



FEBRUARY 21, 1983

business insurance

update

N.Y. governor names lobbyist to head Insurance Department

ALBANY, N.Y.—Prudential Insurance Co. of America lobbyist James P. Corcoran, Gov. Mario Cuomo's choice to replace Albert B. Lewis as state insurance superintendent, will focus his immediate attention on medical malpractice insurance and personal auto insurance rates, he told *Business Insurance*.

Although he said he had not yet met with the governor and his staff to
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Reporting weekly for corporate risk, employee benefit and financial executives/\$1 a copy; \$40 a year

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Could accounting rule turn the market?

By BILL DENSMORE

NEW YORK—A federal order that Aetna Life & Casualty Co. cease using a controversial accounting method could be the long-awaited event that will push commercial insurance prices upward, some industry observers say.

But others maintain that such beliefs are nothing but "wishful thinking," suggesting that the Securities and Exchange Commission's ruling will affect Aetna only.

The SEC directed Aetna earlier this month to stop using the accounting practice that the agency said had been inflating the insurer's 1982 earnings.

ticker

Aetna agreed to do so for the fourth quarter and thereafter, but the Hartford, Conn.-based insurer is challenging the SEC's decision by taking the tax benefits for the first nine months of 1982.

After the ruling, Aetna reported net operating income of \$522 million for the year that ended Dec. 31, up 6.4% from 1981, on revenues of \$14.2 billion, up from \$14.1 billion.

Without \$203 million in additional earnings created by the disputed accounting procedure for the first three quarters, Aetna's operating earnings would have plunged 35%, the insurer acknowledged.

The dispute involves whether the giant insurer can list as an asset in the current year the future tax benefits created by current underwriting losses.

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Insurers broaden cover for electronic bank fraud

By STACY SHAPIRO and LAURENCE H. GROSS

For bank risk managers who have not yet purchased computer crime policies to protect against third-party fraud, this might just be the time to shop.

Competition among insurers and demands by bankers for broader protection for electronic funds transfer systems are forcing rates to fall and policy exclusions to be eliminated.

Fifteen months after it first introduced its EFT policy to cover losses caused by third-party tampering, Lloyd's of London, beginning today, is offering a broader, more flexible computer crime policy.

Gone is Lloyd's former exclusion of losses caused by fraudulent voice or telephone fund transfers. Gone is Lloyd's refusal to cover a bank's liability when it acts as a service bureau or intermediary for other banks' fund transfers. Gone is the 35-page,

burdensome application form that accompanied the first policy and turned off many risk managers.

At the same time, risk managers at U.S. banks also have more of an option to cover their EFT exposures by simply adding a rider to their bankers blanket bond, rather than buying a separate policy to cover the risk.

On Jan. 26, the Surety Assn. of America introduced its new electronic funds transfer fraud rider. It is expected that many of the about 500 surety bond underwriters that the association represents will offer this option to their policyholders.

Although this rider is not as broad as the Lloyd's policy, it will appease many risk managers' fear that coverage gaps could occur if their bankers blanket bond was written by one insurer and their computer crime policy was issued by another underwriter.

At the same time, the competition among un-
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A PALMER

Negotiate pension portability: Bell union

By JERRY GEISEL

WASHINGTON—Bell System employees want to continue to move their pension credits long distances and will fight to keep that advantage.

The Communications Workers of America, which represents 500,000 Bell System employees, wants a federal court to strike a provision in American Telephone & Telegraph Co.'s final divestiture plan that removes one of the jewels from AT&T's benefits program: portability of pension benefits.

The union is objecting to the portion of the plan that calls for AT&T to split up its two giant pension plans and distribute some of their assets to the seven new regional phone companies to be formed next Jan. 1 (*BI*, Jan. 18, 1982). Those companies would then form their own pension plans.

And, under the proposal, most workers would not be able to carry their pension credits with them if they move from one regional company to another.

The pension issue is so important that it should be discussed at the bargaining table before the new companies are formed, the union says.

"Changes of this magnitude and severity should emerge only from the collective bargaining process," the CWA told the U.S. District Court for the District of Columbia in a 39-page objection filed Feb. 11.

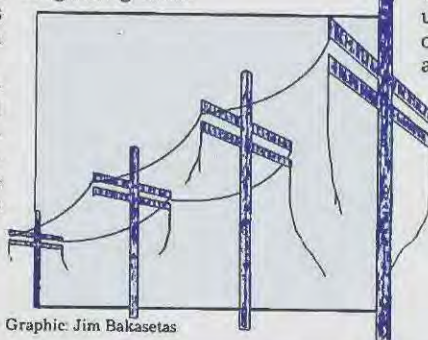
"We are asking that the court delete the

AT&T proposal on pensions and that the company negotiate with us on that and other changes in labor-related matters," said CWA President Glenn Watts.

A court ruling on whether AT&T can split up its pension plans as part of its reorganization would affect employers and employees.

A ruling would set a precedent for other large employers that are forced by the government to divest operating subsidiaries.

And for many of AT&T's one million employees, a ruling would



Graphic: Jim Bakasetas

INSIDE:

Drive for open comp rating begins to slow, officials say
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Asbestos broker says suits are forcing it out of business
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discuss his goals, some deregulation may be considered.

Mr. Corcoran, 38, who must be confirmed by the state Senate, has been Prudential's vp-government affairs and served as one of six corporate lobbyists since October 1980. A resident of Garden City, N.Y., he specialized in New York regulatory and legislative issues. Unlike Mr. Lewis, an outspoken critic of the property/casualty insurance and reinsurance business, Mr. Corcoran is not expected to press controversial issues like the proposed Regulation 82, which limits reinsurance fronting regulations. But industry sources speculate that Mr. Corcoran may act on Gov. Cuomo's campaign complaint that many New York-based national companies, especially insurers, invest too lightly in New York securities.

A department spokesperson said that an industry task force recently appointed by Mr. Lewis to review proposed Regulation 82 will begin its research pending Mr. Corcoran's confirmation.

Arbitrator to rule on A&A suit

LONDON—Alexander & Alexander Services Inc. is appealing a court ruling that it must seek arbitration of its complaint against four ex-directors of Alexander Howden Group P.L.C.

The court ruled that A&A must abide by an Aug. 14 agreement made with the four former directors, who A&A alleges diverted millions in Howden funds to reinsurers they secretly owned (BI, Sept. 27, 1982). That agreement stated A&A would not sue if they made a full disclosure of their holdings. A&A told the court that the defendants did not live up to that agreement. The court said, however, an arbitrator must decide whether A&A can sue.

The decision affects suits filed Sept. 20 against Kenneth V. Grob, Alan J. Page, Ronald C. Comery and Jack H. Carpenter. Legal action against former Howden underwriter Ian R. Posgate is not affected by the ruling since he did not sign the August agreement.

Asbestos claims settled

TYLER, Texas—Four manufacturers, a union and 133 plaintiffs alleging asbestos-related diseases have agreed to settle a long-standing asbestos injury case for a reported \$1.3 million.

The defendants include Pittsburgh-Corning Corp.; PPG Industries Inc.; Corning Glass Works; North American Asbestos Corp.; and the Oil, Chemical & Atomic Workers of America. The federal government, which had been named as a defendant and later severed from the case, refused to participate in the settlement.

The Feb. 2 settlement stemmed from litigation in a Texas federal court, known as "Tyler II," involving workers exposed to asbestos at a plant in Tyler operated first by Unarco Industries Inc. and later by Pittsburgh-Corning. In 1977, 445 workers settled for a reported \$20 million. The government reportedly contributed nearly \$6 million.

Unarco, a subsidiary of UNR Industries Inc. of Chicago, was separated from the case when UNR filed for bankruptcy last year.

Kielland claims rejected

CLEVELAND—Lawyers representing 72 men injured and the survivors of 95 men killed in the collapse of a North Sea floating oil rig are considering their options after a judge dismissed their claims.

Judge John M. Manos of the U.S. District Court in Cleveland last week dismissed the suits seeking \$2 billion from Phillips Petroleum Co. and Phillips Petroleum Co. Norway (BI, March 15, 1982).

The judge concluded that Phillips Norway, which chartered the Alexander L. Kielland, doesn't do business in Ohio and may not be sued there. He also found that the Bartlesville, Okla.,-based parent firm does conduct business in Ohio but bears no liability for the March 1980 accident, in which 123 people died.

The decision left open the possibility that the plaintiffs, most of whom are represented by Detroit attorney Leonard C. Jacques, may refile their claims in federal court in Delaware, where both companies are incorporated, or seek review by a federal appeals court.

Phillips trying to sell Walton

HAMILTON, Bermuda—Phillips Petroleum Co. is putting Walton Insurance Co., its Bermuda-based insurance subsidiary, up for sale, says Walton President John S. Kemp.

Selling Walton is Phillips' "first option" to avoid further losses at Walton, he said. "Its second option is to wind Walton down over a three- to five-year period," said Mr. Kemp, who took over the top job at Walton last month after Harold E. Tornquist resigned.

Phillips announced earlier this month that losses at Walton reduced the oil company's fourth-quarter earnings by \$65 million (BI, Feb. 7). It had earlier announced that Walton would reduce underwriting during 1983 and lay off 26 people.

Mr. Kemp described Walton as "a very attractive vehicle for any company looking for a base in Bermuda." Phillips had "waited and waited" for the insurance market to turn before deciding to sell the company, Mr. Kemp said. "In the end, I think they just decided they did not want to ride out the storm."

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Drive for open comp rating starting to slow: Officials

By CAROL CAIN

Last year's urgency to adopt competitive rating laws for workers compensation insurance is losing some steam, but the movement is still chugging along.

Three states—Arizona, Colorado and Connecticut—already have legislation before committees.

Their actions follow a track laid during the past two years by eight other states that have adopted open rating laws. In Arkansas, Minnesota, Michigan, Rhode Island, Georgia, Oregon, Kentucky and Illinois, legislatures have passed laws that say insurers cannot file rates en masse, but rather must file individually.

But "the pressure's off," says Roger C. Day, Utah insurance commissioner and president of the National

Assn. of Insurance Commissioners. However, he believes that states will continue to adopt open rating legislation.

"I don't think the pressure is great (for legislation)," agrees Kevin Ryan, president of the National Council on Compensation Insurance, a ratemaking organization. He says many states already are in a competitive situation because insurers are allowed to file rate deviations or use scheduled rating.

The most competitive rating occurs when each risk is analyzed, according to Mr. Ryan, and that occurs in scheduled rating. Under scheduled rating, underwriters subjectively rate a risk and apply debits and credits accordingly to determine an individual rate for each employer.

"The pressure of competition is more important than the wording itself," Mr. Ryan said, explaining that open rating laws themselves are not necessary to have competition. This is why the movement toward state laws has slowed this year, he added.

Proponents of open rating point to the savings employers will realize from the rate cuts the mandated competition brings.

Since Kentucky's open rating law took effect in July, employers have seen their insurance rates drop by as much as 40% (BI, Jan. 3). In Oregon, employers estimate rates have dropped 5% to 10% since open rating began

*Continued on page 74***Captive managers directory**

March 9 is the deadline for captive management companies to return completed questionnaires to *Business Insurance* to be included in BI's directory of captive management firms.

The directory will be published April 25. If you have not yet received a questionnaire, please write or call Sallie J. Drury, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611; 312-649-5398.

M&M to sell underwriting subsidiaries

By BILL DENSMORE

NEW YORK—Marsh & McLennan Cos. Inc., turning its back on the so-called vertical integration of the insurance industry, says it will avoid underwriting activity in the future.

The company, the parent of Marsh & McLennan Inc., the nation's largest insurance brokerage, also announced last week that it will divest itself of three underwriting subsidiaries during 1983.

Two of the three subsidiaries, which together generated about \$8 million in net income on revenues of \$220 million last year, were acquired by M&M through its 1980 merger with Lloyd's of London broker C.T. Bowring & Co. Ltd.

The underwriting units contributed just a small percentage of the parent company's 1982 net income of \$120.4 million.

"Both Bowring and Marsh & McLennan have always avoided underwriting (as opposed to brokerage)," John M. Regan, chairman of the parent company, said during

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Owner of ill-fated ship faces mounting lawsuits

By DOUGLAS McLEOD

NEW YORK—Owners of the coal freighter *Marine Electric*, which sank off the coast of Virginia Feb. 12, face a growing number of lawsuits brought on behalf of crew members injured or killed in the accident.

But the shipowner's potential liabilities to crew and cargo interests may be covered by insurance written by a London protection and indemnity club, sources say.

The *Marine Electric*, a U.S. flag vessel built in 1944 as a World War II transport, was carrying 27,000 tons of coal from Hampton Roads, Va., to Boston when it capsized and sank in high seas off Chincoteague, Va., on the morning of Feb. 12. Only three of 36 crew members survived. U.S. Coast Guard rescue crews recovered 24 bodies.

The *Marine Electric* was owned by Marine Coal Transport Corp. and operated by Marine Transport Management, both subsidiaries of Marine Transport Lines Inc. of New York.

Five lawsuits already have been filed against Marine Transport Lines and Marine Coal Transport on behalf of one of the surviving crewmen and the estates of four of those who died.

The suit brought by the surviving crewman, Paul E. Dewey, 28, of Granby, Conn., seeks \$2 million in damages. The suits brought on behalf of the four dead crew members ask \$15.25 million each.

The Norfolk, Va., law firm of Breit, Rutter & Montagna filed all five complaints Feb. 14 in U.S. District Court in Norfolk. The suits are being brought under two federal statutes, the Jones Act and the Death on the High Seas Act, which cover all commercial seamen.

In the absence of a system of scheduled compensation, the Jones Act allows injured seamen to sue shipowners in federal court for

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Asbestos broker says suits forcing it out of business

By STEPHEN TARNOFF

CHICAGO—Another defendant in asbestos litigation is turning to a bankruptcy court to settle asbestos claims, but this time the company is seeking to go out of business permanently.

Continental Products Inc., a small asbestos broker facing about 300 lawsuits from asbestos claimants, filed under Chapter 7 of the Federal Bankruptcy Act last month in U.S. Bankruptcy Court in Chicago.

Under a Chapter 7 liquidation, the business ceases and a trustee is appointed to distribute the corporation's assets ratably to creditors.

The concept of Chapter 7 is that "the company is worth more dead than alive," says Douglas Baird, a professor at the University of Chicago Law School.

Chicago-based Continental, which ceased doing business in January 1982, is apparently the first company to seek liquidation due to the number of asbestos lawsuits it faces and the high cost of defending them.

Three other asbestos defendants—Manville Corp. of Denver, Amatex Corp. of Norristown, Pa., and UNR Industries Inc. of Chicago—have filed for reorganiza-

tion under Chapter 11 of the bankruptcy code, which freezes all litigation against them and permits them to remain in business while a method for paying their debts is worked out.

Continental's potential liability for asbestos claims comes to more than \$10 million and its only asset is a \$28,000 tax loss carried forward from 1982, according to papers filed in bankruptcy court.

Continental had been defending the lawsuits for the past year, according to its attorney Thomas E. Raleigh, but the cost became so overwhelming that the litigation forced the company to seek liquidation.

Mr. Raleigh blamed the bankruptcy solely on the legal costs stemming from asbestos litigation. "If they didn't have to deal with the litigation, they could have stayed in business," he said. "It became a nightmare for them."

"It (Continental) was a small two-man operation. To defend themselves was impossible. They didn't expect to be involved in this sort of thing."

Continental was a broker that brought asbestos mining and production companies together with buyers.

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ON-LINE

Computerized information systems increasing risk managers' abilities

By RHONDA L. RUNDLE

Computerized risk management information is coming of age.

The computer revolution is forging new tools for risk managers that can boost their productivity, sharpen their control over corporate risks and propel them into their companies' financial nerve centers.

Risk-related calculations like reserve analyses and loss trending are tedious and repetitive—just the kind of mind-deadening assignments made for machines. And when numbing number crunching can be performed by computer, the risk manager is freed for more creative problem solving.

Most risk management information systems are now used to track and analyze property and casualty claims, but many companies will eventually add their group medical and dental programs. Such systems will then help companies to contain costs through better understanding of how employees use their benefits.

Today, most of the risk managers who are enjoying the benefits of computerization work for the largest U.S. corporations. But that, too, will change. Rapid advances in microcomputer technology are creating new possibilities for small companies (see accompanying story).

Computerized information systems create exciting opportunities for risk managers—and commensurate challenges. Risk managers who ask a lot of questions about what, where and why losses are occurring are probably destined for computer addiction.

Many people who are responsible for setting up a computer sys-

tem, but know next to nothing about it, are afraid of committing costly mistakes. And with good reason. The risk management grapevine is laden with stories—many of them true—about companies that spent thousands of dollars on false starts and abandoned systems.

Even successful implementation can cost a lot more in management time and programming than a company expects. One risk manager with a state-of-the-art system privately confides that it cost more than \$500,000 to develop, which is about 60% more than he's willing to admit for the record.

The stories and the costs are exaggerated in some cases. But the obstacles that lie in the path of a risk manager trying to identify the right system are not. There's a confusing new vocabulary to master, a laundry list of capabilities to consider and a host of old and new vendors in the market hawkling their wares.

There are systems available through brokers, insurers, adjusters and information systems specialists. Some let the risk man-

Continued on next page

Microcomputers bringing benefits of data processing to small firms

By RHONDA L. RUNDLE

You are a risk management department of one. Too small to use a computerized information system, you say?

Not anymore.

More than 150 manufacturers are slugging it out for a share of the burgeoning small-business personal computer market. And that competition is driving down the price and pushing up the power of microcomputers.

Risk management consultants and vendors are recognizing the demand for computerized information capabilities among small- and medium-sized companies. They are designing inexpensive software and systems solutions to meet these needs.

And you don't have to be self-funded to enjoy the benefits of computerized risk management information. Some computer buffs, who double as risk managers, are using loss-trending analysis to track their insurers' reserving practices in retrospectively rated plans. Others use computers to allocate premium payments to various company cost

centers.

If the notion of using a computer is appealing, but you're not turned on by the thought of writing your own program, don't despair. Low-cost software tailored to risk management applications will be on the shelf within the next year. Allowing \$2,000 to \$5,000 for the hardware, the whole package should weigh in at well under \$10,000.

Nobody knows how many companies or individuals may be in the process of creating these programs. A handful of risk managers and university professors has devised software for personal use in their departments and classrooms. Many risk management consultants own microcomputers and use them to perform a wide variety of quantitative analyses for their clients. Some are interested in selling their custom-designed programs so that they can be widely distributed at low cost to risk managers (see story, page 14).

Another approach to risk management information systems is rolling out the doors at Corporate Systems, a purveyor of risk information technology based in Amarillo, Texas. The company is gearing up for the debut of a brand-new system, called CS-Micro, targeted for both large and small companies (see story, page 24).

Corporate Systems predicts that CS-Micro will make computerized risk management information accessible to every company that wants it—an estimated five times as many users as today. About 1,000 clients—including jumbo corporations, brokers, insurers and claims administrators—already store their claims data at

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Get started, risk managers advise

Risk managers who already have a computerized information system up and running advise their peers to follow suit. They also suggest that others proceed slowly since the road to computerization can be filled with many perils. Story, page 18.

Denny's system begins with questions

By posing lots of questions to software vendors in the beginning, Norma C. Baker, risk manager at Denny's Inc. in La Mirada, Calif., now has a computerized risk management information system that meets her expectations. Story, Page 22.

Municipalities seek computerization

Municipal risk managers see the day when city governments are connected by a vast computerized network that will enable them to share information that will allow them to reduce both their losses and their insurance costs. Story, Page 26.

Computer era attracting risk managers

Continued from previous page
ager control the company's data base; most do not. Some eliminate paper; others produce it. Some offer flexibility through custom design; others are "take-it-or-leave-it" packages.

Buzzwords like interactive, on-line and user-friendly are so highly charged with positive associations that they are used indiscriminately by vendors and users alike to praise or promote their systems.

"Everyone will tell you their system is user-friendly," warns James D. Blinn, a consultant with a degree in computer science on the staff at Risk Planning Group Inc., a risk management consulting firm in Darien, Conn.

Recently, Mr. Blinn watched a demonstration of such a system. A

risk manager sat down at the terminal and proceeded to make an input mistake. The program stopped running. The system went down.

"You call that user-friendly?" Mr. Blinn asks rhetorically.

One good way to find out if a system is more hostile than friendly is to ask it to perform a task. The more the computer can perform on its own, the more friendly it is. If the user has to look up a claim number somewhere else or consult a manual to prepare a program, the system is not very friendly.

There are at least 29 risk management information systems on the market today, according to the 1982 Risk Management Information Systems Survey, published by Risk Planning Group. The first

survey in 1979 listed only 13 vendors, notes Mr. Blinn, one of three consultants who prepared the 1982 report.

Most of the purveyors offer claims information warehouses that are not true decision support systems, he points out. Many of them store claims information and provide their clients with computerized loss runs. Others include summary information.

More sophisticated systems offer on-line interactive capability. On-line means that the risk manager's terminal is linked by telephone lines to a mainframe computer storing the company's claims information. Interactive means that the terminal can be used to retrieve and screen random claims information on command.

The most advanced systems act as decision support systems that enable a risk manager to consider a series of hypothetical situations and to select the best alternative in each case.

These are typically termed "what if" questions: What if interest rates skyrocket? Or plummet? Is the company better off with a captive? A paid-loss retro? Or guaranteed cost coverage?

The decision support system answers these questions by integrating information from the data base that might include loss and exposure data, financial information for cost allocations, property profiles by location and insurance coverage.

Sitting at a video display terminal, the risk manager can produce

an ad hoc report to demonstrate how cost of risk will change under a series of different assumptions.

There are only a handful of bona fide decision support systems available that give a risk manager varying degrees of flexibility to prepare customized management reports. Risk managers who have recently shopped the market give high marks to Risk Sciences Group of Mill Valley, Calif., a unit of Crawford & Co.; Anistics of New York, a subsidiary of Alexander & Alexander Inc.; and Corporate Systems in Amarillo, Texas. They're followed by Marsh & McLennan Inc., Frank B. Hall & Co. Inc. and Corroon & Black Corp.

Average development and implementation costs for a risk management information system range from \$30,000 to \$50,000. But, in the world of information systems, averages don't mean much.

Denny's Inc. of La Mirada, Calif., will pay Risk Sciences Group roughly \$130,000 to install a fully customized system, not including about \$15,000 worth of microcomputer and peripheral equipment (see related story, page 22). American Can Co. has spent about \$150,000 in two years to develop and operate its system, designed by Anistics.

"We do not focus on small companies," concedes Joseph A. Destein, president of Risk Sciences Group. All of the company's projects involve customized software. The smallest implementation budget of any RSG client has been about \$25,000, with annual operating costs averaging \$25,000 to \$35,000.

"There are so many variables in a big company's risk management program, you need customization to make it work," says Mr. Destein.

Risk Sciences is reducing some clients' operating costs through the use of microcomputers for off-line data entry and summary-level data analysis. The client's communications costs are minimized because data transmission to and from RSG's mainframe computer in Atlanta can take place in large batches at one time.

Corporate Systems has just rolled out its microcomputer system, called CS-Micro (see story, page 24). Anistics and Marsh & McLennan have pilot microcomputer projects under way with existing clients.

Lots of companies are lured to microcomputers by the low cost of the equipment. But, the memory capacity of micros is still too small to store a large volume of claims and microcomputer program languages are also much less powerful than those used by mainframe computers.

Ready-to-use software for risk management applications is under development and should hit the market soon (see related story, page 14). One of the alphabet brokers is discussing purchase and distribution of such software before the end of the year. Up to now, most risk managers using personal computers in their jobs are hobbyists who have tailored off-the-shelf financial software to meet their individual needs.

Some vendors are redesigning and updating their systems to make them more competitive with industry innovators. This year, for example, Reed Risk Management of San Francisco will introduce a software package for purchase that is compatible with Digital Equipment Corp. computers.

The Cadillac systems designed for companies like American Can and Denny's use fully customized one-of-a-kind programs, which are probably uneconomical for com-

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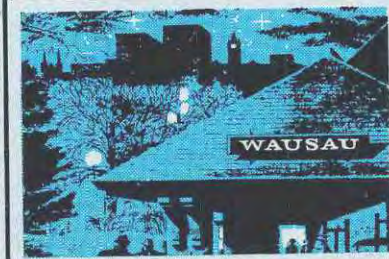
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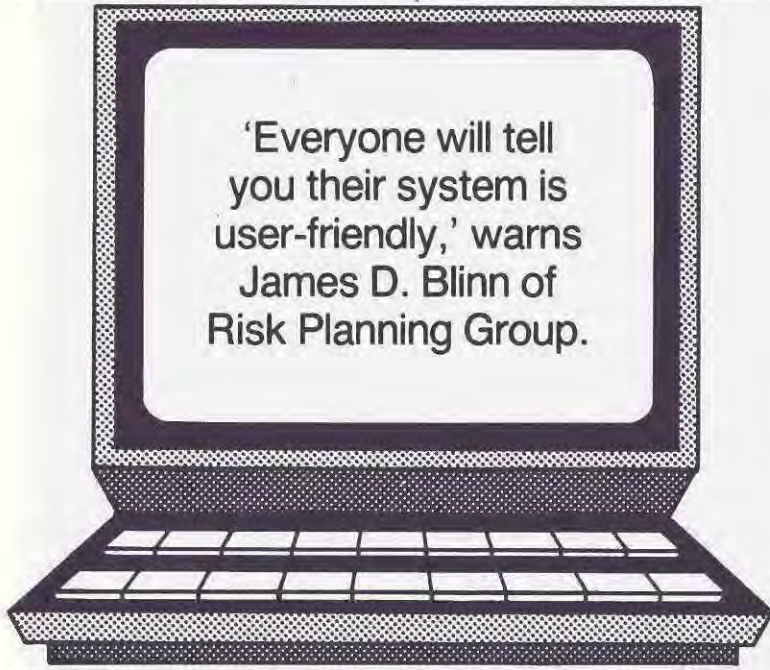
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Tailor-made programs available

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panies whose cost of risk is less than \$1 million. Not everyone can afford a Cadillac, nor does everyone want one. Some companies prefer to buy a system "as is" with slight modifications. The advantages of this approach are lower cost, fewer bugs and faster implementation.

"In three or four weeks you are ready to go with a demonstrable system," sums up G.T. Nygreen, an Anistics senior vp.

Although Anistics has the technical capability to deliver customized software, Mr. Nygreen stresses that it is costly and inefficient. He believes that most companies could use Anistics' fully integrated, on-line ARIS system with some modifications.

"Everyone thinks they have unique problems, but look at the success of accounting packages. In the mid-1960s everyone thought they needed customized payroll software. But, eventually they saw it was more efficient to change the company to fit the package rather than to change the software," he says.

Another critic of custom-designed systems is Spencer J. Traver, assistant treasurer of The BFGoodrich Co. in Akron, Ohio, which has used computerized information systems for 15 years. Besides their high cost, Mr. Traver faults customized programs for another drawback: "You only get what you ask for."

Mr. Traver is an unabashed advocate of Corporate Systems, the granddaddy of risk management

information systems.

"In my opinion, nobody has as much to offer to meet my informational needs," he says. That was not true two years ago when Corporate Systems was suffering growing pains. But since then the company has added new services and capabilities, says Mr. Traver.

Today, Mr. Traver says Corporate Systems boasts the best-stocked cupboard of any information systems vendor, with services that include electronic mail, word processing, on-line interactive capability and microcomputers.

Many small companies that find systems too expensive to own or develop may start looking to their insurers for this service, predicts Mr. Blinn at Risk Planning Group. Insurers have up to now lagged far behind in development of information systems that meet risk management needs. They are big on unwieldy loss runs that risk managers abhor. But, the results of RSG's 1982 survey suggest that this may change.

"Right now, insurers are trying to find out what people want," says Mr. Blinn. But in a couple of years some of them will have competitive alternatives to current systems offered by brokers and others.

"A lot of insureds would like to get that cost (for information systems) out of a broker fee and buy the service on an unbundled basis, perhaps from an insurer," says Mr. Blinn.

Fireman's Fund Insurance Cos. is just now introducing a highly flexible system that is available to large policyholders as well as claims and loss-control clients. The system permits users to work from an on-line terminal in their offices and to design their own reports.

Another insurer about to offer clients direct, on-line access to claims data and software programs is CIGNA Corp. The company's property/casualty group is installing a mainframe computer at Corporate Systems' data processing center that will be dedicated exclusively to CIGNA clients. Corporate Systems will furnish the communications network, which serves more than 70 U.S. cities (BI, Feb. 14).

Risk managers, brokers and underwriters will be able to use on-site terminals to tap into the network and access claims records, loss data and analytic reports. CIGNA has purchased the rights to more than 1,000 risk management, loss-control and claims administration reports developed by Corporate Systems.

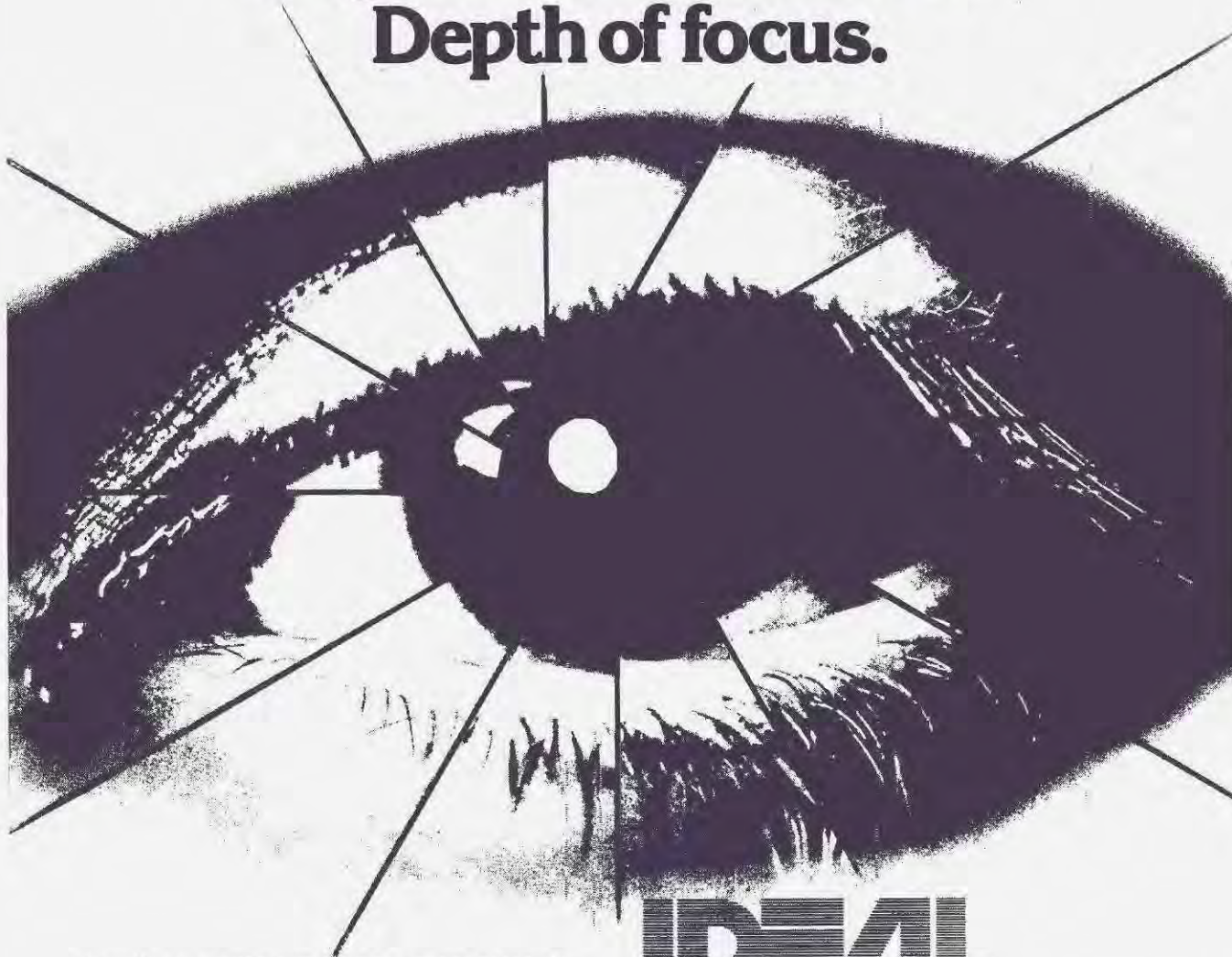
Besides improving service to its clients, CIGNA's move may presage another trend: Consolidation of information systems among existing vendors.

All segments of the insurance industry realize how expensive such systems are to create and operate, notes John R. Cox, CIGNA's executive vp and head of the company's property/casualty group.

"The economic uncertainties we face, particularly in the property/casualty market, prohibit the luxury of duplication of effort in this area," Mr. Cox said in a prepared statement issued by the company.

A shakeout of vendors is coming, industry insiders say. Rumors are making the rounds that at least one or two brokers may soon withdraw their resources from this glamorous—but very costly—service. That's why risk managers need to be sensitive to the shifting popularity of individual systems, so they don't buy into something that will lose support from the supplier. ■

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opinions

Get with the (computer) program

YOU CAN'T WAIT ANY LONGER to plug into the computer age.

A computer can analyze losses, track claims, help to determine the best funding options and project future losses—everything you have always wanted to do but never have had time to do.

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This week's report on computerized risk management information, which was spearheaded by Los Angeles Bureau Chief Rhonda L. Rundle, examines the options available to corporate risk and financial officers from the most inexpensive microcomputer to the more costly use of mainframe computers.

These reports should convince you that in 1983 you must get involved in computerized risk management information. You owe it to your company. And risk managers, you owe it to yourselves.

Your company will benefit because you will have the information you need to make better decisions about loss control and risk-financing options. Your risk man-

agement department will be more productive as the computer takes over the monotonous tasks that have been performed manually.

The full-time risk manager must become "computer literate" if he or she is to grow in the profession. The financial analysis of losses and risk-financing options made easy by computers arm the risk management professional with the numbers and language of the financial officer. A risk manager who can't produce these analyses will be obsolete sooner than the computer equipment on the market today.

Some risk and financial executives are procrastinating on a computerized risk management information project out of the very concern that the equipment purchased today will be obsolete tomorrow. Two facts should allay that concern.

One, investing in today's microcomputers is very inexpensive. You will get your money's worth. Two, while computer technology is changing quickly, the longer you wait to computerize your risk management information, the farther behind you will be in this technology.

Arming against health care costs

THE BATTLE AGAINST soaring health care costs is a struggle that is not going to be won with a sneak attack or a lightning blitz. Victory depends upon a good battle plan.

Over the past several years, we have reported on numerous cost-containment strategies that employers can use. But, as employers are finding out, offering a cost-containment program without careful planning is not going to turn the tide against spiraling health care inflation.

Home health care is an example of a cost-containment program that requires more than just implementation to be successful. According to a recent survey, half of the major employers polled offer their workers a home care option. However, consultants and other experts say many of these programs cannot work well because they do not offer employees an incentive to

check out of the hospital and recuperate at home.

Taking the time to plan a program properly will probably pay off. For example, Planning Research Corp. of Arlington, Va., which included a home care plan with incentives and devices to monitor hospital stays in its revamped health benefit program, is shooting for a 20% cut in claims costs. And a New York Blue Cross plan is reporting success with its home maternity program, which also includes incentives (*BI*, Feb. 7).

Other employers should do the same. Before introducing a cost-containment feature in your health plan—whether it be home health care, pre-admission testing or second surgical opinions—make sure that your employees will use the option.

A good general will make sure that his troops are ready for battle before taking on the enemy. You should do the same.

letters

Getting a break at the expense of others

To the editor: As president of the Risk & Insurance Management Society, which represents the largest consumers of insurance and insurance services in the United States and Canada, I take the strongest exception to J. Robert Hunter's charge that large commercial insurance buyers are getting a break on their premiums at the expense of small employer and personal lines policyholders (*BI*, Jan. 31). Not only is the charge wholly inaccurate, it does harm to the consumer movement by attempting to play off the small consumer against the large buyer.

Mr. Hunter asserts that high personal lines rates are subsidizing the low rates given to large commercial buyers. Yet as a rule, most insurers do not have a substantial personal lines and large commer-

cial casualty and loss operations. Thus, the ability and incentive to subsidize commercial operations through personal lines ratemaking is questionable at best.

Mr. Hunter further contends that large commercial insurance buyers are getting a break on their premiums at the expense of the small-employer policyholder. These "breaks" were not achieved by any backroom manipulation or through the largesse of the insurer. They were achieved through the development of risk management techniques designed to give the consumer an alternative to the traditional purchase of insurance.

Tough legislative and regulatory battles often were fought to implement these techniques and to preserve their viability. Through the use of pooling, many of these

techniques may be utilized to great advantage by the smaller insured in risk retention groups, association captives, multiple employer trusts and work comp groups. Even those smaller consumers not utilizing such techniques benefit from the enhanced market capacity created by these risk management alternatives.

Mr. Hunter's concern that insurers do not consider investment income in establishing rates for small businesses may or may not be valid. However, his attempt to make the large buyer the scapegoat for this alleged inequity does a disservice to the consumer movement.

C.J. Spivey
President

Risk & Insurance Management Society
New York

Self-funding may leave something to be desired

To the editor: Your recent article, "Everybody is self-funding health benefits" (*BI*, Jan. 31), presents a rather one-sided view of a multifaceted subject. It is long on the possible advantages of self-funding of health benefits and far too short on the many pitfalls.

We are seeing a growing number of employers who are charmed by a rosy view of self-funding as a means of ridding themselves of all the problems and restrictions of an insured plan. Sadly, these same visionaries often misunderstand the merits, duties and risks they face.

While we certainly would advocate self-funding for a qualified client, it has been our experience that many groups are

better served by an insured approach combined with one or more of the many attractive cash-flow vehicles currently available in the marketplace. In fact, we frequently find that a reserveless, minimum premium arrangement offers the medium-sized client the same advantages as a self-funded plan with a greatly reduced potential for risk.

A corollary concern is finding an experienced and qualified third-party administrator. While many fine TPAs exist, there are also a growing number of firms trying to do a job that they're simply incapable of doing.

Savings from self-funding can be substantial, but also can be deceptive. A com-

prehensive review and in-depth analysis of all possible funding options should be undertaken before taking the plunge.

As the saying goes, there is no free lunch. Before you buy today's "special," make sure it's not the chef's surprise.

Randall K. Abbott
Senior vp

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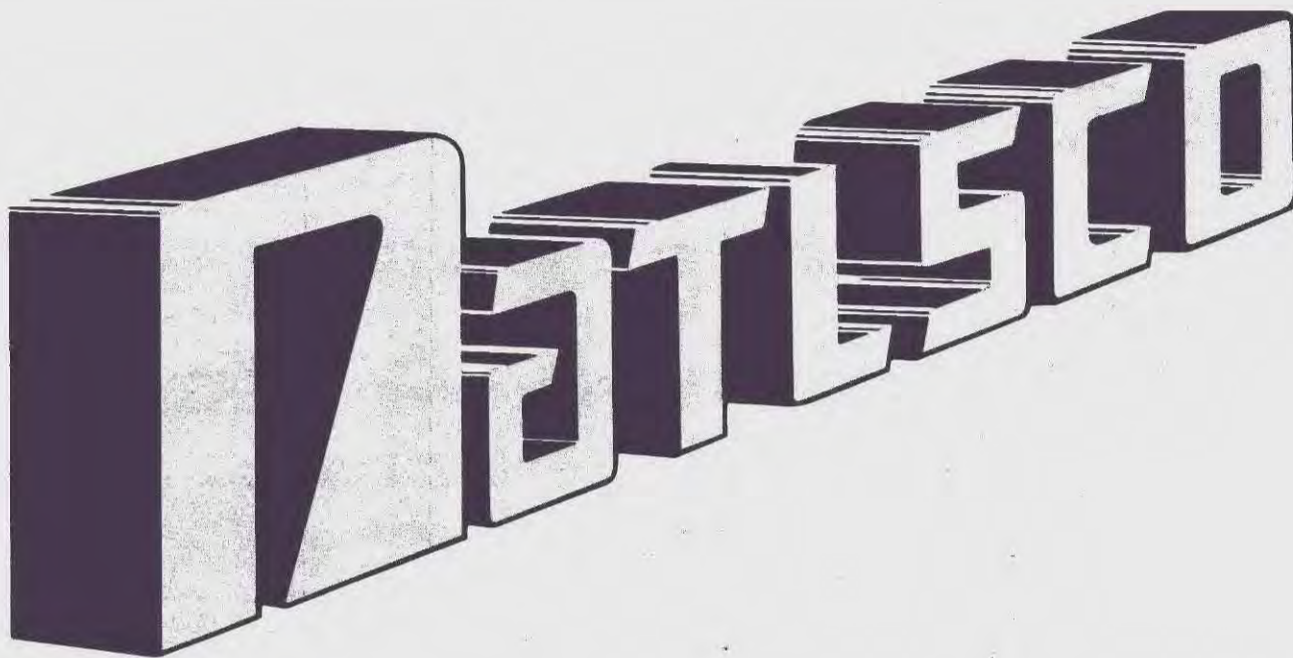
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Even small firms can afford microcomputers

Continued from page 3
Corporate System's giant computer center.

