

business insurance

update:

Agency blames FAA, MassPort for jet crash

BOSTON—Insurers for World Airways Inc. say federal investigators are bolstering the airline's legal claims against federal and state agencies stemming from a Jan. 23 crash at Boston's Logan Airport.

The National Transportation Safety Board tentatively voted on Dec. 15 that the failure of Federal Aviation Administration

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

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Reinsurers tighten underwriting rules for satellite risks

By DOUGLAS McLEOD

NEW YORK—In the steadily maturing satellite insurance industry, treaty reinsurers are suffering the growing pains.

Because many direct insurers do not write satellite risks on standard satellite policies, many treaty reinsurers are surprised to find that they have been ceded satellite business under existing treaties for property or other types of risk.

Other reinsurers are daunted by what they see as the unacceptably long "run-off" time involved in reinsuring a series of satellites that might be launched over a period of three years or longer.

Under many of these programs, premiums are set in advance and cannot be adjusted later according to loss experience.

Most of the satellite insurers and reinsurers contacted by *Business Insurance* said the problem of satellite risks popping up in various treaties is the most serious. It is forcing some reinsurers to exclude satellite coverage under existing treaties.

Although reinsurers agree this will cause the market to tighten, they say it will not cause a shortage of satellite reinsurance capacity.

The chances are good that reinsurers that are ceded satellite risks under existing treaties don't know it until a loss occurs, unless they ask the ceding companies if such risks have been ceded, says John H. Walton, senior vp with KCC Syndicate Managers, which oversees a New York Insurance Exchange syndicate.

"We ask," Mr. Walton said. "We always ask. You'd be surprised how many (ceding companies) will say that they have a piece of satellite business in there."

San Francisco Reinsurance Co., a subsidiary of Fireman's Fund Insurance Cos., discovered it was reinsuring a "small share" of India's INSAT communications satellite, which was recently declared a \$65 million total loss, under a property facultative obligatory contract, says James B. Hood, vp for special accounts (BI, Sept. 20).

The ceding company in this case was another Fireman's Fund subsidiary, Mr. Hood said.

Another major reinsurer also found it has a piece of the INSAT loss under a quota-share property treaty, according to a spokesman who asked that the company not be named.

The company already is disputing an INSAT claim on the grounds that aerospace risks are not included under the property treaty, the spokesman said.

No claim has yet been filed with San Francisco Re from the INSAT loss.

"To include an aerospace risk is stretching the intent of the contract beyond belief," the spokesman said.

"It's a disgusting situation," said James G. Smith, president of Constellation Reinsurance Co., one of the nation's 20 largest reinsurers.

Some London underwriters classify satellite risks as property, marine, inland marine "or whatever they like," Mr. Smith said. "To me, it's entirely wrong. (Satellites) should be handled as a specialty line."

Constellation has declined five quota-share treaties covering only satellites because of insufficient premium, and it has not yet found any satellite risks under existing treaties, Mr. Smith said.

He added that Constellation has sent letters to its brokers informing them that satellite risks will not be covered unless "written as such" and unless Constellation is aware of its exposure.

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Unidentified Flying Risk



Money funds ask insurers to develop new coverage

By BETSY SHARKEY

WASHINGTON—Banks and thrifts have it. Money market mutual funds don't.

"It" is guaranty insurance, which is emerging as the competitive edge banks and savings and loans are using to sell their new money market deposit accounts.

But all that could change early next year.

Insuring a money market account's credit worthiness was not an issue before Dec. 14, since banks and thrifts were prohibited from offering the high-interest accounts. But a provision in the Garn-St. Germain Act, the banking law recently passed by Congress, now permits banks and thrifts to venture into this \$230 billion-a-year investment arena and compete directly with the nation's approximately 250 money market mutual funds.

The Federal Deposit Insurance Corp. and the Federal Savings & Loan Insurance Corp. automatically provide banks and thrifts with federal guaranty insurance protecting deposits up to \$100,000.

In the past, mutual fund companies haven't been able to find a similar product in the commercial insurance market to protect money market funds. It simply hasn't been available.

However, with the introduction of the banks' and thrifts' "insured" accounts, there is increasing movement in the insurance industry to develop a competitive product for the mutual funds.



"It's a very, very hot subject," said Mike McAteer, vp-financial institutions divisions for New York-based broker Marsh & McLennan Inc., which is working with a number of mutual funds on the insurance issue.

"Obviously, the mutual funds are very interested in guaranty insurance because the money markets preceive the new (bank and thrift) funds as direct competition."

The demand for guaranty insurance is strongest from money market funds that invest in what is called "domestic prime," which consists of major corporations' commercial paper and domestic banks' obligations. These investments are essentially short-term loans of investors' funds for a fixed interest rate and would be considered a relatively safe risk for the insurance industry.

About \$78 billion of the total \$230 billion of

money market mutual fund assets is invested in domestic prime.

Money market funds that invest in various government securities, approximately \$25 billion, are less likely to seek guaranty insurance since their investments already are backed by the "full faith of the U.S. government."

It remains unclear whether the remaining, more-aggressive money market funds would be acceptable risks for the insurance industry.

One of the major pushes to develop some sort of guar-

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NCCI asking state regulators to OK new workers comp policy

By EILEEN NORRIS

NEW YORK—Insurance regulators around the country are starting to review a new workers compensation and employers liability policy that insurers want to use next year.

But most employers and business groups haven't even seen the final version of the National Council on Compensation Insurance's standard form, which is to be in force by Sept. 1. The NCCI began filing the new form last month and expects to have it filed with all regulators by Christmas.

The revision of the form, which has been used since 1954 by the insurers' ratemaking and policy form organization, is creating some concern.

One group of insurers fears the policy expands coverage too broadly while those who have not seen the policy said they were amazed that the form, the 11th draft since 1979, was finalized without general knowledge or employer input.

Section A covering workers compensation risks has

been revised in "plain English," but coverage is not changed because it must comply with state workers compensation laws. Section B, however, covering employers liability risks, has been substantially changed.

That section of the policy covers employers for suits brought against them by or on behalf of any employee injured in the course of employment, outside of and distinct from any claim for workers compensation benefits. The revised section:

- Adds coverage for damages claimed against employers under the "legal theory of dual capacity." Under this theory, employees sue employers for work-related injuries charging the employer was also acting in another capacity, such as manufacturer of a product, and thus not protected from suits by workers compensation laws.

- Adds coverage for employers in subrogation actions in which a third party tries to recover damages assessed against it from the employer.

- Eliminates an exclusion that said occupational dis-

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Merry Christmas to all;
may your losses be light
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update:

NTSB blames FAA, MassPort

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controllers and of the Massachusetts Port Authority, which operates the airport, to provide weather and runway information contributed to the crash. The World DC-10 jetliner, carrying 209 people, skidded off the end of a ice-slick runway and settled into Boston harbor. Two passengers are still missing and presumed drowned and 38 people were treated for injuries (BI, Feb. 1, Feb. 8).

The NTSB says such reports on runway conditions were not communicated by the controllers to the crew and that Logan's operations chief, a MassPort employee, did not adequately inform the tower of the conditions.

James J. Meehan, a lawyer for the Boston firm of Parker, Coulter, Daley & White hired by Associated Aviation Underwriters Inc., World's insurer, says the FAA and MassPort have so far declined to enter settlement negotiations with the airline. World has filed a \$75 million claim against the FAA and MassPort.

Hyatt settlements continue

KANSAS CITY, Mo.—Plaintiffs' lawyers are still preparing for a Jan. 10 federal court liability trial in the Hyatt Regency Hotel skywalk collapse despite a flurry of settlements in a state class action and \$1,000 payments to those who witnessed the tragedy.

Near the end of last week, Commercial Union Insurance Co. had issued approximately 500 checks of \$1,000 each to people who testified they were in the hotel lobby on July 17, 1981. Commercial Union wrote a \$1 million primary liability and \$10 million excess/umbrella policy for Hallmark Cards Inc., parent of hotel owner Crown Center Redevelopment Corp.

The checks were issued under a proposed settlement of claims pending against hotel operator Hyatt Corp., Hallmark, Crown Center and more than 20 other defendants (BI, Dec. 13).

A CU spokesman also says about \$3 million to \$4 million has been committed to plaintiffs under settlements negotiated in the week since the state court class settlement was announced.

Meanwhile, attorneys for a small group of plaintiffs are still pursuing claims in federal court and are charging that Hyatt, Hallmark and other defendants are improperly trying to influence plaintiffs through the state court settlement effort.

Loss judged one 'occurrence'

OAKLAND, Calif.—An Alameda County Superior Court judge ruled last week that the sale of contaminated crushed rock by Kaiser Cement Corp., which damaged approximately 130 construction projects, constitutes only one "occurrence" under the company's comprehensive general liability policy (BI, Dec. 13).

Judge Robert H. Kroninger, in the first phase of a trial involving Kaiser and its primary and excess insurers, rejected the excess insurers' contention that more than one occurrence took place.

The ruling means Kaiser, whose insurers have paid more than \$60 million in claims, will not have to pay more than one \$50,000 deductible under its primary policy with Truck Insurance Exchange of Los Angeles. Truck will also not have to pay more than once on its \$500,000 per-occurrence and \$1.5 million aggregate policy.

Multiemployer ruling amended

PHILADELPHIA—Courts are free to decide how employers can pay withdrawal liability claims while challenging the constitutionality of the 1980 Multiemployer Pension Plan Amendments Act, an appellate court says.

The 3rd U.S. Circuit Court of Appeals initially ruled that Republic Industries Inc. of Kansas City, Mo., would have to begin making interim withdrawal liability payments to the Central Pennsylvania Teamsters Pension Fund while challenging the law (BI, Dec. 6).

But in a two-sentence modification of its decision, the court now says a lower court should have the discretion to decide how payments should be made. The opinion opens up the possibility that Republic could continue to post bonds rather than make cash payments while it is challenging the 1980 law in court.

Transamerica to cover Olympics

SAN FRANCISCO—Transamerica Corp. has been selected as the "official insurers of the 1984 Olympics."

Transamerica Insurance Co., the parent company's largest property/casualty underwriter, will provide general liability coverage, liability coverage for automobiles and buses, automobile physical damage coverage, property damage liability coverage and workers compensation coverage for the Los Angeles Olympics. Transamerica Occidental Life Insurance Co. will provide group accident and health insurance for members of the organizing committee and their dependents. The company also plans to offer group accident and health insurance for athletes and foreign officials.

In return for the coverage, Transamerica has exclusive rights, except in Japan, to use 1984 Olympic symbols in marketing.

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Manville reorganization still triggering disputes

By STEPHEN TARNOFF

NEW YORK—Four months after Manville Corp. filed for reorganization to stay asbestos litigation, the fighting continues among Manville, co-defendants and plaintiffs' attorneys:

- Manville is seeking to broaden the automatic stay of all litigation against it to thwart lawsuits by plaintiffs and defendants that it says are trying to circumvent the stay.

- Asbestos co-defendants are seeking to broaden the automatic stay to include all asbestos defendants, even those companies not in bankruptcy.

- Asbestos co-defendants and at least one asbestos insurer want to bring all of Manville's insurers into bankruptcy court so Manville's asbestos insurance coverage can be decided there.

- Plaintiffs' attorneys want Manville's reorganization petition thrown out, charging it was not filed in good faith.

Manville, on Aug. 26, filed for reorganization in the U.S. Bankruptcy Court for the Southern District of New York, claiming inability to pay for future claims of victims of asbestos-related diseases.

Manville was given a Dec. 24 deadline to file its reorganization plan, but it is expected this week to ask the bankruptcy court for a 60-day extension.

Many of the issues surrounding the bankruptcy pro-

ceedings center on the automatic stay on lawsuits against Manville that began when it filed for reorganization.

Late last month in bankruptcy court, Manville filed class-action lawsuit against plaintiffs' attorneys and asbestos co-defendants in an effort to have the stay litigation broadened to include Manville's officers and directors and insurers and to prevent further discovery.

Named as defendants are the Asbestos Litigative Group, a group of plaintiffs' attorneys representing more than 75% of all asbestos plaintiffs; two shareholders seeking to sue officers and directors; and GA Corp., as a representative co-defendant.

According to the suit, more than 250 lawsuits have been filed against Manville officers and directors or insurers.

Manville says plaintiffs' attorneys and co-defendants are targeting these individuals and companies in an attempt to "get around" the stay of litigation against Manville Corp.

"The litigations commenced and/or continuing against the employees, agents and others represent nothing more than a device employed by certain of the defendants to attempt to circumvent the obvious applicability and inviolate scope of the automatic stay," the complaint says.

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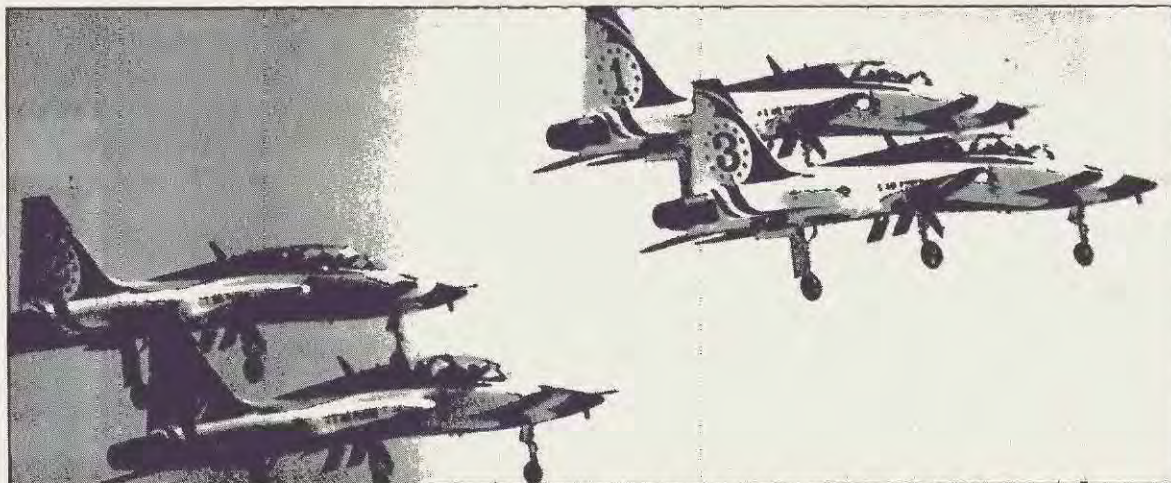


Photo: Wide World

The wingmen on the Thunderbirds precision flying team followed their leader into the crash in the desert.

Northrop says jammed control did not cause Thunderbird crash

By BILL DENSMORE

LAS VEGAS, Nev.—Northrop Corp. is fighting to dispel an Air Force thesis that the controls of a T-38A jet fighter it manufactures jammed, killing four members of the Air Force Thunderbirds precision flying team.

The issue is raised in a multimillion-dollar suit filed in U.S. District Court in Las Vegas by the wife of one of the four pilots whose jets slammed into a desert practice area north of Las Vegas Jan. 18 while practicing a loop maneuver.

Northrop, which carries liability insurance brokered by Alexander & Alexander Inc.'s Los Angeles office and placed with a Lloyd's of London underwriter, denies liability for the crash and discounts the Air Force theory about a control jam. The Los Angeles-

based defense contractor declines to discuss details of its insurance.

Northrop won a partial victory in the first legal skirmish in the case Nov. 1 when a federal magistrate declined to admit into evidence an Air Force report on the crash that Northrop considers unfavorable.

But U.S. Magistrate Philip M. Pro left open the possibility that he might allow the report to be entered if lawyers for the pilots' families can prove it "trustworthy" under rules of evidence.

In other cases, attorneys say, courts ruled both to admit and to bar the admission of military post-crash investigation reports.

A second key dispute—whether an Air Force videotape of the crash will become part of the court record—is still undecided.

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Firm covered for record robbery

By BILL DENSMORE

NEW YORK—Although the city's tabloid newspapers splashed banner headlines across their pages last week reporting what may be the largest cash robbery in the na-

tion's history, one question was not answered:

Who will finally pay for the \$9.8 million loss?

Federal Insurance Co., a subsidiary of Chubb & Son Inc., could if the money is not recovered.

Federal insured Sentry Armored Car Courier Co. of the Bronx under a primary standard armored car policy with limits of \$10 million, according to Richard C. Seaberg, a vp with Poe & Associates of Tampa, Fla., which brokered the coverage under an exclusive agency agreement.

Mr. Seaberg said Poe handles the insurance for about 80 armored car agencies in the United States.

Sentry's excess insurance was placed Lloyd's of London underwriters by Marshall & Sterling Inc. of Poughkeepsie, N.Y., said Peter T. Bennett, a vp at the bro-

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errors & omissions

- Drew Crowley, who was quoted in the special health care cost containment report in the Dec. 13 issue, is a senior vp, research and development with Fred S. James & Co. Inc. He was wrongly identified as working for Galbraith & Green Co., which was acquired by Fred S. James & Co. Inc. in 1980.

Pantry Pride will fight withdrawal claim

By JERRY GEISEL

FORT LAUDERDALE, Fla.—Pantry Pride Inc. says it's been overcharged by a multiemployer pension plan that hit the company with what may be the largest-ever withdrawal liability claim.

The 151-store supermarket chain says it will "vigorously contest" the \$26.6 million withdrawal liability bill it received from the Retail Clerks Tri-State Pension Fund of Philadelphia.

To pay the claim, which resulted from Pantry Pride's withdrawal from the plan when the 151-store chain shut down five supermarkets in Delaware in August 1981, the company would have to make annual payments of \$3.8 million, including interest, for about seven years.

The \$26.6 million claim is more than double the \$10.2 million the company earned in operating income in fiscal 1982. And the company, which employs about 8,300 workers and reported sales of \$945.8 million in fiscal 1982, says it expects to incur additional withdrawal liability claims from other multiemployer plans.

The Pantry Pride claim also is believed to be the largest to be assessed under the Multiemployer Pension Plan Amendments Act, the 1980 federal law that gives the plans the power to demand that withdrawing employers pay a share of the plan's unfunded vested

benefits.

But experts say they aren't surprised at the size of the claim.

"Am I concerned? Yes. But I'm not shocked. These kinds of claims are happening all the time," said Frank Cummings, an attorney with Nossaman, Krueger & Knox and a consultant to the Food Marketing Institute, a Washington-based trade group representing supermarket chains like Pantry Pride.

