

# business insurance

## update:

### A&A will merge with Sedgwick

NEW YORK—A&A Services Inc., parent firm of U.S. insurance broker Alexander & Alexander, is preparing to merge with its U.K. insurance counterpart Sedgwick Group Ltd. to form the world's largest insurance brokerage.

The merged firm, with estimated combined revenues of \$672.6 million, *Continued on next page*

the national newsweekly of loss prevention, risk financing & benefit management/\$1 a copy; \$25 a year Entire contents copyright 1980 by Crain Communications Inc. All rights reserved.

## The 12 Risks of Christmas

**T**was the night before Christmas and all along the route not a benefit manager was stirring, no RMs about. The insurance policies were all tucked away with care in hopes they wouldn't be needed the rest of the year... When up on the roof there appeared such a sight, it would give any risk manager a good case of fright. Away to their brokers they flew like a flash to recheck their policies and make sure there'd be cash. The moon as it shone on the snow-covered roof showed a pile of reindeer and one broken hoof. When what to the trouble-filled eyes should appear but a disabled Santa Claus, and much strewn gear.

Even if you exclude Santa Claus and his precarious rooftop landings, Christmas is still full of risks if approached without care. BI staffers Stacy Shapiro, Eileen Norris, Rhonda L. Rundle and Ellis Simon found a dozen of them, or The 12 Risks of Christmas.

In the spirit of the season, we present them to you on pages 3 and 32. And we wish you and your companies happy holidays and a prosperous (risk-controlled) New Year.

© 80 BUSINESS INSURANCE

## Better deals to come for pollution coverage

By STUART EMMRICH

PHILADELPHIA—Risk managers fretfully analyzing the growing corporate liability for gradual pollution of the environment, take comfort. Lower prices and higher limits of special insurance protection are on the way.

Competition is about to break loose in the nonsudden and accidental pollution liability insurance market, where companies can pay as much as \$1 million for special policies to protect them against liability for gradual pollution. At least three more insurers may start selling the coverage.

General liability insurance policies cover only sudden and accidental pollution, not what the industry identifies as nonsudden and accidental pollution. This gap in pollution liability coverage has become crucial as more companies are sued for decade-long

damage to the environment.

The Environmental Protection Agency also is expected to require hazardous wastes generators to purchase this insurance protection, heightening demand for the coverage. The mandated limits are expected to be \$5 million to \$10 million.

Among insurers who could enter the market with a nonsudden and accidental pollution liability policy are The Travelers, Aetna Life & Casualty and St. Paul Insurance Cos.

They would double the competition to underwrite the risk. Currently only Wohlreich & Anderson, Shand, Morahan and American International Group now offer this insurance. Lloyd's of London and other domestic specialty firms also are said to be considering offering their own forms of coverage.

"I think new markets are about to emerge and I

*Continued on page 28*

## Birth rate begets HMO cancellation

By MARY ANN MATLOCK

MINNEAPOLIS—Pregnant Control Data employees and pregnant spouses of employees are finding there's no room at their HMO.

Physicians Health Plan here has canceled enrollment for 1,600 Control Data subscribers to its prepaid health care plan, citing a population boom among the group and a \$600,000 loss this year.

The Control Data group has shown 2½ times the birth rate of the overall average of members subscribing to the independent practice association.

Hospital days per 1,000 HMO members are also substantially higher among the Control Data employees: 700 per 1,000 compared with 480 per 1,000 for the whole group.

Come next year, most Control Data employees displaced by PHP will have taken other options available through their employer: the

*Continued on page 31*

## INSIDE:

Agencies churn out late regulations  
Page 2



Small truckers to pay higher liability rates  
Page 2

## update:

### A&A to merge with Sedgwick

Continued from previous page should be somewhat smaller overall than recently merged rivals Marsh & McLennan and C.T. Bowring, but insurance operations should exceed M&M/Bowring, industry observers say.

The merger announcement indicates a formal change in tactics for the U.S. and U.K. firms, which had been discussing a profit-sharing combination plan for nearly two years.

"All along, we were trying to find the best method to combine our operations," explained A&A president John Bogardus. "We think we have it now. M&M/Bowring will still be bigger if you include Bowring's retail credit operations, but our insurance operations should be bigger."

The similar M&M/Bowring merger turned into controversy when several key Bowring officials left the firm rather than face U.S. management (*BI*, June 30), but A&A says personnel should not be a problem.

"Employees are always a first consideration in any merger, and we expect no problems with our respective staffs," Mr. Bogardus said.

The merger agreement says the combined group will be managed in the United States and United Kingdom by a board and executive committee consisting of an equal number of representatives from A&A and Sedgwick.

"Within overall group policy, a high degree of autonomy would be maintained," said the announcement. Completion of the share exchange merger is not expected before 1982. Financial negotiations and regulatory compliance are incomplete.

### Chrysler seeks benefit cuts

DETROIT—Chrysler Corp. said it has asked workers to accept some pension and benefit freezes as part of an overall compensation cut to help keep the struggling automaker afloat.

Exact levels of the freezes will be negotiated between the United Auto Workers and Chrysler officials.

Chrysler chairman Lee Iacocca said the firm's salaried employees would be subject to similar freezes that mainly will affect wages.

Ford and American Motors also are considering asking the UAW for concessions.

### License office sees surge

GRAND CAYMAN—License applications came pouring into the insurance superintendent here last week as local companies filed for licenses under the new Cayman insurance law.

Existing companies in the insurance business here had until Dec. 16 to file under the grandfather clause for an immediate license to operate until June.

"From a visual look around this office, I'd say we have 150 license applications," said insurance superintendent John Darwood in a telephone interview with *Business Insurance*.

### OSHA clarifies standard

WASHINGTON—Workers exposed to cotton dust won't have to wear respirators all day, the Occupational Safety and Health Administration says.

Clarifying an earlier standard, OSHA said safety equipment must be worn only "for whatever portion of the day is necessary" to meet the federal agency's limits on exposure to cotton dust.

### Bermuda party stays in power

HAMILTON—The United Bermuda Party was returned to power with a reduced majority in the Dec. 9 general election.

The final tally was 22 seats to the UBP and 18 seats to the opposition Progressive Labor Party.

Both political parties have pledged to support and encourage the island's rapidly developing insurance industry (*BI*, Dec. 8).

### California commissioner quits

SACRAMENTO—Wesley J. Kinder, 58, has resigned as California insurance commissioner effective Dec. 31.

Gov. Jerry Brown has not named a successor.

Two attorneys, Roxani Gillespie, vp and division manager of the San Jose office of Industrial Indemnity Co., and Robert Quinn, former research officer with Nationwide Life Insurance Co. in Columbus, Ohio, are rumored to be candidates for the job that pays \$51,468 a year.

Mr. Kinder's resignation after 5½ years of service ends months of speculation that he would resign before the year ended.

# Small truckers will pay higher liability rates

By ELLIS SIMON

NEW YORK—Small and unregulated trucking companies hauling hazardous materials will soon be paying drastically higher premiums for liability insurance.

The Motor Carrier Act of 1980 requires up to \$5 million in coverage for "public liability and environmental restoration" on owner-operated, unregulated and state-regulated truckers, depending on how hazardous their cargoes are.

The new liability requirements—in some cases more than 16 times the limits now carried by small truckers—could mean motor carriers will pay 50% more than they do now to meet Interstate Commerce Commission certification requirements.

The law, which was signed July 1, should have little impact on large, national trucking companies, however. They already carry the higher limits called for in the legislation.

How widespread the impact will be on the smaller truckers should be known when the Department of Transportation issues draft regulations next month. Among the crucial issues are the exact definitions of "public liability" and "environmental restoration" and how broadly the department wants to define hazardous cargoes.

The availability and prices of the required coverage depend on the answers to these questions.

The \$5 million limit applies to truckers carrying large quantities of explosives, poison gas, liquefied gas and radioactive materials and to bulk haulers of hazardous substances listed by the Environmental Protection Agency.

Haulers of other hazardous materials would be subject to a \$1 million insurance requirement. Regulated interstate truckers hauling nonhazardous materials would have a \$750,000 liability insurance requirement.

Continued on page 27



Photo: Wide World

Truckers carrying such hazardous materials as propane could pay 50% more for coverage.

# Administration churning out regulations in the final hours

By JERRY GEISEL

WASHINGTON—In what could be described as a powerful swan song, Carter administration officials are churning out new regulations that Reagan administration officials will have to enforce—at least for a while.

The Occupational Safety and Health Administration and the Department of Labor's Office of Pension and Welfare Benefit Programs are among the agencies winding up work on final regulations to be released before President-elect Reagan steps into office.

OSHA is expected to release final regulations on testing the hearing of workers at noisy worksites and the pension office wants to finalize employee benefit plan reporting rules, among other issues.

Regulations proposed in the coming weeks can be revised or withdrawn by the Reagan administration, but final regulations published in the Federal Register before Jan. 20 will go into effect. If the Reagan administration doesn't like the regulations, it can only

start again the time-consuming process of proposing, publishing and receiving comment on new regulations.

Business leaders have expressed hope that the Reagan administration will lift what they call a regulatory burden on American business. And it's been suggested Carter administration officials curb their regulatory urge.

At least one regulator is sensitive to the change in administration. Ian Lanoff, the U.S. pension administrator, says his department is avoiding issuing controversial regulations now. The numerous proposed and final regulations his department is considering are first cleared with members of the Reagan transition team, he said.

Continued on page 30

# Old Republic sues BI for libel

CHICAGO—Crain Communications Inc., publisher of *Business Insurance*, will vigorously defend a seven-count libel suit filed against it by Old Republic Insurance Co. seeking a total of \$2 billion in damages.

The nation's largest insurer of black lung workers compensation risks charges portions of a Nov. 17 article in *Business Insurance* damaged the company.

Crain, which publishes 15 business magazines, has \$3 million of libel insurance with a \$25,000 deductible with Employers Re. Excess insurance provided by an umbrella policy increases Crain's available insurance.

The libel suit, which demands a jury trial, was filed in Cook County Circuit Court by attorneys Lord, Bissell & Brook for Old Republic. The suit charges the three following statements, which were attributed in the article to Kentucky Insurance Department examiner James Dickinson, are false:

- That Old Republic ceded more than \$200 million in underwriting losses to reinsurers in 1979.
- That reinsurers "won't accept a 200% loss ratio unless they can recover those losses."
- That Inso Ltd. "may not be able to retain its losses and remain solvent."

Leslie Dew, president of Inso in Bermuda, clarified Inso's reinsurance of Old Republic in a statement issued to *Business Insurance*. Escrow deposits of \$304.8 million from Inso offset the Inso-reinsured loss reserve of \$263 million, Mr. Dew said.

As a result, "Inso is not currently involved in nor expects to be involved in any loss situation" with Old Republic, he said, as reported in a follow-up article Dec. 1.

The suit also charges as false the headline that read, "Black lung losses spur investigation."

Continued on page 30

## index

Action line .....	14
Around the states .....	11
Benefit beat .....	8
BI ticker .....	33
Classifieds .....	30
Comings & goings: buyers .....	25
Comings & goings: industry .....	24
Datebook .....	14
Editorial opinions .....	6
Info .....	10
Insurance education .....	12
Letters .....	6
Markets .....	13
Perspectives .....	21
Products & services .....	25

Washington .....	11
Worldwide .....	12

Vol. 14, No. 51—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill. 60611. Copyright 1980 by Crain Communications Inc.

## errors & omissions

• A story on a new Conning & Co. analysts study (*BI*, Dec. 15) slipped a few digits. The commercial insurance market is estimated at \$48 billion and the "real commercial market" including captives and self-funding is estimated by Conning at \$58 billion. *Business Insurance* regrets shrinking the market by changing the "b" in billion to an "m."

# The 12 risks of Christmas

## THE BEARS ARE BACK!!

All Pot Belly Bears on sale have been examined to insure compliance with consumer safety commission standards.

## Toys

LOS ANGELES—The ingenuity of kids to creatively use and abuse their toys could send old Kriss Kringle sledding to North Pole brokers for product liability insurance this holiday season.

If a toy can be smashed, sucked or swallowed, it probably will be. But if it breaks into blunt-edged, non-toxic pieces, the chances of serious harm to a child are minimized. Safe toy design is essential to risk management for toy makers.

Last year, the Consumer Product Safety Commission adopted a detailed safety standard developed by the Toy Manufacturers of America. The manufacturers group represents 250 U.S. toymakers with an estimated 90% of industry sales. For some toys, the standard requires age grading or other cautionary messages printed on the package.

Despite testing by trained psychologists using real kids, however, some ostensibly safe toys are later found to be potentially hazardous. Manufacturers are required to report toy-related accidents to the CPSC. This could lead to a product inspection or recall.

A pot-bellied bear with sharp wire stuffing, a mobile toy with trailing elastic cords and an indoor gym house with a platform and ladder are three popular items this season that manufacturers have voluntarily recalled in agreement with the CPSC.

More than five million pot-bellied bears were sold before the safety commission discovered the stuffing in many of them contains sharp wires or other small metal parts. Retailers are now restocking their shelves with bears that have passed an X-ray examination performed by the importer, the Daekor division of Hudson Brands Trading Co. in New York.

Continued on page 31



Photo: Wide World

## Santa

NORTH POLE, N.Y.—Down through the chimney comes Old St. Nick—scraping his belly on the bricks, getting soot in his eyes and landing on a bed of hot coals.

Those and any other injuries he might incur on the road or in Santa's Workshop here are covered by workers compensation.

"Santa's covered by workers compensation and so are his helpers," said Robert Reiss, manager of Santa's Workshop, a theme park near Lake Placid. "He's listed under theatrical productions (N.O.C., not otherwise covered) along with Mother Goose."

Frosty the Snowman and Little Bo Peep also are covered under The Hartford Insurance Co. workers compensation policy for Santa's Workshop, Mr. Reiss says.

Santa's helpers also are listed according to job classification: the doll clothesmaker, the toymaker, the confection manufacturer, the candle manufacturer and, of course, the blacksmith, "who makes the magic reindeer shoes so Santa's reindeer can fly," Mr. Reiss said.

Mr. Reiss clearly remembers one workers compensation claim: his own. During a promotional tour with four of Santa's reindeer, Mr. Reiss sprained his ankle jumping over a fence trying to round up a panicky reindeer.

"The girls (in the office) sent the claim in on Christmas Eve," Mr. Reiss said, laughing.

Santa's Workshop, which has operated year round since 1948, spends \$45,000 to \$50,000 annually in insurance premiums, with \$18,000 of that in liability insurance, Mr. Reiss says.

The workshop's Santa and company are covered by a \$1 million general liability policy by The Hartford and an excess layer of \$1 million, Mr. Reiss says.

He said Santa's Workshop gets a "fair amount" of claims from the petting zoo. "We often get a situation where the mother's watching the child pet an animal, and a goat comes up

Continued on page 31

## Churches

CHICAGO—The fresh smell of pine during Christmas religious services most likely comes out of a spray can. Fire ordinances and insurer guidelines have replaced most fresh Christmas trees with plastic and metal in churches around the country.

In Chicago, fresh Christmas trees in public buildings are banned by the city's fire code, a rule supported by insurers. Gallagher-Bassett, which provides self-insured services to more than 430 churches in the Roman Catholic Archdiocese of Chicago, supplements the codes with a safety advisory bulletin.

The quarterly bulletin recommends churches use only artificial trees that are clearly labeled as fire resistant. Metallic trees cannot be strung with lights. This is to prevent electric shocks.

Candlelight services, once popular in Chicago's Polish and Italian neighborhoods, also are restricted.

## Nutcracker

NEW YORK—It doesn't take magic to insure "The Nutcracker" ballet.

Each year, 50 children join the New York City Ballet Co. for its Christmas production of "The Nutcracker." The company's workers compensation insurer treats them like other cast members.

The children are temporary employees of the City Center, which runs the ballet and City Opera company, and are covered under a standard workers compensation policy written by The Travelers Insurance Cos., says Alan Rovin, vp of Bayly, Martin & Fay, the City Center's broker.

In the two years Bayly, Martin & Fay has had the account, it has had excellent experience. None of the children has been injured, Mr. Rovin reports. The retrospectively rated risk receives numerous credits off manual rates, he adds.

Under New York's compensation system, a child is likely to receive more generous benefits than an adult to account for the child's earnings potential, he notes. However, the ballet company's policy is not surcharged for this.

Dance companies are highly rated compensation risks because of members' great disability exposure. "The insurer knows an injured leg for a dancer is not the same as an injured leg for an office worker," Mr. Rovin said.

As a result, the ballet and The Travelers



Photo: Martha Swope

make extensive use of rehabilitation.

Coverage of props used in "The Nutcracker" presents no special problems either, Mr. Rovin notes. Props are insured under the City Center's property policy, which covers the New York State Theatre at Lincoln Center and its contents. The Travelers covers the highly protected risk, with a combined single limit of about \$60 million.

## Reindeer

SOMEWHERE OVER LUXEMBOURG—If Rudolph's nose so bright blinks out and he crashlands onto an A-frame, he and his reindeer comrades are covered with more than snow.

That is, if Santa has taken out his "reindeer-in-transit" insurance policy.

While at home at Santa's Workshop in North Pole, N.Y., or at a zoo like Brookfield in Chicago, Rudolph and his buddies are not insured. But on the road, or in the air, they are.

Brookfield Zoo, owner of five reindeer from Northern Europe and Siberia, says it's too expensive to insure exotic animals at home. "We'd have to go through Lloyd's to insure particular animals (like reindeer)," said a zoo spokeswoman.

But when the reindeer are being shipped to other zoos, the Continental Casualty Group of CNA Finan-

cial Corp. insures them.

Santa's Workshop also insures its 32 reindeer in transit when they are exhibited outside the workshop during the Christmas season.

Each reindeer is insured for \$1,500 by The Hartford Insurance Co., with a maximum of \$6,000 per trip, or four reindeer. They are covered if injured, killed or stolen while in transit, says Robert Reiss, manager of Santa's Workshop.

While in flight of their own accord, however, Santa's reindeer are sturdy beasts that can handle most risks. They can easily land on rooftops.

"Their hooves are broad, splayed to give stability in the snow and hollow on the underside to give them traction on the ice," said the zoo spokeswoman.

And don't worry about Dancer, Dasher, Prancer, Vixen and the rest of the crowd spraining their backs pulling a sleigh full of presents.

As pack animals, reindeer can pull about 200 pounds apiece. That means Santa's nine reindeer can handle about a ton.



## Small plans use faster schedule: Survey

WASHINGTON—Small pension plans are much more likely to offer faster vesting schedules than large plans, a new survey reveals.

Plans with fewer than 100 participants most often select a schedule that allows 40% vesting after an employee completes four years of service, according to an American Society of Pension Actuaries survey.

By contrast, the overwhelming majority of the nation's biggest plans—those with more than 1,000 participants—require 10 years of service for first and full vesting.

ASPA, under a \$45,000 contract awarded by the President's Commission on Pension Policy (BI, June 30), analyzed pension formulas used in 2,000 plans. About 1,800 of the analyzed plans had fewer than 100 participants.

About 35% of the smallest plans—those with fewer than 11 participants—provide 40%

vesting after an employee completes four years of service. Only 1.3% of the smallest plans offer 10-year cliff vesting.

By contrast, a Bankers Trust Co. survey of Fortune 500 companies found 90% of corporate America's largest plans require 10 years of service for full vesting (BI, Nov. 17).

Most pension plans, regardless of size, integrate pension benefits with Social Security. For example, 61% of surveyed plans with fewer than 11 participants, 78.4% with 11 to 25 and 79% with 1,000 to 10,000 use integration formulas.

Without integration, a retired worker collecting growing Social Security benefits could earn more than when he was on the job, experts say.

The President's Commission on Pension Policy has suggested Congress consider lowering the percentage of Social Security benefits employers can subtract from corporate pension benefits, but hasn't recommen-

ded how this would be done (BI, Nov. 24).

The ASPA survey also shows many small companies offer more than one pension plan. About 25% of employers offering defined benefit plans with fewer than 100 participants also offer a defined contribution plan.

The small plans are surprisingly well-funded, according to the survey. About 70% of plans with fewer than 100 participants have assets sufficient to pay vested benefits if the plans terminated.

ASPA's 1,800 members provide administrative, actuarial and consulting services to more than 250,000 retirement plans.

A limited supply of ASPA's "Analysis of the Characteristics of Small and Medium-Size Employer-Sponsored Private Retirement Plans" is available free from the President's Commission on Pension Policy, 736 Jackson Place NW, Washington, D.C. 20006.

## Fast vesting isn't cure: Expert

By JERRY GEISEL

WASHINGTON—The cost of providing faster vesting schedules exceeds the benefits, says a leading pension expert.

Faster vesting would not provide pension plan participants with significantly higher retirement income, but it would saddle employers with high cost, says Robert Stone, senior counsel at IBM Corp. in Armonk, N.Y.

Faster vesting by itself will not resolve the problem of persons who stay on the job a short time and don't vest, said Mr. Stone, who spoke before a President's Commission on Pension Policy hearing on behalf of the ERISA Industry Committee, a benefits lobbying group representing large employers.

The principal result of faster vesting would be a relatively insignificant termination bonus. Most short-service, lower-paid employees leaving a firm would spend the benefit rather than save it for retirement, he said.

For example, if five-year vesting were required, the average cash value of the benefit received by a worker leaving after five years would be about \$550, according to a Labor Department report (BI, Oct. 27).

A shift from 10-year vesting, the most popular vesting schedule offered under the Employee Retirement Income Security Act, to a faster schedule so more employees could vest would raise employers' annual pension costs 5% to 10%, Mr. Stone said.

"In absolute dollars, the total amount of the increase could be hundreds of millions of dollars," Mr. Stone predicted.

But a citizens group told the commission that long vesting requirements sap employee morale.

