

# Cautious tort reformers map new drive

By JERRY GEISEL

WASHINGTON—Business leaders around the country are girding themselves for another tough battle as the drive to deal with product liability problems through tort reform at the state level begins its second full year.

Business leaders are establishing special product liability task forces, mapping strategies for legislative action and studying and restudying the mistakes of last year.

"Extremely cautious optimism" are the words most frequently used to describe the legislative outlook this year for tort reform in product liability.

Several states may pass reform packages, but they probably will be the least industrialized states where the stakes are least and the special interest groups, such as the trial lawyers, are not firmly entrenched. That pattern held true in 1977 when three relatively unindustrialized states—Utah, Colorado and Oregon—passed product

liability reform bills.

Of the big industrial states, only Ohio stands close to passing legislation. A comprehensive bill containing a 10-year limitation on lawsuits and allowing manufacturers to defend suits by showing a product had been altered passed the house by a massive 86-7 margin last year.

The measure awaits action in the senate where the speaker pro tem has predicted passage by

**The first Business Insurance Product Liability Score Card for 1978 details tort reform in all 50 states. Page 26.**

March 1, said Tom Johnson, president of the Ohio Manufacturers Assn. in Columbus.

In Illinois, the outlook is not so bright. Pending product liability bills are locked in house and sen-

ate subcommittees and those measures probably will be severely revised before they can be passed.

"But we are going to fight like tigers" to keep an eight-year limitation on lawsuits, said Orville Bergren, president of the Illinois Manufacturers Assn. in Chicago.

The prospects for reform are better in Michigan where the house judiciary committee is considering a comprehensive product liability package.

"I think the bill has a better than even chance," said John Thodis, president of the Michigan Manufacturers Assn. in Lansing. "The legislature is convinced, at least the house is, that there is a crisis in product liability in Michigan."

In California, Sen. David Roberts' bill prohibiting product liability suits 10 years after a product is first sold cleared the senate last year.

The measure now is in the house judiciary committee. "We will have trouble getting the bill out of committee," warns Clarence Bush, chairman of the California product liability task force. "But if we get it onto the floor, we have a fair chance of getting it passed."

On the East Coast, the outlook in Massachusetts appears gloomy. A product liability bill left over from last year's session is technically alive, but really has no chance of passage, said Patricia Maxwell, vp of RETORT in Franklin, Mass.

A divided business community  
Continued on page 28

## ... federal action unlikely

WASHINGTON—Despite plans for additional hearings, legislative aides say it is doubtful that Congress will take any action this year on pending product liability legislation.

Meanwhile, officials in the Commerce Department are studying recommendations for possible federal action on product liability prepared by the office of product liability, the successor to the federal interagency task force.

The first draft of the "options paper" was sent to undersecretary of Commerce Sidney Harmon

in mid-December. It was returned because it did not provide the Carter Administration with enough options and a revised draft was sent to Mr. Harmon in mid-January.

"If the administration comes forward with some sort of package, it (product liability legislation) will move off the dime," predicted Victor Schwartz, head of the product liability office. "If they do nothing, that might be the end of it."

The bill with the most support in Congress, intro-  
Continued on page 28



Photo: Wide World

Hartford city officials had questioned the safety of the Civic Center roof, which collapsed after a snowstorm last month.

## Hartford roof falls; liability issues build

By REBECCA A. FANNIN

HARTFORD—The blanket of snow and ice that apparently felled the coliseum roof of the Hartford Civic Center will melt, but questions of liability and litigation may linger for several months.

Steel and concrete debris is the only remnant of the coliseum roof, the largest clear span roof ever raised in one piece.

City officials, architects, engineers and contractors remain bewildered about why the coliseum's roof, part of a civic center built in 1972 to boost Hartford's sagging downtown economy, collapsed from the weight of 4.8 inches of snow.

Meanwhile, insurance companies are awaiting decisions about who is liable before they determine their exposure to the damage, estimated to be \$8 million to \$10 million.

Several parties potentially could be held liable:

- The city of Hartford, which owns the coliseum and is responsible for inspecting it for safety. The city has public liability coverage with The Travelers Insurance Co.—a primary \$300,000 policy and a \$5 million excess policy. The Hartford-based insurer is largely reinsured for the policies.

- Bethlehem Steel of Bethle-

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# business insurance

Week of February 6, 1978

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

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## Lloyd's suspends syndicate hurt by U.S. property risks

By SUSAN ALT

LONDON—The Committee of Lloyd's has suspended a major commercial underwriting syndicate because it exceeded its surplus capacity, wrote too much insurance and could not meet its yearend financial audit.

Although all claims against Syndicate 762, known as F. H. Sasse & Others, are expected to be paid, it remains unclear whether a major reinsurance fa-

cility will ultimately pay for millions of dollars in losses.

The suspension of Sasse was ordered Dec. 29, but did not become widely known until mid-January. *Business Insurance* compiled this account of the suspension from interviews with many of the parties in both London and the U.S.

Although it's not unusual for a Lloyd's syndicate at times to exceed its premium allowances, Sasse apparently took on far too

much U.S. commercial property risk in 1976. It ran into financial trouble when millions of dollars in claims began pouring in.

It is highly unusual for the Committee of Lloyd's to take action and it indicates the magnitude of the problems. Sasse is thought to have underwritten a block of 1,500 fire and multiperil policies on U.S. properties—apartment buildings, restaurants, parts of shopping centers and supermarket  
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### The inside story

- GRAIN ELEVATORS face tighter markets, but there is no insurance panic. Page 4.
- AETNA'S AD campaign on insurance costs deserves applause. Editorial, page 6.
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- PROPOSED TAX reforms on foreign earnings may affect captives. Page 14.
- ARA SERVICES improves benefits, but also stresses cost control. Page 18.

- FORCED RETIREMENT at any age appears on the way out. Page 19.
- EXPERTS DEVELOP the "best" program at a CPCU seminar. Page 20.
- ACQUISITIONS can do things to you as well as for you. Perspective, page 23.

### International insurance

*Business Insurance* editor Susan Alt spent two weeks in London last month interviewing top experts on the London insurance markets to discover what's up. Watch for Ms. Alt's report on the British scene which highlights the special International Insurance report in the Feb. 20 issue.

The people column  
page 30

# Eagleton opposes flood takeover

NEW YORK—Competition is the way to oppose the federal take-over of the flood insurance program, Sen. Thomas Eagleton told insurance companies. The federal government took

complete control of the flood program on "totally unsupported claims that the program could be operated more efficiently and economically as an all-federal enterprise," the Missouri Democrat said at the annual meeting of the Insurance Information Institute.

He said the partnership of government and the insurance industry to write flood policies was unique. But the Department of Housing and Urban Development (HUD) "decided that maybe insurance was the regulatory field of the future and resolved to dump its partner," the senator said.

Insurance companies should begin offering flood insurance again, he said, now that the partnership has ended.

The senator also criticized HUD for studying the adequacy of state insurance rate-making and regulation. HUD has no legal authority to do this, he said, adding that this move plus the federal takeover of the flood insurance program are under the "closest Congressional scrutiny."

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## for your information...

### 3 large brokers report major hikes in revenues, net income for 1976

NEW YORK—Three of the nation's largest brokerage firms report substantial increases in revenues and net income for 1977.

The largest increase in net income was turned in by Alexander & Alexander Services Inc., the nation's third largest broker. A&A net income for 1977 increased 59.9% to \$28.5 million from \$17.8 million. Revenues increased 29.1% to \$219.4 million from \$170 million.

Chicago-based Fred S. James, the nation's fifth largest broker, reported a 50% increase in net income for 1977, to \$14.4 million from \$9.6 million. Revenues increased 28% to \$113.5 million from \$88.7 million.

The nation's largest broker, Marsh & McLennan Cos., reported a 19% increase in net income to \$56.1 million from \$46.9 million. Revenues totaled \$430.4 million, a 21% increase from 1976's \$355.4 million.

Marsh & McLennan Inc., M&M's major operating subsidiary, named 49-year-old L. Patton Kline chairman, moving Kennedy B. Galpin to vice chairman. Harold H. Hines Jr., 53, was named president of the brokerage unit.

### Accident victims sue insurers over ads

HARTFORD—Four accident victims have filed suit here against Crum & Forster Insurance Cos., Aetna Life & Casualty Co., St. Paul Fire & Marine Insurance Co. and Travelers Insurance Co. charging that the advertising campaigns launched by the companies have harmed their right to a fair jury trial.

The plaintiffs seek an injunction to halt the ads, punitive damages and damages to pay for corrective advertising. Aetna earlier was named in a suit in California by state trial attorneys who charged Aetna with running "misleading and deceptive" ads. That suit is pending.

### Companies can control health costs: Goldbeck

NEW YORK—The nation's health care providers will be forced to respond if their major consumers—corporate health insurance plans—demand economies in the system, says Willis B. Goldbeck, director of the Washington Business Group on Health.

"If they (hospitals, physicians) don't accept what you'll pay, you can go elsewhere," Mr. Goldbeck told a seminar sponsored by the Conference Board.

"There is no cheap solution to controlling health care costs and there is no way for the public or private sector to do it alone," Mr. Goldbeck said. "However, there is a need for leadership to redirect the way quality care can be delivered at reasonable cost."

"No group is better equipped in terms of capacity and needs to provide that leadership than the employers of America."

A hospital getting \$5 million from a corporation's group health plan should be regarded as a "subcontractor, and an important one at that," he said.

Corporations should "invest in knowledge" about health care practices and costs, he added. "It amazes me that major employers cannot get information from carriers and hospitals even though they are paying \$25 million and \$50 million in premiums."

"At a minimum, employers must know what they are buying and be able to ascertain where the waste is. It's not a matter of demanding accountability, you have an obligation."

### Stockbroker acquires Albert Bender firm

NEW YORK—The Bache Group Inc., one of the nation's largest stockbrokers, has acquired Albert M. Bender Co. Inc., the first time that a New York Stock Exchange brokerage firm has acquired an insurance brokerage firm.

The move may spur a trend toward other similar acquisitions, said Russell R. Miller, whose company, Russell R. Miller & Co. Inc., was instrumental in bringing the two firms together during negotiations that began in 1976.

"Once one stockbroker does something, then everyone else wants to do it," Mr. Miller said.

Advantages of the stockbroker's acquisition relate to the performance of insurance brokers—the constant and stable increase in revenues and earnings, growth which is connected to inflation, a low capital and a high cash flow business, Mr. Miller said.

Bender plans to expand its offices nationwide, first into Southern California and the entire West Coast. The pending move was first revealed in May 1977.

