DECEMBER 17, 1984

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1.50 a copy; $52 a year
Entire contents copyright 1984 by Crain Communications Inc. All rights reserved.

update

Coverage problems lead firm to stop distributing vaccine

SWIFTWATER, Pa.—Connaught Laboratories Inc. has stopped distributing whooping cough vaccine under new sales contracts because of difficulties in renewing its primary product liability insurance coverage.

Connaught, which distributes the vaccine in a joint venture with Squibb Corp., is still producing the drug and filling orders under existing contracts, says David J. Williams, vp and gen-

Continued on next page

The eyes of Texas frown on surgery for nearsighted

By STEVE TARAVELLA

HOUSTON—Many Texas employers are refusing to pay health care benefits for an innovative—and increasingly popular—form of eye surgery, radial keratotomy.

Radial keratotomy (RK) is a relatively simple form of refractive eye surgery, in which an ophthalmologist makes four to 16 thin circular incisions in the cornea, flattening it to correct or significantly improve nearsightedness.

Graphic: Amy Palmer

The procedure is almost always performed on an outpatient basis, takes only 30 to 40 minutes and costs between $2,400 and $3,800, or $1,200 to $1,900 per eye. One eye is operated upon, then the other, about six weeks later.

The controversy over providing coverage for RKs is centralized in Texas because more ophthalmologists there perform RKs than in any other state, making the average person more aware of the availability of such surgery.

But, growing skepticism among Texas employers about the long-term benefits of the procedure and concern over mounting costs for what many consider to be cosmetic surgery could block group health coverage of the procedure nationwide, which would reduce the growing popularity of the procedure.

Overall, the RK procedure, which was developed in Russia, has been performed in the United States for only about six years. "It's something that's just coming into its own," says one ophthalmologist.

Now, about 40 ophthalmologists perform RKs in Texas, estimates Dr. Ralph G. Berkeley of Houston, a leader in RK surgery. California may be the only state that comes close to that, he estimates.

The nearsighted people who have undergone the surgery rave about the results, marveling that eyeglasses or contact lenses are no longer necessary.

But some self-insured employers and insurers say the procedure is still experimental and the long-term effects are unknown. Some suggest that having an RK weakens the cornea in the long run, making it necessary to repeat the procedure later to maintain the desired level of vision.

"It is too early to evaluate completely the incidence of post-opera-

Continued on page 16

Many insurers share Union Carbide cover

By STACY SHAPIRO

As more information becomes available on Union Carbide Corp.'s insurance for the poisonous gas catastrophe in Bhopal, India, it appears that liability is spread among at least 50 direct insurers and an unknown number of reinsurers.

Business Insurance has identified 15 of the direct insurers on a worldwide liability policy that provides Union Carbide with liability insurance of up to at least $200 million that would respond to claims from the disaster.

However, several of these insurers have said they reinsured the bulk of their Union Carbide exposure, leaving them with a very small exposure for the Bhopal disaster even if all layers of Union Carbide's insurance are tapped.

Direct insurers say they have reinsured the bulk of their Union Carbide exposure, limiting their losses.

For example, CIGNA Corp., which underwrote $5 million of a $25 million layer excess of $175 million layer, reinsured all but $1.2 million of that risk, a spokesman said.

Similarly, American International Group Inc. reported earlier that its American International Underwriters affiliate underwrote $15 million of the Union Carbide risk on three layers above $73 million, but reinsured 80% of its exposure, or $12 million (*BI*, Dec. 10).

AIU wrote $7 million of the $27 million layer excess of $73 million, $7 million of the $50 million layer excess of $100 million and $1 million of the $25 million layer excess of $175 million.

Sources say Transit Casualty Co. of Los Angeles provided $15 million of insurance on various layers through National Underwriting Agency, its underwriting manager in Chicago. But, the sources add, Transit Casualty has facultative reinsurance for about $12.5 million of that risk and the rest is protected under treaty reinsurance.

National Underwriting Agency refused to comment.

Royal Insurance-U.S., a subsidiary of Royal Insurance P.L.C. in London, has a maximum liability of $5.4 million after reinsurance, said a London spokesman. Sources say Royal participates on policy layers below $100 million.

National Casualty Co. in Southfield, Mich., confirmed that it also is on the risk but said its exposure is only $100,000 after reinsurance. It wrote the coverage through Scottsdale Insurance Co. of Scottsdale, Ariz.

The exact layering of the program under $100 million is not yet known, as sources disagree on where the layers break.

Union Carbide's worldwide liability policy is written above a $1 million to $2 million primary liability insurance policy underwritten by National Insurance Co. of India, a wholly owned subsidiary of the government-operated General Insurance Corp. of India.

Union Carbide also is believed to have self-assumed risk through a $500,000 self-insured retention and with a $2 million policy written by Kemper Group that is essentially a fronting policy.

Sources say that L.W. Biegler Profit Center in Chicago provided insurance on a $20 million layer excess of $23.5 million and on the $25.5 million layer excess of $43.5 million. An executive at L.W. Biegler declined to comment.

Continued on page 26

Insurers, buyers criticize reserves proposal

By DOUGLAS McLEOD

WASHINGTON—A Treasury Department proposal that would require property/casualty insurers to discount loss reserves is being criticized by both insurance buyers and insurance industry trade groups.

In its package of tax simplification proposals released last month, the Treasury recommends that deductions allowed property/casualty companies for loss reserves be discounted to reflect the aftertax investment income that will be earned on those reserves before claims are actually paid.

Currently, insurers may take immediate deductions for reserves that reflect the full cost of future claim payments.

The Treasury proposal follows—and expands upon—a discounting proposal prepared earlier this year for the Senate Finance Committee by the General Accounting Office (*BI*, Feb. 13.)

Response to the Treasury plan echoes earlier reactions to the GAO report. Insurers and buyers say they're worried that discounting could threaten the solvency of already underreserved property/casualty companies. They also say the proposal could result in higher insurance rates and reduced capacity, especially for long-tail casualty risks.

With policyholders' exposures expanding in coverage lines like pollution liability, the measure—if enacted by Congress—would be especially hard to take, said Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society in New York.

"It seems to me to be a paradox that on the one hand Congress is extending liability in almost every area. . .and yet on the other hand, they (would) be deflating the very insurance market that can handle that liability," he said.

Under the Treasury Department's proposal, property/casualty insurers would set up "qualified reserve accounts" for unpaid losses. These accounts would represent a company's estimate of the amount needed to pay claims, taking into account the time that will elapse before payment is actually due and the investment income that will be earned in the interim.

Insurers would have to set up separate reserve accounts for each line of business and for each policy period. For example, a separate reserve account would be established for medical malpractice policies written in 1984.

The initial reserve for an individual policy would not be allowed to exceed the premiums received on the policy, less the expenses associated with writing that business.

Insurers could take tax deductions for additions to reserves, but only after proving to the Internal Revenue Service that the reserve strengthening was necessary.

If a reserve falls short of the insurer's liabilities, excess claims would be deductible when paid. On the other hand, if money is left over in a reserve account after the last claim is paid, the excess would then become taxable income.

The Treasury also wants to limit the period of time over which a reserve could be maintained and would establish rules defining the maximum lifetime of reserve accounts by line of business.

Any balance left in a reserve account at the end of its maximum lifetime would become taxable income, while subsequent claims under policies covered by a defunct reserve account would be deductible when paid.

The discounting proposal, by taking into account the "time value of money," would eliminate what amounts to a deferral of taxes on property/casualty insurers' investment income, the Treasury says.

Under current law, for example, an insurer could deduct all

Continued on page 29

U.S. Virgin Islands grants license for first captive
Page 2

Cities' costs increase 300% after public liability cover canceled
Page 3

NEWSPAPER

update

Firm stops distributing vaccine

Continued from previous page
eral manager.

But Connaught was unable to obtain "full product liability insurance coverage during its last renewal" on July 1, and its coverage for sales contracts signed after that date would be limited, the company announced last week.

Connaught and its broker, Reed Stenhouse Cos. Ltd., are negotiating with several insurers to restore the company's product liability coverage, including Northumberland General Insurance Co. of Toronto, Connaught's primary liability insurer since 1977.

Northumberland and other insurers demanded several changes in the program at the last renewal including "substantial" rate increases, according to Mr. Williams, who declined to provide details of the changes sought. He would also not comment on the company's excess insurance.

"The issue is not so much the cost but the availability of coverage," Mr. Williams said. "It's a matter of being able to find the coverage at all. Period. Paragraph."

Connaught and Lederle Laboratories, a unit of American Cyanamid Co., are the only current producers of whooping cough vaccine. Wyeth Laboratories, a unit of American Home Products Corp. and a major vaccine producer, pulled out of the market earlier this year, citing rising liability awards and insurance costs.

Northumberland wrote primary general liability insurance, including "product hazard coverage," for Connaught and its Canadian parent company starting in 1977, according to a copy of the policy obtained by *Business Insurance*.

The policy contained a $1 million per occurrence and annual aggregate limit, with deductibles of $100,000 on losses arising in the United States and $25,000 on losses arising elsewhere. The policy also offered first-dollar coverage of defense and claims adjustment costs.

The product hazard coverage included bodily injury and property damage arising from "the consumption, handling, use or existence of goods or products made, sold, handled or distributed by or for the insured after the insured has relinquished possession of such goods or products."

Claims arising from a similar lot of a given product are considered one occurrence under the policy.

Connaught's premiums for the Northumberland policy rose 137% to $197,825 for the 1981-82 policy year, from $83,300 for the 1977-78 policy year. Over the same period, sales—on which final adjusted premiums were based—rose 100% to $58 million from $29 million.

Law firm disqualification upheld

SAN FRANCISCO—A federal appeals court has upheld the disqualification of a law firm representing Insurance Co. of North America in the property coverage litigation stemming from the fire at the MGM Grand Hotel in Las Vegas, Nev.

The 9th U.S. Circuit Court of Appeals earlier this month affirmed a lower-court ruling that Stephen A. Cozen, a member of the Philadelphia-based firm of Cozen, Begier & O'Connor, had improper contact with a former MGM employee involved in reconstruction of the hotel (*BI*, Dec. 19, 1983; Nov. 7, 1983).

INA, a CIGNA Corp. unit, was one of MGM's excess property insurers at the time of the November 1980 fire in which 84 people were killed.

Writing for the appeals court, U.S. Circuit Judge Betty Fletcher found that Mr. Cozen and his firm violated ethical obligations in trying to secure confidential information from George L. Morris, a former MGM vp.

U.S. District Judge Harry E. Clairborne, who disqualified the firm in December 1983, had described Mr. Morris as a "hired gun" looking to sell his testimony to the highest bidder when his lawyer contacted Mr. Cozen.

One of Mr. Cozen's partners criticized the appellate ruling and said the firm will seek a rehearing before the 9th Circuit. "We believe it is factually inaccurate and legally incorrect, and we will be filing a petition for rehearing," said Patrick J. O'Connor.

The appeals court also vacated Judge Clairborne's decision denying an MGM motion to disqualify the law firm of Robins, Zelle, Larsen & Kaplan, which represented American Protection Insurance Co., another MGM property insurer.

The appeals court ordered the lower court to reconsider the motion by MGM, which claimed that AMPICO's lawyers had also improperly contacted Mr. Morris.

Ideal halts casualty underwriting

NEW YORK—Ideal Mutual Insurance Co. has temporarily stopped underwriting casualty insurance after a New York Insurance Department examination that said the company has substantial deficiencies in its reserves, authorized reinsurance and surplus.

Continued on page 29

index

Books & ideas	**22**
Classifieds	**28**
Comings&goings: buyers	**10**
Comings&goings: industry	**24**
Insurance services guide	**30**
Letters	**6**
Management	**22**
Markets	**24**
Opinions	**6**
Perspectives	**19**
Ticker	**2**

Vol. 18, No. 51—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221.
Copyright 1984 by Crain Communications Inc.

Occurrence of injury triggers coverage, appeals court rules

By ROBERT A. FINLAYSON

NEW YORK—Attorneys for both policyholders and insurers are claiming victory following an appellate ruling that says coverage for third-party liability claims is triggered by the occurrence of an injury, rather than exposure to a substance or manifestation of a disease.

The 2nd U.S. Court of Appeals in New York last month upheld a 1983 U.S. District Court decision that conditioned coverage upon the occurrence of "an injury in fact" during the policy period.

However, the appellate court modified the decision by rejecting the lower court's requirement that the injury be "diagnosable" or "compensable" during the policy period to trigger coverage (*BI*, July 4, 1983).

Instead, the appellate court said the injury must occur during the policy period for coverage to be triggered, even if the injury cannot be diagnosed until after the policy period.

The decision came in an insurance coverage dispute involving American Home Products Corp. and its insurer, Liberty Mutual Insurance Co.

Liberty Mutual has filed a petition for a rehearing before the full 2nd Circuit, but an attorney for the insurer admits such a rehearing is unlikely.

The insurer is seeking a rehearing because it wants the court to address the issue of whether Liberty Mutual must indemnify American Home in 54 underlying product liablity suits. Both the lower and the appellate courts refused to rule on this issue.

If the appeals court won't rehear the case, Liberty Mutual could seek a review by the Supreme Court.

American Home officials refused to comment on the decision.

However, several attorneys for policyholders involved in similar suits say this decision is extremely favorable for policyholders. They say the injury-in-fact theory is as broad as the triple-trigger coverage theory that most policyholders favor.

Continued on page 12

Deadline for directories near

The deadline to return questionnaires to *Business Insurance* to be included in either its directory of third-party claims administrators, adjusters and auditors or its directory of risk management consultants is Jan. 4.

The claims administrator directory will be published Jan. 28 and the risk management consultants listing Feb. 18. They are an editorial service; there is no charge to be included.

If you are a third-party administrator or risk management consultant and have not yet received a questionnaire, please request one from Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5279.

Request your questionnaire soon, to compensate for mail delays caused by the holiday rush.

Lloyd's ousts underwriter

By STACY SHAPIRO

LONDON—Lloyd's of London underwriter Thomas Raymond Brooks, expelled by Lloyd's last week for allegedly profiting from reinsurance placed on behalf of Lloyd's syndicates, is only the second member in nearly 300 years to be barred from the the market.

Along with Mr. Brooks' expulsion, Lloyd's last week suspended deputy underwriter Terence John Dooley for 21 months as a member of Lloyd's.

The punishments are the first severe penalties to be handed out under the disciplinary proceedings established by the Lloyd's Act of 1982.

The 230-page report by the Lloyd's Disciplinary Committee explained that the decision stemmed from Mr. Brooks' and Mr. Dooley's alleged involvement in the siphoning of more than 6.2 million pounds ($7.44 million) of Lloyd's syndicates' reinsurance premiums over a 13-year period beginning in 1970. The money allegedly was siphoned to Fidentia Marine Insurance Co. Ltd. of Ber-

Continued on page 28

U.S. Virgin Islands grants license for first captive

By MICHAEL BRADFORD

ST. THOMAS, U.S. Virgin Islands—If, as one speaker at a recent conference on captives put it, pioneers are easily recognizable "because they're the ones with the arrows in their backs," it shouldn't be too difficult to pick out Burlington Industries Inc.

The Greensboro, N.C., manufacturer is the first company to acquire a license to operate a captive insurer in the U.S. Virgin Islands, confirmed Astrid England, the territory's part-time insurance commissioner, at a recent conference on Virgin Island captives sponsored by Risk Planning Group Inc.

The U.S. Virgin Islands opened its doors to captive insurers in March when it passed its Exempt Insurance Act (*BI*, April 2).

The Virgin Islands may have special appeal to U.S. companies as a captive domicile. Last year, the U.S. Department of Labor ruled that parent companies can fund employee benefits through a Virgin Islands captive. Captives in other offshore domiciles are barred from writing parent-company employee benefit risks.

Burlington says it plans to take advantage of this status and use its Virgin Islands captive to fund benefits.

Ms. England also said that another company had applied for a license under the Exempt Insurance Act.

Although Ms. England confirmed the approval of a license for Burlington during the two-day gathering, held late last month, the news didn't reach Burlington until a week after the conference ended.

"I'm glad to hear it," said William Cleveland Jr., Burlington's director of risk management, when told by *BI* that the license had been approved.

Mr. Cleveland explained the company began the application pro-

Continued on page 30

Rates hikes still not helping reinsurers' combined ratios

By JUDY GREENWALD

ticker

The reinsurance industry is still reeling from the effects of the competitive underwriting cycle, despite recent rate hikes, and it may be some time before it regains its balance, observers say.

The 20 largest U.S. reinsurers posted an aggregate combined ratio of 127.3% for the first nine months of 1984, compared with 111.7% for the comparable period last year, according to a report by the Reinsurance Assn. of America obtained by *Business Insurance*.

All 79 reinsurers included in the survey reported an aggregate combined ratio of 127.0%, up from 113.3% in the first three quarters of 1983.

The reinsurers' nine-month results showed that underwriting deteriorated even further in the third quarter. The 20 largest reinsurers posted a 126.1% combined ratio in the first half, acccording to an earlier RAA survey of first-half results that covered a similar, but not identical, group of reinsurers. That compares with the 127.3% combined ratio reported in the nine-month survey (*BI*, Sept. 17).

The first-half combined ratio for all companies surveyed was 126.2%, compared with 127.0% for the nine-month period.

In contrast, a *Business Insurance* survey of the top 28 direct property/casualty insurers showed that their aggregate combined ratio was unchanged at 120.4% between the first-half and nine-month periods (*BI*, Nov. 26).

Reinsurance officials generally don't believe that reinsurers will see a great improvement in underwriting results very soon.

"The market, right now, is in a very unsettled, con-

Continued on page 30

errors & omissions

Due to a typographical error, NIA/National Insurance Associates was incorrectly identified in a Nov. 26 article.

Risk Manager of Year judges

Ten experts in risk management and commercial insurance will judge the nominations to the 1985 Business Insurance Risk Manager of the Year Competition.

The judging panel includes risk managers, insurance brokerage executives, insurance company executives, a risk management consultant and an insurance academician.

Business Insurance instituted the Risk Manager of the Year award in 1977, on the 10th anniversary of the publication, to recognize outstanding risk managers. A Risk Management Honor Roll was later added to recognize outstanding risk management in meeting the differing challenges of small corporations, government entities and not-for-profit institutions as well as large corporations.

The judges for the 1985 competition, who each independently will score the written nominations against 10 established criteria, are:

- Lawrence C. Baker Jr., president of Argonaut Insurance Co. in Menlo Park, Calif. Mr. Baker is serving as a judge for the first time, representing a stock insurance company.
- Sidney D. Blatt, risk manager of The Holloway Cos. in Wixom, Mich. Mr. Blatt was named to the Risk Management Honor Roll in 1984 for outstanding risk management for a small corporation.
- Warren G. Brockmeier, vp, with The Wyatt Co.'s Chicago office. Mr. Brockmeier represents the risk management consulting viewpoint.
- Frederick J. England Jr., president of Hastings-Tapley Insurance Agency in Cambridge, Mass. Mr. England served as a judge of the 1983 competition, representing regional insurance brokers.
- Robert Hatcher, chairman of Johnson & Higgins in New York, the fourth-largest insurance broker in the country. Mr. Hatcher served as a judge of the 1984 competition, representing national brokers.
- Richard M. Inserra, director of insurance and risk management at American Can Co. in Greenwich, Conn. Mr. Inserra was the 1984 Risk Manager of the Year.
- John A. O'Connell, executive director/risk manager of Holy Cross Shared Services Inc. in Notre Dame, Ind. Mr. O'Connell was the 1983 Risk Manager of the Year and served as a judge of the 1984 competition.
- Jack B. Riffle, chairman, president and chief executive officer and a director of most of the major companies in the Utica National Insurance Group, including Utica Mutual, in Utica, N.Y. Mr. Riffle is serving as a judge for the first time, representing mutual insurance companies.
- Gene Snyder, risk manager of Oregon. Mr. Snyder was named to the 1984 Risk Management Honor Roll for outstanding risk management for a government entity.
- C. Arthur Williams Jr., Minnesota insurance industry professor of economics and insurance at the University of Minnesota School of Management and an author of several books and monographs on risk management and insurance. Professor Williams is serving on the judges panel for the first time as a representative of insurance education.

Mr. Baker

Mr. Blatt

Mr. Brockmeier

Mr. England

Mr. Hatcher

Mr. Inserra

Mr. O'Connell

Mr. Riffle

Mr. Snyder

Mr. Williams

The judges are volunteering their time to score the nominations. The deadline for nominations to be received was Dec. 7.

The judges' scores will be tallied, and the highest-scoring candidate will be named the 1985 Risk Manager of the Year. Candidates who score the highest in their employment category and who the judges deem should be recognized will be named to the Risk Management Honor Roll.

The judges base their scores solely on the information presented in the risk manager nominating statement. The information is submitted according to strict rules and a prescribed format so that the nominations are comparable.

The winners of the competition will be announced in the April 15 issue of *Business Insurance*, which coincides with the annual Risk & Insurance Management Society conference. ▪

Cancellation hikes cities' coverage costs

By STEVE SHERWOOD

LAGUNA BEACH, Calif.—Twelve California cities are paying 300% more for their excess municipal liability coverage after Mead Reinsurance Corp. pulled out of the municipal liability market in California.

The cities, each a member of the Orange County Cities Risk Management Authority that collectively paid about $300,000 annually for the Mead Re coverage, will now pay almost $1 million a year collectively for excess coverage written by Planet Insurance Co., a Reliance Insurance Group subsidiary, said Ross Oliver, contract risk manager for the OCCRMA.

The Planet coverage, like the Mead Re policies, provides $11 million in liability coverage excess of each city's self-insured retention.

In addition, Mead Re canceled the cities' excess workers compensation coverage along with the municipal liability coverage. The cities have since purchased workers comp coverage with General Reinsurance Corp., although their rates increased 49%.

"Mead Re canceled as of Dec. 12, saying loss experience was unsatisfactory and they could see nothing better in the future unless the joint and several liability provisions of the state's tort liability law were repealed," Mr. Oliver says. The policies were to expire on March 1, 1985.

Under joint and several liability, a city could be forced to pay an entire tort judgment even if it is only found partly liable, Mr. Oliver says.

"This is killing public entities. Plaintiffs' attorneys are looking for any reason to find negligence on the part of cities. We've worked unsuccessfully for several years to relieve this situation," he says.

"Mead Re is no longer in the public entity insurance business (in California)," says Steve Petrakis, president of Petrakis Insurance Services of San Francisco, a surplus lines broker representing Mead Re and Planet's underwriting manager.

