WEEK OF FEBRUARY 15, 1982

business insurance®

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update:

Texas politician sues Prudential, FBI agents

HOUSTON—Texas House Speaker Billy Clayton is suing Prudential Insurance Co. and two FBI agents for harm he says was done to his political career by a 1980 criminal trial stemming from the FBI's Brilab investigation.

Mr. Clayton filed suit Feb. 8 in U.S. District Court seeking actual and punitive

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Employers may inherit health costs

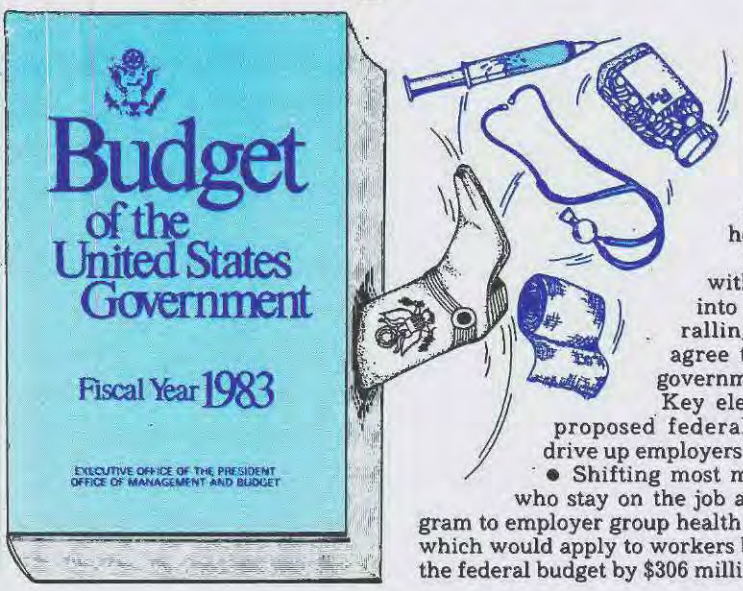


Illustration by Amy Palmer

By JERRY GEISEL

WASHINGTON—If President Reagan's budget makers get their way, employers will pay more in health care costs in fiscal 1983 and be the guinea pigs in a government experiment to overhaul the nation's health care delivery system.

Congress is not expected to go along with the experiment to force competition into the health care system to control spiralling medical costs, but it is expected to agree to some expensive cost shifting from government to employer.

Key elements of the Reagan administration's proposed federal budget for fiscal 1983 that would drive up employers' health care bills include:

- Shifting most medical and hospital costs for workers who stay on the job after 65 from the federal Medicare program to employer group health insurance plans (*BI*, Jan. 11). This shift, which would apply to workers between 65 and 69 years old, would trim the federal budget by $306 million.
- Reducing Medicare benefits to save the government $65 million and forcing employers to pick up the slack through their health care programs.
- Requiring employers to offer their employees a choice of health care plans to give them a greater personal stake in controlling health care costs by creating more competition among insurers.

In addition, the development of health maintenance organizations, which have proven more effective than insurers in controlling health care costs, would be left in the hands of private industry.

By 1984, the federal loan and grant subsidy program, which has provided more than $300 million since 1974 for HMO development, would be eliminated.

"The phaseout of the federal grant and loan program should have no significant effect on development of economically viable HMOs, which can be funded through private sources," the administration argues.

The plan to phase out HMO funding was announced last year when the administration in its proposed fiscal 1982 budget said it would no longer provide grants and loans to help new HMOs get started (*BI*, Feb. 23, 1981).

Congress generally followed the administration's suggestion when it passed legislation later that year that authorized $20 million in federal grants for HMOs in the final stages of development, but barred grants to HMOs just getting off the ground.

Most of these changes, which still must be approved by Congress, are cut from the same cloth: the desire of the administration to reduce its share of the soaring costs of health care programs.

"The government is sending a

Continued on page 78

Michigan approves open comp system, bans advisory rates

By EILEEN NORRIS

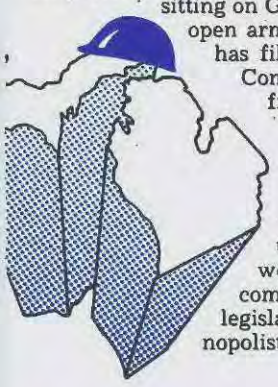
LANSING, Mich.—Michigan is in line to become the third state to enact legislation that will force workers compensation insurers to compete on price and not file rates en masse.

Gov. William G. Milliken is expected to sign the legislation Feb. 19. The set of two pro-competition bills, which are scheduled to take effect in January 1983, all but breezed through the House and the Senate.

The hope is that a competitive atmosphere in which insurers will have to set their own rates, without the advantage of shared loss data, will compel them to vie for risks and eventually drop their rates. This is the most radical open-rating law passed to date because no advisory rates will be allowed.

Only Oregon and Minnesota have changed their laws to force competitive rating for workers compensation insurance rates, with the Oregon law taking effect this July and Minnesota scheduled to phase in the system in July 1983.

Michigan's package of two bills, H.B. 5162 and H.B. 5176, which are sitting on Gov. Milliken's desk, are not being received with open arms by the insurance industry, which up to now has filed for rates through the National Council on Compensation Insurance, a ratemaking group that files rates on behalf of workers compensation insurers.



But, sources say even though insurers are not happy with the competitive rating law, criticism will be kept to a minimum. Michigan legislators had threatened to pass a law that would create a monopolistic state fund for workers compensation coverage and bar work comp insurers from doing business in the state. The legislators had considered a plan similar to Ohio's monopolistic system.

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Risk management services

Budget cuts and budget cautions are making risk managers limit use of consultants this year. Instead of commissioning giant risk management audits reviewing whole programs, corporations are putting off projects that can wait another year and are requesting only spot checks on the most immediately perplexing problems:

- Environmental impairment, **page 11.**
- Occupational disease, **page 16.**
- Energy risks, **page 22.**
- Computer failure, **page 66.**

Despite the changes in use, consultants still report a growing market for their services as risk managers learn to be more selective, **page 28.**

***BI*'s guide to consultants begins on page 32.**

ABC suing Lloyd's, Bowring over terms of E&O coverage

By JOHN W. MILLIGAN and KATHRYN J. McINTYRE

NEW YORK—American Broadcasting Cos. is suing Lloyd's of London and London broker C.T. Bowring over the terms of its errors and omissions insurance and demanding payment for potential legal defense costs of almost $5 million.

At issue is whether defense costs are included within or are outside the limits of a $500,000 primary errrors and omissions policy and a $500,000 excess policy issued to ABC by Lloyd's.

ABC contends the policies have always covered defense costs outside the policy limits since they were first marketed at Lloyd's in 1964. This would give the network unlimited coverage for all such defense costs until claims and judgments exceeding $1 million were paid.

Lloyd's counters that although confusion may have existed initially, in December 1978, at the request of ABC, it clarified that defense costs were included within the policy limits, which means defense costs alone of $1 million would exhaust the E&O coverage.

At stake is insurance coverage for an estimated $4.85 million to $5.85 million in legal expenses for the continuing defense of a defamation suit filed in 1978 against ABC by the San Francisco-based Synanon Foundation.

The court papers filed by ABC and Lloyd's of London, which give two different versions of the 16-year relationship between ABC and Lloyd's, also raise issues about the marketing of insurance in London and what

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Politician sues Prudential

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damages in excess of $10,000 from the insurer and the agents for their alleged roles in bringing him to trial.

The trial caused Mr. Clayton humiliation, embarrassment and damage to his career as a public servant, the suit states. His attorney says total claims could reach $1 million.

Mr. Clayton, who was charged with fraud and conspiracy in what the FBI claimed was an attempt to use his political influence to reopen bidding on state insurance contracts, was acquitted.

The suit says Prudential, based in Newark, N.J., provided the FBI with insurance information and the authority to pose as Prudential officials during the Brilab operation. It says the FBI then used the information and cover in an attempt to entrap Mr. Clayton.

A Prudential official said the FBI did not request and the insurer did not grant permission for anyone to represent themselves as Prudential agents.

JAL covered for crash

LONDON—Japan Air Lines, the owner of a DC-8 jetliner that plunged into Tokyo Bay last week, killing at least 24 people, had combined hull and liability coverage of more than $400 million.

A policy, led by Tokio Fire & Marine Insurance Co., insures the hull for $6.5 million and liability losses for $400 million. The airline also has an undisclosed amount of excess coverage, according to a reinsurance broker at Willis Faber & Dumas in London.

Hearing set in Hall-Ryder suit

MIAMI, Fla.—Ryder System Inc. will limit its purchase of Frank B. Hall & Co. Inc. stock to 10%, pending a hearing on Hall's antitrust suit against Ryder.

Hall is suing Ryder in U.S. District Court in Chicago, alleging that the transportation firm is violating antitrust laws by trying to take over Hall, which owns Jartran Inc., a Ryder competitor (*BI*, Jan.18).

Ryder alleges that Hall purchased Jartran "as a weapon to permit Hall to block Ryder's purchase of Hall stock" and that Jartran is a failed or failing company beyond revival, thus not a competitor. Ryder asked the court to force Hall to divest Jartran.

A hearing is scheduled for April 12, and Ryder's pre-trial agreement not to purchase more stock expires April 19.

N.J. regulator takes office

TRENTON, N.J.—Joseph F. Murphy, 66, a former Continental Insurance Co. official, was sworn in last week as insurance commissioner, succeeding James Sheeran who resigned last month.

Lloyd's meeting requested

LONDON—The Committee of Lloyd's of London is asking a court if it must hold an extraordinary general meeting requested by former underwriter Reid Wilson, who was recently found guilty by a Lloyd's panel of "acts discreditable to a Lloyd's underwriter."

Lloyd's wants to delay the meeting, to decide if Mr. Wilson should be expelled from the Lloyd's Society, until at least July.

Shareholders approve merger

PHILADELPHIA—Shareholders of Connecticut General Corp. and INA Corp. overwhelmingly approved the planned $4.3 billion merger of the two firms, but management is still not sure what the nation's second-largest publicly held insurer will be called.

The name North American General Corp., originally selected, cannot be used because of legal problems.

"We are close to selection and clearance of a name. . .and expect to make an announcement within a week," Ralph S. Saul, chairman of INA Corp., told stockholders at a Feb. 10 meeting.

At the INA meeting, holders of 31.4 million out of 39.3 million shares endorsed the merger and a related stock-option bonus for executives of the new company. Holders of 35.3 million out of 40.6 million CG shares endorsed the plans at a Feb. 9 meeting.

The merger must undergo hearings in at least four states: Feb. 16 in Connecticut, Feb. 23 in Illinois, Feb. 25 in Indiana and March 1 in Pennsylvania. The merger should be complete by April 1.

Hospital cost limits threatened

WASHINGTON—The administration will consider asking Congress to impose cost controls on hospitals if huge cost hikes continue, Health and Human Services Secretary Richard Schweiker says.

"They (hospitals) are not going to get a free ride," he said. "We can't tolerate 19% (hospital cost) inflation." He said, however, cost controls would be imposed as a last resort. He hopes so-called "pro-competition" legislation will be enacted and will slow rising costs.

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Far East reinsurers, agent may resolve claims dispute

By STACY SHAPIRO

LONDON—A 3-year-old dispute between Far Eastern reinsurers and their underwriting agent that has backlogged millions of pounds in claims may soon be resolved.

The reinsurance claims, filed mostly by Lloyd's of London underwriters and international aviation insurers, have gone unpaid since 1979 because the reinsurers and their agent can't agree on who violated which part of their agency agreement.

The reinsurers, including Oriental Fire & Marine Insurance Co. Ltd. of South Korea and Central Reinsurance Co. of Taiwan, charge that their underwriting agent overwrote premium limits.

However, the agent—Safeguard Registered Trust of Lichtenstein—said it would not release any documents to prove or disprove the allegations until the reinsurers paid 400,000 pounds ($748,000) owed for early cancellation of the reinsurance agency agreements.

This payment is part of an earlier out-of-court settlement between Safeguard and the reinsurers, who canceled agency agreements 1½ years before the five-year contracts expired.

Now Safeguard will reconsider releasing the documents because London insurance brokers have guaranteed the 400,000 pounds, says Roderic Chaffin-Laird, chairman of Safeguard's London subsidiary, World Underwriting Agencies Ltd.

"With the settlement completed, the balances owed probably will be paid," said Mr. Chaffin-Laird, whose company deals with at least 80 London brokers and 10,000 reinsurance contracts.

London brokers, including Bain Dawes Ltd., Stewart Wrightson Insurance Broking Group and C.E. Heath & Co. Ltd., decided to put up the guarantee so the Far Eastern reinsurance claims could be cleared quickly, said Fred Locke, financial director of Bain Dawes.

"We have had to fund quite large amounts of these

Continued on page 6

Asbestos firm may not pay big judgment

By STEPHEN TARNOFF

BLOOMINGTON, Ill.—Fifty-four residents who were injured by exposure to asbestos have won a $57 million court award, but they may not be able to collect.

A circuit court jury in Bloomington awarded the compensatory and punitive damages last month to 54 present and former local residents who were injured or died after inhaling asbestos dust at their workplace.

But because the British company named as a defendant in the suit failed to appear and defend the suit, it is uncertain whether the company will have to pay any money to the plaintiffs.

The judgments against Cape Industries Ltd. and its two wholly owned subsidiaries, Cape Asbestos Fibers Ltd. and Egnep (PTY) Ltd., were entered by a McLean County jury Jan. 28 and 29.

"We will pursue the collection of judgments through a number of means," said James Walker, attorney for the plaintiffs, declining to elaborate on the methods.

The plaintiffs, meanwhile, have also sought damages from numerous other asbestos manufacturers and suppliers in cases still pending. The first of the trials is to begin this week.

Defendants in the pending cases include Cape and its two subsidiaries, Unarco Industries, North American Asbestos Corp., Johns-Manville Sales Corp., Johns-Manville Corp. and Raybestos-Manhattan Inc.

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Committee to investigate self-funded MET failures

CHICAGO—A congressional panel will hold a hearing in Chicago next month to investigate the continuing problem of self-funded multiple employer trusts that go broke, leaving massive unpaid medical bills.

The March 5 hearing by the House Labor Management Relations subcommittee was triggered by the most recent self-funded MET failure: the collapse of the Chicago-based National Health Care Trust, which provided health insurance coverage for employees at 80 Illinois nursing homes. Unpaid medical claims may exceed $250,000 (*BI*, Jan. 11).

"Unscrupulous individuals may be defrauding the public while avoiding both state and federal regulations," explained Rep. John Erlenborn, R-Ill., who asked Rep. Phillip Burton, D-Calif., the chairman of the subcommittee, to hold a investigation into MET problems.

"This abuse must be stopped," Rep. Erlenborn added. "Our subcommittee will find the loopholes (in regulation) and close them tightly."

The March 5 hearing will begin at 10 a.m. in the Dirksen Federal Building in Chicago.

Regulators and other experts who want to testify should contact the House Labor Management Relations subcommittee, 2451 Rayburn House Office Building, Washington, D.C. 20515; 202-225-5768.

Oil well off Angola now gushing claims

By STACY SHAPIRO

HOUSTON—Gulf Oil Corp. hoped to find oil and gas by drilling a well off the coast of Angola.

Instead, the well, operated by Dallas drilling contractors Sedco Inc., is gushing rig and well control losses estimated at more than $100 million.

On May 24, 1981, the Sedco 250 drilling well blew out and began spewing highly toxic hydrogen sulfide and light oil onto the West African coast.

By Feb. 3, the well was finally killed with the help of well control expert Red Adair, whose crew drilled two relief wells to stop the chemicals from coming up.

"It's like the boy with his finger in the dike," remarks David Hill, underwriter for the D.B. Hill Syndicate at Lloyd's of London, which reinsures some of Gulf's coverage on the well. "You put your thumb over the hole of the drill and hope

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Failed HMO leaves $6 million in debts

PONTIAC, Mich.—Subscribers who were referred to other health care providers by a health maintenance organization that collapsed may have to pay $700,000 in outstanding bills.

Michigan Master Health Plan, which collapsed Jan. 25, left a total of $6 million in debts for creditors to haggle over in federal bankruptcy court. Approximately $4.5 million is said to be owed to plan physicians.

As of Feb. 1, all coverage for 16,000 General Motors employees, members of the United Auto Workers who subscribed to the HMO, was picked up by Blue Cross & Blue Shield of Michigan, said Daryl Klinko, director of finance and administration for Health Care Network, a wholly owned HMO subsidiary of BC/BS. The Blues also offered coverage to 2,000 others who were left uninsured by Michigan Master.

All together, $1.5 million is owed to hospitals, pharmacies and patients who paid for special treatment, assuming they would be reimbursed by the HMO.

The state Insurance Department has a $50,000 reserve that was required of the HMO to pay outstanding debts, but subscribers still may be liable for their own medical bills, said Robert Swanson, a financial analyst in department.

He said the HMO never issued a document saying the plan was liable for the cost of the outside treatment.

Sources say the HMO collapsed for several reasons, but cited poor management as the chief factor.

The plan was licensed in 1980 after 47 physicians chipped in $6,000 each. Mr. Klinko said the HMO was reinsured by Lloyd's of London and other insurers for an unknown amount. ■

errors & omissions

• Creative Risk Management Corp. of Mt. Clemens, Mich., has 35 staff members, not 20 as listed in the employee benefit claims specialists directory (*BI*, Jan. 25).

Keeping the cash safe

Banks hold off buying computer crime cover

By RHONDA L. RUNDLE

Risk managers for U.S. financial institutions are waiting to see what domestic underwriters will come up with before rushing into the new Lloyd's of London computer crime policy.

Only three policies have been placed since the Lloyd's coverage was launched last fall: one to Irving Trust Co. in New York and two to unidentified regional banks with assets of $2 billion to $7 billion (*BI*, Nov. 16, 1981).

Bank risk managers say they have been inundated with information and application forms from brokers pitching the new coverage for third-party intrusion into a bank's electronic funds transfer system. The Lloyd's policy also was a frequent topic of conversation at a recent American Bankers Assn. meeting in New Orleans.

But the complex application procedure and high costs of the innovative coverage are major stumbling blocks. Many risk managers remain unconvinced that they need the high-priced coverage because they have some protection through an electronic funds rider to their blanket bond.

There also is a strong preference among risk managers to obtain third-party electronic fraud insurance from the same insurer that provides the bank's employee dishonesty bond. Therefore, many banks are waiting to see what major U.S. underwriters will offer in the coming year.

"We expect a lot of American companies to be coming out with the same type of coverage," observes Marcus H. Ford Jr. at Omaha National Bank in Omaha, Neb. Domestic market applications will be a lot easier to handle and that will be key to a lot of people, he adds.

"Everybody is waiting for the smoke to clear to see what's available," agrees Raymond E. Jacobs, vp and director of risk and benefits at Lloyd's Bank California in Los Angeles.

Although the Lloyd's of London application form already has been modified once since its debut last fall, it is still an overwhelming document, risk managers complain. To complete it requires many man-hours and a major research effort throughout the bank.

After the completed application is submitted to Lloyd's underwriters, the bank is provided with a premium quote, coverage limits and other policy terms and conditions. Underwriters also require an on-premise audit conducted by either Arthur Andersen & Co. or

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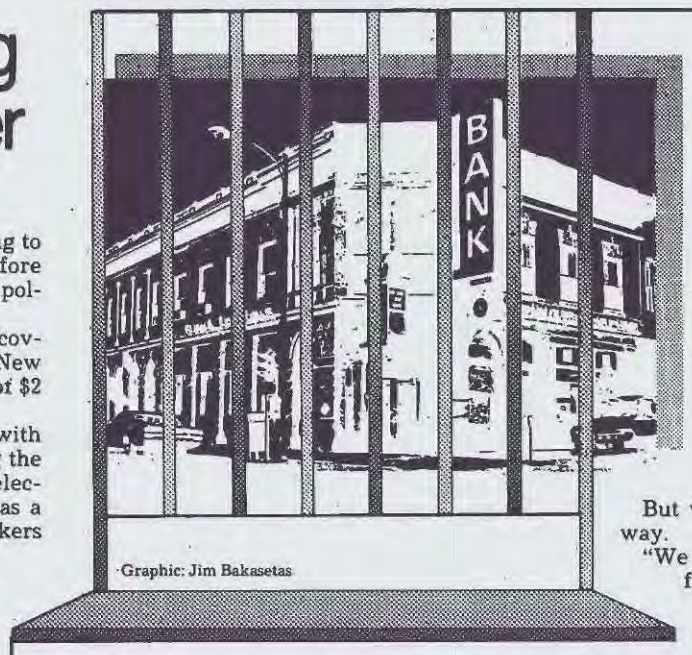

Graphic: Jim Bakasetas

Use of armed guards divides security officials

By STEVE SHERWOOD

NEW ORLEANS—It is a fundamental difference in philosophy.

Carl Carter believes armed guards and bullet-resistant barriers are the way to discourage bank robbers and protect National Bank of Detroit's people and money. Boris Melnikoff fears such displays of strength could spur hostage-taking and violence. He takes a softer approach to security for First Atlanta Corp.'s banks.

Both men are vps and top security officers for their companies. Both are recognized experts in their field. Both say they agree on most points.

But when it comes to guns and armored glass, each goes his own way.

"We use armed guards and bullet-resistant barriers in the main office, in the branches and in mobile patrol activities," said Mr. Carter, who in addition to his position with $12.1 billion

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Officers can be held liable for robbery injuries

NEW ORLEANS—Gone are the days when a bank security officer could concentrate solely on protecting his employer's money from robbers.

Now he also must worry about protecting himself from liability suits.

Bank security officers can be held liable up to the full extent of their individual estates if an employee or a customer is killed or injured during a robbery and the bank's security procedures are found wanting, consultants say.

"You as security officers have told employees what to do in the event of a robbery and if as a result someone is injured, you were wrong and are liable," says Gerald Kenna, president of Profit Protection Inc. of Miami, Fla.

Mr. Kenna spoke to security officers during the American Bankers Assn.'s National Insurance and Protection Conference of Financial Institutions in New Orleans last month.

Conversely, if the security officer does not tell employees what to do in case of a holdup and someone is injured, he may be liable for failure to carry out his instructional duties, Mr. Kenna said.

The federal Bank Protection Act of 1968 states in broad terms that a bank must take a reasonable approach to providing a safe and secure environment for customers and employees. This includes designating a security officer, adopting a workable written security program that is approved by the bank directors and regular employee security training.

Failure to do these things may mean the bank, its directors and its officers, particularly the security officer, will be found negligent.

A number of lawsuits based on violations of the Bank Protection Act have been filed in recent years by robbery victims —employees, customers or their families, Mr. Kenna said.

He refused to go into detail about the suits for fear attorneys seeking to bring similar action against banks would find the information useful, but he did give a few examples.

One Midwest suit involved a weekend burglary of safe deposit boxes. "There is now a class action suit against the bank that names the security officer and other management for purchasing the wrong kind of security equipment," he said.

The box holders claim the alarm was bypassed at the telephone connection box and claim the bank officers failed to provide a safe environment by not buying better alarm systems, Mr. Kenna said. "I think that one is going to be a doozy."

In Michigan, a bank was able to beat a negligence lawsuit

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BI seminars offer managers insight into decision-making

Are your risk management decisions consistent with corporate goals?

Are you setting the right risk retention levels for your company? Are you investing enough or too much in risk control programs?

Do you understand top management's goals for the company and how they were reached well enough to confidently answer "yes" to these questions?

If you answer "no," "don't know" or "not entirely sure," you could benefit from attending one of six one-day seminars to be held in May and June in New York, Chicago and San Francisco on "An Analytical Approach to Risk Management," conducted by Dr. Kenneth R. Oppenheimer and sponsored by *Business Insurance*.

The intensive one-day briefing by Dr. Oppenheimer details the state of the art in managing the risk and uncertainty of insurance and safety decisions and the protection of corporate assets. It is an analytical approach to risk management, applying decision analysis techniques to loss forecasting and determining the company's appetite for risk.

Business Insurance is sponsoring the seminars in the belief that Dr. Oppenheimer offers risk managers insights into the decision-making process of top management that can and should be applied in day-to-day risk management. It provides the insight that management needs to manage risk effectively.

Dr. Oppenheimer is president of Decision & Risk Analysis Inc. of Palo Alto, Calif. He specializes in executive education and the application of decision and risk analysis to corporate decisions.

His experience includes five years with the decision analysis group at S.R.I. International (formerly Stanford Research Institute). His academic background includes a bachelor of science degree in mathematics from Tufts University in Medford, Mass., and a master of science and a doctorate in engineering/economic systems from Stanford University. While at Stanford, he was a member of the decision analysis group at Xerox Corp.

Dr. Oppenheimer has presented seminars in decision and risk

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Coverage dispute breaks old link between M&M and Johns-Manville

By STEPHEN TARNOFF

SAN FRANCISCO—Johns-Manville Corp., which is suing its long-time insurance broker Marsh & McLennan Inc. over coverage for asbestos claims, now needs a new broker.

Spokesmen for both companies confirmed last week that M&M is no longer Johns-Manville's insurance broker, but they differ on which initiated the ending of the 38-year relationship.

"M&M is no longer Johns-Manville's broker," a spokesman for M&M said. "It has requested that Johns-Manville find another broker.

"M&M felt that it's situation with Johns-Manville had become untenable," he added. "This is the first time that M&M ever had to take these steps. M&M has offered to cooperate to the extent possible in the change."

But a spokesman for Johns-Manville said the decision to sever ties was not one-sided.

"We have mutually agreed to sever all relationships," the spokesman said. "We have agreed to an orderly transition with no timetable established. We are considering future broker requirements and have not come to a decision on what we will do or where we will go."

Meanwhile, M&M filed an answer Feb. 4 to the Johns-Manville suit that denies all allegations, blames Johns-Manville for coverage gaps and says the broker

Continued on next page

Hyatt defendants threaten to halt settlements again

By BILL DENSMORE

KANSAS CITY, Mo.—Defendants, concerned whether they will get "credit" from a jury for cash they pay to victims out of court, are threatening again to halt settlements in the Kansas City Hyatt Regency Hotel skywalk collapse.

"This issue is very important to us," said Lawrence M. Berkowitz of the Kansas City law firm of Stinson, Mag & Fizell, which has been retained by Northbrook Excess & Surplus Insurance Co. to represent hotel owner Hallmark Cards Inc. and its subsidiary, Crown Center Redevelopment Corp.

"...If we are not going to get credit, then we're not going to be in a position to settle."

Mr. Berkowitz spoke at a Feb. 8 pre-trial conference before U.S. District Judge Scott O. Wright, who last month ordered the claims of hundreds of skywalk collapse victims lumped together in a single class action. The aim is to determine at a single trial who should shoulder the blame for the July 17 tragedy that killed 113 people and injured at least 200.

"Tell us with whom you settle, and how much, if the settlement involves punitive (damages)," suggested Irving Younger, the lead plaintiffs' counsel, to defense

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M&M, Johns-Manville break links

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has been injured.

The account, which M&M has had since 1944, generated a "substantial" premium volume primarily for casualty insurance involving a number of policies, according to one industry source.

Johns-Manville paid M&M on a commission basis, he said.

There reportedly had been a lot of strain between Johns-Manville and M&M before the lawsuit was filed last November. The break in the relationship came 10 days ago.

The suit against M&M, which was filed Nov. 23, 1981, in California Superior Court in San Francisco, seeks an unspecified amount of compensatory damages, indemnification and $700 million in punitive damages (*BI*, Jan. 18).

It charges M&M, the world's largest broker, with failing to put together an insurance package that would fully cover asbestos claims.

Besides charging breach of contract, negligence and misrepresentation, the complaint asserts that M&M breached a fiduciary obligation to cooperate and assist Johns-Manville in the acquisition and administration of its insurance.

In part, the suit against M&M is a means for Johns-Manville to be compensated for any coverage gaps that could result pending the outcome of another lawsuit.

That suit, brought against a number of insurers by several asbestos firms including Johns-Manville, was filed to determine who is liable for asbestos claims.

To the extent the court decides that manufacturers, rather than their insurers, are liable for the claims the Johns-Manville suit against M&M seeks indemnification and other damages.

Among the defenses in M&M's eight-page answer are that the suit fails to state a cause of action, that there is no real controversy and that the action is barred by California's statute of limitations.

It says that California is not a convenient forum for the suit, that Johns-Manville failed to take reasonable and necessary steps to mitigate damages and has in effect sanctioned the actions the broker took on Johns-Manville's behalf.

Moreover, the answer states that M&M was injured because it relied on information provided by Johns-Manville that failed to disclose facts that materially affected the insurance coverage.

The answer also says that Johns-Manville did not act in good faith in seeking cooperation, disclosure and assistance from M&M and that the broker acted in good faith.

It also says that Johns-Manville was at least partly negligent, assumed the risk with respect to the coverage and that its claim for implied indemnity was premature.

"M&M denies each and every allegation contained therein, and in particular denies that plaintiffs, or any of them, have been damaged in the sums alleged in the complaint, or in any other amount, or at all, or that plaintiffs, or any of them, are entitled to recover the exemplary damages alleged in the complaint in any amount, or at all."

M&M seeks reasonable attorney's fees and its costs in defending the suit brought by Johns-Manville.

A hearing to decide whether the court has jurisdiction over M&M Ltd., a Canadian subsidiary of M&M Inc. named in the suit, is scheduled for Feb. 24. ■

Michigan OKs open comp

Continued from page 1

Under the new legislation, insurance companies would be required to file rates with the Michigan Insurance Department individually, without knowledge of what other companies are charging. The bill also prohibits insurers from belonging to a rating organization, like the NCCI.

But it does establish a data collection agency with an advisory organization to determine pure premium rates for residual market risks. The new legislation also establishes an assigned risk pool. The NCCI is hoping that it can retain some control in Michigan by being chosen to be that collection agency.

"There is a provision for a statistical gathering agency," said William Clark, NCCI regional vp, "and we sure hope it's us, but it's not clear."

The Workers Compensation Rating & Inspection Assn. of Michigan has up to now worked with the NCCI to collect data to prepare rate filings for the WCRIAM to file. It believes it will be retained as the advisory group, said Robert Van Vonderen, WCRIAM president.

"We probably will be designated as the advisory organization because we're domiciled in the state," he said.

Although one of these agencies would be called upon to collect data, neither the NCCI nor the WCRIAM would be permitted to interpret or analyze the statistics collected, said Jerome Scheibl, vp for industry affairs at Wausau Insurance Cos. in Wisconsin, which writes about $37 million in workers compensation insurance in Michigan.

"Michigan is the extreme of any of the proposals I've seen so far," said Mr. Scheibl, referring to legislation already passed in Oregon and Minnesota.

"The legislation specifies that nothing be done to develop the raw data that is collected. It's going to open up the field for consulting actuaries, which insurance companies will now have to hire to analyze the data," he said.

"This bill is going to be tough to live with for carriers," said Mr. Scheibl. "I don't know of any insurer that's happy with it."

He said Oregon and Minnesota's bills include advisory rates that insurers are free to deviate from. "Michigan should have come up with a bill that would test the waters before jumping in and finding the pool is empty," Mr. Scheibl added.

The second bill, H.B. 5176, also requires that the insurance commissioner report each year on the state of competition among workers compensation insurers. The report must be submitted to the Legislature for approval. That bill is also expected to become effective Jan. 1.

The competitive rating bills follow a 22% "voluntary" rate reduction by the NCCI, which took effect Jan. 1, 1982. The NCCI's move followed legislation that required insurers to reduce their insurance rates by 20%.

It wasn't until late in January that employers found out the 22% reduction wouldn't affect them until the anniversary date of their existing policies. State officials and insurance representatives said it was a standard way to implement a rate reduction, but business balked at that.

Some employers that don't want to wait until their policies are up for renewal to feel the rate reduction are said to be shopping for new insurers that can offer them an immediate 22% rate reduction. ■

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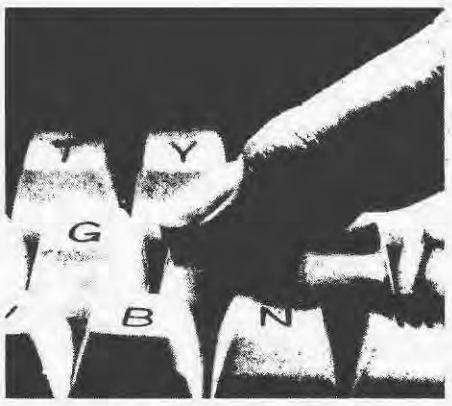

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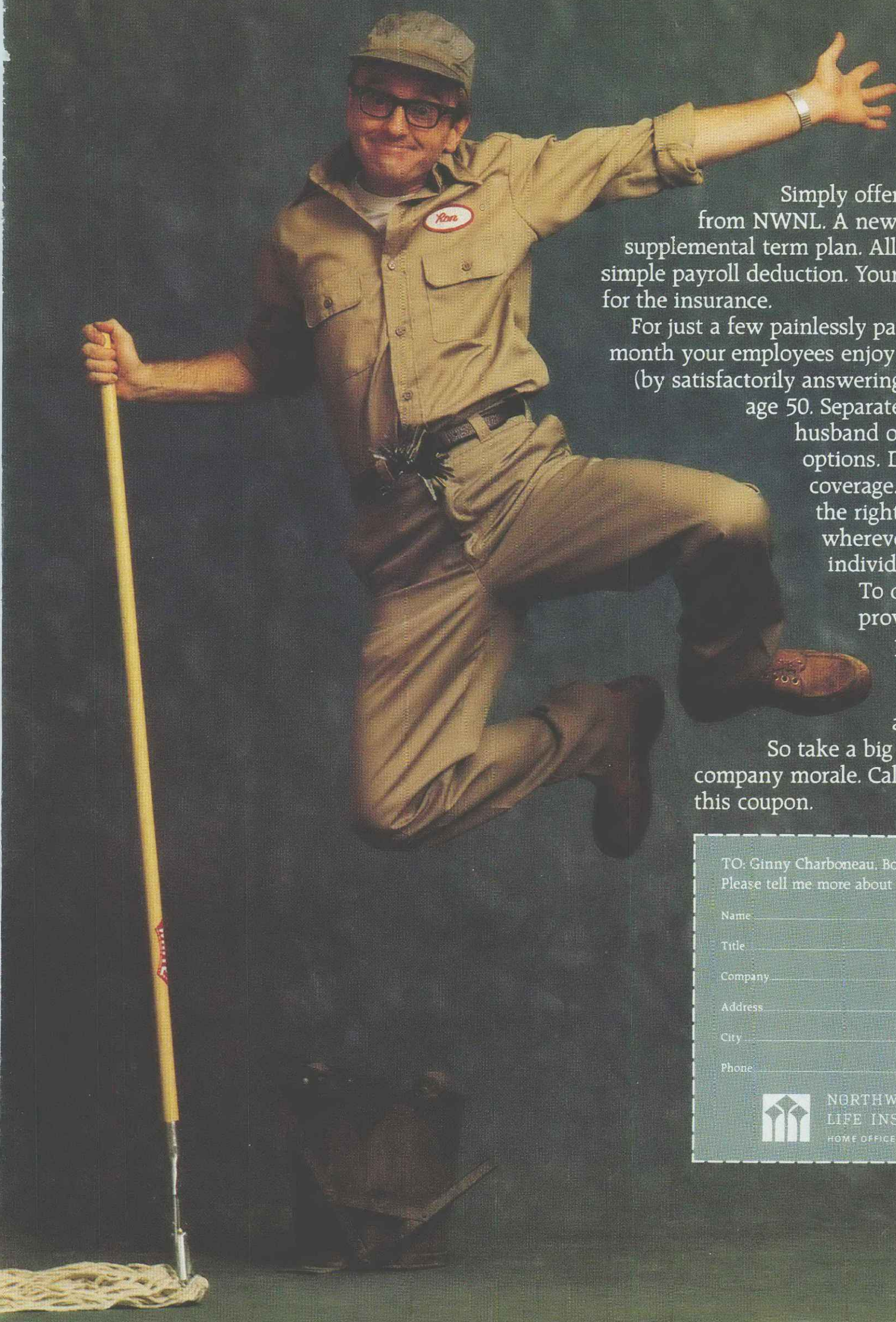

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BI 5-68

Far East reinsurers, agent may settle

Continued from page 2

claims," Mr. Locke said. "It is worth my time in the long run to sign a line on this guarantee so we can get these claims paid quicker."

The British brokers also hope to prevent masses of litigation and protect relationships with reinsurance clients.

If Safeguard had indeed overwritten its authority, "and it is proven in court, we would pay for claims through the guarantee," Mr. Locke said.

Oriental Fire & Marine and Central Re and are also fighting claims on other fronts. The reinsurers are defending lawsuits in Britain filed by former client reinsurers of Promotora de Occidente de Panama S.A. which say they, too, are owed reinsurance payments.

POSA of Panama, a managing general agency for a variety of Far Eastern, South American and East European reinsurers, is being investigated by a U.S. federal grand jury (*BI*, July 13, 1981). Several reinsurers who placed or received reinsurance through POSA are now refusing to pay claims.

Seguros la Republica S.A., a former POSA fronting reinsurer, is suing Oriental Fire & Marine and Central Re for refusing to pay their share of reinsurance claims amounting to more than 22,000 pounds (approximately $41,140).

Other defendants named in the suit are Commonwealth Insurance Co. of Vancouver, British Columbia, Southlands Reinsurance Co. of Bermuda, Atlantic Union Insurance Co. S.A. of Greece and Yasuda Fire & Marine Insurance Co. Ltd. of Japan.

MIR Insurance Brokers Ltd., POSA's London office, acted as La Republica's reinsurance intermediary, and Alec Guy Insurance Brokers Ltd. was the intermediary for the defendants, the court papers say.

Reasegurador Patria S.A. of Mexico, another one of the POSA fronting reinsurers in the mid-1970s, is also suing Oriental Fire & Marine, Central Re and other World Underwriting client reinsurers for $2 million for refusing to pay claims on a total loss on a marine insurance policy, according to Maurice Newman, vp of Promotora de Occidente (New York) Ltd.

POSA of New York is the former U.S. service firm of POSA of Panama and is now helping to wind down the business.

The marine reinsurance "was written by World Underwriting and arranged by POSA," Mr. Newman says.

Not all of World Underwriting's business, however, was POSA-related, according to Mr. Newman. When POSA placed business in the London market through MIR Brokers Ltd., it placed some of it through World Underwriting and some through Alec Guy Insurance Brokers Ltd.

World Underwriting and Alec Guy also shared other clients, he pointed out.

Asbestos firm may not pay big judgment

Continued from page 2

In the Cape case, the jury awarded the plaintiffs about $35 million in punitive damages and $21.8 million in compensatory damages.

The awards came after Cape was declared in default by a McLean County circuit judge more than a year ago for failing to appear in court.

All of the plaintiffs were employees of a now-defunct Unarco Industries plant in Bloomington that used Cape asbestos products. The amounts they or their estates were awarded ranged from $200,000 to $900,000 each. The victims suffered from asbestosis, mesothelioma, bronchogenic carcinoma or gastrointestinal cancer.

The suit charges Cape with strict liability and exercising willful and wanton conduct in its operations.

Mr. Walker said that Cape was in the asbestos business before 1900 and was aware that the fiber caused serious disease since at least 1931.

The company also allegedly suppressed a government study done in South Africa, where Cape also operated, that indicated a large incidence of asbestosis and mesothelioma among those living downwind from the Cape asbestos mines, he added.

Mr. Walker also said that Cape, which no longer does business in the United States, did not place warnings on the asbestos sold to the Unarco plant between 1954 and 1972.

A spokesman for Cape Industries in London would not comment on the jury awards. "I'm afraid I haven't heard about them," said Anthony Penna, group solicitor for the company.

"In any event, I can't comment," he said.

An attorney who has represented asbestos defendants, including those named in the central Illinois suits, said that Cape was not directly involved in the sale of the asbestos that ultimately affected the plaintiffs.

Cape originally was the sole stockholder of North American Asbestos Corp., an asbestos supplier, in effect making it a wholly owned subsidiary, the attorney said. But the plaintiffs claimed Cape was acting as an agent for North American when it sold asbestos in the United States produced at two South African mines that were Cape subsidiaries.

The attorney said the only link between Cape and North American with the plaintiffs was during the late 1950s and early 1960s when the asbestos was sold to a bartering concern.

The company bartered the asbestos to a government agency that subsequently sold it to Unarco, the attorney said. Thus, the link between the plaintiffs and North American and Cape was very tenuous, he said.

Cape, which was subsequently apprised of the suit in McLean County, did not defend, claiming it was never present in the United States and that the court had no jurisdiction over it.

A default judgment can be entered after the plaintiff brings a suit where the defendant does not appear. The plaintiff's allegations are considered true and then hearings on the damages are held, the attorney explained.

Only one other asbestos award has been made in McLean County. It involved a $500,000 judgment against North American. ■

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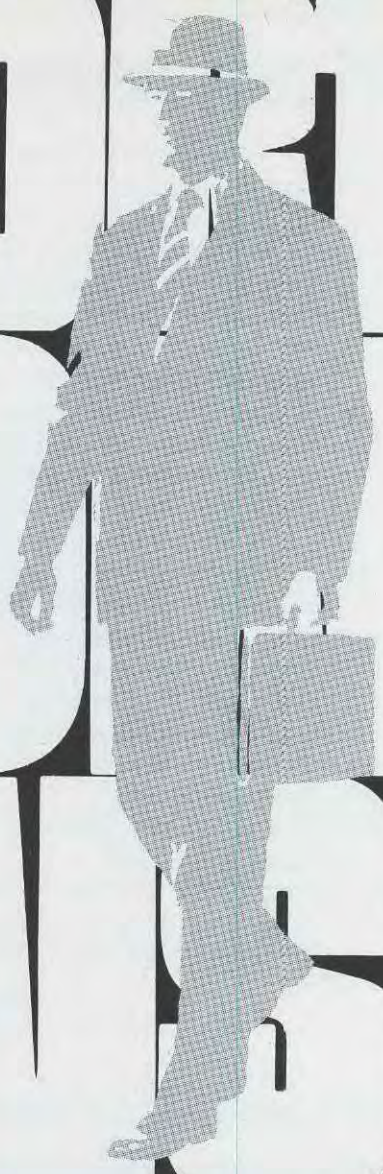

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editorial opinions

Cutting back Medicare

THERE IS PLENTY to debate about President Reagan's fiscal 1983 budget, especially his decision to increase spending for defense while cutting funds for social programs, but we can't argue against his recommendation to take employees between ages 65 and 69 out of the Medicare program.

We generally oppose federal actions that would increase employers' benefit costs, but this one makes sense to us. Afterall, we—employers and employees—are paying for the Medicare program. We either pay the federal government to pay the Medicare bills or we—as employers—directly pay the medical bills of older workers under equal coverage under group health insurance plans. If business is indeed more efficient than the federal bureaucracy, it will cost us all less in the end to have older workers covered under group health plans than to send our dollars to Washington for distribution.

We've considered that older workers, because of the medical problems that arrive with age, will require more health care and thus increase employers' costs disproportionate to their numbers. But we figure that these older workers are a pretty healthy lot. They are still working, aren't they? So we dismiss that concern.

We've also considered that requiring employers to enroll older workers in health care plans might discourage employment of the elderly. We hope the Age Discrimination in Employment Act, which prohibits employers from discriminating against the elderly, is enough protection of their rights. If not, we would advocate more protection of their employment rights.

We must chide the usually sensible Washington Business Group on Health for an atypical overreaction when it says that this Medicare cost-shifting to employers could open the door to future legislation requiring employers to extend their health plans to retirees. Let's deal with this issue at its present stage.

We also have to ask: Why not take out of the Medicare program all the elderly who work full-time for employers that maintain group health insurance plans?

letters

Comparing comp systems

To the editor: Barry Martin's Perspective article on comparing workers compensation systems (*BI*, Jan. 18) was superficial and misleading. He dealt with gross figures, and I believe his inductive reasoning is faulty.

Is there a calculation showing what the difference in reserving policies and the extent of taxpayer subsidies would do to state fund results? The answer to these questions alone might change the opinion of the writer.

The New York State Fund uses unlicensed solicitors. Anyone I send out to solicit workers compensation insuance must be licensed under one of the most rigorous licensing procedures in place.

Mr. Martin's article doesn't mention anything about people. Our agency deals with people, both customers and claimants. If Mr. Martin's experience in having customers deal with state funds were the same as mine, I strongly suspect that he would not feel the state funds were "more efficient."

Has he ever tried to have any individual dealing with a state fund underwriter? Has he ever tried to obtain a certificate of insurance that he needed to be paid for some work he had done? Has he ever tried to have an audit problem resolved? Has he ever tried to determine, in advance, the method that would be used to solve a particular audit problem?

We also deal with claimants who have had a wide range of problems in dealing with a typical state bureaucratic organization, and in many cases we have done work for which we have not been compensated in order to assist someone who was being mistreated by the state fund.

No, Mr. Martin, I do not accept your conclusion. My answer to the state fund question would be to force all players to abide by the same rules and then see if private enterprise or the state is more efficient.

Robert F. Denny
Edward F. Cook Agency Inc.
East Hampton, N.Y.

Were statistics correct?

To the editor: Inasmuch as our firm functions as an administrator for group workers compensation self-insurance, my interest in the subject spurs me to read articles I wouldn't have read a year ago.

In the table accompanying the Perspective article, "Comparing comp systems" (*BI*, Jan. 18), I am puzzled by the West Virginia figures and wonder if the numbers for premiums earned are transposed with losses incurred. If so, the totals are incorrect, which would skew the loss ratio unfavorably. If not, the loss ratio for West Virginia is understated.

I was distressed to find Maryland figures unavailable, since it is contiguous to Virginia, and affects our group insureds with locations there.

Betsey Collins
President
SIR-CO. Insurance
Richmond, Va.

■ *The numbers for premium earned and losses incurred for West Virginia are not transposed. However, the correct figure for losses incurred in West Virginia is $131,113,414, not $130,113,414. This changes the loss ratio for West Virginia to 121.5% and the loss ratio for the states studied to 68.2%.*

Start 'sharing' now

To the editor: Amen to your editorial of Jan. 18, "A time to share."

Benefit managers worldwide can design the most technically sound medical benefit plans, including all known incentives for employees to use the health care system efficiently, but their efforts will continue to fail as long as employers and insurers continue to permit and encourage multiple layers of coverage.

With employers providing health coverage as "free entitlements" and more than 60% of households having more than one wage earner, insureds are effectively insulated from the need to use the health care system efficiently and also insulated from the costs related to inefficient use.

All employers should begin charging employees something—even if only nominal amounts—for their own coverage and for their dependents' coverage. Insurers should abandon the age-old practice of coordination of benefits and require the insured to choose under which policy he or she will be covered, rather than cover essentially 100% of expenses if more than one policy is in effect.