### Product liability rates called adequate

NEW YORK—Insurance industry rates for product liability appear to be adequate, Liberty Mutual vp John Purkis told a N.Y. RIMS chapter seminar on product liability.

Loss ratios for 1977 will show that insurance companies either experienced small losses or broke even on their miscellaneous liability coverage, Mr. Purkis predicted. Product liability coverage represents 75% of the premiums for miscellaneous liability.

Mr. Purkis said Liberty Mutual would probably break even on product liability in reports to be filed with state regulators in the spring.

### Chamber Foundation plans product liability study

WASHINGTON—Yet another study of product liability is in the works. The National Chamber Foundation, a public policy research organization with close ties to the U. S. Chamber of Commerce, will conduct the study, which should be completed this fall.

The study will analyze the economic, judicial and legislative problems associated with product liability and offer a series of recommendations to solve the problem.

Manufacturers, insurers, attorneys, consumers and insurance brokers are expected to participate in the study.

## errors & omissions

• Reese Bowen, vice president of AIG Risk Management, was incorrectly identified as president of the company due to a typographical error in a Jan. 9 story. The president of AIG Risk Management is Joseph C. Smetana.

## GUIDE TO FEATURES

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# Carter asks \$1.2 million for pension plan study

**CARTER'S RETIREMENT** commission would receive more than \$1.2 million if Congress accepts the recommendations in the new budget. The Retirement Policy Commission will study the problems of federal, state, local and private pension plans, particularly financing, and also examine how these plans should interact with each other and with Social Security. The commission over the next two years will deliver a series of reports to the Administration on "present and future problems of existing disability, survivors' and retirement plans in the public and private sectors," the Administration said in its budget message. While the commission will not be precluded from looking at ERISA-related issues, its focus will be on the coordination of benefits between various retirement systems, said Frank Raines, assistant director of the Domestic Policy Commission.

The commission probably will have between eight and 10 members, including pension experts and "just knowledgeable citizens" without a vested interest in retirement issues, Mr. Raines said. Commission members have not been named yet, but Charles Kirbo, an Atlanta attorney and a close friend of President Carter, reportedly has been asked to head the commission.

**MINING WORKERS** covered by the 1950 Pension Trust have had their pension benefits cut off as the effects of the continuing coal strike intensify. Trustees of the UMW Health and Retirement Funds said February pension checks for the 80,600 retired mine workers covered under the pension trust cannot be paid because of a lack of money. The trust is financed by employer contributions per ton of coal mined. The trust only had about \$1.5 million left; retired miners normally receive about \$20 million a month in pension benefits. The 6,500 retired mine workers covered under the 1974 Pension Trust, however, will continue to receive full pension payments. Pensions paid under the 1974 Pension Trust currently average \$425 a month. The cutoff marks the first time since 1949 that the union's pension benefits have been stopped. The suspension of pension checks follows the termination of medical and hospitalization benefits, which ended when the strike began Dec. 6.

**UNITED AIRLINES** Social Security costs will double over the next five years as a result of the changes passed by Congress late last year. United Airlines director of compensation and benefits Irv Brand said the additional Social Security cost is estimated at \$30 million to \$40 million, money that could have been spent for improved benefits or new aircraft. However, Mr. Brand said the nation's largest airline would not be prevented from making necessary benefit improvements but would probably pass the increases along to its customers.

**CALIFORNIA'S** Orange County selected Galbraith & Green Inc. to administer its self-insured medical benefits program covering 6,000 employees. The program, which generates ASO fees of \$150,000 a year, was previously administered by Prudential. Personnel director R. A. Scott said The Prudential had been the county's medical insurer since 1959 and had administered the

self-insured program since the fall of 1975. The county decided to seek other proposals late last year and selected Galbraith & Green of Tustin, Calif., on the basis of its lower proposal.

**HMOs RECEIVE** a big boost in federal funds under the Carter Administration's budget for fiscal year 1979. Money for health maintenance organizations is to increase 23% to \$32 million, with \$5.3 million to be used for 70 new grants for HMO feasibility studies. HEW officials expect the money to increase the number of HMOs generated by federal funds to 172 from the current 83. At maturity, HEW predicts those 172 HMOs will serve 5.2 million persons.

**NATIONAL HEALTH INSURANCE** legislation will be introduced later this year, President Carter promised in his State of the Union message. But he again did not provide any details on the type of legislation to be proposed. Meanwhile, Sen. Edward Kennedy (D-Mass.) predicted Congress would enact a national health insurance program before the 1980 elections. Sen. Kennedy is co-sponsor of the most comprehensive national health proposal.

**TUITION REIMBURSEMENTS** to employees would no longer be taxable under a bill offered by Sen. Jacob Javits. The New York Republican and co-author of ERISA says that current law means an employee in New York

City earning \$10,000 a year must pay \$342 in additional federal, state and local income taxes on a \$1,000 tuition reimbursement. Employers must now withhold taxes on reimbursements, an administrative burden, and pay Social Security taxes on the amount, a financial burden in the case of low-wage employees. The reimbursements must be tax-free if the government is to encourage continuing education, Sen. Javits said. Oregon Republican Sen. Robert Packwood is co-sponsor of the measure.

**THE DANIELS CASE**, a controversial appeals court decision that extended security laws to pension plans, should be considered by the U.S. Supreme Court, the Justice

Department told the high court. The memo from the Solicitors Office does not take a position on the issue, but points out its importance to the nation's pension plan system. The Teamsters Union, the defendant in the suit, is appealing the decision by the 7th Circuit Court of Appeals in Chicago.

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# No panic, but tight markets loom for elevators

By ELLIS SIMON

NEW YORK—While widespread panic has not overtaken the insurance industry as a result of the three December grain elevator explosions which left more than 50 dead, there are rumblings of a tighter market in the future.

For the most part, industry sources indicated that they are still studying the overall situation or are planning a more careful look at individual risks and to rate them accordingly. Rate increases are expected and, in some cases, they could equal recent large product liability hikes.

In addition, several reinsurers were reported to have left the market and a primary insurer has canceled at least one grain

inventory policy because of reinsurance problems.

Fortunately, the explosions occurred in a year when the insurance companies made money, noted Howard Helberg, director of corporate insurance for Pillsbury Co. in Minneapolis. "The industry won't be too reactionary and will be more attuned to reasonableness."

One broker of grain property risks reported placing coverage on both terminal (large) and country (small) elevators since December with few changes besides underwriters seeking more details. The industry, he said, was not "running for cover," but taking a "wait-and-see attitude."

Bill Young, executive vp at Allendale Mutual, typified this attitude, explaining that his firm had "no intention of walking

away from them (grain risks). Allendale had the property coverage on the Farmers Export elevator in Galveston, Tex., which blew up Dec. 27, 1977.

However, the property insurer will probably insist on more stringent dust control practices and also make more frequent inspections, Mr. Young said. Where elevator operators fail to follow such practices, "we'll be more likely to cancel them than fool around with rates," he added.

Insurance industry concern over grain risks did not begin with the December disasters. Millers Mutual of Texas, a grain risk specialist, stopped writing coverage on terminal elevators after it experienced major losses in the \$26 million Goodpasture explo-

sion at Houston in 1975.

Prior to the purchase of the ill-fated Galveston elevator by Farmers Export, Millers Mutual had coverage on that property.

General Reinsurance canceled its coverage on Continental Grain's Westwago, La., elevator during the summer preceding that disaster, *Business Insurance* learned. Since then, General Re dropped out of the grain market entirely, one source said.

An official of the Mill Mutual Fire Prevention Bureau of Chicago said three other reinsurers have left the market since December, although he was not certain of their identities. "The reinsurers will classify all grain business as hazardous and will require more money from us," he added.

Buffalo Reinsurance, which

has reinsured grain risks for the past six years and participated in several major losses including Westwago, has stopped reinsuring bottom layers, but will consider properly rated excess risks on grain, said Pat Elio, property underwriting manager.

"No class of business will ever be blackballed, provided it is properly rated and engineered," he explained, "The insured may not like the price, but in the current market, provided you have the dollars, you can get anything covered."

"There are a limited number of primary and reinsurers considering grain and when losses occur, some will want out and others will stay if rate structures change," said Dennis Bralow, underwriting manager for Ranger Insurance Co. of Houston.

Mr. Bralow predicted that insurers will need higher deductibles as well as higher premiums if they are to continue insuring grain risks.

Ranger has notified the Port of Houston that the lower layers of coverage on its grain inventory policy would expire Feb. 10 because of difficulties in obtaining reinsurance.

While Ranger has agreed to take the top \$10 million layer on the \$20 million policy, the port has not yet been able to place the primary and first excess layer, each of which is for \$5 million, said port risk manager Louis Brown. Quotes for the bottom layers are running between \$1 and \$1.50 for \$100 value, he explained.

Even though the port is willing to self-insure for the primary \$5 million layer, state law prohibits this, Mr. Brown added.

While Ranger's Mr. Bralow predicted future rate hikes, he said the extent of those hikes would depend on what the elevator operators do to protect their facilities. "Any figure I give you (on what the hikes will be) would be an unrealistic figure," he explained.

However, he noted that elevators which had been underpriced in the past will experience the biggest jumps and "it is conceivable that some increases will be on the proportion of product liability hikes."

Fire resistant elevators, because they have a greater propensity to explosion, will be the insurance industry's main area of concern, predicted the Mill Mutual officials.

Although these structures were more desirable risks in the past, insurers will now want to rate them higher, he explained. "Prior to 1975, can you remember an explosion that was severe? Prior to 1975, the severity of fire resistant properties was not great, now the severity is extreme."

Adequate dust collection equipment with proper maintenance and safety controls are needed to reduce the risk of explosion, Ranger's Mr. Bralow said. The grain industry will have to take an active part in controlling hazards, he added.

Dust collection equipment must be viewed as having the same kind of importance that a sprinkler system has in a cotton mill, said Allendale's Mr. Young.

