WEEK OF AUGUST 2, 1982

business insurance®

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

update:

Panel consolidates Ocean Ranger suits

WASHINGTON—All federal court suits arising from the sinking of the Ocean Ranger oil rig off Newfoundland will be tried in U.S. District Court in New Orleans under a July 19 order issued by the U.S. Judicial Panel on Multi-District Litigation.

The order consolidates 49 suits seeking $300 million filed by relatives of the 14

Continued on next page

On the set

Probe under way in Morrow's death

By STEVE TARAVELLA

LOS ANGELES—Investigators are looking closely at safety conditions on the set of Warner Brothers Inc.'s "The Twilight Zone" following the death of veteran actor Vic Morrow and two child actors when a helicopter crashed.

But the Los Angeles County fire inspector says the motion picture studio took more than ample precautions to avoid such a tragedy.

Mr. Morrow, 51, and My-Ca Dinh Lee, 7, were decapitated by the blades of a camera-equipped helicopter when it plunged into a river the actors were crossing during the filming of a Vietnam War scene just north of Los Angeles.

Renee Shinn Chen, 6, died from injuries sustained when she was struck by the aircraft.

The helicopter was hurled into the Santa Clarita River when debris from controlled explosions used during the filming made contact with its main rotor.

The Occupational Safety and Health Administration, the National Transportation Safety Board and the California Department of Industrial Relations are examining the circumstances of the July 23 accident and the safety conditions at the California desert film location.

Los Angeles County Fire Inspector DeWitt Morgan says the explosives used—a combination of black powder, gasoline and sawdust detonated electrically—create "a lot of fireball."

But he said allegations that the fireball explosions were unusually hazardous are incorrect. The explosives were of

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The Force apparently is with Lucasfilm crews

By STACY SHAPIRO

LONDON—The Force must be with filmmaker George Lucas' team on the last three "Star Wars" films.

Broker Bayly, Martin & Fay International Inc. in Los Angeles, which has arranged the coverage for the entire series, only recalls two significant claims during the filming of "Star Wars," "The Empire Strikes Back" and "The Revenge of the Jedi," on which production was recently completed.

"Both claims were on 'Empire,'" said Mike McAllister, a BMF vp.

The first was early in the filming when Lucasfilm Ltd. was waiting to take over a soundstage at EMI studios in London. Lucasfilm claimed for an extra-expense loss for delays after the soundstage, which was being used to film the final scene of "The Shining," was damaged when a fire in that scene went out of control.

The second claim occurred when Mark Hamill, alias Luke Skywalker, injured his thumb in a sword fight and production had to be curtailed for a few days.

But not even dastardly Darth Vader has sabotaged the good claims record of Lucasfilm during the filming of "The Revenge of the Jedi."

Graphic: Jim Bakasetas

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A&A conducting audit of Alexander Howden

By STACY SHAPIRO

LONDON—Alexander & Alexander Services Inc. made a public announcement last week that it is conducting a fair value audit of Alexander Howden Ltd. to "dispel rumors," said A&A Chairman John A. Bogardus.

Acknowledging the existence of rumors in London insurance circles concerning Howden, including that millions of pounds in Howden's underwriting operations have been misplaced, Mr. Bogardus said, "If there is any truth to the rumors, I do not know about it."

Howden Chief Executive Michael Glover said, "I do not think for one moment that they (the rumors) are true."

Both A&A and Howden executives said the audit of Howden's preacquisition accounting practices and business transactions is merely routine to confirm the fair value of the assets acquired in the Howden acquisition earlier this year.

If the value of Howden is found to be less than the $299.9 million A&A paid for Howden, the difference in value would be "reflected as increased goodwill to be amortized over a 40-year period," A&A said in announcing the audit.

A&A "management is not aware that any of the matters which are the subject of the review have had any significant impact on the combined earnings since the date of the acquisition," an A&A statement to the press says, attributing the comment to Mr. Bogardus. "He also stated," the release continues, "that management does not believe that there will be any significant effect on the ongoing business of A&A and Howden."

Other developments in combination with the A&A announcement that it is auditing Howden's books fueled speculation in the London market.

Howden Chairman Kenneth V. Grob last week resigned from the board of Alexander & Alexander Services, but remains chairman of Howden. His resignation was announced in the same press release that announced the fair value audit.

Ian Posgate, chairman of Alexander Howden (Underwriting) Ltd., also recently stopped accepting risks for 1982 in two of his four syndicates.

Both Mr. Bogardus and Mr. Glover said Mr. Grob's resignation from the A&A board was unrelated to the audit. Mr. Grob, now 62, is due to retire soon from Howden's anyway, they say.

"Mr. Grob retired from A&A's board voluntarily," said Mr. Glover, "but he saw the merger through and will now be retiring within the near future from Howden's."

Mr. Grob, usually available for comment, did not return any of *BI's* calls.

Both Mr. Bogardus and Mr. Glover also said the audit

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High court may have to decide pregnancy benefit controversy

By JERRY GEISEL

SAN FRANCISCO—The first appellate court split on whether employers have to provide equitable pregnancy benefits to male employees' wives increases the chances that the Supreme Court will resolve the issue.

The 9th U.S. Circuit Court of Appeals in San Francisco last month ruled that the 1978 Pregnancy Discrimination Act only requires employers to offer equitable pregnancy benefits to female employees.

In a case involving Lockheed Missiles & Space Co. Inc. of Sunnyvale, Calif., the appellate court rejected arguments by the Equal Employment Opportunity Commission that the act mandates equitable pregnancy benefits for wives of male employees.

"Congress has expressly limited the scope of its action (in passing the law) to women employees," the court said.

But the San Francisco court decision conflicts with a January ruling by the 4th Circuit Court of Appeals in Richmond, Va., that said Newport News Shipbuilding, to comply with the Pregnancy Discrimination Act, must provide equitable pregnancy benefits for male employees' spouses—not just for female employees.

The conflicting appellate court decisions increase the odds that the Supreme Court will resolve whether the 1978 law also applies to employees' wives, experts say.

"An appellate court split is one of the best ways to get a case before the high court," said Claude Dorais, a Los Angeles attorney and employee benefit expert.

"I've always felt that the issue would have to be resolved by the Supreme Court," said Steve Bokat, senior labor counsel for the National Chamber Litigation Center in Washington. "There are too many cases and too many court decisions."

Employers have locked horns with the Equal Employment Opportunity Commission, the federal agency in charge of handling sex discrimination cases, ever since the EEOC said in 1979 that if an employer's health insurance plan covers the medical expenses of female employees' spouses, it must equally cover maternity expenses of male employees' wives.

Aside from Lockheed and Newport News Shipbuilding, the EEOC has also sued Emerson Electric Co. of St. Louis and Joslyn Manufacturing & Supply Co. of Chicago for failing to provide equal pregnancy benefits to male employees' wives.

In all these cases, U.S. District Court judges agreed with employers' arguments that the 1978 pregnancy law only protects the pregnancy benefits of female employees. However, in the Newport News Shipbuilding

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update:

Oil rig suits consolidated

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Americans and 70 Canadians who drowned when the rig sank Feb. 15 in heavy seas. Forty-one suits by Canadian plaintiffs and one by a Texas plaintiff are on file in federal court in Beaumont, Texas, (*BI*, Feb. 22, March 15).

Seven other suits by U.S. plaintiffs are filed in various courts, according to John J. Cummings III of the New Orleans law firm of Cummings & Gamble, who represents several U.S. plaintiffs.

The rig is owned by Ocean Drilling & Exploration Co. of New Orleans and was leased by Mobil Oil Canada Ltd. of Calgary, Alberta.

Pan Am suits hit $1.4 billion

NEW ORLEANS—At least 16 suits seeking more than $1.4 billion are pending against Pan American World Airways Inc. and three other defendants in the July 9 crash of Pan Am Flight 159.

The plane, which was taking off during a thunderstorm, clipped trees at the end of the runway and plunged into a residential area of Kenner, La., outside New Orleans, killing 146 people aboard and eight on the ground (*BI*, July 19).

Other defendants named in at least one suit include Boeing Corp., which manufactured the jet; the New Orleans Aviation Board, which operates the Moisant International Airport; and the United States Aviation Insurance Group, Pan Am's lead underwriter.

Louisiana law allows direct suits against a party's insurer. It also forbids punitive damages in the deaths of Louisiana residents.

The aviation board has $200 million in combined limits of standard airport operations insurance placed with Lloyd's of London through Southern Marine & Aviation Underwriters Inc. by Leon Irwin & Co. of New Orleans, the board's insurance manager. Southern Marine in New Orleans is wholly owned by London broker Sedgwick Group P.L.C.

Fourteen suits seeking at least $435 million are filed in U.S. District Court in New Orleans. A $1 billion suit was filed in federal court in Miami, Fla.

Pollution coverage law signed

NEW YORK—Licensed insurers in the state of New York will soon be able to market gradual pollution liability insurance.

Gov. Hugh Carey signed S. 10119 on July 29, ending a 10-year prohibition against the sale of such coverage. The law takes effect Sept. 1. Under present law, New York insurers can provide pollution liability insurance only for sudden and accidental occurrences. New York is the only state to have such a restriction.

Lloyd's prepares for election

LONDON—Preparations for the postal ballot election of the new Council of Lloyd's of London is under way now that the self-regulation bill is law.

The Lloyd's Act of 1982, signed by Queen Elizabeth July 23, calls for a council of 27 members to be elected in November.

The council is made up of 16 working members, eight external members and three non-members, who are nominated by the council and approved by the governor of the Bank of England.

Nomination procedures will be explained shortly to Lloyd's 20,000 members, and it is possible that an American could be nominated.

Computer leasing loses settled

WESTPORT, Conn.—Lloyd's of London has settled claims of more than $10 million for computer leasing losses suffered by Alanthus Corp., now called Techology Finance Group.

Alanthus had insured the residual value of 25 leased computers with Lloyd's in 1977 and 1978. The computers lost much of their value when new computer hardware was introduced.

Some computer leasing claims from Alanthus are still outstanding, said a Lloyd's source, but the $10 million settlement represents a substantial portion of the claims.

NAIC names staff director

BROOKFIELD, Wis.—E. Benjamin Nelson is the new staff director of the National Assn. of Insurance Commissioners.

He replaces David J. Brummond as director of the staff support office at the NAIC's national headquarters in Brookfield. Mr. Brummond is now with the law firm of Miller & Daar.

Mr. Nelson comes to NAIC after operating his own insurance and reinsurance agreements consulting firm. Prior to that, he was presdient of the Central National Insurance Group of Omaha, Neb., and Nebraska's director of insurance from 1975-77.

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Vol. 16, No. 31—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221.

Senate unanimously OKs Longshore Act overhaul

By JERRY GEISEL

WASHINGTON—Unanimous Senate approval of legislation to overhaul the federal Longshoremen's and Harbor Workers' Compensation Act is buoying chances that the House will follow suit.

"The Senate is sending a clear message over to the House: We want this measure passed," said Tom O'Day, chairman of the Longshore Action Committee, an ad hoc organization of 70 insurers and businesses that played a key role in the Senate approval of the bill last week.

"There is plenty of time for the House to act," Mr. O'Day said.

Key reforms in S. 1182 include:

- A 5% annual limit on benefit increases to injured workers. Currently, benefits are raised every Oct. 1 to match the annual increase in the national average weekly wage.
- A provision that only salary and not benefits, like employer-provided health insurance, would be considered wages in computing a weekly benefit to an injured worker.
- Elimination of death benefits payable to survivors of injured workers who die from causes unrelated to an on-the-job injury.
- Overturning a 1979 Supreme Court decision that widows are entitled to two-thirds of the deceased workers' wages without an upper limit. Instead, the bill would limit survivors' benefits to 200% of the national average weekly wage to a maximum of $496.

Since some maritime workers can earn more than $800 a week, the savings from this new cap would be substantial.

- Exclusion from the federal program of workers who build and service recreational boats—vessels less than 65 feet long—unless they are unable to obtain benefits from a state workers compensation program.

In addition, the bill limits the scope of the Longshore Act to those engaged in maritime employment.

That provision excludes from coverage such dockside workers as clerks, security guards, marina employees and data processing employees.

Recent Supreme Court decisions have so significantly expanded the jurisdiction of the act that no one is sure where jurisdiction lies until after a case is filed.

Resolving the jurisdictional issue is vital because benefits payable under the federal act are more than double the benefits payable under many state workers compensation programs.

Without a solid definition of the scope of the law, underwriters face enormous difficulties setting proper reserves for claims, maritime experts say.

As a result, many insurers have been reluctant to provide longshore coverage for shipping and stevedor-

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Cancer fund legislation opposed

By EILEEN NORRIS

SACRAMENTO, Calif.—California business groups are rallying against proposed legislation that would expand the law to presume cancer in firefighters is work-related and force insurers to pick up the benefit tab.

The California Chamber of Commerce, the California Self-Insurers Assn., the League of California Cities and several insurance trade associations plan to testify against the two bills before the Legislature this week.

Under A.B. 3011, which passed the Assembly June 17 and is up for a hearing in the Senate Aug. 4, cancer in firefighters would be automatically "presumed" to be work-related and medical benefits would be paid for under the workers compensation system.

A companion proposal, A.B. 3810, which has almost no chance of passage, would establish a fund to pay these workers compensation benefits. It is to be heard in the Assembly on Aug. 3.

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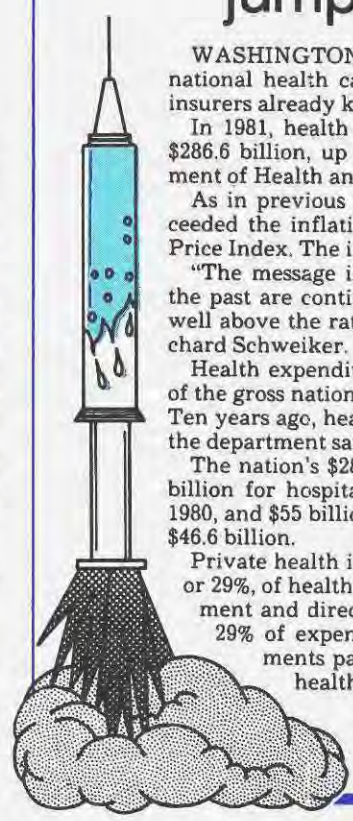
Health care expenditures jump 15.1% in 1981



WASHINGTON—The latest government statistics on national health care costs confirm what employers and insurers already know: Costs are rising at record levels.

In 1981, health care costs increased 15.1% to a record $286.6 billion, up from $249 billion in 1980, the Department of Health and Human Services reported last week.

As in previous years, the rise in health care costs exceeded the inflation rate as measured by the Consumer Price Index. The index rose 8.9% in 1981.

"The message in these statistics is that the policies of the past are continuing to bring us health cost increases well above the rate of inflation," said HHS Secretary Richard Schweiker.

Health expenditures last year consumed a record 9.8% of the gross national product, compared with 9.4% in 1980. Ten years ago, health costs amounted to 7.9% of the GNP, the department said.

The nation's $287 billion health care tab included $118 billion for hospital care, up 17.5% from $99.6 billion in 1980, and $55 billion for physician services, up 16.9% from $46.6 billion.

Private health insurers and employers paid $73 billion, or 29%, of health care expenditures. The federal government and direct patient payments each accounted for 29% of expenditures, while state and local governments paid the remaining 13%, or $37 billion of health care costs.

On a per-capita basis, 1981 health spending from all sources amounted to $1,225, vs. $1,075 in 1980.

Graphic: Amy Palmer

Most employers favor end to unenforceable OSHA rules

By STEVE TARAVELLA

WASHINGTON—The vast majority of employers support the Occupational Safety and Health Administration's plan to rescind nearly 200 unenforceable safety and health standards, according to comments received so far by the agency.

However, at least one employer and a labor union have publicly opposed the elimination of the rules.

OSHA wants to strike 194 provisions of its General Industry Safety and Health Standards because they contain the word "shall" instead of "should" and are thus unenforceable.

OSHA derived most of the rules in 1971 from national consensus standards developed by the American National Standards Institute and the National Fire Protection Assn. The ANSI standards were advisory in nature, but OSHA adopted most of them verbatim.

The regulations in question cover general safety areas like floor drainage systems, hinges on removable railings and eye and face protection.

OSHA has extended the deadline for comments on the proposal for at least 60 days because many employers said the original 60-day comment period, which ended July 27, was not sufficient.

However, most of the comments received by the original deadline are favorable, says OSHA. A *Business Insurance* informal poll of employers showed similar results.

"If you get rid of these things (advisory standards), it will make the law much more solid," says Paul A. Whittaker, safety manager for the Globe Battery Division of Johnson Controls Inc. in Milwaukee.

Mr. Whittaker likened OSHA's proposal to "an overall housekeeping effort."

"The littler they make the book (of regulations), the more acceptable it's going to be," says the plant engineer for a Midwest manufacturing company. The engineer, who wishes to remain anonymous, says the removal of the standards will make the regulations easier for safety officers to read, easier to understand and easier for OSHA to enforce.

"OSHA has too many things to worry about."

Wendell M. Glasier, a safety specialist with OSHA in Washington, says the agency could crack down on

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Comp conference

Open rating movement is gaining: NCCI chief

By STEPHEN TARNOFF

ORONO, Maine—More than half the states could adopt competitive rating for workers compensation insurance within the next few years, predicts the president of the National Council on Compensation Insurers.

But the debate continues over the merits of laws that force insurers to compete on price rather than agree on the same price and then file rates en masse through a rating organization.

NCCI President Kevin M. Ryan, whose organization sets workers compensation rates for about 30 states, admits the trend is away from administered pricing.

"I think with the inclusion of Illinois in competitive rating and the possible movement of Pennsylvania to it, there may be many more states getting on the bandwagon," said Mr. Ryan, who was speaking at the 6th Annual National Symposium on Workers' Compensation.

Overall, eight states have passed a form of competitive rating, another six are considering it and two—Colorado and New Mexico—have alternatives to administered pricing, Mr. Ryan said.

The states that have passed such legislation are Oregon, Minnesota, Michigan, Kentucky, Arkansas, Illinois, Rhode Island and Georgia.

The Illinois Legislature approved a competitive rating bill earlier, although it has not yet been signed into law. A draft of a bill has been circulated in Pennsylvania, but it has not yet been introduced.

Mr. Ryan's comments came at a daylong seminar on the impact of competitive rating on workers compensation. Speakers represented the insurance industry, regulators and trade associations.

Opponents of competitive rating say it would endanger the data base upon which ratings are based, could raise insurance rates for small employers and would not necessarily increase competition.

"We agree with the feelings of the American Insurance Assn. that the present administered pricing system should be maintained and agree with the AIA to oppose competitive rating in the various states," said William Aldridge, vp of government relations for the Hartford Insurance Co. in Hartford, Conn.

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Is exclusive remedy surviving challenges?

ORONO, Maine—The foundation of the workers compensation system is intact, one workers compensation expert says.

Despite attempts to get around workers compensation as the sole means for compensating on-the-job injuries, the exclusive remedy doctrine is holding up rather well and, in some cases, is actually becoming stronger, says Arthur Larson, a professor emeritus at Duke University Law School and a former U.S. undersecretary of labor.

Except in California and Ohio, the exclusive remedy doctrine is not in serious danger, Mr. Larson said at the 6th Annual National Symposium on Workers' Compensation at the University of Maine.

But others, representing both business and labor, are afraid major cracks may be developing.

The exclusive remedy doctrine says that the only recourse employees have against their employers for on-the-job injuries is through the workers compensation system, which awards damages on a no-fault basis. This theory protects employers from employee lawsuits while guaranteeing benefits for injured workers.

Employers, however, are concerned that courts are circumventing the doctrine to permit lawsuits against employers in certain situations.

Recent court cases in California, Ohio and Illinois have favored the employee's right to sue.

But while there has been an upsurge in attempts to erode the exclusive remedy doctrine and some have succeeded, the actual impact has not been that great, Mr. Larson said.

"It has been checked and put in reverse," he added. "The trend has been arrested. There is evidence that the attacks are less and less successful."

For example, in California, an appellate court recently overturned a county court ruling that allowed an employee to sue his employer in its "dual capacity" as employer and self-insurer (*BI*, March 29).

"With the exception of a few isolated situations, I don't see where we're on some kind of slippery slope going down the road to the end of exclusivity," Mr. Larson said.

