

business insurance

Special section: Serving risk managers

What does it take to run your risks right? *BI* looks at health clinics, adjusters and actuarial services. Also in the special section: a new guide to risk management consultants. **Page 15.**



IRS rules

The Internal Revenue Service may rethink a benefit ruling that causes headaches for employers. **Page 73.**

the national newsweekly of loss prevention, risk financing & benefit management \$1 a copy; \$20 a year



Shipbuilder's suit tests benefit rule

By JERRY GEISEL

NEWPORT NEWS, Va.—The nation's largest shipbuilder is challenging federal guidelines requiring employers to cover the pregnancy-related expenses of employees' wives if they cover dependents in their group health insurance plans.

The huge Newport News Shipbuilding & Dry Dock Co., which has 23,000 employees, filed suit in U.S. District Court here to overturn the Equal Employment Opportunity Commission guidelines issued in March 1979 that say if an employer's health insurance plan covers the medical expenses of women employees' spouses, then it must equally cover maternity expenses of male employees' wives.

The Newport News Shipbuilding case could settle once and for all whether employers have to provide equitable pregnancy benefits in their group dependent plans for spouses of men employees. Other

employers, who have been unsure about whether to heed the EEOC guidelines on dependent coverage, will watch the case closely.

When the pregnancy benefits law was passed in 1978, Congress specified the law only applied to employees and not spouses, said Bob Ponton, manager of equal employment at the firm.

"The EEOC guidelines go far beyond the intent of Congress and are not in accordance with the law," Mr. Ponton added.

Although a Midwest trade group, the Kansas Assn. of Commerce & Industry, already has filed suit against the EEOC, the Newport News Shipbuilding suit marks the first time a private employer has taken action against the EEOC on its pregnancy benefit requirement for dependents.

Currently, in its largest group health insurance plan covering hourly employees, Newport News Shipbuilding pays all reasonable and customary health expenses for spouses of women employees, but it

places a \$500 cap on pregnancy hospitalization expenses it will pay for spouses of men employees.

Newport News Shipbuilding could not supply an exact estimate of what it would cost to equalize pregnancy benefits for men employees' spouses.

The EEOC, however, maintains the Civil Rights Act of 1964 makes it clear there must be equality of benefits for spouses in group health insurance plans. The pregnancy benefits law, which went into effect April 29, 1979, amends the Civil Rights Act.

"If an employer makes available to female employees insurance which covers the cost of all the medical conditions of their spouses, but provides male employees with insurance coverage for only some of the medical conditions (i.e., all but pregnancy-related) of their spouses, male employees are receiving a less favorable fringe benefit package," the EEOC said.

Challenge to EEOC

A suit filed by Newport News Shipbuilding could settle whether employers have to provide equal pregnancy benefits for spouses.

FBI probe stings La. benefit plan; 13 subpoenaed

By RHONDA L. RUNDLE

NEW ORLEANS—In the latest FBI cloak-and-dagger operation involving alleged insurance kickbacks, more than a dozen Louisiana officials including the governor, lieutenant governor and treasurer have been subpoenaed to appear before a federal grand jury here.

Dubbed "brilab" for "bribery labor," the sting focuses on the self-insured State Employees Group Benefits Program that provides health and life benefits to about 75,000 state workers. Posing as Prudential Insurance Co. brokers, FBI undercover agents reportedly bribed state officials to obtain the fund's lucrative claims administration contract.

Although the FBI has not identified any target individuals in the probe, Dr. James McElveen, executive director of the State Employees Group Benefits Program, and six members of the board of trustees are among the state officials summoned to appear in court.

Also subpoenaed were Gov.

Edwin Edwards, Lt. Gov. Jimmy Fitzmorris, Lt. Gov.-elect Bobby Freeman, treasurer Mary Evelyn Parker, state Sen. Edward Mouton of Lafayette and state Rep. Harry Hollins of Lake Charles.

Still smarting under Atty. Gen. Benjamin Civiletti's recent tongue-lashing against investigation leaks, both the FBI and Justice Department shut up like clams last week. Nor were state officials implicated in the probe willing to discuss it.

Dr. McElveen could not be reached for comment by *Business Insurance*.

Gov. Edwin Edwards will make a statement after the grand jury convenes and he has an opportunity to find out what this is about, said a spokesman at the governor's mansion.

In a prepared statement issued from his office, Lt. Gov. Jimmy Fitzmorris said that "at no time in my career of some 30 years of public life have I ever accepted money in return for favoritism or awarding of a contract."

Although details are sketchy, in-

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Fallout: Nuclear power plants will pay 36% more for coverage

By STUART EMMRICH

HARTFORD, Conn.—The country's nuclear power plants will be paying about 36% more for their property insurance coverage when they renew their policies this year.

American Nuclear Insurers, a pool of insurance companies that provides coverage for the plants, recently told the nuclear plants that the estimated \$210 million loss at Three Mile Island, the country's worst commercial nuclear accident, forced a bigger boost in prices, ANI president Burt Proom has confirmed.

The plants were informed earlier this year that liability rates would be going up by an average 10%.

The losses from TMI also have substantially reduced the discount credit that plants have been receiving over the past nine years because of a high safety record. Base rates for some plants' insurance premiums had been reduced by as much as 34% because of

a low volume of losses during a previous year.

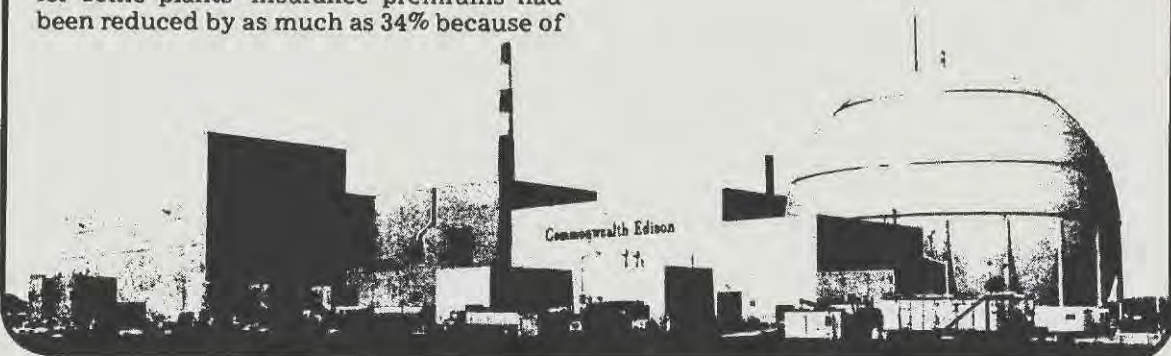
But in 1980, that credit will only total 2.4%, a credit that still exists because a lower-than-average routine loss experience somewhat offset the effects of TMI. That credit is a 27% drop from the one enjoyed by the plants in 1979.

Mr. Proom said the insured plants have not objected to the price hikes so far, adding that "they have learned to take the bad with the good."

The ANI president said the pool does not anticipate denying any renewals of policies because of fears that an individual plant might not meet optimum safety standards, but said ANI would "certainly take a closer look at that through our engineering area during the coming year."

One other effect of the TMI accident is that

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Iran claims
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NEWSPAPER

for your information

Lloyd's faces more suits over Sasse Syndicate losses

LONDON—Further lawsuits against Lloyd's over the Sasse Syndicate's \$41 million losses are being lodged in the U.K. high court. This time the litigation is brought by Sasse Turnbull, the syndicate's management agency run by underwriter Frederick H. Sasse and his associates.

The suit charges that Lloyd's failed to give Sasse Turnbull full information about the history of binding authorities granted to Den-Har Agency of Florida on New York fire risks.

The agency alleges that Lloyd's became aware of irregularities through its U.S. attorneys, who warned that business of a dubious nature was being produced in the U.S. But the information was not passed on in time to stop the heavy claims.

Lloyd's will be contesting the lawsuit.

Sasse Turnbull has also lodged a lawsuit in London against Brentnall Beard broking group on the grounds it produced large-scale New York fire risks that were otherwise uninsurable in 1976 except through the New York state FAIR plan and were of "dubious nature."

Court overturns countersuit

PALM BEACH, Fla.—Florida doctors hoping to sue the lawyers who file medical malpractice suits against them have come up against a new roadblock.

The Florida court of appeals overturned a 1977 case that some malpractice watchers expected would open the gates for defensive suits by doctors against allegedly malicious lawyers and so lower malpractice insurance rates.

Three years ago, in John B. Sullivan vs. Otis R. Parker and Fee, Parker & Lloyd, a circuit court judge ruled in favor of the physician and allowed him to keep \$75,000 of a \$175,000 judgment.

But the fourth district court of appeals of Florida overturned that decision late last month and would not address a cross-appeal made by Dr. Sullivan.

"A lawyer must represent his client zealously within the bounds of law and professional ethics," wrote appeal judge John H. Moore. "As an advocate he must accept the facts as he finds them and render his advice consistent with those facts."

The judge said any more stringent standard of legal conduct "would effectively stifle the peaceful resolution of disputes and deny the very justice the courts are intended to administer."

Clerk convicted in art theft

CHICAGO—Laud Spencer Pace, a 31-year-old former shipping clerk at the Art Institute of Chicago, has been convicted of stealing three Paul Cezanne paintings, now worth \$4.3 million, from the institution in late 1978.

Mr. Pace, convicted earlier this month in Cook County circuit court here on charges of theft and carrying a dangerous weapon, will be sentenced Feb. 29 and faces six to 30 years in prison.

Mr. Pace was arrested May 23, 1979, by Chicago police at the luxurious downtown Drake Hotel where he had arranged a meeting with museum president E. Laurence Chalmers and police, saying he represented a man who had possession of the paintings and wanted to ransom them. Police said Mr. Pace had been a suspect in the case all along and was taken into custody immediately after the paintings were exchanged.

N.Y. exchange rule expected

NEW YORK—The New York insurance department is expected to shortly announce an "emergency" issuance of Regulation 86-a, defining the relationship of the New York Insurance Exchange and Free Trade Zone, without holding any hearings.

Regulation 86-a is the controversial measure that will most likely require large premium risks to be rejected five times by the insurers operating in the Free Trade Zone before they can be submitted to the exchange, if they've previously been underwritten by admitted insurers. Risks generating large premiums previously underwritten by nonadmitted insurers and certain exotic risks probably will be allowed to flow to the exchange after three rejections.

These were the final draft suggestions filed in Albany following a review by senior department officials. They decreased to three the number of rejections for risks in nonadmitted markets, from the four rejections proposed earlier.

Issuing the regulation on an emergency basis would ensure final rules are in place before the exchange opens, as planned, April 1. Hearings could be held sometime after the opening of the exchange, and the regulation could be amended then if necessary, said Donald Gabay, first deputy superintendent of insurance for New York.

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Frisco voters to rule on city pensions

By MARGARET LeROUX

SAN FRANCISCO—A revamped retirement plan for municipal employees that will save \$31 million and curb annual abuse estimated at \$2 million by reducing benefit levels will go to San Francisco voters for approval in a June special election.

The \$1.5 billion retirement system for 22,000 city employees, including police and firefighters, will cost \$137 million this year, while San Francisco faces a \$1.7 billion budget deficit.

Although San Francisco "isn't at the bankruptcy stage yet," Daniel Matrocce, general manager of the retirement system, said, "Given time, the situation could become acute. If we don't act now to curb costs the city will be in dire financial straits."

Coping with spiraling pension fund costs is a problem for most U.S. cities and states.

Mr. Matrocce shuddered as he noted the Los Angeles police department pension fund—although amortized over a 60-year period—had unfunded liabilities totaling \$2 billion and that the New York City



Bay Area blues

San Francisco's financial situation could become acute because of rising pension liabilities. Voters will decide in June whether to reduce benefit levels for municipal workers.

fire department pension fund is selling assets to meet unfunded liabilities.

If anything can save the San Francisco retirement system from a similar fate, it's an extremely conservative fiscal approach, he noted. The city currently bases its

pension fund on an average employee work life of 14 years and has unfunded liabilities of only \$500 million.

To reduce costs by \$31 million this year, San Francisco voters are being asked to approve stretching

Continued on page 82

Insurance plans set tough Olympic course



Photo: Wide World

LAKE PLACID, N.Y.—Keeping insurance on track for the Winter Olympics in Lake Placid has been tough sledding.

Charges of nepotism because a relative of a Lake Placid Olympic Organization Committee member was the agent for the liability insurance program spurred a re-marketing of the coverage. But Placid Management Co., whose principal is related to a committee member, kept the \$620,000 account (BI, Oct. 1, 1979).

Just last month, Merchants Mutual Insurance Co. of Buffalo canceled the LPOOC's auto policy because too many claims were piling up from use of the 581-vehicle fleet.

Placid Management picked up that account, too, placing it with the Insurance Co. of North America. Rules for use of the fleet—mostly LTDs donated by Ford Motor Co.—were tightened. Now persons using a car must sign out, stating their destination.

Not all insurance in force at the games is a headache for the local organizing committee, however. The International Olympic Committee requires teams entering the games to have their own policies to specific limits. The U.S. Olympic Committee is covering all members of the official U.S. delegation with a \$50,000 life and \$10,000 accident policy insured by American International Underwriters.

In addition, the USOC has purchased a \$10 million third-party liability policy from AIU, including umbrella and excess umbrella coverage, through Rollins, Burdick Hunter & Co.

The USOC third-party liability coverage is secondary, coming into play only after a claimant's primary coverage has reached its limit. The USOC spends \$100,000 to \$150,000 a year on premiums, says Ernest G. Hinck, USOC business manager.

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Speeding into Olympics

The U.S. Olympic Committee covers all team members with a \$50,000 life insurance policy and a \$10,000 accident policy. The committee also has third-party liability coverage up to \$10 million, spending more than \$100,000 on all coverages.

Overseas risks:

Political risks leave holes in programs

By Kathryn J. McIntyre

CHICAGO—U.S. multinationals need an offshore mutual insurance company to plug the holes in political risk insurance policies, contends a broker.

Businesses with investments and operations in foreign countries aren't even tapping the political risk insurance market available, clamor political risk insurance underwriters.

Companies with foreign exposures must first analyze the risk of political upheavals in other countries before buying insurance, counsels an international expert who compiles foreign risk forecasts.

In a world where friendly governments are becoming enemies overnight, exiling U.S. businesses but keeping their assets and operations, the need for protection against political risk losses is strikingly obvious.

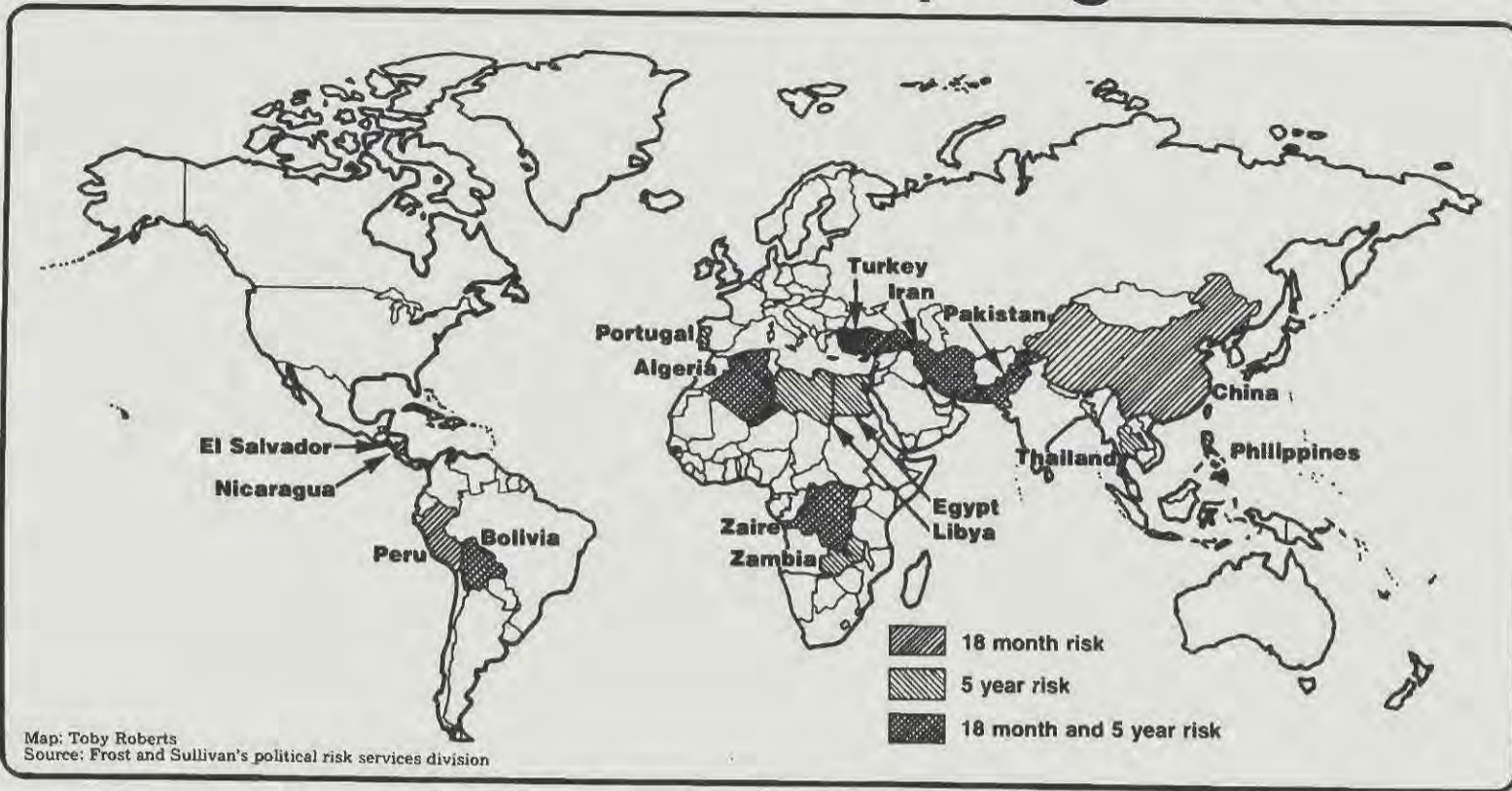
Yet U.S. business insures only a fraction of its \$170 billion investments abroad, one underwriter says. "There's an infinite amount of sensitizing to the problem that needs to be done," adds another underwriter.

In addition to the dramatic loss of foreign investments because of confiscation or war, there's the risk of currency repatriation restrictions, arbitrary cancellation of contracts, cancellation of orders or the inability to collect what one is owed.

The experts are lining up in formation to help risk managers defend their companies against being caught in the crossfire of political unrest or other foreign problems:

- Alexander & Alexander is trying to put together an offshore mutual.

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Map: Toby Roberts
Source: Frost and Sullivan's political risk services division

Risky political climates

Political turmoil is the biggest reason 10 countries are especially risky for U.S. business interests in the next 18 months, according to Frost & Sullivan's political risk services division.

Especially vulnerable to political turmoil among the 10 are Bolivia, China, El Salvador, Iran, Turkey and Zaire.

Expropriation problems have higher than a 50% chance of appearing in Algeria, El Salvador and Nicaragua and more than a 40% chance in Pakistan and Peru.

Repatriation restrictions will most likely ap-

pear in Nicaragua (69%), Iran (70%) and Algeria (60%).

Among the 13 countries presenting more than a 50% chance of major losses for U.S. business in the next five years, the following scored "high" in the four risk categories of socio-economic conditions, factional activity, political activity and government actions: Bolivia, El Salvador, Iran, Pakistan and Zaire.

Government actions such as censorship, shows of force, political arrests and economic and social decisions most threaten the climate in Libya.

The Philippines, Turkey and Zambia are considered most likely to be adverse to U.S. business because of socio-economic conditions and factional activity.

Socio-economic conditions probably will be the biggest cause of trouble in Thailand and contribute to problems in Portugal, where political activity and government actions also cause high concern.

The combined effect of moderate risks on all four fronts pushed Algeria and Egypt into the class of the 13 most hazardous climates in the next five years.

Iran losses hit Lloyd's for \$25 million

By JOHN MAES

CHICAGO—Lloyd's of London has recently paid more than \$25 million in claims to two American oil drilling and construction firms under political policies covering assets in Iran.

Lloyd's spokesmen acknowledged the payments for "deprivation" of property. Lloyd's couldn't say how many other Iran claims were pending.

The two recent payments were to Reading & Bates Corp., which collected \$17.4 million for losses on seven of its eight drilling rigs in Iran, and Williams International Group, which was paid \$8 million by Lloyd's late last year for confiscation of its construction equipment. Both firms are based in Tulsa, Okla.

Phillip Kirk, insurance and benefits manager for Reading & Bates, said he could not disclose details about the loss because the firm has another claim in litigation with Lloyd's on an Iranian loss. He said, however, it was a "broadly based" claim under its political risk policy for expropriation and loss of use of the Iranian drilling rigs. Reading & Bates owns seven land rigs in Iran and an eighth offshore, he said.

In the Williams International case, the company has received 100% payment for the loss of \$8

million in oil field construction equipment seized May 14, 1979, by local Iranian authorities near the city of Umediyeh, said risk manager Robert H. Redden.

The equipment included tractors, trucks and trailers being used

on a pipeline construction project. Work on the project was just about completed and the firm was preparing to move the equipment out of the country after the fall of the deposed Shah when the confiscation took place, Mr. Redden said.

The incident occurred just after Williams International renewed its political risk coverage with Lloyd's for three months, he said. The company received partial payment of the claim and the balance was paid by Lloyd's last Dec. 18, he

said. Williams International was the first firm to successfully complete a claim for an Iranian political risk with Lloyd's, the risk manager said.

Continued on page 83

Arabs plan own insurance pool

By JOHN MAES

CHICAGO—National insurance company executives from six Persian Gulf states will meet this week in Abu Dhabi, United Arab Emirates, to discuss formation of an Arab Gulf insurance pool to insure marine risks.

The pool, which may begin operations by July, is being formed to counteract premium increases on ships sailing through the gulf, set by Lloyd's of London marine underwriters who declared the area a war zone last year.

The Official Emirates news agency WAM said the operation is designed "to confront sudden decisions imposed by foreign insurance companies to increase war premiums on ships crossing the gulf."

Representatives of 25 companies from Saudi Arabia, Iraq, the United Arab Emirates, Qatar and Oman will attend the session.

The proposed group would in-

sure ships crossing the gulf region and will set its own war risk premium surcharge, which will be shared by member firms based on their participation in the capitalization of the venture, the news agency said.

Lloyd's, the primary market for marine insurance on ships sailing the gulf, recently raised the surcharge to 5 cents per \$100 of value, up from the 2.5 cents per \$100 normally charged, a Lloyd's spokesman said. Vessels sailing to Iran through the gulf are charged \$1 per \$100, while American ships bound for Iran are priced upon application, he said.

The increases brought an outraged response from foreign shipping firms and the Arab states, charging the action was politically motivated by recent anti-West sentiment in Moslem nations.

Lloyd's marine underwriters have not been alarmed at the Arab moves so far, the spokesman said,

adding there have been no contract cancellations from foreign shippers. "There's been just a lot of sound and fury and little else," he said.

London observers also doubt the venture can succeed because marine rates have been extremely low and competitive for some time. Any attempts to draw business away from Lloyd's underwriters by undercutting prices would leave little room for profit, he said.

"We don't expect they'd make much money out of it," he noted.

Although the Arab states have charged Lloyd's action is politically motivated, the increases reflected the underwriters' concerns over possible violence and shipping losses in the potentially explosive area, the spokesman said.

"It was merely an assessment of the risks they were being asked to insure. If they believe it was politics, they were mistaken in that way," he said.

American shipping underwri-

ters say they will hardly be affected by a gulf states insurance pact because U.S. underwriters almost exclusively insure American shipping and no U.S. cargo vessels have sailed the Persian Gulf in some time, said Allen Schumacher, chairman of the American Hull Insurance Syndicate in New York.

Mr. Schumacher also doubts, however, the Arab venture would survive because with current rates so low, the organization would not be able to stockpile adequate reserves "for that one big loss that may occur."

Arab shippers and insurers from the region have been talking about forming their own insurance syndicate ever since the higher rates were announced by London (BI, Dec. 24, 1979). But the meeting is the first substantive step toward the formation of an organization to provide the coverage at lower rates.

Ford pops surprises in Pinto case

By **ROGER ROWAND**

Special to Business Insurance

WINAMAC, Inc.—After the prosecutor rested its case, Ford Motor Co. popped surprise witnesses on the court as it began its defense of reckless homicide charges stemming from a 1978 crash of a van and a 1973 Pinto.

The new witnesses, hospital orderly Levi Woodward Jr. and a doctor from the area, both contradicted seven eyewitnesses and said the Pinto was not moving at the time of the crash—testimony that changes the bedrock of the prosecution's case.

Mr. Woodward, who said he spoke to the Pinto driver before she died in an Indiana hospital, also testified that she said the Pinto was missing its gas cap.

Late last week the Ford trial headed into its second half proceedings. Ford is expected to use as many as 14 full court days to present its defense.

The case is being watched closely by manufacturers and product liability experts nationwide because it is the first time a producer has been subjected to criminal prosecution for deaths related to alleged negligence in product design. A guilty verdict in this case could throw some product liability cases into the realm of criminal law, experts say.

Indiana's case has revolved around internal Ford documents and the testimony of expert witnesses. As those two methods of presenting evidence were used during the trial's first five weeks of

seesawing action, Ford's defense battery generally appeared to bowl over witnesses and was successful at keeping documentary evidence under wraps and out of the jury's sight.

By forcing the prosecution to limit evidence to that pertaining solely to the 1973 Pinto—the model in which three girls died in a rear-end crash Aug. 10, 1978—Ford's lawyers tightly tied the hands of the prosecutor.

And last week, an expert witness for the prosecution played into Ford lawyer James Neal's hands. Harley Copp, a former Ford executive engineer forced into early retirement because of "frequent and extended absences from his job," revealed to everyone's surprise that the 1973 Pinto, in his opinion, functioned as any other car of that

year would have performed.

"I am quite sure no car made in 1973 could be hit in the rear at 40 or 50 miles an hour without leakage," Mr. Copp testified.

The 1973 Pinto, he added, had as much rear overhang and rear crush space as any other car of its time, and didn't contain any more sharp underside protrusions than other cars.

The fuel tank in the death car, the trial has revealed, had only one small puncture about the size of a kitchen match head, caused by a protrusion near the tank, but the rear-end impact caused a large tear in the tank that allowed fuel to escape.

The Ford Pinto also had shear plates or inner strengthening panels that other cars didn't have

at the time, Mr. Copp testified under questioning. Rear leaf springs actually added stiffness, he said.

Mr. Copp said he found nothing wrong with the way the fuel filler pipe was inserted by slip-fit into the tank, another design point that had been called into question by earlier prosecution witnesses.

Mr. Copp had only good things to say about Harold C. MacDonald, vp of Ford's engineering and research staff, due to be called within the next few weeks as one of Ford's chief defense witnesses. Mr. Copp characterized Mr. MacDonald as a good engineer, thorough, conservative, innovative and extremely safety-conscious.

However, he testified under questioning by prosecutor Michael Cosentino that the engineers he respects weren't free to exercise their best judgment in designing the Pinto fuel tank.

He placed responsibility and blame for the Pinto and its defects squarely on the shoulders of Lee A. Iacocca, former president of Ford and now chairman and chief executive of Chrysler Corp.

Ford engineers, he said, "were locked in by styling and cost considerations, and locked in by Iacocca."

Asked by Mr. Cosentino if Mr. Iacocca was a good engineer, a thorough and responsible man, Mr. Copp replied, "No. His ambitions overwhelmed his sense of morality."

In recent weeks, the prosecution has emphasized the fact that the Ford Capri, a British car, has a fuel tank located over the rear axle, a position witnesses have said is safer than the location of the Pinto's tank behind the axle. In cross examination, however, Mr. Neal drew from Mr. Copp an admission that the Capri's tank location isn't related to safety, but was placed over the rear axle solely to create more luggage space in the trunk.

Outside the courtroom, Mr. Neal complained that certain aspects of the prosecution seem to rest on cases of what "might have been, and 'if this had happened, then that would have happened.'"

In the last two weeks, Judge Harold Staffeldt has said he thinks this case is being treated too much like a civil product liability case, and he has tried to prevent the issues from being broadened from the narrower aspects of reckless homicide to include simple negligence.

As Daniel Tankersly, a local attorney on the prosecuting team, has noted, "This criminal case deals with some of the same issues: a defective product, but not negligence." Instead, he reiterated, the narrower criminal issue at stake here is whether Ford was reckless.

But Ford attorney Mr. Neal has a different view of the issues. "The state came in saying it was not trying a product liability case but a straight case under criminal law, a very narrow criminal case involving the application of a criminal statute. Even the issue of defect versus no defect has limited admissibility."

Mr. Cosentino, however, is grumbling that Ford is being allowed to handle this case "like a product liability case, but the state is (being) restricted."

In its presentation of the defense during coming weeks, Ford will among other things attempt to convince the jury that the heavy Chevrolet van that rear-ended the death car was traveling at a high speed, colliding with an impact that would have caused any well-designed car to suffer the damage the Pinto suffered.

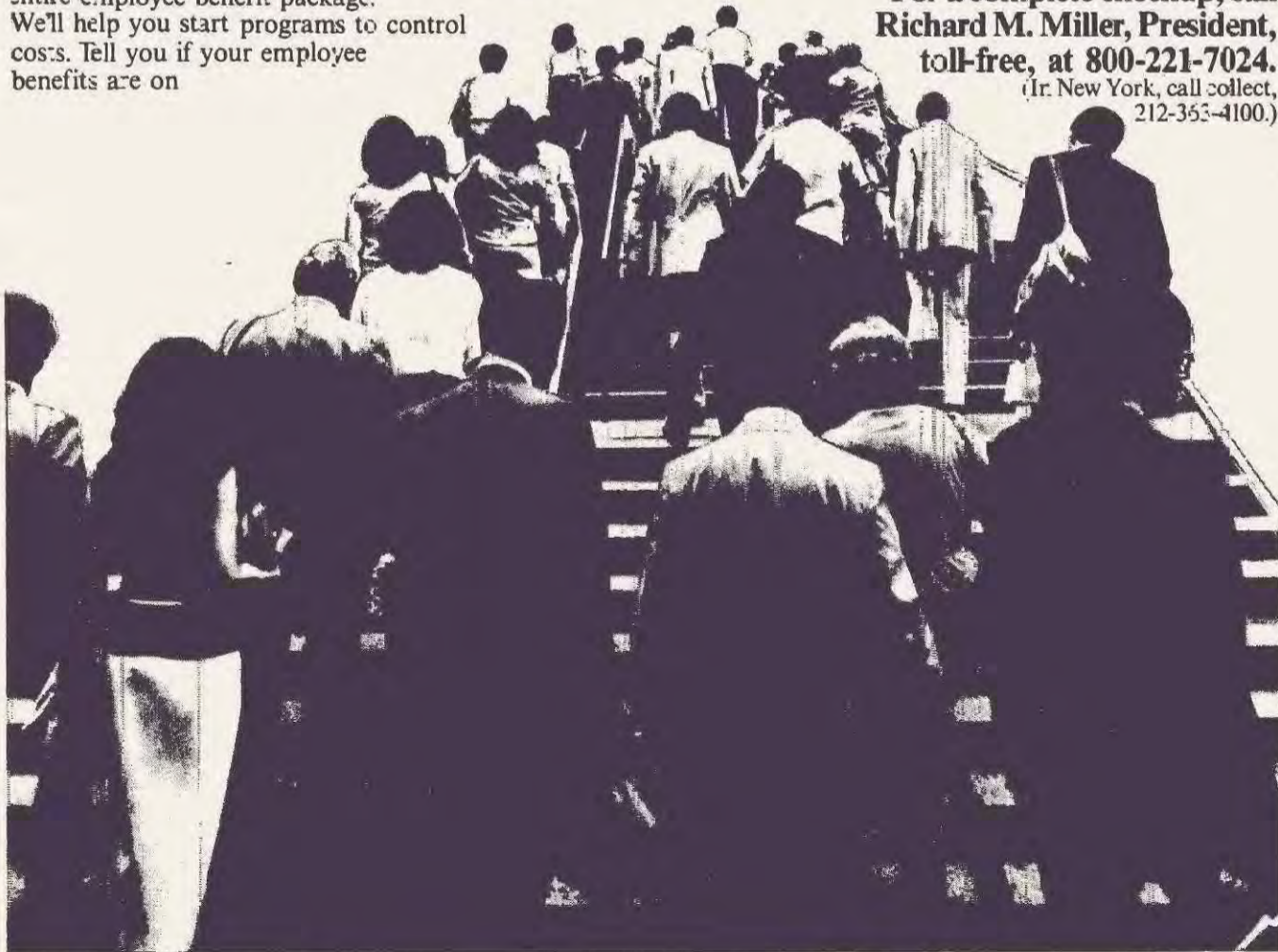
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Photo: Kimberly-Clark

Financial fitness

A Seattle county agency will be interviewing 20 employers to determine whether their health promotion

programs, like this one, are not just popular with employees but also profitable.

Proving profitability

Seattle survey aims to appraise health programs

By RHONDA L. RUNDLE

SEATTLE—Physical fitness programs at the office may be popular with personnel, but do they really work to cut corporate health care costs?

That question and others aimed at determining the true value of health promotion programs will soon be put to 20 Seattle-area employers known to offer such benefits, reports Nancy Gertz, assistant

planner with the King County health planning council that is undertaking the survey.

"We hope to document the cost-effectiveness of these programs so they'll sell themselves to other employers," noted Bruce Davis, a member of the agency's health promotion task force and insurance manager at The Bon Marche, a chain of 30 stores owned by Allied Stores Corp. in New York. "The bottom line is profitability."

Before gearing up a campaign, the agency needs to know what efforts area employers are already making and what their results have been, Ms. Gertz explained. Have consultants been hired to design corporate health programs? What are the setup and staffing costs? Have employers noted a decline in health care costs? What about absenteeism? Has productivity increased? What has been the impact of such programs, if any, on employee morale?

The Boeing Co., Weyerhaeuser Co., First National Bank and Safeco Insurance Co. are among the local firms already using corporate fitness programs, Mr. Davis reports. Activities include health education courses, exercise sessions, stress management instruction, alcohol and drug abuse programs, annual physical exams and group insurance premium discounts for joggers and nonsmokers.

Once the planning council completes its interviews next month, a questionnaire will be mailed to 10,000 companies in Seattle with 50 or more employees, Mr. Davis says. The questionnaire will assess employers' interest in health promotion activities and attempt to raise their consciousness about the benefits of physical fitness to the company.

The fact-finding sessions and questionnaires are also expected to generate enthusiasm about developing healthier employees and reducing health care costs.

There's definitely a role for business in reducing health care costs Mr. Davis says. After reading *Business Insurance* and other media describing employer cost containment programs around the country, he joined the health promotion committee of the King County health planning council last year. The council is a regional branch of the Puget Sound Health Services Agency.

Besides his work on the committee, Mr. Davis is also checking out fitness program alternatives for the 6,000 workers in five states employed by The Bon Marche. He is collecting literature and talking with a local YMCA director about a health education course and aerobic exercise program.

"There's been no pitch to management yet," Mr. Davis acknowledges, "but we believe the economic incentive is there to explore possibilities."

"We're taking a longer-range view of the problem of rising health care costs," says Elmer Kistler, chairman of the health promotion task force.

Health care is consuming an increasingly bigger chunk of the funds that are available for wages, he observes. "The time has come for some preventive medicine," he added.



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editorial opinions

Raising the standards

REMEMBER NATIONAL Student Marketing?

For those who don't remember the go-go years of the 1960s, National Student Marketing was the whiz-bang, whiz-kid firm that in the late years of the decade emerged as a revolutionary force marketing goods to college students via mass merchandising, using the "revolutionary" approach of college students themselves as salespeople.

With a self-acclaimed brilliant young chief executive named Cortes Randall and his young management team, the company raced to swallow up myriad firms supplying everything from beer mugs and sweatshirts to insurance. Using its high-flying common stock, which skyrocketed to \$36 a share in 1969 from \$1.50 in 1968, bouncing around wildly at times, the company became the sweetheart of Wall Street and maker of millionaires.

Now it has made history in another way, by changing the extent to which lawyers must worry about their responsibilities to shareholders in the event they are aware of corporate wrongdoing by corporate clients. Ultimately, lawyers will have a tougher time buying insurance against professional liability, and they'll be paying more for what they get, as a result of what happened at National Student Marketing.

Two of the nation's preeminent law firms—Lord, Bissell & Brook of Chicago

and White & Case of New York—were involved in the NSM case. NSM's profits were found to be largely illusory, and various securities laws had been violated during takeovers while Randall touted the company's stock.

To make a long story short, the Securities and Exchange Commission said lawyers have a responsibility to shareholders to prevent them from being defrauded when aware of wrongdoing by a client that would result in damage of the sort suffered by holders of NSM stock—the company's ultimate collapse cost investors more than \$100 million.

At long last, a tentative settlement of several key legal cases is at hand. It appears Lord, Bissell & Brook and two of its partners will pay dearly for what happened, to the tune of \$1.3 million; White & Case settled earlier by agreeing to set up internal controls assuring compliance with federal securities laws.

Lawyers are worried that they will be expected to become whistle-blowers, hurting the relationships they have with clients.

What it all adds up to is that lawyers, if not whistle-blowers, can no longer remain silent in the face of lawbreaking. Like professionals in other fields—agents, brokers, accountants, doctors, corporate directors and officers—they are now held to a higher standard of performance.

Make a loan

CORPORATIONS and other benefit plan sponsors should consider loaning their benefit chieftains and pension experts to the government to help the President's Commission on Pension Policy in its work.

Barbara Torrey, deputy director of the pension commission, noted not long ago that General Mills had loaned a financial analyst to the commission. The benefit? "We gain perspectives we would not otherwise have," Ms. Torrey said.

For employers, this is an invaluable opportunity. For too long, government task forces have used academics and bureaucrats to make the studies and pull together the statistics that become the basis for ill-conceived legislative efforts.

One step on the road to sane govern-

ment is the participation of corporate experts in the federal and state legislative processes.

For all the interest employers have in benefit, pension and risk/insurance issues, there is too little active involvement on the part of benefit managers or risk managers in lawmaking.

Perhaps not all federal commissions are as receptive as the task force on pension policy, but we'd like to see more of these "executive loans."

This would certainly be one way to correct the initial failure of the Commission on Pension Policy to name any high-level corporate benefit executives to its panel.

It's time for companies to donate their managers to the commission for the duration of its tenure.

letters

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

Appalling editorial

To the editor: Until your editorial on "Abortion inequities" appeared in your Jan. 21 issue, I was proud to be a member of the insurance profession. Now I am appalled, to say the least, that a recognized insurance magazine would take a stand that apparently endorses the murder of unborn infants.

You mention that "a person has a right to make a personal decision to have an abortion." May I ask what becomes of an unborn baby's right to live should the mother have an abortion? All of the decisions handed down by courts or laws created to reflect the will of the people do not change the simple fact that abortion is murder. What has happened to us that we place so little value on a human life?

Charles G. Haake
Treasurer

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Editor's note: We neither endorsed nor condoned abortion, preferring not to take a stand on that issue by itself. Rather, we pointed out that given the law of the land and personal beliefs held by many people who disagree with you, employers should cover legal pregnancy termination costs under benefit plans as they cover other illness.

Less is more

To the editor: Your reasoning in your editorials improves in inverse proportion to their length. In the long "Abortion inequities" editorial (Jan. 21):

- Employers should pay for abortion.
 - Abortion may be murder, but not legally.
 - Employers should pay for possible murder until we find out (as long as it's legal).
- Frankly, I liked your reasoning in the short longshoremen's editorial better:
- The government suppressed the facts.
 - The facts leaked out eventually.
 - Truth wins out.

Truth will eventually win out in the abortion holocaust, too. Until then, for all the possible "murders," let's pray for a population explosion in heaven (of little tykes).

Thank you for your excellent short editorials!

Richard D. Conway, CPCU
President
The Conway & Conway Co.
Cleveland, Ohio

Abortion abhorrence

To the editor: I take great personal and professional exception to your editorial "Abortion inequities," published in the Jan. 21 issue. You speak of the inability of any legislative body to reverse the Supreme Court decision on abortion as "proof enough of what this country's populace basically believes about personal medical decisions, made by individuals."

Survey after survey has shown that the vast majority of Americans abhor this horrendous legalization of murder. You are operating with your head in the sand if you believe that a liberal Congress controlled by special interest groups, and individual members concerned only with the maintenance of their own status quo, represents the feelings of most Americans, on the abortion issue or any other. Sen. Ted Kennedy is a perfect example of one who has publicly stated that he supports the Pro-Life Movement, yet for political expediency votes to defer a national referendum.

We, as intelligent beings, continue to refuse to learn from history. Every great society has disintegrated through the disintegration of its moral fiber. The Greeks of old would place a sick child out on the mountain. If it survived, well and good; if not, they proved their point. Our society has advanced technologically and we now murder our children while still "protected" in the mother's womb by sophisticated and sterile surgical techniques. What is the next step? What should we do with all the mental and emotional defectives? Perhaps we would seriously lower the loss ratio of health and medical carriers through euthanasia, thereby increasing their profit.

We have much to fear in our industry and nation with "Big Brother" encroaching daily on our personal values and freedoms. Perhaps we should emphasize Christian values on sexuality and the sanctity of the human body, instead of cleaning up our transgressions with a surgeon's knife.

I have no desire to see our women return to the underground butchers; but rather, I see a day of respecting life, and a positive approach to a difficult dilemma.

Shame on you, *BI*, for pressing your liberal beliefs on your subscribership.

Nelson J. Nix
Carmel, Ind.

Editorial insult

To the editor: I am compelled to
Continued on page 80

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Older workers stay on job, boost costs: Hewitt

LINCOLNSHIRE, III.—Increasing the mandatory retirement age has boosted costs for many employers, as a substantial number of salaried workers remain on the job until age 70 and companies maintain pension and group life insurance benefits for these older workers, a Hewitt Associates survey indicates.

In the 582 U.S. companies surveyed for the "Hot Topics in Employee Benefits" report, an average 45% of the 65 or older salaried employees continue to work. The number of over-65 employees ranges

from an average of 34% in larger companies, where more employees are in the over-65 age bracket, to 61% in smaller companies where there are fewer older employees. Non-manufacturing companies report an average 47% of over-65 employees remain on the job.