"Instead of confidence in the future, workers all over wonder: 'Will I last long enough to get a pension?'" said Ewa Bielski, chairman of the Citizens Commission on Pension Policy.

Ms. Bielski urged the commission to recommend immediate vesting for all plans. "Let's free jobs once and for all from the pension dependency headache and make every working hour count toward a benefit. That's why ordinary citizens want immediate vesting," she said.

The public hearing on vesting was the last of more than two dozen the commission has held around the country in the last 18 months to aid it in developing a national retirement income policy.

The commission will meet Jan. 22-24 in Williamsburg, Va., to hammer out its final recommendations for policymakers.

## College offers CPCU courses

NEW YORK—The 10 preparatory courses for the Chartered Property & Casualty Underwriter examinations will be offered at The College of Insurance beginning the week of Jan. 26.

The fee is \$88 per credit hour for employees of organizations sponsoring the college, and \$99 per credit hour for all others, plus an \$18 registration fee.

Registration can be made by mail before Jan. 5 and in person at the registrar's office at the college from 9 a.m. to 5 p.m. weekdays through Jan. 22. For more information, contact the property/liability department at the college, 123 William St., New York, N.Y. 10038.

## Put Corroon & Black at the controls.



**Our risk management programs can keep business insurance costs from going sky-high.**

No one needs to tell you about the cost of inflation. And no one can help you control costs of business insurance better than Corroon & Black.

We're the business insurance brokers who've made a worldwide name for ourselves over the last 75 years. One reason has been our risk management programs for businesses, large and small.

Call in Corroon & Black and we'll analyze your insurance program, inside and out. We'll show you ways to prevent losses. Recommend the best coverages — at the best prices. And even design a risk

management program that meets the special needs of your business.

It's this kind of approach to business insurance that's made Corroon & Black one of the largest brokers in the world — with over 90 offices worldwide.

If your insurance costs seem out of control, contact Corroon & Black for an analysis of your insurance program.

Call Richard M. Miller, President, toll-free, at 800-221-7024. (In New York, call collect, 212-363-4100.)

# Corroon & Black

Wall Street Plaza, New York, NY 10005 • Offices nationwide and worldwide

# WAUSAU WORKS.<sup>SM</sup>

## Cracking the problem of lost workdays.

Lost workdays due to on-the-job injuries are costly. To workers. To employers. To America's productivity. At Wausau, we know that prevention of accidents in the first place is the best answer for all concerned. Particularly the employee who doesn't get hurt. But what can be done to reduce lost workdays due to injuries that inevitably do occur? Here's how our policyholder, Diamond Walnut Growers, Inc., of Stockton, California, cracked the problem.

"In 1974," says Gordon Dovell, Diamond's Loss Control Administrator, "we had a record 623 lost workdays due to accidents. Then we began a Modified Work Program to keep workers with temporary, partial disabilities gainfully em-



**WAUSAU  
INSURANCE  
COMPANIES**  
Wausau, Wisconsin

Diamond started this program on their own. We now help with safety expertise, nursing counsel and prompt claims handling. And sharing this success story is another way Wausau works.

played at lighter duty." Bette De Luca, Plant Nurse, says, "We do this as much to prevent more serious injury as to cut down on lost time." Diamond's experience taught them a successful return-to-work program needs five essential elements: management support, supervisory acceptance, plant nurse coordination, doctor cooperation and employee acceptance. The productivity result? In 1979, lost workdays were held to just 47!

## editorial opinions

# Use your imagination

**S**ANTA HAS got risk management. It's been a tough year at the North Pole. The elves, who are quite literate folk, were reading the financial pages and knew the economy was looking bad. They also could read the worried look on Santa's face.

Not to be stung by this recession, the elves took some defensive measures. Hop-along, whose corn had been bothering him for so many years he earned his nickname, decided to take advantage of the group health plan while he was still employed and get the corn removed. Other elves, likewise savvy, were taking off for elective surgery at an alarming rate. The claims cost for the North Pole group health plan shot up 40% this year.

Not everyone came back to work, either. The disability plan experience at the North Pole worsened.

Some of the elves were so depressed by the prospect of massive layoffs and little Christmas cheer that they turned to drink.

This only made matters worse. Half-soused elves are pretty clumsy and the number of cuts, bruises and smashed fingers multiplied, wreaking havoc on Santa's retrospectively rated workers compensation program.

In desperation, Santa took off for a long walk by himself to try to sort out the mess. Up pranced Rudolph and together they brainstormed over the causes of their problems and how to solve them.

They also shared their fears about the Christmas Eve deliveries. What if the other reindeer caught this dread depression and didn't show up? What if the sled, which hadn't had its usual summer overhaul because all the elves were off work, broke down? (Either the sled overhaul or the toys had to wait, and Santa told the few able-bodied elves at work to keep up with the toy orders.)

Faced with these fears, Santa and

Rudolph drew up some contingency plans. A helicopter motor was ordered to save the day if the reindeer didn't show up. Delivery services were put on alert to pick up the pieces if the sleigh couldn't complete the appointed rounds.

The immediate problems tackled, Santa and Rudolph kept brainstorming. How could they solve the root problems?

Toy orders were actually up over last year, but Santa had been so befuddled by the elves' attitude that he didn't bother to tell them that. He would, right away, to boost morale.

The depression had driven the elves from their usual frolicking. To perk them up and hopefully whip them back into health, Santa organized a fitness program and ordered equipment for a North Pole gym. A counselor also would be brought in to help the elves out of their depression and drinking problems.

One of the most efficient elves was named safety coordinator. He would work on helping the elves hit the nails instead of their thumbs.

Feeling rather accomplished, Santa stopped dead in his tracks when another fear struck him: Could he be sued for pain and suffering damages if some kid gets the wrong toy?

He decided he'd drop by Lloyd's when over London and increase his liability insurance limits.

■ **Imagination.** It's one of the greatest assets in risk management. To ask what could go wrong and then imagine how to cope with it before it does. To brainstorm new solutions for dealing with old problems. To prepare for the worst but hope for the best.

This holiday season heightens all our imaginations. Don't let yours dull when the season fades. You can put it to good work in risk management. ■

## letters

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

### Very telling comment

To the editor: Your article on insurance education contained a very telling comment by A&A's Paul Kohlenbrener—"It gave me about as much as a philosophy student would have going into insurance"—that deserves further attention (*BI*, Dec. 1).

Mr. Kohlenbrener completed more than the introductory course work that was indicated in the article. The rather perfunctory quotation of his opinions can be attributed to the intermediate and advanced insurance work that he took at the University of Illinois, he has told me.

I did my undergraduate and graduate insurance work at the University of Iowa under professors Vaughan and Murray. The course structure and content of the two insurance programs are similar in most respects. And I suspect that this similarity exists with course work offered at Drake and at the University of Wisconsin and Minnesota.

I also suspect that the common goal of these insurance programs is to teach the student the language of insurance, the thought patterns of the industry and the precepts of risk identification and management.

The courses in accounting, computer science, economics, finance, law, management, marketing and

mathematics that are included in the insurance curriculum are probably more necessary to the insurance major than are the insurance courses themselves.

A sound background in these areas in addition to a sound on-the-job training program is necessary to provide the tools needed to be a useful participant in the insurance industry.

Mr. Kohlenbrener is both accurate and inaccurate in his opinion that he didn't learn much from his insurance course work. We may not have learned enough to walk out of the classroom and into a first chair underwriting, claims, marketing or risk management position. But we did learn enough so that our on-the-job training time had more value to us and to our employers.

The education provided by our insurance professors becomes more valuable as we progress through our insurance careers. We probably will not fully realize the value of our college training until after we retire.

Our employers will reap the returns on our investment in insurance education and our industry will be stronger for it.

**Dennis E. Flynn**  
Corporate risk manager  
Pettibone Corp.  
Chicago, Ill.

### Commendation on series

To the editor: Because of my longtime interest in the area of insurance education, I was especially pleased to read your excellent feature article on insurance education at the University of Illinois ("At U of I, students analyze real risks," *BI*, Dec. 1).

I hope in your future articles in the insurance education series you will be able to feature the insurance studies program at the University of Alabama, Tuscaloosa, Ala.

This program is truly unique and under the direction of Dr. John S. Bickley, Frank Park Samford Chair of Insurance, it is recognized and honored by insurance leaders throughout the world.

Again, *Business Insurance* is to be commended for presenting this most important series on insurance education.

**John David Thomas**  
President  
John David Thomas Co.  
New York, N.Y.

### Separate but equal?

To the editor: I have subscribed to *Business Insurance* for several years and I note there is a trend to publish more and more information on employee benefits and less on the property/casualty insurance field.

My suggestion is that you isolate the various subjects by headings, i.e., Employee Benefits, Property/Casualty, Workers Compensation and miscellaneous sections. This would make it much easier for the risk manager to read about those areas in which he has a vital interest without perusing every column of every page.

**W.T. Nordin**

Risk management administrator  
East Bay Municipal Utility  
District  
Oakland, Calif.

■ *Business Insurance has always tried to strike a balance of articles on employee benefits and risk management because both are forms of "business insurance." Many of our readers also have responsibility for both risk and benefit management. We don't want to segregate the articles by type of insurance since we think many of the same management and financing principles apply to all types of commercial insurance.*

### Number of numbers

To the editor: While perusing a number of back issues of *Business Insurance*, I came across one with an insert placed by the Independent Insurance Agents of America. The emphasis of the advertising was that the independent agents treat people like people, not like numbers.

Kent County is insured through an independent agent and it is simply amazing the number of numbers that must be supplied to get a claim off the ground. Not only do we have to supply policy numbers,

we also need policy dates, date of loss, amount of loss, as well as some verbal information. In order to get information, the claim number is an absolute necessity.

Based upon my dealings with the insurer, the independent agent does not have much, if anything, to do with claims settlement. Perhaps the advertising was aimed exclusively at personal lines, or was merely wishful thinking?

**Kenneth Bush**  
Risk and insurance manager  
Kent County, Mich.

## business insurance®

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

G.D. CRAIN JR. founder (1885-1973)

MRS. G. D. CRAIN JR.  
chairman of the board  
KEITH E. CRAIN  
secretary-treasurer

S. R. BERNSTEIN  
chairman, executive committee  
DAVID J. CLEARY JR.  
executive vp-general manager

RANCE CRAIN  
president and editorial director  
ALFRED MALECKI  
vp-publisher (New York)

KATHRYN J. McINTYRE, editor (312-649-5286)

LORRIE GAWLA, managing editor (312-649-5278)

LEN STRAZEWSKI, senior editor/features & special reports

JERRY GEISEL, Washington editor. RHONDA RUNDLE, West Coast editor. STUART EMMRICH, New York Bureau Chief. VALERIE J. BERG, copy editor. JOHN MAES, assistant features editor. Associates: New York—ELLIS SIMON, MARY ANN MATLOCK (staff reporter). Chicago—DAVE GALANTI, EILEEN NORRIS; STACY SHAPIRO; JOANNE WOJCIK O'HARE (asst.). Editorial asst.: CLAUDETTE EISENZIMMER, Washington—MAISIE LEE (reporter/researcher). MERRILL S. SALTZMAN, graphics editor/production manager. JOE FARACI, corporate art director. MILT PRIGGEE, editorial cartoonist. MARY CAIRNS, photographer. Correspondents: Dallas—SHARON WATSON (214-234-6496). London—JOHN MILLER (01) 946-4215. San Francisco—CAROL G. BLITZER (415-326-5429). Seattle—WILLIAM CUSHING (206-624-7755). Southeast—MARGARET LeROUX (919-933-9106). Editorial production assistant: WILLIAM BIKE. Proofreader: DOROTHY PARR SNOWDEN.

DONALD A. WALSH,

Advertising Director—New York (212-986-5050, Ext. 15)

ROBERT L. NIESSE,

Midwest Sales Manager—Chicago (312-649-5276)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, TIMOTHY O'HARA. Chicago—DON MAHLMEISTER. Assistant to Advertising Director: Los Angeles—LORI WEINSTEIN. New York—CONNIE MELE. Production manager: Chicago—FRAN PRYBYLO. Promotion manager: New York—RONNIE I. DRACHMAN. Assistant to the publisher: Chicago—CELIA MALOUHOS; New York—JOYCE BAIDA. Classified sales—BARBARA TOSHEFF.

Published by Crain Communications Inc., Chicago, HERBERT ZELTNER, group vp; ALFRED MALECKI, J.J. GRAHAM, S.E. COHEN, LOUIS F. DE MARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, ARTHUR E. MERTZ, vice presidents; JAMES M. FRANKLIN, vp-finance and administration; MERRILEE P. CRAIN, assistant secretary.

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253, National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). \$1 a copy, \$25 a year in U.S. Canada and all other foreign add \$10 for surface mail. Europe and Middle East only add \$32 for air delivery. First-class mail to Canada only, add \$36. WILLIAM STRONG, vp-circulation. PAMELA JANOUSEK, circulation manager; ROGER DiGREGORIO, fulfillment director. Circulation Dept.—Chicago. (312-649-5227). Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

BPA

Member of Business Publications Audit of Circulation

★ABP



# Ever wonder what most HPR insurers do with your 3 year deposit?

They use it to feed their own interests.  
They invest it. Earn dividends on it.  
Expand with it.

And you gain nothing. Because you can't make money on money you don't have.

At Commerce and Industry, we do things differently.

With our HPR insurance, you not only get the most fearless underwriters in the field. And engineers who look at your

risks with enough know-how to offer alternatives instead of rejections.

But most importantly, you get an insurance company that won't hog your money by holding a three or even five year deposit.

Because you pay just one year at a time. And use the rest to serve your own interests.

So the choice is yours.

You can go to someone else and let

them grow on your money.

Or you can come to Commerce and Industry Insurance Company.

And use the same money to grow a little yourself.

**Commerce & Industry Insurance Co.**

**The AIG Companies.**

Let us take the risks.



## EMPLOYEE BENEFITS

- Plan Design & Administration
- Employee Communications
- Third Party Claim Facilities

**HERBERT L. JAMISON & CO.**  
90 Park Avenue, New York, N.Y. 10016 • Area Code 212-490-7600.

## Hershey sweetens employees' package

### benefit beat

**STRIKING WORKERS** at Hershey Chocolate Co. in Hershey, Pa., won sweetened medical and pension benefits—and a holiday on the first day of antler deer hunting season each year, usually the Monday after Thanksgiving.

The three-year contract between Hershey and the Chocolate Workers Local 464, ratified last month, raises benefits for diagnostic, X-ray and laboratory tests to \$500 a year from \$300; and increases payments for doctors' inpatient and outpatient visits to \$10 a visit from \$6.

Hershey's medical and hospital coverage is extended to cover dependents of deceased disabled employees, and the company's dental plan is extended to include ortho-

donia, with 50% coinsurance and a \$750 maximum.

Pension benefits are increased to \$425 a month from \$400 in the first year of the contract and to \$450 from \$425 in the third year. Sickness and accident benefits rise to \$140 a week from \$130 in the second year of the contract and to \$150 in the third year.

Metropolitan Life underwrites hospital and medical insurance for Hershey and Pennsylvania Blue Shield underwrites the dental plan. The contract covers about 5,000 employees and its benefit provisions will cost Hershey about \$670,000 in the first year, says Earl Light, business manager of the union local.

### Plans take off

In what the Airline Employees Assn. calls "the highest insurance benefit package in the airline industry," 4,300 clerical and passenger service employees of Minneapolis-based Republic Airlines will receive increased health, life and pension benefits.

The 30-month contract raises the major medical benefit limit to \$500,000 from \$250,000 with a \$100 deductible per individual, and doubles payments to \$25 for yearly eye exams and to \$15 for frames. Long-term disability benefits were raised to 60% of base pay per month.

Employee life insurance coverage was increased to \$50,000 from \$25,000, with spouse coverage raised to \$2,000 from \$1,500.

Republic's insurance coverages are underwritten by Northwestern National Life.

Workers may now retire at age 55 after 25 years and receive \$533 a month, or retire at age 62 after 25 years and receive \$864 a month.

ALEA employees at each work station may choose a four-day work week with 10 hours of work a day and a paid 40-minute lunch. A majority of employees at each airport must vote for the option.

The cost of the contract package has not been determined, an ALEA spokesman said.

### No room, board

Beginning Jan. 1, the Blue Cross plan in Cincinnati will no longer reimburse room and board charges for subscribers who receive diagnostic and preadmission tests in the hospital, unless a physician documents the need for doing the tests on an inpatient basis.

Blue Cross will refuse to pay all room and board charges for persons having inpatient diagnostic tests. In the case of inpatient preadmission tests, the plan will not cover room and board from admission to the day of surgery.

Ohio law requires Blue Cross to pay hospitals directly. If the plan refuses to pay a bill, the hospital is prevented by law from billing the patient for the unpaid amount and instead must absorb the cost itself.

In a related cost-cutting move effective Feb. 1, Cincinnati Blue Cross will give hospitals and physicians a list of surgical procedures that can be performed on an outpatient basis. The plan will refuse to cover hospital room and board for these procedures unless the physician documents that hospitalization is necessary.

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

## Keeping Your Fingers Crossed...

may sometimes seem to save the day but it won't give you that feeling of security and personal satisfaction you get when you use the professional capabilities of Talbot, Bird.

As leading marine specialists for more than half a century we have the knowledge, experience and high capacity that makes us known for our ability to provide the most comprehensive and economical insurance available.

When creative protection is essential it makes sense to have it designed by people who can tailor it to your requirements.

What we have to offer may be just what you need. Call us and discover the feeling of satisfaction you get when you have know-how and performance you can count on.



## Talbot, Bird & Co., Inc.

*Marine underwriters and Managers*  
156 William Street, New York, N.Y. 10038  
Atlanta • Chicago • San Francisco • Los Angeles • Seattle  
Tampa • Boston • Dallas • Richmond • Kansas City • Vancouver

# Achievement.

Frank B. Hall, the world's most inventive insurance services firm has achieved industry status. And a reputation for instant service. Quality protection. Creative programs. Contact one of our 188 global offices today. Let us Achieve never and better coverages for your risks.

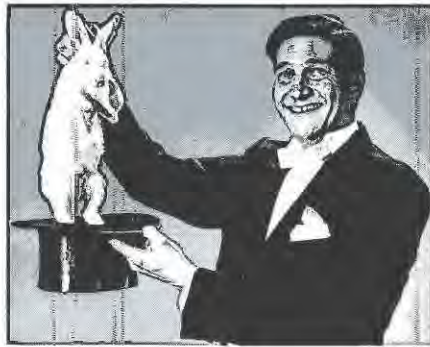


When creative protection is essential  
Frank B. Hall & Co.



## Right Before Your Eyes!

**Our Uncommonly Talented Commercial Casualty Underwriters Will Turn Diverse and Unusual Accounts Into Profit Dollars...**



**CRAVENS, DARGAN & COMPANY SPECIAL RISKS**

P.O. Box 1660/Houston, Texas 77001/(713) 525-6100/Dallas (214) 521-3980  
San Antonio (512) 680-0900/Lubbock (806) 765-8416/Denver (303) 759-9151  
Texas WATS (800) 392-4901

## info

• **The Newly Emerging Bermuda Insurance Market** is described in copies of a presentation by Bayly, Martin & Fay International Inc. The report details how Bermuda insurers are providing a significant insurance and reinsurance market for American risks. A free copy of the report is available from Samuel Alcorn, senior vp, Bayly, Martin & Fay International Inc., 3200 Wilshire Blvd., Los Angeles, Calif. 90010; 213-736-9831.

• Mutual of New York's new ASO/Stop-Loss Program for Self-Funded Employee Benefit Plans is fully described in a new kit entitled **Controlling Health Care Costs is Everyone's Business**. For a free copy, write ASO/11-31, Mutual of New York, 1740 Broadway, New York, N.Y. 10019.

• Liberty Mutual Insurance Co. is offering copies of an address entitled **In Support of the Administered Pricing System for Workers Compensation**. The address was delivered by Melvin B. Bradshaw, Liberty Mutual's president and chief executive officer, before the NAIC Zone 6 meeting in San Diego Sept. 17. For a free copy, write Public Relations Department, Liberty Mutual Insurance Co., 175 Berkeley St., Boston, Mass. 02117.

• **The Manual of Rules, Classifications & Interpretations for Workers Compensation** is available free from International Risk Management Institute. The manual is written in layman's language and is designed for use by insurance buyers, agents, underwriters and auditors. The manual contains rules, classifications and interpretations for all states except those with monopolistic workers compensation funds. Write International Risk Management Institute, 10300 North Central Expressway, Suite 350, Dallas, Tex. 75231.

• A new brochure by Buck Consultants Inc. analyzes the **Implications of the Multiemployer Pension Plan Amendments Act of 1980** and suggests effective responses for employers. Some little-known provisions of the law could saddle an unsuspecting employer with new liabilities of \$100 million or even more, the booklet says. For a free copy, contact the Multiemployer Department, Buck Consultants Inc., 2 Pennsylvania Plaza, New York, N.Y. 10001; 212-279-4400.

• Frank B. Hall Consulting Co. has recently completed a **Survey of Principal Pension Provisions of a Select Group of Corporate Plans Covering Key Management Employees**. The survey compares the retirement benefit levels and other major plan provisions for 33 Fortune 500 companies. To receive a copy of the survey, send \$15 to Frank B. Hall Consulting Co., Attn.: Brian W. Kruse, 261 Madison Ave., New York, N.Y. 10016.

• **The Sixth Edition of the Standard for Safety for Cord Reels, UL-355**, has been published by Underwriters Laboratories. This standard is an American National Standard, covering cord reels for general use, as well as those intended to be mounted on or in electrical utilization equipment. Copies are available for \$3.75 each or \$9 for the Sixth Edition and any revisions that may be issued while it is in effect. A catalog of UL standards is also available without charge. Orders with prepayment enclosed should be sent to Underwriters Laboratories Inc., Attn.: Publications Stock Department, 333 Pfingsten Road, Northbrook, Ill. 60062.