Because of "deep-pocket" statutes that call for joint and several liability, (Mead Re) can't continue underwriting the cities' risks, he says.

Mead Re, which was on the OCCRMA policy for about five years, "got out of the field about 18 months ago but stayed on the accounts it had. Premiums are too low with the losses going on."

"We had gotten out of most of it in 1983," says Patricia Fleischman, president of Patricia Fleischman Inc. in New York, Mead Re's underwriting manager. "In 1985, we will not renew the few (municipal liability) policies in California we have left."

Ms. Fleischman also blamed Mead Re's withdrawal in California and other states like Arizona on joint and several liability statutes.

"It is not a problem limited to California, but it is exaggerated there, where they have more plaintiffs' attorneys, antagonistic juries and judges who dislike insurance companies.

"We were sorry to get out of this line in these states, but you reach

Continued on page 30

Tougher surplus lines rules urged

By MEG FLETCHER

WASHINGTON—The capital and surplus requirements for surplus lines insurers should be increased significantly to weed out financially weak companies, an insurance industry-based advisory committee told state regulators.

The committee, which gave a verbal report last week to the Surplus Lines Task Force of the National Assn. of Insurance Commissioners, prefers this type of regulation of surplus lines insurers to the establishment of surplus lines guaranty funds to pay policyholder claims if a surplus lines insurers goes broke.

The committee also made three other suggestions for dealing with insolvencies among surplus lines insurers.

Attorney Donald J. Greene, who reported on the work of the advisory committee at the NAIC winter meeting in Washington last week, said a significant number of surplus lines insurers would be forced out of business by the "remarkably" higher capital and surplus requirements considered by the committee.

This would weed out the weak insurers and, in turn, reduce the number of surplus lines insurers that state regulators would have to police, added Mr. Greene, who is is a partner with LeBoeuf, Lamb, Leiby and MacRae in New York, which is general counsel for Lloyd's of London.

Details on proposed capital and surplus requirements and their effect on insurers will be available in an opinion letter and report that will be mailed by the committee to task force members this month.

The advisory committee had previously recommended increasing the required captial and surplus for surplus lines insurers to $5 million over a six-year period, as suggested in the 1982 NAIC model surplus lines law. However, that recommendation is 4 or 5 years old now and $5 million in surplus may be too little, Mr. Greene said.

"You are a little behind times," agreed Jerry Porcelli, assistant chief examiner for surplus lines insurers in the New Jersey Insurance Department.

A New Jersey surplus lines bill, which is awaiting

Continued on page 8

Seaway's potential losses unknown

By MICHAEL BRADFORD

MONTREAL—The Canadian St. Lawrence Seaway Authority won't know if it has sufficient insurance to cover claims from owners and operators of 164 stranded vessels until losses have been totaled and lawsuits actually have been filed.

The authority is denying liability in a Nov. 21 breakdown of a bridge it owns that spans the St. Lawrence Seaway near Montreal. A malfunction in the pulley system that raises the bridge caused it to rise only 40 feet above the water, too low for ships to pass under on the 190-mile link between the Great Lakes and the Atlantic.

Shippers have filed around 200 notices of intent to file lawsuits, charging economic losses that could go as high as $40 million, according to one company.

Fred Petrie, vp of marketing for Canada Steamship Lines in Montreal, said lost earnings from the 15 ships his company had stranded in the waterway would amount to about $4 million. Industrywide, he calculates shippers will lose at least $40 million because of idle time spent in the waterway and lost business opportunities.

"We've done the mathematics," he said, "figuring it is costing the average ship around $12,000 per day."

Norm Willans, general counsel for the seaway authority, would not release insurance information except to say Johnson & Higgins in Toronto was the broker for its property and liability coverage that is "written at various limits in various areas."

"We are denying liability because the bridge was maintained properly," he said.

"But, obviously, the shipping interests aren't accepting that."

Mr. Willans would only say, "We do have insurance and we have submitted the notices to the insurers. . . .If everyone who gives notice sues, the amount could be substantial. I've heard losses are $1 million per day, but whose guess that is, I really don't know. I couldn't say at this time whether our insurance is sufficient because we haven't seen any claims."

A spokesman for Johnson & Higgins said no claims had been submitted to the Toronto office.

If the St. Lawrence Seaway Authority of Canada is not found liable in the incident, it could be expensive for shippers like Mr. Petrie, whose company has no insurance against lost earnings.

He said Canada Steamship Lines carries standard coverages for hull damage but had no policy that would pay loss of earnings.

Ivan Lantz, port captain of March Shipping Ltd. in Montreal, said losses incurred solely from the idle time ships spent in the seaway would cost shippers at least $16 million in initial losses.

"And that will probably be a very small beginning," said Mr. Lantz, whose company had five cargo ships

Continued on next page

Losses on seaway not known yet

Continued from preceding page

stranded when the bridge failed to rise to its full height. "It's still not over."

The bridge was repaired and the seaway reopened Dec. 9.

But, Mr. Lantz said, some of the ships will still be anchored for as long as three weeks as they waiting their turn to pass under the bridge.

"It is premature to total the whole costs, but potential losses are maybe around $100,000 per vessel just in idle time," he said.

Shippers say losses will continue to mount until deliveries have been met. "It is a time-intensive industry," Mr. Lantz said.

"Every minute is money, and what is lost can never be made up."

Some missed deliveries will have to made by rail, he pointed out, which is about twice as expensive as shipping the cargo by water.

Ships are also losing money on cargo they were unable to pick up from other ships along the waterway, Mr. Lantz explained.

"It's interrupting contracts all along the line," Mr. Lantz said.

"The costs go on and on and on."

Sydney Chu, manager of Misener Shipping Ltd. in Montreal, said "We're talking about millions of dollars but it's hard to say how much until the seaway closes" for the winter.

Mr. Chu's company had five ships loaded with grain and iron ore cargos that were stranded in the waterway. He said, "I don't think anybody can actually come up with a ballpark figure on losses until the seaway closes."

According to Mr. Willan, the actual closing date depends on the weather. The seaway will stay open as long as the waterway is free of ice and ships can navigate safely, he said.

However, the authority has traditionally set Dec. 15 as the date when it can no longer guarantee a ship safe passage through the area. It is not known if that deadline will be extended.

Mr. Willan said the authority owns "17 similar bridges" along the seaway.

"We've never had any problems with them before," he added.

Iowa commissioner elected new president of the NAIC

By CAROL CAIN

WASHINGTON—State insurance regulators often shun the spotlight, said Bruce W. Foudree, the Iowa insurance commissioner and recently elected president of the National Assn. of Insurance Commissioners.

But, Mr. Foudree plans to change that a bit during the next year by broadcasting the work of insurance regulators to consumers and federal lawmakers.

"The NAIC has to do a better job of educating the public about insurance and the work that we've been doing," Mr. Foudree said last week in Washington during the annual winter meeting of the NAIC, where he was elected president.

Josephine M. Driscoll, Oregon's insurance commissioner who was elected the first female vp of the NAIC, also plans to work at enhancing the image of the NAIC.

Mr. Foudree

"Consumer groups (that met with the NAIC last week) did not really know the picture of the NAIC," she said. "We've got to change that."

"We're functioning here as an isolated group," Mr. Foudree said of the meeting, which was attended by more than 1,300 people. "But one of the real strengths of the NAIC is this forum. . . .We need to give that visibility—of the good things that are accomplished by regulators and (the insurance) industry—to the public."

Mr. Foudree said that when he has testified on insurance issues at congressional hearings, some of the questions asked by congressmen and staffers "show how poor an understanding they have of the elemental concept of insurance."

"So, we have to educate not only consumers, but also the government at the federal level, that states have done a good job. . .and that this (insurance) industry is meeting the needs of the public," he said.

The NAIC Executive Committee was expected to approve a long-range plan late last week that would include a call for a more-active effort in identifying insurance-related issues at the federal level that could have an impact on states, "and then develop responses," Mr. Foudree said.

"We have to take (congressional) hearings seriously," he said. "We need a better system for monitoring and responding to federal initiatives."

But, cooperation among state regulators also will continue to be a main thrust of the NAIC next year.

"We're working more together. . .and this will be necessary in the next year or two if state regulation is to remain credible," Mr. Foudree said.

A stronger NAIC, with more state involvement and an emphasis on communication, is one of the goals of the new president.

And, his colleagues have no doubt that he will meet his goals.

"The thing I like about Bruce Foudree is that he is the most thorough and detail-oriented leader I have known in the NAIC. . .and the business of insurance regulation is a detailed business," said outgoing president Bill Gunter, Florida's insurance commissioner.

"He'd rather go in and meet it head-on, rather than skirt an issue," said Denise Horner, Mr. Foudree's chief deputy commissioner.

Mr. Foudree was appointed insurance commissioner in Iowa in 1980. Before that, he was chief counsel to the Iowa Insurance Department and an assistant attorney general.

The 37-year-old Iowa native has an undergraduate degree from Drake University in Des Moines, Iowa, and a master's degree in law from the University of Pennsylvania.

Ms. Driscoll, who also has been described by her peers as "tough," "fair " and "hard-working," will become the first woman NAIC president next year; the vp traditionally moves into the top spot.

Ms. Driscoll, a Montana native, worked in the Insurance Department there and became the chief deputy insurance commissioner just before her appointment in 1981 as the Oregon commissioner. ■

The Government stopped us from offering some of our Flexible Spending Programs.

Flexible Spending Accounts are a good idea for employers and employees.

Unfortunately, the IRS doesn't agree. In recent rulings, they eliminated some of the many advantages offered by FSAs.

But despite the changes, Flexible Spending Accounts are too important of an idea to die. Not only do they provide employers with a method for controlling benefit costs, but they help employees cover medical costs with non-taxable income.

So NWNL Group has been working within the recent rulings to develop flexible spending accounts that offer maximum advantages to employers and employees.

As a result, Flexible Spending Accounts are alive and well, and available right now from NWNL Group.

Because the way we see it, as long as there's a need for Flexible Spending Accounts, we'll work to find an appropriate way to provide them. To find out how we're doing it, return the coupon for more information.

Send to: Ginny Charboneau
NWNL Group
Box 20, Minneapolis, MN 55402
Please tell me more about Flexible Spending Accounts.

Name__________

Title__________

Company__________

Address__________

City__________

State__________ Zip__________

BI 12

NWNL GROUP

A division of Northwestern National Life Insurance Company
Home Office: Minneapolis, Minnesota

So we've reconstructed them.

opinions

Disaster spawns greed

GREEDY U.S. PLAINTIFFS' attorneys should not profit from the poisonous gas disaster in Bhopal, India.

The multiplying number of liability suits filed against Union Carbide Corp. by plaintiffs' attorneys ostensibly acting on behalf of the victims of the awesome disaster is repugnant to all those who truly grieve for these people.

By rushing to the courthouses, plaintiffs' attorneys leave us to believe that they have only one interest in mind: themselves. They envision big fees and tremendous publicity, which will enrich their coffers and attract new clients.

The lawsuits filed to date are full of every conceivable allegation of negligence, but the facts of this disaster are not yet known. The plaintiffs' attorneys clearly are betting that at least one of their charges will stick.

These plaintiffs' attorneys apparently are unconcerned that many of their allegations may prove false and, in the meantime, only serve to heighten the anxiety, fright and frustration of those in India and those in Institute, W.Va., who live near a similar Union Carbide plant.

The amounts of damages sought—five times the assets of Union Carbide in one of the suits—are so absurd they defy further comment.

The plaintiffs' attorneys' tactics of flying to India and waving contingency contracts through the streets of Bhopal are crass and callous.

Union Carbide and the Indian government, which is a joint owner of the plant, should offer the people of Bhopal an alternative to the U.S. plaintiffs' attorneys. They should agree to offer settlements to the victims of this disaster.

The terms of such settlements would have to stand up to public scrutiny both in India and in the United States as fair to the disaster victims. Otherwise, the people of Bhopal will feel further victimized and will reject the settlements.

Such settlement offers do not have to be delayed until the cause of the accident is known or blame assigned. There are enough resources available, including $200 million in insurance purchased by Union Carbide, to first compensate the victims and assign liability later.

If there must be litigation, no one should be so arrogant or chauvinistic as to argue that justice can be done only in U.S. courts. We can't rule out the possiblility that there may be an issue or issues that should be tried in the United States, but it is wrong to immediately assume that the Indian legal system cannot best serve its citizens.

If U.S. plaintiffs' attorneys do ultimately represent the Indian victims of this tragedy in U.S. courts, we would hope it would be in a class action in which the presiding judge would have authority to rule on the attorneys' compensation.

If, however, the U.S. plaintiffs' attorneys do succeed in securing a large part of damages awarded the Indian victims for themselves in the form of contingent fees, we expect the American public to become outraged. That could ultimately lead to reform of the contingent fee system in this country.

Of course, there is one way the plaintiffs' attorneys who have already raced to the courthouses could redeem themselves for their conduct to date.

They could volunteer their services, at no charge, if and when they are needed.

On second thought, more restrained members of the plaintiffs' bar should step forward with such an offer, cutting their more greedy colleagues out of the limelight.

letters

Hospital risk management computer plans available

To the editor: In your article "Diagnosing hospital risk management—Computers can help control losses" (*BI*, Nov. 19) you quoted a risk manager's comment that "...automation in hospital risk management departments doesn't yet approach the sophistication of some computerized systems, 'but we're getting there.'" This leaves the reader with the mistaken impression that extraordinarily sophisticated systems for hospital risk management are still on the horizon. Quite to the contrary, the microcomputer revolution and advanced software applications have reached at least some hospital risk management departments.

Sophisticated and extremely easy-to-use systems are available that can provide even the single hospital client with quality assurance, credential review, incident reporting and full claims management. Such software can cost less than $3,000 for a single hospital location, so it is well within the reach of most, if not all, health care facilities across the nation. These systems enable non-computer people to track incidents and claims and to quickly and easily produce customized reports by following the simplest of English instructions on the screen. Graphs can be produced just by entering "GRAPH." (Remember the new maxim that, the more sophisticated the system, the easier it is to use.)

It is true that such systems have been in use in only a few installations over the past year, but disbelief will surely evaporate once more risk management departments recognize the simplicity and power of these new tools, which can run on personal computers like the IBM PC or IBM AT. It may be easier to appreciate the power of these systems when one considers that the IBM AT, at about $7,000, is more powerful than some mainframes of just a few years ago, which cost in the millions of dollars.

In fact, some public-spirited and economically savvy institutions may even decide to spend the extra $1,500 or so required to permit voice data entry into their new Hospital Risk Information Management Systems. Then, the hospital risk management department would quickly find itself surpassing "some computerized systems" while providing expanded work opportunities to the handicapped.

Alan B. Cantor
President
Cantor & Co.
Beverly Hills, Calif.

Auditing hospital bills can cut health care costs

To the editor: The issue of health care cost containment is complex, and your editorial focusing on a survey conducted by Towers, Perrin, Forster & Crosby (*BI*, Nov. 26) merits additional comment.

Their report says that audits of hospital bills can absorb most of the money saved. However, in actual practice, savings increase in direct proportion to the number of bills audited. Right now, American Claims Evaluation services many major corporations and insurance companies across the country, yet we audit fewer than 10% of any one company's claims. We find enough inaccuracies on these hospital bills to deduce that if we audited more, savings would be greater to the company—at very little additional cost to it.

Furthermore, the key to health care cost containment lies not just in more-stringent benefit plans; it requires a participating, informed medical consumer. Asking an employee to take an interest in the accuracy of his or her medical bills is part of the necessary process that will lower health care costs.

And, finally, companies that we work with find audits a way of easing employees into greater awareness of containment measures. Audits don't threaten the quality of care or make judgments about treatment methods. Audits ensure that accurate payment is made for actual services rendered. That is hardly controversial, but something that is not standard practice in today's medical billing. It is up to those who pay the bills to insist upon this accountability. This factors into our country's overall cost containment, too, but is something that the TPF&C survey did not measure.

Gary Gelman
President
American Claims Evaluation Inc.
Jericho, N.Y.

Photo has right city, but wrong bridge

To the editor: In the articles on the annual National Assn. of Independent Insurers' meeting in San Francisco (*BI*, Nov. 26), you included a photo of the San Francisco-Oakland Bay Bridge, which you mistakenly labeled as the Golden Gate Bridge.

As a local bridge buff, I say, "Shame on you!"

Richard C. Beeler
Managing Consultant
Chapin Associates
Lafayette, Calif.

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

business insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, A.R.M. *(Chicago)*
Managing Editor: Lorrie Gibson *(Chicago)*
Assistant Managing Editor: James M. Burcke *(Chicago)*
CHICAGO: Alison Kittrell *(Copy Editor)*
Carol Cain *(Associate Editor)*
Meg Fletcher *(Associate Editor)*
Stephen Tarnoff *(Associate Editor)*
Linda J. Collins *(Agent/Broker Topics Associate Editor)*
Diane Kastiel *(Staff Reporter)*
Janice L. Wheaton *(Graphics Editor)*
Amy Palmer *(Graphic Artist)*
Dorothy Parr Riesen *(Proofreader)*
Marilou Jones *(Directory Editor)*
Jane G. Blumhorst *(Editorial Assistant)*
LONDON: Stacy Shapiro *(London Editor)*
LOS ANGELES: Robert A. Finlayson *(Bureau Chief)*
Steve Taravella *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*
Michael Bradford *(Associate Editor)*
Judy Greenwald *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Joe Faraci *(Corporate Art Director)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Beverly J. Kluxdal *(District Manager)*
Fran Prybylo *(Production Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Nancy Ellen Zelman *(District Manager)*
Marianne J. Dueweke *(Financial Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398
London: 01-404-4228
Los Angeles: 213-651-3710
New York: 212-210-0100
Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice chairman
S.R. BERNSTEIN
Chairman-executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
JAMES M. FRANKLIN
Vp-finance

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.50 a copy. $52 a year in U.S. Canada and all other foreign add $14 for surface mail. Europe and Middle East only add $44 for air delivery. First-class mail to U. S. and Canada only, add $50. Bermuda only, $97 per year expedited delivery. WILLIAM STRONG, vp-circulation. ROBERT FIORITO, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611, or phone 312-649-5221. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

Member of Business Publications Audit of Circulation

Our local service experts are with you every step of the way.

Unionmutual has client representatives at every local office — highly educated and knowledgeable experts who are dedicated to following through for you and your client.

They watch an account every step of the way — installing new cases, introducing new products and product improvements, and just plain being there when needed.

We're very proud of our client reps at Unionmutual. The personal care and state-of-the-art service they provide has proven to be one of the most valuable assets we provide to broker and client. It's one reason why Unionmutual has led the industry in Group LTD sales for eight years.* And why we're known for excellence in our full range of employee benefit plans.

For more information on how Unionmutual's local experts can help you and your client, contact your Unionmutual representative or return the coupon today.

*Employee Benefit Plan Review, April 1984

I'd like to know more about Unionmutual's Employee Benefits plans.

Name ______
Company ______
Address ______
City ______ State ______ Zip ______
Telephone Number ______

Mail to: Unionmutual, Corporate Marketing
2211 Congress Street
Portland, Maine 04122

BI 12/17/84 C.R.

Unionmutual®

Putting employee benefits in a whole new light.

Union Mutual Life Insurance Company, Portland, Maine 04122
Unionmutual Stock Life Insurance Co. of America, Portland, Maine 04122 (All states except New York)
Unionmutual Stock Life Insurance Company of New York, Elmsford, New York 10523 (New York State only)

Panel considers surplus lines requirements

Continued from page 3

the governor's signature, would increase the capital and surplus requirements for a surplus lines insurer in New Jersey to two times that required of a licensed, admitted insurer. The amount required would vary, depending upon the number and lines of insurance underwritten, but would be about $7 million for a multiline company, he said.

Interest in the regulation of surplus lines insurers has been heightened by New Jersey's establishment in July of the nation's first guaranty fund for surplus lines insurers. It was designed specifically to cover more than $12 million in unpaid claims left by Ambassador Insurance Co. (*BI*, Aug. 6).

A bill proposing a similar fund will be reintroduced in the Louisiana Legislature, according to state Insurance Commissioner Sherman A. Bernard. Surplus lines policyholders there have a total of $68 million in outstanding claims underwritten by surplus lines insurers North-West Insurance Co. (*BI*, Oct. 29) or Ambassador Insurance Co. Both companies have been ordered liquidated, but efforts are under way to save them.

"Just by increasing capital and surplus, I don't think that will solve the problem," said Mr. Bernard.

Besides increasing capital and surplus requirements, the advisory committee suggested the task force recommend:

- Earlier sharing of Insurance Regulatory Information System data that will allow quicker policing of the surplus lines market. "We think this is a simple and effective thing to do to stabilize surplus lines carriers," said Mr. Greene. The time lag now between the collection and dissemination of IRIS information is about six to eight months, he said.
- Consider the surplus lines broker the agent of the insurer for the receipt of premium so policyholders are protected from unscrupulous brokers. Insurers would only want to deal with brokers they trusted themselves.
- Require early and complete notice to potential purchasers of surplus lines policies that they are not protected by a guaranty fund.

In restating the committee's opposition to surplus lines guaranty funds, Mr. Greene said they are politically popular but will not work because "the careless broker may be more careless and the careless buyer may be more careless."

Also opposing surplus lines guaranty funds was Jon Harkavy, governmental affairs director of the Risk & Insurance Management Society.

The NAIC Surplus Lines Task Force is expected to consider these recommendations and also whether the NAIC surplus lines model law should be amended.

That model, which was adopted in 1982 after almost 20 years of consideration, does not contain any provisions for establishing a guaranty fund.

The model act requires a surplus lines insurers to meet a state's capital and surplus requirements or have capital and surplus of $5 million, whichever is greater. It also sets out rules for filing annual statements with insurance departments. And, it requires that policyholders be notified in writing that the insurer is a surplus lines insurer that is not regulated by the rules governing admitted insurers and is not covered under the admitted insurers' guaranty funds.

The task force has a lot of responsibility because the surplus lines maket has changed dramatically in the last two decades, said Paul A. "Pete" Synnott Jr., deputy commissioner of insurance for Virginia.

Also, there is a lot of activity in the surplus lines market now as a result of the tightening of underwriting criteria by licensed insurers, added Mr. Synnott, who chaired the meeting.

Although surplus lines insurance is only 2% of the entire insurance market, state regulators expressed their concern about protecting the number of small policyholders who are buying automobile and other basic insurance coverages from less-regulated surplus lines insurers because it is less expensive than buying the same coverage from an admitted insurance company.