The attacks on the exclusive remedy doctrine are coming from a number of fronts. In some cases, the employer is sued not as the employer but because of a dual role or capacity as product manufacturer, self-insurer or landlord.

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Cities want the most for their money

Dallas considering flexible benefits plan to respond to employees' diverse needs

By KIMBERLY PALMER

DALLAS—Seeking to get the most for the $90 million it is spending annually on employee benefits, the city of Dallas may switch to a flexible benefits program next year.

Working with consultant Johnson & Higgins in Dallas, the city wants a benefit program that is "more responsive" to the needs of its 14,000 employees, says D. Pascal, director of personnel.

If the city makes the move, it will be the largest Dallas employer to offer a flexible benefits plan.

J&H and a task force composed of 17 representatives from different sectors of the city's workforce are studying the pros and cons of a flexible benefits program. The report is due Nov. 1.

Under a flexible benefits plan, employees create their own benefits package by selecting what they need from a variety of benefit options offered by the employer.

"Management believes this kind of program is important to the employees," Ms. Pascal said. "It will allow us to be more responsive to the employees' needs. It will let them choose what they want."

Benefits available to city workers could increase under the plan. Currently, the city self-insures health and life benefits and offers a pension plan, but it will look at dental, short- and long-term disability and accidental death insurance as part of the flexible plan.

"We are looking at everything for the flexible benefits plan," said benefit administrator Margaret Bradley.

The city says its existing benefit program is competitive with the private sector. The $89.9 million it spent on benefits in fiscal 1981 represents 36.7% of its $245.2 million payroll that year. In comparison, the 1981 U.S. Chamber of Commerce survey of about 1,000 private business showed benefits make up 37.1% of payroll.

A Labor Management Relations Service survey of the public sector shows that benefits provided to sworn officials average 39.7% of payroll, while benefits for other city workers totaled 37.2% of payroll.

The city's current health insurance plan pays 80% of the first $2,500 in claims and 100% after that. It has a $100 annual deductible. Employees also have the choice of joining one of two health maintenance organizations.

The city also provides $5,000 in life insurance for all employees, who also can purchase additional coverage up to one or 1½ times their annual salary.

The idea to pursue a flexible benefits program grew out of an assignment to brief the city council on significant budget issues they

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Graphics: Amy Palmer

New York asking experts to discover why its losses are increasing so rapidly

By JAMES C. LAWSON

NEW YORK—Communications is the first link that C.J. (Jim) Spivey wants to test when he and five fellow risk managers begin an assessment of New York City's insurance program.

Communications may be a problem because of the diversity of the city's insurance program, which covers 65 different agencies with 197,700 employees and a total budget of $15.5 billion for fiscal 1983, he says.

The basic flaw may be in the transmission of information from one government body to another, says Mr. Spivey, executive director of the Insurance & Risk Management Agency of Charlotte-Mecklenburg in Charlotte, N.C.

The city of New York itself agrees something is going wrong. Since fiscal 1977 the cost of third-party judgments and claims against it has increased 146% from $50 million to $76 million in fiscal 1980 to a estimated $123 million for fiscal 1982. And 60,000 personal injury claims are still pending against the city.

In addition, workers compensation costs have almost doubled. Losses are expected to hit $29.5 million in fiscal 1983, up from $15 million in fiscal 1979.

To get a handle on the problem and help reduce its losses, the city has asked for help from experts in the risk management field.

A six-person team recommended by the Risk & Insurance Management Society and headed by Mr. Spivey will work with city officials to determine where accidents are likely to occur, what safety procedures are needed to prevent them and what insurance is needed to pay claims that do arise.

"We want to look at the things they do," says Mr. Spivey, who also is RIMS president. "We want to determine if there is a way we can handle an exposure that would expose less of their financial wealth."

Other questions the task force will ask include:

- How well motivated are the employees?
- What kind of incentives do they have to be safe?
- Is the city assuming loss exposures in the right areas?
- Is it practicing reserving?
- Are reserves a viable concept?
- Can the city shift some liability either partially or totally?

"I'm sure the group can come up with some innovative techniques," Mr. Spivey says optimistically.

Others on the task force include Robert Esenberg, risk management administrator for the city of Virginia Beach, Va.; Jesse Pagonis, director of corporate insurance for Engelhard Chemical & Minerals Corp. in Edison, N.J.; Charyl Peske, a vp with Strauss Zahn Co. in Milwaukee and former risk manager for the city of Milwaukee; Anton Phaffle, insurance manager for Mobil Oil Corp. in New York; and Burton J. Carbino,

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Pact contains employee pension contributions

benefit beat

Members of the International Union of Electrical, Radio & Machine Workers were scheduled over the weekend to vote on a three-year contract with Westinghouse Electrical Corp. that calls for employee pension contributions.

The hourly workers from various IUE locals across the country were scheduled to vote July 31 and Aug. 1 on a pact they initially had rejected because of the required pension contributions.

Previously, Westinghouse had borne all pension plan funding expenses.

Members of the IUE, the International Brotherhood of Electical Workers and the United Electrical Workers had threatened to walk off their jobs July 26 after Westinghouse failed to rescind the request for pension contributions. The two sides reached a tentative agreement, however, after they both altered their contract demands.

The IBEW has until Aug. 9 to ratify the pact, while the UEW does not have to vote on the contract until Aug. 26.

The hourly workers tentatively agreed to begin making pension contributions in exchange for increased pension benefits.

The three unions represent more than 31,000 workers at Westinghouse plants across the country. The IUE, with more than 15,000 members, is the largest of the three.

Neither Westinghouse nor union officials would discuss the terms of their agreement until they become final.

Chrysler ESOP

Chrysler Corp. has made its second annual stock contribution to the Employee Stock Ownership Plan created as a part of the company's 1979 loan guarantees from the federal government.

The automaker's 91,000 salaried and hourly employees—including 5,000 employees of the former Chrysler-owned Chrysler Defense, Inc., a tank plant in Lima, Ohio,—received July 1 an additional 6.24 million shares of Chrysler stock worth $40.6 million.

That contribution boosted the ESOPs stock holdings to 12.2 million shares. Chrysler employees now own 15% of the company's outstanding shares.

The stock is being issued to U.S. and Canadian employees who have made wage and benefits concessions to the nation's No. 3 automaker. Employees must have at least nine months of service with the company and must have worked 650 hours between July 1, 1981, and June 30, 1982, to be eligible for the stock plan.

As part of the latest contribution, each eligible employee will receive 68 Chrysler shares valued at $443, based upon a value of $6.78 per share. The amount of issued stock was based on the daily closing price over the 20-trading-day period between June 2 and June 29.

So far, eligible employees have received 130 shares each since the program was initiated.

The shares will be kept in trust for each employee. Employees will receive their shares, or the equivalent in cash, upon retirement or termination of employment.

Chrysler will make two more stock issuings within the next two year as part of a four-year agreement it made when it requested federal loan guarantees to stave off bankruptcy in 1979. Those two contributions will boost the total value of the program to about $162.5 million, company officials say.

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We'd like to know if you've made any benefit changes. Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

comings & goings: buyers

Schrenzel joins LTV's benefits staff

Steven N. Schrenzel, 33, is the new manager of benefits planning at LTV Corp. in Dallas. He handles corporate planning for pension and welfare plans. Most recently, Mr. Schrenzel was employed by AM International Inc. in Chicago as director of employee benefits. Before that, he was a principal associate for seven years with Thomas L. Jacobs, a consulting firm in Chicago. He holds a bachelor of arts degree in political science and economics from the University of Illinois at Champaign-Urbana and attended the University of Illinois Law School. He reports to Peter Biggins, director of personnel planning at LTV.

* * *

Frank Latawiec, who had been director of risk management at Avis Inc. in Garden City, N.Y., was one of the estimated 5% of the company's employees that were victims of a cutback in the workforce that began at the end of March. Corporate officials were unwilling to go into detail about the reduction in the company's 10,000-member workforce except to note it was a result of the poor economy. John Murphy, vp of insurance at Avis, said the cutbacks were "not anything sensational" and basically did not affect the insurance area of the corporation.

* * *

Harry J. Buehler has joined Gencon Risk Management Service in Takoma Park, Md., as a risk manager. Gencon is the risk management and insurance brokerage division of the General Conference of Seventh-day Adventists. In his new position, Mr. Buehler will be responsible for properties owned by the Seventh-day Adventist Church in the South, including Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee. Mr. Buehler previously served as an account representative for Perry & Swartwood General Insurance in Elmira, N.Y.

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We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Sallie J. Drury, Editorial Assistant, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5398. We would also like to receive photographs.

We know how to find the leaks in your health care benefit program.

The cost of health care continues to go up at an alarming rate. As an employer who provides health care benefits, you're painfully aware of the toll these costs are taking on your business. Because ultimately, they're reflected in the cost of your health care package.

But what can we do? In a system that includes doctors, hospitals, druggists and other independent contributors, how can we hope to control costs?

The first step is to make sure we're doing our part as efficiently as possible. We have to find the leaks that are unnecessarily contributing to your costs. And we have to find ways to plug those leaks.

That's why we provide you with monthly claims analyses and an annual cost reduction summary. These detailed computer reports help isolate your problem areas by type of health care supplier and type of service. We even include a breakdown by diagnosis, so you'll know what kind of recurring health problems your employees have.

If we discover patterns of usage, we can recommend cost-efficient providers for the treatment of respiratory problems, maternity care or other specific services. Or we might suggest a more efficient HMO option.

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BI 82

editorial opinions

Appealing combination

WE'RE INTRIGUED BY the suggestion that workers compensation and group life and health products could be integrated into one insurance product for employers.

Far-sighted insurance company executives, including Insurance Co. of North America President John Cox (*BI*, April 26), have floated this idea.

Now we have a former insurance regulator and an attorney who specializes in workers compensation issues releasing a serious study of the idea (see story, page 22).

Their work deserves more attention and consideration by the insurance industry and especially by buyers of insurance. Corporate buyers of insurance could hasten the development of such an integrated policy if they stand up and tell the marketplace they want it.

There are strong arguments for integrating workers compensation and group life and health policies. Eliminating the duplication of policy purchasing and production expenses alone is appealing. Eliminating the duplicate risk charges is appealing. And, eliminating the uncertainty over which policy should pay a claim is indeed appealing.

The benefits of an integrated workers compensation/group health and life policy occurred to us recently when we reported the new program Kemper Group has introduced to help treat women who have been raped on the job (*BI*, June 7). The company and other workers compensation experts are convinced a special program with predetermined procedures is needed to help victims of the crime recover and return to happy and productive lives.

Why, we asked ourselves, should such vital treatment for the recovery of a rape victim be limited to those who are raped on the job?

An integrated workers compensation/group life and health policy could not only integrate the policy forms and prices but also the best benefits of each, such as this special program for rape victims.

Consider the advanced rehabilitation programs many workers compensation insurers are developing and how they could be extended to those who are injured off the job, too. We recognize that rehabilitation services are offered under group health plans, but we doubt many would argue that workers compensation insurers are not more advanced in their handling of rehabilitation programs.

Former Illinois Insurance Director Philip O'Connor and Georgianne Riley, counsel for the Illinois Industrial Commission, have provided insurers and employers with a careful look at the issue of integrated workers compensation and group life and health policies. They have pointed out in their recent paper some of the obstacles to such an integrated insurance product, all of which they say can be overcome.

We encourage all segments of the insurance industry to further explore an integrated workers compensation/group life and health policy. Consider not only the reductions in cost that can result but also the improved benefits for workers.

letters

Congratulate ISO for circulating form

To the editor: Congratulations on your editorial concerning the Insurance Services Office's proposed comprehensive general liability policy revisions (*BI*, July 19).

We should be kind to ISO, however, since they are doing something they have never done before on this scale: They have shown their proposed new contract to the entire spectrum of the marketplace instead of a narrow band of company committees.

Your offer and their acceptance of printing the revised form in the Perspective section of your publication to accomplish this does you both credit (*BI*, July 26).

On a personal note, in my recent tenure as the Professional Insurance Agents of California/Nevada's representative to ISO's Producer Liaison Committee, I've seen a gradually heightened empathy toward the buyer on ISO's part.

This was spurred largely through the interaction of my colleagues, Norm Yates Mike LoCelso and Bob Carpenter, Steve Spellman, ISO's Western regional vp, and Bob Gage, ISO's Western manager.

ISO has come a long way since 1976.

Alan M. Parizo
V.L. Francisco Insurance Agency Inc.
Canoga Park, Calif.

Agent input needed on CGL proposal

To the editor: Congratulations on your editorial "What? No buyer input?" and your decision to publish the proposed new comprehensive general liability policy for comments by your readers (*BI*, July 19, 26).

There is a tremendous reservoir of talent, not only among risk managers and other buyers of insurance, but among agents/brokers as well. This reservoir should be tapped.

While there are producer/company councils, etc., we as agent/brokers individually appreciate having the opportunity to examine and comment upon a policy we may have to explain and interpret and use in affording proper coverage for our insureds.

S.J. Davidian
Hallmark Insurance Associates Inc.
Fresno, Calif.

Risk management was lacking at Hyatt

To the editor: Being a retired risk manager and currently a consultant with 47 years in the business, I have several questions regarding the articles about the Hyatt disaster in the July 19 issue.

Is that mess an example of what modern technology calls "risk management?"

Where were the safety engineers? An old pro would most likely have seen deficiencies in the walkways by "walking" the hotel before and after it opened. He would have been consulted on all structural design changes.

It is fundamental that, where crowds are concerned, safety comes first, even if it costs money and the project is already way over budget. You can utilize all the charts, theoretical "quantifying techniques" or any other collegiate ideas propounded by today's experts, but you can't beat an old-fashioned "walk-around" with safety-minded people.

And I can't believe the way placements of coverage were handled. Whoever heard of the primary insurer? What experience did it have in disaster insurance or crowd safety? Did excess insurers "assume" from an underwriter's point of view that the primary insurer was knowledgeable with respect to the risk, was using a reasonable amount of underwriting restraint and some safety activity that would make their assumptions palatable?

Present-day buzzwords are risk benefit, cash flow, cost-effective and bottom line. We also need to remember quality insurers and safety engineering. When you do not, you run smack dab into Murphy's Law: What can go wrong, will go wrong.

Harold W. Horton
Los Angeles

HPR underwriters yield to competition

To the editor: For the record, I would like to clarify some quotations attributed to me regarding highly protected risk insurers broadening their coverage (*BI*, July 19).

First of all, in today's soft premium market, underwriters are not yielding to the policyholders. Rather, underwriters are yielding to the competition (both lower rates and broader coverage provisions) to acquire and/or maintain desirable insureds on their books.

Secondly, I would be naive if I thought the insurance company provided anything for nothing. The point that I was trying to make was that a close and amicable working relationship between the insured and insurer is important. If such a relationship exists and the insured has demonstrated his/her good faith (e.g., complying with reasonable engineering recommendations), it is likely that the insurer will respond with lower rates, improved coverage at competitive rates or a combination of both to maintain the insured's business.

Finally, although we are pleased with our property insurance package, which includes earthquake and flood perils, the reason we decided on a three-year term was to minimize premiums in anticipation of possible increased rates in future years.

L.R. Conklin
Manager of risk and insurance
Management Assistance Inc.
New York

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Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 25 Bedford Square, London WC1B 3HG, England. $1 a copy. $40 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $35 for air delivery. First-class mail to U. S. and Canada only, add $50. Bermuda only, $85 per year expedited delivery. WILLIAM STRONG, *vp-circulation*. DIANNE WALSH, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

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Courts agree MET not an ERISA plan

By JERRY GEISEL

SAN FRANCISCO—A self-funded multiple employer trust that says it is a benefit plan protected from state regulation is having a tough time getting the courts to agree.

The 9th U.S. Circuit Court of Appeals in San Francisco affirmed July 15 an earlier decision by a U.S. District Court judge that Insurance & Prepaid Benefit Trusts, a self-funded MET based in Tustin, Calif., is not an employee benefit plan covered by the Employee Retirement Income Security Act and therefore exempt from state regulation.

The appellate court agreed with an earlier ruling by U.S. District Judge Robert Takasugi that the power to make final decisions on the trust's operation rested with Insurance Benefits Inc., the trust's third-party administrator, rather than with the employer participants in IBT.

Judge Takasugi said in his July 1981 ruling that a key test a self-funded MET must pass to be recognized as a benefit plan under ERISA is that the employers—not the third-party administrator—must control the trust (*BI*, Aug. 3, 1981).

Since IBT went into business in 1975 to provide comprehensive health, life and dental benefits to small employers, mainly in the Southern California area, the trust has been arguing that it is an employee benefit plan under ERISA and thus exempt from state regulation.

"What is IBT's current status?" Thomas Wilkie, president of Insurance Benefits Inc., the third-party administrator, rhetorically asks. "IBT fully believes it is an ERISA plan and will resist any interference."

But the U.S. Department of Labor didn't see it that way. In a July 1979 advisory opinion letter, the Labor Department said IBT was not an ERISA benefit plan, but a "funding vehicle" (*BI*, Aug. 6, 1979).

The Labor Department has been under pressure from state insurance departments to issue advisory opinions clarifying the regulatory status of self-funded METs, which mushroomed around the country during the mid- and late 1970s as a low-priced alternative to commercial health insurance.

State insurance regulators said self-funded METs often were no more than unauthorized insurance operations that often failed because too many premium dollars were used to pay inflated administrative costs and sales commissions instead of covering claims.

However, the regulators said they had difficulty getting court permission to examine METs' financial records and close them down until they received advisory opinion letters from the Labor Department.

After the Labor Department issued its unfavorable advisory opinion, IBT went to federal court in August 1979 to have the department ordered to recognize it as an ERISA benefit plan.

Two years later, Judge Takasugi said different employers can band together in a trust arrangement to self-fund employee benefits in an employee benefit plan covered under ERISA.

But Judge Takasugi said IBI did not qualify as a MET because it was controlled by its third-party administrators, not the employers involved. A clause in the agreement between the trust and its administrator allowed the administrator to withhold certain records from the trustees.

"Because actual control of the trust could have rested with IBT (the administrators), this court must conclude that IBT was not a plan 'established or maintained by an employer,'" Judge Takasugi said.

Judge Takasugi's analysis of IBT was based on how it was structured on July 23, 1979, the date the Labor Department issued its advisory opinion letter saying that IBT was not an ERISA benefit plan.

The appellate court also only evaluated the IBT trust-administrator relationship as of July 23, 1979.

But the trust's administrator, Mr. Wilkie, said the offending clause in the agreement between the trust and the administrator was removed in December 1979.

In addition, the appellate court noted that it would be inappropriate for a court to order the Labor Department to rule one way or another in the IBT case because the department's advisory opinion letter was discretionary and not required under law.

Mr. Wilkie is confident that if a court takes a look at how IBT is currently structured it will conclude that the MET is a bona fide ERISA benefit plan.

Such a court test could occur if California Insurance Department officials try to close IBT. However, regulators have not yet made any such move.

Currently, IBT has an annual premium flow of $12 million from 2,000 employer participants. About 70% of the employers have between five and 25 workers.