• The Alliance of American Insurers has made available its **Fleet Safety Manual** to the general public. It is packaged in a standard-sized three-ring binder. Single copies are available for \$13, including shipping and handling. Bulk orders may be purchased at a discount. To order or receive more information, contact the Alliance of American Insurers, Loss-Control Department, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-558-3700.

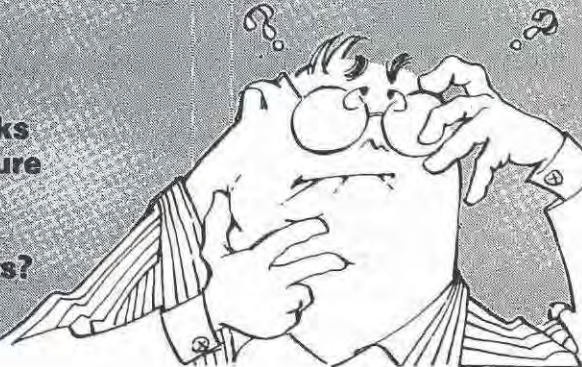
## PROBLEM:

You need an automated system to administer workers' compensation, but you can't ask your EDP department for help. They're already buried in high priority projects.



## QUESTIONS:

- How can you maintain adequate claim files on the computer?
- How can you issue compensation checks from a central distribution point to ensure their accurate and timely payment?
- How can you handle vendor payables efficiently without duplicating payments?



## ANSWER:

**corporate systems**



Corporate Systems' Claims Administration System gives you instant on-line access to your complete claim file and totally automated check-writing capabilities. At the touch of a finger, you can issue compensation payments or call up an individual claim or selected groups of claims for screen display or hard-copy printout. And your files are always current and correct, because with each bit of data entered, they are updated and validated for accuracy.

Most important, Corporate Systems' Claims Administration System enables you to control claim costs, by helping you . . .

- Improve reserving accuracy
- Reduce time-consuming paper work
- Monitor exceptional claims
- Enhance employee and vendor relations through prompt and accurate payment of compensation and medical expense checks

- Avoid duplication of payments
- Assist loss prevention specialists with information to reduce the cost and number of accidents
- Strengthen communication with financial management through more efficient accounting procedures
- Improve cash flow by batching vendor payments

Corporate Systems' Claims Administration System can do all that and much more, and it's just one of the many information systems we provide to corporations for claims management and loss prevention. If you have a risk management information problem or question, ask us. We've been providing problem-solving tools to risk management for more than a decade, and our growing client list of more than 1,100 corporations and governmental entities is proof we've been doing a good job at it.

We can supply the answers you're looking for.

**corporate systems**

# Feds retain biannual pension hikes

By JERRY GEISEL

## washington

WASHINGTON—The federal government will continue to boost the pension benefits of retired civil servants and military personnel twice a year to match increases in the Consumer Price Index.

The House and Senate had each approved legislation to reduce benefit hikes through a once-a-year, cost-of-living adjustment formula.

But House and Senate conferees, who met to iron out differences in the two bills, decided to retain the biannual pension adjustments.

Cutting increases to once a year would have saved the government an estimated \$578 million in Civil Service pension

costs and another \$400 million in military retirement benefits.

The conferees were under heavy pressure from government unions not to reduce the benefits.

Since the mid-1960s, the military and Civil Service programs have automatically boosted benefits in March and September to compensate for any increase in the price index.

Such an automatic inflation adjustment is rare in private pension plans.

President-elect Ronald Reagan says he is in favor of the biannual pension increases. However, the Carter Administration wanted to cut back pension increases to only

once a year.

### PBGC regulations

Final regulations published by the Pension Benefit Guaranty Corp. detail premium increases companies belonging to multiemployer pension plans will have to pay for termination insurance.

The current premium of 50 cents annually per participant will jump to \$1.40 per participant for the first four plan years after Sept. 26, the date the Multiemployer Pension Plan Amendments Act was enacted.

During the fifth and sixth years, the premium will be \$1.80 per par-

ticipant, \$2.20 for the seventh and eighth years and \$2.60 for the ninth and succeeding years.

The increase in termination insurance premiums was part of the landmark multiemployer act approved by Congress last fall (BI, Sept. 22).

The PBGC termination insurance premium regulation appeared in the Dec. 3 issue of the Federal Register.

### Pesticide exposure

The Occupational Safety and Health Administration is asking employers to help the agency draft a standard on worker exposure to pesticides during their manufacture.

"We are asking for information describing the way workers are be-

ing protected now against the hazards posed by these substances," said OSHA chief Eula Bingham.

OSHA wants evidence documenting the health risks of both chronic and acute exposure to pesticides and how the risks are handled on the job.

Comments should be sent by Jan. 31 to OSHA Docket Officer, Docket No. H-115, Room S-6212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210.

OSHA also will hold informal public hearings Feb. 24-25 in Fresno, Calif.; March 10-11 in Beaumont, Tex., and March 24-25 in Charleston, S.C..

For more information about the public hearings, contact Tom Hall at OSHA's Division of Consumer Affairs, 202-523-8024.

## around the states

### Comp rate in N.J. to increase

NEWARK—Workers compensation and employer liability rates for New Jersey businesses will rise 7.98% effective Jan. 1. The revision will affect new and renewal business.

Also on that date, the maximum weekly workers compensation benefit will increase to \$199 from \$185. The minimum weekly benefit also changes to \$53 from \$49.

### Alcoholism care

AUSTIN—The 1981 Texas legislature should require all group health policies issued in the state to cover alcoholism treatment, recommends a report by the Texas House Committee on Health Services here.

Group health policies commonly cover inpatient treatment of complications of alcohol, but the study recommends policies expand to include outpatient and residential services as well.

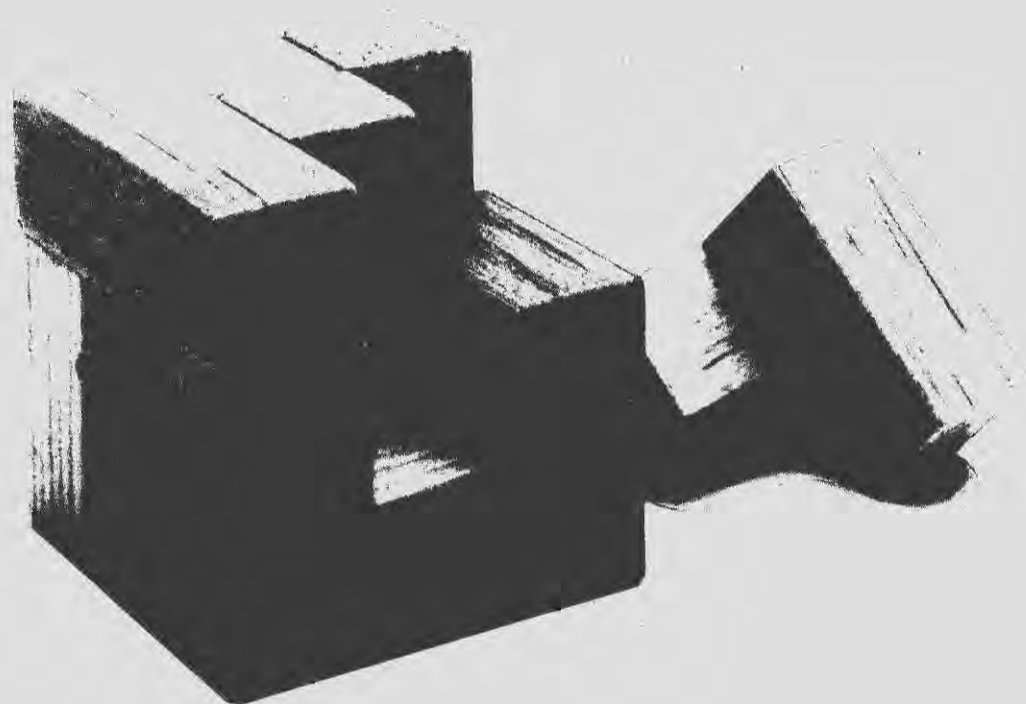
Broader insurance coverage for outpatient alcoholism treatment could result in savings from decreased use of medical services for other illnesses, the report said, citing the California Alcohol Project's estimate that every \$1 spent on treating alcoholics would result in a 42-cent savings in other health care costs.

### Strict liability

SPRINGFIELD—The Illinois Supreme Court has refused to extend the doctrine of strict liability to X-ray treatments, reversing an appeals court decision.

The Illinois Appellate Court had ruled former patients of Michael Reese Hospital in Chicago who developed throat tumors after receiving X-rays from 1941 to 1954 could recover damages from the hospital without proving it was negligent.

The high court, however, said the plaintiffs could sue the hospital for negligence in a jury trial or pursue another legal tack in which the jury would presume the hospital's negligence, putting the burden of proof on the hospital.



"Our underwriters are accustomed to pioneering. Rarely is a risk turned down because of its unusual nature."



The London Agency, Inc.

1230 W. Peachtree Street, N.W.  
Atlanta, Georgia 30309  
(404) 875-9641

Atlanta • Charlotte • Jacksonville • Kansas City

# Drake complements industry

By JOHN MAES

DES MOINES, Iowa—At Drake University in the middle of America's cornbelt, they call the insurance department "The Insurance Center." It's not just because university officials think the term has a nice ring.

The university not only turns out insurance and actuarial science graduates from its undergraduate College of Business Administration, but also helps hundreds of working insurance professionals yearly study for advanced degrees and designations.

Des Moines, the acknowledged insurance capital of the Midwest, and the university feed on one another. The approximately 60 insurance firms based here provide a constant source of jobs, intern-

## insurance education

ships and cooperative education programs for students.

At any time, 35 to 40 Drake insurance majors can be found working part-time in the offices of Des Moines insurers doing actuarial work, underwriting, adjusting or sales. Some even earn student credit hours while they learn the nuts and bolts of the business in the-cooperative education programs.

"The industry is very supportive of Drake and the program," said William Burns, a 30-year veteran of the insurance field and now director of the Drake Insurance Center.

"Representatives of the companies come in as guest lecturers all

the time. They take our students on field trips and talk to the students about career goals and planning."

The university, on the other hand, is a source for continuing education courses for professionals.

**Offerings include** preparation courses for the Chartered Property/Casualty Underwriter exams, license qualification courses for Iowa agents and an insurance education workshop for high school teachers.

"A lot of economics and driver education courses in high school involve insurance, and many high

school teachers feel it's a good thing for them to know," Mr. Burns said.

The insurance center faculty also writes the test questions for agent licensing exams in 16 states and maintains a computerized monitoring system for testing procedures, Mr. Burns said.

But academic preparation of undergraduates is still the insurance center's strong suit. Drake boasts one of the top schools in the nation for actuarial science, a program that draws students from all over the world, Mr. Burns said.

The four-year actuarial program also is one of the toughest on campus, with most of the students having outstanding mathematical aptitude, he said. Enrollment is usually kept to 80 to 100 to maintain the quality of instruction.



"The industry is very supportive of Drake," says William Burns.

## worldwide

### Insurance covers Fiat quake loss

TURIN, Italy—Fiat Corp. is fully insured for some \$13.1 million in losses to its manufacturing plant near Grottaminarda in Southern Italy from earthquakes that rocked the region last month.

A Fiat spokesman in New York confirmed that the losses are fully covered but was unable to name the insurer.

There were reports the firm is insured through the Factory Mutual System. However, Allendale Mutual Insurance Co. would neither confirm nor deny this.

Fiat is reportedly one of the few firms in the region with earthquake coverage.

### Favorable climate

NEW YORK—Venezuela is one of the most favorable climates for foreign investments, according to a Frost & Sullivan political risk analysis.

The analysts set only a 19% chance that multinational firms operating in Venezuela will suffer any major losses in the next 18 months.

Mexico and Chile are the only two other nations with short-term risks estimated at less than 20% by Frost & Sullivan.

Foreign businesses will face only a 33% chance of major loss during the next four years, the analysts say.

"Although the present government of President Luis Herrera Campins, inaugurated in March 1979 for a five-year term, has problems that could cause labor unrest, the basic strength of the party-based democratic system is substantial," Frost & Sullivan says in its report.

The government of Venezuela recently streamlined the application process for foreign firms that want to invest, the analysts pointed out.

### Flood claims

AUCKLAND, New Zealand—Insurers here are expecting \$8 million in claims from storms and floods in Otago last June and another \$500,000 stemming from a tornado that struck Onehunga in August.

Insurers are still paying nearly \$11 million in losses from floods in various parts of the country last year.

re-in-sure  
rē-ən-shūr  
1: coverage by com  
one insurer (reinsur  
to insure all or part  
viously assumed by  
company 2: to insure  
a specified continge  
indemnified or guar



Drake University has seen enrollment in insurance courses double.

"We don't like to overload the program," Mr. Burns said. The insurance center offers a combined actuarial science and accounting major, a program Mr. Burns says is excellent preparation for a career with consulting actuarial and accounting firms. The recently instituted program requires 20 additional hours of course work, but still can be completed in four years. Drake is adding a casualty actuarial science concentration to the program. A new demand for such specialists is being created in a growing number of states because ratemaking bureaus are no longer being allowed to determine rate structures for companies, Mr. Burns said. Consequently, companies are doing more rate development. Companies will be crying for casualty actuaries," said Mr. Burns. "There are only about 500 of them in the entire country." Drake's insurance curriculum

does not neglect other areas of the business, however. The school allows insurance majors to concentrate in three different areas, including sales, for agency or sales management careers; home office management, and general insurance. **Course requirements** include business law, computer science, statistics, finance, management marketing, economics and general business. These are in addition to the specialized insurance courses such as risk management, social insurance, agency management, life and health insurance, pensions, property/liability coverages and operations and seminars and independent study. Drake does not offer a major in risk management, but it will in the future. "We will offer it as an area of emphasis, but it's not in the catalog yet," Mr. Burns said. He also predicted employee benefits will someday become a

separate major to accommodate the increasing demand for professionals schooled in that area. There is no master's of business administration program with an insurance concentration at Drake, but Mr. Burns says that's the way the faculty wants it. "We want to be the best insurance school there is at the undergraduate level, and right now we're not trying to do anything at the graduate level." Among Drake's distinguished graduates is Archie Boe, chairman and chief executive officer of Allstate Insurance Co. Enrollment in the insurance center has almost doubled in the last four years to 40 to 50 students, not counting the 80 to 100 in the actuarial science program, Mr. Burns said. In addition, some 250 business law and liberal arts students take insurance courses each semester. This figure also had doubled in the last four years, he said. ■

If this is your definition of reinsurance, we've got a lot more to show you

ance/  
on(t)s/n  
act whereby  
undertakes  
of a risk pre-  
n insurance  
gainst loss by  
y or peril as  
teed by one

We're Bellefonte Re Insurance Company, a member of the Armco Insurance Group. We know that providing a responsive market for property and casualty reinsurance demands a fine blend of two often opposing factors—consistency and flexibility. Not a compromise, mind you, but an ability to operate within established underwriting guidelines, while allowing our underwriters the flexibility to develop original and imaginative solutions to client needs. We're a self-contained operating unit of the Armco Insurance Group, fully accountable for underwriting management. Flexibility is maintained by locally responsive underwriters assigned to specific geographic regions. There's more to how we define reinsurance at Bellefonte Re. To find out, write for a copy of our capabilities book. Bellefonte Re Insurance Company, Dept. 260, 11370 Reed Hartman Highway, Cincinnati, Ohio 45241. 513/745-8000.



**markets**

**Insurer gets a new name**

BOSTON-BASED Commercial Union Surplus Lines Insurance Co. will ring in the New Year with a new name. Under the name Falcon Insurance Co., the insurer will underwrite commercial lines as an admitted insurer in Delaware and California and a nonadmitted insurer in most states. It will have net in-house and treaty capacity of up to \$5 million for property/casualty coverages. Services will be available through selected surplus lines brokers, the insurer says.

**New subsidiaries**

Fiduciary & General Corp., an insurance holding company based in Indianapolis, has created two subsidiaries, Fiduciary & General Reinsurance Corp. and Bahamian General Insurance Co. F&G Re, a multiline international reinsurer, will write all types of reinsurance, particularly for insurers in Canada, South America and the United States. It is headquartered in Nassau, Bahamas. Bahamian General Insurance Co., also in Nassau, will write life and general lines of insurance in the Bahamas and the Caribbean.

**New offices**

Stewart Smith West Inc. has opened an office at 100 Mission St., Suite 1001, San Francisco, Calif. 94105; 415-777-9766. National Dental Consultants has opened an office at 280 Lawrence St. N.E., Marietta, Ga. ■

**28% SAVINGS** IN HOSPITAL BED DAYS

Health Insurance with lower rates and higher benefits through prior authorization. Groups of 25 or more.

HEALTH MAINTENANCE LIFE INSURANCE COMPANY **HAL**  
(714) 963-3305 • (213) 592-4427  
(801) 364-3499 • (714) 265-7117  
(408) 996-9184

# Little protection for safe deposit box

Our agency would like any information on the theft of safe deposit boxes at a Boston bank over the last Memorial Day weekend. I have a client who is in the private safe deposit business in Texas and would like to have information on this loss for future security needs.

**Jerry L. Nagid**  
**Abe I. Brillig Insurance Agency**  
Dallas, Tex.

The Depositors Trust Co. of Medford, Mass., lost \$3.5 million in safe deposit boxes when burglars stole 700 of 1,000 boxes in the vault, according to the American Bankers Assn. in Washington, D.C. Neither The Depositors Trust Co. nor its lawyers would comment on the loss.

But according to insurance and

## action line

banking experts, there probably isn't much more a financial institution can do to prevent such a loss. Breaking into a safe depository is the work of a professional burglar who has examined the bank security thoroughly, they say.

The only security precautions are the usual ones: dual control of transactions, verifying signatures, securing the vault, enforcing security alarms, etc. Guards could make more rounds, said one source at Aetna Life & Casualty Co., but that's about it.

The Depositors Trust's \$3.5 million loss is an estimate by the Federal Bureau of Investigation because no bank knows the value of

safe deposit box property. "That (figure) is probably picked out of the air," said the Aetna source.

"It could be a valid figure, but it could be more, it could be less. It probably is a pretty close figure, within a couple of million."

Customers may present receipts for silver that in fact is lying at home, he said. Others don't want anyone to know what is in their boxes.

A financial institution, however, can insure itself against safe depository loss, Aetna says. It offers two policies. One insures an institution against legal liability for the contents of safe deposit boxes. The other is a burglary and robbery in-

surance policy.

Legal liability insurance for safe depository loss is fairly inexpensive because the burden of proof is on the individual boxholder and loss frequency is low.

The bank only pays its boxholders if a court has proved the bank liable.

Cost varies, depending on the coverage limits.

Aetna's rates are 4 cents per year per safe deposit box for \$25,000 or 7 cents per year per box for \$1 million. But most institutions have only minimum coverage, ranging from \$100,000 to a couple of million dollars, Aetna says.

Burglary and robbery insurance for safe depositories is available, but it is more expensive and not as common. It would automatically cover box owners' losses in the

case of burglary or robbery.

Aetna also offers safe deposit box insurance for individuals and has sold it to a few corporations. Known as securities on deposit insurance, it costs 50 cents per \$1,000 of goods per year with an \$8 minimum, Aetna says. Some homeowners or tenants insurance policies also might cover the contents of safe deposit boxes, Aetna says.

## Day-care centers

**I am interested in obtaining information on corporations that have sponsored day-care facilities for the children of their employees.**

**Due to the enormous increase in the number of working mothers today, the problem has arisen of providing adequate child care at a minimum fee. Please forward any information you have.**

**Linda Geric**  
**Benefits specialist**  
**Wakefern Food Corp.**  
Elizabeth, N.J.

Employer-sponsored day-care centers are still in their infancy, but a few companies are pioneering the benefit. A day-care center funded by PCA International Inc. in Matthews, N.C., for example, has saved the company more than \$30,000 this year in reduced employee turnover ("Day-care center nurtures savings, worker goodwill," *BI*, Dec. 15).

Other day-care centers can be found at the Rahway, N.J., plant of Merck & Co. ("Merck funds deliver child-care center," *BI*, Aug. 11), Stride Rite Corp. in Boston and the Amalgamated Clothing & Textile Workers Union in Chicago ("Day-care: An employer benefit, too," *BI*, Dec. 11, 1978).

A study by Levi Strauss & Co. in San Francisco concluded that day-care services should be close to where people live rather than where they work ("Levi's touts home day care based on its own experience," *BI*, Dec. 11). When Levi Strauss experimented with a day-care center in one of its plants, only 12 children of employees used the center.