In my opinion, these two steps—employee contributions to costs (which require the positive action to say "I want it" compared with the passive action of automatic coverage) and coverge by only one policy (How many fire policies will pay for a single fire loss?)—will do more to begin restraining escalating health care costs than another considerably more complicated solution.

Gary W. Grove
Vp for compensation and benefits
Marriott Corp.
Washington

Please, no regulation

To the editor: Gary J. Goldstein may be right about the inadequacies of consultants and administrators that sell self-insurance package plans (*BI*, Jan. 25), but he's wrong about the need for more regulation to cure it.

There are already qualification controls on self-insurers of workers compensation and there are laws that can be used to control misrepresentation and false advetising. Stop-loss and excess insurers, who are regulated by state insurance departments, take care to see that the administration is adequate in underwriting the risk.

Any firm that can meet self-insurance qualifications should be sophisticated enough to weed out the charlatans.

Running to the regulators for the answer is not the solution—we've done too much of that already.

Lawrence J. Bell
Assistant Vp
Risk Management
Revco Drug Stores Inc.
Twinsburg, Ohio

Can you explain?

To the editor: In the article "Ideal Mutual to write Dart & Kraft's program" (*BI*, Jan. 4), you use an expression that's a bit unique to me, 30 years in the business notwithstanding, and I would very much appreciate some elaboration.

What do you mean, the policy is "underwritten on a loss-sensitive basis"?

Paul A. Goldman
Paul Arnold Associates
Livingston, N.J.

■ *The term "loss-sensitive," when applied to insurance policies, means the ultimate premium paid for the insurance will depend upon the amount of losses incurred during the policy period.*

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

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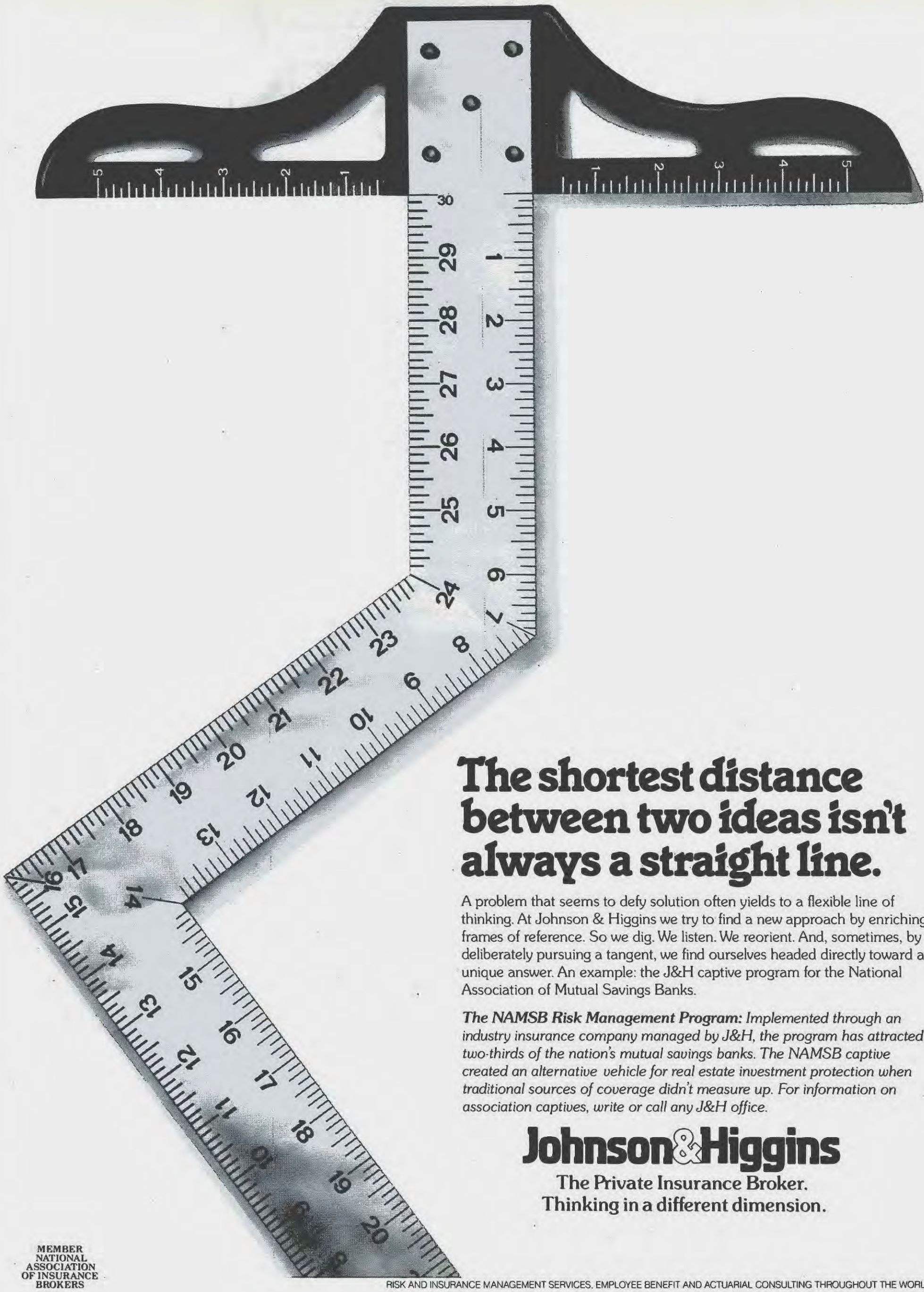

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Risk management services

Illustration: Michael Conway

Corporations limit consultants to special risks

By RHONDA L. RUNDLE

American Trading & Production Co. is building three new oil tankers in San Diego worth a whopping $65 million apiece. So risk manager Peter Downes is rethinking his marine insurance—and talking to consultants.

Amfac Inc. hired an environmental engineering firm late last year to inspect its fish and cheese processing plants. The report will be used to satisfy an insurer's underwriting requirement for environmental impairment liability insurance.

Carnation Co. has retained Risk Planning Group, a consulting firm based in Darien, Conn., that specializes in captives, to prepare an indepth study of its Bermuda captive insurer, which owes the Internal Revenue Service $2 million in back taxes and interest.

The processed food giant recently lost its final court round with the IRS when the U.S. Supreme Court let stand lower court rulings that Carnation premiums paid to its captives are not insurance (*BI*, Nov. 9, 1981).

These are the kinds of problem-oriented assignments that risk managers are likely to pass along to a risk management consultant this year, if they can find the funds in their tight risk management budgets.

Only the most serious or immediately threatening risks are being studied with outside help. This is not the time to commission a complete program checkup, say risk managers, who are more worried about keeping their programs, their departments and their jobs intact.

In an informal *Business Insurance* survey of 24 large and medium-sized U.S. corporations, only Carnation said it definitely was undertaking a major study this year. Four companies said they used consultants on a continuous basis and three said they might commission consulting services this year.

Nine companies reported that they sometimes had used consultants in the past but did not foresee a need for them again soon. Eight risk managers said they never retain consultants.

Fewer risk managers said they planned actuarial or claims audits of their self-insurance reserves this year compared with last year. They expressed the need for periodic audits

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Pollution liability rules require hired help

By JOHN W. MILLIGAN

NEW YORK—Faced with the sobering realities of hazardous waste liability, U.S. corporations are turning more and more to environmental consultants for guidance.

Government regulations like the Resource Conservation Recovery Act and the Superfund legislation have created enormous liabilities for many companies, and environmental consultants are busy leading them out of the regulatory wilderness.

Charles Humpstone, president of Environmental Risk Assessment Services (U.S.A.) in Boston, performed risk surveys for 123 clients last year. This is a big turnaround from 1974—his first year—when he performed just one for a small turpentine storage plant in Florida.

Now some of his clients are Fortune 500 companies with annual sales of $2 billion to $3 billion.

"I've seen growth of roughly 100% a year for the last several years," Mr. Humpstone says.

A great deal of this activity stems from the Resource Conservation Recovery Act and the Superfund legislation.

Under the RCRA, the federal Environmental Protection Agency may require that hazardous waste treatment, storage and disposal facilities (TSDFs) purchase liability insurance for sudden and non-sudden pollution incidents.

This includes any company that generates hazardous wastes or treats or stores it on-site for more than 90 days before sending it to a disposal facility.

The RCRA's so-called financial responsibility requirements have been postponed until April (*BI*, Jan. 4), but many TSDFs have been buying insurance anyway.

While coverage for sudden pollution accidents has generally been provided under companies' general comprehensive liability policies, the market for non-sudden or gradual pollution insurance is just taking shape.

Eight insurers now underwrite environmental impairment liability insurance to cover such gradual incidents, but they require a detailed, on-site risk assessment before they'll issue a policy.

When a company is considering purchasing environmental impairment liability coverage, the consultant's job is to define the company's exposures, determine whether they should be covered and decide what the limits should be, says Michael J. Murphy, chief executive officer of Risk Science International, a Washington-based division of Frank B. Hall & Co. Inc.

The risk assessment typically focuses on:

- A company's inherent risk potential.
- The population at risk—a surrounding community or workforce.
- All possible pathways of exposure, keying on such things as soil type and presence of ground water.
- Attitudes of management toward hazardous wastes, levels of personnel training and past practices at the site.

But compliance with the RCRA's financial responsibility requirements is only a small part of the picture, consultants are quick to point out. Companies with a significant exposure may be wise to purchase environmental impairment liability insurance even if the EPA decides not to require it, consultants say.

Several states already have financial responsibility requirements similar to those proposed by the EPA, Mr. Humpstone says, and other states can be expected to follow.

Another reason for the expansion of environmental consulting is the Superfund legislation, perhaps best known for its emergency fund intended to respond to serious accidents. But the Superfund also imposes a standard of strict liability on companies when damages from hazardous wastes occur, and this has serious implications, experts say.

Under this liability standard, companies cannot transfer their liability through hold-harmless agreements to a licensed

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Energy advisors help oil firms
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A *Business Insurance* guide to risk management consultants
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Risk managers look for help on pollution rules

Continued from previous page
transporter or disposal facility. If an accident occurs involving a company's hazardous wastes and the transporter or disposal site cannot pay, the company must if the wastes can be traced back to it.

Third-party liability is also a specter that companies must consider. Many realize that liabilities exist outside of federal regulations, he notes, and smart companies protect themselves against lawsuits by private citizens, too.

Some companies also are planning how they will deal with a hazardous waste accident if one should occur, says James M. Harless, program manager at Radian Corp., the engineering subsidiary of Hartford Steam Boiler Inspection & Insurance Co. based in Austin, Texas.

A number of Radian clients are devising reaction plans that will enable them to deal with evacuation, cleanup and worker safety.

"You'll find a lot of people looking at how you deal with the sudden release," Mr. Harless says.

The future may hold even more liabilities, consultants say, as scientists discover new exposures and litigation grows.

Acid rain, a developing environmental problem, may soon pose its own new liabilities. The day may come, says Mr. Humpstone, when a paper manufacturer sues a number of major electric utilities in the Midwest for damage to its softwood forest holdings in the Northeast.

Acid raid is a still largely unknown phenomenon in which various substances, including sulfur dioxide and nitrogen dioxide, combine in the atmosphere and form an acid that falls to earth during normal precipitation.

Canada and some Eastern states charge that Midwest coal-burning utilities, which are major sources of sulfur dioxide emissions, are major contributors to the problem.

Ryan Petty, an environmental attorney for Radian Corp., wonders if the concept of market-share liability, applied to manufacturers of DES, couldn't be applied to all utilities in the Midwest, too.

The Insurance Services Office, an insurance industry rating bureau, which prepared a standard environmental liability policy form for use by its member insurers, decided against coverage for acid rain.

The "specific causal relationship between the insured and acid rain was just too vague," says ISO Senior Analyst Gary Grassmann.

Mr. Humpstone points out another simmering issue: the gradual decline in the quality of drinking water in some areas. While this issue is not new, he notes, its full impact has yet to be felt.

This could occur, Mr. Humpstone continues, if the water system for an entire county or region becomes unfit from gradual, chronic contamination or "the whole supply suddenly turns out to have a little too much road salt or a little too many solvents in it."

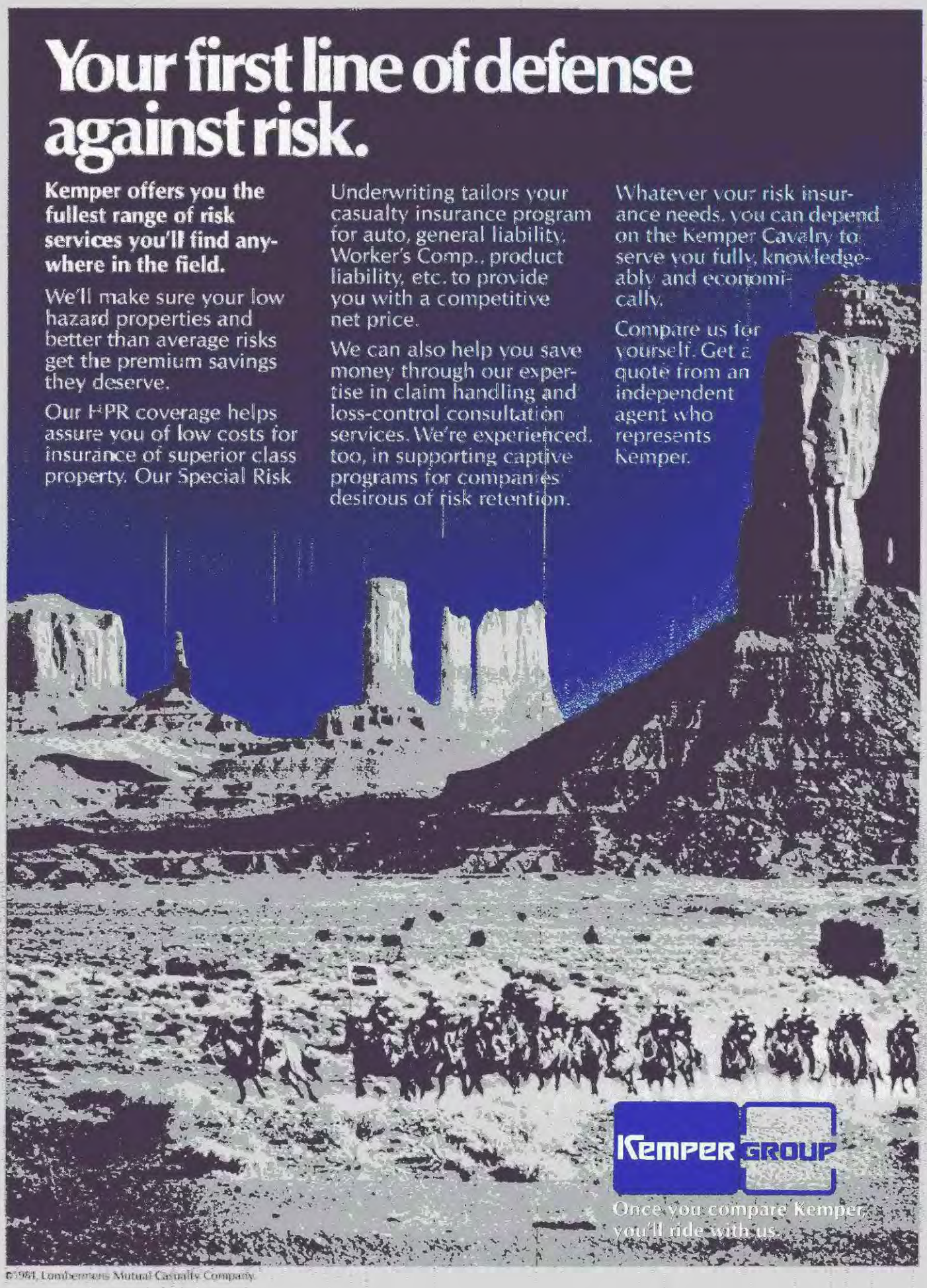
Another future exposure involves not the environment itself, but the courtroom.

Lawyers who specialize in environmental litigation and entered the field out of personal commitment may find in years ahead that they made a "sound business judgment" as third-party lawsuits become more frequent and profitable, says Radian's Mr. Petty.

The federal government also may change its enforcement strategies, he continues, and this could be trouble for some corporate officers.

The Justice Department may start filing criminal suits against individual corporate officers when hazardous waste violations occur. He says the Federal Bureau of Investigation could pursue 30 or more such cases a year.

This could become a "great settlement tool," he predicts, in which companies will agree to pay a fine and fund cleanup operations to have the charges dropped. ■



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BIR 282

Consultants used mostly for special risks

Continued from page 11
but preferred to defer them until corporate economic health improves.

Nearly every company surveyed uses unbundled risk management services to augment self-insurance administration. Most of the companies said they prefer to use an independent consultant to perform program reviews. But they tap broker expertise first.

"I research a problem myself, then I go to a paid-for broker if I still have a problem" explains Ann Raymond, insurance manager at Bliss & Laughlin Industries in Oak Brook, Ill.

Retaining a consultant is the last resort, she says.

That holds especially true this year, several risk managers stressed.

"I think everybody is trying to rely more heavily on the freebies," adds a risk manager for a major West Coast manufacturing company.

"We're pressing our broker and our banker for more service."

Only two risk managers said they regularly budget for consulting services. The others said they would allocate money on an as-needed basis.

Some of the companies that were uncertain about whether they would use a consultant this year admitted they would if they could. They are watching budgets closely and waiting for the economic picture to clear.

"We probably will commission an environmental liability study in the next two to three years," says Dennis McGovern, director of risk management and insurance at Gold Kist Inc. in Atlanta.

"Ideally, we would do it this year."

"Environmental impairment liability is uppermost in every risk manager's mind," says the insurance manager for a major pharmaceutical manufacturing company. "If you're talking about a wish list, sure, I'd like to hire a consultant to study our exposures."

Besides environmental impairment liability studies, computer losses, political risks, architects' errors and omissions and risk management information systems topped the wish lists of other risk managers.

None of those surveyed has hired a consultant to study these issues, however.

Adverse economic conditions and inflated costs can create more work for risk management consultants in some cases.

Carnation Co. says it is turning more often to outside consultants to adjust losses at distant locations, for example.

"You can't justify the travel cost to do it yourself unless it's a major loss," says David L. Broadway, Carnation's manager of risk management and insurance.

Some risk managers perceive a trend toward use of technical rather than risk management consultants.

"Risk management consultants tend to be generalists, whereas some of today's risks require highly specialized expertise to identify and analyze," notes one risk manager. He says he has more experts within his own company than among the ranks of outside consultants.

Three companies said they had recently retained special engineering services to perform noise studies.

Peter Downes at American Trading & Production Co. in Baltimore complains that consultants try to push a canned product rather than tailor-making solutions to meet a client's needs. Often they want to know what you think the best solution is and then agree with you, he explains.

"Make up your mind what you want, then let us know and we'll do a feasibility study" is the attitude of many firms, he adds.

Asked to present some ideas about the funding of marine risks, one major consulting company recently submitted a detailed proposal for non-marine risks, Mr. Downes explains.

Mr. Downes has contacted four or five consultants with marine expertise. He is not asking for complete feasibility studies because he wants to get some general notion of how a consultant would approach his problem before he puts anyone on the payroll.

Worker injuries are the biggest exposure for Archer Daniels Midland Co., a Decatur, Ill., agricultural products processor.

To identify unsafe work habits, Thomas A. Duffield, vp of insurance and risk management, retained a loss-prevention firm last year to videotape employees as they worked on the job.

"We were intrigued by the idea of visually showing supervisors and foremen where the problems lie," Mr. Duffield says. The plan was to screen film the same day it was shot and give supervisors immediate feedback.

But Mr. Duffield was disappointed with the results. The film was dark and of poor quality and it needed more editing to make a point. Now the company believes that safety training will be more effective by using staff personnel.

"We were disillusioned by the fact that people from outside the company don't speak our langauge. Nor do they seem to carry the necessary weight with supervisors to make a difference," Mr. Duffield says.

"We have been using the same consultant since 1965—J.H. Albert International Insurance Advisors Inc.," reports Peter Butler, assistant vp of Gulf & Western Co. in New York. "He (Mr. Albert) reviews the terms and conditions of every master contract we have and also works on special projects."

Mr. Butler stressed the role a consultant can play in eliminating gaps in coverage and improving the terms and conditions of a manuscript form. Gulf & Western typically budgets about $15,000 a year for consulting services, he says.

Several risk managers stressed the importance of reading and rereading policies. In today's very competitive marketplace, it is often possible to fill troubling gaps in coverage for a few hundred or a few thousand dollars in premium, they say.

Tight budgets that discourage top management from funding risk management checkups do not keep risk managers awake at night, however.

Most risk managers feel "threatened and paranoid about these second-opinion reports," remarks a West Coast risk manager, even though an audit can give your department a higher profile in the corporation. ■

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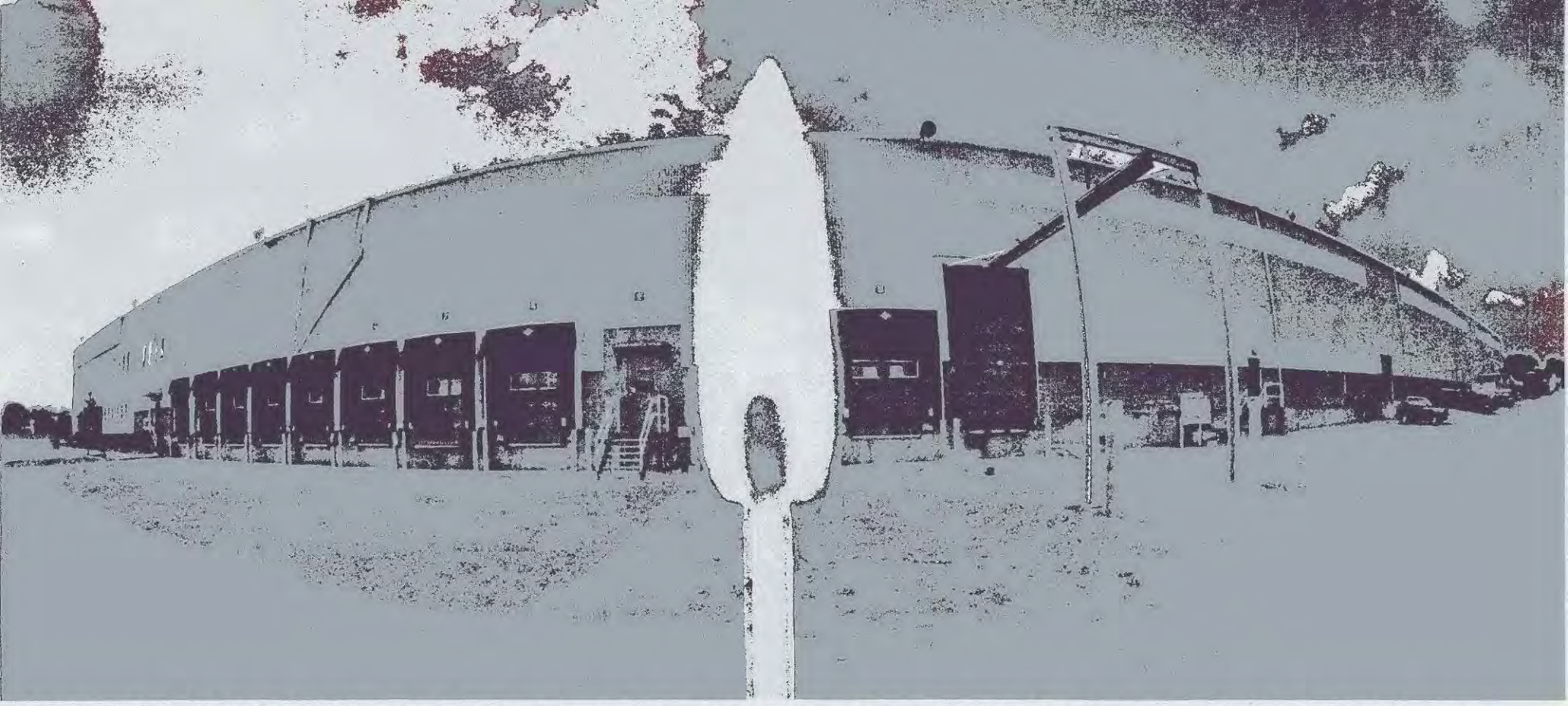

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Hygienists study health hazards

By EILEEN NORRIS

Occupational disease exposures aren't new. Hippocrates referred to lead and its poisoning effects back in 400 B.C.

But today, the growth of these exposures is phenomenal as a new chemical is introduced to industry every 20 minutes

Industrial hygienists, the growing group of experts that track workplace health exposures, say we live in the "carcinogen-of-the-month" era

The American Industrial Hygiene Assn. had 1,600 members in 1973. Today it has nearly 6,000 members, many of whom sell their skills through insurers and independent consulting companies.

"This area of expertise takes better and more sophisticated detective work," says Charles Westerman, director of loss control for Hartford Specialty Co., a spinoff of The Hartford Insurance Group.

More than 13,000 workers died and 2 million more were injured on the job in 1979, according to the National Safety Council. And the price tag to U.S. industry, in terms of medical expenses, lost wages, production delays and other costs, came to $25 billion in 1979.

Those statistics alone gave The Hartford good reason to spend a half-million dollars to double the size of its environmental sciences laboratory, according to Mr. Westerman.

The company has 500 generalists and technical staff members within its loss-control department. The services are offered to policyholders as part of a standard loss-control service package or on a fee basis to companies that Hartford does not insure.

The primary objective of the loss-control generalist is to evaluate a company's first-line supervisor's knowledge of loss control and evaluate management's interest in safety and loss prevention, Mr. Westerman says.

"Our philosophy is that if the employer doesn't know that loss control is tied to the operation and can affect productivity down the line, that's the first step we have to take," he explains.

The laboratory is then used for identification and measurement of suspected hazardous substances. Industrial hygiene field specialists test samples taken directly from workplaces.

The expanded laboratory also is equipped to help investigate occupational and product liability claims, offer emergency monitoring services after life-threatening or property-threatening accidents and provide support services to loss-control representatives in the field.

Whatever service Hartford performs for an employer, "it's never a canned program," says Mr. Westerman. "We try to meet the needs of the employer we're dealing with."

If, for example, an airline client is having an airplane stripped of paint and repainted, the Hartford lab would make sure the special project is safe.

"We would test the air samples in the hangar to see if the product being used to strip the paint is toxic," says Mr. Westerman. A lab analysis and report usually can be prepared within a few days after testing.

Other insurers, including the Kemper Group, Liberty Mutual Insurance Co. and Sentry Insurance Co., are adding or expanding occupational health and industrial hygiene services. Sentry, for example, has just started a new environmental health division of its Parker Services Inc., a company that offers risk management services as well as specialized industrial health programs.

Insurers say, however, the expansion of occupational health services is not just a reaction to Occupational Health and Safety Administration regulations or new technology. The need was always present, but the demand is just beginning to expand.

Liberty Mutual Insurance Co. has had a research center to analyze and investigate hazards in the workplace for some 25 years, says Russ Van Houten, manager of in-

Continued on page 18

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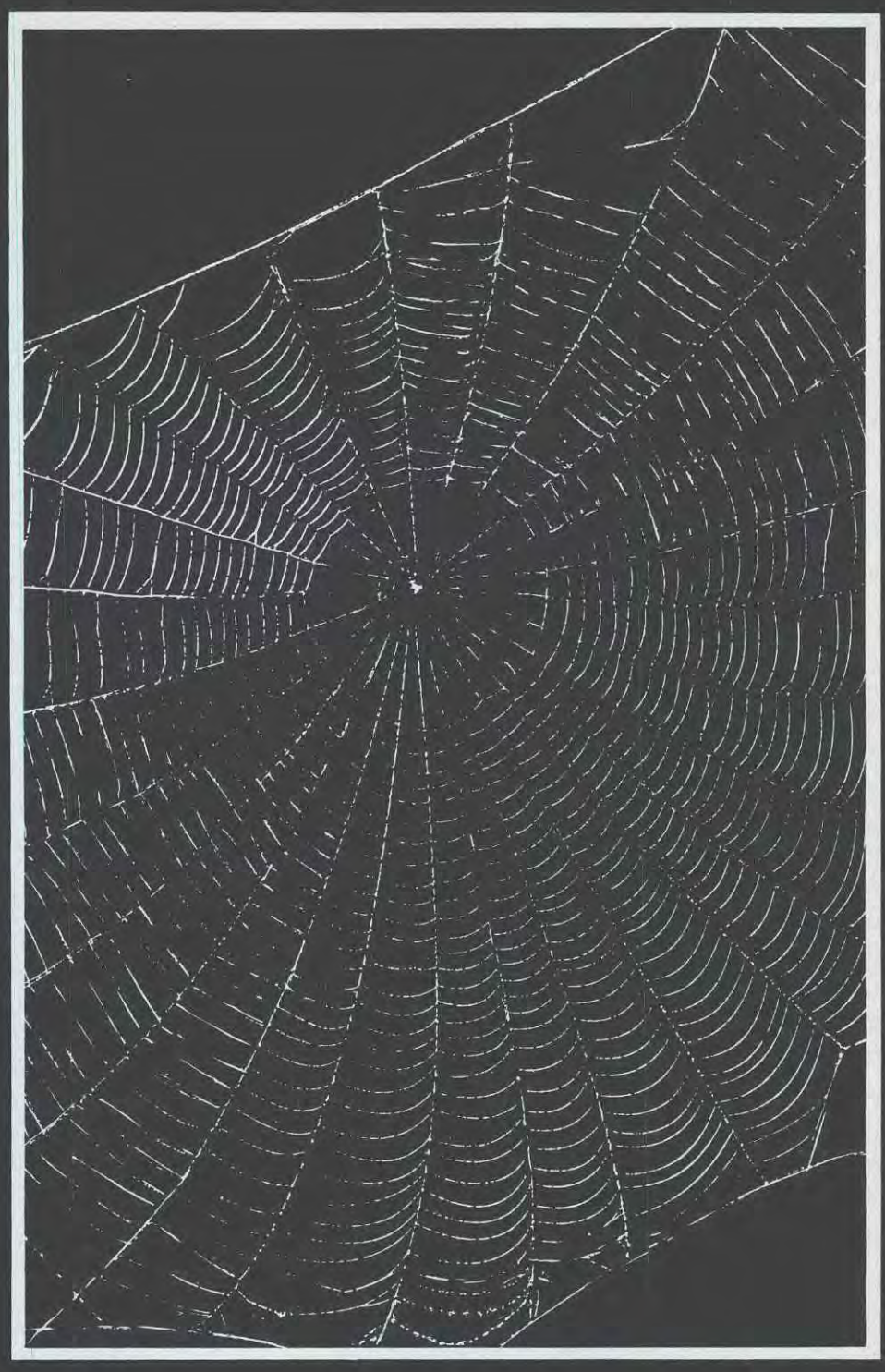

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CRAWFORD & COMPANY

Employers shown how to prevent hazards

By EILEEN NORRIS

BERKELEY, Calif.—Five years ago, Dr. Thomas Milby decided it was time to devote his career to a growing dilemna: occupational disease exposures.

He and an associate started a venture they called Environmental Health Associates. Today EHA has a staff of 30 people.

The firm's growth reflects the growth of employer interest in workplace and occupational health hazards. EHA is dedicated to discovering if workplace factors increase the chances of a worker's occupational disease or death.

It also tries to show employers how to prevent hazardous environmental exposures.

"Most of our work is geared toward studies and assessments for employers who call us when they think they have a problem," says Dr. Milby, president of EHA.

The firm uses a variety of techniques that involve both statistical and on-site research.

A mortality analysis, for example, requires EHA to gather all of a company's employee records over 20 years or more to study the causes of death among workers.

If more employees died than expected, compared to national averages, the employer may find it is exposing its workers to a chemical or agent that is causing a higher than normal incidence of cancer or other disease, he says.

Examining records and death certificates of thousands of workers over a long period usually produces a distinct pattern, he adds.

A mortality analysis takes an average of two years to complete and can cost an employer from $100,000 to $500,000.

EHA can also tell through statisitical research if workers are developing tumors more rapidly than is expected and the types of tumors prevalent among worker groups.

Once the employer supplies EHA with a list of its workers, the company can see how many are listed in California's tumor registry. Hospitals in the area are required to submit names of patients who have been operated on for any type of tumor to the state Health Department.

If the name of an employee appears in the registry, EHA would note the tumor for which the employee was treated and compare the case to others to see if a pattern emerges.

EHA also tracks health problems as they may be developing.

An large number of abortions and miscarriages can be traced to materials used by pregnant women in their jobs, he says. Also, blue-collar male workers exposed to harmful chemicals can experience fertility and reproductive problems. "We find surprises all the time."

About 25% of EHA's work load involves using preventive techniques to limit or protect an employer against a possible occupational disease exposure.

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Occupational health probed

Continued from page 16

dustrial hygiene field service operations.

OSHA has had the effect of developing an awareness of occupational health hazards and the need for control, but the insurance industry was providing safety services well before OSHA came to be, Mr. Van Houten says.

"An enlightened management provides effective loss control without the threat of regulation," he adds.

Julian Olishisski, an industrial hygienist with the Alliance of American Insurers, says the sudden interest in occupational disease exposures can be attributed to several changes in employer attitude.

Employers are finding out every day that "what they thought wasn't a problem is or may be," Mr. Olishisski says.

"People are interested in their bodies and what chemicals might affect them adversely," he adds. "It's the inquisitive attitude of the workforce."

There is a concern beyond known occupational disease hazards, like lead poisoning and silicosis, agrees George Krafcisin, vp of health services at NATLSCO, a Kemper Group subsidiary that sells risk management services.

"What seems to be coming up," Mr. Krafcisin says, "is an interest in personnel policies that will protect an employer against future liabilities.

"It's the potential carcinogens, like formaldehyde and other chemicals, that seem to be the current concerns," he adds. "If I could predict the next carcinogen of the month, I'd be in a different business.

"As more research is done, new problems with materials are found."

Kemper also offers a loss-control service to its policyholders, which is included in the cost of an employer's premium.

With some 72 new chemicals introduced into industry every 24 hours, it's not surprising that many policyholders are more concerned about the long-range effect of those potential hazards, says Thomas D. Reed, loss-control officer for Kemper.

"Companies don't want to take any chances or start using a new chemical without knowing how safe it is," Mr. Reed says.

"I'd say there's been a great interest in occupational disease exposures in the last 10 years," he adds.

Some employers, however, are reacting to the Reagan administration's tendency to deregulate the Occupational Safety and Health Administration and other agencies and are backing off on in-house program or safety and loss control, Mr. Krafcisin notes.

Other companies take what he believes is a more realistic approach and continue their emphasis on safety and health to protect themselves from future "large liabilities."

"Companies may be cutting back in tracking occupational exposures, but eventually they'll have to pay," he adds.

NATLSCO charges about $60 an hour plus travel expenses to have one of its specialists survey a plant and recommend action to remedy safety hazards. The average charge for environmental surveillance of one plant would be about $1,000.

About 20% of the NATLSCO clients know they have some sort of environmental problem and ask NATLSCO where they should go from that point.

"Most of the time, an employer knows if he has a problem," he says. ■

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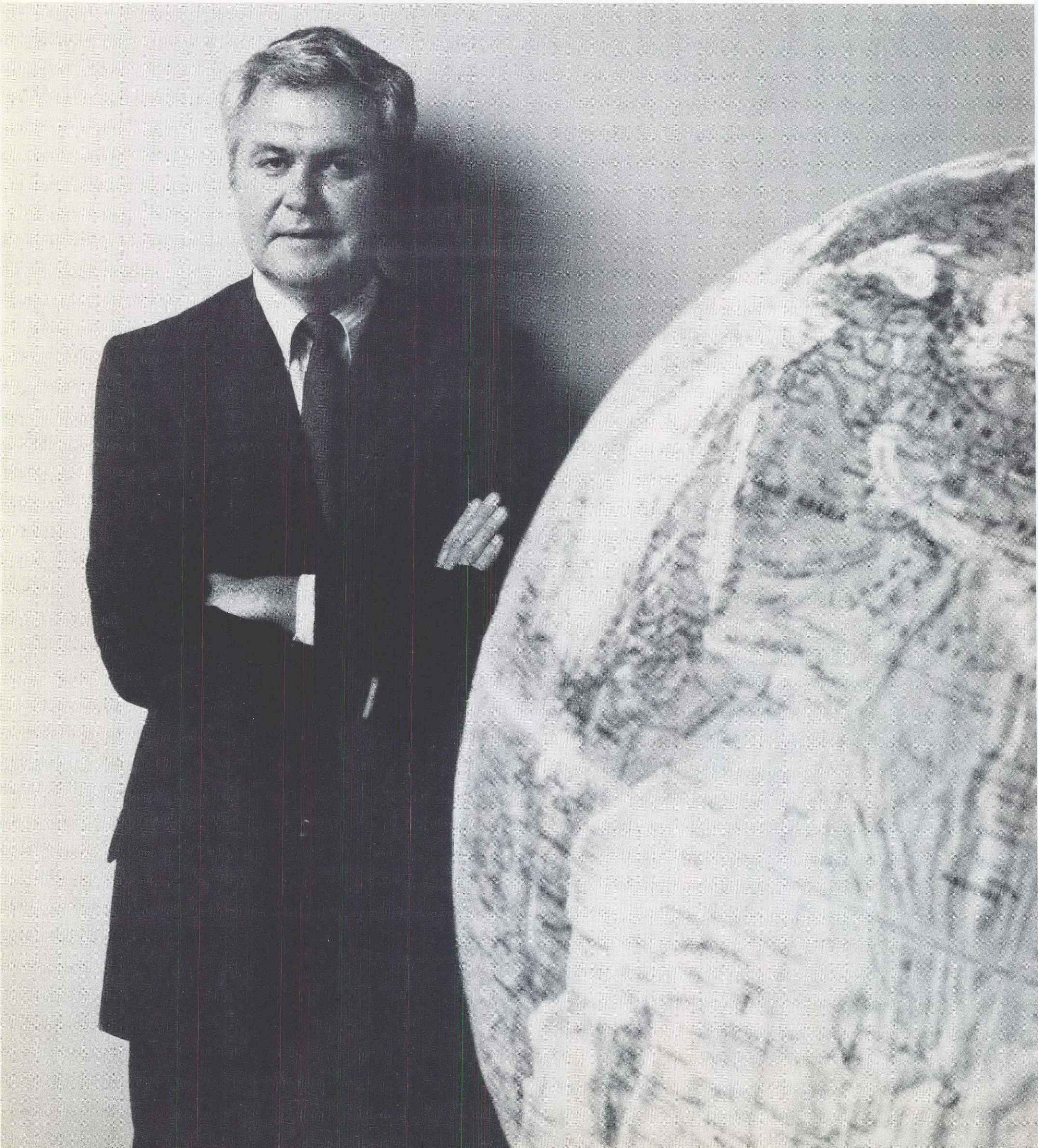

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Energy

Oil companies' need for consultants vary

By STEVE SHERWOOD

DALLAS—May Petroleum Inc., Texaco Inc. and The Western Co. share one trait: Each is an energy-related company that has turned to outsiders for risk management advice.

But that is where their similarity ends. The companies' risk management needs and the services they seek from independent consultants, brokers or insurers are very different:

- May Petroleum lacks a full-time risk manager and hires RIMCO Risk Management Inc. of Dallas to audit insurance and work contracts.
- Texaco is using broker Alexander & Alexander to help set up a worldwide computerized risk management data system for its one-man risk evaluation department.
- The Western Co., before hiring a risk manager 1½ years ago, paid Risk Planning Group of Darien, Conn., to analyze its risk management needs.

Each case illustrates one of the many ways risk management consultants are being utilized by this nation's energy industry.

"We've grown a lot in the past 10 years but still don't have enough different insurance policies to justify a full-time risk manager," says Lawrence Finn, chief financial officer for Dallas-based May Petroleum.

His company's risk concerns range from indemnity clauses in joint-venture, drilling or operating contracts to potential wellhead blowouts, he says.

RIMCO helps identify unusual liability exposures and makes sure they are covered.

The consultant also helps May Petroleum make sure it gets its insurance money's worth.

"We've found that even the best broker is busy selling insurance," Mr. Finn says. "Deciding what is in our best interest is not necessarily its main thrust."

Mr. Finn prefers to rely on an independent third party that does not sell insurance to provide risk management advice, he says. "We kind of depend on them to give us that little bit of extra service."

Texaco is also coping with a short supply of internal risk management manpower. Although it has a large safety department, its risk management program is still in its infancy, says William Monroe, manager of risk evaluation for the petroleum concern based in White Plains, N.Y.

He is the only full-time staff member dealing with risk, so he relies heavily on broker Alexander & Alexander to keep him up to date on insurance needs for the company's multibillion-dollar worldwide operation, he says.

"They keep us abreast of what's available in the marketplace and what our new exposures are, and they have been working for the past two years to develop an internal loss and statistical information system for us," he says.

The computerized system, when completed, will make it possible to gather and assess data on Texaco's widespread risks. The company self-insures all its risks, except catastrophic losses.

Alexander & Alexander places Texaco's excess casualty risks and broker Emett & Chandler places other coverages. Most primary coverage is reinsured by Texaco's captive insurer, Heddington Insurance Co. of Bermuda (*BI*, Jan. 19, 1981).

At The Western Co., risk manager Rick Moscicki had not yet been hired when the company's risk management analysis was done, he says. Risk Planning Group's report has helped make his job a little easier.

"They were hired to do a complete evaluation of the company's risk management needs—its strengths and weaknesses in the risk area—and advise on how to solve the weaknesses," Mr. Moscicki says.

Headquartered in Fort Worth, Texas, The Western Co. is one of the largest offshore drilling and well-servicing companies, Mr. Moscicki says. Its worldwide activities, which include managing construction of drilling rigs, brought in more than $725 million in 1981.

Risk Planning Group recommended that The Western Co. form a risk management department. It now has a risk management staff of seven.

"The benefits I derived when I got here was that the report backed up recommendations I planned to make myself," he says. "Because of this, changes went more smoothly and rapidly than they probably would have."

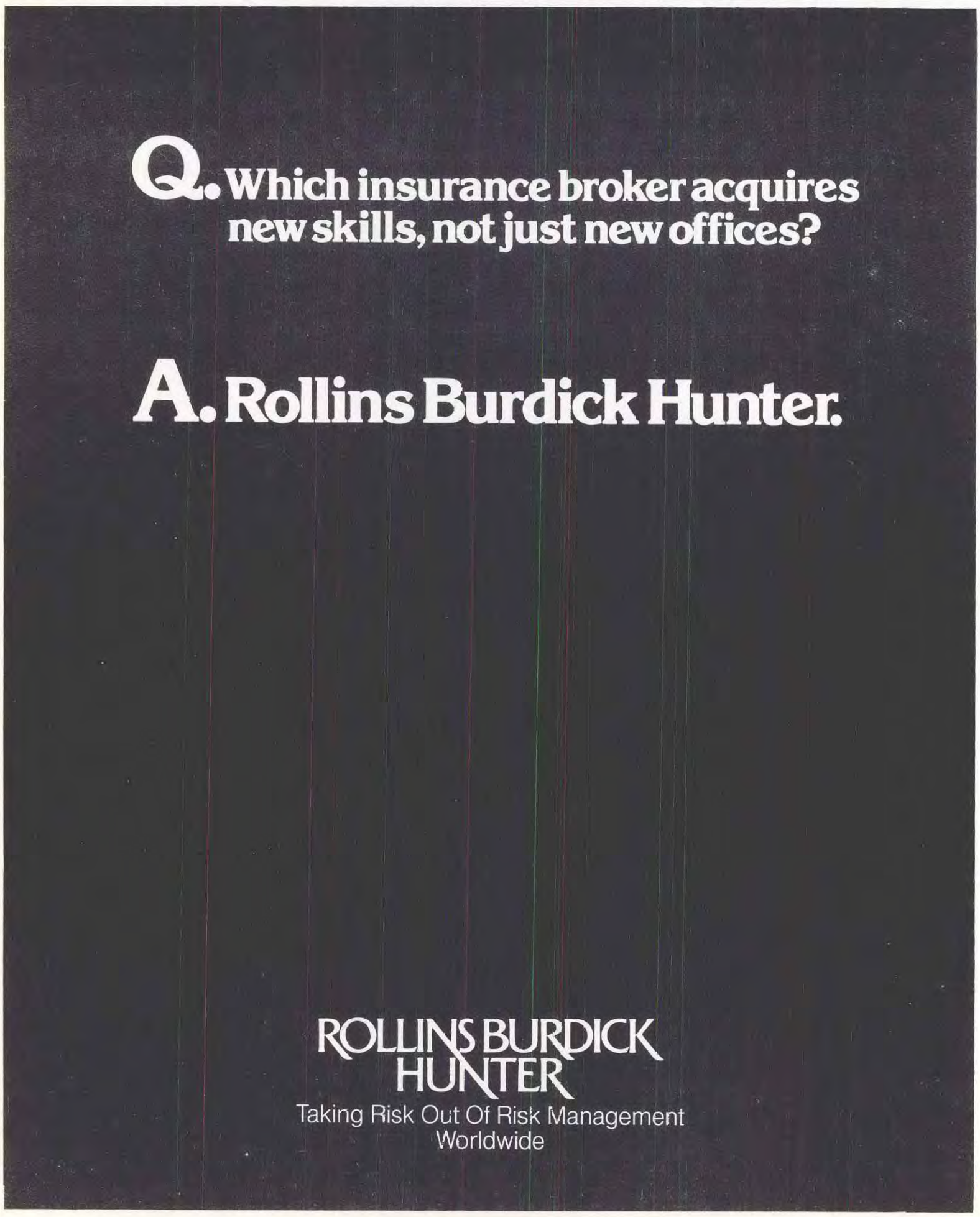
Retrospectively rated insurance programs cover general liability and workers compensation for The Western Co.'s 7,500 employees, he says. Various high-deductible policies insure the company's more than $1 billion of property, including 12 offshore drilling rigs and 4,000 vehicles.

In identifying exposures and offering optimum solutions, Risk Planning Group may have gone further than necessary from a purely practical standpoint, the risk manager says.

"They do an awful lot of documentation of their effort. I don't know how much is enough or too much, but it was very thorough.

"I'm glad they didn't get there after I showed up," he says. "It would have been tough having someone looking over my shoulder."

But the risk management analysis report produced by the Risk Planning Group "gave me the impetus I needed to get things done," Mr. Moscicki says. "It has been very helpful to me." ■



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Consultants tackle exotic exposures for energy firms

By STEVE SHERWOOD

Some of the energy projects done by risk management consultants can only be described as exotic.

