they generated from the sale of those tax credits.

By February 1982, three months after a final congressional amendment really set safe-harbor leasing activity into motion, Senate Finance Chairman Robert Dole, R-Kan., proposed that severe restrictions be put on safe-harbor transac-

tions. And there was talk in both houses of scuttling the provision.

"We had jumped on the bandwagon and were among some of the major lessors doing safe harbor," said Phillip Phillips, leasing administrator of Maryland National Leasing Corp. in Towson, Md. "But we pretty much got out of safe harbor as soon as it appeared the rules of the game were going to change."

Like Maryland National Leasing, many corporations temporarily pulled in the reins on their safe-harbor leasing activity during the congressional debate over safe harbor's future.

The move to push back the liberal leasing arrangement was further fueled by sharp criticism from old-line leasing companies that saw safe-harbor deals eroding the use of more traditional leasing practices.

Both opponents and proponents became locked in combat over the fate of the provision.

Last week, when the political dust had settled, a compromise proposal was issued as a part of the Reagan administration's proposed revenue bill.

While the proposal leaves the structure of safe-harbor leasing agreements intact, it restricts and eventually retires the entire provision.

Despite the restrictions, safe-harbor supporters have reacted positively to the congressional proposal.

"I think the changes take care of the obvious abuses," said Dave Miller, a tax specialist for the National Assn. of Manufacturers, which supported the safe-harbor provision. "And after looking at the changes, I think there will most definitely be continued activity (if Congress approves the proposal)."

"It also liberalized the old leasing rules, which managed to take care of a number of people (who had opposed safe harbor)," he added.

In summary, the proposed measure:

- Bars the use of transferred tax credits to reduce prior years' taxes.
- Restricts companies from using their leasing arrangements to finance more than 45% of their equipment purchases in a single year.
- Limits to 50% the tax reduction a company can secure by purchasing another company's tax credits.
- Requires companies to take the investment tax credit over a five-year period.
- Repeals safe-harbor leasing at the end of 1983.

"I think the measure (if approved) will bring more people in since it carries safe harbor through 1983," said Arthur Blumeyer, president of St. Louis-based Tax Lease Management Corp. "And I think there will be a strong lobby at the end of '83 to see that it continues." ■

Diving most dangerous: Council

WASHINGTON—Deep-sea diving, whether for commercial or scientific purposes, is the most dangerous line of work, the American Council of Life Insurance says.

Uranium mining, because of the risk of radiation exposure, ranks second in a list of the 10 most dangerous occupations with a sizable number of workers, the council says.

Astronauts and high-wire aerialists are not on the list—like many other dangerous, specialized occupations—because there are too few people engaged in those lines of

work.

The other eight most dangerous occupations, according to the council, are oil well and natural gas well firefighters, movie stuntmen, lumbermen and woodchoppers in the Pacific Northwest, thoroughbred jockeys, forest firefighters, offshore rig worker, high-level iron and structural steel workers and construction/demolition explosives handlers.

The council says life insurance premiums are higher for people in these lines of work than almost any others. ■

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BI Insurance Index



Insurance industry stocks rebounded during the period ending Aug. 17, ending three weeks of declines. The *Business Insurance* stock index rose 1.1 points to 164.6 from 163.5. However, losers outnumbered gainers 26 to 24, while 18 issues were unchanged. The leading gains were posted by: Travelers Corp., 17.8%; CIGNA Corp., 13.0%; Alexander & Alexander Services Inc., 12.9%; USF&G Corp., 10.9%; and PennCorp Financial Inc., 10.2%. The largest losses were suffered by: Rollins Burdick Hunter Co., 9.8%; United Services Life Insurance Co., 8.1%; Excelsior Insurance Co., 8.0%; Employers Casualty Co., 7.9%; Crown Life Insurance Co., 6.5%. The 0.7% rise in the *BI* index did not come close to matching the 6.7% rise in the Dow Jones 30 industrials average.

