

FEBRUARY 20, 1984

# business insurance

update

## Government not seeking review of Kaiser decision

WASHINGTON—A federal appeals court decision permitting self-insured Kaiser Steel Corp. to take tax deductions for reserves to pay uncontested workers compensation claims is not being challenged in the U.S. Supreme Court.

The Justice Department let the Feb. 6 deadline pass without filing a petition for a writ of certiorari with the high court.

Continued on next page

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$52 a year

Entire contents copyright 1984 by Crain Communications Inc. All rights reserved.

# IRS stance imperils flexible accounts

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service is taking its first swipe at tax-saving flexible spending accounts, and the blow might just kill most existing FSAs, consultants fear.

While an IRS news release issued Feb. 10 clearly fingers one specific type of FSA as invalid, consultants say two other popular forms of FSAs may well be in jeopardy, too. The only example the IRS news release gives of a valid FSA is a form seldom used, the consultants point out.

The IRS news release "is a potential indictment of all reimbursement arrangements. Don't assume otherwise until the IRS provides further guidance," warns Dallas Salisbury, president of the Employee Benefit Research Institute, a Washington-based benefits think tank.

And, the IRS says in its strongly worded 2½-page release that employers and employees who have taken advantage of the tax savings offered through FSAs are retroactively liable for additional taxes, interest and possible penalties.

Flexible spending accounts—also called flexible reimbursement accounts, employee spending accounts,

benefit banks or flex funds—are individual employee accounts that provide for pretax reimbursement of certain non-taxable benefit expenses.

The employee is allowed to spend these pretax dollars on items like health expenses that are not covered under the group health plan (like deductibles and co-payments), vision and dental care, dependent care costs and legal expenses.

Many employers instituted FSAs with the idea of making more palatable their efforts to shift more health care costs to employees in an effort to stem overutilization of health care.

FSAs have existed in one form or another since as early as the late 1970s, but really gained popularity in the last year. Hewitt Associates, a consultant based in Lincolnshire, Ill., reports that about 80 employers had FSAs by the end of 1983 with about 200 to 250 more expected to begin them this year. It estimates hundreds of thousands of employees are enrolled in such plans.

Other consultants, including The Wyatt Co. in Wash-

Continued on page 52

## Firms not yet altering plans

By SALLIE J. DRURY

Last week's Internal Revenue Service news release on flexible spending accounts is not scaring employers into altering their benefit plans. They want definitive IRS regulations before taking action.

"Until we get some clarification, we are just going to sit tight," said Albert C. Worrell, manager of employee benefits for Armco Inc. of Middletown, Ohio.

Armco's FSA was implemented Jan. 1 to lighten the burden of additional health care cost sharing by employees. The company contributes to the account and employees can contribute through salary reduction. Funds remaining in an account at year-end may be withdrawn by the employee or deposited into a 401(k) plan.

Mr. Worrell said the establishment of the FSA program helps Armco negotiate cost-containment measures with its unions. "Paying for medical expenses on a pretax basis is one of the biggest fac-

Continued on page 91



## Structuring settlements

Alternative to lump sums attracts self-insurers' interest

By STEPHEN TARNOFF

Self-insured companies and municipalities are increasingly turning to structured settlements as a better way to fund liability and workers compensation claims.

They are finding that this alternative to a lump-sum award can reduce the size of the settlement and cut litigation costs while guaranteeing a more secure financial future for plaintiffs.

Self-insurers that use structured workers compensation benefits also are finding that this funding vehicle can cut administrative workloads if an

annuity is purchased from a life insurer that takes on the task of sending out weekly checks and tracking claimants (see story, page 86).

Others believe the use of structured settlements can reduce self-insurers' excess insurance costs.

And, maybe most appealing, structured settlements can generate significant tax advantages for self-insurers that use them (see story, page 83).

There is no question that self-insurers are being attracted to structured settlements by these benefits, say consultants, corporate attorneys and claims personnel.

"Interest by self-insurers in the last two years has probably doubled," says Grant Peterson, a principal with Settlement Planning Inc., a consultant based in Minneapolis, Minn.

Consultant Bob Gallaher Jr. of Gallaher Settlements & Insurance Services Co. Inc. in Claremont, Calif., estimates that his company has seen a 50% increase in business from self-insurers since the company was founded three years ago.

"Self-insurers will be more involved in the future," predicts Don Cooper, liability program manager for Weyerhaeuser Co., the forest products giant based in Tacoma, Wash. Mr. Cooper has been involved in about a dozen structured settlements involving self-insured liability awards.

"I'd like to do more of them," he says.

"It really is growing," adds John J. Molloy, manager of workers compensation for K mart Corp., the retailer based in Troy, Mich., which self-insures its workers compensation risks. "They are so flexible and can solve so many problems for you."

Continued on page 81

## James to negotiate pact despite A&A's protest

By STEVE TARAVELLA

LOS ANGELES—Fred S. James & Co. of California is forging ahead with contract negotiations with the Southern California Rapid Transit District to administer insurance for the city's proposed \$3.4 billion Metro Rail project, despite protests from Alexander & Alexander Inc.

The Metro Rail, an 18.6-mile subway line, will be the first rail rapid transit line in the Los Angeles area and will be the initial segment of a 150-mile network to be developed over the next 50 years.

The system, scheduled to begin construction in June, will be built in an area with the highest residential and employment densities in Southern California, creating risks that will require a variety of insurance coverages.

James of California is an affiliate of New York-based Fred S. James & Co. Inc., which is no newcomer to public transportation systems. James, a subsidiary of Transamerica Corp., has served as insurance administrator on nine of 11 other major metropolitan transit projects, most recently in Pittsburgh.

The company's experience in arranging coverage for mass transit construction projects was the main reason the RTD chose James over other bidders for the insurance administrator job, explains John W. Richeson, RTD assistant general manager.

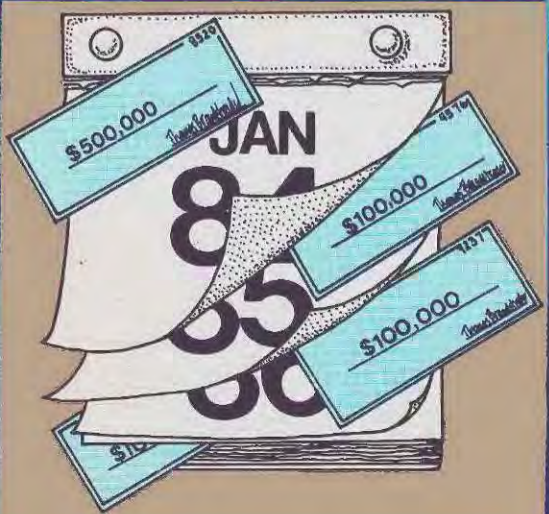
James of California was awarded rights to negotiate a contract with RTD through a sealed-bid competition in which A&A and Marsh & McLennan Inc. also participated.

A&A is protesting the RTD's choice of James, and claims that James is less qualified to administer the project than is A&A (BI, Feb. 13). A&A has asked the RTD to reverse its decision, which was announced Jan. 26, and to award negotiating rights instead to Metro Rail Insurance Administrators, a joint venture in which A&A is the major party.

A&A says it was the only one of the three brokers that met or surpassed the minimum eligibility requirements of a grading scale used by the RTD in the bidding process and claims it has learned that James had the lowest score on the scale.



Continued on page 88



## update

## Kaiser ruling not challenged

Continued from previous page

The failure to file means that the decision handed down Oct. 7, 1983, by the 9th U.S. Circuit Court of Appeals will remain the law of the 9th Circuit pending a Supreme Court ruling in another case.

Mary Butler, an attorney for Kaiser with the San Francisco firm of Thelen, Marrin, Johnson & Bridges, said that government opposition is "likely to continue" in other jurisdictions. The IRS may be hoping to obtain a decision in its favor in another district that conflicts with the 9th Circuit's, thereby setting the stage for the Supreme Court to grant review.

The 9th Circuit includes Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington and Guam.

## Stearns-Roger to appeal ruling

GLENDALE, Colo.—Stearns-Roger Corp. Inc. will appeal a recent federal court ruling that denied the worldwide construction company tax deductions for premiums paid to its Colorado captive insurance company.

Judge Jim R. Carrigan rendered the ruling in November and then withdrew it for reconsideration the following month. Stearns-Roger had hoped he would reverse the unfavorable decision, but instead he reissued it Jan. 10 with only technical legal amendments (*BI*, Jan. 2; Nov. 21, 1983).

Stearns-Roger's captive has not underwritten any new risks "for quite awhile" and is being wound down, said a spokesman. Stearns-Roger's risks are now being underwritten under a master program managed by its parent company, Air Products & Chemicals Inc. in Allentown, Pa., he said.

However, Stearns-Roger intends to "vigorously pursue" its suit with the government, said the spokesman.

## UNR files more claims

WASHINGTON—UNR Industries Inc. filed claims with nine federal agencies last week seeking to recover \$6.2 million in losses arising from its involvement in asbestos litigation.

The claims allege negligence on the government's part, stemming from the operation and control of government shipyards in which workers were exposed to asbestos products, an attorney for UNR said.

On Jan. 16, UNR sued the government directly in U.S. Claims Court seeking \$60 million for government liability in claims against UNR. The Chicago-based company filed for reorganization in July of 1982. It currently faces more than 20,000 claims for asbestos-related injuries.

## Judge denies Beacon payment

STATESVILLE, N.C.—Beacon Insurance Co. of Raleigh, N.C., may have fraudulently failed to explain all the reasons it wanted \$5.6 million in letters of credit posted by its reinsurer, Cherokee Insurance Co. of Nashville, Tenn., and will not be able to draw against the credit, pending arbitration, a federal judge ruled.

Both Beacon and Cherokee are defendants in a suit filed in U.S. District Court here by Universal Marine Insurance Co. of Bermuda, which contends that Beacon, its president Neill Portermain, Cherokee, a reinsurance intermediary and a managing general agency conspired to defraud Universal Marine of more than \$16.5 million in reinsurance premium, commissions and overcharges (*BI*, Feb. 13).

As part of its answer and denial of the allegations, Beacon requested that the court free \$3.9 million from Cherokee's letters of credit currently on deposit with two banks to cover claims from Beacon against Cherokee.

Instead, the judge ruled that the \$5.6 million be deposited in registry of the court pending a plan of arbitration between Beacon and Cherokee.

Although the charges filed by Universal Marine were unaffected by the ruling, sources involved in the litigation believe that Universal Marine's claims against Beacon and Cherokee may be combined into a single comprehensive arbitration involving all three insurers.

## NAIC forms Baldwin task force

KANSAS CITY, Mo.—The National Assn. of Insurance Commissioners has formed a special task force to investigate the marketing practices used by securities dealers and Baldwin United Corp. insurance subsidiaries to sell Baldwin single-premium deferred annuities.

Several B-U subsidiary insurers that sold the annuities are currently financially impaired and under rehabilitation in Indiana and Arkansas.

The new task force will be chaired by Iowa Insurance Commissioner Bruce Foudree.

## index

Benefit beat .....	76	Vol. 18, No. 8— <i>Business Insurance</i> (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to <i>Business Insurance</i> , circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1984 by Crain Communications Inc.
Classifieds .....	90	
Comings & goings: industry ..	80	
Datebook .....	77	
Info .....	78	
Insurance services guide .....	92	
Legal briefs .....	54	
Letters .....	8	
Opinions .....	8	
Perspectives .....	51	
Spotlight report .....	3	
Ticker .....	93	
Washington .....	79	

## N.Y. governor will propose bank deregulation legislation

By DOUGLAS McLEOD

NEW YORK—Gov. Mario M. Cuomo says he will propose legislation that would allow New York banks to underwrite and sell insurance.

The bill would also allow insurers to own banks. Details of the legislation will follow the recommendations of a temporary state commission formed last year to examine financial services deregulation, the governor said at a press conference last week.

"New York state has always been seen as a leader in banking, insurance and financial services," he said, adding that the commission's proposals "enlarge opportunities for business and protect consumers to an extraordinary degree."

Gov. Cuomo said he hasn't talked to state legislators yet about the legislation. But, he conceded that "it won't be easy" to convince the Legislature of the bill's merits because of objections from insurer and agent groups.

The Temporary State Commission on Banking, Insurance and Financial Services—made up of 17 voting members representing insurance, banking, securities and other interests—presented its final report to the

governor at last week's press conference.

The commission's proposals included:

- Commercial banks, savings banks and savings and loan associations should be allowed to act directly as insurance agents and brokers, effective Jan. 1, 1985. Banks should also be able to own agency or brokerage subsidiaries, though investments in this area should be limited to a percentage of the bank's assets.

- State-chartered banks should be able to own or acquire life insurance companies through a parent holding company, effective Jan. 1, 1986. This date would be moved up if the federal Bank Holding Company Act is revised to allow national bank holding companies to engage in such activity sooner.

- State-chartered banks should be able to own or acquire property/casualty insurance companies through a holding company, effective Jan. 1, 1988. The commission also recommended that before this provision takes effect, a joint legislative committee should be appointed to look at the "safety and soundness" of the move and recommend changes in the law.

- At the same time that state-chartered banks are

Continued on page 87

## Spencer funds reach \$42,500

NEW YORK—Contributions to the Spencer Foundation fund-raising reception kicking off the Risk & Insurance Management Society conference total \$42,500.

Sponsors that have donated at least \$5,000 include the Atlanta and Minnesota RIMS Chapters; two brokers, Fred S. James & Co. Inc. and Marsh & McLennan Cos. Inc.; two insurers, Royal Insurance Co. and American International Group Inc.; and *Business Insurance*.

Donors, that have contributed \$2,500 to \$5,000 include brokers Bayly, Martin & Fay and Rollins Burdick Hunter Co.; insurers Atlantic Mutual Cos. and Hartford Steam Boiler Inspection & Insurance Co.; and publisher National Underwriter Co.

Other contributors to the fundraiser are the Los Angeles Chapter of RIMS, the Society of Chartered Property & Casualty Underwriters, Crawford & Co., Ashford Holding Corp., Risk Planning Group Inc., A.M. Best Co. and Edwin Knetzger, president of Johnson & Higgins.

RIMS has pledged \$75,000 to sponsor the reception. All excess funds will be turned over to the Robert S. Spencer Memorial Foundation scholarship fund, which provides funds for college students majoring in risk management and insurance studies. For information contact RIMS at 212-286-9292 or Spencer Foundation President James Newton at 404-658-9000. ■

## Chief justice asks judges to block frivolous suits

By KATHRYN J. McINTYRE

LAS VEGAS, Nev.—The chief justice of the United States wants judges to stop attorneys from abusing the discovery process and to head off frivolous cases.

In his "State of the Judiciary Message" delivered at the mid-year meeting of the American Bar Assn., Chief Justice Warren E. Burger zeroed in on what judges can do to control attorneys who file frivolous cases and misuse the discovery process to build a case when they otherwise do not have one.



Mr. Burger

During discovery, which precedes a trial, each side is entitled to request information and documents from the other party, including depositions and interrogatories. Attorneys can draw out this process by making excess demands for documents and by not responding in a timely manner to reasonable demands for information.

Rules governing pretrial discovery were amended last year, the chief justice noted, and they now give trial judges "important pretrial management and oversight responsibilities and direct the judges to impose sanctions directly on attorneys who abuse the court's process."

To describe abuse of this process, Chief Justice Burger quoted anonymously one attorney who lamented the practice he described as "filing a complaint based on almost a rumor and then embarking on months of extensive pretrial discovery to find out if his client had a case."

The 1983 rule changes, the chief justice said, "authorize sanctions on lawyers for abuse of the privilege. A few carefully considered, well-placed \$5,000 or \$10,000 penalties will help focus attention on the matter of abuses by lawyers."

Acknowledging that judges complain they are already overworked, the chief justice countered that "litigation becomes a matter of the court's responsibility as soon as judicial power is invoked." The "essence of sound judicial administration," he said, is for judges to "keep in touch with the cases during the pretrial stage to make

Continued on page 90

## Bank appoints receiver for Oceanus

By STACY SHAPIRO

LONDON—Shipowners that have purchased coverage from Oceanus Mutual Underwriting Assn. (Bermuda) Ltd. should find another underwriter immediately, advises a receiver appointed by one of the club's creditors.

"We are not continuing to carry on business and we advise shipowners to seek insurance elsewhere because Oceanus has no money to pay claims," said a spokesman for the receiver, the accounting firm of Price Waterhouse.

Two weeks ago, Lloyd's Bank of London, one of Oceanus' secured creditors, enforced an Oceanus debenture that gave it the right to appoint a receiver for the Bermuda-based P&I club. The bank then appointed

two Price Waterhouse partners, B.H. Larkins in London and R.W. Kempe in Bermuda.

Lloyd's Bank is seeking more than \$10 million in loans and in guarantees to third parties, a spokesman for Mr. Larkins said.

Oceanus' manager, John Laing Management (Bermuda) Ltd., its London affiliate and other Oceanus officials would not return calls made by *Business Insurance*, to comment on the receiver's announcement.

Price Waterhouse says it will not seek to recover claims from other parties against Oceanus since it was not appointed by the Bermuda Supreme Court, which has jurisdiction over Oceanus.

Other Oceanus creditors are awaiting the outcome of a postponed court hearing in Bermuda on a petition to wind up Oceanus. The petition was filed last year by one of Oceanus' members, Flota Mercante Gran Colombiana S.A. of Colombia (*BI*, Jan. 9).

Flota is seeking \$625,000 from Oceanus, says Narinder Hargun, a member of the law firm of Conyers Dill & Pearman in Bermuda, which represents Flota. He said that the law firm also represents about 10 other Oceanus creditors.

Two other potential Oceanus creditors, AFIA Worldwide Insurance and Home Insurance Co. Ltd., both of the United Kingdom, oppose the petition to wind up

Continued on page 88

## errors &amp; omissions

- The address of Group VII Services Inc., a property/casualty claims administrator, is 136 William St., New York, N.Y. 10038. It was incorrectly listed in the Jan. 30 directory of claims administrators.

## How to use the directory

What risk management consultant provides the services you need?

You can find a wide array of consultants in the listing of risk management consultants, which begins on page 29.

The consultants listed answered a detailed questionnaire from *Business Insurance*. The listing is provided as an editorial service to our readers; the consultants do not pay to be listed.

In each listing, under the services provided category, consultants note what percentage of their business consists of continuous consulting (serving as the risk management specialist for the client, providing continuous evaluation of design and management of risk and insurance programs), risk management auditing (a one-time complete review of the risk and insurance program) and special projects.

Under special projects, consultants were asked to choose from a list of 12 frequently requested projects and note which they perform.

The directory lists the year the consultant was founded, whether it is independent or affiliated with a company that sells or brokers insurance and the consultants' locations.

You also will find:

- Information on the consultants' staffs.
- Information about clients and the size of their insurance and risk budgets.
- Information about the consultants' billing practices.
- Gross revenues and percent of fee-based billing.
- Principal officers and whether employees are members of either the Institute of Risk Management Consultants (IRMC) or the Insurance Consultants' Society (ICS).

If you want to locate a consultant by city or state, look at the geographical listing following the directory. Branch offices that perform risk management consulting, as well as home offices, are listed.

In the cases of Frank B. Hall & Co. Inc., Fred S. James & Co. Inc., and Marsh & McLennan Cos. Inc., their risk management offices were not listed separately from their brokerage offices. Therefore, these brokers do not appear in the geographical listing. Their offices are listed in the June 27, 1983, issue.

Consultants that do not appear did not respond to the *BI* questionnaire or are primarily brokers who do not perform a significant amount of risk management consulting.

Abbreviations for consultants' credentials include **AAI**, Accredited Advisor in Insurance; **ACAS**, Associate of Casualty/Actuarial Society; **AiC**, Associate, Insurance Institute of Canada; **AIU**, Associate in Underwriting; **AAA**, American Academy of Actuaries; **ALCM**, Associate Loss-Control Manager; **ARM**, Associate in Risk Management; **ASA**, Associate, Society of Actuaries; **ChFC**, Chartered Financial Consultant; **CIC**, Certified Insurance Counselor; **CLU**, Certified Life Underwriter; **CMC**, Certified Management Consultant; **CFA**, Certified Public Accountant; **CPCU**, Member, Society of Chartered Property/Casualty Underwriter; **CSP**, Certified Safety Professional; **FCAS**, Fellow, Casualty Actuarial Society; **FIIC**, Fellow, Insurance Institute of Canada; **FSA**, Fellow, Society of Actuaries; **IIA**, Insurance Institute of America; **MAAA**, Member, Actuarial Assn. of America; **MBA**, master's of business administration; **M.D.**, Doctor of Medicine; **MPA**, master's in public administration; **PE**, Professional Engineer; **R.N.**, Registered Nurse; and **ROT**, Registered Occupational Therapist.

Continued from facing page

**1983 gross revenues:** Not reported; 75% fee-based.

**Principal officers:** Joseph R. Bailey, president; David F. Ek, O. Ray Wall, vps.

### Barbara W. Akk & Associates

33 Sequoyah View Drive, Oakland, Calif. 94605; 415-562-2087

**Year founded:** 1981.

**Independent.**

**Services provided:** 25% continuous consulting; 20% risk management audits; 35% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding,

on-site training of risk management, safety and claims personnel; occasional captive feasibility studies, accounting system analysis, loss-settlement assistance, quantitative analysis and statistical forecasting, contracting for risk management and claims services; 20% educational workshops.

**Staff:** Two total staff; two professional staff members, including two principal consultants. Six part-time associates. Professional designations held by staff include two ARMs, one CSP, one attorney, one M.D.

**Clients:** Twelve total clients; 60% with risk and insurance budgets of \$1 million to \$5 million; 30% \$5 million to \$10 million; 10% more than \$25 million; no minimum size client.

**Compensation:** By the project; on retainer.

**1983 gross revenues:** \$100,000; 85% fee-based.

**Principal officers:** Barbara Y.

Akk, Gerald Surfus, Jana Hardy, principals.

### J.H. Albert International Insurance Advisors Inc.

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

**Year founded:** 1967.

**Independent.**

**Services provided:** 89% continuous consulting; 10% risk management audits; 1% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional claims auditing, loss-prevention audits, accounting system analysis, preparation of risk

management manuals, reports to boards of directors, drafting insurance policies.

**Staff:** 16 total staff; 11 professional staff members, including four principal consultants, five consultants, two analysts. Professional designations held by staff include three CPCUs, one ARM, two MBAs, one attorney.

**Clients:** 190 total clients. 70% with a risk and insurance budget less than \$1 million; 20% \$1 million to \$5 million; 5% \$5 million to \$10 million; 3% \$10 million to \$25 million; 2% more than \$25 million.

**Compensation:** By the hour: senior consultant, \$125; consultant, \$80; junior consultant, \$70.

**1983 gross revenues:** More than \$1.5 million; 100% fee-based.

**Principal officers:** Joseph H. Albert, president; Michael R. Rodman, George W. West, Thomas L. Atkins, vps.

Continued on next page

# IT'S RISKY AT THE TOP.



## Directors and Officers Liability

As a director or officer of a company or organization you are certainly aware that the higher your position—the greater your liability exposure.

Now, Schinnerer, one of the nation's oldest and largest Underwriting Managers, takes some of the risk out of being at the top with a comprehensive Directors and Officers Liability Insurance Program.

And, because you didn't get where you are by not being astute, you're going to appreciate our rates as much as our coverage.

Call your broker today and have him get a quote from us—after all, we know all about being at the top.

- Directors and Officers Liability
- Kidnap and Ransom
- Fiduciary Liability
- Crime Coverages

Victor O.  
**Schinnerer**  
& Company, Inc.

Program Administrators &  
Underwriting Managers  
For over 25 years...  
The Specialists

5028 Wisconsin Ave., NW  
Washington, D.C. 20016  
(202) 686-2850

303 E. Wacker Drive  
Three Illinois Center  
Chicago, IL 60601  
(312) 565-2424

40 Wall Street  
New York, NY 10005  
(212) 344-1000

595 Market Street  
San Francisco, CA 94105  
(415) 495-3444

*Continued from previous page*  
**Aldrich & Cox Inc.**

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

**Year founded:** 1951.

**Independent.**

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

**Staff:** Thirteen total staff; nine professional staff members, including nine consultants. Professional

designations held by staff include four CPCUs, two ARMs, one attorney.

**Clients:** 60 total clients; 95% with risk and insurance budgets less than \$1 million; 5% with \$1 million to \$5 million.

**Compensation:** By the project; on retainer; by the hour: consultant, \$50-\$75.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Herbert Cox, president; Charles H. Cox, James B. Hood Jr., vps.

**Member of:** IRMC.

**Allovio Corp.**

525 Dunham Road, St. Charles, Ill.  
60174; 312-377-7577

**Year founded:** 1970.

**Independent.**

**Services provided:** 60% continuous consulting; 20% risk management audits; 15% special projects, including frequent risk retention

analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss-prevention audits, loss-settlement assistance, risk management organization studies, quantitative analysis, OSHA-type inspections, fleet safety evaluation, evaluation of insurance company recommendations; 5% non-risk management services, including third-party workers compensation claims administration for self-insurers.

**Locations:** Sacramento, Calif.

**Staff:** Seven total staff; six professional staff members, including three principal consultants, two consultants, one analyst. Professional designations held by staff include two CPCUs, one CSP.

**Clients:** 20 total clients; 75% with risk and insurance budgets less

than \$1 million; 25% \$1 million to \$5 million.

**Compensation:** On retainer; by the hour: principal consultant, \$175; consultant, \$75; junior consultant, \$50.

**1983 gross revenues:** Not reported; 50% fee-based.

**Principal officers:** Joseph M. Allovio, president; Michael J. Buick, vp.

**Member of:** ICS.

**American Risk Services Inc.**

6600 France Ave. S., Minneapolis, Minn. 55435; 612-920-0106

**Year founded:** 1979.

**Independent.**

**Services provided:** 25% continuous consulting; 65% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract

analysis, broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, accounting system analysis, loss-settlement assistance, develop and design computerized risk management information system, employee benefit design and self-funding analysis.

**Staff:** Five total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include one attorney.

**Clients:** 40 total clients; 90% with a risk and insurance budget less than \$1 million; 10% \$1 million to \$5 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$80; junior consultant, \$55; clerical, \$25.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Mark T. Flaten, president; Dwight R. Sjoberg, vp.

**Anistics Inc.**

640 Fifth Ave., New York, N.Y.  
10019; 212-541-6050

**Year founded:** 1970.

**Parent company:** Alexander & Alexander Inc.

**Services provided:** 15% continuous consulting; 5% risk management audits; 70% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statistical forecasting, risk management information systems, rent-a-captive-type arrangements, captive management, risk pooling and re-insurance consulting arrangements; occasional insurance contract analysis, accounting system analysis, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; 10% financial transaction structuring for insurance companies.

**Locations:** Atlanta; Chicago; Denver; Houston; Minneapolis; Mountain View and Palo Alto, Calif.

**Staff:** 126 total staff; 87 professional staff members, including 22 principal consultants, 30 consultants, 35 analysts. Professional designations held by staff include seven CPCUs, five ARMs, 11 MBAs, six Ph.D.s, one FSA, one CDP, two CPAs.

**Clients:** More than 750 total clients; 15% with risk and insurance budgets less than \$1 million; 35% \$1 million to \$5 million; 35% \$5 million to \$10 million; 10% \$10 million to \$25 million; 5% more than \$25 million.

**Compensation:** By the project; on retainer; by the hour: senior consultant, \$125-\$250; consultant, \$75-\$110; junior consultant, \$40-\$65; clerical, \$15-\$40.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Peter M. Densen, president/chief executive officer; Luther T. Griffith, executive vp; Richard B. Hall, G. Theodore Nygreen, E. Richard Raas, Thomas J. Rodell, Charles L. Tucker, managing vps.

**Armour Riley Inc.**

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

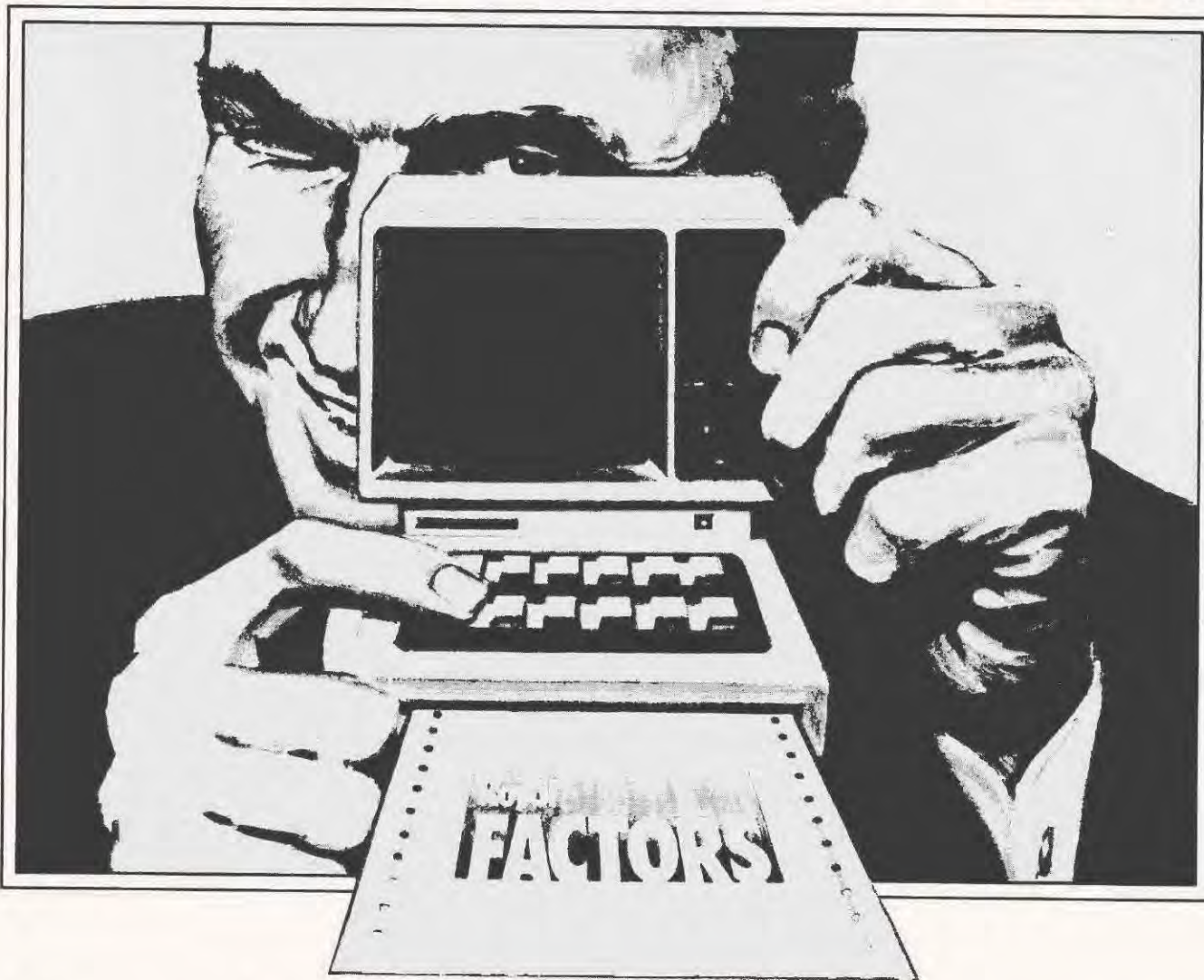
**Year founded:** 1972.

**Independent.**

**Services provided:** 40% continuous consulting; 35% risk management audits; 25% special projects, including frequent insurance contract analysis, analysis of necessary insurance limits, broker service and remuneration, risk management organization studies, preparation of specifications for bidding;

*Continued on page 34*

## Royal FACTORS gives you the risk management information picture instantly.



# Royal Responds

When the information you need for effective risk management is out of focus, or lost amid a pile of useless printouts, getting the facts you need can be a major problem. Now, with Royal FACTORS, our new advanced risk management information system, you get a clear picture of what you need instantly—and in the form you want.

Royal FACTORS (Fast Access Claims Tracking and Online Retrieval System) enables you to manage your own risk information using a customized setup of terminals, computer systems, hardware and applications software. It measures and tracks statistics relevant to you, and provides the information you need, when you want it, in the way you want it displayed. Royal FACTORS gives you online access to a custom-designed data base structured for your particular needs.

Fully menu-driven programs make it easy to key in your data to supplement the claim statistics input by Royal, and retrieve a wide range of risk management reports instantly on your video terminals or local office printers.

Plus, you'll have access to an extensive library of more than 1,000 offline reports which can be printed and mailed to you.

Contact your nearest Royal representative, or call Bill Devitt, National Accounts Division at (212) 553-3479 to find out how Royal FACTORS puts it all in focus for you.

**Royal Insurance**  
150 William Street  
New York, N.Y. 10038



# Risk consultants: Big and small

## Top independents offer diverse services

By DOUGLAS McLEOD

NEW YORK—The 15 largest independent risk management consultants are a diverse lot, based on their corporate makeup, their client and revenue bases and the range of their specialties.

Some are affiliates of actuarial consulting firms, while others have no parent companies. Some focus on continuous consulting relationships with clients, while others emphasize their skills in handling special risk management projects.

Many have particular risk management specialties acquired over their years in the consulting business.

In fact, even their 1983 performance was a mixed bag. Some showed substantial revenue increases, while others rose only marginally or stayed flat.

One of the common features of the 15 largest risk management consultants, as ranked by *Business Insurance*, is that all are independent of insurance company- or brokerage ownership.

Insurer- and broker-affiliated consulting divisions have been separated in part because of the difficulty of estimating consulting revenues, especially where risk management services are closely connected to insurance or brokerage services (see story, page 14).

The revenues of the independent firms aren't much easier to classify, though. Many of the companies reported income from functions traditionally outside the realm of "pure" risk management consulting, including third-party administration of self-insured plans and actuarial work for insurers.

Revenue figures of firms that include significant fees from such ancillary services are footnoted in the accompanying chart.

The largest independent risk management consultant, according to the *BI* survey, is Huggins Financial Services, a Philadelphia-based subsidiary of actuarial consultant Hay Associates, with \$3.7 million in 1983 revenues.

That figure doesn't include income from bank consulting, market research and executive financial planning units that were moved to Huggins from Hay Associates last year. But it does include about \$1.8 million generated by strategic planning, product development and actuarial work done for insurance companies, agents and brokers, according to Huggins President Phillip A. Turberg.

Continued on next page



**Wanted:** A risk manager, consultant, agent or broker with extensive risk management experience to handle a broad spectrum of varying assignments in diverse industries.

**Qualifications:** Ten years or more of combined industry, risk management and consulting experience. A track record as a self-starter and problem solver. Willingness to work long, flexible hours.

**Credentials:** Preference will be shown to candidates with professional and/or educational credentials including CPCU, CLU, ARM, MBA, CPA and others. Knowledge of accounting and small-business marketing techniques also helpful.

**Compensation:** Commensurate with performance.

If this help-wanted ad describes your

By RHONDA L. RUNDLE

ideal job, you could have a future as an independent risk management consultant running your own show. You'll be both employer and employee, working as the firm's principal consultant with perhaps a clerical assistant and a personal computer.

Since you'll be self-employed, you really won't be looking for this job in the classified ads, but the job description is a composite of the qualifications of the former risk managers, consultants, agents and brokers who today are sole proprietors of successful risk management consulting firms.

Some of them are former risk managers or brokers who later joined a big-name consulting firm before setting up their own shop. Some are former agents or insurance company claims examiners who came to consulting via an interim job somewhere as a risk manager.

A small number of such firms are owned by struggling entrepreneurs aiming to one

## 'One-man shops' enjoy working solo

day see their names next to those of the giants like Huggins Financial Services and The Wyatt Co. Some come from large-company backgrounds, but say they prefer working solo and want to continue in that independent mode.

However, most consultants running their own shops seem to have set them up because self-employment was the most attractive career alternative at a critical time in their professional lives. They were fed up with prescribed ways of doing things in a big firm, for instance, or because they lost a good job as a corporate risk manager.

Recent trends in the general economy and in the insurance business created these career crises in many cases.

Many risk managers were laid off along with other corporate staff during the recent recession. And, corporate merger mania squeezed some highly qualified risk

Company (parent)	Gross revenues	Clients	Professional staff	Offices
Huggins Financial Services (Hay Associates)	\$3.7 million <sup>1,2</sup>	230	41	3
The Wyatt Co.	3.3 million <sup>1</sup>	500	28	7
S.B. Ackerman Associates	3.2 million <sup>1,2</sup>	100	27	1
Risk Sciences Group Inc. (Crawford & Co.)	3 million <sup>1</sup>	400	51	3
Tower, Perrin, Forster & Crosby	2.6 million <sup>1,2</sup>	175	14	1
Betterley Consulting Group/ Rimco Risk Management Inc. (Tillinghast, Nelson & Warren)	2.5 million <sup>1</sup>	200	21	3
Ebasco Risk Management Consultants Inc.	2.25 million <sup>2</sup>	150	41	4
(Ebasco Services Inc.)				
Risk Planning Group Inc.	2.1 million <sup>1</sup>	147	18	1
Warren, McVeigh & Griffin	2 million <sup>1</sup>	50	16	2
J.H. Albert International Insurance Advisors Inc.	1.5 million	190	11	1
Corporate Policyholders Counsel Inc.	1.3 million <sup>1,2</sup>	235	10	1
McNeary Insurance Consulting Services Inc.	1.2 million <sup>2</sup>	225	16	1
(Booke & Co.)				
Insurance Buyers' Council Inc.	1.1 million	228	10	1
MRM/Multi-Risk Management Inc.	1.1 million <sup>1,2</sup>	120	14	2
Kevin F. Donoghue & Associates	850,000 <sup>2</sup>	82	6	1

<sup>1</sup>Includes revenue from sources other than billing for property/casualty risk consulting. <sup>2</sup>BI estimate. Excludes \$2.5 million in captive management revenue.

**Financial services**

Many risk management consulting firms say they're being asked by clients for their advice on the many new financial guarantee insurance products now coming on the market. In addition, risk management consultants are also being tapped by bank holding companies that are hoping to someday either underwrite or sell insurance products. See story, page 24.

**Where should you turn?**

There are many types of risk management consultants trying to get your business: Some are owned by brokers, some are owned by insurance companies and some are independent. All offer valuable services, but they may also have biases or vested interests. Which type of consultant is the right one for your company's needs? See story, page 20.

**Consultants' directory**

If you are looking for a risk management consulting firm, let *BI's* annual consultants' directory be your guide. You'll find important information about a variety of both independent and affiliated risk management consultants, including services provided, staffing, branch offices, compensation procedures and number of clients. The directory begins on page 29.

Continued on page 10

## Top consultants

Continued from previous page

Huggins is more "quantitatively oriented" than many other consulting firms, with more than half of its staff of 41 holding actuarial credentials, says Senior Vp Ronald T. Kuehn. Frequently performed services include loss-reserve and loss-forecasting analyses and risk financing studies.

Only about a third of the firm's 230 clients are buyers of insurance, while the rest are insurance or insurance-related companies.

Huggins' revenues rose 48% from \$2.5 million in 1982, Mr. Kuehn said, partly a result of the still-questionable state of the economy through a portion of the year.

"Our business runs countercyclically to the economy in general," he observed.

Second largest on the list of independent risk management consultants is The Wyatt Co., whose Chi-

cago-based risk management consulting unit generated about \$3.3 million in revenues 1983, up 10% from \$3 million in 1982.

The addition of two consultants in Wyatt's Toronto office produced most of the \$300,000 increase, said Vp Warren G. Brockmeier.

Revenues include a small amount of income from administration of a self-insurance program for the state of Michigan, publications and seminars and the expert testimony of Wyatt consultants.

Wyatt's risk management consultants do actuarial work for captive insurance companies and self-insured groups, but do not perform any services for commercial insurance companies.

"We try to avoid conflicts of interest that may arise in that respect," Mr. Brockmeier said.

Frequently offered services include evaluation of insurance programs, risk management administration, alternative risk-financing

studies and evaluation of broker performance.

The company also offers industry surveys, which analyze losses, premium costs or liability limits for a range of companies in a given industry where companies might not want to share information with an industry association.

S.B. Ackerman Associates of New York generated an estimated \$3.2 million in revenues last year to rank third, though the company earned about half of this by acting as a third-party administrator for self-insured plans, most often for hospitals, according to Bernard A. Salwen, an Ackerman partner.

Ackerman also consults on the design of self-insured plans, but Mr. Salwen emphasized that to avoid conflicts of interest, the firm won't administer plans it designs.

The other half of the firm's revenues comes from traditional consulting sources like captive feasibility

studies, preparations of insurance program specifications for bidding and consulting on the organization of risk management programs.

Because of its relatively large number of hospital clients, Ackerman is heavily involved in the design and review of structured settlements for large malpractice and general liability losses, he added.

About 65% of Ackerman's more than 100 clients receive continuous consulting services, for which the firm charges a yearly retainer fee.

Risk Sciences Group Inc. in Sausalito, Calif., a subsidiary of Crawford & Co., produced about \$3 million in 1983 revenues. About \$1 million of this represents fees for clients' use of the company's computerized risk management information systems, according to President Joseph A. Destein.

Another \$1 million was produced by the custom design and implementation of risk management in-

formation systems for clients, including the tailoring of computer software to the client's needs.

More traditional consulting activities—such as insurance program analysis, loss development and reserve analysis, premium/loss allocation and other cash-flow studies—accounted for the final \$1 million in revenues.

Risk Sciences has added some new computer products in the last year, including a new on-line interactive risk management information system called SISDAT-Plus.

Risk Sciences, with more than 400 clients, emphasizes special risk management projects, which generate 80% of its revenues, rather than continuous consulting, which produces only 20%.

Actuarial consultant Towers, Perrin, Forster & Crosby declined to reveal its risk management consulting revenues, but *Business Insurance* estimates them to be about \$2.6 million, which ranks them as the fifth-largest consultant.

Some of TPF&C's risk management work has involved strategic planning studies, reserve analysis and general operational reviews for commercial insurers, notes Vp Richard T. Delaney.

TPF&C also does a lot of work with captives, he added, including strategic planning studies for captives that have run into trouble with third-party risks, as well as feasibility studies for captives that are just beginning to consider third-party underwriting.

Other services include insurance program analysis, preparation of insurance packages for bidding and quantitative analysis and statistical forecasting, an area on which Mr. Delaney says the firm places heavy emphasis.

Mr. Delaney would not separate revenues from insurance company consulting from those for risk management work.

TPF&C, with 175 risk management clients, draws 80% of its revenues from special projects and risk management audits, and only 20% from continuous consulting.

The risk management consulting divisions of actuarial consultant Tillinghast, Nelson & Warren include Betterley Consulting Group of Newton, Mass., and Dallas-based RIMCO Risk Management Inc., which was acquired last year.

Together, the two divisions produced \$2.5 million in 1983 revenues, with Betterley accounting for \$1.5 million and RIMCO for \$1 million. Betterley's income rose slightly from 1982, while RIMCO's fell 23% from \$1.3 million.

Risk management audits comprise the bulk of Betterley's business, according to Managing Principal George M. Betterley.

Other frequent services include analysis of the adequacy of a company's claims handling procedures; analysis of deductible and self-insured retention levels; review of the organization of risk management departments (where the trend since the advent of computer information systems has been to cut back); and actuarial work, loss reserve calculation and reviews of reinsurer adequacy for self-insurers.

Betterley has done an increasing amount of actuarial and general management consulting since becoming a unit of Tillinghast, Mr. Betterley added.

RIMCO also performs a wide range of services including insurance contract analysis, claims auditing and self-insurance studies.

The two Tillinghast divisions have 100 clients apiece, and at each, continuous consulting represents 30% of revenues, compared with 40% drawn from risk management audits and 30% from special projects.

Ebasco Risk Management Consultants Inc., the New York-based subsidiary of Ebasco Services Inc.,

Continued on page 6



# THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.

It's too late after your business has been struck by disaster.

That's why it's a good idea to consult an Independent Insurance Agent before you buy your business policy. An Independent Agent represents several companies—not just one. So you get



expert, professional advice on how to select the best business insurance coverage at the best price.

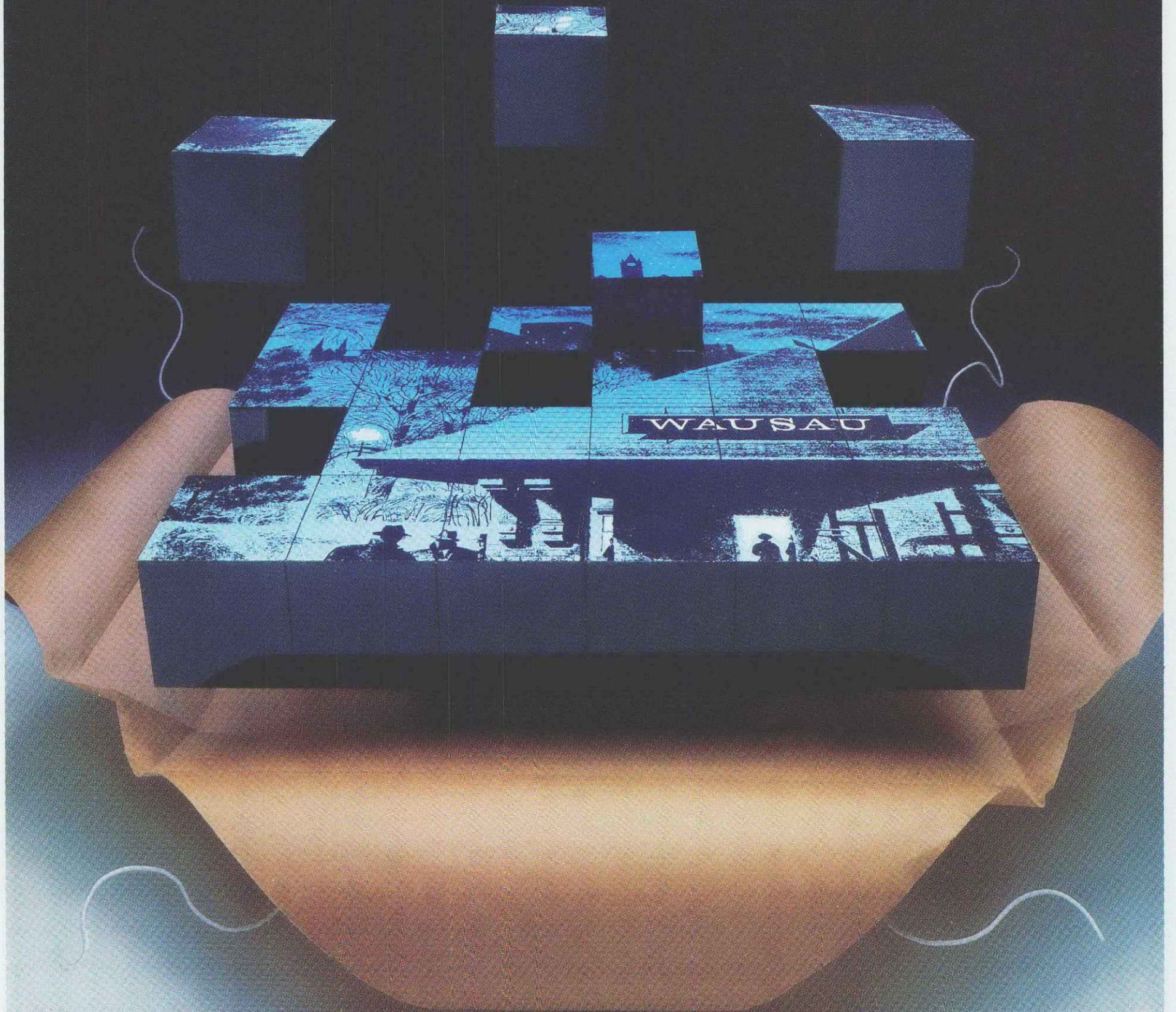
And right now your Independent Agent is offering an informative free booklet that can help make choosing the right business insurance a little easier. Get it. Before you need it.

You'll find the Independent Insurance Agent nearest you listed in the Yellow Pages under the Big "I" symbol.



THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.

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



## Nobody unbundles like Wausau unbundles.

If yours is a self-insured company, or if you have a captive insurance company, there are still plenty of ways you need help to maintain *excellence* in your risk management programs.

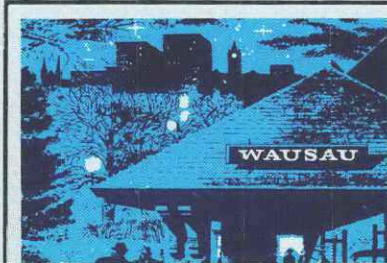
Wausau has all the services you need. And we sell them to companies like yours, *regularly*. We're not just learning how to do it. It's part of what we've been doing for

*years* to make business insurance work for a living.

From loss-control consultation and claim handling to fire-control laboratory testing — and literally a score of services in between — Wausau's experience and resources are available to you. And all this help is as close as your nearest Wausau Insurance office. So you have the convenience of dealing

with a single company. For *any* service.

Look us up. Call us up. If you need to "pick and choose," you can't pick a better source.



**WAUSAU  
INSURANCE  
COMPANIES**

Wausau, Wisconsin 54401

## Top consultants

Continued from page 4  
generated 1983 revenues of \$2.25 million from consulting operations to rank No. 7.

That figure doesn't include another \$2.25 million in captive management fees that are combined in the unit's 1983 revenues of \$4.5 million, says Senior Vp Donald R. Cook. Included is a small amount of revenue from third-party administration of benefit plans.

The risk management unit showed no revenue growth from the previous year.

The bulk of Ebasco's business came from surveys and audits of insurance and risk management programs, along with captive feasibility studies, claims consulting and preparation of insurance programs for bidding, Mr. Cook said.

Coverage review and claims administration for hospital clients brought in between 10% and 15% of

the unit's revenues, he noted, adding that municipalities and other government bodies constitute a growing source of business.

Ebasco also has an "affinity" for utility industry clients, though Mr. Cook stressed that it doesn't concentrate on this segment of the market exclusively. Ebasco Risk Management was started to handle the risks of Ebasco Services, architects and engineers of power plants, he explained. About 30% to 35% of the risk management unit's business comes from gas and electric utility industry clients.

The risk management unit has 150 clients. About 35%—mainly utility clients—receive continuous consulting services for a yearly retainer fee. Special projects comprise another 35% of the firm's revenues, while risk management audits account for 25%.

Risk Planning Group Inc. of Darien, Conn., produced \$2.1 mil-

lion in 1983 revenues, up 31% from \$1.6 million in 1982. About \$630,000 of this represented income from publications and seminars, says H. Felix Koman, president.

Also included is revenue from benefit plan consulting, which is occasionally included in an overall risk management review.

Demand for strategic planning studies for captives, where RPG has long been a specialist, increased last year, as did demand for risk management audits, which produce about 35% of revenues, he said.

E.P.G., with 147 clients, brought in another 45% of its revenues through special projects, and only 20% through continuous consulting.

Other frequent services include review of risk management department administration, analysis of information systems and planning studies for banks looking at insurance operations.

Warren, McVeigh & Griffin, based in Newport Beach, Calif.,

produced \$2 million in revenue in 1983, up 33% from \$1.5 million in 1982, to rank ninth.

About \$400,000 of this year's income was derived from publications and seminars, and a small amount—less than 10%—came from administrative and claims-auditing services for self-funded employee benefit plans, says Chief Executive Officer Bud Griffin.

The firm is performing an increasing amount of claims auditing and actuarial work, especially for self-insured public entities in California, he said. Risk management audits and special projects account for 80% of revenues, with continuous consulting producing 20%.

The operations of J.H. Albert International Insurance Advisors Inc. represent a "philosophical departure" from those of other firms, according to Vp George W. West.

Albert consultants prefer not only to review a client's operations

and give advice, but also to help the client follow through on that advice over the long term, he said.

About 89% of Albert's \$1.5 million in 1983 revenues came from continuous consulting services, the highest percentage of any of the top 15 consulting firms. About 10% came from risk management audits and 1% from special projects.

Frequently provided services include policy drafting and analysis, quantitative analysis and statistical forecasting. Its computer system allows it to perform loss-forecasting studies and financial analysis of different insurance programs.

Corporate Policyholders Counsel Inc. of Chicago declined to report its revenues, which *Business Insurance* estimates to be \$1.3 million, ranking it 11th. About 10% of this amount was produced by employee benefit consulting services including plan design, said Bruce S. McCallum, executive vp.

CPC generates between 40% and 50% of its revenues by preparing insurance programs for bidding, and another 40% by doing alternative risk financing studies, where consultants have seen less interest in captive and pooling arrangements and more in such commercial insurance products as retrospective-rated and guaranteed-cost plans, he said.

For one client, the firm examined a Chapter 11 bankruptcy filing as a risk-financing alternative.

About 65% of CPC's revenues came from continuous consulting, vs. 20% for audits and 15% for special projects.

McNeary Insurance Consulting Services Inc., a subsidiary of actuarial consultant Booke & Co. based in Charlotte, N.C., produced an estimated \$1.2 million in 1983 revenues. About 10% was derived from loss reserve and ratemaking analyses for captives, according to President William C. Moore Jr.

Another 15% was produced by loss-prevention and engineering services. The firm's staff includes a professional engineer and a certified engineering technician, who make routine safety inspections for many of the firm's 225 clients and help design and review loss-prevention programs.

Insurance Buyers' Council Inc. of Baltimore produced \$1.1 million in 1983 revenues, up marginally from \$1 million in 1982.

About 78% of the firm's income comes from continuous consulting, with frequent services including bid specification work and quantitative analysis and statistical forecasting. Audits and special projects account for the remaining 22%.

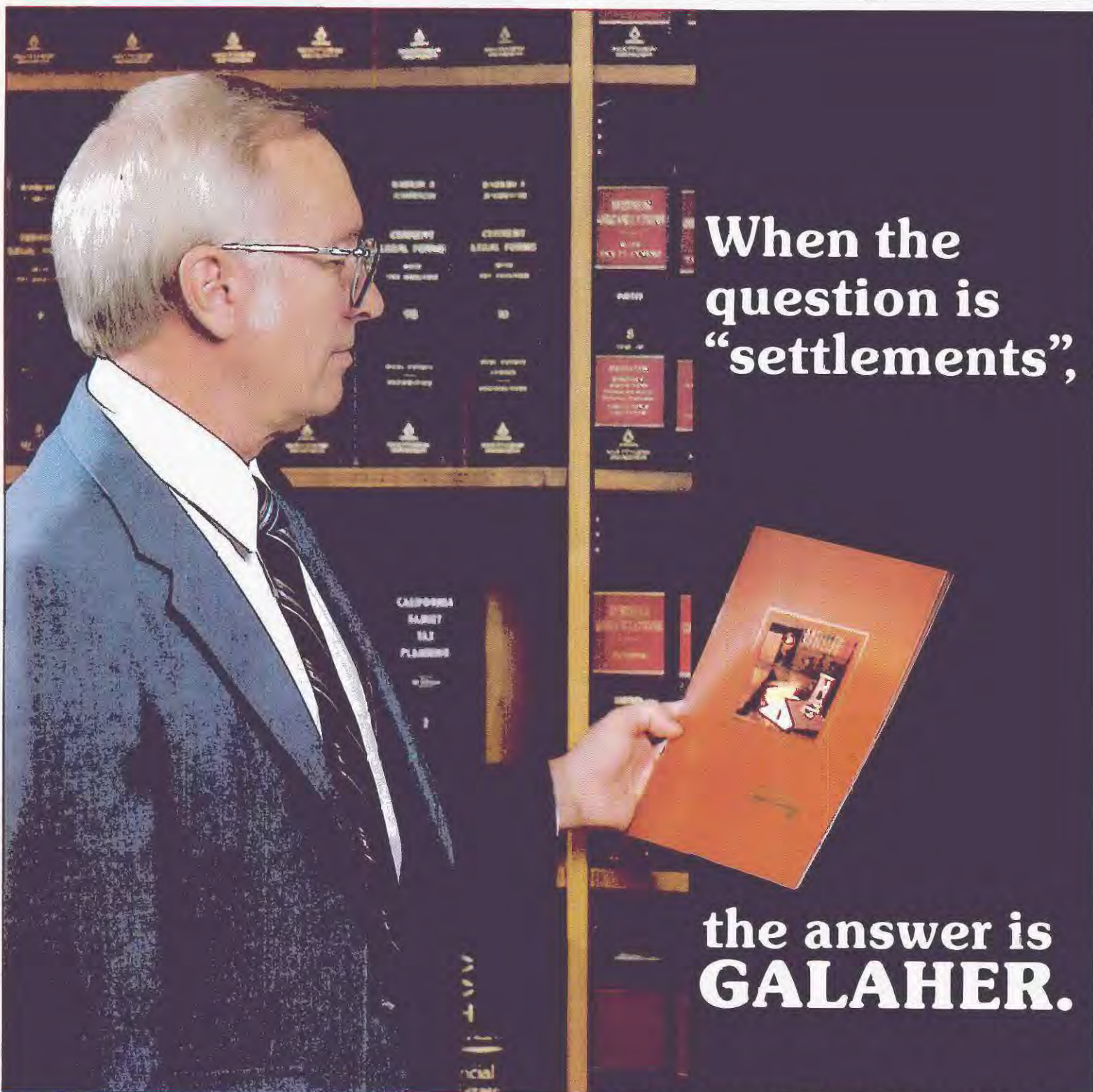
About 50 of the firm's clients—mainly hospitals and public entities—are self-insured for cover like workers compensation, general and auto liability and professional liability, says Bernard J. McGovern, president and treasurer.

Chicago-based MRM/Multi-Risk Management Inc. also generated an estimated \$1.1 million in 1983 revenues. Employee benefits consulting brought in between 35% and 40% of this, and will probably account for 50% this year, said Michael E. Burack, president.

About 85% of revenues come from continuous consulting, with 10% from audits and 5% from special projects.

Boston-based Kevin F. Donoghue & Associates produced 1983 revenues estimated at about \$850,000. One major source of business last year was evaluation of workers compensation insurance alternatives in light of rate deregulation in several states, said President Kevin F. Donoghue.

The firm's other services include policy review, loss prevention, claims analysis and alternative risk financing studies. With 82 clients, 80% of Donoghue's revenues were generated by continuous consulting, with 15% from audits and 5% from special projects.



# When the question is "settlements",

# the answer is GALAHER.

Finally, one source for all your questions regarding the structured settlement concept of tort cases. Galaher Settlements just wrote the book — send for your free copy now!

**Galaher Settlements**  
and  
Insurance Services Company, Inc.



### GALAHER SETTLEMENTS

250 W. First St., Ste. 252  
Claremont, CA 91711

or call (714) 625-2305

(800) 426-0385 Outside CA

Name \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

## INDEX OF SPECIAL PROVISIONS

Coverage under Section I is required for this Policy to be in effect and specified coverages for Section I shall be indicated elsewhere in the Policy. Coverage under Sections II, III and IV are optional and shall be indicated by an "X" in the appropriate box.

SECTION I		
<b>GENERAL PROPERTY</b>		
A. Amount of Insurance	_____	
B. Limits of Liability	_____	
C. Deductible	_____	
D. Contribution Clause	_____	
E. Business Interruption	<input type="checkbox"/> YES	<input type="checkbox"/> NO
F. Extra Expense	<input type="checkbox"/> YES	<input type="checkbox"/> NO
G. Broad Flood Coverage	<input type="checkbox"/> YES	<input type="checkbox"/> NO
H. Broad Earthquake Coverage	<input type="checkbox"/> YES	<input type="checkbox"/> NO
I. Repair or Replace	<input type="checkbox"/> YES	<input type="checkbox"/> NO
J. Brands and Labels	<input type="checkbox"/> YES	<input type="checkbox"/> NO
K. Automotive Vehicles	<input type="checkbox"/> YES	<input type="checkbox"/> NO
L. Credit for Existing Insurance	<input type="checkbox"/> YES	<input type="checkbox"/> NO
M. Valuable Papers and Records	<input type="checkbox"/> YES	<input type="checkbox"/> NO
N. Accounts Receivable	<input type="checkbox"/> YES	<input type="checkbox"/> NO
O. Electronic Data Processing	<input type="checkbox"/> YES	<input type="checkbox"/> NO
SECTION II		
<b>BOILER AND MACHINERY</b>	<input type="checkbox"/> YES	<input type="checkbox"/> NO
SECTION III		
<b>FIDELITY</b>	<input type="checkbox"/> YES	<input type="checkbox"/> NO
SECTION IV		
<b>OCEAN CARGO</b>	<input type="checkbox"/> YES	<input type="checkbox"/> NO

## APPLICABLE TO ALL COVERAGES

**JOINT LOSS DEDUCTIBLE:** When this Policy covers more than one location, the deductible amount(s) shall apply against the total loss or damage covered by this Policy in any one occurrence.

If two or more deductible amounts provided in this Policy apply for a single occurrence, the total to be deducted shall not exceed the largest deductible amount(s) applicable unless otherwise provided in this Policy.

If this Policy insures against both Property Damage and Business Interruption losses, the deductible amount as shown in this Policy shall apply to the combined loss of Property Damage and Business Interruption unless indicated otherwise.

# We call it adaptable. You'll call it a cinch.

What you see here is a page from our Adaptable Policy. Just a glance will tell you that no other property policy can make life as a broker so easy for you.

Coverages available with the Adaptable Policy are spelled out for you on this one page.

Property coverage under Section I is required and transportation coverage is automatic. Other coverages are optional. Your clients simply say "yes" or "no" to such options as EDP coverage, Boiler and Machinery, Fidelity, and Ocean Cargo. Generally,

they say "yes."

Selling is easy. Gaps between coverages are minimized. Separate policies are a thing of the past. Billing is simplified. As we say, it's a cinch.

It's easy to get all the details, too. Give us a call.

## Affiliated FM Insurance Company

Associated with Allendale Mutual Insurance Company, a member of the Factory Mutual System

Allendale Park, P.O. Box 7500, Johnston, RI 02919, Telephone (401) 275-3000

## opinions

# There's no time to waste

**I**F YOUR COMPANY OFFERS employees a flexible spending account—or you are ready to do so—pick up a pen, a dictaphone or sit down at a typewriter right now and fire off a letter to the Internal Revenue Service and your Congressmen protesting the recent press release from the IRS that implies these plans aren't authorized under the tax code.

A loud outcry from employers could squash the IRS attack on these plans, but you have to act fast so that the IRS and Congressmen are flooded with protests. It's the only way to get their attention.

The option of using flexible spending accounts as a health care cost-containment strategy is at stake here, not to mention huge expenses incurred by employers in redoing W-2 forms and the frustration of employees who would be hit with taxes they did not expect (see story, page 1).

The IRS must be convinced to reverse its position stated in its recent press release that the only valid flexible spending account is one in which the employee prospectively chooses between cash or non-taxable benefits and in which any funds remaining in the account at the end of the year are forfeited.

Few, if any, employers have established this type of FSA—and with good reason.

If the employee is given money by his employer to use for non-covered medical expenses or he contributes his own money to an FSA for such purposes, he is going to be greatly encouraged to use all that allotted money whether he truly needs medical treatment or not if the only other option is to lose the unused money at year-end.

Now, while the IRS obviously sees some advantage to this type of arrangement, all we see is a 180-degree turn away from the national movement to contain runaway health care costs. Such arrangements clearly would promote overuse of medical care.

Further, if it is extra revenue the IRS is seeking in this attack on FSA plans, we think it's obvious it has not thought out its strategy.

Consider current FSA plans in which the employer

totally funds the account and tells the employee that if he watches his medical expenses throughout the year, as a reward he can keep any extra cash left in his account at year-end. That cash then becomes additional taxable income to the employee and, voila, the government has the extra revenue it is seeking.

Even if we could accept the IRS' apparent ignorance of the efforts employers have been making to contain health care costs through FSAs and other positive aspects of FSAs, we still could not condone the IRS' method of communicating its views.

Employers have for five years repeatedly asked the IRS to issue regulations to guide them in their implementation of cafeteria benefit plans and FSAs permitted under Section 125 of the Internal Revenue code. Now, they get from the IRS a vaguely worded, very confusing press release. A press release is no substitute for regulations and a poorly written press release only confuses the issue.

**I**F IRS COMMISSIONER Roscoe Egger is suddenly worried about the FSAs springing up across the country, he deserves the headache. But rather than taking a sledge hammer to FSAs, Mr. Egger, we suggest you try to construct regulations that preserve the benefits of FSAs within the parameters of acceptable tax policy.

First, start opening the mail flooding in from outraged employers and listen to their explanations of how they validly are using FSAs.

Then, get your staffers cracking on the formation of the regulations for Section 125.

And, in the meantime, issue a new press release that says, pending final regulations, all current FSAs can continue to operate and that new rules will be applied prospectively, not retroactively. As far as issuing a question-and-answer bulletin to clarify the IRS position on FSAs, don't do it until you have all the information.

Employers deserve that much. After all, five years is a long time to wait to hear a speaker, only to realize he's come unprepared.