At Pillsbury, an existing loss prevention program will be reassessed to make sure that any existing hazards are overcome," said Mr. Helberg. "Over the long run it will cost us money, but we are committed to make sure this doesn't happen to us." ■

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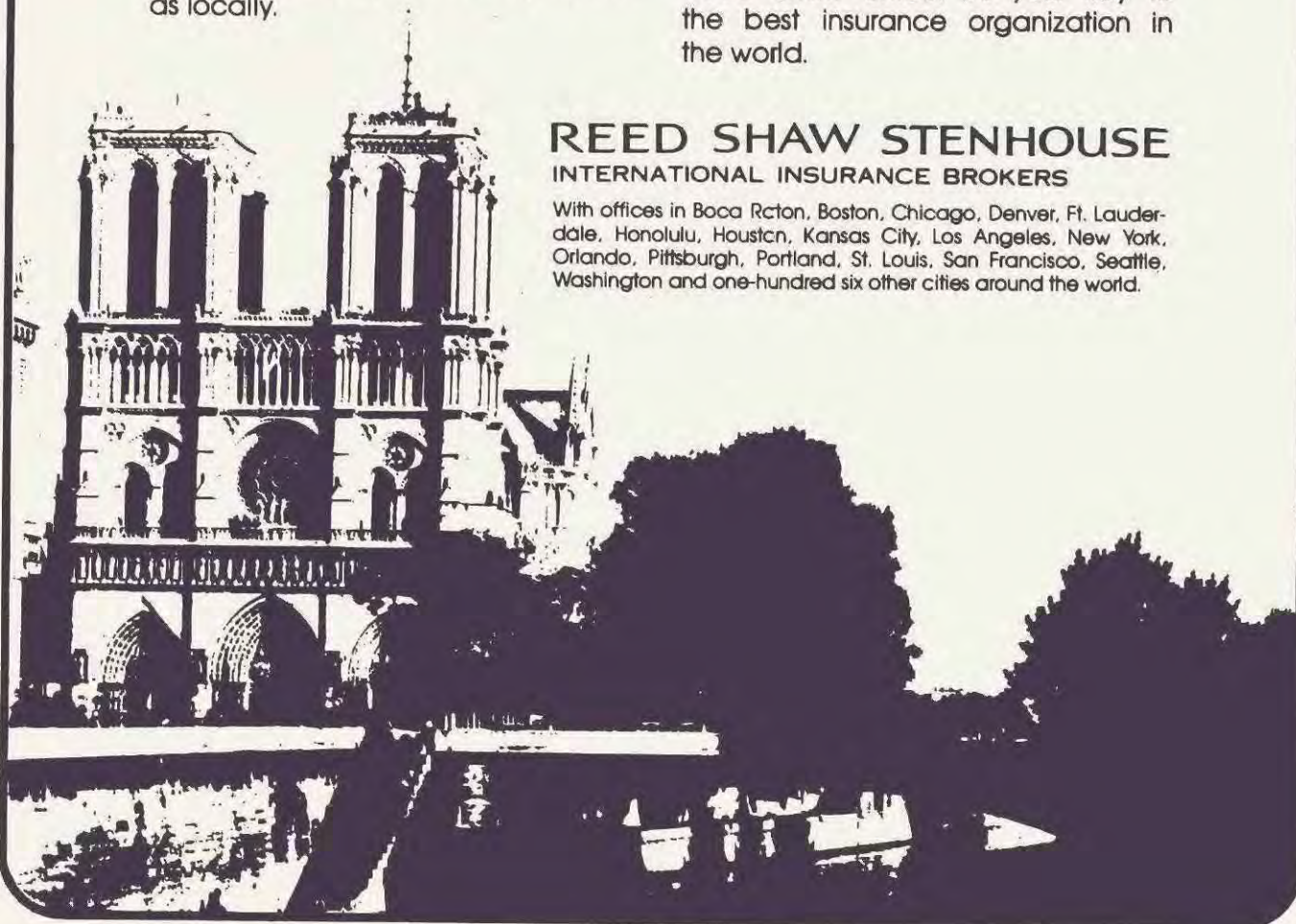
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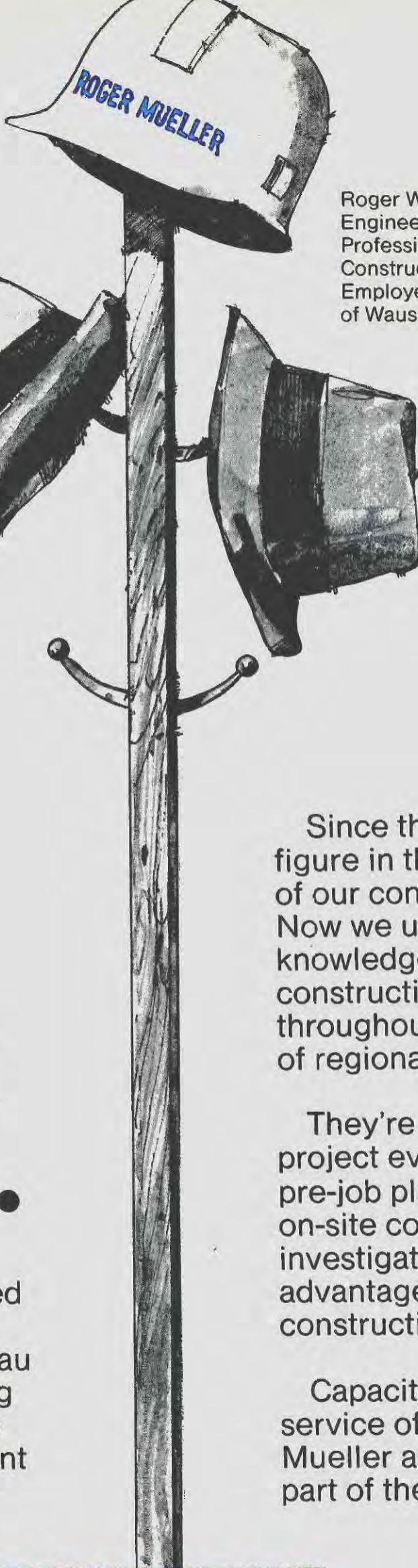
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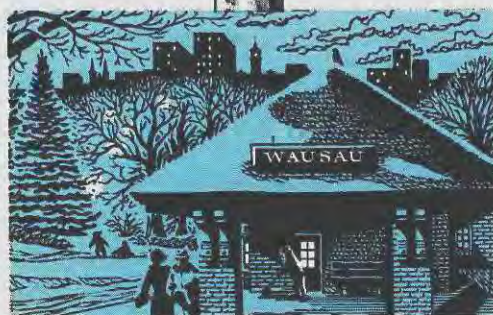
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## editorial opinions

# Aetna is justified

**S**TORIES IN OUR PAGES within the last few months have made it abundantly clear we're among the toughest critics of the insurance industry when it's cited questionable statistics to support tort reform and justify premium hikes.

On the other hand, we're not trying to provide ammunition for the trial lawyers, either, and things seem to be getting out of hand.

In the ongoing battle between Aetna Life & Casualty Co. and some of nation's largest groups of trial lawyers, Aetna is now charged with jury tampering because it has chosen to embark on an advocacy advertising campaign in which it's trying to educate the general public about the long term effects of our tort liability system and the way it's being used or abused.

The utter absurdity of the trial lawyers' claims is evident in this statement in our Jan. 23 issue by the executive director of the California Trial Lawyers Assn.: "If Aetna is going to spend \$5.5 million to tamper with juries, we want them to give us \$5.5 million to untamper."

Everyone in this country, including Aetna, has the right of free speech. Who are the trial lawyers to say that Aetna has no right to run its ad dealing with jury awards, explaining some of the problems it sees with sympathetic juries who hand out million-dollar awards to injured parties?

Moreover, if the trial lawyers want to cough up their own \$5.5 million for their own advertising campaign, nobody would stop them. But for them to say that Aetna should "give" them that much money so that they could try to negate Aetna's own advertising campaign is arrogant and ill-considered.

■ Aside from our role as watchdog over the interests of insurance buyers, sometimes chiding the industry for bad research on some of its statements, we applaud the insurance companies who've made an effort to educate the public through advertising about a thorny—and growing—problem for society. Aetna as well as several other insurers are to be commended for their efforts. Unlike those who lack the energy or conviction that tort reform is imperative, Aetna and a few others have put their money where their mouths are to try to bring about changes and to try to cut down on the amount of litigation that's burying us.

That the trial lawyers are beginning to scream indicates the efforts are hitting home.

## Use markets wisely

**B**UYERS OF INSURANCE can evidently look forward to a period when their jobs will be less difficult. Reports continue to flow in indicating that insurers worldwide not only have stopped canceling (or, euphemistically speaking non-renewing) policyholders, but are actually competing for business even in the most difficult line—namely, primary and excess liability.

A handful of U.S. insurers who'd been notably selective

about their underwriting in recent years are back in the markets, at times aggressively pulling liability business away from London on large risks. Surprise? Not really. Such is the power of supply-demand laws, considering greatly improved earnings for the insurance industry.

While insurance buyers may rejoice that the outlook for their suppliers is improved and that insurers will be able to furnish policies at more reasonable rates, there is a very real danger that buyers may begin misusing the insurance markets within the next six to 12 months, contributing to a replay of the problems.

■ Responsibility for using the markets carefully and with an appreciation for underwriters' needs is squarely on your shoulders as buyers of insurance.

You've probably heard insurers themselves voicing this same view in recent weeks. And it's possible—indeed likely—that you've pooh-poohed the warnings as being so much bellyaching by the industry.

Naturally, as a professional risk manager and insurance buyer, your first responsibility is to achieve the best insurance "deal" for your employer or organization. So you shop widely and aggressively for the broadest coverage at the lowest price.

But do you start switching insurance carriers at the first hint of competition? And do you play brokers and insurers off each other to the extent that everyone ends up in a no-win position?

You should be very cautious when you're taking advantage of a renewed competitive spirit among underwriters in coming months. It seems now that those risk and insurance managers who balanced the attraction of low policy prices in the early 1970s with the desire for continuity of supply and a feeling of loyalty to insurers who may have overlooked some heavy losses over the years, won out in the long run between 1975 and 1977.

Foremost among our concerns is that you take time to understand the insurance industry's need to build its capital and surplus over the next couple of years so that there'll be adequate capacity to cover some of the mammoth risks and huge liabilities that you say you want insurance for.

## End Blues' discount

**N**EW YORK state legislators have the right idea in their proposal to do away with Blue Cross hospital discounts in that state. Although we've opposed these discounts in the past, we can't think the best solution is to eliminate the discounts and make all health insurers/third-party payers fork out higher prices for health care proffered by hospitals.

Blue Cross discounts range from 1% to 2% in some states to 15% and even 40% in New York, one of the states where hospitals offer the biggest incentives to Blue Cross.

New York's lawmakers, though, propose to extend the hospital cost containment procedures imposed by Blue Cross to all hospital charges for patient care paid by health insurance plans underwritten by any insurer. Thus, the discount is, in effect, applicable to everybody, eliminating the subtle but insidious subsidy that's been boosting Blue Cross business for years.

The proposal is a result of a study by the state legislature's medical practice task force. Other states should follow suit.

## 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 Magazine, 740 N. Rush St., Chicago, Ill. 60611.

### Punitive damages

To the editor: Your Jan. 9 article on Lloyd's and punitive damages was informative and of considerable interest. Upon review of the article with liability department managers of three of the largest Lloyd's correspondents in New York, we were led to believe that the punitive damage coverage is still in the embryonic stage in London.