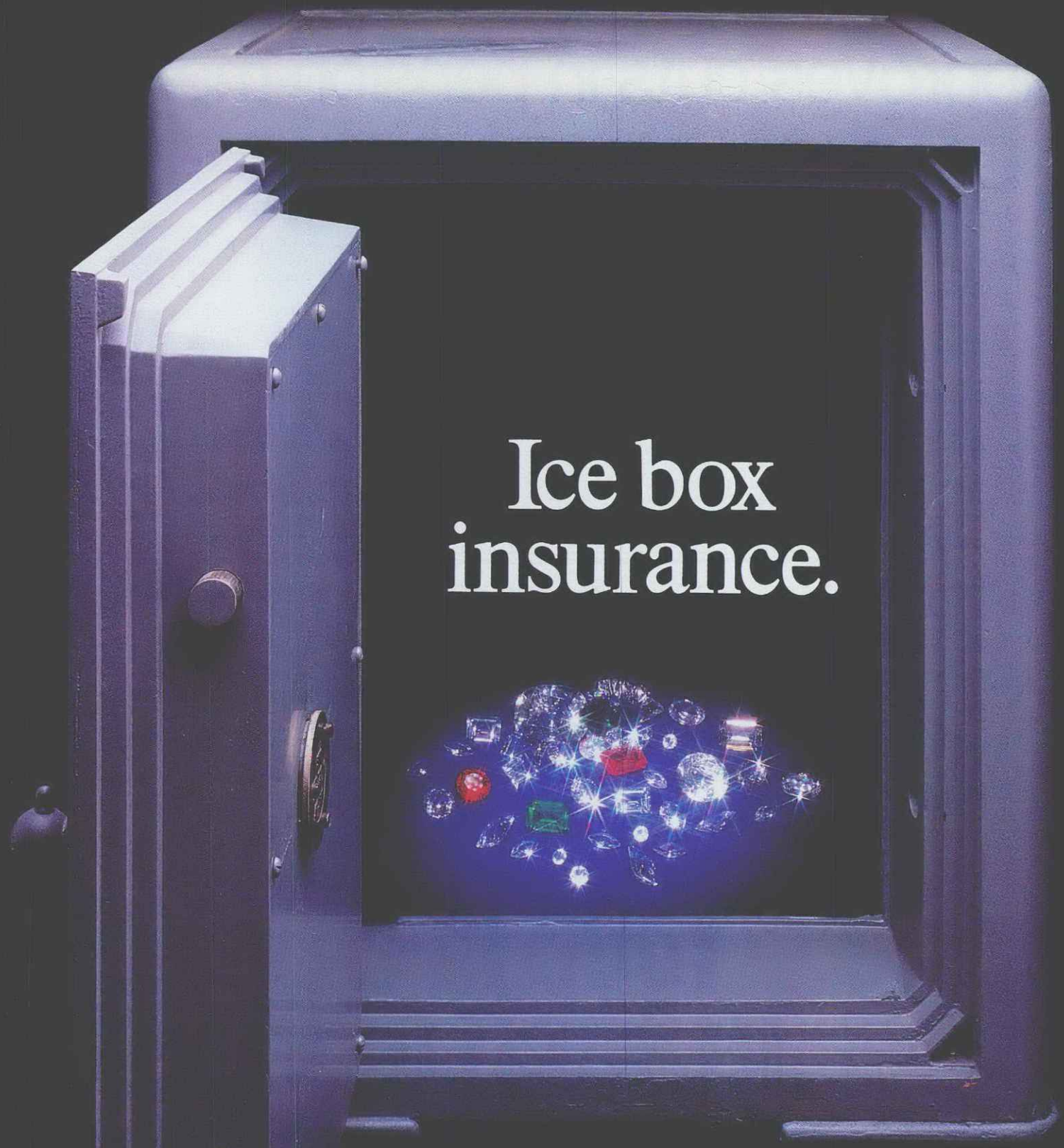
Although rates vary depending on benefits provided, Mr. Wilkie said individual coverage in a standard plan would cost about $37 a month, while family coverage costs about $100 a month.

Mr. Wilkie said IBT has more than $1.5 million in reserves and its reserves were certified as adequate in May by accountants Peat, Marwick & Mitchell.

IBT purchases excess insurance to cover any claim exceeding $25,000 from Voyager Casualty Insurance Co. of Clearwater, Fla, he also said.

Mr. Wilkie said the trust could become fully insured, but rates would have to be increased by at least 15%. The trust's current self-funded arrangement is what the employer-trustees want, Mr. Wilkie said.

IBT will ask the appellate court to reconsider last month's ruling, Mr. Wilkie said. ■



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Senate approves cuts in pension maximums

By JERRY GEISEL

WASHINGTON—Congress is on its way to cutting the maximum pension benefits employers can provide.

As part of tax legislation designed to raise about $98 billion over the next three years, the Senate agreed to reduce to $30,000 from $45,475 the maximum annual contribution an employer can make to a defined contribution plan.

Similarly, a participant in a defined benefit plan would be allowed to receive a maximum annual pension of $90,000, down from $136,425.

In addition, the Senate agreed that these new contribution limits will be frozen for at least the next two years.

The Senate also said that the maximum benefit a person can receive from two corporate retirement plans, now 140% of the single plan limit, would drop to 125%.

Finally, pension plan participants generally would not be able to borrow more than $10,000 from their plan at any one time. However, plan participants could borrow half of their vested benefits, up to a maximum of $50,000, to secure a home mortgage.

These changes must be approved by the House. The House Ways and Means Committee is considering a similar pension cutback bill introduced by Rep. Charles Rangel, D-N.Y.

A key provision on integration of pension benefits with Social Security in Rep. Rangel's bill, H.R. 6410, probably will not be approved although it is not dead yet. (*BI*, June 14).

Other changes agreed to by the Senate include:

- Employers with more than 25 employees will have to extend the same health insurance benefits to workers 65 through 69 as they do to younger workers. Currently, the federal Medicare program is the primary payer of older worker's health care costs.
- Individuals will be able to deduct from their taxes only medical expenses that exceed 7% of adjusted gross income. Presently, medical expenses can be deferred if they exceed 3% of adjusted gross income.
- Federal workers would be required to pay 1.3% of salary on the first $32,400 of wages for Medicare coverage.

New members

Eight new members have been appointed to the Occupational Safety and Health Administration's Advisory Committee on Construction Safety and Health and Health.

The 15-member committee advises OSHA on standards and policies related to the protection of construction workers from workplace hazards.

The new members are James Lapping, Building and Construction Trades Department, AFL-CIO, Washington, D.C.; W. Brock Carter, Safety Counseling Inc., Albuquerque, N.M.; Leonard E. Dodson, Olson Construction Co., Lincoln, Neb.; V. Sherwood Kelly, J.A. Jones Construction Co., Charlotte, N.C.; Paul Voinovich, George S. Voinovich Inc., Cleveland, Ohio; Larry Etchechury, Industrial Commission of Arizona, Phoenix, Ariz.; Donald Wiseman, Nevada Department of Industrial Relations, Carson City, Nev.; and James Oppold, National Institute for Occupational Safety and Health, Morgantown, W. Va.

Mr. Lapping represents employees on the panel; Mssrs. Carter, Dodson, Kelly and Voinovich represent employers. Mr. Etchechury and Mr. Wiseman are state representatives, while Mr. Oppold represents the federal sector.

washington

The members' terms expire on June 30, 1984.

Hospital hearing

The U.S. Court of Appeals in San Francisco will hear oral arguments Sept. 13 on whether the court should continue to bar Ralph K. Davies Medical Center-Franklin Hospital in San Francisco from withdrawing from the Social Security program.

The court earlier issued a temporary order prohibiting the hospital from opting out.

The San Francisco-based hospital is one of hundreds of health care institutions that want to leave the Social Security program, a right they say they have under federal law.

Under the Social Security Act, non-profit employers can withdraw from Social Security two years after they notify the Internal Revenue Service of their intentions.

But the Service Employees International Union, an AFL-CIO affiliate that represents about 250,000 health care workers, filed suit against Ralph K. Davies Medical Center-Franklin Hospital.

The SEIU says hospitals cannot unilaterally withdraw from Social Security. Instead, the labor group argues that the opting out issue must be decided among employers and employees at the collective bargaining table.

Agency criticized

The Labor Department isn't enforcing the Employee Retirement Income Security Act, an internal report charges.

"No federal agency, including the Department of Labor, is presently conducting a program to find ERISA violations," says a 62-page report prepared for the department by consultant John Walsh.

Recovery of stolen pension fund assets is crippled by the fact that the department files few suits. Those who violate the pension reform law and are caught sometimes sign voluntary compliance letters but later disregard them because they believe the department won't file suit, the report said.

Current Labor Department problems hampering its enforcement of ERISA, according to the report, include:

- Too many layers of supervisors and an insufficient number of investigators.
- A "vague" enforcement strategy that can lead to delays of more than a year in investigating cases.
- The failure of the Labor Department to coordinate enforcement activities with other federal agencies, such as the Justice Department.

Timothy Ryan, Labor Department solicitor, says the department is now acting on cases more quickly. In addition, the agency's enforcement policy is being overhauled, he says. ■

Washington HMO loses suit against J&H

By JERRY GEISEL

WASHINGTON—Kaiser-Georgetown Community Health Plan Inc., an HMO with 60,000 members, has lost its suit against broker Johnson & Higgins for allegedly buying insurance the HMO said it didn't need.

J&H, the nation's fourth-largest insurance broker, had argued there was no duplication of coverage and said the dispute was the result of a simple misunderstanding over the difference between primary and excess liability coverage.

Although it took longer than expected, J&H's position has been upheld in court. U.S. District Court Judge Thomas Flannery dismissed Kaiser-Georgetown's suit with "prejudice," which means that the suit, originally filed last fall, cannot be reopened.

"I'm very pleased with the dismissal," said J&H corporate secretary Gardner Mundy. "The dismissal confirms the firm's original position that it properly executed its client's instruction to place primary and excess coverages, and that no duplication of coverage was involved," J&H added in a prepared statement.

And even Kaiser-Georgetown now agrees the controversy arose because of a misunderstanding. The HMO, in fact, now stresses that J&H provided four years of good service as its insurance broker.

According to the suit, Kaiser-Georgetown asked J&H in April 1978 to place all its professional liability insurance policies for the plan and its physicians with one insurer.

At the time of the request, the HMO and its physicians were covered by professional liability insurance policies provided by six insurers.

J&H recommended that Kaiser-Georgetown purchase an INA professional liability package that included a primary policy with a $2 million aggregate limit and an INA excess policy with $4 million occurrence and aggregate limits, according to the suit.

J&H, however, did not make any recommendations to change the liability coverages of the physicians employed by the plan, the suit said.

According to the suit, a "portion" of the INA policy also included professional liability insurance for all of the plan's salaried physicians. This portion, which cost $94,208, duplicated other insurance purchased by the plan, the suit said.

But a J&H source said the real problem was that Kaiser-Georgetown didn't understand some of its insurance policies. "To a non-insurance person, it wasn't clear what was primary and what was excess. As for as we can judge, there was no basis for the suit," the J&H source said.

Kaiser-Georgetown now uses Reed Stenhouse Cos. Ltd. as its broker. The change had nothing to do with the suit, but occurred when the plan was merged into the giant Kaiser Foundation Health Plan network, said Donald Hartman, an attorney for Kaiser-Georgetown.

Unrelated premium up in Bermuda

HAMILTON, Bermuda—Roughly a quarter of Bermuda's non-captive premium income is produced by less than 3% of the insurers registered on the island, according to the Bermuda Independent Underwriters Assn.

Mounting its first public relations effort since its formation 18 months ago, the formerly low-profile association made its debut on Bermuda's luncheon circuit earlier this month when it hosted a meeting attended by Premier John Swan and leading insurance regulators on the island.

Brian Cons, the BIUA's chairman, used the opportunity not only to discuss the importance of unrelated business, but also to underline the changing character of the Bermuda insurance market from a purely captive haven to a broad-based reinsurance market of international standing.

"It is very difficult to give any exact figures, but I estimate the Bermudian international reinsurance companies who write outside business—and not including the business of their parents—produce in the region of $800 million premium income from unrelated sources," Mr. Cons said at the meeting.


Mr. Cons

Citing 1979 estimates that put total premium income for island insurers at $2.8 billion, Mr. Cons said: "This obviously has increased since then, but considering there are over a thousand captive companies registered in Bermuda producing this income, it appears that the international companies writing unrelated business are producing approximately 25% of the business coming to Bermuda from outside sources.

"I would like to make the point that we have only 30 members belonging to our association and I calculate this means approximately 2.5% of the companies writing business—and not captive business—are introducing into Bermuda up to 25% of the reinsurance premium income.

"Not only are these companies bringing in this income but they are dealing with and introducing to Bermuda a great number—well over 100 or more—of producing brokers and intermediaries who now realize that this island is a market."

Mr. Cons, who is vp of Cambridge Re, told the meeting the BIUA membership is restricted to underwriters that derive the bulk of their business from unrelated sources.

"In fact," he said, "this market is now moving away from the original captive image and approximately 25% of our members are pure reinsurance companies writing outside business as an underwriting financial enterprise and are in this market for no other reasons.

"The original concept of a captive haven is rapidly disappearing," Mr. Cons said of the Bermuda insurance marketplace.

"The managers of captive companies are here in their own right, the brokers follow because of the market which has been created, but we are the actual risk takers and I believe this reinsurance market for international business will stand or fall on our ability as underwriters." ■

Policy supplements executives' health cover

products & services

A new insurance policy to cover executives' medical costs that aren't covered by corporate group health insurance plans is on the market.

An Illinois wholesale broker and managing general agent has designed an excess medical insurance program for highly paid executives that satisfies the Internal Revenue Service as a tax-deductible insurance policy.

The IRS issued a favorable letter ruling on the plan in June.

The plan—XS Executive Medical Insurance—pays for out-of-pocket medical, dental and optical expenses that are not covered by the group major medical insurance program.

Large corporations that want such a plan for their executives usually have been able to insure it with their group insurers.

But insurance companies are less likely to do that for a company with only 200 employees and larger self-insured corporations have found it difficult to buy such an individual policy for their executives.

Self-insured employers have been unable to deduct the costs of paying executives' unreimbursed medical bills.

The new policy was created in response to the 1978 Tax Reform Act and subsequent regulations formalized last year that prohibit companies that are self-insured from deducting the cost of picking up the tab for its executives' excess medical costs.

"Any corporation that's making a reasonable profit, that's interested in giving its key executives (on the average) $3,000 tax-free a year, would be interested in the plan," said Robert T. Huesinkveld, mass marketing director at ISI Corp. in Chicago.

The XS plan was first designed for six ISI executives.

The annual premium is $5,000 per executive (a minimum of two are required) and a 14% retention fee for each covered executive. Premiums may be paid quarterly, semiannually or annually. If claims are less than the premium and retention fee at the end of the policy year, the excess amount is applied toward the next year's premium.

There are similar plans on the market, but they operate partially on a cost-plus approach, which the IRS may rule is an administrative service cost rather than true insurance Mr. Huesinkveld said.

The IRS, in its favorable letter ruling, noted that because there is a significant shift of risk from the covered employees to the insurer, the plan is not a self-insured medical reimbursement plan.

XS Executive Medical Insurance is offered through RLI Insurance Co. in Peoria, Ill. It requires that an employee first be covered by a group or individual major medical health insurance program with limits of at least $100,000, a deductible of no more than $1,000 and an out-of-pocket coinsurance limit of $1,000 per person.

The $5,000 premium covers not only the executive, but also dependents, including a spouse, unmarried children and parents if more than half of the parents' support is provided by the employee.

The annual maximum limit is $50,000, but that may be increased to $75,000 or $100,000 for a higher premium.

In certain categories, the annual limit for each employee is $3,000. This applies to charges made by a nursing home; for mental or emotional disorders, alcoholism and drug addiction; some cosmetic or plastic surgery; transportation charges; and injury or sickness excluded from coverage by the individual underlying or basic health insurance coverage as a pre-existing condition.

For more information about this new insurance policy contact RLI Insurance Co., Department XS, 9025 N. Lindbergh Drive, Peoria, Ill. 61615; 1-800-447-2205.

Computer coverage

Aetna Life & Casualty Co. has expanded its bankers blanket bond coverage to include electronic fund transfer losses.

Some of the expanded elements for computer fraud are offered as riders to the Surety Assn. of America's Form 24 bankers blanket bond.

The revised version of Form 24 covers five major fund transfer systems: National Automated Clearing House Assn., Fed Wire, Bank Wire II, Society for Worldwide International Financial Telecommunications (SWIFT) and Clearing House Interbank Payment Systems (CHIPS).

Although the surety association's rider covers only these five systems, the Aetna rider includes proprietary electronic funds transfer systems.

The electronic fund transfer coverage also includes fraudulent transmissions to the bank through the use of a telephone.

In addition, the Aetna coverage can be written to include losses resulting from the actions of employees of any of the fund transfer systems, protection for the bank against losses arising out of dishonest acts by employees of independent software contractors and protection against legal liability should a bank act upon fraudulent information transmitted to it from a customer's terminal linked to the bank's computer system.

The Aetna blanket bond, including these extensions, can be written for limits up to $50 million.

For details on the blanket bond and these new extensions contact Joseph P. Kiernan, assistant vp of Aetna's commercial insurance division, at 203-273-2704.

Municipal liability

The Hartford Specialty Co. has started a municipal liability insurance program for small to medium-sized municipalities.

The program is designed to provide municipalities with general liability, auto liability and errors and omissions coverage. The program also includes optional broad-form legal liability cover for law enforcement officials.

Other public entities like community colleges, public utilities and fire and ambulance services can also be covered under the program if the coverage is written in conjunction with the insured city, county or town.

Limits range to $1 million.

This program is offered in conjunction with the Corroon & Black's Public Entities National Co. subsidiary.

For further details contact Public Entities National Co., P.O. Box 1280, Nashville, Tenn. 37202; 615-367-9702. ■

Stimpson named manager of Reed's office in Chicago

comings & goings: industry

John W. Stimpson has been elected senior vp and manager of the Chicago office of Reed Stenhouse Inc. Mr. Stimpson was previously with Rollins Burdick Hunter.

Mr. Stimpson

Also, **Robert L. Shifrin** elected vp of Reed Stenhouse Inc. of Missouri. Mr. Shifrin was formerly with Alexander & Alexander. **Harvey J. Jarrell** named vp and manager of the Reed Stenhouse Dallas office. Mr. Jarrell was formerly with A&A. **Darryl W. Hill** joined Reed Stenhouse Inc. of Oregon as vp. Mr. Hill, who will be in the Reed Stenhouse Portland office, was previously with Ebasco Risk Management Consultants.

Other agent/broker changes:

Republic Hogg Robinson Inc. announced that **D. Michael Mulens** has joined subsidiary Republic Hogg Robinson of Texas Inc. as vp and manager of the Dallas office. Prior to joining Republic Hogg Robinson, he was vp and sales manager of the Dallas office of Marsh & McLennan Inc.

Edward B. Brue and **Gerald W. Huff** named vps of Johnson & Higgins. Mr. Huff has also been named corporate controller.

Conrad C. Conti appointed managing vp of the Syracuse office of Alexander & Alexander Inc. and **Val Nichols** named managing vp of the Philadelphia office of A&A.

Insurers

William T. Buntrock appointed senior executive vp of insurance of Commercial Union Cos. in Boston. He will be responsible for all insurance operations and insurance-related services including claims, marketing, advertising, agency and public relations. Mr. Buntrock was president of CU Commercial Lines Inc. Also **Brian Arnold** was named general manager of finance and a director of Commercial Union Assurance Co., CU's London-based parent. Mr. Arnold will temporarily serve as senior executive vp in Boston.

Other suppliers

William Z. Fornshell appointed vp at Underwriters Adjusting Co. in Piscataway, N.J. He is responsible for bond claims nationwide. Mr. Fornshell had been bond manager, Buckeye region for UAC. ■

Some firms rehire retirees

ROCHESTER, Wis.—Fifty-five percent of companies surveyed by a management consulting firm rehire its retired employees.

Most of those rehired are executives retained for consultation, according to the survey conducted by Runzheimer Reports on Preretirement Counseling, a newsletter published by Runzheimer & Co. Inc. in Rochester, Wis. The survey reflects companies with more than 32,000 employees nationwide that average 313 retirees per year.

The survey also found that only 10% of the companies add to retirement benefits of employees who work beyond normal retirement age. "Few employers have taken such a step to motivate employees to work longer," said Bradford Burris, publisher of the newsletter.

The companies also were questioned about phased retirement programs, those in which employees gradually reduce the number of hours worked until they are completely retired. A mere 5% of companies surveyed indicated use of these programs.

"Most respondents were not even aware of the options," Mr. Burris said.

The monthly newsletter is distributed to benefit managers, corporate personnel officers and counselors in the field. ■

datebook

AUG. 12-13. Securing Communications Systems seminar in Boston, sponsored by the Computer Security Institute's Educational Resource Center; members, $455; non-members, $495. Patricia Hopper, CSI, Box 528, Matawan, N.J. 07747; 201-566-6822.

AUG. 16-20. Total Loss Control Management seminar in Houston, sponsored by the International Safety Academy; $570. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

AUG. 19-20. Confined Space Entry workshop in Phoenix, Ariz., sponsored by Loss Prevention Associates; $285. Also **Aug. 24-25** in Los Angeles. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

AUG. 19-21. Depositions in Corporate Litigation seminar in New York, sponsored by the Practising Law Institute; $425. PLI, Department YWC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

AUG. 25-27. Safety for the Oil Field Industry seminar in Houston, sponsored by the International Safety Academy; $375. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024.

