

# business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.25 a copy; \$45 a year

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Graphic: Jim Bakasetas

## World reinsurer meeting shapes year-end renewals

Reinsurers and reinsurance intermediaries from around the world convene in Monte Carlo the first week in September for their 27th annual Rendez-Vous de Septembre—a prelude to the 1984 contract renewals.

The 2,000 participants at this annual powwow of reinsurance industry movers and shakers are there to see people and be seen, maintain existing business contacts and make new ones and to ferret out valuable information on worldwide reinsurance market conditions.

What is said at this largest gathering of the reinsurance industry—in hotel lobbies, aboard yachts, at pool sides, in cafes and over cocktails and dinner—will begin to shape the terms and conditions of 1984 reinsurance contracts to be negotiated later this year.

Any tightening in the reinsurance market, which some expect, could increase the price of primary insurance for corporations.

Formal papers to be delivered at the conference this year will address "Insurance and Reinsurance—A World of Problems—What Are the Solutions?" and "The Australian Insurance Market."

But most registrants read the papers, which are included in their registration kits, rather than listen to their

presentations at two formal sessions during the week.

The most important reason for being on the French Riviera Sept. 3-9 is to meet people—people with whom one has existing business relationships and people with whom one would like to do business.

"It is the only place where I can actually meet the stuffed shirts of London without the stuffed shirts," said one London-based reinsurer. "It is much easier to talk in Monte Carlo and ask questions you wouldn't otherwise ask."

"This is where all the reinsurers come," says William Delaney, president of Delaney Offices Inc. in New York, who has attended every Rendez-Vous since the first in 1956.

And it is important to be seen in Monte Carlo.

"I sometimes think that there is more of a negative impact if you don't go than a positive impact if you do. If you don't go, people wonder why you don't show up," said George D. Kahlert, president of Mead Reco, the holding company for the insurance operations owned by Mead Corp. in Dayton, Ohio.

Making a big showing this year at the Rendez-Vous are 10 reinsurers from Bermuda. They are hosting a cocktail party for some 300 people on Sept. 7 for an opportunity to convey

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**This story was reported by Editor Kathryn J. McIntyre in Chicago and Associate Editor Stacy Shapiro in London. They also are attending the Rendez-Vous de Septembre, and their reports on the meeting will appear in the Sept. 19 issue.**



## Life, health claims unpaid by insurer may hit \$50 million

By LEN STRAZEWSKI and JERRY GEISEL

DES MOINES, Iowa—Insurance regulators here are scrounging for assets to pay up to an estimated \$50 million in life and health insurance claims left by Iowa State Travelers Mutual Assurance Co., one of the biggest health insurer insolvencies ever.

And they are almost certain not to find enough to pay most of the claims, now expected to total more than twice original estimates.

"We are trying to recover assets any way we can," Iowa Insurance Commissioner Bruce Foudree told *Business Insurance*.

"Last month we discovered more than 4,000 U.S. silver dollars minted in 1881, the year the company was founded, obviously purchased for some kind of promotion. We sold the coins for \$275,000, which will be added to the company's assets," Mr. Foudree notes.

"We also sold some miscellaneous securities belonging to the company for about \$270,000. That gives us more than half a million dollars, more than we thought we had last February."

The first Iowa domestic licensed life and health insurer to be declared insolvent, Iowa State Travelers of Des Moines was taken over by the state Insurance Department Feb. 25.

Officials determined that the 101-year-old company lacked capital and reinsurance to support its aggressive plunge into small group health insurance, some of which was underwritten directly in Illinois and some by multiple employer trusts in California (*BI*, March 7).

Since Iowa lacks a life and health insurance guaranty fund, the liquidation will be handled like a traditional bankruptcy. Creditors are identified and debts are paid from whatever assets the company has left. Claims in Illinois will be covered by that state's guaranty fund, but California, which has no guaranty fund, will send claims in that state on to Iowa.

When the Insurance Department took over Iowa State Travelers, Commissioner Foudree estimated the insurer's liabilities at some \$23 million and assets at about \$11 million, though the state had not yet completed a review of files kept outside the state.

Identifying assets and liabilities since then has been a problem. The

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## Alicia's wake doesn't include higher rates

By STEVE TARAVELLA

HOUSTON—Although Alicia is the most destructive hurricane ever to strike the Texas coast, commercial losses from last week's storm are not as great as were initially predicted.

Total insured losses, including both personal and commercial lines, may exceed \$1 billion, but it doesn't look like Alicia is the catastrophe industry insiders have predicted would trigger an across-the-board increase in property/casualty rates to end the current soft market.

"I don't think this will have any impact on us, in terms of turning around the very competitive market we've seen for the past four years or so," observes Chuck W. Stanford, senior vp of underwriting at Arkwright-Boston Insurance Co., a member of the Factory Mutual System. "The magnitude of this loss will have no effect on our premiums."

"Based on earlier reports, we thought this might be like (Hurricane) Fredric," Mr. Stanford says. That 1979 hurricane cost the FM insurers about \$25 million, he says. Instead, he noted, "We got a real smile from Alicia."

Based on preliminary reports, Mr. Stanford expects FM to pay out about \$10 million from Alicia in both property and business interruption claims, or about 1% to 1.5% of the total losses.

Insurance industry analysts and others agree with Mr. Stanford's assessment that losses from Alicia will not turn the market (see story, page 28).

However, some warn that if another tropical storm or hurricane hits Florida or the East Coast this season, the losses from it and Alicia combined could have a marked effect on the market.

Alicia caused about \$675.5 million in insured losses, estimates the American Insur-

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Photo: Wide World

Employees of a Baytown, Texas, supermarket clear rubble caused by Alicia.

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## update

## Accounting rule approved

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plan" benefits such as lump-sum payments, continuing salary payments and supplementary income payments must be recognized as liabilities and expenses for the accounting period in which the employee accepts an early retirement offer. The liability will include payments actually made and the actuarial present value of future payments that can be "reasonably estimated." No offsetting intangible asset can be recognized to balance this liability.

The new rule is effective with benefits offered after June 30.

The rule is expected to have a substantial impact on companies that have window plans and many are "violently upset" with the new standard, says Richard La Bombarde, a research actuary with Johnson & Higgins in New York. In some cases, the new liability could equal the company's pension expense for the year, he said.

## BMF challenges Luke lawsuit

SANTA ANA, Calif.—For the second time, broker Bayly, Martin & Fay International Inc. has filed a motion challenging the legal validity of a former officer's wrongful-termination lawsuit.

In a motion filed in California Superior Court, BMF says the suit by fired Treasurer William F. Luke fails to state whether Mr. Luke had an oral or written contract with BMF and does not cite any specific violations of law by BMF.

Under court rules, the judge can accept the motion and order Mr. Luke to restate his claims or dismiss the motion and require that BMF answer Mr. Luke's allegations as they stand.

BMF filed a motion last month that prompted Mr. Luke's attorneys to revise their complaint (BI, May 23, July 11).

## Manville, plaintiffs negotiate

DENVER—Manville Corp. and plaintiffs' attorneys negotiating the settlement of about 20,000 pending asbestos claims against Manville are about \$350 million apart, a Manville attorney says.

Manville, which filed for reorganization Aug. 26, 1982, has offered \$400 million or about \$20,000 for each claim, while plaintiffs are seeking about \$750 million, down from \$850 million, Manville attorney James Green said last week.

The negotiations are part of a consensual plan Manville is seeking to work out with creditors that would include providing for current claimants and possibly future claimants.

In a related matter, San Francisco Superior Court Judge Ira Brown has set March 4, 1985, as a trial date for six coordinated asbestos insurance coverage cases that include a suit by Manville against its insurers and broker Marsh & McLennan Inc.

## Rely tampon suit settled

KANSAS CITY, Mo.—Procter & Gamble Co. has agreed to a structured settlement in a case involving its Rely tampon that will net the parents of a toxic shock syndrome victim at least \$625,000 over the next 25 years.

Under the settlement, a lump sum of \$190,000 will be paid jointly to Larry D. and Judith M. Clark, the parents of Susan Clark who died in 1980. Also, each parent will receive \$625 a month for life, with the payments going to their beneficiaries if they die within the next 25 years. Another \$30,000 will be paid to each parent in four separate five-year installments beginning on Sept. 1, 1993.

Mr. and Mrs. Clark filed a \$1.5 million product liability suit in U.S. District Court in Kansas City after their daughter died in 1980.

## Delaney Offices sued for libel

NEW YORK—A Bermuda-based reinsurance intermediary and captive manager is suing Delaney Offices Inc. of New York, a reinsurance intermediary, alleging that Executive Vp Timothy Delaney made libelous statements in a telex sent to a Finnish reinsurer.

Michael Bott and Bott Associates Ltd. filed the suit in U.S. District Court here last month. The action claims Mr. Delaney's telex to Kansa General Insurance Co. Ltd. of Helsinki libeled Mr. Bott and his company by incorrectly stating that Bermuda courts had upheld the right of Southern California Recyclers & Processors Assurance Ltd. to cancel its captive management agreement with Bott & Associates for cause in midterm. The suit also says that Mr. Delaney's telex had incorrectly stated that Bott & Associates had been removed as managers of the workers compensation captive, also known as SCRAP. The libel suit seeks \$10 million in compensatory and \$5 million in punitive damages.

Mr. Delaney said in an interview that the telex was not precise. He said the issue is one of "semantics" and whether there were any damages or not.

Mr. Bott said in an interview that Bott & Associates neither was removed from management nor withdrew and is also suing SCRAP for breach of contract in Bermuda. Bott no longer manages SCRAP.

Officials of SCRAP could not be reached for comment.

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## Phone strike settlement. . .

. . . establishes benefits for divested companies

By JERRY GEISEL

WASHINGTON—Although American Telephone & Telegraph Co. will not split into separate units until Jan. 1, the new independent regional phone companies now know how much employee benefits will cost them.

The new \$3 billion, three-year contract between AT&T and three major unions, which settles a 15-day strike, will boost benefit costs 12.5%, while wages will jump 16.4%, according to the Communications Workers of America.

Currently, benefits account for \$5.27 of the \$17.60 in hourly compensation received by an average AT&T employee. By the end of the contract, benefits will account for \$5.93 of the \$20.29 in average hourly compensation.

The contract, which was expected to be ratified last week by union workers, comes just four months before the Bell System will be split into seven regional phone companies and a slimmed-down AT&T.

The divestiture of the operating units, approved earlier this year by a federal court, settled a Justice Department antitrust suit.

The contract is the swan song for benefit uniformity for AT&T employees. The three-year national contracts set equal benefit levels for phone workers regardless of which AT&T operating unit they worked for.

When the new contract expires in 1986, the re-

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Graphic: Jim Bakasetas

. . . gets underwriter off the hook for claims

By LEN STRAZEWSKI

MINNEAPOLIS—A plumbing contractor in Kansas City needs 1,000 copper fittings, dials up his supplier on the telephone and hears those immortal words:

"The-number-you-have-dialed-has-been-disconnected."

That's the nightmare that plagued Norman Goldetsky, owner of a Minneapolis-based plumbing supply manufacturer called Copper Sales Inc., during the nationwide telephone strike, which was settled last week (see related story).

However, an endorsement added to Copper Sales' business interruption policy during the strike protected Mr. Goldetsky from lost sales if his bad dream had turned into reality.

"If telephone service goes down and can't be restored because of the strike, we are out of business. It's that simple,"

Mr. Goldetsky said earlier this month, while the telephone workers were still off the job.

"All of our sales are handled by telephone. We call around the country every day, taking orders and arranging shipments. If the phones aren't working, we might as well not come to work."

The fears were rooted in reality, Mr. Goldetsky noted, because vandals had cut two telephone cables in his area, knocking out service for part of the city. And in Minnesota, summer thunderstorms continually threaten overhead

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## OSHA wants to ease cotton dust rules

By JIM DAVIS

WASHINGTON—Textile companies will be able to express their views at hearings beginning next month on Occupational Safety and Health Administration proposals that would reduce some of its cotton dust exposure standards.

Employee exposure to cotton dust has been linked to respiratory diseases, most notably byssinosis, also known as "brown lung."

## Intermediaries' directory

Sept. 7 is the deadline for reinsurance intermediaries to return completed questionnaires to be included in *Business Insurance's* first annual directory of reinsurance intermediaries to be published in the Oct. 10 issue.

Questionnaires have been mailed to 50 reinsurance intermediaries. If you are a reinsurance intermediary and haven't received a questionnaire, please call Editorial Assistant Diane Kastiel at 312-649-5398.

In its proposals, released in June, OSHA would:

- Exempt some textile and non-textile operations at textile plants from cotton dust exposure rules.

- Reduce monitoring, training and medical surveillance requirements at textile plants where low levels of cotton dust are found.

- Give companies two more years before they must institute engineering controls to reduce cotton dust levels in certain textile operations.

OSHA estimates that these changes would reduce the textile industry's capital costs by \$94.4 million and annual operating costs by \$30.7 million.

All of the textile manufacturers contacted by Business Insurance said they support the proposed rules.

"We're supportive of the proposed changes," said Ned Cochrane, corporate regulatory manager at Riegel Textile Corp. of Greenville, S.C. "They provide a more cost-effective way of protecting workers' health without a lot of overburdening regulations."

J. Marshall Beck, vp-corporate services division at J.P. Stevens & Co. Inc. in New York, agreed. "We support the changes. They won't make employees subject to more health risks. The changes will make administration (of the rules) easier."

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## First suit, claim filed after blackout

By CAROL CAIN and DONNA GORDON

NEW YORK—Consolidated Edison Co. and the city of New York are each facing \$10 million claims stemming from the three-day blackout in the city's Garment District earlier this month.

And, both Con Ed and the city predict the actions, filed Aug. 22, are just the first of many.

## errors &amp; omissions

- Due to a technical problem, the profiles of the majority of the wholesale insurance marketers whose names begin with the letter "N" were omitted from the wholesalers' directory in the Aug. 22 issue of *Business Insurance*. The missing profiles appear on page 24 of this issue.

- A story in the Aug. 22 issue of *Business Insurance* incorrectly described the 5-15 year pension vesting schedule that employers may offer under the Employee Retirement Income Security Act. Under a 5-15 pension vesting plan, an employee must be 25% vested, not 50%, after five years of service.

"We don't expect this to be the last one. It's a protracted thing," said a Con Ed spokesman.

The lawsuit against Con Ed and the claim submitted to the city were filed by a women's clothing manufacturer, El Jay Jrs. Inc., and two of its subsidiaries—Emily Peters Inc. and Charlee Allison—for El Jay Jrs. Inc. All three companies manufacture women's junior dresses for different markets and are all based at the same address, 1400 Broadway.

The 20-year-old corporation is one of an estimated 3,800 clothing manufacturers in the Garment District affected by the Aug. 10-12 blackout, which darkened a 12-block area of Midtown Manhattan. The incident occurred during a so-called "market week" when buyers from around the country were to order clothes for the spring season (BI, Aug. 22).

The city is still investigating the cause of a rupture in a 12-inch water main, which initially triggered the blackout. Water flowed from the ruptured main into an underground transformer compartment, which Con Ed leases in the subbasement of an office building, short-circuiting the electrical equipment, causing a fire and eventually knocking out power in the immediate area.

The suit against Con Ed, filed in State Supreme Court in Manhattan, charges that the utility company was "grossly careless, reckless and negligent" by failing to have the proper emergency measures prepared.

It also alleges that Con Ed contributed to and created

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# Increased earnings to prolong soft market

By BILL DENSMORE

## ticker

NEW YORK—Commercial property/casualty insurers appear to be arresting the alarming declines in operating results they posted throughout 1982, a *Business Insurance* analysis of first-half 1983 results shows.

The profit turnaround is primarily the result of personal lines rate hikes, stock analysts point out, meaning the buyers' market for commercial property/casualty insurance is likely to continue for an undetermined period.

"It's pretty boring; it's the same every quarter," notes Denis J. Callaghan, a first vp and insurance stock analyst at Paine Webber Mitchell Hutchins Inc. in New York. "The (commercial) cycle continues. Things are much better in personal lines.

"Who cares about the second quarter now?" he adds. "We're worried about Alicia."

Hurricane Alicia, which slammed into the Texas Gulf Coast earlier this month, caused estimated insured property damage of between \$675 million and more than \$1 billion. Most of the claims, though, apparently will be paid by personal lines underwriters rather than commercial property insurers (see story, page 1).

Commercial underwriters fared far better in almost every financial barometer in the first half of 1983 than in the first six months

of 1982. For instance:

• Aggregate aftertax operating income of 26 major property/casualty insurers rose 14.8% to \$1.6 billion for the six months ended June 30, compared with the same period during 1982, the *BI* analysis shows. In the first quarter of 1983, the same 26 companies showed a gain of 11.1% in aftertax operating income (*BI*, May 23).

• Underwriting losses rose 7.8% in the first half, a very modest gain compared with a 101% increase in underwriting losses in the first half of 1982.

• The aggregate combined ratio of 29 companies stood at 111.9%, up from 111.3% a year earlier. The 0.6-percentage-point gain contrasts with a jump of more than five points in the first half of 1982.

• Only \$514.7 million in storm losses were tallied in the first half of this year by the American Insurance Assn. By contrast, insurers were hit with a record \$1.17 billion in storm losses in the first six months of last year.

• However, investment income rose only 4.4% for the first half, a much more modest gain than the 14.8% increase posted in the first half of 1982.

Analysts note that the insurers' aftertax

operating income—which is regarded as the best indicator of their financial health—has now risen for two consecutive quarters after an overall decline during 1982. That leads the analysts to believe that commercial lines rate competition will continue.

"As far as we've heard, there really isn't any change in the environment," says June I. Hoffer of Prudential/Bache Securities Inc. in New York.

Aetna Life & Casualty posted the largest operating income gain—121%—of any of the insurers, but Aetna's accounting practices are mostly responsible for the huge increase.

During part of 1982, Aetna included in its operating earnings \$203 million in tax benefits it expected to obtain in future years from the effect of current underwriting losses (*BI*, Feb. 21). The result was a significant inflation in Aetna's earnings for 1982 and a consequent softening of the aggregate operating declines posted by the insurers that *BI* follows.

Following a Securities and Exchange Commission inquiry, Aetna decided earlier this year to stop taking such future tax benefits into earnings and restated its 1982 earnings accordingly.

The move allowed Aetna to report a 121% surge in aftertax operating income for the first half of 1983 compared with a year earlier, based upon 1983 income of \$185.3 million, up from \$83.8 million.

Had Aetna stuck to its disputed accounting procedure, however, and compared its first-half 1983 results to the original 1982 numbers, the result would have been a 17% decline in operating earnings. That would have put Aetna in the No. 19 position in the *BI* survey.

However, Aetna says the restated numbers shouldn't be compared with those originally reported. It adds that it has made adjustments in its investment portfolios—which increased its taxes and depressed earnings in the short run—in order to immediately utilize tax credits from underwriting losses.

Aetna's results show how non-underwriting considerations can have a major effect on insurers' operating earnings. However, even allowing for the change in Aetna's 1982 earnings, the operating results of the 26 surveyed insurers would still have risen 5.6%.

No matter what earnings figures are used, it now appears that Aetna has arrested a year-long decline in written premiums, which most analysts attributed to its abortive decision to raise rates and a consequent loss of some business.

Aetna's 0.6% first-half gain in written premiums to \$1.85 billion means that it is once again the largest writer of commercial property/casualty insurance in the nation. CIGNA Corp., which had taken over the No.

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# More states force employers to label hazardous material

By CAROL CAIN

Employers are being forced to take more steps to let their employees know if they are working with a hazardous substance.

But while the number of states adopting "right-to-know" laws is mushrooming, employer groups are hoping the federal Occupational Safety and Health Administration will approve a proposed federal standard regulation soon.

Large corporations are growing weary of trying to keep up with state-by-state standards that often vary and add to the cost of doing business by demanding that records be filed with numerous state departments. If a federal standard were approved, it would apply in all states, unless the state's own law was more restrictive.

In the past year, five more state legislatures have passed laws that would guarantee employees the "right to know" which hazardous substances they are exposed to in the workplace.

Legislation is pending in three other states. And, at least six other state legislatures defeated right-to-know laws, but the bills' sponsors say the legislation will be introduced again next session.



