

business insurance

update

ISO planning to revise CGL to allow defense cost cover

NEW YORK—In a significant shift, the Insurance Services Office plans to revise its proposed commercial general liability policy to allow an amount equal to 50% of a policy's aggregate limits to be spent on defense costs before the costs begin to reduce the policy's aggregate limit.

In addition, insurers also could offer policyholders an endorsement that would allow up to 300% of their

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Insurers unite to urge cures for crisis

By STEVE TARAVELLA

RENO, Nev.—In an unprecedented action, the three major property/casualty insurance trade associations are offering a joint proposal for easing the current insurance crisis.

The National Assn. of Independent Insurers, which represents about 480 insurance companies, the 175-member Alliance of American Insurers and the 185-member American Insurance Assn. are advocating short-term and long-term strategies for restoring stability in the commercial insurance marketplace. Currently, the marketplace is in upheaval, with insurance capacity shrinking and rate hikes rampant.

Short-term remedies offered include approval of the claims-made commercial general liability insurance form by state regulators, certain limitations on insurers' right to cancel policies midterm and the development of voluntary market assistance plans to help insurance buyers find needed coverage.

Long-term remedies include attracting new capital to the insurance business and reforming the civil justice system.

These proposals could "lead towards an easing of problems of availability and affordability," the joint statement says. "The recovery will not be total or permanent unless and until substantive reform is achieved, but these developments point the way to a more livable situation while reform proceeds."

The groups also identify four specific actions that they say "would significantly impair the ability of the industry to fund the liability system in the future."

Counterproductive to a stable insurance marketplace are:



Mr. Jones

Mr. Nutter

Mr. Beck

'The industry supports efforts by businesses and others to add capacity to the marketplace ...'

imposing onerous restrictions on policy cancellation and non-renewals; forcing insurers to write insurance under involuntary market programs; administered pricing, like laws requiring prior approval of rates; and, imposing financial responsibility requirements on businesses in certain industries. Financial responsibility requirements, such as mandating insurance or ability to self-insure environmental impairment liabilities, cannot be met by the insurance industry, the associations warn.

The groups, whose members write 62% of \$52.3 billion in commercial lines premiums, presented their proposals at last week's conference of the National Assn. of Insurance Commissioners in Reno. The proposals were accompanied by an open letter to insurance regulators, signed by NAII President Lowell R. Beck, Alliance President Franklin Nutter and AIA President T. Lawrence Jones.

The 22-page proposal, An Agenda for Joint Action, was prepared largely to counter a perception that insurers would do nothing to ease today's problems until tort reforms were implemented, said Mr. Nutter of The Alliance.

The insurance trade associations wanted to diffuse criticism that they were doing little more than touting "tort reform" as an industry buzzword.

In addition, the insurers are hoping to avoid being forced to underwrite particular lines of insurance.

To immediately improve market conditions, the three trade association presidents urged insurance regulators to:

- Approve the Insurance Services Office's new commercial general liability claims-made insurance policy.

The claims-made form "allows for precision in determining the coverage period, avoids the stacking of limits and policies that now occur and avoids costly litigation over policy application," the groups state.

"By itself, the CGL will not and cannot solve all of the current insurance availability or affordability problems, but its approval and use by the industry would be a positive step in restoring a degree of underwriting confidence in the gen-

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Hall to guarantee payments to MGM

By DOUGLAS McLEOD

WILMINGTON, Del.—Frank B. Hall & Co. Inc. will guarantee \$10.6 million in obligations of its underwriting unit, Union International Insurance Co. of Delaware, to avert rehabilitation proceedings against the insurer.

The Delaware Insurance Department Dec. 5 filed a rehabilitation petition against Union International in Delaware Court of Chancery in Wilmington. The insurance department argues that Union—which reported policyholders surplus of \$3.1 million at year-end 1984—would be rendered insolvent by its obligation to pay \$9 million plus interest over the next two years to MGM Grand Hotels Inc., according to David Lynch, Delaware deputy attorney general.

The payments to MGM are due under a settlement of litigation involving back-dated liability insurance that Frank B. Hall brokered for MGM to cover claims from the 1980 fire at MGM's Las Vegas hotel. More than 30 insurers participated in the back-dated liability program, though Union International had written the largest share of the risk (BI, April 8).

However, Hall has already purchased two surety bonds to guarantee Hall's payment of the Union International obligations, according to Thomas G. O'Brien III, Hall vp, secretary and general counsel.

Mr. O'Brien said that copies of the bonds were mailed to the Delaware department last week and that he expects the rehabilitation petition to be withdrawn, since the bonds would effectively remove MGM-related liabilities from Union International's books.

He added that Hall took the action in part to preserve Union International as an asset of Union Indemnity Insurance Co. of New York, the Delaware insurer's parent and another Hall unit that is being liquidated by the New York Insurance Department.

"We are attempting to cooperate as best we can with the New

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Tax-free status of benefits still threatened in Congress

By JERRY GEISEL

WASHINGTON—Although its unlikely any tax bill will be passed by the House of Representatives this year, the tax-free status of hundreds of corporate benefit plans will be on the line when the debate continues next year.

While much attention has been focused on the provisions in the tax overhaul bill that would drastically affect 401(k) and corporate pension plans, H.R. 3838 also establishes uniform non-discrimination rules for welfare benefit plans. These include health care plans and group legal and educational assistance plans.

Large corporations with subsidiaries in different industries that offer varying benefit plans could flunk the proposed uniform non-discrimination rules if they have too great a proportion of highly compensated employees concentrated in a particular subsidiary or corporate unit.

And, if the plans fail the non-discrimination tests, they would be disqualified and highly compensated employees would be taxed on employer contributions to the plans.

"These rules could have large employers spinning. Companies would have to rethink their entire benefit strategies," said Fred Rumack, director of tax and legal services at Buck Consultants Inc. in New York.

However, proponents of the tax reform bill, which calls for sweeping changes in corporate and individual tax rates, received a major blow last week: The House

narrowly rejected a rule to limit debate on tax overhaul to H.R. 3838 and to a Republican alternative.

This was expected to delay House consideration of tax overhaul legislation until next year. But the administration was making a furious, last-ditch effort to convince House Republicans to support a new effort to bring the tax bill up for a vote late last week.

H.R. 3838 was sent to the House floor Nov. 23 by the House Ways and Means Committee. The Republican alternative, which is not expected to receive any serious consideration, was proposed the first week of December (BI, Dec. 9).

For many in the benefit community, any delay in passage of tax reform would be welcomed because of the drastic changes proposed in tax rules affecting retirement plans. The Ways and Means bill proposes slashing the maximum annual individual salary deferral limit for 404(k) plans to \$7,000 from \$30,000 and introduces new, more complex and stricter non-discrimination rules for 401(k) plans (BI, Nov. 11).

The bill also would lower the maximum annual benefit provided by a defined benefit plan to a participant to \$77,000 from \$90,000 and cut the maximum annual contribution made on behalf of a participant to \$25,000 from \$30,000.

The defined benefit limit could not be increased until 1991, while the defined contribution limit would not rise until the defined benefit maximum reached \$100,000.

The bill also strips away the tax-exempt status of

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THE NEW
TAX BILL

Risk managers, insurers to lobby committee to keep Senate wording in Superfund legislation
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NAIC amends model law to strip big companies of some protection under state guaranty funds
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update

ISO revises defense cost plan

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indemnity limits to be spent on defense costs before those costs begin to affect a policy's aggregate limits. Or, the insurer could attach an endorsement to charge all defense costs to policy limits.

Under the original plan for containing CGL policy defense costs, announced June 27, the total defense costs would have been charged against the aggregate policy limit. Currently, CGL policyholders have unlimited defense coverage.

ISO's advisory CGL policy rates include discounts for policyholders that take less than the maximum 300% limit on defense costs.

ISO said the revision, announced Dec. 12, is a response to concerns raised by regulators, insurance buyers and brokers. And, ISO stressed that this plan is open to discussion and could be modified before being formally filed with state regulators.

ISO says it still plans to implement the defense cost provision by July 1, 1986.

"We believe our revised program will be preferable from the policyholder's standpoint, while still achieving insurers' objectives," explained Fred R. Marcon, ISO's senior executive vp and CEO.

An ISO spokesman said allowing CGL policyholders 50% of their limits for defense costs should mean most would not have to increase limits to maintain their current level of protection because ISO estimates defense costs average about 35% of indemnity losses.

The defense cost-containment program would apply to the new CGL forms filed for implementation Jan. 1, and also would apply to two coverages under existing ISO occurrence contracts: completed operations and personal and advertising injury.

ISO last week also announced a few clarifications of language in other parts of the new CGL form.

Waste sites miss deadline

WASHINGTON—At least 47 hazardous-waste disposal facilities have not obtained sufficient environmental impairment liability insurance or otherwise met federal financial responsibility requirements, according to the Environmental Protection Agency.

The EPA told Congress in October that up to 100 facilities may have to close because they could not get EIL coverage by Nov. 8 or demonstrate the financial strength to self-insure (BI, Nov. 4).

EPA officials could not say whether any of the approximately 1,100 other hazardous-waste facilities that chose to close rather than attempt to meet the agency's tough new standards did so because they could not obtain EIL insurance.

The 47 facilities certified to the EPA they have complied with all applicable Resource Conservation and Recovery Act requirements except the financial responsibility rules, while 492 other facilities say they have complied with the financial responsibility rules. EPA officials believe most of the facilities complying with the rules are qualifying as self-insurers.

Those facilities that could not certify compliance with the rules are required under 1984 amendments to RCRA to stop receiving hazardous wastes and begin preparations for closing down.

Rep. James T. Broyhill, R-N.C., introduced legislation in November that would extend the Nov. 8 deadline two years, but Congress has not taken action on the measure (BI, Nov. 25).

Court rules on airline awards

WASHINGTON—Damage awards on behalf of victims of airline crashes involving international flights can accrue interest from the time of the accident, the U.S. Supreme Court ruled last week.

Upholding a decision by a federal appeals court in New Orleans, the high court ruled that a \$75,000 per-person ceiling on airlines' liability for international flights set by the Warsaw Convention and the Montreal Agreement does not include accrued interest, even if the interest increases the award to more than \$75,000 (BI, Oct. 21).

The case involved the June 1975 crash of an Eastern Airlines flight at Kennedy International Airport in New York.

Court says workers can sue

TRENTON, N.J.—In a case with potentially broad implications, the state Supreme Court has ruled that employees can sue employers in occupational disease cases if there is a corporate strategy to conceal information about possible resulting diseases.

In a 5-2 decision, the court broadened exceptions to the exclusive remedy doctrine in New Jersey's workers compensation law, which bars employees from suing employers for occupational injuries, says David Jacoby, a Trenton attorney for more than 30 workers exposed to asbestos at Du Pont Co. plants in New Jersey.

A Du Pont spokesman said the court ruled the plaintiffs could file

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Insurers will lobby panel for Senate Superfund bill

By ROBERT A. FINLAYSON

WASHINGTON—Risk management and insurance industry representatives are hoping to persuade a congressional conference committee, which will reconcile differences between House and Senate Superfund reauthorization bills, to adopt the Senate's language.

The House last week overwhelmingly approved a \$10 billion, five-year extension of the Superfund Act after defeating an amendment that would have included a federal cause of action in the bill.

The House measure now must be reconciled with a \$7.5 billion Superfund reauthorization bill approved in September by the Senate (BI, Sept. 30). House and Senate conferees are not expected to meet until early next year.

It is uncertain whether President Reagan will sign the final version of the legislation because both the House and Senate bills far exceed the \$5.3 billion Superfund reauthorization the administration requested.

However, members of the business community probably will ask the president to sign the bill worked out by the conferees because they fear that consideration of the Superfund later in 1986—an election year—will give environmentalists more leverage in persuading Congress to enact even tougher legislation.

For now, insurers are concentrating their efforts on lobbying the conference committee. Insurers say they

hope to persuade the Superfund conferees to:

- Adopt a provision in the Senate bill that would encourage that waste cleanup litigation be settled rather than tried. The litigation settlement provisions of the Senate bill are more favorable to business than those of the House bill.

- Eliminate the retroactive implementation of a provision in the House bill that would pre-empt state statutes of limitations that are triggered by exposure to a hazardous substance, rather than by the manifestation of an illness stemming from that exposure.

- Do away with a provision in the House bill that requires companies to report to local authorities the release of any substance that can cause cancer, birth defects or chronic health effects in humans.

Insurance industry representatives believe they have a good chance of succeeding on the first two points, but defeating the reporting requirement will be "an uphill fight," admits Leslie Cheek, vp of federal affairs for Crum & Forster in Washington.

Insurers contend that the reporting requirement invites third-party liability suits by those who believe they were exposed to a toxic release.

The House defeated by one vote a last-minute effort to reverse an earlier decision to include the reporting requirement in the reauthorization bill. Mr. Cheek calls that vote a "major disappointment."

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Suit is filed in liquidation of Glacier

HELENA, Mont.—A federal lawsuit has heated up the jurisdictional dispute over whether Montana or California should be the primary liquidator of Glacier General Assurance Co.

Montana State Auditor Andrea Bennett filed suit Dec. 9 in U.S. District Court in Helena asking to be declared the sole liquidator of Missoula, Mont.-based Glacier General. A Montana state judge appointed her liquidator Nov. 12. However, a California state judge refused to acknowledge that Dec. 3 and indicated that California should handle the liquidation.

The dispute arises because Glacier General is domiciled in Montana, but more than 90% of its estimated \$40 million in assets are in California. In addition, Glacier General's creditors include California-based financial institutions like Bank of America, which took a \$95 million charge against its 1984 earnings because of insufficiently collateralized mortgage loans Glacier General insured (BI, Nov. 11, March 11).

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CBS covered for libel award against Chicago newscaster

By CAROL CAIN and STACY SHAPIRO

CHICAGO—CBS Inc. can tap \$50 million to \$100 million in umbrella liability coverage if it loses its appeal of a \$5.05 million award against its Chicago-based affiliate WBBM-TV and its caustic commentator Walter Jacobson, sources say.

A CBS attorney will ask a federal district judge this week to reconsider both the jury's finding that Mr. Jacobson had libeled Brown & Williamson Tobacco Corp. and the multimillion-dollar award.

The federal jury ruled Nov. 26 that Mr. Jacobson had libeled the Louisville, Ky.-based tobacco company in a commentary aired first in 1981 and then again in 1982 over WBBM-TV, the Chicago-based station owned and operated by CBS.

The insurance program that will respond in the Jacobson case is similar to the insurance that responded when CBS earlier this year settled a libel lawsuit out of court with retired U.S. Gen. William C. Westmoreland, the sources say.

In the Westmoreland settlement, each side agreed not to seek any money from the other, but CBS filed a \$6 million claim with its liability insurers to pay for defense costs during the 18-week trial (BI, Oct. 21, 1985; Feb. 25, 1985; Oct. 22, 1984).

Initially, Gen. Westmoreland sought \$120 million in punitive and

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Mr. Jacobson

U.S. operations excluded from non-U.S. reinsurance

By STACY SHAPIRO

LONDON—London reinsurers are making good on their threat to ban all North American operations from non-North American casualty reinsurance programs.

The reinsurers, which do not include Lloyd's of London underwriters, are the leading reinsurers of non-North American ceding companies.

They are supporting an endorsement to non-North American casualty reinsurance treaties that excludes all operations in the United States or Canada, with the exception of operations that are strictly sales and distribution offices.

The endorsement, called Expona 1986, was written by Munich Reinsurance Co. (U.K.) Ltd., the London-based subsidiary of Munich Re of Germany. And, the endorsement is supported by major British reinsurers, including Mercantile & General Reinsurance Co. P.L.C., the Victory Reinsurance Co. Ltd. and Norwich Winterthur Reinsurance Corp. Ltd.

Expona stands for Exposure North America. Besides excluding coverage for North American operations, the endorsement also will require that product

liability coverage for exports to North America be written on a claims-made basis beginning Jan. 1, 1987, or coverage for those risks will be excluded from the treaty.

If ceding companies do write risks on a claims-made form rather than an occurrence form in 1986, the retroactive date must not be earlier than Jan. 1, 1986, the two-page endorsement adds.

And, any extended reporting period for the claims-made policy cannot exceed 24 months.

The endorsement also says that beginning Jan. 1,

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errors & omissions

- International dividends owed to employers by the Vita international benefits network accrue interest from the time an international account is closed until the dividends are paid. This was incorrectly reported in the Oct. 21 edition.

MIC bailout plan hinges on support of ceding insurers

By STEVE TARAVELLA

RENO, Nev.—California Insurance Commissioner Bruce Bunner expects to know by the end of this week whether the plan to bail out the insolvent Mission Insurance Co. can succeed.

The key to success is the support of insurers who bought reinsurance from MIC, a Mission Insurance Group unit.

Mr. Bunner, in Reno last week for the year-end meeting of the National Assn. of Insurance Commissioners, said meetings regarding the bailout would be held this week among California regulators, MIG and representatives of companies that ceded business to MIC.

Mr. Bunner acknowledged last week that so far it has been difficult to convince the ceding companies to support the plan. Lacking support from these ceding insurers has been "a big stumbling block to the proposal's success," he said.

Under the plan, certain direct written insurance business will be transferred from MIC and its subsidiaries to another MIG unit, Mission American Insurance Co. At the same time, Cincinnati-based American Financial Corp., MIG's principal shareholder, will contribute \$125 million to Mission American to support the transfer of business.

All reinsurance business written by Mission and its insurance subsidiaries would remain with MIC.

Mr. Bunner said he would like a first draft of a definitive agreement by Dec. 27.

"I can't wait much longer," he said.

Mr. Bunner and Mission American Insurance Co. President Ray D. Johnson Jr. already have signed a letter of intent to move ahead with the plan.

The six-page letter, signed Dec. 6 and written on Mission American stationery, details how Mission American will assume virtually all the commercial direct written business of MIC and its subsidiaries. This includes property, casualty and workers compensation policies (BI, Dec. 2).

The business to be transferred represents \$656 million in liabilities, for which Mission American will receive \$616 million in assets. MIC liabilities, therefore, would be reduced \$40 million from the transaction.

The letter states that Mission American will have full rights to subrogation, salvage, unearned, unbilled or uncollected and unearned premiums and reinsurance recoverables.

Mission American also will be given a list of MIC insureds and the right to solicit their business.

The transfer is designed to avoid claims against guaranty funds if MIC were liquidated and to provide policyholders with continuity of coverage.

The letter of intent, a copy of which was circulated at the NAIC meeting, reveals that Mission American will not assume any personal lines business or any excess policies that a regulatory authority might order to be renewed.

That latter exclusion chiefly addresses policies like those in New Jersey, where regulators are ordering that certain commercial coverages be renewed (BI, Nov. 4).

The reinsurance business to be retained in MIC includes reinsurance assumed by MIC and by Mission Reinsurance Corp., an MIC subsidiary. Liabilities on this business are estimated at \$160 million.

Those policies were written for the companies by two affiliated underwriting managers, Pacific Reinsurance Management Corp. and Mission Reinsurance Management Corp.

Pacific has been sued in two separate actions by reinsurers charging mismanagement and seeking rescission of underwriting management contracts (BI, May 13).

Pacific recently settled one lawsuit filed by Federated Reinsurance Corp. of Piscataway, N.J. Details of the settlement were not available, but it was approved Nov. 13 by the California Insurance Department.

To cover outstanding reinsurance liabilities, MIC and its subsidiaries will retain \$30 million in liquid assets, \$30 million in reinsurance recoverables and its corporate charters and licenses and those of its subsidiaries.

The licenses of MIC and its five insurance company subsidiaries could be

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Billion-dollar payoff?

Manville fund a boon to plaintiffs' lawyers

By STEPHEN TARNOFF

NEW YORK—Attorneys representing asbestos victims in the Manville Corp. reorganization could receive up to \$1 billion in fees as money in a proposed trust fund is paid to victims, lawyers involved in the reorganization say.

"As presently constituted, it could go that high," said Stephen Case, a Manville bankruptcy attorney with the firm of Davis Polk & Wardwell.

According to the proposed Manville reorganization plan, which cleared several hurdles last week, a trust fund would provide up to \$3 billion to asbestos victims. If plaintiffs' attorneys' contingent fees equal one-third of that amount, "there's your answer," Mr. Case said.

"It is realistic," said Barry R. Ostrager, an attorney with the New York firm of Simpson, Thatcher & Bartlett who represents Travelers Insurance Co. Plaintiffs' attorneys "will be rich beyond the dreams of avarice," he said.

Plaintiffs' attorneys, however, emphasize the amount they receive will not be paid in a lump sum but will be spread over the many years in which asbestos victims' claims will be paid.

"There will not be one big fee for \$1 billion," stressed Elihu Inselbuch, an attorney for the plain-

tiffs' creditors committee in the Manville bankruptcy with the New York firm of Gilbert, Seagall & Young. "That's not going to happen."

The plaintiffs' attorneys' fees also will depend upon:

- How efficiently a contemplated facility for settling asbestos claims operates, reducing the time spent by lawyers.

- The terms of the individual fee contracts between plaintiffs and their attorneys.

- Whether the attorneys voluntarily reduce their fees.

- Whether the bankruptcy court orders that their fees be reduced.

Plaintiffs' attorneys' contingent fees often range from 25% to 40% of a judgment or settlement because of the risk involved in bringing the case. If

the plaintiff loses the case, the plaintiffs' attorney receives nothing.

The speculation over the amount of attorneys' fees came as Leon Silverman, the attorney representing future claimants in the Manville bankruptcy and the architect of the proposed reorganization plan, said at a Dec. 6 hearing that he and Manville were in "complete agreement" on the reorganization plan.

This includes Manville's agreement to pay at least

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Plaintiffs' attorneys 'will be rich beyond the dreams of avarice,' says Barry R. Ostrager, an attorney representing Travelers.

New state MAPs do not tackle unaffordable coverage problems

By DAVE LENCKUS

Public entities in New Mexico and municipalities and day-care facilities in Maryland may find that liability insurance is more available, if not more affordable.

The insurance departments in both states are implementing voluntary market assistance programs in attempts to ease the liability insurance availability crunch.

New Mexico's MAP is expected to be implemented Jan. 1. Although public entities are most affected by the liability insurance availability crunch there, the plan is open to all businesses in the state.

The appointment of an executive director is all that remains to be done before the MAP can be implemented, said Vincent Jasso, superintendent of the Insurance Department. The appointment will be made by a committee of insurance industry executives, producers and underwriters.

Maryland's MAP, which is open only to day-care facilities and municipalities, was introduced in November.



In a typical market assistance program, insurers join together to help provide types of coverage that are either unavailable or unaffordable in the marketplace. However, neither the New Mexico nor the Maryland plan addresses the problem of unaffordable coverages.

"If you get a quote, you're not eligible" to participate in the MAP, said Jim Marks, the Southwest regional manager for the Insurance Information Institute and the spokesman for the New Mexico MAP.

"It really doesn't address affordability," Mr. Marks said. "It's addressing strictly the lack of a market."

"Unfortunately, the pricing won't be anything they couldn't get in the open market," said Thomas P. Barbera, deputy director of the Maryland Insurance Department.

Also, neither plan guarantees that coverage will be arranged for every MAP applicant, particularly high-risk applicants.

"Not all risks are insurable," Mr. Marks said. "It's not going to create a residual market. Folks are not guaranteed a market."

In New Mexico, the "largest, looming problem" is the unavailability of general liability insurance for school districts, municipalities and counties, Mr. Marks explained.

The problem became apparent this year as 29 of

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NAIC adopts changes to guaranty fund model law

By STEVE TARAVELLA

RENO, Nev.—Insurance buyers whose net worth exceeds \$50 million would lose protection from state guaranty funds for third-party claims under amendments to a model law adopted last week by the National Assn. of Insurance Commissioners.

The new recommended limits on guaranty fund coverage, however, would affect far fewer policyholders than the original proposal to deny first-party claim payments to policyholders whose net worth exceeds \$10 million (BI, Nov. 25).

Policyholders can file claims against state guaranty funds when licensed insurers go broke and cannot pay claims. Licensed insurers, which are assessed to cover these claims payments, contend that the recent rash of insolvencies is straining the system and that funds should restrict their coverage.

Currently, all policyholders of any size can file claims against state guaranty funds. And, there are no rights of subrogation against policyholders in the former model act.

But, the commissioners agreed last week that guaranty fund laws should be amended to allow subrogation for recovery of payments made to third-parties on behalf of policyholders whose net worth exceeds \$50 million.

Other restrictions to guaranty fund coverage recommended last week by the commissioners include:

- Excluding coverage for claims filed by policyholders if the insolvent insurer is a corporate affiliate of the policyholder.