The demeanor of your article indicates far greater progress than what is apparently available in the marketplace.

Aaron Lebow

Diamant, Lebow, Wojnilower & Co. Inc., New York, N.Y.

The issue of punitive damages has received considerable attention at Lloyd's since ISO announced its intention to exclude punitive damages from U.S. liability policies. London correspondent John H. Miller reports that Lloyd's itself has not taken a position and that individual underwriters will establish their own policies. Most Lloyd's underwriters are expected to follow the primary domestic policies. Thus, Lloyd's will not cover punitive damages if the primary policy excludes punitive damages.

### Municipal liability

To the editor: I read the article on municipality pooling by Joanne Gamlin (Jan. 9). As an insurance broker for approximately 30 municipalities in California, I question where Ms. Gamlin obtained her information that it appeared that all cities except the three largest in California are involved in pooling arrangements.

I am afraid that her facts may be misleading. It is true that there are several pools being considered by some cities, but certainly not all cities with exception of three. In view of the fact that there are over 400 individual cities in the California, I think that her wording is loosely phrased and should be restated more closely to the situation.

M. D. Bogen

vp, Cal-Surance, Torrance, Calif.

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Darien, Connecticut 06820 • (203) 655-9791 • Telex: 996358 RISKPLAN**Reimbursement rules****U.S. removes obstacle to hospital captives**

WASHINGTON—The Department of Health, Education and Welfare has removed a major roadblock to efforts by hospitals to solve the malpractice crisis by using captive insurance companies.

Last year, HEW's Medicare bureau issued rules for Medicare reimbursement that did not recognize premiums paid to captives for malpractice insurance.

But in an advance copy of revised reimbursement rules obtained by *Business Insurance*, HEW removes that obstacle by recognizing payments to captives for malpractice coverage. The

new rules apply to both domestic and offshore subsidiaries.

Premium payments to captives will be recognized for reimbursement, say the new rules, as long as premiums do not exceed the premiums that would be charged by a commercial insurance company. Supplemental premiums assessed to build reserves against possible losses will also be recognized as long as the regular and supplemental premiums together do not exceed the cost of comparable commercial insurance.

If commercial insurance company quotes are not available, a hospital must obtain an independent valuation of the adequacy and reasonableness of the premiums.

If the captive is owned or controlled by the hospital or a group of hospitals, the subsidiary insurer must meet the laws of the state or foreign government and gains and losses in investments must be considered in establishing reasonable premiums.

In addition, offshore captive investments are to be restricted to low risk vehicles such as U.S. government bonds and notes, other government securities and U.S. corporate debt securities if the premiums are to be recognized as reimbursable.

Medicare bureau director Thomas M. Tierney has written Colorado insurance commissioner J. Richard Barnes that Colorado captive investments will not be restricted. Colorado captives will also not have to set up separate reserve trust funds for malpractice risks.

Commissioner Barnes, in a letter to captive managers, said he believes the bureau's attitude toward offshore captives is too liberal. Nevertheless, "It is pleasing to know that premiums paid to a Colorado captive will be fully recognized for reimbursement purposes," Mr. Barnes added. ■

**Bekins picks Frank B. Hall over M&M**

LOS ANGELES—The Bekins Co. has moved its liability and workers compensation insurance programs from Marsh &amp; McLennan in Los Angeles to Frank B. Hall in Los Angeles.

Hall was named to replace M&amp;M as the broker on Bekins's primary fronting policies for its two self-insured retentions in liability and workers compensation, according to a spokesman.

International R.I.M. Inc. of Rolling Meadows, Ill., was named broker of the company's excess layers for both coverages. M&amp;M had previously had both programs.

The spokesman explained that Bekins has a \$200,000 self-insured retention on its primary and excess liability coverage. He said that the workers compensation coverage has a \$250,000 self-insured retention.

Late last year, the accounts were put out to bid and Hall and International R.I.M. submitted the winning bids both as to coverage and as to price.

"We believe we saved about \$200,000 to \$300,000 by making the change," the spokesman said. ■

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- A Broker and Service Organization who can install and service a *Self Funded Employee Benefit* program.
- A Broker who can qualify you as a self insurer in the various states in which you operate. It's not easy; there is no simple form. Using a beginner can be costly and waste time.
- Total E.D.P. flexibility to fit your needs. After all, you are the customer. You want to diagnose your costs, not add to them. You should be able to design what you want.
- A Broker who has worked with *Captives* and who can help you establish yours.
- Experienced one-source accountability for all self insurance functions.

**Look Out For:**

- "Canned" self insurance plans that do not fully meet your requirements.
- A Service Fee based on the dollar amount of the claims *incurred*.
- A Service Fee that doesn't provide for the *Run Off* if you should choose to leave.
- Inspection Service masquerading as loss control service. There is a big difference.
- Adjusters with heavy case loads.
- A Service Fee based on the number of claim files opened.
- Late and untimely E.D.P. reports.
- A Service Organization with experience in only one line of coverage.

One final suggestion. When you investigate self insurance in depth, include the counsel of Arthur J. Gallagher &amp; Co. In 1977, we handled more than 59,000 losses for our self insured clients and administered claim funds in excess of \$44 million.

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**Pool adds foreign nuclear risk capacity**

NEW YORK—Foreign capacity for nuclear risks has been increased to \$71 million by the Nuclear Energy Liability-Property Insurance Assn. (NEL-PIA) because of a growing demand for reinsurance abroad.

"There's a growing demand because by 1983 to 1985 more nuclear reactors will be built in foreign countries than in the U.S.," said Charles Bardes, the association's liability underwriting manager.

He added that companies outside of the U.S. have become more claim conscious and this trend has influenced the nuclear industry, also increasing demand.

More than 100 stockholder-owned liability and property

insurers participate in NEL-PIA, pledging assets to insure these sizable risks.

The companies have increased resources for risks in Europe, Asia, North and South America by \$12.5 million, which increases foreign capacity for these countries to \$57.5 million.

The Canadian liability pool has also increased capacity to \$13.5 million from \$10 million in 1976.

The NEL-PIA also joined its separate liability and property pools so that capacity can be applied with greater flexibility. The new single pool can be used in varying amounts depending on demand in a country.

The NEL-PIA also joined its with two other insurance pools—the Mutual Atomic Energy Reinsurance Pool and the Mutual Atomic Energy Liability Underwriters—to combine resources into single liability and property pools through reinsurance agreements with each other.

For foreign and domestic combined, the pools provide up to approximately \$326 million for a single risk.

The nuclear industry has had good experience in minimizing nuclear accidents, reflected by the industry's record 36% premium credit it received in 1977 under a discount program that modifies premiums based on the pool's loss experience during the preceding 20-year period.

Liability of nuclear reactor facilities is limited to \$560 million by the 1957 Price-Anderson Act.

**N.J. panel places risks for towns**

TRENTON—A market assistance committee, organized in New Jersey as part of a compromise between the state insurance department and the insurance industry, has placed liability coverage for approximately 25 public entities.

Coverage for the government bodies was placed with the entity's original insurer with one exception, said Tim Copley, a member of the agents and brokers subcommittee. Insurers include The Home Insurance Co., Continental Insurance Co., the Hartford Insurance Group and U.S. Fidelity & Guaranty Co.

The municipal insurance crisis in New Jersey began when insurance companies providing liability coverage for school districts filed for large rate increases. The insurance department at first requested legislation creating a six-month moratorium on cancellations or rate increases. But the legislation was withdrawn when the market assistance panel was created.

However, Herman Hansler, assistant insurance commissioner, noted that although the market assistance committee has eased the availability crisis, the question of affordability of municipal coverage has yet to be dealt with.

In his State of the State address, Gov. Brendan Byrne asked for legislation establishing a reinsurance facility, municipal mutual insurance company or state insurance fund to ease the affordability problem.

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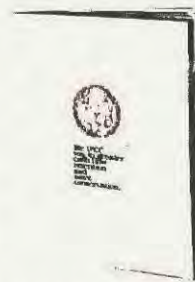
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## Utility faces 100 suits

# NYC, Con Ed reject all blackout claims

**NEW YORK**—Both New York City and Consolidated Edison Co. have refused to settle more than 27,000 claims arising from the blackout here last summer, which resulted in losses of nearly \$1 billion.

New York City, which is self-insured, decided to deny liability "across the board" for the arson and looting that erupted after the blackout. Nine thousand claims have been filed against the city, asking a total of \$300 million.

James G. Greilheimer, first assistant corporate counsel for the city, made the ruling after he and his department studied the liability

issue for five months.

Mr. Greilheimer declined to discuss his rationale for denying liability. "Some litigation will arise now that the claims have been denied so we don't want to talk about it now," he said.

Con Edison, which faces approximately 18,000 claims from its customers, has also disclaimed responsibility, claiming that "no utility can guarantee uninterrupted service."

In July, a Con Edison spokesman had blamed the service failure to an "act of God," or conditions beyond its control.

**The power company**, which is also largely self-insured, also has been hit with approximately 100 lawsuits.

The majority of its claims were brought by residences and restaurants, who claimed losses from food spoilage.

Following an earlier blackout in 1973, Con Edison was forced by the Public Service Commission to pay up to \$100 to each residential customer and \$2,000 to each commercial customer who had suffered losses from food spoilage or lost merchandise.

But that ruling only applied to local power distribution problems that lasted 12 hours out of 24. The most recent blackout was caused by a regional transmission or generating failure.

Many small businessmen made claims to the city, starting as low as \$350. Many of the small businesses were uninsured because they couldn't afford insurance even through the New York FAIR Plan, which was designed to provide insurance for people and business in high-crime areas where insurance would otherwise be impossible to purchase.

The Dominion Insurance Co. Ltd., a British corporation, filed a \$2 million claim on behalf of its insureds.

The insurance company charged the city was negligent in furnishing adequate police and fire protection.

The insurance company charged that the city did so "by directing its security forces to desist from protection of its citizens' property and for nonrelevant and unjustified reasons, by refusing, omitting and neglecting to enlist state or federal security intervention to protect property."

Since the city has denied the claims, claimants are permitted to file lawsuits, which must be started within one year and 90 days of the filing of the claim. ■

## NAIC, Conning warnings differ

**MILWAUKEE**—The National Assn. of Insurance Commissioners (NAIC) in January expressed concern over the possible confusion between its early warning system of insurance company financial difficulty and those results published by Conning & Co.

Conning & Co. has agreed to notify its customers of the difference between its figures and those of the NAIC. NAIC does not endorse the figures from Conning.

