

business insurance

update:
U.K. market covers most of plane loss

LONDON—U.K. insurers will be responsible for 77% of the \$45 million hull coverage of the Saudi Arabian Airlines L1011 jet that burst into flames after an emergency landing in Riyadh, killing all 301 persons aboard.

A portion of the remaining 23% of the hull coverage is insured in the United States.
Continued on next page

The national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$25 a year
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Waste liability spills forth

By STUART EMMRICH

NEW YORK—Waste liability. For 700,000 companies in the U.S. and their insurers, it is becoming as controversial an issue in the 1980s as product liability was in the 1970s.

Manufacturers that have concentrated efforts on product safety after being slapped hard last decade with the liability for harmful products are now being forced to look closely at the safety of the manufacturing process, too.

They are being told through civil court proceedings and government regulations that they are liable for damages caused by the waste produced by their factories as they are for damages caused by their goods.

For manufacturers, new government regulations on the handling of the 57 million metric tons of hazardous waste materials produced annually could cost billions of dollars. And they may need new insurance coverage.

For insurers, the shift in emphasis to waste safety means a chance to sell a new product: insurance against nonsudden pollution. But it also means undefined liability

Source: EPA Chart: Toby Roberts

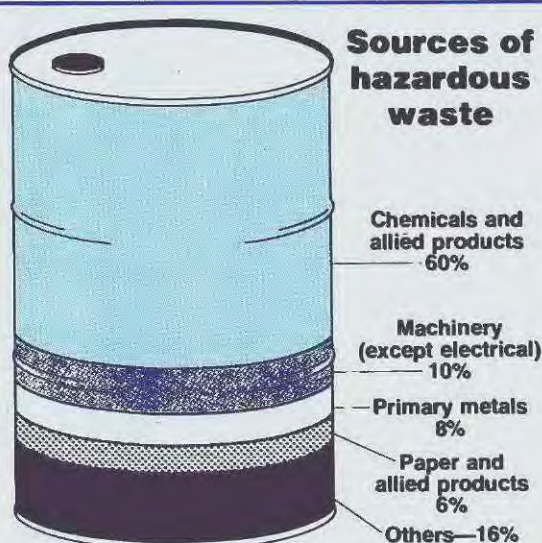


Photo: Mary Cairns

More stories on Page 58.

- First case tests new policy.
- Consultants assess the risk.
- Exxon Chemical sets own rules.

for cleanup of old dumps under decade-old liability policies.

Three factors in the last year have brought the new issue of waste liability to the fore:

- Publicity over the hazardous

waste disaster in Love Canal and the billion dollars in claims filed against Hooker Chemical Co. over the pollution of this small Upstate New York community.

- Action expected by the En-

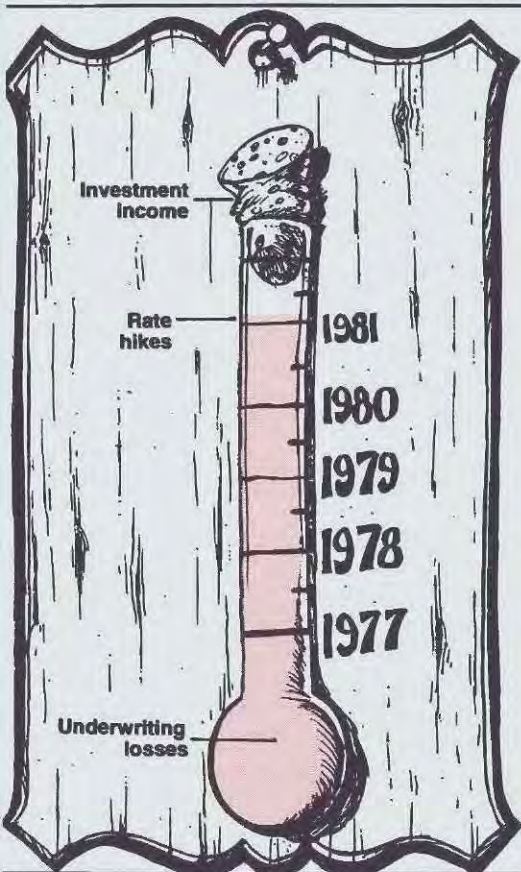
vironmental Protection Agency this fall to require manufacturers and their waste handlers to purchase for the first time nonsudden pollution insurance.

- Bills being debated in Con-

gress to require an industry-paid superfund to clean up the estimated 1,200 abandoned waste dumps around the country.

Insurance companies have re-

Continued on page 59



Market reading

Hungry for cash and fighting to maintain their market shares, insurers are still slashing insurance prices. Strong investment income is holding back rate increases, but the underwriting losses are mounting. The cork on rate increases can't hold forever.

Most industry watchers expect cutthroat competition to ease by mid-1981.

Less competition spells an impending end to bargain days for commercial insurance buyers. A *Business Insurance* spotlight report tests the commercial insurance market temperature for 1981:
Pages 15-41.

IRS rules attack tax shelter trusts

By JERRY GEISEL

WASHINGTON—The growing use of tax shelters to fund employee benefits could be stunted.

Newly proposed IRS regulations that give employees a larger voice in control of 501(c)(9) trusts could make the popular plans unworkable, says Jim Geld, managing consultant of William M. Mercer in Columbus, Ohio.

Losing the 501(c)(9) funding option could increase the cost of benefit plans for thousands of employers using the trusts.

A 501(c)(9) trust, named for the section of the tax code authorizing them, allows an employer to self-fund employee benefit plans with the following unique tax advantages:

- The employer gets a tax deduction for contributions to the trust.
- The trust assets and the interest earned aren't taxed.

Employers are using the trusts primarily to fund long-term disability benefits.

The number of 501(c)(9) trusts has

zoomed in the last 10 years as employers discovered the cost-saving advantages. At the end of last year, there were 7,100 trusts, according to the IRS.

Consultants say the new regulations could cause such administrative chaos that the plans could not be used.

Now plans established by employers usually have a bank as a trustee, a bank or insurance company as investment manager of plan assets and an insurance company or third party as administrator for handling claims and benefit payments.

The new IRS regulations, published in the July 17 Federal Register, will force employers to give their employees a major voice in setting up, operating and maintaining the plans.

An employer with multistate operations and employees represented by dozens of unions would be faced with the overwhelming problem of setting up one organization to represent all the unions in the trust.

"How do you get from these multistate, multiunion situations one or two represen-

Continued on page 65

NEWSPAPER

INSIDE:

\$3.69 billion pledged to workplace safety
Page 3



Putting class into benefits
Page 50

update:

London insures jet crash

Continued from previous page
States, brokered by Marsh & McLennan.

Initial speculation was that the crash would be the costliest of the year for the London Market. Passenger claims could total \$5 million.

Hines to take Ryan presidency

CHICAGO—Harold H. Hines, the 55-year-old vice chairman of Marsh & McLennan who earlier this month announced his departure from M&M, will become the president and chief operating officer of Ryan Insurance Group Inc. in Chicago Oct. 1.

He takes over the president's reins from Patrick Ryan, who continues as chairman and chief executive of the insurance brokerage and underwriting group.

"It's a new post to further develop a fast-growing enterprise," Mr. Hines told *Business Insurance*.

Ryan Insurance Agency Group, the brokerage unit of Ryan, popped onto the *BI* top 20 list of commercial U.S. agents and brokers in 1978 in the 19th spot for 1977 results. This year it climbed to the 16th largest brokerage unit with gross revenues of \$17.3 million in 1979. Total corporate revenues in 1979 were \$206.4 million.

Mr. Hines says he is leaving M&M because it has been too difficult to hold a high-ranking post with the company, headquartered in New York, while he lives in Chicago. In January, Mr. Hines was named vice chairman of M&M after holding the president's post for two years. Mr. Hines refuses to move from the Chicago area.

Suit seeks fund interest

CHICAGO—Administrators of the pension fund for International Longshoremen's Local 1969 of Portage, Ind., have filed suit in federal court here asking that the State Mutual Life Assurance Co. be forced to pay interest on some \$725,000 in union pension fund assets it controlled for more than two years.

State Mutual had custody of the funds while negotiating a contract with the union's pension trustees for investment of the assets and for other services, said Hugh J. McCarthy, a Chicago attorney representing the pension fund.

Negotiations began in early 1977, but the two sides never reached an agreement, Mr. McCarthy said. This April the longshoremen asked State Mutual to return the funds so they could turn them over to a company that promised 13.6% interest. The assets were returned in June but without any interest, he said.

Lloyd's to pay computer claim

LONDON—Lloyd's of London and Commonwealth Leasing Corp. of Fort Lauderdale, Fla., have reached agreement on a settlement of close to \$10 million in computer leasing contract claims.

The settlement is one in a series of claims payments on computer lease policies ultimately expected to cost Lloyd's \$340 million.

Lloyd's syndicates had underwritten extensive coverage for computer leasing firms against cancellation of those contracts. Lloyd's has been hit with multimillion-dollar claims after computer users broke leases to get more advanced equipment.

Retro plans must be filed

AUSTIN, Tex.—Insurers and agents writing paid-loss retrospectively rated and other cashflow plans in Texas without filing them with the state are "subjecting themselves to possible disciplinary action," the state board of insurance has ruled.

None of these plans has been filed with or approved by the insurance department as state law requires, says a bulletin issued by the department last Friday. But it appears doubtful that even after being filed that the state will rule the plans are legal.

Man sues ChicagoFest, city

CHICAGO—The city's special insurance package for its ChicagoFest will be tested by a 23-year-old man who has filed a \$750,000 injury suit.

Rick Bousquet of Hinsdale has named the city public building commission and Festivals Inc., fest operator, as defendants.

Mr. Bousquet says the defendants are liable for creating the overcrowded conditions at ChicagoFest Aug. 5, when he fell down a flight of stairs and broke his hip. The fest along the lakefront ran from Aug. 1-17.

The city and Festivals Inc. are covered for \$10 million in liability by a special liability package placed by minority brokers with U.S. Fidelity & Guaranty Corp. and Fireman's Fund Insurance Cos.

index

Action line	53	Property/Liability	15
Around the states	56	Speaking out	38
Benefit beat	4	Washington	54
BI ticker	67	Worldwide	43
Classifieds	64	Vol. 14, No. 34— <i>Business Insurance</i> (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to <i>Business Insurance</i> , circulation department, 740 Rush St., Chicago, Ill., 60611. Copyright 1980 by Crain Communications Inc.	
Comings & goings: buyers	42		
Comings & goings: industry	44		
Datebook	51		
Editorial opinions	8		
Growing pains	41		
Info	49		
Letters	8		
London line	47		
Markets	52		
Perspectives	37		
Products & services	48		

Captive plays catalyst in Republic-broker link

By RHONDA L. RUNDLE

CLEVELAND—Republic Steel Corp.'s Bermuda-based captive insurance subsidiary is the matchmaker in a joint venture between London broker Hogg Robinson and the fifth-ranked U.S. steel manufacturer.

The partnership to acquire brokerages in North America evolved slowly out of routine talks with Hogg Robinson about the insurance needs of Kingsley International Insurance Co. Ltd., Republic's captive, said Joseph Cline, vp and corporate risk manager.

Although Republic also works with U.S. brokers to place risks in the London market, its ownership of an insurance company brings it into direct, regular contact with Lloyd's of London brokers.

Details of the two-week-old partnership are being hammered out in planning sessions in London and Cleveland, said Mr. Cline, who declined to discuss the investment dollars and pounds involved.

Christened Republic Hogg Robinson, the venture is a new development, but the steelmaker's desire to diversify into insurance operations is at least a couple years old.

Republic came close to acquiring a small property/casualty insurance company more than a year ago, but the deal fell through, *Business Insurance* learned.

The steelmaker also has been exploring the possibility of expanding underwriting of Kingsley International to include more third-party risks, an industry source said. The captive currently writes a very small amount of outside business, Mr. Cline reported.

The insurance industry is highly attractive as an investment for Republic because performance peaks and valleys run countercyclical to those of manufacturers, including steel companies, analysts explain.

Because Hogg Robinson manages underwriting groups, there is some speculation about a new role for the firm at Kingsley International, perhaps through Hogg Robinson's Bermuda arm, International Insurance Services (Bermuda) Ltd. Kingsley International has been managed by Alexander & Alexander International Ltd. since its formation in March 1977.

Although Republic's arrangement with Hogg Robinson is highly unusual, the steelmaker is not the first to forge links with the insurance industry. More than a decade ago, Armco Inc. began accepting third-party risks into its captive, Armco Insurance Group.

Continued on page 62



Republic Steel Co. has wanted to forge links with the insurance industry for several years.

PBGC director says

Pension liabilities to stick

By JERRY GEISEL

WASHINGTON—Robert Nagle is warning employers they can't escape their multiemployer pension plan liabilities.

Congress will break the impasse that has left the Pension Benefit Guaranty Corp. liable since Aug. 1 for billions of dollars of unfunded liabilities in the nation's 1,800 multiemployer pension plans, Mr. Nagle says.

He is the fourth executive director of the PBGC, which guarantees workers' pensions and is on the hot seat now for the liabilities of multiemployer plans.

When Congress breaks the impasse, the new bill will be retroactive to ensure that employers that withdraw between Aug. 1 and the enactment of the new law will not escape liability, Mr. Nagle predicts.

In an interview with *Business Insurance*, Mr. Nagle, who is completing his first year as the PBGC's executive director, discussed many pension issues:

- Multiemployer pension plans are not "dinosaurs" doomed to wither away, as some pension experts say, Mr. Nagle countered. "They serve a worthwhile function to aid employers in competitive industries to equalize benefit costs."

- Although the recession has not caused a surge in pension plan terminations, the PBGC is trying

to determine if it needs to hike the termination insurance premium for single-employer plans next year. The premium now is \$2.60 per participant.

- The PBGC would not be overwhelmed by a Chrysler-type pension termination, but a sharp increase in premiums would be needed to boost revenues for the insurance program.

- The most pressing pension problems this decade will be the impact of inflation on pension benefits and extending pension

coverage to more people.

- ERISA initially caused employers some paperwork and compliance problems, but the pension reform law ultimately has been a step toward preserving the private pension plan system.

PBGC's new and awesome liability for guaranteeing multiemployer pension benefits is Mr. Nagle's chief concern now.

Through an earlier law the PBGC became liable Aug. 1 for the pension benefits promised participants in

Continued on page 66

Opening up of NYIE looks almost certain

NEW YORK—The opening of the New York Insurance Exchange to direct out-of-state surplus lines risks is almost guaranteed.

The exchange governors were expected to call for the change Friday as offered by New York insurance superintendent Albert B. Lewis.

However, he is not sure yet if he can make the change by regulation or if it will require state legislation.

Opening the exchange to direct business from the 49 other states is a compromise to settle the debate over access of direct domestic risks to the exchange, sources say.

The debate on the requirement that direct business

Continued on page 65

Bermuda captive to copy CIRCL on smaller scale

By KATHRYN J. McINTYRE

HAMILTON, Bermuda—A clone of the group reinsurance captive corporate Insurance & Reinsurance Co. Ltd. is incubating here, but it will be about half the size of the original.

Five U.S. companies using captive insurers to underwrite casualty risks are hoping to start a new reinsurance captive Dec. 15 patterned after CIRCL.

The only difference from the original CIRCL plan will be its scale: lower financial eligibility requirements for members, lower premium volume and probably

lower limits of coverage.

"A number of companies approached CIRCL in the early stages but didn't join because of the size of the participants," said Duane Allen, assistant treasurer at Hanna Mining Co. of Cleveland.

Hanna Mining is an original member of CIRCL and is one of the five companies that each put up \$5,000 to study the feasibility of what is sure to be affectionately called CIRCL II. Hanna Mining is interested in the new captive reinsurer to reinsure risks of subsidiaries not insured through the current CIRCL program.

Continued on page 62

Hospitals organize group property plan

By JOHN MAES

CHICAGO—Competition among insurers is helping the American Hospital Assn. create a group property insurance program for 7,000 hospitals across the U.S.

The AHA has been considering the program for about seven years, said risk manager James Groves. "The competition lends itself to doing it now as opposed to doing it in a hard market," he said.

Broker Corroon & Black is shopping the markets for underwriters on the program which has a potential premium volume of \$100 million a year based on figures gathered two years ago. That figure could be even higher now with inflation driving up property values, Mr. Groves said.

The program will not only create access to a market tailoring its insurance to the health care industry.

Continued on page 61

Safety: Employer programs cost \$3.69 billion

By JOHN MAES

CHICAGO—U.S. industry this year will spend 28% more than last year to prevent sickness and accidents among its workers.

A study by the McGraw-Hill Co. economics department shows \$3.69 billion will be spent on employe health and safety, the highest amount since 1972, when the data was first collected.

Almost all industries, with the exception of the financially strapped rubber industry, will increase safety expenditures. Safety programs resulting from collective bargaining and compliance with Occupational Safety and Health Administration regulations have forced the increased spending, according to labor and industry observers.

The study shows the manufacturing sector will spend \$2.4 billion of the \$3.69 billion paid out this year. The nonmanufacturing industries, which include mining, railroads, airlines and utilities, will make up the remaining \$1.2 billion.

Last year, \$2.8 billion was spent industrywide, \$1.7 billion by manufacturers and more than \$1 billion by nonmanufacturing industries.

Among manufacturers, makers of durable goods will spend \$1.4 billion this year, a 44% increase over the \$983 million spent last year.

Continued on page 66



Plans for investment in employe safety and health

(millions of dollars)

Industry	Actual 1979	Planned 1980	% Change 1979-80
Iron & Steel	\$ 55	\$ 60	10%
Nonferrous Metals	63	87	39
Electrical Machinery	108	161	49
Machinery	160	171	7
Autos, Trucks & Parts	225	463	106
Aerospace	62	87	40
Fabricated Metals & Instruments	143	165	15
Stone, Clay & Glass	27	36	33
Other Durables	142	189	33
Total Durables	983	1,419	44
Chemicals	279	313	14
Paper	60	66	10
Rubber	39	28	-29
Petroleum	150	363	142
Food & Beverages	97	113	17
Textiles	81	99	22
Other Nondurables	105	61	-42
Total nondurables	811	1,048	29
All manufacturing	1,795	2,467	37

Transit coverage survives blaze

By CAROL G. BLITZER

SAN FRANCISCO—The Bay Area Rapid Transit District's insurance program has survived the 1979 transbay tube fire, but it costs more now.

Property insurance premiums have more than doubled and some liability claims are not settled after a year and a half, but the insurance program is intact, its broker says.

"Usually when a loss is that big, the market runs. But we didn't have anyone who ran," said Robert C. Nevins, senior partner in Dinner Levison Co. of San Francisco, broker for the system.

Fire-related property claims totaled \$6.3 million and more than 100 liability claims were filed.

The fire in January 1979 killed a firefighter and injured 46 other persons. BART since has beefed up its safety program (see story below).

Most of the 67 passenger liability claims have been settled, said Gary Perusse, BART risk manager. He would not reveal dollar amounts because of ongoing negotiations.

But BART has refused to settle any of the 28 lawsuits filed by firefighters or six claims brought by the dead firefighter's family. BART says the "firefighter's rule" should apply. It prohibits recovery of damages for job-related injury or death.

Continued on page 65



Photo: Aricraft

As a result of a 1979 fire in BART's transbay tube, right, all car cushions have been replaced with low-smoke neoprene material, above. The fire killed one person and injured 46.



Photo: Wide World

Modifications speed safety

SAN FRANCISCO—A new era of cooperation in safety is dawning between the Bay Area Rapid Transit District and the San Francisco Fire Department following last year's transbay tube fire.

"I believe BART has made sufficient changes to take care of the problems that existed the night of the transbay tube fire," said San Francisco fire chief Andrew Casper.

As part of its beefed-up safety program, BART is spending \$4.3 million to replace all seat cushions with low-smoke neoprene. The cushion material, made by DuPont and tested by McDonnell Douglas, is considered the best of 100 types on the market, reports E.P. Nunes, BART safety supervisor. The seats are to be replaced by Oct. 10.

BART also has contracted with the University of California to test materials for fireproofing of the cars, Mr. Nunes said. Testing also will be done by Mc-

Donnell Douglas.

Fire chief Casper is optimistic about the changes in the cars because his department has been involved in the planning.

"Our recommendations are going to be extreme," he admitted. "But we always start from there and work things out. We're learning, too. It's a two-way street."

Mr. Casper notes that BART also has improved its ventilation system and installed safety guards to prevent passengers from accidentally touching the 1,000-volt third rail.

Other safety modifications since the fire include additional telephone communications facilities and new brightly painted signs pointing to the nearest exits in the underground terminals. Preliminary designs are completed for a radio communications network, but BART is awaiting funding by the Urban Mass

Transit Authority, Mr. Nunes says.

The lack of such an emergency communications system is still a major safety deficiency, Mr. Casper says. He also has recommended installation of a sprinkler system, but believes an appropriate alternative may be to replace the floors of the cars with a fire-resistant material.

Before the tube was reopened after the fire, BART had to meet conditions set by the public utilities commission and the fire department. These included ensuring the structural integrity of the tube, providing new four-hour breathing equipment (to replace the old 30-minute oxygen masks), providing emergency vehicles and communications facilities and solving a problem in the gallery doors.

BART also was required to recognize the fire chief in whose jurisdiction a fire occurs as the "incident commander."

—Carol G. Blitzer

Dayton Hudson self-insures dental plan

ABOUT 15,000 employees of Minneapolis-based Dayton Hudson Corp., Dayton's, Target, B. Dalton Bookseller and Dayton Hudson Jewelers are now covered by a dental plan implemented earlier this month.

The self-insured plan, administered by Bankers Life Co., is designed to encourage preventive care while controlling company expenditures. Benefits are predetermined before care is administered and a direct claims filing system will streamline processing, the company says.

Benefits are split into basic coverage and major coverage. Basic care covers reasonable and customary charges for diagnostic, preventive and routine restorative work such as fillings and extractions and is 70% covered after a

benefit beat

lifetime \$50 deductible.

Major care includes endodontics, periodontics and prosthodontics and covers 50% of expenses after a \$50 annual deductible. The maximum annual benefit applicable to both categories is \$500. Orthodontics are excluded.

Employees pay about 25% of the premium: \$1.40 a month for individual coverage, \$2.80 to cover two persons and \$4.45 for family coverage. The contribution varies by company.

The total cost to the employer cannot be determined yet because the lifetime deductible will keep claims costs down the first year, said Paula Roe, benefits consul-

tant at Dayton Hudson.

Higher pensions

Chase Manhattan Bank in New York is increasing the pensions of workers who retired in 1979 or before. Benefits increases will range from 4% to 19%, depending on the date of a retiree's initial pension payment.

The cost of the benefit improvement will be \$750,000 for the rest of this year and \$1.5 million for 1981, the bank estimates.

Full premiums

Westinghouse Corp. has agreed

to pay the full \$25 million premium on a dental plan for 110,000 employees and their dependents.

Under terms of a new three-year contract effective Aug. 1, Westinghouse will provide dental benefits for all U.S. employees with a least one year of service.

The dental insurance, which carries no deductible, is written by The Equitable Life Assurance Society. Claims will be handled through its office in Pittsburgh.

HMO targeting

A Boston-area HMO will be peddling the HMO idea to benefit managers more than employees in the future.

"How the benefit administrator represents an HMO to employees is more important than the efforts of

its marketing staff," said Robert Lurie, vp of the 940-member Harvard Community Health Plan in Boston.

"Benefit administrators in more than half the cases set member expectations. These are important: far as member satisfaction is concerned," Mr. Lurie said.

Instead of telling benefit administrators what information forms the HMO needs to market to employees, the HMO will try to serve the benefit department. "We want to try to create efficiency for employee benefit administrator. We want to look at how we can help them process claims forms."

Center to open

The PruCare health maintenance organization, a subsidiary of the Prudential Insurance Co., will open its doors in September in Nashville.

The HMO will be operated in conjunction with the Miller Medical Group and initially will serve only employees of participating businesses. It is the first HMO to be licensed by the state of Tennessee.

Dakota HMO

North Dakota's second health maintenance organization is expected to be operating in the Bismarck area by late 1981 or early 1982.

Area employers have shown high interest in the plan, now nearing final development, said Dennis Edmonds, executive director of Dakota Community Health Plan. The West River Health Maintenance Organization in Hettinger is the only HMO currently operating in the state.

An HMO also is being planned for Rugby and groups are considering similar plans for Minot and Fargo, Mr. Edmonds said.

Federal contract

The federal government should terminate an HMO contract with Blue Cross/Blue Shield that covers federal employees, Rep. Gladys Spellman (D-Md.) says.

The chairman of the House compensation and employment benefits subcommittee says the contract, which expires Dec. 31, should be terminated at the end of the year because BC/BS has violated contract terms.

Alleged BC/BS contract violations include utilizing HMOs that have failed to receive qualifications and not hiring enough medical specialists at the HMOs, said an aide to Rep. Spellman.

About 7,200 federal employees subscribe to 14 HMOs sponsored by various BC/BS plans.

BC/BS officials declined to comment on Rep. Spellman's charges but a spokesman said the Blues are confident the federal program will be continued.

The Office of Personnel Management wants to extend the program for at least another year.

"If we decide not to continue the network, this one-year extension will permit network plans and their members to make other arrangements for participation in the program for 1982," associate director Gary Nelson told a congressional panel.

If the HMO network program is terminated, federal employees could opt for coverage with other private insurers or join a conventional BC/BS plan at rates comparable to what they now pay.

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

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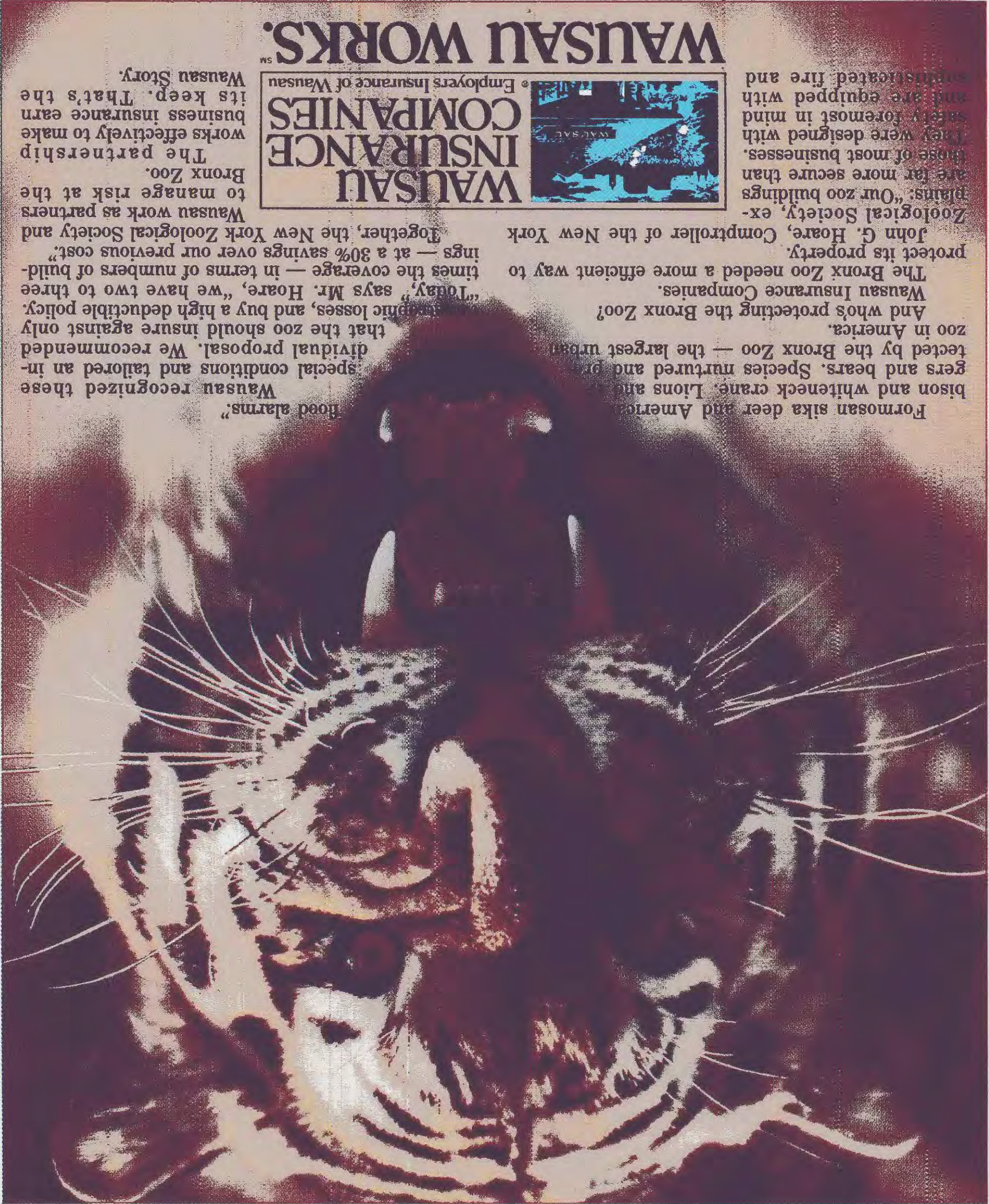
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How the Bronx Zoo tamed an insurance problem by teaming up with Wausau.



Formosan sika deer and American bison and whiteneck crane, Lions and tigers and bears. Species nurtured and protected by the Bronx Zoo — the largest urban zoo in America.

And who's protecting the Bronx Zoo? Wausau Insurance Companies.

The Bronx Zoo needed a more efficient way to protect its property.

John G. Hoare, Comptroller of the New York Zoological Society, explains: "Our zoo buildings are far more secure than those of most businesses. They were designed with safety foremost in mind and are equipped with sophisticated fire and

WAUSAU WORKS.

WAUSAU INSURANCE COMPANIES

Employers Insurance of Wausau

Wausau recognized these special conditions and tailored an individual proposal. We recommended that the zoo should insure against only epidemic losses, and buy a high deductible policy.

"Today," says Mr. Hoare, "we have two to three times the coverage — in terms of numbers of buildings — at a 30% savings over our previous cost."

Together, the New York Zoological Society and Wausau work as partners to manage risk at the Bronx Zoo.

The partnership works effectively to make business insurance earn its keep. That's the Wausau Story.

Bond scheme could be nationwide

By MARY ANN MATLOCK

PHILADELPHIA—Indictments have been issued here in the sales of phony performance bonds that could be part of a nationwide scheme to defraud contractors, a U.S. attorney says.

Earlier this month, six men who either ran, owned or were employed by Casualty & Indemnity Co. in Philadelphia were indicted by a federal grand jury here on charges of issuing \$25 million in phony bonds and loan guarantees. They claimed to represent C&I and General Insurance Co. Inc., according to charges.

The indictment charges the six with 22 counts of selling phony performance bonds to contractors in at least five states.

It is unclear from the indict-

ment, however, how many contractors accepted the bonds. U.S. attorney Peter Vaira thinks the scheme could be nationwide.

Before this indictment, General Insurance Co. of America, a unit of Seattle-based SAFECO Corp., warned contractors not to purchase bonds from representatives using the General Insurance name with the initials S.N. or N.A. following.

"We are afraid there are instances of people accepting bonds that are no good," said Dennis Spickard, vp and manager of the SAFECO surety department. "There may be subcontractors holding bonds not worth the paper they were written on."

For example, Sam P. Wallace Co. Inc. of Dallas was notified that a

bond would be issued, said Mr. Spickard. However, before the firm accepted the bond, SAFECO was called and the fraudulent deal ended.

SAFECO learned of the scheme July 24 when calls to its Philadelphia office questioned the legitimacy of bonding for securities issued by the Angina Corp.

Spickard said potential buyers were notified of the scheme. SAFECO also called insurance commissioners in New York, New Jersey and Pennsylvania, where the fraud started.

SAFECO also placed advertisements in the New York Times, Wall Street Journal and Philadelphia Inquirer warning of the misuse of the General name and affiliation.

"The matter is causing us a great

deal of concern," Mr. Spickard said. "It disrupts how business is done, which is having faith in the other person."

"Part of the problem is that unlike normal insurance policies, which are printed by carriers, the bond business differs. A form is prepared by the prime contractor and owner and the surety either stamps or types in the name of the bonding company."

Named in the indictment are: Seymour Pollack of New York; John V. Geopfert of Wall Township, N.J.; Thomas E. Scott of Banner Elk, N.C.; Alex Feinman of Moorestown, N.J.; Lawrence Rush of Port Washington, N.Y., and Mark Snyder of Cherry Hill, N.J.

Mr. Feinman and Mr. Snyder also are awaiting trial in New Jer-

sey on charges they used similarly fraudulent tactics under the name Somerset Insurance Co. of Cherry Hill (BI, May 3).

In another matter, Mr. Pollack has been identified as issuing a \$500,000 bond to help debtor F. Anthony Hamilton regain possession of autos repossessed by Crocker National Bank in San Francisco.

The bank had loaned \$900,000 to Mr. Hamilton, who was spending his weekends in jail according to the Wall Street Journal.

The bond, allegedly sold to Mr. Hamilton by Mr. Pollack for \$6,000, was not accepted by the bank as a means for Mr. Hamilton to regain possession of autos that he bought with the original money loaned by Crocker National.

AT&T Co. to hike pensions

NEW YORK—American Telephone & Telegraph Co. is establishing two new pension plans that increase benefits for hourly and salaried workers.

Corporate officials said benefits will increase for most workers who retired after Aug. 10 this year. No benefits will be cut.

The move will allow the company greater flexibility in transferring employees to different plants by reducing the paperwork required to shift workers from one pension plan to another, AT&T said.

Workers do not lose vesting when changing plans.

The move is part of a larger corporate restructuring at AT&T, said chief financial officer William S. Cashel Jr. "As the business restructures, there is likely to be an increase in employee transfers within the system."

The general increase in benefits under the new pension formulas will make it easier for retirees to cope with inflation and will lay the groundwork for future benefit improvements, the company said.

The move will change the pension formulas of the 33 separate plans with \$28 billion in assets and streamline them into two uniform systems, said Virginia Swanstrom, manager of benefits administration. Currently, AT&T's 700,000 hourly and 300,000 salaried employees accumulate benefits through a formula based on a percentage of their highest five-year average salary.

The new formula will place hourly workers in job classifications to which a pension value will be assigned, Ms. Swanstrom said. At retirement, benefits will be paid according to the value of the job class and length of service.

The formula for the salaried employees has not been determined but it will be different. "The unit value lends itself better to the collective bargaining plan," she said.

The new system will not increase benefits for the 178,000 current AT&T retirees, but the company is reviewing those workers' plans, Ms. Swanstrom said.

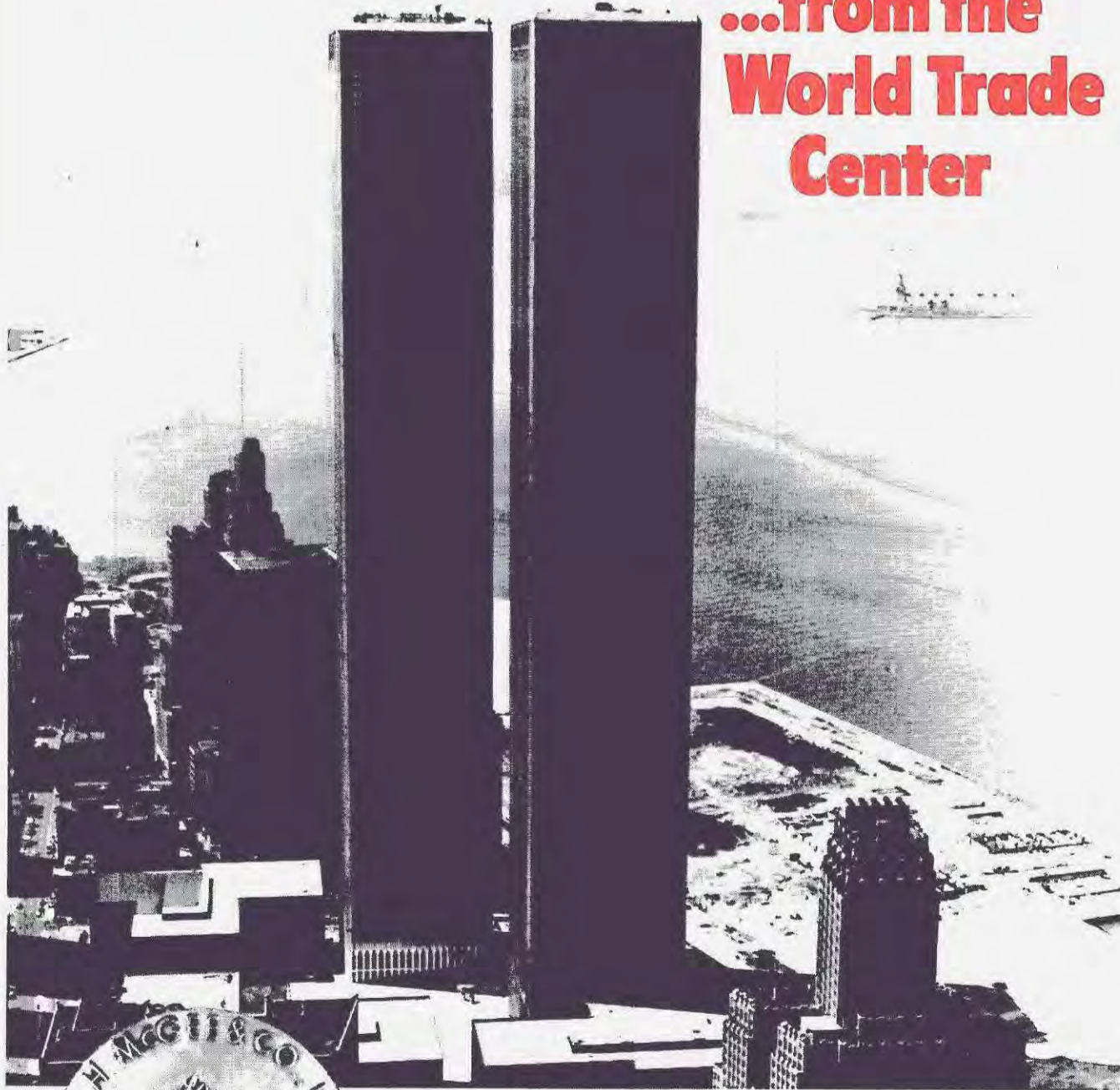
She added that retired workers will receive pension improvements under the recently completed contract negotiations (BI, Aug. 18).