The CS-Micro system lets the client enter claims information directly into its own microcomputer where it is stored for later transmission via phone lines to Amarillo. Every month, or as often as the client wishes, the mainframe computer transmits a complete summary of all risk management information back to the customer's own microcomputer.

"This dial-up advantage is much more cost-efficient for low-volume users than full-time on-line access to the mainframe," points out Guyon Saunders, founder and president of Corporate Systems.

The CS-Micro package, which

'This dial-up advantage is much more cost-efficient for low-volume users than full-time on-line access to the mainframe,' points out Guyon Saunders, founder and president of Corporate Systems.

includes either an Apple III or an IBM personal computer, would cost a typical small company about \$7,300 a year plus telephone charges to Amarillo and \$20 per hour for computer time. Here's how the costs break out:

- \$225 to \$300 per month on a 36-month lease or about \$6,400 to purchase the hardware and software. The client will own the

equipment in three years if it selects the lease option.

- \$100 to \$200 per month for a company with 100 to 300 claims per year for normal report preparation and maintenance of claim records.

- An annual license fee of \$2,500.

The actual cost to a specific company is a function of the number of claims maintained, the number and

type of reports required and the amount of computer and telephone time consumed in transmission of data back-and-forth to Amarillo.

At Corporate Systems, the client retains ownership of its own data base and can retrieve it from the system anytime it wants.

Even so, some companies may hesitate to set up an information system that ties them to an outside vendor and ongoing operational costs. Yet, this is practically unavoidable for all but the smallest companies that want to computerize complete claims data because the memory capacity of micros is still insufficient to handle the assignment. This will change in the next few years as computer technology advances.

Many risk managers at small companies are content for now to use microcomputers to perform analyses on summary data obtained from an insurer or claims administrator.

How difficult is it to get that information?

"Fairly difficult," says Joe Casey, risk manager at A. Duda & Sons Inc., a large, privately owned agribusiness headquartered outside Orlando, Fla. "You have to get past the broker or salesman to the insurer's data-processing people."

An insurance company data-processing department had to create a special program to re-sort Mr. Casey's loss information.

"They are willing to do it if you make clear what you want," he says. "It's also in their best interests, because the more comfortable you are with the information you get, the less likely you are to jump ship for a small price advantage."

Mr. Casey has been using an Apple II computer on the job for the last four years. He also is an adjunct professor of risk management at the University of Central Florida in Orlando. He and David R. Klock, a full-time faculty member at the university, have worked on many computer applications together.

Mr. Casey says he feels more comfortable with statistical analysis than with a "more squishy, subjective approach" to his risk management problems. He calls himself a "quant jock"—a person who likes to quantify things. Or as he puts it: "Someone who feels toward numbers the same way football players feel toward crunching bones."

With a master's degree in quantitative analysis and computer modeling, Mr. Casey has a head start on most risk managers stepping up to a computer for the first time. But he insists that a risk manager doesn't need his background to do what he is doing.

He has put together a package of materials to help his peers get started—and has distributed this bundle free to more than 30 people who have contacted him for information. These programs are designed for use with a personal computer and Visicalc software, which together could cost as little as \$2,500. He has offered to copy his programs and send them to risk managers who mail him a blank floppy disk.

"You only need to be able to express quantitative relationships algebraically to use Visicalc," he explains.

For example, "standard premium equals payroll classification times the manual rate for that classification." To translate this algebraic expression onto Visicalc software, you input the payroll classification in one cell, the manual rate for that classification in another cell and the standard premium in a third cell. Other factors like experience modification are similarly defined so that the computer knows how to manipulate them.

As the company's payroll mix changes, which is common in an agribusiness like A. Duda, the impact on premium costs can be quickly calculated by updating the employment numbers and running the program.

Mr. Casey also uses his Apple to review reserves set by his insurer on a retrospectively rated workers compensation plan. Based on his analysis of loss trends, he has fairly consistently persuaded his insurer to reduce reserves by about 8%. This improves his company's cash flow since it reduces the amount of premium dollars held by the insurer.

Continued on page 12

PRC can help you control these risks.

EPA sets fine at \$44,000 in PCB leak

By Allen Short
Staff Writer

The Environmental Protection Agency has proposed civil penalties of \$44,000 against the operator of a Hopkins food warehouse where toxic polychlorinated biphenyls leaked from two electrical transformers last summer.

Gateway Foods of Minneapolis has 20 days to respond to the complaint filed last week by EPA officials in Chicago, said Sheldon Simon of the federal agency.

The wholesale food distributor was cited for failing to maintain inspection records on several electrical transformers containing PCBs, failure to properly dispose of the toxins, and failure to

A PCB crisis pummels the poultry industry

In 17 Western states, federal officials spent the better part of September tracking down and destroying 449,000 lb. of chicken and egg products contaminated with polychlorinated biphenyls (PCBs), a family of toxic chemicals that are suspected carcinogens. Officials believe they kept poisoned food off the market, but major questions still remain. Court battles are in sight over who is liable for the spillage of PCBs into animal products.

FOOD RECALLED AFTER PCB LEAK ON WAREHOUSE ROOF

A leaking rooftop transformer at a Minnesota food wholesale facility dripped pure polychlorinated biphenyls through the roof and into a dry goods storage area and a refrigerated room containing produce, leading to a three-state food recall, according to reports from the Minnesota Pollution Control

It was surrounded by secondary protection of the sort encouraged by EPA, but the leaks went directly through the floor of the vault, seeped through the roof, and then dripped down into the two storage areas, the pollution agency said.

\$100-Million Suit Over PCB Spill

A \$100 million lawsuit has been filed against [redacted] for its alleged failure to warn three Whittier families of the dangers from a 1980 PCB spill. The suit claims that an [redacted] capacitor exploded July 4, 1980, spraying the families' backyards with the substance, which is [redacted]. The suit [redacted]

Headlines like these have become more and more common. Unfortunately, if you have PCB electrical equipment or storage containers, leaks and spills are virtually inevitable. The solution: PRC's Secondary Containment System, to contain spills and control your risk, 24 hours a day.

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Some risk managers developing own systems

Continued from page 10

"What I've found in terms of who's costing you money in a retro plan that is loss sensitive is that it's not the underwriter—it's the claims guy," says Mr. Casey. "If we can get the claims people, the agent or broker, the risk manager and location manager together in the same room, we can talk about a lot of things as they crop up before they become big problems."

Mr. Casey's next computer project is to set up a group health and dental claims information system. He wants to identify usage patterns that will help him to understand what benefits are meaningful to employees. The system also will aid in cost control.

"We've got a lot of plans, but the first step is information," sums

'We can target our loss-prevention efforts to where the accidents take place,' Mr. Rogers says.

up Mr. Casey.

Another computer literate who uses a micro at his job is William E. Rogers, director of risk management at Conemaugh Valley Memorial Hospital, a 450-bed operation with several outpatient facilities in Johnstown, Pa.

Mr. Rogers is a ham radio operator with a keen interest in electronics. He bought a Radio Shack

TRS-80 Model II computer in 1978 for personal use. About a year ago, he started to use it at work. He has spent between \$6,000 and \$7,000 for hardware and software.

Like Mr. Casey, Mr. Rogers uses the system to analyze reserves set by an insurer for the hospital's loss-sensitive workers compensation plan. He also allocates professional liability premiums back to the appropriate cost center, including nursing units, X-ray labs, orthopedics and others.

"This way we can target our loss-prevention efforts to where the accidents take place," says Mr. Rogers.

The computer also makes a handy filing cabinet for miscellaneous information. Mr. Rogers uses

it to record and update periodic tests performed in the hospital to monitor the level of hazardous chemicals.

The hospital's low claims volume—perhaps only 100 new workers compensation and professional liability claims in a year—is within the storage limitations of a micro-computer, says Mr. Rogers. He is in the process of putting up an historical data base going back to 1975.

Using a Radio Shack program called Profile Plus, he can sort and select claims according to pre-designated criteria like cost centers, last name of claimant, claim number and claims exceeding \$5,000.

When he gives the appropriate command, the computer prints out a list of claims exceeding \$5,000, for example. A limitation of the pro-

gram is that it's difficult to get summary lists. He has to manually count the number of claims on the printout.

"Some data base languages are more flexible, but they are more difficult to understand and that requires a greater investment of time," he observes.

Terms like hardware, software, programming and data base language scare a lot of people, so it's not easy to encourage risk managers to use a computer, says a university professor with many consulting clients.

"I overcome this reluctance by setting up the computer in the risk or financial officer's office, or bringing them over to my house and demonstrating what can be done," explains Leonard Berekson, professor of finance and insurance at the University of Nebraska in Lincoln.

Mr. Berekson also uses computers in a graduate seminar he teaches at the university's College of Business Administration. He rolls a microcomputer into the seminar room, then students go downstairs to the lab where there are Apples available for their use.

Microcomputers are ideal for risk management departments, big and small, he notes. "Lots of risk managers of major companies have trouble getting time on their big mainframe. But they can get a microcomputer easily."

Most of Mr. Berekson's clients are using summary information from their insurers to perform statistical analyses. But some of them want to set up their own historical claims data bases. Powerful new micros, like the Apple III, have the capability of doing this for small companies when combined with hard disk storage, says Mr. Berekson.

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Off-the-shelf software to be available soon

By RHONDA L. RUNDLE

Risk managers who are now using computerized information systems belong to a small, elite club.

Membership is limited to a handful of computer buffs, who can go it alone, and to risk managers—mostly at large companies—who have big budgets to buy high-priced consulting talent.

But, the club's door is about to open wider. Within the next year or two, low-priced, ready-to-use risk management software will be sold off the shelf. It will be so self-explanatory and simple-to-use that you won't need an expert to teach you what to do with it.

The package will contain a tutorial that takes you by the hand and

teaches you everything you need.

"Hi! Let's start," is the friendly greeting offered by a combined risk management information system and tutorial package under development by Alan B. Cantor, an independent risk management consultant in Los Angeles. Mr. Cantor has designed several programs for use in his own consulting business and hopes to market them within the next year.

He is not alone.

Risk Management Systems Inc., a 2-year-old Walnut Creek, Calif., consulting firm is developing a stand-alone system for use with small-business computers. So are ARA Associates in San Francisco, J.T.H. Growth Resources in Palos Verdes Estates, Calif., and Mund, McLaurin & Co. in Willimantic,

Conn., according to the 1982 Risk Management Information Systems Survey, published by Risk Planning Group Inc. of Darien, Conn.

A look inside Mr. Cantor's system suggests what risk managers may look forward to as the market for canned microcomputer programs matures.

His system is designed as a stand-alone package for companies that do not want to be tied by an umbilical cord to an outside vendor's computer. He anticipates that hardware and software costs will run under \$10,000. Operational costs will be minimal since the system is self-contained.

The biggest limitation will be the number of claims that the user can store in the system. The memory capacity of microcomputers is still

too small to handle a large company's claims data base. This limitation may be overcome in a few years as hard disks—used to increase microcomputer memories—become more powerful.

But this shortcoming should not be underestimated, critics of stand-alone microcomputer systems point out. You can't have a full-fledged, versatile risk management information system unless you have easy access to your claims via computer. And, obtaining reliable data to use in performing quantitative analysis is at least half the battle.

"Garbage in, garbage out," they say.

Another potential drawback is flexibility. Many information systems specialists are skeptical of off-the-shelf software. They say pro-

grams invariably need modification before they are truly "user-friendly." Risk managers want and need a real-life helping hand to get them started, they argue.

But, the problem with most of today's computerized risk management systems is that they make risk managers overly dependent upon this kind of assistance, Mr. Cantor replies. "I see a tremendous opportunity for putting into the hands of a risk manager a completely self-contained system. Managers are going to be suspicious of something that forever ties them to someone else.

"There are thousands of organizations out there that don't want to spend \$50,000 to \$100,000 for start-up and another \$20,000, \$30,000 or \$40,000 in annual servicing and consulting costs," he stresses.

He is designing his software in a computer language called Basic that is compatible with a wide variety of personal computers.

The following five risk management modules are either finished or now under development:

- Basic risk financing. This program will generate cash-flow comparisons (discounted to present value) of alternative funding vehicles including guaranteed-cost plans, incurred-loss retros, paid-loss retros with alternative tax treatments and self-insurance with alternative tax treatments.

- Advanced risk financing. This program will perform captive insurance company feasibility analyses and includes cash-flow projections, pro forma balance sheets and income statements and statements of captive surplus and equity.

- Basic loss forecasting. This program is designed to perform loss-development trending and to produce graphic illustrations.

- Simulation, which is designed to predict probable losses under different hypothetical events.

- Claims information management, an electronic filing cabinet for claims storage and tracking.

Some of these analyses require several years of loss data.

"You need at least five years of historical claims data to perform credible trend analysis," notes Mr. Cantor. "If you have little or no loss experience, then I wouldn't dignify your analysis by using a simulation model."

Each of the five modules will be recorded on floppy diskettes that are used in conjunction with Supercalc, a standard minicomputer software product. Mr. Cantor is tailoring Supercalc to risk management applications.

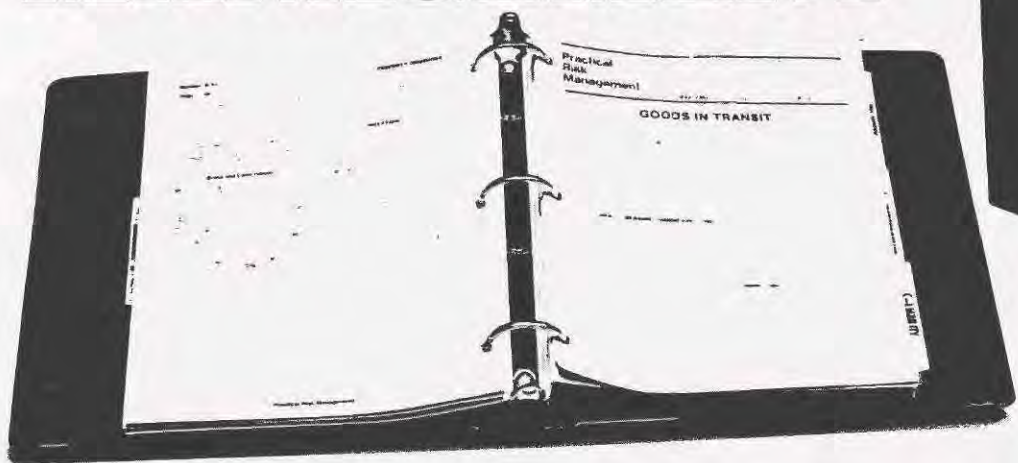
The programs are menu-driven. For example, the computer screen will light up with the words Basic Financing, followed by a menu of funding options—guaranteed loss, paid-loss retro, incurred-loss retro and so on. The user can select the desired option by pressing a key.

Mr. Cantor, along with other software entrepreneurs inside and outside risk management, is looking for ways to distribute his programs. "It's inevitable that this kind of tool is going to be out there," he says, adding that an insurer would make the most sensible outlet for his work.

"It could be used as an alternative distribution system by insurance companies," he says. "It's the most professional approach to doing business you can think of."

The software is designed to meet the needs of risk managers. But, it also could be receptive to "policy disks" sent by an insurer. The risk manager receives the insurer's disk through the mail and analyzes it with the aid of the risk-financing program. If the proposal is competitive, the risk manager picks up the phone and dials the insurer. ■

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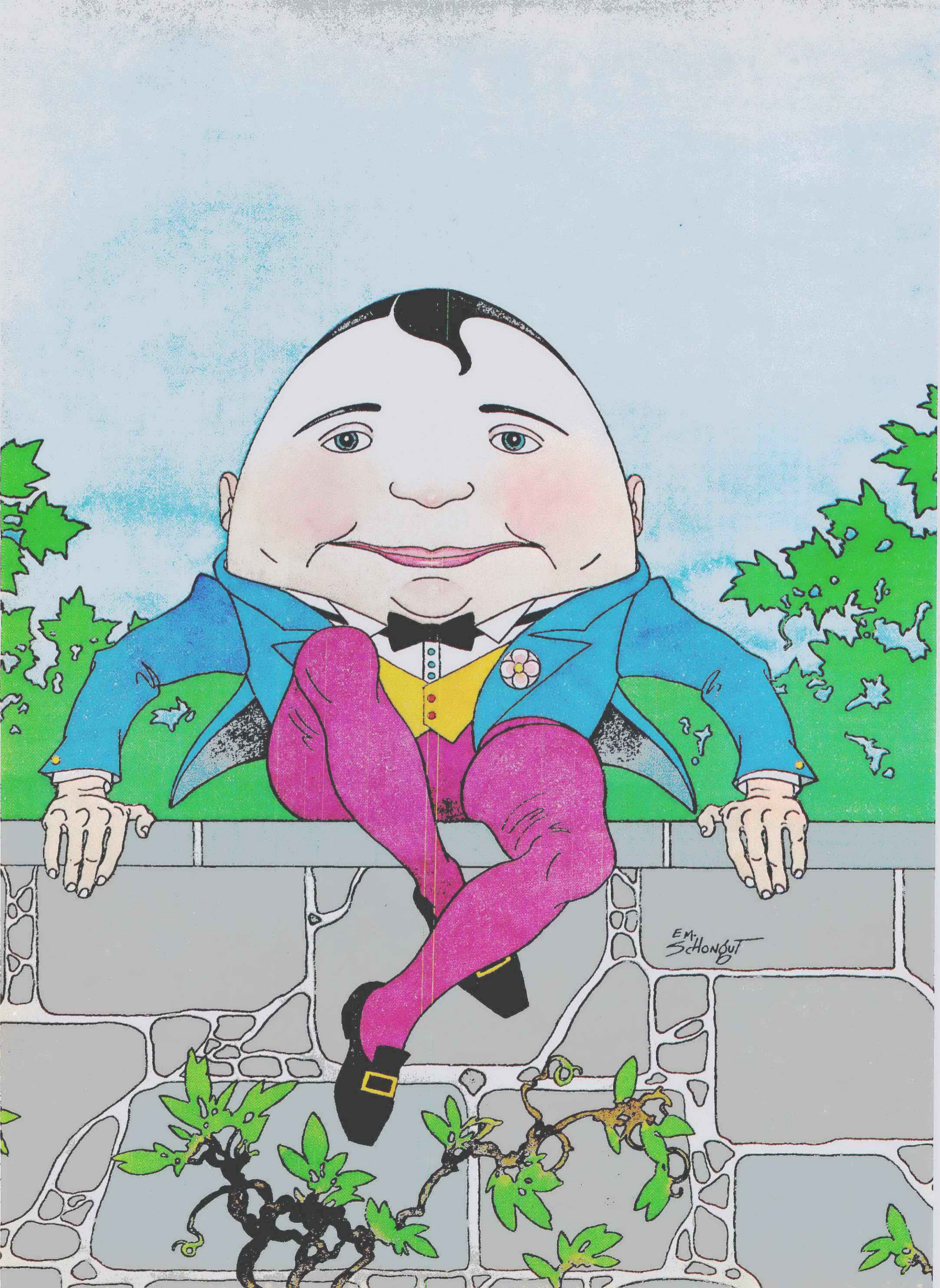
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Enter computer age, risk managers tell peers

By RHONDA L. RUNDLE



'First and foremost, it's important to have a single individual managing the process while it's getting off the ground,' says American Can's Richard Inserra.

Get started. That's what risk managers who are using computerized information systems recommend to their professional peers who are not.

And this advice applies equally to risk managers of large and small companies. The emergence of inexpensive and powerful personal computers is making space-age information systems accessible to any company willing to invest a minimum of \$2,500 (see story, page 3).

The first step toward computerization is the same for both risk managers at Fortune 500 companies and administrators who might use a computer to perform a variety of applications besides risk or benefits management.

"Learn to be a user," urges Ron Lamb, corporate risk manager at Digital Equipment Corp. in Maynard, Mass. "This is the only way to find out what a computer can do for you."

Digital Equipment has invested six years and more money than anyone cares to discuss in development of one of the world's most sophisticated risk management infor-

mation systems.

The system speaks the same language as other DEC internal systems, so Mr. Lamb can use a terminal in his office—or his home—to send messages to brokers around the world via Western Union telex. Authorized brokers and claims administrators can access DEC's system from remote locations.

Most recently, Mr. Lamb has

been exploring the economics of laser scanning to convert insurance policies into electronic documents that can be retrieved at the push of a button.

"I like what I've got now, but I could do it a lot better if I did it again," says Mr. Lamb. "And it would cost a lot less."

Start off simply, he advises.

"If you are intimidated by computers, get a word processor in the office. It helps to dispel the mystique. Go to a computer store and play around. I am an advocate of playing computer games like Hangman that teach the logical thought process of computers."

After a short while, a risk manager who follows this advice will begin to realize what a computer can do, says Mr. Lamb. He or she

will become a user and will start to ask "Why not?" rather than "What can it do?"

Mr. Lamb believes it is a big mistake to go to a vendor right off the bat. "That's what we did, and we regretted it," he says. The problem is that the technical people who design risk management information systems do not understand insurance. He says this is true of all the vendors—even those that specialize in risk management systems.

"We interviewed everybody out there. We weren't satisfied with any of them."

As a major manufacturer of computer systems, DEC brings exacting standards to this type of evaluation, Mr. Lamb concedes.

Also, there was another hurdle for vendors: DEC wanted its risk management information system to talk to its inventory control system. This capability, which Digital has achieved on its own, contributes to creating accurate, up-to-date property location profiles and to monitoring of the movement of dangerous chemicals.

But, most companies do not have the expertise on staff to start up a computerized information system. And many of those that do end up looking outside to meet their risk management needs—often at the request of the corporate data processing department.

Going outside for help is an ap-

'If you are intimidated by computers, get a word processor in the office,' says Digital's Ron Lamb.

proach that is working for two other major U.S. corporations, American Can Co. and Xerox Corp.

"We have a good working relationship with Anistics," reports Richard M. Inserra, director of insurance and risk management at American Can in Greenwich, Conn. American Can's association with the technical services arm of broker Alexander & Alexander Inc. began in late 1980 shortly after Mr. Inserra joined American Can as special projects director (BI, Feb. 8, 1982).

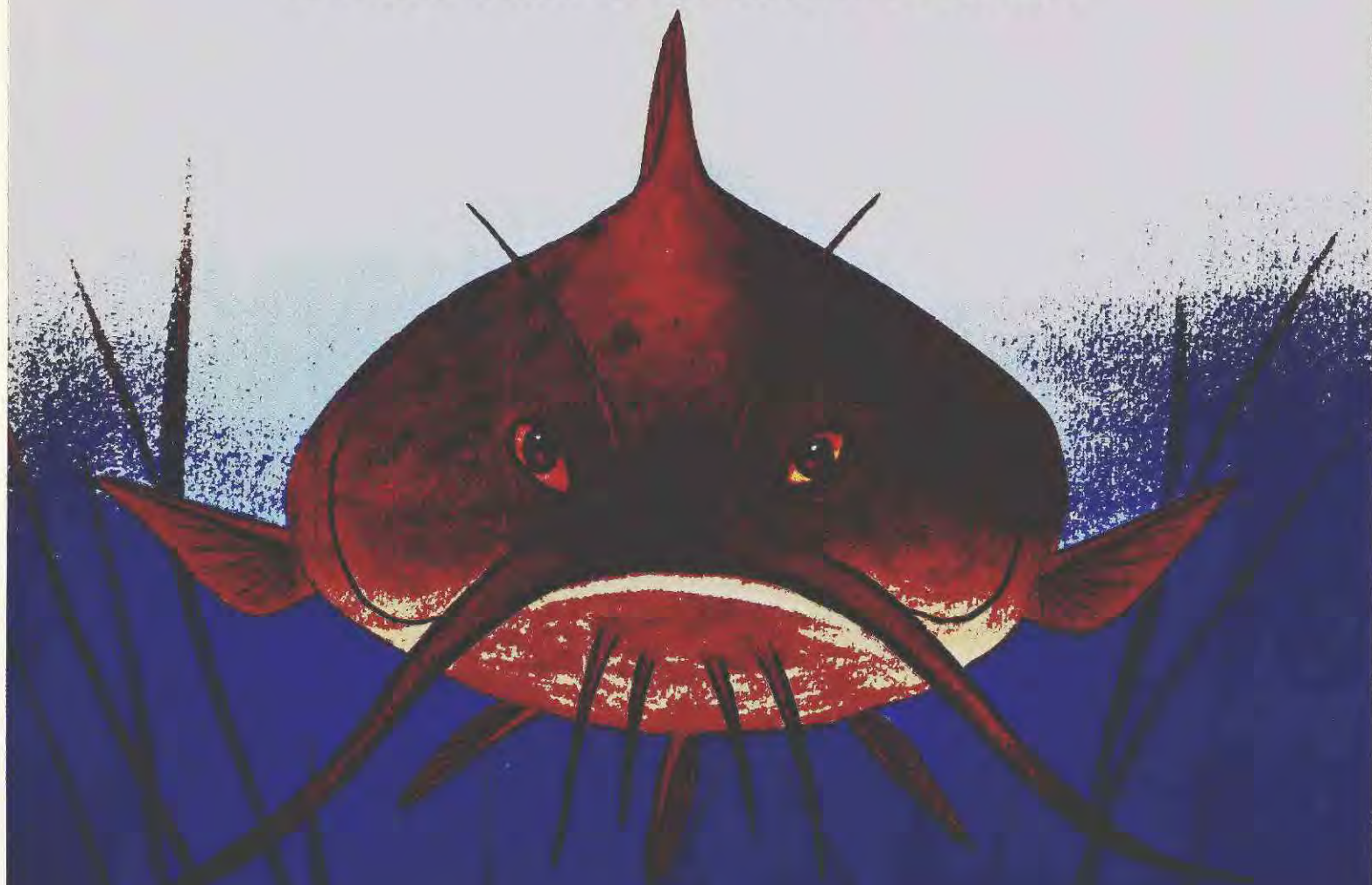
A year ago, Mr. Inserra described himself as a first-grade student learning the ABCs of data processing applications to risk management. Now that he's graduated to the next grade, he offers the following suggestions to new students:

- Assign a single individual on your staff with the time and interest to manage the process and to act as a liaison between the company and the vendor implementing the system.
- Maintain a clear, written user document that outlines the system for the benefit of both corporate and vendor personnel.
- Take the time at the outset to make sure that the management reports you are receiving are formatted the way you want them. Modifications—even as simple as moving a column of figures—can be costly and time-consuming.
- Be patient. Everything takes longer than expected.

"First and foremost, it's important to have a single individual managing the process while it's getting off the ground," Mr. Inserra says. With all the other responsibilities that fall on the risk manager, it's very hard to focus on the details and technicalities of starting up a computer system.

During the early stages of
Continued on page 20

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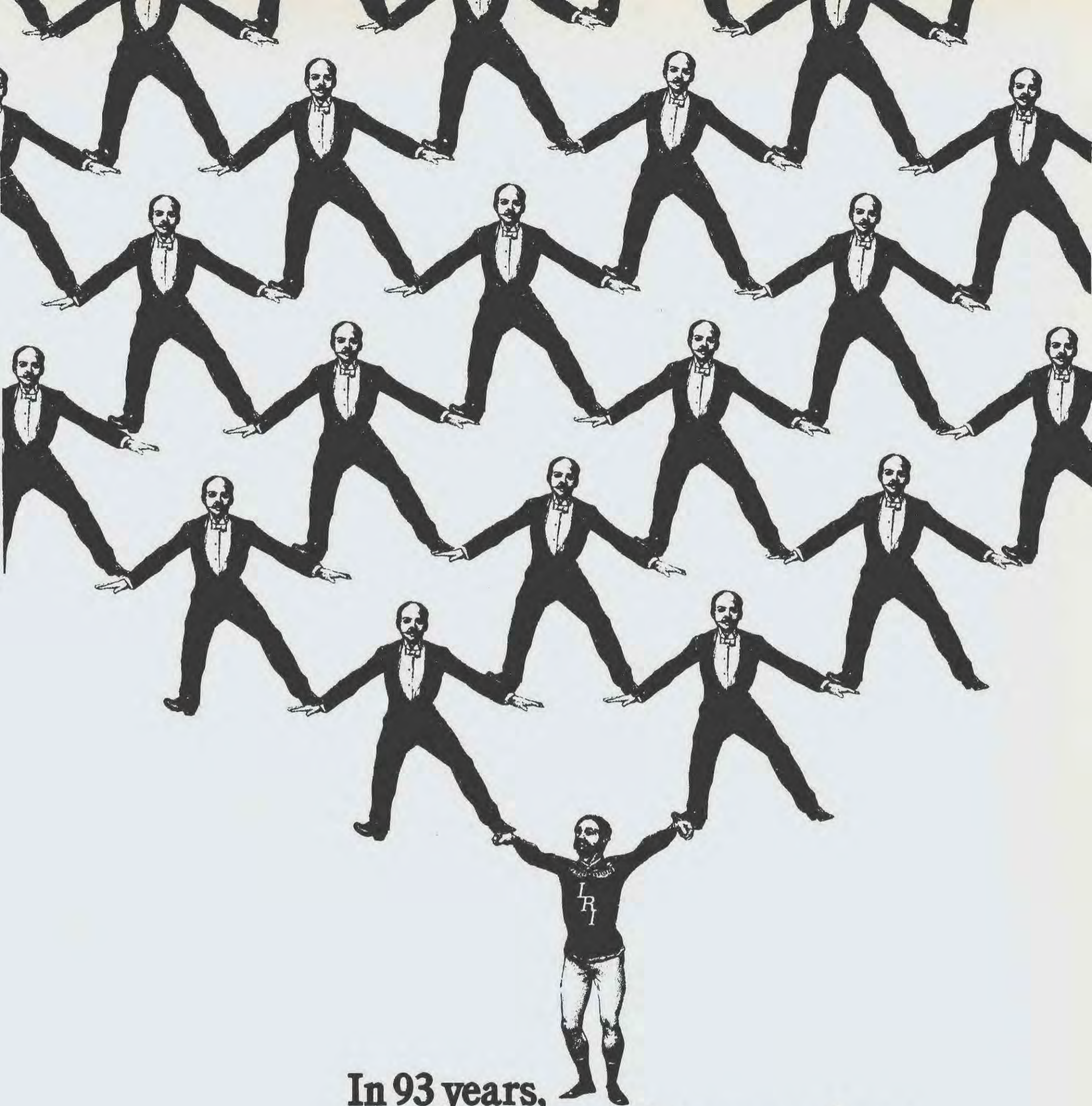
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Computerized risk managers say start slowly

Continued from page 18

American Can's system development, Mr. Inserra fulfilled that role. However, his new duties as risk management director, assumed about a year into the process, took him away from it.

"I think that's partly why we haven't moved along as fast as we expected to," he explains.

American Can had expected to install terminals in the risk management department by now. Instead, staffers still use terminals at A&A's Greenwich offices, a five-minute ride away.

American Can is relocating its risk management offices, which also has contributed to the delay. It didn't make sense to install equipment that would have to be ripped out and moved shortly afterwards.

'But don't expect results overnight. Take it a piece at a time,' advises Ron Grimm at Xerox.

Within his own department, Mr. Inserra has noticed reluctance by some people to use terminals. "Some people find it hard to adjust—they don't want to be seen sitting in front of a CRT. They have a negative image of it because they think of it as being clerical."

It takes at least 12 to 18 months to get a system up and running, say Mr. Inserra and other risk manag-

ers who've been through the process. During that period, staff turnover at both the client and vendor company is highly likely. If clear user documents are not maintained, it takes a lot longer to bring a new person up to speed.

"Computer programmers are in such demand, there's a lot of turnover and reassignment to different duties. It takes a lot of time to play catch-up if you don't carefully review your user documents."

It also takes a lot of money to make changes if things aren't done correctly the first time around. "I shudder to see some of the bills coming in for modification of reports," says Mr. Inserra. That's why it's important to be sure they are formatted correctly at the outset.

To date, American Can has spent

about \$150,000 developing and operating its information system, Mr. Inserra estimates. That does not include management time or indirect overhead costs. Nor does it include an estimated \$75,000 of programming donated by A&A to form the data base from insurance company claims records.

In 1981, the first year of operation, American Can paid A&A an estimated \$75,000, of which about 75% to 80% went toward programming costs and the remainder toward computer time.

Last year, programming costs continued at a high level because American Can started loading its property values into the system. Initially, workers compensation and general, automobile and product liability claims went on line.

"I expect to see that ratio of costs reverse itself over time," he says. "In a well-utilized system, I would expect to see the bulk of the costs going for computer operation and a much smaller percentage going for additional programming."

Xerox, another corporation based in Connecticut, started up a risk management information system at about the same time as American Can (*BI*, Aug. 17, 1981). It took about 15 months to get everything up and running smoothly, says Ron Grimm, manager of risk management administration.

"But don't expect results overnight," he cautions. "Take it a piece at a time. Check everything before going on to the next step. It makes life a lot easier if you follow this phased-in approach, because once you've done something, it's a lot simpler the next time around."

There haven't been any unexpected snags, but there has been some tough sledding. The biggest problem has been getting complete, accurate and timely data from insurers and claims administrators.

"It's not that they're not cooperative, it's just that this doesn't rank as high in their list of priorities as it does in mine," says Mr. Grimm.

Every month, these vendors must deliver magnetic computer tapes of all transactions involving Xerox Risk Sciences Group, a unit of Crawford & Co. that specializes in information systems, edits the tapes for correctness and then enters them into Xerox's master data base. To make this transfer possible, RSG has written five separate computer programs for five separate vendors.

"We are just now getting things regimented so that everything works on schedule," says Mr. Grimm. Xerox recently achieved its objective of receiving tapes from all five vendors three weeks after the end of a month. "We are hoping this will become a standard monthly occurrence."

Mr. Grimm estimates that operations costs are running at \$7,000 to \$8,000 per month. This includes unlimited access to claims data via on-line terminals, updating and entry of new claims into the data base and generation of up to 200 management reports per year.

To reduce computer operation costs and to enhance flexibility, Mr. Grimm strongly recommends using microcomputers in lieu of on-line terminals for many applications. "We're doing a lot more on micros than we were initially," he says.

For example, Xerox is storing some of its older claims data on 8-inch floppy disks rather than in RSG's big IBM mainframe computer. This reduces operations costs since claims storage on the mainframe makes up part of Xerox's on-going expense.

Xerox also uses the micros to input data into the main computer. Instead of using an on-line terminal that is tied to the RSG mainframe, Xerox staffers can perform a series of transactions on the microcomputers and then transfer them all at once into the mainframe via telephone lines. This cuts the costs of on-line entry.

But Mr. Grimm does not see microcomputers totally replacing the mainframe in the foreseeable future. The small computers lack the storage capacity to file Xerox's 60,000 records. Loading tapes from claims administrators and insurers would be a problem. And, the software currently used by microcomputers is not powerful enough to perform the sophisticated analyses required by major corporations.

The technology is changing very rapidly, Mr. Grimm acknowledges. Who knows what lies five years down the road? ■



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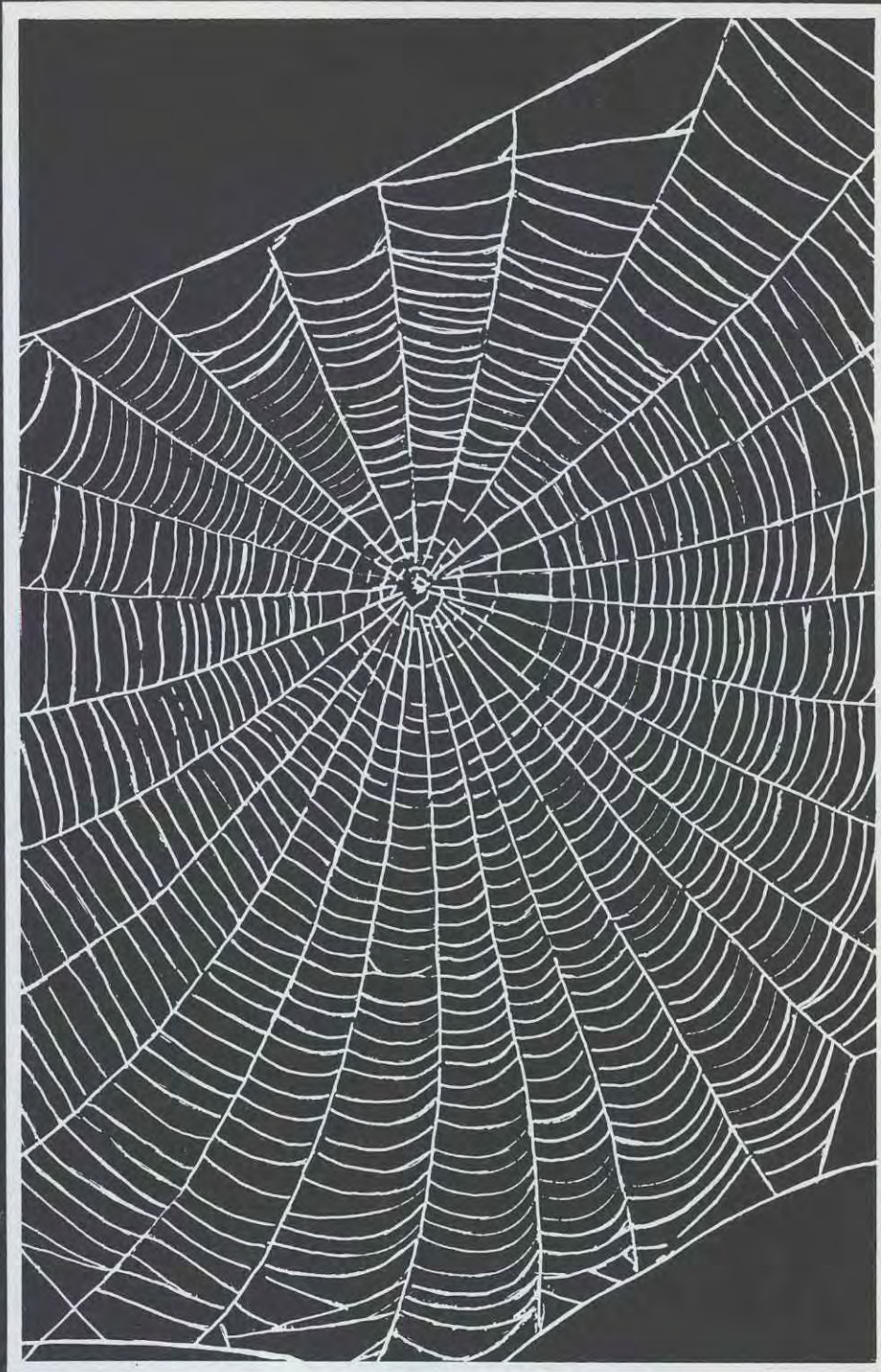
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Denny's system does more than produce paper

By RHONDA L. RUNDLE

LA MIRADA, Calif.—Norma C. Baker, risk manager at Denny's Inc., knew right off the bat what she didn't want from a risk management information system: more paper.

"We have plenty of that already," she says, pointing to a library of loss runs stacked on shelves in her office.

A risk management department in a company the size of Denny's—

\$956 million in sales last year with 2,000 separate restaurant locations—can choke on a diet of indigestible computer printouts.

Armed with certain knowledge of what she didn't want, Ms. Baker set out to answer a series of more positive questions:

- Could a computer boost productivity in a risk management department where roughly one-quarter of the claims are self-administered?

- Could it help to curb the com-

pany's multimillion-dollar cost of risk?

- Could it visually aid a communications campaign aimed at urging busy restaurant managers to pay more attention to loss prevention?

Then, Ms. Baker took this bundle of questions on a grand tour.

She aired her questions at information systems seminars conducted by consultants. She pressed them on exhibitors at a Risk & Insurance Management Society conference. She posed them to other companies

using risk management information systems. And she put them to Denny's own in-house data processing personnel.