Since Congress enacted the Multiemployer Amendments Act, the companies that have left multiemployer plans have been hit with withdrawal liability claims requesting hundreds of millions of dollars.

The claims are gigantic since the employers belonging to the nation's 2,000 multiemployer pension plans had little incentive to insist that the plans were fully funded until the 1980 law was passed.

Before 1980, an employer's liability was limited to a negotiated contribution rate hammered out at the collective bargaining table among employers and union representatives.

Since employers' liabilities were limited to a fixed contribution rate, employers had an interest in keeping contributions low, while



union representatives fought for lucrative benefits. That created large unfunded vested benefits that employers, since the Multiemployer Amendments Act went into effect on April 29, 1980, now must pay when they withdraw from the plans.

Big benefit hikes appear to be a reason why the Retail Clerks Tri-State Pension Fund, which has just 17,000 employee and retiree participants, has large liabilities that it now wants employers to pay.

Between 1973 and 1980, the pension benefit paid to retiring workers covered by the plan doubled to \$15 per month per year of service from \$7.50, according to information culled by a Washington research firm, ERISA Benefit Funds Inc., from the reports the plan has filed with the Labor Department.

In 1980, the last year public information about the plan is available, the Retail Clerks Tri-State Pension Fund had about \$40 million in assets and about \$140 million in liabilities, according to ERISA Benefit Funds records show.

John Bogan, the plan's administrator, referred questions about the plan's operations to its attorney, who said he couldn't comment immediately.

Employers withdrawing from multiemployer plans will continue to be hit with large claims unless they take a more active role during bargaining to prevent benefit hikes that increase the plans' liabilities, experts say.

"Do something about the plan. Try to get the liabilities paid off and then see to it that it (the creation of liabilities) doesn't happen again," said Mr. Cummings.

The long-term solution to reducing multiemployer pension plan liabilities, according to Mr. Cummings, is legislation that would bar plan trustees from increasing benefits unless the increase was at least 90% funded by plan assets.

"That won't help employers like Pantry Pride that have already withdrawn from multiemployer plans, but it is a long-term solution that will prevent the problem from getting worse," Mr. Cummings said.

However, linking benefit increases to plan funding—an idea already embodied in legislation, H.R. 7233, introduced earlier this year by Rep. Ken Holland, D-S.C.,—is likely to be resisted by unions that want higher pension benefits for their members.

The Food Marketing Institute, along with 22 other trade associations, will lobby Congress next year to overhaul the Multiemployer Amendments Act.

"The law has to be made more flexible," said

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A carol of risks

At Bishopsgate they're singing: 'And a peacock in a clubhouse'

By STACY SHAPIRO

LONDON—Sometimes it seems unusual things just happen more often during the holiday season. Take the case of the broken window at Still Meadow Riding Stables last Christmastime.

When Bishopsgate Insurance P.L.C. received the claim from the riding stable, a standard question on the claims report asked, "Why did the window break?"

The answer was not so standard:

"A peacock kicked a heavy ashtray through the window."

"We could not believe it," said John Flooks, claims superintendent at Bishopsgate, a subsidiary of Bain Dawes P.L.C.

Mr. Flooks said the insurer wondered if the accident occurred during a Christmas party, figuring that might explain the strange occurrence. But no celebrating was going on at the time of the accident.

"We wrote back to them and said that the circumstances for loss are so unusual, could you please give us more details?" he said.

How did the peacock kick the ashtray? Are peacocks normally in the clubhouse? What kind of ashtray was it?

Still Meadow replied: "In answer to your enquiries: The peacock entered the clubhouse without

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Deck the banks with added security

By MARGARET LeROUX

"You better watch out," some financial institutions are telling their employees this holiday season.

But Santa is not the target of their vigil: They are on the lookout for robbers.

"Practically every holiday brings with it an upsurge in the incidence of attempted robberies," said Burton J. Carmino Jr., senior vp of the risk management division at Irving Trust Co. in New York.

Mr. Carmino noted the New York Police Department beefs up its patrol force in areas where banks are particularly vulnerable to robbery attempts.

Not all banks have tracked a seasonal surge in robberies, but in North Carolina the trend has been spotted and banks have beefed up security in response.

December was an especially vulnerable month for financial institutions in the Tar Heel state last year, according to Robert Pence, special agent in charge of the North Carolina district of the Federal Bureau of Investigation.

"Of a total 99 robberies that occurred in 1981, 12 were in the last month of the year," he said.

At Wachovia Bank & Trust Co., North Carolina's largest bank, officials try to prevent holiday robberies by extending a few conveniences to local police at branch offices.

"We encourage police officers in patrol cars to use our parking lot if they have to stop and write a report or to come in for a cup of coffee," the bank spokesman said. "It creates a greater awareness of the police presence among our customers and any potential



robbery suspect." Winston-Salem, Greensboro and Raleigh lead the state in the overall number of robberies at financial institutions this year.

As of Dec. 13, there were 84 robberies at North Carolina financial institutions, more than half of

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And thieves will find it hard to steal tonight

By STACY SHAPIRO

LONDON—Professional turkey thieves are in top form in Britain as the birds fatten up for Christmas.

One British farmer, however, has found an old, but effective, method of deterring turkey rustling.

John Lory, owner of about 10,000 gobblers in Charlwood in the county of Sussex, has given up on modern electronic deterrents that he says do not stop turkeys from being stolen. Instead, he has hired a gunman to protect his turkey pens.

Rifleman Tony Doyle now sits in the middle of the feathered flock ready to en-

force an old property-protection rule: Shoot thieves.

Mr. Lory, who is extremely busy as the holidays near, had no time to elaborate on his loss-prevention methods. He did say, however, that his turkeys are insured under a comprehensive insurance policy through the National Farmers' Union. It covers poultry loss through theft, fire, hail and other storm damage.

Mr. Lory is not the only farmer to be plagued with turkey rustling.

"A lot of turkeys go missing this time of year," said a Lloyd's of London underwriter. "You can reckon that an awful lot of turkeys and Christmas trees that are

sold did not come from the original farm where they were raised."

Turkeys and Christmas-tree losses are practically the only seasonal claims Lloyd's sees. The only other risks tied to Christmas occur in shops and stores, where burglary is rife.

"Christmastime means lots of extra stock in the shops, except if you go shopping the night before, like I do, and the shelves are empty," said the Lloyd's underwriter.

Underwriters demand extra premium for the holiday season to accommodate for the extra chances of loss, he said. ■



EEOC issues rules for older workers' health plans

WASHINGTON—Employers won't be able to pass the higher costs of including older workers in their group health insurance plans onto their employees.

Interim regulations, issued by the Equal Employment Opportunity Commission this week, warn employers that they cannot reduce their current health insurance plans to comply with a provision in the new tax law that requires companies to offer workers ages 65 through 69 the same health benefits they offer younger workers.

Under the provision in the Tax Equity and Fiscal Responsibility Act of 1982, older workers will have a choice of enrolling in the employer's plan or have the federal Medicare program continue to be the primary payer.

Most older workers are expected

benefit beat

to opt for enrollment in the employer's plan since corporate plans usually are more generous than Medicare.

Insurance company actuaries say expanding corporate plans to include older workers could increase employers' health care costs by between \$300 million and \$500 million. The increase is because insurers will charge about 2.5 times more for an older worker's premium than for a younger worker's.

But employers are going to have to swallow that increase. The "interim regulation does not allow employers to modify existing policies in order to mitigate the cost of compliance," the EEOC said last week.

"That's crazy. You are locking employers into existing plans," said Andrew Webber, assistant director of the Washington Business Group on Health.

An EEOC attorney, however, said employers could continue to make benefit changes, such as imposing higher deductibles, so long as the changes were not made to comply with the tax act.

The EEOC also said employers will have to offer the spouses of older workers the same health insurance benefits they offer younger workers' spouses in their dependent plans.

The cost impact of the spouse provision is expected to be minor

because many older workers' spouses already are covered by employers' health insurance plans.

In addition, the EEOC interim regulations bar employers from making older workers pay more than younger workers for their health insurance coverage. For example, a company could not make older workers contribute \$10 a month for health insurance while charging younger workers \$5.

However, employers will get some breaks. For example, an employer will not have to pay the Part B Medicare premium for older workers who opt for coverage in the employers' plan. That premium is now \$12.20 per month and is expected to rise to \$13.70 in July, according to the Department of Health and Human Services.

However, if the employee de-

cides to continue to be covered under Medicare, the employer generally will be required to pay the Part B premium, the EEOC says.

Furthermore, the EEOC is giving employers a two-month grace period, until March 1, before they must give employees a choice of enrolling in the corporate health plan or staying with Medicare.

That delay is a relief to employers that said they needed more time to tell older workers about the option of enrolling in the corporate health plan.

AT&T vision plan

American Telephone & Telegraph Co. is offering its 1.1 million hourly and salaried Bell System employees a new vision care program that provides payments for examinations, frames and lenses once every 24 months.

The new plan, won by the Communication Workers of America, the International Brotherhood of Electrical Workers and other unions during recent negotiations with AT&T, goes into effect Jan. 1.

The plan, which is underwritten by several insurers across the country and varies somewhat depending on the insurer, pays claims according to a schedule of reasonable and customary charges.

In most cases, the amount the plan will pay will cover at least 50% of an employee's claim, company officials say. In some areas of the country, underwriters have negotiated fee arrangements that will have employees sharing none of the cost of claims.

Under the schedule, the plan pays:

- \$22 for vision examinations.
- \$20 for single-vision lenses.
- \$30 for bifocal lenses.
- \$40 for trifocal lenses.
- \$80 for lenticular—or double-convex lenses.
- \$20 for frames.
- \$75 for contact lenses.

Employees are not required to pay a portion of the premiums or pay a deductible, the company says.

The plan's principal underwriters include Metropolitan Life Insurance Co., Prudential Insurance Co. of America, Travelers Insurance Co., Provident Life & Accident Insurance Co., Aetna Life & Casualty Co., Mutual of Omaha and Blue Cross/Blue Shield plans. Vision Service Plan, a national prepaid vision care firm, and Paid Prescriptions Co. of Boston will administer the program, AT&T officials say.

Group health plans

Eighty-two percent of the group health insurance policies written during the first three months of 1982 contained provisions covering second opinions, according to a survey conducted by the Health Insurance Assn. of America.

Such provisions, HIAA officials contend, signal the rapid growth of second-opinion programs as a health care cost-containment strategy. The benefit, officials say, was virtually unheard of less than a decade ago.

Another cost-containment measure, coverage for minor surgeries performed outside a hospital, was included in 89% of the group health policies written during the first three months of the year.

Some 89% of the policies also provided coverage for pre-admission testing programs, the survey of more than 300 health insurer reveals.

Have you made any recent benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

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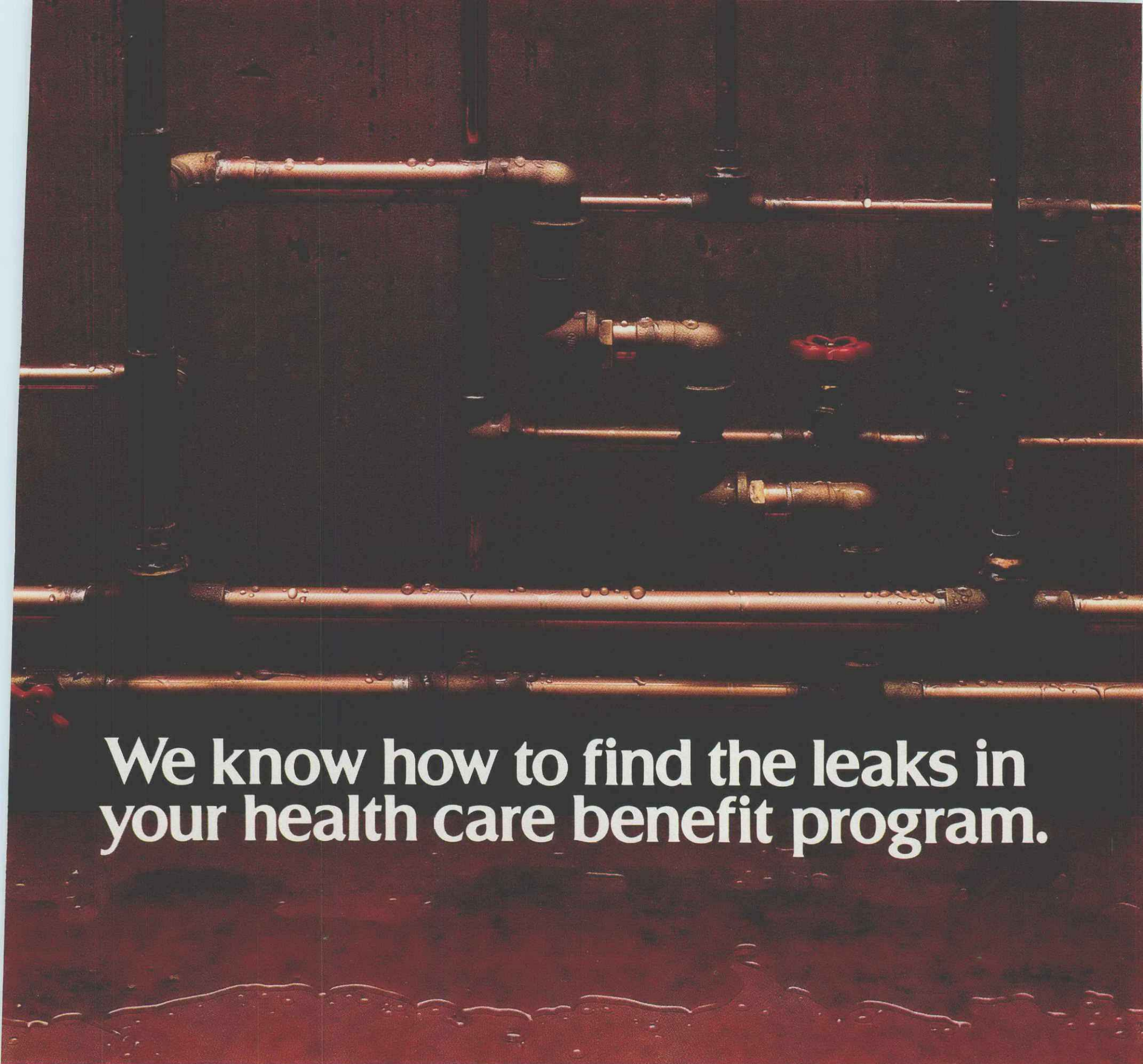
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Lloyd's to name outsider as chief executive officer

By STACY SHAPIRO

LONDON—The new Council of Lloyd's, which will assume control of the market next year, will appoint a chief executive officer who is not a Lloyd's member.

The new chief executive will "aid the council in the planning and implementation of the (market's) self-regulatory function," Lloyd's announced.

The powerful Bank of England and other financial organizations have urged Lloyd's to appoint an independent watchdog in the wake of several recent scandals that have rocked the 300-year-old insurance marketplace (BI, Dec. 13).

The council unanimously approved the appointment of an outsider to be the market's top officer at a preliminary meeting Dec. 11.

The new chief executive will help the 27-member Council of Lloyd's, which will replace the current Committee of Lloyd's as the market's governing body, develop and use the additional regulatory powers contained in the Lloyd's Act of 1982.

The council members also decided at the preliminary meeting to set up bylaws, codes of conduct and other regulations to prevent further scandals at Lloyd's when it officially meets for the first time on Jan. 5.

The council also decided to establish a disciplinary tribunal as quickly as possible to weed out any future scandals.

Besides the independent chief executive, three seats on the council will be filled by non-Lloyd's members. The three outsiders will be:

- Sir Kenneth Berrill, chairman of Vickers da Costa, a London securities brokerage firm.

- Charles Brandon Gough, a partner at the accounting firm of

Coopers & Lybrand.

- Edward Ian Walker-Arnot, a partner in the law firm of Herbert Smith & Co.

The core of the new council will consist of a committee of 16 working members that will oversee the everyday working of Lloyd's, although the entire council will meet twice a month.

Council members have already elected Sir Peter Green, the current Lloyd's chairman, to be chairman of the council, with Frank Barber and Tim Brennan serving as deputy chairmen. The chief executive officer, however, will oversee the actions of the working members' committee and the chairmen and his deputies, a Lloyd's spokesman said.

Although Lloyd's hopes the appointment of an independent chief executive will help put an end to the series of recent scandals at Lloyd's, the allegations widened last week to still another underwriting agency as the Committee of Lloyd's announced it was launching an inquiry into the dealings of a Bermuda reinsurer once owned by Brooks & Dooley (Underwriting) Ltd.

The probe will center on reinsurance business and other funds that flowed in the 1970s from syndicates managed by Brooks & Dooley, a subsidiary of Brookgate Investments Ltd., to Fidentia Marine Insurance Co., which was sold by Brooks & Dooley to Bermuda Fire & Marine Insurance Co. in 1978. Sources in the market say that some of the allegedly questionable dealings among Brookgate and Brooks & Dooley and Fidentia were intended to circumvent tax laws.

However, Brooks & Dooley, unlike some of the other underwriting agencies involved in the recent scandals, will be allowed to

conduct business at Lloyd's while the investigation proceeds.

Another underwriting agency involved in a separate reinsurance investigation—P.C.W. Underwriting Agencies Ltd., a subsidiary of Minet Holdings P.L.C.—may continue underwriting even though its underwriters have been fired by the parent company for allegedly having personal interests in reinsurance placed by P.C.W.

Lloyd's also announced the three underwriters—Michael Mountstephen, Stewart Holmes and Richard Webb—will replace Adrian Hartman and David Hill the two P.C.W. underwriters dismissed earlier this month.

W.M.D. Underwriting Agency Ltd., which is 40% owned by Mine and the syndicates it manages have been suspended from doing business at Lloyd's in light of similar allegations.

So far, Minet and P.C.W. have recovered \$15 million of the profit allegedly made by a former Minet P.C.W. and W.M.D. official in the reinsurance scheme, sources close to Minet say.

Minet also announced last week that its pretax profits for the third quarter increased slightly more than 25% to 13.25 million pounds (about \$21.5 million) from 10.58 million pounds (\$17.1 million) in the third quarter of 1981.

"It is hoped that by the time the full-year results are published, these investigations will have been substantially concluded," Minet said in a statement.

"However, at the present time it is impossible to determine what, if any, financial effect the matters will have and therefore the nine-month result contains no adjustment in respect to them."