British Issues

17 Aug	Price	P/E	Div.	Yield	1 Week
Companies	pence		pence	%	High-Low
Comm Union	135	14.2	16.86	12.5	135-130
Eagle Star	344	12.3	21.43	6.2	344-330
Genl Accident	278	10.3	23.21	8.3	282-272
Gdn Royal Exch	290	7.3	25.00	8.6	290-280
Phoenix	250	10.0	24.00	9.6	252-246
Royal	368	9.9	36.07	9.8	368-340
Sun Alliance	764	9.6	61.43	8.0	772-750

Brokers	Price	P/E	Div.	Yield	1 Week
	pence		pence	%	High-Low
CE Heath	352	9.6	18.71	5.3	357-352
Hogg Robinson	97	7.5	8.57	8.8	98-95
JH Minet	139	12.6	5.43	3.9	142-139
Sedg Grp	172	11.1	8.57	5.0	172-171
Stenhous Hldg	114	8.9	7.28	6.4	114-111
Stew Wrightson	262	9.4	18.57	7.1	265-257
Willis Faber	502	12.6	21.43	4.3	502-492

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

Insurers' latest results show more deterioration

By MYRON M. PICOULT
Special to Business Insurance

FOR THE MOST part, the second-quarter results released by the property/casualty insurance industry were a little worse than expected by industry analysts.

The difference between expectations and actual results, though, was not as stark as the first-quarter disappointments. This seems to have been a result of the analysts scaling down their hopes. But there were several genuine clinkers, including Chubb Corp., Ohio Casualty Corp. and USF&G Corp.

What we find incredible is the apparent complacency with which the managements of the property/casualty companies seem to be accepting their fate. While they are quick to note the source of their problems—catastrophe losses and/or the competitive pricing environment—few seem to be prepared to take a firm stand to protect the integrity of their books of business.

The 14 companies we survey account for about 40% of the stock property/casualty industry's premium volume. Our review of the second-quarter data shows:

- Written premiums for the three months ended June 30 edged up about 3.3% above last year's second quarter, and earned premiums rose 2.1%. Both of these increases were below the comparable first-quarter gains, which does not bode well for the immediate future.

Strong gains were registered by both American General and GEICO Corp. Excluding these companies, the averages would have produced only a 0.8% increase in writ-

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Mr. Picoult

BI ticker

ten premium for the quarter. Of the companies surveyed, eight posted below-average increases (an average decline of 1.3%), while the remaining six insurers posted an average increase of 9.4%.

- Pretax net investment income from property/casualty operations expanded 12.2%. Once again, this is below the first-quarter gain of 13.4% and underscores the shrinking capacity of investment income to offset underwriting losses.

- The combined ratio (after policyholder dividends) surged to 109.4% from 103.5% in the second quarter of 1981. The expense ratio rose to 32.4% from 31.1%, while the loss ratio jumped to 77.0% from 72.4%.

Seven companies posted combined ratios higher than the average and seven were below the average. Only two companies, American International Group and GEICO, recorded combined ratios of less than 100%. These were the only two companies that also accomplished this feat in the first quarter.

The survey revealed that only Ohio Casualty, SAFECO and The St. Paul Cos. Inc., which recorded better-than-average combined ratios, also posted below-average premium increases for the quarter. SAFECO's volume was down about 1%, while Ohio Casualty's and St. Paul's were virtually flat.

- Some of the most interesting numbers in the second-quarter reports deal with reserve trends. For the second quarter, average incurred losses for the surveyed companies rose 9%, paid claims increased 10.9% and aggregate reserves were 7.8% higher than in the second quarter of 1981. The relationships were about the same in the first quarter, except for a slightly stronger increase in paid claims, in part reflecting the bigger difference in catastrophe loss comparisons.

If pricing is as deficient as most insurance executives claim, then somewhat more conservatism in the establishment of reserves would seem to be prudent.

- Operating earnings from property/casualty divisions declined 14.9%, while consolidated earnings dropped 16.3%

Next week

Business Insurance's semiannual analysis of the performance of the property/casualty insurance industry, including a chart detailing the first-half results for more than 20 major companies, will appear next week in *BI Ticker*.

