

business insurance

update:

Asbestos suits cloud firm's 1980 report

DENVER—Uncertainty over whether Johns-Manville Corp.'s insurance will cover its potential liability in the thousands of asbestos suits brought against it may result in auditors qualifying the company's 1980 financial report.

Dramatic rises in the number of suits filed against the company last year and
Continued on next page

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Firms pledge fight for Iranian assets

By JOHN MAES

CHICAGO—Corporations with claims totaling billions of dollars against Iran will continue to try to attach Iranian assets if the arbitration system set by the recent hostage agreement is repudiated or successfully challenged.

About 380 lawsuits are now before U.S. courts seeking to attach \$3 billion in Iranian assets for compensation of losses suffered in the violence and expropriation during the Islamic revolution.

Attorneys for the claimants, however, told *Business Insurance* they did not know enough about the arbitration panel that was part of the hostage release agreement.

Consequently, few companies have decided whether they will support the agreement and seek compensation under arbitration or challenge former President Carter's action that nullified suits against Iran.

Thirty-five New York law firms representing the claimants have

asked the new Reagan administration to halt action on Iranian assets until questions are answered.

If the agreement falls through, Chicago-based CBI Industries Inc. is one firm that will continue efforts to get Iranian assets.

"If the federal courts retain jurisdiction in this matter and if we could get a judgment, we would start looking for Iranian assets, here or overseas," said Richard Barton, vp and general counsel.

CBI, developer of oil field storage and transfer systems, wants to collect about \$24 million from Iranian customers, said Mr. Barton.

If CBI looks overseas for payment, it would use the courts of friendly nations such as those in Western Europe where rules of international law permit courts to enforce judgments, he said.

"But it's definitely the rougher way to go because when you're looking elsewhere for attachments, you need good evidence as to where the property is," he said.

"Banks are very secretive about the information they have and

you'd practically have to hire a private eye to do it."

Suing in U.S. courts also has problems, says William Gibson, vp and general counsel for The Continental Corp. in New York. The firm is attempting to recoup about \$3.5 million from seizure of an Iranian insurance company in which it was a partner.

"The trouble is that you don't know how many other companies have attached the same set of assets before you," he said.

Continental, American International Group and Insurance Co. of North America have sued jointly to attach \$50 million to \$60 million in Iranian assets held in the United States.

AIG, for example, has a \$31.2 million claim for the 1980 nationalization of its partner, Iran-America Insurance Co.

"We don't expect the president to repudiate the agreement, but if he did, we would proceed with the way we're going," said Wayland
Continued on page 34

The final pension report

When the President's Commission on Pension Policy met in Williamsburg, Va., late last month to give its final recommendations for setting a national retirement policy, *Business Insurance* Washington editor Jerry Geisel covered the sometimes stormy meeting.

His report on Page 3 details key recommendations by the group that spent two years researching pension issues and holding public hearings.

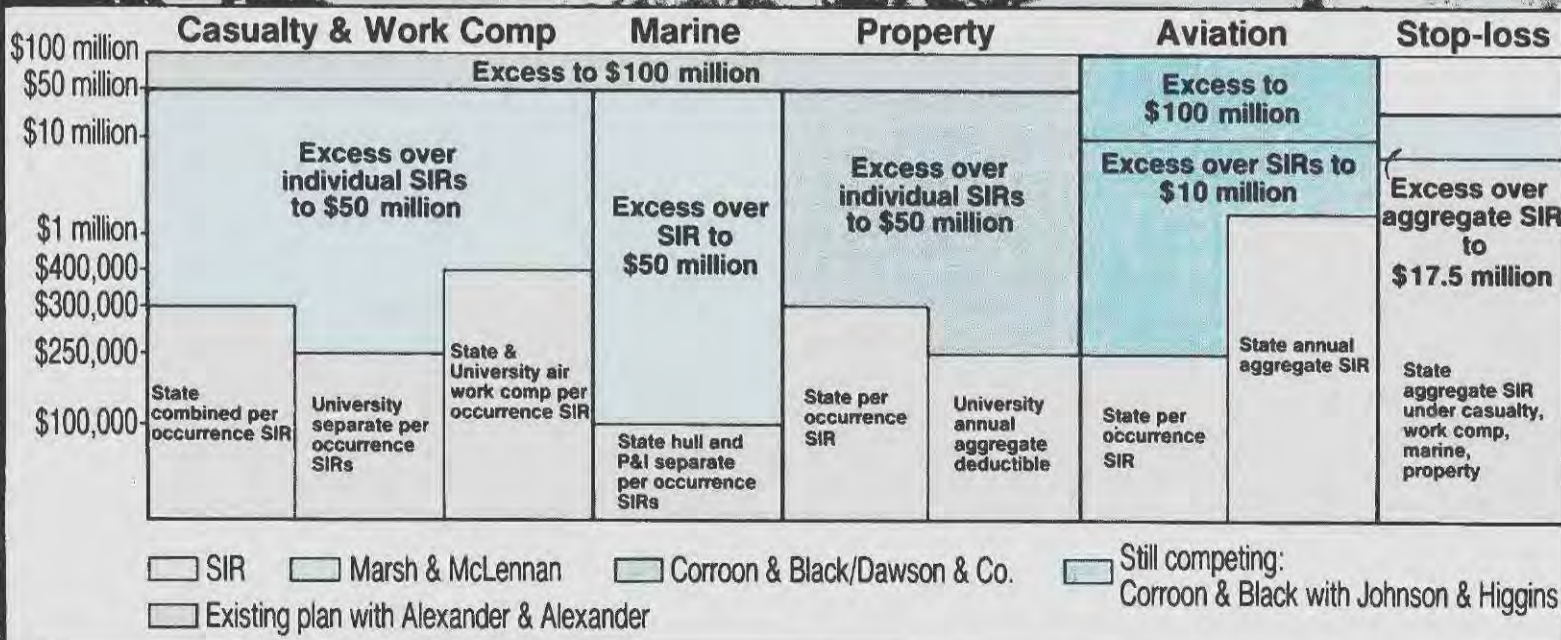
Its key proposals include:

- Establishing a mandatory universal pension system that would make employers immediately vest 3% of each worker's annual wages in a pension fund.
- Raising the retirement age for federal workers and trimming their pension cost-of-living increases to once a year.
- Allowing tax credits for pension contributions by low- and moderate-income workers and tax deductions for higher-income workers.



Peter McColough chaired the president's pension panel.

Alaska picks its broker



M&M is big winner

By RHONDA L. RUNDLE

JUNEAU—Marsh & McLennan will pilot the biggest chunk of Alaska's vast risks to the worldwide insurance marketplace next spring when the state's huge insurance programs are up for renewal.

With the advantage of knowing the territory as one of the state's current brokers, M&M outmaneuvered the other top 10 national brokers in a rigorous bidding competition for the state's business.

Corroon & Black/Dawson & Co. also will explore markets for the state, picking up a little more business from Alaska than it currently has.

But big winner Marsh & McLennan was dropped off the aviation risks in the competition. Corroon
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NEWSPAPER

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the average disposition cost per plaintiff "raise the possibility that the financial impact of this litigation on Johns-Manville could be substantial," a company statement said.

The company's outside auditor, Coopers & Lybrand, is "considering" a qualification of the soon-to-be-released year-end results.

The company has about \$350 million of insurance to cover damage claims relating to asbestos exposure before 1976. Last year Johns-Manville said that should be adequate to cover losses.

But in the past year, the number of outstanding cases has jumped to 5,087 from 2,707 and the cost of disposing of them has risen to \$23,000 from \$13,000, Johns-Manville said.

More fire defendants named

LOS ANGELES—An architectural firm and several building contractors are joining MGM Grand Hotels Inc. as defendants in damage suits brought by survivors of the Nov. 21 fire.

Besides the hotel-casino company, a suit filed recently in Los Angeles Superior Court names Martin Stern, AIA & Associates Inc., Otis Elevator Co., Upholstery Supply Co., GK Technologies Inc. and two of its subsidiaries, California Electric Construction Co. and Automation Industries.

Shortly after the fire, financial giant Penn Central Corp. called off its offer to buy GK Technologies, citing possible financial exposure of subsidiaries that manufactured electrical supplies used at the hotel (BI, Dec. 8, 1980).

In a recent filing with the Securities and Exchange Commission, MGM Hotels reported that as of Jan. 16 it has been served with 57 fire-related complaints seeking damages of more than \$1 billion.

EEOC fines may be covered

WASHINGTON—Employers charged with employment discrimination may be insured against Equal Employment Opportunity Commission fines, damages and defense costs if the violation is not deliberate.

The Supreme Court declined to review and thus let stand a 7th Circuit Court decision that costs in unintentional discrimination cases may be covered by insurance. In the case, Solo Cup Co. sued insurer Federal Insurance Co. for indemnification of legal settlement costs provided under its umbrella excess liability policy.

While the policy was in force, a female employee in Solo's Atlanta facility filed a charge with the EEOC alleging Solo's failure to promote her was sexually discriminatory.

N.Y. panel approves pooling

ALBANY—Legislation permitting local governments to form self-insurance pools was approved Jan. 27 by the New York Assembly Local Government Committee.

The bill was sent to the Assembly Ways and Means Committee, which is expected to act Feb. 10, permitting a quick vote by the full assembly that would provide time for bargaining with Senate and Insurance Department leaders who oppose pooling.

Court overrules DES award

CHICAGO—A U.S. Court of Appeals has thrown out an \$800,000 award to a Chicago woman who charged she contracted cancer from her mother's use of the controversial drug DES.

In ordering a new trial, the three-judge panel said a U.S. district judge made an error in judgment when he permitted jurors to hear evidence that DES had no effect in preventing miscarriages.

That evidence could have caused the jury to return a verdict against the defendant, White Laboratories of Kenilworth, N.J., because of implications DES was ineffective, not because the drug apparently caused cancer, the appeals judges ruled.

Hospital coverage falls short

NEW YORK—New York Hospital has only \$250,000 of insurance against a \$2.9 million award to a patient who was blinded shortly after birth in 1953. The policy was written on an occurrence form by Aetna Life & Casualty Co.

A Manhattan Supreme Court jury Jan. 26 awarded \$2.9 million to Daniel Burton, 27, of Union City, N.J., who was blinded after he spent 28 days after birth in a high-oxygen incubator.

Mr. Burton was used "as a human guinea pig," charged plaintiffs attorney Mark Wiesen. His parents were not advised that he was taking part in a federally funded experiment to study the cause of retrolental fibroplasia, Mr. Wiesen said.

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Work comp loophole spurs family lawsuits

By EILEEN NORRIS

BOSTON—A steady stream of lawsuits from families of injured employees has Massachusetts insurers and employers scrambling to plug a massive leak in the state's workers compensation law.

In a landmark decision that shocked the business community, the Massachusetts Supreme Judicial Court cleared the way for an employee's spouse or children to sue a negligent employer for loss of consortium, the relationship/affection shared with the injured party.

The ruling that such a suit is not barred under state law also allows

the family to sue a third party for emotional distress.

Workers compensation traditionally is the only remedy an injured employee has under state law. However, Massachusetts law never addressed whether a spouse or child could sue the employer.

"Everyone always assumed workers compensation was the exclusive remedy under the law," said William McCarthy, legal counsel for Associated Industries of Massachusetts, a manufacturers group that has petitioned the state legislature to rescind the court decision.

"The loophole was never plugged," he added. "The law says

workers compensation is the only outlet for an injured worker. This decision came totally unexpected and stunned employers and the labor community."

The Alliance of American Insurers has joined forces with the Associated Industries to oppose the "Ferriter decision," which opponents contend will bring a barrage of lawsuits against employers.

Judith Ferriter, a 28-year-old Springfield, Mass., woman, filed a \$3 million lawsuit against Daniel O'Connell & Sons Inc., a construction firm where her husband Michael worked as a carpenter.

Mr. Ferriter was paralyzed from
Continued on page 34

Construction site covered

FRESNO—Mission Insurance Co. will pay workers compensation benefits to the surviving dependents of seven men killed Jan. 23 at a major hydroelectric power plant construction site.

The workers fell to their deaths after steel cables supporting a work platform suspended above a 1,000 foot vertical shaft gave way.

Pacific Gas & Electric Co., which owns the massive \$384 million Helms Pumping Plant project in the Sierra Nevada mountains east of Fresno, provides the workers compensation coverage for contractor Granite Ball Groves, said A.V. Otjen, vp of Granite Construction Co. in Watsonville.

The men who died were employed by Granite Ball Groves, a joint venture of three firms contracted by PG&E to work on the Helms project.

Maximum statutory workers compensation death benefits in California are \$75,000 for one or more dependents. Preliminary information indicates two of the young men killed may not have left any dependents, in which case their benefits will be paid to the state general fund.



Young & Rubicam set a bull wandering among china.

Bull in china shop can't shatter policy

By ELLIS SIMON

NEW YORK—A bull in a china shop can't shatter Young & Rubicam's insurance program.

The advertising agency recently acted out that cliché as a commercial for client Merrill Lynch. The bull, the symbol of the stockbroker's "bullish on America" campaign, was allowed to wander through a china shop set outfitted with \$40,000 in rented antique china.

Not a piece was broken by the bull named Merrill, but if some had been, Young & Rubicam's package policy written by Atlantic Mutual Insurance Cos. would have covered the loss, says Rick
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Order may increase cost of defending black lung

By ELLIS SIMON

PITTSBURGH—With a single court ruling, the United Mine Workers could add millions of dollars to the coal industry's cost of defending black lung claims.

The UMW last month won a temporary injunction from a federal judge here preventing the Labor Department from letting its physicians, who are board-certified X-ray readers, testify on the presence of black lung disease in miners seeking disability benefits.

A hearing before Judge Maurice Cahill, set for Feb. 11, will determine whether the order will be permanent.

The injunction supports a fine point of federal law that allows the Labor Department readers to examine a claimant's X-rays, but not diagnose the presence of black lung disease.

Despite this limitation, the physician/readers nearly always comment on the presence of black lung to avoid potential negligence and malpractice charges. The additional testimony is added to the worker's file and in 60% of the

cases downgrades the diagnosis of the worker's own doctor, whose opinion is accepted by law, says Kenneth Yablonski, UMW District 5 compensation director. However, the second opinion often colors the decision.

Seeking to maximize benefits to members, the miners union is fighting to uphold the letter of the law, but coal mine operators prefer having free use of a publicly paid expert.

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Mines' rates double

FRANKFORT, Ky.—Kentucky coal mine operators may be paying more than twice as much for black lung workers compensation insurance this year.

The new underground mine rate is nearly 2½ times the combined old rate for state and federal coverage. The old rates were \$4.15 per \$100 wages for state coverage and \$3.42 per \$100 for federal coverage. The new manual rate is \$18.50 per \$100 wages.

The new surface mine rate is more than three times greater than the combined old rates, which were \$1.04 per \$100 for state coverage and 85 cents for federal coverage. The new surface mine manual rate is \$7.06 per \$100 wages.

The Kentucky Insurance Department also approved a rate of \$34.87 per \$100 wages on underground mines and \$12.50 per \$100 for surface mines over a five-year period for retroactive coverage of "Part B" claims.

These claims, filed between Jan. 1, 1970, and July 1, 1973, with the Social Security Administration, were subsequently denied and transferred to the Labor Department for reconsideration.

Pension panel wraps it up



Members of the president's pension panel include (from left) John Bragg, Peter McColough and William Greenough.

Universal coverage proposed

By JERRY GEISEL

WILLIAMSBURG, Va.—Every employer in the United States should be required to offer a pension plan that immediately vests 3% of each worker's annual wages, the President's Commission on Pension Policy urges.

This sweeping recommendation, which would affect every existing pension plan and be felt especially by smaller employers, was one of dozens of final recommendations the commission forged (see accompanying story) during 25 hours of meetings here Jan. 23-25.

For most employers that contribute 5% to 6% of payroll to pension benefits, the cost of the proposed minimum universal pension system that could not be integrated with Social Security would not be severe.

But firms without plans, particularly smaller employers, would be hit with a sudden 3% added payroll cost. However, the commission also recommended tax credits for firms starting new plans to cushion the cost impact.

Employers with conventional defined benefit plans offering first and full vesting after 10 years of service would be hit with new actuarial questions in attempting to fund the 3% immediately vested benefit.

The minimum pension recommendation came after four hours of often emotional and stormy debate. Significantly, while the com-

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Other reforms recommended

The President's Commission on Pension Policy wants the government's pension system for federal employees reformed to restrain growth and costs. It recommends:

- Between now and 1990, the age at which a federal worker could retire and collect a full benefit would be gradually increased to 65 from the current 55. In 1990, the retirement age again would be raised until it reaches 68 in the year 2002.
- Benefits would be increased only once a year and the increase could not exceed the average hike in federal wages that year.
- New federal employees would be required to participate in the Social Security system.

Unless these reforms are enacted, "you'll have retired (federal) employees who get more than when working," said commissioner James Clark. The federal government's pension plans, covering nine million active and retired participants, are not only the nation's largest pension system, but also the most generous and costly.

Benefits are automatically indexed twice a year to match Consumer Price Index increases, a provision unheard of in private industry.

A federal employee with 30 years of service can retire with a full pension at age 55 under the so-called "30-and-out" provision. Private pension plans usually don't pay full benefits until a participant reaches 65.

The generous array of federal pension benefits outraged commission members. "Thirty and out for federal workers... and then the pension goes up faster than salary. That is the height of ridiculousness," com-

plained commissioner Martha Griffiths, a former Michigan congresswoman.

Federal administration

The commission recommends that a joint House-Senate committee have exclusive congressional control over pension issues and that one interagency task force represent the executive branch.

Jurisdiction over pension issues now is divided, inhibiting the formation of a national retirement income policy. About 119 of 306 congressional committees, seven independent agencies and 10 of the 12 Cabinet offices have jurisdiction over retirement policies.

Public pension plans

Some state and local public pension plans don't tell participants how the plans work and what the benefits are. The commission calls for a federal pension law for public plans covering the "same areas of concern" the Employee Retirement Income Security Act of 1974 covers for private plans.

Since ERISA was enacted, there have been cries in Congress—principally from Rep. John Erlenborn (R-Ill.)—for a federal law to set reporting and disclosure requirements for the nation's 7,000 public plans.

Tripartite jurisdiction

Only one federal department should enforce ERISA, the commission

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Fire code changes pose higher costs

By STUART EMMRICH

NEW YORK—A nationwide re-evaluation of fire and building codes is leading to stricter, more expensive regulations for hotels and high-rise office buildings.

Sparked by the MGM Grand and Stouffer's Inn hotel fires, the proposed changes are extensive, in many cities including mandatory sprinkler systems in existing buildings. Business already is objecting strongly to the potential costs, but fire officials say the changes are necessary to save lives.

"The questions are being asked all around the country: Are our fire codes adequate?" said Kenneth Schoonover, manager of technical services for the Chicago-based Building Officials and Code Administrators.

"The answers aren't in yet. You are going to see a lot of examination of building and fire codes in the coming months."

In Los Angeles, Mayor Tom Bradley has ordered a review of the city's strict codes. Retrofitting existing buildings with sprinkler systems is being considered.

Similar measures are being studied in New York City, where fire codes are considered among the toughest. Proposals include installation of fire alarms, smoke detectors and two-way communication systems for any new or existing building taller than 100 feet (BI, Jan. 5).

Boston officials now require

Insurers, buyers bolster safety efforts

By ELLIS SIMON



The Stouffer's Inn fire has focused public attention on fire safety concerns.

NEW YORK—Though skyscraper catastrophes are only "remote possibilities" to most risk managers and insurers, both buyers and insurance companies are taking a close look at loss-prevention and safety plans.

Helmsley-Spear, for example, an owner and operator of high-rise office buildings and hotels, is beefing up its loss-prevention efforts, says Roy Peterson, managing director of the New York firm's real estate division.

Insurer loss-control experts are meeting with building managers to increase awareness of loss prevention and personnel safety, he says. The safety techniques emphasize building maintenance and human error that could lead to disaster, he adds.

Recent disastrous fires at hotels in Las Vegas, Harrison, N.Y., and Toronto have heightened concern over the potential for disaster in high-rise offices, Mr. Peterson notes. "Insurers are not putting pressure on us, but they are concerned because of the fires."

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that hotels install alarm systems hooked directly to the fire department. And, effective Jan. 1, all existing buildings must meet existing standards within a year, including installation of smoke detectors.

A Boston Fire Department spokesman said the code changes were in the works before the MGM and Stouffer's fires, but those disasters muted opposition to the

potentially enormous cost of compliance.

Atlanta fire officials are rewriting fire codes. A spokesman there said publicly over the recent fires probably will bring more stringent requirements.

"The engineering department is now talking about requiring retrofitting older buildings with sprinklers," he said, "and there is a chance that it might go through."

Several cities in Texas—Houston, San Antonio and Fort Worth—are upgrading their fire codes, officials say. The state legislature also is considering a bill that would establish a uniform fire code for unincorporated areas. Under present law, only buildings within city jurisdictions are subject to fire codes.

Another bill would require sprinkler systems in all new build-

ings taller than 75 feet.

In Houston, local officials last month passed a beefed-up smoke detector law that requires all existing buildings to be equipped with smoke detectors within 90 days to a year. The grace period had been as long as three years.

"There has been a real interest in upgrading these codes since the MGM fire," said Harris County

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Private policies cover health care

By STACY SHAPIRO

LONDON—More British employees are opting for private medical care to bypass the national health insurance system, and their employers are offering medical benefits to help them along.

At least the top 1,000 British companies now offer private medical insurance similar to Blue Cross & Blue Shield in the United States, says Michael Lee, consultant economist for Lee Donaldson Associates here.

"If you're at work, you want the operation done next week," he said. Patients can face a wait to be operated on under the national health plan.

london line

Nearly one in 15 Britons, or 6% of the population, is now insured under private health insurance plans, a survey by Lee Donaldson Associates reveals.

Employees under private plans receive the same treatment as someone who goes through national health services, but the private plan provides a private bed and immediate hospital care if necessary.

Most British executives are now insured under employer-sponsored medical benefit plans, said one risk manager whose company buys a plan. "If that guy's off with a hernia for six months, we're losing those decisions he can't make and that costs more money (than paying for the company insurance)," he explained.

The 32 executives of this British company receive full coverage including those for hospital, dental and vision treatment. Executives' families also can be covered under the plan for a minimal cost.

Other employees can contribute toward the cost for similar health care benefits, but the plan doesn't include dental or vision insurance and establishes a maximum benefit not applicable to the executives' benefits.

Most employees are insured through the "Provident" nonprofit associations, such as the British United Provident Assn. Ltd., the Lee Donaldson survey said. BUPA offers different limits of coverage, depending upon how serious the operation is. A supplement covers complications, but benefits for medical consultation and other hospital care such as X-rays and pathology are limited.

Nurses, operating rooms and pharmaceutical goods in the hospital are fully paid for by BUPA.

U.S. visit

Lloyd's chairman Peter Green, newly elected for 1981, will spend three weeks in the United States.

Mr. Green will arrive in New York Feb. 17 and will address the Executive Club during his week in the city. He then will fly to Washington, Chicago, New Orleans, Houston and San Francisco.

Moonies sue

The Unification Church is suing Associated Newspapers here for libel, seeking an unspecified amount in damages. The church has been required to put up \$525,000 to pay for court fees if it does not win.

Associated Newspapers is not insured for libel, says a legal source at the company.

Repatriation cover

American International Group is offering coverage through its Belgian subsidiary Unat Atlantique D'Assurances to British stock market speculators who hope to get at least \$10 million from Zimbabwe government bonds in the next three years.

The bonds are due to be paid through annual credits with the Bank of England, but "repatriation insurance" has been taken out to meet any contingency that might cause the Zimbabwe government to block its payments for exchange control reasons.

U.K. insurance broker Robert Arnold & Co. tried to place the coverage with Lloyd's but could not get suitable terms.

5 CEOs Believe the 1981 RIMS Conference Is Too Important To Miss.

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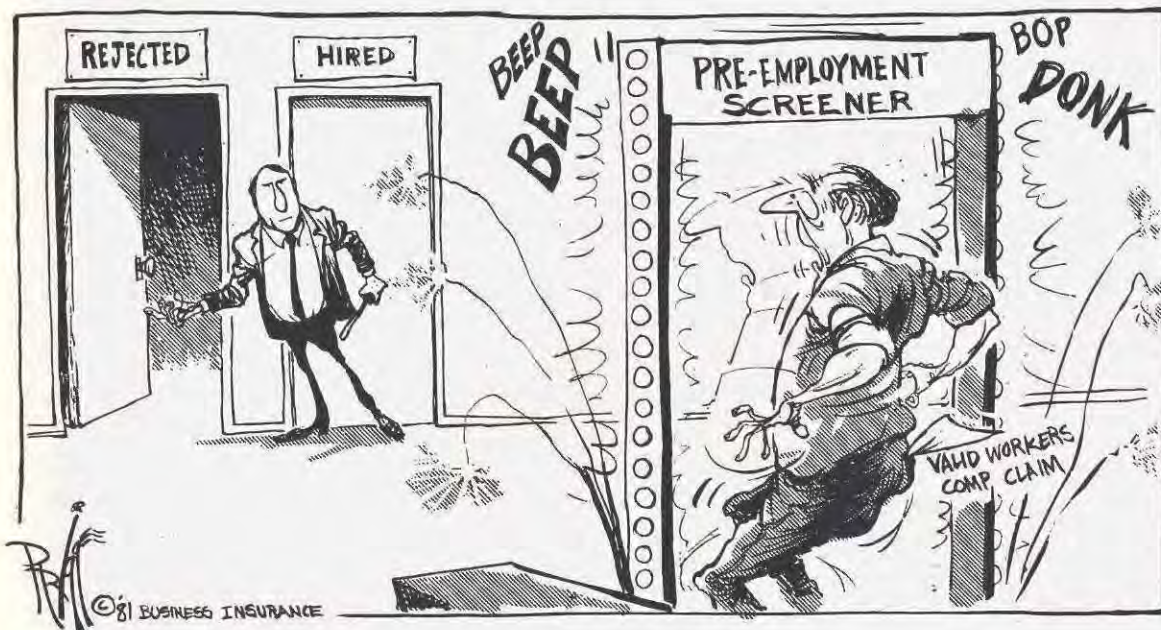
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editorial opinions



Screening out abuse

EMployees aren't the only ones who can abuse the workers compensation system. Employers can, too.

We're referring to the potential for abuse in pre-employment screening.

As we reported last week, there are two companies that will sell employers a job applicant's history.

We agree that securing this information is a valuable part of a thorough pre-employment screening process that helps an employer place a job applicant in the most appropriate job. Certainly news that a job applicant has injured his back in the past will suggest that a job requiring heavy lifting isn't a good idea for the employee or employer.

Knowledge of a former injury also will provide the employer with the needed defense against paying a claim for a pre-existing injury.

But having pointed out all the ethical uses of information about a job applicant's workers compensation history, we shudder to think about the unethical uses.

We can imagine that job applicants could be turned down for the sole reason they have filed workers compensation claims in the past. That's wrong.

Consider the plight of an employee working at a firm that doesn't care about safety programs. He or she gets hurt, not once, but twice or even three times before deciding that this is a dangerous place to get out of and find another job.

A potential employer who looks at the workers compensation claim history without investigating the reasons behind the claims is unfairly driving the person to the unemployment rolls.

We advocate the use of pre-employment screening programs, but only when the employer abides by strict guidelines. The guidelines should dictate that:

- The job applicant consent to a check into his or her background.
- Information about the job applicant's worker's compensation experience be confirmed with the applicant for its accuracy.
- Suspicious reports of many workers compensation claims be investigated. It's not hard to pick up a telephone and call someone to find out if the former employer is known to be safety conscious or to run a sloppy shop.
- Information about a job applicant's workers compensation history be only one part of the pre-employment screening process, which also should include a physical exam if the worker will be given strenuous or potentially dangerous assignments.
- No one should be rejected for the mere reason he or she once filed a workers compensation claim.