- Excluding coverage for claims against policies providing a financial guarantee or other forms of insurance offering protection against investment risks, fidelity bonds or any other bonding obligation and insurance of warranties or service contracts.

- Excluding any punitive or exemplary damage awards and any premium rebate under retrospective rating plans.

- Limiting payments for the return of unearned premiums to \$10,000.

These amendments to the Post Assessment Property and Liability Insurance Guaranty Assn. Model Act of 1970 were adopted by the insurance commissioners at the NAIC's year-end meeting in Reno last week.

The amended model law is now available for consideration by state legislators.

Before the recent amendments, the model act advised state property/casualty guaranty funds to exclude life, title, surety, disability, credit, mortgage guarantee and ocean marine insurance. Reinsurance claims also are not covered by guaranty funds.

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NAIC delays market conduct exams

By STEVE TARAVELLA

RENO, Nev.—The National Assn. of Insurance Commissioners postponed until next month special examinations of three Pennsylvania domiciled insurers to better define the scope of the exams.

Examinations of the way the insurers conduct their business—including a review of any midterm cancellations—had been scheduled to begin Dec. 2 and last about four weeks (BI Oct. 14).

The market conduct exams were rescheduled for the first week in January to give Western Zone regulators time to provide the Pennsylvania Insurance Department with "greater specificity" about the insurer action to be reviewed, according to David A. Gates, Nevada insurance commissioner.

The insurers to be reviewed are National Union Fire Insurance Co. of Pittsburgh, Pa., an American International Group unit based in New York but domiciled in Pennsylvania; Colonial Penn Insurance Co. of Philadelphia, a subsidiary of the Colonial Penn Group Inc.; and Insurance Company of North America, a CIGNA Corp. unit in Philadelphia.

Examiners will review INA's rate filings, National Union's claims-handling procedures, and Colonial Penn's cancellation of municipal liability policies, Mr. Gates said at a meeting held during the year-

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Darwood to be insurance adviser for Bahamas

By NICKI KELLY

NASSAU, Bahamas—John E. Darwood, former superintendent of insurance in the Cayman Islands, is now insurance adviser to the Bahamian government as part of a renewed effort to attract captive insurance companies to the islands.

Mr. Darwood will be responsible for the overall supervision of both domestic and offshore insurance activity in the Bahamas, but he will concentrate on the captive insurance company market.

Prime Minister Lynden Pindling told the Bahamian Parliament on Dec. 6 that the Darwood appointment represented "a major move to firmly establish the Bahamas in the captive insurance industry."

The Bahamas Assn. for International Insurance, which was behind the government's decision to find an internationally recognized regulator, welcomed the announcement.

"It indicates a total commitment by the Ea-

hamas to promoting the captive insurance industry," observed New York attorney Sidney Pine, a member of the BAI's international advisory committee and a pioneer in advising corporations on forming subsidiaries to underwrite insurance for parent company risks.

Mr. Darwood, 53, was an underwriter in the London market before being tapped as the Caymans' first insurance superintendent in 1980. During his 3½-year tenure in the Caymans, he was responsible for licensing 260 offshore insurance companies there.

Mr. Darwood left the Caymans in 1983 to become a managing director of Homeland International Ltd., a captive manager in Bermuda. He was also joint director of Homeland Insurance Management in the Caymans.

Earlier this year, Homeland was negotiating to purchase the Bermuda and Cayman captive management operation of Corroon & Black Corp., but the sale fell apart.

As a result, Corroon & Black Sept. 1 sold its Bermuda captive management business for

14 captives to Hanna Insurance Management in Bermuda.

Mr. Darwood resigned from Homeland following the aborted acquisition of the Corroon & Black management operation.

Homeland no longer maintains a Bermuda office, but has subcontracted management services for its captive clients to H&H Management Services Ltd. in Bermuda.

Mr. Darwood was recruited for the position in the Bahamas, where authorities hope he will attract new captives. Only 30 captives are registered in the Bahamas now.

"We are hoping to attract more companies," Mr. Darwood said. "Hopefully, my presence will help and provide the focal point in government."

But, he added, "I can't do it all. Industry has to crank itself up."

Mr. Darwood said his first priority will be to establish a government department that responds quickly and efficiently to the private sector and works with it to promote the

Bahamas as an attractive alternative to other offshore domiciles.

"The Bahamas also will have to demonstrate that it has the right management expertise to handle captives' business," he said.

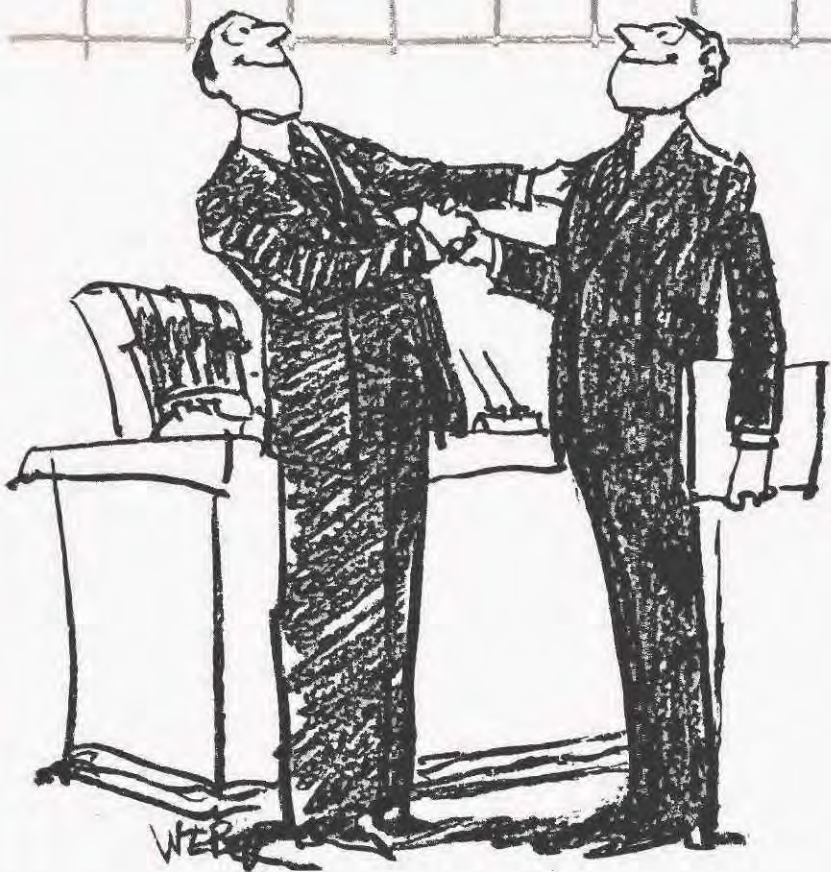
Mr. Darwood is especially interested in encouraging the formation of captives by banks and other financial services businesses needing professional liability insurance.

"One or two prestigious clients like Bank America, which recently established a Cayman Island captive for its (directors and officers liability insurance) business, could prove a turning point for the Bahamas," he said.

Registration of captive managers and captive insurers is covered by the 1983 Bahamas External Insurance Act, which operates in tandem with the Insurance Act of 1969.

However, Mr. Darwood eventually would like to see a single act governing both domestic and offshore business. In the meantime, he intends to issue guidelines for prospective captives.

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ClaimFacts, GroupFacts, ImpleFacts

FASB readies regulations on pensions

STAMFORD, Conn.—The Financial Accounting Standards Board will release its pension accounting rules Dec. 31, to take effect Dec. 15, 1986.

The rules, which are the result of two years of hearings, are somewhat less stringent than some employers had feared. However, the new rules still create uniform accounting methods for pension plans.

Small changes still could be made before the rules are released, according to Tim Lucas, FASB project manager.

However, he said, most of the major changes are set, including:

- As expected, all unfunded liabilities will have to be reported on the balance sheet, and more will be disclosed in balance sheet footnotes.

For example, corporations will have to report unrecognized net gains and losses, unrecognized prior service costs and projected benefit obligations, according to Mr. Lucas.

- Using the projected unit credit method, corporations will have to recognize cost, or liability, over the service period of workers.

An earlier FASB exposure draft called for companies to report liabilities based on workers' future salary increases. But, the final version requires companies to report liabilities based only on employees' current wages.

- The formula plan for asset valuation will be altered to take into account market volatility.

Pension funds currently use the market value of assets to determine valuation. Under the new rules, "a market-related asset value and an estimated long-term, return-on-assets rate will be used to calculate the return-on-assets component of cost," Mr. Lucas said.

- Companies will record a one-time gain for assets recovered by terminating pension plans. Previously, that gain was spread over a minimum of 10 years for companies replacing their terminated plan with a successor defined benefit plan.

"The document represents a tremendous amount of compromise," said Michael Merlob, an associate in the Stamford office of William M. Mercer-Meidinger Inc. who attended several of the hearings.

"On the one hand, there is pure accounting theory, and on the other, there is practice. The FASB draft came up right in the middle, with something that everyone finds least objectionable, but not desirable, also," he said.

—Crain News Service

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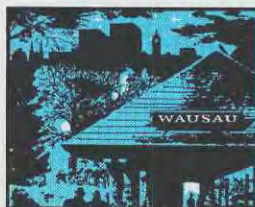
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MGM payments

Continued from page 1

York department with the liquidation of Union Indemnity," Mr. O'Brien said.

Hall is not currently covering any obligations of Union Indemnity, Mr. O'Brien added.

Union International wrote the first \$35 million layer of the total \$170 million in back-dated liability insurance bought by MGM after the Las Vegas fire and a \$3.5 million share of the second \$35 million layer.

MGM sued Hall, Union International and other retroactive insurers in March 1983, charging that the insurers had not indemnified MGM for the \$75 million settlement it had reached with fire victims.

Hall and Union International—arguing that the first \$35 million layer of back-dated coverage should be nullified—charged that the \$75 million settlement was excessive and apparently included punitive damages, which were excluded by the policy.

However, the coverage dispute was settled earlier this year when Hall and the retroactive insurers agreed to pay MGM \$75.9 million.

Hall and Union International agreed to pay \$36 million of the total settlement, \$27 million of which was actually paid last April. Two additional payments of \$4.5 million each, plus interest, are due from Union International in April 1986 and April 1987.

Interest on the first payment will amount to \$540,000, while interest on the second will be about \$1.08 million, Mr. O'Brien said.

Union had been 100% reinsured by General Reinsurance Corp. on the back-dated liability risk, though a payout schedule had originally limited Gen Re's liability to \$7 million in 1984 and 1985, with additional payments stretched out

until 1990.

The reinsurance agreement was changed before MGM's settlement with the fire victims to accelerate Gen Re's scheduled payouts while reducing the reinsurer's total exposure to an amount Mr. O'Brien described earlier this year as "significantly less than \$35 million."

Gen Re contributed to Union International's first payment of \$27 million, but will not contribute to either of the remaining \$4.5 million payments, Mr. O'Brien said.

Hall's errors and omissions insurance—triggered by MGM's allegation that Hall acted negligently in brokering the retroactive insurance—also contributed to the first \$27 million payment but will not contribute to the next two, Mr. O'Brien added.

He would not comment on how much of the \$27 million payment came from Gen Re and the E&O insurers.

Mr. O'Brien said that Hall had intended to cover all of Union In-

demnity's MGM-related liabilities and that the purchase of surety bonds to guarantee payment "was simply a follow-through on a previously announced intention."

The first bond, covering the \$4.5 million plus interest due next April, was issued by Insurance Co. of North America, SAFECO Insurance Co. of America and Reliance Insurance Co., with each insurer acting as one-third co-surety, Mr. O'Brien said.

The second bond, covering the 1987 payment, was issued by INA, Reliance and Travelers Indemnity Co., he said.

Hall had told the Delaware department before the rehabilitation petition was filed that it intended to cover Union International's payments to MGM, and had given the department a written agreement to that effect, he said.

However, Mr. Lynch said that Delaware Insurance Commissioner David N. Levinson decided that Hall's earlier guarantee proposals

were not satisfactory and decided to move ahead with the rehabilitation petition.

"We wanted to have a guarantee in a form that is acceptable to us," Mr. Lynch said.

Mr. Lynch added that he has not yet seen the bonds Hall has arranged and doesn't yet know if the Insurance Department would find them satisfactory.

Meanwhile, claims against Union International are being held in limbo while policyholders await the outcome of the rehabilitation action. If the Delaware commissioner is appointed Union International's receiver, claims payments could not be made without his approval, Mr. Lynch noted.

However, if the rehabilitation petition is withdrawn, responsibility for approving claims may fall to the New York department as liquidator of Union International's parent company.

Quarterly financial information on Union International was not

available last week from several insurance departments, including Delaware and New York.

In 1984, Union International reported gross direct and reinsurance premiums of \$3.8 million and net premiums of \$2.8 million. Gross direct volume of \$3.3 million last year and \$1.6 million in 1983 were down substantially from the \$11.2 million and \$18.8 million in direct premiums recorded in 1982 and 1981, respectively, when the insurer wrote the MGM back-dated coverage.

Union International recorded a net underwriting gain of \$477,000 in 1984 and with investment income of \$415,000 finished the year with a net operating gain of \$892,000. Policyholders surplus amounted to \$3.1 million as of last Dec. 31, compared with \$3.2 million at year-end 1983.

Union International was licensed only in Delaware and operated as a surplus lines or non-admitted insurer in 19 states and the District of Columbia in 1984. ■

comings & goings: buyers

Dictaphone promotes Hom to a director

David Hom is now director of human resources for Dictaphone Corp. in Rye, N.Y., promoted from manager of compensation and benefits. In his new position, he will be responsible for employee relations, including compensation and benefits. Mr. Hom, 33, replaces **Barbara A. Finn**, vp-employee relations, who is leaving the company, and reports to J.L. Bast, president and chief executive officer. Mr. Hom has a bachelor of arts degree from the State University of New York in Albany and an MBA from Hofstra University in Hempstead, N.Y.

Denis A. Glaude has been appointed manager of risk, insurance and real estate for Dominion Textile Inc. of Montreal. Mr. Glaude, 35, will be responsible for administering the company's worldwide insurance program and for coordinating real estate sales and purchases. Mr. Glaude replaces **Suzan Ness**, who left the company, and reports to Sandy Mackay-Smith, vp, legal and corporate secretary. Most recently, Mr. Glaude was assistant vp and manager at M&M Protection Consultants in Montreal, a subsidiary of Marsh & McLennan Cos. Inc. Mr. Glaude has a bachelor's degree in applied science in chemical engineering from the University of Toronto and an MBA from McGill University in Montreal. He is a member of the National Fire Protection Assn. ■

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Arianespace set to launch satellite reinsurer

By STACY SHAPIRO

LONDON—European satellite launch agency Arianespace hopes to double satellite launch insurance capacity when it opens its new captive reinsurance company in mid-January, says Arianespace's broker.

Large losses have caused satellite launch insurance capacity to shrink to about \$60 million to \$75 million per flight, says Mohammed Dahbi, head of the aviation and aerospace division at Faugere & Jutheau in Paris, Arianespace's broker. But, Mr. Dahbi says Arianespace's new "launch cost" insurance program will provide an equal amount of capacity (BI, Oct. 21).

And, he says, "It will reduce the tension in the insurance market and make underwriters more rea-

sonable in assessing rates. Arianespace wants to fill the gap (in launch insurance) and wait until the insurance industry can get over recent losses to respond to the needs of clients once again."

The new program will cover only the cost of relaunch aboard an Ariane rocket, if the launch is unsuccessful because of a problem with the rocket. But, Arianespace hopes that by separating out the cost of the launch, which currently is included as part of the insured value of a satellite, capacity will be freed up to insure against a failure of the satellite after it is launched.

The cost of a launch aboard the Ariane rocket is about \$50 million, which is divided among the owners of the satellites to be launched on a single mission based on the size of the satellites.

Arianespace announced the new plan after the September loss of an unmanned Ariane rocket, which was destroyed intentionally after the rocket plummeted toward a populated area.

Two satellites with a combined insured value of \$168 million were lost when the rocket was destroyed (BI, Sept. 23).

Late last month, the French government granted Arianespace permission to set up a captive reinsurance company in France. The captive will be fronted by a commercial insurance company, which will cede 100% of all satellite risks to the new captive reinsurer, Mr. Dahbi says. The new captive company, which is called Space Related Risks Reinsurance Co., is scheduled to begin writing coverage in mid-January, he said.

S3R is managed by Faugere & Jutheau, he says.

S3R will pay for launch costs related to the first loss out of 15 launches, if it can be proved that the satellite or satellites failed to reach proper orbit because of a failure of the Ariane rocket, he said.

Any subsequent losses will be paid by the retrocessionaires of S3R, he said.

S3R will offer satellite launch cost insurance at a rate of 13.2% of the cost of the launch, Mr. Dahbi said. The premium, however, will be paid in advance when launch costs are paid, which could be one to two years before the launch, he said.

In the case of a loss, the owner can request immediate reimbursement for the launch costs, Mr. Dahbi said.

Or, the owner can get a relaunch free and pay 11% of the launch cost instead of 13.2% for coverage for the relaunch.

The second method of payment is designed as an incentive to remain with Ariane, Mr. Dahbi said, because of the reduction in rate for the relaunch coverage.

Mr. Dahbi said Caisse Centrale de Reassurance, the state reinsurance company of France, will reinsure the new captive.

"CCR covers risks which are in the (French) national interest but which the private market does not have the capability to write," he said.

CCR traditionally writes war and natural catastrophe risks like flood in France, but CCR also has been involved recently in satellite coverage, Mr. Dahbi said.

When Faugere & Jutheau was placing coverage for GTE Corp.'s Spacenet series of five satellites, "we found a shortage of capacity," Mr. Dahbi said. "As it was the first non-European customer of Ariane, CCR agreed to cover it."

CCR reinsures \$25 million of each of the Spacenet satellites. When the GTE Spacenet-3 was destroyed aboard the Ariane rocket in September, CCR paid the loss "within four days," Mr. Dahbi said.

Whether there are any other retrocessionaires for the new captive will depend on the state of the reinsurance market, Mr. Dahbi said.

And, he noted, CCR traditionally withdraws if there is a private market available.

Both Mr. Dahbi and Arianespace Chairman and Chief Executive Officer Frederic J.P. d'Allest stress that Arianespace's new insurance program is only a temporary measure, until the satellite launch insurance market gets back on its feet.

"In order to solve completely the short-term insurance issue, we welcome any initiative such as satellite risk pooling or guarantees supplied by spacecraft manufacturers for the remaining portion of the risk related to satellite operation after separation of Ariane, in addition to the insurance available on the market," Mr. d'Allest told the U.S. Senate Subcommittee on Science, Technology and Space early last month.

"However, we firmly hope that the market will recover in a couple of years, allowing the termination of such temporary measures," Mr. d'Allest said.

During the last 21 months, the satellite insurance industry has paid more than \$600 million in claims for the loss of six satellites, although underwriters will recoup about \$65 million to \$85 million over five years in the salvage of the Hughes satellite Syncom IV-F3 (BI, Dec. 9).

During the same period, satellite launch insurers collected about \$300 million in premium, sources say.

So, insurance capacity has dried up, and underwriters now charge between 20% and 30% of the insured value for what capacity there is left, Mr. d'Allest told the Senate panel.

"We think that the current situation of the market is dangerous and may jeopardize the development of commercial space ventures and the related space industry," Mr. d'Allest told the Senate panel.

"As a major supplier of commercial launch services in the Western world, we are vitally concerned about the space insurance situation," he said.

"This situation is simply unacceptable for most of the satellite operators and is actually jeopardizing the further development of the commercial space industry," he told the panel. ■



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An encouraging sign

IT'S ABOUT TIME the three insurance trade associations banded together to provide public comment and leadership on the current chaos in the commercial property/casualty insurance business.

The 22-page Agenda for Joint Action presented last week by The National Assn. of Independent Insurers, which represents about 480 insurance companies, the 175-member Alliance of American Insurers and the 185-member American Insurance Assn. is both a savvy public relations move and a promising harbinger of change (see story, page 1).

Insurance buyers may not like all the insurers' suggestions for solving the problems of high insurance prices and shrinking limits—notably the emphasis on the approval of the new claims-made form by state insurance departments—but overall, their recommendations are sound, sensible and ought to be heeded.

State insurance commissioners should waste no time launching the recommendations that they alone can implement. These include developing and adopting reasonable limitations on insurers' rights to cancel insurance policies mid term and organizing voluntary market assistance programs to help insurance buyers find needed coverage.

Unfortunately, the insurers do not define what they mean by reasonable limitations on the right to cancel policies, individually or en masse. But, they do advise against imposing onerous restrictions on policy cancellations and non-renewals. More specifics on what is reasonable and what is onerous are needed.

State insurance commissioners should heed the insurers' advice that new capital must be attracted to the insurance business, including the capital of potential insurance buyers who can individually or through groups self-fund their own risks.

But again, we're not exactly sure what the insurers mean when they say, "The industry supports efforts by businesses and others to add capacity to the marketplace through appropriate individual and group self-insurance, provided that in the case of groups, they are subject to adequate regulatory supervision and result in no unfair advantages over commercial insurance" (emphasis added).

It's a safe bet, however, that insurance buyers looking to self-insure and commercial insurers will disagree on what is appropriate self-insurance, adequate supervision and an unfair advantage.

We agree with the insurers that reforming the civil justice system is the most crucial long-term remedy for restoring stability to the insurance marketplace. We fully expect that insurance regulators will champion reforms in their own states. And, we commend the insurers for identifying specific reforms: replacing joint and several liability with several liability, adoption of state-of-the-art defenses and, at the very least, restrictions on punitive damage awards.

We do, however, part company with the insurers on the issue of the claims-made form. We've already recommended that July 1 is the soonest that a claims-made policy should be adopted for widespread use and we've suggested more compromises be made on the provisions of the claims-made form.

Nevertheless, we urge the insurance trade associations to lobby vigorously for action on their recommendations. They must not consider their work finished with the submission of their proposals. If they do, their Agenda for Joint Action will be remembered as nothing more than a public relations balloon full of hot air, and not a determined effort to help restore stability to their business.

letters

Proposed pension benefit limits 'not end of world'

To the editor: The sky is falling!—or is it?

The House Ways and Means Committee wants to limit benefits under a defined benefit plan to \$77,000 per person per year, and contributions under a defined contribution plan to \$25,000 per person per year.

Is that really the end of the world?

Just who would be affected by these new limits? Most corporations contribute 9% to 10% of salaries to profit-sharing plans; even at 15%, only an employee earning more than \$166,000 per year would exceed the limit.

A defined benefit pension of \$77,000, plus \$13,000 in Social Security benefits (not unreasonable for a married retiree), would replace 60% of a \$155,000 income, and 75% of a \$25,000 income.

How many Americans *earn* more than \$120,000 today? A million? Five hundred thousand? Fewer?

Is it really surprising that unions didn't oppose these limits?

And, how does the rest of the bill affect these employees? Their marginal personal tax rate drops from 50% to 30%! This rate reduction will save affected taxpayers many times what they will lose as a result of the new pension limits.

Perhaps they can use a few of those extra after-tax dollars to stave off a destitute retirement.

The Ways and Means Committee's pension limits clearly reduce the value of

one handy tax shelter for wealthy individuals. Most American workers have no pension benefits at all. In that context, it is surely no betrayal of ERISA to limit the income base for qualified—and therefore taxpayer supported—retirement plans.

Mary A. Carroll
Chicago, Ill.

Where do small groups get medical cover?

To the editor: Your article "Panel proposes boost in insurance taxes" (BI, Nov. 25) raises an interesting issue: the so-called guaranteed coverage of small groups by Blue Cross.

The small group policies I've seen issued by Blue Cross contain a pre-existing conditions clause of 11 months. Thus, a small group (as few as three in the New York area) can get Blue Cross coverage, without a medical questionnaire but with an 11-month pre-existing conditions clause.

What if government regulations made Blue Cross change the minimum non-medical issue of groups to 10 or more? Then where do the groups of between three to nine employees apply for medical insurance coverage if one of the employees or their dependents has a med-

ical problem? The problem already exists for groups of one or two.

This is an issue that we have to address. Where do the uninsurables go for medical insurance coverage?

This situation would be dramatically worsened if government regulations required Blue Cross to tighten its underwriting rules. Maybe it is not so bad for Blue Cross to absorb a loss by insuring small groups. At least it serves the function of insuring small groups. The government is not going to do it. Where would these small groups turn for coverage?

Richard P. Duffy

Agent
The Equitable Life Assurance
Society of the United States
White Plains, N. Y.

