

business insurance

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Rolling risks

Moving hazardous chemicals by rail or truck is dangerous business, but a competitive insurance market is making coverage easier to find. Extended coverage, **page 3**. Tough safety programs for haulers are helping to stop disasters. Perspective, **page 17**.

Papa Raab

The father of Allianz in the U.S. describes how he is building the German-owned company into one of the most aggressive of the new international insurers here. **Page 4**.

Township may fight pollution suit alone

By ELLIS SIMON

JACKSON TOWNSHIP, N.J.—This municipality may be forced to defend itself against a \$51.5 million class action suit arising from the contamination of wells near a public landfill used as an illegal dump for toxic chemical wastes.

Liability insurers, including INA, Fireman's Fund, U.S. Fidelity & Guaranty Co. and National Union Fire Insurance Co., are refusing to defend the township against the suit initiated by members of the Legler neighborhood to guarantee cleanup and medical assistance.

Jackson Township's dilemma, like that of Niagara Falls, N.Y., where more than 200 families were evacuated from the Love Canal neighborhood, points out previously unforeseen municipal liability exposures few have insured

themselves against.

In New Jersey, the problem is compounded by the concentration of chemical manufacturers within the state and constitutional limits on increased spending by municipalities.

Contamination of groundwater tapped by wells used to provide drinking water to 165 families in the community of Legler resulted from long-term seepage rather than pollution of a "sudden or accidental" nature, insurers have charged. Only the latter is covered in standard liability policies.

The landfill opened in 1972 and since then the township freely permitted dumpers to use the site because it produced revenue for the town, charges James McCarthy, a spokesman for the Legler community.

New Jersey permitted the dump to be used for solid waste and sep-

tic tank disposal but certain dumpers illegally deposited toxic industrial chemicals not found in septic tanks, said township attorney Joseph Martone. The landfill was ordered permanently closed two weeks ago.

Ninety-six Legler families filed suit against the township Aug. 29, 1979. The case is in the discovery process, said plaintiff's attorney Arnold Lakind of Lawrence Township.

The suit seeks \$25 million for cleanup expenses, a \$25 million performance bond to guarantee coverage for medical expenses of Legler residents, their children

Continued on page 25

To the rescue

Groundwater contamination forced Jackson Township residents to look elsewhere for drinking water.



Photo: Dave May

Risk Retention Act fails to excite buyers

By SUSAN ALT

CHICAGO—Risk managers generally know little and apparently care little about the federally proposed Risk Retention Act that is heading for a vote in the House of Representatives.

The act, designed by the Commerce Department, would allow companies to pool their product liability risks in federally chartered self-insurance funds.

Risk managers' ambivalence toward the act was apparent in the survey results of the first mailing in 1980 to nearly 100 risk and insurance managers who have volunteered to serve on *Business Insurance's* Risk Management Board.

These insurance buyers represent large and small corporations and non-profit entities. They usually have outspoken views on the various subjects they're asked about in the regular opinion polls that constitute Risk Management Board projects.

But this poll produced only 19 responses, supplemented in the end by phone calls to 16 more members of the panel. It was evident during the phone conversations that many insurance buyers are confused and uncertain about what the Risk Retention Act would accomplish. Moreover, they

Continued on page 25

risk management board

Pension plans

Appeals court allows offset for workers comp payment

PHILADELPHIA—Pension benefits can be offset by workers compensation payments to retirees, the U.S. Third Circuit Court of Appeals here has ruled, reversing two lower court decisions.

The decision, if followed nationally, could save employers hundreds of millions of dollars in future pension plan contributions. It also increases the prospect for Supreme Court action on the question since lower courts in two other circuits have found otherwise.

One such case, *Utility Workers Union of America vs. Consumer Power Co.*, is expected to be ruled on shortly by the Sixth Circuit Court of Appeals in Cincinnati (*BI*, Feb. 19, 1979).

In reversing *Buczynski vs. General Motors* and *Alessi vs. Raybestos-Manhattan*, though, the Third Circuit said the lower courts incorrectly ruled that workers compensation payments could not be used to offset pension benefits under ERISA.

The appellate court further found that ERISA preempts a New Jersey statute outlawing the workers compensation offset, in effect declaring the state statute unconstitutional.

Marc Gettis of Weiner, Staubach, Edleson & Hoyer of Roselle Park and Michael Scrola of Gelman & Gelman of Patterson, plaintiffs attorneys in the *Buczynski* and *Alessi* cases, respectively, say they are considering an appeal to the U.S. Supreme Court, but might ask for a rehearing instead.

"The case is ripe for further action since it reverses a lower court decision," Mr. Gettis said.

The Third Circuit ruling could have a detrimental effect upon class actions pending against five steel manufacturers in Pittsburgh, notes plaintiffs attorney Martin Singer of McArdle, Caroselli, Spagnoli & Beachler of Pittsburgh.

U.S. Court for the Western District of Pennsylvania could rule against the plaintiffs based on the Third Circuit decision or it could await the outcome of fur-

Continued on page 25

Congressmen introduce public ERISA measure

By JERRY GEISEL

WASHINGTON—Rep. John Erlenborn (R-Ill.) and Rep. Frank Thompson (D-N.J.) are renewing their drive this month to exert control over the nation's 7,000 state and local government pension plans.

The representatives introduced the Public Employee Retirement Income Security Act Feb. 13 to establish reporting, disclosure and fiduciary guidelines for public plans.

But their latest effort to extend to public plans the same pension plan standards that now govern private pensions isn't expected to even get out of committee this year.

Congress is now more concerned with shoring up the thousands of ailing multiemployer pension plans than with establishing new reporting requirements for public plans, public and private benefit experts agree. The multiemployer legislation (H.R. 3904) to give the Pension Benefit Guaranty Corp. more assets to pay benefits to participants of terminating multiemployer plans is being considered by the House Ways and Means Committee (*BI*, Feb. 11).

Rep. Thompson, who is supporting the multiemployer pension legislation, contends PERISA is important, too. His legislation "will improve administration and operation of pension plans covering public employees and establish certain rights and protections for participants," he said.

ERISA, which only applies to private plans, is the model for PERISA, but there are major differences that separate the two far-reaching reform efforts.

ERISA divided pension plan regulation between the Internal Revenue Service and the Department of Labor. PERISA would establish a single federal pension agency, known as the Employee Benefit Administration, to regulate private and public plans.

A recent Office of Management and Budget task force report (*BI*, Feb. 4) recommended sticking with the dual administration approach to pension regula-

Continued on page 25

Computer leasing suit
Page 2

for your information

Congress passes bill allowing federal war risk insurance

WASHINGTON—The House has passed and sent on to President Carter legislation (H.R. 5784) that would give the secretary of commerce authority to set up an insurance pool to provide war risk coverage to shippers whose commercial policies are canceled.

"At this time of growing tensions in the world, it is imperative that war risk insurance be available to our merchant fleet," said Rep. John Murphy (D-N.Y.), a major backer of the bill.

War risk insurance was provided by the federal government during World Wars I and II.

Senate panel to study exchange

ALBANY, N.Y.—Fearing overregulation could kill the New York Insurance Exchange, state senate majority leader Warren Anderson has appointed a task force to study and recommend changes in regulations governing the exchange.

Among the possible changes is loosening regulations that now make it difficult for the exchange to directly underwrite domestic risks.

John Dunne, the former senate insurance committee chairman who was a central figure in efforts to enact insurance exchange legislation, will chair the panel. Serving with him will be Sen. Roy Goodman and Sen. Donald Halpern.

CAB sets higher liability limits

WASHINGTON—Domestic and foreign airlines operating in the U.S. will face higher liability insurance requirements when a new Civil Aeronautics Board proposal takes effect in April.

The move will force all passenger and cargo carriers operating within the U.S. to increase their liability insurance limits to \$300,000 per occurrence for death and bodily injury from the current mandate of \$75,000. In addition, the requirements will be spread uniformly for carriers operating all types of aircraft.

The separate per occurrence limits for liability for death or bodily injury will be abolished in favor of combined single-limit coverage, the agency said. The proposal also calls for consolidating all present insurance regulations into one new section of the CAB's economic regulations.

Also, minimum insurance requirements of \$2 million for small aircraft and \$20 million for large aircraft will be established for personal or property damage to persons on the ground, the CAB said.

Comments on the proposal may be submitted through March 12 to the CAB docket section 37531, Washington, D.C. 20428.

Ill. exchange picks officers

CHICAGO—Donald Montgomery, president of the Celina Group of Celina, Ohio, is the interim chairman of the Illinois Insurance Exchange, elected Feb. 8 with two other officers.

Jeremiah Marsh, attorney with the Chicago law firm of Hopkins & Sutter, was elected vice-chairman. Elected secretary-treasurer was Peter Van Cleave, secretary for the James S. Kemper insurance agency in Chicago.

The officers and interim board that elected them will be responsible for soliciting members and investments for the exchange. After nine months, the interim directors will call for election of a permanent board.

In other action, the board adopted a schedule of application and start-up fees for prospective syndicate members. Syndicates will have to have \$2 million in capitalization plus pay a \$10,000 fee to the exchange. It consists of a \$9,000 start-up assessment, a \$750 charter membership fee and a \$250 nonrefundable application fee.

'Not guilty,' federal jury says

COVINGTON, Ky.—Aluminum wiring didn't cause a disastrous 1977 fire at the Beverly Hills Supper Club here, a federal jury concluded after a two-month trial, dismissing charges against 23 aluminum wire manufacturers.

Attorneys who represented more than 200 plaintiffs in a class-action suit charged that the manufacturers knew the wiring was inherently dangerous.

Owners of the Beverly Hills Club, where 165 persons died in a fire May 28, 1977, previously settled out of court for \$3 million. Insurance covered that settlement (BI, April 16, 1979).

Bill would raise nuclear limit

WASHINGTON—Rep. Morris Udall (D-Ariz.) has introduced long-expected legislation (H.R. 6390) that would increase nuclear plant operators' liability per nuclear accident to \$5 billion from \$560 million.

The Udall legislation also would extend the statute of limitations for compensation recovery to 40 years from 20 years from the date of the accident.

index

Someone you should know . . . 4	BI ticker 26
Editorial opinion 6	
Letters 6	
Around the states 10	
London line 22	
Info 22	
Datebook 22	
Perspectives 17	
Legal briefs 21	
Comings & goings: buyers . . . 24	
Benefit beat 24	

Computer leasing risk churns more lawsuits

By SHARON WATSON
Special to Business Insurance

DALLAS—The federal district court here must decide not only liability but also which parties are plaintiffs and which are defendants in a suit and countersuit between Lloyd's of London and Southwestern Bell Telephone Co. here over computer leasing risks.

The original suit involves indemnity policies between Lloyd's and 16 other underwriters of computer leasing risks and InterCap, a Dallas-based computer equipment leasing company, which has contracts with Bell (BI, Feb. 4).

When it filed suit in November and amended its action in January, Lloyd's asked that the policies be declared void and unenforceable because of evidence that the lease contracts between Bell and InterCap were obtained through criminal action on the part of InterCap officials and a former Southwestern Bell vp.

In its counterclaim, Southwestern Bell says all but one lease contract are in force. It asks for payment "as loss payee" on one contract involving early termination of a lease.

The phone company says it has sustained a loss because it terminated one of its contracts with InterCap early. Southwestern Bell paid InterCap \$589,924 to cover early termination of the contract. InterCap remarketed the equipment to Memorex in April 1979 for

\$225,000, leaving Bell with the \$361,854 loss. Southwestern Bell filed proof of a loss with Lloyd's in May 1979 asking for payment under the InterCap policy.

Further crying foul, on Feb. 6 Southwestern Bell asked for realignment of parties, making it the plaintiff in a \$361,854 claim filed with Lloyd's in May 1979 by Bell. The suit said Bell was not informed of rejection of the claim until after Lloyd's filed its suit in federal court in November, thereby gaining a "tactical advantage."

Bell's attempts to recover a loss on a leasing contract differ from other \$340 million in computer leasing claims pending against Lloyd's under computer leasing policies. In the other claims the leasing companies themselves are seeking to recover losses. In this case Southwestern Bell was hit with a loss under a special agreement with InterCap.

In 1975, Lloyd's issued InterCap a computer equipment lease indemnity policy, renewing it in 1976 and 1977. The InterCap policy is one of the earliest of the computer leasing policies Lloyd's wrote.

InterCap entered into leasing contracts with Bell later in 1975. As part of these contracts, Southwestern Bell and InterCap came to certain remarketing agreements by which InterCap agreed to remarket equipment Southwestern Bell no longer wanted to use but was obligated to continue leasing under contract. The provision was that if

the equipment was resold, Bell would be obligated to pay only the difference between the resale price and the contract price.

In 1978, criminal indictments for conspiracy, bribery and racketeering were brought against InterCap officials Richard Wadsworth Jr. and Irvin Eugene Barlow and then Southwestern Bell vp Ray Allen Acker in connection with the leasing contracts.

Acker allegedly was paid \$2 million for his part in helping InterCap win the contracts.

The first trial of Wadsworth and Barlow, who pleaded innocent, ended in a hung jury. Later, the pair signed pretrial diversion agreements that placed them under court supervision for one year, with charges to be dropped if they didn't violate the terms of the agreement, similar to probation terms.

Acker, who had pleaded guilty, reversed his plea. He is currently serving time in federal prison for income tax evasion.

Lloyd's contends it wasn't aware of the material facts as outlined in the criminal indictments and that it wouldn't have issued the policy had it known of these activities. Lloyd's is asking that the policies be nullified, offering to return the premiums it collected.

Southwestern Bell counters that the indictments and pleas aren't sufficient cause to void the policy, which could be canceled only for nonpayment of premiums.

Last minute policy covers gutted N.Y. luxury co-ops

BROOKLYN, N.Y.—The Hartford Insurance Cos. wrote a property policy on the Margaret Hotel in Brooklyn Heights that took effect only a few days before the 11-story building, being renovated into luxury cooperative apartments, was destroyed by a multimillion-dollar fire.

Conversion of the 91-year-old structure was about 80% complete when the Feb. 1 blaze occurred. Mutual Inland Marine Office Inc. of New York wrote builders risk coverage for the project.

The Hartford policy was in effect at the time of the fire, confirmed New York property claims manager George Roberts. He didn't know how long the coverage had been in effect but said it was more than three hours, as reported in a local newspaper.

A Mutual Inland Marine official said he was uncertain whether its policy remained in effect at the time of the fire.

The cause and extent of the damage has yet to be determined. The fire smoldered for a week, delaying inspectors from entering the premises.

Neither developer Bruce Eichner nor Edwin Hochberg of Saperstein, Hochberg & Haberman, the public adjusting firm retained by Mr. Eichner to represent his interests, would discuss the loss.

Real estate experts in Brooklyn Heights said more than \$3 million had been spent on renovations. Had the building been completed and all 43 apartments sold, its value reportedly would have been \$7 million.

At the time of the fire, 22 apartments had been sold.



Lost investment

Co-op apartments being developed in New York's Margaret Hotel were 80% complete and selling for \$85,000 to \$250,000 when a fire broke out.

Any insurance settlement could be affected by acceptance of a plan proposed by Mr. Eichner to save and rebuild the lower five floors, rather than demolish the entire structure as ordered by the courts. This plan is supported by some

preservationists who prefer it to replacement with a modern structure that would be out of character with the historic neighborhood. But neighbors, fearing for their safety, sought immediate demolition.

Market eases for chemical haulers

By STUART EMMRICH

NEW YORK—Two separate train derailments last Nov. 11 and 12 spilling hazardous chemicals forced the evacuations of nearby communities and scared the nation.

More than 250,000 residents of Toronto, Canada, fled their homes when chlorine gas escaped from an overturned boxcar on the Chessie System Inc. train.

A derailment the next day of a Louisville & Nashville train carrying propane forced the evacuation of 500 people from Moline, Fla., when local officials feared an explosion.

No one was injured in either accident, but the threatening danger left chemical manufacturers and shipping companies shaken.

These two accidents and a long history of similar mishaps, in which liability losses have cost hundreds of millions of dollars, dramatically illustrate the chances manufacturers, transporters and underwriters take every time hazardous chemicals are transported across the country.

Federal law has required since 1971 that incidents involving the release of hazardous chemicals be reported. These accidents have multiplied to 18,022 in 1978 from 2,266 in 1971, according to the U.S. Department of Transportation. DOT acknowledges that one of the reasons that figure has grown so much is increased awareness of the reporting rule.

But because spills of hazardous chemicals are few considering the volume moved and because transporters generally have

large self-insured retentions, a limited number of insurers are still willing to take the risk. Harbor Insurance Co., California Union and Lloyd's of London are the major underwriters of railroads.

