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business insurance®

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update

Reagan supports change in pension eligibility rules

WASHINGTON—The Reagan administration last week urged Congress to pass legislation, S. 888 and S. 19, that would lower the minimum age at which an employer must allow employees to participate in defined benefit pension plans to 21 from 25.

Assistant Treasury Secretary John Chapoton told the Senate Finance Committee that a lower pension par-

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Insurer claims services please most buyers

By KATHRYN J. McINTYRE

Risk managers demand and are securing the "good to excellent" claims services they want from insurers, but few rely solely on insurers for claims services.

And, while rating insurers' claims services highly, risk managers continue to complain about the quality of insurers' adjusting services and claims reporting to policyholders.

These are the major findings of the most recent survey of the *Business Insurance* Risk Management Board. Risk managers were asked who handles their claims and to grade insurers' and brokers' claims services by type of risk: liability, first-party property and workers compensation. The survey also asked risk managers to suggest how claims services could be improved.

risk management board

The *Business Insurance* Risk Management Board is composed of risk managers from large and small corporations, institutions and government entities who have volunteered to answer periodic surveys from *BI*. Fifty-four members responded to the most recent survey.

Almost two-thirds of the responding board members gave their insurers good to excellent ratings for several components of claims services: claims investigations; quality of defense of liability and workers comp claims; promptness of paying all types of claims; willingness to allow policyholders to participate in approving liability claims settlements; delivery of partial payments in first-party property losses; and workers compensation claims reporting.

At least half the respondents gave their insurers good to excellent ratings for other components of claims service: efforts to quickly settle liability claims; promptness of liability and first-party property

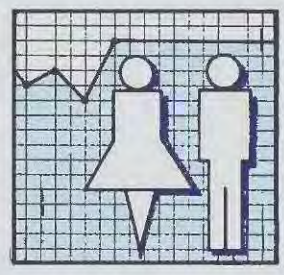
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Employers may not offer group annuity benefits

By JERRY GEISEL

WASHINGTON—Last month's landmark Supreme Court decision outlawing the use of sex as a factor in calculating retirement benefits may be the death knell for group life annuities.

Insurers say they will introduce new products and overhaul existing ones that will allow men and women to purchase annuities that will guarantee them the same fixed monthly benefit regardless of the buyer's sex.



But benefit experts say new unisex group annuity products could fail because male employees aren't going to buy the products.

Prior to the July 6 decision in Arizona Governing Committee vs. Norris, an employer could have purchased an annuity from an insurer so that a 60-year-old male employee with an accumulated benefit of about $100,000 would receive about $1,100 a month the rest of his life.

The annuity an employer purchased from an insurer for a 60-year-old woman with the same accumulated benefit would provide a lifetime monthly income of about $1,000.

The new group annuity policies sold by insurers will blend the old female and male benefit levels into a unisex rate. For example, an insurer might offer an annuity that pays $1,050 a month to both men and women who had accumulated $100,000 in their employer's defined contribution plan.

Rather than accept a lower monthly payout, the male employee is likely to take his accumulated benefit as a lump sum and then use it to buy an individual annuity from an insurer at the old benefit level, benefit experts predict. The Supreme Court decision does not bar sex as a rating factor for individually purchased annuities.

On the other hand, women would buy the new group unisex annuity because it would be cheaper than annuities they could buy as individuals.

But as more women buy the annuities, insurers will have to charge more for them because of the longer life expectancy for women. Soon, the unisex rate will approach the old female rate charged before the Norris decision.

That would completely eliminate the appeal of a group annuity for male employees.

"We are afraid males will take the money and buy (annuities) on the open market. . . .The unisex rate then ends up the old female rate," said Alan Johnson, vp and actuary for Transamerica Life Insurance & Annuity Co. in Los Angeles.

"The Norris decision is no victory for anyone," said Lawrence Margel, vp and chief actuary in Towers, Perrin, Forster & Crosby's Philadelphia office.

Men not only will have the inconvenience of shopping the annuity market themselves, but also won't get as good a benefit as when their employers were buying annuities on a group basis before the Norris decision, benefit experts point out.

And, if males don't participate in the employer's annuity program and insurers convert unisex rates into the old female rates, women won't end up with higher ben-

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Company sues AIG unit for property claim

By STEVE TARAVELLA

DULUTH, Minn.—Alberta Gas Chemicals Inc. is suing National Union Fire Insurance Co. of Pittsburgh, Pa., for $107.2 million because it says the insurer refuses to pay $11.3 million due on a property loss.

But, the insurer says it doesn't owe the acid manufacturer any more than the $8.7 million it has already paid.

Alberta Gas Chemicals modified the design of the destroyed chemical plant when it was rebuilt and also violated the coinsurance provisions of the policy by underinsuring its property and business interruption exposures, National Union says.

In addition, Alberta Gas Chemicals and National Union disagree on the limits of the all-risk and business interruption policy purchased for the Duluth chemical plant that was destroyed in a 1982 dust explosion and fire.

Alberta Gas Chemicals, which is headquartered in Parsippany, N.J., claims National Union, an American International Group Inc. unit, maliciously denied full payment on a $20 million all-risk and business interruption policy on the Duluth plant.

It accuses National Union of breach of contract and breach of good faith in a lawsuit filed this spring in a Minnesota State District Court. The case was later moved at National Union's request to a U.S. District Court in Duluth.

The chemical plant was demolished by a May 6, 1982, dust explosion and ensuing fire, which caused an estimated $22.8 million in damages, according to Alberta Gas Chemicals.

But National Union claims the policy's limit is only $18.25 million. It says Alberta has $15.75 in property coverage and $2.5 million in business interruption coverage.

However, Alberta Gas Chemical has produced in court written confirmation from its broker, Reed Stenhouse Inc. of Illinois, that the property limit was raised to $17.5 million in February 1982.

"Based on that (the confirmation), we feel we're insured (for $20 million)," says Alberta's general counsel, Charles E. Baxley of

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Photo: Wide World

Alberta Gas Chemicals rebuilt its Duluth plant after the 1982 explosion and fire.

NEWSPAPER

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No kidding: Great America protects its young workers
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update

Pension liberalization endorsed

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ticipation age would be particularly beneficial to women, who often start work at a young age but later quit to raise families.

"The administration believes that women should not be denied the opportunity to participate in plans during the years they are most likely to be employed," Mr. Chapoton said.

Benefit experts say lowering the participation age would increase pension plan costs but wouldn't provide a significant increase in retirement income for employees since young workers tend to earn relatively low salaries on which benefits are based.

House OKs layoff legislation

WASHINGTON—The House of Representatives last week approved legislation, H.R. 3021, that would require employers with more than 25 employees to extend group health insurance coverage to laid-off workers for three months (*BI*, July 11).

At the end of the 90-day period, the employee would have the option of converting the health care benefits offered by his employer into an individual policy.

It also would give the laid-off employee the right to be covered as a dependent under the group health insurance program sponsored by his spouse's employer during an open-enrollment period.

State high court to decide award

ST. LOUIS—The Missouri Supreme Court will decide if Park Corp. must pay a $6 million award in a 1978 railyard accident.

Park, a 30-year-old Charleston, W. Va., firm that deals in business real estate and industrial property, owns the land and the railroad switching car that was involved in the accident.

Herbert J. Fowler Jr., an employee of St. Louis Railcar Repair Co., a subsidiary of Park located in St. Louis, was stripping paint from a railroad car when another rail car knocked him to the ground and rolled over his legs, severing them.

The trial court jury awarded Mr. Fowler $6 million but that decision was appealed by United States Fidelity & Guaranty Co., which wrote $20 million in comprehensive general liability coverage for Park at the time of the accident. The appellate court reversed the decision saying the jury received improper instructions.

Because one of the appellate judges dissented, the case will go to the state Supreme Court rather than back to the lower court.

The day before the trial began, Park settled punitive damage claims resulting from the accident that were not covered by insurance.

Ex-employees settle with Hall

PITTSBURGH—Frank B. Hall & Co. of Pennsylvania Inc. will receive a cash settlement and a limited non-compete agreement from three former employees who formed their own Pittsburgh brokerage last year.

Hall filed the suit in Pennsylvania Superior Court last January after three former officers of Hall of Pennsylvania—Brian Hondru, Joseph Deutsch and Mark Horan—left the company to form HDH Group, another brokerage. In its complaint, Hall alleged that the individuals violated their fiduciary responsibility to their former employer by soliciting Hall clients.

The settlement, negotiated earlier this year but protected by a court-approved confidentiality agreement, was reported in a recent issue of American Lawyer magazine. According to the publication, Hall is to receive $1 million and an agreement that would bar HDH from soliciting key clients for two years. Hall Associate Counsel Peter Draginis confirmed that the suit had been settled, but said the reported details of the settlement were not completely accurate. He declined to reveal the full terms of the settlement.

Drilling platform damaged

LONDON—British Petroleum is still estimating the damage from last week's explosion aboard a North Sea drilling platform, but a company spokesman said the claim will be in the "millions of pounds."

Sources at Lloyd's of London estimated that claims could exceed the company's estimated $5 million deductible.

The $120 million Forties Delta platform caught fire after the gas explosion, injuring 12 people. The platform was evacuated within minutes, reports said, which limited the number of injuries.

BP's insurance broker, Sedgwick Offshore Resources Ltd. in London, would not comment on the company's insurance nor the incident except to say that BP is still tallying the damage. The oil company also would not comment on its insurance.

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Rath says it can't pay debt to PBGC on time

By JERRY GEISEL

WASHINGTON—Rath Packing Co. is asking the Pension Benefit Guaranty Corp. to give it more time to repay its pension debt.

Rath wants the PBGC to delay by one year a $1.7 million installment payment on the $11.2 million it owes the government agency. The payment is due on Sept. 15.

"We don't have the ability to pay," explained Rath Treasurer Charles Soladay.

The Waterloo, Iowa, meatpacker's debt stems from an October 1982 agreement with the PBGC under which the agency agreed to take over three underfunded pension plans that Rath said it could no longer afford and wanted to terminate (*BI*, Oct. 11, 1982).

Rath said it would pay the PBGC about $13 million as well as turn over a share of future profits in exchange for a quick PBGC takeover of the plans and its $38 million in liabilities.

The agreement called for Rath to pay $1.8 million to the PBGC in 1982 and $1.7 million this year to cover the minimum contributions Rath was supposed to have made to the plans in 1980. The Internal Revenue Service had earlier given Rath permission to temporarily waive the 1980 contributions because of the company's financial troubles.

Rath also agreed to pay the PBGC $750,000 annually for 13 years beginning in 1985. Also, beginning in 1985 and continuing through 1994, Rath said it would pay the PBGC a percentage of its profits, depending on how much it earns.

At the time, the agreement was seen as a fair solution to both sides.

For Rath, the agreement removed an enormous pension liability that threatened its survival. The PBGC takeover of the plans meant that Rath no longer had to pay an estimated $9 million a year to fund the three plans and pay benefits for 6,300 participants.

In addition, a quick PBGC takeover of the plans soothed Rath's creditors, which were reluctant to extend working capital to Rath until the company's exact

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Bass brothers invest in BMF

By BILL DENSMORE

NEWPORT BEACH, Calif.—The oil-rich Bass brothers are the latest players in the complicated financial structure of broker Bayly, Martin & Fay International Inc.

The Bass family has agreed in principle with the owners of Bayly, Martin & Fay to jointly invest "up to $10 million" in exchange for joint control of the insurance broker, BMF announced.

The move comes two years after Bass Brothers Enterprises Inc. almost acquired Bayly, Martin & Fay as part of a $30-a-share tender offer for Sperry & Hutchinson Co., the New York-based trading-stamp company that owned BMF from 1971 until last year.

"They became acquainted with our operation at that time," said Sam Alcorn, a senior vp at BMF.

The Bass bid was topped by a $36-a-share offer from Baldwin-United Corp., which S&H shareholders—including Bass Brothers Enterprises with 3.3 million shares—accepted in October 1981. Based upon the trading range of S&H shares prior to the bid, Bass Brothers Enterprises netted at least $20 million on its shares.

"The infusion of a significant amount of new capital by our man-

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NFL teams buying insurance to cover guaranteed contracts

By JIM DAVIS

The bitter rivalry between the National Football League and the fledgling United States Football League is causing many NFL teams to purchase disability insurance for star players.

To persuade players from jumping to the USFL, most NFL teams are offering their stars both more money and guaranteed contracts, which assure that an athlete will collect the entire value of the contract even if a football-related injury ends his career.



Photo: Wide World

The coverage will pay guaranteed salary costs if a player is injured.

For example, quarterback John Elway, the first player chosen in this year's college draft, signed a reported five-year, $5 million guaranteed contract with the Denver Broncos.

Since the contract is reportedly guaranteed, Mr. Elway would receive the full value of the contract even if he is injured in the preseason and never plays a regular-season NFL game.

To protect these huge investments, NFL teams are buying disability coverage on about half the players with guaranteed contracts to make sure they don't have to pay these gigantic salaries on their own.

"It's only been in the last 12 to 18 months that this kind of coverage

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Sperry's pension trustee claims Hancock illegally withheld funds

By STEPHEN TARNOFF

NEW YORK—The trustee of a Sperry Corp. retirement trust is suing a life insurer, charging that it has wrongfully accumulated and withheld millions of dollars that belong to the trust.

The suit was filed July 20 in U.S. District Court in New York against John Hancock Mutual Life Insurance Co. by Chase Manhattan Bank, trustee of the Sperry Corp. Master Retirement Trust No. 2.

Chase Manhattan charges that the insurer has wrongfully failed to return millions of dollars it has accumulated and also breached its contract and confidential relationship by improperly calculating the amount of excess funds to which the trust is entitled.

The suit says that because of Hancock's actions, Sperry Trust is losing more than $1.2 million a month, adding that the fund currently holds approximately $120 million.

Among the damages sought in the 23-page complaint are payment of all past and future benefits to Sperry employees and punitive damages of twice the amount of benefits owed at trial.

At issue in the suit is whether Hancock or Sperry Trust is entitled to the excess funds that have been accumulated by Hancock.

Chase contends that by retaining the funds, Hancock has breached its contract with Sperry and abused its confidential relationship.

"We think Chase is entitled to all of (the excess funds) back in light of the breach," said Lawrence Kill, an attorney for Chase Manhattan with the New York firm of Anderson Russell Kill & Olick.

"This is a contract entered into to provide a mechanism to fund benefits. It was not to enable them (Hancock) to build up an excess of funds.

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errors & omissions

- Stephen Merrett is chairman of Merrett Holdings P.L.C., not Minet Holdings P.L.C. as printed in the July 25 issue.

Risk managers repeat Monte Carlo summit

MONTE CARLO, Monaco—Risk managers from around the world will gather in Monte Carlo Oct. 16-19 to discuss "Risk Management's Response to a Risky World."

The second international gathering of risk managers is co-sponsored by the Risk & Insurance Management Society, representing corporations in the United States and Canada, and the Assn. Europeene des Assures de L'Industrie, an umbrella organization for national risk management groups from Belgium, France, the United Kingdom, Italy, the Netherlands and West Germany.

The first international risk management meeting was held in Monte Carlo in October 1981 and attracted about 500 participants.

Registrants at the conference, which will be held at the Monte Carlo Convention Center and the Loews Hotel, will learn how to organize a multinational risk management program.

"It's important for multinational companies to go there and learn about Europe and the other point of view," said Eckart Russell, manager of foreign exchange for Alcan Aluminum Ltd. in Montreal and a co-chairman of the conference committee.

"People think risk management in the U.S. is way ahead, but there are very sophisticated people in Europe who think it is the other way around.

"The conference will bring together the top of the line—the best people from both sides of the Atlantic," says Mr. Russell, who was Alcan's risk and insurance manager when he began organizing the conference last spring.

Another conference co-chairman, W. Michael McDonald, risk manager-foreign administration at United Technologies Corp. in Hartford, Conn., called the Monte Carlo conference "the only significant international risk management conference today."

"If American risk managers really want to learn about international risk management from international risk managers, they have to attend this conference," said Mr. McDonald, who also is chairman of the RIMS international cooperation committee, which is responsible for liaison between RIMS and other international risk management organizations.



Map: Jim Baxasetas

Mr. McDonald says he expects about 450 registrants—predominantly non-American—at the conference, but he encourages American risk managers to attend.

By meeting European risk managers, Mr. McDonald said, "American risk managers can learn from them more about European management styles, which will make it easier when you are dealing with European subsidiaries. You will understand how the local management will think.

"You learn about local insurance markets—why a Spaniard is not that excited about a $50,000 property deductible because he gets little (premium) credit from the insurer for it. You learn to understand that HPR (highly protected risks) is something they never heard of in Spain or Italy—they basically stress things like factory fire brigades in preference to sprinklers.

"And, you learn a lot about dealing with European underwriters, brokers and local risk management personnel. You learn you can't go barging into a European facility and expect the people to react like your people in Des Moines."

Mr. McDonald also is encouraging American risk managers to register risk management personnel from their European subsidiaries.

Registration and an exhibition of insurance and risk management products and services—included for the first time this year—opens Sunday, Oct. 16 in the Grand Salon Foyer of the Loews Hotel.

The general session on Monday, Oct. 17, the conference's first working day, will deal with "Environmental Impairment: Risk Management in a Polluted World." The session, to be moderated by Jean Claude Cussett, chief of the risk department at ELF Aquitaine of France, will consider disposal, handling and transportation of toxic wastes, as well as existing and proposed pollution legislation in the United States and Europe.

Session panelists will be Claude Pleinevaux of Communaute Economique Europeene of France; Roger Papp of Pechiney Ugine Kuhlman of France; and Henry Taylor, assistant secretary and insurance director at

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No kidding about safety

Great America keeps comp losses down, despite very young, seasonal workforce

By CAROL CAIN

GURNEE, Ill.—The roller coasters at Marriott's Great America have their ups and downs, but workers compensation claims at the amusement park have gone only one way since 1980—down.

Workers compensation costs for the self-insured operation, which has to deal with the special safety problems of a workforce composed of mainly young, seasonal workers, decreased 55% in 1981 and another 46% in 1982.

A multifaceted loss prevention program that stresses communication keeps the number of injuries down and a determined effort to stay on top of injuries that do occur keeps the size of claims small.

The safety program, which starts before an employee is hired and continues even after an injury, was developed slowly through the park's eight-year history and finally took hold in 1980, said James H. Kearney, safety administrator for Great America.

During the winter months, the Illinois theme park has just more than 200 employees on its payroll. But when the amusement park season opens in May, the number of employees balloons to 3,500.

"With seasonal workers we're trying to shoot safety in a lot of different directions and we don't have a lot of time to do it," Mr. Kearney said. "Some of our employees are very young and don't think about safety."


Photo: Sheila O'Donnell

Only workers older than 18 are allowed to operate the rides at Great America.

To counter this disadvantage, Great America designed a loss prevention program that incorporates preplacement screening of employees, a chain of safety committees, top management support and a safety promotion contest.

"Our safety prevention actually starts in the hiring phase, incorporating a program that's used in other phases of Marriott operations," Mr. Kearney said.

Washington-based Marriott Corp. also owns hotels and restaurants nationwide, as well as another theme park in Santa Clara, Calif.

The corporation's hiring process is based on ergonomics so that the employee's physical capabilities will match the demands of the job, said Mr. Kearney.

During the job placement interview, a first-aid supervisor asks the applicant for a medical history and then has the potential employee perform a few simple exercises, like sit-ups and bending to touch the toes. The applicant also demonstrates how he or she lifts objects.

If the lifting technique is wrong, the supervisor shows the correct way to lift without causing strain or injury.

"At this time we can discover problems and match the employee to the job," Mr. Kearney said.

By placing employees in jobs their bodies can handle, the potential for injury is diminished, Mr. Kearney said.

"And once you hire them, you've bought their bodies," Mr. Kearney said, referring to the Illinois workers compensation law.

The jobs at Great America are so varied that finding a job to fit a certain body is usually not that difficult.

Some applicants are hired to sell merchandise and stock shelves or perform in stage shows.

Others actually prepare food on site, the job area that generates the greatest number of accidents, due to cuts, Mr. Kearney said.

While Great America employs many high school students, the employees that operate the rides are selected much more carefully and only persons older than 18 can qualify for these tasks.

Once the workforce is in place, Great America uses a committee system to keep safety in the foreground.

First, there's a general safety committee that meets every other week to discuss and resolve safety hazards, Mr. Kearney explained. That committee is composed of the chairmen of each department's own safety committee.

In addition, each unit within a department, like a particular food stand or ride, meets weekly. Safety is always part of the agenda at these meetings, says Mr. Kearney, even if only to congratulate the employees for a safe workweek.

But, the concern for safety is not Great America's alone. There's corporate interest.

Marriott Corp. President Bill Marriott periodically sends a staff assistant to the Illinois park to review the minutes of the general safety committee, Mr. Kearney said.

In addition, at least one of the park's six directors attends each park safety committee meeting. These directors also receive detailed quarterly safety re-

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BC/BS top choice in four benefit areas

By SALLIE J. DRURY

Employers that want a third-party payer to fund health, dental, prescription drug and Medicare supplemental benefits most often choose Blue Cross & Blue Shield.

However, commercial insurers corner the market for life, accidental death and dismemberment, long-term disability and travel accident benefits, while employers prefer to self-fund short-term disability and vision care benefits, according to data from the 1981 plan year.

This information is derived from reports companies must make on their benefit plans to the Labor Department under the Employee Retirement Income Security Act. The data is collected from 20,000 businesses with more than 100 employees that collectively spent $19 billion on 46,000 benefits contracts in 1981.

ERISA Benefit Funds Inc. of Washington compiled this data and then exclusively supplied it to *Business Insurance*.

Another report on the ERISA Benefit Funds study showed that Blue Cross & Blue Shield is the top funding method for group benefit plans based on both total number of contracts written and total amount of premium generated (*BI*, July 18). Still another section revealed that William M. Mercer Inc. leads the pack of consultants and brokers that place employee benefit contracts for employers (*BI*, July 25).

This third report on the study concentrates on how employers fund particular benefits.

BC/BS overwhelmingly leads the pack in funding health benefits. It was chosen 20,689 times to fund the various health benefits listed in the study. Its closest rival was Aetna Life & Casualty Co., which was tapped only 2,738 times. Health benefits were self-funded in 2,590 cases.

In the ERISA Benefit Funds study, statistics are presented for six separate health

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How employers fund 10 benefits

Benefit	First choice	Second choice	Third choice
Health plans	BC/BS	Aetna	Self-funded
Life	Aetna	Prudential	CIGNA*
AD& D	Aetna	Prudential	CIGNA*
Short-term disability	Self-funded	Aetna	Prudential
LTD	Union Mutual	CIGNA*	Self-funded
Dental	BC/BS	CIGNA*	Self-funded
Travel accident	CIGNA*	CNA	Hartford Life
Medicare supplement	BC/BS	Aetna	Self-funded
Vision	Self-funded	BC/BS	Aetna
Prescription drug	BC/BS	Self-funded	Kaiser Foundation

* Includes contracts written by both Connecticut General and Life Insurance Company of North America (INA) in plan year 1981 before the companies merged in 1982.

Source: Group Insurance Standard Directory, ERISA Benefit Funds Inc., Washington, D.C.

Iowa self-funding medical coverages

benefit beat

The state of Iowa has joined the growing list of employers that self-fund their health coverages.

Under the new Iowa plan, which went into effect Aug. 1, the state will offer 27,000 employees a choice of three different self-funded plans, all of which contain formal cost-containment features.

The state's health coverage will continue to be administered by Blue Cross & Blue Shield of Iowa, which had previously underwritten the plan. BC/BS will also provide stop-loss insurance.

Under the new four-year contract, the state will pay BC/BS $955,000 for administrative services and the stop-loss cover during the first year and $1.34 million during the second year. The fees for the third and fourth years of the contract have not yet been negotiated.

The contract also specifies that the state will only have to pay $74.7 million for claims in the first two years, after which the stop-loss coverage will pay claims.

During the past two years, $64 million in claims for state employees and dependents have been paid.

Employees have a choice of three plans, whose contribution and coverage levels remain unchanged. The state will pay $66 toward the cost of each employee's coverage.

The first plan, which provides first-dollar coverage for all expenses, costs $206.80 for family coverage and $85.60 for individuals.

The second plan requires employees to pay for the cost of the first two days' in a semi-private hospital room, but requires no other deductible. The plan pays 90% of all other medical costs until the employee pays $500, after which the plan pays all costs.

This option costs $125.12 monthly for family coverage and $54.32 for single employees.

The third plan requires a $300 deductible for hospital care. It pays 80% of all expenses until an employee with family coverage pays $800 or a worker with individual coverage pays $600, after which the plan pays all costs.

This option costs $101.58 a month for family coverage and $53.26 for single coverage.

All three plans contain three cost-containment features:

- Employees planning non-emergency surgery must receive a second opinion to receive coverage. That opinion does not have to confirm the need for surgery, a BC/BS spokesman said. Rather, it is intended to allow employees to make more informed decisions.
- Some 73 designated surgical operations must be performed on an outpatient basis to be covered, except in special circumstances.
- Employees must receive approval from BC/BS before undergoing several common surgical procedures to ensure the operations are medically necessary.

In addition, state employees will receive dental insurance for the first time beginning Jan. 1, 1935. The coverage will be underwritten by Delta Dental Plan of Iowa. The plan will cover cleanings and restorative services, though details have not yet been determined. ■

Rath wants debt deferred

Continued from page 2

liability to the PBGC was decided.

Under federal law, the PBGC has the right to collect 30% of a company's net worth to pay unfunded vested pension benefits. However, conflicts can occur in this process because the PBGC and the employer may use different formulas to determine the company's net worth.

