

business insurance

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update: Congress approves waste site cleanup bill

WASHINGTON—Chemical companies around the country will soon be paying a tax on their products to finance the cleanup of toxic waste sites deemed dangerous to surroundings.

After months of wrangling, the House late last week passed a \$1.6 billion superfund bill earlier approved by the
Continued on next page

Regulators endorse open rates for comp

By ELLIS SIMON

NEW YORK—Big savings on workers compensation insurance are expected if insurance commissioners follow through on their vote to support rate competition among insurers in all lines of insurance.

The National Assn. of Insurance Commissioners' market Conduct, Examination and Reporting Committee Dec. 4 endorsed a competitive pricing model bill. Full NAIC approval was expected Dec. 5.

It is up to each state, however, to adopt the model law, which would spur competition by outlawing adherence to rating bureau rates.

Open competition laws exist in 20 states, allowing insurers to charge whatever they want for insurance. But no state permits insurers to vary workers compensation rates from those filed by rating bureaus.

Insurance underwriters still compete on price using various credits and debits, dividend plans, retrospective rating plans and other devices.

Amendments offered by competition subcommittee chairman Philip O'Conner of Illinois to soothe industry and trade group objections were adopted by the parent committee. They are:

- Permit rating bureaus to provide future and loss trend data for all lines, but not expense or profit data. Originally future data was banned.
- Eliminate all rate filing requirements except for personal lines.
- Prohibit adherence to rating bureau rates on workers compensation, but permit agreed compliance on policy form, risk classification and similar filings.

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Photo: Mary Cairns

Stanley McConner (left), executive director of Chicago State University Foundation, and Alexander Robinson, Chicago United acting executive director, are active in the venture.

Chicago unites in generating minority jobs

By EILEEN NORRIS

CHICAGO—First, get the top black, white and Hispanic executives together to back a business venture that won't profit them.

Add the fact that those business leaders are working to give away a percentage of their companies' insurance dealings to minority brokers.

Mix in a maverick plan to start the nation's first "successful" minority-owned and operated property/casualty insurance company.

What you've got is Chicago United.

It's an alliance of 42 top Chicago corporations, social service agencies and universities, 50% black and Hispanic and 50% white. Its broad goal is to create new insurance employment possibilities for minorities who have traditionally stuck to the sales and marketing end of the field.

"Minorities in high school and college hear about marketing and sales but know little or nothing about jobs in claims, risk management and underwriting," said Alexander P. Robinson, acting executive director of CU.

To change that, Mr. Robinson and other Chicago United members have taken some big first steps:

- Within a year, CU hopes to have a blueprint completed for a minority-owned and operated property/casualty insurance company. Other attempts to organize such a company have failed because they weren't backed by big business and the state and federal government, supporters say. This time there is business support, and the U.S. Department of Labor has given Chicago United a \$75,000 grant to study the feasibility of the model company.

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Health care plan teaches valuable lesson in saving

By CAROL G. BLITZER

UKIAH, Calif.—Paying employees cash incentives for not filing medical claims is saving the Mendocino County Office of Education and its employees \$80,000 while firms around the country are paying about 20% more for their health insurance.

The cost-saving Mendocino

plan, a formula for splitting insurance risks between the district and its insurer, has become instantly popular. More than 3,000 firms have called the office for information, says Assistant Superintendent Ed Nickerman. A nearby school district will adopt the plan next month.

The new cost-containment technique allows employees to save

money not spent on their medical care in a trust fund established by the education office. Interest from the fund helps the employer pay insurance premiums.

The district sets aside \$500 annually for each employee and deposits it into a trust account. Medical claims may be made against the account, and any unused amount is carried over to the next year. When the employee leaves the district, he or she is entitled to whatever is left of each \$500 per year.

For example, in the first year an employee has a medical claim of \$200 and \$300 remains in the trust account. In the following year he has no claims, so the full \$500 remains. In the third year he claims \$2,000, so \$500 is deducted from the trust account and the remaining \$1,500 is picked up by the office's insurer, Blue Cross & Blue Shield.

The employee retires and takes out the \$800 from the first two years, which is then taxable.

In the first year of the program, 60 of the 113 employees did not use any of the \$500. About 25 used more than \$400 and another 25 went over \$500, Mr. Nickerman reports.

The county office saved money in two ways: It earned interest on the trust account (nearly \$7,000 so

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A lesson in saving

Year	Medical claims	Employee's trust	BC/BS
1st	\$200	+\$300	0
2nd	0	+\$500	0
3rd	\$2,000	-\$500	\$1,500
		=\$800	

If employee leaves district after these three years, he would take this amount in savings with him.

Mendocino Plan

INSIDE: RM of Year deadline extended
Page 12

Taking drag out of claims
Page 13

Hospital rate review saves \$1 billion
Page 20

Detection plan could prevent trouble: Pros

By RHONDA L. RUNDLE

LOS ANGELES—A well-designed smoke detection system at the MGM Grand Hotel in Las Vegas would have sniffed out a smoldering electrical cable in the casino hours before the fire broke out, say fire prevention specialists.

Automatic sprinklers, activated by intense heat, might have extinguished the fire in its early stages before it flashed through the casino and generated dense clouds of smoke that asphyxiated many victims.

Electrical wires and cables may have been smoldering up to eight hours before the Nov. 21 blaze swept through the casino, reported Las Vegas Fire Chief Roy Parrish. He believes the source of the fire was an electrical malfunction in the walls near the gaming room.

A dozen people burned to death in the casino area and another 72 died of smoke inhalation on upper floors of the 26-story tower. More than 500 people were injured in the second worst hotel fire in U.S. history, according to the National Fire Protection Assn. The worst was in 1946 when an Atlanta blaze killed 119 people.

The high number of smoke inhalation fatalities at the MGM Grand underscores the need for early warning systems that set off alarms before a significant amount of smoke builds up, according to an NFPA spokeswoman.

The MGM Grand was not equipped with smoke detectors above the public rooms. An amplifier system connected to manual alarms apparently burned out before anyone was aware of the fire. The alarm never sounded.

Sophisticated smoke detection systems are connected to a main panel placed in a well-attended area such as a reception desk, points out Brian Callaghan, technical consultant for the Wormald International Group, a worldwide fire protection company.

The individual detectors are

strategically positioned in hallways, corridors, closets, false ceilings and other hidden areas. If there is a fault in the connector cable linking the detectors to the annunciator panel, a signal flashes at the main desk, Mr. Callaghan explains.

"A well-placed smoke detector should pick up burning cable within 30 or 40 seconds," Mr. Callaghan noted. In a hotel, he points out, it is advisable to put detectors in individual rooms. These would detect, for example, a mattress fire caused by someone smoking in bed.

There is a tremendous potential for fire protection that is unrealized by insurers and builders, said Belden Menkus, an independent security consultant in Middletown, N.J. Reducing the quick spread of flames can mean five or 15 precious minutes to someone trying to escape smoke or fire.

Sprinkler systems may slow the spread of flames even if they do not extinguish them. Fire-resistant

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A sophisticated smoke detection system like this one at the Ritz-Carlton Hotel in Chicago could have averted the MGM tragedy.

Election in Bermuda bodes well

By DIANA CHUDLEIGH

HAMILTON, Bermuda—No matter which party wins the Dec. 9 general election here, the future should be secure for the insurance companies and captives doing business on the island.

Both the ruling United Bermuda Party and the opposition Progressive Labor Party have pledged to encourage the growth of the insurance industry as a major force in the Bermuda economy. More than 1,000 captives, many set up by U.S. corporations, and nearly 250 insurance managers and brokers do business in Bermuda.

The government's attitude toward them is important to the prosperity.

Tourism traditionally has been the mainstay of Bermuda's economy, but international business, of which the insurance industry is a large part, is beginning to rival it as a close second. Both political parties have acknowledged the importance of this international business.

The United Bermuda Party, in its election manifesto, points to the booming local economy during its 12 years in power.

"I think we should encourage international business at the expense of any further growth in tourism," said the Hon. David Gibbons, premier and the leader of the United Bermuda Party. He says the country soon will reach the saturation point in its tourism industry and will have to turn to trade.

The opposition party agrees, and also is dispelling rumors that it would make regulations stricter for captive insurers.

In a recent speech, PLP leader Lois Browne Evans said, "A myth has been circulating that a PLP government will institute laws or regulations that will scare away all the exempted company (captive insurers) business." She pledges PLP will honor tax exemptions given to captives and would encourage the orderly development of international business.

She adds that her party has supported development of the captive industry since the PLP's first election platform in 1963.

The election is expected to be the closest in Bermuda's history. The United Bermuda Party predicts it will keep its 25 seats in the House of Assembly and win some more. The PLP says it will increase its 14 seats to 22 or 24.

Defendants in club fire pay out over \$22 million

By JERRY GEISEL

SOUTHGATE, Ky.—More than \$22 million in damages have been paid out by defendants in the nation's last major fire tragedy before the MGM Grand Hotel blaze in Las Vegas Nov. 21.

The 1977 Memorial Day fire at the Beverly Hills Supper Club here, which killed 165 persons, ignited an unprecedented flame of litigation. At one time, about \$3 billion in damages was sought from more than 1,100 defendants.

Defendants included the 4-R Corp., owner of the club; the club's insurers; the nation's major aluminum wire and wire insulation manufacturers; a power company; parts suppliers, and manufacturers of products used in the club.

Cases are still pending against the wire insulation manufacturers and product supplier groups.

But the litigation and the settlements should be completed in about another year, says Cincinnati attorney Stanley M. Chesley, chairman of the counsel committee representing the dozens of plaintiffs.

In February 1979, 4-R Corp. agreed to pay \$3 million to settle class-action suits seeking \$1.8 billion.

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The 1977 fire at the Beverly Hills Supper Club killed 165 persons. Some suits are still pending.

College emphasizes risk alternatives

By MARY ANN MATLOCK

NEW YORK—Insurance isn't a sacred cow at The College of Insurance.

New courses in quantitative techniques and decision-making are challenging the purchase of insurance as the only way to fund risk.

Risk management, including the alternative risk-funding approach of self-insurance, is a primary focus at the college, which serves mostly a working student body. About 95% of its more than 2,000 students already are employed and looking to advance their careers.

"We emphasized risk management before the term was even used," said college president Dr. A. Leslie Leonard. "You don't solve problems by selling insurance. We want students to under-

insurance education

stand the whole risk management concept."

Bachelor's degree programs in business administration and actuarial science also have replaced programs with associate degrees in insurance specialties as the premier programs for advancing in the insurance business.

Courses in quantitative methods and decision-making offered under the degree program are drawing big enrollments.

"The obvious trend in business has been toward more quantification. Cash flow is the watchword, at least for the moment," said Matthew Lenz Jr., assistant to the president and chairman of the property/liability insurance division.

"There's been a significant increase in quantitative methods for the risk manager," agreed Albert Beer, associate professor of actuarial science. "I've seen risk managers becoming more involved in the corporate structure. Risk management is no longer equal to insurance coverage."

Stronger ties between risk management and corporate finance are shifting the emphasis toward quantifying risk costs and considering self-insurance.

"Not everyone can retain risk, but every risk manager may have to evaluate what risk, if any, can be retained," Mr. Beer said.

Quantitative analysis techniques can be taken to the ex-

treme, Mr. Beer and Mr. Lenz cautioned.

"A risk manager should know what the numbers mean and what the assumptions are. He should at least be versed in it, but does not so much have to understand every bit of it," Mr. Beer added.

None of this, however, suggests a sound understanding of insurance principles is no longer needed. Insurance know-how is still a foundation and the College of Insurance can provide it.

"Someone with a strong insurance background and strong economic or quantitative techniques will advance," Mr. Beer observed.

"An undergraduate degree in insurance makes a great deal of sense, especially if followed by a master's in finance or law degree," Mr. Lenz added.

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"I see an increasing demand for M.B.A.s," says Miguél Cairoli.

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IIA honors top scholars

KANSAS CITY, Mo.—Kathryn J. McIntyre, editor of *Business Insurance*, was among Insurance Institute of America students recognized at a luncheon here for top scholastic performance on IIA program examinations.

Ms. McIntyre was awarded a plaque and check for \$75 for scoring the highest grade of all students in the country taking the Risk Management 56 examination in December 1979. RM 56 is one of three courses leading to the designation of Associate in Risk Management conferred by IIA. Ms. McIntyre expects to complete the program courses in May 1981.

Top scholars for individual examinations and completion of IIA programs were honored during a two-day program Nov. 23-24, which included recognition and conferment of new Kansas City area members of the Society of Chartered Property & Casualty Underwriters. A cocktail party Sunday evening was sponsored jointly by the Kansas City chapter of CPCU and the institute, as was the awards luncheon. A breakfast for the in-

stitute award winners was sponsored by the institute.