In yet another reinsurance scandal, Lloyd's and Ian R. Posgate, former chairman of Alexander Howden (Underwriting) Ltd., are awaiting a court decision in Mr. Posgate's legal battle to be readmitted as a Lloyd's underwriter.

Mr. Posgate was dismissed from his post as Howden's chief underwriter in September after Howden and its parent, Alexander & Alexander Services Inc., alleged that he and four other former Howden directors diverted about \$55 million in company funds to reinsurance companies and other interests they secretly owned.

A&A and Howden have sued the former employees to recover the missing assets.

OSHA, Navajos sign agreement

WASHINGTON—The Occupational Safety and Health Administration and the Navajo Nation in Arizona have signed an on-site job safety and health consultation agreement for employers operating on the Navajos' tribal lands.

The agreement, the first of its kind with a native American tribal organization, will allow OSHA-trained tribal consultants to advise employers working on tribal lands on safety and health matters and to visit worksites.

The agreement also provides for continued training of the Navajo consultants through Sept. 30, 1983.

The Navajo Nation, which is larger than some states, has a population of more than 100,000 and a number of industrial concerns.

"I believe the consultation service will be a big help in efforts by the Nation to help employers make the worksites on tribal lands safer and more healthful for their employees," a Labor Department official said.

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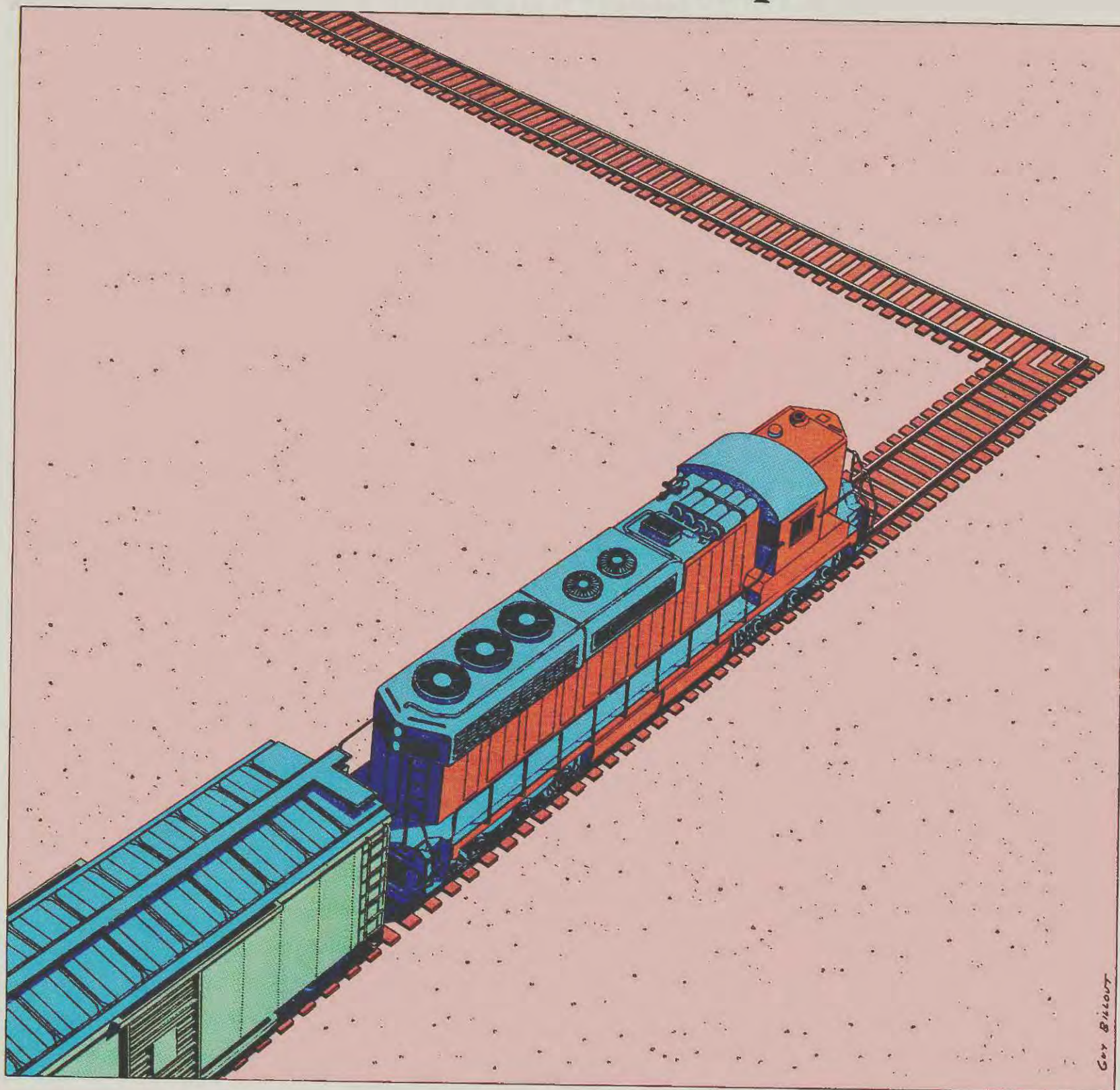
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editorial opinions

NCCI's marketing mistake

THE NATIONAL COUNCIL on Compensation Insurance is dumping a new workers compensation insurance policy on employers with the same marketing savvy Detroit automakers once used.

"Don't bother to ask consumers what they want—tell them what they want," appears to be the strategy. In the 1970s, Detroit thought it was big cars. Workers compensation insurers now think it is a new, simple-language workers compensation insurance policy with some important coverage changes.

Detroit took a beating when American car buyers, who didn't like their products, turned to imports. Workers compensation insurers could take a similar beating if employers don't like the new workers compensation insurance policy and turn to self-insurance.

As Associate Editor Eileen Norris reports this week in the story on page 1, the NCCI is filing the new policy form with the insurance departments in the states where it represents insurers and as an advisory in states with independent rating bureaus or monopolistic state funds. The NCCI wants the policy approved by Feb. 1 and in use as of Sept. 1.

Very few people outside of the NCCI and its member insurance companies have had any input on the policy. The National Assn. of Insurance Brokers said it was consulted, but two out of three of its recommendations were rejected by the NCCI. Many organizations that represent the interests of commercial insurance buyers said last week that they knew the NCCI had been working on a policy revision since 1979, but they seemed surprised to hear that the final form was being filed with state insurance departments.

We are appalled at the NCCI's method of presenting a new workers compensation insurance policy, which is the first revision since 1954. We think insurers should have offered buyers a chance to comment on a new policy form before it was filed with state insurance departments as a fait accompli. Once approved by state insurance departments, this is the one and only form insurers will offer employers, which by law must buy this insurance or qualify as self-insurers.

Insurers, which have griped in the past that they are losing business to self-insurance, should have recognized that employers do have the self-insurance alternative to buying the new policy. With this in mind, it is marketing madness to unveil a new policy form without some market testing.



We criticized the Insurance Services Office for unveiling a final draft of a new comprehensive general liability insurance policy without involving insurance buyers in the original drafting (*BI*, July 19). In comparison with the NCCI, however, ISO's approach deserves praise. At least ISO sought comments from the entire industry—buyer, intermediary and seller—before filing the policy with the state insurance departments. ISO is now reviewing those comments.

At this point, we can't say whether the new workers compensation insurance policy is an improvement over the existing policy or not. The NCCI says it is, but we haven't heard the other side yet. The insurance experts we rely on to consider the consumer's point of view are either poring over the new policy or even scurrying around to obtain copies of it. As soon as they give us their analyses, we'll pass them on to you, along with our observations on this page.

We also want to provide you with the exact wording of the policy. As of last week, we were negotiating with the NCCI to reprint portions of the copyright policy. As soon as we receive permission, we will print it.

In the meantime, the NCCI had better prepare for the prospect of buyer backlash if the policy isn't as good as it says it is. The ultimate consumer backlash could be the refusal to buy the product as presented.

letters

Years behind the times

To the editor: *Business Insurance* is my weekly contact with the outside world of insurance. The Nov. 22 issue that dealt with Brazil, where I have worked in insurance for almost 28 years, left me adversely impressed.

There is no doubt our industry must put its house in order to serve the public and not to prejudice Brazil's economic progress. However, this is best done by correcting our basic faults and not by sending an invasion of risk managers, foreign underwriters and New York brokers structuring sophisticated programs on a market so unprepared for such innovations.

Please remember, we are some 40 years behind the times and are severely handicapped by the public servants of the Instituto de Resseguros do Brasil, by the banker mentality of many underwriters and a woefully uninformed public, all of which will require some time and effort to change.

T.J. McDonnell
Sao Paulo, Brazil

Mistaken for capacity

To the editor: In the article "Ontario may establish exchange" (*BI*, Nov. 15), it says that the Law Society of Upper Canada "recently went to a U.S. market to obtain the coverage because the Canadian market lacked the capacity."

Gestas Inc. and its group of insurance companies was the insurer on the risk for the past six years. Renewal was not offered, not because capacity had anything to do with it, but simply because the premium that could be obtained did not measure up to the risk involved.

Lack of capacity should not be mistaken with depressed rates.

Lucien Bergeron
President
Gestas Inc.
Montreal

Out of proportion

To the editor: Recently while reading the front-page story, "Firms spending more on risk control: Survey" (*BI*, Oct. 4), my attention was attracted to the four columns of figures.

But when using my calculator, I added up the proportions of expenses and insurance premiums vs. risk control, and each

time the total was more than 100%.

There seems to be a mistake. Could you explain how you computed the figures?

Jacques Charbonnier
Sainte-Foy-Les-Lyon, France

■ Your calculator is working properly. The chart excluded the percentage of profits generated by captive insurance companies. They were 3.1% in 1977; 2.2% in 1978; 2.7% in 1979; and 2.5% in 1980. Factoring in these percentages as negatives, and allowing for some rounding of figures, will give you 100% in each year.

Let's check the map

To the editor: In regard to "Comp claims moved from California foibles" (*BI*, Nov. 29): I've heard of Feenix, Shyanne and San Hose. I've even heard of Pitsberg, Heartferd and Myame. Butt Celines? Is that by Shakago, Illinois?

Terry Daksil
Salinas, Calif.

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Most Florida lawyers hit with rate hike

By DOUGLAS McLEOD

ST. PETERSBURG, Fla.—Florida's largest lawyers' liability insurance market is hoping an average 52% rate hike will reverse the underwriting losses that have pushed it into the red.

Lawyers Professional Liability Insurance Co. of St. Petersburg, Fla., a stock insurer that writes the lawyers' liability coverage program endorsed by the Florida Bar Assn., on Nov. 1 hiked its rates between 35% and 65% depending on the claims history and loss-prevention measures of individual policyholders, says Peter Fannon, a LPLIC executive vp.

Mr. Fannon cited several reasons for the rate increases, including a recent dramatic increase in claims.

LPLIC, which writes more than half of the lawyers' malpractice insurance in the state, insures about 11,000 attorneys on about 5,300 policies. Paid claims totaled \$2.2 million in the first nine months of 1982; claims payments for all of 1981 totaled \$1 million.

Claims frequency has increased from 2.3 claims per 100 lawyers to 5.4 per 100 in one year and the average claim payment has climbed to \$11,000 from \$6,000 two years

ago, according to Mr. Fannon.

Inflation and the poor economy have contributed to a gradual rise in the severity and frequency of claims, Mr. Fannon said.

However, the major reason for the sudden jump in the number of claims was the October 1981 acquisition of a block of business from Guarantee Insurance Co., according to Joe H. Holloway, president of Professional Risk Management Services Co., LPLIC's parent.

That new block of business, comprised of 3,600 attorneys with mainly small law firms, has pushed LPLIC's loss ratio (before application of a 125% loss development factor) from 50% to "in the 100% range," according to Mr. Holloway.

While the company's loss experience was good until this year, the "Guarantee (block) turned that around real fast," Mr. Holloway said.

Years of fierce rate competition in the Florida lawyers' liability insurance market were also a factor in the decision to hike rates, company officers say.

"The premium increase is really a factor of the product being underpriced for several years," said Stanley N. Crooms, executive vp of Professional Risk Management

Services.

The recent rate hikes are the first since LPLIC was formed in 1979 by Jacksonville attorney Hugh Culverhouse, who owns about 84% of the company.

When LPLIC took over the Florida Bar Assn.'s endorsement from Gulf Insurance Co. in 1979, Gulf's annual rate for first-year coverage—generally the cheapest since it includes no prior-acts coverage—was \$475 per attorney with limits of \$100,000 per occurrence and \$300,000 annual aggregate, according to figures filed with the Florida Insurance Department.

LPLIC's rate for first-year coverage when it began writing the bar association's program was \$383 per attorney. By this year, when it raised rates Nov. 1, LPLIC's premium for first-year coverage had fallen to \$275 per attorney, about the same rate that other insurers charge for similar coverage in Florida.

For example, Guarantee charges a \$275 premium per attorney on the first-year coverage it retained and CIGNA Corp.'s Insurance Co. of North America subsidiary is writing the coverage for \$300 per attorney with \$100,000 per occurrence and

annual aggregate limits.

INA, which has written lawyers' liability insurance in Florida for two years, is not planning any rate increases of its own, according to V.C. Jordan of Tampa, Fla.-based Jordan, Roberts & Co., the designated agents for INA's Florida program.

Shand, Morahan & Co. Inc., an Evanston, Ill., underwriting manager that annually writes just less than \$1 million in lawyers' liability insurance premiums in Florida, charges \$270 per attorney for first-year coverage with limits of \$100,000 per occurrence and \$300,000 annual aggregate.

Shand has not increased its Florida rates in more than a year and has no current plans to do so, according to Robert N. Liston, senior vp for underwriting.

Mr. Liston added that lawyers' liability rates typically rise after the first year of coverage as prior-acts coverage is added.

LPLIC expects to lose about 20% of its business as its first-year rates jump from \$275 to \$416, according to Mr. Holloway.

Other markets now "can beat us on rates every time," largely because they can be more selective in the risks they accept, according to Mr. Fannon. Because LPLIC has the bar association's endorsement and thus has a "higher obligation" to insure Florida attorneys, the company must accept risks that other underwriters may refuse, Mr. Fannon said.

Others connected with LPLIC downplay the possible effects of the rate increases, though.

"I don't consider the percentage (increase) that important when you consider what's happened to rates (in the past few years)," said Stephen F. Story, an attorney with Mr. Culverhouse's Jacksonville law firm, Culverhouse, Botts, Mills & Cone. Mr. Story added that LPLIC's increases only "put things back in balance."

Mr. Holloway added that LPLIC's purpose is not necessarily to compete with other markets' rates, but to provide Florida lawyers with a stable source of liability insurance.

One of the things LPLIC hopes to improve is its balance sheet. The

combination of low rates and deteriorating loss experience has left LPLIC in the red for the first nine months of 1982.

"Claims experience has been horrible, and investment income can't offset the underwriting losses," Mr. Story said.

With earned premiums of \$2.6 million for the first nine months LPLIC's losses and expenses totaled \$5.79 million. The net underwriting loss of \$3.13 million was only partially offset by investment income of \$786,038, producing a net operating loss of \$2.35 million, according to figures filed with the state Insurance Department.

For the year 1981, net underwriting losses and other expenses totaling \$1.34 million were offset by investment and other income of about \$1.45 million to produce a gain of \$111,824.

Loss reserves as of Sept. 30 stood at \$4.56 million, up from the \$4.03 million reserved at the end of 1981. Loss adjustment expense reserves, however, have nearly doubled, from \$1.1 million at the end of 1981 to about \$2.1 million as of Sept. 30.

"Capital infusions" have been necessary to maintain the \$500,000 surplus required by the state, and that money has come directly from LPLIC's owners, principally Mr. Culverhouse.

LPLIC officers say they are not sure how much of his own money Mr. Culverhouse has contributed to the surplus. Mr. Culverhouse was unavailable for comment.

In September, the insurance committee of the Florida Bar Assn. "acquiesced" to the LPLIC rate increases, which it termed "justified," and the association continues to endorse LPLIC's program, an association spokesman said. He added that the endorsement is not subject to annual renewal, but remains in place until the insurance committee decides to accept bids from other markets.

LPLIC offers advantages—including open financial and underwriting records—that previous insurers did not provide, the spokesman added.

Mr. Story said that the company anticipates that its rate increases will put it back in the black and that 1983 will be a profitable year. ■

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Hospital rates rise 14.3% in '82, insurer survey says

NEW YORK—The latest survey of hospital service charges confirms what benefit managers already know: Costs continue to increase faster than the general inflation rate.

This year, hospital daily service charges for a semiprivate room increased to \$171.50, up 14.3% from \$150 in 1981, or more than twice as much as the rise in the Consumer Price Index.

The District of Columbia continues to have more expensive rates than any state. Semiprivate beds now average \$276.50 a day, up from \$219 in 1981, an increase of 26.3%. The cost hike in the District of Columbia is the largest percentage increase in the nation.

By contrast, Mississippi has the lowest rate for a semiprivate bed—\$96, compared with \$88.50 in 1981. That 8.5% rise is the smallest percentage increase of any state.

To get a handle on how hospital costs are increasing across the country, Equitable Life Assurance Society of New York surveyed 2,519 of the nation's 6,000 non-federal hospitals. The survey was conducted during the third quarter of this year.

Of the 50 states, California has the most-expensive hospital bed rates, \$240 a day, compared with \$211.50 last year, an increase of 13.5%.

The most expensive city to be hospitalized in is the university community of Ann Arbor, Mich. Its 581 semiprivate rooms cost an average of \$334 a day. By contrast, the 127 semiprivate beds in Natchez, Miss., cost an average of \$68.50 a day, making Natchez the least expensive city in which to be hospitalized.

Of cities with more than 500,000 people, San Francisco has the most-expensive hospital bed rates: \$319.50 a day for a semiprivate bed. The second most-expensive rates for a major city is Los Angeles, where the daily charge for a semiprivate bed is \$297.50.

San Antonio, Texas, has the least-expensive hospital rates for a major city. Semiprivate beds average \$121 a day.

For a copy of the 1982 Hospital Daily Service Charges booklet, contact Joe Fesler, The Equitable Life Assurance Society, 1633 Broadway, Suite 1604, New York, N.Y. 10019.