J.H Wiggins Co. of Redondo Beach, Calif., for example, has assessed engineering risk in jobs ranging from the Trans-Alaska pipeline to a proposed mile-wide solar collector in outer space.

Another firm RIMCO Risk Management Inc. of Dallas, helped the driller of a geothermal well convince the project's sponsor—the U.S. Department of Energy—to reimburse the contractor for extra liability and workers compensation insurance required for the high-pressure, high-heat drilling job.

But despite occasional forays into the unusual, risk management consultants like RIMCO, Risk Planning Group of Darien, Conn., and Risk Consultants Inc. of Charlotte, N.C., agree that most of their energy-related consulting is conventional, nuts-and-bolts risk management.

Energy consultants generally prepare special research projects, risk evaluations, contract reviews and risk management department audits for "mid-tier" oil, drilling and refinery companies, they say.

As RIMCO President Keith Kakacek says, "The Exxons, Shells and Mobils don't often use us since they have big risk management departments of their own."

RIMCO has consulted for drilling companies since the late 1960s and the energy industry now generates about one-fourth of the company's annual income of about $1.5 million.

Oil production companies or "operators" are the real risk takers in petroleum, Mr. Kakacek says. They buy mineral leases, pay contractors to drill wells and are stuck if the wells turn out to be dry holes.

Operators are held at risk for such catastrophes as well blowouts and penetration of another company's oil formation by a drilling rig.

To protect them, RIMCO audits insurance policies, making sure the operators have sufficient fiduciary and catastrophic liability coverage. The consultant also may confirm that contractors that the operators have adequate workers compensation and general liability insurance.

If the risks are large enough, RIMCO also may help the operators set up risk management programs.

Conversely, RIMCO audits well service and drilling agreements on behalf of the contractors to be certain operators have included the proper hold-harmless clauses.

Since many mid-sized oil and gas companies are expanding into coal, they also face new liability and workers compensation exposures like black lung disease, Mr. Kakacek says.

RIMCO advises companies that self-fund workers compensation for their oil and gas workers not to jump into a similar plan for coal miners, he says. They could be buying claims from miners on the job 15 years or more who have been heavily exposed to coal dust.

"It might be better to isolate workers compensation for coal employees in a state fund or assigned risk pool," Mr. Kakacek says. "Companies shouldn't automatically include it in their self-funded program."

Like most firms, energy industry companies usually start with one issue in mind: money. "The first thing they are after is a premium reduction," Mr. Kakacek notes. "They want to know if they are getting a good deal from their insurers. Actual risk management work comes after that," he says.

Mitchell J. Cole, a vp and director of Risk Planning Group, agrees.

"A question energy companies always ask is are they paying more for insurance than other companies," he says. "Everyone likes to compare."

Continued on page 26

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Consultants handle exotic risks

Continued from page 24

Like RIMCO, Risk Planning Group does consulting work that spans the conventional energy industry. Its clients include well service, drilling pipeline, production and power companies.

"We are asked to identify mundane exposures like well blowouts and more exotic ones like political risk for international corporations," he says.

"About half of our problems fall into the structured or semi-structured category, where the approach is pretty well-known," Mr. Cole says.

"However, we worked with one energy company to develop the design for a risk management information system," he says. "That's an example of one of our unstructured problems."

Ebasco Risk Management Consultants Inc. of New York consults for a number of energy-related clients that make up about 40% of its business, says Donald Cook, senior vp.

The majority of its work is for electric utilities.

"One concern voiced by our clients is that they may be held responsible for damages arising from blackouts and brownouts," Mr. Cook says. A December 1981 decision by the New York State Supreme Court aggravated this concern.

The court upheld a lower court's ruling that Consolidated Edison was grossly negligent in the July 1977 New York blackout (*BI*, Nov. 30, 1981).

Although risk management consultants may be called upon in the future to close this new risk management breach, "so far there has been no great run in the area," Mr. Cook says.

In addition to risk management and special project work, Ebasco manages two Bermuda-based captive insurance companies for the utility industry: AEGIS and USICO.

Risk Consultants Inc. performs loss-control and risk management services from clients ranging from "work-over" contractors (oil well service companies) to Texas river authorities.

Ebasco's Donald Cook says utilities are worried about blackout damages.

The six river authorities and electrical cooperatives that are Risk Consultants' only utility consumers were created under Texas law to control water and power supplies in the state, so they have broad liabilites for maintaining power supplies, the consultant says.

"Normally, they ask for a survey of risk exposures," notes Vance Maultsby, vp and Dallas office manager.

"Naturally, they are concerned about the possibly of dam failure," he says.

"In most cases this is a self-assumed risk. They haven't encountered many problems because the dam and generating systems are strongly constructed and their conditions are carefully monitored.

"Our thrust can be a total risk management package or merely an audit of risks and recommendations on how to handle them," he says.

The risk assessment work done by J.H. Wiggins Co., like its research on a proposed orbiting solar collector, revolves around the world of high technology.

"We have done a lot of work on uranium enrichment, centrifuge programs for the Department of Energy," says Dr. John Wiggins, company president.

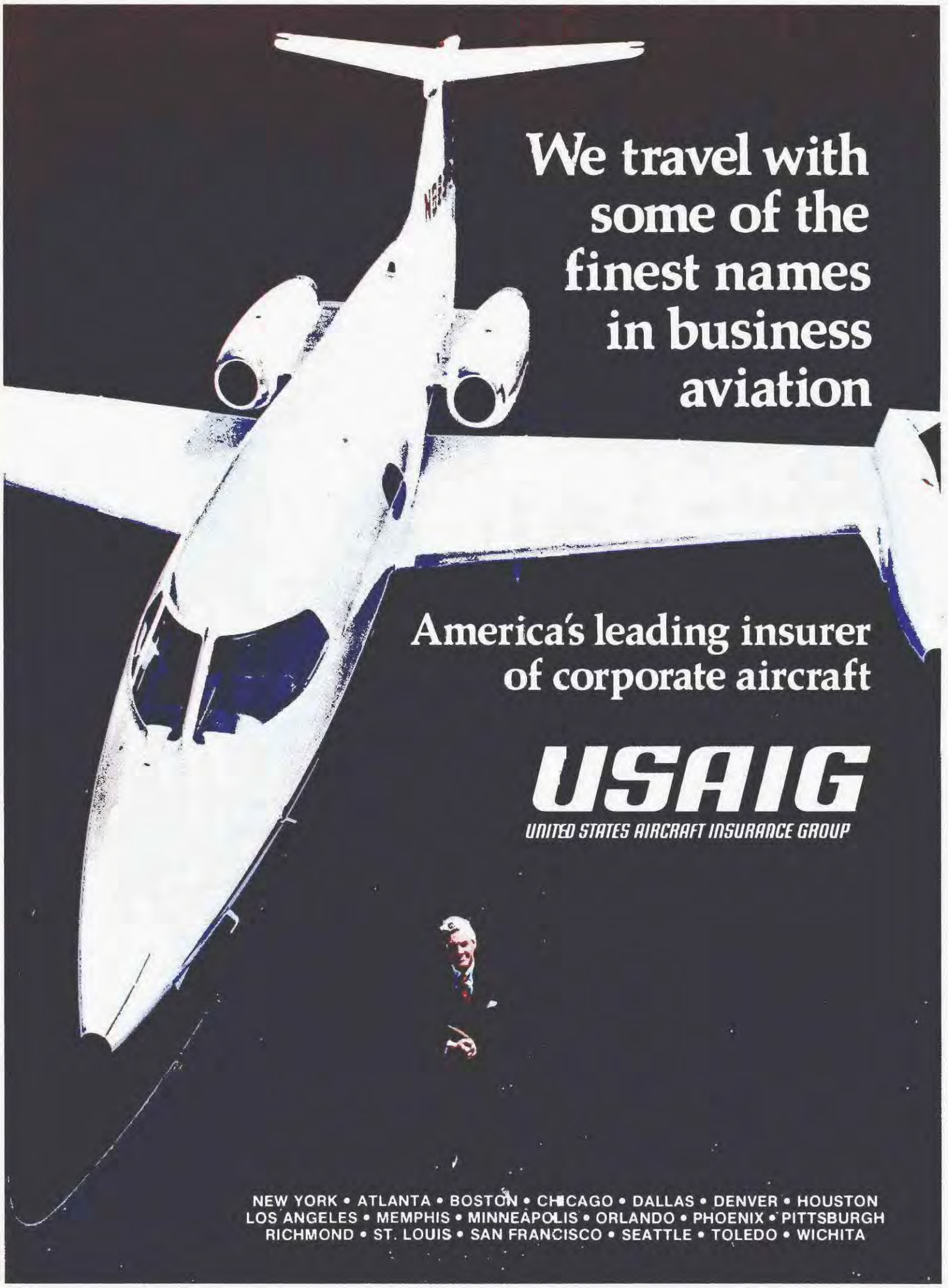
Other projects include risk analysis of offshore oil platforms for Mobil Oil Corp. and a liquid natural gas pipeline for Pacific Lighting Corp.

"We develop the means for assessing the likelihood of catastrophes, evaluate structural performance and find ways to beef up structures," he says.

In many ways, J.H. Wiggins may not fit the traditional view of a risk management consulting firm, he says.

"Risk management consultants are financially oriented. We do engineering risk analysis and are more physically oriented."

J.H. Wiggins actually works for risk management consulting firms on occasion, Dr. Wiggins says. "I guess that makes us consultants for risk management consultants." ■



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Consultants examine risk trouble spots

By LEN STRAZEWSKI

Thanks to inflation and recession, big risk management studies have gone the way of gas-guzzler automobiles and three-martini lunches, risk management consultants say.

It's the little things that risk managers are buying: risk assessment studies, risk-funding analyses, loss prevention studies and risk management organization plans.

But the little things pay a lot.

"The macro and the micro view of the consulting business are both positive," notes Felix Kloman, president of Risk Planning Group in Darien, Conn. "At the annual meeting of ACME, the national association of management consultants, 75% of the members reported that revenues were up 15% to 20%."

RPG revenues also increased last year, Mr. Kloman says, up 24% from more than $1.2 million in 1980 to more than $1.6 million in 1981. The consulting group also increased staff to 26 people from 21, hiring one of its former interns and a chemical engineer.

"But last year we saw many fewer risk management audits and many more smaller projects on specific issues: one funding alternative vs. another, fire safety reviews, specific risk assessments of things like political risks, strikes, occupational disease and environmental impairment," he says.

"Instead of commissioning the big $75,000 to $100,000 study, a corporation might request a few of the $10,000 to $15,000 spotchecks."

Sometimes clients are less interested in risk reviews but more interested in risk administration.

"Companies also are requesting administrative studies of risk management departments as they try to place the risk manager in the corporate structure. In many cases, these studies are initiated by the risk manager who wants to present an objective view of how he or she should fit in," Mr. Kloman says.

Warren G. Brockmeier, director of risk management consulting for The Wyatt Co. in Chicago, agrees. Companies are less interested in reassuring themselves that their overall program is in good shape and more interested in fixing trouble spots.

An increasing number of organizations also are turning to consultants for help in reducing risk management department budgets in line with general cutbacks in other departments, he adds.

"It's a symptom of the learning process as much as the recession," Mr. Brockmeier remarks. "Risk managers have learned to zero in on specific problems."

Wyatt is seeing more requests for claims audits, loss reserve analysis and specific reviews of coverage offered by brokers and insurers.

"Buyers are being offered fantastic deals and premium reductions," explains Mr. Brockmeier, "but they are concerned that the coverage they will be getting isn't the same or as good as what they had purchased before. They call for an independent review."

Wyatt's educational services are also growing, says consultant Susan Alt. Pressed for time, risk managers are buying more educational, printed and audiovisual materials from consulants and are occasionally hiring consultants to do seminars for line managers, she says.

"There is still a steady upward curve in the risk management consulting business," Mr. Brockmeier notes. "A growing number of companies are using consultants and there is a growing recognition of the role of consultants as objective aides."

Wyatt has grown tenfold in its nine years of risk management consulting, he adds.

For most consultants, however, growth is slower now than ever before, especially for those firms that rely on only risk management studies.

"Certainly the demand for surveys and audits is less now than ever and less-diversified consultants are probably in a downturn," says Bruce Suter, president of Ebasco Risk Management, part of Ebasco Services Inc. "The routine or postponable projects are being postponed for better times. We have proposed more projects this year

Mr. Brockmeier

that were never actually turned down but were just put off to next year."

Environmental consulting, offered by another Ebasco division, is up over last year, according to Mr. Suter. Also on the rise are disaster planning, bid specification reviews and coverage reviews requested by small firms "confused by the instability of the insurance markets," he says.

Though risk management consultants continue to grow and earn distinction through experience and professional affiliation, the business is still very diverse. Consultants range in size from part-timers working from their homes to large divisions of insurance company giants.

Costs also vary, from $150 an hour for the top consultants at Risk Planning Group or quantitative analysis experts at Risk Sciences Group to $50 an hour for part-timers.

One company, AuditRate Inc. of Chicago, will even take a contingency fee: half of whatever the company can save its client by reviewing its policies.

Junior consultants from large firms may cost up to $75 an hour and clerical workers now cost from $30 to $50 an hour. Expenses are always extra.

Professional qualifications continue to vary, though most consultants are requiring formal risk management or insurance education for senior staff, according to a *Business Insurance* survey.

Chartered Property & Casualty Underwriter and Associate in Risk Management designations are commonplace and a master's degree in business administration is more

Continued on page 30

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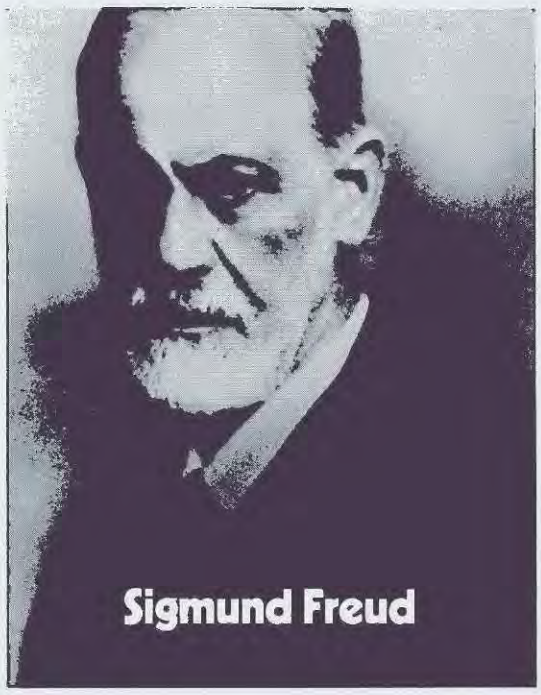
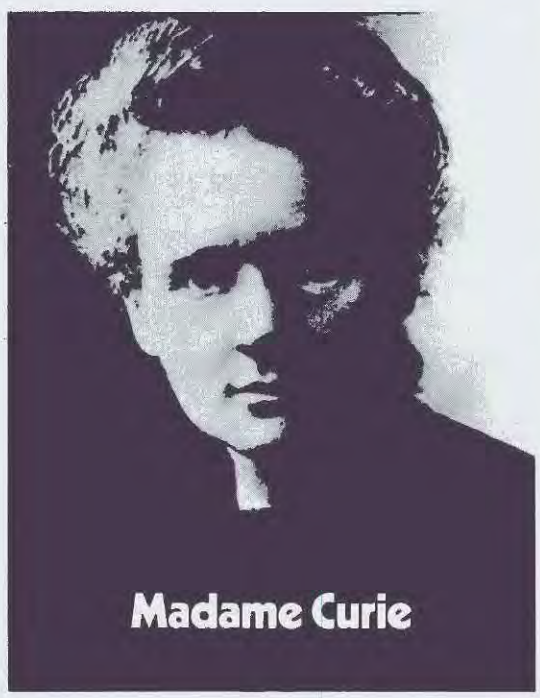
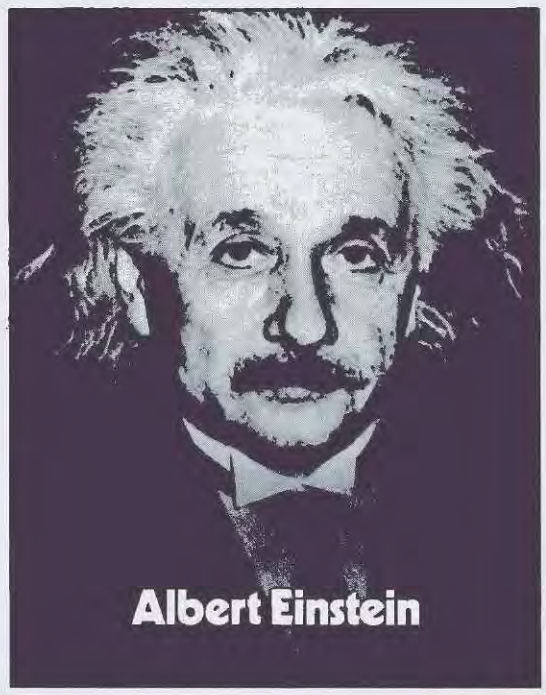


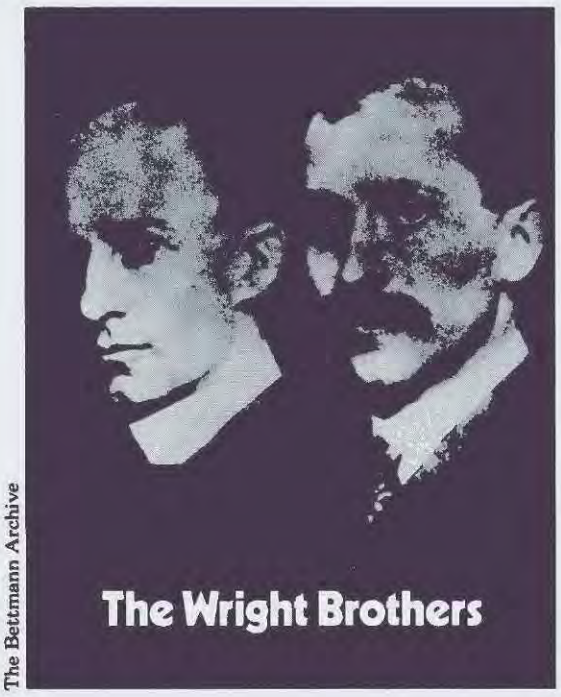
Sigmund Freud



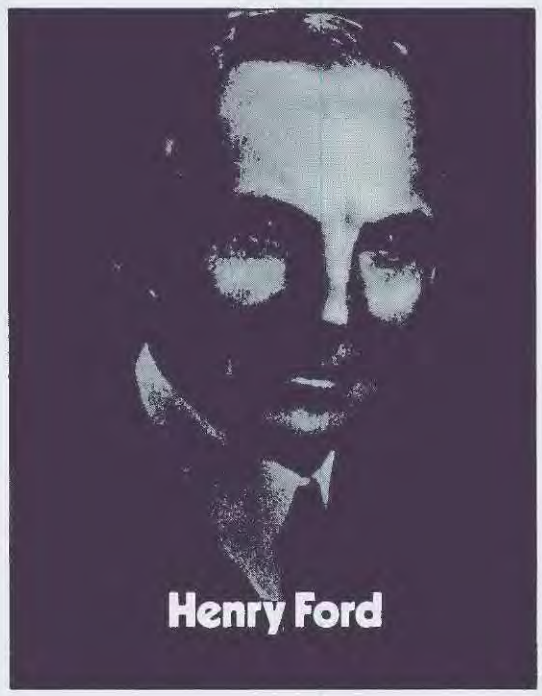
Madame Curie



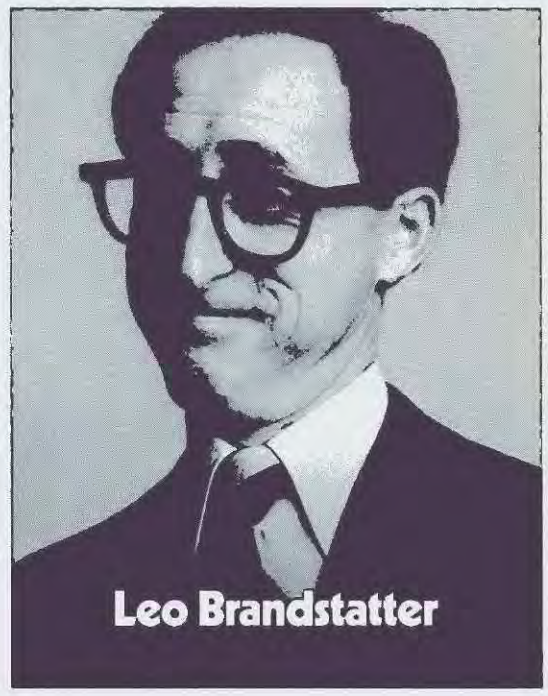
Albert Einstein



The Wright Brothers



Henry Ford



Leo Brandstatter

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Then Einstein, the Wright brothers, Henry Ford and Leo Brandstatter.

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Consultants check risk management troubles

Continued from page 28
frequently cited as a qualification.

For example, RIMCO Risk Management Inc. of Dallas requires both the CPCU and ARM designations for all consultants. Haig Neville Associates of West Bloomfield, Mich., expects its staff to enroll in CPCU, ARM and Chartered Life Underwriter classes. Principal consultants must have a graduate degree and a CPCU.

Many firms are also mixing education and experience to season consultants with practical problems. Risk Planning Group, for example, trains summer interns from MBA programs and taps the graduates for future job openings.

RPG consultants are then required to attend a course in management consulting sponsored by the Institute of Management Consultants and one to three additional professional seminars each year.

Most consultant groups require at least three years of professional experience before promoting a staff member to principal consultant.

For many risk management consultants, account quality control is another step in the consultant education process. Gone are the days when consultants checked their own arithmetic and hoped for the best. Now work is checked and rechecked and junior staff is expected to learn from the critiques.

At small consultancies, principals review nearly all of the work of junior staff members, according to the *BI* survey, and larger firms have adopted a team approach that provides checks and counterchecks against everything from false assumptions to multiplication errors.

"To ensure that our analytical studies are of consistent high quality, each project is reviewed at least once. The more difficult assignments are frequently reviewed twice," reports Corroon & Black—Research & Development in Nashville, Tenn. "In addition, an informal peer review system exists in which each analyst has his work critiqued by other staff members.

"Each written report is formally reviewed by the director of analytical services before any results are presented or communicated outside the division. Also, before the formal presentation of each study to the client, the senior staff member or officer who will be present at the presentation will again review the assumptions, analysis and recommendations."

The Betterley Consulting Group of Boston, owned by Tillinghast, Nelson & Warren Inc., has an equally complex system of checks and balances: "Our quality control begins with each assignment," the firm reports. "We insist on the development of a work plan that is understood by both the client and the consulting team before any engagement progresses. A fully qualified project manager is designated to direct the project, backed up by at least one other consultant regardless of project size.

"Thus two professionals as a minimum will have 'hands on' knowledge of the client and details of the project, providing a quality cross-check. Also, our peer review system requires that each report be critiqued by at least one consultant not directly involved in the project." ■

Selecting the right consultant

Which risk management consultant does what?

You can find the answer to that question—and many others regarding consultants—in this year's *Business Insurance* listing of risk management consultants, which begins on page 32.

Under the subhead services provided, the consultants note what percent of their work is performed in continuous consulting (serving as the risk management specialist for the client, providing continuous evaluation of design and management of risk and insurance programs), risk management audits (one-time complete reviews of the risk and insurance program) and special projects.

Regarding special projects, the consultants were asked to check from a list of 12 frequently requested special projects whether they performed each frequently, occasionally or never.

The projects they perform frequently and occasionally are noted, as are any other services they provide.

In addition to the name, address and telephone number of the consultants, which are listed alphabetically, you will find:

- The year the company was founded.
- Whether or not it is independent of any company that sells insurance or insurance related services.
- Its parent company, if there is one.
- Its locations.
- Information about its staff, including their professional credentials.
- Information about the consultant's clients, describing them according to the size of their risk and insurance budgets.
- Information about the consultants' billing practices and hourly charges.
- Gross revenues.
- Principal officers and whether any of its employees is a member of one of the professional risk management consulting societies, either the Institute of Risk Management Consultants (IRMC) or the Insurance Consultants' Society (ICS).

Under staffing, abbreviations for credentials include: CPCU, Chartered Property/Casualty Underwriter; ARM, Associate in Risk Management; MBA, master of business administration; FCAS, fellow, Casualty Actuarial Society; CSP, Certified Safety Professional; PE, Professional Engineer.

Information contained in the listing of risk management consultants was provided by the consultants that responded to a questionnaire prepared by *Business Insurance*.

Consultants that are omitted did not respond to the questionnaire. Firms whose information was received late are listed at the end.

If you would like reprints of the listing in this special section, please write *Business Insurance*, Reprint Department, 220 E. 42nd St., New York, N.Y. 10017.

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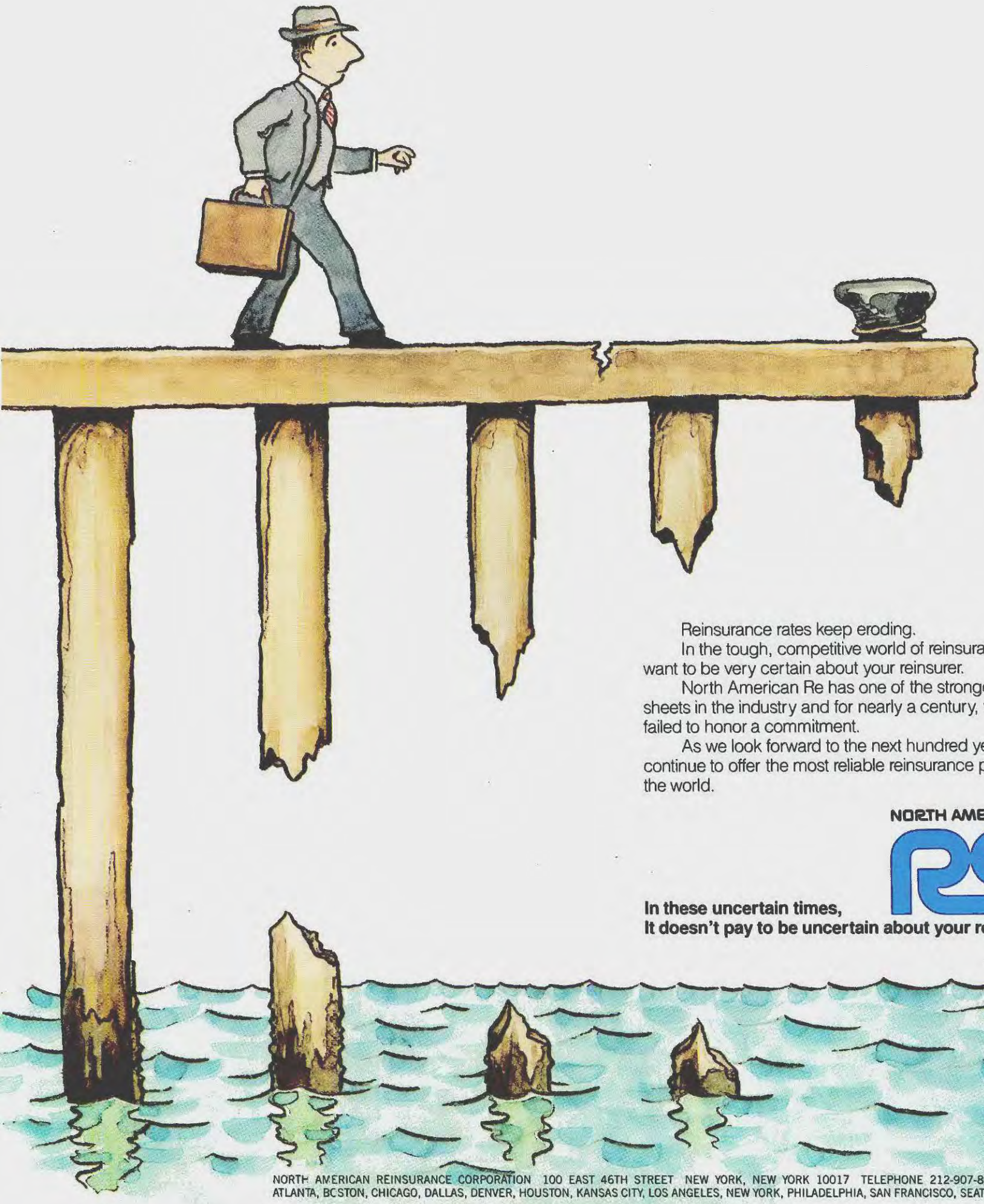

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Risk management consultants listed

A

S.B. Ackerman Associates

605 Third Ave., New York, N.Y. 10158; 212-599-1717

Year founded: 1915.
Independent.
Services provided: 70% continuous consulting; 20% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding and occasional captive feasibility studies, loss prevention audits, quantitative analysis and statistical forecasting.
Staff: 41 total staff, including 10 principal consultants, 13 consultants, two analysts. Professional designations held by staff include MBA, FCAS, CSP, M.D. and attorney.
Clients: 90 total clients; 20% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million; 40% $5 million to $10 million; 10% $10 million to $25 million; 20% more than $25 million.
Compensation: By the project; on retainer; by the hour: senior consultant, $160; consultant, $60; junior consultant, $40; secretarial, $30.
1981 gross revenues: Not reported.
Principal officers: S.B. Ackerman, Bernard A. Salwen, Joel Glass, Michael H. Barnett, James E. Ehrenfeld.
Member of: IRMC.

Aerospace Management Services International Inc.

225 E. Carpenter Freeway, Suite 560, Irving, Texas 75062; 214-556-0444

Year founded: 1973.
Parent company: United States Aviation Underwriters Inc.
Services provided: 5% continuous consulting; 10% risk management audits; 20% special projects, including frequent captive feasibility studies, loss prevention audits, loss settlement assistance, risk management organization studies, aviation safety consulting, aircraft appraisals, major accident response programs; 75% aircraft accident investigation for manufacturers of aviation products.
Locations: Chicago; New York; Seattle; Los Angeles; Dallas.
Staff: 25 total staff, including two principal consultants, seven consultants, seven analysts.
Compensation: By the project; on retainer; by the hour.
1981 gross revenues: Not reported.
Principal officers: Joseph R. Bailey, president; Gerry C. McKim, vp for flight operations; O. Ray Wall, director of helicopter flight operations.

J.H. Albert International Insurance Advisors Inc.

161 Highland Ave., Needham, Mass. 02194; 617-449-2866

Year founded: 1967.
Independent.
Services provided: 85% continuous consulting; 10% risk management audits; 5% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and renumeration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional claims auditing, quantitative analysis and statistical forecasting.
Staff: 13 total staff, including six principal consultants, three consultants.
Clients: 160 total clients; 72% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million; 8% $5 million to $10 million; 5% $10 million to $25 million; 5% more than $25 million.
Compensation: By the hour; senior consultant, $80; consultant, $60.
1981 gross revenues: More than $1 million.
Principal officers: J.H. Albert, president; M.R. Rodman, G.W. West, vps; T.L. Atkins, assistant vp.

Aldrich & Cox Inc.

1900 Ridge Road, Buffalo, N.Y. 14224; 716-675-6300

Year founded: 1951.
Independent.
Services provided: 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies.
Staff: 13 total staff, including nine consultants. Professional designations held by staff include four CPCUs, two ARMs, one attorney.
Clients: 60 total clients; 95% with risk and insurance budgets less than $1 million; 5% $1 million to $5 million.
Compensation: By the project; on retainer; by the hour: consultant, $45-$75.
1981 gross revenues: Not reported.
Principal officers: Herbert Cox, president.
Member of: IRMC.

Peter Armour Insurance Counselling Ltd.

Suite 416, 23 Westmore Drive, Rexdale, Ontario, Canada M9V 3Y7; 416-745-2141

Year founded: 1972.
Independent.
Services provided: 30% continuous consulting; 40% risk management audits; 30% special projects, including frequent insurance contract analysis, loss prevention audits, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, loss settlement assistance, broker service and remuneration evaluation, accounting system analysis, claims auditing, analysis of necessary insurance limits, risk retention analysis (and

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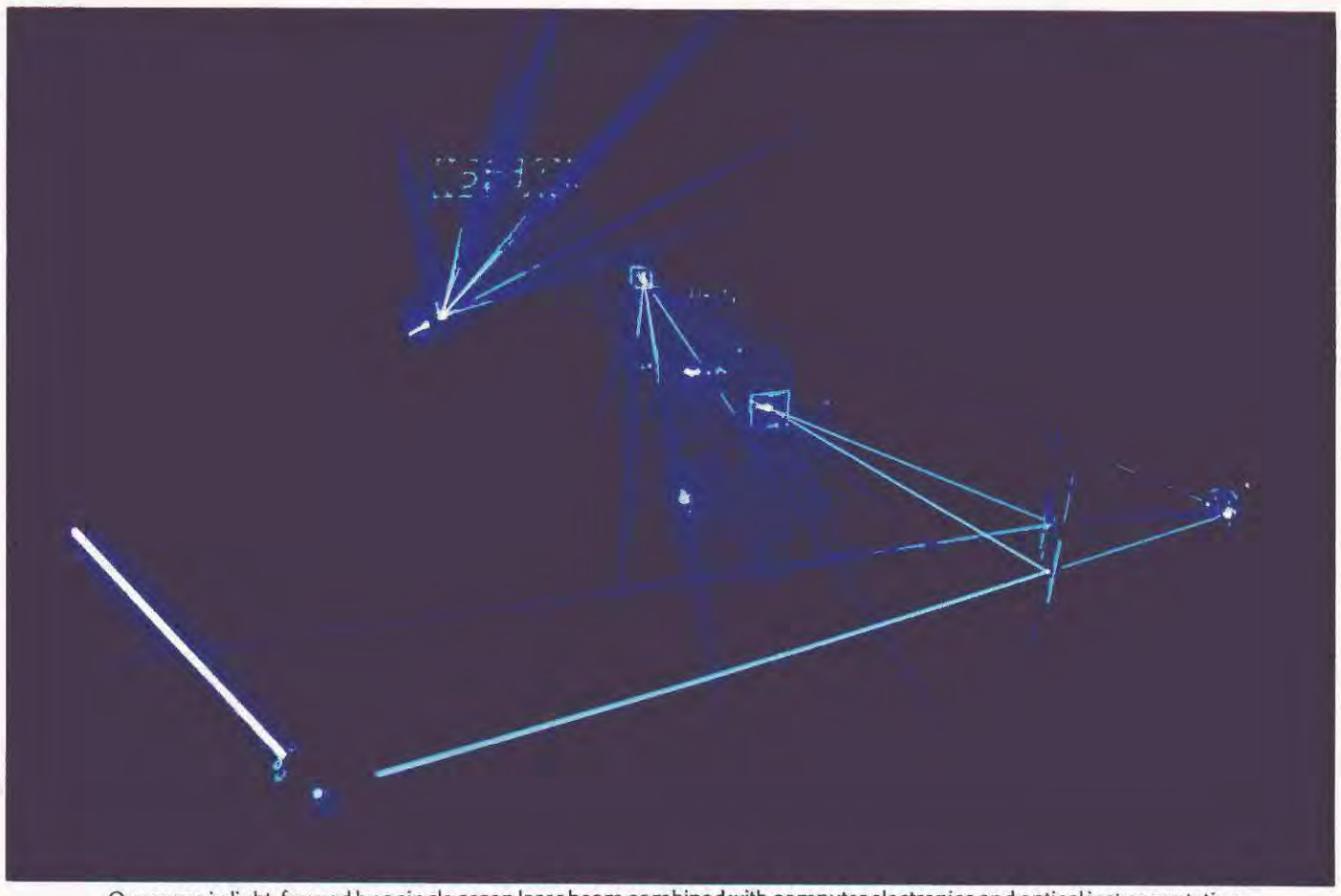

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self-insurance studies), retention as expert witness.

Locations: Toronto, Canada

Staff: Three total staff, including one principal consultant, one consultant.

Compensation: By the project; by the hour.

1981 gross revenues: Not reported.

Principal officers: Peter Armour, president; Robert Allen.

Member of: IRMC.

AuditRate Inc.

1 N. Wacker Drive, Chicago, Ill. 60606; 312-263-1659

Year founded: 1966.

Parent company: Alper Services Inc.

Services provided: 10% continuous consulting; 80% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis; occasional claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding.

Staff: Eight total staff, including one principal consultant, three consultants.

Clients: 200 total clients; 99% with risk and insurance budgets less than $1 million; 1% $1 million to $5 million.

Minimum size client: $50,000.

Compensation: By the project; on retainer; by the hour: senior consultant, $100; consultant, $75; junior consultant, $50; secretarial, $30. May also charge a fee equalling 50% of the resulting cost savings.

1981 gross revenues: $310,000.

Principal officers: Howard C. Alper, president; Carol Gravesen, Martin F. Blake, Russell M. Cortino, vps.

B

Betterley Consulting Group

200 Clarendon St., Boston, Mass. 02116; 617-267-4300

Year founded: 1932.

Parent comapny: Tillinghast, Nelson & Warren Inc.

Services provided: 20% continuous consulting; 50% risk management audits; 20% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional loss prevention audits, loss settlement assistance.

Locations: Other Tillinghast, Nelson & Warren Inc. offices in 14 cities throughout United States.

Staff: 16 total staff, including seven principal consultants, three consultants, two analysts. Professional designations held by staff include two MBAs, two FCAS.

Clients: 125 total clients; 40% with risk and insurance budgets less than $1 million; 20% $1 million to $5 million; 15% $5 million to $10 million; 10% $10 million to $25 million; 10% more than $25 million.

Compensation: By the hour: senior consultant, $90-$150; consultant, $60-$85; junior consultant, $40-$55.

1981 gross revenues: Approximately $1 million.

Principal officers: George M. Betterley, managing principal, vp; Charles T. Tagman Jr., principal, vp; Donald B. Dalbeck, William D. Hahn, C. Robert Laforme, David L. Tibbals, vps.

Member of: IRMC.

D.A. Betterley Risk Consultants Inc.

Worcester Plaza, 446 Main St., Worcester, Mass. 01608; 617-754-1704

Year founded: 1932.

Independent.

Services provided: 40% continuous consulting; 35% risk management audits, 25% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, loss prevention audits, accounting sys-

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Continued from page 33

tem analysis, loss settlement assistance.

Staff: Seven total staff, including two principal consultants, two consultants, one analyst. Professional designations held by staff include one MBA.

Clients: 55 total clients; 25% with risk and insurance budgets less than $1 million; 40% $1 million to $5 million; 25% $5 million to $10 million; 5% $10 million to $25 million; 5% more than $25 million.

Compensation: By the hour: senior consultant, $80-$125; consultant, $55; junior consultant, $40; secretarial, $35.

1981 gross revenues: $430,000.

Principal officers: Delbert A. Betterley, president; Richard S. Betterley, vp.

Member of: IRMC.

Blades & Macaulay

2444 Morris Ave. Box 188, Union, N.J. 07083; 201-687-3735

Year founded: 1926.

Independent.

Services provided: 60% continuous consulting; 20% risk management audits; 20% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, risk management organization studies, loss settlement assistance, broker service and remuneration evaluation.

Staff: Six total staff, including two principal consultants, one consultant. Professional designations held by staff include one MBA, one attorney.

Clients: 30 total clients; 20% with risk and insurance budgets less than $1 million; 30% $1 million to $5 million; 30% $5 million to $10 million; 10% $10 million to $25 million; 10% more than $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, up to $125; consultant, $75.

1981 gross revenues: Not reported.

Principal officers: Arthur Macaulay Jr., John J. Crout, partners.

Member of: IRMC.

T.E. Brennan Co.

250 E. Wisconsin Ave., Milwaukee, Wis. 53202; 414-271-2232

Year founded: 1895.

Independent.

Services provided: 70% continuous consulting; 25% risk management audits; 5% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, loss settlement assistance, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, risk management organization studies, broker service and remuneration evaluation, accounting system analysis, claims auditing, captive feasibility studies.

Locations: Chicago.

Staff: 12 total staff, including five principal consultants, two consultants, one analyst. Professional designations held by staff include three CPCUs, one ARM, two MBAs, one CPA, one attorney.

Clients: 250 total clients.

Compensation: By the hour.

1981 gross revenues: More than $600,000.

Principal officers: John Hayes, president/treasurer; J. William Foran, executive vp/secretary; T.E. Gold, D.L. Pass, G.K. Forrest, vps.

Member of: IRMC.

Larry W. Buck & Associates Inc.

4801 Woodway, Suite 300 East, Houston, Texas 77056; 713-961-4223

Year founded: 1977.

Independent.

Services provided: 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remu-

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neration evaluation; occasional loss settlement assistance, risk management organization studies, preparation of specifications for bidding, accounting system analysis, loss prevention audits, claims auditing, risk retention analysis (and self-insurance studies).

Staff: One principal consultant.

Clients: 36 total clients; 98% with risk and insurance budgets less than $1 million; 2% more than $25 million.

Compensation: By the hour: senior consultant, $137.50.

1981 gross revenues: Not reported.

Principal officer: Larry W. Buck

Member of: IRMC.

Ken Buhler Associates Inc.

11 Erita Lane, Smithtown, N.Y. 11787; 516-360-3770

Year founded: 1976.

Independent.

Services provided: 40% continuous consulting; 50% special projects, including frequent loss prevention audits, preparation of specifications for bidding, analysis of fire protection systems, property appraisals, fire protection and safety surveys; 10% design and layout of automatic sprinkler systems.

Staff: Five total staff, including one principal consultant, three consultants. Professional designations held by staff include one PE.

Clients: 50 total clients; 20% with risk and insurance budgets less than $1 million; 50% $1 million to $5 million; 20% $5 million to $10 million; 5% $10 million to $25 million; 5% more than $25 million.

Compensation: By the project; on retainer; by the hour.

1981 gross revenues: Not reported.

Principal officers: Ken Buhler, president; S. Buhler, A. Relkin, vps.

C

William A. Chanslor & Associates Inc.

8300 Bissonnet, Suite 610, Houston, Texas 77074; 713-777-3561

Year founded: 1965.

Independent.

Services provided: 95% continuous consulting; 5% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies; occasional preparation of specifications for bidding, quantitative analysis and statistical forecasting, accounting system analysis, insurance contract analysis.

Locations: Dallas, Austin, McAllen, Texas.

Staff: 19 total staff. Professional designations held by staff include one attorney.

Clients: 12 total clients; 66% with risk and insurance budget less than $1 million; 33% $1 million to $5 million.

Minimum size client: $1 million.

Compensation: Percent of premium income.

1981 gross revenues: $827,000.

Principal officers: Bill Chanslor, president; Suzanne Smith, Steve Bannister, Tony Tijeriana, vps.

Commercial Risk Consultants Inc.

Box 606, 7½ Queensway, Hampton, Va. 23669; 804-723-0254

Year founded: 1979.

Independent.

Services provided: 15% continuous consulting; 80% risk management audits; 5% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional loss prevention audits, broker service and remuneration evaluation, risk management organization studies.

Staff: Two total staff, including one principal consultant. Professional designations held by staff include one CPCU, one ARM.

Clients: 100% with risk and insurance budget less than $1 million.

Minimum size client: $50,000.

Compensation: By the project; on retainer.

Continued on next page

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THE EXCITING WORLD OF THE LANDMARK GROUP

Continued from previous page

1981 gross revenues: Not reported.

Principal officers: John W. Newby, president.

Continental Risk Services Inc.

83 Maiden Lane, New York, N.Y. 10038; 212-444-3440

Year founded: 1980.

Parent company: The Continental Corp.

Services provided: 5% risk management audits; 75% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, quantitative analysis and statistical forecasting, risk library service, claim infomation systems, premium allocation systems, loss forecasting, cash-flow analysis, feasibility alternate funding; occasional analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding; 20% captive management.

Locations: Burlington, Vt.; McLean, Va.; Columbus, Ohio; Houston, Texas; Newport Beach, San Francisco, Calif.

Staff: 28 total staff, including two principal consultants, 17 consultants.

Clients: 15 total clients; 60% with risk and insurance budget less than $1 million; 30% $1 million to $5 million; 4% $5 million to $10 million; 6% more than $25 million.

Minimum size client: $250,000.

Compensation: By the project; on retainer; by the hour: senior consultant, $95; consultant, $65; junior consultant, $45.

1981 gross revenues: Not reported.

Principal officers: C.L. Ruoff, president; R.M. Menninger, David Vaughan, R.V. Rupp, vps.

Corporate Risk Management Inc.

120 E. Ogden Ave., Hinsdale, Ill. 60521; 312-325-2110

Year founded: 1978.

Independent.

Services provided: 80% continuous consulting; 20% risk management audits.

Staff: Three total staff, including one principal consultant. Professional designations held by staff include one CPCU, one ARM.

Clients: 65 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $85-$100.

1981 gross revenues: $200,000.

Principal officers: Robert A. Wilson, president.

Corporate Risk Management Inc.

Suite 421, Morrison Blvd., Charlotte, N.C. 28211; 704-364-1711

Year founded: 1978.

Independent.

Services provided: 55% continuous consulting; 35% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: Three total staff, including one principal consultant, one consultant, one analyst. Professional designations held by staff include one CPCU.

Clients: 25 total clients; 95% with risk and insurance budgets less than $1 million; 5% $1 million to $5 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $70; consultant, $50; junior consultant, $35; secretarial, $25.

1981 gross revenues: More than $150,000.

Principal officers: William B. Heeney.

Corporate Risk Managers Inc.

7525 Mitchell Road, Suite 109, Eden Prairie, Minn. 55344; 612-937-8942

Year founded: 1974.

Independent.

Services provided: 98% continuous consulting; 2% risk management audits.

Staff: 11 total staff, including four principal consultants, two consultants. Professional designations held by staff include one ARM.

Clients: 100 total clients; 95% with risk and insurance budgets less than $1 million; 5% $1 million to $5 million.

Minimum size client: $15,000-$20,000.

Compensation: On retainer.

1981 gross revenues: Not reported.

Principal officers: Burdell R. Wessles, president; Fred Moen, Tauna Strohkirch, vps.

Corporate Risk Services Inc.

5990 N. Washington St., Denver, Colo. 80216; 303-893-2211

Year founded: 1980.

Independent.

Services provided: 75% continuous consulting; 10% risk management audits; 15% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis; occasional captive feasibility studies, claims auditing, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting; self-funding benefit plans.

Staff: Two total staff, including one principal consultant. Professional designations held by staff include one ARM.

Clients: Ten total clients; 80% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million.

Minimum size client: $50,000.

Compensation: By the project; on retainer; by the hour: senior consultant, $50.

1981 gross revenues: Not reported.

Principal officers: Dale Gray, president; Thomas Gamel, David Benbow, vps.