Virginia found that 70% of the state's surplus lines policyholders were small, independent "mom-and-pop" risks, said Mr. Synnott. A New Jersey study found that 68% of surplus lines premiums were less than $10,000 annually, Mr. Porcelli said.

"The market is not being used for what it was intended," said Stewart Keir, chief of the New York Insurance Exchange and Excess Line Bureau.

New Jersey's Mr. Porcelli admitted that the guaranty fund there is not ideal, but, "We feel comfortable that the New Jersey law definitely makes this guaranty fund work. It is better than what we had. Every citizen in New Jersey and the United States should have protection, no matter if you buy insurance from a licensed company or an excess company."

Alaska's Acting Commissioner John L. George reported briefly on the effect of that state's adoption of the NAIC's model surplus lines law. There has been a shakeout of insurers and it has had a sobering effect on brokers who find that personal collateral is being required for bonds.

"I think that is the level in the marketplace where it should be fixed," he said.

Alaska is the only state to have adopted the model law although New York's surplus lines rules were tightened in 1980 and are very similar. ■

Directors and officers of non-profit organizations need your contribution immediately.

Solid liability protection from Shand, Morahan.

With 28,000 foundations, 7000 hospitals, 3000 higher educational institutions, plus countless political action groups, charitable and other non-profit organizations in the U.S., it's small wonder there is plenty of room for administrative error.

And these executive misdoings, actual or perceived, are resulting in court actions. The fact is that claims of mismanagement of funds, discrimination, breach of contract, conflict of interest, etc., are increasing in the non-profit area.

Still, many directors and officers of non-profit organizations are not fully aware of the extent of their personal liability exposure. Or, of the exposure of their organizations as a whole. Even if a suit results in no financial judgement, defense costs can reach hundreds of thousands of dollars.

But once again Shand, Morahan has the solution. A policy tailored to the unique liability insurance needs of this group: Non-Profit D&O Insurance which can be extended to include the organization itself as well as its employees.

For more information on this adaptable coverage, contact Shand, Morahan today.

SM Shand, Morahan & Company, Inc.

Shand Morahan Plaza Evanston IL 60201
312/866-2800 Telex 72-4328

Wholesaling.

We understand the risks, because we understand the business.

Everything works better when an insurance company knows your business.

You get expert help with loss control. Claims are processed more efficiently. And, most important, you get imaginative rating techniques that effectively match your premiums to exposures.

You'd expect an insurance company to know the insurance business.

We've taken the time to learn the wholesaling business.

As one of the nation's largest insurers, we can design programs for all of your casualty, property, life and health insurance needs.

If you'd like to see the benefits of working with people who understand your business, give our business a call.

Call our National Accounts office at 715/346-6863.

Sentry® Insurance
National Accounts Department
Sentry World Headquarters
1800 North Point Drive
Stevens Point, WI 54481

Ausbrook to head Hanna insurance activities

comings & goings: buyers

Richard K. Ausbrook, 46, has been named president of Hanna Mining Co.'s insurance services division in Cleveland. In his new position, Mr. Ausbrook will be responsible for all Hanna insurance and risk management activities, including the company's Bermuda-based management company, Altamid Management Co. Ltd., and its Bermuda insurance subsidiary, Erieview Insurance Co. Ltd. He will report to John S. Pyke, Jr., vp and secretary. He replaces **Duane E. Allen**, who left the company to form his own consulting firm, Applied Risk Funding Services, in Mission Viejo, Calif. Mr. Ausbrook had been vp and captive services manager for Arkwright-Boston Manufacturers Mutual Insurance Co. in Boston. Prior to that, he was responsible for domestic insurance and risk management at Ford Motor Co. He received a bachelor of arts degree in English literature from the College of Holy Cross in Worcester, Mass., in 1960 and a law degree from Western New England University in Springfield, Mass., in 1973.

Mr. Ausbrook

* * *

Jeffrey B. Pennock, 37, has been named director of benefits and risk management of The Firestone Tire & Rubber Co. in Akron, Ohio. In this newly created position, Mr. Pennock is responsible for the company's worldwide employee benefits, pensions and risk management programs. He reports to John E. Rooney Jr., treasurer. Previously, Mr. Pennock was director of risk management. He received a bachelor of science degree in business administration from Pittsburgh State University in 1968 and master of business administration degree in finance from Wichita State University in Wichita, Kan., in 1970.

* * *

David P. Creagh, 28, has joined CF Industries in Long Grove, Ill., as marine insurance administrator. He is responsible for negotiating policy and handling claims for the chemical fertilizer manufacturer. He reports to David K. Haight, director of risk management. He replaces **David K. Davies**, who is now assistant regional claims manager at the Marine Office of America Corp. in Chicago. Previously, Mr. Creagh was an inland marine underwriter for American International Group Inc. in Chicago. He received a bachelor of business administration degree from Loyola University in Chicago in 1979.

* * *

Mark F. Wilson, 28, has joined First Mississippi Corp. in Jackson, Miss., as corporate risk manager. In his new position, Mr. Wilson is responsible for all risk management functions at the company, including the administration of all corporate property and liability insurance programs. He reports to James B. Lange, secretary/treasurer, and replaces **Brian P. Loper**, who left the company to become operations manager at Robinson & Julienne, Bailey Co., an insurance agency in Jackson. Most recently, Mr. Wilson was senior insurance representative for the insurance division of Houston Lighting & Power Co. He earned a bachelor of science degree in management in 1979 and a master's degree in business administration in 1980, both from Mississippi State University.

Mr. Wilson

* * *

Gary K. Cubbison, 49, has been promoted to corporate director of risk management for Square D Co. in Palatine, Ill. In this newly created position, Mr. Cubbison is responsible for all areas of risk management, including loss control and employee benefits funding. In addition, he will retain the responsibilities of his previous job as corporate risk and insurance manager and will become president of Palatine Ridge Insurance Co. Ltd., Square D's wholly owned insurance company subsidiary. He reports to D.S. Free, treasurer. He received a bachelor of science degree in industrial management from the University of Cincinnati in 1958, and he is a Certified Property & Casualty Underwriter.

Mr. Cubbison

* * *

Robyn M. Bonn Rubin, 32, has joined Watt Industries Inc., a real estate development company in Santa Monica, Calif., as risk manager. In this newly created position, she is responsible for developing and instituting centralized risk management and employee benefit programs for the company. She reports to Judith Hane, in-house general counsel. Previously, Ms. Rubin was risk manager for Angeles Corp., an investment management firm in Los Angeles. She earned a bachelor of science degree in business management in 1974 from California State University in Northridge, Calif.

* * *

Replacing Ms. Rubin at the Angeles Corp. is **Diane Reiser Bridgeman**, 35. As the Angeles Corp.'s new risk manager, Ms. Bridgeman will direct insurance programs, establish and coordinate risk-identification and loss-prevention programs and coordinate relations with insurance brokers. She reports to Steven L. Tanner, senior vp of finance for the company. Previously, she was senior consultant and manager of consulting services for Continental Risk Services Inc., a risk management consulting firm in Newport Beach, Calif. Ms. Bridgeman earned a bachelor of arts degree in English from Mount St. Mary's College in Los Angeles in 1971, and she holds the Associate in Risk Management designation.

•

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Diane Kastiel, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5393. Please send a photograph, too.

A Lot Has Changed Since You Last Looked At The BI Directory

What could be as changing as the ever-changing world of insurance, employee benefits and risk management services? The names, facts and figures from the corporations that *buy* such products and services!

The **1984 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services**, published in August, has been revised, updated and greatly expanded to include information on more than 1,600 of the largest U.S. corporations.

Sales volume, employee population, company address and phone number are some of the facts you'll find ... along with the names and titles of chief financial officers, and executives in charge of risk management, employee benefits, personnel, pension and retirement plans and more.

In addition, a special index lists corporations by size, based on number of employees. A *new* geographic index is also included.

'Buyers' and 'sellers' alike will find the 1984 BI Directory to be tremendously helpful in carrying out their job responsibilities.

As a buyer, you can turn to the alphabetical listings to identify professionals in similar positions in companies much like your own.

Sellers, too, will find that flipping through the BI Directory is by far the quickest, most reliable way to identify the powers that buy.

Expanded. Up-to-date. More useful than ever before. That's the 1984 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services. Update yourself for a cost of just $50; ten or more copies at a reduced price of just $40 each.

Fill out the coupon now and send for your copy of the newly updated 1984 BI Directory.

Ralston Purina
Address: Checkerboard Square, St Louis, MO 63164
Telephone: 314-982-1000
Number of employees: 56,200
Sales (in millions): $4,812
Chief Financial Officer — Sr. Vp CFO
Risk Management — Corp. Risk Mgr.
Employee Benefits — Dir. Emp. Ben.
Personnel — Dir. Personnel
Pensions/Retirement — Dir. Emp. Ben.
Kenneth N. Kermes
Charles Hunt
Robert E. Bell
Charles Hunt
Richard Hansman
Dewayne Knudsen

Ranco
Address: P.O. Box 248, Dublin
Telephone: 614-764-3733
Number of employees: 1,300
Sales (in millions): $153

Ransburg
Address: 3939 W. 56t
Telephone: 317-298-5
Employees: 1,600
Sales (in millions): $135

Number of employees: 37,000
Sales (in millions): $2,570

business insurance
Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

BI 12/17

Business Insurance Directory
Single Copy Sales
740 Rush Street
Chicago, IL 60611

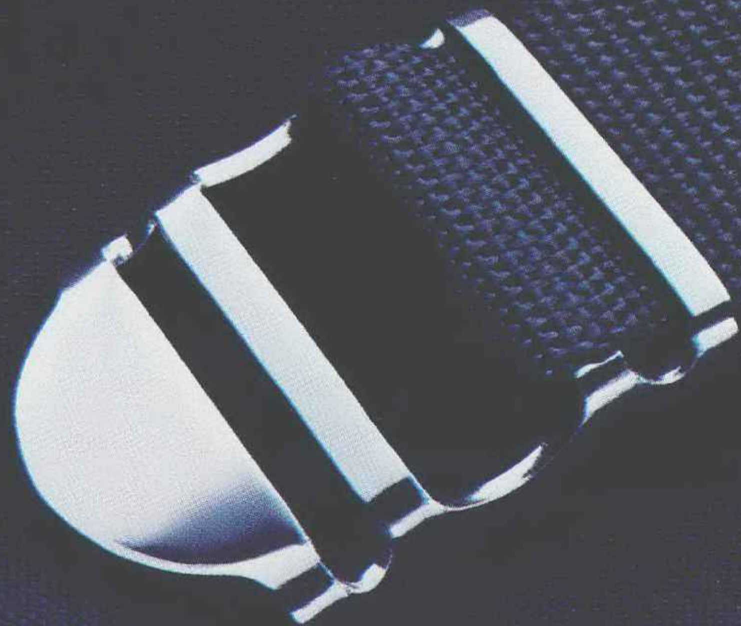
Please send me______ copies of the BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES
@ $50 each; $40 each for quantity of 10 or more

______ Payment Enclosed
Bill me______ plus $5 additional charge for handling
______ Visa ______ Mastercard

Account # ______ Exp. Date ______
Signature ______
Name ______
Title ______
Company ______
Address ______
City ______ State ______ Zip ______
Phone (area code) (______) ______

business insurance

Crain Communications Inc.
1984 Business Insurance Directory
740 N. Rush Street
Chicago, IL 60611
(312)280-3167



SOME BROKERS WOULDN'T TOUCH A RISK THIS COMPLEX.

A simple metal clip.

And, when it's on the strap of a backpack, a simple risk.

The company that made it had all the liability coverage necessary.

It also had a very limited market.

Until a new customer came along.

A manufacturer of harnesses—for parachutes; for hang gliders.

A new use for a simple metal clip.

And, all of a sudden, a new set of risks.

Failure of the clip could now mean a lot more than a ruined hike. It could mean someone's life.

But, without the necessary insurance, sale of the clips was in jeopardy.

At Montgomery and Collins, it's the kind of risk we face every day.

We have the experience to recognize a complex risk fast. And we have the resources to place it—with the more than 40 admitted and non-admitted insurers we represent. And we can place a complex risk quickly. Because we know how important the necessary insurance can be.

Ultimately, at Montgomery and Collins, a problem like this clip becomes no problem at all. Because we believe it should be as easy to find excess and surplus insurance as it is to find our nearest office.

a CIGNA company

KM INSURANCE COMPANY
A Member of the K mart Insurance Group

Commercial Lines
- Writing Workers' Compensation, General Liability and Commercial Automobile coverages for medium to large size accounts.
- Working through independent agents and brokers offering competitive programs.
- Serving the market with a stable company staffed by experienced professionals in underwriting, claims and loss control.

For more information, call or write:
Diane N. Sandlin, Assistant Vice President

5720 LBJ FREEWAY, SUITE 500, DALLAS, TEXAS 75240
(214) 991-1515

Both sides praise decision

Continued from page 2

The tripple-trigger theory, as espoused in *Keene Corp. vs Insurance Co. of North America*, says that all insurers on a risk—from the time a victim is exposed to a toxic substance until the time an injury is manifested, including the interim latency period—are liable.

Attorneys for several insurers, including defendant Liberty Mutual, say the injury-in-fact theory will operate differently for different types of products. And, they say, for products that do not begin to cause injuries until years after exposure, the theory could help insurers cap liability under some policies.

American Home, a diversified manufacturer of pharmaceuticals, foods and household products, is defending 54 product liability lawsuits arising from the manufacture and sale of six drugs, including DES, an anti-miscarriage drug; several oral contraceptives; and the pain reliever Anacin.

The decision involves a dispute over coverage Liberty Mutual provided American Home from 1944 to 1976. The two companies disagree over which policies apply to the product liability claims.

In similar insurance coverage disputes, courts have developed at least three distinct theories for determining when coverage is triggered.

Most courts have favored the exposure theory, which holds that the insurers on the risk at the time a claimant is exposed to an injurious substance are liable. Other courts, relying on the manifestation theory, have said insurers on the risk at the time the claimant shows symptoms of disease are liable.

Still other courts have adopted the triple-trigger theory.

American Home sought either an exposure or triple-trigger theory ruling in its case against Liberty Mutual. The insurer favored the manifestation theory.

The District Court rejected all three theories, and instead, said coverage is triggered when injury is diagnosable or compensable. The court also refused to rule on the 54 underlying cases, saying each case must be considered individually to determine when the injury occurred.

On appeal, American Home argued that the lower-court ruling should be reversed. The company asked the appeals court to rule that the language of the Liberty Mutual policies is ambiguous and that coverage is triggered at every stage of the disease process or that coverage is triggered simply by exposure.

Liberty Mutual asked the appeals court to uphold the lower-court decision.

However, both companies asked the appellate court to reverse the lower court's decision not to issue a declaratory judgment as to Liberty's duty to defend and indemnify American Home in each of the 54 underlying suits.

The appeals court rejected the arguments of both Liberty Mutual and American Home and agreed with the district court's conclusions, "substantially for the reasons stated in its opinion, that the trigger-of-coverage clause unambiguously provides for coverage based upon the occurrence during the policy period of an injury in fact."

The appeals court also affirmed the lower court's refusal to issue a declaratory judgment in the underlying suits.

"The issuance of declaratory relief is a matter committed to the discretion of the trial court; it is not a matter of right of the litigants," the court said.

The appeals court said that there is no language in the American Home policies that would limit coverage only to injuries that become apparent during the policy period, regardless of when the injury actually occurs. "Therefore, we agree with the district court's decision that Liberty's manifestation interpretation is not reasonable," the appeals court wrote.

Amerian Home's contention that exposure alone is sufficient to trigger coverage is also contrary to the language of the policies, the appeals court continued.

"Injury cannot be read as the equivalent of exposure," the court said, "because the policy contemplates injury caused by exposure; since a cause normally precedes its effect, it is plain that an injury could occur during the policy period although the exposure that caused it preceded that period."

In affirming the district court's decision, the appeals court said that court's reading of the

Continued on page 14

No other investment grows like this.

Over the past thirty years, timberland has significantly outperformed both stocks and bonds.

Better yet, it achieves higher real rates of return while reducing the total volatility of your portfolio.

With prices currently depressed and expected to rise over the long term, industry analysts consider timberland a substantially undervalued asset.

The time to buy is now.

And the fund to buy is Timberfund.℠

A closed-end fund from Equitable, it offers pension sponsors even more than most timberland investments.

A flexible policy with regard to timing lets us buy low and sell high. We'll hold properties until the time is right to sell. Meanwhile, Timberfund will be actively managed to enhance returns with sophisticated marketing of timber products and on-site scientific forestland management.

All of this allows us to increase the potential for maximizing capital appreciation and cash flow over the life of the investment.

Contact Nick Lopardo, Senior Vice President, The Equitable, 1270 Avenue of the Americas, New York, New York 10020, (212) 315-7759.

He'll show you how we can help your pension fund grow.

THE EQUITABLE
Financial Services

© 1984. The Equitable Life Assurance Society of the United States, New York, New York

FIREMAN'S FUND IS ABOUT TO DO SOMETHING RADICAL IN THE INSURANCE INDUSTRY.

LISTEN.

Everyone at Fireman's Fund is working toward a new goal for the company.

To make us the leader in the insurance industry.

That means we intend to be the best at everything we do. Quoting rates faster. Issuing policies sooner. Settling claims quicker. And doing all of it accurately.

To make that happen, we're doing everything from installing new computer systems, to decentralizing our management structure, to retraining our staff. So far, these improvements have cost us millions of dollars. And we're planning to spend a lot more.

But first, we want to hear from you.

We want agents and brokers to tell us what we're doing wrong, and what we're doing right.

If you have a problem, take it to your Fireman's Fund branch office. In most cases, they can handle it immediately. If, for some reason, they can't, call our toll-free Producer's Hot Line. It's staffed by a team of trained specialists who can solve any problem you have—even if it means taking it straight to our President.

For years, you've probably wondered when insurance companies would start listening to agents and brokers.

This is your chance to talk to one that has.

FIREMAN'S FUND
An American Express Company

1-800-345-4003
9:00am to 5:00pm
We want to hear from you.

Texas firms refusing to pay for eye operation

Continued from page 1
tive complications or to draw conclusions regarding the long-term effects of the procedure," wrote the American Academy of Ophthalmology in 1983.

Employers and insurers also are denying coverage for RK on grounds that the procedure is cosmetic, done purely to improve appearance, and that it is elective surgery that is not needed to correct an illness or injury.

For others, the decision to deny coverage is an economic one.

"The number of companies that have seen claims coming in at a faster rate than they've expected may be looking for a way not to pay," suggests Dr. Stephen Miller, director of primary care at the 24,000-member American Optometric Assn. in St. Louis.

The organization has not yet taken an official position on the procedure.

The cost is what mainly convinced the Houston City Council to discontinue coverage for RK last Oct. 2 for the city's 20,000 employees, said Risk and Insurance Manager Tom Cody.

"The cost was getting quite extensive," he adds.

More than 400 Houston employees, mostly police and fire department personnel, underwent the procedure between July 1983 and July 1984, costing the city an estimated $1.25 million.

Houston, which began self-insuring its group health plan in July 1983, paid 100% of all usual, reasonable and customary charges for RK because it is an outpatient procedure, Mr. Cody explains.

He cautions benefit managers who are offering employees 100% reimbursement to encourage use of outpatient services to beware: "You need to look at procedures like this that are routinely done on an outpatient basis and not done in a hospital setting. You need to be able to safeguard your plan so you're not paying" for surgeries that catch on like RKs have.

Computerized reporting information helped the city pinpoint RKs as a growing source of employee claims. "In years past, we would have just known that claims went up a lot, but we wouldn't know why," he says.

But cost wasn't the city's only reason for discontinuing coverage.

Mr. Cody says the city was influenced by testimony that indicated RK can weaken the cornea and can sometimes create a glare in vision. "We were just afraid of the possible side-effects," Mr. Cody explains.

The city is still trying to decide how to compensate employees that were in the middle of an RK procedure when coverage was dropped.

Some 30 to 50 of the city's employees had have an RK performed on one eye while coverage was available but were waiting to be able to have the second eye treated when the coverage was canceled.

"I believe they will be looked at again and that (these employees) will probably be afforded some relief," Mr. Cody says.

Mr. Cody said a major Houston hospital offered to assist the city employees "who'd been caught in the middle" by completing the RK procedure in the second eye for only $800; Houston ophthalmologists currently charge about $1,500 per eye.

When the city of Austin, Texas, discontinued RK reimbursements in October 1983, it maintained total coverage for employees who had already begun the procedure, reports Brad Harmes, Austin's benefit manager.

If Austin had continuted to cover all RK costs at 80%, it would have cost it about $250,000 over the next 12 months, predicted a report prepared by William M. Mercer-Meidinger Inc., a subsidiary of Marsh & McLennan Cos. Inc.

Austin, which has self-insured its group health plan for four years, will still cover RK if it is proven that the procedure is medically necessary; however, if eyeglasses or contact lenses can correct the myopia, RK will be considered "unnecessary surgery" and the employee will bear the expense, Mr. Harmes says.

"The concern was that, as folks realized it was out there, those with a nearsighted problem would seek out the surgery and that would become a great expense," he explains.

Expense also was the chief reason why the city of San Antonio, Texas, decided not to cover RK.

"There just seemed to be no relation between the time and skills necessary to perform the operation and the cost of it," says Mark Ferraro, the city's risk manager until October who also handled employee benefits. "The rate of return they're asking is just astronomical.

"It's a wonderful tool to improve someone's eyesight, but at $2,400 a pair, that's a lot of eyeglasses," says Mr. Ferraro, who considers the surgery cosmetic. "If you can (cover) the RK, then why not breast implants? What's the difference?"

Mr. Ferraro became Dallas' risk manager on Oct. 1. Dallas currently covers RKs under its self-insured flexible benefits plan.

About 60 of the city's 16,000 employees have undergone the procedure since January 1982 at a cost of about $90,000, estimates Margaret Muse, employee benefits administrator.

Some employers that have decided to cancel coverage have been hit with a landslide of last-minute claims.

Dr. Robert B. Gillette, a Houston ophthalmologist who regularly performs RKs, recalls that several weeks ago, on a Monday morning, he received about 40 long-distance telephone calls from employees at ARAMCO Services Co.'s Saudi Arabian facility.

The employees just informed that the Houston-based oil company was discontinuing RK reimbursements effective Dec. 1, wanted to make plans to have the procedure performed while it was still covered by Travelers Insurance Co., ARAMCO's group health insurer.

ARAMCO would not comment on its decision to discontinue the coverage.