The quest for information began about 2½ years ago, following an audit by Newport Beach, Calif., consultant Warren, McVeigh & Griffin, Ms. Baker recalls. One of the firm's recommendations was that the company should seriously consider a risk management information system.

By early last year, the nature of

the questions began to change. Ms. Baker was convinced by then that the department needed computerization to maintain the 15,000 claims files administered in-house by a nine-person staff and to perform a broad spectrum of financial analyses.

Denny's administers its own property/casualty and automobile physical damage claims. Scott Wetzel Services Inc. in Bremerton, Wash., handles the company's self-funded workers compensation program.

The next challenge for Ms. Baker was to pull together all the information she had gathered on systems into a clear statement of needs that could be used as a basis to persuade top management and to select a suitable system.

She enlisted the aid of Denny's data processing department and recruited a first lieutenant. Risk analyst Robert C. Erickson joined Denny's last spring and assumed day-to-day responsibility for shepherding the project along. One of his first assignments was to brainstorm with Ms. Baker about what the system would do and eventually to write a request for proposal that would be used to solicit vendor bids.

Denny's data processing department lent a helping hand. "They said, in essence, we don't want to do this—go outside," reports Ms. Baker. "The people there are so heavily involved in other activities of the company, they didn't have the time to devote to this."

But, the data processing department helped convince Denny's management that a system would earn a return for the company. A special projects committee that includes data processing staffers screens all Denny's internal computer requests. If a proposal satisfies the committee, then it is passed through various management levels for approval.

The risk management system got the green light last July. Shortly thereafter, Mr. Erickson's request for proposal—by now a lengthy document that had become quite technical—went into the mail.

"We went to a list of vendors and picked out the ones we thought could do what we wanted, which was basically a custom-designed program. We were not looking for canned reports. We had plenty of those."

Many vendors were insurers and claims administrators that provide what they call computerized risk management information, but which really only offer loss reports, observes Ms. Baker.

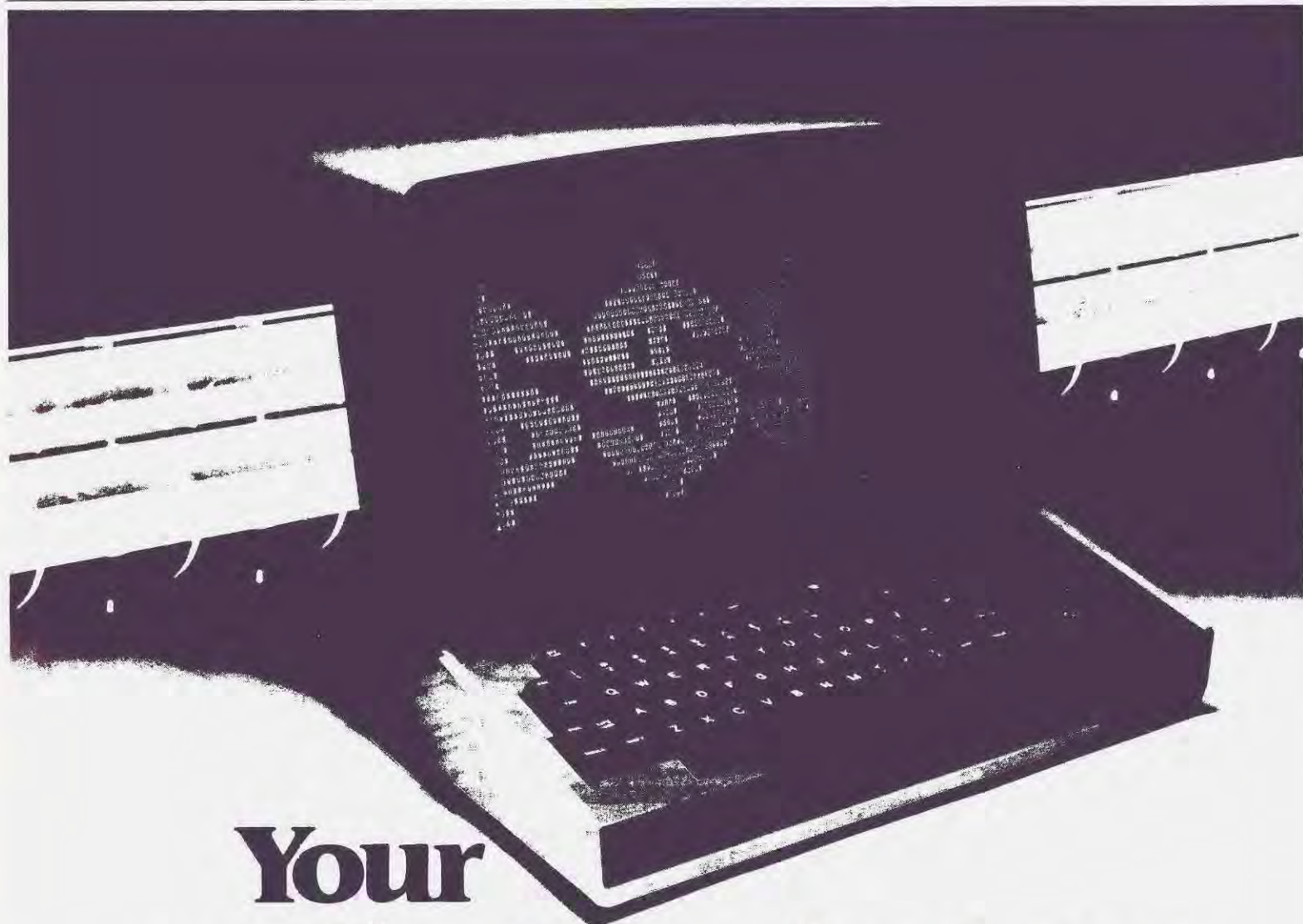
The bid request went to six contenders: Anistics, a unit of Alexander & Alexander Inc.; Marsh & McLennan Inc.; Frank B. Hall & Co. Inc.; Risk Sciences Group, an affiliate of Crawford & Co.; Corporate Systems; and an independent software provider without risk management expertise that was picked by Denny's data processing staff.

The only company that declined to submit a bid was Frank B. Hall. "Because their main offices for this service are in New York, they did not think they could service a California account," said Ms. Baker.

The independent company came back with a very large time estimate to do the job. The risk management expertise wasn't there, and it was agreed on all sides that the education process would be tedious. So, this option was quickly dropped.

"We went and talked to each one of the other people in their locations. We had demonstrations of their systems and how they performed... basically along the lines

Continued on facing page



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Continued from facing page of the request for proposal we had given them," says Ms. Baker.

One of Denny's major requirements was strong graphics ability. The company was convinced that colorful charts and graphs that turn loss-cost numbers into pictures would sell restaurant managers on safety.

Denny's is typical of most restaurant chains in that it experiences high loss frequency and low severity. Slips and falls are the company's No. 1 cause of claims, followed by employee back injuries.

Denny's also wanted a system to be compatible with microcomputers. This was critical because Denny's administers its own property/casualty and automobile physical damage claims.

"We wanted something that would accept input from us as well as from our claims administrator," notes Mr. Erickson.

Despite the initial reluctance of the company's data processing department to add a risk management information system in-house, Denny's wanted the flexibility to reconsider that decision.

Consequently, another request of Denny's software designers would be a system with the capability of being moved in-house.

These constraints narrowed the field of contenders to just two: Anistics in New York and Risk Sciences Group in Mill Valley, Calif.

"I believe after seeing what we have seen that there are really probably only two providers of full-blown risk management information systems that can be tailored to the individual company's needs," Ms. Baker says. The others may be excellent at what they do, but Denny's keyed in strongly on custom design, she adds.

"Many of the vendors thought they might be able to meet our requirements, but they didn't have the experience of doing it before," notes Mr. Erickson.

"For example, some of them had never accepted a tape input from a client that might include such non-standard insurance information as exposure data.

"We didn't want to be a guinea pig," he declares.

"That's right," affirms Ms. Baker. "We wanted a system that had been tried. We didn't want to go into this spending a lot of money on something we weren't sure would work."

Proven ability to deliver a custom-designed system compatible with microcomputers clinched the contract for Risk Sciences Group at an estimated development cost of \$130,000. Other costs incurred by Denny's included leasing a Hewlett-Packard 125 microcomputer, a plotter for graphics, a CRT terminal and an inkjet printer, with a combined value of \$15,000.

There were other deciding factors in RSG's favor:

- Both RSG and Denny's own IBM mainframe computers, so the system could be moved in-house with some modifications.

Anistics uses a Digital Equipment Corp. computer, which uses software that is not compatible with Denny's IBM system.

- RSG was the only vendor that offered to bill computer usage at a fixed monthly charge, which turns a potentially uncontrollable cost into a budgetable item.

The other major component of operational costs is a function of the number of claims stored in the mainframe computer—about 60,000 for Denny's, including 45,000 administered by Scott Wetzel and 15,000 handled in-house.

The fixed-charge arrangement is important to Denny's not only because it is budgetable, but also because it will make everyone feel less shy about using the system.

"One of the things we discovered when we visited other companies was their reaction when we asked

them to show us how their systems work," recalls Mr. Erickson. "They would say: 'We can't use it because there will be a charge for that.'

"What good is spending all the time, money and effort on building a system that you are afraid to use? This is particularly important in the beginning, when people tend to be somewhat inefficient and make mistakes."

Risk Sciences' system also met other criteria of being user-friendly, interactive (providing on-line ad hoc access to individual claims) and well-supported by a staff of financial and actuarial analysts. Denny's wanted a system that could be continually updated.

The system also will help to allocate losses and premium to the appropriate cost centers; identify causes of loss; identify adverse trends in loss costs and incident rates and track them to individual units, regions and divisions by supervisors and time of day; set opti-

mal self-funded retention levels; forecast future losses; and evaluate reserves set by the company's claims administrator.

Although the restaurant company is largely self-insured, it purchases various excess and stop-loss coverages.

Besides its Denny's Restaurants and Winchell's Donut Houses divisions, the company also has some manufacturing exposures through other divisions that build restaurants and that warehouse, distribute and process food and supplies.

Ms. Baker's department does not have responsibility for Denny's international division.

Denny's is in the first phase of implementing its new system, which consists of putting up the data base. "We are about one week behind schedule—which I consider very, very acceptable," says Ms. Baker.

Denny's expects the system to be fully operational in August.



Photo: Rhonda L. Rundle

Denny's restaurant operations generate many small claims.

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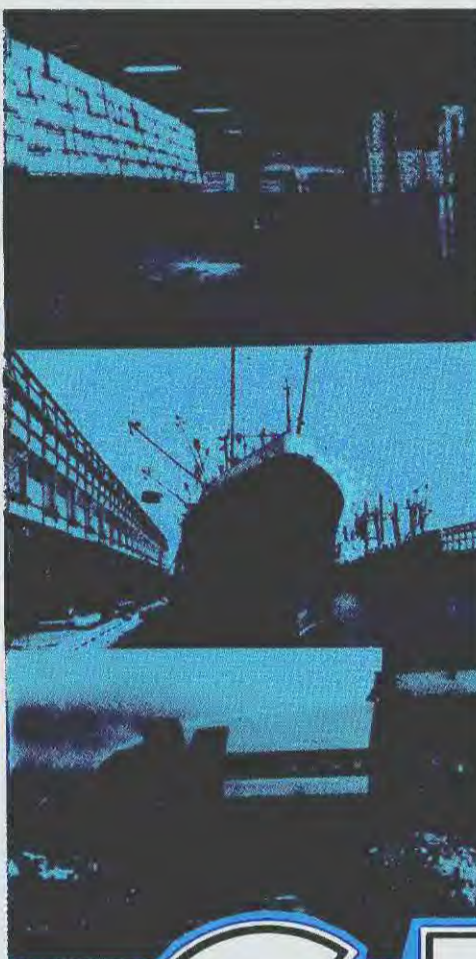
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Computerized claims handling pays off for waste-collection firm

By LEN STRAZEWSKI

HOUSTON—"Waste not, want not" should be the slogan for Browning-Ferris Industries, a Houston-based private waste-collection and management company with growing international operations.

Slowly, surely and economically since 1971, B-F has expanded its computerized claims processing system and directed its self-funded liability and workers compensation risks into a network of independent claims services.

The culmination of the company's decade-long involvement in computerized risk management, according to John A. Lindquist, divisional vp for risk management and loss control, is not just to save a few pennies on claims, but to sharpen corporate and divisional involvement in loss control.

"As specialists in waste management, we tend to have a lot of small claims in the automobile and trucking categories," he explains. "Our front-end loader trucks are particularly vulnerable to bumping into things, and that means a high frequency of minor physical damage and third-party liability losses.

"And, of course, whenever you have a lot of people performing physical labor, you tend to have many minor workers compensation claims," Mr. Lindquist adds.

The faster the company grew, the faster the small claims built up.

From 1978 to 1982, Browning-Ferris' annual revenues nearly doubled, jumping from about \$363 million to about \$714 million. The company has expanded to more than 160 locations in North America, Europe, the Middle East and Latin America and more than 14,000 employees.

The business diversified from garbage collection to metals recycling, sanitary landfill operations, hazardous waste management and alternative energy development.

"What we needed in our risk management program was continuity and control," he explains. "Specifically, we needed to interpret the impact of our claims on the company to define their individual impact on our operations and track potentially precedent-setting claims that could increase our liability in the long run."

Claims data analysis, conducted with the one of the pioneer risk information system vendors, was part of the answer.

When Mr. Lindquist left Anderson Clayton & Co. to join publicly held Browning-Ferris in 1978, he found that the development of a claims-sensitive risk management operation had already begun.

"I inherited plenty of tools from the former risk management group," he recalls. "Though the company was purchasing guaranteed-cost coverage for liability and workers compensation from CNA (Insurance Cos.) until 1976, it already had begun storing its own claims data with an input and data storage system from Corporate Systems," an Amarillo, Texas-based, risk management information system vendor.

In 1976, B-F began to self-fund liability and work comp coverage with a retention of more than \$100,000 and a loss-sensitive excess program underwritten by CNA.

"Essentially CNA provided claims service and excess insurance for us. We were relatively comfortable with this plan and began attempting to allocate losses directly to our divisions," he recalls.

Although insurance costs were satisfactory to top management, the

claims allocation system wasn't satisfactory to Mr. Lindquist.

The company's first step was unbundled claims service for liability and physical damage claims. Although CNA continued to provide excess coverage, Mr. Lindquist began to organize a network of about 90 individual adjusters to

serve key divisions.

"No national company can give perfect service everywhere," Mr. Lindquist notes. "The key question is do you gain or lose control if you enter into many individual service agreements. I think you gain control. That was one reason for un-

Continued on facing page



Photo: Len Strazewski

Browning-Ferris' computer terminals can track claims progression.



The not-so-common

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Continued from facing page bundling our claims adjusting.

"But we also felt it was important to involve our local division management as well as expand the investigation of claims. I interviewed local adjusters with our division managers so that we both felt comfortable and secure with whatever adjuster we chose," he continues.

In October 1980, the self-administered system went into effect for liability claims and one year later work comp claims were added to the system, supported by a network of more than 20 workers compensation adjusting specialists and a

structured settlement specialist.

"At first, our administrative costs went up about 25%, but our claims costs, which are much bigger, dropped by more than 20%. Administration costs continue to drop, but they are hard to track because so much of our expense is now properly allocated to divisional operations," he says.

Today, the Browning-Ferris claims administration department puts many insurers to shame, admirers say.

An eight-person claims staff, less than one-third of the 25-person risk management and loss-control

department, receives claims notices from divisions and assigns adjusters in two hours or less, immediately inputting the information into the company's CS-Online data storage system from Corporate Systems.

The claims and data processing section operates four terminals, one of which was recently installed especially for data retrieval and special data analysis projects. The terminals cost Browning-Ferris about \$1,800 a month to lease from Corporate Systems, while per-claim processing charges range from \$3 to \$12, depending upon volume and report design.

Centralized data entry immediately saves some time, according to Mr. Lindquist, because B-F's claims personnel format data for storage in the Corporate Systems' main computer as they input, making paper reports unnecessary. Some of the independent adjusters are also on-line with Corporate Systems and can input directly.

The system can generate its first report, an acknowledgement from the local adjuster, in less than 24 hours. Local divisions are authorized to settle liability claims of up to \$1,000, and the settlement of claims up to several thousand dollars can

be authorized immediately by the claims department.

"If the operations manager can reach an agreement through the adjuster, the claim is settled locally and charged to the operation. If there is no agreement, the claims analysts and the claims manager are authorized to negotiate and settle," Mr. Lindquist says.

The settlement of larger claims under the company's self-insured retentions of approximately \$1 million for both liability and work-



Mr. Lindquist

ers compensation coverages are discussed by a five-person claims committee, which includes Mr. Lindquist, the claims manager, two corporate officers and an attorney from the corporate litigation staff.

This committee reviews less than 20% of the overall number of claims that are not immediately settled, according to Mr. Lindquist.

The firm buys excess liability coverage in the range of \$100 million from the London market and excess workers compensation coverage from Safety Mutual Casualty Corp. Browning-Ferris' insurance is brokered and serviced by several brokerages including Marsh & McLennan Inc., Alexander & Alexander Inc., Johnson & Higgins and Fred S. James & Co. Inc.

"Speed in both reporting and settling is certainly important. With our claims investigation criteria, we can eliminate many follow-up steps.

"What we do want is immediate claims identification, help with establishing a reserve and, in some cases, help with negotiating a settlement. If a claim isn't our fault, we want to know whether we should reserve at all."

In the system's first year of operation, B-F settled about 60% of its liability claims, with a corresponding savings in claims follow-up reports and legal fees. In 1982, the settlement pace increased to 85%.

"The system really overlaps into safety and loss control," Mr. Lindquist adds. "Our district managers get a feeling for claims and begin to be aware of what's needed in loss control. Our relationships with local adjusters are especially important because their interaction with district managers makes the claims real to our operating divisions."

Using the computer system, the Browning-Ferris claims department also identifies key claims problems and chronic claims causers. Division managers receive quarterly alphabetical listings of employees and their claims.

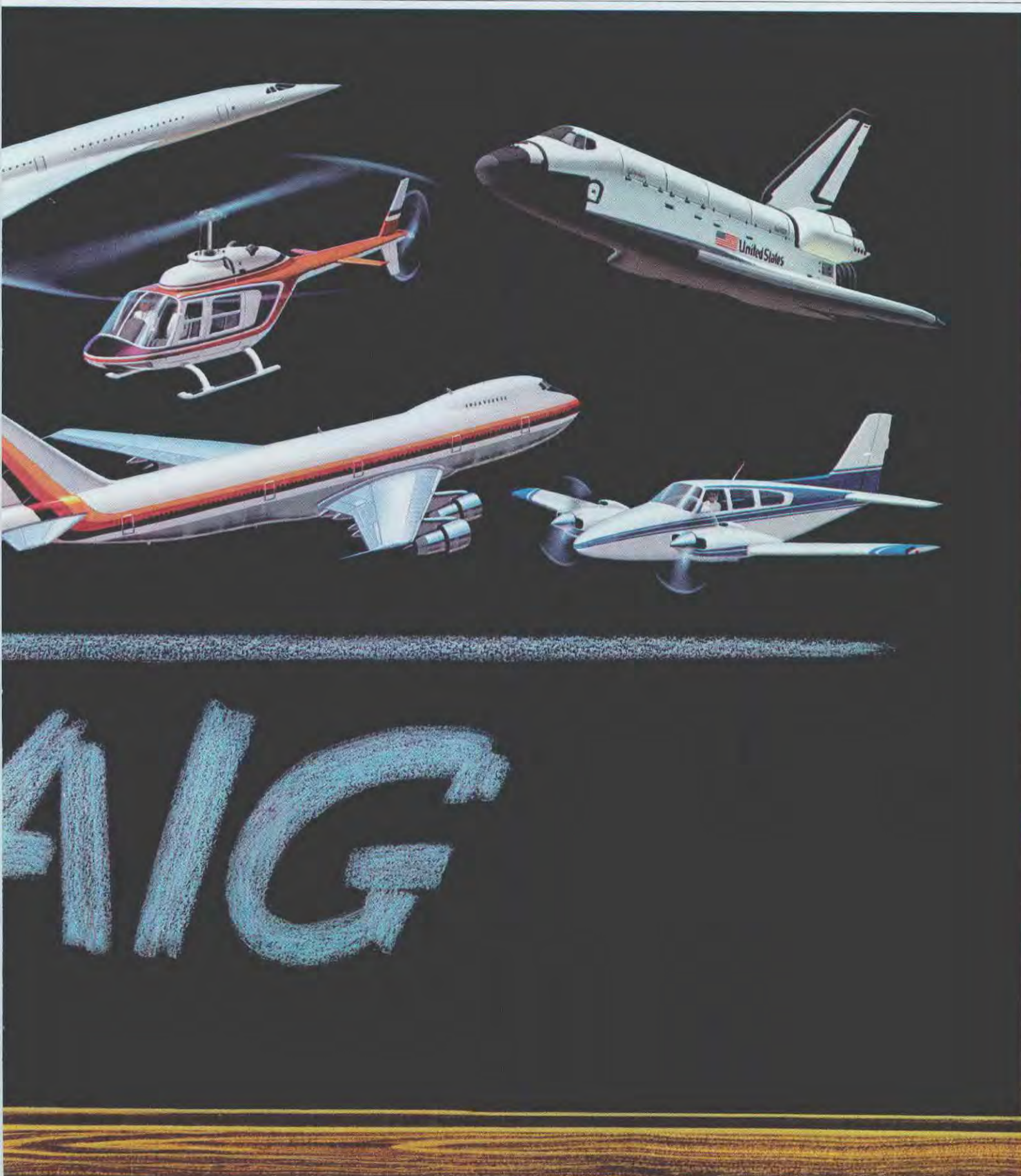
"We can do more than just locate a problem employee; we can identify what the employee is doing consistently wrong. If a driver keeps backing up into other people's property, we can correct the problem with retraining," he says.

To emphasize safety improvement, B-F is also using the data storage system for more accurate accounting. Divisions that improve their claims record can receive rebates from their annual risk fund payment. The better their record, the more money they get back.

"This makes the divisional managers more interested in getting specific problems solved," Mr. Lindquist points out.

The CS-Online system also has room for growth, according to Scott Gilmore, Corporate Systems' Western regional manager.

"We expect to sit down with the Browning-Ferris safety staff in the near future in order to expand the safety-related reports they are now receiving. The regional safety managers are now doing many reports manually that could be done through the system with a little custom designing," he says. ■



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Municipalities aware of computers' advantages

By BETSY SHARKEY

WASHINGTON—Municipal risk managers with visions of the future see a massive mainframe computer linking large and small cities nationwide to a base of information that could revolutionize the way many cities make their risk management decisions.

"A lot of times a small city is using the same type of equipment that a large city has learned causes an injury. The only difference is that they don't have the man-hours of exposure that a larger city will," said Rick Cumming, manager of safety and loss prevention for the city of San Diego.

"If the goal of preventing injuries really is important, not just from the standpoint of saving dollars but

saving people from being injured and killed, we should all be willing to share the information about injuries that employees have suffered so that even a small city with 200 employees can take steps to prevent them."

Computers will make this possible, and Mr. Cumming believes cities are moving toward a point where such information sharing could be more than a vision.

In the near future, most cities will have access to either a mainframe or minicomputer, suggests Allen Hyman, risk manager for Corpus Christi, Texas. For mid-sized and smaller communities, a micro- or personal computer is sometimes the most viable way for a risk manager to move into the computer age.

There is only a handful of municipal risk managers who have information systems in place, and a few more are in the process of setting up programs. But there is a growing awareness of the possibilities computers offer, and the Public Risk & Insurance Management Assn.—whose membership includes a majority of municipal risk managers—is finding a high demand for its workshops on personal computers in risk management.

The interest is there, but there are no clear-cut guidelines that tell a municipal risk manager where or how his department fits into the scheme. Should he try to vie for programming time and space on the city's mainframe computer, or will a personal computer give him the information and analytical ca-

pabilities he needs?

Most city risk managers venturing into the new domain of information systems find themselves struggling through a maze, moving ahead by trial and error.

Craig Ellis, risk manager for Lakewood, Colo., found that a customized program for a personal computer would fit his city's needs. On the other hand, Mr. Hyman developed a risk management program for Evanston, Ill., using a personal computer and off-the-shelf software before he moved on to Corpus Christi, where he also plans to set up a risk management information system.

The two men now conduct PRIMA seminars on how computers can be used by risk managers, what equipment is available

and what is not. The session focuses as much on the pair's failures as their successes.

"That's part of the impetus for my involvement in this area," said Mr. Ellis, who has been using a personal computer to handle the city's workers compensation data for about a year. "There's no software out there, certainly not designed specifically for government. And there is just zero at this point for risk management."

Lakewood is a city of about 110,000 people and employs 1,300 people. When Mr. Ellis came to the city in 1979 as its risk manager, he quickly found himself inundated with paper, particularly loss data and workers compensation claims information. The city has between 100 and 200 work-related claims each year.

"We simply did not have the manpower or the time to put that data to use," Mr. Ellis said. "I started out getting a couple of simplistic programs done on the mainframe computer. Although they worked fine, as in most governmental organizations, risk management is very low on the priority list. I was lucky to even get them implemented and it took me six months to get that much."

Mr. Ellis started talking to the programmer who was doing much of the mainframe systems work for the city. As they talked, he began to consider trying to get the city to appropriate enough money for an Osborne, a small personal computer.

"It literally cost \$2,000 and the potential payback was certainly higher than that," he said. "Those are the kind of chances that local governments are fairly willing to take. If I had asked for \$20,000, it would have been a different story."

Once Mr. Ellis began working with off-the-shelf software, it became readily apparent that he could not get the kind of number crunching he wanted with the available programs.

He requested—and the city approved—additional funds to have a workers compensation software program developed. It cost the city \$12,000 to \$15,000 to develop the program to a point where it was usable: to set up a basic statistical analysis program and to develop preliminary programs for the city's general, auto and police professional liability exposures, which will be added to the system later this year.

"If I had known what I was doing going into this, I probably could have saved about half of that programming cost tied to the workers compensation part of the project—and that was probably 80% of it," Mr. Ellis said. "I had never worked with computers before, much less micros, and I was dealing with a programmer who didn't know risk management from anything."

"We spent a great amount of time even understanding what each other was saying."

For instance, when Mr. Ellis tried to explain what he wanted the claims record to look like, he included columns of numbers but failed to specify that for each column a total would be necessary.

"I would assume that if there was a column of numbers, he would put totals in automatically," he said. "Well, programmers don't generally work that way unless they've had previous specific experience with your particular field. So I learned you have to be overly specific."

"If you're not, and that's what happened to me, you wind up going through two or three or four revisions, when if you had been very specific up front, you might go

Continued on page 30

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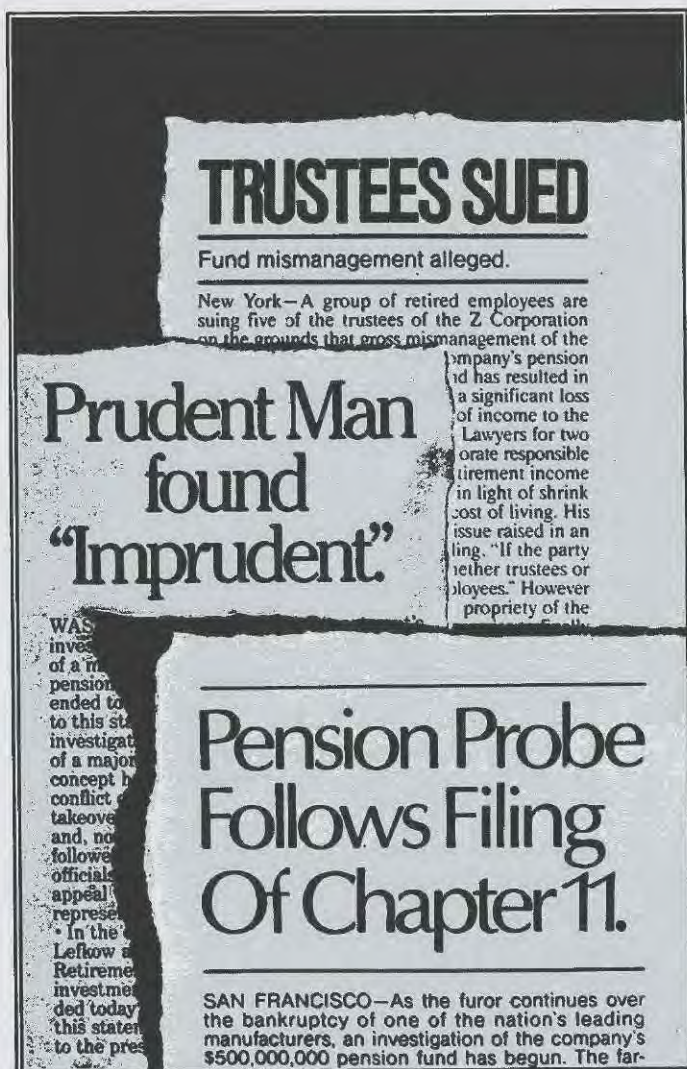
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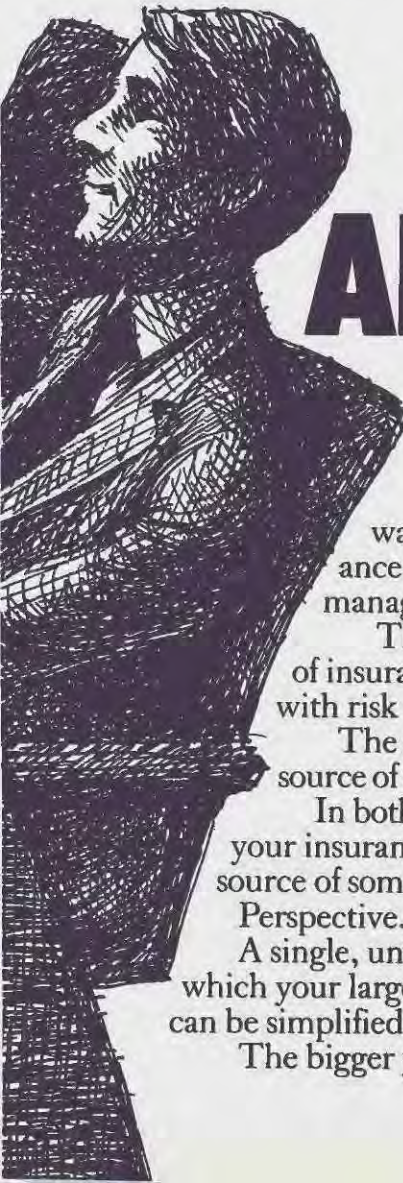
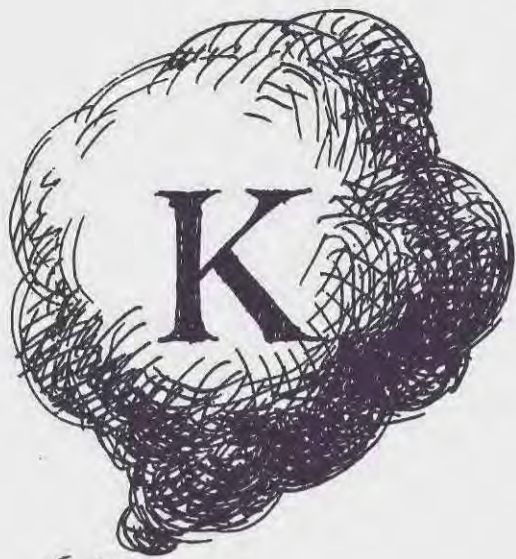
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Municipalities go on line

Continued from page 26 through one revision with a few minor changes to get to the final product."

While the process was at times grueling, things are now running smoothly and the entire system is handled in-house with virtually no ongoing cost. It takes about 30 minutes each month to update claims information. The rest of the time, Mr. Ellis uses the computer to generate a variety of reports he uses.

The system is first of all a filing system for all workers compensation injury files. The system then can sort that information in a number of ways to generate specific reports, such as injuries by employee classification, department, division or part of the body. It also has the capability to forecast.

But primary among the benefits that the information system has

brought Lakewood is a sense of control and an information base for planning. Although Mr. Ellis previously received insurance loss runs on a monthly basis, there were pieces of information missing.

"I couldn't get a department code, an adequate description of the claim incident; I couldn't get a standardized injury code or severity code (or) the date of hire," he said. "These are absolutely vital for me to know, not only for tracking losses but for planning safety and loss control."

"Now we have a data base in workers compensation and will soon have it in three other areas so that when we go to negotiations with an underwriter, I know just what my losses are, or if we decide to consider self-funding, I've got the information right there to make that decision," he said.

"I've got options I didn't have before, so from that standpoint alone, the system has more than paid for itself."

The next stage in the evolution of Lakewood's system will be to link the Osborne personal computer to the city's mainframe computer. That will allow for easier storage of information, since the personal computer is limited in the amount of information it can store.

While some people in the field suggest that personal computer hardware is developing so rapidly that any system bought now is almost immediately outdated, Mr. Ellis doesn't believe that should discourage municipal risk managers from the investment.

"I could take my Osborne and throw it in the trash right now and I'm still dollars ahead," he said. "I don't see the hardware development slowing down for a number of years, but the investment is so reasonable and the return still

makes it feasible."

When assessing how to computerize risk management information, Mr. Hyman suggests that there is a big difference between what a risk manager can expect a mainframe to do compared with a personal computer.

"The mainframe can be an important accounting system and filing system," he said. "On the other hand, we are called on regularly to make reports of activities, to analyze accidents and claim costs, to look at losses and set reserves, and that kind of information has to be updated monthly."

"That can be done on a microcomputer conveniently and in a matter of minutes or hours."

Using existing software and his own experience, Mr. Hyman has identified three primary types of programs a risk manager could use.

First is an electronic spreadsheet, which essentially is a ledger displayed on the screen that

permits a variety of number-crunching functions. Secondly, there's a data management system that allows a risk manager to design and create files and records with the capacity to sort that information.

"For example, if we want all the general liability claims, as long as we have a field in there by that name, it will sort out from all the files all the general liability claims," he explained. "Then we can tell it whether we want it by date or alphabetical by name, and it will do that for us."

Finally, Mr. Hyman recommends a word processing capability, which allows the risk manager to generate everything from text for reports to mailing lists for claims payments.

"With good planning it is possible to connect a microcomputer to a mainframe. . . That permits you to go on line with the mainframe and look at your monstrous filing cabinet, and then come off line to do your calculations, reports and analysis in your office."

Mr. Hyman estimates a risk manager could purchase the required hardware for between \$4,000 and \$6,000, including a terminal, printer and furniture as well as several software packages. Unless further programming is required, that initial start-up cost represents the bulk of the expenditure for a very basic risk management information system relying on personal computers.

Buying the hardware and software, although an important decision, is not the most difficult part of the process for the risk manager, according to Mr. Hyman. Rather, it is identifying exactly what the risk manager actually needs in the way of data management.

"The usual story is the city comes to you and says, 'Well, we've got a computer so what do you need?' And the risk manager says, 'Well, what can you do?' That's where the standoff begins," he said.

"With the mainframe programmer, they aren't looking at applications (programs) with a great flexibility; they're tailoring it to what you want to do, and that's why you have to know exactly what you want to come out on a mainframe."

A personal computer provided Mr. Hyman with the flexibility he was looking for.

"The beauty of the personal computer is that the people who have written the programs have given them such great flexibility that with an understanding of how the program can be used, you can modify it to your needs," Mr. Hyman said. "To this point, I've been able to buy everything that I have needed to use off the shelf."

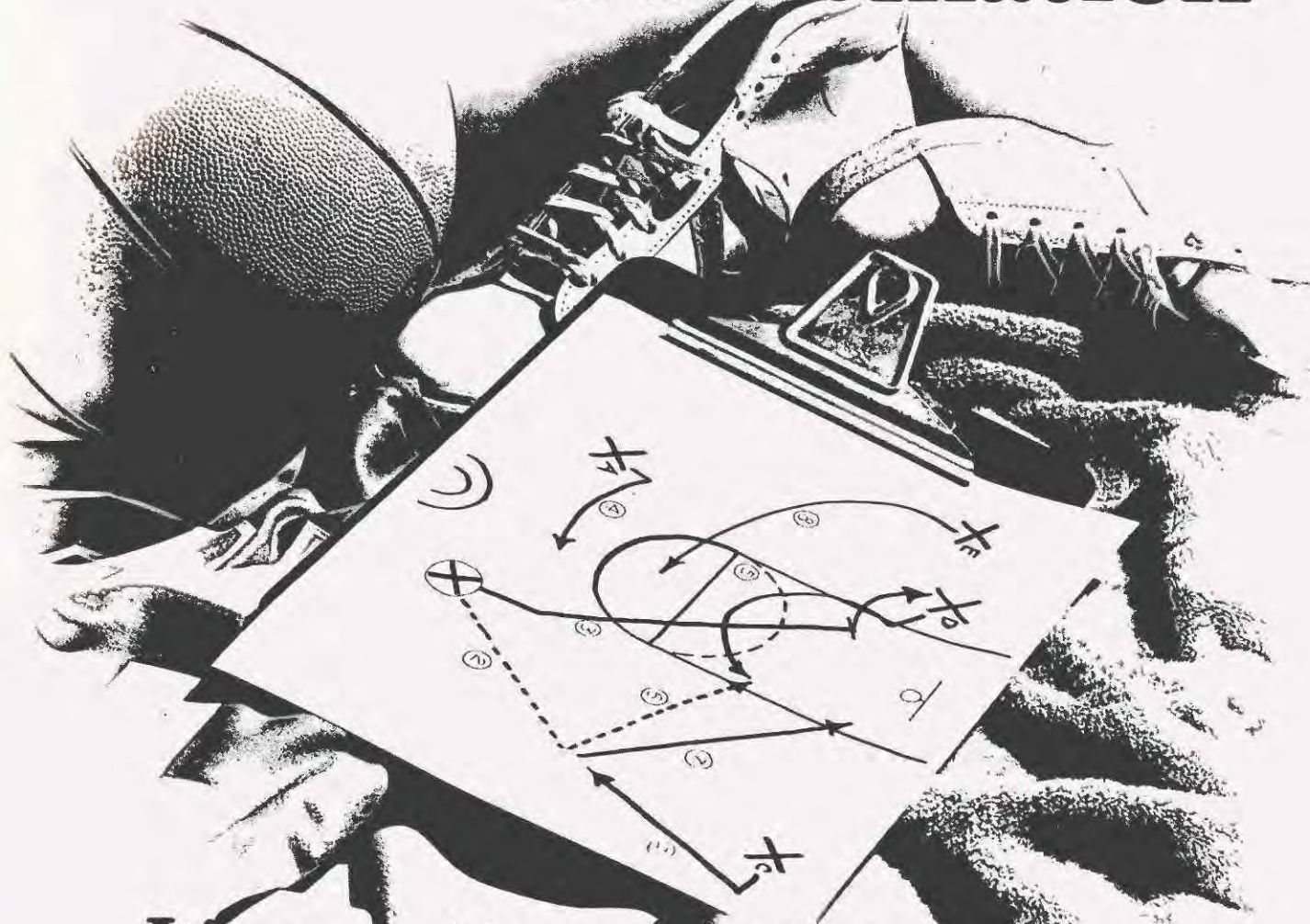
A first step in considering setting up a system for a municipal risk manager who has never used a personal computer is a trip to a personal computer dealer, he says.

"You have to look around for advice. Find out what other people are doing by reading off-the-shelf magazines on personal computers," he suggests. "Then ask for a demonstration not only of how a program works, but you also want to see the documentation that comes with it that tells you as the user how to use the program."

"There are some excellent programs, but their documentation is so difficult that it becomes nearly impossible to use the program effectively. On the other hand, some software manufacturers have gone to great lengths to make their documentation so simple that before you know it, not only are you working with it but if you have problems, you can cross-reference in the book and find out how to solve them."

PRIMA is tapping Mr. Hyman and Mr. Ellis to be part of a task force to assess the possibility of the association developing a software package for microcomputers that would provide risk management programs specifically for municipal risk managers. ■

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San Diego's system to save time, money

By BETSY SHARKEY

SAN DIEGO—When San Diego's safety and loss-prevention manager turns to the computer terminal near his desk, he simply punches a few keys and safety reports, claims information and statistical analyses appear one-by-one on the screen.

If the reserve level for the self-insured municipality is too low on a workers compensation claim, the terminal starts to flash. When it catches his eye, it declares in plain English, "Your reserve has been expended; we can't pay this claim."

The San Diego system, which was plugged in this month, cost \$50,000 to get started, will have an

ongoing cost of about \$20,000 annually and is expected to save the city between \$20,000 and \$30,000 a year in purely administrative costs.