Corroon & Black—Research & Development

Box 310, Nashville, Tenn. 37202; 615-244-8430

Year founded: 1976.

Parent company: Corroon & Black Corp.

Services provided: 100% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, quantitative analysis and statistical forecasting, cost allocation studies, actuarial studies (property/casualty); occasional analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding.

Continued on page 40

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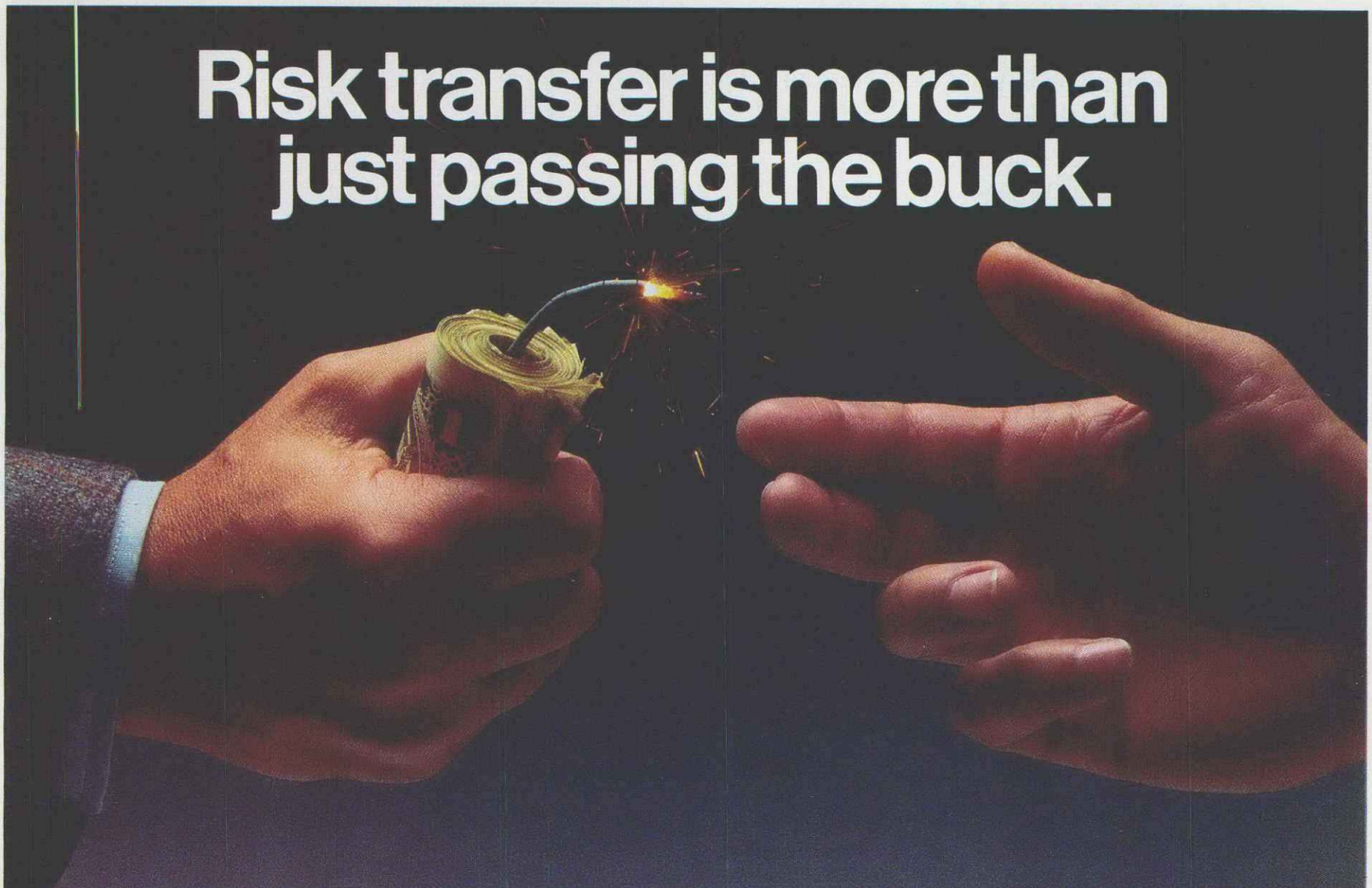

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Continued from page 38

Locations: Services can be arranged through any Corroon & Black office.

Staff: 15 total staff, including 11 principal consultants. Professional designations held by staff include three MBAs, one FCAS, one ACAS.

Clients: 125 total clients.

Minimum size client: $100,000.

Compensation: By the project; by the hour.

1981 gross revenues: Not reported.

Principal officers: James V. Davis, chairman/chief executive officer; Donald K. Heim, executive vp/chief operating officer; Manny D. Buzzell, C.L. Balkum, senior vps; Robert S. Miccolis, vp/consulting actuary.

Crain, Langner & Co.

20575 Center Ridge Road, Rocky River, Ohio 44116; 216-333-7622

Year founded: 1939.

Independent.

Services provided: 75% continuous consulting; 20% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss settlement assistance, group insurance analysis.

Staff: Five total staff, including three principal consultants, one consultant. Professional designations held by staff include three CPCUs, three ARMs, one CLU.

Clients: 100 total clients; 73% with risk and insurance budget less than $1 million; 27% $1 million to $5 million.

Compensation: By the hour: senior consultant, $85; consultant, $85.

1981 gross revenues: $260,000.

Principal officers: David A. Langner, William H. Elliott Jr.

Member of: ICS.

D

Kevin F. Donoghue & Associates

190 High St., Boston, Mass. 02110; 617-482-7015

Year founded: 1970.

Independent.

Services provided: 70% continuous consulting; 20% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: 10 total staff, including three principal consultants, two consultants. Professional designations held by staff include one MBA.

Clients: 70 total clients; 72% with risk and insurance budgets less than $1 million; 25% $1 million to $5 million; 3% $5 million to $10 million.

Compensation: By the hour: senior consultant, $80-$100; consultant, $50-$70; secretarial, $15-$25.

1981 gross revenues: Not reported.

Principal officers: Kevin F. Donoghue, president; Robert J. Dorsey, executive vp; Philip A. Murphy, senior vp; Nancy Hand Bukunt, Nora H. Leyland, staff consultants.

Member of: ICS.

E

Ebasco Risk Management Consultants Inc.

2 World Trade Center, New York, N.Y. 10048; 212-839-1334

Parent company: Ebasco Services Inc.

Services provided: 40% continuous consulting; 25% risk management audits; 30% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, preparation of

Continued on page 42

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As part of our casualty insurance program, you can call on us for financial and cash management plans that help insure a sounder future. And if you're interested, we also offer risk management services for captive insurance companies.

And if that's not enough, standing behind us is The Continental Corporation with all its vast resources. Ready to augment our coverages with everything from claims services to loss control and industrial hygiene.

So when you're looking at a large casualty risk, look into CSRU's expertise. We bet you'll want us to stand behind you, too.

For more information, contact your nearest CSRU representative. For his name, write: R.H. Dorgan, Vice President, Continental Special Risk Underwriters (CSRU), 83 Maiden Lane, New York, N.Y. 10038.

Take a look at the risks we take.

CSRU
Continental Special Risk Underwriters
83 Maiden Lane, New York, N.Y. 10038

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Continued from page 40
specifications for bidding; occasional loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting; 5% educational projects and seminars, data processing and catastrophe planning.

Locations: Chicago; Newport Beach, Calif.; Hamilton, Bermuda.

Staff: 79 total staff. Professional designations held by staff include 14 CPCUs, six ARMs, 15 MBAs, five CSPs, five attorneys.

Clients: 150 total clients; 15% with risk and insurance budgets less than $1 million; 60% $1 million to $5 million; 15% $5 million to $10 million; 5% $10 million to $25 million; 5% more than $25 million.

Minimum size client: $100,000.

Compensation: By the project; on retainer; by the hour: senior consultant, consultant, junior consultant, $25-$110.

1981 gross revenues: $5 million.

Principal officers: Bruce H. Suter, president; Donald B. Cook, Kenneth W. Richman, senior vps; Frederick F. Abdoo, vp for report and research; William Collins, vp for Eastern region; William L. Gibbons, vp for Central region.

ETM Management Co.

1701 N. Greenville Ave., Suite 208, Richardson, Texas 75081; 214-783-1717

Year founded: 1981.
Independent.
Services provided: 15% continuous consulting; 10% risk management audits; 25% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional claims auditing, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance; 50% captive management and underwriting services.

Locations: Hamilton, Bermuda.

Staff: Three total staff, including one principal consultant, one analyst.

Clients: Five total clients; 75% with risk and insurance budgets of $1 million to $5 million; 25% $5 million to $10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $90; consultant, $40; secretarial, $15.

1981 gross revenues: Approximately $100,000.

Principal officers: Tom Miller, president; Elsie Miller, vp/secretary.

Bruce Evans Consulting

7032 Creek Bend Road, Dallas, Texas; 214-248-6283

Year founded: 1967.
Independent.
Services provided: 10% risk management audits; 90% special projects, including occasional risk management organization studies, reinsurance analysis, management seminars, other special projects.

Staff: One total staff, including one principal consultant. Professional designations held by staff include one CPCU, one ARM, one MBA.

Clients: 13 total clients; 40% with risk and insurance budgets less than $1 million; 20% $1 million to $5 million; 20% $5 million to $10 million; 10% $10 million to $25 million; 10% more than $25 million.

Compensation: By the project; by the hour: senior consultant, $75.

1981 gross revenues: $50,000.

Principal officer: Bruce Evans.

F

Herbert H. Feldman Insurance Consulting Associates

60 Cutter Mill Road, Great Neck, N.Y. 11021; 516-829-6050

Year founded: 1973.
Independent.
Services provided: 90% continuous consulting; 10% risk management audits.

Locations: Montreal.

Staff: Three total staff, including one principal consultant, one consultant.

Clients: 26 total clients.

Compensation: On retainer; by the hour.

1981 gross revenues: More than $200,000.

Principal officers: Herbert H. Feldman, managing partner.

Member of: ICS.

Felton Associates

3255 Fritchie Drive, Baton Rouge, La. 70809; 504-925-2833

Year founded: 1976.
Independent.
Services provided: 20% continuous consulting; 40% risk management audits; 40% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding.

Staff: Two total staff, including one principal consultant and one consultant.

Clients: 50 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the hour: senior consultant, $80; consultant, $60.

1981 gross revenues: $60,000.

Principal officers: Robert S. Felton, owner.

Member of: IRMC.

First Risk Management Co.

835 Glenside Ave., Wyncote, Pa. 19095; 215-927-3404

Year founded: 1961.
Independent.
Services provided: 70% continuous consulting; 15% risk management audits; 15% special projects, including frequent preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, court expert testimony, multinational program coordination.

Locations: San Juan, Puerto Rico; Copenhagen, Denmark.

Staff: 14 total staff, including three principal consultants, three consultants, one analyst. Professional designations held by staff include three CPCUs, three ARMs.

Compensation: On retainer; by the hour: senior consultant, $175; consultant, $130.

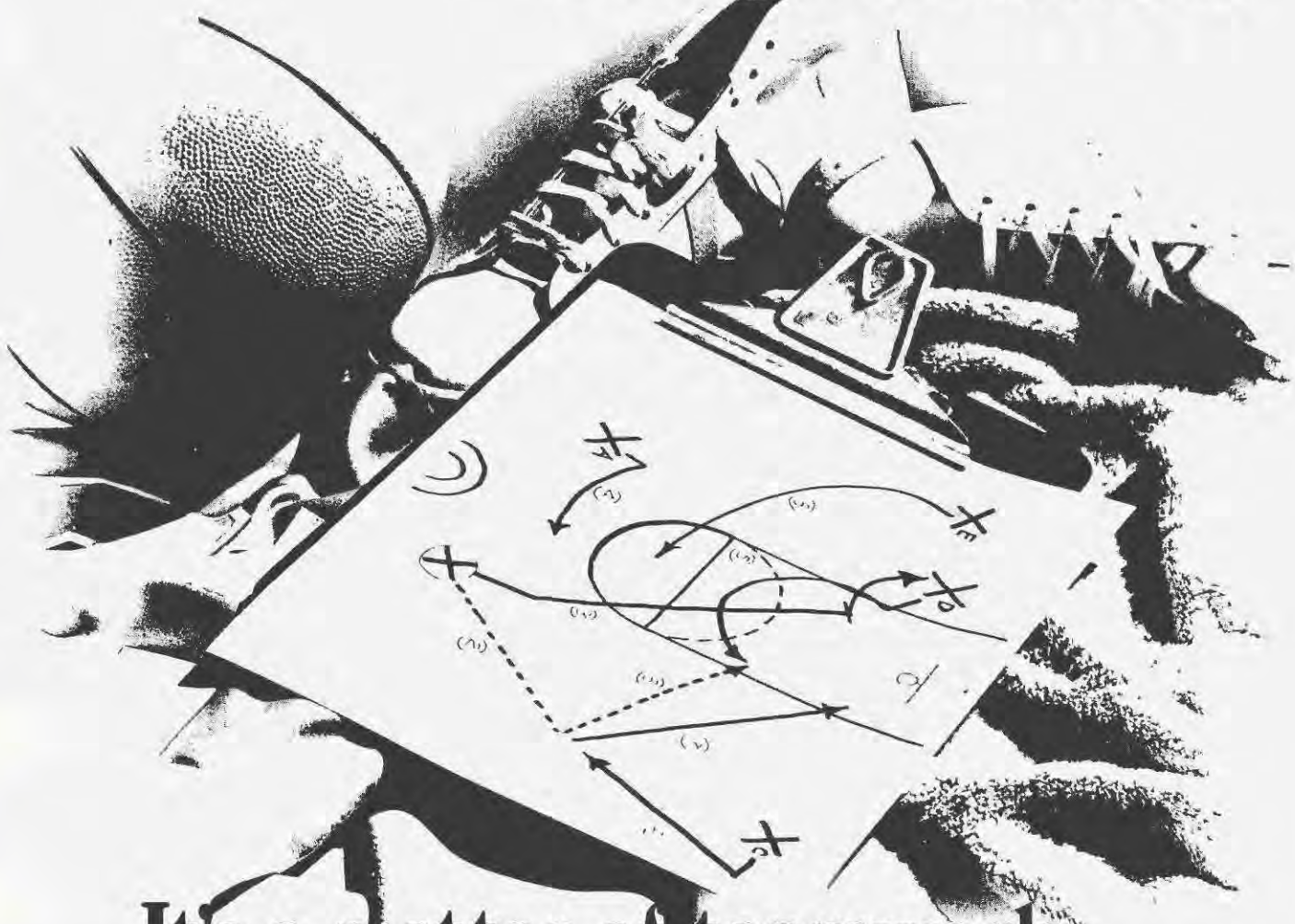
1981 gross revenues: More than $600,000.

Principal officers: Leonard J. Silver, president; Alvin E. Mangold, executive vp; Vera Peregrim, vp.

Member of: ICS.

Continued on page 50

The Winning Combination



It's a matter of teamwork.

To win in the pros you have to play *team* basketball. If you let your superstar center try to do it all, you'll probably lose.

It's the same in the insurance business. Winners rely on teamwork. That's why Argonaut works exclusively through independent agents and brokers. We want our insureds to have the combined expertise and experience of *two* insurance professionals.

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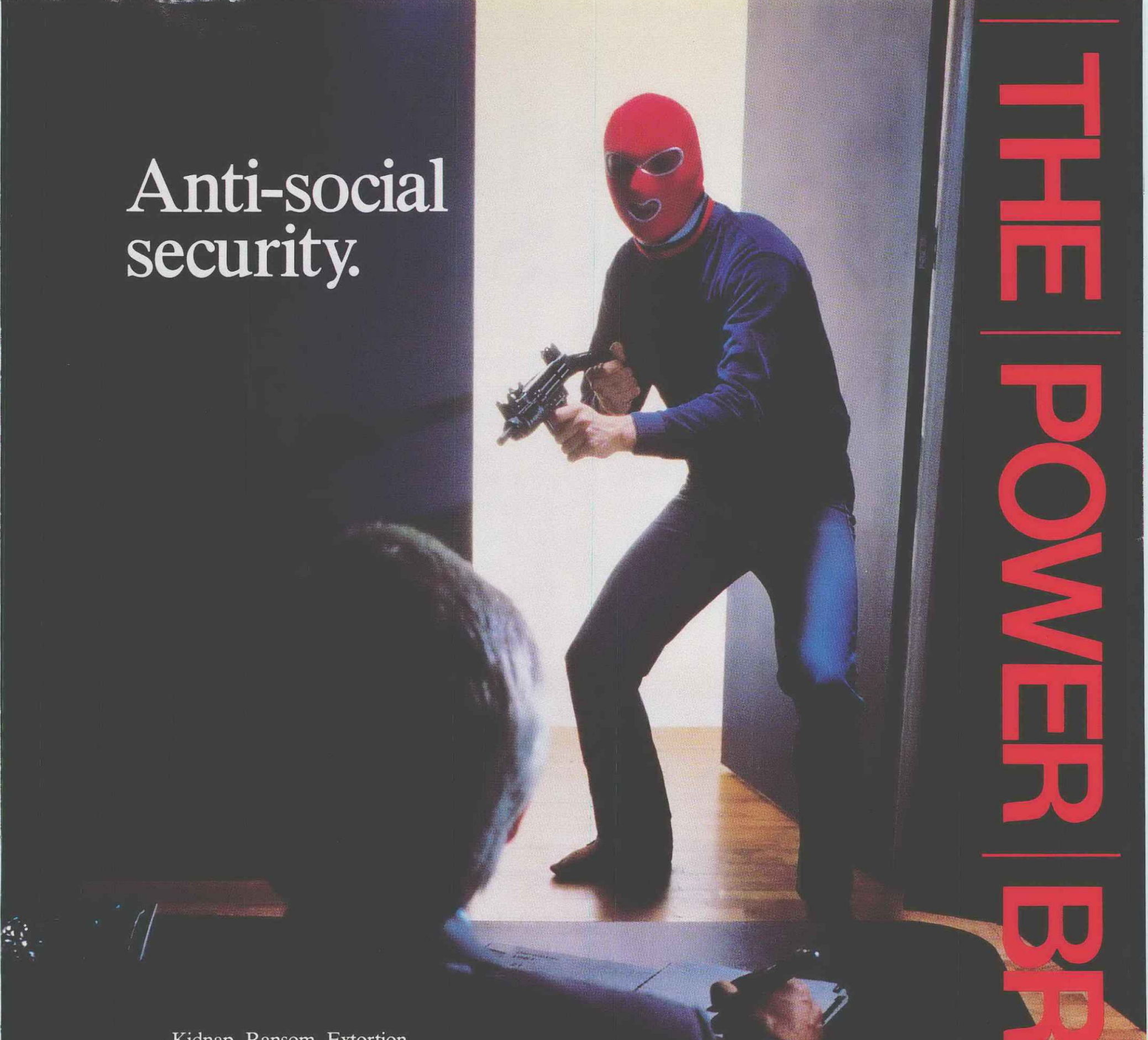

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Financial Strategies In Business Insurance

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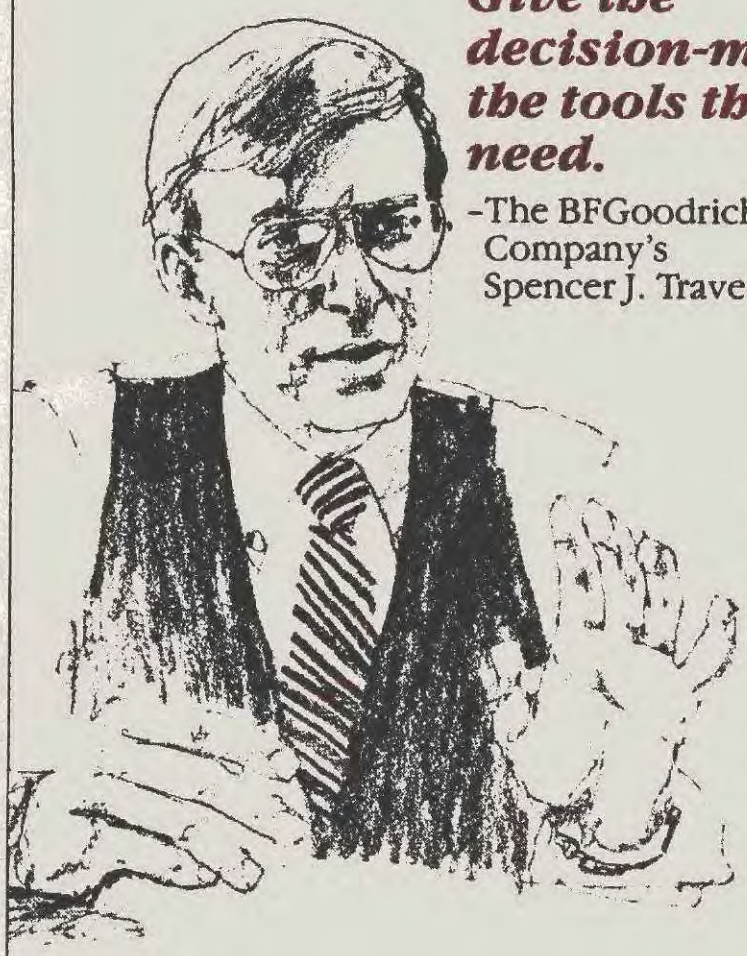

Give the decision-makers the tools they need.

-The BFGoodrich Company's Spencer J. Traver

Holding the line on total risk expense in a major manufacturing company involves a complex set of techniques: self-insuring, cash flow programs, and – perhaps most crucial–analysis of loss experience for projecting future costs. Spencer J. Traver, Assistant Treasurer of The BFGoodrich Company, has taken the latter step to a high degree of perfection.

For each of BFG's approximately 800 operating centers, loss experience figures are compiled for the previous ten years. "The tremendous quantity of data evaluated," says Traver, "means that forecasting our future loss costs is unusually accurate."

Operating center managers are given a set of optional plans at the start of each fiscal year. One details the insurance expense necessary if no substantive changes are made from the prior year. Another option, based on computer modelling, sets up the cost-value relationship between risk coverage and new loss control steps.

Traver comments: "Each center can choose the alternative best suited to revenue projections and other factors." By use of this analytic system, linked to BFG's management-by-objective program, casualty/liability risk costs have held about even in the face of industry growth that exceeds 20% per year–and property risk costs have declined by more than 30% in five years.

Generating revenues, and savings, offshore.

-Tidewater, Inc.'s Victor Koock

"Ten years ago, our marine group experienced several losses at the same time P&C rates were on the rise," recalls Victor Koock, Vice President for Tidewater, Inc. "In order to avoid doubled premiums, we had to find a new coverage approach."

For the $400 million operator of the world's largest fleet of supply vessels serving the offshore oil and gas industry, the most viable solution was to form a captive.

This "route," according to Koock, had three advantages. First, a captive would have direct access to reinsurance

markets not available to Tidewater. There would also be strong financial incentives to install comprehensive safety and loss control programs. Finally, a successful captive would create cash flow gains for Tidewater.

The strategy proved effective on all counts. In Koock's opinion, part of the credit for this goes to INA, the captive's major reinsurer over the past decade. The captive-INA relationship includes marine hull and liability protection for Tidewater's 400-vessel fleet, as well as cargo coverage and longshoreman's and harbor worker's comp insurance.

"The decision was financially sound," concludes Koock. "Besides reducing our insurance costs, we no longer face the uncertainty of widely fluctuating premiums caused by market conditions or an unusual loss."

Businesses that face a higher than average frequency of third-party liability claims often find first-dollar insurance coverage prohibitively expensive.

In such cases, notes Hilliard Feldman, President of Schiff Terhune International, Inc., a broker has to design highly individualized protection programs. "One approach," says Feldman, "is to 'unbundle' the conventional liability premium and determine which elements of coverage the client should retain, and which should be bought separately." Astute balancing of these elements can improve cash flow.

Why pay for losses before they happen?
–Schiff Terhune's Hilliard Feldman

Schiff Terhune recently employed this technique for a company planning to open a facility in which an extremely large number of people might be exposed to risk. The broker recommended retention of a deductible to pay all predictable liability losses up to a specified per loss and aggregate amount. Coverage written by INA was then put in place to pay those claims which, in either frequency or severity, would exceed these aggregate limits. According to Feldman, "INA's premium for the excess exposures was sufficiently cost-effective to make the deductible program economically sound."

Another benefit: assuming a portion of the primary coverage layer allowed the client to make use of a "pay-as-you-go" claims handling arrangement with ESIS, an INA Corporation subsidiary. "By not having to prepay an annual fixed claim expense," observes Feldman, "our client has further enhanced its cash-flow position."

Decision-making in business insurance has never been more complex. And the financial implications have never been greater. Today, devising cost-effective insurance programs requires knowledge, experience, capacity—and a complete range of products and services. Flexibility and the willingness to innovate are also essential.

INA's ability to combine these elements can assist you in developing practical solutions, new approaches, and better strategies. Consult the professionals. Write directly to John Cox, President, INA Property-Casualty Group, 1600 Arch Street, Philadelphia, PA 19101 or call (215) 241-2729.

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perspective

A good deal?

Risk management services can be money savers if they are used properly

By Ralph F. Perry Jr.

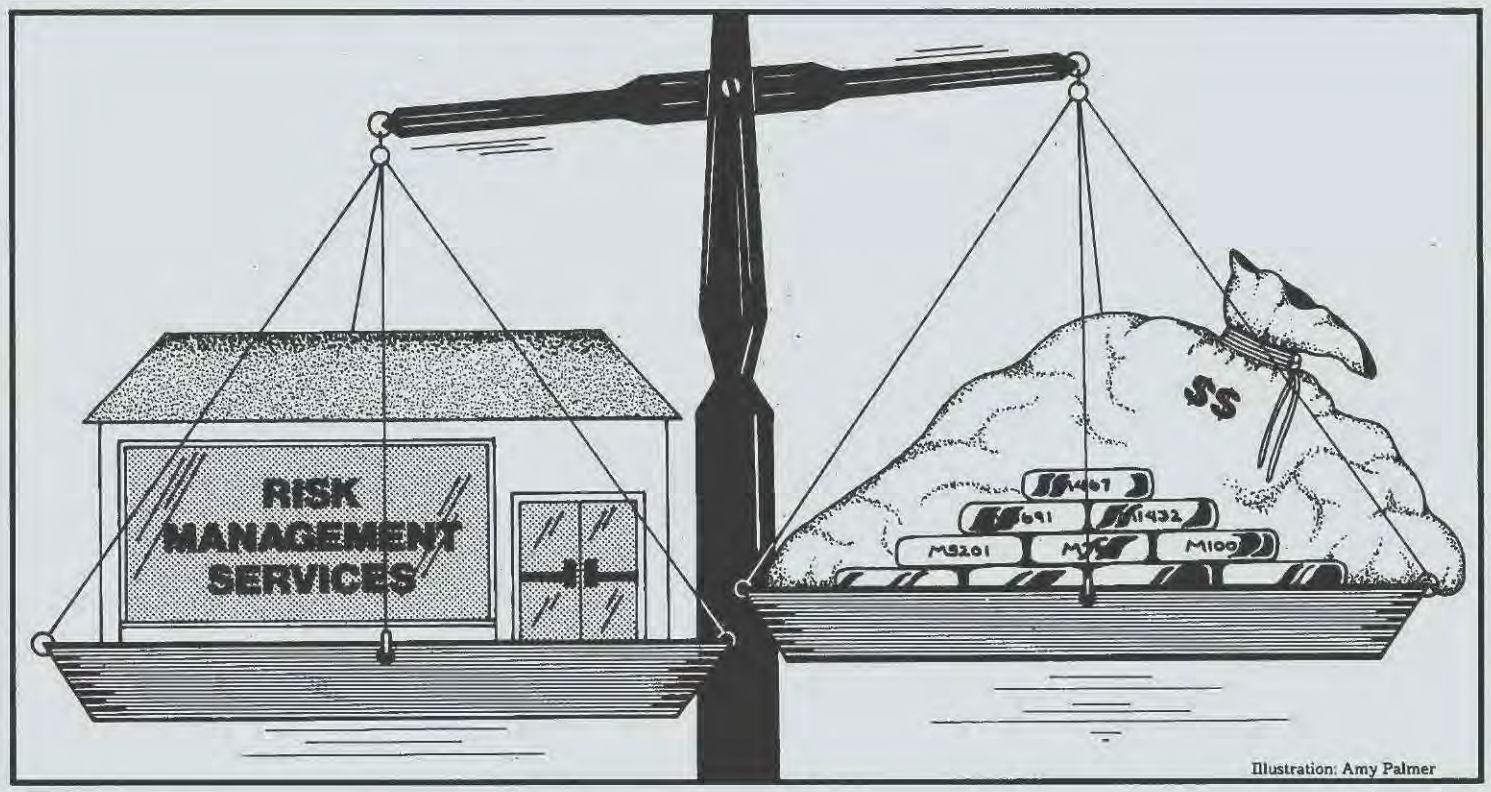


Illustration: Amy Palmer

RISK MANAGEMENT services can be worth their weight in gold—if you know how to use them. If not, the effort in time and money to supervise these services can be costly and perhaps detrimental to you and your overall risk management goal.

Risk management services for large and diversified corporations are a mandatory and necessary part of any risk management and insurance program. Their collective cost can exceed 1% of your risk management budget.

Eight to 10 years ago, many of these services and their related costs were hidden in the overall insurance premium, and the risk manager had very little influence over their use. We are as interested in the quality and effectiveness of these services for the protection of our balance sheet as are those who accept our risk.

Our risk management department's goal is to reduce the cost of risk. This reduction can be stated in a dollar amount or as a percentage of current budget, and may take place over more than one fiscal period.

With 26 profit centers, this involves balancing a large self-insurance fund along with purchased insurance expenses and calls for a mechanism to smooth losses within this corporate program and between profit centers. We allocate this expense to profit centers in a fair and equitable manner, based heavily on past loss history—and in a loss-sensitive manner—to encourage these profit centers to develop and maintain their own safety management programs.

All risk management services needed to do the job are not in-house; in most cases, they must be purchased from outside. Thus a large part of the risk manager's job focuses on the coordination, promotional effort and communication with each group involved to make the program work.

Necessary outside services may include:

- Brokers for marketing as well as other specialized services.
- Consultants for periodic audits of your program along with other specific work.
- Actuaries for audits of self-insured reserves and periodic claims administration audits.
- Risk management information systems for current and historic data collection and use, which is a service just in its infancy.
- Good fire protection and engineering services for property inspection.
- Safety management consultants or safety inspectors, which are effective in coordinating, motivating and helping to measure the effectiveness of internal profit center safety programs.

Ralph F. Perry Jr., CPCU, ARM, CLU, is assistant vp and director of risk management at Amfac Inc. in San Francisco.

In addition, there are those specialized services dealing, depending upon your company needs, in environmental problems, noise pollution and occupational health/industrial hygiene problems.

Most risk managers never concerned themselves with, nor did they care to address, these areas that have a major impact on the cost of risk and affect the long-range success or failure of risk management programs. What are the problems and benefits in developing good risk management services?

Your first thoughts may be: Are you getting what you pay for? Can the effectiveness of the service in reaching your risk management goal be measured? Do you make an effort to measure it against its expense or its contribution to your effort or both?

Today's risk management programs need, in most cases, specialized brokerage services. These services principally may be in the marketing area, but claims, engineering and information systems also are available from brokers.

With respect to the broker's marketing service, competition generally controls the price of most purchased insurance contracts. Price is not the only or most important consideration, however, if you want the broadest terms and conditions and contract language that will take into consideration your exposures to loss and will respond properly after a loss.

Your risk management information system, provided the data history is adequate and accurate, can provide much of the statistical information in a very usable form. There is no question that a good information system is invaluable in running your "little insurance company." Without it, you have no overview of the total expense and how it develops in your program from year to year.

One other important advantage of an information system is that it permits your profit centers to see one report, consolidating all information. They should not care how you fund your insurance expense if it is a balanced program of self-insurance, insurance or mandatory state funds.

The value of an outsider's opinion depends on your needs and how you oversee the work.

Our board of directors requests an outside audit of our risk and insurance management program every five years. Its purpose is to satisfy the finance committee of the board, along with other board members, that our coverage and risk management program is adequate, fairly priced and well-managed. We couple this five-year effort with an annual review of our program with the board's finance committee.

In addition, you may want the consultants' audit to provide you with answers to your unresolved problems, help resolve issues that you have been promoting in-house and help provide some direction for your future efforts.

It is important that these areas be addressed in writing during your contract negotiations. Be specific about what you want accomplished. You will only be disappointed if you have not given enough thought to your problem and consideration to the goal you wish to reach. Convey this to the consultant in writing, as well as verbally.

Actuarial audits of self-insured casualty programs now have the attention of public auditors and insurance regulators. The large amounts of money involved, including investment income, attract this attention.

From the regulator's standpoint, the question involves the accuracy of known loss reserves, with consideration for those losses that have been incurred but are not reported. The public auditor along with the risk manager adopts that concern, along with the need to be satisfied the program is properly funded, taking into consideration the payout pattern and investment income.

While the actuary addresses the financial part of the program, both you and the actuary must also be satisfied that your outside claims administrators are properly reserving and handling your claims. Are reserves adequate? Are good reserving practices followed? Can you complete a reserve analysis that answers the first question from your computerized information system and will the claims administration audit answer the second?

Rarely in the past have risk managers concerned themselves with such detail.

Continued on next page

Continued from page 42

The Fisher Associates

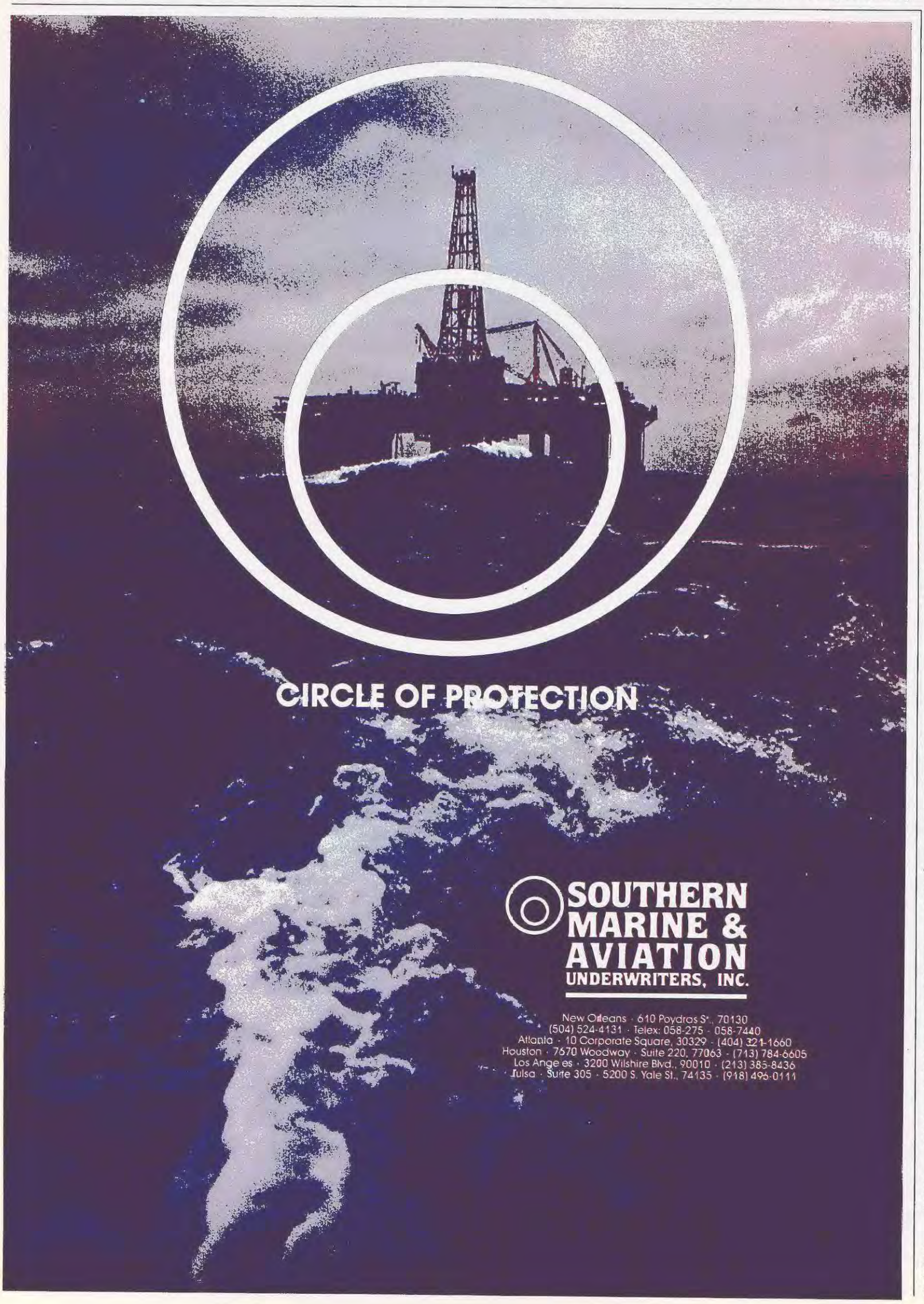
3858 Carson St., Suite 205,
Torrance, Calif. 90503;
213-540-8803

Year founded: 1982.
Independent.
Services provided: 15% continuous consulting; 10% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, loss settlement assistance; occasional risk retention analysis (and self-insurance studies), loss prevention audits, risk management organization studies, preparation specifications for bidding, self-insurance administration, claims management; 70% claims adjusting.
Staff: Five total staff, including one principal consultant, two consultants. Professional designations held by staff include two attorneys.
Clients: 14 total clients; 90% with risk and insurance budget less than $1 million; 10% $1 million to $5 million.
Compensation: By the hour: senior consultant, $75; consultant, $65; junior consultant, $50.
1981 gross revenues: Not reported
Principal officers: Frederick J. Fisher owner.

Fortune & Co./Risk Managers Inc.

7933A State Line Road, Box 8643,
Kansas City, Mo. 64114;
816-444-6855

Year founded: 1978.
Independent.
Services provided: 70% continuous consulting; 15% risk management audits; 15% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance.
Staff: Four total staff, including three principal consultants. Professional designations held by staff include two CPCUs, one attorney.
Compensation: By the project; by the hour: senior consultant, $60-$75; secretarial, $15.
1981 gross revenues: Approximately $100,000.
Principal officers: David E. Fortune, president; B.A. Selfridge Jr., Stephen H. King, vps.



Leonard R. Friedman Risk Management Inc.

325 Fifth Ave., New York, N.Y.;
212-889-7900

Year founded: 1974.
Independent.
Services provided: 90% continuous consulting; 6% risk management audits; 4% special projects, including occasional risk retention analysis (and self-insurance studies), captive feasibility studies, insurance contract analysis, claims auditing, loss prevention audits, preparation of specifications for bidding.
Locations: Westbury, N.Y.; Washington, D.C.
Staff: Seven total staff, including two principal consultants, three consultants.
Clients: 24 total clients; 90% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million.
Minimum size client: $100,000.
Compensation: On retainer; by the hour: senior consultant, $130; consultant, $60; junior consultant, $35; secretarial, $12.
1981 gross revenues: $300,000.
Principal officers: Leonard R. Friedman, president; Alice B. Weiss, executive vp; Mary Daniels, assistant vp.

G

Glenn, Nyhan & Associates Inc.

55 New Montgomery St., San
Francisco, Calif. 94105;
415-777-2341

Year founded: 1980.
Parent company: BEA Associates.
Services provided: 10% continuous consulting; 5% risk management audits; 25% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, development of claims prevention and control program; occasional claims auditing, accounting system analysis, broker service and remuneration evaluation, development of statistical computer claims tracking systems; 60% insurance brokerage for corporate and association clients.
Staff: 14 total staff, including four principal consultants, two consultants, two analysts. Professional designations held by staff include one CPCU, one MBA, two attorneys, one CPA.
Clients: 40 total clients; 38% with risk and insurance budget less than $1 million; 2% $1 million to $5 million.
Minimum size client: $50,000.
Compensation: By the hour: senior consultant, $125; consultant, $75-$100; junior consultant, $40-$60; secretarial, $25.
1981 gross revenues: $500,000.
Principal officers: Paul E. Dorroh, vice chairman/chief executive officer; Bartholomew G. Nyhan, president; Rich E. Glenn Jr., executive vp/insurance brokerage; Ron-

ald W. Shepherd, executive vp/finance and administration.

Dave Goodwin & Associates

P.O. Drawer 54-6661, Surfside, Fla. 33154; 305-531-0071

Year founded: 1963.
Independent.
Services provided: 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies; occasional broker service and remuneration evaluation, preparation of specifications for bidding.
Locations: Miami Beach, Fla.
Staff: Two total staff, including one principal consultant.
Clients: 35 total clients; 98% with risk and insurance budgets less than $1 million; 2% $1 million to $5 million.
Minimum size client: $50,000.
Compensation: By the project.
1981 gross revenues: $210,000.
Principal officers: Dave Goodwin.

H

Frank B. Hall Risk Management Inc.

89 Broad St., Boston, Mass. 02110; 617-723-5592

Parent company: Frank B. Hall & Co. of Massachusetts.
Services provided: Risk management audits; special projects, including occasional risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; governmental risk management services.
Staff: 24 total staff, including three principal consultants, seven consultants, 10 analysts. Professional designations held by staff include three CPCUs, six ARMs, one MBA.
Clients: 32 total clients; 80% with risk and insurance budgets less than $1 million; 17% $1 million to $5 million; 3% $5 million to $10 million.
Minimum size client: $100,000.
Compensation: By the project; on retainer; by the hour: senior consultant, $125-$140; consultant, $50-$90; junior consultant, $30-$50; secretarial, $15-$20.
1981 gross revenues: $2.5 million.
Principal officers: Frederic C. Church Jr., president; Barbara Thornton, Roger N. Pearse, senior vps.

Thomas J. Hammond & Co.

Ahmanson Center East, Suite 326, 3701 Wilshire Blvd., Los Angeles, Calif. 90010; 213-480-3833

Year founded: 1975.
Independent.
Services provided: 90% continuous consulting; 8% risk management audits; 2% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance.
Staff: Five total staff, including two principal consultants.
Clients: 40 total clients.
Compensation: By the project; on retainer; by the hour.
1981 gross revenues: Not reported.
Principal officers: Thomas J. Hammond, president; Joan C. Morris, executive vp/assistant secretary.
Member of: IRMC.

Harrison Risk Management & Safety

2120 Jimmy Durante Blvd., Suite U, Del Mar, Calif. 92014; 714-481-1569

Year founded: 1980.
Independent.
Services provided: 15% continuous consulting; 30% risk management audits; 40% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, risk management organization studies; occasional risk retention analysis (and self-insurance studies), loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting; 15% loss prevention training, writing risk management and loss prevention articles and books.
Staff: One total staff, including one principal consultant.
Clients: 10 total clients; 100% with risk and insurance budgets less than $1 million.
Compensation: By the hour: senior consultant, $50; secretarial, $11.
1981 gross revenues: Not reported.
Principal officers: A. Powell Harrison, owner/principal.

Health Education & Loss Prevention Services Inc.

8109 Second St., Downey, Calif. 90241; 213-928-1012

Year founded: 1971.
Parent company: Akros Medico Enterprises Inc.
Services provided: 40% continuous consulting; 10% special projects, including frequent claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies; occasional analysis of necessary insurance limits; 50% independent insurance adjusting, claims supervision.
Staff: Seven total staff, including four principal consultants.
Clients: Nine total clients; 100% with risk and insurance budgets of $1 million to $5 million.
Compensation: By the project.
1981 gross revenues: $250,000.
Principal officers: Jack L. Mumme, president; Biddy Lou Mumme, secretary/treasurer; Dovie Jo Raney, vp.

The Hershbarger Corp.

550 Humiston Road, Bay Village, Ohio 44140; 216-331-7983

Year founded: 1974.
Independent.
Services provided: 10% continuous consulting; 70% risk management audits; 15% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, minicomputer applications and software development for risk management;

Continued on next page

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Continued from previous page
occasional captive feasibility studies, claims auditing, loss prevention audits; 5% financial management.

Staff: Two total staff, including two principal consultants. Professional designations held by staff include one ARM, one MBA, one Ph.D.

Clients: 18 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $60-$75; consultant, $50-$60; junior consultant, $30-$50; secretarial, $15.

1981 gross revenues: Not reported.

Principal officers: Robert A. Hershbarger, president; Nancy J. Hershbarger, vp.

Member of: ICS.

Ernest A. Holfoth

S-4900 Lake Shore Road, Hamburg, N.Y. 4075; 716-627-5828

Year founded: 1978.
Independent.
Services provided: 75% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding, occasional risk retention analysis (and self-insurance studies), claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, quantitative analysis and statistical forecasting; 5% management of non-profit risk management educational organization.

Staff: Four total staff, including one principal consultant, one analyst. Professional designations held by staff include one CPCU, one ARM.

Clients: 20 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $40-$50; junior consultant, $40.

1981 gross revenues: Not reported.

Principal officers: Ernest A. Holfoth, proprietor.

Member of: ICS.

Robert Hughes Associates Inc.

15400 Knoll Trail, Suite 105, Dallas, Texas 75248; 214-980-0088

Year founded: 1979.
Independent.
Services provided: 60% continuous consulting; 30% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, quantitative analysis and statistical forecasting; occasional claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance.

Locations: El Paso, Texas; Calgary, Alberta.

Staff: Eight total staff, including two principal consultants, one consultant.

Clients: 50 total clients; 10% with risk and insurance budgets less than $1 million; 40% $1 million to $5 million; 40% $5 million to $10 million; 10% $10 million to $25 million.

Compensation: By the hour: senior consultant, $100-$130; consultant, $50-$100.

1981 gross revenues: $720,000.

Principal officers: Robert N. Hughes, president; Fred R. White, vp.

