

business insurance

update:

Stock holdings protect RBH from takeover

CHICAGO—Rollins Burdick Hunter Co. is well protected against any takeover moves by broker-hungry Sperry & Hutchinson to force a combination with the S&H subsidiary and rival broker Bayly, Martin & Fay.

RBH executives own about 45% of the company's stock, *Business Insurance*
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Florida wage-loss savings

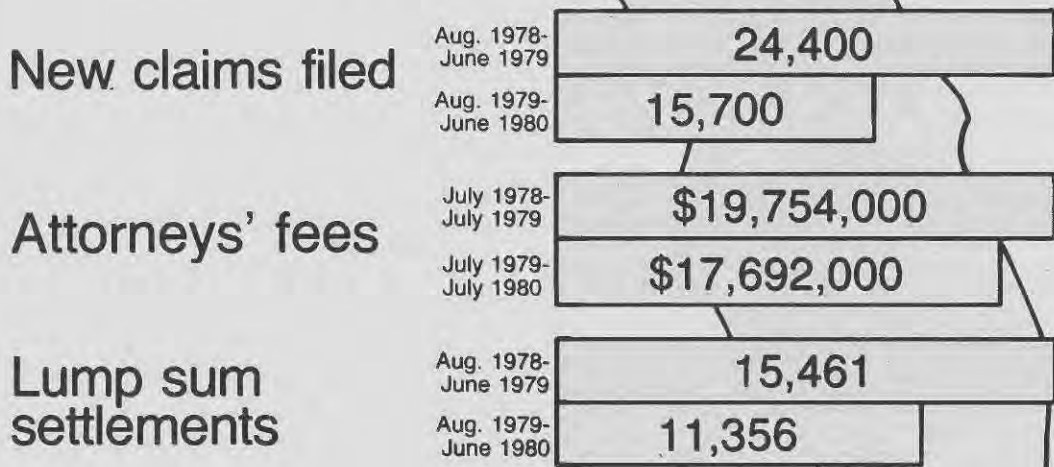


Chart: Toby Roberts

Source: Florida Dept. of Labor

Suit challenges work comp law

By JILL KAPLAN

TALLAHASSEE—Florida is proving that a wage-loss compensation system for workplace injuries cuts costs. Now it has to prove in court that the system is fair.

Newly released figures from the state department of labor show fewer persons are using the workers compensation system since the new law took effect Aug. 1, 1979.

The most dramatic decrease is seen in the 574 wage-loss claims compared with 13,000 permanent partial disability claims under the old system. The wage-loss system replaces permanent partial disability benefits, except for extreme impairments, with benefits only for proven lost wages after an accident.

Florida is the first state to adopt a nearly pure wage-loss system of compensation for workplace injuries, which some experts believe is the only way to hold down rising workers compensation costs.

The figures from Florida show the number of new claims is down 35%, lump sum settlements are cut 27% and attorney fees reduced 10%.

But just as Florida officials are beginning to celebrate their early success, the first case challenging the constitutionality of the wage-loss concept has been filed.

The suit, filed against Owens-Corning Fiberglas by a worker partially blinded in a workplace accident, charges the new law is "arbitrary, unreasonable and fundamentally unjust and oppressive." He contends the law isn't clear about what compensation he will receive and provides too little compensation.

Florida officials disagree. "The large majority of injured workers are getting more benefits from the increased maximum indemnity than they would have gotten before," said James A. Babb, Florida deputy secretary of labor
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Prudential agreement averts policy scramble

By JERRY GEISEL

WASHINGTON—A temporary settlement between the Labor Department and Prudential is averting chaos in benefit plans around the country—for now.

A Labor Department order barring Prudential Insurance Co. as a government contractor threatened to shake up insurance programs of federal contractors in private industry.

But last Wednesday, Prudential agreed to turn over employment history dating from July 1976. It was demanded by the Labor Department to check employment discrimination. In exchange, the Labor Department agreed not to bar Prudential as a federal contractor at this time.

However, Prudential and the government could lock horns again Sept. 8. Prudential is to go to federal court in Newark that day over the question of releasing computer tapes containing employee information dating before 1976.

If Prudential and the federal government don't settle, the federal government and federal contractors with Prudential policies will scramble for new insurers.

Under the original ban ordered July 27, private corporations selling goods or services to the federal government could not use Prudential in any way on the government contract. Employees insured under a Prudential group health or life policy, would have to be switched to another insurer to remain working on a government contract.

On the federal front, Mutual of Omaha and CNA would most likely pick up the \$139 million annual health insurance premiums on 200,000 federal workers if Prudential lost its contract, government sources say. Another \$41 million in contract work and reinsurance would be up for grabs, too.

Among thousands of government contractors, it's impossible to know how many use the nation's largest life and health insurer and how many would switch to keep their government contracts.

"The potential dollar amounts in this whole case are far in excess of \$180 million," assistant secretary
Continued on page 25

McDonald's taps M&M; Hall to fight

By KATHRYN J. MCINTYRE

OAK BROOK, Ill.—A battle between brokers Marsh & McLennan and Frank B. Hall & Co. is exploding around the golden arches of McDonald's.

The spoils: Servicing a multimillion-dollar insurance program built by McDonald's and Hall covering more than 90% of the fast-food giant's more than 3,000 U.S. licensed stores.

The battle lines were drawn two weeks ago when McDonald's Corp. in Oak Brook, Ill., appointed M&M its broker of record, *Business Insurance* learned. The move severed long-standing ties between McDonald's and Frank B. Hall, confirmed McDonald's risk manager Jerry Lane.

He declined to say why he switched brokers, but with no market changes planned, it appears services were the consideration.

M&M picked up the service work for 1,300 corporate-owned McDonald's restaurants around the country. But technically McDonald's Corp. can't appoint M&M the broker
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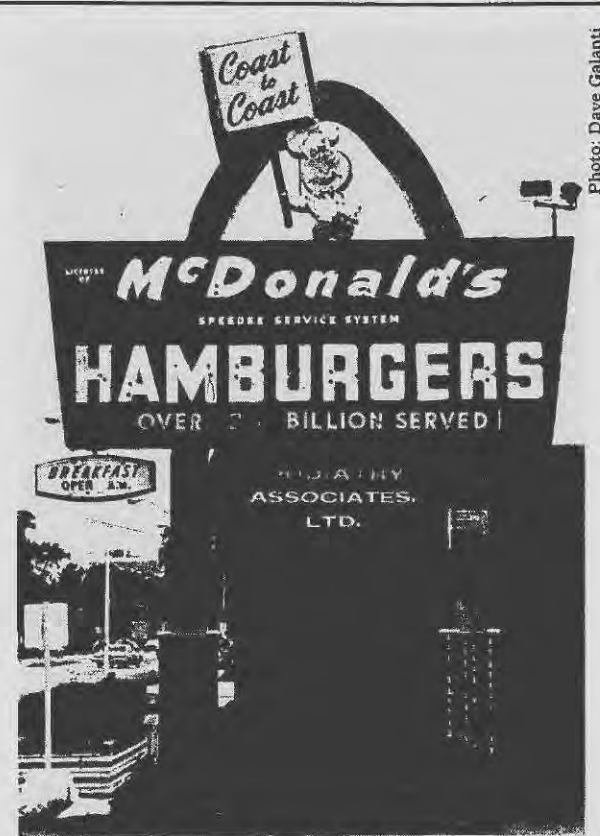


Photo: Dave Galanti

From these original golden arches in Des Plaines, Ill., McDonald's Corp. has grown into a prize account to be fought over by insurance brokers.

NEWSPAPER

INSIDE:

Repossessions spice risk manager's life
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Workers comp symposium
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update:

RBH defended from takeover

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learned, which deflects even an unfriendly takeover move by S&H. Speculation about S&H interest in Chicago-based RBH ran wild last week in brokerage circles on the heels of a Securities and Exchange Commission filing by S&H disclosing increased ownership to 6% of RBH's outstanding common shares.

Visions of a combined RBH and Bayly, Martin & Fay, the seventh and eighth largest U.S. commercial brokers, respectively, are dashed by the extensive RBH executive holdings and S&H statements.

"We're buying these shares as an investment," said Gerald P. Heavey, manager of investor relations at S&H. "We may buy more from time to time by open market purchases or otherwise," he said, quoting from the July 25 SEC filing.

S&H wants to acquire another large broker to build its Bayly, Martin & Fay subsidiary, industry watchers say. An effort to buy Minneapolis-based Nordstrom Group failed earlier this year (BI July 28).

"We have an interest in the brokerage field," Mr. Heavey said. "We think it's a good field, but RBH is strictly an investment."

Mr. Heavey denied S&H has any amount of RBH stock targeted for ownership. Some brokerage analysts speculate S&H wants at least 20% of RBH stock to consolidate its earnings in S&H reports.

Michael Starshack, RBH vp of finance and administration, shrugged off the S&H investment, saying, "People buy our stock all the time." S&H's public comments that RBH is a well-managed company "are gratifying to hear," he added.

Harold Hines to leave M&M

CHICAGO—Harold Hines, vice-chairman of Marsh & McLennan Inc. will leave the company by the end of the year.

Executing high-ranking responsibilities from Chicago for the New York-based company was too difficult, Mr. Hines explained, and he is wedded to Chicago through family, civic and institutional ties.

"It's been a wonderful relationship with Marsh & McLennan and the ties are very hard to break," Mr. Hines told BI. "Marsh & McLennan has been most understanding and cooperative."

Mr. Hines has not settled his future plans but expects to be involved in the insurance business one way or another.

Mr. Hines joined M&M's Chicago office in 1968 after M&M acquired Wineman Brothers Inc., a Chicago insurance agency he helped develop. He was elected a senior vp in 1970, a director in 1973, executive vp in 1974 and president in 1978. In January he became vice-chairman.

Lloyd's offers Sasse settlement

LONDON—Lloyd's of London has agreed to give \$35 million to Sasse Syndicate members who have lost more than \$50 million from U.S. and Canadian fire and computer leasing risks in 1976-77.

Settlement talks began after Sasse members sued Lloyd's to recover their losses, charging rules set up to protect them were not enforced (BI July 28). The settlement offer is likely to be acceptable to members, observers say.

Lloyd's believes there were "grave irregularities" in Sasse Syndicate transactions that may have broken Lloyd's premium account rules and has asked for a police investigation, said chairman Peter Green.

Lloyd's to pay \$24.9 million

NEW ORLEANS—A court has ordered Lloyd's of London and the Institute of London Underwriters to pay \$24.8 million plus \$100,000 in attorney fees to J. Ray McDermott & Co. of New Orleans, ending a suit over a claim denial by Lloyd's.

McDermott sued after Lloyd's refused to reimburse it for a 6,000-ton rig that was lost in the English Channel during a gale in January 1979. Lloyd's contended the company towed the rig under unsafe conditions.

3 exchange directors named

TALLAHASSEE—Three members have been named to the interim board of directors of the newly formed Insurance Exchange of the Americas.

State insurance commissioner Bill Gunter appointed Allan J. McCorckle, president of the Fortune Insurance Co. of Jacksonville; Buddy Joe Richards, president of the Assn. of Consultants of Orlando, a self-insurers' service, and Dana Roehrig, president of Roehrig & Associates of St. Petersburg. Mr. Roehrig is director and past president of the National Assn. of Professional Surplus Lines Offices Ltd.

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Actors Jack Klugman, left, and Walter Matthau are among the members of the Screen Actors Guild walking the picket line. Some TV and movie producers are believed to have strike coverage.

Hollywood strike coverage may play a supporting role

By RHONDA L. RUNDLE

HOLLYWOOD—Backstage and out of the limelight, a Los Angeles general agent provides a form of insurance that would get top billing in Hollywood these days among movie producers.

Striking actors have halted most prime-time TV- and theatrical movie-making, costing producers an estimated \$40 million a week in support staff wages, studio time, props and other overhead.

But a few movie producers are believed to be sitting pretty, protected by a rare form of insurance against the peril of strike.

"We write it on a special basis," said Albert Rieder, head of entertainment and special risks at American National General Agencies Inc. in Los Angeles. ANGA places these risks exclusively with the London market.

The coverage is so unusual, in fact, that other major sources of entertainment-related insurance, including Fireman's Fund and AIG, do not handle it. Nor do show

biz insurance agencies Albert G. Ruben & Co. or Truman Van Dyke Co.

Nobody knows how many strike insurance policies may be in force, but Mr. Rieder is certain there are some producers in movieland thanking their lucky stars for the protection.

Strike insurance may be included in an all-risk package or more rarely sold as a separate cover, Mr. Rieder continued. It may also be part of a motion picture completion guaranty sold on a per-project basis.

"And it isn't cheap," Mr. Rieder said, explaining the cost alone makes it prohibitive to most buyers. "Unless a producer had some inkling of a problem, perhaps a contract coming up for renewal, he probably wouldn't buy it."

On the other hand, an underwriter wouldn't touch it if he suspected any trouble over the horizon. Consequently, strike insurance must be purchased before any specter of a labor dispute

appears on the horizon.

Availability also depends on the track record of the unions and management in question, Mr. Rieder notes. On this score, the Screen Actors Guild has a good record. The last significant walk-out was in 1960, when Ronald Reagan was SAG president.

If strike insurance is included in a larger coverage, Mr. Rieder says, ANGA generally has underwriting authority from Lloyd's of London. If it is written as a separate cover, the underwriting decision must be made by the ultimate risk-taker.

This kind of coverage is particularly sensitive, Mr. Rieder adds, because underwriters do not wish to create an improperly comfortable position for employers that might bolster their side and impede speedy settlement of a strike.

The Screen Artists Guild and the Television & Radio Artists are striking primarily to get a share of the profits from shows sold to pay TV or reproduced on video discs or cassettes.

Bridge premiums to rise

By ELLIS SIMON

TALLAHASSEE—Florida's premium for bridge and turnpike insurance could double when it replaces coverage canceled after the Sunshine Skyway Bridge disaster.

Four insurance brokers last week submitted nine bids and alternates for property, loss of revenue and liability insurance, said Mary Lawhon, insurance contract purchasing specialist for the state department of general services. National American Insurance Co. of Omaha canceled its coverage as of Sept. 1.

The high bid was more than \$1.1 million to insure property and loss of revenues on the Florida Turnpike and 133 toll and drawbridges. It also would provide \$10 million liability of insurance for the turn-

pike. The current premium for bridges and the turnpike is \$458,000. The low bid was \$485,168 for property and loss of revenues insurance for the bridges only.

Brokers whose bids were stud-

ied last week are Arthur J. Gallagher & Co. of Miami, Hunter Jackson & Associates Inc. of Orlando, Poe & Associates Inc. of Tampa and Walton Insurance Ser-

Continued on page 22

Tighter rule won't help exchange, brokers say

By ELLIS SIMON

NEW YORK—Restricting buyer access to the nonadmitted markets will not help New York's Free Trade Zone and Insurance Exchange recapture premium going out of state, brokers say.

But New York insurance superintendent Albert B. Lewis is using this argument to defend new tighter control on use of the surplus lines market.

The new regulation, a revised Regulation 41, will be aired at a public hearing here Aug. 13.

The revised regulation, which Mr. Lewis says will better protect New York insurance buyers and allow more monitoring of activities, will:

- Require E/S brokers to verify that an alien (non-U.S.) surplus lines insurer used maintain a U.S. trust fund of at least \$1.5 million instead of the current \$300,000 requirement.
- Require E/S brokers to verify that a foreign (non-New York) surplus lines insurer used maintain a \$750,000 trust fund exclusively for the protection of New York policyholders.

Continued on page 22

errors & omissions

• Gross revenue figures in the page 1 chart (July 28) depicting the growth of the top 20 commercial brokers omitted three zeroes without proper notation.

Insulation recall could be costly

By MARY ANN MATLOCK

BOSTON—Manufacturers of urea-formaldehyde foam insulation could pay up to \$80 million in possibly uninsured losses to remove their product from Massachusetts homes.

The state commissioner of public health has proposed the manufacturers be ordered to remove the insulation from any homes where its presence has been linked to health problems. The product was banned from use in the state last year.

If the guidelines are adopted, manufacturers would have to foot a \$20,000-a-home bill to remove the insulation. It costs \$4,000 to be installed. A public hearing on the

proposal has been scheduled.

About 4,000 homes in the state have the product in their walls. About 500 complaints of health-related problems have been received, said a spokeswoman for the commissioner.

Most of the manufacturers contacted have product liability insurance but are unsure if it will cover the claims. Others, which are no longer in the business, are self-insured for losses.

To qualify for the removal, a homeowner must provide proof from a physician that the urea-formaldehyde foam vapors caused or aggravated health problems of occupants.

Some common symptoms associated with exposure to excessive

levels of the vapor are respiratory problems, chronic headaches, watery eyes, vomiting and nose bleeding.

"We're not talking about symptoms caused by the release of vapors during the curing process," said the spokeswoman. "We're concerned about problems people report one to two years later."

She said about 10 families in the state cannot live in their homes because of reactions to the insulation.

Manufacturers will have the right to appeal claims. Arbitrators, who will be licensed physicians, will be appointed by the state health department. The claims process could take two to nine

months, the spokeswoman said.

Major insulation manufacturers including Rapco Foam Inc. in New York, Celsius Insulation Resources in Weedport, N.Y., and Scientific Applications Inc. in Mt. Pleasant, Iowa, are irate over the proposal.

"Some manufacturers have a problem, but they've made a mountain out of a molehill," said Chuck Stillman, president of Rapco and head of the National Assn. of Foam Insulation Manufacturers.

"Massachusetts is the only state where public officials cannot sit down and negotiate a reasonable settlement of claims," he said. "They should allow us to do business and let go to legal trial those

complaints that cannot be resolved peacefully by the contractor and manufacturer."

Problems are found in less than 1% of all homes using the urea-formaldehyde foam insulation, he said. Most of these problems are not caused by the product, but by inadequate ventilation and air circulation in the homes, he said.

Cooking with natural gas or burning wood also can cause the emission of such vapors, Mr. Stillman said.

"There were problems in the industry about a year and a half ago, but most industries have cleaned up their act," said R. Keene Christopher, chief executive officer of Celsius Resources.

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Risk pooling act wins big support of Sen. Cannon

By JERRY GEISEL

WASHINGTON—Sen. Howard Cannon (D-Nev.) now agrees the Risk Retention Act is needed.

Following a Senate Commerce Committee hearing last week, the powerful committee chairman said he wants legislation passed that would ease the way for businesses to insure their product liability risks through pooling arrangements.

"Today's testimony reinforces my belief that legislation is needed in this area and that something on the order of the present staff draft appears to be workable," Sen. Cannon told *Business Insurance*. "I am hopeful we can move forward with a constructive bill."

The endorsement by Sen. Cannon, one of the most powerful and influential senators in Congress, gives the risk retention proposal an enormous boost. Without the support of the committee chairman, the proposal would have no chance of passing Congress, most observers agree.

Even with Sen. Cannon's endorsement, risk retention legislation still faces an uphill battle of gaining congressional approval. Little time remains before Congress adjourns.

Sen. Cannon's endorsement

came as the once-solid insurance industry wall of opposition to the Risk Retention Act begins to tumble.