Graphic: Jim Bakasetas

but they are trying to work closely with lawmakers to insure a workable law.

"How can you be against it? It's like apple pie," said Julian Olishiski, an industrial hygienist with the Alliance of American Insurers.

But he said he is worried about the number of varying state laws.

The number of bills and new laws could create an overkill, "like labels on cigarette packages," said Mr. Olishiski. "Or it can create basket cases," where employees will refuse to work with any product that has ingredients that are known to be carcinogens.

"We're concerned with the proliferation at the state and local level. Many times the laws are contradictory," said Mark de Bernardo, a labor law attorney with the U.S. Chamber of Commerce in Washington.

The cost of right-to-know programs is always a concern with employers, he said, but it's not the primary worry.

What employers are really worried about is revealing trade secrets, lack of consistency in the laws and union abuse of regulations, he said.

The particular chemical formulas used in products give manufacturers their competitive edge, Mr. de Bernardo said. "To disclose formulas can be a competitive disadvantage."

legislatures defeated right-to-know laws, but the bills' sponsors say the legislation will be introduced again next session.

Ten other states already have right-to-know laws.

Most of the new and proposed laws require that hazardous substances are marked with labels that list the chemical ingredients and explain proper handling procedures. Employers also are required to train employees to work safely with the substances.

In many states, employers and manufacturers must also file material safety data (MSD) sheets with one or more state agencies.

Employer groups, like state chambers of commerce and manufacturing associations, say they are behind right-to-know legislation in concept,

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# ARIA conference

## Risk management melding with other financial disciplines

By DOUGLAS McLEOD

PHILADELPHIA—Risk managers are more and more becoming financial managers as traditional ideas about risk management change, two experts observe.

Rather than simply making sure risks are insured, risk managers are thinking about how and to what extent they should be covered. Risk management considerations, they stress, are becoming a part of larger financial decisions, such as whether to invest in a given asset.

The traditional idea that insurance is the natural outgrowth of "risk-averse" corporate thinking is changing, according to Neil A. Doherty, a professor of finance and insurance at the University of Illinois.

"Risk management should not be based on some theory of universal risk-averse behavior," Mr. Doherty told an audience at the 1983 annual meeting of the American Risk & Insurance Assn. "Risk management is essentially about sources and uses of funds. It's essentially about investment decisions."

Comparisons between the effect of risks on people and corporations are spurious for several reasons, among them the fact that corporate risks are usually so diversified that the impact of a particular loss is diluted by the time it affects earn-

ings, Mr. Doherty points out.

"Virtually all the risk is diversified by the time it gets to shareholders," he explained.

The impact on the company's bottom line should be the risk manager's main consideration in deciding how to "finance" a risk or loss, he added. This principle should extend even to the possibility of liquidating a company if retrenching after heavy losses would put an unacceptable financial strain on shareholders.

"Why should we (insist on corporate) survival when it makes no sense for a firm that has suffered a major loss to reinvest in assets that have been destroyed?" Mr. Doherty asked.

A company's stockholders might be better off if that company went out of business, he said.

"Risk managers should value maximizing the financial good of the firm's owners," he said.

To explain the change in approaches to risk management, Mr. Doherty presented two models delineating "traditional" vs. "financial" risk management.

In the traditional scheme, the risk manager first identifies a risk and its costs, then handles it in one or more of the following ways:

- Reduces the risk, either by avoiding it in the first place or by taking steps to control the possibility of loss.

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**Insurance and risk management scholars from around the nation gathered in Philadelphia Aug. 14-17 for the annual meeting of the American Risk & Insurance Assn. The conference, a forum for risk management research and scholarship, attracted about 200 people, including risk managers and industry representatives.**  
Associate Editor Douglas McLeod's report continues on page 12.

# Industry streamlining will force convergence: Cox

PHILADELPHIA—Inefficiencies that plague the property/casualty insurance industry will be overcome in the near future, says a former property/casualty executive.

But, the streamlining in many cases will involve mergers with other financial services, according to John R. Cox, former executive vp-property/casualty for CIGNA Corp.

Pressure on insurer management to maintain earnings growth will drive the insurance, banking and securities industries together, Mr. Cox explains.

"We are experiencing change, change that is probably the most dramatic since the introduction of money in trade," he said.

Mr. Cox, who said he is "still retired" with no definite plans, addressed the 1983 annual meeting of the American Risk & Insurance Assn. here.

The insurance industry operates with a generally outmoded distribution system for issuing and servic-

ing policies and handling claims, but it is not alone, he noted. Banks and securities firms that operate inefficiently will either have to merge to improve their own distribution systems or face bankruptcy, Mr. Cox suggested. "The 1980s is a time when the weak and inefficient in all three financial services segments will be shaken out," he said.

Of the three, the insurance industry has lagged the farthest in developing systems to improve efficiency, Mr. Cox said.

Banks, faced the problems created by mass marketing and increasingly complex services in the 1950s, developed and started using technology to cope with those problems in the 1960s and reaped higher earnings in the 1970s.

The securities industry first experienced "technological indigestion" in the 1960s, developed more efficient systems in the 1970s and will see the impact

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## Right-to-know

Continued from previous page

And the inconsistency in laws and regulations from state to state places a heavy administrative burden on employers operating in more than one state, he added.

Some of these concerns will be allayed if federal Occupational Safety and Health Administration's proposed "hazard communication" standard is approved.

Under the proposed federal rules:

- Chemical manufacturers would be required to assess the hazards of the chemicals they produce and all employers that use these chemicals would have to provide information to their employees about the hazards. Labels, placards, MSD sheets and information and training programs would be required.

- A "hazardous chemical" would be defined as any chemical

that is combustible, a compressed gas, explosive, flammable, a health hazard, an organic peroxide, an oxidizer, pyrophoric, unstable or water-reactive.

- Container labels would have to have a hazard warning, like "flammable," and a chemical identifier. The identifier on the label would refer to a corresponding MSD sheet. These MSD sheets would be the source of more detailed information on the specific characteristics of the chemical.

- Employers would have to offer training sessions to inform employees about the hazards inherent in certain substances and how to properly work with them. Employers would also have to provide protective clothing and equipment. The details and format of training programs would be left up to the employers.

This provision was estimated to cost employers about \$125 million initially and \$134 million annually.

- Trade secrets would be pro-

tected either through use of generic names or through confidentiality agreements between manufacturers and industrial customers.

- Documentation of hazard evaluation procedures and record keeping would be required at an estimated cost of \$15 million initially and \$2 million annually.

- The compliance deadline would be 18 months to 30 months after the regulations are published in the Federal Register, depending on the size of the employer.

Secretary of Labor Raymond J. Donovan was expected to be briefed on the draft late last week.

If he approves it, the proposal will be sent to the Office of Management and Budget, which has 30 days to act on the regulation before it could be published, said Jennifer Silk, the team leader for hazard communication at OSHA.

The new standard is a complete revision of a "labeling" standard proposed by the Carter administration in 1981 but later withdrawn.

OSHA estimates the initial cost to employers to comply with the newly proposed hazard communication standard will be about \$582 million, while the annual cost will be about \$228 million. The Carter proposal would have cost \$2.6 billion initially and \$1.25 billion a year, an OSHA spokesman said.

Meanwhile, by the time state legislatures recessed or adjourned for the summer, at least three states—Minnesota, New Hampshire and Alaska—had passed their own right-to-know legislation this year.

Bills in two other states—Illinois and New Jersey—have been sent to the governors for signature, but the governors have been asked to enact amendatory vetoes on the bills. And in at least three other states—Pennsylvania, Massachusetts and Michigan—bills are pending in committees for action yet this year.

Legislation was defeated in several other states, including Wash-

ington, Ohio, Oregon, Indiana, Missouri and Arkansas, but sources say new bills will be introduced.

Minnesota's law, which parallels other existing state laws, was signed by Gov. Rudy Perpich in June. Most of its provisions become effective Jan. 1.

The law will require employers to provide all employees routinely exposed to hazardous substances in the workplace with certain training and information.

This training must precede an employee's initial assignment to that workplace and include generic and chemical names, trade names and any other commonly used names of the substances or agents; hazardous levels of exposure, if known, and the effects of the hazardous exposure; symptoms of the effects; potential for flammability, explosion and reactivity (with other chemicals or substances); emergency treatment measures; proper and safe conditions for use and exposure; procedures for cleaning up spills and leaks; and a copy of any relevant MSD sheets on the substance or agent.

Hazardous substances, as defined in the law, are any of those 400 or more substances listed on the federal OSHA Subpart Z list or any added by the commissioner of labor and industry.

Minnesota's law also allows an employee to refuse in good faith to work when he or she reasonably believes the work conditions to be in violation of the imminent danger standards of state OSHA laws. There is to be no loss of pay or other benefits for this refusal or for the refusal of an employee to work with a substance he or she reasonably believes to be a hazardous substance or harmful physical agent.

However, an employee can only refuse to work if the employer has failed to train or inform the employee and the employee is asked to work with the substance under conditions that are inconsistent with the training or information according to the law. This part of the law doesn't take effect until July 1, 1984.

Trade secret information must be filed with the commissioner of labor and industry, who will determine whether the trade secret claim is valid.

The law also requires that containers be labeled and that notices be posted when hazardous substances and harmful physical agents are involved.

Minnesota's Department of Labor and Industry was delegated to put together the rules that will implement the provisions of the new law.

"The law purposefully was vaguely written. We are confident that the (regulations) will be better," said Jeff Peterson, state legislative affairs manager with Economics Laboratory Inc. in St. Paul. He is one of several industry representatives on the task forces formulating the rules.

Some of the larger employers in the state already have training programs and inform their employees about hazardous materials, but the new law is expected to force them to make changes in their programs.

"There's nothing in the new law that we aren't doing at this time... but it's too much to expect when the final regs come out," said Burt Seeker, a spokesman with the Minnesota Mining & Manufacturing Co. in St. Paul.

The new law also is consistent with Honeywell Inc.'s operating policy and philosophy for employee safety, said spokeswoman Karen Bachman. Honeywell in Minneapolis currently labels hazardous substances and has an employee training program, but expects that its program will have to be expanded once the regulations are completed.

Neither company could estimate its cost under the new law, but "it

Continued on page 8



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## opinions



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Without meaning to slight any other continuing education program, we would like to highlight two programs of special interest to those involved in risk management and employee benefit management.

Persons involved in risk management should consider the three-semester program leading to the designation of Associate in Risk Management. The program is sponsored by the Insurance Institute of America, with the Risk & Insurance Management Society providing technical and financial assistance to the program.

The three courses are: Structure of the Risk Management Process, Risk Control and Risk Financing.

The A.R.M. designation also satisfies the CPCU 1 course requirement in the 10-course program leading to the designation of Chartered Property/Casualty Underwriter.

Persons involved primarily in employee benefits should consider the 10-course program leading to the designation of Certified Employee Benefit Specialist. The program is co-sponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

The 10 courses are: Life, Health and Other Group Benefit Programs; Pension Plans; Social Security, Savings Plans and Other Retirement Arrangements; Management Principles; Contemporary Legal Environment of Employee Benefit Plans; Accounting and Information Systems; Asset Management; Industrial Relations; Employee Benefit Plans and the Economy; and Contemporary Benefit Issues and Administration.

Both of these programs are designed to enhance capabilities, bestow professional recognition and assist in evaluating the academic qualifications and competence of persons with responsibility for risk management or benefit management. Newcomers and seasoned professionals alike will find the programs beneficial.

Although a student can complete a self-study course in each of these programs, we recommend attending formal classes. Formal classes provide opportunities to meet other professionals in your area and to discuss and debate current issues.

Sponsors of the programs can provide more information on the courses and where to enroll.

For more information on the Associate in Risk Management Program, contact Dr. George Head, Director of Risk Management and Loss Control Management Education, Insurance Institute of America, Providence & Sugartown Roads, Malvern, Pa. 19355.

For more information on the Certified Employee Benefit Specialist program, contact CEBS Department, International Foundation of Employee Benefit Plans, 18700 West Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005.

## letters

### A city's requirement for 'insureds'

To the editor: When I first became risk manager, the city of Atlantic City had a problem concerning "other insureds" as described by Ronald Boggs (BI, Aug. 1).

I have since changed the insurance requirements and clauses in new agreements, which have thus far properly overcome this problem and enabled the city to totally transfer the exposure.

I now require that the city be an "additional named insured for liability coverages only," and may require certain specific coverages be added to the policy for the event.

Also included in the agreement is a broad-form indemnity and hold-harmless agreement as well as a broad waiver-of-subrogation clause.

Although it has not been tested in court, it has come into play on several liability cases, and the provider is or has taken the city's case with no cost or expenses to us.

I would appreciate Mr. Boggs' comments.

**Michael J. DelVecchio**  
Risk Manager  
Atlantic City, N.J.

#### ■ Mr. Boggs replies:

A primary concern in securing "additional named insured" status should be to establish a priority among your various insurers. Which pays first, the contractor's insurance or your own insurance? As pointed out in the article, duplicate coverage begs the question as to which program is primary. Special language in the contractors' policies is necessary to give them priority over coverage you purchased.

While such language should be specific to each situation, something on the order of the following might be appropriate: "As respects the city's legal projects and activities related thereto, this insurance will provide primary insurance for the city to the exclusion of any other insurance which the city may carry with respect to claims and injuries arising out of activi-

ties of the contractor and otherwise insured hereunder..."

Otherwise, the contractor's insurer, upon receipt of a claim against the city, would start looking for another insurer to handle the claim—and would most likely find one under your purchased program.

The use of indemnity, hold-harmless and waiver-of-subrogation agreements is certainly common and highly regarded in risk management practice. Their use, however, could raise additional legal issues as to their interpretation. Advantages of such agreements are that they can be much broader in scope than basic bodily injury/property damage insurance policies. Such agreements are generally more difficult to secure than additional insured status.

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

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## Right-to-know

Continued from page 4

will be very expensive and an ongoing process," noted Ray O'Connell, a consultant on energy and the environment with the Minnesota Assn. of Commerce & Industry in St. Paul.

New Hampshire is another state that adopted a right-to-know law this year. Its provisions parallel in many respects Minnesota's law and the proposed OSHA standards.

Emergency procedures must be posted in the workplace along with warning signs, substances must be labeled, MSD sheets must be available and employees must be trained in proper handling of the substances.

New Hampshire's law, which takes effect Oct. 26, also allows employees to refuse to work with the hazardous substance if they were not properly trained or informed about them.

In Alaska, the Department of Labor was charged with developing regulations for its new law, which in most part became effective July 26.

The department was charged with developing safety posters, compiling data on the 800 or more hazardous substances covered under the law, helping employers develop safety training programs and surveying the state's workplaces to see which hazardous substances are in use.

But, the Department of Labor "doesn't plan to do anything with regulations until OSHA comes out with its," said Richard Arab, deputy director of labor standards and safety with the department.

MSD sheets must be provided to employees upon request within three working days, but according to Mr. Arab, the law does not permit employees to walk off the job until the information is obtained.

This part of the law takes effect July 1, 1984.

In Illinois, the state Manufacturing Assn. has asked Gov. James Thompson to change two provisions in H.B. 741, which has passed the Legislature and is awaiting the governor's signature.

"We agreed to earlier provisions that allowed disclosure of trade secrets only when a physician asked, but the bill was changed to require disclosure under a wide variety of situations, so we're asking for that to be changed," said Tom Reid, director of energy and environmental programs for the Illinois Manufacturers Assn.

The other provision the manufacturers want changed would require that any product that comes into the state that has an MSD sheet will automatically be added to the list of hazardous substances and fall under the provisions of the bill...even if it's an innocuous substance, Mr. Reid said.

To remove the chemical or substance, there would have to be a

hearing. With an estimated 10,000 new chemicals introduced every year, this would be an enormous burden on manufacturers and employers, critics say.

New Jersey's bill differs a little from the others in that it entails both the employee's right to know and the community's right to know. It also involves non-hazardous substances.

S. 1670 will require that non-hazardous substances, as well as hazardous substances, be labeled. The lists of hazardous materials would be compiled by the Department of Health for workplace substances and by the Department of Environmental Protection for community substances.

Employers will have a checklist of those substances and will be required to check off the substances used in their plant and to send a copy of that list to the county or local boards of health and local police and fire departments.

New Jersey employers are ask-

ing Gov. Thomas H. Kean to extend the 18-month deadline for labeling hazardous materials and to delete the requirement for non-hazardous substances.

Three other states have bills on hold—Pennsylvania (H.B. 1236), Massachusetts (S. 2058) and Michigan (S.373). All three draft measures would require hazardous substances to be labeled and that this information be transmitted to employees in some type of training program.

Massachusetts and Michigan are among the states that already have some type of right-to-know legislation, but the new proposals are more inclusive. For instance, Michigan's current right-to-know law only covers chemical product manufacturers.

The states that already had right-to-know laws or regulations are: California, Connecticut, Maine, Massachusetts, Michigan, New York, Oregon, Rhode Island, West Virginia and Wisconsin.

## Health complaints must be filed

WASHINGTON—About 10,000 chemical companies will have to begin keeping records late this year of health-related complaints filed by employees and consumers.

This record keeping is required under rules issued Aug. 22 by the U.S. Environmental Protection Agency.

Companies involved in the manufacturing and processing of most chemical substances and mixtures will be required to keep files of written allegations that exposure to a specific chemical or compound may have caused cancer, birth defects or some other significant health problem.

Employee complaints must be retained for 30 years and other complaints must be retained for five years.

The results of company investigations into complaints also must be included in company files that must be made available to workers and government officials.

Spokespersons for several large chemical companies said their companies already maintain records of complaints.

"We'll have to keep our records in one central location, which is something we don't do now," said a spokesman for the Monsanto Co. of St. Louis.

He added that the new regulations "will cost a little more, but, as a result, we might be able to better monitor health hazards."

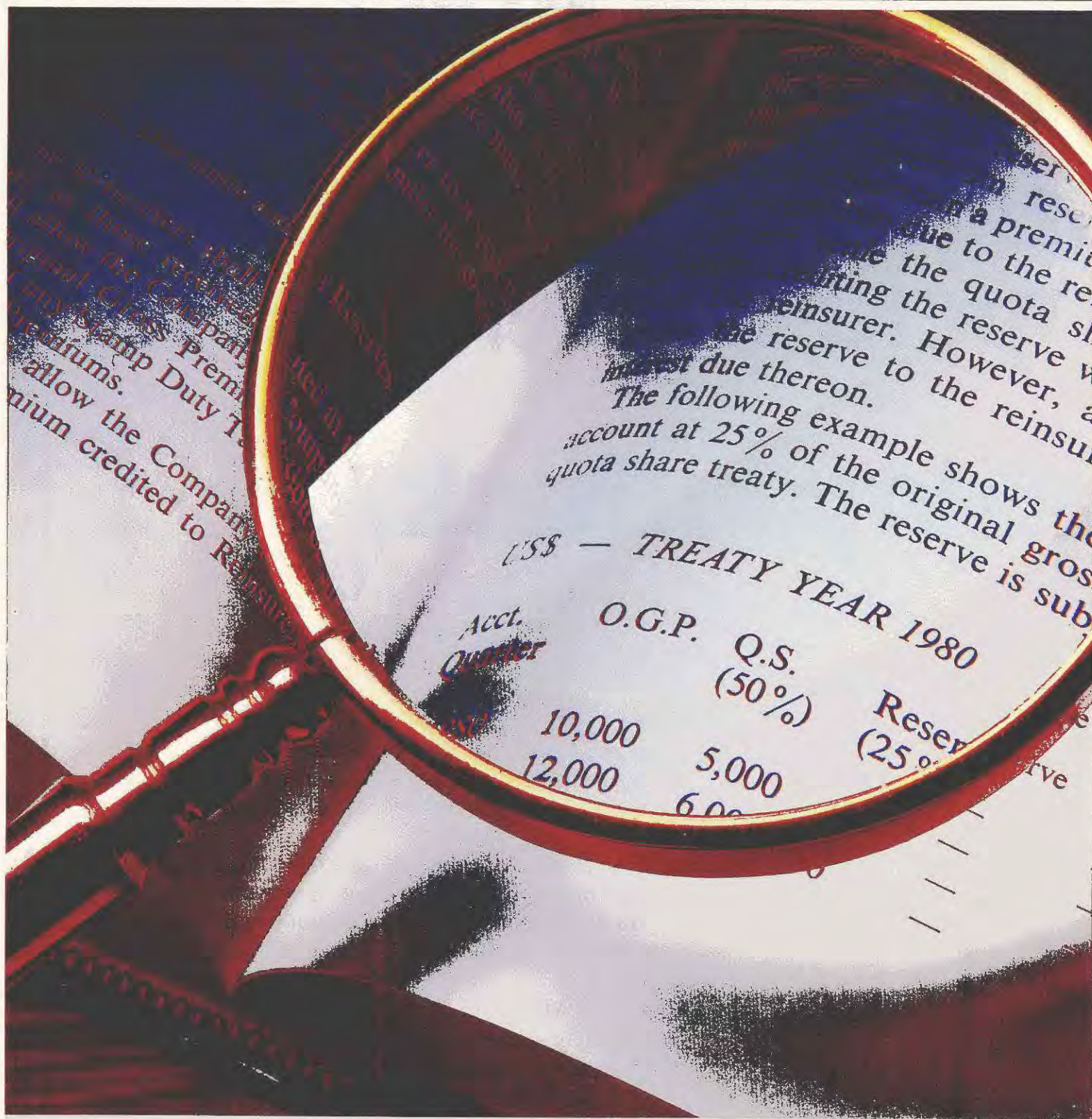
The chemical industry's trade association, the Chemical Manufacturers Assn. in Washington, D.C., believes it's too early to tell if the regulations' benefits will justify the cost, according to R. Garrity Baker, the association's staff executive.