Only 26% of the surveyed companies use the executive exemption, with large manufacturers much more likely to do so. Only 9% of the manufacturers with sales of less than \$100 million use such an exemption, while 44% of the manufacturers with sales of more than \$500 million do so. Among non-manufacturers, 28% use the exemption.

Although not required to do so by the Age Discrimination in Employment Act, about half the survey participants provide increases in pension benefits to employees working past age 65. Among the 497 firms with defined benefit plans, 49% provide some sort of pension increase.

The means of recognizing employment past 65 varies. Some companies recognize service or pay increases granted past age 65; some extend future benefit improvements to all employees regardless of age, and others grant actuarial increases for years of delayed retirement. Of the 241 companies providing benefit increases, 66% use some combination of these methods.

In 52% of the surveyed companies, the amount of life insurance coverage for employees ages 65 to 70 remains unreduced. Twenty-six percent will make a one-time flat percentage reduction at age 65, and 19% will make graduated reductions, usually beginning at age 65.

The survey also found that:

- 59% of the respondents provide dental benefits, with 15% considering such coverage.
- 15% provide vision care coverage, with another 6% considering such a plan.
- 83% of surveyed companies offer physical exams to some or all salaried employees. Alcohol/drug abuse programs are offered by 34%; smoking control by 8%; and weight control programs by 5%; recreational facilities by 16%, mainly to all salaried workers, and health/athletic club subsidies are offered by 17%, mainly to executives.
- 43% of survey respondents have granted at least one pension increase to retirees since 1973, but only 13% of manufacturers with sales of less than \$100 million did so, versus 58% of those with sales of more than \$500 million. Forty-six percent of the nonmanufacturers granted increases.
- When bonuses are paid and the company has a defined benefit pension plan, 51% of the respondents exclude annual bonus awards from the definition of pay used to compute pension benefits.
- Nearly 40% of the companies provide supplemental death benefit coverage for executives only, usually on a preretirement basis: additional or higher limits of term insurance, split-dollar life insurance or survivor income benefits.
- Almost one-third of the companies offer a supplemental retirement plan for executives, and 52% of those companies said the main purpose of such a plan is to compensate for benefits lost under the basic plan because of ERISA. ■

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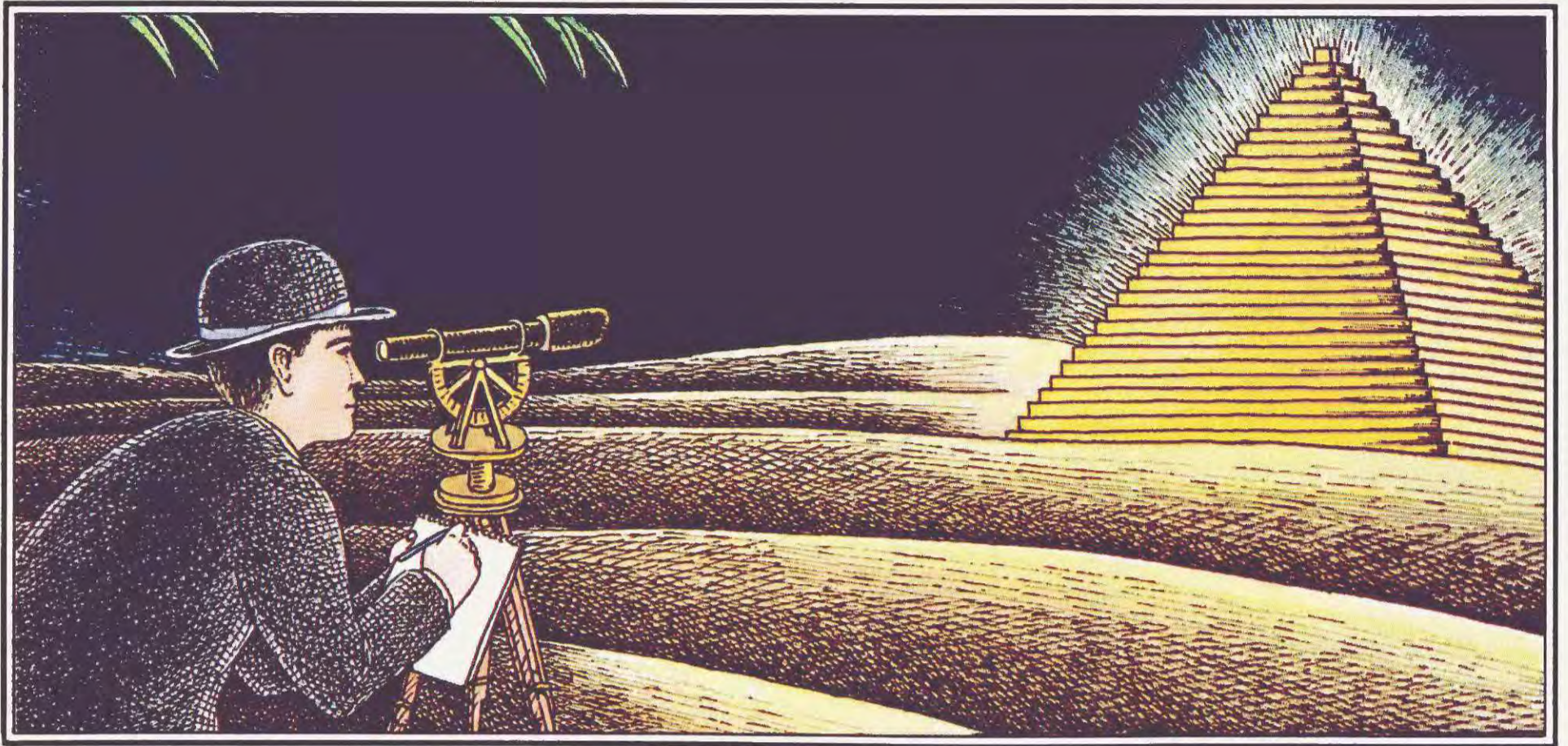
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Determining Risk



With the magnitude of business risks expanding, sophisticated techniques are being developed to determine more precisely the optimum degrees of risk retention for a company's exposures.

A brief review by INA of an insurance topic of interest to business executives.

In an increasingly demanding economic environment, corporate financial executives are re-examining the capital and cash flow needs of their businesses. Part of this analysis focuses on the cost of business insurance, which in the typical corporation has risen in direct proportion to expanded exposures. In this environment, corporate risk managers are attempting to structure their insurance programs to help enhance cash flow without jeopardizing financial results through inadequate protection against losses.

Specifically, they are looking

for ways that will help determine the most productive retention levels for their companies' growing exposures to risk and financial loss, recognizing that the ability and willingness to bear risks can vary sharply from one company to another.

For example, it might be advantageous to retain, either partially or completely, such exposures as automobile fleet physical damage and workers' compensation, where losses tend to have a high degree of predictability. Dollars that would otherwise be committed to insurance premiums would then be

available for corporate use. Before setting specific retention levels, however, a determination is needed of the maximum amount of loss, in dollars, a company would be willing to bear.

Based on trend analysis, the availability of coverages and, most important, personal knowledge and judgment, there are several approaches to establishing this amount.

Maximum retention limits

Perhaps the most common, particularly for publicly held companies, is an earnings-per-share determination, in which uninsured losses are retained up to the limit where they will adversely impact the company's financial results. This figure is sometimes set at five percent of the company's operating earnings for its most recent year. Thus, a company reporting pre-tax earnings of \$60 million would not retain risks with a maximum possible loss in excess of \$3 million.

Retention Levels

A second method is to use a percentage of net working capital, generally between one percent and five percent. This method is frequently employed because it is based on corporate liquidity.

And a third method is based on an earnings-and-surplus yardstick. Here the limit of retained losses is set at a given percentage of current retained earnings, plus an equal percentage of average pretax earnings over the preceding several years.

In each case the figure represents an aggregate maximum retention for all lines. It is usually fixed at the beginning of each fiscal year to reflect an up-to-date picture of the company's financial position.

Arriving at specific retention levels

Having ascertained a maximum retention amount, the next step is to determine the optimum choice among a number of possible specific retention levels.

This is done by a fairly complicated procedure. Essentially, it consists of taking two varia-

bles – the maximum retention figure expressed as a company risk tolerance level, and another factor called the “risk-adjusted cost” – and using them as the two axes of a graph. Various retention options (such as complete self-insurance, \$10,000 deductible, \$50,000 deductible) are then plotted on the graph as curves. The best decision at a given risk tolerance level is that option having the lowest risk-adjusted cost.

An example is a large integrated oil company with an experience of 720 property damage claims, both open and closed, over a recent three-year period. The average severity was \$11,214, with a maximum possible loss per occurrence of \$2.5 million. The expected frequency was 240 occurrences a year and the expected aggregate loss was \$2,691,464.

After taking into account both the expense of self-insurance and the premiums for commercial insurance with various deductibles, risk curves were computed and plotted for a number of options. They in-

cluded full retention of the risks by the company; partial retention, with a large deductible; and full coverage by commercial insurance. The results indicated that at the company's risk tolerance level, the preferable option would be an insurance policy with a deductible of \$1 million.

Even with the assistance of techniques such as these, setting risk retention levels remains a subtle and sometimes demanding process. Risk managers have found that consultation with insurance agents, brokers, and companies providing insurance products as well as self-insurance services is often invaluable in arriving at viable solutions.

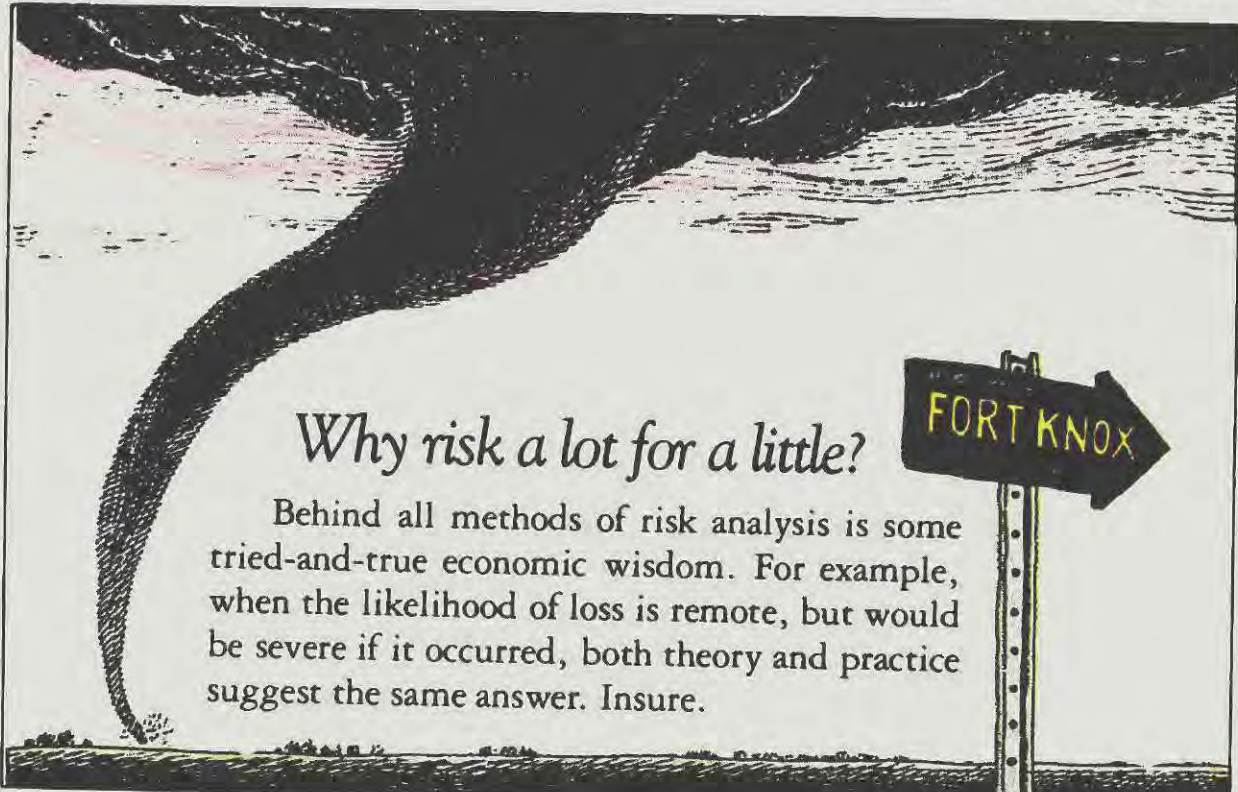
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The Professionals



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Physical exam clinics nip disease, costs in the bud

CHICAGO—If it's good for one, it's good for everyone.

That's the way many health-conscious corporations view the health testing centers that are beginning to thrive on executive patronage. Some firms are promoting the comprehensive medical examinations to all employees.

Cahners Publishing Corp. here offered Portes Cancer Prevention Center tests to all 275 employees and paid two-thirds of the \$95 bill. Forty percent of the employees accepted the offer.

"We got a lot of people to see a doctor who hadn't had an examination in a long time," remarked personnel director Ernest Kummer. "Most of them found out they were fine and that led to a good feeling that rubbed off on the company."

Not everybody was fine. The Portes testing led to one Cahners employe undergoing two successful surgical treatments for a disease discovered by the tests. Several women employes received additional tests covered by Cahners' medical plan, at the urging of Portes physicians.

"Top management has always had an annual physical, even though it wasn't paid for by our



health plan," Mr. Kummer explained.

"When we decided to expand the opportunity, I started researching Portes."

Portes in Chicago does not stand alone; comprehensive test centers that search beyond a routine doctor's office physical to detect diseases early are setting up shop around the country.

Administrators of the clinics contend the examinations can prevent future maladies because the extensive physical data they gather on each patient helps doctors predict what health problems are likely.

"It's preventive medicine done in a good, sincere way," said Dennis Streelman, administrator of the Hindsdale Comprehensive Health

Test Center, another clinic in the Chicago area.

Although success is difficult to measure in dollars and cents, center administrators are convinced such testing is a bargain despite its relatively high price. Several executives examined at the Houstonian, a Houston clinic, were found to have potentially serious heart disorders "they would not have felt at the onset," said a director of the center.

The Hindsdale center, one of a dozen disease detection centers in the Chicago area, examines 4,000 to 5,000 people a year. Although its doors are open to the public, 60% to 70% of the patients are corporate executives sent by their employers to undergo the testing, as is the case at most centers.

Essentially, centers like the Hindsdale put people through a complete medical exam including the medical history of the individual and family, hearing, lung and blood tests, an EKG, serology, thyroid profile, proctoscopic, chest X-ray and other tests. Pap smears are performed for women.

The patient is given a one-to-one consultation with a doctor to discuss the test findings and whether lifestyle may be bringing on a par-

Continued on page 20



Ounce of prevention

Physical examinations given at health testing centers like Portes Cancer Prevention Center in Chicago go beyond a routine doctor's office physical to detect diseases early.



Photos: Portes Cancer Prevention Center



Robert Gordon (left) once spent 10 days in a Singapore court helping convict a corrupt ship captain, and



Harold Smith (right) has tracked down missing robots and violins.

Big firms say 'no thanks' to public adjuster service

By ELLIS SIMON

NEW YORK—Public adjusters say they can present claims to insurers better and faster than the policyholders they represent, but many risk managers respond: "No thank you. We and our brokers can do it ourselves."

"If a large loss is to be handled completely, it must be done by someone who can live with the loss till it is settled," maintains public adjuster Robert D. Gordon of Boston.

Only a public adjuster has the ability to devote the time and expense to preparing and documenting a claim, argues Mr. Gordon, whose firm specializes in preparing claims for policyholders on large or unusual losses ranging from burglaries to cargo damage. The risk manager, he says, can't afford to do this himself.

"We relieve the risk manager of a tremendous effort when his energies should be devoted elsewhere," Mr. Gordon says.

Norman Chanzis, director of risk management at American Standard Inc. of New York concedes public adjusters can ease the handling of a loss by taking inventory, preparing the claim and following through. But, he adds, "The public adjuster's importance is greatest for the small firm that cannot take people away to count inventory.

"Large companies usually employ large brokers with fully staffed claims departments to take over the handling of their claims," Mr. Chanzis continued. "For a large fire loss, we have the ability to set up and establish a claim."

"We wouldn't necessarily use an adjustment bureau as a countermeasure to an insurer and its adjuster," said Joseph V. Yandoli, director of insurance at Columbia Natural Gas Co. of Wilmington, Del. "I'd do it myself with my broker."

As soon as a loss occurs, people at Columbia Natural Gas are prepared to conduct an audit to deter-

mine the cost of lost work time and materials, he explained.

"I wouldn't call in a public adjuster, unless I got an indication from the carrier's adjuster that I had a problem," said William Blick Jr., assistant treasurer for The Allen Group Inc. of Melville, N.Y.

"If your risk management program is designed properly, the need for an outside adjuster is minimized. A good risk manager preplans a loss by designing his program to take into account most probable losses and the resources needed to substantiate the losses you are preparing for.

"I'm not downgrading the public adjuster's ability, but they're taking the client's responsibilities for a fee. The risk manager of the fairly large firm was hired to do that."

Policyholders usually hire a public adjuster to represent them on an unusual loss or if they believe they don't have the experience to properly handle the claim themselves, said Harold J. Smith,

Continued on page 21

Odd cases make adjusters' lives read like a book

NEW YORK—Adjusters lead the lives of fictional heroes.

A robot insured by Lloyd's of London for \$75,000 was being transported from Chicago to New York when its owner and chauffeur stopped for the night at a motel in Pennsylvania. The next morning the robot was gone and an insurance adjuster—Harold J. Smith of New York—was on the prowl for a missing robot.

Offering a 10% of value reward for the robot's return, Mr. Smith told his story to the wire services. The next morning, a New York newspaper carried a cartoon of a robot calling Mr. Smith from a pay phone and saying; "Make it an even 10 grand and I'll tell you where I am."

In his 33-year career as an adjuster, Mr. Smith says he has never found it boring and professes his "love of the business" is one of the reasons for his success. His firm employs 150 persons in 15 offices around the country and works extensively for Lloyd's of London.

It is not unusual for Lloyd's and other insurers to post rewards for stolen or missing property, Mr. Smith notes, but most insurers insist on tracking down the property and the crooks.

Public adjuster Robert D. Gordon of Boston once had to spend 10 days in a Singapore courtroom helping convict a corrupt ship captain so his client could recover losses on a fidelity policy.

The client's ship was towed to Singapore for repairs and the original crew was relieved, he recalled. The new captain, believing the ship would be scrapped, arranged with a receiver to have the ship's machinery and spare parts stripped.

However, the client's representatives returned to begin preparations for repair work only to learn, with full documentation in the ship's security log, of the captain's deeds. Mr. Gordon had to retain a ship surveyor to determine the value of the missing items.

Mr. Smith was once asked to determine the value of a Russian bear's ear. A 24,000-pound sculpture of a Russian bear was being trucked from Port Authority piers in New Jersey to Pepsico's headquarters in Purchase, N.Y., when it struck an overpass on the approach to the George Washington Bridge and the bear's ear was knocked off.

Contacts with experts on antiques and other rare properties have led to recoveries of stolen goods. A violin expert reported to Mr. Smith that he had come upon a \$17,000 Stradivarius that, it turns out, was stolen.

The instrument was returned to its owner who, while waiting to depart from an airport the following day, placed it on the floor only to have it stolen again, Mr. Smith said. The violin is still missing.

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Public adjusters challenge clout of home office

NEW YORK—If you don't hire a public adjuster, it's you and your broker with—or against—the insurance company adjuster

That can be a tough problem now that insurers are increasingly keeping claims settlement control in the home office instead of releasing it to the field agents, public adjusters argue.

"It's extremely difficult for someone in an office in Los Angeles to properly deal with a fire loss in Boston or New York," said Harold Smith, a public adjuster in New York. "Some adjusters act

like messenger boys. An adjuster should take responsibility and give his recommendations."



Lloyd's and other excess/surplus insurers tend to give more authority to their adjusters in the field than the standard companies with extensive networks of branch and regional offices, he noted.

Insurance company adjuster authority varies in different parts of the country, noted Edwin Hochberg of Sapperstein, Hochberg & Haberman of New York. "In some parts of the country, an insurance company adjuster can settle a \$1 million claim on the spot. In other areas, he can't do a thing without calling in experts."

Metropolitan New York, with "experts" available in quantity and offices of most major insurers with claims people wanting to get involved, is a particularly tough place for settling claims quickly, he said.

The small person who doesn't have clout at the home office gets hurt the most by this, Mr. Gordon said.

Risk managers have different tactics for working with insurance company adjusters.

William M. Blick of The Allen Group Inc. in New York, says he "feels definitely in an adversary position" when meeting with an insurance company's outside adjuster.

"To justify his fee, the adjuster tries to reduce the loss for his client. Sometimes their positions are annoying to a buyer who feels he has good relations with his carrier," Mr. Blick said.

"If you doubt whether an item is covered, include it in the claim and let the adjuster dispute it," said Joseph V. Yandoli, director of insurance for Columbia Natural Gas in Wilmington, Del. "Most adjusters are looking for something to throw out. They must show they've saved some money."

The posture of insurance company adjusters trying to settle the cases for the "lowest basis possible" has lessened over the past 10 to 15 years, said Norman Chanzis, director of risk management at American Standard Inc. in New York.

"Be completely open in dealing with adjusters," Mr. Chanzis recommends. "If you're open, they'll respond to you."

Mr. Chanzis also suggests "acting as if you had no insurance" by trying to protect the remaining property.

NFPA seeks comments

BOSTON, Mass.—The National Fire Protection Assn. is seeking comments on 48 technical committee reports on which action will be taken at the 1980 NFPA meeting Nov. 17-19 in San Diego. Comments are due by April 28.

Single copies of the reports, to be published in late February and shipped parcel post, will be available free and additional copies will cost \$8. If first-class delivery is desired, postage charge will be \$3.50 per copy and payment must accompany the order. Send requests and orders to the NFPA publications sales department, 470 Atlantic Ave., Boston, Mass. 02210, and specify Catalog No. TCR-80F.



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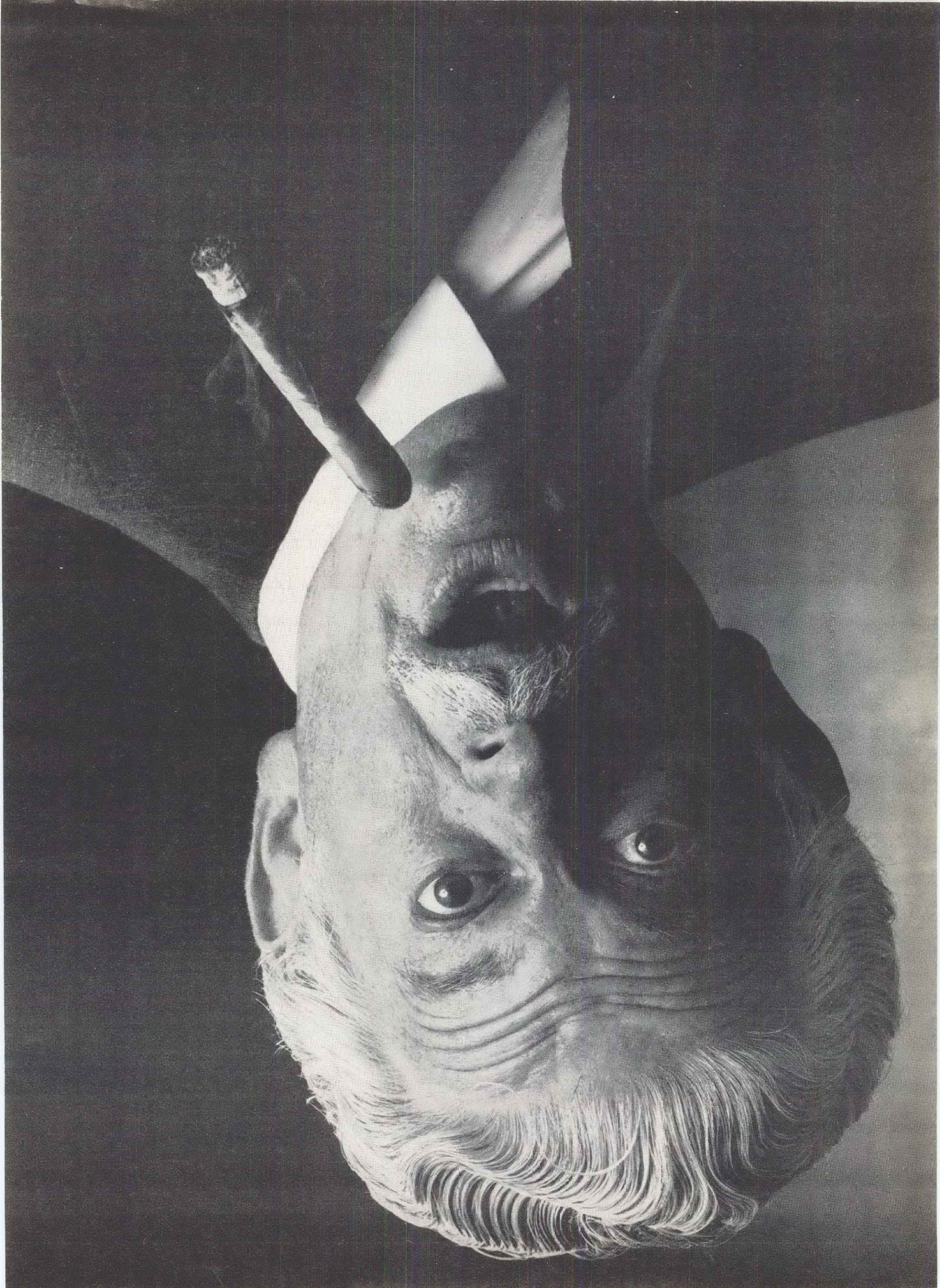
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Clinics nip disease, costs in bud

Continued from page 15
ticular health risk.

At the Houstonian, the \$390 exam fee includes not only a consultation with a doctor, but a session with a nutritionist on ways to enhance health with proper diet. The Houstonian's administrators limit their staff doctors to seeing four patients a day to allow each doctor more time with the individual patient, said Frank Jambois, vp and director of medical services.

Special equipment

Tenneco Corp., Galveston-Houston Oil Co., Weaver Oil Co. and Conoco Oil Co. are among the Houstonian's clients. Tenneco, which maintains a fleet of corporate aircraft, sends its pilots to the center for periodic exams, Mr. Jambois said.

The Portes Center's \$95 fee for a basic examination, which acting

medical director Dr. Miguel Oviedo calls a "relative bargain," pays for computerized data compiling and medical testing equipment not usually available in a general practitioner's office.

The Portes center yearly tests about 17,000 persons, mostly corporate executives, for cancer, through multiphasic examinations.

The data can be pooled to show disease trends for "high risk" groups of employees, Dr. Oviedo said. "If we want information on diabetes, we can pull the information on all obese people; if we want information on lung cancer, we can pull information on heavy smokers."

Johnson & Johnson Corp. in



Chicago sends about 100 of its local executives to Portes annually and semiannually. "We're very satisfied because the exams are extremely thorough and we'd definitely recommend it to other companies," said Richard Stephens, director of personnel

Premiums reduced

Although there's no way to gauge it financially, Mr. Stephens said he thinks the move is cost-effective because the company is saving possible long-term disability payments and the potential losses from having a high-placed executive off the job and unable to contribute to corporate operations. "We've got a considerable amount invested in our executives and this is a kind of preventive maintenance," he said.

Mr. Streelman of the Hinsdale center said the cost saving has shown up in one company whose health insurance premiums are being reduced after it offered multiphasic tests to its employees and half the workers responded.

"We're going to see more of this type of concrete proof," he said.

Health insurers generally support the concept of these tests because they favor all attempts to control health care costs.

Ed Harris, director of group underwriting for Prudential Insurance Co., said the insurer covers varying amounts for physical exams including comprehensive health screening. Companies dismayed by the initial expense of the exams should remember the cost will probably translate into lower health insurance premiums in the future, he said.



"We got a lot of people to see a doctor who hadn't had an examination," says Ernest Kummer.

Strengthen bond rules: New firm

NEW YORK—A new firm hoping to establish itself as the technical service arm of the surety industry is promoting more control by surety underwriters.

Alfred Wilner, president of Alfred Warner Inc., parent company of the new firm, is advising surety companies to toughen their underwriting procedures:

- Progress/payment reports should be made to the surety company at least monthly.
- The job site should be visited at least monthly.
- Control should be exercised over a job when the bid is being put together.
- The technical ability of a contractor to complete the job should be evaluated in terms of his past job experience, staff size and field of expertise in addition to his past bonding experience.
- Changes in management of contracting companies that could affect future performance should be noted.

Larger surety underwriters already exercise these controls, Mr. Wilner said.

Wilner & Sarno Associates, a subsidiary of Alfred Warner Inc., is being created to help surety underwriters.

"We'd like to think we can reduce losses, help defend against claims and help complete the job," Mr. Wilner said.

The new firm would generally be called in "in the event of failure of the contractor/subcontractor to complete work and the bond is invoked," Mr. Wilner said.

It will work mostly with surety firms but also with construction companies, helping them with lawsuits.

2 workers hurt at arena site

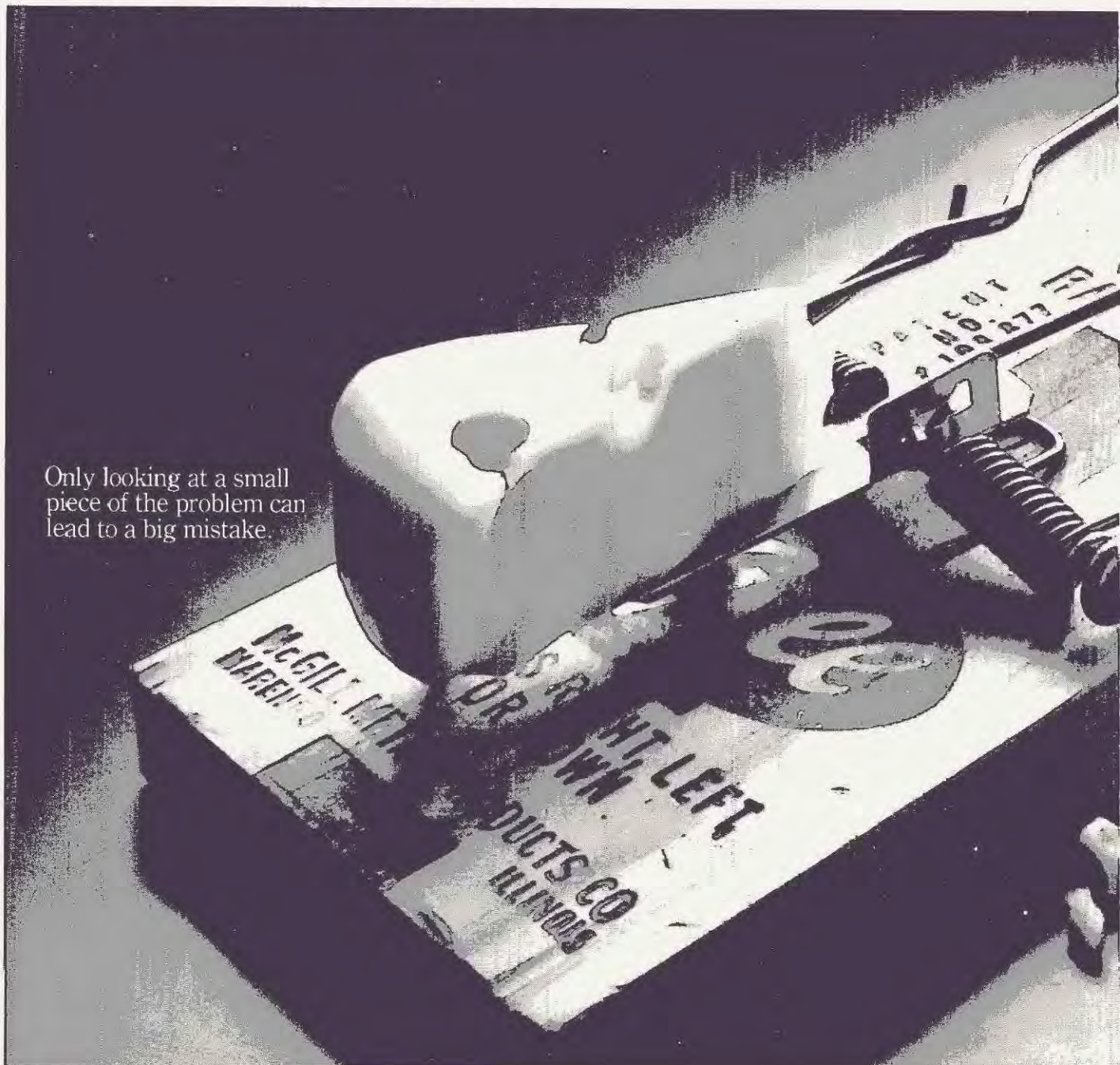
ROSEMONT, Ill.—Two workers were injured when a section of bleachers collapsed last week at a stadium under construction here where five workers were killed in a roof collapse last August (BI, Aug. 20).

A problem with welds caused the bleacher collapse, Rosemont mayor Donald Stephens said.

Concrete Erectors Ltd., employer of the injured workers, could not be reached for comment. It's known, however, that each contractor arranges for its own workers compensation insurance.

THE COST TRAP IN HEALTH CARE COVERAGE.

Only looking at a small piece of the problem can lead to a big mistake.



Large firms shun public adjusters

Continued from page 15

a New York-based insurance company adjuster who has dealt with numerous public adjusters and risk managers in his 33-year career.

"The only difference in dealing with the public adjuster is that he is usually more knowledgeable in presenting a claim," Mr. Smith said.

Expediting claims

"Anybody emotionally involved can't readily look at a claim and do justice to it," contends Edwin Hochberg, president of Sapperstein, Hochberg & Haberman in New York, the nation's largest and second oldest public adjusting firm.

"Our experience enables us to

avoid mistakes and expedite claims. We catch many things the insured would overlook."

Mr. Hochberg recalled adjusting a partial fire loss on a warehouse with its contents insured for \$300,000. A second fire destroyed most of the remaining contents.

Although the policyholder said he was willing to settle for the full \$300,000 policy limit, Mr. Hochberg was able to get the insurer to agree to total settlement on the two claims of \$350,000, he said.

"The insured didn't realize the policy provided automatic reinstatement of full coverage after the first loss," Mr. Hochberg explained. "I don't think one out of 50,000 risk managers would be



aware of that situation."

Relying on a large broker's claims services is not without drawbacks, Mr. Hochberg warns. A large broker can occasionally use its clout to get a favorable settlement for a major client, but only to a limited degree, he says.

Industry background

Broker adjusters sometimes require the client to prepare his or her own damage estimate and inventory, Mr. Hochberg adds. Most broker adjusters come from insurance company adjusting backgrounds rather than from public adjusting, he noted.

Fees for the public adjuster's services are high. The Hochberg firm charges 10% to 15% of what is recovered from the insurer. Mr.

Gordon bills a contingency or fee basis, charging 10% or more of recovery when working on contingency. His hourly fee is more than \$100, but his associates' fees are less, he said.

Mr. Smith would only reveal that his hourly fee is less than \$150 an hour.

The public adjusters argue they are worth every penny of that. Mr. Gordon related a fire claim he adjusted at a university to prove his point.

Mr. Gordon had to evaluate the school's collection of stuffed birds and its massive paleontologic exhibits. He and his associates set up a temporary office on the campus to interview department members, learning how the exhibits were acquired. They also evaluated the cost of professors and students

making field trips to as far off as New Zealand to locate the exhibits. Added to that was the cost of preparing the 10,000 fossilized exhibits and taxidermy charges for 400 birds.

The claim, documenting the steps necessary to recreate the exhibits, was presented as the actual cash value, Mr. Gordon explained.

Such unusual losses force adjusters to seek outside assistance in making valuations. "On something like a \$1 million burglary in which jade, scrimshaw and Oriental rugs are taken, we're not the experts," Mr. Gordon said. "You got to be able to go to the experts."

Specialists used

Although his staff of seven professionals includes construction engineers and financial people capable of handling most business interruption and contents losses, Mr. Gordon frequently relies on outside surveyors and uses a variety of engineering and physical damage specialists to help him.

He sent a polyvinyl chloride expert to Iran in 1975 to determine whether the cause of damage to a shipment of PVC pipe-wrapping material was covered under the shore clause of a client's ocean marine policy.

Harold Smith has also developed contracts "with all kinds of consultants to assist in establishing the exact figure of a loss." Knowing when to get an expert and how to use him is one of the keys to his success, Mr. Smith maintains.

Beyond investigating the loss and preparing the claim, the adjuster also negotiates with the insurer for the settlement. That demands knowing the scope of the insurance policy, which isn't an easy task now that manuscript policies are more common.

More specialization

Insurance policies are becoming increasingly specialized, Mr. Gordon notes. "There is no similar pattern of insurance underwriting in any industry. Years ago, a client would call to tell us he's in a certain business and it wasn't necessary to read the policy; they were all alike."

The explosion of insurance policy forms, particularly in the excess and surplus field, "places a tremendous burden on adjusters," says Mr. Smith, who works extensively on behalf of Lloyd's of London.

"In many cases the adjuster is pioneering the handling of a particular form."

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Actuaries predict booming demand



"I think we are building a good reputation," says Lee Van Slyke, actuary with WM&G.

NEW YORK—Once called on only by risk managers needing advice about medical malpractice losses, actuaries are becoming increasingly important to all risk managers with self-insurance plans.

Actuaries provide key services in three areas of property/casualty risk management:

- Assisting with accurate projections of losses, both paid and incurred.

- Reviewing claims information and deciding whether the clients are getting the kind of data they

need from claims administrators to make informed decisions about their programs.

The actuary makes sure workers compensation claims are divided into categories such as medical claims and indemnity claims, for instance.

- Giving tax and accounting information for clients planning to take tax deductions for reserves put aside for losses incurred but not yet paid.

The use of actuaries has always



been a standard practice in employee benefit planning, the consultants say, but the infusion of actuarial advice into property/casualty programs is expected to boom in the next few years.

"That is where it is all new and growing very rapidly," said Lee Van Slyke, an actuary recently hired by West Coast consultants Warren, McVeigh & Griffin. "A couple of years ago, there were two or three actuaries working in this area. Now that number has doubled, and I expect it to continue to double in the next few

years."

More self-insured programs demand the skills of actuaries to help project losses.

Warren, McVeigh & Griffin last year hired Mr. Van Slyke as a full-time actuary for its consulting staff and plans to add another one in the near future, said president Bud Griffin. "Even though we have M.B.A.s with statistical background on staff, we wanted to beef up our quantitative analysis because of the growth of self-insured retentions," he explained.

Consultant The Wyatt Co. employs three actuaries hired in 1974, 1976 and 1978 to keep pace with the firm's overall growth, said Michael Cetera, consultant at the firm's Chicago office. "From our standpoint, actuarial services put us at the top of the list when it comes to providing the best quantitative analysis of risks and losses," he said.

"Many of our clients are hospitals," added Mr. Cetera, and their self-insurance funding must be analyzed by an actuary to qualify for Medicare reimbursements.

Most of the more than 50 risk management consultants recently surveyed by *Business Insurance* said they don't have actuaries on their staff, but many said they regularly seek actuarial help from outside firms. The need for this outside advice has dramatically increased in the past couple of years, they noted. A few of the firms said that for the first time they were considering adding a full-time actuary to their staffs and a couple have recently done so.

Charles Tagman at the George Betterley Consulting Group in Boston said the firm is looking to expand use of actuaries as self-insurance programs become more important to clients and the issue of proper reserves becomes crucial. Mr. Tagman said his firm might consider adding a full-time actuary within the next five years.

Bruce Suter, senior vp at EBASCO in New York City, said the staff actuaries there are kept "pretty busy."

"With four or five of us now actively involved in risk management consulting, I don't think you can say that the world is beating a path to our doors," says Mr. Van Slyke of WM&G. "But on the other hand, we are all swamped with work. I think we are building a good reputation very quickly. The more we provide accurate projections that save the clients money, the more useful we will become."

While those consultants who don't have actuaries on their staffs often contract out this work—Tillinghast, Nelson & Warren of Atlanta is a big recipient of this business—one consultant says he sees no need or use for actuaries.

Risk Sciences Group in Santa Monica, Calif., specializes in computer programs that track a client's historical loss data to develop loss forecasts, financial analyses and alternative funding cost comparisons. The two-year-old company staffs mathematics and probability Ph.D.s, CPAs and M.B.A.s—but no actuaries, says Joseph Destein, president.

"Over the years, I've never wanted to hire an actuary to consult with clients because they lack the business and financial perspective necessary to talk a client's or risk manager's language," he said. Actuaries are trained to analyze insurance company loss reserves and their focus tends to be a narrow one, he maintains.

This story is based on reporting by Stuart Emmrich and Rhonda L. Rundle. It was written by Mr. Emmrich.

Simple Simon met his competitor coming out a client's door...

...Said Simple Simon to his former client "My insurance cost that much more?"