At a Commerce Committee hearing this spring on a different version of the bill passed by the House, insurance trade groups, brokers and companies vehemently opposed the proposal that would allow the department to regulate the product liability pools.

But at last week's hearing, members of the insurance industry openly feuded about possible strengths and weaknesses of the revised proposal drafted by the Commerce Committee staff.

The measure's pre-emption of state insurance laws could result in a regulatory void, said Don Jordan, assistant vp of the Alliance of American Insurers, an implacable foe of both proposals.

In this regulatory void, unethical risk management consultants could set up inadequately capitalized risk retention groups, pocketing a healthy management fee, Mr. Jordan said. The groups ultimately would fail, leaving the "duped" members without protection.

But Les Cheek, vp-federal affairs at Crum & Forster, noted insurers and reinsurers would not supply excess insurance and reinsurance

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Execs bank loss control for repossessed property

By DAVID SPERLING

NEW YORK—Bank risk manager Michael Dowgiewicz never imagined he would get involved in hotel administration.

But that's what happened three years ago when owners of a 1,000-room hotel defaulted on their payments and the bank took it over. Mr. Dowgiewicz was put in charge of the hotel's workers compensation, liquor licensing, bonding and insurance coverage.

"I became the hotel's full-time risk manager," said Mr. Dowgiewicz, who now works for Manufacturers National Bank in Detroit as deputy cashier with risk management duties.

Until a few years ago, banks didn't worry much about repossessed property. Most was automatically covered under general liability and property

insurance policies.

But bank risk managers now are devising new loss-control strategies to cope with a growing, recession-fueled inventory of high-liability "repos." The loot includes hotels, airplanes, boats and construction equipment.

The trend reflects the recessionary squeeze on individuals and small businessmen who are unable to meet mortgage and loan payments, bankers say.

Crocker Bank in San Francisco, for example, now owns 14 Cessnas, Pipers and other executive aircraft. Crocker, which insures the aircraft through a captive, says repos are "up all over."

The best way to handle repossession risks is to dispose of the property as soon as possible, insurance managers say.

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Lack of loss data hikes stop-loss cost

By STUART EMMRICH

NEW YORK—Higher premiums and attachment points are the price many self-insured municipalities pay for stop-loss coverage because Blue Cross & Blue Shield balks at releasing loss histories of former clients.

Government entities that have left Blue Cross & Blue Shield state plans to finance their own losses can do it without much help from the Blues. But doing it successfully takes a lot of educated guesswork, a bit of luck and a willingness to assume more of the first year's risk than the municipality might believe necessary.

That is the opinion of risk managers and consultants who have faced this dilemma in the past few years. Blues officials say it is impossible to break down individual loss statistics for municipalities they have insured (*BI*, July 7).

"It is not easy to go self-insured without these figures. Insurance

companies that provide stop-loss coverage want to have as accurate an estimate as possible," said George Mills, risk manager of the self-insured New Jersey highway authority. Mr. Mills recently spoke at the Public Risk & Insurance Management Assn.'s annual meeting on the problems of going self-insured.

"If you have to go with rough estimates, stop-loss probably will cost you more and will be higher than you might want the first year," he said.

A figure of 110% of estimated losses in a year has become a generally accepted attachment point for stop-loss insurance. But some underwriters will require a figure a bit higher than that—perhaps up to 115% or 120%—for municipalities that have to rely on rough estimates, industry experts say.

The highway authority was in better shape than most municipalities when it went self-insured last

year, Mr. Mills said. Its underwriter was the Equitable Life Assurance Society, which provides its policyholders with monthly loss data. It gave the highway authority its loss history for the full year

when it decided to go self-insured. "They weren't happy to see us go, but they at least cooperated with us," Mr. Mills said. He said projections based on those figures have fallen within 1% of the actual

claims submitted during the first six months of 1980.

But for those municipalities that can't rely on the Blues to provide them with that data—and Mr. Mills

Continued on page 26

Ohio files hospital antitrust suit

By JOHN MAES

CLEVELAND—The Ohio attorney general again is cracking down on what he considers price-fixing for health care.

The target this time is the Greater Cleveland Hospital Assn. Attorney General William J. Brown has filed an antitrust suit charging the group with fixing prices.

He says trade among health insurance plans has been illegally restrained so that the consumer pays higher health insurance premiums. The association represents nine out of every 10 hospitals in the Cleveland metropolitan area.

In June, the attorney general's office filed an

antitrust suit against Ohio Vision Services, a vision care insurer. It is charged with conspiracy to set rates and restraint of trade.

Eugene F. McShane, chief of the attorney general's antitrust division, said the new lawsuit seeks to stop the hospitals from refusing to negotiate hospital rates and insurer contracts.

It wants them to negotiate "on a one-to-one basis" with competing health insurers, self-insured companies and prepaid medical plans.

It also asks that the hospital group be fined \$500 a day for every day the price-fixing continues.

The suit follows a nine-month investigation sparked by reports from health insurers and com-

Continued on page 25

Insurer's employees set healthy pace

CONNECTICUT GENERAL Insurance Corp. is encouraging its 4,800 employees to run, not walk, around the home office in Bloomfield, Conn.

The insurer has opened a 1.4-mile Parcourse physical exercise and fitness circuit to be used for jogging, exercising—or walking. The primary emphasis of the Parcourse facility is on developing heart, lung and circulation capacities, as well as total conditioning.

Families of employees and area residents are also welcome to use the course, which is open during daylight hours.

"Physical exercise is an important part of general good health, especially for people working in an office environment, and we've had indoor and outdoor recreational facilities at the home office since our

benefit beat

move to Bloomfield in 1957," said Robert D. Kilpatrick, CG president and chief executive officer.

"However, this new facility offers more of our people an opportunity to engage in additional exercise activities, and at a pace they regulate from the start."

A spokesman for Connecticut General would not disclose the cost of the new facility.

Layoff coverage

Workers at Dupont Chemical Co. in Fairfield, Conn., will have one less economic woe should they be laid off. A contract in effect until April 1981 extends Blue Cross &

Blue Shield coverage for up to six months and provides that the company pick up the cost of group life insurance during a temporary shutdown.

In voting in favor of the extended coverage, the 220 Fairfield Employees Assn. members by-passed raises that were negotiated in March. Contract talks are conducted biannually at Dupont plants.

Dental plan

Employees of Deblois Oil Co. in Pawtucket, R.I., now have dental insurance.

The 150 employees and their

families were signed up for Blue Cross/Blue Shield Delta Dental coverage in June.

Delta Dental's basic benefit package provides full coverage for one routine check-up and two cleanings a year, plus X-rays, fillings, emergency treatment, simple extrac-

tions and root-canal therapy.

Deblois Oil pays 75% of total premium.

Made any benefit changes? Write Valerie Berg, Business Insurance 740 N. Rush St., Chicago, Ill. 6061 or call 312-649-5430.

AMA stays neutral on HMO cost savings

By STACY SHAPIRO

CHICAGO—The American Medical Assn. wants more proof that health maintenance organizations cut costs.

A section of a 183-page report on

HMOs compiled by the AMA's council on medical service, recognizing that HMOs cut health care costs, was referred to the AMA board of trustees for further study. The rest of the report was accepted.

Although the AMA represents only 30% of the nation's doctors, its endorsement of HMOs as cost-cutters would have been a prestigious seal of approval.

Instead, the AMA's state delegates attending the annual convention voted unanimously to remain neutral on HMOs and fight special federal funding of HMOs.

The delegates agreed the report on HMOs was admirable, but did not want praise to be interpreted as an endorsement of HMOs.

The report, including summaries of literature examined and 15 random case studies of HMOs nationwide, "is primarily informational," Dr. Robert Kelly, chairman of the council when it prepared the report, told the delegates.

"We were to write an objective report on the cost, availability and accessibility of HMOs. Every single member is encouraged to provide the council with pro and con reports on HMOs," he said.

Thus the delegates voted against recommending that "the HMO approach to health care delivery be recognized as one which may result in care for enrollees at a lower total cost than for comparable groups in other health care delivery systems."

But the report also suggests there could be other reasons why HMOs are cost-effective. "Critics have suggested that HMOs are able to achieve lower utilization figures because they enroll a younger, healthier population, a practice referred to as 'skimming,'" the report says.

Among the doctors attending the AMA meeting who are still skeptical about prepaid health care was Dr. Theodore Grevas of Rock Island, Ill. "So many HMOs have failed," which the report failed to consider, he complained.

"HMOs are the back door to socialized medicine," he charged. "HMOs tend to ration care."

But some doctors agree with Dr. John Jacoby, medical director of Honeywell Inc., who says HMOs provide better medical care than indemnity plans.

"For \$14.35 per month you get more comprehensive care, if anything, than with an indemnity plan," he told BI.

"It appears that a well-run HMO that is adequately planned out is a viable way to provide medical care and reduce hospital care, which is where the costs are."

Honeywell offers its employees six HMOs even though it is only required to offer one. "We would have been mandated to offer one—SHARE—and it's the one with the least amount of membership from Honeywell," Dr. Jacoby said.

Sixty-one percent of Honeywell's employees use HMOs because they provide more medical care than indemnity plans, he said.

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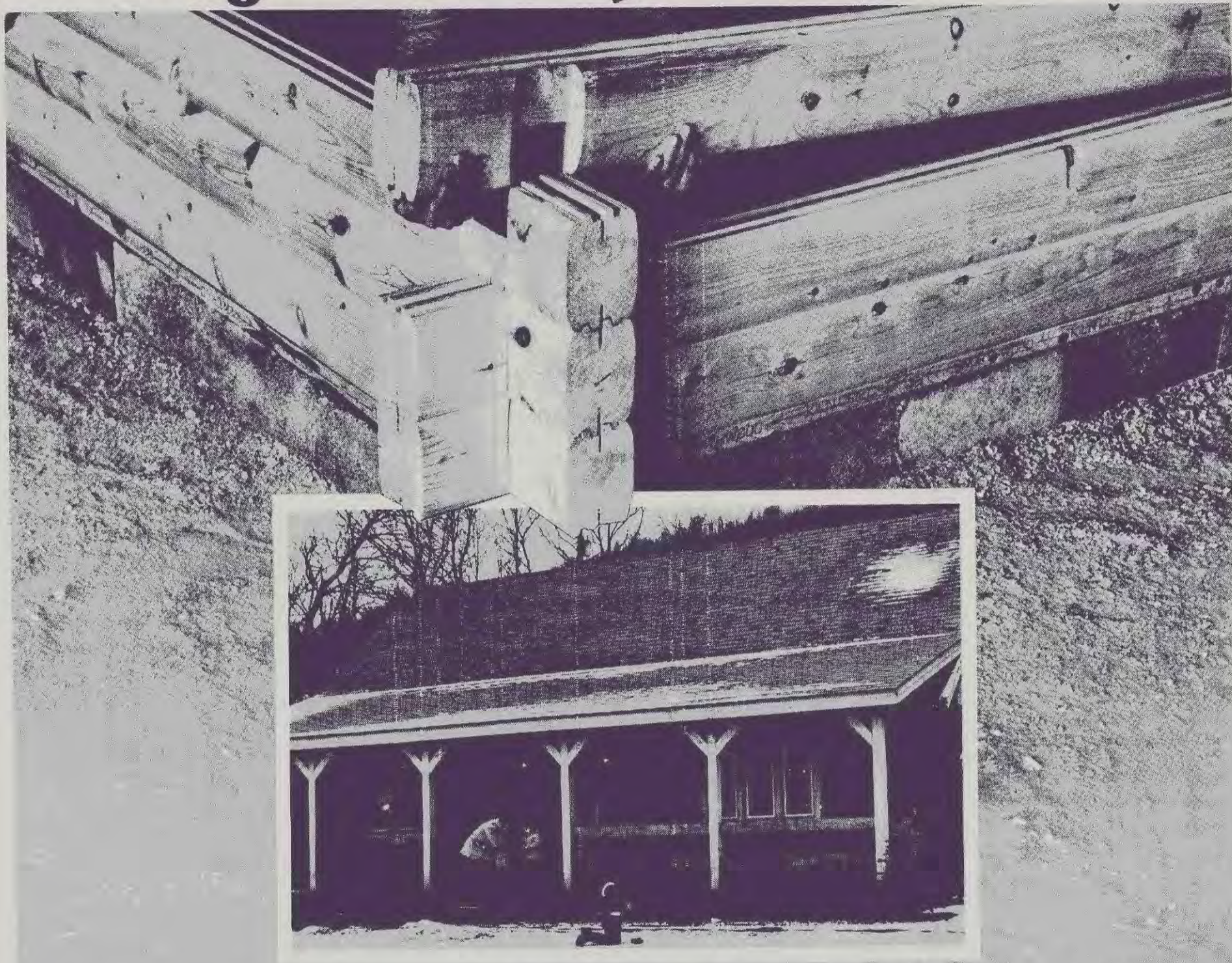
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editorial opinions

Provide loss data . . .

INSURERS ARE only paying lip service to risk management when they clam up about how the premium dollar is spent.

A startling blow to risk management is being wielded in Illinois, where workers compensation insurers are lobbying the governor to veto a portion of the new reform bill requiring insurers to provide policyholders with loss reports.

We just recently urged on this page that buyers of both group insurance plans and property/casualty policies demand loss reports from their insurers. The development of effective loss-control programs hinges on knowing where and how losses are occurring.

But insurers in Illinois say policyholders wouldn't know what to do with the loss reports. That's an insult to professional insurance buyers and risk managers. Unfortunately, the insurers are partially correct because at some companies the risk management discipline needs more development.

Here's where insurers can show their support for risk management. Instead of their current stand, insurers should be banging on the doors of these less sophisticated insurance buyers to teach them how to use loss reports to develop safety programs.

It's unbelievable that Illinois workers compensation insurers that clamor for rate hikes are fighting mandated release of the tools needed to define and control exposures to workplace accidents.

We don't like further government intervention in insurance matters, but there's no sympathy here on this one. If insurers had been doing their jobs in the first place—supplying the loss reports and teaching employers how to use them—they wouldn't be saddled with this mandate.

Illinois Gov. James Thompson should sign the bill as it is. We urge Illinois businessmen to tell him so by writing to him at his office in Springfield.

. . . and service costs

RISK AND benefit managers often need more than the loss reports, however, to develop effective programs for their employers.

Any insurance manager considering self-funding a portion or all of an insurance program needs to know the unbundled cost of services provided under the insurance policy to make an accurate comparison of the cost of buying insurance with the cost of self-funding.

What part of a premium dollar is spent on loss-prevention services? What part is spent on claims administration? How do these costs compare with what outside contractors would charge for the same service? These are important questions to be answered in a self-funding analysis.

With some insurers fighting release of loss reports, it's not surprising many don't want to tell policyholders how the rest of the premium dollar is spent. Insurers may fear buyers will identify inefficiencies in the product when they see the unbundled costs.

One reader tells us in a letter on this page that insurance is like shoes, an automobile

or clothing. Since we don't ask manufacturers to tell us what it costs them to make a product, why should we expect insurers to tell us the cost components of an insurance policy, he asks.

Our answer: Because insurance is more analogous to professional services than to consumer products.

When we buy a pair of shoes, we have the product on our feet. We know what we bought. When we buy insurance, we have a piece of paper representing indemnification and, hopefully, an array of professional services in loss prevention and claim settlements.

We're not talking about homeowners, personal auto or Main Street business policies here. We're talking about corporate purchasing of professional services like accounting and legal services, which are billed for services rendered. We think of the insurer in the same vein as a law firm on retainer that has to justify its billings. And we're talking about big accounts.

If you're spending \$200,000 for insurance and don't know where the money is going, you've been sold two left shoes.

letters

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

Taking exception

To the editor: In most instances I think your editorials are right on target. I must take exception, however, to part of your editorial "Demand your data" (July 14), which says in part: "No insurer deserves your business if it won't give you your loss history. You're paying for a product—insurance—and you deserve to know everything about that product: losses, loss reserves, insurance company overhead charges, loss adjustment and other expenses."

I believe that policyholders should be given detailed information about their loss history, but I firmly disagree that they are entitled to such additional information as company expenses, overhead charges, profits, etc. When you as a consumer buy tangible products such as an automobile, shoes, clothing, etc., you are concerned primarily about cost, quality and serviceability. You don't ask the manufacturer to reveal his profits or his expenses and I see absolutely no reason why the insurance industry—alone of all industries to my knowledge—should be singled out for such treatment.

If you have any rebuttal to this I would be interested in your comments.

Reeves A. Lukens
Pilot Life Insurance Co.
Greensboro, N.C.

'Mercedes' model

To the editor: William H. Rodda is a well-known authority on insurance matters. However, in his article on "Computing coverage" (Perspective, June 16), he stated that "neither policy (SMP policy or EDP policy) in its basic form covers damages from a mechanical breakdown, computer malfunction or electrical damage other than lightning."

Chubb's basic EDP policy, introduced in 1962, does not exclude any of those situations unless "error in machine programming or instructions to machine" might be considered computer malfunction. Our EDP policy has often been used as a model for comparison and design. As in the Mercedes-Benz-Ford comparison advertisements, we believe we are the Mercedes-Benz.

Thomas R. Cornwell
Marketing coordinator
Chubb Group
Short Hills, N.J.

Confusing form

To the editor: I found your Perspective article on the business interruption worksheet ("Worksheet

for confusion," June 16) particularly meaningful, as we are currently struggling with filling ours out for the coming year.

If, as author Howard Alper remarks, most businessmen, accountants and insurance brokers don't understand the worksheet, it occurs to me there's something wrong with the form.

The worksheet reminds me of insurance policies only an attorney can decipher. Perhaps that marvelous person who designed the business automobile policy can tackle the reporting of business interruption values next.

Andrea Hammer
Insurance manager
Diamond/Sunsweet Inc.
Stockton, Calif.

Managing claims

To the editor: Many of the problems experienced by employers in workers compensation claims have resulted from poor claims management on the part of insurers as well as employers. One of the primary reasons for this is the general lack of timely claims information and direction from the insurers on claims management.

One of the reforms included in the Illinois workers compensation law requires insurers to report monthly all compensable claims incurred during the previous month. The insurers are opposed to this on the grounds of cost and that the information is not needed by employers because they "would not know what to do with the report" (BI, July 21).

It may be true that initially employers would not know what to do with the report, but the significance of the potential future cost of these claims will lead many employers to implement internal claims management activities as opposed to relying upon their insurers for this.

I find it hard to believe, however, that employers of all sizes will not use the reported information in view of the impact workers compensation costs have had and will continue to have on bottom-line performance. For an industry which prides itself on providing "service," I am amazed that it is opposed to providing any additional service to its policyholders, which has the ultimate result of leading to reduced claims costs.

But then, reduced claims costs produce lower premiums, so where is the incentive for the industry since their income will be directly affected?