## letters

### Ohio employers are developing a comp strategy

To the editor: The article "Ohio employers to fight comp proposal" regarding Ohio S.B. 301 (*BI*, Jan. 16), is yet another case of sensationalized journalism.

Yes, Ohio employers are deeply concerned that this bill could vastly increase workers compensation costs. Yes, they are worried that it would destroy the system that exists today, effectively creating a supplemental pension fund. And, yes,

businesses will probably flee Ohio, leading to yet higher unemployment.

But we, as members of the Cleveland-Akron RIMS chapter, take great exception to the inference that "business leaders in Ohio are scrambling behind closed doors..." Rather, we are attempting to educate our legislators that such a bill would be detrimental to everyone's interests in Ohio.

**Victoria I. Fairman**

President  
Cleveland-Akron Chapter  
Risk & Insurance Management Society

■ In the context of the full article, the reference to "behind closed doors" clearly referred to business leaders' efforts to develop a strategy to educate legislators and other employers about the proposal.

### A TPA's adaptability must fit an employer's needs

To the editor: In the article "Decide what you want from an administrator" (*BI*, Jan. 30) a comment I made was taken out of context. I did not say: "The typical insurance company approach is to deny every claim." Surely insurance companies do pay claims according to policy provisions or they would be out of business by public avoidance or insurance commis-

sioner mandate.

One major reason that employers self-fund their benefits is to obtain claim processing consistent with their benefit philosophies and moral attitudes toward their employees—whether the claims are processed by administrative services only (insurance company) contracts or third-party administrators. Some employers

have changed to self-funded plans because claims were too stringently processed. A TPA's adaptability to match an employer's desired philosophy is a major processing advantage.

**E. Drew Crowley**

Senior Vp  
James Benefits  
Salt Lake City

### One more for claims

To the editor: Regarding your Jan. 30 issue, I am disappointed that Medical Claims Service Inc. was not included as one of the third-party administrators listed.

From a size standpoint, we represent approximately 200 corporate clients and have a staff of 50 employees with an adjusting staff of 16. We are currently paying approximately 150,000 claims a year and handle group medical, dental disability income and vision care programs.

**William G. McKelvey**  
President  
Medical Claims Service Inc.  
Boston

### A position that serves insurers

To the editor: Your editorial opposing taxing a portion of individuals' employer-paid health insurance premiums is probably technically correct, but as a matter of fairness and equity is totally incorrect.

The additional revenues generated by such a tax would lessen our deficits and, in fairness, would not tax millions that do not have premiums paid for them that exceed the tax cap. As the total cost for all involved—the companies and the individuals—gets higher, the more the impetus to control rising medical costs.

Your position on this issue just serves

the insurers that receive the higher and higher premiums.

**David S. Flowers**  
Secretary/treasurer  
The Flowers Co.  
Hickory, N.C.

*Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

## business insurance®

Reporting weekly for corporate risk,  
employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Managing Editor: Lorrie Gibson (Chicago)

Assistant Managing Editor: James M. Burcke (Chicago)

Senior Editor: Len Strazewski (Chicago)

**CHICAGO:** Carol Cain (Associate Editor)  
Sallie J. Drury (Associate Editor)  
Stephen Tarnoff (Associate Editor)  
Pamela DeFiglio (Agent/Broker Topics Associate Editor)  
Claudette Dampier (Assistant Copy Editor)  
Merrill S. Saltzman (Graphics Editor)  
Amy Palmer (Graphic Artist)  
Dorothy Parr Riesen (Proofreader)  
Diane Kastiel (Editorial Assistant)

**LONDON:** Stacy Shapiro (Associate Editor)

**LOS ANGELES:** Rhonda L. Rundle (Bureau Chief)  
Steve Taravella (Associate Editor)

**NEW YORK:** Douglas McLeod (Bureau Chief)

**WASHINGTON:** Jerry Geisel (Washington Editor)

**Corporate:** Todd E. Fandell (Corporate Editor)  
Joe Faraci (Corporate Art Director)

**Advertising Director:** Donald A. Walsh (New York)

**Midwest Sales Manager:** Robert L. Niesse (Chicago)

**CHICAGO:** Deborah D. Neale (District Manager)  
Beverly J. Kluxdal (District Manager)  
Fran Prybylo (Production Manager)

**LOS ANGELES:** Sue Eisenberg (District Manager)

**NEW YORK:** Charles A. Horvath (District Manager)  
Jack Forrest (District Manager)  
Nancy Ellen Zelman (District Manager)  
Marianne J. Dueweke (Financial Advertising Manager)

**Director of Communications:** Ronnie I. Drachman  
(New York)

**EDITORIAL:** Chicago: 312-649-5398  
London: 01-404-4228  
Los Angeles: 213-651-3710  
New York: 212-210-0100  
Washington: 202-662-7200

**ADVERTISING:** New York: 212-210-0133  
Chicago: 312-649-5276  
Los Angeles: 213-651-3710

**COMMUNICATIONS:** New York: 212-210-0132  
**CIRCULATION:** Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago

**G.D. CRAIN JR.**  
Founder (1885-1973)

**MRS. G.D. CRAIN**  
Chairman

**KEITH E. CRAIN**  
Vice-chairman

**S.R. BERNSTEIN**  
Chairman/executive committee

**RANCE CRAIN**  
President

**MARY KAY CRAIN**  
Treasurer

**MERRILEE P. CRAIN**  
Secretary

**JAMES M. FRANKLIN**  
Vp/finance

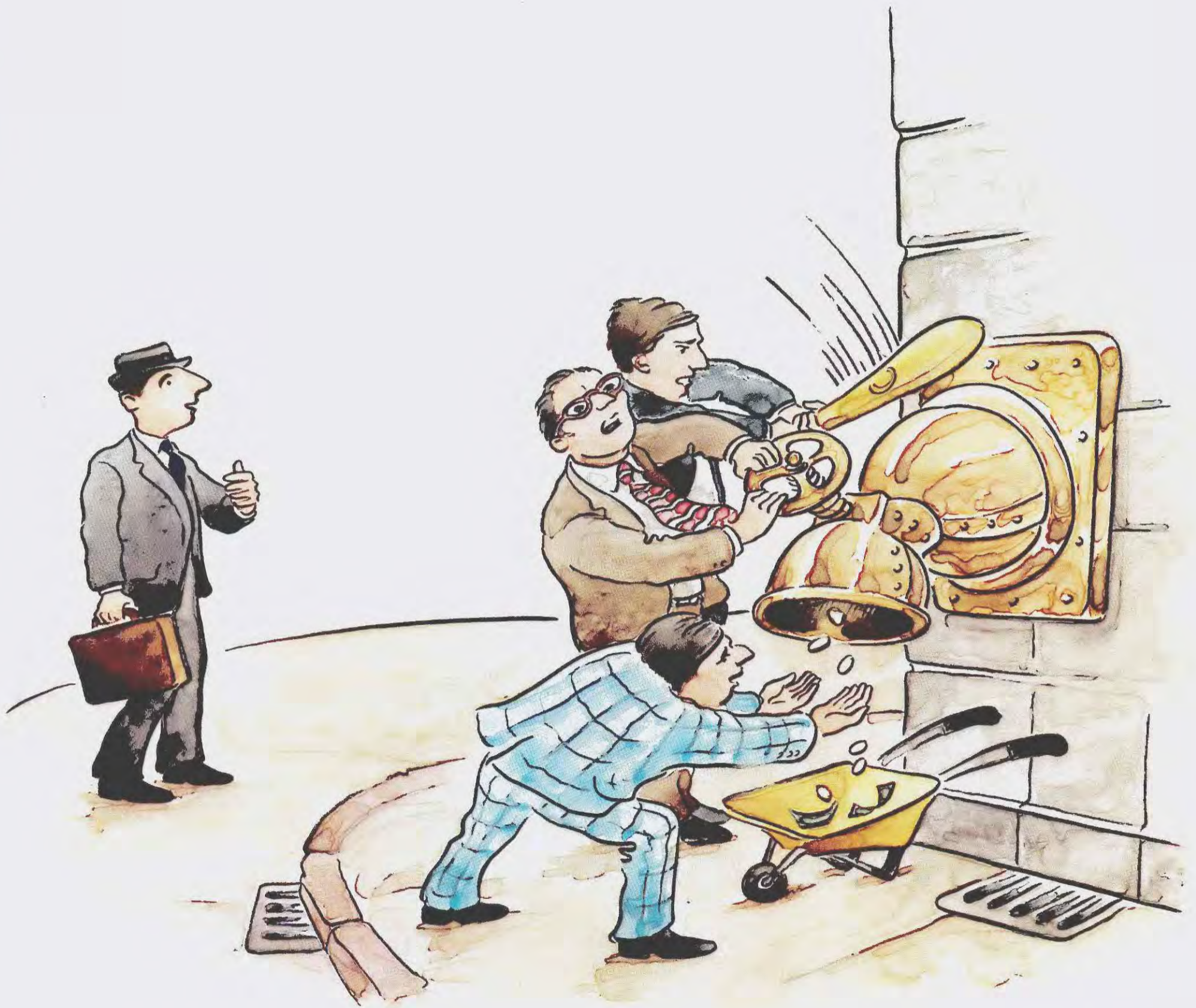
Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.50 a copy. \$52 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$44 for air delivery. First-class mail to U.S. and Canada only, add \$50. Bermuda only, \$97 per year expedited delivery. WILLIAM STRONG, vp-circulation. ROBERT FIORITO, circulation manager. ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Dept., Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.



Member of Business  
Publications Audit of Circulation



# If the cash flow dries up, how liquid will your reinsurer be?



High rates of return lured some very naive entities into the reinsurance business.

But today, lower interest rates, rock bottom premiums and escalating claims have exposed the weaknesses of cash flow underwriting.

If a reinsurer should ever default, it could threaten the policyholder

surplus of primary insurers. And even their insureds.

At North American Re, our financial strength has been built through sound underwriting and investment practices.

That's why we never have to break the bank to meet our obligations.

**NORTH AMERICAN**

**RE**

**We Take Your Risk  
Out Of Reinsurance.**

## One-man shops

Continued from page 3  
managers out of their jobs. Some insurance agency executives, eyeing the commercial insurance scene, are coming to believe they can help their clients more by selling advice, rather than insurance.

On the other side of the ledger, there is an increasing demand for risk management counseling as small and medium-sized firms awaken to the benefits of preventing and containing risk rather than merely buying insurance. Such companies may not be large enough to employ a full-time risk manager, but are eager to "rent" one.

And, as risk management becomes more complex, consulting is becoming more specialized. Therefore, a large corporation with a diversity of risk management problems may turn to more than one consultant to analyze special expo-

sures such as environmental impairment liability or to prepare a crisis management strategic plan.

Seasoned risk management professionals from various backgrounds are seeing these opportunities in the consulting field and grabbing hold of them. The demand for risk management advice is fueling the growth of both the existing Goliaths in the business and the Davids who are working on their own.

Active risk management consultants agree that they have seen a proliferation of solo practitioners during the past three to four years, but that trend is hard to document. The two professional organizations in the field impose a requirement of three years and five years of consulting experience before they grant new memberships (see story, page 28).

The *Business Insurance Directory of Risk Management Consultants* lists 17 one-man shops this

year, compared with only nine in 1980. This increase may reflect greater consultant participation in the directory, but may partly support the observation that more individuals are nailing up their shingles. Of the 17 solo practitioners in this year's listings, six were founded in 1980 or later. Eight of them were established between 1976 and 1980.

"I sense there has been a proliferation of one-man shops but I can't document it," observes Warren G. Brockmeier, vp and director of risk management consulting for The Wyatt Co. in Chicago. Some of them also have a pretty short life span, he points out.

Mr. Brockmeier started out as a one-man show himself in 1965, but quickly joined ranks with Ebasco Risk Management Consultants Inc. when the opportunity presented itself. He then moved to Wyatt.

Many people go into the business thinking it won't be too difficult, he

says. But they are quickly brought up short.

"Clients aren't that easy to find," he observes.

One reason that it's difficult to track trends in the small-firm end of the risk management consulting business is that many of the small firms are located outside the largest urban centers where there is more competition from jumbo firms. The firm's principal may be known only to competitors in that geographic region.

The most visible self-employed consultants are active in one of the two professional organizations, teach at local colleges and universities or publish business newsletters that both supplement their income and keep their name au courant in the risk management community.

Solo practitioners tend to define their businesses in one of two ways: Either they act as part-time risk manager on retainer for a number of different private or public orga-

nizations or they concentrate on special projects, often risk management audits. Some do both, but the mix of business tends to be heavily weighted toward one or the other of the two approaches.

In both cases, these risk management consultants say they are providing a service that the larger firms don't offer.

"I'm able to execute assignments much more quickly than a big firm could," says Al Waters, principal of Waters Risk Management in Seminole, Fla.

Some clients underestimate the time it takes to place insurance and want specifications almost overnight, he explains.

"I sometimes work nights and weekends to do the job," he says. Flexibility and the willingness to put in long hours on short notice are two of the keys to success in small firms like his, he emphasizes.

Mr. Waters had worked for two years as a staff consultant at E.W. Siver & Associates Inc. in St. Petersburg, Fla., before setting out on his own in 1978. He saw consulting as a better financial opportunity and a chance to use some of his own ideas on the job.

"I wanted complete responsibility," he says.

The business has grown steadily so that next year Mr. Waters may have to add staff. However, it hasn't been easy. Mr. Waters made it a point not to solicit any of his former employer's clients and, therefore, had to build a client base from scratch.

In the early days, he sent out mass mailings to small businesses and government entities. He learned the agonies of rejection when he made cold calls on prospective clients.

It has taken about five years to really get the business rolling, he reports. "It's not a way to get rich quick," he cautions. And the expenses, including travel, data processing equipment, rent and telephone are heavy. Some of these costs can be billed to the client, others cannot.

Consultants are understandably reluctant to discuss their incomes, but tend to estimate that the maximum potential billings for a one-person consulting business are between \$100,000 and \$150,000, depending on the consultant's hourly billing rate.

For example, if a consultant can bill 30 hours per week and charges \$75 per hour, then he would gross \$112,500 if he worked 50 weeks a year. Of course, if he charges a higher hourly rate, bills more than 30 hours a week and foregoes a vacation, he might gross \$150,000 or more.

Large consulting firms figure that only \$1 out of every \$3 billed by the firm can be kept after expenses, notes Mr. Brockmeier. A small firm has lower overhead costs and, therefore, might be able to keep \$1 out of every \$2 it brings in, he estimates.

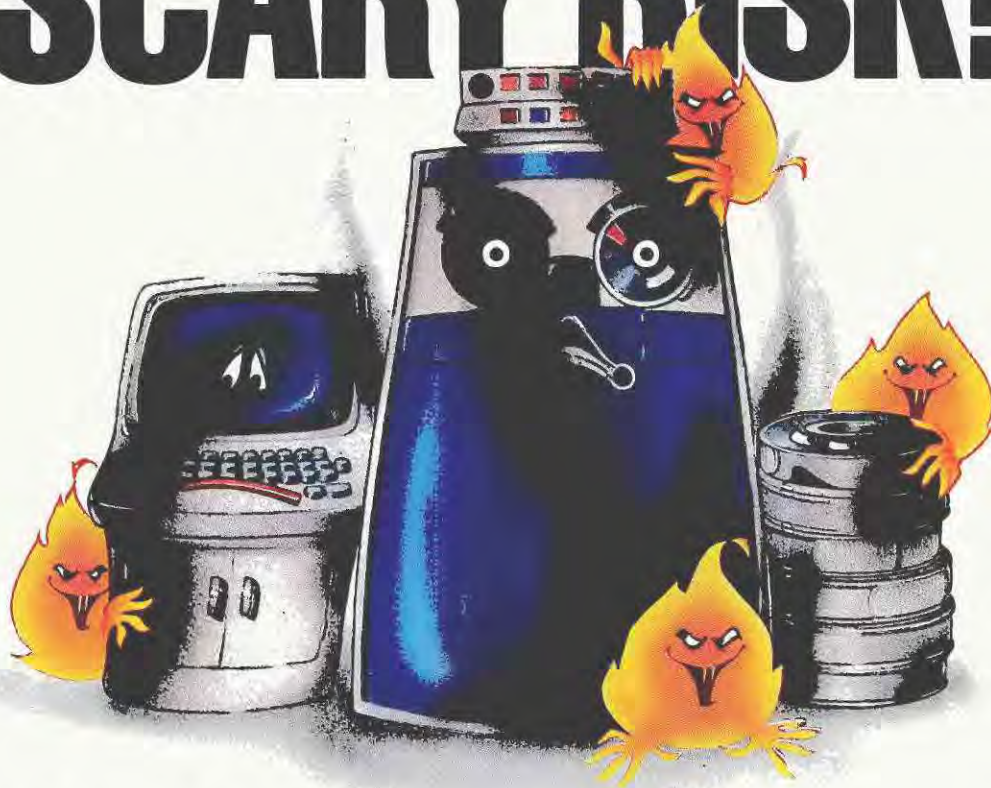
However, some solo consultants say their overhead is much less than this because they work out of an office in their home and bill almost all of their other expenses. Therefore, depending on overhead and other expenses, a busy, highly successful solo consultant probably earns in the range of \$60,000 to \$80,000 before taxes. Most of them probably earn considerably less, however.

The portion of the income these consultants are able to keep after taxes may be greater than a wage earner's because of self-employment tax advantages that include the ability to deduct the cost of a car and office space in the home.

When they talk about their jobs as self-employed business people, however, these solo consultants tend to stress the psychic rather than financial rewards of their work.

Continued on page 12

# SCARY RISK!



## The fire that burns out the computer may shut down your business.

Facts to remember:

1. Fires *do* occur in and around computers, automated production lines, process control rooms—more often than most people realize.
2. When fire strikes, the loss is usually far more serious than the replacement cost of the equipment. Business interruption is the real risk.
3. Traditional fire extinguishing agents—water, dry chemicals, foam and carbon dioxide—provide excellent protection for many applications.

But only one agent—Halon 1301—is right for electronic equipment and software.

4. There is a fire protection system specifically designed for electronic installations—the Ansul Halon 1301 System. Fast, clean, safe, automatic... and cost effective.

Let us send you our free booklet, "Facts About Protecting Electronic Equipment Against Fire." Write Ansul, Box N, Marinette, WI 54143. Or call (715) 735-7411.

# ANSUL HALON SYSTEMS



# TO ERR IS HUMAN TO FORGIVE IS EXPENSIVE

A director or officer makes thousands of decisions each year. Any one of those decisions can backfire and become the target of a lawsuit. The courts are full of such cases and win or lose the costs are extremely high.

Western Employers Special Risks provides a broad range of liability coverages to ease the burden of these exposures.

Whether you represent a for-profit corporation or non-profit organization, every D&O policy we write can be tailored to meet your specific needs, through a wide range of limits, deductibles and options. For example, our coverages for financial institutions can include additional programs such as Trust Department E&O, Fiduciary Liability E&O and IRA/Keogh Plan E&O. We can also customize

our Professional Liability Insurance Policy for non-profit associations.

For more details on these exceptional coverages, contact your independent insurance agent or broker. We are certain you will be pleased with our prompt service, sound underwriting and sensitive claims service.



A Division of Western Employers Insurance Company

150 N. Martingale Road, Suite 240  
Schaumburg, Illinois 60194  
312/882-1114 or 1-800/323-2354  
In Illinois: 1-800/942-4714

## One-man shops

Continued from page 10

"It's an opportunity to address a wide variety of risk management problems and to maintain a broader range of skills than those needed for a specific company in a narrow industry," enthuses Richard H. Soper, who launched a firm bearing his name in 1982.

During the preceding 10 years, Mr. Soper had been director of risk management and insurance management in charge of an 11-person department at Levi Strauss & Co. in San Francisco.

In the space of one recent month as a consultant, however, he was involved in selection of an architects and engineers professional liability program for a major national soils engineering group, the development of a crisis management program for an East Coast surgical instrument manufacturing firm

and a risk management audit for a Southern California electronics manufacturer.

In addition, he spends one to three days per week acting as a part-time risk manager for some clients on retainer in Los Angeles and San Francisco. About 30% of his time is spent in San Diego where he works with a leading regional broker to provide its accounts with risk management services.

And, he is editor of a new publication called Crisis Management that will be published sometime after next fall by Risk Planning Group Inc., a consulting firm in Darien, Conn.

"This is my dream job," sums up Mr. Soper. "I can enjoy the challenge and diversity of new types of assignments—and live in La Jolla."

Since his clients are located throughout California and in other parts of the United States, Mr. Soper says it doesn't matter where

he maintains his office. So, he chooses to live on the Southern California coast, just a few miles north of San Diego.

Eugene F. Johnson in Thousand Oaks, Calif., is another risk manager-turned-consultant who has started his own business in the past couple of years. He frankly admits that the idea was frightening at first, but now he is fully committed to his future in risk management consulting.

Mr. Johnson had many years of experience in a state insurance rating bureau and subsequently as a broker before he became risk manager at Dart Industries Inc. in Los Angeles several years ago. When Dart merged with Kraft Inc. in Northbrook, Ill., in 1980 to form Dart & Kraft Inc., Mr. Johnson lost his job.

Unlike many other managers at Dart in the same position, Mr. Johnson took advantage of some

career counseling offered by the company before he left. It was during one session with a counselor that he realized that consulting was a viable option for him.

He decided right away that he would carve out a niche that would not put him into competition against the big consulting firms. Instead, he would capitalize on his experience as a broker and as a risk manager and offer his expertise to firms that needed a part-time risk manager.

Later, he learned that other consultants have similar practices, but at the time the idea was totally novel to him, he says.

Once he defined the nature of the business he wanted to start, he set out to find his clients. But, he needed a prospect list. He didn't want to fly all over the country, so he decided to limit his search to businesses located in three counties near his home in the Los Angeles metropolitan area.

He knew that his best bet would be companies that are too small to hire a full-time risk manager, but big enough to have substantial exposures and risk management problems he could help solve. Since he didn't know how big these firms would be, he conducted a personal study to find out.

The study methodology was to link all of the members of the Los Angeles chapter of the Risk & Insurance Management Society with the companies they worked for and to rank these companies by sales revenues. In this way, he discovered that in his marketing area most of the firms with fewer than \$50 million in sales did not have risk managers.

He contacted these firms by mail at the rate of 10 per week in the beginning and followed up with a telephone call. About one in 10 of the letters led to an interview with the senior financial officer of the company.

It took about a year to get the business rolling.

"The mental and financial rewards are greater (in a one-man show)," says Mr. Johnson. Although some people think of a paycheck from an employer as security, Mr. Johnson stresses that he now has a control over his own life that he never had before.

And, like Mr. Soper, he believes that his job as risk manager for several different companies enables him to perform better for each of them.

"As risk manager for one company only, you always wonder what the other guy is getting from the broker or insurer," he says. "Now, you have some idea of the answer because you get an inside look at a lot of different companies."

The relationships that solo consultants enjoy with their clients is highly personal and this also enhances the satisfaction of the job for the consultant, many of them say.

"I have more rapport with my clients and this makes the job more gratifying," says Robert W. Lazarus, principal of Robert W. Lazarus & Associates in Plano, Texas.

Mr. Lazarus was formerly assistant treasurer of insurance at Chase Manhattan Bank in New York before moving to The Wyatt Co. in Dallas for a 4½-year stint. He established his own firm two years ago, although it wasn't something he had planned long in advance.

As a solo practitioner, "my retainer clients come first," says Mr. Lazarus. Although he says he is growth-oriented, new business opportunities take a back seat to existing customers. This isn't always true at large consulting firms, he points out.

He likes the freedom from constraints that are a way of professional life in a large firm. This enables him to tailor his work and solutions more to a client's needs, he believes.

For example, he avoids writing 100- or 200-page reports for clients, which he says often can be boiled down to five or 10 pages of hard-core results. "Many consultant reports are costly, but accomplish very little," he says.

His approach "leaves money in the budget to implement the proposals I am suggesting," he adds.

The most frequently cited drawback to consulting on one's own is the administrative aspect of running a business. Most of the solo consultants interviewed for this story said they find the accounting, tax and clerical burdens of their practices burdensome and boring.

And, of course, such tasks detract from the number of billable hours the consultant can devote to the business.

"It's tough to allocate the time to doing the chores of running the business," sums up Mr. Lazarus. ■



## Your operation deserves a second opinion.

The future health of your company may very well depend on the kind of business insurance you have. Before you renew an old policy, before you consider a new one, give your company extra protection. Get a second opinion from Nationwide Insurance.

You may discover that your property is not insured for current replacement costs. Improper coinsurance may someday force you to share an unexpected loss. The favorable lease you negotiated with such difficulty may be totally unprotected. You and your em-

ployees may be needlessly exposed to underinsured liability losses.

Before you obligate your company, a Nationwide Insurance agent can provide a timely analysis exposing inadequate coverages that may threaten the life of your company. The agent will offer you a check list that will help you make this crucial comparison for yourself.

Whether your operation is big or small, you really should get a second opinion from a Nationwide agent. It's part of Nationwide's blanket protection for your business.



## Nationwide is on your side.

Home Office: One Nationwide Plaza, Columbus, Ohio 43216 • Nationwide Mutual Insurance Company  
Nationwide Mutual Fire Insurance Company • Nationwide Life Insurance Company  
Available in most states. An equal opportunity employer.



## CONTROLLED AGGRESSIVENESS

Boundless energy and enthusiasm tempered with broad-ranging experience has brought First State Insurance Co. and New England Re to the forefront of a complex and competitive field. □ In Special Purpose Insurance and Reinsurance, we have become the dominant force. With ideas that make a difference.



**Cameron and Colby**

*Rising to the Challenge of Change*

*Boston, New York, Atlanta, Chicago, San Francisco, Los Angeles*

# Services offered by affiliated consultants vary

NEW YORK—Major insurers and insurance brokers have thrown risk management consulting into their pot of services for some time, but the flavor of the stew differs from company to company.

The broker and insurer consulting units emphasize different types of service and offer differing specialties. Compensation of these affiliated consultants can also vary.

The consulting divisions of the major brokerages were omitted from the ranks of top "independent" consultants in the *Business Insurance* survey of risk management consultants (see story, page 3) mainly because of difficulties in separating consulting revenues from those generated by the companies' retail brokerage business.

In addition, many of the broker

AIG's Mr. Neuhauser says clients are asking for services that require actuarial and quantitative facilities, including reserve analyses for captive insurance companies and statistical forecasting of rates of return on reserve investments.

and insurer consulting operations include substantial revenues from sources other than client billings for property/casualty risk management services. These other billings may include fees from captive management, administration of self-insured plans, claims adjusting and other sources.

The consulting arms of brokers and insurers vary in the types of

services they tend toward.

Some generate most of their revenues by acting as continuous consultants, furnishing ongoing analysis and evaluation of a client's risk and insurance programs.

Consultants with this emphasis include AIG Risk Management, a unit of American International Group Inc.; M&M Risk Management Services, a unit of Marsh &

McLennan Inc; and Frank B. Hall & Co. Inc.'s various risk management services divisions.

Others derive the bulk of their revenues by acting as one-time consultants on special risk management projects. These consultants include Advanced Risk Management Services, a division of Corroon & Black Corp.; Anistics, Inc., a unit of Alexander & Alexander Services Inc.; and Johnson & Higgins Risk Management Services.

Still others derive most of their income from sources other than risk management consulting. Included here is Risk & Benefit Management Systems Inc., a subsidiary of Bayly, Martin & Fay International Inc.

The largest reported revenues of an affiliated consulting operation

were AIG's, which totaled \$31.7 million in 1983. Of this, however, only about \$4.9 million was generated by "pure consulting" work like risk financing studies, actuarial work and loss-control and loss-supervision consulting, according to Vp Frank Neuhauser Jr.

The remainder was produced mainly by captive management fees and claims adjustment and servicing operations, he said.

AIG Risk Management generates about 60% of its income from continuous consulting vs. about 35% for special risk management projects and 5% for risk management audits.

AIG relied heavily on its actuarial and quantitative facilities to perform its more frequently requested services in the past year, Mr. Neuhauser said. Among these were reserve analyses for captive insurance companies, claims audits for self-insurers and statistical forecasting of rates of return on reserve investments.

The division's loss-reserve analyses are becoming more sophisticated with the necessity of forecasting losses from long-latent diseases like asbestosis and black lung, Mr. Neuhauser said.

M&M Risk Management drew 70% of its revenues from continuous consulting last year, vs. only 25% for special risk management projects and 5% for risk management audits. The unit's total revenues were unavailable and would be difficult to estimate since much of the division's income flows from the brokerage side of the company.

About 90% of the risk management clientele of M&M's New York office are also brokerage clients and compensation for risk management services often depends on what's negotiated between a client and an M&M account executive, according to Paul Goularte, vp and manager of the division.

The financial, tax and accounting effects of risk financing schemes are the major area of emphasis for M&M consultants, he says.

Among its other services, M&M has more frequently begun to help clients develop analytical data bases for their own information systems to track losses in various areas of the company and perform loss-forecasting studies. These data bases also help in allocating premium costs to various units of the client company, he pointed out.

M&M Risk Management is only half of the company's consulting business. The other half takes the form of M&M Technical Services, whose various divisions offer loss-prevention, environmental loss-control, claims management, computerized information gathering and structured settlement services.

Frank B. Hall, based in Briarcliff Manor, N.Y., didn't report revenues generated by its various consulting divisions. But, the bulk of the broker's consulting revenues—about 60%—was produced by continuous consulting, while about 28% came from risk management audits and 12% from special projects.

Frank B. Hall Risk Management Inc., a subsidiary of Frank B. Hall & Co. of Massachusetts, separately reported consulting revenues of \$2.8 million, only 35% of which came from continuous risk management consulting. Audits and special projects each accounted for 1% of revenues, while 63% came from administration of self-insured programs for seven clients, including three municipal government pools in the Northeast.

Another Hall subsidiary, Risk Science International, based in Washington, specializes in environmental impairment liability consulting and environment audits.

Continued on page 16



**A**T NATIONAL INSURANCE WHOLESALERS we've put together a winning team of regional surplus lines wholesalers, to form a network of offices that stretches from coast to coast. This provides us with substantial resources and a high degree of interlocking expertise to solve virtually all of your surplus lines and specialty coverage challenges. Yet, through

our individual offices, we have retained highly personalized broker relationships in each of our marketing areas.

For fast answers and action to your immediate surplus lines/specialty needs, call on "The Network" Company nearest you. Or for a brochure fully describing our growing group of Network companies, write National Insurance Wholesalers, 400 N. Robert Street, St. Paul, Minnesota 55101.

John H. Crowther, Inc.  
(612) 333-0361

iWest Insurance Managers, Inc.  
(209) 948-0555

Dana Roehrig & Associates  
(813) 521-4621

Clanton-Crowther & Company  
(314) 231-9470

Montgomery General Agency, Inc.  
(215) 896-0901



## The Network

# THIS BOOK PUTS 2,000 OF AMERICA'S SHARPEST ADJUSTERS IN THEIR PLACE.



It's UAC's 1984 Directory of Service Locations. It's where you can find the professional claims help you need—fast.

It's your guide to the entire 4,000-person UAC organization—including executives, adjusters, and support personnel. This directory should be within reach of anyone responsible for claims handling.

For your free copy, simply fill out and mail the coupon below.

**UAC**<sup>®</sup>

## FREE UAC DIRECTORY

Mrs. Adrian M. Tocklin, Marketing Vice President  
Underwriters Adjusting Company  
2 Corporate Place South  
Piscataway, NJ 08854  
Tel. (201) 981-8200

Please send me \_\_\_\_\_ copies of your 1984 Directory!

Name \_\_\_\_\_

(please print)

Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

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

FIRE  
PROTECTION  
ENGINEERING  
AND  
CONSULTING

SYSTEMS  
DESIGN

BOILER AND  
MACHINERY  
LOSS CONTROL

SAFETY  
MANAGEMENT



## The FPE Group

INNOVATORS IN  
COST EFFECTIVE  
LOSS CONTROL

San Francisco • Wichita • Chicago • Philadelphia • Washington, D.C.  
649 Mission Street • San Francisco CA 94105 • (415) 495-3310

## Affiliated brokers differ

Continued from page 14

Corroon & Black's Advance Risk Management Services unit focuses on special projects, which constitute 80% of its revenues, rather than continuous consulting, which produces only 20%.

The division did not report its consulting revenues, but they are generated mostly by existing and prospective C&B brokerage clients, says James E. Costner, an assistant vp in Nashville, Tenn.

Clients are billed directly for risk management services in some cases, while remuneration in others flows from the retail brokerage side of the company, Mr. Costner explained.

ARMS last year pulled out of the business of providing its own computerized risk management information services to clients, but it now acts as a consultant in helping

clients choose another computerized service, Mr. Costner says. The division still provides "analytical models" to be used in the software of whatever system a client chooses.

Other specialties the division is developing include consulting for captives that need either to expand or divest themselves of third-party business; claims review and loss-reserve analysis; and consulting on emerging financial guarantee insurance products.

Anistics, the A&A risk management unit, similarly generates most of its revenue—about 70%—from special project consulting, while only 15% is brought in by continuous consulting work and 5% for risk management audits. Another 10% is generated by fees for structuring financial transactions for insurance companies, including loss-portfolio transfers.

Anistics officials also declined to reveal its revenue figures. Most of its clients are A&A brokerage clients, and may be billed directly or through the brokerage side of the company, according to Executive Vp Luther T. Griffith.

One of the division's main strengths is ARIS, its computerized risk management information system, which can be used to track the location and magnitude of clients' losses and perform loss forecasting work.

Anistics has used the system, for example, to develop incentive programs that tie bonuses paid to a company's division managers to improvements in the division's loss profiles.

In the last year, the division has introduced Personal ARIS, a set of risk management software products designed for microcomputers. More detailed loss information can thus be entered onto microcomputers at a client's various sites, with the information fed into a mainframe computer.

J&H, which also declined to report its risk management consulting revenues, generated 60% of its risk management consulting business through special projects, 30% through continuous consulting and 10% through risk management audits.

Developments at J&H Risk Management include the establishment of a New York-based self-insurance division to handle consulting services to self-insured programs throughout the United States.

J&H has also transferred its structured settlement consulting activities from its employee benefits area to the new division.

"We saw that in the broad picture of loss consulting—what do you do with major losses," said Vp Alan G. Page.

Along with structured settlements, areas of frequent activity for J&H include captive consulting, including "captive rehabilitation" and strategic planning studies for captives that need either to expand or wind down their business.

At Bayly, Martin & Fay's risk management subsidiary, Risk & Benefit Management Systems, about 65% of its \$6.5 million in revenues came from claims administration, loss-control and data management services, the company reported. About 20% came from special risk management projects, while only 5% came from continuous consulting and 10% from risk management audits.

The unit's services include CORAS (Cost of Risk Analysis System), which helps calculate the tax and investment implications of a client's exposures. Frequently requested services include captive management, risk-funding alternative studies and employee benefit program consulting. ■



## A Pair of Aces

### Interstate Insurance Group, The Backers.<sup>SM</sup>

Interstate Fire & Casualty Company, Chicago Insurance Company, and Interstate Indemnity Company — forming a team that underwrites a broad, ever-growing range of special risks from All Risk Property and Association programs to umbrellas of exceptional scope. Offices in major cities. **The Backers** . . . predictably innovative.

### Geo. F. Brown & Sons, Inc., The Placement Specialists.<sup>SM</sup>

Since 1912, agents and brokers from New York to California have called on Geo. F. Brown to zero in on target markets for hard-to-place, unusual — and ordinary — property and liability risks. Geo. F. Brown & Sons, a brokerage with financial muscle. Offices across the nation . . . coverages around the world.

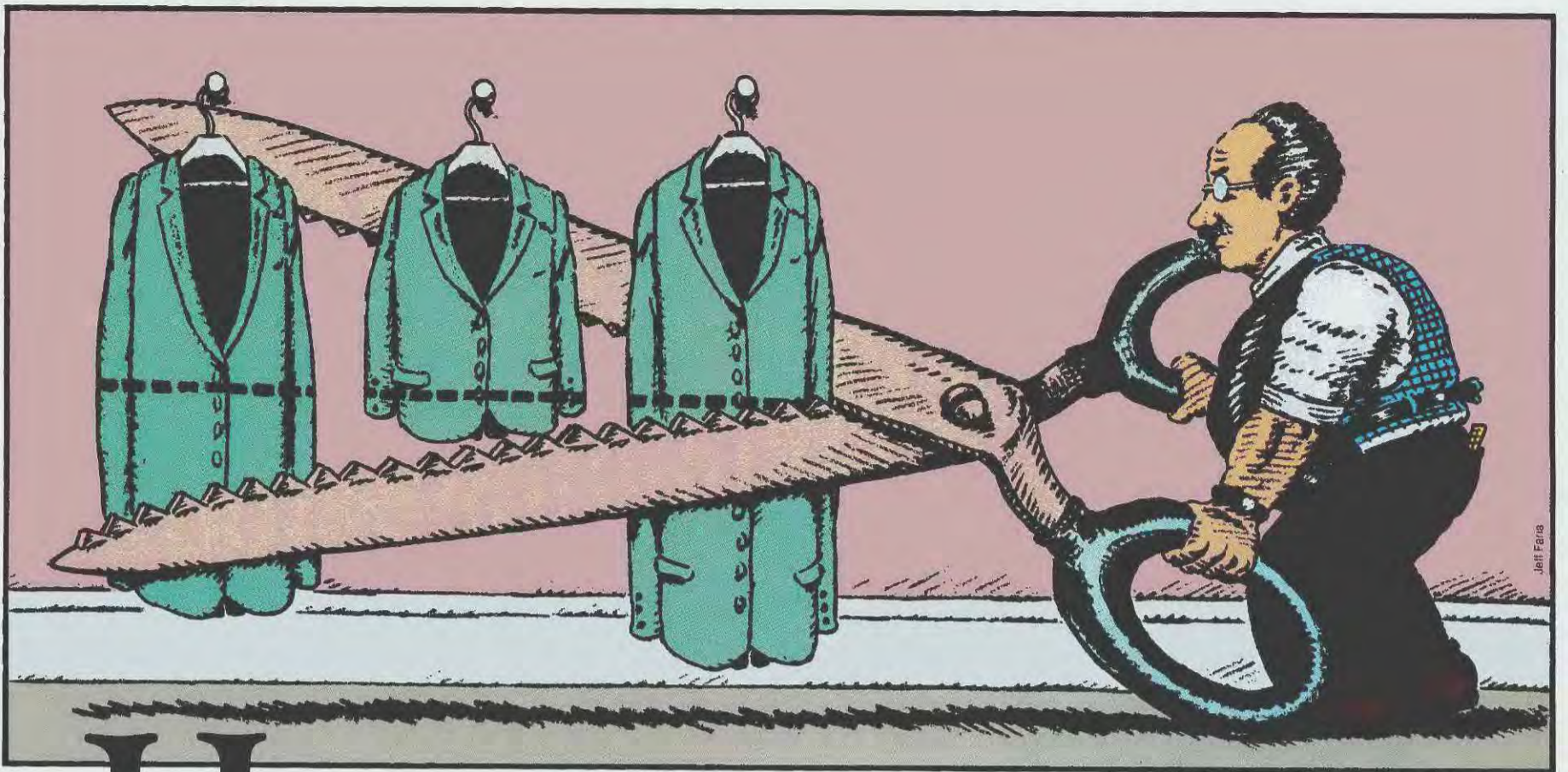
Interstate salutes our proud subsidiary companies,  
both aces in the Property/Liability theater of operations.



### Interstate National Corporation

55 East Monroe Street • Chicago, Illinois 60603 • 312/346-6400

Interstate National Corporation is one of the Fireman's Fund Insurance Companies.



# HOW DOES YOUR INSURER TAILOR A PROPERTY POLICY?

You hear a lot about tailoring.

But most insurers will only custom-make a property policy if your client is extra-large or irregular.

And you have to settle for regular, humdrum insurance for your regular clients...Or do you?

At American Home's Inland Marine Division, we'll custom-make you a policy no matter how "standard" your client is.

And give that account the same attention as the complex, out-of-the-ordinary risks we're so famous for handling.

As our underwriters see it, there isn't a single client who's too plain to profit from fresh thinking and creative design.

Or a single broker who doesn't have a competitive edge with a really customized policy that no one else can pull off the shelf.

What's more, our stubborn insistence on underwriting excellence and creativity gives you plenty of other benefits too.

Like the financial strength we give your client.

Stable, long-term relationships a little adversity won't shake.

And innovative products like Products Integrity Insurance that you can sell with confidence.

All of which make American Home the kind of strong, creative market you need in today's fiercely competitive environment. For your ordinary as well as your difficult property risks.

Call one of our convenient, local offices and let our creative underwriters show you what we mean by tailoring.

After all, if we "tailored" like everyone else, we wouldn't be what we are today.

America's largest, most successful Inland Marine insurer, rated Number One by Best's for a record-breaking 11 years in a row.

**ONCE AGAIN  
THE ANSWER IS AIG.**

For more information about Inland Marine Insurance from The AIG Companies, write Dept. A, American International Group, 70 Pine Street, New York, N.Y. 10270

NAME/TITLE

COMPANY

ADDRESS

PHONE

**I**n business generally, it's tough to succeed unless you take risks. And nowhere is that more true than in the energy business.

We understand the energy industry and that risk is a necessary part of the business. We also understand that it's our business to take those risks. At AFIA, we've been involved in insuring the energy industry and taking those risks abroad since 1918. And now, through AFIA's Global capabilities, we can include, in one program, your energy exposures in North America with those overseas.

We spend a lot of energy helping companies take some of the uncertainty out of finding and producing energy. We're involved in insuring virtually every aspect of the energy industry both offshore and on land.

Take, for example, mobile offshore drilling units and fixed platforms. We're insuring construction, towing, installation and operation, including such exposures as control of well, seepage and pollution and cost of re-drill.

And we're doing more. We can insure pipelines, refineries, petrochemical and fertilizer plants, geothermal and hydroelectric plants,

gasification and liquefaction plants, solar power generating units and windmills, to name but a few.

Our underwriters and engineers have the experience, knowledge and expertise to help you whatever your energy needs are. And when your needs are unusual—when it would be easy to say no—we'll try to find a way to say yes. We'll look for a way to help.

That philosophy reflects the aggressive, young-thinking attitude characteristic of the new AFIA. And it's combined with the stable, hard-working, diligent attitude AFIA has always had.

Get in touch with AFIA. We have no trouble finding the energy to help you when you're searching for the energy to help everyone else.

---

# AFIA

---

WORLDWIDE INSURANCE

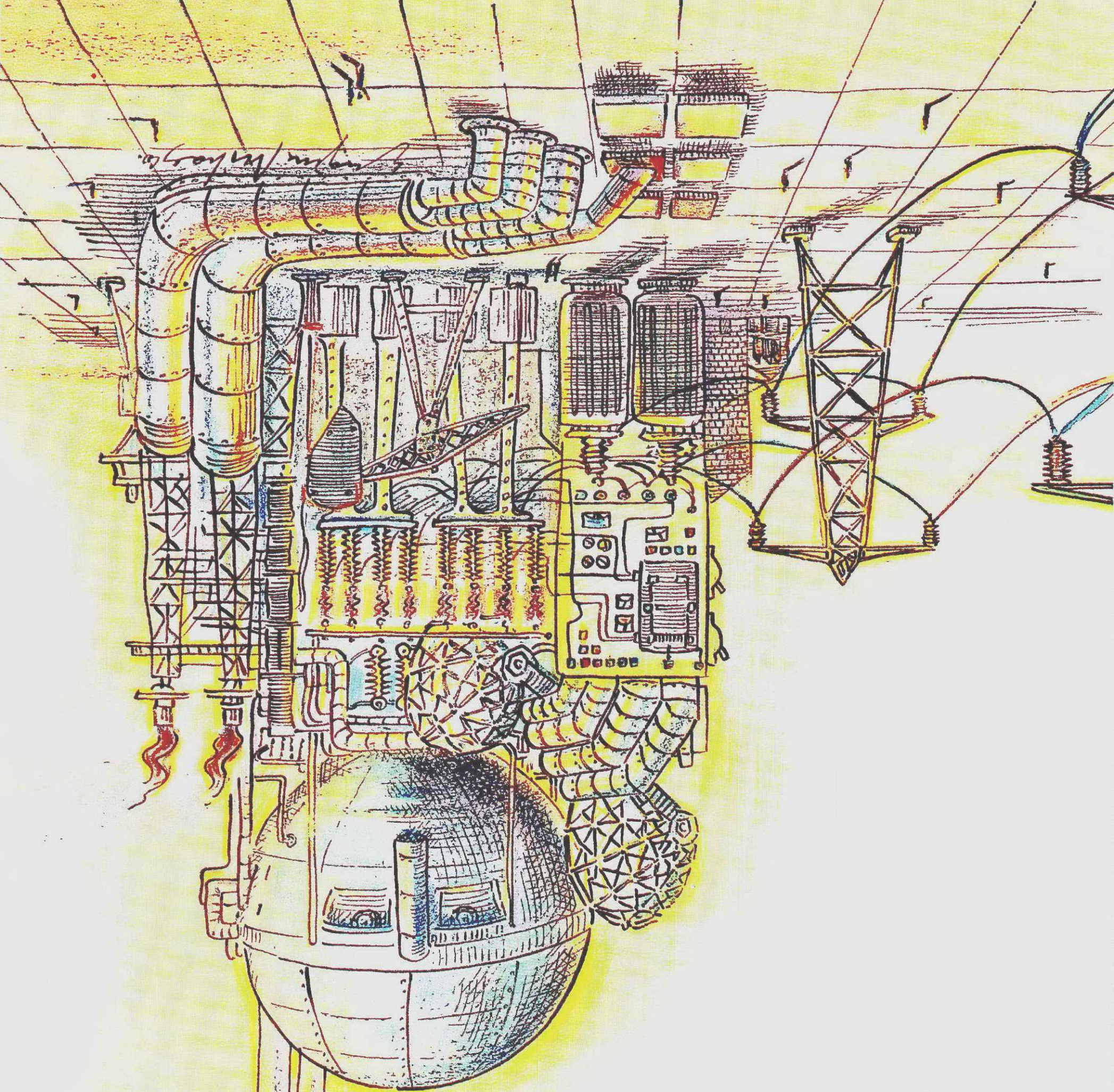
---

The older we get  
the younger we think.

AFIA Worldwide Insurance, 110 William Street, New York, NY 10038, Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, Minneapolis, San Francisco, Seattle, Washington, D.C. and 230 other cities around the world.



In case you haven't noticed, AFIA is devoting a lot of its energy to energy.



# What kind of consultants should you tap?

By LEN STRAZEWSKI

To whom do risk managers turn for professional advice?

That question is a lot more complex than it was a few years ago. It seems that wherever a risk manager turns, someone is offering consulting services for a fee.

Large and small independent consultants promote their objectivity. Broker-owned consultants advertise their understanding of the insurance market. Insurer-owned

consultants brag of their lengthy experience.

But are independent consultants really guns for hire, looking to replace risk managers with their own continuing services?

Are broker-consultants only looking to win your account?

Are insurer-consultants only looking to sell more insurance policies?

Most consultants have some vested interests, risk managers, brokers, insurers and consultants

all agree. But, all these different types of consultants also have some valuable expertise for sale. The buyer must have the skill to control any bias while matching the right professional with the right consulting task, they say.

"After 25 years in risk management, I've come to the conclusion that it really doesn't matter where a consultant hangs his hat," explains William L. Mather, administrator of risk management for The Gillette Co. in Boston and vp-

business and industry liaison for the Risk & Insurance Management Society.

"The real question is whether or not they can perform as a professional and do the job that you require," Mr. Mather says.

The person with the expertise you need may be part of an independent company, a brokerage or even an insurer and still do a good job, he says.

"I'm not very worried about using a consultant who works for a

brokerage firm or insurance company. As the client, you can structure an agreement that puts limitations on the use of information gained through a consulting job or prevents a brokerage from attempting to bid on your account," Mr. Mather notes.

"It's not that hard to spot what I and many of my peers have seen: People who claim to be consultants but who are really salesmen. They are the ones offering the consulting job for half-price."

Risk managers can also control the use of the information unearthed in a consulting arrangement by making clear that they are the client, not another corporate officer, Mr. Mather says.

The RIMS liaison committee met recently with several large consulting groups, Mr. Mather says, and came to the conclusion that a consultant—regardless of affiliation—must be responsible to the person who signs the consulting agreement.

Mr. Mather says that almost any truly qualified consultant can be allowed to perform any task, regardless of affiliation. However, he says he leans toward independent consultants for the appearance of objectivity.

Other risk managers agree. Many buyers look to independents for audits of their risk management programs or the structure of their risk management departments. They tap broker-consultants for advice in program implementation, while they select insurer-consultants for unbundled services like claims processing or actuarial calculations.

"I feel more comfortable having an independent consultant reviewing my whole program," explains Kent A. Doss, director of risk management for Hudson Foods Co. in Rogers, Ark. "After an independent helps me figure out what I really want to do, other types of consulting services can come into play."

For instance, when a change in the risk management program is in the works, a broker-consultant's expertise in structuring programs acceptable to the insurance marketplace can be useful, Mr. Doss says, adding that an insurer's service capabilities may be the eventual product purchased.

George Pierce, risk manager for Orange County, Fla., uses two different independent consultants: a local individual who is on retainer to provide insurance underwriting expertise on a continuing basis and a large national independent consulting firm, The Wyatt Co., to conduct audits.

"I get great service from my local consultant because of the close personal relationship we have developed over the years and I get a good objective review from larger national consulting company. But they are doing essentially different tasks," he says.

"I expect my local consultant to care and be involved, and I expect the national independent consultant to do what it did—come in, write a report and go home, staying in touch only when I need it."

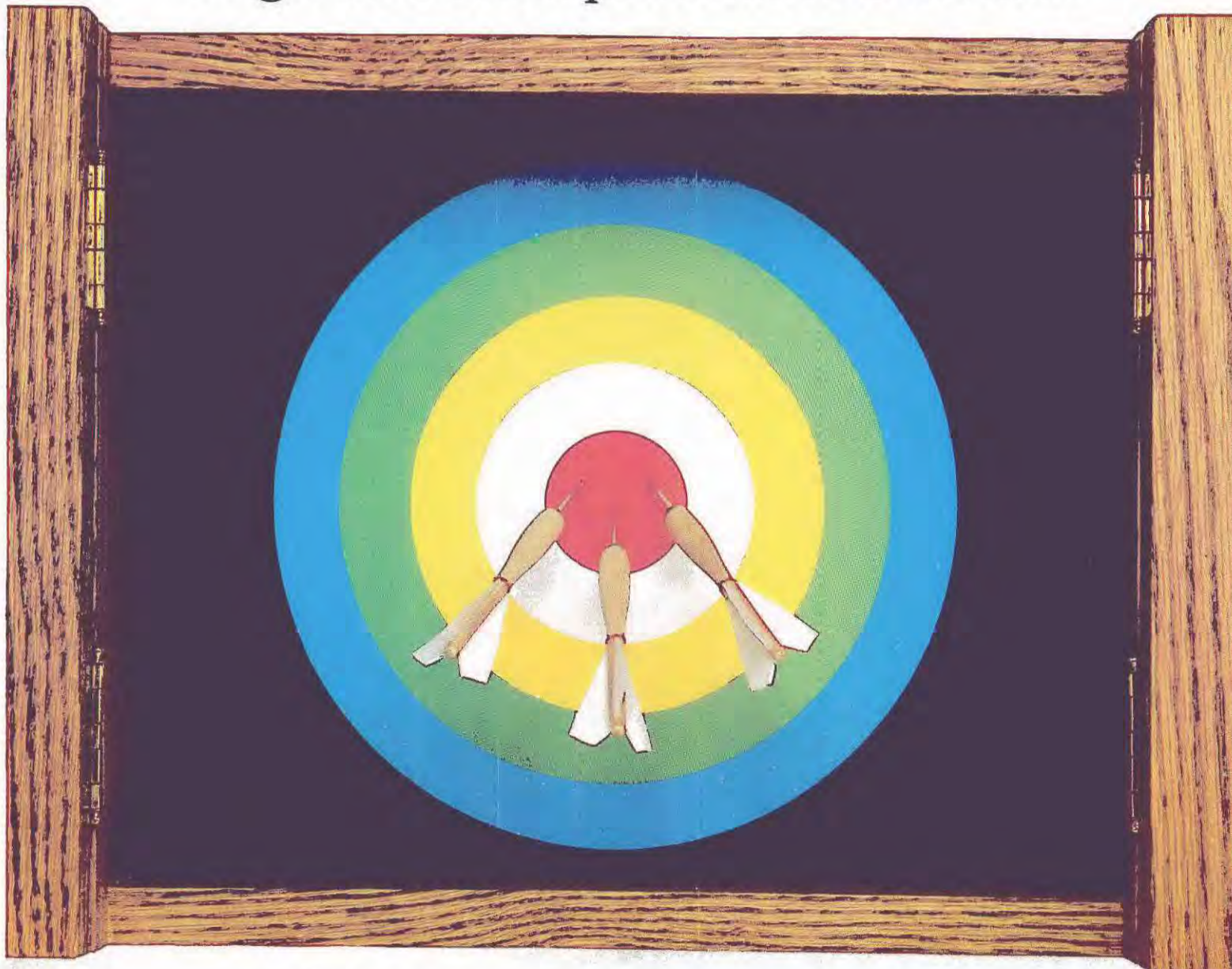
Mr. Pierce purchases claims services from Gallagher-Bassett Insurance Service, a division of broker Arthur J. Gallagher & Co., but does not seek advice from the brokerage or its subsidiary.

"After three or four years on the account, a broker is going to want to please me in order to keep the account. I'm not sure that's good. We may be doing something that smells and need an outsider to call it to our attention."

Risk management audits and reviews are indeed the strength of

Continued on page 22

## ERISA makes you an easier target for lawsuits. So get new broad protection from F&D.



Target:  
Corporation's  
Assets

Target:  
Plan Manager's  
Personal Assets

Target:  
The Plan's  
Assets

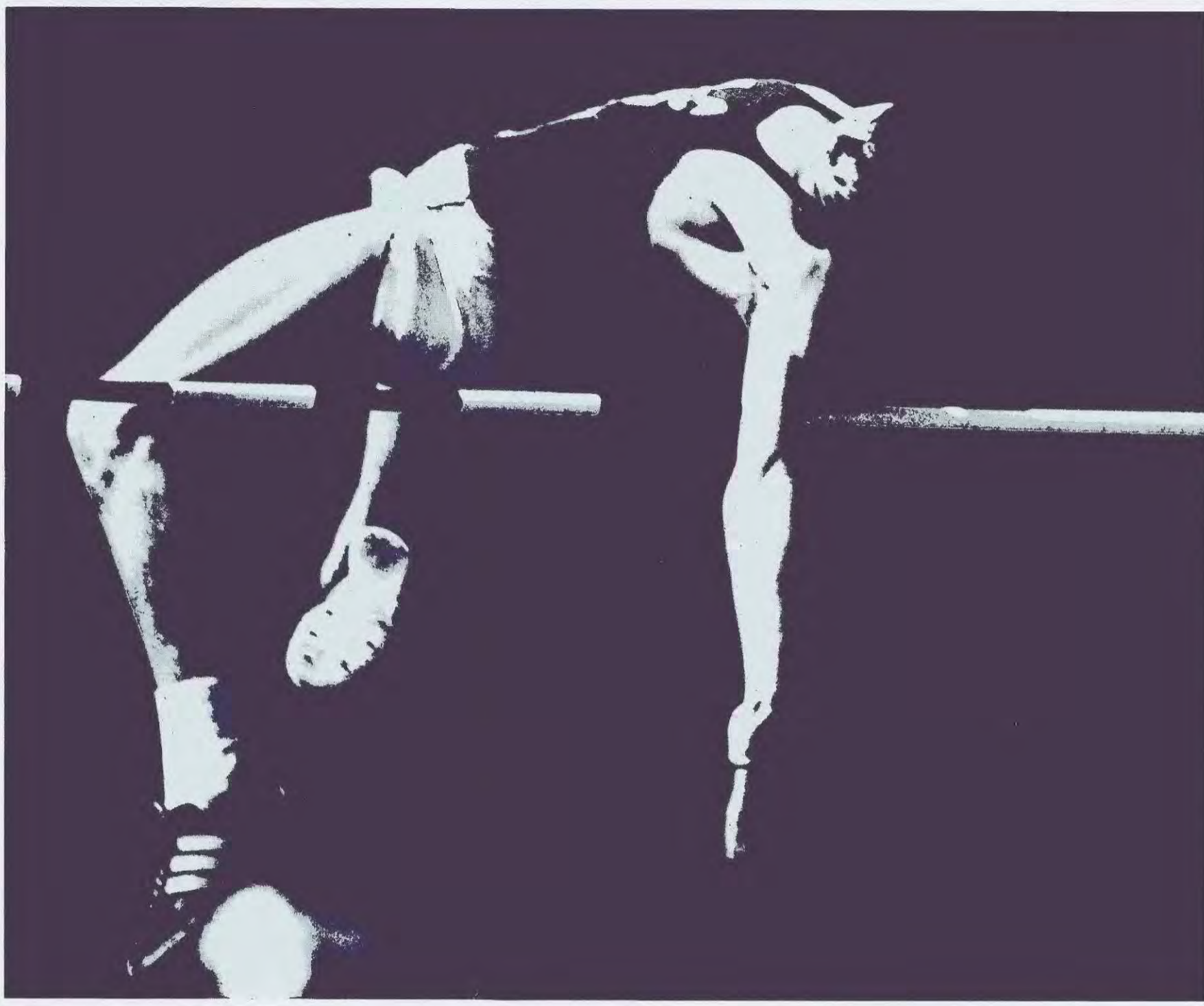
The passage of ERISA made it easier for Pension and Benefit Plan Managers to be sued. At stake are their personal assets, as well as the assets of their employer and the Plan.

F&D Fiduciary Responsibility Insurance was created to cover these specific financial risks. Ask your insurance agent or broker to contact our local office. Or, if more convenient, you may write: FRI Information, Fidelity and Deposit Company of Maryland, P.O. Box 1227, Baltimore, Maryland 21203.

The  
**F&D**  
Companies



# In the Pursuit of Excellence



#### OFFICES:

NEWPORT BEACH, CHICAGO, ORLANDO,  
NEW YORK, ATLANTA, DETROIT,  
SAN FRANCISCO, BIRMINGHAM,  
HOUSTON, PHILADELPHIA, SEATTLE,  
DENVER, BOSTON,  
FT. LAUDERDALE/MIAMI

- DAVID V. RINGLER
- ROBERT C. BLATTENBERG
- PATRICK L. KELLY
- PATRICK C. FARBER  
Newport Beach, CA  
(714) 833-1821
- CECIL MATHEWS
- JACK O. BROWN
- MICHAEL J. CASEY  
Chicago, IL  
(312) 332-0427
- CURT WIGGINS  
Orlando, FL  
(305) 678-7666
- PAUL A. HOFFMAN  
New York, NY  
(212) 732-0380

- BRUCE T. WOLFE  
Atlanta, GA  
(404) 393-3737
- JAMES R. WEBER  
Detroit, MI  
(313) 884-6830
- ROBERT S. BELL  
San Francisco, CA  
(415) 945-0168
- JOSEPH B. DAVIS  
Birmingham, AL  
(205) 987-8383
- JOE C. MULLIS  
Houston, TX  
(713) 376-0722

- KEITH R. ISLEIB  
Philadelphia, PA  
(215) 687-7708
- JOHN B. JOSEPH  
Seattle, WA  
(206) 771-0922
- ROBERT A. BEAGO  
Denver, CO  
(303) 796-8840
- LAWRENCE A. COHEN  
Boston, MA  
(617) 742-7303
- JOHN W. ODEM  
Ft. Lauderdale/Miami, FL  
(305) 485-5355 (Ft. Lauderdale)  
(305) 944-4217 (Miami)



RINGLER ASSOCIATES  
INCORPORATED

*"The Annuity Settlement Experts"*

# Independents boast freedom from conflicts

Continued from page 20  
the independent consultants, independents say.

"There are indeed some conflicts over appropriate roles and they particularly conflict over the risk management audit," says Warren G. Brockmeier, vp-risk management services for The Wyatt Co. in Chicago. "It's particularly difficult for a broker to conduct an audit of a program that the brokerage company is involved in or has a chance of winning away from another."

"Though the individual broker-consultant can be completely professional, as most are, I believe that their results can be under a lot of pressure. The affiliated consultant has an interest in providing recommendations that at least will

**'It really doesn't matter where a consultant hangs his hat,' Gillette's Mr. Mather says.**

not diminish ongoing communication with the risk manager and keep the sales opportunity open."

Affiliated consultants may also have a problem with risk management departmental studies, especially those involving salary reviews. No broker wants to be responsible for keeping the risk manager from getting a raise.

"The gap between independents

and affiliated consultants has narrowed considerably over the years and, indeed, there may be very little that an independent does that a broker-consultant can't do as well, especially if the broker-consultant is a risk management professional, not agency-trained," says Robert Hughes, an independent consultant with Robert Hughes Associates Inc. in Dallas.

"But what an independent brings to the table is the appearance of objectivity and in many cases, that appearance and freedom from marketing pressure are what clients want or need, perhaps as a result of some outside agreement that demands an independent review," he says.

Most broker-consultants believe that they, too, can perform an ob-

jective risk management audit, but most brokers agree that their strength is in advice related to insurance transactions and the use of markets, rather than audits.

"Let's make an analogy to the way corporations use banks. Most businesses receive some advice from their bankers related to the use of banking services. This is similar to the way businesses take advice from insurance companies," remarks Bruce Schnitzer, president of brokerage Marsh & McLennan Inc. in New York.

"If the banking problem or the cash values become big enough, the business seeks an outsider to help with the transactions. That's the role of the investment banker and, as the analogy relates to insurance,

that's the role of the broker.

"In cases where risks grow to tremendous size and values, requiring complex financing structures or layered insurance plans, that's when you need both the consulting advice and transactional expertise of a broker," he continues. "And no doubt there are times and certain situations when you need complete objectivity. That's the job for the outside consultant."

"In banking, however, the lines are blurring and investment bankers are now selling this kind of consulting service. The same is true in insurance and we are selling these additional consulting services, too," Mr. Schnitzer says.

The blurring of lines is positive, adds Thomas V. Hallett, former risk manager for General Motors Corp. and now senior vp of Frank B. Hall & Co Inc. in Briarcliff Manor, N.Y., another large brokerage company with several consulting subsidiaries.

"A professional is a professional, and we feel that the adage that a broker can't consult is most said by someone selling independent services."

"Of course, we can do a professional consulting job or a risk management audit as well as an independent. And, in fact, because of our experience and technical resources, we can do an even better job in many cases," Mr. Hallett says.

But, he agrees that a broker-consultant may not be able to provide the image of independence that a risk manager may be seeking to help promote an idea to higher management or confirm the value of the risk management department to economy-hungry budget cutters.

Some brokers say they attempt to limit their consulting services for at least two reasons.

First, they may prefer to avoid audits and the appearance of conflict of interest and, second, because buyers frequently want cheap consulting service by dangling the prospect of the account in front of the broker.

"We very rarely do things like risk management audits for a fee," notes Richard Rice, senior vp-risk management services at brokerage Johnson & Higgins Inc. in New York.

"We have audited programs held by our broker competitors from time to time, but that is not the way we choose to do business generally. And, when we do, we make sure that we are compensated completely for that service."

"If it's a competitive situation in which we have a chance of getting the business, we'd be happy to do a full risk management review without charge in the hope of becoming the broker," he says.

However, J&H has frequently provided technical expertise in such areas as program design, captive feasibility and other areas, both separately and with other brokers and consultants for both fees and commissions, he says.

Insurer-consultants believe that their strengths are in selling traditional insurance company services on an unbundled basis.

For example, AIG Risk Management Inc., a subsidiary of American International Group Inc., specializes in marketing AIG's strengths in international insurance management and reinsurance, notes President Joseph Smetana.

St. Paul Risk Services Inc., a subsidiary of Atwater McMillan Co., which is owned by St. Paul Fire & Marine Insurance Co., specializes in reserve auditing and medical malpractice consulting, two of the insurer's specialties.



George T. Lacy, Vice President—Group Field Sales, announces an important new tool in group health cost containment.

## All we want are your prime group health accounts

Good news for consultants, brokers, agents... and group health buyers. Our new Minimum Premium Plan gives you 12 fool-proof reasons to place large group health cases with General American.

Beyond the expected advantages... improved cash flow, tax savings, reduced risk charges, and full service packaging... our Minimum Premium Plan offers distinctive advantages. Flexibility on margins. Simplified banking. Guaranteed retention. Executive summary reports. And our unique Flex-Funding group life option. Our Minimum Premium program is already working well for For-

tune 500 companies and even for some companies with as few as 150 employees.

A major group insurer for over 50 years, with over 4,000 accounts, General American has the size, financial clout, flexibility, and

products to help consultants, brokers, and agents with their most significant accounts and prospects. For a copy of our new Minimum Premium brochure, please mail the coupon below.