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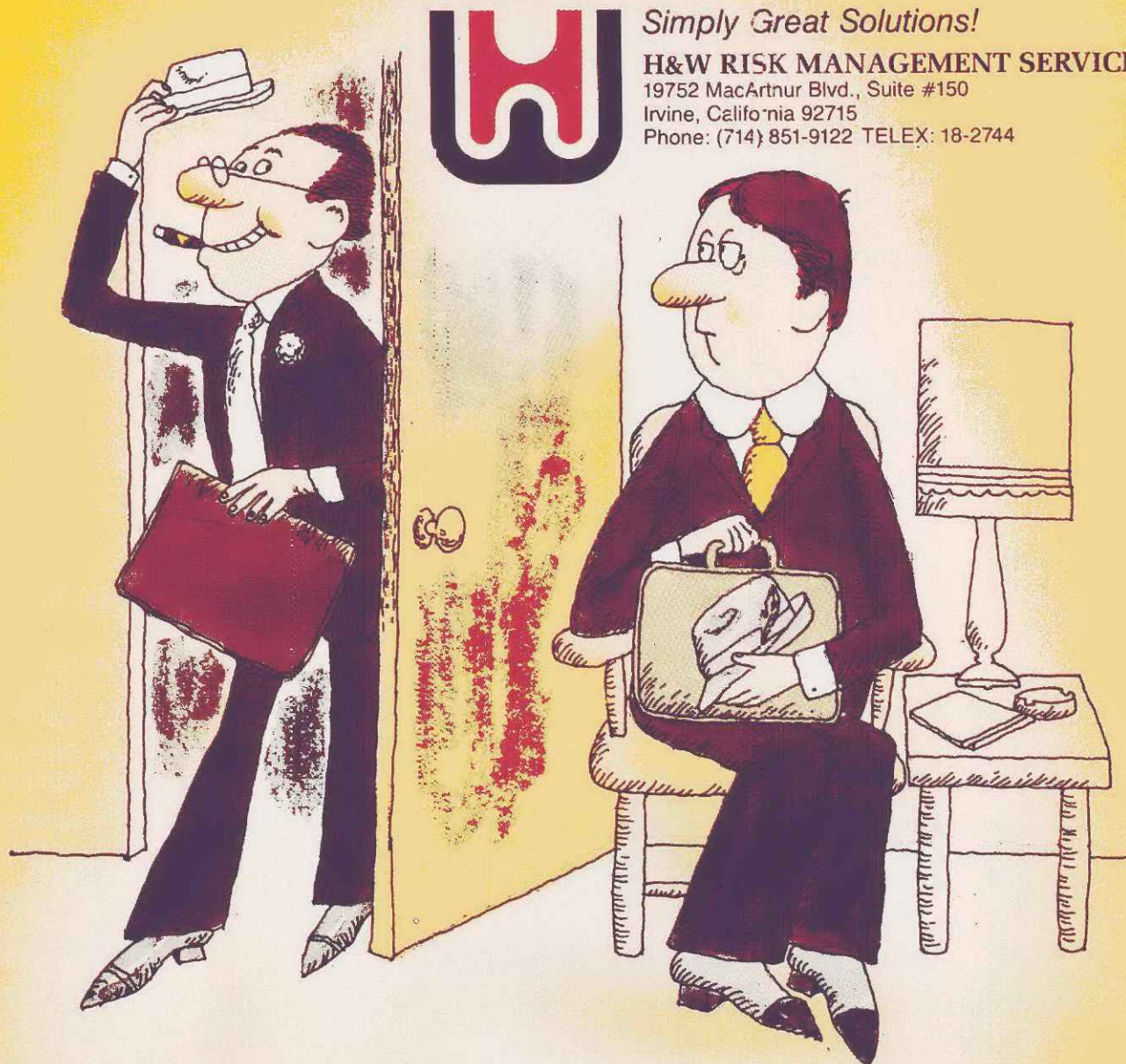
But Simon, being a simple fellow, did not understand that insurance is just *one* way to provide protection for customers. To Simple Simon, Risk Management solutions were just too complicated. He was too busy running his agency and selling insurance to take the time to learn

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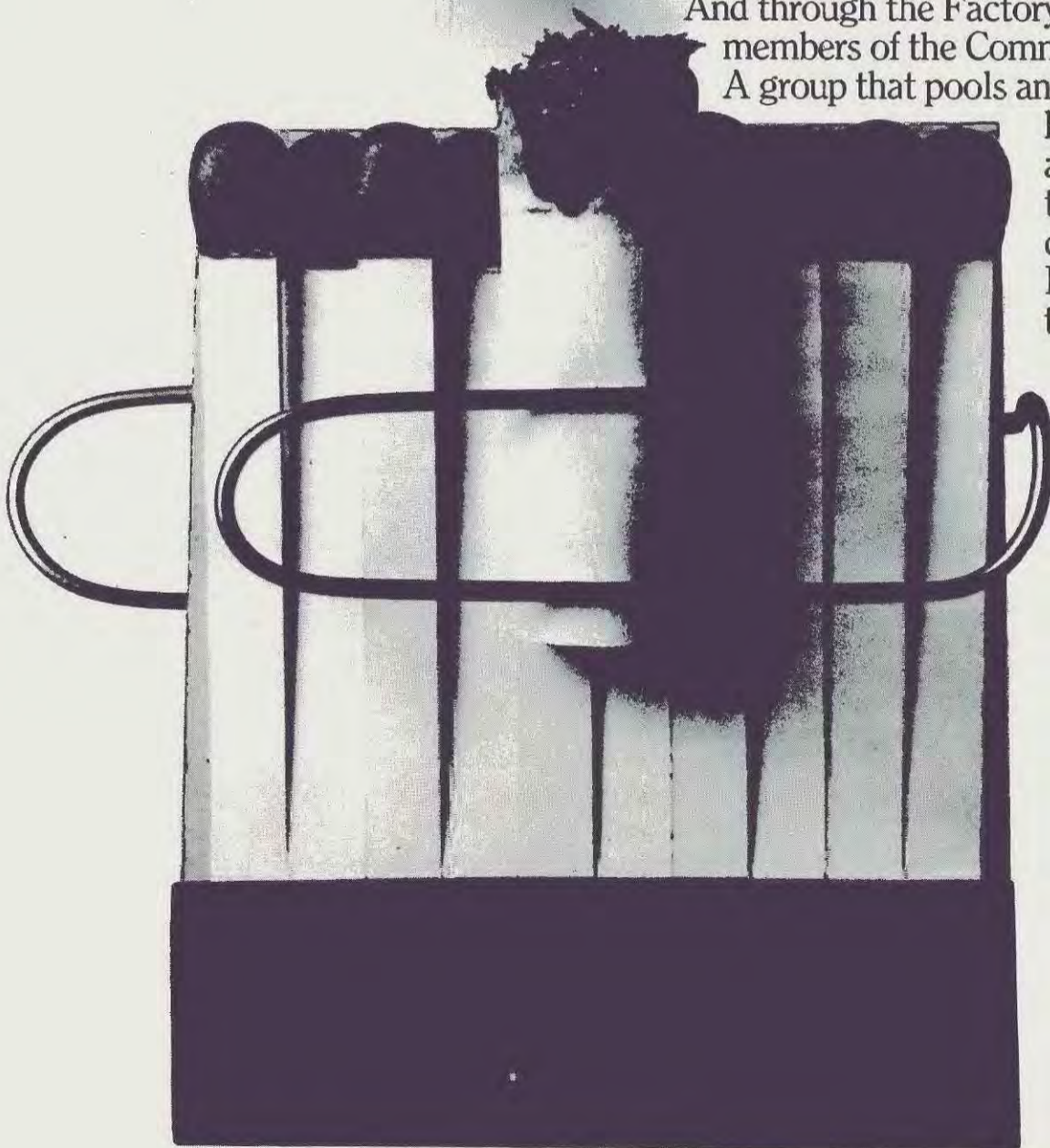
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Computers plug more objectivity into claim review

DALLAS—Systems Resource Co. here is a claims administration firm virtually without claims examiners.

SRC, a division of Control Data Corp. of Minneapolis, is a completely computerized claims handling operation that takes the human element out of claims examination. This makes for objective and efficient review, said Jerry Hamrick, president of SRC.

"Our system treats a claim as a claim," said Mr. Hamrick, who contends the SRC system is the first of its kind in the country. "It

simplifies the claims examining job because the claims handler doesn't know who the group is, where the benefits are coming from, and the computer makes the decision."

Currently, SRC is handling the claims for Control Data's newly self-insured medical and dental plans. But as an independent operation, SRC will also sell its services to other self-insured companies starting around April, Mr. Hamrick said.

The computerized system offers lower service fees than manual administration and can handle more claims per day, SRC contends.

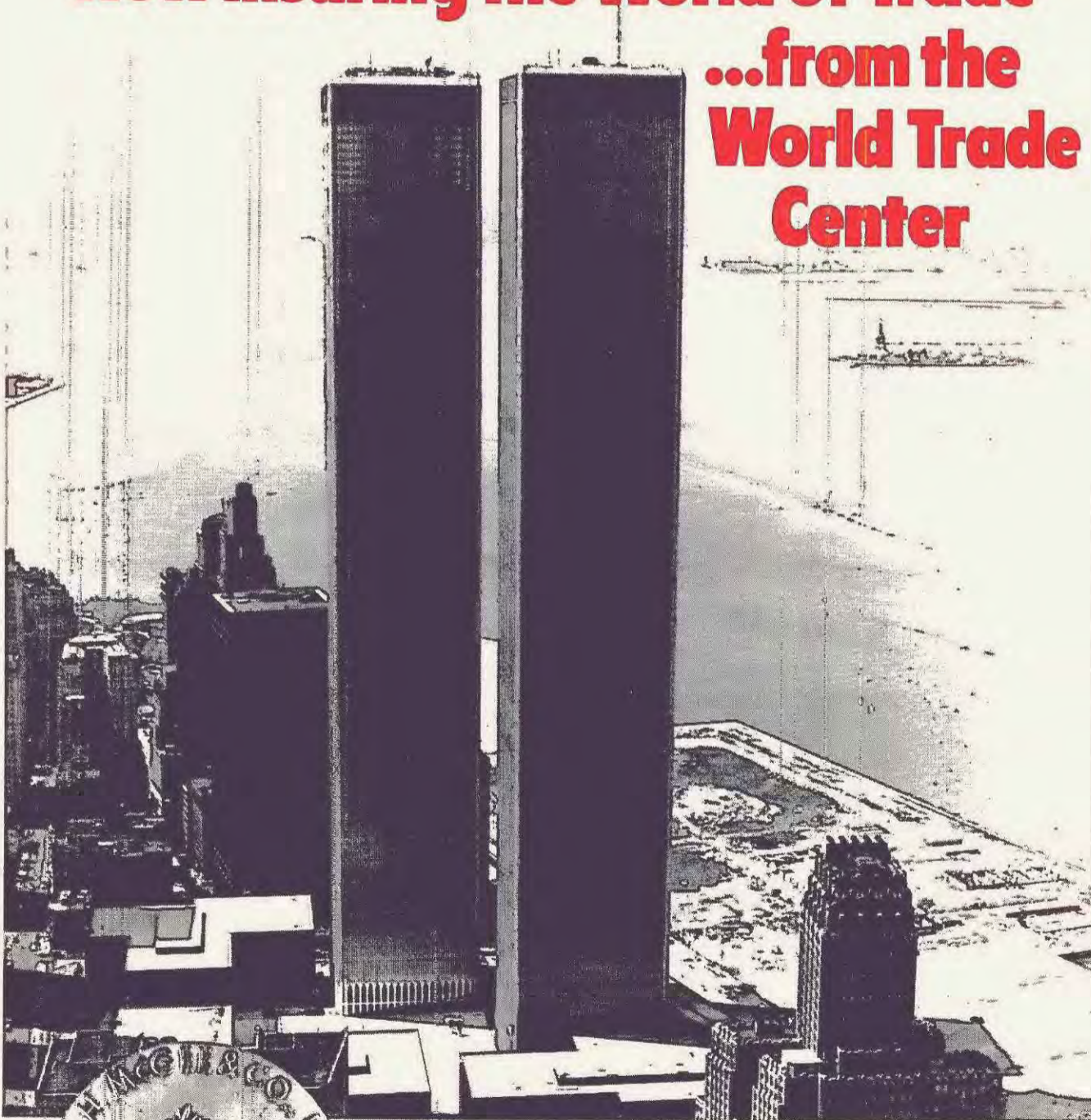
The use of computers to aid in handling self-insurance claims is nothing new in the business world, but "most are computer assisted and the claims examiner still makes a lot of decisions," Mr. Hamrick said.

The computerized system is much more objective, efficient and speedy than the manual system, he said. "So far with the claims we've



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No human element
The computer system is more objective, efficient and speedy, says Jerry Hamrick.

processed in January, 92% not held up for coordination of benefits were processed to completion on the first pass through the computer. But in some manual systems, you'd have to route some claims to someone medically qualified to make the decision. With computers, there's no need to do that."

Another advantage is that the computerized method can provide statistical analysis and detailed comparisons that manual systems cannot, Mr. Hamrick said. This is especially useful to companies wishing to chart cost trends.

By comparing various codes for diagnosis of disease and type of medical treatment rendered, for example, a self-insurer can track the hospitalization sequence of a patient and gauge whether he or she received adequate treatment. "We can see if the patient migrated to more serious diagnoses and determine if a doctor missed the proper treatment," Mr. Hamrick said.

SRC and Control Data have been developing the system for four years. Control Data invested about \$7 million in the project. Mr. Hamrick said.

Control Data, one of the nation's largest computer and data processing firms, acquired SRC in 1973 when it was an independent firm developing computer assistance programs for Blue Cross/Blue Shield claims review operations.

Donald Shovein, executive consultant for corporate employee benefits with Control Data, said the parent company considered a variety of systems to administer its claims but saw that "nothing else compared to what we already had in-house."



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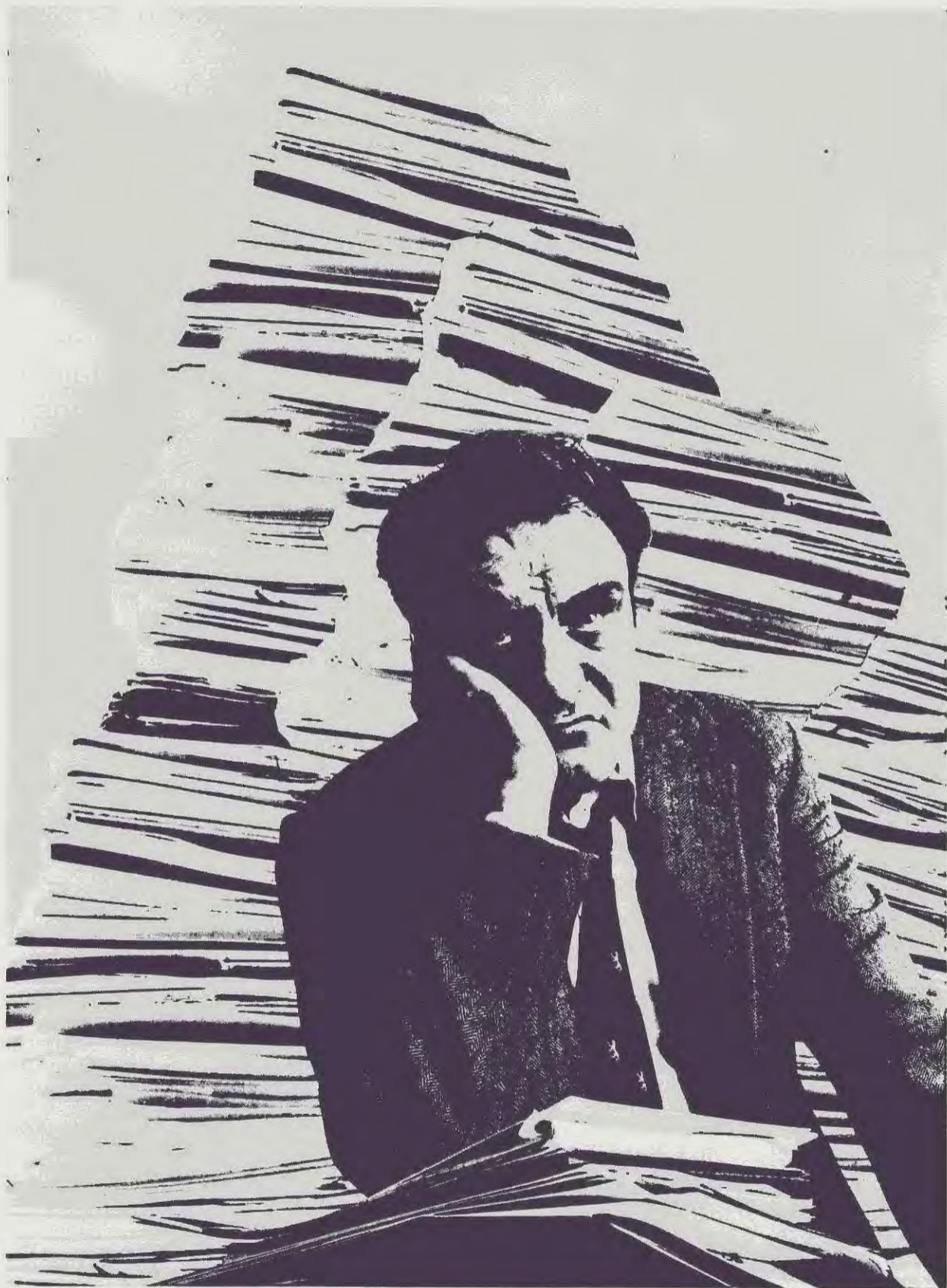
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Experts track down pollution troubles

SOUTHFIELD, Mich.—A pollution problem starting now can be solved within days even though the ravages of a 200-year-old industrial society will take many years to reverse, says an environmental consultant.

"We have situations no one thought of as hazardous before," says Truman F. Maxwell, vp of Clayton Environmental Consultants Inc. here. "Now people are realizing: 'Hey, we don't know what it is; it might be hazardous.'" Clayton, a subsidiary of broker

Marsh & McLennan, is one trouble shooter companies are calling when they want to track down and eliminate pollution.

Executives of the firm agreed to describe some of their recent projects and to hang probable price tags on them to illustrate for risk managers what an environmental consultant can do to help corporations maintain safe workplaces and not pollute the environment



around their plants.

Problems can often be quickly solved, Mr. Maxwell noted in describing an assignment Clayton handled in the Caribbean. A chlorine gas cylinder outside the plant was leaking, sending the harmful gas into the plant through the air conditioning system. Some workers were made so ill by the gas they had to seek medical treatment.

The consultants, who flew to the plant on an hour's notice, arrived

after the tank had been capped. They monitored air from affected areas of the plant to ensure chlorine levels were safe and to make recommendations to prevent future incidents.

Dr. Jaswant Singh, vp and director of industrial hygiene at Clayton, said an inspection at the plant could have detected the corroded state of the chlorine cylinders and ordered them replaced, preventing the accident.

Clayton's recommendations, he said, were to create such a program

and to substitute liquid or solid chlorine for the hazardous gas.

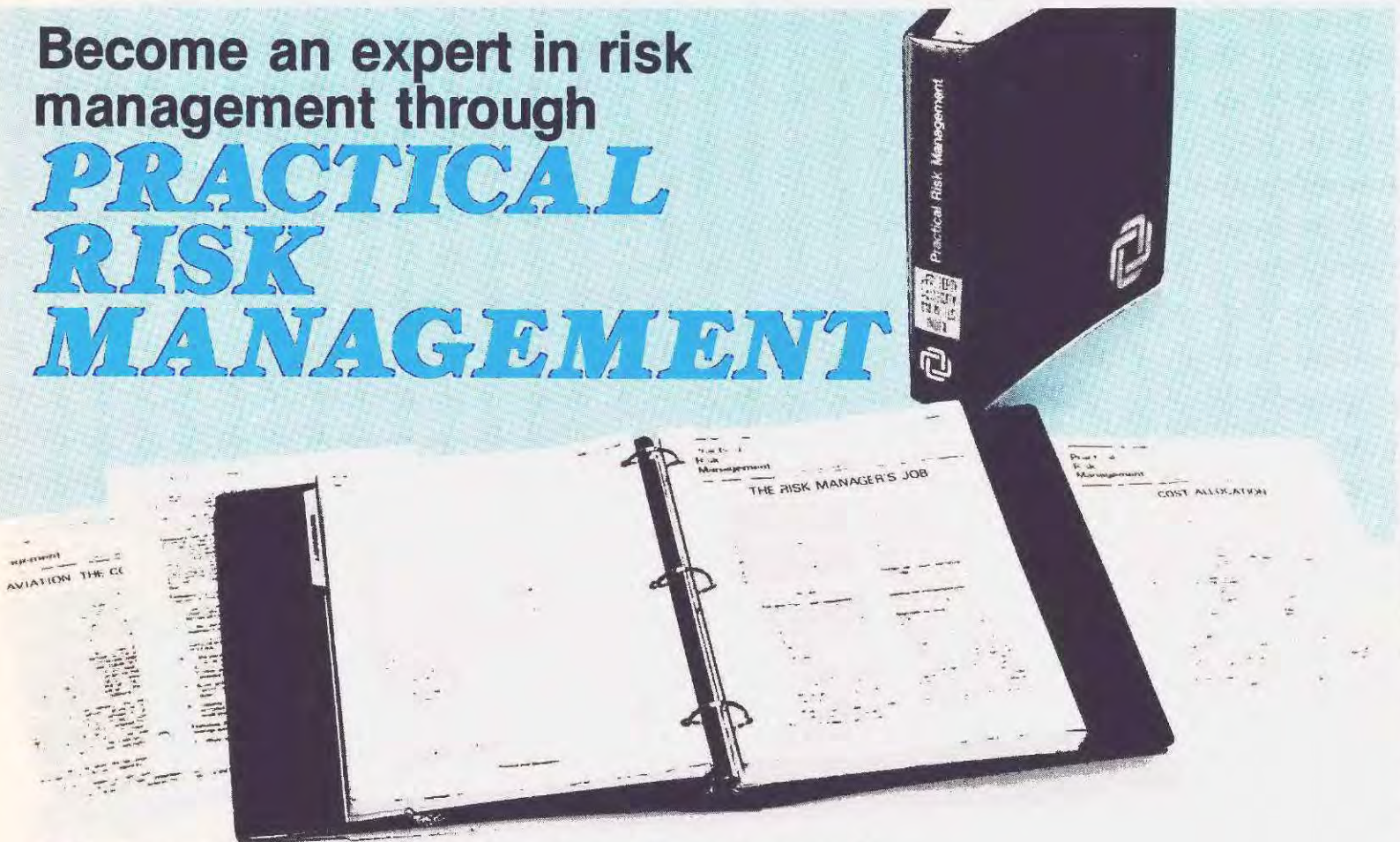
Such an investigation would cost \$2,000 to \$3,000.

Dr. Singh recounted details of a more extensive investigation conducted at a division of a U.S. firm where workers complained of sickness and nausea from something foul in the air. The death of a worker was also attributed to the plant air.

Air samples were taken from within the plant and from three compressors in the plant. A lab analyzed these along with samples of oil used in the compressors.

The investigators found that the compressors' temperature controls were malfunctioning. The oil

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Special cases

Environmental crises such as dying vegetation may compel risk execs to tap an expert.

was overheating and breaking down into chemicals that were released into the air, causing the odors and harming the workers.

However, the chemicals were in small concentrations, nothing large enough to cause the death of a worker, Dr. Singh said.

The solution: Replace the broken temperature controls and install an oil filtration system to kick in if the oil overheats.

That investigation would cost \$5,000 to \$8,000.

Richard Powals, director of environmental control at Clayton, helped a Fortune 500 company solve another problem: disposal of industrial waste.

A contract industrial waste hauler was dumping the firm's waste on his personal property instead of a licensed landfill, making the firm potentially liable for the environmental effects of the dumping. Aside from recommending a licensed hauler, Mr. Powals said studies were conducted to see if damage had already been done. No damage was found.

This consulting work cost less than \$5,000, although "if they had any real problem it would have cost more," Mr. Powals said.

Environmental consultants can also help companies with air pollution problems, conducting stack samplings and monitoring the air. Environmental emergencies such as dying vegetation, community complaints about air pollution, furnace explosions and water pollution are other situations in which a risk manager may want to tap environmental experts, Clayton executives say.

Company shuts plant division

WILLOW ISLAND, W. Va.—American Cyanamid has closed the pigment division of its plant here, citing unsatisfactory profits and decline in demand.

The Occupational Safety and Health Administration last year fined the company \$35,000, alleging the company willfully overexposed employees to lead and lead chromate and required five women employees to be sterilized in order to keep their jobs, which required exposure to toxic substances (BI, Oct. 29, 1979).

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| <input type="checkbox"/> Does your policy limit loss to damages by definition, and exclude non-pecuniary claims? | <input type="checkbox"/> Has your policy been purchased without the advice of competent legal counsel who has rendered an opinion in writing as to which contract he felt offered the broadest coverage? |

IF the answer to **any** of the above questions is "Yes," the chances are you have probably purchased the wrong policy. And the real problem is that you will probably never know until you have an uninsured loss.

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Adjusted cover, appraisals fix inflation damage

NEW YORK—Keeping property insured to replacement cost requires yearly coverage adjustments and appraisals every five to 10 years to fix the damage inflation does to values, say both risk managers and professional appraisers. "More and more people are beginning to think their interests are best served by going for replacement costs. The premium costs are not that much more," explained William J. Moorhead, vp of Industrial Appraisal Co., Pittsburgh appraisers.

"It's becoming more important,

not only because of inflation, but also because people are getting smarter. Real property value or replacement cost is the only way to protect property and prove loss if necessary," he said.

Mr. Moorhead isn't just plugging his own business. Risk managers around the country are pulling their hair out worrying about how to insure equipment that now costs two to three times as much to replace.

Replacement costs would be the amount needed to duplicate the structure at today's prices while actual cash value takes into account the amount the property depreciated since built.

"What's necessary is a substantial appraisal, but not necessarily the most refined one you can come up with. I'm not sure anybody can get closer than 2% to 3%," said Michael Shermer, vp of risk management at Federal Express Corp. in Memphis.

In addition to an appraisal every five to eight years, Mr. Shermer recommends taking an annual look at the inflation rate and updating coverage.

Thomas Finch, director of the property/casualty system center at Equifax Inc. in Atlanta, said, "If they haven't been paying attention to inflated values it becomes a critical part of whether a firm can rebuild. Insurance companies will not pay full settlement if the property is not insured adequately."

The inflation rate in the construction industry alone has increased more than 100% in California since 1971, Mr. Finch said. He recommends yearly adjustments of coverage and updating appraisals every five years.

Despite this noticeable shift in insurance coverage and the needed emphasis on appraisals, many properties are still woefully underinsured, sources agreed.

"This is a real problem," said Yvon Menard, manager of risk and insurance for Marathon Realty Co. in Toronto. "I'm not convinced a majority of commercial insurers are aware of the types of problems encountered after a loss because of an inadequate amount of insurance," he said.

"Appraisals are probably the answer—but a costly one. But the lack of appraisals and lack of basis of value can also be very costly after a loss."

Most firms have the actual cash value of their property at hand since it is used for taxing and accounting purposes, but appraisals are often needed to determine replacement costs.

Appraisal firms traditionally have provided both types of figures for insurance purposes, said Mr. Moorhead of Industrial Appraisal. The cost of these services, depending on the size of the property and complexity of the assignment, can range from \$300 to \$3,000.

In recent years, though, insurers have prodded some appraisers into developing computer systems that estimate replacement costs in light of regional labor and construction material costs.

These types of appraisals, Mr. Finch said, range from \$40 to \$75.

Thomas Maio, vp of marketing at American Appraisal Co. in Milwaukee, estimates these appraisals cost \$50 to \$50,000.



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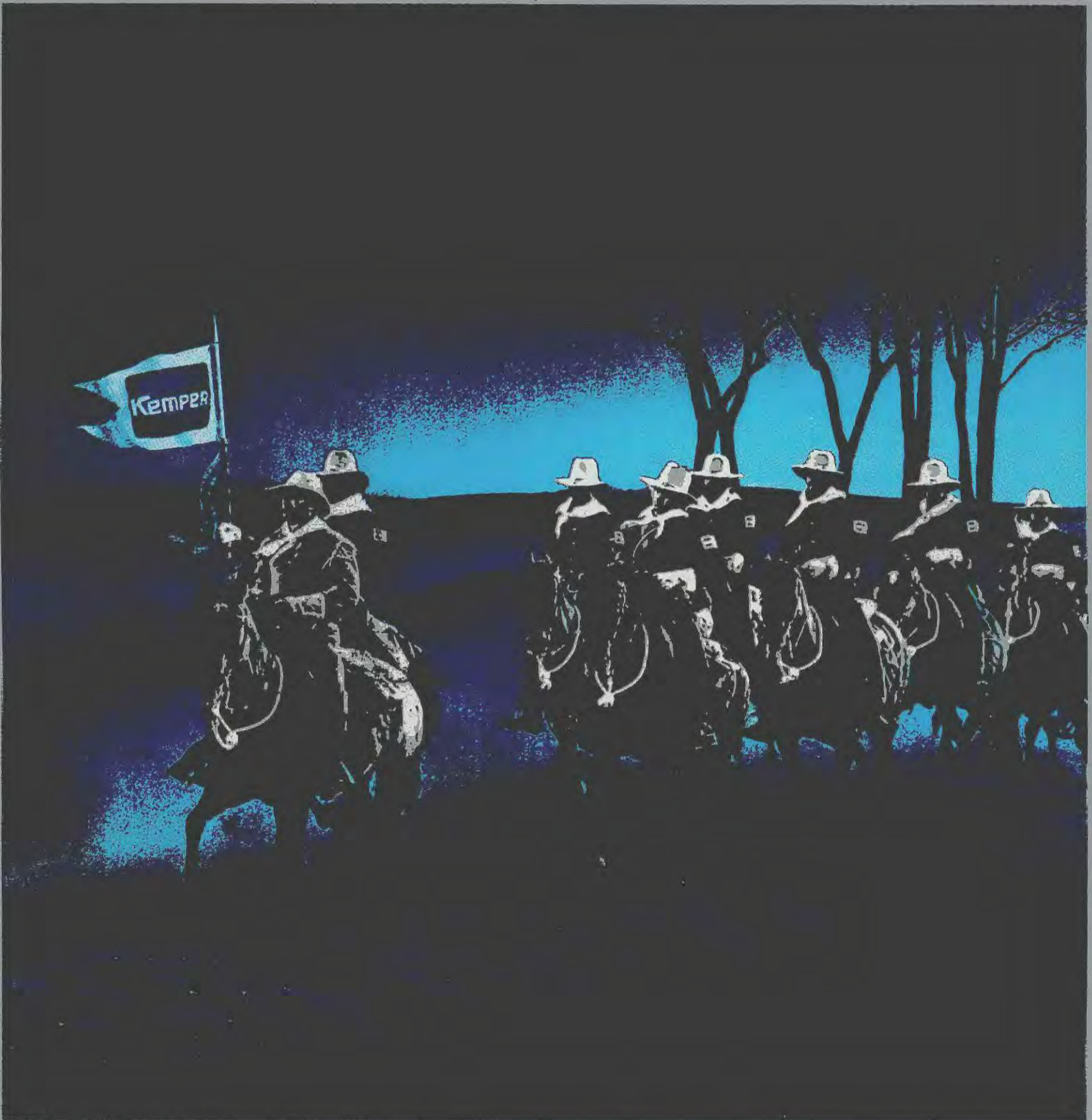
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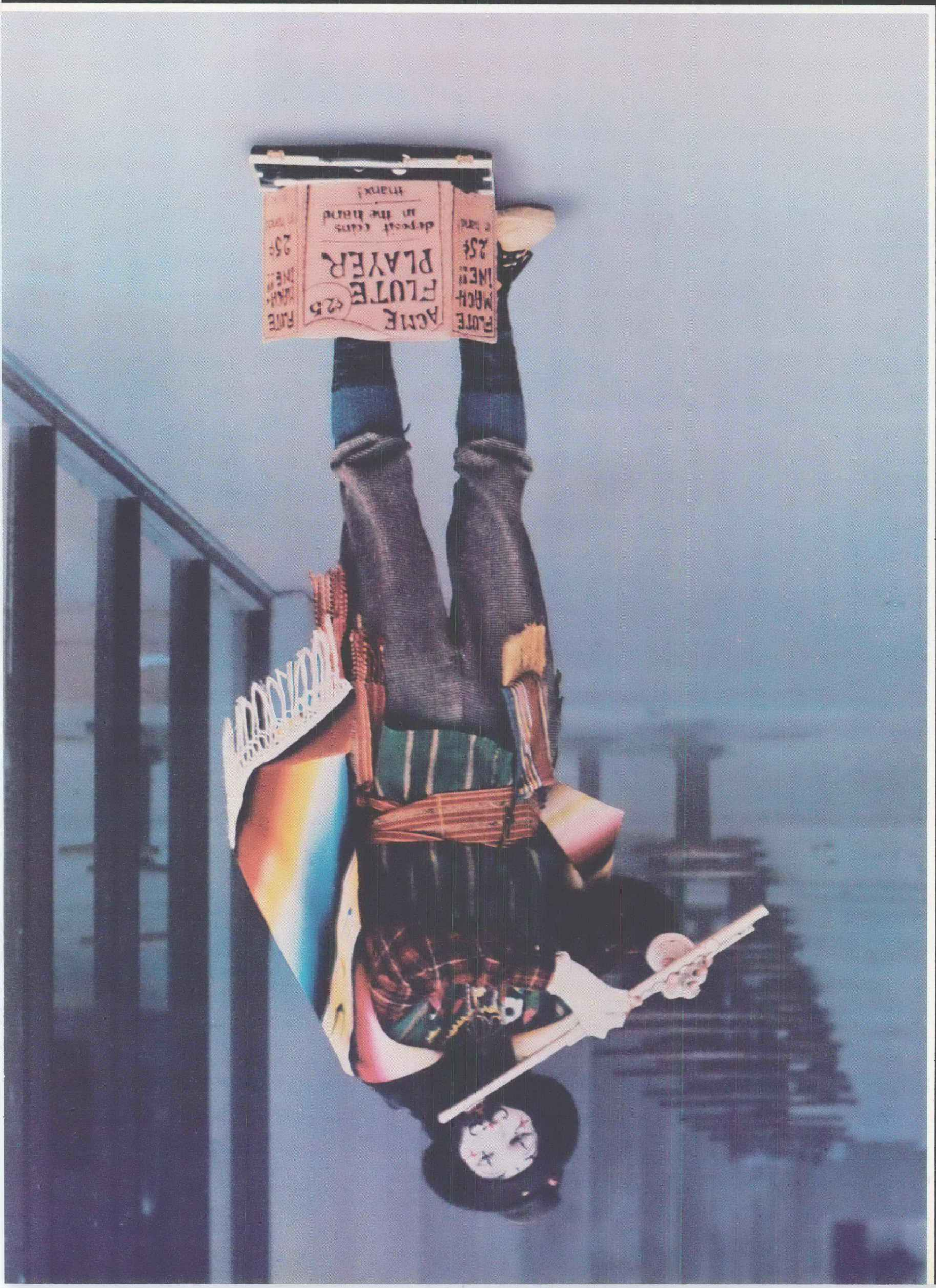
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Consulting firms fill needs—for a price

LOS ANGELES—At \$50 to \$200 an hour, risk management consulting doesn't come cheap.

Hourly rates vary from \$50 to \$200 with most companies charging \$75 to \$100. Daily charges range from \$150 to \$750 and a single job can cost as much as \$50,000 or more. Some firms also bill clerical services separately.

Finding the best value for your consultant dollar is no easy chore. Almost all firms have a mix of clients on retainers and those charged on an hourly basis. Some, such as Insurance Consulting Associates of Teaneck, N.J., have all retainer clients, while others, such as the insurance consulting department of Towers Perrin Forster & Crosby, work strictly on a fee-for-service basis.

Many consultants are reluctant

to discuss hourly fees, insisting they are misleading. Certainly it is useless to compare fees without knowing how much time the firms think will be required to do a job. Most consultants specify a range of high and low estimates in advance. Many will even guarantee the high figure as a maximum cost to the client, absorbing cost overruns as long as the scope of the assignment is not enlarged.

Hennessy & York work exclusively on a contingency basis with major U.S. corporations. There are no upfront fees or expenses. They charge 50% of the actual cost savings to the client achieved through their services, calculated annually for a two-year term.



Shopping the consultants

Before hiring a consultant, ask him or her and yourself these questions, gleaned from discussions with more than 50 consultants surveyed by *Business Insurance*.

- What do you want the consultant to do? Prepare a clear written description of the problem or assignment to give consultant.
- What is the reputation of the firm? Request references from the consultant.
- What is the background, experience and educational designation of each consultant in the firm? Does the expertise of the firm

match your requirements?

- Request a deadline for completion.
- Who are the individual consultants and assistants that will perform the work? Meet them to determine if they will be compatible with you and your associates.
- Obtain a guaranteed maximum fee, if possible.
- What other services or products does the consultant sell besides his expertise? Find out and satisfy yourself that self-interest will not influence his judgment.

One other consulting firm, RIMCO Risk Management Consultants in Dallas, mentions that it sometimes works on a contin-

gency fee basis.

But consultants' fees don't seem to curtail demand for their services. Corporate America, trying

to plug the insurance/loss cost drain, keeps turning to consultants.

Risk management consulting firms are so flush with success that their biggest beef is the shortage of consultant talent for hire to lighten their loads and boost their bottom lines.

"Everybody is looking for someone 25 years old with 50 years of experience," quips Frank Alderson, executive vp of Insurance Audit & Inspection Co. in Indianapolis.

Growth may be limited by the personnel problem, but the top firms eager to expand report a healthy 15% to 20% rise in revenues during 1979. Some smaller, newly formed companies are celebrating heady income increases of 100% a year and more.

And they predict boom times ahead. Eventually consultants will be retained like outside CPA firms to routinely and periodically audit a company's risk management program, contends William Peet, president of William Peet Co. in St. Paul.

The greatest source of real growth seems to be more business from existing accounts, agree most of the more than 50 consultants surveyed by *Business Insurance*. New firms are springing up too, as ambitious consultants break away from established companies to start their own.

Alternative risk funding vehicles, including self-insurance, captive insurance companies and sophisticated cash-flow plans, are a tremendous boon to consultants because they create demand for unbiased counsel and expertise in lieu of insurance salesmanship.

"Self-insurance is growing by leaps and bounds," enthuses Ray Rich, chairman of Corporate Policyholders Counsel. That means clients' access to risk management is no longer through a broker or insurer but through a consultant, he explains.

Consultants say their clients are more sophisticated than ever before. Eager beavers demand feasibility studies for state-of-the-art risk funding, even when self-insurance or a captive is really not the way to go. Some risk managers and corporate insurance buyers may not know a paid-loss retro from a compensating balance, but they've heard the lingo and they want to learn more.

To be sure, the bread-and-butter services of risk management consultants are still exposure identification, portfolio auditing and program recommendations. Many firms, however, offer much more than advice. They don't sell insurance, but they do provide claims administration, computer loss reporting and other services traditionally piggybacked on insurance.

Captive management specialists, such as Chanslor Risk Management in Texas and Risk Treatment Services in Colorado, literally per-

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form as insurance companies, providing full administration and accounting to their corporate customers.

This tendency toward marketing services could begin to blur previous distinctions between independent and affiliated consultants, vigorously promoted by the Institute of Risk Management Consultants. Many firms that do not sell insurance may sell services—and that gives them a real stake in the fate of their recommendations.

The independent versus affiliated controversy still burns brightly, however. When asked what the most important criteria should be for selecting a consultant, nearly every independent consultant declared that the commercial buyer must retain an unbiased, disinterested adviser.

"Some people are misled into thinking that a broker can do what a consultant does," said Bernard Salwen of S.B. Ackerman Associates of New York. "Even if a broker says he will not place insurance and that is written into the contract, there is still going to be subtle pressure from insurers, especially if he is dealing with an important client."

Keith Kakacek at RIMCO Risk Management Consultants put it even more strongly: unless insurance is sold, the broker is either working for free or overcharging other paying clients, he contended.

"The critical factor is how well the services are provided, regardless of where they come from," argues Charles L. Ruoff, senior vp at the Continental Insurance Co., which is mobilizing a major marketing effort to attract more clients to its risk-related services division.

Insurers and big brokerage firms like Marsh & McLennan and Alexander & Alexander are bolstered by a formidable staff of technical consultants and assistants, as well as other financial resources.

"We are out there to do the best job possible for our clients and we do it without any bias," insists Richard Lapham, senior vp of Commercial Union Risk Management Inc., an affiliate of Commercial Union Assurance Co. "I don't think we get any pressure, subtle or otherwise," he added.

The independent consulting firms range in size from EBASCO Risk Management Consultants Inc. in New York with 105 consultants to several one-man operations, sometimes former risk managers, brokers or agents working out of their own homes.

Consultants with smaller staffs stress their close personal contacts with clients, creating long-term relations and steadfast confidence. Some individual consultants could be described as multi-client risk managers, since they fulfill that function on a part-time basis for two or more companies.

Larger firms such as The Wyatt Co. tout their team approach, giving a customer access to a wide range of staff specialists trained to handle specific problems in their field. If a client corporation grows through diverse external acquisitions, for example, its loss exposures may change rapidly. Even a sophisticated risk manager may desperately need advice from such a consultant.

Although most consulting firms

prefer not to be pegged as specialists in a particular risk exposure or by type of business activity, a few deliberately narrow their clientele.

A Louisiana company, Insurance Analysis Inc., specializes in consulting with clients in the oil industry.

Risk Sciences Group Inc. programs a client's loss history, banks it in a computer and then runs the data through different loss forecasting models. Besides forecasting future losses, the system facilitates comparison of a wide variety of alternative funding models. The only other companies offering these services are Marsh & McLennan and Alexander & Alexander's Anistics division, says Joseph A. Destein, president of the young Santa Monica, Calif.-based company.

This story is based on reporting by Rhonda L. Rundle and Stuart Emmrich. It was written by Ms. Rundle.

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N.J. RIMS officers

The New Jersey chapter of the Risk & Insurance Management Society has elected the following officers for 1980: president, Charles A. Dupuis Jr., New Jersey Turnpike Authority; vp, Carol Capposella, United Jersey Banks; secretary, Ron P. McCartney, Becton, Dickinson & Co., and treasurer, Wilson King, Rutgers State University.

Directory of firms

52 risk consultants list their services

A**S.B. Ackerman Associates**

605 Third Ave., New York, N.Y. 10016; 212-599-1717

With offices in New York, Philadelphia and Pittsburgh, Ackerman's staff of 25 consultants

and 10 support personnel last year consulted for about 100 firms, 5% to 10% of which were in the Fortune 1,000, said senior managing partner Bernard Salwen.

Almost 95% of the clients pay an annual retainer, which can run from \$2,000 to \$200,000, while others pay hourly fees of \$30 to \$150. Mr. Salwen declined to release the company's revenue figures for 1979.

Although the firm provides a wide range of services and its clients cover various industries, Mr. Salwen said most people probably think of Ackerman in terms of its work in the medical malpractice area. "We are the acknowledged best in malpractice," Mr. Salwen said. "In fact, other consultants have referred clients to us in that area." The firm is also heavily into providing services to municipali-

ties and schools.