Among the award winners for scholastic achievement in completing an IIA program was George B. Netherton IV of Sperry Corp. in New York, who won the RIMS James Cristy award. RIMS presents the Christy award to the top student completing the Associate in Risk Management program among students employed with risk management responsibilities.

The top scholars in the Associate in Risk Management individual exams were: Michael A. Force of Moore International in Portland, Ore., for RM 54 in the December 1979 examination; Jeffrey L. Shue of Underwriters Adjusting Co. in Atlanta for the RM 54 May 1980 exam and Kenneth A. Morley of Johnson & Higgins of Wilmington, Del., for the RM 55 exam in May 1980.

Other special award winners were:

- Jeffrey G. Weiss of Kemper Insurance Group in Mt. Prospect, Ill., who received the Ben S.
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Kathryn J. McIntyre was the top scorer on the RM 56 exam.

Unions seek relief from suits

By DAVID SPERLING

NEW YORK—Unions want higher worker compensation benefits to remove the pressure of growing lawsuits against them from members disgruntled over low benefits.

They say the suits result from what one union counsel calls a "dramatically inadequate" system of reimbursement that limits employer liability for workplace injuries.

Barred by law from filing damage claims against their employers, injured workers are increasingly turning against unions as third-party defendants.

"Since unions have a contractual relationship with the employer and since we have no statutory protection against such suits, we are becoming the scapegoat for employer dereliction," said J.C. Turner, president of the International Union of Operating Engineers.

The unions also have found they cannot purchase insurance to cover awards in such lawsuits. The liability insurance is either impractical or unavailable, they say. Insurers agree.

The suits charge the unions failed to ensure a safe worksite or provide adequate warning against hazardous substances or conditions.

Such litigation is providing unions with added incentive to "revamp our crazy-quilt system of workers compensation," Mr. Turner said. "We must strip away the immunity that allows employers to ignore their proper debt to those they employ."

Unions are worried they will become increasingly popular targets as inflation continues to outpace increases in workers compensation benefits in many states. So far, however, injured workers have not had much success in pinning liability on unions.

George Cohen, counsel for the United Steel workers and the AFL-CIO, said he was aware of "a dozen to 20" such cases in recent years.

In only one case, however, was the union held liable—and only because it had expressly assumed responsibility for workplace safety in its contract. Workers' health and safety has traditionally been the responsibility of management.

Union representatives say the only way they can reduce their liability is to exercise extreme caution in negotiating contract language covering health and safety.

Liability insurance, they say, is not a practical solution. The Steelworkers and Teamsters, for example, have thousands of local unions, each of which is largely autonomous and purchases its own insurance.

Mr. Turner of the operating engineers union said liability coverage also would require "a great number of policies" since litigation is based on an "almost endless" variety of situations.

In addition, such coverage is difficult to find.

Underwriters would find the risk "too difficult to assess" because it involves a whole new area of liability, said Bill Richards, senior vp at Frank B. Hall.

He and other brokers added that insurers generally approach unions "somewhat warily" if at all because of poor publicity and concerns about administrative competence. ■

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Court rescinds reinsurance coverage

By RHONDA L. RUNDLE

OMAHA, Neb.—The Unigard Mutual Insurance Co. is stuck with full liability for past and future claims against some of its policies because four reinsurance treaties on the risks have been rescinded by a U.S. District Court here.

The court said the coverage was void because Unigard deliberately misled its reinsurers about the underwriting mechanism it used to produce the business. However, Unigard is appealing the decision.

Allen-Miller & Associates of San Francisco and New York performed the underwriting for many Fortune 500 companies for two years. The jumbo contracts were never scrutinized by Unigard corporate underwriters despite reference in reinsurance treaties to

Unigard's "excess and special risks department," according to court documents.

The court determined that Unigard did not clearly and fully communicate to its reinsurers the role and scope of Allen-Miller as the insurer's managing general agent with unlimited autonomy and control over the underwriting. Calvert Fire Insurance Co. and Central National Insurance Co. were the reinsurers.

The decision could have a profound impact on the way insurers do business with managing general agencies, says one reinsurer's attorney. Insurers must recognize a duty to disclose such loose underwriting arrangements to their reinsurers, he says.

The decision does not directly affect the policies of companies

that obtained coverage through Allen-Miller. All valid claims against the policies have been paid in a timely manner, Unigard says.

Unigard will appeal the decision filed Oct. 10 by U.S. District Judge Robert V. Denney. The significance of the outcome may extend beyond this case because Unigard is defending two other similar major lawsuits.

Cancellation of the treaties leaves Unigard liable for \$4 million in reported and paid losses and an indeterminate amount for future losses that could develop. The treaties were in force during 1972-74 and indemnified Unigard against high excess/surplus casualty risks that typically carry a very long tail.

Unigard is continuing to receive

new notices of claims from such exposures, the company acknowledges. For example, one of the insurer's major policyholders in the mid-1970s was Hooker Chemicals & Plastics Corp. It continues to file substantial claims arising out of hazardous waste damages in Love Canal, N.Y.

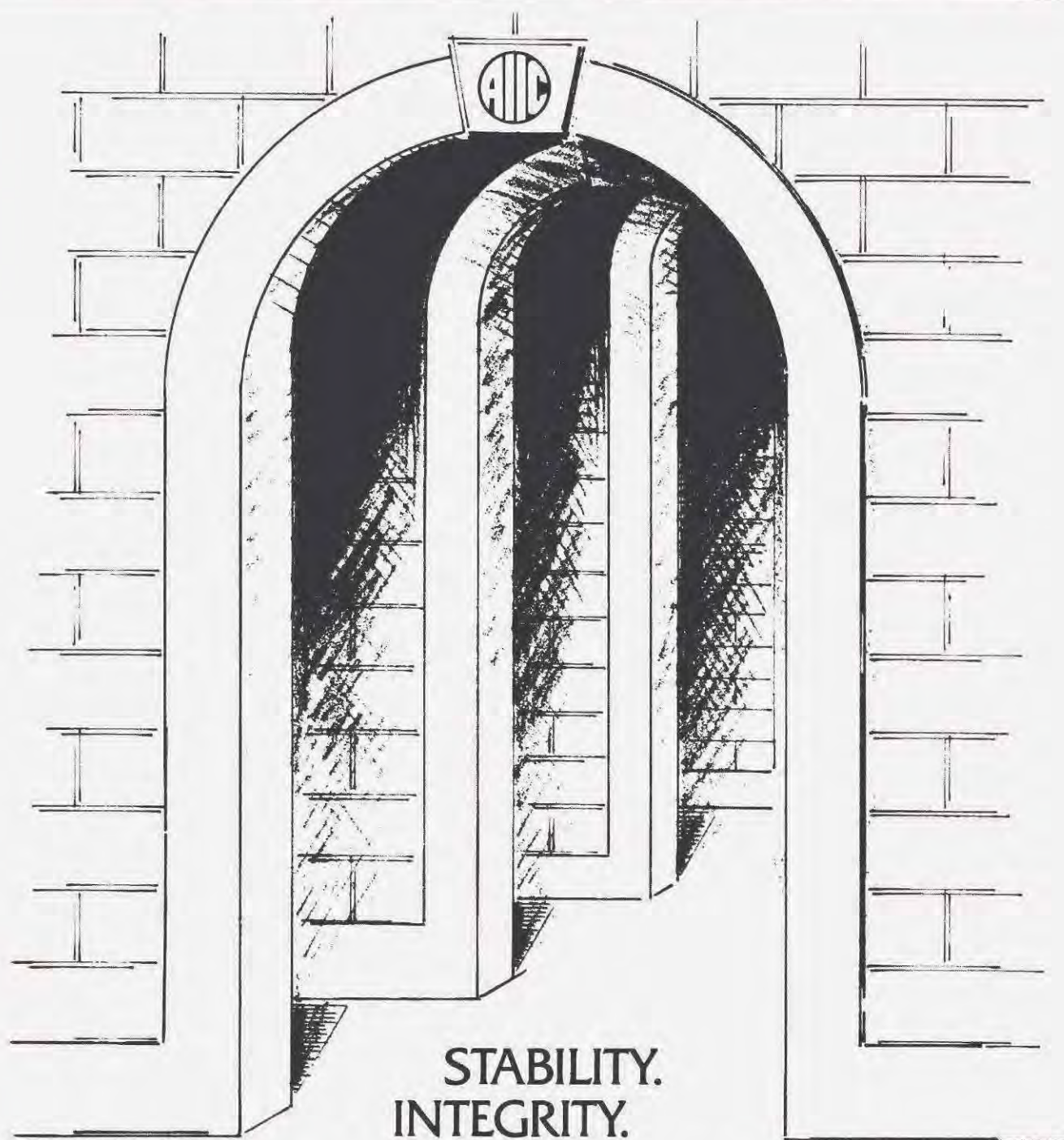
In the pending cases, about \$5 million in known losses is at stake in an action brought by reinsurer Presidio Insurance Co. in Los Angeles Superior Court. An indeterminate liability is also in litigation in New York in a suit against Unigard brought by the North American Co. for Property & Casualty Insurance, a Connecticut reinsurer.

Daniel Simon, an attorney representing Presidio Insurance Co., says a court hearing in Los

Angeles probably will be delayed pending a resolution of the Nebraska appeal. He believes the California court will look to the Nebraska appeals court for guidance.

Hoyt Wilbanks, Unigard general counsel, does not agree. "Appeals don't always prevail," he pointed out. "Each case is decided on its own facts." He concedes, however, the Nebraska suit will be difficult to appeal because there is a heavy burden on the appellant to dispute facts established by the lower court.

The pending litigation continues in the story of the now-defunct Allen-Miller agency. A lawsuit brought by Unigard against the company a few years ago put it into bankruptcy, Mr. Wilbanks said. However, there were no assets left to recover.



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Business accepted through specifically qualified surplus line brokers.

The agency was in business from April 1972 through November, 1975, headquartered in San Francisco with a branch in New York. Founders Bill Allen and John Miller formerly worked at C.D. Starr-West Coast, an excess/surplus lines agency that is a subsidiary of C.V. Starr & Co. in New York. Through this connection, they apparently developed high-level contact in most major U.S. corporations.

Allen-Miller was astonishingly successful, employing about 100 people at its peak. In three years, the agency wrote "a piece of nearly every Fortune 500 company's risks," an underwriter who once worked at the agency told *Business Insurance*.

The facility offered limits that others couldn't reach and at extremely competitive rates. Although the soundness of the underwriting has been questioned, it is clear the business did not promptly appear on the agency's books. Premium income swelled to sums much greater than Unigard or its reinsurers realized until later.

In their suit against Unigard, Calvert and Central National contended Unigard breached its reinsurance agreements by failing to keep accurate records on the business underwritten by Allen-Miller.

In his memorandum opinion, Judge Denney quotes Unigard's own officers who described the books and records kept by Allen-Miller as a "mess," an "accounting nightmare," "grossly in error." ■

Advisory panel members named

WASHINGTON—Secretary of Labor Ray Marshall has appointed two new members and reappointed three current members to the Advisory Council on Employee Welfare and Pension Benefit Plans. The council advises the Labor Department on pension and retirement issues.

The new members are Harold P. Kneen Jr., director of employee benefits at IBM Corp. in Armonk, N.Y., and Frank H. David, vp and associate actuary at Prudential Insurance Co. in Florham Park, N.J.

Reappointed to the advisory council are: Andrew J. Capelli, partner at Peat, Marwick, Mitchell & Co. in New York; Lawrence Smedley, associate director of the department of Social Security at the AFL-CIO in Washington, D.C., and Jozetta H. Srb, research associate at Cornell University's School of Industrial and Labor Relations in Ithaca, N.Y.