But getting to the point where the system was usable was a struggle, according to Rick Cumming, safety and loss-prevention manager for the large Southern California municipality. And, it will be another 18 months before the five-year data base that Mr. Cumming wants will be complete.

"The (information system) provider we had for three years was unable to develop what we wanted, so that whole program went down the tubes," said Mr. Cumming. "The current provider is a big name, a very reputable outfit that we're obviously paying good money for. Before, we were working kind of on a wing and a prayer."

While the wing-and-a-prayer operation didn't cost the city much in the way of money, it cost valuable time. A stack of scrambled data, virtually all that is left of three years of work, stands as a grim reminder in the corner of Mr. Cumming's office.

Last July, San Diego shifted its programming and information systems contract to Corporate Systems in Amarillo, Texas, a switch that has provided San Diego with the risk management information system that it wanted four years ago.

The initial development cost of approximately \$50,000 included all the necessary steps to put the system into operation, from obtaining the basic hardware to having the software customized to the city's specifications.

Adding several extras like interactive capabilities, which allow the city to "talk" directly to the computer, also were a part of that initial cost.

The ongoing cost to handle the city's approximately 1,800 to 2,000 yearly workers compensation claims, for time sharing on Corporate Systems' mainframe computer and to store the city's data base, will be about \$20,000 a year.

Although the move to computerize the city's risk management information has had its problems, Mr. Cumming believes San Diego is definitely seeing the upside now.

He anticipates the city will save between \$20,000 and \$30,000 a year in purely administrative costs. Savings tied to the ability to identify and more critically analyze loss problem areas are expected to further increase the cost effectiveness of the new system.

"For example, our CAL-OSHA record keeping was being done manually on a decentralized basis by 17 different departments. That's all going to be done automatically by the computer," Mr. Cumming said. "We estimated it took between \$10,000 and \$15,000 a year worth of city employees' time to keep those records. Now it will be done by the computer at hardly any additional cost."

While Corporate Systems has a basic risk management package, Mr. Cumming said there were many areas where the basic system did not pro-

Continued on facing page



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vide all the information his municipality would need, like its injury coding system.

San Diego has developed an expanded injury coding system that includes causal and circumstantial information on each injury, such as what the employee was doing just prior to the injury, whether an injured police officer was working out of a one-person or two-person patrol car and whether the injury was preventable.

"With this information tied together, we will be able to identify, with cause and dollar figures, the types of injuries we're having—when, where and how," he explained. "So, if the police department comes to us and says, 'How much is it costing us in injuries for one-person patrol cars vs. two-person patrol cars?' we can just go to the computer and yank that information right out very quickly."

For injuries the city considers preventable, the information generated by the computer will enable the city to cut those losses by 30%.

However, nearly 60% of the city's work-related injuries are considered non-preventable, primarily certain classes of police and fire-department injuries. These result from working in environments that can't be controlled by the city, like a police officer injured jumping a fence to catch an armed robbery suspect.

"We feel that especially over a large data base of five or 10 years, the system is going to pinpoint problems that may not stand out clearly as the individual injury reports that cross my desk," he said.

San Diego also wanted the system to have the capability to automatically sort through the claims and gather certain financial information necessary to be eligible for state reimbursements.

In the early 1970s, the state passed a law, S.B. 90, that essentially said the state would reimburse any increase in cost a public agency might incur to comply with any newly legislated requirements.

For example, if the Legislature increases the temporary disability rate from \$17 to \$22, a public agency can get a \$5 reimbursement from the state each time it pays that \$22. But since the law extends to include even minor changes like the mileage allotment for injured workers going to and from medical care, the record keeping for San Diego's more than 6,500 employees can be overwhelming.

"We wanted our software to accommodate these S.B. 90 items so that at the end of the year, not only do you have your total workers compensation claim cost, cost per case and the rest of it, you also have a number that the computer spits out that says the state owes the city of San Diego so many hundreds of thousands of dollars per S.B. 90," Mr. Cumming said. "We're still developing that program."

Another requirement San Diego had for the system was a better way of handling its claims payments, since the city is not only self-insured but also administers the program in-house.

There were two basic demands of the system: to reduce the number of checks being written and to set the payments up on a 30-day basis, which would give the city longer use of its money.

"All of our checks had been

generated manually. Now when we enter each payment to a doctor for a specific treatment, not only will the computer enter that claim payment in the employee's file, but it's going to store that payment amount in the computer," said Mr. Cumming. "At the end of 30 days, all the payments going to that doctor will be totaled and a single check is printed. For the doctor, the check will list each claim—who it was for and how much."

"Prior to the system, he might get 15 or 20 checks during the month, each for a different claim. In San Diego, we're looking at probably \$500,000 in medical payments alone each year. Rather than

pay that as the bills come in, these checks will be only going out once a month, so that money will be earning interest in the city's coffers until we pay it out 12 times a year."

Although San Diego has a large computer operation in-house, the risk management office turned to outside consultants to develop its system with the blessing of the city's computer programmers.

"We knew our programming people in-house did not have the knowledge of the insurance business where we can talk our own jargon and they'd understand it," he said. "They agreed that it would be a lot easier and really a lot more inexpensive if we went out and got

people who were professionals in the business.

"That was one of the problems with the first provider—they couldn't bridge the gap between what we wanted and putting together a system.

"But Corporate Systems knows so much about the insurance industry that they have definitely bridged the insurance industry to the computer."

San Diego's risk management team is so pleased with the capabilities of this system that they are already planning the next stage in the computerization of the risk management operation. Beginning in July, they will be developing an

information system for the city's public liability exposures.

"The key to really making these systems work is to get your operations people to feel like it's their system," he said. "All along, we've involved them in the program, saying, 'Here's a suggestion, let's make sure it makes sense to you.'

"It won't be just the safety people or the risk management department interacting with the computer to find out how injuries occur, but ideally we'll have supervisors at all different levels coming in and using it. It's really their system and their experience, and that's how we're trying to sell it because we want them to use it." ■

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Computer network to link buyers, insurers

By LEN STRAZEWSKI

WHITE PLAINS, N.Y.—Risk managers may soon be able to file claims, amend policies and direct questions to insurers by computer.

Agents and brokers, however, may not be too happy about that.

Although it was never intended for use by corporate buyers, the long-awaited agent/insurer computer interface system will be available to employers beginning in July, according to John Folk, president of the Insurance Institute for Research Inc.

IIR, founded in 1978 and funded by both agent and insurer groups, was mandated to develop a computer interface network linking agents and brokers and insurers. This system will allow agents to

seek and receive quotes directly from insurance company computers, print policies and handle claims.

In September of last year, IIR chose a system designed by International Business Machines Corp. called Insurance Value Added Network Services, an extension of IBM's existing computer information services.

"We now see the network providing a communications link to all elements of the industry, no matter what service they are providing," Mr. Folk says. "I see no reason why a corporate buyer wouldn't want access to the system also, to send information to their insurers."

Since many commercial policies are rated by constantly changing

data like payrolls, cargo values and sales, risk managers have a need for an ongoing link with insurers, Mr. Folk adds.

Agents and brokers, however, may resent risk managers communicating directly with insurers, he admits.

"Agents may wonder if the system is going to be used to shortcut them, but these problems can be worked out. Most traditional roles will be unchanged. Unless risk managers are licensed agents or brokers, they will not be able to market coverage for themselves," he explains.

Although buyers on the system will be able to communicate claims information directly to their insurers, some may prefer to send the data—by computer—to their agents

or brokers instead and let them forward the information to insurers, he adds.

When it is on-line, Mr. Folk says the IVANS system will allow participants to:

- Receive and send messages. The system's batch storing technique allows communication in virtually any format or computer language among nearly all users on the system, according to IIR.

- Messages will be received by IBM, translated into the correct computer and sent to the other company. The message can be given several priorities and receipt of messages can be acknowledged.

- Operate remote computers. An "interactive processing" feature will allow agents or other users to

link directly with another facility's computer and operate it with their remote terminal.

- Change data formats to fit other computers. This translation service makes the network available to most forms of computers and will allow unlike systems to communicate directly after some preparation.

- Catalog services and products offered by users. The directory function would allow users to receive direct information on services, pricing and products offered by members of the network.

- Store data for corporate records. The IVANS network will allow users to store messages and other data sent through the system for a period to be determined by the user.

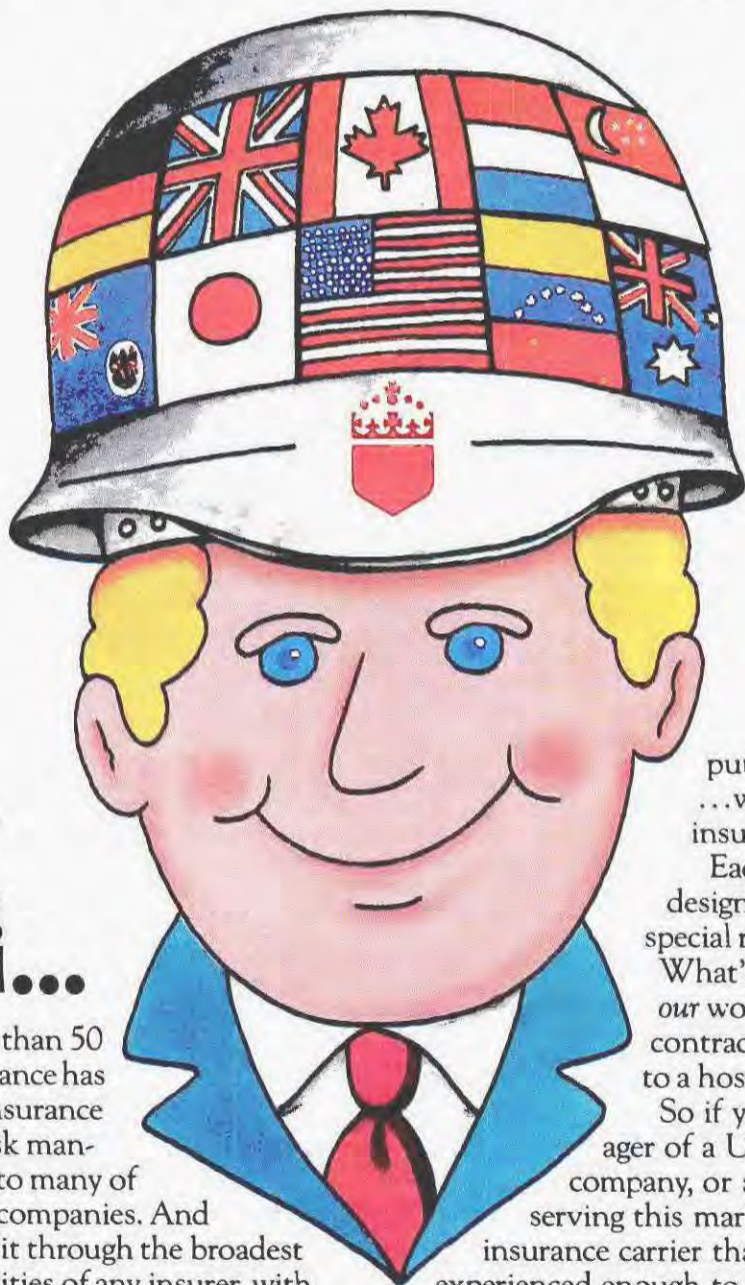
Although risk managers will be able to tap into the system, they will never own or operate the network, Mr. Folk notes. IIR will oversee IBM operations for the present, but the system will eventually be owned and managed by individual insurers, which will bill agents and other users for communications expense.

An agency writing about \$2 million in annual premium would probably pay \$35 to \$50 per month for use of the system, according to Mr. Folk. Other users, including corporate buyers, would be billed according to their needs.

Linking a corporate computer system with IVANS would cost a company from \$6,000 to \$100,000 in computer hardware and software, depending on what kind of computer system they maintain.

"Most of the large companies would have no problem linking their present computer facilities with IVANS," Mr. Folk says. "And smaller users should be able to link using an Apple, Commodore or any of the larger home computer systems."

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By DOUGLAS McLEOD

NEW YORK—Risk managers are worrying about the adequacy of their liability insurance programs, and they're bringing their concerns to risk management consultants.

The 1980 MGM Grand Hotel fire, the 1981 Kansas City Hyatt Regency Hotel skywalk collapse and the Tylenol tragedy last year have led many companies with similarly large exposures to not only re-examine their liability limits and policy language, but to try to assess presently uninsured risks, say risk management consultants.

And, when the appraisals are all in, many companies are raising liability limits.

"There's a lot of concern. We're doing a lot of review of limits in the liability area," said Bud Griffin, chief executive of consultant Warren, McVeigh & Griffin in Newport Beach, Calif.

Increasing numbers of companies

What projects are consultants pursuing? For one, they're reviewing liability covers

have expressed worries about their coverage and have raised their limits, agrees Philip A. Murphy, senior vp with consultant Kevin F. Donaghue & Associates of Boston.

"There was a reluctance on the part of some of these clients to follow through (with an adjustment of limits)," Mr. Murphy said. "Then they read some of these stories (about MGM, Hyatt and Tylenol) and changed their minds."

One company that has reacted to the recent headlines is Dayton-Hudson Corp. of Minneapolis.

Following the 1980 MGM fire, Dayton-Hudson started thinking about boosting the limits on its liability insurance program, according to William G. Cain, director of

insurance and risk management.

When the Hyatt skywalks collapsed, Dayton-Hudson, a retailer with \$5 billion in annual sales, raised its umbrella liability limits to \$400 million over a \$500,000 primary policy with Liberty Mutual Insurance Co.

"That was several times what we had three years ago," Mr. Cain said.

Mr. Cain, who uses Betterley Consulting Group on a continuing basis for his risk management program, tapped other retail risk managers' experiences for this particular analysis of his risks.

He added that buying increased insurance protection was the easiest part of his job in reviewing the company's catastrophe coverage.

Dayton-Hudson also has beefed up loss-prevention measures at its 1,000 retail outlets and hired a corporate field safety engineer to make periodic inspections.

While the disasters of recent years have sparked interest in higher liability limits, that interest has been supported by the competitive state of the market.

"We're seeing a lot of people saying, 'Yes, we'd like to add another \$5 million, \$10 million, \$25 million to our program,'" because the additional coverage is so inexpensive, said Paul E. Dorroh, vice chairman and chief executive of San Francisco-based consultant Glenn, Nyhan & Associates, Inc.

Many clients are taking higher

self-insured retentions and using the money they save on the primary insurance to increase umbrella limits, he added.

But not everyone is concerned exclusively with limits, consultants point out.

Disasters that have tapped the upper layers of liability umbrellas have also raised concerns about possible inconsistencies in the excess coverage policy forms.

Several clients requesting risk management audits want to be sure the excess layers in their umbrella programs do not differ on provisions for such things as punitive damages or additional assureds, according to Mr. Griffin. Clients want to avoid having to slug it out in court with their excess insurers in the event of a disastrous loss, he suggested.

Marriott Corp. of Washington, D.C., hired Warren, McVeigh & Griffin after witnessing "the fiasco in Kansas City over language," said John Woods, director of corporate insurance for the hotel chain.

The "fiasco" was the prolonged legal struggle over whether the hotel operator's or owner's insurance would pay damage claims resulting from the skywalk collapse. That question still has not been totally answered (BI, Jan. 24).

Marriott was concerned that its various liability policies might contain different definitions of the relationship between hotel owners and operators.

"We wanted to make certain that the insurance we buy follows the intent of our management agreements," Mr. Woods said.

To make sure that all of its excess policies followed the same form, Marriott has implemented a subscription-type form for its umbrella liability program. Each excess underwriter now signs onto the same form instead of coming in with a separate company form, he said.

The subscription-form approach will prevent "confusion and gaps in coverage," Mr. Woods said.

While conceding that Marriott increased its liability limits "at least 50%" after the MGM Grand fire, Mr. Woods played down the need of boosting limits to guard against catastrophic losses.

"I think a lot of people have panicked (in raising their limits)," Mr. Woods said. "If Hyatt and MGM are the two greatest catastrophes we've had, do we need to plan for something that's worse?"

Risk management consultants also report that the Tylenol disaster last fall, in which seven Chicago-area people died after taking Extra-Strength Tylenol capsules laced with cyanide, has led to increased awareness among clients of exposures that were not previously recognized or insured.

Risk managers are showing new concern about whether their major exposures have been identified and assessed, says Felix Kloman, president of Risk Planning Group Inc. of Darien, Conn.

"One risk manager wanted to know, 'Do we have any Tylenols in the house?'" Mr. Kloman said.

"I think the Tylenol situation alerted a lot of top management people that they are exposed in a lot of ways they didn't know about," explained Allen J. Monroe, president of Reed Risk Management of San Francisco.

Mr. Monroe pointed out that the Tylenol catastrophe would be less likely to prompt large companies to raise liability limits than it is to make them examine the breadth of their coverage.

Reed Risk Management is seeing increasing numbers of requests for feasibility studies for "catastrophe aggregate programs," which would cover a number of liability exposures under a single insurance package, where those exposures were previously uninsured or covered under a dozen or more separate policies. ■

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Clients wondering what to do with captives

By DOUGLAS McLEOD

NEW YORK—Many parent companies are trying to decide what they should do with the captive insurers they formed during the past decade, risk management consultants say.

These consultants are telling the parents they have three choices:

- They can either go full-speed into the insurance business and expand the amount of non-related risks their captives write;

- They can maintain current underwriting levels; or

- They can scale back their off-shore insurance operations and return capital accumulated by captives to the parents.

Some consultants are recommending the third choice, saying

parents should start reclaiming the funds their captives have built up.

But, others report that more buyers are interested in association risk-funding mechanisms, including captives and risk pools.

Boston-based Betterley Consulting Group is receiving more requests for captive utilization studies, according to Charles T. Tagman Jr., a principal with the firm.

Companies are reviewing their captive operations to learn if they are still "cost-viable," the purpose the captive may serve in the long term and whether—in the current competitive insurance marketplace—it would make more sense to shift risks elsewhere.

Cash-strapped corporations are especially eager to regain some of the dollars they have paid into

their captives, as well as recover some of the control over their own insurance programs, he says.

"We see a lot of managers saying, 'Hey, the captive is just a profit center for the corporation, and we can buy the insurance more cheaply ourselves,'" he explains.

Betterley has recommended that some of its clients remove cash from their captives' surplus and channel it back to the parent, says Vp Donald B. Dalbeck.

Many captives that were formed with \$8 million in initial capital may now have \$20 million in surplus and may be writing only one or two times that amount in net premiums, Mr. Dalbeck says. The captive is probably not a worthwhile operation unless it has net premiums of four or five times its

surplus, he maintains.

"If they aren't going to utilize the captive, they could probably make a lot more money turning those dollars over in their own business," he explains.

While most Betterley clients have not decided yet what to do with their captives, Mr. Dalbeck suggests that several may decide against expanding operations.

Mr. Dalbeck expects few parents to totally shut down their captives, though. Most parents will want to maintain a vehicle for competing directly with commercial markets when the market turns and rates start to rise again, he says.

Some captives have already begun scaling back operations, not to plow money back into the parent, but because they have been

hurt by underwriting losses.

Walton Insurance Ltd., the Bermuda insurance subsidiary of Phillips Petroleum Co., recently announced it would substantially reduce 1983 underwriting operations (BI, Jan. 31).

Walton has not returned dividends to its parent for at least two years and will not repatriate any surplus or reserves while it waits for losses to develop on its current book of business, according to Jack Armstrong, a Phillips vp.

Other consultants see a different road ahead for captives.

Bernard M. Brown, vp of Risk Planning Group Inc. of Darien, Conn., says his consulting firm has seen a "significant upsurge" of requests for strategic planning studies for captives, adding that he expects most clients' captives to expand in coming years.

"The (captives) that require studies are the ones that plan to expand their operations" by writing more third-party risks, writing more of their parents' risks and offering their services to other captives, Mr. Brown says.

However, most consultants agree formation of single-parent captives has slowed, adding that the conditions under which such captives might be formed today are different from those that spawned the captive boom of the 1970s.

Commercial property/casualty insurance markets are now highly competitive, and the tax motivations for captive formation have waned since 1977, the year the Internal Revenue Service ruled that captives must write third-party risks to qualify for favorable tax treatment.

"There is a reluctance to pursue captives as aggressively for tax reasons as in the past," said Allen J. Monroe, president of Reed Risk Management in San Francisco.

But for some companies, a captive may still hold significant tax advantages, the consultants say.

International corporations—both U.S.- and foreign-based—that have extensive foreign operations can still avoid the high cost of insuring in some foreign markets by forming a captive. With the exception of oil companies, a U.S. company can also escape U.S. taxation of its captive's income derived from underwriting the parent's foreign risks, the consultants point out.

In general, though, little immediate growth in the formation of single-parent captives is foreseen.

"There are few situations where we found it would be the most practical solution (to a client's insurance needs)," said Paul E. Dorroh, vice chairman and chief executive of Glenn, Nyhan & Associates Inc. of San Francisco.

However, different circumstances are encouraging the growth of association captives and insurance pools, and several consultants report increasing interest.

Many associations are tapping consultants to help them consider the formation of underwriting and risk management services operations to attract new members, Mr. Dorroh says.

Many non-profit organizations have expressed interest in an insurance operation as a means of bolstering dwindling budgets in a poor economy, he adds.

Association captives also provide a strong "comfort index" to members in the same business that are able to pool risk management and loss-prevention know-how, according to Betterley's Mr. Dalbeck.

Pooling of similar risks offers the potential of reduced loss and expense ratios, which means cheaper insurance costs, adds Keith C. Kackec, president of Dallas-based RIMCO Risk Management Inc. ■

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B-2/21

Federal rules prompt few environmental surveys

By DOUGLAS McLEOD

NEW YORK—Increasing numbers of companies are shopping for environmental risk surveys, but not necessarily to meet government-mandated pollution liability insurance requirements.

Several environmental risk consultants report that relatively few of their clients are affected by the Environmental Protection Agency's insurance regulations.

Heightened interest in risk surveys instead may indicate more general concern over potential liabilities to third parties in pollution incidents, consultants suggest.

The federal government's Superfund legislation, unrelated to the EPA insurance regulations, establishes broad liability for anyone producing, treating, transporting or disposing of hazardous material.

"Some companies just want to find out where they stand" with regard to potential liabilities and may or may not be planning to buy insurance to cover those liabilities, according to Dr. Jaswant Singh, vp and technical director of Clayton Environmental in Southfield, Mich., a subsidiary of broker Marsh & McLennan Inc.

The risk survey, which several consultants report is their hottest-selling service, typically involves on-site evaluation of a company's potential sudden and non-sudden pollution risks. If insurance is being considered, such a survey is usually required by environmental impairment liability insurers before coverage is bound.

Most consultants say they were swamped starting last fall with survey requests from companies rushing to meet a Jan. 15 EPA deadline for filing proof of insurance against non-sudden and gradual pollution liability (BI, Jan. 31).

The deadline marked the start of a three-year phase-in of non-sudden liability insurance requirements for hazardous waste surface impoundments and landfills. EPA insurance requirements for sudden and accidental pollution liability and closure/post-closure costs for hazardous waste treatment, storage and disposal facilities went into effect last year.

Companies that can pass an EPA financial strength test are permitted to self-insure their exposures.

But consultants say the majority of the requests for their services is coming from companies that are not required to meet the EPA insurance regulations.

Only about 30% of the requests for risk surveys received by Washington-based Risk Science International, a subsidiary of Frank B. Hall & Co. Inc., are from companies covered by the EPA insurance rules, according to Lynne M. Miller, RSI's president.

Most of the chemical, pharmaceutical and semiconductor manufacturers seeking surveys—at a cost of about \$5,000 per site—are just trying to determine the extent of their liability exposures, Ms. Miller said.

The majority of companies commissioning surveys follows RSI's clean-up recommendations to reduce potential liabilities, Ms. Miller says.

"Most of them haven't just taken the report and done nothing," she said.

Increasing numbers of survey requests are also coming from companies concerned about the pollution liability exposures of companies they plan to acquire or merge with, Ms. Miller added. The growth in this area reflects a new awareness of the pollution problem among corporate managers, she suggested.

"We wouldn't have been doing

this a couple of years ago," she said.

Risk assessments for hazardous waste facilities are also Clayton Environmental's most frequently requested service, according to Dr. Singh. Other services include air pollution studies—both of smoke-stack emissions and of air quality surrounding a given plant—and industrial hygiene surveys that assess potential effects of hazardous materials in the workplace.

About 75% of the risk assessments for hazardous waste facilities

are "geared toward the purchase of insurance," according to Dr. Singh. But, "the vast majority of our business is being generated by companies that do not have to meet (federal) insurance requirements."

Interest in environmental surveys "seems to be shifting to preventing potential environmental liabilities," he explained.

Hartford Steam Boiler Inspection & Insurance Co. and its wholly owned engineering subsidiary, Radian Corp. in Austin, Texas, have

seen similar activity.

"We've had a large number of inquiries that exceeds those that have to meet the federal (insurance) requirement," said Robert B. Taylor, an engineer with Hartford's environmental risk control services division. "They recognize that they have potential liabilities associated with their exposures."

However, Environmental Risk Assessment Service (USA) Ltd. of Boston, which manages pollution liability insurance for Alexander

Howden Insurance Services Inc., did see a higher percentage of clients with EPA insurance requirements to meet.

About 60% of the companies seeking risk assessments from ERAS were subject to the EPA regulations, according to Vp Richard Meyer. Mr. Meyer added, however, that all but about 25% of the companies coming to ERAS are surveyed automatically after seeking environmental impairment liability insurance through Howden. ■



Photographed at "Tour of Nuclei 1982" courtesy of Peloton Sports.

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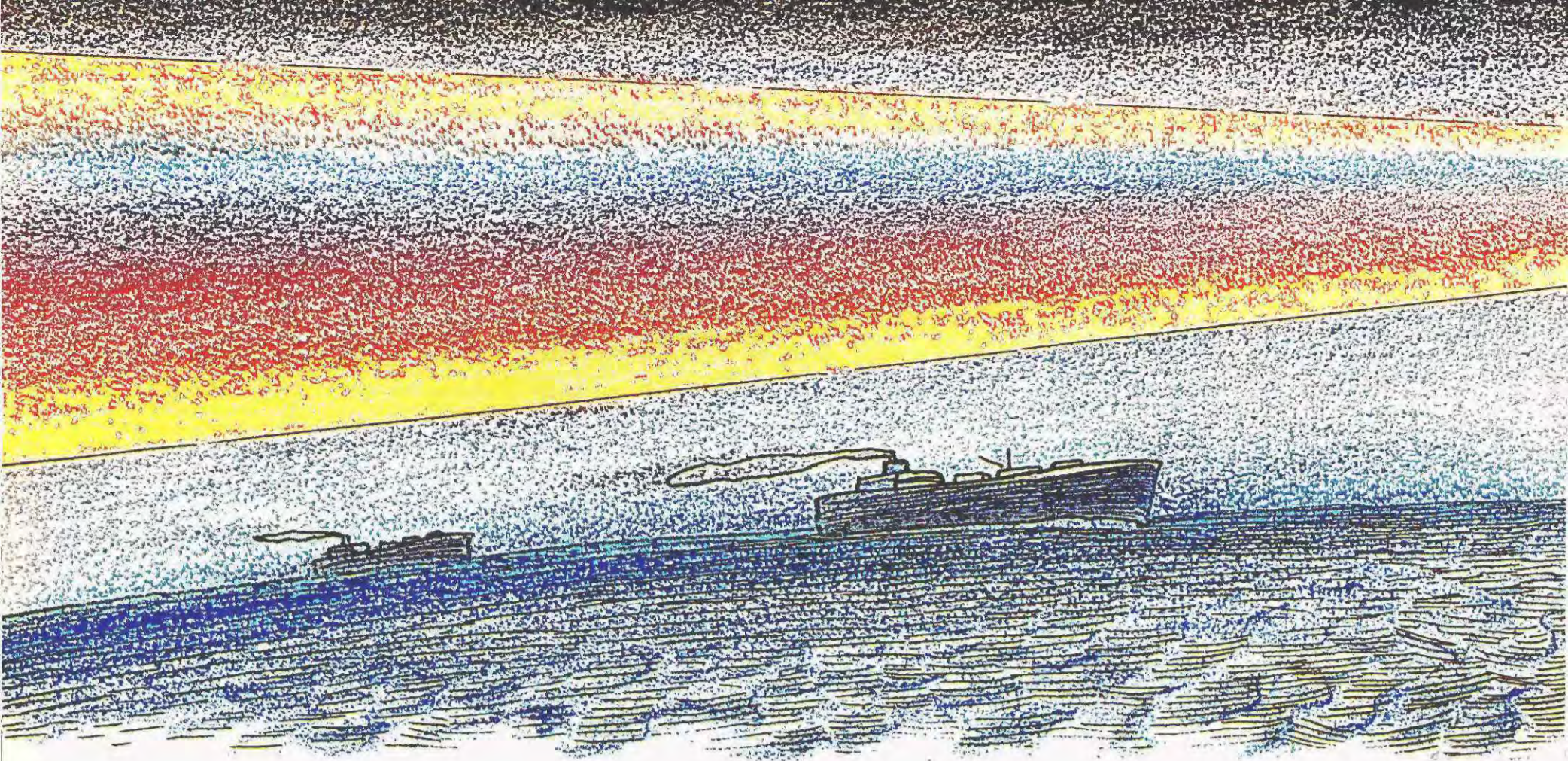
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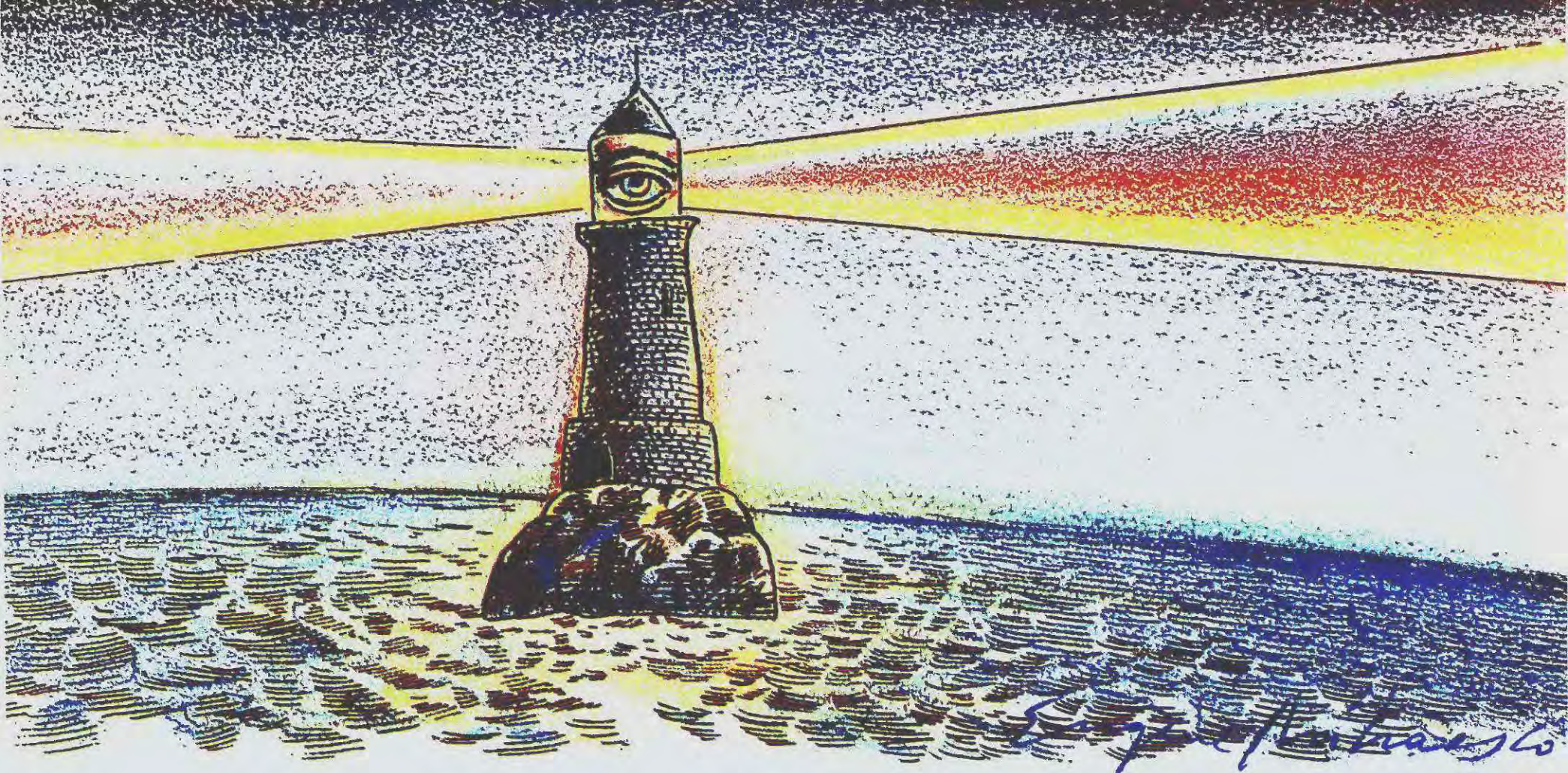


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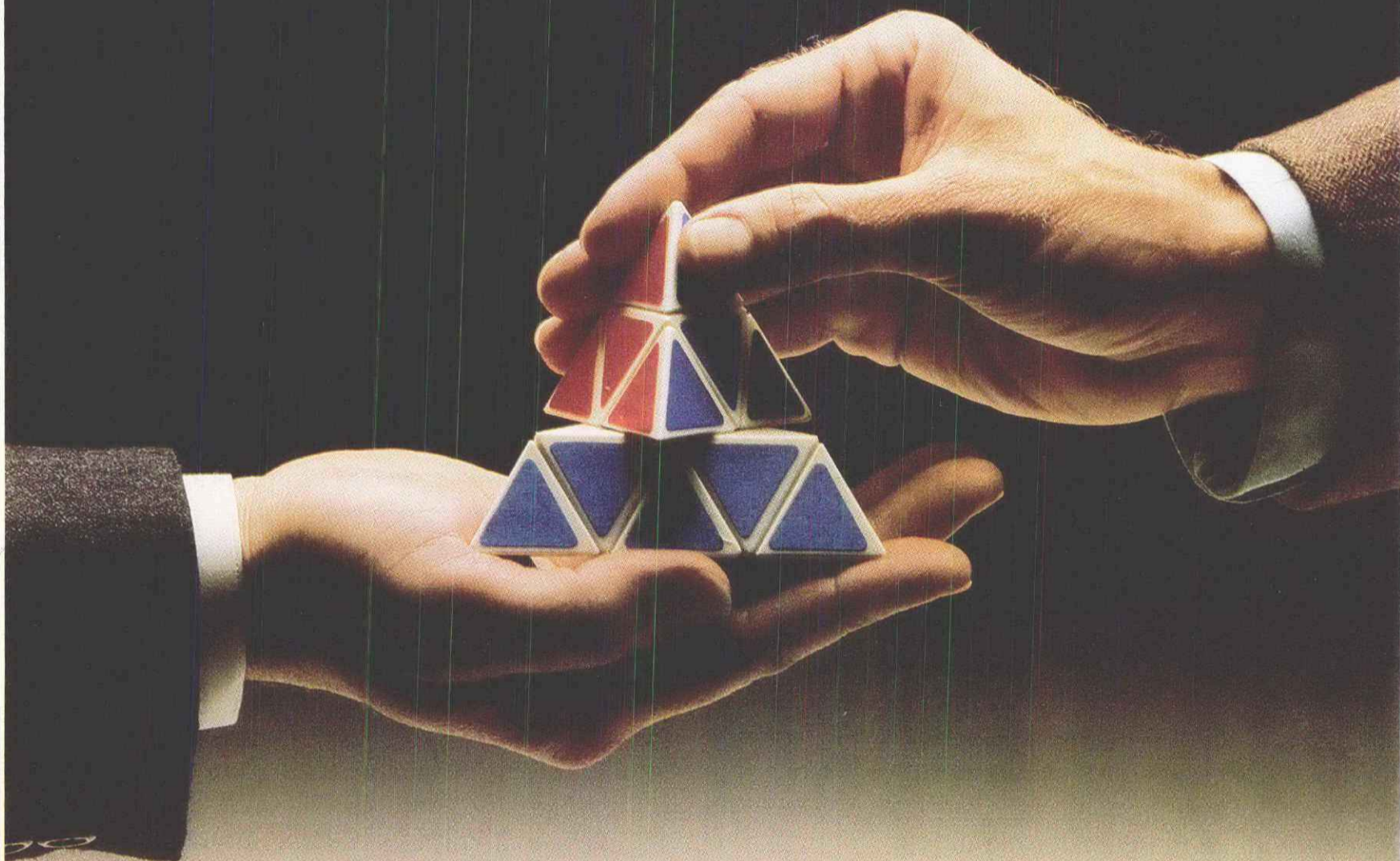
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The coming risk management services shakeout

FIGHTING FOR MARKET SHARE

By James V. Davis

THE MARKET for various risk management services is substantial, and different types of organizations are going after the assorted classes of business, with varying strengths and weaknesses.

ESIS, the claims adjusting arm of CIGNA Corp., has published "The World Market for Risk Management Services: An ESIS Research Assessment," in which it estimates that the demand for risk management services in 1981 in the United States was approximately \$1.4 billion, out of a market potential of \$6.8 billion. Internationally, current expenditures are estimated at \$3.3 billion with a potential market of more than \$16.5 billion.

Europe, for example, in relation to the United States, is about at the point where the United States was 10 to 12 years ago in terms of its risk management sophistication. In fact, there is a significant potential opportunity to export U.S. risk management services abroad. The anticipated growth in this marketplace is 6% to 7% annually, as forecasted by ESIS.

I break the market for risk management services into four broad areas. The first area is analytical studies: loss forecasting, loss financing, loss retention, captive feasibility, cost allocation and actuarial studies. For the most part, these studies are heavily computer-based; that is, most of the studies involve the use of large-scale simulation models, which are cost-effective only if run on a computer. A subset of the analytical study field is the qualitative study area: policy audits, the development of corporate risk management policies for senior management or boards of directors and risk management department organization.

A second broad area is risk management information systems, which includes the development of customized loss runs for organizations, the development of loss-prevention reports, causal analysis reports and other kinds of data that management needs to improve its ability to prevent losses.

Self-insurance administration constitutes a third area. The accounting for self-insurance pools, claims administration and the provision of loss-prevention services represents the heart of the risk management services market. Obviously, once these services are in place to support a firm's self-insurance organization, they can also be used to

support facets of insured programs.

The fourth area consists of captive insurance companies' support including captive management operations and underwriting facilities to provide unrelated business flow to captive insurance companies.

What kinds of organizations are going after this business and what are their respective strengths and weaknesses? I suggest that there are four major players competing for risk management services' business with two major potential players waiting on the sidelines that may become the major players of the future.

In terms of its strength to pursue this business, insurance brokers bring to it a strong individual client orientation contrasted to the insurance companies that tend to create homogenous masses where they do not exist. On balance, the insurance brokers have better people—hardly surprising since they have systematically raided other insurance organizations for talent and paid higher salaries and created more flexible working environments—and have attracted many of the better people from insurance companies, risk-management departments and, in some instances, the independent risk management consulting organizations. Typically, the brokers have strong technical resources in the sense that considerable amounts of money have been invested in computer resources.

What are the brokers' major weaknesses in attempting to control the market for risk-management services? On balance, the brokers are still not oriented to doing business on a fee basis, which is a prerequisite for success. But the most significant long-term problem that the brokers may have to deal with is their declining profit margin, which is declining on a permanent basis.

The net impact of the emphasis on risk management services by the alphabet brokerage firms has been to educate clients to the financial nature of their risk management programs. A natural offshoot of the insureds' increased sophistication about their insurance programs was an emphasis on brokerage firm remuneration. This trend now is approaching the point of diminishing returns. For with reduced profit margins and, in some instances, with negative cash flow, one questions whether the brokerage firms will continue to devote the money they have historically to the development of some of the computer-based resources that are at the hub of their sales of risk management services.

The insurance companies would suggest that they have one major strength, which is that they have a lot of money. If they ever choose to spend that money systematically and wisely, they can come to dominate the brokers in the provision of risk management services. And there are, in fact, some signs that the insurers are

beginning to do this.

Fireman's Fund has developed some sophisticated risk management systems. For its 25 largest clients, it has provided on-line access to loss data in its main frame computers; risk managers of those organizations now can directly access their own loss data. The Travelers is in the second year of a five-year plan to significantly expand its capabilities to provide loss data to its clients.