J.H. Albert International Insurance Advisers Inc.

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

With a staff of 11—seven consultants and four support personnel—this firm services about 100 clients on retainer and last year comple-

ted 15 to 20 projects for additional clients, said assistant vp Frederic Shultz.

Fees range from \$3,000 to \$50,000 per client, with an average customer paying \$4,000 to \$10,000, Mr. Shultz said. He estimated last year's revenues at about \$700,000.

Although 12 years old, this firm has experienced sudden growth in the past few months. Two junior consultants were just hired upon graduation from the University of Georgia and one more junior consultant is expected to join the staff within the next few weeks, Mr. Shultz said.

Aldrich & Cox, Inc.

274 Delaware Ave., Buffalo, N.Y. 14120; 716-856-2991

Nine consultants and four support staff last year serviced approximately 100 clients, almost 95% of which contracted with Aldrich & Cox on a retainer basis.

All fees are hourly and are determined by the type of services rendered, president Herbert Cox explained. For management of a client's entire risk management program, the company charges \$40 an hour. It charges \$50 an hour for providing outside services to a company's insurance manager, \$60 an hour for pure consulting work and \$70 an hour for those clients who purchase project-by-project services.

The firm recently added a full-time consultant who specializes in employee benefits, Mr. Cox said.

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San Francisco 94104 / Member: Improved Risk Mutuals

**All Risk Ltd.**

294 Broad St., Red Bank, N.J. 07701; 201-741-3450

This one-consultant firm specializes in providing insurance "second opinions" to local retailers and manufacturers in a semi-rural county on the outskirts of New York City. Hubert Farrow, president, is also experienced at preparing insurance specifications.

His list of about 20 clients includes several public entities and some small firms for which he supervises risk management. He works with a research assistant and a medical claims assistant. Although most of Mr. Farrow's clients are based within a 50-mile radius of his home, he "would just as soon go farther away."

Depending on the job, Mr. Farrow charges either an hourly fee of \$50 or a flat fee for the assignment. A trip to a client's office or place of business costs a minimum of \$250.

B**D.A. Betterley Risk Consultants**

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

About 40% of last year's 80 cli-

Consultants interviewed

This directory is based on interviews with the consultants conducted by *Business Insurance* associate editors Stuart Emmrich and Rhonda L. Rundle.

Using the membership rosters of the two consultants societies as a starting point (Institute of Risk Management Consultants and Insurance Consultants Society), *BI* tried to make the listing as complete as possible. Omissions may indicate unresponsiveness from a few consultants contacted.

Independent consultants—those who are not affiliated with any company that brokers or sells insurance or insurance-related services—are listed first, alphabetically. Consultants affiliated with brokers, insurers or other sellers of services are listed at the end of the independent consultants directory.

ents kept this staff of six—four consultants and two support personnel—on retainer contracts. Most were small and medium-sized companies with sales of \$25 million to \$100 million a year, said Richard Betterley, vp and principal consultant. The firm also has a large number of clients in the public sector—school districts, municipalities and hospitals.

Fees are hourly—\$85 for a senior consultant, \$60 for a principal consultant, \$50 for a staff consultant and \$35 for a risk analyst, Mr. Betterley said, adding that an average fee runs about \$400 per job. He declined to release revenue figures for last year.

Like other broad-based consulting firms, Betterley reviews risk management programs and has recently strengthened its data management capabilities, offering clients the option of setting up a data processing system to handle payment of claims. Heading the firm is Delbert A. Betterley.

George Betterley Consulting Group

200 Clarendon St., Boston, Mass. 02116; 617-367-4300

Sparked by an annual growth rate of 25% to 33% during the last few years, according to executive vp Charles Tagman Jr., this firm has added four new consultants in the past two years and now employs eight full-time consultants and five support staffers. The firm services about 100 clients, one-fourth of which are among the Fortune 1000.

All fees are charged on an hourly basis, ranging from \$40 to \$100 an hour, depending on the expertise of the consultant. Although 65 to 70 of the clients contract for services on an annual basis, they do not pay a flat retainer fee. Instead, the firm tries to estimate how much work will need to be done and gives an estimate of what the charges might run, Mr. Tagman said. "A normal project for us might run about \$3,000, although it might cost a Fortune 500 company between \$30,000 and \$60,000 for a full risk management audit." Revenues last year ran in the "high six figures," Mr. Tagman said.

Clients of this Boston firm represent the paper industry and industrial concerns. Few municipalities are serviced by the company. Principal is George M. Betterley.

Blades & Macaulay

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

Blades & Macaulay performs risk management audits and studies of related problems including identification of exposures and operational hazards. "We are not pension consultants," points out John J. Crout, one of three partners and senior consultants.

The 57-year-old company surveys eight to 10 corporations annually. Another 20 clients are on retainer and the firm also takes on

two or three special risk management assignments every year.

Fortune 500 companies pay \$20,000 to \$35,000 for a full-scale
Continued on next page

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Continued from previous page
survey depending on the scope of the job. Medium-sized entities pay \$5,000 to \$12,000 and a small account with just one location might be charged \$2,500 to \$3,500. Audit clients are charged on a fixed flat fee that represents Blades & Macaulay's estimate of their cost to do the work, Mr. Crout reports.

T.E. Brennan Co.
250 E. Wisconsin Ave., Suite 1503,

Milwaukee, Wis. 53202; 414-271-2232

T.E. Brennan Co. consults on property and casualty exposures with special expertise in property loss adjustment and business interruption counseling. It does not advise clients regarding their employee benefit programs.

Company president John Hayes estimates the firm's client list at more than 200, including several Fortune 500 companies. Nine staff consultants include an attorney, fire protection engineer and CPA. They work nationwide out of Milwaukee and a recently opened Chicago office. The firm has also added a word processing system for internal use.

Nearly 95% of T.E. Brennan's clients use the consulting firm on a continual basis but none is billed on retainer. Hourly fees vary from \$50 to \$85, depending on the consultant.

Founded in 1895, T.E. Brennan Co. says it is the oldest insurance consulting firm in the country.

Larry W. Buck & Associates
4801 Woodway, Suite 300E, Houston, Tex. 77056; 713-961-4223

This one-consultant firm acts as risk manager for about 20 small and medium-sized companies that don't employ their own. Larry W. Buck, president, says he usually works directly with an owner, president or chief financial officer.

Most of his clients are based in the Houston market area and run the full gamut of commercial activities including wholesale distribution, real estate development, architectural contracting, and manufacturing as well as government. Mr. Buck's hourly fee is \$100 plus expenses.

C

**Corporate Policyholders
Counsel**

20 N. Wacker Dr., Chicago, Ill. 60606; 312-372-8225

This 82-year-old company uses a team approach, combining the expertise of three or four consultants on a job. An account supervisor heads up each project, but other consultants are available to handle client queries.

Corporate Policyholders Counsel lists approximately 100 clients, a quarter of which are Fortune 1,000 companies. Nine staff consultants advise on the full range of property, casualty and employee benefit programs. They do not provide engineering or loss prevention counseling, however.

After a proposal is written, the firm quotes a probable cost range, including a maximum figure. "We'll generally abide by our maximum," says Ray Rich, chairman. Senior consultants bill their time at \$100 an hour, which includes all support services.

Crain, Langner & Co.
20575 Center Ridge Road, Rocky River, Ohio 44146; 216-333-7622

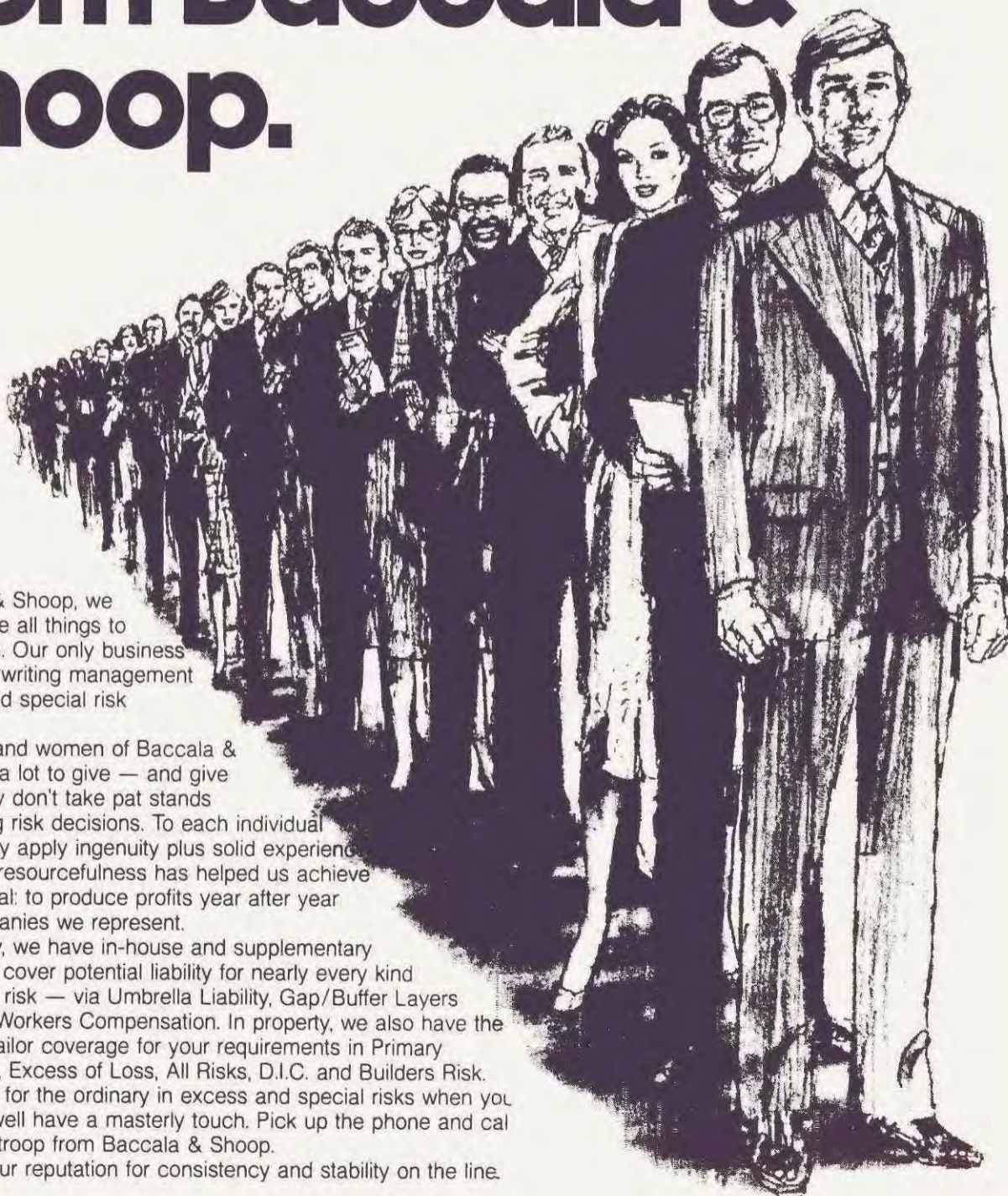
"Highly conservative" Crain, Langner provided services for about 100 clients last year, over 80% on a retainer basis. The firm employs four consultants.

Fees are charged by the hour and average about \$75. Retainer charges are based on how much time the firm estimates will be needed by a client over the year. The company declined to release 1979 revenue figures.

The 41-year-old firm goes out of the way to cultivate a "very low key" reputation, said Mary Lou
Continued on page 40

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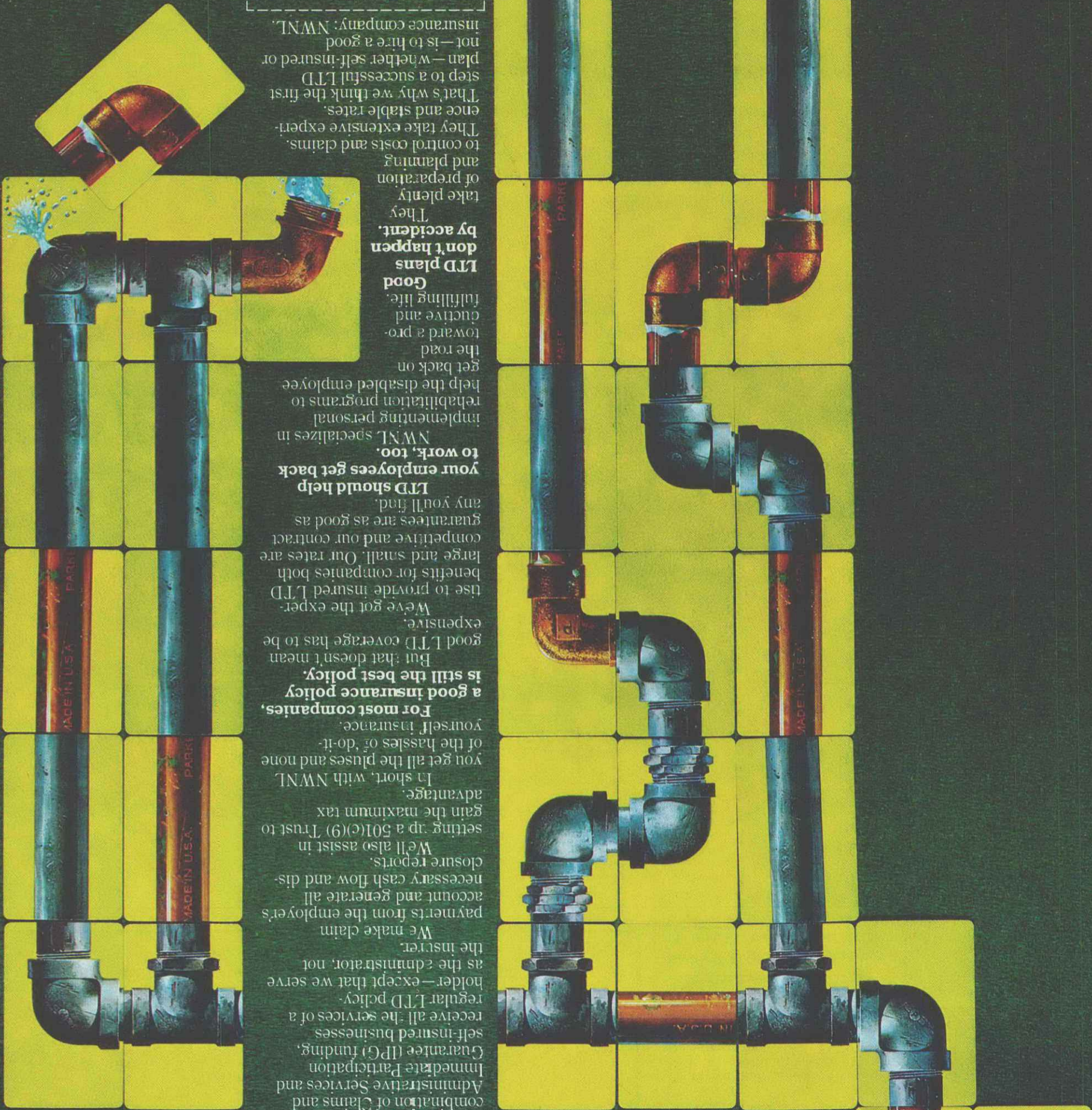
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Continued from page 38
Kirk, a consultant. Principal is
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D

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E

EBASCO Risk Management Consultants Inc.

Two World Trade Center, New
York, N.Y. 10048; 212-785-2200

One of the largest risk management consulting firms in the country, EBASCO last year provided services for approximately 250 clients, more than 50% of which are in the Fortune 1000 category, according to senior vp Bruce Suter. The staff of 120, which includes 105 consultants, operates out of EBASCO's main New York office and its branches in Newport Beach, Calif., Chicago, Atlanta and Hamilton, Bermuda.

Fees are charged both on annual basis, for the approximately 100 clients on retainer status, and hourly. The average fee for a client usually runs about \$150 to \$750 per day of work. EBASCO's revenues last year were in excess of \$4 million, Mr. Suter said.

The spread of clients and the range of services provided are wide. The company has been stressing computer capabilities for projections as an impetus for continued growth at an average rate of 20% a year.

F

First Risk Management Co.

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

This 20-year-old firm was retained by approximately 60 clients last year and performed one-time projects for an additional 10. A staff of 13 includes six consultants.

Fees are charged on an hourly basis, with work performed by executive consultants billed at \$150 an hour, by technical staff at \$100 an hour and by clerical staff at \$15 an hour, said executive vp Alvin Mangold. The average fee for a project ranges from \$8,000 to \$10,000. Revenues for 1979 reached about \$500,000.

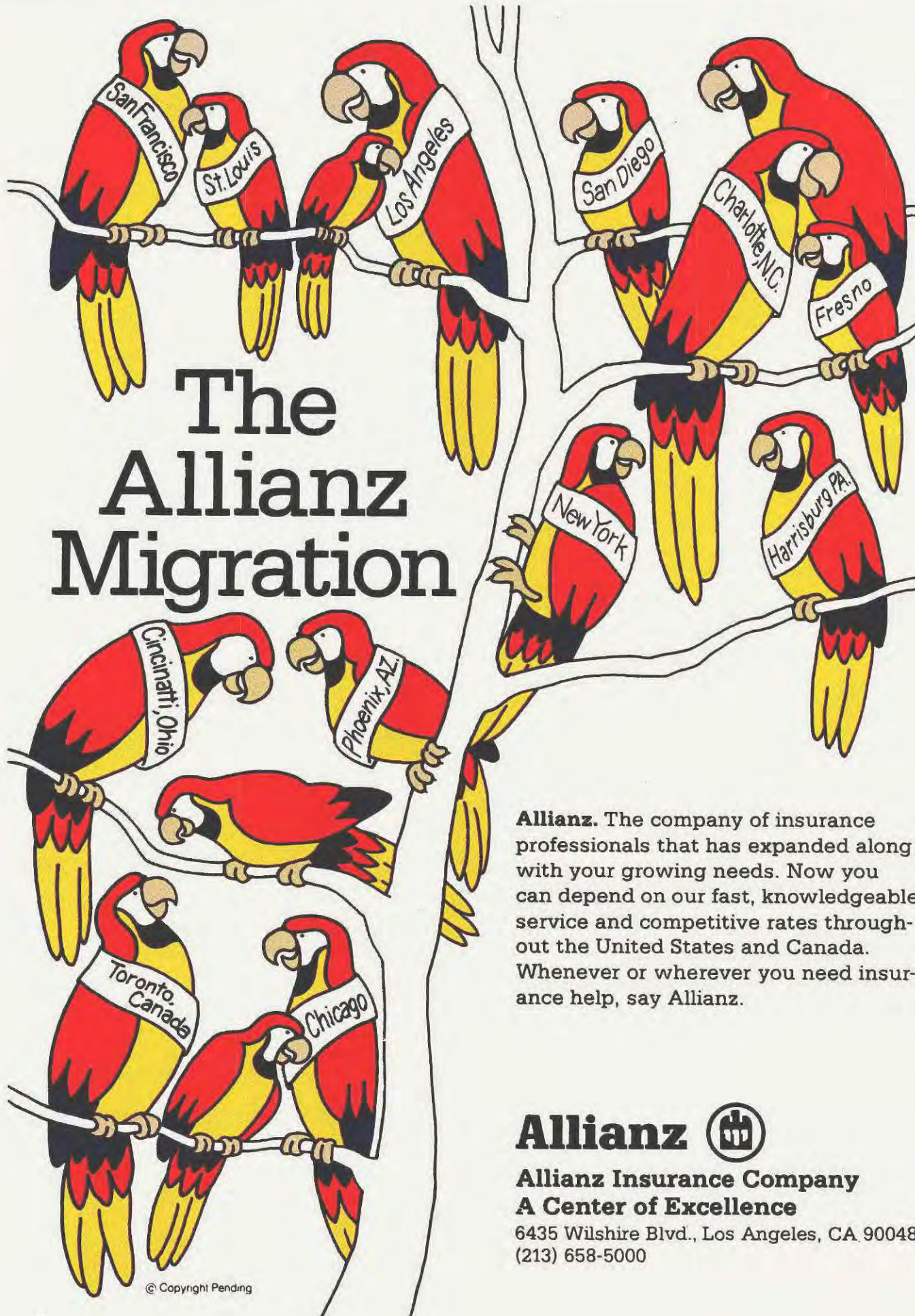
Clients of this consulting firm include heavy representation of supermarket, hotel, banking and light manufacturing industries. Only a couple are among the Fortune 1000, Mr. Mangold said. President is Leonard J. Silver.

Fleming, Marceau & Associates

313 Foothill Blvd., La Canada,
Calif. 91011; 213-790-8714

Partners Ed Fleming and G. David Marceau teamed up about 18 months ago to specialize in claims consulting and auditing for self-insurers. They also prepare self-insurance feasibility studies and design loss data reporting systems for self-administered programs.

The firm does a lot of public sector business, listing several municipalities, school districts and water districts among its 40 clients. Mr. Fleming and Mr. Marceau are assisted by two technical consultants and three support staffers. They also use an in-house computer to provide claims data expe-



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rience reports to self-insured clients.

Mr. Marceau says the firm helps many public entities in California prepare reimbursement applications for increased workers compensation costs under the state-mandated local cost reimbursement program. When the legislature put a cap on certain local revenues in 1973, it agreed to reimburse public entities directly out of state coffers for increased costs.

Hourly consulting fees vary from \$45 to \$64, Mr. Marceau says. Claim audits calculated on a project basis usually cost \$2,500 to \$3,500 for a basic sampling. An initial setup fee of \$500 or more is charged for claims data experience reports. Thereafter each claim costs \$10 to \$15 to track until the case is closed.

H

H&W Risk Management Services

19752 MacArthur Blvd., Suite 150,
Irvine, Calif. 92715; 714-851-9122

H&W Risk Management Services works exclusively with agents and brokers who require special expertise on a project to serve a major account. If an agent's client acquires a new exposure, for instance, the agent may seek professional expertise, counseling and support to retain the client.

This newly founded firm, affiliated with H&W Insurance Services headquartered in Encino, Calif., prepares alternative risk funding feasibility studies, provides claims auditing services and researches special problems to meet an agent or broker need.

Three staff consultants typically work on about 10 assignments at any time, estimates David R. Hoskins, president. Hourly consulting fees range from \$60 to \$100. Special research projects are priced according to their salability to future clients and could vary from \$500 to \$7,500.

Thomas J. Hammond & Co.

3701 Wilshire Blvd., Suite 1038,
Los Angeles, Calif. 90010; 213-480-3833

Thomas J. Hammond & Co. is a two-consultant firm with approximately 35 to 40 clients on monthly retainer and another dozen for which the firm performs special assignments.

Self-insurance feasibility reports, audits and financial studies are the firm's consulting mainstays. "We've deliberately chosen to remain small," says executive vp Joan Morris, "so as not to dilute our close personal relations with clients. They think of us as employees."

Ms. Morris was reluctant to discuss fees because she said they vary based on the risk management sophistication and expertise required by a particular account. Average fees run in the vicinity of \$75 an hour, she said.

Hennessy & York Inc.

358 Nassau St., Princeton, N.J.
08540; 609-921-0050

Hennessy & York, a husband-wife team, specializes in working for major U.S. corporations to make their property, casualty and employe benefits programs more cost effective. The firm, founded in May, has seven clients; all are Fortune 1,000 companies, four with more than \$1 billion in sales.

Fees are charged as 50% of the actual cost savings to the firm achieved through the services of Hennessy & York, calculated an-

nually for a two-year term. There are no upfront fees or expenses. When presenting its recommendations, Hennessy & York agrees with the client on how present costs and subsequent savings will be measured. The largest savings to a client so far has been \$2 million, says G. P. York, chairman.

"Our company was founded on the assumption that hundreds and hundreds of millions of dollars are being wasted each year by the Fortune 1,000 companies in the insurance area alone," says Mr. York, former risk manager for the Northrop Corp. Sharon Hennessy-York is a former employe of RIMS.

"We work directly with the chief executive officer or chief operating officer rather than the risk manager," Mr. York says. To coordinate a savings program, however, Hennessy & York work closely with the risk management and employe benefits departments.

Continued on next page

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415-434-1500

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Continued from previous page



Insurance Analysis Inc.

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

Insurance Analysis Inc. specializes in providing risk management counseling and auditing world-

wide to clients in oil-related industries, with emphasis on diving, drilling and transportation exposures. Three staff consultants also testify in court as expert witnesses for attorneys in maritime matters.

Ninety-eight of the firm's approximately 100 clients are on an annual retainer. Fees are figured at \$80 to \$100 an hour depending on the legwork required. "If our estimate of hours needed to do the job falls short, we absorb the loss," says Burnett J. Tappel II, president.

Insurance & Financial Consultants

21 Baldwin Road, Warwick, R.I.
02886; 401-822-0256

For the last four years, John Fitzgerald has been providing risk management consulting services for small to medium-sized companies that do not have their own full-time risk managers. Last year he had approximately 90 clients, about 25 on an annual retainer basis.

Mr. Fitzgerald's fees average \$60 an hour and brought him revenues in the "low six figures" during 1979.

Insurance & Risk Management Services

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

The one-man staff of Warren McPherson last year provided risk management consulting work for about 18 clients, 13 on an annual retainer. Most clients had annual revenues of \$4 million to \$5 million, with the two largest both pushing the \$15 million mark, Mr. McPherson said.

Fees are charged by the hour, with the average charge running about \$45 per hour, he said. Mr. McPherson declined to release 1979 revenue figures for his five-year-old operation.

Almost all of Mr. McPherson's consulting work is in the property/casualty area. He doesn't design any pension plans or captive feasibility studies and says he advises on some employee benefit options, "but not on a sophisticated level."

Insurance Audit & Inspection Co.

5425 East 82nd St., Suite 206, Indianapolis, Ind. 46250

This closely held firm performs risk management audits and full-scale program evaluations except for captive insurance company feasibility studies, which are sub-contracted. Its approximately 300 clients include small and medium-sized companies as well as half a dozen corporate giants.

The 79-year-old firm employs 11 consultants and six other staffers working in Indianapolis and in field offices in St. Louis, Charlotte, N.C., and Columbus, Ohio.

The firm charges a flat fee for all services. About 80% of the company's clients pay an annual retainer ranging from \$2,500 to \$10,000. A big job with lots of travel might be billed at \$25,000 or more, figured on an individual consultant's billing rates of \$500 to \$800 per day.

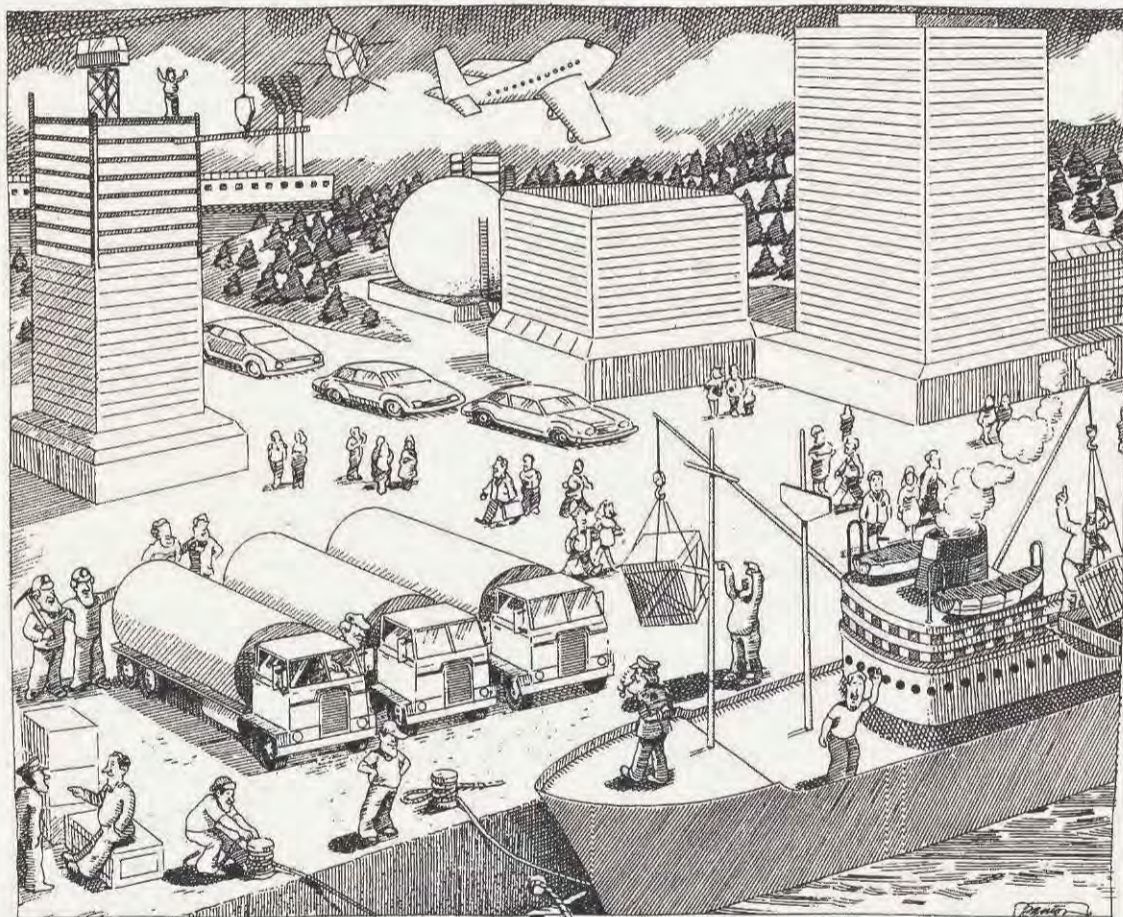
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22 West Road, Baltimore, Md.
21204; 301-828-1656

This 35-year-old firm has a client list of 200 to 250 companies, estimated president William P. Davis III. About 70% of that number contract with the consultant on an annual retainer basis. The staff includes nine senior consultants, three associate consultants and six support personnel.

The range of hourly fees for cli-

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ents, including a lot of government entities, is \$50 to \$60. He estimated 1979 revenues at about \$1 million.

Insurance Consultant Associates

4848 Guiton St., Houston, Tex. 77027; 713-627-9823

Jack Culbertson advises half a dozen clients regarding their property and casualty risks. He examines their exposures, evaluates coverage and recommends insurance.

After 40 years in the insurance industry as an agent, general manager of an insurance agency and insurance company officer, Mr. Culbertson founded his own business in 1966.

He works alone and bills his services at \$50 an hour.

Insurance Consulting Assn.

P.O. Box 1296, Teaneck, N.J. 07666; 201-836-9595

All of this firm's approximately 100 clients pay annual retainers that give them continuing access to the six consultants and 10 support staff, partner Barron S. Wall said. The New Jersey-based company has three branch offices—one in New York City and two on Long Island.

Retainer fees range from \$2,000 to \$50,000, with the average client paying \$10,000 to \$15,000, Mr. Wall said. He declined to release 1979 revenue figures.

Besides clients in the food industry, this company depends on Canadian firms for a lot of its consulting work, Mr. Wall said.

Insurance Management Consultants Inc.

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

Otto Lee Henderson is president of this one-consultant firm that performs insurance audits, designs new risk management programs and assists clients with claims handling. Although his 50 clients are engaged in a wide variety of business activities, Mr. Henderson specializes in wrapup and builder's risk coverage for airports of all sizes.

His hourly fee is \$50 and he sets a minimum charge of \$250. In 1979, Insurance Management Consultants grossed approximately \$60,000 in revenues, Mr. Henderson reports.

K

Robert A. Krause & Associates

Route 1, Townville, S.C. 29689; 803-287-4477

This firm specializes in worldwide arbitration of disputed claims, representing either policyholders or insurers. Robert A. Krause, president, says other consultants sometimes retain his company for advice on how to best represent their clients with a disputed loss claim.

"We obtain most of our clients after they've already been burned by a bad underinsured loss," Mr. Krause says. "They find they've been improperly covered and want to set their house in order."

Four consultants and 10 support staffers serve about 75 clients, 10% of which are Fortune 1,000 companies. The firm is headquartered in South Carolina and maintains field offices in Southfield, Mich., and Atlanta, Ga.

Consulting fees are \$150 hourly and \$750 daily. The firm sets a minimum retainer fee of \$7,500 per job, based on 10 days work.

L

John Liner Insurance & Risk Management Advisers Inc.

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

This four-consultant firm advises primarily on property and casualty risks and performs

Continued on page 50

Consultants interviewed

This directory is based on interviews with the consultants conducted by *Business Insurance* associate editors Stuart Emmrich and Rhonda L. Rundle.

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The explosion in Workers' Compensation costs: What can you do about it?

One of the biggest problems facing every company today is how to control the rapid growth in Workers' Compensation claims and costs. The rate of growth has been faster than the rate of inflation.

Since 1970, for example, the maximum weekly payout for permanent total injury climbed 293% in California; 299% in Minnesota; 378% in Pennsylvania; and a staggering 465% in Illinois.

Result: premiums keep climbing. Some companies even consider themselves lucky if they're paying only double what they were just three or four years ago for Workers' Compensation coverage.

But that's just part of it. The administrative work in handling claims takes time and adds still more to total Workers' Compensation costs.

If present trends continue, the burden on employers will continue to grow. New regulations and reinterpretations of

existing regulations are making benefits to workers increasingly generous. Also, new kinds of disabilities such as "cumulative trauma" are being added to the list of disabilities that qualify for benefits. An example is a former federal employee's claim for illness brought about by exposure to cigarette smoke during working hours.

That's why many companies turn to Marsh & McLennan for help and answers. We handle more Workers' Compensation insurance than any other broker. We can help most companies develop programs to reduce accidents and claims.

Get new insights, learn about alternatives.

Did you know, for example, that the premiums your company pays can be adjusted to coincide with your cash flow requirements?

Or that if your company's losses are lower than your industry's average, a "loss sensitive" program can be designed so that you're not penalized for other companies' experience.

Our claims specialists are prepared to audit your claim files, review loss reserves, and suggest adjustments, if needed. We'll even act as your corporate claims manager in adjusting and settling claims.

We can help you self-insure and, if you are already self-insured, obtain excess W. C. coverage at the best cost.

A closer look at loss control.

Common sense tells you that one of the best ways to control the cost of Workers' Compensation is to control losses. That calls for a thorough evaluation of your premises to remove hazardous conditions that could lead to losses.

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takes a highly trained eye and special equipment to ferret out the dangers.

That's where we, at Marsh & McLennan, can help.

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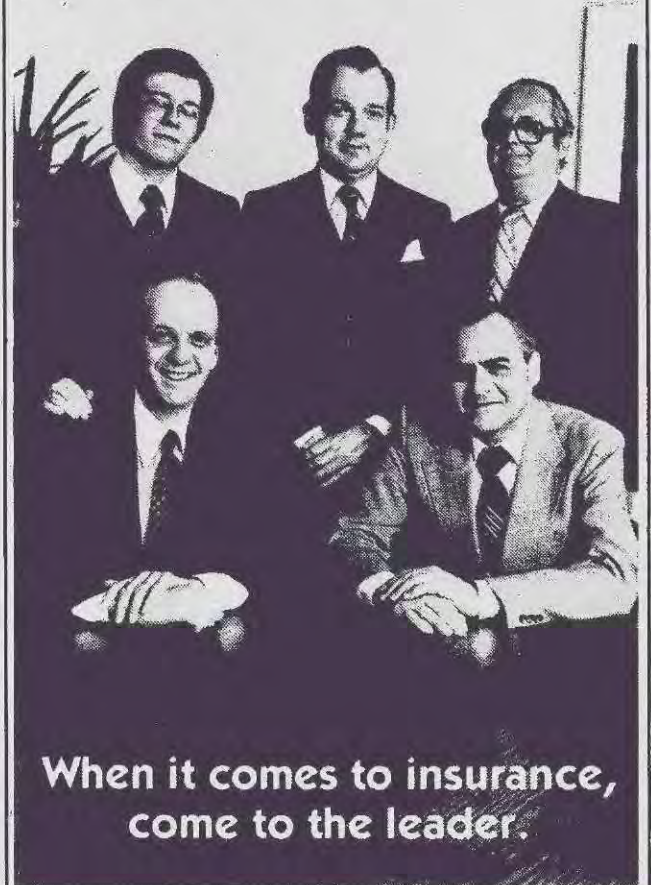
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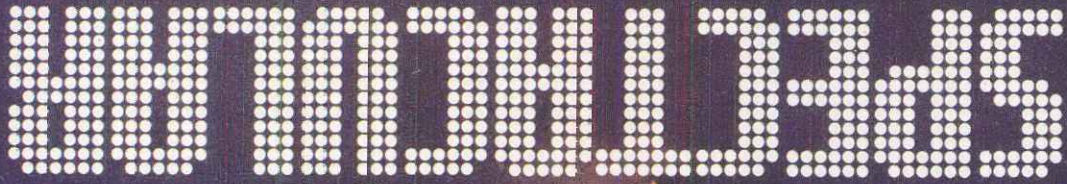


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perspective

Financial fright

Outside audit can stop potential horror show of unforeseen problems

By Robert Hughes

HORROR MOVIES seem to be doing very well at the box office these days: the occult, outer space, telephone terror, a variety of themes designed to frighten almost everyone—all in good fun, of course. One subject that has been overlooked, however, might not draw well but could certainly scare the pants off a large group of financial executives.

Interrupted cash flow? Unforeseen losses? A major loan package in shambles? How about all of the above wrapped up into one package and tied up with the final bit of gore, an unaudited financial problem?

"Surely you jest," you cry. "Our company employs the finest accounting firm in the world and last year's financials contained only two notes. What are you saying, unaudited?"

Call this matinee monster risk management.

"Foul!" or even "phooey," you say. "We have the finest risk management team in the solar system second only to our accounting team, which is the finest in the universe."

Okay. Suppose we accept that. You have the No. 1 accounting team audited by Zeus's own auditing firm, working hand in hand with Captain Marvel of risk management, audited by ... oops! Exit "National Velvet," enter "Alien."

I've deliberately been frivolous to grab attention. Frivolous? Yes. All in good fun? No. Investors, lenders and regulatory agencies are rapidly learning it is no fun at all to commit capital, lend funds or grant certification of good health and have such things as unidentified exposures, ill-conceived self-assumptions or improperly constructed insurance programs knock an otherwise healthy company into the red.

Financial managers and their accounting staffs have long since accepted outside auditing as an integral part of their business life. The comfort of having a look at the books and records of business concerns by disinterested outside experts has strengthened the confidence of lenders and investors alike and permitted a free flow of business functions unprecedented in history and impossible in areas where the second and third sets of books are common.

Few, if any, controllers and accountants view the functions of outside auditors as an insult to their competency or a comment on their professionalism. One must suppose, therefore, that this working relationship is evidence of the professionalism present in the financial community on both sides of the corporate fence.

But there is a preponderance of opinion that risk managers are generally opposed to outside audits of their function. Why they would be is subject to

Robert Hughes recently left RIMCO, a risk management consulting firm, to form his own consulting service in Dallas, Tex., Robert Hughes & Associates.

some conjecture, but if one examines the reasons any person resists audit, the picture becomes clearer:

- Overt wrongdoing (fear of discovery).
- Lack of self-confidence.
- Unclear job definition.
- Lack of confidence in the auditors.

The first point is hardly worthy of consideration but the final three seem to be applicable. Risk managers have struggled bravely over the past 20 years to raise their position on the corporate ladder and protect their positions with great fervor. Unfortunately, many risk managers have become highly dependent on the insurance industry for input and advice with minimal research and fact gathering on their own to support their decisions. Many of the firms sporting sophisti-



Terrifying prospect
It is no fun at all to have such things as unidentified exposures, ill-conceived self-assumptions or improperly constructed insurance programs knock an otherwise healthy company into the red.

cated financial information gathering and dissemination systems have absolutely no formal system for risk identification and evaluation.

Most risk managers want to be thorough, but time restraints brought about by low budgets and inadequate staffing forces them in many cases to cut corners. This produces a certain lack of self-confidence that could cause a negative feeling toward outside auditors.

Corporate management itself creates the problem of unclear job definitions by refusing to have clearly stated risk management policies approved by the board. Many companies continually force perfectly capable risk managers into the role of an insurance buyer simply by lack of definition. Others insist on relegating risk management to a part-time role and assigning other substantial duties to the person responsible.

The final problem is just as valid as the other two. National CPA firms have not staffed themselves to audit the risk management function, so any attempt to audit this area is subject to great suspicion. Risk management consulting firms have continuously struggled with their ethics and self-image. In spite of this, many are still incompetent to audit a qualified risk management department while others have played both sides of the insurance fence too often to maintain credibility.

Times are changing, however. Risk management consultants have at least established enough credibility to attract the attention of lenders and regulatory bodies. Large banks are now regularly requesting outside opinions on the adequacy of risk management and insurance programs before loan approval. State and federal banking auditors are requesting copies of the "risk management audit" together with the CPA

audit. International investors are often requiring risk management and insurance reports before the committing of substantial equity funds.

If one is curious as to why this area has drawn so much attention from high circles, he or she need only look at examples of the problem. Take the multi-billion-dollar bank holding company in which everyone generally agreed that the largest potential expo-



sure was in the fiduciary liability of its huge trust department.

An outside risk management audit required by regulatory authorities uncovered, among other things, that the trust department exposures were excluded from the excess liability layers, contrary to assurances otherwise by the insurance agent.

How about the oil and gas drilling firm that discovered upon blowout of a well that it had signed an agreement with the owners holding them harmless for the loss, which ultimately resulted in an uninsured claim of \$4 million? The claim put the firm seriously in default of the working capital warranties of its equipment financing. These and other examples have created the unhappy situations that have attracted the attention of the financial and regulatory communities.

Let's not misunderstand. Outside CPA audits do not eliminate failures and outside risk management audits will not eliminate unforeseen losses. The key, however, is the confidence gained by the interjection of a disinterested third party. It has also become apparent over the years that many potential accounting problems are avoided because those responsible know they must ultimately satisfy outside auditors.

What does the future hold? If risk managers continue to upgrade their professionalism and elevate their divisions to positions of esteem it is quite likely they will find themselves subject to annual audits. If risk management consulting firms continue to upgrade themselves they will probably be doing the work. If not, the national CPA firms will no doubt step into the void.

Whatever happens, the need for outside auditing of the risk management function will not diminish.