Michael J. Glapion
Manager-risk cash and
foreign exchange
Graco Inc.
Minneapolis, Minn.

business insurance

the national newsweekly of loss prevention, risk financing and employe benefit management

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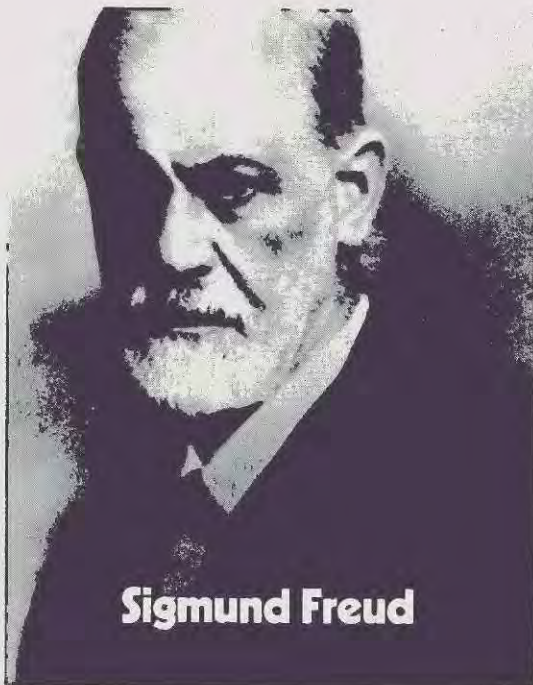
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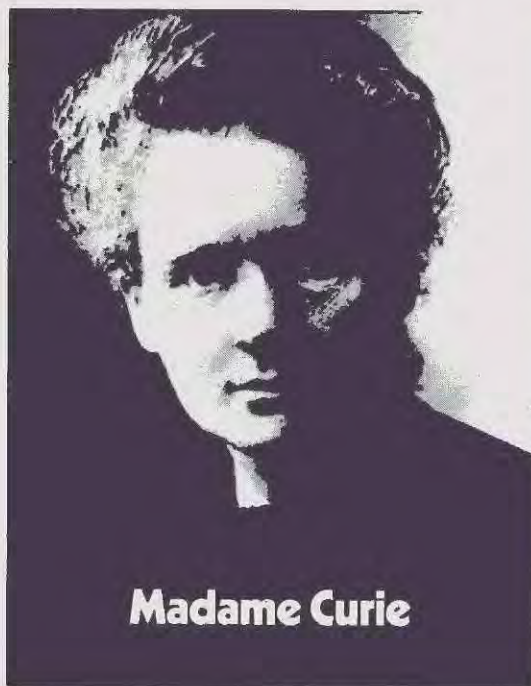
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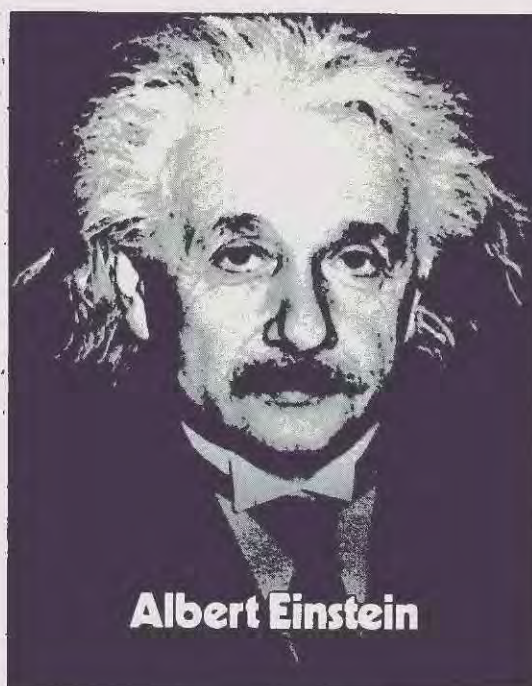
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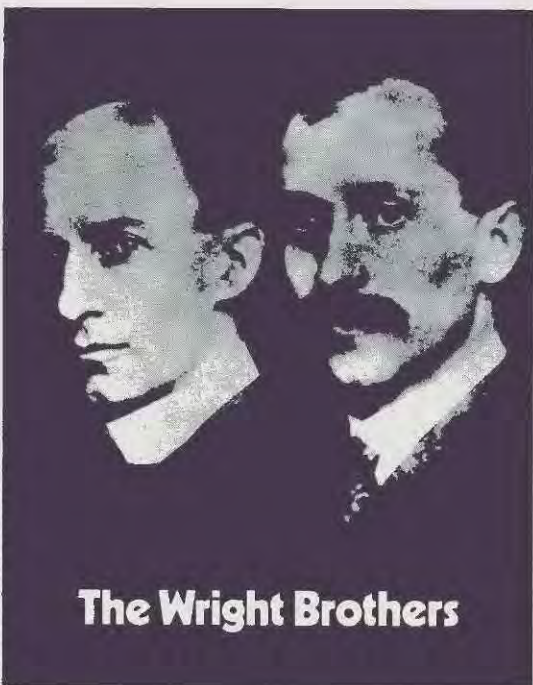
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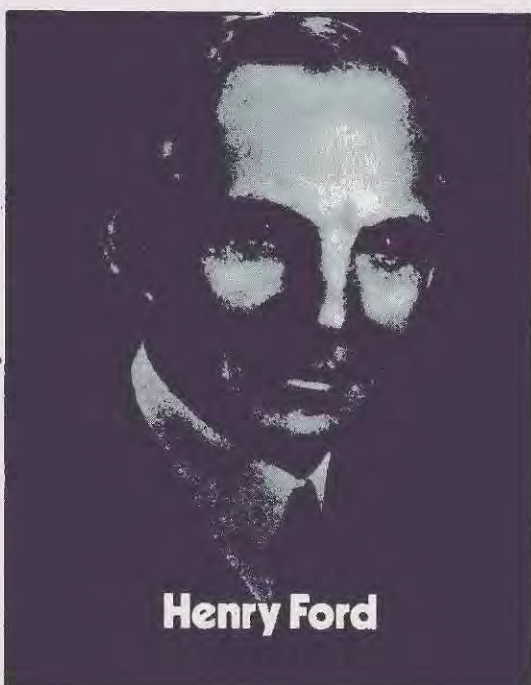
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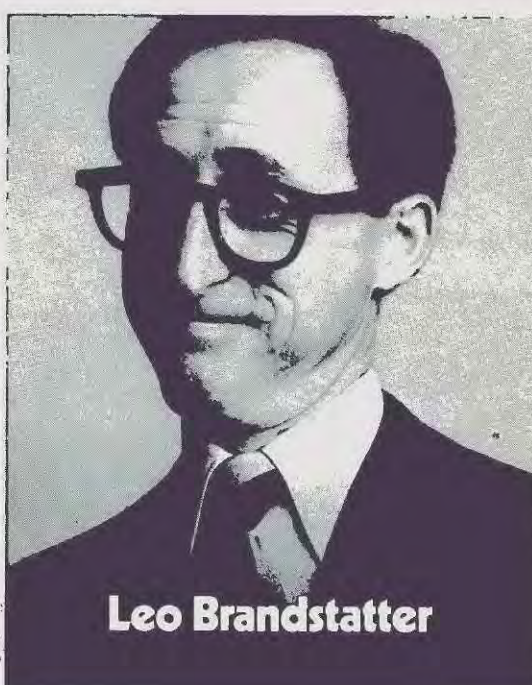
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FICA, IRA provisions

GOP platform opposes forced retirement age

By JERRY GEISEL

IN ITS FINAL platform plank, the Republican Party has come out against mandatory retirement and the earnings limitation that bars some working Americans from collecting Social Security benefits.

It also supports strengthening the Social Security system, but says the economy must expand first. "We need more people at



work, earning more money, thereby paying more into trust funds," the platform says.

The Republicans endorsed expansion of Individual Retirement Accounts, adding that homemakers ought to be able to set up their own IRAs.

Reinsurance plan

Agway Inc. of Dewitt, N.Y., will be allowed to continue reinsuring its employe benefit plans with its insurance subsidiaries.

Under a Labor Department exemption last August (BI, Aug. 20, 1979), a domestic insurance subsidiary was allowed to underwrite group insurance programs for its parent company's employes as long as the business accounted for 50% or less of the subsidiary's book of business.

However, the new rule failed to resolve whether a corporation's insurance subsidiary could enter reinsurance arrangements with other unrelated insurers.

In Agway's case, The Travelers Insurance Co. provides life, medical and sick leave benefits to Agway employes. The Travelers, in turn, reinsures the policies with Agway's two insurance subsidiaries, Agway Life Insurance Co. and Agway Insurance Co.

Under the reinsurance arrangement, The Travelers pays one of the Agway insurance subsidiaries 50% of the premiums it receives for the Agway benefit plans. In return, Agway's insurance subsidiaries reinsure The Travelers for 50% of the risk under the plan.

The Labor Department agreed to allow the Agway-Travelers arrangement because the transactions met all the prerequisites set in last August's class exemption.

Trustee sued

The Labor Department is suing the trustee of two Colorado pension and profit-sharing plans, charging he used the plan assets to serve his own interests.

In a suit filed in U.S. District Court, the Labor Department says Lee Kunz, trustee of Kunz Construction Co. pension and profit-sharing plans, used the assets of both plans to buy stock in Wildlife Vacines Inc., of which he is president. The complaint also says Mr. Kunz used plan assets to make prohibited loans to other companies.

Under ERISA, all plan assets must be managed to provide benefits to participants. The pension reform law bars plans from making loans to parties who are related to the plan by either business or family ties.

The Labor Department suit also charges Mr. Kunz forced the profit-sharing plan to make loans to two companies that used them to pay back debts to Kunz Construction Co. ERISA prohibits plan assets from being used to benefit the employer that sponsors the plan.

The suit asks the court to require Mr. Kunz to pay back any losses that may have resulted from alleged illegal transactions and to rescind prohibited transactions still pending.

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EEC seeks law on surveillance of worker health

BRUSSELS—The European Economic Community will push for legislation requiring health surveillance of all workers exposed to asbestos and lead.

A related measure will require member countries to adopt standards for exposure to other potentially hazardous substances and to inform workers about the dangers and preventive measures.

EEC endorsement of the measures means member nations will be required to pass national legislation meeting the standards within a specified time.

worldwide

Rep. Phillip M. Crane (R-Ill.), has filed a libel suit against a German magazine, contending an article in the publication maliciously labeled her sexually promiscuous.

Ms. Crane filed the action against the magazine Stern, charging the libelous reference was published with knowledge it would defame her and harm her husband's chances of gaining the GOP presidential nomination. ■

Expropriation ban

QUEBEC—An appeals court here has temporarily barred the Quebec government's expropriation of Asbestos Corp. until the court can conduct a hearing on the constitutionality of the matter.

The appeals court decision overturns a Quebec superior court ruling that the provincial government was within its rights in seizing the firm's assets in the province (BI, June 9).

General Dynamics Corp., which owns 54% of Asbestos Corp., is fighting the potential uninsured loss.

Civil unrest

MADRID—Multinational corporations operating in Spain could be saddled with major losses within the next five years as the nation moves toward civil war, possibly by 1985, according to a Frost & Sullivan political risk survey.

Severe economic problems, labor unrest and separatist sentiment among the Basques, Catalans and Andalusians and the unpopularity of the Adolfo Suarez government have increased tensions.

Although sustained violence appears unlikely during the short term, there is a 44% chance of business being lost because of civil strife during the next five years, the researchers said.

Iranian losses

OTTAWA—Canada's Federal Export Development Corp., hit hard by Iranian losses, paid \$6.4 million in claims on its export credit risks for the quarter that ended June 30.

The total is substantially higher than the \$2.2 million in claims paid for the first quarter of the year, which ended March 31.

Eight of the claims were for default on payments, six for insolvency of the foreign buyer, three for contract repudiation and one for political risk.

The corporation insures \$2.1 billion worth of Canadian exports.

Mideast pool

LONDON—Major European reinsurers have endorsed a new \$60 million pool offering coverage for 10-year design and construction projects in the Mideast.

The pool, to be known as MEDIP (Middle East Decennial Insurance Pool), has the backing of such reinsurers as Societe Commercial de Reassurance and Mutuelle Generale Francaise Accidents, both of France, along with Skandia of Sweden.

Libel suit

BONN—Arlene Crane, wife of

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- Do you have your own loss adjustment facilities in the U.S.A.?

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Data on asbestosis

Firms may be fined for lack of records

DOVER—A company may be fined for failing to record work-related employee illnesses, a Delaware administrative law judge has ruled.

Judge Benjamin C. Usher upheld two Occupational Safety and Health Administration citations charging Amoco Chemicals Corp. in New Castle with "willful violation" of federal safety and health laws for failing to record employee illnesses resulting from exposure to asbestos.

Amoco contested the citations, arguing asbestosis had not been diagnosed and that companies are not required to keep records of possible diseases. The two citations carry fines of \$10,000 each,

around the states

the maximum penalty.

"What this case stands for is that in doubtful cases where it is not clear what the medical condition is or it's not clear it was caused by the environment of the workplace, the employer has more of a duty than to do nothing," said Michael Shapiro, OSHA attorney.

"He must keep records, even if there's only the suspicion of disease. He can put question marks on the records. He can say it's not confirmed. But he has to record it."

William O'Brien, attorney for

Amoco, said the company will probably appeal.

Comp savings

COLUMBUS—Ohio state universities and their hospitals could save as much as \$196,000 overall under new workers compensation guidelines set by the state workers compensation bureau and the industrial commission.

The major change is that premium rates will be determined individually for each school or hospital. They had been pooled into two groups to determine basic rates, which were adjusted to reflect individual safety experience.

A similar switch to individual premium ratings was made in 1977 for other state agencies.

The greatest beneficiary of the new system is Ohio State University Hospitals, with a savings of \$130,000 based on 1979 payrolls, followed by OSU with a savings of \$19,000.

State universities and their hospitals will now have their premiums adjusted each July 1, instead of Jan. 1. The latter change has allowed the universities and hospitals to receive lower premium rates now, rather than six months later.

Firemen's comp

HARRISBURG—Volunteer firefighters in Pennsylvania will be provided with workers compensation coverage under a new law signed by Gov. Dick Thornburgh.

The law will extend coverage to injuries sustained by a volunteer traveling directly to and from the

Risk exec group seeks members

HAMBURG, N.Y.—Municipalities interested in grounding the skyrocketing costs of insurance and promoting risk management need no longer take a solo approach, say Upstate Municipal Risk Assn. officials.

"We felt it was time to start informing municipalities about how to save money. We feel we can tie in on items applicable to this upstate area," said Ernest Holfoth, organizing manager of the new non-profit group.

The association, formed in February and now accepting memberships, is aimed at educating small rural communities that cannot afford risk managers or consultants.

Memberships in UMRA are initially being accepted from government bodies in Erie, Allegheny, Cattaraugus, Chautauque, Genesee, Niagara, Orleans, Wyoming, Monroe, Livingston and Ontario counties.

The group will expand to other areas, but only government units will have voting rights.

The initial fee is \$75. Annual dues will be \$50 for entities with operating budgets of less than \$5 million, \$100 for budgets ranging from \$5 million to \$15 million and \$150 for budgets of more than \$15 million.

Information can be obtained from Ernest Holfoth, S-4900 Lake Shore Drive, Hamburg, N.Y. 14075; 716-627-5828.

fire and during the actual fighting of the fire, said Rep. Stephen F. Freind, chief sponsor of the measure.

"A guarantee of compensation is the least the state can provide for the people who serve their communities without payment," he said.

Employer bond

HARRISBURG—Pennsylvania employers self-insured for workers compensation will have to purchase a \$200,000 bond, under a state department of labor and industry rule effective Aug. 4.

Employers formerly were required to purchase a \$100,000 bond.

In another provision governing renewals of self-insurer certificates, the department has agreed to allow employers to renew expired certificates month by month until their new certificates are issued.

The department had proposed that employers be forced to purchase commercial insurance during the interim period.

Suit settlement

MINEOLA—A Long Island, N.Y., garage mechanic's widow received a \$300,000 product liability settlement from Firestone Tire & Rubber Co. and General Motors Corp. June 20.

The settlement ended a nine-day product liability trial in Nassau County supreme court.

Anthony Malak died of injuries in August 1973 after being struck on the head by a side-ring that separated from the wheel rim of a bus tire he was changing, said plaintiffs attorney Kenneth Rubenstein, who represented Mr. Malak's widow, Bronislaw.

Firestone, manufacturer of the rim, contributed \$192,500 toward the settlement and GM contributed \$82,500, Mr. Rubenstein said. Both firms are self-insured for the loss.

General Accident Fire & Life Assurance Corp., Mr. Malak's employer's workers compensation insurer, is forgoing a \$25,000 lien against any award.

Regulator leaves

Mark D. Mariska, 35, chief assistant insurance commissioner and the No. 2 man in the California insurance department, has resigned to pursue other opportunities in private industry, said a department spokesman.

Mr. Mariska said he resigned before accepting a new job because he didn't think it was appropriate to be job hunting while continuing to be employed as a regulator.

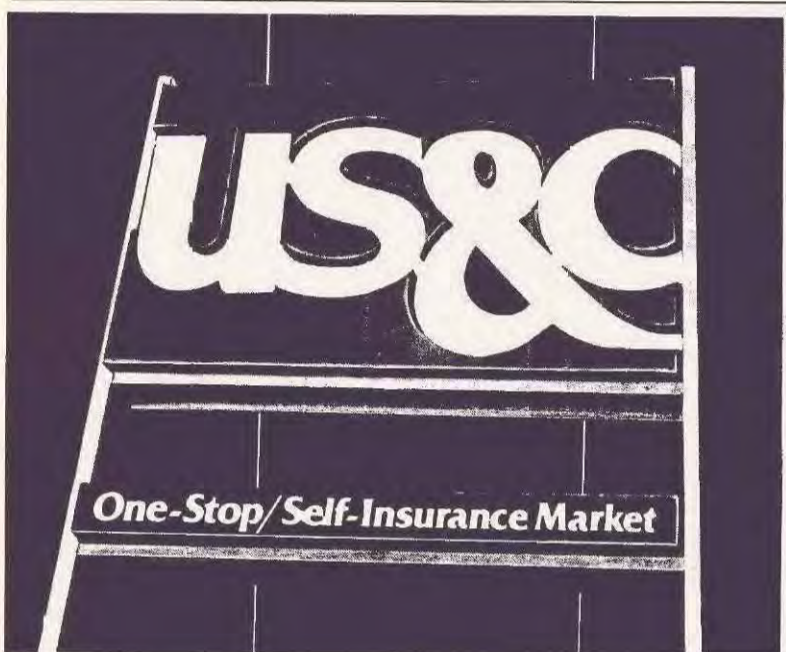
When Mr. Mariska accepted the job with the insurance department in April 1979, he had an understanding with commissioner Wesley Kinder that his tour would be brief, ending when he had completed certain administrative changes including streamlining of electronic data processing.

Before joining the department, Mr. Mariska was employed by the INA Corp. as senior vp and chief executive officer of Public Employees Insurance Co. and Teachers Insurance Co., both in Los Angeles.

Director resigns

JEFFERSON CITY—Missouri insurance director Richard Fredericks has resigned, effective Sept. 1, to take a job in private industry.

He has been insurance director since June 1979.



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Lloyd's seeks sunken Lutine treasure

By JOHN H. MILLER

LONDON—Lloyd's is attempting to salvage gold and silver treasure buried in the North Sea when the British frigate Lutine sank 181 years ago.

The cargo is believed to be worth \$60 million at today's prices.