**General American**  
LIFE INSURANCE COMPANY

George T. Lacy, V.P.  
General American Life  
700 Market Street  
St. Louis, MO 63101

Please send me the brochure on your new Minimum Premium Plan.

Name \_\_\_\_\_ Title \_\_\_\_\_  
Company \_\_\_\_\_ Phone \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Our group insurance consultant, broker, or agent is

# INSURANCE COVERAGE DISPUTE- LEGAL EXPENSE INSURANCE...

# FOR THE DAY WHEN YOU SAY YOU'RE COVERED BUT YOUR INSURER SAYS YOU'RE NOT.

**Q: What is an insurance coverage dispute?**

**A:** It is merely a difference of opinion between an insured and its insurers as to whether or not a claim is covered.

**Q: Who is likely to have an insurance coverage dispute?**

**A:** Any business that buys insurance.

**Q: Who is more likely to have an insurance coverage dispute?**

**A:** The insured who has been able to affect unrealistic savings on their insurance programs.

**Q: Who does not need Insurance Coverage Dispute—  
Legal Expense Insurance?**

**A:** The insured who is a professional clairvoyant with an unblemished record.

**Q: How much can the legal expenses run for an insured who has a coverage dispute?**

**A:** Believe it or not, \$1,000,000. or more, is not unusual. Remember, the larger the claim, the more likely the chance for a dispute.

**Q: Is there any insurer who will not create an insurance coverage dispute?**

**A:** We do not believe there is any insurer who can state they have not been involved in a coverage dispute.

PIA Insurance Coverage Dispute—  
Legal Expense Insurance  
is available only through your agent or broker.  
For more information and a specimen policy,  
contact your broker or call or write PIA.



**The Broker's Broker.**

Professional Indemnity Agency, Inc.

409 Manville Road

P.O. Box 130

Pleasantville, NY 10570

(914) 747-1818 Telex: 646929 TWX: 710-572-2197

# Financial services add to consultants' business

By DOUGLAS McLEOD

NEW YORK—New insurance products and the possible entry of new players into the insurance marketplace are bringing new clients to risk management consultants.

The advent of financial guarantee insurance products is attracting many risk managers looking to lighten the burdens of financing their companies' operations, consultants report.

Meanwhile, the prospect of financial services deregulation has made consulting clients of banks that are examining the insurance business with the idea of becoming insurers or brokers themselves.

In other areas, though, demand for consultants' services is little changed over the past year.

Most consultants report continued interest in strategic review of captive insurance operations, especially by the owners of single-parent captives looking to reassess the need for captives in a competitive property/casualty marketplace.

They are also worried about the problems involved in writing third-party business.

In some cases, consultants report that they have recommended winding down a captive's operations, while in others, further expansion has been the advice.

The soft market has likewise contributed to a decline in requests for captive feasibility studies, while increasing demand for such staple services as preparation of insurance programs for bidding, consultants say.

The consulting arms of several insurance brokerages report a new wave of interest in such financial guarantee products as limited partnership investment bonds, residual value insurance, equipment lease termination insurance and oil and gas reservoir inadequacy insurance.

In some cases, the brokers act both as consultants, analyzing a company's need for financial guarantee products, and as brokers, placing the insurance itself.

**Growth in the area** over the last year has been "astronomical," said Michael Dinstein, president of the financial research and planning division of Fred S. James & Co. Inc. in New York.

In one study, James was asked by a "major" mutual fund to predict the probability of a significant withdrawal of investor cash under given circumstances in the future. The study was to form the basis for the fund's decision to purchase liquidity insurance, which would cover against the possibility that securities could not be sold quickly enough to cover withdrawals, according to Mr. Dinstein. He would not name the client involved.

One of James' specialties has been financial guarantee products for waste energy generating plants, Mr. Dinstein added.

These products include "efficacy coverage," which guarantees that a plant will meet promised energy production specifications; and "U.S. political risk" coverage, which picks up extra expenses incurred in meeting governmental pollution control standards if those standards become more stringent between the time construction on a plant begins and the time it's completed.

The point of the coverages is to mitigate the risk assumed by banks financing such projects, and thus to obtain more favorable terms in debt-servicing agreements.

The Advanced Risk Management Services division of broker Corroon & Black Corp. also saw mounting interest in financial

'...We expect banks to get into insurance,' says Ronald T. Kuehn at Huggins.

guarantee products beginning early last year, according to James E. Costner, an assistant vp in Nashville, Tenn. C&B acts both as a consultant and broker for a wide variety of financial guarantee products, he explained.

While many risk managers were looking at financial guarantee insurance to help them deal with banks, banks themselves were tap-

ping consultants for different reasons.

The possibility of federal legislation expanding the powers of bank holding companies has brought many banks to consultants for advice on getting into the insurance business.

"Especially as deregulation comes about, we expect banks to get into insurance," said Ronald T. Kuehn, senior vp with Huggins Financial Services in Philadelphia, a unit of Hay Associates.

Huggins has frequently advised banks in the past on handling the credit-related insurance products that they are already allowed to underwrite, Mr. Kuehn said.

For instance, Huggins conducted a study for one bank as early as 1969 on the feasibility of forming a

credit insurance captive. The bank finally formed the captive last year, Mr. Kuehn said.

"Some of these things have been around for a while," he observed.

But other banks have come to Huggins recently for advice on how to move into a broader range of insurance products. The requests for assistance with strategic planning may include help with selecting insurance companies for possible acquisition, insurance product development and profitability analysis of life and property/casualty operations, Mr. Kuehn said.

The extent to which banks may follow up on these preliminary steps depends on the extent of deregulation, "but there is a great increase in activity," he noted.

Warren, McVeigh & Griffin Inc.,

a consultant in Newport Beach, Calif., did work last year for about six banks and financial institutions interested in getting into the insurance business, says Chief Executive Officer Bud Griffin.

One New Mexico bank that is selling property/casualty insurance under a grandfather clause in a state banking law was looking at the possibility of moving away from its joint venture with a brokerage firm to establish a more "direct link" with insurers, said Mr. Griffin, who would not name the bank.

"It's just beginning to develop," he observed, adding that his firm is about to start publishing a bank insurance newsletter.

Not all demands on consultants' Continued on facing page

We'll give you the LTD

Mutual Benefit Life

Master Group Contract

Continued from facing page  
time are in ground-breaking areas, though. As was the case last year, consultants report numerous requests for "strategic planning studies" of captive insurance operations.

"Financial officers and chief executive officers want to take a good hard look at the captive and its strategic (importance) to the company," noted H. Felix Kloman, president of Risk Planning Group Inc. of Darien, Conn.

Among the considerations, Mr. Kloman noted, are whether the captive continues to present any tax advantages, what its underwriting performance has been and what its performance is likely to be in the future.

Johnson & Higgins Risk Management Services has performed about a dozen "rehabilitation" studies over the last year for captives whose performance has been poor, according to Vp Alan G. Page.

Among the alternatives examined are whether the captive should write more third-party business, change the type of third-party risks it writes, sell off its third-party book of business or discontinue all operations.

J&H also conducted about a dozen strategic planning studies for expanding captives that have done well, Mr. Page added. The alternatives examined in these reviews have included analyses of additional business that could be written and the possibility of the captives becoming admitted carriers or participating in J&H's New York Insurance Exchange syndicates.

Mr. Page said that in both groups of studies, no trends emerged in the conclusions reached. The direction of a captive's development depended on the character of the parent company and the third-party business the captive had written, he said.

Risk Sciences Group Inc., a sub-

siary of Crawford & Co. in Sausalito, Calif., conducted about three strategic planning studies, recommending in two cases that the tail of the captives' remaining business be sold and that the captives be maintained only as administrative vehicles for the parents' insurance programs, according to President Joseph A. Destein.

Betterley Consulting Group, a Boston-based unit of Tillinghast, Nelson & Warren Inc., conducted about 15 strategic planning studies last year, 10 for single-parent captives and five for association captives, according to George M. Betterley, managing principal.

In most cases, the firm recommended continuing the captive's operations but redefining their purpose, expanding their activities in some areas and eliminating activities in others, he says.

The availability of inexpensive commercial insurance programs, such as paid-loss retro programs,

has contributed both to the spread of captive strategic reviews and to the continuing decline in requests for captive feasibility studies, consultants note.

While rates may be firming in the upper umbrella layers of some liability programs, premiums generally remain flat or are still going down, several consultants say.

Most consultants report relatively little interest in start-up studies for captives, especially for single-parent operations.

"The one-on-one captive is pretty much dead," said Mr. Griffin, adding that Warren, McVeigh & Griffin did conduct a few feasibility studies for association captives last year.

About two-thirds of Betterley's requests for feasibility studies came from associations and in most of the cases where single parents were considering captive formation, Mr. Betterley says he advised against it.

"We generally found it was pre-

mature for companies to be considering it," he said, explaining that no substantial improvements over commercial market pricing were available through captives.

James, though, reported an increase in captive feasibility studies, performing 15 studies last year, more than in any of the five previous years, according to Harry Shuford, senior vp and manager of the captive development and planning division.

Half of the studies were for single-parent captives, and all the clients are making plans to implement a captive program, Mr. Shuford said.

"We even had one or two cases where we told them not to do it and they are doing it," he said, explaining that although cheaper alternatives were available in the commercial market, the companies proceeded with captives with long-term pricing stability in mind.

"Most of these people are aware that they can't predict what will happen (with commercial insurance rates) in 1984, 1985 and 1986," Mr. Shuford said.

While the property/casualty insurance market remains soft, though, many risk managers are going to consultants to help them prepare their insurance programs for bids from brokers.

While tightening in umbrella layers above \$50 million may start a "chain reaction" that will eventually effect primary markets, such a change may not come for another 12 to 18 months, noted Bruce S. McCallum, executive vp with Corporate Policyholders Counsel Inc., consulting firm in Chicago.

Bid and specification consulting remain 40% to 50% of the company's business, Mr. McCallum explained.

"Everybody wants to make sure that their pricing was on the level of what the market was offering," said William C. Moore Jr., president of McNeary Insurance Consulting Services Inc., a subsidiary of Booke & Co. based in Charlotte, N.C.

# combination that locks up the sale.

There are many possible combinations with Mutual Benefit's Long Term Disability.

And our group sales representatives will work with you to come up with the combination just right for each selling situation which you face.

#### The flexibility comes from such LTD features as:

- Dual definition of disability:
  - an inability-to-work test
  - a choice of a 50% or 80% earnings test.
- Choice of qualifying periods.
- Executive "No-Offset" LTD.
- COLA (Cost Of Living Adjustment).
- Preferred rates for professional groups.
- You can also offer potential dividends to larger groups.

#### All of our LTD plans feature:

- Employees may work while disabled—limited or rehabilitative employment will not interrupt the Qualifying Period or benefits.
- Mutual Benefit may assume an active role in rehabilitation. It assists claimants to become self-supporting and productive, makes them *want* to get better. Everyone benefits, including the employer.
  - There are no reductions in benefits for individual, franchise or wholesale disability income policies, whether or not paid for by the employer.
  - A Conversion Privilege.

*Sales support comes from our nationwide network of experienced group sales representatives working out of 22 conveniently located Mutual Benefit offices.*

Real help is just a phone call away.

Call our nearest office for details on Mutual Benefit's LTD. We're in the White Pages...or write Group Sales Dept., 570 Broad St., Newark, N.J. 07101.



## Mutual Benefit Life

From The Reprint Department Of:

# business insurance

Reporting weekly for corporate risk,  
employee benefit and  
financial executives

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

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

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

Reprint Department  
**Business Insurance**  
220 E. 42nd St.  
New York, N.Y. 10017  
212-210-0131  
212-210-0229

\*New prices effective 1/1/84

# Consultants tackle occupational diseases

By CAROL CAIN

For the risk manager who wants to make sure undetected occupational disease risks won't haunt his company tomorrow, there is an army of specialists ready to assist.

The first advice from these consultants is to concentrate now on controlling known exposures rather than fret about the unknown.

"Identify things internally at the known areas that cause occupational disease... the chemicals, the textiles, the mines. Then go to people with expertise in those areas," says Ron Summerville, a consultant with The Wyatt Co.'s Washington office.

Some of these experts work for independent firms that specialize

in occupational diseases and safety while others work in special sections or subsidiaries of insurers, brokers and risk management consultants. University professors and the state and federal Occupational Safety and Health Administration also are tapped.

These consultants, which may have engineers, biologists, chemists, industrial hygienists, toxicologists and physicians on their staffs, either analyze information that an employer gathers on its own or do the gathering themselves. Then, they might just advise the employer on correcting the issue, or also engineer a design change to correct the problem.

A company that suspects it might have an occupational disease exposure can hire a consultant to tackle

either a specific problem or to assess the company's total health and safety operations.

For instance, Galson Technical Services in East Syracuse, N.Y., was called into a metal fabricating plant that had a problem with oil mist from its machines. The mist was causing respiratory problems for the workers, explained Eva Galson, lab director.

"We measured, looked, collected samples and then designed an air handling (exhaust) system and hoods to eliminate the problem," she said.

In another isolated project, NATLSCO, a subsidiary of Kemper Group in Long Grove, Ill., was called into the warehouse of a manufacturing facility where employees were complaining of headaches

and drowsiness.

Suspecting carbon monoxide because the company was using liquid petroleum gas lift trucks, NATLSCO took air samples, confirmed its suspicion and recommended that the firm either add a ventilation system or use battery-powered trucks, said John Gorski, an industrial hygiene engineer with NATLSCO's special industrial hygiene group.

But often consultants are called to assess a total operation.

"Sometimes a company decides to handle toxic materials, and it feels it has a potential for occupational disease. In that case, we'll go wall-to-wall looking at all chemicals, physical hazards in the workplace (noise, radiation, excessive heat exposure)—make a complete

survey and develop priorities to minimize the exposure," said Dr. Jaswant Singh, vp and technical director for Clayton Environmental Consultants Inc. in Southfield, Mich., a subsidiary of Marsh & McLennan Inc.

Clayton, which was founded in 1950, is one of the oldest firms providing occupational health and hygiene assistance to employers, he said. Its services may cost as little as \$500 for a single project to \$200,000 for a complete assessment of a company with several locations, he said.

"To provide this kind of service you need people with different skills. You need the engineers, the biologists, but you also need people with a risk management background," said Dr. Joseph Fiksel, manager of the decision and risk management section of consultant Arthur D. Little Inc. in Cambridge, Mass.

Little generally tackles a project from both hazard control and liability control aspects and will design necessary engineering changes. When it identifies a low-level hazard, it might recommend setting up a medical surveillance program. It also can identify potential hazards.

Morton Corn, a professor of environmental health engineering at Johns Hopkins University in Baltimore, is often hired by employers to audit their safety and health operations and procedures.

In conducting an audit, Professor Corn, who was an assistant secretary of labor in the Ford administration, looks at the chemicals an employer uses, the processes in the plants and all kinds of medical and work record data. He also will interview managers and employees.

"During the last 10 years more and more money is going into this area (health and safety). Senior managers want to make sure it's well-spent," Professor Corn said.

But unlike consultants like Little, Galson, Clayton and others, Professor Corn stops short of engineering a solution to a deficiency.

The Center for Occupational & Environmental Health, operated jointly by Johns Hopkins University and the Wyman Park Health System, takes an approach to assessing and consulting that is similar to Professor Corn's, but it specializes in the medical aspects of occupational disease.

For smaller employers, OSHA will provide consultation services at no charge, said Joseph Collier, director of the office of consultation programs in OSHA's Washington office. The services are available in almost all states either through the departments of labor or the local OSHA office.

"Employers must request the service and they may specify the scope," Mr. Collier said. "We give priority to smaller businesses in high-hazard industries," he said, adding there is a waiting list for the service.

Consultants from OSHA will go into the workplace and point out the hazards. They follow up with a written report, Mr. Collier said.

"They give general advice; they don't do engineering designs," he said.

The American Industrial Hygiene Assn. publishes a list of more than 250 consultants involved with occupational disease and safety. The list is available for \$1 from the association at Department MR, 475 Wolf Ledges Parkway, Akron, Ohio 44311. The American Society of Safety Engineers also publishes a directory of safety consultants. The 1984-85 edition will be available for sale by March 1 for \$25. To order contact the society at 850 Busse Highway, Park Ridge, Ill. 60068.



**PAID PRESCRIPTIONS, INC.**

A SUBSIDIARY OF COMPUTER SCIENCES CORPORATION

## Benefit budgets are rising out of sight.

If the prospect makes you uneasy, you'd better start looking for a reliable anchor. PAID cost-containment services. PAID brings your budget back down to earth and keeps it there. It lets your organization beat inflationary updrafts with enhanced prescription drug, vision, and hearing

claims service. And PAID's nationwide provider network is everywhere. Tie down ballooning benefit costs for good. Ask your insurance company, consultant, or broker about PAID. Write or call PAID Prescriptions, P.O. Box 434, Paramus, New Jersey 07652 (800) 631-1679.

More than 55,000 providers nationwide



# A DISASTER IS ABOUT TO HAPPEN.

The smoke has cleared. The rubble settled.  
Adjusters have come and gone.

Then it happens.  
Nothing.

No property compensation. No business  
interruption payments. No rebuilding.

The fate of an entire company depends  
on an insurance check that, because of slow  
claims handling or a shortage of cash, may be  
delayed. And delayed.

Until it's too late.

At INA Special Risk Facilities, Inc.,\* a  
CIGNA company, we stay in business by mak-  
ing sure our customers do.

So we'll pay an insured loss like this  
promptly — even if our reinsurer doesn't. Then if  
someone waits, it's us.

We can open an on-the-spot claims  
office. And staff it with specialists from around  
the country, to assess property and business  
interruption losses, and issue third party checks  
as soon as possible.

We even sell salvage. And warehouse  
undamaged goods.

Why do we do all this?

Because at CIGNA we know that most  
businesses can survive anything — except the  
wrong insurance.

INA Special Risk Facilities, Inc.  
a CIGNA company

\*INA Special Risk Facilities, Inc. is the marketing company for products  
underwritten by the Insurance Company of North America.

**CIGNA**

# Consultants' societies promote high standards

What does it mean if a consultant is a member of a risk management consulting society?

It means that the consultant has complied with the standards for membership in either the Institute of Risk Management Consultants Inc. (IRMC) or the Insurance Consultants' Society (ICS).

Only individuals, not consulting firms, can be members of these societies. Such memberships are noted in the *BI* directory of risk management consultants that begins on page 29.

IRMC has general, educational and professional guidelines for membership. General qualifications require that the member:

- Has satisfactory moral and ethical standing in the professional field of risk management consulting.

- Is an individual who is engaged in risk management consulting publicly for a fee; who devotes the substantial majority of his or her working time to risk management consulting; and who meets all other membership requirements.

Risk management consulting is a profession, the practitioners of which identify, analyze and evaluate exposures to fortuitous loss and make recommendations as to the most effective and efficient means to control and fund such losses, and may, when requested, assist in implementing such recommendations, the guidelines add.

- Has no actual or potential conflict of interest in his or her services or in those of his or her firm.

For the purpose of determining qualifications for membership in the institute, an actual or potential conflict of interest is deemed to exist when the applicant, the firm through which the applicant practices risk management or any associated or affiliated interest of such firm is engaged directly or indirectly in the business of insurance or provides services to an insurance agent or broker for remuneration of any kind, the guidelines add.

IRMC educational requirements include:

- Graduation from an accredited college, university or equivalent or at least five years of acceptable experience in risk management consulting or as a practicing risk manager.

- Applicants must have a bachelor's degree or equivalent from an accredited college or university.

The professional guidelines are:

- Five years or more of acceptable public practice in risk management consulting, including two years of major responsibility for consulting assignments. Three of the five years and the two years of experience with major responsibility for assignments must have immediately preceded the application.

- Subject to the approval of the institute's board of directors, the Membership Committee may accept two years of experience as a practicing risk manager or five years experience in a risk management-related field as a substitute for two years of risk management consulting.

In any event, the applicant must have three years of acceptable consulting experience, including two years of major client responsibility immediately preceding the date of application.

Annual dues for IRMC members are \$100.

The ICS eligibility guidelines require members to be "principally engaged in the insurance consulting business, and that you (the member) do not, directly or indirectly, have any interest in, and are not, directly or indirectly, owned or controlled by or affiliated with any insurance agent or

agency, broker or brokerage company or any insurance company."

The ICS also asks its members "to affirm your acceptance and compliance with the principles of the Society."

The society's principles are:

- "To promote, develop and maintain a professional organization dedicated to the public's inter-

est in obtaining fair, objective, independent, thorough and professional information and advice about insurance.

- "To establish and maintain high standards of professional ethics, integrity and performance in the insurance consulting profession.

- "To educate the public toward

a greater understanding of the insurance industry.

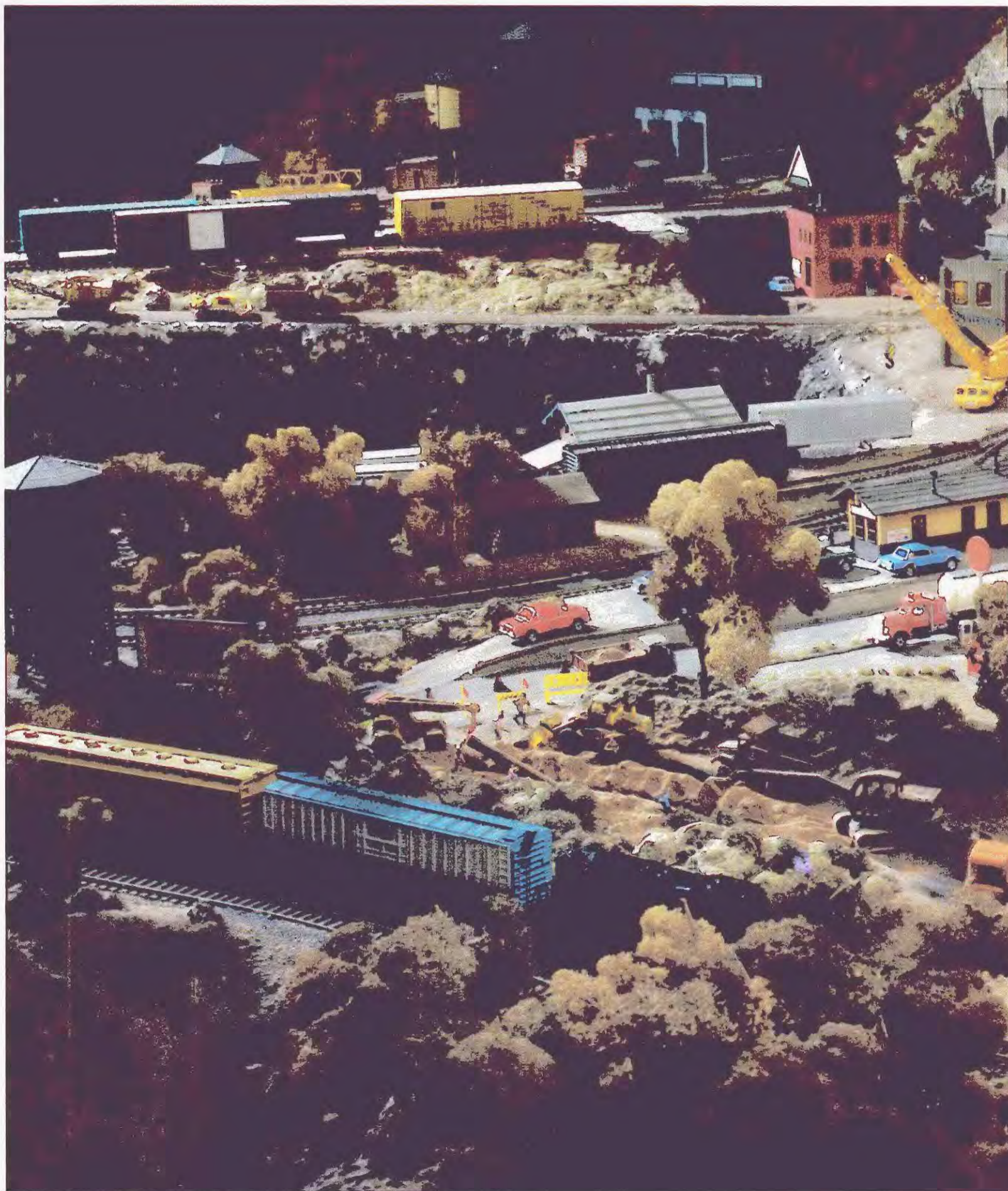
- "To publish, or cause to be published, and to disseminate or cause to be disseminated such spoken or printed material as may be necessary, suitable or convenient for carrying out any lawful purpose of the organization.

- To encourage a thorough and

sound education for persons learning or practicing the profession."

Annual ICS dues are \$100.

For details, contact Allan P. Waters, Membership Chairman, IRMC, 7110 Augusta Blvd. N., Seminole, Fla. 33543; 813-397-8665; or Alvin E. Mangold, President, ICS, 90 Bustleton Pike, Feasterville, Pa. 19047; 215-322-2400. ■



## WE'RE SERIOUS ABOUT YOUR BUSINESS.

There's risk even in a model environment. There's exposure no matter how well planned your operation. There is a hidden problem in even the smallest detail.

BRI Coverage Corp. is geared to identify and solve problems. BRI Coverage Corp. is a full service, comprehensive insurance brokerage firm that specializes in the analysis of hidden risks and finds economical solutions to those problems no matter what the field.

# Risk management consultants' directory

**A**
**AIG Risk Management Inc.**

 70 Pine St., New York, N.Y. 10270;  
212-770-6366

Year founded: 1974.

**Parent company:** American International Group Inc.

**Services provided:** 60% continuous consulting; 5% risk management audits; 35% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance

limits, claims auditing, loss-prevention audits, preparation of specifications for bidding, quantitative analysis and statistical forecasting, feasibility studies for self-insured association program, hospital simulations, IBNR studies; occasional insurance contract analysis, loss settlement assistance, risk

management organization studies, accounting system analysis, captive mergers and acquisition.

**Locations:** Atlanta; S. Chicago; Houston; Los Angeles; Brussels, Belgium; London; Melbourne, Australia.

**Staff:** 107 total staff; 44 professional staff members, including

nine principal consultants, 17 consultants, 18 analysts. Professional designations held by staff include five CPCUs, two ARMs, 11 MBAs, 51 FCAS, two CSPs, two attorneys.

**Clients:** Total clients not reported; 1% with a risk and insurance budget less than \$1 million; 40% \$1 million to \$5 million; 42% \$5 million to \$10 million; 15% \$10 million to \$25 million; 2% more than \$25 million; minimum size client, \$250,000 insurance budget.

**Compensation:** By the project.  
**1983 gross revenues:** \$31.7 million; 100% fee-based.

**Principal officers:** Joseph C. Smetana, president; Frank Neuhauer Jr., Daniel Courtemanche, Martin Banker, Michael Curio, vps.

**A.J.A. Risk Management Consultants Inc.**

888 Seventh Ave., 16th Floor, New York, N.Y. 10106; 212-333-3259

Year founded: 1982.

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

**Staff:** Professional designations held by staff include one ACAS.

**Clients:** Total clients not reported; 50% with a risk and insurance budget less than \$1 million; 25% \$1 million to \$5 million; 25% \$5 million to \$10 million.

**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer; by the hour: principal consultant, \$125; consultant, \$100; junior consultant, \$60; clerical, \$25.

**1983 gross revenues:** Not reported; 50% fee-based.

**Principal officers:** Benny Silberstein, president.

**S.B. Ackerman Associates**

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

Year founded: 1915.

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

**Staff:** 54 total staff; 27 professional staff members, including 10 principal consultants, 13 consultants, four analysts. Professional designations held by staff include one MBA, one FCAS, one CSP, nine attorneys, one M.D.

**Clients:** More than 100 total clients; 25% with a risk and insurance budget less than \$1 million; 10% \$1 million to \$5 million; 45% \$5 million to \$10 million; 10% \$10 million to \$25 million; 10% more than \$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$200; consultant, \$75; junior consultant, \$50; clerical, \$35.

*Continued on next page*


**A model environment may not be a model of efficiency.**

We provide risk management services devoted to reducing both exposure and cost. We design effective and cost-efficient programs that direct themselves from the largest to the most obscure risk in fields ranging from ocean marine to employee benefits...from workers' compensation to self insurance and captives...from surety to risk retention and much more.

Certainly, no problem is too big for BRI Coverage Corp. But

just as importantly, no problem is too small to receive the proper care and attention. Not when it's your problem.


**BRI COVERAGE CORP.**

 156 William Street, New York, NY 10038  
212-233-7171 800-221-5080



**English & Associates**  
Insurance Marketing, Inc.

**Settlement  
Annuity  
Specialists**

ARRANGING SETTLEMENT ANNUITIES FOR  
THE INSURANCE DEFENSE INDUSTRY NATIONWIDE

**CORPORATE HEADQUARTERS**  
27285 Las Ramblas, Suite 230  
Mission Viejo, California 92691  
(714) 643-2144

**NORTHERN CALIFORNIA**  
1660 School Street  
Moraga, California 94556  
(415) 631-0610

Dennis English Paul Ward Dave Snyder

Allan Cooper

**SOUTHWEST**  
One Galleria Tower  
13355 Noel Road, Suite 561  
Dallas, Texas 75240  
(214) 934-8208

**MIDWEST**  
8600 West Bryn Mawr  
Suite 4, 2nd Floor  
Chicago, Illinois 60631  
(312) 399-2051

**EAST COAST**  
One Greentree Center  
Suite 201  
Marlton, New Jersey 08053  
(609) 596-8585

Bob Ernst

Jim Volanti

Tom Connolly

*Continued from previous page*  
**1983 gross revenues:** Not reported; 100% fee-based.  
**Principal officers:** Saul B. Ackerman, Bernard A. Salwen, Joel Glass, Michael H. Barnett, James E. Ehrenfelt, partners.  
**Membership:** IRMC.

**Addicks & Associates**  
P.O. Box 724136, Atlanta, Ga.  
30339; 404-794-0070

**Year founded:** 1970.  
**Independent.**  
**Services provided:** 60% continuous consulting; 30% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, loss-prevention audits, accounting system analysis, broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative anal-

ysis and statistical forecasting; occasional captive feasibility studies claims auditing, loss settlement assistance.  
**Staff:** Six total staff; four professional staff members, including two principal consultants, one consultant, one analyst. Professional designations held by staff include three CPCUs, one ARM, one MBA.  
**Clients:** 50 total clients; 94% with a risk and insurance budget less than \$1 million; 6% \$1 million to \$5 million.  
**Compensation:** By the project; on retainer; by the hour: principal consultant, \$80; consultant, \$60; junior consultant, \$25; clerical, \$11.  
**1983 gross revenues:** \$125,000; 100% fee-based.  
**Principal officers:** Raymond C. Addicks Jr., principal; T. Joe Byrd, A. Byron Downs Jr., associates.

**Advanced Risk Management Techniques (ARM Tech)**  
25251 Paseo de Alicia, Suite 100, Laguna Hills, Calif. 92653; 714-472-8324

**Year founded:** 1982.  
**Independent.**  
**Services provided:** 25% continuous consulting; 50% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis, governmental agency pooling program studies, expert witness, actuarial audits of loss reserves; occasional loss-prevention audits, accounting system analysis, loss-settlement assistance.  
**Staff:** 10 total staff; eight professional staff members, including six principal consultants, two consultants. Professional designations held by staff include four CPCUs, four ARMs, three MBAs, one FCAS, one P.E.  
**Clients:** 120 total clients.  
**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100-\$125; consultant, \$50-\$70; clerical, \$18-\$27.  
**1983 gross revenues:** \$750,000; 100% fee-based.  
**Principal officers:** Richard R. Huntington, Michael M. Kaddatz, Steven P. Kahn, David M. McCleerey, William S. Mortimer, Oakley E. Van Slyke, partners.  
**Member of:** IRMC.

**Aerospace Management Services International Inc.**  
611 Ryan Plaza Drive, Suite 500, Arlington, Texas 76011; 817-460-5924

**Year founded:** 1973.  
**Parent company:** United States Aviation Underwriters Inc.  
**Services provided:** 25% risk management audits; 25% special projects, including captive feasibility studies, loss-prevention audits, aviation safety audits (fixed and rotorcraft), appraisal services, aviation manual preparation; occasional claims auditing, loss settlement assistance, risk management organization studies; 50% aircraft accident investigation services.  
**Locations:** Los Angeles; Seattle; Chicago; New York.  
**Staff:** 30 total staff; 15 professional staff members, including five principal consultants, 10 consultants. Professional designations held by staff include four MBAs.  
**Clients:** Total clients not reported.  
**Compensation:** By the project; commissions for insurance placed with underwriters; by the hour: principal consultant, \$100; consultant, \$75; junior consultant, \$55.  
*Continued on facing page*

# QUESTION: WHERE CAN I FIND EMPLOYEE BENEFIT PLANS THAT BENEFIT THE EMPLOYER TOO?



Benefit from our experience.

At Brougner, we have a variety of plans to choose from. Some, like Greenwood Plus, provide big protection for smaller employers. Others offer optimum Stop-Loss protection for larger employers.

But every plan is built on Brougner experience. Every plan is backed by Brougner expertise.

And every plan is designed to be good business for any business. Benefiting the company man. And the man who owns the company.

## BROUGNER. The Answer.

For more information on Brougner Employee Benefit plans, attach your business card to this ad and mail it to this address.



**BROUGNER AGENCY, INC.**  
Lloyd's London Correspondent  
P.O. Box BAI, Greenwood, Indiana 46142  
(317) 535-8212

**J&H thinks  
you don't have to be big  
to have big  
insurance problems.**

**What do you think?**

If you think even the smallest companies can have big insurance problems, we couldn't agree more.

That's why you should have a broker with the capability to do all the big things and the interest to do all the little things. A broker with the objectivity to advise you about self-insurance and the ability to negotiate the best coverage at the lowest cost. A broker with the technical expertise to analyze underwriters' claim reserves so that capital isn't needlessly tied up. A broker who's good at negotiating difficult coverages such as directors and officers liability and environmental impairment liability. And one who can arrange prompt claims settlements.

We're that kind of broker. And we're looking for your kind of company.

We'd like to talk with you about this.

Call the J&H office in your area or Larry Geneen at 212-701-8799.

**Johnson & Higgins**  
We answer only to you.

Continued from previous page  
million to \$5 million; 10% \$5 million to \$10 million; 10% \$10 million to \$25 million; 5% more than \$25 million.

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

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Richard F. Camus, senior consulting actuary; Charles G. Hall, consulting actuary.

#### Capell Industrial Risk Management Inc.

P.O. Box 3167, Princeton, N.J. 08540; 609-896-3017  
Year founded: 1978.

#### Independent.

**Services provided:** 95% continuous consulting; 1% risk management audits; 4% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, loss-settlement assistance, preparation of specifications for bidding, assessment of need for retroactive coverage, pre-acquisition/merger audits; occasional captive feasibility studies, quantitative analysis and statistical forecasting, loss-prevention audits, creating and drafting special insurance cover-

ages.

**Staff:** Four total staff; three professional staff members, including one principal consultant, two analysts.

**Clients:** 64 total clients; 99% with risk and insurance budgets less than \$1 million; 1% \$1 million to \$5 million; minimum size client, \$5,000 fee.

**Compensation:** By the project, on retainer.

**1983 gross revenues:** \$375,000; 99.9% fee-based.

**Principal officers:** James W. Capell, executive vp.

#### Charlesworth & Associates

P.O. Box 12830, Overland Park, Kan. 66212; 913-381-7363

**Year founded:** 1977.

#### Independent.

**Services provided:** 25% continuous consulting; 50% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional claims auditing, loss-prevention audits, accounting system analysis, broker service and remuneration, loss-set-

tlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, risk management seminars.

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

**Clients:** 40 total clients; 100% with a risk and insurance budget less than \$1 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$50-\$60; clerical, \$12.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Art Charlesworth, owner.

#### Commercial Risk Consultants Inc.

P.O. Box 606, Hampton, Va. 23669; 804-723-0254

**Year founded:** 1979.

#### Independent.

**Services provided:** 60% continuous consulting; 35% risk management audits; 5% special risk management consulting projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, loss-prevention audits, accounting system analysis, loss-settlement assistance.

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

**Clients:** Total clients not reported; minimum size client, \$50,000 insurance budget.

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

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** John W. Newby, president.

#### Consulting Associates Inc.

4425 Randolph Road, P.O. Box 220039, Charlotte, N.C. 28222; 704-366-4910

**Year founded:** 1980.

#### Independent.

**Services provided:** 70% continuous consulting; 15% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration, risk management organization studies, preparation of specifications for bidding, experience-rating analysis, preparation of risk management manuals, analysis of market conditions, coverage availability and pricing trends; occasional captive feasibility studies, claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance, quantitative analysis and statistical forecasting.

**Locations:** Associate offices in Dallas; Denver; Los Angeles.

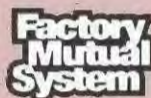
**Staff:** Five total staff; three professional staff members, including two principal consultants, one consultant. Professional designations held by staff include two CPCUs, one ARM.

**Clients:** More than 20 total clients; 60% with a risk and insurance budget less than \$1 million; 35% \$1 million to \$5 million; 5% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$95; consultant, \$75; clerical, \$33.

**1983 gross revenues:** Not reported; 100% fee-based.

Continued on page 38



# Protection

*Saturday May 7<sup>th</sup> 1887*

*A special meeting of the executive committee of the proposed Protection Mutual Fire Insurance Company was held this day at the office of the Amazon Hoising Co No. 199 Madison Street Chicago Illinois. Present Messrs Porrell, Schmidt and Weber. On motion of Mr Porrell Schmidt was elected permanent chairman of said committee.*

## It's Our Word.

Sharing not only risk, but technology, information and expertise. That's what brought our founders together nearly a century ago.

And that's what has brought tens of thousands of businesses to Protection Mutual in our long history.

The devastation that a catastrophic loss can mean to a business is the same today as it was in 1887.

That's why we are committed to engineering, research, training and loss control as well as to providing the most innovative broad risk coverage.

All our technology, information and underwriting expertise for these goals: to prevent disaster before it occurs, and provide sound, comprehensive coverage if it should occur.

A shared commitment: Protection. It's our word. And yours.

**Protection Mutual**

Protection Mutual Insurance Company  
300 South Northwest Highway  
Park Ridge, Illinois 60068

312/825-4474



## Because in reinsurance you want a secure anchor

For your reinsurance needs, you can count on MetRe.

For the stability that comes from a strong surplus—one that increased by twenty-five million dollars in the last two years alone. For the expertise of our Treaty and Facultative teams. For the reliability that

comes through our affiliation with Metropolitan, a longtime leader in the insurance field.

That's the kind of anchor that holds secure, under any adverse conditions.



# METROPOLITAN REINSURANCE COMPANY

Continued from page 36

**Principal officers:** William B. Brown, president.

**Corporate Policyholders Counsel Inc.**

20 N. Wacker Drive, Suite 750, Chicago, Ill. 60606; 312-372-8225  
**Year founded:** 1898.

**Independent.**

**Services provided:** 65% continuous consulting; 20% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, non-insurance contract analysis, part-time risk management services; occasional claims auditing, loss-prevention audits, accounting system

analysis, loss-settlement assistance.

**Staff:** 14 total staff; 10 professional staff members, including five principal consultants, three consultants, two analysts. Professional designations held by staff include two CPCUs, one ARM, one MBA, one CLU.

**Clients:** 235 total clients.

**Compensation:** By the project; by the hour: principal consultant, \$150-\$200; consultant, \$100-\$150; junior consultant, \$75-\$100; clerical, \$20-\$30.

**1983 gross revenues:** Not reported; 100% fee based.

**Principal officers:** William R. Rich, chairman; Lawrence B. Mulvaney, vice-chairman; Ronald E. Seaver, president; Bruce S. McCallum, executive vp; Richard L. Schmidt, vp.

**Corporate Risk Management Inc.**

505 Fenton Place, Charlotte, N.C. 28207; 704-335-0185

**Year founded:** 1978.

**Independent.**

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

**Staff:** Four total staff; three professional staff members, including one principal consultant, one consultant, one analyst. Professional designations held by staff include one CPCU, two ARMs.

**Clients:** 45 total clients; 95% with a risk and insurance budget less than \$1 million; 5% \$1 million to \$5 million.

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

**1983 gross revenues:** More than \$200,000; 100% fee-based.

**Principal officers:** William B. Heeney, president.

**Corporate Risk Managers Inc.**

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

**Year founded:** 1974.

**Independent.**

**Services provided:** 95% continuous consulting; 4% risk management audits; 1% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifica-

tions for bidding, risk and insurance management service; occasional captive feasibility studies, quantitative analysis and statistical forecasting.

**Locations:** Affiliate in Brookfield, Wis.

**Staff:** 18 total staff; including seven principal consultants, three consultants, three analysts. Professional designations held by staff include two ARMs.

**Clients:** More than 200 total clients; 96% with a risk and insurance budget less than \$1 million; 4% \$1 million to \$5 million; minimum size client, \$15,000 insurance budget.

**Compensation:** On retainer.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Burdell R. Wessels, president; Fred Moen, Theodore Hood, vp; Charyl J. Peske, assistant vp.

**Corporate Risk Services**

5990 N. Washington St., Denver, Colo. 80216; 303-296-3443

**Year founded:** 1980.

**Independent.**

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

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

**Clients:** 12 total clients; 100% with a risk and insurance budget less than \$1 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$50.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Dale W. Gray, president.

**Corroon & Black Corp./Advanced Risk Management Services**

One Commerce Place, Suite 1500, Nashville, Tenn. 37202; 615-244-8430

**Year founded:** 1975.

**Parent company:** Corroon & Black Corp.

**Services provided:** 20% continuous consulting; 80% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, quantitative analysis and statistical forecasting, captive strategic planning studies, association loss-financing studies; occasional loss-prevention audits, accounting system analysis, broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding.

**Locations:** San Diego; Boston; Hamilton, Bermuda.

**Staff:** 28 total staff. Professional designations held by staff include six CPCUs, three ARMs, three Ph.D.s, one ACAS.

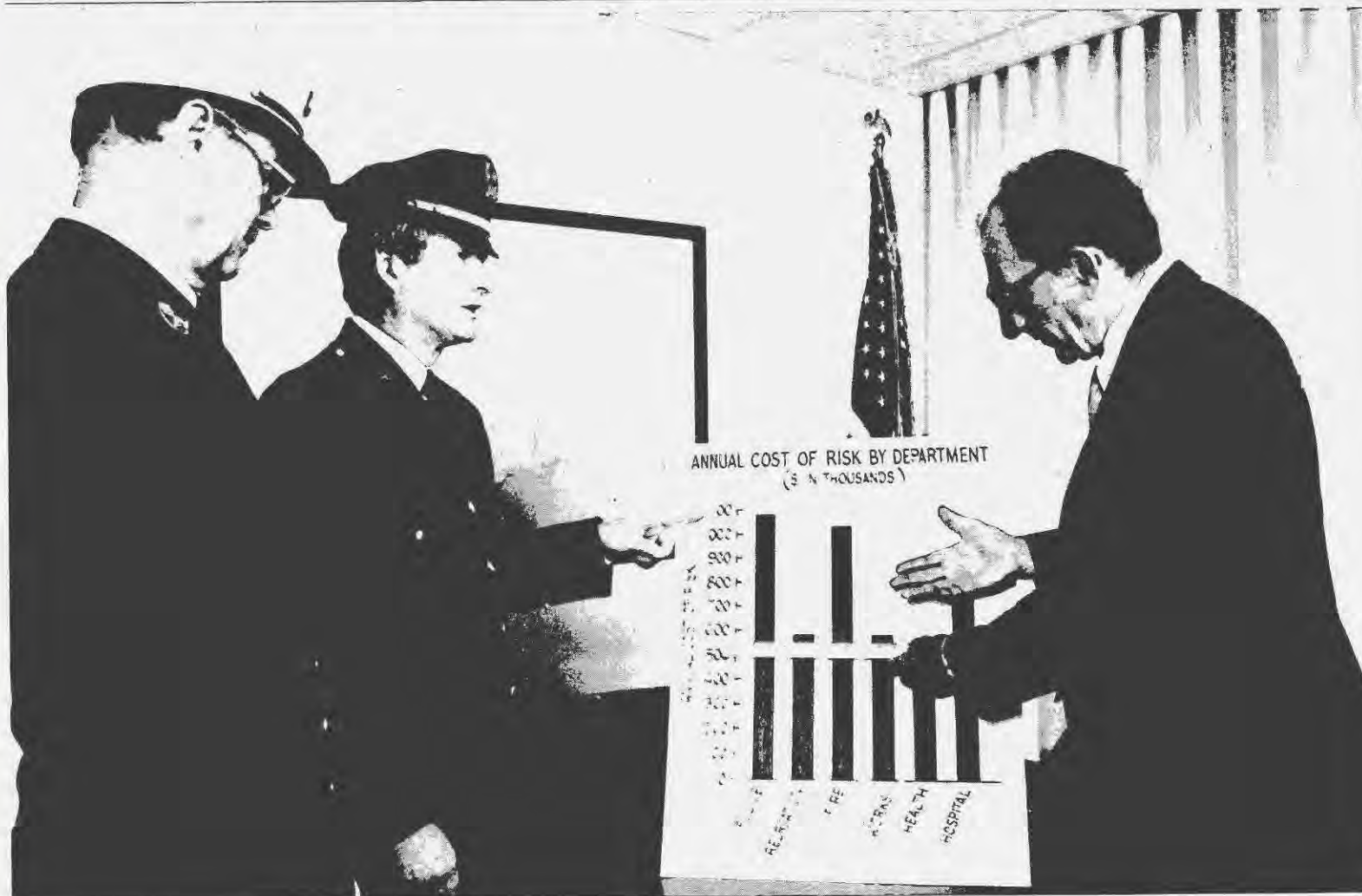
**Clients:** Total clients not reported.

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

**1983 gross revenues:** Not reported.

**Principal officers:** James Y. Davis, chairman; Donald K. Heim, president; Manny D. Buzzell, Richard W. Burson, C. Lee Balkum, senior vps.

Continued on page 40



## Running a Government is Risky Business

It requires professional risk management. Reductions in state and federal aid together with restrictive tax legislation may require reductions in critical services to both citizens and employees.

By reducing your cost of risk you can get maximum benefit from your tax dollar and minimize the probability of financial loss.

Risk analysis, risk funding, claims and loss control can reduce the cost of risk and increase cash flow to maintain vital services.

Ebasco Risk Management can apply innovative techniques to your risk financing. We have provided professional counsel to the public sector for more than 75 years and specialize in the areas of property, casualty, workers compensation and employee benefits risk management.

Telephone now. We'll show you how to make running your business less risky.

THE RIGHT ANSWERS PAY FOR THEMSELVES.

### EBASCO

**EBASCO RISK MANAGEMENT CONSULTANTS, INC.**

A Subsidiary of EBASCO SERVICES INCORPORATED

Two World Trade Center, New York, N.Y. 10048, (212) 839-1334

**Ebasco Risk Management Consultants, Inc.**

Two World Trade Center, New York, N.Y. 10048  
 (212) 839-1334

Gentlemen: Please send me your governmental risk management material.

NAME \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

TELEPHONE \_\_\_\_\_

# DON'T LOOK FOR US WHERE YOU FIND ALL THE REST.

If insurance brokers all seem like peas in a pod with the same attitudes, same programs, same coverages, perhaps it's time to look at Frank B. Hall. We're the world's most inventive insurance services firm. The Protection Connection™ to 21st Century insurance and risk management technology for significant corporations, both large and small, around the globe. At Frank B. Hall, we're never too busy, or too complacent, or too distracted to get excited about your needs. We're the creative force in our industry. Look for us today in a convenient location. Find out what a unique firm we really are. And how we can satisfy your every corporate insurance requirement in our own special way.

**FRANK B. HALL & CO.**



**The Protection Connection™**

The Protection Connection is a trademark and service mark of Frank B. Hall & Co. Inc. © Frank B. Hall & Co. Inc., 1983. All rights reserved.



## SURPRISE!

That's **not** a word people in business like to hear.

At **ARMS**, we take the guess work out of risk management information system decisions. We'll show you what systems will work, and we'll work with the systems to make them fit your company. **ARMS** believes in clear, timely, accurate reporting—thorough documentation of what a company needs and of what a system can offer.

So if you'd rather have your surprises kept outside your risk management information system decisions, give us a call.



Advanced Risk Management Systems, Inc.  
200 W. Monroe • Suite 1607 • Chicago, IL 60606 • 312/853-0046

Continued from page 38  
**Crain, Langner & Co.**

20575 Center Ridge Road, #318,  
Rocky River, Ohio 44116;  
216-333-7622

**Year founded:** 1939.

**Independent.**

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

**Staff:** Six total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include two CPCUs, three ARMs, two CLUs.

**Clients:** 106 total clients; 75% with a risk and insurance budget less than \$1 million; 22% \$1 million to \$5 million; 1% \$5 million to \$10 million; 1% \$10 million to \$25 million; 1% more than \$25 million.

**Compensation:** By the hour: principal consultant, \$85; consultant, \$85.

**1983 gross revenues:** \$350,000; 100% fee-based.

**Principal officers:** David L. Langner, president; William H. Elliott Jr., vp.

**Membership:** ICS.

### D

#### Kevin F. Donoghue & Associates

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

**Year founded:** 1970.

**Independent.**

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

**Staff:** 12 total staff; six professional staff members, including three principal consultants, three consultants. Professional designations held by staff include one CPCU, one MBA.

**Clients:** 82 total clients; 65% with risk and insurance budgets less than \$1 million; 25% \$1 million to \$5 million; 7% \$5 million to \$10 million; 3% \$10 million to \$25 million; minimum size client, \$50,000 insurance budget.

**Compensation:** By the hour: senior consultant, \$80-\$100; consultant, \$50-\$70; clerical, \$15-\$35.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Kevin F. Donoghue, president; Robert J. Dorsey, executive vp; Philip A. Murphy, senior vp; Wesley B. Rowe, consultant.

**Member of:** ICS.

### E

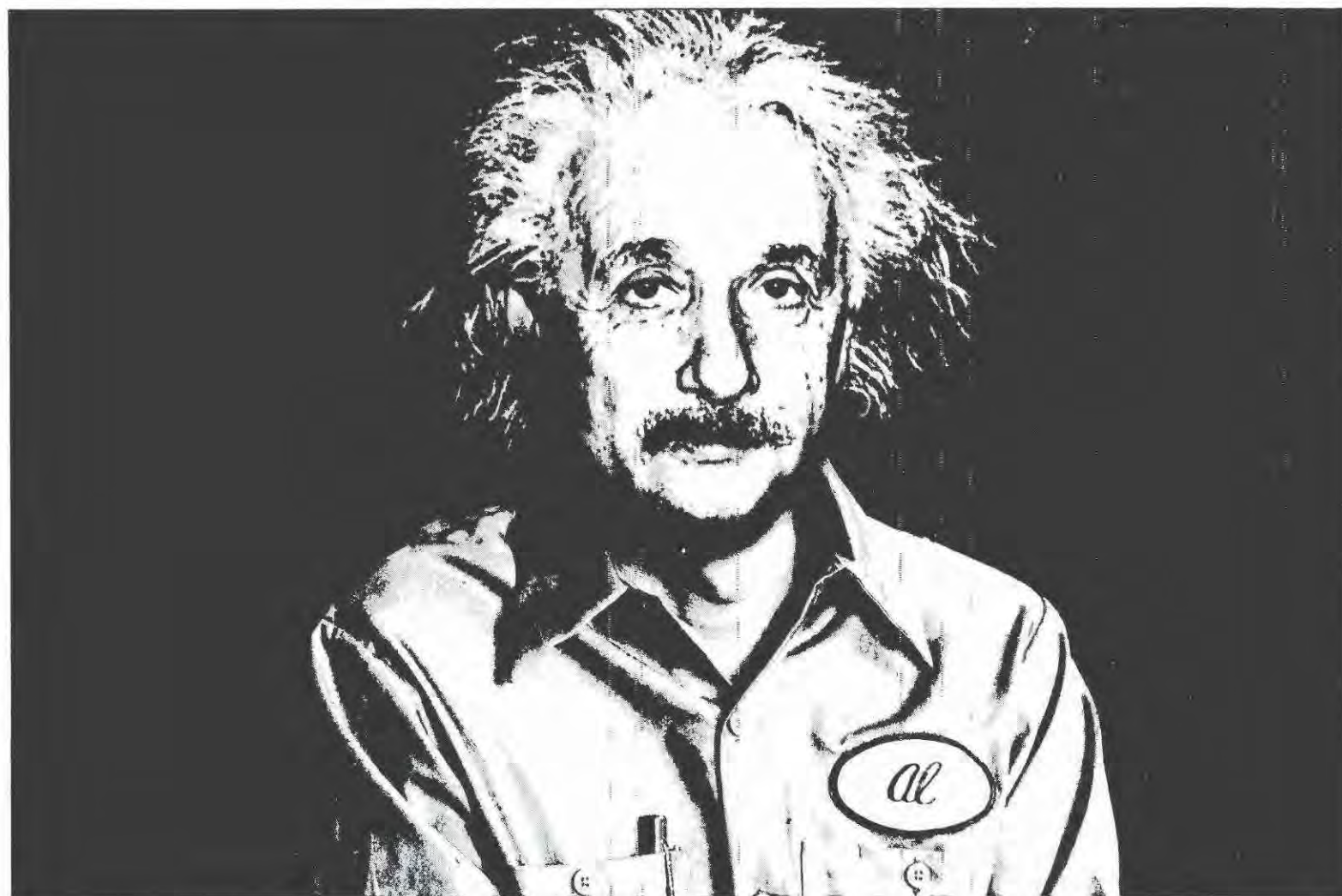
#### Ebasco Risk Management Consultants Inc.

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

**Parent company:** Ebasco Services Inc.

**Services provided:** 35% continuous consulting; 25% risk management audits; 35% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, risk management organization studies, preparation of specifications for bidding; occasional

Continued on page 41



It's tough to imagine, isn't it? Your employees saying "yes" to having money taken out of their pay for life insurance. Well, with Working Life<sup>SM</sup> they will, and you'll reap the savings on benefits costs.

You see, Working Life fills a real need for your employees. It provides them with quality life insurance that they might not otherwise find available, or that might be too expensive for them to afford.

Of course, Working Life fills a real need for you, too. Your company makes it available, but it's all paid for by your employees through payroll deductions. There are no hard costs.

## WHY EMPLOYEES AGREE THAT PAYING FOR OUR LIFE INSURANCE OUT OF THEIR CHECKS IS A BRILLIANT DEDUCTION.

Working Life is not only obtainable by your employees, but by their spouses and children, too. The rates are specially priced to make it very affordable, and each employee owns their policy outright. Joining is completely voluntary, and since we guarantee issue to all eligible employees and their dependents, there are no medical exams or questions required. Because Working Life is owned indi-

vidually by your employees, there are no post-retirement conversion costs, nor any involvement by your stockholders, the IRS, ERISA or other government agencies.

You can select from whole life, universal life and term and annuity Working Life plans. Which ever you choose, it'll perform brilliantly for your employees and you. For complete information call 1-800-535-5210. Or write R.C. Kuntemeier, Vice President—Life Insurance Marketing & Operations, Puritan Life Insurance Company, P.O. Box 9200, Providence, Rhode Island 02940.



PURITAN LIFE INSURANCE COMPANY

Puritan Life Insurance Company is an affiliate of the General Electric Credit Corporation.



General Electric Credit Corporation

THE BETTMANN ARCHIVE

Continued from page 40

loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, loss-settlement assistance, quantitative analysis and statistical forecasting; 5% education projects and seminars, data processing and catastrophe planning.

**Locations:** Lyndhurst, N.J.; Santa Ana, Calif.; Hamilton, Bermuda.

**Staff:** 50 total staff, 41 professional staff members. Professional designations held by staff include six CPCUs, five ARMs, six MBAs, three CSPs, two attorneys.

**Clients:** 150 total clients; 15% with risk and insurance budgets less than \$1 million; 60% \$1 million to \$5 million; 15% \$5 million to \$10 million; 5% \$10 million to \$25 million; 5% more than \$25 million; minimum size client, \$100,000 insurance budget.

**Compensation:** By the project; on retainer; by the hour: \$25-\$110.

**1983 gross revenues:** \$4.5 million; 100% fee-based.

**Principal officers:** Bruce H. Suter, president; Donald R. Cook, senior vp; Frederick F. Abdoo, vp-report and research; W.J. Collins, vp; Robert M. Bieber, director-client services.

#### Employers Unity Inc.

P.O. Box 782, Westminster, Colo. 80030; 303-426-4843

**Year founded:** 1977.

**Independent.**

**Services provided:** 96% continuous consulting; 2% risk management audits; 2% special projects, including frequent claims auditing, loss-prevention audits, loss-settlement assistance, preparation of specifications for bidding, unemployment compensation cost-control services, self-insurance claims administration for workers compensation, EEOC consulting; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, quantitative analysis and statistical forecasting; also drafts personnel policy and procedures.

**Locations:** La Mirada, Calif.; Tempe, Ariz.; Casper, Wyo.; Tulsa, Okla.; Wichita, Kan.; Portland, Ore.; Albuquerque, N.M.

**Staff:** 12 total staff; seven professional staff members. Professional designations held by staff include two ARMs.

**Clients:** 400 total clients; 90% with a risk and insurance budget less than \$1 million; 10% \$1 million to \$5 million.

**Compensation:** By the project; on retainer.

**1983 gross revenues:** \$2.5 million; 100% fee-based.

**Principal officers:** Stephen C. Thomason, president; David Wood, Tim Segar, Norman Peterson, vps.

#### Bruce Evans

7032 Creek Bend Road, Dallas, Texas, 75252; 214-248-6283

**Year founded:** 1967.

**Independent.**

**Services provided:** 100% special projects, including risk retention analysis (including self-insurance studies), captive feasibility studies, insurance contract analysis, reinsurance

seminars, legal expert witness service, reinsurance consulting.

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

**Clients:** Total clients not reported; 25% \$1 million to \$5 million; 25% \$5 million to \$10 million; 25% \$10 million to \$25 million; 25% more than \$25 million; minimum size client, \$1,000 insurance budget.

**Compensation:** By the project; by the hour.

**1983 gross revenues:** \$50,002; 90% fee-based.

**Principal officers:** Bruce Evans, consultant.

**F**

#### Felton Associates

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

**Year founded:** 1976.

**Independent.**

**Services provided:** 20% continuous consulting; 40% risk management audits; 40% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies),

claims auditing, loss-settlement assistance, risk management organization studies.

**Staff:** Two total staff; two professional staff members, including one principal consultant and one analyst

**Clients:** 30 total clients; 95% with risk and insurance budgets less than \$1 million.

**Compensation:** By the hour: principal consultant, \$90; junior consultant, \$30.

**1983 gross revenues:** \$70,000; 100% fee-based.

**Principal officers:** Robert S. Felton.

**Member of:** IRMC.

#### First Risk Management Co.

90 Bustleton Pike, Feasterville, Pa. 19047; 215-322-2400

**Year founded:** 1955.

**Independent.**

**Services provided:** 90% continuous consulting; 8% risk management audits; 2% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding, insurance program management, contract wording review (other than insurance contracts), supplier insurance investigation and verification; occasional loss-prevention

Continued on next page

## Shand, Morahan has an E&O program that covers everything from soup to nuts.



It's our Miscellaneous E&O coverage, and we've just expanded it to include small risks as well as big ones.

Now even if your client doesn't fit our usual professional liability categories, or if he's in a business that's slightly out of the ordinary—but still requires E&O liability protection—you can insure him through Shand, Morahan, the professional liability leader.

Occupations and activities covered by this program include: agriculture consultants, broadcasters, computer consultants and suppliers, testing labs, claims adjusters, franchisors, associations, and a wide range of traditional as well as untraditional and all-new professions and services.

Liability limits under our Miscellaneous E&O policy are as high as \$30 million. Deductibles and aggregates can be tailored to the needs of each risk.

For expert consultation and a quick, competitive quote on any E&O risk—regardless of size or category—why not start with the foremost professionals in professional liability insurance:

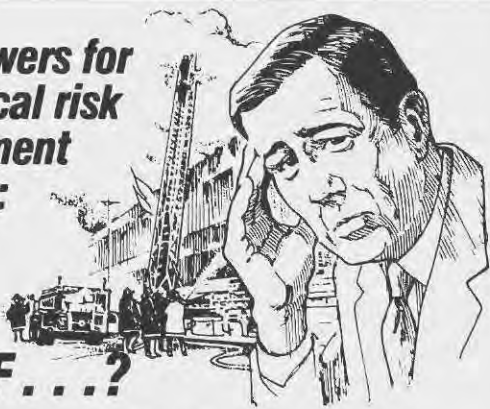
Shand, Morahan & Company.

Call Don Brayer, (312) 866-0767.

**SM Shand, Morahan & Company, Inc.**

Shand, Morahan Plaza, Evanston IL 60201  
312/866-2800 Telex 72-4328

## New answers for one critical risk management question:



### WHAT IF...?

What if fire damage shut down your business for a month? What if a flood caused every metal in the place to corrode? What if a coolant in your electrical transformer ignited and filled the building with PCB-contaminated smoke? BMS Catastrophe has helped risk managers cope with these and scores of other loss-reduction problems. For example: BMS Catastrophe's fire restoration put almost 100 rooms in a historic hotel back in use in just five days. Our corrosion control saved more than half a million dollars worth of computer and word processing equipment for a law firm. And our newest innovation in large-scale restoration involves the decontamination of a high-rise office building contaminated by a toxic chemical during a fire. When your thoughts turn to "what if?," remember BMS Catastrophe. We can be on the scene within hours to help you recover from a catastrophic loss. To find out more about the many ways in which we can help you, please call our toll-free number today. Ask for the free brochure "Meeting the Challenge."

Now call toll free  
**800-433-2940**  
In Texas 817-926-5296  
In Canada 519-886-7909



**FREE!** Now your local professional association can hear about the latest in restoration techniques — first-hand. BMS Catastrophe provides educational programs nationwide. Call toll-free today for more information.

Continued from previous page  
audits, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, accounting system analysis, insurer integrity analysis, premium audit analysis, client risk management seminars, formal catastrophe planning, pre-merger/acquisition risk analysis, loss-impact evaluation, claims negotiations, loss ratio testing and analysis.

**Staff:** 14 total staff; seven professional staff members including three principal consultants/analysts. Professional designations held by staff include two CPCUs, three ARMs, one ALCM.

**Clients:** 60-70 total clients.  
**Compensation:** On retainer; by the hour: principal consultant, \$195; consultant, \$150; clerical, \$30.

**1983 gross revenues:** \$600,000.  
**Principal officers:** Leonard J. Silver, president; Alvin E. Mangold, executive vp; Vera Peregrin, vp.  
**Member of:** ICS.

#### Fortune & Co./Risk Managers Inc.

7933A State Line Road, P.O. Box 8643, Kansas City, Mo. 64114; 816-444-3855

**Year founded:** 1978.  
**Independent.**

**Services provided:** 60% continuous consulting; 20% risk management audits; 20% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing,

loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

**Staff:** Three total staff; two professional staff members, including two principal consultants. Professional designations held by staff include two CPCUs, two ARMs, one CLU.

**Compensation:** By the project; on retainer; by the hour: senior consultant, \$60-\$90; clerical, \$18-\$25.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** David E. Fortune, president; Burton A. Selfridge Jr., vp.

#### Leonard R. Friedman/Risk Management Inc.

170 Great Neck Road, New York, N.Y. 11021; 516-466-0750

**Year founded:** 1974.  
**Independent.**

**Services provided:** 90% continuous consulting; 6% risk management audits; 4% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, broker service and remuneration evaluation, risk, insurance, claim and safety management services; occasional loss-settlement assistance, preparation of specifications for bidding risk retention analysis (including self-insurance studies).

**Staff:** 10 total staff; six professional staff members, including two principal consultants, two consultants, two analysts. Professional designations held by staff include

two ARMs, one attorney.

**Clients:** 30 total clients; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million; minimum size client, \$100,000 insurance budget.

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

**1983 gross revenues:** \$500,000; 100% fee-based.

**Principal officers:** Leonard R. Friedman, president; Alice B. Weiss, executive vp; Mary Daniels, assistant vp; Susan Kaufman, director of claims management.

### G

#### Dave Goodwin & Associates

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

**Year founded:** 1963.  
**Independent.**

**Services provided:** 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies; occasional accounting system analysis, preparation of specifications for bidding.

**Staff:** Two total staff; one principal consultant and one part-time consultant.

**Clients:** 35 total clients; 97% with risk and insurance budgets less than \$1 million; 3% \$1 million to \$5 million; minimum size client, \$50,000 insurance budget.

Continued on page 44

## "Everyone has to win."

Rich Carroll talks about Structured Settlements.