Following these guidelines will ensure information about past workers compensation claims will be used ethically, diffusing the arguments of those who would deny the valuable information to employers.

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.

More thoughts on arson . . .

To the editor: I have to differ with your editorial "Extinguishing arson" (BI, Jan. 19) and ask you to seriously reconsider your position.

When "the insurance product" causes a social problem, you shouldn't be surprised to see a movement to "tinker with" the institution at the root of the problem.

All you need to do to make yourself a believer is to take a motor tour through some of New York's neighborhoods which have been killed by landlord greed. Yes, whole neighborhoods lie dead and are not revivable while property owners have cashed in their chips. Proving arson has not been feasible and the chief incentive to torch continued: cash payments of proceeds from fire insurance.

You have cited two reasons why the Dick Tracy advice should not be taken. That advice is legally to require rebuilding with insurance proceeds.

Your first reason is "economic impossibility" since actual cash value insurance benefits are not sufficient to rebuild. Of course that is true, but there is no reason why the "rebuilding" requirement couldn't be stated as using the insurance proceeds to restore or im-

prove the property. At least the insurance could be used to demolish the remaining structure and build whatever can be afforded within the limits of zoning and code requirements. The purchase of replacement cost insurance would then become more attractive to the owner and the providing of coverage would be more sensible for the underwriter.

Your second reason is that such a scheme "would unfairly restrict business's options to reassemble the pieces after a major loss." Laws are not written with only one paragraph. It would certainly be logical to provide a means of preserving legitimate business options through city or town planning commissions. In some localities, the zoning board may be the logical decision-maker to consider "business options" in the light of everybody's interest.

The very current trend toward less government may be suitable for some issues, but in this case the abuses have been so flagrant and so insidiously destructive that it is time for the reform suggested.

Dick Tracy, I'm with you!

Charles L. Russell
New York City

. . . in defense of Dick Tracy

To the editor: Your editorial on "Extinguishing arson" (BI, Jan. 19) causes me to rush to the defense of Dick Tracy.

I don't agree with all of his crime-fighting practices and recommendations, but his views concerning fire insurance and the reconstruction of buildings are entirely sound and at least worth considering with much more care than you have given them. You have shot from the hip—something a good crime-fighter never does.

Before dismissing Tracy's proposal offhand, you should have looked at European fire insurance policies, which frequently contain reconstruction clauses. Government fire insurance funds, of which there are many in Europe, have used them for centuries and have refined them to the point where the interests of insureds, insurers, mortgagees and contractors are perfectly balanced. The European experience shows not only that such clauses are economically feasible, but also that they do not put unreasonable burdens on insureds and that they do indeed prevent arson for profit.

By studying European fire insurance practices, American insurers and policymakers could learn a lot not only about arson prevention,

but also about avoiding redlining and similar availability problems.

Werner Pfennigstorf

Research attorney
American Bar Foundation
Chicago, Ill.

Wrong judge

To the editor: Referring to the article in the Jan. 12 issue concerning the Agent Orange liability case, I believe records will show that the U.S. District Court judge involved is correctly named George Pratt.

There is, within the jurisdiction of the Eastern District Court system, a Judge Platt. Knowing George Pratt personally, I am sure he would not wish to hide behind the tails of Judge Platt's robe with respect to any recognition or criticism. Nor, I am sure, would he wish Judge Platt to be the recipient of any "heat" that results from a far-reaching decision.

T.A. Haig Dick

Vp
Marsh & McLennan Inc.
New York, N.Y.

■ Indeed, the judge presiding over the Agent Orange litigation is George Pratt. Thanks for correcting us.

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DOL settles suit against trustees of union plans

By JERRY GEISEL

washington

WASHINGTON—The Labor Department has obtained a consent order in a suit it brought against two employee benefit plans sponsored by employers and an Alaska Teamsters union local for alleged illegal investment of more than \$35 million in plan funds.

In a suit filed in U.S. District Court in Anchorage, the department charged 20 current and former trustees and plan administrators of the Alaska Teamster-Em-

ployer Pension Trust and the Alaska Teamster-Employer Welfare Trust with several ERISA violations.

Alleged violations include making \$33 million in loans to parties related to the pension plan or its sponsors. Such loans violate ERISA's conflict-of-interest provisions, the department says.

Under the settlement, the defendants agreed to make no further loans or extensions of credit to Aeroamb Inc., the wholly owned subsidiary of Teamster Local 959, the union sponsoring the plans.

The defendants also agreed not to make loans to other parties related to Teamster Local 959 and Local 959 Building Corp.

The consent agreement does not relieve the defendants of any personal liability for losses the plan may have suffered because of the defendants' alleged breach of duty, the department said.

Official leaves

The Labor Department's top longshore official has left the department to practice law.

Donald Elisburg, assistant secretary of labor for the last four years, resigned his post last month to become a partner in the Washington law firm of Connerton & Bernstein.

As assistant labor secretary, Mr. Elisburg supervised the administration of several major federal benefit programs including the Longshoremen's and Harbor Workers' Compensation Act, which sets benefit standards for injured maritime workers.

Mr. Elisburg also supervised the Black Lung Benefits Act, the 1973 act which provides compensation to disabled coal miners.

A replacement for Mr. Elisburg, who was considered sympathetic to labor groups, has not been named yet.

Posting injuries

Employers with more than 10 employees are required to post from Feb. 1 to March 1 the total number of job related injuries and illnesses that occurred during 1980, the Occupational Safety and Health Administration says.

To fulfill the OSHA requirement, employers should post the last page or right-hand portion of OSHA Form 200, "Log and Summary of Occupational Injuries and Illnesses."

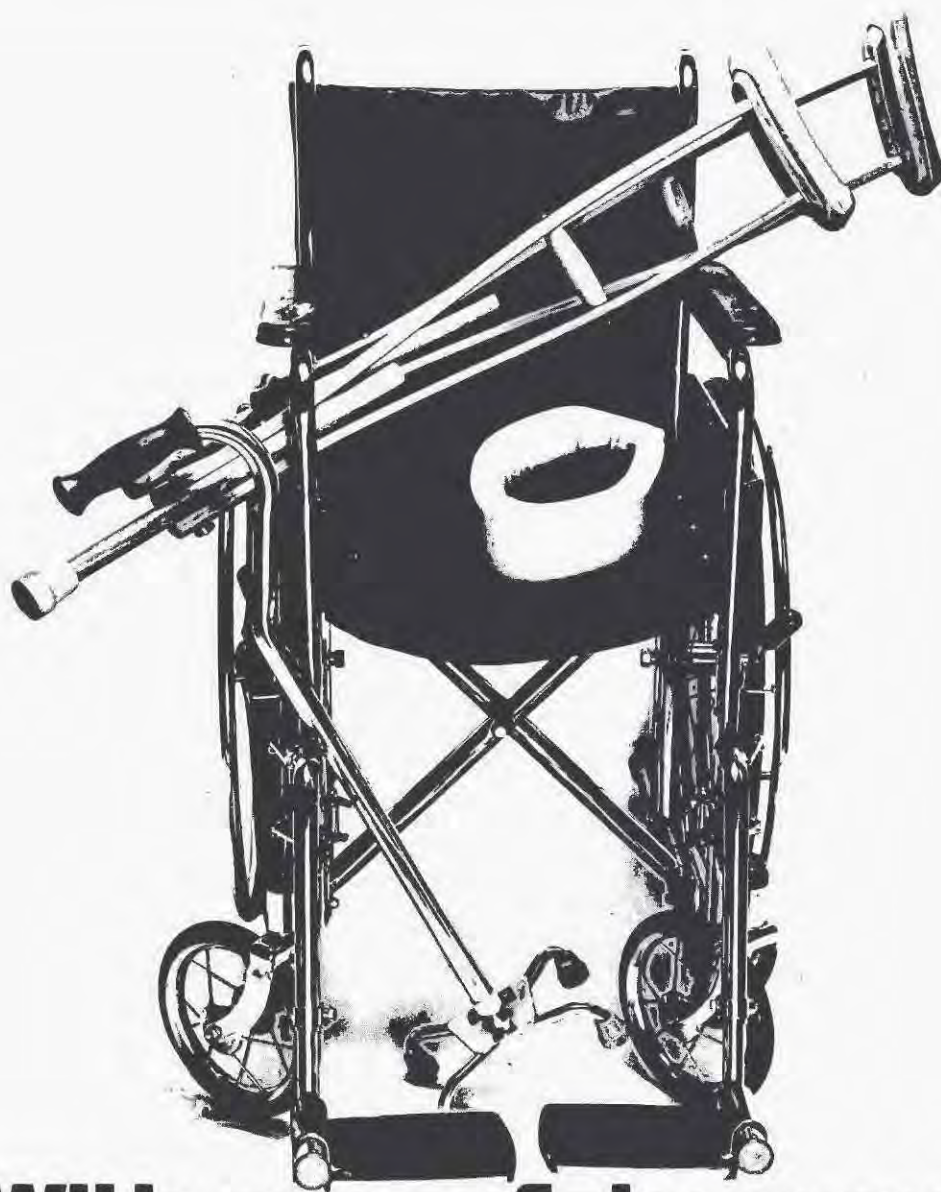
Employers also must notify employees who move from one worksite to another, such as construction workers, of the number of work accidents and injuries by giving them a summary of Form 200.

Hospital costs

The average daily cost for hospital care in the District of Columbia rose in one year to \$339.86 from \$315.87, or 7.6%.

But that increase, recorded between June 30, 1979, and June 30, 1980, was lower than the 10.8% increase during the previous 12 months, says Group Hospitalization Inc., the Blue Cross plan serving the D.C. area.

Between 1979 and 1980, the average length of hospitalization increased to 9.5 days from 8.7 days. ■



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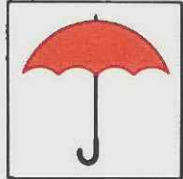
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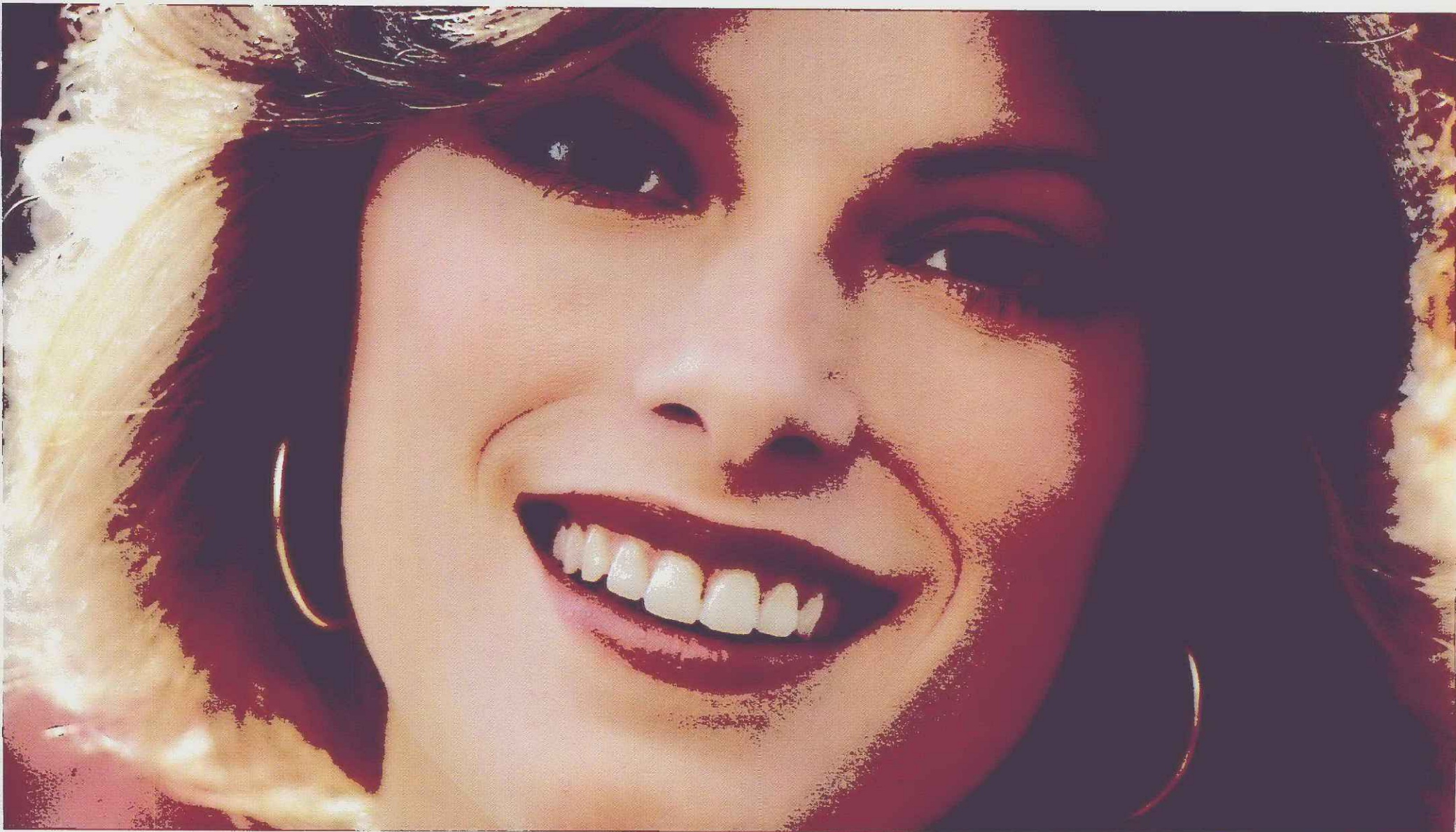
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Korea eases foreign access to market

SEOUL—U.S. fire, casualty and marine insurers will have more access to the South Korean market following government action repealing restrictive national policies.

The government will discontinue the country's banking pool, which excluded foreign firms from providing fire insurance. The pool will be phased out over the next three years, according to the office of acting U.S. trade representative Robert Hormats.

The Korean marine insurance

market will be opened to American underwriters this year, allowing U.S. firms to compete for a share of the \$100 million annual marine business.

The country's reinsurance system will be changed to allocate business according to a company's financial position and operating results. This will end discrimination against American firms, Mr.

worldwide

Hormats said.

The changes stem from a complaint filed with Mr. Hormats' office in November 1979 by the American Home Assurance Co. about international trade discrimination.

Hotel agreement

TOKYO—If you have a Nippon

Fire & Marine Insurance Co. travel and accident policy and you get sick or injured while staying at a Hilton International Hotel anywhere in the world, take heart—your medical needs will be provided.

The Japanese insurer and the worldwide 80-hotel chain have announced an agreement under which hotel management will arrange medical treatment, hospitalization or provide a room for the policyholder for an extended stay if no hospital beds are available.

The hotel absorbs the cost and then settles with the policyholder's health insurer, a Hilton Corp. spokesman said.

Import liability

PARIS—Schiff Terhune International Inc. and the Societe Intercontinentale d'Assurances for commerce and industry have a new program to provide product liability insurance for French imports to the United States.

The program is designed for French manufacturers, importers, exporters and subsidiaries doing business in the United States. The special risks division of Insurance Co. of North America will underwrite the program and reinsure it with SCOR, a French reinsurer. A tide of new French business activity is expected in the United States.

Product liability

TOKYO—Most Japanese manufacturers favor some legislation to require product liability insurance or a funding mechanism to pay claims, says a university study here.

The Japan Insurance News reported 70% of the survey respondents said they favor some form of product liability legislation in Japan. About 2,000 corporations dealing in consumer goods were surveyed.

A product liability law has been proposed in Japan that would make manufacturers liable for injuries or damages consumers suffer from use of a defective product. It also would require companies to either buy product liability coverage or use deposits or special funds to pay claims.

Payment ordered

MADRID—A court here has ordered the New Hampshire Insurance Co. to pay an \$11 million claim over the loss of the tanker Maria Allejandra, which sank last March off the coast of West Africa, killing 37 persons.

New Hampshire Insurance Co., a unit of American International Group, had 25% of the \$44 million risk.

Mar Oil, owner of the tanker, has filed a complaint with the New Hampshire and New York insurance departments seeking reimbursement.

Earthquake study

MEXICO CITY—New concern about earthquakes here has prompted local insurers and foreign reinsurers to study the capacity for the risk in worldwide markets, according to Experiodica, a publication of the North American Reinsurance Corp.

The study also is designed to set up a uniform reporting system for data about earthquake risks. It will be used to restructure insurance premiums.

FICA expert to head EBRI

WASHINGTON—Sylvester Schieber, a leading Social Security expert, has been named research director of the Employee Benefit Research Institute.

In the newly created position, Mr. Schieber will manage EBRI's research programs, including retirement, health, income maintenance and other employee benefit projects.

Mr. Schieber currently is deputy director of the Office of Policy Analysis at the Social Security Administration.

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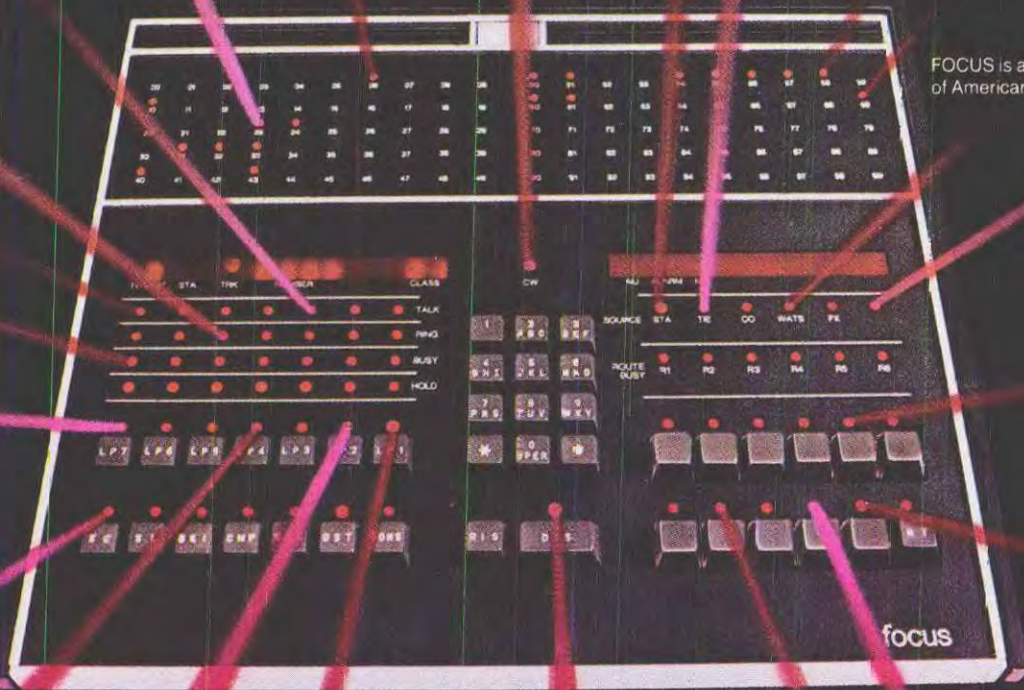
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Non-purchaser may file implied warranty lawsuit

AUSTIN—Non-purchasers may file product liability suits against manufacturers for breach of implied warranty under the Texas Uniform Commercial Code, the Texas Supreme Court has ruled.

around the states

Suits under the code can be filed up to four years after the time of injury. Product liability suits are subject to a two-year statute of limitations.

Richard Garcia, a former employee of Mostek Corp., tripped and fell while moving cartons of glass bottles filled with sulphuric acid supplied by Texas Instruments Inc. A bottle broke and Mr. Garcia suffered severe burns. He sued Texas Instruments for breach of implied warranty.

An appellate court ruled that since Mr. Garcia did not buy the acid, he could not sue for breach of implied warranty. Meanwhile, the statute of limitations for a product liability case had run out. The high court reversed the decision.

Dismissal denied

AUGUSTA—Superior Court Justice Daniel E. Wathen has rejected Ford Motor Co.'s motion to dismiss a suit by the Maine Attorney General's Office that orders the company to obey the state's implied warranty law.

The law overrides any verbal or written warranty between the dealer and buyer and requires that goods be of "fair, average quality" (BI, Jan. 26). The state's suit, filed in July 1979, charges Ford sold cars and trucks with engine defects and says the owners should receive free repairs or replacement parts.

Ford contended the suit should be dismissed because it does not do at least 20% of its business in Maine, as specified by the law, but Justice Wathen ruled the intent of the law allowed the attorney general to seek remedies for consumers.

JUA decline

AUSTIN—For the second consecutive year, the Texas Medical Liability Insurance Underwriting Assn. has seen a sharp decline in participants.

In 1980, 1,488 doctors and other health care professionals and 98 hospitals and other institutions belonged to the joint underwriting association. In 1979, 2,509 providers and 122 hospitals were covered, and in 1978, 4,340 and 163, respectively.

Excess coverage accounts for most of the Texas JUA's business. At the end of 1980, the association underwrote 690 primary and 896 excess policies. In 1979, the figures were 831 primary and 1,803 excess, and in 1978, 1,550 primary and 2,953 excess.

Malpractice drop

INDIANAPOLIS—The Indiana Residual Malpractice Insurance Authority has cut its rates for medical malpractice insurance an average of 9% for policies issued in 1981, thanks to fewer and less costly claims.

Only slightly more than 300 doctors and other health care professionals now buy insurance through IRMIA, down from the 700 policyholders when the residual market was begun in 1975, said Mike Kirby, administrative analyst for the Indiana Insurance Department.

In 1975, only five insurers in the state wrote medical malpractice coverage and only on a renewal basis; now 23 underwrite it, he said.

The total dollar amount of the rate reduction has not been determined, Mr. Kirby said. IRMIA rates now are about 15% above Insurance Services Office rates.

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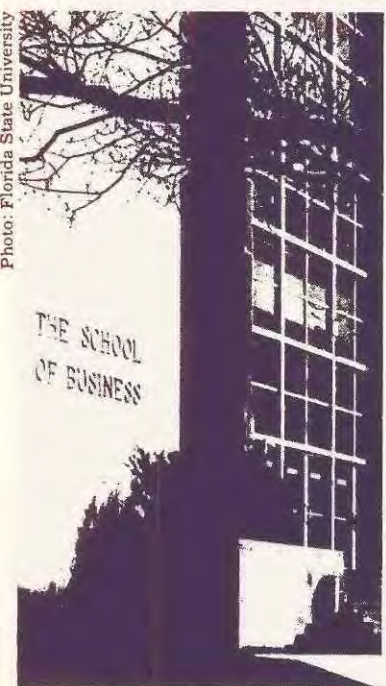


Photo: Florida State University

Diploma, job await FSU grads

By JOANNE WOJCIK O'HARE

TALLAHASSEE, Fla.—Both diplomas and jobs await most graduates of Florida State University's risk management and insurance program.

The department says it places 85% of its students in jobs before final exams, mainly through internship programs and annual Insurance Days.

This year, 15 insurance firms from around the country will participate in the sixth Insurance Days program, which allows seniors to meet face-to-face with prospective employers. Representatives from the firms mingle with students, interview them and return home with a resume book produced by the FSU chapter of the national insurance fraternity,

Gamma Iota Sigma.

"Most of the students know in a month to six weeks whether they'll have a job with a specific company," said Dr. Robert A. Marshall, department chairman. "The function is to provide that initial contact interview."

Metropolitan Life Insurance Co. of New York cosponsors a summer internship/scholarship program for juniors and seniors. Students selected spend a summer before graduation as a Metropolitan employee.

Accompanied by experienced group and pension personnel, the students travel through the country observing small, medium and large sales and service situations. Remaining time is divided between in-office case projects and classroom education in employee

insurance education

benefit programs.

Students are paid a salary equal to that of a newly hired full-time employee. An expense account is provided for travel and business-related expenses.

Metropolitan and FSU also are developing a minority student internship/scholarship program for next fall. Other internship programs offered by FSU include the Poe & Associates Internship Program and The Home Insurance Co. Management Training Program. The university provides \$11,000 annually in scholarships to students in the department.

FSU's College of Business ad-

mits students who have completed two years of work in liberal arts and sciences. Most are transfers from community colleges and other four-year institutions, said Dr. Marshall.

In previous years, a 2.0 grade point average (on a 4.0 scale) was required for entrants. "As of next year, we are instituting an enrollment cap of 3,500 students," Dr. Marshall said. The college will raise its minimum acceptable grade point average to 2.5.

This year, 4,600 undergraduates are enrolled in the College of Business. This represents nearly one-fourth of FSU's entire student population of 22,300.

info

- Employee benefit and personal financial counseling for employees is discussed in **The Unique Benefit: One-on-One Communication**, a brochure distributed by Confidential Planning Services. For a free copy, contact Glenn Pollack, CPS, 7400 N. Caldwell Ave., Suite 200, Niles, Ill. 60648; 312-647-7878.

- A special bulletin by consultant Kwasha Lipton covers the **New U.S. Tax Law on Foreign Pension Plans**. Copies are available free from Kwasha Lipton, Dept. M., 429 Sylvan Ave., Englewood Cliffs, N.J. 07632; 201-567-001.

- A brochure and application for **Product Extortion Insurance** is available by writing Brougher Agency Inc., P. O. Box 485, Greenwood, Ind. 46142.

- Rimcospec's **Manual of Insurance Specifications** can be used to prepare detailed quotes on coverages and premiums. The two-volume set includes insurance specifications for construction, auto dealers, government, hospitals, manufacturing, trucking and mercantile retailers and wholesalers. Send \$295 to the International Risk Management Institute Inc., Suite 208, Building IV, 10300 North Central Expressway, Dallas, Tex. 75231; 214-363-9656.

- Underwriters Laboratories Inc. has published the **Seventh Edition of the Standard for Safety for Hose Valves for Fire Protection Service**, UL-668. The standard covers angle- and straightway-pattern hose valves intended for use on standpipes, fire pumps and hydrants supplying water for fire protection service. Copies are available for \$3.75 each or \$9 for the seventh edition and any revisions. A catalog of UL standards is available free. Orders with prepayment should be sent to UL, Publications Stock Department, 333 Pfingsten Road, Northbrook, Ill. 60062.

- **The Burnham System** gives specific suggestions on how CPCU candidates can study more efficiently for examinations through assignment summaries. For a free brochure describing the system, contact Ray Burnham, 253 Pleasant St., Southbridge, Mass. 01550; 617-764-2726.

- **An Insurance Buyers Checklist for Building Material Dealers** is available from the International Risk Management Institute. Send \$10 to IRMI, 10300 North Central Expressway, Suite 350, Dallas, Tex. 75231.

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Although the university catalog lists a master's of business administration with a risk management and insurance concentration, the program has not taken off yet. Dr. Marshall came to FSU in 1976 to rebuild the program, he explained. The department is offer-

ing its first graduate course this year.

"Our M.B.A. program will be aimed toward full-time resident students, hopefully drawing students from finance," he said.

But the department will continue to concentrate on its undergraduate program. The demand is not as strong for graduate- and doctorate-level programs, Dr. Marshall says.

Besides its extensive student programs, the departmental programs have received significant recognition. The Center for Insurance Research, which started in 1979, "has done more in the last 20 months than the other five research centers on campus," Dr. Marshall noted. To accommodate the growing workload, the center recently installed its own word-processing computer system.

The center is headed by Dr. Claude C. Lilly. All the faculty in the risk management and insur-

ance department work on projects undertaken by the center. Faculty from the university's other departments are asked to contribute their expertise when needed.

One study recently completed by the center concerned the future of the insurance industry in the next decade. The center also has an agreement with the Insurance Committee of the Florida House of Representatives to develop position papers on the major provisions of the Florida automobile insurance rating statutes.