As a result of the new rules, he said, chemical companies will have to establish the required record-keeping systems and educate employees in maintaining them. The cost of updating the files also might be significant, he said.

The purpose of the new rules, which are expected to take effect in late November, "is to establish a file of significant adverse reactions that can be useful in finding unexpected or unrecognized problems," according to a notice of the rules published Aug. 22 in the Federal Register.

The rules implement part of the Toxic Substance Control Act passed by Congress Oct. 11, 1976.

Exempt from the regulations are firms involved in extractive industries, such as mineral ore and coal mining, petroleum and natural gas extracting, and non-metallic mineral quarrying. These industries account for only 14% of chemical industries' production.



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# Risk managers hone their financial savvy

Continued from page 3

- Transfers the risk, usually by insuring it.

- Retains the risk—in other words, does not insure it.

The choices are put in somewhat different terms in the financial risk management framework, in which the risk manager identifies events that present risk of loss, then estimates the effects on corporate earnings and the capital costs of various responses to the risk.

**Mr. Doherty divides** subsequent steps under two general headings: Immediate investment decisions, which involve reducing risks, and contingent investment decisions, which involve a response to the loss.

Immediate investment decisions involve the following choices:

- Taking risk-reduction steps, like installing sprinklers, which then involve further choices on how the effort is to be financed: through new debt, new equity issues or the use of internal funds like retained earnings.

- Taking no risk-reduction steps.

In reaching contingent investment decisions, the following possibilities could be considered:

- Pre-loss financing, which might take the form of insurance, a self-funded reserve or use of a captive.

- Post-loss reinvestment, which leads to the question of how to finance the replacement of damaged property: with debt, equity or internal funds.

Mr. Doherty conceded that companies could run into problems approaching capital markets for new funds after a major loss.

**"That does impose** a certain amount of discipline" on the company as it decides how best to handle the loss, he said.

He added that one of the pre-loss possibilities—setting up a self-funded reserve—would have to be examined closely to be sure it represented a wise use of corporate funds.

"On financial management grounds, I can see no justification for that kind of activity," he said. "If you are going to establish a fund, do it for investment reasons, not for risk management reasons."

The common thread running through all of these choices, Mr. Doherty suggests, is the need to make a cost/benefit analysis of the responses a company could make to risk. The decision on how to handle the risk should be based, above all, on the benefits to the corporate balance sheet.

Risk managers need to speak the language of financial officers if they want to play a role in this decision-making process, he adds.

**"If you're going** to have consistent financial decision making, you have to make the decisions based on the same set of criteria," he explained.

Another scheme for integrating traditional risk management with more comprehensive financial management ideas was suggested in another session at the meeting by Fikry S. Gahin, a professor of finance and insurance at the University of Utah.

Traditional risk management thinking has separated so-called pure risks from speculative risks, he explained.

The pure risks include situations or events that can only produce loss, like fires, hurricanes or floods. These risks are usually insurable, Mr. Gahin points out.

Speculative risks, on the other hand, can produce either loss or

**Risk managers need to speak the language of financial officers, Mr. Doherty says.**

gain and might include such things as decisions to invest in new property, grant credit or lease computer equipment.

Most of a company's marketing, production and financial decisions involve speculative risks, which have traditionally been considered uninsurable.

**But the distinction** between the two types of risk is breaking down, he notes, and such speculative situations as extending credit or leasing computers can now be covered by insurance policies.

In addition, pure risks are typically incidental to the major, speculative activities of a company. The risk of fire comes with the decision to buy a new warehouse, and the risk of liability comes with the decision to invest in a new fleet of cars.

"In the real world, it is inconceivable that pure risks exist alone in a vacuum, independent from normal activities," Mr. Gahin says.

A scheme that separates "insurable" pure risks from "uninsurable" speculative risks therefore makes no sense, he suggests. Separating pure risk "would isolate this field from the mainstream of financial management where decisions affecting pure risks are originally made."

As an alternative, Mr. Gahin proposed a new scheme in which pure risk is seen as a part of speculative risk.

**In Mr. Gahin's view,** all of a company's economic, social and political activities present speculative risks: On the one hand are the potential benefits such as cost savings or increased profits and on the other hand are potential costs, including the costs of managing pure risks and the cost of property and liability losses or injuries to personnel.

"The model correctly puts pure risks where they truly belong, as incidental to major business or non-business activities," he says.

Thinking about pure risk in this way means that success depends on how well a risk manager can communicate with the other areas of the company where investment and other business decisions are made.

"For risk management to be effective, it must encompass all of the firm's activities that give rise to pure risks," he explained.

Conversely, executives outside the risk management area should be aware that the cost/benefit analysis they perform before making a business decision should include an estimate of pure risk costs, such as safety expenditures, insurance premiums and the expected value of uninsured losses.

**"Frequently,** decisions over many activities are made without due regard to the pure risk costs involved," Mr. Gahin said.

Risk managers should also perform the same kind of cost/benefit analysis in deciding how to handle a particular risk—whether or not to insure, how to insure and what kinds of loss prevention steps to take, he advised.

"In this respect, risk management is truly one aspect of financial management," he concludes. ■

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# Insurers will streamline operations: Cox

Continued from page 3  
on its earnings in the current decade.

The insurance industry, by contrast, drifted "fat, dumb and happy" through the 1960s and into the soft market of the late 1970s, Mr. Cox observed. It has only faced its distribution problems in the last 10 years and now has its work cut out for it in the hope that operating improvements will make for a healthier bottom line in the 1990s.

Insurance companies can take four steps on their own to streamline operations, Mr. Cox noted. These are:

- Reducing the overall number of employees, and not just those whose jobs are eliminated by automation.

"Technology is a help (in reducing staff), but it's not a panacea,"

'We are experiencing change, change that is probably the most dramatic since the introduction of money in trade. . . The 1980s is a time when the weak and inefficient in. . . financial services segments will be shaken out,' Mr. Cox says.

Mr. Cox said, adding that companies need not engage in massive layoffs, but could reduce staff gradually through attrition.

The process might also work in reverse, with reductions of staff forcing a streamlining of operations, he added. "If there's nobody there to do the work, there will be found some other way of doing it."

- Reducing the complexity of adjusting and settling claims, a process now bogged down in a "paper morass."

Convincing policyholders not to transfer risks that produce frequent losses, but instead to self-insure them. This would reduce administrative and claims-handling expenses, he said.

- Learning from the banks and start charging fees for services that have not carried fees in the past.

These actions may be only part of

the solution, though, and rapid improvements in efficiency will probably come only with the merger of insurers with companies in other financial services segments, Mr. Cox said.

Such improvements have been the primary reasons for financial services mergers to date, including bank acquisitions of discount securities brokers, he added.

"The underlying reason for these acquisitions was to gain the channel of distribution," he explained.

Mr. Cox says he expects a crumbling of regulatory barriers to mergers in the financial services arena. For example, the federal Glass-Steagall Act, which bars banks from underwriting corporate securities, will either be repealed or

"modified," he said.

Other regulations keeping banks and insurance companies out of one another's business will also break down, he suggested.

The pressure to deregulate financial services, he added, will come not only from industry lobbyists, but also from the general public, which will realize that cheaper, more convenient services would be available through financial services conglomerates.

As an example of the public's ability to affect banking and financial services legislation, Mr. Cox cited the recent defeat in Congress of the proposal to require tax withholding on interest and dividends.

He admitted, however, that many are worried about the concentration of economic power in the few large institutions that would emerge.

"It will not happen overnight," he said. "The road will be bumpy."

The reformation of the financial services industry also will change the current agency system, but will not eliminate it, he added. About 70,000 agents and brokers now deliver insurance products and services, but this number will probably be reduced to about 40,000 by 1990, Mr. Cox said.

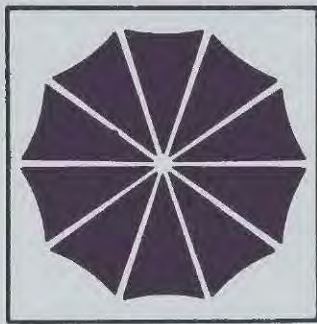
To further streamline the distribution system, the responsibilities of agents will probably be defined in a more black-and-white manner. Agents are more likely to be either pure salespersons with no administrative responsibilities or full-fledged underwriting managers, Mr. Cox said.

But fears on the part of agents and brokers that they will be totally pushed out as banks move into insurance are misplaced, he said. Banks are more likely to buy existing agencies than to form their own.

"They'll acquire the agent. They won't have tellers selling insurance," he said.

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# Price-Anderson Act subsidizes more than utilities: Professor

PHILADELPHIA—The federal Price-Anderson Act, intended to provide a federal indemnity to nuclear power plant operators in case of an accident, actually provides no coverage as it is currently written, one nuclear insurance expert says.

Even so, the act amounts to a subsidy of the nuclear power industry that is more subtle than most critics realize, says John D Long, a professor of insurance at Indiana University and a consultant to the Nuclear Regulatory Commission.

If current flaws in the Price-Anderson Act are corrected, its dollar value to utilities will not only be greater than many assume, but the number of people it subsidizes will be broader than most suspect, Mr.

Long told an audience at the 1983 annual meeting of the American Risk & Insurance Assn.

"To say that the subsidy is \$560 million is too simplistic. It does not recognize the complexity of the situation," Mr. Long said.

The Price-Anderson Act, due to expire in August 1987, provides that in case of a "nuclear incident" at a power plant, the government will indemnify the plant licensee for up to \$560 million in third-party liability losses, less the amount of "financial protection" the law requires the licensee to have.

The act also provides that the liability of each licensee will be limited to the same \$560 million as a result of a single nuclear incident.

Mr. Long concedes that the act as currently written actually provides no indemnity at all since the required amount of financial protection exceeds \$560 million.

Currently, each licensee must carry \$160 million in primary liability insurance and participate in an industry retrospective-rating plan that would cover liability in excess of \$160 million in case of an accident. Each of the nation's 82 reactors would contribute \$5 million under the retrospective plan, making a total of \$410 million available over each plant's primary liability policy.

Since the \$570 million in available financial protection exceeds the maximum federal indemnity, the government is now under no obligation to pay if an accident occurs, Mr. Long points out.

He adds, though, that it is "highly probable" that Congress will renew the act before its 1987 expiration, revising the maximum liability upward and once again putting the government in the position of a liability insurer.

Assuming that this happens, the question is whether Price-Anderson represents a subsidy of nuclear power, Mr. Long says.

Some have argued that it doesn't, since no accident has ever been serious enough to trigger a government payment, and no utility has ever actually avoided liability claims by pointing to the act's \$560 million liability limit.

Mr. Long finds this reasoning flawed.

"Even though its cost to the (government) is zero, a promise—even a qualified and untested one—can be a thing of value," he said.

A utility's "comfort and reliance on the promise to indemnify" keeps it from having to set aside assets of its own to pay for potential losses, and thus allows it to invest those assets more profitably.

The same argument could be made for the liability limitation in the act, he adds.

"Not knowing the future, a rational licensee would surely make some costly preparations in the absence of the limitations—or would avoid the risk by getting out of the nuclear energy business," he said.

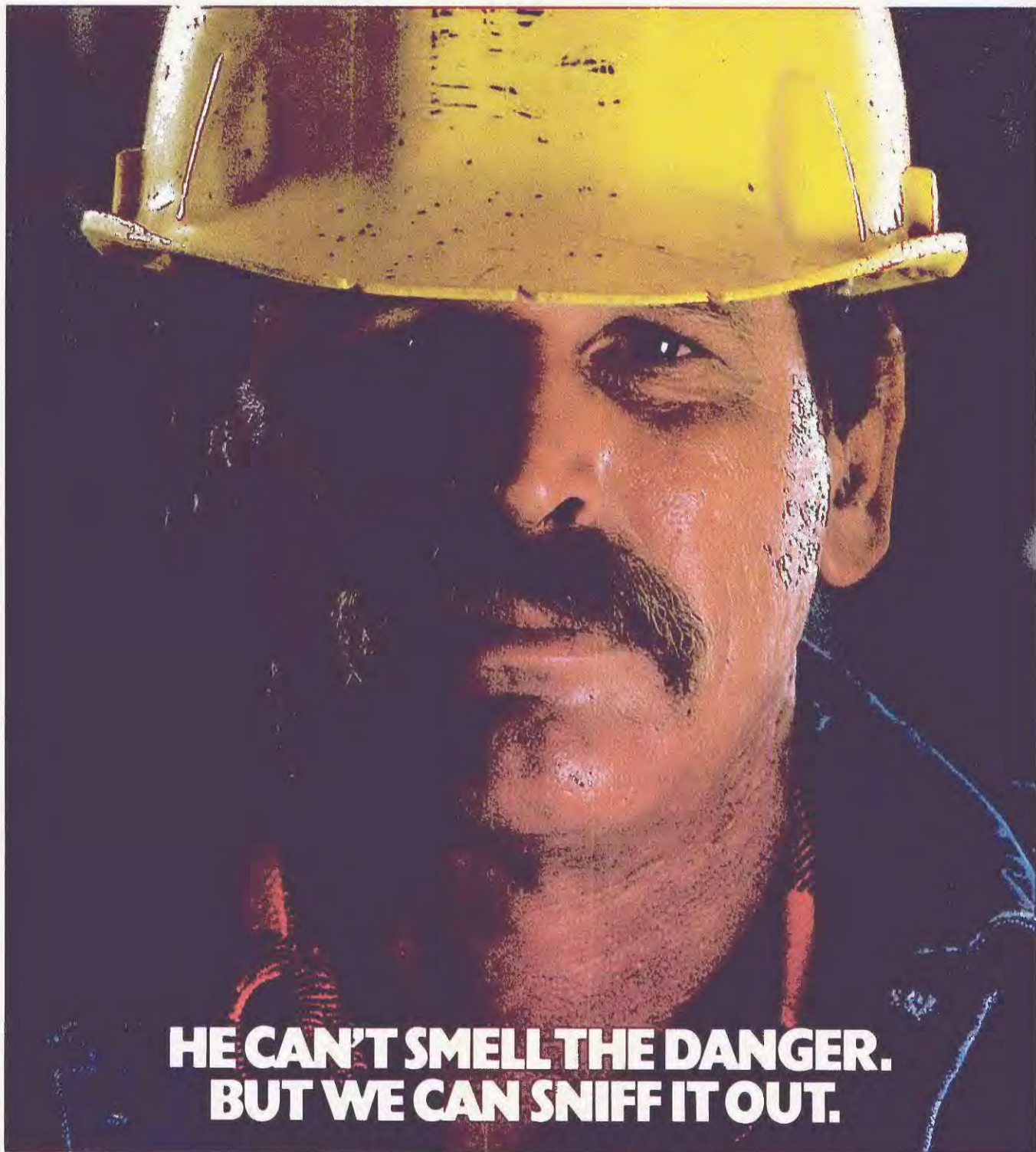
The value of the government's promise to indemnify could be fairly easily measured for a utility by determining how much more the company was able to earn on its assets because of the promise and subtracting the nominal fee each reactor operator has to pay the NRC for administering the act.

Estimating the value of the act short of a serious nuclear accident, though, involves "insuperable difficulties," he says.

In addition to providing subsidies to utilities, the act also subsidizes groups of people not generally considered recipients of the subsidy, Mr. Long pointed out.

Although nuclear utilities are thought to be the main beneficiaries of the act, Mr. Long said the utilities actually comprise an "amorphous" group whose members might include:

- Utility stockholders, who may receive larger dividends or reap a higher price per share for their stock because of the act's enhancement of a utility company's assets.
- Utility customers, who may pay lower rates.
- The utility's creditors, which may more easily collect interest and principal on loans.
- Employees of the utility, who may receive higher pay or benefits or better working conditions.
- Charities, which may receive larger contributions from utilities than they might otherwise.



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### METROPOLITAN REINSURANCE COMPANY

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# EAP potential to save money is unknown

PHILADELPHIA—Large companies are turning to employee assistance programs to aid troubled workers, though no one knows exactly how much money is saved through such programs, one insurance scholar says.

The assistance programs are designed to help employees deal with such troubles as alcoholism, gambling, family and marital difficulties or other emotional problems.

About 20% of the U.S. workforce suffers from problems that affect their work, and those workers cost their employers an estimated \$195 billion a year, according to Donald W. Myers, a professor of insurance at Virginia Commonwealth University in Richmond, Va.

To reduce these costs, many companies are adding assistance pro-

Two studies found savings of \$4 to \$8 for every dollar invested in a program.

grams to their employee benefits packages. Since 1950, the number of programs has increased from about 50 to more than 5,000, Mr. Myers said at the 1983 annual meeting of the American Risk & Insurance Assn.

In particular, the number of alcoholism programs has more than doubled between 1972 and 1979, according to one study by Opinion Research Corp. that included most

of the Fortune 500 companies. Of 528 respondents in 1972, 25% said they had an assistance program for problem drinkers. By 1979, when 499 firms were interviewed, 57% said they had such a program.

The study found that most of the growth took place between 1972 and 1976, with the percentage of companies offering the programs increasing only 7% from 50% to 57% between 1976 and 1979.

Most of the interest has come from large companies, Mr. Myers adds. A 1981 study of 504 employers found that only 5% of those with fewer than 100 employees have assistance programs. By contrast, 41% of those with between 1,000 and 5,000 employees have some type of program and 55% of those with more than 5,000 employees main-

tain a program.

"We can see that there's a relationship between size and whether an organization has EAPs. The large ones have them," Mr. Myers explained.

The same 1981 study found that the health care institutions surveyed were most likely to have some type of assistance program, with 29% of the 28 health care firms surveyed offering the benefit.

Banking, insurance and financial institutions were next, with 25% of the 64 firms surveyed maintaining a program. Among 247 manufacturing concerns, 23% had assistance programs, while service industries came in last, with only 12% of the 60 firms surveyed maintaining programs.

Employee assistance programs can take a number of forms, Mr.

Myers notes. These may include:

- Consortia, or non-profit organizations, which offer employee assistance services and take revenues from both public funds and private subscribers.

- Contractors, or private organizations, which offer services on a for-profit basis. Some of these are affiliated with hospitals or other service providers.

- Employer assistance programs, which operate as departments within a company and are staffed by company personnel.

- Peer assistance programs affiliated with professional organizations like state bar associations, which counsel members.

- Union/management programs, which are financed by corporate management and have the support of the unions representing workers. These programs can operate either within the company or as a separate entity.

- Hot lines, usually operated by outside organizations. These may be used as a service in themselves, or as the "crisis-intervention component" of a more comprehensive assistance program.

Studies show that many companies have a hard time reaching troubled employees through assistance programs, Mr. Myers noted. While 20% of the average workforce may suffer problems that affect performance, several assistance programs surveyed in recent years have counseled only 2.3% to 7.3% of their employee populations over the duration of their programs.