The resistance by risk managers to the outside audit is reminiscent of the story told by an insurance consultant who was promoting his services to a prospective client. The prospect, being a crusty old wildcatter, had a rather unique approach to the decision. "Well, son," he said, "I'm going to call my insurance agent and ask him if he thinks you ought to have a look at what he's doing. If he says yes, I'll think about it. If he says no, you're hired."

This is good advice for financial vps. If your risk manager or insurance manager says "yes," then think about an audit. If he says "no," pick up the phone today. ■



Continued from page 43
insurance portfolio audits. A large support staff of 14 provides technical as well as clerical services.
A second office in New York

goes by the name of John Liner Associates Inc. Massachusetts licensing laws require the firm to use "insurance" in its name but "we are strictly advisers and do not sell insurance," declares Dwight Levick, president.

Mr. Levick declined to discuss the firm's clientele or fees. "We are well aware of what other consultants are charging and our fees are comparable and equitable," he said.

M

Miller & Gilbert

407 Sansome St., San Francisco

49111; 415-398-3993

Miller & Gilbert, a professional excess/surplus lines claims adjustment firm, has recently begun offering a wide range of consulting services, including full-line insurance portfolio reviews and claims auditing. M&G consultants will also train in-house claims administrators and provide third-party administration for self-insurers.

The California firm has offices in San Francisco and the Los Angeles area and plans a third location in Seattle next summer, reports Frederick J. Fisher, vp. Eight consultants and five support staffers serve 11 corporate clients, he adds.

Consulting services are billed at

\$75 hourly, \$500 daily, \$2,300 weekly or \$9,000 monthly. Claims supervision is generally billed at \$35 hourly, although the firm has one client charged on a per claim basis.

Mund, McLaurin & Co. of Los Angeles

600 S. Commonwealth, Los Angeles, Calif. 90005; 213-385-3201

"We sell time and expertise to evaluate and design risk management programs," declares William J. Pickney, vp of Mund, McLaurin & Co. The firm also advises clients regarding risk management staffing.

N

P.D. Norman Associates Ltd.

8331 River Road, Richmond, B.C., Canada, V6X1Y1; 604-273-3033

Working out of its offices in Richmond and Toronto, this staff of two consultants and three support personnel last year provided consulting work to 22 clients, six on retainer.

Fees average more than \$100 an hour, said president Peter Norman, who estimated 1979 revenues for his firm at \$300,000 to \$500,000.

In the last 10 years, Norman Associates has built a reputation for handling clients needing advice on professional liability, Mr. Norman said.

P

William Peet Co.

2156 Inglehart Ave., St. Paul, Minn. 55104; 612-645-1845

Risk management consulting services offered by the William Peet Co. include claims audits, preparation of insurance specifications, coverage evaluation, problem-solving, expert testimony and advice to management on consolidations and mergers.

The two-consultant firm consists of William Peet, president, and Jeffrey Isenberger, an attorney. The corporation grosses approximately \$30,000 a month in revenues, Mr. Peet reports.

Consulting services are usually billed at \$75 an hour but may go higher under special circumstances such as a meeting with the client's board of directors.

H. Russell Perry

P.O. Box 611, Concord, Mass. 01742; 617-263-2226

About 20 clients came to Mr. Perry for consulting work during 1979, half on a retainer basis. The typical client, Mr. Perry said, is a small manufacturing firm with sales of less than \$50 million a year.

Mr. Perry charges clients an average of \$60 an hour, with retainer fees based on the estimated number of hours needed to provide the contracted services. Last year's revenues were between \$50,000 and \$100,000, Mr. Perry said.

Neil E. Pritchard

325 E. Prospect St., Marquette, Mich. 49855; 906-228-6932

Neil E. Pritchard is sole proprietor of this four-year-old consulting business with 23 clients on retainer. He prepares loss evaluation surveys, writes insurance specifications and evaluates quotations.

Mr. Pritchard was risk manager for five years with a university and today many of his clients are educational institutions. Most of his consulting is in Michigan but he also takes on out-of-state clients.

In Michigan a consultant cannot charge for services without a written agreement, so Mr. Pritchard puts all new clients on a minimum annual retainer. Subsequently, he charges \$30 per hour plus expenses, which may be deducted from that minimum retainer.

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Consultants interviewed

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R

RIMCO Risk Management Inc.

10300 N. Central Expressway, Bldg. V, Suite 350, Dallas, Tex. 75231; 214-363-2451

RIMCO Risk Management lists its most popular services as exposure identification, insurance program evaluation, alternative funding studies, claims reviews and captive feasibility studies. Three out of 13 staff consultants specialize in oil and gas exposures. Construction and medical malpractice are other areas of special expertise, says Keith Kakacek, president.

Approximately 10% of the firm's 200 clients are Fortune 1,000 companies. RIMCO also assists agents and brokers in getting licensed in various states.

"We require \$1,500 to open a file," Mr. Kakacek reports. Hourly fees vary from \$40 to \$100 for consultants and run about \$20 for clerical services. The 13-year-old firm also is willing to discuss compensation on a contingency basis. Revenues last year totaled about \$1.5 million.

Risk Consultants Inc.

2915 Providence Road, Charlotte, N.C. 28211; 704-364-2600

This 10-year-old firm, with offices in Charlotte, Dallas and Denver, provided services for about 175 clients last year, 50 of them on annual retainer. The company added three consultants in the past two years, bringing the total staff to 15 consultants and seven support staffers. The company opened the Denver office three years ago, said president William Brown.

Fees for retainer clients range from \$1,000 to \$40,000, with the average running about \$10,000 to \$20,000. Hourly charges are \$12.50 to \$75.

Although about 10% to 15% of this consultant's clients are among the Fortune 1,000, Mr. Brown said his firm specializes in providing services to companies not large enough to have their own full-time risk management department.

Risk Management Consultants Inc.

250 W. 57 St., New York, N.Y. 10019; 212-582-2214

More than 50 companies, most of them small businesses without their own full-time risk managers, came to this consultant for services last year, says president Ezra Lipshitz, who heads a staff of three consultants and two support personnel.

About 90% of the clients are on a retainer arrangement, paying between \$1,500 and \$10,000 a year, Mr. Lipshitz said. Hourly fees range from \$50 to \$100 an hour, with the average fee estimated at

\$60 an hour.

Formed in 1957, this company provides a wide range of risk management advice, but stays away
Continued on next page

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Continued from previous page
from captive studies and the more sophisticated self-insurance plans.

Risk Planning Group
722 Post Road, Darien, Conn.
06820; 203-655-9791

At any one time, this Connecticut-based consulting firm will be under contract to about four firms and completing individual proj-

ects for an additional 20 companies, president Felix Kloman estimated. Last year, Risk Planning Group was retained by 20 firms and performed consulting work for another 100, he said. The staff includes 10 consultants and five support personnel.

Hourly fees range from \$35 to \$140, Mr. Kloman said, adding that 1979 revenues were in the "very high six figures."

A broad range of available services is what Mr. Kloman stresses to potential clients, adding that he deliberately hasn't tried to specialize in any one area.

Risk Sciences Group Inc.
524 Colorado Ave., Santa Monica, Calif. 90401; 213-393-0507

Most of this firm's 25 active clients are Fortune 500 companies seeking computerized risk management information systems. The client's loss data history is programmed and stored in a computer system that is then run through different loss forecasting models. Besides forecasting future losses, the system facilitates comparison of a wide variety of alternate funding models.

Risk Sciences Group president Joseph A. Destein founded the Anistics division of Alexander & Alexander, then broke away two years ago to go into competition with his former employer. The eight-consultant staff includes persons with Ph.D.s in mathematics and probability, as well as M.B.A.s and CPAs.

Mr. Destein estimates initial computer programming charges at \$2,500 per source of data (usually an insurer), plus an average annual charge of \$1 per record in the data base. That figure varies according to the types of services and information required by the client. Hourly fees range between \$25 and \$125, averaging \$50 to \$60. The firm's projected revenues through fiscal 1979, ending March 31, are \$500,000.

S

E.W. Siver & Associates
3535 First Ave. N., St. Petersburg, Fla. 33733; 813-822-9335

"We provide risk management, insurance and employe benefits consulting services to the public and private sector," declares Edward W. Siver, president of this 10-year-old firm. Risk management audits are popular with clients, he says, because they explain "what you've got, what's wrong with it and what to do about it." Property appraisals and claims auditing are farmed out, he adds.

Eight consultants and seven support staffers in the firm bill their time at \$20 to \$100 depending on their experience and educational designations.

T

R. Maynard Toelle
703 Thunderbird Ave., Sun City Center, Fla. 33570; 813-634-4975

Consultant R. Maynard Toelle evaluates loss exposures and history to determine if a client's insurance portfolio is adequate to meet his needs.

Working in his home in a small town south of St. Petersburg, Fla., Mr. Toelle retains six clients and serves as executive secretary of the Institute of Risk Management Consultants.

Billing is more an art than a science, he says, since an assignment may often be more complicated than the client or the consultant

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Rick Weinkauf, Weinkauf & Crust Agency

John D'Angelone, AAU—Kansas City

Dennis Koontz, Weinkauf & Crust Agency

Too often, insurance agencies try to land a big aviation account only to find that, when it comes to service, they're way off course.

Just ask Rick Weinkauf and Dennis Koontz of Weinkauf & Crust Agency, Broomfield, Colorado. In the beginning, the agency just didn't have aviation insurance expertise. "Meanwhile," Rick wrote, "so many (prospective) accounts were searching for better service, adequate coverage and limits and a knowledgeable agent." The solution? They went out and got all the experience and expertise they needed. They got hold of John D'Angelone of Associated Aviation Underwriters.

"John offered the training and advice we so badly needed. With his knowledge, we soon felt like professionals. And large commercial accounts were contacting us."

John D'Angelone and AAU backed Weinkauf & Crust in many other ways, too. For example, with the aid of Associated's corporate aircraft, "we were able to visit the risk in person and quote on the spot. That gave our agency prestige we could not otherwise have attained."

The bottom line, of course, is that "the ability to place aviation business with AAU has proven to be a very valuable source of income to our independent insurance agency."

So before you're ready to land any new aviation business, lend us your ear. Call one of AAU's professionals and take advantage of knowledge based on 50 years in the aviation insurance business.



Associated Aviation Underwriters
90 John Street, N.Y., N.Y. 10038

originally contemplated. His standard hourly rate is \$65.

Towers, Perrin, Forster & Crosby

1500 Market St., Philadelphia, Pa. 19102; 215-563-4500

The insurance consulting department of TPF&C last year added 40 clients to its rosters, many of which came to the Philadelphia-based division for financial analysis and actuarial services, said Richard Delaney, vp and principal. A staff of 10 includes six consultants and four support personnel.

Fees are hourly—no clients are assigned a retainer status—and the range of fees runs from \$40 to \$150 an hour, plus expenses, Mr. Delaney said. He declined to release 1979 revenue figures.

Although primarily known as an actuarial firm, TPF&C has been providing risk management consulting services since 1969, Mr. Delaney said.

W

Warren, McVeigh & Griffin

1420 Bristol St. N., Newport Beach, Calif. 92660, 714-752-1058

This full-service risk management consulting firm claims about 100 active clients, a majority of which are Fortune 1,000 corporations. The most common assignments are claims audits for self-insurers, design of in-house claims administration systems, comparisons of risk funding alternatives, information systems surveys and captive feasibility studies, says Bud Griffin, president.

The firm also performs captive insurance company management audits that evaluate accounting, claims handling, funding, reinsurance.

Warren, McVeigh & Griffin employs 11 consultants including an actuary, plus six support staffers assisted by a word processing system. Two former principals, David Warren and Donn McVeigh, recently sold their interests in the 12-year-old West Coast firm.

Most WM&G clients are billed on an hourly rate ranging from \$35 to \$120, depending on which consultant does the work. The firm will quote prospective clients a price range and maximum cost on a job.

Wyatt Co.

233 S. Wacker Dr., Sears Tower, Suite 5600, Chicago, Ill. 60606; 312-876-1616

The Wyatt Co.'s risk management consulting division maintains an active list of about 250 clients, including a substantial number of Fortune 1,000 companies. Founded in 1973, the division employs 30 consultants in its offices in Chicago, Washington, Detroit, Dallas and San Francisco.

Consulting services include audits of property and casualty insurance programs, preparation of specifications for competitive bidding, captive and self-insurance feasibility studies and actuarial evaluations.

The firm favors a team approach, with a project manager and other specialists on each assignment. There are three actuarial consultants on staff, as well as others with backgrounds as risk managers, brokers and rating bureau officials. More than 100 of the company's clients are hospitals.

Consultant fees average \$80 hourly, ranging from \$60 to \$125. Clerical services are billed separately at \$20 to \$25 and analysts' time at \$35 to \$45 hourly.

Affiliated risk consultants

AIG Risk Management

70 Pine St., New York, N.Y. 10005
212-770-6360

A separate division of the huge American International Group insurers, AIG Risk Management consulted for risk management departments of 12 companies last year, said president Joseph Smetana. Clients have no obligation to purchase insurance from AIG. About half the clients contract on a retainer basis.

Mr. Smetana normally has a staff

of five consultants, although work done on an ad hoc basis, for a Fortune 500 company might necessitate reaching into other AIG departments to put together a temporary working team of perhaps 10 people.

Fees are based on time plus expenses, with hourly fees ranging from \$30 for clerical work to \$150 for work performed by consultants. He declined to give 1979 revenue figures.

Anistics

640 Fifth Ave., New York, N.Y.

10036; 212-840-8500

This risk management consulting subsidiary of Alexander & Alexander provided services for about 120 clients last year, with about 10% of them contracting with the firm on a retainer basis, said Robert Gielow, A&A senior vp. The staff of 70 includes 15 consultants, located in Anistics' offices in New York, Palo Alto, Calif., and Denver.

Fees are hourly or at a project rate, with the range estimated by Mr. Gielow of \$2,500 to \$100,000

per project. He declined to give a revenue figure for 1979.

Anistics is strongest in forecasting potential losses for its clients, as well as developing financial alternatives to insurance, such as captives or creative pooling arrangements, Mr. Gielow said. President is Peter Densen.

Chanslor Risk Management Inc.

10101 Fondren, Houston, Tex. 77096; 713-777-3561

Continued on next page

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Continued from previous page
Chanslor Risk Management specializes in organizing and managing association captive insurance companies in Texas. It offers all the ancillary services generally provided by an insurance company, including claims management, loss prevention, audits, accounting and supervision of litigation.
Bill Chanslor, president, works with seven technical assistants

and four clerks to manage two captives and provide claims administration to four corporate self-insurers.
Captive management costs are a percentage of premium income. Self-insurers are charged a percentage of premium based on manual rates. The firm's approximately 25 other clients are billed at \$100 to \$125 hourly for general consultation.

Continental Insurance Co.
80 Maiden Lane, New York, N.Y. 10038; 212-440-2727

The Continental Insurance Co. is undertaking a major marketing drive to emphasize sales of risk-related services separate from insurance, reports Charles L. Ruoff, senior vp.

Salaried account executives who do not earn commissions from insurance sales advise clients regarding self-insured retentions, safety, claims administration and other services. Continental also provides claims administration, loss control engineering and computer services to clients on a variety of negotiable fee structures. Other services, already routinely available to insurance clients, may soon be added to the risk-related services group.

"There is no set compensation formula," Mr. Ruoff notes. "We can work on a contract, flat fee or per claim percentage of paid or incurred losses," he said.

CU Risk Management Inc.
600 Atlantic Ave., Boston, Mass. 02210; 617-725-6010

CU Risk Management is owned but separately operated by Commercial Union Assurance Cos. and has grown in its three years to where it handles about 75 clients, said senior vp Richard Lapham. About 40% of them are in the Fortune 1,000.

The Boston-based staff includes 11 consultants and 11 support personnel. Hourly fees usually run from \$30 to \$40, said Mr. Lapham, who declined to give 1979 revenue estimates. He said the firm grew 67% last year.

Among the firm's strengths, Mr. Lapham said, are advising clients on claims management, loss control engineering and data processing. President is Ross C. Cowan.

Marsh & McLennan Client Services
1221 Avenue of the Americas, New York, N.Y. 10020; 212-997-2000

Marsh & McLennan offers a wide range of technical services available to major client businesses on a fee basis. Major categories include loss prevention and security, environmental control, claims management services to self-insured client companies and captive insurance companies domiciled in Colorado, Tennessee or offshore.

The gigantic insurance brokerage firm is staffed to undertake almost any special project, including multinational insurance services, nuclear consulting and analysis of cash-flow benefits of various insurance and self-insurance options.

"Fee work is based on the nature of the assignment, the professional qualifications of the people who do the work, and is negotiated with the client," says Philip J. Brown Jr., executive vp and head of the Client Services Group. The vast majority of M&M's clients, however, prefer to work with the firm on an annual retainer rather than an hourly basis, he added.

M&M declined to discuss its fees more specifically, explaining that they are too varied to enumerate.



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| Craig Stevens
Denver (303) 377-2791 | Graham Benson, Jr.
Seattle (206) 454-4624 |
| Bob Affronti
Los Angeles (213) 843-5400 | Dan Culbertson
Tampa (813) 879-4510 |


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Consultants interviewed

This directory is based on interviews with the consultants conducted by *Business Insurance* associate editors Stuart Emmrich and Rhonda L. Rundle.

Using the membership rosters of the two consultants' societies as a starting point (Institute of Risk Management Consultants and Insurance Consultants Society), *BI* tried to make the listing as complete as possible. Omissions may indicate unresponsiveness from a few consultants contacted.

Independent consultants—those who are not affiliated with any company that brokers or sells insurance or insurance-related services—are listed first, alphabetically. Consultants affiliated with brokers, insurers or other sellers of services are listed at the end of the independent consultants' directory.

Risk Treatment Services Co. Inc.

3025 S. Park Road, Suite 825, Aurora, Colo. 80014; 303-752-4912

This firm's major activity is management of captive insurance companies. One of the five captives presently managed by RTS was the first formed under Colorado's enabling legislation, reports Gary R. Nelson, vp. The domestic company is also affiliated with Risk Treatment Services Ltd. in Bermuda.

The firm offers a number of ancillary services, including captive and self-insurance feasibility studies, claims administration, financial and accounting services, investment management and consulting and determination of insurance policy premium levels, "but we are not brokers and we do not sell insurance," Mr. Nelson says.

Fees are charged on a time and expense basis ranging from \$25 to \$75 hourly, depending on which of four consultants and three technical assistants works on the project. One association captive pays a set percentage of premium for RTS's management services.

Scor Risk Management Inc.

1201 Elm St., 52nd Floor-First International Building, Dallas, Tex. 75270; 214-748-1100

A newcomer to the risk management consulting field, formed in July 1979, Scor has a client list of about 20 firms, most of them in the Fortune 1,000 category and all on a project basis. The staff of six includes five consultants and one support person.

Fees range from \$30 to \$100 an hour, with the average charge estimated at \$80, said executive vp Tom Miller. Mr. Miller, acknowledging that as a new firm "we have more money going out than we have coming in," projected 1980 revenues might reach \$300,000.

Free newsletter now available

IRVINE, Calif.—A new monthly publication, *Governmental Entities Risk Management Newsletter*, is available free of charge from H&W Risk Management Services here.

The newsletter is designed to provide the latest information and ideas on risk management and insurance to managers of governmental entities.

The first issue of the newsletter is on organization of intergovernmental insurance pools, and future issues will cover feasibility studies, selecting a broker, public entity liability, umbrella and excess liability and excess workers compensation.

Free subscriptions may be obtained by sending a request on a business card or letterhead to H&W Risk Management Services, P.O. Box 18614, Irvine, Calif. 92713.

The Dallas-based firm, a subsidiary of Scor Reinsurance Co., specializes in captive management and feasibility studies, Mr. Miller said. President is Alain B. Ellet. ■

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The captive insurance company is a mysterious concept. Landmark is actively involved, through offices in Bermuda, the Bahamas and the Cayman Islands, in the management of offshore insurance subsidiaries for major corporation/association clients. Our onshore offices provide captive feasibility analyses for you or your insured. May we tell you more?

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tify and evaluate cost of risk. Tools which enable you to communicate and allocate risk responsibility where it occurs, at specific cost centers within your organization.

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Sears Tower, Suite 573C
233 South Wacker Drive
(312) 876-0262

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1510 Pioneer Plaza
(808) 521-5031

info

• Equifax Services has published a brochure describing a **systematic approach to renewal automobile underwriting**. For a free copy, write Linda J. Bolinger, Equifax Services Inc., 1600 Peachtree St. N.W., P.O. Box 4081, Atlanta, Ga. 30302.

• A guide describing aspects of substantive and procedural law pertaining to **product liability claims against overseas manufacturers and distributors** is available free to corporate insurance buyers. Cost to all others is \$3. Write Sol Kroll, Kroll, Killarney, Pomerantz & Cameron, 500 Fifth Ave., New York, New York 10036.

• A pamphlet published by Underwriters Marine Services Inc. contains information on **how to**

choose a marine insurance underwriter. For a free copy, write Underwriters Marine Services Inc., Suite 1516, One Shell Square, New Orleans, La. 70139.

• Swiss Life network has published a booklet describing **international group life and pension services**. For a free copy, write George G. Smyth, International Benefit Associate, Swiss International Services Inc., 560 Sylvan Ave., Englewood Cliffs, N.J. 07632.

• "The Standard for Safety for the Rating and Fire Testing of Fire Extinguishers" describes the **requirements of fire extinguishers** intended for use in attacking class A, B, C and D fires. Cost is \$3 per copy. Write Underwriters Laboratories Inc., Publications Stock Dept., 333 Pfingsten Rd., Northbrook, Ill. 60002.

• Brochures describing **risk management services** such as stop-loss planning, claims handling and counseling services, loss control and employe benefit services are available from Scott Wetzel Services Inc. For free copies, write Robert F. Benson, sales director, Scott Wetzel Services Inc., 500 Pacific Ave., seventh floor, P.O. Box 418, Bremerton, Wash. 98310.

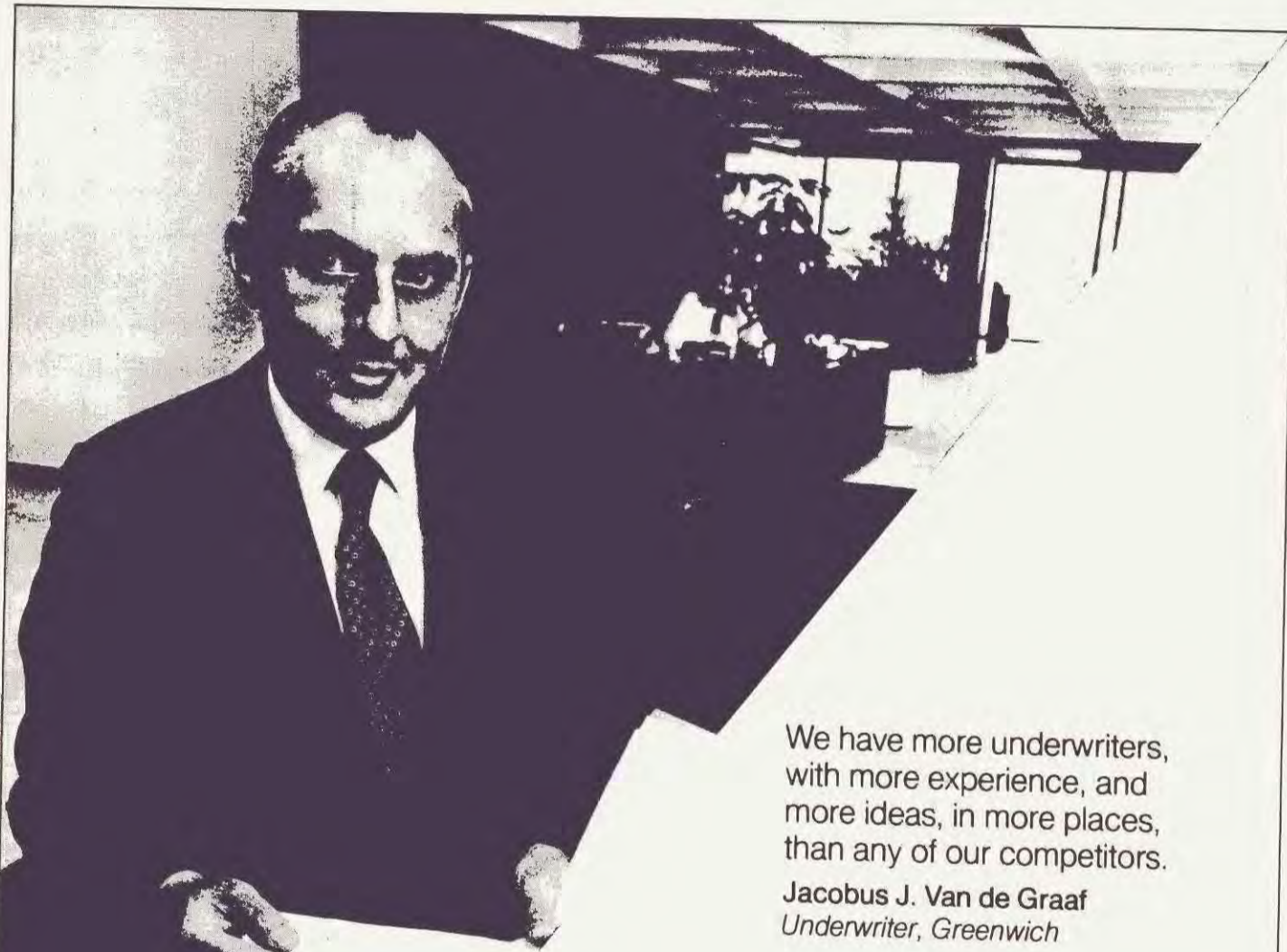
• The Ohio Bureau of Workers Compensation has published three pamphlets explaining different phases of the **workers compensation program**. "You've Filed an Occupational Disease Claim; What Now?" explains the procedures and benefits available for occupational disease claims. "Workers Compensation on the Farm" explains how the workers compensation law applies to farm labor. "The Handicapped Employee" explains the advantages of a program to reimburse employers for the cost of job injuries to handicapped workers. For free copies, write to the Publications Center, Bureau of Workers Compensation, 246 N. High St., Columbus, Ohio 43215.

• Hartford Steam Boiler's "Quick Reference Guide to the ASME Boiler and Pressure Vessel Code," has been revised. The guide illustrates types of **boiler and pressure vessel construction**, and composite drawings refer the user to the applicable rules in the code. For a free copy, write to the customer service department, Hartford Steam Boiler Inspection & Insurance Co., 56 Prospect St., Hartford, Conn. 06102. Specify section VIII, unfired vessels.

• "ADT High Technology Security for People, Premises and Profits" is a booklet showing nearly every **electronic protection product and service** available from ADT. The booklet features the latest in microwave, ultrasonic, card access and closed-circuit TV systems. Single copies of the booklet are available free. Write for form 948-00, to ADT, One World Trade Center, 92nd floor, New York, N.Y. 10048.

• "Behind the Scenes of Tamarack Self-Funding" offers an introduction to **self-funded health care**. The brochure details the advantages and flexibility of self-funding. For a free copy of the brochure, write Tamarack Management Corp., Standish Plaza, 243 Church St., Pembroke, Mass. 02359.

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To receive materials listed in Info for Buyers, write to the name and address accompanying each item, mentioning that you saw the item offered in *Business Insurance*. Readers are invited to submit educational and promotional material of interest to risk managers and employe benefit chiefs for possible inclusion in the column. All items that are free and of interest to our readers are eligible; those available at a modest cost will be considered. Send a sample to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

Bankers Life & Casualty, and sometimes better. The results of the company's study are contained in a 15-page booklet. For a free copy, write Robert P. Ewing, Bankers Life & Casualty Co., 4444 W. Lawrence Ave., Chicago, Ill. 60630.

• A series of promotional brochures on the workers compensation services of Gates, McDonald & Co. is available by writing its Columbus, Ohio, headquarters. Brochures on self-insured workers compensation, cost-control services, administration of a self-insured workers compensation plan and industrial claims analysis reports can be ordered by writing C.S. Jenks, assistant vp, Gates, McDonald & Co., One Nationwide Plaza, P.O. Box 1944, Columbus, Ohio 43216.

• A fact sheet on the supplemental safety services of Gates, McDonald & Co. outlines the services available through Gates, McDonald that help companies keep abreast of the Occupational Safety and Health Act. For a free copy, write C.S. Jenks, assistant vp, Gates, McDonald & Co., One Nationwide Plaza, P.O. Box 1944, Columbus, Ohio 43216.

• The U.S. Chamber of Commerce is accepting orders for the 1980 edition of *Analysis of Workers Compensation Laws*. For a free brochure on the publication, which will come out in March, write U.S. Chamber of Commerce, 1615 H Street N.W., Washington, D.C. 20061. Request the order form for publication No. 6174.

• System Development Corp. outlines in a promotional brochure how to set up a claims administration system. For a free copy, write Arthur L. Slotkin, vp and general manager, System Development Corp., 2500 Colorado Ave., Santa Monica, Calif. 90406.

• The Houston Rehabilitation Group describes its comprehensive rehabilitation services in a 12-page booklet. The booklet outlines the rehabilitation process, discusses the need for rehabilitation facilities and presents a policy statement of the Houston Rehabilitation Group. For a free copy, write Larry A. Feigenbaum, The Houston Rehabilitation Group, 6100 Richmond Ave., Houston, Tex. 77057.

• A professional liability handbook for architects and engineers is available from the M.M.I. Agency of Alabama. Adequate levels of coverage, insurance companies, policy forms and coverages, rating formulas, statutes of limitations in Alabama and hold harmless agreements are topics covered in the handbook. For a free copy write A. Ronald Simpson, The M.M.I. Agency Inc., 2051 Oak Mountain Drive, Pelham, Ala. 35124.

• Edwin M. Rollins Inc., managing general agents in North Carolina, is offering a pocket guide of its specialty excess and surplus lines. For a free copy write Edwin M. Rollins Inc., P.O. Box 4563, 511 Cecil St., Charlotte, N.C. 28204.

• Notifier Co. has published a

guide showing the latest methods for using electrical detection and alarm equipment to prevent accidental water damage and to guard against shutoff of a sprinkler system. The guide also lists new types of sprinkler valve supervisory switches and supervision system control panels. For a free copy write Notifier Guide of More Effective Supervision of Sprinkler Systems, The Notifier Co., 3700 N. 56th St., Lincoln, Nebraska 68504. ■

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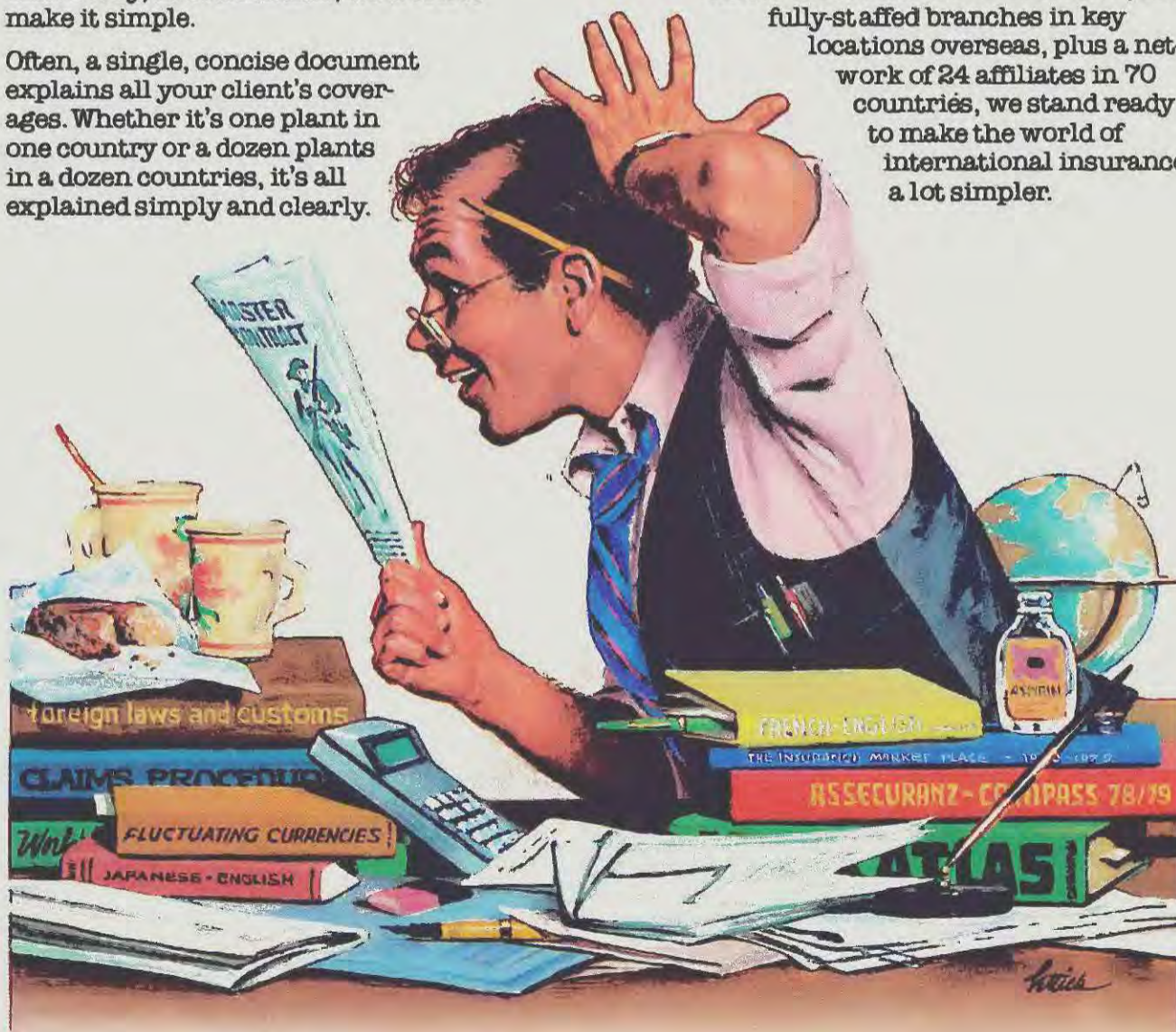
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North America dominates life business

markets

DOMESTIC NORTH American insurers dominated the international life insurance business in 1978, but shared the non-life business almost equally with European insurers, according to a report by the North American Reinsurance Corp.

North American companies represented 46.9% of the 10,586 domestic insurers in 69 countries. Europeans tallied 33.9%, Latin Americans 9.5%, Australians 2.8%, Asians 4.5% and Africans 2.4%. North American insurers wrote 69.1% of the life business and 44% of the non-life, while Europeans wrote 18.5% and 39.8%, respectively.

North American insurers also led the rest of the world in direct premium volume, writing \$174 billion or 48.3%. Europe followed

with \$112 billion or 31.1%; Asia registered \$55 billion or 15.3%; Australasia \$8 billion or 2.2%; Latin America, \$6 billion or 1.7% and Africa with \$5 billion or 1.4%.

Of the 2,533 insurers operating abroad, 50.4% were in European Economic Community countries, 41% were from the rest of the Organization for Economic Cooperation and Development and 8.6% from countries outside these blocs. The EEC insurers were most active abroad, with 36.3% of the companies writing foreign business, while only 13.8% of those from the rest of Organization for Economic Cooperation and Development did so.

Delaware draws

Fifteen insurers and reinsurers have been reincorporated or relocated in Delaware in the past year thanks to the efforts of the Why Not Delaware Committee, said state insurance commissioner David H. Elliott at the committee's first anniversary meeting recently. Eleven other applications are pending.

The committee, discussing plans for the coming year, agreed more effort should be directed at persuading insurers to build as well as domesticate in the state as part of the state's continuing program for economic growth.

Colo. branch

Central Reserve Life of North America Insurance Co., headquartered in Berea, Ohio, has been admitted to do business in Colorado. Robert Parsons has been appointed Central Reserve Life's first western regional representative, based in Denver, and will promote the company's group coverages throughout the state.

Reinsurance broker

A new reinsurance brokerage firm, **Re-Sources Inc. Intermediaries**, has been established in Chicago. Primary purpose of the firm is to serve U.S. and Canadian companies with ceded treaty reinsurance. Re-Sources will be headed by Lee H. Asbridge, most

recently a vp for RFC Intermediaries in Chicago and senior vp of Reinco Intermediaries in New York.

E/S subsidiary

Bache Group Inc., an investment brokerage firm, has formed a new subsidiary, Bache Special Risk Brokers Inc. Roger S. Walsh will be president of the new subsidiary.

Bache Special Risk Brokers Inc. will deal with domestic and foreign surplus lines insurers, acting as an excess and surplus lines broker or managing underwriter for these companies. The subsidiary will develop special programs to be sold by the various retail agents and brokers through these respective companies.

The company will initially operate in New York City.

New insurer

Canadian Universal Insurance Co. Ltd. will gradually discontinue writing excess and surplus and special risks business in the United States and will concentrate solely on the Canadian market.

The company's U.S. activities will be taken up by a new company—Canadian Universal Insurance Co. Inc. In 1979, Canadian Universal Insurance Co. Ltd. wrote about \$76 million in U.S. premiums that will provide the "nucleus for the new company's growth," says a spokesman for the company.

Both companies are subsidiaries of American Universal Insurance Group, headquartered in Providence, R.I., and are under the same management.

Alaska license

Pacific Marine Insurance Co. has been licensed to do business in Alaska and will specialize in marine coverages, including property and indemnity and hull and cargo, exposures to the U.S. Longshoremen's and Harbor Workers Act, and hazardous forms of onshore workers compensation.

The company also will write ship repairers' and marine operators' legal liability as well as other liability coverages to complement workers compensation.

Pacific Marine is also seeking licenses as an admitted insurer in Oregon, Washington and California. The marketing and administration office is at 211 Sixth Ave. N., Seattle, Wash. 98109; phone 206-464-1530, telex 152722 CENTENNIAL.

Reinsurer expands

Nasco Karaoglan, a Mideast insurance group with offices in London, Paris, Athens and Bermuda, is moving into reinsurance business in the U.S. It is setting up Nasco Reinco Inc. in New York as a licensed intermediary to handle all types of international reinsurance but with special emphasis on Mideast needs. Nasco Karaoglan operates largely in Saudi Arabia, with branches in Lebanon and the Persian Gulf area.

Chinese say 'no'

People's Insurance Co. of China says it is not participating in the international reinsurance pool managed by Re/International Ltd., but the Los Angeles-based reinsurance intermediary says the Chinese could be guilty of breach of contract.

The Chinese insurer was to have joined Re/International's pool as of Jan. 1, but because of a dispute between the two parties, People's In-

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insurance Co. says it has withdrawn its interest.

The pool, with underwriting management based in London, includes about 20 international reinsurers and primarily writes foreign treaty reinsurance, according to Re/International president Warwick Feldman. It reinsures few U.S. risks, he added.

In an advertisement in the Jan. 3 issue of *The Wall Street Journal*, People's Insurance Co. said it had notified Mr. Feldman of its intention not to participate in the pool, adding that Re/International refused to accept the notification and intends to underwrite on behalf of the Chinese company.

People's Insurance Co. further states that it disclaims responsibility for business transacted in its name by Re/International.

Mr. Feldman would only say the Chinese insurer is seeking to withdraw from a contract and that Re/International could have grounds for a lawsuit.

James Greer of LeBouef, Lamb, Leiby & MacRae, People's Insurance Co.'s counsel in London, would not discuss the dispute.

Acquisitions

Albert M. Bender Co. Inc., the insurance brokerage subsidiary of Bache Group Inc., has acquired Cohn, Dach & Howard Inc., an insurance brokerage in Los Angeles. The acquisition is for \$3.5 million in Bache Group common stock.

John H. Crowther Inc., a Minneapolis-based general agency, has merged with the Blakely General Agency Inc. in Topeka, Kan. Current personnel, offices and operat-

Fires cost \$8.2 billion in 1971-78

NEW YORK—The major fires in the world from 1971-78 caused a total loss of more than 13.1 billion Swiss francs, or \$8.2 billion at current exchange rates, the North American Reinsurance Corp. reports.

The study examines 493 fires worldwide, each with a loss amount of 10 million Swiss francs or \$6.3 million or more, including indemnities for loss of profits. Eastern Bloc countries are excluded.

Most fire disasters occurred in Europe—276—more than twice as many as the 114 in North America and the 103 in other areas. Most losses worldwide, 293 or 59.5%, were in the lowest category of 10 million to 20 million Swiss francs. A total of 88, or 17.8%, cost 21 million to 30 million, and 112, or 22.7%, amounted to more than 30 million.

In all areas of the world, fires with losses of more than 30 million Swiss francs added the biggest chunk to total losses, 52% or 6.8 billion of the 13.1 billion. In Europe, such losses comprised 46.6%, or 3.2 billion, of the total 6.9 billion; in North America, they comprised 54% or 1.6 billion of the 3 billion total, and in other areas the most costly fires made up 61.9% or 2 billion of the 3.2 billion.

Loss amounts in the lowest loss category came in second, with 31.8% or 4.2 billion worldwide, and losses in the second highest category added the least burden, 16.2% or 2.1 billion total.

Of the 379 catastrophic fires occurring outside North America, the cause could only be determined for 200. Many of the unknown causes may be attributed to arson, the report says. Similar figures were not available for North America.

Of the 200 known causes, 54 or 27% were caused by explosion, 46 or 23% were caused by arson. ■

ing methods will continue under the direction of Victor D. Blakely.

The Strauss Zahn Co., a Milwaukee insurance counselor and loss adjustment firm, has been acquired by the **Laub Group Inc.**, an independent Wisconsin insurance agency.

"There is a trend among firms in our industry that offer risk management and purchase insurance to offer the risk management counsel for a fee to avoid a conflict of interest. The acquisition will enable us to offer Strauss Zahn and Laub clients new, sophisticated risk management concepts for this fee, while additionally serving as a public loss adjuster," said Raymond H. Laub, Laub Group president.

Balden, Carter & Viles Inc. of Oxnard, Calif., has merged into **Frank B. Hall of California**. Balden, Carter & Viles, established in 1962, concentrates on

agricultural business. The firm will operate as a separate division of Hall.

New offices

J.H. Blades Inc. has opened an office at Energy Center One, 717 17th St., Suite 2270, Denver, Colo. 80202; phone 303-623-0677. Bill A. Yeagan, assistant vp, will be in charge of the office.