The department also has received \$1 million in the form of the Payne H. and Charlotte Midyette Eminent Scholar Endowed Chair. The money will be used to "set up a series of distinguished professorships and supplement and support the faculty," Dr. Marshall said.

Undergraduate tuition for Florida residents is \$735 for a nine-month school year. Out-of-state tuition is \$51.50 per quarter hour.



Claude C. Lilly is head of the Center for Insurance Research at Florida State University. The center has its own computer system.

Photo: Florida State University

In reviewing health care coverage, a lot of executives make a false assumption—that health care costs will be the same no matter who the carrier is. After all, the same people will get sick and incur the same costs. The only variable is what the carrier charges for administering the program.

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Libel award appealed

ALTON, ILL.—Lawyers for the Alton Evening Telegraph daily newspaper are appealing the record \$9.2 million libel judgment delivered against the publication last year (BI, Sept. 21, 1980).

The appeal, filed before year-end in 5th District Illinois Appellate Court, contends a memo written by two Telegraph reporters to U.S. Department of Justice attorneys but never published by the newspaper was absolutely privileged and not subject to libel action.

The appeal also contends the suit, filed by James Green, a building contractor who charged his business was ruined by the memo, was barred by the statute of limitations.

If the appeal fails, the newspaper may be forced to pay \$8 million of the award. The 50,000 circulation publication has a maximum of \$2.2 million in libel insurance coverage.

The primary layer of libel insurance paying up to \$200,000 is shared by Mutual Insurance Co. of Hamilton, Bermuda, and Aetna Insurance Co. of Hartford. Excess insurers are still debating which policy applies, but the newspaper has current coverage of \$2 million from Zurich-American Insurance Cos.

The excess insurer at the time the reporters' memo was written was Commercial Union Insurance Cos., which provided \$1 million in coverage.

Life purchases

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Business Insurance, the national newsweekly of loss prevention, risk financing and benefit management.

Kerner accepts Rubbermaid post

JOSEPH F. KERNER has joined the corporate staff of Rubbermaid Inc. in Wooster, Ohio, as manager of compensation and benefits. Mr. Kerner will be responsible for the design and administration of compensation and benefit plans and programs and the development of a human resources information system. Mr. Kerner replaces **Tom Finley**, who has been appointed manager of organization and management development. Before joining Rub-



Kerner

comings & goings: buyers

bermaid, Mr. Kerner was manager of compensation and personnel practices at a Pittsburgh firm. He has a bachelor's degree in math and physics from Miami University in Oxford, Ohio, and did graduate work at Case Western Reserve University in Cleveland.

Perry M. Caver, 37, has been named director of insurance and licensing at Eastern Texas Motor Freight Lines Inc. in Dallas. He reports to Allan Kuasnicka, vp-finance and administration. Mr. Caver is responsible for the company's risk management, employee benefits and self-insurance programs. Mr. Caver replaces **Bob Caperton**, who is risk manager at Commercial Metals Co. in Dallas. Mr. Caver was manager of workers compensation at Great American Insurance Co.'s Dallas branch office. He has a bachelor's degree in business from Wichita State University and is a member of the Dallas chapter of the Risk & Insurance Management Society.

Joe Casey has been named to the newly created position of risk/employee benefits manager at Wendy's International in Dublin, Ohio. In this new position, Mr. Casey is responsible for the company's risk management and employee benefits programs. He reports to Dick Zborowski, director of human services. Mr. Casey was corporate insurance manager at American Air Filter Co. in Louisville, Ky., before coming to Wendy's. He has a bachelor's degree in finance and insurance from Northeastern University in Boston and a master's degree in systems management from the University of Southern California.

O'Neal Steel Co. in Birmingham, Ala., has named **Doris Parks** to the newly created position of corporate risk manager. She reports to Pat Thornton, director of taxes and insurance. Ms. Parks is responsible for the review and purchase of company insurance, analysis of company loss exposures and monitoring company legal actions involving liability and property damage. Ms. Parks has been with the company 22 years, the last six in the insurance department. She is a former president of the Alabama chapter of the Risk & Insurance Management Society.

Anthony J. Ten-Barge has been named insurance administrator/domestic for NCR Corp., world headquarters in Dayton, Ohio. Mr. Ten-Barge reports to Daniel W. Houston, manager of risk management and insurance. He is responsible for all asset conservation and insurance for U.S. and Canadian portions of NCR's worldwide insurance programs. Before coming to NCR, Mr. Ten-Barge was insurance administrator for Brockway Glass Co. He has a bachelor's degree in finance from Morehead State University in Morehead, Ky.

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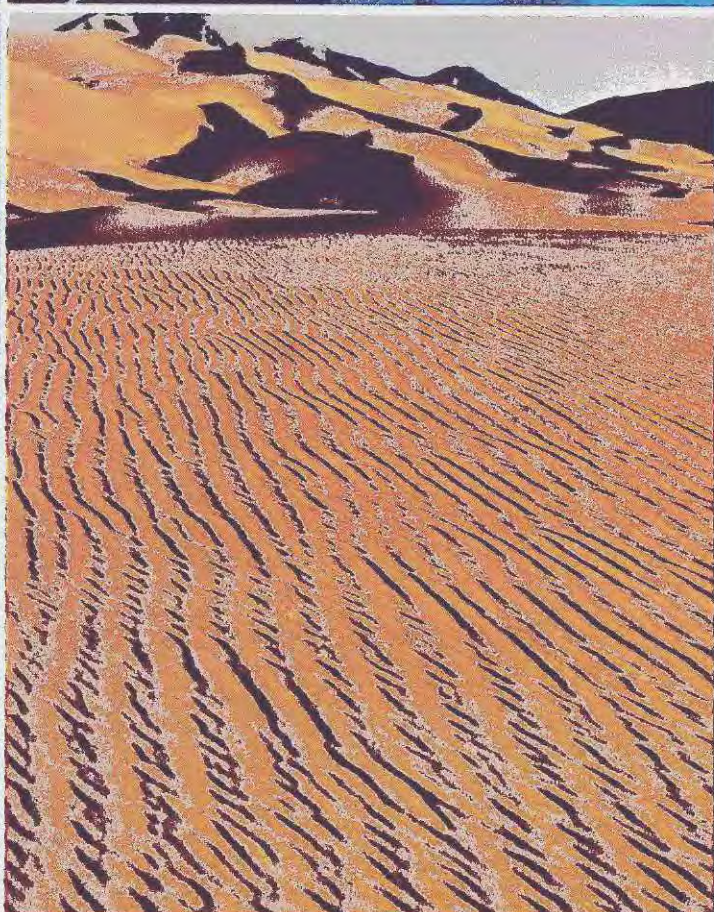
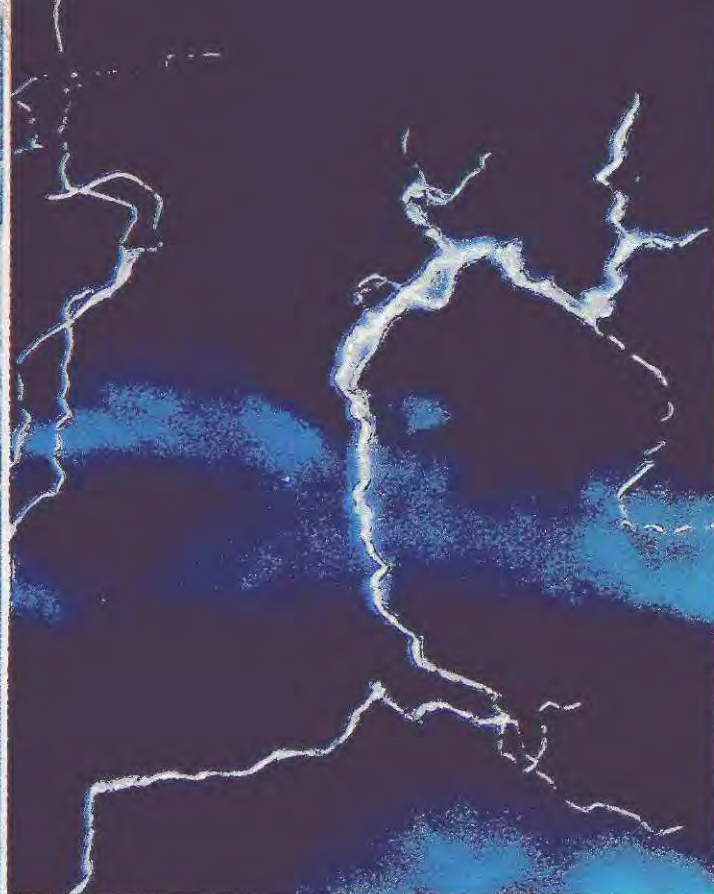
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BI-22

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**It's snowing where it never snows.
It's flooding where it never floods.
Here's how to keep the weather from being bad for business.**

Nature has been dropping a lot of unexpected trouble from the skies recently.

Last year, unpredictable rains had engineers scrambling to prepare for "500-year-record" floods. And snow fell in many unlikely places, such as Palm Springs, California.

This year, the weather did a turnabout as a record drought parched people and crops across the nation.

In the first nine months of 1980 alone, underwriters paid out \$885 million for insured losses in 43 catastrophes.

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Group to collect data from reinsurers

INDUSTRYWIDE reinsurance statistics will be published by the Reinsurance Assn. of America for industry, government and private use.

Shortly after insurers' March 1 deadline for filing annual statements, the RAA will distribute questionnaires to all insurers that assume substantial reinsurance.

All reinsurers and primary insurers that assume more than \$500,000 annually in reinsurance premiums from unaffiliated companies can contact the association to obtain the questionnaire.

The association is at 1025 Connecticut Ave. N.W., Suite 512, Washington, D.C. 20036.

Fleet forms

The 1981 Fleet Forms and Sup-

products & services

plies Catalog has been published by J.J. Keller & Associates Inc., technical publishers and regulatory servicing agents in Neenah, Wis.

The 48-page, four-color catalog features nearly 200 products, including several types of fleet operations forms, bills of lading, Department of Transportation/safety/personnel forms, vehicle/driver forms and supplies, vehicle maintenance forms and supplies and hazardous materials compliance forms, placards, signs and labels.

All products meet the government's specifications, the company says. Many forms and supplies are available with im-

printing and numbering. Some can be custom-designed to meet a customer's needs.

To receive a free copy of Keller's 1981 Fleet Forms and Supplies Catalog, contact the firm at 145 W. Wisconsin Ave., Neenah, Wis. 54956; 800-558-6404, 800-242-6471 in Wisconsin.

Placarding system

Labelmaster has just published a 16-page catalog on placarding systems that comply with the Department of Transportation's HM 126 regulations.

The regulations, which go into effect Nov. 2, require four-digit

identification numbers on placarding for cargo tanks and rail tanks transporting hazardous materials. The voluntary compliance date is April 1.

The Transportation Department also has issued a 144-page Emergency Response Guidebook listing 1,770 commodities covered by the new regulations.

Details are included in catalog supplement 80-3. For a free copy, contact Labelmaster, 7525 N. Wolcott Ave., Chicago, Ill. 60626.

Security coverage

A new program to insure detec-



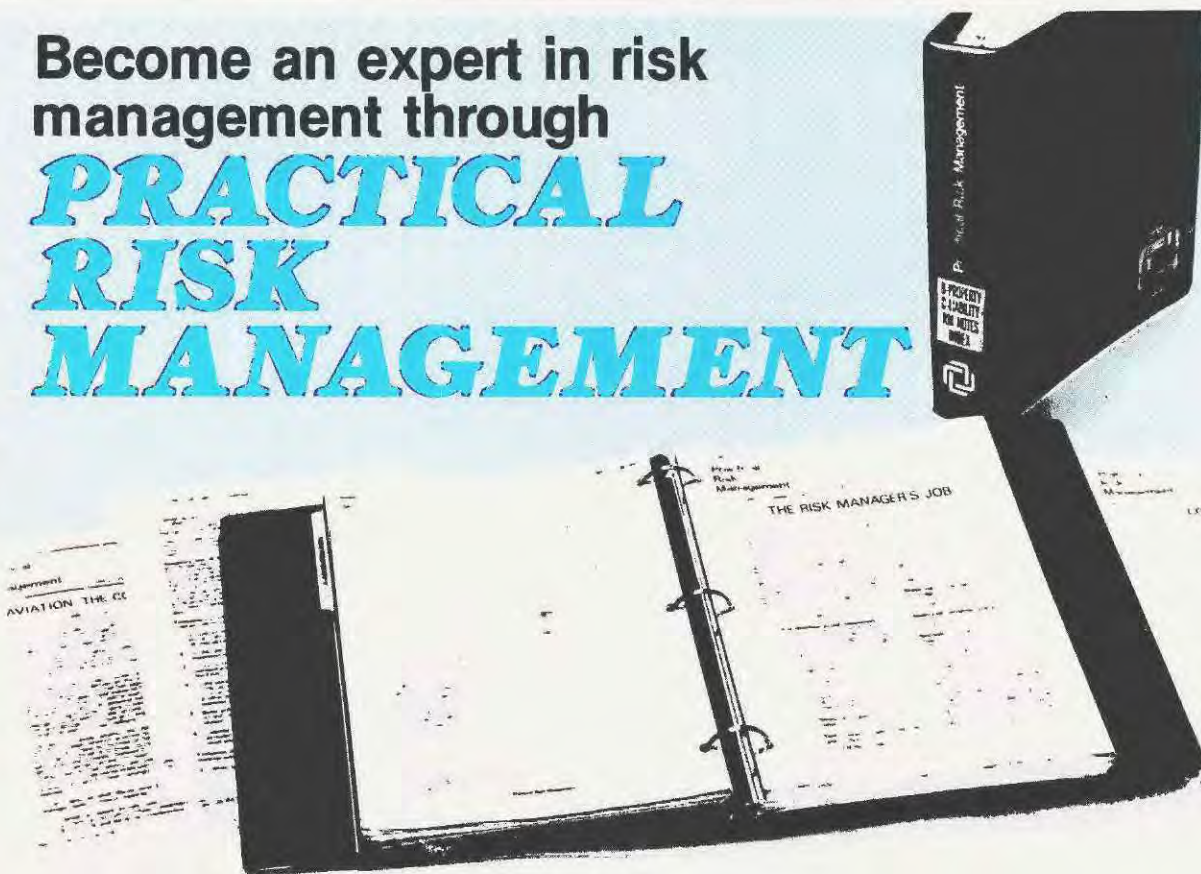
tive and patrol agencies, security guards and burglar alarm installation and servicing organizations in California has been introduced by Cambridge General Agency.

Insurance coverages available include errors and omissions, personal injury, special broad form property damage, assault and battery, contractual obligations, injury, canine injury and armed operations injury.

Primary limits to \$1 million are available at highly competitive rates, the agency says.

For more information on this program in Northern California, contact Jim Blodgett, 50 California St., San Francisco, Calif. 94111; 415-788-8250. In Southern California, contact John Barbot, 2021 E. 4th St., Santa Ana, Calif. 92701; 714-835-6155.

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FEB. 5. Risk Management Seminar in Bloomington, Minn., sponsored by the Minnesota chapter of the Risk & Insurance Management Society Inc.; \$30 in advance, \$35 at the door. Cheryl Hibbard, The Pillsbury Co., Corporate Insurance Department 1136, 608 Second Ave. S., Minneapolis, Minn. 55402; 612-330-8918.

FEB. 15-20. Reinsurance Practice Course in London, sponsored by Risk Research Group Ltd.; \$1,428 (595 pounds sterling). Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4 V4DD; 01-236-2175.

FEB. 19-20. Employee Benefits Institute in Los Angeles, sponsored by the Practising Law Institute; \$275. Also **April 9-10** in New York. Practising Law Institute, Department PVC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

FEB. 19-20. Health Care Cost Containment Workshop in San Francisco, sponsored by the Health Research Institute; \$345. Also **March 5-6** in Palm Springs, **April 20-21** in Chicago, **April 29-30** in Cleveland and **May 4-5** in New York. Health Research Institute, 44 Montgomery St., Fifth floor, San Francisco, Calif. 94104; 415-676-2320, 415-553-0283.

FEB. 23-24. Association Captives: The Experts' Opinion about How to Form and Manage a Captive for Your Association Conference in Washington, D.C., sponsored by Interforum Group Inc.; \$525. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

FEB. 24. Flexible Compensation in Practice Briefing in Los Angeles, sponsored by Hewitt Associates; \$250. Also **March 3** in New York and **March 5** in Chicago. Beverly McRae, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015.

MARCH 3-5. Risk and Insurance Management in Banking Seminar in San Diego, sponsored by the Insurance and Protection Division of the American Bankers Assn.; \$315. Shelly Davis, Insurance and Protection Division, ABA, 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4047.

MARCH 11. Public Employee Benefit Plans Workshop in Pittsburgh, sponsored by the International Foundation of Employee Benefit Plans; \$120 for members, \$145 for nonmembers. IFEBP, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-8700.

MARCH 11-13. International Insurance Conference in London, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce; \$783 (325 pounds sterling). Gower Conferences, 20 Endell St., Covent Garden, London, WC2; 01-240-5931.

MARCH 11-13. Shippers National Freight Claim Council's 7th Claim Conference and Annual Meeting in New Orleans; \$200 for nonmembers, \$175 for claimant members and \$150 for associate members. Shippers National Freight Claim Council, 120 Main St. (Box Z), Huntington, N.Y. 11743; 516-549-8984.

MARCH 18-19. Managing Hazardous Wastes Conference in Columbus, Ohio, sponsored by Battelle Columbus Laboratories; free to members, \$365 for nonmembers. Phil Wells, Battelle Columbus Laboratories, 505 King Ave., Columbus, Ohio. 43201; 614-424-7249.

APRIL 5-10. 19th Annual Risk Management Conference in San Francisco, sponsored by the Risk & Insurance Management Society; \$395 for members before Feb. 23, \$420 for members after Feb. 23; \$495 for nonmembers before Feb. 23, \$520 for nonmembers after Feb. 23. RIMS, 205 E. 42nd St. New York, N.Y. 10017.

APRIL 8-11. Corporate Benefits Management Conference in Miami Beach, sponsored by the International Foundation of Employee Benefit Plans; \$440 for members, \$515 for nonmembers. IFEBP, 18700 W. Bluemound Rd., P. O. Box 69, Brookfield, Wis. 53005; 414-786-8700.



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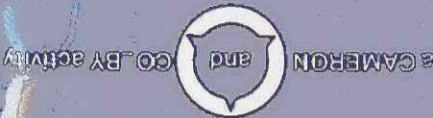
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perspective

Office fitness



Photos: Misy Calins

Fledgling programs prove good business

By Thomas R. Collingwood

THE IMPORTANCE of fitness and physical activity is being recognized by the insurance industry. Several companies such as Manhattan Life are offering "super select" individual life policies. For the individual who is fit, these policies can mean a substantial premium reduction. This "super select" concept has implications for group policies and employee health programs, too.

A new employee health benefits concept is becoming popular in both the private and public sectors: the fitness program. It is estimated more than \$4 billion a year is being spent on such programs—a considerable investment. The whys and wherefores of this movement are grounded in economics.

The growing movement toward employee fitness programs has not just emerged from the current fitness and jogging boom; it has emerged from documented need. Approximately 130 million workdays a year are lost to employee illness, costing \$25 billion. It is estimated 100,000 American workers a year die from heart disease alone. In turn, replacing these workers costs approximately \$700 million.

The costs of these health and absenteeism problems are staggering. Some \$225 million a year is spent for workers compensation benefits. It is estimated \$255 billion a year is spent on health care costs. This represents 8% to 9% of our gross national product.



Thomas R. Collingwood is director of continuing education for the Institute for Aerobics Research in Dallas. He is the author of fitness textbooks and consultant on employee fitness.

The growth of fitness programs has been expansive. The National Industrial Recreation Assn. estimates there are more than 50,000 programs in the private sector alone. These programs are in response to the aforementioned statistics. Employee fitness services have emerged to improve employees' health, thus reducing the probability of disease and/or disability.

Epidemiological research over the years has pointed to fitness and physical activity as good "preventive medicine." Studies done with longshoremen and college graduates have found that fit and active people had a lower risk of developing heart disease.

Numerous cross-sectional studies such as those done at the Institute for Aerobics Research indicate that as fitness is increased, there is a reduction in many coronary risk factors such as cholesterol, obesity, smoking, blood pressure, eating habits and stress. The evidence clearly indicates that exercising increases strength, flexibility, endurance and cardiovascular fitness.

There is no one type of employee fitness program. They may involve low-cost efforts such as smoking cessation and activity monitoring on one's own to a \$1 million gym. Programs may include nutrition education, blood pressure screening and other services. The common element is an emphasis on exercise, whether on one's own or company time.

The stated purposes of most employee fitness programs usually are to reduce absenteeism, increase morale, reduce medical costs and improve productivity. Historically, these benefits from a fitness program have been accepted on faith. It has only been recently that research has started to ascertain the effectiveness of employee fitness programs.

In terms of absenteeism, rather con-

sistent results are found. Canadian Life Assurance Co. reported a 42% drop in absenteeism following a fitness program, with an estimated savings of \$175,000 a year. In addition, they reported a 1.5% turnover rate for fitness participants as opposed to a normal 15% rate, thus saving \$510,000. Prudential Life Insurance Co. reported that employees participating in a fitness program had an average of 3.5 disability days, compared with 8.6 days for non-active employees. This translated to a \$284,744-a-year savings.

It is assumed that a drop in illnesses and accidents will lead to a reduction in medical costs. Kennecott Copper has reported a 55% decrease in medical costs for its 12,000 employees involved in the fitness program. Another study done on a university faculty found that exercisers had the same number of medical claims as non-exercisers but a lower dollar amount of the claims.

A general finding is that morale increases when a fitness program is begun. The key question is whether that translates into increased productivity.

Research is just starting to look at fitness and productivity, and preliminary data looks promising. A study done at the Institute for Aerobics Research indicated a 25% increase in sales for real estate salesmen who increased their fitness as opposed to no increase for those not participating. The National Aeronautics and Space Administration noted significant work improvement ratings by participating employees. Russian researchers have reported significant productivity gains by exercising employees who perform manual labor.

A fit work force has the potential to save a company money. Research is definitely needed to fully ascertain the cost and benefits of these programs. However, a lack of data has not stopped business or government from developing and expanding programs.

We do not know of any employee fitness program that has been terminated or even reduced. The intangibles as well as the tangibles appear to justify the growth of these programs. In short, fitness is good business. ■



Photo: Institute for Aerobics Research

Studies indicate that as physical fitness is increased, health risks and absenteeism drop while morale improves.

perspective

Industry will outlast misconceptions

By Robert Clements

THE UNCERTAINTY and tension that are pervasive in the world of insurance today result from a perception of the future based on analysis of the long-term consequences of forces that seem to be working to change the basic structure of the business. In my opinion, some of these perceptions are false, including the following seven:

- Regulation can solve all problems.
- Investment income doesn't count in ratemaking.
- The market share of the agency/brokerage underwriters is shrinking, and inevitably so.
- Loss-control and claim adjustment services are the natural province of insurers.
- The national brokers are embarked on a long-term policy of vertical integration.
- In the delivery of services, size should be equated with efficiency.
- The brokerage, or risk service element of the industry, is inherently more profitable and attractive than the underwriting, or risk assumption element.

The perception that regulation can solve all problems seems to exist primarily in the minds of regulators and a few legislators. The failure of regulators in most states to recognize that the needs of underwriters and consumers in commercial insurance are vastly different from the needs of those in personal insurance contributes to uncertainty and presents a major stumbling block to building the kind of market-

Robert Clements, president and chief executive officer of Marsh & McLennan Inc., prepared for Business Insurance this summary of a speech he delivered last year to the Casualty Actuarial Society. It is printed in the interest of clarification because a version of his speech edited by BI for its Dec. 8 issue inaccurately presented some of Mr. Clements' points. A copy of the full text of his speech is available from Marsh & McLennan.

place we're going to need in the 1980s.

Setting aside investment income so it is not considered a factor in determining underwriting results causes three problems: First, it enhances the likelihood of bad underwriting decisions. Second, it forces policyholders, who have no illusions about the time value of money, to seek alternatives to conventional risk transfer in circumstances when insurance would otherwise be their preference.

Finally, it creates a source of tension with consumers, regulators and legislators. I am familiar with, and somewhat sympathetic to, all of the arguments against the inclusion of investment income in ratemaking.

However, as a representative of the insurance consumer, I am quite prepared to endorse a ratemaking scheme that permits an exceptional return on investment for the taker of a risk who binds himself to coverage years in advance of the potential loss payout, with no certainty about the effect of inflation on the ultimate loss cost or the value of the investment return during the premium-holding period.

If actuaries can find a way to advance their technology to the point where this kind of return on investment ratemaking is feasible, they will have done a great deal to reduce the friction that complicates our relations with regulators and consumers.

One leading insurance executive talks about the future in terms of the one-stop shop where all of the consumer's insurance needs are solved in a single direct transaction. But a distribution system without intermediaries will only work if the vendor is in a position to answer all of his customers' needs. My view of the future is that it holds very few one-stop shops, but an increasing number of ever more complex business and personal risks. In such an environment, the intermediary will likely continue to be of value to his client, the consumer.

It would be safe to say that all bro-

kers have traditionally felt that their part of the deal was to provide service to the policyholder, while the underwriter's part was the taking of risk. Inherent with assumption of risk is the provision of investment, actuarial, claim and loss-control services.

Traditionally, these services were considered to be primarily for the benefit of the underwriter as risk-taker. The underwriter's control of them was generally accepted, and quite properly so. Today, however, in many instances, the policyholder retains for his own account the principal primary risk. In such circumstances, loss-control, claim adjustment and even actuarial services are primarily for the benefit of the policyholder as principal risk-taker and, therefore, may properly be considered his to control.

A broker is a person who makes commercial transactions happen. In specific insurance terms, that means primarily the assembling and organization of risk-taking capacity in the most efficient, effective and economic manner for the benefit of a client.

A subsidiary but related brokerage function is the provision of risk management services to a client in specialized areas that, for whatever reason, the client may choose not to undertake himself. Risk assumption does not fit the mold—and I seriously doubt that keeping the client's risks for his own account is part of the short- or long-run strategy of any thoughtful broker.

There seems to be a prevailing tendency to correlate size and efficiency. The clearest manifestation of this is the presumption of certain insurers that economies will be introduced by the transfer of certain functions, notably clerical and administrative ones, from agents and brokers to themselves.

According to the figures of A.M. Best, the stock company expense ratio has declined steadily over 20 years, from more than 36% in 1958 to 27.6% in 1978, evidence that the insurance prod-

uct is delivered to the consumer with ever-increasing efficiency.

The vast majority of this improvement has been accomplished by a reduction in the expenses of intermediaries. The insurer portion of the expense ratio was 15.9 in 1958 and declined only to 13.9 in 1978. During the same period, the portion attributable to brokers and agents dropped from 20.3 to 13.7. Thus, three-fourths of the increase in efficiency and productivity in the general insurance industry in the last two decades has been accomplished by intermediaries. The real point, however, is that the price ought to reflect a process devoid of redundancies.

In spite of the fact that average commission rates have fallen by more than one-third in barely 20 years, the general view of the insurance industry, both from within and without, is that brokers have the better part of it. Insulated from inflation and immune to the cyclical nature of underwriting results, they are assured of predictable, steady growth.

The other side of this coin is the proposition that the peril of inflation, and the fact of the cycle, are certain evidence that underwriting is probably not a very good business to begin with and, in any event, because of overregulation, mismanagement on the part of some, excessive competition and a variety of other factors, definitely not a good business to invest in.

The best pieces of evidence that the same view holds internally are the rapid expansion of insurers into the risk management service field, a new willingness on the part of many to unbundle the services of their claim and loss-control departments and a recently developed preference for large deductibles and cost-plus rating plans on the part of many underwriters.