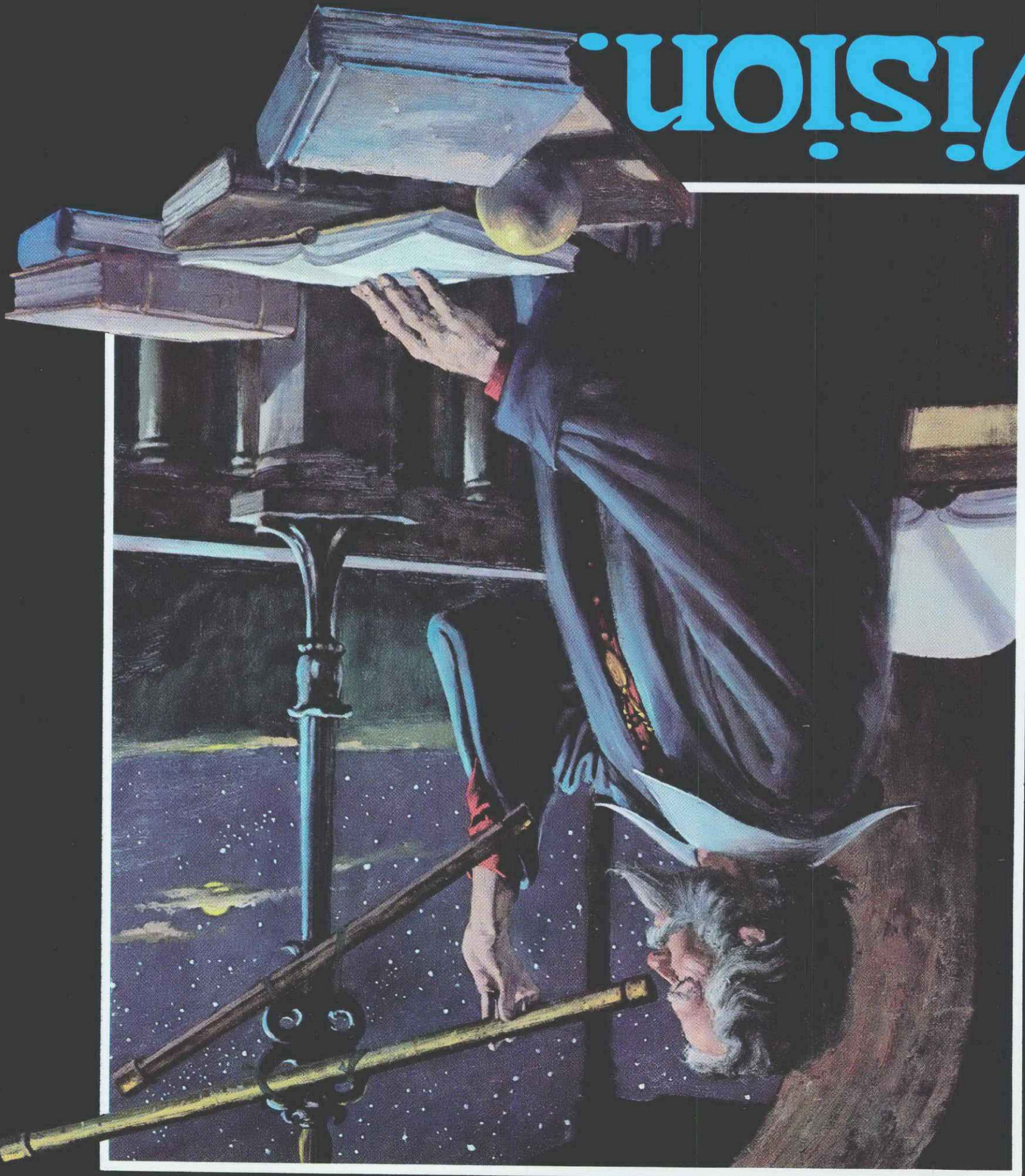
Mr. Kneen will represent employers, Mr. David the insurance field, Mr. Capelli the accounting field, Mr. Smedley employee organizations and Ms. Srb the general public. ■



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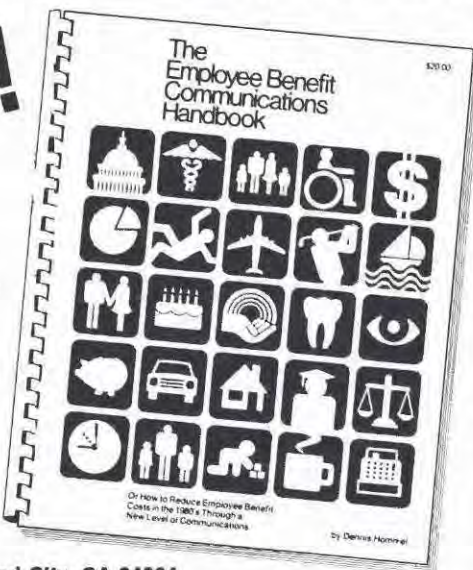
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Delaware ruling could raise cost of D&O defense

DOVER, Del.—Defense costs for certain directors and officers suits could increase tenfold if the Delaware Supreme Court bans use of special board of directors committees to defend these cases, experts say.

The special committees, composed of directors not named in a suit, are a favorite technique for defending actions brought by the shareholders on behalf of the corporation.

They can dispose of a case for one-tenth of what would be spent if the suit went to trial, says direc-

tors and officers law expert William Knepper of Knepper White, Arter & Hadden of Columbus, Ohio.

The committees typically review these suits—referred to as derivative actions—and seek to have them dismissed on the grounds they are not in the firm's best interest.

Although most states recognize these panels and courts generally accept their findings, the Delaware Court of Chancery last year did not do so in deciding a derivative action filed by Zapata Corp. shareholder William Maldonado against former Zapata chairman William H. Flynn and eight other directors.

If the lower court ruling is upheld, its impact could be tremendous because Delaware is the leading state for chartering corporations.

Director and officers liability insurers will probably bear the economic brunt of such a ruling. When a case is handled by a special board committee, "companies don't even report it to their D&O underwriter," said Swett & Crawford senior vice Thomas McHugh of Los Angeles.

If defense costs increase, insurers will pay the added fees and subsequently seek to pass them on to policyholders.

Corporations denied use of special outside directors committees no longer would have an objective mechanism to determine whether corporate assets should be spent to defend the accused directors and officers, notes James Donahue, vice president of Houston-based J.H. Blades & Co.

Management either would automatically protect directors and officers or let the courts decide, he adds. "If I'm sued and presuppose the corporation can indemnify me, that's not a fair deal for shareholders."

Special directors committees have found instances where derivative actions against certain directors and officers were justified, notes Wilmington attorney Robert K. Payson of Potter, Anderson & Corroon, who is handling Zapata's appeal.

Oral arguments in the case were heard in mid-October. A ruling is expected by the end of February, Mr. Payson says.

The action against Zapata, which seeks to recover \$850,000, stems from a company decision in 1974 to allow six officers to exercise a stock option purchase just before the company announced an offer to buy back its stock at \$7 above the market value at that time.

As a result, the officers received a combined capital tax savings of \$850,000, which plaintiff Mr. Maldonado contends should have accrued to the company.

Mr. Maldonado's attorney could not be reached for comment.

The Delaware Court of Chancery voided its decision in the Zapata case because similar issues were decided by a U.S. District Court in New York, but the appeal remains alive because of the question over use of the special directors committees.

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U.K. seeks 'state of art' liability defense

By JOHN H. MILLER

london line

LONDON—Britain is prepared to accept the strict uniform product liability law recommended by the European Economic Community, but will assist manufacturers be allowed a "state of the art" defense.

In a recent debate before Parliament, proponents of the draft proposal downplayed fears that the law would cause the number of product liability suits to skyrocket, leading to higher premiums. Some MPs also urged the government to provide assistance to supplement insurance coverage in the event of a product liability catastrophe.

The bill would make manufacturers liable for "developmental risks" and bar suits 10 years after a product was first sold.

"Insurance costs will vary between industries, but everyone accepts they will be less than those experienced in the U.S. market, as our courts act very differently in awarding damages," said Sally Oppenheim, consumer affairs minister. "I hope we've all learned lessons from the disastrous U.S. experiences."

MP Ivan Lawrence conceded he had been told U.S. premiums had gone up 26 times because of liability lawsuits, but another MP, John Fraser, said the "litigious nature" of the U.S. public led to many legal claims and that he was disinclined to accept stories about excessive premiums.

MP Ian Mills complained that small firms might have difficulty getting coverage for "innovatory products."

Another MP, Cranley Onslow, said he had heard of a "horrendous case" involving a U.S. Navy plane that had been flown by experienced military pilots for more than 30 years. It was later flown by a private aviator, who forgot to switch the fuel from one tank to another because the markings had been rubbed out. He crashed into the sea. His widow claimed damages on the grounds the manufacturer should have anticipated this could happen.

Mr. Onslow did not know where the case had occurred or its outcome, but believed it pointed out the difficulties that could be caused by long-term product defects.

Agent orange

U.K. farm workers have suggested the herbicide 245-T, or Agent Orange, the subject of lawsuits by Vietnam veterans in the United States, should be banned for agricultural use in Britain.

But Agriculture Minister Peter Walker has said precautions could be imposed on use of the herbicide, instead of banning it, until a health and safety report on pesticides is published shortly.

The government is likely to investigate the suspected carcinogenic effects of the herbicide if agricultural workers demand greater protection.

Door results

U.K. insurers reported deteriorating results for the third quarter of 1980, reflecting worsening experience in the United States and Canada.

Commercial Union, with a statutory operating ratio of

104.9%, faces U.S. losses that have almost tripled in the first nine months of this year. CU has improved its returns from the Far East, but has had bad results from much of Western Europe.

General Accident and Royal also have experienced adverse results. General Accident faces underwriting losses in all other major territories, with Europe, Australia and New Zealand showing the most deterioration. The outlook for Royal is similar.

Crash payout

International broker Stewart Wrightson has made a \$38 million

payment from the London market to cover the recent crash of a Korean Airlines Boeing 747.

Certificates given

Seven safety professionals have been awarded certificates in risk management from the British Safety Council.

Persons who receive the certificate and have at least two years of experience in industry will be considered for inclusion in the new Faculty of Risk Management established by the council.

Lord Robens of Woldingham is the first patron of the faculty. He was chairman of the Robens Com-

mittee, whose recommendations led to the Health and Safety at Work Act.

Maritime bureau

The International Chamber of Commerce and marine insurance experts have set up a maritime bureau to combat shipping fraud.

It will be headed by U.K. crime expert Eric Ellen, chief of the police force patrolling the Port of London, and will be operating by next June.

The chamber will collate information on suspected transit and other frauds throughout the world. It will work with its contacts in 60 countries to alert marine insurers and trade organizations to possible cargo swindles and will operate in conjunction with the United Na-

tions InterGovernmental Maritime Consultative Organization.

Unprofitable year

Marine underwriting at Lloyd's is unlikely to show a profit for 1979 even when investment income is taken into account, underwriters are warning syndicate members.

When 1979 accounts are closed in 1982 under Lloyd's three-year accounting system, casualty figures are likely to hit record levels, they warned. Both hull and cargo portfolios are expected to suffer.

Many marine syndicates are writing well below their normal capacity on the advice of their lead underwriters. Some larger syndicates are writing as little as 30% of their traditional capacity until rates improve.

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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.



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Entry deadline extended for risk manager award

CHICAGO—You have two extra weeks to polish your nominations for the *Business Insurance* Risk Manager of the Year award. The deadline for receipt of nominations is being extended to Dec. 29.

The 1981 *Business Insurance* Risk Manager of the Year competition will recognize four outstanding risk managers.

One risk manager whose accomplishments stand head and shoulders above those of the other nominees will be named the Risk Manager of the Year.

Three more risk managers will be named to the 1981 *Business Insurance* Risk Management Honor Roll. The three will be those whose accomplishments are the most impressive in three employment categories not represented by the Risk Manager of the Year.

The four categories are large corporation, small corporation, government entity and tax-exempt or not-for-profit institution.

The winners of the fourth annual competition will be announced in the April 6 issue of *Business Insurance*.

The winner employed by a government entity will be honored at the annual meeting of the Public Risk & Insurance Management Assn. May 17-20 in Denver.

The Risk Manager of the Year competition was instituted by *Business Insurance* in 1978 on its 10th anniversary of publication. The competition is designed to heighten awareness of the importance of risk management and to further development of the profession by recognizing outstanding risk managers.

The winners are selected by a panel of 10 judges who are leaders in the insurance and risk management fields. They judge the nominations against nine criteria.

The judges are E. William Altstaetter, staff vp for pensions, insurance and risk management at Rockwell International Corp. in Pittsburgh, who joins the panel this year as a representative of the risk management community. Mr. Altstaetter is a former national president of the Risk & Insurance Management Society and a recipient of its Goodell Award.

Also representing risk management is Ralph E. Gentry, insurance manager at Times Mirror Co. in Los Angeles and a past national president of RIMS.

Thomas V. Hallett, the 1980 *Business Insurance* Risk Manager of the Year, joins the panel this year in the tradition of naming the previous Risk Manager of the Year a judge. Mr. Hallett, risk manager at General Motors Corp. when he won the 1980 award, is now vp and director of risk management for broker Frank B. Hall & Co. in Briarcliff Manor, N.Y.

New to the panel this year and representing the insurance brokerage community is Robert Clements, president of Marsh & McLennan Inc., the largest brokerage.