As we have stated before, logic indicates that premium rates should have started to rise six months ago. We had hoped to see some signs of an upward trend in pricing after the second-quarter results were released. But thus far, there has been no sign of any improvement as high interest rates (despite recent declines), a reticence on the part of company managements to lose market share, their fears of antagonizing agency relationships and the pressures of recession and disinflation are keeping renewal rates no higher than they were a year ago and, in most instance, somewhat lower.

Accordingly, we now believe that the industry's combined ratio for 1982 will average approximately 110.5%, and a further rise to 113.2% is projected for 1983. This will result in an overall 14% decline in profits for the stock property/casualty industry in 1982 and another 9% drop in 1983.

These estimates assume \$1.5 billion in catastrophe losses in 1982 and \$1.1 billion in 1983. Plus, incurred losses are expected to increase 8.6% this year and 7.0% in 1983.

When the current underwriting downturn began in 1979, most industry observers believed that the lessons supposedly learned by the industry in the 1974-75 debacle would preclude these kinds of combined ratios. That theory hasn't worked out too well.

The second theory was that the low return-on-equity figures reached at the bottom of the last cycle would foster common sense to prevail. The jury is still out on that one.

Finally, it was thought in the mid-1970s that cash flow underwriting would never again be permitted to get out of hand. Yet underwriters have gotten, or have been forced to accept, the short end of the stick.

It seems to us that one shoe dropped at the end of the first quarter and the second shoe dropped as the second-quarter figures were being reported. What concerns us is that we may be dealing with a centipede. Hence, we may have to wait for many more shoes to come off before the industry wakes up.

Financial briefs

Frank B. Hall

Frank B. Hall & Co. Inc. has declared a quarterly dividend of 42.5 cents per share of common stock, payable Nov. 5 to shareholders of record Oct. 15.

The St. Paul

The St. Paul Cos. Inc. has declared a regular quarterly dividend of 65 cents per share of common stock, payable Oct. 15 to shareholders of record Sept. 30.

Celina Financial

Celina Financial Corp. says it lost \$1.45 million, or 87 cents per share, in the first half of 1982 and will omit quarterly dividends that would have been paid in September.

The net loss during the first half compares with net income of \$397,000 in the corresponding period of 1981. Revenues increased 7% in the first six months of this year to \$18.5 million from \$17.3 million.

Celina President Don W. Montgomery said the loss in the first half of 1982 resulted from higher claims and adjustment costs from property/casualty and reinsurance subsidiaries and from higher expenses in the company's data processing subsidiary.