Northbrook Property & Casualty Insurance Co., a commercial subsidiary of Allstate Insurance Co., has opened a branch office at 2600 N. Mayfair Road, Milwaukee, Wis. 53226; phone 414-475-9222. It will be headed by branch manager James M. Laurie.

The Southern California division of **Employee Benefits Inc.**, a workers compensation insurance company, has opened a new sales and service office at 107 S. 57th St., Suite 231, El Centro, Calif. 92243;

phone 714-353-5350.

The offices of the **Texas workers compensation assigned risk pool** and the **Texas Medical Liability Insurance Underwriting Assn.** are in a new location: 200 One La Costa, 1016 La Posada Drive, Austin, Tex. 78752. The Texas assigned risk pool number is 512-458-9181 and the Texas underwriting association number is 512-452-4370.

Newly relocated **Drake Insurance Co.** has changed its name to **Atlanta International Insurance Co.** The new name underscores the company's selection of Atlanta as a home base for its national operations. The company's home office is at 1700 Commerce Drive N.W., Suite 100, Atlanta, Ga. 30318.

The Aneco Group of America Inc., a subsidiary of **Aneco Reinsurance Co. Ltd.** in Hamilton, Bermuda, has opened a new excess and surplus lines firm, **ANEXCO**

Insurance Agency Inc., at 60 State St., Boston, Mass.; phone 617-227-6722. Kenneth L. Cook, president, and Patrick Ciano, executive vp, will be responsible for developing property and casualty excess and surplus business.

American International Underwriters, a member of American International Group, has opened an office in Cleveland to handle Ohio and Kentucky business. This work was formerly performed by the Chicago office. Heading the Cleveland branch is Cheri J. Cheyne, who has been appointed AIU special representative.

The Youngstown district office of the **Ohio bureau of workers compensation** and the **industrial commission of Ohio** have moved to 100 Westchester Drive. The industrial commission's rehabilitation division and the division of safety and hygiene are in the same office complex. ■

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ence should prove to be the experience of a lifetime, both from a business and cultural standpoint. The London market is where it all began, and the opportunity to benefit from the wisdom of 300 years of insurance history has not often been offered.

London in April. Although the sponsors of the conference have planned it as an exceptional learning experience for sophisticated insurance practitioners, the trip offers an added enticement. London is the colorful seat of the world's oldest reigning monarchy, and every street is redolent with history. The vision that became America was born in England, and all of us have wanted to visit Westminster Abbey, the

Tower of London and the Houses of Parliament. While at the conference, we will also have an opportunity to enjoy the sights and sounds of this beautiful city, re-living our heritage and savoring the mood of London in April.

We sincerely hope you will join us.

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Mr. William S. McIntyre, International Risk Management Institute, Inc., Dept. Suite 350, Building V, 10300 N. Central Expressway, Dallas, Texas 75231

Dear Bill:

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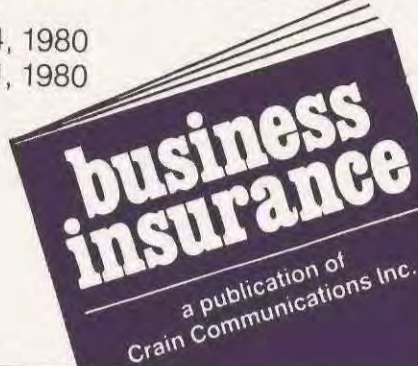
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MARCH 3. Employee Benefit Briefing in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; \$100 for members, \$125 for nonmembers. Also **March 4** in New Orleans; **April 2** in Portland; **April 3** in Los Angeles; **May 7** in Boston; **May 8** in New York; **May 21** in Baltimore; **May 22** in Detroit; **July 9** in Indianapolis, and **July 10** in Kansas City. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 4-7. Computer Methods in Risk Management seminar in New York City, sponsored by Anistics; \$550. Seminar coordinator, Anistics, 640 Fifth Ave., New York, N.Y. 10019; 212-514-6050.

MARCH 10-12. Employee Benefit

Conference in Miami Beach, sponsored by International Foundation of Employee Benefit Plans; \$380 for members, \$445 for nonmembers. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 13-14. Defense of Workers Compensation seminar in New Orleans, sponsored by the Defense Research Institute; \$160 for members, \$190 for nonmembers. Tony Karpowitz, assistant research director, Defense Research Institute, 1100 W. Wells St., Milwaukee, Wis. 53233.

MARCH 17-19. Fundamentals of Insurance Course in Houston, Tex., sponsored by RIMS; \$225 for members, \$150 for each additional participant from the same company, \$325 for nonmembers. Contact Lynn Fischhoff, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-557-3294.

MARCH 17-19. Techniques of Risk Management Course in New Orleans, sponsored by RIMS. Also **March 19-21** in Dallas Tex.; \$225 for members, \$150 for each additional participant, \$325 for nonmembers. Contact Lynn Fischhoff, RIMS, 205 E. 42nd St., New York, N.Y., 10017; 212-557-3294.

MARCH 17-19. Motor Fleet Safety Management Seminar in Houston, sponsored by the International Safety Academy; \$375 or \$335 each for three or more from same company. ISA, P.O. Box 19600, 10575 Katy Freeway, Houston, Tex. 77024; 713-932-9400.

MARCH 17-20. Reasoning Reinsurance Course in Irving, Tex., sponsored by the Risk Management Institute; \$375. Risk Management Institute, University of Dallas Station, Irving, Tex. 75061; 214-438-1123.

MARCH 17-20. Reasoning Reinsurance Seminar in Dallas, sponsored by the University of Dallas; \$395. Risk Management Institute, University of Dallas, Irving, Tex. 75061; 212-438-1123, ext. 360.

MARCH 18-19. Capping the Blow-out: Loss Prevention in the Oil, Gas and Petrochemical Industries Conference in Toronto, Ontario, sponsored by the Financial Post and Air Canada; \$375. Financial Post Conferences, 481 University Ave., Toronto, Ontario, Canada M5W 1A7; 416-596-5678.

MARCH 18-21. Loss Forecasting/Statistical Analysis Risk Management Seminar in New York City, sponsored by Anistics; \$550. Anistics, 640 Fifth Ave., New York, N.Y. 10019; 212-541-6050.

MARCH 19. Future Problems and Alternatives in the 1980s in Boston, sponsored by the Mass. RIMS; \$35 per person. Contact Bert L. Weber, Cabot Corp., 125 High St., Boston, Mass. 02110; 617-423-6000.

MARCH 25-28. Financial Planning Seminar in Risk Management in New York City, sponsored by Anistics; \$550. Seminar coordinator, Anistics, 640 Fifth Ave., New York, N.Y. 10019; 212-541-6050.

MARCH 28. Risk Assessment in the '80s in Oakland, Calif., sponsored by the Northern California Section of the American Industrial Hygiene Assn.; \$25 in advance, \$30 at the door. Contact Linnea Casteneda, Kaiser Aluminum & Chemical Corp., 1465 Factor Ave., San Leandro, Calif. 94577; 415-483-8001.

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New tests measure hearing

NEW YORK—Employers stung in recent years by the increasing number of hearing-loss workers compensation claims can tap a couple new aids for detecting malingers, a doctor says.

Two sophisticated new tests, one quick and inexpensive and the other a little more complicated, have been developed to objectively test a worker's hearing loss. Pinning down hearing loss has been a problem for employers and physicians, says Dr. Joel Bernstein.

One new method measures the middle ear pressure of a patient by reproducing a sound that can only be heard at 85 decibels above the normal threshold level. If the stapedial reflex occurs in the worker being tested, the employer knows the hearing loss is not as great as had been alleged, Dr. Bernstein told the recent annual meeting of the Self-Insurers Assn.

Gregory Saxum of the Bethlehem Steel Corp. said his company recently used the 30-second test to measure one of its employees and negotiated the hearing loss down to 3% after the employe had earlier claimed a 53% hearing loss. Bethlehem Steel was hit with 400 hearing loss claims in the past year.

In another test now being used, a sensor is put in the worker's ear and is hooked up to a computer that can record hearing ability.

"Malingering by employes has become a very serious problem in recent years and these are two new important tests that we think can do something about that trend," Dr. Bernstein said.

Prior tests for hearing loss that rely on workers' active participation haven't been that successful, Dr. Bernstein said. "Fifty percent of workers are difficult to test because they either don't understand the tests or because they are alleging greater hearing loss than they have," he charged.

Companies can also reduce their chances of being hit with hearing-loss claims by improving safety and education programs.

Although certain industries may not be able, because of logistical or economical considerations, to reduce the noise levels at their plants to less than 90 decibels—the point at which hearing loss is said to set in after 10 years of eight-hour days—they can mitigate that factor by introducing proper protection devices and by making employes aware of the potential dangers, Dr. Bernstein said. ■

Calif. group picks officers

SAN FRANCISCO—The Surplus Lines Assn. of California recently elected its 1980 officers and executive committee. Officers are: chairman, J.A. Lloyd of NBA Excess & Surplus Lines Inc. and secretary-treasurer, R.E. Cowan of L.W. Biegler Inc.

Executive committee members are: W.P. Baccala of Baccala & Shoop Insurance Services; B.P. Brown of Towers, Perrin, Forster & Crosby Inc.; D.R. Davis of Worldwide Facilities Inc.; R.F. Farrell of C.V. Starr & Co.; J.J. Graham of Montgomery & Collins Inc.; R.N. Kleinecke of Welch & Co., Winning & Levy Inc.; H.R. Ludwig of Pacific International Brokers; G.C. Morris of Johnson & Higgins of California; G.J. Sullivan of Walker, Sullivan Co.; C.L. Ubele of Voigt, Walker & Co. Inc., and J.F. Weckerle of H & W Insurance Services. ■

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Calif. court drops offsetting judgments

LOS ANGELES—Damage judgments in comparative negligence lawsuits cannot be reduced by offsetting judgments when the parties carry insurance, rules the California supreme court in a recent landmark decision.

Such set-offs, with the net result of a single judgment against the more guilty party, defeat the principal purpose of financial responsibility laws and provide a windfall to an insurer at the expense of the policyholder, wrote Judge Mathew O. Tobriner in vacating a decision of the lower courts.

In *Jess vs. Herrmann*, plaintiffs and defendant were both injured when their cars collided. Each party sought damages from the other, contending the accident had been caused by the other's negligence.

around the states

The jury found both parties responsible, allocating 40% of the fault to plaintiff Jess and 60% to defendant Herrmann. Instead of entering separate judgments, however, the trial court offset the two awards and entered a single judgment in favor of Jess for \$54,000, the difference between the awards.

If neither party were insured, the set-off would eliminate a pointless and unproductive exchange of money, the high court ruled. Since both Jess and Herrmann carried insurance, however, the set-off would have gone against the interests of both. Only their insurers would be winners, the court said, because Jess's insurer would pay

nothing and Herrmann's would pay a reduced claim. Herrmann would not recover any money while Jess's award would be reduced by the amount of the offsetting judgment.

N.J. increase

TRENTON—An 18.5% increase in manual workers compensation rates will cost New Jersey policyholders an additional \$97 million in 1980.

Approval of the higher rates coincides with passage of a workers compensation reform act increasing benefits and tightening claims eligibility.

The act raised maximum weekly benefits to \$185 from \$156 and minimum weekly benefits to \$49 from \$15. The death benefit was increased to \$2,000 from \$750. The maximum duration for temporary total disability payments was lengthened to 400 weeks from 300 weeks and the maximum duration for permanent partial disability payments was stretched to 600 weeks from 550 weeks.

The new law eliminates payments for minor cuts, bruises, sprains, scars, mild dermatitis and mild bronchitis and requires stronger proof to establish work-related cardiac disabilities.

Rate reductions

NASHVILLE—Some Tennessee businesses will save about

\$2.35 million because of an average 10.6% reduction in the Insurance Services Office's special multi-peril policy rates.

The multi-peril package offers property and liability coverage to businesses and certain institutions. In approving the rate reduction, commissioner John Neff said policyholders had shown better-than-expected loss experience.

The rate reductions for various businesses are: 17.6% for hotels and motels; 20% for apartments; 7.1% for offices; 5.9% for merchants; 17.6% for institutions; 6.3% for services; 17.6% for industrial/processing. The reductions will take effect when policies are renewed.

Juveniles exempt

BISMARCK—The North Dakota supreme court has ruled that juveniles are exempt from a state law requiring claims against local governments to be filed within 90 days after an accident.

The high court interpreted state law to allow Christine Besette, who was injured at age 6 in a fall from a school slide in April 1976, to file a claim up until 90 days after she turns 18. But the court upheld a district judge's dismissal of a claim by Donald Besette, the girl's father, because he failed to file it within 90 days after the accident.

Chief Justice Ralph Erickstad said a state law extends the time limit under which persons under 18 may take legal action for damages. The same law protects the rights of a person made mentally incapable because of injuries to file a claim. But the same law would not extend the time limit for Mr. Besette to seek damages on his own behalf.

Work comp pools

RICHMOND—Employer groups will be able to self-insure workers compensation under new rules set forth by the Virginia bureau of insurance.

Pools must consist of employers engaged in the same or similar types of business, but different businesses owned or controlled by a member of the pool are also eligible for membership. Employer groups must apply for licensing by using the form prescribed by the state corporate commission, and the licensing information must be verified by at least two members of the employer group's advisory board or administrator.

Sovereign immunity

CHEYENNE—The University of Wyoming is covered by the doctrine of sovereign immunity, the Wyoming supreme court said in dismissing a professor's suit against the state-owned institution.

Jean P. Biscar filed the suit against the university's president and trustees following his dismissal without a tenure hearing in 1975. He sought reinstatement, back pay and consideration for tenure. Mr. Biscar contended the university represented his employment to him as a "tenure-track" appointment, meaning it would lead to a tenured position.

But university officials said his employment was temporary and also contended the university could not be sued because it enjoyed sovereign immunity.

An Albany County district judge ruled in favor of the university on both matters, but the supreme court said the lower court lacked jurisdiction to consider Mr. Biscar's claims, and ruled only on the question of sovereign immunity. ■



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U.S. reinsurers net record sum for cover abroad

WASHINGTON—U.S. insurance companies netted a 29-year record of \$853.6 million in reinsurance premiums for coverage sold in foreign countries in 1978, but it's still less than what U.S. insurers paid out to foreign reinsurers.

U.S. firms reinsuring foreign risks received net premiums of \$853.6 million, paid out \$603.8 million and had net receipts of \$249.8 million, according to a Commerce Department annual report on international reinsurance transactions.

At the same time, U.S. insurers paid out more than \$1.6 billion in net premiums (premiums minus commissions) to foreign reinsurers in 1978, which also was the largest amount in that category for the department's 29-year reporting period.

The bulk of those payments, \$645.8 million, went to U.K. reinsurance companies, while reinsurers in the six member countries of the European Economic Community received a total of \$259 million in net premiums last year, the department said.

U.S. insurers recovered \$986.1 million in losses on the \$1.6 billion in net premiums they paid to foreign reinsurers, resulting in U.S. payments of \$610 million for reinsurance of U.S. risks accepted abroad.

Those figures compare with the \$1.6 billion in payments and the \$853.6 million in receipts recorded last year.

The Commerce Department cautioned that the reinsurance figures are meant to show the effect of reinsurance transactions on the nation's balance of payments and they are not meant to indicate the underwriting results of the reporting companies.

"This is especially true with respect to the results for any single year because of the normal time lag between the payment of premiums and the settlement of claims," the department said.

Comparing the net U.S. receipts of \$249.8 million with the net U.S. payments of \$610 million, the ef-

2 sue GM for crash

WILMINGTON, Del.—Two Canadians are suing General Motors Corp. in U.S. District Court here for \$10.5 million for the death of one's wife and for injuries of the other in a car crash two years ago.

The suit charges GM was negligent in the manufacture and design of a 1973 Oldsmobile Omega, alleging the car's fuel system explodes on impact and fumes penetrate the passenger compartment.

GM is heavily self-insured for product liability losses.

The suit was filed by Orville Selton, 54, who was burned in the crash, and Levi Baggs, the widower. Both men are from Ontario.

The plaintiffs charge GM knew or should have known the Omega was "improperly designed and constructed" in that the fuel system—in particular the fuel tank and filler tube assembly—was so designed and installed as to make the car "inherently dangerous."

The suit is similar to dozens filed against Ford Motor Co. asserting that Pintos and Mercury Bobcats built between 1971 and 1976 exploded in rear-end collisions, killing and injuring passengers.

fect of all 1978 international reinsurance transactions was a net outflow of \$360.2 million to foreign reinsurers.

The insurance statistics indicate long-term trends in underwriting, with growth of U.S. reinsurance payments outstripping receipts.

In 1950, the first year for which figures are available, foreign insurers received \$129.7 million for reinsuring risks of U.S. companies. By contrast, the U.S. companies received only \$17.5 million for reinsuring risks of foreign underwriters.

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Tax advantages

Insurers write reimbursement plans

TWO WISCONSIN companies are offering tax-free medical and dental reimbursement plans as alternatives to self-insured reimbursement plans that lost their tax advantages under the Revenue Act of 1978.

The medical reimbursement plan, underwritten by the International General Insurance Corp. of Milwaukee and available from Laub Group Inc., covers such health care expenses as annual physicals that are not payable under an employer's basic health plan. Employers may set their own eligibility rules subject to certain guidelines.

Information is available from the Laub Group Inc., 324 E. Wisconsin Ave., Milwaukee, Wis. 53202; 414-271-4292.

The dental reimbursement plan, written by Delta Dental of Wisconsin Inc., provides 90% coverage for diagnostic, preventive and ancillary services, oral surgery, restorations and stainless steel crowns, endodontics and periodontics. Gold restorations, individual crowns and prosthodontics are 50% covered. The plan has a \$1,000 individual yearly maximum and a \$25 deductible that does not apply to diagnostic and preventive services.

Premiums are \$12 a month for an individual and \$35 for a family. Delta Dental of Wisconsin is at P.O. Box 26, Stevens Point, Wis. 54481; 715-344-6087.

Retired lives

Two new or improved retired lives reserve plans are available to employers, one written by Occidental Life Insurance Co. of California, the other by The Hartford Insurance Group.

The new Occidental plan includes five funding options and provides the same rates and deposit requirements for groups of less than 10 and of 10 or more. Interest is credited on an investment year basis, with a current new money rate of 8.52%. The conventional funding option requires a current annual deposit of \$10.82 per \$1,000 of post-retirement coverage at age 45, building to \$455.30 per \$1,000 at 65.

Pre-retirement life insurance is available to groups of less than 10 with no extra premium and without tax disclaimers.

The Hartford has improved its retired lives contracts by increasing the interest it pays on them to 9% from 7%, effective Feb. 1, and reducing the cash needed to purchase them.

Hospitality package

Hotels, motels, country clubs, restaurants and some resorts will be able to purchase comprehensive coverage from the National Assn. Insurance Managers, a Jacksonville, Fla., firm owned by Cizek & Co. Inc.

The ProHostUSA plan is a "one-stop" source of liability, casualty and workers compensation coverage for the hospitality industry. More information on the package can be obtained from I.H. Ronk, Cizek & Co. Inc., 427 Gulf Life Tower, Jacksonville, Fla., 32207; 904-396-2211.

Services expanded

The group insurance consulting services of Kwasha Lipton have been expanded and established as a separate group benefits department within the consulting actuaries division of the firm. The move resulted from the substantial

products & services

growth in activity in group insurance services.

Computer services

Ebony International Brokerage Corp., a minority-owned interracial insurance brokerage, has expanded its risk management services with the formation of a new company called Ebony Computer & Research Services Inc. Ronald M. Payne has been elected president of the newly created company.

Arthur I. Golden, Ebony In-

ternational president, said the new company offers a vehicle for qualified minorities to enter the computer research and services industry while expanding Ebony International's entry into the risk management, financial and loss simulation information field.

Ebony Computer & Research Services Inc. is located at 1775 Broadway, Suite 2411, New York, N.Y. 10019; phone 212-765-5523.

Jewelers policy

Insurance Co. of North America

in Philadelphia has introduced two new policies for retail jewelers.

INA's jewelers' package policy offers property and casualty coverage in a single policy, and the jewelers' policy is a property-only version with many of the new features of the package policy.

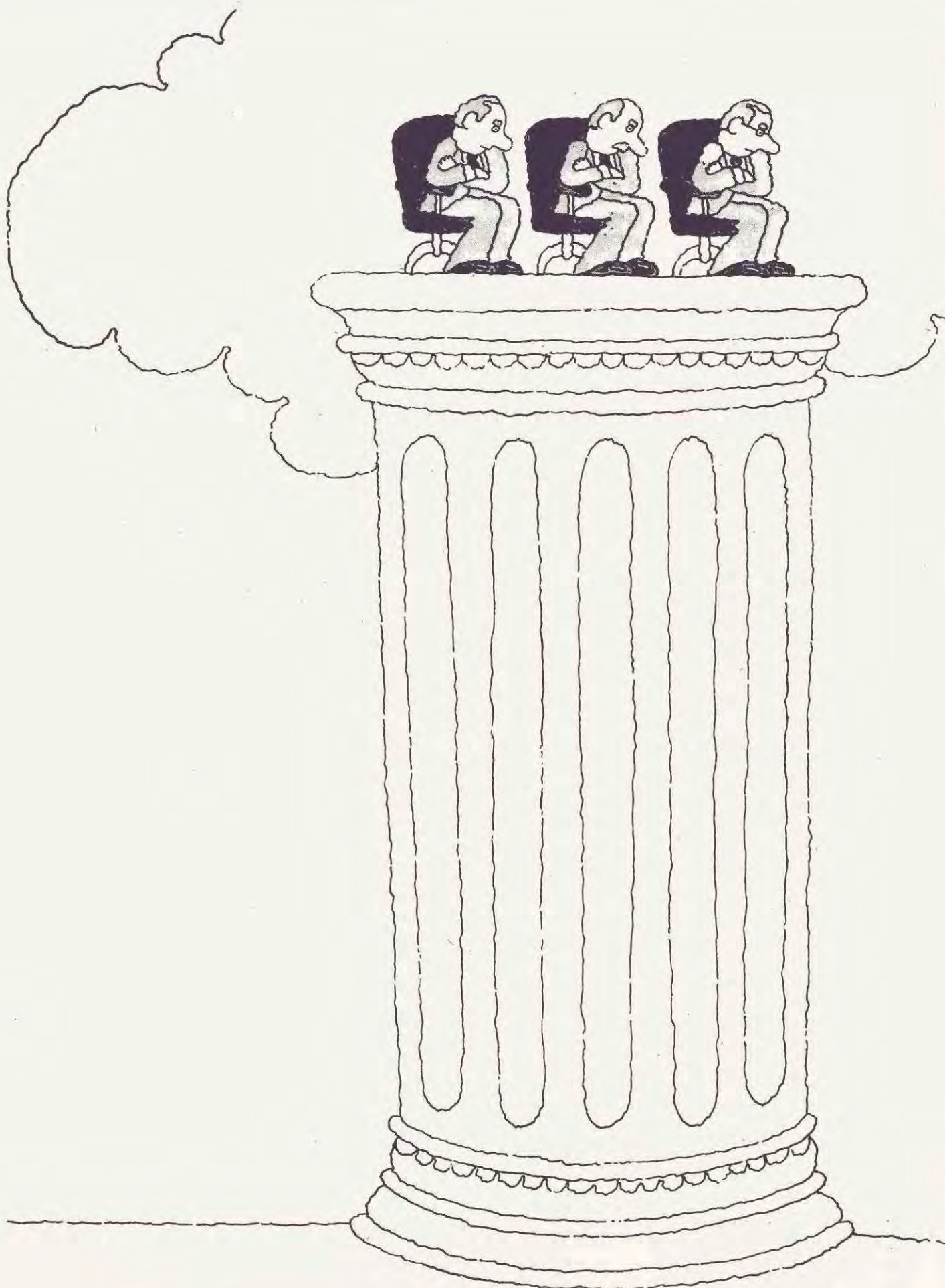
Both policies include coverage for all business personal property; extensions of coverage without extra cost, including \$1,000 for personal effects, up to \$5,000 for valuable papers and up to \$100,000 for temporary increases in stock values; business continuation coverage for emergency expenses and loss of operating income, and the option of an automatic inflation update. The package policy also in-

cludes professional liability and appraisal errors and omissions.

Guide insurance

Black & White Associates Insurance Brokers in San Francisco is offering a new liability policy to professional outfitting and backpacking companies that guide groups on mountaineering, hiking and whitewater rafting trips. The coverage may also be purchased by sport and athletic clubs.

The Midlands and Guaranty Insurance Cos. are underwriting these risks, with rates based on either participant days or cash receipts, says Paul White, a partner in the Black & White brokerage. ■



Groups focus on learning, lobbying

Action line: I would like to find out more about the activities of: the International Foundation of Employee Benefit Plans; the National Employee Benefits Institute, and the Council of Employee Benefits.

What are their functions? Do they publish periodicals or newsletters? Do they routinely solicit membership from the ranks of personnel/benefit administrators? Can you provide me with a mailing address and the name of their executive directors?

I would also like to know more about the Certified Employee Benefit Specialist program. How can I enroll and what does it cost? Is it a home study course? Where would I sit for examinations?

Bruce Davis
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The Bon Marche
Seattle, Wash.

The International Foundation of Employee Benefit Plans is an educational organization that disseminates information on employee benefits. The foundation sponsors about 25 conferences and institutes each year to keep members abreast of recent developments in the field and publishes two monthly newsletters and a quarterly journal. The \$300 membership fee entitles members to a reduced registration fee at all conferences and to a subscription to the publications. Lee Polachek is

executive director of the foundation. Membership is solicited; for more information, write: International Foundation of Employee Benefit Plans, 18700 Bluemound Rd., P.O. Box 69, Brookfield, Wisconsin 53003.

The National Employee Benefits Institute is a political lobbying group that works to regulate employee benefit legislation. Membership is composed of large corporations and yearly dues are \$2,500. Lobbying is done on a "proactive" basis; NEBI works to affect legislation before it is passed. There are no regular publications. Corporations are solicited for

membership. The executive director is Dr. Stephen Schanes. NEBI's address is 515 National Press Building, Washington, D.C. 20045.

The Council on Employee Benefits is a nonprofit organization whose purpose is to assist companies in the development and administration of employee benefit plans. CEB sponsors two conferences a year, several research projects on benefits and publishes a quarterly report for members. Benefit administrators are solicited for membership. The executive director is Carl Lazaroff. For membership information, write: Mr. Ray Kase, director of employee benefits, ACF Industries Inc., 750 Third Ave., New York, N.Y. 10017.

The Certified Employee Benefit Specialist program was designed

by the International Foundation and the Wharton School of the University of Pennsylvania to provide a thorough knowledge of employee benefit principles and concepts to those working in the field. Candidates pursuing the designation complete a series of 10 examinations. Candidates may prepare for the national examinations (given twice a year) by self or group study, or through formal classes offered at 30 colleges and universities. Examinations are scheduled in cities close to the registrants. The registration fee for the entire program is \$50; there is an additional \$80 fee for each exam. To enroll, call the International Foundation of Employee Benefit Plans.

Action line: With regard to your Nov. 12, 1979, article on breast surgery: your story indicated that Blue Cross/Blue Shield plans of several states cover reconstruction while others did not. Please advise whether or not Tennessee is one of the states that covers breast reconstruction.

Donald C. Wolford
J.T. Parker Insurance Agency Inc.
Kingsport, Tenn.

Blue Cross/Blue Shield of Tennessee, based in Chattanooga, does cover breast reconstruction after a cancer operation. Blue Cross/Blue Shield of Memphis, the other plan in the state, will cover breast reconstruction in most cases "after the removal of abnormal tissue has been confirmed," a spokesman said.

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Product liability in Australia

Insurers criticize plans to allow class-action suits

worldwide

CANBERRA—The Insurance Council of Australia has warned that product liability premiums will skyrocket in the country if the government adopts a recommendation to allow class-action lawsuits in product liability cases.

The Australian Law Reform Commission has recommended the Parliament amend current law to allow for class actions like those in the U.S. Class-action product liability suits in the U.S. have resulted in some enormous judgments against manufacturers and producers in the last few years.

The insurance council has said,

however, that Australia's currently low \$5.5 million cost for product liability coverage will increase nearly nine times to \$45 million if the commission's proposal becomes law. The increases would then be passed on to consumers in the form of higher prices, the council said.

Marine losses

HONG KONG—Record losses

are causing some marine insurers in Taiwan and Singapore to pull out of those markets, says B. Keith Williams, chairman of the Institute of London Underwriters.

Last year, some 2.3 million tons of shipping, or 279 vessels were lost, compared with 1.4 million tons, or 260 vessels during 1978 in those markets alone, Mr. Williams said.

Having recently completed a tour of Far East shipping centers, Mr. Williams said bad management of ship operations is partly to blame for the loss situation, the worst ever during peacetime. Many vessels are manned by crews of differing nationalities who cannot understand each other. The results, he said, are accident-causing mistakes.

"Shipowners ought to tighten up on their standards of management. There can be a real hodge-podge of nationalities on some ships, with perhaps a Greek captain and a mixture of Filipino, Indonesian or other crew members who don't understand English well. So they have difficulty in understanding orders and can make mistakes at the helm," he said.

Renewals banned

NEW YORK—Insurance policies issued by foreign companies in Nicaragua, where the insurance industry was nationalized last October, will continue in force until expiration but no renewals will be allowed, AFIA officials say.

A new Nicaraguan government nationalized the entire insurance and banking industry following the overthrow of former president Anastasio Somoza. The government decreed that only insurers admitted by the government could write various types of commercial insurance.

AFIA companies insure local small-scale commercial and industrial risks in Nicaragua, said James Morone, an AFIA executive vp. AIG companies have also been operating there.

Income rises

ROME—Premium income for insurance companies operating in Italy increased by 17.2% last year over 1978, according to ANIA, the national insurance association.

ANIA officials said income increased to \$6.78 billion but pointed out that real income increased only 1.3%, considering inflation in Italy.

Most notable among the increases were a 26% rise in health and accident premium income, followed by a 23% jump in casualty and fire coverage and 9.3% in life and annuity, the ANIA said.

Congress to meet

BUENOS AIRES—Insurance professionals from all over the world are scheduled to gather in Buenos Aires, Argentina, March 22-27 to discuss a wide range of insurance topics during the second international Third World Insurance Congress.

Topics to be discussed at the meeting include insurance activity in common markets, international cooperation in reinsurance, professional training, marine cargo risks and international broking.



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43 states boost workers comp benefit: Chamber

WASHINGTON—The maximum weekly workers compensation benefit for temporary total disability ranges in states across the country from a high of \$650 in Alaska to a low of \$87.50 in Arkansas.

Forty-three states boosted the maximum weekly benefit in 1979, according to statistics compiled by the U.S. Chamber of Commerce.

Temporary total disability benefits remained the same in six states in 1979: Arizona, Arkansas, California, Georgia, New York and Wisconsin.

In Alaska the maximum payment dropped, decreasing to \$650 from \$654.30. This unusual decrease was the result of a large number of highly paid workers leaving the state following the completion of the Alaskan oil pipeline, reducing the average state weekly wage on which maximum workers compensation benefits are based.

One exception

The maximum payment dropped in Alaska after the pipeline was completed and many workers left.

Florida saw the biggest percentage increase in workers compensation payments for temporary total disability. That state overhauled its workers compensation law last year to provide greater benefits for workers with the most serious injuries (BI, May 28, 1979). Maximum benefits jumped to \$211 a week from the old \$130 maximum, a 62% increase.

Other big benefit percentage increases were recorded in Iowa, where payments jumped to \$352 a week from \$265, a 32.8% increase, and Maine, where benefits rose to \$306.23 from \$231.72, a 32.1% increase. In both states, the formula upon which benefits are computed was changed.

States now paying the highest weekly temporary total disability benefits, after Alaska, include: the District of Columbia, \$426.78; Illinois, \$353.19; Iowa, \$352, and Maine, \$306.23.

States where the lowest benefits

Woman sues maker of drug

ORLANDO, Fla.—Richardson-Merrell Laboratories has been sued here for \$10 million by a woman who contends her use of the drug Bendectin during pregnancy caused her five-year-old son to be born with a deformed arm.

The woman, Elizabeth Meksdecki, reportedly took the drug to combat nausea attacks during pregnancy.

Richardson-Merrell has manufactured the drug for about 20 years. The drug has been taken by millions of persons, including pregnant mothers.

Insurance executives at Richardson-Merrell in Wilton, Conn., said the firm is insured for product liability but would not give details.

are paid, after Arkansas, are: Mississippi, \$98; Tennessee, \$107; Georgia, \$110, and Texas: \$119.

Generally, Southern and Southwestern states pay the lowest workers compensation benefits.

More complete and detailed information about changes in state workers compensation benefits will be available early next month when the Chamber of Commerce publishes its Annual Analysis of State Workers Compensation Laws, says Eric J. Oxfeld, associate director of employe benefits at the chamber.

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College learns lesson in loss control

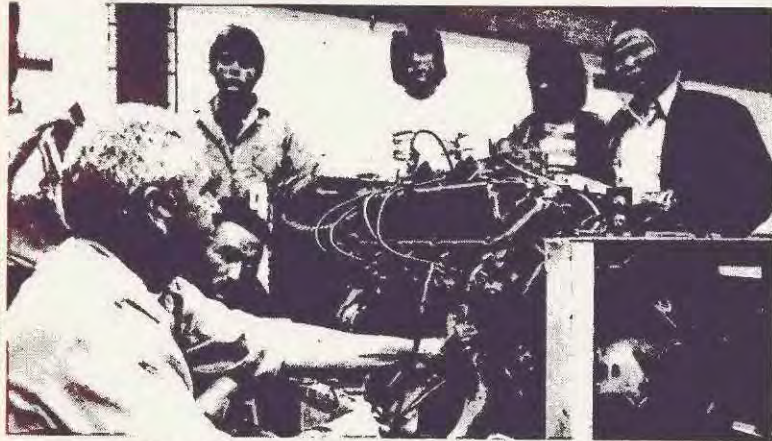


Photo: Michael Simon

Good schooling

Peralta Community College District, which offers two-year degrees and vocational training, has cut costs through risk management.

By MARGARET LEROUX

OAKLAND, Calif. — One of California's largest community college districts learned a profitable lesson in loss control when it became the first district in Northern California to inaugurate a comprehensive risk management program.

Risk management at Peralta Community College District includes safety and health services in a program of self-insured workers compensation and a liability insurance plan that includes a \$50,000 self-insured retention.

Portions of the program, granted final approval by the district board of trustees in January, were implemented over a two-year period. The district, which employs 2,000 people full-time, withdrew in 1977

from the State Compensation Insurance Fund and joined a self-insured pool of Alameda County schools.

The district saved \$30,000 in workers compensation costs in the first year. Now two years into the pool, Peralta is paying \$79,000 less than the \$330,000 premium it would have paid into the state fund, says William Thompson, director of risk management, safety and police services.

Although the initial savings in workers compensation are in administrative costs, the risk management director outlined plans to achieve further savings through loss control as well as claims management.

"For the first time we have a reporting mechanism," he said. "We are involved in reviewing each in-

jury report and we can link up with the claims adjuster."

Fred S. James & Co. administers claims for the Alameda County schools pool on an administrative services only basis.

As a member of the pool, Peralta refers injured employees to one of 11 authorized medical treatment centers in the San Francisco Bay area.

"These facilities have good rehabilitation programs and are geared to encouraging employees to return to work," Mr. Thompson said.

Another important element of the community college loss control program is a network of safety committees, one at each of the district's five campuses, reporting to the vice chancellor of business services. Each committee includes representatives from faculty, physical plant and custodial staff, a student member and campus safety and police officers.

"Our goal is to have everybody involved and aware of the need to avoid accidents and to control losses," Mr. Thompson said.

Each campus has a budget for safety programs that include such items as cardiopulmonary resuscitation training.

At Merritt College, one of the Peralta district's Oakland campuses, supervisors are being trained in CPR. The risk management director would eventually like to see CPR training provided for every full-time employee.

"We want employees to see we're concerned that they work in a hazard-free environment," he said.

To communicate this goal, Mr. Thompson and Dee Middleton, his business assistant, plan to "blitz



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Profitable lesson
Two years into the pool, Peralta is paying \$79,000 less than the \$330,000 it would have paid to the state fund.

the district" with a presentation on the new risk management program. They will be meeting with faculty and staff on all five district campuses.

Peralta Community College District was formed in 1964 to unify several local community colleges.

The campuses offer a tuition-free two-year program granting associate degrees in arts and sciences and providing vocational training. More than 34,000 students attend classes at locations throughout the San Francisco Bay area; about 75% are part-time.

Peralta also administers the East Bay Skills Center, which contracts with the federal government under the Comprehensive Employment Training Act to train people for specific job skills.

Risk management is something very new to the 70 community college districts in California. "For most, responsibilities for risk management are divided among several administrators," said John Iwamoto, assistant chancellor for business at San Francisco Community College. "Most districts can't afford a full-time risk manager."

Peralta has one of the highest self-insured retentions for liability risk among California's commu-



Photo: Michael Simon
The college district's risk management program stresses safety and loss control as well as premium savings.

nity college districts. Its self-insured retention of \$50,000 is exceeded only by Los Angeles Community College District, with a \$100,000 deductible on a \$50 million liability insurance plan.

With a \$50,000 reserve, Peralta is able to maintain a premium of \$84,000 for liability limits of \$11 million. There are separate policies for directors and officers liability and for malpractice liability for students in health services training.

Liability claims falling under the \$50,000 retention are adjusted by George Hill Co., Oakland.

There are plans to increase reserves for the self-insured retention to \$250,000 from \$100,000, Mr. Thompson said. Another long-range goal is to self-insure a portion of the district's employee benefit coverage.

Peralta has withdrawn from group coverage with Blue Cross of Northern California and for the policy year 1979-80 is being experience-rated on an individual basis. ■

Blast kills 1, injures 9

MINNEAPOLIS—The death of one worker and injuries to nine other workers in a \$2 million property loss explosion at a Land O' Lakes Inc. plant here fall under the company's self-insured workers compensation program.

Allendale Mutual Insurance Co. underwrites property insurance for the diversified food and agricultural products manufacturer.

The cause of the Feb. 2 explosion at the calfmilk replacement plant is unknown, said Gary Swoverland, director of corporate risk.

There is no limit on death benefits under Minnesota's workers compensation law. The weekly workers compensation benefit in Minnesota is 66.6% of the worker's weekly wage, to a maximum of \$226. ■

Six win suit over asbestos

CAMDEN—Five Owens-Corning employees and the widow of a sixth won \$345,000 in awards from five suppliers of asbestos.

The plaintiffs, all of whom said they contracted asbestosis, also received a waiver on the return of \$125,000 in benefits paid by Aetna Life & Casualty Co., Owens-Corning's workers compensation insurer, said plaintiff's attorney Foster Ergood.

Defendants in the cases were: Johns Manville Products Corp. of Denver; Lake Asbestos Ltd. of Quebec; North American Asbestos of Chicago; Philip-Carey of Cincinnati, and Carey Canadian Ltd. ■

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Leaves Seaboard Surety

United Pacific adds Schmalz as vp

PHILADELPHIA—Charles B. Schmalz has joined United Pacific/Reliance Insurance Co. as vp-bond operations. He will direct fidelity and surety activities in the Western states from United Pacific's home office in Tacoma, Wash. United Pacific is one of the affiliated Reliance Insurance Cos.

Formerly vp-business development for the Seaboard Surety Corp. in New York, Mr. Schmalz joins UP/Reliance with 10 years bond insurance experience.

Other insurer changes:

Richard L. Gunderson elected senior vp of The St. Paul Cos. Inc. and chairman of Western Life Insurance Co.; **Donald Voss** elected president and chief operating officer of Western Life and St. Paul Life.

Howard T. Cohn elected group vp of Armco Financial Services Corp.

Len Meredith Jr. elected a director and senior vp-underwriting for Northwestern National Life Reinsurance Co.

William V. Benintendi promoted to manager of worldwide marine claims for AFIA.

Joseph J. Dodds appointed resident vp for American International Group companies in Atlanta; **C.F. Free** appointed resident vp of AIG companies in Chicago.

Broker changes

Watson N. Driggs appointed vp and marine department manager of Johnson & Higgins of Louisiana Inc.

Stephen M. Lamoriella appointed director of systems, procedures and operations administration at the Los Angeles office of Bayly, Martin & Fay International.

Michael Ellis named vp for production and account management at Fred S. James & Co. of Texas Inc.

Other suppliers

Joseph B. Terbell Jr. appointed

10 tips keep data safe

NEW YORK—Following 10 commandments of computer security will prevent big losses, says Burton J. Carbino Jr., vp-risk management group at Irving Trust Co. here.

To prevent computer losses, Mr. Carbino recommends:

- All transactions be handled by two or more people to reduce error and fraud.
- All transactions be properly checked to ensure no data is unintentionally entered into or deleted from the system.
- All users be restricted to their authorized functions.
- All users be held accountable for the data they enter.
- All users be uniquely identified by code or other device.
- Identification codes be controlled.
- All systems have an adequate audit trail.
- All systems conform to laws and corporate policy.
- All systems operate in emergency situations.
- All systems have adequate backup files and transaction records kept in storage.

S.R.I. International in Palo Alto, Calif., estimates annual losses from computer crime at \$100-million to \$300 million. ■

comings & goings: industry

senior consultant specializing in international compensation in the New York office of Hansen International Group; **Charles E. Dean** named consulting principal in A.S. Hansen Inc.'s Dallas office.

William G. Watson, Timothy C. Katter and **Donald W. Mosier** promoted to assistant vps in the Fort Lee, N.J., office of American Risk Management Inc.

Leonard G. Carusi named manager of computer systems services



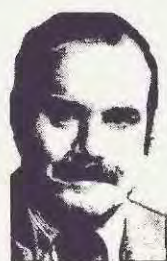
Schmalz



Lamoriella



Ellis



Terbell



Dean



McCartney

for Buck Consultants Inc. in New York; **Edith Olsen** and **Michael W. Peskin** promoted to assistant actuaries.

Carolyn L. McCartney named assistant vp of U.S. Administrators

Inc. in Los Angeles.

Peter H. Kracala named senior consultant in Coopers & Lybrand's Atlanta office.

Peter S. Chines named pension consultant at William M. Mercer

Inc.'s Buffalo, N.Y., office.