AUG. 29-SEPT. 1. Corporate Benefit Management conference in Hershey, Pa., sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 12-15. International Benefits seminar in St. George's, Bermuda, sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

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

SEPT. 16-17. Occupational Noise and Hearing Conservation: Compliance with the New Laws course in Los Angeles, sponsored by the University of Southern California; $200. University of Southern California, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/24.

SEPT. 16-17. Human Factors Engineering for Controlling Hazards course in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

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

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

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

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

SEPT. 23-24. Radiation Protection of the Public in a Nuclear Accident course in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md., 20852; 301-984-8969.

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

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

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

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

OCT. 7-8. Basic Radiation Hazard Control: Meeting Licensing Requirements course in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md., 20852; 301-984-8969.

OCT. 11-15. OSHA Guide to Voluntary Compliance course in Los Angeles offered by the University of Southern California; $500. USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Cal. 90007; 213-743-6523/6524.

OCT. 15-20. 28th Annual International Foundation of Employee Benefit Plans conference in Montreal; members only; $390 for conference; $130 per day for pre-conference sessions. IFEBP, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 18—21. 70th Annual National Safety Congress and Exposition in Chicago, sponsored by the National Safety Council; before Sept. 10, members, $65; non-members, $100. After Sept. 10, members, $90; non-members, $135. Congress Planning, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611.

OCT. 25-26. Risk Management Concepts for the Safety Professional and Insurance Buyer course in Los Angeles, offered by the University of Southern California; $225. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523/6524.

OCT. 25-27. Managing Employee Benefits workshop for financial executives in Lincolnshire, Ill., sponsored by Hewitt Associates; $850. Beverly McRae, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

OCT. 27-29. Recognition of Accident Potential in the Workplace Due to Human Error course in Los Angeles, offered by the University of Southern California; $300. USC, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523-6524.

OCT. 29-30. Hazard Control Management Fundamentals seminar in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

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

NOV. 4-5. Product Safety Concepts and Practice course in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 5-6. The Banking and Insurance Forum in Scottsdale, Ariz., sponsored by Risk Planning Group Inc.; $600. Eileen B. Callahan, Conference Coordinator, RPG, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

NOV. 7-10. Health Care Cost Containment seminar in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, $390; non-members, $465. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 11-12. Confined Space Entry workshop in Dallas, sponsored by Loss Prevention Associates; $285. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

NOV. 15-19. Assets Protection course in Saddle Brook, N.J., sponsored by the American Society for Industrial Security; members, $595; non-members, $650. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

NOV. 18-19. Techniques of Risk Management seminar in Washington, sponsored by the International Institute of Safety & Health; $245. IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.

NOV. 21-24. Apprenticeship and Training institute in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, $390; non-members, $465. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 21-24. Corporate Benefits Management conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 22-27. Aviation Safety Program Management course in Sydney, Australia, offered by the University of Southern California; $950. USC, Office of Extension & In-Service Programs, Institute of Safety & Systems Management, Los Angeles, Calif. 90007; 213-743-4617/6523.

DEC. 2-4. Employee Benefits and Workers' Compensation: A Shotgun Marriage? conference in Miami, sponsored by Risk Planning Group Inc.; $600. Eileen B. Callahan, Conference Coordinator, RPG, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

DEC. 6-8. Public Employees Conference in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, $390; non-members, $465. IFEBP 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

DEC. 8-10. Captives: The Offshore Funding Alternative conference in Nassau, Bahamas, sponsored by Risk Planning Group Inc.; $200. Eileen B. Callahan, conference coordinator, RPG, 722 Post Road, Darien, Conn. 06820; 203-655-9792.

FEB. 8-11. National Insurance and Protection Conference of Financial Institutions in Orlando, Fla., sponsored by the American Bankers Assn.; members, $415; non-members, $515; $40 additional to register after December. Shelly Davis, Insurance and Protection Division, ABA 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047. ■

New consultant focuses on occupational health

O.H. Consultants Inc. is a new company that provides occupational health consulting services to employers.

The company can provide assistance in the evaluation, development and implementation of health programs, first-aid activities, hearing conservation programs and health and safety education programs.

O.H. was formed by Diane Tan and Anita Schill-Arner, both of whom were occupational health consultants for Royal Insurance Co. and are industrial nurses.

The company will maintain offices at 4281 N. 30th St., Boulder, Colo. 80301; 303-449-7789; and Box M-151, Hoboken, N.J. 07030; 201-420-1621.

markets

5430.

Fireman's Fund Insurance Cos. is moving its Santa Ana, Calif., office to 17542 E. 17th St., Box 1975, Santa Ana, Calif. 92702; 714-669-0911.

Acquisitions

Kaiser-Permanente Medical Care Program has acquired North Central Connecticut HMO, a 3-year-old health maintenance organization that has 14,000 subscribers in the Hartford area. The plan has been renamed **Kaiser Foundation Health Plan of Connecticut Inc.** ■

New name

Arch R. Oldham Insurance, a Dallas insurance agency, has changed its name to Oldham & Oldham Inc. The company has also moved to new offices at 3988 N. Central Expressway, Suite 1170, Dallas, Texas 75204.

Portuguese license

American Home Assurance Co., a subsidiary of American International Group Inc., has received a license to write reinsurance for all general lines of insurance in Portugal.

New offices

Crawford & Co. has moved its Risk Control Services Division's Northeast regional office to One Paragon Drive, Suit 107, Montvale, N.J. 07645; 201-573-9240; 212-594-

RIMS will retain spouses program

NEW YORK—The Risk & Insurance Management Society will continue to accept donations from the insurance industry for the spouses program at its annual conference, but it won't ask for them.

The issue of the host chapter soliciting insurance company contributions to the spouses program was raised during a panel on ethics during the RIMS Conference in Washington last April (*BI*, May 3).

RIMS Executive Director Ron Judd said that the Los Angeles chapter of RIMS, which will host the 1983 annual conference April 24-29, has been advised not to solicit companies in the insurance industry for contributions to the spouses program. "That has been the instruction—always," Mr. Judd said.

The local chapter receives $2,000 from the national organization of risk and insurance managers to buy gifts for the "grab bag" given spouses. In addition, members of the host chapter are advised they can solicit their own employers for additional items to be put in the grab bag, which serves as promotion for their products.

Insurance companies and brokers will be permitted to sponsor programs for the spouses as they have in the past, although RIMS won't ask for the support, Mr. Judd said. "No one is asking them. It is entirely their choice, if that's how they want to spend their advertising dollars," he said.

Traditionally, for example, Employers of Wausau has sponsored a breakfast for the spouses.

Industry contributions to the spouses program at the 1982 conference, including the sponsorship of meals, totaled about $8,000, Mr. Judd said. ■

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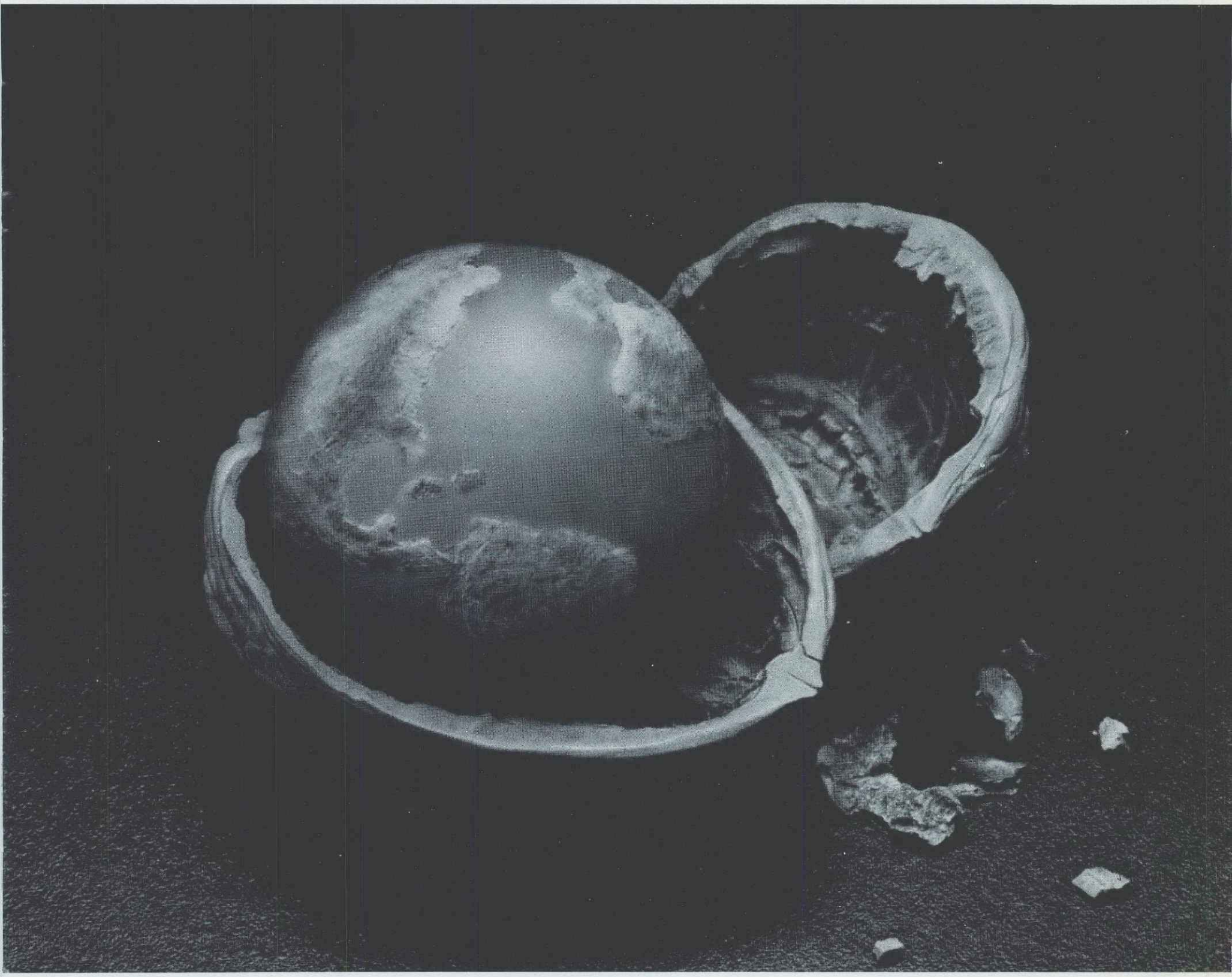

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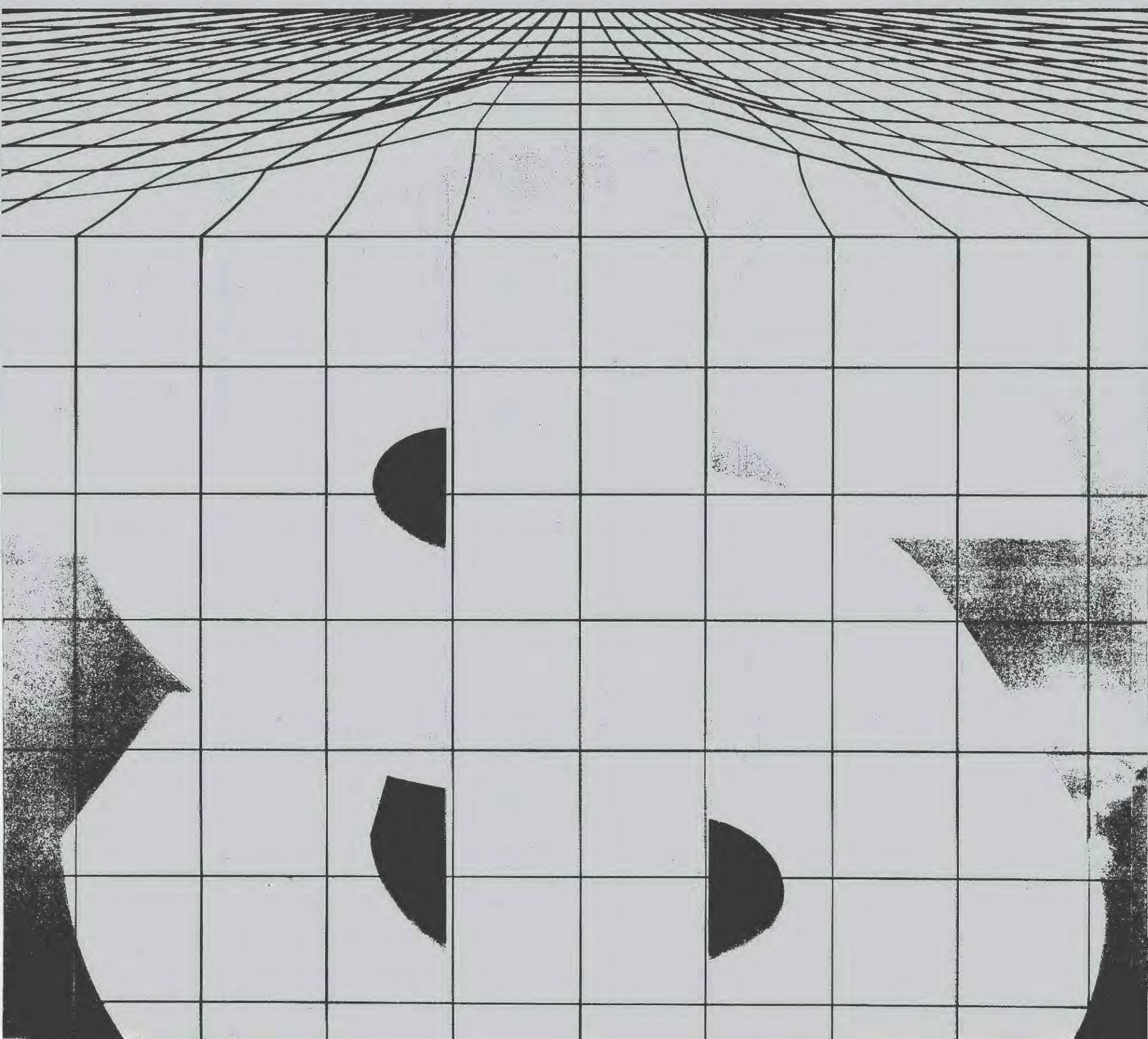

perspective

RISK MANAGEMENT

Can insurers really afford the idea?

By Peter Mehlhorn

FOR MANY DECADES and up to a time many of us remember, there was one usual and accepted way to deal with a risk: to insure it, shift it to an insurance company, against a premium. This premium was accepted to cover the potential loss, plus contained a certain share for covering cost and a certain margin for the insurer's profit.

Then it was believed that the insurer, in order to be a successful entrepreneur, was supposed to make an underwriting profit—even if marginal—on the premium. Nobody considered investment as a reliable and adequate source of income or referred insurers to investment income when premiums were discussed.

This attitude, prevailing in the industry for so long, was not a sign of generosity and understanding, but a result of an economic environment that allowed the industry to be less cost-conscious than it is today. It was just one aspect of a booming economy.

The advent and sudden widespread use of the term "risk management" can be seen in conjunction with changes in the economy that, by decreasing pricing possibilities and increasing costs, put industries and businesses under an economic strain not seen in many years. It was that bit of inflation and recession, or whatever phrase is used to describe dismal economic conditions, that brought about the risk management phenomenon.

This approach brings the procedure of dealing with a risk within the scope of management, similar to product-, portfolio- and other management application concepts.

It is no longer agreed that the way of dealing with a risk is to cover it by insurance; the risk itself—the contingent undesirable event, the hazard—is now considered an object of managerial discretion. And management disposes of a risk in the manner in which it thinks fit.

Insurance has generally become an option among various possibilities: to eliminate the risk or to live with it; to go self-insured; to form a captive; to switch to a paid-loss retro program or, as a more recent option, to insure and transfer it, partially or wholly.

The primary objective is to save money. Risk management is basically a cost-saving device for the insurance industry.

The bundle of services made available by insurers including risk analysis, risk appraisal, risk transfer, claims administration and settlement is now "unbundled." They are closely considered before making a decision on which of the manifold services are required.

The price to be paid for the particular services becomes a matter of negotiation. Premiums based on certain approved or non-approved rate manuals, routine conventional insurance policies covering the risk, are becoming passe. It is important, even necessary, to talk less and less about insurance and more and more about risk management or risk consulting.

In some ways risk management has always been what the insurer did for and together with the insured even at the time when the result of this "joint management" was normally insurance, in its old-fashioned context, from the ground up, with a little deductible.

Yet modern risk management sometimes appears to have the main objective of letting the insured keep the premium and the interest—as much as possible, as long as possible—and leave the insurer with the risk.

The terminology applied by today's risk management experts leaves few clues as to what is really behind it. Underneath those words is the growing erosion of the insurers' benefits by highly sophisticated gadgetry.

From "retroactive rating plans" via "paid-loss retro plans," "eternal risk-funding techniques" to the all-pervasive formula "cash-flow" program, it means less cash for whomever assumes the risk.

For instance, a "funding program" indicates the intention to tranfer funds to another entity belonging to the corporate family by using tax-deductible insurance premiums or brokerage commissions as suitable vehicles.

The increasingly demanded and competitive service requested by corporations from the insurance and reinsurance fields embraces captives and rent-a-captives, because risk management has become, particularly in multinational organizations, a tax-saving as well as a cost-saving device.

Risk management has, particularly, evolved into a facility to shift not only risks but considerable funds to some suitable offshore domicile through complex insurance arrangements. They may or may not include minor portions of genuine risk transfer.

The captive angle, as it seems to be intrinsically attached to risk management, provides another perspective that may be positive for the industry but unfortunately cannot be regarded as very helpful to the insurer.

Tax authorities, in countries where captives assume considerable dimensions, are highly suspicious of insurance premiums paid by a corporation to its wholly owned, offshore subsidiary. Usually authorities will not accept the premiums as tax deductible unless the captive writes an adequate proportion of "unrelated" non-group business.

In this way, risk management concerning captives has caused a terrific push by those captives for big volumes of international insurance and reinsurance business, in many cases regardless of quality.

In this context, "pro forma" insurance or reinsurance companies were prompted into contracting large amounts of business, not because they wanted to or were equipped to, but because they had to for purely external reasons. This resulted in a softening of markets and creation of innumerable insurers and reinsurers that have become known as "innocent capacity."

By the same token, the corporations for which it becomes necessary to cover certain hazards wholly or in part, gain access to reinsurance markets through the captive. These markets have "softer" rates than direct markets. They also have the advantage that corporate insurance programs, including those unpalatable risks, can be sold as a wholesale reinsurance program.

It is these facets of risk management that seem to represent the greatest risk the insurance industry has yet encountered.

This assumption, which may appear to be exaggerated, nevertheless arises from one very serious consideration: Within the modern scope of risk management, the insurer has ceased to be an insurer but has become a consultant. The corporate partner is hoping to obtain some lucrative business.

Following his advice to the corporate buyer on how to save a couple million dollars, including a detailed written analysis of the industrial firm's risk situation, the insurer may find that genuine insurance functions have been reduced to a kind of "tax playmate" status. Unfortunately, this status may last for the year or years to come. Finally, the actual insurance coverage may go to the competition, which may have been successful in managing the rates down to an even larger saving for the insured company.

Incomprehensible though it may seem, this conflict of interest between modern risk management by an insurer and the principal idea of selling insurance against a premium, which puts the basic insurance philosophy at stake, is not fully realized by many insurance people now dabbling in risk management.

One of the reasons for this misunderstanding may be that many insurers are selling risk management separate from insurance, by forming separate subsidiaries just for that purpose.

Another reason is that we have begun to employ many people who are not insurers for this "gimmick" of risk management. In this area a set of pseudo scientific scholars and computer-minded quantifiers have invaded the insurance world, diligently putting method over matter and replacing the seasoned, commercially oriented insurers who have learned their trade from scratch.

Why don't we get rid of this trendy and expensive crowd of researchers, theoreticians and intellectuals who are in charge of an extremely important and sensitive segment of the insurance world? Replace them with more down-to-earth insurers who haven't forgotten how to serve their employers' interests, yet are fully aware of the intricacies of risk analysis and the ancillary programs involved.