The major weaknesses that the insurers have are the quality of people they have been able to attract and retain in what are relatively bureaucratic organizations. Given bureaucratic organization structures, heavily oriented to promotion-by-seniority systems, the insurers have difficulty generating the kind of innovative thinking that is more readily found within a brokerage firm.

The risk managers of the insured companies have the obvious major advantage of controlling the final purchasing decision and thus have the opportunity to also diversify into risk management services. Two major problems facing the insureds, however, in the risk management services area, are the overall quality of the personnel that are attracted to the risk management profession and risk managers' inability to gain access to the flow of resources available in their organizations.

Finally, we have the independent suppliers. These include Betterley Associates and Risk Planning Group representing the independent risk management consultants; Crawford, GAB or Corporate Systems in claims adjusting, or the customized loss-run area. Each brings a specialized expertise to a particular area. But with the specialized expertise comes the corresponding problem that there is the inability to provide the full range of risk management services. That's going to be an important handicap in the future.

On the sidelines are the financial conglomerates, Shearson/American Express and Fireman's Fund, Sears/Allstate and others with people with financial training and access to the decision makers who decide on these types of services. About the only thing these organizations lack is people with insurance expertise at the holding-company level and such people obviously can be recruited.

The bank holding companies that have essentially the same strengths and weaknesses as the financial conglomerates are another source of potential competition. Corroon & Black's Research & Development Division has completed a diversification study for one of the largest regional bank holding companies. The chief executive officer of this firm is anxious to enter the insurance business. He has systematically thought through exactly how a bank's leverage with its

small, medium and even large commercial accounts can be utilized to sell risk management services as well as more general insurance products.

In terms of who is likely to control the market segments for risk management services in the analytical quantitative study area, the bulk of that business is ultimately going to go in-house and will be removed from most of the service providers. As more and more people with financial training move into risk management positions, they are going to want to do their own analyses and will no longer depend on outside suppliers.

My judgment is that insurance brokers will pick up the bulk of the business that does not go in-house, simply because the brokers have the more sophisticated computerized and analytical systems available. For qualitative analytical studies, the independent risk management consultants will continue to tend to control that market. It's a market they have invested the time to develop over years and one that, in large measure, the brokers have never sought in a systematic fashion.

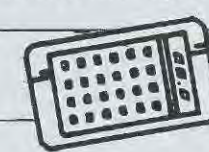
If the insurance companies can overcome the burden of the kind of organizational struggle that they have and if, in particular, they can overcome the psychological hurdle of putting another insurer's loss data on their computers, the insurers should clearly come to dominate the market for risk management information systems. Independents will continue to play a role. While the brokers currently are strong in the provision of customized loss runs and other data, my own judgment is that the brokers will lose market share back to the insurers.

Self-insurance administration has the potential for explosive growth over and beyond where it is now. If the proposed Loss Reserve Deduction Act, which would give self-insurers the ability to deduct their self-insurance loss reserves on a current basis for federal tax purposes, becomes law, for example, there will be an absolute hemorrhaging of premiums leaving the insurance companies for self-insurance programs. Self-insurance administration is a marketplace that is largely fragmented at the current time, and it is likely to remain fragmented. The major reason is that much self-insured administration is done for local or state programs and local or state organizations can build up profitable businesses, servicing only relatively narrow segments in the marketplace.

The captive insurance company area is going to offer relatively little in the way of growth, at least as long as premiums stay as depressed as they are now. The brokers and the insurance companies will continue to control captive management services. Brokers will go head-to-head more often with the insurance companies in the providing of a variety of underwriting services to their captive clients.



James V. Davis, Ph.D., is chairman and chief executive officer of Corroon & Black Advanced Risk Management Services. This article is adapted from a speech delivered in June to the Assn. of Insurance & Financial Analysts in New York.



THE COMPUTER'S ROLE

Easing loss control for self-insureds

By Howard L. Kestenbaum

WHEN A CORPORATION self-insures, it has chosen the casualty-funding vehicle with the most favorable cash-flow characteristics and usually the lowest administrative costs. In return for these benefits, the corporation must accept full responsibility to control losses. The self-insurer not only must design and implement a loss-control program, but must provide a sense of active participation and continual communication with top management and the field.

Analytical techniques and computer methods can play a key role in an effective loss-control program. Using these tools, the risk manager can provide a quantitative framework for the program and can efficiently communicate results to all levels of management.

A quantitative framework forms the basis for a productive loss-control program. The framework can encompass three key elements:

- Provide top management with an overview of historical experience, including an estimate of future loss amounts.
- Set realistic loss-reduction goals for each operating division.
- Track current loss experience, quickly identifying top performers and problem locations.

The computer can play an active role in establishing the ground rules for loss-control efforts. It is impartial. It is objective. It can ingest enormous quantities of data; calculate key parameters, like number of back injuries per man-hour for each location; compare against a relevant benchmark, like last year's values or industry averages; sort results; and produce a concise report. Also, reports and graphs generated by computer are an effective means of communicating results to management and to the field.

Perhaps more important than the size of the projected losses is the possible deviation from the projected amounts. Management may not wish to tolerate large variations from the self-insurance accruals based on loss projections, especially if the full impact on earnings per share has to be absorbed in a single quarter.

Through computer simulations or analytical calculations, the potential variability can be quantified. A computer analysis of individual claim sizes can reveal the underlying probability distribution governing the severity of claims. For example, the expected losses for 1983 at a \$250,000 retention level may be \$1 million. The potential impact on quarterly earnings per share—at the 1% chance level—for a typical light manufacturing company is illustrated (see chart one).

The percentage decrease in aftertax earnings per share is shown over a range of retention levels for companies ranging in size from \$100 million in sales to \$5 billion in sales. From the chart, a \$500 million sales company that suffers severe loss experience (1% probability) and has a retention level of \$250,000 per loss may suffer a decline of about 8% in earnings per share in a particular quarter, resulting solely from adverse loss experience associated with the recently closed policy year.

This kind of analysis may be helpful in selecting an appropriate attachment point for excess insurance. And it may spur top management to support a loss-control program that can reduce variability.

To enlist the support of top management in loss-reduction efforts, it is helpful to provide an overview of the corporate loss experience and to estimate the impact

of self-insured losses on the bottom line. A loss forecast provides a clear picture of historical patterns and future directions.

To forecast losses for future years, you must restate the historical experience to be consistent with the future corporate structure. This means excluding losses from divested or closed operations and including losses from recent acquisitions. Provision must be made for development of historical losses to account for reserve changes on open claims and late reports of previously incurred claims.

The role of inflation in the cost of claims must be addressed. For workers compensation, roughly 35% of the cost of claims is for medical care and 65% for indemnity payments. For self-insurance concentrated in a few states, the inflation adjustment for the indemnity portion of claims can be calculated through a consideration of benefit-level changes in the separate states.

Finally, corporate plans for future growth or contraction should be included through use of an exposure index such as manhours, an employee count or inflation-adjusted payrolls.

A computer-generated graph of historical and projected losses over time may have a strong impact on top management when they see the anticipated growth in losses resulting from inflation and real corporate expansion. Only an effective loss-control program can stem the sharp increase in projected losses.

To make loss control a top priority of management, realistic goals must be established. You can forecast losses for each division and set the goal at 20% below the projected value. Or you can use manual premiums as a guide, requiring that losses be 50% of manual premium. Since losses comprise roughly 65% of manual premium, the goal represents an effective reduction of 23% below the expected value. Or you may have the computer limit losses to \$25,000 per occurrence to reduce the impact of single, extreme injuries.

Setting goals by the loss-forecasting method requires that each division improve in comparison to its own historical experience. Setting goals through use of manual premiums requires a division's performance to exceed industry averages. Whatever criterion is chosen, setting targets using a consistent, quantitative approach is crucial to the success of a loss-control program. The goals can provide an objective yardstick against which each division manager can be judged.

To maintain incentive for managers to control losses over the long term, we suggest two options. One is to produce a monthly loss-control summary report that ranks division managers based on their year-to-date performance vis-a-vis their targets. The computer ranking places the poorest performer at the top of the report and thus promulgates the "loss control by embarrassment."

In this approach, the computer can be programmed to read a loss-data tape, truncate losses if desired, assign each loss to its appropriate division and total the financial amounts for each division. The computer can compare the totaled losses with the target (from a second target data base) rank the results and produce a concise monthly loss-control report (see chart two). Each division may receive a computer-generated graph that displays the actual result vs. the target (see chart three).

A second option provides incentive for division managers by rewarding good loss-control performance with a bonus. The bonus comes from the savings realized through reduced losses and thus is not an additional corporate cost. The bonus amounts depend on the overall success of the program as well as on the individual performance. For example, 20% of any realized savings may be distributed as bonuses.

To help division managers rapidly and consistently identify the source responsible for poor loss experience, the computer can be programmed to search for surges in

frequency at every corporate location. By comparing the actual claim count over the past three months to the expected count (last year's count adjusted for changes in hours worked) and by selecting those locations that exceed the target by a statistically significant amount, the computer can produce a quick report identifying delinquent locations. The division manager can immediately focus energy on the problem location.

It is clear that the computer can make a substantial contribution to loss control. In addition to providing a quantitative framework, the computer enhances communication among all levels of management. With the advent of inexpensive yet powerful microcomputer systems, versatile color plotters and the burgeoning software business, it is only a matter of time until risk management departments will be fully employing the newest technology to confront their oldest problems.

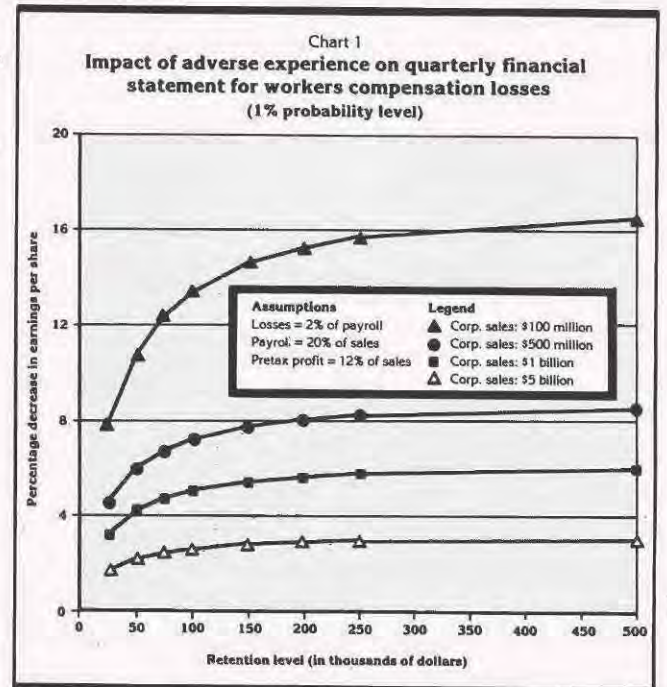
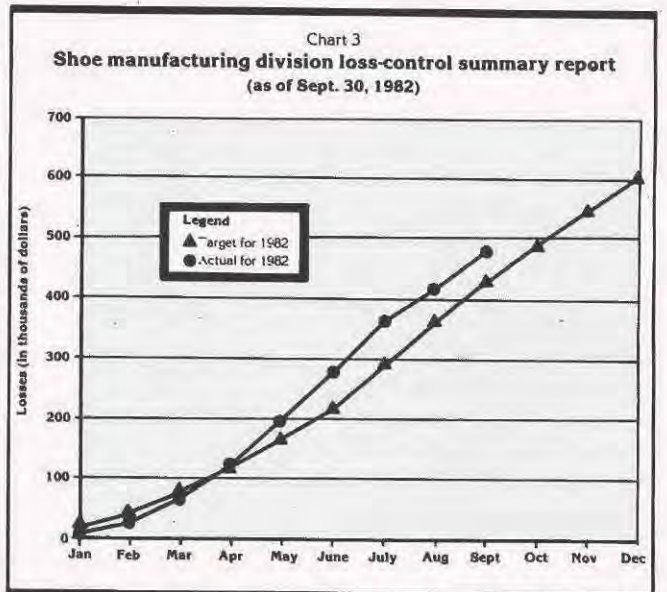


Chart 2
Workers compensation loss-control evaluation
Losses limited to \$25,000 per occurrence
(as of Sept. 30, 1982)


Division	Target loss	Actual loss	Amount ahead of target	Percent ahead of target
Apparel	\$ 74,000	\$126,000	\$48,000	28%
Boats	246,000	208,000	38,000	15
Paper products	83,000	76,000	7,000	8
Shoe manufacturing	427,000	478,000	(51,000)	(12)
Rubber products	288,000	357,000	(69,000)	(24)
All divisions	\$1,218,000	\$1,245,000	\$(27,000)	(2%)



Howard L. Kestenbaum, Ph.D., is a vp at Anistics in New York.

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Risk (risk) 1. exposure to injury or loss

Finding the ultimate definition of a very meaningful word

By Karl E. Warming

MOST RISK MANAGERS are conditioned to the various ways the word "risk" is used and misused by professionals as well as the public. Some of us, as students of risk management and insurance courses, quickly became aware that risk was defined differently in different textbooks. Teachers often had their own preferred definition.

And for those of us who have risen in rank to the position of risk and insurance manager, it has also been obvious that the meaning of the word isn't the same to everyone.

But is there a need for a generally accepted definition of the word risk among risk managers? The word has so many useful meanings for so many purposes that it is wise to admit that it would be impossible to try to limit the definition and still please everyone.

However, the word risk could be satisfactorily defined so that more of us have a better understanding of it.

When looking for a generally accepted definition, what authority will be bold enough to recommend one that will receive general acceptance among professionals?

I have a proposal for all the readers of *Business Insurance*, but first, some background.

Recognized authorities in risk management differ on the definitions of risk. Vaughan and Elliott's review of professional literature shows the word risk cannot be limited to one meaning that would be applicable to economists, statisticians, decision theorists, insurance theorists and others.

Some authors get around the problem by using words other than risk, but will use

the term risk management because it is widely accepted. They may suggest, though, that we limit the use of the word risk when other, similar words can be used instead.

To come up with a standard definition, let's agree on the kind of risk that we'll define. Of the two kinds of risks, speculative and fortuitous, or pure, let's concentrate on the latter. Most risk managers are concerned about the uncertainty surrounding losses only and not the uncertainty on both losses and gains, as is true in speculative risks.

Here is risk as a noun, not a verb, in some selected definitions:

- The possibility of suffering harm or loss.
- Uncertainty as to the occurrence or non-occurrence of a given event, the result of which can only be a loss.
- The possibility of an adverse deviation from a desired outcome that is expected or hoped for.
- The probability of harm to persons or physical resources.
- Variation between actual losses and expected losses.
- Chance of loss.
- Uncertainty concerning the possibility of an occurrence or financial loss not offset by opportunity for gain.
- The possibility of loss, injury, disadvantage or destruction.
- Uncertainty as to financial loss.
- A pure or static chance of financial loss arising out of property damage, net income losses, personnel losses and legal liabilities.

Most of those definitions were found in industry technical bulletins and literature. They show how risk is defined by the industry.

Definitions used in academe are also very important because professors spend a great deal of time studying such words and their meanings rather than trying to teach better definitions.

From glancing at those definitions, the most frequently used words are loss, losses, harm, possibility, probability, expected and uncertainty. They also refer to both physical and intangible things as well as to

personnel. It's interesting to note that the word harm not only refers to people but also to property and physical resources.

One of the cardinal rules of lexicographers and grammarians is that when there is a word with a specific definition, that word should be used instead of one that could convey the same but also another meaning. Yet working against the lexicographers and grammarians is the general public and its insistence on colloquialisms. For example: hazard, peril, danger and exposure are frequently used instead of or as synonyms for risk.

Unfortunately, even the insurance industry uses these words interchangeably. But each one has its own specific meaning, so why are they used interchangeably by professionals?

One of the problems encountered in attempting to find definitions for the word risk and its synonyms is that many dictionaries are not very helpful in defining differences. Furthermore, glossaries in textbooks and documents used by the insurance industry often fail to define the words more specifically. Two glossaries examined do not even include definitions for the words danger and hazard and one had no definition for the word exposure.

Efforts to define the word risk so that it has only one specific meaning for risk managers are complicated by some key words in the definition that need further defining. For instance, the word loss can refer to all kinds of losses: property, intangible, insurable and non-insurable, within retentions and deductibles, direct and indirect, benefits, time, income, rights and others.

Obviously, the definition of a risk cannot include types and kinds of losses. Even a good definition of risk will not, in itself, make a risk manager's title more descriptive of the job. But, with a good definition as a base, a risk manager's responsibilities can be better-understood by all concerned.

Since there are other single words or groups of words that can be substituted, we should agree that the word risk should not be used to define a happening, event, thing, person or anything in physical form? Instead, let's use it to describe a state of mind, like the uncertainty of the risk manager or the person who weighs the probability of a loss or harm.

Let's make an effort to agree on a standard definition just for risk managers. Of course, it won't be unanimous, but a majority acceptance would more clearly define our responsibilities. The proposed definition could then be adopted by the insurance and related industries, and gradually gain acceptance.

Fortunately, we have a good vehicle for this effort. *Business Insurance* has agreed to accept from readers their preferred definitions and will publish those chosen as the 10 best along with a ballot for readers to vote for the top three. The deadline for your preferred definition of risk to reach *Business Insurance* is March 23. The 10 definitions receiving the most votes will be published in the April 4 issue. A bibliography is included to help you get started (see related story).

But for now, in the absence of that one good, specific, standard definition of the word risk, each risk manager should develop the one that best fits his or her responsibilities. Then, spread the word to

your supervisors and other appropriate corporate officials.

A good definition may provide a better understanding of the risk manager's job. And who but risk managers should be to define their jobs and come up with that one "correct" definition of the word risk? Good luck!

Where to start

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- "Evaluation of Safety and Property Protection Management Systems," M&M Protection Consultants, New York, 1978.
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Karl E. Warming is business vp and risk manager at Berea College in Berea, Ky.

Official BI entry form:

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Title: _____

Company: _____

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Deadline is MARCH 23

Directory of risk management consultants

A

AIG Risk Management Inc.

70 Pine St., New York, N.Y. 10270;
212-770-7000

Year founded: 1974.

Parent company: American International Group Inc.

Services provided: 60% continuous consulting; 5% risk management audits; 35% special projects,

including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, loss-settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting, reserve analysis, hospital self-insurance funding; occasional risk management organization studies, accounting system analysis.

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

Staff: 103 total staff; 38 professional staff members, including eight principal consultants, 14 consultants, 16 analysts. Professional designations held by staff include five CPCUs, three ARMs, 11 MBAs, two CSPs, two attorneys, five qualified actuaries.

Clients: 384 total clients; 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.

Compensation: By the project.

1982 gross revenues: \$27.8 million.

Principal officers: Joseph C. Smetana Jr., president; Frank Neuhauer Jr., vp/actuary; Daniel Bense, Martin Banker, Michael Curio, vps.

Advanced Risk Management Techniques (ARM Tech)

1300 Dove St., Suite 200, Newport Beach, Calif. 92660; 714-752-7655

Year founded: 1982.
Independent.

Services provided: 15% continuous consulting; 60% risk management audits; 25% special projects, including frequent risk retention analysis (including self-insurance
Continued on next page

Guide to listings

What risk management consultant performs the services you need?

You can find a wide array of risk management consultants in this year's listing.

Under the services provided category in each listing, consultants note what percent of their business consists of continuous consulting (serving as 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 performed.

The directory lists the date a consultant was founded, whether it is affiliated with a company that sells insurance and its locations.

You will also find:

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

Abbreviations for credentials include ALCM, Associate Loss-Control Manager; ARM, Associate in Risk Management; CDP, Certified Data Processor; CIC, Certified Insurance Counselor; CLU, Certified Life Underwriter; CMC, Certified Management Consultant; CPA, Certified Public Accountant; CPCU, member-Society of Chartered Property/Casualty Underwriter; CRC, Certified Rehabilitation Counselor; CSP, Certified Safety Professional; FCAS, fellow-Casualty Actuarial Society; FSA, fellow-Society of Actuaries; MBA, master's of business administration; MOT, master's in occupational therapy; MSPA, member-American Society of Pension Actuaries; PE, Professional Engineer; and ROT, Registered Occupational Therapist.

If you want to locate a risk management 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.

Information in the directory was provided by consultants responding to a BI questionnaire. Consultants that do not appear did not respond.

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with the broad capability of The Travelers. For example, a sophisticated network of over 3600 claim professionals in over 200 locations allows for the unique capability to respond to the immediate demands of all types of claims. Loss prevention services are handled by a knowledgeable and effective engineering department that was the first established in the industry. And with one of the industries largest data processing centers we can process and display your loss in-

formation efficiently and accurately.

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High quality, professional services at Constitution State Service Company



TheTravelers

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Continued from previous page
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, governmental agency pooling program studies, expert witness, actuarial audits of loss reserves; occasional claims auditing, loss-prevention audits, accounting system analysis.

Staff: Nine total staff; including six principal consultants and one consultant. Professional designations held by staff include four CPCUs, three ARMs, one MBA, one FCAS, one P.E.

Clients: 109 total clients.
Compensation: By the project; on retainer; by the hour: senior consultant, \$95-\$125; consultant, \$50-\$70; clerical, \$18-\$25.

1982 gross revenues: \$389,500.

Principal officers: Richard R. Huntington, Michael M. Kaddatz, Steven P. Kahn, David M. McCleerey, William S. Mortimer, Oakley E. Van Slyke.

Member of: IRMC.

Barbara W. Akk & Associates

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

Year founded: 1981.

Independent.

Services provided: 25% continuous consulting; 10% risk management audits; 55% special projects, including frequent 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, training and development

of risk management personnel; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, loss-settlement assistance, quantitative analysis and statistical forecasting; 10% non-risk management consulting, including educational workshops, assistance in selecting claims administrators and safety consultants, specialty audits (evaluation of medical treatment, workers compensation), litigation audits.

Staff: Three total staff; two professional staff members, including two principal consultants. Six independent contractors are associates. Professional designations held by staff include two ARMs, one bachelor's degree in risk management.

Clients: Twelve total clients; 34% with a risk and insurance budget less than \$1 million; 58% \$1 million to \$5 million; 8% \$5 million to \$10 million.

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

consultant, \$70; clerical, \$15.

1982 gross revenues: \$45,000.

Principal officers: Gerald M. Surfus, Barbara W. Akk, principals.

J.H. Albert International Insurance Advisors Inc.

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

Year founded: 1967.

Independent.

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

statistical forecasting; occasional claims auditing.

Staff: Fourteen total staff; 10 professional staff members, including four principal consultants, six consultants.

Clients: 170 total clients.

Compensation: By the hour: senior consultant, \$100; consultant, \$100; junior consultant, \$80.

1982 gross revenues: More than \$1 million.

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

Aldrich & Cox Inc.

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

Year founded: 1951.

Independent.

Services provided: 80% continuous consulting; 10% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding; occasional risk retention analysis (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% \$1 million to \$5 million.

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

1982 gross revenues: Not reported.

Principal officers: Charles H. Cox, James B. Hood Jr., vps.

Member of: IRMC.

Allovio Corp.

Long Grove Executive House, Route 6, Box 43, Long Grove, Ill. 60047; 312-634-9270

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; including three principal consultants, two consultants, one analyst. Professional designations held by staff include two CPCUs, one CSP.

Clients: Total clients not reported; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million.

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

1982 gross revenues: More than \$150,000.

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

Member of: ICS.

Continued on facing page

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International Offices in Bermuda, the Bahamas and the Cayman Islands

Continued from facing page

American Risk Management Inc.

One Independence Place, Suite 500, 4807 Rockside Road, Cleveland, Ohio 44131; 216-447-1600

Year founded: 1958

Independent

Services provided: 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, loss-prevention audits, loss-settlement assistance, special reinsurance placements; occasional accounting system analysis, quantitative analysis and statistical forecasting; 90% captive insurance company management.

Locations: Atlanta; Bellevue, Wash.; Bensenville, Ill.; Brentwood, Texas; Bridgewater and Fort Lee, N.J.; Burlingame, Calif.; Dallas; Louisville, Ky.; Minneapolis; Plymouth, Mich.; Prairie Village, Kan.; Youngstown, Ohio; Kitchener, Ontario; Hamilton, Bermuda; Weybridge, England; Shannon, Ireland; Cayman Islands, B.W.I., Guernsey, Channel Islands.

Clients: More than 100 total clients.

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

1982 gross revenues: Not reported.

Principal officers: Fred Reiss, chairman; president, Arthur Deters, executive vp, John J. Ryan and MacVicker Snow, senior vps; William F. Nehls, group vp-engineering.

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; 80% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, quantitative analysis and statistical forecasting, ARIS risk management information systems, rent-a-captive-type arrangements, reinsurance consulting, captive management, specialized financial insurance contracts, risk pooling arrangements; occasional insurance contract analysis, accounting system analysis, loss-settlement assistance, preparation of specifications for bidding.

Locations: Atlanta, Chicago; Denver; Mountain View, Palo Alto, Calif.

Staff: 131 total staff, 97 professional staff members, including 24 principal consultants, 27 consultants, 36 analysts. Professional designations held by staff include five CPCUs, five ARMs, 10 MBAs, seven Ph.D.s, one FSA, one CDP, one CPA, one CLU.

Clients: More than 600 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. Also billing for usage of computer facilities.

1982 gross revenues: Not reported.

Principal officers: Peter M. Densen, president; Luther T. Griffith, executive vp; G. Theodore Nygreen, senior vp; Dennis M. Aaron, E. Richard Raas, Charles L. Tucker, managing vps.

AuditRate Inc.

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

Year founded: 1966.

Parent company: Alper Services Inc.

Services provided: 5% continuous consulting; 35% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, risk management organization studies, preparation of specifications for bidding, occasional risk retention analysis (including self-insurance studies), claims auditing, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance; 50% cost-reduction consulting and premium refund service.

Staff: Eight total staff; six professional staff members, including one principal consultant, one consultant, four analysts. Professional designations held by staff include two CPCUs, one ARM.

Clients: 100 total clients; 100% with risk and insurance budgets less than \$1 million; minimum size client, \$25,000 insurance budget.

Compensation: By the project, on retainer; by the hour: senior consultant, \$100; consultant, \$75; junior consultant, \$50; clerical, \$25, by percent of refund.

1982 gross revenues: \$250,000.

Principal officers: Howard C. Alper, Edward J. Priz.

Aviation Insurance Consultants

416 S. Main, Fayetteville, Tenn. 37334; 615-433-6117

Year founded: 1983.

Parent company: Carlee Allen Insurance Agency.

Services provided: 50% risk management audits; 50% special projects, including frequent 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, arrange for aircraft and/or property appraisals, review of risk and insurance financing alternatives, assist in solving salvage, subrogation and rehabilitation problems; occasional risk retention analysis (including self-insurance studies), claims auditing, loss-prevention audits, accounting system analysis.

Staff: Ten professional staff members, including four principal consultants, four consultants, two analysts. Professional designations held by staff include two CPCUs, one attorney, two CICs, one CLU, one CPA.

Compensation: By the project, by the hour.

1982 gross revenues: Not reported.

Principal officers: Robert C. Allen III.

B

Betterley Consulting Group

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

Year founded: 1932

Parent company: Tillinghast, Nelson & Warren Inc.

Services provided: 20% continuous consulting; 50% risk management audits; 20% 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, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional loss-prevention audits, loss-settlement assistance; 10% employee benefits financial analysis.

Locations: Los Angeles.

Staff: Eighteen total staff; 13 professional staff members, including eight principal consultants, two consultants, three analysts. Professional designations held by staff include one CPCU, three ARMs, two MBAs, one FCAS.

Clients: 140 total clients; 40% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million; 15% \$5 million to \$10 million; 10% \$10 million to \$25 million; 10% more than \$25 million.

Compensation: By the hour: senior consultant, \$100-\$165; consultant, \$60-\$90; junior consultant, \$40-\$55.

1982 gross revenues: More than \$1 million.

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

Member of: IRMC

Continued on next page

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Continued from previous page

D.A. Betterley Risk Consultants Inc.

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

Year founded: 1932.

Independent.

Services provided: 35% continuous consulting; 45% risk management audits; 20% special projects, including frequent risk retention analysis (including self-insurance studies), 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; occasional captive feasibility studies, claims auditing, loss-prevention audits, loss-settlement assistance, risk management information systems.

Staff: Seven total staff; five professional staff members, including two principal consultants and three consultants. Professional designations held by staff include one MBA.

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

Compensation By the hour: senior consultant, \$100-\$125; consultant, \$65; junior consultant, \$50; clerical, \$35.

1982 gross revenues: \$500,000.

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

Member of: IRMC.

Blades & Macaulay

2444 Morris Ave. Box 188, Union, N.J. C7083; 201-687-3735
Year founded: 1926.

Independent.

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

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

Clients: Thirty total clients; 20% with risk and insurance budgets less than \$1 million; 30% \$1 million to \$5 million; 30% \$5 million to \$10 million; 10% \$10 million to \$25 mil-

lion; 10% more than \$25 million.

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

1982 gross revenues: Not reported.

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

Member of: IRMC.

T.E. Brennan Co.

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

Year founded: 1895.

Independent.

Services provided: 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-prevention audits, loss-settlement assistance, preparation of specifications for bidding;

occasional quantitative analysis and statistical forecasting, risk management organization studies, broker service and remuneration evaluation, accounting system analysis, claims auditing, captive feasibility studies.

Locations: Chicago.

Staff: Twelve total staff; seven professional staff members, including five principal consultants, two consultants, one analyst. Professional designations held by staff include two CPCUs, one ARM, one MBA, one CPA, one attorney.

Clients: 250 total clients.

Compensation: By the hour.

1982 gross revenues: More than \$650,000.

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

Member of: IRMC.

Brandon Howard Kohler & Rosenbloom Inc.

3601 Park Center Blvd., Minneapolis, Minn. 55416; 612-929-5551

Year founded: 1963.

Independent.

Services provided: 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), loss-settlement assistance.

Staff: Fifty-five total staff; including 13 principal consultants, 15 consultants, 12 analysts. Professional designations held by staff include 15 CPCUs, three ARMs.

1982 gross revenues: Not reported.

Principal officers: Frank J. Howard, chairman; John Kohler, president/chief executive officer; Amos Rosenbloom, John Lietzke and James B. Dockman, vps.

Larry W. Buck & Associates Inc.

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

Year founded: 1977.

Independent.

Services provided: 85% continuous consulting; 10% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance 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: One principal consultant.

Clients: Thirty total clients; 99% with risk and insurance budgets less than \$1 million; 1% more than \$25 million.

Compensation: By the hour: senior consultant, \$150.

1982 gross revenues: Not reported.

Principal officer: Larry W. Buck

Member of: IRMC.

Ken Buhler Associates Inc.

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

Year founded: 1976.

Independent.

Services provided: 40% continuous consulting; 50% special projects, including frequent loss prevention audits, preparation of

Continued on facing page

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Continued from facing page
specifications for bidding, analysis
of fire protection systems, property
appraisals, fire protection and
safety surveys; 10% design and lay-
out of automatic sprinkler systems.

Staff: Five total staff, including
one principal consultant and three
consultants. Professional designa-
tions held by staff include one PE.

Clients: Fifty total clients; 35%
with risk and insurance budgets
less than \$1 million; 60% \$1 million
to \$5 million; 5% \$5 million to \$10
million.

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

1982 gross revenues: Not re-
ported.

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

Bushnell, Ducham & Co.

359 Dorset St., Box 5500, South
Burlington, Vt. 05401;
802-862-3880

Year founded: 1982.

Independent.

Services provided: 10% contin-
uous consulting; 60% risk manage-
ment audits; 30% special projects,
including frequent analysis of nec-
essary insurance limits, insurance
contract analysis, broker service
and remuneration evaluation, loss-
settlement assistance, preparation
of specifications for bidding; occa-
sional quantitative analysis and
statistical forecasting, risk manage-
ment organization studies, account-
ing system analysis, loss-preven-
tion audits, claims auditing, risk re-
tention analysis (including self-insur-
ance studies).

Staff: Two total staff in risk
management division only; one
principal consultant.

Clients: Twelve total clients;
100% with risk and insurance bud-
gets less than \$1 million; minimum
size client, \$50,000 insurance bud-
get.

Compensation: By the hour: se-
nior consultant, \$75; clerical, \$35.

1982 gross revenues: \$55,000.

Principal officers: James E.
Bushnell, president; David A. Du-
cham, vp.

C

Richard F. Camus & Associates Inc.

1529 Newton St., New Orleans, La.
70114; 504-367-6875

Year founded: 1973.

Independent.

Services provided: 33% contin-
uous consulting; 33% risk manage-
ment audits; 33% special projects,
including frequent risk retention
analysis (including self-insurance
studies), analysis of necessary in-
surance limits, insurance contract
analysis, claims auditing, loss-pre-
vention audits, accounting system
analysis, loss-settlement assistance,
quantitative analysis and statistical
forecasting; occasional captive fea-
sibility studies, broker service and
remuneration evaluation, risk
management organization studies,
preparation of specifications for
bidding.

Locations: Baton Rouge, La.

Staff: Seventeen total staff; 10
professional staff members, includ-
ing three principal consultants, five
consultants, two analysts. Profes-
sional designations held by staff in-
clude three actuaries, one FSA, one
ASA.

Clients: Twenty total clients
(health and casualty only); 75%
with risk and insurance budgets of
\$1 million to \$5 million; 10% \$5 mil-
lion to \$10 million; 10% \$10 million
to \$25 million; 5% more than \$25
million.

Compensation: By the project;
on retainer; by the hour: usually on
a fee basis.

1982 gross revenues: Not re-

ported.

Principal officers: Richard F.
Camus, Charles G. Hall.

Capell Industrial Risk Management Inc.

Box 3167, Princeton, N.J. 08540;
609-896-3017

Year founded: 1978.

Independent.

Services provided: 80% contin-
uous consulting; less than 1% risk
management audits; 15% special
projects, including frequent analy-
sis of necessary insurance limits.
insurance contract analysis, broker
service and remuneration evalua-
tion, loss-settlement assistance,
preparation of specifications for
bidding, special project studies
(D&O, toxic substances litigation);
occasional risk management orga-
nization studies, quantitative anal-
ysis and statistical forecasting, loss-
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Continued on next page

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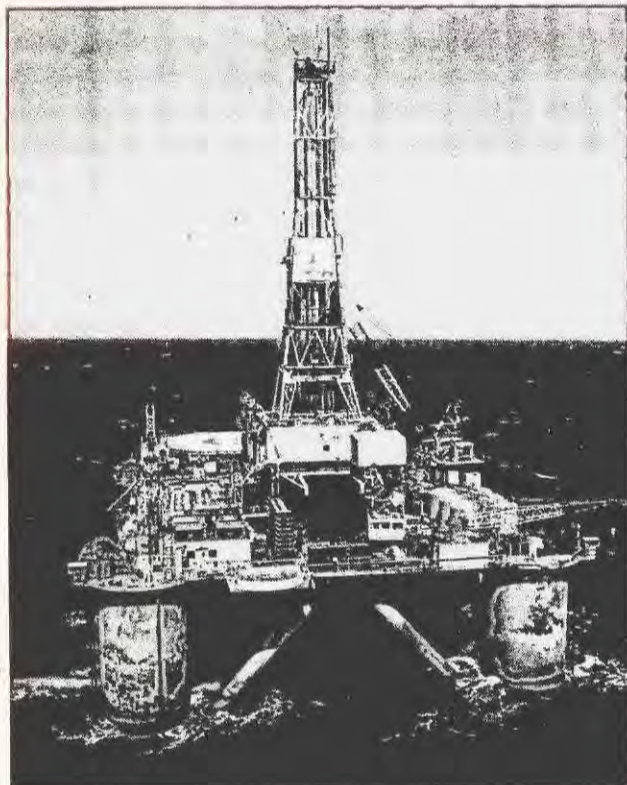
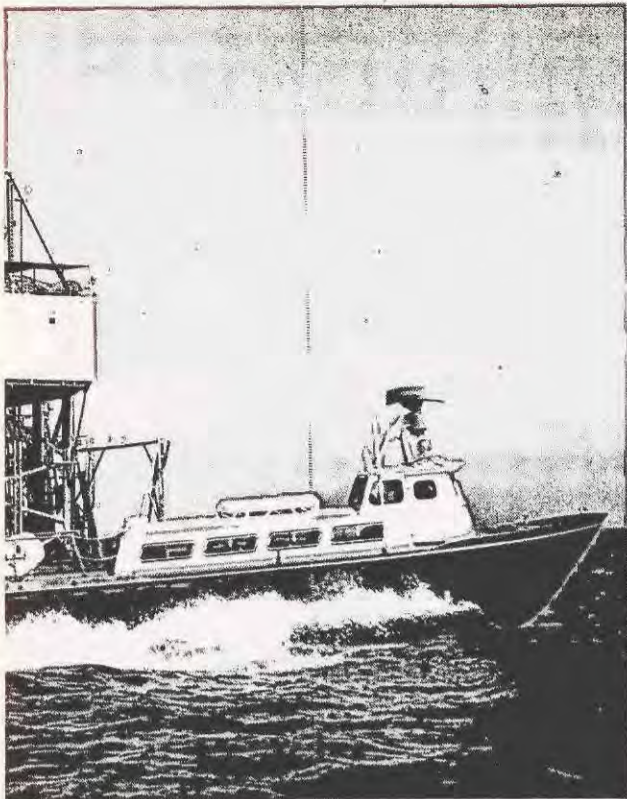
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Continued from facing page
risk retention analysis (including self-insurance studies); 4% brokerage activity for smaller clients.

Staff: Four total staff; two professional staff members, including one principal consultant and one analyst. Also use outside legal, financial and statistical professionals.

Clients: Sixty total clients; 99% with risk and insurance budgets less than \$1 million; 1% \$1 million to \$5 million; minimum size client, \$5,000 insurance budget, but minimum can vary.

Compensation: On retainer (based on estimated time of \$94 per hour.)

1982 gross revenues: \$225,000.

Principal officers: James W. Capell.

Commercial Risk Consultants Inc.

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

Year founded: 1979.
Independent.

Services provided: 20% continuous consulting; 80% risk management audits, including frequent risk retention analysis (and self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance; preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, risk management organization studies.

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

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

1982 gross revenues: Not reported.

Principal officers: Joan W. Newby.

Continental Risk Services Inc.

1201 Dove St., Suite 200, Newport Beach, Calif. 92660; 714-851-9122

Year founded: 1980.

Parent company: The Continental Corp.

Services provided: 10% continuous consulting; 25% risk management audits; 65% special projects,

including frequent risk retention analysis (including self-insurance studies), insurance contract analysis, preparation of specifications and statistical forecasting; occasional captive feasibility studies, quantitative analysis and statistical forecasting, analysis of necessary insurance limits, claims auditing, loss-prevention audits, risk management organization studies.

Staff: Sixteen total staff; nine professional staff members, including two principal consultants, three consultants, four analysts.

Clients: 800 total clients (includes agents and companies who subscribe to risk and insurance library); 75% with risk and insurance budget less than \$1 million; 20% \$1 million to \$5 million; 3% \$5 million to \$10 million; 1% \$10 to \$25 million; 1% more than \$25 million; minimum size client, \$50,000 insurance budget.

Compensation: By the project (occasionally); on retainer (occasionally); by the hour: senior consultant, \$85-\$95; consultant, \$65-\$75; junior consultant, \$50-\$55; clerical, \$18-\$30.

1982 gross revenues: \$100,000.

Principal officers: Allen P. Willis Jr., president; Richard V. Rupp, vp.

Corporate Risk Consultants

24370 Northwestern Highway,
Southfield, Mich. 48075;
313-358-1100

Year founded: 1975.

Parent company: Meadowbrook Insurance Group.

Services provided: 75% continuous consulting; 10% 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, pro forma financial projections; occasional loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, accounting system analysis, claims auditing.

Locations: Arlington Heights, Ill.; Boston; Boca Raton, Fla.

Staff: Eight total staff; including two principal consultants, two consultants, one analyst. Professional designations held by staff include three CPCUs, two ARMs, two MBAs, one attorney.

Clients: Twenty-five total clients; 75% with risk and insurance budgets less than \$1 million; 25% \$1 million to \$5 million.

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

1982 gross revenues: Not reported.

Principal officers: Merton J. Segal, Bob Engle, Larry Kraus, Wayne Carpenter.

Corporate Risk Management Inc.

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

Year founded: 1978.

Independent.

Services provided: Continuous consulting; risk management audits; 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, premium analyses; occasional risk management organization studies, loss-settlement assistance, loss-prevention audits, claims auditing.