Insurance companies have traditionally stayed away from providing coverage for railroads because of the chance that one accident will result in huge losses. But that has improved in recent years.

"Until the last year or so, there has always been a capacity problem," explained John Stricker, vp of transportation for Alexander & Alexander. "That is when the market softened up and things relaxed a bit."

Bob Cook, vp of the casualty department for Cal. Union, says the market has eased for railroads in the past couple of years, because "there is much more capacity in London, which writes most of this. They have added a lot of names in the past few years and they are looking for premium."

If there is a problem in finding capacity, Mr. Cook said, it is for those railroads that want more than \$50 million in individual occurrence limits, and even that has recently improved.

Firms in the transportation business aren't the only ones having an easier time of it. Chemical companies, too, have found more underwriters willing to provide coverage.

"We have no problem buying adequate limits," said W.C. Zacharias, director of insurance for Dow Chemical Co. in Midland, Mich. "In fact, rates have even been moving

Continued on page 27

extended coverage



The Chemical Manufacturers Assn. says its commitment to improving safety procedures and dealing swiftly with accidents has kept losses down.



Photos: Chem. Mfgs. Assn.

Experts help firm polish safety record

By LEN STRAZEWSKI

BUSHNELL, Ill.—Top executives of small to medium-size firms must be ready to accept that their safety programs may be lousy before they can improve a poor safety record and expensive workers compensation rates.

That's one of the tips Don E. Crowl, vp for manufacturing of Vaughan & Bushnell Inc., learned when the National Safety Council's new loss prevention consultants came to call. V&B was the council's first client.

"The other thing I learned is that top management must not try to second guess the consultants. You've got to try and get completely behind an improved safety program," he explained.

Safety wasn't a strong point for this small manufacturer of hammers, hatchets, crowbars and other solid metal tools. The plant, filled with polishing and grinding tools, has a long history of eye injuries caused by foreign objects and dust.

The heavy loading and raw material receiving also meant continual muscle injuries.

V&B's combined accident rate

growing pains

was seven times the national average, said Mr. Crowl, a statistic he also learned from the National Safety Council consultants. "We knew our safety record was bad," he noted, "but we really didn't know how bad it was compared to everyone else."

Using an accident frequency rate formula provided by the NSC, Mr. Crowl multiplied his number of accidents by 200,000 hours worked and divided the total by the number of man-hours V&B employees worked. The result was more than 40.

"The ideal accident rate, a little below the average, is 6.5," he explained. "We were not doing well."

V&B gave up self-insuring workers compensation shortly before the safety council audit and placed workers compensation coverage with The Travelers Insurance Co. for a premium of more than \$120,000 for the firm's 250 employees.

The rates may come down, following the advice of the NSC.

"The NSC started with a full safety audit," Mr. Crowl explained. "We found out that we didn't have a good program and they put it in a formal report that recommended a complete program."

The NSC then followed up with a complete safety course for the firm, four six-hour sessions that started with safety basics. The visiting consultants also hosted a dinner session for V&B employees and spouses with more safety advice, emphasizing tips tailored to the industry, including the importance of safety glasses and apparel.

V&B cooperated with the program by reorganizing its internal safety committee, Mr. Crowl noted. The firm's personnel director joined the safety committee

and a safety engineer and first aid-trained employee were assigned specific safety duties.

In the tradition of the FBI's "10 Most Wanted" list, V&B set about preparing a changing list of the 10 most dangerous accidents or situations, based on employee suggestions. The employees with the best suggestions will get safety blazer jackets and the supervisor who cleans up the problem gets one, too.

New employees at V&B first watch an NSC-recommended slide presentation on safety, part of an intensified safety orientation training program designed to eliminate accidents caused by ignorance.

The new NSC loss prevention service is aimed at employers with less than 1,000 employees and will review a firm's loss control organization, investigating record keep-

ing, safety rules and practices and the types of accidents most common to the firm. The consultants offer an estimate of costs after the audit.

If needed, the client can be given specific formats for accident and health records, fire protection equipment inventories and property damage reports.

"Illness costs on the job are increasing faster than the rate of inflation," noted Vincent L. Tofany, president of the safety council. "And for the last several years the cost of employee lost time due to injuries and occupational illness has been rising at the average rate of 15%. Each lost workday now costs an employer an average of \$10,000 to \$14,000."

The average company, he added, will have approximately 2.5 lost workday cases per 100 employees per year.

Work comp costs stump small companies: Study

ATLANTA, Ga.—Many firms, especially small to medium-size corporations, don't know how to fight the rising costs of workers compensation insurance, according to a Marsh & McLennan Inc. study released this week.

M&M surveyed executives in Atlanta and Seattle and discovered that many firms in those cities never tapped outside consultants or considered self-insuring workers compensation.

Atlanta respondents—of whom almost a third employed less than 250 persons—reported that workers compensation premiums averaged 4% of annual payroll, more than twice the U.S. average.

The majority, 74%, said they never considered a self-insurance program and 72% did not know what the basic requirements were for self-insuring workers compensation.

"It seems that Atlanta busi-

nesses are paying more for workers compensation coverage than they have to," noted Nicholas F. Munson, senior vp in the M&M Atlanta office.

"The 4% of payroll Atlanta companies are paying on the average for workers compensation is above what we consider to be a reasonable figure," he continued. "When a company begins to allot more for workers comp than other businesses within its industry, it should take a close look at its accident control and seriously consider self-insurance."

The survey also revealed that more than half the respondents have had claims they consider unreasonable, and more than 25% of those surveyed said their insurers have paid phony claims.

Atlanta firms responding included merchandising wholesale and retail firms (23%) and indus-

trial manufacturers (19%). More than half of the respondents were principals of their firms. Nearly one-third of the respondent firms posted annual gross revenues of \$10 million to \$25 million, with 95% of the firms having less than \$25 million.

A similar study in Seattle also found that more than half of the local respondent firms had never considered self-insuring workers compensation and 64% did not know what they would need in order to self-insure.

More than 90% of the firms said they received no help with safety and accident prevention from any government agency and 75% indicated they never commissioned an outside risk management audit to check if they were properly classified.

M&M polled 764 firms in Atlanta and 650 firms in Seattle with a return rate of about 10%.



"We knew our safety record was bad," says Don Crowl, "but we really didn't know how bad it was compared to everyone else."

Raab's infant Allianz grows up fast

By RHONDA L. RUNDLE



"My goal is that this company will be a foundation for an empire," says Frank Raab.

LOS ANGELES—Three and a half years ago, Frank E. Raab masterminded a seven-year plan to found a commercial insurance empire in the U.S. Today, chairman Raab says the Allianz Insurance Co. is taking shape according to plan—except in one small detail. The infant enterprise is nearly three years ahead of schedule.

Geographic and underwriting growth is putting Allianz on the national insurance map. The Los Angeles-based company has representatives in Phoenix, Charlotte, S.C., San Diego, Fresno and Orange County, Calif. A large 40-person office opened last year in New York, in addition to others in Toronto and San Francisco. From a half-dozen staffers three years ago, Allianz has swollen to more than

400 today.

Allianz, virtually unknown when it opened U.S. operations, ran advertisements featuring a parrot teaching readers how to pronounce its name. Now flocks of producers are making it one of the most visible of the international insurers to aggressively seek a share of the commercial insurance market in the U.S. in recent years.

And it's going after tough lines among the full list of commercial risks it will underwrite. Allianz is the first company in 20 years to start underwriting boiler and machinery risks, according to the Federal Trade Commission.

The insurer also caught the

industry's eye last summer when it snapped up a seat on the embryonic New York Insurance Exchange, becoming the only charter member west of the Delaware River. And Frank Raab has been elected to the board of governors.

"We're in the exchange for the long haul," Mr. Raab says. "We know it won't go up like a skyrocket." Nor does the Allianz chief expect to make money there in the first couple of years.

With a wealthy parent to pay the rent, Allianz has never been pressed to turn a quick profit. The billion-dollar daddy, Allianz Versicherungs, is by far the biggest insurance company in West Germany, writing 20% to 30% of

the nationwide business. It's also among the top 10 in the world, Mr. Raab notes.

Despite the growth of Allianz, profits are not mounting—an expected development. "The faster you grow, the worse you look in statutory accounting," Mr. Raab notes.

In its three years to date, Allianz has lost about \$3.7 million, less than half the sum budgeted in the seven-year plan.

Seeking to carve out a share of the vast U.S. market, Allianz Versicherungs started casting around four years ago for an American insurer to acquire. Former INA president Frank Raab talked them out of it, persuading the German entrepreneurs to build rather than buy. "That was back in 1976 when markets were still tight and capacity was short," he recalled.

After drafting an "Entry into America" blueprint, Mr. Raab was hired to put it into practice.

Today there seems little doubt that Mr. Raab is firmly in command. Besides bearing the titles of president and chief executive officer, last year he became chairman. When the New York exchange swung into gear, for instance, he dashed off a memo to Munich and got \$6.5 million to finance an exchange seat and staff.

Allianz is a U.S. corporation with an American board of directors and just one stockholder: Allianz Versicherungs. "Only 4% of our underwriting business is actually German," Mr. Raab points out. The California connection now represents about 50% of the parent's overall international operations.

Mr. Raab insisted that Allianz incorporate in the Golden State, at first a dubious proposition to his German sponsors. But the native son carried the day with three persuasive arguments: he pointed to the open competition law here and a tradition of top-notch insurance commissioners; a respected workers compensation system, and a healthy state market he says represents 12.7% of the insurance business in the entire U.S.

In 1979, Allianz reported about \$60 million in net sales. It writes all lines of commercial insurance, including specialty risks such as ocean marine and builders risk. "We've done quite well in workers compensation and we want more of the competitive property business," Mr. Raab says.

For the risk manager, Mr. Raab's aggression translates into a willingness to negotiate a contract. "We don't want to bid on an account," he declares. "We would rather sit down with the agent and the risk manager and ask them what the business is worth."

Allianz will answer yes or no within 48 hours or come back and dicker some more, Mr. Raab says.

Mr. Raab is a disciple of loss control, too. Approximately 9% of company personnel works on loss prevention and he credits the fidelity of many Allianz customers to the strong efforts of this department.

"Everybody wins with loss control," Mr. Raab stresses. "The worker isn't hurt, the consumer pays less for goods and services, the insurance customer pays lower premiums and we make more profit."

Allianz and Frank Raab have come a long way in three years, but he has more ambitions for the company.

The U.S. marketplace is too big and spread out to talk market share, he observes. "But my goal when I retire is that this company will be a very strong, well-financed foundation for an empire." ■



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WAUSAU STORY

Ed Warmack's company builds and leases warehouses, department stores, strip centers and regional shopping malls. Over the last twenty-five years, they've expanded their business. Dramatically. Twenty-five times over, to be exact. And Employers Insurance of Wausau has kept pace with them every square foot of the way.

Downtown commitment. Now under construction, Central Mall in Lawton, Oklahoma, is a suburban-type shopping center, complete with parking and landscaping right downtown.

"Starting in 1954, with our original fire and vandalism policy, our relationship with Employers has been very, very satisfactory," states Mr. Warmack. "They've done an excellent job of helping us keep our problems, our exposures, to a minimum. But in our business, some problems are unavoidable. Like when tornadoes hit our buildings in Waco, Texas, and Jonesboro, Arkansas. On those occasions, Employers helped us get back into business much

faster, we feel, than if we had been with some other carrier."

During the course of a quarter-century relationship and growth, Warmack and Company has added other coverages. Today, they look to Employers for practically all of their business insurance needs.

Many people have an attitude that you only *need* insurance coverage when you get in trouble — when you have a catastrophe," Mr. Warmack advises. "Nonetheless, it's the continuing relationship with your insurance company that's really important. But that's a lesson you only learn through experience."

At Employers Insurance of Wausau, we're mindful of the careful planning that is necessary to make an insurance partnership work. Because, in the long run, there's only one best way for the partnership to grow. And that's together.

Come to the source



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editorial opinions

Disturbing apathy

WE RECEIVED A VERY disappointing response to the first Risk Management Board survey for 1980, particularly considering that all the individuals anonymously answering our periodic queries have volunteered their time.

This lack of response may be because of a general disinterest and apathy when federal legislation is concerned, or it may be because people don't respond to laws that won't take something away from them. It seems the only time people, including risk managers, become vocal is when they're losing something or if they perceive that legislation will restrict them in some way.

Whatever the case, the lack of interest was disturbing.

This is only one instance of many we have found over the years where the people most affected for good or ill by federal legislation—corporate insurance buyers—are too sleepy or disinterested to make their voices heard in the halls of Congress or across the land. Merely to be able to say you oppose legislation or favor it is laudatory, because at least you've done your homework. But it's not enough.

During the last few months, we've carried at least a dozen major stories about the proposed Risk Retention Act and what it would mean, along with reactions and discussion from dozens of business groups and other special interest groups. These include the Risk & Insurance Management Society, the National Assn. of Manufacturers, the Assn. of Trial Lawyers

of America, the National Assn. of Wholesaler-Distributors, the National Machine Tool Builders Assn., the Scientific Apparatus Makers Assn., the Alliance of American Insurers, the American Insurance Assn. and the National Consumers League.

Business leaders are seldom visible enough when it comes to standing up and being counted as lobbyists and workhorses seeing to it that proposed legislation is practical, workable and palatable.

In the case of product liability issues, the problem is surely more far-reaching and long-term than this ho-hum level of interest would indicate. The fact that insurance companies are all of a sudden competitive, rates are falling and insurance is readily available shouldn't mean everyone who hollered "CRISIS" two years ago recedes into the woodwork.

Each person buying insurance and reading this magazine has a responsibility to be informed about the Risk Retention Act (H.R. 5572) and what it would provide. Though the law may not benefit your own company, which may be large enough that it doesn't need to use federally sponsored pools for product liability risks, it will greatly benefit your colleagues in smaller companies.

Write a letter to your congressional representatives and to your trade associations supporting the act. The day will come when you, too, will need help passing a law.

Profit sharing plus

IN A STUDY measuring the relative financial performance of 202 companies in six major industries over a 20-year span, Bion Howard of Northwestern University found that companies with profit sharing plans do better than those companies without.

This is good news for the Profit Sharing Council of America, which commissioned the study by the graduate business school professor. Mr. Howard used 10 standard measures of performance to compare the two groups of companies.

Studied were the companies' operating income margin, net income margin, return on operating assets, return on total capital, return on common equity, operating earn-

ings per employe, sales, earnings per share, dividends per share and market price per share.

The level of performance for companies with profit sharing plans was superior in more than two-thirds of the measures. Professor Howard says this indicates some advantage for companies with profit sharing plans in terms of the efficiency of their operations.

Particularly in an era of disappointing productivity ratios, this study merits consideration. Giving employes a stake in the action is more important than ever; profit sharing drives home the point at a personal level that being loyal, industrious and honest means money in the pocket.

PEANUTS

YES, MA'AM, MY ATTORNEY AND I WOULD LIKE TO SEE THE PRINCIPAL...WE'RE GOING TO SUE HIM!



BECAUSE I'M ALL WET, THAT'S WHY! THE CEILING IN OUR ROOM LEAKS, AND IT RAINS ON MY HEAD!



MY ATTORNEY HAS GIVEN THIS CASE A LOT OF THOUGHT...



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letters

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

Bravo for editorial

To the editor: Bravo! Your editorial opinions column Jan. 21 ("Abortion inequities") was accurate and well written. Often articles dealing with "sensitive" subjects equivocate and/or moralize—yours does neither. It simply states the law and supports the carrying out of the same. You are a sane and humanitarian voice that I hope will echo throughout the nation.

My husband is the general manager of the Surety Assn. of America and he endorses my statements.

Beverly B. Pearson
Rumson, N.J.

Little validity

To the editor: The implication that second opinion programs (Benefit beat, Feb. 4) found surgery not recommended in 30.9% of the cases has little validity with the inadequacy of the sample. Over a two-year period, 640 cases were reviewed for 1.5 million auto workers—an infinitesimal sample.

BC/BS would have to perform longitudinal studies, which include the following factors, on each nonconfirmed patient—all 198 of them—for a minimum of five years in order to determine the real savings:

- Cases in which the nonconfirmed patient disregards the second opinion and undergoes surgery immediately.

- The cost of medical treatment for the nonconfirmed patient who disregards the second opinion.

- The cost of medical treatment given in lieu of surgery.

- Cases in which the nonconfirmed patient delays surgery only to find that symptoms persist or worsen and then proceeds with surgery at a later date.

- The future health of the patient as it relates to the deferred surgery.

- Future morbidity and mortality factors.

- A comprehensive set of patient variables to provide valid data.

Samuel X. Kaplan
President
U.S. Administrators
Los Angeles, Calif.