*Action line will answer readers' requests for information. Have a question regarding insurance or your profession? Write Action line, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

## datebook

**JAN. 26. Chartered Property & Casualty Underwriter exam preparatory courses in New York, sponsored by The College of Insurance; \$88 per credit hour for employees of organizations sponsoring the college, \$99 per credit hour for all others, plus an \$18 registration fee. The College of Insurance, 123 William St., New York, N.Y. 10038; 212-962-4111.**

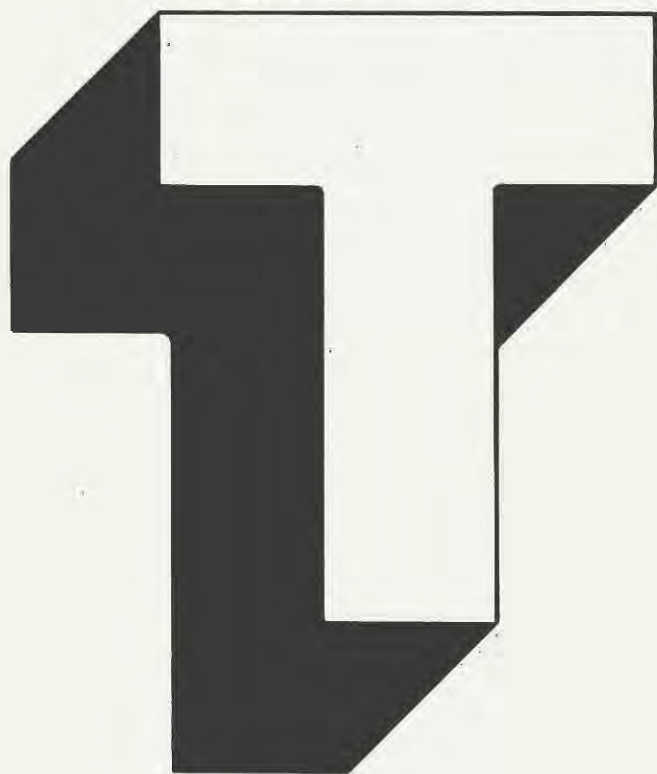
**FEB. 2-6. Safety Management: Total Loss-Control Management Course I in Houston, sponsored by the International Safety Academy; \$535, \$485 each for three or more from the same organization. Also March 2-6. International Safety Academy, P.O. Box 19600, 10575 Katy Freeway, Houston, Tex. 77024.**

**FEB. 9. Second Annual Petroleum Insurance Conference in Houston, cosponsored by RIMCO Risk Management Inc. and the Professional Development Institute of North Texas State University; \$395. Professional Development Institute, North Texas State University, P.O. Box 13288, Denton, Tex. 76203; 817-788-2483.**

**FEB. 24-25. Risk Management & Claims Management Seminar in San Leandro, Calif., sponsored by Darrell Heppner & Associates; \$185. Darrell Heppner & Associates, 1120 E. 14th St., Suite F, San Leandro, Calif. 94577; 415-895-9650.**

**MARCH 9-12. Corporate Benefits Management Conference in Miami, sponsored by the International Foundation of Employee Benefit Plans; \$380 for members, \$455 for nonmembers. Also March 23-26 in San Diego, Oct. 26-29 in Lake Tahoe, Nev., and Dec. 3-6 in Orlando, Fla. IFEBP, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.**

# TRANSCO



## FACULTATIVE REINSURANCE

Underwriting Managers for

**THE CENTRAL NATIONAL INSURANCE COMPANY OF OMAHA**

Omaha, Nebraska

**BEST'S RATED "A+XIII"**  
**POLICYHOLDERS' SURPLUS \$40 MILLION**

**PROPERTY CASUALTY EXCESS WORKER'S COMPENSATION**

**CAPACITY TO \$6,000,000**

**SUBMISSIONS ACCEPTED FROM: Reinsurance Brokers & Ceding Insurance Companies**

**REINSURANCE OF CAPTIVES**

**Transco Insurance Services**

Home Office: 1610 Oak Street, P. O. Box 678, Solvang, California 93463

Phone/(805) 688-4995/Telex 65-8428/Telecopier (805) 688-2668

Peter J. O'Shaughnessy, President

Branch Office: 310 South Michigan Avenue, Chicago, Illinois 60606

Phone/(312) 346-1027/Telex 20-6331/Telecopier (312) 346-7739

Robert Henson, Vice President

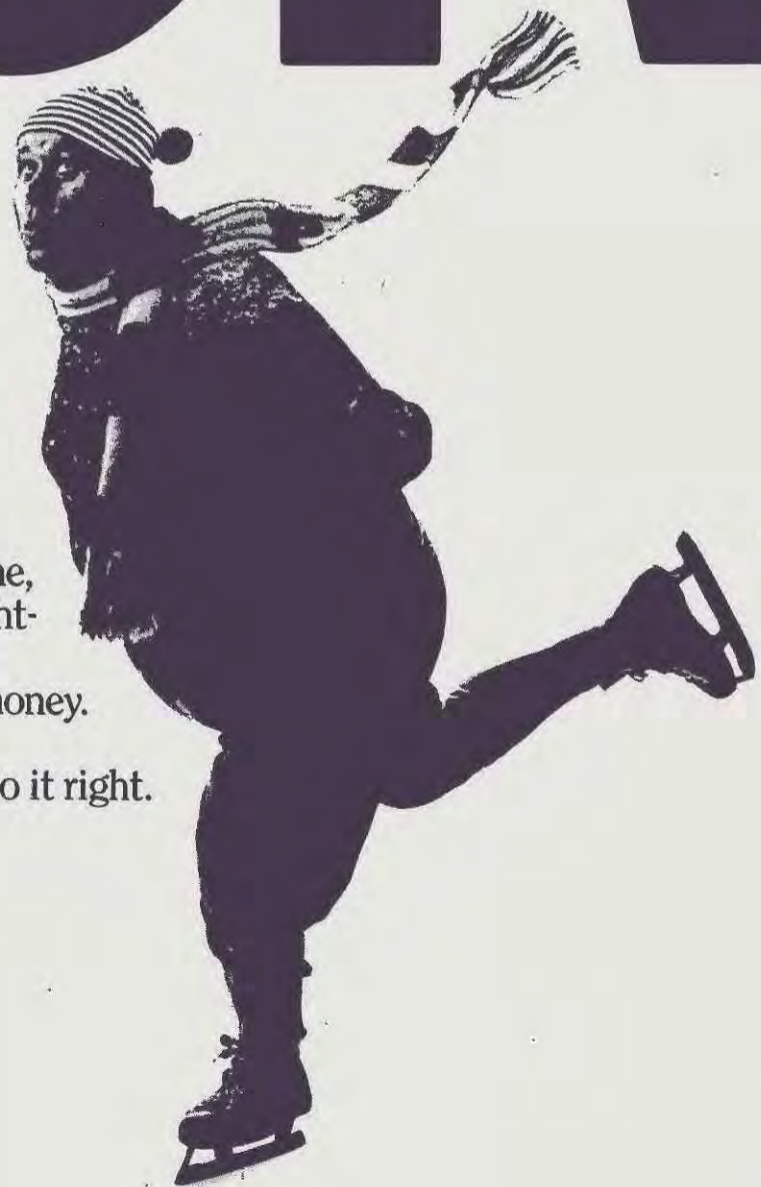
# RISK.

Americans thrive on risk. It's part of our national character. The people who opened the frontier were risk takers. So were those who put a man on the moon. In fact, risk is so American, that sometimes people who avoid it are a little suspect.

But there is a kind of risk you should avoid. The kind that destroys, not invigorates. Like fire, flood, explosion. As one of America's largest industrial property insurers, Arkwright-Boston is committed to combating this.

That's why we reward clients who lower their risk potential with lowered premiums. And why, this year alone, in conjunction with the Factory Mutual System, Arkwright-Boston will spend over \$66 million searching for ways to minimize this problem. It may seem like a large sum of money. But that's a risk we're willing to take.

At Arkwright-Boston, we do it better, because we do it right.



**ARKWRIGHT-  
BOSTON  
INSURANCE**



**A MOST UNUSUAL  
INSURANCE  
COMPANY**



# 'Preventive medicine' can avert claims

NEW YORK—A defense against workers compensation claims begins when a future employee crosses your threshold. "If you (the employer) do a proper job of getting an employ-

ment application and pre-employment physical, you won't get workers compensation claims later," attorney George R. Wolff told members of the New York Self-Insurers Assn. at its annual meeting

held here recently.

These precautions are especially important because New York law limits an employer's liability in second permanent injury cases to a maximum of 104 weeks of benefits. The law was enacted to encourage hiring of the handicapped or those with permanent physical impairments.

However, an employer must be able to document a pre-existing condition.

"I call this preventive medicine," Mr. Wolff said, outlining specific suggestions for job applications and physicals.

An application should include questions on the following: physical complaints, surgeries, hospitalizations, injuries, congenital conditions, diseases, civil suits in-

volving personal injuries and facial scarring, he said.

"I believe you'll find out more by the personal route than by allowing the person to fill out the form alone," Mr. Wolff said.

The job applicant also should sign the medical history because misrepresentation of disability can invalidate all future workers compensation claims, according to state law.

The physical should cover conditions accepted by the state as disabling. These include hernia, diabetes, high blood pressure and cardiac problems.

Vision, X-rays of chest and low back and facial scarring should be checked.

The physical can determine an applicant's qualifications for the job and be a first step in legal de-

fense, Mr. Wolff said.

In relief situations, benefits beyond the employer's maximum are paid from a special quasi-state fund supported by employer contributions.

**Because workers compensation claims cannot be averted totally,** Mr. Wolff suggested taking the following steps when filing claims reports:

- Never say an injury occurred, because this may be used against the employer in court. Say "alleged" injury.

- Record when an employee started work and his or her exact birthdate to put medical history in perspective.

- Obtain copies of hospital records to compare with claim forms. Often they show discrepancies. ■

AUTO	FIRE	MARINE
<b>SUBROGATION</b>		
<b>BENNETT &amp; BENNETT</b>		
Attorneys		
Serving over 150 insurance companies. We offer quick, efficient computerized processing and adjustment of your subrogation Claims. Current status reports—Reasonable contingent fees.		
Send for FREE Brochure		
Home Office: 769 Northfield Avenue		
West Orange, New Jersey 07052		
New Jersey (201) 325-0033	New York (212) 926-2824	Florida (305) 371-8234
		Pennsylvania (215) 563-2168

## The crack troop has landed! And your excess position is secure.

ATLANTA (404) 231-9272	CHICAGO (312) 853-2777	COLUMBUS, OHIO (614) 846-6666	DALLAS (214) 233-0201	DENVER (303) 399-4023
HOUSTON (713) 777-4530	MINNEAPOLIS (612) 545-4300	LOS ANGELES (213) 385-6266	NEW YORK (212) 943-2070	PHILADELPHIA (215) 567-2700
PHOENIX (602) 957-4580	SAN FRANCISCO (415) 777-4300	SEATTLE (206) 624-8711		

You're on firm ground when you call in the crack troop from Baccala & Shoop to handle your needs in excess and special risks.

No uniform strategy works for all. So we draw up a plan that's painstakingly tailored to the requirements of each client. Be it casualty coverage—Umbrella Liability, Gap/Buffer Layers or Excess Workers Compensation. Or be it property coverage—

Primary Quota Share, Excess of Loss, All Risks, D.I.C. or Builders Risk.

You can count on us, too, for providing you with a steady market in these selective lines. And following through with attentive service all the while the contract is in effect.

To mobilize the crack troop, call the number above nearest you. And see if we don't hit the target zone every time.

**Baccala & Shoop**  
The crack troop  
in underwriting management.

## Surety bond prices may rise: Official

NEW YORK—Surety bond underwriters may hike the price of bonds for self-insurers of workers compensation in New York because of new extended liability, a state official warns.

The state workers compensation board has changed the rules for calling upon a surety bond to cover benefit payments when an employer defaults. Instead of calling upon the surety bond in force at the time the employer defaults, the state will call upon the surety bonds in force at the time the employee was injured.

Surety underwriters see this as an expansion of their liability, says Martin Bergman, director of compensation claims for the State Insurance Fund of New York, the state's assigned risk pool.

Surety companies may raise their prices, he said, because this decision continues their liability for a longer period of time, therefore making their potential payouts greater.

The Surety Assn. of America denied rates may be hiked, although the ruling may tighten the market.

"It's probably not going to raise the premium, but it may make bonds much more difficult to obtain," said Lloyd Provost, acting general manager of the association. "Surety companies were under the impression that the last bond (in place at the time of a default) would take all liability, but this expanded liability now becomes part of every new bond written."

Employers that want to self-insure workers compensation risks must show financial guarantees, such as securities or surety bonds.

Mr. Bergman suggested that if surety bond prices for self-insurers of workers compensation become too expensive, employers will post securities or buy insurance from the state fund or commercial insurers rather than self-insure.

The surety companies involved in the case that has changed the rules about which surety is liable when an employer defaults are trying to appeal the decision to the New York Court of Appeals, the state's highest court. The intermediate appellate division, however, already has unanimously upheld the compensation board's ruling. Only if the attorney general grants an appeal will the higher court hear it.

The cases that raised the issue were Henry Lee vs. Eastern Freight Ways Inc. and Peerless Insurance Co. and John Swirba vs. Eastern Express Inc. and Seaboard Surety. ■

# Alcoholism care may cure firm's absenteeism ill

By MARY ANN MATLOCK

NEW YORK—Treating alcoholism does more than improve an individual's health and self-esteem. It can cure corporate monetary ills, too.

"We're saving a lot of money and are helping a lot of people," said Bart Reeves, one of four full-time alcoholism rehabilitation counselors at New York Telephone Co.

With some 26,000 employees in the state, the company estimates alcoholism could cost \$7 million annually in absenteeism alone.

However, a rehabilitation program started a few years ago costs less than that. Exact figures are unavailable because the program is tied into the medical program.

"Of the 26,000 people we serve, probably 6% are alcoholics," Mr. Reeves said at the annual meeting of the New York Self-Insurers Assn. He said if each of the alcoholics has an annual salary of

communication, and often introduces workers with similar problems.

An individual's condition is kept confidential if he requests it.

"We're trying to change the attitude that alcoholics should be laughed at, pitied or criticized to an attitude where they're accepted as people who need help," Mr. Reeves said.

"Alcoholism is a disease that can be controlled," said Dr. Virginia Hardman, medical director at New York Telephone. "If it can be controlled, it's worth diagnosing." ■

## Rehabilitation can also avert workers comp claims.

\$18,500 and 25% of their salary is lost because of mental and physical absenteeism, the company loses \$7 million.

Rehabilitating the alcoholic also can avert successful workers compensation claims if the worker can't say the condition is work-related.

"Our success rate is 79% to 82%," Mr. Reeves said, "and those succeeding are carrying the message to others in the company. It's nice to see a person get his or her life back together."

"Most alcoholics are referred to us by supervisors who notice poor job performance, excessive absenteeism or accidents," Mr. Reeves said. "The second-highest number come through the medical department."

After referral, the individual is diagnosed and treatment is arranged.

"We get a drinking history and do a personal profile," Mr. Reeves said. "We want the individual to get into treatment conducive to their learning."

Besides arranging and paying for rehabilitation, the company encourages participation in groups such as Alcoholics Anonymous; has short-notice admission arrangements with several area hospitals; helps families re-establish

## Course covers reinsurance

NEW YORK—The College of Insurance will offer its Brief Course in Reinsurance this winter and spring.

The course is scheduled for Jan. 15-16, Feb. 19-20, March 26-27, April 23-24 and June 18-19. It is designed for risk managers and other insurance professionals who know little or nothing about reinsurance.

The course will explain the purposes and use of reinsurance, the difference between facultative and treaty reinsurance, and pro-rata, excess and catastrophe plans.

More information is available from the college's property/liability department, 123 William St., New York, N.Y. 10038. ■

# Coming Up! Energy

Issue Date: January 26, 1981  
Ad Closing: January 13, 1981

New York:  
708 Third Avenue, N.Y. 10017 (212) 986-5050  
Chicago:  
740 Rush Street, IL 60611 (312) 649-5275  
Los Angeles:  
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Business Insurance, the national newsweekly of loss prevention, risk financing and benefit management.



# WIN

## FAME & FORTUNE

### IN THE CMI

#### MARKET TURN AROUND

# CONTEST!

*(A brighter look at our industry's obsession)*

CMI, of course, knows the precise date this market is going to turn around. As specialty risk brokers and underwriters, it's our business to know and flow with the cycles. And we have the substance, structure and stability to continue to operate efficiently and effectively under all market conditions.

But rather than revealing the date now, we'd like to see how creatively prophetic you are. Tell us when you think the market will turn around. More importantly, tell us what will be the standard by which everyone else will know it has turned around. (This can be anything from the prime rate hitting 4% to a plague of locusts hitting London.)

Entries will be judged on the basis of creativity, imagination and a touch of whim.

So check the rules and prizes. Then enter and win Fame and Fortune!

## GRAND PRIZE

**FAME:** You will receive a handsome engraved plaque officially naming the Market Turn Around Indicator after you. Because we expect it to take its place alongside other famous business and economic barometers (like freight car loadings and housing starts), the plaque will include an actual working barometer.

**AND FORTUNE:** You will also receive a two-year subscription to Fortune!

## 100 CONSOLATION PRIZES

We will send you a permanent unit which displays the actual, precise date upon which the market will turn around along with a great many others...including the dates of future cyclical changes.

OFFICIAL RULES

- Everyone is eligible to enter except employees of CMI and their immediate families.
- Entries will be judged on the basis of creativity, imagination and relevance to the insurance industry.
- Decisions of the judges will be final.
- All entries will become the property of CMI.
- You may enter as often as you like, but all entries must be received in our offices by January 31, 1981.
- Mail entries on your company letterhead to: CMI Market Turn Around Contest, 160 Water Street, New York, N.Y. 10038.

**Note:** Items pictured above are not prizes in this contest. They were included to get your attention. And they did.



CAPACITY MANAGERS INTERNATIONAL, INC.  
160 Water Street, New York, N.Y. 10038 (212) 344-5300  
New York • Chicago • Los Angeles

**If you think your premiums  
are paying for your competitors' losses,**



## **check with the leader.**

Controlling insurance costs can go a long way toward improving the bottom-line results of your company. As the world's leading broker, Marsh & McLennan can help you develop the most cost-effective method of administering your risk management program.

We can identify the areas of coverage where your loss experience is better than the average for other companies in your industry —and develop loss-sensitive programs based on your loss history

that give you credit for the quality of your operations and improve your cash flow. So you don't pay for your competitors' poor loss records.

### **Improving your loss record**

High loss ratios not only ultimately increase insurance costs, but interfere with your company's productivity as well. M&M Protection Consultants, our loss-control specialists, develop hazard-control programs that are effective in reducing losses and which lead to lower insurance premiums.

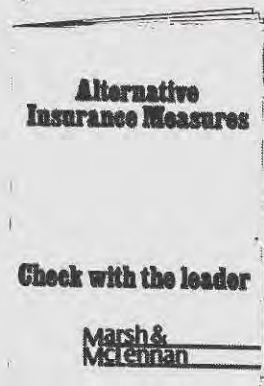
When a loss does occur, we can help you settle the claim through the most advantageous claims management plan.

### **More ways to control costs**

Marsh & McLennan can help you reduce your fixed premium costs in other ways, too. For example, we can analyze your level of risk retention and recommend appropriate deductibles or risk-retention levels.

Altogether, Marsh & McLennan has the people, organization, experience and negotiating power in the insurance marketplace to provide the most cost-effective coverage for all your company's assets.

For more information on controlling your company's insurance costs, write for a copy of our booklet "Alternative Insurance Measures" to: Mr. Robert Clements, President, Marsh & McLennan, Incorporated, Dept. 10 BI, P.O. Box 839, Radio City Station, New York, NY 10101.



**When it comes to insurance, come to the leader.**

**Marsh &  
McLennan**



## RETHINKING PROPERTY CONSERVATION FROM THE GROUND UP.

Important technological advances are often accompanied by increased property risks. Allendale has to be right on the tail of these new hazards, identifying them and finding affordable solutions.

Jumbo jets, for instance, are a giant step forward for passengers, the airlines and air freight companies. But only in the air. Sitting on the ground in a service hangar, their size becomes a serious problem. Because bigger in this case means a quantum leap in values and exposures over the previous generation of aircraft and facilities. As much as 6,000 gallons of fuel may remain in the tanks. And two or three of these giants are often in a hangar simultaneously. So there's the ever-present potential for a substantial loss from fire.

Before the jumbos were even put into service, Allendale, along with many airlines and air freight insureds, recognized the magnitude of the problem. Conventional overhead fire-protection systems can't provide adequate protection. Fire underneath a jumbo would escape immediate detection. And the vast body and wing surfaces would interfere with the sprinklers.

Allendale,  
because of the

**Factory  
Mutual  
System**

resources of the FM Engineering Division, had been on top of the latest developments in foam technology. Tests, involving the largest indoor flammable liquid fires ever run, were conducted at our special fire research facility. They proved that the most effective approach to the problem is an overhead foam sprinkler system coupled with oscillating foam monitor nozzles for underwing protection.

One of the first Allendale insureds to adopt this new technology was Flying Tiger Line. Their new system was designed to utilize the existing water supply and make maximum use of present piping. So it was accomplished as painlessly as possible. "Tests of the system demonstrated it provides complete foam coverage instantly. As a result, we have a high degree of confidence for the safety of our personnel, aircraft and facilities," states Bill Thompson, Flying Tigers' director of maintenance.

Keeping our insureds aware of new protection techniques is one of the things we do consistently. We've been working on loss prevention for almost 150 years now and keeping an ear to the ground is second nature.

Allendale Mutual Insurance Company,

Allendale Park,  
Johnston, Rhode  
Island 02919.

**Allendale Insurance**

# Kenney rises to RM position

McGraw-Edison Co. in Rolling Meadows, Ill., has promoted **Norman A. Kenney** from director of corporate insurance to assistant treasurer - risk management. In this newly created position, Mr. Kenney will continue to be responsible for the development and administration of risk management activities. Before joining the company in 1974, he worked for Middle West Service Co. for 10 years, ultimately holding the position of vp-insurance and risk management services. He also has held risk management jobs with Harris Trust & Savings Bank, Martin-Marietta Corp. and Industrial Risk Insurers, all in Chicago. Mr. Kenney, who reports to treasurer Thomas L. Bindley, is a 1948 graduate of the Illinois Institute of Technology with a degree in fire protection

## comings & goings: buyers

engineering. He has a CPCU designation and is president of the Northeastern Illinois chapter of RIMS.