Rich Carroll is as highly talented on the squash court as he is a Structured Settlements negotiator. "The only similarity between my game and my work," says Rich, "is the fact that there are no pretenses. Squash is a one on one sport—a game you can't hide in. Negotiating a Structured Settlement is an honest game, too. The service we offer is very real, very concrete. All parties concerned can see the effort, and have to understand its direction." "A Structured Settlement isn't anything like a one on one game. It's a process where everyone has to win—everyone has to feel successful within the context of the settlement."

### THE STRUCTURED SETTLEMENTS COMPANY™

5757 West Century Boulevard  
Los Angeles, California 90045  
East Coast Office: 800-237-6361  
West Coast Office: 800-421-2022  
In California: 213-642-1999  
In Florida: 813-823-2666

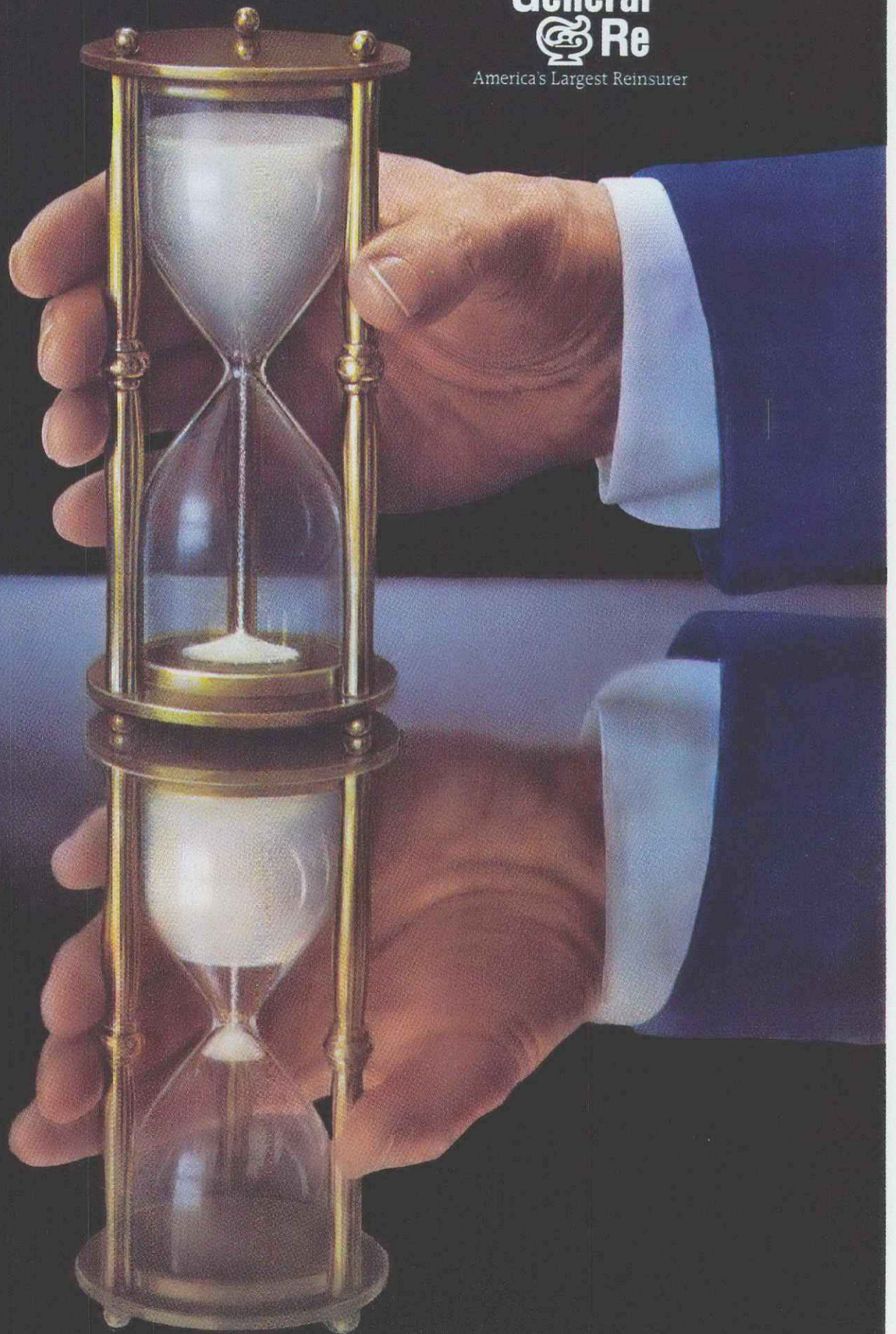
Offices in: Los Angeles • San Francisco • Toronto  
• St. Petersburg • New York • Cincinnati

# DOES YOUR REINSURANCE STAND THE TEST OF TIME?

Looking ahead, nothing beats the quality and security of General Re.

**General  
Re**

America's Largest Reinsurer



General Reinsurance Corporation, 600 Steamboat Road, Greenwich, Connecticut 06830  
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Kansas City, Los Angeles, New York, Philadelphia, St. Paul, San Francisco, Seattle, Montreal and Toronto

© 1984 GRC

Continued from page 42

**Compensation:** By the project; on retainer.

**1983 gross revenues:** \$200,000; 95% fee-based.

**Principal officers:** Dave Goodwin, owner.

**H**

**Frank B. Hall & Co. Inc.  
(Risk Management  
Services)**

549 Pleasantville Road, Briarcliff  
Manor, N.Y. 10510; 914-769-9220

**Year founded:** 1862.

**Independent.**

**Services provided:** 15% continuous consulting; 7% risk management audits; 3% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance

limits, insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; 75% other services.

**Locations:** Worldwide.

**Staff:** 1,500 principal consultants, 3,000 consultants, 1,500 analysts. Professional designations held by staff include 275 CPCUs, 350 ARMs, 115 MBAs, 26 FCAS, 22 CSPs, 52 attorneys, three environmental scientists, one ecologist, one pathologist, one toxicologist, 45 R.N.s, two psychologists.

**Clients:** 32,000 total clients; 75% with a risk and insurance budget less than \$1 million; 10% \$1 million to \$5 million; 5% \$5 million to \$10 million; 5% \$10 million to \$25 million; 5% more than \$25 million.

**Compensation:** By the project;

commissions for insurance placed with underwriters; on retainer; by the hour: principal consultant, \$100-\$500; consultant, \$100-\$350; junior consultant, \$50-\$250; clerical, \$35-\$75.

**1983 gross revenues:** \$345 million (corporate).

**Principal officers:** Albert J. Tahmouh, chairman/president; William C. Bartholomay, vice chairman; Douglas L. King, John E. McCaffrey, Peter T. Pruitt, executive vps.

**Thomas J. Hammond  
& Co.**

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

**Year founded:** 1975.

**Independent.**

**Services provided:** 90% continuous consulting; 3% risk management audits; 2% special projects, including frequent risk retention

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

**Staff:** Five total staff; two professional staff including two principal consultants. Professional designations held by staff include one accountant.

**Clients:** 38 total clients.

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

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Thomas J. Hammond Jr. president; Joan C. Morris, executive vp/assistant secretary.

**Member of:** IRMC.

**Harrison Risk  
Management & Safety**

2120M Jimmy Durante Blvd., Del  
Mar, Calif. 92014; 619-298-2888

**Year founded:** 1980.

**Independent.**

**Services provided:** 100% special projects, including frequent loss-prevention audits, risk management organization studies, loss-prevention services; occasional quantitative analysis and statistical forecasting, analysis of necessary insurance limits, insurance contract analysis, loss-settlement assistance.

**Staff:** One principal consultant. Professional designations held by staff member include one ARM, one CSP.

**Clients:** Total clients not reported; 100% with risk and insurance budgets less than \$1 million.

**Compensation:** By the project; by the hour: principal consultant, \$60.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Powell Harrison, owner/principal.

**Ernest A. Holfoth**

4947 Lake Shore Road, Hamburg,  
N.Y. 14075; 716-627-5828

**Year founded:** 1978.

**Independent.**

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

**Staff:** Three total staff; two professional staff members, including one principal consultant, one consultant. Professional designations held by staff include two CPCUs, two ARMs.

**Clients:** 28 total clients; 100% with risk and insurance budgets less than \$1 million.

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

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Ernest A. Holfoth, proprietor.

**Member of:** ICS.

**Huggins Financial  
Services**

229 S. 18th St., Philadelphia, Pa.  
19103; 215-893-0270

**Year founded:** 1911.

**Parent company:** Hay Associates.

**Services provided:** 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, self-insured loss reserve certifications, merger and acquisition risk analysis, self-insured trust fund analyses; occasional insurance contract analysis, claims auditing, accounting system analysis, loss-settlement assistance.

**Locations:** Atlanta; Bellevue, Wash.; Boston; Chicago; Cincinnati; Dallas; Houston; Kansas City, Mo.; Los Angeles; Minneapolis; New

Continued on facing page



**WHO JUST OPENED THE WINDOW  
ON THE 65TH FLOOR?**

The window on the 65th floor doesn't open. That's precisely the point. If it does, who's at fault? The architect? The engineer? The construction manager? Who knows? Any or all of them could be held liable for Errors and Omissions in the faulty design and construction of the building.

PDI specializes in Professional Liability Insurance for architects, engineers and construction managers. That's all they do. So they have the experience, the knowledge and latest loss prevention techniques to offer superb Errors and Omissions protection at lowest possible costs.

To the commercial lines agent PDI offers an exclusive service in this important product area for excellent sales potential. We can supply multiple quotations from one application with a short turn around of only a week to ten days.

For more information about PDI's unique professional liability insurance for architects, engineers and construction managers, send this ad with your business card to the address below. Or better still, send an application.

Professional  
Design Insurance  
Management  
Corporation

7321 Shadeland Station  
Suite 220  
P.O. Box 509147  
Indianapolis, IN 46250  
(317) 845-7400  
FWX 810-341-3235 FEIMC MD

**pdi**

Simply because things happen.

Continued from facing page  
York; Pittsburgh; St. Louis; San  
Francisco; Washington.

**Staff:** 56 total staff; 41 profes-  
sional staff members, including 13  
principal consultants, 20 consul-  
tants, eight analysts. Professional  
designations held by staff include  
one CPCU, one ARM, five MBAs,  
three FCAS, two attorney, 21  
FSAs, ASAs and ACAS.

**Clients:** 230 total clients; 15%  
with risk and insurance budgets  
less than \$1 million; 20% \$1 million  
to \$5 million; 25% \$5 million to \$10  
million; 25% \$10 million to \$25 mil-  
lion; 15% more than \$25 million;  
minimum size client, \$50,000 insur-  
ance budget.

**Compensation:** By the hour:  
principal consultant, \$100-\$125;  
consultant, \$70-\$110; junior consul-  
tant, \$40-\$60; clerical, \$20-\$40.

**1983 gross revenues:** \$3.7 mil-  
lion; 100% fee-based.

**Principal officers:** Phillip A.  
Turberg, president/partner; Rich-  
ard Smoker, Ronald T. Kuehn, se-  
nior vps; Jack Ladley, senior  
vp/partner; Jane Taylor, assistant  
vp.

### **Robert Hughes Associates Inc.**

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

**Year founded:** 1979.

**Independent.**

**Services provided:** 40% contin-  
uous consulting; 20% risk manage-  
ment audits; 40% special projects,  
including frequent risk retention  
analysis (including self-insurance  
studies), captive feasibility studies  
and design, analysis of necessary  
insurance limits, insurance contract  
analysis, claims auditing, ac-  
counting system analysis, broker  
service and remuneration evalua-  
tion, risk management organization  
studies, preparation of specificaions  
for bidding, quantitative analysis  
and statistical forecasting; occa-  
sional loss-prevention audits, loss-  
settlement assistance.

**Locations:** Calgary, Alberta;  
Sydney, Australia.

**Staff:** 12 total staff; nine profes-  
sional staff members, including  
five principal consultants, two con-  
sultants, two analysts. Professional  
designations held by staff include  
two CPCUs, two ARMs, one MOT,  
one ROT, one CRC, one CLU.

**Compensation:** By the hour: ex-  
ecutive, \$150; principal consultant,  
\$70-\$100; consultant, \$40-\$60; junior  
consultant, \$40.

**1983 gross revenues:** \$1 million;  
60% fee-based.

**Principal officers:** Robert N.  
Hughes, president; Fred White, ex-  
ecutive vp; William E. Thomas, vp.

## I

### **Industrial Insurance Management Corp.**

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

**Year founded:** 1967.

**Independent.**

**Services provided:** 84% contin-  
uous consulting; 14% risk manage-  
ment audits; 2% special projects, in-  
cluding frequent risk retention  
analysis (including self-insurance  
studies), analysis of necessary in-  
surance limits, insurance contract  
analysis, broker service and remu-  
neration evaluation, preparation of  
specifications for bidding; occa-  
sional captive feasibility studies,  
claims auditing, loss-prevention  
audits, loss-settlement assistance,  
quantitative analysis and statistical  
forecasting.

**Locations:** Birmingham, Ala.;  
Richmond, Va.

**Staff:** 30 total staff; 30 total pro-  
fessional staff members, including  
seven principal consultants, 10 con-  
sultants, 13 analysts. Professional  
Continued on next page



# FIND JUSTICE OUT OF COURT.

To achieve results in out of court settlements, you need a partner who inspires confidence and is a proven leader. As the preeminent firm in the field, Merrill Lynch provides the experience and professional settlement services essential to the design of creative settlement packages.

In addition to funding the settlement, we are a full service company with a staff of expert economists to assist in valuing economic losses. We use a variety of competitive annuities issued by strong, highly rated insurance companies or U.S. Treasury obligations to fund our structured settlements. And not only are we willing to assume all settlement liabilities, but our law department will help

draft settlement documents that satisfy tax requirements while meeting your specifications.

In short, our consultants are skilled at providing attractive benefits at reasonable cost to your company.

For complete information, call the nearest Merrill Lynch office or write H. Roy Johnson, 225 South Lake Avenue, Suite 700, Pasadena, California 91101.

Merrill Lynch offering professional settlement services designed to bring about justice at a competitive cost.



**Merrill Lynch**

Merrill Lynch Pierce Fenner & Smith Inc.

**A breed apart.**

Pasadena, CA 818 793-1800 / New York, NY 212 709-4409 / Washington, DC 202 822-3630 / Dallas, TX 214 750-2115  
London, UK 01 382-8900 / Ventura, CA 805 983-7766.

Continued from previous page  
 designations held by staff include two CPCUs, one ARM, one MSPA, one attorney.

**Clients:** 230 total clients; 62% with risk and insurance budgets less than \$1 million; 24% \$1 million to \$5 million; 4% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$85; consultant, \$70; junior consultant/analyst, \$30.

**1983 gross revenues:** \$1.5 million; 85% fee-based.

**Principal officers:** Glen E. Pehl, president/treasurer; Norman F. Crews, executive vp; Henry J. Dierks, first vp; James Rapp, Richard Fisher, vps.

**Industrial Risk Specialists Inc.**

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

**Year founded:** 1980.

**Independent.**

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

**Staff:** Seven total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include one CPCU, one ARM, two attorneys, one CLU.

**Clients:** 67 total clients; 96% with

risk and insurance budgets less than \$1 million; 4% \$1 million to \$5 million; minimum size client, \$50,000 insurance budget.

**Compensation:** By the project; on retainer.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Daniel S. Sterling, chairman; Robert S. Sterling, president.

**Insurance & Financial Consultants Inc.**

8200 Long Canyon Drive, Austin, Texas 78732; 512-343-0463

**Year founded:** 1972.

**Services provided:** 60% continuous consulting; 30% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration, preparation of specifications for bidding; occasional risk retention analysis (in-

cluding self-insurance studies), captive feasibility studies, claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, educational consulting, management consulting, expert witness; 20% management education.

**Locations:** Warwick, R.I.

**Staff:** Seven total staff; four professional staff members, including one principal consultant, two consultants, one analyst. Professional designations held by staff include two CPCUs, one ARM, one MBA, one Ph.D., one CIC, one CLU.

**Clients:** 83 total clients; 100% with a risk and insurance budget less than \$1 million; minimum size client, \$25,000 insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$75; junior consultant, \$50; clerical, \$15.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** John F. Fitzgerald Jr., president.

**Membership:** ICS.

**Insurance Advisory Service Inc.**

1099 30th St. N.W., Washington, D.C. 20007; 202-965-7900

**Year founded:** 1948.

**Independent.**

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

**Staff:** Four total staff; two professional staff members, including two principal consultants.

**Clients:** Twenty-five total clients; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million; minimum size client, \$50,000.

**Compensation:** By the project; on retainer.

**1983 gross revenues:** Not reported; 100% fee-based.

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

**Insurance Analysis Inc.**

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

**Year founded:** 1971.

**Independent.**

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

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

**Clients:** Eighty-five total clients; 65% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million; 10% \$5 million to \$10 million; 5% \$10 million to \$25 million.

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

**1983 gross revenues:** Not reported; 98% fee-based.

**Principal officers:** Burnett J. Tappel II, president.

**Member of:** ICS.

**Insurance Audit & Inspection Co. Inc.**

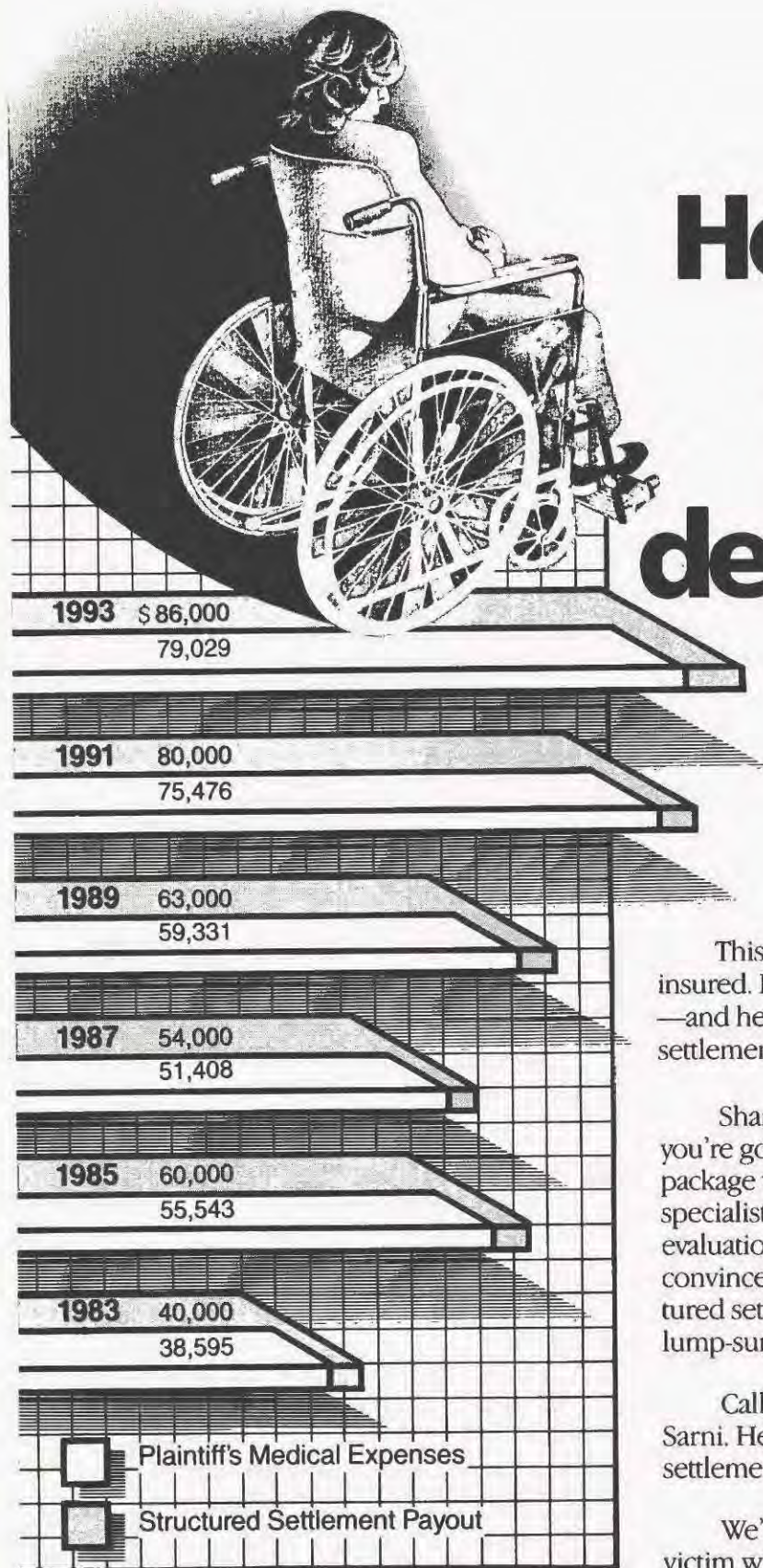
6526 E. 82nd St., Suite 206, Indianapolis, Ind. 46250; 317-849-2700

**Year founded:** 1901.

**Independent.**

**Services provided:** 70% continuous consulting; 20% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding, monitoring insureds financial position, insurance company financial positions; occasional risk retention analysis (including self-insurance

Continued on page 56



# How can you counter an emotional demand with cold, hard numbers?

This is Sharon Walker. She was hit by one of your insured. Hers is the kind of injury that wins huge awards—and her attorney knows it. He won't discuss a structured settlement.

Sharon's injuries are real, her needs are genuine and if you're going to convince her that a creative settlement package will completely match those needs, you'll need a specialist. Litigation Support Corporation. Using our no-cost evaluation of plaintiff's medical expenses, we'll help you convince her attorney that year in and year out our structured settlement will serve Sharon's needs *better* than a lump-sum award.

Call Litigation Support Corporation and talk to Dennis Sarni. He'll demonstrate how our method can help you win settlements in more massive injury cases.

We'll show you how you can provide for the needs of a victim without becoming a victim yourself.

## LITIGATION SUPPORT CORPORATION

18 Professional Center Parkway, San Rafael, California 94903 (415) 499-1000  
 116 John Street, Suite 1400, New York, New York 10038 (212) 406-3413



# Managing Risk

**Nobody does it better  
than Gallagher**

If you're considering self-insurance for your organization, you're talking risk. You owe it to your bottom line to talk to the people who know what managing risk is all about. Arthur J. Gallagher & Co., international brokers of insurance and risk management services. Nobody does it better.

We do it better because we've put 20 years into building the most comprehensive risk management service in the industry.

We do it better by working directly with you through Gallagher Bassett, our service organization. Gallagher Bassett can function either as an extension of your in-house insurance department or as your full-service claims administration organization.

We do it better because we are seasoned professionals in loss control and claims management service. And by aggressively pursuing subrogation, posting property and casualty loss recoveries that far exceed the industry average.

And, we do it better with RISX-FACS™, an on-line computerized reporting system that provides both ordinary and extra-ordinary information to you. You'll have everything you need to know to manage your program. And you'll have it when you want it, in the form you want it.

When it comes to managing risk, ask someone who knows what it's all about. Arthur J. Gallagher & Co.

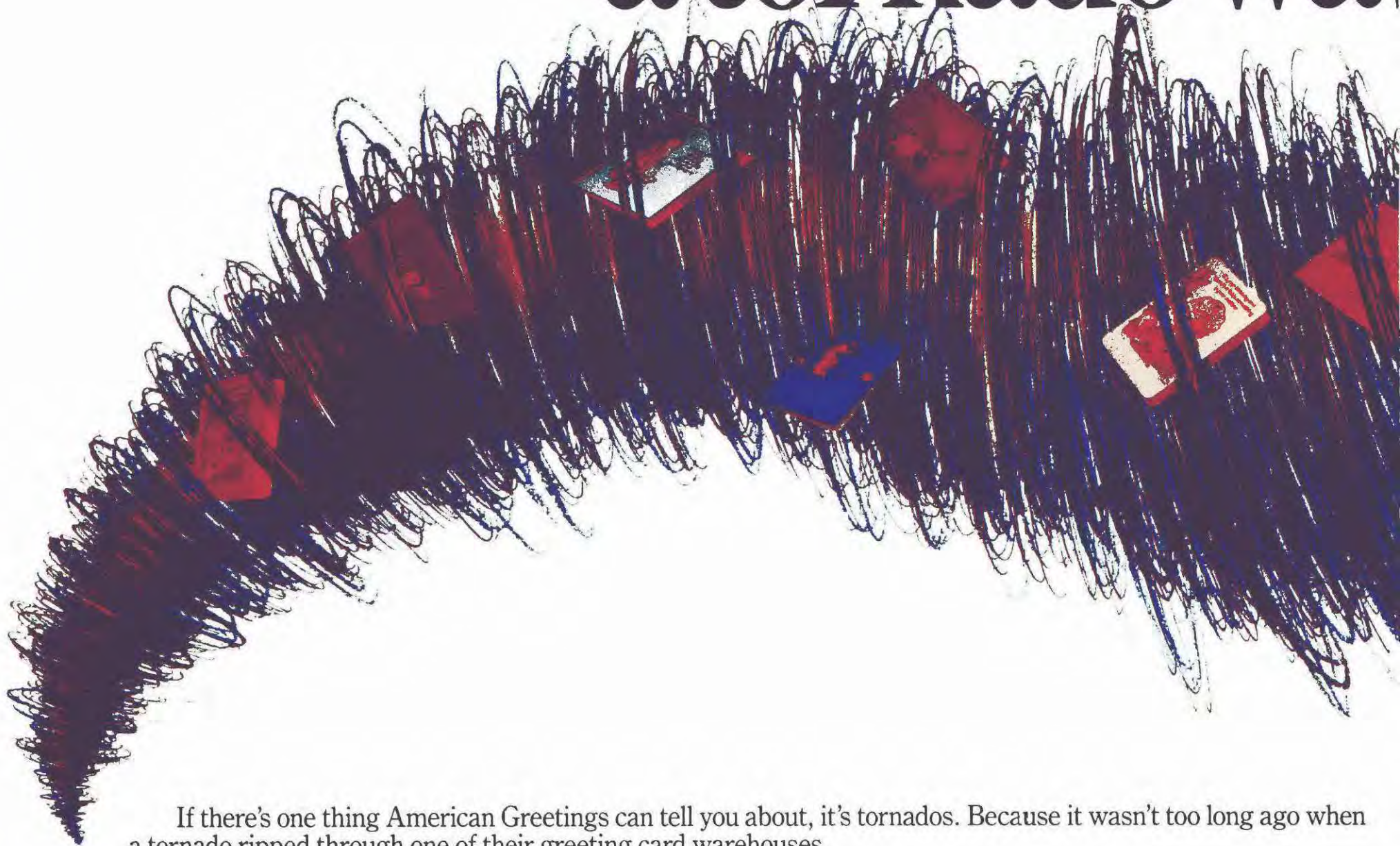
Write or call us today. Find out for yourself why nobody does it better.

**Go for it.  
You're with Gallagher.**



**ARTHUR J. GALLAGHER & CO.**  
10 Gould Center, Golf Road  
Rolling Meadows, IL 60008  
312/640-8500

# What American Gr a tornado wa



If there's one thing American Greetings can tell you about, it's tornados. Because it wasn't too long ago when a tornado ripped through one of their greeting card warehouses.

That was in December of 1982. They have since fully recovered.

The reason being, they did a very intelligent thing immediately following the disaster: they called their insurance company, Arkwright-Boston.

WE'RE RESPONSIVE. AND THAT'S NOT A LOT OF HOT AIR.

American Greetings is fast approaching total revenues of \$1 billion. They've been climbing steadily in the Fortune 500 and are the world's largest publicly owned greeting card company. Obviously, a company of that size can't afford to fool around with an insurer who doesn't offer airtight, comprehensive coverage. Or an insurer who isn't responsive.

We are both of these things. As the American Greetings story bears out.

It all started in McCrory, Arkansas, Christmas Eve, 1982. A tornado tore across the state. Taking with it a sizeable portion of the American Greetings plant, including the entire roof.

Our adjuster was on the scene the next morning, and stayed for weeks making the recovery process as painless as possible. And our claims manager was there to make sure the policy was interpreted to everybody's satisfaction.

Something else American Greetings appreciated. Once we know we're going to adjust a loss, it's our philosophy to advance our clients the money they need to get back on their feet. So we advanced them \$2.5 million.

This way, their cash flow remained unaffected during the recovery period. And they were able to begin cleaning up, move merchandise out and lease new warehouse space.

# meetings would do if s in the cards.



To make a long story short, the recovery and repair of the plant went so well, that it was fully operational after only five months.

#### WE'RE TAKING THE INDUSTRY BY STORM.

To us, it's not so remarkable that the plant was back in action so soon. Because our experience has been that when you pay close attention to details before a disaster occurs, you're not in for any surprises afterwards.

Case in point. The policy for American Greetings includes fire and extended coverage for natural disasters (like tornados); boiler and machinery coverage; DIC for exposures such as floods, theft, transit; and business interruption, which proved invaluable during the plant's five month shutdown.

Another thing that proved invaluable. The Policy Workshop that we encourage all our insureds to attend. It enabled American Greetings to learn how coverages apply to a loss before it even occurs.

With thoroughness like this, it's not too hard to see why American Greetings feels secure with us. And why our other clients feel that way, too.

But don't take our word for it. Ask WestPoint Pepperell. Or Digital Equipment. Or French's mustard. We've designed programs for their individual needs, too. At a competitive cost.

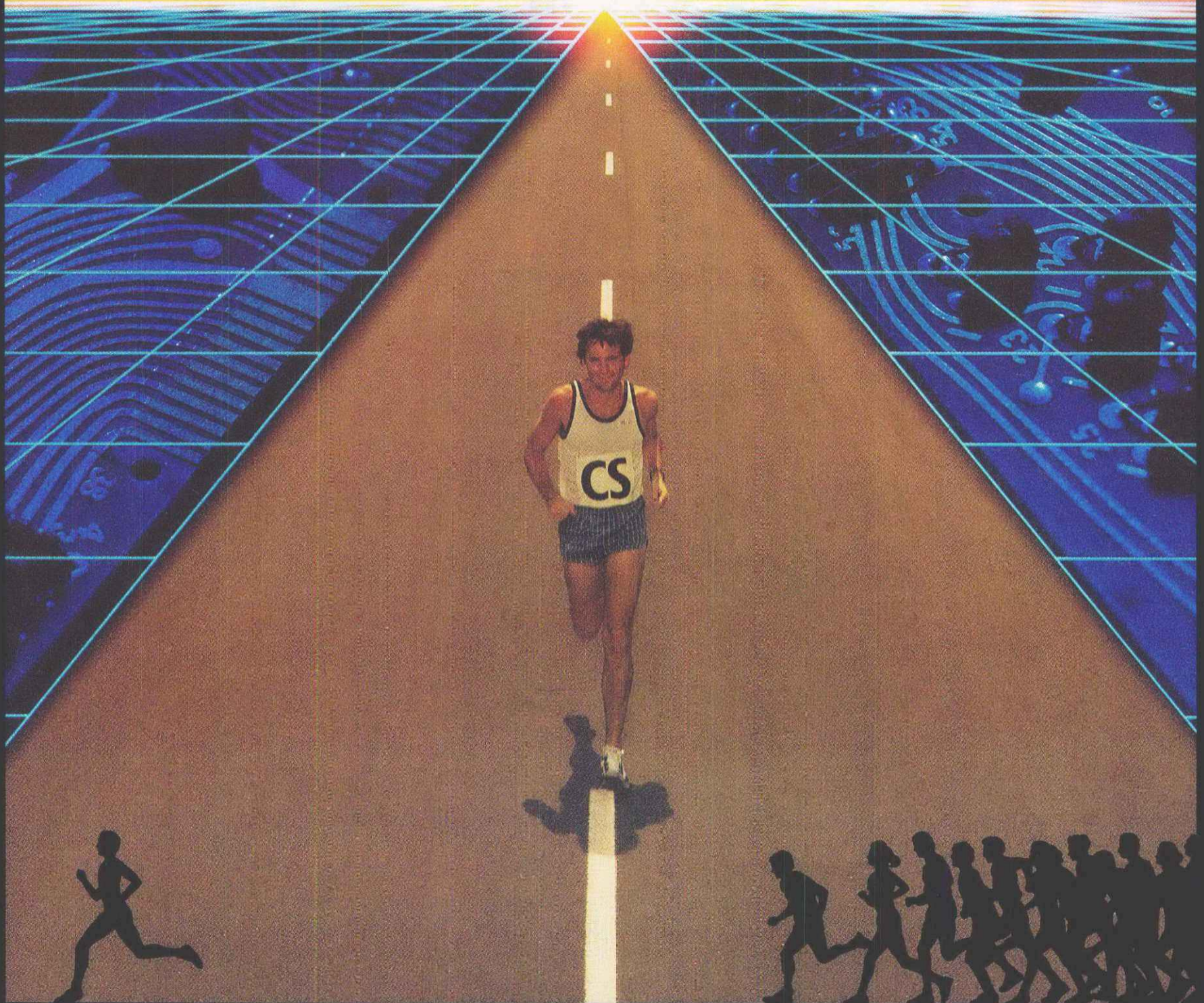
So if the idea of a company that covers you from head to toe intrigues you, call or write us. But do it soon. Because if a disaster hits before we get together, you may not be able to weather it.

Arkwright-Boston Insurance, Marketing Services, 225 Wyman St., Waltham, MA 02154  
1-617-890-9300, Ext. 3295.

Ziggy® cards © 1982 Universal Press Syndicate. Other cards © 1979-1983 American Greetings Corporation.

**ARKWRIGHT  
BOSTON  
INSURANCE**

**In 1968, we were the leader in  
risk information systems . . .  
Because we were the only one.**



**Today there are better reasons.**

In 1968, we worked hard to pioneer the first electronic risk information system. Today, we work just as hard producing and perfecting innovations to better utilize electronic technology for risk management.

From the world's largest online risk information network to personal micro computer systems for risk decision making, Corporate Systems has more muscle to stay ahead of the race.

If you're looking for a system that's way out front, check with the first . . . and still the leader . . . Corporate Systems.

**corporate  
systems**

**Leadership in risk information technology.**

Call toll free (800) 858-4351 or (806) 376-4223 in Texas.  
Corporate Systems, P.O. Box 31780, Amarillo, TX 79120.

# PICKING A CONSULTANT

## A few 'bad apples' can spoil the image of the others

By Charles A. McAlear

**T**HERE ARE RISK management consultants or insurance counselors who are dedicated professionals, experienced and objective. They bring mature ability to any project they accept. They not only earn their fees, but are an asset beyond price to their fortunate clients.

They regularly refuse jobs that would take them beyond the bounds of their expertise. Yet, they are in the minority, and are not the subject here.

Most risk management or insurance consultants are poorly educated, lack appropriate experience, are extremely biased and often self-serving. They spend their clients' money like a drunken sailor on a 12-hour liberty and make a mockery of protecting clients' assets.

The "now-are-I-one" syndrome, the biggest impetus for these frauds to becoming a consultant, is triggered by unemployment or underemployment. Anyone can take the consultant title.

Some have explained that their vocation was determined when a multiple choice state licensing test, designed to eliminate grade schoolers from assuming the mantle, eventually was passed.

In most states, there isn't even a test. The terms consultant and counselor mean as much as any other badge in the insurance business. Anyone, regardless of education, background, expertise, motives, hairstyle, shoe size or sexual preference, can be a consultant or counselor.

Here are descriptions of some types running amok in the marketplace:

- **Adventurers** are always dreaming of far-off islands. In their kit is a prospectus and a feasibility study.

The feasibility study always reaches the same tiresome conclusion: A captive is essential if the client is to survive. It promises wealth, tax avoidance, vacations in balmy climes and clear skin.

The prospectus describes precisely how the client will be ripped off and points out the adventurer's conflicts of interest. Since it is only read by accountants, lawyers and other insurance consultants, however, it is seldom understood.

- **Skimmers** have borrowed many of the tools of the adventurers, but they stay

closer to home. Their feasibility study invariably concludes that the real source of clear skin is a pool, to be managed, of course, by the skimmer.

- **Buffers** are aggressive. Clients are convinced that all insurance or risk management must be handled by the buffer. Any agency or brokerage may come up with the best program in the world, but the client will never see it. It stops at the buffer.

Negotiations break down at the point the agent realizes that a commission split has been suggested by the buffer. Clients often end up in captives, pools or other schemes managed by a company owned by you-know-who.

- **Hired hands** work for insurance firms with other interests. Inevitably, the conclusion of their studies is that the client is best served by buying other services from the parent company. Or, the client is best served by putting all its risk management and insurance service needs in the parent's competent hands.

- **Amateurs**, as if the situation weren't bad enough, are those who do risk management and insurance consulting in disguise. They often pose as accountants, lawyers or bankers. Occasionally, they have a huge tolerance for conflicts of interest, such as the banker who insists on direct coverage on mortgaged property, but advises the client to save money by dropping business interruption coverage.

- **Theoreticians** have marvelous concepts on how to structure an insurance program. Their principal tool is the assumption. Based on many assumptions, the scheme presented invariably will work.

Facts are the enemy of theoreticians and are avoided at all costs. The theoretician has a lot of business and is often quite famous because the "services" provided are much cheaper than an actuarial study.

- **Second monkeys** hear no evil. In the '70s, the second monkey created a vehicle to insure clients offshore.

Market conditions dictated high prices and restrictive forms—for example, "claims-made" for hospital professional and products liability—but the second monkey's problems were solved.

As market conditions improved and alternatives became more attractive, the

second monkeys never heard about them. Once clients' problems are solved, they are solved forever. The clients still are paying high prices for restricted coverage.

- **Paranoids** are extremely common. Deeply rooted in the paranoids' psyches is the knowledge that all insurance companies are ripping off their clients. Any device that will prevent the client from paying a premium to an insurance company is welcomed with open arms.

Highly critical of any insurance program, alternatives are the paranoid's game. It is far better that the clients' money be spent supporting adventurers than to pay an honest premium.

- **Medici** view complication as an art form. With them, nothing can be accomplished simply and directly. They are constantly fine tuning minute aspects of a program against some unknown baroque standard.

Then, the medici is likely to do a 180-degree turn upon discovering a yet-more-involved method of structuring the maze. Clients are always awash in undecipherable memoranda as the wheel is constantly reinvented.

- **Faddists** know all the latest buzzwords and talk an arcane jargon, which is at once impressive and confusing. They always have a new vehicle to try out with the clients' money. They disdain all traditional methods of risk transfer in favor of the very latest untried scheme. Faddists change their schemes every time they change their shoes.

- **Wrong-way harrigans** have a genius for coming up with fantastic solutions to non-existent problems. At the same time, the real problems are ignored or go unperceived.

An association of tavern owners, facing increasing liquor liability costs due to auto accidents and an occasional brawl, were advised by one wrong-way harrigan that the trend could be reversed by putting backs on their bar stools.

- **Shelterers** are inexpert in all tax matters. They always assume that premiums heading offshore are 100% tax-deductible. Loss reserves, for any coverage, are also fully deductible in the minds of shelterers, whose clients take their advice at substantial risk.

Their clients have huge, but unstated, tax liabilities to various states because they

were never advised that premiums bound offshore are taxable.

- **Prudent prunes** insist that the clients take all the risks. While directing them to the riskiest ventures—made to sound like little more than a summer cruise—the prudent prunes insist that the risk is wholly theirs.

Buried in the prospectus or other fancy legal documents is the statement that the prune is held harmless if the chosen course proves disastrous to clients.

- **Echo masters** listen to their clients very well. They work slowly and deliberately and very quietly. A real effort is made to find out all about their client's attitudes toward the problems at hand. It is not surprising, therefore, to find that their recommendations are precisely what the clients would have done if they had never hired the echo masters in the first place.

- **Shy persons** are second cousins to the echo masters. They also work quietly, gathering vast amounts of information and their fee. No alternative is left unexplored. All schemes, rational and irrational, are carefully catalogued and presented to the client. But shy persons offer no opinion.

If clients were treated the same way by their doctors, they would write their own prescriptions.

- **Mailers** are not in these big leagues. For a fee, bid specifications are prepared and mailed to everyone. Agents and companies grow so sick of seeing the names of the mailer's clients that they stop responding. The bid box is often empty and the mailer can never figure out why.

- **Stupidos** are extremely common. They simply do not know the fundamentals of the job.

For a client manufacturing automobiles, stupidos always will require a garage liability policy and save the client money by not buying products liability. They believe "prior acts" only take place in X-rated movies.

Stupidos do not know that there is a problem in issuing an umbrella not concurrent with its underlying policies. Under no circumstances can stupidos name the liability coverages with an annual aggregate. The shortcomings of stupidos are without limit.

- **Simplificos** are first cousins to stupidos and just as common.

*Continued on next page*



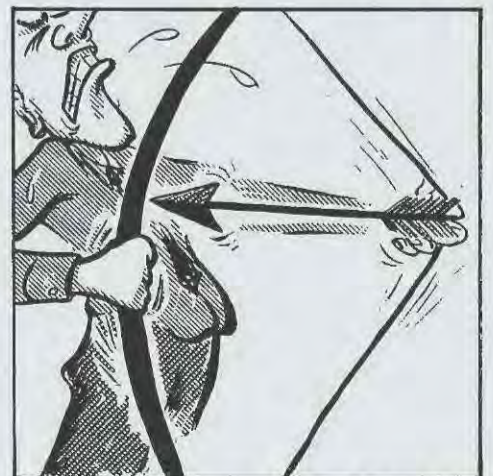
Adventurer



Hired Hand



Second Monkey



Wrong-way Harrigan

Illustrations: Roger Shillerstrom



Mailer



Stupido



Boilermaker



Marriage Counselor

## Types to watch for when picking a consultant

Continued from previous page

Any concept that requires more than three sentences to explain escapes simplisticos entirely. Having recently discovered claims-made policies, simplisticos decide which is best for all coverages under all conditions and advise all clients of the one best way to go, regardless of the situation.

• **Cyphers** also are cousins of stupidos and are everywhere. If a program of insurance is the least bit complicated, confusion reigns. How to analyze costs baffles cyphers. Adventurers love to have a cypher on the other side of the table; they know the cypher's clients soon will be theirs.

Cyphers are known to recommend a captive with expenses over 40% of premium rather than a retro program with a 20% basic. A pool spending 50% of income on expenses looks normal to them. They believe unearned premiums are toasters given away by banks and that IBNR stands for interurban buses not on this road.

• **Boilermakers** work fast. Even those so poor they don't have a word processor can find a copy machine. No client's problem is so complicated that the

boilerplate offered to countless other clients won't fit this problem just fine. Page after page of text and graphs are impressive, but they're entirely irrelevant to the client. It is not known if boilermakers charge by the pound.

• **Marriage counselors** work with the fine print. The marriage counselor doesn't want to take the chance—that clients will find out someday that their deal isn't so sweet—the second monkey does. The scheme that is so easy to get into, so filled with promise, is nearly impossible to leave. The fine print creates a marriage contract, and divorce is prohibitively expensive.

There is no doubt that agents and brokers may have lost much credibility in the eyes of clients who have a hard time distinguishing the real professional consultants from the inept look-alikes.

This confusion has created fertile ground for the insurance and risk management consultant interloper. As the ranks of legitimate consultants swell, however, any number of underemployed types with no talent, and fewer qualifications, will join up. If the trend continues, consultants will lose the advantage of being distinguished by their

clients from the incompetents.

There is an opportunity for the real professionals to maintain and improve their status. An association could adopt rigid membership requirements and set objective standards.

These standards would include minimum experience and educational standards, perhaps an apprenticeship program and, of course, a continuing education requirement. An enforced code of ethics would be the keystone of the association (see page 28). The association might even set performance standards for members.

For example, the feasibility study, in most hands, has sunk to the level of a shabby sales tool. The marketplace is filled with documents that neither utilize verifiable data nor explore alternative means of transferring risk.

These so-called studies begin and end with an assumption that the way to go is the way being peddled. The studies that use assumptions and questionable data to support their conclusions, and then fail to recommend an actuarial study as a prelude to commitment, are myriad.

Good agents and brokers, as well as

underwriters, enjoy working with competent, professional, objective risk management consultants. However, the number of incompetent people serving as consultants is beginning to make them dread any involvement with consultants.

Agents and brokers would welcome an association that sets standards of excellence for its risk consultant members.

Cruising under the guise of consultants are all manner of self-serving promoters peddling wild schemes. These schemes cost businesses, non-profit organizations and public entities untold millions in misdirected funds.

Consultants have and will provide valuable services to their clients. Yet, if consultants are to maintain their power and prestige, the time has come for them to clean up their ranks and their image. ■

Charles A. McAlear is chairman of McAlear Associates Inc. in Grand Rapids, Mich.



## A risk management consultant responds

This is a letter that Warren Brockmeier, vp at The Wyatt Co. in Chicago, sent to Charles McAlear in response to a copy of the above article.

**DEAR CHUCK:** Thank you very much for favoring me with an advance copy of your article.

I enjoyed your nomenclature of the various types of the more inept consultants very much—the names you assigned to them and the very pithy descriptions of their attributes were priceless.

Beyond the humor, there is a very serious problem.

From your perspective, it is the problem of one of "consultants" you've described messing up the normal flow of insurance transactions, frequently to the detriment of the client and, invariably, the agent or broker whose products and services are being disregarded or downgraded by the consultant.

From our perspective, the problem, which you have highlighted very well, is the inept consultant who gives the profession a bad name and thus damages

the very concept of the independent consultant and all of us who take our profession very seriously.

You suggest in your article that there is an opportunity for real professionals to maintain and improve their status by forming an association. Chuck, as I believe I advised earlier, there are two such associations.

The Insurance Consultants Society and the Institute of Risk Management Consultants both exist for the primary purpose of maintaining standards of professionalism and promoting continuing education. The IRMC, to which I belong, has minimum experience and educational standards, an associate program that corresponds to your recommended apprenticeship and an enforceable and enforced code of ethics.

It does not have a continuing educational requirement in a quantitative sense, but then again, neither does the Society of Chartered Property & Casualty Underwriters, the Casualty Actuarial Society or most of the other professional associations in the insurance field.

I must point out, however, that most of the types of individuals you have so deftly lampooned in your article would defy any attempt to screen them out by adopting an experience or education rule or even an ethical code.

Surely we can eliminate the Buffer, who looks for a commissions split, the Hired Hand and the Amateur. Our screening committee may also be able to keep out the Stupido, Simplistico and Cypher.

Beyond that group, the creation of an objective standard that would screen out the Adventurer, the Second Monkey, the Paranoid, the Theoretician, the Medici, the Faddist and the others would be almost impossible to devise.

Let's face it, the weird birds you have described are not limited to the field of risk management consulting. They abound among insurance agents, financial counselors, lawyers, accountants and any other profession dealing with giving advice or counsel.

Chuck, I am very much afraid that both those within the profession and

those outside it are going to accept the fact that there are always going to be gradations in the quality and type of service being offered, and in the qualifications of those offering the service.

We certainly welcome criticism and will constantly try to work on eliminating undesirable elements from our profession, as far as can reasonably be done by our association.

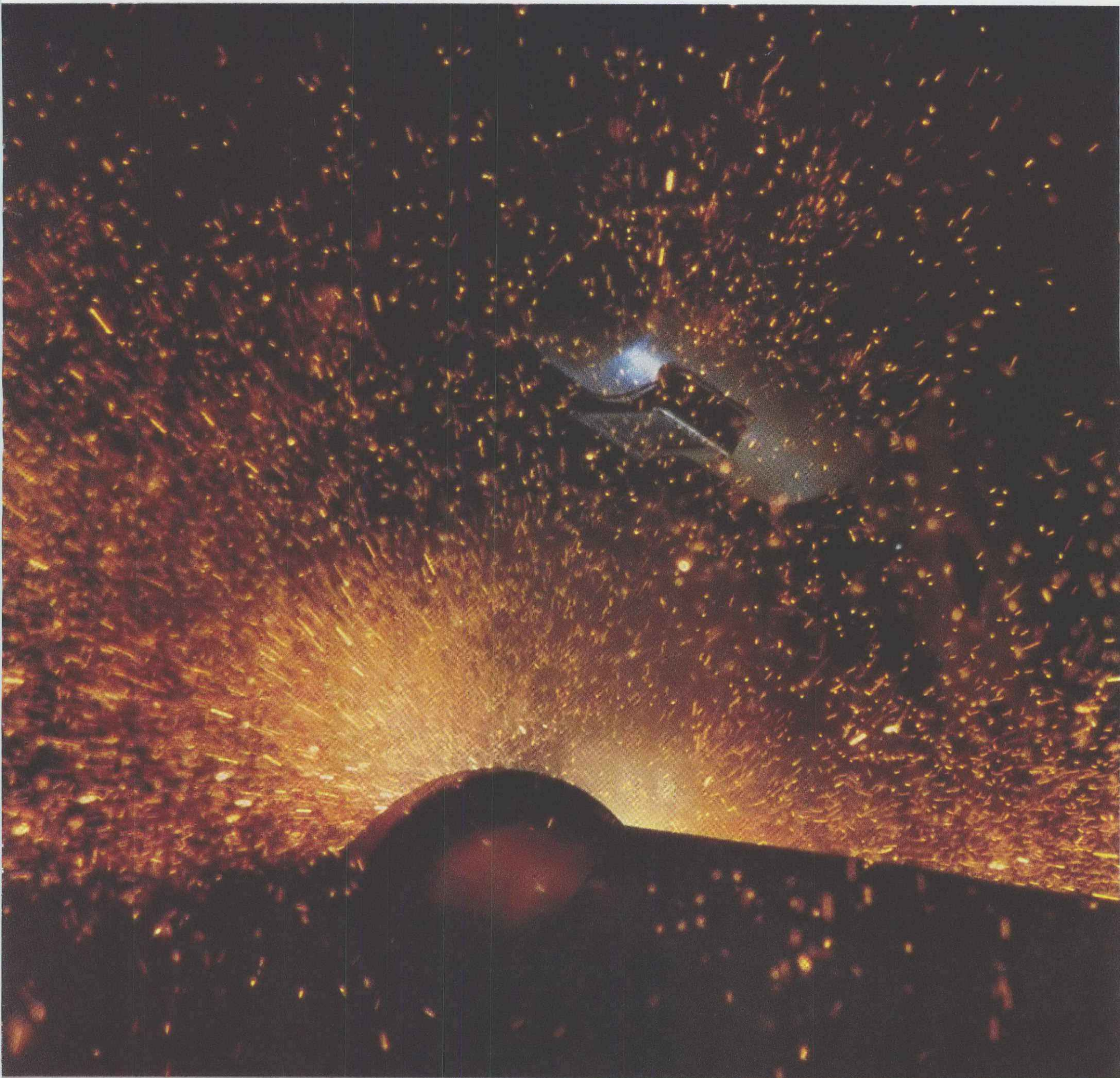
Within The Wyatt Co., we engage in a rather exhaustive peer review process to maintain the quality of our services. We believe other reputable firms do likewise.

Ultimately, however, it is going to be the buyer of consulting services who we hope will perceive the difference between the true professional and the types you have described, and choose accordingly. I welcome your article as part of the process of educating the consulting services buyer to the end that the choice will be made intelligently.

Warren G. Brockmeier, CPCU

Vp  
The Wyatt Co.  
Chicago

# Equipment Manufacturing.



## We understand the risks, because we understand the business.

Everything works better when an insurance company knows your business.

You get expert help with loss control. Claims are processed more efficiently. And, most important, you get imaginative rating techniques that effectively match your premiums to exposures.

You'd expect an insurance

company to know the insurance business.

We've taken the time to learn the equipment manufacturing business.

As one of the nation's largest insurers, we can design programs for all of your casualty, property, life and health insurance needs.

If you'd like to see the benefits of working with people who understand

your business, give our business a call.

Call our National Accounts office at 715/346-6863.



**Sentry**<sup>®</sup>

National Accounts Department  
Sentry World Headquarters  
1800 North Point Drive  
Stevens Point, WI 54481

# THE TIME FOR A CONSULTANT

## Some businesses do need an expert, but only in certain cases

By Robert Harder

**T**HERE ARE TIMES that a consultant with specialized training or expertise in risk management, employee benefits, pensions, safety, loss control, aviation or captive insurers is needed.

Insurance consultants are needed in several specific situations.

A municipality or other government agency needs an insurance consultant to analyze insurance requirements, set specifications and monitor the tendering process. It would be inappropriate to allow the broker to do this.

An insurance consultant also is needed when a client generally is pleased with the services of a long-standing broker, but wants a second opinion to be assured all requirements are actually being met.

If the broker has been performing well, this situation probably should not produce any adverse results.

When a client feels that he or she is the victim of an incompetent or inadequate broker, it's time for a consultant. I have little sympathy for the broker who, in the end, will be justly rewarded.

Otherwise, I am usually not convinced consultants are needed.

In most jurisdictions, the qualifications for consultants are even less stringent than those for independent agents and brokers, which in most situations are woefully

inadequate.

In Ontario, for example, the Registered Insurance Brokers Act of Ontario of 1981 requires higher standards of brokers than consultants.

The public is protected, since all registered brokers (formerly independent agents) are required to maintain certain minimum standards of errors and omissions insurance and a \$10,000 bond.

In addition, all persons dealing with the public directly must be qualified and registered as a broker. This was a major step forward, and one that I am sure will be copied in other provinces as well as in the United States.

But, no such standards or minimum requirements are in place for consultants. In Ontario, they are regulated by their own self-regulatory body as well, the Risk Managers & Consultants of Ontario.

Even though there is a limited number of members regulated by this group, the standards and qualifications for membership are not dictated by examination, but by individual membership applications, which result in a general review by existing members.

Presumably, a measure of control is built in, since, as one consultant told me recently, "Consultants generally are retained by large corporations or associations having experienced officers, and which usually deal with well-qualified personnel of major brokerage firms.

"In such cases, a poorly qualified or unethical consultant should be readily spotted and his credibility questioned," the consultant added.

Is that adequate? I don't think so. A consultant first should be required to establish a higher degree of competency than the agent or broker that he or she is

asked to review.

Brokers today are improving their competency by enrolling in continuing education courses, even though they are not mandatory in Ontario. Brokers in Canada, for example, are earning designations such as the AIIC, Associate, Insurance Institute of Canada; CIB, Chartered Insurance Broker; and ARM, Associate in Risk Management.

Insurance buyers may not recognize the various designations, but they do recognize that they are the marks of brokers who take pride in their work.

Yet, when analyzing the background of insurance consultants, many seem to have been born in the broker ranks. They feel superior to the rank and file and decide that they could provide a service superior to the broker.

Or, they become frustrated with the crazy cycles of the insurance industry, are fatigued by the constant pressure of competition and have lost the thrill and excitement of conquering the challenges faced by brokers.

These are hardly the motivations that would drive an effective consultant. Fortunately, this is not always the case, and there are some exceptional consultants.

Consultants, I would like to add, are in the enviable position of being able to allow their imagination to run wild and design programs that are purely exotic.

However, this places the broker in the unenviable position of being required to place unrealistic specifications. Indeed, consultants seem to work from the point of view that they have to be unreasonable.

A professional broker, knowing his or her limitations and areas of specialty, would be professional enough to bring in the expertise of a consultant when

required. Then, the consultant's particular knowledge and the broker's objectivity would blend to provide the client with the best possible service.

However, knowing most brokers to be rather independent, I suspect that the broker would want to be the coordinating force and remain the focal point in the client's eyes. I can easily envision problems when both might be competing for the client's interest and loyalty while trying to take the dominant role.

Many consultants argue that they alone have the ability to sit on the same side of the desk as the client and maintain a neutral and objective point of view.

They maintain further that they are not tied to any particular insurance company, are not paid on commission and don't have to worry about being competitive. But, at the same time, they recommend programs that by their very nature will cost the client additional premium dollars.

And, the consultant must justify the fee to the client, which often will be at the expense of the incumbent broker.

An insurance consultant recently told me, "Good brokers have nothing to fear from responsible and informed competitors, and if the broker is serving his client adequately, he should not feel threatened by the presence of a consultant."

In theory, this does sound somewhat reassuring—but is this really the case?

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

Robert Harder is a partner at Harder & Co. Insurance Brokers Inc. in St. Catharines, Ontario.



## Incidental employment injury is compensable

**A**N EMPLOYEE on temporary medical leave was expressly directed by her employer to come to its plant if she wished to receive the customary Christmas turkey.

Therefore, the injury she sustained in a fall on the employer's parking lot on her way to pick up her holiday bonus arose in the course of her employment, according to the Minnesota Supreme Court.

The Toro Co., with a few exceptions, has distributed turkeys to its employees before Christmas since 1954.

Carol Johnson, a Toro employee, was on medical leave in the fall of 1979. While on leave, she received a letter inviting her to attend the annual employee Christmas dinner at the armory.

The letter also invited her to come to the employer's plant that day to receive her Christmas turkey.

While on the company parking lot, Ms. Johnson slipped and fell, injuring her right foot and fracturing her ankle. She filed for and was awarded compensation. The employer appealed.

### legal briefs

The appellate court affirmed. It stated that the case was similar to those in other jurisdictions where compensation was awarded to an employee who sustained injury when he had to go to the employer's premises.

In one such case, the employer required the employee to come to the plant to pick up his paycheck. While there, the employee was injured.

Here, the court said, Ms. Johnson's presence on the premises at the time of her injury was clearly incidental to her employment relationship and, thus, the employee's injury clearly arose out of and in the course of her employment. *Johnson vs. Toro Co.*, Minnesota Supreme Court, March 25, 1983 (BI/02/M.-\$5).

### Suicide compensable

Workers compensation could be paid for a suicide that was the result of an employment stress-related mental

disorder, regardless of the fact that the suicide occurred at home, an Arizona appellate court ruled.

Richard Findley was the plant manager and 10% owner of the Arizona Brick Co.

In 1978 a new kiln was installed, and everything that could possibly go wrong with it did.

As the manager, Mr. Findley had total responsibility for solving any problems with the kiln and was on call constantly, anytime day or night.

In April 1980, he suffered a heart attack and was hospitalized.

On Aug. 20, 1980, there was a meltdown in the kiln due to a malfunction. On Aug. 21, Mr. Findley was at home after working half a day, which was part of his recovery plan after the heart attack.

He was called to return to work. He became extremely upset and committed suicide. Mrs. Findley filed for benefits,

but was denied.

On appeal, Mrs. Findley challenged the compensation law because it provided different standards of proof for all other industrial claimants as opposed to those with a mental injury or illness due to stress.

The court upheld the law emphasizing that all members of the class (those with stress-related mental injuries) were treated equally by the law.

But the court was satisfied that in this case Mr. Findley's death was the result of his job-related stress.

The court ruled that Mr. Findley's death was compensable. *Findley vs. Industrial Commission of Arizona*, Court of Appeals of Arizona, March 3, 1983 (BI/04/M.-\$5).

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

# Now you can reduce your workers' compensation payments in 48 hours or less. With **accuMed**.<sup>TM</sup>

accuMed analyzes workers' compensation medical provider charges and ensures that what you pay is consistent with the state schedules.

And because we're as local as you are, we can reduce those excessive charges in 48 hours or less.

## **The accuMed difference: local service.**

As a local service operating within selected fee *scheduled* states, accuMed gives you advantages that our competition can't provide.

We can answer your questions immediately. Our medical specialists are available to appear at hearings, if necessary. We also provide the services of local physician consultants who will clarify specific items for you as they relate to local practices. Our personalized local service, coupled with state-of-the-art computer technology, allows us to process your bills in 48 hours or less.

It's the accuMed difference that makes the difference in how your bills are reduced. With service that's timely. Professional. Accurate. Cost effective.

## **The accuMed difference: easy-to-read analysis.**

Just send your medical provider charges to us. A member of our medical review staff will personally examine them. Then our computer will compare them to the state-set allowable fees and calculate how much they could be reduced.

You'll get the results in our *accuMed Analysis*®. It's a brief, concise, easy-to-read statement that doesn't take a com-

puter expert to interpret. Which, of course, is another way accuMed differs from our competition.

## **The accuMed difference: helping you manage better.**

We don't just send you a lot of individual reports. We also summarize all bills reviewed each month. To show you total reductions, number of bills processed, percentage reduction, and dollar savings.

It's far easier and more efficient than doing the work yourself.

## **The accuMed difference: local service with national clout.**

accuMed is now available for you in California, Massachusetts, Florida and New York, and is coming soon to other scheduled states. (In New York, accuMed also reviews No-Fault provider bills.)

accuMed is provided by the Medex Services division of Intracorp - the nation's oldest, largest, and most experi-

enced provider of health care cost containment and disability management services.

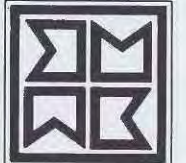
## **The accuMed difference: pricing that beats the competition.**

Not only do you reduce your workers' compensation payments with accuMed, but you do it for less. Both our normal charges and our volume discount program meet or beat the competition. And as an extra incentive to try accuMed, we have a special introductory pricing offer for you.

accuMed service provides you an impressive return on investment.

For details about accuMed and our special introductory pricing offer, call Gordon Clemons, President, toll-free at 800-345-1075. In Alaska, Hawaii, and Pennsylvania, call collect 215-687-9450. Or send us the coupon.

Try the accuMed difference today.



**medex  
services**  
An Intracorp  
Company

Send me more information about *the accuMed difference*.

NAME

TITLE

COMPANY

ADDRESS

CITY

STATE

ZIP

PHONE

Mail to: Medex Services, 985 Old Eagle School Road, Wayne, PA 19087.

*Continued from pge 46*  
 studies), captive feasibility studies, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

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

**Staff:** 15 total staff; including 11 principal consultants. Professional designations held by staff include two CPCUs, one MBA, two attorneys.

**Clients:** 250 total clients; 65% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million; 10% \$5 million to \$10 million; 5% \$10 million to \$25 million; minimum size client, approximately \$50,000 insurance budget.

**Compensation:** By the project, on retainer.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** M.C. Houtz,

president; P.C. Alderson, executive vp; J.G. Harris, vp; M.E. Free, secretary/treasurer.

**Member of:** IRMC.

**Insurance Buyers' Council Inc.**

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

**Year founded:** 1945.  
**Independent.**

**Services provided:** 78% continuous consulting; 7% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, loss-

prevention audits, loss-settlement assistance, risk management organization studies.

**Staff:** 14 total staff; 10 professional staff members, including eight principal consultants, one consultant, one analyst. Professional designations held by staff include six CPCUs, seven ARMs, one MBA.

**Clients:** 228 total clients; 46% with risk and insurance budgets less than \$1 million; 42% \$1 million to \$5 million; 6% \$5 million to \$10 million; 6% \$10 to \$25 million.

**Compensation:** By the hour: principal consultant, \$90; consultant, \$60.

**1983 gross revenues:** \$1.1 million; 100% fee-based.

**Principal officers:** Milton A. Sorrell Jr., chairman; Bernard J. McGovern, president; Adam P. Sielicki Jr., executive vp; Fredric W. Schultz, vp/secretary; A. Jackson Emery, vp.

**Member of:** IRMC.

**Insurance Management Bureau**

921 E. 86th St., Suite 10G, Indianapolis, Ind. 46240; 317-259-7418

**Year founded:** 1950.  
**Independent.**

**Services provided:** 85% continuous consulting; 10% risk management audits; 5% special projects, including frequent analysis of risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding complete insurance management for school systems; occasional claims auditing, accounting system analysis, loss-settlement assistance, quantitative analysis and statistical forecasting.

**Staff:** Seven total staff; four professional staff members, including one principal consultant, two consultants, one analyst. Professional

designations held by staff include one CPCU, one MBA.

**Clients:** 130 total clients; 98% with risk and insurance budgets less than \$1 million; 2% \$1 million to \$5 million.

**Compensation:** By the project, on retainer.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** M.D. Randle, chairman; Dewey O. King, president.

**Insurance Management Consultants**

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

**Year founded:** 1971.  
**Independent.**

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

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

**Clients:** 90 total clients.

**Compensation:** By the project, by the hour; principal consultant, \$100; consultant, \$75; junior consultant, \$50; clerical, \$15.

**1983 gross revenues:** More than \$100,000; 100% fee-based.

**Principal officers:** Otto Lee Henderson, president; William Taylor, vp; J.C. Henderson, secretary/treasurer.

**Member of:** ICS.

**Intex Management Co. Ltd.**

2809 Regal Road, Suite 200, Plano, Texas 75075; 214-867-2200

**Year founded:** 1979.

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

**Staff:** Nine total staff; five professional staff members, including three principal consultants, one consultant, one analyst. Professional designations held by staff include three ARMs, one CSP.

**Clients:** Total clients not reported; 30% with a risk and insurance budget less than \$1 million; 65% \$1 million to \$5 million; 5% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125-\$150; consultant, \$75; junior consultant, \$40; clerical, \$20.