Aetna should have pursued hospital

To the editor: According to your article, "Supreme Court asked to rule on punitive damages issues" (BI, Dec. 2), Aetna petitioned the Supreme Court for a ruling on \$3.5 million in punitive damages awarded to the plaintiff in a bad-faith claim. According to the article, Aetna refused to pay under a health policy \$1,650 of a hospital bill on the basis that the services rendered were not the "usual and customary" and that the insured should have been treated as an outpatient.

The issues raised are of sweeping constitutional dimensions. However, within the boundaries of the common law of su-

brogation, has Aetna overlooked a remedy—the most appropriate remedy?

Had Aetna paid the claim, it would have been subrogated to the insured's rights against the real culprit, the overreaching hospital. Aetna, with its vast resources, was in a far better position than the insured to sue the offending hospital and physicians for the rendering of unnecessary services.

Jonathan H. Stevens

Partner
Stevens & Clark
Attorneys at Law
Winooski, Vt.

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Equitable plans to form new insurance unit

The Equitable Life Assurance Society of the United States has formed a new division in New York that will assume underwriting and administration responsibility for all its life, health and disability coverages.

Now, the Equitable has no separate company for these coverages.

Equitable Group & Health Insurance Co., capitalized at \$275 million, is now in its "first step toward becoming a totally incorporated entity, a subsidiary of the Equitable," said Gilbert M. Reich, president and chief executive officer of the new unit. He said Equitable plans to incorporate the company soon.

The new company "will enable our life, health and disability business to maintain its leading edge by responding rapidly to the needs of the marketplace," he said.

markets

Mr. Reich said the new company is assuming Equitable's group health, life and disability insurance business. He said Equitable currently has about 2,000 corporate group insurance clients.

In addition, the new company is assuming Equitable's 40,000 to 50,000 individual policyholders' accounts and management of Advanced Systems Applications Inc. in Lincolnshire, Ill., a software company owned by Equitable.

The new unit plans to introduce a group universal life insurance product during the first half of 1986, according to Mr. Reich.

In addition, the company plans a joint venture with an unidentified

partner to implement a national health maintenance organization network early next year, he said.

Dental HMO

Delta Dental Plan of Missouri will begin marketing a dental health maintenance organization called Delta Care Plus in January.

The plan will be offered first in St. Louis and Kansas City and will be expanded later throughout the state. A spokeswoman for DDPM said the first employees should be enrolled in the plan by March 1.

DDPM is a non-profit service organization that provides prepaid and fee-for-service dental pro-

grams to Missouri corporations.

The new dental HMO is being structured as an alternative to clients' traditional fee-for-service plans, the spokeswoman says.

Dentists that participate in DDPM are eligible to become Delta Care Plus providers, and they will receive a preset monthly payment for each HMO member.

Contact Delta Dental Plan, 8390 Delmar Blvd., St. Louis, Mo. 63124; 314-993-9090.

Mental health PPO

The Bethesda Provider Organization has been formed to offer mental health and chemical dependency services to employers in the Denver area.

The new PPO is a joint venture between Bethesda Psychiatric Hos-

pital and selected psychiatrists and psychologists.

BPO provides mental health services on an inpatient or outpatient basis. Outpatient care is available for patients who need treatment for acute and recurrent behavior problems, drug and alcohol abuse, eating disorders, marital and family issues and other similar problems.

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Other services include a 24-hour emergency service and vocational rehabilitation.

BPO provides employers with utilization review services, monthly management reports and claims processing services. Benefit levels can be custom-designed.

Contact BPO at 5200 DTC Parkway, Suite 100, Englewood, Colo. 80111; 303-771-4258.

International venture

Travelers Corp. of Hartford, Conn., and Nippon Life Insurance Co. of Tokyo are exploring joint investment opportunities in the international marketplace.

The companies have established a task force that will meet monthly to discuss investment ideas. In addition, the insurers will participate in yearlong employee exchanges.

"This will provide our companies the opportunity to form an intimate bond based on trust, knowledge and experience," said Travelers Chairman and Chief Executive Officer Edward H. Budd.

The insurers also plan to exchange an undetermined amount of investment funds to be managed by the opposite member, according to Travelers.

Travelers pointed out that the new working relationship is an extension of "cooperation and reinsurance agreements" the two companies have had for 20 years.

"Companies that share common strengths and interests are among the pioneers who will cross borders to share experience and meet the challenges and opportunities that the international marketplace offers," Mr. Budd said.

Aetna acquisition

Aetna Life & Casualty Co. has agreed in principle to acquire Tyndall Group Ltd. of the United Kingdom, a life insurance and financial services company owned by Globe Investment Trust P.L.C.

Tyndall has interests in Britain, Bermuda, the Channel Islands, Cyprus and Hong Kong.

Tyndall "will give Aetna a larger position in the U.K. market, where we believe there are significant opportunities for profitable growth," said Kenneth P. Veit, president of Aetna Insurance International Inc., an Aetna Life & Casualty unit.

Mergers/acquisitions

Health Care Plus of America Inc. in Wichita, Kan., which operates hospitals and health maintenance organizations, has acquired Insurance Benefit Services Inc., a benefits claims administration company in Houston. Besides retaining IBS' current business, HCA will use IBS to market preferred provider organizations in Texas.

Tillinghast, Nelson & Warren Inc. and United Risk Management Consultants Ltd. have consolidated in Scandinavia as UNIRISK Tillinghast Consultants, P.O. Box 14211, Vapnargatan 6, S-104 40 Stockholm, Sweden; 011-46-863-5475. Also, Tillinghast has opened Tillinghast, Nelson & Warren Societe Anonyme Conseil-Actuaires at 28 Ave. de Messine, 75008 Paris, France; 011-331-256-4790.

Solution to puzzle on page 12.



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update

WORKERS COMP/INFO:
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Look to BI's first feature issue in 1986 — where BI editors will address issues of worker safety and rehabilitation.

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Weyerhaeuser not guilty in three volcano deaths

SEATTLE—A Superior Court jury recently found Tacoma, Wash.—based Weyerhaeuser Co. was not negligent in the deaths of three people, including two Weyerhaeuser employees, who were killed in the May 18, 1980, eruption of Mount St. Helens.

However, the jury was not able to reach a decision on the deaths of four other people, one person who was injured and one person claiming property damage.

The King County Superior Court jury's ruling Dec. 2 came after 10 days of deliberation in a complicated case involving nine plaintiffs, including the families of seven employees of Weyerhaeuser or its subcontractors who were killed when the volcano erupted.

around the states

Those who were killed were believed to be on a Weyerhaeuser tree farm at the time of the eruption. The tree farm is located about three miles from Mount St. Helens and is now part of a national memorial to those who died in the eruption.

The jury reached a decision only in the case of three of the people who were killed.

Post-trial motions asking for a retrial of the case involving the other plaintiffs were expected to be filed late last week, according to Ronald G. Franklin, the plaintiff's attorney who is based in Houston and specializes in wrongful death cases.

During the trial, Weyerhaeuser maintained that "the direction and magnitude and power of this volcanic eruption was unprecedented and...unforeseeable," said Helmut Wallenfels, a member of Weyerhaeuser's law department.

He also noted that the eruption occurred on a Sunday, and that "our crews do not work on Sundays."

"Negligence requires the disregard of a known danger," Mr. Wallenfels said, pointing out that the eruption surprised even scientists who specialize in the study of volcanoes.

"And we're just a bunch of loggers," he added.

But the plaintiffs maintain that Weyerhaeuser accepted responsibility to notify employees and subcontractors of any danger from the volcano.

Mr. Franklin also noted that even though it was Sunday, several crews were working.

And, he said, even if the volcano had erupted on Monday, Weyerhaeuser would not have been prepared to notify workers of the dangers.

Hertz ruling

BATON ROUGE, La.—For the second time, Louisiana Insurance Commissioner Sherman A. Bernard has found the Hertz Corp. guilty of selling insurance without being a licensed insurance company.

Mr. Bernard has ruled that the collision damage waivers sold by Hertz and two other car rental companies—Avis Inc. and Inter Urban Rental System—are insurance contracts under Louisiana law.

The collision damage waivers release the person renting the car from having to pay a deductible if an accident occurs.

The commissioner first ruled against Hertz last year, and he agreed to rehear the case after Avis and Inter Urban filed petitions to intervene (BI, Aug. 6).

Under Mr. Bernard's ruling, Hertz, Avis and Inter Urban must qualify with his office as insurers of vehicle property damage and liability coverage. In addition, employees of the car rental companies who sell the damage waivers must qualify with the commissioner's office as licensed insurance agents.

If the companies and their employees do not comply, the companies must stop selling the waivers, Mr. Bernard's ruling says.

And, as licensed insurance companies, the car rental agencies would be required to pay state premium taxes on the money they receive from the sale of the collision damage waivers. ■

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The Creative Link Between Insurers and Brokers

Employers seek health care role

BROOKFIELD, Wis.—Employers want a more aggressive role in shaping the nation's health care system, according to a recent survey.

More than three-fourths of the employee benefit professionals recently polled in a survey of Certified Employee Benefit Specialists said employers want this bigger role.

In addition, 41% said they or the employers they represent were actively involved in a health care coalition, although only 18% of the respondents said the coalition in which they were involved had been effective in meeting its objectives.

The respondents to the Fall 1985 CENSUS survey of Certified Employee Benefit Specialists also said they would cooperate in the development of a local, regional or national data base of employer-sponsored health plans for the collection and analysis of statistics on utilization.

And, 59% of the respondents said they expect to see an upsurge in the number of health care data consultants to help employers collect and use health care utilization statistics.

The CENSUS survey, which is conducted twice a year, polls all members of the International Society of Certified Employee Benefit Specialists.

The fall 1985 census, which surveyed the society's 700 members, was titled "The Health Care Marketplace in the Future... How Corporate Benefit Plans Can Redefine It."

ISCEBS members, who received the Certified Employee Benefit Specialist certification after completing 10 college-level courses, include benefit managers, employee benefit consultants, pension plan administrators and other professionals connected with employee benefits.

Many of the survey respondents had already taken steps to control the cost of their benefit programs, the survey showed.

Some 62% of the respondents said the employers with which they are associated have developed a benefit cost-management strategy within the past two years.

Twenty-six percent said the employers with which they are associated had not developed such a strategy, and 12% said they didn't know or didn't answer the question.

In addition, 51% said these employers had attempted to document the results of a redesigned benefit plan with cost-management measures.

In addition to general questions, the survey also probed the benefits specialists on specific issues, including:

- **Wellness programs.** Some 66% of the respondents said that employer-sponsored wellness programs are likely to become a key part of employee benefit plans in the future. Twenty-two percent disagreed with this assessment, while 12% didn't answer or had no opinion.

However, 73% of the respondents noted that wellness programs have a tendency to appeal to those who need them least, such as younger, healthier and better-educated employees. Only 10% disagreed with that statement.

Only 15% said that the health care plans with which they were associated offered monetary incentives to encourage changes in employee health habits; 77% said their plans had no such incentives.

Only 31% of the respondents said that changes in group insurance rates based on individual levels of employee health risk would be sufficient incentive for employers to encourage better health care habits, while 43% didn't think such

changes would be enough.

And, 58% of the respondents said they were concerned about the extent to which group health insurance rates based on individual risk assessment might foster discriminating employment practices, while 32% disagreed.

- **Retiree health benefits.** More than half—57%—of the respondents say there is likely to be an overall curtailment of retirement health benefits for employees not yet retired as a result of recent court decisions limiting employers' ability to cut retirement benefits. Only 21% said that it was unlikely that retiree health benefits would be reduced.

And, 59% of the respondents said that retiree health care plans should be prefunded over the active years of employment, as proposed by the Financial Accounting Standards Board, while 22% disagreed.

But, 61% said that if retiree health benefits were required to be prefunded, there would be a significant drop in the level of benefits provided for new retirees; only 22% disagreed.

Nearly all the respondents said the plans with which they work do not prefund retiree health benefits, although many noted that there are advantages to prefunding.

The respondents had several suggestions concerning how to more creatively fund these benefits, including the use of medical Individual Retirement Accounts established with employee pretax contributions over the years of active employment and the use of employer-sponsored defined contribution plans in which the funds become available upon retirement only to pay health insurance premiums.

- **Catastrophic risk coverage.** Some 61% of the respondents said they expect growth in employer-sponsored health plans that cover only catastrophic health risks coupled with reductions in coverage of routine care, while 26% did not expect such a change.

And, only 26% said that the implementation of such catastrophic health plans would serve as an incentive for health care providers to escalate a diagnosis of a patient's illness to qualify that patient for catastrophic coverage. Sixty percent said this would not occur.

- **Legislation.** Some 59% of the respondents said they would support federal legislation prohibiting individual states from mandating coverage under insured group health benefit plans. Some 32% said they would not support such legislation, and 9% did not answer or had no opinion.

Some 29% said that self-insured health plans, which are currently pre-empted from state regulation, should be required to participate in state-financed insurance pools for uninsured people. Fifty-eight percent disagreed, while 13% had no opinion.

The survey also asked ISCEBS members who they thought should be responsible for financing health care for the indigent, and what should be the role of corporate America.

Most of the society members responding to this question said they preferred a limited corporate role in financing such care.

"Medical care for the indigent and others without insurance should be financed by the government—which should have the good sense to limit its responsibility by encouraging corporations to provide medical benefits," a Midwestern benefit director said.

A few respondents called for greater corporate involvement, including one who said, "Perhaps it would be more uniform and less expensive in the long run to have

each employer pay a set amount per employee into a fund for financing this."

The respondents also reported that they believe for-profit organizations are more essential to the health care delivery system than not-for-profit providers.

Almost three-fourths—74%—of the respondents said that profit-making commercial health organizations are essential to a competitive health care delivery system. Fifteen percent said such organizations were not essential, and 11% said they didn't know or did not answer the question.

Forty-eight percent of the respondents said non-profit providers of health care are essential to a high-quality health care system, while 33% disagreed.

Fifty-nine percent said preferred provider organizations will be a long-term component of the nation's health care system. Twenty percent disagreed, and 21% said they did not know or didn't answer.

Free copies of the survey are available from the International Society of Certified Employee Benefit Specialists, 18700 W. Bluemound Road, P.O. Box 209, Brookfield, Wis. 53005; 414-786-8771.



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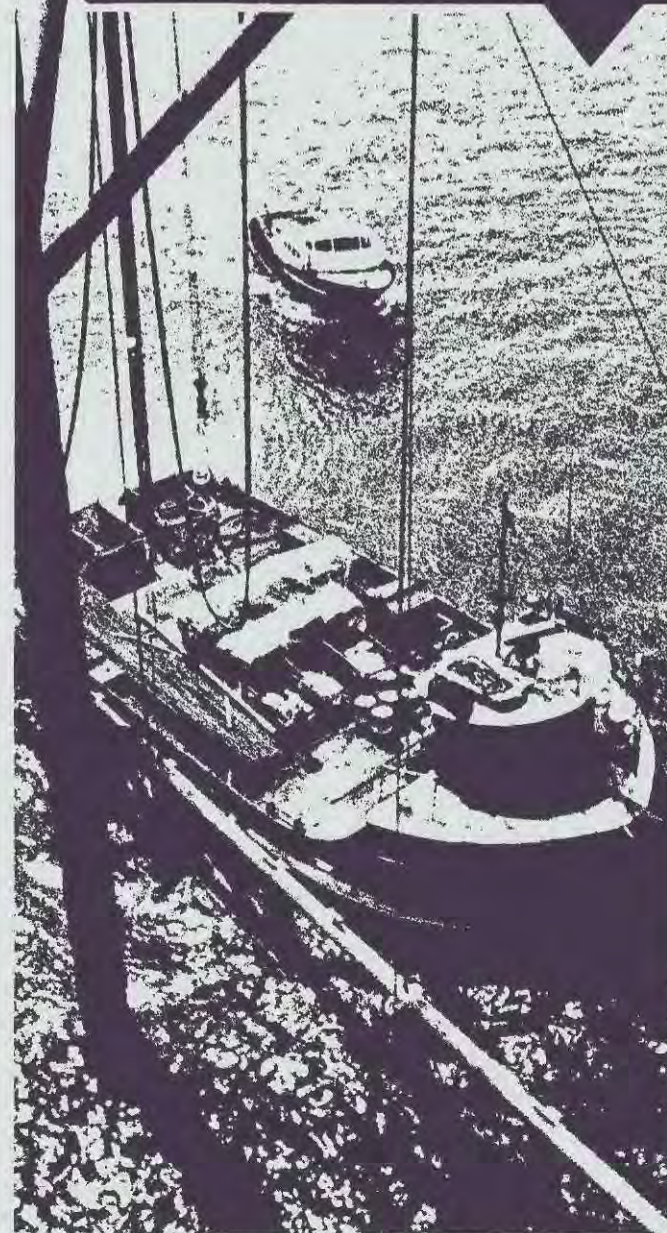
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"Lloyd's, London, Correspondents"

Lloyd's looking for new chief executive

By STACY SHAPIRO

LONDON—The Council of Lloyd's of London already is looking for a chief executive to succeed Ian Davison, who is resigning in May, Lloyd's Chairman Peter Miller revealed recently.

And, Mr. Miller refuted rumors that the chief executive position would lose its autonomy.

Mr. Miller said the new chief executive "will be offered the same terms of reference as the present chief executive, although those terms may need to be expanded to make it clear that the job offered is a long-term one and also expanded to emphasize the chief executive's responsibility for managing the support services for the market."

Specifically, he said, the chief executive will report to the chairman of Lloyd's and to the Lloyd's Council, work with the chairman and deputy chairmen and deal with the media and other people outside Lloyd's.

Also, he said, the Council has identified three areas of immediate concern for the new chief executive: maintaining the pace of regulatory reform, providing a smooth-running corporation to serve the market and helping the market

take advantage of automation.

"I repeat what I have said many times: We are committed to the concept of a chief executive whose 'independence' is assured by the fact that he will be a nominated member of the council," Mr. Miller said.

Current nominated members, Mr. Davison, Sir Kenneth Berrill, Brandon Gough and Edward Walker-Arnott, are appointed to the Lloyd's Council by the governor of the Bank of England rather than elected by members of Lloyd's.

Mr. Davison announced his resignation last month, after a working group was set up under Sir Kenneth to look into the corporate structure of Lloyd's, including a review of the role of the chief executive (BI, Nov. 18).

Financial regulation

Some Conservative members of Parliament are joining Labor Party members in urging that Lloyd's of London be regulated under a new financial services bill that will be introduced in Parliament before the new year.

Lloyd's currently is excluded from the bill, which will set up a

new Securities and Investment Board to monitor institutions that handle investments in Britain (BI, Dec. 9).

Lloyd's always has regulated itself, and its current self-regulatory powers are granted under the Lloyd's Act of 1982.

Recently, a growing number of members of Prime Minister Margaret Thatcher's Conservative Party have been coming out in favor of including Lloyd's in the financial services bill.

These Conservatives charge that there are signs that Lloyd's is "backsliding" in its implementation of effective self-regulation and self-discipline. Among the signs of such backsliding they cite is the resignation of Chief Executive Ian Davison.

Conservative William Clark, chairman of the Parliament's Finance Committee, is worried about the effect of scandals at Lloyd's on the reputation of London as a financial center.

"If the good name of the city of London is tarnished, then it must be stamped out immediately," Sir

london line

William said. "If we continue to get scandal after scandal, then business will simply stop coming here."

And, Lloyd's is feeling the effects of a general worry in Parliament about financial fraud. There have been several recent allegations of fraud in the London financial community, including some surrounding the failure of Johnson Mathey Bank, a major London bank.

So far, the government has not prosecuted anyone in any of the alleged financial frauds.

Some Conservatives think the best way to head off public pressure to impose statutory regulation on Lloyd's is with improved criminal prosecution of fraud.

"We should have one or two good prosecutions to clear the air," said Michael Grylls, Conservative member of Parliament.

But, many Conservatives say they still want to see hard evidence that Lloyd's is willing to regulate itself.

"I want to see action," Sir William said. "For example, if anybody has lost money in a scandal, they should be recompensed. I want to see Lloyd's Council take initiative in that process. I shall be watching them very closely."

In addition, Labor Party members of Parliament continue to call for Lloyd's regulation under the new bill.

Brian Sedgemore, a former trial lawyer and a left-wing Labor member of Parliament, accused Lloyd's in the House of Commons early this month of impeding the investigation and prosecution of past scandals.

Mr. Sedgemore accused Lloyd's Chairman Peter Miller and former Chairman Peter Green of a variety of unacceptable practices and introduced into the House of Commons a motion calling for their resignation from Lloyd's.

The motion said: "The House noted the manifest conflict of interest faced by both men in the recent scandal about the affairs of the Peter Cameron-Webb syndicate and Minet Holdings Ltd. . . . The House calls for the resignation of Peter Miller and Sir Peter Green as necessary first steps toward the restoration of confidence of Lloyds."

Another Labor Party member, Bryan Gould, also is calling for Lloyd's to be regulated under the bill.

But, Mr. Gould, a powerful Labor spokesman on trade issues, plans to push to include regulation of Lloyd's in the upcoming financial services bill.

Citing recent scandals at Lloyd's, Mr. Gould said "that Lloyd's is incapable of regulating itself effectively in the interests of investor protection."

And, it appears the government may have to bow to this pressure and include Lloyd's in the financial services bill.

A spokesman for the Department of Trade and Industry said last week: "We are taking a realistic approach. The government may have to give in to political pressure. It will depend on how quickly Lloyd's gets its house in order."

But, Lloyd's Chairman Peter Miller argued in a recent speech to the City Forum Club that Lloyd's should continue to be self-regulated under the Lloyd's Act of 1982.

First, he said, Lloyd's is not "backsliding." As evidence he pointed out that, since Lloyd's formed its Council in 1983, it has enacted a wide variety of regulation, including 37 bylaws and 13 bylaw amendments, three regulations and one amendment to the regulations and one code of practice.

"Major areas covered include those relating to discipline, disclosure of interests, premium income, syndicate accounting, membership, syndicate audit arrangements and agency agreements," Mr. Miller said.

Further, last week the Council passed rules to "bring to an end abuses of the past in relation to underwriters acting for more than one syndicate—the so-called baby or preferred syndicate."

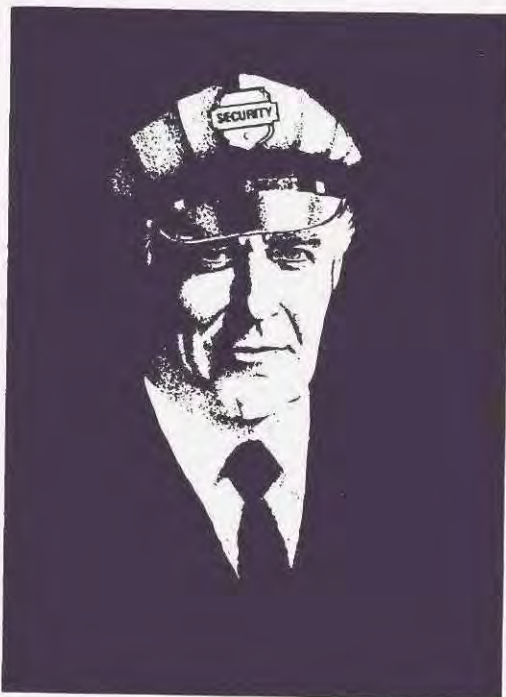
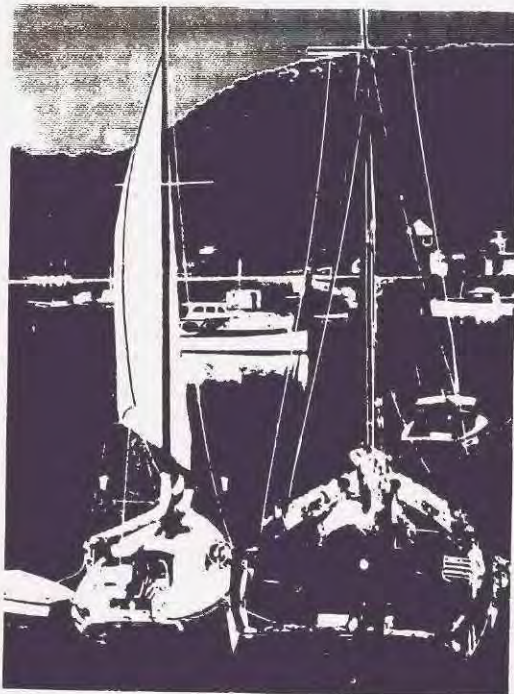
Specifically, the Council passed the multiple syndicates bylaw, which states that a managing agent may not, without the consent of the Council, manage two or more syndicates in the same basic market if any of these syndicates has fewer than 50 members, unless 75% of the capacity is provided by people not related to the managing agency.