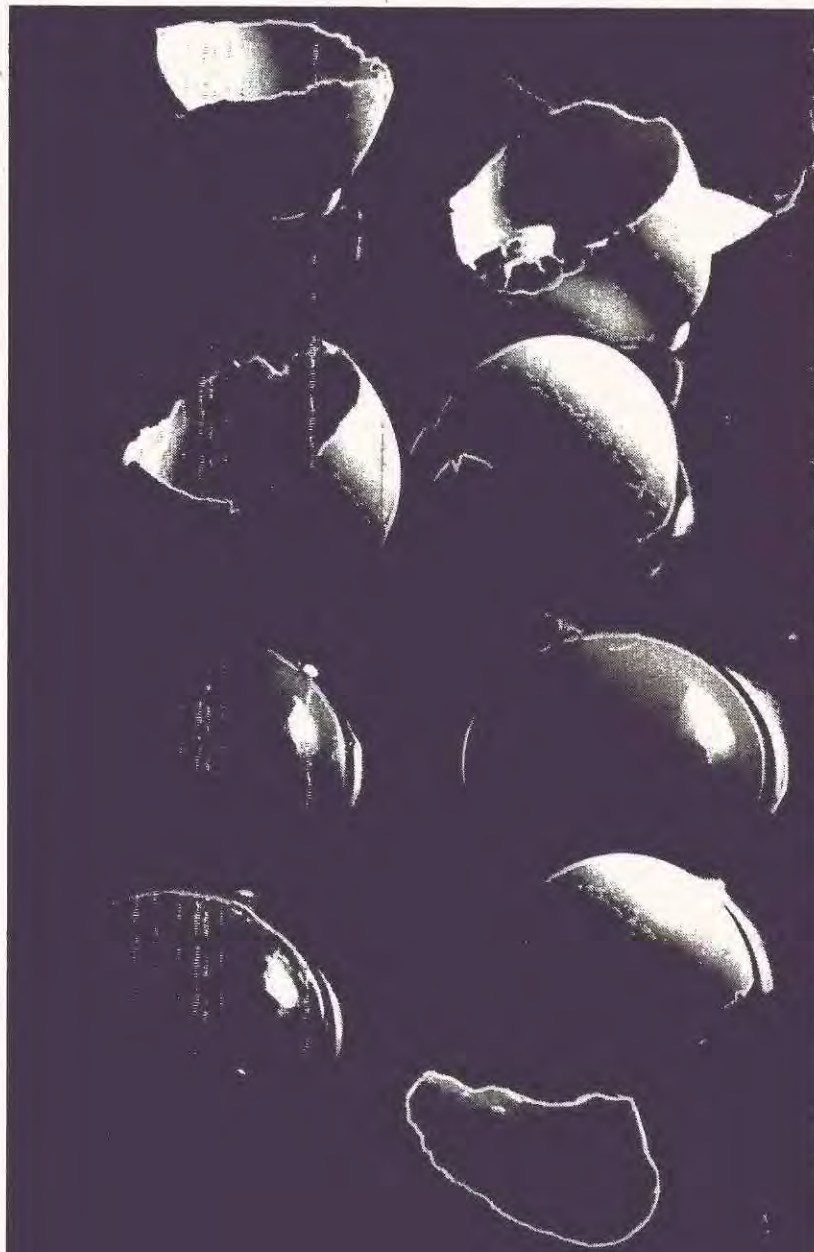
When Exxon U.S.A., the Houston-based division of Exxon Corp., announced its decision to discontinue RK coverage effective Oct. 1, 350 employees rushed to have the procedure performed in September.

Prior to that, about 35 to 40 division employees a month were undergoing RK, according to Eileen Forde, director of group policy development at Boston-based John Hancock Mutual Life Insurance Co., Exxon USA's health insurer. John Hancock does not now cover RK under any of its group health policies.

Instead of canceling coverage totally, Texas Eastern Corp., an oil and gas transmission company based in Houston, will offer em-

Continued on facing page

Our Whole is Greater Than the Sum of Their Parts.



Provident Mutual Group Sales and Pension Offices

Atlanta Suite 990, 211 Perimeter Center Parkway, Atlanta, GA 30346 (404) 393-1300 • **Baltimore/Washington** Suite 408, 20 Columbia Corporate Center, 10420 Little Patuxent Parkway, Columbia, MD 21044 (301) 598-4800 • **Chicago Area** Suite 240, 1100 Jorie Boulevard, Oak Brook, IL 60521 (312) 325-9222 • **Dallas** Suite 518, One Turtle Creek Village, Dallas, TX 75219 (214) 526-4350 • **Detroit Area** Suite 204, 26200 Lahser Road, Southfield, MI 48034 (313) 354-5850 • **Greensboro** P.O. Box 10400, Greensboro, NC 27404 (919) 294-4240 • **Houston** Suite 102, 2121 Sage Road, Houston, TX 77056 (713) 621-7650 • **Minneapolis** Parkdale Plaza, Suite 523 West, 1660 Highway 100 South, Minneapolis, MN 55416 (612) 546-8819 • **New England** Russia Wharf, 4 Central, 270 Congress Street, Boston, MA 02210 (617) 423-4283 • **New York** Suite 700, 150 East 52nd Street, New York, NY 10022 (212) 759-0111

Leslie Caron or a comparable star, Boyar said.

Continued from facing page
ployees only a one-time benefit of up to $600 per eye beginning Jan. 1, said Virginia Buller, a supervisor in the company's employee insurance department.

Texas Eastern has about 5,500 employees, 2,000 of which are in Houston. The company has seen "a good deal of interest (in RK) on the part of employees," Ms. Buller notes, estimating that 1.5%-2% of the Houston-area employees have undergone the surgery this year.

Currently, Texas Eastern covers 80% of the cost of an RK under its group health plan, underwritten by Provident Life & Accident Insurance Co. in Chattanooga, Tenn.

Employees are subject to a $100 annual deductible under both the current and incoming plans.

Ms. Buller said placing a cap on RK reimbursements will provide "a better opportunity to review the procedure and see how we should approach it."

Houston-based National Convenience Stores Inc., with 7,500 employees throughout the Sun Belt, also caps its liability for RK claims by only paying for an RK "if there was a true medical necessity for it," says Lucy McQueeney, senior health benefits analyst. The company would then cover the outpatient procedure at 100%, subject to a $200 deductible.

"In most cases, I don't think it would be a medical necessity; I think the majority of persons would have it done for cosmetic purposes only," she observes.

"There are several major policyholders very, very concerned about it in Texas that are looking for ways to restrict their liability," says John Festa, supervisor or Metropolitan Life Insurance Co.'s guidelines unit in New York.

"It's a safe statement that any policyholder that continues to get (heavy claims) experience in any one area—RK or anything else—will consider restricting the plan," he says. "We'll see more (businesses) not covering it next year than covering it."

Metropolitan, however, considers the procedure "corrective surgery" and covers it under those group health policies that do not specifically exclude it, says Mr. Festa, who likens the operation to removing a benign cyst—typically an elective, not medically necessary, procedure that most health plans cover.

Travelers Corp., which also covers RK in group health plans that cover surgery, has received requests to exclude RK coverage from some of its major Texas group policyholders, says a spokeswoman in Hartford, Conn.

But other insurers are denying payment.

An employee at King-Wilkinson Co. Inc., a Houston engineering firm, underwent an RK recently and the company's health insurer, AFIA Worldwide Insurance, now part of CIGNA Corp., denied payment. Rate increases forced King-Wilkinson to switch underwriters in March; the current insurer, United of Omaha Life Insurance Co., also will not pay for RK.

Several months ago, Houston-based Tenneco Inc., whose group health plan is underwritten by its Philadelphia American Life Insurance Co. subsidiary, considered offering coverage for RKs but decided against it.

"We took a good, hard, long look at it and decided not to change our position," reports Barbara Channell, staff consultant, who cites the unpredictability of the procedure's long-term effect as a major reason.

Employees have also sought coverage for the procedure at Mitchell Energy & Development Corp. in The Woodlands, Texas, a self-insured business north of Houston that does not cover RK.

Even Randi Kennedy, the company's senior benefit coordinator, would like to see the procedure covered: Ms. Kennedy, a candidate for the surgery herself, has been gathering news articles about RK and recently consulted a doctor about it.

"We're looking into the possibility of establishing some kind of program that it will be covered under, but I don't think it'll come about within the next year or year and a half. Right now, if we were to implement (coverage), the cost would be astronomical," she says, noting that employees regularly request the coverage.

But while some see chances for coverage dimming, at least one individual remains optimistic.

"It's just as likely that the trend will be to cover it where it hasn't been covered before," suggests Pam Reeves, a principal at William M. Mercer-Meidinger Inc. in Houston, who underwent an RK procedure herself eight months ago. The procedure was not covered under Mercer-Meidinger's health plan so Ms. Reeves bore the cost herself—slightly less than $3,000.

"It's being proven in this country that it's a viable alternative for vision care. As more and more successfully undergo the procedure, employers will see it as less threatening," she predicts.

Ms. Reeves says her RK was performed on a Friday morning "and by the following Monday, close of business, I had perfect vision. That emotional charge is hard to convey."

Ms. Reeves compares the RK procedure to correcting a muscular dysfunction so that an employee can walk without a cane.

Is that cosmetic? she asks. ■

Tired of scrambling all over the marketplace to find the right ingredients for your clients' group programs? Provident Mutual can eliminate the legwork by helping you prepare comprehensive, competitive programs containing any or all of the following advantages:

- Choice of conventional or alternate funding
- Valuable cost containment options
- Superior claims payment, claims reporting & claims management
- One-stop shopping
  - Medical
  - Life
  - Dental
  - Long Term Disability
  - Short Term Disability
  - Pension Investment
  - Pension Administration
- Customized packaging
- Individual plan design

To find out about our full range of group products, services and marketing alternatives, just call any of our Group Offices listed below. We'll work with you to develop the complete programs your clients need — while providing the quality and flexibility we know *you* want.

Don't knock yourself out trying to cook up group programs that may or may not suit your clients' taste. Put Provident Mutual to work — and get a whole lot more.

PROVIDENT MUTUAL

North & Central New Jersey Suite 301, 600 South Avenue, Westfield, NJ 07090 (201) 233-3400 • **Northern California** Suite 2475, 120 Montgomery Street, San Francisco, CA 94104 (415) 392-5117 • **Orlando** 3444 McCrory Place, Commodore Building, Suite 131, Orlando, FL 32803 (305) 898-3511 • **Philadelphia** Suite 1506, Two Penn Center Plaza, Philadelphia, PA 19102 (215) 568-3930 • **Richmond** Suite 1116, 700 Building, 700 E. Main Street, Richmond, VA 23219 (804) 788-8141 • **Southern California** Suite 1510, 3250 Wilshire Boulevard, Los Angeles, CA 90010-1605 (213) 383-6000 • **Mid-Atlantic Pension Office** Suite 141, 111 Presidential Boulevard, Bala Cynwyd, PA 19004 (215) 667-5545 • **Midwest Pension Office** Suite 240, 1100 Jorie Boulevard, Oak Brook, IL 60521 (312) 325-9222 • **Northeast Pension Office** Suite 700, 150 East 52nd Street, New York, NY 10022 (212) 759-0111

British pension bill

LONDON—Occupational pension funds in Britain face major changes in 1985 if a social security bill is passed.

The social security bill, which is currently being debated in Parliament, will require all 90,000 British pension funds to:

- Revalue all frozen pension benefits of employees who are leaving their companies by 5% or the cost of inflation, whichever is the lower, each year until the pension is paid.
- Disclose all information about the pension plan in great detail. The published information then will be sent to all pension fund members, a task that has not been required before in law.
- Register at the new Central Registry of Occupational Pension Schemes, which will be set up by the government's Department of Health and Social Security. The fee for registering will be 100 pounds ($120).

The National Assn. of Pension Funds agrees to the principle of this new bill, but it disagrees with the details, according to the association's Director General Henry James.

The NAPF, which represents most of the pension funds in Britain, is opposed to the registration fee, said Mr. James.

Also, the NAPF disagrees with the amount of detail being required for public reporting to pension fund members.

And, Mr. James also points out that by increasing the interest on deferred pensions, the new bill will cost pension funds an additional 1.5%-2% of payroll.

The bill is currently being debated by a House of Commons committee.

In addition to the bill, pension fund insurers are concerned with the rumor that the British government is discussing plans to tax pension funds by removing their tax concessions.

The government could be facing an accusation of "supreme bad faith" by the employers that run the occupational plans of more than 10 million people if it decides to tax the pensions, says Britain's largest insurer of pensions, Legal & General Group P.L.C. ■

ARE THERE TOO MANY HEALTHY PEOPLE IN HOSPITALS?

No one can argue that many people's lives depend on the high-quality care they receive in hospitals.

But the fact is, more than 15% of the days people are confined to hospitals are unnecessary.

Which could cost American business $9 billion in health care costs before the year is out.

Of course, there are alternatives. And at The Travelers we do everything we can to encourage people to use them.

For instance, we design plans that cover ambulatory surgical centers, pre-admission testing and home health care.

We even offer 100% coverage for surgical second opinions.

And we have a solution for controlling health care costs that no one else can offer.

It's called the Center for Corporate Health Promotion.

The Center is devoted to controlling the demand for medical services by helping individuals effectively manage their own health and medical care.

In the hope that someday the only people in hospitals will be people who are sick enough to need them.

For more information, contact your local agent. Or your Travelers group insurance representative.

TheTravelers

The Travelers Corporation and its Affiliated Companies, Hartford, CT 06115

STRUCTURED SETTLEMENTS

Finding the right broker can cut defendants' expenses

By Dennis English

CONSIDER A RISK MANAGER for a self-insured Fortune 500 company who must pay a liability claim from a third-party plaintiff who has sustained injuries that require continuing medical care. The plaintiff's injuries will result in either permanent or partial wage loss for the foreseeable future.

Risk managers may recognize such a situation claim as one in which a structured settlement may be warranted. But for any number of reasons, many risk managers are unsure how to choose and use to their advantage a settlement annuity broker.

An increasing number of firms are dealing in the placement of settlement annuities on behalf of defendant self-insurers and insurance companies. How does the risk manager make an educated choice when choosing such a broker to assist on a claim? What criteria will be employed to distinguish the best-qualified settlement annuity broker?

It helps to understand the brief history of this specialized segment of the insurance industry because of the hybrid nature of the settlement annuity broker.

Settlement annuities were developed to solve a basic dilemma faced by defendants on catastrophic injury cases, like brain damage, paralysis, etc., where long-term medical care costs inflate dramatically over the life expectancy of the accident victims. The plaintiffs' bar developed rather sophisticated medical and economic testimony on these types of cases, which has resulted in multimillion-dollar liability awards becoming a common result rather than a rarity.

Initially concentrating on catastrophic injuries, a number of firms began in the 1970s that specialized in arranging life insurance annuities that would provide defendants with the means to mitigate damages on these high-exposure cases. The firms' staffs were a hybrid of former casualty claims people and former life insurance specialists.

Because of the widespread adoption of settlement

The body of law and education necessary to handle the structured settlement process is becoming too vast to rely on the minimal knowledge of a peripheral broker.

annuities, there has been rapid growth in the number of specialty firms performing this service. There has been an almost geometric growth in the number of cases closed annually on this basis, and now several of the major life insurance companies have developed this product line because of its growth: The estimated volume of settlement annuities placed with life insurers in 1983 was $1 billion.

Selecting a broker is becoming an important and difficult issue that must be faced by the self-insurer or defendant insurance company. Such brokers should be proficient in the placement of such annuities and have direct knowledge of the variety of assignment and assumption agreements and settlement agreements that might be used in a particular jurisdiction.

Since there are many problems that might be confronted on these issues, the defendant company should be sure that the broker handling a structured settlement is staffed with legal counsel prepared to perform all necessary duties.

This attorney might not necessarily represent the company itself in defense of the litigation; however, the attorney should certainly be conversant with tort law to ease the communication with the defense counsel in the preparation of all documents.

Another area of expertise that should be examined closely by the company is the broker's experience in tort cases. Many of the structured settlement brokers around the country are well-experienced former claims executives accustomed to dealing with settlements of this type. They may participate, along with the defense counsel, in the negotiation process to achieve the lowest possible settlement.

During the negotiation process there is no time to explain the ramifications of liability issues, damages or potential bad faith. Claims expertise is of tremendous importance to facilitate the proper communication among all parties to achieve a timely settlement and save indemnity and expense costs.

The brokerage firm itself should stand ready to prepare all closing documents on behalf of the defendant parties. These should include settlement agreements, assignment and assumption agreements, reinsurance agreements and all other necessary papers to conclude the litigation.

Since federal law requires that the assignment process be completed within 60 days (see box, next page), this is not an area that should be used as a training ground for brokers from other product areas. Regardless of their skill in traditional life insurance fields, the body of law and education necessary to handle the structured settlement process is becoming too vast to rely on the minimal knowledge of a peripheral broker.

Another factor to be considered is the number of insurers the broker represents that sell structured settlement products. Although there are many life insurers writing annuity products, the actual number of insurers participating in the product known as

Continued on next page

Dennis English is co-founder and president of English & Associates Inc., a settlement annuity consulting firm based in Mission Viejo, Calif.

Tax changes won't endanger periodic payments

By William L. Winslow

ALTHOUGH CERTAIN provisions of the Deficit Reduction Act of 1984 will affect some companies' tax incentive to participate in structured settlements, the impact on growth in the use of such settlements should be rather small.

There are two reasons for this:

- The large majority of companies that spend substantial sums on structured settlements are liability insurers—not self-insureds—and most of these companies will not alter their tax treatment of such settlements.
- For those companies that had been taking an aggressive approach under the old law, Section 130 of the Internal Revenue Code, enacted in 1983, offers a satisfactory method for avoiding the worst effects of the new legislation.

Consider a hypothetical case in which Plaintiff Perkins sues a self-insured defendant, Defiant Manufacturing Inc., alleging that he sustained injuries as the result of the defective design of a printing press built by Defiant. Assume that Defiant settles the case by promising Perkins periodic payments of $25,000 a year guaranteed for 24 years. This payment format, which will pay Mr. Perkins a total of $600,000, is funded by an annuity that Defiant also promises to purchase and own.

This example is modeled on Revenue Ruling 79-220, 1979-2 C.B. 74, the most important tax ruling relating to structured settlements. The first promise, the promise by a defendant or its insurer of fixed and determinable periodic payments, is a *sine qua non* of the structured

At first glance, it might seem that the new law will chill defendants' interest in structured settlements nearly to the freezing point. But, in fact, the change in the law should have little effect.

settlement. The second promise is present in most structured settlements, though from a tax standpoint it is not essential. A few substantial companies have chosen to purchase and own assets other than annuities to provide themselves with sufficient funds to meet their future obligations.

The view has been advanced that a tax-free structured settlement could be concluded by the defendant buying and owning an annuity, yet obtaining a release from all long-term obligation. This position is in conflict with the rationale of Ruling 79-220 and was expressly disapproved by Revenue Canada, that country's version of the IRS, which has used the same theoretical analysis of structured settlements as that used by the IRS.

In the Perkins vs. Defiant example, further assume that the annuity costs Defiant $195,000 and that Defiant has an effective tax rate of 46%, which is the current federal tax rate on income exceeding $100,000. (In general, states with an income tax follow the federal rules described in this article.)

Before the change in the tax law, if Defiant was an accrual-basis taxpayer, it could accrue its long-term obligation into the first year and claim a deduction of $600,000. Taking into consideration a small amount of income in the annuity that its owner had to recognize, Defiant was able to reduce its federal income tax bill by $268,237.50 in the first year.

The financial benefit is calculated this way:

- The total deduction is $600,000.
- The $600,000 deduction is offset by a small amount of income in the annuity, $16,875, that must be recognized in the first year pursuant to the exclusion ratio rules set forth in Internal Revenue Code Section 72. Subtracting this small amount of income produces a net deduction of $583,125.
- Reduction of taxable income by $583,125 for a taxpayer with a tax rate of 46% means a reduction of $268,237.50, or $583,125 multiplied by 0.46.
- The cost of the annuity, $195,000, is subtracted from the net tax savings, leaving a net financial benefit in the first year of $73,237.50.

This tax savings means that the structured settlement

Continued on next page

William L. Winslow is general counsel for Merrill Lynch Settlement Services Inc. in Pasadena, Calif.

Finding the right structured settlement broker

Continued from preceding page

structured settlements is relatively small. Your broker should be able to tap a wide variety of insurers experienced in the field to assure the lowest possible cost and a high level of service. That broker should not have any significant obligations for production with any one insurer in order to assure that he or she is truly representing your interests in the marketplace.

Finally, you may well wish to examine the services that might be provided by the broker without cost to you. Since most defendants would strongly prefer not to reveal the actual cost of the annuity in the negotiation process, the brokers you are selecting should be able to prepare proposals for you based on the "present value" of the benefits being provided. That is, do they understand discount rates and how they might be used in the negotiation process?

Is your broker able and willing to provide services, such as analyzing the long-term medical cost of a catastrophic injury? The single most difficult aspect in the negotiation of a catastrophic injury case often is the determination of the long-term cost of care for the injured party. A few brokerage firms are able to prepare such documentation on a cost-free basis for their clients. This, in turn, can be used to negotiate a settlement with the plaintiff using the annuity approach to fund the prescribed benefits.

The selection of a structured settlement broker in today's marketplace is vitally important to defendants. As you would in the selection of your doctor or attorney, you should aggressively seek out the firm's qualifications in all these areas. Request a list of the firm's clients and contact them to precisely judge the level of service provided.

Was their service timely? Was the broker professional in his or her approach? Did the broker participate in negotiations, and was he or she able to design proposals in line with the litigants' wishes? Did he or she consistently have to contact the life insurance company to make adjustments in the proposal during the negotiation process, or was he or she able to modify settlement proposals on the spot? Does the broker have a wide range of insurers well-versed in the settlement annuity field? And, does he or she represent a wide-based group of companies, including self-insured companies, primary and surplus companies?

To take a short sided view of the selection process may be extremely costly in the long run. Although some brokers will tell you the difference in cost between one broker and another is very slight, it is well-established that a professional firm can provide a better-cost product with a significantly higher level of service than those new to the field. The consequence of lack of professionalism may well be the loss of favorable tax consequences to the plaintiff, penalties that might be ordered by the Internal Revenue Service and further litigation.

