

# business insurance

## AFIA's Crowley

Entertainment once out-ranked insurance for AFIA's Bill Crowley, but his work still reaches people. **Page 8.**

## Kidnap risk

Risk managers can cut the risk of executive kidnappings without guards. **Page 15.**

## SAS vs. United

Commercial buyers lack the rights of a private consumer in product liability cases. **Page 22.**

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

Entire contents copyright 1980 by Crain Communications Inc. All rights reserved

## OMB proposes compromise plan on ERISA agency

By JERRY GEISEL

WASHINGTON—The Office of Management and Budget is recommending a high-level, but essentially powerless, advisory group be created to oversee ERISA enforcement, *Business Insurance* learned.

OMB is offering this advisory group as an alternative to consolidating ERISA administration into a single federal agency, as some congressmen and benefit experts have requested.

The advisory group, to include the secretaries of labor and treasury and possibly several other Cabinet officers, would foster more discussion and better coordination between the ERISA enforcement agencies of IRS and the Labor Department, sources said. But the group would be without power to force changes.

"The agencies will still be able to do whatever they please," complained one employee benefits expert who favors a single agency to administer ERISA.

The OMB recommendation, expected to be endorsed by the White House, is politically important because Congress has delayed mak-

ing major changes in ERISA administration while waiting for it. The recommendation is expected to dampen support for a single agency.

Business's general satisfaction with the streamlined administration of ERISA in the past year helped convince OMB that a single ERISA enforcement agency isn't necessary, two benefit experts said.

But an overwhelming majority of participants in a recent survey by the International Foundation of Employee Benefit Plans called for one ERISA enforcement agency.

The Pension Rights Center, a group that lobbies on behalf of plan participants, also argues that a single agency is necessary in order to implement a federal retirement policy.

The OMB recommendation strikes the middle ground between two divergent congressional opinions about ERISA administration.

A single ERISA enforcement agency is favored by the politically influential Sen. Jacob Javits (R-N.Y.) and Sen. Harrison Williams (D-N.J.). The equally influential Sen. Lloyd Bentsen (D-Tex.) advo-

*Continued on page 29*

## 1981 BUDGET: Proposal triples funds to support new HMOs

WASHINGTON—The new Carter Administration budget proposes a 200% funding increase to get new health maintenance organizations rolling, fulfilling an earlier commitment to prepaid health care.

The budget calls for tripling federal funding to support HMO feasibility studies, planning, initial operating costs and expansion programs. Funding for these programs would rise to \$69 million in fiscal 1981 from the current \$23 million.

With this large increase in available funds, the Administration estimates the number of federally qualified HMOs will increase to 139, up from 105 today.

The Administration is not asking Congress for funds for its national health insurance plan, but the budget notes that if the plan goes into effect in 1983, as Administration officials hope, it will cost the federal government \$24.1 billion and private employers an additional \$9.6 billion in health insurance premiums.

This total cost estimate is up 40% from previous Carter Administration estimates that its national health insurance plan would cost government about \$18 billion and employers another \$6.1 billion. This 40% cost estimate increase is blamed on continuing increases in health care inflation.

The often criticized Occupational Safety and Health Administration also is the beneficiary of more federal funds in the Carter budget, but not much more. OSHA funding is slated to rise 8% in the next year, increas-

ing to \$187 million from the current \$173 million.

OSHA plans to conduct 65,900 safety inspections in fiscal 1981, compared with the 57,000 inspections conducted last year.

The safety agency says in fiscal 1981 it will develop six new safety and six new health standards. In 1979, five health standards and three safety standards were formulated.

The Labor Department's Office of Pension and Welfare Benefits Programs, which administers the pension reform law along with the Internal Revenue Service, estimates it will issue about 2,000 exemptions, variances, interpretations and regulations, up from 1,811 last year.

More than 710,000 ERISA reports are expected to come tumbling into the Labor Department's pension office.

The budget also says the Environmental Protection Agency plans to step up the pace of issuing new rules to improve control over corporate dumping of hazardous industrial wastes.



## Owner faces trial in record arson case



### Smoldering suspicion

Nearly five years after the fire at Grand Sheet Metal Co., the firm's owner and three associates will be tried for arson.

By MARY ANN MATLOCK

BRIDGEPORT, Conn.—As the largest arson crime in history approaches its fifth anniversary, the business owner and three associates will be brought to trial in superior court here.

Despite appeals reaching the Supreme Court, Charles D. Moeller, owner of Grand Sheet Metal Co., will be tried in March for his alleged involvement in the March 1, 1975, firebombing of his sponge rubber plant here.

Among the state's witnesses against him will be the Rev. David Bubar, who pleaded guilty last month in state court to masterminding the arson. The Rev. Bubar is serving a 10- to 20-year sentence ordered in state court concurrently with his federal court sentence for the crime.

Other guilty pleas and convictions have been won in the case, too.

A \$62.6 million insurance claim filed with Protection Mutual Insurance Co. by Grand Sheet Metal for the loss of the contents of the four-story building has not been paid pending the outcome of Mr.

Moeller's trial, said state's attorney Donald A. Browne.

Not only the size of the case but also its so far successful—albeit slow—prosecution make it unusual in the chronicles of arson crimes, in which convictions are secured in only three out of 100 arsons.

"The good cooperation of the FBI and the state police department" made this case different, Mr. Browne said.

In most arson cases, "It's difficult to get adequate evidence even to arrest anyone," Mr. Browne lamented. "We've gotten convictions because of very, very fine investigation."

State police and fire marshals and FBI officials worked to prove arson, pinpoint suspects and enlist the help of witnesses. Protection Mutual wouldn't discuss its involvement, if any, in the investigation.

"A lot of hard work and a lot of luck" made this investigation successful, says Sgt. Nicholas Valerio of the detective division of the Connecticut state police, the only state officer who started with the investigation in 1975 and is still working on the case.

The FBI and a team from the state fire marshal's office determined the fire was an arson job, Sgt. Valerio said. The state police found the criminals.

"We started nosing around, from Connecticut we ended up in Pennsylvania," Sgt. Valerio said in recounting that the men allegedly hired to perform the crime were from the Pittsburgh area.

He declined to detail the investigation process, concerned about tipping an investigator's hand to arsonists.

"I feel like I was born with it and will retire with it," Sgt. Valerio said about the five-year investigation and trials.

At the time of the fire, the building was in the process of being sold to Grand Sheet Metal, a subsidiary of Ohio Decorative Products Co., by B.F. Goodrich of Akron, Ohio. Grand Sheet Metal had already purchased the business operations from Goodrich.

A purchase agreement filed April 1, 1974, stipulated that insurance benefits from loss or damage to the property caused by fire between the date of the agreement

*Continued on page 31*

## for your information

### Administration may set up work comp standards panel

WASHINGTON—The Carter Administration reportedly is toying with the idea of setting up a new interagency task force to explore whether new federal minimum standards for state workers compensation programs are necessary.

The White House is said to be under heavy pressure from labor groups to give more than lip service to federal workers compensation standards. An earlier effort of the Labor Department and the Senate Labor and Human Resources Committee to draft a federal minimum standards bill collapsed last summer (BI, June 25, 1979) and there has been little Administration activity on it since.

### Ill. halts MET's business

CHICAGO—The Illinois insurance department has ordered the uninsured multiple employer trust sponsored by the American Assn. of Trauma Specialists here to stop writing benefit business, pending an investigation.

The trust, which provided health and disability coverage for a variety of medical and health services groups, has been under investigation since early this month when the department received complaints about unpaid claims.

The number of groups left without coverage and the amount of premiums involved are not yet known, said Victor Turvey, an insurance department accountant who made a preliminary study of the association's records this week.

"Other states, including California, have had their problems with uninsured trusts," he noted, referring to a series of MET scandals in that state. "We hope it's nothing like that."

Some of the groups left uncovered, however, have switched policies to the insured Multiple Benefit Trust, administered by Variegated Insurance Marketing Concepts Inc. in Van Nuys, Calif., and insured by Iowa State Travelers Mutual Assurance Co. But MBT accepted only 10 of 20 applicants.

The California trust will not underwrite benefits for the medical profession. Several groups, including hospital emergency room employes, originally covered by the AATS trust, are still looking for new insurers.

### Quakes cause \$2 million loss

SAN FRANCISCO—A series of earthquakes late last month caused more than \$2 million in uninsured property damage in the Northern California town of Livermore. A laser facility at the Lawrence Livermore Laboratory suffered \$1 million in damage and at the Wente Brothers Winery a dozen fermentation tanks were damaged and 25,000 gallons of wine spilled.

The laser facility was knocked off its pins when the first quake measuring 5.5 on the Richter scale struck Jan. 24. A minor amount of radioactive tritium leaked from a holding tank. A 5.6 quake two days later didn't cause any further damage.

The laser is part of a nuclear research laboratory owned by the U.S. government and managed by the University of California. The laboratory is covered under the government's self-insurance program. But the university, as manager, would be at risk if any liability claims were filed as a result of the tritium leak, said W.B. Anderson, risk manager for the University of California. No liability claims have been filed.

### Commerce to hold hearings

WASHINGTON—The Commerce Department will hold five public hearings this month around the country to familiarize the business community with the department's proposals to ease the nation's product liability problems.

The first proposal is the Uniform Product Liability Act, a model tort law developed by the Commerce Department to deal with the current uncertainties in the tort law. The model law is designed for enactment by the states.

The second measure, the Risk Retention Act, would permit companies to form groups to self-insure all or a portion of their product liability risks. This proposal is pending in Congress. (Page 29)

The briefings will be held in these cities.

**Chicago:** 3 p.m., Feb. 11, Chicago Assn. of Commerce, 130 S. Michigan Ave.

**Detroit:** 2 p.m., Feb. 12, Detroit Plaza, fifth level, Renaissance Center.

**Greenville, S.C.:** 10 a.m., Feb. 14, International Lounge of Textile Hall.

**Birmingham, Ala.:** Information on time and location will be available from the Commerce District Office in Birmingham at 205-254-1331.

Information on dates and times for the briefings in California will be available from the Commerce Department's San Francisco office (415-556-5860) and Los Angeles office (213-824-7591).

## index

Washington .....	6	Datebook .....	31
Benefit beat .....	7	BI ticker .....	30
Someone you should know ..	8		
Editorial opinions .....	10		
Letters .....	10		
Around the states .....	12		
Worldwide .....	14		
Perspectives .....	19		
Books & Ideas .....	21		
Info .....	23		
Comings & goings: buyers ..	24		
Comings & goings: industry	24		
Markets .....	26		

Vol. 14, No. 5—Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Application to mail at second-class rates is pending at Chicago, Illinois and at additional mailing offices. Copyright 1980 by Crain Communications Inc.

# Lloyd's woes

## Scotland Yard joins probe of Salem tanker disaster

By JOHN MILLER

LONDON—Lloyd's of London is calling in Scotland Yard to investigate the \$84 million loss this month of the 214,000-ton tanker Salem.

The tanker's \$60 million oil cargo may have been secretly sold to South African interests, Lloyd's fears. A crew member reports the Salem stopped at Cape Town 10 days before it sank off Senegal. The tanker, reported sunk by an explosion Jan. 17, may have been scuttled to hide the theft, Lloyd's conjectures.

Shell International Oil Group, which had purchased the oil from Pontoil of Switzerland, has launched its own investigation.

Lloyd's faces record claims from the disaster, the largest shipload of oil ever to explode. The cargo was 100% insured in the London market through the Cameron Webb Syndicate. Lloyd's took about 60% of the risk. London also insured 75% of the \$24 million hull value, with the balance placed in the Norwegian market.

"We believe that fraud may have taken place in connection with the Salem disaster. We are carrying out immediate investigations, as the loss took place in suspicious circumstances," Shell said in a statement. "We are preparing to take legal action against anyone responsible in the civil courts and we may well have to start criminal proceedings."

The company said it could not yet single out any person or company responsible for the disaster.

The Shell Group said that on Jan. 23 it paid Pontoil \$60 million for the crude oil, which Shell had agreed to buy when it reached Europe on the Salem.

On Jan. 25 Shell began to get suspicious about the matter although it assumed the oil was fully insured, and now is waiting for the results of Lloyd's investigation.

"We had normal negotiations with Pontoil to buy the oil so we

have no complaint yet against that firm," a Shell official said.

Lloyd's underwriters are puzzled because there is no record of any SOS call being heard from the ship when the blast occurred, and little sign so far of any substantial trace of oil from the spot where it went down. Documents describing the cargo may have to be examined in Kuwait.

The tanker is owned by the Oxford Shipping Co. of Houston, Tex., according to records at Lloyd's. But it may have been sold or chartered in the last two months to a little-known firm called Shipomex, of Zurich, and managed by agents in Liberia.

Officers and crew from the tanker expect to be questioned by the Liberian Bureau of Maritime

Affairs. According to the account crew members gave when they were picked up by the British tanker Trident, there was an explosion "through an unknown cause" on the Salem at 5 a.m. Jan. 16, 100 miles off the African coast.

The Salem was previously called the South Sun, but its name was changed for no apparent reason last year when it was sold by Pimerton Shipping Co. of Liberia to the Oxford Shipping Co. In December it left Kuwait for Royal Dutch Shell N.V. refineries in Italy, carrying almost 200,000 tons of crude oil.

"There are always likely to be casualties when ships have a hodgepodge of nationalities among the crew," said B. Keith Williams, chairman of the Institute of London Underwriters. ■

## Broker Wrightson sues for \$1.5 million in claims

LONDON—Lloyd's broker Stewart Wrightson is suing London & Continental (Insurance & Reinsurance) Brokers Ltd. and an Italian broking executive for payment of \$1.5 million in marine hull claims, incurred since 1975.

The Wrightson suit may be the first of several filed against London & Continental stemming from allegedly phony policies issued by Roland Pardo of Adolph Pardo Associates, industry sources told *Business Insurance*.

Mr. Pardo contended he placed hull coverage on some Greek vessels with two Italian insurers, Compagnia di Assicurazioni S.P.A. (Comar) and Navale Assicurazioni S.P.A. (Naval), though both denied insuring the risks.

The U.K. broker is also charging that London & Continental was negligent in taking the account over from Mr. Pardo, whose office in London had placed substantial amounts of business for the past 10 years.

London & Continental, which took over the account originally given to Mr. Pardo in 1975 and 1976, reportedly has paid Wrightson \$307,250 for claims up to the end of 1977, but allegedly owes the broker \$1.26 million.

Wrightson is claiming unspecified damages against Mr. Pardo, charging he knew the risks were never originally insured with the Italian insurers and used bogus documents to suggest the risks were placed properly.

Other Lloyd's brokers, say sources here, are trying to calculate possible debts owed them by Mr. Pardo and London & Continental before seeking legal action.

# Suit charges corruption in computer lease pacts

LONDON—Lloyd's is rejecting computer leasing claims totaling \$20 million on the grounds that corruption and bribery were involved when the leasing contract was placed with Southwestern Bell Telephone Co.

Attorneys in London are preparing to file suit in Dallas, Tex., against Southwestern Bell and three computer leasing firms: Intercap Leasing Corp., Intercap Corp. and B&W Corp., together described as Intercap.

Legal documents allege that Ray Allen Acker, a now retired vp of Southwestern Bell, received \$2 million in kickbacks for signing the deal.

Richard Reid Wadsworth Jr. and Irvin Eugene Barlow, who own Intercap, are also charged with joining others in a scheme "pursuant to which Acker was paid bribes and/or kickbacks totaling approximately \$2 million" to enable the deal to be completed with Southwestern Bell.

Intercap refused to comment on

the charges. Southwestern Bell has filed an answer and counterclaim.

The \$20 million claim from Southwestern Bell is part of the \$340 million in computer leasing claims filed against Lloyd's and several U.K. insurance companies. ITEL Corp., which filed one of the largest claims, is hoping to settle its own case shortly (BI, Jan. ).

Intercap Group signed three leasing agreements with Southwestern Bell starting in December 1977, giving the telephone company the option to end the leases early on payment of an amount equal to the equipment's termination value. Intercap was to remarket the equipment, either by sale or sublease, if this occurred. The actual equipment under the agreement had been bought by Intercap and sold to an intermediate investor, who in turn leased it on Intercap's behalf to the telephone company.

Intercap obtained insurance

from the London market on the basis of 10 declarations showing the length of time the telephone company expected to use the equipment and the maximum termination value.

But the insurance should be voided, Lloyd's alleges, because Intercap and its associated defendants concealed the bribery payments to Mr. Acker, who supervised the Southwestern Bell data systems division.

They also artificially inflated the sale price of the equipment, and the remarketing of residual value was in turn overstated, Lloyd's complains. "If the true facts had been known, the insurers would never have accepted the declarations for insurance," Lloyd's adds in the lawsuit.

A jury will hear the case if a U.S. District Court in Dallas accepts Lloyd's request.

The \$340 million in computer leasing claims filed with Lloyd's presents the London market with its biggest disaster ever. ■

# Ford attorneys discredit witness for prosecution

By ROGER ROWAND

Special to Business Insurance

WINAMAC, Ind.—The expert is not to be believed, Ford Motor Co. countered in the latest clash in the Pinto trial continuing here.

Byron Bloch, a 40-year-old self-proclaimed consultant on auto safety design, presented a well-rehearsed and well-illustrated seminar on Pinto construction—and destruction.

But the Ford defense team produced proof that Mr. Bloch lacks an engineering background, sells his services as an expert witness in personal injury cases and has a poor academic record in his claimed specialty of industrial design.

Developments in the fourth week of the Pinto trial here last week present a slice of courtroom tactics in the first criminal prosecution of a company charged with making a dangerous product and not warning the public.

A script Mr. Bloch and prosecutor Michael Cosentino followed included presentation of 32 color photo-slides, drawings and two patents related to fuel tank placement and safety.

A dramatic moment came when the rear end of a 1973 Pinto, cut into left and right sections with each major component painted in color coding, was carried into the courtroom.

Mr. Bloch's testimony and his cutaway car were heard and seen at the Richard Grimshaw trial in Southern California in 1978. Mr. Grimshaw initially won a record verdict of \$127 million from Ford in a civil case, though a judge later reduced that award to \$6 million.

The Winamac jury was allowed to walk around the cutaway car, look at it closely and touch it.

Ford's defense team countered the hard evidence by poking at soft spots in Mr. Bloch's resume and background.

Mr. Bloch flunked out of Northwestern University, Ford's chief attorney James Neal pointed out. And although Mr. Bloch claims a degree in industrial design from UCLA, the university didn't offer such a degree when Mr. Bloch claims he earned it, Mr. Neal added.

Referring to an advertisement he said Mr. Bloch has run inviting the public to a party in the Tiffany discotheque in Los Angeles, Mr. Neal read that partygoers were promised a lesson in "how to turn an accident into a product liability or personal injury case."

Mr. Neal, a Watergate prosecutor and the man who put James R. Hoffa behind bars for jury tampering, pulled no punches in trying to convince the jury that Mr. Bloch is a professional witness with no credentials.

Mr. Bloch is not being paid to testify in the Ford Pinto trial here, the prosecutor told *Business Insurance*.



## Witness on trial Ford's defense team poked at soft spots in Mr. Bloch's background.

ance after Mr. Bloch's testimony.

However, each piece of evidence in Mr. Bloch's testimony contained his name and a six-line typed reference to his business as a consultant in auto safety design, with a post office box number in Los Angeles.

Judge Harold Staffeldt restricted Mr. Bloch from testifying

Continued on page 25

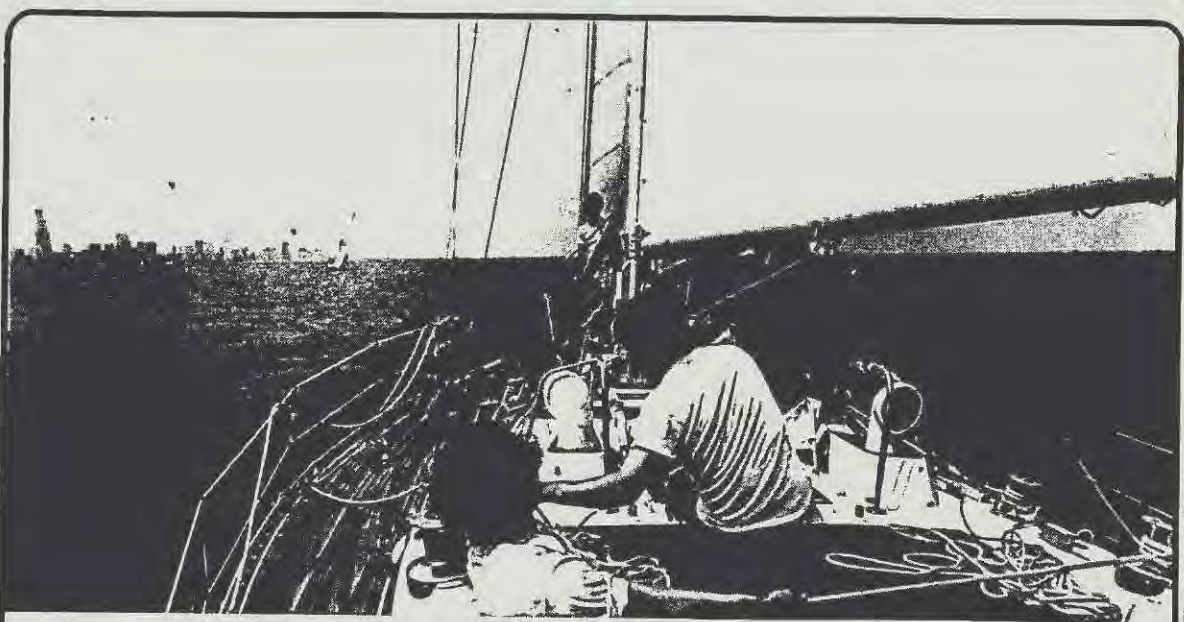


Photo: Mary Cairns

## Yacht group navigates new insurance waters

NEW YORK—The U.S. Yacht Racing Union sailed into uncharted waters by buying insurance to protect member clubs for the first time and found members cheering on shore.

The \$11 million per occurrence liability policy to protect sponsors and officials of popular boat races around the country from claims that could result from a racing accident received a "super" reaction, said union vp William Lynn.

Members have been growing increasingly aware of their potential liability when a racing accident either kills or dismembers a participant, he explained.

"We got a substantial response from both members and nonmembers who wanted to join because of this," he said. "Anyone who is involved in the sport of sailing who doesn't have adequate coverage is just crazy. It is as simple as that."

Although individual clubs have carried insurance on their races in the past, Mr. Lynn said this program offers the first across-the-board coverage. The new insurance plan was approved at the union's annual meeting in December.

The union will pay \$8,500 in annual premiums and member clubs will pay \$350 to sign on the master policy during races they sponsor. The \$11 million per occurrence cov-

erage was placed by a fellow sailor: Gene McCarthy of Starkweather & Shepley, a Chicago brokerage.

St. Paul Fire & Marine Insurance Co. underwrites the primary layer of \$1 million, Transit Casualty Insurance Co. underwrites the next \$5 million and St. Paul picked up the top \$5 million layer.

The policy, which provides additional coverage of up to \$600,000 in legal fees, according to the union, sets no deductible or limit on aggregate losses over a year's period. It covers union officers, volunteer judges, sponsors and can cover branch club officers and volunteers.

The need for this kind of coverage has been growing, Mr. Lynn noted, citing a suit being brought against the Lloyd Harbor Boat Club by a widow of a man killed in an accident during a race sponsored by the club two years ago. The suit asks for more than \$10 million in damages, Mr. Lynn said. Just as crucial, he added, were the legal expenses involved in the club defending itself.