However, I see little evidence to support the view that insurance underwriting is an unprofitable business. The insurance business has been, is and will very likely continue to be a growth industry. ■

Machinery coverage isn't accident policy

legal briefs

A BOILER AND MACHINERY property insurance policy did not constitute accident insurance, a federal court ruled.

The Freeman Co. was covered under a boiler and machinery policy issued by Glens Falls Insurance Co. One of Freeman's food freezers failed, resulting in thawing and consequential loss of about \$28,000 in frozen foods. The insurer conceded that the policy provided coverage for loss of thawed freezer contents, but maintained it was excused from liability because of Freeman's failure to use due diligence following the accident

Copies of the entire decision may be obtained by sending \$5 to Cases Unlimited in care of Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

to protect itself from loss.

Freeman also sought to recover a penalty imposed by Texas law against an insurer for failure to pay life or accident claims within 30 days.

The federal court agreed that Freeman's claim should be dismissed. It said the term "accident insurance" must be given a meaning related to the other types of personal insurance with which it was juxtaposed. When this is done, the court said, it was obvious that the machinery policy here was not covered by the state penalty provisions. *Jay Freeman Co. vs. Glens Falls Insurance Co.*, U.S. District Court for the Northern District of Texas, March 6, 1980 (BI/01/S. \$5).

Loss of use

A New York appellate court ruled an insurer had no duty to defend its policyholder in a breach of contract action over maintaining an entrance and exit for owners of abutting property during a construction project.

The contractor agreed to do certain repairs and surfacing along a boulevard. The agreement required the contractor to maintain the means of entrance and exit to each owner's property abutting the construction site.

The contractor was insured under a comprehensive general liability insurance policy issued by The Hartford Insurance Group. The policy covered

property damage caused by an occurrence, but excluded loss of use of tangible property that had not been physically injured or destroyed because of delay or lack of performance.

The owner and operator of an abutting gas station sued the contractor for profits lost because customers were denied access to the station. The Hartford refused to defend this suit. The contractor filed suit to force The Hartford to defend. The trial court ruled in favor of the contractor.

The appellate court reversed, concluding the gas station owner's suit was based on a breach of contract and clearly sought to recover for damages caused in a manner outside the policy's coverage. *Willets Point Contracting vs. The Hartford Insurance Group*, June 23, 1980 (BI/04/F. \$5).

growing pains

You should shop around

By MARY ANN MATLOCK

Small employer groups can fight rising health care premiums by aggressively shopping for coverage and astutely redesigning benefit packages, observers say.

While these may not be as sophisticated as the techniques available to larger employers, they can make a difference—especially this year when health insurance premiums are rising 30% to 50%.

"You have to be sharp and know what's available because companies that have been extremely competitive all of a sudden will enact a rate increase that makes them noncompetitive," said New York agent/broker Lionel Shargel.

"Area employers should really shop around. In my opinion, those that don't shop insurance as they would an automobile are foolish."

This shopping approach, he emphasizes, eliminates the need to redesign packages and raise deductibles, which he says curb a company's competitiveness. "If you increase the deductible, you're destroying the benefit," he said.

Underwriters he suggests that "baby" groups (under 14 employees) approach are: PM Life, U.S. Life, Guardian and Prudential. Groups of 50 or more may have success with Phoenix Mutual, Guardian, U.S. Life, PM Life, Prudential, The Travelers and Massachusetts Mutual, he said.

In the Northeast, Blue Cross and Blue Shield may offer premium relief because of pre-arranged hospital discounts, says William M. Mercer vp Henry Cassidy. These, however, are being phased out in many states, so caution is advised.

"You probably should shop around," said a spokesman for a 10-member New York employer group. "We did change carriers about a year ago and while price was one reason for the change, it was not the most important. We felt we got a better plan and they could handle claims better."

Others have found ways to handle increases without changing underwriters.

"We're reluctant to get into the leapfrogging process," said Allen Pritchard, vp of field operations for General Business Services in Rockville, Md., where 600 are employed.

Despite a predicted 30% rate increase for 1981, the firm stayed with its underwriter—Prudential—and continued to vary deductibles and retain some premium.

The company now offers a two-level health insurance program: a \$200 deductible family plan with 90% coverage up to \$2,500 and 100% over that and a \$300 family deductible with 80% coverage up to \$5,000 and 100% after that.

The firm also retains 17% of total premium until year-end, when group experience determines how much is paid to the insured or kept by the employer.

"I think the first thing an employer can do is get a good group insurance consultant," Mr. Pritchard said. "There are so many elements that go into computing rates that are the subject of negotiation. I'm not saying insurance companies have tried to bilk us, but there are options."

One option General Business discounted, at least for now, is self-insurance.

"We did do considerable investigation into self-funding with arrangements for stop-loss, but there were too many unanswered questions for a group of our size," he said.

In general, says Mercer vp Mr. Cassidy, self-insurance is an option for those with 200 or more employees while minimum premium arrangements are available to those with 125 or more workers.

Those outside these ranges can still opt for shopping around, redesigning plans or choosing prepaid health plans, he said.

Public plan funding reaches crisis: Poll

MONTEREY, Calif.—Inadequate funding of public sector retirement plans has reached crisis proportions, agree 70% of the 191 employee benefit professionals surveyed by the International Foundation of Employee Benefit Plans at a recent Public Employee Conference here.

But the managers are less sure of the need for an ERISA-type law for public employees. Only 43% of the participants favor such a law and 46% support mandatory and universal Social Security coverage for public employees. Last year 54% and 48% supported those steps, respectively.

Eighty-two percent of the respondents agree uniform accounting, auditing and funding standards are necessary for all public

benefit plans and 71% believe those standards should be established on the state level.

Public pension benefits from all public sources, or "double-dipping," should not exceed pre-retirement take-home pay, 67% of the respondents said, while 53% believe public sector employers were not depositing recommended amounts into public pension funds. In 1979, 69% thought deposits were inadequate.

Forty-eight percent thought cost-of-living adjustments had gotten out of control, while 54% believed so in 1979. Fifty-seven percent cited lenient requirements for approval of disability pensions as a reason for soaring plan costs in 1980, down from 69% the previous year.

Insurer exec predicts rate hikes

NEW YORK—Buyers are increasingly demanding that the prices they pay for insurance reflect investment income earned by underwriters, eroding the cushion that income provides for much of the industry's earnings, warns Dewey Thomas, chairman of The Hartford Insurance Group.

The result, Mr. Thomas told the annual meeting of the Insurance Information Institute here last month, is that insurers are going to have to start trying again to make a profit on underwriting.

"There will certainly be some adjustment in rates. There may be availability problems as well," Mr. Thomas said of the industry's need to quell its intensely competitive urges of the last few years.

Sooner or later, insurers will have to stop relying on investment

income to solve underwriting ills because buyers are getting increasingly savvy about the way insurers make money, he said.

"The time value of money has not been lost on our commercial customers," he said.

"Increasingly, they are demanding and getting some recognition of investment income—either in the price they pay for the product or in the financing of premiums. As a result, investment income, to a growing extent, has already been discounted in the rates it is supposed to offset."

Insurers are now the victims of "delusions of profitability" because of high investment yields, Mr. Thomas said, arguing that "our bread-and-butter business is showing clear signs of distress be-

cause of inflation."

Insurers are ignoring the perilous indications that combined ratios may go as high as 106% to 110% in 1981, Mr. Thomas said, as well as indications that the industry's premium volume has actually declined in constant dollars since 1977.

But he said the insurance industry will soon begin to recognize it can't continue to forgo underwriting profits just to reap investment income.

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Here's a list of more claims services

A

Admar Corp.

1200 N. Main St., Suite 424, Santa Ana, Calif. 92701; 714-953-9600

Total claims processing staff: 25.

Total employees: 80.
Minimum size client: 10.
Compensation: Per employee, percent of claim.

1980 gross revenues: \$2 million.
Specialties/areas of expertise: Self-funded medical/dental, contracted provider panel, medical/dental cost containment.

Principal officers: Richard H. Toral and John Vahey, presidents; Virginia Pascual and Cary Ferrer, vps.

Adminco

2815 Mitchell Drive, Walnut Creek, Calif. 94598; 415-932-8006

Parent company: Frank B. Hall & Co.

Total claims processing staff: 53.

Total employees: 68.
Branch offices: Los Angeles, Phoenix, Portland.

No. of clients: 40.
No. of clients in Fortune 1,000: 10.

Compensation: Per claim, percent of claim, percent of payroll, flat fee, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$2 million.
Specialties/areas of expertise: Claims management, safety and loss control, data processing.

Principal officers: Thomas R. Leonard, president; Thomas A. Cockrell, senior vp; Roberta P. Penarelli, vp.

Alexsis

3 Piedmont Center, 3565 Piedmont Road N.E., Atlanta, Ga. 30305; 404-233-2590

Parent company: Alexander & Alexander.

Total claims processing staff: 275.

Total employees: 480.
Branch offices: Nationwide.
No. of clients: 850.
No. of clients in Fortune 1,000: 6.

Compensation: Per claim, percent of claim, percentage of premium, flat fee.

1980 gross revenues: \$25 million.
Specialties/areas of expertise: Workers compensation, liability, products.

Principal officers: Jerry Brown, Jim Kammerer, Dave Rogers, Bob Gielow, John Molasky and Bob Reader, administrative officers.

Allied Claim Services Inc.

237 Main St., Buffalo, N.Y. 14203; 716-853-7939

Total claims processing staff: 10.

Total employees: 27.
Branch offices: Venice, Fla.
No. of clients: 23.
No. of clients in Fortune 1,000: 5.

Compensation: Per claim.
Specialties/areas of expertise: Workers compensation, products, malpractice.

Principal officers: Henry E.B. Dendler, president; Richard E. Robb and Gregory J. Dendler, vps.

B

Bache Ter Bush & Powell Inc.

433 State St., Schenectady, N.Y.

12305; 518-381-1600

Parent company: Bache Group.
Total claims processing staff: 35.

Total employees: 275.
Branch offices: New York, Syracuse, N.Y.; Boston; West Palm Beach, Fla.; Hamilton, Bermuda.

Compensation: Per claim, percent of claim, by contract, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$11 million plus.

Specialties/areas of expertise: Consulting, group employee benefits, self-insured medical and dental administration.

Principal officers: J. William Campo, chairman and CEO; Richard J. O'Rourke, president; William P. Conboy, executive vp.

Bayly, Martin & Fay/Diversified Management Services

380 E. Park Center, Boise, Idaho 83707; 208-345-4346, 800-635-5963

Parent company: Bayly, Martin & Fay.

Total claims processing staff: 31.

Total employees: 53.
Branch offices: Atlanta; Phoenix; Salt Lake City; Orlando, Fla.; Fullerton, Orange, Oakland, Lynwood, Calif.; Portland.

No. of clients: 54.
No. of clients in Fortune 1,000: 3.

Compensation: Percent of premium, rate of payroll, per claim, flat annual fee.

Specialties/areas of expertise: Workers compensation, general liability, auto/cargo liability.

Principal officers: Richard J. Salisbury, president; Peter J. Williams, executive vp; Patrick W. Hally, vp-claims; Beach M. Clark, president-Atlanta; Jay Garrett, president/Salt Lake City.

C

California Casualty Management Co.

1900 Alameda De Las Pulgas, San Mateo, Calif. 94402; 415-574-4000

Total claims processing staff: 118.

Total employees: 1,207.
Branch offices: Los Angeles, Santa Ana, Calif.

No. of clients: 800.
No. of clients in Fortune 1,000: 3.

Compensation: Per claim, percent of claim.
1980 gross revenues: \$1.5 million.

Specialties/areas of expertise: Claims management, loss-control consultation, statistical loss reports.

Principal officers: Thomas R. Brown, chairman; Marston Nauman, president; Peter Goldberg, executive vp; Robert E. Tuthill, senior vp; Jim Aura, vp.

Carson Brooks

2300 Peachford Road, Suite 1160, Atlanta, Ga. 30338; 404-458-6171

Total claims processing staff: 8.

Total employees: 9.
No. of clients: 34.
No. of clients in Fortune 1,000: 18.

Compensation: Hourly rate.
1980 gross revenues: \$475,000.

Specialties/areas of expertise: Product liability, aviation, general liability.

Principal officers: Larry Carson, president; Harry Brooks and Chris Fruitticher, vps.

Comprehensive Benefits Service Co. Inc.

Scott Plaza Two, Suite 304, Philadelphia, Pa. 19113; 215-521-4710, 800-345-8110

Parent company: Affiliated with Benefit Plan Services Inc.

Total claims processing staff: 16.

Total employees: 35.
Branch offices: New York; Washington, D.C.

No. of clients: 200.
Minimum size client: 50 lives.

Compensation: Fixed rate per employee per month, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$950,000.

Specialties/areas of expertise: Group health benefits, establishment and administration of self-funded plans.

Principal officers: Russell R. Naylor, president; Andre V. Duggin and Thomas H. Brown, executive vps; John S. Barber, vp-claims/administration.

Computer Claims Administration

P.O. Box 21367, Billings, Mont. 59104; 406-245-3575

Total claims processing staff: 2.

Total employees: 4.
No. of clients: 4.

Minimum size client: 25 lives.
Maximum size client or claims capability: 2,000 lives.

Compensation: Percent of claim, flat fee.

1980 gross revenues: \$20,000.

Specialties/areas of expertise: Self-funding benefit plan design, claims processing.

Principal officers: Frederick Larson, president; Richard Sire, vp.

Corporate Systems Administration Inc.

P.O. Box 1036, 3201 Bristol Highway, Johnson City, Tenn. 37601; 615-282-3420

Total claims processing staff: 13.

Total employees: 19.
Branch offices: Savannah, Atlanta, Ga.

No. of clients: 69.
No. of clients in Fortune 1,000: 2.

Compensation: Percent of claim, flat monthly fee, commissions for excess insurance placed with underwriters.

Specialties/areas of expertise: Self-funding, claims control, excess indemnity.

Principal officers: Thomas H. Repass, president; Cecil Byers, vp; Douglas M. Sizemore, secretary/treasurer.

E

Equifax Risk Management Systems

1800 Century Blvd. N.E., Suite 500-A, Atlanta, Ga. 30345; 404-329-9029

Parent company: Equifax Inc.

Total claims processing staff: 1,100.

Total employees: 12,000 in risk management.

Branch offices: 2,200 worldwide.

No. of clients: 30,000.

More directories to come

Here are more third-party claims administration firms ready and willing to process claims for self-insured firms. Delayed holiday mail and tight production caused some firms to miss the deadline for our first directory published Jan. 5.

For future listings of claims administration firms, we will use the 1981 directory and addendum as a mailing list, so if your firm is listed this year, you can expect to receive survey forms for claims administration directories in the future.

If your firm was not listed this year but would like to appear in a possible 1982 directory, please send a letter to Claudette Eisenzimer, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611. Your name will be added to the mailing list.

Other directories coming soon to *Business Insurance* include a listing of risk management consultants on Feb. 16 and a directory of captive insurance company managers in April.

Information in the directories is supplied by the firms listed and includes the number of clients, professional and total staff, offices, specialties and fees.

Compensation: Per claim, percent of premium.

1980 gross revenues: \$60 million (claims).

Specialties/areas of expertise: On-line computerized statistical systems, loss-control consulting, claim investigation.

Principal officers: W. Lee Burge, chairman and president; Richard L. Maloney, executive vp; J.G. Sawyer, corporate vp; H.A. Phillips, vp/treasurer.

ESIS

1600 Arch St., Philadelphia, Pa. 19101; 215-241-2100

Parent company: INA Corp.

Total claims processing staff: 3,400.

Total employees: 4,000.

Branch offices: 160.

No. of clients: 1,100.
No. of clients in Fortune 1,000: 150.

Compensation: Per claim, percent of claim, flat annual contract.

1980 gross revenues: \$30 million.

Specialties/areas of expertise: Loss control, subrogation.

Principal officers: Thomas Martinson, chief operating officer; Hank Bonstedt, marketing vp; Ed Troy, national sales director; Peter Randall, national accounts manager.

F

Fitzpatrick Self-Insurance Administrators Inc.

222 N. Mountain Ave., Upland, Calif. 91786; 714-946-3833, 213-393-6396

Total claims processing staff: 10.

Total employees: 12.
Branch offices: Santa Monica, San Francisco, Calif.

No. of clients: 15.
Minimum size client: 300 employees.

Compensation: Per claim depending on client and risk, annual flat fee.

Specialties/areas of expertise: Workers compensation self-insurance for public agencies and private industry.

Principal officers: L.K. Fitzpatrick, president and chief executive officer; Bernard Colen, vp-operations; James R. Parrish, secretary.

Total employees: 5,000.

Branch offices: 733 worldwide.

No. of clients: 200.
No. of clients in Fortune 1,000: 25.

Compensation: Per claim, percent of claim, annual contract.

1980 gross revenues: \$160 million.

Specialties/areas of expertise: Workers compensation, auto and general liability, property.

Principal officers: Irvin E. Williamson, chairman; John P. Holloway, executive vp; Don W. Carroll, senior vp; Irving R. Gray, secretary-contract services.

Gay & Taylor Inc.

2150 Country Club Road, P.O. Box 1410, Winston-Salem, N.C. 27102; 919-723-9631

Parent company: Equifax Inc.

Total claims processing staff: 500.

Total employees: 12,000 (in Equifax).

Branch offices: 2,200 throughout North and Central America.

No. of clients: 30,000.

Compensation: Per claim, percent of premium.

1980 gross revenues: \$60 million.

Specialties/areas of expertise: On-line computerized statistical systems, loss-control consulting, claim investigation.

Principal officers: W.J. Browning, president; Henry Glenn, R.L. Maloney, executive vps; J.G. Sawyer, corporate vp; John Swanson, vp-sales; H.A. Phillips, vp/treasurer.

Group Services & Administration Inc.

3113 Classen Blvd. #4, Oklahoma City, Okla. 73118; 405-528-4400

Total claims processing staff: 2.

Total employees: 3.
No. of clients: 50.

Compensation: Percent of claim, per person per month, commissions for excess insurance placed with underwriters.

Specialties/areas of expertise: Self-funded health benefits, plan coordination and design, trust and cash management.

Principal officers: Ronald R. Stephenson, president; Gary Stephenson, vp; R. Denning Crowe, secretary.

H

Frank B. Hall & Co. Inc.

549-Pleasantville Road, Briarcliff Manor, N.Y. 10510; 914-769-9200

Total claims processing staff: 600.

Total employees: 600 plus.

Branch offices: 73.
No. of clients: 2,000 plus.

Compensation: Flexible.

GAB Business Services Inc.

123 William St., New York, N.Y. 10038; 212-791-8000

Parent company: UAL Inc.

Total claims processing staff: 3,600.

1980 gross revenues: \$15 million plus.

Specialties/areas of expertise: Workers compensation, third-party general liability, hospital malpractice.

Principal officers: John F. McCaffrey, executive vp.

R.E. Harrington Inc.

90 E. Wilson Bridge Road, Worthington, Ohio 43085; 614-846-5430

Parent company: Cordura Corp.
Total claims processing staff: 60.

Total employees: 260 plus.
Branch offices: New York; Atlanta; St. Louis; Oakbrook, Ill.; Dallas; Albuquerque; Long Beach, Calif.; Frankfort, Ky.; Akron; Columbia, S.C.; Des Moines; Washington, D.C.; Indianapolis; Pittsburgh, Harrisburg, Bellmawr, Pa.
No. of clients: 2,500.
No. of clients in Fortune 1,000: 150.

Minimum size client: \$500 annual fee.

Compensation: Per claim, fixed fee and per employee for benefits.

1980 gross revenues: \$7.3 million.

Specialties/areas of expertise: Consulting, administration, cost-control services.

Principal officers: Robert R. Parker, president; Warren G. Blue, senior vp; Allen A. Rutter, Richlon G. Underwood, vps; Robert J. Covert, vp-finance.



Imperial Industries

3200 Wilshire Blvd., Los Angeles, Calif. 90001; 213-487-6320

Parent company: Sperry & Hutchinson Co.

Total claims processing staff: 60.

Total employees: 90-95.

Branch offices: Oakland, Burlingame, Calif.

No. of clients: 30.
No. of clients in Fortune 1,000: 1.

Minimum size client: 200 lives.

Maximum size client or claims capability: 10,000 to 20,000.

Compensation: Per claim, percent of claim, flat fee, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$3 million.

Specialties/areas of expertise: Group plan administration, billing/claim payment, consulting and sales organization for associations.

Principal officers: Robert Jenkins, president; John Knight, treasurer; Dan McCune, vp/sales manager; Jack Noore, administrative vp; Steven Cerwinski, vp/claims.



Jemark Administrators Inc.

1801 Ave. of the Stars, Los Angeles, Calif. 90067; 213-556-0961

Parent company: Jemark Corp.

Total claims processing staff: 23.

Total employees: 34.
No. of clients in Fortune 1,000: 1.

Compensation: Per claim, by contract.

Specialties/areas of expertise: Workers compensation, general and product liability, employee benefits.

Principal officers: Armor R. Killingsworth, chairman; Clifford S. Mumford, president; James R. York, secretary.

Johns Eastern Co. Inc.

P.O. Box 4175, 2238 Gulf Gate Drive, Sarasota, Fla. 33578; 813-924-1301

Total claims processing staff: 106.

Total employees: 116.

Branch offices: Clearwater, Lakeland, Miami, Orlando, Sarasota, Tampa, St. Petersburg, West Palm Beach, Fla.; Washington, D.C.; Baltimore; Philadelphia; Columbus, Ohio; Minneapolis.

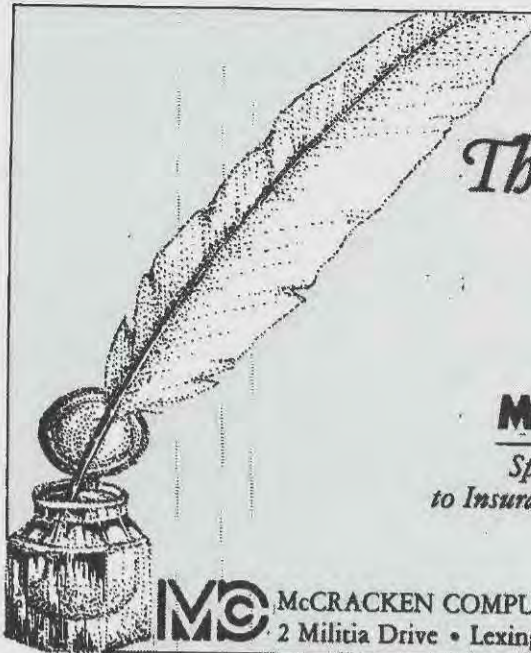
No. of clients: 600.
No. of clients in Fortune 1,000: 2.

Compensation: Per claim.

1980 gross revenues: \$3.3 million.

Specialties/areas of expertise: Workers compensation, general liability, professional liability.

Principal officers: D.L. Johns, president; K.M. Johns III, secretary/treasurer; J.E. Neblett, N.A.
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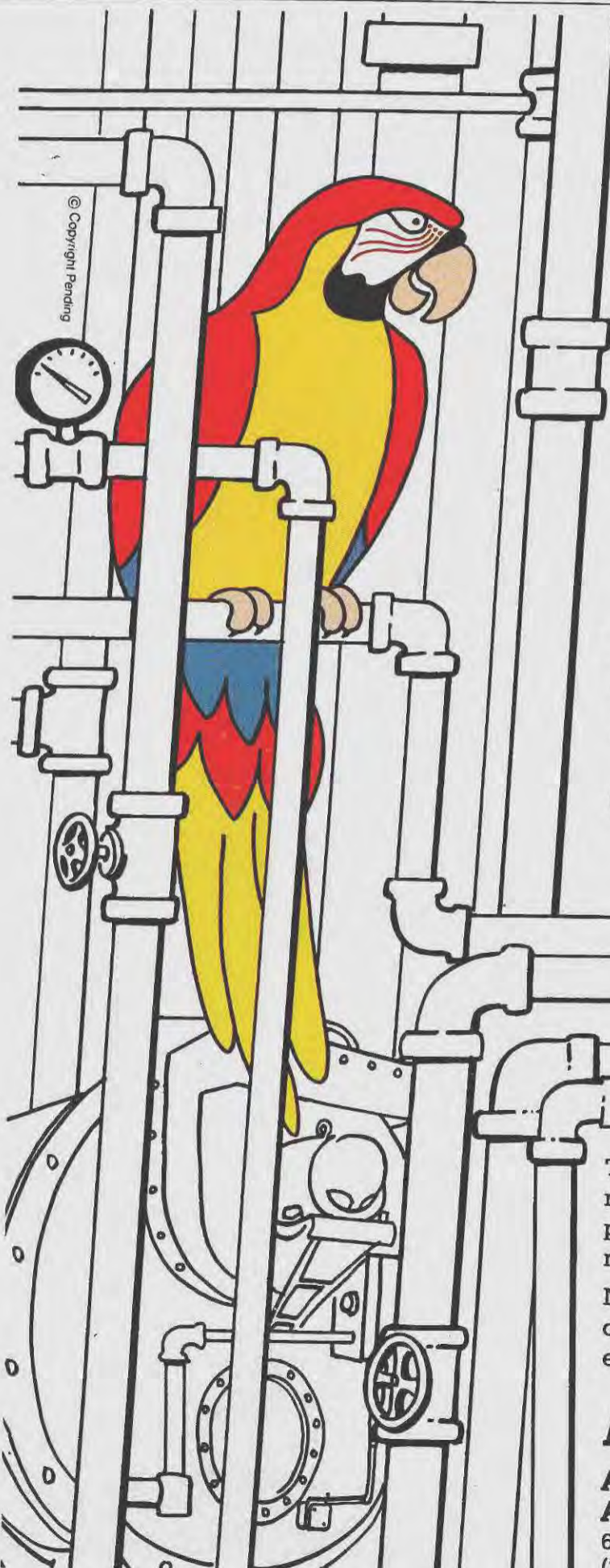


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Claims . . .

Continued from previous page
Sensinger, vps; K.V. Keller comp-
troller.

L

The Lovell Group

161 William St., New York, N.Y.
10038; 212-349-1221

Parent company: Lovell Self-In-
surance Services.

Total claims processing staff:
15.

Total employees: 50.

Branch offices: Albany, Syra-
cuse, Rochester, Buffalo, N.Y.; Co-
lumbus, Ohio.

No. of clients: 900.

Minimum size of client: 50 lives
for health.

**Maximum size client or claims
capability:** 25,000 employees.

Compensation: Per employee.

1980 gross revenues: \$2 million
plus.

Specialties/areas of expertise:
Self-insured health, workers com-
pensation, disability.

Principal officers: Stephen J.

Lovell, chairman; Roger M.
Slotkin, president; Martin R.
Vulpis, executive vp; Frank Roc-
canova, vp.

M

Ken Mackenzie Insurance Services Inc.

P.O. Box 4318, Hayward, Calif.
94540; 415-886-2004

Total claims processing staff: 5.

Total employees: 6.

Minimum size client: 2 employ-
ees.

Compensation: Percent of pre-
mium.

Specialties/areas of expertise:
Dental, vision and prescription
plans.

Principal officers: Ken Macken-
zie, president; Vern Blichfeldt,
treasurer.

Marsh & McLennan Claims Management Services

1221 Ave. of the Americas, New
York, N.Y. 10020; 212-997-5713

Parent company: Marsh &
McLennan Inc.

Total claims processing staff:
72.

Total employees: 122.

Branch offices: 21.

No. of clients: 400.

No. of clients in Fortune 1,000:
37.

Compensation: Per claim.

1980 gross revenues: \$5 million
plus.

Specialties/areas of expertise:
Workers compensation, hospital
malpractice, structured settle-
ments.