Lloyd's also passed a voluntary code of practice for underwriting agents and active underwriters designed to prevent preferred underwriting.

"This record I submit completely refutes any charge that Lloyd's as an organization is only too willing to return to what has been described as the clubbish atmosphere of a small village," Mr. Miller emphasized during his speech.

Continued on next page

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Continued from previous page

"We are neither complacent nor in the business of self-destruction," Mr. Miller said.

"We are engaged in the steady, deliberate and considered construction of a framework of regulation that is capable of meeting all requirements of the modern Lloyd's, which is nothing less than Parliament expected the Council of Lloyd's to deliver when it voted on the Lloyd's Act of 1982."

Also, he said, Lloyd's is investigating misdeeds of its members that happened before 1982.

In fact, he said, since 1983, Lloyd's has referred 18 cases to the disciplinary committees and has levied penalties ranging from reprimands to expulsion against 26 members.

And, he said, Lloyd's has given the director of public prosecutions any information it has on alleged mismanagement, especially in the case of PCW Underwriting Agencies Ltd.

Six Lloyd's members have been disciplined for their parts in the alleged misappropriation of syndicate funds in the PCW case.

And, Mr. Miller said: "Having cleared up the disciplinary aspects of this problem... we are now actively pursuing with the parties concerned various possibilities with a view to resolving the resulting financial problems faced by the PCW names as speedily and as justly as possible."

So, Mr. Miller concluded, there is no need for Lloyd's to be included in the new financial services regulation measure.

Liability market

Liability insurers have been hoping to see the market harden, "but this is ridiculous," said David Seymour, manager of the international division of Royal Insurance (U.K.) Ltd.

"A broker trying to operate within this market has said that he feels like the drunk aboard the Titanic who asked for an ice cube," Mr. Seymour quipped.

But, on a serious note, he pointed out that "there are many examples of the general feeling of frustration on the part of producers having to turn away business that cannot be placed because there is insufficient capacity in the market."

"The charge of overreaction is being made in many quarters, not the least by regulatory authorities and buyers," he noted. "It is difficult to totally refute."

Mr. Seymour made his remarks in a speech to members of the Insurance Institute of London about liability underwriting for multinational companies.

He blamed much of the market turmoil on the U.S. legal system and its high court awards.

And, he noted that the difference in legal systems in Europe and North America makes it almost impossible to write global liability programs covering both places.

Buyers in Europe will see "the return of the purchase of U.S. domestic casualty protection to the domestic market and its exclusion from multinational programs," Mr. Seymour said.

However, Europeans will not find it as difficult to get liability coverage for risks outside North America, even though the European Economic Community has passed its strict product liability code, said Mr. Seymour.

"I think it is perfectly fair to say that the European scene is relatively peaceful—the further moves toward an imposition of strict liability are unlikely to have as traumatic an effect on the European market as is currently being experienced in the U.S.," said Mr. Seymour.

Mountain retires

Sir Denis Mountain, chairman

and managing director of Eagle Star Holdings P.L.C. and Eagle Star Insurance Co. Ltd., is retiring for health reasons.

He also is leaving his post on the executive board of Eagle Star's parent company, B.A.T. Industries P.L.C.

However, Sir Denis has been appointed honorary president of Eagle Star "in recognition of his and his family's long association with the Eagle Star Group," B.A.T. announced.

Sir Jasper Hollom, a director of B.A.T. Industries, has been appointed chairman of Eagle Star Holdings and Eagle Star Insurance Co.

A.R.B. Ratcliff, chief general manager of Eagle Star Insurance, will be appointed deputy chairman and chief executive of the insurance company.

Free-lance writer Jeff Ferry also contributed information for this column.



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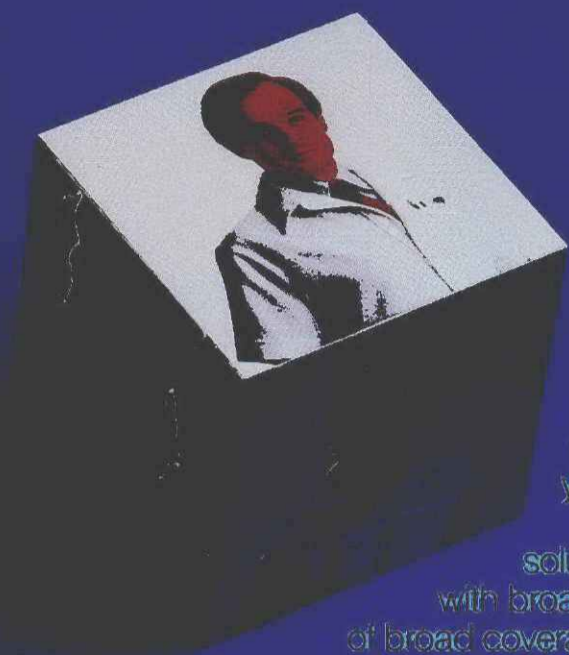
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RENEWAL NIGHTMARE

Liability coverage will be hard to place, but planning can help

By James A. Bradley

DISCARD ANY EXPECTATIONS that Jan. 1 renewals in the liability insurance marketplace will see rates going down. The bleak reality is that rates will increase drastically for policyholders who bought \$25 million in liability coverage this time last year and who expect to need that limit for 1986.

Historically, Jan. 1 is one of the heaviest renewal periods for liability business. Some \$750 million of premium—at current market pricing—will renew on Jan. 1. And, this tough period will be made all the more difficult by conditions surrounding the industry's wrestling with a move to claims-made coverage.

The trade press is replete with exhaustive analyses of wordings and theoretical discussions of why claims-made is a valid move. Yet, none of this has addressed what will happen in the "real world" of liability renewals and what realistic solutions may exist for buyers who must cope during this critical period.

The exigencies of effecting adequate coverage at this point far outweigh preference and even pricing. To begin to understand the seriousness of the dilemma, we have only to look at what our top 13 U.S. liability markets expect to be doing come Jan. 1. In an informal survey that included several professional reinsurers, we asked several questions:

- What liability treaties would they have in 1986?
- What limits of liability would be available in 1986 as compared with 1985?
- Do they plan to go to claims-made, and, if so, did they now have wordings available for first umbrella and for excess business?
- What percentage increase did they anticipate in underwriter staffing for 1986?

The response was dramatic, but contained few surprises.

Only those companies whose treaties renewed midyear were prepared to describe what terms would be in place Jan. 1 and what limits would be available. About half of those surveyed expect to be using claims-made forms next year; still, only four indicated they have wordings available for Jan. 1 business.

On an average, these markets expect to increase staffing about 15% in 1986.

What does this survey show of "real world" conditions in the liability marketplace?

Gross premiums written for excess liability classes will increase 50% from 1985 levels, but at the expense of other specialty programs.

A severe bottleneck will occur in the distribution system, caused principally by the lower limits of liability offered with no significant increase in the number of underwriters handling the business. Three to four times the number of policies will be needed to cover an account, but there will be too few underwriters, creating what we call the "logjam effect."

Those accounts that may have needed five policies in 1985 will need 15 or more in 1986.

Such "checkerboard placements" may even become "Swiss cheese placements" (see glossary).

As demand for underwriters' time and attention increases, we expect a "gas crisis" of sorts, where a broker's ability to see or talk to an underwriter and bind a piece of business will be not unlike the long lines at the gas pumps we experienced a few years back.

The proportions of such a crisis cannot be underestimated. We have only to look at the fact that while underwriting staffs may grow next year, no new underwriters are being added now to deal with the tremendous increase in policies for Jan. 1 placements.

The underwriter shortage will become most apparent later this month, as a sizable volume of Jan. 1 business attempts to be remarketed before that date and effect coverage between Dec. 15 and 31. Why? Because, as this survey shows, most markets do not have their 1986 treaties complete. These same markets therefore may elect to use expiring treaties to rewrite business now,

Glossary of new terms

New terminology is being introduced into the liability market in 1986.

Among the new terms are:

- **Checkerboard placements:** Layering and quota-share arrangements whereby accounts requiring X number of policies in 1984 will need three to four times as many in 1986.
- **Swiss cheese placements:** Similar to checkerboard placements, but with gaps in coverage.
- **Black holes:** Gaps in coverage (see Swiss cheese placements).
- **Gas crisis:** Shortages in capacity, creating long lines at insurers' pumps.
- **Logjam effect:** Increased business pouring into underwriting companies with no significant growth in underwriting staff to handle the volume.
- **Nightmare effect:** The marketplace dilemma of claims-made vs. occurrence forms.
- **Compression factor:** Pricing on the lower layers is too low for excess placements to be effected.

enabling underwriters to take advantage of favorable reinsurance terms and conditions without premium capacity restrictions.

The likelihood of such is high, when you consider that many companies may be choosing to close their books around Dec. 15, knowing business written after that date will not be recorded until January. Certainly, too, there is far more comfort in writing business with a treaty that is known than with one that is not.

The point becomes one of limited resources. Much of this January business will be renegotiated and quoted by a limited pool of underwriters. The simple fact is that much of this liability business will not get done in December because there are not enough people and there is not enough time to do it.

Not everyone, of course, will opt to play the "rewrite game." For those who do not, as the survey shows, there will be a significant reduction in limits.

Add to this a strong preference by leading markets to participate only in the first \$5 million of cover, with fewer underwriters being willing to gross up limits, and a lack of preference to front significant reinsurance facilities.

What effect then will claims-made decisions have on an already burdened buyer?

Most markets indicate there is a lack of decision about moving to claims-made. The fact is that most U.S. casualty insurers simply are not ready to use the new form. State regulators' reluctance to approve the Insurance Services Office form, and disagreement among insurers about other wordings, are forcing insurers to delay their plans for broad implementation.

However, liability accounts requiring limits of \$25 million certainly will not benefit from such a delay. In the real world marketplace of Jan. 1, buyers will find most markets unwilling to "mix and match" policies. Some will be unwilling to do a claims-made placement excess of an occurrence primary.

And, if a claims-made layer is introduced, others on the account will be expected to follow, reducing the already limited number of markets available because "occurrence only" players will be left out.

The Jan. 1 claims-made dilemma is further clouded by the introduction of sunset clauses in reinsurance negotiations for treaty renewals. A number of treaty reinsurers will be requiring ceding companies to have all claims reported within a specified period of time—generally five years.

Certainly reinsurance buying decisions are driving

the claims-made move; still, those U.S. reinsurers with which we have spoken insist they will not push their ceding companies in this direction, preferring to wait and see what the marketplace will do.

All of these conditions make the already large task of getting coverage effected at year-end an even greater problem for buyers this year.

And, while the situation portends disappointment and difficulty, buyers can act to find solutions.

Recognition of the magnitude of the problem is paramount, and delaying will not improve the situation. Buyers who carefully plan their moves now and insist on developing sound marketing strategies will face less chance of major disappointments than those who do not.

Our advice to clients is straightforward:

- Develop a marketing strategy now. Sit down with your retailer, his marketing specialist, a wholesaler and a London broker if needed. Look for and listen to a plan that will achieve the maximum limits needed to protect the corporation properly.
- Try to go to market on a firm-order basis. Once there is agreement on pricing and layering strategy, more underwriters will be interested in listening.
- Have realistic expectations on limits and pricing. It is reasonable to expect limits of \$25 million to \$50 million; getting \$100 million could border on impossible.

In any case, be prepared to pay current market prices. Any comparison of pricing last year with this new year will be counterproductive. Accept the fact that prices will be higher; they had only begun to rise last January and will not have peaked by Jan. 1, 1986.

- Maintain continuity with brokers and markets. Avoid making changes that can impair your ability to renew in this critical period, particularly in the area of primary or first-level excess coverages.

- Avoid the "super broker" mentality—one that takes a shotgun approach to the market or attempts to renegotiate a placement after it is completed. The placement could explode in your face in trying to renegotiate after binding, and you could wind up with no coverage at all, as some buyers already have found.

- Have your broker thoroughly explain all the aspects of claims-made as it will affect your account. Particular attention should be paid to triggers, discovery periods, retroactive dates and defense within the limits.

- Put together the most professional and complete proposal possible. Include all available information and current detail on claims. And by all means, have the proposal typed—a seemingly expected business approach that appears to have fallen by the wayside.

The "real-world" marketplace for Jan. 1 liability placements is not all doom and gloom.

The best news is that we have an active underwriting market that is willing to allow risk transfer for major liability exposures. Buyers who are prepared for these conditions will have the greatest chance for success.

But while the market is active, it remains a seller's game. Somebody—right or wrong—will be made to pay for asbestos losses, legal climates in states like California, improper underwriting and pricing practices during the past three years and a marketing and distribution system in turmoil. That somebody—right or wrong—is the corporation buying coverage now.

The chaos will not end soon. Those who make strong buying decisions early and commit their entire team to obtaining necessary limits will have the advantage. Those who delay will be penalized. The rules of the excess liability renewal game are clear.

James A. Bradley is executive vp of Swett & Crawford Group in Los Angeles.



ASK A RISK MANAGER

Cooperation is the key to successful planning

Q

How do you plan your risk management department goals and strategies for 1986? Who is involved in the planning process, and will you tell us your goals for 1986?

A

The easiest way to answer this question is to tell you what planning actually took place for our risk management department as we looked into 1986, who was involved and how our plans fit into the 1986 goals.

Prior to Oct. 1 each year, we are asked to complete a department budget, exclusive of all insured and self-insured premium expense. As a matter of information, our department budget is a calendar-year item and the premium expense budget is a July 1 fiscal-year item.

Our introduction to the department budget describes the operations and responsibilities of the risk management department and succinctly states our goals for the new year.

However, these goals are not a laundry list of duties or projects you would be expected to do normally as a regular part of your job.

Our goals number no more than three and require a cooperative effort on the part of everyone in the risk management department. The insurance, claims and finance managers, together with the members of their staffs, must participate.

And, as important to the success of our efforts are our brokers.

This year, our department goals are:

- To achieve a cost-effective, planned renewal of our company's property and casualty insurance programs with financially sound insurance companies.

- To measure the cost of the risk management function to our company in order to achieve the most cost-effective program possible.

Our budget and our stated goals are the focal point of the strategy meetings that follow.

We took one day with our broker and its team to discuss, in a relaxed environment away from our offices, all the parts and pieces that should go into addressing and successfully completing these department goals.

Following the daylong session, we held a meeting with our senior management to explain the gist of our discussions. Personnel from the risk management department and the broker attended.

As a practical matter, we found it more effective to hold this executive summary session the next day. We were fresh, and everyone had had time to reflect on the myriad details and discussion points that sometimes take us off course during the day.

Our daylong discussions centered around the following topics:

- Opportunities and challenges for 1986, with the central theme being zero base budgeting, for the most cost-effective program.

We frankly addressed the subjects of why we insure, why we should use a broker, and why we should have a risk management department.

These discussions provided good visibility for those who influence our activities from year to year in understanding risk management.

- A total review of the cost of risk management's insured and self-insured programs and their support services.

In our case, 70% of our risk management budget is

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Copy Editor Alison Kittrell. She can be reached at 312-649-5262.

self-insured claim and administrative expense. Sixty-five percent of this expense is workers compensation cost.

Since it is obvious where all the dollars are being spent, we addressed the subjects of how to control and/or reduce new and old claims.

Interestingly, we focused, as we have in the past, on the point that the major part of the expense involved claims of \$1,000 to \$25,000, rather than large claims in excess of \$100,000.

- Market conditions for 1986, which are not predicted to be any better than 1985, and probably will be worse.

Discussions in this area involved reinsurance markets, introduction of, and problems surrounding, the claims-made contracts, and the financial stability of insurance companies.

- Our insured expense, which is 30% of our total, and what increased costs for property and casualty policies could be expected.

This anticipated increase in expense was not well-received by our senior management. I think it still is important here to point out what the insurance dollars buy in the way of coverage, limits and amounts of insurance, rather than just looking at policy premium expense.

We discussed property and casualty exposures separately, including their effect on renewals and options we had to save insurance expense.

- What we do now and how we prepare to address the marketplace.

We believed it was necessary for us to spend time reviewing our contractual obligations contained in leases, sale and purchase agreements and other contractual agreements.

Statutory obligations are important, as well.

It is important to balance our costs and benefits of high limits and broad coverage with these legal/contractual obligations and the protection of stockholders.

We then proposed a market approach for both the property and casualty programs and decided what was necessary to do to prepare ourselves for this approach.

This area of discussion was broken down into exposure data, preliminary discussions with the market, preparation of clear specifications and the placement of contracts.

We found this approach to be a good way to give all those involved in the day-to-day operations of the risk management department a chance to see the whole picture.

As importantly, our senior management was given an opportunity to hear the problems and our plans, and to concur or disagree with our approach.

Many sources for data about new acquisitions

Q

Underwriting information for new acquisitions sometimes can be difficult to get, and particularly in the timely manner in which you need it for today's market placements. How do you get this information, and what do you ask for?

A

To begin with, we have been educating personnel in our division profit center on the fact that marketing insurance coverage today is drastically different from the way it was done a year or two ago.

Although stories in the general and trade press have helped to get the message across, we must make our profit centers understand that the insurance marketing problem affects our company as well!

Doing this sort of groundwork has helped us in

getting cooperation and fairly prompt answers to our requests.

Once we in the risk management department are brought into the picture—and this generally is done with a draft review of a legal document or by being copied on an acquisition audit—we prepare a draft of our needs in the area of insured and self-insured underwriting information.

As an aside, a good acquisition audit document can give you the best overall view of a new entity, and, in fact, sometimes gives you more information than you need.

Precise underwriting information in these documents still is lacking, however.

We always call the finance person in charge of the acquisition to double-check who's in charge of the project and the name of the current agents or brokers, if possible.

If the acquisition is a spinoff from a larger corporation, the risk manager's name and phone number is the best source for underwriting details such as three years of claim history and payrolls. This information permits us to prospectively rate the risk in our self-insured programs.

As soon as we can, we send out a follow-up memo for this underwriting information—copying the law department and the division president involved in the acquisition.

We ask specifically for the following detailed information broken down by:

- Property coverage: all values for buildings, equipment and stock—valued as required by our contracts. We also ask for business interruption values with a worksheet included.

- Mobile equipment: scheduling all licensed and unlicensed equipment (owned and/or leased)—valued on an actual cash basis.

- Workers compensation: number of employees and annual payroll by job description.

- General liability: actual revenue for prior years and an estimate for the new year. The acquisition audit can give you this information most accurately.

For gathering information on property coverage, we provide a blank schedule so individual locations can be listed—and columns are included to list information in fire protection, square footage and value information, as previously described.

For information on workers compensation coverage, we again provide a blank schedule that provides space for listing data on individual locations, job descriptions, numbers of employees and estimated payroll, by class code.

We also ask for a schedule of insurance policies broken down by type, company policy number, broker, term, limits and premium.

The most difficult item to get is good claims information, and here we generally must depend on the current broker or risk manager. ■

Would you like advice from an experienced colleague on a risk management, benefit management or actuarial problem? Three features in the Perspective section of Business Insurance can give you some answers.

Ask A Risk Manager, Ask A Benefit Manager and Ask An Actuary answer written questions from readers on risk and benefit management issues and actuarial problems.



Mr. Perry

This month's column, on risk management issues, is written by Ralph F. Perry Jr., up and director of risk management at Amfac Inc. in San Francisco. Joseph Duva, director of employee benefits and compensation at SCM Corp. in New York, answers benefit management questions. And, William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions.

Mr. Duva's and Mr. Perry's columns appear alternately, usually on the second Monday of each month. Mr. Miner's column appears every other month on the first Monday of the month. Mr. Perry's next column will appear in February.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

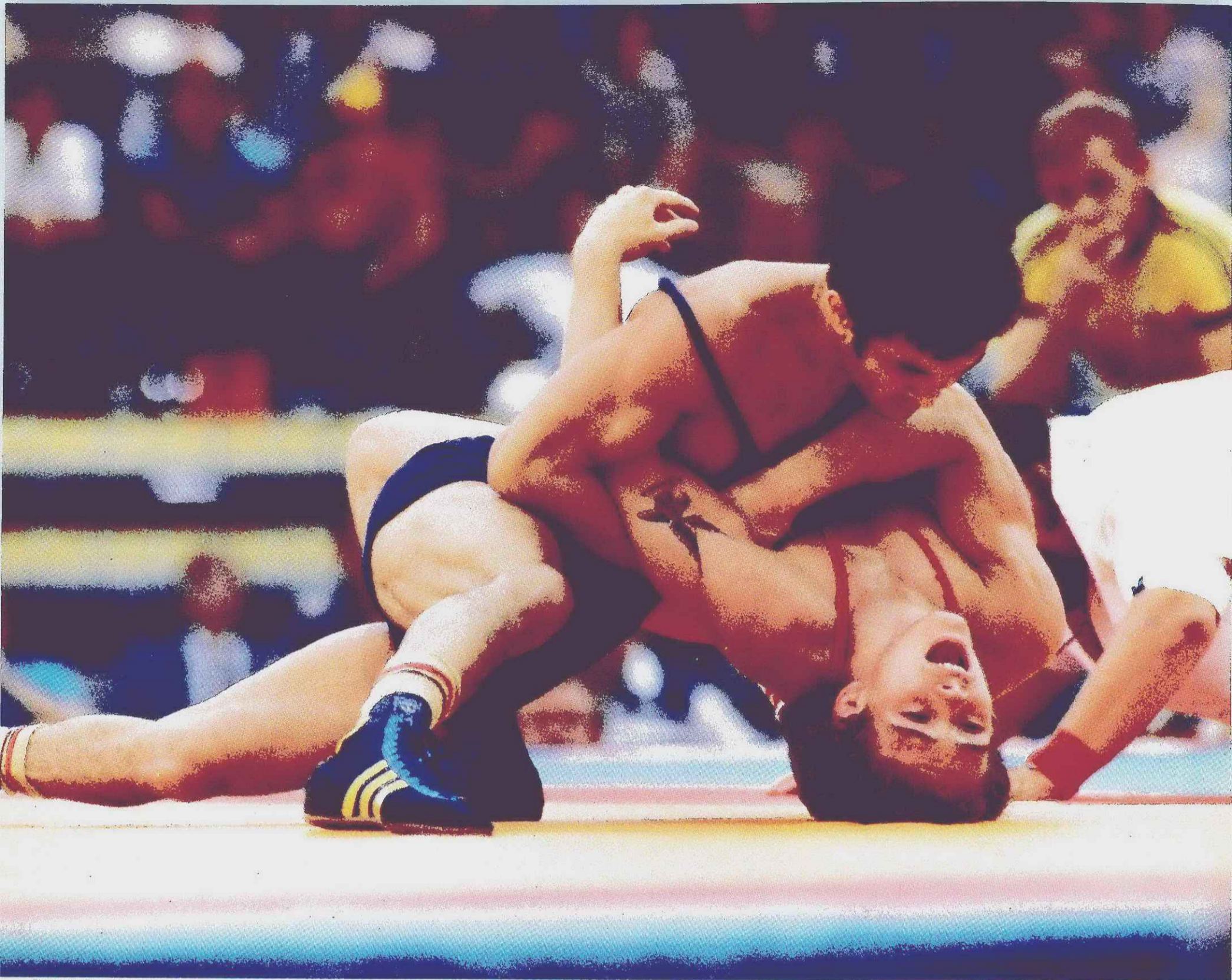


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Tax proposals threaten benefits

By William J. Berner

THERE IS AN inconsistency between public policy and tax policy in terms of providing financial security for employees and retirees. The two-handed economists, our lawmakers in Washington, are unable to set social/public policy and then structure a concomitant tax policy to fund it.

Since World War II and with the advent of organized labor's gains, we have witnessed substantial advances toward reaching the goal of promoting employee benefits and income security for retirees.

We have been led to believe that health care and financial security are desirable national goals by the government; if not by direct action, certainly by inaction.

Some examples:

- Increased Social Security taxes have been explained and justified by telling us the older population should not have to live in poverty. Disability payments were financed through Social Security beginning in 1957, and in 1966, hospitalization was financed by Social Security taxes. From 1937 to the present, the tax rate has grown from 2% on the first \$3,000 for employees and employers to 7.05% on the first \$39,600 for each.

- Benefits were not capped when there was a tacit or actual wage and price freeze, i.e. the Kennedy administration's jawboning or Nixon's wage and price controls when the government attempted to control both cost-push and demand-pull inflationary spirals.

- For distributions from qualified pension and profit-sharing plans, we witnessed a decrease in both the capital gains tax for qualified lump sum distributions from 28% down to 20% within the past 10 years and as well as the widespread use of favorable treatment afforded by 10-year forward averaging.