Also representing brokers is William C. Cohen Jr., president of Insurance Management Associates Inc. in Wichita, Kan., and a panel member last year.

The insurance company representatives are new.

Joseph P. DeAlessandro, president of National Union Fire Insurance Co. of Pittsburgh, an American International Group company, is representing stock insurance companies. George R. West, chairman and president of Allendale Mutual Insurance Co. in Johnston, R.I., is representing mutuals.

The risk management consulting community is represented this

year by Bud Griffin, president of Warren, McVeigh & Griffin in Newport Beach, Calif.

Returning from last year's panel to represent insurance educators is Thomas B. Morehart, associate professor of insurance at Arizona State University's College of Business Administration.

Also returning to the panel representing corporate senior management is Kenneth F. Reimer, executive vp of operations at Dallas-based Lehndorff Group of Cos., a real estate holding and development company.

Previous winners of the *Business Insurance* Risk Manager of the Year award are Howard T. Weber, director of insurance at 3M Co. in

St. Paul, in 1978, and Edward Ericson, director of insurance at ABC Corp. in New York, in 1979.

Anyone practicing risk management can be nominated.

Nominations may be submitted by anyone in risk management or commercial insurance.

Forms and instructions for nominating candidates may be obtained by writing *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611, Attn.: Risk Manager of the Year; or call 312-649-5398.

Nominations are confidential; only winners are announced.

Persons nominated in previous years are eligible for the 1981 competition, but the nominating statements must be resubmitted.

Criteria for selection

The judges will use nine criteria to select the 1981 *Business Insurance* Risk Manager of the Year and the 1981 Risk Management Honor Roll. They will score candidates on how well they:

- Established an effective risk management program.
- Tackled and solved one or more major problems.
- Innovatively apply the diverse tools of risk management and insurance.
- Creatively and effectively use the insurance markets.
- Established a workable intelligence system inside and outside the organization, culminating in access to a flow of information about events and activities that affect the organization's risk management and insurance.
- Skillfully apply the principles of management in the overall organization and within the risk management/insurance department.
- Achieve the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management (insurance, safety, law, industrial hygiene, claims control/administration, underwriting, communications, information systems, etc.) leading to a better managerial grasp of the operational aspects of the job.
- Exhibit an attitude and performed activities fostering the advancement of the risk management profession.

re-in-sure re-en-shure

1: coverage by company one insurer (reinsure to insure all or part previously assumed by company 2: to insure a specified contingent indemnified or guar

Firm takes drag out of disability claim

By EILEEN NORRIS

WAUSAU, Wis.—The Westcott Corp. prides itself on taking the drag out of lingering disability claims.

The Westcott brothers, Michael, 32, and Richard, 46, have settled more than 500 workers compensation claims for employers and insurers since 1976, when they opened their Wisconsin-based operation.

In the process, they have helped claimants set up small businesses (ranging from a goat dairy farm to a Moslem bookstore) with a cash one-time settlement. In return, the employer gets rid of the disability claim that has been hanging on for years.

The technique is the "economic rehabilitation" approach to clos-

'We've had some weird and odd cases,' says Michael Westcott.

ing cases, Michael says.

"We deal with cases that have no prospect of being settled," he said. "The alternative is to pay the person for the rest of his life. We replace the workers compensation benefits with a one-time present-day cash settlement."

An insurer usually hires the Westcott Corp. to work with the claimant so that when the two go to the workers compensation bureau to settle, the judge is convinced the lump-sum settlement is

in the employee's best interest.

The company also works directly with self-insurance management groups, excess insurers and independent adjusters.

For instance, an employee who was permanently disabled on the job normally might receive monthly checks from the employer for 30 to 40 years or until death.

The Westcotts might offer that worker, on behalf of the insurer, \$130,000 to settle the claim, provid-

ing half of that sum is invested in property, real estate, annuities or capital equipment.

Westcott's promotional material invites employers or insurers to "select several of your worst lingering claims to try us out on."

"We've had some weird and odd cases," Michael Westcott said. "We've met with claimants in the inner city of Detroit and others on goat farms out West."

The firm has set up several businesses including a light bulb-selling venture, a guard dog school and a goat dairy farm during its first five years of operation.

"We require the claimant to invest only half of his settlement in a business venture so that if it doesn't work out, he still has a chunk of money," Michael said.

The Westcott Corp. takes no blame or liability if the venture doesn't work out. And none of the settlement money goes to Westcott. The insurer pays the consultants \$50 per hour plus expenses. The average claim takes about 30 to 40 hours to settle.

One of the claimants used half of his settlement money to buy an apartment building for \$100,000.

"He's generating \$12,000 a year in rent from that investment," Michael said. "And the insurer can free up its reserves and doesn't have to keep administering the account."

The corporation, though relatively young, has an 85% success rate, he says. The typical case time is 90 days, and that's on a claim that has lingered for five years or more.

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OSHA resubmits proposals

WASHINGTON—The Labor Department's Occupational Safety and Health Administration has resubmitted two amendments to its regulations that had been struck down in court earlier this year for being improperly adopted.

One of the amendments requires employers to compensate employees who participate in OSHA inspections. The other proposal calls an employer's failure to compensate discriminatory.

The agency estimates the maximum cost of the amendments would be \$5.3 million.

The original rule adopted in 1977 was declared invalid July 10 by the U.S. Court of Appeals because it was not properly implemented under Labor Department guidelines. The guidelines require public comment for 60 days following a proposal's introduction unless that time period is declared impractical.

The new walkaround pay proposal appeared in the Federal Register Nov. 14. OSHA will accept comments until Dec. 29, shortening the required time for comment to 45 days.

OSHA contends a shortened period is justified because of extensive public discussion of the regulation.

Comments on the amendments should be sent in quadruplicate to OSHA Docket Officer, Docket No. W005, Room S-6212, Frances Perkins Building, Third St. and Constitution Ave., Washington, D.C. 20210.

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PBGC studies possible premium hike

By JERRY GEISEL

WASHINGTON—The Pension Benefit Guaranty Corp. is studying the possibility of another hike in premiums single employers pay for pension plan termination insurance, *Business Insurance* has learned.

The PBGC is considering these factors:

- Are pension plan terminations likely to increase next year?
- What will be the rate of return on PBGC assets?
- How much will the PBGC collect in premiums next year?

The study will be sent to the federal agency's board of directors, which includes the secretaries of labor, treasury and commerce.

Congress would have to approve any premium hike. Premiums

washington

were increased in January 1978 to \$2.67 per participant per year from \$1.

The premiums guarantee pension benefits for vested participants whose plans terminate with insufficient assets.

Economic research

The Labor Department will be awarding contracts for economic research on pension and retirement issues.

The studies would measure the economic effects of the Employee Retirement Income Security Act, Social Security, pensions and tax policies that affect retirement.

Multiple contract awards are anticipated, the department said.

For more information, contact Lynn Spurgeon at the Labor Department at 202-523-6569.

Important issues

The executive director of the President's Commission on Pension Policy says the nation's retirement problems are too important to be pushed aside by partisan politics.

"We do have a little time to solve retirement problems. But the debate must begin soon," said Thomas Woodruff.

Mr. Woodruff hopes the pension

commission, whose members were appointed by President Carter, will be heard by the incoming Reagan administration.

"It is better to tackle retirement issues now through a careful, concentrated effort than in a crisis atmosphere" that may develop, Mr. Woodruff said.

Public hearing

The President's Commission on Pension Policy will hold its last and possibly most important public hearing this week before it issues its final report in February.

The hearing will examine the need for faster vesting schedules and what they would cost.

Under ERISA, plan participants must be fully vested after 15 years of service. However, most employ-

ers allow 100% vesting after 10 years.

The hearing will be at 10 a.m. Dec. 12 in the New Executive Office Building, Room 2010, 726 Jackson Place, across the street from the White House.

FICA benefits

Social Security benefits could jump 11% next June, predicts consulting firm Towers, Perrin, Forster & Crosby.

An 11% boost would increase the total annual Social Security payout to \$142.8 billion from \$129 billion.

The higher benefits are required under the Social Security Act. The law mandates automatic annual increases in benefit payments each June if the Consumer Price Index is at least 3% higher in the first quarter of the calendar year than it was in the first quarter of the previous calendar year.

CPI increases through September 1980 ensure Social Security recipients will receive a minimum 6.5% increase in benefits next June. If inflation continues at an annual rate of at least 9.5% through the first quarter of 1981, the June hike would be about 11%, TPF&C says.

With an 11% increase, the average monthly benefit would rise to \$375 from \$338. The maximum benefit for someone retiring next June would be \$750, up from \$677.

Rig accidents

The Occupational Safety and Health Administration has published a new study analyzing accidents on oil and gas well drilling rigs.

The study examines the role operating procedures, environmental conditions and equipment played in accidents where there were fatalities.

A limited number of free copies of the study are available through OSHA Publications, Room S-1212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C.; 202-523-6138.

Changes possible

A Texas ship repair company may face criminal charges in connection with an April accident in which one of its workers plunged to his death, says the Occupational Safety and Health Administration.

OSHA said it referred the accident involving Sabine Coatings Inc. of Beaumont, Tex., to the Justice Department for possible criminal prosecution.

According to OSHA, Sabine employee Ted Easley was killed April 25 after he fell 45 feet while hanging steel cables in the cargo ship Brazos.

OSHA declined to release further details pending the Justice Department review.

Mandate criticized

The nation's auto dealers aren't buying the idea of a mandatory private pension plan system.

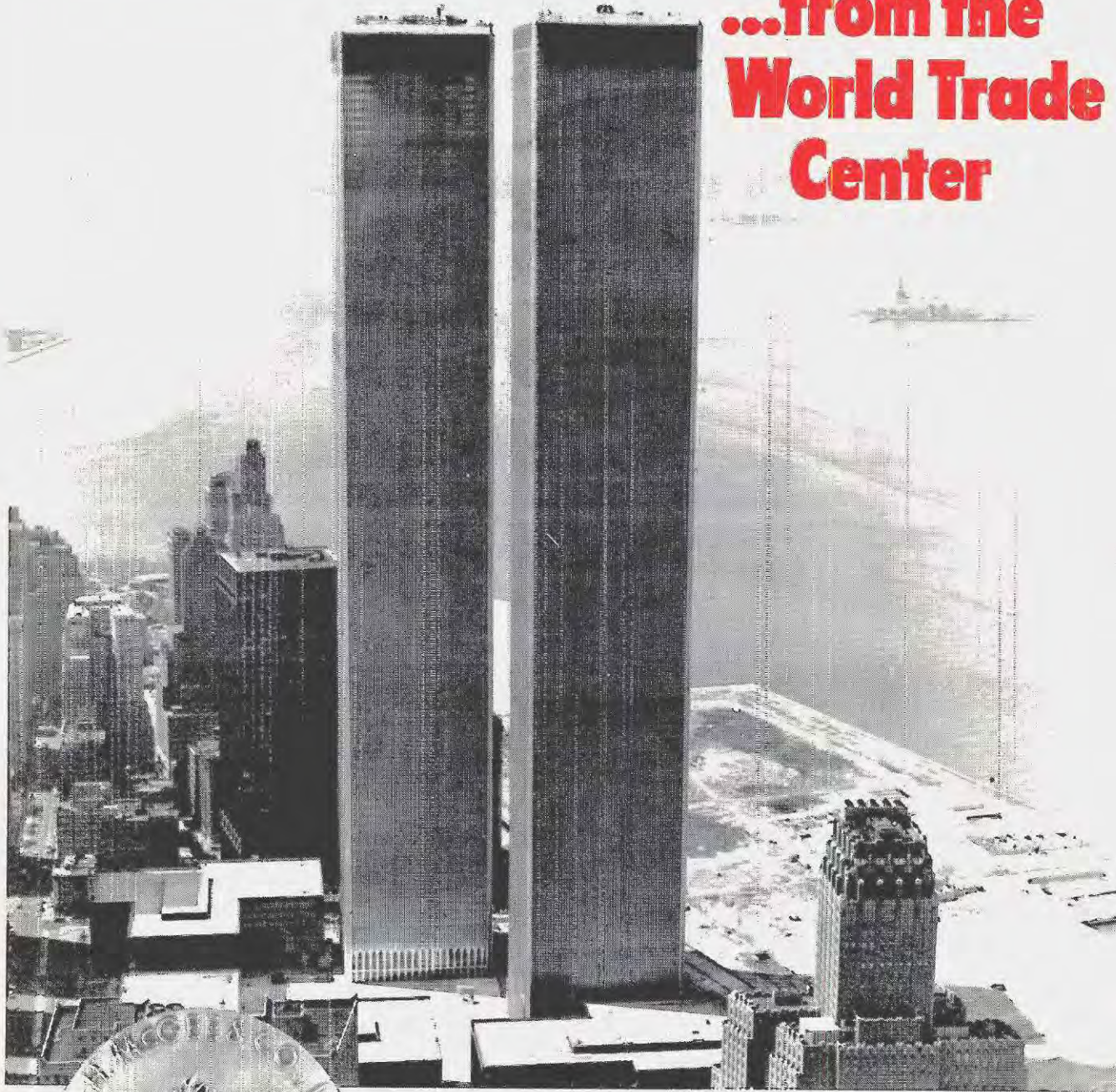
"Maintenance of a mandatory program, especially for the small employer, would likely decrease funds otherwise available for capital improvements," explained the National Automobile Dealers Assn.