The agreement between Rath and the PBGC forestalled a possible conflict over this net worth issue.

The PBGC also gained from last year's agreement. If Rath's financial troubles had forced it into bankruptcy, the PBGC might have gotten nothing from Rath except its unfunded pension liabilities.

"The agreement was a responsible thing to do at the time," reflected Edwin Jones, the PBGC's executive director.

Rath paid the $1.8 million to the PBGC that was due last year; it is the second, $1.7 million installment that Rath would like to defer for another year.

Rath cites increasing financial problems as the reason it needs the deferral. In the 26-week period ended April 2, Rath reports it lost $6.6 million, compared with a loss of $3.5 million during the corresponding period of 1982.

Rath was adversely affected by rising hog prices and the depressed economy. When hog prices rose, it had difficulty passing on its higher costs because of consumer resistance.

The PBGC's Mr. Jones said the pension agency will carefully consider Rath's request for a temporary reprieve.

"It is a difficult problem," Mr. Jones said. "We don't want to create even greater problems for them. . .but we have to act in a way that protects premium payers."

Under the Employee Retirement Income Security Act, employers with pension plans must pay an insurance premium to the PBGC to guarantee pension benefits for workers whose companies go broke or terminate insufficiently funded pension plans.

That annual premium is now $2.60 per plan participant, but the PBGC has asked Congress to raise the premium to $6 because of the increasing amount of pension liabilities it has had to assume.

Rath's Mr. Soladay is convinced that Rath eventually can pay the money it owes the PBGC. "This is a viable company," he says.

Mr. Soladay says the company should post better financial results in the future since hog prices have declined sharply during the last few months. Falling hog prices means Rath can lower the price of its products, making pork a more competitive product at the supermarket and leading to increased sales and profits for Rath.

Aside from its request to the PBGC, Mr. Soladay says some of Rath's 2,500 employees have set up Individual Retirement Accounts since the company terminated its pension plans last year.

Under the 1981 tax law, an employee can contribute up to $2,000 annually to an IRA and receive a tax deduction for the entire contribution.

In addition, the company may set up a 401(k) salary reduction plan so employees may have another retirement savings vehicle.

A 401(k) plan, named for that section of the tax code authorizing them, allows an employee to reduce his pretax salary by up to 15% by putting the money in a savings plan where it can accumulate interest tax-free until it is withdrawn, usually at retirement. ■

Uninterrupted Benefits for Third Country Nationals. Wherever They Are. Whenever They Go.

Benefits for TCNs have traditionally been a giant problem for benefits directors.

A unique group of employees—well educated, highly paid and very mobile—TCNs often can't get adequate insurance in the country where they work, in their own country or in their company's homeland. That can compound the problem of attracting and keeping these valuable skilled technicians and specialists.

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Employers may not offer group annuities

Continued from page 1
efits in the long run.

As a result, many employers may simply eliminate life annuities as a benefit option from their defined contribution plans.

"Most employers will eliminate the annuity option," said Manuel Castells, a partner at Kwasha Lipton, a benefit consulting firm in Fort Lee, N.J. "They don't want to offer an annuity that is clearly disadvantageous to their male employees."

"Why should an employer offer something that is disadvantageous to its employees?" added Robin Holloway, a vp with TPF&C.

Instead, some employers may recommend that their employees roll their lump-sum distributions from their defined contribution plans into an Individual Retirement Account. If the payment is rolled into an IRA within 60 days of its distribution, the money is not taxed. The IRA then could purchase a life annuity from an insurance company.

Insurers, though, aren't convinced that their new group unisex life annuity products are doomed.

They say that men will be reluctant to take the time to shop the individual annuity market to try to get the best rate.

"It is a lot easier to purchase an annuity through an employer," said Marcia Hincks, a vp and insurance counsel in the law department at Aetna Life & Casualty Co. in Hartford, Conn.

"There is a convenience in buying annuities from your employer," said David Boyle, director of customer services in the group pension division of Connecticut General Life Insurance Co. in Bloomfield, Conn.

Mr. Boyle and some other insurers believe that there will be only a slight decrease in the number of males buying group unisex annuities.

Ultimately, employees will have to decide between convenience and the opportunity for a higher monthly income, said Transamerica's Mr. Johnson.

And it will be up to employers to advise their male employees to evaluate group annuity rates to see if they could do better by taking a lump-sum distribution and buying an annuity on their own, said TPF&C's Mr. Holloway.

Insurers have different strategies in determining the benefits levels of their new group unisex annuity products.

Metropolitan Life Insurance Co. in New York, Transamerica and Connecticut General generally will set benefit levels based on the sexual composition of a company's employees that purchase life annuities.

For example, if 70% of a company's employees that buy life annuities are men, then the new unisex benefit level might be 60% to 70% greater than the old female benefit level.

On the other hand, Boston-based John Hancock Mutual Life Insurance Co. says its rates for group annuities will be based on what it believes will be the long-term ratio of men and women buying its annuities.

Prudential Insurance Co. of America in Newark, N.J., Bankers Life Co. in Des Moines, Iowa, and Aetna also say they will offer unisex annuity products, but they are still ironing out final details.

Two other major providers of group life annuities—The Travelers Insurance Co. in Hartford and Equitable Life Assurance Society in New York—declined to discuss their plans for group annuity products.

One employee benefit consultant predicts when women realize that their "victory" in the Norris case was a hollow one, they will make an even stronger push for pending federal legislation, S. 372 and H.R. 100, that will eliminate the use of sex as a rating factor in all insurance products. ■

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TIAA-CREF hikes benefits for women

NEW YORK—The nation's largest pension program for college and university teachers will begin underwriting true unisex annuities that will benefit women participants.

The New York based-Teachers Insurance & Annuity Assn. and College Retirement Equities Fund, will adopt unisex actuarial tables so that male and female participants will receive the same annuity benefits for contributions made after Aug. 1.

Adopting unisex tables that blend old male and female annuity rates will increase future benefits for women, but decrease them for men. Women's annuity benefits for contributions made after Aug. 1 could increase by as much as 4.5%, while men's benefits could decrease by the same percentage.

Women come out ahead because the TIAA-CREF program is unique.

Unlike other defined contribution plans that allow employees to withdraw accumulated contributions as a lump sum, a TIAA-CREF participant retiring or leaving the plan must convert the contributions into one of several annuity options offered by the plan.

As a result, a true unisex rate can be used for calculating benefits because TIAA-CREF doesn't have to worry that male participants will take their accumulated contributions and buy an individual annuity in the commercial market, a problem other retirement plans now face (see story, page 1).

The TIAA-CREF, a non-profit insurer set up in 1918, is not concerned that the new unisex benefits will cause male participants to withdraw from the plan.

The TIAA-CREF is still an attractive retirement program for men. Vesting is immediate and benefits are portable when a university employee moves and is hired by another school that offers the TIAA-CREF program.

That pension portability allows teachers to move freely during their academic careers from one school to another without forfeiting accrued pension rights, an attractive feature in a profession where moves are frequent.

The pension plan is offered by 3,600 colleges and universities, up from 2,488 in 1971. Active employees covered under the program have increased to about 725,000 compared with 334,000 in 1971, while the number of retirees drawing benefits jumped to 120,000 from 37,000. ■

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Metropolitan, because of its vast financial and human resources, is equipped to serve a company of any size and in any location. Arranging for Metromatic IRA is a simple matter. Just contact your local Metropolitan office and ask to have a representative call.

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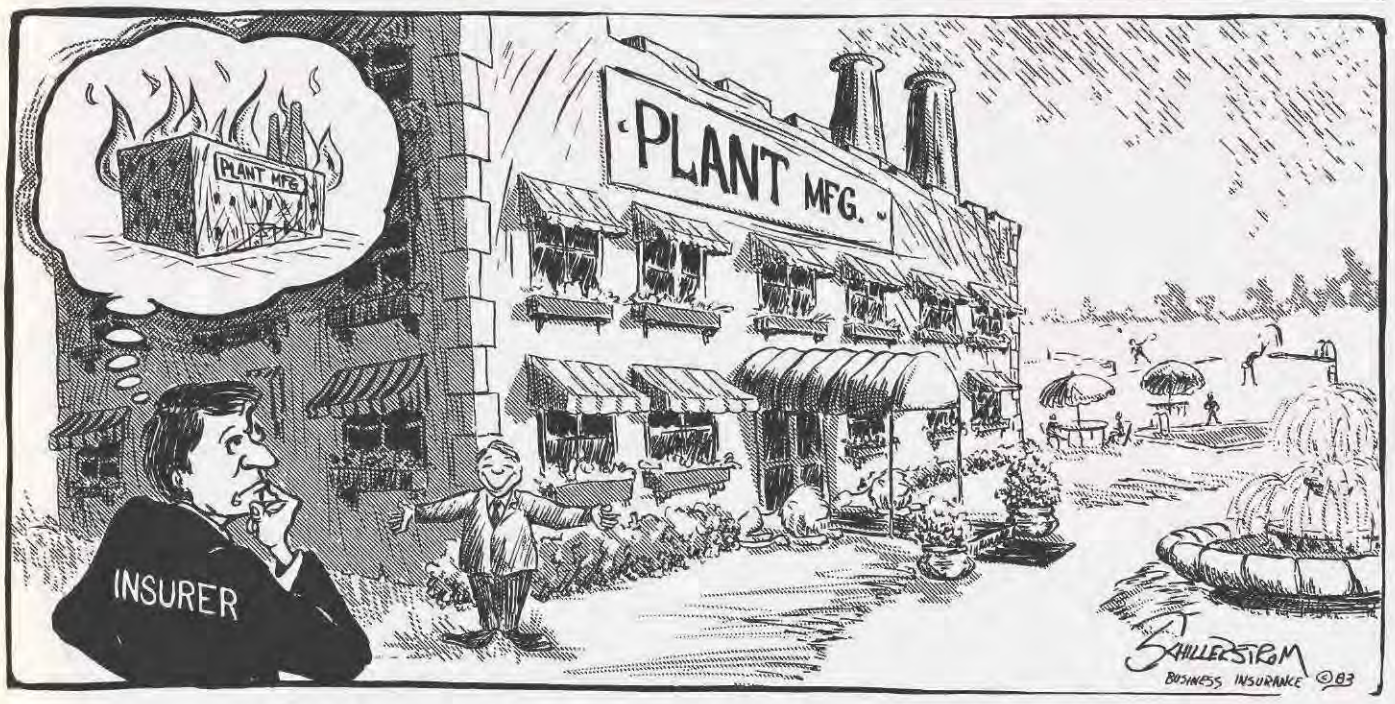
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opinions



It's a two-way street

POLICYHOLDERS WHO demand that their insurers deal in good faith owe no less to their insurers.

A test of a risk manager's commitment to the covenant comes after a property loss.

What goes into the property claim? Only charges for those damages that the risk manager knows are covered by the contract? Or, does the claim include charges for more expensive equipment than was destroyed or expensive modifications to property? Is this justified by arguing that the contract is unclear, even though the risk manager knows darn well what the intent of the coverage was?

In two claim disputes we have reported recently, insurers say the policyholders inflated damage claims to cover the cost of modernizing when rebuilding. The policyholders deny it. We want to be very clear that we're not commenting on either of these cases.

And, we're not saying all policyholders inflate property claims or that honest people can't disagree over coverage conditions. But, we've heard plenty about deliberate camouflage of charges for betterments to damaged property in property claims. It's considered a game of hide-and-seek. We hide the betterment charges and the insurer has to seek them out. If the insurer finds them, the worst that can happen is that the charges are thrown out of the claim.

Or is it the worst that can happen?

We can't say that in this hotly competitive insurance market that you could lose your insurance for such behavior. We can't even say in today's marketplace that by inflating your losses you will pay for it in future rate adjustments. Even if your current insurer refuses to renew or hikes your rate after a loss, some other insurer probably will write the policy—at a lower rate.

We can say that inflating property claims is a breach of contract, inviting a suit from the insurer and endangering a policyholder's recovery under the policy. And, we can say inflating a property claim is unethical and belies professionalism.

There's a difference between getting all the recovery you are entitled to and getting more than you deserve. A professional risk manager will know the difference and submit a property loss claim in the same good faith the insurer is expected to exercise in paying it.

letters

Skip the prizes and solve the difficult problems

To the editor: Some other safety administrators must have cringed, as I did, when reading your editorial that praised safety incentives, games and prizes (*BI*, July 18).

If an organization seeks to deal with real accidents, real injuries and real losses, should we expect safety incentives to get to the source, to deal with the real causes of those real accidents? Or are we saying that if you provide incentives, workers won't report as many injuries, that perhaps some of the accidents reported before the incentives were in place came out of the fiction section? If you were now to take away the cash and the prizes, would workers start getting injured again and vehicles begin crashing again?

It may be that safety incentive programs sometimes appear to succeed because workers feel that, for a change, the organization is paying attention to them and to their needs. Receiving a degree of personal recognition is a new experience for some workers. If this is the case, the organization may want to re-evaluate its approach toward its employees, to question whether it regards its employees as true participants in the achievement of organizational goals.

There is little doubt that a safety incentive program can serve as a quick and visible response when pressure is applied to "do something" about an organization's losses. Like everyone else, we in safety are looking for easy answers, and those who work around us often will point out that safety is simply a matter of common sense. The truth, however, is that safety is essentially a matter of working hard to discover the often-elusive solutions to difficult problems of injury and loss.

Terence E. Meehan
City Safety Officer
San Jose, Calif.

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

Control the hazards

To the editor: While congratulating you on devoting the July 18 issue to "protecting people," it is a bit sad for me and the American workers that you started from the wrong spot.

The first question that should be answered should not concern hanging things on people (like earmuffs, helmets, glasses, face shields and the like) but rather, "How can we control the hazard at the source?" Maybe it is a throwback to the six-gun West when protective gun belts hung around one's waist.

Finally, beware of incentive schemes. Very often workers anxious to collect the reward will not report incidents, errors and accidents, and thus the very lifeblood for safety professionals is denied. Aware of this danger, I have even tried to ban such schemes in the United Kingdom.

James Tye
Director General
British Safety Council
London

All wet

To the editor: In response to the Perspective article "Controlling high-rise fires" (*BI*, July 25), I ask, "Where does all the water go?" Stairwells? Elevator shafts? Have the loss-control specialists forgotten about scuppers and pitched floors? Many times I have been involved in the investigation of a fire where water damage was more costly than fire damage.

Sprinkler systems should be designed with proper spacing and head temperature ratings for the occupancy to control the fire while limiting water flow and distribution, coupled with an early warning electronic fire/smoke detection system to get trained people to respond.

I realize that installing sprinklers in existing buildings has unique problems but no one has satisfactorily answered the question, "Where does all the water go?"

George F. Bingham
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Conference focuses on international issues

Continued from page 3

Rohm & Haas Co. in Philadelphia.

Three concurrent sessions are also scheduled for Monday.

The first, "Political Risk Management," moderated by Mr. McDonald, will discuss the challenges and possibilities resulting from the growing awareness of global destabilization, expanding political risk insurance capacity and new forms of coverage.

Panelists will be Julian Radcliffe, director of the credit and political risks division at Hogg Robinson Group P.L.C. in London; Stephen Merrett of Merrett Syndicates P.L.C. in London; and Robert E. Svensk, president of AIG Political Risk Inc. in New York.

The second, "U.S. Risk Management: The Greatest Thing Since Sliced Bread?" will consider the American role in the field of risk management. The session will be moderated by John N. Havers, insurance manager for Dunlop Ltd. of the United Kingdom.

Panelists will be Dennis J. Farthing, group risk manager for Rank Xerox Ltd. of the United Kingdom, and Paul F. Butler, president and chief executive of AFIA Worldwide Insurance in New York.

The third session, "The Insurance Premium: Where Does It Go?" will consider how much premium remains to pay losses after deductions are made for commissions, overriders, management fees and other expenses. Omer Leroy, insurance manager for Unilever Belgium S.A. of Belgium, will be the moderator.

Panelists will be Robert V. Hatcher, chairman and chief executive officer of Johnson & Higgins in New York; Robert E. Feer, executive vp of Switzerland General Insurance Cy of Switzerland; and Richard J. Williams, president of Commerce & Industry Insurance Co. in New York.

Also scheduled for Oct. 17 and 18 are nine miniseminars, which will be limited in size to encourage participants' involvement:

- "Corporate Organization and the Risk Management Function" will consider the structure and reporting relationships for risk management departments and will be moderated by Ulf Nordblad, senior risk manager at Skandia Risk Management Ltd. of Sweden. William L. Mather, risk management administrator at The Gillette Co. in Boston will serve as panelist.
- "Quantitative Methods in Risk Management" will review current forecasting techniques and their effective application. It will be moderated by Jacques Chevalier, a mathematics professor at the University of Paris. Serving as panelist will be Phillip Turcotte, insurance director at IMASCO Ltd. of Canada.
- "Retroactive Liability Coverage" will weigh the pros and cons of this new product and will be moderated by John B. McCaffrey, executive vp of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.
- "Forms of Product Liability in Different Jurisdictions" will review recent developments in product liability in Europe and the United States and analyze existing insurance forms. It will be moderated by J.L. Fuchs of English & American Management Corp. Ltd. of the United Kingdom. Panelists will be Bradford Rich, president of INAPRO in Philadelphia, and Henry Levy Morelle of Belgium.
- "Managing Risks of Large Construction Projects" will focus on risk management of large construction projects from the standpoint of the suppliers of goods and services. It will be moderated by Robert Jegou of Societe Tecknip of France.
- "Application of Risk Management Techniques to Employee Benefits" will outline a creative approach to control the employee benefits risk and will be moderated by Arne Baldhagen, managing director of Arne Baldhagen A.B. of Sweden. Panelists will be Francois Settembrino, risk insurance and employee benefits manager at Tabacofina Antwerpen of Belgium, and Ernest J. Reach, employee benefits manager of U.S. Industries Inc. in New York.
- "Risk Control: Cost vs. Benefit" will evaluate different alternatives and gauge their operational success. It will be moderated by Ian Stronach, assistant risk manager at Alcan Aluminium Ltd. of Montreal. Panelists will be Pierre C. Sonigo of Pechniney Ugine Kuhlman in France, and H. Felix Kloman, president of the Risk Planning Group of Darien, Conn.

> 'You learn a lot about dealing with European underwriters, brokers and local risk management personnel. You learn you can't go barging into a facility and expect the people to react like your people in Des Moines,' Mr. McDonald says.

- "Hazardous Wastes Materials/Environmental Impairment" will look at the legislative environment surrounding this problem, as well as loss control and insurability. It will be moderated by Francesco Petrini, insurance and real estate manager at Total S.P.A. of Italy. Hugo Standing, chairman of Alexander & Alexander of California Inc will be a panelist.
- "Risk Retention: To Insure or Not Insure" will discuss finance and management science techniques as they apply to risk management. It will be moderated by Allen J. Monroe, president of Reed Risk Management of San Francisco. Jean Cherriere of Rhone Poulenc in France will serve as a panelist.

Tuesday's schedule also calls for three concurrent sessions.

The first, "In-House Brokers: A Debate," will consider this practice's viability for risk management organizations. Peter Gilbert, director of Sedgwick International Ltd. in London will be the moderator.

Panelists will be Dr. Werner Schimming, managing director of Bavaria Wirtschaftsagentur GmbH of West Germany, and Alcan's Mr. Russell.

The second, "Risk Management: Career or Dead End Job?" will appraise employment opportunities in the field and will be moderated by Hugh Loader, general insurance manager at Tetra Pak Insurance Services Ltd. of the United Kingdom.

Panelists will be Tony Benson, group risk manager at Arthur Guinness P.L.C. of the United

Continued on facing page

AMERICAN IN REINS

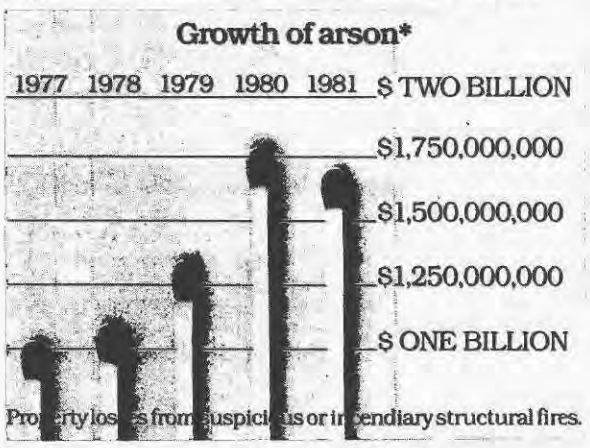
The arson crisis: putting the heat where it belongs

How big is the arson problem today?

One northeastern county with 69 municipalities identified 66% of structural fires as suspicious or incendiary in 1981. In 1982 this same county delivered 42 criminal indictments for arson and received 92 more confessions of arson.

No one knows how many fires are actually caused by arson. A leading property insurance company shows that over 43% of structural fires in 1982 were suspicious or incendiary in origin.

One of the country's best-known arson experts estimates that at least 50% of *all* structural fires are deliberately set.



*Source: National Fire Protection Association

Figures from the National Fire Protection Association show a 72.5% increase in costs associated with arson from 1977 to 1980. In 1981, however, the dollar loss declined slightly. Is this the effect of increased anti-arson activity? It is too early to tell.

What can be done about this growing problem? At American Re we decided to tackle it head on. We teamed one of America's foremost arson experts with one of the country's most respected arson attorneys to lead a series of anti-arson seminars. The seminars address such topics as:

- Whose problem is arson?
- What's the toughest problem in fighting arson?
- Working with local anti-arson squads
- Preserving evidence
- Identifying arson defense firms
- The role of the arson investigator
- Benefits of an anti-arson program
- How to set up a successful anti-arson program

At the seminars, small numbers of primary insurance company executives discuss their experiences with arson, and exchange ideas on how to cope with this

AMERICAN REDEF

Continued from facing page
Kingdom; Thomas V. Hallett, vp and risk management director at Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.; and Edward Lalley, chief executive officer and president of Ideal Mutual Insurance Co. in New York.

The third, "Financing Retained Risk," will be moderated by Daniel W. Houston, risk management and insurance manager at the NCR Corp. in Dayton, Ohio.

Panelists will be Dr. James V. Davis, chairman of the research and development division at Corroon & Black Corp., and Juergen Herrmann, managing director of the Swedish Match Co. GmbH of West Germany.

In addition, eight industry sessions are slated for Oct. 18. They will provide an opportunity for risk managers in related industries to meet in small, informal workshops and discuss concerns unique to their operations.

The following industry groupings and session leaders are scheduled:

'The conference will bring together the top of the line,' says Alcan's Aluminium's Mr. Russell.

- Aircraft and aircraft products —Giovanni Palumbo, insurance manager of Augusta S.P.A. of Italy and Jacques Partiot of Aerospatiale of France.
- Automotive—Giampiero Profumi, risk manager of Alfa Romeo Group of Italy.
- Construction and engineering —J.J. Girard of Union Industrielle et d'Interprise of France.
- Food, drink and packaging—Jack A. Dixon, managing director of Unilever of the United Kingdom and Terry Sparkes, insurance manager of Metal Box Ltd. of the United Kingdom.
- Metals and mines—Peter Guski, managing director of Westdeutsches Assekuranz-Kontor GmbH of West Germany.
- Oil and petrochemicals—Bernard Couturier of Esso France.
- Pharmaceuticals—Karl-Heinz Jaeger, director and head of the insurance department at BASF Aktiengesellschaft ABT ZRF of West Germany.
- Transportation—M. Schoenmaker, insurance manager of SHV Nederland N.V. of the Netherlands.

Scheduled for Wednesday, Oct. 19 is a general session, "Freedom of Trade in Services," moderated by Edith F. Lichota, vp of Irving Trust Co. in New York. The session will include a status report on this internationally debated issue, as well as an evaluation of the effects of trade liberalization on risk management and international insurance.

Panelists will be Hamza Kettani of Morocco; Edgar Mueller-Gotthard, director of the overseas and reinsurance departments at Nordstern Insurance Co. of West Germany; Liliana Archibald, international affairs adviser at Lloyd's of London; and Bruce W. Schnitzer, president and chief operating officer of Marsh & McLennan Inc. in New York.

All of the general and concurrent sessions will be translated into French, German, English and Italian. The other sessions will be offered in one of the four languages.

To receive a brochure or register for the conference, contact either the RIMS Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292 or SOCFI, 7 Rue Michel Ange, 75016 Paris, France; 647.92.57.

Conference registration fees, payable in French francs only, are 4,200 francs (about $525) for risk managers and 5,200 francs (about $650) for insurer personnel. ■

U.S. reinsurers attract more overseas risks

WASHINGTON—U.S. underwriters netted a 33-year record of $958.5 million in reinsurance premiums from foreign countries, but they still failed to equal what American insurers paid to foreign reinsurers.

U.S. firms reinsuring overseas risks received net premiums (premiums minus commissions) of $958.5 million and paid out $765.3 million in losses for net receipts of $193.2 million, according to statistics released last month by the U.S. Commerce Department's Bureau of Economic Analysis.

However, at the same time, U.S. insurers paid out $2.128 billion in net premiums to foreign reinsurers in 1982, the largest amount since the department started reporting reinsurance statistics.

Most of these payments, $921.6 million went to reinsurers in the 10 Continental member nations of the European Economic Community, while Bermuda reinsurers received $758.7 million and British reinsurers received $629.5 million.

U.S. insurers recovered $1.422 billion in losses on the $2.128 billion in net premiums they paid to foreign reinsurers, resulting in U.S. payments of $706 million for reinsurance of U.S. risks accepted abroad.