This would not, however, alter the basic situation. It would lead to further decreases in insurance business, more unbundled services and an increased development of captives and captive-like arrangements; especially if that risk management form had been "successful."

Risk management in its fashionable form doesn't render a pleasant image for insurers. Yet insurers dynamically and unhesitantly implement risk management programs on a global scale. This is not due to naivete of the

Continued on next page

Dr. Peter Mehlhorn is executive vp and general manager, foreign operations for The Gerling Group of Insurance Cos. in Cologne, West Germany.

perspective

The costs of risk management

Continued from previous page
insurers but, to a large extent, to the fact that "everybody does it" and that insurance, particularly industrial insurance, has become cut-throat and intensely competitve.

Many insurers just seem to feel that they don't have an option vis-a-vis the increasing demands of their corporate buyers. The insurers respond, sometimes unwillingly but favorably, to every whim of their risk management partner. One has to appreciate that these partners too are under pressure from top management to save money and taxes.

For corporate risk managers, developing their responsibilities with their insurers to make a low-keyed specialty department into an important, acknowledged facet of management must often be a tempting aspect of business.

The question is whether this risk, the risk management concept, if we regard it as such for the purpose of this article, can be contained or limited or whether it must be accepted as a hazard that will erode insurance in its conventional sense and eventually destroy it.

In other words, are insurers doomed to continue to unbundle their formerly packaged and packaged-priced services and exchange conventional insurance for consulting, marketing and advising on a variety of services, such as claims handling, administration and adjustment?

Are insurers inevitably on the way to basically exchanging insurance premiums and interest on reserves for service fees, balance-sheet items for profit-and-loss items and remaining conventional insurers only for giant or bad risks corportions don't want to retain?

It seems clear that corporations do not have the slightest intention of applying to themselves what they are asking their insurers to do. Business requests unbundling from the insurance industry with so much determination, yet they are far from unbundling their own risks on the market.

On the contrary, risks of all nature are constantly bundled and packaged to make it more difficult to scrutinize them closely and to put them on the market through reinsurance.

Shopping for an adequate discount for a bundled product makes individual calculation of premiums very difficult, if not impossible, and the risks included in the package are made as indistinguishable as possible.

This also applies to industrial and commercial all-risk policies and across-the-board industrial risk packages that carefully wrap the more difficult hazards, like professional malpractice, which are placed via the industry's subsidiary insurance companies or captives, on reinsurance markets that are more concerned with financial skills than underwriting expertise.

Generally speaking, the economical result of bundling is a positive one and unbundling means taking a loss.

As insurers, therefore, let us make every effort to control this facet called risk management. Let's try to stop unbundling or just unbundle on the basis of strict reciprocity and immediate and adequate compensation.

Somebody recently put it this way, "It's time for the markets to get commercial rather than fund the world and continue being nice chaps."

Yet we all know how difficult it is to change one's attitudes, let alone alter our approach, particularly if the old pattern of behavior happens to be the easiest.

The pressure to change is right at hand, though. It lies primarily in the fact that we are unable to afford our amenable, soft attitudes any longer.

The insurance and reinsurance scenario has become gloomy indeed. Generally, if there are still profits, they are operating profits. Investment income has become the insurance industry's one-and-only income. Underwriting profits have become a reminiscence. Yet while industrial fire and liability rates are plummeting, the exposures have increased to unprecedented dimensions.

This picture applies in as much as conventional insurance is still being sold. But, due to the readily available services and advice of the industry's risk-management institutions, thousands of corporate risk managers are shifting from conventional insurance to the alternative methods mentioned as recommended by insurers. In this manner, the insurance industry is losing premium volume and funds.

Decreasing premiums and increasing exposures accompany a matching increase in the frequency and size of industrial losses, sending combined ratios into brackets that a few years ago would never have been accepted. They would be higher still if the insurers' and reinsurers' loss reserves for long-tail business would take care of continuing inflation and contain adequate loadings that would add, as estimated by experts, another 3% to 5% to their miserable combined ratios.

What will it take for insurers to act?

In a few spectacular cases such factors have occurred in large companies where investment income proved unable to meet underwriting losses. In many more not-so-spectacular cases we see underwriting losses eating into operating income at an astounding pace. In other dramatic instances, companies went bankrupt and licenses were withdrawn. In numerous other cases, surplus and capital were impaired and often new money had to be injected by shareholders.

It is discussed that a major catastrophe, such as a California earthquake, would force insurers to liquidate their bond portfolios and realize terrific losses, estimated at 25% of total portfolio values. Such an event, it is believed, would wipe hundreds of companies off the market.

In view of inadequate protection, government intervention has been invoked, but nothing feasible has resulted. Consequently, most people have decided to look the other way in an understandable effort to keep potential chaos out of the system.

But many people feel that it may inded take that disaster to turn the market and return to underwriting.

The nice-guy behavior of many insurers, reinsurers and their fabulous risk-management operations cannot now be explained.

Clearly, in light of the financial developments in many insurance companies, ceaseless talk about challenges or services in the manner of a charitable non-profit organization must come to a stop.

Carefully consider ways to cut personnel costs

By Kenneth P. Shapiro

management

ONE OF THE hottest management issues today is personnel costs.

Hardly a day goes by that the Wall Street Journal does not report a major company has instituted some kind of control or cut in its personnel expenditures.

Consider some recent union contracts as an example. In the first quarter of 1982, 70% of unionized workers had wage freezes. Reduced hourly pay raises, give backs and changes in work practices prevail. Contracts have been reopened before expiration.

But the example of organized labor should not be misconstrued. Personnel cost controls now cut across all levels, from the shop floor to the executive tower. And few industries or regions are immune.

Kenneth P. Shapiro is a vp at Hay Huggins & Co. in Philadelphia. His column on management appears monthly in Business Insurance.

Faced with a lingering recession, management obviously must cut or control cost. Personnel is a logical area for trimming. But within this area, there are many options, all of which should be weighed carefully.

- Cutting back on budgeted raises. This is one of the softest controls, not reducing actual costs, but at least slowing the growth in costs. Recent surveys done by Hay Associates indicate that salary policy lines in U.S. companies may be set 2% below original 1982 expectations.
- Extending salary-review periods. This also slows increases by delaying yearly raises. Many companies are moving review periods to 16 or even 18 months.
- Wage freezes. This is a more dramatic action that holds costs at the current level.
- Salary/benefits cuts. A severe action that most companies try to avoid.

Other workforce controls also act to limit or reduce personnel costs. From the lightest to the harshest, these are: encouraging early retirement, instituting hiring freezes, layoffs.

Hays survey data indicate that seven out of 10 U.S. companies are doing something to control their personnel costs—and most are taking multiple actions. The crucial management issue in this situation is "How do you decide which actions to take?" Planning these cuts is not just a numbers game.

For instance, a company might save the same amount of money by instituting across-the-board salary cuts as it would if it laid off a part of its workforce. Across-the-board cutbacks, however, are extremely demoralizing. Everyone feels denied. Layoffs, on the other hand, also harm morale but those who are the most affected (and most demoralized) are no longer on the job—unfortunate as it may be.

But certain circumstances would necessitate salary cuts over layoffs. For example, if a company's recovery depended on maintaining a certain level of production, sales effort or research and development, then shrinking the workforce would be illogical. With a need to produce, but with an equivalent need to cut personnel costs, the logical alternative becomes pay cuts.

Even some of the softer controls, such as lowering expected raises, have serious implications. The savvy manager will make sure that top performers still get appreciably higher-than-average increases, lest they be alienated. True, in our current hard times it is less likely that people will job hop. Still, management must do all it can to prevent "stored-up turnover"—discontent that may lead to an unfortunate and debilitating exodus once the economy straightens out.

Perhaps the soundest advice that management should heed is this: No matter how you decide to cut back, make sure that you communicate your decisions honestly and quickly throughout your organization. The company grapevine, left untended by management, has a way of growing out of control. It could strangle you. ■

Debate of open rating's merits continues

Continued from page 3

"We believe the present system works."

Mr. Aldridge said the present system operates in the public interest because it is highly competitive on price and service, is fair and equitable to employers and provides incentives for a safe workplace.

Competitive rating could damage the data base for setting rates and threatens safety incentives built into the present pricing system, he says.

"It stands to reason that the pricing system has had an impact on this good record," he added.

Competitive rating also could result in worse underwriting results for insurance companies already underrating risks in this soft market, forcing some to withdraw from the market and make it less competitive, it was pointed out.

In some states, competitive rating also can mean more regulations and higher costs for insurance companies, Mr. Aldridge said.

"There is nothing to be gained and much to be lost" by competitive rating, he added.

Before concluding it would not support open rating, the AIA commissioned consultants Risk Planning Group in Darien, Conn., and Independent Actuarial Services, Inc. of Mountain Lakes, N.J., to study the issue.

"The AIA is not urging enactment of competitive rating bills of any description for workers compensation coverage," said John N. Reid, AIA counsel. "The AIA does not urge there be a change from working regulatory systems to competitive rating for workers compensation."

The NCCI's Mr. Ryan argued that the intent of the pricing system was to be adequate and equitable. "Do you have to change the system to get adequate and equitable pricing?" he asked.

The experience rating and financial data used in the current rating system are essential for fair and equitable rating, he said, adding that the move to open competition would jeopardize that.

Mr. Ryan added that there have been efforts in the past to change the system. Some 10 or 15 years ago the move was to take the regulators out of the process.

"Whoever fouls up the system, we'll be there to make sure it works," he said.

Those who argued for competitive rating said that it would reduce prices, increase competition and be more beneficial to buyers.

H.P. Carmichael, president of Casualty Insurance Co. in Chicago, predicted that "competitive rating will bring about the most dramatic change in the insurance industry since 1945."

Administered pricing provides the easy way out for management, Mr. Carmichael said. It relies on a supposedly scientific data collection system and on experts the insurers can't control. "This leads to stagnation."

Insurance buyers recognized that the insurance industry would not change its rules, so it set up "new leagues" such as offshore captive insurance companies and self-insurers, he said. "This new league has taken a lot of players with it."

"They (the insurance industry) don't seem to realize they are losing players."

Mr. Carmichael urged that competitive rating be free of a uniform data base and unnecessary filing requirements that hinder operations. "These are the things that stifle innovation," he said.

"Don't bind me to a uniform data base. Give the industry a choice."

He argued that the present system operates like a crutch and that competitive rating will take the crutch away. "We will be forced to rehabilitate ourselves," he said.

> 'Competitive rating would do a better job of setting rates that are satisfactory to both insurers and insureds,' says Lawrence C. Baker, president of Argonaut Insurance Co.

Also arguing on behalf of competitive rating was Lawrence C. Baker, Jr., president of Argonaut Insurance Co. in Menlo Park, Calif.

Administered pricing consists of "insurers having delegated to other parties their fundamental responsibilities to determine their own prices and their own destinies," Mr. Baker said.

A competitive rating system will respond to underlying cost changes more quickly, will be less subject to political pressures and will enhance competition to improve the system as a whole, he added.

Often, prices have had nothing to do with the rate level, but were subject to the political whims of state legislatures. Michigan, for example, recently reduced rates for reasons having nothing to do with data but because the Legislature wanted it, Mr. Baker said.

There also is great incentive for misclassification in certain areas and the data base does not respond quickly to changes in the industry under administered pricing.

"We have carefully constructed data that is misleading us," he said, adding that the data base is so large and sluggish it can't respond quickly to changes in the system.

"Competitive rating would do a better job of setting rates that are satisfactory to both insurers and insureds," Mr. Baker said.

One of the negative effects of administered pricing is the rush to self-insurance, he added. In 1970, 61.2% of worker compensation benefits payments came from commercial insurers, compared with 51.9% in 1979.

"It is an indication of the vote of our customers on where they stand," Mr. Baker said.

Illinois Insurance Director Philip O'Connor, who has resigned his post to head the political campaign of Illinois Gov. James Thompson, added that investment income was the "fundamental issue" in competitive rating and that it must be considered in setting rates.

Pointing out that Illinois just passed competitive rating by nearly unanimous votes in both houses of the Legislature, Mr. O'Connor said those opposing it are putting up "basically a goal-line defense."

"Most have abandoned the notion that price competition in and of itself is incompatible with the data base," he added.

Having 250 insurance companies with the same prices "is the kind of thing you go to jail for" in other areas, he added. ■

Exclusive remedy withstands assault: Larson

Continued from page 3

Employers also have been sued in cases where it has been alleged they have intentionally harmed, deceived or fired an employee for filing a workers compensation claim.

In most of these areas, there is no significant erosion of the exclusive remedy doctrine although changes are taking place in some states, Mr. Larson said.

In the area of dual capacity, for example, employers have been sued in their capacity as manufacturers when an employee has been injured by their product, but this is not generally accepted outside of California and Ohio, Mr. Larson said.

The idea that one can sue an employer in his role as landlord or owner of the worksite is accepted in California and Florida and was recently upheld by an Illinois appellate court in the Sharp vs. Gallagher case.

That decision has been appealed to the Illinois Supreme Court (*BI*, March 15).

But Mr. Larson does not believe the court will uphold this decision. "The case is so wildly out of line, I just can't see the thing surviving," he said.

"If dual capacity can be based on ownership and occupation of land, there will be almost nothing left of exclusive remedy."

In a positive vein, according to Mr. Larson, more lawsuits are being allowed in cases where an employer threatens an employee with termination if the employee files a workers compensation claim.

"It is where the breakdown of exclusive remedy is very well-justified," he said.

While some of the states have permitted suits against an employer who has intentionally harmed an employee, West Virginia, in 1978, stretched the concept to permit a lawsuit against an employer who is guilty of gross negligence (*BI*, March 8).

Although Mr. Larson is optimistic that the workers compensation system will survive the current attacks on exclusive remedy, he admits an increasing number of people are trying to get around that doctrine.

Others at the conference were not so positive that the exclusive remedy concept will survive the mounting attacks.

"We're winning the battle in exclusive remedy, but losing the war," commented Douglas F. Stevenson, an attorney with the Chicago law firm of Rooks, Pitts, Fullagar & Proust.

Employers are on the losing side because they are being brought into suits through third-party actions by manufacturers that are sued by injured employees.

Besides paying the work comp claim, the employers must defend themselves in these suits and often contribute to the award, Mr. Stevenson said.

Not all companies would agree that the pendulum has swung back in favor of the exclusive remedy doctrine, added Keith Bateman, assistant vp and director of policy resources for the Alliance of American Insurers.

"We have seen a few horrible fact cases that have come down. Whether they will be extended is our major concern."

Donald E. Elisburg, a Washington, D.C., attorney with the firm Connerton & Bernstein, said the cases eroding the exclusive remedy doctrine point to the continuing need to improve the workers compensation system.

"People go around it because they are not happy with the basic system," Mr. Elisburg said, referring to low benefits paid in some states. ■

The site was right

ORONO, Maine—The University of Maine may not be the largest or the most heralded of the nation's universities, but a better place to hold a weeklong discussion on the problems of workers compensation would have been hard to find.

For the sixth consecutive year, a national symposium on workers compensation was held on the campus nine miles north of Bangor. The symposium, which was held July 12-16, was sponsored by the Conferences and Institutes Division of the university.

Representatives of the insurance industry, government, business and labor met in the casual campus atmosphere to expound on the problems plaguing the workers compensation system.

Although the accommodations are rather spartan (participants stayed in university dormitories with no phones and ate college cafeteria food), they proved conducive to informal yet informative discussions.

Topics, which received one day's attention each, included the exclusive remedy doctrine, a report on state workers compensation laws, growth in competitive rating and solving the asbestos compensation problem.

Other topics, such as the current state of wage-loss proposals and new products offered by the insurance industry, also were sandwiched in.

The conference was organized by J. Howard Bunn Jr., vp of the National Assn. of Independent Insurers.

Integrate comp with health, life cover: Paper

ORONO, Maine—The possibility of integrating workers compensation benefits into an employee benefits package sold by life, accident and health insurers should be investigated more closely.

That's the message in a paper presented by former Illinois Insurance Director Philip T. O'Connor and Georgianne M. Riley, counsel to the Illinois Industrial Commission, at the 6th Annual National Symposium on Workers' Compensation.

Such an approach could provide a more competitive environment with more efficient delivery of benefits, greater cost savings and a better way for dealing with occupational diseases, they say.

"We're not advocating radical changes," Ms. Riley said. "They can be made with a minimum amount of legislative changes."

According to the paper, "The objective here is not to advocate the use of group policies sold by life, accident and health insurers to supplant the existing workers compensation product, but, rather, to initiate public discussion on whether it is possible to offer employers a broader range of competing options to accomplish the same goals."

Employers currently purchase workers compensation insurance to cover employees on the job and also health and life insurance as benefits to protect workers around the clock, the paper said.

This overlap in coverages leads to a number of administrative problems.

"There really are not benefits provided through the workers compensation product that are unfamiliar to life, accident and health insurance companies," the paper adds.

"The underwriting and reserving questions are really quite similar in workers compensation and in various areas of group life, accident and health insurance."

By eliminating the duplication, savings could be made on agent commissions, field and home office expenses, services and adjusting expenses.

"The purchase of an integrated employee benefit package by an employer might offer some upfront price advantages simply by eliminating some overlap in coverage and by compressing the expense loading, particularly through the sliding scale for expenses that is prevalent in the group life, accident and health business," the paper said.

"In addition, there could possibly be advantages in that the benefit structure might reduce litigation and other loss-adjustment expenses by eliminating uncertainty on the part of both employer and employee as to which benefit source should be tapped."

The paper notes several differences between workers compensation and life, health and accident coverages.

But for the most part, they are differences in practice rather than functions of statute.

One exception that the paper calls "probably the most significant obstacle" to the integrated package is that there is customarily some provision for employee contributions to the premium in group life, accident and health plans. This does not occur in workers compensation.

But the paper cites some possible solutions, including payments by the employer of the total premium or a reasonable allocation of premium related to on-the-job vs. off-the-job claims.

Any remedy would probably have to be accomplished by statute, the paper says.

What it calls the "initial issue" is whether benefits under life, health and accident policies would be identical to those paid under workers compensation.

If identical, the integrated package would result in an improved benefit delivery system and a reduced case load, the paper says.

It would improve benefits because payment would be immediate regardless of whether the accident arose out of and in the course of employment.

Such is not currently the case. Employers might contest work comp claims and then friction often occurs between employers and group health insurers that must pick up the claim not covered by workers compensation.

"Immediate payment reduces the hostility between workers and employer, which means that fewer claims will be litigated, thereby reducing costs to the insurer and increasing the amount received by the workers because there will not be an attorney taking fees for his services to recover compensation," the paper said.

Case loads would be reduced due to fewer hearings because workers with relatively minor permanent disabilities will not file claims with the state's industrial commission and the industrial commission would not have to determine the issue of whether the injury arose out of or was in the course of employment.

This last factor is significant with regard to occupational disease, the paper said, since the worker then would have to go through significant hurdles to get compensated.

"Even if benefits for industrial and non-industrial accidents are not identical, reduced costs and improved benefit delivery could still be realized due to the immediacy of benefit payments that is inherent in this type of comprehensive compensation package," the paper explained.

It recommends several steps to change workers compensation laws and insurance codes to allow the option of the integrated employee benefit package.

They include opening up the market to more qualified insurers and letting life, accident and health companies write conventional workers compensation policies.

Other issues that legislatures might have to deal with include determining what benefits should be mandated and what impact the integrated package would have on an individual's right to sue the employer, which is currently prohibited under workers compensation laws.

Statutory changes also may have to be considered in the area of occupational diseases under the integrated package, the paper said.