In a letter to the President's Commission on Pension Policy, Richard Taylor, assistant director of compliance for the NADA Retirement Trust Division, warned that mandatory plans could lead to staff reductions.

The commission has urged that legislators consider requiring all employers to offer pension plans. ■

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Pension cost holds as percent of profit

NEW YORK—Pension plan costs are increasing every year, but so are pretax profits, holding the cost of pension plans at major corporations to about 12% of pretax profits, says a Johnson & Higgins study.

At 12% of pretax profits, these costs are not a major burden for most corporations, J&H says. Companies are shouldering the costs well, reducing their unfunded vested liabilities and total past service liabilities as a percent of net worth and as a percent of pretax profit, the brokerage firm headquartered here also notes.

J&H studied the 1979 annual reports of 477 of the Fortune 500 industrial corporations and 173 of the Fortune 50 largest nonindustrials in commercial banking, retailing, transportation and utilities for its 1980 Executive Report: Funding Costs and Liabilities of Large Corporate Pension Plans. Figures throughout the report are for domestic defined benefit pension plans, except when profit-sharing contributions or foreign plans couldn't be subtracted.

Pension costs for the 477 industrials increased an average of 15.9% in 1979 to about \$20 billion. Pretax profits increased 20.8% to \$163.9 billion in 1979. The increased cost of pensions in 1979 is consistent with 1978, when pension costs increased 15.7% from the preceding year. But pretax profits were up only 12.4% in 1978.

Among the nonindustrials, pension costs increased 14.1% to more than \$6 billion. Pretax profits among the nonindustrials increased just 5.8%. Both figures are down from 1978, when pension costs for the nonindustrials rose 17.6% from 1977 and profits grew 16.6%.

The slower rise in pension cost increases among the nonindustrials is mostly because of the slowing trend in retailing firms, where pension cost increases in 1979 averaged 14.8%, down from the 38.2% registered in 1978.

Larger payrolls and inflation helped drive up pension costs for both industrials and nonindustrials, the report said. The industrial firms reported a 3.7% increase in employment to almost 16 million people in 1979. Employment was up 4.6% at the nonindustrial firms.

Ninety companies surveyed increased pension benefits. Other firms added to their pension cost through actuarial losses, adoption of new plans, mergers or acquisitions, amending plans to make them noncontributory or through changes caused by Social Security modifications.

Cost decreased at some firms, however, because of a large reduction work force or the sale of a subsidiary.

Of the nearly \$20 billion spent on pension benefits last year by the 477 Fortune 500 industrials, 70.4% was spent by the 97 companies among the largest 100. Thirty-eight of these firms spent more than \$100 million in 1979, five of them topping \$500 million.

On the average, the top 100 spent \$142.8 million on their pension plans, compared with a \$41.2 million average for all the Fortune 500.

Among the nonindustrial companies, eight of the 173 surveyed accounted for 58% of the total \$6.3 billion spent on pension plans. Their pension costs exceeded \$100 million in 1979. The 50 utilities

spent nearly \$4 billion or 63% of the total.

Pension costs are measured against three yardsticks in the report: percent of pretax profits, cost per employee and percent of all wages and salaries.

Pension cost as a percent of pretax profits in 1979 was 12% for industrial firms, a drop from 12.5% in 1978. For nonindustrial firms, that cost was 14.3% in 1979, a jump from 13.3% in 1978.

Per-employee pension cost averaged \$1,243 at the industrial firms, up 11.8% from 1978's \$1,111. The increase for nonindustrials

was slightly less. It averaged \$1,173 in 1979, up 9.1% from 1978's \$1,075.

When measured as a percent of wages and salaries, the cost of pensions increased to 7.3% in 1979 from 7.1% in 1978 for industrials. Nonindustrials showed an even smaller increase of 6.7% in 1979, compared with 6.6% in 1978.

The report divides the companies by Fortune 100 rank, by 27 industry groups and by four nonindustrial groups.

Total pension costs increased the most in the mining and crude

Continued on facing page

Increase in pension cost '78-'79

Fortune 500
Average increase: 15.9%

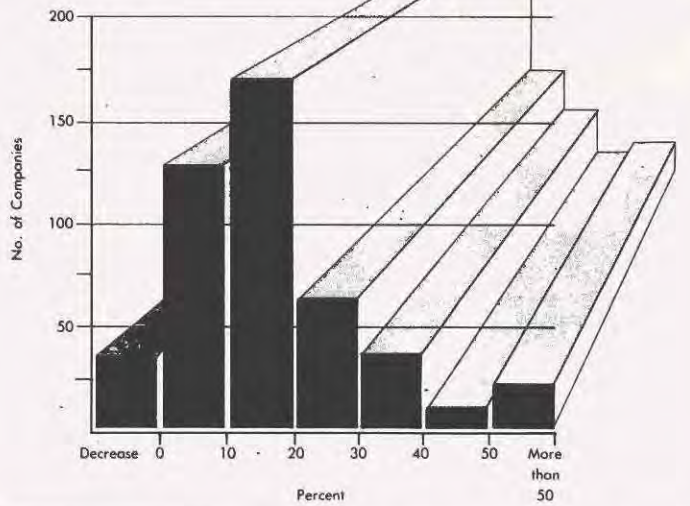
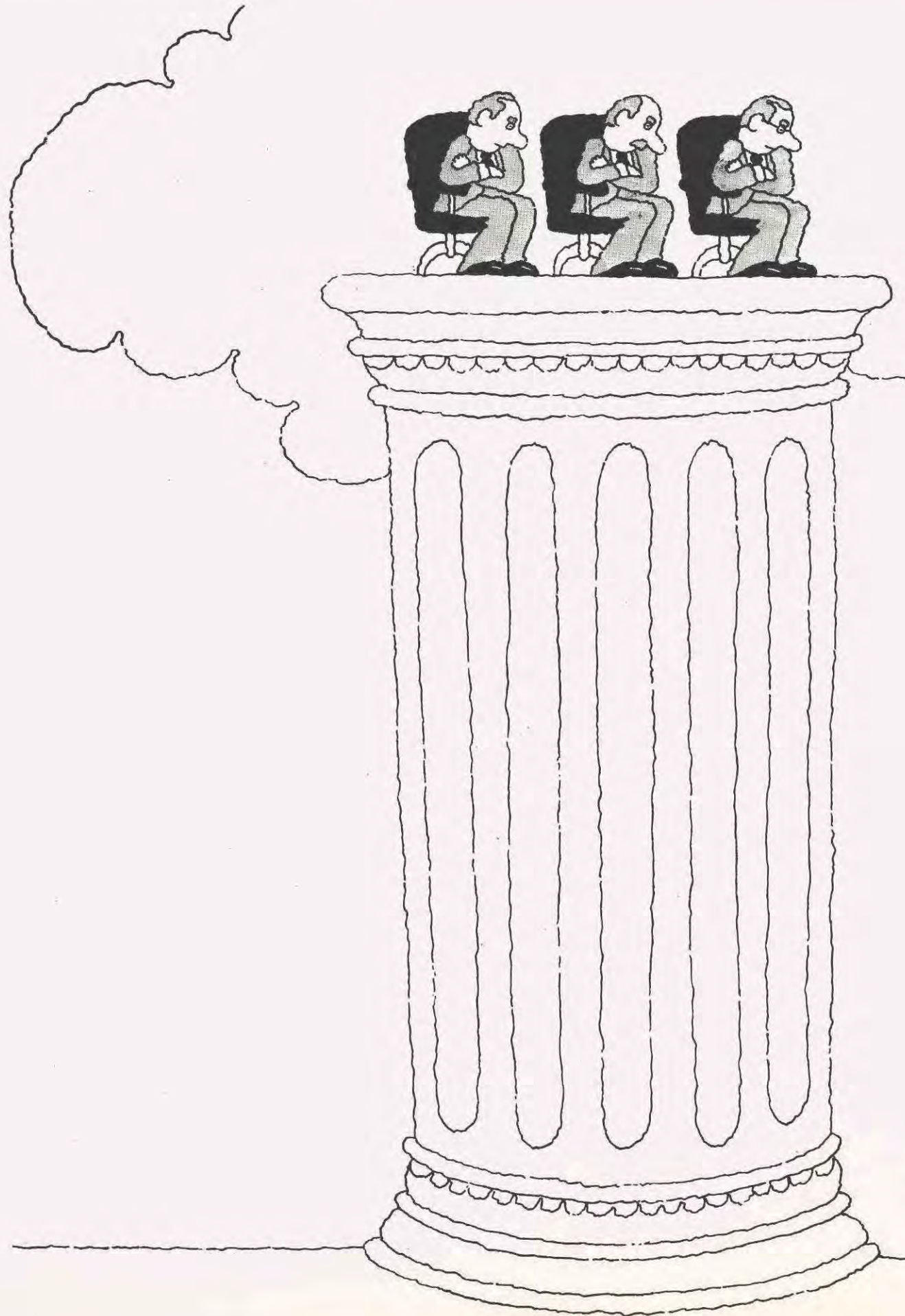


Chart: J&H





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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.

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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.

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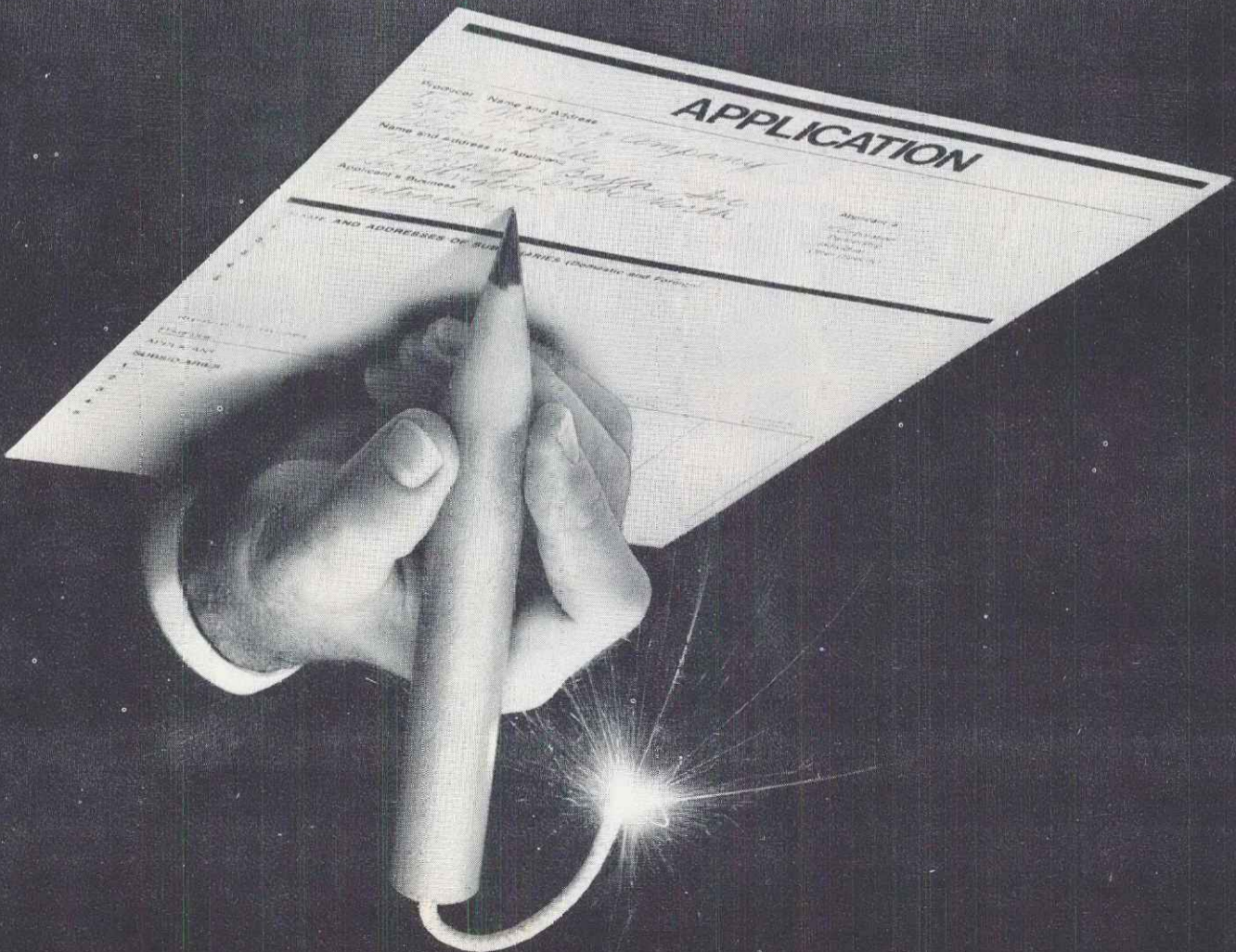
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Defendants pay millions

Continued from page 3

Charges leveled, but never proved, against the 4-R Corp. included:

- Failure to provide an adequate number of exits and entrances.
- Failure to install a warning device to alert patrons and fire officials of fire.
- Failure to instruct employees in the use of fire safety equipment and to instruct employees in procedures relating to fire drills.