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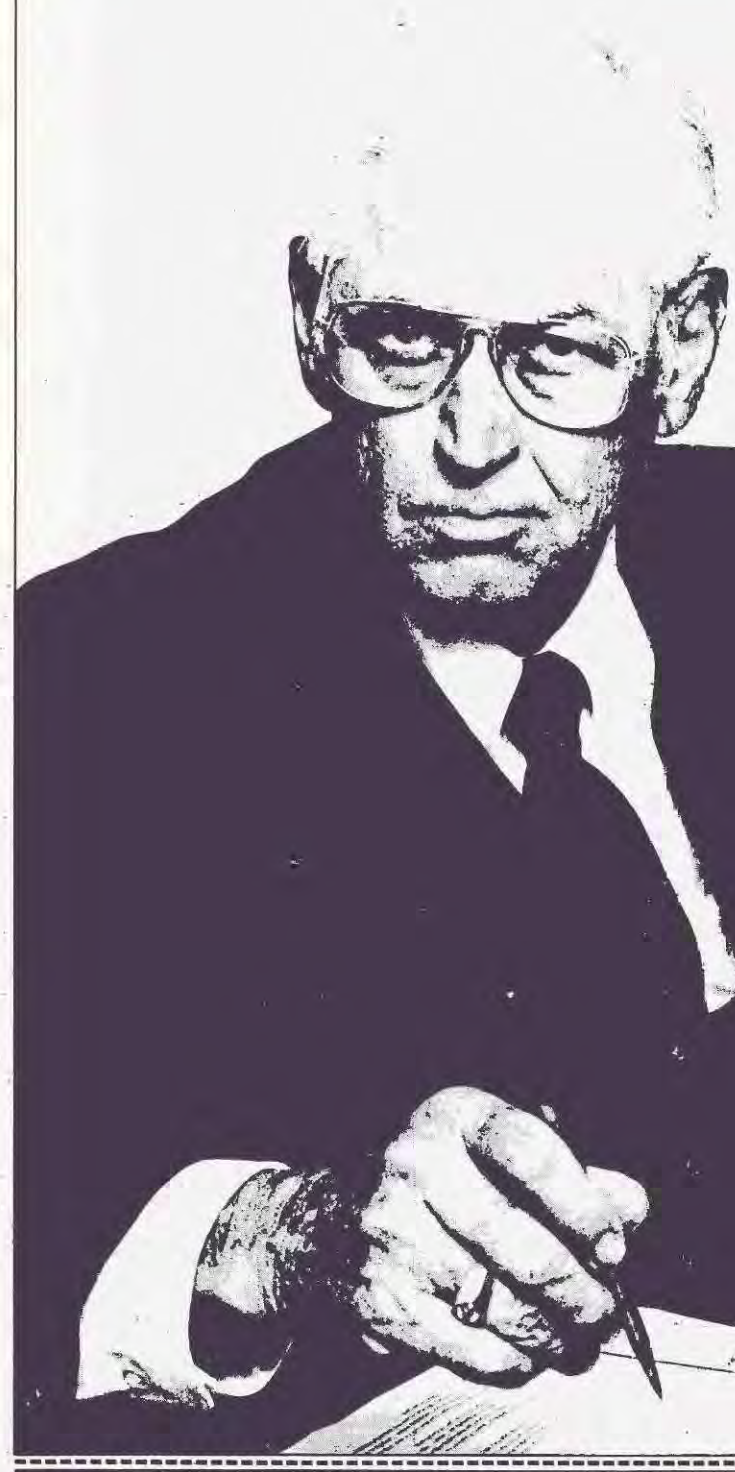

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81-2

Industrial Insurance Management Corp.

Box 18308, 5222 Monroe Road, Charlotte, N.C. 28218; 704-535-1123

Year founded: 1967.
Independent.
Services provided: 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, quantitative analysis and statistical forecasting.

Locations: Birmingham, Ala.; Richmond, Va.

Staff: 23 total staff, including four principal consultants, eight consultants, six analysts. Professional designations held by staff include two CPCUs, one ARM, one MSPA, one attorney.

Clients: 159 total clients; 74% with risk and insurance budgets less than $1 million; 23% $1 million to $5 million; 2% $5 million to $10 million; 1% $10 million to $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $70; consultant, $60; junior consultant, $20.

1981 gross revenues: $932,000.

Principal officers: Glen Pehl, president/treasurer; Norman Crews, executive vp; Henry J. Dreiks, first vp; William Kemp, secretary; Douglas F. Miller, Richard Fisher, vps.

Industrial Risk Specialists Inc.

150 Great Neck Road, Great Neck, N.Y. 11021; 516-487-1700

Year founded: 1980.
Independent.
Services provided: 85% continuous consulting; 10% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: Three total staff, including two principal consultants. Professional designations held by staff include one CPCU, one ARM, one CLU.

Clients: 32 total clients; 80% with risk and insurance budgets less than $1 million; 20% $1 million to $5 million.

Minimum size client: $50,000.

Compensation: By the project; on retainer.

1981 gross revenues: Not reported.

Principal officers: Robert S. Sterling, president; Daniel S. Sterling, secretary/treasurer.

Insurance Advisory Service Inc.

1909 K. St. N.W., Suite 200, Washington, D.C. 20006; 202-833-3680

Year founded: 1975.
Independent.
Services provided: 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance

contract analysis, claims auditing, loss settlement assistance, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, loss prevention audits, quantitative analysis and statistical forecasting.

Staff: Five total staff, including two principal consultants, one consultant.

Clients: 25 total clients; 90% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million.

Minimum size client: $40,000.

Compensation: By the project; by the hour: senior consultant, $100-$125; consultant, $60.

1981 gross revenues: $350,000.

Principal officers: Howard de Franceaux, president; John M. Heindel, executive vp.

Insurance Analysis Inc.

4809 Wichers Drive, Marrero, La. 70072; 504-340-7601

Year founded: 1971.

Independent.

Services provided: 95% continuous consulting; 2% risk management audits; 3% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, preparation of specifications for bidding, risk and oil field-related studies; occasional claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: 11 total staff, including three principal consultants, six consultants. Professional designations held by staff include two MBAs, one attorney.

Clients: 85 total clients; 65% with risk and insurance budgets less than $1 million; 20% $1 million to $5 million; 10% $5 million to $10 million; 5% $10 million to $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $80, includes clerical; expert testimony, $120.

1981 gross revenues: Not reported.

Principal officers: Burnett J. Tappel II, president.

Member of: ICS.

Insurance & Financial Consultants Inc.

21 Baldwin Road, Warwick, R.I. 02886; 401-826-1711

Year founded: 1972.

Independent.

Services provided: 50% continuous consulting; 25% risk management audits; 15% special projects, including frequent analysis of necessary insurance limits, insurance contract anlysis, broker service and remuneration evaluation, loss settlement assistance, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, risk management organization studies, management consulting; 10% educational consulting.

Staff: Three total staff, including one principal consultant.

Clients: 79 total clients; 100% with risk and insurance budgets less than $1 million.

Minimum size client: $25,000.

Compensation: By the project; on retainer; by the hour.

1981 gross revenues: Not reported.

Principal officers: John F. Fitzgerald Jr.

Member of: ICS.

Insurance Audit & Inspection Co. Inc.

6526 E. 82nd St., Suite 206, Indianapolis, Ind. 46250; 317-849-2700

Year founded: 1901.

Independent.

Services provided: 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies.

Locations: St. Louis; Columbus, Ohio; Charlotte, N.C.

Staff: 14 total staff, including 10 principal consultants. Professional

Continued on next page

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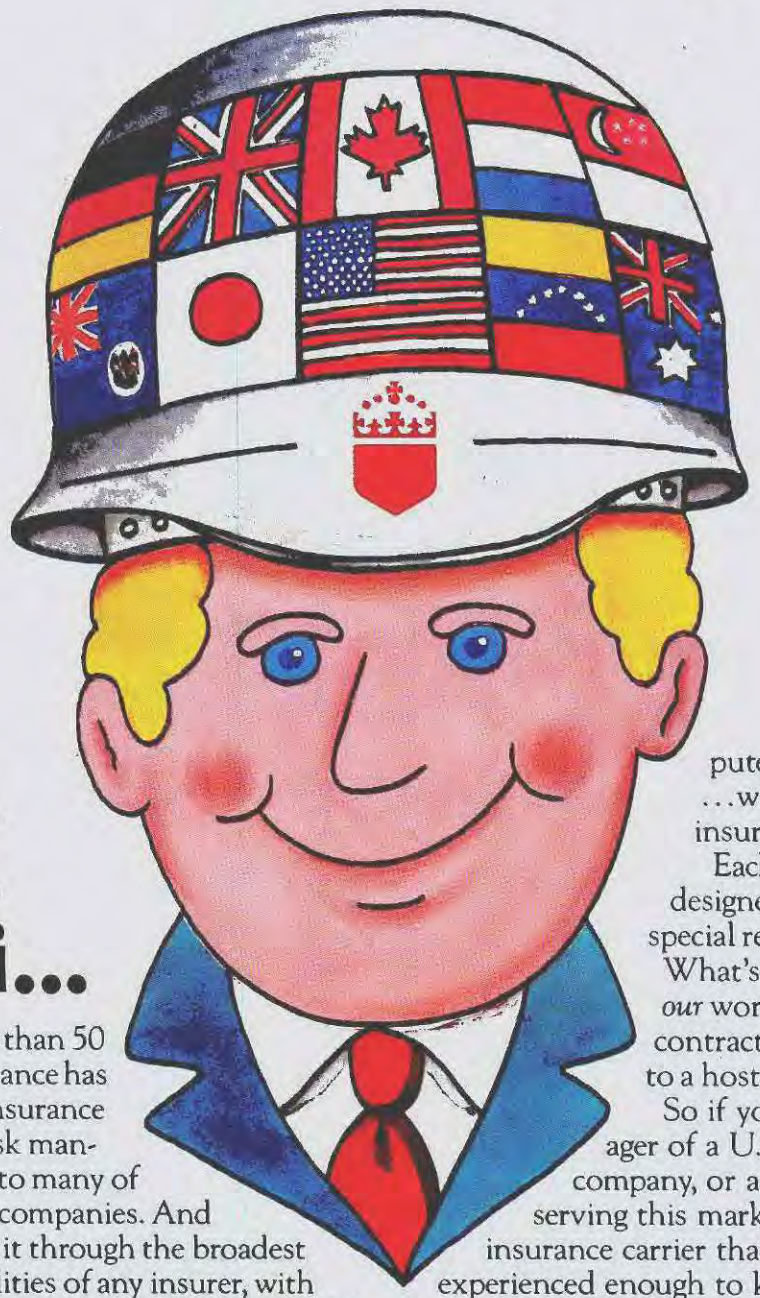

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designations held by staff include two CPCUs, one attorney.

Clients: More than 200 total clients; 50% with risk and insurance budgets less than $1 million; 35% $1 million to $5 million; 10% $5 million to $10 million; 5% $10 million to $25 million.

Minimum size client: Approximately $50,000.

Compensation: By the project.

1981 gross revenues: More than $1 million.

Principal officers: M.C. Houtz, president; P.C. Alderson, executive vp; J.J. Harris, vp; M.E. Free, secretary/treasurer.

Member of: IRMC.

Insurance Buyers' Council Inc.

22 West Road, Baltimore, Md. 21204; 301-828-1656

Year founded: 1945.
Independent.

Services provided: 81% continuous consulting; 9% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding; occassional captive feasibility studies, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: 15 total staff, including nine principal consultants, one consultant, one analyst. Professional designations held by staff include six CPCUs, eight ARMs, one fire protection engineer.

Clients: 200 total clients; 81% with risk and insurance budgets less than $1 million; 15% $1 million to $5 million; 4% $5 million to $10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $80; consultant, $60; junior consultant, $50.

1981 gross revenues: Approximately $1 million.

Principal officers: Carroll E. Henkel, chairman; Milton A. Sorrell Jr., president; A. Jackson Emery, executive vp; Bernard J. McGovern, senior vp, risk management department.

Member of: IRMC.

Insurance Management Bureau

941 E. 86th St., Suite 105, Indianapolis, Ind. 46240; 317-259-7418

Independent.

Services provided: 80% continuous consulting; 5% risk management audits; 15% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), insurance contract analysis, accounting system analysis, risk management organization studies, preparation of specifications for bidding.

Staff: Six total staff, including one principal consultant. Professional designations held by staff include one CPCU, one ARM.

Clients: 150 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; on retainer; by the hour.

1981 gross revenues: Not reported.

Principal officers: M.D. Randle, chairman; Dewey O. King, president; Ned Davis, vp; Teresa Deaton, secretary; Richard Gensel, treasurer.

Insurance Management Consultants

4113 W. Inman Ave., Tampa, Fla. 33609; 813-877-3360

Year founded: 1971.
Independent.

Services provided: 33.3% continuous consulting; 33.3% risk management audits; 33.3% special projects, including frequent insurance contract analysis, loss settlement assistance, preparation of specifications for bidding, miscellaneous insurance assistance; occasional risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, claims auditing, broker service and remuneration evaluation, risk management organization studies.

Staff: Three total staff, including one principal consultant, one consultant.

Compensation: By the hour.

1981 gross revenues: More than $50,000.

Principal officers: Otto Lee Henderson, president; William Taylor, vp.

Member of: ICS.

Insurance Management Planning Inc.

Box 1682, Lakeland, Fla. 33802; 813-687-3918

Year founded: 1980.
Independent.

Services provided: 10% continuous consulting; 25% risk management audits; 65% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.

Staff: Three total staff, including two principal consultants, one consultant.

Clients: 80% with risk and insurance budgets less than $1 million; 5% $1 million to $5 million; 15% $5 million to $10 million.

Minimum size client: $50,000.

Compensation: By the project; on retainer; by the hour: senior consultant, $50; consultant, $40; plus expenses.

1981 gross revenues: $150,000.

Principal officers: Robert A. Carr, president; Richard J. Chamberlain, Donald F. Brasier, vps.

Insurance Surveys Co.

Box 1058, 19 Chestnut St., Liberty, N.Y. 12754; 914-292-5390

Year founded: 1959.
Independent.

Services provided: 90% continuous consulting; 10% risk management audits, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, loss settlement assistance; occasional claims auditing, accounting system analysis, risk management organization studies, preparation of specifications for bidding.

Staff: Two total staff, including one principal consultant.

Clients: 10 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; by the hour: senior consultant, $35; secretarial, $5.

1981 gross revenues: $30,000.

Principal officers: Benjamin Levy, owner.

Member of: ICS.

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100 Johnstone St., Lexington, Va. 24450; 703-463-5991

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Year founded: 1979.
Independent.
Services provided: Include frequent risk retention analysis (and self-insurance studies), preparation of specifications for bidding; occasional captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation.
Staff: Two total staff, including two principal consultants. Professional designations held by staff include one CPCU.
Clients: One total client; 100% with risk management and insurance budget of $5 million to $10 million.
Compensation: By the day: senior consultant, $190.
1981 gross revenues: Not reported.
Principal officers: Louis E. Dwyer Jr., senior consultant.

Intex Management Co. Ltd.

2817 Regal Road, Plano, Texas 75075; 214-867-2200

Year founded: 1979.
Independent.
Services provided: 35% continuous consulting; 5% risk management audits; 60% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies; claims auditing, risk management organization studies, preparation of specifications for bidding; occasional analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, quantitative analysis and statistical forecasting.
Locations: Grand Cayman, British West Indies.
Staff: Nine total staff, including four principal consultants, one consultant. Professional designations held by staff include three ARMs, one MBA, one CSP, one CPA.
Compensation: By the project; on retainer; by the hour: senior consultant, $80-$150; consultant, $60-$95; junior consultant, $40-$60; secretarial, $20-$30.
1981 gross revenues: More than $600,000.
Principal officers: Klaus J. Gebhardt, chairman; B. Timothy Marsh, president of affiliate; Mark D. Gebhardt, senior vp; John F. Schappelle, vp.

The Richard N. Irmas Co.

307 S. Robertson Blvd., Beverly Hills, Calif. 90211; 213-652-7191

Year founded: 1981.
Independent.
Services provided: 40% risk management audits; 60% special projects, including capabilities to do risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.
Staff: Three total staff, including one principal consultant, one analyst. Professional designations held by staff include one CPCU, one ARM, one MBA, one CLU.
Clients: Three total clients; 33% with risk and insurance budgets less than $1 million; 66% $1 million to $5 million.
Minimum size client: $200,000.
Compensation: By the project; on retainer.
1981 gross revenues: Less than $75,000.
Principal officers: Richard N. Irmas, president; Dorothy Colvin, vp.

K

The Kairos Co.

20480 Pacifica Drive, Suite D, Cupertino, Calif. 95014; 408-257-9710

Independent.
Services provided: 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent insurance contract analysis, risk management organization studies, product liability prevention, safety engineering; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statistical forecasting, cash management.
Staff: Six total staff, including two principal consultants, two con-

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Decatur, Georgia 30035
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Continued from previous page

sultants. Professional designations held by staff include one attorney, one PE.

Clients: 25 total clients; 75% with budgets less than $1 million; 25% $1 million to $5 million.

Compensation: By the project; on retainer; by the hour.

1981 gross revenues: $250,000.

Principal officers: Lewis Bass, president; Hans W. Wynholds, general manager.

L

LMC & Associates

Box 1379, Lake Oswego, Ore. 97034; 503-245-1265

Year founded: 1981.
Independent.

Services provided: 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation preparation of specifications for bidding, broker selection assistance; occasional risk retention analysis (and self-insurance studies), loss settlement assistance, risk management organization studies.

Locations: Portland, Ore.

Staff: Two total staff, including one principal consultant.

Clients: 14 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; by the hour: senior consultant, $70.

1981 gross revenues: $50,000.

Principal officers: Lawrence M. Cooksey.

Justin S. Lencke

Route 4, Box 270, Marianna, Fla. 32446; 904-579-4575

Year founded: 1952.
Independent.

Services provided: 100% continuous consulting, including frequent analysis of necessary insurance limits, insurance contract analysis, loss settlement assistance, risk management organization studies; occasional claims auditing, loss prevention audits, preparation of specifications for bidding.

Staff: Four total staff, including one consultant, one analyst.

Clients: 120 total clients; 95% with risk and insurance budgets less than $1 million; 5% $1 million to $5 million.

Compensation: By the project; on retainer.

1981 gross revenues: More than $200,000.

Principal officers: Justin S. Lencke, owner; J.D. Lencke, junior consultant.

John Liner Insurance & Risk Management Advisers Inc.

555 Washington St., Wellesley, Mass. 02181; 617-235-8450

Year founded: 1959.
Independent.

Services provided: 70% continuous consulting; 20% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, quantitative analysis and statistical forecasting.

Staff: 10 total staff, including four principal consultants, two consultants. Professional designations held by staff include two CPCUs.

Clients: 45% with risk and insurance budgets less than $1 million; 55% $1 million to $5 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $90; consultant, $75.

1981 gross revenues: Not reported.

Principal officers: Douglas Bell, chairman/chief executive officer; Dwight E. Levick, president; Robert C. Dauer, executive vp; Thomas C. Radziewicz, Kenton Wells, vps.

Member of: ICS.

M

Robert E. Maynard, Risk & Insurance Management Consultant

325 Davis St., Evanston, Ill. 60201; 312-864-7717

Year founded: 1976.
Independent.

Services provided: 100% continuous consulting, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, accounting system analysis, broker service and remuneration evaluation, risk management organization studies.

Staff: One total staff. Professional designations held by staff include one CPCU.

Clients: Three total clients; 66% with budgets less than $1 million; 33% $5 million to $10 million.

Compensation: On retainer.

1981 gross revenues: $35,850

McNeary Insurance Consulting Services Inc.

6525 Morrison Blvd., Charlotte, N.C. 28211; 704-365-4150

Year founded: 1956.

Parent company: Booke & Co.

Services provided: 65% continuous consulting; 15% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional accounting system analysis; 10% casualty actuarial services.

Staff: 27 total staff, including five principal consultants, four consultants, four analysts. Professional designations include four CPCUs, one ARM, one MBA, one FCAS, one CSP, two PEs.

Clients: 200 total clients; 60% with budget less than $1 million; 30% $1 million to $5 million; 10% $5 million to $10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $85-$105; consultant, $65-$85; junior consultant, $40-$65; secretarial, $25.

1981 gross revenues: $1.1 million.

Principal officers: W.C. Moore Jr., president; T. Stephen Helms, senior vp; J. Lanny Goode, Richard G. Clarke, S. Neal Broome, Aguedo M. Ingco, vps.

Warren D. McPherson

Suite 225, Russo Building, Fredonia, N.Y. 14063; 716-673-1777

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Independent.

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analysis of necessary insurance limits, insurance contract analysis; occasional risk retention analysis (and self-insurance studies), claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding.

Staff: One total staff, including one principal consultant. Professional designations held by staff include one CPCU, one ARM.

Clients: 16 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $45.

1981 gross revenues: Not reported.

Principal officers: Warren D. McPherson.

Member of: ICS.

Melanber Inc.

488 Montford Drive, Dollard des Ormeaux, Quebec H9G 1M6

Year founded: 1978.

Independent.

Services provided: 45% continuous consulting; 45% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker serivce and remuneration evaluation, preparation of specifications for bidding, conduct in-house risk management seminars for clients; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies.

Staff: Three total staff, including one principal consultant, one consultant.

Clients: 24 total clients; 80% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million; 10% $5 million to $10 million.

Minimum size client: $50,000.

Compensation: By the project (for audits); on retainer; by the hour: senior consultant, $125; consultant, $60; expert witness, $200.

1981 gross revenues: More than $100,000.

Principal officers: Mel Parsons, president; Beryl Shapley, secretary/treasurer.

Member of: ICS.

Mund, McLaurin & Co. of Los Angeles Inc.

1100 El Centro St., Suite 103, South Pasadena, Calif. 91030

Year founded: 1920.

Independent.

Services provided: 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, purchase/merger/acquisition impact studies; occasional captive feasibility studies, accounting system analysis, loss settlement assistance, quantitative analysis and statistical forecasting, risk management review in "crisis management" environment.

Staff: Eight total staff, including four principal consultants, one consultant.

Clients: 105 total clients; 50% with risk and insurance budgets less than $1 million; 30% $1 million to $5 million; 10% $5 million to $10 million; 5% $1 million to $25 million; 5% more than $25 million.

Minimum size client: $2,500 fee.

Compensation: By the project; on retainer; by the hour: senior consultant, $90-$120; consultant, $75-$90; secretarial included.

1981 gross revenues: Not reported.

Principal officers: William J. Pinckney, Donald J. Voller, Paul W. Pinckney, John B. Toy, Virgil R. Howell.

Member of: IRMC.

Mund, McLaurin & Co. of San Francisco.

1990 N. California Blvd., Walnut Creek, Calif. 94596; 415-930-7557

Year founded: 1920.

Independent.

Services provided: 55% continuous consulting; 35% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of

Continued on next page

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specifications for bidding, lease and contract agreement analysis, joint power agreement studies; occasional quantitative analysis and statistical forecasting, loss settlement assistance, claims auditing.

Staff: Four total staff, including two principal consultants, one consultant.

Clients: 72 total clients; 85% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million; 5% $5 million to $10 million.

Compensation: By the project; on retainer (monthly billing for continuous service).

1981 gross revenues: $150,000.

Principal officers: Don L. DeVere, president.

N

NIA Risk Management Services Inc.

66 Route 17, Paramus, N.J. 07652; 201-845-6600

Year founded: 1978.
Parent company: NIA Inc.
Services provided: 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional claims auditing, loss prevention audits, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: Seven total staff, including two principal consultants, one consultant, two analysts.

Clients: 18 total clients; 100% with risk and insurance budgets less than $1 million.

Minimum size client: $100,000.

Compensation: By the project; on retainer.

1981 gross revenues: $150,000.

Principal officers: Paul L. Gross, president; William F. Meade, executive vp; Charles Rosenberg, regional vp.

Haig Neville Associates

6290 Commerce Road, West Bloomfield, Mich. 48033; 313-360-1350

Year founded: 1959.
Independent.
Services provided: 40% continuous consulting; 50% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, accounting system analysis, loss prevention audits, employee benefit consulting, risk management seminars.

Locations: Daytona Beach, Fla.; Hamilton, Bermuda; Windsor, Ontario; London.

Staff: 12 total staff, including three principal consultants, three consultants, two analysts. Professional designations held by staff include three CPCUs, two ARMs, one MBA, one FCAS, one attorney, one CLU.

Clients: More than 100 total clients; 95% with risk and insurance budgets less than $1 million; 4% $1 million to $5 million; 1% $5 million to $10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $100; consultant, $75; junior consultant, $67.50; secretarial included.

1981 gross revenues: Not reported.

Principal officers: Haig G. Neville, Mitchell Grossman, John T. Growney, principals.

P

William Peet, Insurance Consultant

2156 Iglehart Ave., St. Paul, Minn. 55104; 612-645-1845

Year founded: 1959.
Independent.
Services provided: 90% risk management audits; 10% insurance articles, speeches.

Staff: One total staff, including one principal consultant. Professional designations held by staff include one CPCU.

Compensation: By the hour: senior consultant, $75.

1981 gross revenues: Approximately $15,000.

Principal officers: William Peet, owner.

Member of: ICS.

H. Russell Perry

Box 611, Carlisle, Mass. 01741; 617-369-6111

Year founded: 1976.
Independent.
Services provided: 25% continuous consulting; 50% risk management audits; 25% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding; occasional claims auditing, loss settlement assistance.

Staff: Two total staff. Professional designations held by staff include one ARM.

Clients: 15 total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: On retainer; by the hour.

1981 gross revenues: Less than $100,000.

Principal officers: H. Russell Perry.

Member of: ICS.

R

Reed Risk Management

3 Embarcadero Center, San Francisco, Calif. 94111; 415-392-2980

Year founded: 1976.
Parent company: Reed Stenhouse Cos. Ltd.
Services provided: 5% continuous consulting; 5% risk management audits; 90% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, preparation of specifications for bidding, quantitative analysis and statistical forecasting, risk management information systems; occasional insurance contract analysis, claims auditing, loss settlement assistance, risk management organization studies.

Locations: In most major cities in United States; also in Australia and Europe.

Staff: 20 total staff, including four principal consultants, eight consultants, three analysts. Professional designations held by staff include four CPCUs, two ARMs, seven MBAs, one Ph.D.

Clients: 120 total clients; 3% with risk and insurance budgets less than $1 million; 35% $1 million to $5 million; 50% $5 million to $10 million; 10% $10 million to $25 million; 2% more than $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $95-$130; consultant, $70-$95; junior consultant, $35-$50; secretarial, $20-$30.

1981 gross revenues: Not reported.

Principal officers: Harry J. Harvey, chairman; Allen J. Monroe, president; Berne J. Scalisi, senior vp/manager; Robert I. Brown, Jan Farver, vps.

Regent Consultants Corp.

1955 Merrick Road, Merrick, N.Y. 11566; 516-546-1120

Year founded: 1963.
Independent.
Services provided: 5% continuous consulting; 90% risk management audits; 5% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, captive feasibility studies.

Staff: Three total staff, including one principal consultant, one consultant. Professional designations held by staff include one CPCU, one ARM, one attorney.

Clients: 28 total clients; 90% with risk and insurance budgets less than $1 million; 10% $1 million to $5 million.

Compensation: By the project; by the hour: senior consultant, $60.

1981 gross revenues: Not reported.

Principal officers: Philip Platzer, president.

RIMCO Risk Management Inc.

10300 N. Central Expressway, Bldg V, Suite 350, Dallas, Texas 75231; 214-363-2451.

Year founded: 1967.
Parent company: McM Corp.
Services provided: 25% continuous consulting; 35% risk manage-

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ment audits; 30% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, accounting system analysis, captive feasibility studies; 10% licensing and agency services.

Staff: 28 total staff, including five principal consultants, seven consultants, four analysts. Professional designations held by staff include four CPCUs, six ARMs, three MBAs, one Ph.D.

Clients: 250 total clients; 40% with risk and insurance budgets less than $1 million; 40% $1 million to $5 million; 10% $5 million to $10 million; 7% $10 million to $25 million; 3% more than $25 million.

Compensation: By the hour: senior consultant, $100; consultant, $55-$75; junior consultant, $45-$65; secretarial, $25.

1981 gross revenues: $1.5 million.

Principal officers: Keith C. Kakacek, president; Charles R. Lee, Clovis H. Brakebill, vps.

Risk & Benefit Management Systems

660 Newport Center Drive, Suite 1000, Newport Beach, Calif. 92660; 714-640-8070

Year founded: 1981.

Parent company: Bayly, Martin & Fay.

Services provided: 15% continuous consulting; 15% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting, alternate funding studies, captive management, employee benefit consulting and administration; occasional risk management organization studies, broker service and remuneration evaluation, accounting system analysis; 70% claims management, risk management administration, loss control, statistical services.

Locations: Los Angeles, Orange, Burlingame, Walnut Creek, Calif.; Denver; New York; Boise, Idaho; Orlando, Fla.; Phoenix, Ariz.; Portland, Ore.; Salt Lake City; Reno, Nev.; Montpelier, Vt.; Hamilton, Bermuda.

Staff: 140 total staff, including five principal consultants, one consultant, seven analysts. Professional designations held by staff include two CPCUs, two MBAs, one CSP, two attorneys, one ACH.

Clients: 77 total clients; 55% with risk and insurance budgets less than $1 million; 34% $1 million to $5 million; 8% $5 million to $10 million; 3% $10 million to $25 million.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $100; consultant, $80; junior consultant, $45; secretarial, $28.

1981 gross revenues: $5.5 million.

Principal officers: W.R. Kersten, president; R. Littell, R. Salisbury, R. Jenkins, J. Hickey, senior vps; H. Forkush, vp.

Risk Consultants Inc.

5101 Minnaqua Drive, Golden Valley, Minn. 55422; 612-529-5627

Year founded: 1978.

Independent.

Services provided: 20% continuous consulting; 60% risk management audits; 20% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), claims auditing, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, executive financial management programs.

Locations: Minneapolis, Minn.

Staff: Six total staff, including two principal consultants, two consultants. Professional designations held by staff include one CPCU, one CSP, two attorneys, two Ph.Ds, one AAA.

Clients: 25 total clients; 95% with risk and insurance budgets less than $1 million; 5% $1 million to $5 million.

Minimum size client: $30,000.

Continued on next page

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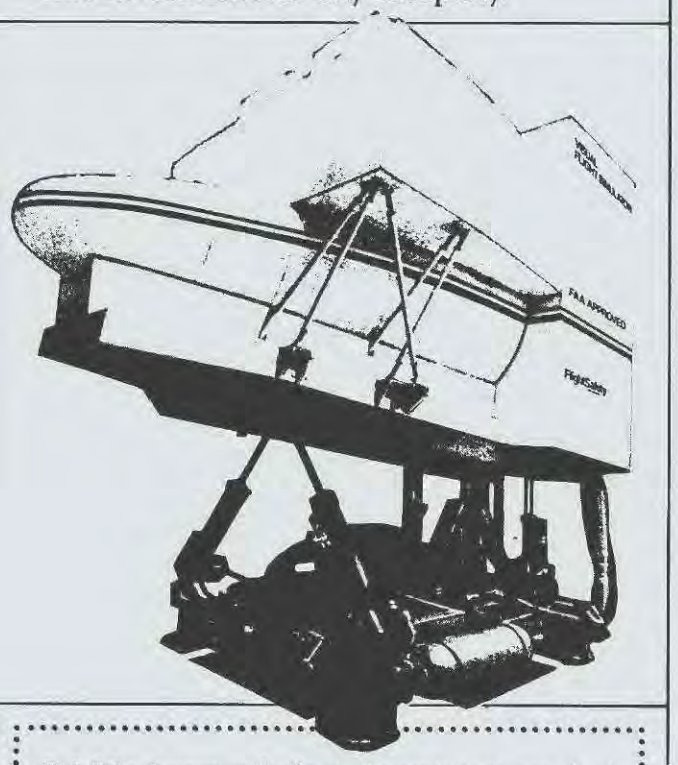

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Continued from previous page

Compensation: By the project; on retainer; by the hour: senior consultant, $80-$100; consultant, $50-$80; junior consultant, $35-$50; secretarial, $15.

1981 gross revenues: Not reported.

Principal officers: Andrew F. Whitman, Brian G. Colway, Dennis C. Doherty, James E. Olds, C. Arthur Williams.

Risk Consultants Inc.

2915 Providence Road, Suite 300, Charlotte, N.C. 282111; 704-364-2600

Year founded: 1969.
Independent.
Services provided: 30% continuous consulting; 50% risk management audits; 20% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, accounting system analysis, broker service and remuneration evaluation, quantitative analysis and statistical forecasting.

Locations: Dallas; Denver; Indianapolis.

Staff: 20 total staff, including five principal consultants, six consultants, two analysts. Professional designations held by staff include three CPCUs, three ARMs, two CLUs, one CFP, two FPEs.

Clients: 700 total clients; 80% with risk and insurance budgets less than $1 million; 20% $1 million to $5 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $75; consultant, $60; junior consultant, $35; secretarial, $11.

1981 gross revenues: $665,000.

Principal officers: Merle Randle, chairman; Mike Murphy, Dewey King, presidents; Richard Canovai, Vance Maultsby, vps.

Risk Consultants Inc.

P.O. Box 251, Sheboygan, Wis. 53081; 414-457-7781

Year founded: 1971.

Parent company: Gottsacker Insurance Agency Inc.

Services provided: 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional risk retention analysis (and self-insurance studies), accounting system analysis, broker service and remuneration evaluation.

Locations: Manitowoc, Wis.

Staff: Two total staff, including two principal consultants. Professional designations held by staff include one CPCU, one ARM, one CLU.

Clients: Six total clients; 100% with risk and insurance budgets less than $1 million.

Compensation: On retainer; by the hour: senior consultant, $50.

1981 gross revenues: More than $40,000.

Principal officers: Edwin W. Storer, president; Donald E. Huber, vp.

Risk Education & Research Center

696 Country Club Road, Eugene, Ore. 97401; 503-686-0577

Year founded: 1977.
Independent.
Services provided: 15% continuous consulting; 25% risk management audits; 50% special projects, including frequent insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, employee benefits; occasional risk retention analysis, analysis of necessary insurance limits, claims auditing, loss prevention audits, loss settlement assistance, staff development; 10% workshops, seminars, agent education.

Staff: Six total staff, including four principal consultants, three consultants, one analyst. Professional designations held by staff include one CLU.

Clients: 50 total clients; 50% with risk and insurance budgets less than $1 million; 40% $1 million to $5 million; 10% $5 million to $10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $75-$100; consultant, $50-$75; secretarial, $20.

1981 gross revenues: Less than $100,000.

Principal officers: John F. Janzen, Sam B. Huston, partners.

Risk Management Advisory Services

41 Seaview Drive N., Rolling Hills Estates, Calif. 90274; 213-541-1052

Year founded: 1978.
Independent.
Services provided: 80% continuous consulting; 15% risk management audits; 3% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding, quantitative analysis and statistical forecasting, full administration of self-insurance programs; occasional risk retention analysis (and self-isurance studies), claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies; 2% general risk management-related services, third-party administration.

Staff: Two total staff, including one principal consultant.

Clients: 13 total clients; 7.5% with risk and insurance budgets less than $1 million; 70% $1 million to $5 million; 15% $5 million to $10 million; 7.5% $10 million to $25 million.

Minimum size client: $500,000.

Compensation: By the project; on retainer; by the hour: senior consultant, $85, plus expenses.

1981 gross revenues: $70,000.

Principal officers: Ross L. Oliver, operator.

Risk Management Associates Inc.

Box 441110, Aurora, Colo. 80014; 303-696-1211

Year founded: 1981.
Independent.
Services provided: 10% continuous consulting; 25% risk management audits; 65% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss settlement assistance, risk management organization studies, independent claims administration, electronic data processing data base design, premium allocation programs; occasional preparation of specifications for bidding, quantitative analysis and statistical forecasting, captive feasibility studies.

Locations: Denver.

Staff: Three total staff, including two principal consultants. Professional designations held by staff include one ARM, one MBA.

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Clients: Three total clients; 33% with risk and insurance budgets less than $1 million; 33% $5 million to $10 million; 33% $10 million to $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $65; secretarial, $25.

1981 gross revenues: Not reported.

Principal officers: Robert Chorak, president; David Dybdahl, vp.

Risk Management Consultants Inc.

1700 Sunset Ridge Drive, Laguna Beach, Calif. 92651; 714-494-4451

Year founded: 1977.

Independent.

Services provided: 45% continuous consulting; 40% risk management audits; 15% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding; occasional loss prevention audits, accounting system analysis, loss settlement assistance.

Staff: Three total staff. Professional designations held by staff include one CPCU, one ARM.

Clients: 21 total clients; 30% with risk and insurance budgets less than $1 million; 50% $1 million to $5 million; 20% $5 million to $10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $80; secretarial, included.

1981 gross revenues: $131,500.

Principal officers: William S. Mortimer, president.

Risk Management Consultants Inc.

250 W. 57th St., New York, N.Y. 10019; 212-582-2214

Year founded: 1957.

Independent.

Services provided: 80% continuous consulting; 20% risk management audits.

Staff: Six total staff, including one principal consultant, two consultants. Professional designations held by staff include one CPCU, one MBA.

Clients: More than 50 total clients.

Compensation: On retainer; by the hour: senior consultant, $50-$100.

1981 gross revenues: Not reported.

Principal officers: Ezra Lipshitz.

Member of: ICS.

Risk Management Inc.

1800 Ave. of the Stars, Los Angeles, Calif. 90067; 213-553-4205

Year founded: 1967.

Parent company: Pinehurst Corp.

Services provided: 65% continuous consulting; 5% risk management audits; 10% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, insurance contract analysis, quantitative analysis and statistical forecasting; occasional analysis of necessary insurance limits, claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; 20% reinsurance placement.

Locations: New York; Hamilton, Bermuda; Grand Cayman, British West Indies.

Staff: 40 total staff, including six principal consultants, nine consultants, 13 analysts. Professional designations held by staff include two CPCUs, two ARMs, seven MBAs, one attorney, five CPAs.

Clients: 40 total clients; 55% with risk management and insurance budgets of $1 million to $5 million; 30% $5 million to $10 million; 10% $10 million to $25 million; 5% more than $25 million.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, $100-$150; consultant, $85-$100; junior consultant, $60-$85; secretarial, $25.

1981 gross revenues: $2.7 million.

Principal officers: George M. Powers, chairman; Thomas W. Knaup, president; Steven P. Tiberg, executive vp; James Kofmehl Jr., senior vp; Robert C. Whiting, director.

Continued on next page

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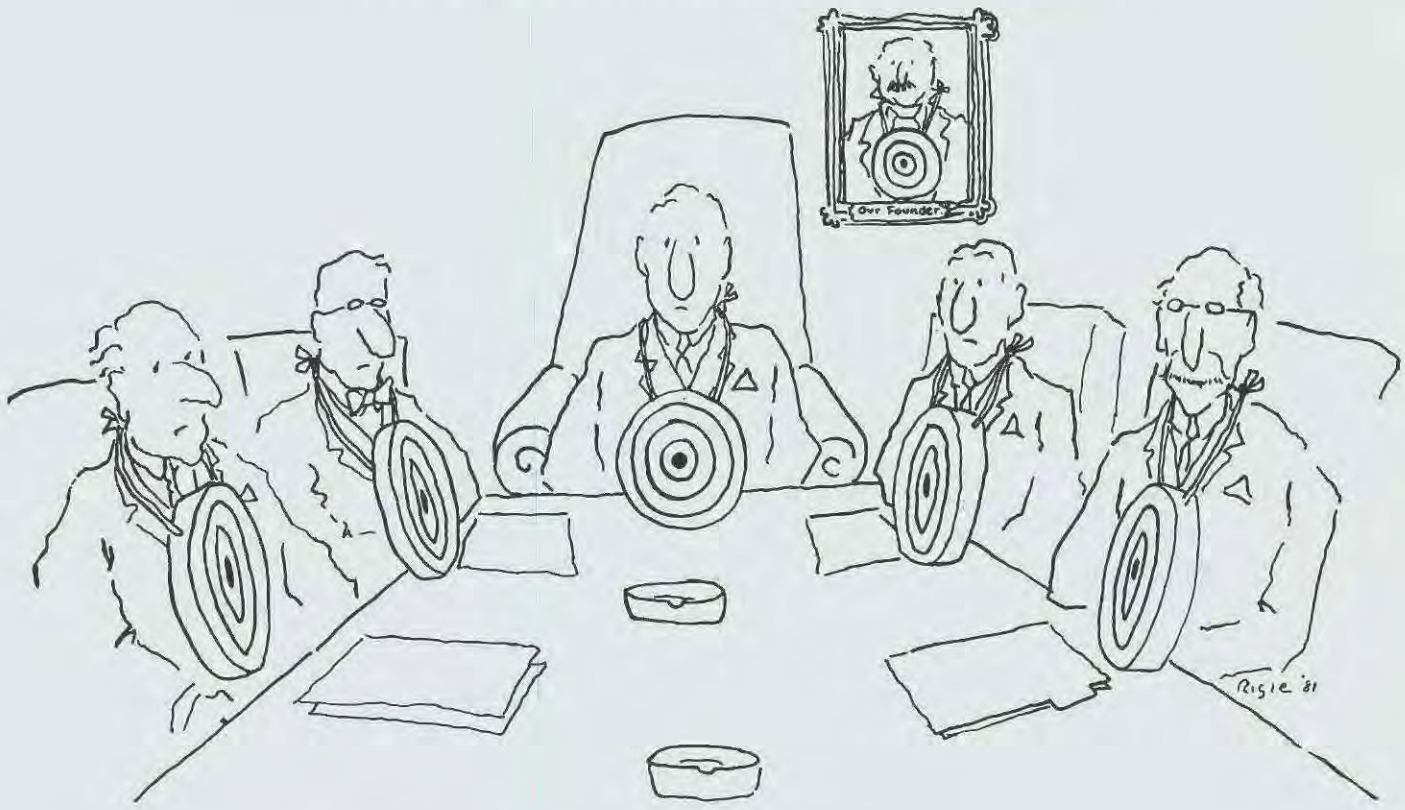

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Continued from previous page

Risk Management Programs

5 Salt Box Lane E., Darien, Conn. 06820; 203-655-9118

Year founded: 1980.
Independent.
Services provided: 40% continuous consulting; 45% risk management audits; 15% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, loss settlement assistance; speeches and seminars.
Staff: Two total staff, including one principal consultant, one analyst.
Clients: Eight total clients; 100% with risk and insurance budgets less than $1 million.
Compensation: By the project; on retainer; by the hour: senior consultant, $85-$100; junior consultant, $40-$50.
1981 gross revenues: Less than $100,000.
Principal officers: Charles F. Moody Jr., president.
Member of: IRMC.

Risk Planning Group Inc.

722 Post Road, Darien, Conn. 06820; 203-655-9791

Year founded: 1970.
Independent.
Services provided: 3% continuous consulting; 45% risk management audits; 27% special projects including frequent risk retention analysis (and self-insurance studies), captive feasibility studies analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, employee benefit consulting, risk management information system development; occasional claims auditing, loss prevention audits, accounting system analysis, loss settlement assistance; 25% publications and conferences.
Locations: Paris affiliate. Associate consultants in London, Tel Aviv, Sydney, Caracas, San Francisco.
Staff: 25 total staff, including seven principal consultants, two consultants, seven analysts. Professional designations held by staff include four CPCUs, four ARMs, 10 MBAs, one MAAA, one attorney, one CMC, one CPA.
Clients: 86 total clients; more than 40% with risk management and insurance budgets of more than $25 million.
Compensation: By the hour: president/consultant, $175; vp/consultant, $125; senior consultant, $95; junior consultant, $60; secretarial, $40.
1981 gross revenues: $1.65 million.
Principal officers: H.F. Kloman, president; B.M. Brown, M.J. Cole, R. Preston, D.H. Rosenbaum, W.R. Smith, vps.

Risk Sciences Group

45 Camino Alto, Mill Valley, Calif. 94941; 415-381-0211

Year founded: 1978.
Parent company: Crawford & Co.
Services provided: 5% continuous consulting; 10% risk management audits; 85% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, accounting system analysis, preparation of specifications for bidding, quantitative analysis and statistical forecasting, risk management information systems, FASB 5 reserve development, captive reserve development; occasional broker service and remuneration evaluation, risk management organization studies.
Locations: San Francisco; New York; Atlanta.
Staff: 30 total staff, including five principal consultants, 16 consultants, six analysts.
Clients: 27 total clients; 2% with risk and insurance budgets less than $1 million; 12% $1 million to $5 million; 7% $5 million to $10 million; 4% $10 million to $25 million; 2% more than $25 million.
Minimum size client: $500,000.
Compensation: By the project; on retainer; by the hour: senior consultant, $120-$150; consultant, $80-$120; junior consultant, $40-$80; secretarial, $15-$25.
1981 gross revenues: Not reported.
Principal officers: Joseph A. Destein, president; Richard Denning, executive vp.

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S

Self Insurance Administrators Inc.

3580 Fifth Ave., San Diego, Calif. 92103; 714-297-5061

Year founded: 1976.
Parent company: Corroon & Black Corp.
Services provided: 2% risk management audits; 2% special projects, including occasional claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, claims program design; 96% claims administration: workers compensation, liability and property self-insurance programs.
Locations: Albuquerque, N.M.
Staff: Two total staff. Professional designations held by staff include one MBA, one CSP.
Compensation: By the project.
1981 gross revenues: $24,000.
Principal officers: Terry Coleman, drector of risk management; William Dobberteen, general manager; Craig Helm, California self-insurance plans.

Skandia Adivsory Service Corp.

280 Park Ave., New York, N.Y. 1017; 212-490-0500

Year founded: 1978.
Parent company: Skandia Corp.
Services provided: 80% continuous consulting; 5% risk management audits; 10% special projects, including frequent claims auditing, risk management organization studies, prepration of specifications for bidding, quantitative analysis and statistical forecasting; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance, new property/casualty operation organization; 5% real estate and other non-insurance projects.
Staff: 12 total staff, including two principal consultants, one consultant. Professional designations held by staff include one CPCU, one ARM, one MBA, one attorney.
Clients: 31 total clients; 2% with risk and insurance budgets less than $1 million; 71% $1 million to $5 million; 27% $5 million to $10 million.
Compensation: By the project; on retainer; by the hour: senior consultant, $100.
1981 gross revenues: Not reported.

Principal officers: Laszlo K. Gonye, president; James F. Dowd, executive vp; Pierre R. Vallet, vp; Robert G. Schatz, assistant vp.

E.W. Siver & Associates Inc.

Box 21343, St. Petersburg, Fla. 33742; 813-557-2780

Year founded: 1970.
Independent.
Services provided: 45% continuous consulting; 35% risk management audits; 20% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, employee benefit consulting; occasional risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.
Staff: 14 total staff, including four principal consultants, four consultants. Professional designations held by staff include three CPCUs, two ARMs, two attorneys, three CLUs.
Clients: 50 total clients; 45% with risk and insurance budgets less than $1 million; 2% $1 million to $5 million; 3% $10 million to $25 million.
Compensation: By the project; on retainer; by the hour: senior consultant, $75; consultant, $50; junior consultant, $35; secretarial, $15.
1981 gross revenues: Not reported.
Principal officers: Edward W. Siver, president; Robert I. Siver, vp/treasurer; James Marshall Jr., vp.