The Commerce Department notes, however, that the reinsurance payment results are meant to show the effect of reinsurance transactions on the nation's balance of payments.

They are not meant to indicate the underwriting results of the reporting companies, the department says.

Comparing the U.S. receipts of $193.2 million with the net U.S. payments of $706 million, the net effect of last year's international reinsurance transactions was a net outflow of $512.8 million to foreign reinsurers.

The Commerce Department report breaks down international reinsurance payments and receipts from abroad to show transactions with the United Kingdom, other European Economic Community nations, Canada, Japan, Switzerland, Latin American republics, Bermuda and other countries in the Western Hemisphere.

The statistics in this year's study are preliminary and will not be finalized until next year's report is released next summer. ■

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Romero named risk coordinator at UCLA

comings & goings: buyers

Jess Romero 30, is the new insurance and risk coordinator for the University of California at Los Angeles. He handles all lines of insurance for the university, including some benefits. He replaces **Susan K. Moreland**, now assistant treasurer at the University of Colorado. Mr. Romero was most recently account manager at the Los Angeles office of Marsh & McLennan Cos. Inc. Prior to that, he was a claims representative with The Hartford Insurance Co. in Los Angeles. He received a bachelor of arts degree from Yale University in New Haven, Conn., and the Chartered Property & Casualty Underwriter and Associate in Risk Management designations. Mr. Romero reports to Anthony Stypinski, business services administrator.

* * *

Susan K. Moreland, 34, is now assistant treasurer and risk manager for the University of Colorado in Boulder. In this new position she will manage the property/casualty, workers compensation and medical malpractice insurance for the university. Ms. Moreland was previously risk management coordinator for the University of California at Los Angeles and an administrative staff member of the UCLA legal office. She received a bachelor of arts degree from the University of Colorado and the Associate in Risk Management designation. She also is a deputy member of the Risk & Insurance Management Society. Ms. Moreland reports to Treasurer Edward Murrow.

* * *

Russell R. Kaczmar, 38, is the new assistant treasurer for The Budd Co. in Troy, Mich. He is responsible for insurance and risk management, as well as credit and collections. Mr. Kaczmar joined Budd in 1972 as supervisor of credit and insurance, was promoted to manager of international finance and then to staff assistant of the plastic products division. He received a bachelor's degree in economics from the University of Detroit. Mr. Kaczmar reports to Treasurer John P. Doane.



Mr. Kaczmar

* * *

William F. (Rick) Preissel Jr., 35, has been named national claims manager for Howard Johnson Co. in Braintree, Mass. In this new position, Mr. Preissel is responsible for the overall management of workers compensation and automobile and general liability claims for the company. He previously served in various claims capacities with Hanover Insurance Co., Sentry Insurance Co. and CNA Insurance Cos. in Massachusetts and Connecticut. He received a bachelor of arts degree in economics from Fairfield University in Fairfield, Conn., and a master of business administration degree from the University of New Haven in Connecticut. Mr. Preissel reports to Corporate Risk Manager Jim Gunther.

* * *

Jeffrey N. Kahl, 38, is director of corporate risk management, a new position, at DEKALB AgResearch Inc. in DeKalb, Ill. He will handle property/casualty and group life/health insurance for the company. Previously, Mr. Kahl was manager of corporate risk management for Hilti Inc. in Tulsa, Okla. Prior to that he was supervisor of corporate insurance at Firestone Tire & Rubber in Akron, Ohio. Mr. Kahl received a bachelor of science degree in accounting from Ohio State University in Columbus and a master of business administration degree from the University of Tulsa. He is a deputy member of the Risk & Insurance Management Society. Mr. Kahl reports to William Benford, corporate treasurer.

* * *

Frank R. Tierney, 34, is the new assistant vp of risk management at Consolidated Natural Gas Co. in Pittsburgh. He replaces **A. Gordon Hanau**, who retired. Mr. Tierney is the administrator of risk management, property/casualty and loss control for all 13 companies in the Consolidated system. He joined the organization in 1974 as assistant manager of insurance, was promoted to manager and then to director. He received a bachelor of science degree in business administration from the University of Delaware in Newark and the Chartered Property & Casualty Underwriter designation. He is also chairman of the American Gas Assn.'s insurance committee and president of the Pittsburgh Chapter of the Risk & Insurance Management Society. Mr. Tierney reports to H.P. Sullivan, senior vp and legal counsel.



Mr. Tierney

* * *

Timothy L. Webb, 32, is manager of claims and safety administration, a new position, for Wickes Cos. Inc. in Santa Monica, Calif. Prior to joining the company, Mr. Webb was supervisor of claims for Sayre & Toso. He received a bachelor of arts degree from California State University in Long Beach. Mr. Webb reports to M. Douglas Fisher, director of risk management.

* * *

Gerald F. Williquette, 42, is the new vp of human resources at Armco Insurance Group Inc. in Milwaukee. He replaces **Kent Quantius**, who retired. Among his human resources functions, Mr. Williquette will oversee benefits and compensation for Armco employees. Mr. Williquette joined Northwestern National Insurance Co., an Armco subsidiary, in 1968. After a series of promotions, he was elected vp in 1978. Mr. Williquette received a bachelor's degree in economics from the University of Wisconsin in Oshkosh. He is also a past president of the Personnel-Industrial Relations Assn. of Wisconsin. He reports to Frans R. Eliason, president and chief executive officer.



Mr. Williquette

* * *

National Bank of North America in West Hempstead, N.Y., has announced two promotions in its insurance and risk management department.

Richard P. Rooney, 32, is the new senior insurance analyst, handling property risk funding for the bank. Mr. Rooney was most recently a commercial lines underwriter for William H. McGee & Co. in New York City. He received a bachelor of arts degree from St. Francis College in Brooklyn and the certification in general insurance designation. He is currently pursuing the Chartered Property & Casualty Underwriter designation.

Barbara A. Harfosh, 33, is the new banking officer, handling liability risk funding for the bank. Ms. Harfosh was previously a risk management officer with Marine Midland Bank in New York City. She received a bachelor of arts degree from Hunter College in New York City and a master's degree from Michigan State University in East Lansing. She is pursuing the Chartered Property & Casualty Underwriter designation. Both report to Assistant Vp Gerard Burns.

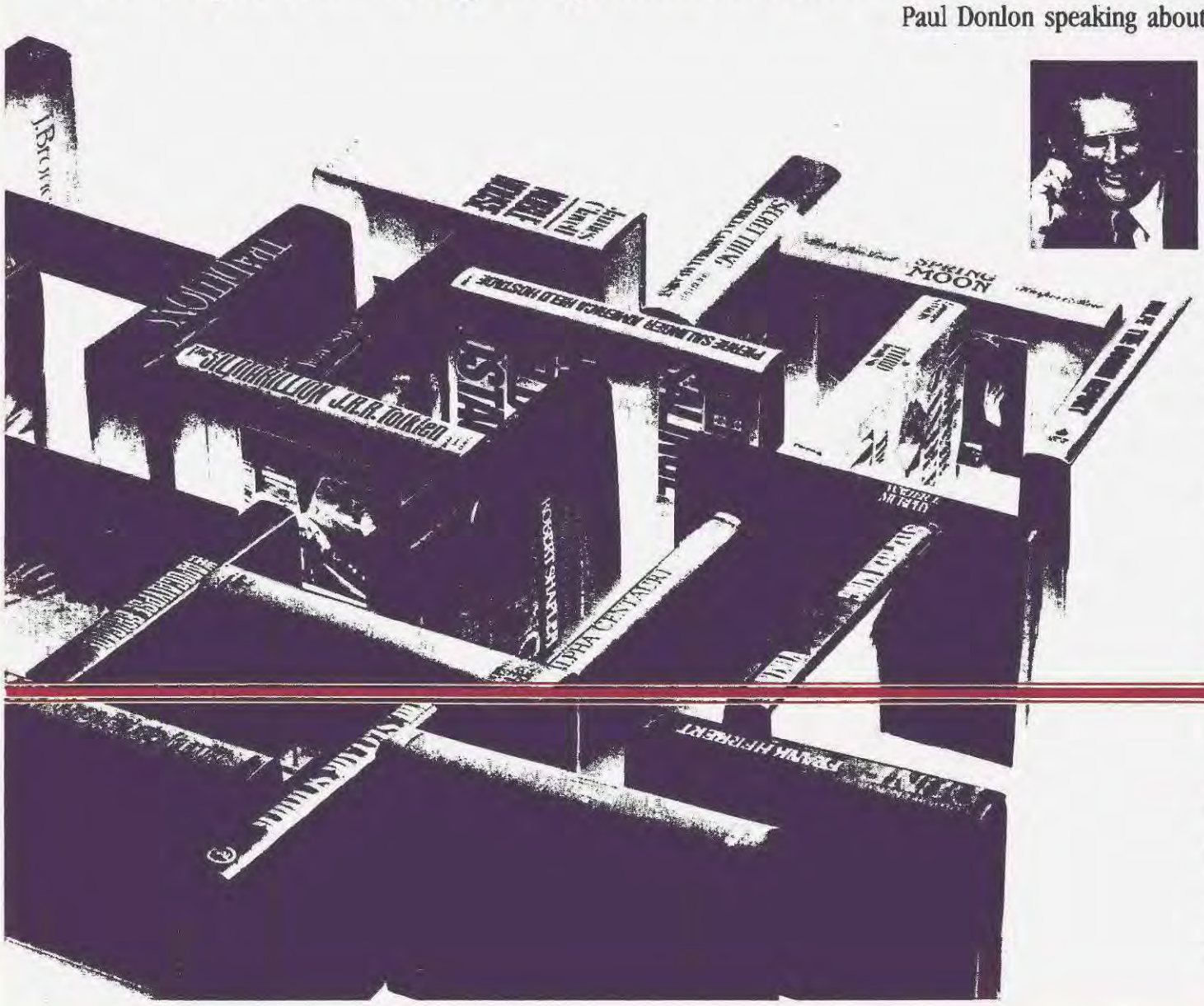
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Kemper affiliate says it will appeal $1.7 million award

By JIM DAVIS

CHICAGO—A Kemper Group affiliate will fight a $1.7 million breach-of-contract verdict for failure to return surplus group insurance premiums to an association of surgeons.

The decision, rendered last month by a Cook County Circuit Court jury, says that Lumbermens Mutual Casualty Co. must return premiums paid by the Chicago-based American College of Surgeons that exceeded a retention formula the ACS said it and Lumbermens had negotiated.

The ACS purchased group disability income coverage from Lumbermens starting in 1956 and bought accidental death and dismemberment and major medical coverage from the insurer beginning in 1958. The ACS terminated all three coverages in 1974.

According to the ACS lawsuit, Lumbermens was paid a percentage of the premium to pay claims and make a "reasonable" profit, after which the insurer was to return any surplus premium to the policyholder.

However, the ACS said, Lumbermens quit paying dividends on the coverages after they were canceled in 1974.

According to Roy S. Kullby, an ACS' attorney with the Chicago firm of Vedder, Price, Kaufman & Kammholz, the college and Lumbermens established the retention formula for the AD&D coverage in letter dated June 29, 1972.

The retention formula for the other two coverages was never specified in writing, Mr. Kullby added, but was verbally agreed upon by the two parties in 1962.

In a pre-trial summary, ACS noted that it had renewed its insurance with Lumbermens after 1962 "relying upon Lumbermens promises that the surplus belonged to the insured members of the college."

The ACS suit also alleged that the more than $3.5 million in reserves that Lumbermens assigned for the 140 claims remaining at the beginning of 1976—two years after the coverage was canceled—"were grossly and unnecessarily inflated for such a terminated program under which all claims had been received, were fully known and under which no further claims could be filed."

The ACS claimed that Lumbermens owed it $899,299 on Jan. 1, 1976. The jury, in its decision last month, concluded that amount had grown to $1.7 million by April 1 of this year because of interest and favorable claims experience and ordered Lumbermens to pay that amount.

However, the jury found that Lumbermens is entitled to retain $614,387 to pay the 18 disability claims that are still outstanding.

Lumbermens argues that no surplus existed Jan. 1, 1976, after deducting for claim payments, claim reserves, commissions and the company's retention, according to Robert H. Mittelman, an attorney representing Lumbermens with the Chicago firm of Clausen, Miller, Gorman, Caffrey & Witous.

Furthermore, the insurer maintains the agreement with the ACS does not require it to return any surplus that exists after Jan. 1, 1976, Mr. Mittelman added.

"The letter (of June 29, 1972) does not add up to an agreement to give back reserves" on the AD&D coverage existing after the beginning of 1976.

"That money (the $1.7 million award) was Lumbermens' profit," Mr. Mittelman said, adding that Lumbermens does not have to return premiums paid for the other two policies, which were also included in the jury's award.

The college also claimed that Lumbermens also breached its agreements by failing to provide annual reports after 1976 showing the number and nature of claims outstanding, the amounts actually paid, claims reserves held, investment income earned and the amount of surplus remaining. ■

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Reynolds notes that claims processing is now much faster, and more accurate as well. 'The TOPPERs include an edit program that catches errors before the data is transmitted to the main computer. That speeds overall claims processing." As side benefits of this distributed processing approach, system response is the same regardless of the number of users. And adjudicators can continue working even if the main computer goes down.

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Newspapers oppose unisex bills, insurers say

WASHINGTON—U.S. newspapers are overwhelmingly opposed to the unisex insurance legislation now pending in Congress, three property/casualty insurance groups say.

Of the 209 editorials and commentaries on S. 372 and H.R. 100 compiled by a clipping service for the Alliance of American Insurers, American Insurance Assn. and National Assn. of Independent Insurers, 169 opposed unisex insurance legislation.

One reason newspapers give for opposing this legislation, according to the groups, is that the actuarial tables now used to determine rates are accurate and fair and that unisex tables would undermine that accuracy and fairness.

Also, some newspaper editorials say that unisex rating confuses sex discrimination with the acknowledgement of biological differences between the sexes.

The insurer groups say that other newspapers object to the legislation because women will be penalized more than helped by uniform rating. For instance, the increased cost of auto and life insurance for women under the unisex bills would not be offset the increased pension, health and disability benefits.

If the proposed legislation would include retroactivity, the insurer groups say newspapers fear pension group and insurer insolvency. "Making all existing policies unisex overnight, without having collected the premiums to fund the differences, would cause such a massive drain on pension and insurance companies' funds that many could not survive," a statement issued by the associations says.

"If editorial opinion reflects local community standards, these results suggest a broad repudiation countrywide of the unisex approach to insurance ratemaking," said George Bernstein, a Washington attorney speaking for the insurer groups.

Mr. Bernstein pointed out that newspapers in a few states have not voiced any opinion on the subject.

The three groups also pointed to a recent survey by Yankelovich, Skelly & White that found that 80% of American women say it would be unfair to charge young women and young men the same insurance rates. In this same study, 64% of American men agreed that automobile rates should be differentiated by sex.

The unisex legislation—sponsored in the Senate by Sen. Robert Packwood, R-Ore., and in the House by Rep. John Dingell, D-Mich.,—would force employers to guarantee equal pension benefits—including joint-and-survivor options—to all employees regardless of sex, would force life insurers to top up the cash value of women's life insurance policies and would force property/casualty insurers to equalized auto coverage rates for men and women.



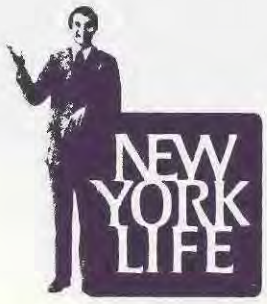
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Alaska law will increase comp rates

JUNEAU, Alaska—The National Council on Compensation Insurance predicts that a recently enacted law increasing workers compensation benefits on Jan. 1 will push work comp rates up by about 3%.

But employers hope they will save money in the long run because some workers may return to work sooner under the legislation.

The law increases benefits an average of 35% for permanent partial disability cases by raising the maximum limits.

For instance, the benefit for a lost arm will be 280 weeks of compensation not to exceed $59,000, up from $43,680. The benefit for a lost eye will be 140 weeks compensation not to exceed $30,200, up from $22,400.

In cases of permanent and temporary total disability, the new law will increase benefits from 66.6% of an injured employee's average weekly wage to 80% of the employee's *spendable* weekly wage.

The average weekly wage is defined as the worker's highest weekly wage before taxes during the three years before an injury.

Under the new law, the *spendable* weekly wage is determined by subtracting payroll taxes from gross weekly earnings. To compute gross weekly earnings, the gross earnings of the two years preceding an emploee's injury are divided by 100.

In some cases, the change in wage formulas will actually lower benefits for injured workers, which may encourage those with temporary total disability to return to work more quickly, says the bill's sponsor, Rep. Walt Furnace, R-Anchorage.

The work comp law passed by the Legislature this year marked another victory for the Workers' Compensation Committee of Alaska, a 3-year-old political action committee of employers that is an outgrowth of the Alaska Conference of Employers.

The employers group funded a study to identify workers compensation problems in Alaska and come up with recommendations, and this year's new law was one of those recommendations.

Last year, the committee worked for the passage of a law that created a state rehabilitation administrator. That administrator, who has been recently hired, will work with disabled workers in an attempt to quickly enroll them in rehabilitation programs.

The WCCA is still considering what legislation it will propose next year, though it is looking at Florida's wage-loss system as a possible model, said Jack Thompson, the WCCA's president and a vp of Air Van Lines in Anchorage. ■

Exchange pays very 'fishy' claim

MINOT, N.D.—The Illinois Insurance Exchange has paid probably the most unusual claim in its two-year history: $100,000 to KXMC-TV in Minot after an angler pulled in a 4½-pound walleye from Lake Sakakwena in North Dakota to win the station's "Catch the Tagged Fish" promotion.

"We are in the business of paying losses, and this is one we thought would get away," said John Dore, underwriting manager for the LWB Syndicate, the lead underwriter on the risk.

Mr. Dore explained that the odds of someone landing the specially tagged fish were better than a million to one. ■



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Most Lloyd's members to reap profit: Group

By STACY SHAPIRO

LONDON—The Assn. of Members of Lloyd's predicts that Lloyd's of London's 1980 global results, which officially will be released next month, will be relatively good.

The AML has informally measured how much profit Lloyd's members belonging to 136 syndicates will make. Most of the members will receive some profit from the syndicates, but some will have to contribute more to their syndicates to pay outstanding claims.

For example, members of Syndicate 127, the huge marine syndicate controlled by Alexander Howden Group P.L.C. and formerly managed by Ian R. Posgate, will receive 1,275 pounds (about $1,925) for each 10,000 pounds (about $15,000) of premium they underwrote.

Another syndicate managed by Mr. Posgate for another firm, Posgate & Denby (Underwriting Agencies) Ltd., will pay 2,078 pounds (about $3,140) per 10,000 pounds underwritten.

On the other hand, marine Syndicate 895, managed by Spicer & White (Underwriting Agencies) Ltd., is asking its members for nearly 7,000 pounds (about $10,500) for each 10,000 pounds they underwrote.

And aviation Syndicate 808, managed by Maynard, Wallace & Bell Agencies Ltd., is asking members for 5,540 pounds (about $8,350).

london line

The AML, which will soon merge with the Assn. of External Members to form the Assn. of Lloyd's Members, also says it is not true that American names are restricted to certain Lloyd's syndicates.

The AML received a letter from a North Carolina Lloyd's member complaining that U.S. citizens were restricted to participation on certain syndicates.

"As a consequence of a number of you still being upset at us colonials for the unfortunate affairs beginning in 1776, we Americans are denied participation in a number of syndicates at Lloyd's," the letter says.

But, the AML says this is untrue.

"We have found no evidence on scanning the syndicates on which our American members are placed of any preserved syndicates," the AML explained, "although it is certainly true that some (syndicates) have been more successful than others in signing up American names."

Nuclear insurance

The Central Electricity Generating Board, the largest nuclear power plant operator in Great Britain, is withdrawing from the British Atomic Energy Nuclear Insurance pool.

Instead, the CEGB plans to self-insure at least some of its risks to save all or part of the 5 million pounds in premiums (about $7.5 million) it spends each year on property insurance.

The board has hired Lloyd's of London brokers C.T. Bowring & Co. Ltd. and Sedgwick Group P.L.C. to help it decide whether to self-insure all its property risks or insure some of them with commercial underwriters.

The CEGB's plans are worrying reinsurers, however.

Up until now, British and European reinsurers have used a standard exclusion in almost all policies that says reinsurers will not cover claims that are directly or indirectly placed through nuclear pools.

Until the CEGB's decision to withdraw from the pool, all British nuclear risks were insured through the pool and, thus were not able to be reinsured.

The Reinsurance Offices Assn. recently warned its members that the CEGB now may not be included under the standard "nuclear pool" exclusion.

"In view of the recent action by the CEGB, reinsurers should consider their position vis-a-vis their inward treaties and may wish to make amendments to the standard pool exlusion clause," the ROA said in a recent newsletter.

Self-regulation

Lloyd's of London is using its monthly magazine, Lloyd's Log, to explain the Lloyd's Council's policy of self-regulation.

For the first time, the Council has published how it intends to handle Lloyd's self-regulation through bylaws, regulations and codes of conduct.

Bylaw and regulation procedures are already outlined in the Lloyd's Act of 1982, which gives Lloyd's self-regulatory powers.

However, codes of conduct, which are not enforceable like bylaws, are now being introduced by the Council (*BI*, July 25).

"The introduction of codes of conduct into the self-regulatory structure could be seen as creating some enforcement problems," the council said in its report. "Although such codes should ensure yet higher standards of conduct and discipline, this will be for naught if they are ignored or unenforced or unenforceable."

Disciplinary proceedings could be commenced if codes of conduct are continually breached or if the misdeeds breach a bylaw. But, for the most part, the council will only be able to issue a private reprimand or post a complaint in the Lloyd's underwriting room to deal with those who violate codes of conduct.

Pollution control

The British are proud of their efforts to control pollution, but the government, the insurance industry and employers want to go even farther.

The Department of Environment —in association with Lloyd's insurance brokers Clarkson Puckle Group Ltd., the Confederation of British Industry and Royal Society of Arts—last week unveiled the Pollution Abatement Technology Award.

The award will go to any British company, subsidiary or university that offers the best ideas on how to control pollution.

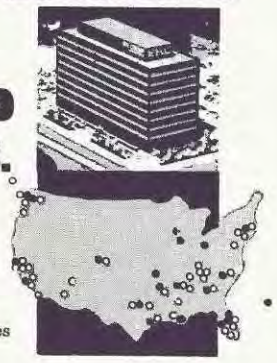
The award is intended to "encourage improvements in pollution abatement technology and its application: covering pollution by air, land, fresh and sea water and noise," according to a release announcing the award.

Nominations for the award must be submitted by Oct. 31. For more information, contact Timothy Cantell, Royal Society of Arts, John Adam Street, Adelphi, London WC2N 6EZ, England. ■

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Most multiemployer plans fully funded, survey shows

NEW YORK—Multiemployer pension plans may be more solidly funded than commonly believed, according to a new survey.

About two-thirds of 458 multiemployer pension plans surveyed by Martin E. Segal Co., a New York-based benefits consulting firm, were fully funded for their vested benefits.

To be fully funded means that a plan has put enough assets aside to pay pension benefits promised to vested workers and retirees.

The average surveyed plan was 90% funded for its vested benefits; just 5% were less than half-funded.

The extent of funding of multiemployer plans has been a vital issue for employers that belong to the plans ever since Congress enacted a landmark pension law in 1980.

That was the year Congress passed the Multiemployer Amendments Act, which imposed new financial responsibilities on employers withdrawing from those plans.

Under that law, which is now being challenged in federal courts around the country, an employer that leaves a multiemployer plan is responsible for paying a share of the benefits the plan promised to workers and retirees but did not fund.

Because employers' contributions to the plans haven't always matched the benefits promised to participants, the unfunded liabilities can be enormous.

It is that fear of being forced to pay a share of those liabilities that has discouraged many employers from joining multiemployer plans since the 1980 law was enacted.

To see if employers' fear of withdrawal liability was justified, Segal earlier this year surveyed 458 of the the nation's 2,000 multiemployer pension plans. The plans surveyed by Segal have about 4 million participants, or about half the 8.5 million people covered by all multiemployer plans.

The surveyed plans, which are all Segal clients, range in size from $5 million in assets to more than $100 million in assets.

Segal President Robert Krinsky said the surveyed plans are a valid sample of all multiemployer plans. "We have no reason to think. . .that the universe (of plans) is very different," he said.

However, the survey, which does not identify the plans by name, does not include the Central States, Southeast & Southwest Areas Teamsters' Pension Fund, which has about $3 billion in unfunded vested benefits.

Many suits challenging the constitutionality of the Multiemployer Amendments Act have been filed by employers who left the Central States plan and were hit with huge withdrawal liability claims.

However, according to the Segal study, many employers shouldn't fear withdrawal liability. For example, the employers that belong to the 298 plans that are fully funded would not incur any withdrawal liability if they left those plans.

The survey also found that of the 458 plans, 66 plans were funded for 80% to 99% of their vested liabilities, 70 were between 50% and 79% funded and only 24 plans were funded at less than half of their vested benefits.

The survey reveals, though, that plan funding varies considerably by industry.

For example, all 21 plans in the entertainment industry were 100% funded. In addition, some 201 or 74% of the 272 surveyed construction industry multiemployer plans were fully funded, while just nine or 3% of construction plans were less than 50% funded.

By contrast, only 21 or 35% of the 60 surveyed transportation plans were fully funded, while seven or 33% were less than 50% funded.

Among other industries, 21 or 55% of 38 manufacturing plans were fully funded, while 10 or 45% of 22 retail trades multiemployer plans were 100% funded. In the service industry, 17 or 65% of the 26 plans surveyed were fully funded.