The purpose of a structured settlement is to close out claims at savings to the defendant and to give long-term security to the plaintiff. It is not to extend the litigation process and create further problems resulting from lack of expertise on the part of the broker. ▪

Settlements have many parts

The essence of a structured settlement is to defer the payment of a company's liability over a period of years. Using the time value of money and extremely favorable tax consequences, all parties to the litigation can benefit financially.

A structured settlement may consist of many different parts, including up-front cash, periodic payments, life insurance policies, deferred payments and many other benefits. With the exception of cash that might be necessary for attorneys' fees and other litigation costs, the periodic payments can be funded through a life insurance product known as an annuity.

Annuities often have been described as reverse life insurance policies. While a life insurance policy is traditionally financed over a period of years through premium payments, an annuity is funded by a lump sum of money at the initial period, with the repayment of this premium and accrued interest over the following years.

With the passage of the Periodic Payment Settlement Tax Act of 1982, Congress solidified the concept. Subject to certain stringent criteria that must be met by the purchasing party and the litigants, the benefits provided under an annuity are completely tax-free to the plaintiff and his or her heirs.

The Periodic Payment Settlement Tax Act allows the defendant company to make a qualified assignment of its settlement obligation under Section 130(c) of the Internal Revenue Code of 1954.

In essence, a defendant company may enter into a settlement agreement whereby an obligation is created for that company to provide periodic payments over a period of time. The obligation created by this settlement agreement is assignable to a third party, which would then fund the obligation through the purchase of an annuity.

The key to achieving a qualified assignment are the provisions under which the plaintiff is to receive such moneys. The provisions are:

- The periodic payments from the assignee cannot be accelerated, deferred, increased or decreased by the plaintiff.
- The assignee does not provide to the plaintiff rights against the assignee that are greater than those of the general creditor.
- The assignee's obligation for the payment of the periodic payments is no greater than the obligation of the person originally liable, whether by suit or agreement, for payment and from whom the obligation was assigned.

Tax law doesn't endanger periodic payments

Continued from preceding page

more than paid for itself in the first year. Of course, the net benefit to Defiant of $73,237.50 in the first year was not the only feature to consider under the old law. In each of the succeeding 23 years, Defiant would have had taxable income of $16,875 without any offsetting deductions.

Conversely, if Defiant were a cash-basis taxpayer, or for other reasons did not accrue the $600,000 long-term obligation, the structured settlement might have meant an unsatisfactory tax result. Pursuant to the rules for recognition of income set forth in Internal Revenue Code Section 72, Defiant would have had to recognize income of $16,875 each year. Only its payout each year of $25,000 to the plaintiff pursuant to the first promise would have been deductible. The resulting net deduction would have been a mere $8,125 per year in the first year (and in the 23 succeeding years), despite an outlay in the first year of $195,000.

However, under Internal Revenue Code Section 461(h), added by DEFRA, the accrual of the entire $600,000 obligation is no longer possible. A new provision was added that prohibits accrual of obligations earlier than when "economic performance" occurs. Subparagraph (h)(2)(c) of Section 461 specifically addresses structured settlements. It says: "If the liability of the taxpayer requires a payment to another person and arises out of any workers compensation act or arises out of any tort, economic performance occurs as the payments to such person are made."

Clearly, if Defiant agrees to pay $25,000 each year, it will have rendered economic performance only as those annual payments are made.

At first glance, it might seem that the new law will chill defendants' interest in structured settlements nearly to the freezing point. But, in fact, the change in the law should have little effect.

As noted above, most defendants are insured. It is the liability insurers, not party defendants, who will pay the great proportion of all dollars spent to settle claims for the foreseeable future. Thus, the example involving Defiant Manufacturing is only representative of a small portion, perhaps 10%, of all structured settlements. The majority of liability insurers have always used a different tax treatment with regard to structured settlements because of their right, under Internal Revenue Code Sections 821 *et seq.* and 831 *et seq.*, to deduct the amount of any reserve set up on a claim against an insured.

The cost-saving features of structured settlements will continue to be available, including the opportunity to bargain for a share of the financial advantage arising from a transaction that produces payments that are tax-free to the plaintiff.

Consider an example identical to the one above except that, instead of being self-insured on Plaintiff Perkins' claim, Defiant is insured by Capable Casualty Co. If Capable had been responsible for the claim, it already would have deducted a substantial sum from its taxable income ($195,000 if the reserve had been precisely on target for what the settlement turned out to be) when it received notice of the claim.

Consequently, when it bought an annuity for $195,000 as part of the settlement of Mr. Perkins' claim, it would not view that outlay as a large "expense" item against a relatively small deduction, as would a self-insured company. Instead, recognizing income and claiming deductions as payouts were made would yield a tidy annual net deduction of $8,125. This approach has been the customary treatment by liability insurers since structured settlements came into common use in the past five to 10 years.

A second reason why the new law's deterrent effect on structured settlements is more apparent than real arises from the existence of Internal Revenue Code Section 130. Added to the code in January 1983, this section codified the tax treatment of "assignee" companies, which are assigned structured settlement obligations by defendants and liability insurers. A number of reputable companies will act as assignees. Provided the plaintiff agrees to release the defendant and/or insurer that promised the periodic payments, the original obligation is extinguished. The practice of having an assignee company serve as a substitute obligor, so that the original defendant/promisor is completely released, has become fairly common in the industry.

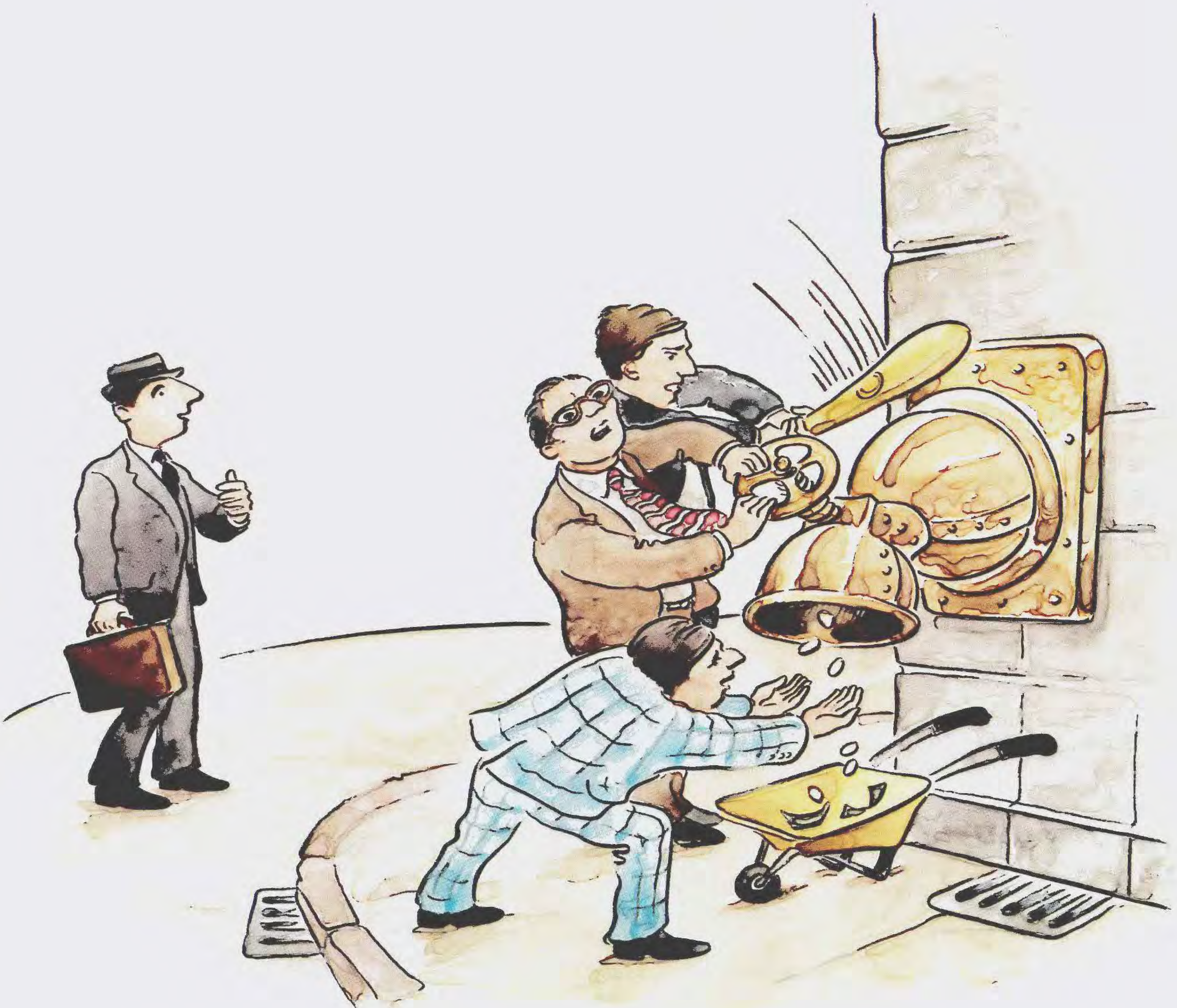
By using this variant of structured settlements, the self-insured defendant in the position of Defiant Manufacturing will be able to deduct the current value ($195,000) of the structured settlement in the year the settlement is consummated. The cost might also include a fee charged by the assignee company. These fees vary.

While this course will not produce the tax savings that accruing a $600,000 obligation formerly did, it is still a very acceptable result, because it matches the deduction of the cost of the settlement with the performance of paying an assignee to assume the obligation.

The cost-saving features of structured settlements will continue to be available, including the opportunity to bargain for a substantial share of the financial advantage arising from a transaction that produces payments that are tax-free to the plaintiff under Internal Revenue Code Section 104(a)(2). ▪

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.

If the cash flow dries up, how liquid will your reinsurer be?



High rates of return lured some very naive entities into the reinsurance business.

But today, lower interest rates, rock bottom premiums and escalating claims have exposed the weaknesses of cash flow underwriting.

If a reinsurer should ever default, it could threaten the policyholder surplus of primary insurers. And even their insureds.

At North American Re, our financial strength has been built through sound underwriting and investment practices.

That's why we never have to break the bank to meet our obligations.

NORTH AMERICAN

RE

We Take Your Risk Out Of Reinsurance.

NORTH AMERICAN REINSURANCE CORPORATION 100 EAST 46TH STREET NEW YORK, NEW YORK 10017 TELEPHONE 212-907-8000

Managers are thinking 'lean and mean'

management

By Kenneth P. Shapiro

IN AN EARLIER column this year, we talked about how companies must infuse their managers with a "lean and mean" cost-control consciousness. Now, six months later, as we put more distance between the 1981-83 recession and our current better-than-expected recovery, it looks as though this consciousness has taken hold.

In one important area—the continued control of human-resources costs—preliminary indications are good. These costs, which are the second-highest controllable cost in most industries and the highest cost in service organizations, have not been allowed to escalate unduly in the last year of economic rebound. Let's look at some interesting figures.

In a survey of 546 organizations in the 11-city Hay Compensation Conference series, respondents predicted that the average salary increase would be 7% on the executive/manager level, 6.7% on the techical/professional level and in the 5.8%-to-6.3% range for hourly and salaried non-exempt employees. This demonstrates an unwillingness of management to play "catch up" with salaries, even though 28% of the group had employed some formal wage freeze in parts of their organizations in the past three years.

Continued control in the benefits area is readily apparent to *Business Insurance* readers. And, despite recovery, the Hay survey showed that action in health care cost control was greater in 1984 than in in 1983. Some 29% of the respondents had increased deductibles, 25% had raised the employee's contribution to his or her premium and 19% had hiked the employee's portion of the co-payment formula. And, in all of these areas, significant percentages were considering future action.

For the time being, it appears that we have learned from the worst economic experience since the Great Depression. But. . .how long will we remember this lesson?

To be sure, as recovery rolls on, most of the harsher controls instituted during the recession have disappeared. Again, the aforementioned survey showed that 55% of the organizations polled had used a hiring freeze in the last few years. Currently, though, only 10% had hiring freezes still in effect.

Similarly, layoffs had been pervasive, reported by 52% of the organizations surveyed for the past few years. But now, the number of companies reporting layoffs has fallen to just 15%.

Still, caution abounds on the hiring front, particularly on the management level. The Hay survey showed that only 28% of the organizations planned to increase head counts on this level.

But, the essence of cost consciousness does not lie in the exceptional action taken under duress or in broad-based clampdowns on new hires. Rather, the successful control of costs goes much deeper, into the area of productivity, pay-for-performance, total human resources planning—and the entire range of people management and the interaction of that management with overall business strategy.

Happily, more and more companies are investigating sound methods for constantly monitoring their human-resources costs and are adjusting accordingly. For the time being, at least, it appears that we have learned from the worst economic experience since the Great Depression.

But the question that can only be answered down the line is: How long will we remember this lesson? ■

Kenneth P. Shapiro is president of Hay Huggins Co. Inc. in Philadelphia. His column on management appears regularly in Business Insurance.

Thought-provoking book is also fun to read

books & ideas

"The Foundering Ark: Insurance on the Rocks"
By Charles A. McAlear
Aardvark Press
Box 419-A, Holland Mich. 49423
142 pages; $9.95, plus $1.25 for postage and handling

By Joel Brandt

I GENERALLY APPROACH most books written about insurance with the terror of boredom and the knowledge that a lot of coffee will be needed before the final page has been completed.

Fortunately, this wasn't the case with "The Foundering Ark." The author's style is refreshingly candid and to the point. Typical chapters are four to five pages in length and do not waste time getting the author's view across.

The text is rich with metaphors, analogies and humorous anecdotes. Typical of the author's style is his description of the need for insurance:

"Insurance. . .is at once the essential oil on the wheels of commerce and the poor man's key to the bank."

His description of policyholders:

"Most never question whether an insurance policy will really respond to a loss. If they did, sheer terror might replace their casual boredom."

His description of insurance industry management:

"MBAs cruising through the insurance business on their way to better jobs."

His description of guaranty funds:

"Guarantee funds or insolvency funds are an illusion in a business that thrives on smoke. At their worst, they don't work at all. At their best, they are merely a conduit for taxpayers' or policyholders' dollars to pay for poor management and inept regulation."

The author's comments on guaranty funds point up the theme for his book, which is his concern about insurance company insolvencies. Buying coverage from an insurer that becomes insolvent essentially destroys the purpose of insurance, which is to keep our economy vibrant and enable it to grow.

THE PROBLEM of insolvency is occurring because of the complacency of the insurance industry, which the author points out is not an industry in the classic sense, and the fact that participants think of themselves as an industry leads to a host of other problems. He says that a vast majority of the people employed in insurance do not know the industry beyond their limited scope of responsibility. The author's hope is to awaken members of the industry to the realities of modern-day business and to eliminate the veil of complacency that exists because of the potential offered by investment income.

The opportunity to invest loss reserves, surplus and non-earned premium reserves leads to the establishment of "fly-by-night" insurers, reinsurers and pools by con artists, he says, or well-intentioned presidents are misled by middle managers.

The author says, "Few people are familiar with insurance accounting; fewer want to be." Con artists can establish a company and, "if the classes of insurance are carefully selected, this can work for a decade or more with small losses being promptly paid.

"Suggesting that a company is fraudulent. . .would be put down as some kind of crank, a gloom-and-doom personality interrupting the fun."

Common methods used by insurers to manufacture needed surplus are the valuing of loss reserves at net present value, the sale of reserves to a reinsurer or even the financing of written premiums in order to eliminate the unearned premium reserve. None of these methods, however, provides ultimate solvency for the company; each merely puts off the inevitable for a few years.

In fact, companies that are about to "bite the bullet," the author says, are far more visible than those companies doing a good job because of their need for positive cash flow, regardless of the adequacy of premium, to offset poor results.

The author says the blame for all this lies with the movement toward deregulation: "Deregulation favors the weak and aggressive, (and) penalizes the strong and prudent."

He says companies have long ignored bureau rates, creating de facto regulation in areas where open rating has not yet been accepted. "Billions of dollars of assets. . .earn income which is viewed by companies as their own. . .even to the detriment of (policyholders)," he says.

THE AUTHOR BELIEVES that a round of insolvencies will provide an excuse for the federal government to begin efforts toward national regulation. However, he cautions, "rate regulation can no longer be viewed as the single solution to a complex problem."

"The Foundering Ark" includes some useful chapters that can help the risk manager or broker to determine the signs of insolvency when reviewing insurers' statutory accounting reports. The author cautions that a simple review of statutory accounting reports is not enough. The numbers "provided to the insurance regulators and the (Securities and Exchange Commission) are not considered credible by many experienced observers," he says. The author blames this on the delay in filing statutory reports and on the fact that these reports are not subject to independent audit.

As to whether insurance companies can be considered safe for investment, the author says, "Companies may be divided into two classes, investment grade and speculative, with little or nothing in between. The vast majority of companies can truly be called speculative."

The author derides the "Wall Street darlings" as companies that will become seriously impaired when losses begin to exceed investment income. "The advice and the data provided by Wall Street are usually worse than useless," he says.

Among the book's flaws is a certain amount of repetition: The author repeats the dangers of insolvencies throughout the book. Also, he appears to deny any advantages of innovation, suggesting perhaps a return to the old, staid, conservative days of the insurance industry, when the most prestigious position within a company was the underwriter and an insurer was not as concerned with "selling products" and "market share."

Perhaps this can be explained by the author's background. Charles McAlear has worked for an insurance company, a reinsurer and a surplus lines broker. He founded the National Assn. of Surplus Lines Offices Ltd., an insurance trade association, and he currently is chairman of McAlear Associates Inc., a regional surplus lines broker. Has the author's experience with poorly regulated surplus lines companies colored his interpretation of the entire industry?

The author would respond to those of us who do not believe that major standard insurers are near insolvency by saying that we are living in a "mythical kingdom. . .where what is perceived is not real and reality goes unnoticed."

Whether the reader will agree with the author depends on the reader. But, I can say that "The Foundering Ark" is a thought-provoking book that is well worth the investment of your time. ■

Joel Brandt is director of risk management for Westchester County, N.Y.

Remember the kid in 6th grade with all the answers?

He's working for us. Selling Employee Benefits.

Back then you may have wanted to throttle him or her for always having the right information. Today, you need all the information you can get, fast, accurate information to keep you up-to-date on *any* new changes. And Unionmutual's sales team can provide it.

Our sales people are experts in Employee Benefits. They have to be. Our training, our expectations, and our criteria are geared to maintaining a record highlighted by 8 years of LTD leadership.* Unionmutual's experts can give you the kind of help that can make your job easier. They're one of the reasons we're known for excellence in our full range of employee benefits plans.

Give our experts a try. Ask a question today.

If you're interested in more details about Unionmutual's Employee Benefits insurance, contact your local Unionmutual sales representative or return the coupon today.

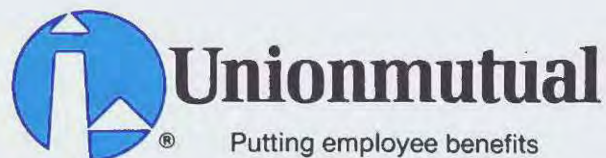
*Employee Benefit Plan Review, April 1984

I'd like to know more about Unionmutual's Employee Benefits plans.

Name ______________________
Company ______________________
Address ______________________
City ______________ State ________ Zip ________
Telephone Number ______________________

Mail to: **Unionmutual, Corporate Marketing**
2211 Congress Street
Portland, Maine 04122

BI 12/17/84 S.T.



Union Mutual Life Insurance Company, Portland, Maine 04122
Unionmutual Stock Life Insurance Co. of America, Portland, Maine 04122 (All states except New York)
Unionmutual Stock Life Insurance Company of New York, Elmsford, New York 10523 (New York State only)

Bermuda captive joins Risk Exchange

markets

American Risk Transfer Insurance Co., a group-owned captive insurance company based in Bermuda, has joined the Bermuda Risk Exchange so that an insurance agency owned by its shareholders will have access to a broader reinsurance market.

The group of 18 shareholders that owns American Risk Transfer, known as ARTIC, also owns ARTEX Insurance Agency in Dallas, according to ARTIC President William S. McIntyre. The shareholders, mostly contractors, purchase workers compensation, general liability and automobile coverage from the captive.

"ARTEX is in the process of placing other lines of business, such as contractors equipment coverage, property insurance and fidelity bonds," Mr. McIntyre explained. "A lot of these lines can be partially reinsured by the exchange."

Mr. McIntyre also said that portions of the reinsurance for ARTIC's traditional coverages will also be placed with the exchange.

ARTIC becomes the 16th member of the exchange, a pool of captive insurance companies that trade their parent companies' risks among themselves.

"The exchange also offers us a source of acceptable third-party business," Mr. McIntyre said. "We will be accepting risks of high quality from the other members."

Prepaid dental

CIGNA Corp. is offering prepaid dental coverage through a recently acquired company and is hoping to develop the first national network to provide this coverage, company officials say.

CIGNA's acquisition of Preferred Health Care Inc., a Miami-based firm offering prepaid group dental programs in three states, "marks the first entry of a major, national insurance organization into the prepaid dental care field," said John Tillotson, vp of the health care division of CIGNA's Affiliated Businesses Group.

"We intend to develop the first national network of prepaid dental plans and anticipate that such plans will become a major health care business," he said.

The newly acquired company has been providing dental coverage through its subsidiary Dental Health Inc. in Florida, Pennsylvania and New Jersey since 1974. It currently covers 130,000 individuals through 290 employers.

The company, to be renamed CIGNA Dental Health Inc., is expected to expand to selected markets in Ohio, Missouri and Connecticut in 1985.

Under the plan, participating dentists retain their traditional practices and receive a per-capita fee for providing dental care to plan enrollees.

Also, a special department will provide information on the plan to employee benefit managers and will offer problem-solving and guidance services to clients.

Preferred Health Care had revenues of $7.5 million in the fiscal year ending Dec. 31, 1983. Its pretax income of $302,682 was a 91% increase over 1982.

Captive manager

Jardine Insurance Brokers Ltd., headquartered in London, has formed a captive management and financial services company in Bermuda to provide services to its insurance and reinsurance brokerage offices worldwide.

Jardine Risk Services Ltd. will help brokers develop and service captives and other offshore financial programs. An agreement with captive manager Continental Risk Services Ltd. in Bermuda will provide the new company with a staff of management specialists.

David Batchelor, Tom Masters, John Barton, Ray Moore and Ian Hilton have been appointed directors and officers of the new company. Its general manager will be David Vaughan.

Jardine Risk Services is located at Continental Insurance Building, Church St., P.O. Box HM 824, Hamilton 5, Bermuda; 809-295-1764.