Vital difference

To the editor: Re: your editorial "Nuclear folly" (Feb. 4).

Although extensive research is being conducted in the field, nuclear fusion has yet to reach the critical breakthrough in containment of the reaction process necessary to determine its application in commercial power production.

Nuclear fission is the process used today in all nuclear power plants.

The distinction is important. Nuclear fusion may very well be the 21st century's solution to the energy problem. Although it does use tritium, the radioactive isotope

Continued on page 25

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Pa. bill would cap product liability rate increases

HARRISBURG—Passage of tort reform legislation pending before the state senate would make Pennsylvania the first state to cap product liability insurance rate increases.

A rider attached to a measure passed earlier this month by the state house of representatives (BI, Feb. 18) provides a three-year moratorium on product liability rate increases.

Insurance industry lobbyists, who oppose the moratorium, charge it could make product liability insurance unavailable in the

state. "If Pennsylvania rates prove inadequate, insurers won't sell product liability insurance in the state," warned Grover Czech, regional representative of the American Insurance Assn.

Product liability rates, Mr. Czech explained, reflect the experience and tort environment in all 50 states. It is a "serious mistake" to link a rate moratorium to the tort reform proposal in Pennsylvania, he argued.

Democratic opponents of the tort reform measure as originally proposed offered the moratorium amendment after supporters of the bill admitted the reform would not guarantee lower insurance premiums, explained Rep. Michael Fisher (R-Pittsburgh), sponsor of the original measure.

Mr. Fisher, who opposed the moratorium clause, expects it to pass the state senate with little difficulty. Mr. Czech noted that the senate passed a tougher tort reform bill in 1979.

Kansas results

TOPEKA—Kansas insurance companies paid out \$4.6 million in product liability claims in 1978, up from \$2.9 million in 1977, according to the state insurance department.

Insurers continued to take in higher premiums for product liability coverage as well. In 1978, premium income was \$15.5 million, up from the \$13.5 million the previous year, the department said.

Kansas insurers are required by state law to report product liability premiums and claims paid out.

R.I. hearing

PROVIDENCE—A hearing will be conducted March 5 on a request by the Insurance Services Office to increase rates for commercial automobile liability and physical damage in Rhode Island by 39.6%.

The hearing will be in the hearing room of the department of business regulation, 100 N. Main St., Providence, R.I.

Comp revamp

BATON ROUGE—The lack of a state workers compensation agency is costing Louisiana employers higher insurance premiums and leaving injured workers with less restitution than they deserve, says a report by the Public Affairs Research Council.

Besides calling for a workers compensation agency, PARC recommends the state:

- Base its system for determining monetary awards on lost earnings rather than the current percent of disability.
- Eliminate lump sum settlements except for death or certain injury cases, such as loss of a leg or finger.
- Establish a mandatory rehabilitation program and deny benefits to workers who refuse to participate.

Insurer fined

TALLAHASSEE—Florida insurance commissioner Bill Gunter has fined the Jefferson Insurance Co. \$10,000 for using unapproved policy forms and premium rates on property and casualty coverage.

The New York City company failed to file policy contracts and rates with the insurance depart-

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around the states

ment as required by the Florida insurance code, Mr. Gunter said. The violations were revealed in a 1978 department examination of the company's rates. The fine was ordered as part of a settlement agreement between the insurance department and the company.

Jefferson Insurance sold about \$1.2 million of insurance in Florida in 1978, primarily for fire and other casualty coverages.

Benefit offsets

HELENA—A Yellowstone County, Mont., man has filed a class action suit here charging the state compensation insurance fund unlawfully reduced benefits for disabled workers, after the state supreme court ruled the state could offset disability payments by only 50% of the cost-of-living adjustment in Social Security disability benefits.

The suit filed by James Weatherwax, who was covered by the state fund since he was injured in an industrial accident in 1970, seeks reimbursement for Mr. Weatherwax and other disability recipients who were excluded from payments between July 1, 1973, and June 30, 1974.

During that period, the state offset its disability payments by 100% of the cost-of-living increase in Social Security disability payments. After the Montana high court ruled on the issue, Mr. Weatherwax filed his suit to recoup half of the deductions made in 1973 and 1974.

Death benefits

HARRISBURG—The Pennsylvania supreme court has reversed a lower court decision and ruled the state is required to pay death benefits to the widow of a state trooper who died from non-service-connected disabilities.

The suit was filed by Susan Gilbert Grottenhaler of Natrona Heights, whose husband David Lee Grottenhaler died on Sept. 22, 1976, of leukemia while he was an active member of the state police. The suit contends that Mrs. Grottenhaler was entitled to death benefits as provided in the so-called Gershenfelder arbitration award of 1973, which held that the state must pay benefits when there is a non-service-connected death or disability. Later labor contracts between the state and the state police contained such a provision.

Attorneys for the state said the Gershenfelder ruling was not binding because of the subsequent legislation and because the state employees retirement code superseded the contract.

Mrs. Grottenhaler will receive an immediate award of about \$30,000 and an annual pension of half her husband's final average salary, which was about \$13,000 at the time of his death, said Gary M. Lightman, her attorney.

In addition to Mrs. Grottenhaler, 29 widows of other state troopers who died from non-service-connected disabilities will be eligible for awards.

Casual employe

ST. PAUL—A woman who worked at writing a research grant application was a casual employe of the University of Minnesota and is entitled to workers compensation benefits for a 1973 traffic accident, the Minnesota supreme court has ruled.

The ruling requires the university to help pay for the care of Florence Kahn, paralyzed from the neck down in a car accident.

Ms. Kahn was hired in the spring of 1973 to help develop a proposal for obtaining a research grant from Blue Cross & Blue Shield of Min-

nesota.

She drove to the university on June 8 to find some additional financial data. While driving home, her car was struck from behind by an uninsured motorist.

Ms. Kahn gradually improved to the point where she was able to talk in January 1974. Her husband, Dr. Allan Kahn, then learned that she had been working at the university on the day of the accident, but he was told by a university social worker that she was not eligible for workers compensation. He eventually filed a claim that was approved by the workers compensation court of appeals.

The university could not use a defense that it had not been notified of the claim within 90 days after the accident, the court ruled, because its agent, the social worker, had misled Dr. Kahn. ■

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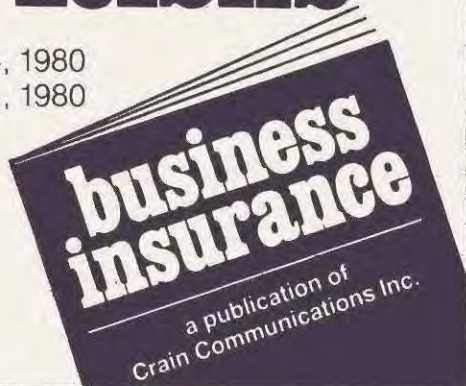
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Papers disclose details

Lloyd's allowed 'dubious' risks, Sasse charges

By JOHN H. MILLER

LONDON—Masses of "dubious business" were passed to the Sasse Syndicate in 1976 on U.S. fire risks that undercut FAIR plan rates at that time, according to a lawsuit filed by Frederick H. Sasse against Lloyd's and Brentnall Beard International, the producing broker.

Mr. Sasse filed the suit in the U.K. High Court after being named a codefendant in a suit filed

by 36 of the troubled syndicate's members to recover their share of the \$41 million losses (BI, Feb. 18).

Lloyd's response to the Sasse members' suit, also filed against it, is to deny that its market procedures can be blamed for any Sasse losses.

The syndicate's problems developed from "an extremely dubious block of business" over fire risks that had cost Argonaut Insurance Co. large sums in the U.S., Mr. Sasse's suit charges. The risks were uninsurable except under the state FAIR plan, he charges in court documents obtained by *Business Insurance*.

It is admitted that Lloyd's received the business in 1976 through binding authority given to Den-Har Underwriting Agency in Florida, run by Dennis Harrison, but Mr. Sasse contends that Brentnall Beard, as his broker, should have warned him that the binding authority was being used to get his business at cut rates.

Lloyd's knew there were serious irregularities in the nature of the business and the use of the binding authority granted to Den-Har, according to the suit, but it failed to alert Mr. Sasse to the situation.

"Lloyd's knew that business of a dubious nature not normally acceptable to Lloyd's was being done on behalf of the syndicate in the U.S. But although it was aware the contracts were voidable and might be in no way binding, Lloyd's advised the syndicate to accept the liabilities and pay out on the claims," the documents say.

"It was very important to avoid lawsuits in the U.S. and to avoid any levies that could arise on its American trust fund, as it wanted premium income to continue to flow into that fund, so it failed to tell the Sasse Syndicate what was going on, and kept from it the knowledge that it was in the syndicate's best interests to repudiate liability."

Mr. Sasse also charges that Lloyd's had conflicts of interest at that time and so minimized the prospect of an investigation by U.S. regulatory bodies into the use of binding authorities. Instead of helping Sasse out of its problems and repudiating its contracts, it forced the syndicate to sign new contracts, the suit says.

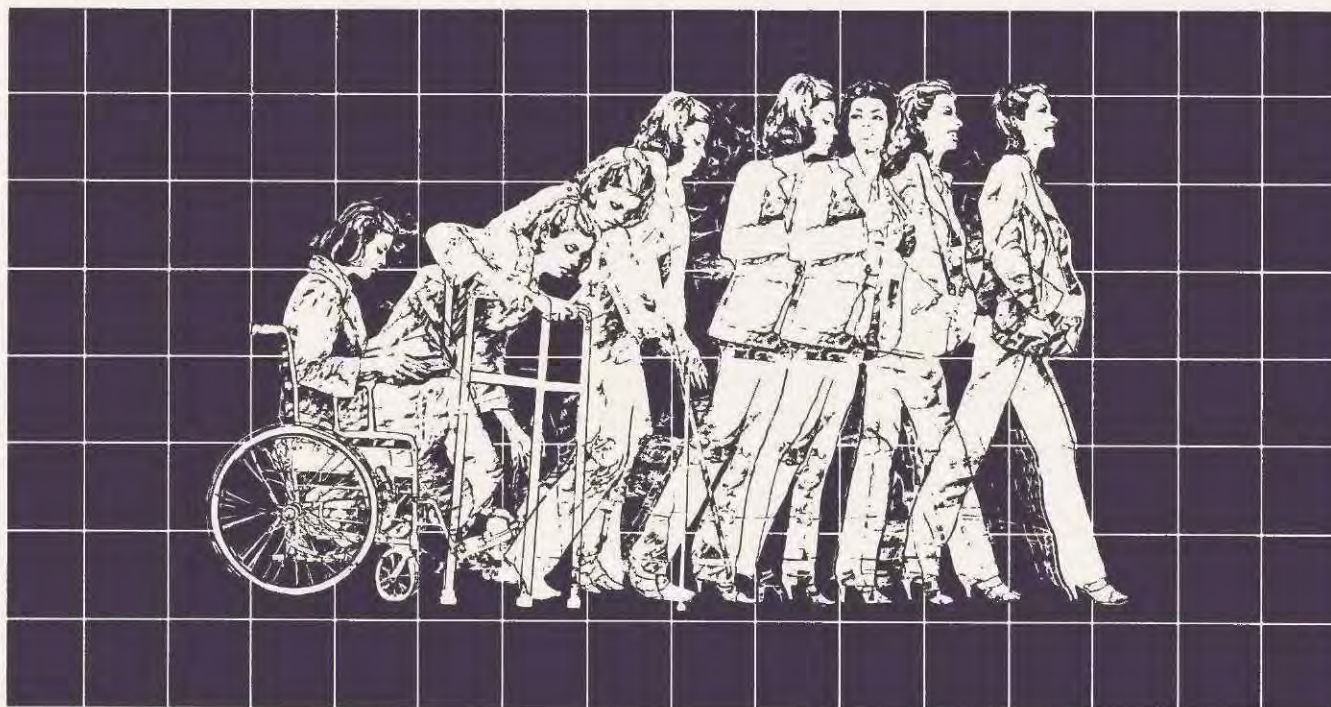
The suit also charges Brentnall Beard for misleading Mr. Sasse about the size of the U.S. business it was producing, knowing this would cause premium limits to be exceeded, and misleading him about Canadian fire risks that cost the syndicate \$6 million of its overall losses.

The suit alleges Brentnall Beard had a "pecuniary interest" in Den-Har, creating a conflict of interest regarding its duties to Sasse over binding authorities.

"Brentnall Beard should have known the dubious nature of personalities involved in the U.S. insurance contract but failed to tell my syndicate that the binding authority to Den-Har had not gone through the proper vetting procedure at Lloyd's and so the U.S. business might be voidable," Mr. Sasse charges. "Brentnall Beard positively misrepresented the nature of the business and anticipated premium income and misled us on the profitability of the business."

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IRA's "whole person" approach involves the consideration not only of medical requirements, but motivational, vocational and financial needs as well. The goal is to take every practical step in helping re-

Work comp unit saves Ohio fund over \$1 million

COLUMBUS, Ohio—A newly created unit of the Ohio industrial commission has saved the state workers compensation fund nearly \$1.2 million in a crackdown on bogus claims.

The commission's investigations division saved the state's reserve fund \$455,000 by identifying claimants not entitled to permanent total disability compensation. Another \$453,849 was recouped by identifying claimants paid for total disability while they continued to work. Division personnel collected \$370,766 in court-ordered restitution for grand theft.

Although the amounts recouped are relatively small so far, they are expected to help the Ohio Workers Compensation Fund offer up to a 15% credit on premiums during the current half-year period. The credit is attributable primarily to a huge increase in the state fund's investment returns during 1979.

The state fund also believes the results of its fraud investigations will help deter future violators, will help hold premium rates down and will help employers in their efforts to uncover fraudulent claims.

Employers benefit

The state fund believes the fraud investigations will help hold premium rates down.

Ohio has long been plagued by workers compensation fraud, prompting a series of investigations over the last five years. These probes gave rise to the fraud unit of the industrial commission, one of the few in the country to be established on a permanent basis.

Ohio's unit intends to attempt recovery of at least \$250,000 more on grand theft schemes uncovered in the past year.

Nearly 80% of the cases involved individuals employed while receiving permanent total disability payments, estimated John G. Collins, investigations division assistant director.

Bogus claimants were identified in a variety of ways, Mr. Collins said. Ex-wives, angry boyfriends and neighbors reported many of the malingerers. Others were detected by suspicious claims examiners.

A Miami news item on an arraigned murderer revealed one sham claimant. The alleged criminal had been working as a massage parlor bouncer and was receiving payments for total disability.

In another case, a man claiming total disability for a back injury was discovered when he entered a 10-hour bowling marathon.

To date, the investigations have led 233 people to be convicted for grand theft, Mr. Collins said.

The investigations division, formed in November 1978, consists of 23 professional criminal investigators. The team operates on a yearly budget of approximately \$360,000.

The unit is not limited to detective work, however. Staffers have made changes to curb abuse.

Each time a claim is now filed

against an employer for the first time, an auditor must physically check the employer's existence, business location and the fact that the claimant is truly an employe. Claimants are alerted, on the backs of checks, that only those unable to work are entitled to total disability payment. Violators will be jailed or fined, a message warns.

Small businesses with high wages are particularly suspect, Mr. Collins said. Investigators also question cases in which compensation is high, while medical bills are minimal.