Lloyd's, which insured the cargo at that time for a group of London merchants, has contracted with the Australasian Salvage Syndicate to recover the treasure.

The Lutine was on its way from the east England port of Yarmouth to Hamburg when the ship foundered off the Dutch coast on Oct. 9-10, 1799. Since then a few bits of the treasure have been recovered, including the bell, which was given to Lloyd's in 1859 and now hangs in the famous underwriting room.

The new operation will take two to three years.

Tanker update

An explosion in the "double bottom" of the Norwegian tanker

london line

Berge Vanga may have been responsible for the disappearance of the vessel off South Africa last October (*BI*, Nov. 26).

Capt. Ingolf Stangeland, marine director of Sig Bergesen, owner of the tanker, told a U.K.-based board of inquiry he devised the "double-bottom" theory after inspecting a similar company vessel, the Berge Brioni, in Rotterdam harbor.

Findings of the inquiry, organized by the Liberian Bureau of Maritime Affairs, will be released later.

The disaster cost marine insurers \$19 million in hull claims and \$5 million for the loss of its iron ore cargo being shipped to Japan from Brazil. Tugs and aircraft searched the disaster site for 11 days but found no trace of the ship or its crew, except for a few chairs and oars.

Meanwhile, an inquiry into the loss of the West German freighter Munchen in December 1978 has

failed to discover a cause.

The \$60 million freighter sank in a mid-Atlantic storm, with no survivors. International reinsurers have agreed to lump together the losses of the Munchen and the \$15 million dry-dock Ferrostaal as a single event. The Ferrostaal sank in the same storm near France, 1,000 miles away 24 hours later.

Reinsurers based that decision on the fact that when hurricanes Betsy in 1965 and Capella in 1976 caused damage over more than 1,000 miles, losses they caused were treated as one event.

The decision means primary insurers of the vessels will have to pay only one deductible instead of separate deductibles for both losses.

But R.J. de Neree of the Dutch reinsurance group NRG argued, "Excess of loss cover was never meant to apply to vessels so far apart, and a more positive definition of one event is needed to avoid

future disputes on this topic."

Oil pool surplus

The U.K. International Oil Insurers pool reports a \$12.8 million underwriting surplus on last year's operations, with net premium income of \$42 million.

Its largest claim last year was for damage to a \$7 million polyethylene plant.

The pool was established in 1975 by a group of U.K., Norwegian and French companies to write high risks on petrochemical plants and other land-based oil installations. It now includes 28 corporate members plus some Lloyd's syndicates.

The pool plans to expand its risk management facilities by strengthening its team of engineers.

Claims increase

Insurance claims for major world shipping losses have passed the \$200 million mark this year, a 35% increase from the same period last year.

The figures cover settlements for ships worth more than \$1.2 million and does not include small casualties, according to Lloyd's. Shipping losses total 477,000 tons.

Tankers comprise most of the losses, but the casualties include a \$1 million fire on the U.S. Highlander at Miami last January.

Ship losses

The U.K. Salvage Assn. is probing the losses of several roll-on, roll-off cargo vessels, including the Swedish ferry Zenobia.

The ship, built less than nine months ago, capsized off the Cyprus coast with a full cargo of loaded trailers, after developing a list. The vessel was insured for \$25 million, with coverage placed in the Swedish market and heavily reinsured in London.

Similar vessels lost this year include the Tollan, the Mauritius II, the Santa Ana and the Toyo Maru 16. Some of them sank after collisions, but the Salvage Assn. is probing cargo stability in the specialized vessels.

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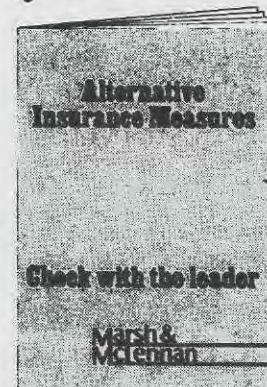
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Jerry Geisel is Washington Editor of Business Insurance. He has a way of mowing down myths and getting to the truth.

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The one about the man who tried to use a lawn mower as a hedge clipper, lost some fingers, sued the lawn mower manufacturer and was awarded a huge sum of money by a jury.

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His front page story in Business Insurance was read into the Congressional Record and was reprinted in newspapers around the country. As a result, insurance trade associations changed some of their literature and, advertising claims by some insurers were modified to provide more credible information about the troublesome tort situation.

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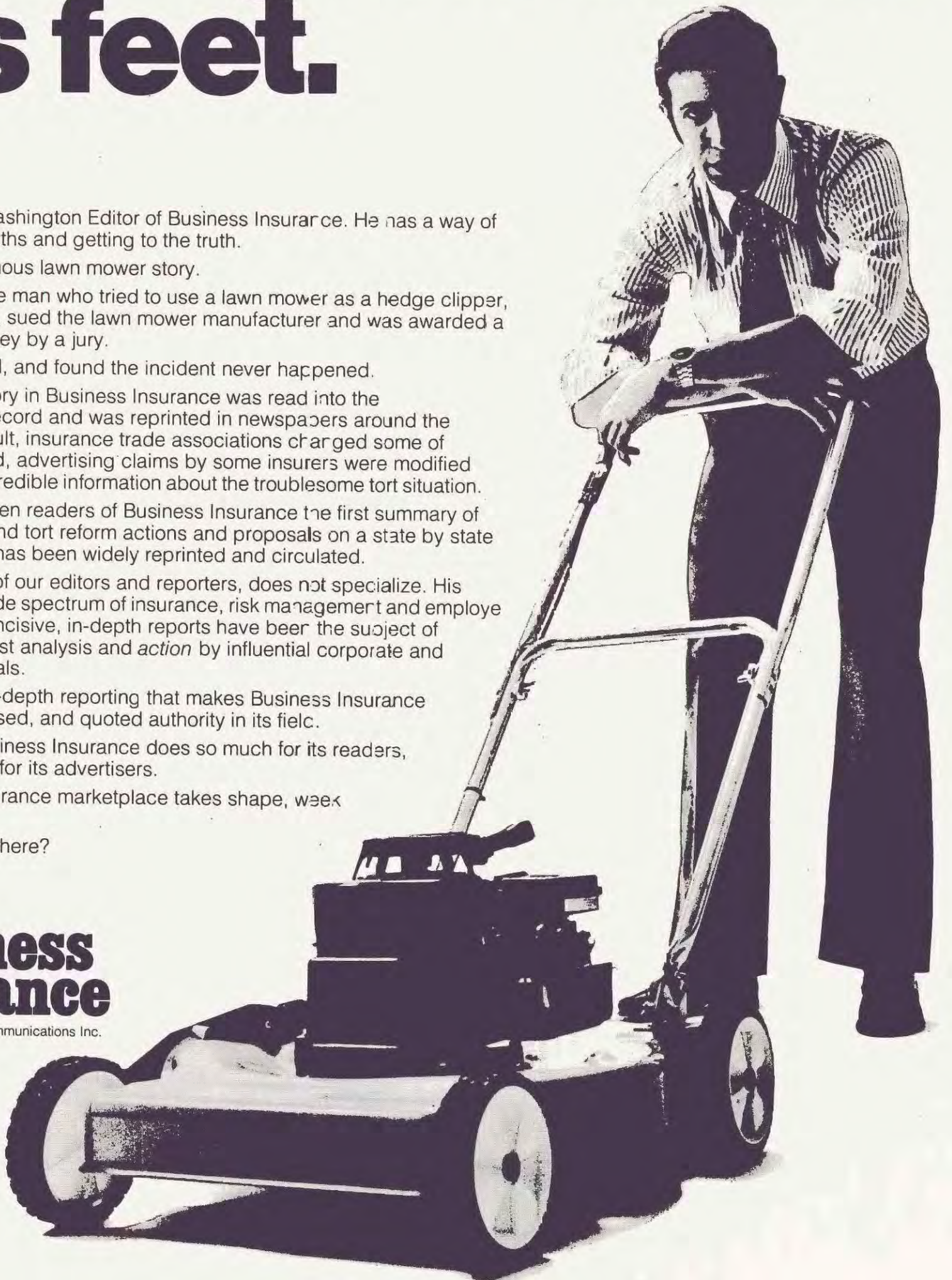
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Dealing with disability

Job offer trims cost of claims

By David R. Evert

I AM GOING TO talk of how you can get me to do my job as disability benefits manager better. By that I mean the insurance industry cannot solve the problem of disability; this can only be done by the employer. The rehabilitation division of the insurance industry can, however, get us to recognize and accept this responsibility and motivate us into action.

The medical, insurance and rehabilitation professions have certain expectations of one another and of business and industry. By and large they are unfulfilled, essentially because of the lack of communication. Without meaningful interaction and dialogue, we are going to get nowhere.

How have we, the employers, traditionally reacted to disabled employees? What have we, business and industry, traditionally done?

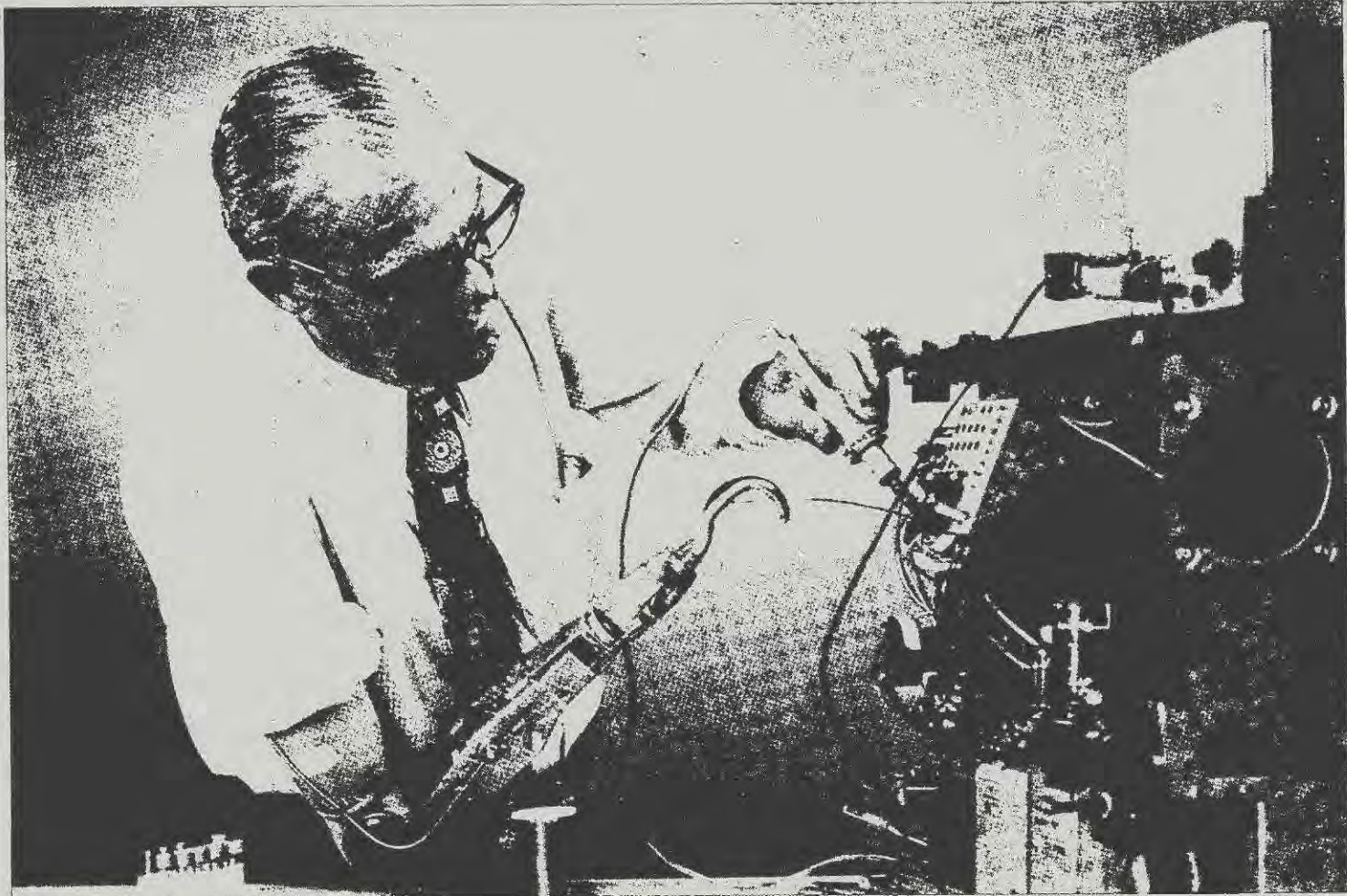
When an employe is disabled, we send him or her to the doctor and the claim form off to the claims department. We dust our hands and say, "Now you guys fix this employe. But I've got a business to run, so don't bother me in the meantime. And by the way, if you can't send him back unimpaired, don't send him back at all because to me an employe is just like a machine; if it's damaged I either fix it or I get rid of it."

We have dumped the problem in the laps of the rehabilitation people and they've allowed us to get away with that. Evidence of this is that they have a great deal of resources committed to rehabilitation, but don't own the jobs. We own the jobs.

How did it become their responsibility to manage our employe back to work? Because I was preoccupied. I wasn't interested. The money wasn't big enough. Now all of a sudden within the last few years the money has become big enough.

Now that rehabilitation people have gotten my attention, how can they get

David R. Evert is manager of disability benefits for Control Data Corp. in Minneapolis. His remarks were made before a session of the Insurance Rehabilitation Study Group last May.



Disabled persons need more than rehabilitation; they need job offers.

action? By personalizing the impact of dollars.

At Control Data we do not directly allocate workers compensation cost back to a division by the experience that division has. A division may produce more than \$500 million a year in sales while its direct workers compensation loss experience is around \$300,000. Is that executive going to get that excited over \$300,000? I don't know.

But I know how you can get him excited. Show him one workers compensation case that is going to cost \$50,000 in direct loss payments over the next three years to retrain that employe. Then show him statistics where the safety management industry says it's going to cost at least four times direct costs and say, "Sir, now we are talking about \$250,000."

If employes are paid \$10 an hour, we are talking about 25,000 hours of productivity, and I'll bet the financial manager can tell you exactly how many dollars of profit are made for one hour of productivity. If this one case costs \$250,000, and 5% profit is made from every dollar, then the first \$5 million of sales went down the tube for

this one claim.

All of a sudden this exec starts getting excited. He says, "Wait a minute, I don't quite understand that. All it is costing is \$200 a week."

Then you begin to explain to him how much more expensive it is to have an employe at home than at work. He has to replace that employe, he has to process paperwork, he has to pay medical bills, he has to pay an insurer, he has to pay a lawyer. He has to pay a lot of bills he doesn't normally think about.

A personnel manager and a general manager of a division told me a woman who was pregnant, whose doctor said she couldn't lift more than 15 pounds, was disabled because there was no job in the plant that doesn't require lifting more than 15 pounds.

And I said, "Find a job or make one if necessary. You are going to pay that employe for 10 months, get zero productivity and you are going to hire another employe. You are going to pay that other full salary to get productivity. I don't understand your logic." They modified a job and the woman is working.

Business and personnel management courses teach one fundamental truth: As a manager, my responsibility is to get optimum productivity from the assets and resources put in my care. Doesn't that include people?

My corporation and your company spend millions of dollars every year teaching managers how to get that last 10% or 15% productivity out of the person who is working every day. She is working for me five days a week and I am being trained how to get that last

10%. But does the company spend time or money to teach me to reach out and bring back some of that 100% productivity potential that is staying at home?

I, as a manager, sit back and I say, "Wait a minute, that's not my problem, that's the insurer's problem. That's what we pay premiums for."

Unless we get to the manager through top executives by pointing out what disability truly costs, we are treating symptoms, not problems.

In summary, insurance industry rehabilitation can provide money and some very good rehabilitative resources to assist an employe through a very difficult period. But the only way to consistently fight workers compensation losses is with a good-faith job offer. As far as I am concerned, that is the most effective way to end the long-term disability case.

Rehabilitation people can do two things: First, they can refuse to allow us to drop our responsibility in their laps with a day-by-day approach. They can be the financial resource. They can be the claims department. They can be the leaders in providing rehabilitation services, but they can't provide the jobs, and they have got to get me to accept that fact.

The second thing is straightforward communication with the medical profession. In managing claims, I take a self-serving attitude because I send an employe to a doctor and say, "Tell me what the condition of this employe is." The doctor would write back, "Can't bend, stand, stoop or sit," or worse yet, "Indefinitely disabled."

I would conclude, "I'll just keep paying." And then I said, "I did my job, what else can I do?"

Employers have dumped the problem of long-term disability in the laps of the rehabilitation people, who have allowed them to get away with it, says David Evert.



Photo: Jill Kaplan

Photo: Liberty Mutual Insurance Co. Research Center

perspective

Controlling risk

Lack of cost details keeps execs in dark

By Bernard M. Brown
(Third of a series)

"OTHER" RISK and insurance management expenses compiled in the Cost of Risk Survey were: risk control (loss-prevention) expenses; risk and insurance management department costs; costs for outside services, and the cost or profit of an organization's captive insurance company. In addition, useful information on the size of the respondent's risk management department was also analyzed.

The paucity of data collected on risk control expenses implies that although many people may think of themselves as complete risk managers, a large proportion don't even know what their organizations spend on risk control and loss prevention.

For example, only 356 of 515 1978 respondents reported any cost for programs for employee safety, property conservation, environmental protection, security, emergency planning or product safety. What's more, there was a wide disparity in the amounts and details of costs reported by those who submitted data. Since many indicated they did not have direct responsibility for such expenses, many answers were "order of magnitude" figures.

This raises an important question: Are risk managers really risk managers, or are they primarily insurance (risk financing) managers? Obviously, the answer depends to a large extent on the basic definition of the risk management function within a particular organization.

However, it seems that unless a risk manager knows what risk control ex-

Bernard M. Brown is a vp and consultant with Risk Planning Group in Darien, Conn., a risk management consulting firm that published the Cost of Risk Survey in conjunction with the Risk & Insurance Management Society. Mr. Brown is author of the study.



Only 356 of 515 respondents reported costs for programs for security, product safety testing or employee safety.

penses are, it is very difficult indeed to make optimum risk management decisions. To point out the importance of risk control expenses, it should be noted that such expenses were 40.9% of premium in 1978 or an average of \$1.19 million per respondent.

Risk managers knew more about their departmental costs than risk control expenditures. The average departmental cost for salaries, overhead and related expenses was \$109,700 in 1978, up 12% from a year earlier. This represents 3.08% of total property and liability premiums.

The cost of outside services includes: broker fees, if not included in premiums; consulting fees, and miscellaneous other costs. Such total costs are not significant. In fact, only 232 of the 515 respondents reported any such cost. An interesting conclusion is that despite all the talk and controversy, very few companies are adopting the fee system of broker compensation.

The income of captives is surprisingly large for those organizations that use them (43 of the 515 respondents reported their captive insurer). Net income per captive averaged \$1.4 million, which is considered a reduction in

the overall cost of risk for any particular organization.

If anything, the amount of departmental cost appears to be understated. An analysis of certain survey responses indicated many respondents only reported direct salary expense, not overhead allowances.