According to the survey, the likelihood that a plan is fully funded doesn't seem to vary by plan size.

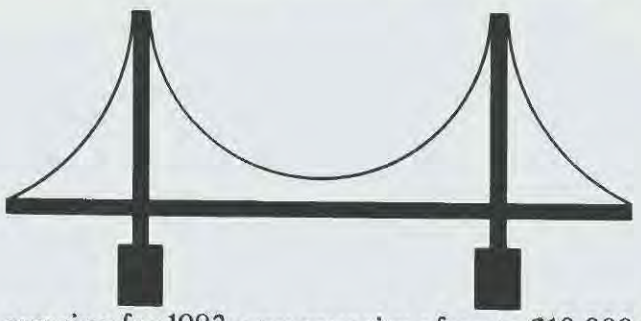
For example, some 93 or 69% of the 134 surveyed plans with less than $5 million in assets were fully funded, while 57 or 70% of the 81 plans with more than $5 million but less than $10 million in assets were 100% funded.

Among the 51 plans with between $10 million and $20 million in assets, 61% were fully funded, while 26 or 59% of the 44 plans with between $20 million and $30 million in assets were 100% funded.

Finally, of the 115 plans with more than $30 million in assets, 71 or 62% were fully funded.

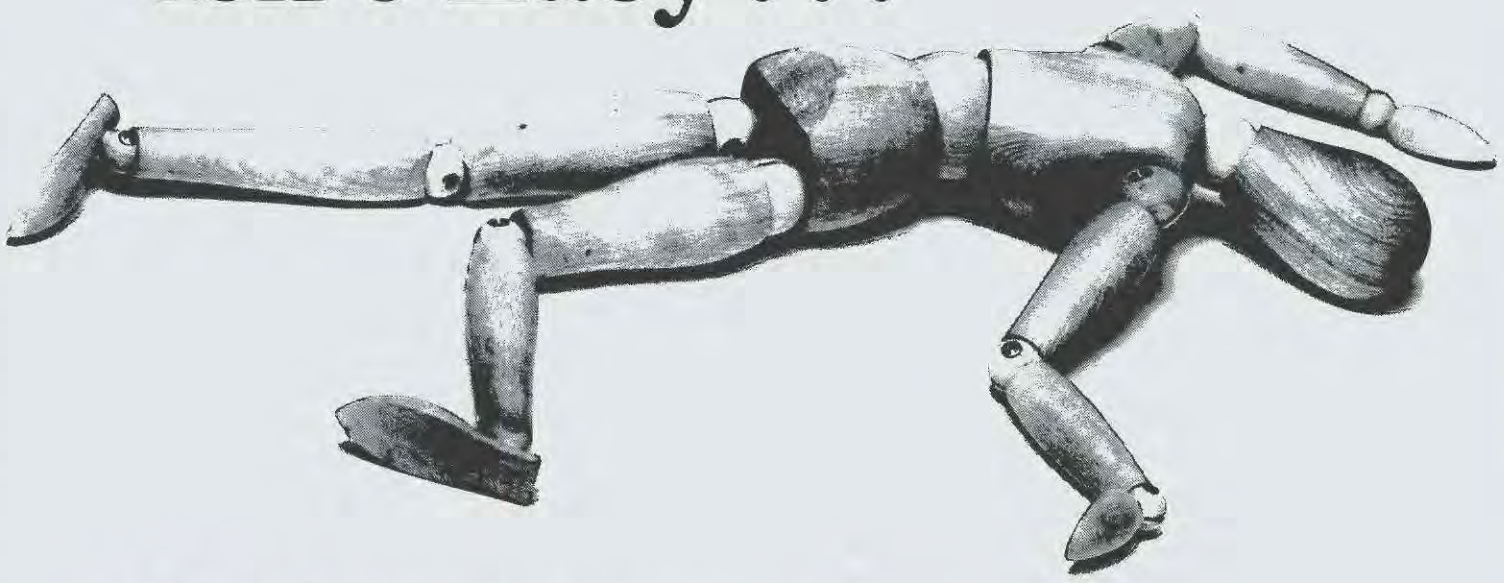
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Free copies of "A Survey of the Funded Position of Multiemployer Defined Benefit Plans," are available from Jack Friedman, Director of Information Services, Martin E. Segal Co., 730 Fifth Ave., New York, N.Y. 10019; 212-586-5600.



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perspective

HMO EXPOSURES

One plan structure could trigger liability suits

By Bradley W. Jacks

IN A RELATIVELY short time, health maintenance organizations have become a viable alternative to the traditional, insured, fee-for-service health care delivery system. The relationship between the HMO and the subscriber consists of an arrangement whereby an individual (or group) contracts with the HMO for most or all of his or her (or their) health needs.

After developing sophisticated marketing techniques, HMOs have purported to supply the consumer with large and complex health care packages. Moreover, they have, by and large, adopted comprehensive self-review programs to monitor the quality of their services. Current legal trends indicate that as HMOs become more visible, they will be sued more often for medical malpractice.

> 'The question that must be addressed by PGHCOs is the extent to which the PGHCO itself will be held accountable for physician malpractice by virtue of its relationships to the physician and the patient.'

In the traditional fee-for-service market, a patient may seek care for a particular problem in several institutions. In that setting, only referrals link the transactions; therefore, control over the quality and price of care the patient receives is highly fragmented. The byproducts of the fee-for-service model have included rapidly escalating costs, uneven quality of care, inequitable distribution of doctors, an emphasis on institutionalization rather than alternative care and a decreasing number of primary care physicians.

In constrast, HMOs were formulated to combat these ills by centralizing control over the quality and cost of health care.

Basically, there are three types of HMOs: the staff model HMO, which owns or leases the facilities it operates and directly employs its own physicians (providers); the independent practice association HMO, a large and broad-based foundation that retains fee-for-service private practice physicians; and the group model HMO, or prepaid group health care organization (PGHCO), which does not employ physicians but instead contracts either with individual physicians or, usually, with a physician group to provide services to its subscribers.

In the future, the staff model HMO will be an obvious target for malpractice suits under *respondeat superior*, the theory that an employer is vicariously liable for the negligence of its employees. However, IPAs are unlikely to be held accountable for physician malpractice under any theory of liability because their control over individual physician actions is highly decentralized. It is the PGHCO whose potential for malpractice liability is increasing, even though undefined.

The key components in a PGHCO are: the health plan itself, consisting of administrative, marketing, quality-control and financial units, and the actual physician providers. The question that must be addressed by PGHCOs is the extent to which the PGHCO itself will be held accountable for physician malpractice by virtue of its relationships to the physician and the patient.



Bradley W. Jacks is an associate with the Chicago law firm of Epton, Mullen, Segal & Druth. This article is based on Mr. Jacks' senior paper at the University of Minnesota Law School.

A PGHCO is not an insurer. Under traditional health insurance, the patient has free choice of physicians or hospitals, with the insurer merely reimbursing the patient or paying the cost directly. In that setting, the insurer exercises no control over quality of care or price and it does not provide health services. By contrast, PGHCOs sharply limit subscriber choice of physicians. And because they contract with the providers, PGHCOs are in a position to significantly influence the physicians.

But a PGHCO is not a hospital, either. Unlike a hospital, a PGHCO is not a physical site where health care is performed. More significantly, a typical PGHCO actively markets its health care package, while most hospitals do not engage in marketing programs. After subscribing to the HMO, the patient does not need to choose an individual physician or a hospital; these are components of the health care package.

Because the PGHCO states that it will maintain a subscriber's health and because the PGHCO, either directly or indirectly, selects and controls the physicians, future plaintiffs will argue that the PGHCO must assume a duty to provide high-quality health care. From this perceived duty, malpractice suits will result, either in contract (express or implied) or in tort (negligence).

Few jurisidictions today allow malpractice complaints to be framed in contract form, rather than in tort. But in the states that allow breach-of-contract malpractice suits, such claims may be based upon either an express or an implied contract theory. An express contract theory would look to the language of the subscriber contract itself, while an implied contract theory would evaluate all of the relations between the parties.

A minority of states find against physicians based upon an express contract but most medical malpractice suits alleging breach of an express contract are based upon a specific promise to perform a specific procedure, a promise to achieve a certain result or a promise to cure a patient. PGHCO-subscriber contracts rarely contain such specific guarantees.

However, the PGHCO must be extremely careful as to the precise language used in the subscriber contract. Not only should such contracts avoid expressly guaranteeing to improve the subscriber's health, but the contract probably should not even contain the term "health maintenance organization." Such careful drafting of the contract is necessary because the courts will probably construe the PGHCO-subscriber contract against the PGHCO when its terms are vague. The PGHCO, presumed to be the more sophisticated party, has drafted the contract. Accordingly, ambiguous contractual promises of furnishing "adequate services" or "high-quality physicians" may come back to haunt the HMO.

More threatening is the possibility of a suit against the HMO based upon an implied contractual promise because courts will, in such a case, evaluate the total relationship between the parties. In determining whether the PGHCO "undertook to treat" the patient in a manner analogous to that of a doctor, a court will weigh such factors as the PGHCO's marketing materials, oral representations and the contractual relationship between the PGHCO and its physicians.

Insurance cases adjudicating implied contract claims are clearly relevant because courts similarly construe insurance policies against the insurer. In Barth vs. State Farm Fire & Casualty Co. (257 A.2d 671, 1969), a Pennsylvania court held an insurance policy to cover specific representations mentioned only in an advertising brochure, and not specifically excluded in the policy. The court opined that few insureds are actually aware of contract provisions of their policy, that insurance policies are prepared by experts and that the insured had in fact relied upon the advertising brochure.

Courts also emphasize the oral representations of the seller's agents when determining whether there was reliance by the subscriber. For example, in Harr vs. Allstate Insurance Co. (255 A.2d 208, 1968), a New Jersey court held that insurance contract to encompass promises orally made by the agent. The court emphasized the superior knowledge of the insurer and the justifiable reliance of the insured on the oral promises.

Using those insurance cases as guidelines, the ramifications to HMOs become apparent. If either oral promises or advertising is relied upon by the subscriber, a PGHCO will probably be held to have implied a promise to provide a specific service. If the promise made in the literature or by the doctor is not specific, however, a court probably will not hold for the plaintiff in a cause of action for implied contract. In Pulvers vs. Kaiser Foundation Health Plan Inc. (99 Cal. App. 3d 560, 1979), the plaintiff contended that, by representing in its literature that it would provide "high standards" of medical service, the HMO had implied warranted exceptional physician care. The court found the action meritless because the quoted language amounted merely to "generalized puffing to the effect that the foundation's doctors would exercise good judgment in their care."

Moreover, there is an important distinction between the PGHCO and the insurer that may insulate the PGHCO from liability even if the PGHCO's marketing campaign makes specific promises inconsistent with those of its subscriber contract. An insurer is providing a service directly to the public, while in a PGHCO, non-employee physicians perform patient services, with these physicians having merely a contractual relationship with the PGHCO. Therefore, in the absence of a specific written guarantee, a court may be reluctant to impose implied contractual liability upon the PGHCO. Only if there is a sufficiently strong PGHCO-provider relationship will there be a PGHCO-patient relationship strong enough to find that it contracted as a medical care provider itself.

> 'Courts. . .may determine that since PGHCOs are in a unique position to exercise control over physicians, they will be required to exercise that power for their subscribers' benefit.'

In particular, a court will evaluate the amount of control the PGHCO has assumed over the physicians. If the HMO has instituted applicant screening and periodic quality review over physician procedures, the court might in effect merge the express and implied contracts. Thus new contractual duties would be imposed upon the PGHCO to provide any services that have been mentioned in advertising materials or by the physicians.

Negligence is the other theory under which plaintiffs will sue PGHCOs for medical malpractice. Under this theory, there are three possible causes of action:

Continued on next page

Book explaining word processing's wonders strays much too far from the subject

"The Word Processing Book"
By Peter A. McWilliams
Prelude Press, Box 69773, Los Angeles, Calif. 90069
320 pages, $9.95

By James M. Burcke

books & ideas

DO YOU NEED a word processor? If you're in charge of a risk management, employee benefit or safety department that spews out what seems like a ton of paperwork each week, the answer is probably yes.

Do you need "The Word Processing Book"?

Even if you know little about word processing, the answer is most probably no.

That's not to say that Mr. McWilliams' book is worthless. It isn't. But a busy professional would probably do much better to talk with a peer who already has a word processing system and then talk to a reputable dealer who will give straight answers to his questions than to read "The Word Processing Book."

In a way, that's a shame because I learned a lot about word processing that I didn't already know after finishing this book—and I thought I already knew a little before I started.

The book begins with a solid—if a bit simplified—explanation of how small computers work and what all those computer terms—like RAM and ROM—really mean. Then, it continues to explain the magic word processors can perform that most typewriters can't, such as moving blocks of type, justifying lines and printing words in boldface.

Mr. McWilliams also devotes a most interesting chapter to the best reason, at least for a journalist if not a risk or benefit manager, to buy a word processor: automatic spelling correction programs. The feats these programs can accomplish are nothing short of fantastic, and the section makes for good reading even if your secretary knows the word "aggressive" contains two g's.

The final portion of the book, a buyers' guide to both personal computers and word processing software, is probably worthwhile if you're truly in the market for a word processing system, though not being an expert I cannot judge if the advice Mr. McWilliams offers is really good advice.

The interesting parts comprise about one-third of the book; what about the remainder? For starters, there are a couple of chapters that a businessman interested in word processing might be able to skip, especially the sections on applications of word processing for students, writers, poets and the self-employed.

But the main problem that makes "The Word Processing Book" non-essential reading cannot be easily glossed over: it's Mr. McWilliams' writing style. It's cute—too cute. In fact, it's almost impossible to read through the jokes to get to the information.

An example: "IBM has introduced a color version of the PC, known as the IBM XT. Would you have believed, even a year ago, that IBM would ever market a product named XT? Sounds like a sports car or an improved mouthwash. How quickly the big guys let their image slip when there's money to be made."

Mr. McWilliams' book could be a valuable tool for anyone looking for a word processor. It's just too bad he can't write his book as efficiently as a computer can process it. ■

James M. Burcke is assistant managing editor of Business Insurance.

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

One plan structure could trigger liability suits

Continued from previous page

negligent selection of physicians, negligent control of physicians and breach of the PGHCO's fiduciary duty to the subscriber. Each has been recognized in the context of suits against hospitals. No plaintiff has alleged any of these causes of action against an HMO, but each will likely be utilized in the near future. A plaintiff's success will depend upon the extent to which he or she can analogize a PGHCO to a hospital.

It has always been the law that where a doctor who is deemed to have committed malpractice and is an employee of a hospital, the hospital will be vicariously liable for the doctor's malpractice. But, traditionally, where a doctor is a staff member but not a hospital employee, he has been viewed as an independent contractor and therefore the hospital has not been liable in tort.

This traditional role has now come under direct judicial assault. Starting with Bing vs. Thunig (143 N.E.2d 3, New York 1957), American courts have begun to realize that present-day hospitals do far more than furnish facilities for treatment. The culmination of the recent trends is the influential Illinois case of Darling vs. Charleston Community Memorial Hospital (211 N.E.2d 253, 1966). This is clearly the leading case in the area of institutional responsibility for the negligence of non-employee physicians. This case held that hospitals may be held liable in tort for a wide range of factors affecting the quality of care delivered in the hospital, including the competence of non-employee physicians on the hospital's medical staff.

The basic question that PGHCOs must face is the extent to which the Darling case provides precedent for similar liability to be imposed upon them, under each of the three possible negligence theories.

As between alleging negligent control of physicians or negligent selection of physicians, the latter theory appears harder for a plaintiff to prove. For negligent selection where the PGHCO contracts with individual physicians, a plaintiff alleging negligent physician selection would have to prove several points: that the doctor was negligent, that the PGHCO was negligent in selecting the doctor and that the PGHCO's negligent selection somehow contributed to the plaintiff's injury. Where the PGHCO has contracted with the physician group, a plaintiff's task is more difficult: he or she must prove negligence by the doctor, negligent selection of the doctor by the physician group *and* negligent selection of the physician group by the PGHCO. And, again, the PGHCO's negligence must have somehow contributed to the plaintiff's injury.

There are cases that impose liability on hospitals for negligent selection of physicians. For example, in Mitchell Hospital vs. Joiner (189 S.E.2d 412, 1972), a Georgia court held a hospital that could restrict its medical staff's privileges by rules and regulations liable for the negligence of a doctor when the doctor's incompetence should have been obvious to the hospital. However, it is probably true that Mitchell's rationale would not apply to a case wherein the PGHCO contracts with a medical group. Even assuming the existence of rules allowing the PGHCO to control physicians' privileges, the PGHCO would probably not be aware of the incompetence of a particular doctor in the medical group until a plaintiff filed suit.

Nonetheless, the mere existence of the PGHCO-subscriber relationship—particularly the fact that the subscriber relies upon the PGHCO's expertise in choosing the medical group and the fact that the PGHCO restricts the subscriber's choice of physicians—leads to the caveat that even if Mitchell cannot be used as precedent, PGHCOs should carefully select each physician in the group.

Additionally, PGHCOs must be aware that a future plaintiff might allege negligent *control* of the PGHCO physician. Such an innovative plaintiff's cause of action would allege that the PGHCO is the institutional equivalent of the hospital. As was the case for the hospital in Darling, the PGHCO might be "deemed" to be an actual health care provider exercising supervision over those physicians operating under its auspices.

It is apparent that PGHCOs have essentially the same supervisory leverage over physicians as do hospitals. William J. Curran and George B. Moseley wrote in the Northwestern Law Review in 1975 that "With rare exceptions, HMOs have substantial influence over the physicians who provide their medical care. Not only are the physicians often devoting their entire professional energies to the treatment of HMO members, but they do so pursuant to a contract that is renegotiated annually by the HMO."

Indeed, most PGHCOs have used this contractual leverage to adopt various supervisory powers. Virtually every PGHCO has medical audit and/or peer review groups composed of physicians. These groups determine the quality of physicians' services and transmit such findings to the HMO. Presumably, most PGHCO-provider contracts compel the physician group to terminate any doctor whose performance is found to be well below acceptable levels.

A PGHCO cannot seek to avoid liability by retrenching or cutting back on the supervisory tasks it has already taken. Courts, influenced by Darling, may determine that since PGHCOs are in a unique position to exercise control over physicians, they will be required to exercise that power for their subscribers' benefit. The risk in not exercising adequate supervision over the physicians is far greater than in doing so.

Finally, PGHCOs must also be aware of a possible suit for so-called breach of fiduciary duty owed by the PGHCO to the subscriber. Such a suit, now common against hospitals, is founded on the idea that a patient, unknowing and trusting, has put his or her life in the hands of the PGHCO and therefore has a *right* to expect quality care from the integrated and sophisticated HMO institution. Particular evidence of a fiduciary relationship between subscriber and HMO include the substantial premiums paid, the fact that the PGHCO normally selects its physicians and that the patient is normally unlearned in medical science.

In conclusion, one must ask, in the era of increasing malpractice litigation and increasingly high standards of care for health-care entities, what a PGHCO can do to avoid malpractice suits. The short answers are that to prevent breach-of-contract liability, a PGHCO should limit its specific promises to those explicitly stated in the contract and limit its contractual promises to a range of services rather than a particular quality of service. To reduce liability for negligence, a PGHCO and its individual directors should take an extremely active role in supervising its physicians and other employees.

Although these precautionary measures are expensive, PGHCOs may suffer far greater expenses by avoiding such measures.

Olliver/Pilcher reorganizes into two separate firms

Olliver/Pilcher Insurance, a large insurance agency based in Phoenix, Ariz., has reorganized into two companies.

Olliver/Pilcher Financial Corp. has been formed as the parent organization for all present and future Olliver/Pilcher ventures. William W. "Wick" Pilcher II will be president and chief operating officer of Olliver/Pilcher Management. He had been vp in charge of national insurance company liaison.

Olliver/Pilcher Insurance Agency is the new entity for the company's insurance agency and brokerage activities. Michael C. Metzger is president and chief operating officer of the agency company. He had been vp and general manager of Olliver/Pilcher Insurance.

William W. "Bill" Pilcher will serve as chairman and chief executive officer of both units. He held the same positions at Olliver/Pilcher Insurance.

A company spokesman said the new parent company would provide a "window" for Olliver/Pilcher to enter into joint ventures with banks and other types of organizations to offer financial services products to its clients.

Olliver/Pilcher reported gross revenues of $7.66 million in 1982 to place 28th on *Business Insurance's* list of the 100 largest U.S. brokers.

New intermediary

A new firm, Old Dominion Intermediaries Inc., has been formed to market treaty and facultative reinsurance business.

Arthur J. Pagnini is president of the new company, whose offices are located at 1503 Santa Rosa Road, Suite 110, Richmond, Va. 23288; 804-289-3850.

Management unit

Parkington Associates Ltd., a New York-based underwriting manager and surplus lines broker, has formed a new subsidiary, Parkington Management Ltd.

Parkington Management will offer a number of services, including treaty and facultative reinsurance brokerage, captive feasibility consulting and captive management. It will also serve as managing general agent for Parkington Insurance Co., a Cayman Islands medical malpractice reinsurer formed in 1982.

The new subsidiary will also take over the functions of Parkington Associates Ltd. of Washington, D.C., a branch office that has been closed.

Parkington Management is located in its parent's offices at 111 John St., New York, N.Y. 10038; 212-349-8500.

Reinsurance products

The reinsurance division of American International Group Inc. has formed a new Special Plans Group to further develop AIG's financial management reinsurance products and services.

The new department will accept both domestic and international business from AIG and outside sources.

The Special Plans Group will be managed by James P. Bryce, vp of American International Underwriters, AIG's international underwriting unit.

New offices

Empire Fire & Marine Insurance Co. of Omaha, Neb., has opened a new branch office at 7100 S.W. Hampton, Suite 212, Tigard, Ore. 97223; 503-684-2020.

Ben R. Garfield Insurance Agency Inc. has relocated to new offices at 26555 Evergreen, Suite 1118, Southfield, Mich. 48076; 313-356-5440 and 313-356-5442.

RWP Group Inc., an independent insurance agency, has moved to new offices at 174-03 Horace Harding Expressway, Fresh Meadows, N.Y. 11365; 212-357-6688.

Northeastern Insurance Co. of Hartford has moved its corporate headquarters to Capital Square, Suite 400, 400 Locust St., Des Moines, Iowa 50309; 515-244-1161. ■



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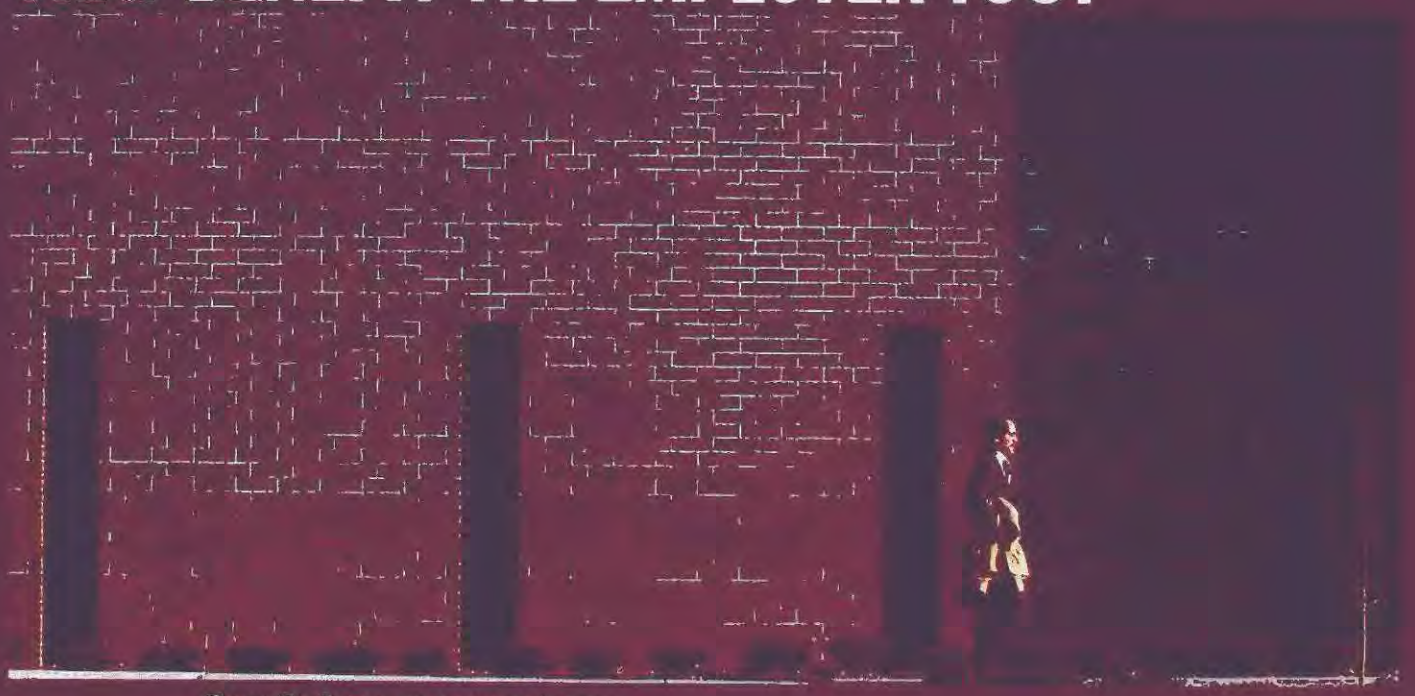
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AUG. 29-30. Regional Safety and Health seminar in Sioux City, Iowa, sponsored by Grain Elevator & Processing Society; $100 for members; $125 for non-members. Dave Krejci, Grain Elevator & Processing Society, Box 15024, Commerce Station, Minneapolis, Minn. 55415; 612-339-4625.