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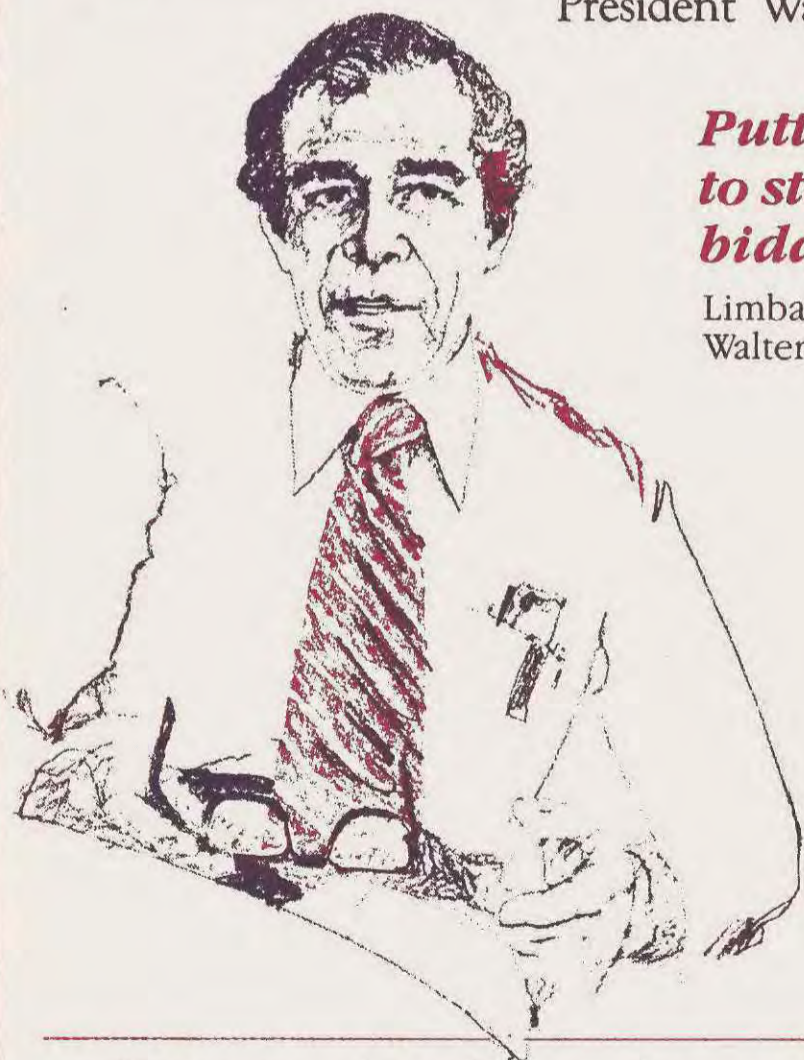
President Walter Limbach says, "The firm is largely decentralized, which means the regional offices should be able to run things without interruption, especially in the bidding stage. Our strategy is to negotiate with INA a surety bond budget for all projects to be sold during the year."

The result, for Limbach, is the ability to structure its annual business plan based on an exact, predetermined figure for surety support.

Blanket approval for Limbach's surety bonding is the result of a long-standing relationship with INA. The carrier takes part in the company's financial meetings and is fully informed about revenues, goals, and work-in-progress. This knowledge, plus INA's understanding of contracting has, according to Walter Limbach, "made them totally receptive to the overall bonding concept."

Putting a stop to stop-and-go bidding.

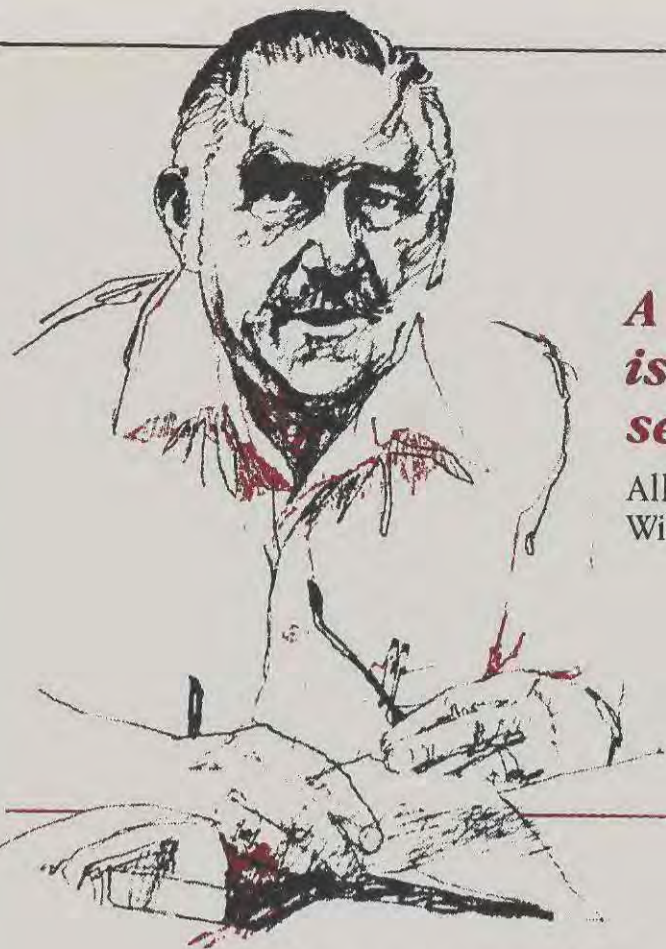
Limbach Company's
Walter Limbach



For property/casualty agencies, assuring prompt loss settlements is crucial. William Thompson, President of Allred-Thompson Agency in Wichita Falls, Texas, meets this goal with comprehensive "insurance to value" reports when first securing property coverages.

Along with INA representatives, Allred-Thompson does physical workups on each property: preparation of square-footage diagrams to be included in a master file of structural features. The strategy has two advantages.

The insured benefits because his agency can upgrade coverage — based on the initial



***A tape measure
is our best claims
settlement tool.***

Allred-Thompson Agency's
William Thompson

valuation – to reflect increasing replacement costs. Secondly, when a disaster strikes, settlement (at the upgraded levels) can be made almost immediately.

Thompson comments: "After a tornado leveled parts of Wichita Falls in early '79, many clients had no property left to inspect. But INA settled millions in claims on the spot, because we had documented reports on file." The rescue job hinged on advance planning by both agent and carrier.

Expenditures for hospitals in rural communities are rising no less sharply than for institutions serv-

ing large metropolitan areas. "Since 1965," says Donald W.

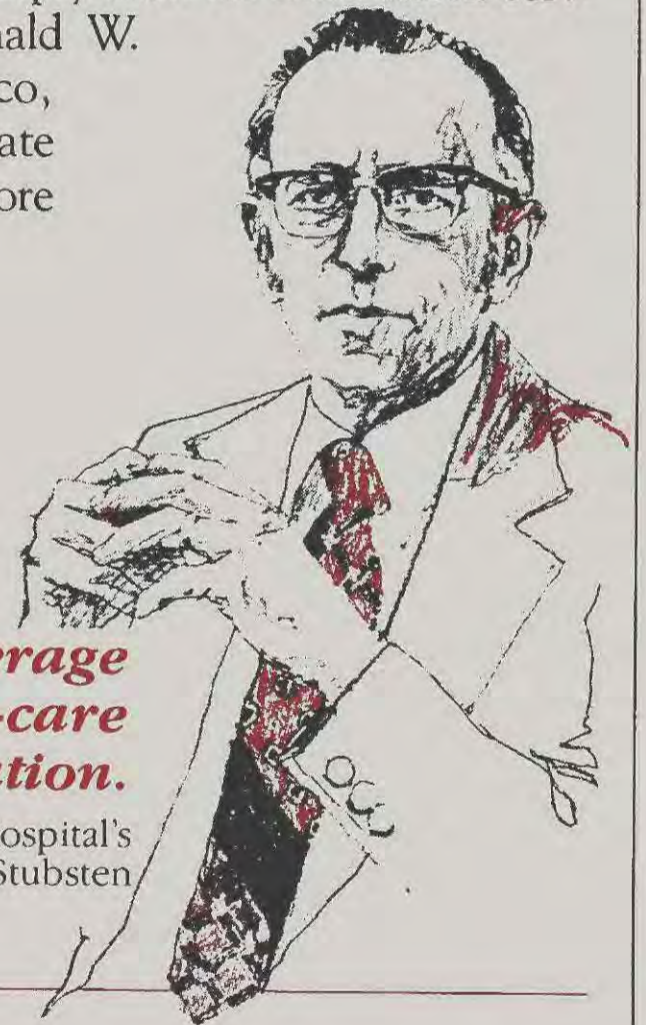
Stubsten, Administrator of Ocean Beach Hospital in Ilwaco, Washington, "I've seen inflation drive the cost of a semi-private room from \$11 a day to over \$120." Faced with this problem, more and more small hospitals are now self insuring certain risks.

Participation in a hospital association program allows Stubsten to self fund staff liability exposures to a limit of \$100,000. Excess coverages are obtained commercially. The first year OBH took part in the program, the hospital's savings were 25% over conventional liability rates.

Translated to OBH's balance sheet, the net saving was \$1,800 – sizeable for a small, 25-bed hospital. There are also cash-flow advantages. Stubsten remits OBH's share of the reserve monthly, rather than paying a lump-sum premium.

***Some new leverage
against health-care
inflation.***

Ocean Beach Hospital's
Donald Stubsten



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Insurance Professionals

Len Strazewski takes his games seriously.

Len is features editor of Business Insurance.

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Len is also the co-author of the now famous London Game* which became an instant conversation piece among insurance influentials.

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perspective

Good chemistry

Firms, carriers join to aid transit safety

By Robert A. Roland

THE AMERICAN CHEMICAL industry is developing new transportation safety programs to prevent accidents and reduce damages. The programs could well serve as models for other industries interested in improving their safety records and cutting insurance costs.

A new report by the Chemical Manufacturers Assn., a trade association of nearly 200 chemical companies, details the transportation safety progress being made by the industry.

U.S. government figures show the chemical industry shipped between 250 million and 275 million tons of chemicals in 1977. Railroads alone carry about a million chemical shipments a year. A small fraction of 1% of those shipments wind up in some sort of accident.

But even this record is not considered good enough because escaping chemicals can cause real harm. So chemical companies, working with railroads, truckers, other carriers and government, have devised a two-level safety effort: prevention and damage control.

Preventive efforts are focusing on improving vehicles and their operation and on packaging, warning signs and worker training.

For the layman, some of the names of new chemical transportation safety devices can seem a bit esoteric. Head shields, for instance. A head



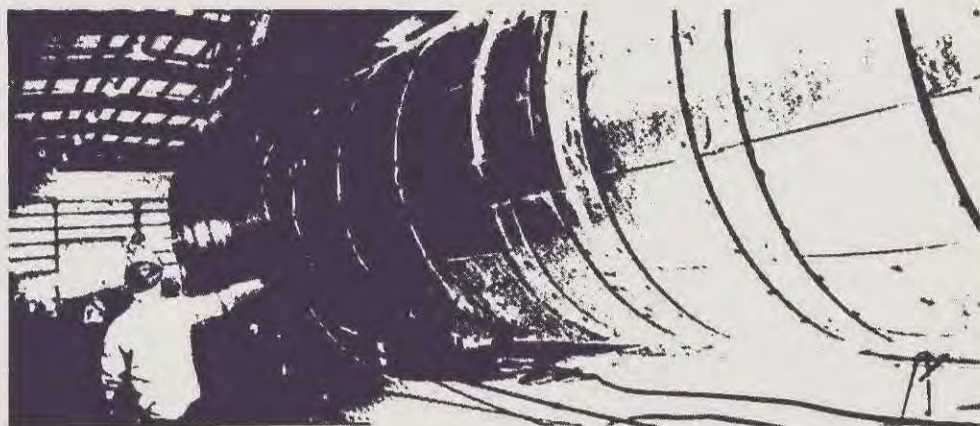
shield is a large piece of steel plate mounted at the head of a rail tank car. In a collision or a derailment, the head shield absorbs impact, helping prevent tank ruptures. Shelf couplers, in turn, hold freight cars together better.

Then there are heavy domes and railings atop the cars to reduce the chance of leakage in a rollover. And new types of containers.

The search for safer chemical containers is continuous. During 1977, the U.S. Department of Transportation had authorized 400 companies to test innovative forms of packaging, shipping conditions or carrier operations.

Unitized containers also reduce accidents. Smaller packages are packed in these containers. They then can be moved readily from, say, railroad to truck without handling the package itself.

On the human side, there's a strong commitment to employ safety training among both carriers and pro-



Chemical firms, carriers and the government are improving vehicles, packaging, warning signs and worker training.

Photos: Chem. Mfgs. Assn.

ducers. Company action programs like RHYTHM® (Remember How You Treat Hazardous Materials) are expected to make a big difference by developing more safety consciousness. RHYTHM has been adopted by more than 400 companies.

The chemical industry vigorously supports a government proposal for better warning signs and use of the U.N. identification numbers so hazards can be identified quickly and accurately, regardless of one's native language.

Even with all these precautions, accidents still occur. That's when the industry's Chemical Transportation Emergency Center network, headquartered in Washington, springs into action.

CHEMTREC's toll-free telephone number is widely publicized to shipping companies and police, fire and other emergency services. The number puts callers in touch with a CMA communicator who has at his fingertips emergency information on more than 16,000 chemical products and mixtures. Within seconds, the communicator can supply information about special precautions that can be taken at the scene of the emergency.

The CHEMTREC communicator then telephones the shipper, who can provide additional expert advice and, if needed, on-the-spot assistance. In eight years of operation, CHEMTREC has handled nearly 100,000 calls.

It's difficult to document the exact effect these efforts are having on chemical company claims and premiums. But one thing is certain—it's a positive effect.

speaking out

Industry's inefficiency experts keep the customers unsatisfied

By Peter Downes

WE WERE IN THE BRASS RAIL having our usual lunch when I was suddenly startled by a shattering thought. This sort of thing is apt to happen by the time we are getting into the second dry martini.

"How would it be," I asked, "if everybody made a conscious effort to be more efficient?"

Peter Downes's satire and humor on insurance issues regularly appear in the Perspective section. He is manager of insurance at American Trading & Production Corp. in Baltimore.

"The United States would come to an end," promptly answered my insurance broker friend, Fred.

"How come?"

"Because if everybody became more efficient, productivity would increase, there would be more money to spend, inflation would become even more rampant, the economy would then collapse and the whole country would settle down with a gentle sigh. I don't understand the logic of it, but this is the reason that the government is trying to slow down the economy so that whole armies will be laid off from work and in that way we shall all become

more prosperous."

"You're wrong, Fred," said Frank, who works for the U.S. Army Corps of Engineers. "It would all end with a bang and not a whimper because as fast as industry got more efficient, so would the bureaucracy. While industry would be working hard to increase its productivity, the bureaucrats would be working even harder to put a stop to it. Irresistible force meeting immovable object would result in an explosion and we Joe Blows would be caught in the middle, as usual."

"I hate to interrupt these eloquent

Continued on page 20

perspective

Business auto policy

Form turns its back on those leasing cars

By Thomas J. Malloy

ORCHIDS AND ONIONS to the authors of the business auto policy, CA OXO1, 1/78.

Orchids first. The BAP is a truly remarkable document composed of 605 words, good words, easy to read, easy to spell, easy to pronounce, easy to understand and well within the range of the average insurance buyer's (and underwriter's) vocabulary. Furthermore, it is printed in very readable type on standard 8½ by 11-inch paper with its insuring agreements, definitions, conditions and exclusions arranged in very logical order. The number of typewritten entries and handwritten signatures required for its completion has been greatly reduced. The BAP can, and will, be computer-issued with a minimum of difficulty and confusion.

So much for the orchids, now for the onions. I am horrified and dismayed to discover that the word "leased" is nowhere to be found in CA OXO1, 1/78! Imagine that! There are approximately 10 million leased autos in the U.S. and the authors of the BAP have simply ignored them. Insuring leased autos adequately under the old auto forms was a clumsy and cumbersome procedure

and, alas, insuring leased autos properly under the BAP continues to be a clumsy and cumbersome procedure.

What am I bitching about? As an insurance agent, I am occasionally confronted with a client, who like millions of other Americans, had the affrontery to lease his auto rather than buy it. Arranging adequate insurance for him gives rise to all sorts of problems.

In order to issue his BAP, I must complete a separate declarations page upon which the insuring agreements are triggered by placing numerical symbols in ballot boxes. By placing the numeral 1 in the liability coverage ballot box, my client is granted fully automatic coverage for all autos used in his business whether they are owned, leased, borrowed, confiscated, repossessed, etc. So far, so good. Next comes the medical payments, no-fault and uninsured motorist ballot boxes. Right away I am in trouble, for the authors of the BAP say, "No, no, no, you may not use the numeral 1 here; try numeral 2."

I did. It doesn't work. Numeral 2 provides coverage for owned autos only. My client doesn't own any autos, but he leases one. Well, let's move on to the physical damage ballot boxes. More trouble, numeral 1 not permitted, numeral 2 doesn't work. Ah ha! Here is a solution, use numeral 8. This is the



Photos: Mary Cairns

symbol for hired autos (which includes leased autos) and may be used in physical damage ballot boxes but not in liability, medical pay or no-fault ballot boxes.

For physical damage, I have solved my problem, but my client isn't going to be very happy with my solution, for when the insurance company finds the numeral 8 in this ballot box it adds a hefty 20% increase to the physical damage premiums, explaining it may be called upon to pay a physical damage claim on an auto my client may decide to rent. My client doesn't rent autos, he simply leased one.

There is another solution, I think. The manual says I may attach endorsement CA 9916, "Hired autos specified as covered autos you own." It reads, "Any auto described in this endorsement will be considered as a covered auto you own and not a covered auto you hire, borrow or lease, under the coverage for which it is a covered auto."

This endorsement converts my client's leased auto into an owned auto as far as policy interpretation is concerned, but it does nothing for an auto

he may decide to lease in the future because that auto is not described in the endorsement.