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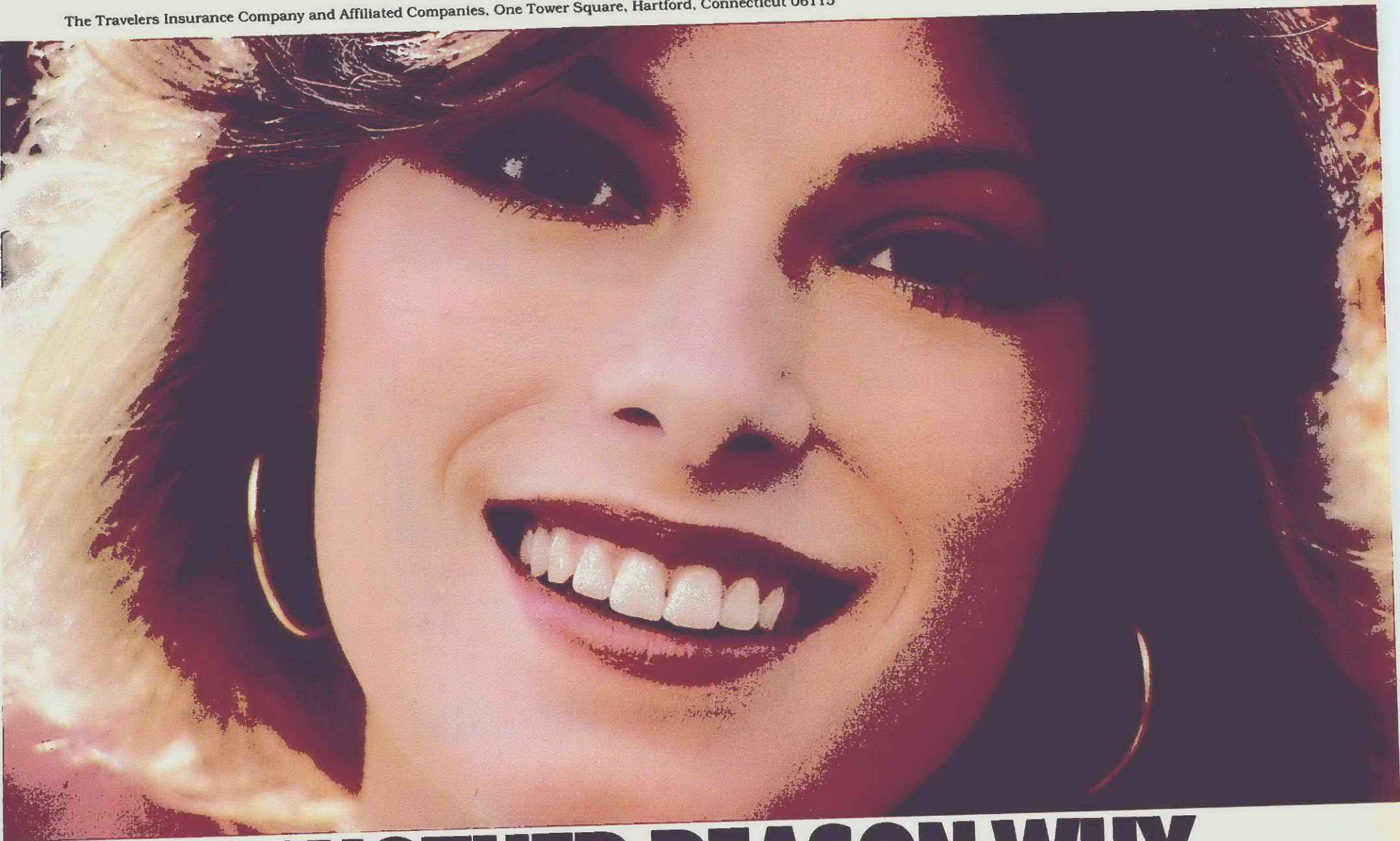
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**ANOTHER REASON WHY
THE TRAVELERS IS A LEADER
IN INSURING SMILES.**

Health insurers blast benefit tax proposal

By JERRY GEISEL

washington

WASHINGTON—Taxing employer-provided health insurance benefits is illogical and could lead to still higher health care costs, health insurers say.

"The health insurance industry is opposed to any proposal that would tax health insurance benefits," says James Moorefield, president of the Health Insurance Assn. of America, an industry trade group.

"The idea is discriminatory, unfair and will do nothing to stop

health care inflation," Mr. Moorefield adds.

The Reagan administration is considering a radical change in the tax code that would consider employer-paid health insurance premiums as part of an employee's income.

A tax on health insurance benefits would raise new revenues and give employees a personal stake in

controlling skyrocketing health care costs, administration officials contend (BI, Dec. 13).

But the HIAA, a Washington-based trade group with 338 health-insurer members, says the tax would backfire.

For example, as employers scramble to reduce premium rates, essential preventive-care services, like alcohol- and drug-abuse ser-

vices, may be dropped from plans, the HIAA says.

"Dropping these benefits does nothing to reduce hospital costs and may have the opposite effect," the group adds.

In addition, the administrative cost of imposing the proposed tax could wipe out any potential savings. The tax "would obviously be difficult and expensive to put in place and administer, and any revenues might easily disappear as employees and employers rearrange their benefit packages," Mr. Moore-

field points out.

Furthermore, a single national tax does not take into account geographic differences in health care costs. As a result, the tax would penalize workers living in areas where health care costs are highest, the HIAA warns.

Pension penalty

The federal government next year will withhold a portion of the pension benefits of thousands of retired federal and military personnel if they do not repay millions of dollars in delinquent federal student loans.

Beginning Feb. 1, the federal government will deduct up to 15% from the pension checks of federal and military retirees who have defaulted on student loans.

Retired federal employees owe \$745,000 on 589 education loans, while retired military employees owe \$5.1 million on 4,690 accounts, according to the Department of Education.

The average retired federal and military employee receives a pension benefit of more than a \$1,000 a month.

Pension group chief

Edward Davey, an employee benefits legislative expert with Mobil Corp., is the new executive director of the Assn. of Private Pension and Welfare Plans.

Before joining Mobil, Mr. Davey held a variety of administrative posts on Capitol Hill, including administrative assistant to former Rep. John Brademas, D-Ind., then the House majority whip.

Mr. Davey replaces Jeff Hart, who left the APPWP to become a vp in Equitable Life Assurance Society's pension underwriting department.

The APPWP is a 600-member Washington-based benefits lobbying group representing pension plan sponsors, benefit managers, attorneys, accountants and insurance companies.

PBGC benefit limit

The Pension Benefit Guaranty Corp. next year will boost the maximum monthly pension benefit it will guarantee participants of terminating pension plans.

For single-employer plans that terminate in 1983, the new monthly maximum guarantee will be \$1,517.05, up from \$1,380.68 this year.

Under the Employee Retirement Income Security Act of 1974, the PBGC pays benefits to workers whose pension plans terminate with insufficient assets to pay guaranteed vested benefits.

The PBGC is currently paying a monthly average of about \$116 each to participants of terminated plans.

New Labor official

John Walsh, a former investigator for the Senate Investigations subcommittee, has been appointed deputy assistant secretary in the Labor Department's Labor-Management Relations Services Administration.

In the newly created position, Mr. Walsh will be the top Labor Department official responsible for overseeing the enforcement of the Employee Retirement Income Security Act.

As a consultant to the Labor Department, Mr. Walsh, who also was a special agent with the Federal Bureau of Investigation, authored a report earlier this year that was critical of the department's enforcement of the pension reform law.

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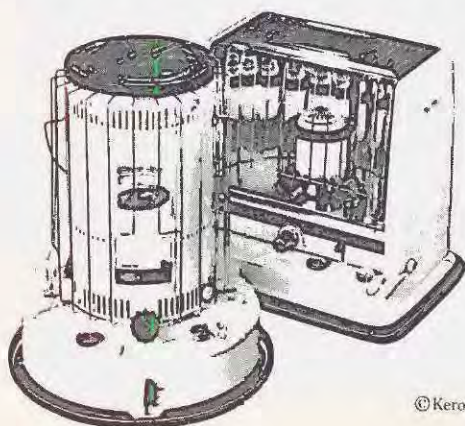
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PERSPECTIVE

GOING BY THE NUMBERS

Health risk estimation can save lives and money

By James Bernstein, M.D.

BENEFIT MANAGERS are likely to hear more about one new product from health and life insurance companies that's on today's market: health risk estimation.

Health risk estimation is a method of measuring an individual's chances of becoming ill or dying from one or another disease. Estimates of individual risks can be compiled to provide benefit managers with an outline of the health risks of an entire employee group.

To get a health risk profile, an employee fills out a questionnaire that examines family medical history, physical health, health attitudes and mental well-being.

The completed confidential questionnaire is analyzed and through the use of computer methodology, an individualized assessment of health risks is produced. Suggestions are made on how an individual can reduce his or her risks. An analysis of the group data can be prepared for a corporation in the form of a group risk profile or management report.

Individual health risk profiles make an attractive employee benefit. By offering profiles to employees, you show that you care about their health. These profiles are also valuable health education tools that point out ways they can change their lifestyles and live longer, healthier lives.

Companies can use individual health risk profiles to make periodic medical examinations of employees more efficient. In a risk-based medical management plan, the company's health professional uses the risk profile of every participating employee to determine the content of the periodic examination.

By examining only those employees found to be at high risk, the company concentrates its medical screening dollars on those most likely to need treatment in the future. The money that is saved can then be used in carefully designated health

risk reduction programs that may lead to lower health care costs.

The group health risk profiles and management reports can be used for planning and evaluating effective health promotion programs. Pinpointing the specific health risks of an employee group helps benefit managers allocate dollars to programs that will lower their employees' risks. These are also the areas that probably generate the largest health care costs and will continue to do so unless something is done to help employees reduce their high-risk behavior.

With health risk estimation, benefit managers can develop projections on the risk of future illnesses and their financial consequences. Risk data on your employee population, for example, estimates how many employees are likely to suffer a heart attack in the next 10 years and how many of them are likely to die as a result of heart attacks.

By linking such risks with cost data from a variety of sources, like hospitalization costs,

employee gets adequately explained and easy to understand? Is the information presented in a way that stresses positive changes the employee can make? Is the compiled data what you need for your program-planning and evaluation needs?

- **Quality control.** Are you sure that whoever processes the questionnaires has a reliable system of quality control? Have they done everything possible to develop an error-free system?

- **Track record.** How long has the company been in business? Has it had the chance to work the kinks out of its system?

- **Ease of administration.** Will you be able to run your program smoothly? Is there someone you can turn to when you have a question?

- **Customer services.** Is the company equipped to answer any employee questions when they fill out their questionnaires or interpret their health risk profiles?

- **Technical services.** Will the company provide technical assistance to you and your staff in setting up your programs, interpreting results and evaluating the effectiveness of your

SPEAKING OUT

employee replacement costs, disability costs, benefit managers also can estimate costs of future illness. With appropriate statistics, the estimated cost of preventable conditions and the estimated savings from successful risk reduction can be determined.

Health risk estimation tools come in all sorts of lengths, qualities and complexities. If you are considering using one, look at it critically and make sure it's the tool you need to achieve your goals.

Eight criteria to keep in mind are:

- **Scientific quality.** Is the profile derived from the fullest and most up-to-date data base possible? Are the risk estimation statistics computed by the accepted state of the art?

- **Output quality.** Are the results the individual

programs?

- **Confidentiality.** Does the company have safeguards in place to ensure the privacy of profile users? Does it guarantee that it will not release any information on an employee's responses without the explicit written consent of the employee?

As more and more companies take full advantage of what health risk estimation has to offer, benefits managers may find it one of the most effective ways to reduce the costs of health and disability insurance, absenteeism, diminished productivity and personnel replacement.

Dr. James Bernstein is president, chairman and director of General Health Inc., a health risk estimation and disease prevention firm providing computer services, located in Washington, D.C.

Flexibility is key to writing bid specifications

By Jeffrey A. Segall

THE PRIMARY purpose of preparing bid specifications is twofold: first, to be certain that all exposures to loss are identified, and second, to assist you in comparing the quotations you receive. The bid specifications should not be the vehicle used to design the protection program, nor is it the proper avenue to restrict competition. It should contain a statement of goals, allowing the agents flexibility to develop their own programs.

Certainly, conditions should be made a part of the specifications, conditions which relate to your individual company. All too often, specifications contain conditions that appear to be duplicated from other specifications, changing only the named insured and the bid date.

The conditions of the specifications should be

for the most part limited to:

- Bidder qualifications.
- Insurer qualifications.
- Cancellation requirements. (Often, this section includes a re-rating clause. The re-rating clause should not be a part of the specifications, as will be explained.)
- Other clauses, which because of risk peculiarities, must be included in the insurance program.

Particular care should be exercised when listing qualifications. This area of the specifications may restrict competition, more than any other. For example, many specifications mandate that the bidder be licensed by the insurer at the time the bids are submitted. This overlooks the fact that there are many lines of insurance that are available through special facilities, which have an exclusive license to represent a given insurer.

This then forces an agent into a situation where the insurance must be brokered. If this coverage is truly desired, the specifications must take this into consideration and allow for brokered business.

Just as the bidder's qualifications conditions may restrict favorable coverage and competition, so too do the insurer's qualifications conditions. Many times, specifications call for a Best's Key Rating, which has been arbitrarily set so high that many good markets are excluded from bidding. Also, care should be used in restricting the insurer to only admitted or licensed companies. Many fine companies exist that choose not to be licensed in order to remain flexible on forms and pricing.

The cancellation or termination clauses, as well as the re-rating clause, should also be reviewed. Many require the insurance company to provide

Continued on next page

PERSPECTIVE

Issue of insurability presented with precision in Berliner's book

By Z'ev Kronish

"Limits of Insurability of Risks"
By Baruch Berliner
Prentice-Hall Inc.
Englewood Cliffs, N.J. 07632
117 pages, \$14.95

FOLLOWING A DISASTROUS fire two years ago, the MGM Grand Hotel in Las Vegas, Nev., was able to obtain back-dated coverage, eliminating the threat from being underinsured. Retroactive premiums illustrate differences between practice and theory in the insurers' strategies to earn a profit while limiting losses.

For the theory of how insurers should behave, "Limits of Insurability of Risks" offers a traditional view of the fundamentals in selecting and covering risks.

Mr. Berliner expands on insurability limits, a subject usually glossed over in books on risk and insurance. The reader familiar with the subject recognizes the impact of random distribution. Other topics include the law of large numbers, severity and frequency, pure risk premium and the fluctuation loading and the need for careful calculation of the premium.

The trouble is that the basis for sound risk selection, which the author expounds, runs counter to contemporary experience. Regrettably, he doesn't take the time to

BOOKS AND IDEAS

appraise the wisdom of insurers lowering their actuarial sights by way of less-than-favorable premium income for quick profits.

The purpose of the book is to present the issue of insurability as precisely as possible. To this end, he makes use of mathematical tools so that alternatives can be weighed with greater accuracy. Yet his effort is disrupted by awkward prose.

Marketed as a text, the sections are organized numerically, which stifles the flow of thought. It is possible that the book was originally a doctoral thesis. The tight format, with references to prior pages—you go forward by referring to past pages—struck me as esoteric.

Still, gaining insight into the theory of what is or isn't insurable, and how the mix of various elements fit together, can broaden the risk manager's perspective.

Theory and practice are often far apart. In this instance the gulf is frightening, for in recent years insurers have dangerously lowered their premiums in a frantic search for income in the expectation that good investment yields will exceed underwriting losses. Retroactive premiums point up the appetite for investment return.

And the outcome is that a key

traditional underwriting principle has gone by the board as American companies reason that the investment climate affords a golden opportunity to increase profits. As long as claims lag and underwriting losses are moderate in relation to cash flow, the course of action appears reasonable—to insurers.

The departure from the norm was brought about partly by fierce competition. Savvy risk managers contributed to the price war. Coupled with declining premiums is another awful truth: Poor underwriting results loom ahead for property/casualty insurers.

Understandably, Mr. Berliner emphasizes the view that the premium operates as the fulcrum in the overall strategy to balance income against claims. The loading, he writes, is the safety valve that protects insurers by generating a margin for profit.

Yet circumstances have compelled the insurance industry to disregard this cardinal rule because of a favorable investment environment. Insurers have become addicted and now depend heavily on investment income to offset underwriting losses. The incentive for substantial rewards pushes aside the conservative character in which Mr. Berliner believes.

Who is out of touch—the insurance industry or Mr. Berliner?

Mr. Berliner's focus is singular, he cling to his orthodoxy, possibly because insurance has historically represented a conservative bent. It may be that he is right. In due time, the pendulum will swing back to its origin.

But we should not be surprised by the radical departure from tradition. Risk management is continuously undergoing change in response to new financial options. Corporate leadership now recognizes the new opportunities and consequently, the relationship with insurers is in a state of flux. Is it any wonder that the theory of "Limits of Insurability of Risks" seems out of whack?

In the days before risk management, insurers were accountable to shareholders but corporate policyholders wielded little clout. All this has changed and it has had a profound impact on how insurers conduct their business. The upheaval has brought the industry to the brink—it is flirting with disaster.

"Limits of Insurability of Risks" either misses its mark or by sticking to time-honored concepts is performing a valuable service.

Z'ev Kronish is in the claims department at National Health & Welfare Mutual Life Insurance Assn. His reviews of management books appear regularly in BI.

Flexibility is key to well-written bid specs

Continued from previous page

90-days written notice prior to cancellation, non-renewal, restriction of coverage, restriction of the companies contractual obligations or, in the case of the re-rating clause, increase in rates. This is done, while at the same time allowing you to cancel at any time without notice. While it may be a sound concept, many astute underwriters will avoid a risk that forces them to make decisions so far in advance that they lose the advantage of more current information.

For example, if a manufacturer of football jerseys were to begin manufacturing football helmets two months before the expiration date, an underwriter would lose the opportunity to decline renewal or increase the rate in order to compensate for the new exposure. The insurance company needs to give the insured adequate time to re-market their coverage, but the current insurer should be given the same opportunity to underwrite and price a risk as is given to its competition.

Other clauses or endorsements, which because of risk peculiarities, must be included, should be made a part of the specifications. Specimen wording along with a concise explanation for the need of the endorsement, should be included.

If an independent consultant is used to develop the bid specifications, the major part of the consultant's fee is for the risk identification and risk analysis portion of the specifications. That being the case, the bidder should be able to

depend on the information contained in the specifications. The bidders, relying on the information contained in the specifications, can reduce their cost in the bidding process and hopefully pass these savings along to you.