Still, other assistance programs have shown impressive results, Mr. Myers added. On the average, assistance programs have been found to produce recovery rates among alcoholics ranging between 75% and 80%, he said. A number of recent studies of individual employee assistance programs has also found that the programs brought significant improvements to problem employees.

In one case, on-the-job injuries among alcoholic employees were reduced by 63%, Mr. Myers said. In another, accident benefit claims for alcoholics and drug abusers declined by 33%.

General health and discipline among troubled employees also improved in many of these cases, Mr. Myers said. Through one program, the number of sickness disability cases declined by 68% over a five-year period, and through another, the use of health benefits by alcoholics was reduced by 23%.

One organization discovered a 90% decrease in the number of reprimands given to alcoholic employees after they were offered assistance services, he said.

Despite encouraging results in individual cases, though, little information has been collected on how much money the programs have actually saved.

Two studies conducted since 1981 found savings of \$4 to \$8 for every dollar invested in an assistance program, according to Mr. Myers. But most cost/benefit studies conducted to date have been "flawed in design and methodology," he said.

"The big problem today is program evaluation," he conceded. "How effective are they?"

This question won't be answered until companies that decide to offer the programs also decide to keep track of their costs and savings from the very beginning. Without that documentation, conclusions on the effectiveness of the programs will continue to elude researchers, Mr. Myers suggested.

"Evaluation has to start when the program starts," he said. ■

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# Carson Pirie Scott names Goeppinger vp of benefits

**Kathleen H. Goeppinger, 36**, has been named corporate vp of compensation and benefits for Carson Pirie Scott & Co. in Chicago. She heads the corporation's human resources department, which includes the planning and designing of all employee benefit plans. Ms. Goeppinger joined the company in 1967; she has been responsible for corporate personnel since 1980. She received a bachelor of science degree in sociology from



Ms. Goeppinger

## comings & goings: buyers

Carthage College in Kenosha, Wis., and a master of science degree in industrial relations from Loyola University in Chicago. Ms. Goeppinger reports to Dan Fort, vp of administration and legal counsel.

Merrill Lynch & Co. in New York announces two additions to its risk management department.

**Elizabeth T. Corrigan, 25**, has been named insurance analyst, a new position. She will be involved in all types of insurance for the company, with a concentration in fiduciary and international poli-

cies. Prior to joining the company, she was an account representative with Frank B. Hall & Co. Inc. in New York. She received a bachelor of arts degree from Wheaton College in Wheaton, Mass., and the Associate in Risk Management designation. She also attended the City of London Polytechnic.

**John M. O'Shea, 25**, is also an insurance analyst. He will be involved in all types of insurance, concentrating on crime coverages. Mr. O'Shea was a bond underwriter with American International Group Inc. in New York before joining the company. He received a bachelor of arts degree from the State University of New York in Binghamton, and he also attended National Taiwan Normal University.

Both Ms. Corrigan and Mr. O'Shea report to William Kelly, vp and director of insurance and risk management.

Rollins Inc. in Atlanta has announced new appointments in its risk management department.

**Eben L. Jones, 34**, is the company's risk and loss-control manager, handling property/casualty insurance programs. It is a new position. He was formerly loss-control manager. Before joining the company, Mr. Jones served in the risk management department of Grand Union Co. in Atlanta. He received a bachelor of arts degree from Georgia State University in Atlanta. He is also treasurer of the Atlanta Chapter of the Risk & Insurance Management Society. Mr. Jones reports to J.M. Lindenmayer.

**Gloria Cunningham, 36**, is supervisor of the group health claims division, a new position. She is responsible for the company's self-insured medical plan and other employee benefits. Ms. Cunningham was previously group claims technical specialist. Before joining the company, she served as a supervisor in the risk management division of Equifax Inc., a third-party administrator in Atlanta. She received a bachelor of arts degree from Spellman College in Atlanta. Ms. Cunningham reports to J.M. Lindenmayer.

**Shirl Baggett, 35**, is liability supervisor, also a new position. Ms. Baggett is responsible for directing the company's self-insured general and automobile liability programs. She joined the company in 1981 as an insurance adjuster; prior to that she served in the claims area of Liberty Mutual Insurance Co. in Atlanta for five years. Ms. Baggett attended Glenville State College in Glenville, W.Va., and DeKalb College in Atlanta. She is a member of the Atlanta Claims Assn. Ms. Baggett reports to Eben L. Jones.

**Gladys Briggs, 34**, is supervisor of workers compensation, also a new position for the company. Ms. Briggs is responsible for handling both the self-insured and insured portions of the company's workers compensation plan. She was previously a claims adjuster for the company. Ms. Briggs attended Cheyney State College in Cheyney, Pa., and is a member of the Atlanta Claims Assn. She also reports to Mr. Jones.

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Sallie J. Drury, Staff Reporter, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5352. We would also like to receive photographs.



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Chances are you know someone like Ralph. Someone who was outgoing and productive but now has difficulty just making it through the day. The question is, will that person get psychiatric treatment, or will he or she end up like Ralph Childs?

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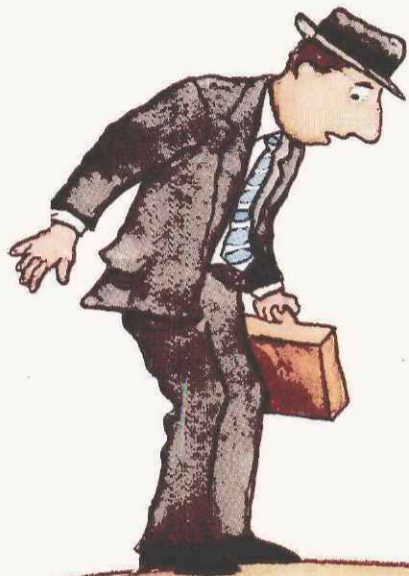
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## perspective

# RECENT CALIFORNIA RULINGS

## A settlement won't always end the litigation

By Frederick J. Fisher

**I**N BACK-TO-BACK appellate decisions, the 2nd Appellate District Court of California has rendered new determinations that will substantially affect nearly everyone engaged in insurance in California.

When Royal Globe Insurance Co. vs. Superior Court was first handed down by the California Supreme Court, I predicted that an insurance company that settled a claim on behalf of an insured defendant could thereafter be sued for bad faith for the way the case was handled (*BI*, May 14, 1979).

In the recent case of Gloria Rodriguez vs. Fireman's Fund Insurance Cos., the 2nd Appellate District Court allowed just such a case.

The California Court of Appeals held the Royal Globe language stated, "Upon conclusion of the main action against the defendant, thereafter the plaintiff could then institute a bad-faith lawsuit against the defendant's insurance company for violation of the California Unfair Claims Practice Statute, Insurance Code Section 790.03."

In the Rodriguez decision, the 2nd Appellate District Court went further and defined what was meant by "conclusion." It held that an out-of-court settlement constitutes a conclusion of the main action.

Although this definition was not unexpected, what is surprising is that in the Rodriguez decision when the settlement was agreed to, it was specifically stated in the release that there was no admission of liability. The court held, however, that the issue was whether or not Fireman's Fund had acted in bad faith and with tortious conduct in making the settlement. The release stating that there was no admission of liability on the part of the Fireman's Fund policyholder was irrelevant.

More important is a decision from the 2nd Appellate District Court literally one week before the Rodriguez decision.

Essentially, in *Palmer vs. R.L. Kautz & Co.*, the 2nd Appellate District Court held that any person engaged in the business of insurance is subject to the rules of conduct enunciated by the California Supreme Court in *Royal Globe Insurance Co. vs. Superior Court* and, further, is subject to the rules and obligations as spelled out in Insurance Code Section 790.03, the Unfair Claims Practice Statute.

This means that any person engaged in the insurance business, whether as a risk manager, risk management consultant, agent, special risk broker, surplus lines broker, self-insurance administrator, claims adjuster, claims administrator and perhaps even insurance defense counsel, is subject to not only the Unfair Claims Practice statute, but also the *Royal Globe Insurance Co. vs. Superior Court* decision.

This creates duties and obligations for any claimant whether he or she is a third party or first party to the policy.

It is almost impossible to understand or realize all the potential impact of this particular decision.

For risk managers and especially independent consultants, this decision will mean having to be far more careful.

Risk managers will have to be more careful in communicating employee benefit programs to employees. They also will have to act fairly promptly with respect to any claims, and adopt and implement reasonable standards for the prompt investigation and processing of claims under insurance policies.

Risk management consultants must avoid misrepresenting risk management or self-insurance programs.

For claims adjusters, the risks become obvious. They can no longer try to negotiate a claim by attempting to "shave" a thousand dollars here or a thousand dollars there, but must act reasonably and promptly in settling all claims.

In addition, claims adjusters will no longer be allowed to misrepresent coverages or facts when dealing with the claimant attorney, but will have to deal openly and honestly in order to resolve a claim as quickly and reasonably as possible.

For surplus lines brokers and special risk brokers, the same duties apply. Surplus lines brokers and special risk brokers also will have duties and obligations under this decision that apply not only to the policyholders they normally do not have direct contact with, but also to claimants under the policies whether they are third-party liability policies or first-party policies.

It would appear that the California courts are going toward some sort of no-fault claims processing. The old stalling tactics of insurance defense counsel to grind out a litigation case in order to reduce the demand is no longer going to work or be tolerated in California.

Defense counsels will have to be particularly careful not to get involved in conflicts of interest with an insurance company that retains them to defend a particular client. Often defense counsel loyalty is to the insurance company paying the bills instead of to the person it has been chosen to represent.

The end result of the *Palmer* case is going to mean increased litigation for all.

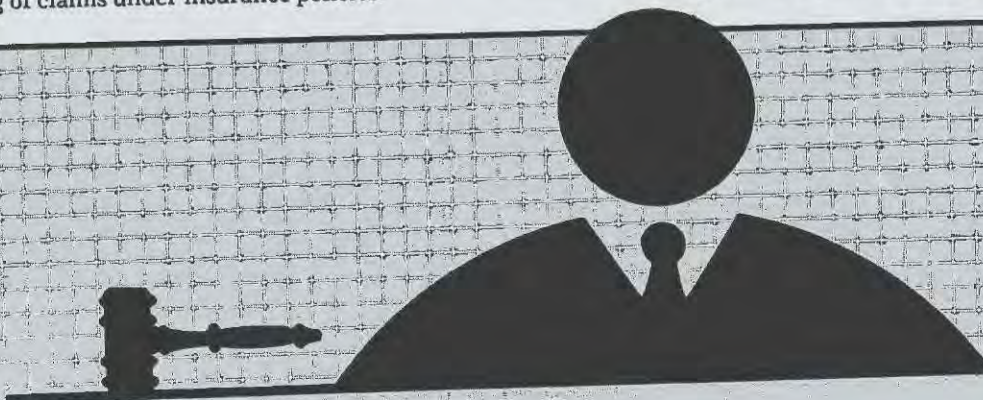
It was not uncommon in many instances for a person to sue an insurance company and attempt to join the insurance broker in that lawsuit. Since the insurance broker traditionally had not been deemed a party to the contract of insurance, it was often easy to get the insurance broker dismissed from the lawsuit. This will no longer be the case.

Duties and obligations independent from those of the insurance company will create new causes of action against insurance brokers, surplus lines brokers, specialty lines brokers, risk managers and risk consultants. It appears that professional liability exposures and claims incidents are going to increase substantially. And, one can assume the errors and omissions and professional liability insurance rates also will increase as a result of increased claim frequency, whether justified or not.

The potential for bad-faith punitive damage verdicts against insurers probably will encourage more settlements, creating more losses and therefore increasing rates.

The end result of *Palmer vs. R.L. Kautz & Co.* is going to be that more litigation will be forthcoming in California against all people engaged in the business of insurance. This decision will give rise to not only substantially increasing defense costs, but it also creates additional conflicts of interest between adjusters and the insurance companies that engage them for claims investigation, and between insurance brokers and insurance agents as well as a new exposure never before experienced by risk managers and risk management consultants. ■

*Frederick J. Fisher is president of Surplus Risk Services in Torrance, Calif., which specializes in risk management and professional liability claims adjusting, and of Fisher Associates, an adjusting firm.*



# Workbook helps managers assess their strengths and weaknesses

By Z'ev Kronish

## books & ideas

**"Managing Assertively: How to Improve Your People Skills"**  
By Madelyn Burley-Allen  
John Wiley & Sons, 605 Third Ave.,  
New York, N.Y. 10016  
178 pages, \$9.95

MANAGEMENT IS LIKE teaching: Knowing your subject does not automatically mean you will be successful. To be effective in your relations at work requires an awareness that this book heightens to a fine art.

Ms. Burley-Allen's volume is a workbook for supervisors. Explaining how to get people to work better, the author writes that a manager has to be willing to look honestly at his or her assets and be serious about upgrading interpersonal skills.

Management improvement is very much in the news these days. When a corporate department falters, a good measure of blame falls on managers

*The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.*

whose training has decidedly not prepared them with the techniques Ms. Burley-Allen identifies.

It is ironic but true that poor employee performance results from fear of sticking one's neck out or fear of admitting a bit of ignorance. In short, in the world of business, errors reap reprimand instead of an understanding response. "Managing Assertively" deals with this predicament by emphasizing the effectiveness of constructive criticism.

**Taking and offering** criticism is one of the key skills that complicates ordinary relations and is especially difficult in the workplace. Ms. Burley-Allen's ideal manager runs a middle-of-the-road course and welcomes fair criticism. The way to succeed is to "deal with the issue, not your personality or irrelevant personal matters."

Failure to speak up is a blunder readily overcome. Linking self-esteem to ability to express opinions forcefully, Ms. Burley-Allen makes the point that communication barriers hurt productivity. She emphasizes the roles of feedback, listening, saying no and, in general, cautions against wishy-washy behavior.

Caught in the middle of a complex organization, managers are exposed to a fast track and mounting pressure—and for the most part are unprepared. Ms. Burley-Allen is alarmed, for these conditions lead to behavior patterns that are self-defeating. Aggressive styles rupture harmony. On the other end of the scale, a sense of awkwardness prevents managers from raising appropriate questions.

Seeking out criticism helps to defuse underlying tension. The sooner criticism is expressed the greater the likelihood of dealing with it effectively. Delay feeds hostility.

At first glance, the skills Ms. Burley-Allen writes about may not seem vital. But the issue of improved management has cropped up often in the past two or three years. Suddenly, the words—productivity, quality and excellence—have gained prominence. Refining the task of managing has moved up the priority ladder.

So we shouldn't be surprised when Ms. Burley-Allen devotes a set of exercises to saying no. In her model the passive personality is easily manipulated and put-upon, while the aggressive type is rash and inflicts damage on morale.

We learned from the Japanese that both manager and subordinate are locked in a race for corporate survival.

"Managing Assertively" articulates an important trend into a few tenets, serving as a standard of how such interdependence can flourish.

**Ms. Burley-Allen** writes from experience; she conducts behavior workshops. Her book accurately reflects some of the problems in today's work environment, which is marked by discontentment up and down the ladder.

It may be that Ms. Burley-Allen's medicine can alleviate some of the dissatisfaction "fever."

There are structural limits to the manage-better guidance. Some of these can be overcome only with strong action by top management. Yet one step, such as encouraging employees to participate as shareholders, is a sure way to win their involvement in the company's growth.

Everyone is looking for a stimulus to improve productivity. The need for guidance is apparent. Judging by the sales records of books of this type, the need for a guiding hand reaches every corner of the business world.

*Z'ev Kronish is writing a manual on personnel management. His book reviews appear regularly in Business Insurance.*

# Heat-stroke death ruled compensable

AN EMPLOYEE'S death was caused by an "accident" within the meaning of the workers compensation law when the employee obviously suffered a heat stroke while at work, which precipitated his death, according to the Supreme Court of Alabama.

Cameron Neal Jr., age 45, obese and diabetic, worked for Montgomery Lincoln-Mercury Inc. as an automobile leasing manager.

On April 8, 1980, he went to work at 7 a.m. and during the day, according to his physician's report, he was selling used cars on an asphalt car lot during a severe heat wave. Temperatures that day varied from 88 degrees at 8 a.m. to 99 degrees around 3 p.m.

Some time midafternoon, Mr. Neal went home feeling ill. He went to bed and the next morning awoke ill, suffering from high fever and diarrhea. He was taken to the hospital and arrived in a coma; he died shortly thereafter.

His estate was awarded compensation by the trial court; however, the appeals court later reversed that decision.

On appeal, the issue was whether his death was caused by an "occurrence" arising out of his employment. The appellate court was satisfied that Mr. Neal was a high-risk person and that the weather conditions were conducive to heat stroke.

Furthermore, the court was satisfied that the physician's testimony and the hospital records indicated that Mr. Neal suffered a cerebrovascular accident precipitated by the severe heat

exhaustion. *Ex Parte Neal*, Alabama Supreme Court, Oct. 15, 1982, rehearing denied Nov. 5, 1982 (BI/01/S.-\$5).

## Bound to assignment

The widow of a decedent covered under a group life insurance policy was held bound by her assignment of her rights under the policy, despite lack of consideration for the assignment, according to a federal appellate court ruling.

Samuel Priest was covered under a group life insurance policy issued to his employer by Union Life Insurance Co., insuring his life for \$15,000. Named as beneficiary was Priest's first wife, Merdia. After Merdia's death, Mr. Priest named his daughter, Morna Boyle, as the beneficiary of his pension plan. However, he failed to execute a valid change of beneficiary on his life insurance policy.

Later, Mr. Priest married Leona Priest and about one year later he died.

In the interval, the insurance company considered his daughter as beneficiary of both the pension and life insurance. The insurance company paid Morna under the pension plan but realized the insurance plan change of beneficiary was never signed by Mr. Priest, leaving his first wife as the named beneficiary.

Under the policy, Leona Priest would become the legal beneficiary without a valid change of beneficiary form being

submitted. However, she was persuaded to sign a disclaimer of assignment on the insurance policy in the belief she had no interest in the policy.

Mrs. Priest subsequently sued claiming she was misrepresented and that she had received no value for her assignment. The trial court ruled against her.

The appellate court affirmed finding there was no misrepresentation or fraud on the part of Mr. Priest's daughter. Further, the court said it had been unable to find any authority to the effect that an assignment such as in this case required any consideration. *Union Life Insurance Co. vs. Priest*, 10th U.S. Circuit Court of Appeals, Dec. 15, 1982 (BI/02/S.-\$5).

## Parents' status

The Oregon Supreme Court struck down as unconstitutional a provision in the Workers Compensation Act that provided benefits for families of deceased male workers regardless of marital status of his female partner, while male partners and families of deceased female workers could recover benefits only if the partners were married.

Floyd Hewitt Jr. lived with Marian A. Williams from 1974 until Ms. Williams' death as the result of a compensable industrial accident in 1979.

They had a child, born in 1976, and had executed a joint declaration of paternity naming Mr. Hewitt as the father.

Mr. Hewitt filed a claim for compensation claiming benefits for himself. Oregon law granted benefits to an unmarried woman who had lived with a man, as a married couple, for more than one year prior to a man's accidental injury, providing a child had been born during the relationship.

However, no similar benefits were accorded a man when the woman he had lived with was the injured employee. Mr. Hewitt was denied benefits by the board, but the Court of Appeals later found in his favor (BI, Oct. 11, 1982).

The state Supreme Court said that it was clear that the law in question granted an economic privilege to certain women who have lived with men and produced a child as a result. Yet such a benefit was withheld from men who might request them on the same terms.

This constituted discrimination against men in Mr. Hewitt's position, the court said. This privilege created by Oregon law was bestowed or withheld solely on the basis of gender and thus was unconstitutional under the state's constitution, the court said. *Matter of Compensation of Williams*, Oregon Supreme Court, Nov. 16, 1982 (BI/03/S.-\$5).

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

# Rhulen forms benefit administration unit

Rhulen Agency Inc. has formed a new subsidiary, Medical Benefit Administrators Inc., to administer third-party medical and dental claims for employers that self-fund benefits for more than 100 employees.

Other services include benefit plan design, statistical reports, personalized booklets and identification cards for participants, actuarial services and funding recommendations.