The NAIC members, insurance regulatory officials of each state, calculate ratios for all insurance companies. These ratios provide the basis of the early warning system for those insurers that might be in financial difficulty. ■



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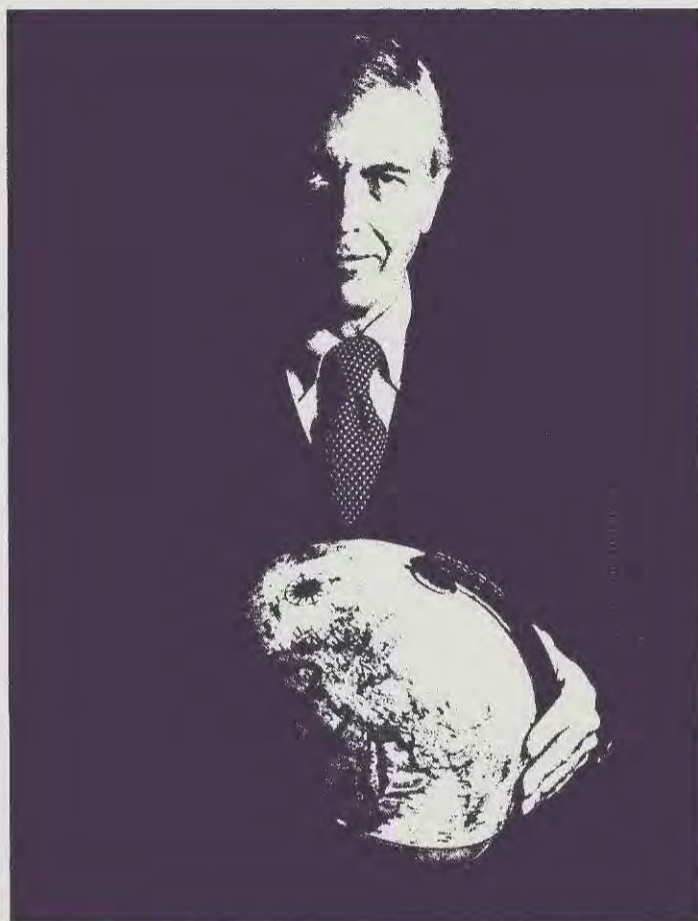
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## Carter drops life insurance, prepaid legal proposals

## Foreign earnings reform may affect captives

By JERRY GEISEL

WASHINGTON — A parent corporation could no longer defer the tax on income of its foreign subsidiary, such as a captive insurance company, under the Carter Administration's broad tax

reform package.

The Administration is calling for a three-year phase out, starting in 1979, of the current law that allows deferral of tax on the income of a foreign subsidiary until the income is brought to the United States and distributed in the form of dividends.

Now a foreign captive does not have to return its earnings to its parent. The earnings may be retained within the captive, where they are not taxed. By 1981, all profits of the captive would be subject to U.S. taxes.

However, the Carter Administration dropped two proposals that could have eliminated favorable tax treatment for employer-provided group term life

insurance and prepaid legal insurance.

The Treasury Department had proposed reducing to \$25,000 from \$50,000 the amount of term life insurance that could have been provided tax-free to an employee. It also urged repealing the tax exemption for legal insurance Congress enacted in 1976. Under those proposals, employees would have been required to include employer contributions as taxable income.

The Administration also wants to combine an individual's medical expense and casualty deduction into a new "extraordinary expense" deduction which could be used only if those expenses

exceeded 10% of income.

Casualty losses could be included in the extraordinary deduction only if they exceeded \$100 and were not covered by insurance.

Under the current rule, taxpayers who itemize their deductions may deduct half of the first \$300 of health insurance premiums. Medical expenses not reimbursed by insurance that exceed 3% of income also are deductible. One implication of the proposals is that employees covered under benefit plans with high deductibles will be hit with higher out-of-pocket expenses.

The Health Insurance Assn. of America attacked the proposal, saying it would discourage in-

dividuals from obtaining health insurance.

Another proposal calls for the elimination of the present tax exemption for premiums paid under employer-established health, accident, disability and group life insurance plans that discriminate in favor of corporate executives, shareholders and executives.

Currently, these fringe benefit plans receive two tax breaks: An employer is allowed to deduct premiums paid for employees and employees do not have to include the premiums as income.

Those twin tax breaks could continue, but only if the fringe benefit plans are non-discriminatory. Such a change would boost Treasury Department revenues by \$32 million next year, the Administration estimates.

Finally, "qualified" retirement plans will no longer be allowed to exclude employees whose earnings are below the Social Security wage base.

For every 1.8% in contributions or benefits provided under a retirement plan on compensation above the wage base, at least 1% in contributions or benefits will be required on compensation below the wage base.

The Administration says the proposal will only affect pension plans that have been designed to shelter income for a few employees while excluding all lower-paid employees.

The tax package will repeal the current law that excludes the first \$5,000 of payments made by an employer on the death of an employee. This exclusion is not necessary since "adequate tax relief for an employee's heirs is provided through a complete tax exemption for insurance proceeds."

The tax package also calls for ending business deductions for first-class air fares and reducing the deduction for business meals to 50%. ■

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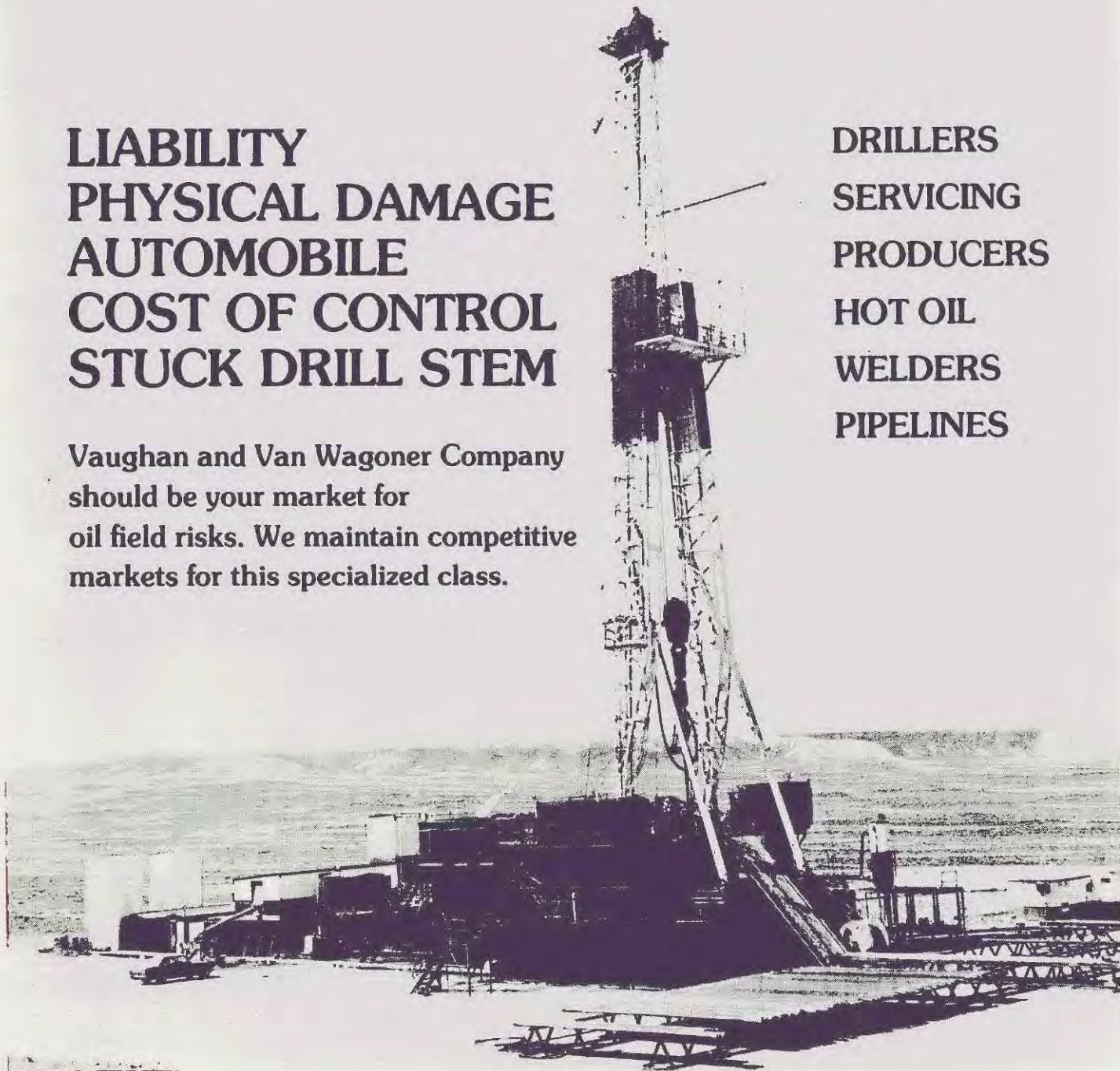
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## OSHA sets special rule for chemical

NEW YORK—An emergency standard to reduce worker exposure to acrylonitrile, a widely used chemical that has been linked to cancer, has been ordered by the Occupational Safety and Health Administration.

The standard, which was effective Jan. 17, requires a 90% reduction in exposure to the chemical that is used in some fibers, synthetic rubber and plastics. Studies of mice and surveys of workers during the past 25 years have linked the chemical to cancer.

Monsanto Co. in St. Louis said emergency standards should only be issued if the exposure is a grave danger to workers. It has contended that this exposure isn't a grave danger.

Standard Oil Co. has also criticized OSHA's ruling, saying that OSHA "acted arbitrarily and ignored industry and other governmental agency recommendations in imposing the standard."