"In talking to people about this case, I have found that many say they don't think there will be a judgment (against the club), but there are huge legal defense costs involved. In most cases, that is what we are dealing with: the high cost of defending a case, not the judgment itself."

# California qualms:

## Schools lose coverage in surplus lines mess

By RHONDA L. RUNDLE

LOS ANGELES—Two dozen California school districts are scrambling for general liability coverage to replace policies abruptly canceled Dec. 26 by Great Atlantic Insurance Co. of Delaware.

The rates were too cheap and 15 to 20 agents and brokers didn't properly relay loss experience, said a spokesman for Great Atlantic, a New York company unadmitted in California that wrote the business on a surplus line.

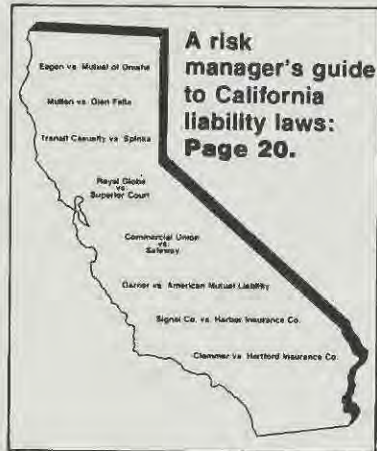
Accusations of improper conduct are running rampant throughout the state against the insurer, broker and agent links in the tangled—and now tarnished—marketing chain forged to produce this insurance for the state's school districts.

The California insurance department is still trying to separate the lambs from the wolves and hasn't taken legal action against anyone.

The department is believed to be looking into possible violation of surplus lines underwriting requirements, doing business as a surplus lines broker without a license, undisclosed broker service fees tacked onto premiums, misrepresentation of coverage to school district buyers and sloppy bookkeeping and other clerical errors. The department declined to discuss its investigation with *Business Insurance*.

Several of the school districts involved cautiously report they have found new insurance without any gaps in coverage. Many sound a little jittery, however, since they haven't yet seen these replacement policies. Their biggest concern is that juggling of insurers might have left them bare and exposed to a whopping liability claim.

A lot of embarrassed school administrators and risk managers are also stuck with explaining to their local school boards why they need



additional premium to pay for new policies. Others have had to scuttle in-force policies to reassemble their insurance programs.

Reports from Great Atlantic and various agents and brokers put the number of school districts affected at 20 to 26.

In addition to the retailing agents and brokers who sold the policies directly to the schools, there were three or four wholesalers on the business.

Continued on page 28

## Self-insurer battles state pregnancy benefit rule

By RHONDA L. RUNDLE

SANTA BARBARA, Calif.—Self-insured Sambo's Restaurants is fixing to fight a California disability rule that requires employers to pay benefits to pregnant women who quit work before they are actually disabled.

Under the present system, an employed woman is eligible for benefits if she becomes pregnant while she is still on the payroll. Although she may be only a couple months pregnant when she leaves her job, she qualifies for benefits during the period a doctor certifies her as unable to work—usually about six weeks, but sometimes longer.

Each 5.7 week disability costs about \$600 in benefits.

Sambo's isn't fighting the benefit; it just wants the state, and not the self-insured company, to pay the claim.

Pregnancy constitutes about 25% of Sambo's total disability

claims, said Janet Velikanje, Sambo's voluntary plan administrator. She estimates that 40% of these are from women who quit their jobs well before delivery.

In states governed solely by the 1978 federal sex discrimination law, pregnant women may claim disability benefits if they stay on the job until they're physically disabled.

California goes a step further, treating pregnancy more liberally than other disabilities, and that is against federal law, critics charge.

Pregnant women who quit work early for personal reasons are either unemployed or on leaves of absence when they deliver, explained Ralph Hurley, a partner in Voluntary Plan Administrators, the firm that administers Sambo's self-insured disability plan. Under such circumstances, pregnancy benefits should be paid by the state's unemployed disabled account and not by the former em-

Continued on page 27

# London P&I club insures tanker in Tampa crash

By ELLIS SIMON

TAMPA—The Capricorn, a U.S.-flag tanker that collided at the entrance of Tampa Bay with the Coast Guard cutter Blackthorn, was insured against personal liability in the London market and against property damage liability in both the London and U.S. markets.

The cause of the Jan. 28 collision, which killed six Coast Guard seamen and left 17 missing and presumed dead, has not been determined. A surviving Coast

Guard seaman was quoted as saying that the Capricorn "turned into us."

A federal inquiry is anticipated. Steam-Ship Owners Mutual Insurance Assn. Ltd., a London protection and indemnity club, insures the Capricorn against claims resulting from those deaths. Hull insurance, covering damage to the Capricorn and collision damage to other ships and fixed objects, was written largely in London with 4.5% participation by American International Group.

Alexander & Alexander's New York office brokered the policy. The Capricorn is part of the Avon fleet owned by Leo Berger.

The Blackthorn sank quickly with about half its crew after being struck on her port side by the Capricorn. The incident was reported to have occurred under clear, moonlit skies. The Capricorn suffered minor damage, went aground and was later refloated.

A spokesman for Alexander & Alexander declined to discuss the terms of the Capricorn's coverages, but said they were in line with normal industry practices.

Marine insurance experts noted that most protection and indemnity clubs have unlimited liability. The clubs, which are run like mutual insurance companies, often subject their members to calls for additional premium when losses exceed earlier estimates.

Tankers normally carry collision liability coverage under their hull policies in an amount equal to the hull's insured value, they said. P&I clubs sometimes indemnify collision losses in excess of that. Tanker collision coverage typically has a deductible ranging from \$10,000 to \$60,000 per occurrence.

The replacement value of the Capricorn was \$16 million, say marine insurance sources in London. But the 600-foot vessel, built in 1943, is believed to be insured only to its market value, estimated at \$3 million, because of its age.

## Bermuda sets panels for regulation

HAMILTON, Bermuda—An insurance board and 10 to 11 committees composed of private citizens are being set up here to eventually regulate Bermuda's insurance market.

Shelton Burgess, registrar of companies, was appointed chairman of the nine-member insurance board. The board will advise the government on insurance regulation and will oversee the various committees.

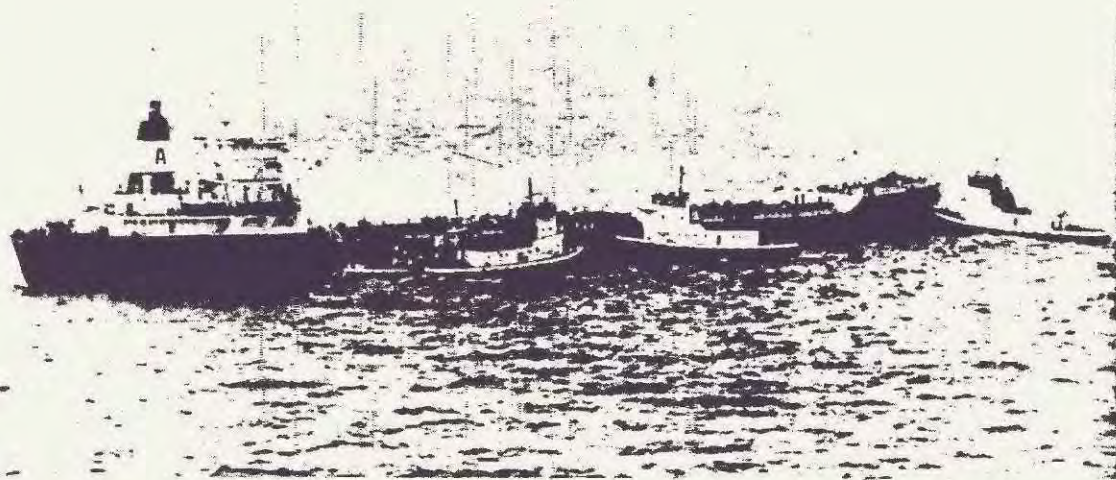
Separate committees of business representatives are being formed to handle admission of new companies to the island, underwriting brokers and captive companies.

The Bermuda government envisions eventually turning all insurance business regulation over to the committees and insurance board.

## III member

The Continental Insurance Cos. has joined the Insurance Information Institute, bringing the III's membership to 58 groups totaling more than 225 companies.

Photo: Wide World



## Tragedy at sea

London and U.S. underwriters will cover the losses caused by the collision of the Capricorn, a U.S.-flag

tanker, with a Coast Guard cutter in Tampa Bay. Six are dead and 17 more are feared dead.

# YOUR PLACE or OURS ?

Yesterday's costs using tomorrow's technology...Today.

**ClaimFacts** is an advanced on-line health claims administration system which may be used by insurance companies, or employers and associations with self-funded or underwritten plans.

**ClaimFacts** provides total automation for the processing of all types of health benefits plans, including basic and Major Medical, dental, vision, prescription drugs, and disability. The system has the capability for on-line inquiry, eligibility verification, adjudication, coordination of benefits, and letter generation.

**ClaimFacts** can be installed at your office for use by your staff using your hardware or ours. It is available on a service, lease or purchase basis for HP or IBM systems.

**ClaimFacts** joins IMPEFACTS, the deferred recordkeeping specialists, as a member of the Thomas National Group.

**ClaimFacts** satisfies the unique requirements of insurance companies and third party administrators.

Erisco Inc. 1700 Broadway  
New York, N.Y. 10019  
(212) 247-2444

Call or write Wayne J. Ferrentino,  
V.P./Marketing, for more  
information.



A Thomas National Group Subsidiary

Please call     Send information about:     ClaimFacts  
 ImpleFacts

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

# Is Your Claim Overseas Mired In A Mountain?

Settling and paying claims is often called the acid test of insurance. Overseas, especially, it couldn't be truer.

To settle a claim overseas, local customs and regulations must be followed and the information required has to be accurate and detailed. And because getting things done quickly is not always easy outside the major industrial complexes, knowing what's needed, how to get it accomplished, and what to do in the meantime to prevent further loss, becomes vital. That's why overseas claims facilities and services are essential.

And it's why AFIA has more fully staffed offices abroad than any other U.S. foreign underwriter. AFIA's people are on-the-spot all the time. They have the knowledge, experience, and ability to get the job done.

And because AFIA is the largest foreign underwriting specialist, it has the resources and ability to pay claims quickly here or abroad.

Claims are too important to be left to just anyone. Or to be put in just any underwriter's hands. Which is one reason why 90 of the top 100 U.S. companies operating abroad insure with AFIA.



**COME TO AFIA.  
ANYWHERE IN THE WORLD.**



WORLDWIDE INSURANCE World Headquarters: 1700 Valley Road • Wayne, N.J. 07470

U.S. branch offices: New York • Boston • Chicago • Cleveland • Dallas • Houston • Los Angeles • Miami • San Francisco • Seattle • Wash., D.C.

## Product liability suits

# Courts clash on out-of-state jurisdiction

By JERRY GEISEL

## washington

DESPITE A SUPREME Court decision last week narrowing out-of-state jurisdiction in product liability lawsuits, the U.S. Court of Appeals took the opposite position just a few days later.

The Supreme Court rejected the notion that an out-of-state court has jurisdiction over a car dealer just because the dealer could foresee that his product might be used and cause injury in another state.

In *World-Wide Volkswagen Corp. v. Woodson*, the plaintiff, a New York resident, was severely injured on an Oklahoma highway when his vehicle caught fire after being hit from the rear by another

automobile.

In a complaint filed in Oklahoma, he named as defendant the New York car dealer where he purchased the vehicle, charging the dealer with distributing a dangerously designed product.

Writing for the majority, Justice Byron White said a state court may exercise personal jurisdiction over a nonresident defendant so long as there exists "minimum contacts" between the defendant and the state.

That it was foreseeable that the car could be driven through Okla-

homa and collide there is not a "sufficient benchmark" for jurisdiction by that state's court, Justice White said.

But the U.S. Court of Appeals ruled that a foreign import car manufacturer can be sued in the District of Columbia even though the firm has no offices or dealerships here.

The accident victim lives in Maryland and the car was registered in another state.

Fiat Motors of America derives "substantial revenue" from the sale of cars eventually used in

Washington and thus is in the reach of the city's "long-arm" statute, the court said.

The three-judge appeals panel turned thumbs down on Fiat's contention that jurisdiction in the case would be unreasonable and unfair and violate Fiat's constitutional right to due process because the District of Columbia lacked a special governmental interest in the case.

Instead, the court held that when a claim results from an injury that occurred in Washington, the out-of-state defendant is subject to jurisdiction by the local court if it regularly does business in the District of Columbia or derives substantial revenue from

goods used there.

## No preemption

The Supreme Court declined to review and thus let stand a lower court ruling that the preemption section of the pension reform law does not bar states from passing legislation requiring equitable treatment of pregnancy as a covered benefit in employers' sick leave plans.

The 7th Circuit Court of Appeals previously ruled that Wisconsin's statute requiring employers to treat pregnancy on the same basis as other sicknesses in disability plans was not preempted by ERISA.

The ruling is important to small firms because the Wisconsin act applies to nearly all firms with disability plans while the federal pregnancy benefits law, which went into effect last year, applies to firms with more than 15 employees.

## New counsel

C.L. Haslam, the Commerce Department official credited with convincing the Carter Administration to endorse the Risk Retention Act—a proposal to allow federal chartering of captives—has left his position as general counsel to go into private law practice.

Homer Moyer, a former counselor to the secretary of commerce, replaces Mr. Haslam. Mr. Moyer has a strong interest in product liability issues stemming from his work in 1977 with the Interagency Task Force on Product Liability, when he served as deputy general counsel at the Commerce Department.

## Small business

Small firms who flocked here by the thousands to attend the annual White House Conference on Small Business have recommended reforming the Social Security system by "including, where constitutionally possible, all public and private sector employees as contributors."

The conference also recommended freezing the tax base and tax rate as the current 6.13% on the first \$25,900 of salary.

The congressional National Commission on Social Security had previously warned against cutting back on scheduled Social Security tax increases, pointing out that the system is not fiscally sound enough to withstand such a freeze.

## FICA loophole

The Senate is expected to consider legislation (H.R. 3236) that would stop employers from picking up the employees' half of Social Security taxes. While business likes the idea (*BI*, Sept. 17, 1979), the Carter Administration is opposed to the practice since employees lose Social Security credits and get lower benefits.

The House has already passed similar legislation. ■

## Life policies

November purchases of group life insurance under new or revised group contracts totaled \$13.8 billion in November, compared with \$9.9 billion a year earlier. In the 12-month period from December 1978 through November 1979, group insurance purchases were \$147.4 billion, compared with \$119 billion in the comparable period a year earlier.

## The newest Hull & Company office is in our kind of town.



The vibrant hub of mid-west commerce, Chicago is the home of some of the world's most prestigious firms. At Hull & Company, we are proud that our fifth U.S. office will also have a Chicago address.

Like our other offices, the new Chicago facility will offer the same responsive, innovative and creative solutions for all Special Risks Insurance situations. Now, our mid-west agents and brokers will be able to receive a closer, more personal level of service than ever before.

We invite you to contact John Metelski, our Chicago Senior Executive, who is ready to introduce you to the products and services of Hull & Company and help with your Special Risk Insurance needs.

Hull can handle it.

### Hull & Company, Inc.

**Chicago Office:**  
208 South LaSalle Street  
Chicago, Ill. 60604  
Telephone: (312) 346-3840

**Corporate Headquarters:**  
2150 S. Andrews Avenue  
Fort Lauderdale, Fla. 33316  
(305) 525-2081

**St. Petersburg Office:**  
(813) 577-5775

**Santa Ana Office:**  
(714) 547-0793

**San Francisco Office:**  
(415) 781-5371

Also London

Casualty/Property/Marine  
Aviation/Life/Health

# Houston joins municipal league plan

## benefit beat

THE CITY OF HOUSTON switched its group benefit insurance plan Jan. 1 from Republic National Life Insurance Co. to the Texas Municipal League plan. Houston, with 26,000 employees, is now the largest of the 153 cities in the plan.

The comprehensive major medical plan, written by Prudential Insurance Co., covers 80% of reasonable and customary medical costs after a \$100 deductible, up to a \$2,500 limit, and covers 100% of further costs up to \$1 million.

The municipal league plan offers 10-day claims turnaround and a generally lower administrative retention, league administrator William Martin says.

### Stock ownership

Cato Corp. in Charlotte, N.C., has adopted an employee stock ownership plan and trust and approved a plan to purchase its common shares held by public stockholders.

Cato said it is making the offer to convert to a privately held company owned primarily by its employees and management. The firm employs 1,000 to 1,200 full-time workers and 700 to 800 part-time. Eligibility requirements for the new plan have not been determined. Cato expects to make its stock purchase offer by March.

### Second opinions

Two second opinion programs administered by Blue Cross & Blue Shield of Michigan have shown that up to 39% of physicians consulted for second opinions disagreed with the original doctor's recommendations on elective surgery.

BC&BS compiled the information from two programs that provide optional free second opinions, one for auto workers and their families and one for Medicare beneficiaries in the Detroit area. The programs will measure the impact of second opinions on the incidence of elective surgery and related medical costs.

Among the auto workers, surgery was not recommended in 30.9% of the second opinions, or 198 of 640 cases over a two-year period ending June 30. Surgery was not recommended in 39.1% of the Medicare second opinions, or 43 of 110 cases over a one-year period ending July 31. In both cases, requests for information about the programs exceeded requests for second opinions by nearly two to one.

The Michigan pilot project will follow up on patients for one to three years after the second opinion to see which persons actually get surgery.

### Higher rates

A 10.6% monthly subscriber rate increase requested by Health Care Plan Inc., a nonprofit health service corporation and health maintenance organization serving the city of Buffalo and western Erie County, has been approved by N.Y. insurance superintendent Albert B. Lewis and Richard A. Berman, director of the state office of health systems management.

The new rates, effective Jan. 1, raised monthly premiums to \$31.98 from \$28.52 for single contract holders and to \$77.07 from \$69.97 for family contract holders. Rates apply to individual and group subscribers.

### Pension increase

The Travelers Insurance Cos. increased retirement benefits by 2% for each year of retirement for its

4,000 pensioners. The revision, made to offset near-record inflation, is applicable to persons who retired before Jan. 1, 1979.

The adjustment, which would provide someone who retired 10 years ago with a 20% increase in benefits, is in addition to The Travelers' normal annual adjustment of up to 3% across-the-board. That adjustment, for a yet undetermined level, is expected to be made in April, a company spokesman said.

In addition to the pension adjustment, retirees' health benefits have been changed. As of Jan. 1, retirees covered by the company's former Medicare supplement be-

came eligible for a \$1 million major medical lifetime benefit and a \$15,000 maximum nursing services benefit.

Travelers officials did not disclose the cost of the additional increase in benefits.

### BC/BS hikes

New York superintendent of insurance Albert B. Lewis has approved overall premium rate increases for Blue Cross & Blue Shield of Northeastern New York, effective Jan. 1.

Blue Cross was granted an overall average increase of 9.8% on its community-rated contracts and

riders; it had requested an 18.4% increase. The approved hike will generate an additional \$3.3 million in premiums.

Blue Shield, which had sought a 26% increase, received a 10.1% hike instead. The increase will bring in \$1.4 million in additional premiums.

### Chiropractic care

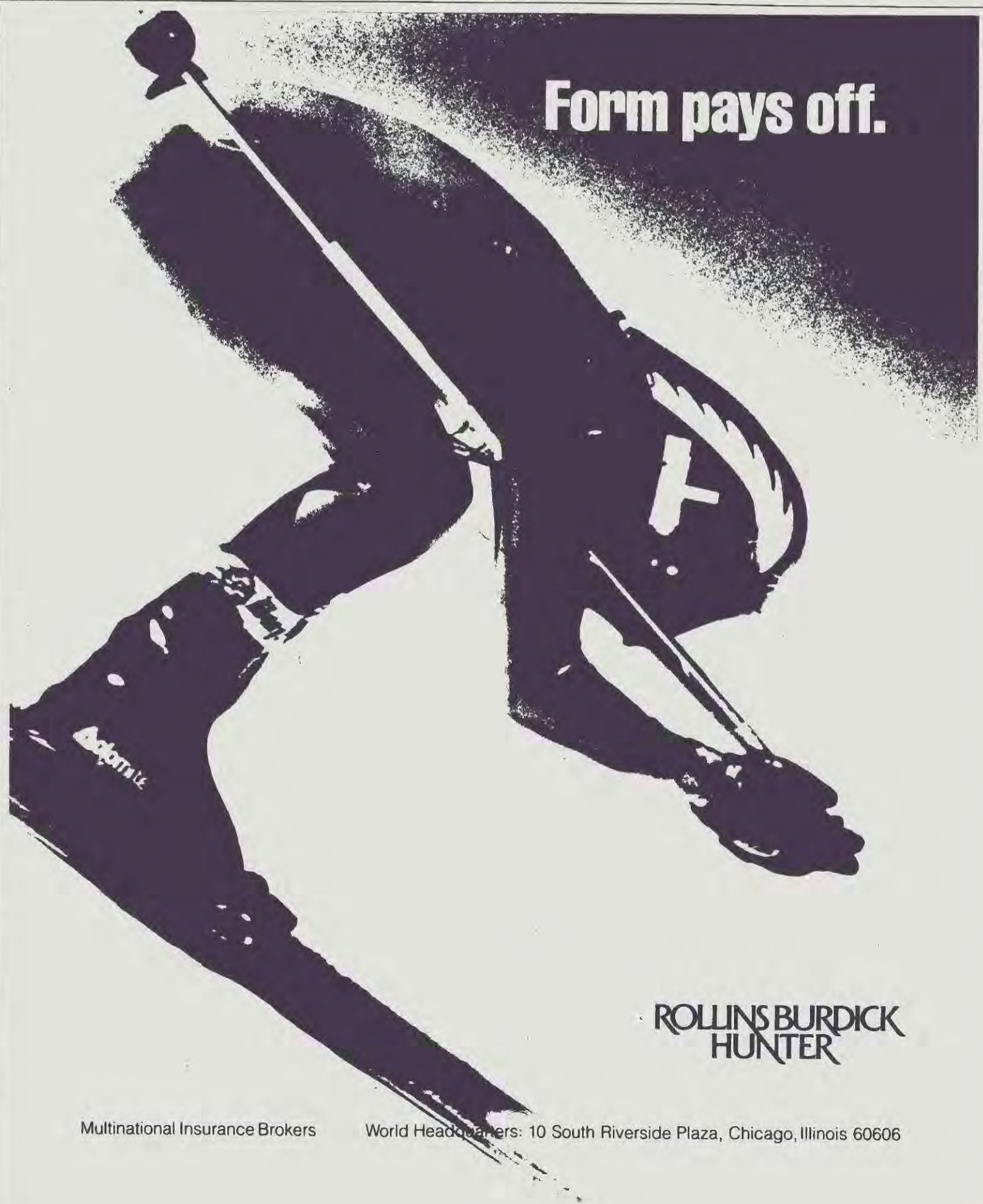
Nearly 23,000 Rhode Islanders in 16 company groups are now covered by a chiropractic care rider added to their Blue Cross & Blue Shield medical plans and 10,400 persons in 28 groups are covered by a mental health rider, BC/BS of Rhode Island reports.

The chiropractic option, available to existing company groups of 50 or more persons, costs 26 cents a

month for individuals and 51 cents for families. Benefit payments are linked to existing BC/BS coverage levels, so chiropractic coverage would include X-rays and laboratory services for some groups. Office visits and orthopedic devices would be included for persons covered by major medical plans.