Under the contract, workers who retired before Dec. 1, 1979, will get a 9% increase in pension benefits in mid-1981 and a 7.5% improvement in January 1983.

The pension changes are expected to take effect by Oct. 1.

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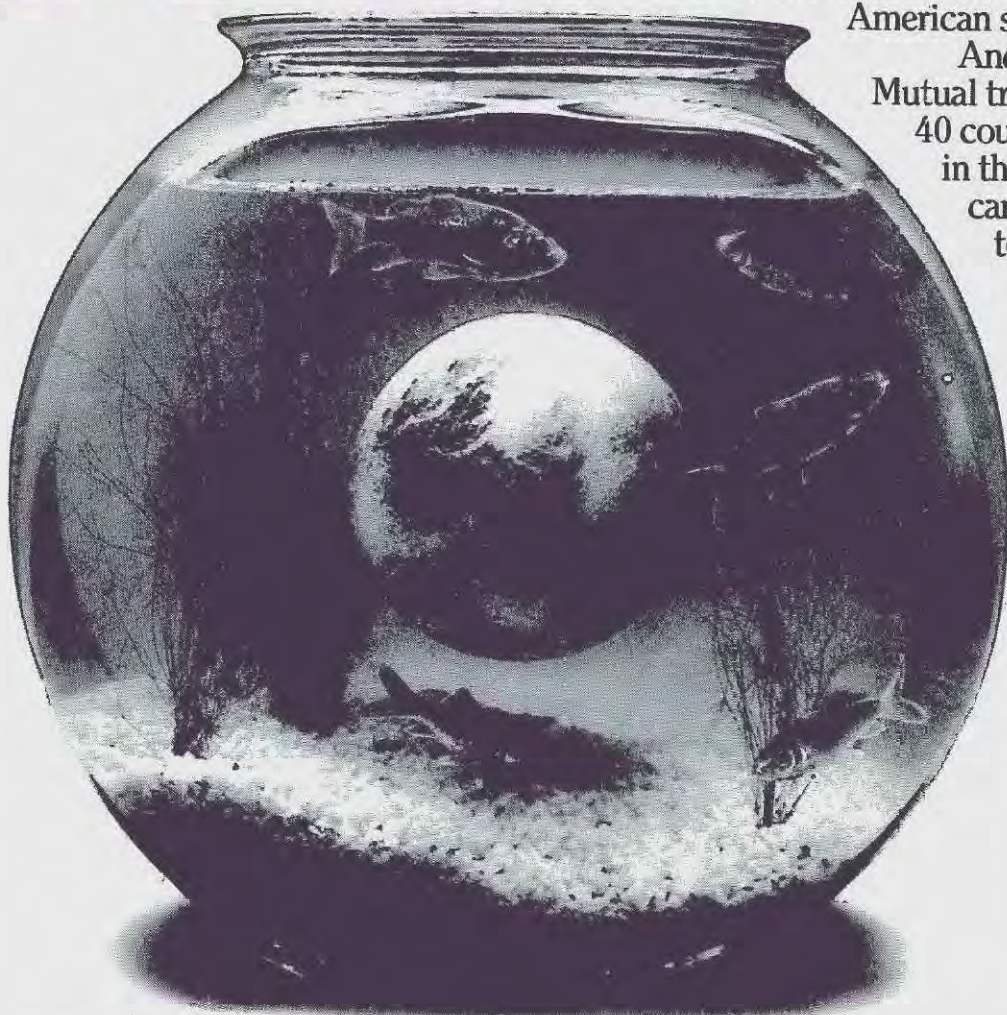
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editorial opinions

Improving ratemaking

UNDERWRITERS CONTENT they must underwrite to a profit, ignoring investment income.

Insurance buyers counter that investment income should be considered in the ratemaking process, reducing premiums.

The resolution of the interminable debate over the proper recognition of investment income in the insurance business may lie in the hands of public accountants.

There's a movement afoot in the accounting business, championed by some CPAs, to force property/casualty insurers to discount long-term claim reserves—to recognize the time value of money.

Instead of reserving today the full amount of claims to be paid years hence, insurers should only reserve the principal needed to yield, with investment income, the ultimate cost of claims, these accountants argue.

Investment income each year would then be applied against the reserves as anticipated. The excess investment income would be included in operating earnings for the year.

Discounting would reveal a truer picture of an insurance company's financial status at the end of each year. "And it would show the true profitability of some lines because premiums would be matched against the present value of claims rather than the gross value," says one CPA who supports discounting.

What really galls some CPAs is that insurers recognize the impact of inflation when setting reserves to cover the growing cost of a claim over time, but they don't recognize the time value of money.

If discounting had been in practice in the mid-1970s, the horrendous results reported in product liability and medical malpractice would have been reduced by the amount of investment income anticipated from the reserves established. It would have been a significant amount.

If the results hadn't looked so bad, underwriters wouldn't have overreacted and raised rates so much.

Matching investment income to the premiums generating it will also allow insurers to accurately calculate the lowest premium they can charge and still make a profit. So far, insurers don't identify this amount—if they know it—to anyone.

The benefit of such an accounting change for the insurance buyer would be twofold: One, each line of insurance would be more fairly priced. Two, discounting may produce lower premiums for all.

Now only the largest buyers with premium-volume clout can win premium reductions for anticipated investment yields on their premiums.

Some industry observers warn, however, that such an accounting change could be the ruin of the insurance business. It would steal insurers' cushion against bad underwriting and short reserves and deprive them of additional capital to build surpluses, they argue.

Insurers are afraid that discounting for annual financial reports to shareholders will change their statutory accounting and tax basis. And they fear insurance commissioners might start looking at investment income when reviewing rate requests—which is already a practice in more than a dozen states.

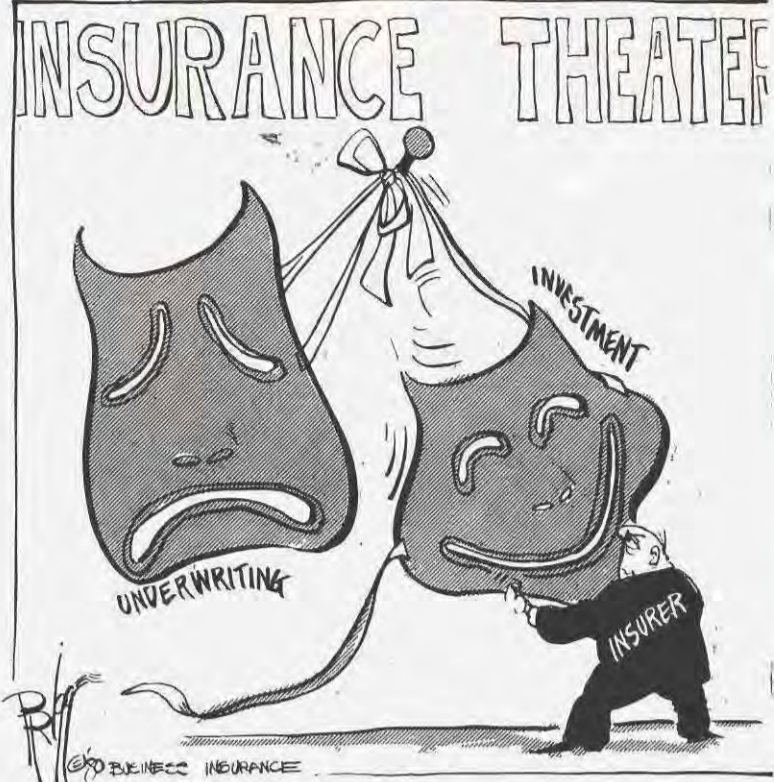
The discounting wouldn't be per claim, but per line of insurance. It would have its greatest effect on the long-tail lines—those in which claims are paid years after the policy is written—like professional liability, general liability, workers compensation and product liability.

The American Institute of Certified Public Accountants' insurance companies committee has been grappling with the issue of discounting since 1975—some support it but more oppose it.

Based on the most recent meetings of the committee, it appears the members will not endorse widespread discounting. Instead, it seems the committee will merely endorse discounting of unpaid claims that are relatively fixed and determinable with payments made over a long time—such as workers compensation claims. It's too early to tell if other types of claims and even incurred but not reported losses will be subject to discounting in the AICPA guidelines.

But one CPA predicts that in this decade discounting will be forced on insurers, probably by the Financial Accounting Standards Board.

Once and for all insurers will then be forced to openly recognize the significance of investment income.



letters

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Misleading on MARTA

To the editor: "City trains pass up savings" (BI, July 14) was both surprising and disappointing.

The statement that the Metropolitan Atlanta Rapid Transit Authority passed up savings of \$130,000 in the placement of its fiscal 1981 operating insurance program is inaccurate and misleading. The facts related to the decision to continue placement of fiscal 1981 operating insurance with our present carrier are as follows:

- Our request to Marsh & McLennan for a proposal was dated June 2, 1980; however, discussions were taking place between our director of risk management and representatives of Marsh & McLennan for several weeks prior to that time. We began a review of our operating insurance program as early as mid-March and this continued up until the time that a final decision was made.

- Marsh & McLennan initially indicated that they were prepared to submit a quote on the primary coverage for only \$9.5 million excess of a \$500,000 self-insured retention. That quote would be contingent upon MARTA naming Marsh & McLennan as exclusive brokers of record allowing them to go into the limited excess markets and negotiate for the \$40 million excess of \$10 million to complete our operating liability insurance requirements. That quote, which was for only 20% of our operating

insurance requirements, was formally submitted by M&M on June 10, and was thoroughly reviewed by our insurance consultants, the MARTA staff and discussed with the board of directors.

- After further negotiations with our present brokers and underwriters, which resulted in a \$220,000 premium decrease, and after giving careful consideration to the possible impact of a change in the placement of operating insurance on our total insurance program, it was recommended that we stay with our existing program for fiscal 1981.

- On June 23, M&M submitted a second formal quote both on the primary and the excess coverage which it had placed in the domestic markets. This quote was \$725,000. With only four working days remaining prior to the expiration of the present policies, with staff recommendation and board approval required, and other considerations related to changing carriers, the recommendation was made by staff and our insurance advisers to stay with our present program for fiscal 1981.

- While there was a difference in premium of approximately \$46,000, the decision to change brokers and underwriters, after a long and stable relationship at a time when substantial premium reductions had been negotiated, is one that could not be made with-

Continued on page 57

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Hospital worker can both file suit and collect comp

By RHONDA L. RUNDLE

SAN FRANCISCO—Doctors and hospitals should think twice about liability before treating their own employees injured on the job, in light of a recent California supreme court decision.

If complications develop, the worker may sue an employer for damages in a medical malpractice lawsuit in addition to collecting workers compensation benefits for disability and medical payments.

The doctor or hospital plays a

dual role as employer and medical care provider when treating one of its own injured workers, reasoned the high court in *D'Angona vs. Los Angeles County*. Therefore, both workers compensation and civil remedies are available to the plaintiff, the court said.

Los Angeles County, defendant in this case, argued the plaintiff was an employe of a county-owned hospital and therefore prevented by the exclusive remedy rule of workers compensation from filing a civil action against her employer.

The supreme court disagreed. "If (an employer) treats an employe rather than paying another for treatment, he should be liable as a doctor rather than as an employer," wrote Justice Stanley Mosk, who authored the unanimous decision.

If the plaintiff does recover damages for malpractice, however, the county can subtract benefits al-

The doctor or hospital plays a dual role, ruled the court.

ready paid for alleged negligent conduct, the court added.

It will be two to three years before Linda D'Angona's case is tried, say attorneys for both sides.

"This decision is cause for tremendous concern among self-insured medical providers," said Randall Shelley, the losing attorney. They may be hit with both workers compensation and medical malpractice claims if they treat their own staffers.

Mr. Shelley termed the court's ruling another attack upon the beleaguered exclusive remedy provisions of workers compensation in California. "The system needs comprehensive review by the state legislature," he added.

The plaintiff's attorney, however, argued the decision does not represent an attack on workers compensation. It merely applies the firmly established law requiring a doctor-employer to provide the same standard of care to an employe as to any other patient, said Samuel Shore.

"If a doctor or hospital's standard of care isn't up to snuff, there's no reason why a patient should lose the right to sue just because he or she is an employe," he declared.

Ms. D'Angona contracted a disease at the Los Angeles County-University of Southern California Medical Center where she worked as a physical therapist. She charges the doctors who treated her were negligent, causing her to suffer additional injuries.

After suffering a high fever and other symptoms of meningococemia, she developed gangrene. All of her toes and fingers except one were amputated, eliminating her ability to earn a living as a physical therapist.

Ultimately, Ms. D'Angona received a workers compensation award that considered aggravation of her condition through negligent treatment. She later filed a medical malpractice suit against Los Angeles County seeking unspecified damages.

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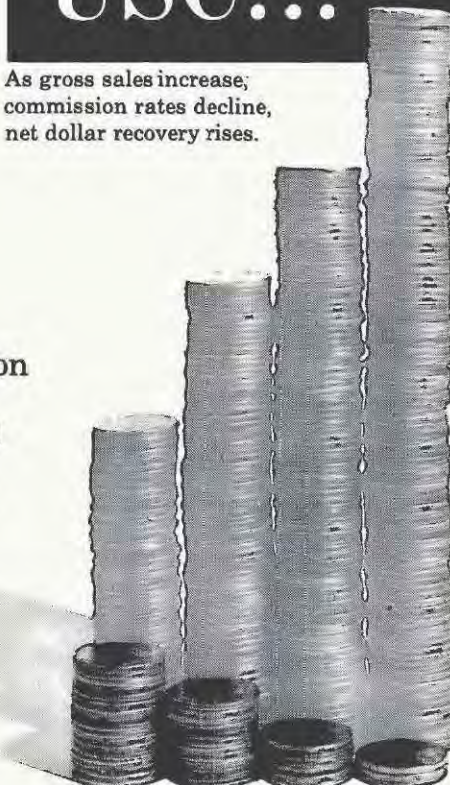
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Pension plans slight women: study

WASHINGTON—Working women can't get their fair share out of the current U.S. pension system, a research paper prepared for the President's Commission on Pension Policy charges.

Pension plans will continue to unfairly discriminate against working women until the system is overhauled, according to the paper "Working Women, Marriage and Retirement."

Women's career paths and parenting make it difficult for them to qualify for pensions under the present standards, the paper says. Half of all working men are covered by private pension plans, but only 31% of working women are covered by pension plans, the study notes.

Several pension plan rules and provisions exclude women,

according to the study:

- Many pension plans require employees to be at least 25 years old to participate. Women are much more likely to begin work before age 25 and leave their jobs in their early 20s to have their first child. Therefore, they fall short of meeting age participation requirements.

- **Employees who work less than 1,000 hours per year may be excluded from a pension plan.** In 1977, more than 30% of women employees but only 12% of men employees worked less than 1,000 hours.

- Under the most popular ERISA vesting option, most employers require employees to work 10 years before they can fully vest in their corporate pension plans.

Women's job tenure generally is shorter than men's. As a result, women are much less likely to vest than men.

- "Backloaded" pension formulas provide lower benefits to women. A backloaded pension offers greater pension benefits for later years of employment compared with earlier years of service. Thus women, whose employment tends to be shorter than men's, receive proportionally less in backloaded plans.

- The joint and survivor benefit to a spouse does not have to be paid if the employee dies before the early retirement age or 10 years before the plan's normal retirement age, whichever is later.

- In most states, a woman loses her rights to her husband's pension benefit if the marriage ends in

divorce. In eight states, though, courts have ruled that pensions acquired during marriage are part of the couple's property and are subject to division.

The President's Commission on Pension Policy, which is mapping out a blueprint to aid policymakers in their search for curing the nation's pension ills, recommended several tentative solutions in its interim report to give women a more equal share of pension benefits (BI, May 12).

The commission recommended that all pension assets acquired during marriage be equally divided upon divorce.

It also recommended that as a general principle, vesting requirements be reduced, though it backed off from recommending a

specific figure until its staff completes a study providing the cost implications of faster vesting requirements.

"The commission is extremely concerned over the implications of the changing status of women and the inability of pension systems to adapt to their needs," said Thomas Woodruff, the commission's executive director.

"Changes in pension plan restrictions would alleviate financial hardships for many women in retirement."

A limited supply of free copies of the research paper "Working Women, Marriage and Retirement" may be obtained from the President's Commission on Pension Policy, 736 Jackson Place N.W., Washington, D.C. 20006.

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Allen's damage adjusted

AUSTIN, Tex.—The National Flood Insurance Program and the Texas Catastrophe Property Insurance Assn. have set up a pilot claims handling program in the aftermath of Hurricane Allen.

A single adjuster will be assigned to handle both flood and windstorm losses whenever possible. Previously, two or more adjusters handled the losses if they involved damages from flooding and windstorm covered under separate policies.

The NFIP has opened a temporary office at 4410 Dillon Lane, Suites 2-4, Corpus Christi. TCPIA will accept claims at its temporary offices, 3833 S. Staples, Corpus Christi, and 510 E. Harrison, Harlingen.

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Property/liability

Disasters could erupt in higher rates in 1981

BI Roundup

Neither hurricanes nor volcanoes will shake property insurance rates this year. But look out in 1981.

Though the leading property underwriters say Mount St. Helens' eruptions and hurricanes in 1979 and 1980 shouldn't dramatically upset the availability of coverage, growing losses will probably erupt in higher rates by next year.

"I see very little change in property rates between now and the end of the year," observed Richard Florian, senior vp at Fireman's Fund. "In fact, comparing today's marketplace with a year ago, there has been very little change."

"Next year, however, there may be a dramatic reversal—perhaps some retrenchment of insurers who have swung too far out on the pendulum."

Fireman's Fund looks for a tightening in the current soft market in the first six months of 1981, perhaps as early as January or February, Mr. Florian says.

Six-month combined loss ratios—the best measure of underwriting profitability—show a general deterioration industrywide, he notes. Fireman's Fund reported six-month results at about 103%, three points in the red.

"Property results are still slightly profitable, whereas casualty lines are tending to be somewhat unprofitable," he explained.

But insurers may tolerate slightly higher loss ratios for casualty business because these generate more investment income.

Other insurers agree the rumbles will start in 1981.

"We don't see a significant tightening in the market until the middle of 1981, when the dual impact of lower investment income and higher loss ratios begins to filter down to underwriting," predicted John C. Morrison, president of INA Special Risk Facilities Inc.

Mr. Morrison expects senior management will start seriously discussing an upturn in pricing next February. Right now there is too much capacity available to permit a slackening of competition, he says. There is plenty of reinsurance around and talk of new sources forming, he adds.

Insurers won't tolerate a combined loss ratio of more than 100%—the break-even point—on property coverage, Mr. Morrison says. Insurance companies will start getting concerned when the ratio approaches the 97% to 98% range, he adds.

Although another bad hurricane or other disaster might push Mr. Morrison's timetable ahead by as much as three months, he does not anticipate an instant turnaround.

Insurers don't respond that quickly, he says. "It takes time, like turning about a big ocean liner."

Continued on page 19

Cheap umbrella plans could fold next year

BI Roundup

Now is the time to buy cheap umbrella and general liability policies because insurance companies are planning imminent rate increases.

Tired of stunted premium growth, insurance executives continue to grumble about inflation, growing litigation costs and competitive price pressure buyers support.

"There is no question that liability rates are going to go up," said John Cox, president of INA. "Insurers have increasing costs and increasing incidents of liability. Any other than an increased price is suicidal."

Beginning next July, prices will rise 6% to 10% over the next year, Mr. Cox predicts.

Other insurance company executives disagree, saying competition will hold rates down until later in the third or fourth quarter of 1981. Then the rate cutting will stop.

After a short period of stabilization, rates will start to go up bit by bit, most agree.

Prices have not risen yet because many insurers have not looked at their results, Mr. Cox says.

"Prices will rise by necessity," he added. "Hopefully by the first quarter of next year the industry will start to face up to where we are."

Overall six-month results for most of the insurers have deteriorated, Mr. Cox reports. INA's combined loss ratio of 104% was

beaten only by Fireman's Fund, The Travelers Insurance Group and U.S. Fidelity & Guaranty, he contends. INA and AIG improved slightly over last year, he adds.

A Business Insurance survey of several large liability insurers tends to agree. Combined ratios for liability coverages have clearly topped 100%, an underwriting break-even point. Investment income, the economic power holding down rates and buoying earnings, may not hold up against rising underwriting losses.

Insurers also report that some specialty lines of liability insurance coverage, including professional liability and medical malpractice, will be the first to bear rate increases. Workers compensation insurance rates will continue to increase slowly.

But results aren't as bad as the last time around the insurance price cycle, Mr. Cox says.

Rate increases and other changes should grow gradually out of income analysis.

"We don't have a company about to go broke on our hands that needs to be rescued by the industry and put back on its feet," he says.

The capital base of the industry is also bigger than it was five years ago. "We have the Prudentials, the Allstates and the foreign companies. There's a broadened marketplace."

Continued on page 18

HARTFORD—Rising underwriting losses are the fuel and inflation the match that may spark a brush fire of commercial insurance rate hikes in 1981 and 1982.

The stock property/casualty insurance companies are heading into a particularly difficult financial period, the outcome of which can only be higher insurance costs, according to the research of investment analyst Conning & Co.

"In 1981, we believe that there is a strong possibility of exceptionally

poor underwriting results for the industry," said Conning analyst Robert Brian.

"We predicate this view on virulent inflation and its impact on future losses and existing reserves, accelerated use of cash-flow underwriting brought on by high interest rates and intense competition."

Loss and loss expenses have grown 13% a year for the past 10 years to 1979, Mr. Brian explains, about 6% faster than the Consumer Price Index. But the insurance industry can expect

worse results in 1980 and 1981.

"Given the much higher rate of current inflation, we would conservatively expect an underlying rate of increase of losses of perhaps 16%," Mr. Brian said, "and possibly more if reserve deficiencies develop and are reflected in liability lines as a result of the impact of inflation on the tail of the business."

Rate increases for 1981 will be soft at first, Mr. Brian predicts, but an only slight improvement in earned premium for 1981 will probably force

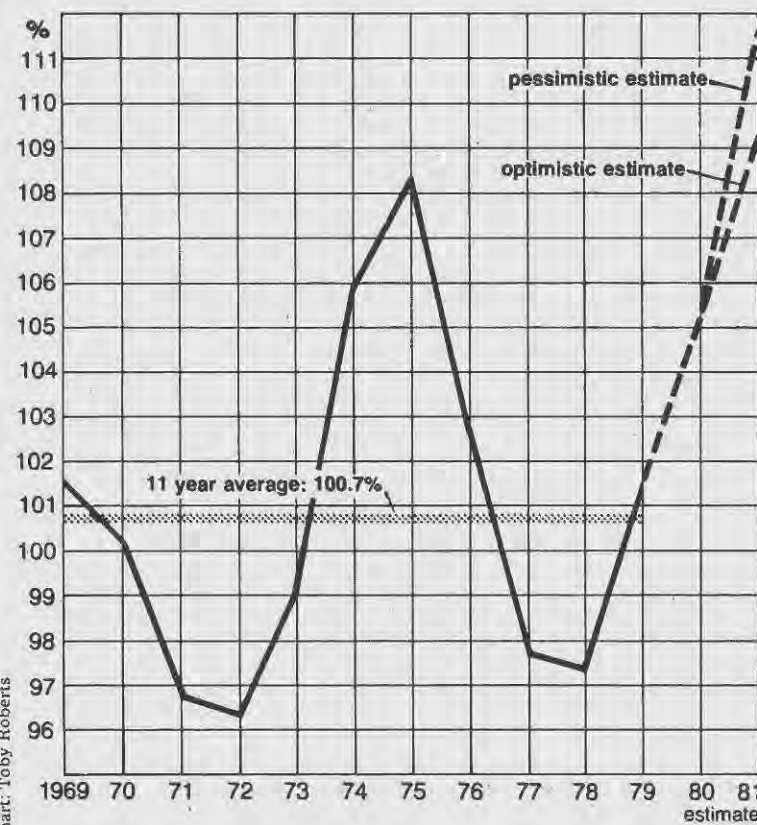
more rate increases thereafter.

"We believe that combined ratios of 105% in 1980 and between 109% and 112% in 1981 are by no means remote," he said.

"Even with the higher interest rates which will be available on reduced cash flow, investment income will not rise enough to avert a significant earnings decline."

"Thus we see a 6% decline in industry earnings in 1980 and the possibility of an additional 16% to 35% decline in 1981," he concluded.

Total stock industry 1969—1981



Year	Prem. written (millions)	% change	Prem. earned (millions)	% change	Loss & loss adj. exp. (millions)	% change	Loss ratio	Expense ratio
1969	\$19,970	+12%	\$19,108	+11%	\$13,601	+13%	71.2%	30.3%
1970	22,430	+12%	21,448	+12%	15,141	+11%	70.6%	29.6%
1971	24,824	+11%	23,789	+11%	16,085	+6%	67.6%	29.1%
1972	27,595	+11%	26,556	+12%	17,773	+11%	66.9%	29.4%
1973	30,051	+9%	29,066	+10%	20,197	+14%	69.5%	29.6%
1974	32,071	+7%	31,382	+8%	23,918	+18%	76.2%	29.7%
1975	35,618	+11%	34,505	+10%	27,466	+15%	79.6%	28.7%
1976	43,116	+20%	40,933	+19%	30,823	+12%	75.3%	27.4%
1977	51,149	+19%	48,720	+19%	34,494	+12%	70.8%	26.9%
1978	57,418	+12%	55,441	+14%	38,698	+12%	69.8%	27.6%
1979	63,450	+11%	61,280	+11%	44,980	+16%	73.4%	28.0%
1980E	68,500	+8%	66,600	+9%	51,100	+14%	76.7%	28.5%
1981E								
Pessimistic	74,600	+9%	72,500	+9%	59,800	+17%	82.5%	29.0%
Optimistic	75,300	+10%	73,100	+10%	58,600	+15%	80.2%	29.0%
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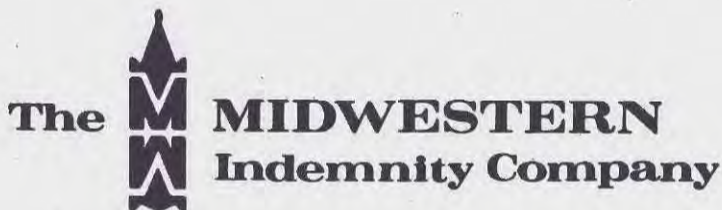
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National General Insurance Company

Cheap umbrella plans could fold in '81

Continued from page 15

Management has changed and has learned from the last market crisis, Mr. Cox adds.

"New insurance company management seems to be doing things on a more moderate basis," Mr. Cox said. "It's become more sophisticated."

Instead of dramatic price increases every two years, the new leadership would be more likely to charge moderate increases at regular intervals.

"Cancellations or increases in price will be at renewal time, rather than at mid-term," he said.

Insurers are also willing to discuss discounts based on investment income earned from a buyer's premium. The technique, used sparingly in 1979 and 1980,



'Cancellations or increases in price will be at renewal time,' says John R. Cox.

may become more common during 1981 renewals.

Large risks may be earning the discounted prices, just so insurers

'With very large risks you get cash-flow considerations,' says Paul Jurgens.



can attract big premiums to invest, "though the financial considerations are just a large part of the overall decision on the premium

rate," explained The Hartford Insurance Group vp Paul Jurgens.

"With very large risks you get cash-flow considerations that we

can play into the pricing of the policy. We might, for example, say that if you pay all of a \$3 million premium in advance, we can allow some sort of discount.

"But it is very seldom that someone has \$3 million in pocket to put it all upfront," he said. Without discounts on premiums, rates will increase less than 10%, kept down by continuing competition, he adds.

Wausau Insurance Co. executive Robert Young also predicts later rate increases.

But more changes in liability insurance packaging, inspired by firms that self-insure some casualty risks may also hold back rate hikes. Insurers will begin to package more casualty and property lines of insurance to make them more attractive, he adds.

Rather than price, the extent and type of coverage provided will become important, he says. Premium prices for Wausau clients are not expected to increase in January at renewal time.

"We do not see any indication that prices are going to change," Mr. Young said. "If anything, competition was more severe this July. We visualize the same thing from a price competitive atmosphere in 1981 at midyear."

A change in cycles may occur by the end of the third quarter of 1981, but not as dramatic a change as in 1974 and 1975, he adds.

"There is nothing on the horizon to indicate there will be mid-term increases or cancellations that policyholders were hit with in 1974 and 1975," Mr. Young said.

"Competition has been severe, but not as severe as it was in the early '70s. We've seen a more steady pattern of loss or loss experience."

Loss ratios have been rising nationally, Mr. Young agrees, but the combined ratio for Wausau, which wrote \$117 million of general liability insurance last year, was about 93%, he contends.

Wausau will consider hiking premiums when losses and loss expenses reach 100%, he adds. "We're just breaking even now, so at that point we hope the rates promulgated by the Insurance Services Office will go up."

Aetna Life & Casualty loss ratios have already topped 100%, jumping nearly 9% from last year's 94.9%, and prospects do not look good for fewer losses, says vp Oliver Patrell.

"My job is to make that loss ratio better," he said, "but not many people have my optimism. Under normal circumstances, I also would've said the competition would've eased by now. There are very few insurers that will end the year with combined ratios under 100%."

Aetna underwrote about \$900 million in casualty insurance premiums for the first six months of 1980, "but the company's growth is flat, compared to a couple of years ago when we had substantial growth," Mr. Patrell said. "There's an impending need for rate increases in most casualty lines, but I can foresee heavy competition through 1981."

Re Assn. officers

Bard Buneas, chairman, president and chief executive officer of Crum & Forster's Constitution Reinsurance Corp., was elected chairman of the Reinsurance Assn. of America. Theron J. Strenk, president of INA Reinsurance Co., was elected vice chairman and Anton J.C. Hassing, president of Philadelphia Reinsurance Corp., was chosen secretary-treasurer of the association.



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1980 disasters will likely erupt in higher rates

Continued from page 15

Fire and allied coverages at INA are still very profitable, with a composite loss ratio running about 60%, not including insurer expenses typically computed at 30% to 35%. There have been no major catastrophes to eat up property underwriting profits this year.

Catastrophes alone should not trigger a downturn in the underwriting cycle.

"A major earthquake would have no more effect than a hurricane," noted Rudi Landot, Kemper's chief insurance officer.

"They are scary, but you plan on them. Your property rates reflect the probability that a catastrophe is going to occur every few years. It is in the picture."

The underwriting cycle will turn downward sometime in late 1981, Mr. Landot predicts. "I thought the cycle would turn sooner, but the investment climate has stayed more favorable longer than I anticipated."

Though a downturn in the underwriting cycle usually means insurers will charge more for cov-

erage soon, Mr. Landot suggests the long-term cycles are good indicators of industry health.

"We talk about cycles as bad things. That's not necessarily the case," he said. "The cycles themselves are indicators to regulators that the business is competitive."

For the first six months, Kemper's combined loss ratio for property risks was about 96%. Kemper projects a combined loss ratio by year's end to be about 97% for property risks.

Though most types of property coverage will increase in cost, the cost of basic monoline fire insurance is likely to decrease, says James Marran, underwriting vp for The Continental Insurance Co.

"Rate decreases on monoline fire will continue for the next three years," he predicted. "Commercial multiperil rates will also drop. Multiline package rates are also heading downward."

"However, multiline packages are skimming experience off the monoline fire business," he explained. When rate increases do come, buyers can expect a hot increase.

"The scenario is established for 1981. It's going to be worse than deterioration. Underwriting ratios will be in the red," Mr. Marran said.

Though property rates will be shaken, disastrous casualty rates may hold off large property rate increases, suggests Robert V. Toppi, assistant vp for commercial lines at Aetna Life & Casualty. Insurers may use property coverage to meet goals left sagging by failing casualty insurance policy sales.

"Since many companies are beginning to have loss ratio problems on the casualty side, they need production to offset rising expenses," he explained.

"Experience in the package and property lines has been extremely good, so I don't think you can support rate increases. In a competitive market such as this one, if you increase rates, you run the risk of losing the more attractive accounts in your book of business."

Commercial property lines at Aetna have been profitable through the first six months of 1980 and are expected to remain so through the end of the year, barring any major catastrophes, Mr. Toppi says.

Hurricanes Frederick and David didn't have a significant impact on the competitive environment last year, he notes. But a severe loss in heavily industrialized areas of Florida or Texas could adversely affect the reinsurance market.

"If reinsurers suddenly decide they want more money for their exposures, that would translate into a quick increase in property insurance prices for the end-user."

"We've been free of major storms for about 10 years, but with the proliferation of wind pools and other coverages, people are building condos out over the water, creating much larger concentrations of insured values that are vulnerable to serious storms," Mr. Toppi said.

When the market does tighten, it will hit the large risks first, he says. "That's where the largest loss potentials are, as well as need for reinsurance. I don't see any tightening in small business-type competition," he added.

There has been surprisingly little claims activity following the eruptions of Mount St. Helens, Mr. Toppi adds.

"Multiperil package business has probably been the most profitable line of business for Aetna," Mr. Toppi said.

"Extended coverage has been the most marginal line, due to the high frequency of tornadoes this year. Although there have been many more than normal, none has been devastating."

Various inland marine lines are unprofitable, he said, because of small volume and the impact of a single, large loss. Insurers underwrite such exposures, however, because the rest of the account may be desirable.

But buyers should look for rate trouble arriving by sea, emphasizes Michael Morrissey, Crum & Forster vp.

Marine combined loss ratios have topped 113% for the first six months at Crum & Forster, but fire and allied coverages are still profitable at a combined ratio of 97%.

"Ocean and inland marine have been disastrous," he said, and rates have been soft. "The softness in view of the losses defies a rational explanation."

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'There may be a dramatic reversal,' says Richard Florian.

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Spotlight Report

Commercial aviation rates take off

By RHONDA L. RUNDLE

LOS ANGELES—Commercial aviation insurance rates are taking off and climbing steeply.

Renewal increases range from 10% on prime corporate accounts to 100% and even higher for commercial operators of charter, rental and instruction aircraft.

Northwest Orient Airlines is the first major U.S. carrier to renew since the markets tightened about six months ago. Despite an excellent safety record, the airline was "very happy" with a slight premium increase, said risk manager Gordon Gilbert.

Another airline wrapping up renewal negotiations a few weeks ago was less enthusiastic. Although the carrier's risk manager

declined to reveal actual figures under discussion, he termed the probable increase "very significant."

The market has tightened dramatically since two years ago, he said. "If an airline has experienced any kind of serious loss within the past three to four years, it can look for 20% to 30% increases next time around," he predicted.

The bulk of U.S. commercial airlines face contract renewals next spring, said John Brennan, president of U.S. Aircraft Insurance Group in New York. He said there was no indication of what might happen, but admitted contracts could potentially undergo dramatic changes.

The only aviation line that appears to be holding firm is product

liability for manufacturers, said Ronald A. Hill, president of Bayly, Martin & Fay Aviation Insurance Services Inc. That coverage appears to be adhering to the soft market conditions in other casualty lines.

Brokers and underwriters consistently cited 10% to 15% increases being quoted on corporate fleets, but there are indications this might be conservative.

A major corporation with a three-jet fleet recently renewed its hull insurance at a 30% increase, said a Los Angeles broker whose firm handles the business. This is the kind of risk underwriters generally find attractive, he added.