AUG. 29-SEPT. 1. American Hospital Assn. fifth annual educational conference in Boston, sponsored by the association's American Society for Hospital Risk Management; $300 for members; $350 for non-members. American Hospital Assn., Division of Education, P.O. Box 98946, Chicago, Ill. 60693; 312-280-6083.

AUG. 29-SEPT. 2. Premium Auditing Basic Training Seminar/Refresher Course in Oak Brook, Ill., sponsored by Premium Audit Advisory Service; $125. Faye E. Stiles, PAAS, American Insurance Assn., 85 John St., New York, N.Y. 10038.

SEPT. 5-10. Rendez-Vous de Septembre in Monte Carlo. Direction du Tourisme et des Congres, 2a, Blvd. des Moulins, Monaco 98030.

SEPT. 7. Accident Investigation and Analysis seminar in Los Angeles, sponsored by the International Safety Academy; $165. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 7-9. Product Safety and Liability Prevention workshop in Madison, Wis., sponsored by the University of Madison-Extension; $495. Richard A. Moll, Engineering Department, University of Wisconsin-Extension, 432 N. Lake St., Madison, Wis. 53706; 608-263-4712.

SEPT. 8. Effective Safety seminar in Los Angeles, sponsored by the International Safety Academy; $165. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101.

SEPT. 11-14. National Assn. of Mutual Insurance Companies annual meeting in Kansas City, Mo.; $120. National Assn. of Mutual Insurance Companies, 3707 Woodview Trace, Indianapolis, Ind. 46268; 317-875-5250.

SEPT. 11-14. Society of Chartered Property and Casualty Underwriters 39th annual meeting in New York; $225. Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355.

SEPT. 12-13. Disaster Planning and Recovery workshop in Baltimore, sponsored by Bank Administration Institute; $425 for members; $550 for non-members. Also **OCT. 24-25** in Dallas-Ft. Worth. Stephen M. Rowe, Bank Administration Institute, 60 Gould Center, Rolling Meadows, Ill. 60008; 312-228-6200.

SEPT. 12-14. Risk Research Group Captive Insurance Company Course in London, sponsored Risk Research Group Ltd.; $550. Sue Moore, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD England.

SEPT. 12-14. Safety for the Oil Field seminar in Houston, sponsored by the International Safety Academy; $395. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 12-14. Techniques of Risk Management conference in Chicago, sponsored by the Risk & Insurance Management Society; $345 for members; $445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 12-15. American Society for Industrial Security 29th annual seminar and exhibits in Washington, D.C.; $275 for members; $365 for non-members; for single day only, $105 for members; $150 for non-members. Pati Ellars, American Society for Industrial Security, 1655 N. Fort Myer Drive, Arlington, Va. 22209; 703-522-5800.

SEPT. 13. Health Care Cost Containment seminar in Detroit, sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members. Also **Sept. 14** in Chicago. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 13-15. Petroleum/Chemical Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; $650. Also **Sept 26-28** in Marinette. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

SEPT. 18-21. Eighth Annual Canadian Risk Management conference in Montreal, sponsored by the Quebec Risk & Insurance Management Assn.; $225 before Aug. 26; $250 thereafter. George Balcer, Consolidated Bathurst Inc., 800 Dorchester Blvd. W., Montreal, Quebec H3C2R5; 514-875-2160.

SEPT. 18-21. National Assn. of Insurance Commissioners fall quarterly meeting in Tampa, Fla.; $175. Miriam Hein, National Assn. of Insurance Commissioners, 1125 Grand Ave., Kansas City, Mo. 64106; 816-842-3600.

SEPT. 19-22. Inspector Training seminar in Houston, sponsored by the International Safety Academy; $490. International Safety Academy, P.O. Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 19-23. Practical Reinsurance course in Bermuda, sponsored by Risk Research Group; $1,095. Elspeth Jones, Risk Research Group, 181 Queen Victoria St., London EC4V 4DD, England; 01-236-2175.

SEPT. 21-23. Reinsurance Concepts conference in Chicago, sponsored by the Risk & Insurance Management Society; $445 for members; $545 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 21-24. International Benefits seminar in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; $470 for members; $545 for non-members. IFEBP, Box 69, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 22. Health Care Facilities and Occupational Health Symposium in Garfield, N.J., sponsored by O.H. Consultants Inc.; $175; discounts available for additional registrations. Paula Evans, O.H. Consultants, Inc., 3363 Kennedy Blvd., Jersey City, N.J. 07307; 201-795-3773.

SEPT. 25-28. International Assn. of Industrial Accident Boards & Commissions 69th annual convention in Atlanta; $160 for members; $220 for non-members. James C. Pullin, IAIABC Convention-83, C/o Georgia Workers Compensation Building, 100 S. Omni International, Atlanta, Ga. 30335; 404-656-2048.

SEPT. 25-29. National Assn. of Life Underwriters annual convention in Chicago, sponsored by the association; $125. NALU Convention Registration, 1922 F St. N.W., Washington, D.C. 20006; 517-372-5148.

SEPT. 26-28. Valuation seminar in Long Grove, Ill., sponsored by the Kemper Group; $300. W.P. Thomas Jr., NID (HPR) A-1; Long Grove, Ill. 60049; 312-540-3380.

SEPT. 26-29. Independent Insurance Agents of America 87th annual convention in San Francisco; $150. Emmy N. Snyder, 100 Church St., New York, N.Y. 10007; 212-285-4276.

SEPT. 26-30. Basic Safety Management seminar in St. Louis, sponsored by the International Safety Academy; $570. International Safety Academy, P.O Box 8527, 1600 Arch St., Philadelphia, Pa. 19101; 215-241-3176.

SEPT. 27-OCT. 1. Safety Management Techniques course in Chicago, sponsored by the National Safety Council; $545 for members; $680 for non-members. NSC, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800, ext. 283.

SEPT. 28-30. International Society of Preretirement Planners eighth annual conference in New York City; $210 for members; $250 for non-members. International Society of Preretirement Planners, El Monte Plaza, Box 196, 3500 Clayton Road, Suite B, Concord, Calif. 94519; 415-676-0397.

SEPT. 29-30. Management of Mass Tort Litigation seminar in New York, sponsored by the Practising Law Institute; $350. Also **Oct. 27-28** in Chicago. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 29-OCT. 1. Self-Insurance Institute of America national conference in San Diego; $325 for members; $395 for non-members. W. Marvin Draper, SIIA, P.O. Box 15466, Santa Ana, Calif. 92705; 714-979-6318.

SEPT. 29-OCT. 1. 16th Annual Canadian Conference in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members; optional preconference programs offered at an additional charge. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis.; 414-786-6700.

OCT. 2-5. National Assn. of Casualty & Surety Executives annual meeting in West Sulphur Springs, W.Va.; free. Lawrence M. Zippin, National Assn. of Casualty & Surety Executives, 86 John St., New York, N.Y. 10038; 212-669-0444.

OCT. 3-5. Techniques of Loss Control conference in Chicago, sponsored by the Risk & Insurance Management Society; $345 for members; $445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

OCT. 3-7. Property Conservation course for property owners in Long Grove, Ill., sponsored by Kemper Group; $400. Also **Nov. 7-11** in Long Grove, Ill. W.P. Thomas Jr., (HPR), A-1, Long Grove, Ill. 60049; 312-540-3380.

OCT. 4-6. Petroleum/Chemical Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; $650. Also **Oct. 26-28** in Marinette. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

OCT. 9-12. EDP Institute in Palm Springs, Calif., sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 9-13. National Assn. of Independent Insurers 38th annual conference in Las Vegas; $225 for members; $325 for subscribers and guests. NAII, 333 N. Michigan Ave., Chicago, Ill. 60601; 312-782-2958.

OCT. 10-12. Electronic Data Processing institute in Palm Springs, sponsored by the International Foundation of Employee Benefit Plans; $390 for members; $465 for non-members. IFEBP, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

OCT. 11-13. Industrial Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; $650. Jill Davis, Ansul Fire Protection, Marinette, Wis. 54143; 715-735-7411.

OCT. 12-14. Behavior Scienc: A New Approach to Accident Prevention course at the University of Southern California; $400. USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by *Business Insurance*; $495; 10% discount for additional participants from the same company. Ann Vazquez, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137. ■

'Game has changed,' Reliance chief says

By LEN STRAZEWSKI

SOUTHAMPTON PARISH, Bermuda—Don't expect significantly higher rates in the near future, says Reliance Insurance Cos. Chairman William Pollard. And don't expect the insurance industry to ever return to the simple and profitable days before the last pricing cycle downturn.

Mr. Pollard told the annual meeting of the National Assn. of Insurance Brokers last month that "the game has changed for underwriters and it has done so permanently," so brokers and buyers need not fear substantial rate increases in the foreseeable future.

Several financial factors have influenced the change, he explained, not the least of which are fluctuating interest rates.

While high interest rates triggered the heavy price competition and insurers' willingness to underwrite to a loss while earning investment income, sinking interest rates may keep the competition going.

"Excess capacity will stay with us until insurers seriously must liquidate their assets," he noted. "The interest rate reductions, however, are good for insurers' bond portfolios where much of the assets are invested. As the interest rates drop, the bond portfolios are not under as much water."

Insurers are also better able to manage the application of their assets for underwriting and are less vulnurable to stock market changes, Mr. Pollard added.

"The insurance industry's use of shareholder equity is less than ever, now under 25% and down from well over 30% a decade ago," he noted, an indication that investment fluctuations need not affect day-to-day operations.

"And, of course, there is still a huge amount of capacity out there," he told broker and insurer executives.

"Today, the reinsurance market consists of 148 companies, up from only 43 in 1960. Alternative risk mechanisms such as captives and self-funding also add to the competition, as do foreign companies now interested in entering the insurance business."

The additional capacity, he added, is barely being touched and is probably going to be around for a long time. Insurance and reinsurance buyers are currently using only 63% of available capacity, he noted, with sellers continuing to lower prices as they search for a share of the market.

"The insurance industry pricing turn, if we finally see one, won't be at all like what we have seen before. There will be no huge increase in prices, no 300% jump in premiums and no substantial increase in cash reserves. There will be no market turn in 1983 and and maybe not in 1984, though perhaps there'll be a slight firming of some rates," Mr. Pollard said.

A solid pricing change will occur only when shareholders' return on equity dramatically falls off, Mr. Pollard predicts, and that is not expected soon, despite climbing combined ratios.

"In 1982, the combined ratio for the industry reached 109.6%, which really meant that we borrowed money at 9.6% interest and invested it at the going rate of about 15%. At that time, the industry's return on equity was still 12%, a pretty good return compared to other investments," he explained.

"In 1983, the combined ratio for the industry is likely to reach 111% or 112% with return on equity holding at 9.5% or 10%, not enough for us to witness a downturn," Mr. Pollard said.

The property/casualty insurance industry in this regard is becoming more like the life insurance business, he noted, "in which combined ratios don't really mean anything to the bottom line."

And of course, the bottom line is what really influences pricing, he said. ■

California delays tort reform bill

SACRAMENTO, Calif.—Warehousemen, product distributors and wholesalers in California will probably have to wait until next year for a law that would ease their product liability exposures.

S.B. 166 would remove wholesalers, warehousemen and distributors from strict product liability if:

- The products they handle are packaged in sealed containers.
- Their contact with products is limited to handling, storage and delivery.
- The wholesaler never actually comes into contact with the product. This portion of the bill would especially apply to catalog distributors.

The bill passed the state Senate in May on a 28-1 vote, but it will not come before the Assembly Judiciary Committee until sometime next year.

An aide to State Sen. Ed Davis, R-San Fernando Valley, the sponsor of the bill, said a Judiciary Committee hearing set for last month was canceled "because we just didn't think we'd have sufficient votes to get (the bill) out."

Sen Davis says he introduced the legislation "to protect the innocent handler of merchandise who has nothing to do with the manufacturing."

Wholesalers and warehousemen are frequently named in product liability suits, he says. "They all get off the hook, of course, because they're innocent," but he notes that the companies still must pay to defend the suits.

"I think it's just terrible that small businessmen are ripped off like this," he says.

Sen. Davis describes chances for the bill's ultimate passage as being "in between sharks, the trial lawyers, and the killer whales, the manufacturers. They're both bad about not letting anyone off the hook.

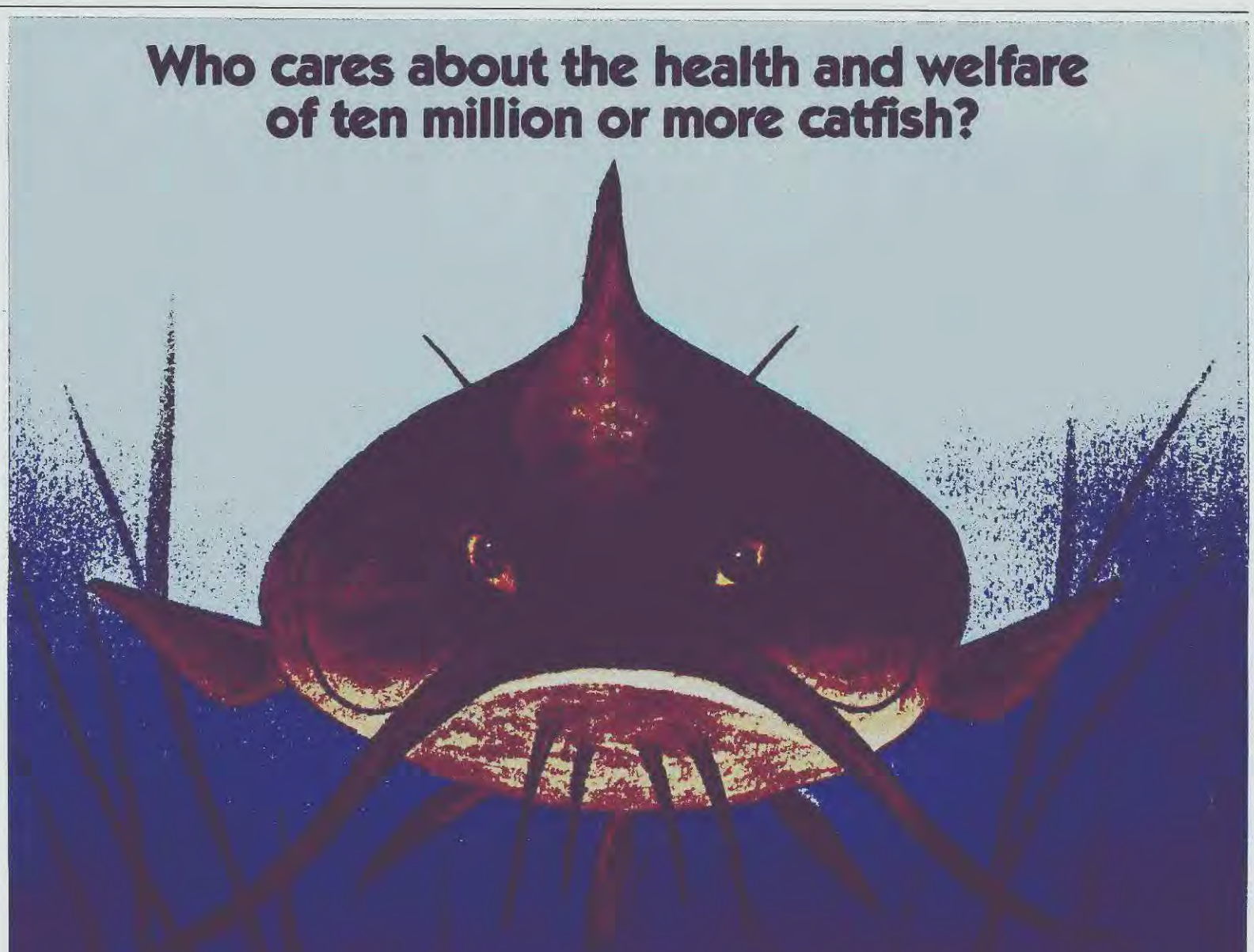
"We'll just have to see how bloody the water is. Eventually, we'll get somewhere, but we'll either have to shame people into doing the right thing, or sneak it in when they're not looking.

"It's just a very logical, good thing," he says of the bill. "But when you're trying to do something for the weak, you have to look for when you can slip it through."

The major opponent of the bill is the California Trial Lawyers Assn. Its supporters include the California Products Liability Task Force.

Supporters expect Gov. George Deukmejian, a Republican, to sign the measure if it passes. ■

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Hospital groups develop claims program

LOS ANGELES—Two hospital chains are developing an in-house liability claims management program to control costs and improve record keeping.

The program is being developed by Los Angeles-based National Medical Enterprises Inc., which owns 125 health care institutions in 35 states and six foreign countries. The claims management program will be used in NME's 48 acute-care hospitals.

Assisting NME in developing the program is Charter Medical Corp. of Macon, Ga., which owns and operates 36 U.S. hospitals.

"We want to expand our current claims data base and make the data more accurate, accessible and reliable," said Diane F. Wyzga, an NME risk management associate who is the program's coordinator.

"When you have this information in a neat package to show hospital administrators, it has impact," she said. "We can show hopitals exactly where their past losses have been and where they're likely to occur."

The program consists of four elements, Ms. Wyzga said.

The first step occurred in June when both NME and Charter Medical purchased microcomputer systems to replace the mainframe computer that had been used to store data.

"The computers won't do anything magic," Ms. Wyzga said. "They'll just make the tabulation job easier and more accurate."

As well as being easier to program, the new system will also be less expensive to operate, Ms. Wyzga said. Charges for renting time on and phone lines to the NME mainframe computer in Atlanta will be eliminated.

Initially, data on only medical malpractice and general liability claims will be tabulated, she said. In the future, information about property and auto fleet liability claims will be recorded.

The second part of the program calls for redesign of the liability incident reports that provide the raw figures to be tabulated by computer.

"This will be the crux of the new system," Ms. Wyzga said. "We want to take away the bad connotation that goes with malpractice reports, so that medical personnel will be less secretive and we can get good information that will make the system work."

An ongoing effort is underway to determine how the reports can be best designed to provide the most information, she said. This part of the program should be finished before the end of the year.

Once the computers and new incident report forms are in place, personnel at involved hospitals will be trained to operate the computers, Ms. Wyzga said.

The fourth part of the program calls for a risk management guide to be written for on-site use by the hospitals. Work has begun on the guide, which should be completed by the end of the year.

"The main thing this program will do is put the data we have into a more workable form," said Charles H. Griffin Jr., Charter Medical's risk management director.

One of the program's most valuable features is the opportunity it will provide for the two companies to exchange and compare claims information. "We may find out we're both doing something that could be done better and less expensively," Mr. Griffin said.

Besides the new claims system, NME and Charter Medical own 45% and 34%, respectively, of Hospital Underwriting Group, a Nashville, Tenn., captive insurer. HUG's third owner is the Lifemark Corp. of Houston, which will not take part in the claims program.

Lifemark, which owns and operates 25 acute-care hospitals in the Sun Belt, has its own claims reporting system that meets its needs at a manageable cost, said Tom Florance, the company's risk management vp. However, he said Lifemark may join the program. ■

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Self-insurers honor Donald R. Hayes

TALLAHASSEE, Fla.—Donald R. Hayes, director of the Florida Community College Risk Management Consortium, is the recipient of the Florida Assn. of Self Insurers' award of merit.

Mr. Hayes' honor recognizes the self-insurance programs he has designed for the Florida community college system.

In 1979 and 1980, Mr. Hayes implemented a property/casualty self-insurance program in which 27 of the 28 colleges now take part.

The program has generated annual savings of some $1 million, according to Stanley L. Tait, executive director of the self-insurers' association. Previously, each college had purchased its own coverage.

This saving is attributable to two factors, Mr. Hayes says.

First, risk is spread, so that a college with an unusually high loss record in a particular year will not have to bear the increased insurance costs resulting from this experience.

Second, the number of accidents is reduced because the consortium provides professional risk management advice to member colleges, each of which appoints its own risk management coordinator.

"We have injected professional management into risk management," said Mr. Hayes, who is assisted by four other full-time consortium employees. "Before, this area was often a part-time job."

Now, he said, a consortium safety manager visits each college two or three times a year to brief personnel on safety techniques and correct potentially hazardous situations.

The property/casualty program has been so successful that the consortium last year began providing life and health insurance to 14 of the institutions, Mr. Hayes said.

The savings from the life and health program are more difficult to compute than those generated by the property/casualty program, Mr. Hayes said, primarily because loss experience is relatively limited.

However, he did note that one college facing a 54% increase in commerical life and health insurance costs saw only an 8% hike after joining the consortium.

The consortium also has expanded its protection to provide coverage for several other forms of self-insurance, Mr. Hayes said, including medical malpractice coverage for operations performed by community college teachers and students and disability coverage for athletes injured in intercollegiate competition.

In all, self-insurance saves Florida's community college system from $2 to $2.5 million per year, Mr. Hayes said. ■

info

• A manual on **construction safety** has been produced by the Alliance of American Insurers. The 118-page, illustrated book is a primer on the subject, dealing with a wide range of topics. The manual is $4 for Alliance members and $8 for non-members, plus postage and handling. To order, write Publications Order Department, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 W., Schaumburg, Ill. 60195.

• A textbook describing **financial and statistical techniques for risk managers,** published by Fireman's Fund Insurance Cos., is for risk managers interested in applying quantitative methods and computer technology to their field. The illustrated book, featuring sample problems, costs $18.50. Copies may be ordered from Linda Waicis, National Accounts and Risk Management Services, Fireman's Fund Insurance Cos., P.O. Box 777, Novato, Calif. 94998.

• An audiovisual program on **boiler and pressure vessel safety laws** is now available free in booklet form from the National Board of Boiler & Pressure Vessel Inspectors. The 16-page, illustrated text is drawn from the sound/slide presentation. To order the booklet, write: S.F. Harrison, National Board of Boiler & Pressure Vessel Inspectors, 1055 Crupper Ave., Columbus, Ohio 43229.

• A booklet of **arbitration rules applicable to multiemployer pension plans** is available free from the International Foundation of Employee Benefit Plans. The 16-page booklet contains rules developed by the American Arbitration Assn. and the IFEBP that pertain to employers involved in disputes regarding the assessment of employer withdrawal liability. To order, contact the Public Relations Dept., IFEBP, P.O. Box 69, Brookfield, Wis. 53005.

• The use of **surety bonds for construction projects** is discussed in the brochure "When You Build, Should You Bond?" This publication, offered by the National Assn. of Surety Bond Producers and the Surety Assn. of America, is designed to acquaint owners, their lenders, attorneys, architects and risk managers with the fundamentals of surety bonds. For a free copy, write NASBP, Department F, 5454 Wisconsin Ave., Suite 1625, Chevy Chase, Md. 20815. Or write SAA, Department F, 100 Wood Ave. S., Iselin, N.J. 08830.

• A booklet describing the installation, inspection and proper maintenance of **commercial kitchen automatic fire suppression systems** has been published by Ansul Fire Protection. The 16-page booklet diagrams typical installations, explains how the system operates and how to train kitchen workers in its use. For a free single copy, contact Marketing Services, Ansul Fire Protection, Marinette, Wis. 54143.

• A preparation book for the **Illinois insurance law licensee exam** is available from Longman Financial Services Publishing. The book helps licensees prepare for the unique portion (Part II) of the ETS Multi-State Exam in Illinois. Copies cost $15.95 each, plus $2 shipping and handling, and can be obtained by writing Longman Financial Services Publishing, 500 N. Dearborn, Department P, Chicago, Ill. 60610.

• A 1983-84 catalog of information on the **Certified Employee Benefits Specialist program,** cosponsored by the Wharton School of the University of Pennsylvania and the International Foundation of Employee Benefit Plans, is available free from the foundation. The 28-page catalog details the 10 college-level courses in the certification program, including a list of colleges offering CEBS classes and the dates and locations of exams. For a free copy, write Public Relations Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53005.

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J&H announces 11 new senior vps

Johnson & Higgins, the New York-based insurance brokerage and benefit consulting firm, has promoted 11 executives to the rank of senior vp.

Promotions in the New York office include: **William L. Bradford,** manager of the account management division of the casualty department; **John T. Brophy,** manager of the life consulting unit of the employee benefit department; and **William J. Parkinson**, manager of the property department marketing division.

Other new Johnson & Higgins senior vps include: **L. John Goldberg**, manager of the risk management services department in the Philadelphia office and chairman of the J&H National Health Care Resource Group; **L. Edwin Graziano,** senior account manager at the Richmond, Va., office; **Dan W. Hamilton,** manager of the Cleveland office's marine department; **C. Colton Scarborough,** business development manager in the Cleveland office; **William J. Keckeisen,** manager of the casualty department in the Houston office; **Ronald I. Nagle**, a senior account manager in the Wilmington, Del., office; **Rufus J. Williams III**, manager of the casualty department in the Chicago office; and **Werner J. Zeitler**, manager of the international department in Dallas.

comings & goings: industry

Other agent/broker changes:

James A. Marasco Jr. named head of the Milwaukee office of Marsh & McLennan Group Associates Inc. Mr. Marasco is responsible for all Wisconsin employee benefits and financial services operations. He also was elected a vp of the company. He had been manager of professional services for the M&M Chicago office.

Richard B. Lyon named managing vp of Alexander & Alexander Services Inc.'s Pittsburgh office. He joined A&A in 1971 through a merger with Higginbottom, Marquette & Burroughs, a Pittsburgh brokerage. Mr. Lyon succeeds **Emory M. Shawver Jr.**, who was named managing vp of the A&A St. Louis office.