**1983 gross revenues:** \$550,000; 50% fee-based.

**Principal officers:** Klaus J. Gebhardt, president; Mark D. Gebhardt, senior vp; John F. Schapperle, vp.

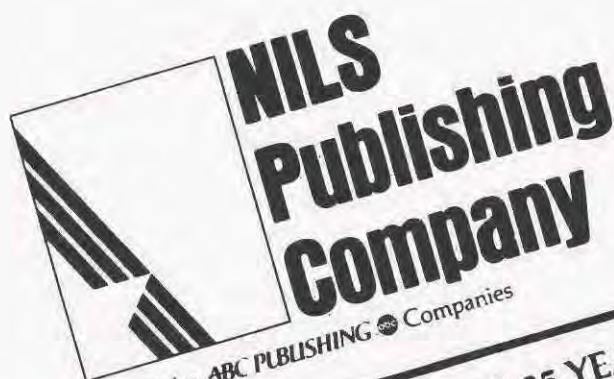
**Richard N. Irmis Co.**

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

**Year founded:** 1981.  
**Independent.**

**Services provided:** 16% continuous consulting; 8% risk management audits; 76% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary in-

*Continued on facing page*



One of the ABC PUBLISHING Companies

FOR OVER 35 YEARS

The Insurance Information People

- PUBLISHERS OF:
- NATIONAL INSURANCE LAW SERVICES
  - CAPTIVES: U.S. AND OFFSHORE INSURANCE LAWS
  - INSURANCE PERIODICALS INDEX
  - FEDERAL INSURANCE LAWS
  - FEDERAL INSURANCE REGULATIONS
  - NATIONAL INSURANCE LAW REVIEW SERVICE
  - NATIONAL INDEX OF INSURANCE LAWS
  - NATIONAL INDEX OF INSURANCE REGULATIONS

AVAILABLE SOON:

THE SELF-INSURANCE MANUAL

Call Toll-Free for Information  
 Ask for our Telemarketing Department  
 1-800-423-5910  
 In California, call (818) 998-8830

Or Write: Nils Publishing Company  
 P.O. Box 2507  
 Chatsworth, California 91311  
 28020016

*Continued from facing page*  
 surance limits, insurance contract analysis, loss-prevention audits, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, continuing risk management presence; occasional captive feasibility studies, claims auditing, accounting system analysis, broker service and remuneration evaluation, insurance department audits.

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

**Clients:** Eight total clients; 75% with risk and insurance budgets less than \$1 million; 25% \$1 million to \$5 million; minimum size client, \$250,000.

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

**1983 gross revenues:** More than \$85,000, 90% fee-based.

**Principal officers:** Richard N. Irmas, president; Dorothy Colvin, vp.

## J

### Fred S. James & Co. Inc. (Risk Management Services)

55 Water St., New York, N.Y.  
 10041; 212-747-6600

**Year founded:** 1858.

**Parent company:** Transamerica Corp.

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

**Locations:** 120 offices worldwide.

**Staff:** 4,400 total staff (risk management staff not supplied).

**Clients:** Total clients not reported.

**Compensation:** By the project; commissions for insurance placed with underwriters; on retainer; by the hour.

**1983 gross revenues:** Not reported for risk management services.

**Principal officers:** Charles A. O'Malley, chairman/president/chief executive officer; Timothy J. Mahoney, senior executive vp; John C. Crane, Alton F. Irby III, executive vps.

### Johnson & Higgins Risk Management Services

95 Wall St., New York, N.Y. 10005;  
 212-701-7500

**Year founded:** 1972.

**Parent company:** Johnson & Higgins.

**Services provided:** 30% continuous consulting; 10% risk management audits; 60% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statistical forecasting, actuarial consulting, structured settlements; occasional insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance, risk management organization studies, general management consulting, captive growth plans, captive rehabilitation consulting, loss-portfolio transfers.

**Locations:** Atlanta; Boston; Charlotte, N.C.; Chicago; Cleveland; Dallas; Detroit; Hartford, Conn.; Houston; Los Angeles; Minneapolis; New Orleans; Philadelphia; Phoenix, Ariz.; Pittsburgh; Richmond, Va.; San Francisco; Seattle; Tulsa, Okla.; Washington; Wilmington, Del.; Toronto; Sydney, Australia.

**Staff:** 72 total staff; 63 professional staff members. Professional designations held by staff include eight CPCUs, four ARMs, six MBAs, two FCAS, one attorney, one Ph.D., two ACAS.

**Clients:** Total clients not reported.

**Compensation:** By the project;

commissions for insurance placed with underwriters; by the hour.

**1983 gross revenues:** Not reported.

**Principal officers:** Richard J. Rice, senior vp; Alan G. Page, Charles W. Mathers, Daniel J. Rogers, Howard M. Metzger, vps.

### Albert C. Jones New England Inc.

P.O. Box 281, Hanover, N.H.  
 03755; 603-643-3904

**Year founded:** 1977.

**Independent.**

**Services provided:** 50% contin-

uous consulting; 15% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), accounting system analysis, quantitative analysis and statistical forecasting; 25% benefit consulting.

**Staff:** Seven total staff; four professional staff members, including two principal consultants, two con-

sultants. Professional designations held by staff include one CPCU, two ARMs, one MBA, one CIC, one CHFC.

**Clients:** 95 total clients; 90% with a risk and insurance budget less than \$1 million; 5% \$1 million to \$5 million; 5% \$5 million to \$10 million.

**Compensation:** By the hour: principal consultant, \$50; consultant, \$40; clerical, \$20.

**1983 gross revenues:** \$275,000; 100% fee-based.

**Principal officers:** Jane Y. Rastallis, president; Albert C. Jones, treasurer; Constance A. Jones, vp.

*Continued on next page*



# Risk Management Services should be tailored to meet specific needs.

Flexibility is the key to our unique unbundled approach to captive reinsurance programs. It permits us to tailor our services to address specific client needs, avoiding costly bundling.

Our clients may choose to purchase only the services they deem necessary, usually from the contractor of their choice.

As underwriting managers for the A+ rated Northwestern National Insurance Company, we can provide primary policies admitted in all 50 states.

For more information have your agent or broker contact Jim Kellogg, Vice President, at 731 N. Jackson St., Milwaukee, WI 53201. Or call him directly at (414) 765-8660.

**NN Risk Management Services**

# Property & Casualty FACULTATIVE REINSURANCE

OWNED AND MANAGED COMPANIES  
Rated and Admitted

# C/RE

CALL 800/257-7785  
TELEX 83-4766

AN  
INTERMEDIARY  
MARKET



Keith E. Sweat  
President

1255 Caldwell Road, P.O. Box 5725  
Cherry Hill/NJ 08034 • 609/429-2766

A MEMBER COMPANY OF W.R. BERKLEY CORPORATION  
CONSOLIDATED STATUTORY SURPLUS OVER \$47,000,000

Continued from previous page

## L

### Robert W. Lazarus & Associates

2809 Regal Road, Plano, Texas  
75075; 214-867-4348

**Year founded:** 1981.  
**Independent.**

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

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

**Clients:** 35 total clients; 95% with risk and insurance budgets less than \$1 million; 5% \$1 million to \$5 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$107.50.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Robert W. Lazarus.

**Member of:** IRMC.

### Justin S. Lencke & Associates

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

**Year founded:** 1952.  
**Independent.**

**Services provided:** 100% continuous consulting, including frequent risk retention analysis, (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims au-

ditig, loss-settlement assistance, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, risk management organization studies.

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

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

**Compensation:** On retainer.

**1983 gross revenues:** \$250,000; 100% fee-based.

**Principal officers:** Justin S. Lencke, founder/owner; John D. Lencke Jr., assistant partner; Mark D. Lencke, assistant analyst.

### John Liner Insurance & Risk Management Advisers Inc.

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

**Year founded:** 1959.  
**Independent.**

**Parent company:** Shelby Publishing Co.

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

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

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$90; junior consultant, \$60.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Douglas Bell, chairman; Dwight E. Levick, president; Thomas C. Radziewicz, vp.

**Member of:** ICS.

## M

### M&M Risk Management Services

1221 Ave. of the Americas, New  
York, N.Y. 10020; 212-997-5900

**Year founded:** 1973.

**Parent company:** Marsh &

McLennan Cos. Inc.

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

**Locations:** Offices worldwide.

**Clients:** Number of clients not reported.

**1983 gross revenues:** Not reported.

**Principal officers:** Paul Goularte, vp/manager; Richard Merbaum, vp; Barbara Amatrudo, vp/New York manager; Pat Lepenske, vp/Chicago manager; Terry Goldberg, consulting actuary.

### MRM/Multi-Risk Management Inc.

180 La Salle St., Chicago, Ill. 60601;  
312-782-3139

**Year founded:** 1975.  
**Independent.**

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

**Locations:** Boston.

**Staff:** 20 total staff, including 10 principal consultants, two consultants, two analysts. Professional designations held by staff include two MBAs, one attorney, six registered nurses.

**Clients:** 120 total clients.

**Compensation:** On retainer; by the hour: principal consultant, \$55-\$60; consultant, \$50; junior consultant, \$45; clerical, \$25.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Michael Burack, president; Robert Moysey, vp; Amy Cohen, secretary.

Continued on facing page

# MEDICAL STOP LOSS FACILITY



Medical Stop Loss  
ARAS Program (25+ Participants)  
Specific & Aggregate

Group Life & AD&D  
Disability Income (WI & LTD)  
Medical Conversion

High Limit Disability  
PTD & TTD (Monthly and/or Lump Sum)

**COX INSURANCE GROUP, INC.**

P.O. BOX 27766  
3711 E. SOUTHPORT RD.  
INDIANAPOLIS, INDIANA 46227  
(317) 887-0030 Telex 276252

Correspondent with Lloyds of London

INSURANCE  ACHIEVEMENT

## Self-Starter Study

RM 54, 55 INS 21, 22, 23  
All CPCU Parts

Complete independent study programs with each assignment reviewed on cassette tapes - use cassettes to review while driving!

Effective and time-efficient, with an  
Unconditional Warranty!

Call Toll Free  
**800-535-3042**  
for Brochure

7330 Highland Road, Baton Rouge, LA, 70808

Continued from facing page

**Robert E. Maynard,  
Risk & Insurance  
Management  
Consultant**325 Davis St., Evanston, Ill. 60201;  
312-864-7717**Year founded:** 1976.**Independent.**

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

**Staff:** One professional staff member. Professional designations held by staff include one CPCU.

**Clients:** Three total clients; 33% with risk and insurance budgets less than \$1 million; 67% \$5 million to \$10 million; minimum size client, less than \$1 million insurance budget.

**Compensation:** On retainer.**1983 gross revenues:** \$46,500; 100% fee-based.**Principal officers:** Robert E. Maynard.**McNeary Insurance  
Consulting  
Services Inc.**6525 Morrison Blvd., Suite 301,  
P.O. Box 220926, Charlotte, N.C.  
28222; 704-365-4150**Year founded:** 1956.**Parent company:** Booke & Co.

**Services provided:** 70% continuous consulting; 5% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional claims auditing, accounting system analysis, loss-settlement assistance; 10% casualty actuarial studies.

**Staff:** 22 total staff; 16 professional staff members, including eight principal consultants, four consultants, four analysts. Professional designations held by staff include six CPCUs, three ARMs, one MBA, one FCAS, one CSP, one P.E., one certified engineering technician.

**Clients:** 225 total clients; 80% with risk and insurance budget less than \$1 million; 15% \$1 million to \$5 million; 5% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$75-\$115; consultant, \$50-\$75; junior consultant, \$35-\$50; clerical, \$25.

**1983 gross revenues:** More than \$1 million; 100% fee-based.**Principal officers:** W.C. Moore Jr., president; T. Stephen Helms, senior vp; J. Lanny Goode, Richard G. Clarke, S. Neal Broome, Aguedo M. Ingco, William D. Yaeger, Carl W. Malberg, vps.**Warren D. McPherson**Suite 225, Russo Building,  
Fredonia, N.Y. 14063;  
716-673-1777**Year founded:** 1974.**Independent.**

**Services provided:** 80% continuous consulting; 20% risk management audits, including frequent insurance contract analysis, prepara-

tion of specifications for bidding, insurance/risk management services; occasional analysis of necessary insurance limits, loss-settlement assistance.

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

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

**Compensation:** By the hour: principal consultant, \$50.

**1983 gross revenues:** Not reported; 100% fee-based.**Principal officers:** Warren D. McPherson.**Member of:** ICS.**Melanber Inc.**488 Montford Drive, Dollard des  
Ormeaux, Quebec H9G 1M6;  
516-620-3010**Year founded:** 1978.**Independent.**

**Services provided:** 45% continuous consulting; 45% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, loss-settlement assistance, preparation of specifications for bidding, in-house risk management seminars for clients; occasional risk retention analysis (including self-insurance

studies), captive feasibility studies, claims auditing, loss-prevention audits, risk management organization studies.

**Locations:** Montreal.

**Staff:** Three total staff; two professional staff members, including one principal consultant, one consultant. Professional designations held by staff include one AIC.

**Clients:** Total number of clients not reported; 80% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million; 10% \$5 million to \$10 million; minimum size client, \$50,000 insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal

consultant, \$125; consultant, \$60.

**1983 gross revenues:** More than \$100,000; 100% fee-based.**Principal officers:** Mel Parsons, president; Beryl Shapley, secretary/treasurer.**Member of:** ICS.**Minet Risk Management**155 Queen St., Melbourne,  
Australia; 03-677-041**Year founded:** 1971.**Parent company:** Minet Australia Ltd., affiliated with Minet Holdings P.L.C.

**Services provided:** 90% continuous consulting; 10% special  
*Continued on next page*

**ADDRESSING TOMORROW TODAY.**

Imagine.

A remarkable new ZIP Code system for business mailers. So precise it can actually pinpoint specific streets, specific buildings. Even specific building floors.

That's the ZIP + 4 code.

Now imagine a computerized sorting system so advanced that it automatically reads the last line of the address off your envelope. Reducing sorting time while increasing sorting efficiency.

That's the Optical Character Reader (OCR).

**EFFICIENCY.**

Perhaps most amazing is the fact that both the ZIP + 4 program and our OCR's are already in place. Ready to bring technological efficiency to the

mountainous task of moving 100 billion pieces of business mail per year.

But to deliver the future, we need your help.

Begin by being sure that the entire address on all your business mail is totally visible, legible and located properly. Your local post office can give you all the information you need.

**ECONOMY.**

Use of ZIP + 4 codes is voluntary. But by adopting them, you'll be rewarded in the form of more stable postal rates. In fact, when you meet the eligibility requirements, you can start saving postage right away.

If you're a First-Class mailer of 500 pieces or more who already presorts, you can save a half-cent per piece

when you use ZIP + 4 codes. And that's on top of the three-cent discount for presorting.

If you're a First-Class mailer who doesn't presort but mails 250 pieces at a time, you can save nine-tenths of a cent per letter.

And no matter how many, or how few, pieces you mail, using ZIP + 4 codes can give you a cleaner, more efficient mailing list. Plus more consistent delivery.

**COOPERATION.**

Let us show you how you can put more zip in your mail service. Contact your local Postmaster or Customer Service Representative. And send yourself into the future.

© USPS 1983



Continued from previous page projects, including frequent risk retention analysis (including self-insurance studies), loss-prevention audits, self-insurance management services, safety management audits and consulting; occasional captive feasibility studies, analysis of necessary insurance limits, risk management organization studies, quantitative analysis and statistical forecasting, computer-assisted loss forecasting; 50% non-risk management services provided to parent company clients.

**Locations:** Sydney, Australia.

**Staff:** Three total staff; including one principal consultant, two consultants. Professional designations held by staff include one Australian Insurance Institute associate, one ARM, one CSP, one P.E.

**Clients:** Total clients not reported; 60% with a risk and insurance budget less than \$1 million; 30% \$1 million to \$5 million; 10% \$5 million to \$10 million; minimum size client, \$300,000 (Australian) insurance budget.

**Compensation:** By the project; by the hour: principal consultant, \$50; consultant, \$35.

**1983 gross revenues:** Not reported.

**Principal officers:** Duncan M. Gibson, principal consultant; William M. Gavitt, engineering/safety consultant; Lou Tewierik, property risk specialist.

#### Mund, McLaurin & Co. of Los Angeles

1100 El Centro St., Suite 103,  
South Pasadena, Calif. 91030;  
213-441-4591

**Year founded:** 1920.

**Independent.**

**Services provided:** 35% continuous consulting; 35% risk management audits; 30% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding, client representation with brokers and agents, lease and construction contract review; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, broker service and remuneration evaluation, loss-prevention audits, accounting system analysis, loss-settlement assistance, quantitative analysis and statistical forecasting.

**Staff:** Seven total staff; four professional staff, including four principal consultants. Professional designations held by staff include one CPCU, one ARM.

**Clients:** Total clients not reported.

**Compensation:** On retainer; by the hour.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** W.J. Pinckney, president; D.J. Voller, P.W. Pinckney, J.B. Toy Jr., vps.

**Member of:** IRMC.

#### Mund, McLaurin & Co. of San Francisco

1990 N. California Blvd., Walnut  
Creek, Calif. 94596; 415-930-7557

**Year founded:** 1920.

**Independent.**

**Services provided:** 60% continuous consulting; 25% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, loss-settlement assis-

tance, broker service and remuneration, captive feasibility studies.

**Clients:** 40 total clients.

**Compensation:** By the project; on retainer.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Don L. De Vere, president.

# N

#### NIA Risk Management Services Inc.

66 Route 17, Paramus, N.J.  
07652; 201-845-6600

**Year founded:** 1978.

**Parent company:** NIA Inc.

**Services provided:** 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent risk retention analysis (including self-insurance

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

**Staff:** Eight total staff; five professional staff, including two principal consultants, one consultant, two analysts.

**Clients:** 23 total clients; 100% with risk and insurance budgets less than \$1 million; minimum size client, \$75,000 insurance budget.

**Compensation:** By the project; on retainer.

**1983 gross revenues:** \$225,000; 100% fee-based.

**Principal officers:** Paul L. Gross, president; William F. Meade, executive vp; Charles Rosenberg, regional vp.

#### Haig Neville Associates

6290 Commerce Road, West  
Bloomfield, Mich. 48033  
313-360-1350

**Year founded:** 1959.

**Parent company:** Risk Research Institute Inc.

**Services provided:** 50% continuous consulting; 40% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, employee benefit consulting, risk management seminars; occasional claims auditing, quantitative analysis and statistical forecasting, accounting system analysis, loss-prevention audits.

**Locations:** Ormond Beach, Fla.; Hamilton, Bermuda.

**Staff:** 10 total staff; eight professional staff members, including three principal consultants, three consultants, two analysts. Professional designations held by staff include three CPCUs, two ARMs, one MBA, one FCAS, one attorney, one CLU.

**Clients:** More than 150 total clients; 96% with risk and insurance budgets less than \$1 million; 2% \$1 million to \$5 million; 2% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125; consultant, \$100; junior consultant, \$75; clerical included.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Haig G. Neville; Juanita Neville, secretary/treasurer; Denis Shelley, vp.

Continued on facing page

# AMERICAN IN REINS

## Managing massive litigation: are you courting disaster?

Two days ago the plaintiff demanded \$800,000 to settle. The defense offered \$100,000. There was no further movement, and the case was carried to verdict. The jury found for the plaintiff; the award was \$3,356,000.

What went wrong? The defense team had already decided that they were willing to pay \$500,000. The case could have been settled for \$500,000. But after the initial \$100,000, the defense made no further offer.

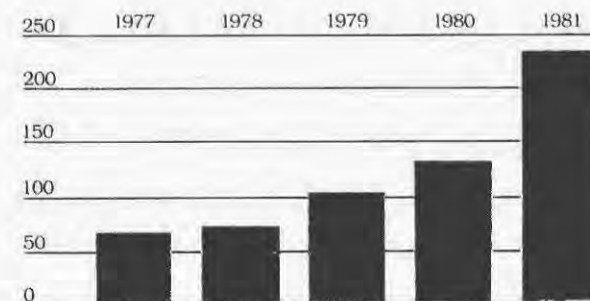
In 31% of the cases we monitored last year, carriers did not offer what they said a case was worth. Back in 1977, however, the figure was an astounding 55%. It was at this time that American Re established a litigation management team, to work for our clients exclusively on these massive cases.

How important litigation management can be is shown by the increase in jury verdicts awarding \$1,000,000 or more in personal injury suits, as shown at the right.

In the face of the national trend, American Re clients who used our specialists increased their percentage of massive injury cases won from 36% to 49%. These victories represent many millions of dollars saved; dollars that flow directly to our clients' bottom lines.

How often do you have a chance to lose a million dollars or more in one case? Possibly once a year, or twice. But these are the ones that can really hurt you. The jury's attitude toward a massively injured person is qualitatively different from that in the ordinary injury case. They want to find for the plaintiff. What's more, the plaintiff is usually represented by a specialist in massive injury cases. The primary company's people, on the other hand, usually handle a large volume of smaller cases. In this unfamiliar type of case, they may hesitate to make hard decisions. They can miss danger signs, or opportunities.

MILLION DOLLAR VERDICTS



The number of jury verdicts in the USA each year awarding \$1 million or more to individual plaintiffs in personal injury suits. Information from Jury Verdict Research, Inc., Solon, Ohio.

# AMERICAN REDEFI

Continued from facing page

O

**Objective Risk Management Pty. Ltd.**

Level 35 Northpoint, 100 Miller St., North Sydney, Australia 2060; 02-929-0944

**Year founded:** 1982.**Independent:** 50% owned by Jardine Matheson Australia.**Services provided:** 30% continuous consulting; 20% risk management audits; 50% special projects, including frequent risk retention analysis (including self-insurance studies), quantitative analysis and statistical forecasting, loss-prevention audits, risk management information system software; occasional analysis of necessary insurance limits, claims auditing, risk man-

agement organization studies

**Locations:** Melbourne, Victoria, Australia.**Staff:** Seven total staff; seven professional staff members, including two principal consultants, three consultants, two analysts. Professional designations held by staff include two Ph.D.s.**Clients:** 25 total clients; 60% with a risk and insurance budget less than \$1 million; 20% \$1 million to \$5 million; 20% \$5 million to \$10 million.**Compensation:** By the project, or retainer; by the hour: principal consultant, \$60-\$100; consultant, \$40-60; clerical \$10-\$25.**1983 gross revenues:** \$200,000; 100% fee-based.**Principal officers:** Ron Bombery, Ron Coleman, managing consultants.

P

**Permian Risk Management**

1309 W. 15th St., Suite 201, Plano, Texas 75025; 214-985-1135

**Year founded:** 1979.**Independent.****Services provided:** 30% continuous consulting; 30% risk management audits; 40% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration, preparation of specifications for bidding, risk qualification statements in financial reporting forms, contractual indemnity reviews; occasional claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance,

risk management organization studies, quantitative analysis and statistical forecasting, formation of insurance companies.

**Locations:** Long Beach, Calif.; Houston.**Staff:** Five total staff; three professional staff members, including one principal consultant, two consultants. Professional designations held by staff include two CPCUs, two ARMs, one MBA, one CLU.**Clients:** 103 total clients; 90% with a risk and insurance budget less than \$1 million; 6% \$1 million to \$5 million; 3% \$5 million to \$10 million; 1% \$10 million to \$25 million.**Compensation:** By the hour: principal consultant, \$150; consultant, \$100; clerical, \$25.**1983 gross revenues:** \$400,000; 100% fee-based.**Principal officers:** Ronald J. Jones, president; T.L. Dunlap Jr., vp; D.R. Martin, assistant vp; Linda R. Jones, vp/corporate secretary;

Ed Conley, general counsel.

**H. Russell Perry**

P.O. Box 611, Carlisle, Mass. 01741; 617-369-6111

**Year founded:** 1976.**Independent.****Services provided:** 80% continuous consulting; 15% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, loss-settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional risk retention analysis (including self-insurance studies), risk management organization studies.**Staff:** Two total staff; one principal consultant. Professional designations held by staff include one ARM.**Clients:** 15 total clients; 20% with a risk and insurance budget from \$1 million to \$5 million; 40% \$5 million to \$10 million; 30% \$10 million to \$25 million; 10% more than \$25 million.**Compensation:** By the project, on retainer; by the hour: principal consultant, \$85; clerical, \$10.**1983 gross revenues:** \$100,000; 100% fee-based.**Principal officers:** H. Russell Perry, principal consultant.**Member of:** ICS.**Professional Risk Managements Consultants Inc.**

Suite 360, 130 Seventh St., Pittsburgh, Pa. 15222; 412-288-0832

**Year founded:** 1982.**Parent company:** Halliwell & Associates Inc.**Services provided:** 50% continuous consulting; 25% risk management audits; 25% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss-prevention audits, quantitative analysis and statistical forecasting, OSHA appeals, audit verifications.**Staff:** 16 total staff; 11 professional staff members, including four principal consultants, seven consultants. Professional designations held by staff include one CPCU, one ARM, three FCAS, three CSPs, one CLU.**Clients:** 30 total clients; 100% with a risk and insurance budget less than \$1 million; minimum size client, \$50,000 insurance budget.**Compensation:** By the project, on retainer; by the hour: principal consultant, \$80; consultant, \$60; clerical included.**1983 gross revenues:** Not reported; 100% fee-based.**Principal officers:** Thomas S. Baily, president; Paul D. Halliwell, chairman; David Wetherill, David B. Thomas, vps.

R

**Reed Risk Management**

3 Embarcadero Center, San Francisco, Calif. 94111; 415-392-2980

**Year founded:** 1976.**Parent company:** Reed Stenhouse Cos. Ltd.**Services provided:** 15% continuous consulting; 10% risk management audits; 75% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, ac-*Continued on next page*

# FRONTIERS URANCE

Commonly, they fail to estimate what the case is worth, *assuming clear liability*. They may fail to make an adequate offer. They may not make a thorough investigation of the plaintiff's case — especially if they are concerned with other cases at the same time. They may not realize they are in the lion's mouth.

Our specialists are available for consultation and daily trial observation.

They are practiced in working with counsel and the claims person: helping them to investigate a case, anticipate and visualize the plaintiff's presentation, develop the defendant's presentation, estimate verdict potential and advise on offer or trial.

If you can benefit from our Litigation Management service, call Bill Edwards, Vice President and Trial Coordinator for American Re, at (212) 618-7000.

**American Re-Insurance Company**One Liberty Plaza  
91 Liberty Street  
New York, N.Y. 10006

NES REINSURANCE

Continued from previous page  
counting system analysis, quantitative analysis and statistical forecasting, risk management information planning studies, design of risk-financing programs, risk information systems software sales, self-administering claims organization studies; occasional analysis of necessary insurance limits, preparation of specifications for bidding, risk management information systems, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies.

**Locations:** Los Angeles; New York; Toronto; Calgary, Alberta; Sydney, Australia.

**Staff:** 30 total staff; 26 professional staff members, including eight principal consultants, 10 consultants, eight analysts. Professional designations held by staff include three CPCUs, two ARMs, five MBAs.

**Clients:** 200 total clients; 40%

with risk and insurance budgets less than \$1 million; 50% \$1 million to \$5 million; 5% \$5 million to \$10 million; 2.5% \$10 million to \$25 million; 2.5% more than \$25 million.

**Compensation:** By the hour: principal consultant, \$90-\$130; consultant, \$70-\$90; junior consultant/analyst, \$40-\$70; secretarial, \$20-\$35.

**1983 gross revenues:** \$1.5 million; 66% fee-based.

**Principal officers:** Allen J. Monroe, president; J.R. White, secretary/treasurer; Richard Rupp, senior vp; Ron Poole, Jan Farver, Richard Markowitz, Ward Ching, vps.

**Regent Consultants Corp.**

366 N. Broadway, Jericho, N.Y.  
11753; 516-931-6555

**Year founded:** 1963.

**Independent.**

**Services provided:** 95% continuous consulting; 5% risk manage-

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

**Staff:** Four total staff, including one principal consultant, two consultants. Professional designations held by staff include one CPCU, one ARM, one attorney.

**Clients:** 35 total clients; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million.

**Compensation:** On retainer; by the hour: principal consultant, \$85.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Philip

Platzer, president.

**Membership:** ICS.

**RIMCO Risk Management Inc.**

10300 N. Central Expressway,  
Building V, Suite 350, Dallas, Texas  
75231;  
214-363-2451/800-527-6856.

**Year founded:** 1967.

**Parent company:** Tillinghast, Nelson & Warren Inc.

**Services provided:** 30% continuous consulting; 40% risk management audits; 30% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantita-

tive analysis and statistical forecasting.

**Locations:** Boston; Los Angeles.

**Staff:** 12 total staff; nine professional staff members, including three principal consultants, three consultants, three analysts. Professional designations held by staff include three CPCUs, three ARMs, three MBAs.

**Clients:** 100 total clients; 50% with risk and insurance budgets less than \$1 million; 25% \$1 million to \$5 million; 10% \$5 million to \$10 million; 7% \$10 million to \$25 million; 5% more than \$25 million.

**Compensation:** By the hour: principal consultant, \$130-\$175; consultant, \$75-\$130; junior consultant, \$45-\$75; clerical, \$20-\$40.

**1983 gross revenues:** \$1 million; 100% fee-based.

**Principal officers:** Charles R. Lee, Clovis H. Brakebill, John M. Stubbs.

**Risk & Benefit Management Systems**

660 Newport Center Drive, Suite  
1000, Newport Beach, Calif. 92660;  
714-640-8070

**Year founded:** 1981.

**Parent company:** Bayly, Martin & Fay International Inc.

**Services provided:** 5% continuous consulting; 10% risk management audits; 20% special projects, including frequent captive feasibility studies, claims auditing, loss-prevention audits, preparation of specifications for bidding, alternate funding studies, captive management, employee benefit consulting and administration; occasional quantitative analysis and statistical forecasting, risk management organization studies, loss-settlement assistance, accounting system analysis, insurance contract analysis, analysis of necessary insurance limits, risk retention analysis (including self-insurance studies); 65% claims administration, loss control, data management services.

**Locations:** Atlanta; Chicago; Los Angeles, Orange, Burlingame and Walnut Creek, Calif.; Denver; New York; Salt Lake City; Reno, Nev.; Montpelier, Vt.; Hamilton, Bermuda; Tulsa, Okla.; Alexandria, Va.

**Staff:** 100 total staff, including seven principal consultants, three consultants, seven analysts. Professional designations held by staff include one CPCU, one ARM, three MBAs, one attorneys, one ACIL.

**Clients:** 110 total clients; 47% with risk and insurance budgets less than \$1 million; 41% \$1 million to \$5 million; 11% \$5 million to \$10 million; 2% \$10 million to \$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$80; junior consultant, \$45; clerical, \$28.

**1983 gross revenues:** \$6.5 million; 100% fee-based.

**Principal officers:** William R. Kersten, president; Robert Jenkins, executive vp; Thomas Littell, John Hickey, Hal Forkush, senior vps.

**Risk Consultants**

1571 Race St., Denver, Colo.  
80206; 303-388-5688

**Year founded:** 1976.

**Independent.**

**Services provided:** 60% continuous consulting; 25% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, accounting system analysis, loss-settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting, design and implementation of self-insurance pools, association safety group plans, paid-loss retrospective plans and analysis, insurance profit cen-

Continued on facing page



## You don't have to shout to be heard.

Satisfying a discriminating public requires more than whistles and bells, fluffs and frills. It takes a commitment to offer the best consistently. Because when you get past all the noise only one thing is distinct—quality. *BMF—we're being heard.*

*Excellence in Insurance Brokerage*

**BMF**  
Bayly, Martin & Fay International, Inc.

CORPORATE HEADQUARTERS: 660 Newport Center Drive/Newport Beach, CA 92660/TELEX: 692-306  
(714) 644-7940

Continued from facing page  
 ter programs; occasional loss-prevention audits, broker service and remuneration, risk management organization studies.

**Staff:** Five total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include three ARMs, one CIC.

**Clients:** 40 total clients; 60% with a risk and insurance budget less than \$1 million; 22.5% \$1 million to \$5 million; 7.5% \$5 million to \$10 million; minimum size client, \$500 minimum fee.

**Compensation:** By the hour: principal consultant, \$100; consultant, \$70; junior consultant, \$50; clerical, \$15; average hourly rate is \$80.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Michael Murphy, president; Dorothy Stevens, Joe Arck, consultants; Frank Crowe, risk analyst.

**Membership:** IRMC.

**Risk Consultants Inc.**

5101 Minnaqua Drive, Golden Valley, Minn. 55422; 612-529-5627/612-373-5356

**Year founded:** 1978.

**Independent.**

**Services provided:** 10% continuous consulting; 60% risk management audits; 30% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), loss-prevention audits, loss-settlement assistance, quantitative analysis and statistical forecasting.

**Staff:** Seven total staff; seven professional staff members, including three principal consultants, three consultants, one analyst. Professional designations held by staff include two CPCUs, one ARM, one MBA, one CSP, one attorney, two Ph.D.s, one AAA, one CLU.

**Clients:** 60 total clients; 95% with risk and insurance budgets less than \$1 million; minimum size client, \$50,000 insurance budget.

**Compensation:** By the project; by the hour: principal consultant, \$100; consultant, \$60; junior consultant, \$50; clerical, \$20.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Andrew F. Whitman, president; Dennis C. Doherty, C. Arthur Williams, Samuel G. Oberstisn, Orville Hange, consultants.

**Risk Consultants Inc.**

2915 Providence Road, Suite 300, Charlotte, N.C. 28211; 704-364-2600

**Year founded:** 1969.

**Independent.**

**Services provided:** 50% continuous consulting; 30% risk management audits; 20% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, fire prevention engineering; occasional captive feasibility studies, claims auditing, accounting system analysis, broker service and remuneration evaluation, quantitative analysis and statistical forecasting.

**Locations:** Dallas; affiliate in Indianapolis.

**Staff:** 15 total staff; 11 professional staff members, including four principal consultants, two consultants, five analysts. Professional

designations held by staff include three ARMs, one CLU, one professional fire prevention engineer.

**Clients:** 550 total clients; 80% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$75; consultant, \$60; junior consultant, \$35; clerical, \$15-\$20.

**1983 gross revenues:** \$500,000; 80% fee-based.

**Principal officers:** Merle D. Randle, chairman; Richard C. Canovai, Dewey King, presidents; Vance Maulsby, David R. Lively, vps.

**Risk Consultants Inc.**

P.O. Box 251, Sheboygan, Wis. 53081; 414-457-7781

**Year founded:** 1971.

**Parent company:** Gottsacker

Insurance Agency Inc.

**Services provided:** 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, risk retention analysis (including self-insurance studies), accounting system analysis, claims auditing, broker service and remuneration evaluation, loss-prevention inspections and advice.

**Locations:** Manitowoc, Wis.

**Staff:** Three total staff; three professional staff members, including two principal consultants, one consultant. Professional designations held by staff include two CPCUs, one ARM, one CLU.

**Clients:** 12 total clients; 100% with risk and insurance budgets

less than \$1 million.

**Compensation:** By the project; by the hour: principal consultant, \$60; consultant, \$50.

**1983 gross revenues:** \$45,000; 100% fee-based.

**Principal officers:** Edwin W. Storer, president; Donald E. Huber, vp; Frank C. Maury, consultant.

**Risk Control Inc.**

216 Water St., Excelsior, Minn. 55331; 612-474-5204

**Year founded:** 1978.

**Independent.**

**Services provided:** 40% continuous consulting; 30% risk management audits; 30% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, preparation of specifications for bidding, quantitative

analysis and statistical forecasting; occasional accounting system analysis, broker service and remuneration, loss-settlement assistance, risk management organization studies.

**Locations:** St. Cloud, Minn.

**Staff:** Six total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include one ARM, one CIC.

**Clients:** Total clients not reported; 89% with a risk and insurance budget less than \$1 million; 9% \$1 million to \$5 million; 2% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$50-\$100; consultant, \$40; clerical, \$12.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officer:** Jerry Brecke, president.

**Membership:** IRMC.

Continued on next page

# A leading insurance executive discusses safety and the company plane.

*John V. Brennan, President of U.S. Aviation Underwriters, America's largest insurer of corporate aircraft.*



normal and emergency procedures under controlled conditions. The alternative of training in the aircraft is hazardous and incomplete—in addition, it wastes fuel.

## Simulators: the safety factor

“Typically, the cost of refresher training for two pilots is less than the cost of one back-up flight instrument. That should be a worthwhile investment for any company.”



**B**usiness aircraft have never been built better—and safer—than they are today. However, due to the complexity and high performance of these planes, pilot training is something every company must think about.

“Nine out of every ten aircraft accidents have pilot-related causes. We strongly urge our policyholders to set up regular refresher training programs using simulators that represent their exact make of aircraft.”

## Pilot training is critical

“I insist that the pilots who fly our own company jet take simulator training twice each year—the same as airline pilots. We do our training with FlightSafety International.”

“Our experience shows that simulators are the safest possible training environment. They enable pilots to practice and perfect all

FlightSafety International® offers simulator training programs for almost every type of jet and turboprop business aircraft. For more information send this coupon or call Jim Waugh, V.P. Marketing at (212) 565-4120 collect.

Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Company \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_  
 Zip \_\_\_\_\_ Phone \_\_\_\_\_  
 Aircraft Type \_\_\_\_\_

Mail to: FlightSafety International, Marine Air Terminal, Dept. U-024, LaGuardia Airport, Flushing, N.Y. 11371.

# FlightSafety

international

Continued from previous page

**Risk Management Advisors Inc.**

5252 Balboa Drive, Suite 144, San Diego, Calif. 92117; 619-563-5693

**Year founded:** 1982.  
**Independent.**

**Services provided:** 50% risk management audits; 50% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, broker service and remuneration, preparation of specifications for bidding; occasional loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, risk retention analysis (including self-insurance studies), employee benefits consulting, broker selection service, self-insurance feasibility studies.

**Staff:** One principal consultant. Professional designations held by staff include one CPCU, one ARM, one CLU, one CIC, one ChFC, one AA.

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

**Compensation:** By the project;

on retainer; by the hour: principal consultant, \$100.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Edward A. Whitney.

**Risk Management Associates**

Executive Suite, 150 Sreen St., Framingham, Mass. 01701; 617-875-8030

**Year founded:** 1972.  
**Independent.**

**Services provided:** 45% continuous consulting; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, construction surety management; occasional risk retention analysis (including self-insurance studies), captive feasibility studies; 50% association management programs

**Staff:** Three total staff; two professional staff members, including one principal consultant, one ana-

lyst. Professional designations held by staff include one MBA.

**Clients:** Total clients not reported; 100% with a risk and insurance budget less than \$1 million.

**Compensation:** Or retainer; by the hour: principal consultant, \$130; consultant, \$60; clerical, \$12.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Edward V. Harding Jr.

**Risk Management Consultants Inc.**

1700 Sunset Ridge Drive, Laguna Beach, Calif. 92651; 714-494-4451

**Year founded:** 1977.  
**Independent.**

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

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

**Clients:** Total clients not reported; 25% with a risk and insurance budget less than \$1 million; 30% \$1 million to \$5 million; 20% \$5 million to \$10 million; 10% \$10 million to \$25 million; 15% more than \$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125; clerical, \$25.

**1983 gross revenues:** \$176,000; 70% fee-based.

**Principal officers:** William S. Mortimer, president.

**Risk Management Consulting Group Inc.**

760 Office Parkway, St. Louis, Mo. 63141; 314-567-5599

**Year founded:** 1983.  
**Independent.**

**Services provided:** 35% continuous consulting; 25% risk management audits; 30% special projects, including frequent analysis of nec-

essary insurance limits, insurance contract analysis, loss-prevention audits, broker service and remuneration, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, accounting system analysis, loss-settlement assistance, quantitative analysis and statistical forecasting, 10% reserve analysis, expert witness, education workshops, cost-reduction consulting, employee benefits analysis, merger/acquisition risk analysis, evaluation of risk-financing alternatives, risk qualification statements.

**Staff:** Five total staff; three professional staff members, including two principal consultants, one analyst. Professional designations held by staff include two CPCUs, one ARM, two MBAs, one Ph.D.

**Clients:** 10 total clients; 100% with a risk and insurance budget less than \$1 million; minimum size client, \$75,000 insurance budget.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$95; consultant, \$70; engineer, \$56; clerical, \$25.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** J. William Rush, president; Tina Rush, vp.

**Risk Planning Group Inc.**

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

**Year founded:** 1980.  
**Independent.**

**Services provided:** 20% continuous consulting; 35% risk management audits; 45% special projects, including frequent risk retention analysis (including self-insurance studies), insurance contract analysis, accounting system analysis, broker service and remuneration, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, captive strategic planning, employee benefits review (as part of risk management review); occasional captive feasibility studies, analysis of necessary insurance limits, claims auditing, loss-prevention audits, loss-settlement assistance, contingency plan development; also strategic planning, market segmentation analysis and product design for financial services com-

panies.

**Staff:** 25 total staff; 18 professional staff members, including six principal consultants, eight consultants, four analysts. Professional designations held by staff include four CPCUs, four ARMs, six MBAs, one CPA, two CMCs.

**Clients:** 147 total clients; 20% with a risk and insurance budget less than \$1 million; 35% \$1 million to \$5 million; 25% \$5 million to \$10 million; 15% \$10 million to \$25 million; 5% more than \$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$140-\$170; consultant, \$75-\$105; junior consultant, \$35-\$55; clerical, \$18-\$25.

**1983 gross revenues:** \$2.1 million; 76% fee-based.

**Principal officers:** H. Felix Kloman, president/director; Bernard M. Brown, D. Hugh Rosenbaum, Mitchell J. Cole, vp/director; W. Rodney Smith, Thomas J. Wander, vps.

**Risk Science International**

1101 30th St. N.W., Suite 103, Washington, D.C. 20007; 202-342-2206

**Year founded:** 1981.

**Parent company:** Frank B. Hall & Co. Inc.

**Services provided:** 20% continuous consulting; 15% risk management audits; 15% special projects, including frequent quantitative analysis and statistical forecasting, environmental risk assessment, environmental audits; occasional analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; 50% environmental consulting, like assessment for acquisitions and mergers, groundwater and Superfund cleanups, regulatory analysis for trade associations.

**Staff:** 13 professional staff members, including four principal consultants, six consultants, three analysts. Professional designations held by staff include six Ph.D.s, seven M.S.s.

**Compensation:** By the hour: principal consultant, \$100; consultant, \$85; junior consultant, \$60; clerical, \$30.

Continued on facing page



**"TGIC. The cutting edge"**

"TGIC, the Uncaptive, reduces the net after tax present value cost of primary insurance.

And, clients need only commit premiums—not capital—to become a part of TGIC. Present clients include industrial companies, casualty insurers, and managing general agents.

The Uncaptive, a secure and versatile offshore company, is ideal for rent-a-captive plans, agency captive plans, portfolio reinsurance, and cash flow stabilization.

Our brochure will tell you more, so write or call me and ask for it."

Jacques Bonneau/Vice President

**Trenwick**

P.O. Box 462 Trenwick House 9 Church Street West Hamilton 5, Bermuda  
 Bermuda (809) 295-3009 / Connecticut (203) 226-8116

**Listen To Experience:**

29 Specialists in Risk Management, Oil & Gas, Accounting, Disaster Control, Blow-Out Claims, Selecting A Broker/Consultant, Maritime Exposures.



**5th Annual Petroleum Insurance Conference**

March 14-16, 1984  
 Marriott Hotel, New Orleans, Louisiana

FOR: Operators, Producers, Service Contractors, Agents, Brokers, Risk Managers, and serious Industry Investors.

FOR MORE INFORMATION CALL:  
 PDI Conference Center  
 North Texas State University  
 P.O. Box 13288  
 Denton, Texas 76203-3288

TOLL FREE OUTSIDE TEXAS 800-433-5676  
 D/FW METRO 267-5671 (817) 565-3344

Presented by Self Insurance Resource, Inc. of Dallas & Professional Development Institute of North Texas State University

Continued from facing page

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Lynne Miller, president; Michael Murphy, chief operating officer.

**Risk Sciences Group Inc.**

900 Bridgeway, Sausalito, Calif. 94965; 415-331-5900

**Year founded:** 1978.

**Parent company:** Crawford & Co.

**Services provided:** 20% continuous consulting; 80% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, preparation of specifications for bidding, quantitative analysis and statistical forecasting, custom design and implementation of risk management information systems, implementation of menu-driven off-the-shelf information systems, IBNR development and ultimate reserve analysis and forecasting, premium/loss allocation systems design and implementation; occasional accounting system analysis, risk management organization studies.

**Locations:** New York; Atlanta.

**Staff:** 70 total staff; 51 professional staff members, including eight principal consultants, 18 consultants, 25 analysts. Professional designations held by staff include two CPCUs, five MBAs, one attorney, four M.S.s.

**Clients:** More than 400 total clients; 20% with a risk and insurance budget less than \$1 million; 20% \$1 million to \$5 million; 25% \$5 million to \$10 million; 25% \$10 million to \$25 million; 10% more than \$25 million; minimum size client, \$1 million risk management budget.

**Compensation:** By the project; by the hour: principal consultant, \$95-\$170; consultant, \$65-\$95; junior consultant, \$45-\$65; clerical, \$30-\$45.

**1983 gross revenues:** More than \$3 million; 50% fee-based.

**Principal officers:** Joseph A. Destein, president; Richard F. Denning, executive vp; Spencer F. Barber, vp-operations, Atlanta; Dennis M. Aaron, vp-operations, Sausalito, Calif.; John W. Huecksteadt, vp-computer services; Danny S. Lee, Andrew R. Daniels, Bettina K. Gill, vps.



**St. Paul Risk Services Inc.**

445 Minnesota St., Suite 1000, St. Paul, Minn. 55101; 612-228-8953

**Year founded:** 1978.

**Parent company:** Atwater McMillian Inc.

**Services provided:** 30% continuous consulting; 30% risk management audits; 40% special projects, including frequent captive feasibility studies, analysis of necessary insurance limits, loss-prevention audits; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, quantitative analysis and statistical forecasting, claims auditing, accounting system analysis, loss-settlement assistance, risk management organization studies, loss-funding services.

**Staff:** 64 total staff; 41 professional staff members, including seven principal consultants, 16 consultants, 16 analysts. Professional designations held by staff include three CPCUs, one ARM, four MBAs, one FCAS, one CSP, one ACAS, one CLU.

**Clients:** 51 total clients; 10% with risk and insurance budgets less than \$1 million; 60% \$1 million to \$5 million; 10% \$5 million to \$10 million; 10% \$10 to \$25 million; 10%

more than \$25 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$100; consultant, \$85 junior consultant, \$70.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** James F. Duffy, president; Janet Nelson, senior vp.

**E.W. Siver & Associates Inc.**

P.O. Box 21343, St. Petersburg, Fla. 33742; 813-577-2780

**Year founded:** 1970.

**Independent.**

**Services provided:** 40% continuous consulting; 20% risk management audits; 40% special projects, including frequent risk retention analysis (including self-insurance studies), insurance contract analysis, risk management organization studies, preparation of specifica-

tions for bidding; occasional captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, broker service and remuneration, loss-settlement assistance, quantitative analysis and statistical forecasting; also employee benefits consulting.

**Staff:** 16 total staff; eight professional staff members, including three principal consultants, five consultants. Professional designations held by staff include five CPCUs, two ARMs, two attorneys, three CLUs.

**Clients:** 70 total clients; 75% with a risk and insurance budget less than \$1 million; 15% \$1 million to \$5 million; 5% \$5 million to \$10 million; 5% \$10 million to \$25 million.

**Compensation:** On retainer; by the hour: principal consultant, \$100; consultant, \$75; clerical, \$25.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Edward W. Siver, president; Robert I. Siver, vp/treasurer; James Marshall Jr., vp.

**Skandia Advisory Service Corp.**

280 Park Ave., New York, N.Y. 10017; 212-490-0500

**Year founded:** 1978.

**Parent company:** Skandia America Corp.

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

tion, loss-settlement assistance; 15% insurance and risk management educational services and seminars.

**Staff:** Eight total staff; three professional staff members, including two principal consultants. Professional designations held by staff include two CPCUs, one ARM, one MBA, two attorneys, one AIU.

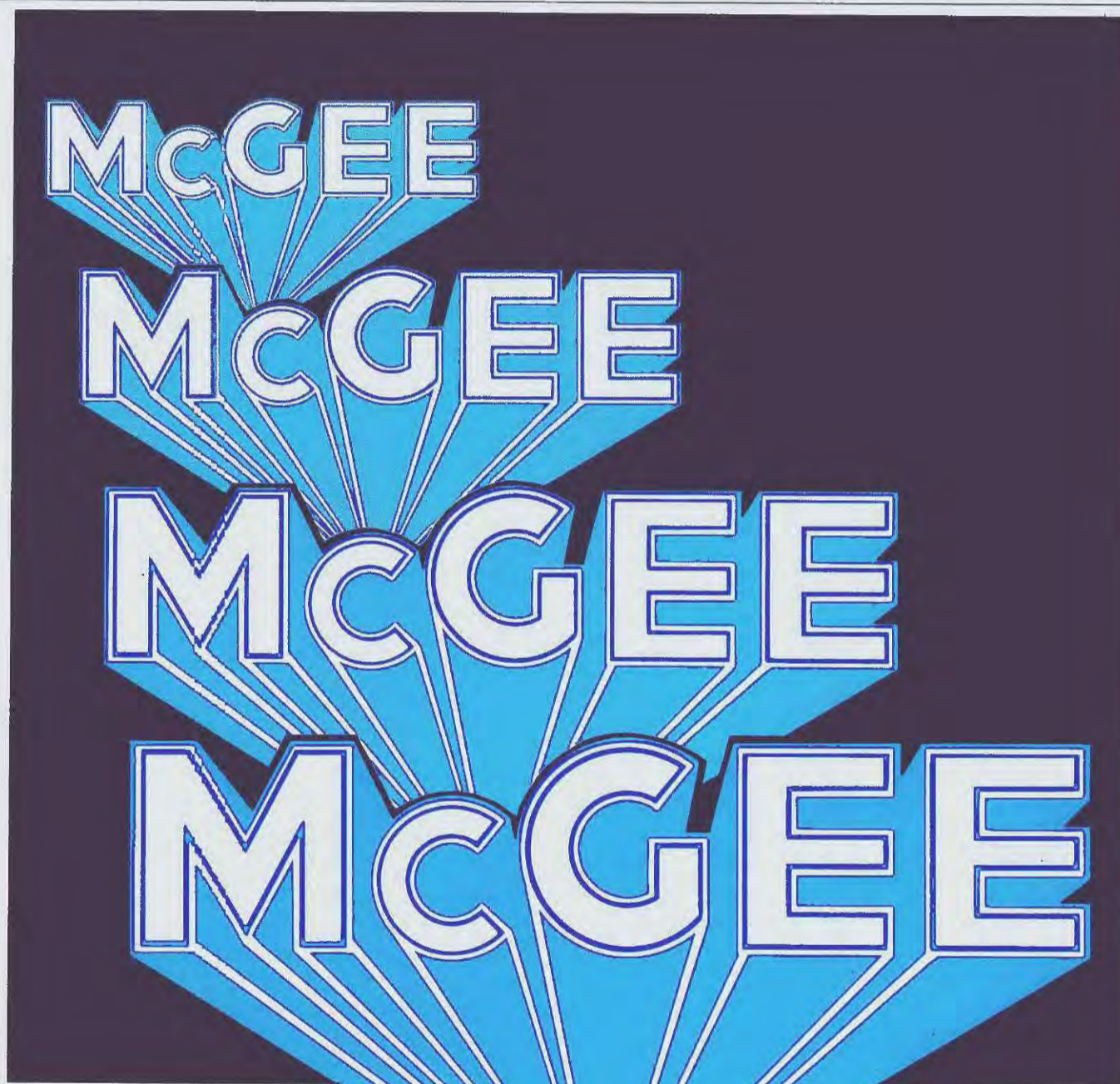
**Clients:** 38 total clients; 2% with risk and insurance budgets less than \$1 million; 71% \$1 million to \$5 million; 27% \$5 million to \$10 million.

**Compensation:** By the project; on retainer; by the hour: principal consultant, \$120.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Laszlo K. Gonye, chairman/chief executive officer; James F. Dowd, president; Pierre R. Vallet, vp; John B. Laadt, assistant vp; Thomas M. Tobin, corporate secretary.

Continued on next page



...SINCE 1887



**Wm. H. MCGEE & CO., INC.**

**A STABLE OCEAN MARINE, INLAND MARINE AND MULTI-PERIL MARKET**

Four World Trade Center, New York, N.Y. 10048  
212-775-1300

Atlanta · Baltimore · Boston · Chicago · Clifton, N.J. · Columbus · Dallas · Detroit · Hamilton · Bermuda · Houston · Los Angeles · New Orleans · New York Regional · Philadelphia · Pittsburgh · San Francisco · Seattle · Syracuse · Toronto · Vancouver

Correspondents throughout the World

*Continued from previous page*  
**Richard H. Soper Inc.**

7910 Ivanhoe Ave., Suite 5340, La Jolla, Calif. 92037; 619-456-0505

**Year founded:** 1982.

**Independent.**

**Services provided:** 65% continuous consulting; 15% risk management audits; 20% special projects, including frequent crisis management, serving on retainer as an in-house corporate risk manager one to three days per month; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, broker service and remuneration, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative

analysis and statistical forecasting.

**Staff:** Three total staff; three professional staff members, including one principal consultant, one analyst. Professional designations held by staff include one CSP, one Society of Fire Protection Engineers.

**Clients:** 10 total clients; 50% with a risk and insurance budget from \$1 million to \$5 million; 30% \$5 million to \$10 million; 20% \$10 million to \$25 million.

**Compensation:** By the project; on retainer; by the hour: consultant, \$125; associate consultant, \$65; computer science analyst, \$50; program coordinator/word processing, \$25.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Richard H. Soper, president.

**Everett W. Stark & Co., Risk Management Division**

333 Market St., Suite 800, San Francisco, Calif. 94105; 415-421-1492

**Year founded:** 1983.

**Parent company:** Everett W. Stark & Co.

**Services provided:** 100% special projects, including frequent captive feasibility studies, insurance contract analysis; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, claims auditing, accounting system analysis, loss-settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting.

**Staff:** Two total staff; two professional staff members. Professional designations held by staff include one CPCU, one MBA.

**Clients:** Six total clients; 50% with a risk and insurance budget less than \$1 million; 50% \$1 million to \$5 million.

**Compensation:** By the project; by the hour: principal consultant, \$85-\$95, clerical included.

**1983 gross revenues:** Less than \$100,000; 100% fee-based.

**Principal officers:** James E. Stark, president; Scott M. Sanderson, vp/general manager.

**Surplus Risk Services Inc.**

3465 Torrance Blvd., Torrance, Calif. 90503; 213-540-8803

**Year founded:** 1982.

**Independent.**

**Services provided:** 75% continuous consulting; 10% risk management audits; 15% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract

analysis, claims auditing, loss-prevention audits, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, self-insurance claim administration and adjusting services; occasional quantitative analysis and statistical forecasting, captive feasibility studies, accounting system analysis, broker service and remuneration, quantitative analysis and statistical forecasting.

**Locations:** San Francisco, San Diego, Calif.

**Staff:** 14 total staff; nine professional staff members, including three principal consultants, four consultants, two analysts. Professional designations held by staff include nine attorneys.

**Clients:** 25 to 30 total clients; 100% with a risk and insurance budget from \$1 million to \$5 million; minimum size client, \$500,000 insurance budget.

**Compensation:** Negotiated fee; by the hour: principal consultant, \$125; consultant, \$75; junior consultant, \$45.

**1983 gross revenues:** More than \$500,000; 60% fee-based.

**Principal officers:** Frederick J. Fisher, president; Alan Balcher, Robin Kobacker, vps; Jan Buchen, secretary/treasurer.

**T**

**Towers, Perrin, Forster & Crosby**

Centre Square West, 1500 Market St., Philadelphia, Pa. 19102; 215-569-6308

**Year founded:** 1934.

**Independent.**

**Services provided:** 20% continuous consulting; 40% risk management audits; 40% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional accounting system analysis.

**Locations:** 33 consulting offices in the United States, Canada, Latin America, Europe and the Far East.

**Staff:** 175 total staff; 14 professional staff members.

**Clients:** 175 total clients.

**Compensation:** By the hour.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Quentin I. Smith, chairman; James E. Kielley, president; Richard T. Delaney, Frank J. Cacchione, vps.

**Trenwick Inc.**

21 Charles St., Westport, Conn. 06880; 203-226-8116

**Year founded:** 1978.

**Parent company:** Trenwick Ltd.

**Services provided:** 40% continuous consulting; 10% risk management audits; 50% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss-settlement assistance; occasional analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting.

**Locations:** Hamilton, Bermuda.

**Staff:** 15 total staff; seven professional staff members, including three principal consultants, three consultants, one analyst. Professional designations held by staff include one CPCU, two MBAs, two attorneys.

*Continued on facing page*

# Here's a healthy innovation from Blue Cross and Blue Shield.

If you're responsible for providing employee benefits here in Big Apple country, you're well aware that medical costs are skyrocketing. What you may *not* know is that Blue Cross and Blue Shield is doing something about it. With a healthy innovation called WrapAround Plus. For a "big apple's worth" of health care.

WrapAround Plus is a revolutionary approach to group medical coverage, because it builds cost containment right into the package. To do this, we designed a fee schedule linked to future changes in the Consumer Price Index. More than 10,000 doctors in the New York area agreed that this was sensible and fair. Then they joined us in a commitment: Their future fee increases will be linked to the Consumer Price Index.

But that's not all. WrapAround Plus eliminates most out-of-pocket expense, because the agreed-upon fees are accepted as payment in full. And it cuts out tiresome paperwork. Doctors just file a simple form and are paid directly by Blue Cross and Blue Shield.

Last but not least, WrapAround Plus offers broader protection than we've ever offered before in a single program. So if you want to see your employees get the best in benefits, without watching costs go through the roof, call us at this number and ask about WrapAround Plus. Or write Blue Cross and Blue Shield of Greater New York, Attention: Peter Mulligan, VP Marketing, Box 5401, Grand Central Station, New York, N.Y. 10017.

**1-800-554-PLUS.**



**Blue Cross  
 Blue Shield**  
 of Greater New York

\*Registered Marks Blue Cross and Blue Shield Association

Continued from facing page

**Compensation:** By the project; on retainer.

**1983 gross revenues:** Not reported; 96% fee-based.

**Principal officers:** James F. Billett Jr., chairman/president; Mark W. Hinkley, senior vp; Robert E. Brownley, Jacques Bonneau, vps.

## U

### United Risk Management Inc.

14261 E. Fourth Ave., Suite 261, Aurora, Colo. 80011; 303-364-5372

**Year founded:** 1982.  
**Independent.**

**Services provided:** 25% continuous consulting; 40% risk management audits; 35% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, rate/premium analysis (including retro design/analysis), property valuation estimates; occasional claims auditing, loss-prevention audits, broker service and remuneration evaluation, quantitative analysis and statistical forecasting, captive feasibility studies.

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

**Clients:** 27 total clients; 100% with risk and insurance budgets less than \$1 million.

**Compensation:** By the project; by the hour: principal consultant, \$70; clerical, \$15.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Brian L. Briese, president.

## W

### WEB Insurance Consultants Inc.

50 Galesi Drive, Wayne, N.J. 07470; 201-785-9066

**Year founded:** 1981.  
**Independent.**

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

**Staff:** Five total staff; including one principal consultant, one consultant, one analyst.

**Clients:** Total clients not reported; 90% with a risk and insurance budget less than \$1 million; 10% \$1 million to \$5 million.

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

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** William Brengel, president.

**Membership:** IRMC.

### David Warren

58 Diablo View Drive, Orinda, Calif. 94563; 415-254-9472

**Year founded:** 1979.  
**Independent.**

**Services provided:** 80% risk management audits; 20% special projects, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, expert witness; occasional quantitative analysis and statistical forecasting, captive feasibility studies, loss-settlement assistance.

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

**Compensation:** By the project; by the hour: principal consultant, \$125.

**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** David Warren.

**Member of:** IRMC.

### Warren, McVeigh & Griffin Inc.

1420 Bristol St. N., Suite 220, Newport Beach, Calif. 92660; 714-752-1058

**Year founded:** 1968.

Continued on next page

# MARCH

# 12

## EMPLOYEE BENEFITS: CONTROLLING COSTS

# COMING SOON

# FEBRUARY

# 28

## AD CLOSING: TUESDAY FEBRUARY 28

# business insurance

New York: 220 East 42nd Street, N.Y. 10017 (212)210-0133  
Chicago: 740 Rush Street, IL 60611 (312)649-5275  
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213)651-3710

## ODDBALL RISK? TAKE YOUR CUE FROM NORTH STAR.

Most insurance problems come in ordinary shapes and sizes. Normal policies can adequately cover normal risks. But in today's rapidly changing world, new ventures, mergers, technologies, and systems can produce new risks that defy old solutions.

That's when North Star comes into play. Our responsive specialists are adept at designing particular plans for unusual circumstances. North Star leads the way in such areas as

- prior acts liability,
- warranty covers,
- financial risk covers,
- umbrellas for professionals,
- promotion liability,
- malpractice coverage for hospitals, clinics and individual doctors, and any type of unusual event or exposure requiring innovative underwriting.

When ordinary solutions no longer meet your needs, turn to North Star, your guide for complex risks.

When ordinary solutions no longer meet your needs, turn to North Star, your guide for complex risks.

## NORTH STAR MANAGEMENT CORPORATION

New York (212) 770-0150  
Chicago (312) 346-7390  
Los Angeles (213) 383-7734

Continued from previous page

**Independent.**  
**Services provided:** 20% continuous consulting; 40% risk management audits; 40% special projects, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, employee benefits; occasional loss-prevention audits, loss-settlement assistance, captive feasibility studies.

**Locations:** San Francisco.  
**Staff:** 22 total staff, including five principal consultants, eight consultants, three analysts. Professional designations held by staff include five CPCUs, five ARMs, one MBA, one FCAS, one attorney, one FCAS, two attorneys, one MAAA.

**Clients:** 50 total clients; 50% with a risk and insurance budget less than \$1 million; 45% \$1 million to \$5 million; 4% \$5 million to \$10 million; 1% \$10 million to \$25 million.  
**Compensation:** By the project; on retainer; by the hour: principal consultant, \$125-\$165; consultant, \$65-\$110; junior consultant, \$50-\$60; clerical, \$20-\$40.  
**1983 gross revenues:** \$2 million (includes publications); 100% fee-based.  
**Principal officers:** C.C. (Bud) Griffin, chief executive officer; Thomas Knaup, president; Erin Oberly, senior vp; Margaret Tiller, principal casualty actuary.  
**Member of:** IRMC.

**Waters Risk Management**  
7110 Augusta Blvd. N., Seminole, Fla. 33548; 813-397-8665  
**Year founded:** 1978.  
**Independent.**  
**Services provided:** 50% contin-

uous consulting; 20% risk management audits; 30% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), risk management organization studies, quantitative analysis and statistical forecasting, broker service and remuneration evaluation, loss-settlement assistance.  
**Staff:** Three total staff, including one principal consultant. Professional designations held by principal includes one CLU, one CPCU, one ARM.  
**Clients:** 30 total clients; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million.  
**Compensation:** By the project; on retainer; by the hour: principal consultant, \$75; clerical, \$10.  
**1983 gross revenues:** Not reported; 100% fee-based.

**Principal officers:** Al Waters.  
**Member of:** IRMC.

**J.H. Wiggins Co.**  
1650 S. Pacific Coast Highway, Redondo Beach, Calif. 90277; 213-316-2257

**Year founded:** 1966.  
**Independent.**  
**Services provided:** 5% risk management audits; 95% special projects, including frequent quantitative analysis and statistical forecasting; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, loss-settlement assistance, risk management organization studies.  
**Staff:** 30 total staff; 21 professional staff members, including seven principal consultants, eight consultants, six analysts. Professional designations held by staff include five Ph.D.s.  
**Compensation:** By the project;

by the hour.  
**1983 gross revenues:** \$1.5 million; 100% fee-based.  
**Principal officers:** Dr. John H. Wiggins, president; Dr. Lloyd L. Philipson, technical director; Bruce Kennedy, vp; Jerold Haber, manager-hazards engineering department; James Baeker, manager-systems safety department.

**The Wyatt Co.**  
Suite 5600, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-2000  
**Year founded:** 1942.  
**Independent.**  
**Services provided:** 33% continuous consulting; 35% risk management audits; 32% special projects, including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of insurance limits, insurance contract analysis, claims auditing, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, special industry surveys, evaluation of loss reserves for captives and self-insurance funds, special exposure analysis, conducting seminars; occasional loss-prevention audits, accounting system analysis, loss-settlement assistance; other actuarial and consulting services.  
**Locations:** Dallas; Detroit; San Francisco; Washington; Toronto; Montreal.  
**Staff:** 37 total staff; 28 professional staff members, including 18 consultants, two analysts, four actuaries. Professional designations held by staff include 12 CPCUs, six ARMs, eight MBAs, two FCAS, five attorneys, two ACAS, one FIIC.  
**Clients:** 500 total clients.  
**Compensation:** By the project; on retainer; by the hour: consultant, \$60-\$200; actuary, \$95-\$175; actuarial assistant, \$45-\$55; administrator, \$30-\$65; analyst, \$30-\$55; clerical, \$30-\$50.  
**1983 gross revenues:** Approximately \$3 million for risk management services; 100% fee-based.  
**Principal officers:** Warren G. Brockmeier, vp-Chicago risk management office; Edgar W. Armstrong, manager-Washington risk management office; Henry P. Devlin, manager-Detroit risk management office; Thomas G. Briggan, manager-San Francisco risk management office; Arthur E. Parry, manager-Dallas risk management office; Francis X. Tierney, manager-Toronto risk management office.  
**Member of:** IRMC.