The hardest-hit category, however, is the small commercial operator. Within this group are many risks considered undesirable by underwriters, which consequently first bear the brunt of tightening markets.

Renewals are running 10% to 100%, estimated Richard Davis, vp of Associated Aviation Underwriters.

The squeeze has been especially severe in Alaska, points out Ken Cross, vp of Stewart, Smith, West Inc. in Los Angeles. Hull rates in

The hardest-hit category is the small commercial air operator.

Alaska have more than doubled in the past year. Aircraft there are used more and crash with alarming frequency, Mr. Cross observed. Poor weather and a scarcity of good maintenance facilities contribute to high loss frequency.

Bad underwriting results and depressed rates for the past nine years are pushing many risk-takers out of the market, industry observers say. "Rates are actually less than they were 10 years ago," AAU's Mr. Davis said.

"I sympathize with them," said a broker. "They have to make money sometimes."

Horrendous loss ratios are not the result of more crashes or a deterioration in safety, the experts agree, but of inflation-swollen increases in repair costs and exponential growth in liability payouts.

Outside the commercial airline field, the market is chaos, harried brokers say. That's because major U.S. binding authorities are drying up, forcing brokers to go directly to London, the key building block in the aviation market.

Three years ago there were approximately 40 U.S. markets with some kind of in-house underwriting facility, notes Leigh Hunt, executive vp with E.H. Crump of California. Now there are only about a dozen.

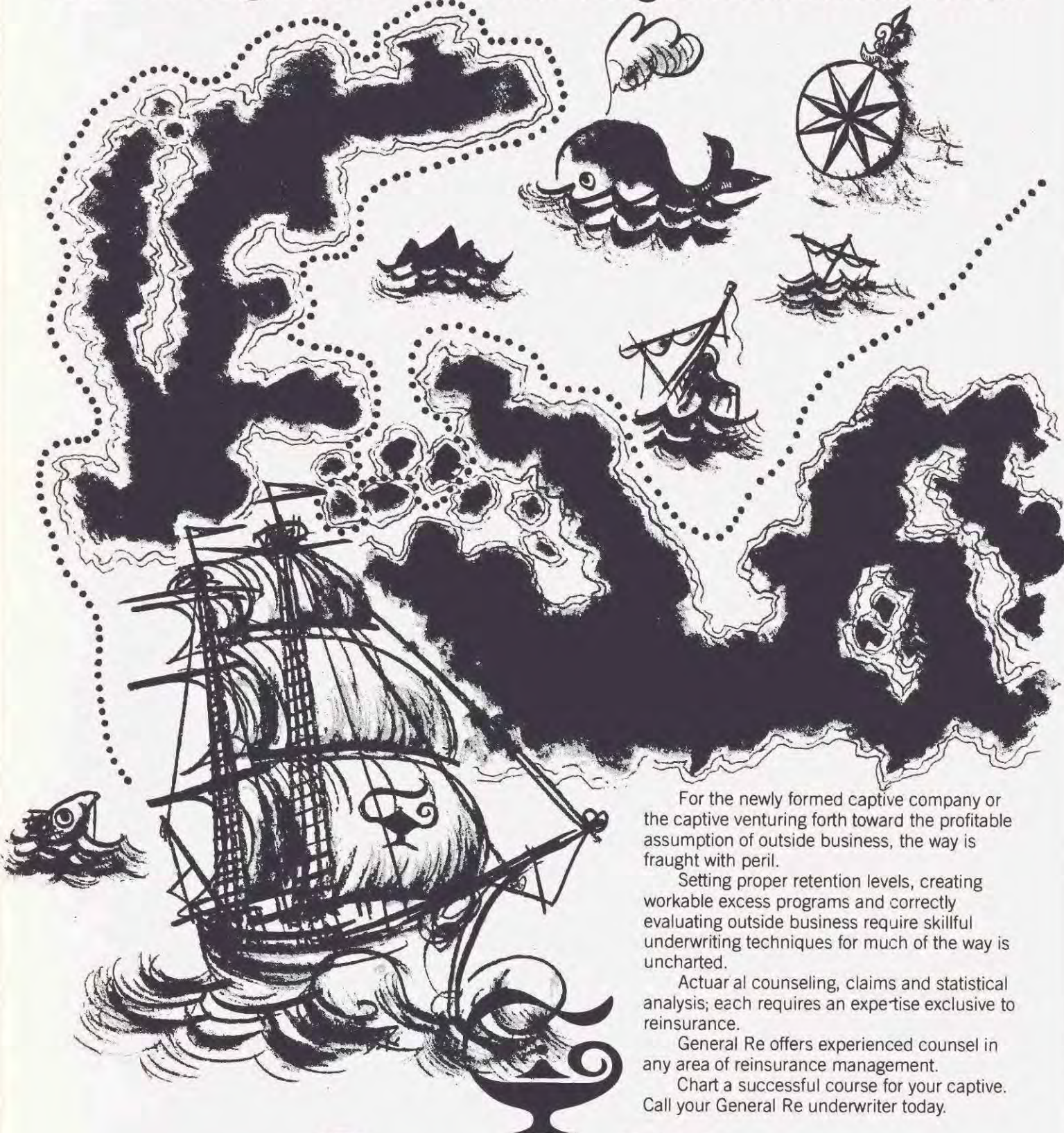
Brokers are lining up to see underwriters in London, who in turn are accepting less risk. Among the companies that have withdrawn from the aviation market are Excess Insurance Co., formerly a major lead underwriter on general aviation business, and the River Thames Insurance Co. Ltd., reports BMF's Mr. Hill.

One major U.S. insurer that has been intending to enter the commercial airline field has been unable to do so because it cannot pin down reinsurance, said the head of the aviation division at one of the alphabet brokers.



Commercial airlines are finding that the aviation insurance market has tightened dramatically within the last two years.

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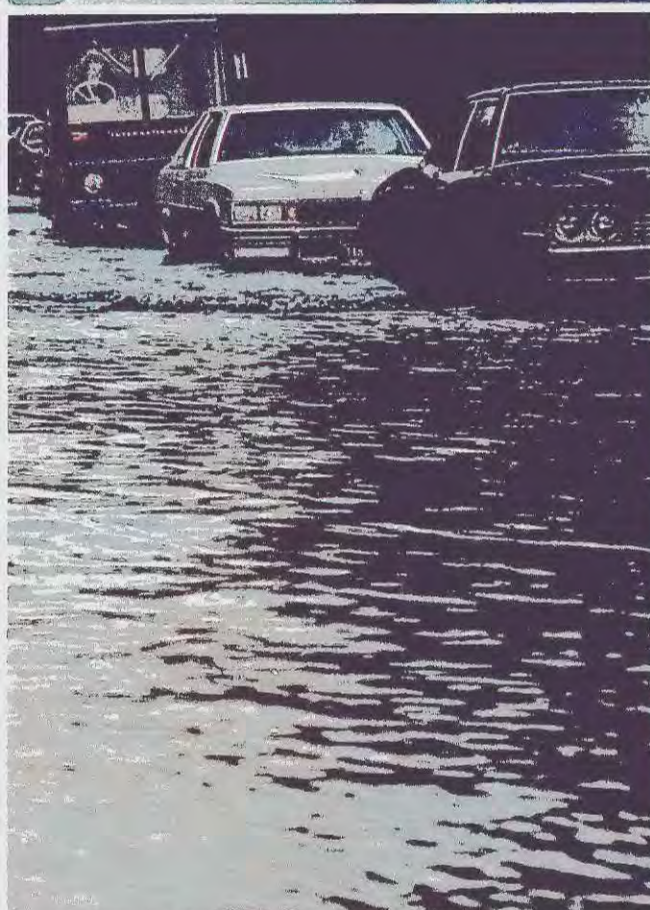
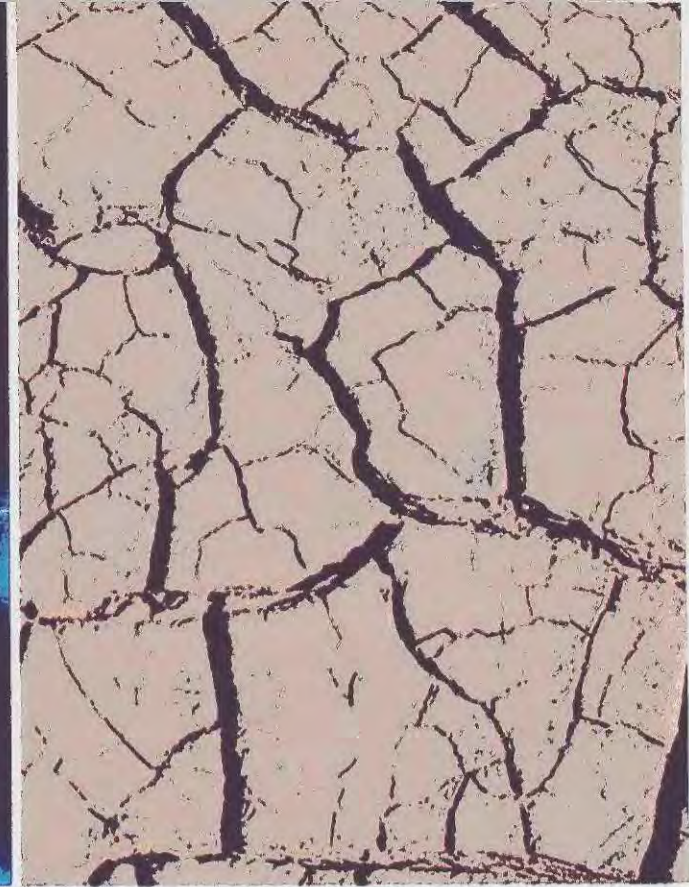
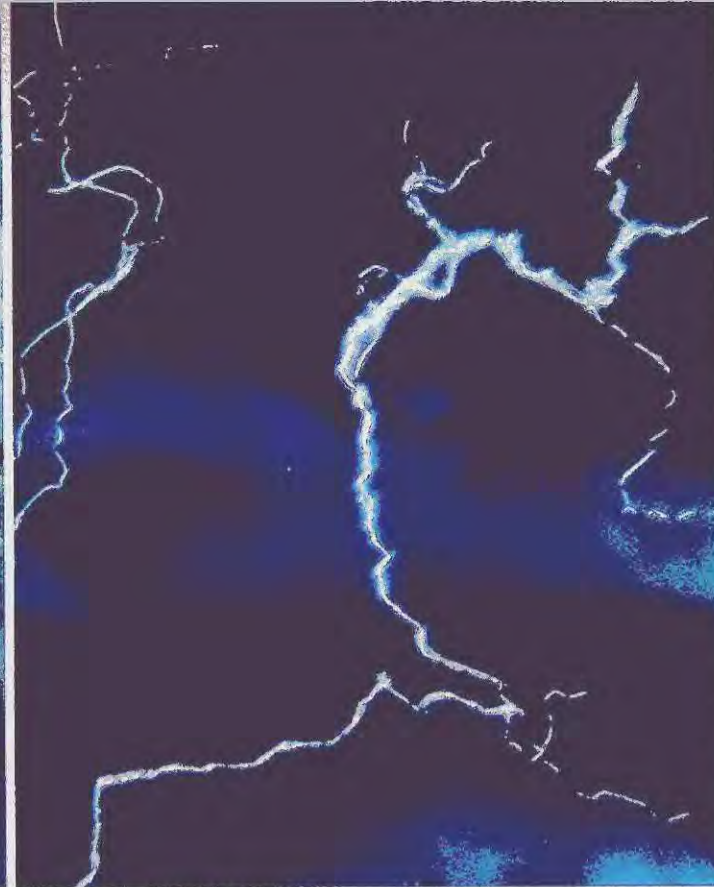
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Few buyers switch market for savings

By JOHN MAES

Insurance buyers playing the competitive markets for new policies are sounding a pretty soft tune. No one wants to jar programs peacefully in place.

But risk executives are tuning up for some premium reductions this year and early next year.

Risk managers are reporting up to 40% in premium reductions, with new coverage and increased policy limits available at the

cheaper rates.

Underwriters are now looking at such risks as municipal liability that they would have declined without a second glance only a few years ago.

Few buyers, though, are attempting to shake many new services and new policy provisions from their underwriters.

And although many firms are conserving cash even more than in prerecession days, most big corporations do not make wholesale

market changes just to save on premiums.

Exceptions abound.

• The risk manager of a major steel company recently changed insurers on some property lines for a premium reduction.

His biggest savings, however, came in commercial auto coverage—a 40% reduction from the same market.

Cancellation is always a possibility if the market tightens after such

a switch, but the risk manager says he's protected his firm by demanding cancellation notices of 90 to 120 days.

• Alex J. Ratka, director of risk management for the University of Southern California in Los Angeles, changed from INA to National Union Fire Insurance Co. for excess workers compensation insurance to save 40% on his premiums.

But Mr. Ratka says he's no fan of market changes unless savings are

significant and the firm desires a long-term relationship with the insurer.

• Steven Webber, chief of risk management for Jefferson County, Ala., unlike most of his risk management counterparts, is also sounding the hunter's horn as he renews the county's general and auto liability this year.

The two coverages will be a "carrot" to lure underwriters into accepting his public officials liability risk, he says.

Only a few years ago, "they wouldn't have taken it on a dare," he added.

With the fires of competition still burning hotly among insurers, "you can get markets willing to listen to it and put a pencil down so

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'We've not gotten a single rejection,' says Steven Webber.

we can at least dicker about it," he remarked.

"We've not gotten a single rejection out of hand—just the opposite of what we would have gotten three years ago."

Other corporate renewals will be ho-hum affairs with little wheeling or dealing, buyers say.

Russell A. Drake, director of risk management at Borden Inc. in Columbus, Ohio, recently renewed a \$100 million excess liability policy.

"We were not hunting for concessions. What we were after was a straightforward renewal," he said.

The policy stayed with Lloyd's of London, but Mr. Drake said he passed up a bigger savings offered by domestic markets to keep his coverage in London for long-term security.

"We could have lowered our premiums somewhat with a domestic renewal, but I like the evenness of the London market. It doesn't take the wild, erratic swings and they don't cancel you that easily," Mr. Drake said.

"I could have saved by changing markets, but next year the U.S. rates could go up by 40% and I've lost any allegiance I've had by not staying with the London market."

Mr. Drake is not alone among risk executives. Many buyers are reluctant to change insurers or brokers just to save one-time costs, and top management usually agrees that the cheapest insurance program is not necessarily the best.

A risk manager for a Florida-based gas utility says his insurance package is a finely tuned, precision-made instrument that could be thrown out of kilter by a change of markets.

"An underwriter just can't come in and undercut the price of another for such a fine-tuned instrument as our insurance," he said.

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"You don't get this type of merchandise at a used-car lot."

This philosophy led him to board an airplane and travel to visit officials of one of his current insurers to work out a claims problem as he was renewing his primary liability insurance.

With insurers so hotly competitive, it would have been easy to change, "but we've had so much money tied up in them and they've got so much invested in us. We try to find out what the problem is and solve it if we can. If I can breathe life into the patient, I certainly will try to do it," he said.

The risk manager for a major airline who recently saved \$100,000 in premiums in his primary property renewal stayed with the same market even though the risk was redistributed among the insurers.

"When you've been with a market long enough, you have a continuity of coverage. Some markets would change our whole way of doing business and we might not want to do it that way," he explained.

Changing insurers has hidden costs, too. The start-up costs that insurers face for new policyholders—initial inspection services and loss runs—are customarily passed on to the buyer, he said.

Hunting around for bargain prices can also be dangerous.

"If you start playing games with the underwriters, pretty soon they're going to say, 'I'm not even going to quote you on that. Why should I spend my hard-earned money on a quote for you when I can spend it over here and possibly get some business?'" he said.

James Mascarella, vp/risk manager at Gould Inc. in Rolling Meadows, Ill., said he obtained some "interesting reductions" in a recent renewal of a five-year difference-in-conditions policy without changing markets.

"Our program is too highly integrated to seek alternative markets every five years," he said.

A market switch can "come back to haunt you" because the buyer

says Ralph Gentry, insurance administrator for the Times-Mirror Co. in Los Angeles.

"I tend to be less and less loyal as we get higher and higher in layers, but more and more loyal as we get down lower," he noted.

Times-Mirror recently renewed its excess casualty insurance and managed to get a reduction of more than 15% without changing insurers.

That's not to say, however, a risk manager shouldn't test the market every several years to ensure he's paying a competitive price, notes Robert Reeves, risk manager for Nashville-based Hospital Corp. of America. "But every one or two

years is too much."

The buyer who beats his drum about having slashed premiums drastically by changing insurers is probably paying too much for insurance in the first place, he said.

"The guy who saved 75% this year is going to face a 125% increase when the market tightens," he said.

Mr. Reeves reports a "good discount" on a three-year, prepaid renewal of directors and officers liability without changing markets.

In cases where buyers changed underwriters or increased limits, adequate capacity and upgrading of coverage was the reason more often than premium savings. ■

Few execs switch brokers

LOS ANGELES—Risk managers are also reluctant to change brokers. Any cost undercutting brokers offer would not offset the potential harm to insurance programs, several buyers say.

Barring serious mistakes or outright negligence, Ralph Gentry of Times-Mirror Co. says he would stay with his current brokers.

Soft markets or not, he reports frequent inquiries from brokers looking for his renewal time but says he sees no point in changing.

If a competing brokerage tries to lure him with new services or fea-

tures, he just turns to his current broker for the same service.

"Any of the major brokers can provide the same quality of service and expertise as another," he said.

The risk manager of a grain company sees little value in changing brokers at any price.

"There's a lot of value in getting to know one another. Our broker knows our account, knows what our exposures are and is in a position to go to our underwriters and say, 'We've been working with the account and we know this and that about them.'" ■

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Robert Reeves reports a 'good discount' on a D&O renewal.

leaves himself or herself wide open for cancellation if the market gets too tight. "The long-term relationship is the best idea money-wise," he added.

But insurers are more willing to throw in items to keep business, Mr. Mascarella says. He won bargains on higher limits and elimination of some policy requirements.

"There's more voluntary effort by underwriters to make it attractive to you on the next go-around because the market is so soft," he said.

Buyers tend to be more loyal to insurers that handle primary layers of coverage because changing a primary underwriter means changing costly service plans, too,

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Spotlight Report

Insurers shy away from arena policy

KANSAS CITY—Don't tell Fred D. Dillon, insurance administrator for this city, that competitive insurance markets make all policies easy to buy at low rates.

He could call you a liar. Since last December, Mr. Dillon has been trying to buy \$40 million to \$50 million in excess municipal liability coverage for Kansas City's Kemper Arena. No luck so far.

"Nobody seemed to want to take it," Mr. Dillon said. "One agency said it could get a quote only if we filled out a 22-page questionnaire. It was getting discouraging. We ran the market down to the last mile and insurers are just not interested."

Kansas City needs the coverage to protect the city from disaster liability claims. Underwriters have grown gun-shy, however, since 11 youths were trampled to death before a rock concert at Cincinnati's Riverfront Coliseum last December.

Mr. Dillon began his search for the insurance shortly after the Cincinnati disaster when Kansas City

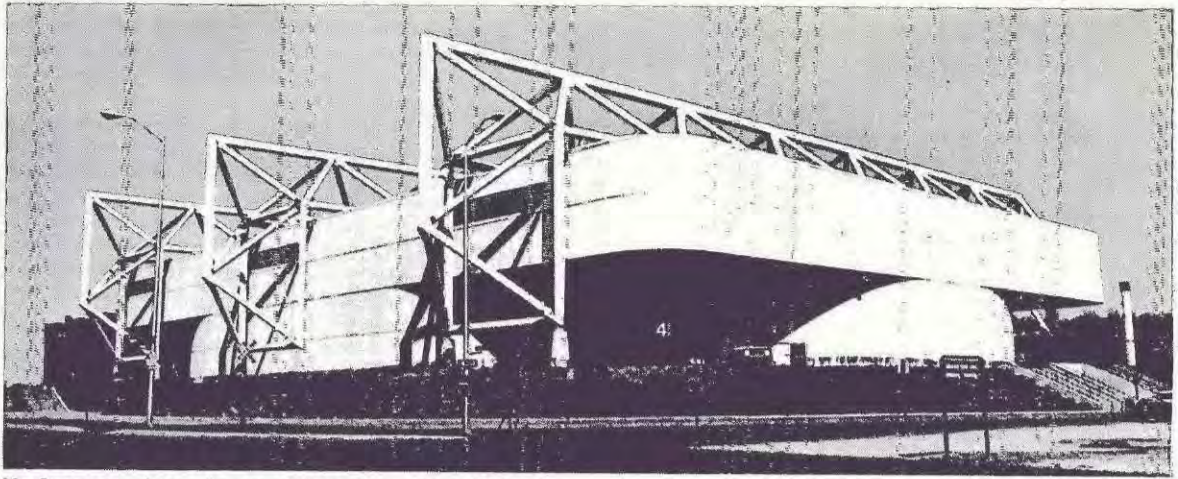
the city as an additional insured.

"The Cincinnati incident did for municipal insurance what the Boston Strangler did for door-to-door salesmen," Mr. Dillon remarked.

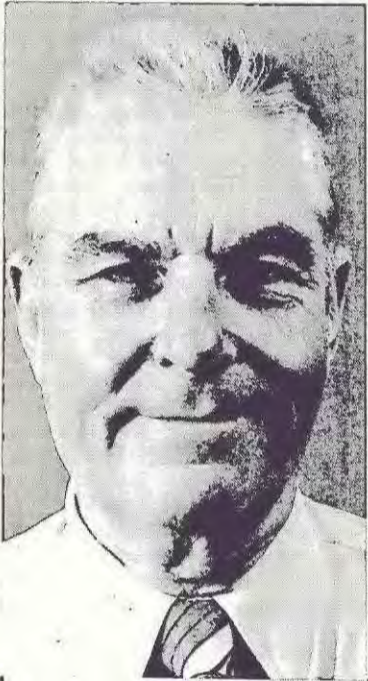
There have been no takers for Kansas City's policy even though broker Marsh & McLennan has beaten the bushes in search of an underwriter. The London market is the next step if the current search fails to produce a domestic insurer, Mr. Dillon adds.

Shopping relies more on rumors now. Mr. Dillon said he has heard there are underwriters that may be willing to look at the risk, but he has to find them. Premiums will be steep, he expects.

It may be another three or four months before the city is insured, he says.



No insurers have been willing to write a \$40 million to \$50 million excess municipal liability policy for Kansas City's Kemper Arena. The London market may be the next stop for the city.



'Nobody seemed to want to take it,' says Fred D. Dillon.

mayor Richard Berkley suggested the city purchase the excess coverage.

The elusive policy would back up the city's \$1 million self-insured retention of general liability risks. The city also requires concert and event promoters using the Kemper Arena to purchase \$1 million one-time liability coverage and another \$1 million in insurance against business interruption losses. Certificates of insurance must name

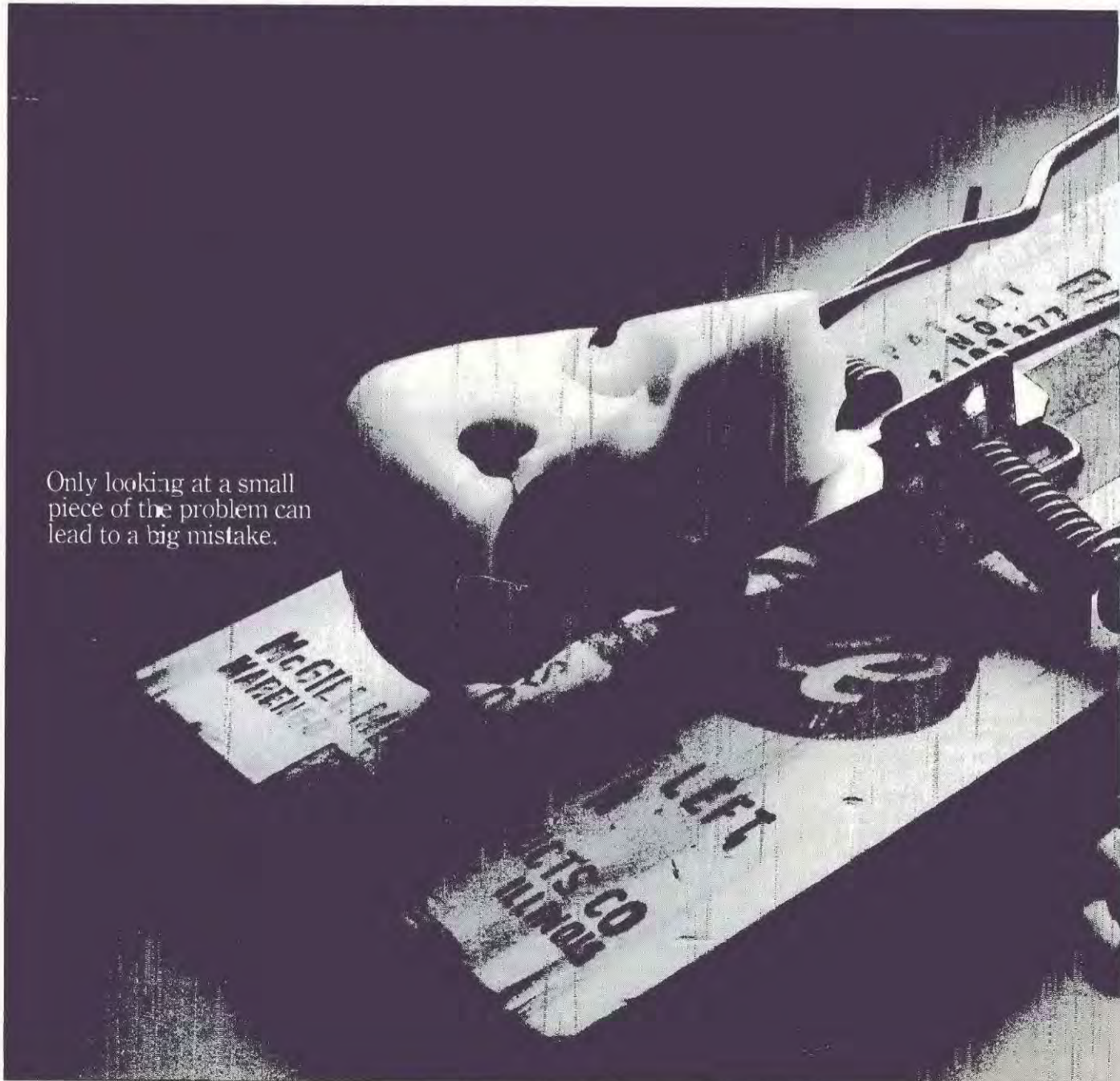
Seamen claims cost \$108,000

LONDON—Worker illness and accidents cost shipowners an average of \$108,000 per ship annually, according to the Marine Index Bureau of New York.

A survey by the bureau found that 14,410 claims were filed by seamen in 1979, a rate of 72 illnesses or injuries for every 100 jobs, reports Lloyd's Ship Manager, a Lloyd's of London publication.

The incidence was 12.5% for licensed personnel and 43.6% for unlicensed personnel.

THE COST TRAP IN HEALTH CARE COVERAGE.



Only looking at a small piece of the problem can lead to a big mistake.

Liability may inch up in '81

Expect liability insurance rates to start inching upward by the middle of next year, says Gerard F. Curtis, senior vp of Alexander & Alexander. Interest rates will make the difference.

"The liability market has been soft, but we're beginning to see some mild indication of change. It has to do with a reduction in interest rates," he explained.

"Casualty companies relaxed their underwriting to attract as much new business as possible and did so with knowledge of high interest rates. But a drop in the interest rates is putting the brakes on that philosophy."

Many insurers will be sporting combined loss ratios of more than 100% by mid-1981 because of the falling interest rates, he says.

Once the interest rates and combined ratios top out, "the market will harden and it appears rates will become stable and then begin to move upward and bring back combined loss ratios below 100%," Mr. Curtis predicted.

Workers compensation will pose some particular difficulties.

"It's a problem of flexibility and a problem of underwriters not having the right to react as quickly as they can to bring changes in the law to enable them to maintain business on a profitable level," said Mr. Curtis.

—Mary Ann Matlock

Bargains could linger until 1982, Hines says

By KATHRYN J. McINTYRE

The current bargain-price insurance sale could be the longest in the history of the business, predicts Harold H. Hines.

The astute commentator and forecaster of the insurance business, who is leaving M&M to join The Ryan Insurance Agency Group Oct. 1, says the competitive market could last into 1982. He cites three reasons for the stretch of this competitive cycle in commercial insurance:

- Unprecedented amounts of capital available for underwriting

commercial risks.

- Development of captive insurance companies.

- Growing investment income.

Foreign insurers and reinsurers are pumping more capital into the U.S. insurance business than ever before, creating the largest capital base ever, Mr. Hines says.

The current depressed value of the dollar on the world currency market invites this investment, Mr. Hines explains. Foreign investment will shift with a change in the value of the dollar in world currency, rising if the dollar falls

and decreasing if the dollar increases. Prices will remain low as long as the capital is high but will rise if the capital spigot is turned off.

Captives, however, are here to stay and are having a clear effect, Mr. Hines observes. Captives have created a capital base of money that historically was paid to insurance companies and helped support the whole insurance industry, commercial and personal lines.

Now they have grown outside the insurance business the way computer leasing is outside the computer business, he says.

The accumulation of capital is available only to the commercial insurance buyer because it doesn't touch personal lines and helps to hold down the costs of commercial insurance, Mr. Hines says.

But most important, he says, is insurance company executives' ability to predict at least the minimum they will earn on investment income. Their asset base can be invested with a reasonably secure return, he says.

Everybody wants to control health care coverage costs. But sometimes executives can make a costly error.

THE PROBLEM.

You see, the cost of health care protection has two basic parts. The cost of benefits, and retention costs, (everything from administrative costs to risk charges).

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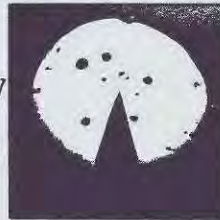
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Photo: Kathryn J. McIntyre

Insurer optimism keeps rates down, says Harold H. Hines.

Interest rates, say most economists, will continue to climb with continued inflation, Mr. Hines notes. Insurers expect larger total assets in premiums and interest income growth because of inflation. That creates optimism, he says.

"It's more optimism that keeps us in this trough longer," Mr. Hines observes.

At some point, "when underwriting losses and investment income produce a serious negative result," insurers will hike prices, Mr. Hines says. He doesn't, however, suggest what combined ratio and interest rate might produce the price change.

But when the market does change, Mr. Hines doesn't expect the price increases to approach the 300% increases and dramatic changes notorious in the mid-1970s market shift. Inflation's effect and the leverage potential of commercial insurers will keep the capital intact and price increases less severe, he predicts.

But Mr. Hines admits of all his predictions, he's least certain about that.



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Insurers learn how to ride out downturn: Exec

By JERRY GEISEL

PARSIPPANY, N.J.—As insurance rates ride a roller coaster every few years, buyers always wonder whether insurers will ever learn how to beat the ups and downs of underwriting and pricing.

Michael Morrissey, financial analyst and Crum & Forster vp, says the industry learned much from the last sharp downturn and is better prepared than ever to cope with competitive shifts.

Better management information

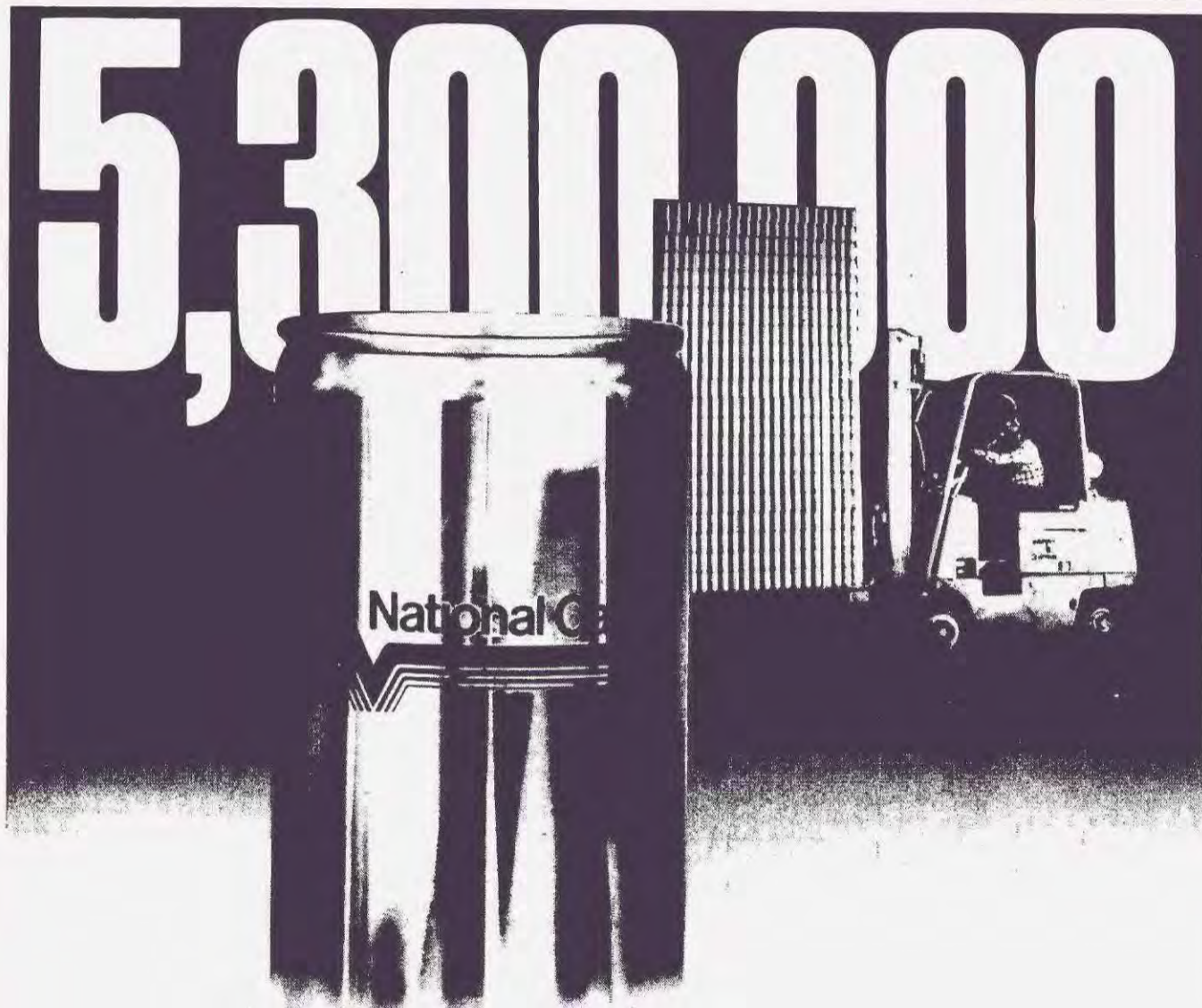
systems, higher reserves and greater diversity of investments should prevent a repetition of the dramatic market shifts of a half-dozen years ago, Mr. Morrissey says.

In the mid-1960s when the bull market began to roar, insurance companies invested heavily in the stock market. By the mid-1970s, "many companies, including ourselves, had a rather heavy exposure to the stock market," Mr. Morrissey explained.

When the market dropped in 1974, insurers got hit with a double-edged sword: Both the investment portfolio and the underwriting results went sour at the same time.

This double-edged sword nearly forced some companies out of business and forced a re-evaluation of investment strategies, he says.