William L. Redrow appointed vp of Fred S. James & Co. of Nebraska. He had been an insurance administrator for Northern Border Pipeline Co., a division of Internorth Inc.

Thomas J. Penney was promoted to profit center manager and president of Fred S. James & Co. Inc.'s Omaha, Neb., office. He was formerly vp of James' Tucson, Ariz., office. Mr. Penney replaces **Chuck Patterson**, who became sales manager of James' Chicago office. **A.L. (Al) Stamps** named profit center manager of Fred S. James & Co.'s Tulsa, Okla., office. He had most recently been vp in that office. Mr. Stamps will also be named executive vp of Fred S. James & Co. of Oklahoma Inc.

Insurers

Four executives promoted to dual positions at two life insurance subsidiaries of American General Corp. in Nashville. **H.J. Bremerman Jr.** named chairman and chief executive officer of both The National Life & Accident Insurance Co. and Life & Casualty Insurance Co. of Tennessee. In addition, **Philip G. Davidson III** named vice chairman; **Carroll D. Shanks** named president and chief operating officer; and **Neil M. Anderson** named executive vp. Both companies write group and personal lines coverages.

G. Allen Thompson and **James V. Harrington** promoted at USF&G Corp. in Baltimore. Mr. Thompson, who was elected senior vp, most recently had been manager of the Indianapolis branch office. Mr. Harrington, elected vp of the field operations department, was previously manager of USF&G's Syracuse, N.Y., branch office.

Robert L. Degner and **Dante F. Vincenti** were promoted at Transamerica Insurance Group in Los Angeles. Mr. Degner elected vp-special accounts. He will oversee risk management, commercial group and large-line business. Mr. Vincenti elected vp-underwriting. He was most recently with INA Corp. as product development manager and regional assistant vp.

Wendall T. Saline joined The Homes Insurance Co. as senior vp in charge of the 12-state Southern region, headquartered in Atlanta. He was previously Southern California regional manager for Chubb Group.

Robert D. Kleppinger elected vp and general claims manager at Reliance Insurance Co. in Philadelphia. He has held a variety of management positions at Reliance since joining the insurer in 1968.

Excess/surplus

Donald J. Tarrence appointed manager of Swett & Crawford's Southern region, which is composed of Southeastern and Southwestern states. Mr. Tarrence, a senior vp, will be based in the Dallas office, where he had been Dallas office manager.



Mr. Tarrence

Theodore Adams joined Swett & Crawford as vp and Pacific Northwest regional manager. He will head production and marketing activities of the company's San Francisco, Portland, Ore., and Seattle offices.

Marilyn D. Svec joined Tuley/Barnard & Associates Inc., a Houston excess/surplus lines brokerage, as a vp.

Fred M. Radichel joined the U.S. branch of Insurance Corp. of Ireland as a casualty specialist in the Chicago office. He had been with Cameron & Colby in Los Angeles.

J. Ed Highfill named vp and manager of the commercial casualty department at Cravens, Dargan & Co. in Houston.

Other suppliers

Jack P. Kane Sr. joined Corporate Risk Management Inc. of Hinsdale, Ill., as vp. Mr. Kane will be involved in risk management and benefit consulting, account management and general insurance brokering and consulting.

Gerard E. Mayer joined Health Research Institute has director of its National Statistical Data Base. He was formerly executive director of The South Florida Employers' Health Action Coalition. ■

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PIA

CG offering cost-containment seminars

There's generic macaroni, generic soft drinks and now Connecticut General Life Insurance Co. has come up with a generic cost-containment program.

Connecticut General, a CIGNA Corp. subsidiary, has taken specific cost-containment ideas from the benefits programs it offers and packaged them into a seminar for employee benefit managers.

The seminar, which covers all the latest cost-containment strategies from effective plan design to active involvement in local business coalitions, has already played in San Francisco, Cleveland and Chicago. It will be presented to benefit managers in New York, Dallas, Houston, Los Angeles and Philadelphia during a tour slated to begin next month.

"We're not here to tell you that we have a solution to the problem. . .but there is a series of action steps to take to address the problem of rising costs," says Ted Hillman, director of cost-containment services for Connecticut General. Second surgical opinions, outpatient surgery, pre-admission testing and the use of non-acute care facilities are becoming standard in many plans, but do employees know about how to take advantage of them, Mr. Hillman asked participants at a recent seminar in Chicago.

All these cost-containment measures should be monitored constantly and a special effort should be made to communicate them to employees, Mr. Hillman said. "One meeting or one pamphlet won't work. There needs to be an ongoing commitment."

The seminar emphasizes that employers need to utilize various data in redesigning a health care plan and insurers will need data to target the plan's features.

"You'll want to look at certain patterns of practice, like the number of hospital admissions, lengths of stay in the hospital and cost of treatment," he said.

In the "old days" this utilization analysis took about a week to complete, but with today's computers and programs, it can be accomplished in an afternoon, Mr. Hillman explained at the seminar.

How much will be saved in a newly designed plan is a question that should be answered by an employer's insurer, said Joseph G Meny, assistant director of marketing for group insurance and services.

Data are an important part to any analysis of a plan, but Mr. Hillman warned not to let the data "drive" an employer's cost-containment strategy. Rather, it should be used as a tool, he said.

"Plan design may seem like an obvious step, but it's really new for a lot of insurers and buyers," Mr. Meny said. He recommended setting specific objectives before designing a new plan, like providing financial security for the employee or encouraging less-expensive alternatives to inpatient care.

Among other topics covered by the seminar are employee involvement in cost containment, claims management, automation and cost-containment coalitions.

The free seminars are open to all benefit managers, including non-Connecticut General clients.

Seminars will be held Sept. 27 in Houston, Sept. 29 in Dallas and Oct. 20 in Los Angeles. Other dates and cities have yet to be determined.

For more information, contact Lynn C. Kelly, Marketing Communications Director, Group Insurance Operations, Connecticut General Life Insurance Co., Hartford, Conn. 06152; 203-726-4127.

products & services

Small-business cover

Small businesses in Illinois now have access to group medical and life insurance plans underwritten by Blue Cross & Blue Shield of Illinois.

Previously, employers with fewer than 10 employees could only obtain coverage from BC/BS through higher-cost individual policies, said Mark E. Collins, BC/BS's select sales vp.

An agreement BC/BS reached earlier this year with Small Business Service Bureau of Worcester, Mass., allows these employers to obtain group insurance.

Under this plan, SBSB, a small-business lobbying and telemarketing group acts as a third-party administrator enrolling businesses, collecting premiums and remitting them to BC/BS. In return, as an administration fee, SBSB receives 6% of premiums.

"By using the telephone and mail, (SBSB) can contact everyone. It wouldn't be economically feasible for us to do this with personal visits," Mr. Collins said.

By letting SBSB administer the plan, he added, BC/BS is able to enjoy "economies of scale" that reduce the cost of providing coverage.

Two comprehensive BC/BS major medical options are available to Illinois small businesses through SBSB.

The first provides a maximum $1 million per-person lifetime coverage. Emergency care and the first $5,000 of annual inpatient coverage are fully covered by the plan. Then, a $100 deductible is imposed for the first three family members covered. After the deductible is paid, BC/BS provides 80% of further coverage until an employee has paid $1,100 during the year, after which BC/BS again provides 100% coverage.

The second option provides a maximum $500,000 per-person lifetime coverage. Initial emergency care costs are fully insured for each family member. After up to three $300 per-person deductibles are paid, BC/BS pays 80% of all costs until the insured employee has paid $2,300 during the year, after which BC/BS provides 100% coverage.

Both programs are age-rated. For example, the premium for a 33-year-old single female employee is $76 per month for the first option and $59 per month for the second. A 36-year-old married male pays $209 per month for the first option and $157 per month for the second for family coverage.

SBSB is also offering group life insurance for Illinois small employers through Standard of America Life Insurance Co. of Park Ridge, Ill. Term life coverage of $10,000 is available for a flat fee of $6.60 per month.

The program will go into effect when SBSB recruits enough Illinois small businesses to make the plan feasible.

For more information, contact Blue Cross & Blue Shield of Illinois, 2001 Midwest Road, Third Floor, Oakbrook, Ill. 60521; 312-620-3034.

Product liability

Allianz Underwriters Inc. has developed a primary products liability program for difficult and hard-to-place products.

Under the program, Allianz will cover such products as heavy machinery, agricultural chemicals, animal feeds, medical products, cosmetics and ammunition, explosives and firearms.

With a newly formulated policy, AUI can write a single primary limit of $500,000, with a limit of $1 million in some instances. Limits of more than $1 million can be arranged in conjunction with an umbrella or excess policy.

Occurrence deductibles start at $5,000 to $10,000, and first-dollar coverage is available depending on the risk. Minimum annual premiums start at $25,000.

The policy may also be written as discontinued products coverage.

AUI is an admitted market in California, Missouri and New York and is an approved non-admitted insurer in all other states.

For more details on the Allianz hard-to-place products program, contact James E. Keegan, Vp-Casualty Lines, Allianz Underwriters, 5900 Wilshire Blvd., Los Angeles, Calif. 90036; 213-937-5530.

Pollution consulting

INA Loss Control Services Inc. is introducing a pollution liability consulting service to help companies comply with federal pollution laws.

The three main components to the consulting service are:

- Environmental compliance auditing. A specialist helps the client through procedures necessary to comply with pollution laws.
- Risk assessment and loss control. A specialist inspects the client's facilities and reviews procedures to determine present and potential hazards. The specialist works with the client to establish thorough compliance and a safer facility.
- Environmental impairment/pollution liability claims investigation. A technician investigates EIL claims or complaints. The technician can determine whether the company caused the pollution and if there is an ongoing problem.

The consulting services are provided through ESIS Inc. and Environmental Health Laboratory, both part of INA's Loss Control Services.

The service is open to CIGNA Corp. policyholders and non-policyholders.

Fees for the service depend on variables like the time needed to complete a project and the number of projects requested.

For further details, contact Alice Farrar, Assistant Vp-Environmental Services, INA Loss Control Services Inc., P.O. Box 6195, Macon, Ga. 31208; 912-745-4702. ■

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Michigan life insurer in temporary receivership

GRAND RAPIDS, Mich.—Independent Liberty Life Insurance Co., which was placed under temporary receivership July 18, is expected to discuss in detail its financial status during a Sept. 7 hearing.

"The purpose of placing Independent Liberty under a temporary receivership order is to give the Michigan Insurance Bureau an opportunity to determine the financial condition of the company and to develop a plan to either rehabilitate or liquidate the company," said state Insurance Commissioner Nancy A. Baerwaldt.

The company, which was incorporated in 1910, has had to pledge more than 50% of its assets to borrow money to pay claims, said Chet Czubko, an insurance examiner with the bureau. He and four other bureau officers have been assigned to monitor and operate Independent Liberty.

around the states

Because of the severe cash-flow problem, Independent Liberty has been unable to pay policyholders' benefits and claimants in a timely manner, Ms. Baerwaldt said.

Independent Liberty wrote $36 million in premiums in 1982, $16 million of that in Michigan, the bureau reports. Of its total 1982 premium volume, it wrote $26 million in group accident and health coverage and $2.7 million in group life coverage.

During the temporary receivership, the company will continue to operate and continue to accept premiums, Mr. Czubko said.

The company is expected to submit a plan for rehabilitation at the hearing, which will be held before an Ingham County Circuit Court judge. At that time, the temporary receivership either will be lifted or a permanent receivership order will be put into effect.

If a permanent receivership is ordered, the state Insurance Bureau will attempt to rehabilitate the company or liquidate its assets.

An attorney for the company, Irv Nelson, said he was preparing material for the hearing next month, but refused to comment on its financial status. Other company officials were unavailable for comment.

If the insurer cannot pay clains, Michigan claimants will be covered by the Michigan Life & Health Insurance Guaranty Assn. The fund guarantees the cash values of life insurance policies up to $100,000 and other benefits up to $300,000, Ms. Baerwaldt said.

Independent Liberty was licensed to do business in 26 states as of May 31, the bureau reports.

Commissioners named

COLUMBUS, Ohio—Two former staff members of the Ohio Industrial Commission have been appointed to two newly created commissioner posts on the panel.

James Mayfield was appointed by Gov. Richard F. Celeste to a six-year term and George C. Smith III was appointed to a three-year term. Their annual salaries were set at $39,000.

Mr. Mayfield was formerly director of awards and field operations for the commission. Mr. Smith served as the commission's secretary in 1979 and most recently operated a consulting firm dealing with worker rehabilitation.

The Legislature expanded the Industrial Commission from three to five members in June on a measure introduced by the Democratic Senate leadership for the governor's office, a spokesman said. Capitol observers say the move was political, since the current commission included two Republicans and one Democrat.

"The majority of the members of the commission were not in tune with the new administration," a spokesman for Gov. Celeste's office said. Gov. Celeste, a Democrat, took office in January.

Work comp rate cut

BATON ROUGE, La.—Employers in Louisiana are expected to save an estimated $90 million during the coming year as a result of a mandatory 20% reduction in workers compensation rates that took effect last month.

The savings estimate is based on the $441 million in work comp premiums written in the state in 1982, said H.P. Walker, administrator of Louisiana's Insurance Rating Commission.

The mandatory reduction was part of a workers compensation reform act passed by the state Legislature in January. The law instituted a wage-loss benefit system modeled after Florida's workers compensation statute (*BI*, Jan. 24).

The National Council on Compensation Insurance filed the mandated lower rates for the state's 600 classifications, but filed smaller decreases for 17 shipbuilding, ship repair and stevedoring classifications that fall under the federal Longshoremen's and Harbor Workers' Compensation Act.

Fire regulations

ATLANTA—Georgia has relaxed fire safety regulations for most high-rise structures that have sprinklers or smoke detectors.

The new regulations, which went into effect Aug. 1, affect buildings of six or more stories, including hotels and motels.

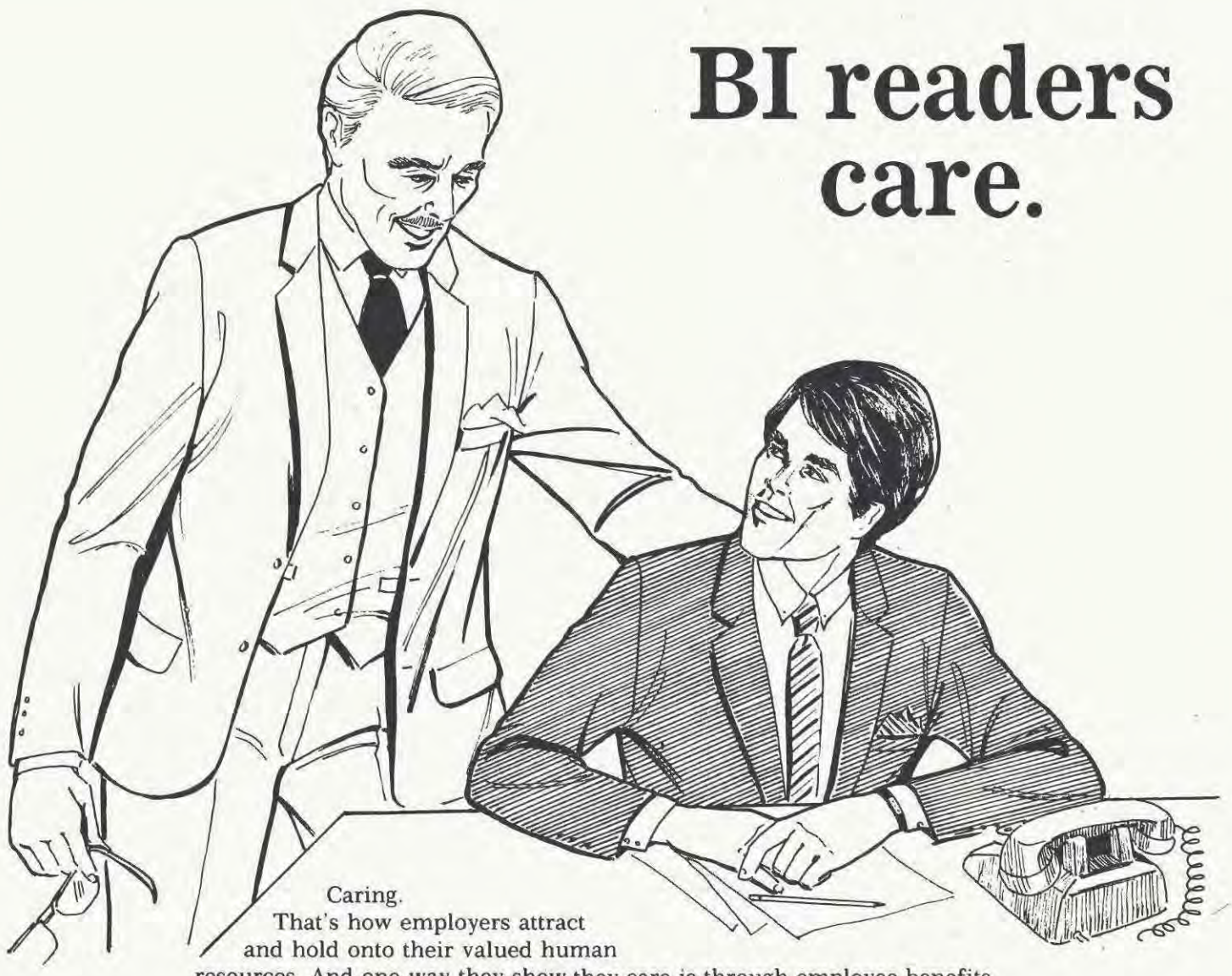
The regulations require stairways to be within 150 feet of room doorways in buildings with sprinklers or smoke detectors. Buildings without these fire safety devices must have stairways within 100 feet of doorways, which was the previous standard for all high-rises.

However, doorways can be no more than 100 feet from stairwells in high-rise buildings for the elderly, even if the building is equipped with sprinklers or smoke detectors. In unequipped buildings housing the elderly, this distance cannot exceed 75 feet.

Fire doors are required in corridors more than 100 feet long in high-rises equipped with sprinklers or smoke detectors. Corridors longer than 50 feet without these devices must have fire doors.

Corridor walls in all high-rises must be capable of withstanding fires for 45 minutes in buildings with smoke detectors and 30 minutes in sprinklered buildings. Walls in other buildings must be able to withstand a one-hour fire.

Pressurized corridors, which provide smoke ventilation in the event of fires, are not required for sprinklered buildings, although they are required for other high-rise buildings. Previously, they had been required for all buildings. ■



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business insurance
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Blues top choice in four benefit areas

Continued from page 3
categories: hospitalization, medical only, surgical, major medical, comprehensive medical and health.

The reason various categories are listed instead of just one overall health category is that companies replying to the form 5500 did not respond uniformly on health plans, said Judy Diamond, publisher of ERISA Benefit Funds' "Group Insurance Standard Directory."

"Some (companies) simply wrote 'health' instead of specifying major medical or hospitalization. We didn't want to massage the data, so we categorized them according to responses on the 5500," she said.

Blue Cross was the top choice in each of the six individual health coverage classifications, too.

Among the remaining benefit categories ERISA Benefit Funds studied, no single funding method dominates the way the Blues dominate health benefits. But the Blues also are the leading funding choice for dental, prescription drug and Medicare supplemental benefits.

For dental insurance, Blues plans are used by 1,022 of the 6,028 surveyed companies that offer the benefit. The next most popular choice is CIGNA Corp., chosen by 652 companies. Some 619 companies self-fund dental benefits, the third most popular funding method.

(The CIGNA total includes business generated by both Connecticut General Life Insurance Co. and Life Insurance Co. of North America (INA) in the 1981 plan year, before the companies merged in 1982.)

Prescription drug coverage is offered as a benefit by 1,141 of the surveyed companies. BC/BS is the top funding choice with 511 companies. Self-funding is used by 174 companies and Kaiser Foundation Health Plan, a health maintenance organization, is tapped by 69.

Medicare supplemental coverage is offered by 1,198 surveyed companies to retired employees over age 65. BC/BS is tapped by 712 of these companies. Next closest is Aetna, with 69 companies. Forty-two companies self-fund this benefit.

Aetna is the leading funding choice for both life insurance and accidental death and dismemberment benefits. Prudential Insurance Co. of America is the second choice in each of these areas and CIGNA is the third choice.

In the accidental death and dismemberment category, Aetna was tapped by 1,799 of the 13,655 companies offering AD&D benefits to their employees. Prudential supplied 1,145 companies and CIGNA Corp. was third with 1,136 companies.

Of the 19,614 companies offering life insurance for employees, Aetna contracts with 2,276. Prudential is tapped by 1,575 and CIGNA by 1,256.

For long-term disability benefits, Union Mutual Life Insurance Co. is the leader, underwriting coverage for 1,012 of 6,643 surveyed companies that offer such plans. CIGNA underwrites for 694 businesses and 532 employers choose to self-fund the benefit.

Long-term disability is the only benefit for which Union Mutual is one of the top three funding methods.

Travel accident insurance is a non-traditional benefit, yet ranks among the 10 most frequently offered benefits. It is offered by 1,936 of the surveyed companies.

CIGNA is the leading funding choice, underwriting the benefit for 549 companies. Second choice is CNA Insurance Cos. with 232 companies and the third choice is Hartford Insurance Co. with 148 companies.

Most employers self-fund short-term disability benefits. Of the 8,439 surveyed companies that offer this disability benefit, 1,811 have self-insured plans. However, 1,003 contract with Aetna and 603 contract with Prudential.

Vision plans also are most often self-funded. Of the 1,152 surveyed companies that offer vision coverage, 308 self-insure the benefit. Some 121 companies use BC/BS and 55 fund with Aetna.

Other benefits analyzed by ERISA Benefit Funds include:

- Supplemental accident insurance, provided by 226 companies. United Benefit Life Insurance Co. is tapped by 55 employers. Union Labor Life Insurance Co. is next with 44, followed by Crown Life Insurance Co. with 22.
- Personal accident insurance, provided by 199 companies. Prudential is the top choice, contracting with 83 companies. CIGNA contracts with 58 and CNA with 9.
- Prepaid legal insurance, provided by 69 employers. Nearly all, or 61, companies self-insure this benefit; all other rankings are insignificant.

Information about the methods employers use to fund various benefits and other details reported on the form 5500 are published in ERISA Benefit Funds' "Group Insurance Standard Directory." Brokers and insurers may purchase the directory for planning marketing strategies for clients or potential clients.

●

For more information on "Group Insurance Standard Directory," contact ERISA Benefit Funds Inc., 1341 G St. N.W., Suite 610, Washington, D.C. 20005; 202-638-1984.

Acid manufacturer sues AIG affiliate

Continued from page 1
Hart, Baxley, Daniels & Holton in New York. "Reed Stenhouse had the authority to bind for the carrier."

However, National Union denies knowledge of the increased limits.

The controversy over policy limits could be a moot point if the court decides the case in National Union's favor.

National Union says the extent of its liability on the plant loss is only $8.7 million.

It paid $4.5 million to Alberta Gas Chemicals, a subsidiary of Alberta Gas Chemicals Ltd. in Edmonton, Alberta, before the suit was filed, and as recently as two weeks ago paid a second installment of $4.2 million.

These moneys represent the extent of National Union's liability, says the insurer's attorney, Stephen A. Krupp of Robins, Zelle, Larson & Kaplan in Minneapolis.

The $8.7 million reimbursement was based on National Union's calculations of damage to the building, major equipment, stock, inventory and miscellaneous property and the business interruption loss. It also reflects a coverage reduction penalty imposed on Alberta Gas Chemicals because it violated terms of the coinsurance contract, National Union says.

"The primary problem is that Alberta Gas rebuilt the building with several modifications rather than to the condition it was in before the loss," says Mr. Krupp.

The modifications also increased the business interruption claim, as the plant was out of operation for six months, National Union says.

National Union says the company would not have been out of business for six months if the plant had been reconstructed to its original specifications. "How long would it have taken to build it as it was rather than with the modifications?" asks Mr. Krupp.

Concerning the alleged violation of the policy's coinsurance provision, National Union says the policy required Alberta Gas to insure the property for 90% of its value, "but our engineers and experts have concluded that the value of the building and its equipment was substantially more than what Alberta insured it for," he says.

Alberta Gas was also "substantially underinsured" for the business interruption protection, he says, in violation of a 100% coinsurance clause.

Under insurance policies with coinsurance provisions, the policyholder must insure exposures to a percentage of the value at risk as specified by the policy. If, after a loss, the policyholder is found to have underinsured, the insurance company penalizes the policyholder by reducing the amount paid for the loss in proportion to the amount by which it was underinsured.

Alberta says it met all conditions of its contract with National Union and is asking the court for $20 million in compensatory damages (the limits of the policy), $80.4 million in punitive damages, $4 million for injury to its credit rating that has resulted in increased borrowing costs and recovery of court costs.

The $22.8 million in damages Alberta says result directly from the explosion and fire include about $2 million for business interruption losses, $2.4 million for loss of stock, inventory and supplies, $17.5 million for reconstruction costs, $185,000 in internal expenses and $677,000 in interest on funds borrowed to reconstruct the plant.

Alberta alleges that National Union "deliberately and maliciously failed and refused to pay... funds due and owing under the insurance policy which were necessary to reconstruct the plant." Because of this, Alberta "was forced to seek financing for its reconstruction costs in a greatly disadvantageous economic condition."

"We paid our premiums, had our coverage and then when we get into an accident we're covered for, we have to fight tooth and nail to get what's coming to us," says Walter Struble, Alberta's treasurer.