We live in a time when brokerage profits, already depressed, are being even further eroded. A time when the battles between broker and insurance company for shrinking profits lead to defections and fissures.

The fact is, conditions have rarely been worse. Now's when you need someone special

Today, you need a dependable partner, capable of providing responsible corporate risks insurance.

But to think and act responsibly in the face of all these pressures takes someone special: Armco Special Risks.

**The offer**

We'll make it as easy as possible for you to bring someone special into your life. Send us the coupon. Or call Charlie Jones, Vice President, Marketing, at 214/689-8186. We'll send you free our brochure describing all the programs and services of our corporate risks operations.

In this free brochure, you'll learn about the mix of products, services and character of Armco Special Risks that we feel makes us special.

**The right coverages**

We offer the coverages a corporate risk manager needs to protect his company's assets, plus the responsible judgements and services that have allowed us—and our broker clients—to maintain successful underwriting through both good times and bad.

Our list of products includes workers' comp, general liability and automobile liability; underwritten for a wide range of industrial and commercial businesses, services firms, contractors and utilities.

In addition to normal incurred loss retros, we also offer more sophisticated loss-sensitive plans, such as paid loss retros, compensating balance plans, and large deductibles.

And, just as important as providing the right coverage, we make sure that it carries with it the right price.

**The right price**

With a corporate risks program from Armco Special Risks, you can be assured of paying the right price. That's not to say that ours will always be the lowest. For in today's scramble for premiums comes widespread price and service cutting that, in the short run, may offer immediate savings.

But with this lower price is often carried a higher risk factor. Risk inherent in improper loss control engineering, poorly organized or disjointed claims handling procedures, and hasty underwriting judgements, all made in the race to capture fewer premium dollars.

When we at Armco Special Risks complete our underwriting, claims and loss control analysis, you can be sure that the price you pay is right for the coverage and services you need to protect your client's interests tomorrow as well as today.



# If You Write Corporate Risks This Offer Couldn't Have Come At A Worse Time.

Please send me your Corporate Risks Plans Brochure

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_  
Zip \_\_\_\_\_ Phone \_\_\_\_\_

Mail to: C. R. Jones  
Vice President, Marketing  
Armco Special Risks  
1221 River Bend Drive  
Dallas, Texas 75234



## Business writing seminar scheduled

NEW YORK—"Writing for Business" is the topic of a seminar being offered at The College of Insurance twice in the next two months.

Presented in three afternoon sessions, this is designed to give insurance management personnel increased skill in written communication. The seminar will be offered from 2 to 5 p.m. on Feb. 27, 29 and March 2, and at the same time on April 9, 11 and 13.

Seminar subject matter is divided into three sections, each covered on a different day. The topics are: how to develop a business writing style, how to control what is written and how to find answers to writing problems.

The seminar will be conducted by Dr. Louise A. Roberts, who has prepared a 200-page workbook for seminar use. The tuition is \$135. If three or more persons from the same organization attend, the fee drops to \$100 each.

For information, contact Dr. Charles Leavitt, Chairman, Liberal Arts Division, The College of Insurance, 123 William St., New York City 10038, 212-962-4111.

# Risk consultants listed geographically

**Alabama**

**Birmingham**  
Industrial Insurance Management Corp.

**Arizona**

**Phoenix**  
Johnson & Higgins Risk Management Services

**Tempe**  
Employers Unity Inc.

**California**

**Beverly Hills**  
The Richard N. Irmis Co.

**Burlingame**  
Risk & Benefit Management Systems Inc.

**Del Mar**  
Harrison Risk Management & Safety

**La Jolla**  
Richard H. Soper Inc.

**La Mirada**  
Employers Unity Inc.

**Laguna Beach**  
Risk Management Consultants Inc.

**Laguna Hills**  
Advanced Risk Management Techniques (ARM Tech)

**Long Beach**  
Permian Risk Management

**Los Angeles**  
AIG Risk Management Inc.  
Aerospace Management Services International Inc.  
Betterley Consulting Group  
Thomas J. Hammond & Co.  
Huggins Financial Services  
Johnson & Higgins Risk Management Services  
Reed Risk Management Inc.  
RIMCO Risk Management Inc.  
Risk & Benefit Management Systems Inc.

**Mountain View**  
Anistics Inc.

**Newport Beach**  
Risk & Benefit Management Systems Inc.  
Warren, McVeigh & Griffin Inc.

**Oakland**  
Barbara W. Akk & Associates

**Orange**  
Risk & Benefit Management Systems Inc.

**Orinda**  
David Warren

**Palo Alto**  
Anistics Inc.

**Redondo Beach**  
J.H. Wiggins Co.

**Sacramento**  
Allovio Corp.

**San Diego**  
Corroon & Black Corp./  
Advanced Risk Management Services  
Risk Management Advisors Inc.  
Surplus Risk Services Inc.

**San Francisco**  
Huggins Financial Services  
Johnson & Higgins Risk Management Services  
Reed Risk Management Inc.  
Everett W. Stark & Co.  
Surplus Risk Services Inc.  
Warren, McVeigh & Griffin Inc.  
The Wyatt Co.

**Santa Ana**  
Ebasco Risk Management Consultants Inc.

**Sausalito**  
Risk Sciences Group Inc.

**South Pasadena**  
Mund, McLaurin & Co. of Los Angeles

**Torrance**  
Surplus Risk Services Inc.

**Walnut Creek**  
Mund, McLaurin & Co. of San Francisco  
Risk & Benefit Management Systems Inc.

**Colorado**

**Aurora**  
United Risk Management Inc.

**Denver**  
Anistics Inc.  
Corporate Risk Services  
Risk & Benefit Management Systems Inc.  
Risk Consultants

**Westminster**  
Employers Unity Inc.

**Connecticut**

**Darien**  
Risk Planning Group Inc.

**Hartford**  
Johnson & Higgins Risk Management Services

**Westport**  
Trenwick Inc.

**Delaware**

**Wilmington**  
Johnson & Higgins Risk Management Services

**District of Columbia**

Huggins Financial Services  
Insurance Advisory Service Inc.  
Johnson & Higgins Risk Management Services  
Risk Science International  
The Wyatt Co.

**Florida**

**Marianna**  
Justin S. Lencke & Associates

**Ormond Beach**  
Haig Neville Associates

**St. Petersburg**  
E.W. Siver & Associates Inc.

**Seminole**  
Waters Risk Management

**Surfside**  
Dave Goodwin & Associates

**Tampa**  
Insurance Management Consultants

**Georgia**

**Atlanta**  
Addicks & Associates

AIG Risk Management Inc.  
Anistics Inc.  
Huggins Financial Services  
Johnson & Higgins Risk Management Services  
Risk & Benefit Management Systems Inc.  
Risk Sciences Group Inc.

**Illinois**

**Chicago**  
Aerospace Management Services International Inc.  
AIG Risk Management Inc.  
Anistics Inc.  
AuditRate Inc.  
T.E. Brennan Co.  
Corporate Policyholders Counsel Inc.

Continued on next page

## What does a Super Sleuth ponder upon?

- Your employees
- Your products
- Your property
- Your profits

Every business has safety and health hazards. Some are obvious. Like working with heavy machinery. Or climbing an unsteady ladder. You don't have to be a Sherlock Holmes to see the danger.

But what about less visible hazards? Noise. Occupational Disease. Improper ventilation. Physical stress on employees. Air, water and soil pollution.

The Ctek Super Sleuths can help you here, too. Ctek is a national full service loss control organization. And we're professionals armed with the latest scientific equipment and training to focus on and solve your problems. We detect the safety, health and environmental risk factors. We ponder upon the effects these hazards have on your employees, products, property and profits. To detect these dangers you have to be a Sherlock Holmes.

Our investigative consulting service consists of risk evaluation and risk improvement. First, we determine how well your company's people, equipment and material resources are safeguarded—on site and by laboratory analysis. Then we assist management in helping to reduce injuries, property damage, health risks and material loss.

Some of the Ctek Super Sleuth services are:

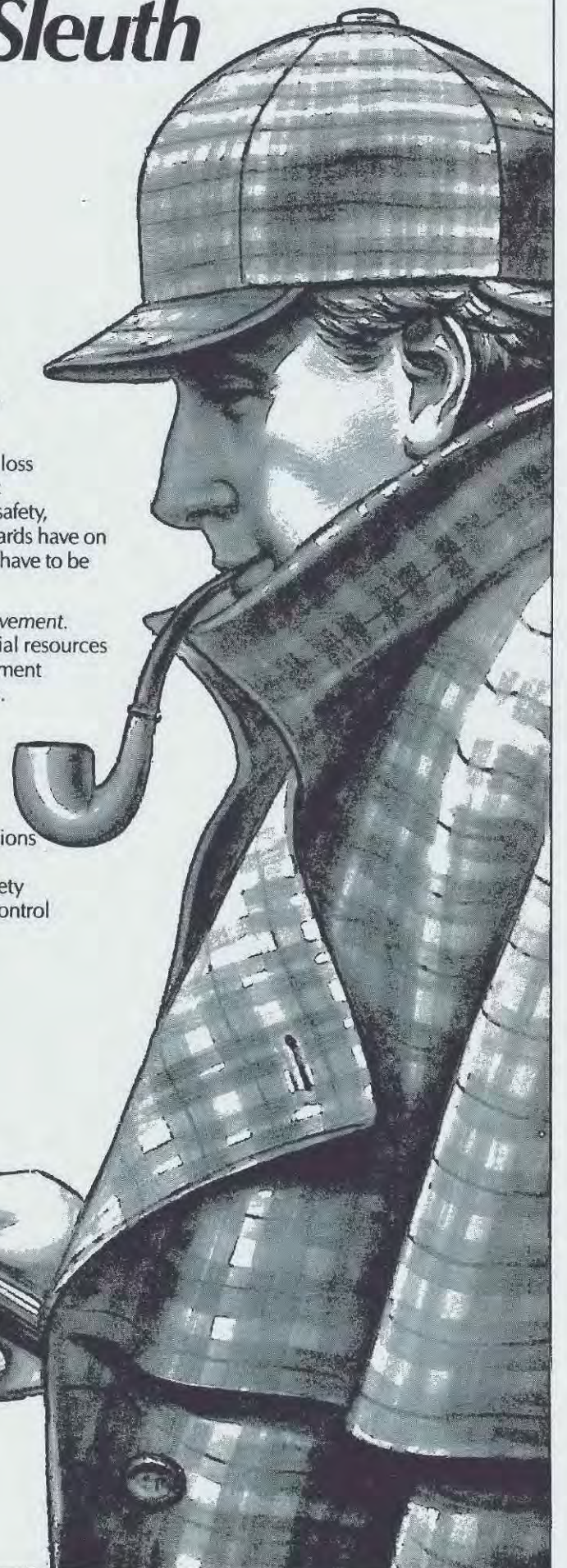
- Occupational Safety and Health
- Motor Fleet Safety
- Industrial Hygiene
- Employee and Supervisory Training
- Construction Safety
- Laboratory Analysis
- Boiler and Machinery Inspections
- Property Conservation/HPR
- Product Safety
- Pollution Control

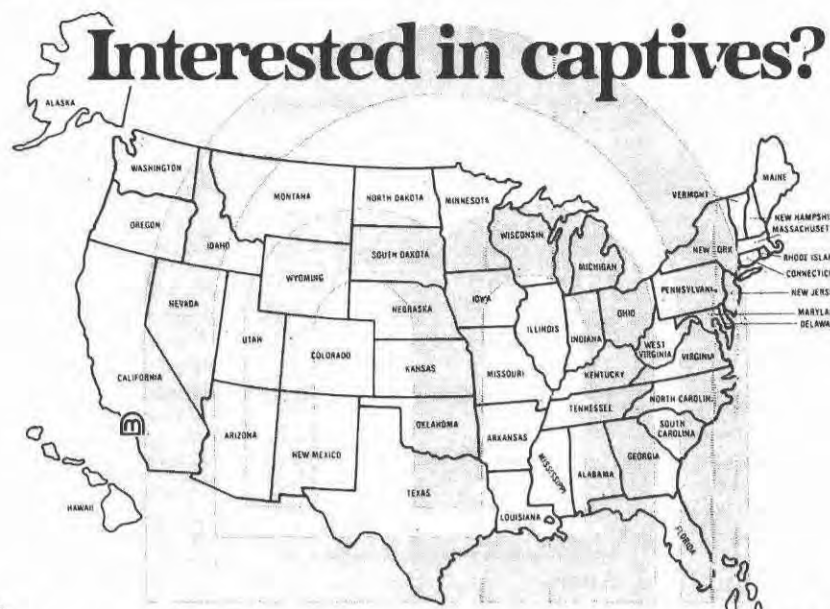
Ctek has 100 locations throughout the United States to help you minimize costs and losses and maximize productivity and profits. Find out more about our capabilities. Write or call Ray Auckerman, Marketing Manager, for a brochure about our professional services. Once you do, you'll say,

**"It's elementary, my dear Watson."**

# Ctek

2 Corporate Place South, Piscataway, NJ 08854 • (201) 981-4501





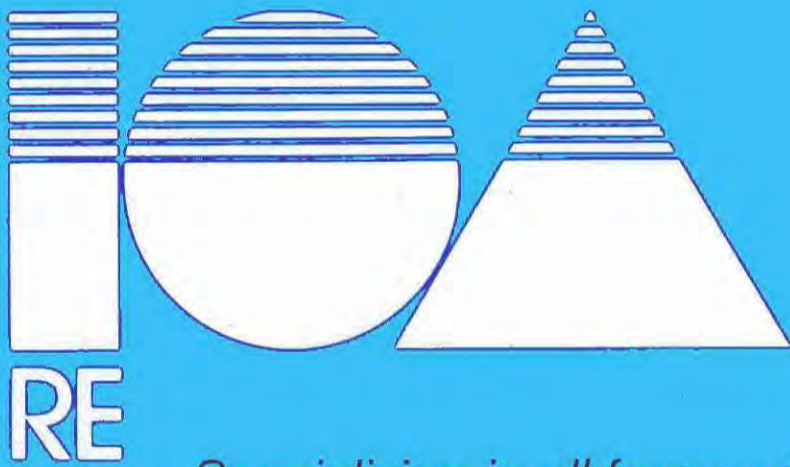
## Wherever you are...we are too.

As a member of Best-rated A + :XV Mission Insurance Group, Mission Risk Management Services specializes in captive fronting, self-insured plans and specialty programs, nationally. Fronting is on an unbundled basis and our offshore subsidiary may be used as a rent-a-captive.

**M** MISSION RISK MANAGEMENT SERVICES  
Professionals in Captive, Self-Insurance and Specialty Programs  
2600 Wilshire Boulevard  
Los Angeles, California 90057  
(213) 381-6811

**MA** MEMBER, MISSION INSURANCE GROUP

# REINSURANCE



Specializing in all forms of life, accident and health Reinsurance.

## FACULTATIVE/TREATY

Underwriting and loss adjusting intermediary for LLOYDS of LONDON for over 30 years.

- Stop Loss for Self-Funded Employee Benefit Plans
- Stop Loss for Aviation Workers' Compensation
- Catastrophe Excess Treaties
- Special Risks
- Aviation Accident
- Admitted Liability
- Group Travel
- Life

John W. Parker, Jr.  
Deborah Perna  
Samuel W. Douglass, III  
Ralph P. Pillischer  
William R. Guckes, Jr.

215-569-9595

1760 MARKET STREET ■ PHILADELPHIA, PA 19103

Other principal cities in the U.S.: Coral Gables • Dallas • New York • San Francisco  
And Abroad: Bogota • Brussels • Buenos Aires • Caracas • Hamilton • Lima • London • Maracaibo • Mexico City • Milan • Panama City • Paris • Santiago • Sydney

Continued from previous page

Huggins Financial Services  
Johnson & Higgins Risk Management Services  
MRM/Multi-Risk Management Inc.  
Risk & Benefit Management Systems Inc.  
The Wyatt Co.  
**Evanston**  
Robert E. Maynard  
**St. Charles**  
Allovio Corp.

### Indiana

**Indianapolis**  
Insurance Audit & Inspection Co. Inc.  
Insurance Management Bureau

### Kansas

**Overland Park**  
Charlesworth & Associates  
**Wichita**  
Employers Unity Inc.

### Louisiana

**Baton Rouge**  
Richard F. Camus & Associates Inc.  
Felton Associates  
**Marrero**  
Insurance Analysis Inc.  
**New Orleans**  
Richard F. Camus & Associates Inc.  
Johnson & Higgins Risk Management Services

### Maryland

**Baltimore**  
Insurance Buyers' Council Inc.

### Massachusetts

**Boston**  
Betterley Consulting Group  
Corroon & Black Corp./Advanced Risk Management Services  
Kevin F. Donoghue & Associates  
Huggins Financial Services  
Johnson & Higgins Risk Management Services

## Is Annanb Ar Gno

TRANSLATION:

# OUR BUSINESS IS THE UNUSUAL

## Insurance Corporation of Ireland

We provide immediate service to qualified brokers on risks and costs for surplus and excess lines as well as reinsurance.

We are primarily interested in "unusual" coverages and we have considerable experience in primary commercial property and property/casualty packages (not automobile or statutory workers compensation).

In Gaelic, "Is Annanb Ar Gno" means "our business is the unusual". But you don't have to be Irish. Call us.



## INSURANCE CORPORATION of IRELAND

200 South Wacker Drive Chicago, Illinois 60606  
(312) 559-0509 Telex 210184 via RCA

Insuring the unusual is business as usual.

MRM/Multi-Risk Management Inc.  
RIMCO Risk Management Inc.  
**Carlisle**  
H. Russell Perry  
**Framingham**  
Risk Management Associates  
**Needham**  
J.H. Albert International Insurance Advisors Inc.  
**Newton**  
Betterley Consulting Group  
**Wellesley**  
John Liner Insurance & Risk Management Advisers Inc.  
**Worcester**  
D.A. Betterley Risk Consultants Inc.

### Michigan

**Detroit**  
Johnson & Higgins Risk Management Services  
The Wyatt Co.  
**West Bloomfield**  
Haig Neville Associates

### Minnesota

**Eden Prairie**  
Corporate Risk Managers Inc.  
**Excelsior**  
Risk Control Inc.  
**Golden Valley**  
Risk Consultants Inc.  
**Minneapolis**  
American Risk Services Inc.  
Anistics Inc.  
Attitude Helpers  
Huggins Financial Services  
Johnson & Higgins Risk Management Inc.  
**St. Cloud**  
Risk Control Inc.  
**St. Paul**  
St. Paul Risk Services Inc.

### Missouri

**Kansas City**  
Fortune & Co./Risk Managers Inc.  
Huggins Financial Services  
**St. Louis**  
Huggins Financial Services  
Insurance Audit & Inspection Co. Inc.  
Risk Management Consulting Group Inc.

Continued on facing page

Continued from facing page

**Nevada**

**Reno**  
Risk & Benefit Management  
Systems Inc.

**New Hampshire**

**Hanover**  
Albert C. Jones New  
England Inc.

**New Jersey**

**Lyndhurst**  
Ebasco Risk Management  
Consultants Inc.

**Paramus**  
NIA Risk Management  
Services Inc.

**Princeton**  
Capell Industrial Risk  
Management Inc.

**Union**  
Blades & Macaulay

**Wayne**  
WEB Insurance Consultants Inc.

**New Mexico**

**Albuquerque**  
Employers Unity Inc.

**New York**

**Briarcliff Manor**  
Frank B. Hall & Co. Inc.  
(Risk Management Services)

**Buffalo**  
Aldrich & Cox Inc.

**Fredonia**  
Warren D. McPherson

**Great Neck**  
Leonard R. Friedman/Risk  
Management Inc.  
Industrial Risk Specialists Inc.

**Hamburg**  
Ernest A. Holfoth

**Jericho**  
Regents Consultants Corp.

**New York**  
AIG Risk Management Inc.  
A.J.A. Risk Management  
Consultants Inc.  
S.B. Ackerman Associates  
Aerospace Management  
Services International Inc.  
Anistics Inc.  
Ebasco Risk Management  
Consultants Inc.  
Huggins Financial Services  
Fred S. James & Co. Inc.  
(Risk Management Services)  
Johnson & Higgins Risk  
Management Services  
Reed Risk Management Inc.  
Risk & Benefit Management  
Systems Inc.  
Risk Sciences Group Inc.  
Skandia Advisory Service Corp.

**North Carolina**

**Charlotte**  
Consulting Associates Inc.  
Corporate Risk  
Management Inc.  
Industrial Insurance  
Management Corp.  
Insurance Audit & Inspection  
Co. Inc.  
Johnson & Higgins Risk  
Management Services  
McNeary Insurance Consulting  
Services Inc.  
Risk Consultants Inc.

**Ohio**

**Cincinnati**  
Huggins Financial Services

**Cleveland**  
Johnson & Higgins Risk  
Management Services

**Columbus**  
Insurance Audit & Inspection  
Co. Inc.

**Rocky River**  
Crain, Langner & Co.

**Oklahoma**

**Tulsa**  
Employers Unity Inc.  
Johnson & Higgins Risk  
Management Services  
Risk & Benefit Management  
Systems Inc.


**Oregon**

**Portland**  
Employers Unity Inc.

**Pennsylvania**

**Feasterville**  
First Risk Management Co.  
*Continued on next page*

## Keeping a watch on your business



**is our business.**

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

**Business Insurance**  
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	<b>Surface Mail.</b>	<b>By Air.</b>
USA	<input type="checkbox"/> \$52	<input type="checkbox"/> \$102
Canada	<input type="checkbox"/> \$66	<input type="checkbox"/> \$ 97
Bermuda (Air only)		<input type="checkbox"/> \$ 96
Europe/Middle East (Air only)		<input type="checkbox"/> \$ 96
All other foreign	<input type="checkbox"/> \$66	<b>Rates on request.</b>

new subscription.  renewal.  payment enclosed.  
 bill me.  bill company.

name \_\_\_\_\_ (please print)

title \_\_\_\_\_

company \_\_\_\_\_

nature of business \_\_\_\_\_

business or  home address

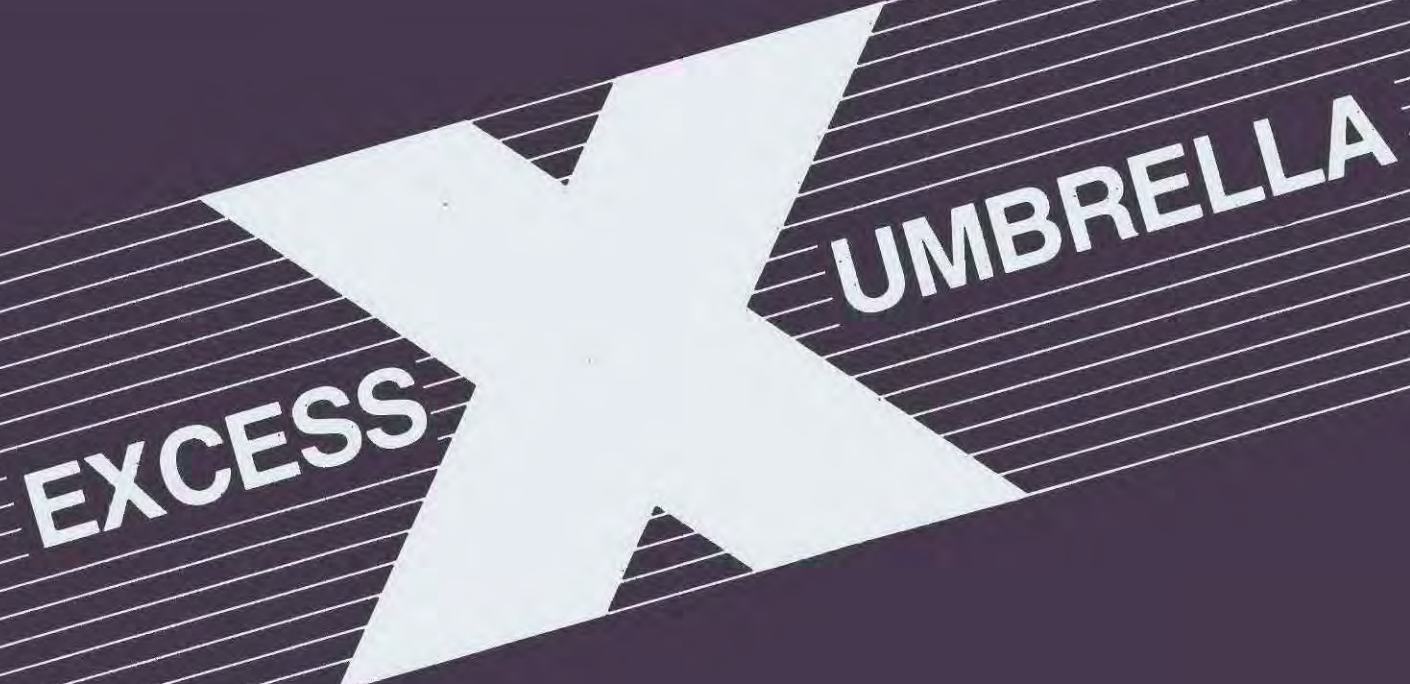
city \_\_\_\_\_ state/country \_\_\_\_\_ zip/postal code \_\_\_\_\_

Please send information on your special 20%-off group rate for five or more subscriptions.


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

**Mail to: Business Insurance**  
Circulation Dept. 740 Rush Street Chicago, IL 60611

HA4



We attribute our growth in excess/umbrella to a factor above and beyond service, expertise and capacity. Our producers call it responsiveness.



**CHUBB**

Group of Insurance Companies  
Warren, New Jersey 07060

**spotlight report***Continued from previous page***Philadelphia**

Huggins Financial Services  
 Johnson & Higgins Risk  
 Management Services  
 Towers, Perrin, Forster  
 & Crosby

**Pittsburgh**

Huggins Financial Services  
 Johnson & Higgins Risk  
 Management Services  
 Professional Risk Managements  
 Consultants Inc.

**Rhode Island****Warwick**

Insurance & Financial  
 Consultants Inc.

**Tennessee****Nashville**

Corroon & Black Corp./  
 Advanced Risk Management  
 Services

**Texas****Arlington**

Aerospace Management  
 Services International Inc.

**Austin**

Insurance & Financial  
 Consultants Inc.

**Dallas**

Betterley Consulting Group  
 Bruce Evans  
 Huggins Financial Services  
 Robert Hughes Associates Inc.  
 Johnson & Higgins Risk  
 Management Services  
 RIMCO Risk Management Inc.  
 Risk Consultants Inc.  
 The Wyatt Co.

**Houston**

AIG Risk Management Inc.  
 Anistics Inc.  
 Larry W. Bueck &  
 Associates Inc.  
 Huggins Financial Services  
 Johnson & Higgins Risk  
 Management Services  
 Permian Risk Management

**Plano**

Intex Management Co. Ltd.  
 Robert W. Lazarus &  
 Associates Inc.  
 Permian Risk Management

**Utah****Salt Lake City**

Risk & Benefit Management  
 Systems Inc.

**Vermont****Montpelier**

Risk & Benefit Management  
 Systems Inc.

**Virginia****Alexandria**

Risk & Benefit Management  
 Systems Inc.

**Hampton**

Commercial Risk  
 Consultants Inc.

**Richmond**

Industrial Insurance  
 Management Corp.  
 Johnson & Higgins Risk  
 Management Services

**Washington****Bellevue**

Huggins Financial Services

**Seattle**

Aerospace Management  
 Services International Inc.  
 Johnson & Higgins Risk  
 Management Services

**Wisconsin****Brookfield**

CRM Risk Managers

**Manitowoc**

Risk Consultants Inc.

**Milwaukee**

T. E. Brennan Co.

**Sheboygan**

Risk Consultants Inc.

**Wyoming****Casper**

Employers Unity Inc.

**Alberta****Calgary**

Robert Hughes Associates Inc.  
 Reed Risk Management Inc.

**Ontario****Rexdale**

Armour Riley Inc.

**Toronto**

Johnson & Higgins Risk  
 Management Services  
 Reed Risk Management Inc.  
 The Wyatt Co.

**Quebec****Dollard des Ormeaux**

Melanber Inc.

**Montreal**

Melanber Inc.  
 The Wyatt Co.

**Australia****Melbourne**

AIG Risk Management Inc.  
 Minet Risk Management

**New South Wales**

Minet Risk Management

**North Sydney**

Objective Risk Management  
 Pty. Ltd.

**Sydney**

Robert Hughes Associates Inc.  
 Johnson & Higgins Risk  
 Management Services  
 Reed Risk Management Inc.

**Belgium****Brussels**

AIG Risk Management Inc.

**Bermuda****Hamilton**

Corroon & Black Corp./  
 Advanced Risk Management  
 Services  
 Ebasco Risk Management  
 Consultants Inc.  
 Haig Neville Associates  
 Risk & Benefit Management  
 Systems Inc.  
 Trenwick Ltd.

**Great Britain****London**

AIG Risk Management Inc. ■



# The Dilemma of the Deadly Door.

The lawsuit against an auto manufacturer seemed a foregone conclusion. The car had been broadsided from the right, its left front door flew open, and a serious injury resulted.

Obviously, the door latch was defective and the auto manufacturer was responsible. Or were they?

Countrywide investigators discovered that the glass from the left front door was slightly different from all the other glass. Persistent digging uncovered the fact that, three owners before, the car had been broadsided and the left front door completely rebuilt. The manufacturer was absolved.

Investigations are only the beginning of our services to major self-insured manufacturers in America and abroad. We also recommend defense attorneys and expert witnesses to assist your counsel and support your case. Computerized claim statistical data is also provided.

Unlike insurance investigators, we're not settlement oriented. Our concern is to help you defend the integrity of your product.

Please write down our phone number. We'll help you solve your dilemmas—even when the solutions are not so transparent.



## Countrywide Services Corporation

Specializing in product  
liability claims management

11933 Westline Drive, St. Louis, MO 63141, 314/878-3306



Specialists in  
**ASSUMED TREATY  
REINSURANCE**  
Including Pools and Associations

**The Monarch Insurance Company of Ohio**

Incorporated 1864

A Wholly-Owned Subsidiary of Pearl Assurance p.l.c., London

19 Rector Street, New York, N.Y. 10006  
Telephone: 212-422-1850 Telex: 12-6899

# Prospective pricing systems get high marks

By JIM DAVIS

Employers and regulators say they're pleased with the hospital prospective pricing systems that four states have adopted to help hold the line on rising costs.

In three of the states—Massachusetts, Maryland and New Jersey—the programs appear to be helping to lower hospitals costs. In New York, the program is too new for sufficient data to be recorded.

All four programs call for government regulators to determine in advance the revenues hospitals can receive. All health care payers, both private and government, are covered by each state law.

However, the systems in each state are not the same.

In New York, for instance, a rate-setting commission establishes annual revenue limits for the state's 280 acute-care hospitals, notes Peter T. Pileggi, director of the state Health Department's Bureau of Hospital Reimbursement.

In the other three states, rate-setting commissions set prices in advance for specific hospital services according to diagnosis-related groups. A DRG is a method for defining patient treatment according to diagnosed illness. DRGs were developed in the 1960s and now cover 467 separate groupings (BI, Aug. 30, 1982).

In these states, hospitals whose costs fall below the DRG revenue limits can keep the difference. Hospitals whose costs are above those limits cannot pass these additional costs on to patients and must absorb the losses themselves.

The federal Medicare program switched to a similar DRG-type system last October.

There are other differences among the four state programs, but despite these, the systems are all getting good marks so far.

"They (prospective pricing rules) have brought a lot of attention to the system and have gotten a positive response," says Gavin D. Robertson, vp at Morgan Construction Co. in Worcester, Mass., a company with 625 employees.

Combined with other cost-saving measures, Mr. Robertson said, the state's prospective pricing system, which took effect in October 1982, helped Morgan to reduce its 1983 health bill by \$358,000, or 19.6%, though he cannot say how much the DRG system alone saved.

Statewide figures uphold Mr. Robertson's view that the DRG system is limiting hospital cost increases.

State hospital costs rose 10.4% during fiscal 1983, which also began on October 1982, compared with a 12.2% increase nationally during the same period. Hospital costs in Massachusetts had risen 17% in fiscal 1981 and 15% in fiscal 1982.

Calling Massachusetts' prospective pricing system the "biggest jolt since the advent of Medicaid and Medicare," Steven J. Tringale, vp for health policy at the Life Insurance Assn. of Massachusetts in Boston, a trade organization representing 14 insurers, notes that "for the first time, hospitals don't automatically get paid for everything."

"With all payers on the same system, the environment has been changed to encourage a little more competition."

Three factors have contributed to the slowing of Massachusetts health costs, Mr. Tringale says.

First, the new system encourages hospitals to reduce patients' length of stay and shift from inpatient to outpatient care so they can remain within DRG revenue limits. During fiscal 1983, the Massachusetts Hospital Assn. reported, the average length of hospital stays was reduced by 2.6% and the number of

patient days declined by 1.4%.

Second, by limiting the amount of revenue a hospital can take in per patient, the system includes incentives for hospitals to eliminate unnecessary ancillary services, like X-rays and lab services.

Finally, Mr. Tringale says the state's hospitals have reduced staffing to economize on costs. The Massachusetts Hospital Assn. found that the number of hospital employees has decreased by about 3,000 since cost-containment legislation went into effect.

The impact of the Massachusetts' system will vary from hospital to hospital, employers and regulators agree. Hospitals that already do a good job of monitoring costs will not see a great impact on their revenues, they say.

"A lot of hospitals have had trouble understanding details of the new law," said Leon S. White, assistant vp for benefits administration at Blue Cross of Massachusetts in Boston. "In the past, hospitals focused on maximizing revenues. Now, the name of the game is to control costs. It's a major jump in perspective."

Because some hospitals will take longer than others to adjust to the new system, Mr. White said, "I don't think hospitals are working as hard yet as they could be in controlling costs."

While some Massachusetts employers and regulators say the DRG regulations have begun to reduce hospital care price hikes, others say that more pronounced effects will be felt in the future.

"I don't think we've seen much of an impact yet," says Samuel N. Hibbard, chairman of the Central Massachusetts Business Group on Health in Worcester, an employer coalition. "It's an environmental change that's still being assimilated by hospitals."

Another state, Maryland, established prospective hospital pricing in 1977. In that state, where more data is in hand, the consensus is that the system has been effective.

The cost per day of hospital care in Maryland, which was 20.8% above the national average in 1975, was just 0.5% above the national average in 1982, notes Don S. Hillier, president of the Baltimore-based Maryland Health Care Coalition, a 90-member employer group.

During the same period, the cost

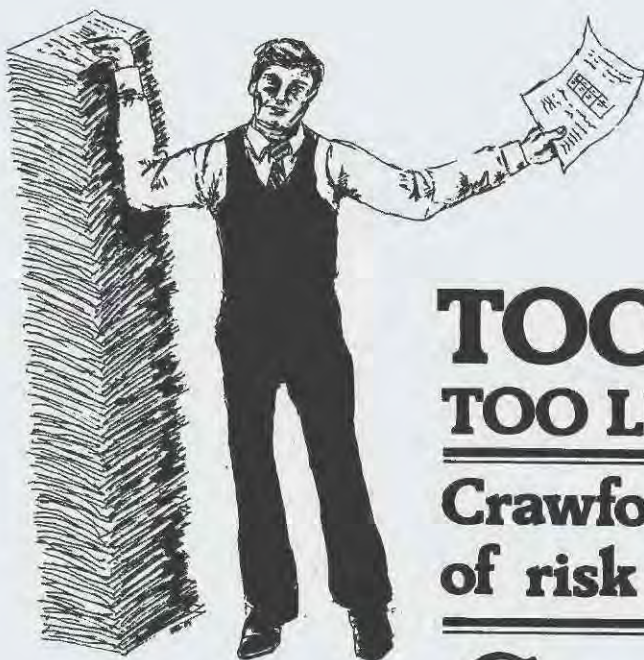
per admission declined from 34.4% above the national average to 11.4% above the national average, Mr. Hillier notes, adding that hospital costs would have been \$372 million higher in 1982 without the system.

But while the Maryland system has been "effective," Mr. Hillier cautions that "we certainly are not at the optimum. There are still some very high-cost hospitals."

New Jersey's all-payer system, which covers the state's 92 acute care hospitals, was phased in beginning in 1980, when it set rates for 25 hospitals. By 1982, all hospitals were covered (BI, Feb. 14, 1983).

Like other states, the consensus in New Jersey is that the system appears to have worked.

Per-capita costs at state hospitals  
Continued on next page



## TOO MUCH DATA? TOO LITTLE INFORMATION?

### Crawford tools bring the science of risk management to an art.

Since 1941, when Jim Crawford first started Crawford & Company near Atlanta, we have been in the information business. As independent insurance adjusters, we just didn't recognize it at the time.

Crawford began by collecting and reporting data on insurance claims. Now, 4,000 Crawford employees—in over 700 locations throughout the United States and Canada—collect and tabulate risk data of all kinds. We organize the data into information that you can use to help better manage your cost of risk. And control your costs with all the art that computer science—and reliable risk data—can provide.

#### THE INFORMATION YOU NEED ... ON DEMAND

The Sigma+System™ developed by Risk Sciences Group, a subsidiary of Crawford & Company, represents Crawford's latest advance in information technology.

With Sigma, the information that you need to assess risk experience and exposure is available in forms you may have yet to conceive. You may tailor your information to suit your needs, accessed through your own micro-computer. Your only limit is your imagination.

#### SIGMA MAY NOT BE FOR YOU

But Sigma is not for everybody. At present, the state-of-the-art requires sophisticated exposures to justify the investment in its custom-design.

That is why the Crawford-developed SISDAT+™ Information System was recently introduced. SISDAT+™ expands upon the proven, highly reliable SISDAT® Centralized Claims Reporting and Control System. SISDAT+™ offers you an extensive menu of reporting systems that you can modify to meet your requirements.

We offer 3 levels of information systems, each with numerous options from which to choose. Crawford recognizes that everyone has different information needs. That's why we treat everyone the same... the Crawford way.

For more information, contact:

Mr. Tom Arnold  
Crawford & Company, Suite 220  
5620 Glenridge Drive, N.E.  
Atlanta, Georgia 30342  
(404) 256-0830



**CRAWFORD & COMPANY**  
RISK MANAGEMENT SERVICES

## Prospective pricing systems applauded

Continued from previous page  
rose 10.6% in 1979 and 15.8% in 1980. In 1981, the latest year for which rates when 59 hospitals were in the program, costs per patient increased 11.5%, according to statistics compiled by the state.

By contrast, the rate of increase in national per-capita costs climbed steadily during this period: by 12% in 1979, 14.9% in 1980 and 17.7% in 1981.

"There seems to be general satisfaction that the system is reducing hospital costs and length of stay, which was its intent," said James C. Morford, vp for government relations at the New Jersey State Chamber of Commerce in Trenton.

New York's prospective payment system, which took effect Jan. 1, 1983, is being instituted on a three-year experimental basis, after which the effectiveness of the system in controlling costs will be judged and a determination made on whether to continue the system.

The first cost reports on the rate-cap system should be completed by May, the state Health Department's Mr. Pileggi said.

While New York employers say it's too soon to pass judgment on whether their state's system is working, they say that it should create a predictable, uniform system for hospital payments.

"All payers are playing by the same rules," says Chester E. Burrell, president of Blue Cross of Northeastern New York in Albany, who helped design the system.

Because rates for Medicaid and Blue Cross/Blue Shield payments have been set prospectively since the early 1970s, Mr. Burrell said, hospitals had an incentive to increase charges to other payers, like commercial insurers and the Medicare program.

"The old system did work, because increases in hospital charges were below the national average," he said. "But hospitals ran into operating deficits, because they weren't able to shift enough costs."

The new system should avoid this problem, Mr. Burrell said, because it places limits on the amount of revenues hospitals can receive from all sources. In turn, these limits place a lid on the amount employers must pay for hospital costs.

## Despite setbacks, more states considering DRG-type systems

Prospective hospital pricing systems, despite their apparent successes, have had their failures, too.

Yet, more states appear to be turning to hospital rate-setting systems to help contain rising costs.

All-payer programs were started in Colorado and Washington state in 1977, but were discarded in both states in 1980.

Colorado officials say their program was scrapped after it failed to promote hoped-for cost reductions and became an ineffective bureaucracy (BI, Aug. 30, 1982).

Washington's program was phased out because state health care spending cuts disqualified it for a federal waiver, which individual states need to set the rates federal Medicare and Medicaid

programs pay hospitals, said Thomas O'Hare, director of Health Care Management Programs for the Health Insurance Assn. of America in Chicago.

But, despite these setbacks, legislatures in West Virginia, Maine and Wisconsin last year passed laws establishing the framework for similar systems.

For West Virginia's program to take effect, Mr. O'Hare said, the state must receive a federal waiver by Dec. 1. The waiver is needed to allow government health care programs, like Medicare and Medicaid, to participate in a state-run prospective payment system.

Maine's system can take effect without a waiver, although its system would not set rates for Medicare and Medicaid procedures. Such a partial system would encourage hospitals to shift costs from regulated to unregulated payers, critics contend, though Maine is trying to get a waiver that would permit it to establish an all-payer system, Mr. O'Hare said.

In Wisconsin, system rules must be written by July 1 to take effect Jan. 1, 1985. But Mr. O'Hare said the system would have little impact on hospital costs because it gives the state little authority to enforce hospitals' compliance.

"The law encourages the establishment of a prospective pricing system," Mr. O'Hare said. "But political compromises took the teeth out of the law."

At least four other states—Illinois, Arizona, Florida and Connecticut—are considering prospective payment systems for hospitals.

The Illinois Senate began considering a measure to limit hospital revenue increases last year, notes David E. Baker, executive vp of the state Chamber of Commerce. But that bill was tabled.

Before the Senate considers a new proposal this spring, Mr. Baker says, it is soliciting feedback from interested parties, including employers, the Illinois Hospital Assn., doctors and labor unions.

But, he admits, action on limiting hospital rate increases may not come this year, since the House of Representatives has never considered the matter and Gov. James R. Thompson is opposed to any measure that would increase state spendings.

In Arizona, the Arizona Coalition for Cost Effective Quality Health Care, a 1,300-member business coalition, is collecting signatures to place an initiative on the November ballot that would establish a hospital rate-setting commission (BI, Dec. 19, 1983).

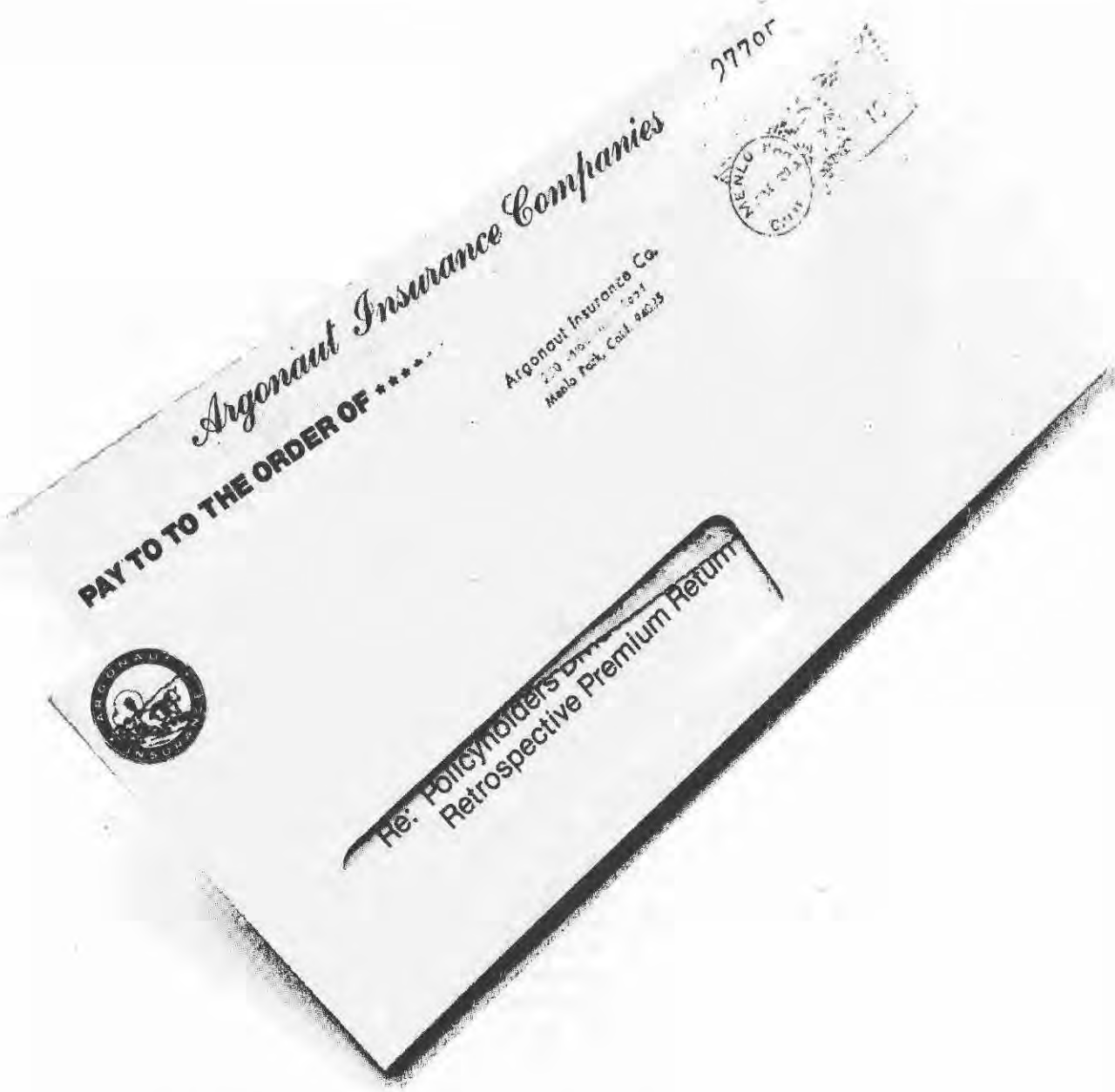
The coalition, formed in 1982, claims that hospital cost hikes in Arizona are excessive, noting that hospital costs in metropolitan Phoenix have been rising much quicker than the national average.

In Florida, the Governor's Task Force on Competition and Consumer Choices in Health Care will deliver a report recommending that a DRG system be instituted, said Ree Sailors, a health policy analyst with the task force.

The task force prepared its proposal with assistance from the South Florida Health Action Coalition, a 30-member coalition of employers. The Legislature should act on the recommendations during its 1984 session, which begins in April, Ms. Sailors said.

In Connecticut, a state task force is studying the merits of an all-payer prospective pricing system.

But a group of major businesses and insurance companies plans to introduce this session a bill that would institute a DRG-based system before the task force's report is completed.



## What's in it for you is up to you.

Because when it comes to cutting insurance costs, it's your good performance that counts.

With the help of Argonaut and your insurance agent, you can make your operation a safer place to work. Our expertise—and your management's commitment to on-the-job safety—can help you lower your losses and increase your savings.

You can also share in the security of the Argonaut name. Thirty years ago we started building our reputation for specialty Workers' Compensation and Hospital Liability coverage;

for flexible, responsive service; for financial strength; for the loss control programs that really save.

If you think you deserve an insurance break, think about Argonaut. Where good performance pays.



**Argonaut.**

**Where people take your business seriously.**

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

## Nationwide DRG system proposed

WASHINGTON—Sponsors of legislation scheduled to be introduced in the House this week say a national hospital prospective pricing system could reduce private payers' costs by \$2.44 trillion over 20 years.

The "Medicare Solvency and Health Care Financing Reform Act of 1984" would expand and eventually replace the prospective pricing system that was established in April 1983 to regulate Medicare costs.

"Only a systemwide approach can achieve meaningful savings in health care costs," concludes the summary of the bill, which is sponsored by Sen. Edward M. Kennedy, D-Mass., and Rep. Richard A. Gephardt, D-Mo. "Reforms that focus on Medicare alone will lead primarily to cost-shifting rather than cost-saving."

The bill would establish a federal system of diagnosis-related groups to control health care costs. All hospitals nationwide would have to participate in the system, though individual states would have the opportunity to establish their own cost-containment plans that would have precedence over the federal program.

The sponsors of the bill say that the system would save private health care payers \$2.444 trillion during the 20 years after it is enacted.

Also, the system would save the Medicare system more than \$1 trillion by extending the current Medicare DRG system for hospital care to cover physicians' services and by reducing unnecessary hospital admissions.

But, despite these claims, the Kennedy-Gephardt bill has been greeted skeptically so far by employer representatives.

"We resist the notion of an all-payers plan," said Jan Ozga, director of health care at the U.S. Chamber of Commerce in Washington, "primarily because we see it as a possible deterrent to employers negotiating directly with health care providers. It might stifle competition."

Also opposed to the prospect of a national all-payer system is the Blue Cross & Blue Shield Assn. The Kennedy-Gephardt bill is "not the best way to control health care costs," says Harry P. Cain, executive director of BC/BS's government relations office in Washington.

He added that prospective pricing systems are "creatures of government and subject to political forces."

Additionally, he noted, a national system "would freeze into place the health care system as it exists. It would continue the present inefficiencies."

The Medicare prospective pricing system was "a very smart thing to do," Mr. Cain said. "The federal government has done some dramatic things during the past 18 months. Now, it should sit back and see what their effects are before going out and trying to do more."

## London marine, aviation rates to rise: Report

By STACY SHAPIRO

LONDON—Shipowners will continue to see higher rates for hull insurance this year, a group of London marine underwriters says.

And, airlines could be hit with rate increases for hull and liability insurance in 1984, following 1983's record losses.

But, shippers looking for cargo coverage and oil drillers looking for marine insurance for offshore platforms still will find bargains as competition continues among underwriters in these lines.

These are among the predictions contained in the Institute of London Underwriters' 100th annual report, published last week.

The ILU represents more than 100 marine insurers in London. Its members, together with Lloyd's of

London marine underwriters, insure more than half of the world's marine risks, the ILU says.

According to the ILU, this year marks the general turning point for marine insurance rates.

"Nineteen eighty-four is the beginning of the end of years of fierce rate-cutting and excess capacity in marine insurance," the ILU reports. "There is a growing sense of realism in the marketplace, which must work to the benefit of all concerned."

The ILU has expressed the hope that the market would soon turn in each of the past three years, but this year is the first that the organization is able to chart changes in the market.

Deteriorating results coupled with a tightening reinsurance market have forced London hull un-

derwriters to quote either the same or higher rates than last year's, a departure from the rate-cutting of the past several years, it notes.

"The hull renewal season just ended has been one of the toughest for many years," the report says. "Rate reductions have been few and then only marginal, while there has been a considerable tightening of reinsurance terms for hull business."

Although the report does not specify the size of the hull rate increase imposed during recent renewals, Lloyd's underwriter Henry Chester says an average shipowner received a 5% increase from last year's quote.

Underwriters also quoted higher war risk rates for hulls following the introduction of the ILU's new Institute War and Strikes Clauses

last October (BI, Sept. 19, 1983).

However, rate increases are not the rule throughout the marine market, the ILU states. Both cargo and energy-related offshore coverages remain competitive, though the report states that it's only a matter of time before heavy losses catch up with underwriters, causing a rate increase.

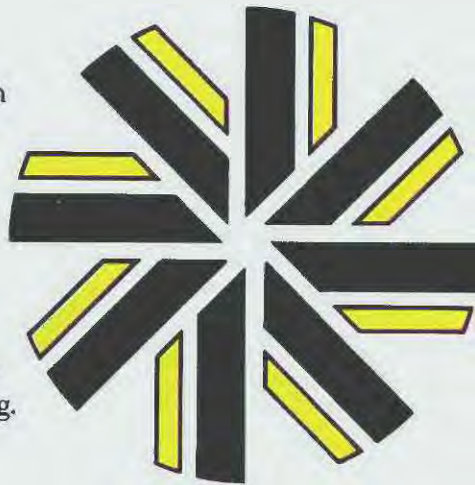
Turning to the aviation market, the ILU reports that record losses in 1983 should cause rates to increase. According to the ILU, 27 Western-built airliners were destroyed last year, costing underwriters more than \$300 million in hull claims.

However, London aviation underwriters have been attempting to hike rates for the past year, only to be undercut by other markets, the report points out. ■

## INDUSTRY vs. BACKACHE ARE YOU WINNING?

Every day, employee health problems make a direct assault on your company's health. Back pain, as well as other chronic health problems like arthritis, cardiovascular disease and stress, reduce production and increase your health care costs.

The final score? You and your employees lose big.



Effective planning and timely implementation are characteristic of winning teams. The proven way to beat chronic health problems is to create a coordinated game plan. A well planned corporate response will eliminate ineffective treatment and reduce the time between the onset of an injury or illness and the return to work.

The National Industrial Rehabilitation Corporation can help you beat the cost of back pain, arthritis and other types of chronic health problems.

The National Industrial Rehabilitation Corporation is an industrial rehabilitation planning team specializing in the identification and resolution of industrial problems related to 1) Chronic Pain, 2) Arthritis, 3) Heart Disease, 4) Drug/Alcohol Abuse.

The corporation's services are designed to aid industry in making an effective response to disabling health problems. Services are available to large as well as small private and public corporations; multinational or international companies operating within a foreign or domestic setting.

The National Industrial Rehabilitation Corporation can:

1. Evaluate your corporation's current response to health problems.
2. Assess the current economic and labor force impact of chronic health problems.
3. Develop and implement rehabilitation education programs for management, employees and affiliated labor groups.
4. Develop specialized industry oriented prevention and treatment programs.
5. Provide case consultation for disability management and disability determination activities.

For further information contact:  
Kenneth Mitchell, Ph. D.

**NATIONAL INDUSTRIAL REHABILITATION CORPORATION**

188 Stonefence Lane • Dublin, Ohio 43017 • 614-889-0781

# City hopes benefit changes save money

Benefit plan revisions for employees of the city of San Antonio, Texas, are projected to save the city \$2 million in 1984 and \$15 million over the next five years.

Most of the savings come from increased health plan deductibles and cost sharing, combined with design changes to cover lower-cost health care alternatives and preventive care.

First, the \$100 individual annual deductible—which had not been increased since 1967—was raised to \$200. And the maximum family deductible will rise to \$800 from \$200, depending on the size of the family.

Also, the old plan paid 100% of hospital inpatient charges and 80% of ambulatory care charges. The new plan reversed this inefficient system. Now, employees will be

## benefit beat

reimbursed for 80% of inpatient charges. Ambulatory care charges are reimbursed at 100%.

The maximum out-of-pocket expenses for employees was increased to \$1,200 from \$600 per family member annually.

The city also asked its third-party administrator to study the costs of daily room and board at the hospitals city employees used. "Now the maximum eligibility charge is \$135 per day, of which we'll pay 80%," said Risk Manager Mark R. Ferraro.

And, private-duty nursing will not be an eligible expense unless the TPA determines it is medically necessary, Mr. Ferraro said.

The city also increased benefits in case of accidents. Now, employees will be fully reimbursed with no deductible for up to \$500 in medical expenses stemming from accidents. The former limit was \$300.

"Where the city saves the money is going to be in the nickel-and-dime items—the doctors' visits that are not necessary, the discretionary-type stuff that increases utilization—not the real emergency care," Mr. Ferraro said.

Other changes include:

- The maximum lifetime benefit was increased to \$1 million from \$500,000.
- The definition of mental and

nervous disorders was expanded to include alcoholism and drug addiction treatment.

• Prescriptions filled with generic equivalents are reimbursed at 100%.

The city continues to pay the entire premium for employees and their dependents.

As a further cost-containment measure, San Antonio plans to incorporate flexible features into its benefit plan. Although the specific design of such a plan is not yet determined, the target date for implementing these revisions is Jan. 1, 1985.

"We have an 11-member task force studying the flexibility issue now and that number will probably expand," Mr. Ferraro said. "We're looking into spending accounts, 401(k) plans, long-term disability,

dental and flexible vacation and sick leave programs."

However, he continued, employees likely will not have medical plan options.

The benefit changes could be short-lived, however.

Currently police officers are still covered under the city's old health plan. "If they refuse to sign a new contract with the new plan, then the whole city (7,800 workers) will have to go back to the old plan because our city council is committed to having only one benefit plan for all employees," he said.

"But this is unlikely because they (the police) would have to make cuts in other areas."

## Outside directors

More than half the surveyed companies in the Fortune 100 allow their outside directors to defer their directors' fees, allowing them to take these benefits in cash or company stock while accruing interest at varying rates.

Some 53 or 55% of the companies allow directors to defer their fees, according to the survey of 96 companies by Hewitt Associates of Lincolnshire, Ill.

Of those 53 companies allowing deferred payment, 15 report that directors may choose either cash payment or shares of stock. Another two companies allow payment deferral in stock only.

Sixteen companies accrue interest on the deferred amounts based on the prime interest rate; seven use U.S. Treasury bill rates; and five use a company-determined rate, usually based on the company savings plan rate. Payment usually begins at the time of retirement.

Also, the survey reports that 17 companies, or 18% of those surveyed, offer retirement income to their directors. For those companies, the minimum age of eligibility ranged from 65 to 73 and the minimum years of service ranged from five to 10 years. The duration of payment ranged from the number of months of service to life.

The amount of annual retirement income the companies pay also varies considerably. It ranged from 5% of an undisclosed director's fee at the time of retirement multiplied by the number of years of service to the highest annual retainer in effect during the director's years of service. Also, some paid annual lump sums ranging from \$8,000 to \$20,000.

Furthermore, 12 companies—or 13%—provide life insurance plans for their directors. The value of the coverage is usually \$50,000 or \$100,000, the survey reports.

Six companies, or 6% of those surveyed, reported they provide travel or personal accident plans to outside directors; the amount of coverage ranged from \$100,000 to \$350,000. Three companies (3%) provide accidental death insurance; one company reports coverage of \$250,000 and another at \$300,000. And, two companies provide medical or dental assistance to its outside directors.

The survey also notes that the basic annual retainers for the surveyed companies range from \$7,500 to \$34,999.

For more information on the survey, "Benefits for Outside Directors in the Fortune 100 Industrials," write Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015.

*Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Sallie J. Drury, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5282.*

## Fine Quality. Solid. And Swiss.



We're American. In every way. Contemporary. Innovative. Productive.

But our Swiss heritage makes us sticklers for quality. Sticklers for doing things right.

State-of-the-art ideas tempered by old world standards.

Good reasons why you should have an American organization of Swiss descent protecting your valued business.

Good reasons to choose Zurich-American Insurance Companies.

We create world class insurance that's in a class by itself.

Come to Zurich-American for sound business insurance advice. Vast technical expertise. And the financial strength to protect your enterprise.

You'll find we speak plain English. But if you listen closely, you'll hear our Swiss accent on quality.

## Zurich-American

### American Creativity. Swiss Dependability.



ZURICH-AMERICAN INSURANCE COMPANIES

Zurich Insurance Company • American Guarantee and Liability Insurance Company • Schaumburg, IL 60196

## datebook

**MARCH 20. Product Liability and the Engineering Executive** workshop in Madison, Wis., sponsored by the University of Wisconsin; \$295. Richard A. Moll, Engineering Department, University of Wisconsin—Extension, 432 N. Lake St., Madison, Wis. 53706; 608-263-4712.

**MARCH 20. Risk Management Information Systems** conference in Atlanta, sponsored by Corporate Systems; \$25. Also **March 21** in Orlando; **March 22** in Miami. Steve Tomlinson, Corporate Systems, Box 31780, Amarillo, Texas 79120; 806-376-4223.

**MARCH 22-23. Self-Funding Your Employee Benefits** course in New York, sponsored by American Management Assns.; \$620 for members; \$715 for non-members. Also **April 5-6** in Chicago; **May 7-8** in Los Angeles. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 518-891-1500.

**MARCH 25-28. National Assn. of Independent Insurers 30th Annual** workshop in Salt Lake City; \$125 for members; \$275 for non-members. Charles J. Lorenz, NAII, 2600 River Road, Des Plaines, Ill. 60018; 312-297-7800.

**MARCH 26-27. Flexible Compensation for Hospitals, Universities and Public Sector Employers** seminar in Washington, sponsored by the Employers Council on Flexible Compensation; \$350. Margaret Shemo, Employers Council on Flexible Compensation, 1700 Pennsylvania Ave. N.W., Suite 600, Washington, D.C. 20006; 202-393-1728.

**MARCH 26-27. New Profit Opportunities for Banks in Insurance Business** conference in New York, sponsored by Executive Enterprises; \$650; \$575 for additional registrants. Christine Wanakas, Executive Enterprises, 33 W. 60th St., New York, N.Y. 10023.

**MARCH 26-28. Evaluating Security Software: Choosing the Right Package** seminar in New York, sponsored by the Computer Security Institute; \$750 for members; \$795 for non-members; group discounts available. Computer Security Institute Education Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

**MARCH 26-28. Principles and Practices of Insurance Buying** seminar in Chicago, sponsored by American Management Assns.; \$695 for members; \$800 for non-members. Also **June 11-13** in New York and Dallas. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 518-891-1500.

**MARCH 26-30. Respiratory Protection** course in Los Angeles, sponsored by the University of Southern California; \$750. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

**MARCH 27-30. 1984 Risk Management and Insurance** conference in Cambridge, England, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce; \$492 plus value-added tax; discounts for AIRMIC, AEAI and RIMS members and for groups. AIRMIC, Plantation House, 31/35 Fenchurch St., London EC3M 7DX.

**MARCH 28. One-Day Health Care Cost Containment** seminar in Portland, Ore., sponsored by the International Foundation of Employee Benefit Plans; \$140 for members; \$165 for non-members. Also **March 29** in Los Angeles; **June 6** in St. Paul, Minn.; **June 7** in Rosemont, Ill.; **Sept. 6** in Boston; **Sept. 7** in Tarrytown, N.Y.; **Sept. 17** in Dearborn, Mich.; **Sept. 18** in Cleveland; and **Sept. 19** in St. Louis. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

**MARCH 29-30. Introduction to Communications Safety** seminar in New York, sponsored by the Computer Security Institute; \$545 for members; \$575 for non-members; group discounts available. Also **June 21-22** in Atlanta. Computer Security Institute Educational Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

**MARCH 30. Right to Know: Illinois Toxic Substances Disclosure Act of 1983** conference in Chicago, sponsored by the Illinois State Chamber of Commerce; \$80 for members; \$120 for non-members. Also **April 10** in Chicago, **April 11** in Springfield, Ill. Illinois State Chamber of Commerce, Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**APRIL 1-6. 22nd Annual Risk & Insurance Management Society** conference in New York; \$520 for members; \$620 for non-members. RIMS Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**APRIL 2-3. Industrial Hygiene and Safety Applications of Microcomputers** course in Los Angeles, sponsored by the University of Southern California; \$375. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

**APRIL 3. Surety Claims '84, Contract Bond Claims—"The Options"** conference in Chicago, sponsored by CMA Consulting Group; \$295. Arlene D. Brower, CMA Consulting Group, 170 E. Hanover Ave., Box 2287R, Morristown, N.J. 07960; 201-267-7171.

**APRIL 5-6. 14th Annual Employee Benefits** institute in New York, sponsored by the Practising Law Institute; \$350. Nancy B. Hinman, Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**APRIL 5-7. Insurance Consultants Society Spring Educational** conference in New York; \$75. Barron S. Wall, P.O. Box 2326, South Hackensack, N.J. 07606; 201-343-8833.

sack, N.J. 07606; 201-343-8833.

**APRIL 6. New Approaches to Increasing the Profitability of Your Offshore Insurance Company** conference in New York, sponsored by Executive Enterprises; \$495. Executive Enterprises, 33 W. 60th St., New York, N.Y. 10023; 212-489-2680.

**APRIL 9-12. Inspector Training** seminar in Houston, sponsored by the International Safety Academy; \$490. International Safety Academy, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 1-800-231-3147 or 215-241-5800.

**APRIL 9-11. Planning an EDP Disaster Recovery Program** seminar in Chicago, sponsored by the Computer Security Institute; \$750 for members; \$795 for non-members; group discounts available. Also **June 18-20** in Atlanta. Computer Security Institute Educational Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

**APRIL 9-12. Seventh Annual Conference on Prevention, Behavior, Cleanup of Spills and Waste Sites** sponsored by the Bureau of Explosives, the Chemical Manufacturers Assn., the U.S. Coast Guard and the U.S. Environmental Protection Agency; \$200; \$150 for early registration. 1984 Hazardous Material Spills Conference, 1629 K St.

N.W., Suite 700, Washington, D.C. 20006; 202-887-1209.