And, Jardine Insurance Brokers has merged its Australian company and two other brokers to form what it says is the fourth-largest broker on the continent.

Jardine Australian Insurance Brokers Pty. Ltd. will handle premiums of more than $150 million Australian ($126.4 million U.S.) this year and employs 200 people, according to the company.

New intermediary

Am Re Brokers Inc., a subsidiary of American Re-Insurance Co., will begin operations in New York as a reinsurance intermediary Jan. 1.

Donald F. Merkel, a former vp at American Re and manager of its retrocessional department for three years, has been appointed senior vp and will head Am Re Brokers.

New York-based American Re said the intermediary will function as reinsurance broker and provide marketing, underwriting, claims and accounting services.

Am Re Brokers is located at 90 Williams St., New York, N.Y. 10038; 212-943-1717.

New offices

Self Funding Insurance Management Inc. has moved to new headquarters at The Pioneer Building, 54 N. Ottawa St., Suite 200, Joliet, Ill. 60431; 815-722-2939.

A.S. Hansen Inc. has moved its corporate headquarters to 1417 Lake Cook Road, Deerfield, Ill. 60015; 312-948-7400. ■

Lynn is chairman of Aetna Life & Casualty

comings & goings: industry

James T. Lynn has been elected chairman and chief executive officer of Aetna Life & Casualty Co. in Hartford, Conn. He succeeds **John H. Filer**, who resigned last summer as chairman.

Mr. Lynn has been a director of Aetna since 1978 and most recently was vice chairman. He was appointed secretary of the U.S. Department of Housing and Urban Development in 1973 and became director of the Office of Management and Budget in 1975.

Other insurer changes:

Frederick M. Dawson named chairman and chief executive officer of the Beneficial Insurance Group in Peapack, N.J. Mr. Dawson joined Beneficial in 1980. Also at Beneficial, **Robert E. Evans Jr.** named president of American Centennial Insurance Co., Beneficial's leading property/casualty subsidiary. Mr Evans joined the company in 1983.

James L. Hill joined Crum & Forster Corp. as vp of insurance operations. Before joining the Morristown, N.J., insurer, Mr. Hill was president of One America Insurance Co. Inc.

Harlan K. Holly elected senior vp of Lincoln National Life Insurance Co. in Fort Wayne, Ind. Mr. Holly joined Lincoln National in 1966, and most recently he had been vp.

John D. Bogar, vp of the New Hampshire Insurance Group, named manager of the Manchester, N.H., branch office. Mr. Bogar joined the Manchester-based insurer in 1973.

John J. Leddy Jr. named vp of employer-sponsored mass marketing at General American Life Insurance Co. in St. Louis. Mr. Leddy had been manager of special markets for Royal Insurance Co. in New York.

Raymond M. Hassett elected vp for the Home Office Field Operations Department of United States Fidelity & Guaranty Co. in Baltimore.

Mr. Hassett joined USF&G in 1964 and most recently had been a manager in USF&G's Hartford, Conn., branch office.

Vern Holmes named vice chairman of worldwide operations for Sentry Insurance in Stevens Point, Wis. Mr. Holmes has been with Sentry 38 years, most recently as executive vp of administrative services.

Gerald G. Kaufmann elected executive vp of marketing and operations for the North American Co. for Life & Health Insurance. Mr. Kaufmann had been senior vp of operations at the Chicago-based insurer.

William G. Gourley elected vp of Liberty Mutual Insurance Co. and appointed manager of underwriting service at the company's Boston home office. Mr. Gourley had been assistant vp and manager of premium auditing.

Agents/brokers

Walter E. Danielewski elected executive vp and chief financial officer of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y. Mr. Danielewski had been senior vp and chief financial officer at United Parcel Service of America Inc. He succeeds **Douglas L. King**, who will concentrate on the legal department and special projects at Frank B. Hall.

Terry D. Burns named vp of Reed Stenhouse Inc. of California in Los Angeles. Previously, Mr. Burns had been a divisional vp with Marsh & McLennan Inc. in Los Angeles.

Larry Johnson named vp of Alexander & Alexander Inc. in Omaha, Neb. He joined A&A in 1977.

Excess/surplus

Michael T. McDaniel named vp of Industrial Excess & Surplus Brokers of San Francisco, a subsidiary of Industrial Underwriters Inc. Mr. McDaniel had been assistant vp of the firm, which is a wholesale brokerage facility serving independent agents and brokers in California. He replaces **Robert M. Scanlan**, who is retiring.

Reynold E. Orsi named senior vp of Markel Corp. He joined the Richmond, Va.,-based company in 1947 and had been vp of administration.

Reinsurance

E. Gunter Dahling elected senior vp and secretary/treasurer of StellaRe Management Corp. in New York.

Mr. Dahling joined the firm in 1980, when it started its operations as manager of Hansa Reinsurance Co. of America and Zurich Reinsurance Co. of New York.

Robert Huggins joined Transatlantic Reinsurance Co. as executive vp. He will oversee the underwriting and management activities of New York-based TransReCo. Mr. Huggins had been president of Sentry Reinsurance Co.

At Munich American Reinsurance Co., **John N. Lombardo** promoted to senior executive vp, **Brian A. Carlin** promoted to executive vp, **William P. Slattery** promoted to executive vp and **William J. Albinger Jr.** promoted to senior vp, secretary and general counsel.

Paul B. Raynolds named vp of treaty reinsurance at Richard Whiley Inc., New York-based reinsurance intermediaries. Mr. Raynolds joined the company in 1983.

Other suppliers

At Lindsey & Newsom Insurance Adjusters Inc. in Tyler, Texas, **Kenneth Haynie** named resident vp and **William B. Hilliard** named vp-property. Mr. Haynie, who will be based in Dallas, has been with Lindsey & Newsom for 27 years. Mr. Hilliard, who will be based in Tyler, has been with the company for 12 years.

Allan I. Schwartz, an actuarial and insurance consultant, has started his own company, AIS Risk Consultants in Marlboro, N.J. He most recently was senior actuary with Woodward & Fondiller Inc. in New York, and before that he was with the National Council on Compensation Insurance.

Jude T. Rich named a managing principal at Sibson & Co., a compensation and human resource consulting firm based in Princeton, N.J. Mr. Rich will manage the firm's New York office. He had been a partner at McKinsey & Co. Sibson & Co. is a subsidiary of Johnson & Higgins.

Richard Aptekar named national director of employee communication services at Touche Ross & Co. in Dallas. This move expands the actuarial and benefits consulting services of Touche Ross to include communication consulting.

James A. Marasco Jr. named to the newly created position of regional vp for the Mid-America Region of Marsh & McLennan Group Associates Inc. He will continue to head the Milwaukee office of the financial services and employee benefits firm, which is a wholly owned subsidiary of Marsh & McLennan Cos.

Harold C. Burdon joined Florida Atlantic Insurance Resources Inc. as vp of underwriting and manager of product development. Before joining the consultant headquartered in Boca Raton, Fla., he was assistant secretary with American Home Insurance Co.

George L. Tanty named vp of PFC Management Corp., an underwriting management firm based in Chicago.

Robert C. North Jr. joined Towers, Perrin, Forster & Crosby, as a consultant. He is based in the New York office. Mr. North had been director of forecasting and planning services for Buck Consultants Inc. ■

Settlement Planning, Incorporated...

The difference between shaking hands and pointing fingers.

"Settlement Annuity Specialists"

SETTLEMENT PLANNING, INCORPORATED
6800 FRANCE AVENUE SOUTH • MINNEAPOLIS, MN 55435
IN MINNESOTA (612) 920-6166
TOLL FREE (800) 922-6800

$4.75 billion made Metropolitan Life #1 in net investment income.

Again.

In 1983, for the third consecutive year, Metropolitan Life led the industry in net investment income in our general account. And in the first nine months of '84, Metropolitan Life's general account net investment income was $3.99 billion—an increase of 13.3% over the same period last year.

And no wonder. Metropolitan Life protects over 43 million people. And Metropolitan Life provides group insurance, administrative service or pension asset management for 68 of the top 100 among Fortune 500 industrial companies.

Further demonstration of the kind of record-breaking performance that makes Metropolitan Life a leader.

Metropolitan Life
AND AFFILIATED COMPANIES

© 1984 Metropolitan Life Insurance Company, N.Y., N.Y.

Many share Union Carbide coverage

Continued from page 1

Midland Insurance Co. in New York participates on the $25.5 million layer excess of $43.5 million layer, *BI* was told. Midland confirmed its participation on the Union Carbide policy but would give no details of its exposure.

Marsh and McLennan Inc. brokered the coverage. U.S. sources say underwriters in the London market participate on the layers between $20 million and $43.5 million, but sources in the London market say that participation by direct insurers there was very minimal. However, it is not known how much of the Union Carbide risk is reinsured in the London market.

A small part of the direct coverage in the London market was underwritten through Willis Faber (Underwriting Management) Ltd. Dominion Insurance Co. Ltd. in London also underwrote a small part of the risk.

Gibraltar Casualty Co., which is a subsidiary of Prudential Reinsurance Co., confirmed it is on the Union Carbide risk but would provide no details. Sources say that it is on the $27 million excess of $73 million layer and $50 million excess of $100 million layer for a total exposure before reinsurance of $20 million.

Sources also say that Hartford Insurance Group and its affiliates, New England Reinsurance Co. and First State Insurance Co., participate on the $50 million layer excess of $100 million, but Hartford would not confirm their participation.

The fact that the direct insurers heavily reinsured their risks makes it apparent that numerous reinsurers also will share the Union Carbide loss.

Most reinsurers worldwide would have part of the risk, said David B. Mathis, president and chief executive officer of Kemper Reinsurance Co. Kemper Re will have share some of the loss, he said.

In the end, the insured loss will be no greater than a Hurricane Alicia or a winter freeze, he predicted. But, he also predicted the catastrophe will cause a reassessment of process plant risks, driving up the cost of insurance for chemical risks and further encouraging reinsurers to raise their prices.

No claims have been filed yet by Union Carbide, but several of the insurers say they have received notice from Union Carbide of possible claims.

Union Carbide has said that between its insurance coverage and other assets it will be able to cover its ultimate liability for the Dec. 3 escape of the poisonous gas from the pesticide manufacturing plant in Bhopal. The accident killed at least 2,220 people and injured 20,000 to 50,000.

"While the Bhopal incident is without precedent, it is believed that considering both insurance resources available and other resources available, the financial structure of Union Carbide Corp. is not threatened in any way," the company recently stated.

But one of the first plaintiffs' attorneys to file a lawsuit against Union Carbide in the wake of the disaster says ultimate losses might be more than Union Carbide is anticipating.

"Union Carbide is certainly underinsured," said Stanley M. Chesley, a Cincinnati-based plaintiffs' attorney at Waite, Schneider, Bayless & Chesley.

"If the company is only sitting on $200 million of insurance as has been reported and we prevail and we keep the case in the U.S., they will need more than that," Mr. Chesley said.

"You think about it. There are some 2,500 deaths, at least 50,000 people injured, plus damage to livestock, etc. It is not long before you get to $5 billion," he said, adding there also could be claims for emotional trauma.

However, the great difference in the per-capita income between India and the United States leads others to believe Union Carbide could handle its potential liability. The per-capita income in India in 1980 was $240, compared with $9,503 in the United States.

Mr. Chesley and three other attorneys, including well-known plaintiffs' attorney Melvin Belli of Belli & Belli of San Francisco, have filed a $15 billion class-action lawsuit in the U.S. District Court in Charleston, W.Va.

Mr. Belli and one of the other attorneys were in India last week.

The suit was filed on behalf of Mrs. Sheela Bai Dawani, whose husband, Ramesh, died from the gas leak, and Rehman Patel, whose wife and son also were killed.

The suit, which also includes "all persons who were killed or suffered injuries" in the Bhopal disaster, seeks $5 billion in compensatory damages and $10 billion in punitive damages.

The suit charges that Union Carbide defectively designed and constructed the methyl isocyanate storage facility in Bhopal; negligently designed the gas scrubber system at the storage facility or negligently failed to produce a gas scrubber system in the plant that was adequate to neutralize the sudden release of the deadly gas; negligently failed to warn the citizens and government of Bhopal about the dangers of methyl isocyanate; failed to install a computerized early warning system; and negligently constructed the plan in a populous area.

According to Union Carbide reports last week, defects in the safety program at the Bhopal plant were uncovered in 1982 but measures were taken to correct problems.

Mr. Chesley explained that the lawsuit was filed in West Virginia, where Union Carbide also produces methyl isocyanate, because "it is where the engineers are, where there is a plant similar to the one in India and where the decision was made on storing the material."

But, he also added that "We like the state law. . .it allows punitive damages."

Under West Virginia law, punitive damages can be awarded to "deter and punish" a defendant if it is shown that "a wrongful act was done with deliberate or reckless disregard for rights of others, done maliciously, wantonly, mischievously or with criminal indifference to civil obligatons."

In contrast, in Connecticut, where Union Carbide's headquarters are based, punitive damages are limited to the payment of litigation expenses. And, these expenses are only assessed on the defendant if the plaintiff can show there was "a wrongful act done with a reckless indifference to the rights of others or an intentional and wanton violation of such rights."

Mr. Chesley anticipates that Union Carbide will argue that the lawsuits should be tried in Indian courts, not in the United States, but he disagrees.

"The Indian subsidiary of Union Carbide is nothing but an alter ego. . . ." he said. "American technology created this disaster."

Mr. Chesley is also representing plaintiffs in litigation stemming from the 1980 MGM Grand Hotel fire, the 1977 Beverly Hills Supper Club fire in Southgate, Ky., and the 1982 crash of a Pan American World Airways jetliner.

Besides the $15 million class action suit, another class action seeking $50 billion was filed in the U.S. District Court in Chicago by lawyers Mahendra R. Mehta, Kenneth Ditkowsky and Jay Contorer.

It apparently was filed in Chicago because one plaintiff, Raj Shrivatsava of Chicago, had a niece killed in the gas leak.

In addition, attorneys at the firm of Coale & Associates in Washington were drafting a complaint against Union Carbide to be filed on the behalf of the city of Bhopal in a U.S. District Court, either in Washington or Connecticut.

That lawsuit is expected to be filed this week when the firm's president, John P. Coale, returns from India. ■

Aviation underwriters expect hijack claims

LONDON—London aviation underwriters last week were awaiting claims from the hijack of a Kuwaiti Airways jetliner to Tehran, Iran, that ended last week.

Sources involved in the airline's hull and liability coverage say damage to the aircraft will be covered under the hull war risk portion of the insurance.

Kuwaiti Airways reportedly has up to $85 million of coverage per aircraft.

Observers speculate the airline might be faced with third-party liability claims arising from the death of two passengers killed by the hijackers. Kuwaiti Airways has up to $600 million in liability coverage per occurrence.

The airline's hull and liability coverage, brokered by C.T. Bowring & Co. Ltd., is 80% insured in the London market and is led by British Aviation Insurance Co. Ltd., according to an underwriter on the risk.

The Kuwaiti Airways jumbo jet, which was carrying 161 people, was hijacked to Tehran on Dec. 4 and the hijackers were apprehended Dec. 9. The flight originated in Kuwait and was destined for Karachi, Pakistan. ■

CNA will begin writing D&O coverage in-house

CHICAGO—CNA Financial Corp., the fourth-largest market for directors and officers insurance, will no longer accept D&O risks from Stewart Smith East Inc., its exclusive underwriting manager for 12 years, and will begin writing the coverage itself.

CNA will send non-renewal notices to almost 2,000 expiring D&O policyholders about 30 days before expiration; Stewart Smith has contractual rights to these risks. Stewart Smith will place all new and expiring D&O business with Forum Insurance Co., an affiliate of Montgomery Ward Insurance Co. based in Schaumburg, Ill.

CNA will begin accepting new commercial D&O business on Feb. 18, 1985, through its Chicago headquarters.

The decision does not affect more than 5,000 D&O risks that CNA purchased from MGIC Indemnity Corp. in November 1983, about 80% of which are financial institutions.

The decision to discontinue the business relationship was mutual and amicable, according to a joint statement by CNA and Stewart Smith. ■

"Here We Go Again"

The turn around has begun. Bold, imaginative marketing approaches will be ever more important.

The Wetzel Company, Inc.

P.O. Box 66452
Houston, Texas 77266
AC713/621-6033
Telex: 76-2053

Norwood Tower, Suite 300
114 West 7th Street
Austin, Texas 78701
AC512/480-8231
Telex: 76-7134

EQUAL OPPORTUNITIES

Each weekly issue of Business Insurance gives you an equal opportunity to reach and motivate BI's more than 121,000 purchasing influentials ... top financial and administrative executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach *your* prime audience, the BI audience is unequalled!

PUBLISHING DATES	CLOSING DATES
~~Nov 26~~	~~Nov 13~~
~~Dec 3~~	~~Nov 20~~
~~Dec 10~~	~~Nov 27~~
~~Dec 17~~	~~Dec 5~~
Dec 24*	~~Dec 11~~

1985

Jan 7	Dec 19
Jan 14	Dec 27
Jan 21	Jan 9
Jan 28	Jan 15
Feb 4	Jan 23
Feb 11	Jan 30
Feb 18	Feb 5
Feb 25	Feb 12
Mar 4	Feb 20
Mar 11	Feb 27
Mar 18	Mar 5
Mar 25	Mar 13
Apr 1	Mar 20
Apr 8	Mar 27
Apr 15	Apr 2
Apr 22	Apr 9
Apr 29	Apr 16
May 6	Apr 24
May 13	May 1
May 20	May 8
May 27	May 14
Jun 3	May 21
Jun 10	May 29
Jun 17	Jun 5

*Year-end double issue, December 24/31.

business insurance

New York: (212)210-0133
Chicago: (312)649-5275
Los Angeles: (213)651-3710

Photo: Index/Stone International, Inc.

RESPONSE

Response. The game's just not worth playing unless someone returns your serve.

Response is never a worry with **Business Insurance** ... the weekly newsmagazine that hits your campaign message directly into the court of the most responsive group of influential players in risk management and employee benefits.

These executives respond to what they read ... because **BI** responds to what they need.

Week after week, **BI** volleys with the pros in your field ... providing your prospects with the news *and* advertising they need to make informed purchasing decisions.

To win your point in the critical set, advertise in **Business Insurance**.

You'll know your ball is in the right court.

business insurance

a publication of Crain Communications Inc.

The game plan that works.

New York: 220 East 42nd Street, NY 10017 (212) 210-0133 **Chicago:** 740 Rush Street, IL 60611 (312) 649-5276 **Los Angeles:** 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Lloyd's action

Continued from page 2

muda, a reinsurer controlled by Mr. Brooks (*BI*, July 16).

Mr. Brooks was the active underwriter and Mr. Dooley was the active deputy underwriter for the Lloyd's syndicates, which were jointly managed by Brooks & Dooley (Underwriting) Ltd. and Dugdale Underwriting Ltd. during the 13-year period, the report said.

Mr. Brooks personally underwrote the business in question and placed reinsurance on behalf of the syndicates with Fidentia, the report said, charging that the reinsurance benefited Fidentia and was to the detriment of the syndicates.

More than 75% of Fidentia's premium income was derived from Brooks & Dooley, Underwriting, syndicates, the report alleged.

The committee alleged in the report that Mr. Brooks and Mr. Dooley, and members of their families, benefited from the placement of business with Fidentia. Mr. Brooks, his daughter and Mr. Dooley earned more than $135,000 from a discretionary trust that controlled Fidentia, the report alleged.

Mr. Brooks and Mr. Dooley also allegedly benefited from the sale of Fidentia, according to the report.

From 1970 to 1978, Fidentia was a wholly owned subsidiary of Brookgate Investments Ltd., which was 51% owned by Mr. Brooks, 24% owned by Mr. Brooks' daughter, and 21% owned by Mr. Dooley. Brooks & Dooley, Underwriting, also was a wholly owned subsidiary of Brookgate.

In 1978, Fidentia was sold to Sandon Trust for 895,520 pounds ($1.07 million) and shortly thereafter was sold to North Atlantic Insurance Co., a wholy owned subsidiary of Bermuda Fire & Marine Insurance Co., for 1 million pounds ($1.2 million). That transaction was financed by a diversion of 400,000 pounds ($480,000) to North Atlantic from Fidentia, the report said.

Then, still later in 1978, Fidentia was sold by North Atlantic to Coral Holdings Ltd. for 600,000 pounds ($720,000), the report said. The shares of Coral Holdings were owned by trustees of a discretionary trust that had been set up in Bermuda to benefit Mr. Brooks, Mr. Dooley and members of their families, the report alleged.

None of these arrangements, however, was disclosed to the members of Brooks & Dooley, Underwriting, syndicates, the report claimed.

Mr. Brooks was charged by Lloyd's with seven counts of misconduct and found guilty of six. Among the reasons Mr. Brooks was expelled, the committee said, is that "he conducted insurance business in a discreditable manner and committed acts or defaults discreditable to him as an underwriter."

Mr. Brooks, who is believed to be living in Spain, did not appear at Lloyd's to plead his case. He also was not available for comment.

However, in a letter to Lloyd's earlier this year, Mr. Brooks argued that his actions were similar to what other underwriters at Lloyd's have done in the past.

However, Lloyd's rejected his argument. "We have no doubt that the overwhelming view of the Lloyd's community was at all times it would be utterly wrong and discreditable for an active underwriter deliberately to effect reinsurance of his syndicates with an insurance company in which he had an interest and on terms which were not an arm's length basis and were designed to benefit the company at the expense of the syndicates," the report said.

Mr. Dooley pleaded guilty July 27 to three counts of misconduct after the charges were amended by Lloyd's. He admitted he knew Mr. Brooks was placing reinsurance with Fidentia and admitted he benefited from trusts that owned Fidentia. But, Mr. Dooley denied he had any effective control over Fidentia or Fidentia's underwriting decision or had anything to do with the establishment of Coral Holdings, Fidentia's ultimate owner.

The committee said Mr. Dooley is not to conduct business at Lloyd's as an underwriter, agent, broker or director for 21 months.

Mr. Dooley also was unavailable for comment.

The sanctions against Mr. Brooks and Mr. Dooley do not end the aftermath of the Fidentia scandal.

A committee of Lloyd's members belonging to the Brooks & Dooley syndicates, led by Lloyd's member Mark Farrer, is canvassing about 1,000 names about possible legal action to recover some of the money allegedly diverted to Fidentia.