Today insurers are de-emphasiz-



M. Morrissey foresees trouble in aviation and marine lines.

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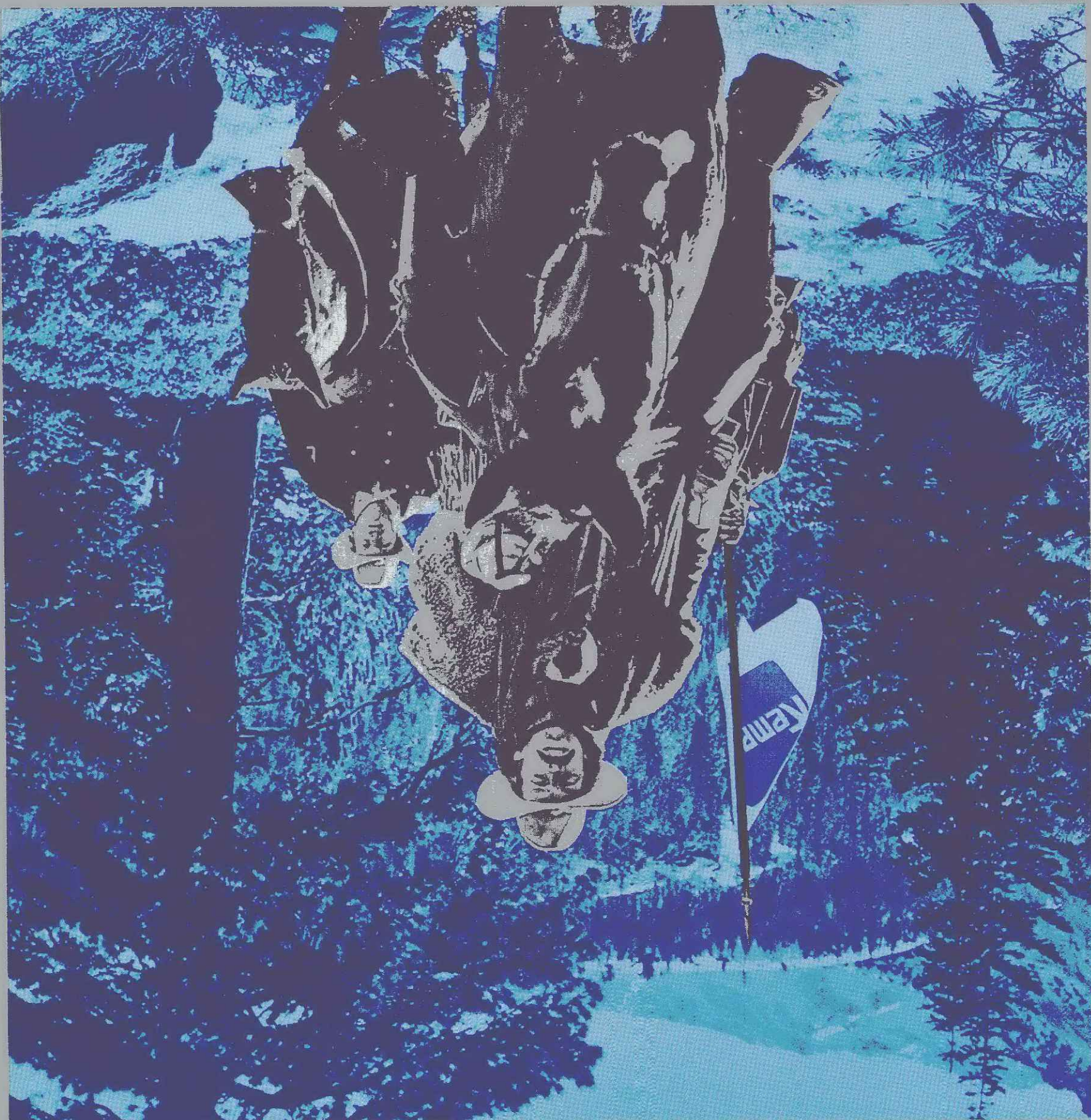
The high interest rates earned from investments already are holding back red ink as underwriting results deteriorate. "In the 1973 to 1975 period, our combined loss and expense ratio went up seven points and our earnings per share went down 45%," Mr. Morrissey noted.

"But if our combined loss ratio were to rise seven points between 1978 and 1981, our earnings would be flat because investment income is so much higher than before. So the potential for a severe earnings decline is much less than before."

Mr. Morrissey, however, does see trouble approaching in two major lines: aviation and marine. "Prices have been so low and losses so high that rates have nowhere to go but up," he warned.

Spotting financial trends is old hat for Mr. Morrissey, who at age 33 already has moved into Crum & Forster's upper echelon, reporting directly to chairman Bobby Russell.

Armed with a master's degree in business administration from Dartmouth in 1971, Mr. Morrissey worked as an insurance industry analyst for several Wall Street brokerage houses before joining Crum & Forster in June 1978. ■



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Insurer predicts drop in buyer's clout

By JILL KAPLAN

HARTFORD—Insurers are not going to bow to buyer price pressures any longer, says Tom Jackson, secretary for product management at The Travelers Insurance Group.

There will still be competition, but not as fierce, and rates will increase by fall of 1981, he predicts.

"Insurers are going to say to one another, 'Ok, take the business, I don't want it,'" Mr. Jackson said. "Insurers have reached the perceived level beyond which it does not make sense to go any further."

Larger accounts pressured companies to reduce or improve prices in July, Mr. Jackson notes. But insurers now showing unprofitability are not willing to give large re-

ductions to the big accounts.

"Losses sturdy up people's backbones," he said. "Insurers can't give it away." Insurance companies suffered small losses last year, but are seeing very large losses this year, he adds.

"They are not doing as well, so they're not as willing to slash rates," Mr. Jackson said. "The game isn't worth it anymore and they're going to stop playing."

The Travelers' combined ratio for all liability lines other than auto for the six-month period ending June 30, 1980, was 116.7%, up from 105.7% for the same period last year.

"I expect the competition to continue, with the peak frenzy at January renewals," Mr. Jackson ex-

plained. "By July '81 things will probably not be as fierce."

No great rate hikes are expected at renewal time this Jan. 1, but insurers won't know for certain until October or November, he said.

"Then we'll estimate what will happen to the economy and risk question. Why should we have to think about it now?" he asked.

Large firms that pay \$100,000 to \$200,000 will probably see no price hike in January. "Nobody is anticipating a price hike and, in fact, there will be more of the same pressure to go down," he said.

Barring a great catastrophe, another Great Depression, runaway inflation or war, Mr. Jackson does not expect to see a great change in the markets.

"There is no reason for a turn-

around for a while, unless something causes panic," he said. It doesn't take a disaster, but it could precipitate a change. If there were a major earthquake in California, the demand upon capital could be tremendous.

"There would be less inclination to risk and that could have a pervasive influence on general prices, as insurers try to get back capital."

Insurers have learned from the crunch in 1974-75, he contends.

Insurers are more likely to phase out a product if it's unpredictable and they can't increase the price, he explains. They are aware of possible problems with product liability or malpractice and have either withdrawn from the market or not.

"We won't see the same panic in the streets," Mr. Jackson said. "There won't be the same kind of market vacuum created in 1975-76. Companies realize it's not intelligent."



"Losses sturdy up people's backbones," says Tom Jackson.



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Price cuts bewilder executive

By STUART EMMRICH

HARTFORD—Oliver Patrell, like many of his colleagues, is a bit bewildered.

Most insurers have been writing business at a loss for nearly a year. Prices continue to drop as insurers scramble for clients and underwriting results continue to worsen.

At Aetna Life & Casualty, where Mr. Patrell is vp of commercial insurance, this competition helped the company lose \$40.5 million on its property/liability insurance business during the first six months of 1980, compared with a gain of \$57.4 million during the same period a year ago.

Is this any way to run an industry? Mr. Patrell thinks not.

"In spite of all these losses, the business is still very competitive," he said. Insurers continue to lower prices even though combined ratios are zooming past 100%.

Investment income helps. Most insurers rely on those gains to offset underwriting losses, and Aetna saw its investment income jump 27% to \$146 million in the year's first six months.

But investment income or not, Mr. Patrell still has the unenviable responsibility of trying to keep Aetna competitive while trying to earn a profit.

"My job is to make it get better, although not many people have my optimism," said Mr. Patrell, a 30-year veteran of Aetna.

Mr. Patrell is pushing for rate hikes in the most crucial lines of business and concentrating much of the company's underwriting efforts in large national accounts, where the market is seen as more stable, he says.

National accounts produced a small underwriting gain in 1980's second quarter and a lower underwriting loss in the last six months than the small- and medium-sized accounts, both of which had substantial underwriting losses through the first half of the year.

The market may begin to turn by the end of 1981, Mr. Patrell says, with some lines showing rate increases before then, but he is still a bit fatalistic about both the industry's penchant for price-cutting and the expectations of his company.

"If it gets much worse, I'll be in trouble," he said.

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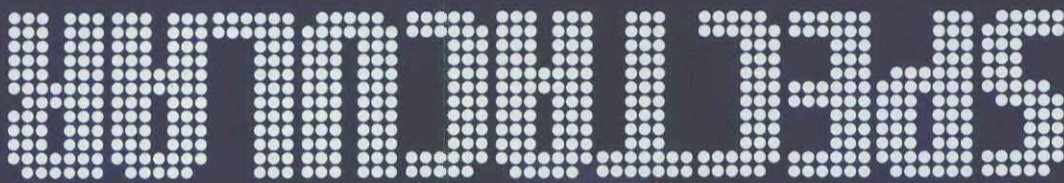


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Allstate promises resurgence in 1981

By JILL KAPLAN

NORTHBROOK, Ill.—With liability rates plummeting, 1980 is a tough year to be selling commercial liability coverage. But Allstate Insurance Co. vows to bounce back next year as a strong market for business insurance.

General liability rates will not increase, but probably will begin to stabilize, explains Laurence O'Connor, vp-commercial underwriting at Allstate.

"We're going to see rates stabilizing, we just have to," Mr. O'Connor said. "We'll see stability as the first step in recognizing underwriting losses. I think it will be very beneficial to the market."

Commercial pricing today is erratic, he notes. Staff insurance underwriters are often inexperienced and many insurers are pursuing premium income because investment income is so attractive, he says.

"There's more business on the

market, but not enough underwriters with experience to write the business. So junior people are brought in and this generates randomness and instability in the quoting process," he added.

Allstate has tried not to participate in rate-slashing, Mr. O'Connor contends.

"We've been rather moderate in our approach to commercial pricing," he said. "It has been difficult, but we're in commercial insurance

for the long haul."

Limitations set on the underwriting authority of inexperienced staff or pricing policies set by senior management will change the situation, Mr. O'Connor says.

"Underwriting will evolve to a stabilized situation, not the dramatic situation we saw a few years ago," said the Allstate executive. "Then in two to three years we'll probably see a gradual firming of the marketplace."

Premiums will rise when under-

writing losses become so large that net income is reduced after including investment income, Mr. O'Connor says. "It looks like some underwriting results are already unsatisfactory."

Investment income is so inflated it would probably cushion any abrupt firming in price, he notes.

Most liability rate levels are probably adequate but an increase can be expected in owners, landlords and tenants rates, he adds.

"OL&T is a non-inflation-sensitive business where you feel the slips and falls," he explained. Allstate has had some pockets of unprofitability in OL&T, particularly on the East Coast.

"OL&T rates are generally deficient across the industry," he said. "Manufacturing and contracting rates are adequate and product liability rates are adequate."

Allstate plans to offer more manufacturing and product liability coverage in the future. About 10 branch offices were opened around the country in the last 18 months under the name of Northbrook Property & Casualty Co., Allstate's new commercial company.



"We've been rather moderate," says Laurence O'Connor.

Mr. O'Connor couldn't predict when the cycles will turn around, "but the current underwriting cycle is certainly on the downswing in underwriting profit and loss.

"Loss ratio results have already turned substantially unprofitable for the industry in the last couple of quarters," he said. Allstate's loss ratio for general liability is 67%.

He declined to reveal the company's combined loss ratio because of the high expenses of starting up the new Northbrook Property & Casualty Co.

It would probably take more than a single natural disaster to catalyze a reverse in cycles, he adds, because of extensive reinsurance that is spreading the risk.

Allstate's future in workers compensation lies in legislative reform, Mr. O'Connor says, but rate increases will not help solve the problem of the rising cost.

"The real answer to cost containment is legislation," he explained. "Legislative reform, such as that adopted in Florida, will be the major positive way of controlling costs in the future."

The wage-loss law in Florida will reduce workers compensation losses there, he says.

Allstate, which plans to open a branch in Florida soon, did not write business there in the past because of the state's problems.

Allstate's liability premium volume exceeds \$100 million. Workers compensation comprises 15% of total liability premiums. ■

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Workers comp rates to increase slightly: Insurers

NEW YORK—Wage-loss legislation, rehabilitation and structured settlements will hold back dramatic increases in workers compensation rates, but buyers should expect small increases to continue through 1981, insurers say.

"There'll be some increases in prices to keep up with medical costs and inflation," said James J. Holland, director of product management and workers compensation for The Travelers Insurance Group.

"But my own guess is that over the long run we'll have to see rates

increase 7% to 8% a year."

The drastic increase in premium from 1976 to 1979 was playing catch-up, he says.

"There was a long delay from the National Commission (on State Workers Compensation Laws) report in 1972, some of the benefit changes that followed and our ability to price them," Mr. Holland noted.

"I think that has stabilized. I don't expect to see the same bubble. It was a one-time phenomenon that had to be passed."

Open competition in all states may also slow rate increases, but some stumbling blocks need to be passed.

"The real question is having a reliable class differential system," Mr. Holland said. "If there is open competition without a data base, I don't think anybody can come up with any meaningful statistics."



The work comp situation has stabilized, says James Holland.

Wage-loss legislation, now entering its second year in Florida, is "the great experiment" to many insurers.

"If we continue to see the trends shown in Florida, I think the temptation to trust it in one form or another is going to be overwhelming in a number of states."

John Cox of INA is asking the same questions and hoping the same hopes.

"If the Florida change (to wage-loss) became more prominent around the country, I think there would be a temporary slowdown in cost increase," Mr. Cox said.

"But will that survive? Who knows?"

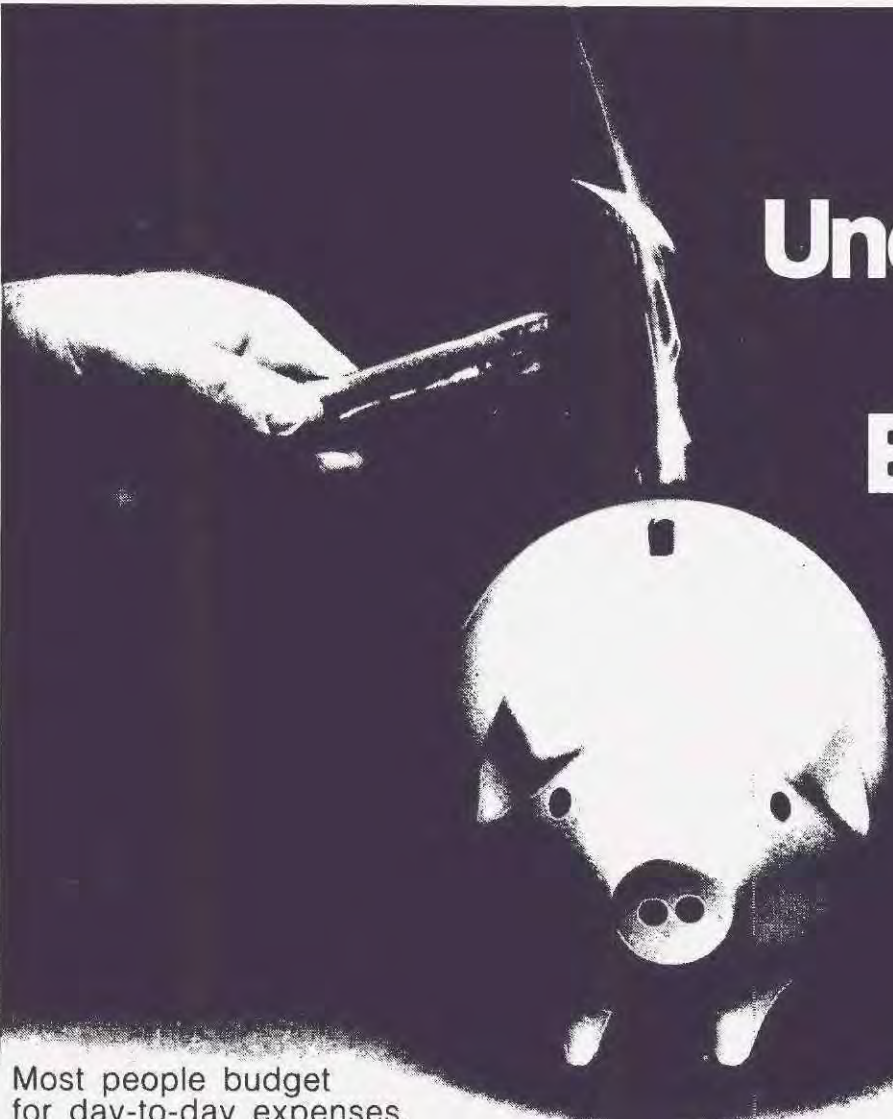
States will emphasize legislative workers compensation reform in the future, he predicts. But he is skeptical that business and labor can form the necessary coalition.

Rate increases will be held down somewhat, he adds, by the use of rehabilitation and structured settlements. "But I think the overall is going to add up to increased costs," he said.

INA executives are meeting to decide what position to take on the issue of open competition.

"Personally, I favor free enterprise, which means the commercial side does not have to protect the insurers or buyers," he said. But whether he supports a change will depend on how the reform is worded.

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Important technological advances are often accompanied by increased property risks. Allendale has to be right on the tail of these new hazards, identifying them and finding affordable solutions.

Jumbo jets, for instance, are a giant step forward for passengers, the airlines and air freight companies. But only in the air. Sitting on the ground in a service hangar, their size becomes a serious problem. Because bigger in this case means a quantum leap in values and exposures over the previous generation of aircraft and facilities. As much as 6,000 gallons of fuel may remain in the tanks. And two or three of these giants are often in a hangar simultaneously. So there's the ever-present potential for a substantial loss from fire.

Before the jumbos were even put into service, Allendale, along with many airlines and air freight insureds, recognized the magnitude of the problem. Conventional overhead fire-protection systems can't provide adequate protection. Fire underneath a jumbo would escape immediate detection. And the vast body and wing surfaces would interfere with the sprinklers.

Allendale, because of the

**Factory
Mutual
System**

resources of the FM Engineering Division, had been on top of the latest developments in foam technology. Tests, involving the largest indoor flammable liquid fires ever run, were conducted at our special fire research facility. They proved that the most effective approach to the problem is an overhead foam sprinkler system coupled with oscillating foam monitor nozzles for underwing protection.

One of the first Allendale insureds to adopt this new technology was Flying Tiger Line. Their new system was designed to utilize the existing water supply and make maximum use of present piping. So it was accomplished as painlessly as possible. "Tests of the system demonstrated it provides complete foam coverage instantly. As a result, we have a high degree of confidence for the safety of our personnel, aircraft and facilities," states Bill Thompson, Flying Tigers' director of maintenance.

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Allendale Insurance

Changes in Overseas



Foreign countries are moving toward standards of product liability making manufacturers and distributors more strictly accountable for product defects – a trend which has already resulted in increased awards against U.S. companies with export markets.

A brief review by INA of an insurance topic of interest to business executives.

The liability of manufacturers, wholesalers and exporters for defects involving the safety of their products has traditionally been much more restricted abroad than it is in the United States.

In part this is due to differences in social and economic conditions. For example, the consumer movement is less advanced in nearly all foreign countries than it is here. Conservative legal systems and precedents are also important – including such factors as the relative infrequency of jury trials, the lack

of a contingent fee system and limited recognition of liability for pain and suffering.

There is, however, ample evidence of a worldwide trend toward making manufacturers and distributors more accountable for the goods they put on the market. The traditional doctrine of *caveat emptor* – let the buyer beware – is crumbling under the recognition that mass production can result in products which in use prove defective and cause injuries. More and more societies find it neither so-

cially acceptable nor economically necessary to place the major burden on the injured party.

The upheaval in product liability abroad has taken several forms. For one thing, growing awareness of the lucrative awards possible in the United States has led to more foreign plaintiffs initiating suits against American firms in American courts. In foreign courts, too, liability actions against U.S. firms are on the rise and the awards decreed are increasing in size.

Strict accountability

Most important of all, there is an organized movement in Europe toward the “strict liability” concept of product liability which generally prevails now in the United States. A proposed international agreement, sponsored by the nine-nation European Community (the Common Market), is bringing strict liability closer to reality – in fact, in varying degrees, it is already law in some European nations. As one observer has put it, by 1985 or even earlier, Europe

Product Liability

may have "the toughest product liability laws in the world."

Strict liability provides, in effect, that the producer of an article shall be liable for damage caused by a defect in the article—whether or not he knew or could have known of the defect. This liability holds good even if the article could not have been regarded as defective in the light of technological and scientific knowledge at the time the product was marketed. There are some extenuating circumstances, such as alteration of the product by a user.

In short, under strict liability, a plaintiff need no longer prove that a manufacturer was negligent—only that the product was defective and that the defect was the cause of the injury or damage.

Protection at U.S. levels

For a company with overseas markets, these developments intensify the need for a uniform program of international insurance protection.

In individual foreign countries, a base of local insurance in

accordance with local laws is necessary. But because these local coverages can vary widely, they should be supplemented with a U.S.-written "difference in conditions" master policy that adjusts all coverages abroad to the U.S. standard of protection level.

Beyond insurance itself, loss control becomes even more important as exposures rise abroad, since product liability claims are often preventable. In addition to loss control measures applying to products generally—such as design analysis and quality control—there are special considerations with products for export. Particularly important are supporting materials and technical services.

Advertising and sales promotion literature prepared overseas should be reviewed to eliminate excessive promises or implied warranties. Warnings and instructions for use should be translated into local languages clearly and with regard to local conditions. Technical support and record-keeping abroad should measure up to U.S. standards. Efficient handling of

such factors can reduce both accident claims and insurance costs.

INA's product loss control program has assisted many clients insured through INA International in preventing accidents. And ESIS, an INA Corporation company, offers the same services to self-insured clients.

Recognizing and meeting complex needs, such as those of business for product liability protection, typifies INA's comprehensive approach to increasingly sophisticated insurance and risk management problems.

Comprehensive services

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation's international network of insurance, financial, and health care interests. In property and casualty insurance and risk management services, life and group insurance, health care management and financial services, INA and its affiliated companies offer a unique combination of products and services to business and industry around the world.

For an informative booklet on current trends in international product liability, write INA, Dept. R, 1600 Arch Street, Philadelphia, PA 19101.

A corporate foreign policy

Manufacturers with export markets can obtain a "worldwide products endorsement" on their domestic product liability policy to protect their overseas exposures.

This endorsement protects only against foreign suits brought in U.S. courts—not those brought in foreign courts. Moreover, while product liability rates for export coverage may be much lower than domestic rates, the foreign coverage provided by endorsement to a domestic policy is usually added at the higher U.S. rates.

Purchase of a separate foreign policy through a company such as INA International can mean premium savings together with more comprehensive protection.



INA
The Professionals

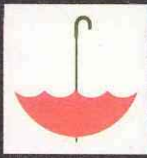
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THE TRAVELERS

perspective

GOOD: City market healthy

By Robert L. Sinclair

DOES A CRISIS exist in municipal insurance today?

If the term "crisis" is being used as a shock effect to gain attention to this segment of the insurance-buying public, that is one thing. If it is being used to imply that a critical problem exists in the pricing and placement of governmental insurance, the situation is more in the eyes of the beholder.

As I view the situation from the vantage point of both a governmental risk manager and a consultant to clients that include local governments, the latter is true, at least in the major portion of the country, and is substantiated by several insurance brokerages that handle a quantity of this business.

First, let us look into the current pricing situation. I cannot believe reductions of 50% to 60% and more in renewal premiums indicate a crisis. If one exists, no one has bothered to inform the insurers. Market conditions have become progressively softer in the past two years until, today, they are ridiculous in many instances.

"I do not see a real crisis in governmental insurance," says Robert Eadie, vp of property/casualty group market-

Robert L. Sinclair is risk manager for the metropolitan government of Davidson County and Nashville, Tenn.

ing for Corroon & Black benefits, which is one of the larger insurance brokers for governments in the Southeast.

"This is not to say that some industrial or large urban communities are not experiencing difficulties, but this is certainly not the case in our area, nor is it the case in much of the country where our firm is active in this type of coverage. We are in the process of expanding our program into a number of states in the Midwest, Southwest and the West Coast."

Having been involved in the government insurance bidding process for a number of years, both in the company and now in government, I have viewed the situation

firsthand. Pricing is not a problem today.

A recent renewal low bid on general and automobile liability for a Tennessee city was less than 50% of the previous premium and the bid was by the current insurer. In Tennessee, bids are at least 30% less than premiums for the expiring coverage. The property insurance on a school system was written at 75% less than the previous premium and the deductible was reduced arbitrarily by the insurer by more than 50%.

Because of the heavy use of self-insurance, Metro Nashville purchases little commercial insurance. Two recent instances indicate the market conditions.

The blanket dishonesty

bond on all employees was awarded to a bidder at a 75.5% reduction from the previous bond, with none of the bids equaling the old premium. A valuable collection of expensive oil paintings produced a low bid of more than 80% less than I had anticipated the cost of the coverage to be.

Arthur J. Gallagher & Co. has been very active in municipalities for several years. It not only markets coverage nationally, but is also active in the management of governmental underwriting pools.

"The market has never been as competitive," says Richard Eichhorn, president of Gallagher-St. Louis. "Cities with poor loss control and total disregard for their loss experience may be having problems, but this is not generally the case."

He cited a situation involving an Illinois city. It had not been carrying umbrella liability coverage. The bids for its general and vehicle liability were opened in late July. The low bidder cut the premium 45% and included a \$5 million umbrella. The state of Missouri received five bids on its casualty coverages which a few years ago few bothered to even submit. Mr. Eichhorn says this condition appears to be the case wherever Gallagher is involved.

At the RIMS conference last April in
Continued on page 40



Photos: Mary Cairns

BAD: Some are still suffering

By Howard B. Camden and Richard J. Heskin

AS THE PROPERTY/casualty insurance programs for local governments become subject to renewal, the management of municipalities becomes painfully aware that there is truly a municipal insurance crisis. Although there appears to be no way premium increases can be avoided, some of the problems can be alleviated through good risk management. In fact, a good risk management program will save the municipality money in the long run.

A quick review of some of the problems leading to these premium increases should help management understand the reasons and perhaps lead to solutions.

Double-digit inflation, a claims-conscious public, rising medical costs, the erosion of governmental immunity from liability and increasingly aggressive attorneys are among the problems of municipalities.

Insurance companies have suffered property/casualty underwriting losses totaling more than \$6 billion in 1974, 1975 and 1976. This has led to availabil-

Howard B. Camden is president and Richard J. Heskin is executive vp of Advanced Underwriters Insurance Agency Inc. in Farmington Hills, Mich.

ity problems caused by much more selective underwriting, larger retentions or deductibles and withdrawal from such lines as medical malpractice, product liability and some types of municipal liability insurance coverages.

With more selective underwriting, insurers have come to realize municipalities consist of many departments—each with a unique function—and have required municipalities to pay higher premiums for some of these functions and sometimes excluded coverage for others.

Fire and police departments pose great financial danger from injury to employes and third parties. This danger is inherent because of the emergency nature of their operations.



Higher premiums for workers compensation, auto liability and physical damage and public liability may be the result in many instances.

Some exposures, such as police professional liability, may be excluded from overall public liability programs and coverage must be sought through specialty insurers at higher premiums. Many municipalities

have such special exposures as skating rinks, athletic fields, parks and places of public assembly.

The cost of an accident is generally considered to be the amount paid by the municipality or insurer to an injured employe, an injured third party or the cost of repair or replacement of damaged equipment. But many years ago a respected safety engineer for a

large insurance company determined that the actual cost of an accident is many times greater than the readily apparent cash outlays.

These are referred to as the hidden accident costs. They include such things as: lost work time, time necessary to train a replacement, material or product spoilage, idle equipment, decreased productivity by the injured worker during his rehabilitation, payment of penalties, rental costs for necessary emergency equipment and possibly the loss of the goodwill of the public or the employe.

At one time, it was common practice for municipalities to purchase insurance on a piecemeal basis.

Fire, liability, automobile fleet coverage and fidelity and performance bonds were purchased separately from various companies with numerous agents involved. Each separate line of insurance was normally placed through competitive bidding.

These practices sometimes led to gaps and duplication of coverage. They also resulted in confusion in claims reporting and compliance with varying engineering safety requirements.

There then came a time when agents and insurers began to survey a municipality's insurance program to eliminate gaps and duplica-

Continued on page 40

speaking out

Health reform Act encourages competition

By Rep. Richard A. Gephardt

I HAVE READ with interest your editorial of June 16 ("Pull leash on costs") on the National Health Care Reform Act of 1980, H.R. 7527, which Rep. Dave Stockman (R-Mich.) and I introduced earlier in June.

The editorial is a welcome contribution to the debate on the bill and on the issues it confronts. It is only with thoughtful analysis by knowledgeable and interested journals like yours that a meaningful dialogue can be achieved.

I am, however, disappointed that you were not able to react more positively toward our bill. Perhaps your position resulted from the fact that you did not have an opportunity to review H.R. 7527 in detail. Many of the objections raised appear to be based on a lack of information about its details. Perhaps some explanation of what may have been unclear about the bill would be helpful.

It is not true, as the editorial states, that employers' federal income tax deductions for contributions to health plans would be limited to payments made to qualified health care plans. H.R. 7527 does not in any way change the law with respect to deductions available to employers. Deductions would be available for contributions to health plans, or indeed for any other employee benefit provided by an employer, whether or not the plan is a qualified health care plan.

The bill does make amendments in the provisions of the Internal Revenue Code that now allow employees to exclude from their taxable income the amount of premiums for health plans paid by their employers. It has become increasingly apparent that this tax benefit is being overused and is one of the reasons for the increasing cost of health care. At the present time, this provision is open-ended. There is no dollar limitation on the amount that may be excluded or any restriction on what kinds of health care plans it can be used for. Federal tax benefits are being conferred in an unchanneled and uncontrolled manner.

H.R. 7527 limits the exclusion from income to an amount determined collectively by the community (while providing "grandfather" protection for employees who received higher contributions from their employers in 1979 or who are entitled to higher contributions under collective bargaining agreements now in force).

The legislation uses the tax benefit to assist the development of a competitive system. We believe a competitive system will provide more coverage for the same dollars than is possible under the present system. Price competition

among providers is the best way to squeeze any unnecessary duplication out of the system and keep costs to the consumer as low as possible. By limiting the income exclusion to the purchase of competitive plans, the federal taxpayer will get the maximum value from this tax expenditure.

The editorial says that by offering tax-free rebates to employees who choose inexpensive health care plans, the bill will encourage workers to choose "low-coverage health plans," which the editorial finds to be a "fatal flaw." However, H.R. 7527 provides that the rebate is available only if the employee has chosen a qualified health care plan.

A qualified health care plan must provide comprehensive health care coverage with out-of-pocket expenditures limited to a specified amount. Employees may be able to obtain rebates by purchasing less-expensive plans that have higher deductible and copayment levels, but the bill ensures that no matter what the worker selects, he cannot experience crushingly high health care expenses.

Above that safety net, the choice of cash or more health coverage properly is the employee's. The bill neutralizes the bias toward insurance presently provided by the tax system. A tax-neutral choice will help bring economic rationalization to the health care delivery system.

We believe the American worker is sufficiently savvy to make the choice between cash and health care insurance coverage that is right for him or her. Further, employees will continue to have the benefit of professional assistance in determining which plans to purchase, and I would expect that the readers of *Business Insurance* would be among the leaders in providing that assistance.

The editorial expresses concern over whether there will be enough federally qualified health care plans to give individuals the chance to obtain the tax benefits. It is difficult to imagine why commercial and Blue Cross/Blue Shield policies that are now available would not continue to be offered. These policies could qualify with modifications that would not be difficult. Further, H.R. 7527 authorizes the Department of Health and Human Services to delineate health care areas wherever necessary to make qualified

health care plans available to everyone and to enhance competition.

Conversely, the editorial worries that there may be so many plans that employers will be subjected to excess paperwork. We believe that the paperwork burden for employers actually will be reduced. However, if there is concern that there may be too many competitive plans, our bill might be amended to limit the number of plans to which an employer would be required to send checks, perhaps on the basis of some ballot by employees.

This is the kind of problem that easily can be overcome. We solicit your additional suggestions and those of your readers for ways to make administration of the plan as simple as possible for employers as well as for employees, providers and government.

Finally, the editorial fears a new federal bureaucracy will be needed to administer the reforms.

Rep. Stockman and I wholeheartedly share your desire that the bureaucracy not be increased. Our bill is intended and designed to curtail the bureaucracy.

The amount of bureaucratic effort necessary to administer the reasonable cost-reimbursement system, to process Medicare/Medicaid claims and to enforce the health planning system already is immense. The real danger is that if H.R. 7527 is not enacted, the current bureaucracy will grow even larger

and more intrusive.

Our bill would reduce the bureaucratic role dramatically by substituting market disciplines for governmental control. An appropriate role for government is preserved, particularly in qualifying plans. But the requirements of qualified plans are clear and do not permit the complex and subjective governmental actions that characterize the current system. Determining the prevailing local premiums is a very simple computation based on information easily collected by qualified health care plans and easily reported by them to the federal government.

I urge further consideration of the benefits provided by our bill. It would free health care managers to develop efficient forms of delivery. It would enable providers and purchasers to develop a free market for health care plans and create a provider responsiveness to consumer demands.

It would result in price competition that will enable an employer to buy more health care for his employees for the same dollars. It would enable employees to obtain the coverage best tailored to their needs, and it would extricate employers from the conflicting health care and wage demands of various employee groups.

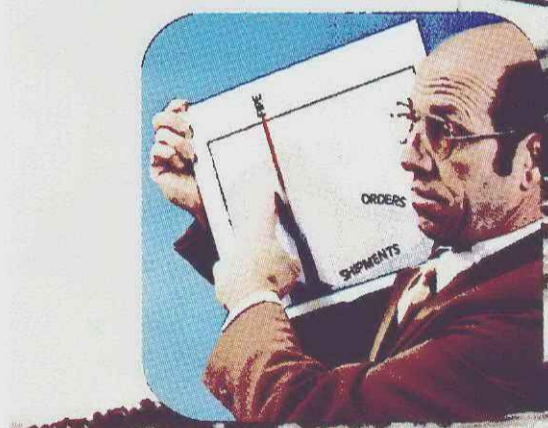


'We believe the paperwork burden for employers actually will be reduced,' says Rep. Richard Gephardt.

Rep. Richard A. Gephardt is a Democrat from Missouri and a cosponsor of the Health Care Reform Act.

**“Sure, we had
insurance...
we should
have had
PROTECTION.”**

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our property. But
customers and sales
were lost. Trained
employees left.
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perspective

City risks find open markets

Continued from page 37

Atlanta, Marsh & McLennan unveiled its new governmental program. This program was developed with major input from a number of governmental risk managers across the country. I do not believe this respected brokerage would have spent the time and money if the product were not readily available and competitively priced.

There is no question that some change in the soft marketplace regarding pricing and availability will occur in the not-too-distant future, but this will undoubtedly apply also to most of the insurance-buying public. Insurers have freely written business with little regard for underwriting results when they can earn 15% to 18% on investments. With a marked decline in investment income, underwriting will once again become important.

Two years ago, I predicted the property/casualty insurance industry would see an underwriting loss of \$4 billion in 1981 if the then-current condition continued. It not only continued but worsened. One knowledgeable insurance professional says my prediction is wrong, as he sees a possible \$6 billion underwriting loss in 1981. If a trend is indicated by the cumulative results for the first quarter of 1980, when the underwriting loss from property/casualty operations was reported at more than \$700 million, this year will reflect an underwriting loss of more than \$3 billion. The \$6 billion loss projected for 1981 may not be too far wrong.

What the net effect of such losses on local governments will be is hardly predictable, except that the better risks normally have not had difficulty in being placed. Prices will undoubtedly increase, but an increase from the bargain-basement pricing of the past few years will not totally spell disaster.

It is true recent court decisions will adversely affect the overall desirability of governmental insurance. There will continue to be an erosion of governmental immunity and there will be more litigation involving Section 1983, the U.S. code dealing with civil rights, but is there any industry that does not discover risks not previously contemplated?

All of us will recall the product liability scare of the recent past, but I am told many large insurers have re-entered the market. Let us not forget the medical malpractice dilemma. The physicians came to realize their profession was not a "sacred cow." They established their own insurers and began exercising underwriting judgment.

If municipalities expect insurance to cure all their ills, they will have problems and, as far as they are concerned, there will be a crisis. Insurers are in a profit-making venture and cannot be expected to continue to insure the habitual losers. Local governments must realize this. ■



Photo: Mary Cairns

A periodic maintenance program for all municipal vehicles and training of personnel in correct safety procedures are two loss prevention steps municipalities can take.

Policy problems may still exist

Continued from page 37

tion. The result was packaging of many lines through one company or agency. This resulted in a lower premium and a much greater understanding by policyholders of their programs.

The four methods used by risk managers to handle exposures are avoidance, prevention and reduction, retention and transfer.

Avoidance of an exposure simply means to forgo a procedure or program if the chance for financial loss may be greater than the expected benefits to be derived. For example, if an auditorium has become antiquated and past experience has shown that citizens do not make much use of the hall, the alternative may be to raze the structure rather than to spend money to remodel or replace the facility.

Prevention or reduction of loss possibilities may take two forms. One is the correction of physical conditions such as the guarding of machinery, the prompt repairing of potholes or a periodic maintenance program for all vehicles. The second type involves periodic training of personnel in correct safety procedures. In municipalities with paid fire departments, it is customary to conduct regular training programs.