The new company, which will operate in New York, New Jersey, Connecticut and Pennsylvania, is headed by President Ronald J. Davi. Its offices are located at 217 Broadway, Monticello, N.Y., 12701; 914-794-8000.

## Name change

Jardine Matheson & Co. Ltd. announced it is changing the name of its reinsurance underwriting arm from Jardine Thompson Graham (Underwriting Management) Ltd. to Jardine Reinsurance Underwriting Ltd.

The name change follows the company's decision to make the underwriting operation a separate subsidiary of the Jardine group. It had been a subsidiary of Lloyd's reinsurance broker Jardine Thompson Graham Ltd.

The reinsurance underwriting operation has also moved its offices to Fountain House, Fifth Floor, 130 Fenchurch St., London EC3M 5DJ, England; 01-623-8026.

## New intermediary

A new firm, American Southwest Intermediaries Corp., has been formed to place all lines of treaty and facultative reinsurance for companies located primarily in the Southwest.

American Southwest, headed by Bryan I. Lake, is associated with Overseas Reinsurance Markets Co., which was formed in 1980 to provide foreign companies with access to U.S. reinsurance markets. Overseas Reinsurance Markets is headed by R. Michael Hick.

Both companies have offices at 1800 Bering Drive, Suite 790, Houston, Texas 77057; 713-977-2580.

## Home health care

Home Care Inc. is a new company formed to provide home health care services as part of employer group medical plans.

Nursing, therapy, medication and other services are performed in the patient's home through Home Care's preferred provider network.

The company, which now works with employers in Michigan and Ohio, is headed by Jane McCreary. Its offices are located at 985 Parchment Drive S.E., Grand Rapids, Mich. 49506; 616-942-4050.

## Malaysian reinsurer

Pearson & Georgi International Inc., a New York-based reinsurance affiliate of P.G.A. Ltd. of Athens, has formed a facultative and treaty reinsurance underwriting agency in Malaysia.

P.G.A. (Far East) Sdn. Bhd. has offices at 79 Jalan Bukit Bintang (First Floor), Kuala Lumpur 06-24, Malaysia. Telephone: 412084 and 412103. Telex: PAC MA 31265.

The managing director of the Malaysia office will be Francis Loo.

## Acquisitions

Johnson & Higgins has expanded its consulting services with two acquisitions: **Winklevoss & Associates Inc.** of Philadelphia and **Edward H. Friend & Co.** of Washington, D.C. Winklevoss is an actuarial firm that specializes in developing pension plan computer

## markets

systems. Friend is an employee benefits and casualty risk consultant.

**The American Plan Corp.**, an insurance holding company based in Woodbury, N.Y., has agreed to acquire 25.3% of **North East Insurance Co.**, a property/casualty insurer based in Portland, Maine, for

\$2.3 million in cash and stock. The transaction, which is subject to regulatory approval, would bring American Plan's stake in North East to 35%.

## New offices

**Fred S. James & Co. Inc.** has

opened a New Hampshire office at 1361 Elm St., Suite 106, Manchester, N.H. 03101; 603-668-6268. Its mailing address is P.O. Box 730, Manchester, N.H. 03105.

**Rollins Burdick Hunter Co.** has opened a branch in Phoenix, Ariz., in offices also occupied by **James S. Kemper Co.** The office is located at 5251 N. 16th St., Suite 110, P.O. Box 32369, Phoenix, Ariz. 85064; 602-264-1014. Rollins Burdick Hunter was acquired last

year by Combined International Corp., which is also Kemper's parent.

**North Star Management Corp.** has moved its Chicago offices to 230 W. Monroe St., Chicago, Ill. 60606; 312-346-7890.

**Tuley/Barnard & Associates Inc.**, an excess/surplus lines brokerage, has moved to new offices at 13831 Northwest Freeway, Suite 365, Houston, Texas 77040; 713-690-3181.

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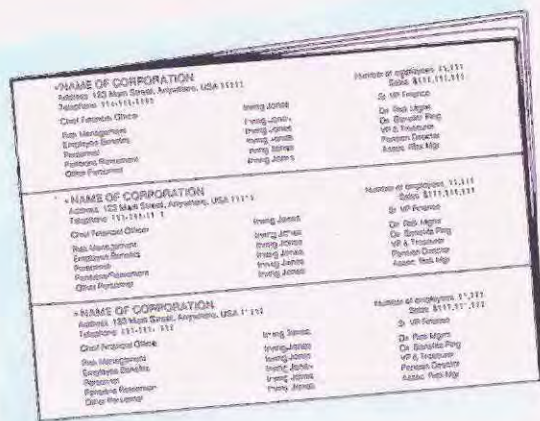
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## around the states

# New York approves 2% cut in comp rates

NEW YORK—The state Insurance Department has approved an average 2% decrease in workers compensation rates. The decrease, which applies to policies issued July 1, 1983, and after, is the fourth successive annual decrease for workers comp rates.

The decrease is attributable to favorable claims experience and rising payroll levels, a department spokesman said.

The decrease follows an increase in workers comp benefits approved by the Legislature in June. The new law increases the maximum death, permanent total and temporary total benefits to \$255 a week from \$215, effective July 1. In 1984, the maximum is scheduled to increase to \$275 a week and in 1985, to \$300 a week.

Partial disability benefits also were increased to \$125 a week, up from \$105. Next year they're slated to rise to \$135 and in 1985 to \$150.

"New York has fallen behind many other states in its level of maximum benefits rates. The total disability maximum benefit rate is still set at \$215 per week. Thus, a high wage-earning injured worker, whose average weekly wage was \$525 per week and who ordinarily could expect a two-third wage loss replacement of \$350 per week, must live on \$215, about half pay," noted a memorandum on the measure, which was supported by Gov. Mario Cuomo.

The new law also spells out that workers who are injured while participating in athletic activities are eligible for work comp benefits only if the employer required the employee to participate, if the employer paid the employee to participate or if the employer sponsored the event.

Meanwhile, New York is joining the growing list of states that have established commissions to study their work comp system.

Delaware and Michigan are among the states that already have a commission in place.

In a scrutiny of the disability benefit system, the commission is expected to work with the Workers' Compensation Board and establish a mechanism to obtain statistics, including the number of disability claims filed, the number of contested claims and the major cause of off-the-job disability claims.

New York's panel will also examine whether there is adequate protection for workers from occupational diseases.

The 12-member temporary panel is expected to report its recommendations to the governor and legislature by July 1, 1985.

## Commissioner named

CONCORD, N.H.—A former five-term New Hampshire state senator is New Hampshire's new insurance commissioner.

Louis E. Bergeron's appointment to the post was confirmed by the governor's executive council in late July. Mr. Bergeron's term runs through June 1988.

Prior to his appointment, Mr. Bergeron owned a Rochester, N.H., independent insurance agency, The Bergeron Agency, which is now in a blind trust.

During his term as a state senator, the 49-year-old Democrat served as vp of the Senate and as chairman of the Insurance Committee. He also was vp of the Conference of Insurance Legislators this year.

## Minnesota comp law

ST. PAUL, Minn.—Insurers will help employers decipher Minnesota's new workers compensation laws (BI, May 30) during a series of 10 seminars to be held Sept. 7-27 throughout the state.

The sessions, to be held from 8 a.m. to 11:45 a.m., will feature extensive use of visual aids and handouts, said John Hildebrandt, chairman of the seminars and president of the Workers' Compensation Insurers Ratings Assn. of Minnesota. The seminars are designed for both large and small employers.

"The 1983 Legislature made more changes in our work comp system than have ever been made at one time since the system began in 1913," Mr. Hildebrandt said.

Minnesota's new laws:

- Accelerate the beginning of an open rating system to Jan. 1. The 1981 law that established open rating for the state wasn't due to go into effect until Jan. 1, 1986.

- Change the benefit structure, particularly permanent partial benefits.

- Establish a competitive state fund, allowing the state to sell workers compensation insurance.

The series is sponsored by ICOMP (Information on Compensation)—a group of insurance agents and lobbyists. Information about the seminars is available from Gene Gubera, vp of the WCIRAM, at 612-338-4500.

The seminars are scheduled in the following cities: Rochester, Sept. 7; Marshall, Sept. 8; Minneapolis, Sept. 9 and Sept. 27; Mankato, Sept. 19; Duluth, Sept. 20; Bemidji, Sept. 21; Crookston, Sept. 22; Alexandria, Sept. 23; and St. Paul, Sept. 26.

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# National health bill exceeds 10% of GNP

By JERRY GEISEL

WASHINGTON—The nation's health care bill now exceeds 10% of the gross national product.

Health expenditures last year consumed a record 10.5% of GNP, compared with 9.8% in 1981, according to the Department of Health and Human Services. It was the first time health costs have exceeded 10% of the GNP, the department said.

In 1982, health care costs increased 12.5% to \$322 billion, compared with \$286.6 billion in 1981.

As in previous years, the rise in health care costs exceeded the inflation rate as measured by the Consumer Price Index. Last year, the CPI rose 3.5%.

The nation's \$322 billion health care bill included \$135.5 billion for hospital care, up 14.8% from \$118 billion in 1981, and \$61.8 billion for physician services, up 12.4% from \$55 billion.

Private health insurers and self-insured employers paid \$84.2 billion, or 26%, of health care expenditures. The federal government accounted for 29% and direct patient payments amounted to 28% of expenditures. State and local governments paid 13.5% of expenditures.

Other funding sources paid the remaining 3.5% of the nation's health care costs.

On a per capita basis, 1982 health care spending from all sources amounted to \$1,365 vs. \$1,225 in 1981.

More information on health care costs will be available next month when the department publishes the Fall 1983 Health Care Financing Review. Copies will be available for \$6 each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Specify Volume 5, No. 1.

## Plan terminations

More employers are folding their pension plans, according to the Pension Benefit Guaranty Corp.

Last year, 6,003 plans were terminated, up sharply from the 4,949 plans that were closed in 1981, the agency said in its latest annual report.

In 96 of those 6,003 terminations, the employer didn't put aside enough assets to pay for promised pension benefits. As a result, the PBGC will have to take over those underfunded plans and pay guaranteed benefits to workers and retirees.

The PBGC estimates that paying benefits for plans that folded last year will cost the agency \$220.1 million. That is almost three times the \$75.3 million in claims the agency incurred during 1981.

Almost 62% of the total amount of claims incurred last year resulted from the termination of plans sponsored by five employers: White Farm Equipment Co.; Braniff Airways Inc.; Rath Packing Co.; McLouth Steel Co.; and Facet Enterprises Inc.

## Tennessee promotes insurance regulators

NASHVILLE, Tenn.—Paul J. Tidwell Jr. will become assistant commissioner of the state Division of Insurance, effective Sept. 1.

He will replace Roy F. Bess Jr., who resigned.

Mr. Tidwell, a 35-year veteran of the division, has most recently been director of financial affairs. He will be replaced by Horace Gaddis, who has been the division's chief company examiner. Mr. Gaddis has been with the division for the past 13 years.

## washington

The PBGC pays guaranteed benefits by mandating that companies with defined benefit plans buy federal termination insurance. The PBGC charges employers \$2.60 annually for each person covered by their pension plans for the coverage.

Because the PBGC is incurring more liabilities, it has asked Congress to increase the termination insurance premium the agency charges to \$6.

## Coal mine safety

Mine safety is improving, the Mine Safety and Health Administration says.

During the first six months of 1983, 32 coal miners died in mine accidents, down sharply from the 69 fatalities recorded during the same period in 1982.

The rate for fatal injuries in coal mining during the first six months this year was 0.04 per 200,000 employee hours worked. That compares with a rate of 0.06 during the same six-month period in 1982.

## OSHA official named

Bruce Hillenbrand, a veteran federal safety official, has been named director of the Occupational Safety and Health Administration's Federal Compliance and State Programs Directorate.

Mr. Hillenbrand will be in charge of liaison with states operating their own OSHA programs as well as safety and health training programs for private sector employers.

Mr. Hillenbrand, 52, has held a variety of positions with OSHA since the agency was established in 1971.

## Tort reform support

Business support for enactment of federal product liability legislation continues to grow.

The Coalition for Uniform Product Liability, a lobbying group of manufacturers that supports federal product liability standards, says it now has 260 members. Mem-

bership has increased by 10% during the last three months.

"This increase in our membership reflects the growing recognition of the product liability problem in the United States," said a spokesman for the group. "More people are looking toward a federal law as a solution to the present patchwork of state laws."

The newest members of the product liability coalition include United Technologies Corp. in Hartford, Conn.; American Cyanamid Co. in Wayne, N.J.; and Abbott Laboratories in North Chicago, Ill.

## Benefit taxation

Congress should decide which

benefits should be taxed, but legislation proposed by Reps. Fortney (Pete) Stark, D-Calif., and Barber Conable, R-N.Y., is not the needed solution, a major business group says.

Paul R. Huard, vp of taxation and fiscal policy for the National Assn. of Manufacturers, says several changes are needed in the Stark-Conable bill, H.R. 3525 (BI, Aug. 1, Aug. 15).

First, free or discounted parking should not be included as taxable income to the employee even if parking is limited to a select group of employees, the National Assn. of Manufacturers says.

In addition, a provision that allows benefits to be provided tax-free to employees if they are too small to measure, such as a company picnic, should be extended to cover retirees and disabled employ-

ees, Mr. Huard told the House Ways and Means Select Revenue Measures subcommittee earlier this month.

Furthermore, the legislation's Jan. 1, 1984, effective date should be pushed back to give employers more time, Mr. Huard said.

"Given the requirements for adequate lead time for employers to implement such accounting and record-keeping changes to comply with a new bill, the effective date should be no sooner than the first calendar year beginning more than 12 months after enactment," the NAM official said.

The measure, which is supposed to clarify the tax status of benefits not covered by specific sections of the tax code, also would bar cafeteria benefit plans from including taxable benefits, like group term life insurance exceeding \$50,000. ■

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# Additions to wholesale marketers' guide

Due to technical difficulties, many of the wholesale insurance marketers with names beginning with the letter "N" did not appear in *BI's* directory of wholesalers (*BI*, Aug. 22). Here is how that section should have appeared:

## NAS Ltd.

100 S. Wacker Drive, Chicago, Ill. 60606; 312-726-2186

	1982	1981
Premium volume.	\$10,000,000	\$8,000,000
Gross rev.	\$1,500,000	\$1,200,000
Employees	11	9
Commercial lines	100%	100%

**Year founded:** 1974.

**Type of business:** 95% brokerage, 5% managing general agent in 1982.

**Type of markets:** 25% admitted, 75% non-admitted in 1982. In 1981, 90% admitted, 10% non-admitted.

**MGA for:** Admiral Insurance Co.

**Broker for:** Primarily First State Insurance Co., Northbrook Excess & Surplus Insurance Co., Admiral Insurance Co., St. Paul Surplus Lines Insurance Co.

**Specialties:** Business legal expense, tender offer expense, special perils expense.

**Principal officers:** S. Aronson, chairman; T. Cath, president/chief executive officer.

**Branch offices:** Santa Monica, Calif.

## NIA Excess Lines Inc.

66 Route 17, Paramus, N.J. 07652; 201-368-8040

	1982	1981
Premium volume.	NA	NA
Gross rev.	\$340,000	\$338,000
Employees	6	4
Commercial lines	85%	95%

**Year founded:** 1963.

**Type of business:** 50% brokerage, 50% managing general agent.

**Type of markets:** 40% admitted, 60% non-admitted in 1982. In 1981, 25% admitted, 75% non-admitted.

**MGA for:** Excess Insurance Co. Ltd.; Lloyd's; English & American Insurance Co. Ltd.; Mutual Fire, Marine & Inland Insurance Co.

**Broker for:** Shand, Morahan & Co.; Colonial Assurance Co.

**Specialties:** Truck physical damage, SMP.

**Principal officers:** Paul L. Gross, president.

## NIW Inc.

400 N. Robert St., Suite 802, St. Paul, Minn. 55101; 612-221-7726

	1982	1981
Premium volume.	\$125,000,000	\$65,000,000
Gross rev.	\$14,375,000*	NA
Employees	323	164
Commercial lines	95%	NA

\*BI estimate.

**Parent company:** The St. Paul Cos. Inc.

**Year founded:** 1982.

**Type of business:** 50% managing general agent, 50% brokerage.

**Type of markets:** 70% admitted, 30% non-admitted in 1982. In 1981, 75% admitted, 25% non-admitted.

**MGA for:** Various companies.

**Broker for:** Various companies.

**Principal officers:** John H. Crowther, president/chief executive officer; John R. Hartman, executive vp; Al LaTendresse, vp/chief financial officer; Carolyn Potter, director-administration and personnel services; James Bradley, chief executive officer-IWest Insurance Managers.

**Branch offices:** Minneapolis; Billings, Mont.; Bismarck, N.D.; Boise, Idaho; Denver; Des Moines, Iowa; Madison, Wis.; Omaha, Neb.; Reno, Nev.; Salt Lake City; Sioux Falls, S.D.; Springfield, Mo.; Topeka, Kan.; Itasca, Ill.; St. Louis; Louisville, Ky.; Stockton, Encino, Fresno, Newport Beach, San Jose, Calif.; San Diego; San Francisco; Portland, Ore.; Scottsdale, Ariz.; Fairfax, Va.; St. Petersburg, Jacksonville, Orlando, Fla.; Miami; Ardmore, Pa.; Cherry Hill, Wayne, N.J.

**Subsidiaries:** John H. Crowther Inc., IWest Insurance Managers, Dana Roehring & Associates, Montgomery General Agency Clanton-Crowther & Co., St. Paul Specialty Brokers.

**Membership:** NAPSO, AAMGA.

## National Underwriting Agency Inc. & NUA (Illinois) Inc.

150 S. Wacker Drive, Chicago, Ill. 60606; 312-236-1868

	1982	1981
Premium volume.	\$34,000,000	\$22,512,000
Gross rev.	\$2,700,000	\$1,764,200
Employees	46	18
Commercial lines	100%	100%

**Year founded:** 1978.

**Type of business:** 100% underwriting manager.

**Type of markets:** 95% admitted, 5% non-admitted in 1982, same as 1981.

**Underwriting manager for:** Transit Casualty Co., Consumers Insurance Co., Consumers Indemnity Co.

**MGA for:** Admiral Insurance Co.

**Principal officers:** R.E. Foss, president; D.W. Emmerich, senior vp; B.A. Granado, vp; Barbara K. Marrs, senior vp/corporate secretary/underwriting manager; K. Meyer, assistant vp-claims.

**Branch offices:** Portland, Ore.

**Membership:** NAPSO.

## New Amsterdam Excess Inc.

123 William St., New York, N.Y. 10038; 212-732-9282

	1982	1981
Premium volume.	\$20,000,000	\$15,000,000
Gross rev.	\$2,000,000*	NA
Employees	12	8
Commercial lines	100%	100%

\*BI estimate.

**Parent company:** Fred S. James & Co. Inc.

**Year founded:** 1980.

**Type of business:** 100% brokerage.

**Type of markets:** 75% admitted, 25% non-admitted in 1982. In 1981, 60% admitted, 40% non-admitted.

**Broker for:** First State Insurance Co., Transit Casualty Insurance Co., St. Paul Surplus Insurance Co., Midland Insurance Co., London Assurance, American International Group Inc., Employers of Wausau Insurance Co.

**Principal officers:** Charles Ruoff, chairman; Kieran P. Burke, president/chief executive officer; Frank Ficarra, executive vp; Donald Howerly, secretary; Clarence J. Christie, treasurer.

**Branch offices:** Atlanta; Chicago; San Francisco; Seattle; New York.

## New South Insurance Brokers of Georgia Inc.

P.O. Box 5100, Norcross, Ga. 30091; 404-448-2626

	1982	1981
Premium volume.	\$6,850,000	\$7,500,000
Gross rev.	\$1,747,200	\$1,720,000
Employees	27	42
Commercial lines	4%	9%

**Year founded:** 1947.

**Type of business:** 60% underwriting manager; 30% managing general agent; 10% brokerage.

**Type of markets:** 90% admitted, 10% non-admitted in 1982. In 1981, 75% admitted, 25% non-admitted.

**Underwriting manager for:** Southern Insurance Co., Canal Insurance Co., Inland Mutual Insurance Co., Chicago Insurance Co., Interstate National Insurance Co.