For this reason, the almost standard, non-warranty of underwriting submission of underwriting clause should not be allowed to benefit the consultant. This clause generally contains language such as "neither the client, nor its representatives, shall be responsible for any error or omission in these underwriting submissions, nor for the failure on the part of the proposers to determine the full extent of the exposure and the verification of all information presented herein shall rest solely on the proposer."

Why should you spend thousands of dollars to have specifications drawn up by an independent consultant if the consultant is unwilling to take responsibility for the accuracy of these specifications? The cost of engineering each risk to verify the accuracy of the specifications must be passed along in higher premiums.

As a company considering putting its insurance out to bid, be sure you review the specifications carefully before releasing them. Many insurance companies refuse to bid on insurance if the specifications are too restrictive.

Be sure underwriting information is contained in the specifications and not just premium rating information. Don't restrict the company to a program of insurance which may be outdated or

inadequate; allow for flexibility. Be sure the specifications indicate the good and bad exposures presented by your company and what controls you have instituted. Also, be sure and indicate past loss and premium information, along with the number of claims and the amount of loss outstanding.

If you feel your company does not have the manpower or expertise to create your own specifications, carefully consider who you select to do the task.

Consultants who don't sell insurance may seem unbiased, but are expensive and are not in touch with the marketplace. Consider choosing one or more independent insurance agents who have the experience and manpower necessary and allow them to identify and analyze your exposures. Combine the information they present to you and compile your own single set of specifications to be used by agents you have selected to approach the marketplace. Agents generally don't charge for this service and you get the benefit of more than one viewpoint.

Jeffrey A. Segall is vp-underwriting of ML/Rodgers & Cummings Insurance Inc. in Clearwater, Fla.



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Accident suits barred in New Zealand

By TOM WALSH

CHRISTCHURCH, New Zealand—Lawyers and insurance companies in New Zealand haven't gone to battle over personal injury lawsuits in eight years.

There have been no ugly courtroom confrontations, no product liability suits, no multimillion-dollar awards by juries.

None. Zero.

New Zealand accident victims or their survivors were prohibited from filing lawsuits in 1974 when the government-administered Accident Compensation Corp. was established. The ACC reviews claims from victims and their families and grants medical, lump-sum and long-term disability awards for accident victims.

The ACC currently has more than \$225 million in reserves. During New Zealand's 1981-82 budget year, the ACC took in \$174.2 million and spent \$138 million processing 131,918 claims, issuing payments to all but 1,188 claimants.

The New Zealand accident compensation system is the only one of its kind in the world. And a member of the New Zealand Parliament who has been closely involved with

the development of the system over the last 12 years says it's likely to remain a global oddity.

"In New Zealand, the insurance companies lost 40% of their business as a result of these changes," Geoffrey Palmer says.



Mr. Palmer

"When we tried to do this in Australia, the forces opposed to the scheme were much stronger than in New Zealand, and the political pressure they were able to bring to bear was much greater. They spent money and were pretty effective in trying to block this sort of reform," he says.

Among the groups opposing an Australian compensation fund, according to Mr. Palmer, were lawyers, insurers and trade unions.

"I would anticipate that those pressures would be very similar in the United States. If the public interest is to triumph, you would need some very strong arguments and some very determined people."

The New Zealand system, he

says, prevents New Zealanders or anyone visiting the island nation in the South Pacific from filing suit for personal injuries caused by an accident of any kind.

"That applies to road accidents, accidents at work, accidents on the sport fields, accidents caused by dangerous and defective products, accidents in the home and to every accident 24 hours a day that happens to anyone in the country," Mr. Palmer explains.

Victims "get benefits if they are incapacitated, but none of them can sue with respect to those injuries."

Mr. Palmer says the system has many advantages, including that it guarantees that accident victims will receive compensation for lost earnings, permanent disabilities and medical and other costs.

"There's no need to prove negligence—only that the injury was caused by an accident," he says.

Benefits paid to accident victims include:

- 80% of lost earnings.
- All medical and dental costs incurred by the accident.
- Costs of transportation to and from a doctor's office or hospital.
- Meal, accommodation and transportation costs necessitated by

medical treatment and rehabilitation.

• Payments for clothing, glasses, contact lenses and/or prosthetic devices damaged in the accident.

• Nursing care costs.

• Payments for property losses caused by the accident.

• Lump-sum payments of up to \$5,040 for permanent loss or impairment of bodily functions.

• Lump-sum payments of up to \$7,200 for pain, suffering, disfigurement and loss of enjoyment of life.

Benefits that can be paid to survivors of accident victims include:

• Continuing wage replacement payments to spouses and dependent children, based on 50% of earnings, although the ACC can grant higher benefits to families with children.

• Lump-sum payments of about \$700 for surviving spouses and \$360 for each surviving dependent child.

• Additional payments to dependents for loss of support through death-related reductions in government and private-sector retirement plans.

• Funeral expenses.

Mr. Palmer says that resolution of personal injury claims through the New Zealand court system consumed too much money that might otherwise have been paid to accident victims or their survivors.

"Delays were very long, and a lot of people didn't get paid because, if they couldn't prove negligence, they got nothing," Mr. Palmer explains. "We had comparative negligence, which reduced the damages for a lot of people because they may have contributed to the injury."

"The expense of those schemes was very considerable. For every \$100 paid into those schemes, it cost \$40 to deliver \$60 in benefits. That seemed very inefficient."

"The amount of money that is now being saved because neither lawyers nor the insurance com-

panies are any longer involved in this scheme is very considerable. For example, in New Zealand, liability insurance for a car is \$14. year. That amount has not gone since the inception of the scheme and the motor accident part of the scheme is operating very heavily in the black," he says.

By comparison, Mr. Palmer says the ACC's administrative overhead consumes just \$9.50 of every \$ paid into the system.

The accident compensation program is financed by the \$14.20 automobile liability coverage of workers compensation premium paid by employers, taxes paid by the self-employed and general revenues.

New Zealanders who are accident victims have retained one legal remedy: They can still sue for punitive damages. The nation's Court of Appeal recently affirmed that claims for punitive damages arising from a tort claim are valid despite the Accident Compensation Act.

"This is not the time for the law to be withholding constitutional remedies for high-handed and illegal conduct, public or private, if it is reasonably possible to provide them," the court said.

"It would be absurd to suggest that such isolated awards of exemplary damages as may occur will be a panacea for the country's social ills. On the other hand, a useful weapon in the legal armory should not be sacrificed without compelling reason," it added.

The same ruling points out that "immoderate" punitive damages awards "will have to be discouraged."

"If, precautions notwithstanding, unmeritorious claims are successfully brought in any numbers, the remedy of abolishing exemplary damages for certain classes of cases is in the hands of Parliament," the court said.

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BC/BS hoping to eliminate unnecessary respiratory care

WASHINGTON—The Blue Cross/Blue Shield Assn. is implementing new cost-containment guidelines that it says could save "hundreds of millions of dollars a year" now spent on respiratory therapy.

The association estimates \$4 billion a year is spent on respiratory therapy, a type of hospital care whose popularity has increased since the 1950s. About 25% of all inpatients receive some type of respiratory treatment, BC/BS says.

However, such therapy may be pushing up health care costs unnecessarily, the Blues say, explaining that hospitals may apply or physicians may prescribe sophisticated respiratory therapy techniques without analyzing if the therapy would be effective.

To combat unnecessary respiratory therapy, the BC/BS guidelines spell out specific circumstances when the procedures are appropriate or should be limited.

The guidelines also state that, in certain circumstances, reimbursement for respiratory treatment will be refused or limited if it cannot be justified.

For example, many hospitals administer routine respiratory tests to patients prior to an operation. However, if the patient has no symptoms or history of pulmonary disease, does not smoke and does not have an occupation that might cause exposure to lung contaminants, the guidelines advise that a Blue Cross or Blue Shield plan should not pay for such tests.

In cases when oxygen therapy is

prescribed, the guidelines recommend that a BC/BS plan require documentation of continued need after a prescribed time period. The association says that oxygen therapy is often continued long after it is needed for victims of heart attacks, pneumonia, pulmonary embolisms, drug overdose, hepatic failure or other medical emergencies.

BC/BS noted a study by the Office of Technology Assessment, a congressional research agency, which says the increased use of respiratory care services "has occurred without much scientific evidence demonstrating that they bring about a measurable improvement in the patient's physical condition."

The study also points out that 25% of all patients receiving respiratory therapy were given a treatment called intermittent positive-pressure breathing, or IPPB, at a cost of nearly \$1 billion annually.

The guidelines will not undermine the quality of care a patient receives but are meant to "raise the level of cost-consciousness of our subscribers, physicians and hospitals," says Bernard R. Tresnowski, BC/BS president. "Any effort which helps control costs without lowering the quality of care will benefit everyone."

Implementation of the guidelines will begin with educational programs to acquaint hospitals and physicians with the new criteria. Ultimately, BC/BS will require justification of respiratory therapy in return for reimbursement.

info

Many companies are organizing their own **fire brigades** to reduce exposure to fire damage. A manual designed especially for industrial and business brigades is available from the National Fire Protection Assn. To order, send \$14.95 per copy and \$19 for the instructor's guide to Publications Sales Division, NFPA, Batterymarch Park, Quincy, Mass. 01906.

A series of booklets on the role of **experience rating in workers compensation insurance** has been published by the National Council on Compensation Insurance. "An In-Depth View of Experience Rating," "ABCs of Experience Rating," "Providing for Future Claim Payments: The Role of Loss Reserves" and "The Wage-Loss Law in Florida: An Update" are available at \$2 each by writing the NCCI, Information Office, One Penn Plaza, New York, N.Y. 10119.

Schirmer Engineering Corp.'s newsletter allows the reader to stay current on **building code activity**, particularly in the area of fire protection provisions. To obtain a copy of the latest newsletter, write Raymond G. Weigand, Schirmer Engineering Corp., 707 Lake Cook Road, Deerfield, Ill. 60015; 312-272-340.

With cold weather ahead, employers will want to know **safety procedures for using portable kerosene heaters**. For free information on this topic, ask for Bulletin No. 181 from the American Insurance Assn. Send a self-addressed, stamped envelope to Engineering & Safety Office, American Insurance Assn., 85 John St., New York, N.Y. 10038.

The Labor Department has published "Update No. 15," one in a series of opinion letters that explains the transactions employee benefit plans may engage in under the **Employee Retirement Income Security Act**. The cost is \$11.70. Checks should be made payable to LMSA, U.S. Department of Labor. To order, write U.S. Department of Labor, Division of Public Disclosure, Pension and Welfare Benefit Programs, Room N-4677, 200 Constitution Ave. N.W., Washington, D.C. 20216.

The Labor Department has published a guide for employers that are sponsoring **child care programs**. "Employers and Child Care: Establishing Services Through the Workplace" contains names and addresses of employer-sponsored child care programs operating in the United States. A limited number of single copies are available free from the Women's Bureau, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210. The publication also can be purchased for \$5.50 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

A booklet from the Loss Control Department of the Alliance of American Insurers, "Simplified Water Supply Testing," can help loss-control and municipal water department personnel test **water supplies used for firefighting**. The 48-page booklet is available from the Alliance for \$4.25 per copy. To order, write the Alliance of American Insurers, Loss Control Department, 20 N. Wacker Drive, Chicago, Ill. 60606.

The International Foundation of Employee Benefit Plans has published a book containing papers presented to Canadian plan trustees, administrators and advisers at its 14th Annual Canadian Confer-

ence. Topics include **government legislation, the future of pensions, pension reform, Canadian health insurance** and others. This 280-page paperbound book costs \$8 for IFEBP members and \$14 for non-members. For copies, write Publications Department, IFEBP, Box 69, Brookfield, Wis. 53005.

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Northrop fights claim in Thunderbird crash

Continued from page 2

Both Northrop and plaintiffs' lawyers want to view the videotape for clues to the cause of the crash, but the Air Force so far has refused to release it. Such videotapes are routinely made of Thunderbirds' practice sessions for internal use, the Air Force says.

The wreckage of the four jets, which hit ground traveling 473 mph, covered an area 700 feet wide and 3,100 feet long within Indian Springs Air Force Auxiliary Field.

The Air Force report says engineering analysis of the videotape supports the thesis that the controls jammed, but it says "no absolutely conclusive evidence exists to establish beyond doubt the exact nature and cause of the control difficulties which caused the crash."

"...Northrop here will demon-

strate that it is not liable for the deaths resulting from the Thunderbird accident by showing that the accident was caused by the acts, errors and omissions of the Air Force and its lead pilot," the company says in court papers signed by J. Mitchell Cobeaga of the Las Vegas law firm of Beckley, Singleton, DeLan & Jemison, the company's attorneys.

Northrop also argues the Air Force's crash probe was not neutral and is based upon secret evidence, including the videotape.

The 700-page Air Force report concludes that a portion of the lead aircraft's control system failed while under a "tension overload," a condition which the Air Force report says typically occurs because of a control jam caused by some

foreign object.

As a result, the report suggests, the lead Thunderbird pilot, Maj. Norman L. Lowry III, 37, was unable to bring his craft out of a steep dive in time to clear the sage-covered desert floor. The three planes piloted by his wingmen—who are trained to fly alongside their leader—crashed instantly later.

Maj. Lowry's widow, Linda, brought the suit on her own behalf, for her husband's estate and for their two children. The suit does not specify a dollar amount, but an attorney for Mrs. Lowry said it seeks more than \$1 million from Northrop.

"I don't see anything that indicates liability on the part of Northrop," says James M. Fitzsimons of the New York law firm of Mendes & Mount, which represents

Northrop and its insurers. Mr. Fitzsimons often handles U.S. air crash litigation on behalf of Lloyd's underwriters.

"However, we always maintain a negotiating bridge with the plaintiff's attorneys," he says.

In this case, the principal plaintiff's attorney is Gary Logan of Las Vegas, who says he has handled numerous military jet fighter crashes for pilots' families.

Mr. Logan says his client's lawsuit alleges the tail-control system in the T-38A—a two-seat aircraft used for jet training as well as the Thunderbirds' show—is too easily disabled by airborne objects or stray internal parts.

"We're basically alleging defect in design on the basis that they did not adequately shield these control

areas from the introduction of foreign objects," says Mr. Logan.

Furthermore, the attorney theorizes that the alleged jam likely occurred in an area of control system where the pilot would have noticed no change in the "feel" of the cockpit controls.

Specifically, he says, Maj. Lowry probably did not know that the stabilizer was not moving properly when he pulled back on the stick in an attempt to move the horizontal stabilizer and raise the fighter's nose.

"You never know the horizontal stabilizer is not moving; there's warning," says Mr. Logan.

"What we have is an aircraft manufacturer that is unhappy with an official finding with respect to its aircraft making allegations cover-up and whitewash simply because it disagrees with the official findings," Mr. Logan says in court papers.

Mr. Logan is also the lawyer for the families of two of the other three pilots killed in the accident: Capt. Mark E. Melancon and Capt. Joseph N. Peterson. The family of the fourth pilot, Capt. William Mays, has another attorney.

The disputed Air Force accident report, written by Col. Henry I. Canterbury, was required under Air Force regulations concerning post-incident reports in fatal crashes. The Air Force also completes a secret "Safety Mishap Investigation" in such crashes.

Ordinarily, the National Transportation Safety Board, which investigates civil aviation crashes, is not part of either effort.

The report says Maj. Lowry was chosen as the Thunderbirds' leader about six months before the crash. It says the pilot, a combat veteran and former flight and weapons instructor, had flown the loop maneuver more than 500 times before the accident.

The report notes that Maj. Lowry "clearly was a superior pilot and also was a mature and exceptionally professional officer." But it also says Maj. Lowry had "recently received guidance from his superiors emphasizing that he continue to train in a cautious, conservative manner." The report does not elaborate.

To buttress the theory that the jet's controls jammed, the report notes that:

- The horizontal stabilizer on Maj. Lowry's craft was found in a position 10 degrees short of maximum lift.

- A type of "shock absorber" in the control system was found to be broken apart from tension overload and shear not expected in normal flight. Similar mechanisms were intact in the other three aircraft that crashed.

- Engine throttles on Maj. Lowry's fighter were found at a lower-than-normal setting.

- Physical evidence suggests that both of Maj. Lowry's hands were on the plane's control stick at impact, "Whereas one hand normally stays on the throttles to make power changes as required and to make periodic radio calls to the wingmen." (The radio microphone button is on the throttle control.)

Northrop says the Air Force has refused to make Maj. Lowry's flight gloves available for independent examination. The Air Force conclusion about the placement of Maj. Lowry's hands at the time of the crash is believed to be based upon material found on the gloves.

The report adds: "These facts indicate that the leader was attempting to do all that he could about the situation—but the aircraft response was inconsistent with such an extreme effort."

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Record robbery covered

Continued from page 2

Mr. Bennett would not disclose how much excess coverage was purchased, though he did say it was substantially in excess of \$1 million.

A spokesman for the joint FBI-New York Police Department task force investigating the Dec. 13 theft, which police theorize could have been an "inside job," late last week declined, "for investigatory reasons," to confirm that \$9.8 million was actually taken. The spokesman said several good leads are being pursued.

City police had earlier estimated the loss at \$9.8 million.

The bandits knocked over the armored-car company shortly after the firm had completed collections from retailers after a high-volume holiday shopping weekend, which is why so much cash was on hand.

Police say they are puzzled by the thieves' apparent knowledge of the inside of the building and their ability to disconnect several electronic alarm devices.

Among the money lifted by the pair in the early-morning robbery was the weekend handle of between \$900,000 and \$1 million from the Yonkers Raceway, a nearby trotting track.

Police theorize that thieves cut a two-foot hole in the sheet-metal roof of the two-story brick structure, tied up a guard after threatening him with a shotgun, then broke through a door and a chain-link enclosure and hauled away the cash in a getaway van.

Under the Chubb policy, Sentry will be reimbursed, probably on a first-dollar basis, for the entire amount taken, sources said. Sentry

will then reimburse the customers whose money was stolen.

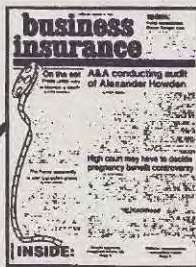
The policy does not cover any liability or personal injury to armored-car company employees.

Most armored-car companies insure cash and valuables in their custody through Lloyd's of London. The balance of the market is written by Chubb and by William H. McGee & Co., a New York-based managing general agency, industry sources said.