The mental health option, available for 43 cents a month for individuals and 94 cents for families, provides an additional 75 days of specialty hospital care; an extra 75 visits for hospital day-care therapy, and an increase to 80% in major medical payments for psychiatric care outside a hospital.

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



**ROLLINS BURDICK HUNTER**

Multinational Insurance Brokers

World Headquarters: 10 South Riverside Plaza, Chicago, Illinois 60606

# Crowley accents customer contract

By **STUART EMMRICH**

## someone you should know

**NEW YORK**—What show business lost 21 years ago the insurance industry gained.

A Marine Corps veteran in 1949, William Crowley was kicking around New York, eager to pursue a long-held dream of becoming a professional singer. Fate, in the form of a fiancée who put her foot down, intervened, however, and pushed Bill Crowley into a career that he hasn't left since.

"I really wanted to become a singer, and I was convinced that I could make a go of it. But I was dating this girl who said there was no way she was going to travel around the country, traipsing after some entertainer," Mr. Crowley recalled recently. "She worked for an insurance company and suggested that a job there might be a better idea if I really wanted to

marry her.

"Well, I started working for an insurance company then and it was a decision that I haven't regretted since."

From an underwriter with Fireman's Insurance Co., Mr. Crowley worked his way through various companies and positions to his present one, at age 50, as vp of AFIA in charge of its North American region.

But the decision to go into insurance sort of boomeranged on Mr. Crowley's fiancée, now his wife. He's had to travel in the insurance business and even now in his latest post, Mr. Crowley spends as much as a quarter of his time away from his New York office and home.

He's on the road checking up on field operations—there are 13 branch offices under Mr. Crowley's direction—and meeting buyers who may not know as much about AFIA as Mr. Crowley would like.

"I think it is important for the buyer to know the insurer, particularly in AFIA's case. We have to let people know that there is an American organization that can insure their worldwide risks, with all the negotiations taking place in the United States," Mr. Crowley explained.

The complexity of the foreign insurance business and multinationals' myriad needs make contact with customers and explaining how the business works

most important. Gone are the days when an insurance contract was a cut-and-dried affair—a client paid his bills, filed claims and received payment.

Gone too are the days when the commercial buyer of insurance was viewed as a low-level functionary expected to routinely perform his or her mundane duties. Now, Mr. Crowley, says, insurers recognize the importance and power of risk managers, as well as their growing expertise.

"The evolution of the insurance industry has paralleled the evolution of the risk manager," he says. "The role of the risk manager is probably the most important development in the insurance business during the last two decades."

That conviction is one reason why Mr. Crowley encourages his field operators to make direct contact with buyers and why he sometimes invites risk managers to meet him in his New York office.

"We wouldn't see a risk manager on a day-to-day basis, but we do see him when he wants to discuss the overall coverage; in fact, we encourage it. It is important for the insurance company to know the risk manager as well as the risk. This is a partnership between the broker, the risk manager and the insurer."

Interestingly, Mr. Crowley emphasizes that the insurer can benefit just as much as the buyer from these personal contacts.

"Some risk managers are employed by multinational corporations that have some similarities to AFIA. We have the same problems as an insured might have. Sometimes we can be helpful to each other in exchanging ideas or discussing issues that can be of a common interest."

These meetings, both in the home office and in the branches, also are valuable in stripping away some of the duplicity that Mr. Crowley argues has become an accepted part of the insurance business.

He contends that both sides in a negotiating process often hold back information to get a better advantage.

He also tries to convince his people in the branch offices that they are pretty much in control of their business, that he isn't standing watch over them with a whip in his hand.

"My job is more or less motivating people, making the right contacts, getting the right people in the right positions and letting them do their own thing. The major underwriting decisions are made in the field—as long as they stay within the overall plans of AFIA—and we are here in New York mainly to give guidance and assistance with special problems."

"For a person to do a good job, he has to feel he is doing his own thing."

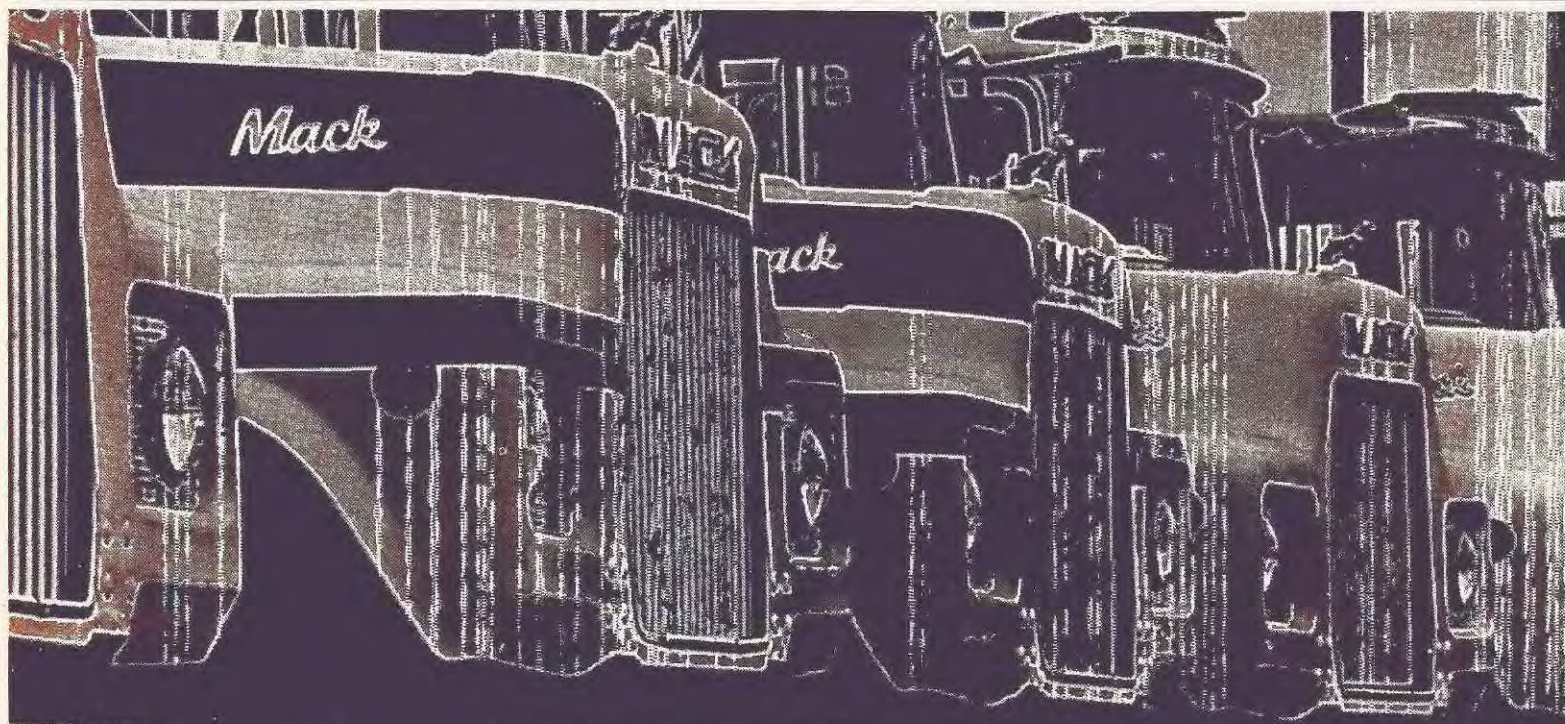
That was a lesson Mr. Crowley said he learned during his years on the road—as branch manager in Houston, later as Southwest manager, then in New York as assistant secretary and next as assistant vp. He was named vp in charge of the North American region in 1978.

It is also a policy that Mr. Crowley says has contributed to the success of AFIA, founded in 1918 by a group of major capital stock insurance companies to operate as their worldwide foreign department underwriting risks on business overseas. AFIA has grown since then into the largest U.S. worldwide insurance organization, with more than 250 branches staffed by more than 4,600 employees. Premiums written exceeded \$7 billion in 1978 and total assets passed the \$14 billion mark that same year.

Photo: Stuart Emrich



"I think it is important for the buyer to know the insurer," says AFIA's William Crowley.



## We may not be in the plans today, but we could be tomorrow.

The insurance needs of the trucking industry are complex. Insurance for a single unit or a fleet becomes highly specialized coverage.

That's where John H. Crowther, Inc. becomes part of the plan. The Crowther People are experts at tailoring coverage to the unique requirements of the trucking industry as well as the needs of other businesses in the excess and surplus lines market.

When the tomorrow comes for excess and surplus lines coverage, be sure John H. Crowther, Inc., is included in the plans.

the  
**Crowther  
People** 

Minneapolis  
612/333-0361

Des Moines  
515/243-1221

Omaha  
402/393-2040

Sioux Falls  
605/336-0960

Madison  
608/271-6500

Springfield  
417/887-0354

Bismarck  
701/223-1112

Billings  
406/248-7183

Boise  
208/336-7131

Denver  
303/753-0071

Topeka  
913/267-1222

# Canadian D&O lawsuits lag behind U.S.: Wyatt

CHICAGO—Directors and officers liability claims are becoming more common among Canadian companies, but differences in the laws and legal systems of Canada and the U.S. will probably hold Canadian claims activity to 50% to 75% of the U.S. rate, according to a recent survey.

Five of the 133 Canadian companies responding to the Wyatt Co.'s 1979 directors and officers liability and fiduciary liability report on Canadian companies reported a total of six D&O claims from 1970 to 1978, and no companies reported fiduciary liability claims.

Four of the D&O claims had been settled or had been tried and are being appealed; two were closed without payment, one was settled for between \$100,000 and \$200,000 and the amount of the fourth was not specified.

The report attributes the lower claims frequency in Canada to a less litigious public and a legal system that discourages the filing of "long-shot" suits.

Damages in a justifiable claim can be just as large in Canada as in the U.S. for firms of comparable size in comparable circumstances, but defense costs take a considerably smaller bite from Canadian company coffers. In one of the cases settled, legal expenses cost \$150,000, compared with the average \$218,900 of U.S. settlements.

In 1979, 48% of all Canadian companies surveyed purchased D&O insurance, versus 80% of the U.S. companies. The percentage of firms on the Toronto Exchange carrying D&O coverage rose to 57% in 1979 from 41% in 1978, but privately held business corporations, mutual companies and not-for-profit organizations show little interest in D&O coverage.

Of the 56 firms in the survey with such coverage, the most frequent limits remain \$5 million and \$10 million and the average limit is about 80% of that purchased by U.S. participants surveyed in a separate study (BI, Nov. 12, 1979). Approximately 71% of those Canadian firms reported a split deductible rather than a single deductible, up from the 64% in 1978.

In 1979, 68% of the Canadian participants stopped their retention above the basic deductible at \$1 million, while only 54% of their U.S. counterparts did so. The average Canadian premium has declined about 8% during the past year, while U.S. premiums rose slightly, so the typical Canadian firm is paying about 77% of the premium paid by a comparably-sized U.S. firm.

More than 94% of the Canadian firms revealed the names of their D&O insurers, with American International Group the most frequent insurer in all size categories of business: 67% of the accounts for business with less than \$25 million in assets, 41% for the \$25 million to \$100 million group; Swett & Crawford was second with 24%, 37% of the \$100 million to \$400 million group, followed by the Societe Gestas Ltee with 12%, 24% of the \$400 million to \$1 billion group, tied with Lloyd's of London, and 36% of the more than \$1 billion group, with Lloyd's second with 21%.

Exposure to fiduciary liability in Canada is small because the country has no ERISA-type law. Although Canadian firms with U.S. operations have some such exposure, fiduciary liability exists in Canada only with respect to common law.

More than 50% of the firms sur-

veyed do not carry fiduciary liability insurance, although the number without either fiduciary or employe benefits liability declined to 53% in 1979 from 67% in 1978. Employe benefits liability covers administrative error or errors in counseling an employe on benefit programs.

Canadian general liability policies, however, often cover common law pension trust liability, and apparently 8% to 10% of Canadian firms have such protection, Wyatt says.

A total of 34 surveyed companies in 1979 said they carried fiduciary liability insurance, either as a specific policy or an endorsement to a

comprehensive general liability policy. The majority of the policies include a standard \$1,000 deductible, as is true in the U.S.

The most frequent limit for fiduciary liability carried by surveyed companies was \$1 million, reported by nine companies in 1979. The highest limit was \$50 million, and six companies reported limits of more than \$10 million. The average premium for a \$1 million limit was \$1,371.

The Wyatt Co. report on D&O liability and fiduciary liability in Canada costs \$60 from the Wyatt Co., 5600 Sears Tower, 233 S. Wacker Drive, Chicago, Ill., 60606.

## Leading D&O Insurers Wyatt Survey

### Primary

	1979 Only		Composite 78/79	
	No. Accounts	% Indicating	No. Accounts	% Indicating
American Int'l. Grp.	19	37%	28	41%
Lloyd's of London	9	18	11	16
Swett & Crawford	9	18	11	16

### Excess

	1979 Only		Composite 78/79	
	No. Accounts	% Indicating	No. Accounts	% Indicating
Lloyd's of London	4	33%	4	31%
American Int'l. Grp.	2	17	2	15
Crum & Forster Grp.	2	17	2	15
Swett & Crawford	2	17	2	15

# THE TRAVELERS KEEPS WRITING THE STORY ON COST CONTAINMENT.



And it keeps getting better!  
We've been practicing Health Care Cost containment for years, through programs like Coordination of Benefits and effective claims administration.

But we are also constantly improving our cost containment program. Each time we implement new ways to help control or reduce the costs of medical care, our story changes for the better.

As we support new programs such as Second Surgical Opinion, health promotion and hospital utilization review, we revise our 15-minute audio-

visual presentation on Travelers initiatives in cost containment.

We'd be very pleased to show it to you, and review our complete Cost Containment program. For more information, contact your nearest Travelers Group representative. Or write to: Travelers Group Department (Field Operations) 11MS, in Hartford.

The Travelers Cost Containment Story. It keeps getting better.

**The Travelers Group Department** offering professional products, services... and the people to support them.



THE TRAVELERS

The Travelers Insurance Company and its Affiliated Companies,  
One Tower Square, Hartford, Conn. 06115

## editorial opinions

### Nuclear folly

**N**UCLEAR UTILITIES have pleaded otherwise, but the insurance industry has known all along that a nuclear accident wasn't impossible.

Now the Nuclear Regulatory Commission, too, admits the impossible is possible. Without using those exact words, the NRC said it plans to issue regulations protecting against the release of radiation during a reactor meltdown, an event the NRC has long held was too remote to require any safeguards.

We have nothing against nuclear power or nuclear utilities. But it was folly not to recognize the irony inherent in the contention that the unthinkable couldn't happen when energy as powerful as that produced by nuclear fusion, equipment as complex as that used in nuclear power plants and humans prone to err are involved.

As risk managers know, there are few risks so remote they can be discounted entirely. As soon as someone chalks an event up as "won't ever happen," sure as day follows night, the loss will occur.

### Rx for costs

**R**HODE ISLAND Blue Cross has documented its hunch that outpatient care cuts the cost of health benefits, and as a result has included outpatient care in its coverage for 800,000 subscribers.

This goes a long way toward encouraging employes to seek less expensive outpatient treatment for medical laboratory work, X-rays and other treatment involving high-technology equipment.

Nonetheless, even with the documentation that these kinds of procedures done on an outpatient basis save a lot of money, too many doctors readily send their patients into the hospital on Friday to have tests over the weekend before surgery, or have a patient check into a hospital for tests, just in case, every time a patient calls with a stomachache.

Employers still have to ride herd on these tendencies to overuse hospital facili-

ties. Moreover, they should put out bulletins to employes about the need to ask for outpatient tests.

### Doing without

**A** RECENT INSURANCE industry meeting in Chicago was graced by the presence of Illinois legislator Bernie Epton, who's as outspokenly pro-insurance as he is anti-government regulation.

Mr. Epton, however, sounded too much like an anarchist when he stood before the group and said: "I would sooner see the government of the U.S. fall than to see the insurance business collapse."

"We can live without government," he contends, "but we can't live without insurance."

In an advanced industrial society, Mr. Epton, insurance is indeed an important and useful element of doing business. But would the entire world grind to a halt without it? Probably not.

### Tax hunger

**T**HE IRS ISN'T THE only money-hungry agency looking to tax the Dickens out of employe benefits now resting peacefully in the realm of the tax-exempt.

The Social Security Administration and Federal Unemployment Insurance Administration are also after their share, particularly in cases where an employer provides on-premises meals to workers.

The IRS, seeking to collect taxes for these agencies, contends these meals should be included in wages subject to unemployment and Social Security taxes. There are thousands of cases pending around the country involving millions of dollars in which the IRS is attempting to tax various fringe benefits.

But the Supreme Court has clearly said several times—once in 1977 and again last month—that meals and reimbursements for meals aren't subject to withholding taxes. The IRS deserves a slap on the hand for pushing these cases so far. Why didn't it read the high court's 1977 decision?

## 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.*

### Fears confirmed

To the editor: I had to say "I told you so" after reading "Hidden study blasts longshore act" (Jan. 21).

At the first annual National Conference on Workers Compensation sponsored by BI in 1978, I presented a paper recommending that Congress abolish the FELA, FECA, Longshoremen's and Harbor Workers Act and the Black Lung Act. This would permit the states to exercise jurisdiction over all job injuries.

The reasons I gave then have been confirmed by the hidden study:

- Federal workers compensation acts are redundant and state acts can take over with little difficulty.

- The federal workers compensation programs are wasteful and expensive.

- The federal workers compensation programs are administered in a manner that is unfair to employes.

- There is not adequate administrative machinery to handle the federal workers compensation laws.

Clearly, the federal government is not competent to either administer its own job injury plans or set standards for state workers compensation laws.

Harry W. Dahl  
Attorney  
Des Moines, Iowa

### Clarification

To the editor: We read with interest your Jan. 14 article entitled "Ex-James execs direct service firms," which indicated a new firm, Insurance Services Unlimited, will be "competing in California with H&W Services Inc."

There are several points in the article we would like to clarify concerning our firm.

The correct name of our firm is H&W Risk Management Services, which is a wholly owned but autonomous subsidiary of H&W Insurance Services, a national excess/surplus lines broker. While our parent is headquartered in Encino, Calif., our offices are located in Irvine, Calif.

We are a national—not just California—risk management consulting firm. Unlike most other consulting firms, H&W works exclusively through independent insurance agents and brokers. For example, we have current assignments from agents and brokers in New York, Seattle, Boston and Detroit.

David R. Hoskins  
President  
H&W Risk Management Services  
Irvine, Calif.

### Not guilty

To the editor: Re: "Doctors kill Colorado HMO" (Jan. 14).

Far be it from me to shill for the doctors! I have my quarrels with their techniques, their attitudes toward the consumer and that faint strain of arrogance that seems to accompany so many of their pronouncements. But as for killing ChoiceCare, the Northern Colorado HMO, they just aren't guilty.

ChoiceCare was killed by underpricing, gross mismanagement, lack of effective regulation (for good and proper reasons) and a very poor performance on the part of HEW, which had the responsibility for looking after public funds that were poured into ChoiceCare. Mr. Weinberg, direc-

tor of compliance for the HMO program of HEW, is quoted as charging the collapse to the doctors. Yet it was his own organization that did the original review of ChoiceCare in mid-summer 1979, but inexplicably failed to follow through and, thus, the collapse.

Rather than being the villains of the piece, the medical fraternity of Larimer County, Colo., is reported to be out an average of \$15,000 per doctor in unpaid statements. The delays in payments by ChoiceCare ranged up to six and eight months. Anybody in the insurance business knows that a slowing down in the payment of claims indicates only one thing—massive trouble. Doctors did not kill ChoiceCare. It was slain by its own incompetence, aided and abetted by the amateur bunglers of HEW that oversee HMO programs.

Robert D. Bischoff, CPCU/CLU  
Greeley, Colo.

### HMO question

To the editor: There is strong evidence to support the theory that HMOs may be less expensive because healthier persons select them, and that the costlier ill or illness-prone employes may choose indemnity, third-party or self-insured arrangements.

The employe requiring chemotherapy ("HMO must pass three tests," BI, Jan. 14 editorial) will probably pay for the necessary treatment himself until the next open enrollment period when he will opt for the indemnity plan—with what effect, I wonder, on the cost of both the HMO and the indemnity plan?

Without a study of the previous health care costs and experience of employes who elected HMO coverage, the employer cannot know whether an HMO can or does control his cost of health care for his employes.

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

### Don't forget us

To the editor: In the Dec. 10, 1979, issue of *Business Insurance*, 22 benefit consulting firms were "profiled" in terms of services provided, professional staff size and sales volume. However, Tolley International's name did not appear in the article.

The basis upon which firms were selected for inclusion in the article was not explicitly stated. It did appear, however, that size alone was not the major criterion for selection of the 22 firms. I noticed that one firm, Hazelhurst & Associates, has 10 consultants and three major offices in contrast to our firm with 30 branch offices and an equal number of consultants.

For over two decades, our firm has been considered one of the major providers of consultation services to Taft-Hartley plans, which currently include over 600 Taft-Hartley fund clients. Although our firm provides a wide range of benefit services (including day-to-day administration, government reporting, data processing and payroll auditing), benefits consultation, actuarial consultation and underwriting consultation represent a significant portion of our work activity.

Martin J. Gallagher  
President and chairman  
of the board  
Tolley International Corp.  
Birmingham, Mich.

## business insurance

the national newsweekly of loss prevention, risk financing and employe benefit management

MRS. G. D. CRAIN JR.  
chairman of the board  
KEITH E. CRAIN  
secretary-treasurer

G.D. CRAIN JR. founder (1885-1973)  
S. R. BERNSTEIN  
chairman, executive committee  
DAVID J. CLEARY JR.  
senior vp-group publisher

RANCE CRAIN  
president and editorial director  
ALFRED MALECKI  
vp-publisher (New York)

SUSAN ALT, ARM, CPCU, editor  
KATHRYN J. McINTYRE, managing editor

LEN STRAZEWSKI, features editor. JERRY GEISEL, Washington editor. VALERIE J. BERG, copy editor. Associates: New York—STUART EMRICH, ELLIS SIMON, MARY ANN MATLOCK (staff reporter). Los Angeles—RHONDA L. RUNDLE. Chicago—DAVE GALANTI, JOHN MAES, MARY ELLEN MCKEE, MERRILL SALTZMAN, editorial production chief. JOE FARACI, Art director. Correspondents: London—JOHN MILLER (01) 946-4215. Seattle—HARRIET KING (206-888-2340). San Francisco—MARGARET LeROUX (415-525-5082). Editorial Production Assistant: WILLIAM BIKE. Proofreader: DOROTHY PARR SNOWDEN. Editorial typist: SHAUN WESTBROOK.

DONALD A. WALSH,  
Advertising Director (New York)

ROBERT L. NIESSE,  
Midwest Sales Manager (Chicago)

Advertising district managers: New York—CHARLES A. HORVATH, JACK FORREST, KEITH T. GALLAGHER. Chicago—DON MAHLMEISTER, Assistant to Advertising Director: Los Angeles—LORI WEINSTEIN. Production manager: Chicago—FRAN PRYBYLO. Promotion manager: New York—RONNIE I. DRACHMAN. Assistant to the publisher: Chicago—CELIA MALOUHOS; New York—JOYCE BAIDA.

Published by Crain Communications Inc., Chicago, HERBERT ZELTNER, group vp; ALFRED MALECKI, J.J. GRAHAM, S.E. COHEN, LOUIS F. DE MARCO, WILLIAM STRONG, ROBERT W. KRAFT, STEPHEN D. GILKENSON, ARTHUR E. MERTZ, vice presidents; JAMES M. FRANKLIN, vp-finance and administration; MERRILEE P. CRAIN, assistant secretary.