**MGA for:** Foremost Insurance Co., Universal Underwriters Insurance Co.

**Broker for:** Canal Indemnity Co., Interstate National Insurance Co.

**Principal officers:** Edward L. Craze, president/chief executive officer; Lanson Thompson III, vp; James E. Archer, treasurer.

## North Island Facilities Ltd.

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440

	1982	1981
Premium volume.	\$10,068,391	\$6,138,682
Gross rev.	\$851,600	\$591,203
Employees	22	12
Commercial lines	95%	95%

**Parent company:** Orlando Management Corp.

**Year founded:** 1976.

**Type of business:** 80% managing general agent, 20% brokerage.

**Type of markets:** 95% admitted, 5% non-admitted in 1982. In 1981, 90% admitted, 10% non-admitted.

**MGA for:** Great Atlantic Insurance Co.; National Union Insurance Co.; U.S. Liability Insurance Co.; American Centennial Insurance Co.; Mutual Fire, Marine & Inland Insurance Co.; Union Indemnity Insurance Co. of New York.

**Broker for:** Primarily Puritan Insurance Co.; North Star Insurance Co.; Landmark Insurance Co., Northbrook Indemnity Co.

**Specialties:** Miscellaneous professional liability, medical malpractice.

**Principal officers:** Michael A. Orlando, president; John Orlando, Dennis Loggie, vps.

**Branch offices:** New York City; Warwick, R.I.

**Membership:** NAPSO.

## 30% of CPCUs are women: Study

MALVERN, Pa.—The percentage of females belonging to the Society of Property & Casualty Underwriters rose to 30% from 5% during the 1970s, according to a recently released survey of CPCU designees.

In addition, nearly 75% of the CPCUs surveyed in 1980 were 40 years old or younger, while only 61% were that age or younger in 1970.

About 75% of the CPCUs in 1980 had completed college, compared with 71.1% in 1970, the report stated.

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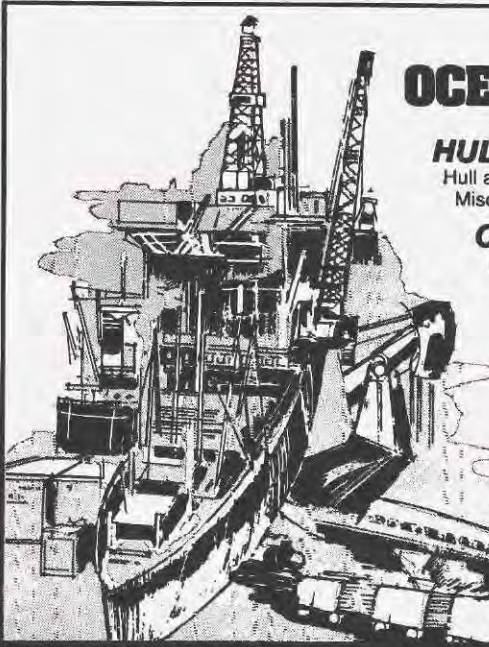
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# Settlement charts benefits for Bell units

*Continued from page 2*  
 gional independent phone companies are expected to stake out separate benefit and wage agreements with the 525,000-member Communications Workers of America, the 100,000-member International Brotherhood of Electrical Workers and the Telecommunications International Union, which has 50,000 members.  
 Some observers believe that regional benefit differences eventually will emerge because Bell companies in economically depressed areas may not be able to provide the same benefits as others.  
 But for the next three years, union workers and retirees can look forward to significant improvements in their health care, retirement and other benefits.

Effective immediately, an extended health care plan will be offered to laid-off employees. Under that plan, laid-off employees with more than five years of service will receive free medical and hospital care coverage for up to six months for themselves and their dependents. After that, the employee can purchase coverage for an additional six months by paying the monthly premium at a group rate.  
 Laid-off employees with one to five years of service will receive three months of company-paid health care coverage and have an option to purchase an additional nine months of coverage at a group rate, while employees with less than one year of service can buy coverage at a group rate for up to 12 months after they are laid off.

Currently, AT&T extends health care benefits for up to three months after an employee is laid off, but the employee pays the premium.  
 The medical plan also will pay all surgeons' fees for 14 different procedures, including gall bladder removal and hysterectomies, if the employee obtains a second opinion. Previously, the reimbursement rate was 95%.

Beginning Jan. 1, the plan also will provide full coverage for cosmetic surgery when treatment is required because of injury, no matter when the injury was sustained, or to correct congenital deformities.

Currently, cosmetic surgery is covered only if it is needed to restore features damaged while an employee is covered under the plan or to correct birth defects.

To encourage more careful use of health care facilities, after Jan. 1 the plan no longer will provide coverage for Saturday and Sunday hospital room-and-board charges for non-emergency admissions on Fridays and Saturdays.

The new phone companies and the unions also will establish a joint health care cost-containment committee that will examine the viability of employees paying more costs to slow down medical care inflation.

Currently, AT&T and its operating units pay all premiums for indi-

vidual and family health care coverage, a generous benefit matched by few other employers.

A variety of insurers underwrite the AT&T health care plan.

The new contract also makes pension plan changes.

On Jan. 1, 1985, pension benefits for workers who retired before Jan. 1, 1983, will rise by 4.5%. That follows a 7.5% boost in pension benefits that AT&T gave in January for workers who retired before Jan. 1, 1981.

Currently, a telephone operator who retires after 30 years of service collects a pension benefit of \$537 a month, while a skilled craftsman would receive a monthly benefit of \$836.

The new contract, though, does not offer pension portability to employees who move from one re-

gional phone company to another. Currently, when Bell employees move from one unit to another, they don't lose credits toward their pensions.

That pension portability has been possible because Bell employees are covered under one of two system-wide pension plans.

However, a federal court earlier approved AT&T's proposal to distribute the assets of those two pension plans—The Bell System Management Pension Plan with 283,000 active participants and the System Pension Plan with 637,000 employee participants—among the newly created phone companies, that will set up their own plans (BI, July 15).

However, the final divestiture plan protects workers' current pen-

sion credits and benefits. All employee service with a Bell company prior to Jan. 1, 1984, will be included when an employee's pension benefit is calculated.

In addition, under a special "true-up" period, the regional companies must honor the pension credits of employees who are transferred from one regional unit to another during 1984.

Other benefit improvements in the contract include:

- Increasing the advance cash benefit to \$1,500 from \$500, payable to survivors immediately after an employee dies, effective Jan. 1.
- Boosting the maximum monthly supplemental income protection benefit, which is paid to workers laid off because of technological changes, to \$400 from \$375, effective immediately. The maxi-

mum that can be paid to a worker under the plan was also raised to \$22,200 from \$18,000.

• Offering 15- and 30-year fixed-rate mortgages to employees through the auspices of the Bell System Credit Unions, Norwest Mortgage Inc. and Salomon Brothers. This program will go into effect no later than Oct. 1.

Ultimately, the program will provide a wide range of mortgage options with no limit on the size of the loan. Employees will be allowed to make down payments with as little as 5% of the property value.

• Allow employees who normally use a company vehicle on the job to use it to commute between home and work, though the details of this benefit have not yet been arranged.

## The company that had 225 years of international insurance experience before it existed is now one year old.

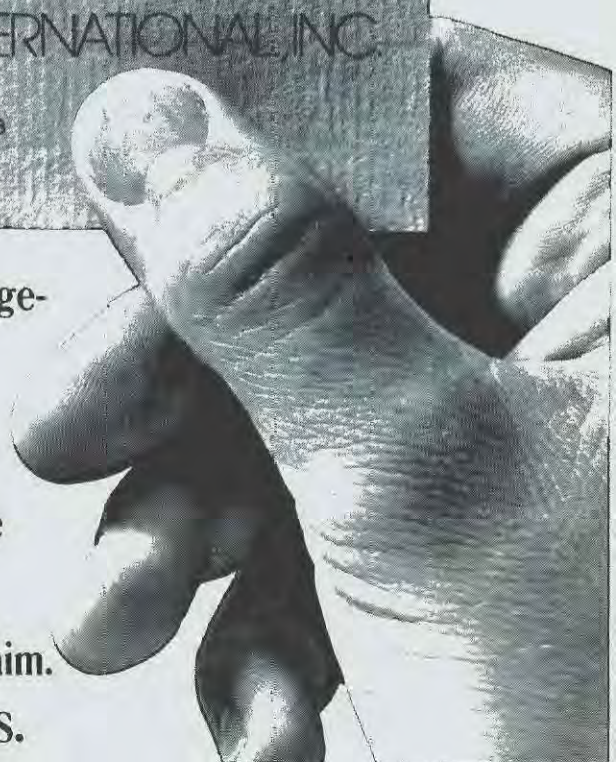
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NEW YORK—The Diploma in Risk and Insurance program will be offered at The College of Insurance beginning Sept. 19.

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## Rendez-Vous

Continued from page 1

that "we are not fly-by-night or flash-in-the-pan companies, but professional reinsurers," said Jonathan Crawley, president of Aneco Reinsurance Underwriting Ltd., one of the co-hosts of the party.

Before leaving for the meeting, delegates interviewed by *Business Insurance* said they expect general conversation to focus on the perennial topic: the state of the market, with everyone looking for signs of tightening in the reinsurance marketplace.

Catastrophes will figure prominently, including Hurricane Alicia, which recently hit the Texas Gulf Coast.

The continuing development of losses from long-latent diseases such as asbestosis and pollution liability claims also are considered catastrophes by reinsurers. They say they never anticipated or priced these losses when they wrote contracts decades ago.

Some delegates say they see signs that the reinsurance market is tightening, with higher prices and tougher policy conditions for reinsurance buyers.

Said Nigel Harley, executive vp

of Continental Reinsurance Corp. in New York, "Indications are that the markets are hardening, in marine, aviation and proportional reinsurance."

Proportional reinsurance, also called pro rata reinsurance, describes all forms of reinsurance in which the reinsurer shares with the ceding company a portion of the original premium and the attendant losses.

Last year, insurers faced the most grueling renewal season so far for this form of reinsurance. Many could not place 100% of these treaties (BI, March 21).

This coming renewal season in December/January may be no better than last year, some predict.

The cash flow is slow under proportional treaties and reinsurers prefer the faster payment of premiums made under excess-of-loss reinsurance contracts.

"People will be discussing the difficulty the market will have placing quota share reinsurance treaty business," said David Springbett, chairman of Lloyd's insurance broker Pearson Webb Springbett. U.S.-based participants also expect to hear reinsurers suggest that ceding commissions to primary insurers be reduced to increase reinsurers' funds to pay losses.

"That is not the answer," says Max Beam, vice chairman of Shand, Morahan & Co., an underwriting manager based in Evanston, Ill. "The answer is to get prices on the front end up."

Delegates also expect the U.S. reinsurance market to be a topic of discussion.

"We are going to see growth of the American influence in the meeting," said Mr. Delaney of Delaney Offices in New York. "We are creating new markets for new products, and the dollar is demonstrating unprecedented strength."

Mr. Harley of Continental Re expects not only the strength of the U.S. dollar but also devaluations of currencies in Third World countries to be discussed by delegates to the meeting. The changing foreign exchange values affect the value of premiums and loss reserves and create accounting problems for reinsurers, he explained.

Mr. Beam and Shand Morahan Chairman Joseph Prochaska, for example, will meet with 50 to 60 people from about 35 companies to discuss Shand's results through the first six months of 1983.

"We will meet the existing reinsurers on our book of business and bring them up-to-date on the status of our operation," Mr. Beam said.

Mr. Kahlert of Mead Feco said he will be in Monte Carlo as a "pre-amble to negotiations" for Mead Re in the United States, the Adena Syndicate on the New York Insurance Exchange, Westbury Reinsurance Co. in Bermuda and Mead Reas in France.

Mr. Crawley of Aneco Reinsurance Underwriting will be discussing Aneco Reinsurance Co. Ltd.'s latest proxy statement in which it is announced that William Bancroft, a retired senior vp of U.S. intermediary Guy Carpenter & Co. Inc., will stand for election to Aneco's board. "It is very flattering," Mr. Crawley says.

The proxy also asks shareholders to approve the creation of a new series of convertible preferred shares to raise an additional \$9 million. The proceeds of the offering will be used to increase the capital of the subsidiary Aneco Underwriting to \$20 million from the current \$11 million.

Outside the inner circle of reinsurers and reinsurance brokers, attorneys serving reinsurers also flock to Monte Carlo.

The most high-profile attorney at the Rendez-Vous is Sol Kroll of Kroll, Pomerantz & Cameron in New York, who will host his 17th annual cocktail party, this year for some 450 guests.

"It's a great place for clients to meet each other—another place for them to talk to each other, which is what Monte Carlo is—a social base conducive to discussion prior to renewal season."

Mr. Kroll also will be discussing the agreement his firm negotiated with the U.S. Internal Revenue Service on behalf of a syndicate of French aviation and marine insurers. The agreement, reached in July, provides that the French insurers and reinsurers will pay any excise taxes due on insurance premiums placed with them.

Under a treaty with France, insurance premiums paid by U.S. companies to French reinsurers are exempt from U.S. excise taxes, except for any premiums that are ceded to insurers in countries with which the U.S. does not have a similar treaty.

Requiring U.S. brokers to follow the flow of premiums and withhold and pay taxes put the French market at a competitive disadvantage with the British market, which has a full exemption from excise taxes, Mr. Kroll explains.

Information exchange—not contract signing—is the purpose of the Monte Carlo meeting, delegates stress. The Rendez-Vous comes too far in advance of year-end renewals to do serious negotiating.

"In the view of some people, Monte Carlo has been replaced by Baden-Baden," said Mr. Farley of

Continental Re, referring to the late October meeting of reinsurers in Baden-Baden, West Germany.

Historically, Baden-Baden has been the meeting site of reinsurance company executives from West Germany, France, Italy and Scandinavia, but it is beginning to attract others from farther afield and reinsurance brokers.

Its later date provides the opportunity for actual contract negotiations, Mr. Harley explained.

Some notable members of the reinsurance business have never attended the Rendez-Vous.

Lloyd's of London underwriters, for example, never attend. The reason is historic, says Robin A.G. Jackson, director of Merrett Holdings P.L.C. and a Lloyd's non-marine underwriter.

The Rendez-Vous was informally started 26 years ago by European reinsurance companies, like Munich Re and Swiss Reinsurance Co., to the exclusion of Lloyd's. And so the conference has remained, says Mr. Jackson.

Besides, says Mr. Jackson, "Lloyd's underwriters traditionally miss conferences anyway. It is the Lloyd's broker who produces the business for Lloyd's underwriters and they go down to Monte Carlo. It is not our job to go and chat world insurance up."

The leading reinsurance intermediary in the United States, Guy Carpenter, doesn't send delegates.

The cost of spending a week in Monte Carlo—gambling money aside—also deters some from attending.

But, you can watch your costs in Monte Carlo. Richard Shaw, chairman of Lloyd's insurance broker Lowndes Lambert Group Ltd., says he will stay in Monte Carlo only a few days this year.

And, he is staying on the brokerage's yacht, the Moonmaiden, because "it is cheaper than hotel accommodations," he said. "We use the yacht for offices and entertaining."

The old-time delegates to the Rendez-Vous, however, say the cost of going to Monte Carlo the first week of September is worth it.

"It is one of the greatest bargains going," said Mr. Springbett, who traditionally supplies the thematic poster for the annual meeting, which is hung around the town during the week.

"It is expensive in one way but compensated 10 times over by the intangible value of meeting people."

Mr. Springbett says he sees 250 clients in one week, at least "to nod or shake their hands."

Said Mr. Shaw, "If I did not go there, I might have to fly halfway around the world to see some of my clients."

"It is a week of business and fun and sun, and what is wrong with that?" asked Uli Von Eichen, managing director of Munich Reinsurance Co. in London.

## OSHA proposes new cotton dust rules

Continued from page 2

However, the Amalgamated Clothing & Textile Workers Union, which represents textile workers, opposes the proposed rules, said Pam Woywod of the union's safety and health department.

She said the proposals would not generate the estimated cost savings, because they would reduce worker productivity.

The operations that would no longer be subject to cotton dust exposure rules include knitting cotton fiber into cloth; classifying cotton according to quality, known as classing; warehousing cotton bales; and processing cottonseed into oil and other products.

Permissible exposure levels and methods of compliance would remain the same for textile operations where data has shown hazards to be present: yarn manufacturing, slashing—treating thread

with chemicals—and weaving.

Exposure maximums would remain at 200 micrograms of lint-free cotton dust per cubic meter of air for yarn manufacturing employees and 750 micrograms for slashing and weaving employees.

The OSHA proposals also would extend the compliance period for implementing engineering controls for ring spinning, winding, twisting and spooling of high-cotton-content coarse yarn for two years until March 27, 1986.

However, the compliance date for yarn manufacturing, slashing and weaving operations would remain March 27, 1984. Until the deadlines, employers can satisfy cotton dust standards by equipping their workers with respirators or other personal air-cleaning devices.

Hearings are scheduled for Sept. 19 in Washington, Sept. 27 in Dallas and Oct. 4 in Columbia, S.C.

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BI-8/83

# Underwriter off the hook for possible business claims

Continued from page 2  
telephone lines.

"Every time I hear thunder these days, I think about the telephone," he remarked.

Mr. Goldetsky took his fears to Minneapolis insurance broker Amos Rosenbloom, principal of Brandow, Howard, Kohler & Rosenbloom Inc., who examined Copper Sales' business interruption policy and found that it lacked coverage for communications failure.

"Mr. Goldetsky called on Thursday, Aug. 11 and by Friday we had an answer for him," Mr. Rosenbloom recalled. "A manuscript endorsement to the business interruption policy that specifically insures against loss of telephone service."

The endorsement, negotiated directly with the business interruption insurer's branch office underwriter, provided for maximum compensation of \$6,000 per day for up to 15 days if Copper Sales' outgoing telephone service fails for any reason during the telephone strike or if the Minneapolis-area incoming telephone service fails during that period.

"Failure," according to Mr. Rosenbloom, was defined as the loss of operation of 90% of Copper Sales' telephone equipment for more than 24 workday hours. That was the point at which the company would begin to seriously lose sales.

The additional coverage cost Copper Sales \$25 for each day the telephone workers remained on strike, and there was a minimum one-week charge.

Mr. Goldetsky said last week, as telephone workers were preparing to return to their jobs, that he had not filed a claim under the endorsement, though the policy was to remain in effect through Aug. 25.

"Manuscripting the endorsement was a real team effort," Mr. Rosenbloom noted. "I worked out the concept with our local underwriter and then passed the endorsement onto one of our in-house technical experts who drafted the final form. We had the coverage on a binder within 24 hours."

Mr. Rosenbloom declined to reveal the underwriter of the coverage, fearing that the branch office might have skirted the limits of its authority in approving the novel endorsement.

"If we had gone to the home office of the insurer, we still might have been able to write the coverage," Mr. Rosenbloom said. "But we wouldn't have gotten the approval and the policy for a week or more. By then the strike might have been over and my client would have had many sleepless nights."

"Insurance company home offices always say they want their branch offices to be creative, but they rarely give them the authority

to do so. The local underwriter went out on a limb for us and we got the job done.

"If we can't work together like this to serve our customers, what are we in business for?"

Several brokers around the country contacted by BI reported no serious demand for additional business interruption coverage during the telephone strike.

However many of them thought the coverage could have been valuable if it were not already included in an all-risk business interruption policy and if an underwriter could be found at short notice.

"I wouldn't think the coverage would be readily available at this time," remarked one Chicago-based surplus lines underwriter during the height of the strike. ■

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EMPLOYEE BENEFITS: HUMAN RESOURCES	<b>SEP 5</b>	Aug 23
	<b>SEP 12</b>	Aug 30
MARINE/AVIATION	<b>SEP 19</b>	Sep 7
IIAA Convention/Employee Benefits Board Survey	<b>SEP 26</b>	Sep 14
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REINSURANCE REPORT/NAII Conference	<b>OCT 10</b>	Sep 27
	<b>OCT 17</b>	Oct 5
	<b>OCT 24</b>	Oct 12
CALIFORNIA MARKET REPORT	<b>OCT 31</b>	Oct 18
Risk Management Board Survey	<b>NOV 7</b>	Oct 26
INTERNATIONAL RISK MANAGEMENT/INSURANCE	<b>NOV 14</b>	Nov 1
	<b>NOV 21</b>	Nov 9

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## Safer products merit recognition

CHICAGO—A new national award program designed to encourage safer products and recognize organizations promoting product safety is being co-sponsored by the National Safety Council and the National Assn. of Professional Insurance Agents.