Sun Chemical Corp. in New York has named **Thomas M. Basil** director of corporate insurance. Mr. Basil, who reports to Donald Duddy, general manager of insurance operations, previously was risk manager for Schiavone-Bonomo Corp. in New



Basil

Jersey. Mr. Basil also has worked with The Travelers Insurance Co. and Johnson & Higgins. He has a bachelor of arts degree from Sienna College and attended Albany Law School. The risk manager's position has been eliminated at Schiavone-Bonomo, but **Steve Brush** has been hired for the newly created position of safety director. Before accepting this job, he was supervisor of metals and alloys at the firm.

Chase Manhattan Bank has promoted **Paul S. Borkowski** from corporate insurance analyst to the newly created position of assistant treasurer - risk management. Mr.

Borkowski will report to Mario Rossellini, vp in the risk-financing department. Mr. Borkowski is a 1971 graduate of King's College in Wilkes-Barre, Pa., with a bachelor of arts degree in political science.

Digital Equipment Co. in Maynard, Mass., has named **Thomas Sheehan** corporate insurance manager to replace **Ronald Lamb**, who was promoted to risk manager. Mr. Sheehan, who reports to Mr. Lamb, was risk manager for National Medical Care Inc.

*We'd like to report on staff changes in your risk management or employee benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y., 10017 or call 212-986-5050.*

## products & services

### Programs emphasize fitness

CONTROL DATA Corp., preparing for the war against rising health care costs, has introduced three new health benefit programs. They will be marketed to the public through Control Data's Life Extension Institute.

The programs emphasize disease prevention through lifestyle assessment, problem intervention and worksite evaluation. Costs vary according to individual company circumstances.

The Employee Assistance Program helps employees solve such personal problems as stress, chemical dependency, financial and relationship difficulties. Trained counselors are available by telephone on a confidential basis daily. The phone service costs about \$20 per employee.

A key element of the Compliance Assistance Services program is a computer-based Occupational Health Management System. The system collects and organizes medical and toxic exposure information for each employee and recommends corrective action. Cost varies according to size of industry and amount of substances to be tested.

Staywell, a "wellness" program introduced earlier this year (BI, Sept. 1), identifies health risks and offers lifestyle modification through health education and exercise. The entire three-year program runs from \$400 to \$700 per employee.

For more information on the programs, contact Rosemary Price, Control Data Corp., Box O, Minneapolis, Minn. 55440; 612-853-3326.

### Firefighting agent

A multipurpose firefighting agent that leaves no residue is described in a new brochure from ICI Americas Inc. of Wilmington, Del.

BCF® Halon 1211, when used in portable extinguishers, provides effective protection for Class A, B and C fires. Halon does not corrode metals or sensitive components, making it safe for use in computer or other high-value electrical or electronic equipment areas, the company says.

Halon offers extinguishers long discharge range, ability to reach obstructed fires and ease in operating and recharging, the company says. Discharged as a mixture of liquid and gas, Halon does not cloud the operator's vision and eliminates cleanup problems.

A brochure detailing Halon's uses and advantages is available from ICI Americas Inc., Wilmington, Del. 19897.

1910—Armco introduces first eight-hour day  
You'll find eighty years of innovative history  
in our new name... we're the

## Armco Insurance Group

A new name in the insurance industry, but a name famous for eighty years of innovative solutions to people's needs.

In 1910, for example, Armco introduced the steel industry's first eight-hour workday. Employees gained more time for the pleasures of family, friends and community. And productivity, along with morale, started on the rise.

Today, Armco is still just as committed to finding innovative solutions. The Armco Insurance Group is one of them. You may have known us before as the Bellefonte Companies, British National Life, or perhaps American Druggists' Insurance. We still are. But now these and other Armco-owned companies serving the property and casualty insurance, reinsurance and risk management markets together form the new Armco Insurance Group.

There's more to the Armco story. Find out by contacting any one of the Armco insurance companies, or write: Scott R. Crawford, Armco Insurance Group, Dept. 310, 703 Curtis Street, Middletown, Ohio 45043.



**ARMCO  
INSURANCE  
GROUP**

### CLAIM MANAGEMENT SERVICES

RISK MANAGERS/CAPTIVES/REINSURORS  
casualty reserves • major case •  
audit/review • program analysis  
• contract adjusting analysis •  
• self-insured • aggregate covers  
• experienced in Fortune 500  
claim programs

John J. O'Connor  
B.A., L.L.B., I.I.A.  
Consultant  
11 Patrick Lane  
Wilton, Connecticut 06897  
Phone: (203) 762-9564

# Peter Downes knows his ABC's.

Peter Downes, a man of letters, is a regular contributor to the Perspective section of Business Insurance. Sometimes he writes with tongue in cheek, but the subjects he addresses are invariably of vital interest to the Business Insurance audience.

Since his first column in 1975, which dealt with big problems created by regulators under the guise of public protection, Peter's contributions have ranged from such diverse topics as illiteracy of insurance executives to how an insurance expert views health care as a patient, the justification for self-insurance, and his experiences with some of the Lloyd's characters who shaped that institution, to name only a few.

Peter Downes has brought a measure of literate rationality and balanced levity to many exasperating problems which have surfaced for corporate risk and financial executives in the seventies. And, in the eighties, he will continue his lively and readable contributions to the delight of thousands of Business Insurance readers.

Yes: Peter, like all of our editors, reporters and most contributors, does not specialize. His columns cover a wide spectrum of insurance, risk management and employee benefits topics. And they have been the subject of discussion, earnest analysis and *action* by influential corporate and government officials.

It's this kind of journalism that makes Business Insurance the most widely used and quoted authority in its field.

And because Business Insurance does so much for its readers, it also does more for its advertisers.

It's where the insurance marketplace takes shape, *week after week*.

Shouldn't you be there?



**business  
insurance**

a publication of Crain Communications Inc.

## perspective

## Hazards:



# Planning reduces chemical firms' exposure

By Richard P. Howell

EVERY CHEMICAL manufacturer, wholesaler and retailer faces customers and others who are increasingly willing to file a product-related claim against it. This is commonly recognized, but what to do about it is not nearly so evident. The problem is particularly acute for the medium-sized firm that is unable to employ a full-time risk manager.

The Affiliated Chemical Group Ltd. was formed in 1978 by a group of chemical companies that thought they might benefit from countering claims jointly. The group realized some of their problems were common, but others were unique to individual firms. Fortunately, the problems fell into two well-defined groups: the unique problems were mostly technical and the common problems nontechnical.

The group generated three methods for reducing vulnerability. The first, a group-owned insurance company, was formed on the premise that if the loss-prevention measures instituted by the group were successful, participants would share in the insurance savings. They believed the careful selection of members is a loss-prevention measure. Therefore, each company is required to undergo a critical vulnerability appraisal before being accepted.

The second method related to the firms' unique technical activities. To be easily updated, they prepared a loose-leaf manual that describes ways to:

- Meet each firm's special need for an emergency plan;
- Acquire pertinent technical information;
- Identify training courses and seminars in loss prevention, and
- Obtain a cost-free safety evaluation of an operation.

A primary piece of advice is to develop a tailor-made emergency plan. A first step consists of conducting a vulnerability analysis to determine what technical threats exist, ranking them from the most threatening to the least.

The third problem is the nontechnical event that often leads to a claim. Even though a firm's liability may involve physical and technical matters, a crisis may be averted or mitigated by careful planning, capable personnel, good communication with users of the chemicals or by meeting a crisis effectively. The group believes this area offers the greatest possibility for reducing exposures. Most failures can be traced to lack of preparedness, ill-conceived human acts or failure to act.

Erroneous, stereotyped misinformation needlessly wastes time and effort. For example, most employers believe some accident-prone employees have all of the accidents. Most also believe grades in school will indicate which potential employees will perform well. Finally, most have faith in their interviewing process. Little things—like a

firm handshake, a steady gaze, neat dress—are subtle indicators of how well a person will perform on a job. What are the facts?

The accident-prone concept stems from early 1900s reports. The Metropolitan Life Insurance publication "Preventing Taxicab Accidents" exemplifies such a report. A rash of psychological tests soon followed, tests that purported to identify those prone to have accidents. Today's more sophisticated statistical approaches, however, seem to cast a pall on these early conclusions.

A number of studies have shown that the attitudes of employers toward their workers may have a significant impact on accident rates. Therefore, techniques for identifying key employees who will succeed may have great impact on exposures. The conventional wisdom in recruiting is to choose someone with high college grades or position in college class. The common belief is that this will result in an accomplished supervisory force capable of achieving a liability-free record.

But a 1965 survey of 49 separate research efforts concluded there was little or no correlation between college

grades and adult work success. This conclusion is hard for some people to accept.

Another commonly held belief concerns the value of interviews in selecting a staff. Most executives believe liability exposures might be reduced by the screening that takes place when they interview prospective key employees.

The conventional wisdom is laid to rest by researchers D.D. Martin, W.J. Kearney and G.D. Holdefer in the book "Decision to Hire; a Comparison of Selected Tools." In it they question the usefulness of books and articles telling employers how to conduct an interview. They suggest employers place a moratorium on using such writings as a hiring assessment guide until more research has been done on the subject.

Greater productivity and lower accident rates are shown to be associated with age, marital status, sex and experience of recruits. Personnel turnover is also a factor to be considered.

Low turnover is desirable, since a number of studies have shown experienced personnel have fewer accidents. Probably the best single recruiting technique is to seek referrals from current top-rate employees. They act as critical evaluators. They see the potential employees when they are not putting on their best behavior, and they advise them of the troublesome as well as the good aspects of the job, so the new candidates have no false expectations. Statistics show that personnel hired on the advice of acquaintances not only perform better in general, but they also have a much lower turnover rate.

The main objective of the ACG loss-prevention program is to avoid potential claims by reducing exposures to risk. Achieving this goal requires a concerted approach.

No one activity does this completely, but through careful loss-prevention planning, adapting the appropriate technical procedures, employing selective hiring policies, understanding human motivations and communicating well, vulnerabilities are reduced. By training personnel to react correctly to crises, exposure is reduced further. ■

## Reaction to crisis

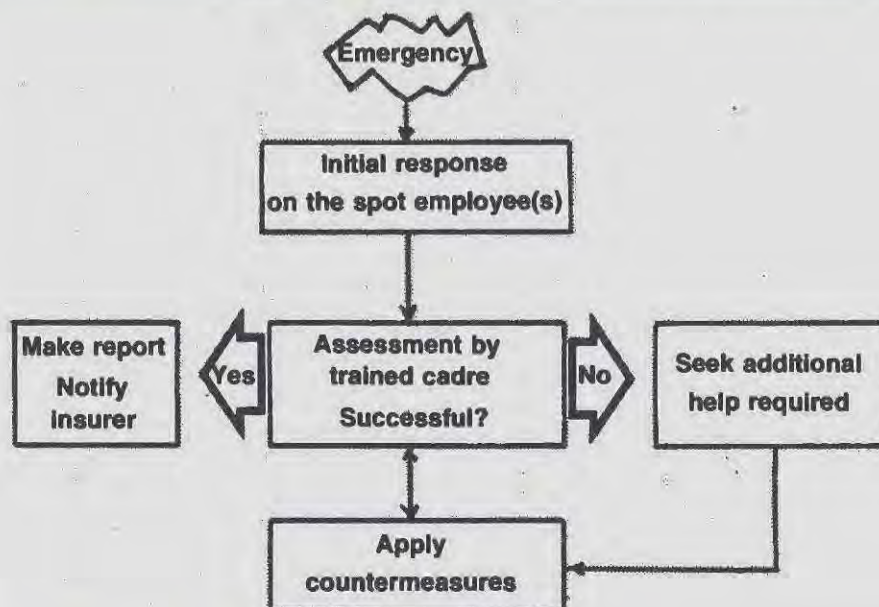
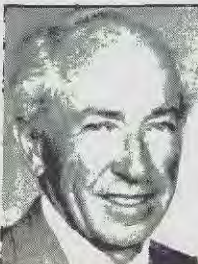


Chart: Risk Analysis & Research Corp.



Richard P. Howell is vp of Risk Analysis & Research Corp. in San Francisco.

## perspective

# Construction contracts

## Follow detailed checklist to avoid litigation

By J. Norman Stark

**L**AWSUITS ARISING out of construction contracts are predictable and avoidable. Historically, the basic principles of contract law, fully applicable to construction contracts, have changed little in the first 80 years of this century and are not likely to change much more before the year 2000.

Much litigation, with its attendant delays, expense and attacks upon reputation and credibility by the opposing factions, can be avoided by using at each critical stage the same detailed management controls and checklists that are rigidly enforced in mortgage financing and landlord-tenant leasing agreements.

Lenders, landlords and tenants seem to be among the few in the overall transaction who insist upon the sensible protection of their interests on basis of sound business practices.

Detailed checklists and supportive legal documentation should be available and used diligently for each of the following stages:

- Governmental review, approvals and permits.
- Environmental and sanitary review, approvals and permits.
- Fire protection and access highway review, approvals and permits.
- Land options and land review, zoning, use, appraisal, utilities, highways, rail facilities and labor.



*J. Norman Stark is an attorney and instructor of construction law at Cleveland State University.*



Make sure your interests are protected before breaking ground on your construction project.

- Architectural, engineering, consultant and construction management agreements with specific target dates clearly enumerated.
- Construction loan agreements and permanent financing commitments.
- Loan approvals and recording, construction contracts, subcontracts and supply agreements, with project schedules and target dates clearly enumerated for all participants.
- Warranties, guarantees, operating manuals and instructions, service agreements for major equipment and systems.
- Occupancy and security agree-

ments, with tenant-occupier insurance coverage as condition preceding occupancy.

The troubled project is invariably recognizable by the physical structure and its accomplishment having been accorded much less stringent criteria and attention to procedural detail than is prudent. This is particularly true in view of the enormous time, money and manpower involved.

**C**oordination and timing of legal follow-up, implementing the detailed checklists established far in advance, may be as important as the delivery of materials to the site — on time, in the right place and in the right proportions.

Construction contract claims are usually caused by such things as: design or contract deficiencies, differing site and subsurface conditions, work delays, construction processes and techniques, governmental prohibitions, work and project acceleration, unanticipated cost increases, material shortages, periodic and final payments, owner and tenant occupancy and acceptance and latent and patent defects.

The level of managerial and legal expertise available to each of the parties involved in a construction project must be of the highest caliber, and should be made a part of the team at all critical phases. Random contact with an occasional legal counsel or firm, without the specialized competence in the construction processes vital to the understanding of the work, is an open invitation to litigation, conflict and loss. The function of counsel is to fore-

see problems before they arise and to preclude the nightmare of project delays, losses, "extras", damages and charges of professional negligence and business incompetence.

While the primary test of the actual character of a construction contract is the intention of the parties, viewed from the entire scope and meaning of the words used, these phrases will be disregarded if found inconsistent with the true intent of the parties. And when words alone are insufficient to confirm the existence of a contract by the elements, courts have looked to the actual situation, acts and conduct of the parties and the surrounding circumstances to determine whether the contract exists.

When agreements are not clear and subject to more than one interpretation, the opinion may consider whether a contract existed at all. Case law shows there may be a contract implied in law on a point not covered by an express contract, but there is no implied contract on a point fully covered by an express agreement.

It also may consider whether the contract was express or implied, when the terms are expressed clearly and without ambiguity.

It is express when the parties show their assent in words. A contract is implied when the parties show their assent by acts.

Construction litigation arises because construction and contract documents are what they are, and what the parties, custom and usage and legal counsel say they are. But in the final analysis, they are what the court says they are. ■

## Areas of concern

- ✓ **Contracts**
- ✓ **Government permits**
- ✓ **Warranties**
- ✓ **Service agreements**
- ✓ **Finance agreements**

# Pressing for industry improvement

By Kathryn J. McIntyre

**P**RESSING THE insurance business.

That is what we do by reporting insurance news each week with the consumer viewpoint in mind.

We press those in charge of benefit and risk programs to do a better job for their employers.

We press brokers and consultants to do a better job for their clients.

We press insurers to provide better products.

We press regulators to be realistic.

You might think we press too hard in some areas and not hard enough in others. But few of you agree on which areas fall in which category. That tells me we are pressing pretty evenly.

How do our articles press for improvements? By merely presenting the facts and your analysis of them. We give you facts and analysis of new risk and benefit management programs, safety programs and funding programs. Facts and analysis of new markets. Facts about changes in programs and suppliers and why the changes occurred. Facts and analysis of proposed government regulations so you can take action to influence the kind of regulation that will govern you.

Quite simply, we press improvements by reporting what you do and what affects what you do. We report what you do well and what you fail to do. There are lessons to be learned from both success and failure. And they are lessons that deserve to be disseminated to everyone in the business so everyone can learn from each other and not repeat the same mistakes or reinvent the same wheel.

**W**e know there is a great demand for our reporting. There is more and more news to be reported that you want and need. Proof of that to us is the number of calls we get asking when a particular article was printed. We get at least a dozen calls a week for article citations from risk and benefit management departments and the suppliers of insurance and insurance-related services.

But not all the subjects we tackle or all the articles we publish are equally welcomed.

The founder of Crain Communications, which publishes *Business Insurance*, had an answer for complaints about story topics. To paraphrase what G.D. Crain said: There are no good stories. There are no bad stories. There are only accurate stories.

You, as the sources of information for our stories, determine how accurate our stories are. We, the 18 full-time editorial staff of *Business Insurance*, are professional communicators. You are the insurance professionals.

To get the news and the facts—for us

to be fair, responsible, knowledgeable and accurate—we need to interview you. All sides of a story get printed when you tell us all sides of it.

Many of you are already invaluable sources to *BI* reporters. To convince the rest of you to talk to us more often, I will explain the reporting guidelines we work under at *Business Insurance*. I'll explain how to work with us to be quoted and how to work with us without being quoted.

Here's how:

Remember you are always **ON THE RECORD** with a reporter unless you both agree otherwise. **ON THE RECORD** means anything you say may be used in the magazine quoting you by name, title and company affiliation. Don't wait for me to say, "I'm going to quote you now." Assume I will.

We prefer to work on the record because identifying the source of information allows the reader to judge the credibility of the source.

But if we must, to get the story, we won't quote you.

There are various ways you can talk to us without being quoted.

You can anonymously give us tips.

not for attribution.

When we print the facts, how do we convince you, the first off-the-record source, that we got the information elsewhere? If you don't want to see something in print, don't tell us about it.

**S**ometimes a *BI* reporter just needs background—a brain to pick to get a perspective on a story on which he or she is working. Background discussions generally don't produce quotes for a story. But if you say something during a backgrounder the reporter thinks is quotable, the reporter will ask, "Can I quote you on that?"

You can say yes and expect to be quoted accurately if you will follow three guidelines:

- Spend enough time with the reporter to be sure he or she fully understands the background to what you are saying.

- If you are worried the reporter misunderstood something or you are afraid you didn't explain it well, run through it again. You also can ask the reporter to read back his or her notes. This is to check accuracy, not for you to

ment someone has made, write us a letter—or write an article for our Perspectives section. The letters column and Perspectives section are your forums. Or call us with your critiques of articles.

It's to your advantage to work with us—to tip us off to stories, to be our sources, to contribute to our columns. We will then deliver more accurate, more complete, more useful stories—to press the business for your benefit.

We want to be the best clearinghouse for new risk and benefit management ideas. We want to get the word out about developments in the markets to help you use the marketplace to your best advantage. This ultimately makes the marketplace function more efficiently.

**T**hese goals guide us to go to all possible ethical means to get the facts for a story. If the best source won't give us the answer, we will go to anyone we can think of to find the answer. When we are forced to use a secondary source for information, we always confirm the information with another source before we print it.

Sometimes our stories aren't as complete as we would like. But we print the information we can gather. The first story can bring calls from sources we didn't know. Then we can publish a second, more complete article that better presents the facts thanks to new information.

There is one series of articles I started on soon after joining *Business Insurance* almost four years ago that I always think of when talking about how working with the press can help consumers of commercial insurance. I'm remembering the fiasco over the exclusion from coverage of punitive damages in liability insurance policies.

We reported that the Insurance Services Office and its member insurers agreed everybody would add a punitive damages exclusion to their liability insurance policies. The policies were filed with state insurance departments around the country.

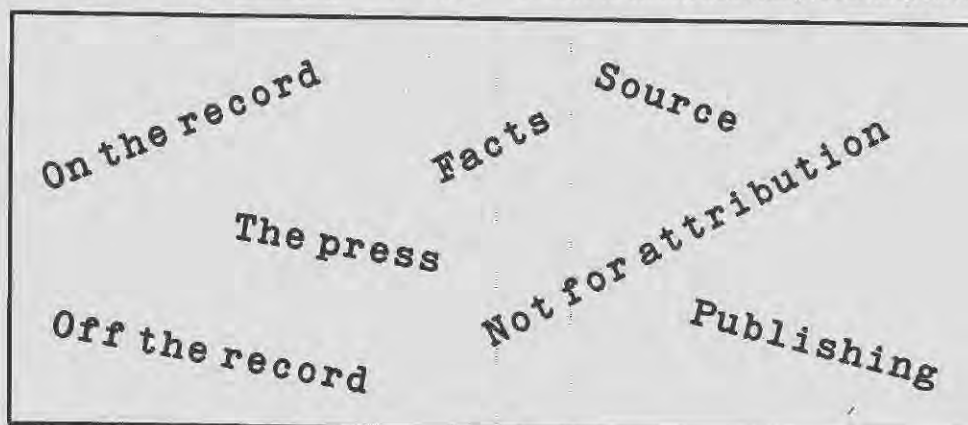
Then you, the buyer, stepped in and helped us develop the story. You didn't want the exclusion and you and your brokers successfully pressured some insurers to drop the exclusion for you. You told us about it and we printed the names of insurers dropping the exclusion. Insurers using the exclusion found they were at a competitive disadvantage. Eventually, the exclusion was dropped.