In the next settlement, Union Light, Heat & Power Co., a division of Cincinnati Gas & Electric Co., agreed to pay \$5.75 million to plaintiffs.

Union Light had been accused of negligence in supplying power to the club where there allegedly were electrical violations. Insurance, supplied mainly by Lloyd's of London, covered \$5.25 million of the Union Light settlement.

Insurers also got torched with settlement costs. The Kentucky FAIR plan, a state-regulated assigned risk insurance pool, which supplied \$600,000 of property coverage to the club, agreed to pay \$3 million in a settlement.

The FAIR plan, which has 900 member insurers, was accused of negligence in covering a risk with alleged safety violations.

In addition, Market Insurance Co., which underwrote \$250,000 of property insurance for the club, agreed to pay \$925,000 to settle its

MGM fire lawsuits stream in

LOS ANGELES—At least six liability lawsuits seeking more than \$200 million in damages have been filed against MGM Grand Hotels Inc. in U.S. District Courts in Los Angeles, Las Vegas, New Orleans, Detroit and New York.

Most actions have been brought on behalf of guests who suffered smoke inhalation injuries during the Nov. 21 fire. Wrongful death claims filed by surviving family members of the 84 persons who died are expected to seek higher damages.

A clerk in the U.S. District Court in Detroit told *Business Insurance* that suits have been "streaming in" for the past week. Grand Reservations Inc., a wholly owned Michigan subsidiary of MGM Grand Hotels, reportedly booked tours for the hotel, possibly explaining the large number of lawsuits filed in Detroit.

A class-action negligence lawsuit was filed Nov. 24 against MGM Grand Hotels in Los Angeles Superior Court. The suit seeks \$175 million in damages on behalf of an estimated 375 Mexicans who were guests of the hotel (BI, Dec. 1).

The same day, Carol D. Beall and Samuel Rosenthal, an engaged couple, filed an action against the hotel in Detroit, seeking unspecified damages arising out of smoke inhalation and minor cuts suffered during the fire. They also are seeking damages for mental anguish.

Two Louisiana couples, Wes and Della Tassin and Daniel and Ollie Marshall, are jointly suing the MGM Grand Hotels in U.S. District Court in Las Vegas. They are seeking \$1 million for each plaintiff.

The same plaintiffs have filed suit in New Orleans U.S. District Court pending clarification of proper jurisdiction, said a spokesman in the office of New Orleans attorney Wendell Gauthier, who represents the two couples. ■

suit. Plaintiffs charged the company should not have insured an unsafe structure.

Other settling defendants include: Sterling Light Co., \$75,000; Groman Corp., formerly Coleman Cable & Wire Inc., \$300,000; Lennox Industries Inc., \$100,000, and Sierra Electric Division, Sola Basic Industries, \$525,000. These defendants either made or distributed equipment used in the club or its construction.

But one major class-action suit failed. A jury earlier this year dismissed charges against 23 aluminum wire manufacturers. The companies were accused of making aluminum wiring they knew was inherently dangerous.

In dismissing the charges, the jury said there was no clear evidence that aluminum wiring

caused the fire.

A Jan. 6 trial date has been set before U.S. District Court Judge Carl Rubin in a class-action suit involving manufacturers of the club's wiring insulation.

Also pending is a mass suit against the so-called supplier group. These firms supplied carpets, chairs, tables, wall insulation and other products to the club.

As is probably the case in the MGM Grand Hotel fire (BI, Dec. 1) liability coverage for the 4-R Corp. was inadequate. The club had only \$1.3 million of coverage supplied by American States Insurance Co. of Indianapolis and CNA to apply toward the \$3 million settlement.

The cause of the Beverly Hills fire, the worst nightclub fire in 35 years, was never determined. But many experts believe the origin was electrical. ■

Fire scorches merger plans

NEW YORK—Liability fears fanned by the fire at the MGM Grand Hotel in Las Vegas have scorched at least one major corporate merger.

Financial giant Penn Central Corp. has called off its offer to buy GK Technologies Inc., a Greenwich, Conn., wire and cable manufacturer, because of GK subsidiaries' possible financial exposure in connection with the MGM Hotel fire.

A GK unit, California Electric Construction Co., installed electrical equipment in the MGM Grand in 1973 "in accordance with specifications and local ordinances," GK said.

No claims have been filed against GK so far and the company says there is no basis for suits against the firm as a result of the hotel fire.

But Penn Central decided to drop a proposed \$660 million tender offer, the first step toward a merger of GK Technologies with a Penn Central subsidiary, because of "insufficient time to obtain and evaluate data regarding the MGM Grand Hotel fire and possible financial exposure of subsidiaries of GK Technologies," according to the firm.

In the nation's last major fire disaster involving the Beverly Hills Supper Club in Southgate, Ky. (see story page 3), several firms that installed equipment at the club were sued and later settled with plaintiffs out of court.

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IMPROVED RISK MUTUALS

Group backs minorities

Continued from page 1

• A move is underway to have major corporations carve out 5% of their insurance business for minority brokers.

• An informal lunch "Call Program" has been started by Chicago United Insurance executives who are asking other insurance managers for a commitment to help minority brokers.

• A program has begun to encourage joint ventures between non-minority brokers in Chicago and minority firms.

The results have been encouraging, but the organization has a long way to go, Mr. Robinson says.

Chicago has 39 life and health insurance companies owned by blacks, but none that handles property/casualty risks.

"The industry has done a poor job across the board," Mr. Robinson said. "But we have the movers and shakers in Chicago to get the job done."

The Chicago United model insurance company would be financially backed by the "entrepreneurs from the minority community," said Steve Wilcox, a vp at Marsh & McLennan and Chicago United member.

"Our hope is to get it up and running in about a year," Mr. Wilcox said. It's likely M&M will be closely involved in the company, he says, but its exact role has not been defined.

The feasibility study will be done by the National Insurance Assn., a Chicago-based trade association of black-owned insurance companies, says Charles A. Davis, CU executive director and cochairman.

The model company will need to put up \$1 million in capital and \$500,000 in surplus to satisfy state licensing requirements, he said. But he says raising those funds is possible.

"We don't have firm commitments yet, but the minority industries and organizations that can assemble the money are interested," Mr. Davis said.

Mr. Wilcox of M&M said his brokerage is offering advice to CU members in the venture.

It still hasn't been determined what kind of risks the minority company would underwrite, but it's likely property insurance and reinsurance would be the least volatile, Mr. Wilcox said.

Ideally, the minority company would be a multiline insurer, Mr. Wilcox said. CU already has surveyed Chicago minority brokers and found 13 qualified to handle business under the model.

Up to this time, minorities in the insurance business haven't had the market or expertise to offer property/casualty insurance. But no one can be blamed for that, said Weather Sykes, senior vp of Chicago Metropolitan Mutual Assurance Co. and a member of CU.

"Most major corporations have done business with the major houses for innumerable years," said Mr. Sykes, a black. "There was no need to look around. It was not a design to keep minorities out."

Minorities will have to break into the property/casualty field through major markets that can lend a little of their influence to the effort, says Mr. Robinson of CU.

Using non-minority brokers to help the minority brokers has required a radical effort on the part of many, says Mr. Wilcox of M&M.

"The Chicago United effort involves an attitude of putting aside the concern over competition," he said. "We are asking companies to carve out a portion of their insurance program that probably would have been placed with one of us."

"Giving a small percentage of

the business to a minority broker could be a major step for them."

Milton Moses, black president of Community Insurance Center in Chicago, said he would like to see more effort to help already existing minority insurers.

"Chicago United is a good program, but we haven't seen any success stories yet," Mr. Moses said.

Many CU members are optimistic about the plan to parcel out 5% of the insurance business to minority brokers.

However, Alan Portell, risk and accounting research manager with Montgomery Ward and a member of CU, said he thinks the 5% is a lofty goal.

Montgomery Ward now has minority certified public accountants audit its benefit plan.

The company's accountant, Arthur Andersen & Co. will review

the work when it is done, Mr. Portelli said. The company also is involved in CU's "Call Program."

The "Call Program" is based on a simple premise, said coordinator Gus Czizik, manager of insurance for North America at Standard Oil in Chicago.

"Basically, two managers call on another insurance manager as a prospect over lunch," Mr. Czizik said. "We tell him about CU and ask for his help and involvement."

"Most people have time to go out to lunch," he said. "We ask the third party to go out and do the same with another manager."

All admit it's difficult to go after business with minorities—who in some cases have less experience and charge a little more than the major houses—but that isn't stopping CU and its black, white and Hispanic members.

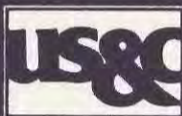
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Crusader seeks competition

Continued from page 2
we've had HMOs pop up like daisies in this state," he remarked.

Vision and dental plans also have bowed to his pressure.

Delta Dental Plans of Ohio, the state's largest dental insurer, agreed to reduce dentists' voting power on its board of directors as a result of an antitrust suit. Ohio Vision Services, its largest vision care insurer, also has been sued to force restructuring of its doctor-dominated board (BI, June 16).

His motives for attacking the dental and vision fields were to "head off problems at the pass" because both types of care probably will become prominent in the next 10 years, he explained.

Mr. Brown's 16-lawyer antitrust unit now is locking horns with the Greater Cleveland Hospital Assn. in a lawsuit accusing the hospitals of restraining trade among health insurance plans (BI, Aug. 4).

In some cases, the mere weight of the attorney general's office has been enough to eliminate antitrust questions without going to court, he adds. "I just say, 'Either you guys can do it or I'll do it. I'd rather have you do it.'"

Mr. Brown's office has also been active in the legislative arena. The attorney general's office wrote Ohio House Bill 448, a 1976 measure that requires Blue Cross to show evidence of cost-containment efforts before it can obtain a rate increase.

Why does Ohio stand out in the antitrust field when other states pay much less attention to health care competition?

"We just went looking for it, that's all. If an attorney general somewhere wanted to go looking for antitrust in health care, he could find it. We went looking," he explained.

Staffing helps. The Ohio antitrust section, formed in 1972, is unusually large, larger than an entire attorney general's staff in some

states.

"If you're going to do anything about it you have to put together the staff to do it," he said. "You've got to put the horse before the cart, find defendants and make cases. And that can be a problem. But if you're going to file antitrust cases, by God, you'd better have a staff."

As soon as the industry shows enough signs of self-regulation, Mr. Brown said, he'll pull out of that area and look for other antitrust problems.

"That's my goal, to see the attorney general out of the health care business and to have a first-rate system while holding down costs at the same time," he stated.

Attorney generals' offices in other states also are showing increasing interest in health care antitrust action.

In Michigan, Attorney General Frank J. Kelley has taken several steps to head off suspected antitrust violations among health care providers, reports Edwin Bladen, head of the economic crimes division of the attorney general's office.

In one case, Blue Cross of Michigan was sued for allegedly limiting enrollment to current subscribers in a supplemental Medicare plan after being denied a rate increase.

The court has ruled Blue Cross is subject to the state's antitrust law and a trial is pending, Mr. Bladen says.

In addition, the economic crimes unit watches HMO mergers and acquisitions to ensure competition is not being stifled, he adds.

Unlike Ohio, Michigan for several years has had a state law that mandates proper consumer representation on Blue Cross & Blue Shield boards of directors. So officials don't need to spend as much time as their Ohio counterparts looking for cases of provider domination, he notes.

In Pennsylvania, Eugene F. Waye, deputy attorney general in

charge of antitrust, says the department watches the health care field closely and is investigating a case of suspected provider domination. He could not reveal details pending completion of the probe.