Unfortunately, this is not always the case where volunteers serve. It be-

comes mandatory that volunteer workers in all fields be given adequate and periodic training to perform their tasks properly. The periodic check of state motor vehicle records on all drivers, with action taken against those with poor records, is another example of the second form of loss prevention.

Retention of some losses is probably the most economical way to handle those losses. This is certainly the case where the maximum dollar loss is small although it may occur somewhat frequently. An insurer will charge handling expenses in addition to the expected payout for losses. By retaining such losses, municipalities will avoid these additional expenses.

Plate glass insurance, inland marine floater coverage on small equipment and collision on automobile fleets are examples of insurance that perhaps may best be completely retained by municipalities. For other lines, it may be feasible to accept deductibles for the frequently occurring but normally small losses and protect yourself for a possible catastrophe with excess insurance.

The fourth method used by risk managers is transfer of risk and the most common way to transfer risk is to purchase insurance. This is the most ex-

pensive method of risk management for the municipality and should be the last consideration in handling exposure. It should only be considered when other risk management methods and risk funding techniques are not feasible.

The selection of a risk manager can be difficult, but perhaps some criteria are uniform. Insurance has historically been handled by a finance director or someone involved in the accounting and finance or the purchasing department of a municipality, as a distasteful adjunct to other time-consuming duties. This situation can no longer be the case.

There are no set criteria for selection, but it is necessary that a risk manager be able to communicate well and get along well with people. He should also have a working knowledge of accounting, finance, insurance, law and loss prevention.

Every municipality, regardless of size, needs a risk manager, whether full- or part-time. The rising cost of accidents strongly suggests such a position be established and that the necessary authority be granted.

If a conscientious effort is made to fill the risk management position properly, a reduction in overall costs will result. ■

growing pains

Competition continues to be pretty severe and it will continue



Philip G. Buffinton

BI Roundup

CHICAGO—Rate increases will hit small firms in 1981, but the punch may be a powderpuff. Touting commercial package plans and scaled-down versions of big company insurance-funding techniques, insurers are out to stroke small and medium-sized firms.

Medium-sized manufacturers that are willing to punch up loss prevention may be able to win retrospective rating plans from commercial insurers, reports Richard Riley, executive vp of Corroon & Black of Illinois.

"We've been seeing it more and more—paid-loss retro plans underwritten with a premium base of lower than \$250,000," he said. "In past years, this was unheard of. A firm usually needs \$1 million in premium or at least \$500,000."

The retrospective rating plans use loss history to calculate the premium a firm must pay for coverage and set minimum and maximum losses.

If losses are more than expected, the policyholder pays them up to a maximum. If they are less, he gets a refund limited by the minimum loss expected.

Many small firms don't want to invest in the safety expertise necessary to make the plan work, but a good safety record could turn the technique into an effective tactic, brokers say.

"It's the client's choice, of course," added Edward Mack III, executive vp of Mack & Parker, a regional Chicago broker with many small and medium-sized firms as clients. "But we can sometimes make those options available."

Mack & Parker recently offered a Chicago manufacturer with 125 employees, a handful of locations and \$12.5 million in sales a choice between a paid-loss retro and conventional insurance. The premium base for the retro plan was \$105,000.

Small firms that choose traditional insurance coverage are also finding bargains. Though brokers and insurers predict some small rate increases in the package property and liability policies, the hikes will be small compared with coverage for larger risks. Competition will continue through 1981 as almost every major insurer scurries after Main Street business.

The insurance companies are heavily marketing special programs designed for specific market segments, including mercantile risks, restaurants, builders and contractors, condominiums, small manufacturers and many others.

Aetna Life & Casualty markets its series of such products under the name Enterprise. The Hartford has just introduced its composite-rated Spectrum policies, and The Travelers reports sales success with Master-Pac.

Typically, these plans are available on risks up to about the \$3,000 premium level, but some insurers are preparing to extend this concept to larger accounts. Bigger risks, however, present greater underwriting problems, insurers say.

More competition from direct writing firms will keep the commercial competition honest, too. State Farm Insurance Co., for example, one of the largest personal insurance underwriters, is increasing its share of commercial insurance sales.

Targeting apartment houses, condominiums, small office buildings and merchants, State Farm estimates earning \$320 million in premium for commercial coverages this year. The insurer expects to increase this to \$400 million in 1981, says chief administrative officer Philip G. Buffinton.

"Our commercial multiperil insurance combined ratio through June is 98%," he explained, "and we'll probably hold without much change, barring a major hurricane in Florida or the Gulf States." Hurricane Allen's losses are not yet known.

"There's no question that competition continues to be pretty severe now and will continue for the rest of 1980," he added.

And as long as insurers spar with each other, small firms' insurance rates are safe.



Human Spoken Here.

The fact is a lot of insurance people speak Martian — a language incomprehensible to most humans.

The why of that, however, is a little hard to follow since humans, much more than Martians, need professional counseling on how to best protect their money, time, productivity, retirement and so on.

Take pension planning, for instance. We want you to know we have a briefcase full of flexibility in that area . . . qualified pension plans for a variety of goals at a wide range of payment schedules.

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Bell rings up safety post with Quaker

STEPHEN BELL, 32, has been named manager of safety and health at the Quaker Oats Co. in Chicago to replace **Harry Getzlaff**, who has become director of occupational safety and health at Kimberly-Clark Corp. in Neenah, Wis. Mr. Bell, who reports to John Mutchler, corporate director of safety and health, previously was employed by Wausau Insurance Co. in River Forest, Ill. He has a bachelor's degree in civil engineering from Marquette University. Mr. Getzlaff, who reports to Paul Lenahan, director of personnel relations, is replacing **Robert Thomas**, who retired. He has bachelor's and master's degrees from the College of St. Thomas.

Pat Macaluso has been named manager of risk management at

comings & goings: buyers

Medtronic Inc. in Minneapolis to replace **Donald J. Meck**, who left the company. Ms. Macaluso was previously an account executive at Alexander & Alexander's Minneapolis office. She has a bachelor's degree in math from Wichita State University and an advanced degree in math from Louisiana State University.

Thomas F. Southworth, 35, has been named risk manager for the Maryland National Capital Park and Planning Commission in Silver Springs, Md., to replace **Alan Long**, who is now a consultant. Mr. Southworth, who reports to personnel services manager David

Metzger, previously worked for Hagner Insurance Corp. and Royal Globe Insurance Co. He has a master's degree in business administration in insurance and risk management from Temple University.

Sandra L. DeWitt has been promoted from manager of the risk management department to director of insurance and risk management at Ramada Inns Inc. in Phoenix. Ms. DeWitt will retain the duties of risk manager while adding on insurance responsibilities. She reports to Al Munyan, vp of administrative services. Ms. DeWitt, who has been manager of risk

management for three years, has eight years experience in the risk management field.

Caesars World Inc. in Los Angeles has named **Beverly Kamps** risk manager to replace **Mark Christine**, who left the company. Ms. Kamps, who reports to treasurer Donald Robertson, was assistant risk manager before this promotion and previously worked as an account manager for Alexander & Alexander in Los Angeles. She attended California State and Baylor University.

American Hospital Supply Corp. in Evanston, Ill., has named **Bruce Beckmann**, 30, retirement and incentive plan supervisor, a position held by **Deborah Wagner** before her promotion to manager of cor-

porate benefits. Mr. Beckmann, who reports to Ms. Wagner, will be responsible for pension plan administration and systems analysis. He previously worked as a business systems analyst for the American Medical Assn. in Chicago and before that was department administrator at the Washington University school of medicine in St. Louis. He has a bachelor of science degree from Purdue University and a master's in business administration from Washington University.

David Wineland, 37, has been promoted to personnel manager

for Midwestern Steel, a division of Armco Corp. in Kansas City. Mr. Wineland most recently was personnel manager for the international division of Armco, a promotion earlier this year from manager of compensation and benefits for Armco. In his new position he will be responsible for benefits, compensation, industrial relations, organization and safety at Midwestern Steel. Mr. Wineland started at Armco 15 years ago as an account trainee. After working through the ranks in accounting and the corporate finance department, he was named manager of employee benefits in 1977 and manager of compensation and benefits in 1979.



Wineland

General Steel Industries Inc. in St. Louis has named **Dolores C. Bourisaw** to the

newly created position of administrator of salaried benefits. Ms. Bourisaw, who has been with the company since 1955, was administrative assistant to Taylor



Bourisaw

S. Desloge, company vp, treasurer and secretary, before this promotion. She now reports to him.

Wendy Hamilton has been named risk manager for the city of Palm Springs, Calif., to replace **Robb Tarr**, who joined Robert F. Driver Co. in Newport Beach, Calif. Ms. Hamilton, who reports to city manager Norm King, previously was an independent insurance adjuster and before that was corporate risk manager for Newhall Land & Farming Co. in Valencia, Calif. She holds the ARM designation.

Revlon Inc. in New York has named **Gerald J. Murray** to the newly created position of manager of pension planning and administration. Mr. Murray, who reports to Richard J. Burns, director of compensation and benefits, was previous benefits adviser at ITT Corp. in New York. He has master of business administration and bachelor of science degrees from Fordham University.

Ted Jones has been named insurance manager at Continental Airlines in Los Angeles to replace **Stan Detweiler**, who retired. Mr. Jones, who reports to director of insurance George Romaine, was previously in loss prevention and cargo programs at the airline.

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

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Adjust premiums for inflation rate: Belgian insurer

PARIS—Greater use of methods to protect insurers against inflation, such as periodic adjustment of premiums, should be undertaken throughout Europe, a Belgian insurance company official has suggested.

Some European nations, such as Belgium, have devised methods of redrawing policies at periodic intervals to adjust premiums for inflation, said Georges G. Martin, chairman and managing director of Royale Belgian Insurance Co. of Brussels.

"One remedy is the permanent total or partial adjustment of premiums by linking them to an index, possibly specific to the kind of risks considered," he told a recent international insurance seminar here.

Beware of bargain

CANBERRA — Multinational companies operating in Australia should be wary of too big a bargain on premiums and services, warns Johnson & Higgins International.

Soft markets and declining rates have clouded the profit picture of many insurers, and have forced one local insurer to close its doors and a U.S. excess/surplus underwriter to withdraw from the Australian market.

There is little possibility rates and premiums will return to profit levels for insurers anytime soon, Johnson & Higgins says.

As a consequence, corporations looking for long-term coverage in Australia should beware of too great a reduction in premiums, J&H says.

Drought claims

SASKATOON—Drought may force the Canadian Crop Insurance Board to pay out \$450 million in claims this year.

Board officials told a recent conference here that the average per-acre yield this year is expected to be only nine bushels, the worst yield since 1961. This means the board will have to pay more than \$450 million to policyholders.

The board said it has \$200 million in reserves and would borrow from the provincial and federal governments to meet remaining claims, said chairman Frank Dietz.

He predicted that farmers' premiums will not rise dramatically.

All-risk policies

JOHANNESBURG—Companies doing business in South Africa will no longer be able to package all their industrial risks into a single policy, because of a new ruling by the South African Insurance Assn.

The association made the ruling

Small objects cause injuries

WASHINGTON—Objects smaller than a pinhead cause the greatest number of eye injuries in the workplace, a Bureau of Labor Statistics study shows.

The survey, based on workers' compensation reports in 19 states for July and August 1979, said 69% of the 1,052 eye accidents were caused by flying objects and 58% were caused by objects less than one-half millimeter in diameter. Almost three out of five persons injured were not wearing eye protection.

worldwide

in an effort to do away with the assets all-risk policies carried by many companies, which lump many risks into one policy.

The local insurers are apparently trying to ensure more underwriting attention is given to specific risks and get better prices for the coverages, said Peter Ruetter, an assistant vp in Alexander & Alexander's international division.

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Matthews joins Howden-James firm

NEW YORK—Edward C. Matthews Jr. has been appointed president and chief executive officer of U.M.C. Management Services Inc., a firm jointly owned by Alexander Howden Group Ltd. and Fred S. James & Co.

Mr. Matthews, former president of Continental Reinsurance Co., will also assume the presidency of a newly formed New York reinsurance company that will write all classes of treaty business worldwide.

U.M.C. Management Services Inc. in New York City provides independent underwriting management services to U.S. and foreign reinsurance companies, captive companies and syndicates on the New York Insurance Exchange.

Agent/broker changes:

Frederick M. Toland named ex-

ecutive vp of Frank B. Hall & Co. in Los Angeles.

Joseph B. Schneider appointed vp of Johnson & Higgins in New York; **Ellen M. Beckwith**, **F. Robert Bodor**, **Sandra M. Kazinetz**, **Douglas W. Madden** and **Clifford W. Ritt** appointed assistant vps.

Thomas R. Germani and **Victor L. Ventura** named vps of Johnson & Higgins' casualty department in New York; **John B. Ahrens**, **Daniel J. Anselmi**, **Jay Bikofsky**, **Anthony D. Datillo Jr.**, **R. Kevin Dwyer**, **Peter J. Gerken**, **Alfred D. Haynes III**, **Eileen Hermarsen**, **Frank M. Mastroianni**, **Paul G. Puca**, **Ray H. Rodriguez**, **Thomas A. Rowe** and **Leo J. Zaccari** ap-

pointed assistant vps.

Tom Humphrey named account executive specializing in major industrial accounts in the Tulsa, Okla., office of Bayly, Martin & Fay.

Edward S. Contant named manager of the Buffalo office of Marsh & McLennan.

Stephen J. Hall promoted to assistant vp at Rollins Burdick Hunter of Missouri.

Michael J. Pozdol named assistant vp of INAX Underwriters Agency Inc. in Chicago; **Patricia B. Rager** named assistant secretary.

Collins R. (Todd) Smith Jr. named account executive at Sher-

wood Insurance Services.

Mary Dove named assistant secretary of the Asset Protection Group in Brookfield, Wis.

Martha Watson named acting regional manager of the Atlanta office of Market Service Inc.'s insurance brokerage division; **Herb Parsons** named regional manager-transformation for the Dallas region.

Max Behm named chairman of Max Behm & Associates in Encino, Calif.; **Gerald P. Baron** named president and chief operating officer; **Philip B. Sorkin** named executive vp; **Ronald J. DeVarenes** appointed vp, and **Virginia C. Scardina** selected assistant secretary.

R. Lee Ayotte elected vp of Insurance Intermediaries Inc. of Worthington, Ohio.

Charles A. Gengler Jr. named president of William Rigg Co. of Fort Worth, Tex.

Joel Hirsch named executive vp of the Smith-Sternau Organization Inc.'s Washington office; **James R. Eisenmann** named senior vp of the firm's New York office.

Michael E. Rothpletz and **R.E. Kenyon III** named senior vps of G.L. Hodson & Son Inc., reinsurance intermediaries in New Hyde Park, N.Y.; **George A. Edwards** named senior vp; **Frank J. Disenza**, **Thomas A. Harms**, **Robert M. Hestwood**, **Thomas J. Kennedy**, **William C. Neale**, **Roberta K. Schatz** and **Burgess R. Wilson** named vps.

Garry Brooks named vp/manager of Kelter-Thorner Insurance Agency Inc. of Southern California.

Edward Laing Jr. named account executive of Corroon & Black of Oregon.

Edward A. Schirick named assistant vp of the Rhulen Agency Inc. in Monticello, N.Y.

Anna Sokolowski named assistant vp of Meeker-Magner Co. of Park Ridge, Ill.

David L. Moore named senior account coordinator for the New York metropolitan region of Alexander & Alexander, a newly created position.

Gerald E. Averitt named vp of J.H. Blades & Co. Inc. **Albert J. Lusk** joins the firm as an assistant vp.

Michael C. Metzger and **Steve Lindstrom** named vps of Olliver/Pilcher & Associates, an agency headquartered in Phoenix.

Jeffrey A. Combs, **Richard P. Franz** and **Lance A. Carlson** named account executives for Arthur J. Gallagher & Co.-St. Louis.

Insurer changes

Robert W. Patin elected president of Puritan Life Insurance Co. **Robert M. Sandler** elected vp-casualty actuary of American International Group Inc.

Kenneth S. Fekete promoted to director of surplus lines for Dryden & Co. Inc., headquartered in Chatham, N.J.

Daniel L. Grossman appointed president of Redwood Fire & Casualty Insurance Co.

Douglas F. Otter named vp-claims at National American Insurance Co. of New York.

Nelson Broms elected executive vp and chief marketing officer of Equitable Life Holding Corp., a subsidiary of Equitable Life Assurance Society of the U.S. Also elected executive vps were **Ruth S. Block**, **John H. Goddard** and **Herbert P. Shyer**. **John J. Fuller** named senior vp.

H. Donald Hanson and **Edmund F. Golaszewski** appointed assistant U.S. managers of Zurich Insurance Co. (U.S. branch) and vps of American Guarantee & Liability Insurance Co.; **Jerry F. O'Malley** and **William M. Stroud** appointed secretaries.

Dean W. Case elected senior vp at Reliance Insurance Co.; **Roger Murphy** named field operations officer, and **Robert J. Nelson** elected senior vp.

Linda K. Crookshanks, **John P. Carr**, **Bruce P. Smith**, **Willard A. Knarr Jr.**, **Gerald P. Kiernan** and **David L. Washburn** elected assistant secretaries in group insurance underwriting at The Hartford Insurance Group. **Thomas J. Cherry** named director of special risk health insurance sales; **Robert L. Callihan** elected assistant secretary, and **Raymont H. Borst** named assistant vp and manager of group underwriting in the group insurance department, all at The Hartford.

Larry O. Ogletree appointed vp of claims for United General Insurance Co.

Thomas M. Sheehy elected vp of the Mercantile & General Reinsurance Co. of America; **Robert B. Cross** elected assistant vp and claims manager.

John C. Follansbee named manager of the international department of Intere Intermediaries Inc.; **W. Brian Smith** named manager of Intere-Atlanta; **Wallace E. Winter** named manager of Intere-Chicago; **Ruth A. Curry** and **Brian Keegan** elected vps.

Timothy T. M. Koo appointed vp of Fireman's Fund Insurance Cos. and the Excess & Special Risk Market Inc., a Fireman's Fund subsidiary.

William J. Flynn elected vp of marketing for American International Life Assurance Co. of New York, Delaware American Life Insurance Co. and Life Insurance Co. of New Hampshire, members of American International Group Inc.

Other suppliers

Richard M. Davies appointed senior consultant with A.S. Hansen Inc.

Gary R. Nelson named executive vp, chief operating officer and manager of domestic operations of Risk Treatment Services Inc., located in Aurora, Colo.

Peter E. O'Grady appointed executive vp of the Aviation Office of America Inc., an international aviation insurance management organization.

Robert G. Bolton appointed executive vp at Herget & Co. Inc., a national actuarial and employee benefit consulting firm headquartered in Baltimore. **James T. Glynn** named vp and senior consultant in charge of the firm's consulting division.

comings & goings: industry

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Work comp fund hopes to reduce retailers' costs

By JERRY GEISEL

BATON ROUGE—Louisiana's first workers compensation fund exclusively for retailers could cut premiums for state businesses through a dividend plan.

"Firms may be able to slash through workers compensation bills by 35% or 40%," says C.C. Dockery, administrator of the Louisiana Retailers Assn. Self-Insurers Fund.

Louisiana retailers began to consider alternative risk-funding methods about six months ago. Some smaller companies complained that even though their safety records were outstanding, they were not able to receive dividends from their insurers.

A survey of 49 members of the Louisiana Retailers Assn. showed that for every dollar they spent on workers compensation insurance, only 20 cents was paid out for losses. "With the ever-increasing cost of premiums, the retailers were looking for a way to get a portion of their premiums back through a dividend program," Mr. Dockery said.

Under the pooling arrangement put together by Summit Consulting Inc. of Lakeland, Fla., and Baton Rouge, the amount of divi-

million in claims.

The fund began operations July 1 with 41 members contributing \$341,000 in premiums. The smallest premium is \$300, the largest \$35,000. The coverage premium is \$7,300. In about a year, the premium flow could hit \$1.75 million contributed by 250 to 300 companies.

The Louisiana Retailers Federation, a 31-year-old trade association, has only 218 members, but the fund could act as a magnet attracting many new members, Mr. Dockery said.

A survey showed that for every \$1 spent, 20 cents went for losses.

dends a member receives will be based on its own loss experience and the fund's profitability.

Summit manages similar self-insured trade association-sponsored funds in Florida, including the Associated Industries of Florida Self-Insurers Fund.

Several companies in that fund with zero loss ratios earned a 44% dividend during the first year.

Besides paying out dividends, the Louisiana retailers fund also offers advance discounts of up to 15% of the standard premium. The size of the discount depends on how big a premium the company pays.

Once in the fund, members' workplaces will be inspected periodically by industrial safety engineers from ESIS, the INA Corp. affiliate that provides loss control, statistical services and claims handling for self-insurers.

The fund pays losses up to \$100,000 on a per occurrence basis. Excess insurance purchased from Bermuda-based Inisco, Trenwick and Walton insurance companies covers any single loss of \$100,000 to \$1.1 million.

Under an annual aggregate stop-loss policy, also with the same insurers, the fund sets aside 70% of premiums to pay claims. Once that fund is exhausted, the aggregate stop-loss policy pays the next \$1

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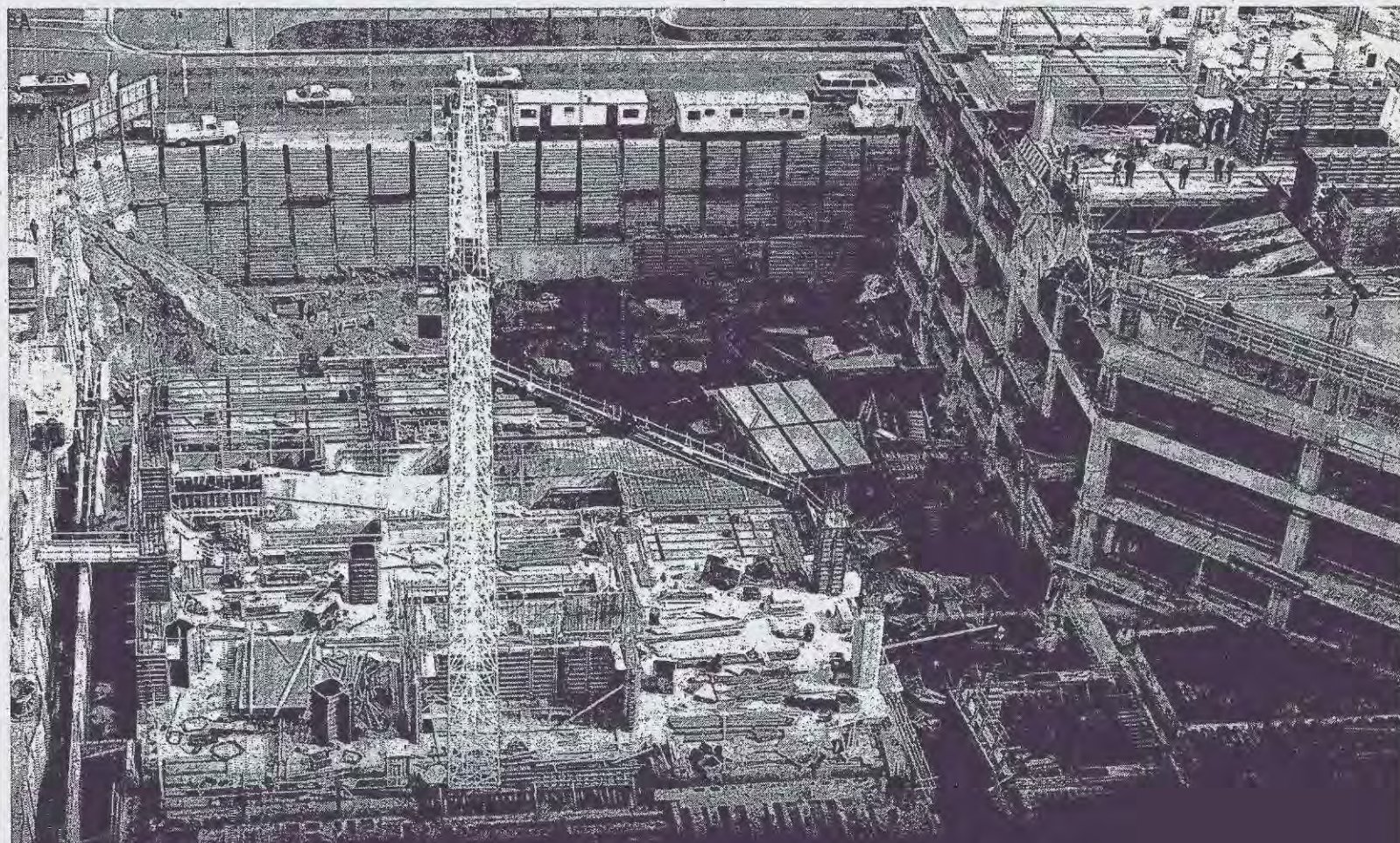


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Safety record means dividend

HOLLYWOOD, Calif.—Samuel Goldwyn Studios is getting its money's worth from its safety engineer.

The addition of the full-time engineer has helped to considerably reduce the number of work-related injuries.

As a result, Western Employers

Insurance, the studio's workers compensation insurer, has returned a dividend payment representing 49% of the total annual premium.

Samuel Goldwyn Studios employs about 250 people on a regular basis. The annual number of employees is more than 2,000.

Brokers protest

Disputes threaten bill to revise Lloyd's rules

LONDON—Disputes between Lloyd's and its brokers over the Fisher Report threaten to hold up legislation implementing the report's recommendations.

Arguments will come to a head Sept. 1 when all U.K. market brokers will meet to discuss the Fisher proposals. Target date for introduction of the legislation is November.

The report calls for a new Council of Lloyd's that will have supreme powers over Lloyd's market, including underwriters and

brokers. But major brokers are worried about the council's ability to impose new market rules by a simple majority vote.

The problem is compounded by the complaint of smaller brokers that they are neglected by the Fisher report.

Under the current structure, the 270 brokers licensed by the Committee of Lloyd's to place business there have no direct say in its proceedings, which are traditionally governed by the 18,500 underwriting names.

But the brokers can flex their collective muscle through the \$4 billion premium flow they direct into the market, and many brokers are underwriting members of syndicates.

"We agree with the idea that there should be a council which has enough authority to control and discipline the various parts of the market," said Douglas G. (Ben) Lyon of Jardine Matheson group, the brokers' representative chairman.

"But although we realize it must have enough powers to enable it to govern the market, we feel it still ought to be subjected to some form of supervisory 'long-stop' mechanism which can serve the market as a whole.

"For example, before it takes any steps to make new rules or to implement existing ones, there should be the fullest possible consultation with brokers and other people in the Lloyd's community," he said.

Important sources at Lloyd's point out that this proposal conflicts with the Fisher Report, which proposed that the new 25-member council of Lloyd's would be powerful enough to do away with any general meeting of Lloyd's members.

Market leaders such as John Hogg of Hogg Robinson, Derek Martin of Willis Faber, David Rowland of Stewart Wrightson, Reginald Bowers of Sedgwick and John Yarney of Alexander Howden serve on the Lloyd's brokers committee that is urging drastic revision in the Fisher plans.

Some brokers believe the British Department of Trade or some similar body ought to monitor the new council's functions if the council conflicts with the rest of the market.

The smaller brokers, meanwhile, are complaining that the Fisher recommendations leave them out in the cold.

"The Fisher report has received much praise and support, but some of its opinions are slanted too much in favor of the larger broking battalions. It will make it far more difficult for a new broking house to be formed," said Nigel Kemble-Clarkson, whose Gault Armstrong Kemble broking house has won valuable lines of business since it started in 1975.

"So its acceptance by Lloyd's will actually strengthen the entrenched position of the big broking companies unless there are some changes in the proposals," he told *Business Insurance*.

"One section in Fisher suggests that in the event of misconduct by senior employees or directors, a broking firm can be suspended or expelled from Lloyd's," he said.

"But Fisher recommends that in the case of a big firm, only the individuals who have infringed the by-laws shall be disciplined, as otherwise the market could be disrupted by suspension of a major broking house. This is unfair, as it draws a distinction between large and small broking houses.

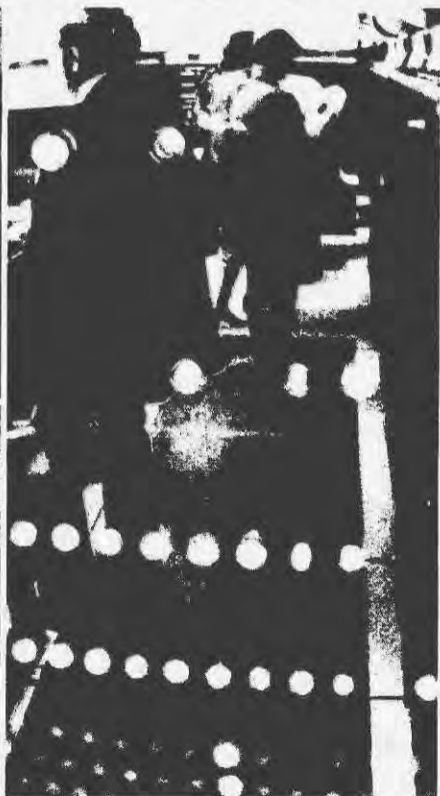
"There's another section in Fisher which aims to control the admission of new Lloyd's brokers, or renewal of their status two years later. Larger competitors could be given an edge under this plan if they implied there was 'reasonable doubt' about the new firm's business status.

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More key executives leave Bowring

By JOHN H. MILLER

LONDON—More key executives are leaving C.T. Bowring Group.

The latest to depart are four men from the aviation reinsurance division, who are leaving to set up their own specialty firm in the ranks of rival broker Stewart Wrightson.

The four are Martin Nicholson, Brian Stewart-Brown, Richard Holt and Richard Chiverrell. Stewart Wrightson's chairman told Jack Reagan of Marsh & McLennan in a telephone call that the four were leaving of their own choice.

A number of executives have announced plans to leave Bowring since its takeover by M&M, including chief executive officer Clyde Bowring (BI, June 30, July 21).

Policy transfer

U.K. insurers terminating part of their business activities will no longer need the consent of all policyholders before they can transfer part of their portfolios to other insurers.

Under a proposed Insurance Companies Act, insurers may transfer existing policies to another insurer without obtaining buyers' consent, as long as the trade secretary agrees the new company is solvent.

The rule will bring Britain in line with other European Economic Community members.

The British Insurance Assn. welcomes the regulation because administrative costs of transferring portfolios will be reduced. There will be no change in the contractual terms of any policies involved, and most insurers believe they will only take advantage of the rule on rare occasions.

The rule is likely to have little effect on the international market because it will not affect Lloyd's syndicates or apply to policies written directly in the U.S. for British companies.

Efforts to end restrictive practices among European nations are moving slowly, says U.K. Trade Secretary John Nott.

"The U.K. insurance industry is very competitive and deserves an open market so that it can expand abroad," he said. "Pressure to achieve a full common market for insurance will be stepped up by us, as we're being prevented from selling as freely as we would like to do."

Bleak outlook

The intrusion of "cash-flow cowboys" may portend a bleak saga of the world reinsurance market, says Harley M. Patrick, chairman of the U.K. Reinsurance Offices Assn.

"They're attracted by high interest rates which they can get on invested funds," he contended in his annual report. "But prospects for most reinsurers in the immediate future are certainly bleak, and it's taking a long time for the true picture to be realized."

Economic changes can have a sudden effect on interest rates, he warns, so underwriters ought to return to the principle of making a technical profit on business instead of relying on potential profit from investments.

Dioxin study

No ill effects have been found in 120 workers exposed to the chemical dioxin after an explosion 12 years ago in Bolsover, Derby County, a report from the U.K. Health and Safety Executive shows.

"Except for two cases of diabetes, no overt disease was demon-

london line

strated in any of the workers when they were checked 10 years after the blast," the report said.

But their health should be reviewed every three to five years because comprehensive studies are still being carried out in the U.K. and abroad, the report said. A more complete review of the problem is still to be prepared.

At least one other study, a 30-

year follow-up of workers exposed to dioxin, showed no significant increase in deaths among those workers.

The escape of large quantities of dioxin from a plant at Seveso, Italy, in 1976 caused widespread alarm. Hoffman La Roche, the Swiss pharmaceutical group, last year paid out about \$11.6 million in damages to persons who claimed

to have suffered ill effects from the vapor.

Strike coverage

The U.K. Confederation of British Industry has dropped its plans for strike insurance after a survey of its members showed major employers are not interested in the project (BI, Oct. 1, 1979).

But a group of five Lloyd's brokers is still going ahead with its own scheme for a mutual fund to serve smaller U.K. firms.

"We're sure there's a market for this kind of cover and we'll be discussing it with firms in the next nine months," said Antony V. Alexander of Sedgwick Forbes Bland Payne. "We need a longer time scale before coming to a firm conclusion."

A fund of \$10 million to \$20 million a year might be good enough initially, he says, even though the original plan had called for premium income of up to \$200 million. Brokers would manage the fund.



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Multiperil policy covers construction

A NEW MULTIPERIL policy built to cover a wide range of construction risks is now being marketed by Bituminous Insurance Cos. of Rock Island, Ill.

The new policy includes broad property and liability protection with a choice of standard or special risk coverage, says William J. Herold, senior vp-marketing.

"Pricing of this program is highly competitive in comparison with industry standards," he said.

For further information, contact Mr. Herold, senior vp-marketing, Bituminous Insurance Cos., 320 18th St., Rock Island, Ill. 61201; 309-786-5401.

Bus safety

The Hartford Insurance Group has developed a 30-minute color

products & services

film to help control bus accidents. Transit Bus Defensive Driving can be used as a refresher for experienced drivers or for remedial instruction.

The film, taken from a bus driver's vantage point, presents driving hazards encountered while driving in city, residential, rural and industrial areas, as well as in light business zones and on freeways. It also discusses the hazards of normal daytime driving operations, night driving and rain and snow.

"This film should be useful to transit districts or any company providing specialized transit-type services which is working to main-

tain and upgrade the professionalism of its staff," said Myron Stacks of The Hartford's loss-control department.

The film is available for purchase or preview by contacting Mr. Stacks, assistant director, loss-control department, The Hartford Insurance Group, Hartford Plaza, Hartford, Conn. 06115.

Logging health

Life Log, a pocket-size health history record, encourages employees to record their health care history and all time lost because of illness.

The booklet provides ample

space for recording a general health history, immunizations, physical exams and medications. Employees also can list their illnesses and treatment.

To emphasize that good health pays, space is provided to record charges for medical treatment and time lost from work.

Life Log can be used as part of a company-based occupational health program. The company name, address, phone number and logo can be printed on the back cover.

For more information, phone or write in care of Life Log, P.O. Box 42580, San Francisco, Calif. 94142;

415-928-1112.

Whole life

A new whole life product offering tax advantages to both employers and employees has been introduced by Provident Mutual Life Insurance Co. of Philadelphia.

Called Whole Life-79, this level premium contract provides minimum coverage of \$50,000. The plan is designed for employers who have a group life insurance plan for 10 or more employees or who are interested in setting up a plan.

Under Section 79 of the Internal Revenues Code, employers pay for Whole Life-79 with tax-deductible dollars, while employees enjoy the benefits of personally owned insurance financed by the employer.

An additional advantage is that employees receive less taxable compensation than the amount of the premium paid by the employer for several years, thereby providing some tax leverage. The duration of such a tax benefit varies, depending upon the employee's age, the amount of existing group term coverage and whether a rated case is involved.

For information, contact Provident Mutual Life, Box 7378, Philadelphia, Pa. 19101; 215-472-5000.

Yacht plan

Luxury yachts valued at more than \$300,000 can now anchor their insurance plans with Hull & Co. Inc. Coverage is available for worldwide cruising, racing, normal navigation limits and circumnavigation.

Vessels with home ports in foreign countries are eligible, as are Panama transits with paid or experienced crews. Coverage, written on a broad basis, includes tenders with no horsepower limit and is provided on a replacement cost basis for hull and machinery losses.

Limits are available to \$12.5 million for hull and machinery and \$5 million protection and indemnity.

Hull & Co. is at 1441 E. 17th St., Santa Ana, Calif. 92701; 714-547-0793.

Warning device

When emergency strikes at a plant, the Automatic Dialing Alarm System VI will spread the word to key officials, allowing plant operators more time to deal with the crisis.

The ADAS VI is activated either by plant personnel or by its automatic monitoring system. It speed-dials a priority list of phone numbers and delivers an alert in a synthesized voice. Messages can be programmed on the keyboard.