- Rollover Individual Retirement Accounts were introduced within the past five years as a vehicle for retirement savings for a mobile workforce.

- The Employee Retirement Income

Security Act was passed in 1974 to protect the overall security of the private pension system to better fund retirement income. At the same time, Congress established a quasi-government agency—the Pension Benefit Guaranty Corp.—to insure defined benefit payments in the event of a plan insolvency.

- Since ERISA, we have seen continual tax law changes with substantial retirement plan implications. Some of these laws were designed to encourage more employee savings or defined contribution-type plans such as IRAs and 401(k) plans.

At the same time, we saw Congress and various administrations start to cut back

goals may not be attainable.

The administration and Congress are faced with the classic question associated with the authoritative allocation of scarce resources. It appears that the need for tax dollars outweighs the social/public good of a healthy and financially solvent retirement age population, given the administration's proposals to tax benefits and discourage various forms of retirement plans.

What has been sold to the public via tax credits and favorable tax treatment is now being eroded for the sake of increased tax revenue.

Some specifics:

- In the past three years there have been three tax law changes that limit

'The administration and Congress are faced with the classic question associated with the authoritative allocation of scarce resources. It appears that the need for tax dollars outweighs the social/public good of a healthy and financially solvent retirement age population.'

on some benefits provided by Social Security: Cost-of-living increases were postponed and subsequently calculated in a less favorable manner for Social Security recipients, and the eligibility rules for receipt of Social Security disability payment were redefined in a more stringent fashion.

To those in the industry, the handwriting was on the wall. Employers had better do more to help employees help themselves in the health care and retirement arena.

Now, the administration and Congress is doing two things. The first is to tell us we want a nation of financially secure and healthy people.

Second, however, in light of budget deficits, the administration wants to impose a tax on people for what has been encouraged for the last 40 years and change the system of incentives used to achieve social goals so much that the

either pension and/or health benefit plans, and the future may see more of the same.

- One of the newest forms of "help yourself" benefits for retirement—401(k) plans—are under attack.

- The tax-favored status afforded lump sum distributions via rollovers and/or 10-year forward averaging would be restricted and shortly eliminated under some current proposals.

Needless to say, things do not bode well for retirement plans, pre-retirement planning and the overall picture of benefit packages in general. What we have been led to believe is no longer applicable.

As an alternative to wholesale radical surgery on pension/benefit plans, I would suggest a few things be considered:

- We need a moratorium on pension/benefit tax law changes. We need to measure where we are at present

and where we may be in both the short- and long-term future. Plan sponsors, and in many cases participants, are just now measuring and understanding all the implications of the Retirement Equity Act of 1984. We need to digest the latest measures before another one is on the plate.

- ERISA is a relatively new phenomenon. Rather than eliminating items such as 401(k) plans, we should try to bring them under the overall framework of ERISA.

- The more recent tax law changes and congressional committee initiatives have called for studies of various elements of retirement income and health care. Currently, the Congressional Budget Office, the House Ways and Means Committee and the Senate Finance Committee are working on various reports. We need to digest the results of those reports and then establish pension/tax law that should include pension programs of government employees as well.

Bits and pieces of pension law occurring annually make long-term planning for retirement difficult for plan sponsors and individuals.

- Somehow, the PBGC must have statutory authority to review and approve those items that impose additional debt on the PBGC, such as waivers on contributions. The PBGC needs more of a voice in the legislative process.

Finally, in the health care arena, we have seen Medicare changes that shift more financial obligations to the individual or to corporate plans. And, some tax proposals have suggested taxing employees on the value of their employer-paid health care.

If we want health care to be a desirable goal, then let the tax incentives remain. And, if there truly is a revenue loss, Congress and the administration should join employers in an effort to hold down the cost of health care.

William J. Berner is manager of corporate insurance and employee benefits for Beckwith Machinery Co. in Pittsburgh.

Breach of faith not enough for punitive award

Although a breach of the covenant of good faith and fair dealing supported an insured's jury award of compensatory damages against his group health insurer, something more was required for awarding punitive damages, a California appellate court ruled.

Michael Weisman, a part-time employee of the Veterans Administration Hospital in San Diego, enrolled in a Government-wide Service Benefit Plan administered by Blue Cross of California to obtain psychiatric services for his emotional problem. The plan provided coverage for mental illness to a lifetime maximum of \$50,000.

Mr. Weisman began therapy four times a week and continued for five years. The jury found Blue Cross reduced his therapy to twice a week and delayed reinstatement to four times a week. The jury also said Blue Cross caused review of his need for more sessions to be done by an unqualified person and failed to pay for the therapy in a timely manner.

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

legal briefs

Mr. Weisman sued, claiming breach of contract, and sought \$2 million in punitive damages. The jury awarded him only \$25,000 in compensatory damages.

Mr. Weisman appealed the denial of punitive damages, arguing the insurer consciously had disregarded his rights and that such conduct was itself a deprivation of rights with resultant consequences entitling him to punitive damages. But, the court said the insured must establish the insurer had acted with the requisite quality of intent.

The jury award without punitive damages was affirmed. *Weisman v. Blue Shield of California*, California Court of Appeals, Dec. 21, 1984 (BI/02/D.-\$5).

Document can't notify illiterate employee

Because an employee could not read, documents given to him could not reasonably be said to have provided him with adequate notification that his group insurance coverage would terminate on his 65th birthday, a Georgia appellate court ruled.

Mr. Calhoun started to work for Kut-Kwik as a welder in 1957. Torco Inc. purchased Kut-Kwik in 1978

but continued to operate it under the same name. All Kut-Kwik employees were offered continued employment in accordance with terms and conditions set forth in a document. Mr. Calhoun received a copy of the document but was unable to read it.

The document said coverage would not be available for employees over 65 who are covered under Medicare or Medicaid. Mr. Calhoun reached 65 and became entitled to Medicare in June 1981; but, he did not submit an application for coverage on the ground that his coverage terminated automatically when he turned 65. He sued but lost in the trial court.

The appellate court said that an employer had a fiduciary duty to notify his employees of all changes in the scope of their group insurance coverage.

Since Mr. Calhoun could not read, the court concluded that the documents could not reasonably be said to have provided him with adequate notification of termination of coverage.

The court emphasized there was evidence the employer's plant manager had informed Mr. Calhoun that he would be covered as long as he worked and, therefore, Mr. Calhoun was entitled to rely upon those representations. *Calhoun v. Kut-Kwik Corp.*, Court of Appeals of Georgia, Nov. 1, 1984 (BI/04/D.-\$5).

info

• A free report, "Seven Ways You Can Control Your Company's Health Care Bill Now," is available from American Business Publishing. The report—written for benefits and human resources executives as well as top management—provides case studies of successful efforts by major employers to adopt **health care cost-containment programs**. Employers profiled in the report include Uniroyal, Chrysler Corp., Citibank, Owens-Illinois Inc., Paramount Coal Co. and Metropolitan Life Insurance Co. To obtain a copy of the report, contact American Business Publishing, Brinley Plaza, Highway 38, P.O. Box 1442, Wall Township, N.J. 07719; 201-681-1133.

• "Health Care Consumer's Guide: Your Guide to the Wise Use of Health Care Services" is a booklet from Fax Communications Inc. that informs and **motivates employees to use their health benefits wisely**. The booklet's illustrations and easy-to-read text is intended to show employees how to get the most out of the health care system, how to properly use hospital emergency rooms, the importance of second opinions, how to save money on prescriptions and what tests can be used to spot health problems before they become serious. Sample copies of the booklet cost \$1. To order, write Fax Communications Inc., Department BI, 3279 20th St., San Francisco, Calif. 94110.

• Commerce Clearing House has published "AIDS—Employer Rights and Responsibilities," a 96-page book intended to help businesses cope with the **problems surrounding acquired immune deficiency syndrome**. The booklet discusses employment relations problems management faces when AIDS is discovered among employees. Issues relating to employee benefit plans and cost-control strategies are covered. The book also includes federal government guidelines for dealing with AIDS cases that were published last month. The book is available for \$10 per copy from the Cash Item Department, Commerce Clearing House Inc., 4025 W. Peterson Ave., Chicago, Ill. 60646. Quantity price discounts are also available.

• "Technology Tie-in: The Use of Laser Printing in Communicating Employee Benefits" is available from employee benefit consultant Kwasha Lipton. The article, a reprint from Personnel magazine, explains the basics of **laser printing technology** and how it can be used to produce employee benefits statements and flexible benefit plan guides. To order a free copy, write Department M, Kwasha Lipton, P.O. Box 1400, Fort Lee, N.J. 07024-1400.

• The central resources department of The Crump Cos. Inc. has released a survey on the availability of optional **life and accidental death and dismemberment insurance** at the Fortune 500 industrial companies. To order a free copy, contact Central Resources, The Crump Cos. Inc., 5350 Poplar Ave., Memphis, Tenn. 38119; 901-761-1550.

A free brochure from Alexander & Alexander Inc. explains how self-insured employers can purchase **coverage for major organ transplants** through a fully insured, supplemental policy. Contact Peter Kautz, Alexander & Alexander, Three Embarcadero Center, San Francisco, Calif. 94111; 415-434-1500.

The **pros and cons of self-insurance** are among the topics dis-

cussed in "Practical Self-Insurance: An Executive Guide to Self-Insurance for Business." The book outlines methods for conducting feasibility studies, provides advice on structuring a self-insurance program and tells how to implement an effective loss-prevention program. Copies are \$24.95 from Risk Management Press, P.O. Box 670, Inverness, Calif. 94937.

Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? *Business Insurance* will describe material costing less than \$25 as an editorial service in the weekly *Info for Buyers* column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to *Info for Buyers*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

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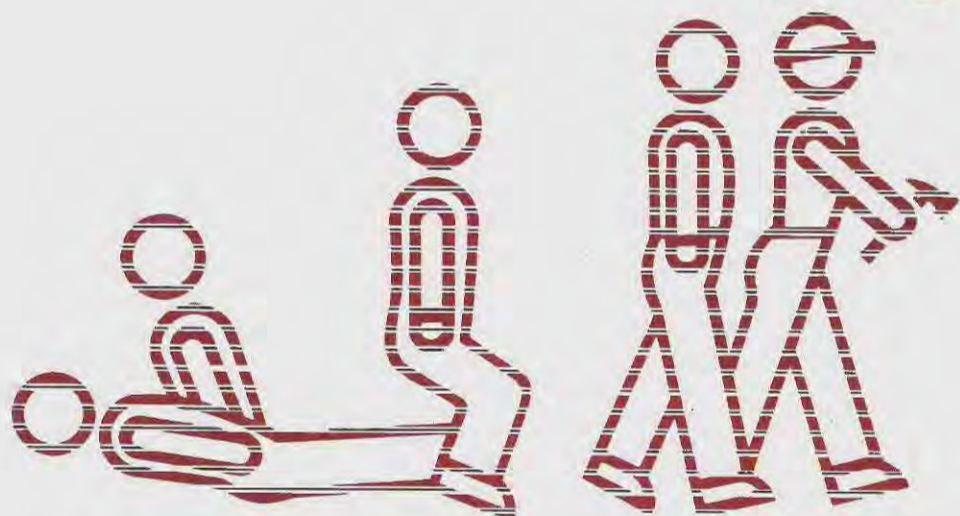
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Pasqualetto is CEO of Western Employers

EQUAL OPPORTUNITIES

John G. Pasqualetto has been appointed president and chief executive officer of Western Employers Inc. in Santa Ana, Calif., and subsidiaries Western Employers Insurance Co. and Western Employers Insurance Co. of America.

Mr. Pasqualetto replaces **William J. Risconsin**, who resigned.

Mr. Pasqualetto previously was president and CEO of Pacific Compensation Insurance Co. He also has served as a senior vp for Argonaut Insurance Co. and with the California State Compensation Insurance Fund.

Other insurer changes:

Wayne E. Hedien elected vice chairman of Allstate Insurance Group in Northbrook, Ill. He will assume responsibility for Allstate's Canadian and international operations. Mr. Hedien also maintains his duties as treasurer and chief financial officer.

Wayne Brown named vp of claims for SAFECO Corp.'s property and casualty companies in Seattle. Mr. Brown will be responsible for the overall direction of the claims department.

Guy E. Webb Jr. elected president of Virginia Life Insurance Co. of New York, a subsidiary of The Life Insurance Co. of Virginia. Mr. Webb replaces **Leland T. Wag-**

comings & goings: industry

goner, who continues as chairman of the board and chairman of the executive committee. Mr. Webb will be responsible for directing the insurer's day-to-day operations. He previously was senior vp of Life of Virginia and executive vp of American Agency Life Insurance Co., a wholly owned subsidiary of Life of Virginia.

William D. Fabri named vp and manager of Utica National Insurance Group's New England regional office in Burlington, Mass. Mr. Fabri, who joined Utica National in 1974, previously was assistant secretary for the company.

Nationwide Insurance has named four executives to head various segments of its recently established office of operations. **Bernard E. Guinan** named vp of Eastern line operations. He is responsible for offices in Hamden, Conn.; Annapolis, Md.; Lynchburg, Va.; Raleigh, N.C.; Gainesville, Fla.; and Hato Rey, Puerto Rico. He previously was vp and manager of Nationwide's Virginia region. **J. Richard Harmon** named vp of Central line operations, with offices in Syracuse, N.Y.; Harrisburg and Butler, Pa.; and Canton and Columbus, Ohio. He previously was vp and manager of the Annapolis, Md., regional office. **John T. Perta** named vp of Western line operations, with offices in Memphis, Tenn. He is also responsible for Nationwide General Insurance Co. He retains his

previous responsibilities as head of Nationwide's client service centers in California, Texas and Colorado. **Jack F. Olson** named vp of business lines. Mr. Olson heads the company's national insurance accounts function, office of business insurance accounts and subsidiary operations Colonial Insurance of California and Farmland Insurance Services. He previously was vp of property/casualty insurance sales.

Robert W. Mayer elected vp and group actuary of Mutual Benefit Life Insurance Co.'s Western home office in Kansas City, Mo. Mr. Mayer will be responsible for maintaining rate structures for all group life and health coverages. He previously was second vp and group actuary.

Lawrence D. Kries named chief executive officer of HealthAmerica of Philadelphia. Mr. Kries, 34, will oversee all operations of the HealthAmerica Corp.'s Philadelphia health maintenance organization. He previously was assistant vp.

James C. Hellauer named president and chief operating officer of Provident Indemnity Life Insurance Co. in Norristown, Pa. Mr. Hellauer replaces **Joseph H. Reese Jr.**, who will continue as chairman and chief executive officer of Provident Indemnity and as chairman of its holding company, Provident American Corp. Mr. Hellauer also will continue as executive vp of PAMCO.

erty/casualty reinsurance subsidiary.

In addition, **Warren E. Coupland**, named president of international reinsurance for CIGNA, reporting to Mr. Wayne. Mr. Coupland previously was senior vp and divisional financial officer of the group's reinsurance and services division.

Also, **Harry J. Larzelere**, named president of INA Reinsurance Co., also reporting to Mr. Wayne. Mr. Larzelere previously was senior vp of INA Re.

Alexander Howden Reinsurance Brokers Ltd. in London named **G. Trew** as deputy managing director of its marine reinsurance division. In addition, **N.A. Bridge, D.R. Godden, M.F. Sawkins, M.A. Soriano Alvarez, J. Thomas and D.R. Woodcock** named directors in the division.

Also, **J.P. Argent** and **J.D. Evangeli** named directors in the company's aviation reinsurance division, while **D.G. Bayley, P. Fernley, R.D. Munday, A. Paxton and A.I. White** named directors in the non-marine reinsurance division.

Agents/brokers

James F. O'Leary and **Huberto L. Valdemoro** elected vps of Johnson & Higgins in New York.

Mr. O'Leary joined the firm last year as an assistant vp in the employee benefit plans department. He previously was a principal at a management consulting firm. Mr. Valdemoro also joined the firm last year as an actuarial consultant in the international department's benefits division. He was later named an assistant vp.

Thomas F. O'Connell joins Rollins Burdick Hunter of Illinois Inc. as senior vp and manager of the broker's new risk management division. Mr. O'Connell, 42, will be responsible for managing the production and servicing of all major-account business of the Chicago-based operations of Rollins Burdick Hunter's Illinois subsidiary.

David T. Hauck named president and chief executive officer of Corroon & Black (Utah) in Salt Lake City. Mr. Hauck, 36, previously was chief executive officer of a broker based in Columbus, Ohio.

R. Jeffrey Carlson named president of the T.C. Moffatt Division of Meeker Sharkey Financial Group in Sea Girt, N.J. Mr. Carlson has been affiliated with the Meeker Sharkey Financial Group since 1981.

Pete Burger joined Gresham & Associates of Morrow, Ga., as senior vp in charge of underwriting. Mr. Burger previously had been the Atlanta branch manager of Cravens, Dargan & Co., Pacific Coast.

Excess/surplus

Richard J. Weghorn named president and chief operating officer of John C. Weghorn Agency in New York. He previously was executive vp. Richard J. Weghorn succeeds **John C. Weghorn**, who becomes chairman of the firm and continues in his position as chief executive officer.

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Nov 11	Oct 29
Nov 18	Nov 6
Nov 25	Nov 13
Dec 2	Nov 19
Dec 9	Nov 26
Dec 16	Dec 4
Dec 23	Dec 10
Dec 30	Dec 16

1986

Jan 6	Dec 20
Jan 13	Dec 27
Jan 20	Jan 8
Jan 27	Jan 14
Feb 3	Jan 22
Feb 10	Jan 29
Feb 17	Feb 4
Feb 24	Feb 11
Mar 3	Feb 19
Mar 10	Feb 26
Mar 17	Mar 4
Mar 24	Mar 12
Mar 31	Mar 19
Apr 7	Mar 26
Apr 14	Apr 1
Apr 21	Apr 8
Apr 28	Apr 15
May 5	Apr 23
May 12	Apr 30
May 19	May 7
May 26	May 13
Jun 2	May 20
Jun 9	May 28
Jun 16	Jun 4
Jun 23	Jun 10
Jun 30	Jun 18
Jul 7	Jun 24
Jul 14	Jul 1

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This comprehensive manual is available for \$20.00 plus \$2.50 postage and handling from The Fisher Associates, Adjusters, 3465 Torrance Boulevard, Suite N, Torrance, California 90503, telephone 213-540-8803. California residents add \$1.30 sales tax.

Other suppliers

John C. Sweeney joined the consulting staff of Tillinghast, Nelson & Warren Inc. in Atlanta. Mr. Sweeney was formerly vp-insurance and financial services for Branch Banking & Trust Co. of North Carolina.

Coopers & Lybrand named six new partners in its actuarial benefits and compensation consulting group. **John M. Bertko** of the group's San Francisco office specializes in group insurance areas, including flexible compensation.

Iris D. Goldfein of the Chicago office specializes in qualified plan design and compliance, deferred compensation, reporting and disclosure and administration procedures. **Jeffrey L. Luedke** of the Columbus, Ohio, office specializes in designing, funding and administering qualified retirement plans.

A. Paul Protos of the New York office specializes in defined contribution plan administration and developing software for employee benefit plans. **Gustavo J. Sanchez** of the New York office specializes in defined contribution plans.

Harry D. Spring of the Dallas office, who joined the company in 1982, was formerly a consultant with William M. Mercer Inc. in Dallas.

Reinsurance

Norman M. Wayne named president of the reinsurance division of CIGNA Corp.'s Property and Casualty Group in Philadelphia. Mr. Wayne replaces **Guy K. Patterson**, who has retired. Mr. Wayne will be responsible for international and domestic property and casualty reinsurance and CIGNA's operations on the New York Insurance Exchange. He was most recently president of INA Reinsurance Co., CIGNA's domestic prop-



Mr. Pasqualetto



Mr. Webb



Mr. Hedien



Mr. Hellauer



Mr. O'Leary



Mr. O'Connell



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Atlantic offers policy for electronics firms

The Atlantic Cos. is offering a comprehensive property/casualty package policy for companies in the electronics industry.

The program features several forms of coverage needed by electronics manufacturers that Atlantic says are not normally offered under standard commercial policies.

One key feature of the policy is business interruption coverage for losses caused by damage to or destruction of research and development documents. The standard policy limits for this coverage are \$15,000 for documents stored on premises and \$5,000 for documents stored off premises, though these limits can be increased.

In addition, the policy provides business interruption coverage for operating losses caused by damage to or destruction of capital investments, including off-premises power plants, data processing media and raw or finished stock while in transit.

Other features of the policy include:

- Broad building coverage, which includes attached additions and extensions, machinery foundations, glass, fences and outdoor signs.

- Broad-form comprehensive general liability coverage written on an occurrence basis, which includes coverage for contractual liability, employees as insureds, extended bodily injury liability, host liquor liability, incidental medical malpractice and non-owned watercraft liability. Limits up to \$1 million are available on a primary basis, and excess coverage can be arranged.

- All-risk legal liability coverage for damaged real property with a \$100,000 maximum limit.

- Theft and other crime coverages.

- Personal injury and advertising injury liability coverage.

Companies that are eligible for the program include those dealing with communications equipment, semiconductors and computers and low-technology commercial equipment like accounting and other office machines, temperature control devices and telephone and telegraph apparatus.

For more information contact William Munier, Product Development Manager-Commercial Lines, The Atlantic Cos., 45 Wall St., New York, N.Y. 10005; 212-943-1800, extension 307.

CGL reference

"Commercial Liability Insurance" is a new reference manual available from the International Risk Management Institute Inc. that provides comprehensive information on the Insurance Services Office's proposed commercial general liability policy forms.

The 500-page reference provides an easy-to-understand yet detailed explanation of the features of the ISO claims-made policy, a summary of past legal precedents interpreting claims-made insurance; a detailed explanation of the policy's insuring agreements, limits of liability, exclusions, conditions and definitions; and interpretations of more than 150 of the endorsements to the policy.

The work also includes specimen policy endorsement forms and cross-references between the new CGL classification codes, the previous CGL classifications codes and the National Council on Compensation Insurance's workers compensation classification codes.

The reference manual can be kept current with amendments to the CGL policy filed by ISO through periodic supplements and endorsements.

products & services

"Commercial Liability Insurance" is available in a package with IRMI's two-volume "General Liability Manual," which covers ISO's 1973 CGL policy forms. Together, the two works provide readers with detailed information on both the 1973 and 1986 CGL programs during the transition year.

The introductory price—for orders received prior to Feb. 15—is \$210 for the three volumes, including supplements for one year.

For more information, contact International Risk Management Institute Inc., 10300 N. Central Expressway, Building III, Suite 208, Dallas Texas 75231-3390; 800-527-2580; 214-363-9656 in Texas.

PPO directory

The American Assn. of Preferred Provider Organizations has published the second edition of its "Directory of Operational PPOs."

The directory contains information on more than 300 PPOs currently operating in 31 states. The directory gives pertinent information about each organization, including:

- Who sponsors the PPO.
- The number of providers enrolled in the organization.
- The number of subscribers enrolled.
- What type of reimbursement system is used by the PPO.

- The type of utilization review system used.

- Special services and benefits offered by each PPO.

In addition, aggregate PPO statistics for each state are contained in the volume.

The "Directory of Operational PPOs" costs \$45 per copy or \$79 for both the current edition and the next edition.

To order, contact the American Assn. of Preferred Provider Organizations, 4301 Connecticut Ave. N.W., Suite 139, Washington, D.C. 20008; 202-362-4298.

Work comp software

Premium Review Associates of Keene, N.H., has developed computer software to calculate a company's workers compensation ex-

perience modification.

The software, called ModComp, will calculate, verify or project an experience modification.

The program and accompanying manual are easy to understand, and the software can be used on any IBM personal computer, according to the company.

"Until now, a business has had to accept the experience modification supplied by their insurance company. There was no way to independently verify this vital rate," the company says.

ModComp costs \$495, and a demonstration diskette is available for \$10.

For more information or to order the software package, contact Premium Review Associates, Old Walpole Road, Box 125, Keene, N.H. 03431; 603-352-2786.



When it comes to medical opinions, two heads are better than one.

Any way you look at it, getting a second opinion for certain elective surgery makes sense. It either reassures the patient by confirming the need for surgery or avoids the medical risks and costs associated with unnecessary surgery.

Surgical screening is just one of the many benefit options in CURE, the cost containment program from the CNA Insurance Companies. CURE also offers other options such as outpatient surgery, weekend admission limitations and pre-admission review—an enhanced way of reviewing hospital admissions and monitoring care.