Pennsylvania has no state antitrust law, but violations are prosecuted in federal courts, he adds. Its antitrust section, created in April 1979, employs only four lawyers including Mr. Waye.

"There are many issues arising in other states and we keep our eyes open here," he noted.

The Illinois attorney general's office has a 10-member antitrust section also watching the health care field. No major cases have been made recently except for suspected violations by private ambulance services, said Thomas Genovese, chief of the antitrust unit.

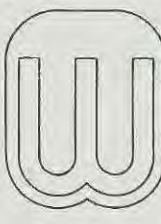
The section is constantly busy with a variety of antitrust cases, which makes it difficult to spend too much time on one investigation, he explains.

"Antitrust cases are tar babies," Mr. Genovese said. "They take a long time and one case can keep two or three lawyers busy for a number of years. Two years from now, we could have half our staff tied up on one case, and we wouldn't have time to do anything else."

"We're aware of the Ohio experience, however, and if the right case comes along, Illinois would probably make a commitment, too." ■



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Open rating wins NAIC panel's favor

Continued from page 1

• Allow a one-year transition to eliminate use of bureau advisory rate filings on lines other than workers compensation. The two-year transition for workers compensation remains.

At a competition subcommittee hearing Dec. 2, the insurance industry agents and consumers attached the proposal and wanted it returned to the drafting committee.

"Price should be established up

front," said Berry L. Griffin Jr., corporate director of risk management and employee benefits for Baker International Corp. and former RIMS president, who supported the model bill at the hearing.

"There's no reason an insurance company should hang on to superfluous premium and return it at a future date. I'd rather work the money myself."

Corporate insurance buyers would reap cash-flow savings on

their workers compensation programs by not having to deposit excessive retrospective premiums with insurers, Mr. Griffin contends. He was one of few speakers at the hearing to call for adopting the model bill now.

"Any delay will be fruitless," he said, speaking on behalf of RIMS. "The insurance industry has had their say and I doubt any more meaningful information would come from a delay."

"The bill is not perfect," said Aetna Life & Casualty Co. president William O. Bailey, who chaired the industry advisory committee that developed the bill.

"It probably never can be perfect, but the NAIC is not the final step. Individual state legislatures have the final word, but we need to start the process."

No rate advice

The model bill, which reflects more than 15 months of work by the advisory committee, prohibits insurers from entering into agreements to adhere to rating bureau rates, rating rules, policy forms, rate classifications, rate territories, underwriting rules, surveys, inspections and similar materials.

Rating bureaus would be prohibited from providing advisory information that could be used in ratemaking, with the exception of loss trending data. They could publish advisory rates on workers compensation only for two years following enactment of the model bill by a state legislature.

In addition, they could not distribute advisory territorial, policy form and risk classification information.

The model bill is based on concepts used in Illinois, where there are no rating laws except for workers compensation and rating bureaus file advisory information only on the loss experience component of ratemaking.

Insurers in Illinois say the system strengthens competition, says John Long, Indiana University professor of insurance. He recently concluded a study of the Illinois system under the sponsorship of the State Farm Insurance Group.

Of 44 insurance company execu-

Alliance vp dies

NEW YORK—F.A. "Jerry" Holderman, 56, vp of the Alliance of American Insurers, died Tuesday from an accidental fall while attending the National Assn. of Insurance Commissioners annual meeting here.

Sources at the convention said Mr. Holderman was in a restaurant when he misjudged a step and fell down a flight of stairs, fracturing his neck. The restaurant was not identified.

Earlier that day, Mr. Holderman testified on behalf of the Alliance against a competitive rating model bill being considered by the NAIC competition (B3) subcommittee.

tives asked how the system had affected competition, 24 said there was more competition, 12 said the system had no impact, four said there was less competition and four were undecided.

By a 26-18 majority, the insurance executives said the Illinois approach should be tried in other states, Professor Long noted.

While insurers responding to his survey "relish price freedom, they want bureau rates as a mechanism to benchmark their rates," Professor Long noted.

"Illinois is an island surrounded by other states that have bureau-produced rates," said Arthur Mertz, executive director of the National Assn. of Independent Insurers. Illinois insurers use bureau rates produced in those states to guide their own ratemaking, he contends.

"I now know what the old Chicago rum runners are doing," quipped Illinois Insurance Director Mr. O'Connor in response to Mr. Mertz's comments. "They're sneaking Wisconsin rating manuals into the state."

Forcing small insurers to develop their own rates without the benefits of rating bureau guidance would drive up their costs, Mr. Mertz charges.

"If a company writes only 10 or 100 of one kind of risk and has to start producing its own rates, it would cost just as much as if the company were writing 1,000 of those risks."

Rating organizations lower entry barriers (for new insurers) and offer economies of scale to small companies," said Charles Shearer, vp of the Insurance Services Organization, the industry's service bureau on rates and forms. "To compete intelligently, companies need information on the cost of their product."

Joseph Tangney, vp with Liberty Mutual Insurance Co., the nation's largest workers compensation underwriter, challenged committee members to demonstrate the need for changing current laws, particularly for workers compensation insurance.

Growing use of self-insurance, captives and other alternatives to traditional workers compensation insurance reflect the high cost of the product, rather than the rating methods, he contends. "Sophisticated buyers have no difficulty in shopping around."

Open competitive pricing of workers compensation insurance would destroy the uniform data base that all insurers use to develop loss trends, Mr. Tangney adds.

"Even if reporting were maintained on a uniform basis, there would be no incentive for insurers to accurately report statistical data," he said.

Delay sought

American Insurance Assn. president T. Lawrence Jones called on the committee to delay endorsing the workers compensation provisions of the model bill to allow his group and the Alliance of American Insurers to complete studies measuring the impact of pricing freedom on the workers compensation market.

Other critics of the bill charged it did not go far enough in its protection of personal lines consumers.

Jonathan Sheldon of the National Consumer Law Center urged the NAIC to include a provision that would require insurers to "take all comers" and end the practice of risk selection.

An aide to North Carolina Insurance Commissioner John W. Ingram offered a motion calling on the committee to include prior approval and file-and-use rating plan model bills in the package. He also suggested model bills governing reinsurance facilities, joint underwriting associations and assigned risk plan residual market facilities.

The motion was not seconded. Mr. O'Connor calls the model bill "an optimum competition rating system that would be an alternative to other existing laws."

Compromising between competition and prior approval in the model bill would defeat its purpose, he contends.

Two syndicates apply for Illinois Exchange

CHICAGO—Two recent syndicate applications before the Illinois Insurance Exchange bring to four the total of interested parties, but only one syndicate is fully capitalized.

The two new syndicate applications by the Sentry Group of Stevens Point Wisconsin and General Casualty, a subsidiary of the Reliance Insurance Co. of Illinois, are tentatively approved, says interim exchange director James Skelton.

The RCA syndicate owned by AVRECO and the Reinsurance Co. of America also is approved, but doesn't have the total \$2 million to be fully capitalized, Mr. Skelton said. The First Management syndicate put together by the Bliss

Group of Bloomington, Ill., is the only syndicate to be fully capitalized.

Mr. Skelton attributes the growing interest in the Illinois Insurance Exchange to a new marketing strategy. "We're soliciting potential syndicates on an 'as if' basis," he said.

Investors are asked, "if we have nine syndicates, would you be willing to be the 10th?" Mr. Skelton told *Business Insurance*.

The Illinois Insurance Exchange, however, needs only two fully capitalized syndicates to open for business.

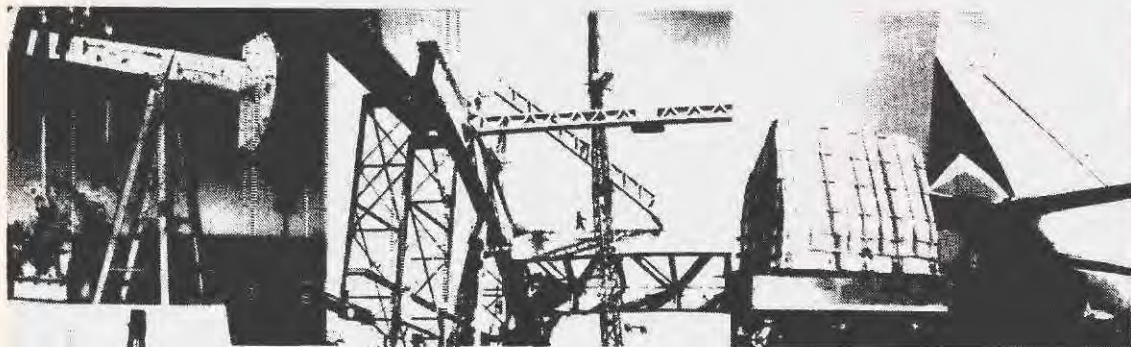
The exchange also has eight admitted brokers, the most recent being James S. Kemper Agency Inc.



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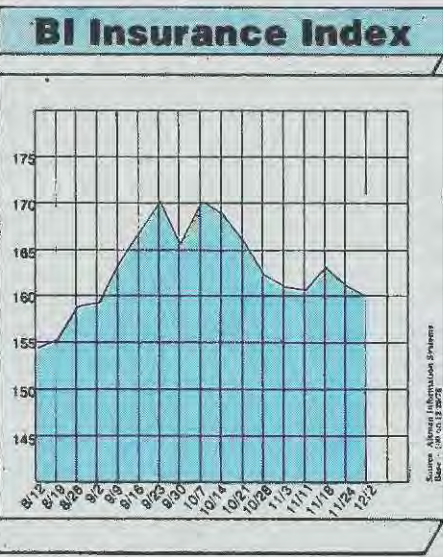
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Producer inquiries invited. Contact Bill Tap.

Brokers' performance lags behind the market

By HARVEY H. BUNDY III
 Special to Business Insurance



Insurance industry stocks continued to slide last week, with the *Business Insurance Index* dropping to 160.2 from 161.1. The base of 100 was at year-end 1978. Thirty-six stocks declined, 19 increased and 17 remained the same. Largest drops were Frank B. Hall & Co., 7.9%; American International Group, 6.6%; Aetna Life & Casualty, 6.6%; Crum & Forster, 5.9%; and Hanover Insurance Co., 5.5%. Biggest gains were American Financial Corp. of Ohio, 9.8%; Zenith National Insurance Corp., 8.8%; Bitco Corp., 6.8%; Reed Stenhouse Cos. Ltd., 6.5%; and Washington National Corp., 4.4%. The index drop was better than two of the major market indicators but worse than the Dow Jones industrial average, down .4%.

British Issues

12/2 Companies	Price pence	P/E	Div. pence	1 Week	
				Yield %	High-Low pence
Commi Union	137	7.2	14.57	10.6	141-137
Eagle Star	246	8.5	14.28	5.8	249-246
Genl Accident	322	8.3	18.24	5.7	326-322
Gdn Royal Exch	322	8.5	20.71	6.4	324-318
Phoenix	262	8.2	20.00	7.6	264-258
Royal	403	9.0	32.17	8.0	410-403
Sun Alliance	746	10.1	42.14	5.6	748-736
Brokers					
CE Heath	186	9.1	13.87	7.5	187-185
Hogg Robinson	118	8.7	8.14	6.9	119-117
Alex Howden	98	8.2	10.00	10.2	98-96
JH Minet	93	11.2	6.45	6.9	96-93
Sedg Grp	123	11.3	7.14	5.8	127-123
Stenhouse Hldg	86	7.9	6.46	7.5	88-86
Stew Wrightson	208	8.6	17.14	8.3	212-205
Willis Faber	273	12.1	16.14	5.9	287-273

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

INVESTORS in insurance broker stocks must have the patience of Job to continue to hold them, given the depressing price performance of the past year.

For the first time in my recollection, the mean price/earnings ratio of the insurance brokers has fallen below that of the S&P 500 stock index. As of the end of November, the S&P 500 stood at 140.52 or 10.3 times an estimated (by the firm of Duff & Phelps) \$13.66 1980 earnings per share. Based on our current estimates for the brokers, the mean multiple for the six major publicly held companies is 9.6 times estimated 1980 earnings per share.

The abysmal performance in November accounted for this development, but the change in the past year is even more significant. A year ago, the index sold at only 7.1 times 1979 earnings.



Bundy

Therefore, the average broker stock had a 43% premium to the S&P. Now the average broker sells at 7% discount to the S&P 500 index.

Another way to look at this is to consider what would have happened if you had bought \$100 worth of broker stocks a year ago, equally weighted between the stocks. Currently, this portfolio would be worth \$93.67, whereas the same portfolio composed entirely of S&P 500 stocks would have appreciated to \$132.37 from \$100.