Competition—fueled by widespread information about who would do what for whom—helped force the industry to give you the product you wanted.

That is just one vivid example in the property/casualty field of how you shared information with us that helped you ferret out the markets you wanted. There are similar examples in the benefits field.

I hope you are now inclined to share even more information with us. Your comments, your expertise, will help *Business Insurance* do its job better—which is to bring you the news you need to do a better job.

But remember, our stories are only as good as our sources of information. ■



You can say your remarks are not for attribution. You can have a background discussion with a reporter.

If you tip us off to a story, we'll keep you anonymous as our source of the tip, if you ask.

If you want to share information with us for publication but you don't want your name hooked with the information in print, say **THIS IS NOT FOR ATTRIBUTION—DON'T USE MY NAME**. Then the reporter can quote one risk manager, one benefit manager, one broker, whatever.

You can identify selected comments as not for attribution or specify at the start of an interview that the whole discussion is not for attribution.

Off-the-record is a term often misused. It is best avoided because it means you don't want to see in print what you are telling us. Since we are in the business of gathering and **PUBLISHING** the news, it doesn't do us much good to learn something we can't print. And tomorrow someone may tell us the same facts specifying they are

edit your remarks.

- Be honest and straightforward with reporters. Make your answers clear. If you can't answer clearly, say so. Then the reporter can rephrase the question so you may be able to answer it. If you don't know the answer, say so. And suggest who may have the answer.

But please—don't ask to see the story before it is printed. As an independent news-gathering operation, we can't give it to you. It is unethical because it is an invitation to be censored—and then to be less than independent. As a practical matter, it is impossible to give our sources copies of articles before they are printed. We publish weekly, but our reporters have daily deadlines. There's no time to add another step in the process.

Rest assured the reporter will double-check any fact or quote he or she is less than 100% sure of as accurate. A reporter's value to a publication and future with a publication depends on getting the facts straight. That encourages accuracy.

But if you ever think you have been misquoted, call us. If we goofed, we'll print a correction. Our corrections are always on page 2, prominently displayed under the title "errors and omissions." It is important to correct us when we are wrong, not only to set the record straight, but also to prevent us from making the same mistake again.

If you disagree with a story or a com-



Kathryn J. McIntyre, editor of *Business Insurance*, has described how to work with the press to attendees of the American Management Assn.'s annual conference on risk and benefit management in October and at the December meeting of the Cleveland chapter of the Risk & Insurance Management Society.

# Royal Insurance names 3 secretaries

## comings & goings: industry

**ALBERT MAUCERI, Joseph M. Wallace** and **L. Roy Gunar** were appointed secretaries at Royal Insurance, headquartered in New York. Mr. Mauceri will be responsible for the liability claim department in the home office; Mr. Wallace will direct and supervise the activities of the commercial inland marine department in New York, and Mr. Gunar will have overall responsibility for commercial casualty insurance.

### Other insurer changes:

**Bob Ocheltree**, assistant vp at Mission Insurance Group of Los Angeles, appointed workers compensation underwriting manager at the company's San Jose branch.

**Steven C. Kleinman** promoted to second vp in charge of the advanced underwriting department at United States Life Insurance Co. of New York.

**Robert W. Dimser** and **Robert E. Filighera** promoted to vps by Michigan Mutual Insurance Co. at its home office in Detroit.

**Douglas R. Head** named assistant vp-advanced underwriting of American Health & Life Insurance Co. of Baltimore. Mr. Head will be responsible for establishing a new advanced underwriting unit to provide agents with current technical information and support.

**Harry L. Smith** promoted to loss-control manager of Fremont Indemnity Co.'s San Mateo division.

**Randolph Russell** named facultative reinsurance manager at Continental Insurance Cos' international department's Far Eastern regional office in Hong Kong.

### Agents/brokers

**Joseph H. Wilkinson** joined Alexander & Alexander as a vp on the national staff of the Human Resource Management Group.

**William H. Mattern** appointed executive vp and chief operating officer of the Roanoke Cos., a brokerage headquartered in Elk Grove Village, Ill. **William J. Kennedy** named general manager for the Chicago region.



Applegate

**Fred S. Applegate** appointed senior vp for Fred S. James & Co. of New Jersey.

**Shirley A. Cucchi** promoted to senior vp-account services for Fred S. James of Michigan. **William J. McCarthy** promoted to senior vp-production and **James R. Parry** promoted to senior vp-marketing and underwriting.

**John E. Campbell** elected vp of Johnson & Higgins of California.

**Martin J. Manna** promoted to vp of Fred S. James & Co. of Pennsylvania in Philadelphia. He previously was director of safety.

**Bob Cain** named vp of Fred S. James & Co. of Texas in Houston. **Jerry L. Shelton** named assistant vp.

### Other suppliers

**John H. Snyder** elected president of M.F. Bank & Co. Inc., appraiser for insurance company accounts in Minneapolis.

**Richard J. Fallquist** named consulting actuary at Western Actuarial Services Inc.

in Bellevue, Wash.

**David Youngdale** joined Deferred Compensation Administrators Inc., a Minneapolis-based

compensation and benefit consulting and actuarial firm, as a division manager.

**Joseph M. McSweeney** named deputy manager of M&M Nuclear Consultants, a Marsh & McLennan division in New York. He will coordinate technical and underwriting activities. **Thomas F. Hartley** was named manager of Eastern operations in New York and **Marshall Nadel** named manager of Midwest operations in Chicago. **Jon Sisis** elected assistant vp in charge of boiler and machinery operations in the Hartford, Conn., office and **Richard Lloyd** elected assistant vp of Western operations in Seattle.

**Richard C. Fitzsimmons**

promoted to district vp at Atwell, Vogel & Sterling, Inc., an Atlanta-based affiliate of Equifax Inc. specializing in premium audits, information for commercial property insurance decisions and loss-control services.

**Teresa E. Winters** appointed a staff consultant with RIMCO Risk Management Inc., a Dallas-based risk management firm. She was marketing coordinator in the marketing division of Fred S. James Co. in Atlanta.

### Reinsurers

**Kenneth J. Rutkowski** and **Ronald E. Compton** promoted to

senior vps at American Re-Insurance Co. in New York.

**Michael E. White** named vp of property underwriting for the NWNL Reinsurance Co., a subsidiary of Northwestern National Life Insurance Co. of Minneapolis. He formerly was vp of SCOR Reinsurance Co. in Dallas.

### Excess/surplus

**Robert J. Ewart** named vp-underwriting and **Gail Norheim** named assistant vp-marine at Mid-Continent Underwriters Inc., an excess/surplus lines supplier in New Orleans.

**James M. Wilson** promoted from president to chairman of J.M. Wilson Corp., headquartered in Kalamazoo, Mich. **Robert P. Pfister** promoted to president and

**Cameron M. Wilson** to vp.

**James F. Duffy** named president and chief operating officer of St. Paul Surplus Lines Insurance Co., subsidiary of St. Paul Fire & Marine Insurance Co. He will direct the expansion of the surplus lines division formed in 1974.



Anderson

**Robert C. Anderson**, formerly manager of Wohlreich & Anderson Ltd.'s Southfield, Mich., office, joined Robert S. Martin & Associates Inc. of Rochester, Mich., as vp.

**Pam Wilkinson** joined Cravens, Dargan & Co. Special Risks as a senior underwriter.



# Small truckers to see hike in premiums

Continued from page 2

Currently, interstate truckers must certify they have \$100,000 per person and \$300,000 per accident bodily injury insurance and \$50,000 property damage insurance.

The new law permits truckers to self-insure, post a surety bond or find a guarantor instead of buying insurance.

Tank truck operators that haul most commodities likely to be considered hazardous do not anticipate insurance problems because of the law, says Cliff Harvison, managing director of National Tank Truck Carriers Inc., a Washington-based trade group.

The association polled its members in 1978 and found even the smallest had no difficulty obtaining \$5 million of coverage.

Truckers that occasionally haul hazardous products, particularly small motor carriers and owner-operators, will be most affected by the new law. If the transportation department broadly defines hazardous materials, many will need higher insurance limits, says Tim Johnson, manager of Aetna Casualty & Surety Co.'s commercial lines division.

"They could be defined so finitely that all kinds of things would qualify for the \$5 million limit," he said.

Insurance costs would rise as a result, he contends. Based on Insurance Services Office data, an increase to a \$5 million single liability limit from a \$350,000 limit would mean a 51% premium increase, Mr. Johnson says.

Some insurers will have problems providing the limits on their own, he adds. They will need extensive reinsurance.

The insurance requirements should not strain industry capacity, however, says Joseph Kopsick, vp with the National Assn. of Independent Insurers. "The reinsurance will be there."

New entrants to the trucking industry probably will have trouble buying insurance in the open market, he adds. The higher liability limits required under the new law probably will encourage underwriters to look more closely at the safety record of truckers.

New entrants with no track records and who probably will operate "on a shoestring" will be perceived as poor risks, Mr. Kopsick predicts.

Insurers also will worry about truckers exceeding their authority to haul hazardous materials, Mr. Johnson notes.

Insurers must certify that they provide the trucker's required liability coverage. If transportation department regulations do not limit their liability to the face value of a policy, the insurer's liability would increase whenever a trucker exceeds his authority.

An insurer that wrote a \$1 million policy would have to pay a \$5 million claim if a trucker hauled freight requiring \$5 million of liability coverage.

Insurers want to make sure policy limits cannot be increased to \$5 million without their approval, says Hylan Cooper, vp of Central Analysis Bureau Inc.

If a trucker's certificate indicates he carries \$1 million of liability insurance, he should be required to seek a new certificate from his insurer before he hauls commodities requiring \$5 million coverage, Aetna's Mr. Johnson says.

Otherwise, insurers might want to write all truckers to \$5 million limits, he warns.

ers is the definition of "public liability" and "environmental restoration" under the new law's insurance requirements.

"No one has defined environmental restoration," noted Ken Goldstein, vp of Howden Swann, a New Jersey managing general agency that underwrites much of the excess coverage on tank trucks. "Until its defined, we're not sure what's needed."

If public liability and environmental restoration are defined more broadly than terms currently used by insurers—bodily injury, property damage, and pollution liability—underwriters probably will seek higher rates to cover motor carriers, Aetna's Mr. Johnson predicts.



Your personal subscription to *Business Insurance* is a fast, easy way to make sure you have full, factual and unbiased news and information on the constantly changing world of loss prevention, risk financing and employee benefit management every week.

### SUBSCRIBE TODAY

52 Issues . . . A Full Year Is Only \$25. Just 48¢ a Copy. Use the handy subscription card in this issue or the coupon. Or phone 312-649-5221 if you're in a hurry.

**Business Insurance**  
740 Rush Street Chicago, IL 60611

Fill in and mail to:  
**BUSINESS INSURANCE**  
740 Rush St., Chicago, IL 60611

Please:  
 enter,  renew,  extend my subscription to Business Insurance for:  
 1 year \$25.  2 years \$48.  3 years \$70.  
 Canada, Pan American and all other subscribers outside the U.S. add \$10 per year for surface postage. Europe and Middle East only add \$32 year for air delivery.  
 Payment enclosed.  Bill me.  Bill company.  
 Charge to:  Visa.  
 MasterCard (Interbank # \_\_\_\_\_).

Acct. # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_ (please print)

Title \_\_\_\_\_

Company \_\_\_\_\_

Nature of Business \_\_\_\_\_

Home or  
 Business Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

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



## When you need it. Now.

We can appreciate your need to move quickly when a client calls. For 30 years, we've written sound, effective coverage under tight deadlines.

We work hard to find the right answers—right away. We don't waste the time that can cost you clients.

We've seen and handled the unusual risks: the large, the small, the complex, the routine. In our specialties of Workers' Compensation

and Hospital Liability, and in your other commercial casualty and property insurance needs.

When a client calls, be ready to answer fast. Call Argonaut.



**Argonaut.**

**Where people take your business seriously.**

National Specialists in Workers' Compensation and Hospital Liability.  
250 Middlefield Rd., Menlo Park, CA 94025 (415) 326-0900

## Companies' problem: Where to find dump site?

PHILADELPHIA—Where are future dump sites for hazardous wastes going to come from?

The question plagued participants at a recent seminar here on hazardous wastes sponsored by AMR International. It is one issue that has not been properly addressed by either the federal or state governments in their rush to regulate the hazardous wastes industry, said many of the chemical company representatives attending the seminar.

"We don't have a problem finding a place for our wastes right now. We have a dump site in the South that should hold us for a while," said a representative from a New Jersey chemical company. "But I am worried about where those wastes are going to go 15 or 20 years from now. Are there going to be enough dump sites?"

Conference speakers conceded that finding new dump sites might take legislation. Few communities seem willing to voluntarily accept hazardous wastes sites in their surroundings, mindful of the problem Love Canal has had in recent years.

"We need more dump sites; that is the most crucial issue facing us today," said Thomas Hurst, vp of the Kerr-McGee Corp.

Mr. Hurst offered an idea of where dump sites could come from, but it is a novel one few others have suggested and few at the conference seemed ready to endorse.

He suggested setting aside government-owned wildlife and park lands for the dumping of wastes, a move that would almost certainly cause a furor among environmentalists.

But that, said one conference participant, is the problem behind dump sites: "Everyone wants them, but no one wants them in their backyard."



## Would You Go To A Specialist For Open Heart Surgery?

If you're like most people the answer is yes; because you realize it is a life and death decision.

Placing your corporation's property insurance could be a life and death decision as well. That's why, when you're deciding where to place your company's property coverage, you should choose the large line property specialist — IRM.

For almost sixty years IRM has provided creative underwriting, risk improvement programs and personal claim service, exclusively for large properties.

The next time you're placing property coverage for your corporation, and want it to receive the attention it deserves, go to the specialist — IRM.

Contact a member company for the IRM facility.



IMPROVED RISK MUTUALS

15 NORTH BROADWAY  
WHITE PLAINS, NEW YORK 10601  
ATLANTA • CHICAGO • DALLAS • DETROIT  
GREENSBORO • LOS ANGELES • NEW ENGLAND  
SAN FRANCISCO

## Insurer screens out risks

PHILADELPHIA—Shand, Morahan & Co. puts extensive risk analysis into underwriting nonsudden and accidental pollution insurance.

Potential clients of the company—120 risks have been submitted this year—have to fill out a "yard-long" application form and then go through a lengthy evaluation process before the policy is written, says Robert Liston, assistant vp at Shand, Morahan.

"A lot of companies don't want to go through this, especially the application form, because of its length, but it is critical," Mr. Liston told an AMR International seminar here recently. "We have to know as much about the risk as possible before we will go through with anything."

Shand, Morahan is one of only three companies offering nonsudden pollution coverage. Its information demands are considered standards for the industry. There has been so little experience in the

area of nonsudden pollution that underwriters are careful not to leave any questions unanswered before they decide to write a risk.

At Shand, Morahan, an application is just the beginning. Information about the potential policyholder, including brochures explaining the company's business, annual reports, government reports relating to the business and a risk assessment survey, are mandatory.

Perhaps the most crucial step is the risk assessment. Shand, Morahan requires that a potential policyholder hire an engineering firm to study its operation and report on the risk of gradual pollution.

"The engineer usually comes back with one of three answers—no, they should not be insured; yes, they should, but there should also be an on-site inspection by the underwriter, and yes, they should be insured and no on-site inspection is required," Mr. Liston said.

After the risk assessment is done, which usually includes grading the risk on a scale, Shand, Morahan quotes a premium. Premium quotes have ranged from \$20,000 to \$50,000 for the smaller companies. Larger concerns can expect premiums of up to \$1 million a year.

The policy is on a claims-made form and covers environmental impairment, including reimbursement of off-premises cleanup and some defense expenses. It does not cover fines levied by the courts or government.

The policy is for one year; applications must be renewed at the end of that period, with on-site inspection usually a condition for continuing insurance, Mr. Liston said.

Coverage is rendered invalid if the company is aware of noncompliance with federal regulations or knowingly breaks the law, he said.

"We do not intend to insure intentional pollution," he said.

## Market to feel competition

Continued from page 1  
think they will be here to stay," said Thomas Caldwell, director of insurance for American Cyanamid. "By next year we will see higher levels and lower prices. I think it is inevitable."

Mr. Caldwell spoke at a recent seminar on hazardous wastes sponsored here Dec. 11-12 by AMR International.

"By next year we will have many more insurers writing this coverage. I think that will drive prices down. We have seen this happen time and time again. A few innovative companies stick their necks out and write a new form of coverage at prices that might seem a little high to some risk managers.

"But after there has been some experience, more carriers come into the market and prices drop. The first group gets its feet wet and then the others jump in and the prices come down so they can gobble up a portion of the market as quickly as possible," Mr. Caldwell said.

Robert Liston, assistant vp at Shand, Morahan, said his company is evaluating applications for coverage from about 50 firms.

Another half-dozen have been accepted, paying premiums of \$20,000 to \$50,000 on the one-year policies. These are mostly small firms. Larger companies could expect to pay close to \$1 million, depending on the nature of the hazardous wastes they produce, he noted.

Deductibles on the policies, which provide limits of \$10 million per occurrence and \$20 million aggregate, range from \$5,000 to \$500,000, he said.

Companies have had little real experience in this coverage, Mr. Liston said, so setting rates has been "an educated guess."

Limits of \$20 million are the highest generally available now in the U.S. market, Mr. Liston said. Getting more than \$20 million is almost impossible, but he expects U.S. insurers will increase available coverage in response to more competition and demands.

"\$15 million is very easy to obtain from the three companies, but as you try to go beyond that, it becomes hard," Mr. Caldwell said. "I know of one chemical company that wanted \$50 million in coverage, but couldn't get more than \$20 million."

Mr. Caldwell expects high limits to be available next year.

"I think there will be ample capacity in the next 12 months."

Mr. Caldwell disagreed with Mr.

Liston's observation that some insurers might offer as much as \$200 million in limits by mid-1981.

"I doubt that is a serious possibility. I don't see the market growing that fast," Mr. Caldwell said.

He predicts companies will buy a first layer of coverage of \$15 million to \$20 million and additional layers up to \$50 million and beyond as the market continues to open up.

Risk managers unable to buy higher limits from the three U.S. insurers offering the coverage may be able to find some help in London, Mr. Caldwell suggested.

Excess insurance underwriters might be talked into taking on the higher limits once the first \$15 million or so is in place, he said.

"In today's soft market, I think it

might be possible. It might not stay that way at the end of 1981, but it should be available now," Mr. Caldwell said.

Mr. Caldwell dismissed suggestions that companies might want to totally self-assume their pollution liability.

"This is one option, but I am not so sure it is a good one. I don't think it is possible for an individual company to reserve for this contingency. You can't carry over to succeeding years," he said.

"You can't build a nest egg unless accounting rules are changed, which I don't see happening."

Self-insurance might not seem so attractive an alternative if states start enacting strict liability laws governing pollution, which some observers have suggested is a coming trend, he added.

# The Wetzel Company, Inc. Excess and Surplus Lines Reinsurance, Treaty and Facultative



Only through  
Agents, Brokers &  
Insurance Companies

P.O. Box 66452  
Houston, Texas 77006  
713/523-3003 Telex: 76-2053

# Hazardous wastes liability will grow, executive warns

PHILADELPHIA—Liability for damage caused by hazardous wastes is going to be an even bigger risk in the next few years, predicts Thomas Caldwell, American Cyanamid director of insurance.

"There are several industry trends which are increasing the loss potential of hazardous wastes," Mr. Caldwell told a recent seminar on hazardous wastes sponsored here by AMR International.

- These include:
- A trend toward bulk handling and transportation of hazardous chemicals, which could increase the size of a loss from a single incident.
  - A lack of highly skilled operators needed to deal with the increasingly complex operations at chemical companies.
  - Automation in the workplace, which reduces the number of people available in the event of an emergency.
  - An increase in the hazardous chemicals being handled.
  - Prevention programs being deferred during a time of recession, increasing the potential for serious losses.

A tendency to "push preventive maintenance to the back burner" is especially critical, Mr. Caldwell said. Risk managers should be spending as much time on loss-prevention techniques as they are on putting together an insurance package, he advised.

"Loss prevention is the key. Insurance is just one step further down the line," he said. "I can't overemphasize this enough. I for one would rather spend cash on loss prevention than on insurance."

At American Cyanamid, other steps in the risk management process begin with detailed risk analysis.

A company task force is assigned to take a close look at the risks attributable to its involvement with hazardous wastes.

The task force includes representatives from the medical, legal, environmental, toxicology and insurance departments. "Not any one department can do this alone," Mr. Caldwell said.

Faced with a risk that can't be prevented or controlled, a company must decide what it is going to do about it. It can get rid of the risk by selling off that part of the company—a drastic step, but one that some firms have taken, Mr. Caldwell said.

The company also can try to transfer that risk to suppliers or

transporters. It can explore self-insurance. Or it can take the option most companies do: insurance.

Most larger companies actually use a combination of self-insurance and insurance, Mr. Caldwell said. Annual expected losses can be paid out of the company's cash flow, he said.

The maximum probable and possible losses—which he defines respectively as the largest loss with a reasonable chance of occurring more than once over 40 years and the largest loss that could happen over the lifetime of a business—are almost always insured.

"Review this periodically. What was good yesterday might not be good today," he said.

## States get in the act, too

PHILADELPHIA—Regulations from the Environmental Protection Agency governing disposal of hazardous wastes are just the beginning of new regulations for chemical companies.

The states are following close behind with their own rules, some of them expected to be even more stringent than the federal ones. Strict liability may even be applied to hazardous wastes accidents.

"The states are very critical. Congress intends them to be on the front line of implementing (hazardous wastes) regulations," lawyer Austin Olney told a recent AMR International seminar here. Mr. Olney is a senior associate with the firm of LeBoeuf Lamb Leiby & MacRae in Washington.