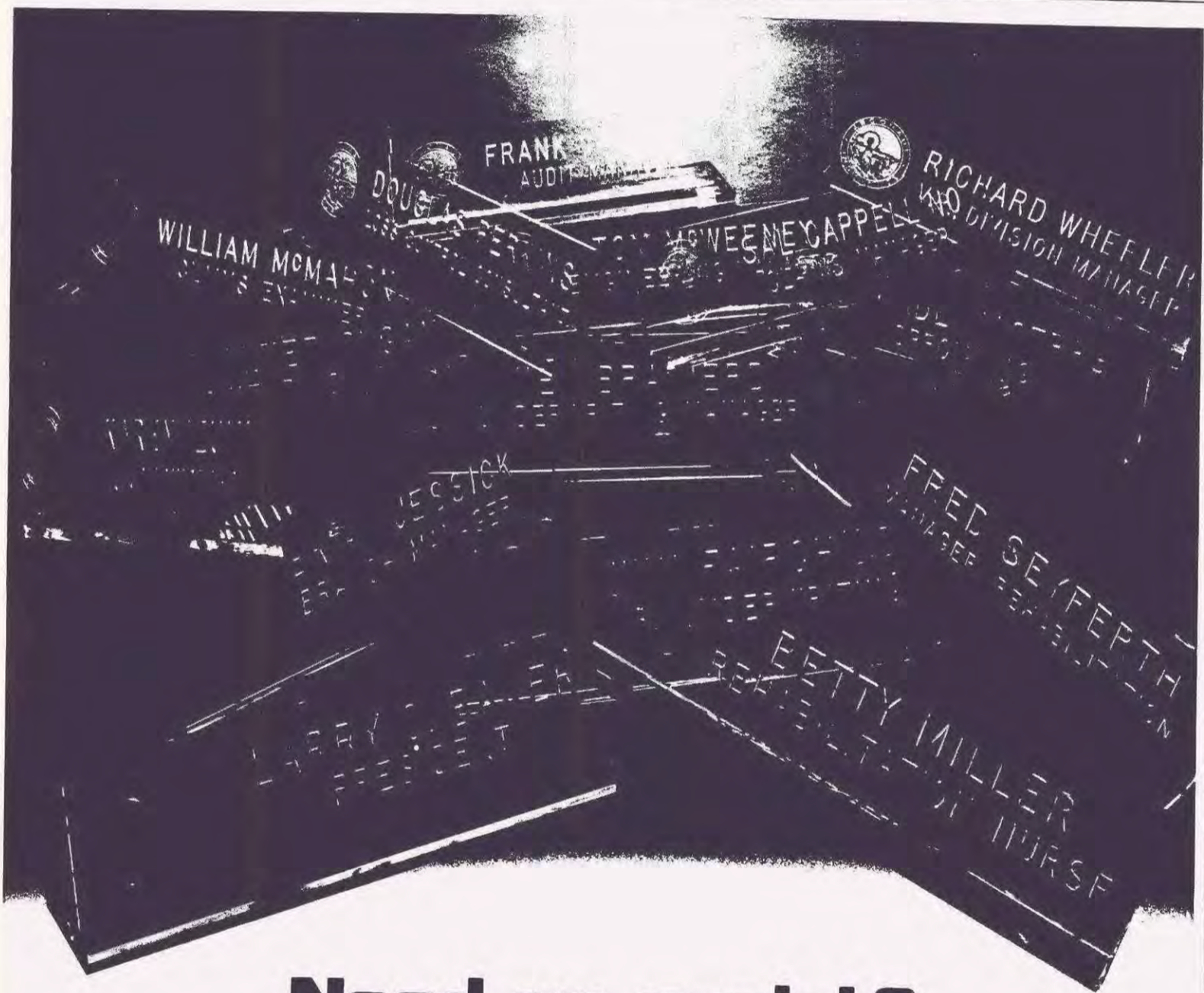
Although the system uses telephone lines, it can be modified to use radio. It is particularly suited to nuclear power plants, gas refineries, pipelines, ship unloading areas and other situations in which hazardous materials are handled or processed.

More information on ADAS VI is available from Lee Finstad, Butler National Corp., 8246 Nieman Road, Lenexa, Kan. 66212; 913-888-8585.

Storage cabinet

Flammable liquids will be stored safely in a four-door cabinet introduced by The Protectoseal Co. in Bensenville, Ill.

The cabinets have double doors on both front and back and are constructed of 18-gauge steel with a reinforced double-wall construction. The door sill is raised 2 inches above the bottom of the cabinet to form a liquid-tight bottom well that will contain spilled or leaking flammable liquids.



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• **Are There Potentially Dangerous Gaps in Your Insurance Program?** is a booklet published by Marsh & McLennan Inc. to help clients evaluate their current coverage. Write Tim Paulson, Dept. 94, Marsh & McLennan Inc., 1221 Ave. of the Americas, New York, N.Y. 10020.

• INA's 12-page booklet **Insurance Decisions: Determining Risk Retention Levels** briefly reviews the extent to which a company should commit itself to self-insurance. Write INA, SuperService, 1600 Arch St., Philadelphia, Pa. 19101.

• The second issue of the **AIDA Pollution and Insurance Bulletin** has been published by the Working Party on Pollution and Insurance of the International Assn. for Insurance Law. The issue contains reports on international developments concerning compensation and insurance for damage caused by environmental pollution. Copies and further details on the activities of AIDA may be obtained from Werner Pfennigstorf, American Bar Foundation, 1155 East 60th St., Chicago, Ill. 60637; 312-667-4700.

• Two books, **Hospital Liability: Law and Tactics and Practice Manual for Social Security Claims**, have been published by the Practising Law Institute. The 790-page hospital liability book covers preparation of both the plaintiff's and defendant's cases; the hospital record; Medicaid regulations; patient safety; voluntary standards; informed consent, and blood transfusions. The practice manual guides the practitioner through the legal and practical problems that face a claimant of Social Security benefits, particularly disability benefits. For further information, contact June E. McDonald, book publicity and sales manager, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

• The insurance and protection division of the American Bankers Assn. has developed the **Community Bankers Insurance Buying Guide** to assist the community banker in buying the broadest possible insurance coverage at the least cost. For further information, contact Shelly Davis, insurance and protection, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

• Twenty new and revised fire safety standards adopted by the National Fire Protection Assn. at its 1980 meeting have been published in separate booklet editions. They may be obtained from the NFPA publications sales division, 470 Atlantic Ave., Boston, Mass. 02210; 617-426-2525.

• The International Foundation of Employee Benefit Plans is offering printed texts from four conferences given last fall and winter. The books are: **Proceedings of the 12th Annual Canadian Conference, 1979 Benefits Processing Institute Proceedings, 1979 Public Employes Conference Proceedings and 1979 EDP Institute Proceedings**. Costs range from \$2.50 to \$10, varying for members and nonmembers and according to quantity of copies desired. Contact The International Foundation, P.O. Box 69, Brookfield, Wis. 53005.

• **A Pocket Guide to Arson Investigation**, released by Factory Mutual Engineering in October 1979, has been revised. The new book includes a foldout flow chart that diagrams the steps a fire-

fighter should follow and the questions to ask at the response, suppression and investigation stages of a suspicious fire. Some of the guide's topics include: observations en route to the fire, determining the cause and handling the evidence. Factory Mutual Policyholders may buy the guide for 50 cents; cost to nonmembers is \$1. Write Factory Mutual Training Resource Center, Order Processing Department, Box 688, Norwood, Maine 02062.

• **Protecting Industrial and Business Facilities & Personnel from Terrorist Activities** is a new report from Reymont Associates designed to prevent threats from terrorists and to reduce insurance risks. Copies are \$5 each from Reymont Associates, 29 Reymont Avenue, Rye, N.Y. 10580.

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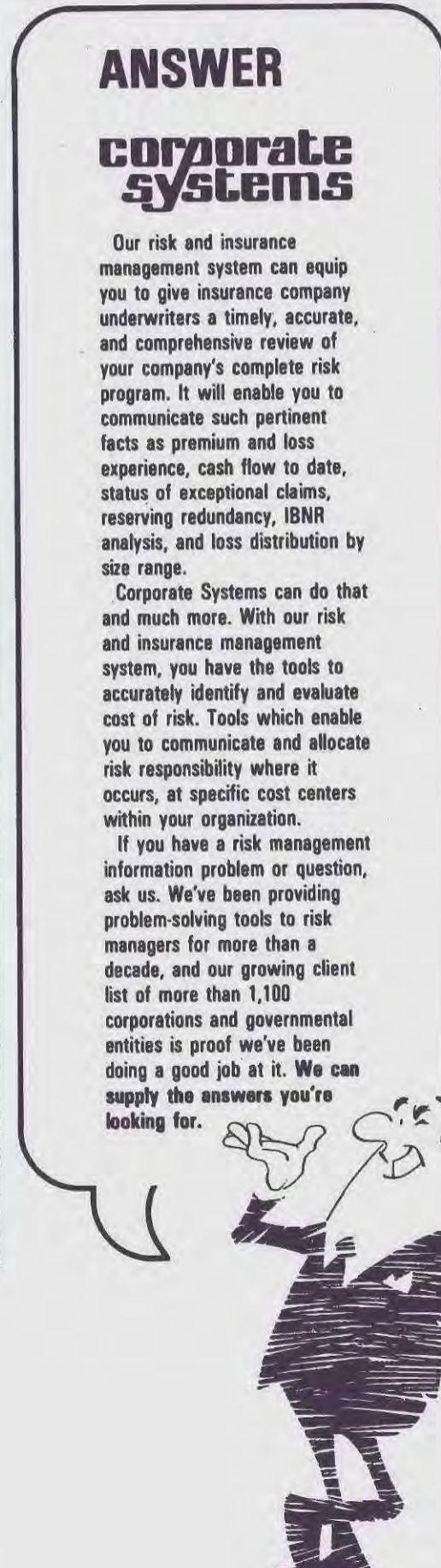
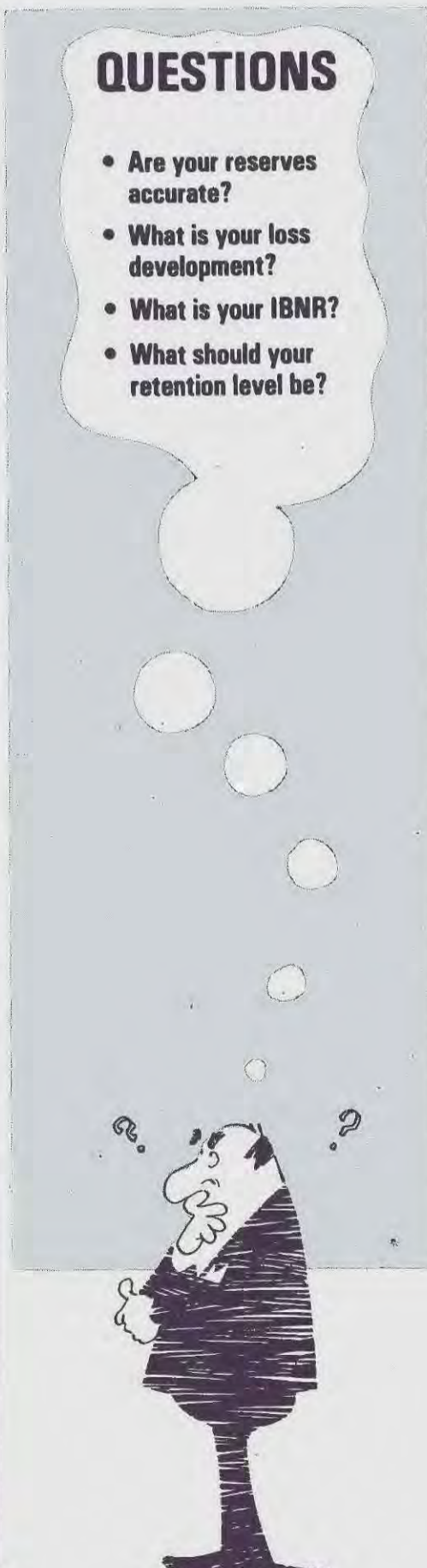
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Employers putting class into benefits

By MARY ANN MATLOCK

NEW YORK—Employers are making hitting the books less of a financial blow.

Since last year, 50% more employees are participating in a program to secure government loans for higher education for employees or their dependents.

Nationwide, 78 firms are using the services of the United Student Aid Fund Inc. in New York to provide this low-cost benefit to workers, and there is a waiting list. Last year, 53 participated.

"It's a way by which companies try to ease the burden of tuition costs. It's not a tremendous benefit, but a nice benefit because the worker doesn't have to look for a bank," said Ruth Rigney, vp and corporate secretary for the United Student Aid Fund.

The worker also saves the cost of setting up the loan. These fees can reach \$350 for four years if state loan plans are used, Ms. Rigney said.

Since 1969, \$74 million in loans have been funneled through the program.

For large employers like Ameri-

can Can and General Electric, the program in January for its 4,000 workers.

The program is best suited to firms with at least 5,000 employees in six or more states, Ms. Rigney said. A company is yet to be charged for a loan default, she noted.

Under the program, up to \$2,500 per year may be borrowed for college, up to a maximum of \$7,500. For graduate school, \$5,000 is available per year, up to \$15,000.

Interest is 7%, with the first payment due 11 months after studies are completed. The loan must be paid in 10 years.

United Student Aid Fund Inc. is a nonprofit group established under an amended version of the 1965 Higher Education Act to run the corporate loan reserve program.



The homework is just as hard, but the tuition burden is easier for students whose employers par-

ticipate in a program to secure government loans. The benefit has proved increasingly popular.

'It's been a very, very popular program,' says William Stoddard.

can Can and General Electric, the cost is 0.75% of outstanding loans plus a \$10,000 deposit for each \$500,000 in outstanding loans to offset defaults, Ms. Rigney said.

"It really boosts morale and with increasing college costs, there is no way a person's savings can keep up with that," said Meta Overmier, coordinator for education and community programs at American Can.

The cost to the company is about \$50 per loan, she said. In the last three years, 1,300 loans have been arranged.

"It's a very fine benefit, especially for middle management," said Ms. Overmier, who noted only dependents of the company's 55,000 workers nationwide are eligible.

At General Electric, on the other hand, loans have been available to employees and dependents since 1970.

"It's been a very, very popular program, especially since 1978," said administrator William Stoddard. He attributed increased interest to government removal of income ceilings for those eligible.

The company has 3,000 loans outstanding for \$6 million. This type of benefit is best suited to a large employer with workers in many states, Mr. Stoddard notes. This way, he says, loans are available where state programs are non-existent or banks are reluctant to handle the paperwork.

"It's a great benefit that costs us practically nothing to give employees help with higher costs of tuition," said a spokesman from a California company. It started the

ASSE director

Judy T. Neel is the new executive director of the American Society of Safety Engineers. Ms. Neel formerly was executive director of the Automotive Affiliated Representatives and managed a division of the Automotive Service Industry Assn. She succeeds James L. Faltinek, who left to join the National Sporting Goods Assn.

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OCT. 2-4. Profit Sharing Council Annual Conference in Kansas City, Mo.; \$300. The Profit Sharing Council of America, Suite 722, 20 N. Wacker Dr., Chicago, Ill. 60606; 312-372-3411.

OCT. 2-3. Projecting and Defending Damages in Personal Injury Litigation Seminar in New York, sponsored by the Practising Law Institute; \$250. PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

OCT. 5-8. Private Enterprise in the Public Interest Convention in Las Vegas, sponsored by the National Association of Mutual Insurance Cos. NAMIC, 7931 Castleway Drive, Indianapolis, Ind. 46250.

OCT. 5-8. Western Regional Conference in Colorado Springs, sponsored by Risk and Insurance Management Society Inc.; \$200 for members, \$60 for spouses/guests; after Aug. 29, \$225, \$75 for spouses/guests. Dale Wydman, Adolph Coors Co., Dept. 311, Golden, Colo. 80401; 303-279-6565.

OCT 6-8. Reporting and Disclosure Compliance Under ERISA Course in Los Angeles, sponsored by American Management Assns.; \$510 for members, \$585 for nonmembers. AMA, 135 W. 50th St., New York, N.Y. 10020.

OCT. 6-8. 13th Annual Canadian Employe Benefits Conference in Vancouver, B.C., sponsored by the International Foundation of Employe Benefit Plans; \$300 for members, \$375 for nonmembers. IFEBP, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 6-8. Techniques of Finance and Accounting course in Atlanta, sponsored by Risk and Insurance Management Society Inc.; \$225 for members and \$325 for nonmembers. Lynn Fischhoff, the Risk and Insurance Management Society Inc., 205 East 42nd St., New York, N.Y. 10057; 212-557-3294.

OCT. 6-10. Basic Safety Management Seminar in Houston, sponsored by the International Safety Academy; \$65. International Safety Academy, P.O. Box 19600, Houston, Tex. 77024; 713-932-9400.

OCT. 7-8. Arson Workshop in New York, sponsored by The College of Insurance; \$200. Russel Ferschleiser, The College of Insurance, 123 William St., New York, N.Y. 10038.

OCT. 7-9. Practical Risk Management for Industry course in Manila, sponsored by Risk Research Group Ltd.; \$500. Alison Rayner, course coordinator, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD.

OCT. 8-12. The Insurance Consultants' Society meeting in Bermuda, sponsored by the I.C.S. William H. Elliot Jr., CPCU, Arrangements Chairman—I.C.S. Bermuda, 1980, Crain Langner & Co., 20575 Center Ridge Rd., #318, Rocky River, Ohio 44116.

OCT. 10. Computer Risk Control course in Manila, sponsored by Risk Research Group Ltd.; \$175. Alison Rayner, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD

OCT. 12-15. Electronic Data Processing Institute in Las Vegas, sponsored by the International Foundation of Employe Benefit Plans; \$300 for members, \$375 for nonmembers. International Founda-

tion of Employe Benefit Plans, P.O. Box 69, 18700 W. Bluemound Rd., Brookfield, Wis. 53005; 414-786-6700.

OCT. 12-18. 1980 meeting and seminars of the Society of Chartered Property and Casualty Underwriters in Honolulu, Hawaii; \$165. Joan S. Keys, director of public relations, The Society of Chartered Property & Casualty Underwriters, Kahler Hall, Providence Rd., Malvern, Penn. 19335; 215-648-0440.

OCT. 13-14. Government Risk Management training in Nashville, Tenn., sponsored by the Public Risk and Insurance Management Assn.; \$100. PRIMA, 1140 Connecticut Ave. N.W., Suite 210, Washington, D.C., 20036; 202-828-3614.

OCT. 13-17. Loss Control Management course in Atlanta sponsored by the International Loss Control Institute; \$45. International Loss Control Institute, P.O. Box 345, Loganville, Georgia 30249; 404-466-2208.

OCT. 15. Successful Delegation Techniques for Managers in Insurance Workshop in New York, sponsored by The College of Insurance. Russel Ferschleiser, management programs department at The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.

OCT. 15-17. How to Design a Cost Effective Loss Prevention Program Course in Chicago, sponsored by the American Management Assns.; \$510 for members, \$585 for nonmembers. Also Dec. 15-17 in Atlanta. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-246-0800.

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35.	SEP 1	Aug 20
36.	SEP 8	Aug 26
37.	SEP 15	Sep 3
38. INTERNATIONAL INSURANCE	SEP 22	Sep 9
39. IIAA Convention	SEP 29	Sep 17
40.	OCT 6	Sep 24
41. Market Report: Texas	OCT 13	Oct 1
42.	OCT 20	Oct 8
43. GROUP LIFE & HEALTH INSURANCE: THE YEAR AHEAD	OCT 27	Oct 14
44.	NOV 3	Oct 22
45. Spotlight Report: Reinsurance	NOV 10	Oct 29
46.	NOV 17	Nov 5
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James to assist public risk programs

CITIES, COUNTIES, school districts and other municipalities can now get help from Fred S. James & Co. Inc. in developing and implementing risk management programs.

A new national committee of James personnel has been created to provide professional assistance

markets

to public entities in risk analysis and management, loss retention, self-insurance, property/casualty coverage and employee benefits, says William E. Burch, president

of Fred S. James.

The committee will be headed by William H. Lilly, senior vp in James's Portland office, and will include James staff members from

seven areas of the country.

Claims services

Shepard & Associates has been formed in Seattle to offer multiline independent adjusting and claims consulting services to firms in the Northwest.

The new company is managed by William C. Shepard, former senior claims consultant and claims manager for Marsh & McLennan in Seattle and currently executive director of the Western States Self-Insurance Colloquium.

Shepard & Associates is at P.O. Box 60066, Seattle, Wash. 98160; 206-542-1535.

Bermuda brokers

Insurance and reinsurance brokers involved in the Bermuda market are invited to join the Insurance Brokers Assn. of Bermuda, a new organization.

The aims of the association are: to share information of interest to members; consider the general conduct of members' business, and promote, advance and protect the interest of insurance brokers.

The association will work with government and associations or corporations concerned with insurance and reinsurance for the benefit of all involved in the Bermuda market.

Further information can be obtained from: chairman A.W. "Bert" Hunt, Person Webb Springbett (Bermuda) Ltd., 2-3808; secretary/treasurer B.J. "Bernie" Cutts, J.H. Blades & Co. (International) Ltd., 5-0169, and Roy V. Bray, Insurance & Reinsurance Brokers (Bermuda) Ltd., 2-4241.

Facultative writer

Commodore/Re Management Corp. is now writing Canadian property facultative reinsurance on behalf of The Citadel Assurance Co. The Citadel is a major Canadian insurer.

Commodore/Re initially will underwrite Canadian business from its home office at 89 Haddon Ave., Haddonfield, N.J. 08033. Canadian offices will be established later.

Trucking lines

American Special Lines Insurance Inc. of Oklahoma City is expanding its business into several states.

The managing general agency specializing in transportation insurance now will serve Arkansas, Missouri, Montana, South Dakota, Tennessee and Utah. It already serves Oklahoma, Kansas, Nebraska, Iowa, Colorado and New Mexico.

ASL represents several A+ rated insurers providing liability, cargo and physical damage coverage for trucking risks. It is located at P.O. Box 18894, 4801 Classen Blvd., Oklahoma City, Okla. 73154; 800-552-8508 in Oklahoma and 800-654-8453 elsewhere.

ISO adjustment

A new Insurance Services Office system for publishing fully adjusted specific commercial fire rates should reduce policywriting errors as well as policyholders' complaints.

The system, to begin Nov. 1, will allow the ISO to quote fully adjusted rates without insurers or producers having to apply manual adjustment factors. It will also provide for immediate update of all ISO specific rate computer files whenever general rate level adjustments, revisions to municipal classifications or other specific changes are made.

As fully adjusted rates become available in each state, the ISO will discontinue paper format rate publications in favor of completely adjusted sets of microfiche, issued every four weeks.

ANI inspections

American Nuclear Insurers of Hartford has established a highly trained field force to provide full-time inspection and engineering services for power generating facilities insured by ANI and the Mutual Atomic Energy Reinsurance Pool.

The field operation will give ANI greater continuing capability to inspect fire protection related to nuclear hazards as well as with risks associated with material handling. The inspections previously were handled on a contract basis.

Field representatives will conduct inspections and engineering reviews of pool-insured facilities, loss investigations, safety-related fire surveys and training seminars.

New name

The corporate name of Stewart Smith Haidinger in Los Angeles has been changed to Stewart Smith West Inc. The name change was arranged to conform with the names of the other Stewart Smith companies across the country:

New offices

Montgomery & Collins Inc. has opened a new office at 500 W. Wilson Bridge Road, Suite 225, Worthington, Ohio 43085; 614-436-7048.

Clayton Environmental Consultants has opened a new office at 17629 El Camino Real, Houston, Tex. 77058; 713-488-2331.

Hull & Co. (California) Inc. has moved to 220 Sansome St., Suite 590, San Francisco, Calif. 94104.

Canadian Life Assurance Co. is establishing a U.S. home office at 6201 Powers Ferry Road, Atlanta, Ga. 30327.

The San Antonio branch office of Cravens, Dargan & Co. Special Risks will relocate to P.O. Box 40308, 4803 N.W. Loop 410, Suite 250, San Antonio, Tex. 78229; 512-680-0900, 800-292-5844.

Princeton Risk Managers (of Madison) Inc. has opened an office at 120 Madison Ave., Madison, N.J. 07940.

Acquisitions

Mission Insurance Group Inc. and the Strauss Fuchs organization, a Kansas City managing general agency, have agreed in principle that Mission will acquire the property/casualty division of Strauss Fuchs.

Poe & Associates has acquired a controlling interest in American Insurance Marketing Corp. Inc., a commercial insurance mass marketing company with a network of more than 40 affiliated agencies.

Stewart Smith Holdings Inc., a subsidiary of Stewart Wrightson Holdings Ltd., has acquired all outstanding share capital of Calvert Fire Insurance Co.

AVEMCO Corp. and GEICO Corp. have agreed in principle that GEICO will acquire up to 22.5% of the outstanding shares of AVEMCO common stock.

Pinehurst Corp., a Los Angeles-based insurance services company, and Armco Inc. of Middletown, Ohio, have reached an agreement under which Armco will acquire Pinehurst's two London-based subsidiaries, North Atlantic Insurance Co. Ltd. and North Atlantic Management Co. Ltd. The price will range from \$8 million to \$9 million cash.



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I have read some very interesting articles in your magazine about this area. Do you have a source available or can you tell me where I might find more information about this important service? If you have anything available that might be helpful, I would be most happy to purchase it—such as monthly letters, booklets, etc. I do know that you have an annual employe benefit communication contest and was wondering if the most impressive ones you received were available for purchase.

C.E. "Chuck" Mozingo, CLU
President
C.E. Mozingo Agency Inc.
Youngstown, Ohio

The best way to educate your clients is by collecting articles on employe benefit communications and by talking to other companies with superior programs. We don't know of any employe benefit communications textbook.

Award-winning employe benefit communication packages will be on display at the *Business Insurance* Communicating Employe Benefits Conference in Chicago Oct. 26-29. They are not for purchase through us, but you may want to personally contact the companies.

Companies that have superior programs in this area will be honored at a dinner Oct. 28. Designing benefit communications programs, executing them and choosing the tools to do so are just a few of the topics to be discussed at the conference.

A \$385 registration fee includes admission to all scheduled sessions and functions, resource materials and social functions. If you'd like to attend, contact the Crain Educational Division, 740 N. Rush St., Chicago, Ill. 60611; 800-621-6468 or 312-649-5242.

While you're waiting to go to the conference, there are other articles you may look at. The 1979 winners of *BI*'s employe benefit communication awards are listed in last year's Oct. 15 issue. Reports on the 1979 *BI* Benefit Communications Conference are printed in the Dec. 24, 1979, issue of *BI*.

Awards for the best programs went to Harris Bankcorp Inc. of Chicago, Alexander & Alexander of Towson, Md., and Eaton Corp. of Cleveland. Others, such as Tenneco Inc. of Houston and Levi-Strauss & Co. of San Francisco, also won awards in various categories. You might contact their benefit departments for information.

Hewitt Associates also offers a variety of articles and pamphlets

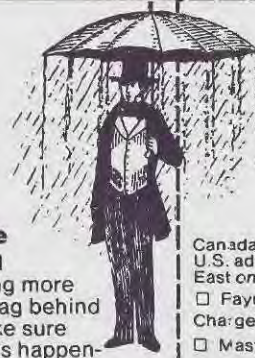
Job accidents

Accidental deaths on the job increased 3% the first quarter of this year, according to the National Safety Council. Work-related deaths during the first three months totalled 3,200, compared with 3,100 during the first three months of 1979.

on employe benefits written by their consultants, including "Criteria Based Planning For Employe Communications" and "Employe Benefit Communications in the 1980s." If interested, contact Christine Seltz, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

Action line will answer readers' requests for information. Have a question regarding insurance or your profession? Write Action line, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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Court upholds standard reducing lead exposure

By JERRY GEISEL

WASHINGTON—A federal appeals court has upheld an Occupational Safety and Health Administration standard that would reduce worker exposure to lead.

The appeals court for the District of Columbia said OSHA "presented substantial evidence" to justify the proposed reduction.

The ruling was described by John Hynan, OSHA deputy associate solicitor, as "a major victory for the department." It sharply contrasts with a June Supreme Court decision that said the federal government couldn't impose tougher standards limiting worker exposure to benzene because it failed to prove the reduction would reduce the cancer rate of those exposed (BI, July 7).

Industries with the highest exposure to lead must take steps immediately to reduce airborne lead levels. These industries include primary and secondary lead-smelting operations, printing, gray-iron foundries, paints and coating, electronics and battery manufacturers.

Thirty other industries where lead exposure is lower must also comply with the tougher lead standard, but through a combination of engineering controls, work

washington

practices and employe respirators. These industries include shipbuilding and auto and pesticide manufacturers.

The OSHA lead standard, proposed in September 1978 and finalized three months later, limits worker exposure to 50 micrograms of lead per cubic meter of air over an eight-hour period. The old limit was 200 micrograms of lead per cubic meter of air.

A key provision upheld by the appeals court requires employers to take workers off a job or reduce their hours if lead content in their blood reaches a certain level. If any employe must be laid off until lead concentration reaches a safe level, he must be allowed to maintain earnings and seniority rights for 18 months and be guaranteed his regular job when his health improves.

The lead, steel and iron industries, which fought the lead standard, are expected to appeal to the Supreme Court.

He also helped draft the Risk Retention Act, a proposal pending in Congress that would remove barriers to group self-insurance for product liability risks.

Mr. Schwartz will teach torts and product liability.

OSHA endorsed

The Democratic Party, in its platform drafted at the national convention in New York, gave a ringing endorsement to the right of the federal Occupational Safety and Health Administration to conduct safety and health inspections at the nation's worksites.

"We will not limit its scope for any reason, including the size of business," the Democrats said.

Republicans at their convention last month in Detroit said the 10-year-old OSHA program has failed to meet its objectives and only has boosted employers' costs.

Taxation opposed

Congress has approved a resolution opposing taxation of Social Security benefits.

Last year, the Social Security Advisory Council recommended that 50% of retirees' Social Security benefits be subject to federal income tax. That recommendation has not received any backing.

Social Security benefits have never been taxed since the public retirement system was established in 1935.

Report delayed

Printing problems will delay the Commerce Department's Report on Product Liability Rate-Making Practices until late September. The 200-page, 10-chapter report was to be published late this month.

The report, written by George Neidich, a member of the Commerce Department's Task Force on Product Liability and Accident Compensation, analyzes rate-making problems, but does not recommend any federal legislation.

The report was commissioned to find solutions to the nation's product liability problems.

Mr. Neidich and Edward Barrett, who also is on the Task Force on Product Liability, will head a federal study on oil pollution insurance after the product liability office disbands next month.

The oil study will prove the availability and affordability of oil pollution coverage to determine whether a superfund can be established to compensate oil pollution victims, Mr. Barrett said.

Granville Corp., a Washington, D.C., consulting firm, is surveying insurers, brokers and oil companies to determine oil pollution insurance problems.

Information collected by Granville will be incorporated in the Commerce Department study, which is expected to be published late next year.

Schwartz leaves

Victor Schwartz left the Commerce Department last week after serving as the federal government's top product liability expert for the last four years. He will begin teaching at American University's law school this week.

During his four years at Commerce, Mr. Schwartz drafted the Final Report on Product Liability.

Pension hearings

President Carter's Commission on Pension Policy, which is mapping out a national retirement income policy for lawmakers, has finalized its 1980 public hearings schedule.

Except where noted, all the hearings will be at the new Executive Office Building at 726 Jackson Place. The Executive Office Building is across the street from the White House.

- Sept. 8—Reaction to working paper on pensions and collective bargaining, 10 a.m. to 2 p.m., Room 2010.

- Sept. 12—Pensions and tax policy, 10 a.m. to 4 p.m., Room 2010.

- Sept. 25—Reaction to universal minimum employer pension proposal, 10 a.m. to 4 p.m., New York City.

- Oct. 9—Discussion of early retirement, 10 a.m. to 3 p.m., Room 2010.

- Oct. 25-26—Commission interim report meeting. Location not set.

- Nov. 14—Federal administration of pension programs and ERISA funding standards, 10 a.m. to 4 p.m., Room 2010.

- Nov. 21—Discussion of disability issues, 10 a.m. to 3 p.m., Knoxville, Tenn.

- Dec. 11—Ownership and control of pension fund assets, 10 a.m. to 4 p.m., Room 2010.

- Dec. 12—Discussion of pension vesting and portability, 10 a.m. to 5 p.m., Room 2010.

Pension papers

The public can purchase working papers on pension topics prepared by the President's Commission on Pension Policy.

Research papers available include:

- Employment of Older Workers: Disincentives and Incentives, 040-000-00425-4, \$3.50.

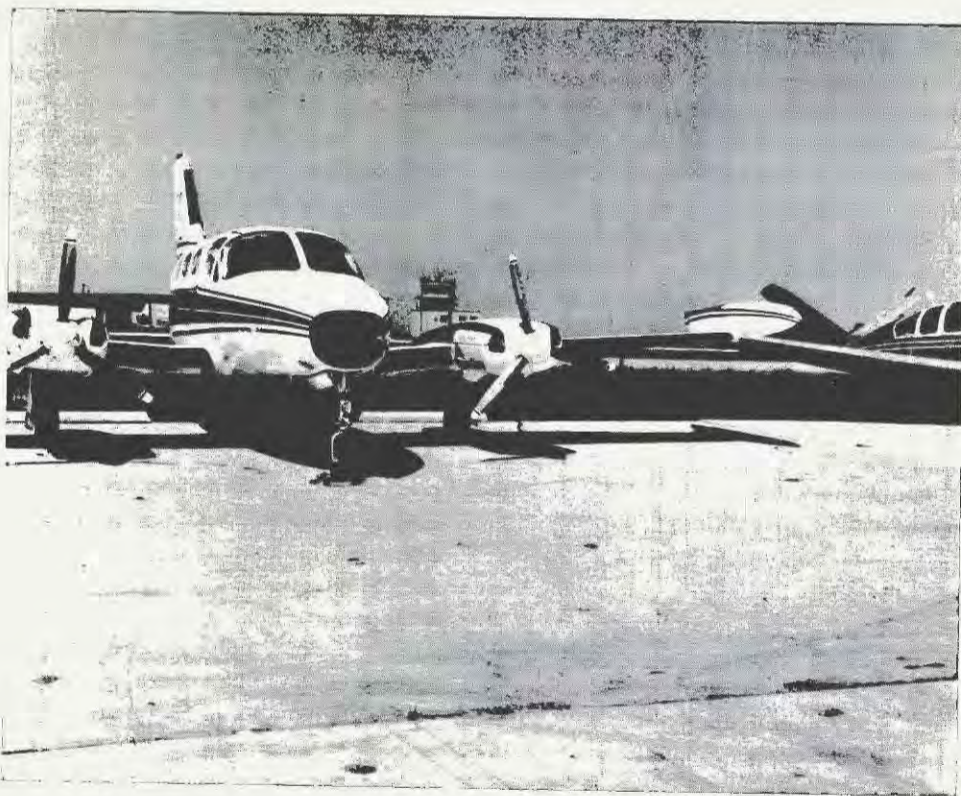
- Varieties of Retirement Ages, 040-000-00417-3, \$4.75.

- Retirement Income Goals, 040-000-00422-0, \$3.50.

- Demographic Shifts and Projections: The Implications for Pension Systems, 040-000-00412-2, \$2.50.

- An International Comparison of Pension Systems, 040-000-00421-1, \$4.

Copies of these reports may be obtained by writing to the Superintendent of Documents, Washington, D.C. 20402.



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D.C. physicians prescribe reciprocal

By JERRY GEISEL

WASHINGTON—Doctors afflicted with rising medical malpractice insurance premiums continue to prescribe their own insurance company as the cure.

The latest case is in the District of Columbia, where 1,700 members of the medical society are expected to sign with a new reciprocal insurance company beginning business Oct. 1.

The D.C. doctors two years ago began thinking about setting up their own insurance company in the face of constantly increasing medical malpractice premiums.

But when The Hartford, the only insurer providing malpractice coverage in the nation's capital, announced a 67.5% premium increase effective June 1, the doctors moved their plans to set up their own company into high gear.

The Medical Society of the District of Columbia expects its new company, National Capital Reciprocal Insurance Co., to cut the cost of medical malpractice insurance from The Hartford's new charges.

"Our objective is to provide coverage at a minimal cost so physicians don't have to continually hike fees because of continually rising medical malpractice premiums," said Franc Ferraraccio, the society's director.

The reciprocal, to be domiciled here, should attract most of the medical society's 1,700 members within a year, Mr. Ferraraccio said.

First-dollar coverage will be available from a minimum \$100,000 per occurrence with a \$300,000 annual aggregate to a maximum \$5 million combined single limit.

Premiums paid into the reciprocal are expected to range from \$1,600 to \$9,000, with the average premium about \$3,200, Mr. Ferraraccio said. Premiums paid by

physicians will match the premiums charged by The Hartford before the 67.5% hike.

Participating doctors will pay a special one-time fee ranging from \$1,500 to \$5,500 to raise the initial capital.

District of Columbia doctors found setting up shop here more attractive than offshore, where many other physician-owned malpractice insurers operate.

"Domestic regulation, under the auspices of the D.C. superintendent of insurance, is better and safer than it would be overseas," Mr. Ferraraccio said.