The average risk management department size was 4.46 persons in 1978. The largest department of any respondent totaled 96 employees, which included security guards in a large bank. Obviously this respondent was a real risk manager because he had direct responsibility for risk control activities.

As could be expected, the size of an organization influences the size of the department. For example, most organizations with \$3 billion or more in revenue had departments with 10 to 20 employees. Organizations with more than \$300 million in revenue had at least one full-time employee.

The obvious conclusion is that risk managers looking to manage more people should work for larger organizations. Also, many position evaluation studies by personnel consultants emphasize monetary awards and more important titles (e.g., vp vs. director or manager) based on the number of people reporting to a particular position. Risk managers eager for more pay and increased status should therefore seek work with larger organizations. In other words, build an empire.

The Cost of Risk Survey includes data for 1977 and 1978 submitted by 515 RIMS members, representing \$471 billion in revenues and 5.7 million employees. The survey included 98 of the Fortune 500 industrial companies. Copies of the complete survey are available from Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820, for \$25 for RIMS members and \$50 for others.

risk management notes

Tough stance can control drug problem

By David Warren

ACCORDING TO the newspapers, the dollar volume of marijuana used in the U.S. is greater than that of cigarettes. Obviously, there's hardly a company that will not be affected one way or another.

There are two problems:

- Impairment of faculties could lead to worker accidents and compensation claims.

- Liability suits could arise from injuries to third parties who contend the company did not take adequate precautions to control the problem.

Prosecuting employees found using

David Warren is a risk management consultant in Orinda, Calif.

drugs is only a small part of the solution. Evidence is hard to obtain, employees do not like to testify against their colleagues and the courts give low priority to such cases.

Some possible steps that can be taken to control the problem:

- Issue a corporate policy prohibiting use of drugs on company premises or business, clearly stating that offenders will be fired.

- In situations or locations where the results might be particularly acute, such as on boats or aircraft, employees should be clearly warned that they will be fired if caught in possession of drugs. To give the warning teeth, supervisors might be subject to action if their subordinates are found with drugs.

Workers in these situations might also be required to submit to search and/or polygraph tests. Although these are not legal without the worker's consent, consent may be obtained by offering him or her a choice of being searched or tested or being fired.

Care should be taken to observe any employment contract that might prohibit imposition of such conditions unless they have been agreed upon in the bargaining session. If an employee is working under such a contract, he might sue for breach of contract if there is no provision on this point.

Foreign values

Because of the erratic inflation rates in many countries, it is a real problem

to know what values are really at risk. Most reports of values are suspect and usually understate amounts.

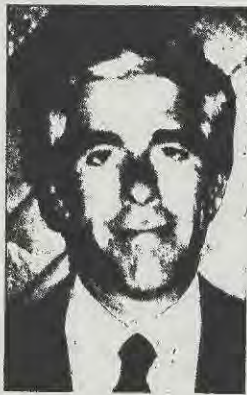
The Federal Accounting Standards Board requires replacement cost reporting of the values of foreign subsidiaries. These values are not directly usable because they include underground property, landscaping, land values, fences and many other items the risk manager would probably exclude from his values.

Nevertheless, they can be a substantial aid to the risk manager if he can get copies of the worksheets used to calculate the values. Figures taken from the worksheets can be used to make foreign reporting more accurate.

Another guide to values is the use of price level changes as a factor.

growing pains

“Clients in the medium range are overinsured, particularly at lower levels.”



David Fortune

By JILL KAPLAN

KANSAS CITY.—Buggy whip manufacturers beware: Self-insurance probably is not for you.

Small manufacturers of products with a limited or uncertain demand should think twice before self-insuring, says David Fortune, a risk consultant.

“If the future of your industry is on the decline, self-insurance would not be recommended,” said Mr. Fortune, owner and principal consultant at Fortune & Co.

Small business owners should answer several key questions before self-insuring, Mr. Fortune says. An employer must not only consider his or her firm’s future, but also must look at past experience.

Mr. Fortune specializes in advising firms that don’t have full-time risk managers, but have the same options as firms with larger risks. His clients’ gross annual sales range up to \$100 million.

“We almost always look at greater levels of self-assumption of risk,” Mr. Fortune said. “If anything, clients in the medium range are overinsured, particularly at the lower levels.”

If you’re the owner of a small to medium-sized business, Mr. Fortune suggests you answer these questions before self-insuring:

- What are your plans for expansion? “If massive expansion is projected, you may not want to be so aggressive in a self-assumption program,” Mr. Fortune said.

- A firm considering self-insurance will need working capital available to pay losses, he says. “You may wish to reconsider, particularly if you’re expanding or merging into a new area.”

- What kind of financial cushion will you have? The firm that turns a profit, yet is growing so quickly that there is little working capital, should also hesitate to self-insure.

- What kind of growth has occurred? If you’ve grown by leaps and bounds, but plan a more steady pace, you may want to adjust past loss in your analysis.

- What kind of loss data do you show? Data must be consistent and should extend over several years. “More likely, you’d want to look at five to six or even 10 years to see the growth and loss patterns,” Mr. Fortune advised.

- How effective is your safety/loss control program? “Employers should not begin a self-assumption program figuring they will spend a lot less money if they’re not taking steps to reduce losses at the same time,” he said.

- What percentage of your insurance premium is repaid in losses? “A firm with a loss ratio of 50% to 60% for work comp is unlikely to take on self-assumption of a risk,” Mr. Fortune said. A loss ratio of less than 50% is often quoted when considering self-insuring, he said.

Small boats may lack enough fire protection

By DAVID SPERLING

NEW YORK—Owners of small commercial boats are vulnerable to large fire losses, a new study reports.

Less than 10% of fleet owners surveyed said they went beyond the U.S. Coast Guard fire protection regulations, according to the study by the Fleet Data Service in Houston. A Coast Guard spokesman told *Business Insurance* that those minimum standards were “perhaps not completely adequate.”

The report was commissioned by Ansul Co., a Wisconsin-based manufacturer of fire protection equipment. It is using the survey results to sell its equipment.

Company officials say the findings bolster their contention that the standard fire protection system—CO₂ and hand-portable extinguishers—do not adequately protect the vessels against extensive damage.

In 1978, the last year covered in the study, an estimated \$41 million was lost through fires on 229 commercial vessels.

Fire explosions caused an annual average of 20 deaths and 45 injuries over the 15 years covered in the study.

The study contends boats continue to risk these losses because advanced fire protection equipment, such as a Halon flooding system, is considerably more expensive than the standard equipment required by the Coast Guard.

“Fleet operators say the systems being installed are the minimum required by regulation, which leads one to assume that cost is a major factor in deciding which system to install,” the report states.

Klaus Wahle, Coast Guard fire

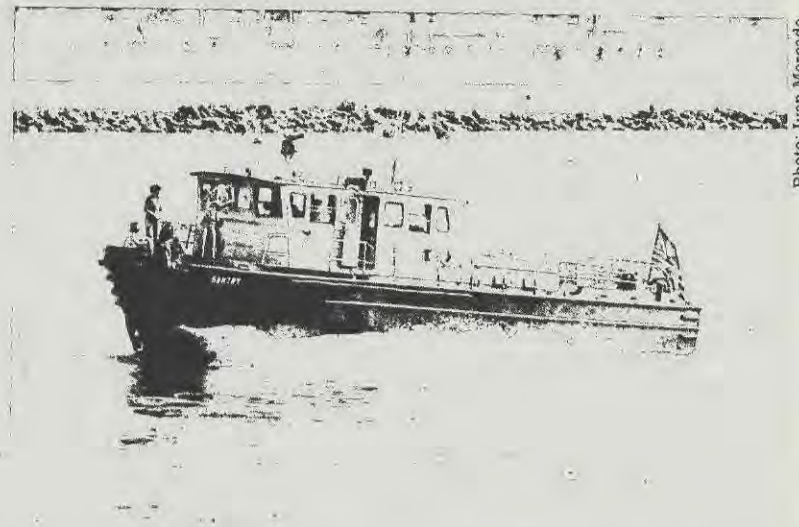


Photo: Ivan Mercado

Few small commercial boats install fire protection measures beyond those mandated by U.S. Coast Guard rules, a survey shows.

protection specialist, agreed that deciding which fire protection system to use is a tradeoff between cost and hardware for many boat owners.

The more expensive Halon system recommended by Ansul was more effective than the standard fire protection equipment used by many boats, Mr. Wahle said. But it does sometimes affect the human nervous system when used in high concentration, he said.

The commercial vessels covered in the study include towboats, tugs, utility boats and large workboats less than 300 feet long and 1,000 pounds.

Many crew members are also not fully trained in the proper use of firefighting equipment, said Jack Goudreau, Ansul’s marine marketing specialist. This further aggravates a situation in which only the minimum protection equipment is

used, he said. “When a fire breaks out on board, the first human reaction is to jump overboard and start swimming,” he said. “Few people want to be heroes.”

The Maritime Administration was considering a proposal to require safety training for U.S. flag vessel crews, Mr. Goudreau said. However, this would not cover most smaller boats, which are classified as “noninspected vessels.”

Safety training is at the individual discretion of fleet owners, said Mr. Goudreau. “Some companies are extremely good, but others don’t do it at all.”

Crowley Maritime Corp., one firm covered by the survey, requires crew members to attend a week-long fire safety seminar, said risk manager Charles Findlay. The San Francisco-based company operates 426 vessels, most of which are harbor and river tugs.

NAIC to redefine group life bill

NEW YORK—The National Assn. of Insurance Commissioners is revising a 30-year-old model group life insurance bill to define groups that qualify for coverage.

“We are drafting a new model law defining group life and to what extent or how many types of groups other than employer-employee are viable,” said Thomas J. Kelly, chief life actuary for the New York State insurance department and member of the NAIC task force.

The task force will examine vari-

ous groups, like credit card holders, from an actuarial standpoint, Mr. Kelly said. It expects to have a rough draft of the revision ready by fall.

The task force is “trying to see if we are going far enough for the public to get group life at lower costs,” he said.

Individual states disagree on the definition of a qualifying group for life insurance.

“The model that has been on the books is over 30 years old and is

obsolete,” said Angele Khachadour, NAIC task force chairwoman. She says she doesn’t believe any state follows it.

However, when NAIC attempted a revision a few years ago, the task force couldn’t agree on a model bill.

Members of the task force are from California, Iowa, Maryland, New Jersey, New York, South Carolina and Wisconsin.

Model bills adopted by the NAIC are made available to individual states for adaptation.

Reliance appoints Pollard chairman

PHILADELPHIA—William A. Pollard has become chairman of the board of Reliance Insurance Co. here and will head the corporate strategies division formed in a restructuring of the company.

Mr. Pollard also retains his positions of president and chief executive officer of Reliance.

The new corporate services group will be under the direction of John W. Folk, named deputy chairman and chief administrative officer of the Reliance board. Mr. Folk also has been appointed deputy chairman of Reliance Financial Services Corp., the parent of Reliance Insurance Co.

The company’s profit centers—each with its own president—will continue to report to Mr. Pollard. Harry L. Richter Jr., who becomes

comings & goings: industry

corporate executive vp, will supervise insurance operations on Mr. Pollard’s staff. Mr. Richter was formerly a senior vp of the company.

Other insurer changes:

Hugh F. McKenna elected president of Continental Life & Accident Co. in Boise, Idaho.

Larry K. Lance promoted to senior vp of The Hartford Insurance Group, assuming responsibility for the company’s group insurance business; **David J. McDonald** named vp and **George W. Dreisbach III** elected director of group sales.

William Munson elected president and **Robert W. Hedges** vp of

Commerce & Industry Insurance Co. of Canada, a member of American International Group Inc.

Abraham Gutfreund named director of group underwriting for Mutual of New York.

Daniel Morgan named assistant vp of Pennsylvania Hospital Insurance Co. and the Pennsylvania Casualty Co.

Broker changes

John P. Doyle named senior vp of Robert J. McDonald Inc., an agency in Melville, N.Y.; **Thomas E. Kennelly** named vp of the same firm.

Belford Hogo-boom appointed manager of the new Madison, Wis., office of R.S. Hammer-schlag & Co. of Milwaukee.

Joseph M. Carrico named operations vp of Harris & Co., an insurance agency in Louisville. Mr. Carrico will be responsible for internal operations of the agency.

Douglas J. Smith and **James G. Evans** named account executives of Tolman & Wiker, a brokerage in Ventura, Calif. Mr. Evans will also serve as director of administration.

Allen A. Brod named vp and manager of the marine division of



Hogoboom

Frenkel & Co. in New York. **James L. Schellie** named vp in the Chicago office of E.W. Blanch Co., a Minneapolis-based reinsurance brokerage firm.



Schellie

Charles E. Bryan elected assistant treasurer of the London Agency Inc., an Atlanta-based managing general agency specializing in excess/surplus lines; **Leonard G. Pease Jr.** elected assistant vp.

L. Robert Quillen named marketing and underwriting vp at Bayly, Martin & Fay’s Philadelphia office.

Work comp seminar

Congressman may seek federal control

By JILL KAPLAN

ORONO, Maine—The federal government should take compensation for occupational diseases out of the hands of state workers compensation agencies, says a congressman.

Rep. Edward Beard, D-R.I., may propose it in Congress next session. The bill he is considering would set minimum federal benefit standards for workers who contract occupational diseases and create a panel of medical experts to examine workers.

It also would make the employer responsible for disproving an employee's contention that he has a disease.

"There must be an awareness of the monster that's out there," Rep. Beard said at a workers compensation symposium here. "A heavy burden of proof now is on the person who is injured."

Under the proposed bill, employers would be assessed by industry for contributions to a special trust fund to compensate workers with occupational diseases.

Rep. Beard pushed for federal minimum benefit standards in Congress last session with a bill (H.R. 5482) that failed to muster

support.

"We can sit and talk about what this or that state needs to be doing, but what does it mean if the doctors don't know enough about the diseases?" he asked.

"Are the doctors guessing?" he asked. "At the training programs in the medical schools they tell me occupational disease is a big guess."

Rebuttable presumption of diseases is a good idea until physicians have more knowledge about occupational diseases, Rep. Beard suggested. Rebuttable presumption means a doctor presumes a worker suffers from the disease, placing the burden of disproof on the employer.

"There are so many diseases medical people can't determine that presumption is the key word," he said.

Sending a disabled worker to a panel of four or five physicians would be better than a visit to the company doctor, Rep. Beard said.

"If you're a company doctor, you'll represent the company line," he said.

The congressman also called for medical schools to place a greater emphasis on teaching occupational disease and asked that physicians take refresher courses.

"In the last 25 hearings I've attended, I've learned more than most doctors know about occupational diseases," he said.

Rep. Beard also is hoping to include in any new legislation the labeling bill (H.R. 6896) and the asbestos substitute bill (H.R. 6840) he proposed in Congress last session.

The bills would require employers to substitute other materials for asbestos whenever possible and would require employers to tell workers about all dangerous substances in the workplace.

"Let's see manufacturers put labels on cans and tell employees the dangers they're working with," Rep. Beard said.

"There should be a thrust by the federal government, through the agencies, to make sure workers are aware of the dangers in the environment."

Federal minimum standards are needed because the states don't seem to be moving toward reform on their own, Rep. Beard said.

"I would love it if every state could bring up the standards by itself," he said. "The ideal thing would be for benefit levels to be the same in all states."

The Southern states need the most reform, he said, with the



"There must be an awareness of the monster that's out there," Rep. Edward Beard (D-R.I.) says of workers compensation.

Carolinas in the worst shape.

Trying to get such a reform effort through Congress will be tough, Rep. Beard concedes, but he remains optimistic.

"It depends on labor and how much it's willing to get behind the effort," he said. The membership of the new Congress will also be a factor.

But he considers one thing as

certain: Business will vigorously oppose such a bill.

"We're trying to avoid the big lobbying groups—the manufacturing groups, chambers of commerce and insurers, who are all against us," Rep. Beard told the symposium.

"Most of big business will be against anything that it thinks will cost more money."

Self-insured pools need common ground: Lawyer

ORONO, Maine—Groups forming self-insurance pools should have more in common than covering their risks.

The question is not whether the group is formed within an industry, but whether there is a real association behind the group, says John Lewis, a Florida attorney.

He also told participants at a recent workers compensation symposium here that it is imperative that all pool members be equally responsible for liabilities.

When forming a group for self-insurance, it is most important that the association behind the group be real and be responsible, said Mr. Lewis.

"The association should provide a function and exist for other purposes besides the sponsoring of a group self-insurance plan," he said.

"In the old days, group self-insurance funds were typically sponsored by a trade or organization and the arrangement provided some good benefits," said Mr. Lewis, who was general counsel to the 1972 National Commission on State Workers Compensation Laws.

"Since the group was homogeneous, it had well-directed safety services," he said. "Members took pride in the group. They had a reputation to protect." Some states have statutes permitting group self-insurance funds only in an industry, he added.

"But if it can be shown that non-industry groups work well—and it can—then why should the funds be restricted?" he asked.

Members of the association must equally share the liabilities, Mr.

Lewis stressed. Members should sign an indemnity agreement making each jointly responsible.

When association members are 100% on the hook if things go sour, they have a long-term interest in seeing that benefits are paid properly, claims dealt with correctly and bad experience held down.

"That's the heart of a fund," Mr. Lewis said. "It gives members a reason for being there and caring about how things operate. There is a different attitude when members view it as their vehicle, as opposed to paying a premium to a carrier."

He advises a group to wait several years before paying dividends to its members.

"If you can do well with group self-insurance, you ought to be able to wait a couple of years before you get money returned to you," he said.

Symposium background

ORONO, Maine—Casually clad in T-shirts and jeans, some of the nation's leading experts in workers compensation gather here in the backwoods of Maine.

They come to participate in the National Symposium on Workers Compensation, a think tank on workers compensation.

The symposium, first held in 1977, provides a week of intensive studies where participants brainstorm the most complex issues in the field. Intended to be a learning experience, the session lacks convention sidights, is not advertised and caters to the experts.

Employers, insurers, government representatives, organized labor, doctors, lawyers and educators are invited.

The session is organized by Robert B. Collyer, executive assistant at UBA, a lobbying group in Washington, D.C., and by J. Howard Bunn Jr., vp at the National Assn. of Independent Insurers in Des Plaines, Ill.

Dr. Joseph Sataloff, who has been holding hearing loss compensation sessions in Maine for more than 25 years, provides the financial backing for the symposium. Support services are provided by Dr. Sataloff's Hearing Conservation Noise Control Inc. in Philadelphia.

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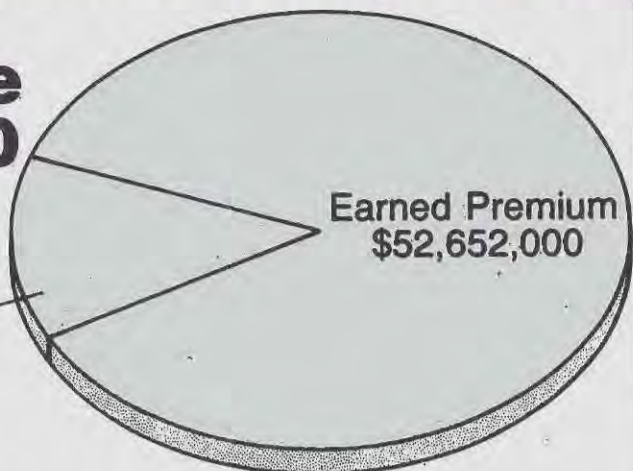
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Source: Oklahoma State Fund

Competitive state fund offers option: Official

ORONO, Maine—Competitive state funds may not be the answer to all workers compensation problems, but one administrator says they're a step in the right direction.