Great care would be needed to guarantee that contributions made by employees to the life and health portions of the plan would not be structured in an unfair fashion, the paper says. ■

IMMEDIATE ACCESS TO INDUSTRY INFLUENTIALS

UPCOMING ISSUES	ISSUE DATE	AD CLOSING
	AUG 30	Aug 18
	SEP 6	Aug 25
MARINE INSURANCE: IIAA Convention	SEP 13	Aug 31
Risk Management Board Survey	SEP 20	Sep 8
EMPLOYEE BENEFITS: PERSONNEL ADMINISTRATION	SEP 27	Sep 14
	OCT 4	Sep 22
FINANCIAL SERVICES: FOR CAPTIVES & SELF-INSURERS	OCT 11	Sep 28
Employee Benefits Board Survey	OCT 18	Oct 6
REINSURANCE: NAII Conference	OCT 25	Oct 12
	NOV 1	Oct 20
NEW ENGLAND MARKET REPORT	NOV 8	Oct 26
Risk Management Board Survey	NOV 15	Nov 3
INTERNATIONAL INSURANCE	NOV 22	Nov 9
	NOV 29	Nov 17
	DEC 6	Nov 23
EMPLOYEE BENEFITS: IN RETROSPECT	DEC 13	Nov 30
Employee Benefits Board Survey	DEC 20	Dec 8
	DEC 27	Dec 15

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Asbestos compensation fund

Erlenborn says those who don't deserve injury benefits will be able to collect anyway

ORONO, Maine—Federal involvement in compensating victims of asbestos-related diseases could mean awards to thousands who don't deserve it, Rep. John Erlenborn says.

Speaking at the 6th Annual National Symposium on Workers' Compensation last month, Rep. Erlenborn, R-Ill., warned that a federal occupational disease legislation, as proposed by Rep. George Miller, D-Calif., could easily mirror the federal black lung program that has paid out claims to many who did not deserve them.

Rep. Miller's bill, H.R. 5735, would provide compensation for people who suffer diseases stemming from exposure to asbestos or unarnium ore.

The U.S. Department of Labor would award or deny compensation after giving the parties opportunity for a hearing. Liability is assigned to the last employer.

Rep. Erlenborn

In exchange for the awards, the worker or worker's family would give up the right to sue the employers and manufacturers.

Currently, an estimated 10,000 lawsuits have been brought by workers exposed to asbestos.

Like black lung legislation, the asbestos bill concerns an epidemic disease, creates presumptions to bridge causality and carves out selected claimants, Rep. Erlenborn said.

Rep. Erlenborn cited several inadequacies he sees in the Miller bill. They include:

- The bill compensates disease not necessarily caused by asbestos, like gastrointestinal or larynx cancer.
- The bill erodes the workplace causality doctrine of workers compensation through the use of presumptions. "It ignores accepted medical opinion of dose-response relationships," the congressman said. "The presumption for lung cancer is the most egregious departure."
- The bill fails to provide criteria for diagnosing the disease, does not define disability, triggers coverage for other occupational diseases and is funded on a non-reserve or pay-as-you-go basis.

Rep. Erlenborn said that what the country got with the black lung fund was "miners' compensation in drag" with 90% of the claims approved without proof of black lung or resulting disability.

"That's what will happen with asbestos," he said.

Rep. Erlenborn also criticized the current research on asbestos that is the basis for the Miller bill.

For example, a 1980 U.S. Department of Labor study on the number of workers disabled by asbestos and the number receiving workers compensation was based on an old survey with a self-diagnosing format, he said.

Congress should not react emotionally to media reports of occupational disease, he added. "It should not ride the crest of the prevailing public attitude."

Rep. Erlenborn acknowledged that many asbestos victims are not filing claims through the workers compensation system, but this is not the system's fault. There simply are more incentives for filing tort claims.

For example, Social Security disability income is offset by workers compensation awards but not tort awards.

Also, the possibility of receiving more in damages through a lawsuit than a workers compensation claim encourages many to sue.

Rep. Erlenborn concluded that the problem is really one of product liability and does not require reform of the workers compensation system.

State systems just can't handle occupational disease claims: Miller

ORONO, Maine—Compensation for asbestos-related diseases should be resolved through federal legislation and can't be handled by the state workers compensation system.

That's the opinion of Rep. George Miller, D-Calif., who is sponsoring legislation to establish a means for compensating victims of asbestos disease. He and several others who favor such a federal program spoke at the 6th Annual National Symposium on Workers' Compensation here last month.

"I don't see any ability of the state systems of compensation to handle this problem," he said. "The existing system was never designed to deal with occupational disease, let alone with asbestos."

Rep. Miller said current claimants are "dancing around" the workers compensation system, with most going to litigation or Social Security.

Mr. Larson

"I think the system's broke and it needs to be fixed.

"I'm very comfortable with the legislation in concept," he added, although details in the bill, H.R. 5735, have to be worked out.

Arthur Larson, a former U.S. undersecretary of labor and professor emeritus of law at Duke University, also supports federal legislation.

Mr. Larson said the bill had enough going for it to be considered a starting point for solving the asbestos dilemma but that it needed further modification.

An ideal program would deal with both workers compensation and tort problems, cover all potential claimants and liable parties, not pretend it is workers compensation, build up a fund in which all responsible parties are contributors and not attempt to include anything other than asbestos and asbestos-related diseases, Mr. Larson said.

Enough of these components are in the Miller bill that it is a starting point.

"I think the asbestos problem is so unique and so uniquely intractable at the state level that if there is going to be a solution, it has to be at the federal level."

Mr. Larson defended the use of presumptions in such legislation to circumvent proof of causation in each individual case.

"The only way such legislation can work is through presumptions; I don't know what the alternatives are," Mr. Larson said.

In the case of asbestos diseases, presumptions favoring compensation in cases in which the victim develops asbestosis or mesothelioma, a form of cancer linked to asbestos, are "impossible to argue with," he said.

The federal government, which set design standards requiring asbestos, and insurance companies should also contribute to the fund. "If you don't include the carriers, they get a windfall," he said, because payments by the asbestos companies to the fund would not be an insured loss.

Mr. Larson added that a provision in the bill that would allow it to apply to other diseases that could potentially result in massive litigation should be deleted for a number of reasons, "not the least of which is political."

There's nothing intrinsic about other diseases that they can't be handled at the state level, said Mr. Larson, adding "if the states want to do it."

Michael Goldberg, who helped write the Miller legislation, echoed some of Mr. Larson's statements. He said the compensation fund is necessary because of the "massive size" of the litigation and because asbestos disease is a forerunner of other latent illnesses caused by toxic substances.

Federal minimum benefits not likely in near future

ORONO, Maine—Ten years after a national report on workers compensation recommended federal minimum benefit standards, such regulations appear farther away than ever.

John Burton, who headed the National Commission on State Workmen's Compensation Laws in 1972, said federal standards are not a realistic possibility in the near future.

Yet Mr. Burton, who spoke at the 6th Annual National Symposium on Workers' Compensation at the University of Maine last month, says the need for federal standards is greater now than 10 years ago.

"But it is a totally absurd notion to think we will get it now or in the next few years," admitted Mr. Burton, a professor in the School of Industrial and Labor Relations at Cornell University in Ithaca, N.Y.

Even if federal standards were implemented, it is uncertain that they would be workable, adds John Lewis, who served as general counsel for the commission.

Mr. Lewis, a Florida attorney, said that the political process can make implementation of the federal standards difficult, adding there is no adequate way to enforce the standards.

The political process reacts very slowly, often doesn't reflect reality and lets extremes come in, he added.

"I don't think we can mandate politically what would be required in many states. We would be no better off with a federal standards approach."

While federal standards have not been put into effect, many other recommendations by the commission have been enacted by the various states.

"There has been overall improvement, but some slippage recently," said Mr. Burton. "State laws have improved considerably."

In 1972, the average state complied with 6.9 of the 19 recommendations considered essential by the commission. This year, the average state complies with 12.1 of the recommendations. In some states, like Mississippi, no improvements have been noted. It still complies with only seven recommendations.

Several others also discussed the report at the symposium, including Allen Tebb, general manager of the California Workers Compensation Institute, who discussed its impact in California.

Nothing much has changed, Mr. Tebb said. "Despite 10 years of tinkering, the statutory laws are relatively unchanged."

He called the workers compensation system in California "still inadequate, still inequitable and only marginally effective."

Among the problems are legislative indifference, no agreed-upon solution to permanent partial disability and an imbalance of the commission's 19 essential recommendations.

If it were operating today, the national commission would have different problems to consider, Mr. Burton said.

For example, it would have to look at the problems of occupational diseases, although "I'm not sure workers compensation could deal with the problem," he said.

It also would have looked at problems of permanent partial disability, excessive utilization of the workers compensation system and cost containment in medical care.

Despite the recommendation of federal standards, Mr. Burton said the report was "relatively conservative," recommending that reform come from within the system.

But conservatism would not likely be a hallmark of a similar commission formed today. In the wake of supply side economics and a desire for a constitutional amendment to balance the budget, a new commission would reflect such an approach in its thinking, he said.

The commission's report was authorized by federal legislation and consisted of 15 members that included representatives of the insurance industry, health care, government, business, the public and labor. ■

N.Y. wants experts to help cut its losses

Continued from page 3

senior vp and risk manager for Irving Trust Co. in New York.

The team will examine the city's self-insured property, casualty and workers compensation insurance programs.

Currently, these programs are handled by various city departments. For example, the city's law department handles workers compensation insurance, claims and administration; the personnel department handles health and worker safety programs, and the city controller's office handles the property and casualty programs.

The city agrees with Mr. Spivey's initial assessment that communications may be a problem and is open to the idea of a centralized risk management program if it would be more cost-efficient.

"Since it (the current program) is so fragmented," explains a city spokesman, "there may not be a coordinated communication system. One department may be doing something that another department may not know about."

Mr. Spivey

The task force's first fact-finding meeting is scheduled for Aug. 19 when members will meet with representatives from the City Council, the law department, the controller's office, the mayor's office, the personnel department, the safety office and the office of budget and management.

"The city will look at any area where it is liable," said a spokesman for City Council President Carol Bellamy, whose office is coordinating the insurance program study.

Any kind of a claims and judgment reduction would mean a considerable savings, he says.

"If we can save 10%, 5% or even 1%, we'll have a big savings," he explains. "The city is attempting to come to grips with the problems of judgment and claims. We're looking at this in a very comprehensive way."

The rapid increase in judgments and claims in New York also reflects the economy, explains task force member Mr. Esenberg.

"People are much more claims-conscious during poor economic times," he notes. "They're more likely to submit a claim. Inflation has risen and their compensation hasn't gone up as rapidly."

In the future, possibly after the city completes contract negotiations with its police, fire and sanitation workers unions, it may also look at cost-containment measures to trim employee health benefit costs, but that will not be addressed by the current task force. ■

U.S. may crack down on pension trustees

WASHINGTON—The Reagan administration wants to give the Internal Revenue Service more power to penalize pension plan trustees who renege on promises to turn plan operations over to independent investment managers.

Legislation that the administration is considering would allow the IRS to require pension plan trustees to pay as much as $40,000 a month if they ignore federal government directives to use independent managers.

The proposal is clearly directed at the Central States, Southeast and Southwest Areas Teamsters' pension plan, one of the nation's largest multiemployer pension plans with 500,000 participants and $3.5 billion in assets.

In a 1977 arrangement with the Labor Department, the Teamsters' plan, which has had battles with the federal government over alleged corruption, agreed to allow Equitable Life Assurance Society to handle most of its assets.

That contract expires Oct. 3, and the department has rejected the plan's proposed contract with Equitable that would allow the plan to have a bigger role in managing assets.

The administration's proposal to penalize plan trustees is one way to ensure that the Teamsters continue to leave control of plan assets with professional managers. ■

Employers want OSHA to scrap advisory rules

Continued from page 2
safety violators more easily if the advisory standards were removed. If the standards are rescinded, OSHA can apply its general duty clause to prosecute violators. That clause applies only when a health or safety violation is not covered by an existing standard.

Appellate courts and the Occupational Safety and Health Review Commission have rejected citations given to violators of the advisory standards, he says, because the standards were not written mandatory language despite OSHA's claims that, regardless of language, the rules are mandatory.

The Midwest plant engineer confirms this. On a recent inspection, "OSHA was quite lenient, really, because they realize there are a lot of things they can't nitpick on."

Many businesses said that they did not expect the removal of the unenforceable provisions to change working conditions at their plants.

"If they (the rules) are good for the safety of people and for the working environment, whether they read 'shall' or 'should' we will continue to abide by them," a spokesman for Xerox Corp. in Stamford, Conn., says.

"Our own regulations go beyond those of OSHA; we've found that OSHA regulations, in many cases, don't go far enough in protecting our employees or our customers."

A spokesman for International Business Machines Corp. in Armonk, N.Y., says the it will not be affected if the standards are revoked. "We're ahead of most of these (standards) anyway and don't plan any changes," he says.

"I don't perceive this will have any significant effect on GE's operations," says Jerome Coe, staff executive for the environmental quality and safety division at General Electric Co. in Fairfield, Conn.

Mr. Coe calls OSHA's proposal "quite a sensible change," adding that "it will eliminate a large source of controversy between businesses and OSHA inspectors."

However, opponents of the elimination of the advisory standards charge that their removal will make businesses less likely to enforce saftey standards.

"If there are certain things made mandatory at the workplace, the employers are going to be much more inclined (to follow the standards) than if not," says Samuel E. Gluck, vp for research and public affairs for Bonded Scale & Machine Co., based in Columbus, Ohio.

An employer who cares about the welfare of his employees will probably continue to seek safe working conditions even if the standards are revoked, but "those who are not concerned will find areas they can neglect with impunity," Mr. Gluck says.

But G.W. Ouellette, safety and security director for Clark Equipment Co.'s industrial truck division in Battle Creek, Mich, doesn't think companies will be less attentive to safety if the rules are rescinded.

"During an economic downturn, such as the one we are in now, companies really should emphasize safety that much more," he says.

Mr. Ouellette explains that in slow economic periods, when an employer has fewer employees, he should have the time to concentrate on strengthening his safety policies for when he can rehire.

Mr. Gluck dismisses notions that employers concerned with safety are a strong enough deterrent to hazardous working conditions. "People who do care and have the best of intentions often do not see hazards a specialist may see."

Mr. Gluck, in the written comments he sent to OSHA, says that "many, if not most of these regulations do have substantive merit."

"The fact that OSHA has tried to enforce these regulations through the courts is an acknowledgement of OSHA's belief in their necessity and substantive value. Each of the regulations must be considered on its merits. Those that are valuable should be rewritten in mandatory language and retained."

OSHA's Mr. Glasier says rewriting the provisions would be a time-consuming legal action, and that rescinding them and then enforcing the general duty standard is a quicker, more efficent way to make the provisions enforceable.

The Bakery, Confectionery & Tobacco Workers International Union is also opposed to OSHA's plans. The union is asking OSHA to rewrite the standards.

"We look at the regulations from more than just a legal-enforcement viewpoint, but as giving guidance to people in the industry," says Vaughn Ball, director of the union's research and education division in Kensington, Md.

Mr. Ball adds that OSHA may be more concerned with business interests rather than with providing safe conditions for employees. ■

Some companies can escape inspections

Along with its plan to rescind almost 200 standards, the Occupational Safety and Health Administration is launching three voluntary safety inspection programs (*BI*, July 12).

"These programs are designed to supplement OSHA enforcement, not to replace it, by recognizing firms with exemplary safety records," says Chris Graybill, an OSHA spokesman.

Companies approved for any of the three programs will be exempt from scheduled OSHA inspections, but will still be subject to all OSHA laws, and the agency can still respond to any complaints against the participants.

The three programs, which officially began July 6, are:

- STAR. This program is designed for safety-conscious companies that already have good safety records, established safety and health programs, joint labor/management safety committees and joint inspections.

Participants in the STAR program must have both injury and lost workday rates that are equal to or less than the three-year national average for their industry. These companies will be evaluated by OSHA every three years.

- PRAISE. This program is designed for companies with praiseworthy safety records, but lacking joint labor/management committee structures.

Companies qualifying for PRAISE must belong to an industry with a lost workday injury rate at or below the national average for the past year, and have a company lost workday injury rate below the five-year national average.

PRAISE companies will not be evaluated by OSHA on a regular basis. but their injury incidents and loss workday rates will be examined annually.

- TRY. This program is designed for companies that are attempting to build better safety and health records through joint labor/management committees, joint inspections and internal reviews. OSHA waives participants' past records in light of the new commitment but monitors the companies' progress.

TRY is what OSHA calls "the most innovative and flexible" of the programs, because it was designed to study the effectiveness of "alternative internal safety and health systems," such as an unusual labor/management safety committee structure or a new employer-to-employee safety communication method.

The companies OSHA expects to place in the TRY program companies that have effective safety programs, but not good enough records to immediately qualify for the STAR program. Companies that are approved for TRY may, after a short time, move to STAR. TRY companies will be evaluated annually.

The first worksite approved for one of the programs was the Raritan, N.J., facility of Ortho Diagnostic Systems Inc., a Johnson & Johnson subsidiary, which was authorized to begin the PRAISE program on July 9.

Bob Andrews, a spokesman for Johnson & Johnson, credits Ortho Diagnostic's approval to "a team-effort safety consciousness" among both top management and the approximately 1,000 employees at the company.

He likened the shift of inspection responsibility to "a shot in the arm and a pat on the back." Mr. Andrews says Ortho Diagnositc has not experienced an employee injury due to accident in four years.

"We feel it's an honor bestowed on us by OSHA and by the federal government and we're going to live up to it," he says.

But Paul A. Whittaker, safety manager for the Globe Battery Division of Johnson Controls Inc. in Milwaukee, says his company will take "a wait-and-see approach" to the programs.

"The respcnsibility must stay with management," Mr. Whittaker says, but adds that STAR shifts that responsibility away from management.

However, he applauds OSHA "for trying anything to encourage voluntary compliance."

Dallas considers flexible plan

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would face in 1983, Ms. Pascal said.

"The employees are concerned with their base pay, of course, but they are more and more concerned about their benefit dollars as well.

"There have been some gaps (in the existing benefits program) that some of our people aren't happy with. For instance, the city now pays no part of dependent health insurance.

"When we reviewed the good will and coverage we now are getting from our benefits program, we realized we were not getting our $90 million worth," Ms. Pascal continued.

But she said city administrators realize just putting more money into the benefits kitty will not necessarily solve the problem of giving the employees what they really want.

"For one thing, the mix of employees has changed dramatically over the past 20 years. There now are more single employees. Many are more interested in long-term disability benefits than, let's say, pensions. Then there are others, such as police and firemen, who are more interested in long-term pensions.

"The nature of the workforce has changed enough that more and more employees are doing their own financial planning to reflect their lifestyle."

The city's evaluation of a flexible benefits program centers on a cost-benefit analysis, Ms. Pascal said.

The city is considering both accounting costs and the costs of communicating the benefits change to employees, compared with the advantages of a flexible plan.

"We want the most benefits out of our benefit dollars," Ms. Pascal said. "We don't want to squander it on administration."

One aspect of starting a flexible benefit program that has discouraged some employers is the high computerization costs, and the city is considering that, too.

"While we definitely have the in-house computer capability, we don't have the software necessary for administration. But that's part of the cost-benefit analysis," Ms. Pascal said.

Dallas city employees have been kept informed of progress made toward a flexible benefits program through monthly newsletters.

"As we get more into the (evaluation) process, we may conduct a sample survey of employees," Ms. Pascal said. "We are very concerned with not making the mistake of making the decision for them."

Conflicting rulings may send pregnancy issue to high court

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case, the lower court decision was reversed by the appellate court (*BI*, Feb. 1).

The issue is important to employers because of the potential cost if they are forced to provide equitable benefits for spouses.

For example, Newport News Shipbuilding estimates that its group health insurance costs would rise $700,000 a year if the company were forced to equalize pregnancy benefits for wives of male employees. The Virginia shipbuilder, like many other employers, puts a $500 cap on pregnancy hospitalization benefits for male employees' wives, but pays all reasonable and customary health care costs for spouses of female employees.

Nationwide, the cost of providing equal pregnancy benefits for male employees' wives could cost employers tens of millions of dollars.

The Lockheed case involved a complaint by Mark Jennings, a Lockheed employee. Mr. Jennings said it wasn't fair that the areospace company refused to provide any benefits for a normal pregnancy for spouses of male employees in its self-funded medical care plan for dependents while covering other disabilities.

Mr. Jennings took his complaint to the EEOC in September 1979, two months before his wife gave birth to their third child.

Early in 1980, the EEOC sued Lockheed. The agency said the Civil Rights Act of 1964 makes it clear that there must be equality of benefits for spouses in group health insurance plans. The Pregnancy Discrimination Act amends the Civil Rights Act.

"If an employer makes available to female employees health insurance that covers the cost of all medical conditions of their spouses, but provides male employees with insurance coverage for only some of the medical conditions (i.e., all but pregnancy-related) of their spouses, male employees are receiving a less-favorable fringe benefit package," the EEOC says.