All this shows why this month's column is not on the topic we had intended to cover: Why investors have generally been willing

Harvey H. Bundy III, a partner at William Blair & Co. in Chicago, specializes in financial and insurance stocks. His monthly column on insurance brokerage stocks appears on this page the second Monday of every month.

BI ticker

to pay a premium multiple for the insurance brokers. Instead, it seems appropriate to try to evaluate what could cause the insurance brokers' relative performance to begin to improve.

This probably is accomplished best by evaluating what happened last time around. The following table shows the performance of four publicly held insurance brokerage stocks from 1972 to 1980 compared with the Dow Jones industrial average. During each period indicated, the table shows whether the broker was performing better than the Dow, approximately equal to the Dow or worse than the Dow.

While it is difficult to generalize from the above statistics, all of the major brokers showed a below-average relative performance compared with the market during the soft rate environment of 1972 and early 1973. They showed some resiliency in late 1973 and 1974 before premium rates had turned. We attribute this more to the ability of the brokers to hold up better in a severely down market than to any reflection on the fundamentals of the stocks. This is further evidenced by a generally below-average performance in 1975 as the stock market improved and the brokers continued to lag.

As all industry observers are well aware, underwriting losses of the property/casualty companies peaked in late 1975 with improving results in 1976. This reflected a firming of rates that finally took place in mid-1975. The major brokers reflected this

Stock Price Performance vs. Dow Jones Industrial Average

	Better	Equal	Worse
A & A			
Jan. 72-Mar. 73			X
Mar. 73-Dec. 74	X		
Dec. 74-Jan. 77		X	
Jan. 77-Aug. 78	X		
Aug. 78-Jul. 80		X	
Hall			
Jan. 72-May 74			X
May 74-Mar. 75	X		
Mar. 75-Jun. 76			X
Jun. 76-Jul. 78	X		
Jul. 78-Jul. 80		X	
James			
Jan. 72-Jan. 74			X
Jan. 74-Jan. 76		X	
Jan. 76-Jul. 78	X	X	
Jun. 78-Jul. 80			X
M & M			
Jan. 72-Feb. 73			X
Feb. 73-Dec. 74	X		
Dec. 74-Jul. 80		X	

Broker Stock Performance

	Price 11/30/80	% Change vs. 10/31/80	% Change vs. 11/30/79
A & A	29 3/4	(8)	(7)
Cor. & Bl.	24 3/4	(1)	(12)
Hall	22 3/4	(15)	(16)
James	23 3/4	(1)	(4)
M & M	31	(1)	(3)
R B H	21 1/2	(13)	4
S&P 400	160.96	11	36

rate turn in the revenues of their property/casualty lines. Whereas Marsh & McLennan showed only a 4% brokerage revenue gain in 1973, this expanded to 11% in 1974 and 19% and 21% in 1975 and 1976, respectively. For Alexander & Alexander, the comparable numbers range from 7% in 1973, 16% in 1974 and 1975 and 21% in 1976.

James was the first broker to move upward in response to these firmer rates and better revenue gains, with this occurring in January 1976. James was followed by Hall in June 1976 but not by Alexander & Alexander until January 1977. In the case of Marsh & McLennan, it is hard to identify any improvement in relative performance as a result of firming rates and improved revenue gains.

It is difficult to be encouraged about the near-term stock performance based on the historic observations. Even when rates had firming by mid-1975 and were reflected in revenues, the stock price performances did not improve until 1976 or early 1977. While past history is not a sure indicator of the future, the above statistics seem to indicate the brokers did not begin to outperform the market until the superior revenue gains caused by a firming of rates were evident to most investors.

Since earnings gains should be dramatic when rates do begin to firm, we are recommending clients begin to establish positions in the stocks at current prices. However, we would not bring a position up to full size until a moderation of rate competition is evident in the brokers' revenues.

William Blair & Company maintains a market in the common shares of Rollins Burdick Hunter and Alexander & Alexander Services. Edgar D. Jannotta, a Partner in William Blair & Company, is on the Board of Directors of Rollins Burdick Hunter.

BI Industry Stock Report

Insurance Cos.	DEC. 2, 1980					11/25/80 THRU 12/2/80					
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 32.00	-6.6	4.8	2.12	6.6	34.13	32.00	838.6	34.13	32.00	838.6
American Bankers Ins Co Fla	OTC 6.37	-5.6	12.5	0.44	6.9	6.75	6.38	65.4	6.75	6.38	65.4
American Finl Corp Ohio	NYSE 25.25	9.8	4.7	0.50	2.0	25.50	23.00	58.9	25.50	23.00	58.9
American Gen Ins Co	NYSE 35.25	-2.4	5.6	1.00	2.8	36.13	35.25	192.1	36.13	35.25	192.1
American Indty Finl Corp	OTC 14.75	-2.5	4.9	1.12	7.6	15.25	14.75	27.6	15.25	14.75	27.6
American Intl Group Inc	OTC 66.75	-6.6	9.4	0.50	0.7	70.75	66.75	219.2	70.75	66.75	219.2
American Natl Ins Co	OTC 12.75	-2.9	5.3	0.68	5.3	13.13	12.75	76.4	13.13	12.75	76.4
American Sts Life Ins Co	OTC 19.00	0.0	7.9	0.64	3.4	19.00	19.00	0.2	19.00	19.00	0.2
Aneco Reins Ltd	OTC 5.37	2.4	0.0	0.00	0.0	5.38	5.13	50.7	5.38	5.13	50.7
Appalachian Natl Corp	OTC 2.12	0.0	6.1	0.05	2.4	2.13	2.13	0.2	2.13	2.13	0.2
Avenco Corp	AMEX 9.00	-2.7	7.8	0.50	5.6	9.00	9.00	7.8	9.00	9.00	7.8
Banks Iowa Inc	OTC 26.50	0.0	3.2	1.32	5.0	26.50	26.50	15.9	26.50	26.50	15.9
Bitco Corp	OTC 39.50	6.8	5.3	1.68	4.3	39.50	38.00	8.2	39.50	38.00	8.2
Carolina Cas-Ins Co	OTC 10.25	0.0	3.7	0.32	3.1	10.25	10.25	0.7	10.25	10.25	0.7
Central Natl Finl Corp	OTC 11.25	0.0	4.4	0.50	4.4	11.25	11.25	2.9	11.25	11.25	2.9
Chubb Corp	OTC 35.63	1.4	4.5	2.40	6.7	35.88	35.00	89.9	35.88	35.00	89.9
Combined Intl Corp	NYSE 17.75	1.4	5.2	1.60	9.0	17.88	17.50	134.1	17.88	17.50	134.1
Connecticut Gen Ins Corp	NYSE 44.25	0.3	6.0	1.52	3.4	44.75	44.00	93.4	44.75	44.00	93.4
Continental Corp	NYSE 24.12	-2.5	5.2	2.20	9.1	24.63	23.63	168.2	24.63	23.63	168.2
Crawford & Co	OTC 19.50	0.0	15.3	0.48	2.5	19.50	19.50	4.3	19.50	19.50	4.3
Crown Life Ins Co	OTC 95.50	3.2	69.2	2.40	2.5	97.00	94.00	1.5	97.00	94.00	1.5
Crum & Forster	NYSE 24.00	-5.9	4.5	1.44	6.0	25.38	24.00	249.8	25.38	24.00	249.8
Employers Cas Co	OTC 40.50	-1.2	6.6	1.20	3.0	40.50	40.00	2.1	40.50	40.00	2.1
Equifax Inc	NYSE 22.50	-4.3	7.4	2.40	10.7	23.25	22.50	5.3	23.25	22.50	5.3
Farmers Group Inc	OTC 28.00	-0.9	8.8	1.00	3.6	28.88	28.00	258.6	28.88	28.00	258.6
First Colony Life Ins Co	OTC 33.00	-2.9	11.2	0.80	2.4	34.00	33.00	2.3	34.00	33.00	2.3
Foremost Corp Amer	OTC 20.88	2.5	7.5	0.60	2.9	20.88	20.38	29.8	20.88	20.38	29.8
General Reins Corp Del	OTC 49.75	0.0	7.2	1.40	2.8	49.75	49.75	125.2	49.75	49.75	125.2
Great West Life Assurn Co	OTC 200.00	0.0	9.9	8.00	4.0	200.00	200.00	0.0	200.00	200.00	0.0
Hanover Ins Co	OTC 42.75	-5.5	3.9	0.72	1.7	45.00	42.75	16.0	45.00	42.75	16.0
Hartford Steam Boiler Insnpt	OTC 35.75	-0.7	7.4	2.40	6.7	36.00	35.75	5.5	36.00	35.75	5.5
Integon Corp	NYSE 36.50	0.0	13.0	0.52	1.4	36.50	35.75	94.8	36.50	35.75	94.8
Jefferson Natl Life Ins Co	OTC 41.50	-4.6	15.3	0.64	1.5	43.00	41.50	4.2	43.00	41.50	4.2
Kemper Corp	OTC 30.13	-2.8	4.4	1.40	4.6	30.63	30.13	84.3	30.63	30.13	84.3
Lincoln Natl Corp Ind	NYSE 37.50	-1.6	5.2	3.00	6.0	37.63	37.00	87.2	37.63	37.00	87.2
Mgic Invnt Corp	NYSE 28.75	1.3	8.1	1.12	3.9	28.88	27.38	175.7	28.88	27.38	175.7
Mission Ins Group Inc	NYSE 35.50	1.4	7.3	0.80	2.3	36.25	35.50	19.2	36.25	35.50	19.2
Nationwide Corp Ohio	OTC 19.75	0.0	11.1	0.66	3.3	19.75	19.75	1.1	19.75	19.75	1.1
Nn Corp	OTC 60.88	4.1	12.6	2.90	3.3	61.00*	60.75	59.5	61.00*	60.75	59.5
Northwestern Natl Life Ins	OTC 25.25	-1.5	5.4	1.25	5.0	25.75	25.25	25.0	25.75	25.25	25.0
Ohio Cas Corp	OTC 31.75	-1.4	2.4	1.76	5.5	32.25	31.75	107.9	32.25	31.75	107.9
Old Rep Intl Corp	OTC 14.13	-4.2	3.5	0.92	6.5	15.00	14.13	202.0	15.00	14.13	202.0
Pinehurst Corp	OTC 6.00	0.0	11.1	0.00	0.0	6.13	6.00	38.7	6.13	6.00	38.7
Preferred Risk Life Ins Co	OTC 18.50	0.0	6.7	0.64	3.5	18.50	18.50	3.6	18.50	18.50	3.6
Provident Life & Acc Ins Co	OTC 42.50	2.4	5.5	1.88	4.4	43.00	42.50	20.2	43.00	42.50	20.2
Republic Natl Life Ins Co	OTC 24.12	2.1	13.4	0.70	2.9	24.13	23.75	123.5	24.13	23.75	123.5
Ryan Ins Group Inc	OTC 29.50	0.0	8.8	0.12	0.4	29.50	29.50	3.4	29.50	29.50	3.4
St Paul Cos Inc	OTC 35.63	1.1	4.8	2.32	6.5	35.75	35.50	125.4	35.75	35.50	125.4
Safeco Corp	OTC 33.25	0.0	5.1	2.00	6.0	33.75	33.25	99.8	33.75	33.25	99.8
Sri Corp	OTC 27.50	0.0	5.1	1.20	4.4	27.50	27.50	10.5	27.50	27.50	10.5

Agents/Brokers											
Agents/Brokers	DEC. 2, 1980					11/25/80 THRU 12/2/80					
	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	High	Low	Vol. (000)
Seibels Bruce Group Inc	OTC 22.25	0.0	3.9	1.00	4.5	22.38	22.25	10.7	22.38	22.25	10.7
Statesman Group Inc	OTC 6.00	-2.0	4.5	0.15	2.5	6.13	6.00	5.9	6.13	6.00	5.9
Tokio Marine & Fire Ins Co	OTC 143.88	-3.8	15.9	1.03	0.7	149.75	143.25	1.4	149.75	143.25	1.4
Travelers Corp	NYSE 37.25	-1.7	4.2	2.48	6.7	37.50	37.13	372.5	37.50	37.13	372.5
United Fire & Cas Co	OTC 28.00										

The inside view of employee communication



Front desk activity at the Marriott Essex House in New York City.

An effective employee communication program must consider both what the employees want to know and what they ought to know. The way Alexander & Alexander's subsidiary, Benefacts Inc., looks at a hotel chain will help explain how we will look at your business. In this case, we look through the eyes of the people who meet the guests as well as the people who meet the payroll. Analyzing hostelry programs from the time people are hired to the time they retire.

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From the client's point of view.