"I think the states ought to consider competitive, but not exclusive, state funds," said David Gillogly, commissioner of the Oklahoma state insurance fund.

"State funds will not necessarily improve every system, but they do offer some benefits," he said.

They provide a guaranteed market, fairly good prices and a standard of comparison, he explained at the workers compensation symposium here.

But the funds also are political animals considered by some to be a government incursion into privacy, he added. The funds may not always be financially sound and do not offer employers coverage in more than one state.

With the rapidly rising cost of workers compensation premiums, an increasing number of states are seriously looking at state funds. Illinois, New York, Kentucky and Minnesota are studying the option.

"We're (the state fund) a little bit cheaper than the private carriers," said Mr. Gillogly. The state fund, with 20% to 25% of the business, is the largest workers compensation insurer in Oklahoma.

Because a state fund is a direct writer, it pays no agent commissions and almost always has significantly lower operating costs than private companies, he said.

Operating costs for the Oklahoma workers compensation fund were about \$2.25 million last year.

State funds also can be cheaper because some states do not pay taxes on premiums. The funds return investment income to the policyholders, said Mr. Gillogly.

On an earned premium of \$52.6 million the Oklahoma state fund reaped an investment income of \$5.5 million last year. About 4% of the premium, or \$2 million, was returned to employers as dividends.

In addition, employers in Oklahoma could earn a 5% prompt payment discount and receive a standard premium discount.

Premiums up to \$1,000 received no premium discount, more than

Continued on page 22

Use of lump sum thwarts rehab, researcher says

By JILL KAPLAN

ORONO, Maine—Lump-sum payments are getting in the way of the disabled worker on the road to re-employment.

"Lump sums for permanent partial disability are thwarting the effectiveness and efficiency of workers compensation," said Arthur Larson, director of the Rule of Law Research Center at Duke University.

"A more serious disincentive to rehabilitation and re-employment can hardly be imagined," he said at a recent workers compensation symposium here.

Many argue that it's best to award the worker one lump sum and get on with rehabilitation, but this has not been confirmed by people in the rehabilitation business, said Mr. Larson, author of many workers compensation legal texts.

It wrongly assumes lump sums are paid immediately, he said.

In Oregon, the average time for a lump-sum permanent partial payment is 24 months, he said. This means the worker must remain disabled for an average of two years.

"If you give a lump sum, you immediately throw out all of the carrots and sticks in the system," Mr. Larson said. "If the worker is on a week-to-week benefit system, you can tell him you'll cut off future comp payments."

The stick for the employer is the stopping of all benefits and the carrot is the prospect of the best re-employment, Mr. Larson said. But the stick for the employer is mandatory re-employment while the

carrot is cutting off benefits.

For the employe, the appeal of rehabilitation and re-employment must be financial, Mr. Larson said. The first step toward this goal is to get rid of overlapping benefits.

"It's perfectly possible in most states to draw unemployment and work comp benefits at the same time," he said.

A good example of the proper shift in emphasis to re-employment is a new workers compensation bill proposed by state Rep. James Chrest in Oregon, he said.

The Chrest bill would require any employer of 10 or more persons to reinstate an employe to his/her prior job if the employe is able to perform it.

The actuarial firm Tillinghast, Nelson & Warren in St. Louis is analyzing the cost of the bill that Rep. Chrest hopes to propose.

"If the employe is not able to perform his original duties, he must be offered another job whose primary duties he can perform," Mr. Larson said. "If that fails, only then is he offered rehabilitation."

He or she must return to work, even if it is part-time, as soon as possible. If a medical review panel determines healing is taking too long, the employe can be ordered to undergo rehabilitation. If he or she refuses, all benefits could be cut off.

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Brokers protest rule for surplus market

Continued from page 2

- Requires E/S brokers to maintain a \$15,000 bond and \$500,000 of errors and omissions insurance, with deductibles of no more than \$5,000 and written by the admitted market only.

- Requires admitted insurers to maintain a five-year log of risks declined.

- Limits E/S brokers to using surplus lines insurers that annually file premium volume statements with the insurance department and, unless waived by the insurance department, have been authorized to write such business for three years by its domicile.

- Requires E/S brokers to state whether they submitted the risk to Free Trade Zone insurers.

Retail and surplus lines brokers oppose the proposed revisions. "To make Regulation 41 tighter as a way to enhance acceptance of the Free Trade Zone is a bad approach," said Robert L. Sanford, president of Smyth, Sanford & Gerard and the Insurance Brokers Assn. of New York State.

"The department has enough regulatory authority in 41 now if they were to use it properly," he said.

Tightening Regulation 41 will not bring more business to the Free Trade Zone and Insurance Exchange, said Walter S. Groden, president of David C. White Agency and Lawrence Excess Co. of Lynbrook.

"I'm all for the Free Trade Zone and New York Insurance Exchange, but they don't have the expertise to take on a high-risk line," he said. Mr. Groden is president-elect of the state Excess & Surplus Lines Brokers Assn.

The Free Trade Zone and exchange need the E/S brokers' expertise to work, he said.

Future tightening of rules governing nonadmitted insurers could force some insurers to join the Free Trade Zone, however, one surplus lines broker predicted. He added he would recommend to his markets that they obtain Free Trade Zone licenses.

The relative ease with which business flows to the nonadmitted market is one deterrent to using the New York Insurance Exchange, says a report released July 22 by a state senate task force (BI, July 28). It recommends enacting legislation to loosen restrictions on use of the exchange, if the exchange's governors ask for it.

With the exception of Maurice R. Greenberg, chief executive officer of American International Group, the board favors expanding the business the exchange can write, one source said.

Bridge premiums to rise

Continued from page 2

vices Inc. of West Palm Beach. Wright & Seaton of West Palm Beach is the current broker.

The Sunshine Skyway Bridge, which spans Tampa Bay, was struck by a freighter during a May 9 thunderstorm. A quarter-mile section of the bridge fell into the water and 35 persons were killed (BI, May 19).

National American told Florida officials several reinsurers dropped off the risk following the accident, said Michael Schafenacker of the state transportation department's administrative services division.

National American officials could not be reached for comment. Florida has not submitted proof

of loss to National American for claims for damage to the bridge. Under terms of the policy, the state has until Aug. 8, but Mr. Schafenacker said the insurer authorized an extension.

State officials are still determining the cost of replacing the lost section of the bridge, which was insured for \$59 million.

They are also pursuing a damage suit against the owners of the Summit Venture, the freighter that struck the bridge.

One question to be resolved is whether admiralty law, which would limit the liability of the Summit Venture's owners to the value of the ship and its cargo, would apply in suits stemming from the crash.

Ruling on defense costs hurts buyers, lawyer says

By RHONDA L. RUNDLE

SAN FRANCISCO—The California supreme court ruling validating the industry custom of letting excess insurers off the hook for defense costs can hurt policyholders, argues the losing attorney.

When damages from a single claim are likely to exhaust primary policy limits and the primary insurer alone has to pay defense costs, "insureds are guaranteed of a poor defense," says Richard Kayaian, attorney for Pacific Indemnity Co.

"It's common sense to suspect that in this situation, a carrier might try to economize on defense costs," said Mr. Kayaian of Curren & Kayaian of Los Angeles.

This issue only arises in single claim cases, he notes. In multi-claim cases where settlements are paid one-by-one, the excess coverage clearly attaches when combined legal costs and damages exceed primary policy limits.

In the case before the supreme court, primary insurer Pacific Indemnity was suing excess insurer Harbor Insurance Co. for a contribution to defense costs in a case involving their policyholder Signal Cos. The court ruled 5-2 that Harbor didn't owe anything.

Insurers hail the decision as crucial to preserving the most important distinction between primary and excess insurance—the duty of the primary insurer to furnish the policyholder's defense.

"If the decision had gone the other way, we would have seen a dramatic restructuring of insurance costs," said Paul Russo, vp-claims for Fireman's Fund Insurance Cos. Excess insurance is much less expensive than primary insurance, he said, partly because defense costs for the excess insurer are so much lower.

Signal Cos., for instance, purchased a \$25,000 per occurrence primary policy from Pacific Indemnity at an annual premium of \$106,000 during 1962-65, the period under scrutiny in the supreme court case, Mr. Russo noted. Signal was obviously buying legal services, he stressed.

Mr. Kayaian counters that spreading the defense costs among primary and excess insurers would be fair. The way the system

works now, he believes, buyers of small amounts of primary insurance are subsidizing legal costs of giant corporations that purchase layers of excess coverage.

Although not citing any examples, the court recognized there might be special instances in which an excess insurer might be required to contribute to defending a policyholder suit.

Justice Frank K. Richardson, who wrote the majority decision, hinted that if a primary insurer goes about it properly, it may involve an excess insurer in a defense.

Signal was one of several oil companies sued by the city of Los Angeles and the city water department, alleging underground oil

drilling had weakened the Baldwin Hills Dam, which collapsed Dec. 13, 1963.

Signal's policy with Pacific Indemnity had a limit of \$25,000 per occurrence. Harbor provided excess insurance to \$10 million.

The Harbor policy, the court noted, contained language specifying that the excess policy was subject to the same terms as the primary "except as regards the obligation to investigate and defend."

In 1971 the lawsuit against Signal Cos. was settled for \$35,000 with Pacific Indemnity contributing its policy limits and Harbor Insurance Co. providing the rest.

Pacific Indemnity sued Harbor Insurance when Harbor refused to share the \$95,000 defense tab.

Execs bank on plans for repossessions

Continued from page 3

If banks get involved in managing repossessed property, Mr. Dowgiewicz suggests purchasing individual liability policies to keep loss experiences separate.

"Once you get involved in operating a business, you don't want to screw up your bank's loss history because of one or two exposures you don't have any control over," he said.

Edgar Armstrong, consultant for The Wyatt Co., agrees banks should purchase separate liability policies. Banks also should buy mortgage impairment policies for repossessed residential and commercial property, which cover lapses in coverage, he says.

If a bank chooses to lease repossessed property, Mr. Armstrong advises risk managers to make sure the bank has adequate liability coverage and is held harmless. Contingent liability insurance would protect the bank if the lessor is named in a suit, he says.

Insurance for repossessed property usually is not difficult to obtain. In most cases, real estate is covered automatically under the bank's master property and liability policy. Many risk managers, however, prefer to separate repossessed property from other bank property because of different loss experience.

"If they couldn't keep up their payments, chances are they didn't take good care of their property," says one risk manager.

Particularly vulnerable are large apartment complexes, half-completed condominiums and boarded-up shopping centers that are accessible to the public and subject to vandalism.

Marty Moran, who is with the financial services division at Marsh & McLennan, said although insurers usually can insure all types of repossessions, special types of property and equipment might have to go to specialty markets. Large aircraft and watercraft, for example, would require special policies, he said.

Banks hit hardest by mortgage and loan defaults are those that finance smaller leasing operations and deal with higher-risk clients.

"Banks could see that we were drifting into a recession, so they started screening their clients a little more closely and didn't give out as many loans," said Mr. Moran of M&M.

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State comp funds provide option

Continued from page 21

\$1,000 to \$5,000 received a 9.4% discount; more than \$5,000 to \$100,000 received a 14.7% discount, and premiums of more than \$100,000 earned a 16.3% discount.

About \$8 million was returned to policyholders in discounts last year. Employers participating in the Oklahoma state fund next year will receive a flat premium discount of about 17%, regardless of

premium paid, Mr. Gillogly said.

A state workers compensation fund is good because it's a guaranteed market, Mr. Gillogly said. An employer who can't find an insurer willing to cover his workers compensation risks can go to the fund. It also provides a yardstick for measuring private companies.

"Are private rates good or bad? Are insurers getting rich? Do they pay claims fast or slowly?" Mr. Gillogly asked. "If you have a fund, there is some system of comparison because the fund is a controlled entity."

But there are disadvantages to a state fund, Mr. Gillogly pointed out. It means more government.

Funds also are political animals, the state fund commissioner said. They may not be financially sound.

"You might have a fund responding to political needs more than would an insurance company," he said. Some funds may be forced to charge lower rates simply to show it can be done.

But state funds usually can't of-

fer an all-states endorsement for employers operating in more than one state, Mr. Gillogly said.

"Some funds have reciprocal

agreements with other funds," he said. It is sometimes possible to work out a deal between several state funds.

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M&M to place cover for Chinese insurer

MARSH & McLENNAN International Inc. and the People's Insurance Co. of China have signed a letter of understanding authorizing M&M to act as broker in placing insurance coverage for clients in China. M&M also will supply technical services to PICC.

Under the agreement, the first of its kind by any U.S. broker, M&M will negotiate the terms and conditions of the coverage to be underwritten by PICC. The broker also will be authorized, on a case-by-case basis, to prepare and issue binders of insurance for PICC.

PICC will pay remuneration, commissions or fees to M&M for services rendered.

Crop insurance

American Hail Insurance Co. has

markets

been chartered in Minnesota to write crop insurance.

The company, with an initial capital and surplus of \$700,000, is a wholly owned subsidiary of the Ormond Reinsurance Group of Ormond Beach, Fla. American Hail will operate from Ormond's Bloomington, Minn., office and may expand its writing in the future as it becomes licensed in other states.

Aid to agents

The Reliance Insurance Cos. is the latest firm to step on the "save the independent agent" bandwagon.

Although he's not speaking in specifics at present, new Reliance chairman William A. Pollard says his firm is looking at a variety of ways it can help the independent agent, both financially and with products.

"These days, independent agents are being hit from all sides," he said. "The public brokers, for instance, have raised their market share from less than 5% a short time ago to about 25% now, and they are picking up 1% or 2% a year.

"Reliance wants to find ways to help these agents keep their market share while still remaining entrepreneurs," he added. "It could be through increasing our joint

ventures and financing with agents, adding new products or whatever.

"I think what we'll eventually do is borrow a little from franchise groups like ISU, insurance companies like Commercial Union (Insurance Cos.) and CNA and add a little bit of ourselves."

Mr. Pollard says he is still tinkering with the program, and might have plans formalized after January 1981.

New offices

Worldsurance Inc., a surplus and specialty lines broker has opened a new office in St. Louis to serve clients in Kansas, Missouri, Illinois, Indiana and Kentucky.

Workmen's Compensation Service Co. has expanded to the Chi-

cago area, with a new office at 55 W. 22nd St., Lombard, Ill. 60148.

Acquisitions

South Bay Insurance has merged Bay Center Insurance into its operations in Redondo Beach, Calif. Bay Center's owners, Donald G. Martin and James P. Alexander, are now brokers with South Bay Insurance.

Fireman's Fund will acquire Southern Guaranty Insurance Co. of Montgomery, Ala., for \$19 million in cash, the companies agreed. The purchase price equals \$31.66 for each outstanding share of Southern Guaranty stock. Fireman's Fund says it will operate Southern Guaranty as a regional company under present management.

info

• A newsletter entitled **Pensions and Inflation** is available from Kwasha Lipton, consulting actuaries and employe benefit services. For a free copy, write department M, Kwasha Lipton, 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• **Critical Factors Affecting Multinational Experience Rating** is a booklet from Swiss International Services Inc. describing multinational network pooling. It is addressed to U.S. multinationals interested in coordinating their employe benefit programs. For a free copy, write George G. Smyth, Swiss International Services, 560 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• Underwriters Salvage Co. describes its **graduated commissions scale** in a new booklet. The scale is designed to reduce commissions cost on larger losses and to provide customers with a fair and equitable fee for services rendered. For a free copy, write marketing service, Underwriters Salvage Co., 1400 Busse Rd., Elk Grove Village, Ill. 60007.

• A new broker kit for **Tender Offer Defense Expense Insurance** has been developed by NAS Insurance Services. The kit contains a brochure describing the new policy and gives case examples, an application and a specimen policy. For a free kit, write NAS Insurance Services, P.O. Box 54831, Los Angeles, Calif. 90054.

• A brochure describing BCF Halon 1211, a **fire fighting agent** used in portable fire extinguishers, is described in a new brochure available from ICI Americas Inc. For a free copy, write ICI Americas Inc., Wilmington, Del. 19897.

• Exporting companies can protect their credit sales overseas against loss from either commercial or political events with export credit insurance offered by Foreign Credit Insurance Assn. FCIA's free booklet, **The Competitive Edge**, describes the available programs and policies. For copies write public affairs office, FCIA, 1 World Trade Center, Ninth floor, New York, N.Y. 10048.

• Services designed to reduce the cost of workers compensation, general liability and fleet auto claims are discussed in **A Powderkeg!**, a free promotional brochure from Occupational Analysts International. For copies of the brochure, write Occupational Analysts International, 222 Rookery Building, 14 N. Howard, Spokane, Wash. 99201.

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Rich blooms at Flower

BENJAMIN SCOTT RICH, 33, has been promoted from risk manager to director of corporate insurance and cash management at Flower Industries Inc. in Thomasville, Ga. In this new position, Mr. Rich will retain risk management duties and also be responsible for collection, concentration and investment of corporate cash funds. He joined the company's management training program in 1974, became marketing representative the following year and risk manager in 1977. Mr. Rich, who reports to C. Martin Wood III, senior vp and chief financial officer, graduated from Georgia Institute of

comings & goings: buyers

Technology in 1969 and received a master's degree in business administration from Georgia State University in 1973. He is also treasurer of the Atlanta chapter of RIMS and an instructor in insurance for the American Management Assns.

American Motors Corp. in Southfield, Mich., has appointed **Joseph L. Fromm** assistant treasurer for employee benefits and risk management. With this added des-

ignation, Mr. Fromm will retain the duties of director of employee benefits and risk management, a position he held since 1975. He joined the company in 1970 as director of financial services and before that worked for the treasurer's office of Chrysler Corp. Mr. Fromm, who reports to vp and treasurer John P. Tierney, has a bachelor's degree from Princeton University and a master's in business administration from Harvard Business School.

Hallett leaves GM for Hall

Thomas V. Hallett, director of risk management at General Motors Corp. in Detroit, will join broker Frank B. Hall & Co. in September as a corporate vp and director of risk management.

His duties in working with Hall executive vp John McCaffrey will be operational and administrative. He will look at Hall's approach to risk management and help develop an educational program for field operations staff to help them understand what risk managers are looking for in the insurance marketplace, he said.

Mr. Hallett, 39, is moving out of corporate risk management looking "for new challenges, a more diverse environment and operational aspects," he said.

GM, which recently cut a nearly 60-person risk management department by five as part of a 10% corporate cutback in salaried work force, hasn't named a replacement yet.

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Prudential compromise averts insurer scramble

Continued from page 1
of labor Donald Elisberg told *Business Insurance*.

Another high-ranking government official said he wouldn't be surprised if more than \$1 billion of Prudential's \$85 billion in annual premiums is at stake.