But a U.S. District Court in San Francisco rejected that argument and the appellate court upheld that ruling.

In enacting the PDA, "Congress had in mind that a question was presented as to dependents' benefits and chose not to deal with it," the appellate court said. "The Senate report explicitly states the basic purpose of the legislation was to protect women employees," the court added.

After the EEOC filed suit, Lockheed overhauled its health care plan so that pregnancies of male employees' wives were treated just like any other disability.

That change, which went into effect on Dec. 1, 1980, was the result of a new collective bargaining agreement between Lockheed and the International Assn. of Machinists, said Lockheed attorney B. Scott Silverman of the firm of Morrison & Foerster in San Francisco. ■

Loftis to lead RIMS chapter

BALTIMORE—Harold Loftis of Crown Central Petroleum Corp.in Baltimore is the new president of the Chesapeake Chapter of Risk & Insurance Management Society.

Other officers elected are Wilbur H. Harris of Martin-Marietta Corp. in Bethesda, Md., vp and national representative; John F. Mahoney of the Archdiocese of Baltimore, treasurer; Gerry A. McGuigan of Commercial Credit Co. in Baltimore, secretary and membership chairman; and Vincent A. D'Onofrio of the First National Bank of Baltimore, program chairman.

Also Richard J. Flinn of the Maryland Ship Building & Drydock Co., public affairs chairman; Bonnie Mitchell of Arundel Corp. in Towson, Md., education chairwoman; and W. Thomas Harrison of the Maryland Port Administration in Baltimore, newsletter editor. ■

Cancer fund legislation opposed

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The bill would place a new tax of an unspecified percent on all commercial casualty policies written by insurers to fund an Occupational Cancer Account.

Employer groups say if insurance companies are forced to pay an additional tax, they will pass it on to employers in the form of higher premiums.

Both bills are creating a stir, but sources opposing and favoring the taxing legislation admit the funding proposal isn't getting much support. Lobbyists for the firefighters are looking for other resources to get the cancer fund off the ground, they say.

When the cancer presumption bill was passed by the Assembly, it was specified that it would not take effect unless some legislation is passed to create the Occupational Cancer Account. If A.B. 3810 is defeated, another funding proposal would have to be introduced.

What has employers and insurers concerned, however, is that California already has several "presumptions" in its law for public safety employees, including sheriffs, firemen, police and forest rangers.

If these employees develop hernias, heart trouble or pneumonia, it already is presumed these injuries arose out of or within the course of their employment and, therefore, are covered by workers compensation insurance.

"These 'presumptions' are growing like cancer into the California statutes," says George Sawyer, a legislative liaison for the California Chamber of Commerce, which has marked the most recent companion bills as a "high priority" item to defeat.

The proposed law only says that a firefighter must have been exposed to a substance that has been shown to have a "reasonable link" to cancer to be eligible for full hospital, medical, disability and death benefits, adds the California Self Insurers' Assn.

The League of California Cities says any firefighter who contracts cancer now can establish a connection between his occupation and the disease.

"They can prove it and get the workers compensation benefits," said a spokesman. "Why should we presume the cancer is connected to the job?"

But the Federated Firefighters of California, the major backer of the legislation, says that firefighters are routinely exposed to carcinogenic substances without knowing exactly what the toxins are.

"There is a need for the 'presumption' clause in the law," says Bob Griffin, director of safety and health for the firefighters union.

"In emergencies, there is no way to engineer the danger out the hazard," he said. "Equipment and safety masks help, but toxic materials can be absorbed through the skin so there is inadequate protection," added Mr. Griffin. ■

Philadelphia OKs plant closing law

PENNSYLVANIA—Philadelphia is the first city to pass a law requiring employers to notify employees and municipalities 60 days before closing or relocating a business.

Employers with 50 or more workers must make these notifications or pay workers their regular salary for every day they weren't notified within that two-month period, the City Council voted.

The Philadelphia ordinance doesn't mandate that workers' medical benefits be continued after a company closes or relocates as some states have proposed (*BI*, July 26), but it does stipulate that employers must pay outstanding insurance claims before shutting down or relocating, said Joseph Coleman, president of the Philadelphia City Council.

Under the city's new law, only those employers who file for bankruptcy will be exempt from the ordinance, which was vetoed by Philadelphia Mayor William Green, but overridden by the City Council.

The Philadelphia Chamber of Commerce is greatly opposed to the new law, which took effect in early July, said Jack Deitz, director of the chamber's governmental affairs department.

"Let me just say that anyone that wants to start or expand a business wants to do it in a place where the environment is hospitable, and not in an area where the city has a depressed law," he said.

But City Council President Coleman says the ordinance was enacted for the benefit of employers, not to dissuade them from doing business in Philadelphia.

"We want to be informed about an employer's financial problems so that we can help," said Mr. Coleman.

"Employers ought to be glad there's a city that wants to use its power to keep the business in the town by exploring tax advantages we might be able to offer or low interest loans with our industrial development board," he added.

Philadelphia's ordinance closely resembles state legislation that has already passed in Maine and Wisconsin. Both states have provisions that require employers with 100 or more workers give the state 60 days' notice prior to a layoff or closing. ■

Longshore reform bill passes out of Senate

Continued from page 2

ing firms, said Mr. O'Day, who also is government affairs officer for the Alliance of American Insurers, an industry trade group.

But more insurers would be willing to consider writing longshore risks if Congress passes the reform legislation, Mr. O'Day said. In addition, some employers that now self-insure could achieve significant cost savings if the bill becomes law, Mr. O'Day added.

Since the Republicans gained control of the Senate after the 1980 elections, shipping and insurer groups had looked for someone to lead the fight to reform the 1927 act that covers about 1 million workers.

Sen. Don Nickles, R-Okla., the freshman chairman of the Senate Labor subcommittee, became that leader. Labeling the current longshore law "a free ticket to rip off the consumer and taxpayer," he fought to push reform legislation out of committee and on to the Senate floor.

In late May, Sen. Nickles's bill finally moved out of committee after several changes, like raising the maximum annual benefit increase to 5% from the originally proposed 3%, were made to defuse opposition from liberals on the committee (*BI*, May 31).

Investigators look at safety on filming location

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the type "used constantly and regularly" in the film industry, he says.

"The company had done just about everything it could do to provide good safety," Mr. Morgan said.

The producers asked that six fire safety officers be on hand during the filming of the explosion scenes. This is a rare request, said Mr. Morgan, since Los Angeles law only requires that one fire safety officer be on the premises.

He also said fire code regulations mandate only that one 2,500-gallon water tank be available under such filming circumstances, but Warner Brothers provided two additional 4,000-gallon tanks for backup.

Production units also were equipped with five 1½-inch fire hose lines, which Mr. Morgan said is "an exceptional number."

"We're all moving along cautiously in the case, trying to find out what happened, why it happened and how to prevent accidents like this," he added.

"What we're concerned with is what caused the accident," says Alan Crawford, chief of the Los Angeles field office of the National Transportation Safety Board. The board has sent some of the copter's tail parts to a laboratory in Washington, D.C., for analysis.

The board also is reviewing film clips of the accident and will soon "go through them frame-by-frame."

Clips have shown the helicopter flying at about 20 feet above the ground at the time of the accident, Mr. Morgan says. Federal Aviation Administration regulations permit operating helicopters below 500 feet only when "conducted without hazard to persons or property on the surface."

Warner Brothers spokesmen would not comment on allegations that the company violated California labor laws by having the child actors working so late at night. The accident occurred about 2:30 a.m.

Rob Friedman, a Warner Brothers spokesman, says the movie company is still not certain who hired the children and whether they were hired as principal players or as extras.

Photo: Wide World

Investigators probe wreckage of helicopter that crashed during the filming of "The Twilight Zone," killing actor Vic Morrow.

Neither child was a member of either the Screen Actors Guild or the Screen Extras Guild, spokeswomen for the unions confirm.

The film, a movie version of Rod Sterling's early "Twilight Zone" television series, is an anthology of four self-contained production segments. The accident occurred while filming the first sequence, directed by John Landis. Other segments were to be directed by Steven Spielberg, George Miller and Joe Dante.

Warners Brothers has production insurance with Fireman's Fund Insurance Cos. to cover losses if a production accident or injury to a major cast member delays filming, but Fireman's Fund does not expect to have a loss on this accident, said Ann Welch, assistant to the president of Fireman's Fund's U.S. property/liability division in Los Angeles.

The filming of Mr. Landis' segment of the anthology, which involved Mr. Morrow, was considered complete despite the accident, so no delays and no losses were incurred, she said.

Warner Brothers placed its production insurance through the Albert G. Rubin Insurance Agency in San Francisco.

It also is unlikely that Mr. Morrow's or the children's survivors will collect any workers compensation benefits as a result of the deaths.

Bob Benjamin, administrative director of the California Industrial Board's division of industry accidents, says that actors and entertainers working in California only qualify for workers compensation benefits "if there was direct control by the employer" of working conditions.

This control, he explains, requires that the employer have the right to hire and fire, decide the rate of pay and determine the general working conditions.

Mr. Morrow worked as an independent contractor, meaning his only obligation to Warner Brothers was the completion of his role in this particular film. Under these terms, most actors are not eligible for workers compensation benefits, Mr. Benjamin says, because specific working conditions, such as working a certain number of hours each day, are not involved.

Mr. Morrow is perhaps best known for his lead role in the popular 1960s television series "Combat." He is known to younger audiences for his role as a baseball coach in "The Bad News Bears." ■

The Force apparently is with Lucasfilm

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"With a highly trained crew such as you find on Lucasfilm, your losses are lighter because the filming is done properly," said Malcolm Cochran, a Bayly, Martin & Fay broker in London.

Although new technology may have been used during the latest "Star Wars" sequel, underwriters have confidence in the professionalism of the crew to handle it with care, he said.

But sometimes evil can overpower good, so Lucasfilm insures its films through Pacific Indemnity Co. and Lloyd's of London.

London sources say that the production of "The Revenge of the Jedi," which is expected to be released next summer, was insured for $40 million, but Mr. McAllister denies this.

"It isn't insured for $40 million. That's too high. But Lucasfilm has advised me that this figure is confidential," he said.

The insurance package, however, covers a gamut of earthly risks including coverage for the cast, negatives, cameras and processing, extra expenses, props, sets, wardrobe and miscellaneous equipment.

Each "Star Wars" film—Mr. Lucas says there will be nine in all—is individually insured for these risks. A blanket liability and workers compensation policy also covers Lucasfilm employees, Mr. McAllister said.

To insure "The Revenge of the Jedi," brokers and insurers were told some of the top secrets that accompany the filming of a "Star Wars" movie. But they don't know if Darth Vader really is Luke Skywalker's father, if Han Solo is frozen for all eternity or if Princess Leia succeeds in crushing the Empire and getting her man.

"There is no script given out," said Mr. McAllister.

All anyone will say about the film is that some minor actors have been changed—though all the regulars return—and that a new computer has been used for production accounting procedures.

But there isn't anything magical about the insurance for the "Star Wars" films anyway, sources agree.

"Beyond all that fantasy bit, writing film insurance could almost be done on autopilot," one Lloyd's underwriter said.

Bayly, Martin & Fay is also handling the insurance for another film called "The Making of The Revenge of the Jedi," which may be made into a television special or a motion picture, Mr. Cochran said. ■

See-Threepio and Artoo-Detoo will be among stars returning in "The Revenge of the Jedi."

Change to be seminar focus

LOS ANGELES—"Challenge of Change" will be the theme of the 1982 Los Angeles All Industry Day sponsored by the Los Angeles chapter of the Chartered Property & Casualty Underwriters. It will be Nov. 1 at the Century Plaza Hotel.

Seminars will examine changes in the distribution system of personal lines, the workers compensation system and other areas. Particular attention will be paid to the challenges created by these changes, said chairman Gerald Richbook of Wellington Agencies Inc. in Los Angeles.

New CPCU designees will be honored during the luncheon.

Information is available from the Los Angeles Chapter of CPCU, 553 N. Hoover, Los Angeles, Calif. 90004.

A&A conducts audit of Alexander Howden

Continued from page 1
is unrelated to Mr. Posgate's decision to stop accepting risks for 1982 on his Lloyd's syndicates 126 and 127. Syndicate 127 is the largest marine syndicate at Lloyd's. Two other syndicates managed by Mr. Posgate continue to underwrite risks for 1982.

The letter from Howden's underwriting agency to syndicates 126 and 127 members said Mr. Posgate was concerned that the syndicates' premium income might exceed their limits.

There is nothing unusual, however, about Mr. Posgate closing down his 1982 account to avoid going over his premium limits, said Mr. Glover. "He has done it at least three times in the last 10 years," he said.

Last week, A&A's auditor, Deloitte Haskins & Sells, extended its two-week audit of Howden because it found some transactions that need further investigation, said A&A's deputy chairman Kenneth W. S. Soubry in New York. He would not say what these transactions were.

A&A said in its announcement that "It cannot now be determined what adjustments may be needed in the net assets acquired."

Asked if Howden was overvalued when A&A bought it in a combination of stock swaps and cash totaling $299.9 million last year, Mr. Scubry said, "We do not know. That is the reason for the audit."

A&A always conducts a fair value audit, using its accountants, after a merger, said Mr. Soubry.

"What will happen will have to be seen," said Mr. Glover, answering phones in the same London office as Mr. Bogardus, who said he was there on a routine visit. "Otherwise, why have an audit?" added Mr. Glover.

To conduct the audit before the acquisition "would have significantly delayed the transaction," said Gary Sindler, vp and controller of Alexander & Alexander Services. "Besides, a fair value audit is normally done after a merger, especially after a takeover.

"As the merger was under way, the information we had was assembled by statements made from the company (Howden). Now we will properly look at the records."

Other mergers between British and American companies have also involved fair value audits.

When Frank B. Hall & Co. acquired Leslie & Godwin here in 1978, the fair value audit was carried out by Leslie & Godwin's auditors, Ernst & Whinney, says Robin Singer, chairman of Leslie & Godwin.

"Hall also did a detailed examination into the company before the merger," said Mr. Singer. The merger, however, took a long time because Lloyd's was still imposing a rule that foreign companies could only own 20% of a Lloyd's broker.

Hogg Robinson Group P.L.C. also conducted a fair value audit on Bankers & Shippers Insurance Co. of New York Inc. as well as Penn General Agencies after it bought them from Penn Corp. Financial Inc. in a joint venture with Republic Steel.

"We were not allowed to look too far before the merger," said Hogg Robinson Deputy Chairman John Hogg. "The selling company is usually not too keen on letting you look into their files."

A&A disclosed in its annual report this year that Howden had transferred $9.24 million to "increase the insurance reserves of certain of Howden's consolidated subsidiaries."

The money, which is $5.9 million after taxes, is being used for the reserves of various insurance companies in Howden's stable, including Sphere Drake and the Bermuda companies, said Mr. Sindler of A&A.

Howden manages 15 different London underwriting syndicates. A&A says more than 4,000 of the 20,000 Lloyd's names participate in these syndicates, with a total premium capacity of 220 million pounds (approximately $387.2 million).

According to merger documents, the pretax profits of Alexander Howden Underwriting Ltd. were approximately 4.4 million pounds during 1980, or 22% of Howden's overall pretax profits of about 20 million pounds ($38.6 million). The percentages of underwriting profits were similar in 1979 and 1978, the documents show.

Mr. Bogardus says he is pleased with the purchase of Howden. "I think it is going to be a tremendous acquisition," said Mr. Bogardus. "I am delighted with it. We needed it."

After what he called "rough spots" are smoothed, Howden's will provide the reinsurance and underwriting management expertise A&A wants, he said. A&A also now has a direct link to Lloyd's of London and other areas around the world where Howden's has its retail brokers. ■

Analyst says potential SEC hassle may have prompted A&A release

Alexander & Alexander Services Inc. may have publicly announced its fair value audit of Alexander Howden to avoid any potential problems with Securities and Exchange Commission rules, according to one stock analyst.

Analyst John B. Hoffmann at Smith Barney Harris Upham & Noyes said A&A officials had told him that A&A decided to announce the audit in a press release in the United States because management was concerned that rumors circulating in London might otherwise be viewed as having originated from A&A or Howden.

A&A wanted to remove any such impression because the Security Exchange Commission requires public companies to disclose material facts which might otherwise be available to insiders.

Mr. Hoffman added that he had been told that preliminary figures from A&A's Howden audit would be complete in "a couple of weeks."

Other stock analysts in the United States following A&A speculated last week about A&A's decision to publicly announce the audit of preacquisition accounts and transactions of Alexander Howden.

"If they're presaging a disappointing quarter, that's certainly what the street's trading on," noted analyst Samuel G. Liss of Salomon Brothers Inc. in New York, referring to a gradual drop in the trading price of A&A shares on the New York Stock Exchange.

The price of A&A's stock drifted down with the market to $24.38 on July 26 from $25.88 on July 21. After the audit disclosure on the morning of July 27, the stock sank to $22.88 at the close of the day.

On the morning of July 28, trading of A&A stock was delayed almost two hours by a "trade imbalance," which is too many sellers for available buyers. After trading resumed on July 28, the stock sank further to $22.00 at the close of the day.

The 52-week low had been $23.75 and the 52-week high was $30.37.

"If anything," Mr. Liss added, the announcement "may be another statement that A&A will have to pour more money into Howden's reserves." Howden already had increased the reserves of certain insurance company subsidiares by $9.24 million.

James B. Stradtner, who follows insurance industry stocks for Alex. Brown & Co. in Baltimore, Md., said he had heard nothing about the A&A disclosure that would lead him to believe it would have any significant impact on A&A's earnings.

"I would say there are either substantial differences in accounting principles (between premerger Howden and A&A) or it goes into the area or negligence or malfeasance," said Mr. Stradtner. "I would have to think that any substantial differences in accounting principles would have been uncovered during the course of the merger.

"This is the kind of news that is unsettling to investors," Mr. Stradtner added.

He says the company's disclosure points up the fact that Howden's underwriting management, insurance and broking operations are more complicated than those of most London brokers and far more complicated than A&A's operations. ■

Show on asbestosis brings strong reaction

LONDON—A two-hour television documentary in Britain on the effects of asbestosis brought strong reaction.

After the showing of the Yorkshire television program "Alice—A Fight for Life," two asbestos companies lost nearly 9 million pounds in stock trading in one day and the General and Municipal Workers' Union is calling for a parliamentary investigation into the use of asbestos in the workplace.

In addition, hundreds of television viewers, anxious about the effects of asbestos in their homes, swamped the television station with phone calls and employees walked off the job at some garages and brakes manufacturers that use asbestos.

The program, which covers the last days of Alice's life after she contracted asbestosis on the job, may be exported to the U.S. soon.

Asbestos manufacturers Cape Industries and Turner & Newal were scheduled to reply to the program in a debate held on Yorkshire television last week.

Among other things, the documentary showed the differences in compensation that victims of asbestosis receive in the United States and the United Kingdom.

One American widow, for example, received $1.25 million from asbestos manufacturers because her husband died of asbestosis.

But an English widow in the same situation received only 200 pounds.

In Britain, employees can be exposed to "reasonable levels" of asbestosis, according to the Health and Safety Executive, which is in charge of enforcing safety regulations in the workplace.

"The policy is that levels of exposure should be kept as low as is reasonably practicable, but not exceed 2.5 fibers per millimeter," said an HSE spokesman.

Asbestos is not banned because it is the most effective fire deterrent to use in the workplace.

"No substitute has the same fire-deterrent factors that asbestos has," said the spokesman.

Besides, says the HSE spokesman, "While asbestos has killed many people, you should balance it by how many lives it has saved in fire prevention. It is a social judgment on how dangerous it is compared with how useful it is." ■

Comp board not ready for influx

NEW YORK—The New York State Workers Compensation Board is not prepared for the number of "licensed representative" applications it may receive in light of new legislation allowing self-insureds to contract with insurers and their subsidiaries for administrative services, a spokesman for the board says.

"We're not staffed at the moment to handle the volume of work we expect this to produce," says Jack Grubel.

Bill S. 4696, which went into effect July 28, permits insurance companies to represent self-insureds before the workers compensation board in undisputed job injury cases.

New York was one of only two states that prohibited such contracting. Massachusetts is the other state.