"The states will be very aggressive, very active and in some cases more stringent than the federal government," he said.

"Most states will track the EPA, but some will definitely be more strict," agreed Ralph Siskind, a lawyer for the EPA.

Among the states expected to go beyond the federal statutes are Pennsylvania, Delaware and Arkansas, Mr. Siskind said. A few others in the Northeast and around the Great Lakes region also are expected to come up with their own tougher rules.

Among the issues being studied by the states that may have serious ramifications for generators of hazardous wastes is strict liability for pollution. This concept doesn't require a finding of negligence for a company to be held liable.

# 52 great issues coming up!

ISSUE NUMBER

ISSUE DATE

AD CLOSING

4. ENERGY

JAN  
26

JAN  
13

## more to come :

ISSUE DATE

AD CLOSING

1. SELF-INSURANCE	JAN 5	Dec 19
2.	JAN 12	Dec 29
3.	JAN 19	Jan 7
4. ENERGY	JAN 26	Jan 13
5.	FEB 2	Jan 21
6.	FEB 9	Jan 28
7. RISK MANAGEMENT SERVICES	FEB 16	Feb 3
8.	FEB 23	Feb 10
9.	MAR 2	Feb 18
10.	MAR 9	Feb 25
11. SPECIALTY RISKS	MAR 16	Mar 3
12.	MAR 23	Mar 11
13.	MAR 30	Mar 18

You can now reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader ... *Business Insurance*. For your convenience, we have listed all upcoming issues for the next few months along with special editorial information and advertising closing dates. Avoid the rush. Be where the action is this week and every week.

# business insurance

a publication of Crain Communications Inc.

New York: 708 Third Avenue, NY 10017 (212) 986-5050 Chicago: 740 Rush Street, IL 60611 (312) 649-5275 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

From The Reprint Department Of:

## business insurance

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

Do you need to distribute copies of articles appearing in *Business Insurance* at your meetings or for your mailings?

*Business Insurance* has expanded its reprint department to meet your needs.

For fast, low cost\* reprints of articles appearing in *Business Insurance*, or to obtain reprint permission for your own copies, call or write:

Reprint Department  
**Business Insurance**  
708 Third Avenue  
New York, N.Y. 10017  
212/986-5050

\*New prices effective 1/15/80

## Risk Retention Act dead

WASHINGTON—The Risk Retention Act is dead, at least until the new Congress convenes in January.

The act, which would have made it easier for businesses to set up insurance cooperatives in the United States, Bermuda or the Cayman Islands to cover product liability risks, failed to pass the Senate in the post-election congressional session. The House earlier had approved it.

The measure ran into trouble when Sen. John Durkin (D-N.H.) placed a "hold" on the bill, a move that bars Congress from voting on it in the closing days of the session.

Sen. Durkin, who represented some insurance industry interests, sought to have two amendments attached to the bill. One that would have barred new risk retention groups from being established in the Cayman Islands or Bermuda three years after the act was enacted had support.

However, a compromise could not be reached on an amendment that would have required risk retention groups to have at least \$1.5 million in capital and paid-in surplus to begin operations.

In an exclusive interview with *Business Insurance*, Sen. Durkin said he proposed the capitalization requirement to reduce the chances that a risk retention group would not have enough assets to pay all claims if a group folded.

"If there are no assets, how will claims be paid?" he asked.

Sen. Durkin labeled the Risk Retention Act as a "very bad bill" and said he opposed it on philosophical grounds.

"The federal government should not be involved in insurance," said Sen. Durkin, the former New Hampshire insurance commissioner. "Insurance regulation is much more effective at the state level."

However, observers say a new Risk Retention Act will be quickly passed by the new Congress.

"You have an incredibly broad business coalition behind it," said Victor Schwartz, an attorney with Crowell & Moring.

However, business groups such as the National Assn. of Wholesaler Distributors will have to find a new leader. Rep. Richardson Preyer (D-N.C.), who led the battle to get the bill through the House, was defeated in his bid for re-election.

Insurance trade groups say the measure died this session because the Senate was not interested in it. "The Senate didn't see a need for it," said Tom O'Day, government relations officer at the Alliance of American Insurers.

Others say the Commerce Committee, which had jurisdiction for the measure, was too busy with truck and railroad deregulation and overhauling the Federal Trade Commission's authority to act on risk retention.

Congress also failed to approve legislation (H.R. 7745) to relieve coal mine operators of liability for black lung claims filed by miners last employed before July 1, 1973.

Under current law, mine operators are responsible for claims filed by miners employed after Jan. 1, 1970.

## Agencies churn out rules

Continued from page 2

Other regulators contend they have to conduct business as usual. Eula Bingham, sure to be replaced as OSHA chief in the new administration, contends regulators would be derelict in their duties if they stopped issuing regulations now.

Still, OSHA is not going to issue regulations on noise levels in the workplace, as some had feared.

If a regulation abhorrent to the Reagan administration is finalized in the coming weeks, there's another course of action for killing it. Congress could bar the new regulation.

There's precedent for this, too. Congress in its final days last week barred the Internal Revenue Service from issuing regulations it had proposed to force many pension plans to adopt faster vesting schedules (*BI*, April 21).

OSHA's final regulation to be released in the next few weeks is not considered as controversial as new noise-level standards. The new regulation would dictate periodic testing of employees working in noisy places.

OSHA also may publish final regulations on labeling hazardous products for workers.

The Office of Pension and Welfare Benefit Programs is especially busy now. Among the final regulations the department is expected to issue with the apparent blessing of the Reagan administration are those that would:

- Reduce the amount of paperwork that must be completed by employers offering employees enrollment in health maintenance organizations. Duplicate filings to the Labor Department would be eliminated, making one filing necessary with the Department of Health and Human Services.

- Require employers to furnish employees with individual reports summarizing their benefits, to be distributed within six months of the close of the company's plan year. Vested participants would receive complete benefit statements.

- Detail how benefits may be suspended for a multiemployer pension plan participant who is laid off his or her job.

Among proposed regulations to be released by the pension and welfare benefit office is one to allow plans with fewer than 100 participants to file a summary report of the plan's financial condition once every three years instead of annually, as all plans are required to do now.

Another regulation to be pro-

posed would lift the requirement that all plans started in the middle of the year file all the forms required of existing plans.

The Pension Benefit Guaranty Corp., meanwhile, may release final regulations explaining how the agency will value pension benefits of a terminated plan. The regulations would prescribe, for example, how a terminating plan should calculate the money needed to fund a \$300-per-month pension benefit for a worker expected to retire from the company at 65.

The PBGC this month also will publish a list of 19 areas in which it will propose regulations governing multiemployer pension plans. ■

## Old Republic suit

Continued from page 2

Old Republic Insurance charges the following occurred as a consequence of the publication of the article:

- Citicorp delayed placing a residential value policy on leased aircraft until Old Republic provided assurance of its financial security, delaying and possibly precluding the earning of \$4.3 million in premiums by Old Republic.

- E.F. Hutton & Co. delayed proceeding with a municipal bond interest differential surety program until Old Republic provided assurance of its financial security, delaying and possibly precluding the earning of millions of dollars in premium by Old Republic.

- Fuqua Industries informed Old Republic it will cancel its coverages with Old Republic unless the insurer provides assurance "that the damaging statements

and implications in the article are false." Such cancellation would cause a loss of about \$30 million in annual premiums to Old Republic, the suit says.

- Inscop and its parent Gulf Oil Corp. notified Old Republic that Inscop will consider terminating its reinsurance of Old Republic Insurance workers compensation policies unless the statements in the article "damaging to Inscop are corrected or retracted."

- The market price of the stock of Old Republic International Corp., the parent of Old Republic Insurance, declined.

- Old Republic has incurred costs and expenses in defending its business reputation.

Each of the seven counts seeks damages of \$250 million or more. A trial date has not been set.

Jenner & Block represents Crain Communications. ■

## classified advertising

### RATES AND CLOSING TIME:

Published every Monday. Copy in written form in Chicago office not later than noon Monday, 7 days preceding publication date. Display classified: takes card rate of \$49.00 per column inch with card discounts on size and frequency. Straight classified: \$4.50 per line, minimum charge \$22.50. Cash with order. Figure all cap

lines (maximum of two) 26 letters and spaces per line; upper and lower case, 34 per line. Add two lines for box number. Replies are forwarded daily. Mail ads to Barbara Tosheff, Business Insurance, Classified Advertising Dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5340 for more information. No verbal phone copy accepted.

### HOLIDAY ANNOUNCEMENT

Due to the upcoming Holidays, Business Insurance Classified Advertising closing for the December 29th issue will be Thursday, December 18th. The January 5th classified section will close Tuesday, December 23rd. All copy must be in the Chicago office no later than noon on closing date. No verbal copy will be accepted. Please call Barbara Tosheff at (312) 649-5340 for more classified information.

### Insurance Claims Administrator/Secretary

Major corporation located on north Michigan Avenue in Chicago has an excellent opportunity for an individual well experienced in corporate insurance claims handling, as well as related secretarial responsibilities. Through review and investigation you will be accountable for the coordination of automobile, property, casualty, workers compensation and general accident insurance. In addition you will be responsible for all the secretarial needs of the department.

You will need a minimum 3-4 years experience in various aspects of insurance claims handling including 2 or more years in a related secretarial role.

You must have excellent communication skills, good typing skills (55-65 wpm accurately) and good telephone presentation. Any related formal education a plus. If you qualify and are interested, please submit resume or call:

### PLAYBOY ENTERPRISES

Corporate Personnel — 3rd Flr.  
919 N. Michigan  
Chicago, IL 60611  
(312) 751-8000 ext. 2138

equal opply employer m/f/h/v

**CORPORATE BENEFITS DIRECTOR—TO 50K!**  
5-10 yrs of corporate level benefit planning & administration background required with both Pension & Group Insurance. Minority responses invited!  
**PERRY NEWCOMB & ASSOC.**  
7373 Beechmont Ave.  
Cincinnati, OH 45244

**SPECIALISTS IN THE RECRUITMENT OF:**

- Risk Management
- Employee Benefits
- Loss Prevention/Safety Engrs

Contact in Confidence:  
**JOHN HUTTNER**  
(212) 732-3110  
david j. hollinger assoc., inc.  
150 Broadway, New York, NY 10038

**Corporate Risk Managers**  
Safety and Communication  
Consultants  
Benefits Manager

We discreetly arrange the hiring of insurance and consulting people nationwide. Your professional objectives, confidentiality, location preferences, and salary advancement goals are important to us. All fees paid by client companies. Contact

**ipr**

**Richard C. Gay**  
1155 Hammond Dr.  
Suite 5250  
Atlanta, GA 30328  
404-396-7500  
Insurance Personnel Resources

### Senior Account Manager

Coral Gables, Florida

Large, progressive international agency seeks individual with 5-10 years Major Account Marketing experience in all property/casualty lines. Experience shall include marketing general liability and property coverage insurance for national clients and prospective major accounts. Must have excellent communication and marketing skills and experience with large agency or national broker. Prefer college graduate with major or minor in insurance.

We offer excellent compensation and benefits package and opportunity. Send resume in confidence:

**FRANK B. HALL & CO.**

P.O. Box 343800  
Coral Gables, FL 33114  
Attn: Personnel Dept.  
Equal Opportunity Employer

### JUMBO ACCOUNTS A.E.

This is an outside servicing position requiring brokerage experience on accounts over \$250,000 annual premium. Excellent inside support staff for technical particulars but individual must be knowledgeable in all exposures: casualty, property and marine. Salary to \$65,000.00. West Coast position. Send resume or handwritten background to:

**Rich Shoemaker**  
Insurance Resources  
Executive Search  
7844 Madison Ave., Suite 106  
Fair Oaks, California 95628

### BUSINESS OPPORTUNITY

#### INTERNATIONAL

Loss prevention and underwriting survey reports, including HPR studies. All engineers at least 5 years Factory Mutual experience. Based London. Australia tour in January 1981. Write for brochure and fee details. RAYNER RISK CONTROL, 9 Buckmaster Road, London SW11, England.

### Consulting/Executive Search To the Insurance Industry

**PAUL E. RUNKLE ASSOCIATES, INC.**

One Chase Road  
Scarsdale, New York 10583  
(914) 725-0773

### RISK MANAGER

for Puget Sound Insurance Authority (PSIA), a newly formed insurance pool in the Puget Sound (Seattle, WA) area. Responsible for development, implementation and administration of a comprehensive risk management program. Salary \$30-35K DOE. BA plus 5 years experience required; 2 of 5 years experience must be with a public agency. Masters may be substituted for 1 year experience. Resumes must be received by 5 p.m., January 16, 1981 at the

#### PSIA

c/o Association of Washington Cities,  
4719 Brooklyn Avenue N.E.,  
Seattle, WA 98105.  
Telephone: (206) 543-9050.  
EOE.

### SAFETY OFFICER

City of San José

\$947.20-1152.00 bi-weekly. Career opportunity for well qualified individual. Develop and administer a comprehensive safety program for City staff of 4,000 employees, on-the-job work environment and protection of the public. Must have college degree or equivalent in safety, industrial engineering or related field and three (3) years experience in safety and accident prevention work. Candidates must submit an application form and supplemental form and will be evaluated on the basis of those submissions. Contact City of San José Personnel Dept., 801 N. First St., Room 207, San José, CA 95110. Final filing date is January 30, 1981.

## Santa

Continued from page 3

behind her and chews on her dress." The claim goes through The Hartford, and the mother receives reasonable payment for the dress, he says.

Santa had a rash of problems when wedge-heeled shoes were in vogue. Visitors would slip and slide around at his workshop, Mr. Reiss says. Now the park's brochure requests that sensible walking shoes be worn while visiting Santa.

After a long, cold Christmas Eve trip, Santa Claus can light his fireplace back at home without a worry. His house is insured for \$50,000 by The Travelers Insurance Co., Mr. Reiss said. "With 34 buildings on the premises, only the important ones are sprinklered and insured," he said.

The reindeer barn is insured for \$15,000, the candy shop for \$35,000 and toy shop for \$35,000.

Santa even carries business interruption insurance from The Traveler's for \$450,000, but hasn't used it yet, Mr. Reiss says. After all, he's never missed a Christmas run. And there's never been a fire to shut down operations.

Santa's postmaster—Mr. Reiss—also is bonded for \$20 as required by the U.S. government. He receives \$1 a year salary from Uncle Sam and has to report it on his income tax. However, he also gets a \$19 tax deduction for buying the surety bond from The Hartford.

When Santa is visiting malls or shopping centers, he also must have liability insurance, says Paul D. Piret, senior vp for Twinstant Photos in Northbrook, Ill.

"The mall requires it," said Mr. Piret, who along

with partners Sid Samuels and Bruce Astbury services 53 shopping centers with Santa Claus and photographers to take pictures of the children.

Last year Twinstant was required to insure its Santas for \$500,000 each, but this year malls are asking for \$1 million of liability insurance, says Mr. Piret. The Continental Insurance Co. writes it.

Twinstant, which has Santas in 16 states, has had relatively few problems. One Santa in Green Bay, Wis., was fired for being intoxicated, leaving his headquarters and streaking (with his suit on) through the Green Bay Packers' football stadium.

Another was caught shoplifting in the Atlanta store where he worked. But the security guards followed Santa home and watched him put the stolen mittens and toys on doorsteps in the poor section of the city. The store didn't file charges and waited until the old man died before telling the story, Mr. Piret said.

Santas are chosen by Twinstant according to how well they can communicate with children and parents and how much they can lift, Mr. Piret says. They range in age from 25 to 40 and must be able to lift 300 to 400 kids a day, he notes. "We're successful in getting firemen, policemen, priests, pastors and college students," he said.

Santa is not bothered by visitors trying to steal from him, Mr. Piret says. "With all the shoplifting and petty crime, people tend not to do it to Santa," he said. "There's a mystique about him."

(P.S. If you know any little future risk or benefit managers who would like to write to Santa at his workshop, the address is North Pole, N.Y. 12946.)

## Toys

Continued from page 3

The "Most Dangerous Toy of the Year" designation has been awarded by the consumer affairs committee of Americans for Democratic Action in Washington, D.C., to an adorable teddy bear made by Sunkyung Ltd. of Korea. This is the second year committee volunteers have given the awards for "trash box" toys.

Committee member Stina Santiesteven described the award winner: "The nose comes off easily, revealing a hole and a plastic plug on a sharp rusty metal disc. If the disc were detached and put in the mouth, it would be like swallowing a circular razor blade."

Often safety and durability go hand in hand, Mrs. Santiesteven pointed out. If a toy falls apart, small pieces drop off that can be swallowed or inhaled.

"Ninety-nine percent of the people I ask can't recall ever getting hurt as a child because of a toy defect," said Douglas Thomson, president of the Toy Manufacturers of America. Because of the high emotional impact, however, each incident gets publicity.

This has not helped manufacturers in the product liability insurance marketplace, he points out. In 1978, premiums tripled, following a couple of toy-related deaths and product recalls. Some manufacturers were unable to find coverage even though they never had a liability loss, he reports.

To create a market, Mr. Thomson and other officials of the manufacturers group investigated formation of an association captive insurer. Once the insurance industry caught wind of these plans, Mr. Thomson says, the market softened almost instantly.

"We have no difficulty finding product liability coverage today—but four years ago it was a different story," reports the general counsel responsible for risk management at a major U.S. toy manufacturer.

Lawsuits, even when successfully defended, increase the cost of insurance, he points out. Compared with 10 years ago, product liability coverage is extremely expensive.

## Birth rate begets cancellation

Continued from page 1

choice of four other health maintenance organizations or a self-insured Control Data plan.

There is a problem, however, getting coverage for those already pregnant. "If the employee is already pregnant she would not get coverage in the new plan, but we are trying to resolve that," a Control Data spokesman said.

"We have a group here that is totally uninsurable," contended Richard Burke, chief executive of PHP, an independent practice association.

A Control Data spokesman counters the prepaid health plan invited the financial disaster. The plan not only offers the wide range of services provided by HMOs, but also allowed patients of the 1,700 member doctors to join the prepaid health plan and get coverage for pre-existing pregnancies. Pregnancy coverage was strongly marketed, he said.

"If you were pregnant and could maintain your physician, you would have joined the plan," the Control Data spokesman said.

Observers often have suggested

that HMOs, with their broad benefits for preventive care and total treatment, will attract the sick and those in need of health care.

The PHP contract with Control Data offered enrollees full immediate maternity coverage for all employees, something not available in a majority of the HMO contracts with more than 300 employer groups, Mr. Burke said. For most other groups, "we offer immediate maternity coverage for only new hires, not existing employees."

Mr. Burke admitted that the broad benefit led to the losses.

Employer groups are seldom canceled by HMOs for bad experience. Only one other time in seven years has PHP canceled an employer group. That case involved a small employer group, about 20 persons.

"It's something that's very unusual for us," Mr. Burke said. "It was strictly a business decision. It was our last resort."

Some of these options for Control Data Corp. were to freeze their enrollment for the upcoming year and pay 16% more, or require enrollees to share 20% of hospitalization costs along with a rate boost. The PHP cost for Control Data employees had been close to the average HMO rate of \$30 a month for a single employee and \$110 for a family, said marketing director Jerry Hansen.

Prices for the 300 employer groups in PHP reflect each group's claims experience.

"These proposals were rejected by Control Data and what happened was we came down only to the option of a massive rate increase (60%) or cancellation," Mr. Burke said.

"We did not feel we wanted to pay the increased cost and limit coverage," said a Control Data spokesman.

After the massive rate increase was rejected by both sides, the health plan notified Control Data about 90 days ago that its contract won't be renewed on Jan. 1.

PHP lost \$250,000 on the Control Data group last year and this year losses are expected to reach \$600,000, Mr. Burke said.

Overall, PHP has 90,000 enrollees and handles 90% of the obstetrics cases in the Minneapolis-St. Paul area, he said. "We don't have this problem overall."



**YOUR  
BMF  
PROFESSIONAL**

**FINDING BETTER  
SOLUTIONS TO RISK  
EXPOSURES OF INDUSTRY  
FOR MORE THAN  
FIFTY YEARS.**



**Bayly, Martin & Fay International, Inc.**  
International Insurance Brokers & Risk Management Consultants  
Corporate Headquarters • 3200 Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600  
Copyright 1980 ©

**IF YOU HAVE \$100,000  
COMMERCIAL COMMISSION INCOME  
YOU SHOULD TALK TO  
DINNER LEVISON**

After making a major commitment to Orange County, Dinner Levison can now provide a comprehensive support staff to enable insurance professionals to do what they do best—build sound growth relationships with clients.



RISK MANAGEMENT  
GENERAL INSURANCE  
LIFE INSURANCE  
EMPLOYEE BENEFITS

3961 MacArthur Blvd., Suite 202 Newport Beach, CA 92660 (714) 975-0306  
Alvin Johnson-Partner  
220 Bush St., San Francisco, CA 94104 (415) 391-5422

**WHY IT'S GOOD BUSINESS TO HAVE RANGER'S  
SPECIALIZED PROTECTION**

**Our kind of  
specialization means a  
more knowledgeable  
handling of our customers'  
insurance needs.**

The dictionary says that to specialize is "to concentrate one's efforts in a special activity or field..." That's just what we have been doing for many years — providing specialized products and services to our customers on the best possible basis at all times.



**RANGER**  
INSURANCE COMPANY

A Subsidiary of



**Anderson Clayton**

Atlanta • 404-457-7211 (P.O. Box 105028) 30348  
Denver • 303-779-8383 (P.O. Box 3195) 80111  
Houston • 713-622-6500 (P.O. Box 2807) 77001  
Kansas City • 913-649-5500 (P.O. Box 8650) 64114

**THE SPECIALISTS**

# Trees

LEMONT, Ill.—Dorothy Hassert didn't open her chop-your-own Christmas tree farm this year to long-time customers, and she won't open it next year either.