Published weekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices: 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). \$1.00 a copy. \$20.00 a year in U.S. Foreign \$5 a year additional. For first class mail add \$2.00 U.K. and Canada; add \$12.00 for air delivery Europe and Middle East only. WILLIAM STRONG, vp-circulation. PAMELA JANOUSEK, circulation manager; ROGER DiGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

# Margaret LeRoux shows how patient she can be.

Margaret is San Francisco correspondent for Business Insurance.

She has her finger on the pulse of America's health maintenance organizations; who started them, how they are funded and organized, how HMO's lower the cost of health care without affecting quality.

Not too long ago, following the concern by corporate executives with the rising cost of health care and insurance premiums, former Secretary of HEW Califano, chaired an HMO seminar.

Margaret contributed to a series on HMO's in Business Insurance that were included in the background information kit distributed to Fortune 500 chief executive officers who attended. Margaret also joined an HMO so that she could give Business Insurance readers a first hand report about the workings of such an organization.

Yet Margaret, like all of our editors and reporters, does not specialize. Her stories cover a wide spectrum of insurance, risk management and employe benefits. And her incisive, thorough reports have been the subject of discussion, earnest analysis and *action* by influential corporate and government officials.

It is this kind of in-depth reporting that makes Business Insurance the most widely used and quoted authority in its field.

And because Business Insurance does so much for its readers, it also does more for its advertisers.

It's where the insurance marketplace takes shape, week after week.

Shouldn't you be there?



**business  
insurance**

A PUBLICATION OF CRAIN COMMUNICATIONS INC.,

# Wyo. bill proposes halt on rate filings

CHEYENNE—Wyoming businesses would be free of insurance rate hikes for a year under legislation introduced in the state senate. The bill, sponsored by Jim Norris (D-Laramie County), would

## around the states

declare a state of emergency in the state's insurance business and limit rate filings and other regulatory changes in all lines until the legislature studies a recodification of the state's insurance laws.

The state can't adequately regulate the insurance business, the bill declares. If enacted, the measure would limit the number of rate increases and stop changes in policy forms and in practices and procedures while a joint judiciary interim committee studies the insurance laws. The committee would report its findings by Feb. 1, 1981.

Wyoming insurance commissioner Jack Langdon said the stay

of regulatory action is not a punitive measure, but is intended to keep companies from filing for rate increases while the committee is conducting its study. "It will not affect anyone who absolutely has to have a rate increase" for reasons of solvency, he said.

### Arson weapon

NEW YORK—The New York Property Insurance Underwriting Assn. has a new anti-arson weapon in its arsenal.

The New York state insurance department has approved an amendment to the association's rules that will require property

owners either to correct unsafe conditions after fires or lose their insurance protection. Previously the policyholder had only to repair the damage to retain coverage.

The new rule enables the association to cancel policies on buildings that have had more than two fires in any 12-month period with each loss amounting to at least \$500 or 1%, whichever is greater, of the insurance in force and on buildings with more than three such fires in any 24-month period if the fires result from conditions that are the owner's responsibility.

The association will implement the new rule immediately after qualified loss engineers inspect properties that have suffered multiple fire losses. The engineers will try to determine the causes of the fires and recommend correc-

tive action. Follow-up inspections will then be made.

### Damage recovery

LOS ANGELES—The California supreme court has ruled that when two parties sue each other for injuries suffered in a single auto accident, their respective damage recoveries may not be set off against one another if each has adequate insurance to pay the other's damages. Instead, each party's insurer must pay the other party's damages.

In rejecting the setoff, the court ruled that if both parties are insured, a setoff thwarts the objective of California's financial responsibility law, which requires all motorists to carry automobile liability insurance, and helps avoid a windfall for the insurers at the parties' expense.

### R.I. bond rates

PROVIDENCE—Rhode Island insurance commissioner Thomas J. Caldarone Jr. has approved the Surety Assn. of America's request for rate revisions for mercantile establishment and other bonds, effective Jan. 14.

Rates were increased 28.1% for mercantile bonds issued to financial institutions, and health and welfare bond rates were decreased an average 33.3%.

### Auto rate hike

JUNEAU—The Alaska insurance division has approved an 8.7% overall increase in rates for commercial auto insurance premiums.

The increase had been sought by the Insurance Services Office of Alaska.

The total increase in premiums will amount to approximately \$450,000. The amount of increase for each commercial auto insurance buyer will depend on individual classification factors and coverages.

The division said the rate increase complies with President Carter's anti-inflation wage and price guidelines.

### Hospital review

SACRAMENTO—A bill designed to put the brakes on accelerating hospital costs went down in defeat in the California senate finance committee.

Under the proposal, hospitals would be subject to review if their revenues increased more quickly each year than the cost of living. An independent California health facilities commission would review any hospital that exceeded the limit.

If the hospital's spending was found to be justified, no action would be taken. If it were not, the hospital would be required to turn its excess revenue over to the state coffers.

### Extended benefits

DOVER—Legislation has been introduced in the Delaware state senate to extend certain benefits for firefighters and other emergency personnel killed in the line of duty.

Insurance commissioner David H. Elliott requested the legislation, which would provide death benefits of \$25,000 for qualified personnel who have one or both parents living, and up to \$5,000 for those persons with no dependents or parents.

Currently, no death benefits are provided for firefighters without dependents who are killed in the line of duty.

### CLAIM MANAGEMENT SERVICES

RISK MANAGERS/CAPTIVES/REINSURORS  
casualty reserves • major case • audit/review • program analysis • contract adjusting analysis • self-insured • aggregate covers • experienced in Fortune 500 claim programs

John J. O'Connor  
B.A., L.L.B., I.I.A.  
Consultant  
11 Patrick Lane  
Wilton, Connecticut 06897  
Phone: (203) 762-9564



A+ That's the rating an independent reporting agency, the A.M. Best Company, has consistently given to Crown Life.

This high rating is also the mark of Crown Life's Regional Group Pension Specialists. Specialists because our Group Pension people sell Group Pension and Profit-Sharing Plans . . . and only Group Pension and Profit-Sharing Plans.

Back up their expertise with Crown Life's in-house investment research department, with a record for above average investment performance; add Crown Life's full line of funding arrangements designed to fit almost any situation, and you can see how our Group Pension operation earned its reputation.

Find out the whole story for yourself. Contact one of the Crown Life Regional Group Pension Specialists listed below.

Bill Kendrick  
Chicago (312) 325-3200

Tom King  
Memphis (901) 767-8985

Mike Sandler  
Detroit (313) 559-8800

Ray Auletta, Jr.  
New Jersey (201) 376-8150

Craig Stevens  
Denver (303) 377-2791

Graham Benson, Jr.  
Seattle (206) 454-4624

Bob Alfronti  
Los Angeles (213) 843-5400

Dan Culbertson  
Tampa (813) 879-4510

LIFE INSURANCE COMPANY  
HOME OFFICE, TORONTO, CANADA



# We look, but do we see?

In properly interpreting any unknown it's always good to have an authoritative explanation. For instance, when we tell you this patchwork pattern is really a photo of agricultural fields, that will surely influence how you'll see it from now on.

By the same token, if you're responsible for property insurance at your company, you're the authority that the rest of management relies on in this area.

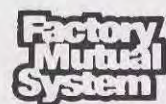
At Allendale Insurance, we try to understand the role of the risk manager and how we can best back you up.

We'll help implement and maintain an effective loss control program.

We'll provide insurance protection geared specifically to your needs.

And, if a loss occurs, we'll aid your recovery with equitable and practical adjustments.

Explaining the many nuances of property insurance is a lot more complicated than interpreting this optical puzzle. Look to Allendale Insurance for an experienced viewpoint. It can make your job that much easier.



**Allendale Insurance**

Allendale Park, Johnston, Rhode Island 02919

# Firms maintain foreign expansion: Vp

## worldwide

DESPITE THE DECLINING value of U.S. currency abroad, U.S. companies are pushing foreign expansion and keeping the international insurance business lively, an INA executive says.

"U.S. industry has \$200 billion in investments overseas and they're continuing to expand despite the declining dollar," said Phillip L. Richey, vp of INA International Corp.

U.S. insurers are continuing to collect billions of dollars in annual premiums from overseas accounts, he added. AIU collects \$1.5 billion in overseas premiums; AFA companies collect \$800 million to \$900 million; INA pockets \$750 million; Continental collects about \$600 million while Chubb firms take in \$200 million to \$300 million. Factory Mutual System

companies take in about \$100 million a year, according to figures cited by Mr. Richey.

"And more insurers are coming into the international market," he added.

Foreign countries "still like the Yankee dollar and it's not unusual to have a local broker meet the customer as he comes off the airplane."

But while U.S. business abounds in many areas of the world, government regulations and local insurers limit the use of outside insurers for local business.

The market in Moslem nations is becoming more bleak with the onset of Moslem religious fervor and

anti-American sentiment.

### Iran sued

Harris Corp., a communications and information processing equipment firm in Melbourne, Fla., said it is suing Iran for more than \$9 million in lost profits and contract terminations arising out of the country's internal strife and the breakdown in U.S.-Iran relations.

The company also asked a federal court in Orlando, Fla., to nullify its 1977 contract to install an electronic system in Iran, a project that was discontinued because of the revolution last February.

A favorable court ruling for

Harris could result in its taking liens for collection on Iranian assets in this country, ordered frozen last November by President Carter.

### Reinsurance

Reinsurers are glutting the market in competition for business that has lain dormant for more than five years and they may be taking on dangerous risks at "amazingly low rates," Swiss Reinsurance Co. of Zurich says in a report to shareholders.

"There's a distinct glut of reinsurance capacity in spite of continuing losses in major branches and markets," the company said. "The reason is that a large number of new reinsurers are competing with the old ones for business that

has not grown in size since 1974 in terms of real value."

As a result of the rush for business, "dangerous uninsurable risks are slipping through the mesh of slovenly risk assessment and responsibility for their rating is getting obscured and submerged in the anonymity of a large number of risk carriers," it said.

As a result, the company told stockholders that volume has taken a back seat to quality control in risk selection.

### New market

Political risk and contract failure insurance is being made available to foreign businesses through the Chinese People's Insurance Co. of Peking.

The coverage is being sold at the request of foreign businesses and investors, reports the People's Daily newspaper.

The Daily also reported, however, that the coverage will not compensate for losses incurred from government confiscation or violations of Chinese law.

### Bellefonte in U.K.

Armco Financial Services Corp. of Middletown, Ohio, is entering the U.K. life insurance market as part of its restructuring of the Bellefonte Insurance group.

Lee G. Weeks, group vp of Armco Inc. and AFSC president, said the British National Life Insurance Society Ltd. was acquired late in December through Armco Equity Inc., the U.K. holding company of the parent firm.

British National's capital will be increased to enable it to continue development and expansion of its life insurance operations. Also, all business currently written by Bellefonte's U.K. branch will be transferred to British National, Bellefonte officials say.

### Firm restructured

Royal-Globe Insurance Cos. has completed reorganization, including the establishment of a holding company, Royal Group Inc., a Delaware corporation that now owns all the stock of Royal-Globe's property/casualty and life companies.

Since all the stock of Royal Group Inc. is owned by Royal Insurance Co. Ltd. of London, there is no change in the ultimate control and ownership of Royal-Globe.

Inside boards of directors have been discontinued and a new board will serve for Royal Globe Inc. and all of its subsidiaries, except Royal Globe Life Insurance Co. of New York.

### Social Security to pay out more

NEW YORK—Social Security benefits will rise 13% or more in June, increasing the total annual payout to almost 35 million beneficiaries to \$122 billion from \$108 billion, projects consultant Towers, Perrin, Forster & Crosby.

The higher benefits are mandated under the Social Security Act, which requires automatic annual increases in benefits each June if the Consumer Price Index is at least 3% higher in the first quarter of a calendar year than it was in the first quarter of the previous year. Projected CPI increases are likely to mean a benefit increase of at least 13%, the consultant says.

The average monthly benefit for a retired worker would increase to \$330 from \$290, says the New York-based consultant.

# FULL HOUSE.

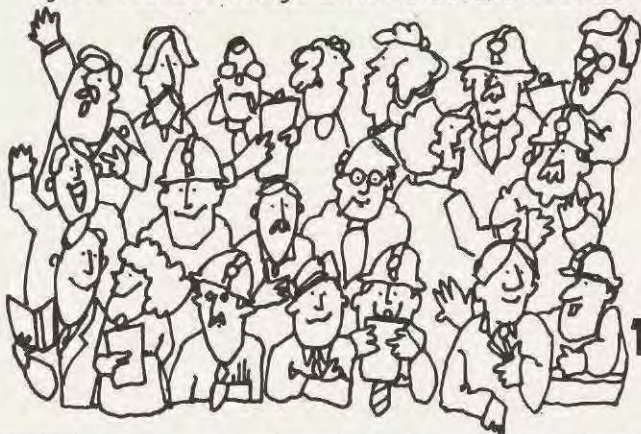
In 1890, IRI started out as the Factory Insurance Association. That first year we had 15 risks, \$14,000 in premium and a staff of four.

Well, look at us now. We're celebrating our 90th Anniversary. With more than 1,200 employees, some 40,000 risks and over \$500 billion in worldwide liability.

We didn't get this big by chance. As industry became more complex, we offered custom-tailored coverage. Pioneered specialized engineering services and training. Matched our management structure to our clients' growth. And, most important, committed ourselves wholeheartedly to loss prevention.

From a modest beginning, Industrial Risk Insurers has come a long way. With 32 offices from Baltimore to Brussels. Serving insureds in more than 60 countries. Backed by 45 member companies. Working together with hundreds of their agents and brokers.

All of these good, solid numbers add up to a full house for us and a winning hand for you. A strong hand with a winning combination of engineering expertise, underwriting skill and financial stability. That's why in a high stakes game like property insurance, your best bet always is IRI. Hartford, CT 06102.



**Industrial  
Risk  
Insurers**  
**BECAUSE  
THE STAKES  
ARE HIGH.**

## CPCU seminar

# Security plan cuts kidnap risk: Broker

By JOHN MAES

TAMPA, Fla.—Risk managers in corporations with high-level personnel abroad can reduce their kidnap and ransom risks, but it involves a little more than merely surrounding an executive with armed guards 24 hours a day.

"The consultants say that 80% of these crimes can be eliminated by good planning," explained William J. Manson, president of De Lima International, a Colombian

## 3rd World demands benefits

TAMPA, Fla.—Foreign countries are demanding employee benefit packages like never before and the trend will continue well into the 1980s, an American International Group executive says.

The demand rides increasing industrialization in many areas of the world and the example of multinational firms, says Cece Gamwell, vp and group manager for AIG. "The opportunities for growth are absolutely without limit," he told a CPCU seminar on foreign insurance risks here.

Latin American countries, Mexico in particular, are among the brightest markets for sales of elective employee benefit plans: group life and health insurance and long-term disability, he said.

Mexico is the "largest untapped market in the free world," Mr. Gamwell said, citing the nation's rapid economic growth in the last several years. The continued presence of multinational firms there, easing of government restrictions on rating and improved educational levels and consumer awareness will keep the Mexican market alive for U.S. insurers, he said.

The market for pension plans, however, is somewhat tenuous because the Mexican government controls them, he said.

Central American nations are a "virgin market," as are republics in the Caribbean. And despite steady inflation in several South American nations, good prospects exist for various types of benefits in Argentina, Colombia, Ecuador, Venezuela and especially Chile.

"Chile is a very insurance-minded country where they don't mind outside companies coming in to stir up the industry a bit," he said.

In the Mideast, Saudi Arabia is also a "gold mine" where large-scale construction projects using thousands of local national and third-country national employees have created a demand for benefit programs, Mr. Gamwell said.

Multinational firms are the most promising client prospects for benefit business, "and not just the ones in the U.S. but all the ones that go outside their own country to do business."

Insurers that can put together specially designed packages to cover expatriate employees working on temporary assignments in foreign countries will be especially successful, he said.

Other potential customers include foreign governments themselves, state institutions and retailing and marketing firms.

However, because various countries have differing laws and social systems, insurers must consider each nation individually. ■

corporation of insurance brokers in several Latin American countries.

"Only 20% are eliminated by armed guards," he continued, suggesting that multinational firms tap a security consultant to analyze the complex risk and map out ways to avoid trouble.

Multinational firms should beware of suits against them by their own employees if one is kidnapped, Mr. Manson said at a CPCU sponsored seminar here. He cited the suit filed against Beatrice Foods by one of its executives who was kidnapped working in a Latin American country (*BI*, Jan. 22, 1979).

The executive had learned he was targeted for abduction and informed his home office. He was later kidnapped and held captive in squalid conditions for eight months. The executive, after being freed, sued Beatrice, charging his employer knew of the threat but did not transfer him or take other protective measures.

Continuing threats to American business executives in foreign countries—especially in Latin America—mean brisk sales of kidnap and ransom insurance, too, Mr. Manson predicted.

"Kidnap and ransom is becoming important for producers" selling abroad, he said.

Abductions have increased 300%

throughout the world in the last nine years, 400% in Latin America, and acts of terrorism have increased even more, he said.

Sophisticated criminals seeking either a large ransom or attention to their political cause do the deeds, Mr. Manson said. In El Salvador alone, about \$60 million in ransom has been paid in the last two years.

"There are a lot of terrorist groups using kidnapping to raise money and some of them are sophisticated enough that there's no way they're going to fail. They're dedicated people who are going to do their job come hell or high water," he said.

The targets of these groups are often the executives of multinational corporations, victims of growing anti-American sentiment in Third-World nations and the ability of their companies to pay large ransoms.

In Colombia, the government imposes a catch-22 situation on multinationals by outlawing payment of ransom. The Colombian government contends that if paying ransom is made illegal, potential kidnapers will leave because they cannot collect for an abduction in Colombia, Mr. Manson said.

Currently, the only three markets for the coverage are Lloyd's of London, Chubb and American International Group, he said. ■

FOR  
WORLDWIDE  
COVERAGE  
ON  
LAND

SEA  
OR  
AIR

...See

**MCGEE**



Established 1887

**Wm. H. MCGEE & CO., INC.**

Four World Trade Center, New York, N.Y. 10048  
212-775-1300

Atlanta • Baltimore • Boston • Chicago • Columbus • Dallas • Detroit • Hamilton, Bermuda  
Houston • Los Angeles • Montreal • Newark • New Orleans • New York Regional  
Philadelphia • Pittsburgh • San Francisco • Seattle • Syracuse • Toronto • Vancouver

Correspondents throughout the World



# Do you ever get the feeling this is who's handling your insurance overseas?

Getting insurance for your overseas operations can be a frustrating experience.

It's not that other companies don't have good intentions.

It's just that they don't have the best connections.

Not so, with American International Underwriters.

We've been insuring companies overseas for over sixty years.

As a result, we can get you coverage in countries that other insurers only dream of. Like Saudi Arabia. Eastern Bloc nations. And even the People's Republic of China.

In fact, we have more people in more offices in more countries writing more kinds of insurance around the world than any other American insurance group. Which is a definite advantage if your firm has more than one branch around the world.

Nobody owns or maintains management control over as many of their branches as we do.

And our overseas offices are staffed with local nationals, people who know the laws, taxes and politics of their area better than outsiders.

In short, AIU can offer you an efficient way to insure overseas.

So call us, soon.

Because a badly handled insurance agreement can waste your money.

And there's nothing comical about that.

## **The AIG Companies.**

Let us take the risks.

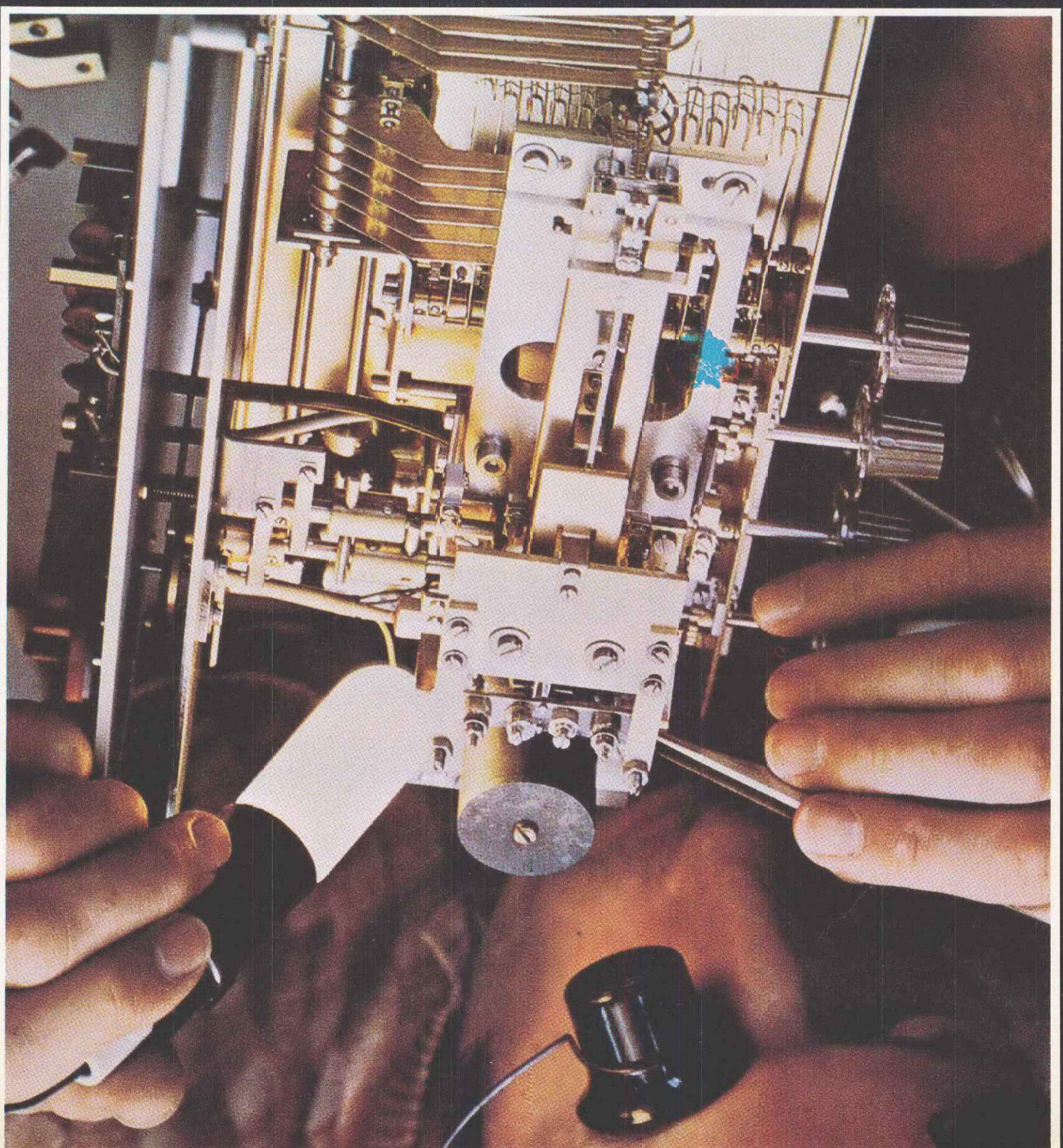
*Serving: Delta Airlines, U.S. Borax, Polaroid, Occidental Petroleum, City Investing, American Motors, Schlitz, Taracorp, AMI, Citizens and Southern National Bank, Associated Dry Goods, Burns International, Leesona and many more.*

When creative protection is essential



In today's complex business environment, your best insurance is a broker who pays attention to detail. Frank B. Hall & Co., the world's most innovative corporate insurance broker is concerned with every aspect of your protection. Without our keen sense of detail we would jeopardize the safety of quite an impressive client roster. Contact one of our 150 offices now. Or, for more information on our character, write to Albert J. Tahmoush, Chairman and CEO, 549 Pleasantville Road, Briarcliff Manor, NY 10510.