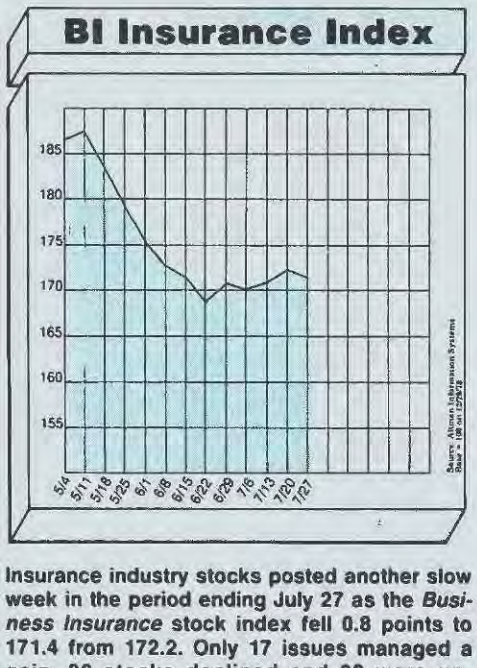
The board is in the process of altering its rules to provide licensing procedures for representatives of the self-insureds, Mr. Grubel says.

Mr. Grubel says that before licensing someone to appear before the board, his staff must process applications, administer written and oral examinations "covering the basic aspects of the workers comp law," grade the exams and then act accordingly.

Marty Minkowitz, deputy superintendent for the New York State Insurance Department, estimates as many as 2,100 people may apply to represent self-insureds as a result of the new law allowing such action.

Presently, 61 persons are licensed to represent claims in the state and 27 self-insured companies are licensed. ■

BI Insurance Index



Insurance industry stocks posted another slow week in the period ending July 27 as the *Business Insurance* stock index fell 0.8 points to 171.4 from 172.2. Only 17 issues managed a gain, 32 stocks declined and 20 were unchanged. The leading gains were posted by Frank B. Hall & Co. Inc., 10.8%; Washington National Corp., 10.8%; Aneco Reinsurance Co. Ltd., 5.0%; Farmers Group Inc., 4.4%; and American International Group Inc., 3.5%. Among the largest declines were Alexander & Alexander Services Inc., 12.0%; Chubb Corp., 8.5%; Excelsior Insurance Co., 5.5%; USLife Corp., 5.3%; Integrated Resources Inc., 4.8%. The 0.5% decline in the *BI* index was not as great as those suffered by the major market averages.

British Issues

July 27 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Commi Union	140	12.7	16.86	12.0	146—140
Eagle Star	345	12.3	21.43	6.2	362—345
Genl Accident	314	8.2	23.21	7.4	316—308
Gdn Royal Exch	304	7.7	25.00	8.2	306—298
Phoenix	264	10.6	24.00	9.1	274—264
Royal	370	9.6	36.07	9.7	375—362
Sun Alliance	808	10.1	61.43	7.6	814—804
Brokers					
CE Heath	358	9.8	18.71	5.2	360—358
Hogg Robinson	98	7.3	8.57	8.7	99— 97
JH Minet	144	13.1	5.43	3.8	148—144
Sedg Grp	167	10.8	8.57	5.1	170—166
Stenhouse Hldg	112	8.7	7.28	6.5	113—112
Stew Wrightson	270	9.6	18.57	6.9	277—267
Willis Faber	492	12.3	21.43	4.4	497—492

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

Reinsurance intermediaries oppose proposed N.Y. rule

By BILL DENSMORE

THE NEW YORK Insurance Department appears to be pressing ahead with a proposal aimed at curbing abuses among reinsurance intermediaries, despite criticism from the industry that it would be "unnecessarily burdensome," "overbroad" and "in some respects, misguided."

Those characterizations are contained in testimony from an insurance department hearing on the proposal and in written comments submitted before last week's filing deadline. Most of the comments came from representatives of reinsurance intermediaries.

Regulation 98, as proposed by Superintendent Albert B. Lewis, would order intermediaries licensed in New York to document the financial condition of their reinsurance contacts and provide other details to clients—including details about their commissions (*BI*, May 17).

The aim is to reduce the chance of an unscrupulous intermediary profiting by contacts with bogus reinsurers, although regulators decline to be specific about actual cases of such abuse.

"There was nothing at the hearing that would result in any drastic changes (in the proposal)," says George L. Gould, the department's chief examiner and one of four deputies to Mr. Lewis working on the proposal. He said the transcript of the hearing and the written comments are still under review.

"The language of the regulation is by no means set, and indeed, we left some things unsaid or said in a way that we hope would generate comment," said Linda Lamel, a deputy superintendent who presided over the one-day hearing. "But the substance of the regulation is what we plan to go forward with."

Key opposition to the proposed regulation focuses on at least three points:

- First, intermediaries fear the rule will require them to disclose commission information to their clients, something they argue should only be necessary if the intermediary has a significant financial interest in one or more of its reinsurance markets.

"It would frequently be impossible to identify all the retrocessionaires and all of the commissions earned," argues James March, executive director of the Insurance Brokers Assn. of the State of New York. "The amount of commission is a confidential matter that may not be known for a period of several years."

"We respectfully suggest there is no overwhelming need to make this public information by public law," adds Donald J. Greene, an attorney with the New York law firm of LeBoeuf, Lamb, Leiby & MacRae, which is the U.S. general counsel for Lloyd's of London. "We do not deprive the regulator of the right to learn it in an ad hoc situation. . . ."

- A second criticism is that Regulation 98, in present form, fails to distinguish between intermediaries acting as broker/representatives of reinsurance buyers or ceding insurers and those intermediaries acting as authorized agents for reinsurers. Most commentators argued the rules should apply only to agents of reinsurers.

"Managers' and brokers' businesses are fundamentally and substantially different, since the manager is an agent of the underwriter," according to comments delivered by Robert L. Mendes, a vp at Guy Carpenter & Co. Inc., a reinsurance brokerage subsidiary of Marsh & McLennan Cos. Inc. "Because of these fundamental differences, the opportunities for fraud also differ."

Requirements to disclose commissions and the identity of retrocessionaires "are impractical, not cost-effective and have almost no relevance in preventing fraud," according to the company. The proposal confuses detecting fraud, a legitimate function of the department, with attempting to evaluate the security of reinsurance, "which can only be done by top insurance company management," Carpenter says.

- Finally, intermediaries say the proposal would hinder placement of facultative reinsurance on specialty risks and drive business away from New York-licensed intermediaries since it requires that premium payments be withheld from an intermediary acting as an agent for a reinsurer until the ceding insurer obtains evidence that the reinsurer has complied with Regulation 98's disclosure requirements.

"This provision, if applicable to facultative transactions, would slow down the flow of business and make it almost impossible," says Harold M. Tract, an attorney with the New York firm of Rein, Mound & Cotton. Mr. Tract represents a group of seven reinsurance brokers including Booth, Potter & Seal; Towers, Perrin, Foster & Crosby; Thomas A. Green & Co. Inc.; E.W. Blanch & Co.; and John P. Woods Co., Inc.

Others argue that facultative reinsurance is often placed and bound by telephone calls among brokers and agents. Delaying the effect of the binding contract until Regulation 98-inspired paperwork is received by the ceding insurer would effectively eliminate New York-licensed brokers and intermediaries as a competitive force, they say.

"It is a well-known fact in the insurance business that oral contracts control," argued Patrick Foley, a vp and attorney with American International Group Inc. "I fully realize that in the days not too long ago the reinsurance business was conducted on a handshake and the utmost good faith, and today we have creeping caveat emptor."

Regulation 98 specifically would require intermediaries to:

- Furnish written evidence to insurers of the intermediary's scope of authority and provide written evidence that a risk has been reinsured.
- Inquire into the financial stability of unauthorized reinsurers not subject to New York's solvency rules and disclose the findings to ceding insurers.
- Disclose to parties to a reinsurance transaction any direct or indirect financial interest the intermediary holds in any of the parties, including parties to any retrocessions.
- Disclose to parties to a reinsurance transaction the identity of all retrocessionaires and the commissions earned or expected to be earned in connection with any retrocessions.
- Keep records, generally for five years, of contracts, periods of coverage, reporting and settlement requirements, names and addressess, commission rates, proof of placement, retrocession details, financial records and correspondence related to a transaction.
- Segregate funds that the intermediary holds as a fiduciary from funds held for any other insurance operation. ■

BI ticker

BI Industry Stock Report

JULY 27, 1982 7/21/82 THRU 7/27/82

Insurance Cos.		Price	% Chg	P E	$ Div	% Yld	High	Low	Vol (000)
Aetna Life & Cas Co	NYSE	34.13	0.4	5.5	2.52	7.4	35.63	34.13	1,001.7
American Bankers Ins Group	OTC	8.00	0.0	6.3	0.48	6.0	8.00	7.88	110.9
American Gen Ins Co	NYSE	33.38	0.0	4.9	2.20	6.6	33.50	33.00*	130.6
American Indty Finl Corp	OTC	15.13	4.3	8.8	1.12	7.4	15.13	14.88	11.2
American Intl Group Inc	OTC	59.50	3.5	9.5	0.48	0.8	61.00	59.25	359.7
American Natl Ins Co	OTC	13.88	-0.9	6.1	0.76	5.5	14.00	13.88	48.7
American Sts Life Ins Co	OTC	17.50	2.9	5.6	0.80	4.6	17.50	17.00	0.0
Aneco Reins Ltd	OTC	2.63	5.0	0.0	0.00	0.0	2.63	2.50	7.8
Avemco Corp	AMEX	11.63	0.0	7.3	0.54	4.6	11.63	11.63	4.3
Banks Iowa Inc	OTC	36.00	0.0	6.2	1.48	4.1	36.00	36.00	2.3
Bitco Corp	OTC	28.00	0.0	4.2	1.92	6.9	28.00	28.00	2.4
Carolina Cas Ins Co	OTC	6.75	-3.6	6.7	0.32	4.7	7.00	6.75	2.5
Chubb Corp	OTC	33.75	-8.5	5.4	2.92	8.7	38.00	33.75*	168.8
Combined Intl Corp	NYSE	21.25	-0.6	5.7	1.80	8.5	21.75	21.25	238.5
Continental Corp	NYSE	22.88	-1.6	6.9	2.60	11.4	23.25	22.88	129.7
Crawford & Co	OTC	13.00	0.0	9.6	0.56	4.3	13.00	13.00	0.6
Crown Life Ins Co	OTC	69.50	0.0	5.2	3.10	4.5	69.50	69.50	0.0
Crum & Forster	NYSE	23.63	1.1	4.2	1.64	6.9	24.50	23.63	284.0
Employers Cas Co	OTC	27.25	-1.8	5.9	1.20	4.4	27.50	27.25	2.9
Equifax Inc	NYSE	31.25	-2.3	8.9	2.60	8.3	32.00	31.25	6.0
Excelsior Ins Co	OTC	13.00	-5.5	33.9	0.70	5.4	13.75	13.00*	1.7
Farmers Group Inc	OTC	32.63	4.4	9.2	1.24	3.8	33.00	32.38	238.2
First Colony Life Ins Co	OTC	66.25	0.0	18.8	1.02	1.5	DID NOT TRADE		
Foremost Corp Amer	OTC	27.25	2.8	8.1	1.12	4.1	27.25	27.00	18.6
Great West Life Assurn Co	OTC	180.00	0.0	6.9	10.00	5.6	180.00	180.00	0
Hanover Ins Co	OTC	28.25	-0.9	3.9	0.88	3.1	28.75	28.25	27.9
Hartford Steam Boiler Insptn	OTC	33.00	0.0	6.1	2.80	8.5	33.00	33.00	3.8
Jefferson Natl Life Ins Co	OTC	39.50	-1.3	10.8	0.76	1.9	39.50	39.50	1.6
Kemper Corp	OTC	27.38	-0.9	4.5	1.80	6.6	28.00	27.38	30.5
Lincoln Natl Corp Ind	NYSE	38.75	-0.3	6.3	3.00	7.7	39.25	38.75	113.3
Mission Ins Group Inc	NYSE	21.63	-1.7	5.5	0.80	3.7	22.13	21.63	13.8
Nationwide Corp Ohio	OTC	26.50	0.0	7.7	0.70	2.6	26.50	26.50	0.2
Northwestern Natl Life Ins	OTC	22.00	-3.8	4.5	1.50	6.8	22.88	22.00	23.3
Ohio Cas Corp	OTC	34.88	0.0	5.2	2.36	6.8	35.63	34.88	42.3
Old Rep Intl Corp	OTC	17.63	-2.8	4.2	0.92	5.2	18.00	17.63	24.6
Preferred Risk Life Ins Co	OTC	19.25	-1.3	5.4	0.92	4.8	19.25	19.25	2.2
Provident Life & Acc Ins Co	OTC	41.00	-2.4	5.1	2.44	6.0	42.00	41.00	7.6
Ryan Ins Group Inc	OTC	32.50	0.0	13.4	0.16	0.5	32.50	32.50	12.0
St Paul Cos Inc	OTC	38.50	-3.4	5.1	2.60	6.8	39.25	38.50	305.9
Safeco Corp	OTC	34.38	2.2	6.4	2.20	6.4	34.50	34.13	237.5
Sri Corp	OTC	20.50	-1.2	4.5	1.00	4.9	20.75	20.50	14.5
Seibels Bruce Group Inc	OTC	19.63	1.9	10.4	0.80	4.1	19.63	19.25	32.0
Statesman Group Inc	OTC	5.63	0.0	4.8	0.15	2.7	5.63	5.63	5.8
Tokio Marine & Fire Ins Co	OTC	85.25	-1.7	6.8	1.00	1.2	86.75	85.25	36.6
Travelers Corp	NYSE	19.38	-4.3	4.8	1.64	8.5	20.88	19.38	821.9
United Fire & Cas Co	OTC	28.75	0.0	8.2	0.88	3.1	28.75	28.75	0.0
United States Fid & Gty Co	NYSE	36.50	-0.3	6.5	3.60	9.9	37.00	36.50	125.6
United Svcs Life Ins Co	OTC	13.38	-2.7	4.9	1.00	7.5	13.75	13.38	2.8
Uslife Corp	NYSE	15.50	-5.3	3.2	0.84	5.4	16.50	15.50*	227.6
Washington Natl Corp	NYSE	18.00	10.8	7.6	1.08	6.0	18.00	16.75	158.5
Zenith Natl Ins Corp	OTC	14.25	-3.4	6.6	0.76	5.3	15.00	14.25	8.9
INSURANCE COMPANIES	AVERAGE			6.4		5.1			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	22.88	-12.0	7.9	1.94	8.5	26.00	22.88*	171.9
Baldwin & Lyons Inc	OTC	34.50	0.0	6.4	0.80	2.3	34.50	34.50	0.0
Corroon & Black Corp	NYSE	20.50	1.2	10.6	1.76	8.6	20.50	20.25	5.5
Crump E H Cos Inc	OTC	8.88	0.0	16.4	0.40	4.5	8.88	8.88	2.2
Emett & Chandler Cos Inc	OTC	8.75	1.4	9.8	0.00	0.0	8.75	8.63	10.5
Hall Frank B & Co Inc	NYSE	28.13	10.8	10.6	1.70	6.0	28.75	25.50	340.3
Integrated Res Inc	AMEX	14.75	-4.8	5.6	0.00	0.0	15.13	14.63	9.6
James Fred S & Co Inc	NYSE	21.63	0.6	10.5	1.60	7.4	21.75	21.25	19.6
Marsh & Mclennan Cos Inc	NYSE	33.00	1.9	10.1	2.20	6.7	33.25	32.75	92.9
Penncorp Fincl Inc	NYSE	8.00	0.0	6.2	0.16	2.0	8.63	8.00	382.3
Poe & Assoc Inc	OTC	9.00	0.0	10.1	0.80	8.9	9.00	9.00	0.5
Reed Stenhouse Cos Ltd	OTC	10.75	1.2	9.3	0.60	5.6	11.00	10.50	28.8
Rollins Burdick Hunter Co	OTC	15.88	-0.8	11.3	1.32	8.3	16.00	15.88*	46.3
AGENTS/BROKERS	AVERAGE			8.8		5.6			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	39.38	1.3	6.9	2.20	5.6	40.00	39.25	1,283.7
Anderson Clayton(Ranger/PanAm)	NYSE	26.50	-4.1	5.3	1.32	5.0	27.75	26.50	16.7
Armco Inc	NYSE	15.63	-1.6	6.1	1.20	7.7	15.75	15.50*	191.9
City Investing Co. (Home Ins.)	NYSE	19.38	0.6	6.0	1.70	8.8	19.88	19.38	158.8
CNA Finl Corp (CNA)	NYSE	13.38	-4.5	5.3	0.00	0.0	13.63	13.25	53.7
Control Data (Comml. Credit)	NYSE	25.88	-1.4	6.2	0.55	2.1	26.25	25.63	417.3
General Re Corp	NYSE	39.88	-2.1	9.4	1.08	2.7	41.50	39.88	205.6
Gulf Utd Corp	NYSE	20.63	-1.8	7.3	1.32	6.4	20.88	20.63	36.4
Cigna Corp	NYSE	33.75	2.7	4.4	2.30	6.8	34.63	33.25	1,131.0
ITT (Hartford Group)	NYSE	23.00	-1.1	5.1	2.68	11.7	23.50	23.00	745.1
Optimum Hldg Corp	OTC	8.50	0.0	6.4	0.00	0.0	8.75	8.50	10.0
Sears Roebuck & Co. (Allstate)	NYSE	19.50	-1.3	9.3	1.36	7.0	19.75	19.38	1,396.0
Baldwin Utd Corp	NYSE	25.75	2.0	6.5	0.80	3.1	26.38	24.50	290.7
Teledyne Inc (Argonaut)	NYSE	90.38	-8.2	5.1	0.00	0.0	94.75	90.38*	500.6
Transamerica Corp (Occidental)	NYSE	17.00	-3.5	5.2	1.40	8.2	17.25	16.63*	637.3
CONGLOMERATES/HOLDING COS.	AVERAGE			5.9		4.3			

*Record high/low since Jan. 1, 1982

System design: Altman Information Systems

Financial briefs

Reliance Insurance Co.

Reliance Insurance Co. has declared a regular quarterly dividend of 67 cents per share of its Series A preferred stock, payable Oct. 1 to shareholders of record Sept. 15.

CIGNA

CIGNA Corp. has declared quarterly dividends of 57.5 cents per share of its common stock and 68.75 cents per share of its $2.75 cumulative convertible preferred stock. Both dividends are payable Oct. 10 to shareholders of record Sept. 13.

Aetna Life & Casualty

Aetna Life & Casualty Co. of Hartford, Conn., has agreed in principle to obtain a 40% interest in Samuel Montagu & Co. Group, a British merchant bank that is currently wholly owned by Midland Bank P.L.C. of London. The acquisition price will be about $115 million.

Montagu is among Britain's five-largest merchant banks with assets of about $3.5 billion. Its operations extend into Switzerland, Hong Kong, Singapore and Australia as well as several Middle Eastern nations.

The transaction is expected to be completed within 60 to 90 days.

Put A&A's environmental risk planning to the acid test.

Alexander & Alexander's special National Environmental Action Team can help safeguard your company's assets. We view financial risk through your eyes. Look beyond the treatment, transportation and storing of hazardous wastes to the entire spectrum of pollution liabilities—from generation to disposal.

With A&A, you'll have access to expert environmental scientists who do detailed on-site risk assessments. And we'll integrate insurance coverage with an ongoing pollution loss control program. That's important. Especially now, when businesses must comply with new, more stringent EPA regulations and protect themselves against environmental liabilities, particularly those resulting from gradual and non-sudden pollution.

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

Full pollution liability coverage

This insider's vantage point enables us to be in the vanguard, formulating contracts that go beyond hazardous waste coverage to full pollution liability protection.

Because we anticipated such coverage would burgeon in importance, our 88 U.S. offices have environmental insurance coordinators with ready access to our corporate expertise. We maintain strong contacts in Washington to stay up-to-the-minute in this rapidly evolving field. And help insurers develop pollution coverages to assure you of adequate capacity and competitive terms.

We are ready to look at any business—medium or large—in any industry and help create a total compliance program.

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

Experts from Advanced Environmental Technology Corp. of Morris Plains, New Jersey, cleaning up improperly handled hazardous wastes.

Alexander & Alexander

From the client's point of view.