Principal officers: James F. Lee,
David C. White, Dick Rosacker,
vps; Robert P.J. Booher, Robert
Valkavich, assistant vps.

Mass Insurance Consultants & Administrators Inc.

209 S. LaSalle St., Chicago, Ill.
60604; 312-346-2626

Total claims processing staff:
50.

Total employees: 180.

Branch offices: Miami.

No. of clients: 40.

No. of clients in Fortune 1,000:
2.

Compensation: Flexible.

1980 gross revenues: \$4 million.
Specialties/areas of expertise:

Employee benefit plan manage-
ment, cost containment, claims
payment.

Principal officers: E.E. Mack
Jr., chairman; Robert Cardinal,
president; Kenneth Krispin, Rol-
land Myrmel, Thomas O'Neill, vps.

Joseph P. Minardi, Attorney at Law, P.C.

1500 Main St., Springfield, Mass.
01115; 413-734-1562

Total claims processing staff: 5.

Total employees: 5.

No. of clients: 3.

Compensation: Flexible.

1980 gross revenues: \$100,000.

Specialties/areas of expertise:
Industrial risks, hospitals, munici-
palities.

Principal officers: Joseph P.
Minardi.

MM Administrators

2060 Oak Mountain Drive,
Telham, Ala. 35124; 800-633-6068

Parent company: Marketing
Management Inc.

Total claims processing staff:
14.

Total employees: 65.

Branch offices: 330.

Compensation: Per employee,
per premium, flat fee, commis-
sions for excess insurance placed
with underwriters.

Specialties/areas of expertise:
Employee benefits, self-insured or
captive workers compensation
and liability.

Principal officers: K.L. Wil-
liams, president; Robert K. Wil-
liams, secretary/treasurer; Steve
Williams, executive vp; Joe Gosa,
senior vp; Robert Cleveland, vp.

N

NATLSCO (National Loss Control Service Corp.)

G-3, Long Grove, Ill. 60049; 312-
540-2400, 800-323-9585

Parent company: Kemper Corp.
Total claims processing staff:
3,200.

Total employees: 3,400.

Branch offices: 115.

No. of clients: 100.

No. of clients in Fortune 1,000:
60.

Compensation: Per claim, per-
cent of claim.

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Los Angeles - 3200 Wilshire Blvd. 90010 (213) 386-8436
Tulsa - Suite 303 - 6200 S. Yale St. 74135 (918) 496-0111
Denver - Suite 303 - 2922 State Ave. 80202 (303) 674-8122

Specialties/areas of expertise: Computerized loss runs, claim review program, loss-control services.

Principal officers: R.W. Satterfield, president; F.G. Minchik, G.J. Krafcsin, D.F. Benevich, vps.

P

Stephen R. Palange & Associates Inc.

10 Post Office Square, Boston, Mass. 02109; 617-542-5700

Total claims processing staff: 2.
Total employees: 2.
No. of clients: 20.
No. of clients in Fortune 1,000: 2.

Compensation: On a time basis.
Specialties/areas of expertise: Product liability, surplus lines, reinsurance.

Principal officers: Stephen R. Palange, president; Norman C. Tardif, vp.

T R Paul Inc.

14 Commerce Road, Newtown, Conn. 06470; 203-426-8161

Total claims processing staff: 22.
Total employees: 60.
No. of clients: 78.

Compensation: Monthly fee per employee, commissions for excess insurance placed with underwriters.

Specialties/areas of expertise: Self-funded and partially self-funded employee benefit programs.

Principal officers: Maurice Lambert, Harold Meyer Jr., vps.

R

Reed Stenhouse Inc. of Illinois

230 W. Monroe, Chicago, Ill. 60606; 312-621-2500

Parent company: Reed Stenhouse Inc.
Total claims processing staff: 9.
Total employees: 105.
Branch offices: 28.
No. of clients: 800.
No. of clients in Fortune 1,000: 50.

Minimum size client: 50 employees.

Compensation: Per employee per month, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$1 million.
Specialties/areas of expertise: Self-funding health plans, self-funding employee benefit plans, alternative funding mechanisms.

Principal officers: Hamilton M. Loeb Jr., president; James Styer, senior vp; Margaret Mitchell, vp.

Risk Management Economics

156 William St., New York, N.Y. 10038; 212-233-7171

Parent company: BRI Coverage Corp.

Total claims processing staff: 6.
Total employees: 4 investigative units, 29 consulting physicians.
No. of clients: 7.

Minimum size client: \$1 million in premiums.

Compensation: Fixed fee plus expenses, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$1 million plus.

Specialties/areas of expertise: U.S. longshoremen's claims.

Principal officers: Donald Ferrarini, president; Burt Matfus, financial executive; Richard

Saitow, general manager; Thomas Axon, chief actuary-financial; Norman Portnoy, manager-claim administration.

Royal Insurance Service Co.

150 William St., New York, N.Y. 10038; 212-553-3000

Parent company: Royal Insurance.

Total claims processing staff: 1,300.

Total employees: 6,000.

Branch offices: All major cities.
No. of clients: 40.

No. of clients in Fortune 1,000: 16.

Compensation: Per claim, percent of claim, commissions for excess insurance placed with underwriters.

Specialties/areas of expertise: Customized claim handling, multinational capabilities, vehicle damage appraisals.

Continued on next page

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Claims . . .

Continued from previous page

Principal officers: Robert Humphreys Jr., senior vp; William G. Watt, vp; P. Michael McLaughlin, assistant vp; Paul L. Thomas, assistant secretary; Warren D. Edman, manager.

Leonard J. Russo Claims Service Inc.

5801 Christie Ave., Suite 300, Emeryville, Calif. 94608; 415-547-3110

Total claims processing staff: 105.

Total employees: 165.

Branch offices: San Jose, Sacramento, San Francisco, Redding, San Rafael, Los Angeles, Orange, Riverside, Calif.; Portland; Honolulu.

No. of clients: 67.

No. of clients in Fortune 1,000: 8.

Compensation: Per claim, percent of incurred, time and expense, flat annual fee.

1980 gross revenues: \$5 million.

Specialties/areas of expertise: Self-insured workers compensation/liability, claims administration, product liability.

Principal officers: Leonard J. Russo, president; Edward Pinger, executive vp; Stephen Anderson, marketing vp; Hallie Mitchell, Debbi Greenfield, vps.

S

St. Paul Risk Services Inc.*

Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102; 612-221-7203

Parent company: St. Paul Fire & Marine.

Total claims processing staff: 1,800.

Total employees: 33.

Branch offices: 139.

No. of clients: 100.

Compensation: Flat fee, flat fee per claim, percentage of incurred loss, hourly.

1980 gross revenues: \$5 million.

Specialties/areas of expertise: Health care, professional liability, workers compensation.

Principal officers: E. Warren Bessler, vp; Jon A. Roeder, marketing officer; William P. Walsh, financial services officer; Ellen L.

Conway, operations manager.

* Restated from Jan. 5 directory.

Self Insurance Programs Inc.

2029 Century Park E., Los Angeles, Calif. 90067; 213-553-4611

Total employees: 40.

Branch offices: Santa Clara, Calif.

No. of clients: 50.

No. of clients in Fortune 1,000: 25.

Minimum size client: 500 employees.

Compensation: Per claim, percent of payroll.

Specialties/areas of expertise: State/short-term disability, long-term disability, workers compensation.

Principal officers: J.H. Payne, president; T.E. Sitter, vp/treasurer; L.A. Roman, secretary.

Self-Insured Services Co.

3800 First National Tower, Louisville, Ky. 40202; 502-561-1500

Parent company: Nahm, Turner, Vaughan & Landrum Inc.

Total claims processing staff: 21.

Total employees: 34.

Branch offices: Frankfort, Ky.; Little Rock, Ark.

No. of clients: 260.

Compensation: Per claim, per hour, percent of claims, per employee, flat annual fee or combination.

1980 gross revenues: \$1 million plus.

Specialties/areas of expertise: Self-insured workers compensation and employee benefits, loss-prevention and industrial hygiene consulting.

Principal officers: Baylor Landrum, chairman; Clyde K. Hensley, president.

Harold J. Smith Adjusters Inc.

161 William St., New York, N.Y. 10038; 212-962-5100

Total claims processing staff: 150.

Total employees: 150.

Branch offices: Boston, Springfield, Mass.; Philadelphia; Los Angeles; Riverton, Livingston, N.J.; Syracuse, Jericho, Fresh Meadows, Ardsley, N.Y.; Providence, R.I.

No. of clients: 300.

Compensation: Per claim, per

case, hourly.

Specialties/areas of expertise: Self-insured compensation, liability and property.

Principal officers: Harold J. Smith, president; Andrew H. Barbieri, Arthur Bland, vps; Ronald T. Catlin, general manager; Leonard Levine, manager-casualty department.

T

Tolley International Corp.

30700 Telegraph Road, Suite 2400, P.O. Box 846, Birmingham, Mich. 48012; 313-645-6550

Total claims processing staff: 270.

Total employees: 500.

Branch offices: 18.

No. of clients: 160.

Compensation: Flat fee, per person.

1980 gross revenues: \$13 million plus.

Specialties/areas of expertise: Employee benefits, claims processing, self-funding plan design.

Principal officers: Martin J. Gallagher, president; Len Teeuws, Lee F. Jost, executive vps; Thomas W. Reynolds, C. Ralph Bassett, Jere T. Brassell, Thomas M. Otstott, Edward R. Tolley, vps.

Toplis & Harding

222 S. Riverside, Chicago, Ill. 60606; 312-648-1300

Parent company: ERC Corp.

Total claims processing staff: 275.

Total employees: 400.

Branch offices: Boston, New York, San Francisco, Los Angeles, Portland, Seattle, Houston, New Orleans, Tampa, Jacksonville, Baltimore, Edmonton, Toronto, Montreal.

Compensation: Per claim

1980 gross revenues: \$10 million.

Specialties/areas of expertise: Product liability, aircraft, business interruption.

Principal officers: W.B. Femdt, Donald J. Maxson, Robert K. Tisdall, vps.

U

Underwriters Adjusting Co.

80 Maiden Lane, New York, N.Y.

Source of information

Information in this special listing of claims administrators was compiled by the editors of *Business Insurance* based on information supplied by the firms.

The profiles include gross revenues, professional staff, parent firm, branch offices, principal officers and compensation for claims services.

10038; 212-440-2364

Parent company: The Continental Corp.

Total claims processing staff: 4,200.

Total employees: 4,200.

Branch offices: More than 300.

No. of clients: 1,400.

Compensation: Per claim, percent of claim, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$120 million.

Specialties/areas of expertise: General liability, heavy equipment, catastrophe claims handling.

Principal officers: A.C. Avitabile, president; R.F. Nabers, D.F. Stone, executive vps; A.M. Tocklin, J.A. McLain, vps.

W

Walker, Hunter & Associates Inc.

P.O. Box 50596, Columbia, S.C. 29250; 803-254-6873

Total claims processing staff: 5.

Total employees: 8.

No. of clients: 175.

Compensation: Per claim, commissions for excess insurance placed with underwriters.

Specialties/areas of expertise: Workers compensation.

Principal officers: Victor L. Walker, William M. Hunter.

Watkins & Associates

P.O. Box 2708, Spartanburg, S.C. 29304; 803-574-3868

Total claims processing staff: 2.

Total employees: 2.

No. of clients: 3.

Minimum size client: \$100,000.

Compensation: Percent of claim, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$27,000.

Specialties/areas of expertise: Benefit plan design, group coverage for manufacturing.

Principal officers: Ben W. Watkins, president; Mitzi Watkins, vp/secretary.

Western Reserve Administrative Services Inc.

276 Bagley Road, Berea, Ohio 44017; 216-243-2800

Total claims processing staff: 2.

Total employees: 4.

No. of clients: 4.

Compensation: Percent of claim, flat fee per covered employee.

1980 gross revenues: \$55,000.

Specialties/areas of expertise: Employee benefit programs, workers compensation.

Principal officers: Joan L. Mack, president; David L. Adams, vp/secretary/treasurer.

The Will-Gard Group

2525 Rt. 22-West, P.O. Box 987, Union, N.J. 07083; 201-687-3400

Total claims processing staff: 19.

Total employees: 46.

Branch offices: Paterson, Toms River, N.J.

No. of clients: 391.

Minimum size client: \$150,000 to \$200,000 in premiums.

Maximum size client or claims capability: Approximately 150,000 claims per year.

Compensation: Per claim, percent of claim, commissions for excess insurance placed with underwriters.

1980 gross revenues: \$3.8 million.

Specialties/areas of expertise: Casualty coverages, employee benefits, property coverage.

Principal officers: Richard K. Williams, chairman; Frank X. Gartland, president; Bruce A. Bilancia, treasurer.

Royal Insurance makes appointments

NEW YORK—Shelton B. Close has been appointed inland marine underwriting specialist for the metropolitan office of New York-based Royal Insurance. **W. Douglas Witschen** was appointed commercial lines underwriting manager, and **George B. Thompson** was appointed product development manager of New York inland marine department.

Other insurer changes:

James F. Marino elected executive vp and chief operating officer of Merchants Mutual and Merchants Insurance Co. of New Hampshire. **James J. Coady** elected secretary of the Merchants Insurance Group, replacing **Edwin F. Jaekle**, who will retire after 47 years with the company.

Jerry D. Smith elected general manager of St. Paul Fire & Marine Insurance Co.'s Oklahoma City service center.

Senior vp **Francis J. Steele**, formerly head of Associated Aviation Underwriters' airline department, named to direct the research and development department. **Frederic W. Parker** appointed vp and manager of the New York firm's airline department.

Four new vps have been elected

comings & goings: industry

by Houston General Insurance Co.: **Hal D. McBee**, vp-claims; **Edward J. Heruska**, vp-casualty underwriting; **Thomas J. Simms**, vp-property underwriting, and **James E. Justice**, vp-loss control.

Charles Abraham King appointed vp and general counsel and **Edward W. Pell** assistant vp and secretary of Metropolitan Property & Liability Insurance Co. of Warwick, R.I.

Harry R. Fay, examiner in the claims department of Bituminous Insurance Cos. of Rock Island, Ill., retired.

Agents/brokers

Hugh John Tully assumes responsibility as international manager for Marsh & McLennan Inc. in Boston, Philadelphia, Hartford, Rochester, Buffalo, Syracuse and

Baltimore. Mr. Tully will be based in Hartford.

Richard Davis named president of Bayly, Martin & Fay of North Carolina, succeeding **William Wilkerson**. Mr. Wilkerson has been named chairman.

Don C. Oden named managing vp for Alexander & Alexander in Tulsa, Okla. Mr. Oden had been senior vp and sales producer.

Val E. Nichols appointed managing vp of the Hartford office of Alexander & Alexander.

Douglas Preston named managing vp of the El Paso, Texas, office of Alexander & Alexander.

Reinsurers

William Mcmillan joined Chicago-based Reinsurance Co. of America Inc. as executive vp.

Milo J. Zurbrigen named vp-casualty underwriting for NWNL Reinsurance Co., a subsidiary of Northwestern National Life Insurance Co. in Minneapolis.

Christopher Koehler appointed assistant secretary at General

Reinsurance Corp. in Greenwich, Conn.

William C. Woodke appointed manager of the Chicago branch office of New York-based American Reinsurance Co.

Other suppliers

Irene S. Sanchez named president of Emeritus Inc., a private vocational rehabilitation firm headquartered in Culver City, Calif.

Warren M. Grill named executive vp of Construction Management Associates Inc. in Morristown, N.J.

Paul R. Dorf, director of the compensation services division of Kwasha Lipton, elected to the partnership of the firm based in Englewood Cliffs, N.J.

Raymond J. Malone named vp-finance and **Michael D. Arnold** vp-client services of the Workmen's Compensation Service Co. in Shaker Heights, Ohio.

Excess/surplus

Mitchell Gwinn elected president of Southern General Insurance Co. of Atlanta, succeeding **John G. Jinks Jr.**, who remains chairman.

Jane L. Snider named underwriter and **Bill Parr** casualty underwriter at J.H. Ferguson & Associates Inc., surplus lines underwriting manager in Evanston, Ill.

Thomas C. Tarp named executive vp of American Excess Insurance Co. in New York.

Doris Wade joined American Underwriting Managers Inc.'s Birmingham, Ala., home office as property department manager.

Nita P. Warshauer named an assistant vp of IWest Insurance Managers Inc., based in Stockton, Calif.

Robert S. Mapes joined Jack D. Hunter & Associates of Arlington, Tex., as manager of the property and inland marine department.



King



Sanchez



Gwinn

agent/broker topics

A REGULAR EDITORIAL SECTION EXCLUSIVELY FOR AGENTS AND BROKERS

Reed Stenhouse lays its cards on the table

But will the cards spell success in the battle for U.S. risks?

By DAVE GALANTI

NEW YORK—What's in the cards for Reed Stenhouse U.S.A.?

Is it a royal flush—services that meld into a national broker capable of competing with superbrosers?

Or is it a near miss—a hand that will cause Reed Stenhouse managers to be satisfied to compete with the second tier?

The questions will be answered soon. Ever since Reed Stenhouse Inc.'s Canadian parent dealt the U.S. operation its first card more than six years ago, the domestic

operation has been slowly building its hand against the other national brokers.

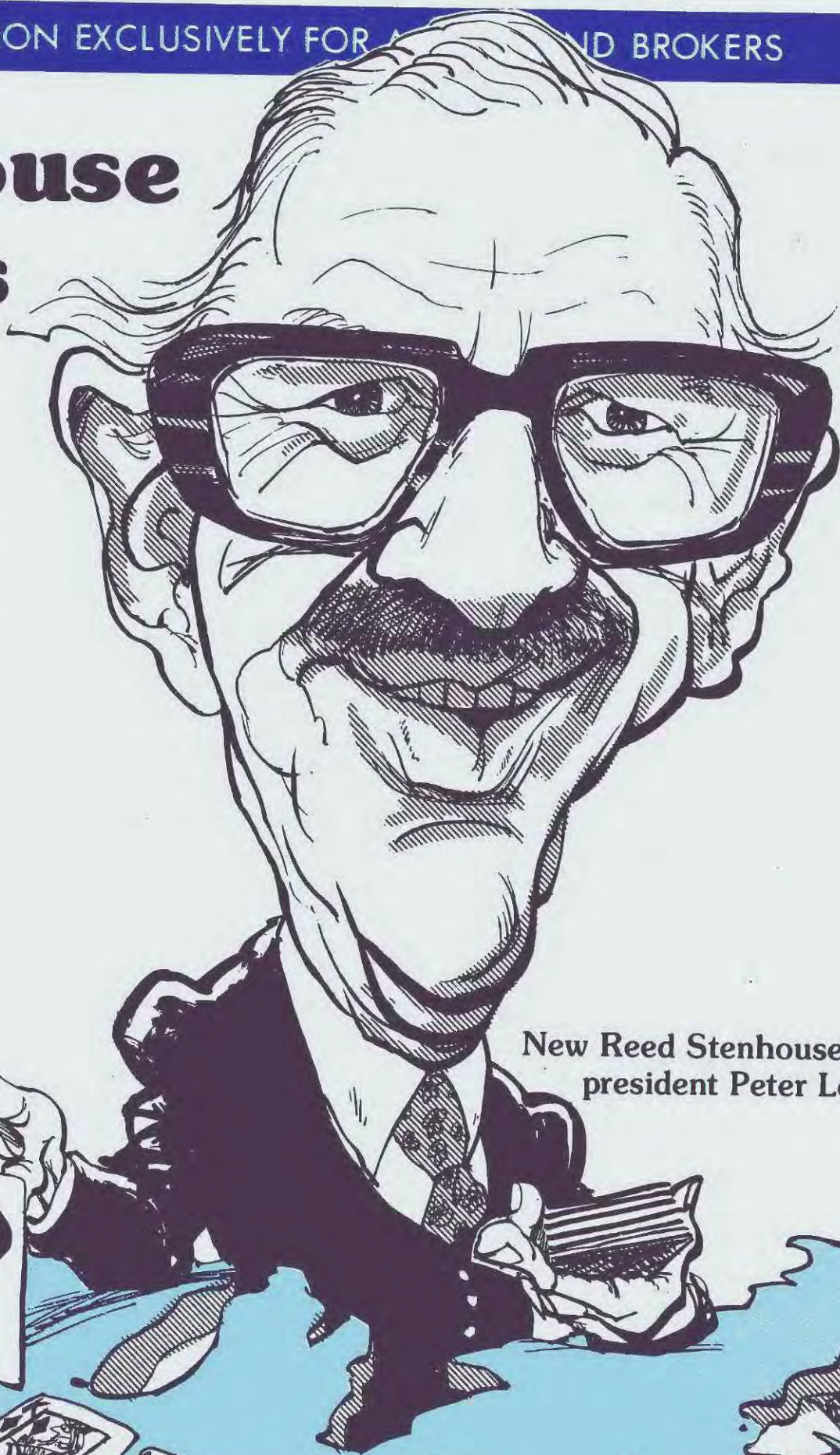
In those six years, Reed Stenhouse has gathered together a national operation of its own using offices it originated and small acquisitions (see story, page 28C).

Now the broker says it is about ready to play its hand. How successful this show of skill will be rests on the final card dealt from the deck—a card controlled by new U.S. president Peter Leitch.

Mr. Leitch, an energetic man imported Jan. 1 from the parent's Bermuda-based captive development and management firm to run the U.S. operation, is expected to move the U.S. broker from a period of infancy and organization to adolescence and rapid expansion.

Mr. Leitch has already made changes that reflect both that goal and his sales background. He has eliminated middle management at Reed Stenhouse Inc. and will more directly supervise branch operations (see story, page 28B). He is also injecting some of his own upbeat, aggressive nature into the top

Continued on next page



New Reed Stenhouse Inc. president Peter Leitch



DR
© 81

Reed Stenhouse's strong suit



The men who run the system:

William M. Wilson is chairman and CEO of the parent company;

Peter Leitch came to the presidency of Reed Stenhouse Inc. from Reed Stenhouse's captive management unit;

Canadian brokerage lays its cards out

Continued from previous page management team around him.

The road to success won't be easy. Fighting Mr. Leitch's plans will be many of the same problems that faced his predecessor, Anthony F. Salvatore (who remains a corporate director):

- Familiarizing buyers with the name and strengths of Reed Stenhouse.
- Fighting the image of a foreign broker new to the insurance habits of the U.S. market.
- Expanding fast enough to please corporate officials.
- Finding the agencies to acquire and people to hire that will keep Reed's staff strong.

Reed Stenhouse will tout its apparent strengths: a sleek organizational structure that puts most of the manpower and glamor in the sales offices instead of corporate headquarters; a strong international network that preceded the efforts of the U.S. natives to go overseas, and an acquisition pattern that has allowed corporate managers to steer initial growth.

Despite these strengths, when Reed Stenhouse entered the U.S. domestic market with the acquisition of the five-office Insurance Consultants Inc. in 1974, few firms outside the international arena

knew the brokerage well.

That didn't deter corporate officials in Toronto from deciding to come into the United States in a big way, says Mr. Leitch. The initial investment for the purpose of mergers and acquisitions totaled \$25 million.

"We of course have a long history of broker operations throughout the world," he says. "Still, the United States is still the 'big apple' of insurance markets. Reed Stenhouse felt that we couldn't be a truly international broker without a strong operation here. So we began to concentrate on building a national U.S. brokerage."

Premium volume in 1980 for Reed Stenhouse Inc. totaled \$230 million. Although corporate officials would not divulge the exact gross revenues earned by the broker, estimates place it close to \$30 million.

In 1980, Reed Stenhouse Cos. Ltd., the Canadian parent, reported U.S. revenues of more than \$36 million (Canadian) of which Reed Stenhouse Inc. contributed a "substantial" but not total amount, officials say.

The Reed Stenhouse efforts are the largest yet by a non-U.S.-based broker to compete in the U.S. bro-

kerage business. Offices now total 23 in 20 cities. Reed Stenhouse Inc. employs 572, about a 10th of the international organization's 5,100.

The employee figure alone would place Reed Stenhouse Inc. in approximately 11th or 12th place among U.S.-based brokers. Revenues, however would place the firm around ninth-place Arthur J. Gallagher & Co. due to Reed Stenhouse's big account thrust. When considered together, the international organization would place sixth in the North American totals, behind Fred S. James & Co.

To many alphabet broker branch managers, the name Reed Stenhouse isn't always the first out of their mouths when speaking of their competition. In Denver, for instance, one manager respected the office's abilities but thought its success was due to a high level of Canadian investment in town.

However, Mr. Leitch says he wishes to dispel that "foreign broker" image, even though he, like a number of top Reed Stenhouse Inc. managers, isn't a U.S. native.

"To be sure, entry into the U.S. was a very big part of our worldwide game plan," he says. "We looked to the U.S. as a source of both international and domestic

brokerage business. But I don't see us as a foreign broker. Our office in Toronto acts in such a way that we have a lot of autonomy to conduct business as we wish."

But the location of a broker's home office doesn't bother buyers, he adds.

"By and large, the risk manager doesn't care where you are from as long as you can do the job," Mr. Leitch says. "I think most of the negative talk that comes on that issue comes from our competition. I just don't see that much apprehension about it."

William M. Wilson, president and chief executive officer of Reed Stenhouse Cos. Ltd., the Toronto parent company, agrees.

"Of course, there is no way we can change our heritage," Mr. Wilson says. "But from our viewpoint in Toronto, we don't see ourselves as a Canadian firm, a United Kingdom firm or any other nation's firm. We see ourselves as an international firm."

Even so, much of Reed Stenhouse's early efforts were devoted to getting its name out on the street as a local operation.

"Our problem wasn't as bad as if we hadn't been known internationally," Mr. Wilson says. "But

you don't get anything known in a hurry. We had to be patient while we worked to make our name credible to those in the U.S. that didn't know us."

Mr. Leitch believes Reed Stenhouse has just about licked that problem. Although the public probably wouldn't be able to identify the firm, risk managers can, he says. And risk managers are the targets for sales efforts.

Reed Stenhouse's U.S. resources still are not as deep as those of Alexander & Alexander or Frank B. Hall, but Mr. Leitch believes he can compete with any broker for large risks.

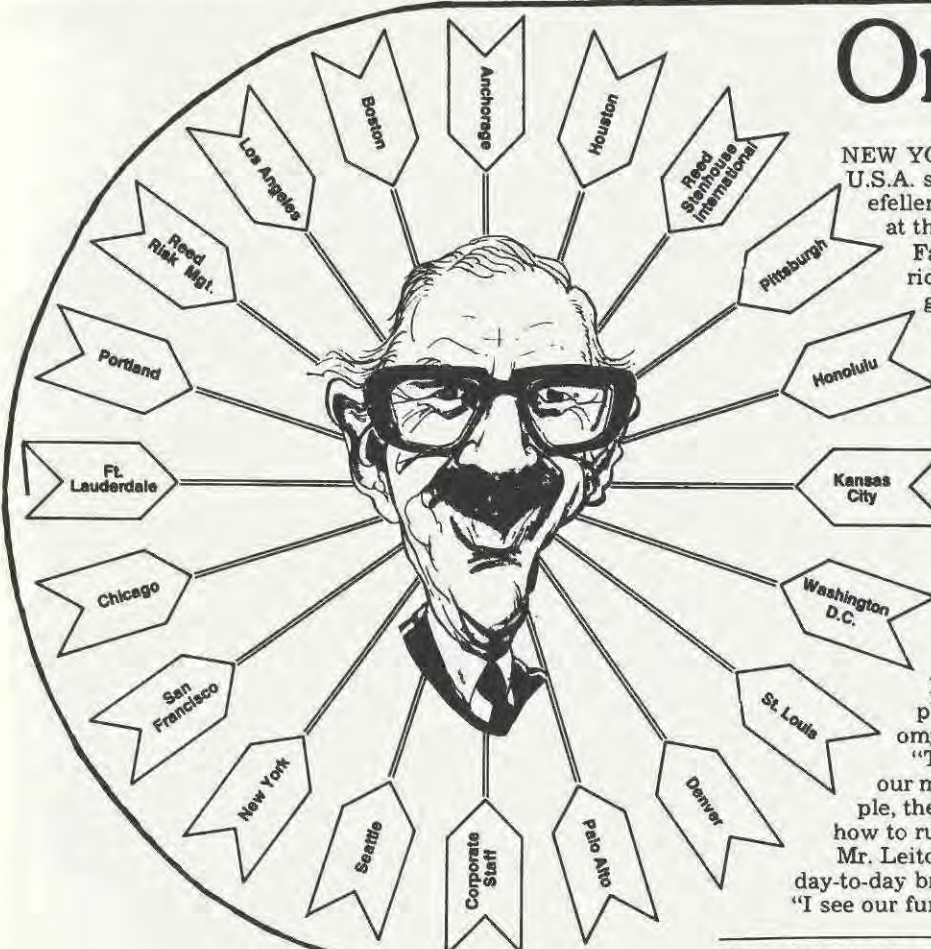
"We can be a national broker without having 115 offices," he says. "After all, we don't want to handle drugstores in Tennessee. We want the larger accounts."