Staff: Five total staff; two professional staff members, including one principal consultant and one consultant. Professional designa-

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D

Continued from facing page
tions held by staff include one CPCU, one ARM.

Clients: Sixty-five total clients; 100% with risk and insurance budgets less than \$1 million.

Compensation: By the project; commissions for insurance placed with underwriters; on retainer; by the hour: senior consultant, \$100-\$120; consultant, \$75-\$100.

1982 gross revenues: \$220,000.

Principal officers: Robert A. Wilson, president.

Corporate Risk Management Inc.

6525 Morrison Blvd., Suite 421,
Charlotte, N.C. 28211;
704-364-1711

Year founded: 1978.

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, preparation of specifications for bidding; occasional captive feasibility studies, claims auditing, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: Three total staff; two professional staff members, including one principal consultant and one consultant. Professional designations held by staff include one CPCU, two ARMs.

Clients: Thirty 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: senior consultant, \$75; consultant, \$60; clerical, \$40.

1982 gross revenues: More than \$200,000.

Principal officers: William B. Heeney, president.

Corporate Risk Services Inc.

5990 N. Washington St., Denver,
Colo. 80216; 303-296-3443

Year founded: 1980.

Independent.

Services provided: 80% continuous consulting; 10% 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, preparation of specifications; occasional captive feasibility studies, loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, loss-settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting.

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

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

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

1982 gross revenues: Not reported.

Principal officers: Dale Gray, president; Thomas Gamel, Douglas Walliser, vps.

Corroon & Black Research & Development Division

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

Year founded: 1976.

Parent company: Corroon & Black Corp.

Services provided: 20% contin-

uous consulting; 80% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, broker service and remuneration evaluation, quantitative analysis and statistical forecasting, cost-allocation systems, actuarial studies (property/casualty); occasional insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding.

Staff: Twenty total staff; 15 professional staff members, including seven principal consultants, two consultants, six analysts. Professional designations held by staff include eight MBAs, one FCAS, one ACAS, three CPCUs, two Ph.D.s.

Clients: 200 total clients.

Minimum size client: \$100,000.

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

1982 gross revenues: Not reported.

Principal officers: James V. Davis, chairman/chief executive officer; Donald K. Heim, president; Robert S. Miccolis, vp; J. Edward Costaler, assistant vp.

Crain, Langner & Co.

20575 Center Ridge Road, Suite
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, loss-prevention audits, broker service and remuneration evaluation, 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, risk management organization studies, quantitative analysis and statistical forecasting.

neration evaluation, risk management organization studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss-settlement assistance, group insurance analysis.

Staff: Seven total staff; five professional staff members, including three principal consultants and two consultants. Professional designations held by staff include three CPCUs, three ARMs, two CLU.

Clients: Ninety-six total clients; 75% with risk and insurance budget less than \$1 million; 25% \$1 million to \$5 million.

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

1982 gross revenues: \$300,000.

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

Member of: ICS.

Kevin F. Donoghue & Associates

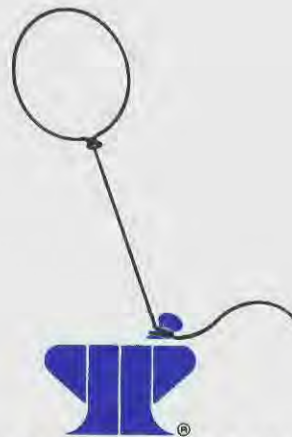
190 High St., Boston, Mass. 02110;
617-482-7015

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 evaluation, loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting.

Continued on next page



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Staff: Twelve total staff; six professional staff members, including three principal consultants, three consultants. Professional designations held by staff include one MBA.

Clients: Eighty-two 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.

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

1982 gross revenues: Not reported.

Principal officers: Kevin F. Donoghue, president; Robert J. Dorsey, executive vp; Philip A. Murphy, senior vp.
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; 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, risk management organization studies, preparation of specifications for bidding, risk management health care services; occasional loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, loss-settlement assistance, quantitative analysis and statistical forecasting.

Locations: Chicago; Hamilton, Bermuda.

Staff: Seventy total staff, 60 professional staff members. Professional designations held by staff include 14 CPCUs, six ARMs, 12 MBAs, five CSPs, five attorneys.

Clients: 150 total clients; 15% with risk and insurance budgets less than \$1 million; 60% \$1 million to \$5 million; 15% \$5 million to \$10 million; 5% \$10 million to \$25 million; 5% more than \$25 million; minimum size client, \$100,000.

Compensation: By the project; on retainer; by the hour: \$25-\$110.

1982 gross revenues: \$4.5 million.

Principal officers: B. H. Suter, president; D.R. Cook and K.W. Richman, senior vps; Frederick F. Abdo, vp-report and research; W.J. Collins, vp-Eastern region.

Bruce Evans Consulting

7032 Creek Bend Road, Dallas, Texas, 75252; 214-248-6283

Year founded: 1967.

Independent.

Services provided: 5% risk management audits; 95% special projects, including frequent risk management organization studies, risk management seminars, reinsurance trial expert witness or arbiter, reinsurance seminars; occasional risk retention analysis (including 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, quantitative analysis and statistical forecasting.

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

Clients: Twelve total clients; 5% with risk and insurance budgets of

\$5 million to \$10 million; 20% \$10 million to \$25 million; 75% more than \$25 million.

Compensation: By the project; by the hour: senior consultant, \$100-\$250.

1982 gross revenues: \$50,001.

Principal officers: Bruce Evans.

F

Felton Associates

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

Year founded: 1976.

Independent.

Services provided: 15% continuous consulting; 25% risk management audits; 60% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occa-

sional risk retention analysis (including self-insurance studies), broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies.

Staff: Two total staff; two professional staff members, including one principal consultant and one analyst.

Clients: Total clients not reported; 100% with risk and insurance budgets less than \$1 million.

Compensation: By the hour: senior consultant, \$90; junior consultant, \$30.

1982 gross revenues: Less than \$100,000.

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: 88% continuous consulting; 6% risk management audits; 6% special projects, including frequent risk retention analysis (including self-insurance studies), 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, insurance program structuring, foreign insurance/risk administration structuring, expert court testimony; occasional captive feasibility studies, claims auditing, accounting system analysis.

Locations: San Juan, Puerto Rico.

Staff: Fourteen total staff, including three principal consultants, four consultants/analysts. Professional designations held by staff in-

clude three CPCUs, two ARMs, one ALCM.

Clients: Sixty total clients; minimum size client, \$6,000 fee.

Compensation: On retainer; by the hour: senior consultant, \$200; consultant, \$175; staff consultant, \$130; clerical \$25.

1982 gross revenues: More than \$650,000.

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

Member of: ICS.

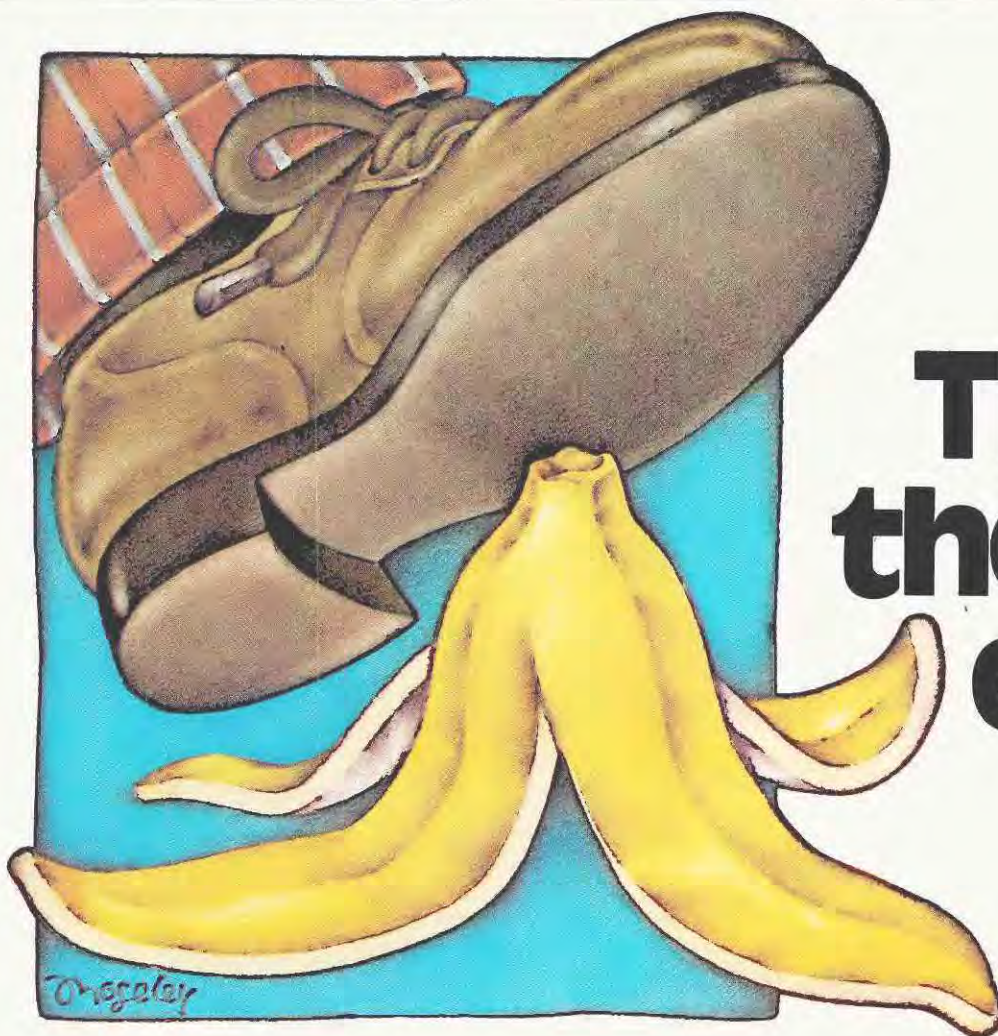
Fortune & Co./Risk Managers Inc.

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

Year founded: 1978.

Independent.

Services provided: 60% continuous consulting; 10% risk management
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 ment audits; 30% 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: Two total staff; two professional staff members, including two principal consultants. Professional designations held by staff: two CPCUs, one ARM, one CLU.

Compensation: By the project; by the hour: senior consultant, \$60-\$100; clerical, \$18.

1982 gross revenues: Not reported.

Principal officers: David E.

Fortune, Burton A. Selfridge Jr.

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, loss-settlement assistance, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, accounting system analysis, risk management organization studies, quantitative analysis and statistical forecasting.

Locations: New York; Washington.

Staff: Eight total staff; six professional staff members, including two principal consultants, two consultants, two analysts.

Clients: Twenty-eight total clients; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million; minimum size client, \$100,000.

Compensation: By the project; on retainer.

1982 gross revenues: \$450,000.

Principal officers: Leonard R. Friedman, president; Alice B. Weiss, executive vp; Mary Daniels, assistant vp; Susan Kaufman, director of claims management.



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 a 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.

Compensation: By the project; on retainer.

1982 gross revenues: \$200,000.

Principal officers: Dave Goodwin, owner.



Frank B. Hall Risk Management Inc.

89 Broad St., Boston, Mass. 02110; 617-482-3100

Parent company: Frank B. Hall of Massachusetts Inc.

Services provided: 45% continuous consulting; 3% risk management audits; 2% special projects, including occasional risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; 50% governmental and other self-insurance services.

Locations: Meriden, Conn.

Staff: Thirty-six total staff, including six principal consultants, 17 consultants, seven analysts. Professional designations held by staff include four CPCUs, eight ARMs, two MBAs, one MPA.

Clients: 33 total clients; 80% with risk and insurance budgets less than \$1 million; 17% \$1 million to \$5 million; 3% \$5 million to \$10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$100-\$135; consultant, \$75-\$100; junior consultant, \$37-\$75; clerical, \$25-\$37.

1982 gross revenues: \$2.5 million.

Principal officers: Frederic C. Church Jr., president; Barbara Thornton, Roger N. Pearse, Jon L. Gange, senior vps; Anthony Camelio, vp.

Thomas J. Hammond & Co.

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

Year founded: 1975.

Independent.

Services provided: 90% continuous consulting; 8% risk management audits; 2% special projects, including frequent risk retention analysis (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 California public accountant.

Clients: Forty-two total clients.

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

1982 gross revenues: Not reported.

Principal officers: Thomas J. Hammond, president; Joan C. Morris, executive vp/assistant secretary.

Member of: IRMC.

Harrison Risk Management

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

Year founded: 1980.

Independent.

Services provided: 40% risk management audits; 50% special projects.

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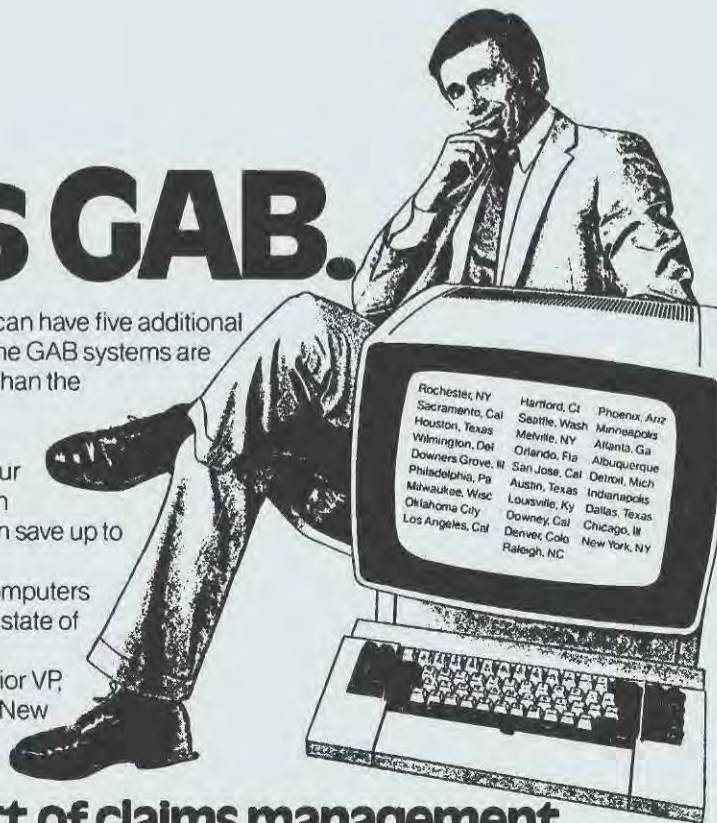
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Continued from previous page projects, including frequent risk retention analysis (including self-insurance audits), loss-prevention audits, risk management organization studies, quantitative analysis and statistical forecasting, loss-control services, safety engineering, risk management and loss-control training; occasional analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-settlement assistance; 10% risk management and loss-control teaching.

Staff: One total staff, including one principal consultant; associates used for audits, training. Professional designations held by staff include one ARM, one CSP, one P.E.

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

Compensation: By the project; by the hour: senior consultant, \$60; clerical, \$15.

1982 gross revenues: Not reported.

Principal officers: Powell Harrison, owner/principal.

HASCO

Box 143800, Coral Gables, Fla.
33114; 305-448-2211

Year founded: 1981.

Parent company: Frank B. Hall & Co Inc.

Services provided: 80% continuous consulting; 5% risk management audits; 15% special projects, including occasional 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, quantitative analysis and statistical forecasting, reserve adequacy analysis.

Staff: Seven total staff; four professional staff members, including three principal consultants, one analyst. Professional designations held by staff include one registered nurse.

Clients: Nine total clients; 60% with risk and insurance budgets less than \$1 million; 40% \$1 million to \$5 million.

Compensation: By the project.

1982 gross revenues: \$350,000.

Principal officers: R. Leslie Cizek, president; Patricia S. Blanco, Hebert P. Solinsky, Dahna J.

Schaublin, principals.

Ernest A. Holfoth

S-4900 Lake Shore Road,
Hamburg, N.Y. 14075;
716-627-5828

Year founded: 1978.

Independent.

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

Staff: Four total staff; including one principal consultant, one consultant. Professional designations held by staff include two CPCUs, two ARMs.

Clients: Twenty-five total clients; 100% with risk and insurance budgets less than \$1 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$40-\$50; junior consultant, \$40-\$45.

1982 gross revenues: Not reported.

Principal officers: Ernest A. Holfoth, proprietor.

Member of: ICS.

Huggins & Co. Inc.

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, loss-reserve certifications, merger and acquisition risk analysis; occasional insurance contract analysis, claims auditing, accounting system analysis, loss-settlement assistance, preparation of specifications for bidding.

Locations: Atlanta; Bellevue, Wash.; Boston; Chicago; Cincinnati; Dallas; Houston; Kansas City, Mo.; Los Angeles; Minneapolis; New York; Pittsburgh; St. Louis; San Francisco; Washington.

Staff: Twenty-five total staff; 20 professional staff members, including 10 principal consultants, five consultants, five analysts. Professional designations held by staff include one CPCU, one ARM, five MBAs, two FCAS, two attorney, 10 FSAs.

Clients: 200 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 million; 15% more than \$25 million; minimum size client \$50,000.

Compensation: By the hour: senior consultant, \$90-\$110; consultant, \$80-\$100; junior consultant, \$40-\$60; clerical, \$15-\$40.

1982 gross revenues: \$2.5 million.

Principal officers: Phillip A. Turberg, president; Kenneth Shapiro, Ronald T. Kuehn and Robert Whitney, vps; Jane Taylor, assistant vp.

Continued on facing page

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Continued from facing page

Robert Hughes Associates Inc.

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

Year founded: 1979.
Independent.

Services provided: 40% continuous consulting; 40% risk management audits; 20% 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, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional loss-prevention audits, loss-settlement assistance.

Locations: Calgary, Alberta; Sydney, Australia.

Staff: Eight total staff; five professional staff members, including three principal consultants, one consultant, one analyst. Professional designations held by staff include two CPCUs, two ARMs, one MOT, one ROT, one CRC, one CLU.

Compensation: By the hour: senior consultant, \$130-\$150; consultant, \$70; junior consultant, \$40.

1982 gross revenues: \$550,000.

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

evaluation, preparation of specifications for bidding; 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, quantitative analysis and statistical forecasting.

Staff: Five total staff, including two principal consultants and one analyst. Professional designations held by staff include one CPCU, one ARM, one CLU, one attorney.

Clients: 50 total clients; 98% with risk and insurance budgets less than \$1 million; 1% \$1 million to \$5 million; 1% \$5 million to \$10 million; minimum size client, \$2,500 retainer.

Compensation: By the project; on retainer.

1982 gross revenues: Not reported.

Principal officers: Daniel S.
Continued on next page

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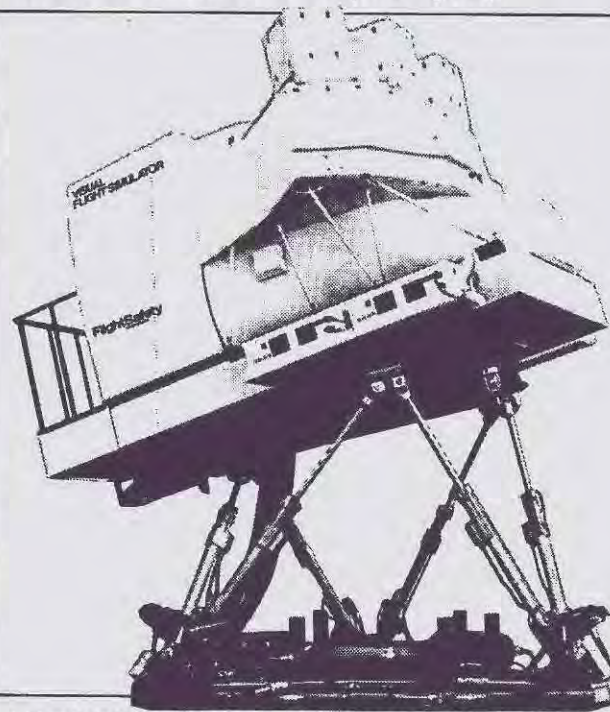
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Industrial Insurance Management Corp.
Box 18308, 5222 Monroe Road, Charlotte, N.C. 28218; 704-535-1123

Year founded: 1967.
Independent.

Services provided: 84% continuous consulting; 14% risk management audits; 2% 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, quantitative analysis and statistical forecasting.

Locations: Birmingham, Ala.; Richmond, Va.

Staff: Twenty-seven total staff; 22 total professional staff members, including six principal consultants, eight consultants, eight analysts. Professional designations held by staff include two CPCUs, one ARM, one MSPA, one attorney.

Clients: 159 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: senior consultant, \$75; consultant, \$70; junior consultant or analysts, \$20.

1982 gross revenues: More than \$1 million.

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

Industrial Risk Specialists Inc.

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

Year founded: 1980.
Independent.

Services provided: 95% continuous consulting; 5% risk management audits, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration

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Continued from previous page
Sterling, chairman/secretary/treasurer; Robert S. Sterling, president.

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.

1982 gross revenues: Not reported.

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.

1982 gross revenues: Not reported.

Principal officers: Burnett J. Tappel II, president.

Member of: ICS.

Insurance & Financial Consultants Inc.

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

Year founded: 1972.
Independent.

Services provided: 60% continuous consulting; 30% risk management audits; 10% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, broker service and risk management organization studies, preparation of specifications for bidding, educational consulting, lecturing, management consulting; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims

auditing, accounting system analysis, financial consulting.

Locations: Austin, Texas.

Staff: Four total staff; one principal consultant. Professional designations held by staff include one CPCU, one MBA, one CIC, one CLU, one Ph.D.

Clients: Eighty-four total clients; 100% with risk and insurance budgets less than \$1 million; minimum size client, \$15,000.

Compensation: By the project; on retainer; by the hour: senior consultant \$75-\$125; clerical, \$15.

1982 gross revenues: Not reported.

Principal officers: John F. Fitzgerald Jr.

Member of: ICS.

Insurance Audit & Inspection Co. Inc.

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

Year founded: 1901.
Independent.

Services provided: 80% continuous consulting; 15% 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, risk management organization studies, preparation of specifications for bidding; occasional captive feasibility studies, loss-prevention audits, broker service and remuneration evaluation, quantitative analysis and statistical forecasting.

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

Staff: Fourteen total staff; 10 professional staff members, including 10 principal consultants. Professional designations held by staff include one CPCU, one attorney.

Clients: More than 250 total clients; 50% with risk and insurance budgets less than \$1 million; 35% \$1 million to \$5 million; 10% \$5 million to \$10 million; 5% \$10 million to \$25 million; minimum size client, approximately \$50,000.

Compensation: By the project, on retainer.

1982 gross revenues: Not reported.

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: 80% continuous consulting; 7% risk management audits; 13% 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: Thirteen total staff; nine professional staff members, including eight principal consultants and one consultant. Professional designations held by staff include six CPCUs, seven ARMs, one MBA.

Clients: 228 total clients; 55% with risk and insurance budgets less than \$1 million; 34% \$1 million to \$5 million; 11% \$5 million to \$10 million.

Compensation: By the hour: senior consultant, \$90; consultant, \$60.

1982 gross revenues: Approximately \$1 million.

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.

Continued on facing page

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NEW YORK, NEW YORK

Continued from facing page
Insurance Management Bureau

941 E. 86th St., Suite 105,
 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: 120 total clients; 98% with risk and insurance budgets less than \$1 million; 2% \$1 million to \$5 million.

Compensation: By the project; on retainer.

1982 gross revenues: Not reported.

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: 50% continuous consulting; 40% risk management audits; 10% special projects, including frequent insurance contract analysis, loss-settlement assistance, risk management organizations studies, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, claims auditing, broker service and remuneration evaluation, quantitative analysis and statistical forecasting.

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

Compensation: By the hour; senior consultant, \$75; consultant, \$50; clerical, \$15.

1982 gross revenues: More than \$60,000.

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

Member of: ICS.

International Insurance Consultants

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

Year founded: 1979.
Independent.

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

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

Clients: One client with risk management and insurance budget of \$1 million to \$5 million.

Compensation: By the project.

1982 gross revenues: Not reported.

Principal officers: Louis E.

Dwyer Jr., senior consultant; T. Grant Dwyer, associate consultant.

The Richard N. Irmas 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 insurance 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 de-

partment audits.

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

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.

1982 gross revenues: More than \$85,000.

Principal officers: Richard N. Irmas, pres.; Dorothy Colvin, vp.



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, risk information systems; occasional insurance contract analysis, claims auditing, loss-prevention audits, accounting system analysis, risk management organization studies, reinsurance consulting, management consulting.

Locations: Atlanta; Boston; Charlotte, N.C.; Chicago; Cleveland; Dallas; Detroit; Hartford, Conn.; Houston; Los Angeles; New Orleans; New York; Philadelphia; Phoenix, Ariz.; Pittsburgh; Richmond, Va.; San Francisco; Seattle; Tulsa, Okla.; Washington; Wil-

mington, Del.; Toronto; Sydney, Australia.

Staff: Seventy total staff; sixty professional staff members. Professional designations held by staff include six CPCUs, two ARMs, five MBAs, two FCAS, one attorney, one Ph.D., four master's degrees.

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

1982 gross revenues: Not reported.

Principal officers: Richard E. Meyer, Richard J. Rice, senior vps; Alan G. Page, Daniel J. Rogers, Howard M. Metzger, vps.

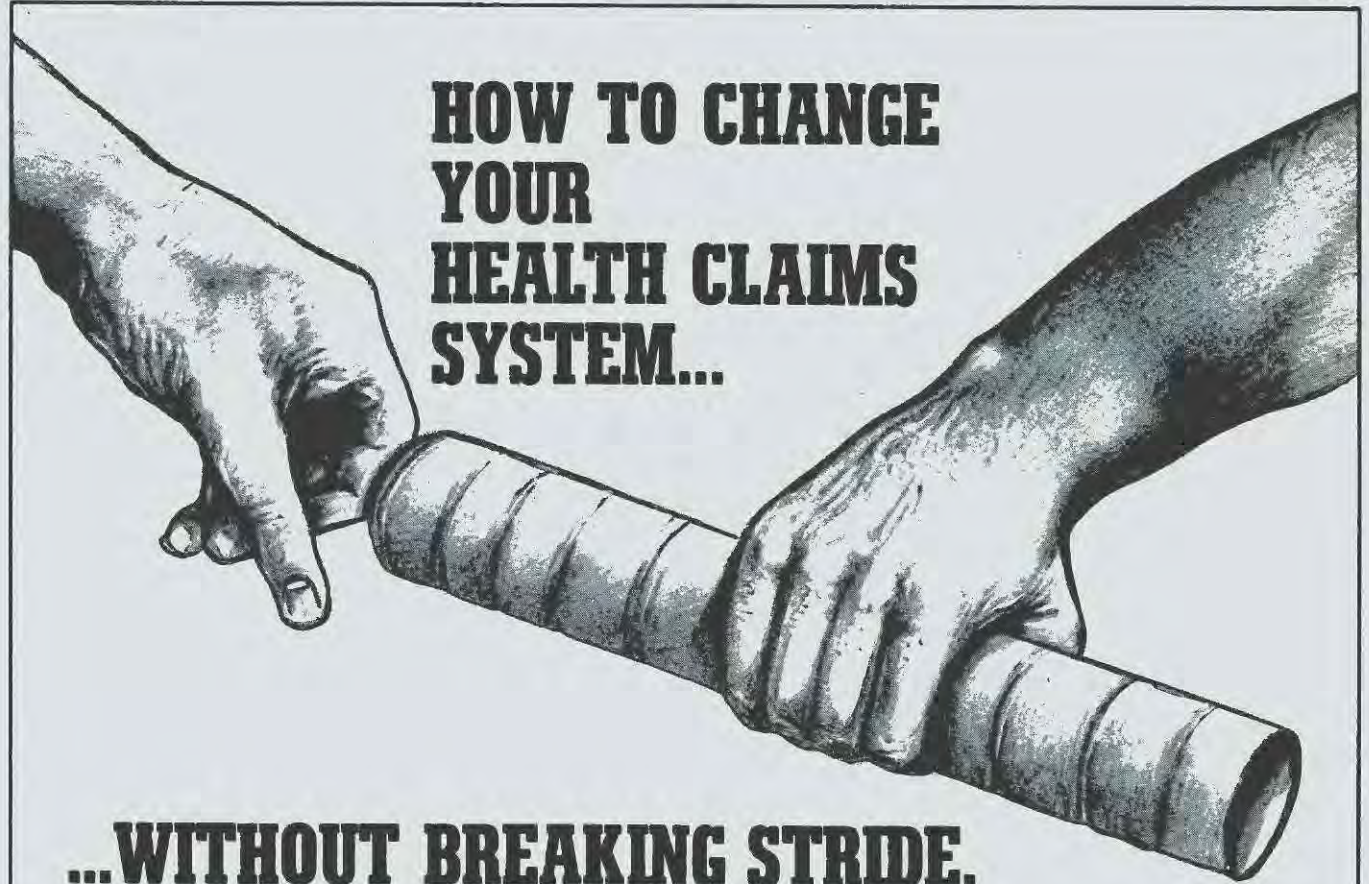


Robert W. Lazarus & Associates

2809 Regal Road, Plano, Texas
 75075; 214-867-4348

Year founded: 1981.

Continued on next page



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Continued from previous page

Independent.
Services provided: 80% continuous consulting; 20% risk management audits, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional captive feasibility studies, claims auditing, accounting system analysis, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies.

Staff: One staff member, including one principal consultant; one actuarial associate. Professional designations held by staff include one MBA, one FCAS.

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

Compensation: By the project; on retainer; by the hour: senior consultant, \$100 and up; clerical, \$20 and up.

1982 gross revenues: Not reported.

Principal officers: Robert W. Lazarus.

Member of: IRMC.

Justin S. Lencke

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

Year founded: 1952.
Independent.

Services provided: 100% continuous consulting, including frequent analysis of necessary insurance limits, insurance contract analysis, loss-settlement assistance, preparation of specifications for bidding, quantitative analysis and statistical forecasting, insurers' financial conditions, insurers' field reputation, insurers' claims-payment record; occasional risk retention analysis

(including self-insurance studies), claims auditing, loss-prevention audits, accounting system analysis, broker service and remuneration evaluation, risk management organization studies.

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

Clients: More than 100 total clients; 90% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million.

Compensation: On retainer.
1982 gross revenues: More than \$200,000.

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

Benjamin Levy Insurance Surveys Co.

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

Year founded: 1942.
Independent.

Services provided: 90% continuous consulting; 5% risk management audits; 5% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, loss-settlement assistance, preparation of specifications for bidding; occasional risk retention analysis (including self-insurance studies), loss-prevention audits, broker service and remuneration evaluation, risk management organization studies, general overall study of risk exposure review of financial status for self-insurers.

Staff: Two total staff; one principal consultant.

Clients: Approximately 30 total clients; 100% with risk and insurance budgets less than \$1 million; minimum size client, \$300,000.

Compensation: By the project; on retainer; by the hour: senior consultant, \$40; clerical, \$10.

1982 gross revenues: More than \$30,000.

Principal officers: Benjamin Levy, owner.

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: Ten total staff, including three principal consultants, two consultants. Professional designations held by staff include two CPCUs.

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

1982 gross revenues: Not reported.

Principal officers: Douglas Eell, chairman/chief executive officer; Dwight E. Levick, president.

Member of: ICS.



MRM/Multi-Risk Management Inc.

180 La Salle St., Chicago, Ill. 60601;
 312-782-3139

Year founded: 1975.
Independent.

Services provided: 85% continuous consulting; 5% 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, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, captive feasibility studies.

Locations: Boston.

Staff: Eighteen total staff, including nine principal consultants, two consultants, one analyst. Professional designations held by staff include one MBA, one FCA3, five registered nurses.

Clients: Total number of clients not reported; 60% with risk and insurance budgets less than \$1 million; 30% \$1 million to \$5 million; 10% \$10 million to \$25 million.

Compensation: On retainer; by the hour: senior consultant, \$60; consultant, \$50; junior consultant, \$35; clerical, \$25.

1982 gross revenues: Not reported.

Principal officers: Michael Burack, president; R.H. Moysey, Amy Cohen, vps.

Member of: IRMC membership is pending.

Marsh & McLennan Inc./ M&M Risk Management Services

1221 Ave. of the Americas, New York, N.Y. 10020; 212-997-2000

Year founded: 1871.

Parent company: Marsh & McLennan Cos. Inc.

Services provided: Include 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 evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, financial evaluation of all risk financing alternatives, cost allocation; occasional analytical data base design consulting.

Locations: Appleton, Wis.; Atlanta; Boise, Idaho; Boston; Cedar Knolls, Edison and Morristown, N.J.; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Coral Gables and Winter Park, Fla.; Dallas; Detroit; Harrisburg and Sunbury, Pa.; Hartford and Stamford, Conn.; Houston; Indianapolis; Kansas City, Mo.; Los Angeles; Marietta, Ga.; Milwaukee; New Orleans; New York; Philadelphia; Pittsburgh; Portland, Ore.; Richmond, Va.; Rochester, N.Y.; St. Louis; San Francisco; Seattle; Southfield, Mich.; Toledo, Ohio; Tulsa, Okla.; Washington; London.

Compensation: Varies depending on work done.

1982 gross revenues: Not reported.

Principal officers: Garrett A. Mathieson, vp/manager; Paul Goularte, Richard Merbaum, vps; Benny Silberstein, vp/consulting actuary; Pat Lepenske, vp-Chicago.

Robert E. Maynard, Risk & Insurance Management Consultant

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

Year founded: 1976.
Independent.

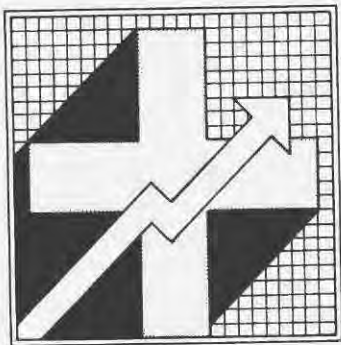
Services provided: 100% continuous consulting, including frequent risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, insurance contract analysis, claims auditing, loss-prevention audits, loss-settlement assistance, preparation of specifications for bidding,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

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

Clients: Three total clients; 67% with risk and insurance budgets less than \$1 million; 33% \$5 million to \$10 million.

Compensation: On retainer.
1982 gross revenues: Not reported.

Continued on facing page



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- Cleveland: Joseph Kral (216) 886-6800
- Dallas: J. M. Bransford (214) 221-2584

Continued from facing page

Principal officers: Robert E. Maynard.

McNeary Insurance Consulting Services Inc.

6525 Morrison Blvd., Suite 301, Charlotte, N.C. 28211; 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 services.

Staff: Twenty total staff; 15 professional staff members, including six principal consultants, five consultants, four analysts. Professional designations held by staff include six CPCUs, three ARMs, one MBA, one FCAS, one CSP, one P.E.

Clients: 210 total clients; 75% with risk and insurance budget less than \$1 million; 15% \$1 million to \$5 million; 10% \$5 million to \$10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$80-\$110; consultant, \$60-\$80; junior consultant, \$35-\$60; clerical, \$25.

1982 gross revenues: More than \$1 million.

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

Warren D. McPherson

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

Year founded: 1974.

Independent.

Services provided: 80% continuous consulting; 20% risk management audits, including frequent analysis of necessary insurance limits, insurance contract analysis, preparation of specifications for bidding; occasional claims auditing, loss-settlement assistance.

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

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

Compensation: By the hour: senior consultant, \$50.

1982 gross revenues: Not reported.

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 organiza-

tion studies.

Staff: Three total staff; two professional staff members, including one principal consultant, one consultant. Professional designations held by staff include one AIIC.

Clients: Twenty-four total clients; 80% with risk and insurance budgets less than \$1 million; 10% \$1 million to \$5 million; 10% \$5 million to \$10 million; minimum size client, \$50,000.

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

1982 gross revenues: More than \$100,000.

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

Member of: ICS.

Mund, McLaurin & Co. of Los Angeles Inc.

1100 El Centro St., Suite 103, South Pasadena, Calif. 91030; 213-441-4591

Year founded: 1920.

Independent.

Services provided: 35% continuous consulting; 35% risk management audits; 30% special projects, including frequent analysis of nec-

essary 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

Continued on next page

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Continued from previous page
 tion audits, accounting system analysis, loss-settlement assistance, quantitative analysis and statistical forecasting.

Staff: Eight total staff; four professional staff, including four principal consultants, one consultant. Professional designations held by staff include one CPCU.

Clients: 109 total clients; 20% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million; 30% \$5 million to \$10 million; 25% \$1 million to \$25 million; 5% more than \$25 million.

Compensation: On retainer; by the hour.

1982 gross revenues: Not reported.

Principal officers: W.J. Pinckney, president; D.J. Voller, P. W. Pinckney, 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: 50% continuous consulting; 35% 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, risk management organization studies, preparation of specifications for bidding,

quantitative analysis and statistical forecasting; occasional claims auditing, accounting system analysis, loss-settlement assistance.

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

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

1982 gross revenues: Not reported.

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.

Staff: Seven total staff; five professional staff, including two principal consultants, one consultant, two analysts.

Clients: Sixteen total clients; 100% with risk and insurance budgets less than \$1 million; minimum size client, \$100,000.

Compensation: By the project; on retainer.

1982 gross revenues: \$170,000.

Principal officers: Paul L. Gross, president; William F. Meade, executive vp; Charles Rosenberg, regional vp.

Haig Neville Associates

6290 Commerce Road, West Bloomfield, Mich. 48033;
 313-360-1350

Year founded: 1959.

Independent.

Services provided: 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, claims auditing, broker service and remuneration evaluation, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding; occasional quantitative analysis and statistical forecasting, accounting system analysis, loss-prevention audits, employee benefit consulting, risk management seminars.

Locations: Daytona Beach, Fla.; Hamilton, Bermuda; Windsor, Ontario; London.

Staff: Twelve total staff; seven professional staff members, including three principal consultants, two consultants, two analysts. Professional designations held by staff include three CPCUs, two ARMs, one MBA, one FCAS, one attorney, one CLU.

Clients: More than 100 total clients; 95% with risk and insurance budgets less than \$1 million; 4% \$1 million to \$5 million; 1% \$5 million to \$10 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$100; consultant, \$75; junior consultant, \$67.50; clerical included.

1982 gross revenues: Not reported.

Principal officers: Haig G. Neville, Mitchell Grossman, John T. Growney, principals.

P

Permian Risk Management

1309 W. 15th St., Suite 202, Plano, Texas 75025; 214-422-1298

Year founded: 1980.

Parent company: R.J. Jones & Associates Inc.

Services provided: 50% continuous consulting; 20% risk management audits; 30% 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, risk identification studies, risk qualification statements for stock prospectus, non-insurance risk transfer analysis; occasional risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss-prevention audits, risk management organization studies, quantitative analysis and statistical forecasting.

Locations: Long Beach, Calif.; Houston.

Staff: Five total staff; three professional staff members, including one principal consultant, one consultant, one analyst. Professional designations held by staff include one CPCU, three ARMs.

Clients: Thirty-four total clients; 88% with risk and insurance budgets less than \$1 million; 12% \$1 million to \$5 million; minimum size client, \$1,000.

Compensation: By the hour: senior consultant, \$125-\$150; consultant, \$80-\$100; junior consultant, \$40-\$70; clerical included.

1982 gross revenues: \$300,000.

Principal officers: Ronald J. Jones, president; James A. Shering, vp.

H. Russell Perry

Box 611, Carlisle, Mass. 01741;
 617-369-6111

Year founded: 1976.

Independent.

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

Staff: One professional staff member. Professional designations held by staff include one ARM.

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

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

1982 gross revenues: Less than \$100,000.

Principal officers: H. Russell Perry.

Member of: ICS.

Professional Risk Management Inc.

8300 Bissonnet, Houston, Texas
 77044; 713-777-3561

Year founded: 1965.

Independent.

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

Continued on facing page

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Continued from facing page

Locations: McAllen, Texas.
Staff: Fourteen total staff. Professional designations held by staff include one attorney, five MGAs.
Clients: Total clients not reported; 100% with risk and insurance budgets of \$1 million to \$5 million; minimum size client, \$1 million.

Compensation: By the project.
1982 gross revenues: \$700,000.
Principal officers: W.A. Chanslor, Tony Tijerian, Steve Banister, Gwilda Martin, Barbara Wilson.

R

Reed Risk Management

3 Embarcadero Center, San Francisco, Calif. 94111; 415-392-2980

Year founded: 1976.
Parent company: Reed Stenhouse Cos. Ltd.

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

Locations: Chicago; New York; Toronto; Sydney, Australia.