With our program's flexibility, you can implement benefits individually or as a package, depending upon your company's requirements. We'll even help document your company's need for cost containment measures by identifying potential problems through our management reports. And to help gain employee understanding and confidence, we offer our communications kit and administrative materials.

When it comes to cost containment, two heads are better than one. Contact your local CNA representative or your insurance broker.

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JAN. 10-11. Fifth Annual Occupational Health Nursing Principles and Certification Review course in Newark, N.J., sponsored by the Occupational Health Consulting division of Fireman's Fund Risk Management Services Inc., \$225. Also **Jan. 24-25** in Cincinnati; **Feb. 7-8** in Dallas; **Feb. 21-22** in Schaumburg, Ill.; **Feb. 23-March 1** in Torrance, Calif.; and **March 14-15** in Arlington, Va. Annette B. Haag, Director, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 3890, San Rafael, Calif. 94912; 415-492-7753.

JAN. 12-14. Paradox of the '80s: Regulating Health Care in a Deregulated Environment conference in Washington, sponsored by the Group Health Foundation; \$335 for members; \$375 for non-members. Conference Office, Group Health Foundation, 824 Ninth St., N.W., Suite 700, Washington, D.C. 20001.

JAN. 13-14. Insurance, Excess and Reinsurance Coverage Disputes seminar in New York, sponsored by the Practising Law Institute; \$395. Also **Jan. 27-28** in San Francisco. Ann Tracy, Public Information Officer, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5770.

JAN. 13-17. Modern Safety Management in Atlanta, sponsored by the International Loss Control Institute; \$695. International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 800-554-6011; 404-466-2208 in Georgia.

JAN. 14. Government Liability Insurance Crisis seminar in Tampa, Fla., sponsored by the Public Risk & Insurance Management Assn.; \$100 for members; \$150 for non-members. Also **Jan. 17** in San Francisco, **Jan. 21** in Dallas, **Jan. 24** in New York, **Jan. 28** in Detroit, **Jan. 29** in Denver, **Jan. 31** in St. Louis. Marilyn Millstone, Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

JAN. 15-16. Financial Analysis for Risk Management Decisions program in Dallas, sponsored by The College of Insurance; \$700 plus \$50 per organization. Also **Feb. 5-6** in Phoenix, Ariz., and **March 12-13** in Tampa, Fla. Laura McKeon, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

JAN. 20-21. Developing and Managing an Employee Medical Monitoring Program course in Los Angeles, sponsored by the University of Southern California Institute of Safety and Systems Management; \$350. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, University Park, Los Angeles, Calif. 90089-

0021; 213-743-6523/6524.

JAN. 21. Investor-owned Health Care Facilities in New York State seminar in New York, sponsored by The New York Business Group on Health Inc.; \$15 for members; \$25 for non-members. The New York Business Group on Health Inc., 622 Third Avenue, 34th Floor, New York, N.Y. 10017; 212-808-0550.

JAN. 21-22. Annual Flexible Compensation conference in Arlington, Va., sponsored by Charles D. Spencer & Associates Inc.; \$400 to subscribers of the EBPR Research Reports; \$475 to non-subscribers. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-524-6400.

JAN. 22-23. Computers in Risk Management seminar in Dallas, sponsored by the Public Risk & Insurance Management Assn.; \$450 for members; \$550 for non-members. Marilyn Millstone, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

JAN. 23. Current Developments in the Use of Letters of Credit in the Insurance Industry conference in New York, sponsored by Executive Enterprises Inc.; \$595 for the first registrant from an organization; \$495 for subsequent registrants. Executive Enterprises Inc., 33 W. 60th St., New York, N.Y. 10023-7988.

JAN. 29. An Insurance Odyssey (The Twentieth Century) meeting in Minneapolis, sponsored by the Insurance Federation of Minnesota; free. Insurance Federation of Minnesota, 1310 Pioneer Building, P.O. Box 1467, St. Paul, Minn. 55101; 612-292-1099.

JAN. 29-31. Regulation of Chemicals in the Global Environment: Protecting the Public Against Hazards from Chemicals program in Brussels, Belgium, sponsored by The Bureau of National Affairs; \$420. International Chemicals Symposium Registrar, BNA Conferences, The Bureau of National Affairs Inc., 2550 M St., N.W., Suite 699, Washington, D.C. 20037; 800-424-6892, 202-452-4420 in Washington.

FEB. 12-13. London Market and its Future conference in London, sponsored by Risk Research Group Ltd.; 293.25 pounds (\$410.55); 517.50 pounds (\$724.50) for two registrants from same organization. Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

FEB. 17-19. Fifth Annual Pension Seminar in Kissimmee, Fla., sponsored by Corbel & Co.; \$395. Brenda Chatham, Registrar, Corbel & Co., P.O. Box 17548, Jacksonville, Fla. 32245-7548; 904-731-

4455.

FEB. 19. OSHA Hazard Communication conference in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; \$45 for ISCC members; \$70 for non-members. Also **Feb. 25** in Chicago. Carol Jensen, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

MARCH 5-7. Life Safety Symposium in College Park, Md., sponsored by the Society of Fire Protection Engineers; \$515 for members; \$545 for non-members. Lisa Juliano, Administrative Assistant, Society of Fire Protection Engineers, 60 Battery March St., Boston, Mass. 02110; 617-482-0686.

MARCH 9-12. International Benefits Conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; \$530 for members; \$605 for non-members. International Foundation of Employee Benefit Plans, Attention: Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

MARCH 11. Captives in Brief workshop in Hamilton, Bermuda, sponsored by Tillinghast, Nelson & Warren Inc.; \$300. Micki Briskin, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

MARCH 11-14. Seminar for Non-Insurance Professionals in Princeton, N.J., sponsored by The College of Insurance; \$595 for College sponsors; \$675 for others. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

MARCH 12-14. 10th International Captive Insurance & Reinsurance Forum in Hamilton, Bermuda, sponsored by Tillinghast, Nelson & Warren Inc.; \$750; \$675 for additional registrants from same organization. Micki Briskin, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798; 203-655-9791.

MARCH 13-14. Workers Compensation: Your Safety and Health Balance Sheet course in Los Angeles, offered by the University of Southern California; \$150 per day. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523.

MARCH 16-21. The College of Insurance Management Program in Princeton, N.J., sponsored by The College of Insurance; \$895 for College sponsors; \$1,050 for others. Also **April 13-18** in Tarrytown, N.Y. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

MARCH 18-19. Post-Retirement Medical Benefits: An Employer Perspective conference in Chicago, sponsored by Charles D. Spencer & Associates Inc.; \$400 for subscribers to EBPR Research

Reports; \$475 for all others. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 312-236-2615.

MARCH 18-20. Reasoning Reinsurance seminar, in Irving, Texas, offered by the University of Dallas; \$525. Bruce Evans, University of Dallas, 1845 E. Northgate Drive, Irving, Texas 75062-4799; 214-721-5360.

MARCH 20. Managing the Worker's Compensation Claim seminar in Milwaukee, sponsored by the Wisconsin Chapter of the American Society of Safety Engineers; \$50 for members; \$60 for non-members. Betty Benishek, Wisconsin Chapter of the American Society of Safety Engineers, P.O. Box 391, Manitowac, Wis. 54220-0391; 414-682-5995; or Russ Fote, 414-781-1323.

MARCH 20-21. The Brief Course in Reinsurance in New York, sponsored by The College of Insurance; \$165. Also **April 17-18. Ronnie Kranis, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.**

MARCH 23-28. 13th Workers Compensation College at Duke University, Durham, N.C., sponsored by the International Assn. of Industrial Accident Boards & Commissions; \$300 for members; \$400 for non-members. IAIABC College, P.O. Box 79109, Jackson, Miss. 39236; 601-355-4582.

MARCH 24-26. The 50th Loss Managers Conference in Orlando, Fla., sponsored by the Property Loss Research Bureau; \$70 for members; \$190 for non-members. Property Loss Research Bureau, 1501 Woodfield Road, Suite 400 West, Schaumburg, Ill. 60195-4976; 312-490-8650.

MARCH 24-28. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500; \$450 for two or more registering at the same time. Also **May 5-9; Sept. 8-12; Nov. 10-14. National Loss Control Service Corp., K-3, John N. Garis, Long Grove, Ill. 60049; 312-540-2026.**

MARCH 25-26. 1986 Employees Benefits Conference in New York, sponsored by The Conference Board Inc.; before Dec. 20: \$550 for associates, \$620 for non-associates; after Dec. 20: \$595 for associates, \$665 for non-associates. The Conference Board Inc., P.O. Box 4026, Church Street Station, New York, N.Y. 10261-4026; 212-759-0900.

APRIL 2-5. Corporate Benefits Management Conference in Phoenix, Ariz., sponsored by the International Foundation of Employee Benefit Plans; \$530 for members; \$605 for non-members. Also **May 7-10** in Atlantic City, N.J., and **Aug. 3-6** in Monterey, Calif. International Foundation of Employee Benefit Plans, Attention: Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

APRIL 6-11. The Basic Course in Reinsurance in Princeton, N.J., sponsored by The College of Insurance; \$895 for College sponsors; \$1,050 for others. Ronnie Kranis, Professional Development

Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

APRIL 13-18. "Reach for the Top"—Risk & Insurance Management Society 24th annual conference in Toronto. \$545 for members and \$645 for non-members before Feb. 14; \$595 for members and \$695 for non-members after Feb. 14; reduced fees for those attending only part of the conference. RIMS Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

APRIL 16-19. Arbitration and Dispute Resolution institute in Scottsdale, Ariz., sponsored by the International Foundation of Employee Benefit Plans; \$450 for members; \$525 for non-members. IFEBP, Registration Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

APRIL 16. Chemical Safety seminar in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Also **April 22** in Chicago. Carol Jensen, ISCC, 20 N. Wacker Dr., Chicago, Ill. 60606; 312-372-7373.

APRIL 20-23. National Debate on Health Care in Dallas, sponsored by the Texas Department of Human Services, the League of Women Voters of Texas Education Fund, Texas Foundation for Human Services and the Office of the Governor of Texas; \$320. Roy E. Westerfield, P.O. Box 49287, Austin, Texas 78765; 512-450-3005.

MAY 13. Workers Compensation in Illinois seminar in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; \$90 for members; \$135 for non-members. Also, **May 20** in Chicago. Carol Jensen, Illinois State Chamber of Commerce, 20 N. Wacker Dr., Chicago, Ill. 60606; 312-372-7373.

MAY 18-21. Fifth Annual Employee Benefits Symposium in San Diego, sponsored by the International Society of Certified Employee Benefit Specialists; \$450 for members; \$525 for non-members who are ISCEBS graduates. International Society of Certified Employee Benefit Specialists, P.O. Box 209, Brookfield, Wis. 53005-0209; 414-786-8771.

MAY 28-30. The Role of Business in Health Cost Containment conference in Palm Beach, Fla., sponsored by the National Assn. of Employers on Health Care Alternatives; before Jan. 1: \$395 for members, \$495 for non-members; after Jan. 1: \$445 for members, \$545 for non-members; fees increase another \$50 after March 1. NAECHA, 1134 Chamber of Commerce Building, 15 S. Fifth St., Minneapolis, Minn. 55402; 612-338-4823.

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Britain adopts new insolvency act

LONDON—A new insolvency act in the United Kingdom is designed to aid creditors of insolvent insurance companies and imposes stricter personal liability on directors of the insolvent companies.

The Insolvency Act of 1985 became law on Oct. 30, and its provisions will take effect between now and Jan. 1, 1987, according to Britain's Department of Trade and Industry.

"I believe that the new insolvency act will offer much greater protection for creditors," said Michael Howard, minister of corporate and consumer affairs, in a statement.

"It will do much to encourage

directors to take prompt action when their businesses experience financial difficulties, and it will deter directors from abusing the privilege of limited liability," Mr. Howard's statement said.

The Department of Trade and Industry has published a guide to the new act to help creditors, directors, auditors and others understand the changes in the rules affecting companies that become insolvent.

Provisions of the act that are scheduled to take effect by mid-1986 will:

- Require official receivers, liquidators, administrators and administrative receivers to report to the secretary of state for Trade and

Industry any conduct of an insolvent company's directors that indicates the director "may be unfit to be concerned in the management of the company."

The secretary of state then may disqualify the director for up to two years on grounds of unfitness.

"An aggrieved person who believes that he may have evidence of a director's unfitness should, therefore, tell the official receiver as soon as possible," says the Department of Trade and Industry.

- Allow the liquidator to apply to the court to declare a director of an insolvent company personally liable "to contribute to the assets of the company, which would then be available for distribution to the creditors."

But, first the court must be satisfied that the director "knew or ought to have concluded that there was no reasonable prospect that the company would avoid going into insolvent liquidation and thereafter failed to take every step to minimize the loss to the company's creditors."

The Department of Trade and Industry adds, "As with evidence of unfitness, an aggrieved person should tell the liquidator if he believes there may be evidence of wrongful trading."

Sections of the act slated to take effect by Jan. 1, 1987, would:

- License the people involved in insolvencies, including the trustee in bankruptcy, liquidator, administrator or administrative receiver of a company and supervisor of a voluntary liquidation.

- Require voluntary liquidators, administrators, administrative receivers and supervisors of voluntary arrangements to maintain adequate financial security for "proper enforcement" of their duties.



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Guaranty funds

Continued from page 3

And, the former model act addressed payments for unearned premiums only to say that guaranty funds should pay claims for unearned premiums exceeding \$100.

The amendments to the model act were offered after spirited debate between commissioners on a task force reviewing the model law and insurers.

The most contentious issues: whether policyholders of a certain net worth should be restricted from filing first-party claims against the fund, whether directors and officers liability claims should be excluded from coverage and whether the fund could recover third-party

claim payments made on behalf of large corporate policyholders.

These recommendations were made by an advisory group chaired by Michael P. Duncan, assistant general counsel of Allstate Insurance Co. in Northbrook, Ill.

Corporate insurance buyers scored a victory on two of the three counts. Regulators on an NAIC guaranty fund task force rejected the advisory committee's recommendation restricting guaranty fund coverage to only those policyholders with a net worth of less than \$10 million.

The commissioners also rejected an amendment that would have excluded recovery for D&O claims filed by for-profit businesses.

However, the regulators on the

panel retained an amendment that permits fund directors to subrogate against policyholders with a net worth of more than \$50 million to recover funds paid to third parties on their behalf.

Tennessee Insurance Commissioner John C. Neff initiated the fight against the \$10 million net worth limitation, characterizing the exclusion as discrimination against larger businesses.

Among the most vociferous objectors to providing guaranty fund protection for companies whose net worth exceeds \$10 million was CIGNA Corp., whose policyholders include some of the country's largest businesses.

"This type of exclusion has a very sound public policy basis," said CIGNA's James W. Newman Jr.

"Broad guaranty fund coverage of almost all commercial lines sets up some marketplace incentives that are not good. In simple terms it means that sophisticated buyers of

insurance, consciously or subconsciously, have to take into account the quality of their insurance product to a lesser degree than they would otherwise. Examples can be put on the table from the last few years where that type of behavior has contributed to some of the problems that this industry now has," he said.

And assessments paid by insurers to guaranty funds are taken from surplus, reducing the surplus insurers can use to write new business, Mr. Newman said.

Insurers, however, also can pass these costs onto policyholders in higher premiums.

Wisconsin Insurance Commissioner Thomas P. Fox responded that it is "fallacious" to assume that large companies are sophisticated insurance buyers.

Joesph A. LaMonte of the New York Insurance Department countered that large companies have the money to acquire insurance sophistication.

The National Assn. of Independent Insurers also supported the \$10 million limit, but the Risk & Insurance Management Society opposed the limit.

Norris Clark, deputy insurance commissioner and chief of financial analysis for the California Insurance Department, asked proponents of the exclusion how much guaranty funds have paid companies whose net worth exceeds \$10 million. Proponents were unable to answer him.

The 10 commissioners on the guaranty fund task force voted 8-2 to delete the \$10 million net worth limitation. Regulators from Illinois and New York voted for the limit.

Mr. Fox also wanted to delete the provision allowing subrogation against policyholders whose net worth exceeds \$50 million, but he was defeated by a vote of 6-4.

In addition, Mr. Fox championed removing the D&O liability exclusion from the adopted version of the model act.

NAIC delays market conduct exams

Continued from page 3

end meeting of the National Assn. of Insurance Commissioners.

The examination was requested by the 16 insurance departments in the NAIC Western Zone: Alaska, American Samoa, Arizona, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah, Washington and Wyoming.

The Pennsylvania department, which will supervise the exams, had requested more information about the scope of the inquiry, Mr. Gates said.

A spokeswoman for the Pennsylvania department said in a telephone interview, "We wanted the Western Zone to indicate to us what specifically they were looking for." The department wanted to avoid disrupting the insurers' business, she said.

The postponement also allows regulators to line up the necessary examiners. Ten examiners will be needed—three per company and one supervising examiner from the Pennsylvania department, Mr. Gates said.

Mr. Gates said he believes the upcoming exams already have influenced the way other insurers do business in the Western Zone.

For example, he said, several underwriters recently have queried the Nevada department before implementing changes in their plans or operations; they might not have contacted the department before the examinations were announced, he said.

At the NAIC's meeting next March in San Francisco, Western Zone regulators will discuss similar exams of five to 10 other companies doing business in their territory, Mr. Gates said.



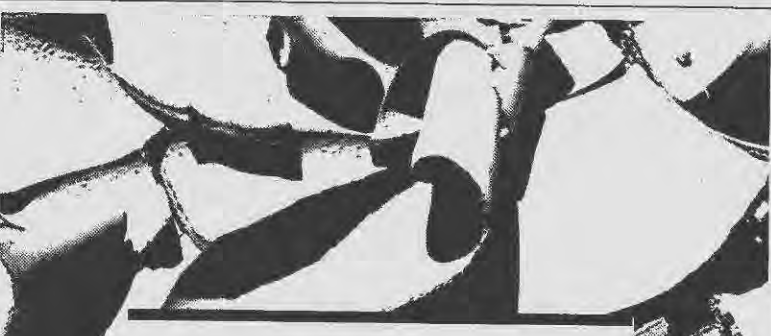
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Market solutions

Continued from page 1.

eral liability marketplace," the associations say.

- Apply reasonable limitations on the cancellation or non-renewal of commercial insurance policies.

"The industry believes that a reasonable balance should be struck between the buyer's need for stability and time to react if changes are necessary on the one end, and the insurer's need for a degree of flexibility," the organizations state.

"The industry acknowledges the need for reasonable limitations that cover individual and block policy cancellations; notice of changes in policy terms; and notice of non-renewal."

- Spearhead the organization of voluntary marketing assistance plans, under which insurers volunteer to underwrite policies when insurance buyers say they can't find needed coverage.

Insurers will support these voluntary plans "provided that regulators and others understand that a market assistance plan is not a panacea, and that there are lines in which the volatility and dimensions of the underlying exposure make voluntary efforts difficult if not impossible," the groups say.

"The industry is ready to continue its work with individual regulators, under their leadership, to maximize the opportunities to write difficult lines," the groups add.

In addition to traditional MAP underwriting facilities, the organizations suggest pursuing such programs as telephone hot lines by commissioners or industry groups to offer current information about available markets for various coverages and about what industry might be in need of certain types of insurance.

- Support formation of a clearinghouse of information on what coverages are being written by which insurers in which states.

The proposal originally recommended that such a mechanism be established for surplus lines coverages only, but an informal committee of four commissioners last week convinced the organizations that the scope could be expanded to include coverage written by license insurers.

The report advises: "To avoid antitrust problems, insurance regulators must play an active role in soliciting market involvement data."

The trade associations also said they support efforts to increase market capacity.

"There are limits on the amounts of new capital that can be generated from insurance sources," the organizations acknowledge. "The industry therefore supports efforts by businesses and others to add capacity to the marketplace through appropriate individual and group self-insurance, provided that in the case of groups, they are subject to adequate regulatory supervision and result in no unfair advantages over commercial insurance."

The most crucial long-term solution to the insurance availability and pricing problems is tort reform, the three trade associations said.

The groups advocate:

- Adoption of the legal theory of several liability rather than joint and several liability.

Punitive damage awards 'have no place in a civil liability system,' the associations say.

"The adoption of several liability would assign a defendant its share of the responsibility and no more, and the relative definition would help underwriters in assessing this and offering insurance coverage to commercial and municipal entities," the associations say.

Joint and several liability provisions have been increasingly abused by plaintiffs' attorneys seeking defendants with "the deepest pockets," regardless of actual responsibility, the groups note.

- Abolishing punitive damages. Punitive damages "are essentially criminal in nature and have no place in a civil liability system," the groups maintain. They contend that punitive damages are often a "bargaining chip" in litigation and drive up the dollar amount of settlement and awards.

If not abolished, punitive damages at least should be awarded only to punish "truly malicious behavior," the paper says. And then, litigation over punitive damages should be separated from the determination of liability and compensatory damages. In addition, multiple punitive damage awards against a single defendant for the same conduct should be eliminated.

- Adopting a state-of-the-art defense, under which manufacturers and professionals would be held liable for their conduct according to standards prevailing when the activity in question took place.

"This would not only tie the tort

law more firmly to commonly understood notions of responsibility, it would also enable underwriters to predict risks more precisely," the proposal says. "Insurance buyers would have a greater incentive to conform their activities to current standards.

- Targeting specific groups of commercial buyers for special liability reforms.

The associations cited taverns and dramshops as among those businesses having the toughest time finding liability insurance today. Legislative action could limit their liability to situations where liquor has been served to a minor or an obviously intoxicated person, the associations suggest.

In addition, the trade groups suggest a state-sponsored training program for liquor licensees.

For asbestos removal contractors, the groups say: "It may be possible to tie liability explicitly to a failure to comply with state standards adopted after extensive technical and political consultation."

The proposed tort reform recommendations "merit full and serious consideration" by state legislatures, the groups say.

In addition, more detailed proposals on civil justice reform will be prepared in January. The groups will consider endorsing additional proposed reforms, including one that would place a cap on non-economic damages and another that would encourage alternative resolutions of disputes, like arbitration hearings.

The trade associations also admit that there are exposures that may be too difficult to insure except through government programs.

"Unless such exposures can be clearly defined and limited by reform of the liability system, it may be that risks such as those posed by toxic waste facilities will have to be

funded, in whole or in part, by public funds," their statement warns.

The Alliance's Mr. Nutter expected the NAIC to appoint an advisory group of insurance company representative at the Reno conference to work with the trade associations to implement the recommended solutions. The advisory group would include insurers not affiliated with the three trade associations, but probably would not include regulators, he explained.

An informal committee of four state insurance commissioners who met privately with representative of the three organizations before the plan was announced had a "positive reaction" to the project, Mr. Nutter said. The regulators who reviewed the plan were Josephine M. Driscoll of Oregon, Bruce W. Foudree of Iowa, David A. Gates of Nevada, and Edward J. Muhl of Maryland.

The presentation of the 22-page proposal to the commissioners, however, was truncated. The three groups had only five minutes before the NAIC's property and casualty commercial lines insurance committee to present their proposals.

In their letter, the three trade association presidents said they are willing to cooperate with regulators to solve industry problems.

No one can recall when the three trade associations have jointly offered a public policy statement on insurance availability and pricing or teamed up to offer a comprehensive strategy for change.

The groups have worked together before, such as commenting on the NAIC's insurance holding company model act. And, the groups are now cooperating on studies of liquidation statutes, guaranty funds and solvency regulations.

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Mission bailout plan

Continued from page 3

sold for about \$15 million, estimates Joseph A. Morton, California deputy insurance commissioner and chief of conservation and liquidation. But, he said he could not determine the exact value until someone offered to buy the licenses.

MIC also will retain an estimated \$5 million in other receivables under the plan.

In addition to these assets, MIC will be given an option to buy in 10 years a new issue of preferred stock in Mission American valued at \$80 million. MIC will pay \$1 for the option, and AFC will repurchase the stock from MIC if the option is exercised.

Therefore, in 10 years, MIC presumably could cover its reinsurance obligations.

AFC and its chairman, Carl H. Lindner, will not agree to the plan unless MIC's ceding companies assure the Insurance Department that they will not attempt to offset any money owed them by MIC with reinsurance payments owed Mission American on the MIC business transferred.

Glacier General suit

Continued from page 2

Other creditors, like the New Mexico Trial Lawyers Assn., fear those big financial institutions may get preferential treatment if California officials liquidate Glacier General, said Mike Meloy, a Helena attorney representing the association. The lawyers' association sponsored an errors and omissions insurance program underwritten by Glacier on a non-admitted basis. The program now is underwritten by CNA Insurance Cos.

Mr. Meloy said he has asked the Montana court to remove Ms. Bennett as the sole liquidator, claiming she failed to respond promptly to jurisdictional problems.