BI Industry Stock Report

AUG. 17, 1982 8/11/82 THRU 8/17/82

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 35.00	4.1	5.6	2.52	7.2	35.00	33.13	1,263.1
American Bankers Ins Group	OTC 7.50	0.0	5.6	0.48	6.4	7.50	7.38	47.5
American Gen Ins Co	NYSE 34.25	7.5	4.7	2.20	6.4	34.25	32.00	225.2
American Intl Finl Corp	OTC 13.13	0.0	9.8	1.12	8.5	13.13	12.88	30.9
American Indt Group Inc	OTC 58.75	2.6	9.0	0.48	0.8	58.75	55.75	456.7
American Natl Ins Co	OTC 13.13	2.9	5.6	0.76	5.8	13.13	12.75	19.0
American Sls Life Ins Co	OTC 17.50	-2.8	5.6	0.80	4.6	18.00	17.50	2.4
Aneco Reins Ltd	OTC 2.75	0.0	0.0	0.00	0.0	2.75	2.75	13.8
Avemco Corp	AMEX 10.13	-4.7	6.4	0.54	5.3	10.50	10.13	1.4
Bancorp Iowa Inc	OTC 36.00	0.0	6.8	1.48	4.1	36.50	36.00	3.7
Bitco Corp	OTC 27.50	0.0	4.3	1.92	7.0	27.50	27.50	9.4
Carolina Cas Ins Co	OTC 6.50	0.0	6.4	0.32	4.9	6.50	6.50	0.7
Chubb Corp	OTC 30.50	1.7	4.9	2.92	9.6	30.50	29.75*	115.8
Combined Intl Corp	NYSE 19.13	-1.3	5.5	1.80	9.4	19.13	18.00	183.2
Continental Corp	NYSE 21.25	-3.4	6.4	2.60	12.2	21.88	20.88*	491.2
Crawford & Co	OTC 13.25	0.0	9.7	0.56	4.2	13.25	13.25	6.5
Crown Life Ins Co	OTC 65.00	-6.5	4.8	3.10	4.8	69.50	65.00*	0.3
Cum & Forster	NYSE 23.13	-0.5	4.5	1.76	7.6	23.13	22.00	645.7
Employers Cas Co	OTC 23.25	-7.9	10.3	1.20	5.2	24.00	22.50*	9.8
Equifax Inc	NYSE 34.75	5.7	9.9	2.60	7.5	34.75*	32.63	12.6
Excelsior Ins Co	OTC 11.50	-8.0	29.9	0.70	6.1	12.50	11.50*	2.3
Farmers Group Inc	OTC 31.00	3.8	8.7	1.24	4.0	31.00	30.00	350.5
Foremost Corp Amer	OTC 24.25	-4.0	7.2	1.12	4.6	25.00	24.00*	41.6
Great West Life Assurn Co	OTC 180.00	0.0	6.9	10.00	5.6	180.00	180.00	1.6
Hanover Ins Co	OTC 27.50	-0.9	3.7	0.88	3.2	27.75	27.50	7.7
Hartford Steam Boiler Insptn	OTC 33.50	0.8	6.7	2.80	8.4	33.50	33.00	4.5
Jefferson Natl Life Ins Co	OTC 37.50	-1.3	10.4	0.76	2.0	38.00	37.50	1.7
Kemper Corp	OTC 23.88	-1.0	4.3	1.80	7.5	23.88	23.00*	58.9
Lincoln Natl Corp Ind	NYSE 34.50	-1.4	6.0	3.00	8.7	34.75	34.00*	151.7
Mission Ins Group Inc	NYSE 17.13	-4.9	4.0	0.80	4.7	17.38	16.13*	43.9
Nationwide Corp Ohio	OTC 26.25	0.0	7.5	0.70	2.7	26.25	26.25	1.1
Northwestern Natl Life Ins	OTC 18.75	-3.2	4.1	1.50	8.0	19.38	18.50*	43.4
Ohio Cas Corp	OTC 33.13	6.4	6.1	2.36	7.1	33.13	31.13	160.8
Old Rep Intl Corp	OTC 17.63	-0.7	4.1	0.92	5.2	18.00	17.63	63.0
Preferred Risk Life Ins Co	OTC 17.50	0.0	4.9	0.92	5.3	17.50	17.50	0.1
Provident Life & Acc Ins Co	OTC 34.50	-5.5	4.9	2.44	7.1	35.00	34.50*	42.8
Ryan Ins Group Inc	OTC 33.00	0.8	13.3	0.16	0.5	33.00*	33.00	5.8
St Paul Cos Inc	OTC 39.50	1.9	5.2	2.60	6.6	39.50	38.50	451.0
Safe Corp	OTC 31.13	2.9	5.8	2.20	7.1	31.13	29.88*	238.9
Sri Corp	OTC 18.75	-1.3	4.2	1.12	6.0	19.00	18.75	11.8
Seibels Bruce Group Inc	OTC 20.13	-0.6	11.8	0.80	4.0	20.25	20.13	48.4
Statesman Group Inc	OTC 5.25	7.7	4.8	0.15	2.9	5.25	5.00	14.6
Tokio Marine & Fire Ins Co	OTC 74.75	-4.6	6.0	1.00	1.3	77.25	74.75*	41.5
Travelers Corp	NYSE 19.88	17.8	5.2	1.64	8.3	19.88	17.25	915.9