The policy carried a physical damage deductible of $5,000 and an annual premium of $33,807. It was in effect from Feb. 1, 1980, to Feb. 1, 1983, covering the date of the accident.

"We met all the conditions of the contract," he says. "But negotiations were going nowhere. We were running against the wall, not making any headway.

"We're confident we have a legitimate claim," he says.

"When the plant blew up, it was totally destroyed—almost a hole in the ground," adds Alberta Gas general counsel Mr. Baxley.

He says difficulties negotiating with National Union surfaced when reconstruction of the plant began.

The insurance company paid for most of the direct labor needed to rebuild—such as carpenters, pipefitters and electricians—but would not pay for a foreman, project manager, assistant project manager, accountant or gatekeeper, Mr. Baxley says.

"The carrier even refused to pay anything for a project supervisor," Mr. Baxley contends. "If all the laborers are on the job without supervision, they'd be playing cards or softball.

"We just couldn't understand their position whatsoever. The carrier refused to advance funds on any reasonable basis," he says. "Negotiations were ridiculous." ■

NEWS RELEASE

NEW SURETY BONDING FACILITY

CoverX Corporation, Southfield, Michigan based National Underwriting Manager is pleased to announce the availability of its new **Surety Bonding Facility for the Construction and Service Industry.**

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Insurer claims service pleases most buyers

Continued from page 1
claims reporting; quality of reserving for liability and workers compensation claims; property insurers' recovery services, salvage efforts and subrogation efforts; and workers compensation insurers' efforts to follow up with claimants and get them back to work, including rehabilitation efforts.

Explained the manager of insurance for a company engaged in shipping, oil and gas, real estate and manufacturing: "I see it as a function of my job to make sure that 'good' services are provided and to work hard at obtaining them. A close relationship for several years and continuous monitoring ensures this. Moreover, the ability to provide 'good' service is a factor in selecting insurers in the first place."

The risk manager for a county government said, "Quality of response is directly tied to policyholder pressure if service is lagging."

Only a few areas of claims service received good to excellent grades from less than half the respondents, with some rating the service fair and only a few rating it poor. These areas include liability insurers' use of alternative claims-settling methods, such as structured settlements; liability insurers' subrogation efforts; liability insurers' accuracy of claims reports and formats used.

About two-thirds of the respondents rely on insurer claims services but only 17 of the 54 respondents, or 31%, rely solely on insurers to handle their claims in each of the lines of insurance surveyed.

About one-third of the panel assists its insurers with claims handling, most often by using in-house staff, but also by hiring independent adjusters. Seldom do they enlist their broker's assistance (see related story).

These respondents said they did not leave claims handling only to their insurers because they wanted more control over claims handling. Five also said insurer service was inadequate.

For each type of claim, about one-third of the respondents self-fund and do not engage insurers for claims handling. Instead, they handle the claims in-house and sometimes engage independent adjusters, third-party administrators, brokers (on a limited basis) or a combination of these.

Despite the overall good grades, respondents complained about insurers' adjusting personnel.

Claims handling is "one of the most important functions, yet insurers do not necessarily place their best people in the field and compensate them appropriately," said the risk management director of a manufacturing and publishing company with $1.3 billion in annual sales.

"Some insurers simply do not maintain trained, well-qualified claims people," complained the director of risk management for a manufacturing company with $400 million in annual sales.

Of the 47 risk managers who graded insurers' handling of liability claims, 40 commented on insurers' own adjusting staffs. Seven said they were excellent, 20 said they were good, 12 said they were fair and one said they were poor.

Only 34 commented on public adjusters hired by insurers: five said they were excellent, 19 rated them good and 10 rated them fair.

Of the 49 risk managers who graded insurers' handling of first-party property claims, 43 commented on the quality of insurers' staffs: 12 said they were excellent, 21 said they were good, nine said they were fair and one said they were poor.

Of the 43 grading public adjusters hired by insurers to investigate first-party property claims, eight said they were excellent, 27 said they were good, seven rated them fair and one rated them poor.

Among the 41 commenting on insurers' handling of workers compensation claims, 35 graded insurers' staffs investigating workers compensation claims: nine said they were excellent, 17 said they were good, eight said they were fair and one said they were poor.

Of the 27 grading public adjusters hired by insurers to investigate work comp claims, three said they were excellent, 15 said they were good and nine said they were fair.

Insurers could improve their services, especially in handling liability claims, if they would provide more continuity of adjusters and hire better-qualified adjusters, the risk managers advised.

Twenty-one risk managers suggested liability insurers should provide more continuity of adjusters and 16 said they should hire better-qualified adjusters.

Liability insurers should "hire better adjusters and pay them more to reduce the turnover," said the risk manager/senior financial analyst for a manufacturer with $110 million in annual sales.

"Adjuster turnover is too fast. Pay them more and keep them in the field," advised the assistant manager-insurance for a manufacturer with $260 million in sales.

Seventeen risk managers suggested workers compensation insurers should provide more continuity of adjusters and 12 said insurers should hire better adjusters for proper claims evaluation.

Eleven risk managers suggested property insurers need to provide more continuity of adjusters and nine suggested property insurers should hire better adjusters.

The timeliness, accuracy and especially the format of claims reports also concern risk managers.

"The posture of every insurance company would be enhanced if a meaningful claims or loss-experience report would be provided to insureds on a regular basis," said

Continued on facing page

Most companies don't tap brokers for claims handling

Brokers aren't often tapped for handling claims, risk managers on the *Business Insurance* Risk Management board say.

Of 54 risk managers, only six involve their broker in handling first-party property claims, only seven involve the broker in liability claims and only one involves the broker in workers compensation claims.

The other risk managers said that brokers only delay claims handling and that they aren't very effective in representing policyholders in claims disputes with insurers.

The controller of an electric utility with $7 million in annual revenues expressed the sentiment of most of the risk managers who do not involve brokers in claims handling: "Claims handling should be handled directly between the company and the insured. We try to eliminate the broker as middleman and find claims to be expedited much more quickly and efficiently."

Other risk managers agreed their brokers are not efficient at handling claims.

"During the time we have used our agent, high turnover resulted in poor claims service. Therefore, I report directly to the carrier," said the insurance coordinator for a government entity with an annual budget of $47 million.

"Too slow," said the risk coordinator for an electric utility of its brokers' claims work.

"The broker generally isn't close enough to the day-to-day claims activities to be knowledgeable and helpful," said the director of risk management for a manufacturer with annual sales of $400 million.

The responding risk managers also complained that brokers don't strongly defend the policyholder in disputes with insurers.

"Brokers appear to fear losing a market if they get tough with carriers. It seems they put the carrier's interest above the insured's in a conflict," said the assistant vp for a retail drug chain with $1.8 billion in sales who doesn't involve his broker in claims handling.

"Brokers lack initiative to fight for the insured's position in claims situations, I've found," said the corporate insurance administrator for a manufacturing and high-technology company.

In one instance involving a disputed property claim, the risk manager said, "I had to deal directly with the insurer after the broker just threw up his hands. Our company was eventually paid two years later, but the lengthy fight was—in the end—more for principle than cost."

"They need to establish themselves as in charge of large loss situations and squarely on the side of the policyholder," suggests the risk management director for a manufacturing and publishing company with $1.3 billion in annual sales.

Brokers need to more strongly represent the policyholder's interest in claims disputes with insurers, said 16 risk managers referring to property claim disputes, 11 risk managers referring to liability claims disputes and seven risk managers referring to workers compensation claims disputes.

Only one risk manager—the vp and director of risk management for a conglomerate with $2.2 billion in annual sales—finds his broker "very helpful in bring pressure to bear for prepayments and settling questionable claims and resolving differences between ourselves and the insurers."

The insurance/risk manager for an acute-care hospital with more than $100 million in annual revenues suggested a limited role for the broker to play: "Assisting the insured in obtaining accurate historical data for years that, due to age, have dropped off the loss-reporting system."

In all, 10 risk managers said brokers should improve the format of claims reports to policyholders.



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Continued from facing page

the assistant finance manager for a public service company with an annual budget of $125 million. "Their past resistance to providing such information willingly certainly has made their credibility suspect."

Generally, risk managers rated the format of claims reports lower than the promptness of claims reports.

Regarding liability claims, of the 42 risk managers commenting on claims report formats, only four said they are excellent, 18 said they are good, 11 said they are only fair and nine said they are poor.

No other claims service was rated poor by as many risk managers.

Although six risk managers graded the accuracy and thoroughness of liability claims reports from insurers as excellent, only 13 said they are good, 17 said they are fair and seven said they are poor.

Grading liability insurers' promptness of claims reporting, four risk managers said it is excellent, 20 said it is good, 13 said it is fair and five said it is poor.

The format of first-party property claims reports also was criticized. While nine said the formats are excellent and 17 said they are good, another 13 said they are only fair and six said they are poor.

The accuracy and throughness of claims reports on first-party property claims were graded as excellent by eight, good by 17, fair by 13 and poor by two.

The promptness of property claims reports drew the best grades. Nine said it is excellent, 21 said it is good and 13 said it is fair, but four said it is poor.

Workers compensation insurers get better grades from risk managers for the format of their claims reports. On format, nine risk managers said excellent, 16 said good, nine said fair and two said poor.

On accuracy and thoroughness of workers comp claims reports, six said excellent, 20 said good, 10 said fair and one said poor. On promptness of claims reporting, six said excellent, 19 said good, 10 said fair and one said poor.

Risk managers had special complaints and praise for claims handling by line of insurance, too.

Liability insurers aren't using enough alternative claims-settling methods or subrogation, said half of the surveyed risk managers.

Use of alternative claims-settling methods, like structured settlements and advanced payments, and subrogation efforts were each rated excellent by only four and good by 14. Five risk managers said insurers are poor in each area and 14 said they are fair. Twelve said insurers' use of structured settlements is good and 14 said subrogation efforts are good.

Twelve risk managers specifically said liability insurers should use more structured settlements.

Risk managers were split on how well liability insurers reserve for losses. Five said excellent, 19 said good, 13 said fair and three poor.

But quality of outside counsel to defend libaility claims was praised. Thirteen said it is excellent, 25 said it is good and nine said it was fair, with no one complaining it is poor. Eight, however, said insurers should hire better defense counsel.

Willingness to allow the policyholder to participate in the approval of liability claims settlements was praised as excellent by nine and good by 24. Twelve said this area is only fair and two said it is poor.

Liability insurers' efforts to settle claims quickly were recognized as excellent by nine, good by 18, fair by 12 and poor by two. Yet, 17 said liability insurers should attend to settlement offers more quickly.

Promptness of liability claims payment was rated excellent by 11, good by 18, fair by 12 and poor by one. Yet, eight risk managers suggested liability insurers should pay claims more quickly.

Risk managers also expressed general satisfaction with property insurers' promptness in paying claims. Nine said it is excellent, 22 said good, seven said fair and one said poor. But, looking for excellence, 16 said property insurers should pay claims more quickly.

Advance and partial payments from property insurers were graded excellent by 11, good by 20, fair by eight and poor by five.

Quality of recovery services was graded excellent by nine, good by 18, fair by 10 and poor by four.

Salvage efforts and services were graded excellent by five, good by 20, fair by 13 and poor by two.

Thirteen suggested insurers could improve assistance with cleanup services and help getting new equipment.

Subrogation efforts were graded excellent by four, good by 23, fair by 13 and poor by five.

In workers compensation claims handling, insurers got the best grades for making timely reports to state officials: seven said excellent, 25 said good, two said fair and one said poor.

But, follow-up with claimants to return them to work, rehabilitation efforts and reserving practices were rated lower.

Follow-up with claimants to return them to work was rated excellent by seven, good by 17, fair by 14 and poor by two. Twenty-four risk managers said insurers should provide more follow-up with claimants.

Rehabilitation efforts were rated excellent by five, good by 18, fair by 13 and poor by one. Fourteen said insurers should provide more rehabilitation services.

Workers compensation insurers' reserving practices were rated excellent by six, good by 16, fair by 17 and poor by one. Thirteen said they want improvement.

Nineteen risk managers said workers compensation insurers should evaluate medical treatment received by claimants more often, and 10 said they think insurers should provide more access to industrial physicians.

Commenting in general on insurers' claims services, the risk and insurance manager for a furniture manufacturer with $90 million in annual sales said, "My biggest gripe is a lack of attention to detail and extreme inconsistencies among field offices around the country. The latest wave of computer centralizations has made matters worse due to staff cutbacks and temporary overloads."

Eighteen risk managers agree that claims services need to be more uniform around the country.

The director of risk management and special financial services for an electrical equipment manufacturer with $405 million in annual sales counsels:

"Excellent claims service is not a happenstance. It is constructed from a well-built foundation of mutual trust on both sides. Detailed instructions of the respective claim department (both on a local and national basis) concerning capabilities, limitations and manufacturing methods of the insured's products, joint development of the proper defense and then securing the necessary reimbursements to adequately execute such defense are all part of the scenerio.

"Of equal importance is a joint effort relative to claim reserves to guarantee that such reserves accurately reflect the true exposure."

•

Risk managers and buyers of property/casualty insurance are invited to join the Business Insurance Risk Management Board. Just send a card with your name, title, company and address, noting you would like to join the Risk Management Board, to Kathryn J. McIntyre, Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. You will receive four surveys during the year on risk management and property/casualty insurance issues.

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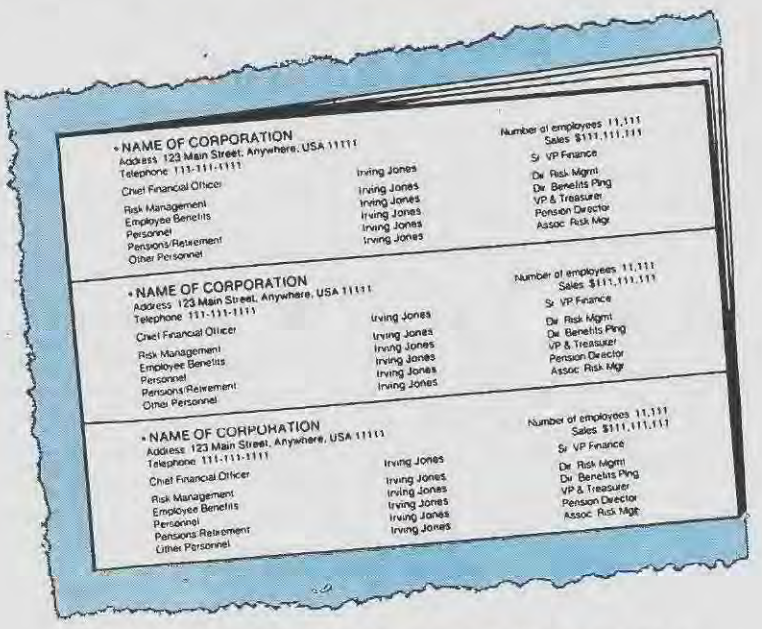
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Pension trustee alleges Hancock withheld funds

Continued from page 2

"Hancock admittedly has excess funds of $20 million," Mr. Kill added. "Yet Hancock has not allowed us to use the (excess) for non-guaranteed (retirement) benefits nor has it returned it."

Mr. Kill said that despite Hancock's withholding of funds, the trust is continuing to pay benefits and that Sperry employees have not been deprived of any benefits.

A Hancock spokesman said, "We believe the suit is without merit and will vigorously defend it."

The suit involves a group annuity pension contract entered into by Sperry and Hancock in 1941, which was amended in 1968 and 1977.

In 1968, a Pension Administration Fund (PAF) was established to provide funds to pay retirement benefits to eligible Sperry employees, the suit says.

The amount Sperry must contribute to the fund must be sufficient to purchase annuities to provide retirement benefits to eligible employees, the suit adds. The amount in the fund cannot not be less than fund liabilities, the value of which Hancock annually determines using rate tables and interest factors it prepared in 1968.

The 1977 amendment provided, among other things, that Hancock was required to pay both "guaranteed benefits," benefits considered to be fund liabilities, and "non-guaranteed benefits," or benefits paid from moneys excess of fund liabilities, the suit says.

Guaranteed benefits include those the trust is contractually obligated to pay, such as those benefits that have been vested, Mr. Kill explained. Non-guaranteed benefits are those benefits that Sperry chooses to establish under its retirement plan but are not contractually required to pay.

In March of 1982, the plan was amended to include retired employees of Sperry's Univac Division, and Hancock was informed that non-guaranteed benefits were to be paid to these employees beginning May 1.

Hancock subsequently paid all non-guaranteed benefits for May and June 1982, but then informed Sperry it would cease making payments on all non-guaranteed benefits it had been paying since the effective date of the 1977 amendment.

"The 1977 amendment specifically provided that Sperry Trust could provide non-guaranteed benefits from any moneys in the Pension Administration Fund in excess of the amount calculated as the liabilities of the fund," the suit says.

"After June 1982, Hancock has failed to make payments of any non-guaranteed benefits. At all relevant times the excess funds in the Pension Administration Fund have and continue to be sufficient in amount to provide the non-guaranteed benefits demanded by Sperry Trust, which Hancock has refused to pay."

The suit also charges that Hancock has accumulated and retained excess funds much greater than the fund liabilities in violation of the 1968 and 1977 amendments.

Excess funds in the PAF depend upon proper calculations of the fund liabilities, the suit says. To determine fund liabilities, Hancock uses interest assumptions of about 2.5% to 3% as specified by the 1968 rate tables, Chase says in the suit.

Hancock then adjusts the amount in the PAF by deducting administrative and operational expenses and adding the net interest earned on PAF assets.

Because the percentage rate of interest earned in the PAF was significantly higher than the interest rate assumption used to determine fund liabilities, the amount of excess funds in the PAF grew to an amount that is significantly more than necessary to pay benefits, Mr. Kill says.

The suit says that Hancock admits that as of Jan. 1, 1982, there was an excess of approximately $20 million in the PAF. However, if updated interest rate factors are applied in determining fund liabilities, the excess in the PAF would increase to $60 million or $75 million, the suit says.

Also, the suit charges that Hancock breached its contract with the trust and its fiduciary reponsibilities by not redetermining the 1968 rate basis and tables annually for calculating fund liabilities.

"As a result of the foregoing breach. . .the amount of the liabilities of the fund (and the amount required to be maintained in the fund) has been miscalculated and grossly overstated by Hancock, to the damage of Sperry Trust in an amount to be determined at trial," the suit says.

The suit also charges Hancock with engaging in professional misconduct and malpractice, violating fiduciary and confidential obligations, concealing important information, improperly accumulating and retaining excess funds in the PAF and unjustly enriching itself.

It contends that the contract between Sperry Trust included "inequitable and unconscionable provisions," which are against public policy.

The suit also charges the insurer with bad faith.

Chase asks the court to rule the group annuity contract be declared null and void, that all money credited to the PAF be returned to Sperry and that the contract be reformed to prevent Hancock's retention of the funds and to require proper annual calculations of fund liabilities.

It also seeks that Hancock pay all non-guaranteed benefits owed at trial and punitive damages of twice that amount. It also asks that Hancock pay all non-guaranteed benefits in the future.

Furthermore, the suit requests punitive damages of an amount not less than that currently in the PAF for the bad-faith action. ■

Bass brothers invest in Bayly, Martin & Fay

Continued from page 2

agement team and the Bass interests underscores the faith we have in our business and will allow us to aggressively pursue on behalf of our clients the kinds of innovative strategies upon which we've built our reputation," BMF President Joseph N. Tate said in a statement.

The Bass fortune was estimated last year at $2 billion by Forbes magazine, which ranked Perry Richard Bass, 68, and his eldest son, 40-year-old Sid Richardson Bass, among the 400 wealthiest Americans. The family's empire is based in Fort Worth, Texas.

The Bass investment is conditioned upon regulatory approval and other approvals by certain creditors of BMF, the broker said, including National Equity Life Insurance Co., a subsidiary of financially troubled Baldwin.

Until Dec. 30, BMF was owned by an S&H subsidiary, which, in turn, had been owned by Baldwin. Since then, all outstanding shares have been indirectly held by BMF Associates Inc., a Delaware company controlled by Mr. Tate and BMF Chairman Charles R. Warde through a company called BMF Services Inc. and a series of companies called BMF Holdings.

BMF Holdings acquired BMF's assets from the S&H subsidiary in exchange for $60 million in cash and $32 million in notes. The S&H subsidiary, now controlled by MGIC Investment Corp., another Baldwin unit, last month completely wrote off the carrying value of the notes (*BI*, July 18).

BMF Holdings obtained the $60 million in cash by issuing debentures to National Equity, an Indiana-based Baldwin subsidiary that is now undergoing rehabilitation by the Indiana Insurance Department.

Insurance regulators had expressed concern about the value of the $60 million in debentures and BMF's ability to meet payments on them in light of an allegation in a suit by a former BMF treasurer (*BI*, May 23, July 11).

William F. Luke, who was dismissed as BMF's treasurer earlier this year, alleges that BMF lost more than $2 million in 1982 on a consolidated basis and obtained an emergency cash infusion from Baldwin-United. BMF denies the claims, but it has not yet disclosed 1982 earnings.

For the Bass brothers to obtain joint control of BM&F with an investment of less than $10 million suggests the value of BMF has deteriorated since the Dec. 30 transaction, one securities analyst speculates.

"It's a long way from $92 million, isn't it?" said James M. Chanos, an analyst at Gilford Securities Inc. of Chicago who first raised questions about Baldwin-United's financial stability last year and has recommended short-selling of Baldwin stock.

Another stock analyst who regularly follows insurance brokers said he thought BMF has suffered because it is a medium-size broker, which makes it difficult to compete with giants like Marsh & McLennan Cos. Inc. and Alexander & Alexander Services Inc.

"My guess is that the Bass brothers would be in there to see it turned around and then sell it," said the analyst, Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York.

The Bass interests, all privately held, include holdings in real estate, agriculture and energy-related industries. Participation in the ownership of BMF marks the Bass brothers' first entry into the insurance field.

Bayly, Martin & Fay has offices in more than 50 U.S. cities, London, Paris and Bermuda. With $84.8 million in 1982 gross revenues, it ranked as the eighth-largest U.S. broker, according to *Business Insurance*. ■

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Business Insurance
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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,865
Government, Associations, Unions, Educational Institutions	1,024
Commercial Consumers Sub-total	**23,176**
Insurance Agents & Brokers	9,639
Insurance Cos.	5,384
Financial Institutions	385
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,779
Others allied to the field	1,020
TOTAL	**42,383**

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

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Photo: Carol Cain

James H. Kearney, Great America's safety administrator, checks a fire extinguisher stored near a ride.

Great America keeps work comp costs down

Continued from page 3

ports from Mr. Kearney.

But all the management support in the world can't help Great America keep up its good work comp record if the employees aren't sold on safety, too.

To get the safety message out to all 3,500 employees, Great America makes safety a part of worker evaluations, conducts safety contests and uses safety posters—everywhere.

For example, the food department uses safety as a criteria in evaluating individual workers. And in the rides operation department, safety is part of the criteria used to select the "Crew of the Week."

These workers and their peers are reminded that safety is important through the posters and contests.

"Posters in themselves don't do a lot, but they keep the message in front of the people," Mr. Kearney said.

And contests add the element of reward for a job well done. In fact, last year's contest worked so well, it's being used again this year, Mr. Kearney said.

It involves a safety slogan and article in the weekly park paper. Forty-five employees are selected at random and asked if they know the safety slogan. Those who do receive a $2 certificate that can be used on food items in the employee cafeteria.

Any certificates not given away are raffled off to other employees who submit an entry blank with the current slogan filled in.

"We've had other contests in the past with bigger awards, but they didn't get as good a result," Mr. Kearney said.

And, Great America is getting results.

In 1980, the park spent $184,858 on workers comp claims, exclusive of administrative costs. In 1981 that figure dropped to $83,249 and last year it dropped again to $45,007.

The number of claims filed, including lost-time claims, totaled 172 in 1980, 173 in 1981 and 108 in 1982. Claims appear to be up a bit this season, but Mr. Kearney believes this may be related to an increase in park attendance.

Great America contracts for claims administration services with Crawford & Co. in Atlanta.

Although the loss prevention program gets a major share of the credit for the decline in workers compensation costs, there's more to the safety story at Great America.

A second part of the program emphasizes getting quick control over injuries that do happen.

Supervisors are trained to get injured employees to report to first aid as soon after an injury occurs "so we can gain control over the situation," Mr. Kearney said.

And then, two special programs —CARE and FACE—come into play.

CARE, which stands for Care and Response for Employees, is a Marriott corporate program for employees who are off work because of an injury or illness, regardless of whether it's job-related.

Either a first-aid employee or someone from the injured employee's department contacts the worker about benefits and checks on the employee's condition.

"We keep in touch, to see how his recovery's coming," Mr. Kearney said, adding this approach also keeps tabs on non-work injuries that might have been reported later as a work injury.

The other program is FACE—First aid, Counseling and Evaluation.

It is used for employees who have had three injuries reported to the company's first-aid personnel. After the third incident, the employee meets "face-to-face" with his supervisor for counseling.

"This is not a disciplinary program," Mr. Kearney was quick to point out. "Our thought is that someone who is injured three times may be mismatched to the job, or something may be wrong with the workplace, or perhaps it's an employee attitude problem or maybe the employee was not properly trained or didn't understand the training." ■

Don't assume anything with young workers

"You can't assume they'll know what to do, in any situation."

That's the advice Todd Pagliarulo, director of safety and health for Hershey Entertainment & Resort Co., which operates Hersheypark in Hershey, Pa., has for employers that use seasonal workers.

Safety directors at some of the country's largest amusement parks are experts when it comes to safety programs for seasonal workers. Their workforces generally increase from a couple of hundred employees during the winter months to several thousand by the time the gates open in the spring.