The program, "Awards for Achievements," presents awards in three categories: product development, public education and product safety assurance programs.

A panel of safety and consumer experts will judge the entries; awards will be presented Dec. 1-2 at a banquet in Chicago.

For an entry application and details on the awards contact Product Safety Awards, 400 N. Washington St., Alexandria, Va. 22314. ■



a publication of Crain Communications Inc.

# Business losses from Alicia total \$135 million

Continued from page 1

ance Assn., an insurer trade organization. But only about 20% of that, or \$135.1 million, reflects losses to commercial interests, estimates a spokesperson for the Texas Insurance Information Institute.

But General Adjustment Bureau Business Services Inc. predicts the final loss figure will eventually top \$1 billion when flood damage insured by the federal government, additional claims and Texas crop damage are considered.

Based on \$675 million in losses, the storm was the third most-severe hurricane ever to strike the United States. In 1979, Hurricane Frederic left behind \$752.5 million in insured losses, while in 1965, Hurricane Betsy caused \$715 million in damage. Neither storm af-

fectured Texas.

The Texas Insurance Information Institute estimates that 90% of the affected homeowners and commercial operations in the Houston area are adequately insured and 50% of affected vehicles are adequately covered. Standard comprehensive auto insurance covers damage from flooding, a representative explained.

In Galveston, not as metropolitan as Houston, about 75% to 80% of the homeowners and businesses are expected to be adequately insured, he says.

What little industry there is in Galveston sits on the island's east side, the area least affected by the storm. Some restaurants and hotels have filed property claims, citing damage from the high winds.

Most of the damage to commercial property in Houston, the city whose skyline sparkles from towering glass skyscrapers, came from broken and missing window panes, blown-over signs and damaged roofs.

Many of Houston's businesses operate in the downtown business district from buildings made entirely of glass. Heavy winds, which reached up to 135 mph at the height of the storm, joined forces with gravel loosened from downtown rooftops to shatter and rip away glass facades, leaving office areas exposed to the elements. The structural integrity of the glass towers was unimpaired.

The InterFirst Plaza Bank Building downtown, one of the worst-hit, lost 600 of its window panes—

about 16% of the structure's exterior shell—to Alicia's wrath, yet was closed for business only one day after the storm.

The 71-story Allied Bank Plaza Building, one of the tallest in the city, lost several hundred of its glass panes on one side of the building, and all below the 36th floor. Yet it, too, opened its doors after one day.

And at the luxurious downtown Hyatt Regency Hotel, six or seven skylites blew out, letting rain pour into the 30-story open-atrium lobby. More than 100 windows in guest rooms were carried away in pieces by heavy winds, yet the hotel never shut its doors.

When he compares the commercial situation with the flooding and devastation facing many homeowners, one insurer says, "Heavy industry will come out of this smelling like a rose."

The glass panels on most of the all-glass structures are insured through Texas catastrophe multiperil policies, all-risk policies or the extended coverage clause of standard fire policies.

These policies cover the cost of replacing the glass panes, which could run as high as \$1,500 each for a standard 10-foot-square dual-pane.

Property inside the offices is protected if damaged by water that entered an opening caused by wind damage. For example, an oak desk soaked with rain that came in because high winds blew out the office window would be insured.

Cleanup expenses and the costs of making temporary repairs to prevent further damage to a structure are covered under most of these policies. And the Hyatt Regency can retrieve through its insurance what the hotel spent to provide each of the 1,000 inconvenienced guests with a complimentary breakfast, lunch and dinner Aug. 19.

Some all-risk policies exclude plate glass damage, usually on buildings in which glass constitutes only a portion of the structure.

Many of these are protected with a separate plate glass policy, frequently written as an inland marine coverage, or with a plate glass endorsement to the property policy.

"The benefit of having a separate glass policy is that it allows for instantaneous claims service," the Texas III spokesman explains. "It's very important for a store owner who loses a glass window to get it replaced as quickly as possible."

Commercial property deductibles vary greatly from risk to risk, generally from several hundred dollars to several hundred thousand dollars.

"Most of our insureds had a minimum deductible of \$5,000," FM's Mr. Stanford reports.

The Allied Bank Plaza Building, whose losses are estimated at \$7 million, has a \$10,000 deductible and is fully covered for the rest of the damage, says Walter Ross, vice chairman of Century Development Corp., the building's management company.

Mr. Ross estimates that \$5 million of the \$7 million represents the cost of replacing glass panes.

Some of Houston's larger all-glass structures have very high deductibles of \$1 million to \$5 million, reports Bob Wofford, claims manager for Marsh & McLennan Inc. in Houston.

Most of the claims seen by Marsh & McLennan's Houston office are adequately covered, says Mr. Wofford.

"They really haven't been hit all that hard—the storm really hasn't done all that much (to commercial policyholders)," he says. More of the broker's accounts are in Houston than in Galveston, but Mr. Wofford says one of the largest claims to be filed—for \$500,000—was a condominium builder's risk on the island.

Although Alicia might not signal that property/casualty rates will soar across the board, some believe it will mean higher premiums next year along the Gulf Coast.

Continued on facing page

## Alicia won't bring the 'big bang'

NEW YORK—Hurricane Alicia's damaging aftereffects probably won't cause commercial property/casualty insurance rates to rise unless a second, damaging tropical storm hits Florida or the Eastern Seaboard, analysts say.

The National Weather Service last week said Tropical Storm Barry that was headed toward Florida had lost most of its strength and was no longer considered a threat to the coast.

"Alicia in and of herself will not turn the market," said Myron M. Picoult, a senior vp at Oppenheimer & Co in New York. "But it begins to rattle the cages in the reinsurance market. It begins to set up the house of cards there."

"Our guess is that it will help, but additional pressures must be put on company managements before they will react with gusto," he said in a report issued on Alicia. "While the underwriting environment is sloppy, capital positions are still flush."

Mr. Picoult added that a second damaging storm hitting a populated area of the United States would stand a greater chance of turning prices in combination with the effects of Alicia.

"We would not go out on a limb and say a turn is coming and this (Alicia) is it," says Samuel G. Liss, an insurance stock analyst with Salomon Brothers Inc. in New York. "Near term, it will be detrimental to a number of property/casualty names in the third quarter."

"But whether this (Alicia) will be big enough to

fulfill the big-bang theory, the numbers are preliminary," Mr. Liss adds.

The big-bang theory refers to predictions by some industry insiders and observers that one or a series of catastrophic losses could prompt insurers to begin raising prices more or less in unison.

"(Alicia) will certainly mess up the third-quarter earnings comparisons," says Norman L. Rosenthal, a vp and analyst at Morgan Stanley & Co., also in New York. But Mr. Rosenthal says insurer balance sheets are still in too good of shape for Alicia to affect pricing dramatically, even if insured losses reach \$1 billion.

"I haven't spoken to anyone in the industry who thinks it will (turn pricing)," he adds.

"No, I don't think so, and anyone who does is engaging in wishful thinking," said Donald Franz of Smith Barney Harris Upham & Co. Inc. in New York.

"I don't think (Alicia) is going to have a material effect on overall pricing," added Frederick V. Hill, a vp of Moseley, Hallgarten, Estabrook & Weeden Inc. in New York. "It's just not that big a thing."

"I'm as certain as I am of anything that this won't signal an industry turn," said John C. Etling, executive vp of General Reinsurance Corp., the operating arm of General Re Corp.

"At what point does the bleeding become severe? I don't think it's at \$2 billion. It's at something above that."

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### Business Insurance Circulation Breakdown\*

<b>Commercial Consumers</b>	
Administrative Management: owners, presidents, vps, etc.	5,861
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,426
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,865
Government, Associations, Unions, Educational Institutions	1,024
<b>Commercial Consumers Sub-total</b>	<b>23,176</b>
Insurance Agents & Brokers	9,639
Insurance Cos.	5,384
Financial Institutions	385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,779
Others allied to the field	1,020
<b>TOTAL</b>	<b>42,383</b>

\*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

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Continued from facing page

"There's not much doubt that insurance rates along the Gulf Coast will increase because of the size of the hurricane and the amount of damage, but it's hard to tell how much," says Jerry Johns, president of the Southwest Insurance Information Service in Austin, a public information organization representing about 160 casualty insurers.

Rates will probably increase in inland areas, too, Mr. Johns adds.

Some of the losses in the Galveston area will be paid by the Texas Catastrophe Property Insurance Assn., one of the largest catastrophe pools in the nation.

The pool insures about 52,000 risks in 14 Texas counties against damage caused by wind and hail. The only risks accepted are those refused by the voluntary commercial market, but the pool also can refuse coverage based on customary underwriting criteria.

The pool was formed in 1971, shortly after Hurricane Celia hit Texas, when many insurers refused to continue underwriting high-risk property along the Galveston shore.

State laws require that every licensed property/casualty insurer—there are about 360 in the state—be a pool member. The pool has taken in about \$90 million in premium volume during the 13 years it has existed, says Chairman Don J.

Manthe, and it expects to pay out an estimated \$300 million from Alicia.

All member insurers will be assessed a percentage of the total payout on Alicia losses, based on the amount of wind and hail coverage they write within the state, Mr. Manthe explains. An insurer can reduce the percentage of a risk it must assume by voluntarily insuring risks within the pool's domain, though it cannot write itself completely out of the pool's risk-assigning authority.

The pool writes about 30% of the insurable property risks in the 14-county area. Between 15% to 20% of the property it insures is commercial.

About one-third of those covered by the pool are expected to file claims. The pool currently has about \$2.3 billion in insurance in force.

"Insurers have been reluctant to write business on Galveston Island for about 30 years," Mr. Manthe explains, because of the high potential for loss. And the pool's rate restrictions makes it increasingly reluctant to insure property in the coastal community.

State laws mandate that the rates the pool charges for Galveston properties must be calculated on the same scale as rates charged for property in less catastrophe-prone

areas, like Waco, a city in the heart of Texas.

Although power problems forced many businesses to shut down for part of the storm, business interruption claims will be only a small percentage of all those filed, insurers report.

"The type of damage did not lend itself to a business interruption loss," FM's Mr. Stanford explains. He says the vast majority of affected businesses probably have the coverage, but he does not expect to receive many claims.

Marsh & McLennan's Mr. Wolford says that he also has seen very few business interruption claims.

Nor does it seem the industry will see many claims from oil-rig operators.

"We probably insure more (of them) than anyone in the United States, and we haven't had any (losses) reported at all," says L. Nelson Hellums, vp-energy at J.H. Blades & Co. Inc. in Houston, a surplus lines broker and managing general agent.

Blades currently underwrites coverage for about 1,000 offshore wells, Mr. Hellums estimates.

The spokesman for Texas III expects the number of claims to be very high, but the average claim amount to be relatively low.

St. Paul Fire & Marine Insurance Co., for example, reports about 12,000 claims filed so far, and ex-

pects to pay out about \$20 million, a spokeswoman says. (These figures represent both personal and commercial lines.)

And of the \$10 million in claims received by the Factory Mutual System, only about 20 are more than \$100,000, and only one claim exceeds \$2.5 million, Mr. Stanford reports. The company has so far received 200 claims.

A CIGNA Corp. spokesman also pegged the big insurer's losses from Alicia at a minimum of \$20 million. CIGNA's catastrophe reinsurance would pay two-thirds of the next \$15 million in losses and 95% of losses exceeding \$35 million up to a limit of \$180 million.

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## First suit, claim filed after blackout

Continued from page 2

a condition causing a water main to break, failed to provide waterproof areas for its substations, failed to immediately shut down the substation to avoid a fire and failed to have efficient and sufficient personnel trained in making repairs.

"Our feeling is that we are not liable," said the Con Ed spokesman.

The lawsuit seeks \$5 million in actual damages and another \$5 million in punitive damages, the same amounts sought from the city.

Con Ed refuses to discuss its current liability insurance.

In its claim against the city, El Jay charges that the city was negligent in allowing the water main to break and flood the substation.

The city, which is self-insured, says the cause of the main break is under investigation and is reviewing whether it believes it could be held liable.

According to a city law, damages sought from the city first must be filed as a claim directly with the city comptroller's office. If a hearing on the claim is not scheduled within 90 days, the claimant may then file a lawsuit in court.

New York attorney Stuart A. Schlesinger, who represents El Jay, said he is prepared to file a lawsuit if the city doesn't settle.

Other businesses considering similar action have contacted Mr. Schlesinger, who said those cases are being carefully reviewed before action is taken.

El Jay decided to file the lawsuit against Con Ed and the claim with the city because it is questionable whether its business interruption coverage will pay for business lost because of the blackout, Mr. Schlesinger said. Its business interruption insurance will cover a fire or flood on the premises, but he doesn't believe it will cover a business loss caused by a disaster off the premises.

The El Jay claims are not the only ones pending against Con Ed and the city as a result of a power blackout. Both the utility and the city are still facing suits stemming from the July 1977 New York City blackout (BI, July 25, 1977). The blackout led to massive looting and more than 900 fires believed to have been set by arsonists.

Attorneys from Con Ed refuse to talk about the 1977 blackout because there are still more than 200

lawsuits pending with an outstanding value of \$225 million, the Con Ed spokesman said. Although none of the suits has yet been settled out of court, one resulted in a \$40,500 judgment against the utility (BI, Nov. 30, 1981).

In that case, the Court of Appeals, New York's highest court, found Con Ed guilty of gross negligence and thus responsible for the spoilage of food and business losses experienced by the Food Pageant grocery chain, which has since gone out of business.

Since that judgment, the city and other claimants have obtained a ruling from the Appellate Division, First Judicial Department, that the gross negligence judgment in the initial suit would apply to all suits.

Con Ed has appealed that ruling with the Court of Appeals. If the

lower court's ruling stands, the city and others would not have to prove the liability of Con Ed in their cases, said Daniel Katz, the city's assistant corporation counsel.

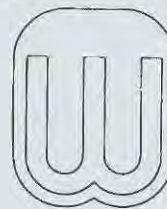
Among the pending claims from the 1977 blackout is a \$110 million suit filed by the city against Con Ed, which includes \$50 million in punitive claims. That suit seeks compensation for such expenses as overtime for police officers and firefighters and income lost by the transit system.

Con Ed was expected to pay the claim to Food Pageant out of its \$500,000 self-insured retention at the time, but company officials refuse to confirm this or discuss its current insurance arrangements.

However, Con Ed confirmed following the 1977 blackout that it had \$50 million in liability coverage for the incident.



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# Summary of major property/casualty insurer 1983 first-half results

(All amounts in thousands of dollars)  
(Ranked by change in aftertax operating income)

Rank 1983	Corporate				Property/casualty operations								
	Consolidated revenues 1983	Aftertax <sup>1</sup> operating income 1983	Aftertax <sup>1</sup> operating income 1982	Percent change 1982-1983	Combined <sup>1</sup> ratio 1983	Combined <sup>1</sup> ratio 1982	Net premiums written 1983	Percent change 1982-1983	Pretax underwriting income (loss) 1983	Percent change 1982-1983	Pretax investment income 1983	Percent change 1982-1983	
1	Aetna L&C Co.	7,313,300	185,300	83,800	121.0	110.4	115.2	1,847,800	0.6	(181,980)	(29.5)	242,900	(4.6)
2	The Chubb Corp.	797,417	49,070	24,130	103.4	104.6	116.1	624,000	10.9	(28,901)	(67.5)	61,822	4.1
3	USF&G Corp.	1,160,074	84,365	52,984	59.2	112.1	112.6	995,703	(1.1)	(112,141)	(2.2)	156,699	12.9
4	American General Corp. <sup>2</sup>	1,937,900	142,700	93,200	53.1	111.2	104.5	484,500	21.9	(59,200)	117.6	63,600	8.5
5	CNA Financial Corp.	1,673,320	80,070	57,125	40.2	118.2	114.4	787,000	(5.0)	(168,600)	17.1	189,500	3.4
6	SAFECO Corp.	832,814	57,798	45,527	27.0	103.4	103.8	457,579	5.9	(14,548)	(8.1)	50,406	8.3
7	Ohio Casualty Corp.	442,074	29,087	23,274	25.0	106.0	107.4	422,124	5.4	(25,900)	(15.0)	43,579	4.3
8	Old Republic Int'l. (inc. life)	197,100	25,397	20,522	22.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	American International Group	1,898,083	223,876	196,984	13.7	98.1	96.9	1,191,580	5.3	15,458	(35.3)	157,281	7.9
10	Crum & Forster Inc.	1,045,500	71,391	63,730	12.0	110.0	112.9	894,920	7.6	(73,688) <sup>3</sup>	20.6	151,563	0.2
11	The Travelers Corp. & subs.	6,061,455	155,235	138,676	11.9	111.1	110.8	1,528,256	(3.1)	(170,393)	(7.7)	130,463	9.5
12	Hartford Steam Boiler	105,263	8,799	7,907	11.3	97.3	99.5	85,034	3.4	1,922	441.4	8,372	0.1
13	General Re Corp. <sup>4</sup>	785,642	107,577	97,796	10.0	101.9	101.3	416,494	(2.0)	(6,950)	(35.6)	91,248	10.0
14	Kemper Corp.	1,086,459	38,123	34,708	9.8	109.0	108.7	443,965	(10.3)	(39,952)	(3.6)	37,481	(3.0)
15	Fireman's Fund Ins. Cos.	1,837,801	125,508	118,644	5.8	109.5	104.1	1,434,072	12.6	(127,415)	153.1	201,051	26.5
16	The Hartford Ins. Group	2,478,461	108,509	104,687	3.7	112.8	111.2	1,535,150	(2.8)	(195,556)	6.0	224,279	(4.6)
17	Reliance Ins. Co. & subs.	623,259	36,249	35,883	1.0	107.5	104.1	566,794	6.2	(39,102)	123.0	80,367	(5.4)
18	The St. Paul Cos. Inc.	1,124,811	84,589	89,061	(5.0)	109.9	106.5	805,798	8.5	(74,441)	62.1	135,235	4.4
19	CIGNA Corp.	6,155,300	163,700	178,400	(8.2)	117.1	115.6	1,785,550	(4.1)	(334,205)	17.6	281,615	0.5
20	The Continental Corp.	1,841,351	37,893	57,379	(34.0)	113.4	112.5	1,255,066	(5.3)	(167,587)	(6.9)	147,141	(2.4)
21	Mission Ins. Group Inc.	229,362	13,479	24,453	(44.9)	110.4	100.5	195,410	15.3	(17,662)	—	24,084	(10.1)
22	The Home Group Inc.	1,058,700	25,400	51,400	(50.6)	119.0	112.9	923,551	(6.0)	150,058	32.0	147,320	2.2
23	Fremont General Corp.	249,466	(1,150)	2,399	(147.9)	125.6	118.8	111,953	(13.9)	(30,114)	25.4	21,389	23.8
24	Armco Ins. Group Inc.	336,750	(9,489)	9,725	(197.6)	113.9	112.5	294,408	0.5	(41,771)	17.2	35,091	(0.5)
—	Royal Group (U.S. subs.) <sup>3</sup>	N/A	(900)	(2,100)	(57.1)	114.5	113.1	644,300	1.0	(95,900)	3.3	86,200	0.1
—	Commercial Union Ins. (U.S.) <sup>3</sup>	N/A	N/A	N/A	N/A	118.8	115.8	721,500	(6.3)	(138,600)	4.4	94,700	8.2
—	Wausau Insurance Cos. <sup>3</sup>	N/A	N/A	N/A	N/A	126.0	120.3	475,166	3.6	(81,229)	51.0	97,465	10.5
—	Liberty Mutual Ins. Co. <sup>3</sup>	N/A	N/A	N/A	N/A	118.0	119.3	1,475,713	(1.5)	(163,456)	(7.2)	252,223	9.4
—	Sentry Ins. Cos. <sup>3</sup>	215,429	4,749	(1,690)	381.0	111.1	114.6	507,640	2.7	(46,019)	(11.4)	44,570	(3.2)
Cumulative		41,024,350	1,842,546	1,610,466	14.4	111.9	111.3	22,911,026	0.7	2,567,908	7.4	3,257,644	4.3

<sup>1</sup> After dividends<sup>2</sup> 1982 results as reported prior to merger with NLT Corp.<sup>3</sup> Statutory<sup>4</sup> Domestic underwriting only

N/A—Company did not provide data

## Iowa gathers assets of defunct insurer

Continued from page 1

more records state regulators found and reviewed, the more claims and policyholders they discovered.