Ms. Bennett responded, "I think we are following the

department has said ceding companies should support the bailout because they or their affiliates are licensed insurers that would be tapped by state guaranty funds if the bailout fails and MIC is liquidated.

The California department will have ultimate authority over MIC's runoff but will contract with Mission American to manage the business retained by MIC.

This includes claims, accounting and processing of reinsurance recoverables and agents' balances. Either Mission American or the department can cancel the agreement on written notice.

The letter of intent also states that the definitive agreement shall establish that MIG and Mission American are separate legal corporations, "neither responsible for any debts or liabilities of MIC and/or any of its subsidiaries."

"We are gratified that people appear willing to work with us to bring this plan to fruition," Lawrence G. Becker, MIG's vp, secretary and general counsel, told *Business Insurance*.

law and doing things correctly."

Mr. Meloy also has asked that the Montana state court set aside its findings that Glacier General is insolvent. He said that claims of the lawyers' association policyholders would fare better in a reorganization than in a liquidation.

Ms. Bennett has said that Glacier General, which has been in rehabilitation since March 12, was insolvent by at least \$131 million (*BI*, Nov. 25).

The company had written medical and legal malpractice, commercial automobile coverages and financial guarantees nationwide. It had also written workers compensation and fire policies in Montana.

Expona endorsement

Continued from page 2

1986, ceding companies must include defense costs within the limits of product liability insurance policies for North American exports and must exclude coverage for punitive damages for North American exports.

Expona 1986 is a re-draft of an earlier proposal that would have excluded coverage for North American operations in reinsurance treaties for non-North American businesses written after June 30, 1986, and would have required product liability coverage for exports to North America to be written on an claims-made basis beginning Jan. 1, 1986.

The earlier proposal lacked support and therefore was reworked.

The current endorsement moves the effective date

for exclusion of non-North American exposures up to Jan. 1, 1986, but pushes the deadline for claims-made coverage on North American exports back to Jan. 1, 1987.

Still, some believe it will be impossible for ceding companies to adjust their policies by Jan. 1 to exclude North American operations.

One London broker says the move to Expona 1986 "is a shambles. It is impractical to implement it at Jan. 1, 1986, because ceding companies cannot change their policies between now and then.

"These underwriters have not thought about the consequences," the broker charged.

"Reinsurers should make it effective for Jan. 1, 1988," he said.

Attorneys' fees

Continued from page 3

\$125 million for property damage claims brought by school districts and local governments that have sought billions of dollars for removal of asbestos from buildings.

Manville had originally agreed to contribute \$50 million for these claims. Attorneys representing property damage claimants are still studying the proposal.

Moreover, the committee of plaintiffs' attorneys also last week approved the basic economic plan for compensating victims, despite objections by some that the plan might be underfunded and that an element of the plan bars future suits against Manville.

But, the entire reorganization plan has not been approved by the plaintiffs' attorneys and still lacks the support of other creditors.

The committee representing Manville shareholders in the reorganization, for example, opposes the plan and is seeking to force the company to hold an annual meeting where shareholders could elect a new board of directors. The company has not held an annual meeting since it filed for reorganization in August 1982.

The Securities and Exchange Commission last week filed a brief with a U.S. District Court judge in New York that also seeks to force Manville to hold the meeting.

Manville's board approved in August the plan for the Denver-based company to pay \$2.5 billion to \$3 billion to asbestos victims over a 25-year period (BI, Aug. 12).

Among the assets of the trust fund that would go to pay claims and contingent fees are:

- An initial payment of \$846.5 million including cash, short-term receivables and proceeds from insurance policies.

- A \$1.65 billion bond paying annual installments of \$75 million starting four years after a reorganization plan is finalized and possibly continuing for 21 years.

- Manville common stock equating 50% of the company's outstanding shares, plus preferred stock that could be converted to the equivalent of an additional 30% of the company's common shares if needed to pay claims.

If these assets aren't enough to pay claims, Manville then would contribute 20% of its annual net profits indefinitely.

The current plan does not specifically call for limitations on plaintiffs' attorneys' fees, although three years ago Manville had filed an application with the bankruptcy court seeking to establish reasonable compensation for plaintiffs' attorneys. However, plaintiffs would not agree to the reorganization plan if Manville persisted in attempts to restrict attorneys' fees.

Under the current proposal, Manville would not challenge plaintiffs' attorneys' fees, Manville attorney Mr. Case said, adding the company doesn't know if other creditor groups would.

However, this does not mean there will be no limitations on what the attorneys receive.

Mr. Case said there are suggestions that plaintiffs' attorneys contribute some of their fees to charity. And, Mr. Inselbuch, the attorney for the plaintiffs' committee, said procedures for voluntarily reducing fees may be adopted.

Mr. Case noted that he supports the contingent fee system to provide people with access to counsel even if they cannot afford lawyers' hourly rates.

However, he said contingent fees should be used only in cases where there is a certain amount of risk in bringing the case, and not in the mass tort proceedings where liability is established.

George Hahn, attorney for the Manville shareholders committee, suggests the bankruptcy court review plaintiffs' attorneys' fees to

determine if they are reasonable.

Mr. Hahn, with the New York firm of Hahn & Hessen, questioned whether conventional contingent fees are reasonable when plaintiffs' attorneys are negotiating with a claims facility that expedites settlements. The integrity of the legal system and public confidence in it could be damaged if excessive attorneys' fees are paid, he said. "It's a hot potato."

Mr. Ostrager, the attorney representing Travelers, compared the fees plaintiffs' attorneys will receive with the "golden parachutes" executives of Fortune 500 companies demand when agreeing to leveraged buyouts.

However, he also noted that plaintiffs' attorneys have won enormous benefits for their clients.

A recent study by the Rand Corp.'s Institute for Civil Justice also points out that plaintiffs' attorneys in asbestos litigation have helped discover:

- The individual products that

asbestos manufacturers produced.

- Dangers of these products.
- The extent to which and the time at which the manufacturers and their insurers were aware of the dangers of asbestos.

- The measures that manufacturers did or did not take to protect people from those hazards.

"Developing this picture for asbestos required sustained and imaginative efforts over many years by more than a dozen plaintiff law firms in many parts of the country, which followed up numerous leads at considerable expense," the study says (BI, Dec. 9).

Plaintiffs' attorneys strongly disagree with the criticism of their fees.

"It ill-serves Mr. Case, whose firm has billed and received several million dollars in fees out of the bankruptcy—where victims have yet to get a penny—to make this accusation," countered Michael Goldberg, an attorney with the Washington office of Green,

O'Reilly, Broillet, Paul, Simon, McMillan, Wheeler & Rosenberg.

Even if plaintiffs' attorneys receive the maximum amount, their fees will be paid out over 30 to 40 years as settlements with asbestos victims are paid.

Mr. Inselbuch added that whether attorneys' fees will be reduced by the bankruptcy court "hasn't been contemplated." But, he said, it would be "wholly inappropriate" for the court to interfere in the contractual rights of litigants and their lawyers.

The estimates of contingent fees for plaintiffs' attorneys in the Manville reorganization are dramatically less than what plaintiffs' attorneys received in the settlement of the Agent Orange mass tort litigation, notes Kenneth Feinberg, the special master in the Agent Orange litigation.

Agent Orange plaintiffs settled with seven chemical companies for \$180 million (BI, May 14, 1984). But, U.S. District Court Judge Jack B.

Weinstein awarded plaintiffs' attorneys only \$10.7 million, or about 6% of the settlement.

"He placed severe limitations on the amount made available to attorneys," said Mr. Feinberg, with the Washington firm of Kaye, Scholer, Fierman, Hays & Handler.

Judge Weinstein said the Agent Orange plaintiffs' case was dubious and that he did not believe their lawyers should be excessively rewarded, Mr. Feinberg said.

In addition, Judge Weinstein primarily awarded fees to the "handful" of plaintiffs' attorneys responsible for initiating and maintaining the class action and not to individual claimants' lawyers who also filed claims in local courts, Mr. Feinberg said.

However, the asbestos litigation differs from Agent Orange litigation because there is a much clearer link between asbestos exposure and asbestos-related diseases than in the case of Agent Orange.

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Chief financial officers and vice-presidents of finance...2,075
Secretaries, treasurers, controllers and other financial personnel...6,886

Risk/employee benefits:

Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations...8,048

Sub-total... 22,087

Associations... 804
Government, unions and educational systems...1,030

Commercial Consumers

Sub-total... 23,921

Insurance agents and brokers 9,548
Insurance companies...6,089
Financial institutions...536
Actuaries, attorneys, adjusters, appraisers and consultants...3,464
Others allied to the field...1,320

TOTAL... 44,878

* Source: Business/Occupational breakdown of qualified circulation, May 6, 1985 issue, as submitted to BPA for June 1985. BPA Publisher's Statement.

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Continental Insurance

update

Court says workers can sue

Continued from page 2

suit against Du Pont in a lower court if they could show their existing asbestos-related injuries were aggravated by a deliberate corporate strategy to conceal an existing disease. The court, however, did not rule whether Du Pont had deliberately concealed diseases.

Prior to the decision, state trial and appellate courts had dismissed the cases because of the exclusive remedy doctrine.

The suits were filed after the employees were apprised by Du Pont of X-ray findings and pulmonary testing that indicated they had been exposed to asbestos. The company has paid workers compensation benefits to the workers, the spokesman said.

Mr. Jacoby said the decision was potentially "wide-reaching" and "absolutely broadens" exceptions to the exclusive remedy doctrine.

Wausau Best rating upgraded

WAUSAU, Wis.—Wausau Insurance Cos.' Best rating was upgraded last week to an A from "deferred" following the recent affiliation of Wausau with Nationwide Insurance Group (BI, Dec. 2).

The rating change was a result of a \$250 million capital infusion from Nationwide, a Wausau spokesman said. Wausau's rating had been dropped in June to deferred from a B-plus after the insurer lost \$206.6 million in 1984 (BI, July 2).

New York bills fail to pass

ALBANY, N.Y.—State legislators, meeting last week in a special session called by Gov. Mario Cuomo, failed to pass legislation aimed at easing municipal liability insurance problems and giving people exposed to toxic substances more time to file suit.

The bills were part of a package drafted by Gov. Cuomo's office. Although the session ended Dec. 11, the governor was scheduled to meet with legislative leaders late last week to push for the proposals (BI, Dec. 9).

The governor's bills included legislation that would make municipalities less vulnerable to lawsuits by requiring plaintiffs to make a diligent effort to first recover from other sources.

Another of the bills would allow plaintiffs three years to file suit following the appearance of symptoms of an illness related to toxic substances. Under current New York law, plaintiffs have three years following exposure to file suit.

The state Assembly and Senate also failed to agree on a bill that would allow insurers to write medical malpractice insurance on a claims-made rather than occurrence basis.

Carriers still paying claims

DES MOINES, Iowa—Claims filed with Carriers Insurance Co. are being paid even though the Des Moines-based trucking insurer was placed in rehabilitation Dec. 3.

The Iowa Insurance Department is assessing the insurer's financial status, but the effort is being hampered because the insurer's records "are in a shambles," says Iowa Insurance Commissioner Bruce Foudree.

Carriers reported \$41.5 million in net premiums written in 1984 and a year-end policyholder surplus of \$7.2 million. However, Mr. Foudree said that data is unreliable.

The Insurance Department still is seeking a buyer for Carriers, Mr. Foudree added.

Carriers consented to be placed under the supervision of the Insurance Department Nov. 13 after it was unable to secure needed reinsurance (BI, Nov. 18).

According to the rehabilitation court order obtained Dec. 3, no new policies may be issued and current policies may not be renewed upon expiration without the permission of the rehabilitator.

Florida allows comp rate hike

TALLAHASSEE, Fla.—The Florida Insurance Department will allow workers compensation rates in the state to increase an average of 11.8% beginning Jan. 1. But an insurer group that had requested an average 23.6% increase was meeting late last week to decide whether to appeal the rate order.

About two-thirds of the hike requested by the National Council on Compensation Insurance was based on experience and about one-third was an allowance for profit and contingency.

However, Florida Insurance Commissioner Bill Gunter in a Dec. 10 ruling disallowed the profit and contingency charge and also denied much of loss-experience calculations of the NCCI, a New York-based workers compensation ratemaking organization.

A report from the state's Department of Labor showed property/casualty insurers in Florida overpaid by 5.15% medical claims for workers comp injuries during part of 1984-85, said David Yon, an attorney with the Insurance Department.

The department believes that insurers should bear the cost of this overpayment rather than pass the cost onto policyholders, Mr. Yon said in explaining why a portion of the requested increase in rates for loss experience was denied.

The Insurance Department also noted that the NCCI based its calculations for the amount of premium needed in 1986 on a maximum weekly benefit of \$324. However, the state recently set the maximum weekly benefit at \$315, which is an increase of only \$8 above the 1985 level of \$307 per week (BI, Feb. 4).

In his order, Mr. Gunter also noted that insurers miscalculated experience rates and, as a result, collected too much in premiums in 1985. He asked insurers to recalculate 1985 charges and voluntarily return an average 5.3% of the premiums to policyholders, either as a cash refund or a credit.

The NCCI's Classification and Rating Committee in Florida was scheduled to meet last Friday to determine whether it would accept the limits of the order, ask for a rehearing before the commissioner or take the matter to court.

Tax reform bill

Continued from page 1

Blue Cross/Blue Shield plans and imposes \$4.8 billion in added taxes to be paid by property/casualty insurers over the next five years, a move that could raise the cost of insurance (BI, Nov. 25).

But, employers breathed a sigh of relief last month when the House Ways and Means Committee rejected taxing employees on employer-provided life and health insurance coverage and extended through Dec. 31, 1987, the tax-favored status of group legal and educational assistance programs (BI, Dec. 2).

However, the uniform discrimination rules remaining in the tax bill could inflict far more damage on employer benefit plans than relatively small taxes on health and life insurance benefits, according to experts.

"These (non-discrimination rules) are the hidden bombs in the tax bill," said Stuart Brahs, executive director of the Assn. of Private Pension and Welfare Plans in Washington.

"This is what employers will be screaming about," Mr. Brahs adds.

The uniform non-discrimination rules propose a series of tests and each test would have to be passed separately.

Under the first test, some 90% of a company's employees, excluding those covered under collective bargaining agreements and certain part-time employees, would have to be covered under a benefit plan in order for the plan to be considered non-discriminatory.

This 90% eligibility test could be difficult for companies with different units to meet since each unit might have its own benefit plan and no one plan would be available to 90% of corporate employees.

To help companies with that problem, the measure proposes a so-called line of business exception to the general eligibility test.

Under this exception, a separate line of business or operating unit, as defined by regulations issued by the Treasury Department, could pass the test if 90% of the unit's employees were eligible for the unit's

Non-discrimination rules 'are the hidden bombs in the tax bill,' says Stuart Brahs of the APPWP.

benefit plan.

But a company could not qualify for the line of business exception if the unit had fewer than 100 employees or if more than 25% of the unit's employees were highly compensated.

Highly compensated employees would include:

- Those earning more than \$50,000.

- The top 10% of employees based on salary, excluding employees earning less than \$20,000 and employees earning less than \$35,000 who are not among the top 5% in compensation.

Finally, a separate benefit participation test would have to be passed. For most welfare-type benefits, a plan would be discriminatory if less than 75% of eligible participants did not participate in the plan.

For health care plans, a company would not have to meet the 75% participation test so long as less than 25% of the participants were highly compensated.

What will trip up multiline companies, according to the experts, is meeting the line of business exception test.

At many companies, more than 25% of employees in an operating unit will be highly compensated, said Edward J. Davey, vp-technical analysis at Johnson & Higgins in New York.

And, if a company with different operating units flunks the line of business exception, it then will be very difficult to pass the general rule requiring that a benefit plan be available to 90% of all employees.

It also isn't clear what will constitute a separate line of business. For example, a financial services company may have one benefit plan for its insurance company em-

ployees and a more generous plan for its stockbroker unit.

Would this be one unit involved in financial services or two separate units falling under the line of business exception? asked J&H's Mr. Davey.

Some worry that the bill places the Treasury Department in charge of developing regulations defining what constitutes a separate line of business.

"So much is left to regulation," observed Theresa Stuchiner, a partner with benefit consultant Kwasha Lipton in Fort Lee, N.J.

Companies that were unable to pass the non-discrimination rules would have difficult and costly choices.

If they did nothing, highly compensated employees would be taxed on the benefits, an unacceptable option.

Or, they could establish a uniform benefit plan to cover all employees in various operating units—an expensive option.

If a company upgrades a benefit plan for those covered under a less generous plan, the company's benefit costs could be uncompetitive with other employers in that industry.

Alternatively, if a company reduced a benefit plan for a corporate unit it could have difficulty attracting employees to work for that unit.

"Companies would lose the flexibility to design programs to meet the specific needs of their divisions," said Buck's Mr. Rumack.

In addition, companies might be reluctant to acquire a firm with a generous benefit plan and a high percentage of highly compensated employees for fear that the acquisition could cause them to flunk the uniform non-discrimination test.

"This could interfere in the acquisition process," Mr. Rumack said.

By imposing non-discrimination rules on welfare type benefits, the bill could be the first step in the enactment of discrimination rules for pension plans.

The Ways and Means Committee earlier deferred discrimination rules for pension plans, pending the outcome of a Treasury Department study.

Three major proposals studied

WASHINGTON—The tax overhaul bill, H.R. 3838, being debated by the House is one of three major tax and budget proposals before Congress that could affect employee benefit and risk management programs.

Last week, a congressional conference committee began work on a budget reconciliation bill. They are trying to iron out differences in House and Senate "budget reconciliation" bills, H.R. 3500, H.R. 3128 and S. 1730. The final reconciliation measure, which would then be returned to the House and Senate for final approval, would implement a general budget resolution Congress approved this summer.

Meanwhile, a different conference committee last week approved, as part of legislation boosting the federal debt ceiling, the so-called "Gramm-Rudman" amendment that requires a balanced federal budget.

The Gramm-Rudman amendment received final congressional approval late last week.

Tacked onto the budget reconciliation and deficit reduction bills are proposals that would require employers to extend their group health insurance to widowed and divorced spouses of employees, raise insurance premiums employers pay to the Pension Benefit Guaranty Corp. and make it more expensive and difficult for companies to terminate underfunded pension plans.

For example, the House bills would require employers to extend their group health insurance programs for five years to a former spouse after an employee dies, is divorced or is separated from his or her spouse.

The Senate budget reconciliation bill would require employers to extend group health plans to former spouses for 18 months.

Also, the Senate bill would require group health care coverage to be offered for 18 months to employees who lose their jobs.

While employers would be allowed to charge spouses and former employees the full cost of cover-

age, experts worry that this extension of coverage would pose new administrative problems to employers who would have to keep track of and try to collect premiums and process claims for people who have no employment relationship with a company.

Experts also worry that only those who expect to use health care services would opt for continued coverage, creating adverse risk selection.

Both H.R. 3128 and the Senate bill would require employers to offer group health care coverage to employees and spouses age 70 and older. Those older workers now receive their primary health care coverage from the government's Medicare program.

The three bills also boost premiums employers pay the PBGC. The Senate bill calls for an annual premium of \$8.10 per defined benefit plan participant, while H.R. 3500 proposes a \$8.50 premium. Under H.R. 3128, the premium would rise to \$8 and then, in 1989, be rolled back to the current \$2.60 level.

The measures also would close various loopholes that make it relatively easy for employers to terminate underfunded pension plans and shift the liabilities to the PBGC (BI, Nov. 11).

The Gramm-Rudman amendment, named after co-sponsors Sens. Phil Gramm, R-Texas, and Warren Rudman, R-N.H., will force gradual reductions in federal budget deficits so that a balanced budget could be achieved by 1991. This year alone, the federal budget deficit is expected to be about \$200 billion.

The annual reductions in budget deficits are supposed to be achieved by decreased federal spending so that spending matches revenues.

But there is some doubt whether a balanced budget can be achieved solely by reductions in federal spending. That could raise the possibility that Congress and the administration might, sometime in the future, seek more revenue by increasing corporate taxes and/or taxing employee benefits, observers say.

Insurer reinstates bus coverage in Illinois

By MEG FLETCHER

CHICAGO—An agreement worked out under the auspices of the Illinois Insurance Department has resulted in the reinstatement of canceled liability and property insurance for operators of more than 1,000 independently owned buses in the state.

However, under the agreement Pacific Employers Insurance Co. will reinstate the canceled coverage only temporarily, generally until its expiration. The Los Angeles-based CIGNA Corp. unit does not plan to renew any of the policies, according to sources at the Insurance Department.

Illinois Insurance Director John E. Washburn had ordered Pacific Employers on Sept. 18 to stop midterm cancellations of policies written through a National School Transportation Assn. insurance program.

The program provided liability and some property insurance for buses, most of which were used to transport schoolchildren in metropolitan Chicago (BI, Oct. 7).

Pacific Employers' cancellation of the insurance program appeared to violate the state insurance code, Mr. Washburn said.

"We must seriously question why CIGNA collected the

insurance premium all summer and then chose to cancel its school bus policies just as the school year began," Mr. Washburn said at the time.

"In our estimation, the company arbitrarily terminated its entire school bus liability program without sufficient evidence that risk factors have changed dramatically since the time the company underwrote the risk," he said.

According to the agreement, Pacific Employers has extended the bus operators' coverage from the time the policies were canceled in late summer until Dec. 31 for operators whose policies normally expire before Dec. 1.

Operators whose insurance coverage expired after Dec. 1 had the coverage reinstated until the policy's original expiration date, according to a letter to the department from CIGNA Senior Counsel Richard T. Radsch.

In return for the reinstated coverage, bus operators are required to pay all past due premiums, according to the agreement.

In addition, Pacific Employers agreed to reinstate a small number of excess insurance policies for the bus operators.

While officials from the Insurance Department and CIGNA worked out an agreement, many bus operators were forced to obtain coverage through the state's assigned

risk plan, according to Robert Heisler, assistant deputy director of the department.

But, under the agreement, Pacific Employers will provide reimbursement for application and other fees paid to the assigned risk plan.

CIGNA insured more than 5,000 buses nationwide through the National School Transportation Program, according to an industry source. All of those policies were canceled, but the bus industry source would not say how many of those bus operators outside Illinois remain without coverage.

Pacific Employers also wrote comprehensive auto liability and physical damage coverage for 15,000 buses operated by 1,750 public and privately owned bus companies nationwide through a program sponsored by the United Bus Owners of America.

New and renewal business under the program ceased in August because Pacific Employers withdrew.

While CIGNA officials declined to comment on the Illinois settlement, a company spokesman said earlier that the company has pulled back "dramatically" from underwriting bus and train risks because it was losing money on the business.

State MAPs

Continued from page 3

those entities approached the state's Risk Management Division for temporary emergency auto insurance and general liability insurance, which covers premises and operations exposures, according to Taylor Hendrickson, deputy director.

Prior to May 1985, only two such entities obtained emergency coverage from RMD since the state agency was created in 1978 under the auspices of the General Services Department, Mr. Hendrickson noted.

"We're the last resort," he said.

Of the entities RMD has assisted with emergency coverage this year, 20 had not received any bids from the marketplace for liability coverage and four or five received bids with "too many exclusions," Mr. Hendrickson said.

The remainder received premium quotes that were at least 200% more than the previous premium, he said.

Some of those entities eventually obtained coverage through the commercial marketplace at a dramatic increase, but RMD afforded them the opportunity to shop around longer, according to Mr. Hendrickson.

Under the temporary emergency liability coverage plan, RMD provides a public entity \$500,000 in liability coverage per occurrence, with sub-limits of \$300,000 per person for bodily injury and \$100,000 for property damage.

The state's immunity laws cap a

public entity's liability at these levels.

Meanwhile, the entity covered through RMD must continue looking for coverage in the commercial marketplace.

RMD bases the premium it charges a public entity on the premium the entity pays for the coverage it eventually secures through the commercial marketplace.

However, because of the greater number of entities now utilizing the RMD emergency plan, the agency plans to collect deposit premiums to help cover its additional exposure.

"Within a month or two, we will institute a deposit premium rating system that, frankly, won't be far off what the rest of the carriers are charging," Mr. Hendrickson said.

"We're not trying to compete with outside carriers," he said.

In addition to emergency coverage, RMD must provide law enforcement and medical malpractice liability insurance for all local public entities and unemployment compensation insurance for all public school districts in the state.

In addition, RMD offers civil rights and errors and omissions coverages to all local public bodies and unemployment compensation insurance to municipalities and counties as options.

The RMD has a \$12 million self-insurance fund for these coverages and the emergency coverages it provides. It has no excess or umbrella coverage above the self-insurance.