# Attention to Detail. It's essential in an Insurance Broker.



## perspective

# Alcohol abuse

By Kenneth P. Camisa

**A**LCOHOLISM TREATMENT traditionally has not been covered under employe benefit programs. It is only in recent years that third-party payers, sponsoring organizations such as employers and unions and designers of benefit plans have begun to accept alcoholism as a treatable disease. The new view is affecting the development of health plans.

Insurance companies were reluctant to insure treatment of this illness because of the difficulty in predicting risks, or the cost of the treatment. Insurers not only lacked reliable data on the type and amount of treatment needed to restore an alcoholic to good health, but also feared many more persons than expected might need treatment.

For many years neither federal nor state legislation required a new look at alcoholism treatment.

All these factors have changed. Aside from direct government grants for substance abuse programs, employe benefit plans are beginning to change their rules on treatment and are financing the medical and social services required to rehabilitate alcoholic employes.

Several government actions have changed the attitude of those in the benefits field toward paying for the treatment of alcoholism. The first key step was enactment in 1970 of the Comprehensive Alcohol Abuse and Alcoholism Prevention Treatment and Rehabilitation Act. Although this federal law did not require payment of benefits for alcoholism treatment, it provided seed money for formal programs and began federal involvement in this area. In 1973, the federal government took another step under the Health Maintenance Organization Act. It required qualified health maintenance organizations to provide alcoholism treatment as a basic service.

**B**ills regularly introduced in Congress would require the federal government to go further. For example, a few months ago Rep. Richard T. Schulze (R-Pa.) introduced a bill titled "Occupational Alcoholism Prevention and Treatment Act of 1979." If enacted, this legislation would authorize grants to employers, unions and certain other organizations to pay up to one-half the cost of establishing and operating treatment programs.

Perhaps state legislation has had a greater effect on the insurance industry and the employe benefits field. Fourteen states have enacted laws over the last five years requiring insurance coverage for substance abuse treatment. Some of these statutes require only a minimum benefit period for inpatient treatment and a fixed-dollar minimum for outpatient coverage. For example, Hawaii requires up to 120 days of inpatient treatment, no restric-

tions on outpatient care and seven days of detoxification treatment for up to three times per year.

Since the insurance industry must comply with the various state requirements, some insurers have taken the simple route of changing all their group health policies to eliminate special restrictions on alcoholism treatment.

Insurers including Prudential, Kemper, The Hartford and others have taken such action.

A number of union, corporate and joint labor-management programs provide counseling and referral services for persons with alcoholism problems. Some groups are covering full treatment and others set daily rates at treatment centers.

It is not surprising, though that employers and unions might be reluctant to expand their health plans to cover alcoholism treatment. Medical costs for existing coverages have been increasing at such a fast pace that it is difficult to find money to maintain existing benefits. In fact, a great effort is being made to hold down cost increases. A well-designed alcoholism benefit program could contribute to an organization meeting its cost-containment goals.

**S**tatistics have shown that substance abuse treatment can reduce the cost of basic medical services in addition to meeting the typical objective of restoring good health. In the early 1970s, Illinois Bell Telephone Co. studied the medical problems of alcoholic employes, both before and after rehabilitation. Disabilities, with loss of work time, dropped to 356 from 662, or almost in half. Off-duty accidents declined to 28 from 75, a drop of two-thirds. On-the-job accidents were reduced to 11 from 57. These figures back up estimates by the National Institute on Alcohol Abuse and Alcoholism that alcoholic employes have an accident rate more than three-and-a-half times higher than that of other employes.

A study by General Motors showed that the health insurance benefits paid to rehabilitated employes were 42% lower after treatment.

The Kennecott Copper Co. estimated that the weekly accident and sickness benefit cost for alcoholic employes was five times greater than that of nonalcoholics. Hospitals, medical and surgical costs were three times greater.

A health maintenance organization in Rochester, N.Y., found its members who were suffering from alcoholism required 12 times more hospitalization than nonalcoholics.

I think the statistics show that by spending at the outset for alcoholism treatment, a group can save money. This would be accomplished by:

- Reducing the use of costly hospital services by making available less expensive rehabilitation and treatment facilities.
- Reducing absenteeism. This would lower costs for weekly disability or workers compensation benefits, salary continuation plans and long-term disability programs.
- Improving health, thereby reducing the utilization of all regular medical services.

How does an organization begin to fund alcoholism treatment without the risk of high early expenses or unpredictable costs? By employing the same procedure used for other medical risks: insurance.

Were it not for the special exclusions in group insurance policies, treatment of alcoholism would already have been covered in group health plans. Therefore, the place to start is in eliminating special restrictions or exclusions in existing benefit plans. For example, hospitalization and major medical policies

Continued on page 21



## Employe benefit plans start to cover treatment as insurers alter attitude



Photos: Mary Cairns

Kenneth P. Camisa is senior vp of Martin E. Segal Co., a benefit consulting firm in New York, N.Y.

# Calif. liability guide

## Courts turn state laws topsy-turvy

By Frederick J. Fisher

WITHIN THE PAST year, the California court systems have established a substantial number of new case laws that are confusing not only to the defense industry, but must be confusing to risk managers who supervise liability insurance programs, regardless of whether or not the firm is self-insured or has complete coverage from first dollar.

More often than not, any particular liability claim may give rise to a conflict of interest between the insurance company and the policyholder because of a potential insurance coverage defense by the insurance company. There may be problems with what the coverage insures, problems with the insurance exclusions or problems in the underwriting of a coverage.

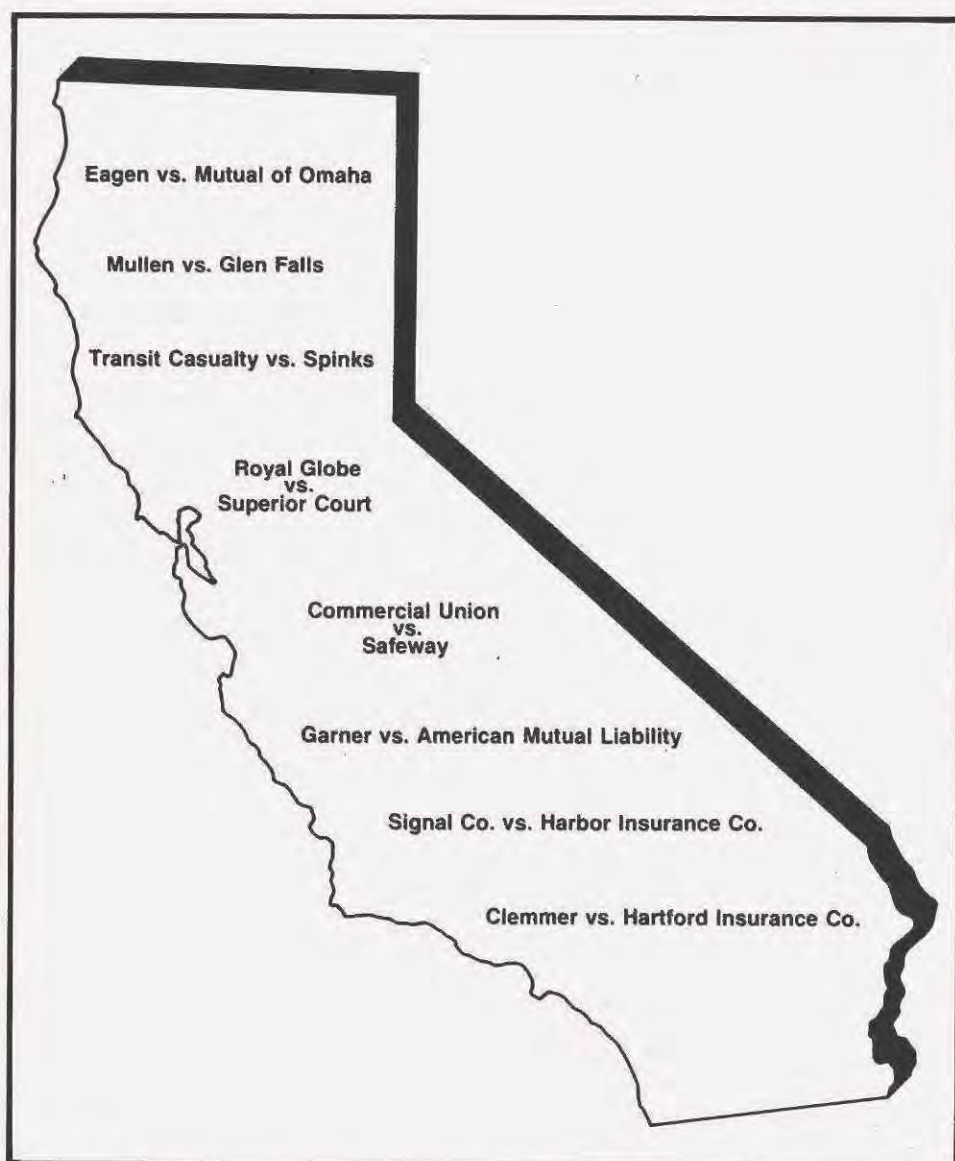
California has long held that the duty to defend is separate and distinct from a duty to indemnify. The duty to defend is far broader here as it arises under insuring agreements and the duty to indemnify is separate and distinct. The insuring agreements of the insurance contract are broadly interpreted and exclusions narrowly construed.

In recent cases, the California appellate courts have held that an insurance company has an absolute obligation to make a thorough and prompt investigation in addition to a defense obligation of wide scope when it is trying to decide whether or not it has coverage. In providing a defense and investigation, the insurer must do so from the standpoint of any potential theory of liability regardless of what the lawsuit may allege. A rejection of a defense will have to be based solely on a good investigation that shows no potential liability for the insurer (*Mullen v. Glen Falls*, 73 Cal App 3d 163).

An insurance company may breach its covenant of good faith and fair dealing in an insurance contract when it fails to properly investigate the policyholder's claim (*Eagan v. Mutual of Omaha*, 157 Cal Rpt 482). This means it must properly and thoroughly investigate any claim where there is a question of coverage.

Suppose, however, a settlement offer or demand is made by the claimant's attorney. The liability insurer at the very least must consider and determine whether or not the settlement offer is in the best interest of the policyholder and must consider the

*Frederick J. Fisher, manager and partner of Miller & Gilbert of Southern California, is a claims adjuster and student of the California legal system.*



policyholder's interests as important as its own (*Mutual of Omaha and Garner v. American Mutual Liability*, 31 Cal App 3d 944).

Serious claims may often potentially exceed policy limits. It has long been held in California that an insurance company has a duty to settle any claim for policy limits when it has an opportunity to do so, and if it does not, this is considered bad faith and it is liable for the amount of the claim beyond the policy limits.

Problems arise, however, where there is a serious coverage problem and the exposure exceeds the policy limits. It has been held in California that the implied covenant of good faith and fair dealing imposes a duty on the insurer to settle the claim against its policyholder within policy limits whenever there is a substantial likelihood of recovery in excess of policy limits. The insurer's erroneous good faith belief in noncoverage affords no defense to liability resulting from the insurance company's refusal to accept a reasonable settlement offer and therefore cut off the uninsured excess exposure (*Johannson v. CSAA*, 123 Cal Rpt 288).

This is especially true regarding intentional acts exclusions, such as those dealing with no indemnity for punitive damages or with intentional and illegal acts. A recent California case held, in effect, that an insurer may not safely refuse to defend or deny coverage on the grounds of willful conduct on the

part of its policyholder even where a criminal court has found such conduct intentional beyond a reasonable doubt (*Clemmer v. The Hartford Insurance Co.*).

In this case, a doctor was convicted of second-degree murder when he shot and killed his former employer. Although he was convicted, a civil jury, in deciding coverage, had determined the doctor lacked capacity to form an intentional act and therefore held The Hartford liable under its comprehensive personal liability insurance policy.

Finally, of course, a lot of publicity has been given to the California case of *Royal Globe v. Superior Court* (*BI*, May 14, 1979, and Nov. 12, 1979). This case also defines bad faith as when an insurance company did not attempt in good faith to bring about a prompt, fair and equitable settlement of a claim in which liability had become reasonably clear. This subjected the insurance company, upon conclusion of the main action with the policyholder, to a claim of bad faith brought directly against the insurer by the claimant.

Important coverage decisions, however, do not end here. The courts said in *Davis v. Blue Cross of Northern California* that an insurance company must advise the policyholder that he may demand arbitration under any policy disputes and failure to do so is a breach of its duty of good faith and fair dealings. It further held that the insurer waives any right to subsequently compel arbitration if it does not advise its policyholder in writing that he or she may

demand arbitration, even though this provision is clearly in the policy itself.

Risk managers should also keep in mind that in any potential bad faith proceedings, California believes that when a claimant charges bad faith against the insurer, the original defense attorney's file is subject to discovery by the bad faith claimant against the insurer. Therefore, not only is the claims department file discoverable, but the original defense attorney representing the policyholder's file is discoverable as well to determine whether or not the defense attorney had any correspondence with the insurer advising it of its exposure (*Glacier General Assurance v. Superior Court*, 95 Cal App 3d 836). Court comments on this case indicated attorneys and claims personnel must be aware that every document they put in their file may someday be seen by a jury or a judge in a bad faith lawsuit.

In my recent *Business Insurance* article on *Transit Casualty v. Spinks* I said any excess insurer has a right to sue the primary insurer for bad faith in failing to settle within its policy limits, exposing the excess insurer to an excess verdict (*BI*, Sept. 17, 1979). I also stated that this poses problems for self-insureds because they, in assuming the primary responsibility, may also be liable to an excess insurer for bad faith for failure to settle within SIR limits.

However, shortly after publication of this article, the case of *Commercial Union Assurance Company v. Safeway* (96 Cal App 3d 449) was heard. It held contrary to *Transit Casualty v. Spinks* and stated that in a policy requiring the policyholder to settle any claim within its self-insured retention, there was no such contractual duty between the parties. Good faith and fair dealing requirements depended on the terms of the contract and the legitimate expectations of the parties under contract.

Therefore, self-insureds that have excess policies without any contractual obligation to settle a claim within its self-insured retention are not in bad faith to the excess insurer for failing to do so. However, because this case is contrary to *Transit Casualty v. Spinks*, both of which are appellate cases, it is conceivable this case will be granted a rehearing to the supreme court, which will decide the issue once and for all.

A more recent case, *Signal Company v. Harbor Insurance Co.*, held that the excess insurer does have a duty to defend any claim even if a primary insurance company is involved. The excess insurer will have to share the cost of defense and investigation when any claim would conceivably involve excess exposure.

Another recent California case also has impact on risk managers. The case of *Gilmore v. Omaha Indemnity* (96 Cal App 3d 777) held that an employee of a company who was a member of a health plan under a catastrophic loss insurance policy had standing to maintain a lawsuit against the insurer for failure to pay under the catastrophic

loss coverage, under both contract and tort theories. The employe was said to have had three causes of action against the insurer: intentional infliction of emotional distress, negligent infliction of emotional distress and a breach of duty of good faith and fair dealing under the contract. All that was necessary to show was that Mr. Gilmore was a third-party beneficiary to the insurance contract.

Other important insurance cases in California attempt to define an "occurrence." Although one would traditionally think the definition of "occurrence" is the date that person was injured by the defective product, cases in California have gone either way. They have sometimes held that the occurrence is the date the plaintiff was injured by the allegedly defective product; however, there are conflicting cases where the court has also held that the definition of "occurrence" is the date the product was defective.

Needless to say, whichever way the court ruled, it always seemed to find insurance coverage. This particular area of law is constantly changing and rulings are constantly contrary to previous ones. It will be a long time before the issue is definitely solved.

There are also conflicting cases about settling. In a recent case, *American Motorcycle Assn. v. Superior Court*, the court ruled that a good faith settlement between a plaintiff and a defendant precluded any right of equitable indemnification by any person against that settling defendant. This most commonly occurred when a plaintiff sued multiple defendants, which usually occurs in product liability cases where the retailer, wholesaler and product manufacturer are all joined as defendants. Under *American Motorcycle*, it was implied that if one of the defendants settled, he was forever discharged from the action. Such is not necessarily true any longer.

Under cases such as *American*

*Bankers v. Avco-Lycoming Diving* (97 Cal App 3d 732) and *Jordon Jones & Assn. v. Superior Court* (94 Cal App 3d 490), there is a disagreement about whether or not a settling defendant can be forever discharged and not be brought back into the action by a cross complaint by one of the other remaining defendants. Apparently, the key test is whether or not the cross complaining defendant is basing a cross complaint on partial indemnity or total indemnity and whether the nature is based on contract or equitable principals. Courts have held that a cross complaint for partial indemnity might be barred by the cross defendant's good faith settlement. However, this issue is not yet well settled in California.

Once a party does settle in good faith, however, he himself does not lose his right of action to seek a partial indemnification lawsuit against another entity, whether that entity was a party to the original lawsuit or not. These are very complicated areas of law that the risk manager should be familiar with in order to determine whether or not he should recommend settlements of any particular case involving multiple parties.

## Insurers cover care for alcoholics

*Continued from page 19*

can be changed by permitting payment when an employe is in an "extended care facility," a "place for alcoholics" or a "hospital operated primarily for the treatment of alcoholism." These are common exclusions.

Next, policies can be changed to eliminate the provisions that prevent payment for psychiatric or physicians' charges for alcoholism. Insurers can also be asked to add riders or expand coverage for services not previously encouraged. For example, benefits can be provided for stays at special alcoholism treatment centers or halfway houses. Such coverage would, ideally,

### State of flux

Whichever way the court ruled, it always seemed to find insurance coverage. This particular area of law is constantly changing, says Frederick Fisher.



Finally, a risk manager should understand the recent case of *Young v. Lane Realty* (96 Cal App 3d 294), where the court allowed the concept of sliding scale settlement agreements.

Suppose a plaintiff sues six defendants. Suppose that before trial, the plaintiff enters into a settlement agreement with five of the six defendants and those defendants agree to supplement any verdict against the non-settling defendant. In other words, a specific total damage figure is set. Then the five settling defendants contribute money toward that set figure with the remaining money to come

from the non-settling defendant at trial. If a verdict is reached in that amount or greater, the settling defendants would bear no further exposure.

This type of sliding scale agreement is valid if done not only in good faith, but with notice to the court and the remaining unsettling defendants.

However, in view of the complexities of California law regarding settling defendants and their right of being forever discharged from the action, it is highly recommended that any risk manager who wishes to recommend settlement to his or her company carefully review it with defense attorneys. ■

include the cost of psychiatric and counseling services at such facilities during and after the confinement period.

Also, insurance policies could be expanded to permit payment for more outpatient services. Outpatient treatment of alcoholism can be performed by hospitals, alcoholism treatment centers, community mental health centers and community health and social service agencies. Benefit provisions should cover all these institutions.

Generally, the insurance industry is cooperating in making changes in

group health policies to cover alcoholic treatment services. Since utilization and the costs of these services are now more predictable, it is easier for insurance companies to measure the risk.

In summary, developments in recent years involving the acceptance of alcoholism as a medical problem are changing the shape of group health plans. The experience of groups that have taken the lead in funding alcoholism treatment has been favorable. Benefit costs have been manageable. Further, overall medical benefit costs may actually decline after several years' operation of an effective rehabilitation program. ■

# Law of the land and the nonqualified plan

By Z'EV KRONISH

**Deferred Compensation: A Guide to Design, Funding and Administration**  
Edited by Herbert Chaseman  
Dow Jones-Irwin  
1818 Ridge Rd.  
Homewood, IL. 60430  
344 pp., \$19.95

**B**ENEFITS ARE CONSTANTLY changing as new non-salary options are conceived to satisfy executive demands and corporate strategy. The range extends as far as imagination and the law will allow: from finding jobs for spouses when relocating employes to a spurt of interest in non-qualified deferred compensation.

The thrust of this valuable book is to boost a better understanding of the nonqualified deferred compensation plan. The 12 contributing authors provide expertise in every facet, from basic concepts to complex procedures. Each author, in a sense, serves a different full-course meal—but the appetizer

*Z'ev Kronish, who holds an M.B.A. degree from The College of Insurance, has handled corporate risk management and benefits administration. He is now in the claims department at National Health & Welfare Mutual Life Insurance Assn. His reviews of management books appear regularly in BI.*

## book & ideas

tends to be the same.

Jerry S. Rosenblum explains the defects of qualified plans:

- Uniform eligibility rules mandate coverage of all employes.
- Discrimination in favor of key executives is forbidden.
- Advance IRS approval is required.
- Plan termination is penalized.
- Enrollment costs can escalate.
- Benefit formulas lack variety.

These drawbacks are overcome by the flexibility of a nonqualified arrangement, which strengthens the employer's hand in attracting superior senior staff.

**H**igh-pay industries and corporations with good profits that generously reward management personnel are ideal prospects for non-qualified arrangements. In general, candidates include corporations, conglomerates, foreign subsidiaries, the professional corporation and nonprofit institutions, Arthur J. Wojta writes.

ERISA limitations on retirement benefits, he notes, are major stimuli for implementing nonqualified plans. The incentive originates from the top

with the chief executive officer and filters down to the next echelon of senior management. Hiring older, experienced executive talent will also influence adoption of such plans, since this group suffers under standard plan formulas where length of service counts heavily.

**A**ttempting the qualified plan as a tradeoff of freedom for favors, James L. Rivers observes that the non-qualified program, to be effective, must be tailored to the dominant requirements of either the employer or the employe.

Design dilemma is illustrated by treatment of early retirement: If the objective is to win the employe's long-term commitment, such a liberal provision is obviously incongruous, the author states.

To satisfy tax rules, the nonqualified fund remains as "unrestricted corporate asset." The employe has no iron-clad guarantee that the corporation will be able to fulfill its obligation. In short, the money cannot be segregated for the participant's ultimate use—a substantial risk of forfeiture remains.

Still, the corporation has to decide how to accumulate a fund "informally" in expectation of claims.

**E**dward A. Stoeber, author of the volume "Tax and Fringe Benefit Planning for Professional Corporations," notes that the difficult choice of fixed dollar or variable annuities has led some employers to offer a mix to prevent undue suffering when investments sour or missed opportunity when capital appreciates substantially.

In their broad-based benefit programs, corporations tend to overlook estate planning. The nonqualified plan, directed at senior management, would be half-baked if the urgency for fiscal finesse were not recognized.

"Post-death planning is significantly shaped by the income, gift and estate tax principles applicable to deferred compensation," writes John H. Butala.

**A**t death, liquidity complications seem to converge as pressure mounts to settle estate obligations.

The intricacies of naming the estate or a trust as beneficiary are analyzed carefully. If the proceeds pass to the executive's estate there are going to be high administrative costs, but the move may be justified for the sake of "tax and planning flexibility." ■

# Court limits buyers' strict liability rights

By RHONDA L. RUNDLE

SAN FRANCISCO—Commercial buyers don't have the same rights as private consumers under product liability law, the U.S. Court of Appeals here says.

A consumer may sue a manufacturer for damages on a strict liability claim even when there is no proof of negligence or a product design defect, but commercial buyers beware: The court says the same doctrine does not apply between buyer and seller who "deal in a commercial setting from positions of relatively equal economic strength."