Mr. Pagliarulo recommends additional supervisors, chosen from a more mature group of employees, as one method to insure safety with young, seasonal workers.

"You just can't assume that employees know what and how to do things," agrees Ed Hutton, general manager for Santa Cruz Beach Boardwalk, a 76-year-old recreational facility in Santa Cruz, Calif. "It's usually their first job."

"You can't talk down to them, but make sure they understand that safety is No. 1, that it's on their minds constantly," he explained.

Many of the parks use orientation programs that last anywhere from an hour to three days. A good chunk of such programs is devoted to safety with these tips later reinforced with another safety program tailored for each department or area.

Safety becomes a big thing at amusement parks because of the patrons, said several safety managers.

"We're so worried about the patrons and all the injuries they incur that safety is the No. 1 thing in the park, for patrons and employees," said Dewitt Baldwin, safety operations supervisor for King's Dominion in Doswell, Va.

Posters, bulletin board notices, slogans and newsletter articles are also mainstays of safety programs at the parks surveyed by *Business Insurance*.

Cartoon characters are part of the fun at King's Dominion, but they're also part of safety. A recent campaign featured Yogi Bear reminding employees: "Yogi says no boo-boos."

Contests, however, are shunned by most parks. "Sometimes I think running contests with younger employees tends to have them not report injuries, to make the statistics look good," said Terri Davey, the head nurse at Six Flags Over Georgia in Atlanta.

"It becomes too competitive with younger people, and things can get hidden under the carpet," said Ron Fussner, safety administrator at Cedar Point, a 113-year-old amusement park in Sandusky, Ohio.

Marriott's Great America in Gurnee, Ill., however, has come up with a contest that instills safety messages but doesn't measure safety performance (see story, page 3).

One thing all safety managers agreed on was the use of safety committees. These committees meet anywhere from weekly to monthly not only to keep each other informed, but also for inspections.

Safety managers also agree that the food stands are where most employee injuries occur, especially burns, cuts and lacerations from slips and falls.

At King's Dominion, there were a lot of falls and slips in the kitchens until employees were required to wear certain shoes, like those worn on boats. The cleaning schedule also was stepped up.

Analysis of a reoccurring accident often results in a solution, safety managers said. In some cases, that solution is as simple as retraining the employee, adding extra emphasis on safety or replacing a piece of equipment.

For instance, Six Flags Over Georgia replaced a food slicer after a number of employees cut themselves using it.

"We found that the equipment was inadequate and we replaced it," Ms. Davey said.

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VSP

NFL teams insure guaranteed contracts

Continued from page 2
has been widely demanded by teams," said John A. Skingsley, executive vp of International Accident Facilities Inc. of Boston, a specialty broker and a Lloyd's of London correspondent.

About 5% of NFL players—roughly 60 athletes—signed guaranteed contracts for the coming season, compared with 2% or 20 players in 1982, estimates Brian D. Burns, president of Pro Financial Services Inc. of Skokie, Ill., a large sports insurance broker. Mr. Burns says this number could double by next season.

About 30 of these players are covered this season by team-purchased disability insurance, up from virtually none in 1982, says one broker who did not wish to be identified.

Roughly half of the 15 to 20 NFL teams writing guaranteed contracts have purchased the coverage, the broker says, adding that most of the other teams that guarantee contracts are investigating purchase of the coverage.

Lloyd's of London was the exclusive underwriter for the limited amount of coverage written before 1982, when State Mutual Life Assurance Co. of America of Worcester, Mass., also entered the market, brokers say.

Teams writing guaranteed contracts "already are in the insurance business," Mr. Burns explains. "They'll have to fulfill the contract even if the player is injured and out of action."

By purchasing disability coverage, the team passes on the risk to the insurer, he says.

"So a team that has lost a quarterback with a $3 million salary won't have to pay that salary as well as his replacement's," Mr. Burns comments. "Instead, it can use the money to try and get a player with similar talent."

As more contracts are guaranteed, insurance makes more sense, he says.

"When a team had maybe one player under guaranteed contract, it might have been willing to take a chance," Mr. Burns explains. "But now, if a club has four or five guaranteed contracts, it figures the odds are greater that one of the players will get hurt. So insurance becomes a better buy."

In a rugged contact sport like pro football, the chances of injury are high.

Each season, some 35% to 40% of league players sustain injuries that cause them to miss at least one game, says Louis J. Gosselin, assistant to the chairman of the Insurance Management Group Ltd. of Toronto, a managing general agent for the Insurance Co. of North America.

In addition, an average of four or five NFL players sustain career-ending injuries on the playing field each year, according to studies done by Insurance Management Group.

NFL teams are buying two forms of disability insurance, brokers say. Both cover only disabilities caused by football-related injuries.

The more common—and less-expensive—coverage reimburses the team only if the player sustains a career-ending injury. Clubs collect on these policies after a doctor determines—within 12 months of the injury—that the injury has ended the player's career.

This type of coverage generally costs 1% to 2% of the value of the player's contract.

The second type of coverage also covers temporarily disabling injuries. It begins providing payments after a player has missed a specified number of games, usually from two to four.

As salaries have escalated, demand for the latter form of coverage has increased, Mr. Burns says.

The second type of coverage is more expensive than the first, says Peter T. Eshelman, president of American Sports Underwriters in Woburn, Mass., but how much more expensive depends on a variety of factors, including the player's age, playing position, injury history and the type of playing surface on his home field.

Older players are generally poorer risks than younger ones, he says. And running backs are more prone to injuries, especially knee injuries, than other players.

Knee injuries comprise about one-quarter of injuries studied by Insurance Management Group. Leg injuries, including knee injuries, account for 56% of injuries, IMG's Mr. Gosselin says.

About 40% of all injuries are caused by tackling, he explains, making it the most common cause of injury.

Players who play most of their games on artificial turf also run a higher risk of knee injuries. "Artificial turf used to be about as hard as asphalt," Mr. Eshelman said, adding that newly installed surfaces are made of softer material.

These same factors also influence the portion of a player's contract value a team will choose to insure, according to Jerome R. Vainisi, treasurer and house counsel for the Chicago Bears, a team that is investigating purchase of disability coverage.

"For an older player with a proven track record, you may decide that it's worth taking part of the risk," he says. Coverage for contracts whose value is coinsured by a team is less expensive than insurance that provides complete reimbursement.

On the other hand, he said, a club might choose to insure the full value of a younger player's contract because the premium is less expensive than the premium for an older player.

The rivalry for top players between the USFL and the NFL—as well as the contract signed by the league and the players last year—has boosted average NFL salaries to about $100,000 this year from $70,000 in 1982. By 1986, the NFL projects, salaries will average more than $200,000.

For this reason, many players who do not have guaranteed contracts are buying disability insurance on their own to protect their income in case they are injured.

"The more earning power you have, the more concerned you become about protecting that salary," says Mr. Eshelman of American Sports Underwriters. "The spread between what a player can make playing football and beginning a new career has become larger."

Some 20% of NFL players—about 250—have bought this coverage for the coming season, about double the rate in 1980, brokers report.

The rising demand for personal disability coverage has led the players' union, the National Football League Players Assn., to investigate offering disability insurance. The union should start offering a disability package to players within a month, according to Michele J. Yaras, the NFLPA's benefits director.

Ms. Yaras could not supply details of the proposed coverage since the package is still under negotiation, but she says it will be written by either State Mutual Assurance or Lloyd's.

However, players not covered by a guaranteed contract or personal disability insurance do receive some compensation from their team and the NFL if a football injury ends their careers.

Under the contract negotiated last year, players sustaining career-ending injuries will receive the balance of their current season's salary and a maximum of $65,000 the next season, up from $37,500 under the old contract.

Players sustaining totally disabling football-related injuries receive $4,000 a month in lifetime benefits, up from $2,000 a month under the former contract. ■

Chicago school offers classes

CHICAGO—The Insurance School of Chicago is offering courses this fall to prepare insurance personnel for the national Insurance Institute of America and Chartered Property and Casualty Underwriter examinations.

The IIA classes will begin Sept. 6 and the CPCU classes will begin Sept. 12.

Interested students can register for both insurance college programs until the day before the classes begin.

Further information, including information on tuition and fees, can be obtained by contacting the Insurance School of Chicago, 330 S. Wells St., Chicago, Ill. 60606; 312-437-2520. ■

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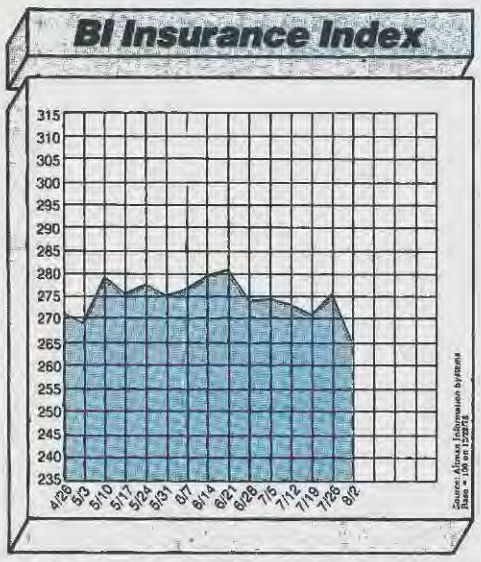
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The *Business Insurance* stock index plunged 9.4 points to 265.8 from 275.2 during the five-day trading period ending Aug. 2. Forty-seven stocks closed down, 12 were unchanged and only five issues reported gains. The largest losses were reported by Washington National Corp., 13.6%; CIGNA Corp., 12.4%; Fremont General Corp., 11.4%; Kemper Corp., 10.9%; and Ohio Casualty Corp., 10.6%. The leading gains were reported by Zenith National Insurance Corp., 2.7%; General Reinsurance Corp., 2.7%; Hartford Steam Boiler Inspection & Insurance Co., 1.9%; Corroon & Black Corp., 1.6%; and Tokio Marine & Fire Insurance Co., 0.3%. Although the *BI* index of insurance industry stocks dropped 3.4%, the New York Stock Exchange composite fared even worse with a 4.8% decline during the same period.

British Issues

2 Aug Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	157	157.0	16.86	10.7	157—	155
Eagle Star	423	15.8	24.29	5.7	425—	416
Genl Accident	433	11.2	24.29	5.6	441—	431
Gdn Royal Exch	471	12.1	27.26	5.9	478—	468
Phoenix	318	15.1	25.00	7.9	318—	312
Royal	510	13.4	37.86	7.4	510—	503
Sun Alliance	1169	13.0	69.57	5.9	1175—	1156
Brokers						
CE Heath	298	7.4	21.07	7.1	298—	295
Hogg Robinson	106	8.2	8.57	8.1	107—	106
JH Minet	111	9.3	6.50	5.9	116—	111
Sedg Grp	201	10.3	10.00	5.0	208—	200
Stenhouse Hldg	100	9.1	7.86	7.9	104—	100
Stew Wrightson	226	7.3	20.43	9.0	231—	226
Willis Faber	520	12.2	25.00	4.8	528—	520

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

What hath cycle wrought for insurance brokers?

By LEONARD M. WILSON

Special to Business Insurance

NOT ALL THE publicly held brokers have reported their second-quarter results as this column is written, but one thing is apparent: There is not much easing in the intensity of rate competition in commercial lines.

After almost five years of falling prices, just about everybody involved in any way with the property/casualty insurance industry can recite with aplomb the reasons for the cycle's length: high interest rates, lots of capital, jockeying for market share by underwriters and so on. And yet, the tenacity of the competition still strains credulity.



Mr. Wilson

At this point, investment prospects for the brokers depend almost entirely on a firming in premium rates.

Periodically, and by now with almost a trembling hand, we estimate the cumulative decline in premium rates since 1978, the year of the last peak in rates. There is, unfortunately, no reliable price index for commercial insurance products, nor a typical policy that could be tracked as a proxy for industry prices.

But, allowing for some imprecision, we believe that the cumulative decline in prices for commercial lines over the period from 1979 through 1983 could be as much as 40% to 45%. Thus, if a premium in 1978 were $100, 1983's renewal might be $55 to $60. Moreover, based on the second-quarter performance of the public brokers, we believe that the renewal book of business is now experiencing a year-over-year deflation of 8% to 10%, even after four prior years of rate cutting by insurance companies.

Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

Price cutting of this magnitude cannot fail to have lasting effects on the public brokers and the entire property/casualty distribution system. Structural changes are often difficult to document until the conditions that brought them on are obvious to everyone. Four years ago, who would have forecast today's chaotic pricing? Then, the common utterance was, "They (the underwriters) have learned their lesson."

One enduring effect on the brokers is their increased willingness to be acquired. Companies that are experiencing strong earnings gains are less receptive to loss of their independence. Moreover, rising stock prices lessen the financial incentive for a sellout. Finally, the cost to a prospective acquirer would be far greater if brokers' earnings had continued to expend at 14% to 15% annually over the past five years.

We also suspect that the public brokers might have been more aggressive in diversifying through acquisition if their insurance brokerage growth had not come to a halt.

The distribution system for commercial lines is likely to move in the direction of more concentration. Where competitive conditions are difficult and profits are down, the advantages seem to lie with bigness and professionalism. It is harder for the smaller broker to keep pace and, therefore, merger becomes an acceptable strategy for many a private broker that would prefer under better conditions to go it alone.

Personal lines insurance sales have also gained in attractiveness compared with commercial lines. The public brokers are not about to abandon an overwhelming identity with commercial lines insurance, but stable pricing and greater processing efficiency make big-ticket personal lines an interesting sideline.

Another structural impact is the massive reduction in brokerage cost for the corporate client. If brokerage commissions were calculated on the basis of insurance units and adjusted for the inflation in general prices, it would be apparent that compensation to the broker has dived 60% to 70% in constant dollars during this cycle.

No longer can the charge be leveled that the brokers are excessively compensated. The brokers' revenue stream has been wrung dry by the reduction in property/casualty premium dollars.

This is true even though commissions as a percent of premiums may have edged up. Some underwriters, in their quest for volume, have offered excessive commission terms to brokers. The benefits to the brokers are undoubtedly tangible, but they have not noticeably ameliorated the brokers' profit picture.

It is an ill wind that blows no good. The pressure on brokerage profitability has translated into improved efficiency. Per-capita employee productivity has never been higher. Necessity has compelled the public brokers to trim fat, rationalize processing and make do with less.

Not all employee cutbacks or attrition may have been benign. Where duress is the midwife to efficiency, we can't help wondering if service levels to the client do not suffer involuntarily. That may be the client's sacrifice in the altered economics of insurance brokerage.

Beyond these very real, lasting effects, the mind set of the brokers seems to have changed. The expansive mood of the 1970s has yielded to soul searching. There seem to be more doubts about the direction of the business. Certainly, the willingness to talk about merger is a manifestation of malaise. In addition, there is some feeling that premium rates and profits may be permanently depressed.

The changes wrought by this cycle are not likely to vanish. But a cycle has an up phase as well as a down phase. At some point, premium rates will firm, perhaps a little later and less pronounced given the abundance of underwriting capacity. But, when the firming finally comes, the publicly held brokers could have a surprisingly robust profit rebound.

That is, if any brokers other than Marsh & McLennan are still independent. ■

BI Industry Stock Report

AUG. 2, 1983 — 7/27/83 THRU 8/2/83

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.38	-6.4	6.4	2.64	7.3	37.75	35.75	1,099.1
American Bankers Ins Group	OTC	15.13	-3.2	11.9	0.50	3.3	15.25	15.13	100.5
American Gen Ins Co	NYSE	21.75	-5.4	8.3	0.80	3.7	23.25	21.75	488.7
American Indty Fnl Corp	OTC	19.75	-1.9	14.6	1.12	5.7	20.13	19.75	0.8
American Intl Group Inc	OTC	64.75	-3.0	11.2	0.44	0.7	66.00	63.50	815.2
American Natl Ins Co	OTC	19.75	-1.9	8.2	0.84	4.3	20.38	19.75	142.1
American Sts Life Ins Co	OTC	30.00	0.0	8.4	0.88	2.9	30.00	30.00	1.2
Aneco Reins Ltd	OTC	4.00	-8.6	133.3	0.00	0.0	4.25	4.00	8.0
Avemco Corp	AMEX	20.50	-6.3	11.0	0.58	2.8	21.88	20.50	17.1
Banks Iowa Inc	OTC	47.00	0.0	12.4	1.52	3.2	47.00	47.00	0.3
Birco Corp	OTC	19.50	-2.5	6.1	1.33	6.8	19.75	19.00	51.3
Carolina Cas Ins Co	OTC	9.50	0.0	28.5	0.32	3.4	9.50	9.50	6.3
Chubb Corp	OTC	60.13	-2.8	7.5	3.12	5.2	62.25	60.00	144.8
Combined Intl Corp	NYSE	29.38	-7.5	9.8	2.00	6.8	31.25	29.38	197.1
Continental Corp	NYSE	28.88	-2.9	17.7	2.60	9.0	28.88	28.50	290.6
Crawford & Co	OTC	17.00	-8.1	12.7	0.60	3.5	18.25	17.00	20.9
Crown Life Ins Co	OTC	110.00	0.0	7.2	3.10	2.8	110.00	110.00	0.2
Employers Cas Co	OTC	36.00	-2.7	7.4	1.20	3.3	37.00	36.00	2.6
Equifax Inc	NYSE	32.25	-6.5	13.6	1.40	4.3	34.63	32.25	23.5
Excelsior Ins Co	OTC	15.00	0.0	9.6	0.70	4.7	15.00	15.00	3.9
Farmers Group Inc	OTC	35.13	-5.7	9.2	1.36	3.9	35.75	32.00*	844.5
Foremost Corp Amer	OTC	49.00	-3.4	15.1	1.24	2.5	50.75	49.00	50.2
Fremont Gen Corp	OTC	23.25	-11.4	775.0	0.48	2.1	26.25	23.13	851.3
Great West Life Assurn Co	OTC	225.00	0.0	10.9	11.00	4.9	225.00	225.00	0.0
Hanover Ins Co	OTC	56.75	-3.8	7.0	0.88	1.6	59.25	56.75	15.7
Hartford Steam Boiler Insptn	OTC	54.00	1.9	11.9	3.00	5.6	54.00	53.50	9.1
Jefferson Natl Life Ins Co	OTC	48.00	-2.0	15.0	0.76	1.6	49.00	48.00	3.3
Kemper Corp	OTC	44.13	-10.9	8.3	1.80	4.1	49.13	44.13	60.5
Lincoln Natl Corp Ind	NYSE	51.75	-2.6	8.2	3.00	5.8	53.25	49.50	377.5
Mission Ins Group Inc	NYSE	34.13	-3.5	9.5	1.00	2.9	35.88	34.00	49.3
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC	33.00	-4.0	21.9	1.50	4.5	34.38	33.00	32.3
Ohio Cas Corp	OTC	46.38	-10.6	8.8	2.52	5.4	51.88	46.38	41.7
Old Rep Intl Corp	OTC	29.50	-0.8	7.2	0.90	3.1	29.75	29.38	61.4
Orion Cap Corp	NYSE	27.75	-7.1	14.0	0.66	2.4	29.75	27.75	54.2
Preferred Risk Life Ins Co	OTC	30.50	-1.6	8.2	1.00	3.3	30.50	30.50	2.5
Provident Life & Acc Ins Co	OTC	56.50	-3.4	8.0	2.60	4.6	58.50	56.50	13.7
St Paul Cos Inc	OTC	57.50	-6.7	5.8	2.80	4.9	61.50	57.50	111.6
Safeco Corp	OTC	47.63	-7.1	9.8	2.40	5.0	51.00	47.63	476.6
Sri Corp	OTC	43.00	0.0	8.0	1.12	2.6	43.00	42.75	28.0
Seibels Bruce Group Inc	OTC	27.25	-6.8	16.2	0.80	2.9	29.25	27.25	24.8
Statesman Group Inc	OTC	9.75	-2.5	7.2	0.15	1.5	10.00	9.75	341.1
Tokio Marine & Fire Ins Co	OTC	97.13	0.3	15.6	0.92	1.0	97.13	96.50	19.3

AUG. 2, 1983 — 7/27/83 THRU 8/2/83

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE	29.88	-0.4	7.7	1.80	6.0	29.88	28.13	891.1
United Fire & Cas Co	OTC	33.50	0.0	9.9	0.88	2.6	33.50	33.50	0.4
United States Fid & Gty Co	NYSE	50.50	-6.7	11.8	3.84	7.6	52.50	50.25	129.0
United Svcs Life Ins Co	OTC	23.00	-2.6	6.6	1.00	4.3	23.50	22.50	24.2
Uslife Corp	NYSE	23.88	-3.5	6.6	0.88	3.7	24.00	23.88	202.3
Washington Natl Corp	NYSE	27.00	-13.6	12.3	1.08	4.0	30.00	27.00	164.9
Zenith Natl Ins Corp	OTC	15.75	2.7	11.3	0.53	3.4	15.75	14.17	88.2
INSURANCE COMPANIES	AVERAGE			9.7		3.9			
Agents/Brokers									
Alexander & Alexander Svcs	NYSE	24.00	-2.0	0.0	1.00	4.2	24.50	23.63	439.6
Baldwin & Lyons Inc	OTC	41.00	-3.5	7.6	0.80	2.0	42.50	41.00	0.5
Corroon & Black Corp	NYSE	23.38	1.6	12.0	1.80	7.7	23.38*	22.38*	26.8
Crump E H Cos Inc	OTC	10.63	0.0	15.4	0.40	3.8	10.63	10.63	15.7
Emett & Chandler Cos Inc	OTC	10.75	0.0	0.0	0.00	0.0	10.75	10.75	3.4
Hall Frank B & Co Inc	NYSE	27.75	-5.1	15.8	1.70	6.1	28.75	27.75*	187.4
Integrated Res Inc	AMEX	36.63	-6.1	14.3	0.00	0.0	39.25	36.50	86.4
Marsh & Mclennan Cos Inc	NYSE	42.50	-1.2	12.3	2.20	5.2	42.75	42.25	654.2
Poe & Assoc Inc	OTC	6.75	0.0	0.0	0.40	5.9	6.75	6.75	2.5
Reed Stenhouse Cos Ltd	OTC	14.00	-1.8	14.0	0.60	4.3	14.38	13.75	198.0
AGENTS/BROKERS	AVERAGE			16.0		3.7			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	62.88	-9.7	12.3	1.92	3.1	67.25	62.88	1,818.6
Anderson Clayton(Ranger/PanAm)	NYSE	26.25	-5.8	18.8	1.32	4.7	29.25	27.38	17.7
Armco Inc	NYSE	17.75	-4.1	0.0	0.40	2.3	18.38	17.75	408.0
City Investing Co. (Home Ins.)	NYSE	34.75	-0.4	8.3	1.80	5.2	34.75	33.50	340.1
CNA Finl Corp (CNA)	NYSE	20.25	-8.0	8.0	0.00	0.0	21.38	20.25	22.3
Control Data (Comml. Credit)	NYSE	53.50	-10.1	13.1	0.60	1.1	56.63	53.50	946.1
General Re Corp	NYSE	57.00	2.7	11.9	1.28	2.2	57.00	54.75	549.4
Gulf Utd Corp	NYSE	26.75	-2.3	8.1	1.32	4.9	27.13	26.63	254.9
Cigna Corp	NYSE	41.63	-12.4	6.0	2.48	6.0	42.75	41.25	2,588.0
ITT (Hartford Group)	NYSE	44.88	-5.0	9.7	2.76	6.2	46.25	44.88	2,068.7
Optimum Hldg Corp	OTC	7.13	-1.7	11.7	0.00	0.0	7.13	7.00*	7.4
Sears Roebuck & Co. (Allstate)	NYSE	41.75	-7.0	13.3	1.52	3.6	43.63	41.75	2,411.2
Baldwin Utd Corp	NYSE	7.13	-3.4	3.4	0.00	0.0	7.38	6.50	635.7
Teledyne Inc (Argonaut)	NYSE	156.88	-6.3	13.9	0.00	0.0	163.50	156.88	445.9
Transamerica Corp (Occidental & Fred S. James)	NYSE	26.50	-9.4	9.1	1.50	5.7	28.50	26.13	320.7
CONGLOMERATES/HOLDING COS.	AVERAGE			13.0		2.7			

*Record high/low since Jan. 1, 1983

System design: Altman Information Systems

Financial briefs

Alexander & Alexander

Alexander & Alexander Services Inc. has declared a regular quarterly dividend of 25 cents per share, payable Aug. 31 to shareholders of record Aug. 2.

CIGNA

CIGNA Corp. has declared dividends of 62 cents per share of common stock and 68.75 cents per share of cumulative convertible preferred stock.

Both dividends are payable Oct. 10 to shareholders of record Sept. 9.

Armco

Armco Inc., parent of Armco Insurance Group, had declared a regular quarterly dividend of 10 cents per share of common stock, payable Sept. 6 to shareholders of record Aug. 5.

It also declared a regular quarterly dividend of 52.5 cents per share of Class A cumulative convertible preferred stock, payable Sept. 30 to shareholders of record Aug. 26.

In addition, Armco declared a dividend of just more than $1.21 per share of Class B $4.50 cumulative convertible preferred stock, payable Oct. 1 to shareholders of record Aug. 26. The dividend is the first to be paid on Armco's Class B preferred stock.

Continental

Continental Corp. declared a regular third-quarter dividend of 62 cents per share of common stock and 62.5 cents per share of Series A and B $25 cumulative convertible preferred stock.

Both dividends are payable Sept. 15 to shareholders of record Aug. 19.

Kemper

Kemper Corp. declared a regular quarterly dividend of 45 cents per share payable Aug. 31 to shareholders of record Aug. 10. ■

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