Furthermore, while it adds the lessor as an additional insured for liability coverage, it does nothing for the lessor in the way of physical damage coverage, and the lessor is not at all happy with this arrangement. In order to take care of the lessor, we need still another endorsement, CA 2001, titled "Additional insured lessor." This endorsement injects a new term into the policy, "leased auto," and goes on to recite that the leased auto described in the endorsement and any substitute or replacement thereof is a covered auto. Also, it adds the lessor as an additional insured for liability and physical damage.

Well, as long as my client doesn't lease another car from a different lessor, I think I have him covered, but this is a fumbling, bumbling, stumbling, dumb, dumb way for the insurance industry to respond to the needs of the leasing industry. There is a better way. Add a 606th word to the BAP. Wherever the term "owned auto" appears, change it to read, "owned or leased." How about it, ISO?



other questions: What constitutes acceptance and final delivery? Is the term acceptance in this case broader than receipt and is final delivery identical with acceptance by the consignee? Legal and other dictionaries state the difference between receive and accept. This may eventually require judicial interpretation.

Under this subsection coverage depends upon acceptance or delivery "by the insured." According to Part I of the BAP, "you" are the named insured and "insured" means "any person or organization qualifying as an insured in the Who is Insured section." Is acceptance and delivery by anyone qualifying as "an" insured also "the" insured within the context of the endorsement and also anyone who is not an insured but acting for "the" insured? The intent of simplifying policies is not always successful.

A serious exclusion is contained in the last paragraph of section A of the endorsement. It excludes coverage for "bodily injury or property damage resulting from the movement of property by a mechanical device (other than a hand truck) not attached to the covered auto." This means the BAP does not cover the policyholder for any accident, even on its own premises, if the property is loaded or unloaded by a forklift or a crane not attached to the truck, or similar equipment. As the comprehensive general liability policy also excludes loading or unloading, regardless by what means, there is no coverage under either policy.

It is strongly recommended that risk managers and brokers of policyholders affected by the endorsement contact their insurers for the revision or complete elimination of the loading and unloading exclusion from the BAP.

Loading exclusion puts serious gap in coverage

By Henry Salfeld

THE BUSINESS AUTO policy, when originally put into effect by the ISO, contained an exclusion for "bodily injury or property damage resulting from the loading of property before it has been put in or on the covered auto or the unloading of property after it has been taken off or out of the covered auto. This exclusion does not apply to loading or unloading by means of a mechanical device that is permanently attached to the covered auto."

As the standard comprehensive general liability policy excludes loading or unloading of an auto without qualification, a gap in coverage had been created. Some companies have eliminated the exclusion from the BAP without substituting another one, thus reinstating the conditions as they ex-

isted before the new policy.

However, in July 1978, the ISO published an endorsement, not yet approved in New York, captioned: "Changes in policy handling of property," which in the first sentence of its section A eliminates "the exclusion relating to loading or unloading of property." It then substitutes two new exclusions that omit the terms "loading and unloading" and introduce, without definition, the term "handling of property." Under section A the endorsement excludes such handling of property:

"Before it is moved from the place where it is accepted by the insured for movement into or on the covered auto, or after it is moved from the covered auto to the place where it is finally delivered by the insured."

As this refers to places where the policyholder accepts or to which he delivers property, it seems to eliminate from the exclusions and, therefore, provide coverage for handling, including loading and unloading, on the policyholder's own premises.

There remain, however, several

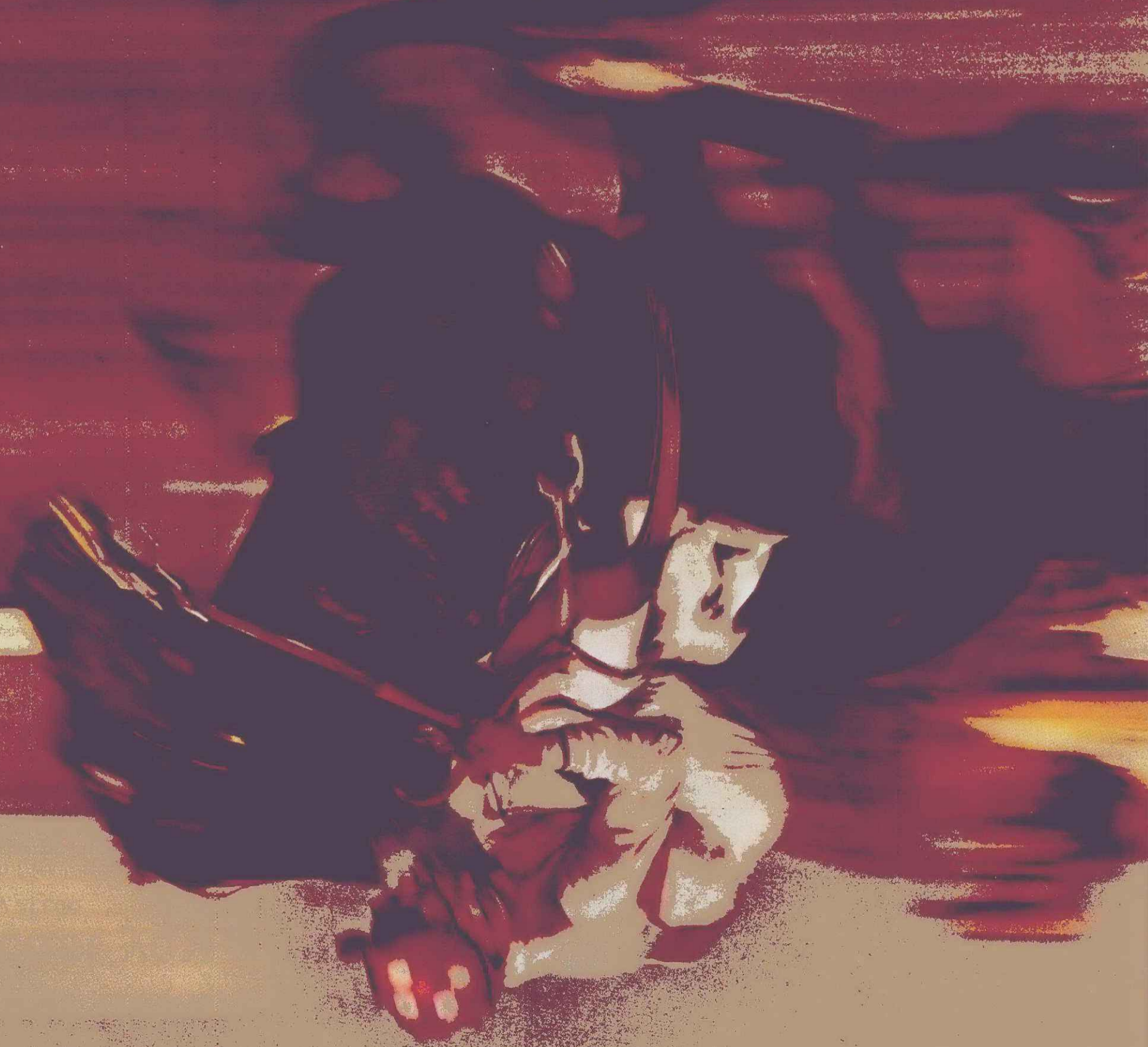
Henry Salfeld was an insurance broker with Frenkel & Co. in New York since 1935 and has been a consultant to that firm since 1974, when he retired as senior vp. He has written extensively on insurance.

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perspective

Taxpayers beware: Ullman health proposal will cost you even more

By Al Lutz

AS OF THIS WRITING, Rep. Al Ullman's proposal to penalize big health care benefits (H.R. 5740) is still in committee and hearings are being scheduled around the U.S. to gather opinions. The scope and detail of this proposed legislation are of such magnitude that the old buy word of caveat emptor must make way for a new byword—CAVEAT ASSIDUUS—taxpayer beware!

This act would grossly affect not only insurance buyers, but also those who have chosen self-insurance or any of the many stop-loss arrangements to fund the medical expense portion of their employe benefit programs. The reason given for this proposal is that employer-provided medical expense

Alton E. Lutz, CLU, FLMI, is group underwriter with the Independent Life & Accident Insurance Co.

benefits are too generous, creating too great a demand for medical services and treatment.

Contrast this philosophy with that of other legislation aimed at a national health insurance program that has been incubating for years on the premise that our society lacks adequate health insurance. The one redeeming grace of the Ullman bill is that it acknowledges that the original premise for a national health plan is no longer valid.

Although all direct employer outlays for medical expenses, including rebates to employes as required by this act, would continue to be tax deductible, the administrative expense for plans would be tremendous. This added burden is immeasurable. The added taxes to employes would come not only out of the rebates, but also out of the after-tax income of all persons for whom the cost of employer-paid



Unhealthy program

This act would also affect those who choose self-insurance or stop-loss arrangements to fund their medical plans, says Al Lutz.

benefits exceeds the criteria.

These criteria are defined as the applicable dollar limit, as follows:

1	all such employes (unit cost basis)	\$55
2	(a) employe only	45
	(b) employe and family (composite basis)	110
3	(a) employe only	45
	(b) employe and spouse	90
	(c) employe and family (three-way breakdown)	120

A fully noncontributory health plan that is self-insured or covered under a stop-loss agreement on a unit cost basis as in (1) would have a limit of only \$55. Such plans will have to estimate annual per-employe benefit costs, incurring actuarial expenses that may be required under additional regulations.

Furthermore, if the per-employe cost exceeds \$55 per month (the only such trigger point that coincides with the

applicable dollar limit), a lower cost option must be offered, with rebates made to all who opt for the lower cost plan. Such rebates must even be prorated on a portion of a month's coverage upon termination of an employe from the plan.

All of the above, and much more, is the rosy part of the picture. The extensive details in other parts of Title I of the act must be observed or the plan will be nonqualified. Then all premiums, if insured, or all average per employe costs, if not insured, would be taxable income to employes. CAVEAT ASSIDUUS!

If you have just insured your medical reimbursement plan to comply with other federal tax regulations, and this act becomes law—CAVEAT ASSIDUUS!

Inefficiency experts keep customers unsatisfied

Continued from page 17

speeches," I said, "but neither of you has convinced me that even a modest increase in efficiency would be less than beneficial. Look, all that I am saying is that all the managers in the U.S.A. with their fancy college degrees and centuries of experience might well give a passing thought to improving their efficiency and acting accordingly."

"How do you propose to bring about this miracle?" asked Frank.

"I don't. Indeed, I can't, unless you count earnest prayers for the self-destruction of some of those concerned as an aid. The fact is, my good people, we have seen the collapse of another American myth and we don't wish to acknowledge it. We all grew up knowing that bankruptcies of small businesses run into the thousands each year, usually because of inefficiency. However, according to holy writ or something, management science and American knowhow rendered major corporations immune from such vicissitudes. Studebaker, you ask? Well, that was thought to be an aberration, but Penn Central, W.T. Grant, the Lockheed difficulty and now Chrysler make it seem like a new way of life. None of them got into trouble because of their brilliant management."

"Still and all," Fred said, "the United States and New Jersey have the most efficient companies in the world."

"You may be right, but don't forget that conspicuous consumption and built-in obsolescence is also an American way of life. The United States has thrived on waste and inefficiency and this attitude has permeated all levels of the business enterprise. For myself, I was brought up to live frugally and I



Tough question

How long has it been since you received a policy more than a couple of pages long that was right the first time? asks Peter Downes.

deplore all this waste and inefficiency."

"Pete, viewing your waistline from this angle I suddenly find myself having grave doubts about everything you have just said."

"Lay off it, Fred. In any American corporation there is room for improvement. For example, I have just read that one insurance company had 17,000 employes last year. If each employe took the trouble to make one less mistake each day at an average cost of \$10 a mistake, the savings would amount to more than \$40 million a year. This would probably be a marginal amount in terms of expenses, but I would bet it would be a significant percentage of profit or loss."

"Be reasonable, Pete, if an insurance company got that efficient, everybody would take longer coffee breaks."

"Look, Fred, I know you have never read an insurance policy in your life, but how long has it been since your assistants received a policy more than a couple of pages long that was right the first time? And how many times have you got forms from the in-

surers that they demand be completed but have absolutely no bearing on the case in question? And when was the last time you did not have to question a complex audit? And how often have you got a quotation over the phone, confirmed acceptance in writing and have then received a policy with an entirely different limit or premium or both? And the renewal cover notes you received, how often have things been changed without your knowledge?"

"Any more complaints while you're at it?" demanded a truculent Fred.

"Well, yes, I have. I renewed a major policy some months ago and as of today I have received neither bill nor policy. I asked particularly for both to be in my hands before year-end for all sorts of urgent reasons. The insurer is not even apologetic about the thing, just said I would have to wait."

"You at least have the use of your money while you're waiting."

"That's true, but the thought has crossed my fuzzy mind that perhaps I shall be the loser in the long run because of it. The fact that I still have the money implies that the insurer is depleting its earnings, and if this is hap-

pening on a large scale, rate levels will tend to increase in order to offset any deficiency. So, although initially I appear to be the winner, I have a funny feeling that anything I gain has to be paid to the insurer with interest at a later date. Anyway, Fred, you brokers ought to get on the ball because you stand to lose more than any of us."

"We shout about it from time to time, but there is not much we can do."

"Yes, Fred, but whatever happened to concepts like service to customers? Account executives who deal with the public usually try really hard to provide good service, only to be thwarted by some mindless invex back in the corporate labyrinth who thinks there are more important things to worry about besides customers."

"In spite of all that, nobody is trying to do you out of anything, you know."

"Really! Think for a moment, can you remember the last time an insurance company made a mistake that favored the customer?"

"Right now I find it hard to recall such an earth-shaking event."

"Then perhaps we have discovered a completely new principle, like Murphy's Law or something. Actually, it is not new at all but has just not been formulated, that's all. What it says is... the administrative systems of insurers are such that in the event of any error being made, such error shall always benefit the insurance company at the expense of the customer."

"Not bad at all. Assuming that somebody has not already dreamt it up, what do you intend calling that defamatory masterpiece? The Peter Principle and Down's Syndrome have already been taken."

"How about the Law of Insurable Interest?"

CPCU talk:

Examination questions bring inventive answers

THE FOLLOWING AMUSING definitions of insurance terms were selected from a list given to the Society of CPCU by a friend. They are purported to be actual answers to questions on a state examination for agent and broker applicants. They certainly reveal an imaginative, if somewhat hazy and garbled, conception of the insurance business:

Excess insurance would be the inclusion of perils that are not apt to occur since so many perils are included.

Concurrency exists where there is a lack of non-currents or if a company wishes to cancel the policy it is concurrent.

Subrogation is intended and willful means to no good ideas—intent of bad business or intending to extract money and making profitable to one's self and marking it as a bad business venture.

If a company pays the claim and no liability exists, it is **subrogation**.

Term rates: If an insured desires to cover a load of furniture while he is at his mother-in-law's for a period of six months, he could secure a term rate.

Moral hazard: An excessive drinker, carouser, staying up until all hours of the night going from one nightclub to the next.

Moral hazard: Applies to any risks involving the mind—its excitability or frenzy such as race riots, strikes, violence, vandalisms, hoodlums.

Direct loss by fire: if your living room is ablaze. **Indirect loss:** a room upstairs burning.

Direct loss by fire: Fire occurs in your house. **Indirect loss:** Fire occurs at a remote location, such as your summer home.



Passing grades? CPCU students rate an "A" for imagination in their alleged answers to state exam questions.

An example of "indirect loss by fire": If my wife was in the kitchen and she saw smoke and someone yelled "fire" and she picked up a clock to save it from the fire and threw it out of the window, this would be covered as being an indirect loss by fire.

Sue and labor: Insistent persecution could be another name for sue and labor.

Jewelry/fur floater covers intimate relations in the domicile but they must be scheduled.

Q. Whose property, other than the named insured's, is covered by a per-

sonal property floater? A. The mortgagee's wife and children.

Q. What is meant by "flat cancellation"? A. Each flat may be insured separately or canceled separately.

Q. Show your prospect four causes that might lead to loss covered under a sprinkler leakage policy. A. If I were selling a leakage policy I would tell him he might be in danger of leakage, dampness or wetness.

Q. Who is eligible for Bailee's coverage? A. Any person who is over 21 years of age and a citizen of the United States.

Q. What is pilferage? A. Damage to goods in packages just for fun or to snoop.

Define **inherent vice:** Inherent vice is when something happens to an article by immoral means (ex.: the insured is a gangster and the watch he has insured is broken by a bullet).

Q. What is the function of a removal bond? A. A removal bond is usually issued in connection with garbage removal contracts and agrees to remove garbage, etc., according to the agreement of the contract.