"I wouldn't say the smaller accounts are a pain in the neck, but they are a drain on your staff," Mr. Leitch adds. "It is also harder today to make money on that business."

The larger accounts can be handled with 23 offices, he says.

"Even if we don't have an office in a certain location, we'll get to it if the account warrants our attention. We have several accounts that are located in cities where we are

One hub, many spokes



NEW YORK—The nicest office in the Reed Stenhouse U.S.A. system is not the corporate office here in Rockefeller Center. You could easily pass it by after arriving at the elevator lobby from the floors below.

Far glitzier is the New York branch office, a cab ride away in downtown Manhattan. Here are the glass-surrounded conference rooms and the fancy views.

That's the way new Reed Stenhouse U.S.A. president Peter Leitch seems to like it. Soon after assuming his position a month ago, he eliminated some of the trappings of a national corporate office, including a regional mid-management level that blocked easy access between president and branch manager.

It is important, Mr. Leitch says, to give his managers as much autonomy and trappings as possible so they are free to perform the ultimate goal of the company: selling insurance.

"You walk into any of our 20 offices and you might not see many similarities," says Mr. Leitch. "I believe that if you have the right people, they function best with almost certain autonomy."

"This is an entrepreneurial business, so we give our managers freedom within certain laws. For example, they have to make a profit. But we don't tell them how to run their personnel," he adds.

Mr. Leitch says he doesn't want to play an active role in day-to-day branch affairs.

"I see our function as a support role," he says. "I choose the

branch managers, but after that they're in the catbird seat, more or less."

Under the new system, the chain of command now goes directly from Mr. Leitch to the branch manager. That puts those managers only two steps away from the boss in Toronto. Mr. Leitch reports directly to corporate president William Wilson.

Mr. Wilson says Mr. Leitch's autonomy is subject only to the profit and capital expenditure plans of the corporation.

"I liken my position to the authority I try to give my local managers," Mr. Leitch says. "We've tried to decentralize."

"As we grow, we may have to add a level of management," he continues. "If we have to do that, however, it will be done with a light hand. An entrepreneur needs that."

So does the entire U.S. operation, he says. He wants U.S. Reed employees to feel their hands aren't being tied from afar.

"If you found that feeling (among employees) in the past, I don't think you would anymore," Mr. Leitch says. "I'll be on the (corporate) board starting this month and will have equal status with the presidents in other countries."

"The people that make our local business go here know the key decision makers," he adds. "I don't think they feel they don't know where to go to get a final answer to any problem."

Peter Leitch obtained direct access to his U.S. branches by eliminating a regional management layer.



Photos: Dave Galanti

financial vp Phillip Goodman (left) is a Canadian import and Peter Godfrey became senior vp from a regional management position.

on U.S. table

not," he says. "In Salt Lake City, for instance, we have accounts that are served by several offices."

In this light, Reed Stenhouse would like to be known as the Tiffany of brokers despite not being in every nook and cranny.

"We want corporate managers at the level of risk manager and above to recognize and understand that we are a high-quality brokerage operation. We're not always the leaders, but we are in the technological forefront of brokers. We want them to see our status worldwide, even though we are not the largest in the United States."

It is that worldwide status that makes up a large part of the sales pitch at Reed Stenhouse, Mr. Leitch says. Both he and Mr. Wilson are proud of a heritage that dates back to the 19th century. Clients and potential clients are reminded of Reed Stenhouse subsidiaries and affiliates all over the world, including Australia, Europe, Southeast Asia, the United Kingdom and Canada.

It is this international connection that lets Reed Stenhouse compete with the cream of the U.S.-based crop, Mr. Leitch says.

"We get competition from many places," Mr. Leitch says. "But we feel that there are really four or five companies that can do the whole job for an international risk. We feel we can go up against them, for we have a lot going for us."

"We know what our strengths are in the international realm, because we have been integrated as an international company for so long," Mr. Wilson adds. "We're not a bunch of compartments. We know the people we work with overseas and have worked with them for a long time."

"In most cases, those brokers are natives," he adds. "For instance, Australians run the Australian operation. So we feel that we're not just a bunch of exports trying to be international in scope. In Australia, for instance, we're the largest broker there."

Trying to be No. 1 in the U.S. market has little place in domestic plans, however. Mr. Leitch says he's more concerned about developing each office to its potential.

"We want each office to specialize in the specialty of its region," Mr. Leitch says. "When we accomplish that, the other business will come along. I can't say that we have one goal for all of our offices, for it's a different ball game for each."

That also means an emphasis on different risks in different offices. The Washington, D.C., office, for example, specializes in transportation risks. In St. Louis, the concentration is on nuclear risks. In Los

Angeles, it's aviation. Denver and Houston center on energy.

Reed offices, Mr. Leitch says, will concentrate on areas "where our expertise can be helpful."

The wide range of specialties also helps Reed Stenhouse get business even though it may be spread more thin nationally than some of the big brokers.

"We've gotten several accounts because we were able to quickly gather a team that knows what they're doing, from several offices," Mr. Leitch says. "That's how we are able to combat brokers who are larger than us. We can focus on a project on an ongoing basis. Others may bring their one-day wonders in on Monday, but often they're gone by Tuesday."

Being smaller and seeing rapid growth also has another nice effect, Mr. Leitch says. It can be easier to attract young, aggressive people to work for you.

"One difference between us and some of the more established brokers is that we can attract people who want to join a smaller broker and have a chance to move up," says CEO Mr. Wilson. "What we offer is an opportunity to get in on the ground floor—that's a golden opportunity for some people."

At present, however, the golden opportunity is in the hands of Mr. Leitch. It will be his responsibility to strengthen what has been growing for six years while at the same time improving the U.S. operation's bottom line. Reed Stenhouse Inc. showed flat premium levels but increased revenues in 1980.

What effect will the change have?

"Any time that you change people there is going to be an effect," Mr. Leitch says. "But you have to realize that we have a very good base from which to grow. The changes won't be 90-degree turns."

"I would like to see a more aggressive stance than we have taken in the past," he adds. "We would like to be more feared by our competition in general, and more loved by our clients."

To some insiders, however, the change signifies the end of the initial development and a turn to increased production.

"We've gone through a long process over the past six years," Mr. Leitch says. "During the start-up period, we needed a lot of guidance. For that reason, we then decided to go to a regional middle management approach to aid in developing our system."

"Now we see the regional level as an impediment to the flow of information from our branch managers to this office," Mr. Leitch says. "It wasn't a unilateral deci-

Continued on following page

The First Six Years

1974

January Reed Shaw Stenhouse Inc. founded. Insurance Consultants Inc., St. Louis, acquired, with offices in:
St. Louis
Chicago (formerly Eliel & Loeb)
Pittsburgh (formerly Strothman & Moch)
Ft. Lauderdale (formerly Fast & Co.)
Kansas City

March Insurance Agency of Boca Raton acquired.
Offices: 6
Premiums: \$50 million

1975

June Boston office established.
September Houston office established.
Offices: 8
Premiums: \$78 million

1976

February San Francisco office established, subsequently merged into larger SF office.
May Los Angeles office established.
July Denver office established.
October Seattle office established.
Offices: 13
Premiums: \$85 million

1977

January Reed Risk Management, San Francisco, established.
April John C. Kemp, New York, acquired. Merged into New York office.
Reed Shaw International Inc., Washington, D.C., established.
Underwriters Services, Inc., San Francisco, acquired, with offices in:
San Francisco
Washington, D.C.
Honolulu
Oakland
New York
Offices: 19
Premiums: \$157 million

1978

January Standart & Main, Denver, acquired. Merged into Denver office.
June Anchorage office established.
September Walter A. Behan, New York City, acquired. Merged into N.Y. office.
September Cornish & Carey, Palo Alto, Calif., acquired.
Offices: 22
Premiums: \$190 million

1979

February A.T. Barneby & Co., Glendale, Calif., acquired and merged with Los Angeles office, as the Los Angeles-Glendale branch.
April—October Four additions to Kansas City office: Kanaga Insurance Agency, Frank Wold Agency, Patrick H. Gollither agency, Alan K. Petrie agency; all acquired.
Offices: 23
Premiums: \$218 million

1980

October Henry E. Wood & Associates Inc., New York, acquired and merged into New York office.
Offices: 23
Premiums: \$230 million

Recipe for growth includes mergers, from-scratch units

NEW YORK—Like its U.S. brethren in the brokerage business, Reed Stenhouse has found mergers and acquisitions valuable in its effort to grow. The firm was founded via an acquisition that gave the fledgling broker five initial offices.

However, Reed has depended on another method of expansion as well. In Boston, Houston, Los Angeles and Denver, Reed officials took a path often disliked by the U.S. public brokers: the from-scratch office.

From-scratch officials don't provide the parent broker with large existing revenues and manpower. What they do provide is a chance to grow as the corporate planners wish, with an emphasis on the "right" accounts and without the excess baggage that always accompanies a merger or purchase.

"I think there has been a history of acquisitions that haven't gone too well in the brokerage business," says William Wilson, president and chief executive officer of Reed Stenhouse Cos. Ltd. in Toronto. "It's something you have to consider

when you determine how you are going to enter a market."

Within Reed Stenhouse, the Houston and Boston offices seem to be pointed to as glamor offices. Both were started from scratch by young up-and-comers in 1975. But even though they are considered successful, they took about three years to break even financially, he says.

In the future, Reed will consider both paths. Mr. Wilson says he doesn't expect to start any operations from scratch in the next two years, but adds that one never knows what could turn up. The right person in the right place could change the brokerage's mind, he says.

"There are opportunities for us in the United States," Mr. Wilson says. "There is the Sun Belt. And Texas. And California. Those are areas where you can get business without always fighting to take it away from some else."

"In any case, the most important thing for us is to look for people that will agree to grow with us and not look for an easy retirement," he adds.

Start-up poses challenge to image

NEW YORK—Peter Godfrey says he wouldn't want to go through the process of starting an office from scratch again.

Then again, not many brokerage employees can move from branch manager of nothing to the executive committee of the U.S. subsidiary of a major international broker in five years, either.

Mr. Godfrey is senior vp and branch manager of Reed Stenhouse Inc.'s New York branch, a move he recently made from a regional position when those positions were abolished. To buyers, however, Mr. Godfrey might be better known as the founding branch manager of Reed Stenhouse's Boston operation.

During those early days, Mr. Godfrey says, he had a dual prob-

lem: trying to establish his branch's credibility at the same time the national organization was trying to establish its own.

"Back in 1975 when we opened the office, there was really no philosophy to follow because everyone was new," Mr. Godfrey says. "We felt that our main thrust should be to play in the major leagues and we just started with that."

"What you have to do when you start an office from scratch is try to get a feeling for the market and then just push on," he adds. "You end up establishing a direction not so much because you established one in advance, but because of the funny events that forced you to develop in diverse areas. That's how we developed

in Boston, and that's how Houston developed as well."

Today, Mr. Godfrey says he's glad he's running an established office, even though he admits that in some ways it might be easier to start a new office now than it was five years ago.

"In other ways, however, it might be just as difficult," he says. "It would be easier to sell the company to clients and potential employees, but you still have to find the key person who can run an office and knows the area where he will be."

Mr. Godfrey says he doesn't feel at a disadvantage to other national brokers because of Reed Stenhouse Inc.'s small size relative to Marsh & McLennan or

Johnson & Higgins.

"No, I don't feel disadvantaged," he says. "You may need to go farther afield to get things done. Maybe you will have to make a few more phone calls. But I think we can provide the same expertise as the others in most instances."

One area where he would like to see more support, however, is in the area of training. Mr. Godfrey says he is a strong supporter of a cohesive training program sponsored by the Reed Stenhouse Inc. headquarters in midtown Manhattan.

He believes such programs are necessary for the national broker to find enough aggressive, talented employees to support rapid growth.

"Try to get a feeling for the market," says Reed Stenhouse's Peter Godfrey.



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Reed plays strong suit in U.S. deal

Continued from previous page
sion. I discussed it with the regional managers before we made the change."

Various employees are certain the change will reflect a more active stance, however. The former president, Mr. Salvatore, was seen by some as adept at management organization. Mr. Leitch, in contrast, is seen as the supersalesman—more outgoing and at ease with people.

"I think Mr. Salvatore was just about what we needed during the past few years, while we were struggling to form a truly national organization," says Phillip Goodman, another Canadian import who is currently financial vp. "His strength was in organization rather than sales, but that was the type of person we needed to get everything up and operating."

"Now I think that we need more of a salesman, and Mr. Leitch is the right man," Mr. Goodman adds. "He has added a lot of enthusiasm to the operation already."

"If you had to list the things we are already most proud of," says Mr. Leitch, "I guess you would have to list our international expertise, the energy risks, our aviation knowledge and our employee benefits operation," he says.

"There are others that we are developing, but those are the areas that we're very proud and confident of at present," he adds. "In the near future we want to continue developing all of these while also working toward mastering modern risk management techniques." (At present, Reed Stenhouse Inc.'s risk management services department numbers only 20.)

Where will the U.S. brokerage be in five years?

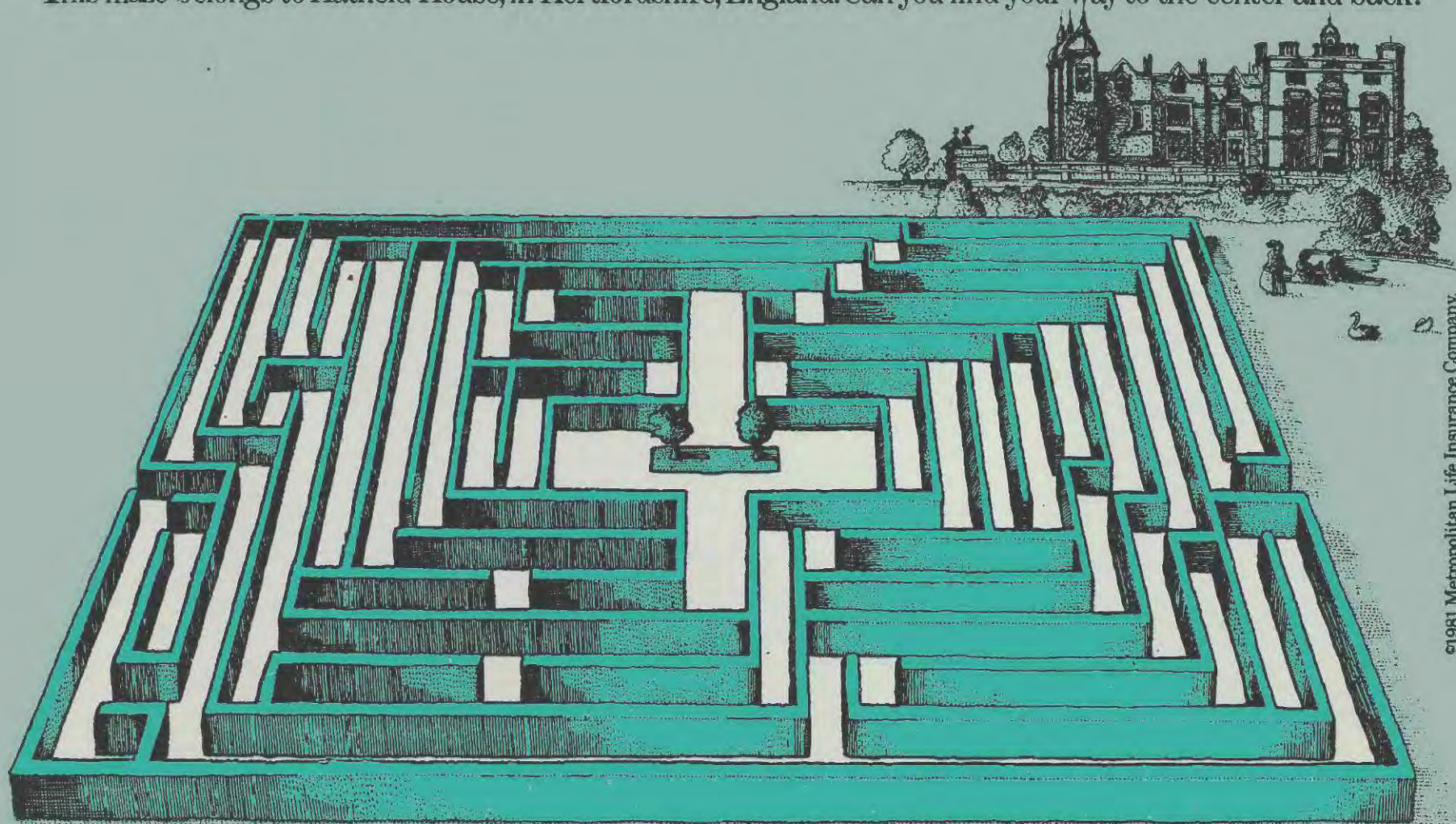
"We're really not targeting for the numbers game, and we're not expecting to be the largest broker in the U.S.," Mr. Leitch says. "We are an integral part of a world operation and we would like to obtain the same stature here as we have earned elsewhere in the world."

"We won't have a vast number of offices," he adds. "We may have eight or nine more than we have now. In terms of revenues, we could be two or three times what we are now, I'd estimate."

Inevitably, Mr. Wilson and Mr. Leitch say, they would like to be farther down the road to success than they are.

"But we're satisfied with what we have," Mr. Leitch says. "We have a good beginning, and we're ready to grow from here."

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Need for franchise may be nonexistent

By DAVID HALES

SO MUCH promotional print has been devoted to franchising recently that someone close to the insurance agency and brokerage business should come forth with the other side. Now, we're not opposed to the concept in general, but from what we have seen so far, it is hard for us to see the real need for franchising.

It seems to this observer that ample facilities already exist to provide the independent agent with virtually everything that is being packaged for sale in exchange for a franchising fee.

For example, there are already a fair number of pseudo-franchise organizations that provide much of what franchisors would have us believe is something new. Assurex is probably the most prominent linkage

David Hales is president of Hales & Associates Inc., which provides services to insurance agencies and brokerages. Hales specializes in internal perpetuation as well as mergers and acquisitions.

between relatively large independent agencies, delivering a variety of meaningful services to its 57 U.S. members. Insurorsgroup is similar and serves about 100 somewhat smaller firms.

Insgroup has a different orientation than these other two, focusing on market availability, and also claims a membership approaching 100 organizations. Intersure is a high-level study group with 34 members, and there are many informal groups that come together from time to time to share market knowledge, business methods and a variety of cooperative services.



A/B/T perspective

Then there are at least six marketing organizations that put together specific programs for associations and other affinity groups. They all have elements of franchising including the exclusive right to sell pre-packaged products. There are those that function as marketing vehicles for insurance companies: Farnex (Fireman's Fund), Marketdyne (INA) and Marketpac (AIG). ARM International is made up of decentralized state organizations, which among them include some 400 agencies, while MMI and AIM distribute their products through hundreds of agencies belonging to their systems.

Some of the facilities offered to the independent agency system by franchisors have for many years been made available by companies too numerous to mention. We're referring to financing assistance, training programs, computer interface (new but evolving rapidly), customer referral services and countersignature reciprocity.

In the area of risk management, ISU, one of the few franchisors actually on line with services, believes access to its consulting expertise will be a major factor influencing the growth of its franchises. Well, we submit that if you are a small to medium-sized agent/broker (less than \$1 million in revenues), you probably should stay away from the account that needs risk management services in the first place. The larger agency can afford to hire its own experts full-time, so why buy the skill part-time for about the same money?

In either event, however, if you need that kind of help in specific situations and you don't have the expertise in-house, some of the many risk management consulting firms around will gladly sell you their time on an as-needed basis. At our last count, there were 25 members of the Insurance Consultants Society. Many more do not belong to that group.

Cash management is another facility highly touted by more than one franchisor. While the system established by ISU through its partner Merrill Lynch may turn out to generate enough additional investment income to pay a substantial portion of the ongoing franchising fee, we suspect that other investment houses plus the larger banks with foreign branches will be just as happy and just as capable of handling your funds in a similar manner at a considerably lower cost. With so much premium going on direct bill and no monthly interest installments anyway, we wonder how much of the franchising fee is allocated to this service and whether it will in fact be worth it.

As far as training programs are concerned, companies such as Aetna, The Travelers, The Hartford, Fireman's Fund, SAFECO, etc., all have programs designed to impart varying levels of technical and sales skills to neophytes as well as experienced people in the agency business. There are 677 colleges and universities offering courses in insurance—86 of them offering majors, 22 offering master's courses. CPCU and CLU programs are offered throughout campuses in every major U.S. city. CIC courses are available virtually everywhere. Seminars on every subject imaginable abound, sponsored by state associations of the IIAA and PIA, Assurex, Insgroup, Insurorsgroup, CPCU, CLU and others. Why reinvent the wheel?

In the area of personnel recruiting, we'll have to admit that the ads we've seen to attract people for franchisees are an excellent idea. However, there are many other sources of people procurement, including agencies and all of the many industry meetings. What do you suppose goes on at all of the association gatherings, which are legion? Your best bird dogs are your own alert people who attend these events, particularly if you put something extra in the pay en-

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develop when an employee leads you to someone you eventually hire. As far as selection is concerned, that's a responsibility of management that simply can't be delegated. No franchisor can do that for you and shouldn't try.

A key element in the ISU program is financing assistance. ISU's capital value guarantee program is a very clever device designed to provide the franchisee with otherwise-difficult-to-obtain credit at the bank. Their plan gives a franchisee the option of selling his expirations to ISU at a value equal to commissions minus 45 days working capital. It is available, as we understand it, after the franchise has been owned for two years.

With this "put" in his hot little hand, the agency owner is in a position to provide a greater degree of collateral to a banker in his quest for funds to finance an ownership perpetuation plan, make an acquisition, diversify his investment portfolio or whatever. Should the loan go sour, the bank takes over the business, exercises the "put" it now controls and gets its money back. Very clever. It is as good as the financial ability of ISU to perform and that is theoretically backed by its ability to resell the property to another ISU member.

This feature is very similar to the financial guarantee bonds some insurers will write for the same purposes. Alternatively, some insurers have been known to make direct loans, guarantee bank loans and even take equity positions in agencies.

Finally, and the sizzle that mostly sells the steak, is image-building advertising that provides the local agency an identity with something bigger than itself. Now, that may be good for the ego, but there is a serious question in our minds as to whether it really sells insurance. We think the 2% cost believed allocated to this aspect of the franchising fee might better be spent in direct mail through newsletters and the like.

Further, we fail to see why identification with anything other than the Independent Insurance Agents of America is really a necessary expense at a time when IIAA has launched its Joint Agency Marketing program in conjunction with major independent agency system companies. JAM involves the expenditure of many millions of dollars for multimedia promotions comparable to the familiar promotion of such insurers as Allstate and State Farm.

Nonetheless, we count nine entries in the Great Agency Franchise Fight, which we have nicknamed GAFF. They are Brokers Trust Insurance Franchise of America; Coverage Plus Systems; Eagle 2000; InsurAmerica; Insurance Consortium of America; ISU; Insurance World Corp; Intermark Inc., and Marketforce International Inc.

Basically, what GAFF participants are promising in exchange for a fee are services and image building for the smaller broker which they believe he or she cannot provide alone. Concerned by the fact that the independent agency system has seen its market share reduced over the past 10 years to about 49% from about 70%, franchisors are offering these services to stem that tide.

It's not difficult to develop very interesting numbers in terms of what success in the field might yield. Take a target of 2,000 agencies in five years. At \$10,000 a pop for the privilege of joining, that's \$20 million in upfront fees.

Suppose these firms average \$750,000 in revenues. At a 4% ongoing fee, that's \$60 million a year in revenues, with growth built in to the extent that the industry grows. With that kind of income, the franchisor can well afford to furnish

everything but the kitchen sink and have enough profit left over to perhaps attract a public offering of its shares a la Century 21.

At a 25% pre-tax profit margin and a P/E ratio of 10, the capitalized value of a franchise achieving these results would be about \$75 million, not bad leverage if the initial investment is \$10 million to \$15 million.

Will there be survivors in GAFF? Certainly. There's a huge market out there looking for a better mousetrap and there will be some GAFF survivors putting enough cheese on the line to make it binding. There will be more who don't. One thing GAFF will do, without question, and we think this is happening now, is make those who have always offered alternatives look sharp and be sharp. It has focused the attention of many purveyors of services to agents and brokers on the fact that maybe they haven't been doing the job and they better get at it. ■

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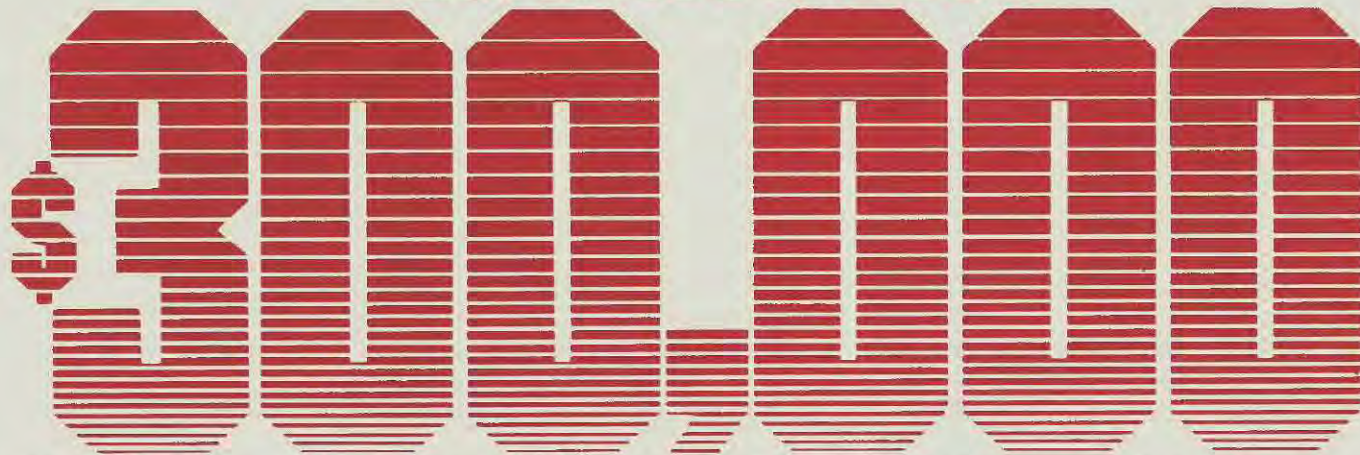
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AAI designation tests postponed until December

MALVERN, Pa.—The first testing date for the fledgling Accredited Adviser in Insurance designation has been moved back by the Insurance Institute of America.