St. Paul Risk Services Inc.

230 Hamm Building., 408 St. Peter St., St. Paul, Minn. 55102; 612-221-7203

Year founded: 1978.
Parent company: St. Paul Fire & Marine Insurance Co.
Services provided: 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, loss prevention audits, quantitative analysis and statistical forecasting; occasional claims auditing, accounting system analysis, assistance, risk management organization studies, quantitative analysis and statistical forecasting.
Locations: Chicago.; Arlington, Texas; Washington, D.C.
Staff: 63 total staff, including three principal consultants, three consultants, three analysts. Professional designations held by staff include five CPCUs, two MBAs, two ACASs, one CSP.
Clients: 10% with risk and insurance budgets less than $1 million; 90% $1 million to $5 million.
Compensation: By the project; on retainer; by the hour: senior consultant, $90; consultant, $75; junior consultant, $50; secretarial, $35.
1981 gross revenues: Not reported.
Principal officers: Jon A. Roeder, president; William P. Walsh, financial services officer; Rhenda L. Miller, marketing officer; Ellen L. Conway, operations manager.

T

Trenwick Inc.

21 Charles St., Westport, Conn. 06880; 203-226-8116

Year founded: 1978.
Parent company: Trenwick Ltd.
Services provided: 40% continuous consulting; 10% risk management audits; 50% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, claims auditing, loss settlement assistance; occasional analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.
Locations: Hamilton, Bermuda.
Staff: 12 total staff, including three principal consultants, two consultants, one analyst. Professional designations held by staff include one CPCU, two MBAs, two attorneys..
Clients: 25% with risk and insurance budgets less than $1 million; 25% $1 million to $5 million; 50% $5 million to $10 million.
Compensation: By the project; on retainer.
1981 gross revenues: $300,000.
Principal officers: James F. Billett, president; Angus Robinson, Mark Hinkley, Brian M. O'Hara, senior vps; Robert E. Brownley, vp.

W

David Warren

58 Diablo View Drive, Orinda, Calif. 94563; 415-254-9472

Year founded: 1979.
Independent.
Services provided: Include frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional loss prevention audits, accounting system analysis, loss settlement assistance; publishing.
Staff: One total staff, includes principal consultant. Professional designations held by staff include one CPCU.
Compensation: By the project; by the hour: senior consultant, $125.
1981 gross revenues: Not reported.
Principal officers: David Warren.
Member of: IRMC.

Warren, McVeigh & Griffin

1420 Bristol St. N., Newport Beach, Calif. 92660; 714-752-1058

Year founded: 1968.
Independent.
Services provided: 30% continuous consulting; 40% risk management audits; 30% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, risk management information surveys, captive audits, government pool audits; occasional captive feasibility studies, accounting system analysis, loss settlement assistance; publishers of "The Umbrella Book."
Locations: San Francisco.
Staff: 23 total staff, including 12 principal consultants, four analysts. Professional designations held by staff include eight CPCUs, four ARMs, three MBAs, one FCAS.

Continued on next page

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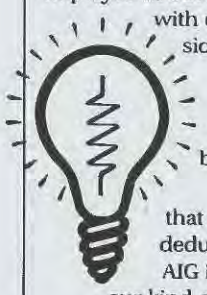

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B

Continued from previous page

Clients: 140 total clients; 15% with risk and insurance budgets less than $1 million; 50% $1 million to $5 million; 20% $5 million to $10 million; 12% $10 million to $25 million; 3% more than $25 million.

Compensation: On retainer; by the hour: senior consultant, $105-$150; consultant, $65-$100; junior consultant, $35-$45; secretarial, $15-$30.

1981 gross revenues: $1.3 million.

Principal officers: C.C. Griffin, Erin Oberly, Steven Kahn, Michael Kaddatz, Lee Van Slyke, Alan Cantor.

Member of: IRMC.

Waters Risk Management

7110 Augusta Blvd. N., Seminole, Fla. 33543; 813-397-8665

Year founded: 1978.
Independent.
Services provided: 35% continuous consulting; 40% risk management audits; 15% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, loss prevention audits, broker service and remuneration evaluation, loss settlement assistance; 10% risk management/insurance education.

Staff: Three total staff, including one principal consultant. Professional designations held by staff include one CLU, one CPCU, one ARM.

Clients: 22 total clients; 99% with risk and insurance budgets less than $1 million; 1% $1 million to $5 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $60; secretarial, $5.

1981 gross revenues: Not reported.

Principal officers: Allan Paul Waters.

Member of: IRMC.

Will-Gard Administrators Inc.

2525 Route 22 W., Box 987, Union, N.J. 07083; 201-687-3400

Year founded: 1977.
Independent.
Services provided: 90% continuous consulting; 3% risk management audits; 7% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, manage and conduct safety programs; occasional captive feasibility studies, accounting system analysis, broker service and remuneration evaluation, preparation of specification for bidding.

Locations: Paterson, Toms River, N.J.

Staff: 51 total staff, including three principal consultants, eight consultants, five analysts. Professional designations held by staff include four CPCUs, four MBAs, one attorney.

Clients: 80% with risk and insurance budgets less than $1 million; 20% $1 million to $5 million.

Minimum size client: $200,000.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer.

1981 gross revenues: Not reported.

Principal officers: Richard K. Williams, chairman; Frank X. Gartland, president; Joseph V. Egan, vp; Bruce A. Bilancia, treasurer.

Member of: IRMC.

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San Francisco, CA 94105
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The Wyatt Co.

Suite 5600, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-2000.

Year founded: 1942.
Independent.
Services provided: 30% continuous consulting; 40% risk management audits; 30% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, special industry surveys, evaluation of loss reserves and self-insurance funds, special exposure analysis; occasional loss prevention audits, accounting system analysis, loss settlement assistance; other actuarial and consulting services constitute 95% of Wyatt revenue.

Locations: Dallas; Detroit; La Jolla, San Francisco, Calif.

Staff: 39 total staff, including 19 consultants, two administrators, two analysts, three actuaries, two actuarial assistants, four clerical. Professional designations held by staff include 13 CPCUs, seven ARMs, nine MBAs, one FCAS, two ACAS, four attorneys, two PEs.

Clients: 510 total clients.

Compensation: By the project; on retainer; by the hour: consultant, $55-$175; actuary, $85-$150; actuary assistant, $45-$75; administrator, $30-$62; analyst, $30-$55; secretarial, $25-$45.

1981 gross revenues: Not reported.

Principal officers: Warren G. Brockmeier, director of risk management division; Richard R. Huntington, manager of western region risk management; Edgar W. Armstrong, manager of Washington risk management; Henry P. Devlin, manager of Detroit risk management; J. Peter Jensen, manager of San Francisco risk management; Arthur E. Parry, manager of Dallas risk manager.

Member of: IRMC.

Addendum

Additional consultants are profiled

AIG Risk Management Inc.

70 Pine St., New York, N.Y. 10270; 212-770-7000

Year founded: 1974.
Parent company: American International Group Inc.
Services provided: 60% continuous consulting; 5% risk management audits; 35% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss prevention audits, accounting system analysis, broker service and remuneration evaluation, loss settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.

Locations: Chicago; Houston; Los Angeles; Atlanta; Brussels; London.

Staff: 97 total staff, including six principal consultants, 14 consultants, 21 analysts. Professional designations held by staff include four CPCUs, two ARMs, nine MBAs, three ACAS, two CSPs, two attorneys.

Clients: 360 total clients; 1% with risk and insurance budgets less

than $1 million; 45% $1 million to $5 million; 38% $5 million to $10 million; 14% $10 million to $25 million; 2% more than $25 million.

Compensation: By the project.

1981 gross revenues: $26.4 million.

Principal officers: Joseph C. Smetana Jr., president; Frank Neuhauser Jr., vp/actuary; Daniel Bense, Martin Banker, Michael Curio, vps.

Anistics Inc.

640 Fifth Ave., New York, N.Y. 10019; 212-541-6050

Year founded: 1970.

Parent company: Alexander & Alexander Inc.

Services provided: 50% continuous consulting; 50% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statistical forecasting, risk management information systems; occasional insurance contract analysis, loss settlement assistance, risk management organization studies, loss prevention consulting.

Locations: New York; Atlanta; Palo Alto, Calif.; Denver.

Staff: 100 total staff, including 12 principal consultants, 10 consultants, 45 analysts. Professional designations held by staff include one CPCU, four MBAs, one FCAS, five Ph.Ds.

Clients: 300 total clients; 20% with risk and insurance budgets less than $1 million; 45% $1 million to $5 million; 25% $5 million to $10 million; 5% $10 million to $25 million; 5% more than $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $110-$200; consultant, $75-$90; junior consultant, $40-$60; secretarial, $35.

1981 gross revenues: $4.9 million.

Principal officers: Peter M. Densen, president; Dennis Aaron, Luther T. Griffith, Ted Nygreen, Dick Raas, managing vps.

Asset Protection Inc.

Box 3392, Modesto, Calif. 95353; 209-577-5929

Year founded: 1977.

Independent.

Services provided: 20% continuous consulting; 15% risk management audits; 30% special projects, including frequent loss prevention audits, accounting system analysis, broker service and remuneration evaluation; occasional risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss settlement assistance, risk management organization studies, preparation of specifications for bidding; 20% internal audits and controls, personnel and labor relations; 15% crisis management.

Locations: Reno, Nev.; Miami, Fla.

Staff: 10 total staff, including two principal consultants, five consultants, two analysts.

Clients: More than 30 total clients; 99% with risk and insurance budgets less than $1 million; 1% more than $25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, $75-$100; consultant, $50; junior consultant, $30.

1981 gross revenues: Not reported.

Principal officers: S.P. Bear, Ted Masoni.

Capell Industrial Risk Management Inc.

240 Nassau St., Princeton, N.J. 08540; 609-924-3326

Year founded: 1978.

Independent.

Services provided: 99% continuous consulting; 1% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, preparation of specifications for bidding; occasional loss prevention audits, loss settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: Five total staff, including one principal consultant, two consultants (one assistant). Professional designations held by staff include two attorneys, one Ph.D.

Clients: 55 total clients; 98% with risk and insurance budgets less than $1 milion; 2% 1 million to $5 million.

Minimum size client: $50,000.

Compensation: By the hour, $86.

1981 gross revenues: $280,000.

Principal officer: Jim Capell. ■

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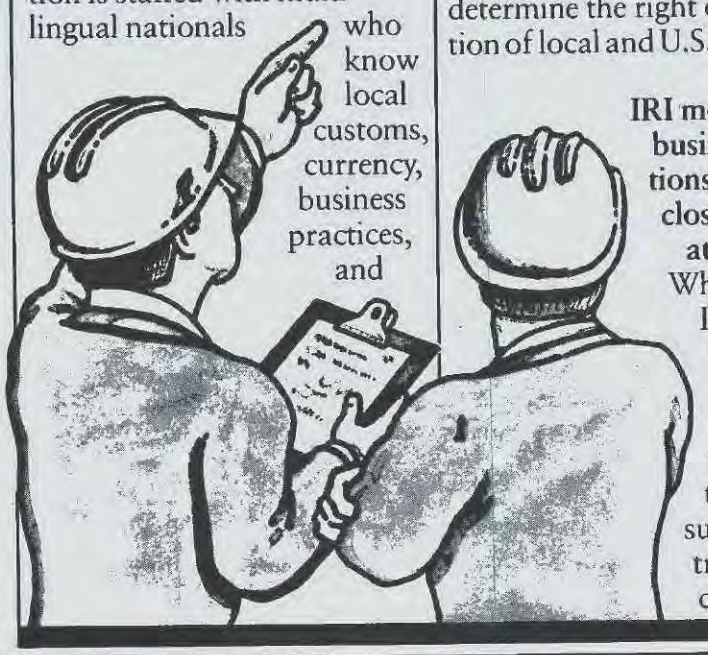

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Accountants offering advice on computer system failures

By STEPHEN TARNOFF

'Our approach is to be involved in actions to be taken, resources to be used and procedures to be followed before, during and after a breakdown,' says Martin E. Silverman of Coopers & Lybrand.

Highly computerized companies can choose from a number of ways to protect themselves from the dangers of computer system breakdown.

Everything from pointers on commonplace physical security to outright disaster planning are available from a growing new breed of computer risk consultants. Although many companies still choose to evaluate and reduce their computer risks themselves, the need for consultants is growing with the use of computers.

Companies seeking assessments of their exposure from computer hardware or software failure can tap consulting firms that have specialists in computer security, risk management and general data processing.

The new consultants include the largest accounting firms in the country, many of whom became involved as an outgrowth of their auditing function.

Coopers & Lybrand, for example, offers a wide range of computer risk evaluation services and can advise on insurance to cover financial loss from a computer hardware failure.

For losses occurring to stored information, however, insurance is not often the best preparation for a disaster.

Coopers & Lybrand also advises its clients to have good security procedures and a contingency plan for major disasters.

"Our approach is to be involved in actions to be taken, resources to be used and procedures to be followed before, during and after a computer breakdown," says Martin E. Silverman, partner in charge of electronic data processing consulting services for Coopers & Lybrand in Chicago.

Security can help stop problems before they start. Basic security includes such measures as providing fire extinguishers, having locks on doors and restricting access, Mr. Silverman explains.

Contingency planning includes protecting against events that have a low probability of happening but would be very costly to the company if they did. Natural disasters and sabotage come under this category.

The majority of companies today address the security issue but ignore contingency planning for disasters, Mr. Silverman believes.

Disaster planning is becoming more and more necessary since computer systems within a company are often dependent on one another, according to Fred A. Manuele, managing director of M&M Protection Consultants, the hazards management division of Marsh & McLennan Inc.

A shutdown of one facility can have a dramatic effect on production and personnel in other departments, he says. Not enough companies have truly evaluated business interruption potentials and the interdependency of systems.

"It's talked about more often than well accomplished," Mr. Manuele says, who points out that the planning "is not inexpensive."

Mr. Manuele also points out that total protection from felonious entry into the system probably is not available.

Several computer-dependent firms say they do have disaster plans and security programs, but they execute them internally without the help of consultants.

Eli Lilly & Co. in Indianapolis has an "information systems committee" that addresses many of the computer problems. Several departments, including loss protection, fire protection and security, are involved.

Donald C. Arbogast, manager of risk management, says a lot of redundancy is built into Lilly's fairly

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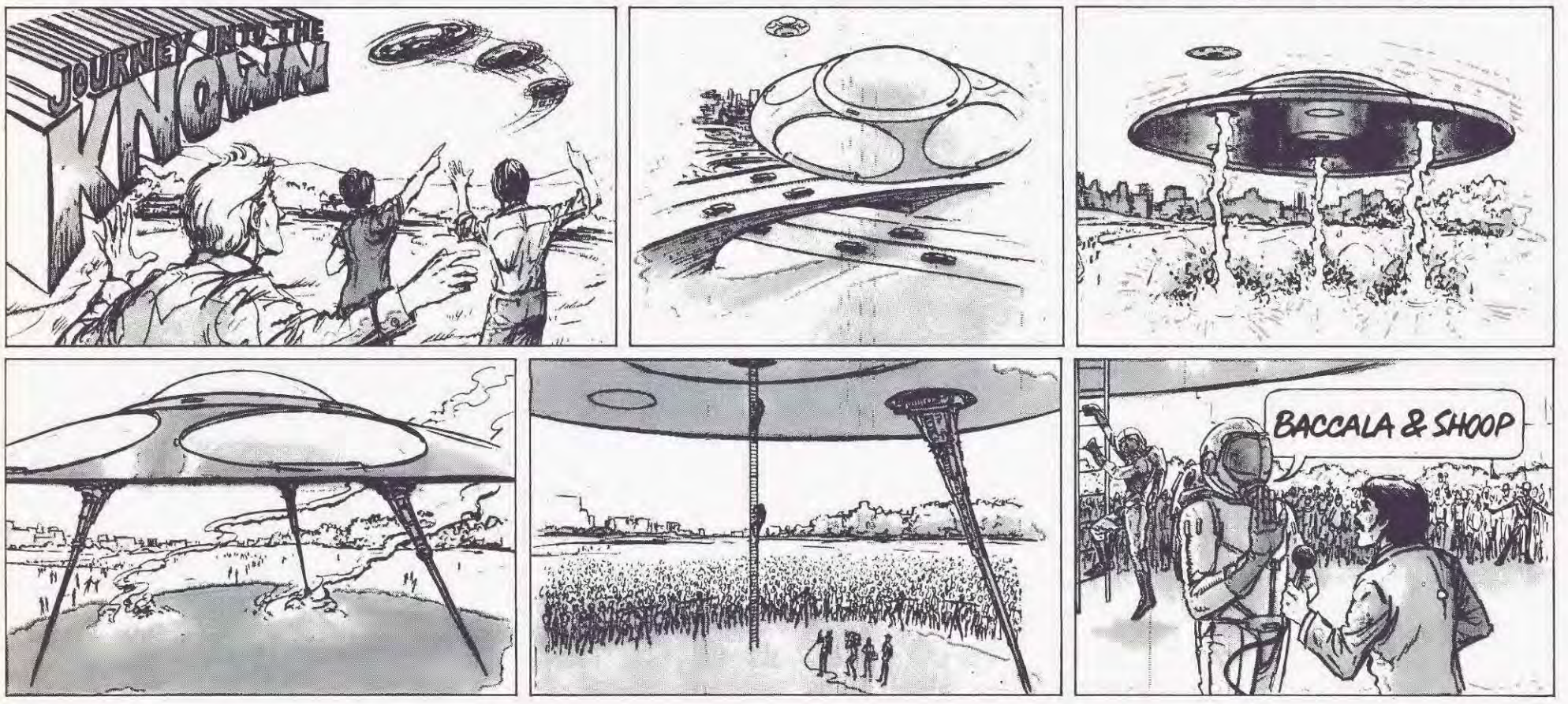

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sophisticated computer system.

The company has informal agreements with local manufacturers, banks and other companies with comparable computer equipment that would allow Lilly to use another system if its system failed. Meetings are held periodically to rehearse emergency operations.

Walter J. Fraser, manager of safety and loss control for Safeway Stores in Oakland, Calif., also says the company relies on "backup material" with hardware and software available in more than one location. The greatest exposures are vandalism or theft, he says.

"We have a large exposure, a large computer installation," says William G. Hughes, head of risk management for Southern California Edison Co., which has about 3.25 million customers.

For protection, it also has backup facilities and arrangements with other companies to tap into their systems in emergency. The risk management department gives advice, but reducing the risk is more the responsibility of those operating the systems.

Martin Marietta Corp. in Bethesda, Md., also has an off-premises backup system, according to Director of Risk Management James F. Murray.

"It's just considered a good prudent act," he says. "Some clients like to see it and practically insist on it."

The company has a contingency plan for data processing that includes written reciprocal agreements with other companies.

The data center staff is most involved in the disaster planning, but the risk management department has some hand in it, he adds. ■

Consultants on the move

Watch new consulting firms for some familiar faces in the risk management services business.

Two new firms, ETM Management Co. and The Fisher Associates are both new vehicles for consultants formerly with other risk management companies.

ETM Managment Co. of Richardson, Texas, for example, is the brainchild of E. Tom Miller, formerly president of Scor Risk Management, a services subsidiary of Scor Reinsurance Co.

When the subsidiary was closed last year, Mr. Miller started his own company to service former Scor Risk Management clients.

"I will be working in some of the same areas as I did with Scor Risk Management: captives and the reinsurance of captives offshore, risk management audits and insurance management of all types," Mr. Miller explains.

"In addition, we will be working with smaller agents and brokers to help them develop new cash-flow and self-insurance programs for their clients."

ETM, with a three-person domestic staff, is preparing Rent-a-Captive programs and other cash-flow designs that agents will be able to market to companies ready to expand risk management beyond fully-insured plans.

The Fisher Associates of Torrance, Calif., is another new home for an experienced consultant, Fredrick J. Fisher, formerly a partner with Miller & Gilbert of Culver City, Calif.

Mr. Fisher left Miller & Gilbert after a difference in opinion on corporate growth and direction.

"The new company will do many of the things I had been doing at Miller & Gilbert," Mr. Fisher notes. "We will still be heavily involved in excess and surplus lines claims adjusting, including product and professional liability cases. But we also plan to expand into claims management and self-insured claims administration as well as risk management and loss-control audits."

About 70% of the business handled by the firm's five-person staff involves claims adjusting and about 10% is risk management audits. All employees are lawyers.

The Fisher Associates is already planning branch offices in Northern California and Dallas.

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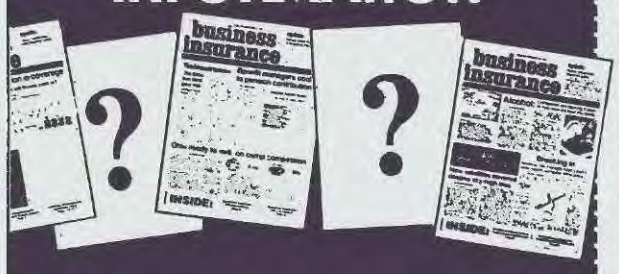

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Travelers offers pollution liability coverage

The Travelers Insurance Cos. joins a small but growing list of companies marketing pollution liability insurance with a new policy that covers a variety of pollution exposures for virtually any business.

The coverage is not limited to "obvious risks with distinct pollution exposures," says Travelers Vp C.J. Clarke, adding the policy is applicable to buyers ranging from small service stations to municipal landfills.

markets

The Travelers has been offering some pollution liability indemnification through its comprehensive general liability policies, says Tom Jackson, secretary of commerical lines in the product management division.

The market decided to increase its involvement with this policy, Mr. Jackson says, to provide its policyholders with broader coverage than could be achieved with a CGL policy.

Specifically, the policy covers pollution incidents involving liquids, solids, gasses or thermal wastes or pollutants.

It excludes any incident or waste that is expected or intended to damage the environment, property or people.

The policy also provides:

- Coverage for both sudden and non-sudden pollution incidents.
- Automatic coverage for individual sites not specified in the contract.
- Coverage for pollution liability arising out of closed, abandoned or completed sites.
- Coverage for product pollution liability.

A retroactive date is not normally required.

While The Travelers offers the coverage to both new business as well as renewals, it is not sold by itself. The policy will generally be marketed as a part of a company's casualty program, perhaps along side its general comprehensive liability and workers compensation coverages, Mr. Jackson says.

Coverage is on a claims-made basis and policies usually run for annual terms. The Travelers requires some type of risk assessment before coverage is accepted, Mr. Jackson says.

Limits vary according to the buyer's needs, he adds, although The Travelers expects most companies will want a minimum of $1 million. He anticipates that larger risks will look for limits of $5 million to $10 million.

The buyer must take a minimum deductible of $5,000 per claim or claims arising from the same incident. Since the policy is intended to provide catastrophe coverage, according to Mr. Jackson, the buyer will not want to "use up the premium with small deductibles."

"And you do want the insured at risk on something like this," he adds.

Insurer formed

Colorado Casualty Insurance Co. has been formed in Englewood, Colo., as a state-chartered insurance company to write property/casualty risks within the state.

The new market will concentrate on businesses and homes and says it is well-geared toward the needs of small businesses.

The company is now appointing independent insurance agents throughout Colorado to sell its products.

All capital for the multiline company was raised from the general investment community.

Its president. John R. Lusk, who has served as president of Colorado Management Co. since 1979, previously spent 16 years with The Hartford Insurance Group, first as a marketing representative and later as general manager of its Denver regional office. Colorado Management performed the research and development for the new company.

Managing agent

M.J. Hall & Co. has been appointed managing general agent by the Fremont Indemnity Co. to underwrite avaition insurance for Fremont and its subsidiary, Comstock Insurance Co.

The program is currently licensed in California and Arizona, with plans to expand to other states soon.

Fremont calls this arrangement a "logical extension" of the relationship it has had for many years with M.J. Hall in the property/casualty field.

Fremont Reinsurance Co. also has received a certificate of authority to write business in California.

The San Francisco-based company will write treaty reinsurance that is now being handled by the Fremont Indemnity Co.'s reinsurance division.

Increased capital

NWNL Reinsurance Co. has received an $11 million increase in capitalization from its parent company, Northwestern National Life Insurance Co.

This increase took place through a transfer of securities from Northwestern National and raises NWNL Re's capital base to $21 million.

NWNL Re is a property/casualty reinsurer with about $55 million in assets.

Name changed

New York-based Leonard R. Friedman & Co. has changed its name to Leonard R. Friedman Risk Management Inc. The 8-year-old company currently has a staff of seven serving 17 clients.

New name

IMC of Texas Insurance Agency Inc. of Houston has changed its name to Rotan Mosle Insurance Inc.

Acquisitions

Lincoln National Corp. has acquired **Insurance World Corp.**, a Denver franchisor of independent property/casualty insurance agencies.

New offices

Swett & Crawford has opened a branch office for the Minnesota, North Dakota and South Dakota area at Pentagon Office Park, 4940 Viking Drive, Edina, Minn. 55424; 612-831-4546. The company has also moved to new offices at Suite 2203, Westin Building, 2001 Sixth Ave., Seattle, Washington, 98121; 206-623-6312.

North American Reinsurance Corp. has moved its Chicago branch office to 200 S. Wacker Drive, Chicago, Ill. 60606. ■

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FEB. 22-24. Techniques of Loss Control course in Miami, Fla., sponsored by the Risk & Insurance Management Society; RIMS members, $345; for additional participants from the same company, $195; $445 for non-members. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

FEB. 23-25. The Role of Warnings: Product Safety and Liability Prevention workshop in Madison, Wis., sponsored by the University of Wisconsin; $375. Professor Richard A. Moll, Engineering Department, University of Wisconsin-Extension, 432 N. Lake St., Madison, Wis. 53706; 608-263-4712.

FEB. 25-26. Communication Security course in New York, sponsored by the Computer Security Institute; $470, prepaid. Computer Security Institute, Educational Resource Center, Box 528, Matawan, N.J. 07747; 201-566-6622.

FEB. 25-26. Loss Prevention: Explosion Hazards in Industry seminar in Saddle Brook, N.J., sponsored by the New Jersey Institute of Technology, Division of Continuing Education; $475. Also **April 26-27** in Woodbridge, N.J. Division of Continuing Education, New Jersey Institute of Technology, 323 High St., Newark, N.J. 07102; 201-645-5235.

MARCH 1-5. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; $535, $485 for three or more participants from the same company. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 713-932-9400.

MARCH 3-4. National Formaldehyde and Building-Related Illness conference in Indianapolis, sponsored by the Indiana Chapter of the Air Pollution Control Assn.; $75; for one day, $40; after Feb. 23, $90; for one day, $45. Dr. Thad Godish, Conference Chairman, Department of Natural Resources, Ball State University, Muncie, Ind. 47306; 317-285-7161.

MARCH 5-6. Occupational Health Nursing Principles and Certification Review seminar in Tarrytown, N.Y., sponsored by Fireman's Fund Risk Management Services; $195. Also **March 19-20** in Itasca, Ill. Annette B. Haag, Director of Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., Box 3890, San Rafael, Calif. 94911; 415-492-7758.

MARCH 8-9. Fourth Energy Security conference in Dallas, sponsored by the American Society for Industrial Security members, $265; non-members, $350. Lewis C. Schneider, ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

MARCH 8-9. Joint Defenses in Investigations and Litigation program in New York, sponsored by the Practising Law Institute; $275. Also **April 26-27** in San Francisco. Practising Law Institute, Department VTC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

MARCH 8-10. Fundamentals of Insurance course in Denver, sponsored by the Risk & Insurance Management Society; RIMS members, $345; $195 for additional participants from the same company; for non-members, $445. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MARCH 8-10. Loss Control for Risk Management seminar in Houston, sponsored by the International Safety Academy; $375, $335 for three or more participants from the same company. ISA, 10575 Katy Freeway, Box 19600, Houston, Texas 77024; 732-932-9400.

MARCH 9-11. Financial Analysis for Risk Management Decisions seminar in Los Angeles, sponsored by Cozzolino Associates; $685, plus $50 registration fee per company. Also **March 30-April 1** in New York. Cozzolino Associates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105/9531.

MARCH 10-12. Insurance Claims and Litigation Supervisors seminar in New Orleans, sponsored by the Defense Research Institute Inc.; $235. Anthony J. Karpowitz Defense Research Institute, 110 W. Wells St., Milwaukee, Wis. 53233.

MARCH 12-14. The New Medical Malpractice Equation conference in Rancho Mirage, Calif., sponsored by the Annenberg Center for Health Sciences; $425. Annenberg Center for Health Sciences, Office of Education, Eisenhower Medical Center, 39000 Bob Hope Drive, Rancho Mirage, Calif. 92270; 714-340-3911.

MARCH 15-16. Fourth Annual Hazardous Waste Management conference in Washington, sponsored by The Energy Bureau; $650. Carol A. Hertzoff, Planning Manager, The Energy Bureau Inc., 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

MARCH 15-17. Corporate Benefits Management conference in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, $470; non-members, $545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 16. Fundamentals: Risk Financing and Captives seminar in Bermuda, held in conjunction with the Sixth International Captive Insurance Company conference; $200. Eileen B. Callahan, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

MARCH 16-17. Fire Safety in Buildings conference in Orlando, Fla., sponsored by the Society of Fire Protection Engineers and the Engineering News Record; $477; two or more participants from the same company, $420. Also **April 21-22** in New York. D. Peter Lund, Executive Director, Society of Fire Protection Engineers, 60 Batterymarch St., Boston, Mass. 02110; 617-482-0686.

MARCH 16-18. Reasoning Reinsurance seminar in Dallas, sponsored by the Risk Management Institute, University of Dallas; $445. Professor Bruce Evans or Julie Allan, Risk Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-579-5360/5330/5299.

MARCH 17-18. Confined Space Entry workshop in Dallas, sponsored by Loss Prevention Associates; $285. Also **April 5-6** in Tulsa, Okla. Loss Prevention Associates, Box 59888, Dallas, Texas 75229; 214-241-0396.

MARCH 17-19. Sixth International Captive Insurance Company conference in Bermuda, sponsored by the Risk Planning Group Inc.; $650; $595 for additional participants from the same company. Eileen B. Callahan, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

MARCH 17-19. Self-Insurance, Risk Retention and Paid Loss Retro Plans seminar in New York, sponsored by the American Management Assns.; members, $590; non-members, $680. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-246-0800.

MARCH 17-20. Institute for New Trustees, Advanced Trustees and Administrators program in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; members, $390; non-members, $465. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 18-19. Fourth Biannual Marine seminar in San Francisco, sponsored by the Board of Marine Underwriters of San Francisco; $85. Board of Marine Underwriters of San Francisco Inc., 233 Sansome St., Suite 500, San Francisco, Calif. 94104.

MARCH 22-23. Health Care Costs Containment workshop in Denver, Colo., sponsored by the Health Research Institute; $395. Also **April 13-14** in New York. Workshop Coordinator, Health Reseach Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320 ■

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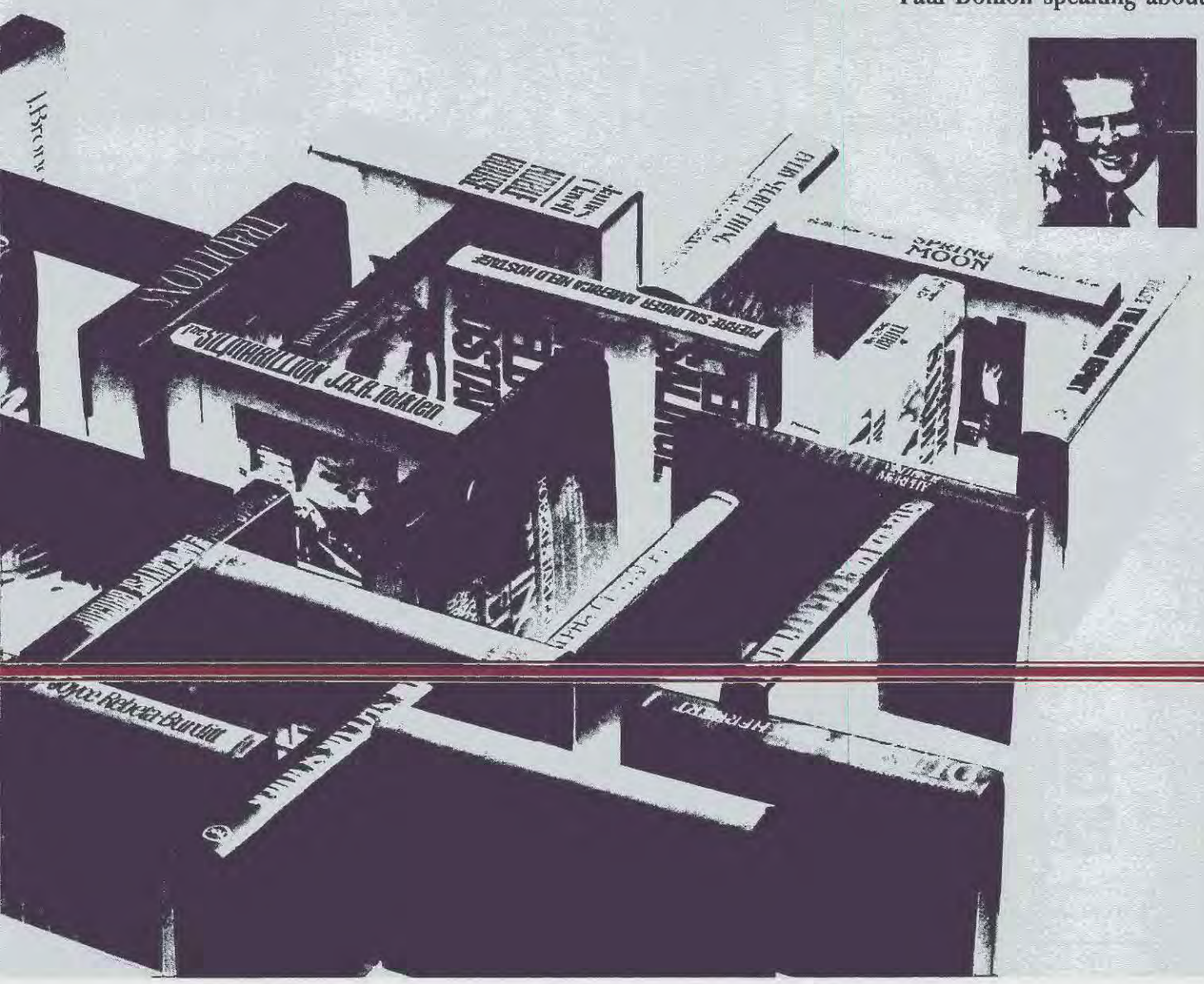

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Laker Airways' fleet of jets still covered

By STACY SHAPIRO

london line

LONDON—Laker Airways' fortunes may have taken a nosedive, but the fleet's insurance program is still intact.

"We have instructions to maintain insurance on the fleet by those who are responsible for receivership," said Tony Foucar, chairman of Plumer & Partners Ltd., Laker's insurance brokers.

As far as the Lloyd's broker is concerned, the hull and liability policies—insured through Lloyd's and the world aviation market—have been transferred to Bill Mackey, the receiver for Laker Airways at the London office of Ernst & Whinney, an accounting firm.

"As far as we are concerned, he is a newly acquired client and Sir Freddie (Laker) is no longer our client," Mr. Foucar said. The receiver can maintain the insurance until renewal this year.

Mr. Foucar received instructions to transfer Laker's insurance program on Feb. 5, the day Sir Freddie announced his airline had collapsed. the insurance will cover hull and liability for the 20 aircraft used by Laker, including 11 DC-10's and 3 European-built Airbuses.

A 5 million-pound bond ($9.3 million) also will help Laker pay back some of the thousands of passengers stranded by the airline when it ceased operation, a Laker spokesman said. The bond, insured through the Tour Operators Study Group Trust Fund, represents 10% of Laker's annual revenues and is required by British law to protect passengers from such a shutdown.

Fast-food policies

"We do it all for you" could be Stewart Wrightson Insurance Broking Group's new motto as it launches all-risk insurance packages for British fast-food shops and other businesses.

The "full-proof" insurance programs for liquor stores, "innkeeper" packages for hotels and fast-food "diner" packages are all underwritten by Lloyd's of London. They offer comprehensive coverage for building contents, deterioration of refrigerated food, cash and stock, legal liabilities. revenue losses, provision of alternative accommodations and compensation for assault on staff members.

The minimum premium is 75 pounds ($140) for limits up to 750,000 pounds ($1.4 million), but retailers can buy higher limits, the broker says, along with excess liability insurance up to a maximum of 2.5 million pounds ($4.68 million).

The package hasn't interested every hotel and fast-food company, however. Commonwealth Holiday Inns Canada, Ltd. recently switched its London brokers from Stewart Wrightson to the Sedgwick Group Ltd.

"We obviously consider the package at Sedgwick's to be better than Stewart Wrightson," said a Commonwealth Holiday Inns spokesman. Sedgwick offered wider coverage at more competitive prices for the company's eight hotels, plus another under construction, he said.

Syndicate results

Some Lloyd's of London names may have to dig deeper into their pockets because of their syndicates' poor results, according to just released syndicate figures for 1978.

Names on Syndicate 920—known as the Tanter Marine Syndicate—may have to pay 613 pounds ($1,146) for every 10,000 pounds of premium, according to the tables compiled by the Assn. of Members of Lloyd's. The tables list 160 Lloyd's syndicates, their premiums and claims, expenses, investment income and capital appreciation.

Divided into four main markets—marine, non-marine, aviation and motor—the tables also show how much premium is written for every 10,000 pounds put up by the names and their profit levels.

The syndicates listed comprise 82% of Lloyd's total premium volume in 1978, said Oliver Carruthers, one of the compilers and a Lloyd's name.

Tables detailing 1977 results were issued last fall (*BI*, Oct. 26, Nov. 2, 1981).

The tables allow Lloyd's members to compare their syndicates' results with others, Mr. Carruthers said. The figures are gathered by Lloyd's members who receive their syndicates' annual results from their members' agents.

According to Mr. Carruthers, Syndicates 750 and 127, managed by Alexander Howden (Underwriting) Group Ltd. with Ian Posgate as underwriter, pay profits of 2,005 pounds ($3,749) and 1,905 pounds ($3,562) respectively for every 10,000 pounds ($18,700) of premium.

Names on the marine syndicate managed by Merrett Syndicates Ltd. receive 1,097 pounds ($2,051) for every 10,000 pounds of premium. Janson, Green marine syndicate members receive 1,066 pounds ($1,993) for every 10,000 pounds underwritten.

Results from most of the large syndicates were consistent between 1977 to 1978, Mr. Carruthers said, but some show a great fluctuation. Syndicate 400, the Pryke Syndicate, for instance, didn't pay its members any profits in 1977 because of a 691,000-pound ($1.29 million) deficit. However, the syndicate paid members 938 pounds ($1,754) for every 10,000 pounds of premiums in 1978.

Mr. Carruthers said the 1977 loss could have stemmed from computer leasing claims.

Those who would like a copy of the tables can contact Oliver Carruthers, Chatset Ltd., 4 Wheatsheaf House, Carmellite Street, London, EC4, England.

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The rest of the 15 tapes examine Lloyd's and the London marine insurance market, tools of the trade, legal principles, losses, general averages, cargo clauses, freight insurance, reinsurance and examples of marine cargo claims.

The tapes, along with guidebooks, cost 195 pounds each (about $364) and are available from Insurance Educational Service, 69A Castle St., Farnham, Surrey, HU9 7LP, England; 0252-725659. ■

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Mother to get $10,000 a year from Riddell

RED BANK, N.J.—Riddell Inc., the nation's largest manufacturer of football helmets, has agreed to pay a Red Bank mother $10,000 a year for life after her son died from paralyzing injuries he received during a 1975 football game.

The helmet manufacturer will pay Shirley Osborne, 39, the mother of Alton "BoBo" Palmer, a lump sum of $70,000 and then $10,000 yearly for life, with payments not to total less than $100,000.

The award will be paid by Riddell's product liability insurer in 1976, the Insurance Co. of North America, according to the company's corporate counsel. There was no deductible.

The Palmer youth, a junior varsity defensive halfback for the Red Bank Regional High School football squad, was injured in 1975 while attempting to make a head-on tackle.

He died 19 months later from a respiratory ailment brought on by the paraylsis.

The suit says the helmet and face attachment the Palmer youth wore was dangerous and gave football players a false sense of security. Since the players could not feel pain, they believed they could use the helmet as a battering ram, Mrs. Osborne's attorney, Phillip Auerbach, said.

Riddell Inc. is a subsidiary of the California-based Bell-Riddell Inc. ■

Hectic days common for Lloyd's underwriter

someone you should know

By STACY SHAPIRO

LONDON—A day in the life of Stephen R. Merrett touches every facet of the Lloyd's of London underwriting community.

From early in the morning to sometimes late at night, he fulfills his duties as chairman of Merrett Syndicates Ltd., a members' agency with 3,250 names and a managing underwriting agency, as a leading marine underwriter and as a member of the Committee of Lloyd's, the body that oversees the Lloyd's community.

But he seems to go about his business very quietly. A burly man of 42, Mr. Merrett speaks softly despite running Lloyd's most successful independent underwriting agency.

"There is difficulty in the amount of time that the jobs take up and this can seriously impinge on one's off-duty time, so it is necessary to delegate authority as an underwriter," Mr. Merrett says as he sits in his company's new 7.1 million-pound ($13.3 million) office building near Lloyd's.

Thus, his 100-member staff runs the company's member and managing agents, as well as the four Lloyd's syndicates that have an aggregate premium capacity of 155 million pounds ($289.9 million). This frees up his schedule so he can devote time to Lloyd's Committee activities.

"Being on the committee is a tremendous opportunity and a challenge to try and solve some of the problems," Mr. Merrett explains.

Mr. Merrett got a taste for problem solving when he helped clean up the remains of the Sasse Syndicate, which went broke in 1978 under the tarnish of scandal. But since his four-year term on the committee began in 1980, he's assisted in pushing the Lloyd's self-regulation bill through Parliament and in dealing with day-to-day affairs at Lloyd's.

While he has been a committee member, Lloyd's has suspended four employees of Oakley, Vaughan & Co. Ltd. from conducting business in the market, Christopher Moran, managing director of Christopher Moran & Co., was acquitted by a London court on charges of attempting to defraud Lloyd's names and respected underwriter Robert Kiln resigned from the committee.

"Mr. Kiln's resignation was unfortunate," says Mr. Merrett. "It's a sad end to his career and a waste of his talents."

As a member of the committee, Mr. Merrett is especially interested in the problems of reserving for unknown future claims.

"Asbestosis and other (long-latent injury) claims are now going back to policies underwritten in the 1940s and there is every reason to suppose that asbestosis is not unique," he says.

No one should think that large losses, like those triggered by asbestosis, computer-leasing claims or the ships trapped in the Shatt-al-Arab waterway by the fighting between Iraq and Iran, will not occur again, Mr. Merrett notes, stressing that Lloyd's should properly reserve for such claims.

He says the Lloyd's community also needs better actuarial statistics to analyze its business, a job Mr. Merrett is also looking at as a member of the committee.

"It is difficult for newcomers to have the realization of how long it will take to satisfy an account," he says.

Although his committee business occupies many hours, Mr. Merrett finds time to sit at his marine underwriting box near the front door of Lloyd's and look at risks. From what he sees, however, he says there's almost no need to be in the box these days.

"If the market showed more interest in underwriting than in shuffling money around in circles, then there's more argument against an underwriter being absent from the box," Mr. Merrett says. "But there is little business being shown that is profitable when I am in the box, and there is little business to underwrite properly because the competitive forces are too strong."

Merrett syndicates also have been known to turn away some business, like comprehensive general liability policies for certain U.S. companies, because the losses are too great to justify.

But underwriters must always try to satisfy the client's needs, he says. It goes against the grain of underwriting to refuse to insure certain risks, like health hazards that have been excluded from the CGL policy by other Lloyd's syndicates.

"We have the need as underwriters to respond to the needs of the insured. If we cannot respond to them and make a profit for our names, then we must have changes in the insurance policy," he says.

"A risk manager now says, 'You understand our industry's problem (regarding health hazards), but instead of helping us you are backing away.'" Mr. Merrett says writing the CGL policy on a claims-made form may solve the problem for the underwriter, allowing him to still insure his client's risks.

Mr. Merrett concedes there are certain types of insurance that are currently more profitable to develop than others. Merrett's marine syndicate is a leader in political risk insurance, including war risks for marine clients, and although other insurance companies are now becoming involved in this field, there is still room for expansion, Mr. Merrett says.

The largest risks of the future, however, may come from the aerospace industry, he says.

"The risk is not new, but the growth in the next decade will be huge," he says. Billions of dollars will be needed to insure the cost of launches and the satellites in orbit. A launch costs $75 million and the average satellite is worth $250 million, but he expects the values to rise.

"The value of the satellite in orbit is such that when the amount of launches are reduced, the hardware already up there becomes more valuable," he says.

After Mr. Merrett is through at the box and with his committee work for the day, he may come back to his offices to make business decisions. For example, he and the directors of Merrett Holdings P.L.C., after six months of discussion, recently decided to sell 7.5% of the business to the public, the first private underwriting agency to do so.

"It cements a relationship with our members so that they are not outsiders to the agency," Mr. Merrett explains. They can now invest in the agency activities of Merrett Syndicates Ltd. through the holding company as well as invest in the Lloyd's underwriting side, he says.

Merrett earned 3.67 million pounds ($6.86 million) before taxes in 1980 and is estimated to earn 2.8 million pounds ($5.24 million) in 1981 and 4.4 million pounds ($8.23 million) in 1982.

The holding company will probably be quoted on the British Stock Exchange in about five years, Mr. Merrett says. By then, the company will be in a position to buy some of the underwriting agencies that will go up for sale if the Lloyd's self-regulation bill, including mandatory divestment of brokers and underwriters, passes Parliament.

But for now, Mr. Merrett is preparing for another hectic day. ■

Federal workers may receive chance to switch health plans

WASHINGTON—The 9 million participants in the federal government's health insurance program may get a chance to switch plans this spring.

The Office of Personnel Management, the federal agency that oversees the 126 different federal health plans, is considering holding an "open season" May 3 to May 28.

Open seasons, which traditionally are held in late November or early December, allow federal employees to shop around for plans with better benefits or lower costs.

But the 1981 open season for the federal health insurance program—the nation's largest—was canceled because of continuing legal battles over the kinds of benefits and size to be offered. As a result, federal workers were unable to change to lower-cost plans when premiums were hiked on Jan. 1 by an average of 31% (*BI*, Jan. 11).