The names had been negotiating with Brooks & Dooley, Underwriting, to recover some of the money, but no amount has been settled on, he said. Although he said litigation may be "inevitable," he added that "the prospect of recovery is quite good."

Already, one member of the syndicates, Christopher Moran, has filed a 10 million pound ($12 million) lawsuit agaist Mr. Brooks, Mr. Dooley and seven other defendants. Mr. Moran was expelled by Lloyd's as a member in 1982 (*BI*, Nov. 1, 1982).

Ian Hay Davison, Lloyd's chief executive and deputy chairman, said last week the market next year will consider whether to ban Lloyd's underwriting agencies from owning reinsurance companies. ■

the professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is $73.26 per column inch, minimum of one inch. Straight classified is $6.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $13.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Reponses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

POSITION WANTED

Insurance Companies—TPA's

Interested in establishing claims facility in Florida? (Group-Ind Hospital, Medical, Disability) Licensed TPA with 25 years experience, office facility, trained personnel available if needed. Seeking position as third party broker or company employee. Call 305-269-2576—write Medical Disability Services, P.O. Box 806, Titusville, FL 32780

BI Classifieds assure top quality results!

Business Insurance Circulation Breakdown*

Commercial Consumers	
Administrative Management: owners, presidents, vps, etc.	5,357
Financial Mangement: chief financial officers, vps of finance, secretaries, treasurers, etc.	9,876
Insurance Management vps, directors, managers of insurance, risk, benefits compensation, safety, security, etc.	7,254
Associations	1,069
Government, Unions Educational Institutions	860
Commercial Consumers Sub-Total	**24,416**
Insurance Agents & Brokers	9443
Insurance Cos.	5636
Financial Institutions	403
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	3220
Others allied to the field	1127
TOTAL	**44,245**

*Source: Business/Occupational breakdown of qualified circulation, May 7, 1984 issue, as submitted to BPA for June 1984, BPA Publisher's Statement.

PHARMACY CREDIT CARD SOFTWARE

Field tested 48 months. Includes processing, cost containment, card retrieval capabilities, user documentation & training. Available for license. Call 800-645-3332 (In NY 516-626-0007).

EMPLOYEE BENEFITS DEPARTMENT MANAGER

Want to be imaginative and exercise your leadership ability? Then look no further. Unlimited potential for person with high standards and family values to manage and expand the Employee Benefits Department of a highly successful Mississippi agency. Starting salary will be commensurate with ability and experience. Submit resume including experience, education and personal history to:

Box 154, Business Insurance
740 Rush Street, Chicago, IL 60611.

Entreprenurial Actuary

Innovative health risk management business seeks expert in health/life/disability underwriting for management role in new underwriting company. Self-directed individual, FSA, 5+ years experience in insurance product underwriting required.

Excellent salary, benefits. Send confidential resume to:

Box 1585, Business Insurance
740 Rush St., Chicago, IL 60611

Due To The New Years Holiday, Closing For The January 7 Professional Marketplace Will Be Friday, December 28 At Noon

General Agent in Texas looking for admitted company to write large book of Oil & Gas Business for Workers Comp., Genl. Liab., Comml. Autc.

Box 1573, Business Insurance
740 Rush St.. Chicago, Ill. 60611

SENIOR MANAGEMENT POSITION EMPLOYEE BENEFITS CONSULTING

Prestigious West Coast consulting firm seeks top-notch professional to manage growing employee benefits consulting practice. Background should include knowledge of alternative funding techniques claims administration, flexible benefits, HMO & PPO options. Minimum five years' consulting &/or underwriting experience required. Must have excellent analytical and communications skills. Compensation commensurate with experience and professional credentials. Possible equity participation for strong candidate. Send resume to:

Box 1581, Business Insurance
740 Rush St., Chicago, IL 60611

P/C Company Desired

Large Managing General Agency located in Southwest desires B+ X or better company to lead Marine/Energy Treaty. Proven book of business and qualified personnel to underwrite and produce business. Desire minimum $5,000,000 capacity. Anticipated first year writings between 5 & 7½ million. Looking for issuing carrier and actual risk taker. All replies kept confidential.

Box 1586, Business Insurance
740 Rush St., Chicago, IL 60611

LONG HAUL TRUCK

- Workers Comp • Bobtail
- Cargo • General Liability
- One A Rated Admitted Mkt.

1-800-647-3769

Herbert F. Baker - President

American Owner/Operator Underwriters Inc.

A Medical Malpractice Treaty Reinsurance Underwriter is being sought by a company heavily committed to this class of business. If you have an extensive background in Medical Malpractice Reinsurance and the necessary administrative skills to head up your own department, this is a position offering substantial opportunity. Salary and benefits open.

Box 1583, Business Insurance
740 Rush St., Chicago, IL 60611

INSURANCE PRODUCER

Leading specialty insurance firm needs an experienced property and casualty sales person for commercial lines sales and service. CPCU work or designation a real plus. Book of your own business, also a plus.

We are offering a salary commensurate with experience and production. You would receive a full benefits package. Interested candidates should submit resume, including salary history and requirements to—

Jesse M. Farrow—Executive Vice President
Rhulen Agency, Inc.
217 Broadway
Monticello, New York 12701

Claims Manager

To direct daily operations of claims department and assist Vice President, Claims. Requires substantial experience in medical malpractice claims in a supervisory or managerial capacity. Competitive salary and benefits. Send resume in confidence to Brenda Haughney, Corporate Personnel Services, Methodist Health Systems, 1750 Madison Avenue, Memphis, TN 38104.

New Jersey Insurance Company seeks venture capital partner for innovative insurance program with nationwide potential.

Box 1576
Business Insurance
740 Rush St.
Chicago, IL 60611

PRESIDENT

TransProtection Service Company, a wholly owned insurance subsidiary of United Van Lines, Inc., is seeking a President to direct its nationwide insurance activities. The successful candidate will possess senior executive home-office experience as well as proven organizational and "people" skills.

The person we are seeking must have a proven track record with a property and casualty company and be familiar with reinsurance treaties and placements. The insurance company President will report directly to the President of United Van Lines.

This is a rare opportunity for a dynamic executive anxious to take on expanded responsibilities — or for a recently retired, or soon-to-retire home-office executive desiring to extend a successful career for several additional years. This relatively new insurance company currently has an annual premium volume of $15 million.

We offer an excellent salary commensurate with experience, plus attractive fringe benefits. If you are a qualified insurance pro who thrives on challenge, opportunity, and hard work, please send your resume and salary history to: **Personnel Manager; UNITED VAN LINES, INC.; 1 United Drive; Fenton, Missouri 63026.** An Equal Opportunity Employer.

SENIOR ANALYST

Group Insurance—

A major Detroit based manufacturer is seeking an experienced employee benefits professional to provide analytical and administrative support to its corporate group insurance department. This corporate level position will actively participate in health care claim activity with the responsibility to analyze claim statistics to determine propriety of claim dollar expenditures. The result of such analysis will highlight abuse, administrative error, potential for PPO arrangement fraud, COB application and claim system inefficiency. In conjuction with participation in corporate group insurance programs, the position provides guidance to plants and subsidiaries in the U.S. and Canada.

Applicants should possess a Bachelor's degree in Business or related area and/or extensive experience in this field. A minimum of two years' group insurance experience and an indepth knowledge of group insurance concepts including claims billing/paying techniques and statistical analysis. Applicants must also be able to communicate with the medical community in matters related to the above. Position offers highly competitive salary and benefits package. Qualified applicants should submit detailed resume including salary history and current salary requirements to:

Box 1584, Business Insurance
740 Rush St., Chicago, IL 60611

Equal Opportunity Employer

Treasury proposal

Continued from page 1

of a $1,000 reserve established to pay a future claim of $1,000.

If future investment income is considered, though, a smaller reserve will be required, the Treasury argues. Assuming an aftertax interest rate of 6% annually, a reserve of only $792.09 would be required to cover a $1,000 claim payable four years in the future, the department's proposal notes.

Deductible loss reserves in most property/casualty lines would be reduced—some sharply—under the proposal, the Treasury adds.

In looking at losses incurred by property/casualty companies over an eight-year period ending in 1983, the Treasury concluded that the discounted value of $100 in losses paid in that period would be only $90.56, assuming a 6% aftertax rate of return on reserves.

About 63% of the losses incurred over the eight years were paid following the year in which reserves were deducted, the Treasury says.

The impact of the Treasury's proposal would be most severely felt in long-tail liability lines like medical malpractice and workers compensation.

Looking at the same eight-year period, the Treasury concludes that the discounted value of $100 in medical malpractice losses would be $76.28, while the discounted value of $100 in workers compensation losses would be $87.48.

The Treasury expects the discounting proposal to generate a total of $14.8 billion in new revenue over a five-year period. About $1.8 billion would be raised in 1986, $3.1 billion in 1987, $3.2 billion in 1988, $3.3 billion in 1989 and $3.4 billion in 1990.

Insurers and insurance buyers say they are worried about the effect the proposal would have on the solvency of insurers that are already underreserved. They point to an Insurance Services Office study that found industrywide loss and expense reserves at the end of 1982 deficient by an average 10%, and in some cases deficient by as much as 50% (*BI*, Jan. 16.)

"If the Treasury thinks the industry is socking away money in reserves to receive some tax benefit, industry reserving practices should convince them otherwise," said Mr. Harkavy of RIMS.

"It jeopardizes company solvency at a time when company solvency does not need to be jeopardized any more than it already is," said Stephen W. Broadie, a lawyer with the Alliance of American Insurers in Washington.

Mr. Broadie also objected to the provision in the Treasury plan that requires the IRS to approve reserve strengthening, a monitoring job that has been the province of state insurance regulators.

"It gets the federal government into the business of regulating insurer solvency," he noted.

The Treasury, however, argues that the discounting proposal wouldn't affect insurer solvency, since insurers would compute qualified reserve accounts only for tax purposes; insurers would continue to report to state regulators using statutory accounting methods, which do not provide for the discounting of reserves.

"State law would continue to require adequate funding of statutory reserves. The tax reserve account would be smaller than the statutory reserve and would be only a bookkeeping entry. The lower tax reserve would increase the current tax liability of P&C companies and affiliated companies. . .the proposal would simply eliminate the deferral of tax liability allowed under current law," the Treasury proposal reads.

But this raises another objection from insurers, who point out that some companies would have to maintain three separate sets of records: a set using statutory accounting methods for state regulators; a set using generally accepted accounting principles for stockholders; and a set using the qualified reserve account for the IRS.

"I think having three sets of books will be confusing and burdensome," observed Walter Gryska, vp-tax administration for The St. Paul Cos.

Observers generally agree that if insurers' tax burdens are increased, already rising property/casualty rates will receive another push.

The Treasury suggests as much in its proposal: "P&C companies could be expected to increase their premiums to cover any increased tax liability resulting from the more accurate measurement of their taxable income."

"If our expenses go up, there is a good possibility that rates will go up," Mr. Gryska said.

Some add that the proposal will cause other problems for buyers, including a further restriction of market capacity for some risks.

Rates will probably rise, but "the business is so damned competitive in commercial lines that the impact would more likely be an erosion of company surplus and capacity," said William W. Suttle, vp-federal affairs with the American Insurance Assn. in Washington.

Mr. Harkavy adds that insurers recently "have shown no particular willingness" to write certain long-tail liability risks, and that the discounting proposal might further erode the market for these lines.

"If you discount loss reserves, are they going to refuse (those risks) altogether?" he asked.

He also objected to the proposal's requirement that limits reserves set up for a policy to the amount of the policy's premiums less expenses.

"If you limit it to the size of the premium, you are taking away any incentive for insurance companies to take these long-tail risks," he said.

The proposal to limit the maximum life of reserves also drew a skeptical reaction from Mr. Harkavy.

"I would be quite pleased with that if the courts would establish a maximum period of liability (for policyholders)," he said.

One group benefiting from the Treasury proposal is likely to be non-controlled foreign corporations, including association captive insurers in Bermuda and the Cayman Islands, experts say.

The income of non-controlled foreign corporations—which may not be more than 50% owned by U.S. citizens and whose shareholders are limited to less than a 10% interest—is not currently taxable in the United States, and reserves held by these insurers would not be subject to the discounting proposed by the Treasury.

Companies that reinsure all of their risks in a non-controlled foreign corporation—transferring all reserves to the offshore entity—could thus escape the discounting requirement, says Bruce Wright, a lawyer with LeBoeuf, Lamb, Leiby & MacRae in New York.

While these offshore insurers would gain an advantage over U.S. competitors, experts do not expect the discounting proposal by itself to create much new interest in forming association captive insurers.

While the Treasury proposal is drawing fire from the insurance industry and buyers, observers point out it is still a long way from becoming law.

President Reagan is expected to review the entire tax simplification package and decide next month which of the proposals will have the administration's support when bills are submitted in Congress. ■

update

Ideal halts casualty underwriting

Continued from page 2

R. Frederick Becker, Ideal's president and chief executive officer, says Ideal decided to withdraw voluntarily from writing new casualty business until the matter could be resolved. "New York didn't shut us down. We shut ourselves down," he says.

Mr. Becker says he strongly disagrees with the department's report, which covers the three years that ended Dec. 31, 1983. The department did not have enough data to complete the report properly, he says, and it included numbers that were "astronomical."

An Insurance Department spokesman says Ideal will have 30 days to respond to the report. If its response is unsatisfactory, he says, it could lead to the insurer being placed in rehabilitation.

As a result of the report, Mr. Becker says, Ideal has postponed a proposed agreement under which Optimum Holding Corp., Ideal's publicly held affiliate, would be acquired by Delaware Oil Holdings and its affiliate, MacMillan Ring-Free Oil Co., in a $30 million transaction (*BI*, Dec. 3).

Judge delays Manville hearing

NEW YORK—U.S. Bankruptcy Judge Burton Lifland has indefinitely postponed a fairness hearing on Manville Corp.'s proposed $315 million settlement with its primary insurers.

Lawyers for Manville requested the delay last week, explaining that the company is trying to negotiate a settlement of coverage disputes with some of its excess insurers.

In granting the delay, Judge Lifland noted that the negotiations have the "potential to expand the scope" of the hearing, which will determine the fairness of the Manville insurance settlements to asbestos plaintiffs and co-defendants (*BI*, Sept. 24, Aug. 13).

Manville's insurance settlements must be approved by the U.S. Bankruptcy Court, where the asbestos producer filed for reorganization under Chapter 11 of the Federal Bankruptcy Act more than two years ago. Manville was ordered to report back to the court by Feb. 12 on the status of the negotiations.

City Investing votes to dissolve

NEW YORK—The Home Group Inc. is now on the seller's block after its parent company, New York-based City Investing Co., voted to liquidate itself last week.

City Investing's shareholders decided to liquidate the company by a 2-1 margin, said a company spokesman, noting that all remaining City Investing units will now be sold. There is a "lot of progress on a number of fronts" regarding the sale, he said, although he refused to specify whether any offers have been received for The Home.

In August, Tamco Enterprises Inc. and IMB Capital Ltd. offered to purchase The Home as well as City Investing's Motel 6 chain (*BI*, Sept. 10). But, in September, City Investing's board directed its management to pursue "possible alternatives" to their offer.

Last week, the board agreed to sell the Motel 6 unit for $565 million to a group led by Kohlberg, Kravis, Roberts & Co. and Merrill Lynch Capital Markets. City Investing had already agreed to sell three other subsidiaries to the group for $1.25 billion. But, no action has been taken on The Home, which generated $17.3 million in aftertax operating income for the nine months that ended Sept. 30, a 69.7% decline from the comparable period a year ago.

Horizon ordered to liquidate

NEW YORK—The Horizon Insurance Co., which has been in rehabilitation since late last year, has been ordered to liquidate by the New York State Supreme Court.

The order follows a similar directive issued in September in Vermont that called for the liquidation of Horizon's parent, Ambassador Insurance Co. (*BI*, Sept. 17).

The petition filed by the New York Insurance Department said Horizon was insolvent and all rehabilitation efforts had failed.

Both Horizon and Ambassador had hoped that a plan that called for the purchase of more than $100 million in loss portfolio reinsurance could save the companies from liquidation. However, Cathedral Insurance Co. decided not to provide the reinsurance after negotiating with Ambassador (*BI*, Nov. 5, Nov. 12).

"Gealltanas"

TRANSLATION:

COMMITMENT

TO ALL OUR BUSINESS ASSOCIATES:

Although The Insurance Corporation of Ireland will cease to write new or renewal business, effective January 1, 1985, The United States Branch of The Insurance Corporation of Ireland will remain open, fully staffed, to service our existing clients.

We have made commitments and will honor them.

Respectfully,

The Staff

OUR WISH TO ALL FOR THE NEW YEAR IS PEACE!

INSURANCE CORPORATION of IRELAND

200 South Wacker Drive
Chicago, Illinois 60606

(312) 559-0509
Telex 210184 via RCA

Keeping a watch on your business

is our business.

Use this form, or the card in this issue, to enter your subscription to Business Insurance.
Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $52	
Canada	☐ $66	☐ $102
Bermuda (*Air only*)		☐ $ 97
Europe/Middle East (*Air only*)		☐ $ 96
All other foreign	☐ $66	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 20%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

HA4

U.S. Virgin Islands licenses first captive

Continued from page 2

cess in July and expected to have the license granted soon, but, as of last week, no one from the Virgin Islands had contacted him to say the license would be issued.

The license will allow Burlington to open a Virgin Islands branch office of its Bermuda captive, Insuratex Ltd.

The Bermuda company insures casualty risks for the parent company as well as other third-party property/casualty risks, Mr. Cleveland said.

Since Mr. Cleveland had not been officially informed of the license, he could not specifically discuss what business would be written through the Virgin Islands office.

But he did say that "the main reason for locating a captive there would be because of the employee benefits situation."

Burlington currently self-insures its employee benefit plans, he added.

Although the license clears the way for Burlington to fund employee benefits through the Virgin Islands operation, it would still presumably be subject to the so-called "50% rule." That rule, drafted by the Labor Department in 1979, states that an insurance company subsidiary can underwrite its parent's employee benefits as long as that business does not comprise more than 50% of the company's total business.

Mr. Cleveland indicated that Burlington would initially contribute $320,000 in capital to the captive, the minimum capital requirement for captives that write both property/casualty and life/health risks.

Blazing the captive trail in the U.S. Virgin Islands called for some careful footwork, Mr. Cleveland said. "It was a problem because there was no path to follow, no track record to help us along."

The Virgin Islands operations will be managed by J&H Ltd., Mr. Cleveland said.

Johnson & Higgins recently was granted the first license to operate an insurance service company in the Virgin Islands, according to Ms. England. J&H's Virgin Islands' operation is a branch office of its Bermuda company.

According to Ms. England, J&H's Virgin Islands office will be affiliated with Antilles Insurance Agency on St. Thomas, satisfying the requirement in the Exempt Insurance Act that requires support businesses to include one principal that has been licensed in the territory for at least one year.

Also, in addition to the Burlington captive, Ms. England said during the conference that a local insurer, North American Insurance Co., has also applied for a license under the Exempt Insurance Act. "They are locally owned and have no other branches," she said. ■

Cancellation hikes cities' costs

Continued from page 3

a point where the conditions make the risks uninsurable," she said.

When Mead canceled the coverage for the OCCRMA members, the authority's broker, Robert F. Driver Co. of Newport Beach, Calif., sought quotations from about a dozen insurers, Mr. Oliver says. Of these, four submitted quotes, and Planet won the account.

However, the new coverage is not as comprehensive as the former coverage.

The Mead Re policy provided the cities with inverse condemnation liability coverage, which protects a city if a person is denied access to his or her home due to a catastrophe and the city is found to have done nothing to prevent it.

"In California, inverse condemnation is a significant risk," Mr. Oliver said. "We were among the only cities in the country to have coverage for it. It protected against physical damage to real and personal property."

However, "We were able to retain inverse condemnation defense cost coverage, which is good since such costs can be high."

Although each of the cities will pay an average of 300% more for the Planet coverage, the cancellation will be even more costly to three of the cities: Laguna Beach, San Clemente and Stanton. Those cities' self-insured retentions will increase to $250,000 from $100,000. The other nine cities will keep their $100,000 retentions.

"Laguna Beach is a small beach community of 17,000 people, but on weekends the population soars to about 200,000 people with the influx of tourists, and San Clemente is in much the same situation," Mr. Oliver explained.

"But Stanton is landlocked and unexceptional as far as risk and loss experience are concerned," he said. "Even after talking to the underwriter, I don't understand why it was included."

Mr. Oliver sees the increase in retentions as a trend. On the quotes supplied by the other insurers, "the underwriters would have required all the cities to raise their retentions to $250,000 and they were not all that much better in premium."

Loss experience for the member cities vary, but if calculated on incurred losses to total earned premium, the loss ratio is less than 100%, Mr. Oliver said. "That's high, but not awful. In the last three months, we settled several claims that had frightened the underwriters for within the self-insured retention."

But, municipalities can pose large exposures to underwriters, Mr. Oliver said, citing a recent claim against Newport Beach, Calif., which is not an OCCRMA member.

A man who dived into the surf off Newport Beach hit a sand bar and became a paraplegic. He then sued the city and recently won a $6 million judgment, Mr. Oliver says.

"The theory of the courts is that the city should have warned the diver that he might hit a sand bar," Mr. Oliver says. "The real story here is that there is a rotten tort liability situation in California."

Besides the change in the excess liability coverage, the cities also had to buy new excess workers compensation coverage because Mead Re canceled their work comp coverage, too.

"Mead was not heavily involved in excess workers compensation, but we negotiated with them for the coverage," Mr. Oliver says.

Most of the insurers OCCRMA and its broker contacted about replacing the work comp coverage required the cities to increase their self-insured retention for work comp risks from the previous $100,000 retention.

Eventually, the cities opted to increase their retentions only slightly to $125,000, even though substantially increasing their retentions would have meant a smaller rate increase.

The coverage purchased from General Re cost the cities a total of $107,000, compared with the $57,500 premium they had paid to Mead Re for the work comp portion of the coverage. However, Mr. Oliver explains that the cities' rate actually increased only 49% because their payrolls had risen.

Besides Laguna Beach, Stanton and San Clemente, the other OCCRMA members are the cities of Cypress, Irvine, LaPalma, Los Alamitos, Orange, Tustin, Villa Park, Westminster and Yorba Linda. ■

Rate hikes still not helping reinsurers' combined ratios

Continued from page 2

fusing state," explains George S. Nimmo, the RAA's chairman and president of Prudential Reinsurance Co. in Newark, N.J.

"We'll see improved results showing up during the second half of '85, but they will still be at unacceptable levels," he says.