A company probably would have to switch insurers if Prudential covered employees who made products for a federal contract even if the employees also made products for nongovernment customers, Mr. Elisberg said.

Employers still would be free to purchase Prudential insurance for nonfederal government business.

However, it isn't clear whether companies would have to seek new reinsurers if Prudential reinsured a policy relating to business with the federal government.

The Labor Department ordered the ban after Prudential refused to turn over records for an investigation of possible race and sex discrimination in employment practices. Prudential filed suit seeking a court order to prevent the withholding of government contracts. The new temporary agreement was reached in federal court at the hearing on the restraining order.

However, most immediately affected by the government order would be Prudential's direct business with the government.

In addition to the \$137 million for health insurance policies for some 200,000 federal employees, Prudential also processes Medicare and Medicaid claims in several states and is one of 300 companies reinsuring a Metropolitan

'The potential dollar amounts are far in excess of \$180 million,' says Donald Elisberg.



government group life insurance policy.

Mutual of Omaha now insures about 200,000 federal employees for \$200 million in premiums. CNA insures about 115,000 federal employees for about \$100 million in premiums.

Other big providers of health insurance to federal employees are Blue Cross & Blue Shield plans, which insure 1.8 million workers for premiums of \$2 billion and Aetna Life & Casualty Co., covering 475,000 federal employees for premiums of \$375 million.

The federal government had begun to map plans to find coverage with other insurers for federal employees insured with Prudential.

The Prudential-Labor Department dispute began last year when the government began investigating Prudential's employment practices for race or sex discrimination.

The Labor Department did not charge Prudential with discrimination, but said Prudential's employment computer tapes were needed for the investigation.

"It is our judgment that these tapes provide the most complete,

accurate and economical tool for making a fair evaluation of the company's overall job practices," Mr. Elisberg said.

Under the new agreement, the government must keep the released information confidential, Prudential said. The Labor Department said it agreed not to alter the tapes and will return the originals. It said Prudential gave up its demand for supervising the analysis of the data by the government.

"The order means that there is no need for concern on the part of companies doing business with Prudential," said Robert Winters, executive vp of Prudential. "We consented to the agreement because it protects our rights and our business from disruption while we have our day in court."

All of Prudential's current government contracts will remain in effect, and it will be eligible for new contracts, the insurer said.

Prudential says it has met most of its affirmative action goals. Minorities comprise more than 27% of all persons hired for home office positions and 17% for sales positions.

Foam recall may be uninsured

Continued from page 3

The Department of Energy had brands of the foam tested for urea-formaldehyde content then, he said. This prompted the voluntary reform.

"Massachusetts is being very premature. Some individuals jumped without trying to understand the problem," Mr. Christopher said. "The Department of Energy found nothing wrong with the product."

Ted Roth, secretary of Scientific Applications, reiterated his faith in the foam product. "We feel if the product is properly applied and all chemicals are properly formed, there should be no health hazard," he said.

However, all three men agree problems are likely unless the product is installed only on side-walls.

These three firms have product liability insurance with commer-

cial insurers but are uncertain whether claims that could result from the Massachusetts law would be covered.

None would elaborate on their insurance, but Mr. Keene said such coverage is available from The Hartford Group, Fireman's Fund and The Home Insurance Co.

The Home said it writes some on a risk-by-risk basis, but The Hartford said it did not write any. Fireman's Fund said it didn't know if it had any such policies.

Although these manufacturers will weather the bad publicity associated with their product, others don't believe it's worth the time or money.

Borden Inc. stopped manufacturing urea-formaldehyde foam insulation in 1978. "It was too much hassle and there was too much competition," said Robert Drake

Jr., director of risk management.

That firm is self-insured for any claims resulting from the proposed Massachusetts law.

"We are out of the business," said William Egnor, president of Aerolite Foam in Florence, Ky. "We stopped because of all the problems. We had enormous legal bills. It became an unprofitable business."

This firm also is totally self-insured.

Earlier proposals in Massachusetts for this type of legislation failed.

Other states considering restrictions on this type of insulation are New Jersey, California, Arizona, West Virginia, New Hampshire and Ohio, said an economist at the U.S. Consumer Product Safety Commission in Washington D.C. None, however, has recommended a ban against the foam like Massachusetts has.

Ohio files price-fixing lawsuit

Continued from page 3

plaints from consumers about excessively high hospital bills, Mr. McShane said.

The hospital association would not comment on the lawsuit until officials are able to study the charges.

Cleveland is second only to New York in having the highest hospital costs in the nation, said Mr. McShane, referring to a 1978 study by The Equitable Life Assurance Society.

From about 1935 until just several years ago, no competition existed among health insurers in Ohio because Blue Cross of Northeast Ohio was handling all of Cleveland's health insurance busi-

ness, Mr. McShane said.

When competing companies, self-insurers and HMOs entered the market, the hospitals banded together to unilaterally determine charges, stifling competition, he said. Blue Cross was usually given a rate discount because its board of directors was dominated by doctors, he said.

However, the Blue Cross board is no longer doctor-dominated. It has consumer representation and has begun cost-cutting efforts, losing the discount it once enjoyed, Mr. McShane said.

The hospitals have acted to charge Blue Cross the same rates as other insurers, but authorities want the practice stopped because

it represents illegal cartel activity, the prosecutor said.

Blue Cross of Northeast Ohio would not comment on the suit.

The changes in the Blue Cross board stem from 1972 legislation making doctors give up control, Mr. McShane said. Provider domination of health care services has been dwindling in the state. In 1979, Ohio's Blue Shield plan agreed to subscriber control as part of an antitrust suit settlement (BI, April 16, 1979).

Late last year, Ohio dentists agreed to surrender control of the board of directors of Delta Dental Plans of Ohio, the state's largest dental insurer, under an agreement with the attorney general.

McDonald's taps Marsh & McLennan

Continued from page 1

ker for the 1,300 licensees with over 3,000 stores.

"We intend to keep the franchises," John McCaffrey, executive vp of Hall, told BI. "We've serviced them for 17 years. We've contacted the insureds and told them we will provide continuity of service."

M&M and McDonald's, however, intend to preserve the current program underwritten by American International Group. The program, with an annual premium volume in excess of \$25 million, pools corporate and licensee restaurant property, casualty and workers compensation risks and is self-rated.

"The franchises' strength as insurance consumers is in their willingness to get their commonality of risk recognized and the tailored coverage out of that," Robert Clements, president of M&M, told BI.

The current program was built by McDonald's and Hall. When the company named a new franchisee, Hall had its blessing to solicit the insurance on the new store. Mr. McCaffrey says 97% of the franchises participate.

McDonald's appointment of M&M as its broker for corporate business seems to cut off Hall's access to the AIG program. AIG couldn't comment because AIG Risk Management Inc. president Joseph Smetana was out of the country last week.

Hall has inspected the stores, underwritten and issued the insurance policies for the individual franchisees and handled claims against McDonald's restaurants. It acquired the McDonald's account almost 10 years ago when it bought Keeler & Associates which had the McDonald's account.

Transferring the business

The policies for more than 3,000 licensed stores are up for renewal Oct. 1, Mr. McCaffrey said. "The only way for M&M to write them is one at a time. It's one renewal date, which will make it fun. We know how to do it," he said.

To take over the franchise business, M&M must secure an agent of record letter from each of the franchisees, Mr. McCaffrey said. "AIG then tells us we have 10 days to get a letter reversing that," he explains.

But if the AIG market is sealed, "I can come in with another market," Mr. McCaffrey said.

Hall could even enlist the services of local independent agents to keep the business, he said. "We have the stores independently rated. We can give an independent agent the renewal premium," Mr. McCaffrey said.

So far the franchisees have been held together by a low-cost program whose rates are the result of good spread of risk among nearly identical risks. Independent agents have been unable to quote lower costs to the local franchisees.

"I'm sure a lot of good thinking went into the move," Mr. McCaffrey said. "But why submit the program to a move and sacrifice this penetration of stores in the softest insurance market that ever existed? Ninety-seven percent penetration is unheard of. Why anyone would switch brokers now I don't know."

"The reasons I got weren't sufficient to make such a sacrifice of an extremely efficient and successful program."

Mr. McCaffrey denies that McDonald's was Hall's largest account. "We put so much into service the profits were not very high," he said. "But we were very proud of it and very disappointed to lose it."

Splintering presents problems

McDonald's Corp. had U.S. sales of \$4.4 billion in 1979 compared with \$575 million in 1970. The number of McDonald's stores has also exploded, to 5,747 worldwide in 1979 from 1,592 in 1970. In 1979, only 890 of those stores were overseas.

Hall has one division that services McDonald's stores with a toll-free 800 number system.

McDonald's also has its own in-house system equipped with an 800 number, 15 operators and claims data plugged into Corporate Systems Inc. in Amarillo, Tex. McDonald's has been processing claims in-house for a year, according to Mr. Lane.

It will be December before it's known where the renewals landed, Mr. McCaffrey said. "But it seems they won't move it all. Some we won't write, some M&M won't write," Mr. McCaffrey predicted.

"But now they are tearing apart the advantages of group rates."

Some McDonald's watchers speculate that the franchisees will follow McDonald's Corp. to M&M because that's the pattern in the purchase of other goods and services.

A spokesman for the franchisees could not be reached for comment.

McDonald's corporate risk management program could suffer if the business is fragmented between underwriters, one expert told BI. It's best to have business risks of a distributor and sponsor—such as McDonald's Corp. and its franchisees—with one insurer so there is a consistent approach in the handling of claims filed against both, he explained.

The international portion of McDonald's account was moved from Hall to M&M a few years ago. The international risks are underwritten separately from domestic risks and insured by Insurance Co. of North America.

M&M, however, didn't win the McDonald's domestic account on the strength of its service abroad. McDonald's searched for seven months before deciding to change its domestic broker, BI learned.

"Frank B. Hall has a responsibility to service its clients," Mr. McCaffrey said of Hall's determination to keep the franchises. "Professionally, we don't think the move is in the best interests of our clients."

Lawsuit challenges work-comp law

Continued from page 1
and employment security.

Under the Florida law, workers injured on the job after Aug. 1, 1979, do not receive compensation beyond the time they are off work, unless they can prove their injury has caused them to lose wages in their post-injury work.

That means injuries per se are not compensated, except in three extreme cases. Instead, workers with permanent partial disabilities have to show they can't earn 85% of what they did before they were injured.

When these workers reach maximum medical improvement, they are entitled to 95% of the difference between 85% of pre-injury wages and post-injury wages.

Fewer claims

Florida officials are ecstatic about the first-year savings under this wage-loss plan. Even though the labor department numbers include claims filed before the wage-loss law went into effect, officials say figures show workers are staying out of the compensation system and returning to work.

"It's unbelievable," said Baxter Swing, director of the newly formed workers compensation division.

"Florida wage-loss is going to be just like Coca-Cola," he said. "It's going to be the program of the future. I'm just that confident in it."

The new figures show a dramatic cut in the number of employees entering the workers compensation system.

Although there were 13,000 permanent partial disability cases last year under the old system, only 574 wage-loss and impairment claims have been filed under the new system from Aug. 1, 1979, to June 30,

1980.

Sixty-nine are wage-loss claimants who have reached maximum medical improvement, 292 are wage-loss claimants who have returned to work but not yet reached maximum medical improvement and 213 represent permanent impairment awards.

"We thought the numbers would be substantially higher than that. We're pleasantly surprised," said deputy secretary of labor Mr. Babb.

Although officials do not know how many workers are injured and have not filed for wage-loss benefits yet, they are confident the number will not approach last year's 13,000.

"Most will be out of the system and back to work making what they did before," he said.

New claims filed under the new system the first year fell to 15,700 from 24,400, a 35% reduction; the number of lump-sum settlements dropped to 11,356 from 15,461, a 27% reduction, and payments to attorneys decreased to \$17.6 million from \$19.7 million, a reduction of 10%.

"Such a phenomenal downturn is of great significance," said John Lewis, an attorney in Coconut Grove, Fla., who campaigned for the wage-loss law.

"The decrease is certainly not due to anything but the new law," he said.

But the new law's impairment benefit provision has even some of the bill's staunchest supporters worried.

Under the new law, impairment is compensated in three extreme cases: amputation, loss of 80% of vision after correction or serious head or facial disfigurement.

"The bill is not very equitable," said backer Frederick B. Karl, gen-

eral counsel for the Florida Assn. of Insurance Agents.

"There are no impairment benefits in recognition of the fact that the body's been damaged and the lifestyle's been changed even though the worker doesn't lose any wages," he said.

Testing the law

Steven M. Ortega, who lost an eye while working at the Jacksonville plant of Owens-Corning Fiberglas Corp., is suing the company and testing the constitutionality of the law on that point.

Although the impairment benefits section of the new law provides compensation for 80% loss of vision, it does not state whether the loss of vision applies to two eyes.

The lawsuit asks the court for a definition of the provision and says that even if the remedy applies to loss in one eye, the resulting benefit payment under the new law would not nearly be sufficient.

Loss of one eye equals a 25% loss of total vision.

Loss of 25% of total vision equals loss of 24% of the body as a whole, explained one compensation attorney.

At \$50 compensation per percentage point under the new law, Mr. Ortega would get only \$1,200. This compares with \$22,750 he would have received in permanent partial disability benefits.

Mr. Ortega is back at the job earning the same pay as before his injury. If the 80% loss of eyesight applies only to loss in both eyes, he will receive no compensation.

"The language of the act is so bad that it's open to the most diverse interpretation," said Steven Slepik, a Tallahassee attorney.

The worker is bound to suffer

under the new law, he said. "But it's designed to be that way in part to meet the problem of high premiums."

Other attorneys have attacked the administration of the system, saying a large case backlog is why early figures show the wage-loss system has cut costs.

They say claims are processed too slowly because the workers compensation office is flooded with paperwork.

"It's using horse and buggy methods," said Richard Sicking, a plaintiffs attorney in Miami. "If you want to really amuse yourself, go up to Tallahassee and see rooms where there's just paper."

"Suppose there are 5,000 claims for a hearing sitting in files somewhere. They may be accumulating somewhere. I think they are."

Rough spots

"Before Aug. 1, 1979, I could've had a hearing set in 10 days," he said. "After Aug. 1 the process took months."

Other Florida attorneys and state officials, defend the system.

"It always takes months to get hearing dates," said wage-loss supporter Mr. Lewis. "The administration has some rough spots, yet, but that was anticipated."

State officials say the load was overwhelming at first, but that the problems are being solved.

The staff of the workers compensation division already has increased to 435 from 286, with the claims bureau up to 180 from 82. Mr. Babb plans another 15% expansion.

"Paper flow is under control," he added.

The division was flooded with paperwork when the reporting requirements for claims changed.

Instead of only injuries involving lost time, every case must be reported.

The number of cases reported from August 1979 to this June zoomed to 468,000 compared with about 60,000 last year.

An amendment to the law this July slows the claims process, too. It allows the workers compensation division 20 days from the setting of a hearing to write an opinion. The original deadline was 10 days.

The major workers compensation insurers in the state say it is still too early to tell how much money is being saved, but they also are optimistic about the wage-loss plan, which included a 15% rate reduction.

"Every situation we've seen has exceeded our expectations," said James Holland of The Travelers Insurance Cos. in Hartford, Florida's second largest workers compensation insurer.

"The pot of gold is no longer at the end of the rainbow," Mr. Holland said. "Rehabilitated workers are going back to work quickly and litigation has decreased."

"We're very substantially less involved with court cases and lawyers," said John W. Purkis, vp at Liberty Mutual. It is the state's leading workers compensation insurer with an estimated net premium of \$64 million.

"Workers are not doctor-shopping, they're recovering much more quickly," added Mr. Holland.

Insurers confirm that fewer cases are being filed and that very few of these are wage-loss.

Aetna, the state's third largest insurer, has only had one wage-loss case, said Ted Bateman, an Aetna claims superintendent in Tampa.

"I'm confident the system is working," Mr. Bateman said.

Insurers relax objections

Continued from page 3

if the groups were not properly capitalized.

Furthermore, management firms setting up risk retention groups would have a self-interest in the groups' success. "Our reputations as captive managers would be damaged and we would lose business" if the groups failed, Mr. Cheek said.

Sen. Cannon asked Mr. Jordan why so many businesses are for the Risk Retention Act if it could

harm them. "I'm getting letters by the hundreds from smaller firms who say they can't get affordable product liability insurance coverage," Sen. Cannon said.

The new Risk Retention Act eliminates all direct federal involvement in pools for product liability risks (BI, July 7). An earlier proposal would have given federal regulators a foot in the door, the insurance industry contended.

under the revised proposal, group-owned companies that un-

derwrite owners' product liability risks only and receive an insurance company charter in any state or foreign country would be permitted to service members in all states.

The proposal limits these groups to underwriting product liability and completed operations insurance for member-owners. Policyholders must be owners of the pool or members of the association owning the pool.

The act would preempt state capital and surplus requirements and the need for the groups to be licensed in each state or use a fronting insurer. The bill anticipates groups would secure charters in states with captive insurer laws and foreign captive domiciles.

Several business trade groups gave the revised measure strong backing at the Commerce Committee hearing. The National Federation of Independent Business saluted the proposal "as a reasonable and workable approach to improve the current product liability dilemma."

The National Machine Tool Builders Assn., a leading advocate, contends insurance trade groups opposed the measure because "they simply don't want the competition these groups would provide," said Jim Mack, public affairs director.

The Commerce Committee should draft a model captive insurer law for state adoption, urged David Rowland, chairman of the federal affairs committee of the Independent Insurance Agents of America.

No additional hearings or committee vote on the proposal have been set yet.

OSHA investigates fifth plant accident

LUBBOCK, Tex.—For the fifth time in five years, Occupational Health and Safety Administration officials are scrutinizing the cause of an accident at a Phillips Petroleum plant in Borger, Tex.

The latest investigation by OSHA follows an explosion July 21 that seriously burned two employees at Phillips' Philtex plant. The probe could result in a fourth citation and/or fine.

In October 1979, two plant employees were killed and 11 injured when hydrogen sulfide gas poured into a work area where there were no respirators. OSHA fined Phillips \$19,600 for willful safety violations.

Phillips is appealing the judgment. It is also involved in a \$1.5 million suit filed by the survivors of one of the employees killed.

Phillips also is appealing a \$1,000 fine for safety violations after a Jan. 25 explosion knocked out windows in nearby company

homes, injuring 35 people.

One other complaint against the company was dismissed; another investigation resulted in a minor citation.

The explosion July 21 occurred as two employees in the chemical lab were filling a 5-gallon container with ethylene oxide. The two were moved from an Amarillo hospital to a special burns hospital in Dallas. One lost a leg and the other a finger. Both have burns over 50% of their bodies.

Five or six other employees were injured in a second explosion as they tried to rescue the two men.

Inspectors had found several safety violations in the lab, an OSHA spokesman said.

Phillips, largely self-insured in the U.S., places some coverage with its Bermuda captive Walton Insurance Ltd. and its Texas workers compensation through Texas Employers Insurance Assn.

Lack of loss history raises stop-loss cost

Continued from page 3

said it is a nationwide problem—alternative means of forecasting losses must be found.

One way municipalities may get a rough estimate of losses is to convince Blue Cross & Blue Shield to at least release figures on the statewide plan, without breaking down the statistics for individual members.