Q. Does the jewelry/fur floater cover specified perils? A. If a person is going to a cold climate but has to pass through a very hot area, the fur coat could be covered while going through this hot climate.

Q. What type of property is usually covered by a trip transit policy? A. Any property except that which is easily chipped, such as bathtubs and sinks.

Q. Give two reasons why the superintendent may suspend or revoke a broker's license. A. Broker is involved in any illegal transaction, is in a state penal institution or is deceased.

Q. Define "act of God" as used in connection with inland marine insurance. A. An act for which man has no responsibility (unless assumed) (although pregnancy is often legally misnamed as such).

Q. What is an "outage" as used in connection with a steam boiler policy? A. Outage is the age given to a previously repaired boiler. A. Outage is the portion of the boiler outside the premises. A. Outage is "out of age," old. A. Outage is the amount of pressure needed by the boiler.

N.M. high court rejects bypass surgery claim

FAILURE TO FILE A written claim and to exhaust an established grievance procedure in a group health plan led the supreme court of New Mexico to deny a claimant coverage for intestinal bypass surgery.

Richard Rushing was a member of a group health program through his employer, the city of Albuquerque. The plan provided that no legal action should be brought until the member had made a written claim and exhausted the established grievance procedure. Mr. Rushing sought approval from the plan's medical director for intestinal bypass surgery which he desired for weight reduction purposes. The surgery was disapproved. Nevertheless, Mr. Rushing underwent surgery a week later. He then filed a claim against the plan and was awarded a recovery by the trial court.

The appellate court reversed the decision, emphasizing the written claim and grievance procedures were clear and unambiguous. The court said the provisions were prerequisite to filing the suit and rejected Mr. Rushing's contention that the surgery was an

emergency and thus outside the written claim requirement. The court said there was no evidence that Mr. Rushing's condition required such immediate treatment that his health might have been jeopardized by delay so as to bring him within the emergency service provision of the policy. *Rushing vs. Lovelace-Bataan Health Program*, supreme court of New Mexico, July 9, 1979 (BI/02/F-\$4).

legal briefs

No accident

"Accident," as used in the workers compensation act, was defined by the Utah supreme court as connoting an unanticipated, unintended occurrence different from what would normally be expected to occur in the usual course of events. Thus, the court held that when a person slams his fist against a locked, stationary metal door, it was foreseeable and expected that his hand would be injured.

Ted Spackman was a part-time hospital employe. During a break in his normal duties, Mr. Spackman initiated a conversation with his superior concerning future leave time. As the result of the conversation, Mr. Spackman became angry and vented his rage on a number of garbage cans and cardboard

boxes adjacent to the office. The fury culminated in his slamming his fists against two metal swinging doors, one of which he knew was locked, and fracturing his hand. Mr. Spackman filed a claim for compensation for temporary total disability. He was awarded compensation.

The appellate court reversed the award. The court pointed out that an injury is not compensable unless it was accidental and not purposely self-inflicted. Although the employe's activity may be intentional and still be an "accident," the result of the intentional activity must be unexpected or unforeseen, the court said. Here, the court stressed, the harm resulting from Mr. Spackman's intentional activity was not unusual, unexpected or unforeseen. The court concluded there was no accident here and the injury did not fulfill the requirements of the act. *McKay Dee Hospital vs. Industrial Commission*, supreme court of Utah, July 16, 1979 (BI/03/F-\$4).

Bankers bond

The Iowa supreme court, in a suit on a bank's fidelity bond, ruled that the fact that one knowingly makes unauthorized loans in excess of authority

has been called "such a breach of trust as will constitute fraud or dishonesty within the meaning of the law."

The receiver of the State Bank of Prairie City brought this suit against the National Surety Corp. on a fidelity bond issued to the bank for losses allegedly resulting from the dishonest and fraudulent acts of a bank officer. The bank president, who also was a substantial bank stockholder, was very liberal in making loans, some of which exceeded the bank's \$25,000 limit. The practice had been criticized by bank examiners and he apparently had stopped the practice.

However, a separate audit by the FDIC revealed that he continued the practice, resulting in the bank's closing. The president had juggled the bank's books to conceal the loans and made false records. The receiver recovered a judgment of almost \$1 million against the insurer.

The appellate court concluded there was substantial evidence to show a want of integrity or breach of trust. The court emphasized that for a fidelity bond to be inapplicable, the bank directors must not only have had knowledge of the acts, but they must also have appreciated their fraudulent nature and condoned, acquiesced or participated in them. *Federal Deposit Insurance Corp. vs. National Surety Corp.*, supreme court of Iowa, July 25, 1979 (BI/05/F-\$4).

Big losses haunt new Lloyd's leader

By JOHN H. MILLER

LONDON—Many of the problems recently plaguing Lloyd's can be attributed to bad underwriting judgments and major losses may prompt questions about Lloyd's

london line

financial stability, chairman Peter Green told *Business Insurance* in a wide-ranging interview.

info

• The 1980-81 edition of the **Little Red Book** from GAB Business Services Inc. is available to all insurance companies, agents, brokers and self-insureds. The directory provides a complete roster of addresses as well as day and night telephone numbers for each of GAB's more than 700 offices in the U.S. and the Caribbean. Also included are all Intermodal Transportation Services Inc. offices, along with telex numbers for overseas sites, INS Investigations Bureau Inc. and key staff members. Free copies are available by writing to R.H. Hopkins, vp-marketing, GAB Business Services Inc., 123 William St., New York, N.Y. 10038

• A **Pocket Guide to Arson Investigation**, released by Factory Mutual Engineering in October 1979, has been revised. The new book includes a fold-out flow chart that diagrams the steps a firefighter should follow and the questions to ask at the response, suppression and investigation stages of a suspicious fire. Some of the guide's topics include: observations en route to the fire, awareness while fighting the fire, determining the cause and handling the evidence. Factory Mutual Policyholders may buy the guide for 50 cents, cost to non-members is \$1. Write Factory Mutual Training Resource Center, Order Processing Department, Box 588, Norwood, Me. 02062.

• Have you ever installed a fire detection and control system only to have it removed months later because the fire code changes? If so, Johnson Controls is offering a booklet which could help you meet the new fire codes without getting burned. The booklet provides guidelines on how to choose the best fire safety system for a building and how to ensure it works properly. For a free copy write Johnson Controls, 507 E. Michigan St., Milwaukee, Wisc. 53202.

• Inflation and its impact on em-

ployee benefit costs was the topic covered at a series of seminars sponsored by Meidinger & Associates Inc. A text of the speeches delivered at the seminars is available free in the publication **Controlling Benefit Costs**. Write Roy Zander, Meidinger & Associates Inc., Suite 1800, 20 North Wacker Drive, Chicago, Illinois 60606.

• Interested in the international benefit scene? The **Worldwide Benefit Review**, published by William M. Mercer, summarizes the political, economic and social developments during the past year that have affected benefits. The free review indicates how companies are responding and forecasts trends for the coming year. Write William D. Welsford, director, William M. Mercer International, 11211 Avenue of the Americas, New York, N.Y. 10036.

• **What's Happening in Product Liability? Some Recent Studies in the Field** is available for purchase. The publication consists mainly of papers presented at the fall 1979 meeting of the Machinery and Allied Products Institute. It is available to MAPI member companies at \$4 and at \$6 for all others. Write Charles Derr, senior vp, Machinery and Allied Products Institute, 1200 18th St. N.W., Washington, D.C. 20036.

• An updated version of the **OSHA Handbook for Small Businesses** guides employers through a seven-point program to improve occupational safety and health in their companies. The 51-page booklet includes a sample checklist for a workplace self-inspection and describes sources of no-cost help available to those wanting to improve safety and health on the job. Information on OSHA's free on-site consultation program is included. For a free copy, write OSHA Publications Office, Room S1212, New Department of Labor Building, Third Street and Constitution Ave., N.W., Washington, D.C. 20210.

"Lloyd's has grown faster in the past five years than at any other period in its history," Mr. Green said. "So too has the size of individual risks. Their exposures are all the greater in spite of modern high-technology equipment, which is certainly directed in a large degree to loss prevention.

"But there's a vast difference between the Stratocruiser and the Concorde in terms of value—or between Liberty ships and the latest container ships, or the first offshore oil drilling rigs and the present multimillion-dollar platforms. I feel people in the U.S. and elsewhere ought to realize just how big an investment Lloyd's has had to accept in terms of its insurance involvements with the frontiers of modern technology."

Nevertheless, Mr. Green tempers those remarks with optimism.

"Fortunately, there have always been, and I hope always will be, underwriters at Lloyd's who have the courage to back their own judgment," he said.

"Usually they have the skills and imagination essential to pioneer the new forms of insurance required for changing needs. But the claims when they occur are inevitably very much larger than in the past. And it has to be admitted that many of the problems which also appear to be much bigger are often due to errors of underwriting judgment, though this is only apparent with hindsight, and in any event adds to the experience of the market and ultimately its expertise."

Mr. Green agrees questions over Lloyd's financial stability can come into the fore when losses arise, especially if "questions of competence and good faith" surround them.

"But the U.S. trust fund has risen steadily in line with the expansion of our business and now exceeds \$2.5 billion," he conti-



Note of optimism

"There have always been underwriters at Lloyd's who have the courage to back their own judgment," says chairman Peter Green.

nued. "So the question of solvency is not one of our preoccupations at the moment."

Disciplinary procedures that have served Lloyd's well for more than 100 years are in urgent need of review, he admits, and he expects to give great attention to the findings of an independent committee under former U.K. High Court Judge Sir Henry Fisher that has been studying these rules for the past 12 months.

"They'll have a major effect on steps to bring our self-regulatory powers into line with 1980 thinking and requirements," Mr. Green predicted.

But he is averse to any intensive control over the day-to-day business of Lloyd's market itself.

"Every underwriter has to make up his own mind whether to accept a risk or not and on what terms," he said. "So one of the principal duties of the committee of Lloyd's must be to make sure that he stays free to exercise this judgment, which is his and his alone."

Suggestions of greater control over market attitudes toward individual risks betray a "very real lack of understanding of the operation of Lloyd's," Mr. Green said.

"Lloyd's is continually examining its requirements," he said. "But in reality, the problems of the past two years are essentially no different from those that have gone before in its history. Two

hundred or so years ago its reputation was threatened because insurance was in danger of becoming merely an extension of gambling, which was the popular sport of the period. Underwriters made certain then that Lloyd's would stay secure and they're doing the same now in the modern environment."

Potential conflicts for insurance buyers if bigger link-ups occur between Lloyd's brokers and underwriting agencies (*BI*, Nov. 26, 1979) fail to worry Mr. Green, who agrees their functions should be kept separate if possible.

"Risk managers and other buyers of insurance are highly experienced people when they are representing large industrial corporates," he pointed out. "So they've a pretty good idea of what their risk is worth and are quite capable of looking after their interests."

"Underwriters should be independent of brokers in the sense that a broker can't dictate to them how to write a risk, but I don't believe active brokers interfere in this way. They can advise an underwriter and possibly help with fund investment and other administrative matters," he said.

"Insurance buyers have a choice of nearly 270 Lloyd's brokers, and if I was a client I'd be much more worried in case an underwriter was laying pressure on a broker, rather than the reverse."

datebook

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

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

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

MARCH 24-25. Executive Compensation '80 conference in New York, sponsored by AMR International, Inc.; \$550 or \$495 each for two or more. AMR International, Inc., Advanced Management Research, 1370 Avenue of the Americas, New York, N.Y. 10019; 212-974-0800.

MARCH 24-25. Engineer as Manager seminar, in Milwaukee, sponsored by the Milwaukee School of Engineering; \$295 for two days, discount for three or more from same firm. Sandra Everts, Milwau-

kee School of Engineering, P.O. Box 644, Milwaukee, WI 53201; 414-272-8720, ext. 260.

MARCH 25-26. Effective Communicating seminar in Green Bay, Wisc., sponsored by the Milwaukee School of Engineering; \$295 for two days, discount for three or more from same firm. Also **MARCH 27-28 Negotiating for Results** seminar. Sandra Everts, Milwaukee School of Engineering, P.O. Box 644, Milwaukee, WI 53201; 414-272-8720, ext. 260.

MARCH 25-28. International Arbitration Systems and Sites conference in Bermuda, co-sponsored by the American Arbitration Association, the Arbitrators' Institute of Canada Inc., and the Chartered Institute of Arbitrators of London, England; \$350 for AAA members or \$400 for non-members. Bermuda Conference, American Arbitration Association, 140 West 58th Street, New York, N.Y. 10020; 212-977-2968.

MARCH 25-28. Financial Planning Seminar in Risk Management in New York, City, sponsored by Anistics; \$550. Seminar coordinator, Anistics, 640 Fifth Ave., New York, N.Y. 10019; 212-541-6050.

MARCH 27. Captive Insurance Companies Briefing conference in London, sponsored by Risk Research Group, Limited. Janie

Coghill, Risk Research Group Limited, Bridge House, 181 Queen Victoria Street, London, England EC4V; 01-236-2175.

MARCH 28. Risk Assessment in the '80s in Oakland, Calif., sponsored by the Northern California Section of the American Industrial Hygiene Assn.; \$25 in advance, \$30 at the door. Contact Linnea Casteneda, Kaiser Aluminum & Chemical Corp., 1465 Factor Ave., San Leandro, Calif. 94577; 415-483-8001.

APRIL 10-11. Medical Evidence Seminar in New York City, sponsored by the Practising Law Institute; \$225. Also **April 24-25** in San Francisco. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

APRIL 18-19. Product Liability Update 1980 Seminar in New York City, sponsored by the Practising Law Institute; \$225. Also **May 16-17** in New Orleans and **June 13-14** in San Francisco. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

APRIL 21-25. International Fire, Security and Safety Exhibition in London, sponsored by Victor Green Publications Ltd., London. Victor Green Publications Ltd., 106 Hampstead Rd., London NWk, 2LS, England; phone 01-388-7661; telex 881108 IFSSEC G.

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Ford executive defends position of Pinto gas tank

By ROGER ROWAND
Special to Business Insurance

WINAMAC, Ind.—Ford Motor Co. is trying to establish in the Pinto case here that its 1973 Pinto was safely designed by presenting a string of witnesses defending the fuel tank placement.

The reckless homicide trial of Ford for the death of three teenage girls killed in a 1973 Pinto that exploded when hit by a van in August 1978 is expected to continue until at least March 5.

"When I said the trial would be short, I was overly optimistic," said Ford attorney James Neal.

Continual attempts by prosecutor Michael Cosentino to introduce evidence already barred by Judge Harold Staffeldt is slowing the progress of the trial. Judge Staffeldt is excluding evidence pertaining to Pintos built in years other than 1973, on which most crash tests were performed.

Ford is countering the prosecution evidence now, most recently with the testimony of the man Ford says was responsible for engineering the Pinto from concept to production.

Harold C. MacDonald, Ford vp-engineering and research, outlined during the seventh week of the

has been sensitive to fuel tank location. His father was burned to death in a one-car crash in a Model A Ford in which the fuel tank was at the base of the windshield. "I've always been sensitive about tank placement—as far from the engine and passenger compartment as possible," he said.

In cross examination, prosecutor Mr. Cosentino pointed out there were no NHTSA standards in 1973 for rear impacts. He also said the 1973 Pinto was the only 1973 subcompact recalled because of a fire hazard. ■

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"I've always been sensitive about tank placement," says Harold MacDonald.

trial why he considers the 1973 Pinto fuel tank design safe.

He testified:

- The Pinto met all federal fuel system integrity standards, which at the time pertained to front-end collisions. The Pinto also met a Ford standard, instituted by Mr. MacDonald, which required a car to withstand a rear-end 4,000-pound moving barrier crash at 20 mph with gasoline spillage not to exceed one ounce on impact and one ounce a minute thereafter. No other automaker had such a self-imposed standard, he said.

- He was sure the car's rear-end structure was adequate. "I compared it with other subcompacts of that time and my conclusion was Pinto was comparable," he said.

- Statistics showed the Pinto was equal to the average car in terms of fatal crashes with fires.

- The General Service Administration in 1966 had recommended a 20 mph moving barrier test for cars the government bought.

Mr. MacDonald also said that in 1977, Pintos represented 1.9% of cars in operation in the U.S. and accounted for 1.9% of all accidents with fire. It was in 1977 that the Federal Accident Reporting System went into operation.

Mr. MacDonald said he always

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Rockwell workers win higher pensions

ABOUT 7,000 United Auto Workers members at 10 Rockwell International plants are getting increased pension, life and medical benefits under a new three-year contract retroactive to Feb. 4.

Monthly pension benefits for current retirees were raised to a minimum of \$11.85 per year of credited service from \$9.95, and will increase to a minimum of \$13.90 by the end of the contract. Future retirees will begin receiving \$16 a month per year of service and a minimum of \$18.25 by the end of the contract.