Staff: Twenty-two total staff; 18 professional staff members, including five principal consultants, eight consultants, five analysts. Professional designations held by staff include three CPCUs, two ARMs, eight MBAs, one Ph.D.

Clients: 120 total clients; 3% with risk and insurance budgets less than \$1 million; 35% \$1 million to \$5 million; 50% \$5 million to \$10 million; 10% \$10 million to \$25 million; 2% more than \$25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$95-\$130; consultant, \$70-\$95; junior consultant, \$35-\$50; secretarial, \$20-\$30.

1982 gross revenues: Not reported.

Principal officers: Allen J. Monroe, president; Berne J. Scalisi, senior vp/general manager; Robert Brown, Jan Farver, vps.

Regent Consultants Corp.

1955 Merrick Road, Merrick, N.Y. 11566; 516-546-1120

Year founded: 1963.
Independent.

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

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

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

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

1982 gross revenues: Not reported.

Principal officers: Philip Platzer, president.

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: McM Corp.

Services provided: 25% continuous consulting; 35% risk management audits; 25% 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, preparation of specifications for bidding, oil and gas exposures, construction and medical malpractice exposure identification, insurance program evaluation, alternative funding

Continued on next page

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Continued from previous page studies, risk management department audits and formation, self-funding implementation; occasional quantitative analysis and statistical forecasting, accounting system analysis, captive feasibility studies; 15% activities by RIMCO Licensing Service and RIMCO Agency Services.

Staff: Twenty-three total staff; 12 professional staff members, including three principal consultants, seven consultants, two analysts. Professional designations held by staff include three CPCUs, seven ARMs, three MBAs, two CPAs, one Ph.D.

Clients: 250 total clients; 40% with risk and insurance budgets less than \$1 million; 40% \$1 million to \$5 million; 10% \$5 million to \$10 million; 7% \$10 million to \$25 million; 3% more than \$25 million.

Compensation: By the hour: senior consultant, \$100; consultant,

\$55-\$75; junior consultant, \$45-\$65; clerical, \$25.

1982 gross revenues: \$1.3 million.

Principal officers: Keith C. Kackec, president; Charles R. Lee and Clovis H. Brakebill, vps; John M. Stubbs, senior consultant.

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; 15% risk management audits; 15% special projects, including frequent captive feasibility studies, analysis of necessary insurance limits, claims auditing, loss-prevention audits, quantitative analysis and statistical forecasting,

alternate funding studies, captive management, employee benefit consulting and administration; occasional preparation of specifications for bidding, risk management organization studies, loss-settlement assistance, accounting system analysis, insurance contract analysis, risk retention analysis (including self-insurance studies); 50% claims management, risk management administration, loss control, statistical services.

Locations: Los Angeles, Orange, Burlingame and Walnut Creek, Calif.; Denver; New York; Boise, Idaho; Orlando, Fla.; Phoenix, Ariz.; Portland, Ore.; Salt Lake City; Reno, Nev.; Montpelier, Vt.; Hamilton, Bermuda.

Staff: 150 total staff, including seven principal consultants, three consultants, seven analysts. Professional designations held by staff include two CPCUs, one ARM, three MBAs, one CSP, two attorneys, one ACII.

Clients: 100 total clients; 50% with risk and insurance budgets less than \$1 million; 38% \$1 million to \$5 million; 9% \$5 million to \$10 million; 3% \$10 million to \$25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$100; consultant, \$80; junior consultant, \$45; clerical, \$28.

1982 gross revenues: \$6 million.

Principal officers: W.R. Kersten, president; T. Littell, R. Salisbury, R. Jenkins and J. Hickey, senior vps; H. Forkush, vp.

Risk Administrators Inc.

Box 1269, Midlothian, Va. 23113; 804-379-0086

Year founded: 1980.

Independent.

Services provided: 20% continuous consulting; 30% 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, loss-settlement assistance, risk management organization studies, preparation of specifications for bidding, formation of captives, monitor captive and third-party administrators, formation of association programs; occasional loss-prevention audits, accounting system analysis, broker service and remuneration evalua-

tion, quantitative analysis and statistical forecasting; 15% employee communications programs, special releases for employees on various benefits.

Staff: Five total staff; three professional staff members, including three consultants.

Clients: Twenty-five total clients; 100% with risk and insurance budgets less than \$1 million.

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

1982 gross revenues: Not reported.

Principal officers: George H. Cosby III, president.

Risk Consultants Inc.

5101 Minnaqua Drive, Golden Valley, Minn. 55422; 612-529-5627

Year founded: 1978.

Independent.

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

Staff: Five total staff; four professional staff members, including two principal consultants, two consultants. Professional designations held by staff include one CPCU, one ARM, two MBAs, one FCAS, one CSP, two attorneys, two Ph.D.s, one CLU.

Clients: Fifty total clients; 95% with risk and insurance budgets less than \$1 million; 5% \$1 million to \$5 million; minimum size client, \$30,000.

Compensation: By the project; on retainer; by the hour: senior consultant, \$80-\$100; consultant, \$50; clerical, \$20.

1982 gross revenues: Not reported.

Principal officers: Andrew F. Whitman, Dennis C. Doherty, James E. Olds, C. Arthur Williams Jr., Robert F. Healey.

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; occasional captive feasibility studies, claims auditing, accounting system analysis, broker service and remuneration evaluation; quantitative analysis and statistical forecasting.

Locations: Dallas; Denver; Indianapolis.

Staff: Eighteen total staff; 14 professional staff members, including five principal consultants, five consultants, four analysts. Professional designations held by staff include one CPCU, three ARMs, one CLU, one CFP.

Clients: 700 total clients; 80% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$75; consultant, \$60; junior consultant, \$35; clerical, \$15-\$20.

1982 gross revenues: \$670,000.

Principal officers: Merle D.

Randle, chairman; Richard C. Canovai, Mike Murphy, Dewey King, presidents; Vance Maulsby, vp.

Risk Consultants Inc.

Box 251, Sheboygan, Wis. 53081; 414-457-7781

Year founded: 1971.

Parent company: Gottsacker Insurance Agency Inc.

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-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.

Locations: Manitowoc and Waukesha, Wis.

Staff: Three total staff; three professional staff members, including two principal consultants and one consultant. Professional designations held by staff include two CPCUs, one ARM, one CLU.

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

Compensation: On retainer; by the hour: senior consultant, \$60; consultant, \$50.

1982 gross revenues: \$35,000.

Principal officers: Edwin W. Storer, president; Donald E. Huber, vp.

Risk Management Advisors Inc.

2120 Jimmy Durante Blvd., Suite U, Del Mar, Calif. 92014; 619-481-1569

Year founded: 1982.

Independent.

Services provided: 10% continuous consulting; 50% risk management audits; 40% special projects, including frequent analysis of necessary insurance limits, insurance contract analysis, broker service and remuneration evaluation, preparation of specifications for bidding; occasional loss-prevention audits, loss-settlement assistance, risk management organization studies, quantitative analysis and statistical forecasting, risk retention analysis (including self-insurance studies), captive feasibility studies.

Staff: One principal consultant. Professional designations held by staff include one CPCU, one ARM, one CLU, one CIC, one CFC.

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

Compensation: By the project; on retainer; by the hour: senior consultant, \$100.

1982 gross revenues: Not reported.

Principal officers: Edward A. Whitney.

Member of: ICS.

Risk Management Associates

Suite 308, 150 Speen 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, preparation of specifications for bidding, quantitative analysis and statistical forecasting, surety management; occasional risk

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Continued from facing page
retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, loss-settlement assistance, risk management organization studies; 50% association management programs.

Locations: New York.

Staff: Three total staff; two professional staff, including one principal consultant and one analysts. Professional designations held by staff include one MBA.

Clients: Total number of clients not reported; 100% with risk and insurance budgets less than \$1 million; minimum size client, \$250,000.

Compensation: On retainer; senior consultant, \$130; consultant, \$60; clerical, \$12.

1982 gross revenues: \$55,000.

Principal officers: Edward V. Harding Jr.

Risk Planning Group Inc.

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

Year founded: 1970.

Independent.

Services provided: 4% continuous consulting; 30% risk management audits; 38% 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, employee benefit reviews, strategic planning for captives; occasional claims auditing, loss-prevention audits, accounting system analysis; 28% publications and conferences.

Locations: Affiliations with risk management consultants in England, Sweden, Finland, France, Italy, Switzerland, Australia, Japan, Israel, Venezuela.

Staff: Twenty total staff; 13 professional staff members, including seven principal consultants, four consultants, two analysts. Professional designations held by staff include four CPCUs, four ARMs, eight MBAs, one enrolled actuary, one CMC, one CPA.

Clients: Seventy-five to 100 total clients; 20% with risk management and insurance budgets less than \$1 million; 25% \$1 million to \$5 million; 15% \$5 million to \$10 million; 20% \$10 million to \$25 million; 20% more than \$25 million.

Compensation: By the hour: principal consultant, \$125-\$175; senior consultant, \$95; junior consultant, \$70; clerical, \$25-\$35.

1982 gross revenues: \$1.6 million.

Principal officers: H. Felix Klotman, president; B.M. Brown, Mitchell J. Cole, Robert D. Preston, D. Hugh Rosenbaum, W. Rodney Smith, Thomas J. Wander, vps.

Risk Research Group

1441 Oak St., Suite 4, Eugene, Ore.
97401; 503-686-0577

Year founded: 1977.

Independent.

Services provided: 15% continuous consulting; 25% risk management audits; 50% special projects, including frequent insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, employee benefits; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, claims auditing, loss-prevention audits, loss-settlement assistance, staff development; 10% workshops, seminars, agent education.

Staff: Six total staff; four professional staff members, including four principal consultants. Profes-

sional designations held by staff include one CLU.

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

Compensation: By the project; on retainer; by the hour: senior consultant, \$75-\$100; consultant, \$50-\$75; clerical, \$20.

1982 gross revenues: Not reported.

Principal officers: Sam B. Huston, John F. Janzen, partners.

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: 100% en-
Continued on next page



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 vironmental risk management consulting, including environmental audits, environmental risk assessments, preparation of remedial cleanup plans, consulting on environmental impairment liability insurance.

Staff: Twelve professional staff members. Professional designations held by staff include four Ph.D.s, eight master's degrees.

Clients: More than 70 total clients.

Compensation: By the hour: senior consultant \$100; consultant, \$55-\$85; clerical, \$20-\$30.

1982 gross revenues: Not reported.

Principal officers: Lynne M. Miller, president; Michael J. Murphy, chief operations officer.

Risk Sciences Group

900 Bridgeway, Sausalito, Calif. 94965; 415-331-5900

Year founded: 1978.

Parent company: Crawford & Co.

Services provided: 25% continuous consulting, risk management audits and special projects, including frequent risk retention analysis (including self-insurance studies),

captive feasibility studies, analysis of necessary insurance limits quantitative analysis and statistical forecasting; 75% risk management information systems consulting.

Locations: New York; Atlanta.

Staff: Twenty-seven total staff; 19 professional staff, including five principal consultants, 10 consultants, four analysts.

Clients: Twenty-six total clients; 3% \$10 million to \$25 million; 12% more than \$25 million; minimum size client, \$1 million.

Compensation: By the project; by the hour: senior consultant, \$90-\$160; consultant, \$60-\$90; junior consultant, \$45-\$60; clerical, \$25-\$45.

1982 gross revenues: More than \$1 million.

Principal officers: Joseph A. Dessein, president; Rick Denning, executive vp; Susan Adkins, John Huecksteadt, Danny Lee, vps.

Risktech Inc.

515 Post Oak Blvd., Suite 105, Houston, Texas 77027; 713-877-8101

Year founded: 1980.

Independent.

Services provided: 20% continuous consulting; 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; occasional captive feasibility studies, 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; 50% teaching, lecturing and seminars.

Staff: Three total staff; three professional staff members, including three consultants. Professional designations held by staff include one CPCU, one ARM, one CIC.

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

Compensation: By the project; on retainer; by the hour: consultant, \$125 or \$1,000 per day.

1982 gross revenues: Not reported.

Principal officers: Robert A. Epstein, president; Carolyn L. Epstein, vp/secretary.

Compensation: By the project; on retainer; by the hour: senior consultant, \$120.

1982 gross revenues: Not reported.

Principal officers: Laszlo K. Gonye, chairman/CEO; James F. Dowd, president; Pierre R. Vallet, vp; Robert G. Schatz, assistant vp; James E. McMurray Jr., treasurer; Thomas M. Tobin, corporate secretary; Brian L. Rudder, comptroller; Gabrielle Rubido-Zichy, assistant secretary.

St. Paul Risk Services Inc.

275 Lowry Building, 355 Wabasha Ave., St. Paul, Minn. 55102; 612-221-7957

Year founded: 1978.

Parent company: Atwater McMillan Inc.

Services provided: 25% continuous consulting; 25% risk management audits; 50% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, analysis of necessary insurance limits, loss-prevention audits, quantitative analysis and statistical forecasting; occasional claims auditing, accounting system analysis, risk management organization studies.

Locations: Chicago; Arlington, Texas; Washington.

Staff: Sixty-four 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: Forty-six total clients; 10% with risk and insurance budgets less than \$1 million; 70% \$1 million to \$5 million; 10% \$5 million to \$10 million; 10% \$10 to \$25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$100; consultant, \$85; junior consultant, \$70.

1982 gross revenues: Not reported.

Principal officers: James F. Duffy, president; Jon A. Roeder, senior vp; O.V. Baker, manager.

Surplus Risk Services Inc.

3465 Torrance Blvd., Torrance, Calif. 90503; 213-540-8803

Year founded: 1982.

Independent.

Services provided: 15% continuous consulting; 10% risk management audits; 75% 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, quantitative analysis and statistical forecasting; occasional captive feasibility studies, loss-prevention audits, accounting system analysis, risk management organization studies.

Locations: San Francisco.

Staff: Nine total staff; seven professional staff members, including two principal consultants and five consultants. Professional designations held by staff include seven attorneys.

Clients: Thirty total clients; 80% with risk and insurance budgets less than \$1 million; 20% \$1 million to \$5 million; minimum size client, \$500,000.

Compensation: By the hour: senior consultant, \$100; consultant, \$75; clerical included.

1982 gross revenues: More than \$500,000.

Principal officers: Frederick J. Fischer, president; Alan Balcher, vp, San Francisco office manager.

S

Skandia Advisory Service Corp.

280 Park Ave., New York, N.Y. 10017; 212-490-0500

Year founded: 1978.

Parent company: Skandia Corp.
Services provided: 70% continuous consulting; 15% risk management audits; 10% special projects, including frequent risk retention analysis (including self-insurance studies), captive feasibility studies, claims auditing, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting; occasional analysis of necessary insurance limits, insurance contract analysis, loss-prevention audits, broker service and remuneration evaluation, loss-settlement assistance, organizing new property/casualty operation; 5% real estate and other non-insurance projects.

Staff: Eight total staff; three professional staff members, including two principal consultants and one consultant. Professional designations held by staff include one CPCU, one ARM, one MBA, two attorneys.

Clients: Thirty-eight total clients; 2% with risk and insurance budgets less than \$1 million; 71% \$1 million to \$5 million; 27% \$5 million to \$10 million.

T

Thornton Risk Identification & Management

Box 92501, Rochester, N.Y. 14692; 716-424-6976

Year founded: 1982.

Independent.

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

Staff: Two total staff; including one consultant and one analyst. Professional designations held by staff include one MBA.

Clients: Six total clients; 67% with risk and insurance budgets less than \$1 million; 33% \$1 million to \$5 million.

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

1982 gross revenues: Not reported.

Principal officers: Alan Thornton, consultant.

Towers, Perrin, Forster & Crosby

Centre Square West, 1500 Market St., Philadelphia, Pa. 19102; 215-569-6308

Year founded: 1969.

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.

Staff: Seventeen total staff; 11 professional staff members, including four principal consultants and seven consultants. Professional designations held by staff include

Continued on facing page



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two CPCUs, four MBAs, two FCAS, two Ph.D.s.

Clients: 160 total clients.

Compensation: By the hour.

1982 gross revenues: Not reported.

Principal officers: Robert Z. Rose, director; Richard T. Delaney, vp; Larry D. Shatoff, Frank J. Cachione, principals.

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: Twelve total staff; six professional staff members, including three principal consultants, two consultants, one analyst. Professional designations held by staff include one CPCU, three MBAs, three attorneys.

Compensation: By the project; on retainer.

1982 gross revenues: Not reported.

Principal officers: James F. Billett, chairman/president; Mark W. Hinkley, senior vp; Robert E. Brownley, Jacques Bonneau, vps.

U

United Risk Management Inc.

14261 E. Fourth Ave., Aurora, Colo.
80011; 303-364-5372

Year founded: 1982.

Independent.

Services provided: 25% continuous consulting; 30% risk management audits; 45% 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, preparation of specifications for bidding, rate/premium analysis (including retro design/analysis), building/contents valuation estimates; occasional claims auditing, loss-prevention audits, broker service and remuneration evaluation, risk management organization studies, quantitative analysis and statistical forecasting.

Staff: Three total staff, including one principal consultant.

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

Compensation: By the project; by the hour: senior consultant, \$70; clerical, \$15.

1982 gross revenues: Not reported.

Principal officers: Brian L. Briese, president.

W

David Warren

58 Diablo View Drive, Orinda, Calif.
94563; 415-254-9472

Year founded: 1979.

Independent.

Services provided: 50% risk management audits; 50% special projects, including frequent risk retention analysis (and self-insurance

studies), analysis of necessary insurance limits, insurance contract analysis, accounting system analysis, broker service and remuneration evaluation, risk management organization studies, preparation of specifications for bidding, quantitative analysis and statistical forecasting, expert witness testimony; occasional captive feasibility studies, loss-prevention audits, loss-settlement assistance; publisher of Practical Risk Management and The Warren Report.

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

Compensation: By the project; by the hour: senior consultant, \$125.

1982 gross revenues: Not reported.

Principal officers: David Warren.

Member of: IRMC.

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Warren, McVeigh & Griffin Inc.

1420 Bristol St. N., Suite 220,
 Newport Beach, Calif. 92660;
 714-752-1058

Year founded: 1968.
Independent.
Services provided: 20% contin-

uous 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, claims auditing, broker service and remuneration evaluation, risk management organization studies,

preparation of specifications for bidding, quantitative analysis and statistical forecasting, actuarial self-insurance funding analyses, legal expert witness, employee benefits; occasional loss-prevention audits, accounting system analysis, loss-settlement assistance.

Locations: San Francisco.
Staff: Twenty-five total staff, including seven principal consultants, seven consultants, two analysts. Professional designations held by staff include five CPCUs, five ARMs, two MBAs, one FCAS, one attorney, one master's degree in engineering, one master's degree in statistics.

Clients: Fifty total clients; 1% with risk and insurance budgets of \$1 million to \$5 million; 1% \$5 million to \$10 million; 3% \$10 million to \$25 million; 95% more than \$25 million.

Compensation: By the project; on retainer; by the hour: senior consultant, \$110-\$165; consultant, \$60-\$100; junior consultant, \$40-\$60; clerical, \$15-\$35.

1982 gross revenues: \$1.5 million.

Principal officers: C.C. (Bud) Griffin, chief executive officer; Thomas Knaup, president; Erin Oberly, senior vp; Kenneth Savage, managing partner, Warren, McVeigh Griffin & Savage (claims consulting).

Member of: IRMC.

Waters Risk Management
 7110 Augusta Blvd. N., Seminole, Fla. 33548; 813-397-8665

Year founded: 1978.
Independent.

Services provided: 30% continuous consulting; 30% 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), 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 staff include one CLU, one CPCU, one ARM.

Clients: Twenty-nine 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: senior consultant, \$75; clerical, \$10.

1982 gross revenues: Not reported.

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: 30% special projects, including frequent loss-prevention audits, quantitative analysis and statistical forecasting, risk analysis for earthquake and other natural hazards; occasional risk retention analysis (including self-insurance studies), analysis of necessary insurance limits, preparation of specifications for bidding; 70% risk analysis of complex technical systems for the U.S. government.

Locations: Vandenberg Air Force Base, Calif.

Staff: Thirty-two total staff; 24 professional staff members.

Clients: Twenty-five total clients.

Compensation: By the project.
1982 gross revenues: \$1.5 million.

Principal officers: John H. Wiggins, president; Bruce Kennedy, contracts administrator.

The Wyatt Co.

Suite 5600, 233 S. Wacker Drive,
 Chicago, Ill. 60606; 312-876-2000

Year founded: 1942.
Independent.

Services provided: 32% continuous consulting; 38% risk management audits; 30% special projects (percentages relate to risk management services only), including frequent risk retention analysis (and self-insurance studies), captive feasibility studies, analysis of insurance limits, insurance contract analysis, 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 claims auditing, loss-prevention audits, accounting system analysis, loss-settlement assistance; other actuarial and consulting services.

Locations: Dallas; Detroit; San Francisco; Washington; Toronto.

Staff: Total staff number not reported. Professional designations held by staff include 12 CPCUs, five ARMs, eight MBAs, two FCAS, two ACAS, five attorneys, one FIIC.

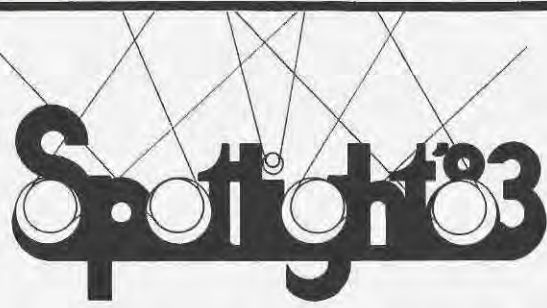
Clients: 500 total clients.

Compensation: By the project; on retainer; by the hour: consultant, \$55-\$175; actuary, \$85-\$150; actuary assistant, \$45-\$75; administrator, \$30-\$65; analyst, \$30-\$55; clerical, \$25-\$45.

1982 gross revenues: Approximately \$3 million for risk management services.

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 Tierney, manager-Toronto risk management office.

Member of: IRMC.



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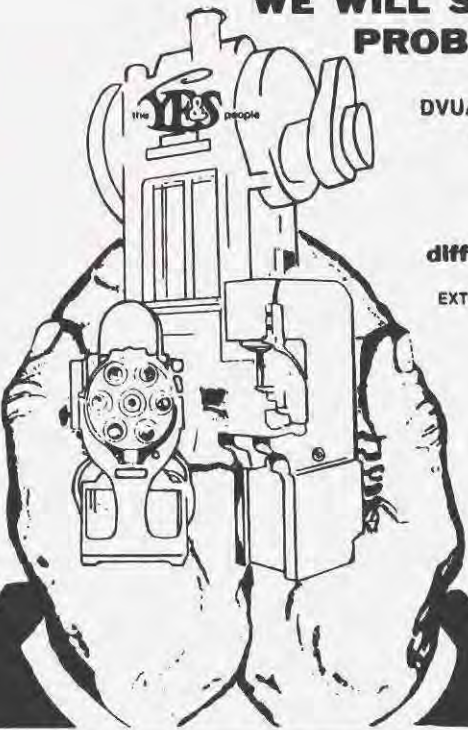
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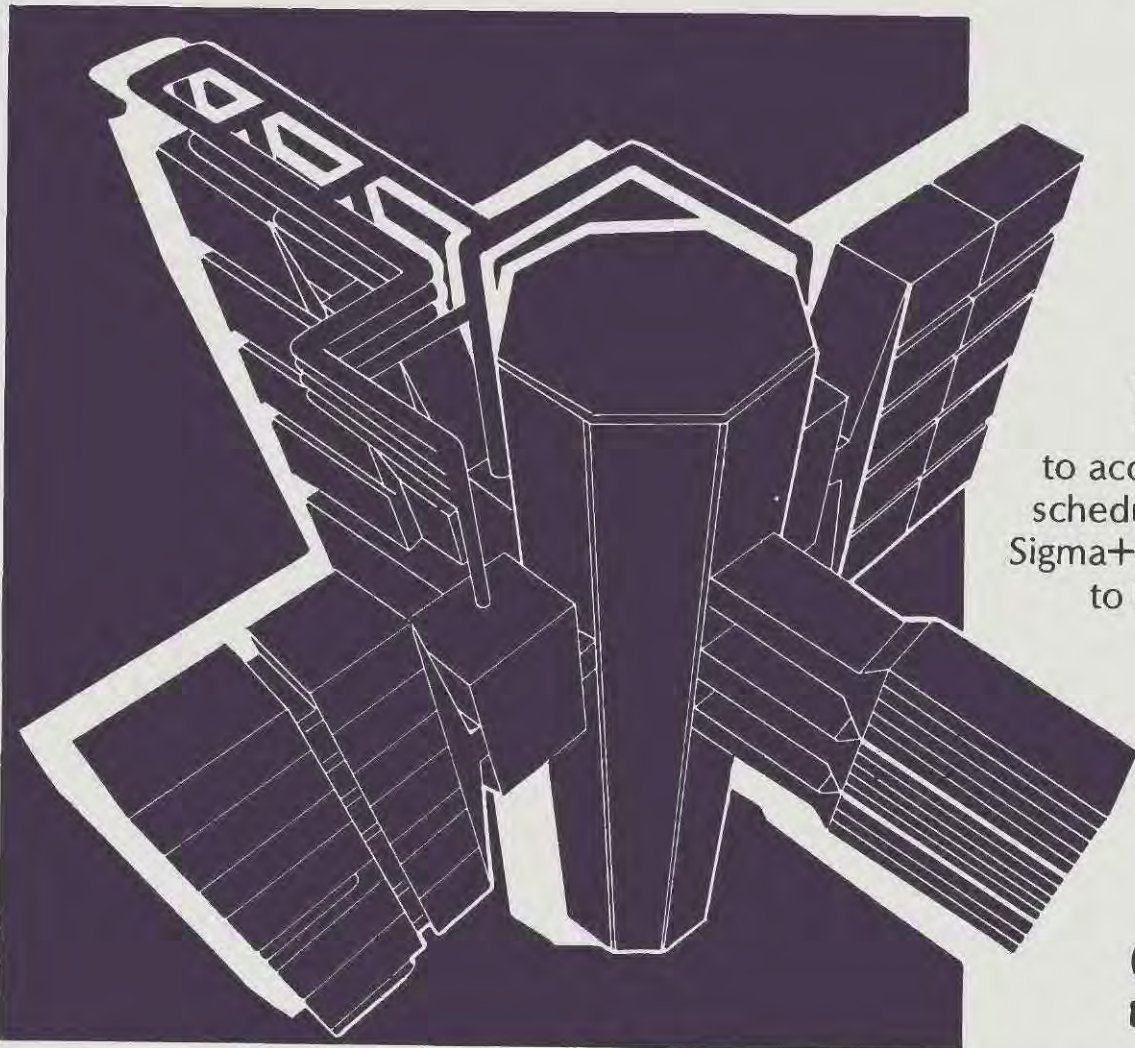
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Owners of ill-fated ship already hit with suits

Continued from page 2

negligence if they can prove the vessel was being operated in an unseaworthy manner.

Recovery can be made under the Death on the High Seas Act if the parties bringing the suit can show either negligence on the part of the shipowner or unseaworthiness of the vessel.

A Coast Guard hearing into the cause of the accident began Feb. 16 but a final report on the accident may take as long as a year to prepare, a Coast Guard spokesman said.

Based on information from Mr. Dewey, attorneys for the plaintiffs claim the Marine Electric was unseaworthy. Before it capsized, the ship was taking on "tons of water" through faulty forward hatches,

according to a partner in the Norfolk firm, who added that the ship was a "rustbucket."

The shipowners disagree.

"Naturally the vessel was seaworthy or it would not have been out there with a Coast Guard certification," said a spokesman for Marine Transport Lines.

For certification, the Coast Guard requires inspections of the hull and the safety equipment every two years. The Marine Electric was scheduled for a hull inspection this month, but the inspection was postponed until April at the shipowners' request, according to Bruce Pimental, a Coast Guard spokesman.

Attorneys for Marine Transport Lines are expected to enter a petition under a federal statute that would limit the the shipowners' liability for crew injuries and death to \$60 for each ton the vessel weighs. The Marine Electric was registered at 25,985 deadweight tons.

In order to "break" the petition to limit liability, attorneys for the plaintiffs must demonstrate that the Marine Electric was unseaworthy when it left port and that the ship's operators knew it.

If unseaworthiness and negligence are established and a judge denies the liability limitation, the only remaining question to be decided by the judge is the amount of damages to be awarded, said one of the plaintiffs' attorneys.

No court date has been set for the suits, a district court spokesman said.

Nearly everyone involved in the loss of the Marine Electric expects additional lawsuits to be filed on behalf of other crew members.

"A number of other suits" is expected, said Michael Berkowitz, general counsel for Marine Transport Lines.

Mr. Berkowitz, however, would not comment on the company's insurance coverage, saying it would



Photo: Wide World

Coast Guard personnel carry the bodies of victims killed in the sinking of the Marine Electric.

be "inappropriate when there's been a loss-of-life situation."

But insurance sources confirm that the company's P&I insurance, which would cover liability for injury and death of crew members, is with London Steam-Ship Owners' Mutual Insurance Assn. Ltd., which is managed by A. Bilbrough & Co. Ltd.

Marine Transport Lines' liability coverage under its P&I policy is probably unlimited, according to Nicholas J. Healy Jr., president of Lamorte, Burns & Co. Inc. of New York, an adjusting affiliate of Bilbrough. Most P&I policies offer unlimited liability, Mr. Healy said.

The P&I insurance also would cover the shipowners' liability to

cargo interests. The coal carried by the Marine Electric, valued at \$1.7 million was owned by New England Electric and was insured by Marine Office of America Corp., a subsidiary of the Continental Corp.

New England Electric has filed a notice of claim with MOAC and expects to be paid a total loss on the cargo, according to James O'Donnell, a spokesman for the utility.

MOAC, in turn, has filed a suit against Marine Transport Lines in U.S. District Court for the Southern District of New York to recover any loss it pays on the cargo, according to Allan B. Pooler, a vp in the MOAC ocean marine department.

Marine Transport Lines would

not comment on the valuation of the hull, but sources in London confirm that the hull was insured for \$10 million through Lloyd's and other London markets.

Surviving crew members of the Marine Electric, and the families of those who died, will be covered under the pension and welfare plans of four separate seamen's unions.

The pension and welfare plan of the National Maritime Union of America, to which most of the ship's crew belonged, offers full hospitalization, with \$10,000 in life insurance coverage and \$20,000 for accidental death or dismemberment, according to Eugene Spector, the union's research director.

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Asbestos broker files for bankruptcy

Continued from page 2

The lawsuits against Continental, which are filed throughout the country, were brought by either victims of asbestos diseases or other asbestos companies that brought Continental into the suits through third-party actions.

Companies that have filed claims against Continental include such large asbestos defendants as Manville, Owens-Corning Corp., Lake Asbestos of Quebec, GAF Corp. and Raybestos-Manhattan (now known as Raymark Corp.).

The company had no product liability insurance, Mr. Raleigh said, adding that he did not know why it did not purchase coverage.

Charles Morgan, Continental's president, declined to comment on the bankruptcy filing.

Now that Continental has filed the Chapter 7 petition, the next step in the liquidation process will be a meeting with the bankruptcy trustee to determine if the company has any other assets, Mr. Raleigh said.

While Continental is the first asbestos defendant to file under Chapter 7, a plaintiffs' group is suggesting that Amatec Corp. follow suit.

Members of the committee of asbestos litigants formed by the U.S. Bankruptcy Court in Philadelphia filed an application last month with

the court requesting that either the company's time for filing a reorganization plan under its Chapter 11 bankruptcy petition be shortened or that it enter Chapter 7 proceedings. The reorganization deadline is now set for March 1.

The committee reportedly says all claims against Amatec total at least \$20 million, far exceeding the value of its assets.

"Basically, we want this thing to move," said William Tomar of the Haddonfield, N.J., firm of Tomar, Parks, Seliger, Simonoff & Adourian and a member of the plaintiffs' committee.

Because the committee believes that Amatec's liabilities far exceed its assets, it questions whether the corporation can come up with an adequate plan for reorganization, Mr. Tomar said.

"They won't (voluntarily go into Chapter 7)," Mr. Tomar said, "but they may be forced to." Under bankruptcy law, a company's reorganization bid can be converted into a Chapter 7 proceeding if the company cannot come up with a plan acceptable to creditors, he added.

Amatec filed under Chapter 11 on Nov. 1, 1982. At the time, it was facing about 10,000 claims, but suits against it were increasing at the rate of about 300 per month.

Amatec reportedly lost \$200,000 for the year ending last Oct. 31 and had assets of \$4.2 million.

Meanwhile, auditors for Eagle-Picher Industries Inc. of Cincinnati qualified that company's annual report for the second consecutive year because of uncertainties surrounding asbestos litigation.

In its annual report, the company told shareholders that costs from asbestos litigation wouldn't substantially affect its overall financial stability, though it would penalize earnings.

Eagle-Picher, which is facing about 13,500 suits from plaintiffs alleging asbestos-related diseases, said it expected its asbestos litigation expenses to drop this year. Pretax asbestos-related expenses not covered by insurance came to \$9.7 million during the last fiscal year.

Asbestos defendant Manville Corp. also announced it is asking the U.S. Bankruptcy Court in New York for a 60-day extension of the deadline for its reorganization plan (BI, Jan. 31). The current deadline is Feb. 22.

Manville filed for reorganization under Chapter 11 last August, citing 16,500 lawsuits it faces and potential liability of \$2 billion. The deadline for filing a reorganization plan has already been extended once.

Negotiate pension changes: Bell union

Continued from page 1
tive participants and the Bell System Pension Plan covering 637,000 union employees.

Without pension portability, it is unlikely that AT&T employees who frequently move from one unit to another would ever vest in a pension plan. Currently, Bell, like most employers, requires 10 years of service before an employee is entitled to a pension.

AT&T attorneys say it is possible that the pension portability issue could be discussed during bargaining talks this summer with the CWA. Those will be the last national negotiations before the divestiture.

But the attorneys say they aren't sure the court or the Justice Department would approve an agreement that would mandate pension

portability or reciprocity among the new regional telephone companies.

Other communications companies might say they would be facing unfair competition if pension benefits were portable among the new companies, said an AT&T attorney.

However, the new regional companies could try to work out pension portability agreements among themselves after the divestiture, an AT&T spokesman said.

For example, the new company serving the Great Lakes states might try to negotiate a pension reciprocity agreement with the Bell Mid-Atlantic company so employees could move from one company to another without losing pension credits.

AT&T also points out that the di-

vestiture proposal protects workers' current pension credits and benefits. All employee service with a Bell company prior to Jan. 1, 1984, will be included when an employee's pension benefit is calculated.

Furthermore, under a special "true-up" period, the regional companies must honor the pension credits of employees who are transferred from one regional company to another during 1984.

In addition, retirees will continue to receive their current pension benefits.

In asking the court to strike the pension provision in AT&T's divestiture plan, the CWA noted that there is no guarantee that pension benefits will remain equal among AT&T and the regional companies

if the current pension plans are split. Regional pension benefit variations could emerge because some Bell companies in economically depressed areas may not be able to afford to provide the same benefits as stronger phone companies.

The current Bell System pension program—the nation's largest private plan—is so lucrative, it may be hard for some of the new companies to match its provisions.

For example, under the plan covering union employees, a worker can retire at any age with a full pension after 30 years of service. In addition, a worker can retire at age 55 after 20 years of service with full benefits.

In fact, an overwhelming majority of CWA members now retire before age 65, according to the

union's research department.

In addition, AT&T has periodically increased the pension benefits of retirees to help former employees keep up with inflation. For example, on Jan. 1 AT&T increased pension benefits by 7.5% for workers who retired before mid-1981.

The CWA says it worries that future pension hikes for retirees may be the first benefit to be scaled back if separate pension plans are set up.

Currently, a telephone operator who retires after 30 years of service would receive a pension benefit of \$537 a month, while a skilled craftsman would receive a monthly benefit of \$836 a month, the CWA said.

By contrast, the average monthly Social Security benefit is about \$400, while the maximum benefit is \$729.

markets

Prudential plans Orlando HMO

Prudential Health Care Plan Inc., a subsidiary of Prudential Insurance Co. of America, is establishing a new health maintenance organization in Orlando, Fla.

PruCare of Orlando, Prudential's 10th HMO, is scheduled to begin operating sometime after Oct. 1.

The company has committed up to \$25 million to finance the project, including \$12.4 million to cover deficits over the first four years of operations and \$9 million to \$12 million to set up two initial health care facilities.

Additional facilities may be added if membership grows, the company says. Prudential expects the Orlando HMO to enroll 7,500 members each year over the next 10 years.

Regional changes

The Hartford Insurance Group has reorganized the operations of several of its Northeastern regional offices.

A new management team in the Buffalo, N.Y., regional office will oversee activities in the Buffalo and Rochester, N.Y., offices. Another team based in Albany, N.Y., will be responsible for overseeing the Albany and Syracuse, N.Y., offices.

Claims and other commercial lines processing functions for all four offices will be consolidated in a processing center located in Utica, N.Y.

Another processing center for personal lines underwriting and service is also being established in Utica.

Risk management

Insurance broker Arthur J. Gallagher & Co., based in Rolling Meadows, Ill., is expanding its risk management activities with the formation of a new national risk management sales division. The new division will emphasize development of insurance pool and association business.

MGAs named

Armco Special Risks of Dallas, a division of Armco Insurance Group Inc., has named two new managing general agencies to offer excess and surplus lines insurance to the transportation industry.

The new managing general agents are Interstate Insurance Underwriters Inc. of Shreveport, La., and McClelland & Hine Inc. of San Antonio, Texas.

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Drive for competitive comp rating slows

Continued from page 2
last July (BI, Sept. 20, 1982).

These potential savings are what prompted Connecticut State Rep. John Woodcock, D-South Windsor, to introduce a "statement of purpose" bill this session. The actual bill is still being drafted.

"One of my constituents (an agent) suggested I look into this several months ago," Rep. Woodcock said. Based on Illinois' passage of competitive rating (BI, June 28, 1982) and legislation already adopted in other states, Rep. Woodcock said he believed "it was something we should try."

Connecticut's General Assembly already passed a competitive rating law for auto and homeowners insurance, said Waldo DiSanto, director of the property and casualty rating division of the Connecticut Insurance Department.

But whether the General Assembly will pass a similar bill for workers compensation is unknown.

The Connecticut Business & Insurance Agency, a lobbying group, has taken a neutral stand on the proposal, according to Rep. Woodcock, but newly appointed Insurance Commissioner Peter Gillies opposes it.

He primarily opposes competitive rating because he believes such a system could destroy the uniform

data base developed by rating bureaus to set accurate rates.

But he also points out that only three weeks ago Connecticut instituted new procedures that allow workers compensation insurers various deviations from rates and schedule modifications. "I would prefer to not have this bill until we see how the new procedures work," Mr. Gillies said.

The new procedures were drafted with input from Connecticut's major insurers, he adds.

For the legislation to make it to the House floor, it must first be approved by the Insurance and Real Estate Committee. A public hearing on the issue will be held this month with a committee vote due by March 15, Rep. Woodcock said.

In Arizona, open rating legislation, based on the NAIC model competitive rating bill, was introduced in the Banking and Insurance Committee Feb. 2 and has been assigned to a subcommittee.

The panel could issue a report on H.B. 2077 within three weeks, said Deloris Williamson, chief deputy of the Arizona Department of Insurance.

The NAIC's model bill prohibits insurers from agreeing on rates, limits the activities of advisory rating organizations, imposes a uni-

form classification plan and experience-rating plan and mandates insurers' participation in residual markets (BI, Dec. 6, 1982).

To protect the data base, the model bill also says a workers compensation insurer must record and report experience and statistical information under a uniform plan approved by the state insurance commissioner.

Rep. Cal Holman, R-Paradise Valley, introduced the Arizona bill after underwriters deviated downward from the bureau rates by 10% to 20% over the last couple of years, said Norm Moore, research analyst for Rep. Holman.

A similar bill introduced last year died in a subcommittee.

An open rating bill in Colorado, drafted and supported by the state Insurance Department, soon will be placed on the agenda of the Business Affairs Committee.

It laces the NAIC model bill with Colorado law, says Gene Glascock, supervising insurance analyst for the Colorado Insurance Department.

Colorado already has much competition in workers compensation rates. Last year, 85 insurance companies filed for rate deviations of 25% more or less than the rating bureau's rates.

Because of that activity, Mr. Glascock said the state insurance board, an advisory group to the Insurance Department, voted in August that open rating legislation be drafted.