In a landmark case, Scandinavian Airline System v. United Aircraft Corp., the airliner sued the manufacturer to recover approximately \$500,000 in losses for two

defective engines and minor damage to its DC9 aircraft. The claim was denied on the basis of both strict liability and breach of contract, but the airline's negligence suit is still up in the air.

"The court is saying that there's no point in encouraging litigation on a no-fault basis if both parties are equally able to absorb the losses," explained Frank Orban, international counsel for Armstrong-Cork Co. "If the manufacturer were truly negligent, his corporate customer has the expertise and economic power to prove that claim in court," he said.

Although legal experts do not believe the ruling will significantly change the way companies operate, they say it sets an important precedent in the legal thicket of

## Open question

How big, small, sophisticated or naive does the buyer have to be to enjoy the legal protection of strict liability?

product liability law. "There was an open question before," Mr. Orban noted. "Now we have a new rule of law."

The decision also gives contract law a shot in the arm. Commercial buyers in most, if not all, cases cannot overrule limited warranties

with a claim of strict liability, Mr. Orban pointed out.

It consequently behooves corporate purchasers to inspect the merchandise they buy and to scrutinize the contracts they sign with the understanding that clauses limiting liability will hold

up unless there is proof of negligence.

SAS v. United Aircraft raises as many questions as it answers, legal analysts say. Who is a consumer and who is a commercial party? If a one-pilot air freight company buys an airplane from a giant manufacturer, for instance, how would the court rule in a product liability lawsuit?

And what is the basis for determining "relatively equal economic strength" between the litigants? How big, small, sophisticated or naive does the buyer have to be to enjoy the legal protection of strict liability?

The real question is whether the buyer has the technical expertise at hand to evaluate the product and to prove negligence if a failure occurs, suggests Frank Silane, an attorney in the Los Angeles firm of Condon & Forsyth representing SAS in this case.

He argues that his client actually bought a "shelf product"—legal-ese for a product purchased without expert examination by a consumer.

"I think the court's ruling would hold in any contest between Fortune 1,000 companies," Mr. Orban speculated.

In a future case, "relatively equal economic strength" might be redefined as "relatively equal business sophistication," Mr. Orban says. Big companies have the financial means to acquire technical expertise even if it is not immediately at hand.

Ninth circuit court Judge Hug in San Francisco affirmed the lower court's decision based upon the body of California product liability law. He concluded that the paramount purpose of the strict liability doctrine is to protect the otherwise defenseless consumer from manufacturing defects and to spread the costs of injury throughout society.

Society's interest in loss shifting is absent here since SAS and United Aircraft are financial equals, he wrote. "We see no reason why the manufacturer should be made to bear the risk of loss without fault as between it and a large corporate buyer," he added. The loss may be passed on to the ultimate consumer as a cost of doing business.

In the next round of the case, SAS will attempt to prove that United Aircraft was negligent in designing and producing faulty engines.

SAS was told before the engine failures that the company had detected a problem with the engine fan blades, said Robert Fong, attorney in the Los Angeles law firm of Kirtland & Packard, representing United Aircraft. The manufacturer revised its estimated lifespan on the engine and recommended replacement of the fan blades.

There were about 60 to 80 engines involved, Mr. Fong said. In order to offset the cost of replacing the blades, United Aircraft made voluntary goodwill payments to its customers.

SAS, he reports, received approximately \$130,000 to make the repairs although the payments were not legally binding as a settlement for damages.

SAS was the only customer to accept the payment and then file suit for damages, Mr. Fong said.

Since the SAS engine failures on two separate occasions in 1971 and 1972, United Aircraft has solved the fan blade problem and all engines have been fixed, he said.

No date has been set for pretrial motions, the next step in SAS's negligence suit against United Aircraft.

## PROVIPLAN

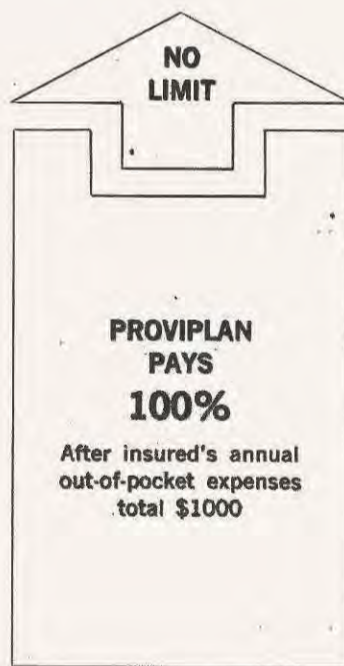
... a Comprehensive Group Medical Insurance Plan

**PAYS IN OR OUT OF HOSPITAL, wherever treatment is needed and deemed medically appropriate**

**NO TOP DOLLAR LIMIT, to meet increasing costs in medical care**

Most employees and employers want coverage that eliminates fear of the financial consequences of a catastrophically expensive illness. Provident, a leading writer of group insurance, answers that need with PROVIPLAN. PROVIPLAN removes the dollar benefit ceiling and adds a highly desirable cost control feature by providing benefits regardless of where treatment is given.

PROVIPLAN could be exactly what you've been looking for. Call your insurance adviser or Provident Group Representative.



GROUP DEPARTMENT

**Provident**  
LIFE AND ACCIDENT  
LIFE AND CASUALTY

CHATTANOOGA 37402

Offices in Principal Cities

**info**

• The Employee Benefit Research Institute is offering the results of a study based on a review of **pension plan termination insurance** programs in the U.S. and abroad. The study shows that the presence of a soundly funded, privately financed termination benefit guaranty program plays a critical role in determining the degree to which a nation will rely upon private sector provision of retirement income. Cost is \$10. For the additional results of the study, write the Employee Benefit Research Institute, 1800 M St., Washington, D.C. 20036.

• The new **pregnancy discrimination act** and its impact on employers is the subject of a pamphlet prepared by the U.S. Chamber of Commerce. The pamphlet gives a background of the act and outlines the employer's responsibilities under the new legislation. Cost is \$1.25 for a single copy, \$1 each for two to nine copies and 75 cents each for 10 or more copies. Write the Chamber of Commerce of the United States, 1615 H St. N.W., Washington, D.C. 20062, and request publication #6088.

• **"ERMCI: A Participative Management Approach to Your Hospital's Insurance Program"** is a promotional brochure available from EBASCO Risk Management Consultants Inc. The firm's two key services—claims administration and risk control—are pinpointed for the risk control manager interested in self-insuring his hospital. For a free brochure, write B.H. Suter, EBASCO Risk Management Consultants Inc., 100 Church St., New York, N.Y. 10017.

• The American Insurance Assn. has updated its edition of **Summary of State Regulations and Taxes Affecting General Contractors**, a 123-page guide to interstate contractors. The publication focuses on the existence and general nature of qualifications for prospective bidders on highway and other public works projects. Also covered are licensing tax and other requirements affecting construction contracts in all states. The price per copy is \$2.50. Write Publications Department, American Insurance Assn., 85 John St., New York, N.Y. 10038.

• **Workers Compensation and Employers' Liability Experience Rating**, by John R. Stafford, covers the National Council on Workers Compensation experience rating plans. Eligibility, jurisdictions and single-state, interstate and exception-state calculations are included. Recent revisions of the plan are also explained. Prepaid cost is \$6.95, otherwise \$7.20. Write J&M Publications, Dept. B, P.O. Box 338, Palatine, Ill. 60067.

• An Insurance Buyers Checklist for Restaurants is available from RIMCO Inc. The checklist provides specific guidelines, ques-

tions to be asked and points to consider when shopping for a **restaurant's insurance program**. Cost is \$10. Write RIMCO Inc., 10300 N. Central Expressway, Suite 350, Dallas, Tex. 75231.

• A new **International Insurance Directory**, published by Royal-Globe Insurance Cos., contains current insurance information for more than 100 countries. Topics include legislation, property, casualty and marine insurance and general information about each country. An optional reprint service will periodically supply updated information. Costs, \$5; one-time charge for reprint service, \$2.50. Write John D. Ormerod, assistant secretary, International Dept., Royal-Globe Insurance Cos., 150 William St., New York, N.Y. 10038.

**Coming Up!**

Spotlight Report:  
March 3, 1980

**Computers & Quantitative Techniques**

Ad Closing: Feb. 20, 1980



**business insurance**  
a publication of Crain Communications Inc.

The national news weekly of loss prevention, risk financing and employe benefit management.

NEW YORK:  
708 Third Ave., NY 10017 (212) 986-5050  
CHICAGO:  
740 Rush St., IL 60611 (312) 649-5275  
LOS ANGELES:  
6404 Wilshire Blvd., CA 90048 (213) 651-3710

**HANSTAR:  
SEEING IS BELIEVING.**



HANSTAR is John Hancock's computerized group accident and health claim payment system. A proven system that's so advanced, you need to see it in action to understand all it can do for you.

First, you'll see how HANSTAR saves your company time. With our national on-line system, we can answer policy and claim questions immediately, even if your company has regional divisions. Second, HANSTAR is accurate. It has built-in controls that reject invalid information and claims duplication. And it automatically calculates benefits, including reasonable and customary charges, and assures uniformity of contract application with maximum claim cost containment effectiveness.

Popularity with employees is another key HANSTAR feature. Employees appreciate the fast response and the complete Explanation of Benefits, or HANSTAR-generated letter, clearly detailing the disposition of the claim.

Reports on claim frequency, utilization and plan adequacy are available to assist you in considering appropriate plan revisions.

HANSTAR's flexibility in claim administration extends to the full spectrum of fully insured, MPA and ASO plans.

See what HANSTAR can do for you. Call Paul H. Gregg, Vice President, at (617) 421-6205 and ask for a HANSTAR demonstration. Seeing is believing.

*John Hancock*

Mutual  
Life Insurance  
Company  
Boston, Mass.

*independent*  
**CONSULTANTS...**

insurance and employee benefits  
complete analysis  
we do not sell or  
place insurance



**CORPORATE  
POLICYHOLDERS  
COUNSEL, inc.**

20 North Wacker Drive  
Chicago, Illinois 60606  
Phone: 312.372-8225

## BEAT INFLATION OWN NUMISMATIC SILVER DOLLARS



Numismatic uncirculated coins have actually outperformed every type of investment for the past 20 years. Silver coins from America's historic past in brilliant uncirculated condition consistently increase in value 20% or more every year. In 1970, a paper and a silver dollar each bought 3 gallons of gas. Only 9 years later, a paper dollar hardly gets you 1 gallon but a numismatic uncirculated silver dollar could buy you a few tankfuls. People in the know are investing a good part of their savings in collectables of all types, numismatic coins are the no. 1 choice. For free brochure and details, call our 24 hr. toll free number.

800-327-9191 EXT. 880

AMERICAN NUMISMATICS CORP.  
151 E. 25th St., New York, N.Y. 10010 (212) 889-1310

name (print) \_\_\_\_\_

address \_\_\_\_\_

city \_\_\_\_\_

state \_\_\_\_\_

zip \_\_\_\_\_

phone: area code ( ) \_\_\_\_\_

# Supermarkets promote Butler to new risk post

Walter R. Butler, 50, has been named to the newly created position of vp of risk management for First National Supermarkets in Hartford, Conn. He is also associate corporate counsel. Before joining the company in 1976 as director of risk management and associate corporate counsel, Mr. Butler was executive assistant to the chairman of the board of Security Insurance Co. in Hartford and later consultant to First National. He has also worked for the state of New York as senior attorney for the joint legislative committee, special attorney general and master of civil court. He is a member of the Risk & Insurance Management Society and a panel member of the American Arbitration Assn. and holds an L.L.D. degree from New York Law School. Mr. Butler reports to John E. Wade, vp of legal affairs, in his new position, which incorporates duties performed as director of risk management.

Craig A. Hoeman, 32, has been named risk manager for the state of Iowa. In this newly created position, he reports to Stanley L. McCausland, director of the department of general services. Mr. Hoeman has a B.S. degree in business from Iowa State University and received his CPCU in 1977 and ARM in 1979. He was previously an underwriting supervisor for Preferred Risk Mutual Insurance Co.

## comings & goings: buyers

in West Des Moines, Iowa.

Thomas Tonkovich, 35, has been named insurance manager at Singer Co. in Stamford, Conn. He replaces Nicholas DeRosa, who was promoted to director of risk management at the company, as reported. Mr. Tonkovich will be responsible for all corporate property and casualty insurance. He previously served as risk manager and manager of profit sharing administration and group insurance at Technicon Corp. in Tarrytown, N.Y., where he has not been replaced. Before that he held various positions with Chemical Construction Co. in New York and Olin Corp. in Stamford. He reports to Mr. DeRosa.

American Electric Power Service Corp. in New York has named Agnes E. Gray corporate insurance assistant and Raymond E. Tishinat corporate insurance

claims specialist. Ms. Gray, who was previously a claims analyst for Alexander & Alexander, replaces Kathryn Loggie, who left the company as reported. She has a bachelor's degree in English from the University of Connecticut, a New York state brokers license and is a CPCU candidate. Mr. Tishinat was a loss representative at Gallagher Bassett in Albany, N.Y., before assuming his newly created position. He has a bachelor's degree in math from Iona College and is pursuing his ARM. Both employes report to James F. Dixon, director of insurance and pensions.

We'd like to report on staff changes in your risk management or employe benefits department. Just drop a note to Mary Ann Matlock, Business Insurance, 708 Third Ave., N.Y., N.Y., 10017 or call 212-986-5050. We'd also like to receive pictures of the people.

# Metropolitan's Shinn steps up to chairman

NEW YORK—Richard R. Shinn has become chairman of Metropolitan Life Insurance Co. here upon the retirement of George P. Jenkins.

Mr. Shinn remains chief executive officer but is succeeded as president by John J. Creedon, formerly executive vp. Robert G. Schwartz was also elected vice chairman of the board and chairman of the finance committee. Mr. Schwartz had been executive vp in Metropolitan's investment and treasury operations.

### Other insurer changes:

INA Corp. promoted two insurance executives to the position of corporate senior executive vp. John R. Cox, corporate executive vp and president and chief executive of the property/casualty division, and Richard Burdge, corporate executive vp and president and chief executive of the life insurance and health care division, received the promotions in a series of executive changes at INA.

Ronald F. Walker, executive vp of American Financial Corp., has been named president of Great American Insurance Co., the major property and casualty insurance subsidiary of AFC. In his new position, Mr. Walker succeeds Carl Lindner, chairman and president of AFC.

James B. Runyan promoted to vp of risk management services for Fireman's Fund Insurance Cos. in San Francisco.

Robert S. Lagattolla appointed president of the Water Quality Insurance Syndicate in New York.

Frank A. Kuehn named secretary and director of marketing for Continental Special Risk Underwriters in New York.

William G. Kunkel appointed special risks claim manager of Zurich-American Insurance Cos. in Chicago.

### Broker changes

Donald A. Thomas has been promoted to senior vp of E.H. Crump Cos. in Memphis, Tenn.

Mr. Thomas was president of Stone Insurance Agency in Tazewell, Tenn., which was acquired by Crump.

Other agents and brokers chang-

## comings & goings: industry

ing positions:

R. Peter Urquhart, to deputy regional director of the mid-Atlantic region of Alexander & Alexander, working out of the regional headquarters in Baltimore.

Anthony E. Walker to managing vp of the Seattle office of Alexander & Alexander.

Alwyn C. Kuhn, to chairman of Fred S. James & Co. of Arizona. Also, William H. Beatty, to executive vp of the same firm. Both men joined James in 1970 through the acquisition of the Kuhn Insurance Agency.

Cameron J. Chandler and Stephen P. Gadd, to assistant vps of Clifton & Co., a San Francisco broker.

John B. Sullivan, to marketing manager of James S. Kemper Agency in Chicago. Mr. Sullivan was also recently elected a senior vp.

Frank Keshen, to vp of Osborn & Lange of Montreal. Mr. Keshen is responsible for the broker's Toronto office.

Richard Tarney, to associate of Robertson-Ryan and Associates, a Milwaukee broker. Also, Michael J. Dries, to account executive of the same firm.

### Other suppliers

Shirley J.S. Agudo to communications consultant in the Pittsburgh office of Johnson & Higgins of Pennsylvania Inc.

Albert Beck, named executive vp and general manager of field operations of Grinnell Fire Protection Systems Co. Inc. in Providence, R.I.

William Xanthos and James A. Frohne promoted to consulting principals of A.S. Hansen Inc. Mr. Xanthos is in the Los Angeles and Mr. Frohne is in the Denver office of Hansen.

Douglas W. Simpson Jr. to head of employe benefit program consulting for Aldrich & Cox Inc. in Buffalo, N.Y.

# MEDICAL REIMBURSEMENT PLANS

Insured, Low Cost Medical Reimbursement Plans,  
Now available for one life and up —  
only through your agent or broker.

**W.S. VOGEL AGENCY, INC.**  
MANAGING GENERAL AGENTS

498 WILLIAM STREET, EAST ORANGE, N.J. 07017  
(201) 676-6100 • (212) 962-5270  
6133 BRISTOL PARKWAY, CULVER CITY, CA. 90230  
(213) 649-1229

We are interested in information on Medical Reimbursement Plans.

Name: \_\_\_\_\_ Company: \_\_\_\_\_

Address: \_\_\_\_\_

If you are not an agent or broker, please furnish the following:

Our broker is (Name & Firm): \_\_\_\_\_

Broker's Address: \_\_\_\_\_

# Ford discredits prosecution witness

Continued from page 3

on matters of cost and such accident reconstruction factors as closing speeds.

The judge again put up roadblocks for the state by reiterating that only evidence related to 1973 Pintos may be considered by the jury of seven men and five women. The state contends the 1973 Pinto is about the same as the 1971 and 1972 Pinto. It would like to contend that changes made later clearly indicate the company was

trying to fix what it knew to be a dangerous vehicle.

Judge Staffeldt also has ruled that the documents must be authenticated by the individuals involved or by someone familiar with those persons' signatures and with Ford policies. That puts an immense burden on the prosecution to prove the validity of any internal Ford memos they may want to use as evidence (BI, Jan. 28).

## Strict interpretation

Because this is a criminal case, the strictest interpretation of the rules must be followed, the judge said. A corporate defendant has no Fifth Amendment right to avoid self-incrimination, the judge reminded those in the courtroom.

During his testimony, Mr. Bloch

walked the jury through the cut-away Pinto and photos. He described crash dynamics and pointed to components with a retracting steel tape rule. Mr. Bloch and Mr. Cosentino emphasized what they called the "hostile environment" around the Pinto gas tank. The tank was virtually surrounded by sharp edges, springs, protrusions, bolts and nuts, they said.

Mr. Neal countered by saying that the 1973 Pinto was different from its predecessors in that it had an additional frame cross-member and was required to pass a 20-mph rear-impact test. That company-ordered test was mandatory for all Ford cars, he said.

Mr. Neal tried to discredit Mr. Bloch as an experienced witness by saying such things as, "I know

you're not an engineer, Mr. Bloch, but a cross-member is..."

Mr. Bloch, in turn, recited what he called the history of modern fuel system design, using brochures, ads and other material.

## Heated objection

Mr. Neal objected heatedly to what he called Mr. Bloch's disruptive shaking of his head as he listened to questions.

To that, Mr. Cosentino said, "Mr. Neal, you're supposed to be the smooth one," referring to Mr. Neal's reputation as unflappable under pressure.

Mr. Bloch repeatedly used his fists to demonstrate actions of the bullet car and target car in a crash. He extended and opened his hand as he described how gasoline

"whooshes out of the tank" in a wreck.

A 1961 Ford patent and a 1959 General Motors patent were introduced to show Ford knew of design alternatives as its engineers worked on the Pinto.

Mr. Cosentino said he believes he will be able to introduce contested Ford documents as he cross-examines Ford witnesses. Judge Staffeldt will rule on that strategy when it comes into play later in February.

## CPCU CANDIDATES

Only the Burnham System for CPCU Preparation offers you money-back guarantees of satisfaction and effectiveness. Request information—specifying Parts you're taking and Parts you've passed. Created by Ray Burnham CPCU, CLU, 253 Pleasant St., Southbridge, MA 01550, or (617) 764-2726, 9 AM-12 Noon.

## Outpatient care cuts cost: Study

CHICAGO—Attempts to rein in the galloping cost of health care are holding back premium increases, says Blue Cross here.

People increased their use of outpatient facilities, cutting expensive hospital stays, in the 10-year period ending in 1978, according to statistics released by Blue Cross.

No hard dollar figures are available to show how much premiums might have gone up had there not been a shift toward more outpatient treatment, said Robert Snyder, senior director of provider payment and utilization review at Blue Cross. But he maintains premiums would have gone up more if programs to change the use of medical facilities hadn't worked.

Utilization reviews, benefits encouraging lower-cost care, health planning, more physician cost awareness, alternative delivery systems such as health maintenance organizations and health education and maintenance programs were all cited as encouraging people to use outpatient facilities.

During the 10-year period ending in 1978, hospital inpatient days per 1,000 Blue Cross subscribers nationwide dropped by 18.6%, average length of hospital stay was cut by 13.1% and hospital admissions decreased by 5.7%. Simultaneously, outpatient visits skyrocketed by 137.6%.

Hospital admissions dropped to an average of 115 per 1,000 subscribers in 1978 from 122 in 1969; average length of stay dropped to 6.4 days from 7.3 days, and inpatient days fell to 729 from 896 per 1,000 subscribers during the decade.

Outpatient visits during the decade rose to 297 from 125 per 1,000 subscribers.

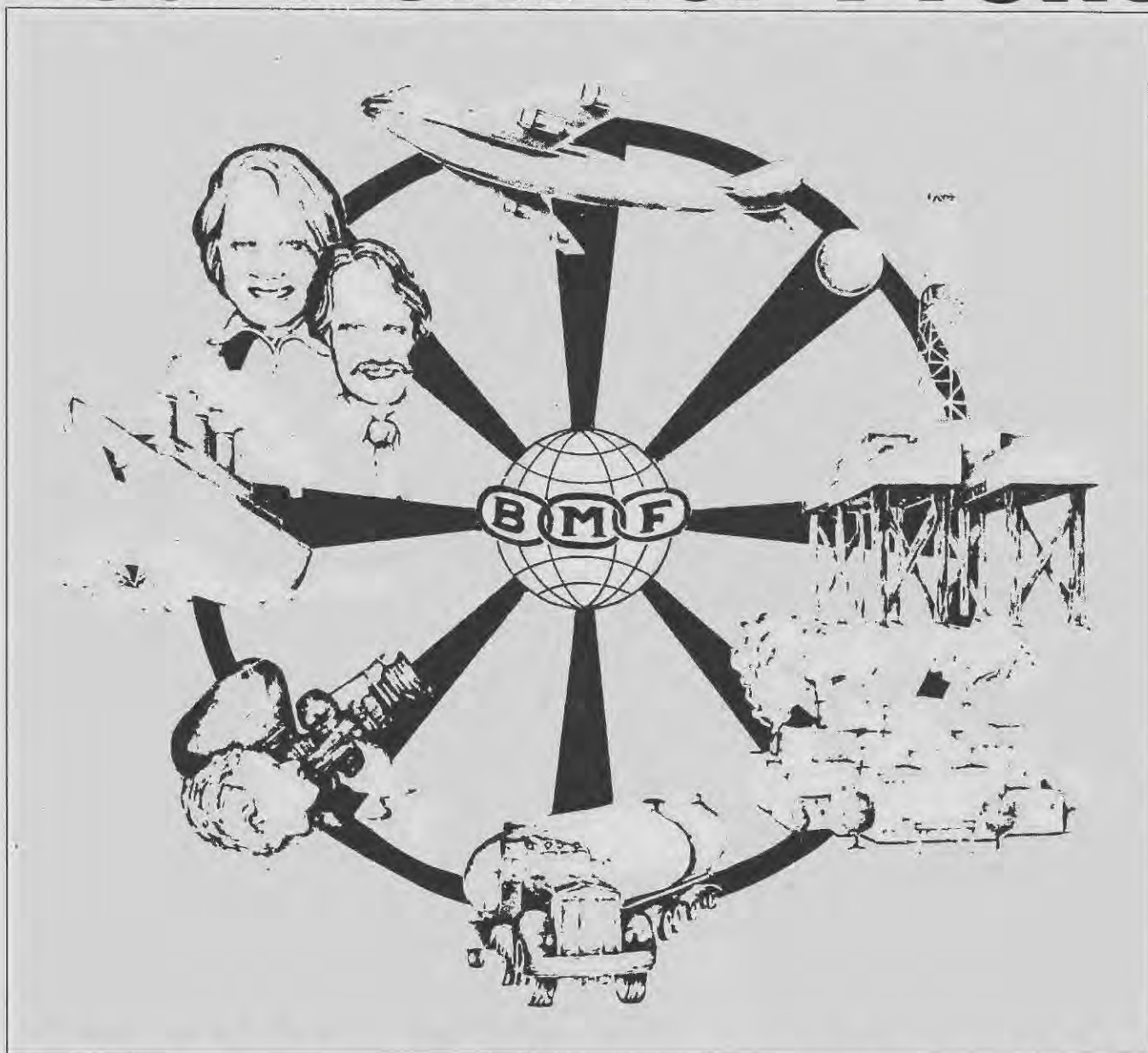
"We really have emphasized our cost containment, particularly utilization review; we believe it's having an impact," said Neil Hollander, vp for health care at Blue Cross/Blue Shield Assns.