It will not be until 1986 and 1987 that results will become "what you might consider acceptable," he says, and even that will depend on "underwriting discipline being exercised by all phases of the market."

Several companies reported large underwriting deteriorations in the third quarter, according to the survey. They include:

- The New York Insurance Exchange, whose combined ratio increased 7.9 percentage points to 138.8% to 130.9%. The exchange says it posted a 116.6% combined ratio for the first nine months of 1983.
- Lincoln National Reinsurance Co., operated by Lincoln National Corp. of Fort Wayne, Ind., whose combined ratio increased to 129.9% from 122%, a 7.9 percentage-point increase. The company reported a combined ratio of 120.7% during the first nine months of 1983.
- Constellation Reinsurance Co., based in New York, whose combined ratio increased 7.6 percentage points to 127% from 119.4%. This compares with a 116.3% ratio for the first nine months of 1983.
- National Reinsurance Co., based in New York, whose combined ratio increased by 5.2 points to 129.1% from 123.9%. This compares with a 115.5% combined ratio during the comparable period of 1983.

The members of the Top 20 with the highest combined ratios are:

- Boston-based New England Reinsurance Corp., part of Hartford Insurance Group, which had a combined ratio of 166.7% for the nine-month period, compared with a 166.8% combined ratio for the first half of 1984 and a 113.3% combined ratio for the first nine months of 1983. (New England Re's 1983 written premium as stated in the chart were supplied by the firm.)
- Prudential Re, which had a combined ratio of 165.6%, compared with a 165% combined ratio for the first half of 1984 and a 115.4% combined ratio for the comparable nine-month period a year ago.

The reinsurers that fared poorly in the first nine months say they do not anticipate improved results for the fourth quarter but are more optimistic about 1985 and beyond.

Donald E. Reutershan, president and chief executive officer of the New York Insurance Exchange, says the exchange's 138.8% nine-month combined ratio "is a very serious number, and it simply makes pricing changes an absolute necessity."

Mr. Reutershan says he suspects the 1984 midyear price hikes were "relatively modest" and, therefore, will not have an impact on this quarter's results.

He predicts an improvement for next year, however. "Either that, or a lot of people will be out of business."

Mr. Reutershan notes that because of the unique nature of the exchange, whose members are autonomously owned syndicates, he does not have the power to order price changes. But, "We can review results, and by insisting on proper reserve practices to that degree force them to face up to what's actually happening."

Tom West, executive vp of Lincoln National Life Insurance Co., which is responsible for Lincoln's reinsurance activities says, "I don't think our fourth quarter will be any better." In fact, he adds, the company may decide to strengthen reserves, which would weaken results further.

Referring to the overall market, Mr. West says: "I think you'll see some improvement in the ratios in 1985, probably not as much as some people are predicting. I think there'll be substantial improvement in 1986."

National Reinsurance Corp.'s results are "horrible and unacceptable," says William D. Warren, chairman and president of the Stamford, Conn.,-based company. The poor results are "a combination of prior years' casualty losses carrying through at high levels, poor experience on property pro rata and general worsening market conditions," he says.

While Mr. Warren says he anticipates some improvement at year-end, "probably it will take another year at least before the industry returns to some semblance of reasonable ratios." He says if adequate price hikes are introduced in the direct as well as the reinsurance markets, the reinsurance industry's combined ratio will improve to the 110%-115% range in 1986, while 1987 will show even better results.

"I don't expect to see any improvement in the fourth quarter," says Bard E. Bunaes, chairman and president of New York-based Constitution Reinsurance Corp. "I really don't expect much improvement until the second half of 1985, and that's perhaps optimistic."

Continued on facing page

JANUARY 14

COMING SOON

WORKERS COMP/INFO

December 27

AD CLOSING: THURSDAY, DECEMBER 27

business insurance

New York: 220 East 42nd Street, N.Y. 10017 (212)210-0133
Chicago: 740 Rush Street, IL 60611 (312)649-5275
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213)651-3710

insurance services guide

MBA Inc.—Consultants in Casualty Actuarial Science
- Loss development & reserve analysis
- Cost of risk, budgeting & forecasting
- Casualty, property & marine coverages

36 Midvale Rd., P.O. Box 193
Mountain Lakes, New Jersey 07046
(201) 335-6448

CAM Systems, Inc.
8204 Elmbrook Dr., Suite 225 Dallas, Texas 75247
• Claim Management • Data Processing
• Adjusting Services • Subrogation
—SERVING—
• MGA's • Risk Managers • Self Insureds • Reinsurors
• Brokers • Agents • Insurance Companies
Call or Write:
KEN MAIN-CAM SYSTEMS, INC.
2 North Point, #444 Houston, Tx 77060 (713) 999-0961

INSURANCE INTERMEDIARIES
Our fees paid by insurers • Large accounts placed
• Commissions negotiated

1655 Peachtree St., Suite 520, Atlanta, GA 30329
404-892-0791 TELEX 80-4319
(Former Ins. Comm. 8 yrs., Former Pres. NAIC)

Benefits News Analysis
The magazine for benefits managers
Analysis of corporate benefit practices.
Flexible Benefits | Cost Containment
Savings/401 (k) | Communication
Systems/Admin. | International
Free copy—203/393-2272
Box 4033 New Haven, CT 06525

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611
Telephone (312) 649-5340

Largest U.S. reinsurers' nine-month 1984 results

(All amounts in thousands of dollars) (Ranked by net reinsurance premium written)

Reinsurers	Policyholders' surplus (reinsurers only)	Net reinsurance premiums written 1984	Net reinsurance premiums written 1983	Net reinsurance premiums earned	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1984	Combined ratio 1983
General Re	$641,386	$777,694	$667,877	$700,852	$617,762	88.1%	$244,126	31.4%	119.5%	103.2%
North American/Swiss Re	246,274	359,471	400,020	350,520	345,058	98.4	103,930	28.9	127.3	115.7
Employers Re	436,400	343,475	371,519	322,528	277,554	86.1	98,239	28.6	114.7	112.9
American Re	287,308	316,353	290,981	307,116	261,415	85.1	115,583	36.5	121.6	113.6
Prudential Re	112,023	281,243	265,781	269,867	360,062	133.4	90,407	32.2	165.6	115.4
Munich Re	119,333	181,634	147,351	170,614	148,052	86.8	62,995	34.7	121.5	114.8
Skandia America Group	76,758	168,721	151,869	152,795	157,606	103.2	51,673	30.6	133.8	115.8
New York Ins. Exchange	188,237	154,454	133,035	149,019	151,731	101.8	57,097	37.0	138.8	116.6
INA Re	135,837	148,303	140,743	141,382	136,194	96.3	50,180	33.8	130.1	115.8
Kemper Re	107,859	131,019	106,037	128,636	132,826	103.3	25,273	19.3	122.6	109.7
New England Re	128,726	110,910	100,875	78,804	100,890	128.0	42,868	38.7	166.7	113.3
Transatlantic Re	103,456	100,292	107,015	102,853	106,602	103.7	27,119	27.0	130.7	122.7
Constitution Re	65,702	100,250	90,797	94,751	79,366	83.8	33,008	32.9	116.7	114.8
National Re	61,409	84,338	73,388	81,323	84,053	103.4	21,650	25.7	129.1	115.5
Buffalo Re	85,778	72,200	44,601	65,618	57,865	88.2	18,532	25.7	113.9	115.1
Constellation Re	33,924	66,039	57,770	65,294	61,833	94.7	21,320	32.3	127.0	116.3
American Agricultural	70,379	65,996	49,635	62,116	53,012	85.3	10,326	15.7	101.0	97.6
Constitution State Mgmt.	N/A	58,968	38,962	54,121	47,109	87.0	17,228	29.2	116.2	114.8
Lincoln National Re	17,769	57,275	11,062	41,125	38,277	93.1	21,086	36.8	129.9	120.7
Fremont Re	59,524	56,377	47,694	56,530	49,613	87.8	16,045	28.5	116.3	119.7
Totals for top 20	**2,978,082**	**3,635,012**	**3,297,012**	**3,395,864**	**3,266,880**	**96.2**	**1,128,685**	**31.1**	**127.3**	**111.7**
Total for all companies	**3,899,039**	**4,692,446**	**4,222,862**	**4,410,223**	**4,223,920**	**95.8**	**1,464,449**	**31.2**	**127.0**	**113.3**

Source: Reinsurance Assn. of America

Continued from facing page

Constitution Re's combined ratio increased to 116.7% for the nine-month period from 114.5% during the first half. "It's a messy market, and it has turned, and we'll just have to be patient to have it show up in results," he says.

Michael Fitt, chairman and chief executive officer of Employers Reinsurance Corp. in Kansas City, Mo., whose combined ratio rose to 114.7% for the nine months from 112.9% in the first half, says, "I foresee that, probably, the fourth quarter will be tougher than the third, and the first, second and third quarters (of 1985) will be tough also."

Mr. Fitt says he sees signs of improvement in 1985's fourth quarter. "Otherwise, we're all in trouble."

Ronald E. Compton, president of American Re-Insurance Co. in New York, whose company's combined ratio increased to 121.6% for the first three quarters from 120.9% in the first half says: "I think the market is turning, and in my opinion, it is turning faster and more intensely than most of us would have predicted early in 1984."

Prices are firming, and facultative and treaty capacity is contracting, he says. "But it takes time, especially for a reinsurer, to feel that in the company's results" because of the lag between rate hikes and the flow-through to results.

Pru Re's combined ratio will improve to somewhere in the 140%-149% range by the fourth quarter because of a "lot of corrective strong action in the first nine months of the year," says Mr. Nimmo.

Pru Re, as well as the industry as a whole, needs additional rate hikes besides those that are now being introduced to return to underwriting profitability, says Mr. Nimmo. "But we're determined we're going to return this company to profitability, and we're not concerned about market shares," he says.

"We're absolutely determined that we're going to make substantial progress toward getting the right prices." If this means cutting premium volume in half, he adds, "that's a small price to pay."

N. David Thompson, chairman of North American Reinsurance Co./Swiss Reinsurance Co. of New York, whose combined ratio improved slightly between the six-month and the nine-month periods to 127.3% from 128.1%, says: "The obvious point is that the results are extraordinarily poor. We can't live with that number, clearly."

Mr. Thompson says that while he does not expect any significant improvement for the fourth quarter, results next year "will definitely show an improvement."

According to the nine-month RAA report, the Top 20's net written premiums increased by 10.3% to $3.6 billion, compared with $3.3 billion in the first nine months of 1983. Net written premiums among all reinsurers surveyed rose 11.1% to $4.7 billion from $4.2 billion.

All 79 reinsurers registered a slight improvement in their expense ratios to 31.2% for the nine-month period, compared with 31.4% for the first-half. But the Top 20's aggregate expense ratio increased slightly to 31.1% from 30.9%.

The aggregate loss ratio worsened by one percentage point for both the Top 20 and all reinsurers surveyed. The Top 20 posted a 96.2% loss ratio in the nine-month period, compared with 95.2% in the first half, while the aggregate loss ratio of all reinsurers surveyed rose to 95.8% from 94.8%. ■

British Issues

11 Dec Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	179	N/M	16.9	9.4	179—176
Genl Accident	518	51.8	27.1	5.2	518—510
Gdn Royal Exch	678	18.1	32.9	4.8	683—675
Royal	525	80.8	32.6	6.2	533—520
Sun Alliance	430	26.9	20.0	4.7	430—423
Brokers					
CE Heath	519	8.9	24.3	4.7	533—518
Hogg Robinson	216	11.7	9.7	4.5	216—212
JH Minet	199	13.7	7.4	3.7	200—199
Sedg Grp	315	14.7	11.5	3.6	319—315
Stew Wrightson	472	13.5	21.4	4.5	475—470
Willis Faber	545	19.5	30.0	2.8	545—532

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Insurance Index

The *Business Insurance* stock index fell slightly for the period ending Dec. 11, for the second consecutive week of decline. The *Business Insurance* index of insurance industry stocks closed at 264.6 points on Dec. 11, down 1.3 points from 265.9 points on Dec. 4. A total of 25 stocks posted gains, 24 stocks were down, and 12 stocks were unchanged. The biggest increases were posted by Northwestern National Life Insurance, up 8.7%; Carolina Casualty Insurance Co., up 8.3%; Mission Insurance Group Inc., up 7.8%; Integrated Resources Inc., up 7.2%; and Fremont General Corp., up 5.5%. The largest losses were posted by Optimum Holding Corp., down 60%; Orion Capital Corp., down 5.6%; SAFECO Corp., down 4.7%; Reed Stenhouse Cos. Ltd., down 4.3%; and Old Republic International Corp., down 3.5%. The *Business Insurance* stock index fell 0.5% for the trading period, compared with a drop of 0.1% for the New York Stock Exchange and a drop of 0.6% for the Dow Jones 30 Industrials in the same period.

BI Industry Stock Report

DEC. 11, 1984 — 12/5/84 THRU 12/11/84

Insurance Cos.

Company	Exch.	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.25	3.9	18.6	2.64	7.3	36.25	35.00	1,525.7
American Bankers Ins Group	OTC	11.25	-1.1	6.9	0.50	4.4	11.50	11.25	123.7
American General Corp	NYSE	24.63	-0.5	9.1	0.90	3.7	24.63	24.38	437.5
American Indty Finl Corp	OTC	16.75	0.0	0.0	1.12	6.7	16.75	16.75	5.7
American Intl Group Inc	NYSE	64.00	1.6	12.5	0.44	0.7	64.00	62.75	486.9
American Natl Ins Co	OTC	29.13	1.7	8.0	1.08	3.7	29.13	28.25	80.3
Aneco Reins Ltd	OTC	1.13	0.0	0.0	0.00	0.0	1.13	1.13	1.2
Avemco Corp	AMEX	17.63	-0.7	11.8	0.60	3.4	17.75	17.50	2.2
Banks Iowa Inc	OTC	43.00	-2.3	13.5	1.56	3.6	43.50	42.50	16.7
Bitco Corp	OTC	7.50	-3.2	0.0	0.40	5.3	7.50	7.50	10.2
Carolina Cas Ins Co	OTC	3.25	8.3	0.0	0.00	0.0	3.25	3.00	1.0
Chubb Corp	NYSE	46.25	-2.4	11.8	2.20	4.8	47.13	46.00	328.0
Combined Intl Corp	NYSE	36.38	1.7	9.2	2.08	5.7	36.38	35.63	95.3
Continental Corp	NYSE	34.25	0.7	228.3	2.60	7.6	34.38	33.88	543.6
Crawford & Co	OTC	18.75	1.4	12.0	0.66	3.5	18.75*	18.50	3.2
Crown Life Ins Co	OTC	116.00	0.0	7.6	4.00	3.4	116.00	116.00	0.0
Employers Cas Co	OTC	36.25	0.0	8.3	1.20	3.3	36.25	36.25	5.6
Equifax Inc	NYSE	34.75	4.5	14.0	1.70	4.9	34.75*	33.00	23.8
Farmers Group Inc	OTC	49.00	-3.0	10.6	1.52	3.1	49.00	48.75	491.5
Foremost Corp Amer	OTC	26.25	0.0	15.4	0.96	3.7	26.50	26.25	38.9
Fremont Gen Corp	OTC	16.88	5.5	24.1	0.48	2.8	17.25	16.50	661.0
Great West Life Assurn Co	OTC	316.00	0.0	8.5	12.00	3.8	316.00	316.00	0.0
Hanover Ins Co	OTC	27.50	0.0	13.1	0.56	2.0	27.50	27.50	31.1
Hartford Steam Boiler Insptn	OTC	57.50	-0.9	28.0	3.00	5.2	58.00	57.50	5.5
Jefferson Natl Life Ins Co	OTC	19.75	-1.9	9.3	0.44	2.2	20.25	19.75	6.8
Kemper Corp	OTC	42.25	-1.2	30.0	1.80	4.3	42.25	42.00	49.3
Lincoln Natl Corp Ind	NYSE	37.50	1.4	8.7	1.84	4.9	37.75	37.00	182.7
Mission Ins Group Inc	NYSE	8.63	7.8	0.0	0.50	5.8	8.75	7.88	264.7
Northwestern Natl Life Ins	OTC	28.25	8.7	10.9	0.80	2.8	28.25*	26.63	469.5
Ohio Cas Corp	OTC	42.25	0.9	16.1	2.68	6.3	42.25	41.63	41.4
Old Rep Intl Corp	OTC	31.25	-3.5	6.3	0.88	2.8	31.75	31.25	29.5
Orion Cap Corp	NYSE	21.00	-5.6	0.0	0.76	3.6	22.00	21.00	35.3
Preferred Risk Life Ins Co	OTC	26.50	1.9	8.7	0.74	2.8	26.50*	26.00	1.4
Provident Life & Acc Ins Co	OTC	78.00	0.6	7.3	2.88	3.7	78.00	77.50	20.6
St Paul Cos Inc	OTC	48.63	-0.5	0.0	3.00	6.2	48.63	48.13	298.9
SAFECO Corp	OTC	30.13	-4.7	8.3	1.50	5.0	31.38	30.13	448.9
Sri Corp	OTC	17.00	1.5	14.0	0.68	4.0	17.00	16.25	38.1
Seibels Bruce Group Inc	OTC	19.50	-4.9	0.0	0.80	4.1	19.75	19.25	34.0
Statesman Group Inc	OTC	5.13	-2.4	7.6	0.15	2.9	5.25	5.13	35.7
Tokio Marine & Fire Ins Co	OTC	139.75	-3.1	24.2	1.05	0.7	143.00	139.75	6.1
Travelers Corp	NYSE	35.25	-2.1	8.9	1.92	5.4	35.38	34.38	624.4
United Fire & Cas Co	OTC	15.00	3.4	0.0	0.80	5.3	15.00	15.00	0.4
United States Fid & Gty Co	NYSE	26.75	1.4	8.6	2.08	7.8	26.75	25.75	511.[illegible]
United Svcs Life Ins Co	OTC	27.38	-0.5	5.3	1.20	4.4	27.38	27.13	23.5
Uslife Corp	NYSE	33.75	-0.7	9.4	1.04	3.1	33.88	33.50	181.8
Washington Natl Corp	NYSE	21.38	0.6	11.8	1.08	5.1	21.38	20.88	47.0
Zenith Natl Ins Corp	OTC	11.50	2.2	9.1	0.68	5.9	11.50	11.25	22.5
INSURANCE COMPANIES	AVERAGE			14.6		3.9			

Agents/Brokers

Company	Exch.	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Alexander & Alexander Svcs	NYSE	22.25	0.0	0.0	1.00	4.5	22.25	21.25	726.5
Baldwin & Lyons Inc	OTC	42.00	0.0	14.7	0.80	1.9	42.00	42.00	1.3
Corroon & Black Corp	NYSE	28.25	1.8	37.7	1.00	3.5	28.25	28.00	34.5
Crump E H Cos Inc	OTC	17.75	-0.7	15.8	0.44	2.5	18.00	17.75	31.3
Emett & Chandler Cos Inc	OTC	11.00	0.0	0.0	0.00	0.0	11.00	11.00	0.0
Gallagher Arthur J & Co	OTC	27.25	0.0	19.5	0.22	0.0	27.25	27.25	104.5
Hall Frank B & Co Inc	NYSE	23.50	-1.6	0.0	1.00	4.3	23.75	23.00	47.5
Integrated Res Inc	AMEX	13.00	7.2	5.0	0.00	0.0	13.75	12.50	175.5
Marsh & Mclennan Cos Inc	NYSE	51.88	-2.8	25.1	2.40	4.6	54.13	51.75	964.1
Poe & Assoc Inc	OTC	6.00	4.3	0.0	0.00	0.0	6.00*	5.75	0.5
Reed Stenhouse Cos Ltd	OTC	16.75	-4.3	23.9	0.60	3.6	16.75	16.50	423.6
AGENTS/BROKERS	AVERAGE			27.0		2.8			

Conglomerates/Holding Cos.

Company	Exch.	Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
American Express(Fireman's Fd)	NYSE	35.88	2.1	18.7	1.28	3.6	35.88	34.75	2,235.3
Anderson Clayton(Ranger/PanAm)	NYSE	33.50	-1.5	15.8	1.32	3.9	33.63	33.50	10.1
Armco Inc	NYSE	9.13	-1.4	0.0	0.00	0.0	9.13	9.00*	461.1
CIGNA Corp	NYSE	41.13	2.8	34.0	2.60	6.3	41.13	39.63	1,186.6
City Investing Co. (Home Ins.)	NYSE	36.75	-1.3	8.8	2.00	5.4	37.13	36.50	653.1
CNA Finl Corp (CNA)	NYSE	29.00	-0.4	14.1	0.00	0.0	29.25	29.00	17.5
Control Data (Comml. Credit)	NYSE	35.50	4.4	12.7	0.66	1.9	35.50	34.75	1,622.1
General Re Corp	NYSE	60.50	1.9	21.1	1.44	2.4	60.50	58.63	264.6
ITT (Hartford Group)	NYSE	30.13	9.5	8.2	1.00	3.3	32.00	30.13	14,978.7
Optimum Hldg Corp	OTC	1.00	-60.0	0.0	0.00	0.0	2.50	1.00*	1,582.1
Sears Roebuck & Co. (Allstate)	NYSE	31.50	2.0	7.9	1.76	5.6	31.50	30.00	2,993.3
Teledyne Inc (Argonaut)	NYSE	259.00	-0.2	7.6	0.00	0.0	259.00	253.00	322.6
Transamerica Corp (Occidental & Fred S. James)	NYSE	25.88	-1.4	10.8	1.64	6.3	25.88	25.00	440.3
CONGLOMERATES/HOLDING COS.	AVERAGE			11.3		2.2			

*Record high/low since Jan. 1, 1984

System design: Altman Information Systems

"Headquarters! I've discovered where we can get a coordinated insurance program that's right for all our stores!"

When True Value Hardware Stores needed a comprehensive, cost-effective insurance program, they came to Hartford Specialty. Because we have everything it takes.

The ability to work with True Value's insurance subsidiary and in-house processing system. Advanced automation which provides separate policy rating, issuance, billing and individual loss histories for each store. The loss control capability to combine sophisticated loss analysis expertise with periodic on-site inspections. And over 200 fully automated claim offices that deliver fast, fair claim service at the local level.

Find out why Hartford Speciality is the single best source for all *your* specialty needs.

Don't make a decision on any specialty business without a quote from Hartford Specialty.

HARTFORD SPECIALTY

The Insurance People of ITT

Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services. Global marketing and worldwide coverages.