"We have recently been working with an estimated liability of \$30 million," Commissioner Foudree says. "But it could be much more than that. Claims could range from \$30 million to as high as \$50 million. We just can't be sure yet."

Mr. Foudree says Iowa has identified about 350,000 Iowa State Travelers group and individual policyholders, but has not yet been able to add up the total amount of claims payable since policyholders have until Oct. 31 to file new claims.

The Iowa Insurance Department also has not been able to total the assets of the insurer, pending the sale of the Iowa State Travelers headquarters building and recoveries from Iowa State Travelers reinsurers.

The reinsurance recoveries,

however, could be minimal since the insurer's main reinsurer, Lincoln Security Life Insurance Co. of Phoenix, Ariz., was declared insolvent about two weeks before Iowa State Travelers failed and had been cited as a key reason for the Iowa company's insolvency.

"We are doing everything we can to help people get paid what they are owed, but it is a slow process," Mr. Foudree said. "However, we were able to find a new reinsurer for some 12,000 credit life and accident policies. Centennial Life Insurance Co. (of Overland Park, Kansas) will be taking over that coverage."

In Illinois, where policyholders' claims will be paid by the state's life and health insurance guaranty fund, regulators are supporting the high side of the Iowa department's claims estimates.

The Illinois Insurance Department previously estimated that Iowa State Travelers owed some

32,000 Illinois policyholders about \$1 million in claims, but totals here also are mounting rapidly. The total in claims is now \$12 million.

Illinois liquidators have identified about 12,000 unpaid claims files averaging \$1,000 each, according to Assistant Insurance Director Richard Carlson. They are preparing immediate payment of about 700 of the claims.

"We originally estimated that Illinois claims were about 25% of the insurer's total liabilities," Mr. Carlson notes. "If that is true, total claims for the company could be in the area of \$50 million. We are now pretty certain that our claims will total about \$12 million."

The Illinois Life & Health Insurance Guaranty Assn. is funded by assessments of all Illinois insurers licensed to sell life and health coverage in the state, up to a statutory annual maximum of 2% of each insurer's gross premium.

The guaranty fund board of directors, chaired by Walter G. Nelson, vp of counsel for State Farm Life Insurance Co., has already notified its members of a potential \$12 million assessment and has begun collecting the first half of that assessment to pay current claims, according to Mr. Nelson.

Most of the Iowa State Travelers outstanding claims are from the small group insurance policies marketed either directly or through multiple employer trusts at rates significantly below those of other insurers competing in the same area.

In Illinois, for example, Iowa State Travelers dived aggressively into the small-group insurance marketplace about two years ago,

selling health benefits to small trade associations and Chicago suburban chambers of commerce at little more than half the going rates, according to Illinois agents.

All of the Illinois records were maintained by the claims administrator, Bruce J. Hepner & Associates of Lake Bluff, Ill., and James Computer Co. of Glenview, Ill., owned by Stanley Sumner.

Mr. Sumner also owned Iowa State Travelers' defunct reinsurer, Lincoln Security Life in Phoenix.

When Illinois liquidators seized these records, they termed them "a complete mess," but noticed that the files included policy and claims data from other states, including Iowa and California.

In California, according to records seized in both Illinois and Iowa, Iowa State Travelers insured at least 12,000 individuals enrolled in at least three multiple employer trusts, including Multiple Benefits Trust in Van Nuys, National Health

Insurance Trusts of Huntington Beach and Premier Insurance Administrators Insurance Trust of Sherman Oaks.

Multiple employer trusts, frequently used by small businesses that have difficulty purchasing health insurance at affordable rates, allow employers to pool their risks to self-fund coverage or purchase coverage at lower group rates from commercial insurers. One problem that has led to the failure of several METs since 1977 has been rates that were set too low to cover claims.

The rates charged by at least one of the trusts, according to California Insurance Department officials, may have been less than half of the rates charged by commercial health insurers doing business in the same area.

California is forwarding all claims data to Iowa for payment from the insurer's remaining assets.

## BC subsidiary wins grant

PITTSBURGH—BC Research Inc., a nonprofit division of Blue Cross of Western Pennsylvania, was awarded a \$100,000 planning grant under the "Community Programs for Affordable Health Care" program of The Robert Wood Johnson Foundation of Princeton, N.J.

BC Research won the grant for its proposal to work with employers and hospitals in northwest Pennsylvania to develop a community program to contain health care costs.

Blue Cross of Western Pennsylvania says the 14-month project

will involve a reimbursement system based on unique differences in the costs and complexities of patient cases in the study.

Besides Blue Cross of Western Pennsylvania, co-sponsoring institutions include: Manufacturers Assn. of Erie, the Erie Conference on Community Development, American Sterilizer Co., General Electric Co., Doctors Osteopathic Hospital, Meadville City Hospital, Millcreek Community Hospital, Greenville Hospital, St. Vincent Health Center, Spencer Hospital, and Warren General Hospital.

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# Increasing earnings to prolong soft market

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1 spot in premiums written from Aetna last year, reported a 4.1% premium sag to \$1.79 billion, putting it again in second place for premiums written.

CIGNA warned analysts two weeks before it announced its second-quarter earnings that they would represent a decline of 25%. The exact number was 25.7%.

But, for the half, CIGNA's decline was a trimmer 8.2%, putting it in the 19th position in the BI ranking based on operating income.

Wilson H. Taylor, CIGNA's executive vp for property/casualty, told analysts that the insurer's first-half underwriting losses were partially impacted by higher-than-expected incurred losses from toxic material exposures, like asbestos, and by a nearly two-point rise in the insurer's expense ratio to 35.3%.

Mr. Taylor also said CIGNA was experiencing underwriting problems in its marine and surety bonding businesses.

Chubb Corp., which captured the second spot in the rankings based on operating income, reported a surge in first-half operating income to \$49.1 million, up 103% over the same period during 1982. Analysts attributed the increase in strength to Chubb's crime, fidelity and surety businesses.

They also noted that Chubb's 1982 first half was hurt by a \$60 million pretax addition to medical malpractice reserves. That move cost Chubb \$22 million after taxes, according to Prudential/Bache's Ms. Hoffer.

Without last year's reserve change, Chubb's aftertax operating earnings would have been up a more-typical 6.4% in the first half.

Ms. Hoffer says USF&G Corp. "also had a terrible quarter last year and thus had a very easy comparison to a year ago." USF&G reported a 59.2% increase in aftertax operating income for the half to rank third in the survey.

Among other major insurers, The St. Paul Cos. Inc. reported a 5% decline in aftertax operating income for the half after an 8.3% increase at the end of the first-quarter.

Analysts said St. Paul's insurance results really weren't that bad, but that the year-to-year comparisons were affected by the extremely strong performance last year of St. Paul's John Nuveen & Co. municipal-bond brokerage subsidiary, which profited from last year's stock-market boom.

The company, however, attributed the decline primarily to a 62% leap in underwriting losses for the half.

Both Fremont General Corp. and Mission Insurance Group Inc. suffered the effects of what analysts say is a deterioration in underwriting results among major workers compensation insurers. The effect is strongest in California, where both Fremont and Mission are based.

California regulators granted a 25% increase in work comp benefits effective Jan. 1, but only allowed insurers to hike rates by about 15%, which has put underwriters in a squeeze, says analyst Samuel G. Liss of Salomon Brothers Inc.

Because of the workers compensation environment and additional problems with its forays into excess/surplus lines and reinsurance business, Fremont General posted a \$1.2 million aftertax operating loss for the half, compared with a \$2.4 million gain a year ago.

Mission also lagged behind most other property/casualty insurers, reporting a 44.9% decline in operating results.

Among the 10-largest property/casualty insurers surveyed, the worst earnings decline was posted by Continental Corp., whose operating income fell 34% in the first quarter. Continental's results have generally lagged behind the industry average for more than a year, analysts note.

To attack the company's underwriting difficulties, Continental Chairman John P. Mascotte began a program to either terminate or negotiate more favorable agency contracts with some 2,000 of the insurers' 7,000 agents. The affected agents had been producing what Mr. Mascotte considered unacceptable loss ratios.

Mr. Mascotte says Continental expects a decline in written premiums because of the action.

"We are preparing to take reduced premiums in order to set our bottom line, from a long-term position, in a better framework," he says. "We are no longer going to manage this company on the assumption that a turn (in the market) is going to come. That doesn't mean it won't... but we are no longer going to allow ourselves to be penalized while waiting for it."

The analysts have mixed reviews of Continental's action, which Mr. Mascotte himself acknowledges as "drastic."

Some say Continental is poised for a turnaround because Mr. Mascotte had the fortitude to choose between losing market share or losing money. But others say that despite the program Continental's earnings will just deteriorate further.

Armco Insurance Group's restructuring of

its operations and losses from the runoff of Bellefonte Underwriters Insurance Co.'s business contributed to a first-half aftertax operating loss of \$9.5 million, compared with a gain of \$9.7 million a year earlier (BI, May 2, May 9).

## Financial briefs Combined International

Combined International Corp. increased its net income 28.5% in the first half of 1983 to \$57.1 million from \$44.4 million. Earnings per share jumped to \$1.74 from \$1.64.

Revenues at the company, which includes both life insurers and commercial brokers, jumped 28% in the first half to \$619.9 million from \$484.2 million.

Ryan Insurance Group Inc. and Rollins Burdick Hunter Co., both of which were acquired by Combined last year, are fully consolidated in the results.

"Agency commissions and fees, representing principally the Rollins Burdick Hunter brokerage activities, were \$54 million, up a modest 3.4% on a fully comparable basis from the 1982 level," said Combined President Patrick G. Ryan. "We are optimistic about the prospects for this business longer term, but operating results this year are unsatisfactory."

Commissions and fees collected by RBH and Ryan agency subsidiaries totaled \$54.2 million in the first half, up from \$52.4 million in the first six months of 1982.

## General Re

General Re Corp. has declared a regular quarterly dividend of 32 cents per share of common stock, payable Sept. 30 to shareholders of record Sept. 20.

## Frank B. Hall

Frank B. Hall & Co. Inc. has declared a regular quarterly dividend of 41.5 cents per share of common stock, payable Nov. 7 to shareholders of record Oct. 17.

## Bitco Corp.

Bitco Corp., the parent of Bituminous Insurance Cos. and Great West Casualty Co., has declared a regular quarterly dividend of 33.3 cents per share, payable Sept. 9 to shareholders of record Aug. 31. The dividend is based on the new number of shares after the

company declared a 3-for-2 stock split in June.

## AVEMCO Corp.

AVEMCO Corp., a national aviation insurance and financial services firm, has applied to list its common shares on the New York Stock Exchange. AVEMCO shares have been traded on the American Stock Exchange since 1970.

The company anticipates that trading of its shares will begin on the NYSE by Sept. 15.

## Aneco Re

Aneco Reinsurance Co. Ltd. reported that net income for the first half of 1983 soared 246% to \$425,333, up from \$172,793 in 1982. Earnings per share rose to 20 cents from 9 cents.

Chairman and President Francis Mulderig attributed the earnings increase to improvements in risk management operations as well as expense decreases and significant gains in the company's bond portfolio.

Written premiums increased 60.6% to \$6.41 million from \$3.88 million in the first half.

## Reed Stenhouse

Reed Stenhouse Cos. Ltd. announced a quarterly dividend of 15 cents per share (12.2 cents in U.S. currency) on its Class A shares, payable Sept. 30 to shareholders of record Sept. 12.

## British Issues

23 Aug Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low	
					pence	pence
Comm Union	168	168.0	16.86	10.0	172—	166
Eagle Star	457	17.1	24.29	5.3	462—	457
Genl Accident	460	11.9	24.29	5.3	477—	460
Gdn Royal Exch	535	13.7	27.26	5.2	547—	535
Phoenix	338	16.1	25.00	7.4	350—	338
Royal	545	13.6	37.86	6.9	566—	545
Sun Alliance	1325	14.7	68.57	5.2	1338—	1312

Brokers		Price	P/E	Div. pence	Yield %	1 Week High—Low	
Company	Price					pence	pence
CE Heath	303	7.6	21.07	7.0	315—	303	
Hogg Robinson	104	8.0	8.57	8.2	110—	104	
JH Minet	117	9.8	6.50	5.6	124—	117	
Sedg Grp	216	11.1	10.00	4.6	221—	213	
Stenhouse Hldg	104	9.5	7.86	7.6	105—	104	
Stew Wrightson	245	8.0	20.43	8.3	245—	242	
Willis Faber	555	13.1	25.00	4.5	555—	547	

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

## BI Industry Stock Report

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Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Aetna Life & Cas Co	NYSE	35.88	-0.7	6.4	2.64	7.4	36.75	35.63	785.7
American Bankers Ins Group	OTC	12.50	-6.5	9.8	0.50	4.0	13.25	12.38	75.6
American Gen Ins Co	NYSE	20.38	-6.3	6.9	0.80	3.9	21.75	20.38	754.6
American Indty Finl Corp	OTC	18.75	-1.3	12.9	1.12	6.0	19.00	18.75	4.6
American Intl Group Inc	OTC	66.50	-1.1	11.2	0.44	0.7	69.25	66.50	388.5
American Natl Ins Co	OTC	19.13	-0.6	8.0	0.84	4.4	19.38	19.13	20.1
American Sts L'fe Ins Co	OTC	36.50	23.7	10.0	0.88	2.4	36.50*	29.50	2.7
Aneco Reins Ltd	OTC	3.50	-6.7	116.7	0.00	0.0	3.75	3.50	19.2
Avemco Corp	AMEX	22.25	2.9	12.0	0.58	2.6	22.25*	21.00	13.2
Banks Iowa Inc	OTC	47.00	0.0	17.2	1.52	3.2	47.00	47.00	0.2
Bitco Corp	OTC	20.00	2.6	8.6	1.33	6.7	20.50	19.75	35.1
Carolina Cas Ins Co	OTC	9.25	0.0	27.8	0.32	3.5	9.25	9.25	4.5
Chubb Corp	OTC	61.75	1.0	7.7	3.12	5.1	61.88	61.13	61.9
Combined Intl Corp	NYSE	34.00	1.9	10.8	2.00	5.9	36.00	34.00	460.1
Continental Corp	NYSE	29.25	-0.4	17.9	2.60	8.9	29.63	29.25	563.0
Crawford & Co	OTC	17.75	-1.4	13.2	0.60	3.4	18.25	17.00	33.9
Crown Life Ins Co	OTC	110.00	0.0	7.2	3.10	2.8	110.00	110.00	1.3
Employers Cas Co	OTC	33.00	-5.0	6.7	1.20	3.6	35.25	33.00	11.6
Equifax Inc	NYSE	33.63	0.0	14.2	1.40	4.2	33.63	33.38	11.4
Excelsior Ins Co	OTC	15.00	0.0	7.7	0.70	4.7	15.00	15.00	3.0
Farmers Group Inc	OTC	37.00	1.4	9.3	1.36	3.7	37.63	37.00	741.1
Foremost Corp Amer	OTC	50.00	-0.5	15.4	1.24	2.5	50.50	50.00	19.8
Fremont Gen Corp	OTC	17.38	-14.2	82.3	0.48	2.8	22.25	17.38	485.6
Great West Life Assurn Co	OTC	225.00	0.0	10.9	11.00	4.9	225.00	225.00	0.0
Hanover Ins Co	OTC	54.50	-1.4	6.8	0.88	1.6	55.25	54.50	8.7
Hartford Steam Boiler Inspn	OTC	53.50	0.0	8.4	3.00	5.6	53.50	53.50	2.8
Jefferson Natl Life Ins Co	OTC	46.00	-2.1	14.3	0.76	1.7	46.00	46.00	3.3
Kepper Corp	OTC	40.63	1.6	7.6	1.80	4.4	40.63	39.88	65.7
Lincoln Natl Corp Ind	NYSE	53.25	0.0	8.5	3.00	5.6	54.00	53.00	98.7
Mission Ins Corp Inc	NYSE	29.00	0.0	9.4	1.00	3.4	30.00	29.00	300.7
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	816 NOT TRADE	
Northwestern Natl Life Ins	OTC	36.75	10.1	24.3	1.50	4.1	36.75	33.63	28.6
Ohio Cas Corp	OTC	44.38	3.5	8.2	2.52	5.7	45.00	43.75	379.7
Old Rep Intl Corp	OTC	29.13	-2.9	6.7	0.90	3.1	29.50	29.13	21.9
Orion Cas Corp	NYSE	27.50	1.9	13.7	0.66	2.4	28.00	27.25	38.1
Preferred Risk Life Ins Co	OTC	30.25	0.0	8.1	1.00	3.3	30.25	30.25	0.2
Provident Life & Acc Ins Co	OTC	60.00	0.0	7.6	2.60	4.3	60.00	60.00	18.7
St Paul Cos Inc	OTC	55.63	-4.3	6.4	2.80	5.0	58.75	55.63	179.6
Safeco Corp	OTC	49.25	-1.0	10.1	2.40	4.9	50.00	49.25	184.1
Sri Corp	OTC	37.00	0.7	6.9	1.12	3.0	37.00	35.75*	433.1
Seibels Bruce Group Inc	OTC	26.25	5.0	15.6	0.80	3.0	26.25	25.25	23.7
Statesman Group Inc	OTC	9.25	-6.3	6.4	0.15	1.6	9.88	9.25	53.1
Tokio Marine & Fire Ins Co	OTC	95.75	1.1	15.3	0.92	1.0	96.50	94.75	23.5

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Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Travelers Corp	NYSE	29.25	1.7	7.5	1.80	6.2	29.50	29.25	433.5
United Fire & Cas Co	OTC	32.25	0.0	11.6	0.88	2.7	32.25	32.25	0.0
United States Fid & Gty Co	NYSE	54.13	2.9	10.7	3.84	7.1	54.25	52.88	179.9
United Svcs Life Ins Co	OTC	22.38	0.6	6.4	1.00	4.5	23.13	22.38	51.2
Uslife Corp	NYSE	23.50	-1.1	6.5	0.88	3.7	23.88	23.38	100.6
Washington Natl Corp	NYSE	26.13	-6.7	11.6	1.08	4.1	28.00	26.13	38.8
Zenith Natl Ins Corp	OTC	15.00	-3.2	10.7	0.53	3.6	15.00	14.75	24.9
INSURANCE COMPANIES	AVERAGE		9.6		3.9				
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	22.00	-1.1	0.0	1.00	4.5	22.25	21.63	320.8
Baldwin & Lyons Inc	OTC	38.00	-7.3	12.2	0.80	2.1	41.00	38.00*	0.4
Corroon & Black Corp	NYSE	21.75	-1.7	11.2	1.80	8.3	22.00	21.75*	17.9
Crump E H Cas Inc	OTC	10.25	-3.5	14.9	0.40	3.9	10.50	10.25	22.3
Emmet & Chandler Cas Inc	OTC	10.75	0.0	0.0	0.00	0.0	10.75	10.75	3.8
Hall Frank B & Co Inc	NYSE	27.00	3.3	21.1	1.70	6.3	28.13	27.00	123.2
Integrated Res Inc	AMEX	34.50	-3.5	12.9	0.00	0.0	36.00	34.50	75.7
Marsh & McLennan Cas Inc	NYSE	40.88	-2.4	11.8	2.20	5.4	41.63	40.50	147.0
Poe & Assoc Inc	OTC	6.00	0.0	0.0	0.00	0.0	6.00	6.00	11.1
Reed Stenhouse Cos Ltd	OTC	13.50	-1.8	22.5	0.60	4.4	14.38	13.25*	64.5
AGENTS/BROKERS	AVERAGE		19.5		3.8				
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	41.13	-8.4	12.0	1.28	3.1	45.00	41.13	2,233.3
Anderson Clayton(Ranger/PanAm)	NYSE	26.75	-7.8	15.3	1.32	4.9	28.88	26.75	18.9
Armco Inc	NYSE	19.25	6.9	0.0	0.40				



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