Covering outpatient care helped, he said. "There's been a realization that you can provide quality care while containing costs."

While admissions for Blue Cross subscribers dropped by 5.7% during the 10-year period, admissions increased .09%, to 134.7 from 122.8 per 1,000, for the general population during the period, indicating the impact of cost containment.

The average length of stay and inpatient days decreased among the general population, but the decreases were not as substantial as those noted by Blue Cross. Average length of stay for the general population decreased 11.7%, to 6.0 from 6.8 days, while Blue Cross noted a 13.1% decline. Inpatient days dropped by .01% for the general population while the Blue Cross decline was 18.6%.

# You Work for Profit



# We Work to Protect It



**Bayly, Martin & Fay International, Inc.**  
**Harlan, Inc.**

International Insurance Brokers & Risk Management Consultants

Corporate Headquarters • 3200 Wilshire Boulevard • Los Angeles, California 90010 • (213) 736-9600

## Banks log big losses, coverage costs: Survey

WASHINGTON—The nation's banks were socked with higher insurance costs and bigger losses in the last year, says a bank trade group.

The cost of blanket bond coverage, which protects banks against such common losses as employee dishonesty, robbery, burglary and check forgery, increased by about 21% in one year. Overall, bond coverage absorbed 44% of the \$272 million the banking industry paid out in insurance premiums in 1978.

These are the findings of the American Bankers Assn.'s third annual bank insurance survey. The group surveyed 3,124 of the nation's 14,328 banks. The randomly selected banks were asked about their insurance needs, coverages, costs and losses. From the results, the ABA extrapolated spending and experience for the entire banking industry.

Higher insurance limits and inflation together pushed up the cost of blanket bonds, a spokesman for the ABA's insurance and protection committee said.

Blanket bond premiums were much more likely to soak up a greater percentage of total insurance costs at small banks than at larger banks. Banks with deposits of less than \$25 million found an average 46% of their insurance premium going to pay for bond coverage. However, banks with more than \$1 billion in deposits as a group paid out only 41% of their total insurance premium to secure bond coverages.

Geographically, banks in the Great Plains and Upper Midwest paid the lowest average premium for blanket bond coverage—\$9,900—while banks in the ABA's region 6, which includes the West and Southwestern states, averaged the highest premium—\$54,600.

The size of the bank was also related to the deductibles in basic blanket bond programs. Banks with deposits of less than \$25 million had an average deductible per incident of about \$11,000 in 1978, up from a \$4,500 average deductible the year before. The largest banks had an average deductible of about \$250,000 in 1978, an increase from the average deductible of \$190,000 for big banks in 1977.

Only about 5% of the banks responding said they had no deductible in their basic banker's blanket bond coverage. Banks without a deductible tended to be small.

The average policy limits in 1978 for basic blanket bonds for banks with deposits of \$25 million to \$99 million was \$1.14 million, while the average policy limit for banks with deposits of \$100 million to \$499 million was \$2.68 million.

In addition, the average policy limit for blanket bond coverage was \$9.01 million for banks with deposits of \$500 million to \$999 million. Finally, the biggest banks in the country, those with deposits of more than \$1 billion, had an average policy limit of \$15.82 million for basic blanket bond.

## NAIC panel asks free trade zones in all 50 states

### markets

INSURANCE FREE TRADE zones, similar to one established by New York in 1978, should be set up by the other 49 states, says a report prepared by a **National Assn. of Insurance Commissioners** industry advisory committee.

Establishment of the free trade zones is one way states could permit licensed insurers to write high premium and exotic risks free from rate and form filing requirements and stimulate competition between the admitted and nonadmitted markets, developments favored by the committee.

States could also eliminate export tests and other hindrances to use of surplus lines insurers whenever admitted markets can write insurance free of rate and form filings, the report said.

The advisory committee was chaired by attorney Donald J. Greene and composed of insurance company, brokerage and risk management officials.

The proposals could, if implemented, make U.S.-admitted insurers more competitive with Lloyd's of London and other surplus markets. Yet Mr. Greene, whose law firm LeBoeuf, Lamb, Leiby & MacRae represents Lloyd's in the U.S., participated on the committee with Lloyd's blessing, a Lloyd's spokesman said.

Also among the committee's recommendations to an NAIC regulatory subcommittee task force considering revisions to the 1962 NAIC model act on nonadmitted insurance were:

- Eliminating requirements that a nonadmitted insurer be in business several years before being approved by the states.
- Declaring certain classes of

business automatically exportable to the surplus lines market.

• Ending prohibitions against exporting all of a risk to the nonadmitted market when the admitted market can only write part of that risk.

### Consultants, too

**Miller & Gilbert**, the California-based specialty claims adjustment and management firm, is tossing its hat into the risk management services ring, says Los Angeles office manager Frederick J. Fisher.

"We will review insurance portfolios to identify gaps in coverage and will make recommendations to our clients," Mr. Fisher says.

Expanded services also will include quarterly claims audits and an adjusters training program for entities that supervise their own claims.

Miller & Gilbert operates offices in San Francisco and Los Angeles and is planning a third location in Seattle to open in late spring. "We already have some commitments from clients up there," Mr. Fisher noted.

### New offices

**Fidelity & Deposit Co. of Maryland** has relocated its Memphis branch office to 1925 Commerce Tower, 1 Commerce Square, Memphis, Tenn. 38103; phone 901-526-6567. The claims office's new address is 1010 Commerce Tower, 1 Commerce Square, Memphis, Tenn. 38103; phone 901-526-0389. ■

## Captives, soft market hurt brokers: Report

CHICAGO—Soft markets, declining market share and the growth of captive insurance companies are playing havoc with the commercial brokerage business, according to a security analyst's investment outlook.

"The current investment outlook for the insurance brokers is extremely confused," explained Harvey H. Bundy III, brokerage specialist at William Blair & Co., in a special follow-up report on the brokers.

Though long-term growth potential looks good, he says, "Ongoing questions such as the impact of increased use of captive insurance companies remain. The major brokers also are losing market share in a soft market, as is typically the case."

Small brokers, Mr. Bundy's statistics indicate, are also gaining market share from the giants in this part of the market cycle "as in prior cycles."

Continued growth in the gross national product, inflation in values and replacement costs and new types of insurance continue to make the common stocks of the insurance brokers one of the more attractive long-term inflation hedges available, he noted.

"Despite these excellent long-term prospects for both earnings and dividends, the near-term picture is as foggy as has ever been the case. Uncertainties over the next 12 to 18 months encompass reve-

nue gains, expense controls, the level of interest income and the level of contingent commissions," Mr. Bundy said.

"Contingent commissions for the last few years have been larger than both we and the insurance brokers anticipated. We suspect that this favorable performance will swing in the other direction in 1980," he explained.

"The brokers which we suspect are more vulnerable to adverse deviations in contingent commissions are Fred S. James, Corroon & Black, Rollins Burdick Hunter and Frank B. Hall, all of which experienced significant gains in contingent commissions during the first half of 1979."

On the other hand, Marsh & McLennan and Alexander & Alexander showed more modest first half gains, Mr. Bundy noted.

Investment income, an underwriting factor for insurers during soft market periods, is a profitability factor for brokers during the same period.

Changing interest rates, according to the report, will affect Frank B. Hall, Rollins Burdick Hunter and Marsh & McLennan the most. Corroon & Black, with a large investment in common stock, will show the smallest relative impact on its pretax income, he said.

"If rates remain high," he said, "all of the brokers will enjoy a modest beneficial impact for all of 1980." ■



### MEDICAL EXPENSE REIMBURSEMENT INSURANCE TRUST

Medical Expense Reimbursement Insurance Trust provides insured medical benefits for eligible corporate executives.

#### Plan Features

- Cost Plus Concept
- Group Life Not Required
- Agents/Brokers Fees
- Low Administration Costs
- 85% Stop Loss

#### For Information Contact:

Group Sales Department  
Life Insurance Company of the Southwest  
P. O. Box 47421  
Dallas, Texas 75247  
1 (214) 638-9226

Life Insurance Company of the Southwest • 1300 West Mockingbird Lane • Dallas, Texas 75247  
A Halliburton Company

# Sambo's fights Calif. pregnancy benefit

Continued from page 3  
ployer, he argues.

The dispute hinges on a definition of what constitutes disability in a pregnant woman. In two test cases pending before the unemployment insurance appeals board in Sacramento, Sambo's contends a woman is not disabled when she leaves work simply because she's pregnant. The administrative law judge who heard the cases before appeal ruled that disability commences with pregnancy.

About 390 large California companies self-insuring disability benefits through voluntary plans are required by law to offer better benefits than the state plan at equal or lower cost to employees. No California employers insure disability through commercial plans because administrative rules make it highly unattractive business for insurers.

Workers not covered by an employer plan contribute 1% of gross salary on the first \$11,400 of annual earnings into a state disability fund. Both the state fund and voluntary plans pay into an unemployed disabled account.

Even if Sambo's wins its appeal, pregnant workers who quit their jobs before they become disabled will still be eligible for benefits from the unemployed disabled account. Liability will merely shift from the employer to the state.

## Rule exception

If Sambo's loses its appeal, the next round could be fought in the state's appellate courts. The financially troubled restaurant company has not yet decided whether it would take that step. Mr. Hurley says, however, that he represents other clients who are willing to do so.

It's clear in California that a worker afflicted with a hernia, hypertension or hemorrhoids after leaving a job cannot tap an

employer's voluntary plan. That's because extended benefits violate the termination of coverage provisions in such plans, point out Jack Bredehorn and Mr. Hurley, partners of Voluntary Plan Administrators, a newly founded company in Tarzana established to administer such self-insured disability plans.

California makes pregnancy disability an exception to the rule and that violates the federal law requiring pregnancy to be treated like any other disability, Mr. Bredehorn says.

Indeed, guidelines issued by the Equal Employment Opportunity Commission, the agency enforcing the federal sex discrimination law, say that if an employer provides extended benefits for pregnant workers, the same benefits must

be offered to other employees leaving the firm (BI, Oct. 29).

There were approximately 7,500 pregnancy-related claims in the state last year, Mr. Hurley estimates. That number has skyrocketed since the state began a public relations campaign to tell more women about their eligibility for pregnancy benefits.

## Swelling costs

Neither the state disability office in California nor employers contacted by *Business Insurance* maintain records on the number of pregnancy claims paid to terminated workers, however. It's probably impossible to estimate what such claims are costing statewide or what voluntary plan employers would save by shifting liability to

the state's unemployed disabled account.

But the cost isn't peanuts. Pregnancy claims run \$600 to \$800 for a normal compensated pregnancy duration of an average 5.7 weeks, reports Richard A. Swick, supervisor of the voluntary plan unit in the California employment development department. At some companies such as Sambo's, the disability period may go much longer, swelling many claims to well over \$1,000.

"I don't think it's fair to pay these claims," declared Susan Cooper Messaoudi, disability plan administrator at the University of Southern California. "Many doctors will certify a woman disabled for whatever period she asks for." That can mean claims for two or three months, she points out. At

USC, disability benefits are 100% of net pay for employers on the payroll a year or longer.

The administrative law judge who ruled against Sambo's in the first round of its disputed claims hearings cited a number of precedent decisions dating back to the late 1940s. The most recent case with facts similar to Sambo's was appealed by Delta Air Lines in July 1978. The judge ruled the employer was liable.

VPA argues that this decision and all other existing precedents are now a dead letter in the wake of the October 1978 federal laws and subsequent state laws that changed the pregnancy disability picture.

The employment development department is investigating its claims history. ■

# Call the people who do everything in excess.



If you're looking for underwriting managers who can provide you with a steady market in excess and special risks, you've got our number.

Baccala & Shoop manages it all: Umbrella Liability, Gap/Buffer Layers and Excess Workers Compensation in casualty coverage; and Primary Quota Share, Excess of Loss, All Risks, D.I.C.

and Builders Risk in property coverage.

Yes, we do everything in excess. And go overboard in service.

As career professionals in the excess field, we know the subject from A to Z. Tell us the coverage you're seeking, and we'll tailor a proposal for your specific "specs". While attentive to every detail through the

life of a contract, we're also keenly aware of our fiduciary responsibilities.

As one measurement of our performance, we have been underwriting at a profit for the companies we represent since our firm was founded in 1974.

Call the number above nearest you. And send the crack troop from Baccala & Shoop into action.

**Baccala & Shoop**  
The crack troop  
in underwriting management.

From The Reprint Department Of:

**business insurance**

The national newsweekly of  
loss prevention, risk financing and  
employee benefit management.

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

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

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

Reprint Department  
**Business Insurance**  
708 Third Avenue  
New York, N.Y. 10017  
212/986-5050

\*New prices effective 1/15/80

# Schools lose cover in surplus mix-up

Continued from page 3

Universal Pacific Insurance Services of Los Angeles, partnered by William Knight and Doug Church, put the packages together for the retail brokers. Universal Pacific Insurance obtained the general liability insurance from the Essex Insurance Brokers Inc. in San Diego. Essex, in turn, purchased the coverage from the Atlantic Gulf Insurance Agency in Ocala, Fla., then managing general agent for Great Atlantic Insurance Co.

## Four firms

A fourth firm also became involved after the insurance department contacted Essex to question its sales of Great Atlantic policies without a surplus lines license.

William Hayne, Essex president, said the school policies were invoiced and billed through Essex because of a clerical error. Although Essex does not have a surplus lines license, its wholly owned subsidiary, Paragon Insurance Brokers, does. "We sent a letter to the department validating the error and the policies were reissued through Paragon," he explained.

One of the key issues raised by the cancellation of the policies is

the rates. Raymond S. Cowan, president of the Cardiff General Insurance Agency in Los Angeles which is handling replacement coverage for about half a dozen of the districts, says some of the policies were written for 60% below manual rates set by the Insurance Services Office.

Such bargain basement prices would explain the drastic action taken by Great Atlantic in canceling the policies. Such prices might also violate section 1763 of the California insurance code, which says a surplus insurer must not use rates lower than the lowest rate that would be accepted by any admitted insurer.

The school districts, however, say the policies were attractive but not significantly less costly than those offered through other competitive bids.

"The rates are identical to the ones American Fidelity used so we did not go below their rates," said Mr. Knight of Universal Pacific. "INA is writing at the same premium levels."

Mr. Hayne said the rates were slightly less than those offered by American Fidelity, which underwrote general liability on many state school districts in fiscal 1978-79. The rates were actually compu-

ted by another Essex executive, Timothy Morton, through communications with Great Atlantic's former MGA in Florida.

One explanation for the discrepancy about rates might be that the insurance company never received a substantial portion of the premium paid by the school districts. In one instance, Mr. Hayne says he received \$48,000 minus 8% commission from Universal Pacific. The insurance department told him, however, that the same school district actually paid \$65,000. That leaves a difference of \$17,000 unaccounted for.

## Rumors spread

"There have been rumors going around the street that we'd collected money and weren't paying the companies," Mr. Knight said. "That is totally erroneous."

"Our gross commission income from these policies has run about \$20,000. That's totally negligible compared with the problems we've had with it."

Mr. Knight and Mr. Church say they have provided the insurance department with all the information they've been asked for, including the names of the originating sources of their busi-

ness. They stress that they did not quote rates, but merely accepted those provided by Essex.

"We're just a broker buying a product for our customer," Mr. Church said. "We're just a link in the chain."

Another wrinkle is the Great Atlantic policies themselves. The forms provided first-dollar coverage with maximum limits of \$500,000 per occurrence. When the policies were initially presented to the school districts, they were described as broad form coverage without any significant exclusions.

Later, it developed that the policies were rather restrictive, with exclusions for athletic participation, professional liability, non-owned autos and errors and omissions. These coverages had to be purchased through separate policies and in many instances the school districts didn't learn about the switch until their policies arrived.

"When we first received the policies they did not exclude athletic participation," recalled William Eckart, executive manager of the Stockton Insurance Exchange, a trade association of insurance agents formed to handle coverage for public entities in the San

Joaquin Valley, including two school districts there. "Subsequently we received an endorsement and change."

## Buyer unaware

"I was not aware from the beginning that there were holes in the Great Atlantic coverage," said Michael Patterson, director of risk management at Hacienda La Puente Unified School District. The changes did not increase his premium, however.

Universal Pacific partners Mr. Church and Mr. Knight say the Great Southwest Insurance Co. in Scottsdale, Ariz., picked up this coverage after Great Atlantic excluded it.

Athletic participation generates some of the biggest school liability claims, so the status of this coverage is crucial to schools.

At the time the Great Atlantic coverage was sold to the schools, none of the brokers had seen specimens of the policy. Each therefore blames his source for inaccurate information about the exclusions.

Mr. Hayne insists this information was provided in writing to Universal Pacific well before July 1, the effective date of the Great Atlantic policies. ■

## classified advertising

**RATES AND CLOSING TIME:** \$3.50 per line, minimum charge \$17.50. Cash with order. Figure all cap lines (maximum two) 30 letters and spaces per line; upper and lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday, 7 days preceding publication date. Published every Monday. Display classified takes card rate of \$41.00 per column inch, and card discounts on size and frequency. Mail ads to Business Insurance, classified advertising dept., 740 N. Rush St., Chicago, Illinois 60611. Call (312) 649-5239 for more information.

### HELP WANTED

**SALES—SUNNY SOUTH**  
Medium size agency needs P/C professional. Work present accounts and develop special market. Salary/Comm/Bonus & Gt. Future.

Sid Sanders, CPCU  
Alexander & Sanders Ins., P.O. Box 15526  
Baton Rouge, La. 70895

### HELP WANTED

**Editorial Assistant:** If you want to work in a creative environment at an open-ended job, allowing you to grow and accept challenge, please apply. Some clerical tasks and a lot of nitty-gritty editorial work. Good entry level job. Weekly business newspaper. Excellent company benefits and near-north location. Contact Susan Alt, Editor, Business Insurance, 740 Rush St., Chicago 60611 - 649-5278.

An Equal Opportunity Employer M/F

### DIRECTOR, CORPORATE INSURANCE

Diversified, growing, multidivisional, multi-product lined suburban Phila. co. seeks indiv with corp ins experience to manage all corp insurance (property, casualty, liability, etc.) for diverse locations. Experience with captive insurance companies, setting up loss control prgms and knowledge of various funding mechanisms needed. College degree + risk mgmt certificate or work toward CPCU or MBA in Finance highly desirable. Will interface with mgmt, brokers, carriers, etc. Analytic, negotiating, innovative, mgmt skills essential. Good benefits; salary of \$35,000+. Respond by resume to or call 215-265-8823.

Box 301, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

### Consulting/Executive Search To the Insurance Industry

**Paul E. Runkle Associates, Inc.**

Scarsdale, New York 10583  
One Chase Road  
(914) 725-0773

### BUSINESS OPPORTUNITIES

### WANTED TO PURCHASE

New Jersey insurance agency wishes to acquire P&C Agency with commissions up to \$700,000. Key personnel to remain. We are financially able to purchase with cash and/or terms. For details contact:

**INVESTORS INTERNATIONAL**

999 Mt. Kemble Ave.  
Morristown, NJ 07960

### RISK MANAGER

**Yolo County Public Agency  
Risk Management Insurance  
Authority**

Davis, California. Newly formed joint powers agency providing risk management and insurance services to Yolo County, Cities of Davis, Woodland and Winters, and the Esparto Unified School District. Overall responsibility for administration of growing program currently providing workers compensation, property, liability, and related insurance on a joint basis. Responsibilities include administration of existing program, continued risk audit and evaluation activities, development of new programs, and relations with member agencies and governing board. College degree, plus three years experience in risk management or related activity. Salary open, depending upon qualifications. Excellent public agency benefits. Submit resume (including work-related references and current salary) by March 21, 1980 to Ralph Anderson and Associates, 1446 Ethan Way, Suite 101, Sacramento, California 95825. (916) 929-5575.

**Unusual opportunity in large Pennsylvania agency supervising account executive activities and marketing to our insurance companies. Applicant must have 5-7 years' demonstrated success in supervisory position with experience in large property and casualty lines including self-insurance, paid loss retros, retention plans and captives.**

Position will be #2 in firm and salary is open based on applicant's experience. Position will require a highly professional career individual, with M.B.A. and CPCU degrees considered a plus. Reply in confidence including complete resume to:

Box 299, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

All resumes will be acknowledged in confidence. We have notified our employees of this opportunity.

### RISK MANAGER ANCHORAGE BASED OIL

Pipeline Transportation Company seeks a highly qualified manager of a newly reorganized risk management department. Responsibilities include stewardship of insured and self-insured programs with emphasis on workers compensation exposures. College degree and ten years of related experience required. Salary commensurate with capability. Excellent benefits. Contact company's risk management consultant:

**RICHARD L. BLOCK & ASSOC.**  
Insurance and Risk Management  
Consultant  
Suite 203 Mendenhall Bldg.  
326 Fourth Street  
Juneau, Alaska 99801 (907) 586-1929

### LOSS CONTROL COORDINATOR

We are currently seeking applicants to develop, implement and supervise a complete loss control program during construction of a large fossil fuel generating station. Applicants should have experience in "heavy construction" and safety. Engineering and/or Safety degrees preferred. Salary commensurate with experience and qualifications.

Send resume to:

**IOWA-ILLINOIS GAS AND ELECTRIC COMPANY**  
Employee Relations Staff  
206 East 2nd Street  
Davenport, Iowa 52801

### BENNETT & BENNETT SUBROGATION ATTORNEYS

**Inland and Ocean Marine  
Auto Fire Product Liability  
Investigation and Adjustment  
World Wide Associates  
Cable-Subro  
769 Northfield Avenue  
West Orange, New Jersey 07052  
(201) 325-0033**

### INSURANCE MANAGER CORPORATE

Multinational Fortune 25 Company, Headquarters in Westchester, New York, seeks thoroughly knowledgeable insurance professional to head up worldwide corporate programs.