Current retirees under the "30 and out" system, who currently receive a minimum of \$500 a month, will see payments increase to \$575 a month and to \$690 a month by the end of the contract. Women workers will receive up to nearly four months credited service for each pregnancy disability.

In addition, the company will increase its Medicare B payments to \$8.70 a month from the current \$7.20, reaching \$9.70 by the third year of the pact.

Under the medical benefit package, all retirees, surviving spouses and dependents will be included in the family vision care program as of March 1, 1981; payments for contact lenses will increase to \$35 from \$25; the limit for dental care will increase to \$1,000 from \$750, and the lifetime limit on orthodontia will increase to \$800 from \$650.

benefit beat

The UAW also gained higher life insurance benefits, with payments increasing to \$19,500 from the current \$15,000 and to \$20,000 by the end of the contract. Sickness and accident payments, now \$170 a week, will increase to \$210.

Disability provisions

About 800 members of the United Paperworkers Interna-

tional Union employed by Crown Zellerbach Corp.'s mill in St. Francisville, La., won increases in disability benefits in a three-year contract ending a four-month-long strike.

The entire insurance package will cost \$1 a month for individual employees and \$7.50 a month for employees with dependents, down from the former \$9 for the family plan, said Clifton King, interna-

tional representative for the UPIU. Blue Cross & Blue Shield underwrites the union's coverages.

Workers won two new provisions in the total disability package: the company will pay 100% of the premium for hospitalization and life insurance for persons totally and permanently disabled for up to 30 months, at which time they become eligible for Medicare. The company also will pay 75% of the premiums for an employee and dependents if the employee retires at age 62, until the worker reaches 65. The cost of the premiums has

not been determined yet, Mr. King said.

Also included in the contract, which is retroactive to Sept. 1, 1979, is an increase in the minimum pension benefit to \$16.50 a month per year of service from \$9 a month, with a maximum benefit of \$25 a month. After two years, maximum pension benefits will increase to \$26.

Made any benefit changes? Write Valerie Berg, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5430.

Purolator names Dziuban risk exec

comings & goings: buyers

Peter Dziuban, 40, has been named to the newly created position of director of risk management for Purolator Inc. in Piscataway, N.J. He previously served as manager of corporate insurance at Eastern Airlines in Miami, where a replacement has not been named. Mr. Dziuban will be responsible for centralizing and coordinating Purolator's insurance programs and setting up the risk management department, which eventually will include a manager of loss prevention, manager of claims control and insurance supervisor. Mr. Dziuban has a B.A. degree from The College of Insurance and reports to Thomas

Margetts, senior vp of finance.

Robert A. Britton, 33, has been promoted to corporate treasurer at American Maize-Products Co. in Stamford, Conn. Before this he served as manager of financial services for the company, a position not yet filled. Mr. Britton is responsible for banking, finance analysis, property and casualty insurance and pensions for the company. He has a B.S. degree in economics from Sienna College and M.B.A. degrees in marketing and finance

from New York University. As the only company treasurer named in about 10 years, he reports to Alan J. Edly, vp of finance.

Ron Hutchinson, 35, has been named risk manager for the city of Salem, Ore. Mr. Hutchinson has been acting risk manager for the past 18 months and before that served as safety officer for the city. He has a bachelor's degree in psychology from Oregon College and reports to personnel director Darrell Dearborn.

Charyl J. Peske, former risk manager for the city of Milwaukee, has been named vp of Strauss Zahn Co. in Milwaukee, the Laub Group's recently acquired insurance counseling and loss adjustment subsidiary. A replacement has not yet been named by the city. Ms. Peske, who was assistant risk manager for the University of Wisconsin-Milwaukee before working for the city, has a B.A. degree from the University of Wisconsin-Milwaukee. She is also former director of the Risk & Insurance Management Society—Wisconsin chapter and is a member of the National Safety Council.

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Insurers won't defend township in suit

Continued from page 1

and grandchildren that result from contamination of the wells, \$1.5 million for the replacement cost of the wells and unspecified punitive damages.

Contaminants reported to have been found in the Legler groundwater include carcinogens such as benzene, chloroform, trichloroethylene, tetrachloroethylene and dichloroethylene and chemicals affecting kidneys, blood, bone marrow, nervous respiratory tract and digestion systems.

Little recourse

Area residents, including Mr. McCarthy, have reported kidney problems.

All area residents must have drinking water brought in by truck until May, when the last of 7.5 miles of pipe connecting the area with a water treatment plant is expected to be laid.

Until March 28, 1979, Jackson

Township had a \$500,000 primary liability policy written by USF&G and a \$1 million excess liability policy written by National Union, a member of the American International Group. Since then, its primary and excess insurers have been Insurance Co. of North America and Fireman's Fund, respectively. Dickstein Associates of Aberdeen brokers the policies.

To date, Jackson Township has not filed suit against its insurers to force coverage, Mr. Martone said. If the coverage exclusion is as clearly defined as it appears, Mr. Martone doubts he has much recourse.

A study recently completed by a state geologist is the first evidence linking contamination of the Legler wells to the public landfill, he noted, adding that the town has retained its own experts to conduct studies.

If conclusive evidence points to the landfill as the source of the contamination, Mr. Martone said the township would try to deter-

mine who was responsible for bringing in illegal chemicals.

There are no sources of toxic chemicals within Jackson Township, a mostly rural area, so the chemicals had to have been mixed in with septic tank waste brought in from outside, he concluded. Finding the sources of those chemicals presents a "serious problem" for the township, he concedes.

Recurring problem

Four years ago, toxic chemicals traced to a contaminated well in Pleasant Plains, a section of nearby Toms River, were traced to Union Carbide, said Russell K. Corby, aide to state senator John F. Russo and assemblyman Paul Doyle.

Suits against the chemical giant brought by area homeowners were settled out of court. Mr. Corby noted that the Jackson Township incident was the third of its kind to have occurred in Ocean County.

In New Jersey, with more than 10,000 chemical manufacturing facilities, the problem is likely to recur constantly because manufacturers hire truckers to dispose of their wastes at minimal cost, often in violation of the law.

The state attorney general's office has formed a task force to track down illegal dumpers and a toxic waste advisory panel to Gov. Brendan Byrne recommended state control over dump sites, including taking inventory on what is deposited, Mr. Corby said.

Municipalities operating dumps could better police them and purchase insurance covering seepage claims to protect themselves against this type of loss, but few are willing to meet the extra expense, contends Richard Dickstein of Dickstein Associates.

The constitutional 5% cap on spending increases by a New Jersey municipality in a given year handicaps the public entities, he noted. As a result, many purchase insurance as cheaply as possible or

self-insure, he said.

Municipal insurance consultant Richard Lofberg of Teaneck recommends municipalities reduce their landfill exposure by establishing separate landfill authorities or contracting out the management of the dumps to private firms that would be responsible for what is deposited.

Tax levy

Collecting on a judgment against an uninsured or underinsured municipality in New Jersey presents problems, he noted.

If the claim is more than a municipality can pay, the claimant would then request that the county board of taxation levy an additional tax in the next fiscal year to cover the amount, Mr. Lofberg explained.

It is yet to be decided, however, whether the 5% limit on municipal spending increases would be applicable to such levies, Mr. Lofberg added.

Risk Retention Act excites few execs

Continued from page 1

aren't convinced there's a critical need for the legislation.

On one thing they were clear: More competition is needed among insurers writing product liability insurance. This flies in the face of insurance industry worries that cutthroat competition is rampant and damaging to both underwriters and policyholders. Out of the admittedly small sample of 35, insurance buyers were in favor of

more competition by a ratio of two to one.

Risk managers aren't convinced, however, that the proposed Risk Retention Act (H.R. 5571) would bring about more of the desired competition among insurers as the Commerce Department contends. Nineteen respondents say the act wouldn't accomplish this, while 14 think the act will help. Two are undecided.

A majority of panelists also op-

pose the passage of the act; 18 said they don't favor the act, while 16 said they do. One is undecided and didn't respond.

Insurance buyers complain the act will help only a limited number of companies having serious problems with product liability insurance. Asked how many businesses they think will use pooling arrangements for product liability risks if the act were passed, only eight said a lot of companies will

take advantage of this financing method, while a whopping 22 said only a few will avail themselves of the pools. Five were undecided and wouldn't venture a guess.

Federal chartering of self-insurance pools of the type proposed by the act is desirable, said 22 of the panelists. Thirteen said federal chartering isn't desirable at all.

There's a good deal of ambivalence displayed toward the mere presence of the federal government in corporate risk and insurance programs. Responding to a question about concern that pooling arrangements and federal chartering could lead to greater federal involvement in insurance regulation, 12 board members expressed concern, but an equal number said they are unconcerned. Another 11 don't know whether to be worried or not, and didn't give an answer.

Law unnecessary

An overwhelming majority of risk managers surveyed don't think a federal law is needed to establish pooling arrangements for product liability risks. Twenty-one panelists said they don't think a federal law is needed, perhaps because they have seen that companies can accomplish the same thing without federally chartered pools, using captive insurance

companies or multi-owner mutuals. Only 10 panelists said a law is needed. Four didn't give a view.

The proposed Risk Retention Act doesn't offer any major advantages beyond what can now be done by other means, said 19 of the panelists, outgunning the 10 who say the federal proposal offers advantages. Six were undecided.

Little impact

The Risk Retention Act, if passed, would have little impact on individual company or group plans for captive insurance companies in the U.S. or offshore, the Risk Management Board indicated. Twenty-five members of the board said companies would be as likely as ever to use or establish captive insurers if the federal pooling law were enacted. Only one risk manager said companies already using captives would disband or forego use of their captives. Three said association or group captives would no longer be necessary.

"The effect of the law on companies with captives would depend on supply and demand" in the insurance business, said one risk manager.

"There are a lot of reasons for using captives besides availability and affordability," said another.

Congressmen introduce bill establishing public ERISA

Continued from page 1

tion, but Rep. Erlenborn remains convinced that a single agency offers more effective pension administration, says his aide Russ Mueller.

Furthermore, unlike ERISA, PERISA does not set vesting standards for pension plans. Instead, an advisory council would be established to map out voluntary guidelines for vesting requirements.

PERISA does establish explicit reporting and disclosure requirements. Plan administrators would have to furnish participants with a summary plan description booklet written in easy-to-understand language.

The booklet would be distributed within 15 minutes of the time a participant joined a plan.

Plans would file annual reports with the Employee Benefit Administration within 210 days of the end of the plan year. The annual report would contain a financial statement listing the plan's assets, liabilities, revenues, expenses and party-in-interest transactions and loans.

However, plans would not have to file reporting disclosure statements with the Employee Benefit Administration if the states they were located in passed reporting and disclosure requirements similar to the federal law.

Plan fiduciaries would be expected to administer plans for the exclusive benefit of participants and with the same caution and skill that a "prudent" man would exercise.

However, the state or local gov-

ernment, not the fiduciaries, would be responsible to the pension plan for losses caused by imprudent fiduciary actions by government officials.

An aide to Rep. Erlenborn said hearing dates for PERISA have not been decided yet.

"Many state and local plans are not setting aside sufficient funds to pay for estimated future benefits," Rep. Erlenborn said.

Moreover, public plans have drifted into financial hot water because they have been immune to the requirement of complete and regular disclosure of the plan's status to participants and taxpayers, he said. "Without such scrutiny many public plans have both unwittingly and intentionally engaged in questionable management practices," Rep. Erlenborn added.

Appeals court ruling allows work comp payment offsets

Continued from page 1

ther appeals, he said. If the district court rules against the plaintiffs, they can appeal to the Third Circuit and beyond, he added.

"We're not shut out, but this clearly doesn't help us," Mr. Singer said.

As a result of the ruling, attorneys for Bucyrus-Erie are expected to ask for a rehearing by the U.S. Court for the Eastern District of Wisconsin of its decision in *Strong vs. Bucyrus-Erie*, said David J. Parsons of Seyforth, Shaw, Fairweather & Geraldson of Chicago.

The Milwaukee court disallowed the workers compensation offset in that case, largely on the strength of lower court rulings elsewhere. The Seventh Circuit Court of Appeals declined to hear the case, which now has been certified as class action. The Eastern District is expected to render a judgment against Bucyrus-Erie in three to six months, attorney Mr. Parsons said.

Although the actual damages sought in the suits will be small—GM estimates its exposure from the suit to be \$130,000—the long-term implications to firms coming

in compliance with a ruling disallowing workers compensation offsets would have been considerable.

In the steel industry, actuarial studies indicated compliance would have increased pension contributions by .75% to 1.5%, noted William Powderly, who is defending several steel firms in class-action suits pending before U.S. Court for the Western District of Pennsylvania in Pittsburgh (*BI*, Aug. 20, 1979).

Increases of that magnitude applied to all U.S. industries would cost "several hundred million dollars," he added.

letters

Continued from page 8

of hydrogen, a variation of fusion, practically elusive but technically feasible, would not and would result in no radioactive waste problem. It is that variation that needs a "Manhattan Project" type effort in its development.

John M. Halpin
Toledo, Ohio

We stand corrected.

Taking exception

To the editor: I would like to take exception to the editorial comments concerning CNA Insurance and its agency relationships ("Agent/insurer fracas threatens buyer choice," Feb. 11). Your article implies that production goals tend to taint the professional agent-client relationship.

I challenge you to show me any business or professional entity who does not make long-range projections and I will show you a firm who will be in financial diffi-

culties before very long. CNA is a large factor in our office because they are an exceptionally good market for the types of business we choose to deal with.

We mutually agree to our annual goals simply as a matter of good business planning. We have never felt pressure of any kind which would in any way impair our professional relationship with our clients.

Your further inference that CNA chairman Ed Noha is looking toward a captive agency plant is absolutely ridiculous. I have been involved with PACER, the CNA agency advisory panel, ever since Mr. Noha has been with the company. Several years ago I served as the PACER national chairman. At no time has he ever been anything but the most vocal champion of the independent distribution system.

H. Thomas Hierl
Hierl Insurance Inc.
Fond du Lac, Wis.

A&A falls into mild slump while James gains: Analyst

By STUART EMMRICH

ALEXANDER & ALEXANDER, a high-growth company in recent years, may be in the middle of a mild slump, while competitor Fred S. James & Co. is showing surprising strength, says an insurance industry analyst.

Nonetheless, investors should hold onto the shares of both firms rather than buy more or sell off what they have, advises Harvey Bundy, an analyst with the Chicago firm of William Blair & Co.

James's 16% increase in brokerage fees and commissions during the last quarter of 1979 exceeded Mr. Bundy's expectations for the third quarter in a row and showed unexpected growth in both new business and reinsurance activities.

"While this figure includes some revenues related to purchase acquisitions, even with an adjustment for this it compares very favorably against a reported 6% increase for Alexander & Alexander," Mr. Bundy says in a report on the two firms. "The disparity between these two numbers is particularly surprising given the similarity of the two companies' businesses."

Mr. Bundy said the 6% growth rate reported by A&A, while not unexpected by most analysts, was still "the worst quarterly gain recorded by A&A in any quarter since we have been following the company."

The slower growth came despite what both A&A and Mr. Bundy say was continued excellent new business in its insurance brokerage operations. New business went up to \$28.2 million from \$20.8 million in 1978, an increase of 35%, and built steadily from the level of \$6.1 million added in the first quarter of the year.

Lost business during the fourth quarter was estimated at 3%, Mr. Bundy said.

One factor that may have been involved in the slowdown in growth, Mr. Bundy said, was that A&A's surplus lines operations—mostly Shand Morahan—increased at a slower rate for the first time since Shand Morahan became part of the company. The operations of Benefacts were also disappointing, both for the last quarter and

the year.

Mr. Bundy isn't exactly enthusiastic in his assessment of A&A's performance potential in the next year.

"We see no reason for the operating results of A&A to improve over the next several quarters. In fact, they could soften if the excess and surplus lines operations turn down, as we would hypothesize will occur," he said.

Interest income, however, will have a favorable impact on A&A's earnings, Mr. Bundy said, predicting a 10% increase in results for the first half of 1980, with the second half "less certain."

"If operating earnings turn up in the second half as we now believe they might, second half earnings could be up by 5% to 10%, but an estimate of 5% is probably more prudent at this time," he said.

Although the financial outlook for the entire insurance brokerage industry is somewhat clouded for 1980, Mr. Bundy is more optimistic about Fred S. James's prospects. James will probably show a 25% increase in earnings during the first quarter of the year, with profit gains flattening out during the remaining nine months.

But James's "excellent recent results make us feel that the company is more likely to surprise on the upside," he added.