The final examination for PRO 81, the first course in the three-unit AAI program, will be scheduled for December, not for May as planned, says Peter R. Kensicki, director of producer education.

The postponement was made at the request of potential instructors, Mr. Kensicki says.

"We have been hearing comments for some time from poten-

A/BT

tial instructors that they would like a little more time to study the program," he says. "It came to a head for us when representatives of the Southern Agents Conference told us the same thing.

"They were concerned that if a large number of AAI instructors did not do well, or if a large number of students failed the course, those results would reflect poorly on the designation as a whole," he adds. "With that in mind, we decided to move the first test back seven months."

The designation is intended as either a refresher course for veteran producers or training for new sales personnel and potential producers (A/BT, Nov. 3, 1980). The philosophy behind the program is that specialists should have special education efforts teaching proficiency for producers.

For example, students might study an entire contract in the CPCU program, but the AAI program will emphasize the part of the contract pertaining to producers. Emphasis will be placed on product knowledge, market knowledge and sales techniques.

Publishing of the textbook for the PRO 81 course also was delayed a few days, Mr. Kensicki says. When the test was moved back, the IIA decided to put a greater priority on printing four new CPCU course textbooks, he adds. The first AAI text will be available this month.

"I want to emphasize, however, that we were ready with the materials," he says. "We just wanted to make sure the instructors would be well trained. They felt they would be rushed if they had to take a May exam, and we agreed." ■

A/BT letters

Many firms aid computer

To the editor: We are appreciative of your magazine's kind words in the article "Boston agents join forces to design computer system" (A/BT, Dec. 8, 1980).

We are somewhat chagrined with our self-stated confidence for success at nominal cost.

The computer software design project actually belongs to Insurance Management Services of which MacIntyre, Fay & Thayer is an owner with four other agencies and the president, Gerald Vahe. IMS has been in business for nine years and presently the agencies write about \$65 million of premium. We realize the complexity and risk inherent with this venture and are cautious.

Again, thank you for the support, but we didn't want others to think we have the software market cornered or that the project is inexpensive. Like anything else, the risk is proportionate to the potential gain.

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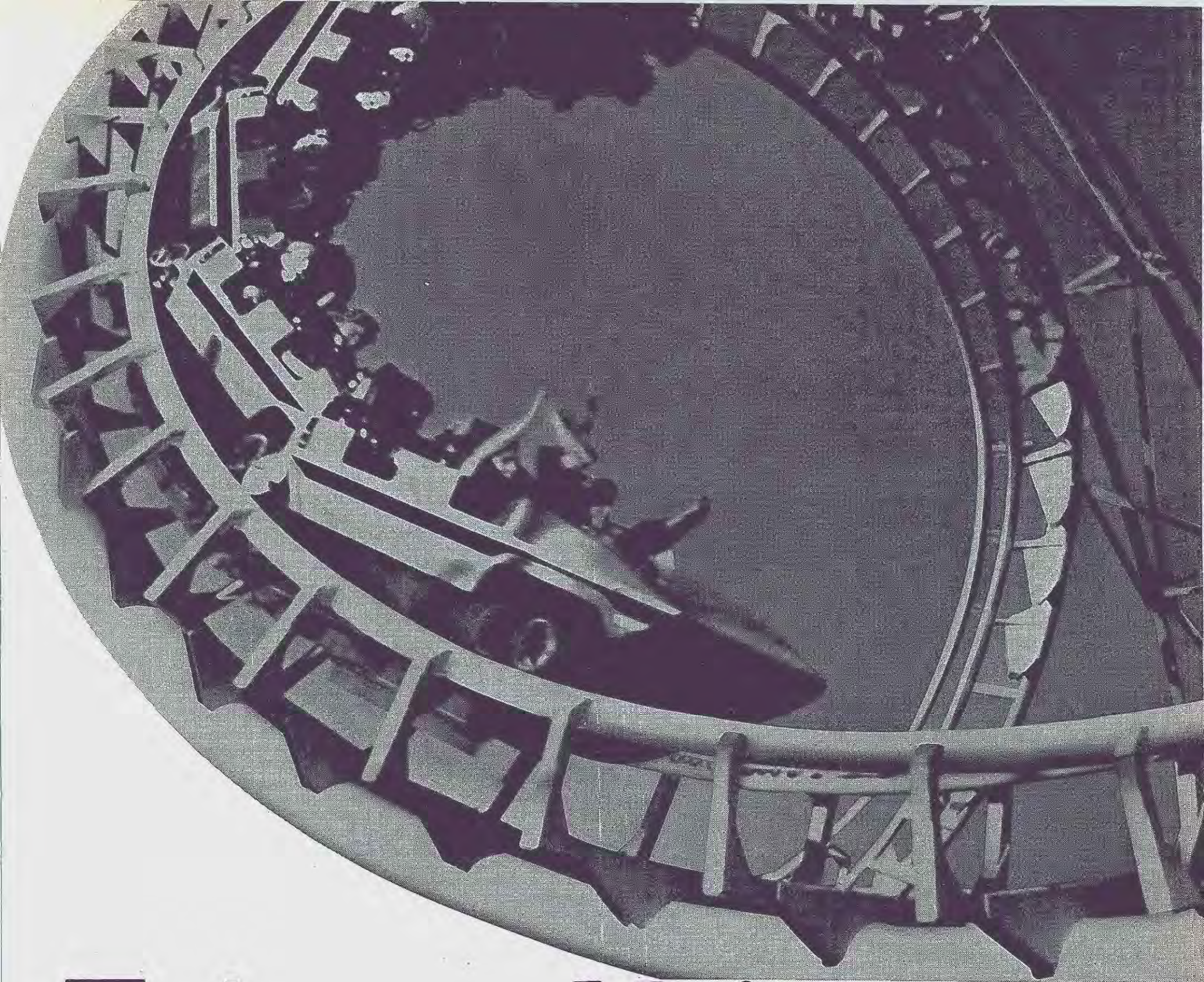
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'Hostile N.J. environment' eases: Agents



In 1979, Kemper and Reliance terminated a total of 272 agent contracts in New Jersey.



By DAVID SPERLING

The hostile insurance environment that forced two major insurers to cancel their agency contracts in New Jersey more than a year ago has become a bit friendlier.

"The overall atmosphere today is better than a year ago," says Bill Young, immediate past president of the Professional Insurance Agents of New Jersey. "There has been significant rate relief."

Despite an extremely competitive market and stringent regulation, agents are "pretty optimistic" about their future, Mr. Young says. "Because of a tough market, agencies have grown larger and become better at the business of selling and servicing insurance efficiently."

A/BT

If adversity has made them better, the agents can thank the Kemper Group and Reliance Insurance Co.

In August 1979, Kemper and Reliance delivered a crushing one-two blow, announcing the termination of a total 272 agency agreements. Citing a "hostile insurance environment," they decided to cancel their agents rather than submit to New Jersey's legislative and regulatory authorities.

But the blow was not as damaging as expected. Most former Kemper and Reliance agents are still doing business today with their old insurers—but as brokerages.

Kemper reports it retains 100 brokers in the state, "most of which were formerly under agency contract." Before termination, Kemper had 152 agents in New Jersey.

Reliance still does business with "almost all" its 120 former agents, says Charles Farry, manager of Reliance's Penjerdel branch.

But the agents are "not really happy" with their new relationship with Kemper and Reliance, says Mr. Young of PIANJ. A lot of agents, he said, have been "adversely hurt" because they have found it difficult to replace large books of business.

Since terminating their agency agreements Mr. Young said, both Kemper and Reliance have been extremely selective about the new

business they are willing to accept.

Both Kemper and Reliance say they are putting more emphasis on commercial lines and less on "inadequately priced" auto coverage.

"We've trying to avoid writing auto business as much as possible," says Tom Jacques, New Jersey branch manager for Kemper.

Despite their attempts, both Kemper and Reliance still count voluntary and assigned-risk auto coverage as their biggest line in New Jersey.

Industry sources estimate 1980 underwriting losses for auto coverage in New Jersey will top \$210 million, compared with \$138 million in 1979. But Mr. Young says rates were "at most 5% inadequate," noting the New Jersey Insurance Department recently authorized a "significant" rate hike.

Other lines, he says, were "quite profitable," which might explain why other insurers did not follow in Kemper's and Reliance's footsteps.

Kemper had complained it suffered losses for six straight years on an all-lines basis. "If that's true," Mr. Young says, "they weren't doing a very good job of underwriting."

Despite terminating its agency contracts, Kemper is still maintaining a strong presence.

"We took some rather drastic action, but we've been able to re-establish new credibility and confidence," says the firm's Mr. Jacques. "We're alive and fairly well."

Kemper reports it wrote about 3% less business in 1980 than 1979, which was "better than expected." Mr. Jacques said Kemper expects underwriting losses of \$1.2 million by the end of 1980.

Reliance, which had been writing \$30 million of business in the state before agency terminations, reported gross volume was "down 30% from last year." Mr. Parry says, however, that Reliance had been severely limiting new business for at least two years before its termination decision.

Mr. Parry, who calls New Jersey a "hostile insurance environment," said he expects "the same kind of reduction in the year ahead."

Both Kemper and Reliance blamed the legislative and regulatory atmospheres in New Jersey for their decision to terminate their agency agreements. The specific catalyst, they said, was a bill the Assembly passed that would have limited an insurer's ability to terminate an agent.

"With the kind of problems and losses we were experiencing, we didn't want that right to be taken away by legislation," Mr. Jacques said.

Agents, however, said the bill was just a convenient excuse for Kemper and Reliance. They point out that neither insurer had contacted PIANJ about the bill, which the association had opposed. An unfortunate result of the Kemper-Reliance action, they say, is a growing mistrust between insurers and their agents.

Both Kemper and Reliance complained mostly about "negative regulation" aimed at personal lines. For example, they say, a no-fault law there is "distinctly biased" in favor of lawyers and the public, and the New Jersey Insurance Department is "a consumer hero type of operation," claims one insurance company executive.

"If we continue to have consumer-minded regulation and a general tightening of the market, it could reflect absolute chaos from an insurance standpoint," says Mr. Parry of Reliance.

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M&M gets big piece of Alaska account

Continued from page 1

& Black and non-incumbent Johnson & Higgins will vie for the aviation coverage, which will be awarded on the basis of competitive bids submitted in April.

Alaska's recent broker selection process has been keenly observed by industry experts who say the state's risk management procedures more closely resemble those of progressive corporations than of most public entities.

"Alaska has been an icebreaker in the public entities field," noted David D. Carlson, assistant vp and manager of the public entity department of Marsh & McLennan Inc. in Seattle. "It's a Cadillac program and we're pleased to keep it."

The master program, with limits of \$50 million for property, casualty, marine and workers compensation coverage, is combined with excess insurance to \$100 million. It is expected to generate about \$3.4 million in total net premium in fiscal 1982, according to *Business Insurance* estimates.

The coverage will be landed in May by the winning brokers, who are likely to make stops at insurers around the world. The current self-insured retentions (see chart) on the individual risks could be lowered if competitive insurers in the current soft market offer better deals.

Total broker compensation and other risk management services paid on a fee basis are budgeted for \$800,000. Broker fees are not fixed yet, said Mr. Carlson, adding Alaska keeps fees to a minimum.

"It's a good deal for the state," he acknowledged.

The \$50 million of excess insurance over the master program, handled by Alexander & Alexander in Anchorage and a local company named Alaska 100, is excluded from the current competition, said John Haywood, Alaska state risk manager since 1977.

The state combines coverage with the University of Alaska on most lines.

The broker selection process was structured to give local Alaska brokers and other newcomers a shot at the account, but direct knowledge of Alaska's unique problems and catastrophic exposures apparently gave incumbent brokers a decisive edge.

"We wanted to give everyone enough information about the risk so that even though they didn't know the state, they could develop some innovative ideas and approaches," Mr. Haywood said. "But what happened is that the brokers who weren't familiar with the account didn't give us the detail we had hoped for."

The state owns large fleets of air-

'We gave a lot of credit to brokers who went out and at least demonstrated expertise,' says Dick Huntington.

craft and ferries that create unique marine, aviation and liability exposures. Combined with notoriously extreme weather conditions and the serious threat of earthquakes, the risks make Alaska a state with catastrophic loss potential.

"All that makes the account a challenge for brokers," said Dick Huntington who with colleague Barbara Akk of EBASCO Risk Management Consultants, designed the state's broker selection process. "Even though there is a soft market now, there are relatively few markets willing to accept the exposures of the state."

"We gave a lot of credit to brokers who went out and at least demonstrated expertise and that is one reason why Johnson & Higgins is getting a chance to look at a portion of the account," Mr. Haywood observed. The aviation coverage, about 14% of the master insurance package, is now placed by Marsh & McLennan.

"We're letting Corroon & Black and Johnson & Higgins go on to the next step with the aviation coverage," Mr. Haywood said. "They have been asked to pick three primary markets to build the first \$10 million in insurance. Based on these recommendations, we will give one of them authority to use worldwide markets to put the total \$100 million program together."

Marsh & McLennan will continue to place most of the state's marine and casualty lines, including general and automobile liability and workers compensation. Corroon & Black will market property insurance. But the individual self-insured retention under the property plan is combined with the casualty SIR in a \$7.5 million multiline annual aggregate deductible under excess insurance to be placed by M&M.

Setting up individual line deductibles to mesh with the aggregate retention will require a strong measure of cooperation between Marsh & McLennan and Corroon & Black, said Mr. Haywood. Only aviation and medical malpractice coverages are outside the aggregate.

A comprehensive set of specifications and a timetable were developed by EBASCO to launch the competition last October.

For bidding purposes, the insurance program was split into sec-

tions A and B, with A requiring the resources of a major full-service broker and B requiring specialized expertise in specific lines. The second group of specialized coverages with a premium value of about \$175,000 has not yet been assigned.

"We got very little response from local Alaska brokers on the section B coverages and that was a disappointment," Mr. Haywood said. (In this group still under active consideration are the accident and health, boiler and machinery, fidelity bonds and fish and game marine fleet coverages.)

The Alaska risk management department received nine or 10 written proposals on the major section A. Almost all of the top 10 brokers submitted bids, as well as a group of nine local brokers that pooled their resources to meet the state's minimum premium volume requirements.

Six brokers were invited to make oral presentations Jan. 7-8, including Marsh & McLennan, Corroon & Black/Dawson & Co., Johnson & Higgins, Alexander & Alexander, Rollins Burdick Hunter of Alaska and Fred S. James.

Alexander & Alexander dropped out of consideration before the interview, citing heavy demand on

its resources by other clients.

Apart from the aviation and several miscellaneous coverages, the state was able to select brokers for major lines soon after the interviews, Mr. Haywood said. Brokers had been instructed not to contact markets, to avoid stirring up the worldwide insurance marketplace, and were asked to rely on their own expertise for pricing.

Four votes were cast to reach the final decision—one each by the Alaska risk management depart-

ment, EBASCO, the risk manager of the municipality of Anchorage and the administrative manager of the Alaska Transportation Department, the biggest user of risk management and insurance services.

Asked whether he intended to repeat the selection process next year, Mr. Haywood said he definitely does not. "Although we're not signing long-term broker-of-record contracts, I hope and expect these arrangements to last for three to five years," he said.

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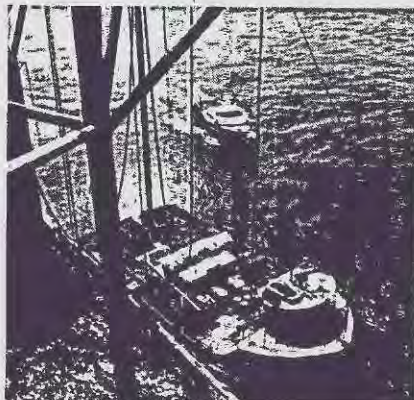
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Correspondents at Lloyds of London



Bull can't shatter policy

Continued from page 2

Wright, the agency's manager of risk and insurance.

The property portion of the policy includes coverage for items in the "care, custody or control" of the agency, he notes. The china's value was well under the limits assigned under the policy to Y&R's Los Angeles office, he adds.

The liability section of the policy could have covered any contractual liability the agency had to the shop that rented the china, Mr. Wright says.

Mr. Wright admits he learned of the shooting of the commercial after the fact. Creative people in the agency "occasionally do crazy things like this without telling us," he added.

For that reason, the agency's insurance policy is written "as broadly as possible," he explained.

Atlantic Mutual, which has a long-standing relation with Y&R, is "familiar with the creative thinking in the advertising industry," he said. Handling a bull did not strain Young & Rubicam's insurance program, but a Lincoln-Mercury commercial featuring a model walking a cougar on a leash required the agency to purchase \$10 million additional liability coverage, he said. The model was touted as the "next Cheryl Tiegs" and a clawing by the cat would have destroyed her career.

Workers compensation coverage for persons on the bull commercial set is the responsibility of the company hired to produce the commercial, Mr. Wright notes. Y&R requires production companies to furnish certificates of insurance indemnifying the agency against liability from accidents on the set. ■

Code changes hike costs

Continued from page 3
(Houston) Fire Marshal J.J. Pruitt. "It is giving us a chance to do things that we might not have been able to accomplish before."

In Fort Worth, where officials recently pushed through the city's first fire code for high-rise buildings, the fire chief plans to ask the city council to make the code retroactive for older structures. Included in the new regulations are smoke detectors, fire walls and, in some cases, automatic sprinkler systems.

Denver is changing its code to require that all new high-rise buildings include centers where building occupants can go to flee fire and smoke without leaving the building.

And in Tampa, retrofitting of existing buildings with automatic sprinklers has become an issue since the recent fires. A hearing on the proposal is scheduled later this month.

Detroit, Chicago, San Diego and Miami also are examining existing and proposed fire codes.

Wherever public officials are pushing for changes, however, there has been an outcry from businesses that more stringent rules will place a heavy financial burden on builders.

The fire-safety features proposed could increase the cost of a

new building 2% to 10%, it is estimated. The cost of retrofitting existing buildings to meet codes could be much higher.

But local officials say the cost will have to be borne to make buildings safer.

"We are the fire department," said a Boston official. "It is our job to save lives. We don't care how much it costs."

Mandatory sprinkler systems seem to be the most hotly debated issue.

The Westchester County district attorney, who investigated the Stouffer's Inn fire, said at a recent press conference he is convinced sprinklers would have saved lives in that blaze. Similar conclusions were reported by investigators of the MGM fire and two fires that razed New Jersey nursing homes in recent months.

The result has been an increased interest in sprinklering high-rises.

"We have had 71 inquiries (about the group's model sprinkler code) through the mail and over the telephone in the month and a half after the MGM fire," said Joe Mulrine, an official with the National Automatic Sprinklers and Fire Control Assn. "This is the biggest spurt we have ever seen. They are coming in from all around the country."

The model requires a building to be fully sprinklered if it is taller than four stories or has 5,000 or

more square feet of space.

Officials are not only interested in requiring new buildings to be sprinklered, but they also want to demand sprinkler systems in existing buildings.

"Retroactive laws are the coming thing," Mr. Mulrine said. "During this recent flurry of activity, several towns we have been in contact with have spoken about making their new fire laws retroactive. It seems to be a definite trend."

The cost of sprinklers is not cheap. Estimates for new buildings run from \$1.10 to \$1.63 per square foot, with the cost of retrofitting older buildings as high as \$2 to \$2.50 per square foot, Mr. Mulrine said.

The sprinkler association recommends local governments offer tax incentives to building owners who put in sprinklers. Alaska recently passed such a law, Mr. Mulrine said.

An alternative to sprinklers that some fire safety experts say may be as effective but less expensive is an air-pressurization system that controls smoke in a fire. The system increases the air pressure in hallways, stairwells and elevator shafts so the air flows out of these places to clear the way for occupants to escape.

The cost is estimated at about \$1 a square foot.

Execs bolster fire safety

Continued from page 3

Fisher Brothers, which suffered a major loss last year at 299 Park Ave. here, is rapidly bringing its four office buildings into compliance with New York City's fire safety code, says risk manager Elliot Cohen.

Buildings are being split into compartments to keep open space to 7,500 square feet and prevent the spread of fire and smoke. Elevators are being equipped with automatic recall systems that send them down to the first floor when a fire alarm sounds.

None of Fisher Brothers' four operating buildings is sprinklered, Mr. Cohen adds. However, one under construction will be. Retrofitting existing buildings with sprinklers would be costly and would inconvenience tenants, he said.

Fisher Brothers conducts fire drills in its buildings about six times a year, Mr. Cohen says. Each office has a person who directs workers where to go in case of fire.

An evacuation plan is a good idea, insurers say, but sprinklers are a better safety technique.

Hal Culler, vp-loss control of The Continental Insurance Cos., says automatic sprinklers are preferred over compartmentalization. However, he agrees sprinklers are costly.

If a building is not sprinklered, its management should concentrate on minimizing the flammability of building materials, he says. It also should follow the Fisher Bros. idea and have a sound emergency plan that is communicated to and rehearsed with building occupants, he says.

"The potential for disaster is always there, but we're not in a panic situation," added J.E. Marran, Continental's vp-underwriting. "Anywhere you have large numbers of people, the potential for disaster is always present. It's more sensational today because of the losses."

High-rise office buildings have large numbers of people and extensive use of flammable materials in offices, he notes. But fires are few and far between.

Mr. Marran does not take chances, however. Before approving an out-of-town meeting for Continental executives, he inspected the conference room and gave an inspection report to each person attending the meeting.

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Commission urges mandatory pension

Continued from page 3
 mission approved most other recommendations unanimously, three commissioners—William Greenough, Henry Bowden and Martha Griffiths—refused to go along with the majority and guarantee all employees a pension of at least 3% of annual wages.

Ms. Griffiths warned that "the next morning after MUPS goes into effect, a lot of people are going to go out of business. It really is going to be very difficult."

"I'd make it optional for the small employer," argued Mr. Bowden.

The commission's endorsement of the minimum universal pension was led by its chairman C. Peter McColough, who also is chairman of Xerox Corp.

"We have millions of people who realistically cannot expect to receive an employee pension," he said. "The best way we can limit Social Security increases is to have something else."

Mr. McColough warned that unless a pension system is mandated, a two-class system will develop. One class, which receives retirement income from Social Security and a private pension plan, will thrive. But the other class—that entitled only to Social Security—will face old age poverty.

This two-class system "is unfair. It will not last," Mr. McColough told his fellow commissioners.

He acknowledged unemployment could rise under this plan, but said that problem will be small in relation to the benefits gained. "We are trying to solve the pension problems of tens of millions."

Commissioner Harvey Kapnick,

a former chairman of Arthur Andersen & Co., also downplayed the cost of mandatory plans. "How many firms went out of business when the Social Security payroll tax went up 1.1%," he asked. "The costs are going to go up anyway. It is a matter of how the costs are allocated."

Without a mandatory pension program, employers and employees will be hit with enormous Social Security costs, Mr. Kapnick added. A mandatory pension system would take some of the burden off the financially strapped Social Security system.

Some pension activists saluted the minimum universal pension proposal as a first step toward boosting retirement income. "If MUPS were adopted, they would give a better benefit to those

workers who are not in pension plans now," said Hillel Gray, executive director of the Citizens Commission on Pension Policy in Washington.

But another pension activist—Karen Ferguson, director of the Pension Rights Center in Washington—said minimum mandatory pension plans don't go far enough.

"It will not solve the pension problems of this country," she said. It does little to relieve current inequities in the system.

Mandatory pensions are premature, says Theresa Stuchiner, a partner at Kwasha Lipton, a benefits consulting firm in Englewood Cliffs, N.J.

"They (the commission) haven't done enough to encourage the voluntary approach. Let's first give employers more incentives to start new plans before considering a

mandate," Ms. Stuchiner said.

"If mandatory plans work... that's great," said Lloyd Kaye, vp at William M. Mercer in New York. But Mr. Kaye worries that mandatory plans could lead to a rise in unemployment and an expansion

of the underground economy.

Michael Romig, director of employee benefits at the U.S. Chamber of Commerce in Washington, said the commission failed to supply research support for its recommendation.

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Black lung

Continued from page 2

"We enjoy having the (Labor Department) readers interpret the X-rays," said Pittsburgh attorney Mark Gordon of Meyer, Darragh, Buckler, Benenek & Eck, who has defended numerous black lung claims.

"Their findings have been given more credibility."

The X-ray readers are usually more qualified at reading X-rays than claimants' physicians, he contends.

They also tend to be more conservative in diagnosing black lung disability, he says. Claimants' physicians are biased to diagnose disability whenever they detect the presence of black lung, he says.

Coal mine operators can have their own readers review X-rays of claimants, but that would add at least \$150 to the cost of defending each claim, he estimates.

The Labor Department has reported a 43,000-claim backlog.

Disallowing the findings of Labor Department readers should lead to more initial support for black lung claims, the UMW's Mr. Yablonski says.

The ruling, though, should not affect the percentage of claims Labor Department administrative law judges hear for a final determination, he says.

Coal mine operators seek hearings in 97% of the cases when initial determinations are made in favor of the miner. Miners almost always seek hearings when initial determinations are against them, Mr. Yablonski contends.

But a miner receiving a favorable first ruling receives temporary benefits from the federal Black Lung Disability Trust Fund until his claim is resolved.

If the miner wins, the coal mine operator repays the amount of the temporary benefits to the trust fund. If the miner loses, he is responsible for the debt.

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Recommendations cover many issues

Continued from page 3

says, although does not specify which agency.

Since 1974, federal regulation of the nation's 500,000 private pension plans has been divided among three federal agencies: the Department of Labor, the Internal Revenue Service and the Pension Benefit Guaranty Corp.

Mandatory retirement

In 1978, Congress amended the Age Discrimination in Employment Act to raise the mandatory retirement age to 70 from 65.

And that is where the law should remain, at least for now, the commission agreed. "We really don't know what the effect of the removal of a mandatory retirement age would be," said commissioner William Greenough.

More study is needed on the effect of raising the retirement age to 70 before any attempt is made to eliminate mandatory retirement, Mr. Greenough said.

Survivors benefits

Employers should offer surviving spouses protection either through the purchase of life insurance or by giving them the right to a portion of the vested benefits.

If a vested worker dies before 55, "the wife and children can be left

with absolutely nothing," Ms. Griffiths said.

The commission's recommendation would not impose new cost burdens for most employers. A U.S. Chamber of Commerce survey of 922 firms representing a broad cross-section of American industry found 100% of the companies already purchased life insurance for their employees (*BI*, Oct. 27, 1980).

Vesting

The commission backed off from its earlier recommendation that as a general principle, vesting requirements should be shortened (*BI*, May 12, 1980).

The issue of faster vesting "is huge bucks," said commissioner Harvey Kapnick, former chairman of the Chicago-based accounting firm Arthur Andersen & Co. "This is an issue I'd like to see handled through collective bargaining agreements."

"It (faster vesting) will cost a bundle," commissioner John Bragg added.

Most pension plans now allow first and full vesting after an employer completes 10 years of service.

Social Security

To protect Social Security's fis-

cal integrity, the commission made these short-term recommendations:

- The Social Security retirement trust should be allowed to borrow money from the healthier disability and health insurance trust funds.

- The next FICA payroll tax increase, now set for 1985, should be moved up to 1982. The tax, paid equally by employers and employees, would jump from the current 6.65% to 7.05%.

- To bring more revenues into the system, state and local employees no longer could opt out of the program.

- If these reforms aren't enough, Social Security would be allowed to borrow funds from the U.S. Treasury.

The Social Security system this year will pay out more than \$150 billion in benefits to 35 million Americans. Social Security is the sole source of retirement income for many retirees.

Higher-than-expected inflation and unemployment rates have resulted in a shortage of contributions and higher-than-expected benefits. Benefit payouts now exceed annual contributions, and the situation is so bad that a congressional committee recently warned that Social Security may run out of

money to pay promised benefits by 1982.