Consultants at Frank B. Hall & Co. have used this approach to help some of their clients self-insure, vp Steve Carter said.

"What you can do is take the state as a whole, then figure out roughly what your percentage of those losses might be," Mr. Carter said. "You start by figuring what percentage of the total employees and dependents in the plan come from your municipality. Then you can adjust your figures to show differences in health care costs in your area or how the makeup of your work-employee group differs from the plan as a whole."

"At least that gives us something to go on. If you don't at least have a feel for what your loss figures might be, there is no way you are going to get stop-loss coverage."

And getting stop-loss coverage is the most crucial step in self-insuring, Mr. Carter said.

The key is selling this compromise to the insurance company the first year, he said. "After that year, you have your own track record and you are home free."

Municipalities that rely on estimates also have to gauge how the census data in their area might affect annual losses, Mr. Carter said.

Municipalities usually have a higher percentage of female and young workers than private businesses, he said. This may skew any estimate based on model self-insurance projections that just looks at the number of employees.

The municipality also must consider if there is a large private employer in the area. If there is, its employees might be covered under their spouses' benefit plan with the private employer. Coordination of benefits would reduce the municipality's costs.

Two of five recent municipal clients were able to obtain stop-loss coverage even though they had to rely on these estimates, rather than hard figures from Blue Cross & Blue Shield, Mr. Carter said.

Some other municipalities, such as Suffolk County in New York, base their loss projections on other self-insured government entities similar in size and makeup.

Municipalities looking for stop-loss coverage find many underwriters to take on this business. The soft insurance market and the growing number of self-insurers have opened up the stop-loss market.

Brokers find earnings get harder to achieve

By STUART EMMRICH

EARNINGS ARE GETTING progressively harder to come by for the country's top brokers.

Income and revenue gains are being recorded by the top five publicly held companies, which recently released six-month results. But an analysis of the last three months shows a marked slowdown in growth.

This is dramatically apparent in the performance of Corroon & Black, which recorded a 23% drop in income for the second quarter of 1980 and only a 3% gain in revenues.

Overall, the top brokers—Marsh & McLennan, Alexander & Alexander, Fred S. James, Frank B. Hall and Corroon & Black—showed an 11% gain in revenues for the second quarter and a 2% growth in income. That compares with an average gain of 12% in revenues and 5% income for the first six months of the year.

Fred S. James & Co. led the pack with an 18% gain to \$95.4 million in revenues for the last six months and a 7% increase in income to \$11.2 million. For the second quarter, revenues increased 19% to \$48.7 million and income went up 5% to \$5.7 million.

"Revenue growth continued strong for both the first six months and the second quarter of 1980, primarily because of new business production in our direct and reinsurance operations," said William Burch, president of James.

But Mr. Burch conceded that the soft insurance market will continue to hamper the company's ability to keep pace with past performances. He does not expect insurance rates to be firmer before the end of the year.

Marsh & McLennan Cos. also posted fairly strong results for both the six-month and second-quarter periods.

For the first half of the year, revenues went up 14% to \$304.6 million, while income increased 12% to \$50.6 million. For the last three months, revenues increased 14% to \$148.9 million and income increased 10% to \$23.4 million.

BI ticker

"We are pleased that in this difficult economic and industry environment, our businesses have shown continued growth," said John Regan, chairman of M&M.

Figures resulting from M&M's recent acquisition of C.T. Bowring & Co. were not included in the six-month report, but will be a part of the earnings in M&M's report for the third quarter.

Frank B. Hall & Co. reports revenues increased 10% to \$71.9 million for the second quarter, while net income went up 6% to \$7.9 million. For the six months, revenues jumped 13% to \$142.5 million, while income improved 10% to \$16.1 million.

In the last six months, Alexander & Alexander Services Inc. increased its revenues by 11% to \$208.8 million and its income by 13% to \$31.3 million. The second-quarter results show a 10% gain in revenues to \$103.5 million and an 11% increase in income to \$14.8 million.

Corroon & Black not only had the most disappointing second quarter of any of the large brokers, but its six-month figures also lagged considerably.

For the first half of the year, revenues increased only 6% to \$74.7 million, while income dropped 15% to \$9.3 million.

Although Rollins Burdick Hunter Co., another large broker, has not released its second-quarter results, one industry analyst predicts the company will be in good shape.

Leonard Wilson, an analyst with First Manhattan Co., says RBH soon faces a slower earnings period because of continuing rate competition. But he predicts the slowdown will not be debilitating and that RBH will come out of the moderate slump with a potential for renewed fast growth.

"Property and casualty commissions should increase about 10% in 1980, including contingent commissions," Mr. Wilson predicted. "We estimate that declining premium rates, only partly offset by rising insurable values, will impede revenue growth

by five to six percentage points."

Employe benefits probably will be the fastest-growing business, with gains of 16% to 17% in revenues likely, Mr. Wilson said.

Many of his predictions for continued growth rest on the assumption that RBH will continue to attract new business. If that continues, revenues will increase from the 10% gain Mr. Wilson predicts for 1980 to 13% in 1981 and 18% in 1982.

Aetna

Sharp declines in Aetna Life & Casualty's property/casualty underwriting business led to a 9% drop in the company's second-quarter earnings and a 5% decline in the six-month results.

Operating earnings in the last three months dropped to \$137.9 million from the record \$151.9 million a year ago, while earnings for the first half of the year declined to \$260.7 million from 1979's \$274.8 million.

"The second quarter was one of the most difficult for our business in several years," said Aetna chairman John Filer. "While conditions have improved, it seems unlikely that the remainder of 1980 can match the record earnings of the last half of 1979."

The disappointing figures were most apparent in the company's property/casualty division. Despite a 10% gain in revenues to \$2.1 billion in the first six months of the year, operating earnings were off 26% to \$106.7 million. The second-quarter decline was even more dramatic: a 40% drop to \$38.8 million in earnings from the company's commercial property/casualty lines.

Underwriting results in this division showed a pretax loss of \$40.5 million in the first six months of 1980, compared with an underwriting gain of \$57.4 million a year ago. The six-month combined ratio jumped to 103.5% from 1979's 94.9%.

The company continued to show a profit, albeit a declining profit, as operating earnings increased 10% to \$35.3 million for the last three months and 12% to \$64.4 million for the year's first half.

Fireman's Fund

Fireman's Fund Insurance Cos. recorded a 19% increase in operating income for the second quarter of 1980.

Operating income increased to \$55 million from \$46 million on an 8% revenue gain to \$719 million. For the first six months of the year, operating income rose 18% to \$101 million and revenues improved 9% to \$1.4 billion.

"We are encouraged by the continuing strength of our property/liability underwriting results," said Myron Du Bain, chairman and president. "There has been some deterioration in results for the property/liability lines because of the effects of inflation and a highly competitive marketplace. However, we feel confident that our strategy to maintain price stability is working."

The property/liability operations of the company, which showed a 20% increase in second-quarter income to \$52 million, was helped by a lower-than-usual number of natural catastrophe losses, Mr. Du Bain said.

Poe & Associates

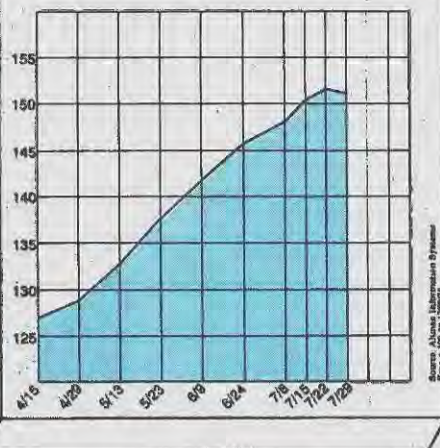
The board of directors of Poe & Associates voted a regularly quarterly cash dividend of 18 cents per share for the quarter ended June 30.

The company announced record gross income of \$7.17 million for the first half of 1980, a 7.6% increase over \$6.6 million in 1979.

USF&G

Income rose to \$63.4 million from \$59.9 million for the second quarter of 1980 due largely to an increase in investment income, said the United States Fidelity & Guaranty Co.

BI Insurance Index



For the first time since late March, the BI stock index took a dip, declining by 0.65 points to 151.1 after reaching 151.7 July 22. The base of 100 was at year-end 1978. Thirty-six of the stocks declined, 21 increased and 15 were unchanged. The biggest declines were by: Republic National Life, 15.8%; PennCorp, 8%; American General, 7.6%; Aetna Life & Casualty, 6.6%; and Connecticut General, 5.8%. Biggest increases were by: First Colony Life, 16%; Carolina Casualty, 12.2%; Statesman Group, 9%; Crown Life, 6.1%; and Integon Corp., 5.1%. The index fell behind the major stock indicators.

British Issues

7/30 Companies	Price	P/E	Div. pence	Yield %	1 Week High-Low
Comm Union	150	7.5	14.00	9.3	153-149
Eagle Star	234	7.8	12.86	5.5	234-231
Genl Accident	324	8.0	17.14	5.3	324-314
Gdn Royal Exch	328	8.8	19.28	5.9	328-322
Phoenix	260	7.2	19.00	7.3	262-256
Royal	396	7.9	30.71	7.8	395-389
Sun Alliance	720	9.3	40.00	5.6	720-714

Brokers	Price	P/E	Div. pence	Yield %	1 Week High-Low
CE Heath	211	9.4	13.80	6.5	212-205
Hogg Robinson	121	9.0	8.14	6.7	123-118
Alex Howden	105	7.6	10.00	9.5	104-101
JH Minat	102	11.7	6.38	6.2	103-97
Sedg Grp	125	10.5	7.14	5.7	127-122
Stenhouse Hldg	88	8.1	6.46	7.3	90-87
Stew Wrightson	225	9.0	17.14	7.6	232-222
Willis Faber	258	13.7	15.71	6.1	263-253

Source: Kitecat & Aitken, London

BI Industry Stock Report

Insurance Cos.	JULY 29, 1980					7/9/80 THRU 7/29/80					Price	JULY 29, 1980					7/9/80 THRU 7/29/80				
	Price	% Chg from 7/8	P.E.	\$ Div.	% Yld.	High	Low	Vol (000)	Price	% Chg from 7/8		P.E.	\$ Div.	% Yld.	High	Low	Vol (000)				
Aetna Life & Cas Co	NYSE	34.87	-9.7	4.9	2.12	6.1	39.00	34.63	2,000.9	Safeco Corp	OTC	37.63	-3.5	5.4	1.80	4.8	40.25*	37.63	331.3		
American Bankers Ins Co Fla	OTC	7.12	-5.0	4.8	0.48	6.7	7.63	6.88	102.6	Sri Corp	OTC	23.00	9.5	4.2	1.00	4.3	23.25	21.00	82.7		
American Finl Corp Ohio	OTC	22.63	-2.7	3.7	0.50	2.2	23.25	22.63	49.2	Selbels Bruce Group Inc	OTC	17.87	5.9	7.0	0.80	4.5	18.00*	16.88	94.3		
American Genl Ins Co	NYSE	33.38	4.7	5.0	1.00	3.0	36.13	32.50	378.4	Statesman Group Inc	OTC	6.00	11.6	4.7	0.15	2.5	6.00*	5.38	56.5		
American Indty Finl Corp	OTC	15.12	-5.5	4.6	1.12	7.4	15.75	15.13	38.0	Tokio Marine & Fire Ins Co	OTC	130.50	-5.3	13.8	0.00	0.0	139.75	130.50	8.1		
American Intl Group Inc	OTC	68.50	3.4	10.6	0.50	0.7	70.00*	67.00	412.3	Travelers Corp	NYSE	39.63	-3.4	4.4	2.48	6.3	42.75	39.50	965.3		
American Natl Ins Co	OTC	15.25	0.2	5.8	0.62	4.1	15.25	14.63	286.0	United Fire & Cas Co	OTC	27.50	0.9	8.1	0.90	3.3	27.50	27.25	4.3		
American Sts Life Ins Co	OTC	19.00	15.2	7.9	0.64	3.4	19.00	16.00	12.6	United States Fid & Gty Co	NYSE	42.50	-1.4	5.0	2.80	6.6	43.75*	42.25	606.8		
Aneco Reins Ltd	OTC	4.88	-4.9	****	0.00	0.0	5.13	4.88	141.1	United Svcs Life Ins Co	OTC	16.00	-1.5	5.7	0.96	6.0	16.25	15.75	207.1		
Appalachian Natl Corp	OTC	2.00	0.0	5.7	0.05	2.5	2.00	2.00	0.3	UsLife Corp	NYSE	23.00	5.1	5.8	0.70	3.0	23.75	22.25	671.5		
Avenco Corp	AMEX	12.38	12.5	8.8	0.50	4.0	12.38	11.50	116.7	Washington Natl Corp	NYSE	29.50	1.7	6.0	1.50	5.1	29.88	28.13	75.2		
Banks Iowa Inc	OTC	24.50	4.3	4.7	1.32	5.4	24.50	23.50	32.3	Zenith Natl Ins Corp	OTC	15.00	-4.8	8.5	0.50	3.3	15.75	15.00	54.4		
Bitco Corp	OTC	27.00	-1.8	4.1	1.68	6.2	27.50	27.00	9.9	INSURANCE COMPANIES					AVERAGE	6.9	3.8				
Carolina Cas Ins Co	OTC	8.00	18.5	4.7	0.32	4.0	8.13	6.75	8.0	Agents/Brokers					Average	6.9	3.8				
Central Natl Finl Corp	OTC	9.25	12.1	3.8	0.50	5.4	9.25*	8.25	5.0	Alexander & Alexander Svcs	OTC	33.00	-1.5	10.8	1.64	5.0	34.00	32.50	364.2		
Chubb Corp	OTC	37.75	-5.9	5.0	2.40	6.4	39.63	37.63	422.7	Baldwin & Lyons Inc	OTC	27.00	-1.8	5.0	0.80	3.0	27.25	27.00	8.5		
Combined Intl Corp	NYSE	19.75	-1.3	0.0	1.40	7.1	20.25	19.38	504.7	Corroon & Black Corp	NYSE	23.00	-2.1	9.3	1.72	7.5	24.25	22.63	137.8		
Connecticut Genl Ins Corp	NYSE	38.00	-3.8	5.8	1.52	4.0	40.88	38.00	1,041.6	Crum & Esch Inc	OTC	11.12	7.2	9.9	0.36	3.2	11.63	10.50	64.8		
Continental Corp	NYSE	26.63	0.9	5.1	2.20	8.3	27.38	25.88	549.9	Hall Frank B & Co Inc	NYSE	27.25	5.3	7.9	1.44	5.3	27.75*	25.88	253.8		
Crawford & Co	OTC	15.50	-3.1	13.1	0.54	3.5	16.00	15.00	43.4	Integrated Res Inc	AMEX	12.50	0.0	7.8	0.00	0.0	13.00	12.50	106.5		
Crown Life Ins Co	OTC	73.50	13.1	53.3	2.40	3.3	73.50*	65.00	32.6	James Fred S & Co Inc	NYSE	25.25	8.6	9.2	1.60	6.3	26.25*	23.00	275.6		
Cum & Forester	NYSE	27.50	0.0	4.9	1.26	4.6	28.25	26.75	450.8	Marsh & McLennan Cos Inc	NYSE	66.00	5.4	10.5	3.60	5.5	67.50	63.25	449.4		
Employers Cas Co	OTC	32.00	1.6	5.2	1.20	3.8	32.00	31.25	15.5	PennCorp Finl Inc	NYSE	8.62	-2.8	5.2	0.16	1.9	9.38*	8.63	869.2		
Erco Corp	OTC	95.00	-1.0	10.6	1.40	1.5	96.50*	93.00	425.0	Reed Stenhouse Cos Ltd	OTC	9.75	-2.5	7.5	0.48	4.9	10.25*	9.63	45.6		
Equifax Inc	NYSE	22.88	4.6	7.9	2.40	10.5	23.50	22.00	18.1	Rollins Burdick Hunter Co	OTC	22.75	12.3	10.0	1.24	5.5	24.00*	20.25	57.2		
Farmers Group Inc	OTC	30.37	0.0	9.9	1.00	3.3	31.50*	29.88	344.1	AGENTS/BROKERS					AVERAGE	8.6	4.9				
First Colony Life Ins Co	OTC	32.50	14.0	12.0	0.76	2.3	33.00*	27.50	30.7	Conglomerates/Holding Cos.					Average	5.4	5.3				
Foremost Corp Amer	OTC	19.62	-1.3	7.5	0.60	3.1	19.88	19.63	34.9	American Express (Fireman's FD)	NYSE	36.62	6.5	7.4	2.00	5.5	36.63*	34.00	1,525.9		
General Reins Corp Del	OTC	53.00	13.4	8.4	1.40	2.6	53.75*	47.00	631.9	Anderson Clayton (Ranger/PanAm)	NYSE	23.75	3.3	6.2	1.12	4.7	24.25	23.00	55.7		
Globe Life & Acc Ins Co	OTC	34.50	0.7	12.3	0.40	1.2	34.50*	34.25	42.1	City Investing Co. (Home Ins.)	NYSE	23.75	-9.1	4.9	1.50	6.3	26.38	23.63	4,235.7		
Great West Life Assur Co	OTC	160.00	6.7	7.9	8.00	5.0	160.00*	150.00	1.5	CNA Finl Corp (CNA)	NYSE	15.75	0.8	3.6	0.00	0.0	15.88	15.25	88.0		
Hanover Ins Co	OTC	37.25	4.9	3.8	0.72	1.9	39.00	35.75	36.2	Control Data (Comm. Credit)	NYSE	62.87	6.6	8.3	0.60	1.0	64.13*	59.50	1,454.6		
Hartford Steam Boiler Insnpr	OTC	29.25	-2.5	6.1	2.20	7.5	30.00	29.00	26.0	INA Corp (Ins. Co. of NA)	NYSE	35.50	3.3	5.2	2.20	6.2	36.75*	34.00	939.6		
Integon Corp	NYSE	25.37	1.5	9.3	0.48	1.9	25.38	23.75	100.7	ITT (Bartford Group)	NYSE	29.63	3.5	8.3	2.40	8.1	30.13*	28.63	3,316.7		
Jefferson Natl Life Ins Co	OTC	47.50	-3.2</																		

How A&A views a growing company



Potato chip quality control inspection at Jays Foods, Inc., in Chicago.

For an expanding business like a potato chip manufacturer, Alexander & Alexander experts look at operations through an owner's eye. We study the insurance costs of crispness and the effects of the money crunch. Probe for risks in delivery routes and avenues for new plant financing.

It's not the focus you usually get on snacks. Unless, of course, you're one of the food firms on A&A's client roster.

Personalized risk management

But these inside vantage points give A&A the best view of how to protect a business built with an entrepreneur's dreams and drive. It's the frame of reference that enables us to assume the function of risk manager for any medium-sized or small business. We eyeball every pitfall, any opportunity — protect against an owner's personal liabilities; plan the funding of workers' compensation, profit sharing, pensions; deal with life insurance, acquisi-

tions, OSHA requirements; and handle claims as if they were our own.

Every industry is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason why A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas offers the facilities, expertise and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

Alexander & Alexander

From the client's point of view.