Before the OPM makes a final decision, it will hold hearings Feb. 22 and 23 to address these issues:

- If an open season is held in May, should a second open season be offered this year?
- At what frequency should future open seasons be held?
- Should a transfer fee be levied on participants who change plans during an open season?
- Should plans be allowed to exclude certain pre-existing health conditions for enrollees who change plans?

Hearings will be in the OPM's auditorium, 1900 E St. N.W. The Feb. 22 hearing will begin at 1 p.m.; the Feb. 23 hearing starts at 10 a.m. ■

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Task force may suggest ERISA changes

By JERRY GEISEL

washington

WASHINGTON—The Reagan administration wants to simplify the pension reform law.

A special administration task force headed by Vice President George Bush will examine, among other things, ways to simplify the reporting requirements of the Employee Retirement Income Security Act of 1974.

The administration contends that some ERISA rules are so burdensome that some employers have terminated their pension plans rather than put up with government red tape.

Recommendations from the task force are expected later this year.

Product liability

This year's first congressional hearings on proposed federal product liability legislation are expected to be March 8 and 12.

The Senate Commerce Committee will focus on on draft legislation proposed by Sen. Bob Kasten, R-Wis., that would pre-empt state tort laws in favor of federal product liability standards.

The Kasten legislation, which is being revised, would make it tougher for injured consumers to recover damages in accidents caused by older products.

For example, under the first version of the bill, product liability suits involving major capital goods, like printing presses, would be barred 30 years after the product is delivered. Manufacturers of major home appliances could not be sued 20 years after they delivered their products. A 10-year cutoff would be imposed for other products.

The measure also would require plaintiffs to identify the specific manufacturer of an injury-causing product and strengthen a manufacturer's defense against liability if products were altered or modified without its consent.

The second draft of the Kasten legislation is expected to be published later this month.

Social Security

Social Security benefits could jump 8.5% in June, consultant Towers, Perrin, Forster & Crosby predicts.

An 8.5% increase would boost the total annual Social Security payout to $157 billion from $144.6 billion.

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

CPI increases through December 1981 ensure Social Security recipients will receive a minimum 6.8% increase in June. If inflation continues at an annual rate of at least 7.5% through the first quarter of 1982, the hike would be about 8.5%.

With an 8.5% increase, the average monthly benefit would rise to $406 from $374.

Social Security benefits rose 11.2% in 1981.

New OSHA official

Patrick Tyson, a veteran federal safety official, has been appointed head of the Occupational Safety and Health Administration's Office of Federal Compliance and State Programs.

In the new position, Mr. Tyson will be responsible for developing compliance programs for OSHA's 1,200 field inspectors.

He also will oversee the activities of the 24 states that have their own OSHA-approved job safety and health programs.

Mr. Tyson previously served as assistant counsel for state programs and grants in OSHA's solicitor's office.

In that position, he provided legal advice relating to approval and evaluation of state OSHA safety programs.

Concrete workers

The Occupational Safety and Health Administration wants public comment on plans to strengthen safety regulations for 287,000 workers in the concrete and masonry construction industry.

OSHA has been petitioned by interested parties to adopt standards requiring in-place testing of concrete and to make other changes to existing standards. "All of these factors indicate that a comprehensive revision of our regulations covering concrete construction may be necessary," said OSHA chief Thorne Auchter.

Areas where OSHA is seeking comments include: testing needs for concrete; how long concrete forms must remain in place; the use of ceiling drop wires; and where gaps may appear in coverage.

Four copies of comments should be sent by April 10 to the OSHA Docket Officer, Docket No. S-301, Room 6212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210.

A notice concerning the possible rule changes was published in the Feb. 9 Federal Register. ■

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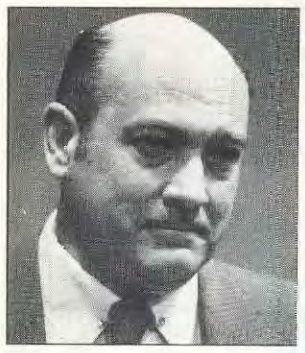

Carl Carter, left, believes armed guards deter bank robbers.

Boris Melnikoff, right, says use of guns by bank guards could spur violence.

Should bank guards be armed?

Continued from page 3

National Bank of Detroit is chairman of the American Bankers Assn. Insurance and Protection Executive Committee.

He and Mr. Melnikoff spoke a number of times during the ABA's National Insurance & Protection Conference of Financial Institutions Jan. 25-28.

While guards and armor are not the ultimate solution to bank robberies, they are an effective deterrent, Mr. Carter said. "We have certainly proved this in our area."

Detroit had the highest number of bank robberies per capita of any city in the nation during the early 1970s, he said. National Bank of Detroit alone averaged 50 to 60 robberies a year among its 105 branch banks, with the total annual loss from robberies averaging about $250,000.

But, monetary loss was considered a small problem compared with potential injury and loss of employee morale caused by the robberies, Mr. Carter said. So, in 1974 the company began installing bullet-resistant barriers.

By 1975, when the armor had been placed in all the facilities, the previous year's estimated 60 holdups dropped to 12 and the $250,000 loss dropped to $41,000.

Results during the next five years were just as dramatic, he said. There were seven holdups in 1976, four in 1979 and 12 in 1981. Since the barriers were installed, total robbery losses have been less than $100,000.

This has occurred at a time when U.S. bank robberies jumped from about 3,500 in 1974 to more than 7,000 in 1981, according to Federal Bureau of Investigation crime statistics, he says.

The nation's financial institutions are obligated by the Bank Protection Act of 1968 to provide a reasonably safe environment for customers and employees. This includes safeguarding people during attempted robberies. Failure to do so can result in negligence suits (see related story, page 3).

But there is some question among security professionals as to whether armed guards and bulletproof screens add to or detract from a safe environment.

"You may be liable because you have an armed guard and he doesn't perform properly, or because something happens and you don't have a guard," Mr. Carter said. His bank opts for the potential liabilities associated with having guards.

NBD's guards usually stand behind teller lines where they are protected by barriers, Mr. Carter said. There they give as much protective presence as they would if they stood in the lobby, but are not as vulnerable to surprise attacks by robbers.

It was at first feared that heavy visible security might lead to hostage-taking by robbers attempting to force tellers to hand over money, he said. "But we haven't had a single hostage incident since the barriers went in."

Mr. Melnikoff stated emphatically that he will not have armed guards at First Atlanta Corp. banks.

"We don't want any shootouts," Mr. Melnikoff said, adding that armed security guards inject more guns into dangerous situations.

The Atlanta-based company, which has assets of about $4 billion, also does without armed glass barriers, in keeping with its policy of cooperating with robbers to reduce the threat of gunplay.

"You have to remember that security has a lot to do with personal philosophy and our philosophy is that we will not use barriers," Mr. Melnikoff said. Armored glass may protect bank employees behind it, but puts people on the outside in a more precarious position.

"You may be transferring crime from the bank to the parking lot or from behind the counter to the lobby," he said. "You may have a robber hold his gun to a customer's head to get the money."

First Atlanta tellers and other personnel are trained to obey robbers and get them out of the bank as quickly as possible. In addition, cash on hand is kept to the bare minimum.

"What reduces exposure and loss to robbery is good hardware (vaults, alarms, surveillance equipment), well-trained people and cash control," Mr. Melnikoff said. "If the money is not there to be gotten, the robbers can't get it."

Both men agree the approach a bank takes regarding armed guards and bullet-resistant barriers will vary with individual needs, philosophies and crime exposure. They also agree safety of employees and customers is the first priority of a security program.

"If we get employees to do things so as not to endanger customers or themselves, it creates a safer environment," Mr. Melnikoff said. "You can always make up monetary losses, but you can't get back a lost life." ■

Bank risk, security officers gather

NEW ORLEANS—Security officers and risk managers from banks throughout the nation gathered at the New Orleans Hyatt Regency Hotel Jan. 25-28 for the first American Bankers Assn. National Insurance and Protection Conference of Financial Institutions.

An estimated 600 registrants attended seminars on bank security, electronic data processing exposures and interaction between security and risk management departments.

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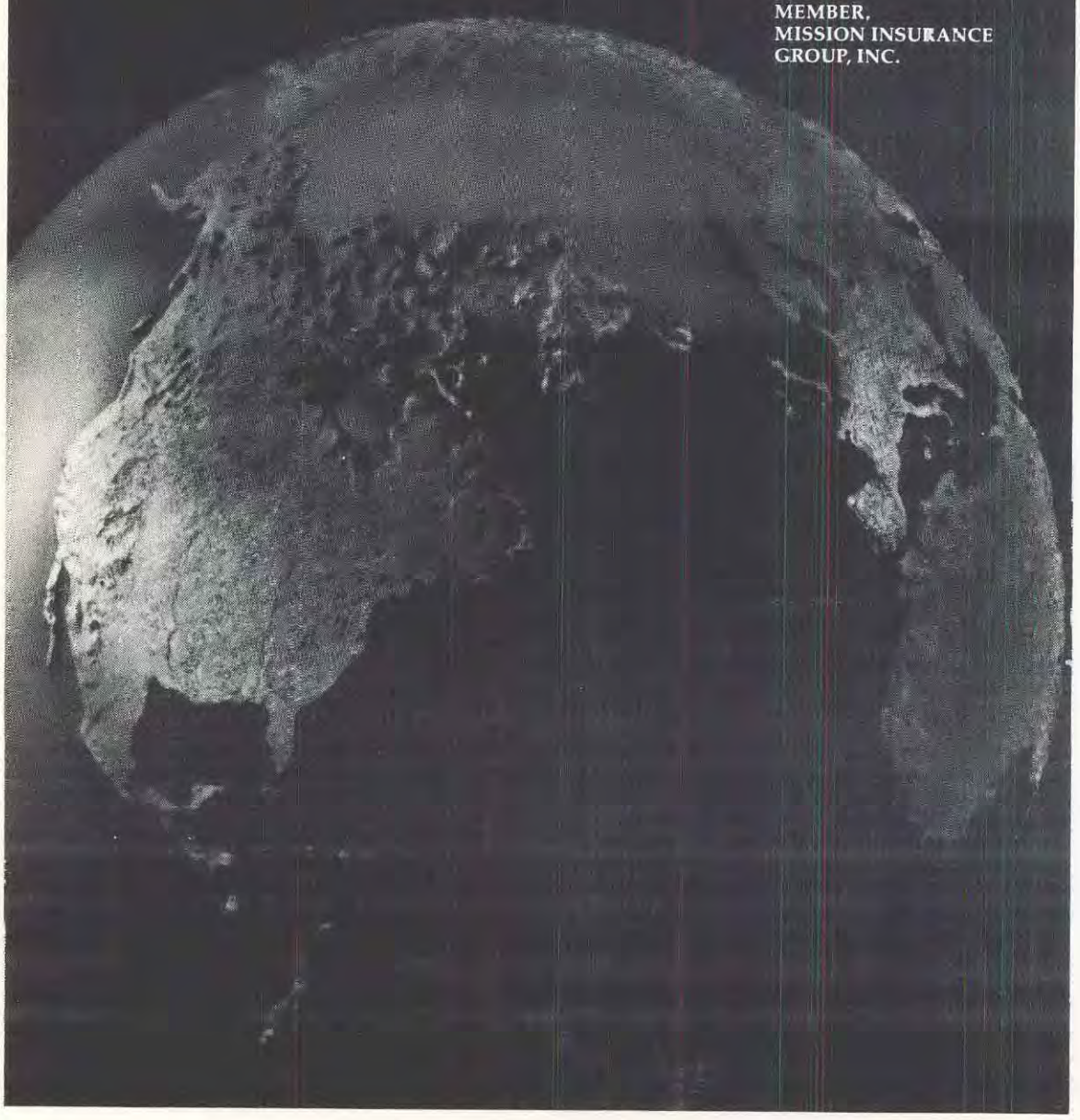

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Security officers can be held liable for injuries in robberies

Continued from page 3

by producing proof of a risk analysis that determined which branch bank facilities would first receive bullet-resistant glass barriers.

Attorneys representing a customer who was shot during a robbery claimed the bank provided a safe environment in other branches by installing bulletproof glass but failed to do so at the bank where the man was shot.

Mr. Kenna

The bank won the lawsuit primarily because it could show that the armored glass was placed only in banks in high-crime areas and that this particular branch was in a low-crime area, according to the risk analysis.

The court found that this was a reasonable approach to security.

"The same bank is now being sued because a customer was shot in a bank parking lot following a robbery," he adds.

"Those are the kind of suits we are getting" he said, adding there is a great potential for more suits.

"Almost 100 people are injured in bank-related crimes each year, and there are numerous deaths."

Security officers need to be sure that their bank's liability insurance would cover them in the event of a lawsuit, says Edgar Armstrong, a consultant and manager of Wyatt Risk Management Services of Washington, D.C.

"It would seem to me that if a security officer handled situations prudently, acted like a reasonable professional, had a good written security program and had the bank's directors approve it, he would not need insurance protection," he said. "But this is not the case."

Most lawsuits against financial institutions first name the bank but more are including security officers, Mr. Armstrong said. Some are aimed at the security officer alone.

"This is particularly frightening because in this case you (security guard) do not have the assets of the bank to back up you," Mr. Armstrong explained.

The security officer should be named on the bank's directors and officers liability policy. In addition, Mr. Armstrong said, he should determine if his employer's general liability policy includes a broad-form liability endorsement protecting him against false arrest, malicious prosecution and other personal injury exposures both from fellow employees and the public. Without this endorsement, the security officer likely would not be covered.

There are other potential liabilities, he said. "For instance, were you aware that corporations have been sued in kidnappings by the hostages themselves or by their loved ones because the bank didn't handle the situation prudently and contributed to the harm of the victim?"

Kidnap extortion policies will cover many of the legal liabilities a security officer can incur, Mr. Armstrong said.

"Oddly enough, some of these broad-form policies give more coverage than standard bankers blanket bond riders and cost less. I recommend taking a long hard look at them." ■

Risk management, security share same goals at bank

NEW ORLEANS—Risk identification, analysis and control are not the exclusive duties of a bank risk manager.

Every corporate department, particularly security, shares responsibility with the risk management department to find and control threats against the company's assets.

At least that is what the vp of the risk and insurance division at First Atlanta Corp. told those attending the American Bankers Assn. conference in New Orleans.

"Risk management would not be effective if only one group were responsible for it," says Donald T. Browne, vp of the insurance division for First Atlanta, a $4 billion banking concern employing 4,000.

"Security (the security department) is the largest single source of risk identification in our company."

From department heads on down, there is a high degree of cooperation between the security and risk management divisions. "As risk manager, security is very important in helping me do my job."

Security division Vp Boris Melnikoff agrees. "We do have excellent rapport with risk management. Our staffs meet and communicate regularly. It is an unusual situation but it really works."

In any bank, especially one like First Atlanta with about 300 facilities in 11 states, it is important for all departments to understand that protecting the company's assets is neither a risk management responsibility nor a security responsibility but a combined effort, he said. "Neither can maintain a secure environment by itself."

Cooperation is encouraged by the company's corporate structure, they said. The security and risk management divisions are at an equal level in the chain of command and for five years both department heads reported to the same superior.

Now Mr. Melnikoff reports to First Atlanta's chief administrative officer and Mr. Brown reports to the chief financial officer, but both division heads report to the chief operating officer and make it a point to communicate with each other.

"Both departments have a mandate to eliminate risk," Mr. Browne said. "Where we sometimes get into problems is that we would like to absolutely prevent a risk but have to be aware that it contributes to the corporate income."

Mr. Melnikoff explained: "Say you have a $100,000 exposure but to correct it would cost $2.5 million. Obviously, we wouldn't want to pay the $2.5 million. We would talk to our insurance people about how to insure it." The insurance division continually reviews the security division's data to determine whether risks are insured or whether they should be.

A situation several years ago helped solidfy the spirit of cooperation between the security and risk management divisions.

"We had a building constructed with one of the steepest sets of stairways I had ever seen," Mr. Melnikoff said. "Then they turned around a put a 2-by-4-inch handrail on it."

Several accidents occurred that cost the company $50,000 to $75,000 in workers compensation claims, he said. "People would grab onto the handrail but couldn't hold it and would fall."

Through a combined effort of the two divisions, smaller handrails were installed and use of the stairwell was restricted.

"Now every workers compensation claim is immediately transmitted to security and discussed with them," Mr. Browne said.

The same is done with liability claims for injuries to customers on the bank's premises. This is doubly important because the company self-funds liability risks to the first $25,000.

"We had one case of a fraudulent medical claim," Mr Browne explained. "We were able to catch it and get Boris onto it. Within hours, he had the girl in his office signing a confession. And she is now making restitution to the company."

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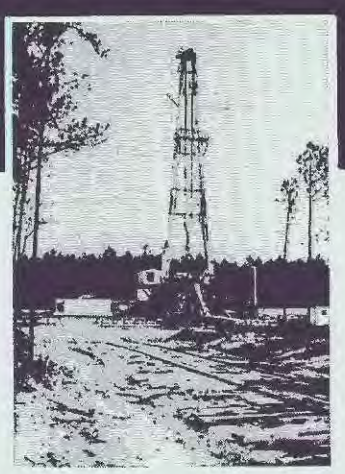

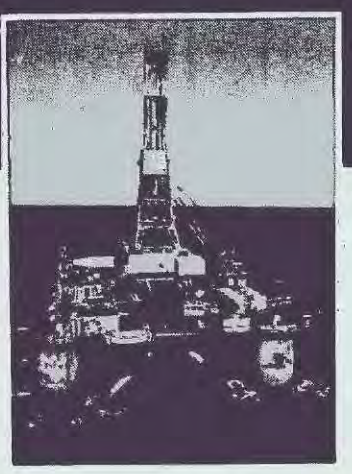

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Correspondents at Lloyds of London

ANECO RE INSURANCE

New type of robber threatens most banks' security systems

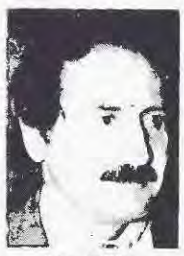
By STEVE SHERWOOD

NEW ORLEANS—A computer security consultant speaks almost nostalgically about the days of bank robbers Bonnie and Clyde.

"Bonnie and Clyde were limited in the amount of money they could steal by time spent in the bank, cash on hand and the size of bag they could carry," says M. Arthur Gillis, president of Computer Based Solutions of Bethesda, Md., which specializes in data security.

"But a computer technician isn't subject to such limitations," he said. "In one-billionth of a second—in one transaction, he can take the entire assets of the bank."

Proliferation of electronic data processing skills and outlying computer terminals even make it possible for some thieves to steal from the comfort of their own home.



Mr. Gillis

"All banks' EDP systems are vulnerable to crime and natural disaster," he said, adding that only 10% of all computer users in the country have a disaster plan in place, according to government statistics. Mr. Gillis' figures show that only 15% of the country's banks have data security departments.

"Most of you will accuse me of being an alarmist, guilty of creating fear in the mind of the audience," he told 600 bank security and risk managers at the American Bankers Assn.'s National Insurance and Protection Conference of Financial Institutions Jan. 25-28.

"Your typical reaction will be, 'It couldn't happen to us,'" he said. But computer security violations can happen to anyone at any time if precautions are not taken.

The advent of electronic banking —automated teller machines, electronic data transfer systems and electronic data storage—has increased the threat of system misuse. Banks, in devising better ways for customers to do business with them, have opened new doors to risk.

"Remember the thief who would go around at the first of the month and steal Social Security checks from mailboxes?" he asks. "He's still stealing, only he's doing it electronically. He doesn't have to go to the mailbox; he does it with a (video display) terminal."

Most bank security departments have not kept pace with the technological advances.

"We did not build security into computer systems," Mr. Gillis said. "It was tough enough just to deliver the product correctly and on time. Until recently, security was considered a luxury."

Most audits now being conducted are neither deep nor intelligent enough, he said. An accountant who goes in to check what a high-technology person has built will be lost, unless he has a high-technology background.

Most systems now generate after-the-fact confirmation of total balances, rather than tracing specific transactions from account to account, Mr. Gillis said. "A perpetrator is going to be smart enough to know balances need to be kept. The question is where the money should be."

Many of the wrong people have keys to the system and employees are often careless with computer listings, he said, adding that too often he has walked into a bank and seen account listings lying in the open on a desk top. Such data is an asset and should be locked up and guarded.

Further, Mr. Gillis said, security is generally so poor that all a person needs to gain entry to any computer room in the country is a three-piece suit, a briefcase and the fact that he comes from Washington, D.C.

"There are at least 39 ways—and please note the absolute nature of my comments—for people to rip off (or damage) your computer," he said.

Criminal methods include:

- Unauthorized alteration of software, data or written procedures.
- Mismanagement of unprocessed data and settlement accounts (where account surpluses and unidentified funds are kept).
- Illegal automated teller machine activities.
- Theft of computer time, software, trade secrets, equipment, data, supplies or manuals.
- Sabotage by a disgruntled employee, takeover by criminal act, damage during a civil disturbance or by a bomb.
- On-line interception of fund transfers.
- Alteration by computer debugging experts to allow theft.

His list of natural disasters include fire, flood, loss of power, even loss of key personnel due to an epidemic.

The types of people who may attack an EDP system range from the "playboy" who fakes out the system for the fun of it to the "genius" who is out to prove he can outsmart anyone or anything.

"Don't think it has to be a genius," he warned. "Protesters love to blow computers up or hold them hostage."

In actual cases, data entry operators have altered input transactions to favor friends' accounts, programmers have skimmed pennies from other accounts to favor bogus accounts they have set up, high school students have destroyed a data base using on-line terminals and employees have "packaged" company software and sold it to the highest bidder.

"Solutions to protecting the bank are practical, but not easy or cheap," Mr. Gillis said. "Computer security will increase an already growing EDP budget by about 25% a year. You cannot protect against every risk, so you must put security in the right places."

Security software is one important defense, he explained.

The basic purpose of security software, a relatively new product, is to ask, "Who goes there?" Mr. Gillis said. In other words, does this person belong in the system? Next, it determines which accounts he should have access to and what he can do with the data.

There are three security software packages for banks on the market today, he said. One, produced by IBM, is called the Resource Access Control Facility. The other two are manufactured by Electronic Data Systems of Dallas and Cambridge Systems Group of Los Angeles.

Beyond buying security software, he said other loss-control steps include starting a computer security department, instituting a complete disaster recovery plan, carrying out effective EDP audits, installing software alarms to alert bank officers when something is wrong, controlling sensitive areas and screening employees as intensively as the law allows.

"Every bank, no matter how small, that has a computer needs computer security," Mr. Gillis said. "The biggest problem is that management doesn't realize how vulnerable the bank is so nothing happens until after a rip-off." ■

Lloyd's stresses new policy's flexibility

NEW ORLEANS—Flexibility is the key word that Lloyd's of London would like to have associated with its electronic and computer crime insurance policy.

Banks, regardless of their size, will be able to tailor the Lloyd's policy to fit their own needs, George R. Jones, general manager of Stewart Wrightson Insurance Broking Group in London, told bank security officials.

He added that the computer crime policy, though originally designed to meet exposures of U.S. bankers, is drawing interest from around the world. Brokers eventually hope to extend the current $25 million policy limit to $100 million, he said.

Mr. Jones, speaking at the American Bankers Assn.'s Insurance and Protection Conference of Financial Institutions Jan. 25-28, also relayed a message from a spokesman of the K.F. Alder Syndicate in London, which developed the computer crime coverage.

"Because the program is meant to be flexible, the policy wording can be tailor-made to suit an assured's particular requirements," the K.F. message said. "Therefore, if one risk has 10% in-house data processing and another uses a service bureau, it is our intention to cover both."

Despite various endorsements to bankers blanket bonds now available for electronic fund transfer systems, outside data processing and automated teller machines, there is no mention of alteration, modification or destruction of data, Mr. Jones said. Nor is mention made of fraudulent input of electonric data into computer systems, communications networks or during satellite transmission.

Lloyd's underwriters have tried to address these exposures through the computer crime policy, Mr. Jones said. "It will indemnify the bank for losses arising from what are generally referred to as computer-related crimes not covered under the bankers blanket bond."

Many bankers feel this coverage should be provided under the bond, he said. "I am not unsympathetic to this approach; however, as brokers we have to work with the markets at our disposal. Personally, I think the cover does not go as far as it should, but underwriters are prepared to be flexible to accommodate clients."

The policy may not address all the computer crime worries facing banks but attempts to tackle not only current problems but also unknown problems that could arise, Mr. Jones told the ABA conference.

"This product could be the biggest flop since the Ford Edsel, but at least it has stirred a lot of interest and activity, which can't be bad," he said. "You (bankers) have the opportunity to write your own cover within the outline of the basic policy." ■

AN EMERGING COMPANY in RE INSURANCE.

BI sponsors risk management seminars

Continued from page 3
analysis to more than 70 audiences in North America, Asia and Australia. He originally introduced the concepts of an analytical approach to risk management in a three-hour presentation at the annual conference of the Institute of Risk Management Consultants in September 1980. At the request of *Business Insurance*, he expanded the program into a one-day seminar.

This approach to risk management assists managers in reaching the best possible decisions in the face of uncertainty and complexity. These decision and risk analysis concepts and techniques have been developed and applied in numerous industries over the past 20 years.

Dr. Oppenheimer has designed a one-day briefing specifically for insurance, safety and risk management decisions in response to three important needs:

- Risk managers', insurance-brokers' and executives' need for a systematic, disciplined approach for arriving at and justifying their decisions.
- Management's need to ensure that key decisions properly reflect the judgments of the appropriate experts and the strategies and values of the company.
- The growing need to communicate more effectively about risk and to make decisions consistent with a well-understood corporate policy on risk-taking.

With these needs in mind, Dr. Oppenheimer will guide registrants through a program that will:

- Teach how to communicate better about uncertainty and risk, specifically by teaching how to describe loss exposures using the language of probability to avoid misunderstandings arising from vague and ambiguous language; how to make explicit your company's attitude toward risk to avoid the confusion arising from misconceptions about corporate preferences and objectives; and how to convey your decisions more clearly to other corporate officers and to your directors, auditors, creditors and stockholders.
- Improve your ability to forecast losses and to ensure the right questions are asked in identifying loss exposures. You will overcome the natural tendency to rely on historical data even when the data isn't relevant. You will learn the most effective way to quantify subjective judgment.
- Help you make better risk retention and risk control decisions when you use this methodology designed for decision-making under uncertainty. You will learn how to quantify your company's risk tolerance—its ability and desire to bear risk—and use it to weigh premium savings vs. potential losses. You will find you can manage your company's risks with a coherent and systematic set of principles rather than inconsistent rules of thumb.
- Show you that you can break down the barriers that have isolated the risk management function because decision and risk analysis concepts and techniques apply to all areas of corporate management, not to risk management alone. The seminar also provides registrants with the language, philosophy and methodology that they need to participate effectively in corporate decisions reaching far beyond the traditional boundaries of insurance purchasing and loss control.

The program begins with an introduction to decision and risk analysis. An exercise in which the registrants participate will demonstrate your attitude toward risk-taking while introducing the most important concepts of decision and risk analysis: probability, expected loss, risk tolerance, the certain equivalent and the value of information. The exercise distinguishes good decisions from good outcomes, identifies problems where commonly used rules of thumb lead to bad decisions and shows how decision and risk analysis can help.

Next, you will be presented a case study in applying decision and risk analysis techniques to a risk management decision: how to handle the product liability exposure at ABC Pharmaceuticals. How much should the company spend on loss-control programs in an effort to reduce losses? Should it purchase insurance or should it retain the risk? If it buys insurance, how large should the deductible be?

To answer these questions, the registrants will assess the probabilities of loss. In doing so, they will see that in many cases, frequency and severity statistics of past years are of limited usefulness in predicting future losses. In these instances, subjective judgment plans a critical role and must be quantified.

An experiment will convince the registrants that predictions are distorted by the same biases that affect everyone's judgment under uncertainty. These biases, however, are predictable and techniques have been designed to counteract them. A demonstration will show the most effective way of quantifying subjective information and will be applied to the ABC Pharmaceuticals case. Subjective information is combined with past statistics to produce the probability distribution on annual aggregate loss.

Given the complete picture of potential losses and their likelihood, the risk manager must quantify management's attitude toward risk-taking to balance the potential benefits and costs of risk transfer and risk control programs.

The explicit treatment of risk attitude is introduced in an exciting demonstration that forces seminar participants to quantify their own attitude toward risk-taking.

The concepts of certain equivalent, risk tolerance and corporarte risk policy are discussed.

The certain equivalent is the single dollar amount that you would be willing to pay to remove an undesirable, uncertain prospect, or, similarly, the single dollar amount you would accept in exchange for a desirable, uncertain prospect. It takes into account premium and risk control costs, probabilities and magnitudes of losses (including loss development and the time value of money) and the corporate attitude toward risk.

Risk tolerance identifies the degree of aversion to risk.

In discussing the corporate risk policy, the need for a consistent and well-understood policy on risk-taking is explained. What happens when the risk manager and top management use different risk tolerances in their decision-making also is discussed.

Finally, all the individual pieces of the analysis are brought together in the evaluation of the risk retention decision at ABC Pharmaceuticals. The decision and risk analysis process balances premium savings against potential lossses to identify the optimal aggregate retention level.

The analysis also is extended to evaluate a risk control program aimed at reducing high-severity losses. Seminar participants will decide whether the risk control program should be implemented.

In conclusion, Dr. Oppenheimer will discuss the role of intuition in risk management and why decision and risk analysis is necessary to supplement intuition.

How to implement decision and risk analysis in your risk management process, including the roles of the risk manager, chief financial officer and chief executive officer, will be discussed.

The seminar is designed specifically for corporate risk managers, chief executive officers, chief financial officers, insurance brokers, senior insurance underwriters, safety and quality control directors, partners of accounting firms and corporate attorneys with insurance and safety responsibilities.

It will be held in New York at the St. Regis-Sheraton on May 17, in Chicago at The Ritz Carlton on May 19 and in San Francisco at The Fairmont on May 24.

The seminar schedule will be repeated in June at the same hotels: in New York on June 14, in Chicago on June 16 and in San Francisco on June 21.

The registration fee is $435, and includes a continental breakfast, lunch, coffee breaks and the complete package of seminar materials. Registration and continental breakfast will begin at 8:30 a.m. and the program will convene at 9 a.m. and adjourn at 5 p.m.

To obtain a booklet on the seminar and a registration form, contact Ronnie Drachman, *Business Insurance*, Communication Services Department, 220 East 42nd St., New York, N.Y. 10017; 212-210-0132. ■

Pennsylvania House OKs pooling

HARRISBURG, Pa.—Legislation that would allow employers to pool their workers compensation risks will be considered by the state Senate following approval in the House of Representatives.

H.B. 1066, sponsored by Rep. William D. MacKowski, R-Bradford, passed 123-74. The bill is slated to be heard by the Senate Banking and Insurance Committee.

The bill would allow groups of five or more employers who have been in business at least three years to set up a self-insurance fund for workers compensation liabilities.

The legislation also provides for the establishment of a group self-insurance guaranty fund to be set up within the Department of Labor and Industry, with each employer in the pool contributing. ■

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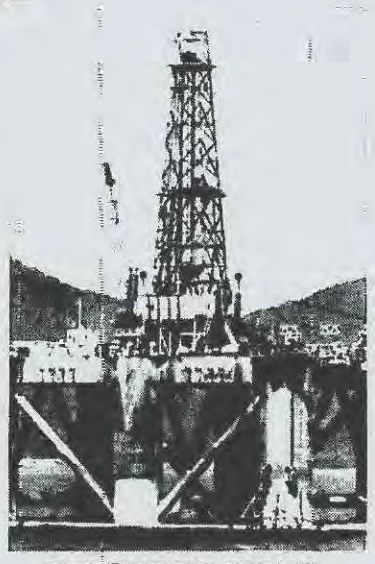

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Budget would pass costs to business

Continued from page 1

clear signal," said Jan Peter Ozga, director of health care for the U.S. Chamber of Commerce "The cost of programs that the government thinks it can't afford to offer, but should continue to be provided, will be shifted to private industry."

The most likely of these shifts to gain congressional approval involves the proposed transfer of medical and hospital costs from the Medicare program to employer group health insurance plans for workers staying on the job after 65.

The administration, in its $274.2 billion budget for the Department of Health and Human Services, says it will introduce legislation to require employers to provide the same group health insurance benefits to workers age 65 through 69 as they offer to employees under 65. Workers who stay on the job after age 70 would continue to be covered by Medicare.

If enacted, this legislation would force nearly every employer to overhaul its group health insurance plan. Most employers, under so-called Medicare "carve-out" plans, now only offer supplemental benefits to workers over 65 to pick up the costs not covered by Medicare.

Under the administration's plan, which it says would cut an unnecessary "subsidy" of employers' labor costs for older workers, the employer's health plan would be the primary payer of older workers' medical care bills. Medicare would be a supplemental program.

Employers with generous health insurance plans and a high proportion of older workers, like department stores, would be hit with the highest costs experts say.

The Medicare shift is the kind of issue that could gain congressional approval as employers are distracted by other health care issues, according to Bill Goldbeck, executive director of the Washington Business Group on Health.

But Mr. Goldbeck and other health experts warn that if the Medicare cost-shifting plan is approved, it could open the door to future legislation that would require employers to extend their health plans to retirees—a vastly more costly proposition.

Other proposed Medicare changes also could boost employers' health costs. For example, the administration is recommending that the $75 deductible on Part A of Medicare, which covers doctors' bills, be raised annually to match the increase in the Consumer Price Index.

As a result, as Medicare covers less because of higher deductibles, employer supplemental plans for older workers would have to pick up more costs.

Finally, the administration says it will propose legislation soon to increase competition in the health care delivery system.

Although Health and Human Services Secretary Richard Schweiker did not spell out the details of the so-called "pro-competition" legislation, he heads a government task force that earlier recommended that employers be barred from taking tax deductions on premium payments exceeding $150 a month for employees with family coverage and $60 a month for individuals. Limits would rise to match increases in the medical care component of the CPI (*BI*, Dec. 14, 1981).

In addition, employers would be required to offer their employees a choice of health insurance plans.

Employers would have to make the same premium payment to each plan they offer. Employees who select low-cost plans with high deductibles and high coinsurance would receive tax-free rebates from their employers.

Supporters of the pro-competition approach say if employees are given a choice of plans and tax incentives for choosing low-cost plans, insurers will compete to offer better benefits while employees, who will be paying more of the bills, will have a greater stake in controlling health costs.

But employers and insurers will lobby hard to defeat such a radical overhaul of the health care delivery system. Employers say they would be hit with major new administrative costs if they were forced to offer multiple plans (*BI*, Oct. 26, 1981).

In addition, employer groups argue, there is no evidence that a multiple plan mandate really would restrain explosive health care cost increases.

"There is very little emperical evidence that it (pro-competition) works," said Sylvester J. Schieber, research director of the Employee Benefit Research Institute. "It is a stab in the dark about a problem that we know very little about."

The massive opposition to pro-competition legislation makes it very unlikely that such a proposal could gain congressional approval this year, according to Mr. Goldbeck.

The pro-competition legislation is expected to be unveiled within the next several weeks, Mr. Schweiker said. ■

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OSHA safety consultations could be increased by 25%

By JERRY GEISEL

WASHINGTON—In line with the Reagan administration's goal of making the Occupational Safety and Health Administration more of a help to employers than a regulatory hindrance, OSHA will increase its safety consultations by more than 25% in fiscal 1983.

It estimates that it will visit 26,500 worksites in fiscal 1983 to provide safety consultations, up from 20,900 worksite consultations in fiscal 1982.

The increase in safety consultations listed in the prosposed 1983 federal budget that goes into effect Oct. 1 is in line with OSHA chief Thorne Auchter's goal of eventually transforming OSHA from an unwanted safety cop to a health and safety adviser.

But the chances that a field inspector from OSHA will come knocking on your factory doorstep also may increase, if the Reagan administration gets its way.

In the proposed budget, the administration estimates that OSHA will conduct 53,100 worksite inspections, up from 52,000 in fiscal 1982.

To help fund the increase in consultations and inspections, as well as to enable OSHA to carry out its other activities, the administration asked Congress last week for $206 million in new OSHA appropriations for fiscal 1983. That's up from OSHA's 1982 appropriation of $192 million.

Among other agencies, the Office of Pension and Welfare Benefit Programs, which administers the Employee Retirement Income Security Act alongside the Internal Revenue Service, estimates that it will issue 1,405 ERISA exemptions, variances, interpretations and regulations in fiscal 1983, down from 1,833 in fiscal 1982.

The number of new ERISA regulations has been decreasing in recent years as the Labor Department has already answered most of employers' initial questions that arose following passage of the pension reform law in 1974.

Unless Congress passes pending legislation, S. 1541, to reduce the paperwork associated with ERISA, the number of ERISA reports filed with the federal government in fiscal 1983 is expected to hold at last year's 1-million level.

To monitor and regulate the nation's 500,000 private pension plans, Congress has been asked to give the pension office $27.8 million in fiscal 1983, up from $25.6 million.

The Pension Benefit Guaranty Corp., which guarantees workers' vested pension benefits, estimates it will receive $89.6 million in premiums from employers purchasing termination insurance, up from $86.6 million in fiscal 1982.

Annual termination insurance premiums per plan participant are $2.60 for single employer plans and $1.40 for multiemployer plans, which cover an entire industry.

PBGC benefit payouts will rise for workers whose plans terminate with insufficient assets to pay guaranteed pension benefits. Payouts are expected to be $75.9 million in fiscal 1983, compared with $61.5 million in fiscal 1982.

Finally, the Overseas Private Investment Corp., which provides political risk insurance to U.S. businesses investing in less-developed countries, says its insurance revenues will rise to $36 million in 1983, up from $33.8 million in 1982.

OPIC revenues have been rising recently as more corporations seek to protect their overseas assets from the growing risks of political instability. ■

Banks not rushing to buy computer crime cover

Continued from page 3

Wood, Butkow, Kemp & Partners, an international consulting firm specializing in financial institutions.

Some banks are leery of this audit requirement, which they fear could punch more holes in a computer security system than it plugs.

"Banks don't jump at things in a hurry," points out Paul V. Higgins, vp at Bankers Trust Co. in New York. Although he is preparing an application for the Lloyd's policy, he does not know if management will permit the extensive audit that comes with it.

"It's not clear whether the auditors would require the bank to divulge all of its data processing system controls," he explains.

But proponents of the policy, including Burton J. Carbino, senior vp and risk manager at Irving Trust Co., who helped to develop it, say the application and audit support a big hunk of the premium paid by the bank.

"It's a valuable tool for the risk manager to identify the right kinds of questions to ask in order to manage data processing risks," stresses Mr. Carbino.

"For most banks it is probably a useful exercise apart from its insurance aspects," says Al Howard, vp at First Interstate Bancorp in Los Angeles. Mr. Howard says the application form is not as formidable as it looks at first glance.

"We have been able to work with Wood, Butkow & Kemp directly to modify certain aspects of the application," he reports. This was particularly helpful because the form was not designed for use by a multibank holding company such as First Interstate.

"We are fully in favor of the discipline of finding out where our exposures are but we wonder how material some of these questions are for a large bank," notes Norman Wintemute, assistant up at Bank of America's headquarters in San Francisco.

"It should also be remembered that many financial institutions are under severe earnings restraints at the moment. If they are going to buy more insurance, they will have to look at it very carefully."

Indeed, there is a great deal of confusion among banks as to whether they really need the coverage, says W.C. Mike Doyle, vp in charge of financial institutions for broker Johnson & Higgins in Los Angeles. Only about 25% of his bank clients are cautiously proceeding with the application, he estimates.

There are three major reasons why banks are not buying the policy, Mr. Doyle says: They are turned off by the application form and audit; they believe they already have third-party intrusion coverage under an EFT rider on their bond; and they are waiting to see what the rest of the industry will offer.

Many risk managers say they believe the cost of Lloyd's computer crime policy, which they have been told runs between 30% and 50% of the bond premium, will drop once U.S. underwriters enter the market in significant numbers.

The price already may be dropping. One broker told *Business Insurance* that he believes the true cost of the Lloyd's computer crime policy is more likely to approach 10% to 20% of the bond premium.

Dale Hatfield, a vp at Bank of California, was in London recently and talked to authors of the Lloyd's policy, including lead underwriter Colin Spreckley at K.F. Alder. In lieu of purchasing the computer crime policy, Mr. Hatfield wanted to retain his current EFT rider, which does not limit coverage to the National Automatic Clearing House Assn. transfer system. He was unsuccessful.

"They have a new product on the shelf and they are understandably reluctant to offer the old rider," Mr. Hatfield says. "We're still considering the Lloyd's policy, but we're out of the market for a year."

"Any coverage for third-party intrusions should be connected to the employee dishonesty coverage through the bond," says Joseph Dancheck, director of risk management at Harris Bank in Chicago. Otherwise, a loss may end up in litigation among the various insurers, he fears.

Mr. Dancheck suggests that joint loss agreements between insurers could be the way to avoid such disputes. "I don't think this would be difficult to arrange," he observes. "It would be similar to agreements between property insurers and boiler and machinery insurers."

Almost all bank risk managers acknowledge a need to rethink their computer and electronic fund transfer exposures, but they do not want to pay for redundant insurance. This is another reason why they prefer to provide employee and third-party coverage through the same underwriter.

"It's true that the Lloyd's coverage may duplicate a bank's blanket bond in some areas," admits Harry Wood, president of Wood, Butkow, Kemp & Partners Ltd. in Fairfax, Va. "Everybody's bond is different. If there is duplicate coverage, the bank should ask for a credit from underwriters."

But he cautions risk managers against looking at the historical aspects of computer crime to assess their exposures. Banks must be thinking about how automation is going to change their entire business environment, he emphasizes.

"In this environment you can't differentiate between on- and off-premise and employee and non-employee," he says.

The Lloyd's approach is to cover all types of funds transfer—not just public networks such as NACHA, Fedwire, Bankwire II, CHIPS (Clearing House Interbank Payments Systems) and SWIFT (Society for Worldwide Interbank Financial Telecommunications). It includes private networks, on-line cash management systems and outside data processing service bureaus and contractors.

"As we go forward and the risks change, the policy will be expanded and changed," Mr. Wood says.

He expresses skepticism that U.S. underwriters would have a comparable product soon. "It took us two years to research and develop this," he says. "To my knowledge no other companies are making this kind of commitment to it."

Shand, Morahan & Co. of Evanston, Ill., says its bankers blanket bond already addresses third-party intrusions into the transfer system. Other markets currently offering or about to offer some type of third-party computer intrusion coverage include: Federal Insurance Co., a member of Chubb & Son Inc. Group; St. Paul Fire & Marine Insurance Co.; Lexington Insurance Co.; and International Surplus Lines Insurance Co. ■

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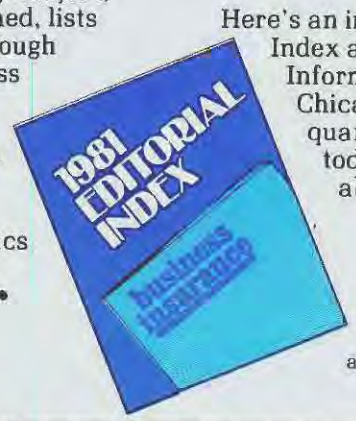

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Hyatt claims

Continued from page 3

lawyers.

Crown Center/Hallmark and Hyatt Corp., which operated the hotel, have settled at least 110 claims totalling $18.3 million through negotiations directed by Mr. Berkowitz and Michael E. Waldeck of the Kansas City law firm of Niewald, Risjord & Waldeck, Hyatt's insurer-appointed counsel.

However, as a practical matter, the money for the settlements has come from Hyatt's excess insurer, Northbrook. It underwrote a $25 million excess umbrella policy for Hyatt on top of $1 million underwritten by Occidental Fire & Casualty Co. of North Carolina, which has been exhausted.

Money for settlements also has come from The Home Insurance Co., which has exhausted the $500,000 primary limit of the liability insurance it provided the hotel's general contractor.

Commercial Union Insurance Co., Hallmark's primary general liability insurer, contends it isn't liable and has refused to fund settlements.

The impact of the "credit" issue upon insurers for Hyatt and Crown Center/Hallmark could be sizable.

For example, assume that the $18.3 million that insurers already have agreed to pay in out-of-court settlements is the total paid before the class action trial, currently set to begin Aug. 15.

The trial would be in two parts: the first to determine who is liable for the collapse and the second to determine whether any punitive damages, and their amount, should be assessed.

The "credit" question comes to play in the second part of the trial. Insurer-hired attorneys for Crown Center/Hallmark and Hyatt want, in effect, to be able to say to the jury, "Look, we've already paid $18.3 million to these people so whatever damages you charge against us should be diminished by some portion of that $18.3 million." They want to convince the jury that if 110 collapse victims have settled, damage calculations should be based only on the injuries of the remaining victims.

"I say that as a result of the nature of the class we have here, the injuries of the entire class should be before the jury," Mr. Younger, the lead plaintiffs' counsel, said in court.

Mr. Younger blamed the situation on Judge Wright, saying that it was the judge who certified a class under a second set of federal court rules that forbids class members to opt out of the class by settling out of court.

"You have constructed a brilliant order," Thomas E. Deacy Jr., Hyatt's attorney, told the judge. "You are going to have to be the one to determine what it means."

Mr. Younger also argued that settlement payments should not be considered a part of any punitive award because public policy requires that punitive damages "punish" a corporate wrongdoer, not his insurance company. How can the alleged wrongdoer be punished, Mr. Younger asks, when his insurance company paid the settlements? Moreover, he asks, does Missouri law allow insurance companies to compensate an insured for punitive fines? ■

Oil well off Africa gushes claims

Continued from page 2

it stops."

Cabinda Gulf Co., Gulf's Angola subsidiary which shares well ownership with Sonangol, a state-owned company, is insured for up to $125 million in cleanup costs under a control-of-well insurance policy issued by the state-owned Angolan insurer, ENSA.

The coverage is almost 99% reinsured by the Lloyd's master oil rig policy on which Mr. Hill is one of the six lead reinsurers. About 55% of it retained in the London market and the rest in the U.S. market.

The policy will pay for the present cost of the well control, redrilling expenses, charges by well experts and any seepage or pollution liabilities incurred.

The coverage limits should be adequate, adds Mr. Hill. The well control claim, once estimated at $80 million, may actually be less now that it is capped, "but any pollution (cost) is difficult to answer.

"Pollution is a matter for debate. The Congolese say there is pollution to their beaches. But there are other reasons why the beaches may be polluted." For example, oil tankers off the coast of West Africa may be cleaning their tanks improperly, he explains.

"We must see the pollution, analyze the oil and test the winds and the currents to see if the pollution came from the Sedco 250."