The RMD also used to provide public entities with \$30 million in

tort liability coverage to protect them in federal court or other jurisdictions outside the state, where the entities are not protected by state immunity laws.

However, that coverage is no longer offered since RMD's four-year excess foreign jurisdiction coverage expired Nov. 1, and no insurer submitted a bid to provide the coverage, Mr. Hendrickson said.

The expired coverage was underwritten by three insurers for an annual premium of \$180,000: Colonial Penn Insurance Co. of Philadelphia wrote the first \$10 million of coverage for \$140,000. Industrial Indemnity Co. of San Francisco, a unit of Crum & Forster Insurance Cos., and Indemnity Insurance Co. of North America in New York, a CIGNA Group unit, shared the next \$20 million in coverage, each charging \$20,000 for the coverage, according to Mr. Hendrickson.

The 100 municipalities, 33 coun-

Consultants elect officers

The Society of Risk Management Consultants has elected new officers.

Al Waters of Waters Risk Management in St. Petersburg, Fla., was elected president of the 120-member organization of independent risk management consultants.

Other officers that were elected are: President-elect Thomas C. Radziewicz of John Liner Insurance & Risk Management Advisors in Wellesley, Mass.; Secretary Robert S. Felton of Felton Associates, Baton Rouge, La.; and Treasurer Adam P. Sielicki Jr. of the Insurance Buyers Council in Baltimore.

Directors are Mr. Felton; Mr. Sielicki; Peter Armour of Armour Riley Inc., Rexdale, Ontario; Larry W. Buck of Larry W. Buck & Associates, Houston; Michael M. Kadatz of Advanced Risk Management Techniques, Laguna Hills, Calif.

Also, Alvin E. Mangold of First Risk Management Co., Feasterville, Pa.; Charles Cox of Aldrich & Cox Inc. Buffalo, N.Y.; Herbert H. Feldman of Insurance Consulting Associates, Great Neck, N.Y.

Also, Paul W. Pinckney of Mund, McLaurin & Co., South Pasadena, Calif.; and Robert S. Sterling of Industrial Risk Specialties Inc., Great Neck, N.Y.

The society was formed from a merger Jan. 1 of the Insurance Consultants Society and the Institute of Risk Management Consultants.

The society's purpose is to foster awareness and understanding of the role of independent risk management consultants.

ties and 89 school districts protected by the coverage must attempt to obtain the coverage themselves now, he said.

"This is the type of problem that will be presented to the Legislature" in January, when it is expected to address the problem of unavailable liability insurance, Mr. Hendrickson said.

He added that RMD hopes to help the entities "get by" until then.

The Maryland Legislature also is expected to address the problem of unavailable liability insurance when it reconvenes in January, said Mr. Barbera of the Insurance Department.

Meanwhile, two task forces studying the availability and affordability of medical malpractice and general liability insurance in Maryland are scheduled to present their findings and recommendations to Gov. Harry R. Hughes

sometime this month, Mr. Barbera said.

Based on informal meetings with the two groups, Mr. Barbera expects their recommendations will center on tort reform, reinsurance capacity and joint underwriting associations.

While the Maryland MAP is open only to day-care facilities and municipalities, the Insurance Department is not ruling out eventually opening the program to other businesses that cannot obtain general liability insurance, Mr. Barbera said.

Meanwhile, the National Assn. of Professional Surplus Lines Offices Ltd. has announced that it supports the creation of voluntary MAPs in states severely affected by insurance availability problems.

In adopting a resolution supporting MAPs, NAPSLO also urged greater participation by wholesale brokers in those programs.

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Superfund legislation

Continued from page 2

Insurers also hope to persuade conferees to include the Senate-passed litigation settlement provision in the final bill.

While both the House and Senate bills include provisions that would make it easier for a company to volunteer to clean up an abandoned hazardous-waste site, the Senate bill includes a mechanism to facilitate such voluntary cleanup agreements.

Voluntary cleanup agreements are widely viewed by business as more cost-effective than court-ordered cleanups.

The Senate bill includes a requirement that the Environmental Protection Agency develop a "non-binding preliminary allocation of responsibility" among those companies identified by the agency as responsible for a waste site, including companies that are unknown or insolvent.

Such a requirement may prevent the EPA from forcing financially healthy companies to clean up wastes dumped at a site by insolvent or unknown companies.

The insurance industry has long maintained that unless Superfund is modified so that companies are only held responsible for the wastes they deposited, coverage for pollution exposures will remain scarce.

Insurers also want conferees to eliminate the retroactive effective date of a provision in the House bill that would pre-empt statutes of limitations—now in effect in about a dozen states—that are triggered by exposure to a hazardous substance, regardless of when an illness manifests itself.

The remaining states' statutes are triggered by the manifestation of an illness stemming from exposure to a hazardous substance.

The House bill specifies that all statutes of limitations must be based on manifestation effective December 1980, when the Superfund law was enacted. Insurers and risk managers fear this would reopen cases that have been dismissed because statutes of limitations expired.

They want conferees to eliminate the retroactive effect of the House language so that the pre-emption provision would affect only cases filed after the Superfund reauthorization is enacted.

The risk management and insurance industry's greatest success in the Superfund reauthorization debate came last week when they lobbied to defeat an amendment proposed by Rep. Barney Frank, D-Mass., that would have added a federal cause of action to the House Superfund measure.

Such a provision would allow citizens to sue companies for third-party damages in federal court using the Superfund's strict joint and several liability provisions. Currently, citizens can use only state tort laws when they file legal actions seeking restitution for bodily injury and property damage from exposure to hazardous wastes.

Insurers argued the Superfund was designed to clean up toxic waste sites, not provide compensation for those injured by exposure to these sites. They also noted that a federal cause of action would adversely affect the already-thin market for environmental impairment liability insurance.

In a second victory, risk management and insurance industry representatives also were able to persuade the House to scale back so-called "citizen suit" provisions supported by environmentalists.

Although both the House and Senate bills contain such provisions, they only allow citi-

zens to sue polluters and the EPA to clean up hazardous-waste dumps in the event of "an imminent and substantial endangerment" to public health or the environment.

Language considered in the House that would have given citizens the power to sue for third-party damages using Superfund's strict joint and several liability was defeated in committee.

Insurers were also able to persuade the House and Senate to require a study of the insurability of environmental exposures. However, insurers favor the House language, which specifies that the General Accounting Office chair the study, according to Melvin Stark, a consultant for the American Insurance Assn.

The Senate bill would give the EPA responsibility for chairing the study.

Mr. Stark said AIA members think GAO, Congress' investigative arm, would be unbiased in its approach to the study.

Despite these victories, insurers and risk managers lost several important Superfund reauthorization battles.

For instance, they were not able to make any headway in their effort to reduce or eliminate pollution liability under the Superfund Act.

After an unsuccessful attempt to persuade Congress to eliminate all liability—for both polluters and their insurers—for toxic waste dumping prior to Superfund's passage in December 1980, insurers offered a proposal that would retroactively eliminate all insurance coverage for toxic waste dump cleanup (BI, April 15; Sept. 16).

That plan died following stiff opposition from risk managers and other business groups.

"We started out with high hopes of being

able to achieve some significant offensive gains and instead it's fair to say we ended up on defense. But at least they didn't score on us," Crum & Forster's Mr. Cheek says.

The AIA's Mr. Stark notes that neither the House nor the Senate gave insurers any relief from strict court interpretations of insurers' liabilities for policies written before the Superfund law was enacted.

The bills also do not offer direct relief from the current standard of strict joint and several liability, he says.

"Difficult questions of insurability still exist and the availability of pollution liability coverage will continue to be a serious problem," he said.

Mr. Cheek says the insurance industry will spend the next five years accumulating evidence to convince Congress to make some of the changes the industry proposed, like the elimination of joint and several liability and a mandatory settlement policy the EPA would be required to follow when dividing responsibility for the cleanup of waste sites.

While insurers and risk managers are concerned about liability questions, the issue of Superfund financing is likely to prove the most difficult for conferees.

After a heated debate, the House opted to finance Superfund by doubling existing taxes on chemical feedstocks and oil, rejecting language developed by the Ways and Means Committee that would have financed the fund with a broad-based tax on most manufacturers. The Senate bill contains a such a broad-based tax.

President Reagan has said he would veto a bill containing a broad-based tax. That threat, coupled with heavy lobbying by businesses not now taxed under the Superfund, prompted the House to reject such a tax.

CBS covered for libel award

Continued from page 2

compensatory damages for a 1982 documentary that allegedly accused him and others of engaging in a "conspiracy" to understate the enemy's strength during the Vietnam War to make it seem that the United States was winning.

As part of its broadcaster liability insurance program in 1982, CBS had a \$3 million manuscript errors and omissions policy with a \$100,000 deductible, said Dennis D'Oca, vp of risk management for CBS, at a fall risk management conference.

The Westmoreland defense cost claim "blew everybody out of the water," he said at the conference, noting the balance of that claim was paid under a \$100 million umbrella policy written in several layers. But, sources disagree on whether CBS had \$50 million or \$100 million in coverage in 1981.

Mr. D'Oca noted at the risk management conference that CBS had paid \$5 million for the umbrella coverage it had in 1982 and at that time had received \$20 million in claims payments on the occurrence policy.

One of CBS's attorneys in the Westmoreland case said the network's primary errors and omissions coverage in 1982 was brokered through Reed Stenhouse in New York (which merged with Alexander & Alexander Services Inc. in July 1985) and was underwritten by CNA Insurance Cos. in Chicago.

Neither Mr. D'Oca nor CNA would comment on insurance

coverage for the award in the Jacobson because of the pending appeal.

However, Chicago attorney Jim Klenk, whose law firm—Reuben & Proctor—initially represented CBS in the Jacobson case, said: "I sent my bills to CNA."

Other sources in London and the United States say by 1981 CBS had switched its E&O liability coverage to the U.S. market after placing it in London for several years.

When the coverage first was moved to the United States around 1980, the primary coverage was underwritten by CNA.

Currently, CBS's broadcasters liability insurance is underwritten by Fireman's Fund Insurance Cos. in Novato, Calif., said Larry Worrall, president and general counsel for Media/Professional Insurance Agency Inc., an underwriting managing agent in Kansas City, Mo.

CBS now has a \$3 million retention followed by a \$3 million primary layer and a \$100 million umbrella policy, according to information obtained from CBS' Mr. D'Oca at the fall risk management conference.

When Mr. Jacobson was asked about insurance coverage for the award against him, the newsman responded: "I haven't the vaguest idea what kind of insurance CBS has, WBBM has, or even my own insurance."

Mr. Jacobson said that he works "at being a reporter," and

leaves insurance coverage up to the station's general manager and the attorneys.

He added that it is not important to worry about the insurance coverage until it is seen if the appellate court allows the judgment to stand, adding that will take another two to three years. Presently, he and his attorneys are concentrating on the appeal, not on the insurance coverage, he noted.

In its lawsuit, Brown and Williamson alleged that Mr. Jacobson's commentary claimed B&W used sinister advertising practices to lure children to smoke its cigarettes.

Chicago attorney Thomas Morsch, who represents both CBS and Mr. Jacobson, hopes to convince federal Judge William Hart this week that he was wrong in ruling early in the case that CBS was not allowed to build its defense on its contention that the commentary was "an opinion," rather than a story based on facts.

Besides ruling that the commentator had libeled B&W, the jury on Dec. 5 awarded \$2 million in punitive damages against CBS, \$50,000 in punitive damages against Mr. Jacobson and \$3 million in general damages jointly against the network and its commentator.

B&W's New York-based attorney, Martin London, had asked for compensatory damages of an unstated sum and \$10 million in punitive damages against the network plus \$100,000 punitive damages against Mr. Jacobson.

BI Industry Stock Report

December 11, 1985 12/5/85 thru 12/11/85

Brokers

	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE 31.75	-1.2	0.0	1.00	3.1	32.00	31.63	473.7
Baldwin & Lyons Inc	OTC 62.00	-5.0	13.7	0.80	1.3	66.00	62.00	0.6
Corroon & Black Corp	NYSE 57.75	-0.9	78.0	1.00	1.7	58.00	57.38	22.1
Crump E H Cos Inc	OTC 20.50	3.8	22.0	0.25	1.2	20.50*	19.75	175.8
Ewert & Chandler Cos Inc	OTC 17.25	-1.4	29.7	0.00	0.0	17.25	17.00	17.0
Gallagher Arthur J & Co	OTC 48.25	0.1	23.7	0.28	0.6	48.25	47.63	27.1
Hall Frank B & Co Inc	NYSE 26.00	-5.1	0.0	0.00	0.0	26.75	25.50	609.3
Marsh & McLennan Cos Inc	NYSE 80.38	-3.7	19.2	2.70	3.4	83.00	79.75	301.0
Poe & Assoc Inc	OTC 13.50	0.0	0.0	0.80	5.9	13.50	13.50	31.7
AGENTS/BROKERS	AVERAGE		145.3		1.9			

Conglomerates & Holding Cos.

American Express(Fireman's Fd)	NYSE 52.50	5.0	16.8	1.36	2.6	52.50*	49.75	6,762.6
Anderson (Clayton/Ranger/PanAm)	NYSE 48.75	0.5	33.9	1.32	2.7	48.75*	47.88	77.2
Araco Inc	NYSE 9.25	-5.1	0.0	0.00	0.0	9.75	9.25	699.9
Berkley W R Corp	OTC 30.75	1.7	96.1	0.32	1.0	31.38*	30.25	713.3
CIGNA Corp	NYSE 62.00	-0.8	30.1	2.60	4.2	62.13	61.50	924.8
CNA Finl Corp (CNA)	NYSE 63.75	-1.7	19.9	0.00	0.0	65.13*	63.75	225.3
General Re Corp	NYSE 104.25	1.5	113.3	1.56	1.5	104.25*	101.00	441.9
IYT (Hartford Group)	NYSE 35.00	1.4	11.0	1.00	2.9	35.00	34.50	4,853.5
Sears Roebuck & Co. (Allstate)	NYSE 40.75	7.9	11.4	1.76	6.3	40.75*	37.63	7,711.0
Teledyne Inc (Argonaut)	NYSE 299.00	6.8	6.5	0.00	0.0	299.00*	283.63	233.2
Transamerica Corp	NYSE 34.38	1.5	16.7	1.68	4.9	34.63*	34.00	598.0
(Occidental & Fred S. James)	NYSE							
CONGLOMERATES/HOLDING COS.	AVERAGE		12.1		1.5			

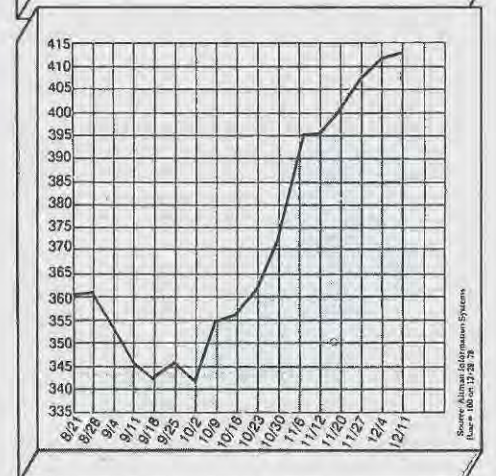
Insurers

Aetna Life & Cas Co	NYSE 51.50	0.7	19.4	2.64	5.1	51.50	49.88	3,463.2
American General Corp	NYSE 32.50	-2.3	9.9	1.00	3.1	32.88	32.25	1,514.0
Amern Heritage Life Invt Co	NYSE 38.50	3.4	11.1	1.20	3.1	38.50*	36.88	4.6
American Indty Finl Corp	OTC 18.88	0.7	0.0	1.12	5.9	19.25	18.88	341.0
American Int. Group Inc	NYSE 106.75	0.6	26.6	0.44	0.4	106.75*	102.00	638.2
Aneco Reins Ltd	OTC 1.00	14.3	0.0	0.00	0.0	1.00	0.88	10.1
Aveaco Corp	NYSE 37.13	1.7	14.7	0.60	1.6	37.13*	36.63	24.0
Business Mens Assurn Co Amer	OTC 32.00	1.6	9.0	1.04	3.3	32.00	31.50	23.6

Price % Chg. P/E \$ Div. % Yld. High Low Vol.(000)

Chubb Corp	NYSE 57.13	2.9	20.7	1.56	2.7	57.13*	55.63	328.6
Combined Intl Corp	NYSE 50.63	-0.7	9.2	2.76	4.3	51.75*	50.50	327.4
Continental Corp	NYSE 46.50	1.4	23.0	2.60	5.6	46.50	45.25	532.0
Crown Life Ins Co	OTC 270.00	0.0	16.3	0.00	0.0	270.00	270.00	0.0
Durham Corp	OTC 39.00	-3.7	7.2	1.28	3.3	40.25	39.00	15.7
Farmers Group Inc	OTC 68.38	-2.3	11.5	1.76	2.6	70.13	66.88	557.7
Fireman Fd Corp	NYSE 31.75	0.0	0.0	0.30	0.9	32.75*	31.75	1,157.3
Fremont Gen Corp	OTC 23.75	-2.6	2.3	0.48	2.0	24.50	23.75	243.0
Great West Life Assurn Co	OTC 470.00	9.0	12.1	1.60	0.3	470.00	431.00	0.0
Home Group Inc	AMEX 23.13	-8.0	0.0	0.00	0.0	24.88	23.13	1,200.0
Hanover Ins Co	OTC 51.00	2.0	53.1	0.56	1.1	51.00	50.00	42.8
Hartford Steam Boiler Inspn	OTC 61.25	5.8	14.4	2.00	3.3	61.25*	59.00	31.7
Kans City Life Ins	OTC 29.50	-1.7	11.6	0.87	2.9	29.50	29.00	20.8
Keener Corp	OTC 65.25	2.8	18.8	1.80	2.8	65.25*	63.50	325.1
Liberty Corp S C	NYSE 33.88	2.7	14.7	0.72	2.1	33.88*	33.00	62.4
Lincoln Natl Corp Ind	NYSE 50.88	-0.2	12.0	2.00	3.9	50.88	49.38	389.2
Mission Ins Group Inc	NYSE 2.88	-4.2	0.0	0.00	0.0	2.88	2.63	227.1
Monumental Corp	OTC 35.75	-0.7	12.1	1.40	3.9	36.00	35.75	17.4
Nobel Ins Ltd	OTC 11.50	0.0	15.1	0.25	2.2	11.75	11.50	33.7
Northwestern Natl Life Ins	OTC 25.25	-1.0	6.6	0.80	3.2	25.50	24.88	354.0
Ohio Cas Corp	OTC 70.75	-0.5	23.8	2.80	4.0	71.50	69.63	63.1
Old Rep Intl Corp	OTC 35.25	4.4	9.5	0.74	2.1	35.25	33.88	84.4
Orion Cap Corp	NYSE 31.63	2.8	0.0	0.76	2.4	31.63*	30.38	66.5
Protective Corp	OTC 21.00	-3.4	7.8	0.66	3.1	21.75	20.75	157.8
Provident Life & Acc Ins Co	OTC 27.88	0.5	7.5	0.76	2.7	28.00*	27.88	551.5
St Paul Cos Inc	OTC 80.00	1.4	0.0	3.00	3.8	80.00	78.63	496.5
SAFECO Corp	OTC 46.00	-0.3	16.3	1.60	3.5	46.50*	45.50	438.5
Sri Corp	OTC 18.00	-2.7	600.0	0.80	4.4	18.50	18.00	100.6
Seibel's Bruce Group Inc	OTC 21.50	-1.1	4.4	0.80	3.7	22.00	21.50	65.6
Statesman Group Inc	OTC 4.38	0.0	0.0	0.05	1.1	4.50	4.38	99.0
Tokio Marine & Fire Ins Co	OTC 217.50	1.9	61.0	1.05	0.5	217.50	207.25	10.6
Torchmark Corp	NYSE 24.13	-2.0	9.5	0.60	2.5	24.13	23.00	669.2
Travelers Corp	NYSE 46.75	-0.5	11.4	2.04	4.4	46.75	46.25	1,557.4
United Fire & Cas Co	OTC 28.00	9.8	13.1	1.20	4.3	28.00*	25.75	4.2
United States Fid & Gty Co	NYSE 38.88	-1.3	0.0	2.20	5.7	38.88	38.00	1,101.2
USLife Corp	NYSE 39.75	-2.5	8.9	1.12	2.8	40.25	39.75	299.3
Washington Natl Corp	NYSE 25.38	-1.1	8.8	1.08	4.3	26.63	25.38	97.6
Zenith Natl Ins Corp	OTC 22.75	0.0	0.0	0.68	3.0	23.25	22.75	111.8
INSURANCE COMPANIES	AVERAGE							

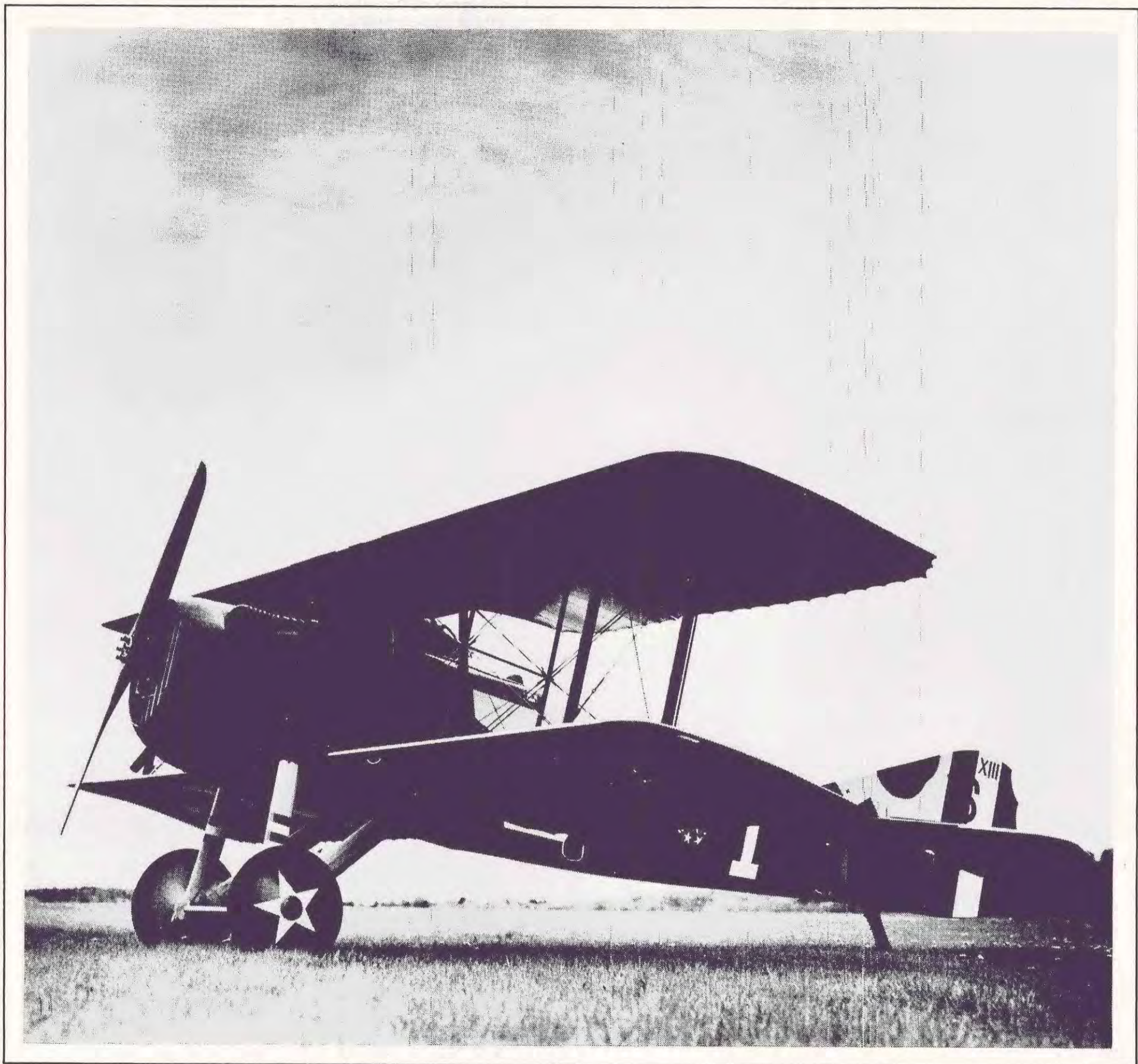
BI Insurance Index



Insurance industry stocks gained for the ninth consecutive week as the *Business Insurance* stock index set another record high. The BI index closed at 413

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