**APRIL 9-13. Advanced Instruction in Retirement Plans for Bank Trust Personnel** seminar in Winston-Salem, N.C., sponsored by Books & Co.; \$775. Also **Sept. 24-28** in Winston-Salem. Books & Co., P.O. Box 66, Winston-Salem, N.C. 27102; 919-748-1120.

**APRIL 9-13. Loss Control Management** seminar in Atlanta, sponsored by the International Loss Control Institute; \$625. Richard Jump, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 800-544-6001; 404-466-6001.

**APRIL 12-13. 1984 National Workers Compensation** seminar in Atlantic City, N.J., sponsored by Workers Compensation Monthly; \$95. Workers' Compensation Monthly, Box 829, East Palmouth, Mass. 02536.

**APRIL 12-14. 1984 Employee Benefits Communications** institute in Miami, sponsored by the International Foundation of Employee Benefit Plans; \$420 for members; \$495 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

**APRIL 18-20. End Crisis Management: Designing and Managing an In-House Retirement Planning Program** workshop in St. Louis, sponsored by Retirement Advisors; \$425; discounts for early registration. Also **May 16-18** in New York; **June 20-22** in Chicago; **Oct. 17-19** in Ft. Lauderdale; **Nov. 29-30** in Dallas. Miriam Naermanie, Re-

irement Advisor, 91E Third Ave., New York, N.Y. 10022; 212-421-2400.

**APRIL 23-24. Captives: Making Optimum Use of the International Risk Management Tool** seminar in New York, sponsored by the World Trade Institute; \$570; discounts for subsequent registrants. World Trade Institute, 1 World Trade Center, 55W, New York, N.Y. 10048; 212-466-3162.

**APRIL 24-25. Managing Risks in the Electronic Data Processing Environment** conference in New York sponsored by the Institute for International Research; \$750; group discounts available. Institute for International Research, 310 Madison Ave., Suite 1105, New York, N.Y. 10017; 212-883-1771.

**APRIL 30. Using the NIOSH Guide to Manual Lifting** seminar in Philadelphia, sponsored by the International Safety Academy; \$145. International Safety Academy, 600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 800-231-3147 or 215-241-5800.

**APRIL 30-MAY 4. Assets Protection II—Practical Application** course in Boston, sponsored by the American Society for Industrial Security; \$650 for members; \$995 for non-members. Susan Melnicove, American Society for Industrial Security, 1655 N. Fort Myer Dr. vs, Suite 1200, Arlington, Va. 22209; 703-522-5600.

**MAY 14. Risk Financing** conference in Dallas, sponsored by International Risk Management In-

stitute; \$575 for three days; \$450 for two days; \$195 for one day. International Risk Management Institute, 10300 N. Central Expressway, Building III, Suite 203, Dallas, Texas 75231; 214-363-9656.

**MAY 3-4. EDP Physical Security** seminar in New York, sponsored by the Computer Security Institute; \$545 for members; \$575 for non-members; group discounts available. Computer Security Institute Educational Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

**MAY 3-5. Legal Aspects of Occupational Safety and Health** course in Los Angeles, sponsored by the University of Southern California; \$375. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

**MAY 7-11. Recognition of Occupational Health Hazards** course in Los Angeles, sponsored by the University of Southern California; \$650. University of Southern California, Office of Extension and In-Service Programs, Institute of Safety and Systems Management, Los Angeles, Calif. 90089; 213-743-6523-6524.

*The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.*

# JAMES IS HERE

## PARTNERS IN RISK MANAGEMENT FOR THE WORLD OF BUSINESS

Oil drilling. Commercial fishing. Lumbering. Heavy construction. Wherever there are property and casualty risks, James is there.

We are one of the largest full-service insurance brokerage firms in the United States. We're fully qualified to serve you in virtually every area of insurance and risk management—even on an international level.

When you choose James, you choose more than a company—you choose a conscientious business partner. Your personal James account executive studies your business thoroughly, and designs a program carefully tailored to your

needs. Because we produce such a large premium volume, you can count on us to employ our substantial negotiating leverage with the strongest insurance companies—on your behalf.

James is a leader in the area of executive and employee benefit and incentive compensation. We'll assist you in organizing, funding, and administering your plan, and we'll provide all of the essential services to keep it operating cost effectively.

Even if it would be more profitable for you to self-insure your property and casualty risks and employee benefit plans, James can still assist you. We administer more self-

insurance programs than any other broker in the world, and we'll be happy to arrange a study for you at no obligation.

If you would like to find out more about Fred. S. James, please call (212) 747-8219, or write:

Corporate Communications  
Fred. S. James & Co., Inc.  
55 Water Street  
New York, NY 10041

**James**  
FRED. S. JAMES & CO., INC.  
**YOUR PARTNERS  
IN RISK MANAGEMENT**  
Member National Association of Insurance Brokers



# Inland AND Ocean Marine

FACILITIES AVAILABLE  
TO AGENTS & BROKERS OF MEMBER COMPANIES

## MUTUAL MARINE OFFICE, INC.

100 PARK AVENUE, NEW YORK, N.Y. 10017 • 212-953-0580

General Managers

NEW YORK MARINE AND GENERAL INSURANCE COMPANY

— Marine Managers —

AMERICAN LIBERTY INSURANCE COMPANY  
ARKWRIGHT-BOSTON INSURANCE COMPANY  
ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL  
INS. COMPANY  
EMCASCO INSURANCE COMPANY  
EMPLOYERS MUTUAL CASUALTY COMPANY  
GRAPHIC ARTS MUTUAL INSURANCE COMPANY

LUMBER MUTUAL INSURANCE COMPANY  
MUTUAL FIRE, MARINE & INLAND INS. COMPANY  
PENNSYLVANIA NATIONAL MUTUAL CASUALTY  
INS. CO.  
REPUBLIC-FRANKLIN INSURANCE CO.  
UNION MUTUAL INS. CO. OF PROVIDENCE  
UTICA MUTUAL INSURANCE COMPANY

### info

• A 12-page booklet describing **careers in insurance** is available from the the Insurance Information Institute. This free booklet provides concise descriptions of several jobs in the property/casualty field. For a copy, send a self-addressed, stamped envelope to Publications Service Center, Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• "The Captive Insurance Company" is an 80-page book discussing **offshore insurance**, particularly in Bermuda and the Cayman Islands. It provides information on formation, management and administration of a captive insurer. Send \$12.95 to Interstate Service Corp., P.O. Box 1725, Oklahoma City, Okla. 73101.

• "The Fundamentals of Em-

**ployee Benefit Programs,"** a 22-chapter book from the Employee Benefit Research Institute, discusses and simplifies benefit matters so employers and employees will have a better understanding of them. Copies are \$10 each, and may be obtained from EBRI-ERF Publications, 2121 K St. N.W., Suite 860, Washington, D.C. 20037.

• The December 1983 issue of *The Risk Report*, published by the International Risk Management Institute, contains articles on **structured settlements** and **workers compensation**. Copies are available before March 30 at \$10 each. Write to IRMI Inc., 10300 N. Central Expressway, Building III, Suite 208, Dallas, Texas 75231.

• "Employee Benefits Information Sources," a **benefits bibliography** published by the International Foundation of Employee Benefit Plans, covers 100 subjects, including Individual Retirement Accounts, age discrimination and pension plans. For a free copy, write Information Services, International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005.

• "Self-Insurance: An Executive Summary" is a 16-page booklet from Arthur Andersen & Co. that explains **self-insurance options, benefits and financial considerations**. For a free copy, write Arthur Andersen & Co., Distribution Clerk, Room 1123, 33 W. Monroe St., Chicago, Ill. 60603.

• "Meeting the Challenge" is a 12-page brochure that explains how a large-scale restoration company, like Blackmon-Mooring-Steamatic Catastrophe, can help businesses recover from **catastrophic property losses due to fire, flood or storm**. Also discussed are ways to reduce business interruption and insurance claims through modern restoration techniques. For a free copy, write BMS Catastrophe, 1000 Forest Park Blvd., Fort Worth, Texas 76110.

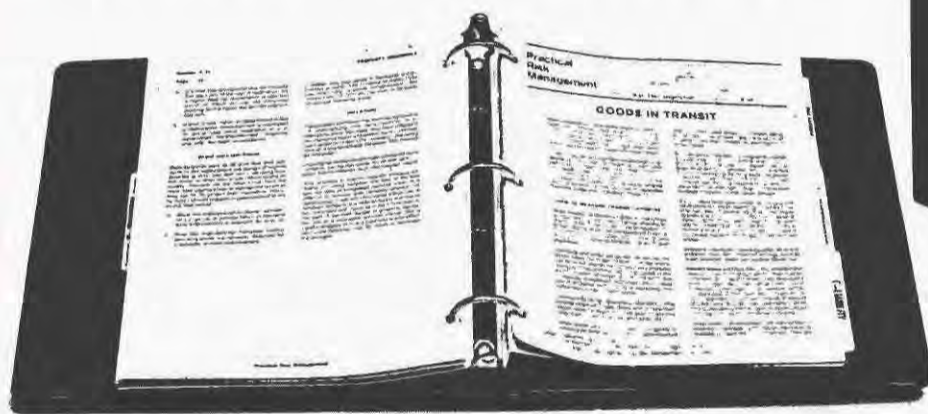
• "A Common Sense Approach to the Longshoreman's and Harbor Workers' Compensation Act" is a 37-page guide to the federal law, including recent case citations and synopses. To order, send \$12 plus postage to H. & C. Publications, 261 Woodson Way, Vallejo, Calif. 94591.

• Audio cassettes of 30 presentations at the International Foundation of Employee Benefit Plans' 16th Annual Canadian Conference, which focused on **Canadian pension, health and welfare plans**, are available for \$8 each. For information or to order, write the International Foundation of Employee Benefit Plans, AV Department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005.

• Occupational Health Services has published "Case Histories," a compilation of emergency situations in which **HAZARDLINE**—the firm's online data base containing information on thousands of **hazardous substances**—has played a role. For a free copy, write Suzanne DeVito, Occupational Health Services, 515 Madison Ave., New York, N.Y. 10022.

*Business Insurance* will describe material costing less than \$20 as an editorial service in the weekly *Info for Buyers* column. Simply send us a short description of the material to be offered, along with the cost and a mailing address. Address all contributions to *Info for Buyers*, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

## Become an expert in risk management through **PRACTICAL RISK MANAGEMENT**



**SPECIAL OPPORTUNITY**  
Practical Risk Management is now being reorganized, updated and expanded. Order now while the current price is still in effect.

**The reference of the professionals,  
yet usable by the beginner**

### What it is:

A handbook of risk management practices; well indexed, comprehensive, and continually updated. Concisely written for ease of use.

Contained in two loose-leaf volumes, some 800 pages of practical know-how, including:

#### Management guides to:

- |                             |                               |
|-----------------------------|-------------------------------|
| Cash flow plans             | Insurer solvency              |
| Record keeping              | Claims adjusting              |
| Company policy              | Selecting a broker            |
| Valuations                  | Self-insurance                |
| How to bid insurance        | Selecting insurers, direct or |
| Captive insurance companies | agency-writing                |
| Cost allocation             | Loss prevention               |
| Insurance manuals           | Mergers and acquisitions      |
| Taxes                       | Etc., etc., etc.              |

#### Insurance guides to:

- |  |                                  |
|--|----------------------------------|
| Policy coverage, exclusions and conditions | Directors and officers liability |
| Data processing risks                      | ERISA                            |
| Ocean and inland marine                    | Construction projects            |
| Earthquake and flood                       | Crime insurance and bonding      |
| Highly protected risks                     | Car rental contracts             |
| Goods in transit                           | Aircraft hull and liability      |
|  | Etc., etc., etc.                 |

### Who uses it:

Risk managers, both full-time professionals and those with other duties • Financial and executive officers • Insurance agents and brokers • Risk management consultants • Professors of insurance and risk management • Lawyers and accountants

### Who writes it:

Consultants with extensive field experience, supported by a distinguished panel of working advisers and experts in the field.

A publication of Warren, McVeigh & Griffin

### What they say about it:

"The most concise and informative text that we receive."  
—Risk Manager

"Represents a monumental amount of work and a windfall of information."  
—Editor

"Practical Risk Management is the class of the field."  
—Director of Insurance

"We refer to it regularly."  
—Insurance Agent

"In the short time we've had the handbook it has more than paid for itself."  
—Broker

"I've subscribed to Practical Risk Management for a few years and find it the only worthwhile publication in the field. I've recommended it to my clients and to others in the insurance industry."  
—Broker

Price: Two binders with all topics to date:  
First year: \$225  
Subsequently: \$95 annually (Plus postage on binders outside U.S.A.)

Please bill (Add \$10 handling)  Check enclosed

Check payable in US \$ to:  
Practical Risk Management  
Box 10093, Oakland, CA 94610

Send a Subscription to:

NAME \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY AND STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

# Administration favors cafeteria plan limits

By JERRY GEISEL

WASHINGTON—The Reagan administration wants to reduce the appeal of cafeteria benefit plans.

As part of its proposed fiscal 1985 budget, the administration for the first time has thrown its support to a provision in legislation, H.R. 4170, that would limit the benefit choices offered by cafeteria plans.

Under the legislation, which is now pending on the House floor, cafeteria plans generally could only offer participants a choice of cash and tax-free benefits, like group health insurance.

The only taxable benefits that cafeteria plans could continue to offer would be group term life insurance coverage that exceeds \$50,000 and extra vacation days. However, other taxable benefits, like group auto insurance, no longer could be provided.

In backing the new restrictions, the administration says it is concerned about the "significant potential for abuse of the cafeteria plan concept as a result of employee substitution of increasing amounts of fringe benefits for cash wages."

Meanwhile, in another budget-related matter, the Treasury Department estimates that \$18.3 billion in federal revenues would be gained over the next three years if Congress passes the administration's proposed tax on group health insurance premiums.

Under the administration's plan, formally introduced in the Senate as S. 640, by Finance Committee Chairman Robert Dole, R-Kan., health insurance premiums that exceed \$2,100 a year for family coverage or \$840 for individual coverage would be counted as taxable income to the employee (BI, Feb. 6).

## OSHA advisers

Do you have ideas to improve the Occupational Safety and Health Administration? If so, the Labor Department has a way to put your ideas into action.

You could apply for one of the six openings on the National Advisory Committee on Occupational Safety and Health, a 12-member panel that advises the secretaries of the Department of Labor and the Department of Health and Human Services on health and safety issues.

The committee, which was established as part of the Occupational Safety and Health Administration Act of 1970, represents management, labor, the public and the safety and health professions.

There are now three openings for public representatives and one vacancy each in the other three categories. Terms last for two years and expire June 30, 1986.

Nomination letters should specify the category for which the candidate is qualified and should come from an organization representing that category.

Nominations should include the candidate's resume, qualifications, current address and phone number and a statement that the nominee is aware of the nomination and is willing to serve.

Nominations should be sent to Clarence Page, Division of Consumer Affairs, OSHA, Room N-3662, Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210. The deadline is April 2.

## Conable to retire

One of Congress' leading benefit experts will not be returning in 1985 when his term expires.

Rep. Barber Conable, R-N.Y., the ranking minority member on the House Ways and Means Commit-

## washington

tee, will not run for re-election in November.

Mr. Conable, 61, who has served in Congress since 1965, played a key role in bringing feuding factions together as a member of a presidential commission established in 1982 to shore up the Social Security program.

Most of the commission's recommendations later were accepted by Congress when it passed the Social Security Amendments Act (BI, April 4, 1983).

More recently, Mr. Conable, along with Rep. Fortney Stark, D-Calif., introduced legislation, H.R. 4170, which, among other things, would create permanent rules for

taxing employee benefits that are not covered by a specific section of the tax code (BI, Aug. 1, 1982).

Mr. Conable has not disclosed what he will do after he leaves Congress.

## Accident reports

The federal Bureau of Motor Carrier Safety wants to streamline reporting procedures for truck and bus accidents.

Under a proposed rule, two accident reporting forms currently in use—Accidents of Passenger Carriers, MCS-50-B, and Accidents of Property Carriers, MCS-50-T—would be combined into a single

form for use by both property and passenger carriers.

In addition, the threshold for reporting property damage accidents would be raised to \$4,000 from \$2,000 to eliminate the reporting of "fender-bender" accidents.

The new reporting procedures will save the transportation industry "8,000 hours of report filing and related paper shuffling each and every year," says Ray Barnhart, head of the Federal Highway Administration.

Comments on the proposal should be sent to Docket No. MC-109; Notice No. 84-1, Bureau of Motor Carrier Safety, Federal Highway Administration, 400 7th St. S.W., Washington, D.C. 20590.

The comment period closes March 17. For information, contact William Snow at 202-426-9767.

## Injury reports

The Occupational Safety and Health Administration is cutting red tape for other federal agencies by terminating a duplicative system for reporting on-the-job injuries among federal workers.

Under the new system, federal agencies will no longer be required to fill out accident and injury forms under the Federal Accident Reporting System.

Instead, OSHA will use federal accident statistics compiled from workers compensation claims that federal agencies file with the Labor Department's Employment Standards Administration.

The elimination of the duplicative system for reporting injuries will save the federal government about \$355,000, OSHA estimates. ■

**IT'S NOT  
HOW MUCH YOUR  
INSURANCE COSTS,  
IT'S HOW MUCH  
YOU END UP  
PAYING FOR IT.**

You know insurance can cost a lot more than just premiums. That's why you need Aetna. When you call us in, we put our National Accounts Department to work for you.

Our National Accounts team specializes in flexible underwriting. They'll design a creative program to meet your cash flow needs. And, they're so flexible, they'll even work out a personalized plan for paying your premiums.

At the same time, our engineers initiate an in-depth Loss Control analysis. They'll go over your operation with a fine-tooth comb. They'll evaluate your machinery and production process — and point out potential employee hazards.

We do everything we can to reduce your insurance costs in the first place, so you don't end up paying for it later.

We'll be happy to send you our National Accounts brochure. Just get in touch with your local Aetna agent, broker, or call Ralph Ellis at (203) 273-2992.

**YOU'LL BE GLAD YOU MET AETNA.**



The Aetna Casualty and Surety Company  
The Standard Fire Insurance Company  
The Automobile Insurance Company of Hartford, Connecticut  
Aetna Casualty & Surety Company of Illinois



# Power named president of E.H. Crump

**James H. Power** has been named president and chief operating officer of E.H. Crump Cos. Inc., an insurance brokerage holding company based in Memphis, Tenn. He succeeds **Sidney A. Stewart Jr.**, who has been named chairman of the company.

Mr. Power has been with Crump for 36 years, most recently as vice chairman and chief financial and administrative officer.

Mr. Stewart, who has been with the company for 34 years, is also chief executive officer and chairman of the executive committee.

**Other agent/broker changes:** **Jeffrey G. McKinley** promoted to senior vp at Emmett & Chandler North California Insurance Brokers Inc. in San Francisco. In addition, **Donald A. Hamilton** named senior vp-benefits and **Doriann**

## comings & goings: industry

**Lamfers** named vp at the brokerage.

E.H. Crump Cos. Inc. in Memphis, Tenn., promoted **Era E. Horner** and **Donald W. Burkett** to vp. Mr. Horner had been senior vp of E.H. Crump Co., the company's Memphis insurance agency. Mr. Burkett had been an assistant vp. Also, **David L. Bowlin** named executive vp and chief operating officer of the Memphis



Mr. Bowlin

agency. He had been a senior vp.

**Richard N. Cohen** named a vp at Leonard Newman Agency Inc. in White Plains, N.Y. He had been vp of John M. Riehle & Co. Inc. in New York.



Mr. Cohen

The McElroy-Minister Co., a Columbus, Ohio, brokerage, named **Thomas Hadley** vp-employee benefit planning. He was most recently group sales manager at the brokerage. Also, **William R. Gillam**

named executive vp of the financial services division, responsible for the group and individual life and health departments. And, **Thomas E. Moore** named vp-group underwriting and administration, responsible for employee benefits underwriting and administration.

**D.J. Barham** to become a deputy chairman of Lloyd's broker C.E. Heath P.L.C. next month, replacing **J.R. Mikami**, who will retire in May. Mr. Barham will relinquish his position as managing director of C.E. Heath & Co. (Underwriting) Ltd. Also, **D.J.W. Coles** named deputy chairman and chief executive of C.E. Heath (Underwriting).

## Insurers

**C. Robert Henrikson** appointed

vp in the group pensions department at Metropolitan Life Insurance Co. in New York. He had been an assistant vp.

**George F. Cass** named vp and senior field executive at Maryland Casualty Co. in Baltimore. He is responsible for the company's Midwest operations.



Mr. Cass

Reliance Insurance Co. in Philadelphia named **Robert D. Kleppinger** senior vp with responsibility for the insurer's claims operations. He was vp-claims.

**Charles W. Hunter** promoted to vp-claims operations at Michigan Mutual Insurance Co. in Detroit. He joined the company last year as regional claims manager.

**Patrick W. McBride** named vp at Fireman's Fund Insurance Cos. in San Rafael, Calif. He is a marketing/underwriting staff executive in the commercial group division.

## Excess/surplus

**Janet R. Nelson** named senior vp-specialty risk at Atwater McMillan Inc. in St. Paul, Minn., a surplus lines subsidiary of St. Paul Fire & Marine Insurance Co. Ms. Nelson had been vp-financial underwriting at Atwater McMillan.

**Franklin Montross IV** named executive vp of Interest-Guard Managers in White Plains, N.Y., a joint venture of Frank B. Hall & Co. Inc. and General Reinsurance Corp. Mr. Montross had been an assistant vp with General Re.

**Vincent A. Puccio** appointed senior vp at Alliance Insurance Group of Illinois Inc., a managing general agency in Chicago.

**Gary P. Bovard** named vp-professional liability at L.W. Biegler Inc. of New York. He had been an assistant vp.

**John J. Murphy Jr.** promoted to vp-claims at Jersey/International Group Inc. in Cherry Hill, N.J., an underwriting manager and a subsidiary of W.R. Berkley Corp. Mr. Murphy joined J/I in 1978.

California Insurance Group in Monterey, Calif., named **Chuck Krause** as a vp. He had been with Allstate Insurance Co. for 15 years. California Insurance Group includes California Mutual Insurance Co., American Eagle Insurance Co. and several managing general agencies.

## Reinsurers

**Geoffrey D. Dunkak** named senior vp in charge of the property/casualty division at Duncan & Holt Inc. in New York. He had been a vp with Bellefonte Reinsurance Co.

**William Mark Allen** named vp-facultative operations at Associated Intermediaries Inc. in Atlanta. He previously held posts at Loveless & Co. and American International Group Inc.

## Other suppliers

**William C. Bertram** joined Boone & Co.'s Columbus, Ohio, office as vp and retirement consultant. He had been a vp at BancOhio National Bank in Columbus in its trust group's employee benefit division.

Towers, Perrin, Forster & Crosby named **A. Norman Crowder III**, a vp, as manager of its Southeast region and Atlanta consulting office. He succeeds **Joseph W. Satterthwaite**, who has retired. Mr. Crowder formerly headed TPF&C's Boston office. ■



## We hate life's little surprises as much as you do.

For a risk manager, life should hold few surprises. And that's what you get when you work with us.

We're Parker Services, Inc., a member of the Sentry Insurance family of companies. We offer a complete line of risk management services, including claims administration, loss control, industrial hygiene, loss experience reports and a variety of other services to help you administer your self-insurance and captive programs.

Our experts will make a concerted effort to communicate with you promptly and regularly, so you'll always know precisely what we're doing for you, and why.

So call us collect for our brochure. And if you ever need one of our services, call us again. You'll be astonished by what we can do. But you'll never be surprised.

Call Dave Entwistle collect (715) 346-7357 or Dick Fee (715) 346-6662.



Sentry.

**PARKER SERVICES, INC.**

Risk Management Services

## Structured settlements' appeal grows

Continued from page 1

In a structured settlement, the self-insurer usually purchases an annuity or another security to fund payments to a plaintiff over a period of years. Or, in some cases, the self-insurer simply funds the settlement itself over a period of years.

Rather than receiving the settlement amount in one lump sum, the plaintiff usually receives a smaller initial sum for current expenses and then is guaranteed continuous periodic payments tailored to his—or his family's—future needs.

**Under such an arrangement,** the plaintiff is protected from spending the settlement money prematurely, and the interest earned on the award is tax-free, which it would not be if the plaintiff received a lump sum and then invested it himself.

Until recently, structured settlements have largely been the province of casualty insurers, which have used them to reduce their costs when paying policyholders' claims.

No one has compiled figures on the growth of structured settlements among self-insurers alone. But, structured settlements by both insurers and self-insurers have grown to 12,000 to 15,000 cases in 1983 from about 2,000 in 1979, according to Dennis Sarni, president of Litigation Support Corp., a San Raphael, Calif.,-based consultant.

About \$1.5 billion was invested in annuities for structured settlements in 1983 by independent brokers, compared with about \$1.1 billion in 1982, Mr. Sarni says, and the figure is estimated to grow to \$3 billion by 1986.

Within the next three to five years, about 70% of all massive catastrophe cases will be settled through structured settlements, he adds.

**A survey of 54 insurance companies** by the All-Industry Research Advisory Council showed that insurers participated in 6,505 structured settlements in 1982, of which 1,455 were for workers compensation claims, 2,281 for auto liability and 2,483 for other liability claims.

Some cases are usually more appropriate for structured settlements than others, attorneys and consul-

**'By converting a cash offer into a structured settlement, the value to the plaintiff increases dramatically, particularly to a person less than 50, who can reap the benefits of the time value of money,' says Firestone's Mr. Curtis.**

tants point out. For example, cases involving minors with catastrophic injuries who will need constant care for many years are particularly suited to structured settlements.

"The younger the parties are, the greater the potential interest there would be in a structured settlement," says Proctor Robison, senior counsel for Ford Motor Co., a self-insurer that has been involved in dozens of structured settlements in product liability suits in recent years.

The longer period the plaintiff has to collect payments, the more interested he and his attorney would be in a structured settlement.

But structured settlements are also being used for persons who are not young and in non-catastrophic cases. Some cases valued at \$25,000 or less have been structured if they are beneficial to the plaintiff.

**"The structured process** is one currently being used at levels significantly below the catastrophic level," says Settlement Planning's Mr. Peterson, who estimates that the bulk of the structured settlements his company helps devise involve workers compensation and general liability. "They literally have become common daily claims tools."

Kenneth Ross, assistant general counsel-products liability for Emerson Electric Co. in St. Louis, says his company, which self-insures its product liability risks, has structured cases for people over 50 years old that provide a lump sum at age 65 or 70, which they can use for retirement.

One of the key advantages of structured settlements, say both employers and consultants, is that they can help settle a case more quickly at a lower cost and save on legal expenses, too.

"It's one more tool" for bringing

a settlement about, says Mr. Cooper of Weyerhaeuser. "It terminates your claims, it terminates legal expenses, investigating expenses and any more involvement of the company in the claim."

"Structured settlements can break the ice in deadlocked settlement negotiations," adds Lawrence H. Curtis, senior counsel for Firestone Tire & Rubber Co., which self-insures its product liability exposures.

"By converting a cash offer into a structured settlement, the value to the plaintiff increases dramatically, particularly to a person less than 50, who can reap the benefits of the time value of money."

"It allows the plaintiff and the plaintiff's attorney to focus on in-

Continued on next page



**PROPERTY • CASUALTY  
FACULTATIVE REINSURANCE**

**Colonial Penn Insurance Company**

BEST'S RATING A+XV

Underwritten by

**DOMAIN MANAGERS, INC.**

127 John Street, New York, NY 10038  
Tel: 212-635-2700 TWX: 710-581-3981

Contact:

Robert J. Philhower—Casualty • Gisela Brooks—Property

Computerized health plan administration:

## IF OUR SYSTEM DOESN'T DO EVERYTHING WE SAY, WE'LL EAT IT.

Committing your health claims processing to a computerized system is a big step.

The potential rewards are great. But so are the potential pitfalls. Unfortunately, you can never be *sure* the system will do what it's supposed to until you actually use it.

But with the new CHARLIE™ system from Benetics, you don't have to decide to keep it until you're satisfied that it delivers everything we promised.

### CHARLIE'S BENEFIT "MENU"

Health plan administrators differ too much for us to make specific promises until we've looked over your present system. But if you're currently processing claims manually or with an outdated system, CHARLIE can do things such as the following for you:

- Double or triple the productivity of your claims examiners.
- Eliminate practically *all* the paperwork you're handling now.

— Reduce errors and overpayments by automatically calculating benefits, including deductibles, co-payments, maximums, coordination of benefits, etc.

— Produce a wealth of analytical reports that show you exactly where the benefit dollars are going, and how to keep control over costs.

### CHARLIE: THE "SOUP TO NUTS" SOLUTION

CHARLIE is a complete, dedicated package of hardware, software, training, and support. It's flexible enough to handle virtually any combination of different plans, and any number of employers and insured. And nobody else offers so many advanced features in one efficient, smooth-running system.

Using the latest computer technology, CHARLIE provides the power of a large system at a fraction of the cost—and it uses your existing office space and people.

*Best of all, CHARLIE is guaranteed. Before you commit to buying, we'll tell you—in writing—exactly what CHARLIE will do for you. If CHARLIE doesn't deliver, you get your money back, no questions asked.*

If you're a third-party administrator, a self-insuring, self-administering organization, or an insurance company, you can dramatically improve claims processing efficiency, and finally get control of plan costs.

Just call Benetics, and ask for CHARLIE—the guaranteed solution.



**Benetics**

We make business work better.

Benetics Corporation  
335 East Middlefield Road, Dept. BI  
Mountain View, CA 94043  
(800) 233-7766  
in Calif. (415) 940-6300

© 1983 Benetics Corporation.

## JONATHAN

**THE TOTAL RISK  
INFORMATION SYSTEM  
WITH MAINFRAME POWER  
PACKED INTO A MICRO.**

Designed for risk managers and other insurance professionals, JONATHAN frees you from the costs and lengthy delays of time-sharing. Unlock your dependency and stand alone with on line access to full claims information. IBM PC compatible.

Put the power of JONATHAN to work for you today by calling (203) 644-3451 or write:



INTEGRATED RISK INFORMATION SYSTEMS, INC.

1750 Ellington Road, P.O. Box 739  
South Windsor, CT 06074

No one's more

# CREATIVE

THE  
**JERSEY INTERNATIONAL GROUP**

**ADMIRAL INSURANCE COMPANY**

Surplus Lines Division of the W. R. Berkley Corporation

## Structured settlements cut claims costs

Continued from page 81

crements of damages and to plan for them," adds Mr. Curtis, who has participated in more than 25 structured settlements.

Using a structured settlement, a company may pay out 10% to 40% less than it would if it paid a lump-sum award, some companies say. The savings can come in two ways.

First, if the company funds the settlement through the purchase of an annuity, the cost of the annuity may be significantly less than the cost of a lump-sum settlement because the company is using present dollars to pay future benefits.

Also, since the money the plaintiff receives is tax-free, he can get the same aftertax value for less cost than if he were to receive a lump sum and invest it himself, for which he would be taxed. He, therefore, may be willing to accept a smaller award from the defendant if, over time, he will earn the same amount as if he received a lump-sum settlement.

Mr. Curtis estimates a company that structures a settlement can save 15% to 20% over the cost of a lump-sum settlement.

According to Theresa McCartney, structured settlement analyst for Philadelphia-based Conrail, the railroad has saved 10% to 15% in settlement costs over the last two years by using structured settlements in more than 200 cases.

Richard Bureson, senior vp at Coroon & Black Corp., who was formerly director of insurance at a major self-insured corporation, added that savings of 10% and 40% are not unusual in the liability area.

"We do settle for less on a structure," says Donald Frayer, claims manager for Dow Chemical Co. in Midland, Mich. "We settle for less

and the other party gets more," he adds, referring to the fact that the plaintiff gets a risk-free investment and has his money managed under a structured settlement.

How a company can save under a structured settlement can be illustrated through a case involving a 4-year-old boy seriously injured in an auto accident in which the defendant corporation was clearly liable.

The plaintiff's settlement demand was for \$500,000, while the defendant's attorney had authority to pay a maximum of \$200,000.

Very likely the case would have gone to trial with substantial risks to both parties, according to Timothy T. Morbach, assistant vp and director of periodic payments settlements for Kidder, Peabody Sales Agency Inc. in Detroit, Mich.

Under the structured settlement worked out, however, the company guaranteed:

- An up-front cash payment to the plaintiff of \$7,500, payment of attorneys' fees of \$34,000 and payment of the parents' claim of \$25,000.

- Monthly income to the child beginning at \$600 and ultimately rising to \$1,250 after 30 years.

- Periodic lump-sum distributions beginning at \$7,500 and ultimately rising to \$100,000 payable after 30 years.

The plaintiff was guaranteed \$613,000 tax-free and could potentially receive \$1,168,500 under the plan, depending on how long he lived. The estimated cost of the settlement package to the defendant, which included an annuity to fund the settlement, was \$197,565.

In this way, the defendant met its \$200,000 maximum and the plaintiff will receive as much or more than he was demanding in a lump-sum settlement.

"Thus, the total guarantee of the program exceeded the plaintiff's demand on a deferred basis with a doubling of the demand on a lifetime basis," Mr. Morbach added.

"The structured settlement bridged the gap between the plaintiff and the defendant."

However, not everyone believes settlement costs can be cut very significantly.

At one time, because plaintiffs' attorneys did not know the defen-

dant's cost to purchase an annuity, companies could get away with purchasing an annuity at a substantial discount to fund future payments, some companies say.

However, as plaintiffs' attorneys have become more familiar with structured settlements, they are able to find out almost the exact cost of the annuity and then often demand that the company increase the amount of the annuity.

"If the plaintiff's attorney has the figures, the company may not save anything," says Emerson Electric's Mr. Ross, whose company has participated in about eight structured settlements in the past year.

"There is probably some savings but it's not something I count on," Weyerhaeuser's Mr. Cooper adds.

Mr. Cooper says that it is not difficult for plaintiffs' attorneys to find out the cost of a structured settlement.

"No one is fooling anybody," he says. "I believe there is some savings but that is due to settling the case (quickly)."

Ford's Mr. Robison adds that whether a company can save anything on a structured settlement depends upon the particular case and factors, like the plaintiff's tax bracket.

"We should theoretically be able to settle a case for somewhat less with a structured settlement than by cash," he says, though he points out that it doesn't follow that because there is a tax advantage to the plaintiff, it will necessarily mean that the cost to the defendant will be less.

"The main benefit remains the ability to settle the case," he says. "We feel that using structured settlements enable us to settle a case we might not have been able to settle as quickly."

Most other self-insured employers agree that legal costs is the one area in which savings are almost guaranteed when a structured settlement is used, primarily because the case is settled more quickly.

Mr. Curtis of Firestone estimates that a company can save 25% on litigation expenses in certain cases.

"Structured settlements can cut legal fees by helping parties reach an equitable settlements," says Mr.

Continued on facing page



### Hospital Risk Managers:

**Hospital Risk Control puts practical risk management expertise and a personal consultant right at your fingertips—for under \$1.50 per day!**

Hospitals lose millions of dollars each year because of needless accidents and malpractice claims. Help your hospital avoid losses with the Hospital Risk Control System from Pennsylvania Insurance Management Company.

HRC—a four-binder information system developed by ECRI, noted research/engineering specialists—gives you practical tips for minimizing risk in virtually every area of the hospital.

HRC shows you how to determine whether a post-op skin lesion was caused by electrosurgery, chemical burn or pressure necrosis. How to handle violent or suicidal patients. Or avoid damaging publicity from a malpractice suit.

And if you run into a problem your HRC manuals don't address, simply phone for personal assistance. One

of ECRI's full-time professionals—physicians, attorneys, engineers, and hospital administrators—will work with you to come up with a solution, and quickly.

HRC also brings you the latest facts on legal, technical, ethical and medical issues you face every day. Plus newsletters, conference listings and educational programs, and interviews with experts in the field.

You get it all—HRC manuals, monthly mailings and personal consultation—for only \$525\* for the initial subscription. The renewal fee is \$475.

So why wait? Put more bite into your hospital's risk management program by ordering your HRC subscription today. Simply return the coupon below, or call toll-free **1-800-233-1005**. In Pennsylvania, call **1-800-382-1378**.

\* All prices in U.S. dollars.

**pimco** ... a member of the PHICO Group  
PENNSYLVANIA INSURANCE MANAGEMENT COMPANY  
415 Fallowfield Road / P.O. Box 53 / Camp Hill, PA 17011

**YES!** I want to add **HOSPITAL RISK CONTROL** to my hospital's risk management program.  
Enter my subscription for one year at a cost of \$525.  Check enclosed  Bill me later

Name \_\_\_\_\_  
Hospital \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



**REINSURANCE**  
**ALL CLASSES**

**Unione Italiana Reinsurance Company of America, Inc.**

127 John Street, New York, New York 10038  
Telephone: 212-269-1951 Telex: 645269UIRNY

# Structured settlements can lead to tax breaks

By **STEPHEN TARNOFF**

Tax advantages could be the greatest benefit for a self-insurer that uses structured settlements to fund liability and workers compensation awards, some experts say.

Several tax attorneys suggest that, in certain cases, companies using structured settlements might take a deduction for the entire amount of the settlement in the year the agreement is reached.

With the deduction and subsequent income generated from investing that sum, a company can wind up actually spending only a fraction of the amount of the settlement. And, in some cases, the company can be even better off economically after being sued, some say.

"It's an unbelievable tax result," says Robert Lichtenstein, an attorney with the Philadelphia firm of Saul, Ewing, Remick & Saul who recently co-authored an article

on the tax advantages of using structured settlements.

Interest in the possible tax advantages grew last fall after the 9th U.S. Circuit Court of Appeals in San Francisco ruled in favor of Kaiser Steel Corp. in its battle with the Internal Revenue Service over deductions for self-insured workers compensation reserves.

In that case, the appellate court ruled that self-insureds can take a tax deduction for reserves for uncontested workers compensation claims.

"Self-insureds are looking at the same concept in general liability claims," notes D. Grant Peterson, a principal of Settlement Planning Inc., a consulting firm based in Minneapolis, Minn. If this were feasible, it would allow a company to financially plan around its liability claims payments, he adds.

"It (the Kaiser case) appears to be very close by analogy," says John McGown Jr.,

an attorney with the Boise, Idaho, firm of Hawley, Troxell, Ennis & Hawley. "It does support the general idea."

Mr. McGown adds that self-insurers should investigate the tax advantages and, depending on the case, should take the deduction. "As a general statement, I would recommend it," he says.

Under the accrual method of accounting, the company involved would take the deduction as an ordinary and necessary business expense for the entire amount of the structured settlement in the year it is entered into.

Central to the company being able to take the deduction, according to some attorneys, is its ability to meet the so-called "all-events test," a federal rule governing tax deductions.

Under the all-events test, the company would have to prove:

- That all of the "events" controlling the

fact of the company's liability had occurred during the tax year.

- The amount of its liability could be determined with reasonable accuracy.

Both prongs of the test are met with a structured settlement, attorneys say. Establishment of liability has occurred because the number of payments is fixed and not subject to any future contingencies, and, since payments are structured and agreed to be paid in a fixed amount, the amount of liability is known with reasonable accuracy.

"The question that remains then, is what amount is to be deducted?" asks the article in *Taxation for Lawyers* by Mr. Lichtenstein and co-author Donna F. Winquist. For example, a company could deduct the full amount of the settlement or just its current value.

"Authority exists to support the proposition that the full amount to be paid is de-

*Continued on next page*

## Costs reduced

*Continued from facing page*  
Frayer of Dow Chemical. "To the extent it is a tool that helps you do that, it does (cut costs). I can't quantify it, but it does."

"Structured settlements from time to time enable us to save money on defense and investigative costs," adds Mr. Robison. "It's not due to the structured settlements as such, but because it enables us to settle a case more quickly."

But Emerson Electric's Mr. Ross says that often cases are so far down the line before a structured settlement is considered that the savings in legal costs may not be substantial.

But others have found that even if a plaintiff's attorney won't agree to a structured settlement, its introduction into negotiations can still help cut settlement costs, says Allan R. Scharf, casualty claims manager for Boise Cascade Co., which self-insures its liability risks.

"It (a structured settlement) can be used as a negotiating tool, even if it doesn't fly," he says.

When a plaintiff comes into negotiations with a high lump-sum demand, a structured settlement approach can point out the actual cost of his present and future needs, leading to a reduction in the demand even if a structured settlement is never reached, Mr. Scharf says.

Some risk managers also point to other less quantifiable benefits of structured settlements.

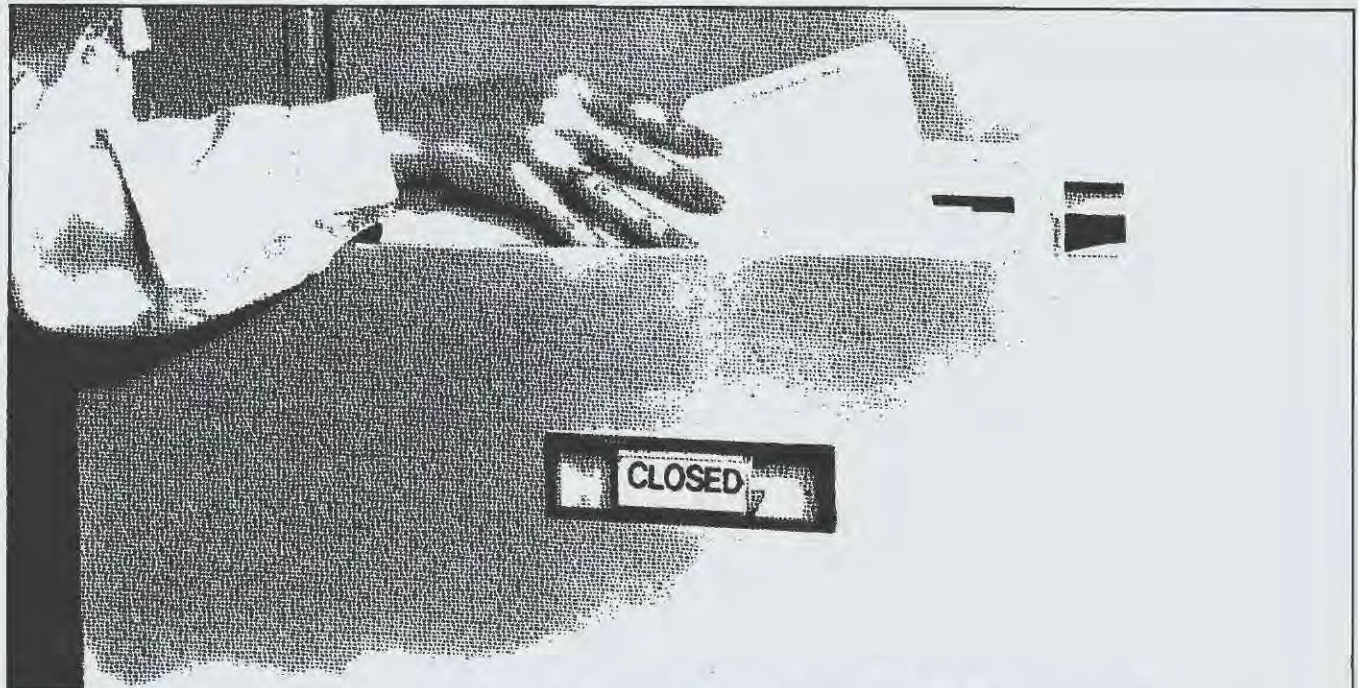
For example, they have found that the use of a structured settlement can make it easier and quicker to get top management to approve a settlement because a structured settlement specifically identifies what the money will be used for.

"You can earmark the money so it is more palatable from the company's standpoint," says Mr. Curtis of Firestone, pointing out that whenever a corporate attorney negotiates with a plaintiff, it is negotiating with its own executives as well.

Structured settlements also can help a self-insurer's relationship with his excess insurers because everytime the self-insurer saves on a settlement, it is less likely to have to tap its excess insurance, which should keep insurance rates lower.

"It's been my experience that underwriters look very favorably on companies that use structured settlements because they feel it lessens the potential that the cost of settlement will exceed the self-insured retention," says Tobias Welo, managing director of Marsh & McLennan Inc. and manager of its structured settlement services.

"To the extent it lowers the loss ratio, it would influence and lower the premium cost."



## Responsible Rehabilitation.

*The claims investment that reduces your costs by increasing your returns.*

Practical and effective rehabilitation can save you claim dollars. Today, job related disability affects more than one out of four unemployed Americans. With a staff of highly qualified and experienced vocational rehabilitation counselors, registered nurses, and job placement specialists, Constitution Rehabilitation Company can provide cost-effective solutions to your disability problems. Investing in our quality services will bring you dividends by reducing your claim costs.

We believe early intervention and quick action produces the best results. Once your referral is received, one of our professionals makes

contact with the disabled individual within 24 hours. Prompt and pertinent communication by the professional will keep you informed from initial case evaluation to final resolution.

We are building Constitution Rehabilitation Company with a basic philosophy that emphasizes quality services and efficient results at a competitive cost. Our high rate of resolved cases proves that responsible rehabilitation will work for you as it has for the disabled. Call our rehabilitation manager in your state collect for more information on our services. With escalating claim costs, how can you afford not to?

### Constitution Rehabilitation Company

The Responsible Rehabilitation Resource.

**HOME OFFICE**  
10008 North Dale Mabry  
Suite 111  
Tampa, Florida 33618  
(813) 969-0701

**ALABAMA**  
(205) 969-0363

**NO. CALIFORNIA**  
(408) 971-1400

**SO. CALIFORNIA**  
(714) 937-4550

**DELAWARE**  
(302) 652-0619

**FLORIDA**  
(813) 876-8307

**GEORGIA**  
(404) 393-7540

**LOUISIANA/MISSISSIPPI**  
(504) 832-7590

**MICHIGAN**  
(313) 423-2040

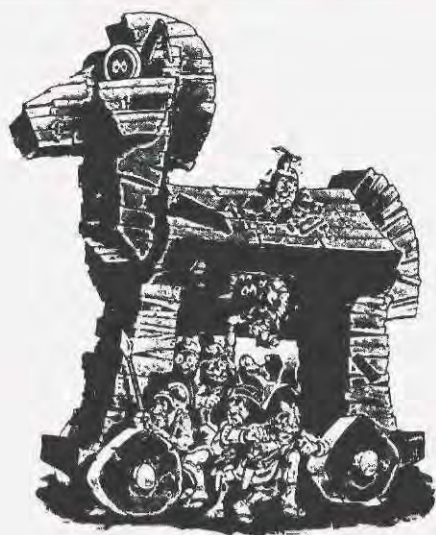
**MINNESOTA**  
(612) 884-5375

**NEW JERSEY**  
(609) 772-4201

**NEW YORK**  
(516) 741-0663

**PENNSYLVANIA**  
(215) 964-2890

**VIRGINIA/MARYLAND/  
WASHINGTON, D.C.**  
(703) 941-3471



**Marine Insurance.**  
**If it's Greek to your company,**  
**you could be in for a big surprise.**

For marine, oil industry or other difficult risk coverage, call or write Adams & Porter Associates, Inc., 1819 St. James Place, Houston, Texas 77056-4197 (713) 960-9990. Also in New York and Bermuda.

**ADAMS & PORTER**

We take the myth out of corporate insurance.

## Structured settlements can cut tax bills

*Continued from previous page*  
 ductible in the year of the settlement."

Mr. Lichtenstein's and Ms. Winquist's article uses the example of a self-insurer in the 50% tax bracket that self-funds a \$3 million structured settlement without purchasing an annuity from a life insurer.

Under the terms of the settlement, the plaintiff receives an up-front payment of \$1 million, with the balance of \$2 million paid in installments of \$80,000 over 25 years, with any payments remaining at the plaintiff's death going to the plaintiff's estate.

The authors say that if the company self-funds the obligation, it could deduct the entire \$3 million, resulting in a tax savings to the company of \$1.5 million (50% of \$3 million).

This amount is larger than the \$1 million payment in the first year, and the \$500,000 remainder then could be invested. If a 15% after-tax rate of return is earned, the investment will earn \$77,350 a year.

Thus, it costs the company \$2,650 from general assets each year to make the \$80,000 payment. The obligation to pay \$2,650 annually has a present value to the company of \$17,125, which is the total cost of the settlement to the company after taxes.

"If the \$2 million were paid over 50 years (\$40,000 annually), the earnings produced on the portion of the tax saving not paid initially (\$500,000) would more than offset the annual obligation, producing a net gain to XYZ (the company)," the article says.

A tax advantage—although not as great of one—would also be possible for companies that purchase annuities from life insurance companies or use other investment vehicles, the authors say. The tax advantage would not be as great because a deduction can only be taken for the up-front lump settlement and the cost of the annuity, not the final value of the settlement.

Mr. McGown cites another example of a company being economically better off after entering a structured settlement than if it had never been sued.

The case involves a self-insured company using an accrual-based accounting method that is given option of paying either \$1 million in 1981 or \$3 million in 1991 to settle a lawsuit.

If certain conditions are met, the taxpayer can deduct the \$3 million in 1981 even though payments are to be made in the future.

If the company is in the 50% tax bracket and has enough income to absorb the \$3 million deduction, it will save \$1.5 million in taxes otherwise payable in the year of the settlement, Mr. McGown says.

If it invests the tax savings in tax-free bonds yielding 10%, in 10 years it will accumulate \$3,890,614. "Thus, economically the company is \$890,614 further ahead in 1991 than if it had not been sued," Mr. McGown says.

A report by the Committee on

Taxation of the New York City Bar agrees that a structured settlement obligation would currently be deductible, but it does not sanction such deductions. However, it probably will not take any action on the issue because it believes few self-insurers will self-fund structured settlements without buying annuities.

In many cases, plaintiffs will not accept a structured settlement not backed by an annuity for fear the defendant may be unable to pay.

"The committee is of the view that, if there were a structured settlement by an uninsured defendant, the law at present allows a full deduction to an accrual-basis taxpayer since the 'all-events' test is met," the report says.

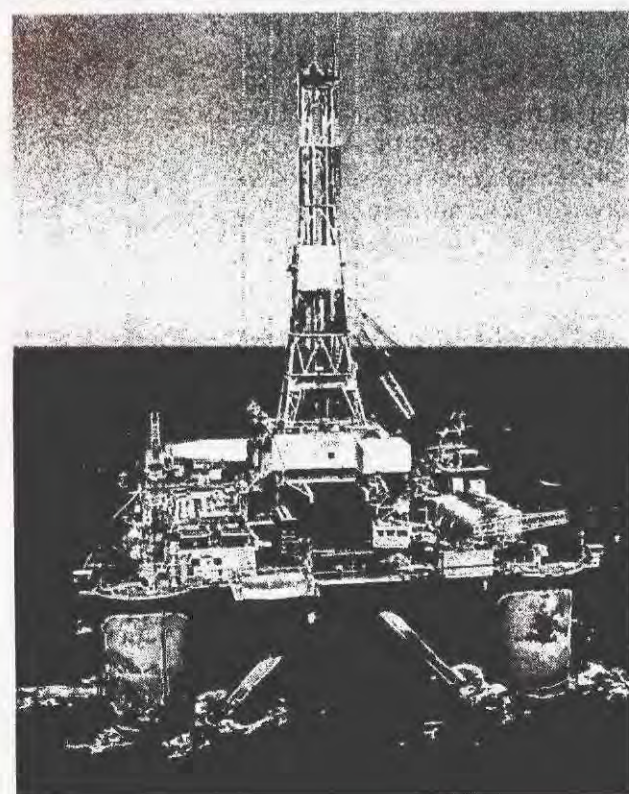
However, "the committee believes that a full up-front deduction in such a case represents an unwarranted result. It is divided, however, on whether the likelihood of abuse by uninsured tortfeasors is great enough to justify remedial action."

"To the extent that significant uninsured cases exist, however, the committee's view is that the ability of the tortfeasor to accrue currently the full amount of the settlements will create a significant economic distortion if those settlements take the form suggested in the literature."

In addition, some contend that because the policy of tort law is to prevent injuries, courts might not allow such self-funded settlements.

In addition, some say that the IRS would challenge the deduction.

Attorney Mr. McGown says he "would not necessarily expect a challenge," but says a company taking such a deduction should prepare for a challenge. ■



*We Specialize In*

## MARINE INSURANCE

**And in The Reliable Underwriting of a Wide Variety of Risks.** We're not the largest marine insurance company, but big doesn't necessarily mean best. And as the service record shows, our reputation for reliability and innovation is unrivalled. Our clients include small fishing boat operators as well as large multi-national corporations. Whoever they are, whatever their risks, all receive the same personalized attention and share the benefits of fair, competitive rates and comprehensive protection. If you are in a business requiring underwriting of marine related risks, please give us a call. You won't be sorry.

**We offer onshore as well as offshore coverage** to the oil and natural gas drilling industries for rig physical damage, cost of control, loss of earnings, seepage and pollution, drilling and re-drilling and comprehensive general liability.

Call or write for a copy of our brochure—Continental Underwriters, Ltd., "Who We Are, What We Can Do For You."

**Continental Underwriters, Ltd.**

419 Decatur St.  
 New Orleans, LA. 70130  
 Telephone (504) 581-7493  
 Telex: 58-318 • 266052 CULTD

Correspondents at Lloyds of London



## The Market Difference

**Working with Agents & Brokers throughout the United States offering a wide range of programs.**

GUARANTEE COST PLANS

DEDUCTIBLE PLANS

RETRO & RETENTION PLANS

SELF-INSURANCE RETENTION PLANS

ON & OFFSHORE DIVIDEND PLANS

CAPTIVE & RENT-A-CAPTIVE PLANS

EXCESS COVER PLANS

FILINGS IN ALL STATES

PERSONALIZED SERVICE

**In most cases we maintain "in-house" capability to quote & bind.**



**COMMERCIAL AMERICAN**

UNDERWRITERS, INC.  
 Managing General Agency

2 North Point #550  
 Houston, Texas 77060  
 (713) 999-2035

# Structured settlements also have disadvantages

Self-insurers that use structured settlements to resolve liability claims should be aware of potential pitfalls.

Under a structured settlement, the company retains a contingent liability it does not have with a lump-sum payment. As owner of the annuity purchased to fund the settlement, the self-insurer would be responsible for future payments to the plaintiff if the life insurance company that sold the annuity goes broke.

And while many say it is unlikely the life insurer will go broke, others point out that the payments to the plaintiff are paid out over such a long period of time that changes in the economy or society could alter the life company's financial health.

To counter to this, it is recommended that the annuity be purchased from a financially solid life insurer that has a Best's rating of A-plus and that companies consider transferring their contingent liability to a third party.

"If you pick a good company (life insurer), there's no reason to be concerned at all," says David Ringler, president of Ringler Associates Inc. of Newport Beach, Calif., a structured settlement broker.

"There's never been an A-plus company that has failed," Mr. Ringler notes.

"We only buy annuities from triple A-rated companies," adds Allan R. Scharf, casualty claims manager for Boise Cascade Co. in Boise, Idaho.

"The probability of a triple A-rated company defaulting on an annuity is rather remote."

Others, however, don't feel this confident.

"I'm not prepared to accept at face value that just because it never happened before, that means it can't happen," says Tucker Fitzhugh, president of International Sureties Ltd. in New Orleans, an insurance agency.

"It (the health of life insurance company tapped for the annuity) is a point for worry," says Don Cooper, liability program manager for Weyerhaeuser Co. in Tacoma, Wash.

Moreover, life insurance companies themselves don't have to be in trouble to jeopardize the payments on annuities. It could be the insurer's parent that hits hard times.

Several point to the life insurance company subsidiaries of Baldwin-United Corp., which are currently in rehabilitation following their parent's filing for bankruptcy.

A spokesman for Baldwin-United said that at least one subsidiary did sell annuities used for structured settlements but that plaintiffs are still receiving their payments.

If a life insurer becomes insolvent, the impact on the self-insurer that purchased annuities from it could be devastating.

Donald Wurster, a vp for National Indemnity Co. and Columbia Insurance Co. in Omaha, Neb., cautions that the self-insurer's potential liability is not just the cost of the annuity but the entire payout of the periodic settlement, which includes the accumulating interest payments.

Moreover, because companies have already paid for the annuity, the company, in effect, would have to pay twice on the claim if the insurer failed and the company had to pick up the cost of payments to the plaintiff, he says.

A self-insurer's financial woes would be greatly compounded if it funded numerous structured settlements by purchasing all or most of

the annuities from one life insurance company that subsequently became insolvent, some experts point out.

Although some states have guaranty funds to protect policyholders of insolvent insurers, not all states have such funds and it is not clear how much money would be available from such funds.

"Some states don't have them," says Mr. Wurster. "And even with guaranty funds, protection is not absolute."

As a result of the potential liability, consultants advise that besides selecting an A-plus rated company, that the self-insurer also consider the financial strength of the insurer's parent and not concentrate the purchase of all annuities with insurer.

"If you are doing a lot of struc-

ured settlements, make sure they aren't concentrated in one life company," stresses Dan Hindert of Benefit Designs Inc. a Cincinnati-based consultant.

Others recommend that self-insurers transfer their contingent liability obligation to a third party.

"If you can avoid the risk, you should do it," explains Mr. Wurster. "Remove the liability if you can."

The transfers, which have become common following recent tax legislation but which require the plaintiffs' approval, can take several forms including an assignment and payment performance bond.

For a fee, the assigning company obtains a complete release from liability.

Most companies contacted said they had not transferred their lia-

bility for structured settlements because of their confidence in the life companies from which they purchase annuities, but they added that it was something they had considered.

"We've not used them (methods of transferring risks), but we are looking at them," says Donald Frayer, claims manager for Dow Chemical Co. of Midland, Mich.

"We would like to pay the money and get off the risk altogether," he says.

Mr. Cooper of Weyerhaeuser says his company also has not transferred its contingent liability on the cases it has structured.

In some cases, plaintiffs want the self-insurer to assign the obligation if the plaintiff fears the self-insurer would not be financially able to make payments if the life insurer

went broke.

Companies that will accept assignments include Life Insurance Co. of North America of Philadelphia, a unit of CIGNA Corp.; Western National Life Insurance Co. of Amarillo, Texas; Manufacturers Life Insurance Co., Toronto, Ontario; SAFECO Life Insurance Co. of Seattle; and National Indemnity Co. of Omaha, Neb.

Merrill Lynch IBAR Inc. and Ringler Financial Management, a unit Ringler Associates Inc., are structured settlement brokers that also will take on such assignments.

The Travelers Indemnity Co. offers a payment performance bond, which functions as an assignment. The cost for an assignment may vary but can range from a flat fee of \$500 to 4% of the cost of the annuity. ■

## THE WINNING TEAM IN HEALTH CLAIMS ADMINISTRATION

### 1 QICCLAIM - HEALTH CLAIMS MANAGEMENT SYSTEM

In just two years, QicClaim has set the standard for excellence in automated health claims administration systems. With more than 60 installations nationwide, QicClaim provides in-depth management information reporting for cost containment analysis, loss reporting and benefit utilization to more than 5000 companies every day. QicClaim is the affordable solution to your organization's needs, including analysis, design, installation, training, maintenance and ongoing support.

### 2 QANTEL BUSINESS COMPUTERS

Proven reliable with more than 20,000 business systems installed, Qantel combines this experience with the support of more than 2500 sales and

service personnel worldwide and a major commitment to the employee benefits administration industry. From NFL playing fields to insurance companies... Qantel is the computer of champions.

### 3 EMPLOYEE BENEFITS ADMINISTRATION PROFESSIONALS

With the systems and support of QicClaim and Qantel, employee benefit plans are currently being administered covering more than 2 million people. Third Party Administrators, insurance companies and self-administered organizations are joining the Q Team for systems, solutions and support that only a champion can provide.



For Q Team membership information, contact:

**RIMS**  
RESOURCE INFORMATION  
MANAGEMENT SYSTEMS, INC.

2015 Spring Rd., Suite 220 Dept. BI 4220  
Oak Brook, IL 60521 • 312/789-0230

THE  
QTEAM

## ARC HEALTH SERVICES, INC.

### A New Advanced Claims System For Self Administration

- Automatic Assignment of ICD9, CPT, ADA (dental) UB (Hospital) codes by built-in medical dictionary.
- Benefit rules, deductibles, eligibility, coinsurance, maximums, and duplicate checking are handled automatically, on line, realtime.
- Automatic generation of initial and follow-up correspondence.
- Specifically designed for today's complex benefits-flex benefits, Section 125, cafeteria plans, 401 (K).
- A cost effective package (hardware and software) from 1500 to any size population.

16775 ADDISON ROAD, SUITE 201  
DALLAS, TEXAS 75248  
(214) 248-6241

# Periodic payments can ease administration of comp awards

Self-insurers are becoming particularly interested in structuring workers compensation awards.

Although their interest in using periodic payment settlements to resolve liability cases is still relatively new and growing, their interest in structuring work comp settlements is even newer.

"It really is growing," says John Molloy, manager of workers compensation for K mart, the Troy, Mich.-based retailer. "An awful lot of people are interested and looking more and more at them."

"The advantages are many," adds Lisa Heller, claims assistant in the corporate risk management department of Amfac Inc. in San Francisco. "It's a good deal all the way around."

So far, Amfac has structured only about 1% to 2% of its workers compensation cases during the past 1½ years, but "we would like to see it done more," she says. "We definitely want to increase it."

Timothy Morbach, assistant vp and director of periodic payment settlement planning for Kidder, Peabody & Co. Inc. in Detroit, agrees that the use of structured

settlements in workers compensation cases is increasing and is just now gaining the attention of structured settlement specialists.

K mart's Mr. Molloy, says self-insurers can reap both "monetary and administrative savings" from using structured settlements in workers compensation cases.

For example, in one case that could have cost K mart as much as \$800,000, it was able to purchase an annuity and fund a structured settlement for \$250,000.

**Besides cutting costs**, paying workers compensation benefits through an annuity purchased from a life insurer removes a lot of the administrative hassle from the self-insured employer.

Workers compensation payments are already structured, points out Douglas Stevenson, executive director of the National Council of Self-Insurers, but a self-insurer that purchases an annuity to fund work comp benefits gets rid of the administrative burden of writing checks periodically and keeping track of the claimant.

While Mr. Morbach says structured settlements are particularly useful when dealing with the "contented disabled" that will never return to the work roles and also in catastrophic permanent disability cases where there could be substantial future medical payments, many are structuring settlements for less-than-catastrophic amounts to avoid administrative chores.

Mr. Molloy says some companies are structuring cases with benefits as low as \$20,000 or \$30,000 just to get rid of the administrative burden and expenses.

Conrail initially limited structuring settlements to cases valued at \$100,000 or more, but during the last two years the railroad has been structuring cases worth far less, in-

cluding one case for \$10,000, says Theresa McCartney, Conrail's structured settlement analyst.

K mart also used a structured settlement in a workers compensation case to protect an ill woman from liens on her income. With a lump-sum workers compensation award, her income could have been attached to pay her housing costs, but it could not be attached when it was contained in an annuity purchased through a life insurance company, Mr. Molloy said.

Some don't agree that structured settlements are as valuable for resolving workers compensation claims as liability claims.

Richard Bureson, senior vp of Corroon & Black Corp. in Nashville, Tenn., says that companies may be better off paying the money in increments over many years than purchasing an annuity.

"I don't think as a broad general rule you find companies thinking they can't hold onto the money and invest it themselves better than insurance carriers," he says.

While there are circumstances where structured settlements are beneficial in work comp cases, they are probably more often amenable in liability cases, he added.

One reason why Union Oil Co. of California in Los Angeles has not been involved in any workers compensation structured settlements is that the payout is not high enough to really make a structured settlement worthwhile, says Art Fitzgerald, the company's manager of workers compensation.

"You don't have the shock cost that there is in a liability case," he says. "Overall, the cost of a workers compensation case is considerably less than in a liability case."

"I don't see it (structured settlements) making any deep inroads in workers compensation in the foreseeable future."

## Security Guard, Detective and Patrol Services - Burglar and Fire Alarm Monitors and Installers

HASNT ANYBODY TOLD YOU ABOUT COVER X...?

If you have a current or potential client involved in security work and haven't told them about CoverX Corporation, odds are your competitor will.

As one of the leading underwriters of this class of business in the U. S., CoverX has the necessary expertise, facilities and authority to provide the prompt, efficient and competitive responses required by both broker and insured.

Our comprehensive liability product together with limits of liability up to \$10,000,000 makes a CoverX quote a must for any insurance professional.

For further information or applications call or write . . .

**COVER X CORPORATION**  
P. O. Box 5096, Southfield, Michigan 48086  
Telephone: (313) 358-4010 - Telex: 23-5635

## Settlement Planning, Incorporated...



For those who think liability settlements have gotten out of hand.

"Settlement Annuity Specialists"



SETTLEMENT PLANNING, INCORPORATED  
IN MINNESOTA 6800 FRANCE AVENUE SOUTH • MINNEAPOLIS, MN 55435 TOLL FREE (800) 922-6800  
(612) 920-6166

# Experts split on self-funding settlements

While the method most often used by companies to fund structured settlements is through purchase of an annuity from a life insurance company, some companies have used or are looking at other methods.