The heist may be almost twice as big as the previous U.S. record: the theft of \$5.8 million in cash and jewels from a Lufthansa cargo hanger at New York's Kennedy International Airport in 1978.

The largest theft in modern times occurred in 1945 when \$400 million in negotiable securities were taken during the looting of the Reichsbank in Berlin after the Nazi government fell.

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Pantry Pride to fight claim

Continued from page 3

William Kies, a legislative assistant at the FMI, whose members include America's largest grocery chains, like Great Atlantic & Pacific Tea Co. Inc., Grand Union Co. and Kroger Co. "There is a real grassroots move to change the law."

However, employers are deeply divided on what changes should be made to the law. Unless those divisions are sealed, Congress is unlikely to make any changes.

For example, small firms that intend to withdraw from multiemployer plans want the law changed so they won't be hit with large withdrawal liability claims. However, large companies, which are committed to the plans, favor tough withdrawal liability rules so they won't face a mountain of liabilities left behind by withdrawing employers.

Fraudulent claims investigated

COLUMBUS, Ohio—The Investigations Division of the Industrial Commission of Ohio reports that it saved employers \$5.6 million this year by identifying fraudulent or improper workers compensation payments made against the Ohio State Insurance Fund.

Of the 900 cases investigated, 800 have been closed, with more than half resulting in some form of administrative action or criminal prosecution, said Gary Meyers, director of the Investigations Division.

The Investigations Division was created in 1978 as a direct result of a 1976 investigation that uncovered workers compensation fraud in the Cleveland area. Since that time, the division has saved Ohio employers more than \$9 million in fraudulent payments, says W. Craig Zimpher, chairman of the Industrial Com-

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ARMCO SPECIAL RISKS

Reinsurers tighten satellite coverage rules

Continued from page 1

Constellation also hopes to add a clause to its present treaties spelling out this satellite exclusion.

Other reinsurers also hope to exclude satellites, either entirely or in part, from coverage under existing treaties.

San Francisco Re has discussed pre-empting satellite coverage either by adding an exclusion clause to its treaties or by "extra-contractual agreements" with its ceding companies, according to Mr. Hood, who added that the company will "make (its) thoughts known to the marketplace" early next year.

He added that he expects a "groundswell of questioning" of ceding companies by reinsurers worried that they unknowingly might be on satellite risks.

The spokesman for the other reinsurer involved in the INSAT loss said his company may exclude satellites from some existing excess-of-loss treaties but allow them under other quota-share treaties.

Reinsurance Co. of America, which has found that it is reinsuring three satellites under inland marine treaties written this year, is informing ceding companies that satellites will not be covered under existing treaties, according to Kathleen Boreman, a second vp. Ms. Boreman added that the company does not plan to add specific satellite exclusions to its existing treaties.

Most of the reinsurers agreed

that the presence of satellites on these existing treaties exacerbates an already difficult problem in the satellite insurance marketplace: maintaining an adequate spread of risk.

The number of satellites and direct satellite insurers is still relatively small, while satellite values are large: Some of the spacecraft are insured for close to \$100 million. Reinsurers covering satellites on separate treaties with several ceding companies may find that they are taking on multiple shares of the same satellite risk.

Several reinsurers say they will probably write only one or two satellite-only treaties for this reason.

Reinsurance Co. of America will probably limit itself to the one straight satellite treaty it now writes to avoid "doubling up" on the same risk, Ms. Boreman said.

San Francisco Re also writes one straight satellite treaty. It reinsures Washington-based Intec Corp., which underwrites satellite risks for CIGNA Corp.'s INA subsidiary. While San Francisco Re's capacity "has not been used up" by the current treaty, the company is still concerned about maintaining adequate spread, Mr. Hood said.

"You write one, you write them all," he explained.

But most of the reinsurers believe their actions will not lead to any shortage of reinsurance capacity for satellite risks.

"There will inevitably be some

tightening because there will be some reinsurers who won't accept large net lines," Mr. Hood said. But, he added that any lost capacity will probably be made up by other reinsurers entering the marketplace.

"I think that if (ceding) companies come in with (satellite business) upfront instead of trying to slip it into an inland marine treaty, they'll find the capacity," Ms. Boreman said.

Capacity problems probably will not arise until a loss occurs, Mr. Smith said.

"Then everyone's going to run, unfortunately," he explained.

A few reinsurers have already run as a result of perceived problems in reinsuring a series of satellites over a multiyear span at fixed premiums.

Talbot Bird & Co. Inc., a New York-based underwriting manager, decided not to participate in a program covering American Telephone & Telegraph Co.'s Telstar 3 series after several of its reinsurers objected to provisions of the insurance package offered by AT&T's broker, Marsh & McLennan Inc.

The Telstar series is comprised of three satellites, each valued at between \$90 million and \$100 million. The first is to be launched on a Delta rocket by the National Aeronautics and Space Administration in July, while the second and third will be launched aboard NASA's space shuttle in August 1984 and June 1985, respectively.

An insurance package covering all three satellites is nearly complete, with about \$85 million of the insurance for each vehicle already placed, according to Nick J. DeCapua, AT&T's district manager of corporate insurance.

Premiums for the package have been determined in advance and will not change at a later date. AT&T will make a downpayment of 10% of the premium immediately, with the balance payable in three es-

entially equal portions 60 days before each launch, Mr. DeCapua said.

The insurance will cover the satellite during launch and for 180 days in orbit, Mr. DeCapua said. In case one of the satellites is "bumped" from its shuttle berth and must be rescheduled for a later flight, the insurance will continue to cover the satellite through its final launch.

NASA is "committed" to reschedule bumped satellites for launch within nine months of the original launch date, according to George D. Baker, a NASA senior staff engineer.

Several treaty reinsurers balked at writing the AT&T program when they became aware of the multiyear period over which they might be liable for losses, according to Talbot Bird's reinsurance intermediary, Delaney Offices Inc. of New York.

The final straw was the provision extending coverage for launch delays, according to Thomas E. Mangold, an assistant vp.

"We've had definite cancellations from several markets who say they've had enough," he said.

Allstate Insurance Co.'s reinsurance division is still "in the talking stage" with ceding companies on participation in the Telstar program, according to Edward C. McBride, senior underwriter for marine and aviation risks.

"We don't really want to write that on a program basis," largely because of the effects of inflation on premiums and the inability of underwriters to apply a loss-development factor to future rates, Mr. McBride said. One solution to the problem would be to write the Telstar series on a single-satellite basis, he said.

But other reinsurers, brokers and ceding companies contend that the problem of long run-off time and locked-in rates is not major.

"That's one of the financial risks

I'm willing to take," said Mr. Hood of San Francisco Re, adding that other risks included in reinsurance treaties—like homeowners' insurance—also have long tails.

"It's just something you'd better think about before you go on (a satellite risk)," said Alistair D. Johnston, a vp with Delaware-based General Reinsurance Corp. "A. these things are doable if you can get the right rate."

Although M&M has placed multiple-satellite insurance package with launch-delay provisions in the past, only Talbot Bird's reinsurer have voiced objections to date and M&M does not expect to encounter similar objections from other markets in the future, according to Mary Ann Curnan, a vp in the brokerage's aviation department.

She also noted that Talbot Bird writes a relatively small line—about \$1 million to \$1.5 million—and that problems it has with its reinsurers are probably isolated.

Likewise, Intec has heard no complaints from its reinsurers, according to President James W. Barrett. The majority of commercial satellites launched to date have been insured as series, Mr. Barrett pointed out.

"That's the nature of the business. It's a long-term business," Mr. Barrett said, though he conceded that problems were caused on the Telstar program by the provision reserving coverage in case of launch delays due to changes in the shuttle schedule.

The problem, though, was not any extension of run-off time, but aggregation: What happens if an AT&T satellite is rescheduled on a shuttle flight that is carrying another satellite already insured by one of Telstar's insurers?

Mr. Barrett says that, because of the aggregation problem, Intec has had to write a smaller line on the Telstar program than it might otherwise have written.

Storm losses cost \$47 million

NEW YORK—Insured property damage caused by wind, hail and tornadoes that swept Arkansas, Missouri and Illinois Dec. 2-7 are estimated at \$47 million by the American Insurance Assn.

The most extensive damage, about \$20 million, took place in Arkansas, while Missouri suffered

about \$17 million in insured damage and Illinois suffered about \$10 million.

The estimates do not include damages covered under the National Flood Insurance Program.

The storm was assigned Catastrophe No. 76 by the Insurance Services Office.

Captive bill introduced in the Bahamas

By LAURENCE H. GROSS

NASSAU, Bahamas—Prime Minister Lynden O. Pindling promises that his government will try to restrict "carpetbaggers and fly-by-nights" after it passes legislation to reopen the Bahamas as a haven for captive insurers.

"We are now presenting ourselves as an international domicile

for insurance, banking and shipping," says Mr. Pindling. "You have the assurance of my government's support for the development of the captive industry."

The prime minister told about 70 participants at a conference sponsored by Risk Planning Group Inc. of Darien, Conn., that new legislation governing captive insurance companies has been introduced in

Parliament.

"We believe that the external insurance bill... meets the needs of industry and the regulatory authorities," Mr. Pindling said.

The bill introduced Dec. 8, one day before the captive conference began, would establish a relaxed regulatory atmosphere for captive insurance companies. The bill is similar to regulations that now exist in the Cayman Islands.

Mr. Pindling emphasized four features of the bill that he said should make the Bahamas an attractive domicile.

The proposal would:

- Allow companies to freely create captive insurance pools and permit single-owner captives and pools to write third-party business. The underwriting of unrelated business has become an integral element in allowing the tax-deductibility of a parent's premium payments to a captive insurer.

- Set up unrestrictive licensing guidelines for captives.

- Allow captives to be formed with as little as \$100,000 capital and surplus for property/casualty companies and \$200,000 for life and health insurers. Captives would be required to maintain a 5-to-1 premium-to-stockholder equity ratio.

- Exempt captives from excise or premium taxes for at least the first 15 years of their existence.

The legislation, which was promised by Mr. Pindling two years ago, is the government's attempt to recapture the captives.

In 1969, before the popularity of captive insurers exploded, the Ba-

hamas had been a leading captive domicile, with about 200 international insurers based on the island.

But the Bahamian captive industry was nearly shut down after the government passed insurance legislation in 1969. Although the legislation was aimed at domestic insurers, international companies fled the island, either fearing more stringent laws or thinking that the changes would affect captives.

The Bahamas is now the domicile for an estimated 40 to 50 captive insurers.

Political observers in the Bahamas said they expect the new insurance legislation to be quickly passed by the Bahamian Parliament, perhaps within two weeks.

"Our intention now is to provide you with an attractive domicile for your business and do the best we can to make the carpetbaggers and fly-by-nighters unwelcome," said Mr. Pindling.

"In the 1960s, we tried to remove the undesirable captives from the Bahamas," added Deputy Prime Minister Arthur D. Hanna, who also spoke to the captive conference. "We needed to ensure that only legitimate and reputable companies were allowed into the country. While the legislation in 1969 may have gotten rid of the undesirable, it also may have resulted in the loss of reputable companies."

Mr. Hanna told the gathering that the U.S. government has pressured the Bahamas to moderate its strict banking secrecy laws but, he added, the new captive legislation provides the insurance industry with guarantees of confidentiality.

"The U.S. government has regarded the Bahamas for encouraging tax dodges and money laundering," said Mr. Hanna. "The Bahamas government itself has been rigorous in trying to prevent the laundering of money, but on taxes, we take a different view. They (tax dodgers) are not violating any of our laws by not paying U.S. taxes."

Although Mr. Pindling promised insurance executives that the red tape encountered by companies applying for work permits for non-Bahamian employees would be eased, Mr. Hanna warned that slow bureaucracy seems to be part of the Bahamian civil service system. "If in the course of reasonable events a Bahamian is not available for the requirements of a job, there will be no problem in granting work permits," Mr. Hanna said. "But the delay in work permits is not only a complaint of the insurance industry, but all industries."

Both Mr. Pindling and Mr. Hanna praised work of the Bahamas Assn. for International Insurance, both citing the joint government-industry committee's work as crucial to creation of a bill that will protect interests of captive insurance companies.

Some BAII members attending the conference seemed surprised that the bill had been introduced in Parliament so soon, saying they had expected a further delay. Many observers thought the bill would have been introduced in October, but political party caucuses and preparation of the nation's budget delayed the legislation (BI, Nov. 8).

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Money funds ask insurers for coverage

Continued from page 1

ty insurance for money market funds is coming from the Investment Company Institute, a Washington-based trade group that represents most of the 250 mutual funds. The ICI is working with broker Johnson & Higgins and Aetna Casualty & Surety Co. to develop an insurance program.

The ICI has been exploring the possibility of getting some form of insurance since last May, according to President David Silver. But the action was not as a direct response to new money market instruments offered by banks and thrifts, he added.

Many in the money market fund industry agree with Mr. Silver that guaranty insurance should not develop simply as a response to banks' and thrifts' marketing efforts.

"There's a lot of silliness going on with the advertising, with deposit insurance as a major theme for their (banks' and thrifts') money market deposit accounts," said William Donoghue, president of the Holliston, Mass.-based Donoghue's

MONEYLETTER, which regularly analyzes the money market industry.

Mr. Donoghue pointed out that no depositor in a money market fund has ever lost accumulated funds.

Although, historically, money market mutual funds haven't lost money or faced a default, some are characterized as more secure than others.

For example, Paul Robertson, president of San Francisco-based Capital Preservation Fund, points out that his fund only invests in obligations held by the U.S. Treasury, which are already backed by the government.

"The FDIC holds its insurance pool of money in Treasury bills and we're in Treasury bills, so I don't know what we have to insure," Mr. Robertson said. "I just don't see any reason for us to take the shareholders' money and pay a premium on an insurance policy that does what the U.S. Treasury already does for us."

His sentiments are echoed throughout the money market funds industry by fund managers

and industry analysts alike, who consistently note that while the banking and thrift institutions have floundered, money market funds have remained a secure investment.

Despite resistance to the guaranty insurance idea among many mutual funds, there is a growing sense that the insurance issue will not go away and pressure is mounting for the insurance industry to develop a product that will provide a competitive response to the FDIC and FSLIC.

"There has been talk on the subject for quite a while, but really nothing was done," said Dr. Tamar Frankel, a member of the Boston University Law School faculty and currently a visiting professor at the University of California Law School in Berkeley.

"Now there are things on the drawing board," she said.

"I think we are just a little way away" from a guaranty insurance policy available through the commercial insurance market. "Both parties (the mutual funds and the insurance industry) are certainly trying hard to come up with a solution," she added.

"Obviously, I think that some of our members believe it (guaranty insurance) would be desirable from a marketing point of view in response to what might be called abusive or misleading advertising on the part of the banks," ICI's Mr. Silver said.

"But it all boils down to a question of costs. Is it really necessary, from the point of view of the shareholders, to insure the fund if the premiums are substantial?"

"This has been at the root of the considerations of the industry."

Premium costs in the program

being developed by ICI, Aetna and J&H are expected to end up somewhere between 0.1% and 0.2% of a money market mutual fund's net assets.

By insuring the net assets of a money market fund, two types of exposures would be protected, according to Mr. Silver.

Primarily, the mutual funds would be insuring against defaults, not of the money fund itself but of the entities in which they invest. For example, if a major bank goes bankrupt, its certificates of deposits held by a fund become worthless, Mr. Silver explained.

The other risk is tied to market movement of the investment value itself. If a 30-day money market investment is yielding 9% and interest rates dramatically increase to 15%, the temporary value of the money market investment decreases.

"Our discussions have centered on developing a policy that would cover both the security risks and the credit worthiness risks," said Mr. Silver. "It would insure the dollar value. Therefore, an investor would get back a dollar for every dollar put in," regardless of market fluctuations or defaults.

Joe Kiernan, vp of Aetna's bond department, characterizes the ICI proposal as still "in a state of flux," with no firm timetable to have a product available to the money market mutual funds.

"I'm speculating, but I think what we have felt all along is that if we had the broad parameters or understandings in place sometime this week, that the industry ought to be able to come forward with some kind of a product by the beginning of the year," Mr. Kiernan said.

"I think we're at a point where we think we know what an industry solution would look like, but again there's a lot of work to be done."

Additionally, a policy that would

be available to the entire money market mutual fund industry is doubtful. For instance, although the more aggressive money market fund investors might want guaranty insurance, it is unlikely that the insurance industry would consider these risks, according to a number of industry observers.

"Certainly, the aggressive money funds need insurance, but I'd never be able to insure them," said Ted Buerger, vp of S&B Insurance Services of White Plains, N.Y.

S&B, which specializes in financial guaranty insurance for municipal bonds, is working with a number of insurers to put together a guaranty policy for money market funds.

"I think there clearly is a shift in attitude—that (mutual funds) feel in the long run they have to arrange insurance to be competitive with certain of their conservative investors," Mr. Buerger said.

The guaranty policy S&B is putting together probably would have a premium cost of about 0.45% of a money market fund's net assets.

"I have a number of insurance companies that have indicated a desire to do this business within certain parameters, but I don't have a binding written commitment from them to provide it," Mr. Buerger said. However, he predicts that there will be a money market mutual fund with guaranty insurance by March.

Indeed, the general consensus within both the insurance and mutual fund industry is that some form of guaranty insurance will be in the market sometime next year.

And Mr. Donoghue suggests that premium costs will not be an insurmountable obstacle.

"Ten to 15 basis points (0.1% to 0.15%) is nothing," said Mr. Donoghue, referring to the premium rate expected in the ICI plan. "I would say any investor would gladly give that just to know he's a little bit safer."

N.J. health plan wins rate hike

TRENTON, N.J.—The financially troubled Medical-Surgical Plan of New Jersey has won approval to raise small group rates by 24.2% next year.

The rate increase, effective Jan. 1, is expected to net the plan, a Blue Shield Assn. affiliate, an additional \$26.8 million in premiums in the upcoming year.

The additional revenue is needed, state Insurance Department officials say, because the plan currently faces a \$13.5 million defi-

cit at the end of the year and is virtually insolvent.

The additional revenue, a state official explains, is essential if the plan's financial health is to be restored to a level mandated by state statute.

The Medical-Surgical Plan of New Jersey has 1.6 million small group and individual subscribers. In New Jersey, a small group subscriber is defined as an employer or other group with fewer than 50 workers.