Sedco's $30 million oil drilling barge is insured from the first dollar, also by the Lloyd's master oil rig policy, according to Sedco's director of insurance, Jack Smith, with the risk split evenly between London and New York insurers.

As the drill contractors for Gulf, Dallas-based Sedco will not be held liable for any portion of the pollution cleanup.

"We are protected under the contract for that," Mr. Smith says.

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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc	5,791
Government, Associations, Unions, Educational Institutions	1,001
Commercial Consumers Sub-total	**23,000**
Insurance Agents & Brokers	9,741
Insurance Cos.	4,735
Financial Institutions	303
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,208
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ABC sues Lloyd's, broker over E&O terms

Continued from page 1
information is transmitted to the buyer of insurance.

Lloyd's already has paid $1 million of the $3.85 million in defense costs incurred as of October 1981 and refuses to pay more under the primary and excess E&O policies.

An attorney for Lloyd's has estimated that the Synanon case, now being tried, will require a three-month trial that will cost an additional $1 million to $2 million in defense costs, bringing the total to as much as $5.85 million.

Others say the trial will last six months.

ABC says that its excess insurers aren't obligated to pay counsel fees, costs and expenses until the limits of liability of underwriters at Lloyd's have been exhausted by the payments of claims and judgments. A Lloyd's attorney said in a deposition that ABC had nine umbrella layers of errors and omissions insurance providing at least $40 million of additional coverage.

ABC's suit, filed in January 1981 in U.S. District Court in New York and amended in November 1981, asks that the E&O insurance underwriters, including Lloyd's and other London companies, be forced to continue to defend ABC and that they provide indemnity payments up to the limits of liability while excluding from the limits amounts paid as counsel fees and expenses. ABC asks for "both actual and punitive damages in such sums as this court deems fair."

If the E&O insurance underwriters are found not to be liable for the defense costs, ABC asks that Lloyd's broker C.T. Bowring be forced to pay actual and punitive damages for breaching its promise to secure E&O coverage on the network's terms and conditions.

The court-filed response on behalf of the primary policy underwriters at Lloyd's admits the original 1964 E&O policy and subsequent renewals "were imprecisely drawn. . .by mutual mistake of plaintiff's agents and the K.F. Alder syndicate or by the mistake of underwriters and the fraud or negligence of plaintiff." But Lloyd's argues it never would have included legal defense costs within the policy limits. It asks to the court to find that the defense costs are included within the aggregate policy limits.

Arguing that ABC certainly knew in December 1978 that underwriters always intended legal defense costs to be included within the policy limits, the primary policy underwriters contend ABC "had a duty to mitigate any potential damages by obtaining additional and retroactive excess or umbrella insurance to cover the exposed risk."

The primary policy underwriters' response adds, "Retroactive excess and umbrella errors and omissions insurance is available on the London market as is evident from the fact that in December 1980 ABC obtained retroactive umbrella errors and omissions insurance effective Jan. 1, 1980."

Since ABC did not try to mitigate the damage caused by the prior misunderstanding, the underwriters argue, "ABC is precluded from contending that underwriters have any obligation to ABC other than the obligation to pay ABC the sum ABC would have paid in December 1978 to obtain the appropriate excess umbrella errors and omissions insurance."

That sum is not stated in the papers.

ABC paid Lloyd's $300,000 for the $500,000 primary limit E&O policy covering 1978. The total premium for the $500,000 first excess E&O policy was $132,000. Lloyd's was paid 49.75% of the premium or $65,670 for accepting that portion of the risk. Other first excess insurers included North Atlantic Insurance Co. Ltd., Turegum Insurance Co., Assicurazioni Generali di Triesta E Venezia, Guardian Royal Exchange Assurance Ltd., Terra Nova Insurance Co. Ltd., CNA Reinsurance of London Ltd., Mentor Insurance Co. (UK) Ltd. and Pine Top Insurance Co. Ltd.

The response filed on behalf of these underwriters for the $500,000 of excess E&O coverage also asks for a dismissal of the complaint, the finding that defense costs are within the aggregate limits of their policy and that they have satisfied their obligations to ABC.

"Alternately," the response asks the court to declare that ABC repay the excess underwriters their $500,000 already paid out, plus interest, and attorneys' fees and other damages to be fixed by the court.

The first excess insurers say the $500,000 should be returned because ABC's directors and officers liability insurance should have to pay defense costs because the amended complaint by Synanon names seven officers and directors of ABC.

"Defense costs in the Synanon case dramatically increased in 1979" after the directors and officers were named, the excess insurance underwriters claim.

The D&O insurance is "other insurance" within the definition of the policy, and if it is not exhausted, the first excess insurers should be reimbursed $500,000, they say.

The primary underwriters agree that the D&O insurance, whose limits and underwriters aren't identified, should pay.

The excess insurers also deny liability for further defense costs, charging that "ABC breached its contractural and common law duties" to Lloyd's "by failing to achieve a reasonable settlement with Synanon" (see related story).

ABC's director of risk management, Edward Erickson, would not comment on the case since it is still in litigation. Nor would attorneys for the network, Lloyd's or Bowring make any comment for publication.

Although the controversy centers on the terms of ABC's coverage in 1978 when the Synanon suits were filed against ABC charging defamation in newscasts by ABC-owned KGO-TV in San Francisco, the network supports its coverage demand by tracing its coverage back to 1963, the year before ABC's errors and omissions insurance was first marketed at Lloyd's.

The court papers filed by ABC and Lloyd's describe the marketing of ABC's errors and omissions insurance at Lloyd's differently and recount different versions of who knew what and when.

According to the ABC suit, it all began in September 1963 when ABC informed Charles W. Tucker, then with the U.S. broker R.C. Rathbone & Sons, that it would consider his "repeated offers" of a premium quote from Lloyd's underwriters K.F. Alder, the lead underwriters at Lloyd's for broadcast, recording, advertising and secondary merchandising errors and omissions insurance.

The ABC suit recounts in 37 pages how its insurance was negotiated from 1964 through 1980 by Mr. Tucker as the U.S. broker—who kept the account as he moved to Fred S. James and then Herbert L. Jamison & Co.—through Lloyd's broker C.T. Bowring with K.F. Alder at Lloyd's.

In 1963, when ABC told Mr. Tucker he could quote on its broadcast E&O, ABC purchased its E&O coverage for broadcasting, recording and advertising from Seaboard Surety Co. The Seaboard policies covered all costs and expenses, including counsel fees, in the defense of claims arising under the policy in addition to the policy's limits of liability.

Mr. Tucker told Alder, through Bowring, that ABC would consider a quote on the terms and conditions of its broadcast E&O policy with Seaboard.

In October, Alder initialed a slip that quoted a triennial premium for ABC of $90,000, returning $15,000 to ABC if claims for the three-year period did not exceed $45,000. Alder also authorized Bowring and Mr. Tucker to increase to $50,000 the cutoff point for the premium return if necessary to win the account.

In early November, Alder initialed a slip that quoted alternative premiums for a primary E&O insurance policy of a flat triennial $80,000 premium and a triennial $90,000 premium, returning $17,500 if claims and expenses for the three-year period did not exceed $45,000. The triennial excess policy was quoted at $12,000. The quotations were for coverage in accordance with the terms and conditions of the expiring Seaboard broadcast policy.

Bowring communicated these quotes to Mr. Tucker and requested a copy of the Seaboard broadcast policy because the quotations were subject to the underwriter's receipt and review of the Seaboard policy.

About a week later, Bowring and Alder learned ABC had not received the alternatve $90,000 quote providing for a $17,500 return of premium if losses did not exceed $45,000. ABC had only been quoted a flat triennial premium of $102,000 for both the primary and excess coverage, which appears to be the sum of $90,000 for the primary and $12,000 for the excess without mentioning any return of premium.

Alder and Bowring decided the lower premium of $80,000 and the offer to return premium should not be disclosed to ABC. "Bowring's commission from underwriters at Lloyd's was calculated on the basis of the increased premium," ABC says in its suit.

Within a few days, Mr. Tucker sent the Seaboard broadcast policy to an attorney for Alder—Carleton G. Eldridge.

Mr. Tucker also persuaded ABC to consider a quote from Alder for E&O insurance against liability for recording and advertising errors and omissions, two risks also insured by Seaboard under two policies. These two Seaboard policies were sent to Bowring with the requests that Bowring ask Alder to quote on them, too.

Also in November, Mr. Tucker sent to Bowring, for forwarding to Alder, a copy of the Seaboard broadcast policy and a letter from Mr. Eldridge "recommending certain unknown changes to the Seaboard broadcast policy to conform it in those respects to the errors and omissions policy issued by Alder on behalf of underwriters at Lloyd's to CBS." However, ABC adds, "Bowring learned that ABC had not been informed of the several proposed changes" to the broadcast policy and "decided that the. . .changes. . .should not be disclosed to ABC."

Alder initialed slips offering to insure ABC against the two additional risks of liability for advertising and recording errors and omissions.

ABC first accepted the $102,000 quote for the broadcast E&O policy. "ABC's acceptance was explicitly conditioned on renewal by underwriters at Lloyd's of (the) Seaboard broadcast policy," ABC says in its suit. ABC notes it had requested certain changes to the Seaboard policy, but "none of which referred to counsel fees, costs or expenses" that were covered outside the limits of the Seaboard policy.

In November 1963, according to the ABC suit, Alder and other underwriters agreed to insure the network's E&O coverage, including an agreement that "counsel fees and other costs and expenses *were not included* in the underwriters' limits of liability for broadcast errors and omissions."

Although not at issue in the litigation between ABC and Lloyd's, it is interesting to note that the coverage included no aggregate annual limits of liability for claims against ABC for advertising errors and omissions, and costs and expenses were not included in the limit of liability for any single advertising claim or recording claim.

The ABC suit contends that Bowring submitted "wordings" tracking the Seaboard broadcast policy to an Alder underwriter for approval. These wordings "stated that counsel fees and other costs and expenses would be paid in addition to underwriters' limits of liability," the ABC suit says. Edward Nelson, the underwriter who is now an officer and director of K.F. Alder Ltd., approved and initialed those wordings, ABC states.

After ABC had approved the wordings initialed by Mr. Nelson, Bowring prepared a policy to be submitted to the Lloyd's Policy Signing Office (LPSO), which compared the policy with terms and conditions of a line slip used by Alder and all following underwriters to make sure that both were in agreement. The policy, signed and stamped on behalf of underwriters at Lloyd's initialing the broadcast slip, provided that counsel fees and other costs and expenses would be paid in addition to underwriters' limits of liability, the ABC suit says.

This policy was later modified to include ABC's E&O exposures for recording, advertising and secondary merchandising, and was subse-

Continued on next page

ABC should have settled Synanon suit: Lloyd's

NEW YORK—ABC should have settled the 1978 defamation suit that it claims Lloyd's of London must defend, Lloyd's underwriters say.

"By failing to achieve a reasonable settlement with Synanon in March and April of 1980, ABC breached its contractural duties to underwriters to cooperate and deal in good faith," Lloyd's says in court papers.

The Synanon suit, filed in a California state court in March 1978 and just going to trial this month, alleges that five newscasts by ABC-owned KGO-TV in San Francisco were defamatory. The newscasts, which aired in January and February 1978, dealt with large purchases of guns and ammunition by the foundation. In at least one newscast, the background graphic incorporated the Synanon logo and a photograph of President Kennedy's assassin Lee Harvey Oswald, holding his Italian rifle.

In a second case, Synanon II, the foundation charges an additional 51 newscasts between January and December 1978 were defamatory.

ABC later sued Synanon in January 1979, in Coughlan vs. Synanon Foundation, alleging the foundation had engaged in intimidation and harassment against certain officers and employees at the network and KGO-TV.

As of late last year, defense costs in the Synanon case were $3.85 million, according to an Oct. 16, 1981, letter from Lloyd's attorneys, the New York firm of Simpson, Thacher & Bartlett, to ABC's attorneys on the case—Lillick, McHose & Charles of San Francisco. The cost of a trial; which began Feb. 2, was estimated at $1 million to $2 million if it lasted three months. Some say it will last six months.

Lloyd's says at least two of four settlement offers were acceptable to Lloyd's:

- Synanon agreed on March 20, 1980, to settle its suit against ABC and the Coughlan case with no money paid each other if each would agree not to sue the other for any event up to the settlement date. Synanon also agreed to take no further action, but would not withdraw its challenge to the renewal of KGO-TV's license.

Lloyd's told ABC the offer was acceptable, but "without fully disclosing all the relevant circumstances to underwriters, ABC authorized Lillick to reject the Synanon offer."

- Between March 21 and April 7, 1980, the network made a "series of counteroffers" to settle the Synanon and Coughlan cases, all of which the foundation found "unacceptable."
- A third offer made in July 1980 provided Synanon would settle both cases for $990,000 if KGO-TV would retract certain statements about the foundation. "ABC rejected this offer for a variety of reasons, including the fact that ABC did not wish to make the requested retractions," Lloyd's states.

While not saying if this offer was acceptable, Lloyd's says, "Under the terms of (the) policy, underwriters had the option of tendering the amount of any proposed settlement to ABC and returning the defense of the case to ABC."

- In May 1981, the California Superior Court initiated settlement negotiations between ABC and Synanon that resulted in a court-sanctioned settlement proposal that was "substantially identical" to the original March 1980 proposal and was satisfatory to Lloyd's and to Synanon. Yet, ". . .ABC instructed Lillick to advise the court that a settlement of the Synanon and Coughlan cases could not be achieved without the payment by Synanon of $250,000 to the Coughlan plaintiffs."

In its court documents, the network makes only limited reference to any settlement negotiations. ABC says that Lloyd's communicated with its legal department about the $990,000 settlement offer made by Synanon in July 1980, ". . .without advising ABC that these defendants would contribute nothing toward that settlement offer and nothing toward mounting legal fees in the event of rejection."

Continued from previous page
quently renegotiated in 1967, 1970, 1973, 1976 and 1977.

The issue of defense costs apparently arose when these additions were made. ABC notes in its suit that in July 1964 Kenneth Alder wrote "agreed" on a note addressed to him by a Bowring employee that said in part "with regard to the broadcast, records and advertising errors and omissions policies, that 'from the outset the intention was to renew the Seaboard (records) form in the same way and we had already renewed the main policy and the advertising policy.'"

ABC furthers its arguments that Alder knew that the policy covered defense costs outside the policy limits because in 1965 Bowring, Mr. Tucker and Mr. Eldridge decided that a single Lloyd's policy combining the coverage for broadcast, records and advertising errors and omissions should be substituted for the main broadcast policy, following its terms and conditions.

"ABC was not informed of this decision prior to or about April 1965," the ABC suit notes.

The combined policy finally approved by Alder stated that defense costs were outside the policy limits, ABC says.

The network contends that following each renegotiation of the policy, it received policies—signed and stamped by the LPSO—that provided that legal defense costs were not included in the policy limits, just as ABC had requested.

From ABC's point of view, trouble first began in 1969 when Bowring and Alder decided that a line slip should be prepared for errors and omissions policies sold to U.S. broadcasters.

An underwriter who initials a line slip commits himself to subscribe to a certain type of policy on certain terms and conditions during a defined period of time.

The line slip that Bowring and Alder agreed to prepare and present to underwriters for initialing for broadcasters E&O insurance stated that defense costs would be *included* in the policy limits.

These line slips were used—without its knowledge, ABC claims—in the marketing of ABC's policies in 1970, 1973 and 1976.

"The term and condition of the line slips that costs and expenses were included in underwriters' limits of liability was diametrical to ABC's communications to Tucker in or about 1970, 1973 and 1976 that it would consider premium quotations on the terms and conditions of the expiring policies that counsel fees, costs and expenses would be paid in addition to underwriters' limits of liability," ABC states in its suit.

"ABC had no knowledge that the errors and omissions policies sold to it in 1970, 1973 and 1976 were subscribed by underwriters following the lead of K.F. Alder or K.F. Alder Ltd. on the terms and condition to the line slips. Contrary to the terms and condition of the line slips. . .the errors and omissions policies received by ABC which were prepared by Bowring in or about 1970, 1973 and 1976 and signed and stamped by the LPSO. . .stated that counsel fees, costs and expenses for claims arising under the broadcast, recording and advertising sections of the policies would be paid in addition to underwriters' limits of liability."

ABC contends, in addition, that the line slip was not used by Bowring and Alder for the policy covering ABC in 1977 and 1978, and 1978 is the policy year in which the Synanon suits were filed.

Deductibles also are raised as an issue by ABC. It says that the policy issued for 1977 and 1978 provided only a single deductible was applicable to the defense of each lawsuit covered by the policy regardless of how many claims are made in the lawsuit.

ABC says it was notified in October 1978 that a single deductible would apply to the defense of the Synanon suit.

In December 1978 and January 1979, however, while Alder was quoting to renew ABC's errors and omissions insurance, the Lloyd's syndicate also decided to apply five deductibles to the defense of the Synanon suit "without disclosing (it) to ABC," the network says. "ABC accepted the premium quoted without knowledge of K.F. Alder's decision to increase the number of deductibles," the suit adds.

It wasn't until Nov. 18, 1980, ABC says, that Lloyd's notified ABC that the E&O coverage was exhausted by the payment of $1 million toward counsel fees, costs and expenses.

"ABC relied to its detriment on the promise of underwriters at Lloyd's to pay counsel fees, costs and expenses incurred in the defense of broadcast claims in addition to underwriters' limits of liability when, among other things, it purchased excess insurance which does not pay counsel fees, costs and expenses until the limits of liability of underwriters at Lloyd's have been exhausted by the payment of claims and judgments," ABC says.

Lloyd's primary and excess underwriters provide a very different history of ABC's coverage at Lloyd's for E&O claims.

Lloyd's primary underwriters do not acknowledge the Seaboard policies in their recollection of securing the account. Instead, they say that in late 1963 and 1964 the American broker Mr. Tucker "was directed by ABC to obtain insurance for ABC substantially identical to the coverage provided by underwriters at Lloyd's to CBS."

"The nature and scope of the coverage afforded to CBS by underwriters at Lloyd's was known to ABC," Lloyd's response says.

"It was understood among Tucker, Bowring and the K.F. Alder Syndicate that the insurance issued to ABC effective Jan. 18, 1964, included defense costs within the aggregate policy limits."

The Lloyd's response points out that over the next 16 years, "the original primary errors and omissions insurance contract and its subsequent renewals were continuously modified, expanded and restricted, both retroactively and prospectively, by various policy endorsements. . ."

For one, a deductible was introduced to the policy, Lloyd's says, and the deductible was to include defense costs.

Lloyd's primary underwriters contend that in 1970 renewal negotiations "ABC's agents confirmed to the underwriters subscribing ABC's 1970 primary errors and omissions policy that defense costs were included within the limits of ABC's primary errors and omissions insurance.

"At all relevant times, ABC's excess errors and omissions insurance with underwriters at Lloyd's has also included defense costs within policy limits," the response adds.

In addition, Lloyd's primary insurance underwriters contend, "At all relevant times, ABC has been aware that the premium for all primary errors and omissions insurance issued by underwriters at Lloyd's to ABC were calculated on the basis that defense costs were included within the policy limits. Internal memoranda generated by the ABC department of insurance confirm this awareness." Lloyd's says ABC knew the same term and condition applied to the excess E&O policy.

"ABC has been aware that underwriters' reserves against losses include defense costs and that defense costs are the primary risk against which these underwriters insure," the suit charges.

Further, Lloyd's says that during renewal negotiations for the policy covering 1977 and 1978, "ABC's insurance department and agents acknowledged that legal defense costs and reserves for a 1974 claim had 'penetrated the excess layer' of ABC's errors and omissions insurance. ABC expressly recognized that the premiums for ABC's excess errors and omissions insurance were increased to reflect that circumstance. Unless legal defense costs were understood to have been subject to the primary policy limits, the. . .case could not have 'penetrated the excess layer.'"

Also during the negotiations for the 1979 renewal, "ABC questioned in December 1978 whether the policy language in the primary errors and omissions policy related to legal defense costs was consistent with the intent of the parties. ABC, through its agent Tucker, requested clarification of the policy language.

"Tucker informed ABC, in December 1978, that it was his understanding that the legal defense costs had always been included within policy limits," Lloyd's says.

Then, in January 1979, according to Lloyd's, "endorsements were issued by underwriters to ABC's agents for the policy years 1970 through 1978 inclusive confirming that defense costs were included within policy limits. No endorsements were issued for pre-1970 policies because there were no pre-1970 errors or omissions claims outstanding."

ABC's agent, then Herbert L. Jamison & Co., sent the endorsements to ABC in March 1979 with a cover letter stating, "In order to avoid any misunderstanding as to whether legal costs are part of the limits, underwriters have issued the enclosed endorsements amending the wording for the various years involved to clearly state that the legal costs are part of the policy limit and not in addition to the limit."

Lloyd's further contends that ABC accepted the endorsement, and between March 1979 and November 1980 did not object.

"Neither ABC nor its agents requested any adjustment of the 1979 premium as a result of this clarification in the 1979 policy, as it merely reflected the historical understanding of the parties," Lloyd's response says. "ABC incorporated the endorsements in the policies maintained by the ABC insurance department. ABC's agents incorporated the endorsements in their copies of the policies."

Lloyd's says that it was in October 1980 that Mr. Tucker told ABC that the defense costs for the policy year 1978 had exceeded the aggregate limits of the both the primary and excess E&O policies. "Thereafter, ABC instructed its umbrella insurance broker to make the arrangements necessary for ABC's umbrella insurance carriers to assume the responsibility for the payment and administration of the 1978 errors and omissions claims and legal expenses."

But ABC's umbrella insurance broker, Johnson & Higgins, told ABC that its umbrella insurance had been marketed on the basis that defense costs were in addition to the aggregate policy limits of the E&O insurance at Lloyd's, the Lloyd's response says.

"ABC subsequently and consequently wrongfully contended that defense costs were in addition to the aggregate policy limits of ABC's primary errors and omissions insurance," Lloyd's charges.

ABC has filed an omnibus motion for protective orders that Lloyd's is fighting. A court record of a deposition of Barry R. Ostrager, an attorney for Lloyd's with the law firm Simpson Thacher & Bartlett, states, "There is no reason in law or policy for this court to issue a protective order with respect to the deposition of Dan Johnson, ABC's manager of cast and casualty insurance.

"The existing pre-trial record strongly suggests that Dan Johnson. . .is the individual at ABC principally concerned with the administration of ABC's errors and omissions insurance and that his testimony will be completely inconsistent with the theory of ABC's case against defendants.

"It can be anticipated that Mr. Johnson's testimony will confirm that both ABC and defendants historically interpreted ABC's errors and omissions coverage with Lloyd's to include defense costs within policy limits."

Mr. Ostrager then quotes from a Dec. 18, 1978, letter from Dan Johnson to Johnson & Higgins, ABC's umbrella errors and omissions insurance broker. The letter, in reference to "Umbrella/Excess Liability Renewal," states in part:

"In accordance with your request, attached is a display of a Paid Claims, Legal Expenses and Outstanding Reserves under the broadcaster's. . .policy from 1973 through 1978. All amounts are net of the applicable deductible. All amounts are subject to the Policy Aggregate." ■

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F. P. Juster

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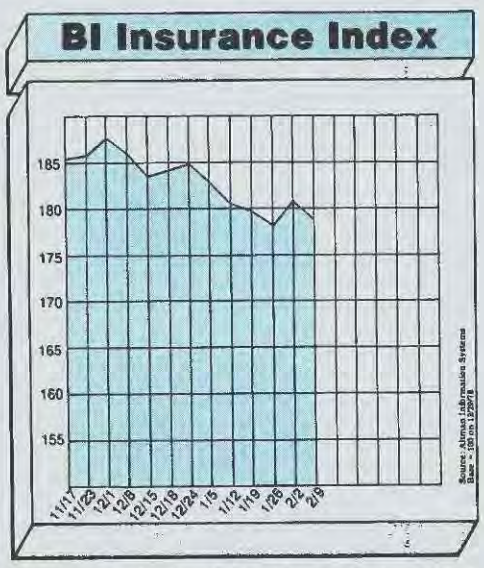

Insurance industry stocks slipped last week as the *Business Insurance* stock index dropped 1.9 points to 178.9 from 180.8. Nineteen issues posted gains, 37 stocks declined and 17 were unchanged. Leading the increases were: American Indemnity Financial Corp., 10.7%; SRI Corp., 4.4%; SAFECO Corp., 3.2%; American General Corp., 3.2%; and Ohio Casualty Corp., 3.1%. The largest declines were suffered by: Foremost Corp. American, 12.8%; Aneco Reinsurance Ltd., 10.0%; Fred S. James & Co. Inc., 8.4%; Integrated Resources Co., 7.5%; and Preferred Risk Life Insurance Co., 5.2%. The *Business Insurance* index, which fell 1.1%, outperformed the three major stock market averages.

British Issues

9 Feb Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	131	9.1	16.07	12.3	135—131
Eagle Star	344	11.7	21.43	6.2	348—340
Genl Accident	306	7.0	21.07	6.9	310—306
Gdn Royal Exch	296	7.9	23.21	7.8	304—296
Phoenix	238	8.9	22.43	9.4	240—236
Royal	352	9.8	35.00	9.9	360—352
Sun Alliance	870	9.6	53.57	6.2	872—862
Brokers					
CE Heath	283	9.4	15.71	5.6	287—283
Hogg Robinson	110	8.8	8.57	7.8	112—110
JH Minet	145	10.0	6.80	4.7	146—143
Sedg Grp	155	11.2	7.50	4.8	158—155
Stenhouse Hldg	110	9.7	7.28	6.6	110—106
Stew Wrightson	220	11.0	17.14	7.8	223—220
Willis Faber	397	13.7	17.85	4.5	403—393

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

Winter weather snowballs number of property claims

By JAMES C. LAWSON

BITTER WINTER STORMS that put most of the nation into the deep freeze last month are producing an avalanche of claims for U.S. property/casualty insurers.

Companies with heavy exposures in the South and West could be hit harder than ever this year as more winter damage claims are filed from the cold wave that wiped out Flordia fruit crops and from the floods and mudslides that destroyed businesses and homes in California.

And heavy cash-flow underwriters, insurers that discounted rates to obtain more premium for investment purposes, may also feel the sting of claims that could stunt their profit margins, say some industry analysts.

Winter's bite, some analysts say, could increase commercial property insurance rates, tighten underwriting standards and reduce some commercial lines discounts.

"The effects of winter," explains Myron M. Picoult, a vp with Oppenheimer & Co. Inc., a New York securities brokerage, "will put some pressure on some insurers to put their houses together.

"A lot of companies haven't taken advantage of ISO (Insurance Services Office) rates. A lot of companies have been discounting too much," he adds.

Discounts, analysts say, generally have been running about 10% to 20%, but Herbert Goodfriend, an analyst with Bache Halsey Stuart Shield Inc. in New York, says, "I've seen discounts as much as 80% to 90%."

While analysts say most property insurers have done some discounting, attracting new business while laying off some of the risk to reinsurers, most insurance companies deny that they have done much drastic rate cutting. They also contend that winter storm damages, despite the high number of claims they expect to see, won't seriously freeze their earnings.

Winter storm damages, reports the American Insurance Assn., an industry group based in New York, produced a record $343.9 million in insured property losses last month, more than double the $163.5 million in damages caused in January 1979, the worst in industry history.

BI ticker

Last month's insured property losses amounted to slightly less than half of all of last year's $700 million in catastrophic losses.

Much of this winter's damage, industry officials say, has resulted from frozen pipes, water damage caused by thawing ice and snow and heavy snowfalls that have caused roofs to collapse throughout the country.

Allstate Insurance Co., the nation's second-largest property/casualty insurer, suffered an estimated $16.2 million in property damage claims last month, a company spokesman says. A significant portion of those claims are from exposures in the South and in the West.

The Allstate spokesman says that $6.7 million in claims rolled in from the South, most of those from the Jackson, Miss., Charlotte, N.C., and Atlanta areas where heavy snowfalls and the resulting thaw caused extensive damage.

In California, where floods and mudslides are expected to cost the industry an estimated $33.8 million, Allstate expects an estimated $2.3 million in insured property losses. Allstate's total Western losses are expected to amount to $4.06 million, slightly more than the $3.5 million it suffered in claims from the Midwest.

While the damage total in the South may be unusually high this year, winter's wrath inflicted far more severe damage in the Midwest, the AIA reports. Combined insured property losses in Illinois, Kansas, Michigan, Minnesota, Missouri and Ohio amounted to about $92 million in January.

James Stradtner, an analyst with Alex Brown & Co., terms the winter storm damage as "serious."

"And it's going to hurt this year. It hit some unusual places like Mississippi, Alabama and Georgia. Claims are up substantially and the severity of claims are worse this year," he explains.

At the Insurance Co. of North America, property claims are "running along with the industry average," says a spokesman for the Philadelphia-based insurer. Last month, winter storm property claims amounted to about $13 million, slightly less than the company's projections.

"This is the highest in the last three years for us, the INA spokesman says.

Officials of The Travelers Insurance Co. expect January losses from freezing pipes and collapsing roofs to hit $8.5 million to $9 million, more than double the losses it saw during the first month of 1979.

The Continental Insurance Co. of New York suffered an estimated $12.5 million in property claims last month—quadruple the losses it incurred in January 1979.

While most insurers agree claims are up, some argue that the severity of claims won't be as great as in previous years.

"This winter we've been getting a lot of freezing losses," explains H.R. Hanson, a property claims official with the Kemper Group. "Those tend to be less severe than claims from roof collapses and the backup of water."

Kemper's January loss statistics aren't available, but they are expected to be less severe than those the company saw during the winter of 1979, he says.

"I think we'll get out rather comfortably," Mr. Hanson says.

Industrial Risk Insurers, the Hartford-based association representing 45 property/casualty insurers, received 410 claims relating to winter weather with damages amounting to $14 million. In January 1981, winter storm damages amounted to only $250,000.

The Factory Mutual System, a property/casualty group of four member companies, last month received 450 claims totalling $4 million in damages, nearly twice the amount paid on claims all of last winter.

BI Industry Stock Report

FEB. 9, 1982 — 2/3/82 THRU 2/9/82

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	45.13	0.0	7.6	2.32	5.1	45.38	44.50	452.9
American Bankers Ins Group	OTC	7.75	-1.6	8.2	0.48	6.2	8.00	7.75	69.6
American Gen Ins Co	NYSE	40.75	3.2	6.1	2.20	5.4	40.75	39.75	157.6
American Indty Finl Corp	OTC	16.88	10.7	8.1	1.12	6.6	16.88*	15.63	24.6
American Intl Group Inc	OTC	66.50	1.1	11.5	0.40	0.6	67.25	65.50	279.3
American Natl Ins Co	OTC	13.75	-1.8	5.9	0.76	5.5	14.00	13.75	34.1
American Sts Life Ins Co	OTC	16.00	0.0	5.1	0.80	5.0	16.00	16.00	0.1
Aneco Reins Ltd	OTC	2.25	-10.0	0.0	0.00	0.0	2.50	2.25	8.6
Appalachian Natl Corp	OTC	2.56	0.0	0.1	0.00	0.0	2.56	2.56	0.2
Avemco Corp	AMEX	10.25	1.2	6.7	0.54	5.3	10.25	9.88	5.1
Banks Iowa Inc	OTC	39.00	-3.7	5.7	1.48	3.7	40.50	39.00	4.7
Bitco Corp	OTC	39.50	1.3	4.7	2.16	5.5	39.50	39.00	19.2
Carolina Cas Ins Co	OTC	6.50	0.4	7.2	0.32	4.9	6.50	6.48	0.6
Central Natl Finl Corp	OTC	35.25	0.7	11.5	0.65	1.8	35.25*	35.00	0.0
Chubb Corp	OTC	45.50	-0.5	5.6	2.92	6.4	46.00	45.50	129.2
Combined Intl Corp	NYSE	21.88	-0.6	5.7	1.80	8.2	22.13	21.75	103.3
Connecticut Gen Ins Corp	NYSE	50.00	-1.7	6.4	1.76	3.5	51.63	50.00	218.8
Continental Corp	NYSE	25.88	-2.8	6.5	2.60	10.0	26.25	25.88	243.1
Crawford & Co	OTC	12.75	-3.8	10.0	0.56	4.4	13.25	12.75*	9.4
Crown Life Ins Co	OTC	84.50	0.0	9.2	2.80	3.3	84.50	84.50	0.0
Crum & Forster	NYSE	30.50	0.0	5.0	1.64	5.4	31.00	30.38	310.2
Employers Cas Co	OTC	28.25	1.2	6.1	1.20	4.2	28.25	28.00	6.9
Equifax Inc	NYSE	29.75	2.6	8.5	2.60	8.7	31.50*	29.25	76.2
Excelsior Ins Co	OTC	17.00	1.5	11.6	0.70	4.1	17.00	16.75	4.5
Farmers Group Inc	OTC	31.88	0.8	9.4	1.24	3.9	32.00	31.75	122.8
First Colony Life Ins Co	OTC	62.63	0.0	16.2	1.00	1.6	62.63	62.63	42.0
Foremost Corp Amer	OTC	25.50	-12.8	7.0	1.12	4.4	29.00	25.50	24.2
Great West Life Assurn Co	OTC	240.00	-0.4	8.9	10.00	4.2	241.00	240.00	0.0
Hanover Ins Co	OTC	33.50	0.0	4.1	0.72	2.1	34.00	33.13	13.4
Hartford Steam Boiler Insptn	OTC	40.50	0.0	7.0	2.80	6.9	41.00	40.50	4.9
Jefferson Natl Life Ins Co	OTC	27.25	0.0	15.7	0.64	2.3	27.25	27.25	6.9
Kemper Corp	OTC	30.50	-3.2	5.0	1.80	5.9	31.38	30.50	36.7
Lincoln Natl Corp Ind	NYSE	42.00	0.9	6.5	3.00	7.1	42.50	41.50	78.3
Mgic Invt Corp	NYSE	50.38	-0.2	12.5	1.28	2.5	51.13*	50.38	2,828.5
Mission Ins Group Inc	NYSE	34.50	-4.8	6.1	1.00	2.9	35.88	34.50	45.7
Nationwide Corp Ohio	OTC	25.50	-1.0	8.4	0.70	2.7	25.75	24.75	2.0
Northwestern Natl Life Ins	OTC	24.50	0.5	5.3	1.36	5.6	24.50	24.38	12.7
Ohio Cas Corp	OTC	41.25	3.1	6.2	2.04	4.9	41.50	40.50	82.3
Old Rep Intl Corp	OTC	18.88	-3.2	4.6	0.92	4.9	19.50	18.88	88.9
Preferred Risk Life Ins Co	OTC	18.25	-5.2	4.9	0.80	4.4	19.38	18.25	3.2
Provident Life & Acc Ins Co	OTC	49.00	-4.9	6.1	2.20	4.5	51.50	49.00	23.1
Ryan Ins Group Inc	OTC	17.00	0.0	7.4	0.12	0.7	17.00	17.00	1.2
St Paul Cos Inc	OTC	50.38	0.5	6.6	2.60	5.2	51.38	50.38	285.9
Safeco Corp	OTC	40.00	3.2	6.9	2.20	5.5	40.25	39.38	163.4
Sri Corp	OTC	23.50	4.4	4.7	1.00	4.3	24.00	23.00	40.3
Seibels Bruce Group Inc	OTC	22.38	-3.8	10.8	0.80	3.6	23.25	22.38	37.9
Statesman Group Inc	OTC	5.50	-4.3	4.8	0.15	2.7	5.50	5.50	6.1
Tokio Marine & Fire Ins Co	OTC	101.75	-3.1	8.1	1.00	1.0	104.25	101.75	0.0

FEB. 9, 1982 — 2/3/82 THRU 2/9/82

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE	46.50	0.3	5.5	2.88	6.2	47.38	46.13	224.5
United Fire & Cas Co	OTC	28.50	0.0	8.1	0.88	3.1	28.50	28.50	0.0
United States Fid & Gty Co	NYSE	41.38	-0.3	6.9	3.20	7.7	42.00	41.38	310.1
United Svcs Life Ins Co	OTC	13.38	-2.7	5.2	1.00	7.5	13.88	13.38	17.3
Uslife Corp	NYSE	22.25	-1.1	5.3	0.84	3.8	22.88	22.25	70.6
Washington Natl Corp	NYSE	16.75	-3.6	5.1	1.08	6.4	17.63	16.75	51.0
Zenith Natl Ins Corp	OTC	17.25	-4.2	8.6	0.76	4.4	18.00	17.25	43.2
INSURANCE COMPANIES	AVERAGE			6.1		4.3			
Agents/Brokers									
Alexander & Alexander Svcs	OTC	28.00	-0.9	9.4	1.94	6.9	28.50	28.00	230.0
Baldwin & Lyons Inc	OTC	32.00	0.0	5.5	0.80	2.5	32.00	32.00	0.1
Corroon & Black Corp	NYSE	20.13	-0.6	11.9	1.76	8.7	20.25	19.88	22.3
Crump E H Cos Inc	OTC	11.00	0.0	12.9	0.40	3.6	11.00	10.88	11.2
Hall Frank B & Co Inc	NYSE	26.38	0.0	10.0	1.66	6.3	26.88	26.00	139.9
Integrated Res Inc	AMEX	15.38	-7.5	6.3	0.00	0.0	16.38	15.38	26.8
James Fred S & Co Inc	NYSE	20.50	-8.4	9.6	1.60	7.8	22.63	20.50*	61.1
Marsh & Mclennan Cos Inc	NYSE	30.50	-1.6	9.3	2.00	6.6	31.38	30.50	234.9
Penncorp Fincl Inc	NYSE	5.38	2.4	7.8	0.16	3.0	5.63	5.25	100.1
Pinehurst Corp	OTC	8.63	0.0	0.0	0.00	0.0	8.63	8.63	1.6
Poe & Assoc Inc	OTC	9.25	0.0	10.4	0.80	8.6	9.25	9.25	0.5
Reed Stenhouse Cos Ltd	OTC	11.25	-4.3	9.2	0.60	5.3	12.00	11.25	25.3
Rollins Burdick Hunter Co	OTC	20.13	-1.8	11.5	1.32	6.6	20.50	20.13*	4.4
AGENTS/BROKERS	AVERAGE			9.1		5.5			
Conglomerates/Holding Cos.									
American Express(Fireman's Fd)	NYSE	42.13	-3.4	7.5	2.20	5.2	43.50	42.13	881.7
Anderson Clayton(Ranger/PanAm)	NYSE	28.13	-3.0	5.9	1.32	4.7	29.25*	28.13	63.6
Armco Inc	NYSE	23.50	-4.6	4.7	1.80	7.7	24.75	23.38	204.4
City Investing Co. (Home Ins.)	NYSE	23.25	0.5	6.7	1.60	6.9	23.50	22.75	699.9
CNA Finl Corp (CNA)	NYSE	14.00	-1.8	5.8	0.00	0.0	14.25	14.00	9.9
Control Data (Comml. Credit)	NYSE	33.88	-3.2	7.6	0.55	1.6	36.00	33.88	528.9
General Re Corp	NYSE	82.50	-1.2	10.1	1.76	2.1	83.00	82.25	102.2
Gulf Utd Corp	NYSE	17.75	-1.4	6.2	1.32	7.4	17.88	17.75	71.8
INA Corp (Ins. Co. of NA)	NYSE	45.00	-0.3	6.1	2.40	5.3	46.13	45.00	300.8
ITT (Hartford Group)	NYSE	27.25	-5.6	7.2	2.68	9.8	28.38	27.25	600.7
Optimum Hldg Corp	OTC	9.50	-2.6	12.2	0.00	0.0	9.50	9.50	7.0
Sears Roebuck & Co. (Allstate)	NYSE	16.38	-3.0	8.2	1.36	8.3	16.75	16.13	980.2
Baldwin Utd Corp	NYSE	67.38	-0.6	11.5	1.60	2.4	69.63	67.38	98.3
Teledyne Inc (Argonaut)	NYSE	129.50	-2.6	6.5	0.00	0.0	134.00	129.50	317.9
Transamerica Corp (Occidental)	NYSE	21.38	-4.5	6.2	1.40	6.5	22.38	21.38	453.5
CONGLOMERATES/HOLDING COS.	AVERAGE			7.3		3.4			

*Record high/low since Jan. 1, 1981.

System design: Altman Information Systems

Financial Briefs

British underwriters

The major British insurance companies' underwriting results will decline measurably in 1982, according to W. Greenwell & Co., a British stock brokerage.

Greenwell is predicting the top nine British insurers will generate premium income of about 3 billion pounds (approximately $5.6 billion) with an underwriting loss of about 50 million pounds ($93.5 million).

Commercial lines competition has intensified, Greenwell analyst Roger Harvey says, so underwriting profits will vanish even if claims experience is good.

Some of Mr. Harvey's predictions for major British insurers include:

- Commercial Union—premium income of 350 million pounds ($654 million) and an underwriting loss of 6 million pounds ($11.2 million).
- Eagle Star—premium income of 320 million pounds ($598.4 million) and an underwriting loss of 15 million pounds ($28 million).
- General Accident—premium income of 445 million pounds ($832 million) and an underwriting loss of 10 million pounds ($18.7 million).
- Guardian Royal—premium income of 385 million pounds ($719.9 million) and an underwriting loss of 2 million pounds ($3.74 million).
- Legal & General—premium income of 110 million pounds ($205.7 million) and an underwriting loss of 4 million pounds ($7.48 million).
- Phoenix—premium income of 170 million pounds ($317.9 million) with an underwriting loss of 6 million pounds ($11.2 million).
- Prudential—premium income of 220 million pounds ($411.4 million) and an underwriting loss of 10 million pounds ($18.7 million).
- Royal—premium income of 495 million pounds ($925.7 million) and an underwriting surplus of 3 million pounds ($5.61 million).
- Sun Alliance—premium income of 445 million pounds ($832.2 million) with no underwriting loss or gain. ■

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For over half a century, the innovative leader in energy insurance brokerage has been Alexander & Alexander.

Early on, we pioneered new insurance coverages for the developing coal and gas businesses. Played a catalytic role in helping to create the insurance capacity needed to cover incredibly high-cost energy risks. And met the burgeoning and increasingly complex global and domestic needs of demanding oil clients, from integrated multinationals to smaller independents.

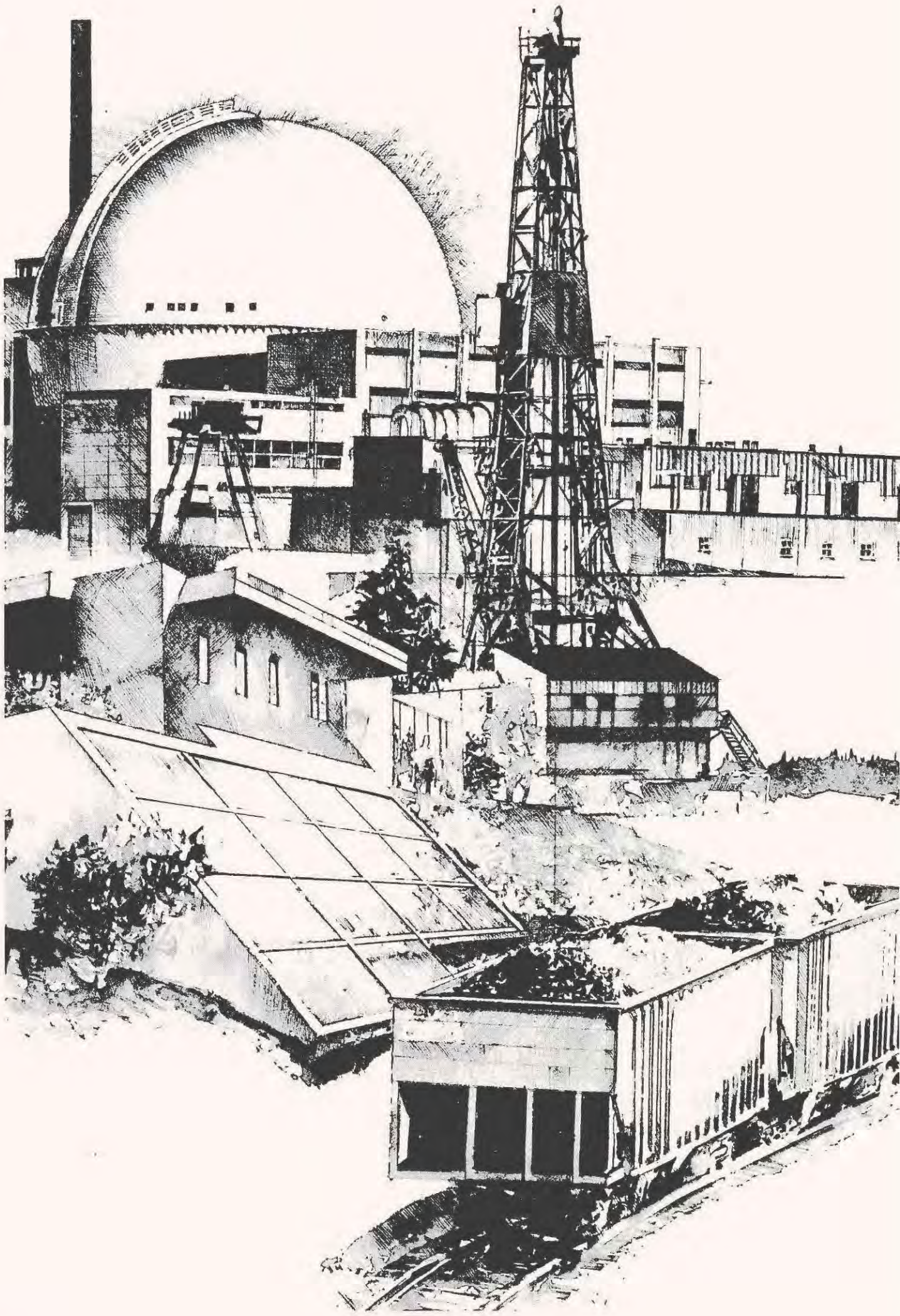
Today, our National Energy Division keeps A&A the foremost energy insurance broker. This crack team of technical experts offers you the most comprehensive services available, with in-depth experience in every energy area. Oil. Gas. Coal. Utilities. Nuclear power. Shale oil. Tar sands. Synthetic fuels, solar and other alternative energy sources. Pipelines. Marine. Storage and distribution. And contractor and supplier services.

Energy services pinpointed to client needs.

Because members of our National Energy Division are strategically located at key energy centers across the country, it is easy for local offices to draw upon the expertise you need, no matter what energy area you specialize in. Together, we'll help analyze, design and service custom-made, cost-efficient risk management programs.

In energy, as in other industries, we view financial risk through the client's eyes.

We think a big reason A&A has become one of the largest and most trusted insurance brokers worldwide is that we work the same way with every client. From the client's point of view.



Alexander & Alexander

From the client's point of view.