BI ticker

ding 3.7 points to the company's combined loss ratio, compared with 1.4 points in 1978. The company's combined ratio for the year went to 110.5%, compared with 98.4% in 1978.

Chubb

Chubb Corp. had an \$8 million realized investment loss, which pushed yearly net income down to \$89.7 million, a 4% drop from 1978's \$92.8 million.

Underwriting income from the company's property and casualty operations showed a 42% decrease in after-tax figures, to \$10.5 million from \$18.1 million. Post-tax net investment income rose 18% to \$73.4 million.

Net premiums written for combined property and casualty business went up 6% in 1979, to \$920.9 million from \$864.9 million. The biggest jump came in the fidelity and surety area, which increased by 24%, to \$79.6 million from \$63.8 million. Property premiums increased by 2%, to \$228 million, while casualty stayed constant at \$154 million.

Crum & Forster

Crum & Forster's net income went up 19%, to \$143 million from \$120 million.

Premiums written by the holding company's insurance subsidiaries increased by 10% over 1978, to \$1.5 billion from \$1.4 billion. Commercial automobile policies and workers compensation both increased by about 19%, while marine went up 14%. Casualty showed the smallest increase at 2%, to \$318 million.

Insurance operations showed a 92% drop in statutory underwriting results, to \$2.8 million from \$36.4 million, while after-tax net investment income jumped 31%, to \$141.8 million from \$108 million.

The company's combined ratio, after policyholders' dividends, rose to 100.50% from 97.59%.

Corroon & Black

Corroon & Black Corp. reports it earned \$19 million on revenues of \$140 million during 1979. Revenues increased 17%, from \$119 million, and operating income went up 7%, from \$18.4 million.

For the fourth quarter, revenues rose 13% from the same period in 1978, to \$34.5 million from \$30.6 million, but operating income dropped by 12%, to \$3.5 million from \$3.9 million.

Mission Group

Mission Insurance Group Inc. earned a record \$32 million in after-tax operating income in 1979, 46% more than 1978's \$21.8 million.

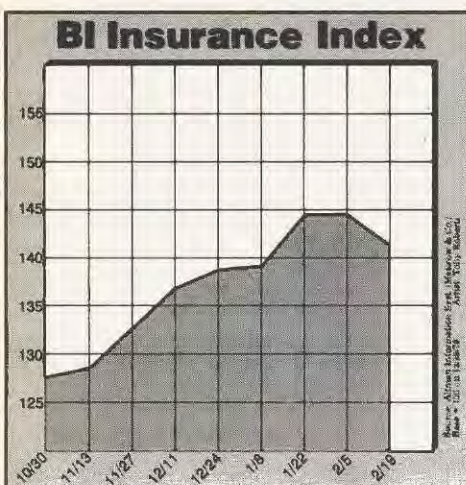
Underwriting revenues, including earned premiums, commission and fee income, increased 31% from 1978, to \$324.2 million from \$246.8 million. Net premiums written by the holding company's subsidiaries grew 29%, to \$306.7 million from \$238.1 million.

After-tax investment income increased 65%, to \$23.8 million from \$14.4 million.

American General

Continued growth in its property and liability operations in 1979 boosted the American General Insurance Co. to its best earnings results in the company's history. Net earnings from operations went up 11%, to \$165.5 million from 1978's \$148.5 million. The property-liability division showed the greatest improvement during 1979, with operating earnings increasing by 19.9%, to \$69.8 million from \$58.3 million. Written premiums increased 7%, to \$706 million from \$656 million. The underwriting ratio went up to 98.9% from 97.7%.

While the year as a whole was a good one for the company, the final quarter showed a 10% drop in net earnings, to \$40.7 million from \$45.2 million.



The BI Insurance Industry Index dropped in the latest two-week period by 2%, to 141.56 at the close of the markets Feb. 19. The base period of 100 for the index was at year-end 1978. The index dropped more than other leading indices of stock activity for the latest period, with the NYSE composite index slipping only 0.3% and the Standard & Poor's 500 and the Dow Jones Industrials off even less. Biggest declines were SRI Corp. (18.3%), First Colony Life (14.3%), Provident Life & Accident (12.1%) and Old Republic International (11.6%). Biggest gainers were Great Western Life (11.1%), Pinehurst (8.2%) and Carolina Casualty (6.6%). Out of 75 stocks on the index, 43 lost value and 32 gained.

British Issues

2/19 Companies	Price	P/E	Div. pence	Yield %	2 Week High—Low pence	
					High	Low
Comml Union	143	6.8	14.18	9.9	149	143
Eagle Star	165	7.5	10.92	6.6	171	165
Genl Accident	238	6.8	14.88	6.3	252	238
Gdn Royal Exch	250	7.6	17.06	6.8	260	250
Phoenix	242	7.3	17.49	7.2	254	242
Royal	348	7.3	28.21	8.1	356	337
Sun Alliance	580	9.4	35.72	6.2	589	550

Brokers:

CT Bowring	136	10.5	5.45	4.0	143	133
CE Heath	197	7.9	11.83	6.0	205	197
Hogg Robinson	100	9.1	7.48	7.5	107	100
Alex Howden	105	8.9	10.00	9.5	108	105
JH Minet	99	9.2	5.95	6.0	103	99
Sedg Fb Bi Pn	93	9.3	7.14	7.7	97	92
Stenhouse Hldg	81	7.7	6.46	8.0	82	80
Stew Wrightson	200	8.5	16.15	8.1	202	194
Willis Faber	232	11.6	14.77	6.4	232	217

Source: Kiteat & Aitken, London

BI Industry Stock Report

Insurance Cos.		Feb. 19, 1980					2-6-80—2-19-80				Feb. 19, 1980					2-6-80—2-19-80			
		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
Aetna Life & Cas Co	NYSE	33.38	-6.6	4.9	1.80	5.4	35.50	33.38	1,012.8	Safeco Corp	OTC	36.00	0.3	5.1	1.80	5.0	36.38	36.00	127.4
American Bankers Ins Co Fla	OTC	9.12	-1.4	5.8	0.44	4.8	9.63	9.13*	137.1	Sri Corp	OTC	21.25	-18.3	4.3	1.00	4.7	26.00	21.00	11.9
American Fnl Corp Ohio	OTC	29.75	2.6	3.3	0.04	0.1	30.50	28.50*	84.2	Seibels Bruce Group Inc	OTC	19.00	0.0	6.1	1.00	5.3	19.00	19.00	15.6
American Gen Ins Co	NYSE	34.50	-8.0	5.2	1.00	2.9	37.50*	34.50	146.2	Southwestern Life Corp	OTC	43.50	0.3	15.7	1.00	2.3	45.25	43.50*	902.3
American Indty Fnl Corp	OTC	17.25	0.0	5.1	1.12	6.5	17.25*	17.13	33.9	Standard Life Ins Co Ind	OTC	15.50	-1.6	9.6	0.36	2.3	15.75	15.50	37.3
American Intl Group Inc	OTC	59.50	3.5	10.1	0.42	0.7	59.50	56.00	515.2	Statesman Group Inc	OTC	5.25	-6.7	4.4	0.15	2.9	5.63	5.25	16.6
American Natl Ins Co	OTC	16.00	0.8	6.3	0.62	3.9	16.25	15.88*	329.0	Tokio Marine & Fire Ins Co	OTC	126.25	-6.0	13.4	2.49	2.0	133.00*	126.25	47.0
American Sta Life Ins Co	OTC	19.75	-1.3	8.2	0.64	3.2	20.50	19.75	6.7	Travelers Corp	NYSE	39.50	1.3	4.4	2.48	6.3	40.13	39.13	436.1
Aneco Reins Ltd	OTC	6.13	-7.5	0.0	0.00	0.0	7.00*	6.13	150.6	United Fire & Cas Co	OTC	25.75	0.0	8.2	0.72	2.8	25.75	25.75	45.1
Appalachian Natl Corp	OTC	2.87	-6.1	8.2	0.16	5.6	3.06	2.88	37.0	United States Fid & Gty Co	NYSE	38.00	0.0	4.6	2.40	6.3	40.38	38.00	363.7
Avenco Corp	AMEX	11.25	-4.3	8.5	0.40	3.6	12.13	11.25	20.2	United Svcs Life Ins Co	OTC	15.75	-0.8	5.9	0.80	5.1	16.13	15.75	87.0
Banks Iowa Inc	OTC	27.50	1.9	5.7	1.12	4.1	27.50	27.00	13.5	Washington Natl Corp	NYSE	25.37	-5.1	5.5	1.40	5.5	26.75	25.25	32.6
Bitco Corp	OTC	38.00	2.7	4.9	1.60	4.2	38.50	37.50	13.4	Zenith Natl Ins Corp	OTC	17.50	0.0	11.5	0.40	2.3	18.00	17.00	54.3
Carolina Cas Ins Co	OTC	8.12	6.6	4.7	0.32	3.9	8.13	7.75*	11.4										
Central Natl Fnl Corp	OTC	7.50	0.0	3.8	0.35	4.7	7.50	7.50	1.2										
Chubb Corp	OTC	35.00	-6.7	4.4	2.40	6.9	37.43*	35.00	357.1										
Combined Ins Co Amer	OTC	19.38	1.3	5.8	1.40	7.2	20.00	19.25*	402.8										
Connecticut Gen Ins Corp	NYSE	32.75	-5.8	5.0	1.52	4.6	35.25*	32.50	631.0										
Continental Corp	NYSE	25.50	-9.3	4.8	2.20	8.6	27.75*	25.50	479.8										
Crawford & Co	OTC	16.75	2.5	14.4	0.48	2.9	16.83	16.33	51.6										
Crown Life Ins Co	OTC	63.00	-1.6	45.7	2.40	3.8	65.00	63.00	2.9										
Crum & Forster	NYSE	52.62	-6.4	4.9	2.52	4.8	56.75*	52.63	140.7										
Employers Cas Co	OTC	36.50	0.3	6.6	1.20	3.3	36.50	36.40	2.5										
Erc Corp	OTC	65.00	-6.5	7.5	1.40	2.2	68.75*	65.00	195.9										
Equifax Inc	NYSE	18.38	-9.3	5.9	2.20	12.0	20.75*	18.38	20.4										
Farmers Group Inc	OTC	27.25	-4.4	9.5	1.00	3.7	28.63	27.25*	467.2										
First Colony Life Ins Co	OTC	24.00	-14.3	10.7	0.76	3.2	28.50*	24.00	5.1										
Foremost Corp Amer	OTC	18.13	0.7	7.7	0.60	3.3	18.50	18.00	46.2										
General Reins Corp Del	OTC	84.00	-5.6	6.8	2.00	2.4	89.00	84.00	179.3										
Globe Life & Acc Ins Co	OTC	28.38	-1.3	10.1	0.40	1.4	28.63	28.38	39.2										
Great West Life Assurn Co	OTC	150.00	11.1	6.8	8.00	5.3	150.00	140.25*	0.0										
Hanover Ins Co	OTC	34.25	-2.1	4.0	0.52	1.5	36.25	34.25	35.5										
Hartford Steam Boiler Inspta	OTC	33.25	-2.2	6.6	2.20	6.6	34.00	33.25	12.8										
Integron Corp	NYSE	27.00	5.9	10.3	0.48	1.8	28.13	25.63*	168.4										
Jefferson Natl Life Ins Co	OTC	31.50	-6.0	7.0	0.64	2.0	33.50	31.50	15.5										
Kemper Corp	OTC	28.50	1.3	4.2	1.40	4.9	28.75*	27.75	78.5										
Lincoln Natl Corp Ind	NYSE	42.25	-5.6	6.2	2.80	6.6	44.75*	41.00	123.7										
Mgic Inv Corp	NYSE	24.63	-8.8	7.4	1.00	4.1	26.50*	24.63	748.8										
Nation Ins Group Inc	NYSE	30.87	0.8	7.4	0.80	2.6	31.25	30.38	112.1										
Nationwide Corp Ohio	OTC	17.75	0.0	5.4	0.66	3.7	18.00	17.75*	5.0										
Nn Corp	OTC	35.50	2.2	7.7	2.00	5.6	37.25	35.50*	245.1										
Northwestern Natl Life Ins	OTC	31.00	-5.7	6.3	1.25	4.0	33.13	31.00	65.4										
Ohio Cas Corp	OTC	36.00	-1.7	5.1	1.40	3.9	36.75	36.00	79.5										
Old Rep Intl Corp	OTC	17.13	-11.6	4.1	0.92	5.4	19.50*	17.13	67.8										
Pinehurst Corp	OTC	8.25	8.2																

Chemical hauler market opens up

Continued from page 3
 more favorably in the last year because of increased capacity and competition." He added, however, that the requirement to take large self-insured retentions is still a major factor in the availability of insurance.

"Because we carry large self-insured retentions, we are really buying excess coverage and at that point the odds are greatly reduced that the insurance company would have to pay for a loss," he said.

Insurers consider far more than the nature of the cargo shipped when they underwrite a transport risk.

Safety record

"The portion of a railroad's business involved in transporting chemicals is certainly a factor in determining the coverage, but it is not a major factor," explained Eugene Allen, senior vp for liability underwriting at Harbor Insurance Co. "The overall safety record of the railroad, the management of the company and its claims control are just as important, if not more so."

Thirty-five percent of all trains rolling in 1977 carried hazardous chemicals, according to the Chemical Manufacturers Assn., a Washington-based trade group. More than 1,600 chemicals are identified as hazardous by federal regulatory agencies. About four million tons of them are moved in the U.S. each year.

But while 35% of all trains in 1977 carried hazardous chemicals, only 7.5% of all rail accidents involved such trains, CMA says.

And only one-tenth of 1% of the one million chemical shipments in 1977 moved by railroads were involved in accidents. These caused 155 cars to spill some or all of their contents, government statistics show. Two people died.

Derailments caused 90% of the hazardous chemical spills from trains in 1977, according to a CMA study. Rail maintenance problems were usually blamed.

Both insurance companies and manufacturers work with transporters to improve their safety and maintenance programs.

Harbor Insurance says it keeps a tight rein over claims control. Dow Chemical tries to improve rail safety by giving an annual award to the railroad that has the best safety record in the previous year. Transcon Lines, a major trucking firm, immediately stops the shipment and flies out safety engineers to oversee the repairs.

Emergency system

CMA offers advice and safety training programs to manufacturers. It also encourages the use of such new safety features as head shields—heavy steel plates mounted slightly ahead of the tank—and advanced coupling devices that reduce punctures. And the association developed an emergency program in 1971 to handle accidents.

Called CHEMTREC, the system provides a toll-free number to be used when there is an accident. A call sends the nearest safety engineers and emergency personnel scurrying to the scene of the accident, no matter what manufacturer is involved or what company is nearest.

The intense attention paid to improving safety procedures and in dealing swiftly with accidents keeps losses low, CMA said.

"We have been pretty successful in writing this business," said Mr. Allen of Harbor Insurance Co. Premiums taken in more than cover the amount of losses paid in recent

years, he said, declining to give specific figures.

One of the reasons insurers enjoy good loss ratios on this business is that chemical manufacturers or shipping companies end up paying many of the losses.

Railroads must usually self-insure the first \$2 million or \$5 million of any loss before Harbor will provide excess coverage of up to \$75 million or \$100 million, said Mr. Allen. California Union and Lloyd's of London demand the same terms.

Mr. Zacharias at Dow Chemical said his company self-insures at least \$1 million of a loss and usually up to \$5 million.

"Although there is a limited number of carriers willing to insure chemical manufacturers,

there is a lot of competition there that keeps rates down," explained Spencer Traver, risk manager at B.F. Goodrich Co. in Akron, Ohio.

One insurer avoiding hazardous chemical risks is The Home Insurance Co. "We make a point of avoiding it," said an underwriter there, echoing the view of many colleagues in the industry.

Short supply

Though markets may be slightly more competitive now, insurance covering railroads and other transporters, especially those carrying chemicals, has been in relatively short supply for five years or more. At the same time markets were tightening, prices were soaring, forcing members of the Assn. of American Railroads to set up a

multiple-owner insurance company for themselves. Many individual companies ended up taking the same route.

Virginia Chemicals Inc. in Portsmouth, Va., two years ago formed a Bermuda-based captive, VC Insurance Ltd., to provide most of its liability insurance. Since then it has had "no problems" finding insurers to write aggregate stop-loss policies, said risk manager Michael Hulsey.

Other firms say their problems in finding insurance are minimal because the risks of transporting hazardous chemicals are usually covered under a blanket liability policy that takes into account everything the company has to ship—whether asparagus or chlorine gas.

Transporting chemicals gener-

ates only about 1% of the annual gross revenues of Transcon Lines, for instance. It is "not something that has a great impact on our overall insurance coverage," said risk manager Michael Craig.

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