Two other chemical companies, DuPont Co. in Delaware and American Cyanamid Co. in Wayne, N. J., said they are already meeting the recent standard set by OSHA. ■

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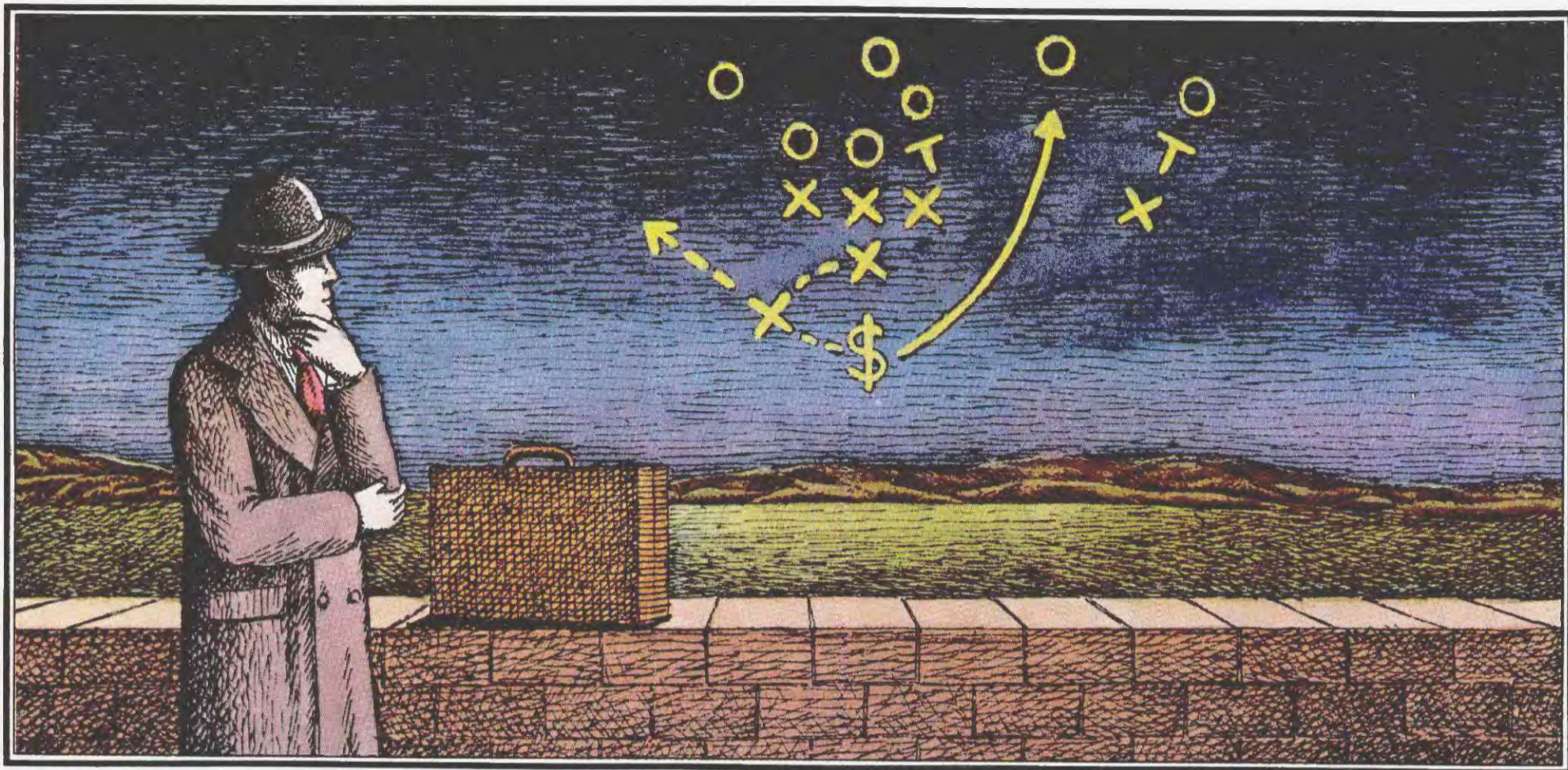
For more information and a copy of our "501(c)(9) Trust Primer," just clip and attach your business card or letterhead. Or call Al Benson, Northwestern National Life, Box 20, Minneapolis, MN 55440, (612) 372-5350.

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# New Dynamics



With more risks being retained and funded by companies themselves, risk managers face an increasingly complex array of strategic decisions in providing protection for their firms' assets.

A brief review by INA of an insurance topic of interest to business executives.

Sometime in the past few years, a corporate risk manager is likely to have undergone an unsettling experience.

He may have discovered, when an insurance policy came up for renewal, that the cost of an important part of his company's insurance coverage had climbed to unprecedented heights—perhaps even doubling or tripling. Moreover, some portions of his company's risks may have be-

come uninsurable at any cost. For the risk manager, such an occasion may have represented a milestone—the start of the self-insurance era.

Although there has been some measure of relief from the tight insurance markets of the early 1970s, primary insurance for business is not again likely to be as easily available and relatively inexpensive as it was a decade ago. Inflation, broader concepts

of corporate liability and high jury awards have raised the demand for insurance beyond the supply. To fully protect his company's assets, the risk manager is now retaining large portions of many risks, rather than transferring them to commercial insurers.

Which risks? By and large, those exposures can be self-insured which predictably result in a large volume of small claims and which are not subject to catastrophic losses. The two principal ways of retaining risks are by means of high deductibles and by establishing a formal funded self-insurance program. For a corporation with upwards of \$250 million in annual sales, this can mean retaining as much as the first \$1 million or more of aggregate corporate risks.

In short, the risk manager is tending more and more to become his own primary underwriter.

# in Self-Insurance

## Major considerations

As such, he must choose, from among a number of complex alternatives, a program that assures his company the fullest possible protection at minimum risk and expense.

The financial capacity of the company to assume risk must be determined. All feasible internal funding methods need to be reviewed, and appropriate funds must be earmarked as risk retention reserves (including those formerly intended for insurance premiums). Tax consequences must be evaluated—for example, insurance premiums are fully deductible from federal income taxes, while funds set aside as reserves may not be.

Cut-off levels must be established beyond which the company's exposures will be transferred to commercial insurers. Even the formation of a company-owned "captive" insurance company may be indicated.

And as part of a self-insurance program, the risk manager must take over many of the functions of an insurance company. These include such responsibilities as loss control, claims adjustment and even salvage and subrogation. For all of these, he may elect to use the services of an outside organization.

## Filling the gaps

A further complexity for the risk manager is that many primary insurers are holding down the upper limits of their policies. Insurance above those limits must be placed with "excess" carriers, who may have restrictions of their own.

For example, on \$20 million of coverage wanted for a given risk, a primary carrier may not be willing to underwrite more than \$250,000 to \$500,000 (above the deductible). Yet the first excess carrier may itself have a minimum lower limit of \$1 million—thereby

creating a gap which can be difficult to fill. Moreover, to reach the \$20 million limit, several layers of excess insurance may be needed, all of which must fit smoothly together.

Arranging for such complex insurance coverages has become an important responsibility of the risk manager and his broker. In response to this need, INA has created a special facility to provide comprehensive products and services covering all aspects of insurance and risk management.

\* \* \*

The Insurance Company of North America was founded in 1792 in Independence Hall, Philadelphia. Today it is the largest component of INA Corporation, whose vast resources are primarily devoted to serving the insurance and financial needs of business worldwide. Property and casualty insurance, life and group insurance, risk management services, investment banking, and hospital and health care management are all part of the INA spectrum.

INA insurance products and services are available through selected independent agents and brokers. For an informative booklet on current trends in self-insurance, write INA Corporation, 1600 Arch Street, Philadelphia, Pa. 19101.

## The last stand of the "first dollar"

Insurance policies that provide business with "first dollar" coverage—protection without deductibles, right down to the smallest claims—appear to be going the way of the five-cent cigar.

And in the opinion of many insurance people, that's a good thing for all concerned.

Large numbers of very small claims, they point out, are most efficiently handled outside the insurance mechanism. Incorporated in insurance, they are unproductive, forcing rates up.



# INA

The Professionals

# ARA improves benefits, stresses cost control

By REBECCA A. FANNIN

PHILADELPHIA—ARA Services Inc. has revamped its benefit

package at a cost of \$500,000, but expects to save more than that amount by stressing out-patient and preventive care.

Armed with a rewrite of the company's medical benefit booklet, ARA hopes to cut employee benefit costs by making employees more conscious of costs and by encouraging employees to limit use of expensive hospital care.

Manager of benefits Bruce Brodsky said the changes were implemented partly at the encouragement of its insurer, The Equitable, which along with its competitors has been stressing ways to encourage cost control (BI, Jan. 23).

Although the improved benefits will "cost a lot of money," Mr. Brodsky said the new focus that encourages employees to use the benefits less will offset the cost.

Before the changes ARA paid approximately \$6 million a year for all welfare benefits (excluding pensions) for its 9,800 salaried and hourly employees.

Sixty percent of that cost is for hospital care, according to director of benefits Howard Kinfield, "so we tried to do anything that reduced hospital costs."

**Toward that goal**, ARA's benefit changes focus on paying for treatments on an out-patient basis that were previously only covered in a hospital.

To encourage use of extended care facilities instead of hospitals, ARA now pays 50% of the semi-private fee in such facilities.

"We made this change because we wanted to make employees aware of other things besides expensive hospitals and because

these facilities are cheaper than hospitals," said Mr. Brodsky.

Out-patient care for medical emergencies was also initiated, with ARA now covering up to \$100 for treatment within 72 hours.

Providing coverage for pre-admission testing done outside of hospitals was the third change.

Changes in surgical benefits emphasize use of free-standing surgical centers, which Mr. Brodsky said are cheaper to use than hospitals. Diagnostic testing in such centers is fully covered while surgery coverage in such facilities is the same as if the procedure were performed in a hospital.

Home health care is also covered for the first time to reduce hospital use. ARA will pay 80% after a deductible for nursing or any therapy at home.

In another cost-savings move, ARA has initiated the payment of up to \$100 for preventive care.

"This is normally only covered if the testing is diagnostic, but we will cover for anything routine," Mr. Brodsky said. It's better to detect illness early rather than late, he added.

The company also adopted a new method introduced by Equitable last year for reserving for claims. ARA retains three months of reserves normally needed if its contract with Equitable is terminated. Typically, these funds are kept by the insurer to cover claims not yet paid out.

According to Andrien McMullan, an account executive at Equitable, ARA Services is one of the first companies to use the method.

"We now have use of the three-month reserve to invest," said Mr. Brodsky. "We were willing to risk it because of the investment opportunities," he said.

The reserve method is part of Equitable's modified administration plan, which also includes a method for companies to self-insure with limited liability.

**ARA has also adopted this approach**, which it calls a minimum premium plan.

Explaining that the plan is the middle ground between self-insurance and full insurance, Mr. Brodsky said it "establishes a maximum liability for us and still lets us keep reserves on hand."

Mr. Brodsky explained that out of every dollar they would have paid to the insurance company, 94% goes into its own bank account and the remaining 6% goes to Equitable. If the claim exceeds the bank account, it then goes to the insurance company for payment.

ARA also made minor changes in its benefits package. It increased the maximum it will pay for surgery expenses to \$800 from \$600. Insulary expenses, which cover everything but room and board, were also increased to \$1,000 from \$800.

Coverage for room and board for maternity was increased to four days from three days. Intensive care benefits were improved, so that the first 10 days of intensive care will be covered in full.