One way is to self-finance the claim in-house.

Lawrence Curtis, senior counsel for Firestone Tire & Rubber Co. in Akron, Ohio, says his company has discussed the possibility of self-financing. And although it has not funded any in this manner, large companies with sophisticated investment and self-administered retirement programs may find it a better way to handle structured settlements.

An attorney for a large oil company added that his company has self-financed in two cases and was

very satisfied with the results. The benefit was in the "ultimate cost to the corporation," he says.

The benefits of self-financing a structured settlement include the possibility of significant tax advantages and also a better rate of return of the investment than an annuity could bring. In addition, the company can avoid paying a commission to the life insurer and the broker involved and also improve company cash flow.

Some structured settlement consultants that help companies set up settlements funded by annuities, however, contend that self-financing is not the best approach.

"There is a noticeable trend away from that," says David Ringler, president of the consulting firm Ringler Associates Inc. in Newport Beach, Calif.

"A number of clients looked at self-funding and determined it is better for them not to do so," adds Len Blonder, general manager of The Structured Settlements Co. in Los Angeles.

One reason was "the risk factor in self-financing," he says. Most clients weighed the alternatives and decided they would have to take substantial investment and mortality risks that are better left to the expertise of life insurance companies, Mr. Blonder adds.

Self-financing also may not be a viable method for handling claims because plaintiffs' attorneys may not be willing for their clients' claims to be funded this way, several consultants pointed out.

In the event of a self-insurer's bankruptcy, the plaintiff would become a general creditor and have to

wait in line with others to receive agreed-upon payments.

"We've always bought an annuity," says Kenneth Ross, assistant general counsel-products liability for Emerson Electric Co. in St. Louis. "We don't see any real reason not to."

If a company self-finances a structured settlement, it needs someone to administer the system. In contrast, when an annuity is purchased, the company can just spend the money and rid itself of the claim, Mr. Ross points out. However, a company that structures a lot of claims may find self-financing helpful, he added.

And, one periodic payment consultant says that self-financing should be considered as one of several options when funding a structured settlement. It should be part of an overall

assessment of what the impact of the structured settlement will be on the company's bottom line.

"There is a financing perspective not occurring in periodic payments," says Pat Hindert, president of Benefit Designs Inc. in Cincinnati. "Companies should include integrating the financial perspective with the claims process."

Thus, how a settlement is funded should include not only the input of corporate or outside counsel, who negotiate the settlement, but also the company's risk manager, corporate personnel responsible for investments and an analysis of what the tax consequences will be.

"Every case is different," adds Dan Hindert, vp for Benefit Designs. "A company needs the best analysis of what the bottom-line impact will be."

## N.Y. governor to push deregulation bill

Continued from page 2

allowed to own or acquire insurers, insurers should be allowed—again through holding companies—to own or acquire state-chartered commercial banks, national banks with headquarters in New York or stock-form thrift institutions with New York headquarters.

• A provision of New York insurance law that forbids bank-controlled agents from placing insurance on property that is the subject of a loan should be repealed as of Jan. 1, 1986. At the same time, the superintendent of insurance should be given the power to revoke the insurance agency authority of a bank that unfairly ties insurance sales to loans.

• Other steps should be taken to prevent coercive, tie-in sales, including a requirement that lenders selling insurance offer new policyholders a 30-day cancellation privilege. Lenders should also be barred from pushing insurance products to prospective borrowers before acting on a credit application.

• The Insurance Department should regulate banks that act as insurance agents or brokers, and the state insurance holding company law should apply to any bank/insurance company conglomerate. Insurers controlled by banks should also comply with a state law requiring that at least one-third of the company's board be composed of outside directors and that at least one committee of the board be composed entirely of outside directors.

• The Insurance Department and the state's budget office should review the adequacy of the department's budget for future years as its responsibilities increase.

The commission voted 12-4 in favor of the proposals, with one abstention.

Among those casting "yes" votes was Maurice R. Greenberg, president and chief executive officer of American International Group Inc. Mr. Greenberg's support wasn't

wholehearted, though.

In a separate statement accompanying the commission's report, he advised a complete "walling-off" of capital between a bank and its insurance subsidiaries to prevent the kind of problems uncovered in the Baldwin-United Corp. reorganization.

Mr. Greenberg also fears that allowing banks into insurance will intensify the current round of rate wars, increasing the risk of insurer insolvency. He suggested that state insolvency funds should be bolstered by a tax on all residents, not just on insurers.

Commission members voting against the proposals included Rob-

ert M. Best, chairman and chief executive officer of Security Mutual Life Insurance Co.; John J. Creedon, president and chief executive officer of Metropolitan Life Insurance Co.; Alfred S. Howes, president and director of Employee Incentive Plans of America Inc.; and Louis J. Lefkowitz, a lawyer and former state attorney general.

Among the six non-voting members of the commission was Insurance Superintendent James P. Corcoran.

Mr. Corcoran said that he doubts the deregulation proposals would have much of an impact on commercial property/casualty rates, mainly affecting the insurance distribution system instead.

## When EPA Compliance Just Isn't Enough Insurance



Your PCB-contaminated transformer was in the EPA specified 50-500 ppm range. Are you aware of the potentially disastrous consequences of a leak, spill, or fire?

- Reluctance to repair faulted units over 50 ppm.
- Burial of faulted units over 500 ppm.
- Legal threats resulting from PCB leaks or spills near waterways or sensitive areas.

Consider the increasing focus on PCB by-products - DIOXINS AND FURANS. As toxic "suspicions" today, tomorrow's standards may define them as expected or foreseeable liabilities. EPA compliance will not free you from unexpected risk - perhaps At Your Expense if under a deductible.

Sunohio's PCB-X can RECLASSIFY YOUR TRANSFORMERS TO BELOW 50 PPM, decreasing your exposure to toxic damage claims, leaving usable oil and the transformers safe for repair.

Contact Sunohio - the high voltage expert in electric power systems.

### SUNOHIO

1700 GATEWAY BLVD., S.E. / CANTON, OHIO 44707  
(216) 767-3411 OR (216) 452-0837

FOR THE ECONOMICAL, RELIABLE, SAFE DISPOSAL OF PCB'S **PCB-X**

Excess/Surplus

Self-Insurance

Property and Casualty

Surety Bonding

Claims Administration

Reinsurance

Captive Management

Association/Group Plans

Cash Flow Management

# Risk Management

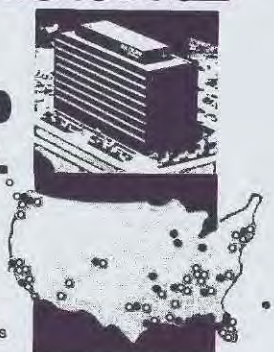
Contact the Crump office in your area, or call us at our corporate headquarters.

**Crump**  
does it all

EHC

**E. H. CRUMP COMPANIES, INC.**

5350 Poplar Avenue  
Memphis, Tennessee 38117  
901/761-1550



• Property/Casualty Agencies  
• Excess/Surplus/Specialty Offices

Business Insurance is available in Microform

University Microfilms International

300 North Zeeb Road, Dept. P.R., Ann Arbor, MI 48106

## A&A disputes contract bidding

Continued from page 1

"The minimum 80-point rating was, at best, an arbitrary standard designed to eliminate truly unqualified firms," maintains the RTD in a written response to A&A's Feb. 7 protest.

"The standard for selection when only three proposals were received from firms of such international reputations as those we received (James, A&A and M&M) could not be applied in an absolute or arbitrary fashion."

The RTD calls A&A's allegations "without merit," but has not released the results of the ranking. They probably will not be released until all contract negotiations are complete, notes Mr. Richeson.

The transit district also is asking A&A to reveal the name of the RTD staff member from whom it received proprietary information about results of the bidding competition.

Contract negotiations now under way between RTD and James are

expected to conclude in about a month. "I see no reason to believe we can't reach a satisfactory contract with (James)," Mr. Richeson says. In the unlikely event that the two parties cannot agree on terms of the agreement, the bidding process may be reopened, he adds.

James is the major party in a joint venture called JKOR, which was formed to serve as insurance administrator for the RTD project. James' partners are Santa Ana, Calif.,-based broker Akasaka, Ortiz & Ciocatto; Kadawaki & Associates in Los Angeles; and Rideau & Associates in Culver City, Calif. James' responsibilities as insurance administrator will likely include:

- Designing a complete owner-controlled insurance program (OCIP), with RTD as the owner. James will advise the RTD on policy limits, deductibles, policy durations and other coverage considerations.

- Placing all the insurance needed. Insurance coverages that James places will be billed to the RTD net of commissions.

- Developing a projectwide safety program designed to reduce both employee injuries and general liability exposures. James must establish safety standards, safety incentives and a training program and prepare safety manuals for those who will be on the job site.

Enforcement of the safety program will largely be the responsibility of the construction manager, an individual hired by the RTD.

- Processing all claims.
- Designing and maintaining a preconstruction survey program

covering structures and facilities adjacent to the project. "With the amount of tunnel work we'll be doing, insuring the high-rise buildings downtown will be quite significant," Mr. Richeson points out.

- Developing a financial management program, which will include cash-flow projections and monthly managerial reports to the RTD. James will advise the district on investing claim reserves, but the RTD will be responsible for the funds.

- Developing a surety guarantee reserve account for bonding minority-owned subcontractors involved in the construction.

It is national policy to award a fair share of contracts to small and minority-owned businesses. In this case, James is to have 10% of the participating labor force come from small businesses and 2% from women's businesses.

James must organize a surety bond packaging team, which will assess the surety needs of all participants in the program and assist the subcontractor in preparing a bond package. During the construction, James will act as liaison between sureties and subcontractors and will supervise subcontractors who are issued bonds.

"This is probably the first time that bond packaging has been put into one of these types of contracts," Mr. Richeson notes.

To administer the Metro Rail programs, James will set up a service office in or near the RTD's downtown Los Angeles office and staff the office with a program director and support personnel.

Details about how James will profit from the venture are still being negotiated, but the company will not be paid for its services on a commission basis, Mr. Richeson explains.

Compensation for the first two years of the contract will be on a cost-plus-fixed-fee basis. This arrangement is common when the

scope of the work involved cannot be precisely defined, Mr. Richeson notes. The size of the fixed fee probably will be the last point negotiated, he adds.

The contract will be renewed annually after the first two years. James may continue to be paid in the same manner after that period or could be paid on a per-claim basis, with a flat monthly fee or on a scale based on the Consumer Price Index.

Mr. Richeson estimates that James will place as much as \$85 million in insurance premiums during construction of the Metro Rail, which is scheduled to be in operation by 1991.

Insurance will have to be comprehensive since the design and construction-related risks associated with the venture are great.

Most of the route will be tunneled 50 to 100 feet below streets or private property, with a substantial section through the Santa Monica Mountains from Hollywood to nearby Universal City. Boring machines will be used in tunneled segments, but dynamite blasting may be necessary to cut through the mountains.

Cut-and-cover construction will be used to build a part of the 18-station system. This requires temporary road surfaces to be placed over street excavations to permit vehicle and pedestrian movement while tracks and subway structure can be laid underneath.

"Tunneling offers the lesser disruption to the surface environment and lower risk of property damage. A significantly larger amount of disruption and higher risk to surrounding buildings are associated with cut-and-cover construction," the RTD explained in its Nov. 1, 1983, request for bidding proposals.

Insurance coverages that RTD wants purchased for the project include:

- Workers compensation and

employer's liability insurance for all contractors, architects and engineers. This will likely be a loss-responsive dividend policy under which the RTD would benefit from any dividends declared, Mr. Richeson explains.

- Comprehensive general liability insurance. The RTD wants contractors to have deductibles of about \$2,000 to \$5,000 per occurrence and will pay for losses above that up to \$500,000 per occurrence. Then, the RTD wants excess insurance purchased above \$500,000.

- Builders all-risk insurance. This would cover all property throughout the course of construction, although contractors will have to have their own automobile coverage. The RTD wants deductibles for the builders all-risk policy to be the same as those in the CGL policy, but also wants to purchase excess umbrella coverage. Policy limits are still being discussed.

- Architects' and engineers' professional liability insurance. This will cover all design professionals involved in the project during the construction and for 10 years after the subway system begins operating. The RTD assumes design firms will pay up to the first \$1 million with their existing policy deductibles, and wants to purchase coverage in the range of \$1 million to \$75 million.

- Other miscellaneous coverages that may be required during the construction period, such as railroad protective coverage, which covers the area around an active railroad, or difference-in-conditions coverage.

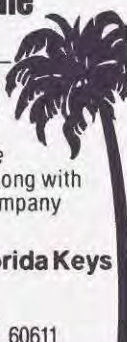
About 62% of the Metro Rail will be funded with federal monies. The rest of the money will be supplied by a combination of state transportation department funds, local sales taxes, city funds and private revenues.

Major construction, which may disrupt traffic, will not begin until after the 1984 Olympic Games. ■

### Before you go to the Florida Keys...

get the book that opens the door to what to see and do from Key Largo to Key West... *Humm's Guide to the Florida Keys*. Send \$2.00, along with your name and address, company name and title, to:

HUMM'S Guide to the Florida Keys  
Single Copy Sales  
Crain Communications Inc.  
740 Rush Street, Chicago, IL 60611



## RIMS encore '84 ... and more

22nd Annual Risk Management Conference • April 1-6, 1984 • New York, N.Y.

### The Risk Management Challenge

Nothing suits the risk management challenge in you like "RIMS encore '84..." You're a unique individual who wants to be on the right 'track' in your field.

At the 22nd annual Risk and Insurance Management Society (RIMS) Conference, you will be able to follow **three distinct tracks: Risk Management Information Systems, International Risk Management and Introduction to Risk Management**, or you can attend sessions in a variety of subject areas for a broader overview.

The five high-quality **concurrent (split) sessions** offered will inform you on topics from data processing centers and security problems and solutions to combining employee benefits and workers' compensation delivery systems.

"Exceptional" sums up the **trade show exhibits**.

**RIMS encore '84... and more** promises to be a risk management experience. Be there!

For additional information, fill out the coupon below or call RIMS at (212) 286-9292.

Please forward information on Encore '84 to:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State/Prov.: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Telex: \_\_\_\_\_

RIMS, Conference Dept., 205 E 42 St., New York, N.Y. 10017

BI 130

## Bank appoints receiver for Bermuda-based P&I club

Continued from page 2

the P&I club and received a six-week continuance from the Supreme Court earlier this month.

Oceanus at one time insured liability risks for more than 2,000 vessels. It produced gross premiums of \$48.3 million in 1981, the last year for which figures are available.

Like most P&I clubs, Oceanus in-

sured the liabilities of its member vessels in exchange for payment of premiums, known as calls. The premiums paid to a P&I club vary with the claims experience of the mutual; additional calls are made if more money is needed.

However, Oceanus did not pool its reinsurance, like most other P&I clubs that place their reinsurance

primarily in Lloyd's and the London markets. Instead, Oceanus placed its reinsurance with a group of reinsurers led by The Degary Group, a French reinsurer.

Since 1981, these reinsurers have "delayed the settlement of claims" to the club, one of Oceanus' attorneys, Colin Jenkins, said before the receiver was appointed. ■

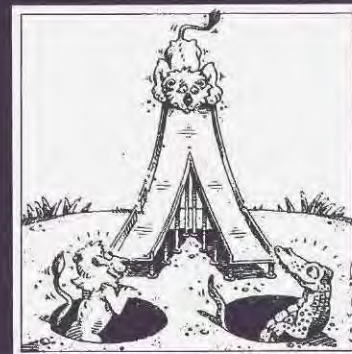
To RFC Intermediaries as a source of facultative reinsurance. RFC offices nationwide extend your facultative reinsurance

access into more than 250 different reinsurance markets. And RFC stands ready to service claims and help evaluate risks, too.

For facultative reinsurance and treaty coverage as well, turn to RFC's marketplace know-how and expertise.

RFC Intermediaries, Inc.

### WHERE CAN YOU TURN WHEN THE RISK IS SPECIFIC?



2029 Century Park East, Los Angeles, CA 90067 Telex: 696184 RFCHQ LSA



Photo: In/lex Stone International, Inc.

## IMPACT

In today's fiercely competitive business environment, the effectiveness of your advertising message depends more than ever on impact.

Impact like dominant advertising messages ... in the hard-hitting business publication that serves your market - **Business Insurance**.

Impact that lets you hit the mark with the buyers of your products and services.

So when you take that leap forward in **Business Insurance**, you'll land squarely in front of the decision-makers.

Advertise where the leaders are. Where you'll find the largest and most influential audience in the risk management and employee benefits field.

**Business Insurance**. Where your ads are sure to go the distance.

Publishing Dates	Advertising Opportunities	Closing Dates
Feb 27		Feb 14
Mar 5		Feb 22
Mar 12	<b>Benefits: Controlling Costs</b>	Feb 28
	Highlights: Cutting back on benefits -- are they really that valuable a recruiting tool? PPO's -- a look at companies' experiences with them. Retiree benefits -- can trimming non-pension benefits help the bottom line?	
Mar 19		Mar 7
Mar 26		Mar 14
Apr 2	RIMS Preview/Captives Offshore	Mar 20
Apr 9	RIMS Report #1	Mar 27
Apr 16	RIMS Report #2	Apr 3
Apr 23		Apr 11

**business insurance**  
The game plan that works.

New York: 220 East 42nd Street, NY 10017 (212) 210-0133  
Chicago: 740 Rush Street, IL 60611 (312) 649-5276  
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710  
A Publication of Crain Communications Inc.

# Burger blasts lawyers for frivolous suits

Continued from page 2

sure that that process is not being abused."

The chief justice said he will ask the Judicial Conference of the United States next month to consider a program in each federal judicial circuit and district to deal with this problem, "particularly to promote wider understanding and use of the 1983 amendments to the Civil Rules."

He noted that after one recent conference on the new rules, "The very next day one judge levied costs on a litigant for the burden imposed on the other litigant by

duplicative motions."

Judges in some state courts, Mr. Burger noted, have exercised their discretionary authority to impose sanctions both on attorneys and their clients for filing frivolous cases and for abuse of the discovery process.

"In one case, the trial judge held that the plaintiff's case was based on totally frivolous allegations and ordered the payment of nearly \$2 million in fees and expenses. Another judge imposed heavy costs against both the plaintiff and attorney based on the state's new Civil Code of Procedures that authorized

trial judges to impose sanctions on parties and attorneys who litigate in bad faith."

The chief justice also cited as "another important development" the possible strengthening of Rule 68 of the Civil Rules to allow either a defendant or a plaintiff to offer a settlement. "If the offer is refused, and the case goes to trial and results in a judgment less favorable to the 'refusing party' than the offer rejected, that party would, in the discretion of the court, be subjected to payment of all costs the opposing party incurred after rejection of the offer, including attorneys' fees.

"Cost-shifting, subject to court approval, has long been part of the administration of justice in other common-law countries and we must study their experience," he advised.

The chief justice also called for a "comprehensive re-examination of the mechanisms we now have to deal with dishonest and unethical practices."

And, he warned the attorneys against charging fees that are too high and against advertising their services in the "same mode as other commodities from mustard, cos-

metics and laxatives to used cars."

The chief justice concluded with the observation:

"The entire legal profession—lawyers, judges, law teachers—has become so mesmerized with the stimulation of the courtroom contest that we tend to forget that we ought to be healers of conflicts. Doctors, in spite of astronomical medical costs, still retain a high degree of public confidence because they are perceived as healers.

"Should lawyers not be healers? Healers, not warriors? Healers, not procurers? Healers, not hired guns?"

## classified advertising

### RATES AND CLOSING TIME:

Rates: Display classified is \$65.70 per column inch, minimum of one inch. Straight classified is \$6.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$12.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluzdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

#### POSITIONS WANTED

##### RISK MANAGEMENT

Individual with ins. company and agency background seeking opportunity in private industry. Extensive knowledge of the construction and oil & gas industries plus management experience.

Box 1120, Business Insurance  
740 Rush Street, Chicago, IL 60611

##### AGENCY/ACCOUNT MANAGEMENT

Over 13 yrs. in insurance with technical expertise in oil & gas, construction, and agency management. Excellent sales and technical balance. Position desired with firm interested in increasing sales through better use of current proven sales staff. Experience includes automation, management of \$10 million agency with 4 offices, agency sale/acquisition and financial.

Box 1121, Business Insurance  
740 Rush Street, Chicago, Illinois 60611

#### EQUIPMENT

PHONES FOR BUSINESS?  
ITT SYSTEMS prewired for easy self installation and resulting savings. Complete telephone backup. Catalog 800-328-5369, 612-473-1113

#### HELP WANTED

MARKETING DIRECTOR  
Seeking experienced Home Office manager to develop new business in emerging service industry. Desirable qualifications of prospective candidate would include experience in market segmentation, staff development, risk management/health care cost containment.  
Send resume and salary history to:  
NATLSCO Rehabilitation Management, Inc.  
Route 22 & Kemper Dr., K-3  
Long Grove, IL 60049  
Equal Opportunity Employer M/F

#### Account Executive:

Personal Adjuster with extensive settlement experience (500 + P.I. settlements) and flexibility to work on complex cases representing university hospitals.

P.O. Box 15398  
Long Beach, Ca. 90815

NEWLY FORMED NEW JERSEY INSURANCE COMPANY SEEKS FINANCIAL PARTNER FOR SUBSTANTIAL GROWTH VENTURE.

Box 1117  
Business Insurance  
740 Rush Street  
Chicago, IL 60611

#### COMMERCIAL LINES ACCOUNT EXECUTIVE

Large Property and Casualty Agency dom ciled in scenic and historic Central Virginia area seeks Commercial Lines Property and Casualty Account Executive to service existing accounts and produce new accounts. Candidate should have minimum of 2 to 3 years experience in sales or underwriting in Commercial Lines Insurance. Please send resume and salary requirement to Yuille Holt, III, P.O. Box 677, Lynchburg, VA 24505.

**BI Classifieds assure top quality results!**

For a Concise and Logical Approach to Risk Management Recruiting

#### LOGIC

Associates, Inc.  
170 Broadway  
New York, N.Y. 10038  
(212) 227-8000

**Assure yourself top quality employees— Advertise your openings in the Business Insurance Classifieds.**

#### EMPLOYEE BENEFITS SPECIALIST III/ PENSION

Bachelor's Degree in Business Administration, Accounting, Actuarial Science, or a related field plus three years experience in the administration of Pension Plans for a medium to large organization. In lieu of a Degree, experience as described above may be substituted on a year-for-year basis. Knowledge of Group Insurance Administration and Automated Benefits Systems helpful.

Apply in person, from 9 AM-3 PM or send resume and salary history to:

MANAGER OF EMPLOYMENT  
**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**  
401 W. Peachtree St. NE  
20th Floor, P. Tree Summit Bldg.  
Atlanta, GA 30365-4301  
An E.O.E. M.F.H.

#### CLAIMS ADJUSTMENT COMPANIES WANTED

NATIONAL FINANCIAL SERVICES FIRM SEEKS TO ACQUIRE

#### CLAIMS ADJUSTMENT COMPANIES

FOR ITS EXPANDING OPERATIONS.

CONFIDENTIALITY ASSURED

BOX 1048  
BUSINESS INSURANCE  
740 RUSH STREET  
CHICAGO, ILL 60611

## People stay longer here. It's PGandE Territory

At Pacific Gas and Electric Company, career satisfaction comes with the territory. Our average tenure for professional employees is over 25 years — just one measure of the value of a PGandE career. We also offer superior technology, sound management and advancement based on merit. If you're looking for a company worth staying with, consider this opportunity in PGandE territory:

### ADMINISTRATOR (PROPERTY LOSS CONTROL)

This immediate opening in our San Francisco Insurance Department requires an experienced Property Loss Control Administrator /Fire Protection Engineer.

The person selected will report to the Manager of Insurance and will assist in the planning, implementation and administration of various property loss control programs for Pacific Gas and Electric Company and its subsidiaries and affiliates.

To qualify for this challenging opportunity, the candidate should have 6 to 8 years of experience in electric, gas and nuclear utility operations, fire protection engineering, fire codes and ordinances, and administration of property loss control programs. A technical degree with

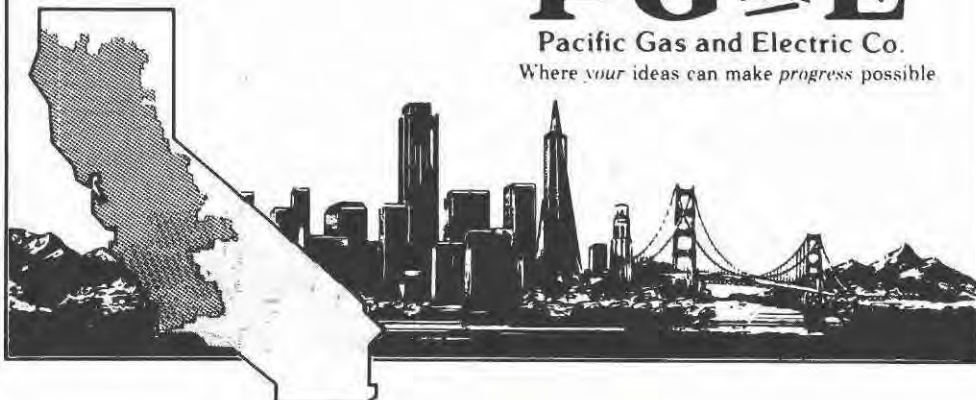
registration as a professional engineer (fire protection) is preferred. ARM or CPCU is desirable.

Careers add up to more in PGandE territory where competitive salaries are supplemented by an array of benefit plans that can add 30-40% to your regular earnings.

If you're qualified and interested in living in one of the nation's most desirable areas, please send your resume, including salary history to: Pacific Gas and Electric Company, Executive Employment, Dept. B-7, 215 Market Street, Suite 925, San Francisco, CA 94106. APPLICANTS ONLY. NO PHONE CALLS PLEASE. We are an equal opportunity/affirmative action employer. Women and minorities are strongly encouraged to apply.

## PG and E

Pacific Gas and Electric Co.  
Where your ideas can make progress possible



#### Business Insurance

##### Circulation Breakdown\*

Commercial Consumers	
Administrative Management: owners, presidents, vps, etc.	5,638
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	10,202
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	6,604
Associations	1,133
Government, Unions, Educational Institutions	799
Commercial Consumers	
<b>Sub-total</b>	<b>24,376</b>
Insurance Agents & Brokers	9,655
Insurance Cos.	5,461
Financial Institutions	441
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,977
Others allied to the field	1,083
<b>TOTAL</b>	<b>43,993</b>

\*Source: Business/Occupational breakdown of qualified circulation, November 7, 1983 issue, as submitted to BPA for December 1983, BPA Publisher's Statement.

## Employers react

Continued from page 1

tors that allowed us to put in a comprehensive medical program and have short-term and long-term cost savings," he said.

"We took a conservative approach," he said. "We set this up as a reimbursement account, not a savings plan. We set low limits.

"But even with our conservative approach, the IRS seems to have made a blanket statement. Right now, we are working with the Employers Council on Flexible Compensation and (consultant) Hewitt Associates. We are trying to find out what (the IRS) means.

"One good thing," he added, "is that we don't have to worry about it being retroactive since we just started this year."

But The Toro Co. in Minneapolis began its flexible spending account program in 1983. If the IRS defines a Toro-type plan as invalid and maintains that retroactive taxes, interest and penalties are due, Toro and employees would be liable for taxes not withheld in 1983.

But Toro is not recalculating employees' W-2 forms yet. "We are going to wait until we see something more specific on (the subject) than an information release," said Chuck Velure, director of compensation and benefits.

Toro's plan is voluntary, but 80% of the company's 1,400 eligible employees participated during the first year. The company contributes enough to each employee's account to pay his or her share of the group health insurance premium. In addition, Toro employees this year may reduce their salary by as much as \$2,400 per year to cover other eligible expenses.

"We are going to wait for something more. This is just a press release. It's not a regulation. It's not a rule," said a benefits manager, who asked not to be identified.

This company's FSA plan, begun in 1983 as part of a complex flexible benefit plan, allows employees to deposit up to \$5,000 a year into an FSA through salary reduction to pay for medical, dependent care and legal expenses. About 6,500 employees are involved.

"The IRS always starts out being strict. My gut reaction is that the IRS statement was really aimed at the abusive plans, and it's clear in my mind that our plan does not qualify (as abusive)," the benefits manager said.

Dayton Hudson Corp. in Minneapolis began its FSA program Feb. 1, just nine days before the IRS issued its press release. The company says it will leave the program intact at this point.

"I think they're just running something up the flagpole to see who salutes, and I don't think too many are going to salute," said Fred Hamacher, director of compensation and benefits.

The Dayton Hudson FSA program includes two separate accounts funded by salary reduction: one for health care expenses, limited to \$125 per month, and another for day care expenses, limited to \$500 per month.

The IRS release also is not altering the course of American Hospital Supply Corp. in Evanston, Ill., which will begin an FSA program April 1.

"It's business as usual for us," said Herbert E. Walker, corporate director of compensation and benefits. "We're waiting to see if the plan we have designed meets the regulations (the government) comes up with."

The company plans to contribute \$300 per year to each employee's FSA; employees may contribute from \$10 to \$500 per month through salary reduction. Unused expenses may be withdrawn at year-end as cash or invested in the company's 401(k) plan.

"If we don't have something more definitive by April 1, we will

probably make some adjustments."

The IRS news release says the only valid FSA plan is one in which the employee prospectively chooses between cash or benefits and in which the employee forfeits any cash leftover in his account at the end of the year. Employers say this notion is contrary to the national movement to contain rising health care costs by stamping out overutilization.

"If employees have to use it or lose it, they are going to use it," notes Mr. Hamacher at Dayton Hudson. "That is against the national policy of cost savings. 'Using it' will push up the utilization rate."

"Our flexible spending account was designed as part of our health incentive plan to lower health care costs," said Dennis M. Corry, manager of benefit plans for Quaker Oats Co. in Chicago.

Under Quaker's plan, the company gives every employee \$300 a year to apply toward health expenses (like deductibles). The un-

used portion may be taken as cash at year-end.

"Why would the IRS eliminate (our type of flexible spending account) when they could get more taxable income (when employees withdraw unused funds)?"

"We have done our part in helping curb the escalating health care costs, and I know for a fact that Quaker employees are creating a larger tax base.

"Uncle Sam ought to come over and give us a big kiss, and yet they're over there making some kind of proposal that would penalize Quaker employees," he said.

Meanwhile, Quaker does not plan to make any changes as a result of the IRS press statement. "I don't believe their ruling applies to our form of reimbursement, which has nothing to do with salary reduction," Mr. Corry said.

Particularly aggravating to some employers is that the IRS has waited more than five years to issue any kind of regulations on

Section 125 of the Internal Revenue Code, which governs cafeteria plans and flexible spending accounts, and now wants to make new rules retroactive.

"If (the IRS) never intended for Section 125 to be used in this way, I don't know why they didn't say something sooner," said Frank M. Sterner, vp of human resources management and strategic planning at Johnson Controls Inc. in Milwaukee.

"A lot of companies have been looking for a year or more for some regulations or writing letters to get an opinion or interpretation of their plan and have received no response. This is rather belated."

Johnson Control's FSA plan covers 7,000 salaried employees and is funded completely through salary reduction. Employees may contribute from \$50 to \$400 per month; unused funds at year-end must be taken as cash.

Johnson Controls will continue its FSA arrangement for now, Mr.

Sterner said.

Although some companies said their employees had learned through the media about the IRS release, the employers plan no formal communication about the IRS stand at this point.

"We're not communicating this to employees yet," said Mr. Worrell at Armco. "If an employee approaches us because they read an article about it, all we can tell them is, 'We don't know.' But there has been little reaction."

Meanwhile, some employers want to join with others to take political or legal action to fight the IRS if it issues regulations as restrictive as the release threatens.

"We would certainly hope, through the Employers Council on Flexible Compensation, to take some kind of action," Mr. Worrell said. "Right now, we want to get a statement into the House Ways and Means Committee meeting (later this month) when they talk about cafeteria plans." ■



## "We neglected to clean oily lint out of the ducts."

They weren't just spinning yarn. They were courting disaster. At 5:58 p.m., fire started in a spinning frame and spread through ductwork to other frames. At 5:59, while a few employees tried to put it out, someone called the Fire Department, which arrived at 6:04. But it was too late. With smoke and flame spreading rapidly, the plant was evacuated at 6:09.

Twelve hours and two million dollars later, the fire was under

control. Poor housekeeping was a major contributing factor to the loss. Oily lint had been allowed to accumulate in non-sprinklered ductwork and crawl spaces. An electrical malfunction ignited the lint, and that was that.

To initiate good housekeeping practices, read OVERVIEW, a new management system for loss prevention and control from Industrial Risk Insurers. For more than 90 years IRI has been the leader in loss prevention innovation and total property insurance programs. For a free, six-page brochure describing

OVERVIEW, contact your agent or broker. Or write to P.A. Sasso, Industrial Risk Insurers, 85 Woodland Street, Hartford, CT 06102.

To err is human. And very expensive.

**Industrial  
Risk  
Insurers**

## FSAs imperiled

Continued from page 1

ington, say many more employers and employees are involved. Wyatt estimates hundreds of employers have FSAs in operation involving "millions of employees."

FSAs are often part of a flexible benefit plan, but also have been set up separately by employers that do not have flexible benefit plans. The legal basis for reimbursement accounts comes from Section 125 of the Internal Revenue Code, which also governs cafeteria plans and allows employers to offer employees a choice of both taxable and non-taxable compensation alternatives.

Although Section 125 has been part of the Internal Revenue Code for more than five years, no regulations have even been proposed for implementing that section and much has been left to the interpretation of employers and consultants.

Consultants agree the IRS news release is aimed at the rapidly expanding zero-balance reimbursement accounts, known as ZEBRAS. Estimates on the number of existing ZEBRA plans range from 10 to more than 100.

ZEBRAS, which are found most frequently at small professional firms with highly compensated employees, work very simply.

For example, employees at Company X, which has a ZEBRA plan, are required to pay the first \$500 of medical bills. Normally, when an employee has medical bills, he pays them until he hits the \$500 limit, but, under a ZEBRA plan, he then forwards the bill and the receipt to the employer. The employer deducts the payment from the employee's paycheck so he is not taxed on that portion of income and then issues a second check to the employee, with no taxes withheld, to reimburse him.

Therefore, the employee has spent pretax dollars for his medical bills.

The plans are called "zero-balance" because the employee never really has any money in an "account."

Such "arrangements are merely attempts to pay taxable compensation without compliance with the federal tax laws, by labeling a portion of the employee's salary as 'reimbursement,'" the IRS news re-

lease says.

"In fact, no amount is paid (by the employer) to reimburse the employee for expenses. The employee simply receives what would have been received had no expenses been incurred," the IRS added.

The IRS news release says two elements must be present for flexible spending account arrangements to be valid: The employee must prospectively choose between benefits and cash, and the employee must forfeit any cash or benefits remaining at the end of the year.

The news release describes as valid those plans "in which the employee can make a one-time election before the beginning of the year between cash and eligibility for reimbursement of certain expenses for the year up to a stated amount.

"Under these plans, if the employee elects reimbursement, but incurs such expenses during the year in an amount less than the limitation, the employee receives no further benefits or payments of any kind."

"The IRS is saying that there must be legitimate benefit planning and an element of risk (for the employee)," said Jim Waters, a vp with Towers, Perrin, Foster & Crosby, a New York-based consulting firm. "The IRS is saying 'use it or lose it.' The key word is risk."

Very few, if any, FSA plans require pre-selection of cash or benefits and forfeiture. "The plan the IRS has identified (as valid) is very rare," said Peter Hutchings, a partner with Kwasha Lipton, a benefit consulting firm in Fort Lee, N.J.

The IRS definition of a valid FSA not only rules out ZEBRAS, but also seems to invalidate two of the most popular flexible spending account arrangements, consultants say. They are:

- Positive balance accounts. In these arrangements, an employee's salary is reduced every pay period, without taxes being taken out, to pay for uncovered benefit expenses.

The money taken out of the paycheck is transferred to a special account from which expenses are withdrawn as they are incurred.

If any money is left in the account at the end of year, the employee can collect the balance in cash, which is taxable, or roll the excess into a 401(k) savings plan.

- Employer prefunded accounts. In such an arrangement, an

employer that, for example, implements a new health care plan with a high deductible, would funnel some of the money it expects to save into an employee spending account.

If all this money is not spent by the employee on tax-exempt benefits, the excess could be rolled into a 401(k) plan or the employee could take the excess in cash and be taxed on it.

The forceful IRS news release shocked many employers, and consultants last week fielded hundreds of calls from benefit managers who fear their plans may be invalid.

The message consultants are giving their clients is: Wait.

"Employers will need more guidance," said Terry Stuchiner, a partner with Kwasha Lipton. "A 2½-page news release can't possibly cover all the reimbursement arrangements."

"The most prudent thing for an employer is not to panic and wait for clarification," advised Ed Davey, executive director of the Assn. of Private Pension & Welfare Plans in Washington.

"We must get more information from the IRS," agreed Carson Beadle, a managing director with William M. Mercer Inc. in New York.

That information may be imminent. Reagan administration officials are expected to elaborate on the IRS news release when they testify before the House Ways and Means Committee on Feb. 22 and Feb. 28.

In addition, the IRS is expected, possibly this month, to give examples in question-and-answer form of valid and invalid flexible spending reimbursement accounts.

It was the timing, almost as much as the harsh tone of the IRS news release, that angered consultants and their clients.

The Feb. 10 news release was published just two weeks after employers distributed 1983 W-2 income statements to their workers.

If the release had been published just one month earlier, employers, especially those with ZEBRAS, could have included reimbursements as taxable income in the W-2s.

Now employers could face the costly and complicated task of amending and sending out revised W-2s, and employees could have to file new income tax returns.

"The cost of amending W-2 statements and refiling tax returns will be enormous. For just one company, millions of dollars could be at stake," said Fredrick Rumack, director of tax and legal services for Buck Consultants Inc. in New York.

And, if a plan is found invalid, the reimbursement an employee receives will be taxable. That means an employee's taxable income and his and his employers' Social Security taxes will increase if employees' wages are below the Social Security wage base.

And if the IRS had come out with the release two years ago, employers would have adjusted their plans accordingly, Mr. Rumack believes. For example, the move to add ZEBRAS, which didn't begin until last year, probably never would have gotten off the ground.

The news release was published in February because the IRS only recently became aware of "abusive" reimbursement arrangements and wanted to stop them from spreading, a spokesman said.

High-ranking IRS officials, including Commissioner Roscoe Egger, decided to act after field agents uncovered ZEBRA arrangements while auditing several employers in the Midwest, sources said.

If the government is now concerned about the growth of ZEBRAS and other FSAs, it can blame no one but itself, consultants say.

"Employers have been pleading for five years for guidance (on the meaning of Section 125)...but no rules have been forthcoming despite promises that they would be issued soon," said the EBRI's Mr. Salisbury.

"Employers were willing to wait, but they could only wait so long," he added.

"While we agree that reimbursement accounts must have economic substance and there may be abuses that need to be addressed, we are at a loss to understand why the IRS has responded in this extreme fashion," said Lance Tane, manager of the flexible compensation team at The Wyatt Co.

"After declining to provide regulations and refusing to issue private letter rulings for five years to clarify the status of these increasingly popular plans, the IRS is now trying to get tax policy by press release. The position taken in the IRS release exceeds any reasonable interpretation of the applicable statutes—and seems designed to intimidate rather than elucidate."

Unless the IRS withdraws its news release or clarifies its position, experts expect employers to sue the IRS to prove their FSAs are valid.

Experts believe that ZEBRA plans may not survive legal challenges, but that the IRS has overstepped its authority by insisting that forfeiture is an essential element of a reimbursement account.

"We believe the IRS may well be right in attempting to invalidate ZEBRAS, in which an employee's salary is reduced only after he or she incurs an expense and submits a claim," added Mr. Tane.

"However, the IRS has thrown the baby out with the bath water. This release also seems to take aim at many kinds of prospectively funded reimbursement accounts that have true economic substance and promote important social and public policy goals."

Some believe the purpose of the IRS news release was simply to

find out how employers would react.

"They are testing the waters to see how far they can go" before they publish regulations, suggested Michael Romig, director of employee benefits at the U.S. Chamber of Commerce.

Mr. Romig and others believe that employers must immediately write the IRS and their congressmen to defend their plans.

Vigorous lobbying campaigns have in the past caused the IRS to change its plans. For example, a mass letter-writing campaign by hundreds of employers in 1980 forced the IRS to scrap proposed regulations that could have required companies to offer full pension vesting to employees after three years of service (BI, June 9, 1980).

Indeed, employers and consultants must convince regulators and legislators that reimbursement accounts are not tax-avoidance schemes, but serve socially useful purposes, said Ms. Stuchiner of Kwasha Lipton.

Reimbursement accounts often have been included as a way of getting employees to accept high medical plan deductibles, especially when unions are involved.

High deductibles have a less onerous bite if the employee pays the bills with the pretax dollars funneled into a flexible spending account reimbursement account.

When employees themselves pay for a greater share of medical bills, they become more careful consumers of health care services. And, that ultimately slows down health care inflation, experts say.

"Forbidding employers to have any type of reimbursement account would put us back to square one on health care cost containment," said William Chip, an attorney representing the Employers Council on Flexible Compensation, a 125-member Washington-based trade group that represents those companies that have or are interested in flexible compensation plans. ■

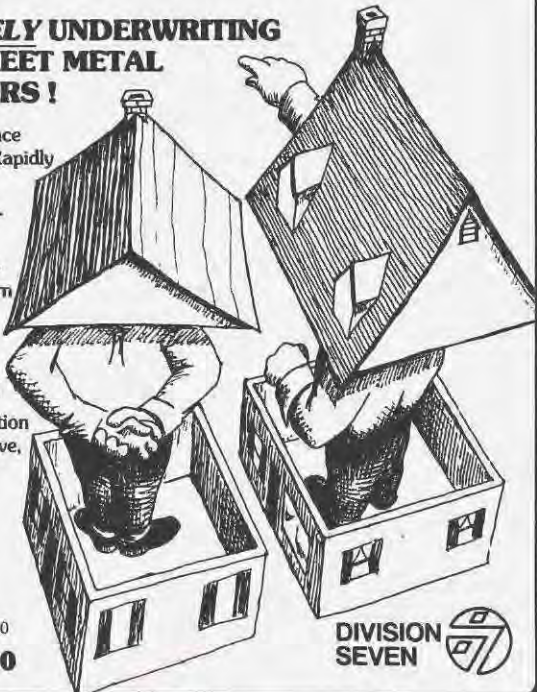
## A MARKET FOR ROOFING CONTRACTORS?

DEFENSIVE UNDERWRITING?  
JUMBO ACCOUNTS ONLY? RETRO RATED?  
**NO NO NO!!!**

**WE ARE AGGRESSIVELY UNDERWRITING ROOFING-SHEET METAL CONTRACTORS!**

- Program In Existence 3 Years-Growing Rapidly
- Program Includes Compensation, Liability, and Auto
- Top A-Rated Company—Northwestern National
- Loss Control by Professional Construction Personnel
- Claims Administration In-House, Aggressive, Defensive Posture

Marketing by  
**glw**  
associates  
1101 Spring St.  
Silver Spring, Md. 20910  
**301-587-2820**



**DIVISION SEVEN**

## insurance services guide

Use the Insurance Services Guide to reach your best prospects.

Engineering & Consulting Services for Risk Improvement Programs  
Code Analysis Loss Investigations  
Sprinkler and Special Hazard Systems  
Fire Alarm and Security Systems  
NY 914/666-2981 VA 703/938-9132 FL 305/374-4009  
SF 415/924-6474 LA 213/597-0303 IL 312/530-1494

**GAGE-BABCOCK & ASSOCIATES**  
Corporate Office, 135 Addison,  
Elmhurst, IL 60126

**CASUALTY ACTUARIES, INC.**

Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A.  
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds  
• Statutory letters of opinion on loss and loss expense reserves.  
12300 Olive Boulevard  
St. Louis, MO 63141  
(314) 878-5002

**ATWOOD & CO.**

Consulting Actuaries  
Claim Reviews  
Reinsurance and Reserve Analysis  
for Captives and Self Insurers  
5000 Ambrose Ave.  
Los Angeles, CA 90027  
(213) 661-9260

- Fire Protection Engineering
- Underwriting Reports
- Safety & Health Studies
- Sprinkler System Design
- Fire and Security Alarm System Design
- Building and Fire Code Consultation

**Schirmer**

SCHIRMER ENGINEERING CORPORATION  
707 Lake Cook Road—Deerfield, IL 60015—312/272-8340

**GYORY ASSOCIATES, INC.**

PROFESSIONAL RISK MANAGERS  
Risk Financing  
Insurance-Risk Consulting  
Latent Disease Product Liability Management  
172 Franklin Avenue, Ridgewood,  
N.J. 07450 (201) 445-8350

## Insurance Audit and Inspection Company

INCORPORATED 1901

Independent Insurance & Risk Management Consultants

to  
Business & Industry, Governmental, Financial, Educational and Health Care Institutions throughout the U.S. & Canada

Comprehensive Risk & Insurance Evaluation • Loss Control Techniques • Self-Insurance • Captives • Risk Transfer Bid/Specifications

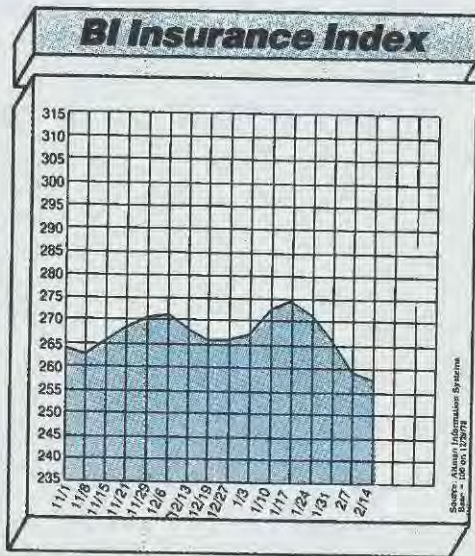
**WE DO NOT SELL INSURANCE (and never have)**

Member: Institute of Risk Management Consultants

Call or write:  
**317-849-2700**

**6525 EAST 82nd STREET, SUITE 206  
INDIANAPOLIS, INDIANA 46250**

For advertising information in the INSURANCE SERVICES GUIDE  
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.  
Telephone (312) 649-5340



The Business Insurance stock index continued on a downward course during the five-day trading period ending Feb. 14. The downturn moderated a bit as the index dropped 1.5 points to 257.8 from 259.3, compared to the 5.6-point loss it suffered during the previous period. Twenty stocks were up in the latest period, 28 stocks posted declines and 14 issues closed unchanged. The largest gains in the industry were reported by Integrated Resources Inc., 9.6%; CNA Financial Corp., 9.3%; SAFECO Corp., 6.0%; Travelers Corp., 5.8%; and Zenith National Insurance Corp., 5.8%. The issues posting the largest losses were Avemco Corp., 12.1%; American Bankers Insurance Group, 9.3%; Jefferson National Life Insurance Co., 7.9%; Carolina Casualty Insurance Co., 7.7%; and Frank B. Hall & Co. Inc., 7.1%. The Business Insurance stock index reported a 0.6% composite decline, while the Dow Jones 30 industrials reported a 1.3% loss.

# Continental wants brokers to produce more business

By KATHRYN J. McINTYRE

CONTINENTAL INSURANCE doesn't want to be known as strictly an agency company anymore, says Chairman and Chief Executive Officer John P. Mascotte. The New York-based insurer is launching a campaign to be known as a broker's market, too. By 1990, Continental wants brokers to produce 30% of its projected \$5.1 billion property/casualty premiums, more than double the 13% of the \$2.6 billion in property/casualty premiums brokers produce for Continental today.

Such growth would increase Continental's penetration of the broker-controlled market to about 5% from less than 0.5% today.

In the same period, Continental expects that the percentage of its property/casualty business produced by independent agents will shrink to about 50% from 83% today, giving it 6% of agency-produced business in 1990, compared with 5% today.

Agency-produced business "will be difficult to gain on," noted Mr. Mascotte, because the agents' share of the market is shrinking.

The other 4% of Continental's current property/casualty business is produced by so-called special operations, which include exclusive representations and overseas programs involving varied marketing approaches. These special operations are expected to be the source of 20% of Continental's property/casualty business by 1990.

Increasing the share of business produced by brokers initially will increase Continental's proportion of commercial risks from the current 58-42 mix of commercial and personal lines. But, Continental expects brokers to become more aggressive and successful in personal lines through mass-merchandising programs and has plans to be a broker's personal lines market, too.

The push for broker-produced business is not designed to dramatically increase Continental's share of the "big risk" market, but to give Continental access to the expanding market controlled by brokers. "This is an appropriate time to enter the big risk market," Mr. Mascotte said, referring to the rock-bottom rates charged big risks today.

Continental is more interested in the small and medium-sized commercial package accounts that brokers are seeking to serve these days, with premiums as small as \$25,000 to

\$50,000 and as large as \$500,000. And, it wants to carve out product niches, which brokers with national networks can market more effectively than regional agents.

Continental considers as its product strengths marine insurance, through its well-known subsidiary, Marine Office of America Corp.; international reinsurance; and international industrial fire risks. The insurer also boasts about its financial risk products, like residual value insurance for equipment, insurance for limited partnership tax shelters and industrial revenue bonds. And, it is a growing market for workers compensation insurance for accounts generating premiums of \$10,000 or more.

Continental's initial drive for brokers' attention is directed at the eight largest worldwide insurance brokers based in North America, which it identifies as Marsh & McLennan Inc., Alexander & Alexander Services Inc., Frank B. Hall & Co. Inc., Johnson & Higgins, Reed Stenhouse Cos. Ltd., Fred S. James & Co. Inc., Corroon & Black Corp. and Rollins Burdick Hunter Co. These brokers control about one-third of the commercial property/casualty market, it estimates.

Also added to the list is the 10th-largest U.S. broker, Jardine Insurance Brokers Inc., by virtue of the relationship between Continental and the broker's parent, Jardine, Matheson & Co. of Hong Kong.

Last summer, Continental acquired a 60% stake in Lombard Insurance Group from Jardine, Matheson as part of a strategy to expand its international underwriting—both commercial property and personal lines—in Asia, the United Kingdom and Australia.

In time, Continental will court other large national brokers and large regional brokers.

To service large brokers, the insurer has formed a Brokerage Group encompassing all domestic and international brokerage-related insurance and reinsurance activities, including marine, excess/surplus and special facilities for bonds, boiler coverage, special risks and syndicate management.

William Thiele, formerly senior vp of General Reinsurance Corp. in charge of casualty facultative business, was hired last year as president of the Brokerage Group and has organized the group of 2,800 people.

National Brokerage Services, or NBS, is the marketing arm of the group with underwriting authority to respond to brokers' re-

quests. NBS opened four regional offices Jan. 1 in New York, Chicago, Los Angeles and Dallas, staffed with about 500 people.

Separate offices with their own staffs are needed to service broker-produced business, as distinct from agent-produced business, because the underwriting approach is different, notes Mr. Thiele. Insurers select agents "whose business you like and then you accommodate the anomalies" in that agent's geographic area, says Mr. Thiele. Brokers are not geographically oriented, but product-oriented.

Continental also has opened nine field offices in other U.S. cities strictly for marketing, while the regional offices retain control over underwriting. NBS field offices are located in Boston; Pittsburgh; Roslyn, Va., which covers the District of Columbia; Cleveland; Kansas City, Kan.; Houston; Atlanta; San Francisco; and Seattle.

Continental is also luring brokers with a producer plan that provides a bonus commission to brokers that meet production goals in certain targeted classes of business that Continental expects to be profitable. This differs from a contingent commission, in which the broker's additional commission depends upon underwriting results.

Continental considers this an opportune time to step up broker production, since brokers, strapped by decreasing commissions on falling premiums, are trying to cut production expenses and boost commissions. Consolidating more business with fewer insurers cuts costs and improves commissions.

Mr. Thiele says he expects the broker-produced business also will cost Continental less in production costs, not necessarily in commissions but in the soft dollars it spends to support and maintain its relationship with agents. These soft dollars are the cost of training programs, incentives to automate, agency perpetuation programs and loans.

As broker-produced business proves to be less expensive to underwrite, the savings can be used to reduce the price of the insurance produced by the broker, to expand the coverage provided and to provide additional services to policyholders, Mr. Mascotte said.

A new emphasis on broker-produced business does not mean Continental is abandoning the independent agency system on which it has depended for more than a century, but the insurer is getting choosy about its agents. Last summer, Continental asked 2,200 agents producing about \$300 million in premiums to rehabilitate—a euphemism among agency companies for telling an agent to shape up or ship out. The agent is given a certain period of time in which to produce more business with better underwriting results before it loses its authority to represent the insurer.

Sixty percent of the agents, about 1,320, refused rehabilitation or didn't respond to the request, simply moving their accounts with premiums of about \$180 million to other insurers. Forty percent said they would rehabilitate, but it won't be until the fall that Continental has the figures to see which agents improved their business production.

Continental's agency force now numbers 6,000.

Commenting on the apparent ease with which agents were able to move the business to other insurers that Continental had found too unprofitable, Mr. Mascotte said, "We are a living, breathing testament to the soft market through all of 1983 and why we are cynical about 1984." If insurance companies were tightening their underwriting, "we would see this backing up in the system," he says.

Late last week, Continental Corp. reported operating income for 1983 of \$14.5 million or 19 cents per share, down from \$105.2 million or \$2.04 a share in 1982. Net income in 1983, including capital gains, was \$142.4 million, or \$2.73 per share, compared with \$153.7 million or \$2.99 per share the previous year.

The combined loss and expense ratio for Continental's property/casualty operations in 1983 was 116.7%, compared with 112.2% in 1982. The fourth-quarter combined ratio was 123.4%, compared with 116.8% for the fourth quarter of 1982. Storm losses of about \$20 million and a \$28 million addition to reserves contributed to the higher fourth-quarter combined ratio.

## British Issues

14 Feb Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low	
					pence	%
Comml Union	176	29.3	16.86	9.6	182—173	
Genl Accident	435	12.8	26.43	6.1	440—430	
Gdn Royal Exch	522	13.4	30.71	5.9	533—520	
Phoenix	485	21.1	26.00	5.4	485—440	
Royal	520	13.3	39.28	7.6	525—515	
Sun Alliance	1400	16.1	78.57	5.6	1400—1388	

Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High—Low	
					pence	%
CE Heath	355	8.9	22.86	6.4	358—353	
Hogg Robinson	156	12.0	9.43	6.0	165—156	
JH Minet	142	10.9	7.57	5.3	145—141	
Sedg Grp	223	11.1	11.43	5.1	228—223	
Stew Wrightson	315	10.5	22.57	7.2	320—315	
Willis Faber	695	14.5	30.00	4.3	695—690	

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

# BI Industry Stock Report

FEB. 14, 1984 2/8/84 THRU 2/14/84

Insurance Cos.	Price	% Chg.	P/E	Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 35.25	-0.7	5.6	2.64	7.5	35.63	35.25	776.3
American Bankers Ins Group	NYSE 12.25	-9.3	9.9	0.50	4.1	13.13	12.25	58.7
American Gen Ins Co	NYSE 20.38	-5.2	6.8	0.90	4.4	21.00	19.75	1,185.6
American Indty Fintl Corp	NYSE 21.00	-1.2	18.3	1.12	5.3	21.25	21.00	4.9
American Intl Group Inc	NYSE 56.50	1.3	9.5	0.44	0.8	56.50	54.50	740.4
American Natl Ins Co	NYSE 21.88	2.3	7.9	0.96	4.4	21.88	21.38	70.0
Aneco Reins Ltd	NYSE 3.25	0.0	23.2	0.00	0.0	3.25	3.25	4.3
Avemco Corp	NYSE 18.13	-12.1	11.8	0.58	3.2	20.13	17.63	25.6
Banks Iowa Inc	NYSE 50.50	0.0	16.3	1.52	3.0	50.50	50.00	1.2
Bitco Corp	NYSE 16.00	-3.0	0.0	1.33	8.3	16.50	15.50*	4.6
Carolina Cas Ins Co	NYSE 6.00	-7.7	0.0	0.20	3.3	6.50	6.00*	0.9
Chubb Corp	NYSE 65.00	3.1	9.2	3.12	5.0	63.00	61.00	331.4
Combined Intl Corp	NYSE 33.75	2.3	10.0	2.00	5.9	33.75	32.75	226.0
Continental Corp	NYSE 27.25	3.3	36.8	2.60	9.5	27.25	27.00	503.8
Crawford & Co	NYSE 15.50	0.0	11.0	0.66	4.3	15.63	15.25	26.5
Crown Life Ins Co	NYSE 120.00	-0.4	7.8	3.20	2.7	120.50	120.00	0.4
Employers Cas Co	NYSE 32.00	0.0	7.2	1.20	3.8	32.00	32.00	5.5
Equifax Inc	NYSE 26.00	0.5	10.3	1.60	6.2	26.13	25.63*	30.8
Farmers Group Inc	NYSE 40.00	1.9	9.9	1.52	3.8	40.00	39.13	298.2
Foremost Corp Amer	NYSE 25.00	1.0	11.6	0.88	3.5	25.00	24.50*	77.5
Fremont Gen Corp	NYSE 13.38	0.9	0.0	0.48	3.6	13.50	12.75	178.8
Great West Life Assurn Co	NYSE 270.00	0.0	9.7	12.00	4.4	270.00	270.00	0.0
Hanover Ins Co	NYSE 51.50	-1.9	6.6	0.88	1.7	51.75	50.50	29.3
Hartford Steam Boiler Insprnt	NYSE 49.50	-6.6	7.2	3.00	6.1	52.00	49.00	10.1
Jefferson Natl Life Ins Co	NYSE 41.00	-7.9	13.8	0.76	1.9	44.00	40.50	2.9
Kepler Corp	NYSE 37.63	2.4	8.0	1.80	4.8	37.63	37.50	142.7
Lincoln Natl Corp Ind	NYSE 30.38	3.0	8.8	1.68	5.5	30.38	29.50	163.6
Mission Ins Group Inc	NYSE 19.00	-5.0	0.0	1.00	5.3	19.75	19.00*	181.0
Nationwide Corp Ohio	NYSE 41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	NYSE 36.88	-1.0	9.2	1.50	4.1	37.13	36.88	185.9
Ohio Gas Corp	NYSE 43.75	0.0	9.0	2.52	5.8	43.75	42.50	195.2
Old Rep Intl Corp	NYSE 32.13	-1.2	6.9	0.90	2.8	32.50	32.00	101.2
Orion Cap Corp	NYSE 27.00	-3.1	13.0	0.78	2.8	27.75	27.00	33.5
Preferred Risk Life Ins Co	NYSE 19.75	-4.8	7.5	0.67	3.4	20.75	19.75	2.2
Provident Life & Acc Ins Co	NYSE 69.50	-2.1	7.3	2.60	3.7	71.00	69.50	38.4
St Paul Cos Inc	NYSE 58.50	4.9	9.1	3.00	5.1	58.50	55.75	435.7
SAFECO Corp	NYSE 57.50	6.0	8.1	2.60	4.5	57.50	54.63	868.3
Sri Corp	NYSE 16.00	0.0	8.0	0.68	4.3	16.00	15.75	160.2
Seibels Bruce Group Inc	NYSE 19.00	-8.4	12.3	0.80	4.2	20.75	19.00*	30.3
Statesman Group Inc	NYSE 7.63	-1.6	6.6	0.15	2.0	7.75	7.38	62.9
Tokio Marine & Fire Ins Co	NYSE 116.00	4.0	23.4	0.96	0.8	117.75	112.75	54.2
Travelers Corp	NYSE 31.75	5.8	7.8	1.92	6.0	31.75	29.38	1,269.0

FEB. 14, 1984 2/8/84 THRU 2/14/84

Price	% Chg.	P/E	Div.	% Yld.	High	Low	Vol. (000)	
United Fire & Cas Co	NYSE 29.25	0.0	10.4	0.88	3.0	29.25	29.25	0.4
United States Fid & Gty Co	NYSE 56.25	-1.3	9.3	3.84	6.8	57.13	56.25	138.8
United Svcs Life Ins Co	NYSE 26.38	3.9	8.2	1.00	3.8	26.63*	25.13	17.1
Uslife Corp	NYSE 25.50	0.5	7.3	0.96	3.8	25.50	25.00	128.9
Washington Natl Corp	NYSE 23.38	-4.6	11.1	1.08	4.6	24.88	23.38	90.6
Zenith Natl Ins Corp	NYSE 13.75	5.8	9.3	0.60	4.4	13.75	13.25	14.5
INSURANCE COMPANIES	AVERAGE		9.8		4.0			
Agents/Brokers								
Alexander & Alexander Svcs	NYSE 20.88	-0.6	0.0	1.00	4.8	21.50	20.88	181.1
Baldwin & Lyons Inc	NYSE 37.00	0.0	15.4	0.80	2.2	37.00	37.00	0.0
Corroon & Black Corp	NYSE 24.13	-1.0	15.2	1.00	4.1	24.13	23.75	22.8
Crump E H Cos Inc	NYSE 10.75	-2.3	14.7	0.40	3.7	10.75	10.75	9.2
Emmet & Chandler Cos Inc	NYSE 9.75	-2.5	26.4	0.00	0.0	10.00	9.75*	1.3
Hall Frank B & Co Inc	NYSE 22.88	-7.1	24.1	1.35	5.9	25.00	22.88	625.5
Integrated Res Inc	NYSE 25.75	9.6	8.3	0.00	0.0	25.75	22.50	439.7
Marsh & McLennan Cos Inc	NYSE 44.00	-2.2	12.6	2.20	5.0	44.75	44.00	187.9
Poe & Assoc Inc	NYSE 5.25	0.0	0.0	0.00	0.0	5.25	5.25	1.9
Reed Stenhouse Cos Ltd	NYSE 12.00	0.0	14.6	0.60	5.0	12.00	12.00	14.4
AGENTS/BROKERS	AVERAGE		16.5		3.5			
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	NYSE 29.00	1.8	11.5	1.28	4.4	29.00	28.13*	2,948.6
Anderson Clayton(Ranger/Panam)	NYSE 30.00	-3.2	33.7	1.32	4.4	30.75	30.00	29.0
Baldwin & Lyons Inc	NYSE 19.63	-4.3	0.0	0.40	2.0	20.13	19.13	428.1
Baldwin Clud Corp	NYSE 2.50	-4.8	0.0	0.00	0.0	2.63	2.50	350.0
CIENA Corp	NYSE 40.13	-1.8	6.9	2.48	6.2	40.25	39.50	941.9
City Investing Co. (Home Ins.)	NYSE 32.75	-5.8	8.1	1.80	5.5	33.13	32.00	1,321.2
CNA Finl Corp (CNA)	NYSE 23.50	9.3	7.7	0.00	0.0	23.50*	21.00	63.1
Control Data (Comm. Credit)	NYSE 39.63	-3.6	9.4	0.86	1.7	41.00	39.63	891.4
General Re Corp	NYSE 56.25	0.9	11.9	1.44	2.6	56.25	55.25	217.7
Gulf Utld Corp	NYSE 29.88	0.0	9.2	1.32	4.4	0.00	DID NOT TRADE	
ITT (Hartford Group)	NYSE 40.00	-2.4	9.0	2.76	6.9	40.00	38.50	2,283.2
Optimum Hldg Corp	NYSE 5.00	-7.0	38.5	0.00	0.0	5.38	5.00	1.2
Sears Roebuck & Co								

# Six reasons why, last year, 28 large corporations switched to Northbrook National Accounts.

**NORTH  
BROOK**

Northbrook National Accounts  
9 Allstate Commercial Plaza  
51 W. Higgins Rd.  
South Barrington, IL 60010

H. Barton Cotter  
Assistant Vice President  
(312) 551-2980

What did these firms see in Northbrook?

1. Bold, aggressive pricing and flexible premium-payment plans\* for high-quality risks.
2. Tailored protection to fit specific client needs; cooperatively designed by the producer and Northbrook.
3. Professional underwriters with authority and expertise.
4. National network of commercial claim specialists with advanced on-line computer systems.
5. Valuable loss-control services directed by Certified Safety Professionals with access to our state-of-the-art Environmental Science and Property Laboratories.
6. Financial stability with long-term commitment to the market.

This unique blend of price, protection, stability, and service is why so many producers and risk managers are choosing Northbrook National Accounts in today's competitive climate.

Next time you need a quote on a large account, check the Yellow Pages for the nearest Northbrook Property and Casualty branch office. Or call:

J. Don Johnson (Chicago)	312-551-2990
Chuck Gehrke (Atlanta)	404-435-2424
Cheri DeGeere (Los Angeles)	714-990-7403

\*Subject to state laws and regulations.

*H. Barton Cotter*

H. Barton Cotter  
Assistant Vice President

**NORTH  
BROOK**

## Northbrook National Accounts

A Division of Northbrook Property and Casualty Insurance Company  
South Barrington, Illinois 60010