James H. Levine elected president and chief executive officer of Risk Information Services Inc. in Nashville, a subsidiary of Corroon & Black Corp. ■

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Risk Retention vs. Risk Transfer.

The next step is that of deciding how to manage the risks, and James plays a vital role in these critical

decisions which can have a profound impact on a company's cash flow, P&L statement and ultimately the bottom line, itself. If a Self-Insurance program makes sense—and for some companies with either erratic or unacceptable loss patterns, it may not—James will work with you to arrive at acceptable self-insurance limits and to determine the level at which Excess or Catastrophe protection should be used in the program. With this type of arrangement, your company will not only have an efficient plan of protection, but one which contributes favorably to the corporate profit picture, through improved cash flow and reduced cost.

The Role of Commercial Insurance.

Knowing the markets is critical in the selection of insurance carriers and in structuring the best program for your operations. As a national broker with a very large premium volume, we know where the best terms are available for specific coverages and we know those markets that are most responsive to your protection needs at any given time.

Additionally, we have substantial negotiating leverage with many of the country's strongest and most highly regarded insurance companies. To the extent that commercial

insurance is practical and desirable, James employs a broad array of experience and knowledge in finding the best market for each insured portion of your program.

Administering a Self-Insurance Program.

As every risk manager knows, the administration of a Self-Insurance program is a complex, multi-faceted assignment. James experts work with your staff to help ease the handling and continue cost efficiency. From James Technical Service experts who aid in engineering a safer environment (thereby reducing losses and loss expenses) to the James professionals who expedite claims payments (thereby improving employee relations) to the James statisticians who provide continuing, computerized reports on loss data by location (thereby permitting immediate expense-reducing, corrective action), you have a team that understands all of the problems, copes with them, and provides services that fulfill the promise of efficient financial management through prudent Self-Insurance.

The Matter of Captives.

Sometimes, instead of using a large deductible, or other forms of self-insurance, it makes sense to set up a

Senate passes bill to ban FTC probes

By JERRY GEISEL

washington

In passing a broader bill curbing the power of the Federal Trade Commission, the Senate agreed this month to also bar the FTC from investigating the insurance industry.

"We have to make absolutely certain that the FTC will not investigate the insurance industry," said Sen. John Danforth (R.-Mo.).

Sen. Danforth and Sen. John Durkin (D-N.H.) both expressed concern on the Senate floor recently that FTC involvement in insurance industry activities violates the McCarran-Ferguson Act, the 1945 law giving insurers immunity from federal antitrust law in favor of state regulation.

The FTC bill that passed the House does not prevent the FTC

from investigating industry activities and a move is expected during this month's House-Senate joint committee's meeting to iron out differences in the House and Senate versions and allow the FTC to investigate some insurance issues—but only if specifically requested to do so by a congressional committee.

The fate of the entire FTC bill, though, is in doubt. President Carter has warned that he will veto the measure if too many investigatory powers are stripped away by Congress.

Meanwhile, in another FTC development, the federal agency has backed away on moving to limit

control doctors exert over Blue Shield plans.

Last year, the FTC antitrust staff recommended that the commission adopt a rule prohibiting medical organizations from controlling Blue Shield plans (BI, May 14, 1979).

But in a meeting this month, FTC commissioners voted only to research whether or not a rule is needed to prevent doctors' control and how extensive the rule should be.

Sex discrimination

In joint guidelines issued by the Labor Department and the Equal

Employment Opportunity Commission, the federal government is warning employers that they no longer can automatically exclude women from chemically hazardous jobs without running the risk of being accused of sex discrimination.

The guidelines, released earlier this month, discuss an employment practice that has become increasingly widespread in the chemical and lead industries: blanket exclusion of women from certain jobs because of potential reproductive risks from hazardous substances (BI, Oct. 29, 1979).

Instead of barring all women from certain jobs, the federal government suggests several alternatives:

- Reducing the level of exposure to the hazard so the reproduc-

tive risk is reduced or eliminated.

- Using respirators to minimize exposure.

- Transferring affected employees, without loss of pay, seniority or benefits, to another part of the workplace where exposure to reproductive hazard is minimal.

Although the guidelines lack the force of law, they do indicate the position the government would take in a lawsuit.

Risk retention

The House Interstate and Foreign Commerce Committee says it will begin consideration Feb. 20 on legislation (H.R. 6152) that would allow companies to set up groups at the federal level to self-insure their product liability risks.

The Risk Retention Act previously cleared the consumer and protection subcommittee Jan. 31.

Staffers are optimistic that the bill will clear the full committee after two days of debate.

The measure is endorsed by the Carter Administration and more than 20 business trade groups, but generally opposed by insurance trade associations.

Official leaves

Donald Smiegiel, the Commerce Department official who played the lead role in drafting the Risk Retention Act, is leaving the department this month to work for a San Francisco-based leasing firm. He will be retained by the department to act as a consultant.

The Commerce Department will interview candidates this month to replace Mr. Smiegiel, who served as senior legal adviser to the Task Force on Product Liability and Accident Compensation.

Community property

The Supreme Court last month declined to review and thus let stand three California court rulings that ERISA does not preempt the state's community property law that divides an employee's retirement benefits with a spouse when the marriage breaks up.

In a brief filed with the court, the Justice Department had argued that all state laws affecting pension plans are preempted by ERISA. By requiring pension plans to pay benefits to persons (spouses) who are not plan participants, the California law relates to employe benefit plans and thus is preempted by ERISA, the department argued, to no avail.

The California law requires that a vested pension benefit be split when a couple is divorced.

Social Security

Former Social Security commissioner Stanford Ross says the nation's private pension plan must be expanded. Social Security, which only provides a retirement income base, by itself cannot meet the "very ambitious retirement goals of Americans," Mr. Ross said.

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Several drawbacks

Irrevocable trust may not hold cost benefit: Expert

CHICAGO—An irrevocable trust for self-insurance funding may well be approved by the IRS for taking tax deductions, but might not offer companies any cost advantages in the long run, says Gerald I. Lenrow of Coopers & Lybrand.

"If structured properly, a deduction should be permitted" for funds paid into the trust in the form of premiums, Mr. Lenrow said. He has considered the use of trusts for self-insurance many times during the past eight or 10 years, but has never advised any client to use one.

"I personally don't see that it solves the problem," he said, responding to the action by an agent here to put several corporate cli-

ents into trusts, advising these firms that the trusts would permit legal tax deductions and would generate cost savings on insurance programs (BI, Jan. 14).

Mr. Lenrow sees several potential drawbacks to the use of trusts. A trust, even if it works properly and offers tax deductions for self-insurance funding, is normally taxed at an individual tax rate rather than a corporate rate. Thus, taxes on the investment income could run as high as 70% and might ultimately be higher than those paid under a pure insurance or self-insurance program without a trust.

If the trust is generating only a small amount of income and is in a

low bracket, there conceivably might be some cost saving advantages.

However, if the investment income is sizable and taxes are high, those combined with the fees that would have to be paid to an outside claims administrator and for other trust services would likely offset any cost savings, Mr. Lenrow suggests.

Although there is probably adequate precedent allowing deductions for funds paid into a properly structured trust for future losses, at some point the Internal Revenue Service would likely question whether a company is excessively funding future obligations, Mr. Lenrow said.

In the case of a small or medium-sized company, there would be a question, too, of whether the firm even has adequate loss experience to be able to justify to the IRS whether "premiums" paid to a trust are reasonable, Mr. Lenrow added.

If a company is big enough, it can accomplish the same objectives with self-insurance that a trust would offer, Mr. Lenrow contends. "And smaller firms are better advised to have retentions in the form of deductibles, or to participate in group captives where there is a better spread of risk," he said.

Surplus group names officers

CLARK, N.J.—H. James Griffith, president of Princeton Risk Managers, has been named president of the New Jersey Surplus Lines Assn.

Joining Mr. Griffith as new officers are: Frank Walsh of the Quaker Agency, first vp; Evelyn Haines of Eastern Risk Specialists, second vp; Doris Smith of Global American, secretary, and Mike Himowitz of Weghorn International, treasurer.

New directors are Phil Feldmesser of Global American; David Watson of Lumley, Dennant; Marie Valle of Major Surplus, and William Malone of the William Malone Agency.

riskWatch

Counseling program helps employes cope

By SANDRA PESMEN

Crain News Service

CHICAGO—Thirty-six-year-old Dan Smith, an aggressive, confident University of Illinois graduate, rode a fast track to success after he joined the sales team of a suburban Chicago manufacturing corporation eight years ago.

He sped along, winning awards and promotions. Then suddenly the super-achiever's career crashed.

He started coming into work late. His clothes were disheveled. He began daydreaming at meetings. He received personal phone calls at his desk and often left abruptly to take care of private business. Before long his job was on the line.

Fortunately, Dan's company is one of the two businesses and industries in the village of Niles participating in a new Employee Assistance Program sponsored by the Niles Family Service. NFS expects it to serve as a pilot for companies throughout the nation.



Pesmen

So instead of firing Dan (a pseudonym), his supervisor was able to say, "Hey, we care about you, but we've been watching your work and your record's very bad. We'd like to help you find out about why that's happening and learn to recognize your problems and deal with them."

Dan was referred to EAP. Through counseling, he soon realized he had serious marital problems that affected his work. In an effort to find solutions, Dan, his wife and their three children all began attending sessions at the Family Service Center.

But not everyone who works in the village, or in any U.S. city, is as lucky as Dan was.

"There are 700 businesses and industries in Niles, about 100 of them with more than 100 employes," estimated Ronald Martin, a soft-spoken psychologist who spends about three days a week working as the program's only counselor for \$15,000 a year. The rest of the time Mr. Martin knocks on doors, trying to sell employers on the idea of providing this important, unique service to their workers.

"So far it's been a hard sell," he explained. "Some employers are afraid their workers will think they're spying or snooping if they bring up personal problems."

He recalled with dismay one personnel manager of a large corporation in the village who told him, "We don't need the program because we don't have any problems among our workers."

It was hard for Mr. Martin, a patient sort, to hold his tongue and not tell the manager that statistics show 10% to 12% of all workers in industry have serious problems, most of them related to alcohol or other drugs.

One of the first Niles companies to join the program was Fort Dearborn Lithograph Co. Five employes have gone for assistance since EAP was introduced in the fall.

"We view the program as a company benefit, like medical insurance, vacations or sick pay," explained Cliff Crestodina, assistant to the president. "A small company like ours, with 225 employes grossing between \$10 million and \$20 million annually, can't afford to keep a doctor or medical director on the premises. But through the cooperation of the village we are able to obtain help for troubled employes now."

The company's three health insurers cover varying amounts of the sessions, usually costing \$30 an hour. Prudential Insurance Co., for example, pays half of the cost, Mr. Crestodina said.

If company insurance costs go up because of the program, Mr. Crestodina believes he's still ahead. "We'll more than get that money back in increased production," he said. "And if a troubled person doesn't get help, he might have an accident on the job and that could cost a lot more."

"Also, we have a lot of long-term employes here and we feel it's worthwhile to help them so we can keep them. Training new people to replace them would be even more costly."

Leading problems among Niles workers are the same as those found in national studies: alcohol and other drugs, divorce and stress.

"The biggest hurdle I face is businessmen who say, 'I can handle it myself,'" Mr. Martin said. "Most men who come for help are embarrassed because they feel they have to be the Lone Ranger and tough it out. At first, 99% of our calls were from working women. Now they're averaging 85% women and 15% men."

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IRS may rethink rule on renaming of beneficiaries

NEW YORK—The Internal Revenue Service is apparently reconsidering its position on a controversial ruling in mid-1979 that creates roadblocks for employers wanting to change their group life insurers.

Loud protests from life insurers and employe benefit managers and a flood of letters critical of Revenue Ruling 79-231 have caused the IRS to take another look at the issues, said a spokesman for the IRS, who wouldn't speculate on the outcome of the review.

Revenue ruling 79-231 voids all previous assignments of benefit ownership under group life policies every time an employer changes insurers. Employes often transfer ownership of benefits to spouses to avoid having life insurance taxed as part of an estate.

Under the ruling, however, new assignments must be made by all employes each time an employer places the group life benefit program with a new insurer. This, in turn, means employes may not even obtain the tax-reduction benefit of making the assignments, if death occurs within three years, because the IRS says a gift or assignment was made in contemplation of death in such an instance. When this happens, all life insurance proceeds are taxed as part of a deceased person's estate.

The new IRS rule greatly increases the chances that the assignment won't be valid by requiring new assignments anytime an employer changes a program. Generally, employes assign life insurance proceeds to beneficiaries early in life and don't change those provisions unless something happens to beneficiaries in the meantime.

In states recognizing previous assignment of benefits, three years must pass from the time of the change of insurers before the death benefit would be free from estate taxes. In other states, the three-year period would run from the date the employe makes a new assignment.

Employers are faced with "mutually inconsistent and conflicting fiduciary responsibilities" because of the ruling, notes Edith Lichota, vp-government affairs of RIMS, which has officially opposed the rule.

"On the one hand, an employer has a duty to the shareholders to buy benefits as economically as possible; on the other hand, in all innocence, the employer may undermine the estate planning of employes, who may then have a claim against the company for doing so," she said.

The American Council of Life Insurance has had no luck in arranging a meeting with Treasury Department officials to discuss its Nov. 9, 1979, memorandum urging withdrawal of the ruling, said Stephen W. Kraus, ACLI assistant general counsel.

Employers will be reluctant to change insurers because of the ruling, hampering competition and making it difficult for new entrants to break into the group life insurance market, he said.

"I can't see what IRS gains from this," Mr. Kraus said. In its memorandum, ACLI notes that assignments of benefits by employes will continue and court challenges to the ruling by the estates of persons who made a second assignment

would increase.

One somewhat costly solution to the dilemma is providing dual coverage for those who would be most hurt by the IRS ruling—namely the top corporate executives, suggests Johnson & Higgins senior vp Ken Keene.

The employer would purchase three-year individual term policies from the original insurer on behalf of these people payable to the prior beneficiary, he said. The group policy would name the employer as beneficiary so the survivors would not get double coverage.

Developing assignment of benefit forms that do not specify a policy number is one solution being considered by insurers and large employers, Ms. Lichota notes. However, the IRS is expected to resist this approach, she added.

Ms. Lichota says she's "convinced the IRS ruling is a bad call" and expects it will be reversed if any of the outstanding cases goes to court.



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UAW-Champion contract sparks pension increase

ABOUT 6,500 ACTIVE and retired United Auto Workers members have won an improved pension program under a three-year contract with Toledo, Ohio-based Champion Spark Plug Co.

The minimum basic monthly pension benefit per year of service will begin at \$9.95 and increase to \$13.90 by the end of the contract for current retirees on a normal retirement plan; minimum benefits for future retirees will begin at \$15.75 and increase to \$18. Under the "30 and out" plan, retirees under 62 will no longer be limited to the benefit amount at which they retire. A lifetime supplement, previously only available for "30 and out" retirees, has been incorporated into the basic benefit rates.

Champion will increase its payments for Medicare Part B premiums to \$8.70 a month from the current \$7.20, effective Oct. 1. Payments will increase to \$9.70 a month by the end of the contract. Women workers who lost pension credits because of pregnancy disability can regain up to about four months credit for each pregnancy.

The UAW also received improvements in its group life and disability program. Maximum benefits are now \$25,000 for life insurance, up from \$20,500; \$12,500 for accidental death and dismemberment, up from \$10,250; \$250 a week for sickness and accident, up from \$205, and \$1,000 a month for extended disability benefits, up from \$820. Survivor income benefits were increased to \$300 a month from \$250.

Among new health benefits are vision coverage for retirees, effective Feb. 1, 1981; coverage of reconstructive surgery for deformities resulting from disease or medically necessary surgery, effective May 1; dental coverage was increased to \$1,000 a year from \$750, effective March 1, and workers will be given a second opportunity each year to enroll in a health maintenance organization.

HMO option

One hundred twenty-four of the approximately 1,450 eligible employees of Marquette University in Milwaukee have enrolled in a new health maintenance organization option offered by the university, effective Feb. 1.

The Blue Cross & Blue Shield COMPCARE Health Plan, a private, nonprofit HMO, covers all costs of hospitalization, X-rays and diagnostic tests, emergency care, routine physicals, immunizations, well baby care, nutritional care, eye exams, drug and family crisis counseling and YMCA fitness classes. Prescription drugs and psychiatric care are covered after a \$50 major medical deductible; the policy limits for these items is only \$500,000. COMPCARE is not federally qualified but is seeking such qualification.

The university's regular coverage is underwritten by Bankers Life Co. of Des Moines and includes high and low options. The high option has a \$200,000 limit with 80% reimbursement after a \$25 annual outpatient deductible. The low option has a \$100,000 maximum with 80% reimbursement after a \$50 annual outpatient deductible.

The university pays the same premium toward HMO coverage as it pays toward the Bankers Life plan in which an employee was previously enrolled. The university pays the total \$28.62 premium for an individual on the low option plan and the total \$89.57 premium for the family plan, and \$32.30 of

benefit beat

the \$41.09 premium for an individual on the high option plan and \$96.07 of the \$122.23 for a family. The total COMPCARE premium is \$51.87 for an individual and \$129.18 for a family.

Valerie Berg, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

Shopper's guide

Federal employees in Washington, D.C., Chicago and Philadelphia who are choosing a health maintenance organization plan can now take advantage of a "shopper's guide" to HMOs in their areas.

The U.S. Department of Health and Human Services (formerly Health, Education and Welfare) commissioned Northwestern National Life Insurance Co. in Minneapolis to compile the information and write the copy for the guides, at a cost of \$5,000. The pamphlets compare the main benefit provisions of the HMOs.

Similar benefit comparisons are likely to be assembled later this year for federal employees in seven other metropolitan areas.

Health care costs

Some criticisms leveled at group benefit insurers for not doing more to control health care benefit costs and outlays aren't sensible, says Eli Ginzberg, Ph.D., professor of economics at Columbia University. "A more valid criticism would be directed to the slowness with which insurers have experimented with comprehensive coverage, ambulatory as well as inpatient," he said in an address at the 50th anniversary conference of Blue Cross/Blue Shield in Washington.

The contention that insurers have been remiss for not offering a wider range of policies with deductibles and coinsurance features is, to Mr. Ginzberg, "largely beside the point in light of the tremendous growth in recent years of major medical policies. Moreover, the insurers are not responsible for trade unionists' intransigence" on the issue of first-dollar coverage.

It is also folly to try to redirect efforts to preventive medicine from curative medicine because "we simply do not know how to prevent many of the worst diseases and accidents," he said.

Popular medicine

Medical insurance is the benefit most often provided to food service industry employees, a survey by *Institutions* magazine shows.

Of the 3,500 respondents to a questionnaire sent to magazine subscribers, 83.5% reported they receive medical insurance. Respondents represented all segments of the food service industry, from chain executives down to food service workers. Middle management employees registered the highest percentage, with 90.4% receiving the benefit, while only 67.8% of owners had such coverage.

Dental insurance has yet to make much headway in benefits packages, with only an average 28.7% of food service workers covered under such a plan. Other benefits mentioned in the survey were disability insurance, 53.8% industrywide; pension plans, 49.7%; profit sharing, 22.5%, and stock options, 12.5%.

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Tort reform update:

Pa. bill strengthens maker's defense

HARRISBURG—The Pennsylvania state house this month approved tort reform legislation (H.B. 1083) shielding manufacturers from product liability suits 12 years after consumer goods are produced and 25 years after non-

consumer goods are made.

"We're going to send the bill through the state senate and put it on the governor's desk," said Tim Holt, senior staff associate of the Pennsylvania Chamber of Commerce, a major backer of the legis-

lation.

The measure, which cleared the house on a 104-77 vote, would reduce an award to the extent a plaintiff's negligence contributed to an accident and strengthens a manufacturer's defense if a product were made in conformity with the state of the art.

Manufacturers also would be given a positive defense if product alteration or misuse caused the accident, and plaintiffs would be barred from introducing at a trial evidence of product improvement since the time of the accident.

However, the defense could introduce the amount of public collateral payments, such as workers compensation benefits, the accident victim was receiving.

The legislation would bar suits against wholesalers and retailers unless the manufacturer of the product was bankrupt or if the manufacturer was based in another country and could not be sued in a U.S. court.

Before the measure was passed, however, the house deleted a provision that would have beefed up a manufacturer's defense if the product were made in compliance with mandatory government safety standards.

This provision was removed because some legislators believed industry itself often draws up government safety standards and thus such standards have questionable value in determining how safe a product really is.

Meanwhile, in other actions:

- The Kansas senate commerce and financial institutions committee this month will take up a house-passed bill (H.B. 2493) that

would bar product liability suits eight years from the date of sale of and goods.

Backers of the bill, such as the Kansas Assn. of Commerce & Industry, believe the measure will sail through the committee and are "cautiously optimistic" the proposal will make it through the full senate.

- In Wisconsin, at least 10 new product liability bills have been introduced. One measure (S.B. 497), sure to be bitterly opposed by state trial attorneys, would limit attorney fees in product liability cases to 33% of the first \$25,000 of a settlement, 25% of the next \$25,000, 20% of settlements in the \$50,000 to \$100,000 range and 10% of any amount over \$100,000.

Another measure (S.B. 494) would establish a system of periodic payments for awards of more than \$25,000. A third proposal (S.B. 499) would establish that a product liability award for loss of consortium, or sexual relations, could not exceed 200% of the judgment for any other damages.

The legislature also is expected to consider the Commerce Department's model product liability bill.

- In Iowa, employer groups are expected to push through the legislature a comprehensive tort reform measure. A pending bill

would bar product liability suits eight years from the time a product was manufactured and prohibit product liability suits if product alteration caused the accident.

- In Montana, where an eight-year statute of repose bill was narrowly defeated last year, the state legislature will not take up product liability legislation until it returns in January 1981.

- In Hawaii, no tort reform was introduced during the current session, but a senate concurrent resolution requested the state insurance commissioner conduct a study of rising product liability rates, said R.T. Pannabecker, director of insurance and claims at Hawaiian Electric Co. Inc. in Honolulu.

- In California, the U.S. Commerce Department's model product bill (BI, Oct. 15, 1979) has been introduced, but business groups are uncertain about its prospects. The bill would make it tougher to sue a company 10 years after a product alteration caused the accident.

Since the drive to change tort laws affecting product liability got started in early 1977, about 21 states have passed product liability legislation. Kansas and Iowa are given the best chances this year of joining the roster of states that have passed reform legislation. ■



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ANI establishes new claims unit, inspection staff

HARTFORD, Conn.—Future liability claims filed against nuclear power plants insured by Mutual Atomic Energy Liability Underwriters will be handled by a newly established claims division of American Nuclear Insurers.

The new division, which will take over duties previously performed by the ANI general counsel office, is one of several moves taken by ANI to beef up its operation in the months following the nuclear accident at Three Mile Island.

ANI also has established a full time engineering and inspection staff to review safety operations at insured plants.

The claims unit, headed by John Harwood, former Travelers Insurance Co. vp for claims, is a two-person division responsible for overall direction of litigation that develops from claims, including the selection of lawyers and technical experts and coordination of defense. Mr. Harwood also will be responsible for establishing and maintaining proper reserves for the nuclear insurance pool.

The unit will still work with the general counsel and the staffing is "not projected for tremendous growth," Mr. Harwood said.

The engineering and inspection team, part of an overall plan prom-

ised by ANI president Burt Proom to help upgrade the safety procedures at nuclear plants, will be divided into seven regions around the country and primarily will upgrade fire protection systems at the individual plants. Before the division was formed, most of ANI's field work was on a consulting basis.

Now each field engineer will conduct loss investigations, safety-related fire surveys and training seminars, in addition to overall inspection and engineering reviews. Three of the regional field engineers have been named by ANI and the remaining four are expected to take their posts in the next few months.

The creation of the two new divisions is partly in response to events at Three Mile Island.

The existing claims staff in the general counsel's office was swamped by processing more than \$2 million in losses paid out to residents living near the Pennsylvania plant. The expected legal battle over the remaining \$560 million in claims is expected to drag on in the courts for some time.

The engineering moves are part of an industrywide desire to improve safety procedures criticized by the presidential commission studying the accident. ■

III creates new division

NEW YORK—The Insurance Information Institute here has created a new division of planning and issues management to educate the public on insurance industry

issues.

The division will produce background papers and analytical reports that explain issues and interpret trends. ■



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D.C. bill could cut work comp rates

WASHINGTON—Revamping the District of Columbia's workers compensation program could slash rates by 28.2%, an insurance industry rate-making organization told the D.C. city council.

The National Council of Compensation Insurance, a New York-based organization that represents insurers in setting workers compensation rates, said rates could be cut if the council passes legislation proposed by council member Willie Hardy amending the Federal Longshoremen's & Harbor Workers Compensation Act provision covering private employes in D.C.

The legislation would, among other things, limit annual increases in injury compensation benefits to 3%. The current limit on benefit increases is based on increases in the national average weekly wage. Last year, benefits jumped 8%, to \$426.26 from \$396.78.

Indexing of benefits based on weekly wages is resulting in skyrocketing workers compensation costs, insurers complain.

The reform measure also would limit maximum weekly disability benefits to 80% of the injured worker's net income or \$426 a week, whichever is less. The current limit on workers compensation benefits is two-thirds of the employee's gross wages or 200% of the average national weekly wage.

Firm asks U.S. rebate for exhibit

MINNEAPOLIS—Control Data Corp. says it will seek reimbursement from the federal government for the \$1 million the company spent preparing for the U.S. exhibit of a Russian art collection.

The venture has been canceled by Control Data in the face of increasing tension between the U.S. and the Soviet Union.

The corporation will ask the government to reimburse it for the \$1 million it has spent over the last two years to bring the 413-piece collection from the Hermitage Museum in Leningrad for exhibit in five U.S. cities (BI, Oct. 29, 1979), a company spokesman said.

The firm does not have insurance on the \$1 million spent, which included travel expenses to and from Leningrad for meetings with Hermitage officials as well as staff time for research and design of a souvenir catalog about the exhibit.

The firm believes it is entitled to indemnification for its expenses. "If grain dealers can be reimbursed (for grain embargoes to the Soviet Union), we feel we should also," the spokesman said.

Control Data had been planning to finance transportation of the exhibit, valued at \$100 million, from Leningrad and was going to arrange insurance and security for the collection. The firm was to gain income from publishing ventures and souvenir sales associated with the tour and was to sell a computer to the Hermitage as part of the arrangement.

U.S. Secretary of State Cyrus Vance announced late last month that continuing with plans for the exhibit would not be in the national interest.

Control Data's risk management department had been involved in arranging insurance with Soviet insurance interests, Lloyd's of London and American insurers. ■

District of Columbia workers compensation rates have been soaring in recent years. Rates jumped 22.7% last December, coming on top of a 600% increase in rates over the last eight years.

Business groups that back the reform bill say high workers compensation rates have been a major factor in the flight of business to the Maryland and Virginia suburbs, where the benefits are lower.

Labor groups opposing the bill contend no real proof exists that businesses are fleeing the city because of workers compensation rates.

The city council is expected to take final action on the bill sometime this spring. ■

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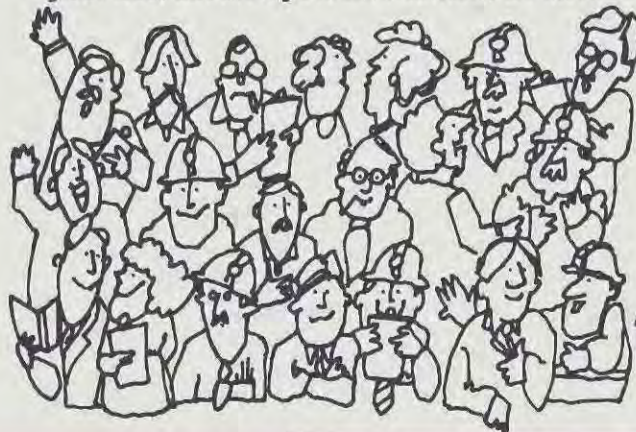
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Missing bank notes

Underwriter avoids \$10 million claim

By JOHN H. MILLER

LONDON—Leading U.K. marine underwriter John Russel-Taylor figured he was in for a large claim when \$10 million worth of new Seychelles bank notes vanished in the English Channel. But all Mr. Russel-Taylor and his London Assurance group will have to pay out is a \$50,000 claim for the cost of reprinting the notes.

The notes were being carried on the Greek freighter Aeolian Sky, which collided with a German tanker in the turbulent waters off Portland, Dorset County, and sank soon afterward. Divers hunted for the newly printed rupee notes, conducting their mission in secret

london line

to avoid the risk of looting by other divers.

But to the relief of the insurance market, the Seychelles government declared the notes to be valueless as soon as it realized they were missing. It is still not known why the notes disappeared, but investigators suspect they were torn from their storage space by strong currents.

Computer claim

Lloyd's is rejecting a claim by Federal Leasing Inc. in Virginia

for a \$23 million advance payment on its \$560 million computer leasing claim.

Federal wants the money to pay to banks that lent the company funds to lease computers. Lloyd's has filed a counterclaim against Federal, charging the request is inequitable.

Vacation coverage

U.K. citizens are being urged to take out special medical expense indemnity coverage if they plan to visit the U.S. or several European

countries where there is only slight reciprocity for health care costs under EEC Common Market arrangements.

Even if travelers are covered by insurance plans included in tour packages, they may not have enough insurance to cover all medical costs in the U.S. if they become ill there, the British Insurance Assn. warns. It cites the case of persons who incurred \$6,000 or more for injuries suffered in minor auto accidents that would have been covered by public health facilities in Britain.

Meanwhile, Francis McPhillips, 42, a London engineer, has had \$90,000 of his bill refunded by a Manhattan hospital after he was

treated there last July for a heart attack. He was only insured up to \$6,000 and had received cash gifts from anonymous U.S. donors who heard of his financial predicament. U.K. insurers usually advise British citizens visiting the U.S. to carry up to \$20,000 coverage. ■

Steel union seeks COLA settlement

By CHARLES EPSTEIN
Crain News Service

PITTSBURGH—The United Steelworkers will make pension benefit increases and the implementation of a cost-of-living allowance key priorities during their current negotiations.

The Steelworkers contract, which covers 286,000 workers in the steel industry alone, is the second major contract to be negotiated in 1980 and is expected to set the pace for other negotiations. More than 1.3 million other workers, including the Communications Workers of America, will see their contracts renewed this year.

Union officials repeatedly have stated that improved pensions should receive top priority during the negotiations.

The Steel Industry Conference, composed of local union presidents from around the nation, earlier gave its greatest support to any negotiations dealing with pension problems, including a cost-of-living clause for current retirees.

The pension issue was introduced early in the formal negotiations last week in Pittsburgh and should be resolved when the current contract expires at midnight, July 31. However, a more realistic April 14 target deadline has been set for the basic national steel agreement.

After the date, discussions will continue on issues concerning local steel plants.

However, because of an experimental negotiating agreement adopted in 1973, there can be no national steel strike or lockouts; only local strikes are allowed.

Negotiators who have watched steel industry talks over the past 10 years said management will balk at the open-ended COLA proposal and will counter the offer with a proposal for an increase in existing pension benefits.

While there are no current statistics available about the number of pension plans with COLA clauses, a 1974 Department of Labor-Bureau of Labor Statistics study showed 122 of 1,500 pension plans had COLA for retirees. The sample plans covered 314,000 workers.

A DOL spokeswoman said another study on the same topic is in progress.

The observers said that in the past, the steel industry has given periodic pension increases to retirees over the life of a three-year contract. However, these increases have not kept pace with the rate of inflation.

These same observers contend the industry will fight the open-ended COLA proposal because of its uncontrollable drain on operating capital.

The Steelworkers have no COLA for pensioners, but have imposed a wage COLA of 1 cent per hour for each 3% increase in the Consumer Price Index. ■

52 great issues coming up!

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ISSUE DATE

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12. SPECIALTY RISKS

MAR 24

MAR 11

more to come :

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8.		FEB 25	Feb 12
9.	Spotlight Report: Computers/Quantitative Techniques	MAR 3	Feb 20
10.		MAR 10	Feb 27
11.		MAR 17	Mar 5
12.	SPECIALTY RISKS	MAR 24	Mar 11
13.		MAR 31	Mar 19
14.		APR 7	Mar 26
15.	R.I.M.S. PREVIEW	APR 14	Apr 1
16.	R.I.M.S. Conference Report #1	APR 21	Apr 9
17.	R.I.M.S. Conference Report #2	APR 28	Apr 16
18.		MAY 5	Apr 23
19.		MAY 12	Apr 30
20.	LOSS PREVENTION — SAFETY/SECURITY	MAY 19	May 6

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Metro National picks Posey for post

Earl Posey, 47, has been named to the newly created position of risk manager for Metro National Corp. in Houston. Mr. Posey previously worked as an account executive in the special account department at The Hartford Group in Houston. Before that he was manager of special accounts in the insurance department for Great American Insurance Co. in Houston. He has a B.S. degree in chemistry from Texas A & M University and reports to Michael Hlinak, chief accountant and controller.



Posey

The city of North Miami, Fla., has named **Edward Keegan** to the newly created position of risk management administrator. Mr. Keegan was previously insurance coordinator and risk manager for Rockland County, N.Y., where a replacement has not been named. He has an M.B.A. degree from Pace University and reports to Bruce Bradburn, deputy city manager, in his new position.

M. Douglas Fisher, 32, has been named to the newly created position of insurance supervisor for The Wickes Corp. in San Diego, Calif. Mr. Fisher, who reports to J.E. Morton, senior director-insurance and loss prevention, previously was assistant director of risk management for Sambo's Restaurants in Santa Barbara. A replacement has not been named. Mr. Fisher will be responsible for the coordination and administration of the property and casualty insurance programs at Wickes. He has a bachelor's degree from Ohio University and has completed courses in risk management.

Hennepin County, Minn., has appointed **Dennis C. Doherty**, 39, to the newly created position of assistant risk manager. Mr. Doherty, CSP, was formerly assistant manager-property insurance at Dayton Hudson Corp. in Minneapolis where **Donald Lindgren**, 27, has replaced him. Mr. Doherty, who reports to risk manager Sheldon Weinberg, is a graduate of the U.S. Naval Academy and attended the Graduate School of Business at Bryant College in Providence, R.I.

Study nuclear coverage: Panel

HARRISBURG—Congress and the insurance industry should investigate the establishment of a nuclear protection insurance program similar to that available for flood damage, a Pennsylvania house select committee recommends.

The federal Price-Anderson Act currently earmarks \$560 million to cover personal injury and property damage claims attributable to nuclear accidents.

The house panel, named in the wake of the March 1979 accident at Three Mile Island, is proposing the Pennsylvania insurance department review the potential of the insurance industry to supplement the federal statute.

The department should consider policy provisions and rates as well as determine whether the location of an insured property was defined before or after a nuclear plant's construction, the committee says.

The Price-Anderson Act is being tested in a class-action suit pending in the U.S. Middle District Court of Pennsylvania.

comings & goings: buyers

Mr. Lindgren formerly worked as an engineer for Allendale Mutual Insurance Co. in Minneapolis. He has a B.S. degree in civil engineering from the University of North Dakota and reports to William Cain, director of insurance and risk management.

John H. Regur, 34, former manager of insurance and benefits at Flint Industries in Tulsa, Okla., has joined Marsh & McLennan's Tulsa office as assistant vp. A replacement has not been named for him at Flint. Mr. Regur is past president of the Oklahoma Society of Insurance Management and re-

ceived his CPCU designation in 1975. He has a B.A. degree from the University of Oklahoma and reports to the Tulsa office manager Gerald Seay.

Manufacturers National Bank of Detroit has named **Michael J. Dowgiewicz** to the newly created position of deputy cashier responsible for risk management and insurance coordination. Before joining Manufacturers, Mr. Dowgiewicz, 27, was assistant vp and risk manager for Bank of the Commonwealth in Detroit, where a replacement has not been hired. He has a B.S. degree in business ad-

ministration from Nichols College in Dudley, Mass. Mr. Dowgiewicz reports to Robert Cadotte, vp-cashier and secretary to the board of directors.

Ronald Chan, 31, has been hired for the newly created position of risk manager for Montebello, Calif. Previously he was safety engineer with the Los Angeles department of water and power, a position still vacant. Mr. Chan has a B.A. degree from California State University. He reports to Raul Randel, assistant city administrator/employee relations.

John A. Cornelius, 54, has been appointed to the new position of director of risk management for Santa Fe Industries Inc. in Chi-

cago. Mr. Cornelius joined the company in 1973 as manager of insurance, a position that will be terminated. Before that he was vp of Gateway Insurance Agency Inc. in Chicago. Mr. Cornelius, CPCU, is a graduate of Northwestern Military and Naval Academy at Lake Geneva, Wis., and attended Northwestern University. He is vice-chairman of the Insurance School of Chicago. Mr. Cornelius reports to John J. Schmidt, president.

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

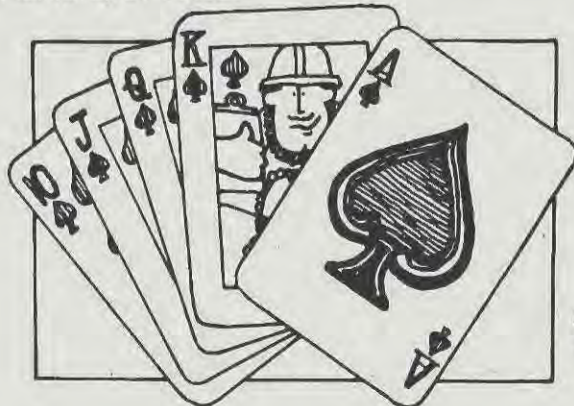
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letters

Continued from page 8

comment on your editorial "Abortion inequities" (Jan. 21). This editorial has reached a new low in insurance journalism. Your insult to Catholics and to anyone else who has a respect for life is totally and absolutely uncalled for.

The editors of any publication have a great deal of power to influence people, but they also have a considerable amount of responsi-

bility. A responsibility to their readers, who they are trying to influence—but they have a far greater accountability to their God, to whom they will eventually answer.

I have never seen such a rotten article in any insurance magazine and hope to never read one similar to it again. I don't believe that whoever wrote this article would even consider an apology to anyone

Catholic or non-Catholic who has any respect for the sanctity of life. I don't think their apology would be of any value whatsoever.

The abortion issue is hardly a solely Catholic issue and it's obvious that the writer of your editorial has little background in such a subject. One of the serious diseases in this world is a shortage of clear thinkers and this article clearly indicates that your organization does indeed have a shortage of clear thinkers.

I am absolutely disgusted with this rotten article and your insult to millions and millions of people. Yes, I am a Catholic and I am also a career insurance person.

Robert T. Foulds, CPCU
201 Bretton St.
Bridgeport, Conn. 06606

Gentle chiding

To the editor: I just had an opportunity to read your recent editorial comment ("Doing without," Feb. 4) and your gentle chiding is well taken. I suspect that many of us in political office would do a much better job if we expressed ourselves more clearly, and I do believe that I am not quite ready to advocate anarchy.

What I intended to convey to my audience was the fact that government, particularly at the federal level, is doing an abysmal job. Regulation is doing more to stifle the

economy than any other single thing and probably no one profits more than the lawyer who is gainfully employed in clarifying or resisting governmental edicts.

I suspect what I really meant to say was that the federal government has failed, while on the other hand the insurance industry has probably saved more untold families, businesses, homes, individuals, etc., than all the bureaucrats along the banks of the Potomac. As former Rep. Otis Pike has stated, "The only thing wrong with Congress are the congressmen."

I thank you for your gentle reminder that the insurance industry is not the beginning and end of our society. I would also like to comment that in spite of my belief in the industry, no individual or group of individuals has sponsored legislation in Springfield that has been costlier to the insurance industry than have I. I mention that only to indicate that, although I may be biased, I hope I am not blindly partisan.

Bernard E. Epton
Representative, 24th District
General assembly
State of Illinois

Courting confusion

To the editor: An article in your Jan. 28 issue entitled "'Simple' pension plans court confusion," by Len Strazewski, contains a misstatement, I believe, in describing the contributions to an SEP-IRA. The text says, "The SEP-IRAs allow an employee to contribute a tax-deductible maximum of \$7,500 to his or her account and allow employers to contribute as much as \$1,500 to each employee's account."

In fact, the provisions of the Internal Revenue Code Sec. 408(k) permit the employer to contribute a maximum of 15% up to \$7,500 a year to each participant's account and limits what the employee can contribute, if anything, to 15% or \$1,500. The employee contribution is only permitted if the employer contributes less than 15% and less than \$1,500.

Hayden L. Hankins
Director-employee benefits
Halliburton Co.
Dallas, Tex.

Editor's note: We stand corrected.

Case for rentals

To the editor: In your Jan. 7 article "Captive rentals may buy tax troubles" you quote a risk manager (who retreated into anonymity) as saying that captive rentals are a "sham" with no transfer of risk to the captive. This is certainly not true of any such operation with which I am involved and, I would think, is not true of the vast majority of similar operations. The risk manager you quote has either looked into this subject superficially (as so many do) or has obtained the information on which he bases his opinion from sources less knowledgeable than they should be.

The U.S. tax aspects of captive rentals are almost wholly irrelevant to the rent-a-captive concept. Such relevancy as they may have lies in the fact that they are favorable rather than unfavorable as compared with the "pure" captive. A much more appropriate consideration is that there is a total shifting of risk away from conventional insurance markets and the ulti-

mate beneficiary, either by a reduction in insurance costs or by an expansion of coverage or both, is the insured participant.

A rent-a-captive arrangement (in the hands of competent managers) does take advantage of conventional insurance markets by selecting against those highly regulated, rate-oriented markets only those risks that have a good loss history and a potential to stay that way. The not-so-good risks are left to stew in the cauldron of "industrial averages," which tend, inevitably, to raise premium costs for better than-average risks placed in conventional insurance markets.

Your article states that during the product liability crunch of the 1970s, truck body and equipment companies found themselves being squeezed out of the liability insurance market. You then add: "Even though the firms' insurers were paying out less than \$1 in claims for every \$4 in premiums, the insurance industry was throwing up roadblocks," with some firms' premiums jumping to \$140,000 from \$800 and others unable to get adequate insurance protection at any price. That commentary in itself, I submit, makes out a good case for the rental captive.