AUG. 17, 1982 8/11/82 THRU 8/17/82

		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
United Fire & Cas Co	OTC	28.50	0.0	7.4	0.88	3.1	28.50	28.50	0.0
United States Fid & Gty Co	NYSE	35.75	10.9	7.6	3.60	10.1	35.75	32.13	127.0
United Svcs Life Ins Co	OTC	11.38	-8.1	4.2	1.00	8.8	12.13	11.13*	33.7
USlife Corp	NYSE	15.75	-1.6	3.3	0.84	5.3	15.75	15.38	212.6
Washington Natl Corp	NYSE	17.50	4.5	8.4	1.08	6.2	17.50	17.00	71.6
Zenith Natl Ins Corp	OTC	12.75	4.1	5.9	0.76	6.0	12.75	12.00*	33.5
				=====					
INSURANCE COMPANIES	AVERAGE			6.1		5.5			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	23.00	12.9	7.9	1.94	8.4	23.00	21.25	183.6
Baldwin & Lyons Inc	OTC	34.50	0.0	6.0	0.80	2.3	34.50	34.50	1.1
Corroon & Black Corp	NYSE	20.13	-0.6	9.9	1.76	8.7	20.25	20.13	10.8
Crump E H Cos Inc	OTC	8.63	0.0	16.0	0.40	4.6	8.63	8.63	6.6
Emett & Chandler Cos Inc	OTC	8.50	0.0	12.7	0.00	0.0	8.50	8.50	10.3
Hall Frank B & Co Inc	NYSE	26.00	-3.7	10.1	1.70	6.5	27.13	26.00	136.8
Integrated Res Inc	AMEX	15.50	6.9	5.2	0.00	0.0	15.50	14.38	41.1
James Fred S & Co Inc	NYSE	22.25	1.1	10.9	1.60	7.2	22.38	22.00	24.4
Marsh & McLennan Cos Inc	NYSE	30.50	-1.6	9.2	2.20	7.2	30.63	30.00	100.9
PennCorp Fincl Inc	NYSE	8.13	10.2	5.7	0.16	2.0	8.13	7.38	177.5
Poe & Assoc Inc	OTC	9.00	0.0	10.2	0.80	8.9	9.00	9.00	0.2
Reed Stenhouse Cos Ltd	OTC	11.00	0.0	9.5	0.60	5.5	11.00	10.75	23.1
Rollins Burdick Hunter Co	OTC	13.75	-9.8	9.8	1.32	9.6	15.25	13.75*	73.4
				=====		=====			
AGENTS/BROKERS	AVERAGE			8.4		5.8			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	40.50	13.3	7.1	2.20	5.4	40.50	35.63*	1,083.7
Anderson Clayton(Ranger/PanAm)	NYSE	22.50	-3.7	5.0	1.32	5.9	23.00	20.38*	83.3
Arco Inc	NYSE	16.50	4.8	6.5	1.20	7.3	16.50	15.63	290.3
City Investing Co. (Home Ins.)	NYSE	18.88	13.5	5.8	1.70	9.0	18.88	17.00	338.4
CNA Finl Corp (CNA)	NYSE	12.88	-2.8	5.4	0.00	0.0	13.25	12.63	17.5
Control Data (Comm. Credit)	NYSE	24.88	17.1	5.9	0.55	2.2	24.88	21.50	686.4
General Re Corp	NYSE	38.50	3.0	8.8	1.08	2.8	38.50	35.50	396.6
Gulf Utd Corp	NYSE	19.25	0.0	6.8	1.32	6.9	19.25	19.13	49.6
Cigna Corp	NYSE	36.88	13.0	5.2	2.30	6.2	36.88	34.00	431.2
ITT (Hartford Group)	NYSE	25.38	9.7	5.8	2.68	10.6	25.38	23.00	830.6
Optimum Hldg Corp	OTC	8.50	0.0	6.7	0.00	0.0	8.50	8.50	24.4
Sears Roebuck & Co. (Allstate)	NYSE	20.25	11.0	9.5	1.36	6.7	20.25	18.13	2,316.1
Baldwin Utd Corp	NYSE	24.25	-7.2	5.1	0.88	3.6	24.75	20.63*	707.9
Teledyne Inc (Argonaut)	NYSE	80.25	0.3	4.6	0.00	0.0	80.25	71.38*	1,216.4
Transamerica Corp (Occidental)	NYSE	17.50	4.5	5.3	1.40	8.0	17.50	16.63	212.2
				=====		=====			
CONGLOMERATES/HOLDING COS.	AVERAGE			5.8		4.4			

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