The long-term outlook isn't any better. A new crisis awaits the pay-as-you-go Social Security system after the turn of the century, when the "baby boom" generation of the 1950s and 1960s retires and has to be supported by a much smaller pool of workers.

The commission's long-term recommendations, hammered out and approved after three hours of debate, include:

- Gradually raising the Social Security retirement age to 68 by the year 1990.

- Removing the earnings test that bars some employees working after age 65 from receiving full Social Security benefits.

- Taxing Social Security benefits as income but making the contributions tax deductible.

Mr. Kapnick favored an immediate hike in the Social Security retirement age, but backed off after Mr. Lyons, president of the International Assn. of Bridge, Structural and Ornamental Iron Workers, raised vehement objections.

"Those retiring now have paid into Social Security their whole working lives," Mr. Lyons said. "If government does that (raises the retirement age) to me... damn it, what will they do next to me? This way (a phase-in), they'll have time to prepare."

But all the commissioners agreed Social Security drastically needs an overhaul to avoid a rebellion of younger workers who support the program.

"We do have a social contract to the younger worker, too," Mr. Greenough said. "We haven't told younger workers how their taxes will increase. That is a social contract, too."

Lump-sum payments

The commission recommends that "cash outs" of vested pension

benefits be barred if their value exceeds \$500.

Currently, if an employee leaves a company with a vested pension benefit of less than \$1,750, the employer can give him or her the benefit's cash value. This payout reduces the employer's paperwork burden because it no longer has to distribute various ERISA-required forms to former employees with small accrued benefits.

The commission opposes lump sum payments because they reduce available income when an employee retires. It recommends such payments be barred if their value exceeds \$500.

The employer, though, wouldn't have to keep the benefit on its books. When the employee left the firm, the benefit could be rolled into an Individual Retirement Account.

Tax policy

The commission recommends tax credits for pension contributions be given to low- and moderate-income workers and that tax deductions be available to higher-income workers. The commission did not spell out what the credits or deductions should be.

The benefit community has argued for years that employees should receive tax credits or deductions for their contributions to boost savings for retirement.

Integration

The commission recommends changes be made in the current integration rules so their result is consistent with retirement income goals.

Employers use integration formulas to ensure Social Security and pension benefits are coordinated to reach a target level.

Under the tax law, up to 83% of an employee's pension benefit can be offset by Social Security. However, most employers offset at a 50% rate.

Administration won't buy plan mandate, panel admits

WILLIAMSBURG, Va.—Members of the President's Commission on Pension Policy concede the Reagan administration is not likely to buy its most controversial recommendation: mandatory private pension plans.

But the commissioners aren't troubled by the cool reception that

recommendation will receive.

"Even if the Reagan administration doesn't accept the mandatory issue, we have to think of the long term," said panel chairman C. Peter McColough, chairman of Xerox Corp.

"They (the Congress and President Reagan) may not do what we

support, but they'll be glad we spoke," added Martha Griffiths, a former member of Congress who became one of the commission's most outspoken members.

Other recommendations, especially those involving the faltering Social Security system, will be looked at more closely. Members of President Reagan's Social Security task force earlier made recommendations to overhaul the public retirement system that are remarkably similar to those of the commission (*BI*, Nov. 24, 1980).

And the commission's recommendations for tax credits and deductions for employee pension contributions enjoy broad support in the benefit community and in Congress.

The commission is the brainchild of former President Carter, who, during the early months of his administration, became increasingly concerned about the ability of the pension system to meet growing demands as the number of retirees grows.

In spring 1977, Mr. Carter announced plans for a commission to map out a blueprint to guide policymakers in solving pension and retirement ailments.

The commission's work was stalled by the search for a chairman. Finally, in October 1978, after receiving a personal call from Mr. Carter, Xerox's Mr. McColough agreed to accept the post.

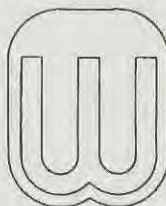
The sheer volume and breadth of the commission's research and recommendations guarantee policymakers will use the commission's final report as a guide to decision-making.

The commission's final report will be published later this month, with copies going to President Reagan, Congress and Mr. Carter.

Presidential Pension commissions have a solid track record. President John Kennedy's pension commission's recommendations eventually were largely incorporated in the landmark Employee Retirement Income Security Act of 1974.



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THE SPECIALISTS

Work comp loophole spurs lawsuits

Continued from page 2

the neck down in May 1979 after a wooden beam fell on him. He has been receiving \$211 a week in workers compensation benefits (two-thirds of gross wages) from his former employer, who is insured by The Hartford Insurance Co. Ms. Ferriter, however, has charged negligence on the part of O'Connell & Sons.

Her attorney, Morton J. Sweeney, said court proceedings so far have only paved the way for Ms. Ferriter and the couple's two minor children to sue the em-

ployer. The actual jury trial probably won't be until mid-1982, he said.

"There was no bar under Massachusetts workers compensation law prohibiting suits from the spouse and children," Mr. Sweeney said. "Statutes in other states are written with quite a narrow limitation that bars family members from suing," he added.

The Massachusetts Industrial Accident Board was taken aback by the 4-3 Supreme Judicial Court decision, said George Keches, one of the commissioners who ad-

ministrates workers compensation for the state.

"After the shock wore off, there wasn't much of an impact," Mr. Keches said. "To bring suit against an employer, one still has to prove negligence and there has to be substantial injury to the employee."

If the Ferriter family is successful in proving the employer negligent, the decision will "complicate" matters for insurers, which won't know how to reserve their funds, said Mr. Keches.

Liberty Mutual, the leading

writer of workers compensation insurance in the state, has had five or six suits filed in court against employers it insures since the Sept. 9 Ferriter case, a spokesman said.

Commercial Union and The Travelers in Boston report "several" claims based on the Ferriter decision. American Mutual reports one "loss of consortium" claim filed since the decision.

The Alliance of American Insurers maintains workers compensation is the exclusive remedy an injured employee has under the law, said Joseph P. Hegarty Jr., regional vp for the New England AAI, which represents about 60 workers compensation insurers in the state.

"We hope to repeal the effect of the decision with the legislation filed," Mr. Hegarty said. However, he expects a fight from the liberal side of the legislature. The bill is to be heard in committee later this month or next.

John Black, community affairs lawyer for the Massachusetts Chamber of Commerce, does not expect much legislative relief.

"Our legislators don't want to take away employees' rights, and, frankly, insurance companies are not hurting here and the politicians know that," Mr. Black said.

Insurers that write workers compensation in the state, however, tell a different story.

"Self-insurers and insurance companies now will be afraid to go forward with settling a case (out of court) for fear tort claims will be brought later," said Mr. Hegarty of the Alliance.

Insurers are unsure of their liability in these cases and don't know how they would pay an onslaught of suits against employers.

"Would the claim fall under the general liability policy of an employer?" Mr. Hegarty asked. "We don't know. When it gets to suing the employer, it's outside the realm of workers compensation."

Two cases similar to the Ferriter decision already are pending in the state's courts.

One involves a worker who was fired from Polaroid Corp. after a woman employee accused him of assault. The man's wife has sued the employer, claiming a "loss of consortium" between her and her husband.

Another case involves a suit brought by the 2-year-old daughter of a man who lost his left foot in an on-the-job accident at Quabbin Industries.

The suit charges the company with negligence in allowing the accident to occur.

It also argues the girl suffered great anguish by observing her father's injury and that as a result of the accident, the child "won't be able to share long walks or play catch with her daddy in the backyard."

In Texas, a similar "loss of consortium" case has been sent back to the trial court by the state Supreme Court.

Judy A. Copelin charged a work-related injury at Reed Tool Co. in Houston that caused her husband George to suffer brain damage also caused her to suffer loss of companionship. The trial court ruled in her favor, but the Supreme Court reversed the decision in December, saying "negligence" was not covered under workers compensation.

The case has been remanded to the trial court to decide if the tool company is guilty of an intentional tort.

"New Hampshire had a few loss of consortium cases filed before it closed its workers compensation loophole in 1973," said Dennis Murphy Jr., a commissioner in the state's Department of Labor.

The law now reads, "A spouse or any other person who might be entitled on account of an employee's personal injury or death shall have no direct action... to recover for such damages against the employer or insurer."

U.S. claimants may continue pursuit of Iranian assets

Continued from page 1

Mead, vp and general counsel for AIG. "But at this time, we are just not sure of what position we will take."

Attorneys ruled out the possibility of filing suits before international tribunals, charging the courts are ineffectual and powerless to enforce decisions.

"The present government of Iran doesn't seem to give a damn about those things," said Mr. Gibson of Continental Corp.

Canadian corporations may find themselves in an even more difficult situation. The government-owned Canadian Export Development Corp. has \$111 million in claims pending against Iran for long-term loans and insurance payments, "and we may not have a leg to stand on," said Michael Dibben, vp with EDC.

Mr. Dibben says he doubts the hostage agreement will allow Canadian firms to be paid from the \$500 million escrow fund that will be maintained by the Iranians. EDC may have to attach whatever

Iranian assets are in Canada, he said.

The Canadian government has agreements with some countries that allow firms to use the courts of other nations to settle claims and financial disputes, but there is no such agreement with Iran, Mr. Dibben explained.

Canadian officials were trying to map out a course of action last week, but Mr. Dibben said Canadian and American companies are going to face difficulty no matter how they attempt to settle claims.

The continuing strife in Iran and the instability of its government are to blame.

"I don't think anybody's going to get anything until they figure out who the hell is running the country. There's no certainty that the same person who is in power this week is going to be there next week," he said.

The companies with the largest claims are the most likely to push for their right to sue the Iranians, adds Joseph Santora, a New York

attorney who represents the Security Pacific National Bank of Los Angeles. The bank has a \$70 million claim against Iran for outstanding loans.

Companies with smaller claims probably will absorb the loss or attempt to recoup in accordance with the hostage agreement.

"But if you're talking about a company that has a legitimate claim for \$60 million to \$80 million, they may stand up and say, 'that's too much for me to lose,'" said Mr. Santora.

Security Pacific has not decided whether it would join a challenge to the agreement or settle through arbitration. "We're at least going to wait to see what, if any, other shoe is going to drop," Mr. Santora said.

The decision will depend upon whether President Reagan and the Iranians say they'll abide by the agreement and if the Algerian escrow account will be sufficiently funded to meet all claims.

"But we must have more information," he said. "This situation is just too unprecedented."

Alleged gunman files for comp

PONTIAC, Mich.—The auto-worker who reportedly held 17 people at gunpoint for five hours last summer says General Motors owes him workers compensation for a job-related mental illness.

Franklin Rainey, who will be tried here on charges of assault and carrying a concealed weapon, is claiming insanity as a defense, says his attorney, William Waterman.

The alleged insanity came from Mr. Rainey's 26 years as a maintenance man in the General Motors Fisher Body plant, his lawyer charges.


"This was a classic case of his job being the instrument of his mental illness," Mr. Waterman said of the hostage incident. "He had begun to feel there was a conspiracy at work against him."

Occupational stress claims are not uncommon in Michigan and California—two states considered very liberal by workers compensation insurers.

The two states also allow benefits for cumulative trauma on the job, and Michigan's powerful labor unions encourage workers to take full advantage of compensation benefits, observers say.


Mr. Rainey's claim was filed with the Oakland County Bureau of Workers Disability Compensation in December, said James Brakora, director of the state bureau, but a pretrial hearing is not likely until March.

The case will probably not come to a final hearing for four months because of a backlog of hearings, Mr. Brakora said.



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Crum & Forster goes West for worker's comp

By ELLIS SIMON

THERE'S A Western influence in Crum & Forster's Morristown, N.J., headquarters.

The executives haven't traded in their three-piece suits for cowboy boots, but workers compensation underwriting—a la California—is now the mainstay of the insurer's business.

C&F, which "was nowhere in comp" before 1968, when it acquired California-based Industrial Indemnity Insurance Co., now writes annual workers compensation premiums approaching \$500 million, more than a fourth of all its business.

"It's no longer fair to say most of our compensation underwriting is done by Industrial Indemnity," said senior vp Michael J. Morrissey.

Last year was the first time workers compensation premium written by Crum & Forster's U.S. Insurance Group, which operates in the 40 states east of the Rocky Mountains, equaled that written by Industrial Indemnity, which operates in California and other Western states, he points out.

"California has a liberal insurance department and the size and growth of the market has made it attractive for workers compensation," Mr. Morrissey said. "Even with the intense competition there, it's a better environment."

Workers compensation, with an expected combined ratio of 97%, was one of few lines on which Crum & Forster made an underwriting profit last year. The results were "abnormally high," Mr. Morrissey said. But "over the long run, we can't sustain that profit margin," he admitted.

Because the California workers compensation market is saturated, C&F is concentrating its growth east of the Rockies, where workers compensation has been less profitable for insurers.

That concerns Bache Group insurance analyst Herbert Goodfriend, who fears C&F could end up writing this business for investment income rather than underwriting profitability.

The move does not represent a great risk to the value of C&F stock, Mr. Goodfriend

BI ticker

says. "If anybody can do it, C&F can. They have good management so if problems come up, they can do corrective surgery."

C&F has moved into regions where government attitudes are conducive to making a profit, such as the Sunbelt and certain Midwest states, Mr. Goodfriend notes.

It has avoided areas hit hard by the recession, such as Michigan and the "industrial crescent" from New Jersey to Illinois where lower factory payrolls mean lower workers compensation premiums. "There's no recession in Houston or Dallas," said Mr. Morrissey.

C&F likes the "proprietary nature" of the workers compensation insurance business. "In workers compensation, a company can offer considerable services to its insureds: loss prevention, rehabilitation, claims handling," Mr. Morrissey said.

"On commodity-type products there is less differential between what one company can offer, and the business goes to the low-cost supplier."

The company orients its marketing toward medium-sized accounts with annual compensation premiums from \$2,500 to \$100,000.

Although C&F's agency subsidiaries, such as J.H. Blades of Houston and L.W. Biegler of Chicago, compete for jumbo accounts in their specialties, the big risks and large brokers are not primary targets. Only 8% of C&F's premium comes from the big brokers, and most of that is from former independent agents who were bought out by the alphabet houses, Mr. Morrissey says.

"At the high end of the premium scale, profit opportunity is limited not only by the aggressive activity of the broker and risk manager through ratecutting, but also by self-insurance and cash-flow plans that keep the premium floor away from insurance companies," Mr. Morrissey explained.

"At the low end, you're dealing with products that are like personal lines. State Farm and Allstate can get that business."

While C&F enjoys growth in workers compensation premiums, its premium volume on other lines has dropped because of price-cutting.

In the third quarter of 1980, premiums for liability dropped 12.6%, commercial multiperil 12.4% and fire 20.6%.

On these lines, C&F corporate management tells branch managers: "Forget new business and go for renewal business," Mr. Morrissey says. "It's impossible to even hold good renewals without cutting rates below what they should be."

"It's not a decision to sacrifice our general liability, commercial multiperil and fire lines, but we can't get it at rates that are decent."

Mr. Morrissey expects Crum & Forster will show a combined ratio of 103% to 104% for 1980 and 105% to 106% for 1981. "It's a question of whether the rating environment will firm up soon enough to prevent 1982 from being even worse," he added. "The fear is that if things don't get better now, 1982 won't be better."

High interest rates, which soften the impact of poor underwriting results, are not likely to drop, Mr. Morrissey believes. The high interest rates provide insurers with false security, he adds.

"Many managements don't realize high interest rates elevate the industry's capital costs. The acid test of profitability for our industry is not the return on equity, but the spread between return on equity and the cost of capital."

"The spread between return on equity and cost of capital is less favorable now than in the last cycle. The industry is not making an economic profit."

Financial briefs

Fireman's Fund

A \$54 million cash transaction on Jan. 28 put Fireman's Fund into the surplus lines business, completing the acquisition of the insurance operations of liquidating National Student Marketing.

The American Insurance Co., a Fireman's Fund subsidiary, now owns the insurers Interstate Fire & Casualty Co., Interstate Indemnity Corp. and Chicago Insurance Co. and the surplus lines brokerage firm of Geo. F. Brown & Sons. The Interstate companies had 1980 revenues of \$105 million.

Interstate will continue to operate as a freestanding entity but will enjoy the reinsurance and engineering facilities of its new parent to help it expand its specialty underwriting, says Gerald A. Isom, senior vp of special lines facilities and international operations. The acquisition puts Fireman's Fund at least five years ahead of its planned expansion into surplus lines underwriting and brokerage, he noted.

This diversification into surplus lines business positions Fireman's Fund to take advantage of ebbs and tides in the commercial insurance market, guaranteeing underwriting ability in both standard and surplus lines markets.

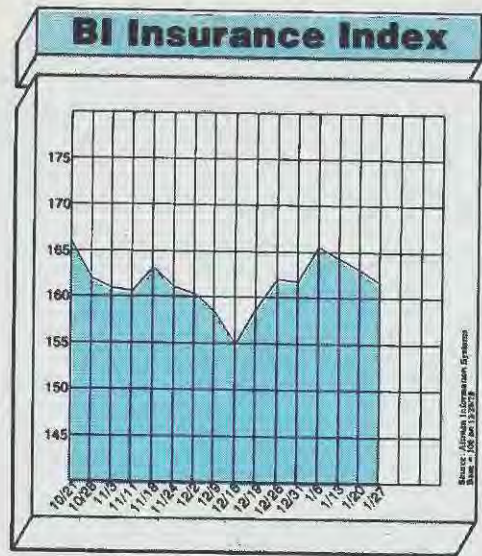
Nationale-Nederlanden

Revenues of Nationale-Nederlanden Group increased about 16% in 1980 to about 8 billion guilders. The contribution of international business to total premium income rose to about 50% from 44.5%, partly because of favorable exchange rates.

The N-N board expects the increase in 1980 profits will at least keep pace with the increase in total revenues.

Continental

Continental Corp. has raised its quarterly dividend to 60 cents from 55 cents per share, payable March 14 to shareholders of record Feb. 20.



Insurance industry stocks continued to slide with a drop of 1.3 points to 161.8 from 163.1. Thirty-six stocks declined, 22 rose and 14 were unchanged. Showing the largest drops were: Frank B. Hall & Co., 10%; Zenith National Insurance Corp., 8.1%; Pinehurst Corp., 6.9%; Integon Corp., 6.5%; and First Colony Life Insurance Co., 5.6%. Biggest gains were made by: Hartford Steam Boiler Inspection, 8.7%; SRI Corp., 7.8%; Reed Stenhouse Cos. Ltd., 7.4%; Crum & Forster, 4.4%; and Aetna Life & Casualty Co., 2.7%. The .8% index drop was higher than the declines of the three major market indicators. The Dow Jones Industrials, Standard & Poors and the New York Stock Exchange dropped .5%.

British Issues

1/27	Price	P/E	Div.	Yield	High-Low
Companies	pence	pence	%	pence	
Comm Union	145	7.8	14.57	10.0	145-139
Eagle Star	250	8.6	14.28	5.7	250-234
Genl Accident	300	7.7	18.24	6.1	300-284
Gdn Royal Exch	304	8.0	20.71	6.8	304-288
Phoenix	254	8.0	20.00	7.9	254-242
Royal	350	7.9	32.17	9.2	351-347
Sun Alliance	898	9.4	42.14	6.0	701-894

1 Week	1 Week
Brokers	High-Low
CE Heath	175 8.4 13.87 7.9 176-167
Hogg Robinson	104 8.3 8.14 7.8 104-100
Alex Howden	94 7.8 10.00 10.6 93-89
JH Minet	91 11.4 6.45 7.1 91-88
Sedg Grp	110 10.1 7.14 6.5 111-105
Stenhouse Hldg	84 8.0 8.94 7.9 85-83
Stew Wrightson	183 8.5 17.14 9.4 185-182
Willis Faber	268 11.9 16.14 6.0 270-260

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

Insurance Cos.	JAN. 27, 1981					1/21/81 THRU 1/27/81					JAN. 27, 1981					1/21/81 THRU 1/27/81										
	Price	% Chg.	P/E	% Div.	% Yld.	High	Low	Vol. (000)	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	2.7	5.0	2.12	6.4	33.50	32.63	363.9	Tokio Marine & Fire Ins Co	OTC	158.25	-2.0	17.5	1.03	0.6	161.50	157.88	2.4							
American Bankers Ins Group	OTC	7.50	-3.2	5.0	0.11	1.5	7.75	7.50	78.3	Travelers Corp	NYSE	38.13	-2.9	4.3	2.88	7.6	39.50	38.13	213.4							
American Finl Corp Ohio	OTC	25.50	1.0	4.8	0.50	2.0	25.50	25.38	4.8	United Fire & Cas Co	OTC	28.75	0.0	7.9	0.90	3.1	28.75	28.75	0.2							
American Gen Ins Co	NYSE	37.50	-3.5	5.9	2.00	5.3	39.00	37.50	95.8	United States Fid & Gty Co	NYSE	39.50	0.0	4.4	2.80	7.1	39.50	38.63	444.6							
American Indty Finl Corp	OTC	16.25	0.8	5.3	1.12	6.9	16.25	15.88	7.2	United Svcs Life Ins Co	OTC	15.38	3.4	5.6	1.00	6.5	15.38	14.88	35.0							
American Intl Group Inc	OTC	74.50	1.4	10.5	0.50	0.7	75.00	73.50	112.8	USLife Corp	NYSE	24.75	1.0	6.2	0.72	2.9	24.75	24.25	172.7							
American Natl Ins Co	OTC	12.88	-1.9	5.4	0.68	5.3	13.00	12.88	47.9	Washington Natl Corp	NYSE	34.25	-2.1	7.0	1.50	4.4	35.50	34.25	56.5							
American Sta Life Ins Co	OTC	21.00	-2.3	8.7	0.72	3.4	21.50	20.50	0.7	Zenith Natl Ins Corp	OTC	17.00	-8.1	9.0	0.63	3.7	18.25	17.00	4.8							
Aneco Reins Ltd	OTC	4.75	0.0	0.0	0.00	0.0	4.88	4.75	119.7																	
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	0.3	INSURANCE COMPANIES	AVERAGE			7.1		3.9										
Avenco Corp	AMEX	9.50	0.0	8.2	0.50	5.3	9.50	9.38	4.8	Agents Brokers																
Banks Iowa Inc	OTC	27.50	0.9	5.2	1.32	4.8	27.50	27.25	0.9	Alexander & Alexander Svcs	OTC	31.75	-3.1	10.4	1.84	5.8	32.00	31.50	100.2							
Bitco Corp	OTC	37.50	1.4	6.0	1.68	4.5	37.50	37.00	3.7	Baldwin & Lyons Inc	OTC	31.00	-1.6	5.8	0.80	2.6	31.50	31.00	2.3							
Carolina Cas Ins Co	OTC	9.00	-2.7	3.8	0.32	3.6	9.25	9.00	0.6	Corroon & Black Corp	NYSE	21.50	1.2	8.7	1.72	8.0	21.50	21.25	27.6							
Central Natl Finl Corp	OTC	10.50	0.0	3.8	0.50	4.8	10.50	10.38	1.4	Crump B H Cos Inc	OTC	12.25	1.0	10.7	0.40	3.3	12.25	11.75	9.4							
Chubb Corp	OTC	38.63	0.3	4.9	2.68	6.9	39.00	37.38	129.2	Hall Frank B & Co Inc	NYSE	22.50	-10.0	7.7	1.54	6.8	24.13	22.50	42.7							
Combined Intl Corp	NYSE	18.00	0.7	5.3	1.60	8.9	18.00	17.88	84.6	Integrated Res Inc	AMEX	18.13	-2.0	9.1	0.00	0.0	18.25	18.00	22.4							
Connecticut Gen Ins Corp	NYSE	43.75	-4.9	6.0	1.52	3.5	45.00	43.38	73.6	James Fred S & Co Inc	NYSE	24.75	2.1	9.3	1.60	6.5	24.75	24.13	55.6							
Continental Corp	NYSE	25.00	2.6	5.4	2.40	9.6	25.00	23.63	243.0	Marsh & McLennan Cos Inc	NYSE	31.00	-4.2	9.8	2.00	6.5	31.38	31.00	77.8							
Crawford & Co	OTC	17.75	-1.4	13.5	0.52	2.9	18.00	17.75	2.3	Pennock Finl Inc	NYSE	7.13	0.0	5.2	0.16	2.2	7.13	6.88	170.9							
Crown Life Ins Co	OTC	92.00	0.8	66.7	2.40	2.6	92.00	91.25	0.0	Reed Stenhouse Cos Ltd	OTC	12.75	7.4	10.9	0.56	4.4	12.75	11.75	14.9							
Crum & Forster	NYSE	23.75	4.4	4.4	1.44	6.1	24.63	23.75	290.2	Rollins Burdick Hunter Co	OTC	22.00	-1.1	10.0	1.24	5.6	22.00	22.00	22.5							
Employers Cas Co	OTC	40.25	0.0	6.6	1.20	3.0	40.25	40.25	2.6	AGENTS/BROKERS	AVERAGE			8.5		5.1										
Equifax Inc	NYSE	20.75	-0.6	6.8	2.40	11.6	20.75	20.75	4.1	Conglomerates/Holding Cos.																
Farmers Group Inc	OTC	28.38	-5.0	9.0	1.00	3.5	29.63	28.38	188.5	American Express (Fireman's Pd)	NYSE	42.50	0.6	8.1	2.00	4.7	43.00	41.25	629.5							
First Colony Life Ins Co	OTC	33.50	-5.6	12.3	0.80	2.4	35.50	33.50	2.5	Anderson Clayton (Ranger/Panama)	NYSE	21.25	-1.7	5.6	1.20	5.6	21.88	21.25	16.7							
Foremost Corp Amer	OTC	20.13	-1.2	7.2	0.60	3.0	20.38	20.13	7.3	Arco Inc	NYSE	34.63	-3.8	8.8	1.64	4.7	35.38	34.50	226.0							
Great West Life Assurn Co	OTC	205.00	0.0	10.1	8.00	3.9	205.00	205.00	0.5	City Investing Co. (Rome Ins.)	NYSE	23.38	7.5	5.3	1.50	6.4	23.75	22.63	683.0							
Hanover Ins Co	OTC	42.75	-1.7	3.9	0.72	1.7	44.00	42.50	10.6	CNA Finl Corp (CNA)	NYSE	14.75	-4.8	4.1	0.00	0.0	15.38	14.63	40.8							
Hartford Steam Boiler Insptn	OTC	37.50	8.7	7.8	2.40	6.4	37.50*	34.50	9.2	Control Data (Comml. Credit)	NYSE	65.63	0.0	7.9	0.90	1.4	65.63	64.00	294.3							
Integon Corp	NYSE	35.75	-6.5	12.7	0.52	1.5	38.38	35.25	122.5	General Re Corp	NYSE	53.25	-1.2	7.7	1.40	2.6	54.00	53.13	41.4							
Jefferson Natl Life Ins Co	OTC	39.50	0.0	14.5	0.64	1.6	39.50	39.50	1.5	INA Corp (Ins. Co. of NA)	NYSE	38.38	-0.3	5.5	2.40	6.3	38.75	38.25	126.4							

The inside view of employee communication



Front desk activity at the Marriott Essex House in New York City.

An effective employee communication program must consider both what the employees want to know and what they ought to know. The way Alexander & Alexander's subsidiary, Benefacts Inc., looks at a hotel chain will help explain how we will look at your business. In this case, we look through the eyes of the people who meet the guests as well as the people who meet the payroll. Analyzing hostelry programs from the time people are hired to the time they retire.

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Effective communication programs

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means producing Personal Annual Reports for the employees, simplifying instructional or contractual language through our ClearWrite® service, providing Retirement Communication Services, or creating audiovisual aids and training materials. Benefacts knows how to drive your message home.

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From the client's point of view.