H. Clayton Chambers
President
Venture Management Ltd.
Hamilton, Bermuda

Correction

To the editor: I refer to your article of Jan. 7 ("Itel's captive sale ends firm's plan to insure lessees." Contrary to your story, at no time did Belvedere Insurance Co. Ltd. ever consider providing Itel lessees with insurance on rented computers.

Officers of the new company are president, Francis J. Carter; vp-finance, Colin D. O'Connor; vp-marketing, William A. Wanklyn; vps, Mark A. Schimbors and William O. Ward.

I have been the chief executive officer of the company since its inception.

Francis J. Carter
President
Belvedere Insurance Co. Ltd.
Hamilton, Bermuda

Word from abroad

To the editor: On my first, second, third, even 12th visit to the States, I was impressed by the safety equipment hung onto people—goggles, gloves, masks, etc.—and then I realized that the only reason for this was that in America either the process was not changed or people were too lazy to eradicate the hazards at source. Hence the MIT study "Crisis in the Workplace," and my friend Ralph Nader talks gaily about 100,000 work-deaths compared to the U.K.'s 2,000.

So it is all the more surprising when people like Z'ev Kronish, reviewing the book "Risk Control in the Overseas Operation of American Corporations" by Donald L. MacDonald (BI, Jan. 21), starts off with the problems of getting overseas workers to wear masks. I am not being jingoistic, but for God's sake come and have a look at us.

James Tye
Director general
British Safety Council
London, England

RCA files claim for satellite

NEW YORK—RCA Corp. has filed a \$50 million claim with its insurers for the loss of Satcom III, an unmanned communications satellite that disappeared Dec. 10, 1979.

Satcom III was insured 81% in the London market, with the balance of coverage written by Lexington Insurance Co. of Boston and Skandia Group.

In addition to the launch and satellite life coverage, RCA had a \$27 million business interruption insurance policy on the Satcom III spacecraft.

Under terms of the coverage, insurers are required to pay the claim within 60 days of having received proof of loss, said David M. Whatmough, RCA director of general insurance.

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Ill. bills propose solution to arson profit swindles

CHICAGO—The Illinois insurance department and a state legislator have proposed separate bills designed to deal with arson-for-profit schemes that have caused hundreds of thousands of dollars in damage and several deaths here.

A legislative package proposed by acting Illinois insurance commissioner Phillip R. O'Connor includes the National Assn. of Insurance Commissioners model anti-arson application bill. The bill would require detailed information to be filed on the ownership and loss history of apartment building properties and would provide authorities with valuable information in deterring arson for profit, Mr. O'Connor said.

The package also includes two privacy immunity measures that are designed to attack not only the arson problem, but auto insurance claims swindles that have surfaced recently. The measures would keep insurers and individuals immune from charges of libel and slander if they reported suspicious dealings to law enforcement authorities.

Mr. O'Connor said that until now, most efforts to attack insurance swindles have been fragmented among various agencies, scattering information and slowing a comprehensive effort.

The other legislation was proposed by state Rep. William A. Marovitz (D-Chicago), who has asked for tighter controls on the Illinois FAIR plan, in which groups of insurers pool the risks of buildings in high-risk areas.

Mr. Marovitz has charged that when buildings are gutted by fire, building owners currently are reimbursed at an inflated rate. His proposal calls for owners to be indemnified at the market value of the building.

The arson scheme has plagued Chicago's low-income Uptown area where a rash of apartment building fires have occurred in the last year, causing hundreds of thousands of dollars in damage

Service checks comp claims

LAKELAND, Fla.—Florida employers now have a new service to tap to find out if prospective employees have a history of filing a lot of workers compensation claims.

Summit Consulting, a firm specializing in the management of trade association-sponsored self-insured workers compensation pools, will check state records to see if an employee has filed any workers compensation claims during the last 10 years.

The search costs \$2 for each name submitted. For faster service, the search can be handled by telephone for \$4 per name plus phone charges.

Finding out whether an employee previously filed a workers compensation claim is important because workers compensation benefits can be withheld from employees who have had previous job injuries but did not reveal these injuries on the preemployment questionnaire.

One Florida employer used the claim search service and discovered an employee had concealed the fact that he had filed claims for back injuries with seven of his nine previous employers, said C.C. Dockery, president of Summit Consulting.

and killing several persons.

Details of the scheme have been reported on the ABC-TV newsprogram "20/20," which teamed with Chicago's Better Government Assn. to conduct a lengthy probe.

The probe concluded that slum landlords were collecting huge claims, some more than \$100,000, when their buildings burned during arson fires. The premises were insured for excessive amounts through Illinois FAIR plans because the owners traded the buildings among themselves to increase their value.

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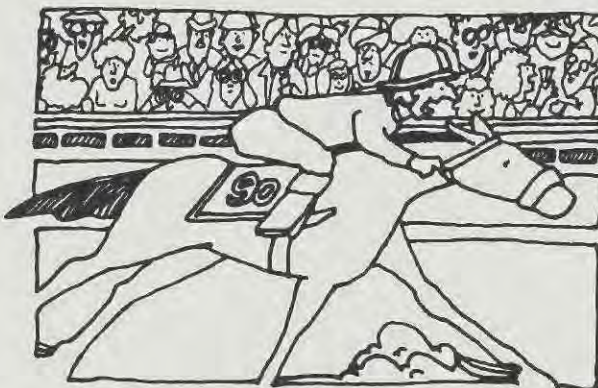
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FBI investigation stings state plan

Continued from page 1
 vestigation leaks have also revealed related probes under way in Oklahoma and Texas. Two legislative leaders in those states have said they accepted large sums of money following meetings to discuss state insurance contracts.

The account of Gene C. Howard, Oklahoma state senate president pro tem, offers a possible insight into the FBI's investigation and its methods.

At a meeting last November, he says, four men with business cards identifying themselves as Prudential agents offered to pay \$5,000 in cash and \$8,000 per month if Prudential was named administrator of the state employees' insurance fund. Sen. Howard has said he understood these offers to be made to the fund, not to himself personally.

Attractive proposal

After their discussions ended, the agents reportedly left Sen. Howard a sealed envelope they said contained information about Prudential services.

Sometime later the envelope was opened and a cashier's check for \$5,000 was discovered.

A check made out to the Oklahoma State Employees Group & Life Insurance Board was transmitted to the board Dec. 6, says George Miller, a board member.

Also, a report of Sen. Howard's meeting with the mysterious agents was made to the board by the senator's staff attorney and read into the minutes of the Nov. 21 proceedings.

The proposal was extremely attractive, notes Mr. Miller, at a cost of 81 cents per month per employee plus an \$8,000 monthly refund to the state. The \$5,000 was described as a good-faith deposit.

The state board currently pays American Benefit Plan Administrators 95 cents per month for each of the state's 31,500 covered employees, Mr. Miller said.

Since the board recently signed a three-year contract for claims administration, however, it was not interested in the proposal, Mr.

Miller says. To return the cashier's check, Mr. Miller says he contacted a firm called Fidelity Financial Consultants whose name appeared on the envelope bearing the check.

Prudential's story

A telephone call put him in touch with Michael Sachs, who identified himself as the chief executive officer of Fidelity Financial Consultants. Mr. Miller was asked to return the check by mail to the company at an address in Beverly Hills, Calif.

Subsequent efforts to contact the firm have failed, however, since the phone has been disconnected and there is no new number.

After news of the Louisiana investigation leaked several days before the grand jury convened, Prudential chairman Robert Beck and president David J. Sherwood were quoted as saying they had no knowledge of their company's cooperation with the FBI.

After checking with the group department, however, Prudential revealed to *Business Insurance* that it gave FBI agents information as to how group insurance contracts are formed and marketed.

But "the FBI did not ask nor did we authorize that any persons could represent themselves as Prudential agents or employees," stated Bob Vecchione, vp of public relations. Prudential had no prior knowledge of any specific investigations, Mr. Vecchione said.

Money for the state's self-insured health fund is collected equally through employee contri-

butions and state allocations, said a spokesman in the program office. CNA Insurance Co. currently holds the contract for claims administration, confirmed a claims supervisor in CNA Insurance Co.'s Baton Rouge, Louisiana, office. The value of the contract is unknown.

The Louisiana department of insurance has no knowledge of the FBI investigation, said Bob Hamlett, department general counsel. "The legislature has specifically excluded the state employees' fund from the department's jurisdiction," he explained.

Nuclear plants' premiums feel fallout from accident

Continued from page 1
 the pool, which provides \$300 million in property coverage, has had some members pull out recently.

Mr. Proom said about eight companies have dropped their participation in the pool—a number he said was higher than in past years and was primarily attributed to the publicity over TMI—but he added that the insurance capacity was kept at the same level by increased participation by a few of the members and by adding a couple of new companies to the pool.

He declined to identify the companies who dropped out of the pool.

A cost increase for the one-year policies had been predicted by many in the industry, but the 36% increase, which will vary for different plants, is somewhat higher than had been predicted by most industry observers.

In another financial fallout from Three Mile Island, the cost of the accident to the owners of the crippled plant—in time and money it will take to put it back in running order—has been officially estimated at four years and up to \$400 million.

The estimate comes from Bechtel Power Corp., which just announced it named the prime contractor for cleaning up and rehabilitating the Pennsylvania plant. A company spokesman said a contract will be signed later next month with General Public Utilities.

The cost of the cleanup, which is the first official estimate so far, does not include an additional \$60 million to \$85 million that it will probably take to replace the reactor core, Bechtel said.

The San Francisco-based company said the timetable and the cost estimates, which range from

\$320 million to \$400 million, did not take into account the potential legal, political and regulatory delays that could raise the price of returning the plant to operation.

Betchel said the cleanup will be done in three phases: a "washdown" by remote controls, temporary storage of the radioactive material, then a repairing, inspection and testing of the damaged reactor.

The company said a start-up date was tentatively set for June 1983, but it could end up varying by six months either way.

Problems with leaks still continue at the TMI plant. The Nuclear Regulatory Commission reported last week that radioactive gases twice escaped from the shutdown reactor within a seven-day period. But the commission said the leaks posed no threat to public safety.

Hooker faces more battles

LOS ANGELES—Hooker Chemical & Plastic Corp., seeking to determine which of 140-odd insurance policies must defend claims arising out of the Love Canal environmental disaster, is being forced to wage battles on both coasts.

A Los Angeles County superior court judge denied Hooker's request to stop two of its excess insurers from bringing a declaratory judgment suit in New York state and reversed an earlier injunction against a third insurer.

The decision by Judge Robert Weil frees Unigard Insurance Co. and International Surplus Lines Insurance Co. to pursue declaratory actions against Hooker that they had filed in Niagara Falls, N.Y. Hooker is free to pursue its own claims against its insurers.

Argonaut Insurance Co., which previously was enjoined from bringing a suit in Niagara Falls, can now do so because of the decision.

The three insurers participated in Hooker's excess liability coverage between 1973 and 1976 (*BI*, Jan. 14). Argonaut also underwrote Hooker's buffer layer during that period and ISLIC presently participates in Hooker's \$25 million excess of \$25 million layer.

Hooker planned to have the questions over its insurance coverages decided by one jurisdiction where its parent, Occidental Petroleum Co., is headquartered.

Having courts in different states consider the same issues opens the door for conflicting decisions that could mean costly appeals to resolve, noted Hooker attorney Edward McHale. Normally, one court defers to the views of the other in such cases, he added.

The Hartford Insurance Co., which wrote Hooker's primary liability coverage from the early 1940s until 1973, has asked for a declaratory judgment against Hooker in Niagara Falls as well. The insurer seeks a ruling that Hooker can't pursue a lawsuit against The Hartford in California.

Revamped pension plan to go to voters

Continued from page 2
 the funding basis from a 14- to a 20-year period, which Mr. Mattrocce says, "is still considered very conservative. Probably not even 10% of city and state pension funds in the U.S. are funded as conservatively."

Further savings may be realized if voters approve a new municipal pension plan with scaled down benefit levels, primarily in disability pensions for police and firefighters, he noted.

Reductions in disability pensions, from the current 50% of salary at retirement to a range of 25% to 70% depending on the severity of the disability, are part of a "crackdown on abuse" ordered by Mayor Diane Feinstein.

The mayor was reacting to a series of articles in the San Francisco Examiner newspaper that reported on police and firefighters who retired claiming disability, then supplemented their city-funded pensions with well-paying jobs.

Mr. Mattrocce estimates abuse in disability pensions was costing the city \$2 million annually but added, "San Francisco is well below the national average in granting disability pensions."

Part of the problem was the liberal granting of disability pensions to police and firefighters by a retirement board whose makeup includes the president of the city board of supervisors, three mayoral appointees and three city employee representatives.

Approval rate

Five years ago the board approved 88% of 127 disability pension applications; the following year 79% of 168 applications, and in 1977-78, 82% of 202 requests for disability pensions.

Not until last year did the approval rate for disability pensions show signs of improving, with 63% of applications okayed, the first time the rate was less than 79% since 1967.

The tougher stance of the retirement board is attributed to new members who include an attorney, physician and pension consultant.

A benefits abuse unit has been established by the police department with two officers assigned to investigate questionable cases of disability.

The mayor ordered the police to draft a light duty policy and fill non-strenuous jobs with officers

whose injuries prevented them from returning to active duty.

The retirement system is also calling in some of the 1,450 police and firefighters who are retired on disability pensions for medical examinations.

"We're going to investigate every instance of suspected abuse," Mr. Mattrocce said.

He expects changes in the pre-employment physical examination given to all Civil Service employees so preexisting injuries or tendencies to injury can be screened.

"We have to establish standards, maybe even something as simple as classifying someone suitable for light, medium or heavy work," the retirement system manager said. "To place an individual in a job where he's vulnerable to injury is a disservice to him and a high cost to the city."

Also contained in the revised pension plan are limits on the outside income that can be earned by a city employee retired with a disability pension.

"It will be similar to the Social Security system," Mr. Mattrocce explained. "The amount of outside earnings plus disability pension could not be greater than the

employee's salary at retirement." Any income over the amount would be deducted from the employee's pension.

The retirement system will realize a 30% savings from current pension plan costs by reducing the level of benefits for all retiring city employees, say local consulting actuaries Coates, Herfurth & England, who prepared the new plan for the city.

At present, a city employee hired after 1976 who retires at age 50 with 25 years of service will receive 50% of his salary (an average of the salary earned for the last three years of unemployment) and an additional 3% per year until a maximum of 70% of salary is reached.

City employees hired before 1976, when another benefit reduction was approved, retire at a higher rate of 55% of salary at age 50, with 25 years of service and annual increases of 7% until a maximum 75% of salary is reached.

Smaller increase

Under the revised plan, employees with 25 years of service can retire at age 50 with 40% of salary, increased at an annual rate of 2% until a maximum of 70% of salary

is attained.

Pensions for survivors of police and firefighters killed in the line of duty would also be reduced in the new plan to 50% of salary at time of death from 75%.

Mr. Mattrocce said he has explored other means of cost reduction, including going outside city departments for administration of claims, "but so far costs we've been quoted more than equal what our costs are. If we could find a cheaper way to handle claims, we'd do it."

He declined to predict the likelihood of voters approving the scaled down retirement benefit plan, but since Proposition 13, California voters have been in a cost cutting mood, with another Howard Jarvis-sponsored initiative to limit personal state income tax on the ballot for the June election.

"Whether or not the need for a fiscally sound pension plan will override objections by employee groups to reductions in benefits may ultimately depend on how the issue is presented to voters. It's not a question of more or less benefits, but what is equitable and what we have the capability of delivering," Mr. Mattrocce said.

Gaps weaken political risk programs

Continued from page 3

tual insurance company to underwrite the political risks that traditional insurers won't take.

• INA Corp. is getting into political risk insurance, joining the only two other private markets: American International Group and Lloyd's of London.

• Frost & Sullivan's political risk services division is churning out world political forecasts to help U.S. businesses gauge whether there's a chance a foreign host will turn hostile (see map).

• American International Group plans to start underwriting export insurance on private buyers, joining the Foreign Credit Insurance Assn.

• The Overseas Private Investment Corp. is now insuring bank guarantees, but primarily on service contracts, not goods.

"The political risk insurance market does a very fine job, but it's inadequate," laments Frank Boylan, managing vp of A&A's foreign credit division and one-time FCIA president.

Refusing risks

The private and government-affiliated underwriters of political risk insurance won't or can't take on all of the growing exposures of companies doing business abroad,

Olympic headache

Continued from page 2

Foreign teams can purchase medical insurance through a package deal arranged by International SOS Assistance Inc., a medical services firm. The Insurance Co. of North America is underwriting the plan.

According to the terms of the deal, SOS will transport injured people out of the Lake Placid area and INA will pay the required hospital benefits of \$175 per day to a 30-day maximum of \$5,250, or intensive care at \$320 a day for 10 days and \$175 a day for the next 20 days, plus \$2,000 for surgery.

Nearly 80% of the foreign teams are buying the INA coverage through SOS for \$20 per person for 14 days or \$35 per person for 32 days.

ABC is investing some \$40 million in televising the games and has imported 600 network employees and 109 cameras to the Lake Placid area. Despite the large staff and amount of special equipment needed to televise the games, ABC has made no insurance policy changes specifically for the Olympics, said Edward Erickson, director of insurance.

ABC is insured for worker's compensation and general liability by Kemper Insurance Co. Equipment is insured by Birmingham Fire Insurance Co.

Also ever-present on the scene is Emery Air Freight, the official air freight and express service for the Winter Olympics, and the only carrier with full access to the site.

Puck-throwing machines, fine paintings and sculpture and Olympic torches are among the items that Emery has delivered.

Insurance on shipments to the Olympics is being handled no differently than on Emery's usual cargos, says William S. Maxwell, Emery corporate risk manager.

INA underwrites Emery's shipment coverage, which has a limit of \$500,000. Emery self-insures the first \$5,000 of losses.

Merchandise with an undeclared value is covered by Emery for \$10 per pound.

Mr. Boylan says. Either by choice in the private market or by government charter in the public market, these insurers commonly refuse to underwrite certain troublesome exposures, or even refuse to underwrite coverage altogether in some countries with a history of instability.

"They can't cover all the risks—like cutoff of supply caused by an embargo," Mr. Boylan said. "And FCIA doesn't cover cancellation of orders. Lloyd's and AIG do, but only government orders, or private orders when the cancellation is precipitated by the government."

"All the insurance mechanisms talk about is direct physical damage, but not the business interruption risk, the loss of earnings," he complained.

What's more, capacity in the private market is limited, Mr. Boylan added.

Lloyd's usually offers about \$25 million on a political risk, although it's known to have gone much higher on some risks. AIG's reinsurance treaty is for \$20 million, but it has access to more facultative reinsurance capacity.

"The market is super for medium-sized firms that can't take a \$10 million or \$15 million loss," Mr. Boylan said. "But for bigger companies, there isn't enough capacity."

An offshore insurance company to pick up where other political risk insurers leave off is "still in the formative stages," Mr. Boylan said. "We've talked to 20 or 30 companies, mostly in the Midwest. We don't have any firm commitments yet, but we're talking to lawyers about it."

The mutual insurer would have to be formed offshore, Mr. Boylan explained, because the Internal Revenue Service wouldn't approve of its incalculable reserves in the U.S., taxing them instead.

Boycott losses

Only American Nuclear Insurers, by a special act of Congress, is tax-free to accumulate reserves without actual loss development, he noted.

The new offshore company could indemnify businesses against losses suffered if they are victims of a boycott, Mr. Boylan said. For example, today no one reimburses a U.S. company that loses an order because it is on the Arab blacklist against companies that have any ties to Israel.

INA, too, sees weaknesses in the political risk insurance market it hopes to strengthen, says David Avasthi, executive vp for INAMIC, INA's multinational investments and contracts division.

Still staffing up and talking to reinsurers, INAMIC plans to start underwriting political risk insurance and possibly credit insurance within the next few months.

As a major innovation, INA plans to provide policy terms longer than the standard three years. "Investments are for much longer and companies want the protection," Mr. Avasthi said.

While pegging others' premium volume—Lloyd's at \$20 million, with Merrett Dixey Syndicate the biggest; AIG at \$4 million, and OPIC at \$30 million—Mr. Avasthi declined to reveal INAMIC's business target. But he expects the op-

eration to be profitable. "Looking at Lloyd's and AIG's track record, the losses are very small. You can make good risk projections quite accurately," he said.

A first step toward analyzing a foreign exposure, experts agree, is to scrutinize the world political risk forecasts prepared by Frost & Sullivan of New York.

Each month, Frost & Sullivan calculates the percentage probability of a business loss resulting from regime change, turmoil, expropriation and repatriation restrictions for 60 countries.

Besides Iran, Frost & Sullivan listed Algeria, Bolivia, China, El Salvador, Nicaragua, Pakistan, Peru, Turkey and Zaire as the 10 countries in the world presenting

more than a 40% probability of loss for U.S. businesses over the next 18 months.

13 losers

Another forecast, for the coming five years, lists the following 13 countries as having more than a 50% chance of creating major losses for U.S. businesses: Algeria, Bolivia, Egypt, El Salvador, Iran, Libya, Pakistan, the Philippines, Portugal, Thailand, Turkey, Zaire and Zambia.

A subscriber to the Frost & Sullivan service pays \$1,500 a year for these forecasts, updated monthly, and for 40-page reports on each of the 60 countries, updated regularly.

Lloyd's pays 2 Iran claims

Continued from page 3

U.S. insurers have also been paying Iran claims over the last few months, though they have been for lesser amounts than the two Lloyd's claims.

The Foreign Credit Insurance Assn. said it paid out \$5.8 million on commercial and political risk policies in Iran between Oct. 1, and Dec. 31 last year, the latest figures available. The association has another \$9.7 million in claims pending, an FCIA spokesman said.

Most of FCIA's \$10 million in exposures in the country are insolvencies and bankruptcies. Its total exposure has dropped from \$50 million since turmoil began and anti-American sentiment set in, he said.

American International Group,

which writes a substantial amount of political risk coverage overseas but only a small amount in Iran, has reported paying one claim arising from the Mideast nation so far with another still pending (BI, Nov. 26, 1979).

The American Foreign Insurance Assn. says it suffered minor losses through reinsurance of local Iranian insurers during the Iranian civil war of late 1978 and early 1979.

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Travelers sets new mark in earnings

BI ticker

DESPITE A CATASTROPHIC loss experience that was double that of the previous year, The Travelers Corp. achieved record results in operating earnings and net income during 1979.

Operating earnings went up 7% to \$387.6 million from the 1978 total of \$366.7 million, while net income showed a 9% gain, to \$395 million from \$361 million. The net income figure was boosted by an after-tax profit of \$7 million in investment gains.

Earnings from the company's property/casualty operations went up 3% during the year, to \$193 million from \$188 million. The company said gains from investment income offset deteriorating underwriting results, primarily from larger-than-normal catastrophic losses.

"Loss costs from this segment of our business were affected during the year by a succession of catastrophes, particularly Hurricanes David and Frederic," said Morrison Beach, Travelers chairman of the board. "Natural disasters cost about 40 cents per share in our 1979 earnings, compared with 20 cents in 1978."

Mr. Beach predicted that in the coming years the company would achieve at least a 15% average annual rate of return on shareholders' equity and that premiums would grow at a rate of 10% to 15%.

Reliance Group Inc. said 1979 revenues rose to \$1.27 billion, a 12% increase over the 1978 figure of \$1.1 billion, while net income from continuing operations went to \$75.6 million from \$64.6 million, an increase of 17%.

A 50% increase in the company's losses from catastrophes during 1979 contributed to the decline in profitability of property/liability business.

The combined insurance operations produced an after-tax operating income of \$92.4 million, 19% over the 1978 figure of \$78.5 million. Revenues were \$1.22 billion, up 12.5% from \$1.08 billion in 1978.

Pretax underwriting income from the property/casualty operations totaled \$2.5 million in 1979, a drop of 87% from 1978's \$19.4 million. Premiums written during the year went up 13% to \$964.2 million.

Progressive Corp. raised its dividend rate 25% when it announced a 32% jump in net income for the year. Net for the specialty insurer of property and casualty risks was \$10.6 million, up from \$8 million a year ago, on a 41% gain in premium revenues earned. For the final quarter, earned premiums rose 20.4%, and net income rose 69% to \$3.5 million from \$2.04 million. The company's combined ratio deteriorated to 98.2 from 93.8.

Reed Stenhouse Cos. Ltd. said first quarter commission and fee revenues rose 12.2% to \$40.2 million, while profits rose nearly 45% to \$355,000 from \$245,000. Reed Stenhouse's investment, dividend and rental income during the first quarter of its fiscal year rose 39%.

Rollins Burdick Hunter Co. said revenues rose 10% in the last quarter of 1979 and 10% for the entire year, while net income was up 11% in the final period and 13% for the year. Profits rose to \$9.8 million for the year, or \$2.23 a share, on revenues of \$67.7 million. For the last quarter, profit went to \$2.1 million or 48 cents a share on revenues of \$16.3 million.

Safeco Corp. reported income from operations in 1979 increased

10%, to \$137.6 million from \$125.5 million while net income increased 9%, to \$136.7 million from \$126.8 million.

The property/casualty operations of the Seattle-based company produced a pretax underwriting profit of \$69.6 million, an 8% drop from the previous year's \$75.3 million. Safeco president Roland Trafton attributed the lower earnings to record storm losses in 1979.

Investment income for the property and casualty group, which has been a crucial factor in insurance companies' earnings the past year, rose 17% during 1979 for Safeco, to \$71.7 million.

Officials at the **U.S. Fidelity & Guaranty Co.** say a 5% increase in net income during 1979—to \$229 million from \$218 million—wasn't as high as they would have liked, but was still a bit higher than competition in the industry might have led them to expect.

The increase was due primarily to a 28.5% increase in investment income—to \$173 million—and underwriting profits that "held up quite well considering the lack of rate increases and extraordinarily high inflation rates that prevailed throughout the year," said Williford Gragg, the firm's chairman of the board and chief executive.

The Baltimore-based company recorded an underwriting gain of \$143 million in 1979, a 25% drop from the \$190 million gained in 1978.

The combined loss and expenses ratio climbed to 93.3% from 89.9%.

Fierce rate competition in commercial lines pushed **Bituminous Insurance Cos.** gross written premiums for the fourth quarter of 1979 down 2% from a year earlier. The company's combined ratio meanwhile climbed to 100.3% compared with 98.2% a year earlier.

Bituminous had an underwriting loss for the year of \$385,000 compared with an underwriting profit a year earlier of \$2.4 million. In the final quarter, Bituminous's loss was \$670,000, compared with a \$2.14 million profit a year ago.

Investment income, however, rose 24% during the year, resulting in a 21.5% gain in operating income for the year and a 80% gain in operating income for the final quarter.

Kemper Corp. reported a 7.4% rise in insurance sales for 1979, and a 6.5% gain in insurance operating earnings for the year, despite the fact that rate competition, runaway claims costs and catastrophe losses severely depressed property and casualty underwriting results.

Insurance earnings were \$52.1 million for the year, equal to \$4.27 a share, up from \$48.9 million or \$4.14 a share in 1978, boosted by a 17.9% jump in investment income during the year.

Kemper Reinsurance Co. and its subsidiaries reported operating earnings of \$14.5 million, or \$1.19 a share, up 29% from \$11.2 million or 95 cents a share a year ago. Sales for the division were up nearly 9%.

Avemco Corp. said 1979 profits hit a record \$3.3 million, or \$1.33 a share, up 51% from 1978 earnings of \$2.2 million or 88 cents a share. A record underwriting profit achieved by the company's aviation insurance subsidiary made "a significant contribution to our excellent earnings," said William P.

Condon, president.

The insurance subsidiary also had record sales last year, tallying \$25.2 million in gross premiums written, up 31% from the \$19.2 million written in 1978.

NN Corp. of Milwaukee posted record earnings and revenues for 1979. Income from operations totaled \$30 million, an increase of 15.8% over 1978's \$25.9 million, while total revenue for all operations was up 9%, to \$422.7 million from \$386.9 million.

Property and casualty insurance operations reported a 1979 underwriting profit of \$9.4 million, up 8% over the 1978 figure of \$8.7 million.

NN Corp.'s property and casualty composite ratio was 95.4% for the year, a slight increase from the 94.3% recorded in 1978, but again lower than the industry average.

"We outperformed the industry by a record margin in 1979, largely due to cautious underwriting," said William Berry, NN chief executive officer. "We are also particularly pleased with the results of our specialty operations which include marine insurance, reinsurance, risk management services and surety bonds."

Harford Steam Boiler Inspection & Insurance Co. registered a 15% gain in operating revenues and a 7.5% gain in earnings during 1979, the company announced.

Operating revenues for the year totaled \$171 million, up from \$148

million in 1978, and net income increased to \$18.9 million from \$17.6 million. Operating income dropped 7% from the figure recorded in 1978, to \$16.8 million from \$18.1 million.

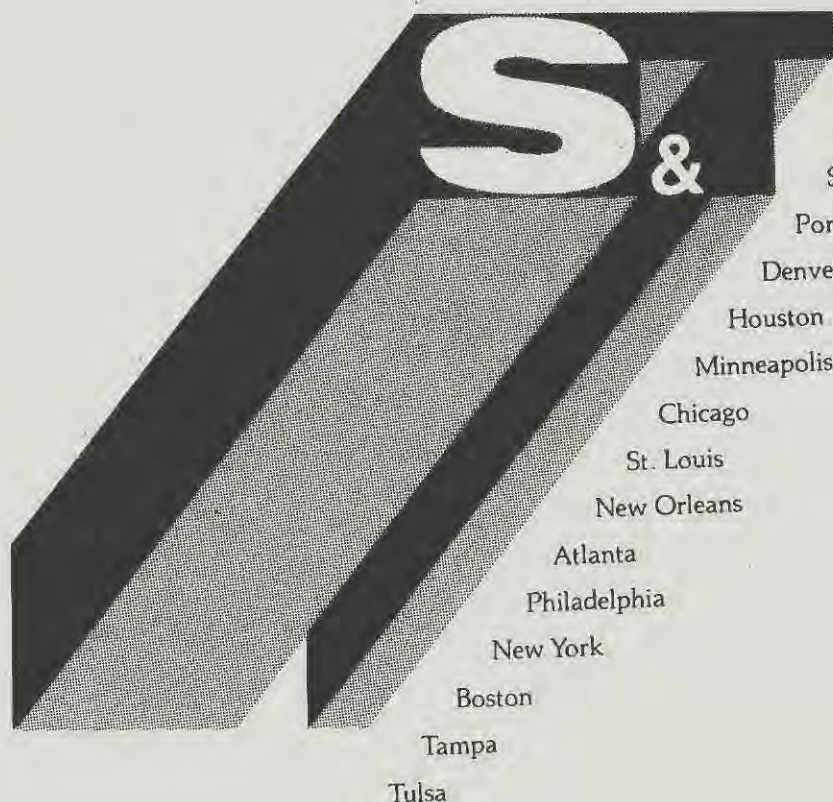
The company said that operating expenses rose 18% during 1979, mostly because of a 39% hike in engineering services expenses and a 12.7% rise in insurance costs.

Southwestern Life Corp. reports that net income for 1979, excluding investment gains, went up 8%, to \$41.8 million from \$38.5 million. Earnings per share were \$2.77, up from the 1978 figure of \$2.50.

Net income for the last quarter of the year, excluding realized investment losses, totaled \$10.3 million, a 15% jump over the fourth quarter figures of \$8.9 million in 1978.

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ERISA agency may lose Senate favor

By JERRY GEISEL

WASHINGTON—Congressional support for a single federal pension agency may have been eroded by the Office of Management and Budget's recommendation that ERISA administration continue to be divided between the Treasury and the Department of Labor.

Sen. Jacob Javits (R-N.Y.), who had been one of the Senate's leading backers of a single agency, will reconsider supporting the concept now that OMB has come out against the idea.

Sen. Harrison Williams (D-N.J.), another leading supporter of one agency, may also reconsider his support once he has finished reading the report, said Steve Sacher, special counsel to the Senate Labor Human Resources Committee.

The OMB report, though, appears to have changed few minds in the corporate benefit management community on the desirability of consolidating ERISA administration into one single agency. Those previously opposed to such a consolidation remain opposed, while single-agency enthu-

siasts have not wavered in their support.

In its final report, endorsed by President Carter, OMB recommended the establishment of a high-level but essentially powerless employe benefits council to oversee ERISA enforcement.

This advisory council, which would be cochaired by the secretaries of labor and treasury and would include members of at least 10 federal agencies, was suggested as an alternative to consolidating ERISA administration into a single agency.

According to OMB, the advisory council would foster more discussion and better coordination between the Treasury and the Labor Department. But the council still would be without power to force changes.

OMB decided not to endorse a single pension agency for fear there would be "extensive disruption" of ERISA enforcement at a time when stabilization is needed, said OMB task force director John McGruder.

Mr. McGruder also noted that the Carter Administration's ERISA reorganization plan, which



Shifting gears

Sen. Jacob Javits will reconsider supporting the pension agency concept now that OMB has come out against the idea.

went into effect early last year, reduced administrative problems fouling up ERISA administration.

Under that reorganization plan, IRS now has primary jurisdiction over pension plan standards for funding, participation, vesting rights and benefit payments. Labor has jurisdiction over fiduciary standards for pension and welfare benefit plans and issues exemptions from the prohibited transaction provisions of ERISA.

In the eyes of key members of the business community, the latest ERISA reorganization reduced the administrative infighting and duplication between the IRS and Labor that complicated ERISA enforcement.

"Things have been working out rather well" since the reorganization plan went into effect, said Michael Romig, director of employe benefits at the U.S. Chamber of Commerce. To change from dual administration to one federal pension agency would be like "changing life rafts in the middle of the

storm," he believes. "Let's get everything in place" before looking at one agency, he advised.

In addition, the Treasury and Labor Departments have by now established a "reasonably good" working relationship and this would be a poor time to upset that relationship by setting up one agency, said Ernest Griffes, director of employe benefits for Levi Strauss & Co.

Consolidating ERISA administration into one agency would simply add a layer of complexity, maintains Theresa Stuchiner, partner at Kwasha Lipton, a national benefits consulting firm in Englewood Cliffs, N.J.

Other members of the pension community, however, were deeply disappointed that OMB didn't opt for the single agency approach. Philadelphia attorney Howard Kline, a former staff member of the House Pension Task Force, says a single unified federal policy on employe benefit plans cannot be developed unless there is one pension agency.

Steve Schanes, former executive director of the Pension Benefit Guaranty Corp. and now head of a San Diego-based consulting firm bearing his name, believes enforcement and administration by one agency would be more economical.

Karen Ferguson, director of the Pension Rights Center and a consultant to the OMB task force, is convinced one pension agency can do a much better job of protecting pension plan participants' rights in the current dual administration.

But within government, there was public rejoicing that OMB favors the continuation of two pension agencies.

"How often does OMB praise a program?" asked Ian Lanoff, administrator of the Labor Department Office of Pension and Welfare Benefit Programs. "This must be unique."

Mr. Lanoff also rebutted criticism that a national retirement policy can only be achieved by having one pension agency. President Carter's Commission on Pension Policy already is mapping out such a policy, he pointed out. The OMB-recommended advisory council could take up the Carter commission's work when the commission disbands in early 1981, he thinks.

The OMB report was mandated by Congress last session when it approved the Administration's short-term plan to ease ERISA enforcement problems, on the condition the Administration develop by Jan. 31, 1980, a long-term solution to ERISA administrative problems.

IIAA raps briefings

WASHINGTON—The Independent Insurance Agents of America is burned up about the Commerce Department's efforts to explain to the business community two department proposals designed to ease the nation's product liability problems.

In a series of briefings to be held around the country this month, Edward T. Barrett, project director of the Task Force on Product Liability and Accident Compensation, is explaining to business groups (BI, Feb. 4) the key provisions of the department-drafted model product liability bill.

Mr. Barrett also will answer questions employers have about the Risk Retention Act, the Carter Administration-backed proposal that would allow firms to set up groups self-insuring their product liability risks under a federal charter.

But in a letter sent to Philip Klutznick, the newly installed secretary of commerce, the agents contend it is "inappropriate" for the department to discuss the Risk Retention Act at a time when the proposal is pending before Congress.

The agents also say it may be a violation of federal law.

Buck study

Rise in life expectancy may fuel pension costs

By ELLIS SIMON

NEW YORK—Industrial worker life expectancies rose sharply during the past five years, which could mean higher pension costs for employers, reveals a mortality study by Buck Consultants, an actuarial firm.

The typical 65-year-old man can expect to live 10 months longer than someone who was that age five years ago. Life expectancy for 65-year-old women increased by eight months since Buck last conducted its in-house mortality study in 1974.

A 65-year-old man can expect to live to age 80 while a woman that age can expect to reach age 84, the study says.

The study covered 700,000 active employes and 150,000 retirees of 24 of Buck's industrial clients. The 10-month improvement in life expectancy for men was four times larger than gains in life expectancy during the previous 10 years, said Douglas C. Borton, Buck's chief actuary.

Because longer lives will result in longer pension payment periods, costs for the typical industrial pension plan sponsor will increase 5% over the long run, said Stephen G. Peterson, a co-author of the study. Death benefit costs under group life plans would be reduced, however, he said.

The impact of the new mortality figures will vary to the extent a particular plan's population differs from the average and the speed with which the new figures are incorporated into a pension

plan's funding formula, he added.

Plans having a high concentration of older workers and retirees will be less affected by increased longevity than plans with predominantly young populations, if mortality improvement trends continue, he said.

Plans converting immediately to the new table could be confronted with cost increases of 10% or more.

But because the new tables contain a 10% margin for future mortality improvements, these plans could realize initial funding surpluses, that could be applied to reduce future contributions, Mr. Peterson noted.

Changes in interest rate or other assumptions could offset the higher cost of providing for longer life expectancy, said Jean Lindberg, Buck vp.

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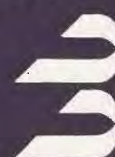


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Cafeteria benefits serve up success

By MARY ANN MATLOCK

PHILADELPHIA—Flexible benefits offer Educational Testing Service of Princeton, N.J., a sure-fire way to create employee enthusiasm for the company, attract new employees the company wants to hire and avoid anti-discrimination regulations.

The program, begun in 1974, will be expanded this year to offer ETS employees a supplemental cash option equaling 3% to 7% of salary, depending on an employee's years of service, on top of benefits already ranging from 3% to 6% of salary.

Not long ago, the plan was expanded to allow employees with less than one year's tenure with ETS to participate, where once it was restricted to employees with more seniority.

These changes are a testament to the success of the pioneer plan at ETS, which has paved the way for other employers to establish

Pioneer plan

"It's not been easy, but it's been worthwhile," says Mary Jane Klansky of ETS.

flexible benefit plans, otherwise known as cafeteria benefit programs. Only two other major companies—American Can. Co. and TRW Inc.—have experimented with these plans, offering them to large groups of employees.

"It's not been easy, but it's been worthwhile," said Mary Jane Klansky, ETS director of employee benefits, at a meeting of the Penjerdel Employee Benefits Assn.

here last week.

ETS spends 37.8% of payroll on benefits, of which 3.8% is for flexible supplemental benefits. By 1981, however, the company anticipates 4.5% of gross payroll, Ms. Klansky said.

Medical insurance for dependents and retirement annuity programs are the two most popular options in the flexible plan for the 2,500 participating employees, she noted.

The least popular option is accidental death insurance.

The new cash benefit offered this year is expected to be chosen by about 10% of the participants.

The company has found that the cycling rate—the number of times a selection ballot is returned to employees—tends to be very high in the early years of a flexible benefit plan. ETS had a cycling rate of 18 several years ago, but has reduced that rate to eight.

The program costs ETS \$1.4 million when it was begun, about 4%

of payroll. Three additional department employees have been hired on a part-time basis to handle the extra workload generated by the program, bringing to eight the number of administrators re-

quired to run ETS's cafeteria plan.

A computerized administration system, Ms. Klansky said, is a necessity for a flexible benefit program for the number of employees at ETS.

Group auto, legal plans win favor slowly: Exec

PHILADELPHIA—Group auto and legal insurance can become standard employee benefits if underwriters follow the slow path that made group life and health work, says a Prudential vp and actuary.

"There's no doubt group legal and auto will become employee benefits in the future—if we use lessons learned in group health and life, we'll be able to overcome difficulties," Arthur W. Ericson, vp and associate actuary at Prudential, told members of Penjerdel Employee Benefits Assn.

Bugs can be driven out, he noted, by developing programs, testing them on a limited basis and "taking it slowly."

Prudential currently is doing just that, with two group auto plans operating in California for a little over a year, and a group legal plan in the works.

The results of the group auto plans, he said, "are encouraging, but not meaningful yet" because of the newness of the programs. It takes several years for reliable data, he said.

He cited a study of 560,000 California drivers over a three-year period that found that although 89% of the drivers were accident free in the first two years, the same group accounted for 80% of accidents in the third year.

While these statistics indicate group auto can work, Mr. Ericson believes it is viable only if rates are structured into categories, depending on number of cars and age.

By using a system of three or more average rates, he said, 95% of drivers could save money by joining a group plan. However, if only one average rate system is used, about 18% of drivers could find cheaper rates by purchasing an individual policy.

Both of these take into account an employer contribution of 35% to 40% of premium.

Although this system could help alleviate underreporting problems plaguing the personal auto insurance lines, it may be difficult to design if employees live in different states.

The future of group legal plans depends on a closed-panel approach different from group auto.

This approach, yet to be tried, Mr. Ericson said, would provide

subscribers with access to a telephone legal service. If the problem remains unresolved the call would be referred to a panel of lawyers who have agreed to provide services according to a fee schedule set by the insurer.

This system, Mr. Ericson said, is necessary in light of statistics in an American Bar Assoc. survey that show a person has an average of 3.8 legal problems in a lifetime.

However, one-third of the population consulted a lawyer once once in a lifetime, while another third never consulted a lawyer.

This suggests that most legal problems are minor and could be handled by a phone call, Mr. Ericson said.

Other statistics show that 62% of persons surveyed believe lawyers are too expensive while 80% do not know what lawyers to approach for service.

By having the insurer hire a panel of lawyers to provide service, problems of unnecessary use of lawyers could be skirted, he said.

Prudential is contacting California lawyers to develop a closed panel group legal plan.



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Don Bell, vice president, tells how A&A works from a client's point of view:

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