Coverage for dependents still in school was extended to age 25 from age 23. Survivors will also be covered for three months after their spouses die. Previously, benefits were cut off immediately. ■

## A&A acquires St. Paul broker

NEW YORK—Alexander & Alexander Inc., the nation's third largest broker, has acquired the Anchor Agency Inc. in St. Paul, Minn.

Robert M. Knox, George P. Sampair, C. William Treacy and John Paulet, former officers of the Anchor Agency, will become vice presidents of Alexander & Alexander Inc.

It is expected that the marketing capabilities of Anchor will expand by adding engineering, risk management, reinsurance and actuarial facilities. ■

## New AIG office

AIG Risk Management has opened an office in Brussels, Belgium, to service U. S. firms with overseas facilities as well as European companies. ■

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# All forced retirement ages to go: Consultants

CHICAGO—Mandatory retirement at any age will probably soon be abolished, predict consultants Towers, Perrin, Forster & Crosby, though pending federal legislation would only raise the allowable mandatory retirement age to 70.

And while current legislation would permit corporations to reduce benefits for workers who stay on the job past 65, it is likely Congress will eventually outlaw age discrimination in benefits, said TPF&C consultant David L. Glueck.

On the differing mandatory retirement bills now pending before a House-Senate conference committee, senior actuary Robin G. Holloway said TPF&C expects the conferees to adopt the House provision eliminating mandatory retirement completely for federal employees. The committee will also accept a more restrictive version of the Senate bill allowing mandatory retirement at age 65 for tenured college professors and highly paid executives, he conjectured.

Differences over the effective dates—the Senate bill would be implemented on Jan. 1, 1979, while the House bill would require compliance by most plans within 180 days and union-bargained plans within two years—are narrowing as the bills are delayed and are not expected to be a problem.

But the federal measure would not preempt more liberal state mandatory retirement legislation,

Mr. Holloway pointed out. California recently abolished mandatory retirement, although the bill's effective date is in dispute, and similar legislation is pending in New York, New Jersey, Massachusetts, Rhode Island and Illinois.

Corporations with employees in California may be pushed to abolish mandatory retirement ages everywhere to preserve uniform policies, the consultants said.

As many others have pointed out, Mr. Glueck observed that the pending legislation would allow corporations to reduce life insurance for employees over 65, freeze pensions, apply an employee's Medicare coverage and force dis-

abled employees to retire.

Mr. Glueck said there were reports that the Labor Department might issue regulations after the federal legislation is enacted requiring benefits that do not discriminate against workers over 65. "Pressures for equal treatment will grow," he told a TPF&C seminar. "Even unions will join the bandwagon since they will represent workers over 65."

Another TPF&C consultant noted that 86% of all individuals over 65 suffer from chronic degenerative diseases and many persons will not want to work past 65.

Mr. Glueck said corporations willing to accept older workers would have few problems with benefit plans. But companies want-

ing to encourage retirement at 65 would be forced to make retirement more attractive, he added.

For these companies, profit sharing and thrift plans will become less attractive, he predicted. Inflation and poor investment return might encourage workers to remain on the job past 65 and firms may have to add "floors" to the pension programs to counter this, he suggested.

If full benefits are required, pension plans will probably have to recognize accruals and pay after age 65. As companies are prohibited from discriminating against older persons in hiring, there will be increased pressure for portability of benefits, the consultant

said.

In the medical area, firms may be required to fill in the holes in Medicare coverage. But the most costly items in non-discriminatory benefits could be life insurance and disability coverage.

Life insurance is 50% more costly for persons over 65, Mr. Glueck said. Disability programs, often providing more benefits than pensions, may be faced with increased costs if older workers on disability can not be forced to retire, he said.

One company told TPF&C it might be forced to raise long term disability rates 65% if this occurs and other companies indicated they might withdraw from the market, the consultant said. ■

## Sailor wins large award from firm

SAN FRANCISCO—A superior court jury here awarded \$943,500 to a seaman who was crippled after being attacked by a fellow seaman while their ship was docked in the Panama Canal Zone.

The award was against Sea-Land, a subsidiary of R. J. Reynolds Industries Inc., the operator of the ship and the injured seaman's former employer. It was reported to be a record award here.

Sea-Land is a member of the U.K. Protection & Indemnity Club and insurance covers the loss. Sea-Land has not decided yet to appeal the case.

The incident occurred Oct. 5, 1972, when seaman George H. Black, 58, was attacked by 22-year-old Gregory Stitt. As a result of the attack, Mr. Black suffered cranial damage and now is confined to a wheel chair.

Mr. Stitt pleaded guilty to the assault, but committed suicide in a Canal Zone prison two months after the incident.

Mr. Black's suit against Sea-Land contended that the ship operator was liable for his injuries because it allowed a dangerous man to board the ship, making the S.S. St. Louis "unseaworthy." In previous admiralty cases, courts have ruled a ship owner is responsible for damages if it hires a crew member whose disposition is uneven compared to others aboard the craft.

While Mr. Stitt may have acted erratically on occasion, such as turning a plate upside down, no evidence was established that he had violent tendencies, Sea-Land attorney Francis Tetrealt said. ■

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# Risk to management: A play-by-play

By KATHRYN J. McINTYRE

TAMPA—Tampa Manufacturing Co.—a multi-state, \$1.2 billion plastics, chemicals and office equipment manufacturer with 28,000 employees—is looking at a \$3 million standard premium for \$300,000 per occurrence automobile and general liability insurance and a \$6 million standard premium for \$250,000 per occurrence workers compensation coverage.

The policies are retrospectively rated and when calculated for their discounted after tax cost carry a price tag of \$4.1 million, \$2,658,348 on workers compensation and \$1,407,319 on AL and GL. Projected losses are \$2.3 million on AL and GL and \$3.9 million on workers compensation.

Is there a better way than these

retro plans to manage these risks, perhaps through self-insurance or a captive?

That was the question presented to a panel of risk management and insurance experts at a recent CPCU seminar held here. The name of the company is fictitious, but the situation presented is factual.

The panelists—risk managers, a consultant, brokers, underwriters and service company representatives—tackled the assignment unrehearsed, with all the sincerity of the real thing.

Consultant Warren G. Brockmeier of The Wyatt Co. recommended Tampa Manufacturing investigate self-funding these risks. Risk managers W.L. Hyland of General Telephone & Electric Corp. and Richard S. Johnson of

Owens-Illinois Inc., representing Tampa Manufacturing, instructed their broker, who was earning a 2% commission, to comb the markets and present some alternatives.

Johnson & Higgins vp Arthur V. Erikson found Aetna Life & Casualty Co. would write a \$250,000 deductible program on AL and GL with a \$3 million annual aggregate for \$200,000 payable in 12 equal payments. Director of national accounts underwriting Clinton N. Greene quoted a 10.5% claims handling charge and requested a \$35,000 loss paying fund escrow account. Discounted after tax cost of the program: \$1,250,786.

On workers compensation, Mr. Greene would not write a front but offered a paid loss retro plan with full statutory limits at a

13% basic premium paid over 12 months, a 1.05 tax multiplier, a 1.115 LCF on the first \$100,000 on any occurrence, and a 125% retro maximum. Discounted after tax cost: \$2,309,620.

Mr. Greene noted two conditions to the coverage: Aetna would want to know the number of underwriters quoting the business before spending \$8,000 to \$10,000 to quote the business and claim control would have to remain with Aetna. Independent claim handling companies, even Aetna's own, are not satisfactory, Mr. Greene said, because their interest is in their clients and not in the insurance company.

Claims handling charges on a self-insured AL and GL program were quoted at 8.5% of incurred claims with a \$164,900 minimum

or \$164,900 for handling the first 570 claimants and \$289.29 for each additional claimant by Irving R. Gray, secretary/manager of self-insurance services at GAB Business Services Inc.

Frederick G. Minchik, vp of Kemper's NATLSCO, quoted \$741,883 for claim management for all three lines, demanding \$370,941 upfront with the remainder paid at 6% of losses as paid.

At General Reinsurance Corp. broker Art Erickson found assistant secretary Cliff Malmstrom willing to write \$2 million of specific excess insurance over a \$250,000 SIR on workers compensation, but not everywhere. Because of the liberal benefits, Mr. Malmstrom said he'd pick up at \$300,000 in Illinois and Pennsylvania; at \$400,000 in Iowa and Minnesota; at \$500,000 in Connecticut, Arkansas, and Washington, D.C., with \$250,000 acceptable elsewhere. Cost: \$184,000, payable quarterly.

Considering losses, administration and another \$10 million of excess insurance estimated at \$46,000, the self-insured workers compensation program was tagged at \$2,310,622. One self-insured cost the panel couldn't price, however, was the "worry factor," noted a producer from the audience at the CPCU seminar.

Joseph C. Smetana, president of AIG Risk Management Inc., offered to front for a captive on the first \$250,000 of workers compensation with unlimited statutory excess and the first \$300,000 of automobile and general liability for a 4.5% "name and fame" charge. Adding flow through charges of 3.5% on the AL and GL and 5% on workers compensation, other fronting charges and captive management costs, Johnson & Higgins calculated the discounted after tax cost of putting the risk into the captive at \$3,541,038.

The panel mapped out the alternatives as: current conventional program at \$4,097,558; placing the entire program with Aetna for \$3,560,406; self-insuring the workers compensation and going with the Aetna deductible program on AL and GL for \$3,561,408 and putting the risk into the captive at \$3,541,038.

The savings in the Aetna, self-insurance and captive programs compared to the conventional plans were attributed primarily to cash flow and investment advantages.

With a strict deadline in the script for reaching a decision, the risk managers said they really needed to get an extension on the current coverage while the alternative proposals, so close in price, were refined.

Consultant Warren Brockmeier vetoed that idea as expensive. He suggested, because of the time needed to start a captive, that the risk managers go back to Aetna with the thought of self-insuring workers compensation in a few major states.

AIG's Mr. Smetana offered to solve the time problem by implementing a straight front and holding the money until the captive was established.

Broker Art Erickson said he would buy the Aetna proposal. Given the numbers, risk manager W.L. Hyland said he would choose the Aetna program too.

But risk manager Richard Johnson said, "A captive or self-insurance has economies not shown at the moment," and that he would go with one of those alternatives.

His advice: "Break away, gentlemen, break away."

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Bob Meyer spends as much time supervising property loss control specialists overseas as he does in this country.



Walter Pritchard, mining specialist in our Cleveland office, often finds himself consulting with our San Francisco people.

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## info for buyers

• The 1977 National HMO Census Survey is the result of the coalition effort conducted by the AAFMC, BCA, GHAA, HIAA and NABSP. The responses (93% fulfillment) of all major HMOs surveyed produced extensive information about HMO size, age, type of sponsor, growth, hospital and physician utilization, type of physician group and family premium rate. This data is presented in 37 different tables. Copies of the survey are \$3. Write Education and Research Dept., Group Health Assn. of America, 1717 Massachusetts Ave., N.W., Washington, D.C. 20036.