It's the only way to ensure her seedlings won't get trampled like they did in 1979, she says.

"I don't believe there's any company that insures Christmas trees," says the owner of Hassert Tree Farm, a 5½-acre farm about 20 miles southwest of Chicago.

Ms. Hassert lost 1,000 little trees last year because customers ignored the "closed" signs and trampled through the seedlings.

"If we had those trees, I could sell 2,000 to 3,000 now," she said. But without insurance and no other alternative to protect the seedlings, she's closed for

two years to allow 4,000 new seedlings to grow to recognizable height.

No one will insure loss of tree crops because of trampling or insects or weather damage, she says. A Christmas tree farmer or tree lot owner, however, can buy fire and short-term liability insurance.

Sales are up 500% to 600% this year for Christmas tree lot short-term liability insurance at Cardiff General Insurance Agency Inc. in Los Angeles. The company offers a 45-day, short-term liability policy to cover people tripping or cutting fingers says vp Scott A. Larson.

Fire insurance for the trees is very expensive and not readily written, Mr. Larson says.

"The rates are pretty steep. There's also a \$500 deductible. It keeps them honest that way," he said.

A Christmas tree lot owner can buy a liability policy from Union Indemnity Insurance Co. for limits of \$300,000 to \$1 million. Premiums range from \$174 to \$206.



Photo: Mary Cairns



# Sweeps

EVANSTON, Ill.—Everyone knows Santa doesn't really come down the chimney on Christmas Eve. It's too risky.

For one, Ol' St. Nick is still overweight. He's also fully aware a chimney is liable to be full of soot.

That's where Dennis and Connie Conroy come in. They clean chimneys (from the top and bottom only) for a living. Some would say theirs is a perilous business, but the Windy City Soot Suckers make their rooftop climb with planned precision.

Besides stocking up on property/casualty insurance with Aetna Casualty & Surety Co. of Illinois (\$300,000 for bodily injury and \$100,000 for property), the two invest in a little superstition.

Neither will go up on a roof without a black felt tophat. "Sweeps" find the tall Abe Lincoln-style hat provides them with good fortune. And while some might think donning a 5-foot-long wrap-around-the-neck scarf a bit cumbersome, the Conroys say it has assisted them in less prevention.

Connie tells a story of a subcontractor



Photo: Ed Dobmeyer

employed by them who was up on a roof when a fierce gust of wind blew his ladder away. The worker lassoed his fallen ladder with his scarf and all was fine.

The couple has never had a workers compensation claim.

# Shopping

As the holiday shopping season picks up, so does the incidence of persons picking up their Christmas presents (without the assistance of a cashier).

To curb this shoplifting, security in stores picks up, too.

"We bring in special staff," explained Raymond Miller, assistant treasurer of Higbee's, a Cleveland department store.

There are fitting room checkers (college students home for the holidays) who make sure as many clothes come out of the dressing room as went in, Mr. Miller says.

Then outside security guards are placed in such high-shortage areas as jewelry, fur, women's ready-to-wear and men's suits, he says. And undercover agents are filtered throughout the store.

If something is stolen, Higbee's pays for the loss; its self-insurance program, is administered by Mr. Miller. The risk includes special merchandise brought into the store during the Christmas season.

Fire safety standards also are reviewed in department stores during the Christmas season.

Marshall Field & Co. in Chicago requires 12 people on each floor to participate in a fire brigade. The brigade members attend meetings twice a month to review fire procedures, says Homer Sharp of Field's design division.

Christmas decorations also must meet the Chicago fire safety codes, Mr. Sharp says. Mostly metals and woods are used for the scenes in their famous store windows.

# Decorations

CHICAGO—When shoppers stroll down State Street here, they're probably not aware they're taking in decorations worth \$59,000—or enough insurance on those wreaths and tinsel "to take two on a trip for six months."

That's John Davis's insurance estimate on the Christmas trimmings on the nine blocks of "that great street." Mr. Davis is president of Meeting House Display, the Oak Park firm that supplied, installed and insured the decorations for the State Street Council.

The council, made up of merchants on the street, received a slight discount on the deal because they allowed the installer to put up decorations in October.

The biggest risk in Chicago, besides politics, is the weather, Mr. Davis jokes. The job of stringing the wiring for what would become some 90,000 Christmas lights was completed in October when the weather was mild.

When hanging the decorations, workers try to set them out of reach from vandals, who occasionally pull down a string or two of lights, Mr. Davis says.

"It's a high-risk business," Mr. Davis said. "But we try to avoid trouble."

# Parades

PASADENA—The streets are full from all that Christmas cheer, so sit back, relax and watch the 92nd annual Tournament of Roses parade.

Before you will pass 61 flowered floats and 24 musical groups, each carrying at least \$500,000 of liability insurance required by the tournament committee.

"All entrants must provide evidence of general liability insurance," said John O'Grady, senior vp at Rollins Burdick Hunter in Los Angeles and broker for the tournament. Although the tournament has an overall general liability policy for the operations of the parade, it only insures certain individuals, such as the queen and her court and pageant volunteers.

More than a third of the fragrant floats will be built and owned by C.E. Bent & Son Inc. here, one of the largest parade floatmakers.

Each float, worth \$20,000 to \$100,000 is insured for \$1 million under an umbrella policy by U.S. Fidelity & Guaranty Co., says owner C.E. Bent. The policy covers



Photo: Tournament of Roses

the Bent company, the sponsor who leases the float during the parade and the Tournament of Roses.

Each float is designed for sturdiness and freshness, says art director Beverly Peaco. The floats are made out of penciled steel, covered with chicken wire and wood for the flat areas, she said. Then they are covered with papier-mache or "cocooned," using a spray plastic that webs onto the chicken wire. Urethane foam is sprayed on top of that and the flowers are placed in it.

To ensure flowers and fauna will be fresh for the day of the parade, decorating doesn't begin until Dec. 26, Ms. Peaco says. The delicate "petaling" isn't done until three days before the parade.

# Salvation Army

CHICAGO—The blue and red capes of the Salvation Army bell ringers who jingle for charity are a traditional sight on street corners in the Christmas season.

The capes, however, are worn for more than tradition. They keep members warm and prevent workers compensation claims.

In 15 years, Captain Jimmy Croft in the Chicago headquarters has never seen a claim for injury from cold weather, even though 500 bell ringers stand outside faithfully in subzero weather.

"Most bell ringers only work a few hours each day," Capt. Croft said.

However, Salvation Army volunteers are not insured by the workers compensation policy written by the Royal Insurance Co., says Major Elwyn Felt.

Bell ringers also must be insured under a general liability policy, Major Felt says. The cities and shopping malls require that "in case a kettle falls over and hits someone," he explained.

Royal underwrites the \$500,000 primary and \$3 million umbrella liability insurance policies.



# Flora

CHICAGO—If you've visited your local florist lately, you probably noticed an abundance of red-leaved plants.

Just as the demand for poinsettia plants peaks during the holiday season, so does insurance to cover the contents of those stocked greenhouses around the United States.

A fire or rapid drop in temperature could be the end for the fragile, velvety plant, florists say. To offset this kind of risk during peak flower-buying times—Christmas, Easter, Valentine's Day and Mothers Day—Florist Mutual Insurance Co. of Edwardsville, Ill., increases the limits of liability by 20%, says Richard Wetzel.

The increase is figured into the yearly premium, he said.

Delivering flowers also can present unusual risks.

For \$5 plus the cost of the plant, The Singing Florist in Chicago will personally deliver the gift along with a chorus of music. But in one "risky" case, one of the deliverers arrived at her destination, flowers in hand, and rang the bell. A man answered the door—wearing only bubbles.

# Inflation, industry cycle put pressure on equities

By MYRON PICOULT

Special to Business Insurance

LAST FEBRUARY and March, property/casualty stocks were under selling pressure as investors responded to the impact of declining bond prices on property/casualty investment portfolios and therefore on book values. To a lesser extent, fears of a sharp resurgence of inflation and deterioration in underwriting margins also contributed to the skid.

Surprisingly, the recent pressure on property/casualty equities seems to be attributed to greater concerns about inflation and the underwriting cycle than to the decline in the values of bond portfolios. Today most property/liability bond portfolios are 25% to 30% underwater compared with declines of 20% to 25% reported earlier this year.

As per regulatory fiat from the National Assn. of Insurance Commissioners, casualty companies carry their bond portfolios at amortized values. This rule was made during the Depression and was aimed at buttressing the public's confidence in life insurance companies.

Bonds are purchased for their yield from investment income, not appreciation. Marking bond portfolios to market value and calculating a book value is a valid computation, but not truly applicable in the real world because these holdings are rarely sold. If the casualty industry were forced to

Myron M. Picoult is a vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the current president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. His monthly column for Business Insurance appears the fourth Monday of every month.



Picoult

## BI ticker

liquidate bonds to cover claims, the economic environment that would likely prevail would be such that investors would have to concern themselves with much more than simply the value of bond portfolios. Such liquidation has never occurred on the part of any major property/casualty company.

We see four factors that could lead to some possible liquidation:

- A company stops writing business.
- Cash flows are somehow severely disrupted.
- A horrendous catastrophe befalls the industry.
- There are some major defaults.

Companies with a casualty as opposed to a property orientation would appear to be in a more tenuous position if liquidation were necessary because errors in reserves would have a greater impact on surplus. For the average property/casualty company, bonds currently represent about 70% of invested assets compared with 57% in 1970 and 65% in 1974.

It is interesting to note that today's environment is the antithesis of what prevailed in 1973-1975 when investors became paranoid about the heavy weighting of casualty companies' common stock holdings and the accompanying impact on statutory surplus. Stocks are carried at market value.

We stress that this is not the case here because bonds are carried at amortized values. Statutory surplus would be affected only if the values of a substantial number of bonds were deemed to be in default by the NAIC and property/casualty companies were directed to write down such bonds. In this latter case, we suspect commissioners would then feel pressure to permit such rate increases, if needed, to buttress surplus and attempt to prevent a recurrence of "Geico."

There is clearly a trend toward shortening the maturity of most portfolios. On average, most companies have bond portfolios with maturities of 20% to 25% years. Advance re-

funding would reduce this by a few years. By using shorter maturity bonds, there is a yield trade-off that becomes more meaningful down the road because of compounding. In order to offset this, we believe companies may resort to different investment approaches, namely getting involved more heavily in options, oil and gas and real estate investments.

Publicly, managements do not indicate they are overly concerned about the erosion of the bond portfolios. However, the shortening of maturities is being done to placate somebody. Either managements are reacting to the concerns expressed earlier this year by investors about the bond portfolios and/or they are attempting to come to grips with some internal unease.

## Financial briefs

### Royal Globe

Armed with an infusion of \$270 million in capital, Royal Insurance Group is planning to expand its underwriting business in the United States.

Rates are likely to be competitive because Royal hopes to reap investment income from a greater premium flow. Its current premium flow is about \$3 billion, of which about \$1 billion comes from the United States.

"Our aim in the U.S. will be to build on the facilities available from our existing offices there with lines such as commercial and multiple perils in which we have long been a market leader, though we will be offering personal lines business as well," said Norman Hay, U.K. deputy manager with special interest in North America.

"We will not be madly aggressive, but will be offering challenging rates. We will be giving extra marketing impetus to our business throughout the U.S., including our existing strongholds in California and the Northeast. Our U.S. organization will stay under its present control."

Ten years ago Royal, one of Britain's largest insurers, was the 14th largest property/casualty insurer in the United States with a market share of 1.5%, but recently dropped to 22nd place with only 1.1%.

"We have researched market possibilities carefully and will continue to seek business through independent agents," Mr. Hay said.

### Orion

Orion Capital Corp. and Employee Benefits Inc. have completed a merger between a subsidiary of Orion and EBI. Former EBI shareholders will receive \$32 cash per EBI share, about \$50 million total.

The merger was approved at a meeting of the two companies earlier this month.

Orion is a multiline insurance holding company headquartered in New York and EBI, headquartered in San Jose, is primarily involved in underwriting workers compensation insurance in California and Oregon.

### Corroon & Black

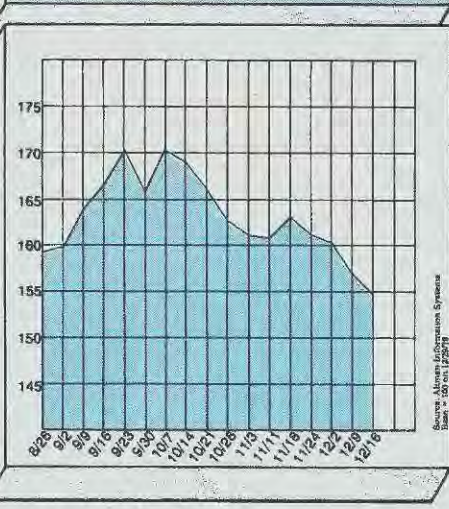
Corroon & Black Corp. will pay a regular quarterly dividend of 43 cents a share on Jan. 1 to shareholders of record Dec. 15.

### Reliance

Reliance Insurance Co. of Philadelphia, a shareholder of Celina Financial Corp. of Ohio for the past 16 months, has sold its holdings in Celina back to that company for \$7.2 million. Reliance's shares represented 20% of the voting power in Celina, Reliance officials say.

Celina, meanwhile, has sold to Reliance 63,300 shares of United Fire & Casualty Co. of Cedar Rapids, Iowa, for \$1.7 million. Reliance had about 13% of the United Fire's voting power, a figure increased to about 17.5% by the sale.

## BI Insurance Index



Insurance stocks hit another new low. Business Insurance index dropped to 154.9 from 157. Forty-three stocks declined, 20 rose and nine went unchanged. Largest drops: Integrated Resources Inc., 10.8%; SRI Corp., 8.3%; CNA Financial Corp., 8.1%; Bitco Corp., 7.8%, and PennCorp Financial Corp., 7.1%. Biggest gains: American International Group Inc., 8.6%; Marsh & McLennan Cos. Inc., 7%; Chubb Corp., 6.2%; Continental Corp., 4.3%, and Zenith National Insurance Corp., 4.3%. The index declined less than the Dow Jones industrials but more than Standard & Poors and the New York Stock Exchange.

## British Issues

12/16 Companies	Price	P/E	Div.	Yield	1 Week	High	Low
	pence		pence	%	pence	pence	
Comm Union	137	7.2	14.57	10.7	141-131		
Eagle Star	222	7.7	14.28	6.4	235-213		
Genl Accident	294	7.5	18.24	6.2	312-286		
Gdn Royal Exch	296	7.8	20.71	7.0	312-286		
Phoenix	248	7.8	20.00	8.1	258-242		
Royal	352	7.8	32.17	9.1	395-345		
Sun Alliance	710	9.6	42.14	5.9	744-698		

**Brokers**

	Price	P/E	Div.	Yield	1 Week	High	Low
				%	pence	pence	
CE Heath	181XD	8.8	13.87	7.7	181-176		
Hogg Robinson	111	8.2	8.14	7.3	112-109		
Alex Howden	96	8.0	10.00	10.4	97-95		
JH Minet	91	11.0	6.45	7.1	92-89		
Sedg Grp	127	11.6	7.14	5.6	127-121		
Stenhouse Hldg	84	8.0	6.64	7.9	90-84		
Stew Wrightson	195	8.1	17.14	8.8	196-192		
Willis Faber	275	12.2	16.14	5.9	275-266		

XD: Ex-dividend  
\*Royal's share price affected by capital-raising issue (1 new share at 320p for every 4 old).  
Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kiteat & Aitken Stockbrokers, London

## BI Industry Stock Report

Insurance Cos.	DEC. 16, 1980				12/10/80 THRU 12/16/80				Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)									
Aetna Life & Cas Co	NYSE	32.38	1.6	4.9	2.12	6.5	32.38	31.25	702.9								
American Bankers Ins Co Fla	OTC	6.37	0.0	12.5	0.44	6.9	0.00	*****	+ 0.0								
American Fnl Corp Ohio	OTC	22.75	-6.2	4.3	0.50	2.2	24.00	22.75	67.5								
American Gen Ins Co	NYSE	35.25	-0.7	5.6	1.00	2.8	35.63	35.13	75.2								
American Indty Fnl Corp	OTC	13.50	-5.3	4.4	1.12	8.3	14.25	13.50	7.9								
American Intl Group Inc	OTC	69.75	8.6	9.8	0.50	0.7	69.75	64.50	171.1								
American Natl Ins Co	OTC	12.50	-1.0	5.2	0.68	5.4	12.63	12.50	106.8								
American Sts Life Ins Co	OTC	19.50	2.6	8.1	0.64	3.3	19.50	19.00	2.5								
Aneco Reins Ltd	OTC	5.12	0.0	0.0	0.00	0.0	5.13	5.13	28.4								
Appalachian Natl Corp	OTC	2.12	0.0	6.1	0.05	2.4	2.13	2.13	1.3								
Avnetco Corp	AMEX	8.12	-4.4	7.0	0.50	6.2	8.75	8.13*	8.1								
Banks Iowa Inc	OTC	26.00	-1.9	4.9	1.32	3.1	26.50	26.00	2.1								
Bitco Corp	OTC	35.50	-7.8	5.6	1.68	4.7	37.50	35.50	7.0								
Carolina Cas Ins Co	OTC	10.00	-2.4	4.3	0.32	3.2	10.25	10.00	0.2								
Central Natl Fnl Corp	OTC	10.75	-2.3	4.2	0.50	4.7	11.00	10.75	1.3								
Chubb Corp	OTC	38.50	6.2	4.9	2.68	7.0	38.50	36.38	145.8								
Combined Intl Corp	NYSE	17.25	-2.1	5.0	1.60	9.3	17.38	16.88*	183.6								
Connecticut Gen Ins Corp	NYSE	39.88	-5.1	5.4	1.52	3.8	41.50	39.88	374.1								
Continental Corp	NYSE	24.12	4.3	5.2	2.20	9.1	24.25	22.13	209.3								
Crawford & Co	OTC	17.75	-4.1	13.9	0.48	2.7	18.00	17.75	11.9								
Crown Life Ins Co	OTC	95.00	-2.1	68.8	2.40	2.5	96.00	95.00	2.4								
Crum & Forster	NYSE	25.00	4.7	4.7	1.44	5.8	25.00	23.25	334.3								
Employers Cas Co	OTC	39.50	-1.3	6.5	1.20	3.0	40.00	39.50	1.8								
Equifax Inc	NYSE	20.50	-6.3	6.7	2.40	11.7	21.75	20.50	4.4								
Farmers Group Inc	OTC	26.13	0.0	8.2	1.00	3.8	26.13	25.38	165.3								
First Colony Life Ins Co	OTC	30.00	-6.2	11.1	0.80	2.7	31.50	30.00	2.9								
Foremost Corp Amer	OTC	19.75	-4.8	7.1	0.60	3.0	20.75	19.75	21.4								
Great West Life Assurn Co	OTC	195.00	-2.5	9.7	8.00	4.1	200.00	195.00	0.3								
Hanover Ins Co	OTC	40.00	-2.4	3.7	0.72	1.8	40.75	40.00	5.6								
Hartford Steam Boiler Insprtn	OTC	32.50	0.0	6.8	2.40	7.4	32.50	32.50	2.9								
Integon Corp	NYSE	37.87	1.0	13.5	0.52	1.4	37.88*	37.50	93.2								
Jefferson Natl Life Ins Co	OTC	38.50	1.3	14.2	0.64	1.7	38.50	37.50	3.8								
Kemper Corp	OTC	30.13	-0.4	4.4	1.40	4.6	30.25	30.00	23.5								
Lincoln Natl Corp Ind	NYSE	36.62	-3.6	5.1	3.00	8.2	37.50	36.63	95.8								
Mgic Invst Corp	NYSE	29.00	3.6	8.2	1.12	3.9	29.00	27.38	233.3								
Mission Ins Group Inc	NYSE	33.63	-1.5	6.9	0.80	2.4	34.13	33.63	3.7								
Nationwide Corp Ohio	OTC	19.75	0.0	5.0	0.66	3.3	19.75	19.75	1.8								
Northwestern Natl Life Ins	OTC	24.25	0.0	5.2	1.25	5.2	24.50	24.25	59.1								
Ohio Cas Corp	OTC	32.75	0.0	5.3	1.76	5.4	32.75	32.00	63.7								
Old Rep Intl Corp	OTC	14.38	-1.7	3.6	0.92	6.4	14.50	14.25	58.6								
Pinehurst Corp	OTC	5.87	2.2	10.9	0.00	0.0	5.88	5.63	18.7								
Preferred Risk Life Ins Co	OTC	17.00	-1.4	6.1	0.64	3.8	17.25	17.00	3.4								
Provident Life & Acc Ins Co	OTC	43.50	3.0	5.6	1.88	4.3	43.50	42.25	15.0								
Republic Natl Life Ins Co	OTC	23.88	-1.0	13.3	0.70	2.9	24.13	23.63	89.8								
Ryan Ins Group Inc	OTC	28.50	-3.4	8.5	0.12	0.4	29.50	28.50	0.9								
St Paul Cos Inc	OTC	37.25	2.8	5.0	2.32	6.2	37.25	36.25	86.7								
Safeco Corp	OTC	32.62	1.2	5.0	2.00	6.1	32.63	31.88	130.6								
Sri Corp	OTC	25.00	-8.3	4.6	1.20	4.8	27.25	25.00	8.4								
Seibels Bruce Group Inc	OTC	21.50	-2.3	3.8	1.00	4.7	21.88	20.75	29.9								
Statesman Group Inc	OTC	5.50	-4.3	4.1	0.15	2.7	5.75	5.50	12.5								
Tokio Marine & Fire Ins Co	OTC	151.50	1.1	16.													

# How A&A views a growing company



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

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

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

## Personalized risk management

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

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

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

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

# Alexander & Alexander

## From the client's point of view.