The soft insurance market has made it a buyers' market in Colorado and all other states, said Mr. Glascock, but open rating legislation would remove the delays insurers experience now when they

file for rate deviations.

Even though open rating legislation makes competition among workers compensation insurers "official" and sometimes less cumbersome, NCCI's Mr. Ryan still doesn't think that many states will pass competitive rating legislation. He does, however, believe that "some form" of competitive pricing will occur in states generating more than half of total workers compensation insurance premiums collected nationally.

In Alaska, legislators considered open rating legislation but rejected it because they are afraid the uniform data base would be eroded, said Don Koch, chief of the market surveillance section of the Alaska Insurance Division of the Department of Commerce and Economic Development.

However, in December the department removed caps from individual risk modification plans. "That's effectively open rating," Mr. Koch said.

Before that action, the insurance division permitted scheduled rating with a maximum modification of 20%, upward or downward, he said.

Since the caps were removed, one insurer has filed for unlimited modifications and three have filed for modifications of 25%, said Mr. Koch.

"If we eliminate (uniform) rates... we lose the data base, and I don't believe that's in the best interest of the marketplace," he said.

Competitive rating legislation also was expected to be introduced this session in Virginia, but Paul Synnott, deputy commissioner of market regulation, said a bill passed just last year allows upward and downward deviation.

"That's the first small step and we want to see what happens," he said. Since that law became effective July 1, about 35 insurers have had deviations approved, Mr. Synnott said.

Utah also was tabbed as a state likely to consider open rating legislation, but action has been delayed. A rewrite of that state's insurance code is expected to be completed in 1985, and competitive rating will be addressed then, said R. Glenn Taylor, a rate analyst with the Utah Insurance Department.

Legislators in Wisconsin, Maine and Hawaii are talking about competitive rating proposals this session, according to spokesmen from those state insurance departments.

"We've got so many (bills) in there right now that that's one I will expect to be in there, too," said Richard Brown, rate analyst in the property and casualty insurance division of the Maine Bureau of Insurance. "I think one will surface before the end of the session (in June)."

A competitive rating bill was expected to be introduced in Hawaii last week. A House resolution calling for a moratorium on contemplated increases in workers compensation rates and benefits already was introduced Feb. 9 by Sen. Steve Cobb, D-Honolulu.

That resolution points out that workers comp rates in Hawaii, which have increased 87.3% over the past five years, are among the highest in the country.

New York and New Mexico, reported earlier to be considering some type of open rating law, have had no bills introduced so far nor are the insurance departments aware that bills are circulating.

Ohio names new insurance director

COLUMBUS, Ohio—George Fabe, a Cincinnati attorney and businessman, has been named director of the Ohio Insurance Department by Gov. Richard F. Celeste.

Mr. Fabe, who is president of George Fabe Construction Co., received a law degree in 1981 from

the University of Cincinnati College of Law. He has also served as an arbitrator for the American Arbitration Assn.

Gov. Celeste described Mr. Fabe as an individual with "good business judgment, a clear dedication to the public interest and common sense."

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Commercial Consumers

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Insurance Management:
vps, directors,
managers of insurance,
risk, benefits,
compensation, safety,
security, etc. 5,299

Government, Associations,
Unions, Educational
Institutions 1,034

Commercial Consumers
Sub-total 22,954

Insurance Agents
& Brokers 9,771

Insurance Cos. 5,217

Financial Institutions 352

Actuaries, Attorneys,
Adjusters, Appraisers
& Consultants 2,603

Others allied to the field 937

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Insurers broaden cover for electronic fraud

Continued from page 1
 derwriters of EFT policies has brought down the price of coverage, brokers say. After Lloyd's introduced its policy last year, about a half-dozen U.S. insurers began offering computer crime policies or riders without waiting for any action by the Surety Assn. of America.

Last year, rates for EFT coverage ranged from 30% to 50% of the bankers blanket bond premium. Now the range is between 20% to 30%.

"I have always said since the beginning of our policy that we were going to broaden it and now we have," said David Newman, deputy underwriter at syndicates managed by K.F. Alder (Underwriting Agency) Ltd., the lead Lloyd's underwriter of computer crime policies.

"During the past year, we have prepared a number of policies for particular assureds and, as a result of discussions with those assureds, we have become aware of certain other electronic risk situations for which our assureds require insurance cover," added Mr. Newman. "A revised policy is now available."

The new Lloyd's policy consists of seven different clauses from which the buyer can choose to tailor his own coverage.

Essentially, the last three clauses are new options and the fourth clause has been broadened since the 1981 policy form.

The first clause covers losses caused by the tampering of a financial institution's own electronic funds transfer or computer system.

The second and third clauses cover losses resulting from the actual tampering, fraudulent modification or destruction of the computer program or electronic instructions.

The fourth clause covers fraud that may occur during the transfer of funds through established fund transfer networks, like Fedwire, Bankwire II, CHIPS (Clearing House Interbank Payments System) and SWIFT (Society for Worldwide Interbank Financial Telecommunications) (BI, Oct. 11, 1982).

Although the financial institution filing a claim may have to cite where the fund transfer originated, the Lloyd's policy has been broadened to cover the loss if the fraud was actually committed between the named network and the insured—despite its origin.

The fifth clause covers an institution acting as a service bureau—or a middleman—if it is found to be legally liable for a loss.

The sixth clause insures the institution that is sending the transferred funds to the service bureau.

The seventh clause covers fund transfers orally communicated, including coverage when the assured has transferred any funds under fraudulent transfer instructions made over the telephone.

The voice-transfer coverage represents one of three specific changes buyers had requested from Lloyd's.

"Competition has just sprung up within the past year," says W.C. Mike Doyle, vp in charge of financial institutions for broker Johnson & Higgins in Los Angeles. "Banks had a list of covers they wanted but couldn't get. Coverage for voice-transmitted fraud was one of them."

While the Surety Assn. does not cover losses stemming from voice communications in its computer crime rider, some U.S. insurers do provide the coverage. For example, underwriters at underwriting manager Shand, Morahan & Co. Inc. and Aetna Casualty & Surety Co. include voice fraud in their EFT

'Sure, we knew that Lloyd's was coming out with a new program,' says the Surety Assn.'s Frank LeMunyon. 'But this was not our answer to Lloyd's. We have been working with (the ABA) in development of our new policies.'

policy and policy rider, respectively.

"We realize there is some feeling that (voice and telephone fund transfer) is needed and wanted," said Rob Weldy, a director at the Surety Assn. "We are looking at that coverage now, but it is not planned anytime in the near future. We're just not enthused about providing that type of cover."

Surety Assn. officials said they were uncomfortable specifically listing voice or telephone communications as an exclusion, but managed to exclude the coverage through broader language. The Surety Assn. form excludes orally communicated fraud by excluding losses created by "an individual authorized to have access to a computer system who acts in good faith on instructions."

But some bankers believe there is a growing need for this type of coverage.

Paul V. Higgins, insurance division vp for Bankers Trust Co. in New York, said banks have been accepting telephone requests for fund transfers "since Mr. Bell invented it," but the need for coverage has developed only recently.

"Things aren't what they used to be. Forty years ago, if someone called Bankers Trust and requested a funds transfer, the bank officer and customer probably were personal friends as well as business associates," said Mr. Higgins. "John recognized Joe's voice on the phone, asked him about the wife and kids, and it was easy to detect a false call."

But today, Mr. Higgins said, funds are transferred more quickly and involve greater dollar amounts. The customer may not deal with the bank officer handling his account just for a funds transfer.

"Smaller banks in rural centers probably still don't need telephone fraud coverage," he said. "There may be only two officers in the bank, the bank president and his assistant, who have authority to transfer funds. And they know all the customers, particularly the large ones."

Lloyd's also broadened its policy to accommodate a bank's need for protection when it is acting as a service bureau or intermediary between two banks that are transferring funds.

Banks may serve as the middleman in a wire transfer, allowing funds to be transferred between two banks without a direct wire link. The funds are funneled through a centrally located bank—or service bureau—to be delivered to the receiving bank.

If the middle bank is found to be legally liable for a loss, Lloyd's will pay.

Frank LeMunyon, a vp at the Surety Assn., said the group's policy rider provides the same coverage for service bureaus as the Lloyd's form if the service bureau is named in the rider.

"We cover the institution on a systems basis," says Mr. LeMunyon. "Once a year, the insured lists the system they want covered. It generally doesn't matter how the loss was occasioned."

"Suppose a bank acts as a data processor for another bank. As long as the loss occurs within the bank's proprietary system, and assuming the bank has listed the proprietary

system on the rider, there is coverage," said Mr. LeMunyon. "The proprietary system is one of those terms that bankers have started throwing out. All it really means is any system owned by the bank."

The third area in which Lloyd's heeded buyer demand involves the application form bankers must fill out to qualify for the coverage.

Walter S. Tomenson Jr., managing director for financial institutions at Marsh & McLennan Inc. in New York, said one of the most widespread complaints by bank risk and insurance managers about Lloyd's EFT coverage has been the lengthy underwriting questionnaire and security audit required. In response, Lloyd's has trimmed its questionnaire to eight pages consisting of 30 questions. This is a vast reduction from the original 35-page questionnaire that risk managers said was so detailed that their managements balked at revealing such classified information (BI, Feb. 15, 1982).

However, Mr. Tomenson warns that the longer version may have been in the buyer's best interest.

"The risk managers complain about the length, but the more underwriters know about a given case, the more the price goes down," he said. "The underwriters feel they have better control and have forced the risk managers to take a better look at their operation."

Mr. Tomenson said that some risk managers actually found the original London form to be a valuable risk analysis tool. One bank risk manager not only rewrote the Lloyd's form to serve his needs, but expanded it.

While Lloyd's says its policy, which is available through U.S. and London brokers, is the most flexible around, it admits it is not inexpensive.

"It isn't cheap," said M&M's Mr. Tomenson. "But the price is not the most important factor."

The price varies across the board and depends on the coverage chosen by the buyer.

It also has a high deductible. It is never lower than the deductible on the buyer's bankers blanket bond, which can run anywhere from \$10,000 to \$5 million.

The limit on the primary Lloyd's policy is \$50 million, said Mr. Tomenson. But, financial institutions can usually insure computer crime up to the limit of their blanket bond and again up to about \$200 million through excess layers that are sometimes underwritten by insurers not involved in primary computer crime coverage.

In addition to making its coverage broader and the policy easier to read, Lloyd's also is offering it to more than just banks, said K.F. Adler underwriter Colin Spreckley. Stockbrokers and insurance companies, which transfer funds electronically and are also worried about third-party fraud, can be insured.

In fact, of the 50 original policies Lloyd's sold in the last year, one was sold to a stockbroker, Mr. Spreckley said.

To spread the word of its new policy, K.F. Adler's Mr. Newman attended the American Bankers Assn. meeting in Orlando, Fla., earlier this month for backroom meetings with brokers and bankers to explain the new coverage.

While he was in the backrooms, the Surety Assn.'s computer crime policy was being explained at a conference seminar.

The New Jersey-based Surety Assn. first created a limited EFT insurance cover in mid-1976 after working for about two years with an American Bankers Assn. task force.

The wording on the original policy was broad. The language created problems after the ABA said it interpreted the rider as providing coverage for losses in all "funds transfer systems."

But the Surety Assn. was adamant about the limited coverage provided by the rider, amending the language in July 1980 to specifically cover losses only through an electronic funds transfer system of "an automated clearinghouse association."

The ABA asked the Surety Assn. to broaden the rider, and in May 1982 a new rider was issued. It provided coverage for losses in any of the five major funds transfer systems—NACHA, Fedwire, Bankwire II, CHIPS and SWIFT.

The joint ABA/Surety Assn. task force asked the Surety Assn. to expand coverage, saying that insurance was needed to cover losses caused by third-party intervention in internal bank computer systems, bank link or correspondent systems and bank cash management systems.

"Sure, we knew that Lloyd's was coming out with a new program," said the Surety Assn.'s Mr. LeMunyon. "But this was not our answer to Lloyd's. We have been working with the American Bankers (Assn.) in development of our new policies."

On Jan. 26, the Surety Assn. unveiled the new rider to be used with bankers blanket bonds Standard Form 22 and 24 for losses resulting from fraudulent entry of data into or change of data elements or programs within a computer system.

For coverage to be invoked, the data change must cause property to be transferred, paid or delivered; cause an account of the insured or its customer to be added, deleted, debited or credited; or cause an unauthorized account to be debited or credited.

Furthermore, the individual who causes the fraud must have acted with manifest intent to cause the insured to sustain a loss or to have obtained financial benefit for himself or others.

The limits of the Surety Assn. rider are the same as those on the bankers blanket bond, although the financial institution may opt for a lower limit on the computer crime rider.

Deductibles, which for major banks could range from \$1 million to \$2 million per occurrence, also are the same as the blanket bond's.

Surety Assn. members are not bound to use the trade group's insurance forms. In fact, some did not wait for the group to issue the latest rider. For example, St. Paul Fire & Marine Insurance Co., Aetna Casualty & Surety and Chubb Corp. have issued their own versions of EFT coverage.

These coverages and the new coverage provided through the association rider will accommodate the U.S. risk managers who do not want different insurers issuing

their computer crime coverage and their bankers blanket bond coverage. They fear coverage gaps and don't want to pay for any duplicate coverage.

Others agree with them.

Allen Stendahl, regional underwriting manager for St. Paul, said his company did not create a separate computer crime policy similar to Lloyd's because "it's just protection against another for of robbery or fraud." It provides coverage through a rider to the bankers blanket bond.

Mr. Stendahl, noting that St. Paul is charging from 10% to 35% of the bankers blanket bond premium for EFT rider, says that separate policies may also create a need for separate reinsurance treaties. The rider approach eliminates that problem.

"Reinsurers are a lot more jumpy about EFT than they were a year ago," says Mr. Stendahl. "The rider puts the EFT cover under all of the conditions of the (blanket) bond."

But M&M's Mr. Tomenson said there is a solution to the problem of using separate computer crime policies. A broker can work out the insurance contracts so that underwriters on the two policies will not have to quibble about who pays a claim.

No matter which route a bank risk manager chooses to cover his EFT exposures, brokers report that risk managers are buying coverage.

St. Paul's Mr. Stendahl said very few requests for new bankers blanket bond coverage or renewals have arrived without requests for computer crime policy.

"In the major money centers, this sells itself," said Mr. Stendahl. "We have not at all been disappointed with the demand for this since we entered the market in April (1982)."

St. Paul, which is covering 35 to 40 risks and collecting about \$400,000 in annual premium from its computer crime rider, has issued policy limits ranging from \$500,000 to \$20 million.

Although St. Paul has had success with the program, Mr. Stendahl said he often finds bankers asking for premium price quotes now are the same bankers who asked for quotes last year but did not buy coverage.

Richard Sanguinetti, vp and insurance manager for Wells Fargo Bank in San Francisco, said although Wells Fargo's bankers blanket bond coverage is not up for renewal, the bank is shopping for computer crime coverage. He would not specify the details of the bank's computer crime cover needs.

"The type of coverage we needed just wasn't available last year," said Mr. Sanguinetti. "We haven't received bids yet, but we expect them pretty soon. I think that the insurance companies are getting down to covering what we need."

The time is right for financial institutions to shop around for computer crime insurance to fit their needs, says Joseph Dancheck, director of risk management at Harris Bank in Chicago.

"I think right now the underwriters are all responding to the bankers' needs," said Mr. Dancheck, who did not like Lloyd's policy when it first came out. "The time is right to look at this coverage. Everybody is ready to talk." ■

Southern storm damage estimated

NEW YORK—Storms that hit portions of Texas, Louisiana, Alabama and Florida Jan. 31 through Feb. 2 caused an estimated \$6.5 million in insured property damage, says C.E. Hermanson, vp-property claims services of the Ameri-

can Insurance Assn.

The estimate of insured losses does not include damage insured by the National Flood Insurance Program. The storm was assigned Catastrophe No. 84 by the Insurance Services Office. ■

M&M planning to divest underwriting subsidiaries

Continued from page 2

an interview. "We feel they don't mix well."

Mr. Regan said the divestiture of the underwriting units will serve as a message to M&M's clients that the company is "absolutely" rejecting a role in the vertical integration of the insurance industry, whereby brokers buy insurers or vice versa.

"I don't believe in that, and we don't intend to do it. Now maybe the next guy who comes along to this office will . . ."

"What we're really saying is we feel we're in a relatively good business with excellent prospects."

Mr. Regan said he thinks there is value in a broker remaining unaffiliated with any insurance markets in order to preserve its image of impartiality with its clients.

But Mr. Regan said that philosophy will not affect two underwriting interests it will retain: a minority share in Terra Nova Insurance Co. Ltd. and its management of a handful of captive insurance companies that write third-party business.

Mr. Regan said M&M does not currently intend to sell its 17% stake in Terra Nova, a Bermuda reinsurer operating chiefly in the British market. M&M's interest in Terra Nova does not include underwriting management responsibility, he explained.

Nor will the company divorce it-

'I don't believe in (vertical integration), and we don't intend to do it,' M&M Chairman John M. Regan says.

self from the underwriting management of captive insurers that underwrite non-related risks and that might accept business brokered by Marsh & McLennan.

"We don't consider captive companies to be really insurance companies," said Mr. Regan. "They're really a risk management tool."

Mr. Regan said he believes there have been "all kinds of problems" in the area of captive insurers handling unaffiliated business without the requisite underwriting expertise.

Only a few of the approximately 80 captives managed by M&M handle unaffiliated risks, he added. If other captives managed by M&M decide to expand their underwriting activities to non-related risks Mr. Regan said Marsh & McLennan would advise that they do so only after "a very careful study."

Mr. Regan said the three underwriters involved in the divestiture program went on the block

upon his announcement last week, so no buyers have yet been lined up. The three companies are:

- Crusader Insurance P.L.C., a British-based life insurance subsidiary controlled by Bowring before the merger. Mr. Regan said M&M owns 75% of Crusader, with Fireman's Fund Insurance Cos., a unit of American Express Co., owning the other 25%.

Crusader reported premiums and other revenues of about \$160 million in 1982 and generated about \$5 million in after-tax earnings for M&M on an unconsolidated, equity basis, he added.

- The English & American Insurance Co., another British-based company, that manages risks for other insurers through its London underwriting agencies as well as accepts risks for its own book of business.

Mr. Regan gave no income estimates for this subsidiary but said it is smaller than Crusader.

- The American Overseas Group, which consists of a management company and a reinsurance company in the United States. The unit reported 1982 revenues of \$8 million.

Mr. Regan also disclosed in the interview that M&M has agreed to sell Bowring's underwriting management agency to a group of employees "on a very favorable basis" for terms in the neighborhood of \$2 million.

Lloyd's brokers must divest their underwriting agencies under a mandate in the Lloyd's Act of 1982, which restructured the regulation of the world's oldest insurance marketplace.

Mr. Regan declined to compare M&M's withdrawal from most underwriting activities with the underwriting position of Alexander & Alexander Services Inc. The parent of the nation's No. 2 broker, A&A is still reeling from disclosures involving some of the underwriting subsidiaries it acquired in its merger last year with Alexander Howden Group P.L.C., another Lloyd's broker (see story, page 2).

Howden historically has been more involved in underwriting and underwriting management than Bowring.

A&A also owns Shand, Morahan & Co. Inc., an Evanston, Ill., underwriting manager that, in turn, owns a major part of Evanston Insurance Co., a surplus lines insurer.

"I don't know enough about A&A's position to comment and anyway it would be very indiscreet," he said. ■

CPCU to hold comp seminars

MALVERN, Pa.—"Key Issues of Workers Compensation" is the title of a new series of workshops to be conducted by the Society of Chartered Property & Casualty Underwriters.

The ratemaking process, competitive rating, rating approach variations and maintaining the integrity of a workers compensation data base are topics to be discussed.

The workshops will be held March 24 in Richmond, Va.; May 18 in Pittsburgh; and Nov. 10 in Raleigh, N.C.

Fees are \$60 for CPCU members and \$70 for non-members. They should be paid in advance.

For more information on the workers comp workshop contact Joan S. Keys, Public Relations Coordinator, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-648-0440. ■

Options available to offset insurer underwriting losses

NEW YORK—The dispute between Aetna Life & Casualty Co. and the Securities and Exchange Commission hinges on two facts:

- About half of a property/casualty insurer's underwriting losses are ordinarily tax-deductible because they can be offset against deferred tax liabilities of prior years.

- However, once an insurer runs out of deferred tax liabilities, it's hard to get a tax break for underwriting losses.

Aetna's problems started when it ran out of deferred tax liabilities, a situation that analysts say only one other insurer—Continental Corp.—currently faces. It then began booking half of its underwriting losses as tax-loss carryforwards—or assets—to be offset by future tax liabilities.

Aetna and several other insurers used this accounting method during the last downturn in 1975. At that time, the SEC allowed the practice. Now, it has asked Aetna to stop (see story, page 1).

Even though the SEC says Aetna can no longer regard its current underwriting losses as a future asset, experts say that Aetna—and other insurers that eventually wind up in the same boat—have other means to make underwriting losses tax-effective.

Almost everyone agrees that the current underwriting cycle is largely to blame for Aetna's problems.

During upswings in the cycle, insurers' written premiums grow from year to year. Underwriting becomes profitable and insurers build up a reservoir of deferred—or unpaid—taxes. Insurers can defer payment of taxes because of the lag period between the time insurers earn premiums and pay losses on those policies.

When written premiums stop growing and start shrinking—which apparently occurred at Aetna earlier than at most other insurers—the process is reversed. Tax credits from underwriting losses build more quickly and overtake the reservoir of unpaid taxes. When the lines cross, an insurer may no longer be able to offset half of its underwriting losses.

Executives at The Travelers Corp., which has not yet exhausted all of its deferred tax liabilities, say they realized last year the company would someday run out of the liabilities and decided to shift their investment portfolio to offset the problem.

Under the plan, the insurer began to invest more heavily in taxable, as opposed to non-taxed, investments. This generates taxable income that can then be offset with underwriting-loss tax credits.

"We received notice from the SEC asking us to explain the accounting procedures we were using," says Adger Williams, a vp and actuary at Travelers. "They said, in effect, they could see nothing wrong with what we were doing."

Aetna says that it is considering selling several hundred million dollars of tax-exempt bonds to boost profits.

Besides Aetna's and Travelers' solutions, experts suggest that insurers have four other options they can choose to escape bearing the full brunt of underwriting losses:

- Underreserving. Mr. Williams says an insurer could deliberately underestimate required reserves for incurred-but-not-reported losses. But this procedure could put the insurer into hot water with state regulators.

Putting less underwriting income into reserves, he explains, would artificially decrease underwriting losses, thus slowing the hemorrhage for the present. But the danger that course of action is its effect years later when long-tailed losses surface. An insurer taking this approach would be gambling that it could absorb future unreserved losses with future earnings, he says.

- Marketing. An insurer could decide to raise—or lower—rates to affect its competitive position in the marketplace and attempt to alter its taxable income.

However, one property/casualty chief financial officer, who asked not to be named, cautions that raising prices might exacerbate the tax problems faced by insurers.

If insurers write fewer premiums because of high rates, but fail to reduce administrative expenses, they will be left with relatively large overall underwriting expenses and reduced cash flow: a situation that would create even more underwriting losses.

Conversely, if an insurer attempts to buy its way out of the tax problem by lowering rates and greatly increasing written premiums, it must be wary of accepting poor, loss-prone risks. Otherwise, it would end up with relatively greater underwriting losses—again.

- Reinsurance. Since reserves for incurred-but-not-reported losses are not taxed, an insurer ordinarily has a strong incentive to "park" profits as reserves. Now, however, with insurers looking for sources of income to offset underwriting losses, reserves are a ready source. If the insurer can extract cash from reserves and report it as income, it can offset underwriting losses.

The problem is how to do this without running afoul of state regulators. The answer is reinsurance.

Suppose Insurer A has a group of policies on which it has established \$250 million in reserves for IBNR losses. It is then able to convince Reinsurer B that the ultimate net losses on these policies will only be \$200 million. Insurer A might then agree to pay Reinsurer B \$150 million in cash to fully reinsure those policies.

Presto. Insurer A, for an expenditure of \$150 million, can now legitimately reduce its reserves by \$250 million and achieve a \$100 million net gain. Since that amount is taxable at the 46% corporate rate, it has generated \$46 million in tax liabilities against which to apply underwriting losses.

Aetna also has indicated that it is considering reinsuring a larger portion of its book of business.

- Investment gains. Another strategy is being followed by Continental, the large property/casualty insurer that is believed to have run out of deferred tax liabilities last year.

Although Continental won't comment, stock analysts say the insurer recently decided to establish a tax liability for as-yet-unrealized investment income and then offset that liability with current underwriting losses. The disadvantage to such an accounting move is that investment gains are taxed at one-half the 46% corporate rate. The advantage, however, is that the approach has not yet been questioned by the SEC.

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Could accounting rule turn the market?

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About half of a property/casualty insurer's underwriting losses are ordinarily tax-deductible because they can be offset against tax liabilities that have been legally deferred from prior years.

Aetna is in trouble because its written premium revenue has contracted so much that it used up all its deferred tax liabilities and no longer had any taxable income with which to offset the underwriting losses.

So, Aetna started doing what it and some other insurers had done during the last underwriting downturn in 1975: It began booking half of its underwriting losses as tax-loss carryforwards—or assets—to be offset by future tax liabilities.

That procedure requires the insurer to state "beyond a reasonable doubt" that it will show underwriting profits within the next 15 years (see sidebar, page 76). The SEC contends Aetna has failed to do that.

Some industry executives and stock analysts say the SEC decision means most insurers will soon have to absorb the full brunt of underwriting losses—if they aren't already—because they are also running out of deferred tax liabilities. That will put new pressure on insurance company managements to start turning around the current competitive underwriting cycle by whatever means necessary, they add.

"The SEC's decision may be the current market's version of GEICO," says John R. Cox, executive vp for property/casualty operations at CIGNA Corp., the nation's second-largest stock property/casualty insurer. Aetna is the largest.

Mr. Cox was referring to concern among insurance regulators during the mid-1970s that GEICO Corp., the large auto insurer, might be headed for financial trouble. GEICO recovered, but the news, Mr. Cox recalls, was the trigger for firming rates during the last underwriting downturn.

"The inability to capitalize tax credits could be this (cycle's) trigger," adds Mr. Cox, who describes tax-loss carryforwards as artificial earnings.

"This is going to put a big damper on earnings in the industry," explains Mr. Cox, who is among the insurance executives who consistently argue that insurer earnings are the primary factor in rate swings.

Ironically, people like Mr. Cox and Denis J. Callaghan, a first vp and analyst at Dean Witter Reynolds Inc., contend that Aetna's

disputed accounting method is appropriate. But they explain that the SEC's action will dampen or cancel the enthusiasm of other insurers who planned to employ the device.

"This issue is very quickly becoming an industry issue," says Mr. Callaghan, who follows insurance stocks for Dean Witter. "During the course of 1983 and 1984, many straight property/casualty companies will be exhausting their deferred tax liabilities."

Unless those insurers challenge the SEC, says Mr. Callaghan, the result will be "a major negative impact on reported earnings."

In the near term, he concludes, investor recognition of the insurers' plight will put pressure on insurance stocks.

But more importantly for commercial insurance buyers, Mr. Callaghan says, "it could help cause property/casualty pricing to firm later in 1983."

"I think it could have an impact," says G. Alan Zimmermann, a general partner at the institutional investment advisory firm of Conning & Co. in Hartford.

"Cycles turn on people's attitudes and these kinds of things change attitudes."

Mr. Zimmermann, who has written several analytical reports on Aetna's controversial accounting practice, says the dispute serves notice on property/casualty insurers that they can no longer expect to offset half of their underwriting losses against future taxes.

"Aetna got caught playing by the old rules," he says. "Aetna got there first because their underwriting deteriorated fastest."

Aetna officials term the speculation "interesting" and a "positive sign," but doubt the ruling will have any sudden influence on the underwriting cycle.

"I would not look to it to be a tremendous motivator," says Charles T. Bell, Aetna's director of investor relations. "It's helpful but not catastrophic. It will not move things rapidly."

Mr. Bell says Aetna is officially forecasting a continued rise in the industry's aggregate combined ratio for 1983 but expects Aetna's own combined ratio will be relatively unchanged from 1982. Aetna reported a combined ratio of 114.2% for the nine months ended Sept. 30.

Aetna is apparently the only insurer currently attempting to capitalize on tax-loss carryforwards. The Travelers Corp. says it previously used the practice but is trying to avoid using it now.

Continental Corp., another large property/casualty insurer, is using a different device to cope with underwriting losses. Although the company won't comment, stock analysts say Continental exhausted its deferred tax liabilities in November and decided to use the underwriting losses to offset unrealized capital gains—namely future investment income.

Mr. Cox says CIGNA won't run out of deferred tax liabilities until 1984 at the earliest and should be able to avoid using tax-loss carryforwards by then.

At least one analyst concludes that the rest of the industry is comparable to CIGNA: They will be able to make adjustments before they hit the tax problem head-on or they will be able to forego to the tax benefits of underwriting losses until premium rates increase for other reasons.

"I don't think (the ruling) will have any effect at all," says Gerald E. Lewinsohn, a vp and analyst at Merrill Lynch & Co. who issued a report last week on the Aetna/SEC situation. "Wishful thinking" is the phrase he uses to dismiss comments to the contrary.

First, he says, neither mutual insurers nor insurers owned by conglomerates—like Fireman's Fund Insurance Cos. (owned by American Express Co.) or Crum & Forster (owned by Xerox Corp.)—are faced with Aetna's problem. Mutual insurers operate under different tax rules and conglomerates can use profits from non-insurance operations to offset underwriting losses, he says.

"This won't be the straw that breaks the camel's back, and those that think it will be grasping at straws," says Mr. Lewinsohn, who sees insolvencies as perhaps the only single event that would provoke dramatic price firming.

Only Aetna and Continental will have exhausted their deferred tax liabilities by the end of this year and only CIGNA has acknowledged it might be in that position during 1984, says Donald E. Franz, a first vp of research at Smith Barney, Harris Upham & Co. Inc. Mr. Franz terms the Aetna/SEC controversy as an "industry non-issue for 1983."

"The speculation is that it will hasten the end of the cycle," he says. "But we don't believe that it will be an issue this year. By the time it becomes an issue for other companies (in) 1984, the cycle will, in all probability, have begun to change anyway."

The ruling is "a positive factor in getting

things turned but I don't think that in and of itself it's going to do the job," says David Seifer of The First Boston Corp. in New York. "I haven't heard anybody say since the ruling that rates have improved."

Mr. Seifer says there are two or three insurance competitors in every underwriting line who think they can cut rates and "they haven't been proven wrong yet." Such forces keep underwriting results depressed, he says so anything that inhibits an underwriter's ability to manage financially helps hasten the day when rates will rise rather than decline.

"The ruling is an inhibiting factor and we need some inhibiting factors," he concludes. "But for myself, I haven't found anything that makes it an overwhelming positive."

"I think this is a part of the bottoming process rather than a catalyst to it," says Myron L. Picoult, senior vp of Oppenheimer & Co. Inc. "It's probably a step in the right direction, but the problem is that I don't think there is enough blood on the floor yet."

Mr. Picoult says he continues to feel that the massive withdrawal of insurers from markets or insurer insolvencies will be the ultimate catalysts for a turnaround. In the meantime, he says, analysts and industry executives who see the SEC decision as a watershed point in the underwriting cycle "are just hoping for a self-fulfilling prophecy."

"I don't think (the ruling) will have any effect because when it comes right down to it, it is just a bookkeeping entry," says June I. Hoffer, a research associate at Prudential/Bache Securities in New York.

Ms. Hoffer notes that her firm recently revised its 1983 earnings forecast for Aetna to \$4.80 a share from \$6.30 a share. "Yes," she says, "it's a big drop, but it's a company that's still making money."

BI Industry Stock Report

FEB. 15, 1983

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Insurance Cos.	Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
Aetna Life & Cas Co	36.63	8.1	6.3	2.52	6.9	36.63	33.38	1,445.6
American Bankers Ins Group	13.25	10.4	10.4	0.30	3.8	13.25*	12.25	186.0
American Gen Ins Co	64.00	-1.7	8.8	2.20	3.4	64.75	63.50	355.7
American Indty Fmk Corp	22.13	6.6	21.9	1.12	5.1	22.13	20.75	12.4
American Intl Group Inc	75.75	13.5	11.2	0.24	0.3	75.75	68.00	874.1
American Natl Ins Co	16.13	3.2	7.1	0.88	5.2	16.25	15.50	61.0
American Sta Life Ins Co	28.00	24.4	8.0	0.84	3.1	28.00*	23.50	2.1
Aneco Reins Ltd	4.25	36.0	0.0	0.00	0.0	4.25*	3.13	124.9
Avenco Corp	15.38	0.8	8.8	0.58	3.8	15.50	15.38	7.6
Banks Iowa Inc	39.00	0.0	11.6	1.48	3.8	39.00	39.00	4.9
Bitco Corp	30.50	0.0	5.4	1.32	6.3	30.50	30.50	2.8
Carolina Cas Ins Co	7.00	-1.8	10.3	0.52	4.6	7.13	7.00	3.8
Chubb Corp	52.00	8.6	8.4	2.92	5.6	52.00	47.50	529.1
Combined Intl Corp	29.75	-1.2	9.0	2.00	6.7	29.75	29.63	438.5
Continental Corp	28.13	1.4	8.9	2.60	9.2	28.13	26.88	332.4
Crawford & Co	20.75	2.5	15.5	0.57	2.7	20.75*	20.25	56.1
Crown Life Ins Co	88.38	0.0	5.8	3.10	3.5	88.38	88.38	0.0
Crum & Forster	55.38	0.0	11.4	1.76	3.2	0.00	0.00	NOT TRADE
Employers Cas Co	34.25	-2.1	7.2	1.20	3.5	35.00	34.25	18.5
Equifax Inc	28.13	6.6	18.0	1.40	5.0	28.13	27.00	30.8
Excelsior Ins Co	9.50	0.0	0.0	0.70	7.4	9.50	9.50	0.2
Farmers Group Inc	35.13	1.4	9.8	1.36	3.9	35.13	34.75	453.0
Foremost Corp Amer	40.75	1.2	12.9	1.24	3.0	41.00	40.25	5.3
Fremont Gen Corp	16.75	15.5	38.1	0.43	2.9	17.50*	16.38	1,180.0
Great West Life Assurn Co	185.00	0.0	15.1	10.00	5.4	185.00	185.00	4.8
Hanover Ins Co	36.75	5.0	5.4	0.88	2.4	36.75*	35.00	14.0
Hartford Steam Boiler Inspnt	43.75	0.6	9.7	2.80	6.4	43.75	43.50	6.2
Jefferson Natl Life Ins Co	43.50	-3.3	12.2	0.76	1.7	45.00	43.50	1.1
Kemper Corp	38.25	0.7	7.2	1.80	4.7	38.25	37.25	76.8
Lincoln Natl Corp Ind	46.75	0.3	8.4	3.00	6.4	46.75	46.25	54.7
Mission Ins Group Inc	34.25	17.6	8.5	0.80	2.3	34.25*	30.25	183.3
Nationwide Corp Ohio	41.00	0.0	12.1	0.70	1.7	41.00	41.00	0.1
Northwestern Natl Life Ins	31.13	0.0	23.3	1.50	4.8	31.38	31.13	9.6
Ohio Cas Corp	43.88	2.9	8.9	2.36	5.4	43.88	41.38	225.0
Old Rep Intl Corp	24.38	2.6	5.6	0.92	3.8	24.38	23.75	43.1
Orion Cap Corp	19.00	1.3	11.0	0.66	3.5	19.38*	18.50	52.3
Preferred Risk Life Ins Co	25.25	8.0	7.4	0.92	3.6	25.25*	23.63	3.9
Provident Life & Acc Ins Co	55.50	8.8	7.8	2.44	4.4	55.50*	51.50	28.9
St Paul Cos Inc	58.38	2.4	6.0	2.80	4.8	58.38	54.63	1,045.3
Safeco Corp	48.13	2.9	8.4	2.40	5.0	48.13	46.63	533.1
Sri Corp	43.75	13.6	8.8	1.12	2.6	43.75*	39.00	89.7
Seibels Bruce Group Inc	26.25	-0.5	0.0	0.80	3.0	26.50	26.13	21.2
Statesman Group Inc	7.50	-9.1	6.7	0.15	2.0	8.25	7.50	9.1
Tokio Marine & Fire Ins Co	103.75	0.7	16.6	0.92	0.9	104.50	103.75	1.7
Travelers Corp	25.75	12.0	7.0	1.80	7.0	25.75	22.75	1,576.9

	Price	% Chg	P/E	S Div	% Yld	High	Low	Vol (000)
United Fire & Cas Co	30.50	6.3	8.2	0.88	2.9	30.50	29.25	3.7
United States Fld & Cty Co	46.00	4.4	11.2	3.60	7.8	46.00	42.00	461.2
United Svcs Life Ins Co	18.88	0.7	6.7	1.00	5.3	18.88	18.75	34.8
Utlife Corp	23.13	2.2	5.1	0.88	3.8	23.13	22.63	92.0
Washington Natl Corp	23.75	1.1	11.7	1.08	4.5	23.75	23.25	64.6
Zenith Natl Ins Corp	19.75	0.0	9.9	0.80	4.1	19.75	19.75	3.3
INSURANCE COMPANIES	AVERAGE		9.5		4.1			
Agents/Brokers								
Alexander & Alexander Svcs	22.50	4.0	10.1	1.94	8.6	22.50	21.63	341.9
Baldwin & Lyons Inc	41.00	0.0	6.8	0.80	2.0	41.50*	41.00	2.3
Corroon & Black Corp	28.88	2.2	14.2	1.80	6.2	29.00	28.00	28.2
Crum & E H Cos Inc	10.13	1.2	17.2	0.40	4.0	10.13	10.00	37.5
Emett & Chandler Cos Inc	10.75	0.0	35.0	0.00	0.0	10.75	10.75	0.5
Hall Frank B & Co Inc	31.88	0.4	15.4	1.70	5.3	33.75	31.88	262.1
Integrated Res Inc	38.50	6.6	11.6	0.00	0.0	38.50	35.63	78.7
James Fred S & Co Inc	33.25	0.0	16.8	1.60	4.8	0.00	0.00	NOT TRADE
Marsh & McLennan Cos Inc	39.25	5.4	11.7	2.20	5.6	39.25	37.00	313.3
PennCorp Fincl Inc	13.50	0.0	8.4	0.16	1.2	0.00	0.00	NOT TRADE
Poe & Assoc Inc	10.00	0.0	9.8	0.80	8.0	10.00	10.00	0.6
Reed Stenhouse Cos Ltd	15.50	8.8	14.8	0.60	3.9	15.50*	14.88	190.6
AGENTS/BROKERS	AVERAGE		11.5		4.1			
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	53.25	10.7	11.8	1.80	3.4	53.25*	47.72	1,240.1
Anderson Clayton(Ranger/PanAm)	28.38	8.6	11.7	1.32	4.7	28.38	26.30	77.4
Arco Inc	17.75	9.2	0.0	0.80	4.5	18.13	17.00	1,126.5
City Investing Co. (Home Ins.)	27.75	5.7	7.6	1.70	6.1	30.00	26.13	639.5
CHA Fintl Corp (CNA)	17.13	-0.7	6.7	0.00	0.0	17.38	17.13	15.1
Control Data (Comm. Credit)	47.50	5.8	11.6	0.60	1.3	47.50*	44.25	698.6
General Re Corp	59.63	10.9	12.8	1.28	2.1	59.63	52.75	604.3
Gulf Utd Corp	28.50	1.3	10.0	1.32	4.4	28.50	28.00	141.2
Cigna Corp	42.38	6.3	6.2	2.30	5.4	42.38	38.63	2,011.1
ITT (Hartford Group)	32.63	-0.8	7.4	2.76	8.5	32.88	32.13	1,093.5
Optium Rldg Corp	8.75	12.9	8.4	0.00	0.0	8.75	7.75	6.1
Sears Roebuck & Co. (Allstate)	30.63	0.0	12.4	1.52	5.0	31.25	30.63	1,784.2
Baldwin Utd Corp	29.88	1.7	5.8	0.88	2.9	30.75	29.88	383.3
Teddyne Inc (Argonaut)	151.00	6.5	12.0	0.00	0.0	151.00*	146.00	617.8
Transamerica Corp								
(Occidental & Fred S. James)	24.25	2.1	8.5	1.50	6.2	24.25	23.13	288.5
CONGLOMERATES/HOLDING COS.	AVERAGE		10.2		3.0			

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