Successful candidate will be degreed, preferably MBA, and presently in charge of a medium size insurance department, or number 2 man in a medium to large organization, must be able to point to appreciable accomplishments in areas of cost reduction and broadened coverages. While consideration will be given to experience with insurance carrier or brokerage house, corporate experience a must.

Position entails considerable contact with Senior Corporate Management, as well as all levels of operations, therefore, ability to communicate verbally and in writing in articulate manner is essential.

Salary commensurate with experience. We are an equal opportunity employer, M/F. Send resume with complete salary history to:

Box 300, ADVERTISING AGE  
740 Rush St., Chicago, Ill. 60611

### INSURANCE RECRUITERS, INC.

3707 Rawlins, Suite 416,  
Dallas, Texas 75219  
214-528-0090

### RISK MGT./BROKERAGE OPPORTUNITIES

**MARINE MANAGER**  
Scenic Northwestern location with one of the leading national brokers. Will head marine department and must have solid wet marine bkgd. with emphasis in Hull/PI and Cargo. Must have exp. with London markets. Existing agency/brokerage exp. preferred. Extremely negotiable salary but in the general range of upper \$30s to mid \$40s.

**AVIATION MANAGER**  
Located in desirable NoWestern locale, our client seeks heavily experienced aviation professional to head their aviation department. Familiarity with London markets is a prerequisite as is solid technical exp. in Hull & PI coverages within a brokerage environment. Will be involved in marketing and servicing of jumbo aviation accounts plus small fixed base operations. Salary DOE but in the range of lower to middle \$40s.

**INSURANCE MANAGER**  
Southwestern firm seeks individual to head insurance dept. Will be primarily responsible for the purchasing of multi-million dollar insurance portfolio. Should, ideally, have agency/brokerage exp. in either marketing or production with some experience at RM or Asst. RM level in corp. environment. Salary in low to mid \$30s.

**RISK MANAGER-SOUTHWEST**  
Our client is a 50 year old construction oriented company doing business worldwide. They seek a person with (preferred) international exposure to head dept. which reports to Finance VP. Highly negotiable starting package. Contact Howard Halner.

**TENNESSEE PRODUCTS**  
First quarter growth plans now working for this leading SW agency with key openings in Nashville, Memphis and Chattanooga area. Must have experience in either agency/brokerage or with a direct writer in the development of medium to large commercial accounts. Salary competitive with car and expenses furnished.

Contact: Jim Gilbert

ALL FEES EMPLOYER PAID

**YOUR AD HERE WILL GET RESULTS**

### CORPORATE SAFETY DIRECTOR

Our client is an International Industrial corporation based in N.Y.C. The person we seek will coordinate programs with all divisions, write standards and maintain liaison with insurance department and divisions.

Requirements include: C.S.P., B.S. in Chemical Engineering, minimum of 5 years current experience as number 1 or 2 in a corporate safety position and be earning a minimum of 35K.

Experience should include OSHA, Safety Environmental and Industrial Hygiene, F.P.E. and ability to work independently. Must be able to communicate effectively. Resume and salary progression required. For immediate consideration, contact:

Paul E. Runkle, President  
Consulting/Executive Search  
(to the insurance industry)

**Paul E. Runkle Associates, Inc.**  
One Chase Road  
Scarsdale, New York 10583  
(914) 725-0773

# OMB proposes ERISA agency compromise plan

Continued from page 1

cates ERISA administration be sharply divided between the IRS and the Labor Department.

Sen. Javits has said he would reconsider his support of the single agency concept if OMB came out against the idea.

The OMB report was mandated by Congress last session when it approved the Administration's short-term plan to ease ERISA enforcement problems, on the condition the Administration develop by Jan. 31, 1980, a long-term solution to ERISA administrative problems.

## Present setup

At the time, Congress was under intense pressure from the business and pension community to cut the red tape and reduce the administrative hassles between the IRS and Labor that had fouled up ERISA enforcement and administration.

Under the short-term plan ultimately approved, the IRS and Labor clearly divided responsibility for ERISA, streamlining regulation.

The IRS now has primary jurisdiction over pension plan standards for funding, participation, vesting rights and benefit payments.

Labor has jurisdiction over fiduciary standards for pension and welfare benefit plans and issues exemptions from the prohibited transaction provisions of ERISA.

Success of the new arrangement, known as Reorganization Plan No. 4, as well as political considerations convinced OMB to reject endorsement of one single federal pension agency, sources said.

The Labor Department boasted last week that it has ruled on more prohibited transaction exemption requests in the one year the reorganization plan has been in effect than it did in the previous four years combined.

## Improvements

The Office of Pension and Welfare Benefit Programs last year closed 683 exemption applications requested by employee benefit plans, compared with 609 applications closed in all of the four previous years ERISA has been in effect.

Employee benefit experts, who are among ERISA's toughest critics, concede administrative snafus have been eased in the last

## Panel OKs retention bill

WASHINGTON—The House consumer protection and finance subcommittee amended and then unanimously approved legislation (H.R. 6152) to allow companies to pool their product liability risks under a federal charter.

Amendments offered by Rep. Richardson Preyer (D-N.C.) limit access to financial records of members of risk retention pools to the Justice Department and ensure that invested capital is distributed to members of a pool within three years from the time a pool disbands.

Amendments offered by Rep. Matthew Rinaldo (R-N.J.) bar a risk retention group from excluding prospective members for competitive reasons as well as terminate the federal government's authority to charter product liability pools after four years of passage of the act if no pools are set up.

year. "The worst headaches are over," said Lloyd Kaye, vp at William M. Mercer in New York.

## Divided opinion

Among the business community opposed to creation of one federal pension agency is the U.S. Chamber of Commerce. "We would prefer that the unfinished job of issuing ERISA regulations, interpretations and exemptions be completed before making dramatic regulatory shifts," Ernest Griffes, director of employee benefits for Levi Strauss & Co., told the Senate Labor and Human Resources Committee on behalf of the chamber.

The ERISA Industry Committee, the powerful lobbying group representing most of the nation's 100 largest companies, also opposes a single ERISA enforcement agency.

But an overwhelming majority of the national opinion panel of the International Foundation of Employee Benefit Plans favors a single federal agency to administer pension and welfare plans.

Eighty-three percent of the 132 panelists responding to the survey favor such an agency, with 14% opposed. A smaller majority, 59%, prefers that the agency be independent of the IRS, Department of Labor and the Pension Benefit Guaranty Corp.

## Panel passes premium hike

WASHINGTON—The House Education and Labor Committee has approved legislation (H.R. 3904) that would boost to \$2.60 per participant over a nine-year period premiums multiemployer pension plans pay for termination insurance. The current premium is 50 cents per participant annually.

Under the legislation, most participants of terminated multiemployer pension plans will be guaranteed 100% of the first \$5 per month per year in vested benefits and 80% of the next \$15 per month per year in vested benefits.

But participants of plans that were in poor financial shape before the passage of ERISA will be guaranteed \$5 per month per year in vested benefits and only 70% of the next \$15 per month per year in vested benefits.

The legislation, which is expected to be voted on Feb. 19 by the House Ways and Means Committee, is designed to give the Pension Benefit Guaranty Corp. more assets and reduce its liability to multiemployer pension plan participants.

Currently, the PBGC has discretionary authority to pay monthly benefits of \$1,159.09 to participants of folded multiemployer pension plans.

# Nationwide uncomplicates complicated group insurance.

If you choose the group insurance for your company, you know it can get very complicated. But Nationwide can help you put it all together in one easy-to-understand plan.

Nationwide can do it because we offer insurance so complete, we can even include Dental Care (with coverage not just for corrective treatment but for annual check-ups, too.)

All our major medical plans have \$1,000,000 maximums with a \$500 Stop Loss Provision (after deductible

is satisfied). And our Excess Interest Annuity contract provides a high interest return on your pension plan.

All this insurance will be put together just for you by one skilled Nationwide agent in one easy plan. You can't get less complicated than that.

That's just a sample of Nationwide's group insurance. Send us this coupon and we'll give you all the details. Making your business life simpler is one more way Nationwide is on your side.



Nationwide Life Insurance Company.  
An equal opportunity employer.

### An Uncomplicated Offer from Nationwide

Nationwide Insurance, One Nationwide Plaza, Columbus, OH 43216  
Please give me detailed information on Nationwide's Group Insurance Plans.

Name \_\_\_\_\_

Company Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ County \_\_\_\_\_

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

BI-2

## Reinsurance changing

# General Re needs new markets: Study

GENERAL REINSURANCE Corp., must reach out to new markets if it is to retain its leading position in a changing reinsurance marketplace, concludes an investment research report by Morgan Stanley analyst Allerton Cushman Jr.

Emergence of captive insurers, the New York Insurance Exchange, Risk Exchange Inc. and other new markets have transformed reinsurance from a "specialized product sold only by a few 'manufacturers' who are capable of controlling its price and availability" into a commodity, Mr. Cushman says.

"Reinsurance supremacy in the 1980s may have more to do with a company's ability to access a significant number of different buy-

ers... than the company's technical preeminence in underwriting and loss-reserving or the absolute size of its capital and surplus relative to its competitors," Mr. Cushman says.

General Re, the nation's largest reinsurer, is "tilted too much in the direction of what might best be called capital preservation," with its premium-to-surplus ratio expected to drop from 1.3 to 1 in 1979 to 0.83 to 1 in 1983, Mr. Cushman charges.

Mr. Cushman predicts General Re's premium volume would be flat in 1980, increase by 5% in 1981, by 10% in 1982 and by more than 12% in 1983. He expects underwriting losses for 1980 and 1981 followed by a return to a combined ratio below 100 in 1982. Sharp in-

## BI ticker

creases in paid losses and loss expense for 1979 and 1980 will be to blame.

Gen Re's cash flow available for investment in 1980 is expected to be down almost 30% from what it was in 1978, notes Mr. Cushman, who also revised his estimate of 1980 earnings per share to \$12.20 from \$13.25.

General Re chairman Harold Hudson disagrees with Mr. Cushman's assessment of reinsurance becoming a "commodity," asserting that retaining talented people is crucial to the firm's success.

He noted that the company is expanding marketing activities by beefing up the resources of North Star Reinsurance Corp., its broker-oriented subsidiary, by selling services and by seeking excess and surplus lines business.

General Re has no plans to organize a direct-writing subsidiary, however, Mr. Hudson said. He also contended the Morgan Stanley report underestimates anticipated cash flow, but overestimates anticipated combined ratio.

**Alexander & Alexander Services Inc.** said in a preliminary report that net income rose 17% during 1979, to \$51.5 million from the 1978 total of \$44 million. Revenues during the same period increased to \$368 million from \$325 million, up 13.1%. Earnings per share for 1979 increased to \$2.87 from \$2.47. The boost in annual earnings was presaged by substantial increases in fourth-quarter results for the New York-based firm. Preliminary revenues for the last quarter of 1979 rose 10.1%, to \$90.3 million from \$82 million, while net income rose 15.5%, to \$11 million from \$9.6 million.

Record-setting figures for operating profits and revenues were set by **INA Corp.** during 1979, the Philadelphia-based company reports. Revenues for the year jumped 13%, to \$4.5 billion from \$4 billion, while net operating income went up 15.6%, to \$244 million from \$211 million. Earnings per share, based on net operating income, rose to \$9.51 from \$8.37.

INA's total pretax income on property/casualty operations for 1979 went up 2%, to \$213.4 million from \$209.3 million. For the fourth quarter of 1979, combined income almost equaled results from a year ago, despite what the company termed "unusually high catastrophic loss, rising inflation and intense price competition."

However, property and casualty underwriting losses totaled \$11.5 million during the last quarter of the year, a severe deterioration from the \$1.4 million underwriting gain for the fourth quarter of 1978. But company officials pointed out that this quarterly loss was less of a loss than in any of the previous three quarters. Underwriting losses for the year were \$84.8 million, more than four times as large as the \$20.8 million loss in 1978.

**Leasco Corp.**, controlled by Saul Steinberg, has filed a plan to buy up to one million shares of the Reliance Group Inc. The purchase, if it goes through, would add to the 250,000 shares of Reliance already owned by Leasco and would give Mr. Steinberg and his family control of 24% of the total eight million Reliance common shares outstanding. Leasco, which primarily is engaged in the computer leasing business, formerly was a subsidi-

ary of Reliance Group, New York-based insurance holding company with additional interests in management services and real estate management. Reliance directors recently announced a regular quarterly dividend of 50 cents per share on the company's common stock, 55 cents on its Series B preferred stock and 65 cents per share on its Series C preferred stock, payable March 15 to shareholders of record Feb. 15.

**Metropolitan Life Insurance Co.** set an industry record for having more than \$200 billion of group life insurance in force. Metropolitan passed the \$100 million mark in 1978, which took 50 years to reach. The doubling of that record in six years was attributed by the company to "an expanded group life portfolio, highly efficient claim service and an aggressive marketing effort."

Galveston, Tex.-based **American Indemnity Financial Corp.** suffered a 19% drop in net income during 1979, preliminary figures from the company show. Income fell to \$4.5 million from the 1978 total of \$5.6 million. Earnings per

share also dropped to \$3.72 from \$4.59. Net premiums written showed an increase of 13% from the previous year, however, to \$79.5 million from \$70 million.

Record figures in operating net income and direct premiums written were set by **The Progressive Corp.** for the fourth year in a row, the Cleveland-based company reports. Net income, before security sales, went up 34% in 1979 to \$11.4 million, while direct premiums written increased by 24.5% to \$139 million.

Company officials said they are still holding to their goal of increasing premium volume over the next few years at a rate 15% higher than inflation, but conceded that standard may be difficult to accomplish during the first half of 1980. They said the company is trying to increase its premium volume by introducing new products, moving into new states and by marketing "no frills" programs that they say provide fewer options to clients, but have lower processing costs, carry lower commission rates to agents and are priced lower than most of their competitors. Among The Progressive Corp.'s subsidiaries is Progressive Casualty Insurance Co., Ohio's largest specialty property/casualty insurance company.

## Exchange supported

TALLAHASSEE—The proposed Florida Insurance Exchange is a step closer to reality with a tentative commitment by potential investors to provide the approximately \$30 million needed to fund the venture.

The investors, from a variety of financial and lending institutions, real estate firms and insurance companies, indicated their willingness to back the exchange last Wednesday in a meeting with Florida Gov. Bob Graham, insurance commissioner Bill Gunter and state legislators, said Gary Guzzo, an administrative aide to Mr. Gunter.

Investors requested more information about the potential return on investment, the type of business to be conducted and the regu-

latory role of the insurance department before putting up the money, Mr. Guzzo said.

"But they seem committed to the concept and there doesn't seem to be anything prohibitive to the exchange," he said.

**William G. McCue Jr.**, legislative director for the Florida Assn. of Insurance Agents, speculated the state legislature may be asked to fund a consultant's prospectus to provide the information on investment return.

Once the investors commit capital, the state will appoint a 13-member panel to draft the constitution and bylaws of the exchange while insurance officials seek seed money to pay for set-up operations, Mr. Guzzo said.

# 4<sup>th</sup> international captive insurance company conference

Bermuda  
March 3, 4 and 5, 1980

## captive insurers: money machines?

This conference, sponsored by Risk Planning Group, Inc., is recognized as one of the major opportunities for critical and constructive review of the captive insurance company phenomenon. The 1980 conference will devote a major portion of its program to the financial aspects of captive management, includ-

ing captive investment risks and opportunities, developing captives into profit centers and recent tax rulings and regulations and their effect upon captives.

The fee for this 3-day conference at the Princess Hotel, Hamilton, Bermuda, is US\$550. Additional information may be obtained by contacting: **Conference Coordinator, Risk Planning Group, Inc., 722 Post Road, Darien, Connecticut 06820 (USA). 203/655-9791 Telex: 996358**



## II Third World Insurance Congress

March 22-27, 1980  
Buenos Aires, Argentina

On behalf of the organizing committee, you are cordially invited to attend this unique event. You will have an opportunity to meet insurance industry colleagues from all over the world especially the developing Third World nations.

Many of these countries are just beginning to establish National Insurance programs. Here is a chance for you and your organization to aid, assist and guide them in the formation of their insurance programs.

A wide range of topics will be covered at the Congress including:

- Insurance Activity Within Common Markets.
- Re-insurance as a Means of International Cooperation.
- Professional Training of Insurers.
- Marine Cargo Insurance.
- Function of Brokers Within The International Insurance Market.

Contact the Official North American Representative for the II Third World Insurance Congress:

North South Travel 200 West 58th Street, Suite 10-B  
International Congress Division New York, New York 10019  
Call Collect: 212-265-0746



**AEROLINEAS ARGENTINAS**  
The South American Expert

Adams & Porter Associates, Inc., is pleased to announce the addition of another 25 years of marine insurance experience.



HUGH T. WILSON

**ADAMS & PORTER ASSOCIATES, INC.**  
1819 St. James Place  
Houston, Texas 77056  
Telephone: (713) 960-9990

# Owner to be tried in '75 arson case

Continued from page 1

and the date of the settlement would go to Grand Sheet Metal (BI, March 24, 1975).

The fire and explosion on March 1 that destroyed the two-block building occurred 30 days before the closing date.

The Protection Mutual policy is believed to have been arranged by Grand Sheet Metal or its parent company.

A 1976 federal trial charging 10 persons with the arson resulted in eight convictions and two acquittals. Acquitted were Mr. Moeller, the owner of the plant, and a man charged with delivering the explosives to the plant.

The federal trial was at times hampered because the prosecution had to prove there had been travel across state lines, recalled Peter C. Dorsey, the U.S. attorney at the time who is now an attorney with Flanagan, Flanagan & Dorsey in New Haven, Conn.

The state's case, begun in 1978, was slowed by appeals filed by Mr. Moeller. He argued that because he had been acquitted of arson-related charges during the federal trial he should not be prosecuted in state court. He lost his appeals, which went to the Supreme Court, when the courts ruled that acquittal in one court is not binding on another court.

Also on trial with Mr. Moeller will be Lowell Powell, treasurer of a subsidiary of Grand Sheet Metal,

as well as Michael Festa and Peter Betres, allegedly hired arsonists.

Anthony Just already has been convicted in state court of first-degree kidnapping in the case and sentenced to 20 years. Mr. Just, hired to help with the arson, was convicted of kidnapping the guards before the fire.

Others hired for the crime have pleaded guilty in state court to arson and kidnapping and are awaiting sentencing: Albert Coffey and Ronald Betras for arson and kidnapping and John Shaw, Michael Tiche and Dennis Tiche for arson.

All five also had been found guilty in federal court and are serving sentences ranging from 10 to 15 years.

## Tips can help owners fight arson

NEW YORK—"It's extremely difficult to prove arson," says Peter C. Dorsey, a former U.S. attorney who has prosecuted arson cases.

But he and others fighting the explosive arson problem offer a few tips on how to prevent arson and at least prosecute the criminals.

"If the facts point to arson, always bring it to the attention of investigators," Mr. Dorsey advises. If the investigators don't seem to be doing anything, "keep bugging the heck out of them," he says. And if need be, bring the case to higher-ups in the official department to get results.

Joe Mazzone, director of investigative service at Insurance Claims Service Inc. in Chicago, offers these tips for property owners to fight arson:

- Keep property secure, making sure alarms and sprinklers are in working order.
- Cooperate with insurance companies and local authorities in investigations.
- Initiate tip award programs to attract informants.

Of 1.1 million structure fires nationwide in 1978, 45% were suspicious, Mr. Mazzone says.

Insurers, too, are fighting what they fear are too many fraudulent fire claims by teaming up to support the Insurance Committee for Arson Control.

The committee advocates stronger state regulations and penal codes and passage of arson immunity reporting laws allowing insurance companies to provide investigators with information without fear of prosecution for libel.

Insurers have also created a Property Insurance Loss Register in Rahway, N.J., to keep track of fire loss claims of more than \$500 to identify patterns in claims.

# 52 great issues coming up!

ISSUE NUMBER

ISSUE DATE

AD CLOSING

12. SPECIALTY RISKS

MAR 24

MAR 11

### datebook

**FEB. 8-9. Toxic Substances Litigation Course** in New York, sponsored by the Practising Law Institute; \$250. Also **March 21-22** in San Francisco. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**FEB. 11-15. Governmental Risk Management** seminar in Tucson, sponsored by the College of Business and Public Administration and the Division of Continuing Education of the University of Arizona; \$250. Also **Feb. 12-16. Governmental Risk Management Seminar**, Division of Continuing Education, the University of Arizona, 1717 Speedway, Rm. 1201, Tucson, Ariz. 85719; 503-626-3081.

**FEB. 13-14. Structuring Association and Multi-Owner Captive Insurance Companies Conference** in New York, sponsored by AMR International Inc.; \$595 or \$550 each for two or more. AMR International Inc., Phil Springer, 1370 Avenue of the Americas, New York, N.Y. 10019; 212-974-0836.

**FEB. 14-16. Maritime Personal Injury Course** in New York, sponsored by the Practising Law Institute; \$325. Also **March 6-8** in Los Angeles. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

**FEB. 25-26. Oil, Gas and Mining Security Workshop** in New Orleans, sponsored by the American Society for Industrial Security; \$180 for members, \$230 for nonmembers. ASIS, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

**FEB. 25-26. Safety Executive Seminar** in New Orleans, sponsored by American Society of Safety Engineers, \$195 for members, \$235 for nonmembers. ASSE, 850 Busse Hwy., Park Ridge, Ill. 60068; 312-692-4121.

## more to come :

ISSUE DATE

AD CLOSING

8.		FEB 25	Feb 12
9.	Spotlight Report: Computers/Quantitative Techniques	MAR 3	Feb 20
10.		MAR 10	Feb 27
11.		MAR 17	Mar 5
12.	SPECIALTY RISKS	MAR 24	Mar 11
13.		MAR 31	Mar 19
14.		APR 7	Mar 26
15.	R.I.M.S. PREVIEW	APR 14	Apr 1
16.	R.I.M.S. Conference Report #1	APR 21	Apr 9
17.	R.I.M.S. Conference Report #2	APR 28	Apr 16
18.		MAY 5	Apr 23
19.		MAY 12	Apr 30
20.	LOSS PREVENTION — SAFETY/SECURITY	MAY 19	May 6

You can now reach the decision makers in the insurance marketplace 52 times a year in the industry's communications leader... *Business Insurance*. Listed above are upcoming issues, advertising closing dates and special editorial information for the next few months. Be where the action is this week and every week. For a full schedule of 1980 issues write or call us.

# business insurance

a publication of Crain Communications Inc.



Paul Colony, managing vice president, tells how A&A works from a client's point of view:

**"We show clients how to maximize their product liability risk dollar."**

"The cost of product liability insurance continues to climb because claims costs continue to increase. The problem is finding the broadest coverage available for each dollar of premium. The first thing we'll do is analyze the exposure and past losses. Our analysis might suggest a self-insured retention or a deductible. Or it could mean looking into the feasibility of a captive insurance company. We're flexible in seeking the right solution for each company's

individual needs. From the client's point of view, it's the bottom line that we have to worry about."

Working from a client's point of view is our way. In Los Angeles, where Paul Colony is based. And in over 110 cities here and overseas. That means working as allies, solving business problems together. One of the biggest is the product liability area, and we have the talent and technology to develop programs for the greatest bottom line benefits.

We think our dedication to acting as an ally of the clients we represent is a big reason why A&A has become a worldwide leader in the insurance brokerage and financial services business. We have the facilities, expertise and strength to act as effective allies. We work from the client's point of view, whether the corporation is large or small.

**Alexander  
& Alexander**  
The Allies