CIGNA combines reinsurance units

CIGNA Corp. has consolidated the three separate life and health reinsurance operations maintained by Connecticut General Life Insurance Co. and INA Corp.

The new entity, CIGNA RE Corp., is the result of the merger of Connecticut General Reinsurance Operations, INA Accident & Health Reinsurance Operations and LINA Life Reinsurance.

James A. Mitchell, former vp of reinsurance operations for Connecticut General, has been named president of CIGNA RE.

Robert E. Adams, who headed reinsurance sales for Connecticut General, will be in charge of an expanded reinsurance marketing operation. Richard J. Francisco, formerly head of reinsurance sales for LINA Re, will assume responsibility for group and special risk underwriting and administration.

CIGNA RE will be headquartered at CIGNA Corp.'s offices in Bloomfield, Conn., although its operations will be split among the Bloomfield offices and the company's offices in Philadelphia.

International push

Johnson & Higgins plans to expand its international reinsurance brokerage operations with the formation of a new international reinsurance department.

The new department will complement the activities of J&H subsidiary Willcox, Baringer & Co., which concentrates primarily on reinsurance of domestic U.S. companies, according to J&H Chairman Robert V. Hatcher Jr.

Diarmuid M. Hogan, a vp, will manage the new department.

Loss-control services

SAFECO Insurance Cos. will re-

markets

organize its commercial lines loss-control services, effective Jan. 1.

Rather than offering loss-control services through individual SAFECO branch offices, the company will now coordinate the services through six regional offices.

The Seattle regional office will coordinate loss-control services for Seattle, Portland and Spokane; the Los Angeles office will handle the services for Los Angeles, Burlingame and Fountain Valley, Calif.; the Chicago office will coordinate for Chicago, St. Louis and Cincinnati; Denver and Dallas services will be coordinated through the Denver office; Atlanta and Nashville activities will be coordinated through the Atlanta office; and Toronto will handle Canadian services.

Work comp insurer

A new market for workers compensation insurance has been formed in California.

Citation Insurance Co. was granted a certificate of authority by the California Insurance Department on Nov. 1. It is starting to write business with combined capital and surplus of \$2.5 million.

The company will focus on medium- to large-sized risks and offers a variety of loss-prevention, safety engineering and claims management services including computerized claims analyses produced monthly, quarterly or upon request.

Citation is a wholly owned subsidiary of Columbia Pacific Corp., which was co-founded a year ago by Donald D. Young. Mr. Young also serves as president and chief

executive officer of Citation.

Citation's offices are located at 1635 The Alameda, San Jose, Calif., 95126; 408-995-0222.

Operations combined

Underwriters Adjusting Co., a subsidiary of The Continental Corp., will combine its franchising and marketing operations into a new marketing services department.

The new department will be located in UAC's New York headquarters and will be headed by Adrian M. Tocklin, vp.

In addition, UAC has established two new franchise affiliations with independent claims adjusters. The new franchisees are Fosterling Claim Service Inc. of Green Bay, Wis., and Thomas Swenson Adjusting Co. of Mason City, Iowa.

UAC is composed of 107 affiliate claims adjusting firms providing claims services to 1,400 insurers and large self-insurers nationwide.

New offices

Insurance Management Group Inc. has moved to expanded offices at 300 Bedford St., Stamford, Conn. 06901. Its telephone number remains 203-357-7169.

North American Insurance Agency has moved to a new national headquarters at 3800 Classen Blvd., Oklahoma City, Okla. 73125; 405-523-2100.

Capital Risk Insurance Associates Inc. has established a regional office in the Southeast Bank Building, 201 E. Pine St., Suite 1101, Orlando, Fla. 32801; 305-423-1001.

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Manville wants broader stay of litigation

Continued from page 2

"Defendants, in an attempt to avoid the dictates of Section 362 of the Code, have continued and are continuing to achieve an 'end run' by targeting lawsuits or by continuing to prosecute judicial and other proceedings against the Employees, Agents and Others."

Permitting such lawsuits to proceed will prejudice Manville's position, divert management resources and disrupt the reorganization process, the complaint continues.

The suit seeks a stay to prevent the defendants from beginning or continuing such suits and also to stop any discovery into the affairs of Manville.

But asbestos co-defendants, led by Keene Corp., GAF and Lake Asbestos of Quebec, say Manville shouldn't get the stay extension unless it applies to all co-defendants.

They contend that what Manville seeks would hamper their own efforts to defend themselves in ongoing asbestos litigation since Manville, the lead asbestos defendant before its bankruptcy filing, is

central to the litigation.

Co-defendants had agreements with Manville for discovery but it is no longer taking place, one attorney said.

"We find ourselves going to trial without a lot of the defensive armament we expected to have," said C. MacNeil Mitchell, an attorney for co-defendant Lake Asbestos of Quebec.

In addition, under the legal theory of joint and several liability, co-defendants have to pick up the whole judgment in asbestos trials even though Manville may have supplied most of the product.

"These are very serious problems," said Mr. Mitchell, of the New York firm of Breed, Abbott & Morgan. "It is a very bad situation."

At the same time, some co-defendants want to bring Manville's insurers into bankruptcy court. They contend that resolving insurance-coverage issues is central to Manville's reorganization.

Calling it the "heart of the proceedings," GAF attorney Anthony

J. Marchetta said that Manville's central reason for filing for Chapter 11 was because its insurers failed to indemnify it for asbestos losses.

Manville's bankruptcy cannot be solved if the insurance issues are also not solved, added Mr. Marchetta, of the New York law firm of Hanoach, Weisman, Stern, Besser, Berkowitz & Kinney.

Co-defendant Keene also wants damages for injuries caused to Keene by the insurers' alleged intentional and wrongful failure to provide insurance to Manville for asbestos claims.

Keene claims that the insurers' failure to defend and indemnify Manville substantially contributed to its bankruptcy filing and harmed other co-defendants because Manville has failed to pay its share of asbestos damages.

Although Keene's initial attempt to bring in the insurers as part of its answer to the Manville complaint was turned down by the bankruptcy court, it will try again, an attorney for the company said.

In a similar move, Commercial Union Insurance Co., a prime asbestos insurer, recently filed a petition in the California bankruptcy court to have Manville's insurance litigation removed from the state court in San Francisco.

This would allow CU to pursue bringing the insurance issue to the New York bankruptcy court where the Manville case is now being heard, says William E. Bailey, senior vp and claims counsel for CU.

While Manville and its co-defendants fight over bankruptcy proceedings, attorneys for asbestos victims want to have Manville's reorganization petition completely thrown out of bankruptcy court.

In a motion filed early last month, the attorneys argued that Manville's petition was not brought in good faith.

The motion argues that Manville is using bankruptcy law to impair the present and future rights

Stay lifted on non-asbestos suit

NEW YORK—While Manville Corp. and its creditors fight over the automatic stay on all litigation against Manville, a New York bankruptcy judge is allowing one non-asbestos lawsuit to proceed.

Last week Judge Burton R. Lifland said a case that had gone to trial in which a judgment of \$6.1 million was obtained against Manville could be appealed.

The case was brought by the Costa Viva Homeowners Assn. and involved use of a wall product manufactured by Manville called Rescon. The product apparently deteriorated, permitting water to enter wall cavities and interiors of homes.

Costa Viva was awarded the \$6.1 million on July 1. Shortly before Manville filed for bankruptcy, it persuaded the trial judge to require a bond from Manville guaranteeing payment.

The bond was a \$9 million insurance policy obtained from Federal Insurance Co, a subsidiary of Chubb Insurance Group.

Gary Aguirre, a San Diego attorney representing Costa Viva, said about 19 or 20 other creditors of Manville have such bonds.

A spokesman for Manville said the company did not think the lifting of the stay in the case would open the door to other creditors and especially asbestos litigants.

"It was already tried and on appeal," the Manville spokesman said, explaining why the case is unique. "It won't open the door."

Manville did not oppose the lifting of the stay and believes the case will be overturned on appeal.

Hospital bill errors rise: Study

ATLANTA—A growing number of hospital bills submitted to insurers contain undetected billing errors, a recent survey reveals.

In a study of 331 hospital bills submitted for payment to 87 major health insurers in 40 states, about 93% contained billing errors, 3% more than were discovered in a similar billing study conducted in 1981.

The bulk of those errors—77%—could not be substantiated as services that were actually rendered, the study revealed. Only 15% of the bills omitted charges for services that had been rendered.

The study, conducted earlier this year by Equifax Services Inc., an Atlanta-based administrative services firm, surveyed bills submitted by hospitals to the insurers.

The survey showed that the av-

erage bill could be reduced 3.6%, or a savings of about \$673 on the average surveyed hospital bill of \$18,932.

The majority of the billing errors, Equifax officials contend, were the result of human error.

The most frequently found errors included charges for laboratory tests, X-rays or blood work that may have been ordered by one physician but later cancelled.

"In some cases, a person may have been discharged before a drug that had been prescribed was even administered," explains a spokesman for Equifax.

In addition, some of the bills contained charges for elective services that had been performed on patients who had originally been admitted to the hospital for other problems.

compensation of victims of asbestos-related diseases and represents "the culmination of a 50-year-old corporate policy to cover up the injuries being inflicted and to prevent just compensation to the victims."

"These Chapter 11 cases were filed in bad faith, are an abuse of the provision of Chapter 11 and an imposition on this Court's jurisdiction and should therefore be dismissed without the delay," plaintiffs' attorneys argued.

Attorneys for Manville did not return calls from *Business Insurance*.

Finally, all parties are watching Congress to see what, if anything, it will do with the federal bankruptcy code.

Last June, the Supreme Court declared unconstitutional provisions of the federal bankruptcy code that give bankruptcy judges power to hear cases outside bankruptcy without the necessary

federal judges.

The court has since given Congress until Dec. 24 to make the code constitutional. Attorneys aren't sure what the effect will be on the bankruptcy proceedings if Congress fails to act.

"If no decision is made to amend the bankruptcy law, nobody is sure what will happen," says Arthur Olick, an attorney for Keene Corp. with the New York firm of Anderson Russell Kill & Olick.

Mr. Marchetta said if Congress fails to act by the Dec. 24 deadline, it is likely that emergency interim rules will go into effect guiding the bankruptcy courts.

"It's not like the whole superstructure will go tumbling into the sea," he said.

What the constitutional impact will be, however, and whether interim actions by the bankruptcy court will be constitutionally valid remain uncertain, Mr. Marchetta added.

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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,948
Government, Associations, Unions, Educational Institutions	1,004
Commercial Consumers Sub-total	23,083
Insurance Agents & Brokers	9,629
Insurance Cos.	4,944
Financial Institutions	314
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,408
Others allied to the field	854
TOTAL	41,232

*Source: Business/Occupational breakdown of qualified circulation, May 3, 1982 issue, as submitted to BPA for June 1982, BPA Publisher's Statement.

HOLIDAY NOTICE

Due to the Christmas Holidays, closing for the December 27th issue will be Monday, December 20th, and closing for the January 3rd issue will be Monday, December 27th.

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Disaster plan value proven after blasts

AFT, La.—A fiery explosion ended the evacuation of more than 100 people living near a Union Carbide Corp. chemical plant, but company officials credit a disaster-response team with preventing any injuries.

"Just a few hours after the crisis started, we recommended to parish officials that the six towns be evacuated," said a company spokesman.

"We have been doing a lot of (practice) drilling on worst-case disasters, and we finally got to test the system. It worked." Plant operators "realized something was wrong" with an underground chemical tank about an hour before it exploded, the spokesman said. Workers at the plant, about 35 miles northwest of New Orleans, were evacuated about 30 minutes before the initial explosion at 12:30 a.m. Dec. 11.

Company officials said the plant, employing more than 1,200 workers, was shut down after the explosion but that most of the facility is expected to reopen this week. The cost of damages to the plant have not been determined.

Union Carbide officials confirmed that property, general liability and business interruption coverage had been provided by Kemper Insurance Co., but the chemical company and Kemper refused to reveal any details of the insurance program.

Fires burned for more than 17 hours after the 70,000-gallon tank containing acrolein, a chemical used in algicides and animal food supplements, exploded. The fires were fueled by three adjacent acrolein tanks and three smaller tanks of acrylic acid.

Residents of the six towns within five miles of the Union Carbide facility, who were evacuated in less than two hours, were allowed to return to their homes about 30 hours after the initial blast.

The Union Carbide spokesman said that although there were no reported injuries in the incident, the company established three centers to handle claims from the evacuees.

"We are not assuming liability for the accident, just telling individuals who may have been affected that we are taking information about any problem they may have," he said. "We've had at least 250 filings, including everything from property damage to lost wages."

The spokesman said the gases released by the explosions are toxic to humans, but prolonged exposure would be necessary to prove fatal. He added that state air-quality inspectors established measurement stations outside the plant and were not able to find significant amounts of acrolein or acrylic acid pollutants.

Elected to board

TALLAHASSEE, Fla.—Gov. Robert Graham has appointed former banker Harry H. Bassett to a two-year term in the Board of Governors of the Insurance Exchange of the Americas.

The appointment of Mr. Bassett, former chairman of Miami-based Southeast Bank, fills the last vacancy on the exchange's 12-member board.

The board of the Insurance Exchange of the Americas is composed of eight members elected by the exchange members, two members appointed by Florida Insurance Commissioner Bill Gunter and two others appointed by Gov. Graham.

Banks boost security

Continued from page 3

them in Winston-Salem, Greensboro and Raleigh.

The greater metropolitan area of Greensboro and Winston-Salem was particularly hard hit; 14 savings and loan associations in those cities were robbed this year.

The average amount taken in robberies of North Carolina financial institutions this year was \$200,000.

"Most of the suspects already have criminal records," Mr. Pence said, "and most of the robberies were not well-planned. It might just as well have been convenience stores as financial institutions. The suspects for the most part didn't target banks and savings and loan associations."

"Make sure your staff is on the lookout during the holidays for individuals who fit the potential-robbler profile," he said.

"Often a suspect will come in and ask for change for a \$5 bill, using it as an opportunity to case the place," Mr. Pence said.

To encourage their customers and other members of the public to assist in the arrest and conviction of robbery suspects, the Savings & Loan League of North Carolina has established a reward program, offering up to \$2,000.

Now in its third year, the program was judged a success by H.N. Wellons, chairman of the league's security committee. Mr. Wellons said that payment has been made in six cases this year.

Insurer pays peacock claim

Continued from page 3

anyone noticing it. When (an employee) tried to evict it, there was a scuffle. The bird flew onto a table, which had a slippery surface. Its feet went out from under it and a heavy North Country Breweries ashtray on the table was kicked through a plate-glass window approximately three feet away."

At the time, there were eight peacocks on the premises, though there are now 10 "because there were a lot of eggs last year," said Lyn Lockwood, who says she's a "jack-of-all-trades" at Still Meadow.

Usually, the peacocks stay outside, but on this particular day the door to the clubhouse was open, so it just strutted in, she said.

"The doors are kept closed now, especially if I am around," she said. "I've got to clean this place."

Bishopsgate paid 130 pounds (about \$210) for the broken window on Still Meadows' policy.

"We just paid the claim," said Mr. Flocks. "The story was too ridiculous to be made up."

It seems that this was not the insurer's only unusual claim.

"We get all kinds of claims, like the guy whose toupee burned while he was having a barbecue. We couldn't decide if it was covered under contents or personal effects in his homeowner's policy."

The insurer paid the claim on the basis that the toupee was content of the house that was temporarily outside when it was singed.

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NCCI asks states to OK new comp form

Continued from page 1
ease claims had to be filed within 36 months of the expiration of the policy.

- Adds coverage for consequential bodily injury to the family of the injured employee.

- Specifically excludes co-employee lawsuits as a covered exposure for insured employers.

- Specifically excludes coverage for damages arising from a retaliatory discharge of an employee or when an employer discriminates against a worker to prevent the employee from bringing a workers compensation claim against the employer.

The NCCI says the new contract offers "greatly expanded" coverage that employers had requested be included under the employers liability section.

As one example, NCCI cites the dual-capacity coverage.

The previous NCCI policy did not cover dual-capacity cases and employers generally had to look to their general liability or product liability insurance for coverage to pay damage awards.

But at least one insurers' group says the policy goes "too far" because it would cover injuries that should be covered under general liability policies.

The dual-capacity coverage that was added to the NCCI policy creates definite problems for the California Workers Compensation Institute, said Alan Tebb, general manager of the institute, which represents workers compensation insurers in California.

The institute has corresponded with the NCCI to voice its concerns with the policy, but was unaware that the policy was being filed with state insurance departments for approval, he added.

"Allowing dual-capacity claims is going too far," said Mr. Tebb. "We're giving stuff away."

Mr. Tebb also points out that the

NCCI fails to define in the policy exactly what is meant by the term "dual capacity."

"Workers compensation carriers are going to be responsible for non-work-related injuries and that is contrary to everything I ever learned," he said.

In California, the dual-capacity doctrine has permitted employee suits, but both legislation and an appellate court have limited such claims.

The new workers compensation law in California tightens restrictions on employee suits against employers (BI, Aug. 16).

The reform was in response to a 1981 Supreme Court decision in *Bell vs. Industrial Vangas* that said it would be unfair to bar an employee from bringing a product liability suit against a manufacturer that happens to be his employer if the other users of the faulty product are allowed to do so (BI, Dec. 21, 1981).

In another dual-capacity case, an appellate court overturned a county court ruling that allowed an employee to sue his employer in its "dual capacity" as employer and self-insurer (BI, March 29).

The state Supreme Court let that appellate ruling stand.

While California legislation has essentially overridden the Bell decision, "it still represents an exportable doctrine that may find action elsewhere," said William P. Molmen, senior counsel for the American Insurance Assn. and a member of the NCCI policy development committee.

Already, a dual-capacity case is pending in Illinois.

John Lewis, a workers compensation consultant in Coconut Grove, Fla., intimated that insurance buyers may have a problem with the employers liability section of the policy, but he declined to elaborate why. The policy will require a long and careful analysis,

he said.

Another change, which the NCCI says expands coverage, would eliminate the restriction on coverage for occupational disease claims to three years after the policy expires.

This change was an attempt to clarify what has already been recognized in most states, says Mr. Lewis.

Many state courts have ruled that insurers must cover claims filed more than three years after policy expiration because occupational disease claims can take long periods of time to surface.

Mr. Lewis said he understood that the recently released policy was a "trial balloon" so the NCCI could get reaction from the buying industry.