The society will create its own claims and loss adjustment bureau.

Dividends will not be offered. Instead, premiums will be adjusted to ensure coverage at cost. ■



About 1,700 doctors in the District of Columbia expect to cure themselves of rising medical mal-

practice premiums with the National Capital Reciprocal Insurance Co. beginning Oct. 1.

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Insured volcano losses low

SEATTLE—Insured losses from the eruptions of Mount St. Helens are running below expectations, insurance sources say.

The bulk of the 14,023 claims compiled by the Washington Insurance Council have been for auto and property. Business interruption accounted for only six claims.

Property claims are about \$14 billion, although it is likely that not all will be paid out, according to the WIC.

The number of business interruption claims resulting from direct damages or ash fall have been low because most businesses affected are self-insured, said a spokesman for insurance commissioner Dick Marquardt.

Others are still negotiating a settlement with their insurers.

No commercial, industrial or business interruption suits have been filed yet, "but we are certain there will be some," the spokesman said.

At Mr. Marquardt's request, insurers have been treating the eruptions as an explosion, although at least one, the Washington State Grange, has language in its policy excluding volcano damage.

The biggest problem was that Mr. Marquardt was besieged with calls from agents who complained they didn't know what their company covered. He wrote to all insurers doing business in the state, asking them to give the needed information to their agents. ■

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Ohio comp excludes stress-related illness

around the states

COLUMBUS—Ohio's workers compensation laws do not cover disabilities brought on by emotional stress, the Ohio supreme court has ruled.

The court denied the workers compensation claim of Alicya Szymanski, a Halle Brothers Co. stores sales clerk in Cleveland. The opinion reversed the state court of appeals decision that the claim should be granted.

Ms. Szymanski was off from work three months in 1976 after she said a coworker spoke harshly to her, humiliating her in front of coworkers and customers. Her lawyer said that as a direct result of the abuse, she continues to suffer mental and physical distress.

She was described as having a heart condition, and as a result of verbal abuse, "suffered changing myocardial process consistent of an ischemia (a lack of blood in organs or tissue)."

But justice Robert E. Holmes, in the majority opinion, said disabilities brought on by emotional stress without "physical injury or physical trauma are not compensable injuries."

Rate increase

ANNAPOLIS—Maryland employers will pay an estimated \$60 million more in workers compensation premiums if the National Council on Compensation Insurance is granted a 27.9% rate increase.

The average increases requested are .31.2% for manufacturing classes, 21% for contracting classes and 31% for all other classes. The increase would be effective Oct. 1 for all new and renewal policies.

The cost of benefits paid to Maryland workers from 1977 to 1979 has exceeded the premiums allotted by more than \$109 million, the NCCI said. A rate increase effective in April this year was based on statutory expansion of benefit levels, not inflation, the NCCI added.

Meanwhile, state insurance commissioner Edward J. Birrane said he believes Gov. Harry Hughes should appoint a study group to investigate the work of the state workers compensation commission, with an eye to determining how the system could be made less wasteful.

Search warrants

SANTA ANA—California officials must obtain a search warrant before inspecting workplaces unless employers voluntarily agree to inspections, Orange County Superior Court Judge Edward J. Wallin has ruled. The decision applies statewide.

Inspectors for the state industrial welfare commission act like police and therefore must obtain search warrants, he said. The commission sets and enforces rules prescribing minimum standards for wages and working conditions for about six million workers.

Judge Wallin said in his written opinion that the California Restaurant Assn. was challenging provisions of state law that grant commission authorities free access to businesses and to their records.

He noted that the commission had virtually conceded that the challenged provisions are unconstitutional because the commission admits it does not rely on the statutes in seeking prosecution when inspection is denied.

Public hearing

HARRISBURG—A public hearing has been set for Sept. 8 on an average 5.3% rate increase for workers compensation in Pennsylvania.

The Pennsylvania compensation rating bureau is seeking a total increase of \$59.8 million from 200,000 policyholders statewide. The average rate changes sought are: a 14.6% increase for manufacturing and utilities; a 0.6% increase for contracting and quarrying; a 3.7% decrease for Commonwealth, and a 0.4% decrease for other industries.

The hearing on the rate request is at 10 a.m. in the insurance department hearing room, 13th floor, Strawberry Square, Harrisburg.

E/S agency fined

LANSING—An excess/surplus lines agency has been fined \$500 for failure to promptly pay premium taxes on more than \$9 million in policies written in Michigan.

McAlear Associates Inc. of Grand Rapids also must pay the state \$176,000, the premium tax due on the policies it placed with companies unlicensed in Michigan during a five-month period ending May 19, 1980, as well as \$4,610 in penalty interest.

The agency also was cited for failure to conduct a "diligent search" for an available licensed insurer before placing risks with an unlicensed firm, said acting insurance commissioner E.C. Mackey.

Self-insured pools

HARRISBURG—Pennsylvania public and private employers would be able to set up self-insurance pools for workers compensation coverage under a bill (H. 2489) introduced by Rep. Roy W. Wilt.

Members of a self-insurance pool would be required to have a combined annual payroll of at least \$500,000. Each pool would pay an initial \$1,000 permit fee to the state, with a \$100 annual renewal fee.

Public entities would be required to post a bond with the state labor and industry department equal to the annual premium of each participant, up to \$2 million.

The department would set up a guaranty fund for the pools, with each fund contributing 1% of its assessments annually, until the fund reaches 5% of the loss reserves of all pools.

Product liability

AUSTIN—Attorneys for Air Shields Inc. have petitioned the Texas supreme court for rehearing of a high court judgment that upheld a \$1.1 million product liability verdict against the firm.

The court refused to overturn a lower court decision against Air Shields Inc., a Hatboro, Pa., incubator manufacturing firm.

The company had been sued in 1974 by the parents of Russell Searns, 10, of Houston, who was blinded shortly after birth by excessive oxygen in his incubator.

The suit contended Air Shields knew that such high concentrations of oxygen could cause an eye disorder but failed to notify purchasers of the possibility.

Air Shields, a division of Narco Scientific Industries, is covered for the loss under a \$1 million comprehensive general liability policy with the Pennsylvania Manufacturers Assn. Insurance Co. of Philadelphia.

The company also has \$9 million in excess coverage with Lloyd's of London.

Special panel

HARRISBURG—The Pennsylvania workers compensation fund is being investigated by a special committee appointed by Gov. Dick Thornburgh.

The committee, which includes employers, educators and legislators, will investigate the fund's actuarial soundness, management practices and investment policy.

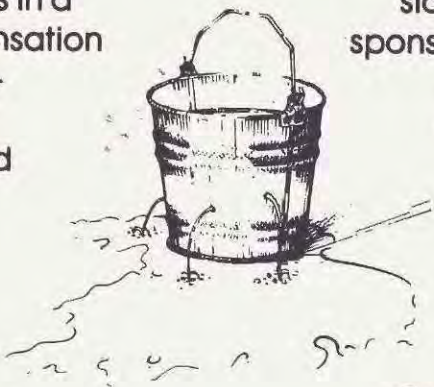
A report is due to the governor by June 1, 1981.

"It's generally known that the fund is insufficient to pay current claims," said Rep. Russell Kowalshyn, minority chairman of the house insurance committee and a panel member.

Pennsylvania industries are having trouble surviving because of the intolerably high rates being set by the state rating bureau, Rep. Kowalshyn said. He hopes to have the rating bureau's procedures also reviewed by the committee.

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letters

Continued from page 8

out careful consideration of the many factors affecting the long-range stability of a total insurance program for a transit property the size of MARTA.

• During the recent tight insurance market, MARTA was forced to seek placement of both its operating and capital insurance coverage in the London insurance market due to the withdrawal of domestic carriers. Since MARTA would have been the first rail property to come into the APTA Insurance Trust, we felt that the risks of jeopardizing our current stable program required further study.

• We support the APTA insurance trust fund concept and recognize the need for such a program in the transit industry. Marsh & McLennan has received a written invitation to submit a quotation on our program prior to its renewal on June 30, 1981.

Alan F. Kiepper
General manager
MARTA
Atlanta, Ga.

• The above financial analysis doesn't address issues included in BI's estimate of the possible \$130,000 savings under the M&M plan compared with the current broker's quote. One is cash-flow advantages under the M&M plan, which MARTA estimates at \$13,000 using an 8% yield, and BI's sources estimated it higher. Another is that the current broker's quote didn't include any commission or fee and M&M's bid included a \$50,000 fee. BI estimated a \$50,000 fee would have to be added to the consortium bid. But MARTA director of risk management James Scott explains that the consortium is under contract for \$125,000 to place the insurance on MARTA's construction project and was bidding on the operating insurance at no additional cost. If M&M had been awarded the operating insurance, the consortium's fee could not have been reduced, he says. Finally, M&M's bid would have held insurance costs stable despite fare hikes, but MARTA's current insurers also later agreed to that feature.

For the record

To the editor: In the article "Washington, M&M planning again" (BI, July 21), it would appear that American Home Assurance Co. is the sole underwriter on the state's fleet. We would like the record set straight that the state of Washington marine insurance program is supported by others in the underwriting community.

American Marine Underwriters Inc. participates for a sizable percentage on the 27-vessel Washington state fleet. The policy we share with other underwriters is a "Marsh & McLennan Inc. subscription policy."

David P. Novak
vp

AMU Inc. Marine Managers
San Francisco, Calif.

Less than best

To the editor: I am compelled to challenge several conclusions in John Maes' story on the alleged advantages of defined benefit retirement plans ("Defined benefit offers security," BI, Aug. 11).

I reject the opening statement that "... experts say the defined benefit plan is the best deal for an employe's retirement income."

Unless and until their benefits are indexed to some measure of inflation, defined benefit plans will be less than "the best deal." Sure, the employe knows exactly what his pension will be at age 65; properly funded pensions are secure.

profit-sharing program is the kind of retirement plan that makes sense.

R.W. Stommel
Manager-compensation
and employe benefits
SAFECO Corp.
Seattle, Wash.

Sprinkler systems

To the editor: In "Water weapon returns again" (BI, Aug. 11), Leonard I. Krauss is quoted as recommending "dry-pipe sprinkler systems" for use in computer rooms.

A dry-pipe sprinkler system would offer no advantage over an ordinary wet-pipe sprinkler system as far as water damage is concerned and would provide a lower level of protection due to its slower reaction time.

The system described in the article is a deluge system with closed heads which is often referred to as pre-action system, since the valve

must be actuated by a detection system and the sprinkler head links must be fused before water will actually be discharged.

We are pleased to see that sprinklers are being given proper recognition as protection for EDP operations. Well-designed systems have proven themselves as safe, cost-effective protection.

Peter K. Schontag
Assistant vp
The FPE Group
San Francisco, Calif.

Nordstrom defense

To the editor: As an employe of Nordstrom, I was disturbed by portions of the article regarding our agency ("Nordstrom falls from top 20," BI, July 28).

There are statements in this article about our agency similar to ones that could be made about any and all of the top brokerages if the same concentrated effort were given them and using the same

types of sources. They would also contain the same degree of accuracy.

The article considered comments made by individuals who are not with our organization; I am particularly puzzled that an ear might have been lent to some members of an association of past Nordstrom employes who now participate frequently in the violation of contracts.

It would appear that it is these same sources who have made statements implying possible unethical behavior on our part: As an employe handling very large accounts in our agency, I can state positively that I have never encountered anything of the kind. I might add that such practices and ideas could explain why these former associates are presently absent from our organization. Indeed, sour grapes.

Tamara Larson
Nordstrom Agency Inc.
San Mateo, Calif.

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Navajos sue over uranium spill

By ELLIS SIMON

WINDOW ROCK, Ariz.—When United Nuclear Corp. appears in court here, the trial will be doubly significant:

- It will be the first major test of a nonsudden pollution liability insurance policy in the U.S.

- For the first time, a major U.S. corporation will be sued before a Navajo tribal court.

A total of 125 Navajo families filed suits Aug. 13 against United Nuclear for recovery of property damages caused by a July 1979 uranium waste pond spill.

The incident released 95 million gallons of radioactive water and 1,000 tons of radioactive sand into New Mexico's Rio Puerco Valley. Damages sought by the residents

total \$12.5 million.

Each suit asks \$25,000 in compensatory damages and \$75,000 in punitive damages, said Stephen Harvey of Window Rock, the Indians' attorney. Additional suits to be filed by Navajo families could bring the number of actions against United Nuclear to 300, he adds.

United Nuclear is insured against pollution liability and clean-up costs under a policy written by Cranford Insurance Co., a subsidiary of Howden Swann of Cranford, N.J. The policy covers both sudden and nonsudden pollution occurrences. It is the first such policy in the United States subject to a third-party damage claim, says Ken Goldstein, vp of

Howden Swann Group

Mr. Goldstein would not disclose United Nuclear's limits of liability, but other sources say the firm is adequately covered. Maximum coverage available through Wohlreich & Anderson is \$10 million per occurrence and \$20 million aggregate.

The program is underwritten by a syndicate composed of "most major European reinsurers," but Mr. Goldstein would not identify them. Industry sources say the Clarkson Group of London is the principal underwriter, with heavy participation on U.S. risks by the SCCR group of France.

The nonsudden pollution insurance coverage, called environmental impairment legal liability insurance, could become mandatory for

all manufacturers that produce hazardous wastes and waste dump operators if regulations proposed by the Environmental Protection Agency are adopted.

Clean-up of the United Nuclear spill was recently completed, said insurance adjuster Harold J. Smith, who represents Howden Swann. However, a final tally of costs must be completed before a settlement is reached between the insurer and United Nuclear, he says. That is expected to take several weeks.

The Navajos who filed suits charge the spill turned their land in the Rio Puerco Valley into a "wasteland," Mr. Harvey said. "Just about everyone suffered loss of use of the river for livestock and

drinking and loss of use of the land for grazing."

The Navajos were forced to buy feed and hay for their livestock and haul water into the area from long distances, he said. Hundreds of animals, mostly sheep and goats, died from drinking contaminated water, he added.

People in the valley who depended on livestock sales for their livelihood could not get buyers because of the spill, Mr. Harvey said.

Suits were filed in tribal courts in Window Rock and Crownpoint, N.M. No major corporations have ever been sued before in Navajo tribal courts, Mr. Harvey said.

The courts follow state tort law, but have Navajo judges and juries.

Environmental consultant assesses toxic waste risk

By ELLIS SIMON

WASHINGTON—A potential insurer of a hazardous waste site wants to know if it will be sitting on a time bomb. Clement Associates of Washington, D.C., listens for telltale ticking.

The environmental protection consulting firm has developed a checkpoint system to assess the chances of a toxic waste dump causing environmental damage or threatening the health of a community.

Its system, developed after a year of research, will be used in site inspections for underwriter Shand Morahan of Evanston, Ill. It is one of two firms writing nonsudden pollution liability insurance and requires the inspection before it underwrites coverage.

Clement Associates' risk assessment technique covers four areas: inherent hazards of the wastes, geography of the site, management practice and the exposed population, says Michael J. Murphy, special assistant to the firm's president.

The contents of a waste site are

analyzed to determine whether they are cancer-producing, capable of causing birth defects, explosive, corrosive or otherwise harmful to human health or the environment.

Clements looks at the proximity of the site to ground water and recreational and drinking water sources. It studies the effectiveness of site liners and leachate collection systems.

The ability of a site to contain the materials deposited there is a significant underwriting factor, Mr. Murphy says.

Review of management practices includes questions on how authority is delegated, the quality of site security, emergency contingency programs and checking of chemical contents of wastes.

Studies of the exposed population not only consider human life and the site's proximity to schools and homes, but also how close it is to fish and wildlife. Special consideration is given to endangered species.

Besides inspections for Shand Morahan, Clement Associates

works with self-insurers and other firms that want to review the waste sites they use.

Quality of the waste sites is critical to firms producing hazardous wastes because in 80% of the pollution cases the manufacturer is held liable for environmental damage along with the waste site operators, Mr. Murphy says.

"If people feel they have a problem (at a waste site), we'd go in and identify the hazards and recommend improvements," he said.

Industry is showing great concern in this area, he adds.

Even more companies will get involved after November, when the EPA's new, stricter regulations for handling of hazardous wastes take effect.

Any industry generating hazardous wastes—plastics, textiles, petroleum, primary metals, electroplating—will be affected by the new rules.

As risk assessment becomes more refined, people will become more aware of the hazards at waste sites and their potential liability, Mr. Murphy adds.

Exxon checks quality of sites, contractors

HOUSTON—Exxon Chemical Co. reduces the risk of hazardous waste by reducing the amount of waste it produces.

But when hazardous waste must be shipped from the firm's 11 manufacturing plants in New Jersey, Louisiana and Texas, Exxon Chemical knows all about the site operator, says Jack P. Thorn, environmental affairs manager.

Exxon Chemical, a division of Exxon Corp., produces about 98,840 tons of waste a year from its ethylene, polypropylene and synthetic rubber products. Environmental and health hazards primarily result from chlorinated and other halogenated chemicals that are not produced by Exxon Chemical, Mr. Thorn says.

But controlling the dumping of its waste is still a concern.

Exxon Chemical tries to reduce waste through recovery and recycling of waste products. But the effectiveness of this approach is limited, Mr. Thorn says.

"Beyond that, when we're getting into landfill, we have to know what we're doing and know that the sites we use are good sites that retain materials," he said.

"Where material isn't retained,

we must recover it and treat it so any leaving the site is safe.

Exxon Chemical maintains some landfill sites, but most of its waste is removed by contractors. Before selecting one, Exxon Chemical inspects its operations, focusing on its management practices.

The contractor also must have appropriate state permits.

The loss-control process continues with Exxon Chemical monitoring contractors' operations to make sure a satisfactory level of safety is maintained.


But Mr. Thorn says compliance with current government regulations on hazardous waste is difficult. The Environmental Protection Agency is issuing regulations under one law, while the Department of Transportation sets regulations under another, he says. Sometimes they are in conflict, he adds.

The regulatory agencies need a better understanding of societal needs, Mr. Thorn says.


"Life isn't risk-free. If you regulate to zero risk—and that's about what the agencies call for—that's not what society should require."

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Waste liability creates new coverage demand

Continued from page 1

sponded quickly to the new liability controversy. Industry experts say the capacity needed to meet EPA requirements for nonsudden pollution coverage should be available by the end of the year.

But the larger question of exactly how much all these factors are going to cost the manufacturing industry, and who is going to be able to pay for them, has not been answered.

"Many companies were not prepared for this," said Gerard Curtis, vp of Alexander & Alexander.

"They saw things happening here and there, but many did not tie all this together and realize there is a movement going on that is going to greatly affect them. They are just now beginning to realize this."

"I think you can say we are all watching what happens at Love Canal with great interest," said Thomas Caldwell, vp of insurance for American Cyanamid.

"I think what happens to Hooker will eventually affect us all, but to what degree I don't know if anyone can say."

Love Canal was used as a disposal site for chemical wastes during the 1940s by Hooker Chemical & Plastics Corp., now a division of Occidental Petroleum Corp. In 1953, the city bought the dump site and built a school on it.

In 1976, investigators detected dangerous chemicals seeping into houses built in the area. They blamed those chemicals for the mysterious illnesses, early deaths and high number of miscarriages reported in the small town.

\$30 million cost

The government since has spent more than \$30 million to clean up the area, to evacuate residents from what is now a ghost town and to try to control the problem.

Lawsuits filed against Hooker by Love Canal residents have hit \$3 billion and the federal government wants \$125 million.

The courts haven't determined whether the private lawsuits will be covered by insurance, but EPA and Justice Department claims will be considered fines that are not insurable.

Love Canal has made it almost a certainty that within two months the EPA will order manufacturers and handlers of hazardous wastes to purchase nonsudden pollution coverage. (Sudden, accidental pollution has long been covered under general liability policies.)

Up to now, only a limited amount of nonsudden coverage has been available in foreign markets through a program put together by Cranford Insurance Co., a subsidiary of Howden Swann Group of Cranford, N.J. The program is often identified as the Wohlreich & Anderson plan.

But in recent months a number of domestic insurers have developed their own policies or have announced that they will.

Mr. Curtis of A&A sees "no problem" finding the capacity to meet EPA requirements of \$2 million to \$10 million of coverage.

Wohlreich & Anderson now provides \$10 million to \$20 million in nonsudden coverage per policyholder. Shand Morahan of Evanston, Ill., a subsidiary of A&A, started writing policies up to \$20 million. These capacity figures are expected to grow.

American International Group is expected to announce its new pol-



Photo: Mary Cairns

icy by September. Other insurers considering a jump into the market include INA, Commercial Union, St. Paul Cos., The Travelers and the Kemper Group. Other insurance companies are reportedly willing to reinsure part of the coverage.

Most observers think chemical companies will actually need much more coverage than the EPA will require.

About 60% of the hazardous waste produced in the nation comes from the chemical industry, with the rest from metals, paper, machinery and other industries.

"Our large clients are interested in how much might be available at the maximum, not just because of the EPA, but because of what is happening in the courts," said A&A's Mr. Curtis. "They are looking at what potentially are hundreds of millions of dollars in judgments."

Primary coverage

"I think we will be able to find at least \$200 million (per company) available through Wohlreich & Anderson, Shand Morahan and AIG," Mr. Curtis said.

"There probably will be \$20 million to \$50 million in primary coverage, with the rest covered under an umbrella policy."

Mr. Curtis would not predict what deductibles or premiums might be required of buyers, but other sources say premiums for coverage now available range from \$5,000 to \$15,000. Deductibles start around \$2,500. Those figures would increase as limits go up.

Mr. Curtis estimates a policy with limits of \$10 million to \$20 million probably would cost 40% more than coverage of \$5 million to \$10 million. The "marginal cost of additional coverage will begin to plateau between the \$20 million and \$25 million level of coverage," he said.

Higher limits of about \$50 mil-

Within the next two months, the EPA is likely to order manufacturers and handlers of hazardous wastes to purchase nonsudden pollution insurance policies.

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Waste policies sought

Continued from previous page
 lion probably will be available to an estimated 30,000 larger companies, Mr. Curtis said. Only Fortune 500 companies would be interested in limits of up to \$200 million, he said.

But even that capacity would be obtainable by next year, he added. "Insurers are warming up to it, at least for now," he said.

The nonsudden pollution policies are expected to cover all legal liability for environmental impairment resulting from the disposal of hazardous wastes, including cleanup costs. Fines that may be levied by the EPA or other government agencies are not insurable and must be paid out-of-pocket by the fined firm.

Most chemical companies are exploring the insurance market as they wait for the new EPA regulations expected in mid-October.

American Cyanamid's Mr. Caldwell said he has authorized his broker to put together a proposal for an insurance package, leaving the company the option to

continue self-insuring against the pollution hazard.

Dow Chemical has made tentative contact with the insurance industry and is skeptical that the coverage it might want is available, says insurance manager W.C. Zacharias.

"We are taking a wait-and-see attitude," Mr. Zacharias said. "The last time we checked the markets, which was no more than a couple of months ago, we found very little coverage available and the breadth of insurers willing to write it even smaller."

Current pollution

Besides looking ahead, the chemical industry also will have to deal with current pollution.

The federal government estimates there are 1,200 abandoned hazardous chemical dumps in the country. It wants the chemical industry to pay for cleaning them.

The cost will be more than minimal. A bill now being considered by the House Ways and Means

Committee calls for a superfund of \$1.2 billion. Seventy-five percent of the cost would be levied against users of crude oil and the producers of petrochemical feedstocks and inorganic chemicals.

The chemical industry has been objecting since the first proposals came out of the House. Chemical Manufacturers' Assn. President Robert Roland disputes the number of sites the government has pinpointed. He argues that the most any fund should include would be \$300 million to \$400 million and says the government should pick up that tab as a solution to a "societal" problem.

Insurance companies also are worried about the bill. Many acknowledge they have no idea what their ultimate involvement in the cleanup will be.

If legislation requires chemical companies to clean up dumps decades old, the insurers might suddenly be forced to honor liability policies written years ago and no longer in effect, they say.

A spokesman for AIG testified before the House that the bill needs to be amended if the insurance industry is to be counted for part of the costs.

EPA regulations

Chemical companies and other manufacturers of hazardous wastes also are worried about new EPA regulations governing hazardous waste handling. The EPA estimates 90% of the hazardous wastes now being dumped will not meet the new regulations that go into effect in November.

Chemical companies, which have not yet estimated the cost of new regulations, dispute the EPA's contention that only 10% of hazardous wastes are dumped safely.

But the EPA counters that the new rules governing the 700,000 businesses that either produce or handle hazardous wastes will "turn up information and situations that will shock the nation." The program could cost industry \$1 billion a year, the federal agency says.

"The agency (EPA) has a clear and primary responsibility to seek out and identify those waste management facilities that represent a threat to the health and property of the public, and, once having identified such hazardous conditions, to act with all deliberate speed to correct or eliminate such perils," said A&A's Mr. Curtis. ■

Blues launch testing for high blood pressure

Blue Cross/Blue Shield is launching a work site testing, referral and monitoring program for hypertension.

Employees will be tested at work, referred to their own physicians for necessary treatment and then monitored at work.

The cost to the employer will vary.

If an employer has an occupational health staff, Blue Cross/Blue Shield will provide training. However, if the employer does not have such a staff, the Blues will try to use community resources for screening. "If we can't do that, the employer has the option to hire trained individuals," said Joan Miller, project manager in Chicago.

Mary Taylor, administrator of the Blue Cross health education department in New York, said the average cost per employee is \$2.50 per screening. She suggests employers take advantage of any nearby nursing schools and hire advanced students part time to conduct the testing.

Under the New York version of the plan, all employers receive free counseling, training and forms to conduct the on-the-job monitoring. But Blue Cross/Blue Shield will not provide the training unless it is followed precisely.

The screening program is based on one introduced in Michigan by John Erfurt and Andrea Foote. Candidates with blood pressure of 160/95 or greater were referred to their physicians for treatment.

Creators of the New York program studied the Erfurt-Foote plan and added treatment of individuals with blood pressures between 140/90 and 160/95. They based this on a study by the National Institute of Health indicating above-average mortality rates for "borderline" patients. Normal blood pressure ranges from 110-140/60-90.

Interest in the Blues plan is growing. In Connecticut, five of the first 16 groups contacted agreed to implement the program. In Michigan, five out of 24 have signed up.

Additional programs are being implemented at a rate of two per month.

An estimated 17 million working Americans have hypertension, the major contributing factor in 250,000 deaths and 1.5 million heart attacks and strokes annually.

Experts have estimated high blood pressure and cardiovascular disease cost the nation more than \$20 billion a year in lost wages and reduced productivity. About 52 million work days are lost annually because of hypertension-related diseases.

Although hypertension control programs are not new, the Blue Cross/Blue Shield program is the first effort by a private health insurance organization to encourage national implementation, said Walter J. McNerney, president.

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Towns need controls to woo underwriters

By MARY ANN MATLOCK

NEW YORK—Municipalities courting underwriters to insure liability risk should show some strong risk management and safety muscle to hold back claims.

That's the conclusion of 853 government entities and 83 insurers surveyed by the All-Industry Research Advisory Council's commercial lines committee.

Most of the municipalities and insurers, 84% and 89%, respectively agree improving risk management is the key to reducing incidents that can lead to liability claims. About 70% of the municipalities and 81% of the insurers said safety programs were the most constructive way to stop potential claims.

Legislation that caps damages awarded by lawsuits is favored by 74% of municipalities and 51% of insurers and laws limiting the right to sue a government entity are backed by 62% of municipalities and 57% of underwriters, the survey found.

Insurers also acknowledged that effective risk management and loss-control plans were key factors in underwriting municipal risks. The insurers surveyed also reported that competent municipal management, small population, few large hazards and good loss experience helped shape a favorable decision.

The underwriters said they are irritated by an unfavorable claims climate, poor legal environment, annual bidding requirements, weak municipal management and poor or lacking risk management.

The most hazardous municipal exposures are amusement parks, fireworks displays, police depart-

ments, dams and gas utility companies.

Rated as least hazardous by survey respondents are mausoleums, libraries, museums, cemeteries and court houses.

Of those exposures, municipalities said the most frequently insured are: fireworks displays, 87.9%; administrative buildings, 86%; parks and playgrounds, 85.1%; cemeteries, 84.3%; sewage and disposal plants, 84.2%, and electric light facilities, skating rinks and water departments, 84%.

Most typically self-insured risks are architectural departments, 35.4%; hospitals, 31.4%; exhibits, 30.7%; exhibition halls, 28.1% and marinas and piers, 27.6%.

The municipalities also reported they are most likely to be denied coverage for drug and other clinics, police departments, penal institutions and dams.

Insurers admitted underwriting standards have gotten more demanding. Of those surveyed, 38% said underwriting selectivity increased significantly and 40% said it increased somewhat from 1974-78. ■

N.Y. University offers classes

NEW YORK—Evening courses in general insurance, claims adjusting, underwriting, risk management and loss control will be offered this fall by New York University's new Insurance and Risk Management Institute.

For more information, write or call the Insurance and Risk Management Institute, NYU, School of Continuing Education, 327 Shimkin Hall, New York, N.Y. ■

Hospitals prepare group property plan

Continued from page 3

try, Mr. Groves said, but also will provide a benchmark of coverage against which hospitals can compare and evaluate their own property insurance policies.

The benchmark will tell hospitals what they should insure and how much insurance they should have.

It's not unusual for some hospitals to carry \$100 million to \$200 million in property limits, mostly covering expensive, sophisticated medical equipment. But the limits vary because some hospitals have much older buildings than others, he said.

Uniformity in hospital coverage is needed because property policies covering hospitals lack consistency in both terms and rates, Mr. Groves said.

One problem faced by the association in putting together the program has been convincing underwriters to use the HPR rating system of 3 cents per \$100 of valuation for all hospitals. Currently, 90% of all hospitals qualify for the rate but not all of them get it, Mr. Groves said.

"There's been an initial reluctance for underwriters to do it, but if they look at the loss experience, they'll see there hasn't been a major hospital fire in the last 15 years," he said.

A set of statistics can be developed after about a year to use in appropriately rating all hospitals, he said.

Mr. Groves pointed out that although the program will provide a minimum comparison for hospital coverages, individual institutions may wish to add higher limits and customize their policies to fit individual needs.

Eventually the hospital association property program could be placed with one of the 43 captives formed by groups of hospitals around the country to write malpractice, workers compensation and directors and officers liability insurance, or the AHA's own captive that reinsures them, Mr. Groves said.

However, administrators will have to restrict the amount of property risk placed with the captives. They do not want a program that eats up valuable capacity for the tough malpractice risk, he said.



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Chamber firms offered discounts on benefits

By MARGARET LeROUX

Small businesses can capitalize on their Chamber of Commerce memberships to save money on group benefit plans.

William M. Mercer Inc. administers a program offering chamber members a selection of employee benefits at prices comparable to those paid by large employers. The plan has helped participating chambers attract members that want a shot at benefit savings.

California small businesses are Mercer's newest target for the 12-year-old program offered in Illinois and six cities.

In Milwaukee, the oldest of Mercer's chamber programs, 50% of the city's 2,300 chamber members belong to the pool. Each member averages seven or eight employees, said Victor Berger, manager of the Mercer office in Milwaukee.

"The smaller employers in the Milwaukee area compete very strongly for employees," said Richard Vaughan, another Mercer executive. "Benefits are an important part of the compensation package."

The Milwaukee program includes life and disability benefits insured by Assn. Life Insurance Co., one of the HARCO companies; medical and dental benefits insured by Blue Cross/Blue Shield United of Wisconsin, and an accidental death benefit and long-term disability benefit insured by Reliance Insurance Co.

"For most of the members in our program, what they save on group insurance more than pays for their dues," said Bill Poglitsch, Milwaukee chamber vp-membership.

The program offers discounts on premiums for preferred risks and employe groups of 10 or more.

A 15% rate decrease is offered in the Blue Cross/Blue Shield benefit package for employers with 10 or more employees, Mr. Poglitsch said. Greater savings are available for businesses with 25 or more employees.

A standard risk such as a contractor, restaurant or barber shop with nine or fewer employees would pay an annual premium of \$161 per employe for the Blue Cross/Blue Shield insured benefits in the Milwaukee chamber program. Standard risks with 10 or more employees pay \$131.

Preferred risks such as retailers, banks and business services with nine or fewer employees pay an annual premium of \$138 for the Blue Cross/Blue Shield coverage while those with 10 or more employees pay \$113.

The Illinois program, which has been operating since 1977, covers 200 employers representing 4,200 employees with an annual premium estimated at \$4 million.

Marketed to employer groups averaging 25 or fewer employees, the program offers cost and pricing stability not found in other group plans available to smaller employers, says Pat Brown, account executive for the Illinois Chamber of Commerce plan.

"We haven't had a single rate increase since the program started," Mr. Brown said.

The Illinois program includes medical and disability benefits insured by Blue Cross/Blue Shield of Chicago, life and disability benefits insured by Guaranty Mutual Insurance Co. of Omaha and a dental benefit also insured by the Chicago Blues.

"The key element to our success

is flexibility," Mr. Brown said. "It's unlikely that the small employer would be offered a choice of benefits by other insurers."

The program "is measurably cost effective and gives us a device for attracting and retaining new members," said Dick Apland at the Illinois chamber.

Employers in the new California program pay a minimum 25% of the employee's cost, "but most employers indicate they are willing to pay the entire cost," said James Stelle, assistant vp at Mercer in San Francisco.

The California program offers a choice of six benefits: hospital/

medical coverage to a lifetime limit of \$1 million; a \$5,000 life insurance policy with a \$1,500 dependent option; dental coverage to an annual limit of \$1,000; a range of accidental death options, and disability income coverage.

The plans are insured by: Fireman's Fund American Life Insurance Co., Guaranty Mutual Life Insurance Co. and Blue Cross of Northern California.

"It was the success of the Illinois program that prompted us to consider setting up a similar program for California," said Glenn Scott, executive director of the California Chamber of Commerce. ■

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Captive catalyzes Republic-broker link

Continued from page 2

"Steel companies are fighting a losing battle in terms of profitably employing their capital," said Joseph Wyman, a leading steel industry analyst for Shearson, Loeb, Rhoades Inc. in New York. The steel industry hasn't been profitable for 10 to 15 years, he says.

Many of the small companies, probably not including Republic Steel, may even be looking for ways to transfer all of their capital out of steelmaking, Mr. Wyman says.

He does not expect the six leading steelmakers, including Republic, to increase their participation in the steel industry. Over the past three years, net profit margins industrywide have averaged only 3.3%.

"Profit-wise, Republic Steel is probably at the lower side of the industry," Mr. Wyman added. In spite of a smaller tax burden last year, Republic's after-tax profit margin shrunk to 3.0% from 3.2% in 1978.



Details are being hammered out, says Joseph Cline.

Growers harvest \$100,000 profit

By JERRY GEISEL

HOUSTON—Texas citrus and vegetable growers are harvesting a \$100,000 profit from their year-old reciprocal insurance company.

The Citrus & Vegetable Insurance Exchange, owned by members of the Texas Citrus & Vegetable Growers & Shippers Assn., now has 80 participating companies. Forty participants started the reciprocal last year to cover workers compensation costs.

During that first year, the exchange earned a profit of \$103,740

from underwriting and investment income. It had a loss ratio of 62%.

Premium flow has jumped to just over \$1 million and is expected to top \$1.5 million from 125 companies by the end of year. Premiums range from \$3,000 to \$160,000.

The exchange assumes the first \$25,000 of loss on a per-occurrence basis. Specific excess insurance purchased from Fremont Indemnity Co. covers any single loss between \$25,000 and \$1,025,000.

The growers and shippers association began to consider setting up an insurance company 2½ years ago because they thought their insurers were paying too much to settle claims.

"They were concerned that the insurance companies were rolling over and playing dead whenever someone filed a work comp claim," said William Chanslor, president of Chanslor Management Co. of Houston, which organized the exchange.

The exchange set up an in-house claims adjustment bureau to establish tight control over claims.

"We don't pay nuisance claims just to get rid of them," he said. "On the other hand, we work fast to ensure that benefits are paid quickly when a claim is justified."

After a two-year statutory waiting period, the exchange's profits are to be returned to members as dividends. Companies with good loss records should be able to reduce workers compensation costs 10% to 25%.

Mr. Chanslor hopes to get the loss ratio down to the low 50s. To reach that goal, the exchange has developed specialized safety programs for employers and safety classes for foremen and employees. The classes are conducted in English and Spanish because most of the workers are originally from Mexico.

Eventually, Mr. Chanslor hopes to have most of the 300 members of the growers and shippers association become participants in the exchange.

Bermuda captive to imitate CIRCL

Continued from page 3

Other companies contributing to the study are Lavino Shipping Co. of Philadelphia, Berwind Corp. of Philadelphia, Tidewater Inc. of New Orleans and Lifemark Corp. of Houston.