"I haven't digested the policy at all yet," said Mr. Lewis, one of the authors of Florida's wage-loss reform of 1979.

"But I'm virtually certain there will be time to comment before insurance commissioners approve the policy," he added.

It's not yet clear, however, if the NCCI will address the concerns of employers and business groups before the policy takes effect in September.

"This is it," says NCCI attorney Karen Wojtaszek.

"We feel the policy is pretty much in final form. Now it's just a question of getting approval from state insurance departments," she said.

If insurance departments fail to approve the policy by the Feb. 1 deadline, Ms. Wojtaszek said the NCCI will try to reason away concerns or possibly change the policy on a state-by-state basis with endorsements.

But she said the NCCI feels it has a solid policy and that insurance departments will review it only to see if the policy conforms with

NCCI forms used in most states

The National Council on Compensation Insurance is authorized to file workers compensation and employers liability insurance policies on behalf of member insurers in the following 31 jurisdictions:

Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, the District of Columbia, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana and Maine.

Also, Maryland, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Mexico, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Utah and Vermont.

The NCCI recommends that the following 14 independent bureau states use its standard forms: California, Delaware, Hawaii, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Texas, Virginia and Wisconsin.

In the six states with monopolistic state workers compensation funds, the NCCI files forms on an advisory basis. Those states include Ohio, Nevada, North Dakota, Washington, West Virginia and Wyoming.

state law.

Neither the Risk & Insurance Management Society nor the Society of Chartered Property & Casualty Underwriters has received a copy of the final policy.

The Professional Insurance Agents has assigned its workers compensation task force to review the policy, and the National Assn. of Insurance Brokers made recommendations on an earlier version of the policy, but has not seen the final version.

An NAIB spokesman said two out of three of NAIB's recommendations were rejected by the NCCI.

Ms. Wojtaszek said employers should realize that the policy is a considerable expansion of coverage compared with the old NCCI policy, but added that the original intent of the NCCI since it started working on the policy in 1979 was to simplify and incorporate "plain-English" into the standard form.

The NCCI plans a countrywide series of seminars to familiarize workers compensation industry with the new policy.

The NCCI is authorized to file policy forms on behalf of its member insurers in 30 states and the District of Columbia (see related story).

An additional 14 states have independent rating bureaus that also use the NCCI policy and its rates after the independent bureau's member insurers approve it.

The remaining six monopolistic state funds receive the NCCI policy forms on an advisory basis.

The NCCI was still discussing last week how to distribute copies of the new policy to the interested public. For information, contact the National Council on Compensation Insurance Information Office, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1000.

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Benefit managers group proposed

BATON ROUGE, La.—Five state and municipal benefits managers and a New York consulting firm want to organize a new association for state and local government benefits managers.

James D. McElveen, executive director for the State Employees Group Benefits Program in Louisiana, said an April 10-13 meeting in Chicago will result in creation of the State & Local Government Benefits Assn.

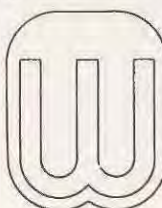
Mr. McElveen said tentative objectives of the group will be to promote cost containment and better management of benefit plans; to familiarize government administrators with new developments in the life and health insurance industries; to encourage use of common concepts of property and liability, life and health and workers compensation insurance; and to serve as a clearinghouse of information for benefit managers in the non-federal public sector.

Most benefit managers of states and larger municipalities have been invited to attend the April conference when bylaws and objectives will be voted on. The meeting is co-sponsored by Martin E. Segal Co., a New York benefits consulting firm.

Benefit managers in the non-federal public sector who wish to attend the organizational conference may contact Mr. McElveen at the State Employees Group Benefits Program, P.O. Box 44036, Capitol Station, Baton Rouge, La. 70804. ■



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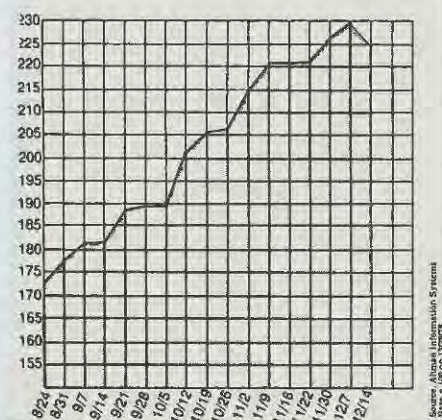


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BI Insurance Index



A Merry Christmas to all, and to all a good loss ratio

By MYRON M. PICOULT
Special to Business Insurance

IN REVIEWING the insights conveyed in prior columns over the past year, I was continuously reminded of the painfully slow turnaround in the underwriting cycle and that Dec. 31 remains a key review date for all companies.

Then, I remembered Clement Clarke Moore's poem, "A Visit From St. Nicholas," and, with some assistance, the following verse emerged:



'Twas the night before Christmas
'Fore the company closed.
Every creature was stirring,
All their fears were exposed.

The books were displayed
For all to review.
Would underwriting experience
Eventually pull through?

The actuaries were
At this time distraught
With reserve deficiencies
Flooding their thoughts.

The underwriting staff
Was anxious that night,
Concerned its projections
Might not be quite right.

When out of my desk
There arose such a clatter
I sprang from my work
To see what was the matter!

I knocked over papers
And flew like a bird,
Stopped dead in my tracks
And viewed the absurd.

BI ticker

There stood the chairman,
His knees slightly swaying.
He'd realized his company
Was slowly decaying.

His deep-frowning brow
Was a clear indication
The chairman'd been given
The wrong information.

His mouth sputtered forth
And let loose in the air:
"Oh, my gosh! Holy cow!
What? Who? When? How come? Where?"

"How can we fix this?
What can we hide?
Can the end be delayed?"
He fearfully cried.

Into the silence
There quickly began
The hemming and hawing
Of each businessman.

"Did you tell me half-truths?
Did you really not know?"
Screamed the chairman, relaying
His panic and woe.

His face red with anger,
His mouth was contorted.
The trends he'd been fed
Seemed grossly distorted.

He singled from the group
The chief underwriter,
And asked advice to make
The situation brighter.

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. Collaborating on this column, running a week earlier than usual to capture the spirit of the season, was Jodi Picoult, with the age-old assistance of Clement Clarke Moore.



He said, "I can't help you—
But here, this guy can!"
And he pouted a finger at
The chief investment man.

This shepherd of funds said,
"Hey! I've done my best,
But cash flow is down
And yields, too!" he confessed.

"New cash flow's his business!"
He sighed with relief.
And, all eyes turned to focus on
The production chief.

The marketing man
Threw his hands in the air.
"I'm worried right now
About the market share!"

"What am I to do
If prices sharply bounce?
I can't hold onto old
Or get new accounts!"

The chairman's high brow
Twisted in convulsions.
None of the speeches
Noted simple solutions.

One tear fell from his cheek
To his pinstriped-suit belly
That shook as he cried
Like a bowl full of jelly.

He spoke not a word,
But returned to his work
With a step and a pivot,
A glance and a smirk.

And, laying a finger
Aside of his eye,
He wiped off a tear
And let out a sigh.

He walked toward his office
And said, with a jeer,
"Though '82 was bad,
It's '83 I fear!"

Financial briefs General Re Corp.

General Re Corp. has declared a regular quarterly dividend of 27 cents per share of common stock, payable Dec. 31 to shareholders of record Dec. 20.

EMC Insurance Group

EMC Insurance Group Inc. has declared a quarterly dividend of 12 cents per share of common stock, payable March 31 to shareholders of record March 1.

British Issues

14 DEC	Price	P/E	Div.	Yield	High—Low
Companies	pence		pence	%	pence pence
Comml Union	127	21.2	16.86	13.3	127—123
Eagle Star	325	13.0	21.43	6.6	325—322
Genl Accident	352	11.7	23.21	6.6	354—344
Gdn Royal Exch	362	9.7	25.00	6.9	364—352
Phoenix	282	14.8	24.00	8.5	288—276
Royal	430	10.5	36.07	8.4	432—427
Sun Alliance	855	14.3	61.43	7.2	855—845

Brokers	Price	P/E	Div.	Yield	High—Low
	pence		pence	%	pence pence
CE Heath	265	7.6	18.71	7.1	265—252
Hogg Robinson	91	7.0	8.57	9.4	91—80
JH Minet	100	9.1	5.43	5.4	100—87
Sedg Grp	173	9.9	8.57	5.0	173—165
Stenhouse Hldg	96	9.0	7.28	7.6	96—92
Stew Wrightson	217	7.8	18.57	8.6	217—200
Willis Faber	475	11.9	21.43	4.5	475—452

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

DEC. 14, 1982										12/8/82 THRU 12/14/82										DEC. 14, 1982										12/8/82 THRU 12/14/82									
		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)					Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)					Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)						
Insurance Cos.																																							
Aetna Life & Cas Co	NYSE	37.13	-3.3	6.1	2.52	6.8	38.88	37.13	1,056.8	United States Fid & Gty Co	NYSE	42.13	2.7	10.3	3.60	8.5	43.50	41.75	226.9																				
American Bankers Ins Group	OTC	10.75	-2.3	8.4	0.50	4.7	10.75	10.38	123.0	United Svcs Life Ins Co	OTC	19.50	0.0	6.3	1.00	5.1	20.00	19.50	35.1																				
American Gen Ins Co	NYSE	54.75	-1.4	7.5	2.20	4.0	55.25	54.75	166.8	UsLife Corp	NYSE	22.63	-3.2	5.0	0.88	3.9	23.00	22.63	221.7																				
American Indty Fint Corp	OTC	20.25	0.6	15.5	1.12	5.5	20.25*	20.13	53.1	Washington Natl Corp	NYSE	23.50	16.0	11.6	1.08	4.6	23.63*	20.88	206.4																				
American Intl Group Inc	OTC	76.00	-5.6	11.2	0.24	0.3	80.25	76.00	250.7	Zenith Natl Ins Corp	OTC	18.25	-11.0	8.3	0.80	4.4	20.25	18.25	30.5																				
American Natl Ins Co	OTC	14.63	-4.9	6.5	0.84	5.7	15.50	14.63	64.3	INSURANCE COMPANIES										AVERAGE		9.1		4.2															
American Sls Life Ins Co	OTC	23.00	2.2	6.9	0.80	3.5	23.00*	23.00	2.6																														
Aneco Reins Ltd	OTC	2.50	-9.1	0.0	0.00	0.0	2.75	2.50	24.7																														
Aveco Corp	AMEX	14.13	-2.6	8.1	0.58	4.1	14.75*	14.13	23.4																														
Banks Iowa Inc	OTC	42.50	-1.2	10.4	1.48	3.5	43.00	42.50	17.0																														
Bitco Corp	OTC	30.50	-1.6	5.0	1.92	6.3	31.00	30.50	0.6	Agents/Brokers																													
Carolina Cas Ins Co	OTC	7.25	0.0	8.8	0.32	4.4	7.25	7.25	5.4	Alexander & Alexander Svcs	NYSE	23.75	-2.6	10.7	1.94	8.2	24.50	23.50	219.9																				
Chubb Corp	OTC	52.63	-10.6	8.5	2.92	5.5	57.88	52.63	213.4	Baldwin & Lyons Inc	OTC	39.00	0.0	6.4	0.80	2.1	39.00	39.00	1.6																				
Combined Intl Corp	NYSE	28.50	5.6	8.6	2.00	7.0	28.63	27.75	202.3	Corroon & Black Corp	NYSE	27.00	-5.3	13.3	1.80	6.7	28.50	27.00	26.6																				
Continental Corp	NYSE	30.38	-2.0	9.6	2.60	8.6	31.13	30.38	342.9	Crum E H Cos Inc	OTC	10.13	0.0	17.2	0.40	4.0	10.13	10.13	5.1																				
Crawford & Co	OTC	18.00	-4.0	13.1	0.56	3.1	18.75	18.00	3.1	Eaett & Chandler Cos Inc	OTC	9.88	0.0	32.2	0.00	0.0	9.88	9.88	2.0																				
Crown Life Ins Co	OTC	88.25	0.3	5.8	3.10	3.5	88.25	88.25	2.5	Hall Frank B & Co Inc	NYSE	28.50	-1.3	12.3	1.70	6.0	29.25	28.50	212.7																				
Cum & Forster	NYSE	51.63	-1.7	10.7	1.76	3.4	52.38	51.63	2,894.5	Integrated Res Inc	AMEX	35.50	-7.8	10.7	0.00	0.0	38.13	35.50	80.8																				
Employers Cas Co	OTC	32.75	1.6	14.9	1.20	3.7	32.75	32.50	5.8	Jones Fred S & Co Inc	NYSE	33.25	0.0	16.8	1.60	4.8	33.25	33.25	0.0																				
Equifax Inc	NYSE	23.50	-14.5	12.4	1.32	5.6	27.00	23.50	196.9	Marsh & McLennan Cos Inc	NYSE	41.75	-1.2	13.0	2.20	5.3	41.75	41.25	91.1																				
Excelsior Ins Co	OTC	11.25	0.0	0.0	0.70	6.2	0.00	DID NOT TRADE		PennCorp Fincl Inc	NYSE	13.25	0.0	8.2	0.16	1.2	13.25	13.13	581.5																				
Farmers Group Inc	OTC	37.38	-0.7	10.4	1.24	3.3	37.50	36.63	154.2	Poe & Assoc Inc	OTC	11.50	0.0	11.3	0.80	7.0	11.50	11.50	3.3																				
Foremost Corp Amer	OTC	39.75	-1.9	12.1	1.12	2.8	40.75*	39.75	31.9	Reed Stenhouse Cos Ltd	OTC	13.63	0.9	13.5	0.60	4.4	13.75	13.00	18.8																				
Great West Life Assurn Co	OTC	190.00	0.0	15.5	10.00	5.3	190.00	190.00	0.0	Rollins Burdick Hunter Co	OTC	24.38	0.0	20.1	0.00	0.0	0.00	DID NOT TRADE																					
Hanover Ins Co	OTC	34.25	-4.9	5.0	0.88	2.6	35.50	34.25	19.0	AGENTS/BROKERS										AVERAGE		11.6		3.9															
Conglomerates/Holding Cos.																																							
Hartford Steam Boiler Insptn	OTC	39.00	-4.3	8.3	2.80	7.2	40.50	39.00	7.6	American Express(Fireman's Fd)	NYSE	60.88	-11.3	10.4	2.40	3.9	67.50	60.88	1,967.8																				
Jefferson Natl Life Ins Co	OTC	40.00	-5.9	11.2	0.76	1.9	40.00	40.00	9.5	Anderson Clayton(Ranger/PanAm)	NYSE	26.75	0.5	7.4	1.32	4.9	27.50	26.25	66.8																				
Kemper Corp	OTC	38.13	-8.4	7.2	1.80	4.7	41.13	38.00	74.6	Arco Inc	NYSE	14.88	-4.0	28.1	1.20	8.1	15.38	14.88	531.2																				
Lincoln Natl Corp Ind	NYSE	47.00	-0.3	8.5	3.00	6.4	47.13	47.00	66.1	City Investing Co. (Home Ins.)	NYSE	27.75	-5.1	8.6	1.70	6.1	28.38	27.00	424.9																				
Mission Ins Group Inc	NYSE	30.63	-2.4	7.2	0.80	2.6	32.50*	30.63	95.8	CNA Finl Corp (CNA)	NYSE	17.63	-2.8	6.9	0.00	0.0	18.25*	17.38	36.9																				
Nationwide Corp Ohio	OTC	40.50	0.0	12.0	0.70	1.7	40.50	40.50	0.1	Control Data (Comm. Credit)	NYSE	37.25	-10.0	9.2	0.55	1.5	40.13	37.25	801.8																				
Northern Natl Life Ins	OTC	28.63	-3.4	15.6	1.50	5.2	29.63	28.50	63.5	General Re Corp	NYSE	57.75	-3.3	12.7	1.08	1.9	62.50	57.63	872.1																				
Ohio Cas Corp	OTC	43.25	-3.6	8.1	2.36	5.5	44.75	43.25	65.4	Gulf Utid Corp	NYSE	24.75	-7.0	8.7	1.32	5.3	26.50	24.75	111.0																				
Old Rep Intl Corp	OTC	25.75	-6.8	6.0	0.92	3.6	27.25	25.75	83.4	Cigna Corp	NYSE	43.00	-8.5	6.3	2.30	5.3	46.63	42.63	870.9																				
Preferred Risk Life Ins Co	OTC	25.00	0.0	7.4	0.92	3.7	25.00	25.00	7.6	ITT (Hartford Group)	NYSE	29.50	-6.3	6.7	2.76	9.4	31.00	29.50	1,606.5																				
Provident Life & Acc Ins Co	OTC	49.50	-2.1	7.6	2.44	4.9	49.50	49.00	11.8	Optimum Hldg Corp	OTC	8.13	0.0	7.8	0.00	0.0	8.13	8.13	0.3																				
St Paul Cos Inc	OTC	60.25	-5.9	7.5	2.60	4.3	63.75	60.25	93.4	Sears Roebuck & Co. (Allstate)	NYSE	28.13	-10.0	12.8	1.36	4.8	30.63	28.13	2,886.3																				
Safeco Corp	OTC	52.88	-2.3	9.1	2.40	4.5	53.88	52.88	192.2	Baldwin Utid Corp	NYSE	34.75	-20.6	6.8	0.88	2.5	39.63	34.75	1,419.2																				
Sri Corp	OTC	36.75	-3.3	7.6	1.12	3.0	38.50*	36.75	49.5	Teledyne Inc (Argonauts)	NYSE	126.63	-9.1	7.6	0.00	0.0	135.25	126.63	645.2																				
Selbels Bruce Group Inc	OTC	26.75	-13.7	19.7	1.00	3.7	29.50	26.75	103.0	Transamerica Corp (Occidental)	NYSE	22.13	-6.3	7.7	1.50	6.8	23.50	22.00	457.7																				
Statesman Group Inc	OTC	7.13	-1.8	6.3	0.15	2.1	7.13	7.00	31.0	CONGLOMERATES/HOLDING COS.										AVERAGE		8.4		3.3															
Tokio Marine & Fire Ins Co	OTC	98.75	-5.2	15.8	0.92	0.9	104.25	98.25	41.2																														
Travelers Corp	NYSE	24.38	-9.7	6.7	1.64	6.7	26.25	24.38	715.4																														
United Fire & Cas Co	OTC	32.00	0.8	8.6	0.88	2.8	32.00	31.75	1.3																														

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