The new reinsurance company has the same goals as the original CIRCL: saving reinsurance premiums, creating a new market, generating additional capacity, creating flexibility and providing captives with outside insurance risks to expand their underwriting portfolios from only parent company risks, Mr. Allen says.

CIRCL now has 14 members and a 1980 premium volume of \$50 million.

It had its first loss this summer on a product liability claim against 3M Co., an original member of CIRCL. The loss tapped both the primary and excess programs written by CIRCL, but didn't approach the \$5 million excess limit, Mr. Allen said.

"It won't have any material effect on CIRCL's results," Mr. Allen

told *Business Insurance*.

Indeed, participants in CIRCL are almost relieved to pay a loss since auditors have been questioning the company's loss reserves for incurred but not reported losses (BI, March 24).

Under the CIRCL plan, the captives reinsure their risks with the reinsurance company they have created. In turn, the participating captives reinsure the risks of the new company, underwriting the risks of other participants.

This creates a spread and transfer of risk that should establish the captives as bona fide insurance companies in the eyes of the Internal Revenue Service, tax experts agree.

The IRS maintains that captives underwriting only the risks of their parent companies are really self-insurance programs and that premiums paid to them by the parent don't qualify as tax deductions.

Differences from the original CIRCL plan in the new company, according to Mr. Allen, will be:

- A net worth requirement of \$50 million for the parent company, reduced from the \$100 million net worth requirement to join CIRCL.
- A capital contribution requirement of \$100,000 instead of the \$200,000 required to join CIRCL.
- A primary insurance program writing limits to \$500,000 instead of \$1 million and an excess program writing coverage to \$2 million in the initial years instead of \$5 million.

The new reinsurance company is expected to have a premium vol-

'The market isn't competitive for all lines and the market will turn,' says Duane Allen.



ume of about \$15 million the first year and a potential premium volume of \$60 million with 20 participants.

Participation will be limited to 25 companies, as it is in CIRCL.

Also as in CIRCL, the participating captives will need a lead reinsurance underwriter for the excess program.

The lead sets the premium and keeps at least 10% of the risk. The group-owned captive keeps 10% of the risk and the rest is reinsured out to the participants.

The participant pays only 75% of the established market premium for the excess insurance, leaving 25% of the premium to pay commissions, taxes and underwriting expenses of the parent or its captive.

No lead underwriter is needed for the primary insurance program, which is loss-rated with the initial premium set by an underwriting committee of the participants.

CIRCL was formed partly in response to the high cost of buffer layer insurance when primary insurers and excess insurers were restricting their limits and leaving gaps in coverage. Policies to fill in

the gaps, where losses could be frequent, were very expensive in the mid-1970s.

Even though the insurance market is highly competitive and excess insurance comes cheap for many buyers, the new group reinsurance captive is inviting, Mr. Allen says.

"The market isn't competitive for all lines and the market will turn," he said.

Workers compensation and product liability insurance will be the major casualty risks written, he predicts.

Altamid Management Co., a captive management company owned by Hanna Mining, manages CIRCL and probably will manage the clone, Mr. Allen said.

First-year management fees for the new company will be about \$40,000, he said.

Risk management consultant Bill Mortimer, who was consulted on CIRCL, is advising the study committee for the new captive. Joseph Baxter, vp of Berwind, is the chairman. James Cameron of Baker & McKenzie in New York, who has worked on the formation of many captives, is the counsel. ■

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WASHINGTON—Employers who think the 6.13% Social Security payroll tax is too high might look at payroll taxes in other countries.

In Japan, for example, the payroll tax is 9.1%. In France it's 16.4%; in West Germany, 12.04%, and in the Netherlands, 23%. The figures are listed in "Social Security Programs Throughout the World," a publication from the Department of Health and Human Services.

U.S. workers generally receive higher retirement benefits through Social Security than their overseas counterparts do.

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But payroll taxes in foreign countries typically are used to support other social programs. ■

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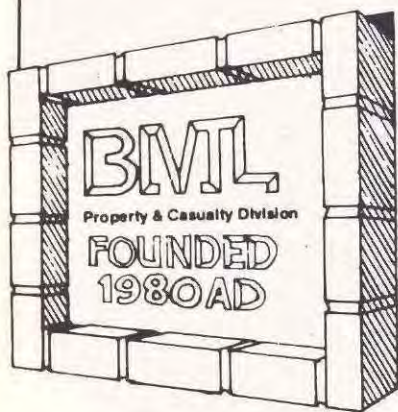
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Opening of exchange looks more certain

Continued from page 2

bound for the exchange first be rejected by New York's Free Trade Zone pitted most of the governors against Maurice R. Greenberg, chief executive officer of American International Group.

Mr. Greenberg defends Free Trade Zone screening of direct domestic risks. Critics, including authors of the state senate report on the exchange, say it makes placing business in the exchange more difficult than going to Lloyd's of London and other nonadmitted markets. This reduces the exchange's business.

Out-of-state risks now have no direct access to the exchange because insurance laws in these states prevent risks from being first shown to the Free Trade Zone.

Under the compromise, New York risks would still have to be shown in the Free Trade Zone first.

Risk managers in other states welcome direct access to the exchange, but say they have limited need for it.

"We'd like to have access to the exchange, but in the short-term don't visualize what our needs would be," said William Mather, administrator of risk management at Boston-based Gillette Co.

The exchange could be useful to risk managers who need certain specialty classes written, said Bob Rich, director of risk management and insurance for Gold Kist, an Atlanta-based farmers cooperative.

"Some markets, particularly for certain professional liability lines, are dominated by one underwriter with no competition," he said.

"There is no current call for the exchange to write major property and casualty lines. But when we get into a tight market, the exchanges in New York, Florida and Illinois will be viable alternatives for all risk managers."

IRS rules jeopardize 7,100 tax shelter trusts

Continued from page 1

tatives to express the views of all?" asked Mr. Geld of William M. Mercer. "When you have to deal with many, many unions it becomes an absolute mess."

Benefit experts say they don't know the IRS's rationale for giving employees a bigger voice in the control and operation of the trusts.

Employe benefits in the plans already are protected under ERISA, which requires plan trustees and administrators to act in the best interests of participants, says John Hickey of Kwasha Lipton in Englewood Cliffs, N.J.

Pension experts said they are not aware of any employer misuse of 501(c)(9) trusts that cost employees their benefits.

Experts question whether the new regulations giving employees greater control over the trusts would give them more protection.

"The membership might have to get involved in selecting the trustees, and where do employees have the expertise to do that?" Mr. Hickey asked.

If the new regulations are adopted, some companies will terminate their plans or switch to insured plans, predicts Arthur Gribbin, an attorney with Johnson & Higgins in New York. If that hap-

Experts question whether the new regulations giving employees greater control over the 501(c)(9) trusts would give employees more protection.

pens, assets available to pay benefits could be reduced by premium taxes and lower earnings on reserves, increasing costs for employers, he says.

Louisiana Pacific Corp. of Portland, Ore., set up two trusts last year to provide medical, dental, death and sick leave benefits to 9,500 employees. It and dozens of companies plan to lobby the IRS to get the agency to repeal or clarify the new regulations.

"The regulations create an impossible situation," said Antone C. Kirchhof, an attorney with Louisiana Pacific. "Our reaction is one of horror."

Some consultants, however, are urging caution before mounting a massive protest. Michael Jones, an attorney with Hewitt Associates in Stamford, Conn., argues the new proposed regulations only require

employers to appoint independent trustees to oversee the operation of the trust.

"I don't see a need to wave a red flag," Mr. Jones said. "But more clarification from IRS would be helpful."

Giving employees more control over the trusts is analogous to changing ERISA to require the administration of pension plans to be under the control of the participants, says one consultant.

"It would be onerous to have input from all pension plan participants before you could make a decision about how to invest funds," said Kwasha Lipton's Mr. Hickey.

Employers who want to comment on the 501(c)(9) trust proposal should write to the Commissioner of Internal Revenue, Attention: CC:LR:T (EE-153-78), Washington, D.C. 20224 by Sept. 15.

BART insurance survives costly blaze

Continued from page 3

BART recently appealed to the California supreme court to force the court of appeals to hear its argument and won the right to be heard. No trial date has been set.

In an unusual action, the city of Oakland has filed suit to recoup its workers compensation disability costs paid to firefighters injured in the BART blaze.

"Normally that is done by filing a lien against the firemen's cases, but Oakland has filed its own suit," Mr. Perusse said.

Still pending are three other liability actions filed by ambulance attendants and an equipment loss claim brought by the San Francisco Fire Department.

BART carries \$50 million in property coverage over a \$1 million self-insured retention. Underwriters include both U.S. and U.K. firms, including Lloyd's of London, notes Mr. Nevins.

"The fire brought to light the fact that some properties were undervalued," he said. "BART looked at the cost of going to a \$10 million re-

tention, but decided to keep its existing deductible."

Property insurance premiums went up 79% from fiscal 1978 and 1979, Mr. Perusse notes. "Part of that is obviously due to the fire. Part is due to an increase in our property values," he said. This fiscal year premiums rose 33%.

Liability premiums since the fire are actually down a little. "That's really due to good work by our brokers, the continued soft market, improved safety controls

and the success we've had with settlement of these claims," Mr. Perusse said.

The only change in BART's liability coverage has been a minor adjustment in one layer. Its \$20 million excess liability insurance over a \$5 million self-insured layer is still shared by London and U.S. underwriters. Domestic participants include California Union Insurance Co., a B+-rated company, Mr. Nevins says.

Much of the property damage was to six BART cars, which cost

\$300,000 each. The insurance companies agreed to pay \$806,000 apiece. But, the cars cannot be replaced immediately because the manufacturer, Rohr Industries Inc. of San Diego, is no longer in the field.

BART's insurers waived a clause stating that BART could not receive its money until the cars were replaced, Mr. Perusse says. Although 100 new cars will be ordered from a different manufacturer soon, they will not be delivered for several years.

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Liabilities to stick, Nagle says

Continued from page 2

multiemployer plans. Everyone expected a bill limiting that liability would be in place by Aug. 1, too. Until this month, the PBGC could choose whether or not to pay the vested benefits of participants left out in the cold when a multiemployer plan folded.

The bill designed to make multiemployer pension plan insurance affordable and workable would have made employers 100% liable for their share of unfunded liabilities when withdrawing from a plan.

It would also have raised the premiums multiemployer plans pay to \$2.60 per participant over nine years from 50 cents. And it would have limited the PBGC-guaranteed benefits to 100% of the first \$5 of monthly benefits per year of service and 75% of the next \$15 for strong plans and 65% for weaker plans.

The House passed its version of the bill several months ago. But the Senate doomed congressional approval when it tacked unrelated amendments onto its version of the bill.

Among the amendments the House refused to accept was exempting most small employers from OSHA inspections.

Pension experts fear that under the law now in place, employers with huge unfunded liabilities in multiemployer pension plans will find it cheaper to jump ship than pay the bills. The most they can be nailed for now is 30% of the company's net worth, less than many have committed to benefit payments. The PBGC could be on

the hook to pay billions of dollars in unfunded benefits and ultimately be bankrupted by the liabilities.

About 140 plans in financial trouble have \$4.8 billion in unfunded liabilities, Mr. Nagle says.

But he is confident Congress will rescue the PBGC yet.

"There is a strong recognition in Congress for the need for this legislation and the undesirability of the present law being applicable to multiemployer plans," said the former general counsel of the old Senate Labor and Public Welfare Committee, the legislative group that shepherded the passage of ERISA.

So far the PBGC has not received any withdrawal notices from employers in multiemployer plans since August.

"Right now, lawyers (representing employers in the plans) are calling asking about the current state of affairs," Mr. Nagle said. Because it appears any bill enacted will be retroactive, Mr. Nagle says it is unlikely employers will withdraw now.

But if a bill isn't enacted during the current session of Congress, "that will be a signal that nothing will be enacted in the long run."

Even if the current multiemployer crisis is solved, some pension experts say the small agency will soon face major problems with single-employer plans. PBGC has just 430 employees and an annual budget of \$21 million.

The feared collapse of Chrysler Corp., a possibility first raised last summer when the No. 3 automaker warned it would lose \$1 bil-

Congress recognizes the need for the PBGC legislation, says Robert Nagle.



lion, has some pension experts worried that the PBGC can't afford to take over the pension liabilities of a huge industrial corporation.

If Chrysler went under, the PBGC would be liable for about \$800 million in promised benefits, forcing the \$2.60 annual premium to triple.

It's not just Chrysler some experts are worried about. They fear other massive industrial corporations will collapse as the economy becomes more service-oriented.

Some observers ask if the PBGC's mandate should be changed to reduce its liability and to prevent possible big premium hikes for all employers with pension plans.

Mr. Nagle disagrees. "There is a commitment to provide this program to participants in all defined benefit pension plans regardless of their size. If a Chrysler Corp. terminated its plan, its workers are entitled to the same protection as other workers."

Such a massive termination would fuel big hikes in premiums, but Mr. Nagle contends the current \$2.60 premium is low consid-

ering the protection offered.

Mr. Nagle boasts the PBGC is a major success. "It has done what it was intended to do, which was guarantee benefits to participants of terminated plans."

Currently, the PBGC pays about \$3 million a month to 20,000 persons whose pension plans terminated without enough assets to pay vested benefits. Without the PBGC program, workers would have lost the benefits.

Mr. Nagle also defends ERISA. "There is a paperwork burden, but it is a small price to pay to ensure participants have a reliable source of retirement income."

By ensuring pension promises are kept, ERISA restored faith in the private pension plan system and may have forestalled a government takeover or an expansion of Social Security, he said.

Mr. Nagle believes the impact of inflation on pension benefits and coverage is the most important pension issue of the '80s. The 50-year-old PBGC chief doesn't profess to having the answers to these thorny issues, but hopes the President's Commission on Pension Policy will provide some guidance.

Firms budget \$3.69 billion for safety



U.S. industries will spend 28% more this year to prevent worker sickness and accidents, according to a McGraw-Hill study.

Continued from page 3

million spent last year. These durable goods industries include iron and steel, auto, aerospace, fabricated metals and instruments and stone clay.

Makers of such nondurable products as chemicals, paper, rubber, petroleum, food, beverages and textiles plan to spend \$1.04 billion on employe safety and health this year. This is an increase of 29% over last year's \$811 million.

The auto, commercial, chemical and petroleum groups will spend 41% of the total expenditure this year.

The biggest single spending increase for safety is by gas utilities. They will increase safety spending to \$39 million from \$15 million, a 164% jump.

Another large increase is occurring in the petroleum industry, jumping 142% to \$363 million from \$150 million in 1979. The auto industry will increase safety spending 106%, to \$463 million from \$225 million last year. In the financially troubled rubber industry, however, a 29% decline in safety-related expenditures is predicted for this year. In 1980, the industry will spend only about \$28 million compared with \$39 million in 1979.

Louis Beliczky, director of industrial hygiene for the United Rubber Workers, said major reasons for the decrease could be

plant shutdowns and worker layoffs.

While more money is being spent on worker safety, it has become a smaller part of the corporate spending picture, the study shows. In 1979, industry spent 1.6% of all capital expenditures on safety. That total is expected to rise to 1.9% this year but will drop again to 1.6% by 1983.

Safety spending will represent 8.3% of all capital spending this year in textiles, 7.9% in auto, 2.4% in nonferrous metals and 2.6% in electrical machinery, the study shows. The durable goods industry will invest 3.2% of capital expenditures on safety, nondurables will spend 2.2% and all manufacturers combined will spend 2.7%. Safety spending will drop to \$3.4 billion by 1983 or 6.2%, McGraw-Hill predicts. Nine industries will register decreases in such spending between 1981 and 1983. Among them are: iron and steel, a 31% decrease; nonferrous metals, 16%; auto, 75%; paper, 9%; petroleum, 57%; other nondurables, 9%; railroads, 4%; airlines, 3%, and commercial, 11%.

Mary Ellen Weber, chief economist at OSHA, said companies this year are facing start-up costs for safety programs. They will not face these costs in 1983, she pointed out.

Disease comp report issued

WASHINGTON—The Labor Department has finally published its report on occupational disease compensation problems and issues.

The report reveals that only about 5% of severely disabled occupational disease victims receive workers compensation benefits.

A trust fund should be set up to pay supplemental benefits to occu-

pational disease victims, the report suggests.

Free copies of the "Interim Report to Congress on Occupational Diseases" may be obtained by contacting Howard Vincent, Office of the Assistant Secretary for Policy Evaluation and Research, U.S. Department of Labor, Room S-2121, 200 Constitution Ave. N.W., Washington, D.C. 20210; 202-523-6084.

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P/C company results come close to estimates

By Myron M. Picoult
Special to Business Insurance

MOST PROPERTY/casualty companies' second-quarter and six-month results are generally in line with our expectations.

A few companies exceeded general "street" estimates while a few fell short. The disappointments were primarily tied to catastrophe losses and continuation of conservative reserve postures.

Thus far in the third quarter, the stocks' market performances have been disappointing and may reflect in part the rotation away from financial stocks as well as fears that an underwriting debacle still lies ahead. We believe a strong relative earnings argument can be made for this group in 1980 with the industry's earnings virtually flat, versus a projected 15% decline in non-oil corporate profits. However, we recognize that comparisons for 1981 may not be as ebullient as those of most general industry sectors as the economic recovery takes hold.

But there will clearly be good dividend

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He has a bachelor's degree in economics from Queens College, a master's in business administration in financial management from Pace University and has done graduate work in economics. He is the current president of the Assn. of Insurance & Financial Analysts, a member of the New York Society of Security Analysts and serves on the society's program committee. This is his first of regular monthly columns for Business Insurance, which will appear the fourth Monday of every month and analyze insurance company stock performance.



Picoult

BI ticker

growth and favorable relative return on equity and relative price-to-book value comparisons versus the Standard & Poor's 400 in both years. Even a modest reduction of the current rate of inflation, which might follow a period of prolonged monetary restraint, could be a big psychological boost for these stocks generally. In particular, insurers with long-tail lines could benefit as investor perceptions of claim cost, reserve levels and rate adequacy become more sanguine.

While investors seem increasingly willing to look across the valley with respect to industrial profits for 1980 and 1981, they are less willing to do so with property/casualty equities. This reticence clearly stems from the beating many investors took in the 1974-75 period, when underwriting collapsed. Current fears are that another sharp deterioration in underwriting results is at hand.

Interestingly enough, however, some investors have lately shown interest in the reinsurance and insurance brokerage stocks in anticipation of a tightening market, which would lead to higher premium rates. There appears to be an inconsistency here. Factors that would benefit those segments of the industry would surely have a strikingly positive impact on underwriting results in the not-too-distant future.

We believe there is more risk in being out of the stocks than in them, particularly for investors with exposure below market weightings. To the extent earnings hold relatively flat over the next two years, but book values and dividends grow faster than inflation and there is a simultaneous widening of the relative market discount, some of the stocks could become acquisition targets, given the industry's cash-flow factors.

It will perhaps take such action to persuade investors of the intrinsic values available in this group. At the moment, however, the group's average 20% price-to-book value

discount and its 10% premium relative return on equity versus the S&P 400 would seem to limit the downside risk.

Also, there is the possibility that even as the industry's results remain flat to modestly lower in 1981, investors may recognize the earnings leverage building up and not wait for the traditional trough in combined ratios to occur before becoming more aggressive.

Some preliminary second-quarter and six-month statistical data of representative companies in our universe showed the following:

- Premium growth has slowed considerably from the first quarter as more companies react to the overall competitive rate environment and their own deterioration in underwriting results by not reaching for business. On the average, written volume was up about 6% for the quarter and 7.5% for the six months.

- The average combined ratio of 102% is above the first-quarter number of 100.2% as expected, but in line with our projection of 102.5%.

- For the six months ended June 30, the average combined ratio was 2.7 points above the comparable 1979 figure. All companies showed deterioration in the second quarter and six-month periods. Once again it was the companies with the heavy personal lines exposure that remained below the break-even point.

- Catastrophe losses, particularly for companies with Midwestern exposures, were higher than expected. Inflation has made little catastrophes out of mini-windstorms.

- Rather conservative reserving postures are being maintained. It appears that paid claim figures are still above those of a year ago, but that the increases recorded in the first quarter compare.

- Investment income is still tracking at a very high pace, about 20% for both the quarter and six-month period. This continues to reflect the industry's cash flow, primarily from heavy reserving and the yield environment.

Financial briefs

Commercial Union

An improved underwriting ratio contributed to a one-third increase in pretax profits for Commercial Union Insurance Cos. during the first half of 1980. The firm reported gains of \$27.6 million in income before taxes and net investment, up from \$20.7 million.

The firm's underwriting ratio decreased to 104.4% from 105.1%, although underwriting losses for the half were \$35.1 million, compared with \$31.5 million for the first half of 1979. Net investment income increased 20% to \$62.5 million from \$52.1 million last year.

Commercial Union's written property/casualty premiums increased 10.3%, to \$549.5 million from \$498.4 million. Earned premium rose 14%, to \$491.6 million from \$431.3 million.

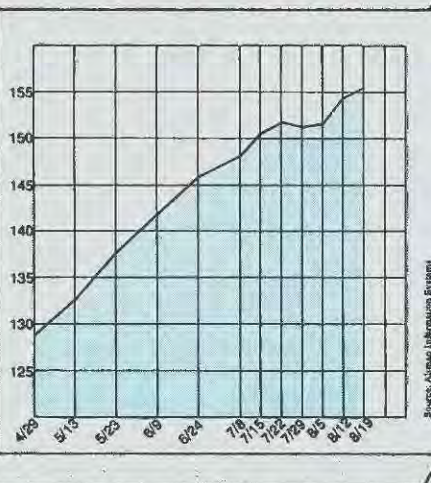
Commercial Union Assurance Co. Ltd. of London, the parent firm, reported six-month worldwide premium of \$1.5 billion, up from \$1.3 billion in 1979. Profit attributable to shareholders was \$90.6 million, up 15% from \$78.3 million. However, the value of the pound rose to \$2.36 during that period from \$2.18, resulting in a 6.7% gain in profits, expressed in pounds sterling.

Armco

Armco Inc., the Middletown, Ohio, steelmaker which first got into the insurance business by expanding its captive insurance company Bellefonte, is catching a bigger fish.

Armco will acquire NN Corp. in Milwaukee for about \$312 million.

BI Insurance Index



Source: Allman Information Systems
Base = 100 on 12/29/79

Despite slumps by 33 insurance stocks and gains by only 29, the BI stock index showed an overall 1.15 point rise to 155.7 from 154.6 due to hefty gains by some companies. The base of 100 was at year-end 1978. Biggest gains were posted by: Pinehurst Corp., 17.6%; Reed Stenhouse Cos., 14.1%; Integrated Resources Inc., 12.9%; Integon Corp., 11.8%, and Republic National Life, 8.4%. Old Republic International Corp. had the biggest decline at 7.7% followed by Connecticut General Insurance Corp., 6%; Carolina Casualty Insurance Co., 5%; Farmers Group Inc., 4.4%, and MGIC Investment Corp., 4.2%. The 0.7% index gain surpassed the major stock indicators, which dropped 0.8% to 1.3% for the week.

British Issues

8/19	Price	P/E	Div.	Yield	1 Week High-Low
Companies	pence	pence	pence	%	pence pence
Comm Union	162	8.1	14.00	8.6	162-149
Eagle Star	226	7.5	12.86	5.7	226-213
Genl Accident	328	8.2	17.14	5.2	328-308
Gdn Royal Exch	328	8.6	19.28	5.9	328-310
Phoenix	280	7.8	19.00	6.8	280-260
Royal	415	8.6	30.71	7.4	415-387
Sun Alliance	746	9.6	40.00	5.4	740-714
Brokers					
CE Heath	205	9.1	1.80	6.7	207-205
Hogg Robinson	120	8.9	8.14	6.8	121-119
Alex Howden	103	7.5	10.00	9.7	103-100
JH Minet	101	11.6	6.38	6.3	101-100
Sedg Grp	125	10.5	7.14	5.7	125-124
Stenhouse Hldg	88	8.1	6.46	7.3	89-88
Stew Wrightson	218	8.7	17.14	7.9	218-215
Willis Faber	248	13.3	15.71	6.3	250-245

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

AUG. 19, 1980 8/13/80 THRU 8/19/80

Insurance Cos.	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)
Aetna Life & Cas Co	NYSE 35.50	-1.0	5.0	2.12	6.0	35.75	35.25	446.3
American Bankers Ins Co	OTC 7.25	1.8	4.9	0.44	6.1	7.25	7.25	67.4
American Finl Corp Ohio	OTC 21.13	-0.6	5.7	0.50	2.4	21.50	21.00	19.3
American Gen Ins Co	NYSE 33.87	-3.9	5.3	1.00	3.0	35.63	33.88	75.0
American Indty Finl Corp	OTC 14.63	-2.5	4.4	1.12	7.7	14.75	14.63	12.4
American Intl Group Inc	OTC 69.50	-1.1	10.3	0.50	0.7	71.25*	69.50	134.7
American Natl Ins Co	OTC 15.62	-1.6	6.2	0.62	4.0	16.25	15.63	172.5
American Sps Life Ins Co	OTC 19.00	0.0	7.9	0.64	3.4	19.00	19.00	0.0
Aneco Reins Ltd	OTC 5.75	7.0	****	0.00	0.0	5.75	5.38	91.5
Appalachian Natl Corp	OTC 1.87	0.0	5.4	0.05	2.7	1.88	1.88	0.0
Averico Corp	AMEX 12.00	0.0	8.6	0.50	4.2	12.00	11.75	9.7
Banks Iowa Inc	OTC 25.50	2.0	4.0	1.32	5.2	25.50	25.00	2.5
Bitco Corp	OTC 30.00	3.4	4.5	1.68	5.6	30.00	29.50	19.9
Carolina Cas Ins Co	OTC 7.12	-5.0	4.1	0.32	4.5	7.50	7.13	1.1
Central Natl Finl Corp	OTC 9.75	0.0	4.0	0.50	5.1	9.75	9.75	1.0
Chubb Corp	OTC 38.25	-3.6	5.0	2.40	6.3	39.13	38.25	174.8
Combined Intl Corp	NYSE 20.12	1.9	5.8	1.40	7.0	20.25	19.88	108.3
Connecticut Gen Ins Corp	NYSE 39.00	-6.0	5.9	1.52	3.9	42.25*	39.00	131.0
Continental Corp	NYSE 28.75	1.3	5.6	2.20	7.7	29.13*	28.00	146.5
Crawford & Co	OTC 17.75	2.9	15.0	0.54	3.0	18.00*	17.75	4.9
Crown Life Ins Co	OTC 78.50	0.6	56.9	2.40	3.1	78.50*	77.00	0.6
Crum & Forster	NYSE 27.62	-0.9	4.8	1.44	5.2	28.38	27.50	126.0
Employers Cas Co	OTC 33.50	-1.5	5.5	1.20	3.6	34.00	33.50	2.7
Exc Corp	OTC 94.75	0.0	10.7	1.40	1.5	94.75	94.75	1.0
Equifax Inc	NYSE 22.25	-3.3	7.6	2.40	10.8	22.75	22.25	5.2
Farmers Group Inc	OTC 29.87	-4.4	9.5	1.00	3.3	31.38	29.88	510.1
First Colony Life Ins Co	OTC 33.75	-0.9	11.6	0.76	2.3	33.75	33.75	4.0
Foremost Corp Amer	OTC 19.62	-0.6	7.5	0.60	3.1	19.75	19.63	12.2
General Reins Corp Del	OTC 54.75	-3.5	8.3	1.40	2.6	56.50	54.75	262.1
Globe Life & Acc Ins Co	OTC 34.50	0.0	12.3	0.40	1.2	0.00	****	0.0
Great West Life Assurn Co	OTC 165.00	0.0	8.2	8.00	4.8	165.00	165.00	0.0
Hanover Ins Co	OTC 42.00	1.2	4.0	0.72	1.7	42.00	40.75	15.3
Hartford Steam Boiler Insptn	OTC 30.50	0.0	6.5	2.20	7.2	30.50	30.50	9.1
Integon Corp	NYSE 29.50	11.8	10.7	0.48	1.6	29.50*	25.25	280.7
Jefferson Natl Life Ins Co	OTC 45.50	-1.1	13.5	0.64	1.4	46.00	45.50	6.8
Kemper Corp	OTC 30.13	3.9	4.2	1.40	4.6	31.50*	30.13	132.0
Lincoln Natl Corp Ind	NYSE 43.25	-2.3	6.0	3.00	6.9	45.00	43.25	69.3
Mgic Inv Corp	NYSE 25.37	-4.2	7.3	1.12	4.4	26.75	25.38	243.9
Mission Ins Group Inc	NYSE 36.00	-3.7	7.7	0.80	2.2	36.88	36.00	45.7
Nationwide Corp Ohio	OTC 19.75	0.0	5.2	0.66	3.3	19.75	19.63	3.5
Nh Corp	OTC 46.63	1.4	10.6	2.00	-4.3	46.75*	46.00	103.8
Northwestern Natl Life Ins	OTC 33.75	-0.4	6.3	1.25	3.7	34.63	33.75	36.2
Ohio Cas Corp	OTC 34.63	0.7	5.3	1.76	5.1	35.13	34.38	93.3
Old Rep Intl Corp	OTC 16.38	-7.7	4.0	0.92	5.6	17.75	16.38	108.8
Pinehurst Corp	OTC 7.50	17.6	11.2	0.00	0.0	7.50	6.25	67.3
Preferred Risk Life Ins Co	OTC 18.00	-2.7	6.2	0.64	3.6	18.25	18.00	1.6
Provident Life & Acc Ins Co	OTC 44.50	-2.2	5.6	1.88	4.2	45.50	44.50	26.5
Republic Natl Life Ins Co	OTC 20.88	8.4	12.9	0.70	3.4	21.75	20.13	683.6
Ryan Ins Group Inc	OTC 17.75	0.0	5.4	0.12	0.7	17.75	17.75	4.6
St Paul Cos Inc	OTC 36.12	1.4	4.9	2.00	5.5	36.88	36.13	189.3

AUG. 19, 1980 8/13/80 THRU 8/19/80

Agents/Brokers	Price	% Chg	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)
Alexander & Alexander Svcs	OTC 34.75	0.0	11.4	1.64	4.7	35.25*	34.75	187.3
Baldwin & Lyons Inc	OTC 28.75	2.7	5.3	0.80	2.8	28.75*	28.00	8.2
Corcoran & Black Corp	NYSE 25.37	4.6	10.2	1.72	6.8	25.75	24.88	14.5
Crum E H Cos Inc	OTC 11.50	4.5	10.3	0.36	3.1	11.50	10.88	44.3
Hall Frank B & Co Inc	NYSE 25.37	-0.5	8.3	1.54	6.1	26.00	25.13	293.5
Integrated Res Inc	AMEX 16.38	12.9	9.0	0.00	0.0	17.38	14.88	217.4
James Fred S & Co Inc	NYSE 26.75	1.9	9.7	1.60	6.0	27.75*	26.50	81.0
Marsh & McLennan Cos Inc	NYSE 68.50	0.4	10.9	3.60	5.3	68.50	68.13	81.4
PennCorp Finl Inc	NYSE 8.12	-1.5	5.2	0.16	2.0	8.75	8.13	176.4
Reed Stenhouse Cos Ltd	OTC 11.12	14.1	9.3	0.56	5.0	11.13*	9.75	86.8
Rollins Burdick Hunter Co	OTC 23.00	-1.1	10.1	1.24	5.4	23.25	23.00	11.2
AGENTS/BROKERS	AVERAGE		9.0		4.7			
Conglomerates/Holding Cos.								
American Express (Fireman's Pd)	NYSE 36.50	-1.7	7.3	2.00	5.5	36.88	36.50	748.3
Anderson Clayton (Ranger/PanAm)	NYSE 24.50	-1.0	6.1	1.12	4.6	24.75	24.50	8.5
City Investing Co. (Home Ins.)	NYSE 23.50	-2.1	4.8	1.50	6.4	24.50	23.50	491.4
CNA Finl Corp (CNA)	NYSE 15.62	1.6	3.8	0.00	0.0	15.63	15.50	42.9
Control Data (Comml. Credit)	NYSE 66.25	1.7	8.8	0.60	0.9	69.75*	65.50	453.5
INA Corp (Ins. Co. of NA)	NYSE 37.50	-3.8	5.5	2.20	5.9	39.13	37.50	254.8
ITT (Hartford Group)	NYSE 30.87	-0.4	10.6	2.40	7.8	31.63*	30.88	1,474.1
Reliance Group Inc	NYSE 65.75	-1.1	2.7	3.00	4.6	67.00	65.75	92.8
Sears Roebuck & Co. (Allstate)	NYSE 18.38	-3.3	8.1	1.36	7.4	18.88	18.25	933.6
S & H Co. (Bayly Martin & Fay)	NYSE 18.13	6.6	7.6	1.00	5.5	18.63*	17.00	43.4
Teledyne Inc (Argonaut)	NYSE 151.87	2.8	6.6	0.00	0.0	155.25*	146.50	348.8
Transamerica Corp (Occidental)	NYSE 18.50	-2.0	5.1	1.12	6.1	19		

The American Worker.

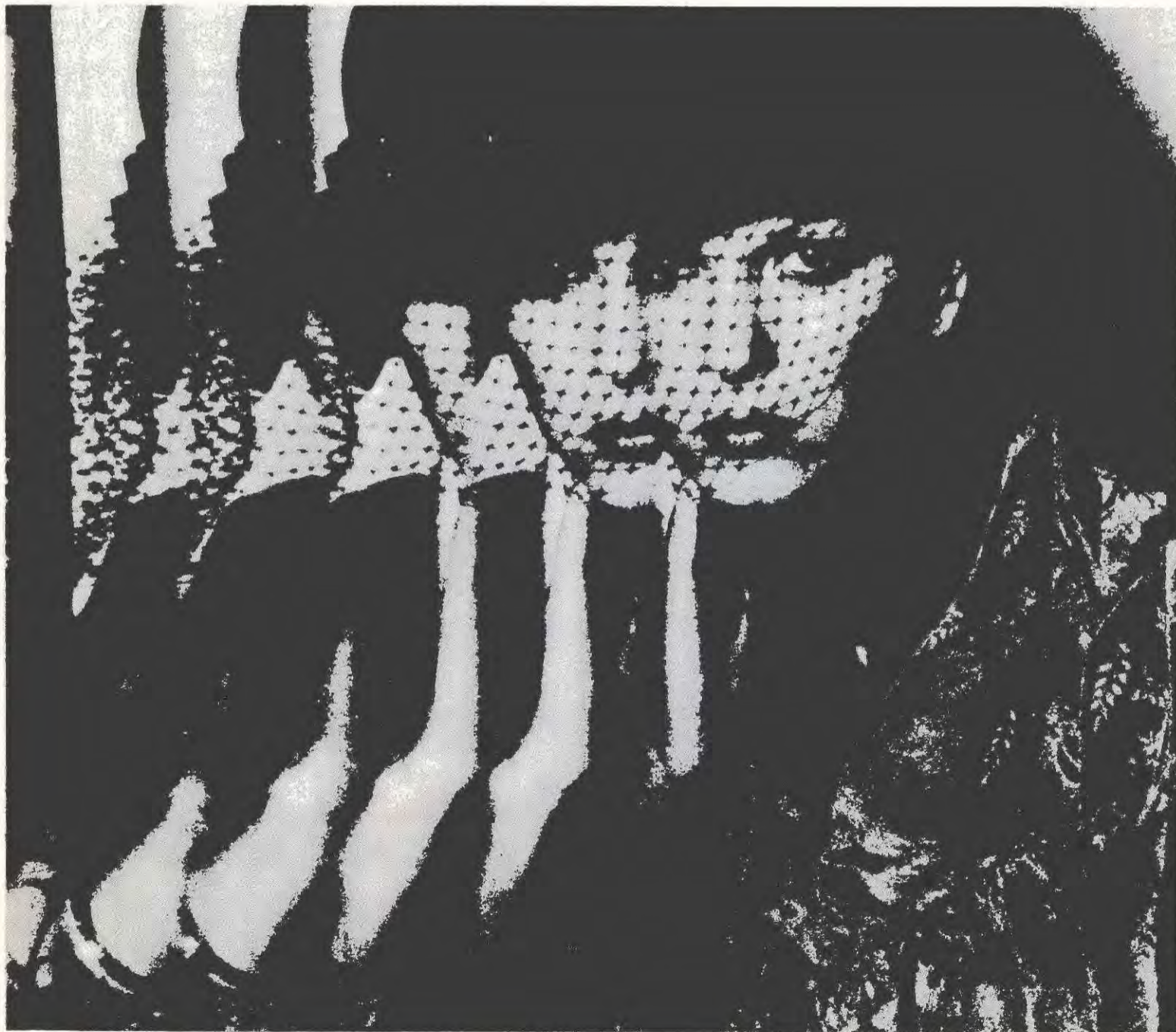
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