• Revised and updated, GAB's Little Red Book 1978 is a comprehensive directory of addresses and telephone numbers for the more than 650 GAB branches throughout the U.S., Canada, Caribbean and Europe. Also listed are the company's services and key executives. The directory includes a tear-out card with the emergency claims service telephone numbers. The 62-page booklet is available without cost by writing J.W. Weatherstone, Marketing & Products Division, GAB, 123 William St., New York, N.Y. 10038.

• Insurance Facts is an 80-page booklet annually published by Insurance Information Institute. It is an source of information containing statistics and information about the property and liability insurance business for use by editors, writers, speakers, teachers, students and insurance people. This yearbook reviews the factors that contributed to underwriting losses in 1977, including increased costs of goods and services for which insurance must pay and more and more lawsuits resulting in larger jury awards. Single copies are free; each additional copy costs 75 cents. Write Insurance Facts, Insurance Information Institute, 110 William St., New York, N.Y. 10038.

• What About Drugs & Employees? is a brochure that addresses the formal policy of the Kemper Insurance and Financial Cos. regarding on-the-job instances of drug traffic and drug abuse. It is a supplement to the management guide on drugs. Up to 50 copies are available free. Write Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60049.

## dates for buyers

Feb. 23-24. Forecasting the Insurance Climate is theme of the conference of the Society of Insurance Research to be held in Tampa, Fla. The workshop will cover the development and use of economic models in forecasting both personal and commercial lines results. Group discussions will center on gauging the impact of economic and demographic trends on consumer buying patterns and on the insurance industry, how the use of economics contributes as input to corporate models and a review of the NAIC "Early Warning System" model used to measure solvency of property and liability and life and health companies. Cost: \$60. Contact: Gloria I. Garcia, Director of Underwriting, Bankers Standard Insurance Co., 1900 Biscayne Blvd., Miami, Fla. 33132; phone 305-573-1234.

March 6-7. Risk of Management of Foreign Investments and Operations sponsored by The Wharton School of the University of Pennsylvania to be held in Chicago. The seminar will present analytical approaches and methods for the management of political risks in foreign investments and operations. Cost: \$425 per person plus \$60 per company. Contact: Heidi E. Kaplan, Information Services Manager, Dept 14NR, New York, N.Y. 10017; phone 212-953-7262.

# BI communication contest adds 5th category

NEW YORK—Business Insurance is creating a fifth category in this year's Employee Benefit Communication Competition in recognition of the time and effort corporations are spending to meet ERISA requirements.

An award will be presented this year for the best summary plan description. Companies may enter their summary plan descriptions in the new category exclusively for SPDs or they may enter their effort in any of the four other categories: total communication effort, booklets, personalized cor-

respondence and audio-visual presentation.

The deadline for entries is Feb. 20. The winners will be announced at the April conference of the Risk & Insurance Management Society in New Orleans.

Entry forms or further information may be obtained from Ronnie Drachman, Awards Coordinator, Business Insurance, 708 Third Ave., New York, N.Y. 10017.

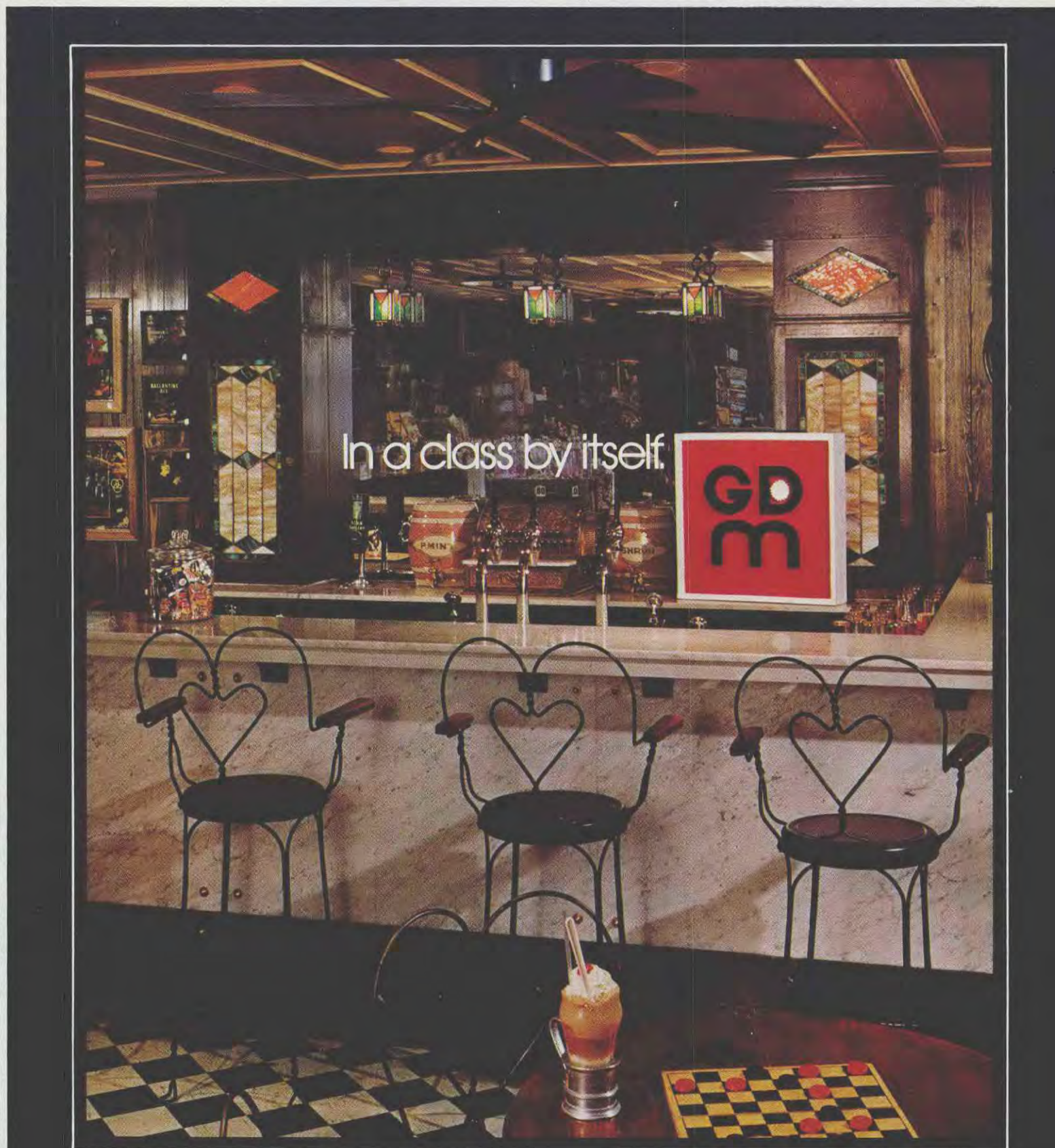
A \$60 entry fee is required for the total communication category, \$45 is needed for an audio-visual

presentation and the fee is \$35 for booklets, personalized correspondence and summary plan descriptions.

Two copies of booklets, personalized correspondence efforts and SPDs must be submitted with the entry application.

Among the judges are Constance A. D'Agosta of Puritan Fashions Corp. in New York; Nancy Oblinger of Swett & Crawford in Los Angeles; William S. Rice from Celanese Corp. in New York; Edward Romm at International Nickel Co. in New

York; G. R. Androvic at International Paper Co. in New York and Mary Jane Buddy at Cheeseborough-Pond Inc. in Greenwich, Conn. Also Gerald A. Kraemer of AMF Inc. in White Plains, N.Y.; Robert Ford from Kenne-cott Copper Corp. in New York; Vincent J. Tomo at Inmont Corp. in New York; Niels H. Nielson from J. C. Penney Co. Inc. in New York; Melvin L. Benjamin of Johnson & Johnson in New Brunswick, N.J., and Ann D. Wyant at Bristol-Myers Co. in New York.



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## Acquisitions: What can they do TO you?

By Delbert A. Betterley

Senior Consultant  
D.A. Betterley Risk Consultants  
Worcester, Mass.

**A TEAM IS FORMED** to investigate acquisition opportunities. A prospect is found. The normal business risks study the balance sheet. Legal and financial considerations are met. The deal is consummated.

A year later you find your company being sued or in dire financial jeopardy because your newly

acquired company:

- Contaminated a stream near its plant.
- Has a rash of workers compensation claims over health conditions in its plants.
- Marketed a defective product that's causing user injury.

What went wrong happened before the acquisition. The study of liability risk was not a significant consideration on your acquisition checklist. Your acquisition team was looking only at the business risk and insurance-covered risk. Had they looked to fortuitous or chance risk as well, the acquisition procedure would have been complete and thorough. Risks that can result only in loss, with no possibility of profit, must also be uncovered, identified, analyzed and somehow compensated for before the acquisition or merger is completed.

Your acquisition team asked: What can the new company do for us? The important risk consideration asks: What can the new company do to us? Have your experts answer both before becoming too deeply involved with an acquisition or merger. Include the risk manager's evaluation when considering the marriage—not after the ceremony.

The kinds of risk most often overlooked by an acquiring company are product liability, workers compensation, directors and officers liability and crime (fidelity risks).

To protect itself against those risks, the acquiring company can take the following

steps:

- **Identify the risks.** This is easier said than done, for acquisition teams deal with legal, business and financial considerations only. Unidentified, and consequently undealt with, risk can lead to a nasty punch in the corporate pocketbook a year or two or more down the road. Include on your acquisition/merger team an expert who can recognize and evaluate the risks that may be hiding in the company you wish to acquire. Of course, a key member of that team is the chief financial officer.

- **Evaluate the risks.** Put a value on them so they can be dealt with. But it may be that certain of the risks cannot be evaluated. In that case, the inability to fix value should go into the equation, before the decision to acquire is made.

- Presuming a value can be fixed, **determine whether insurance is available** to cover the various known risks. If it is, determine whether it is worth the cost.

Analyze the risk carefully and do all that can be done to cover it or eliminate it. Some of the procedure will differ with whatever is being acquired—whether it's a chain of nursing homes, an energy-related company, a drug manufacturer or an aircraft parts maker—but try my 10-point checklist to get at the risk you may inherit in acquisition or merger.

- Define the property to be acquired.
- Outline its operations.
- Ask if it is protected against fire or exposed to earthquake damage. Are its operations polluting a nearby stream? What is the exposure to or from neighbors?
- Learn about the products manufactured.
- Determine the extent of control over product liability.
- Evaluate quality control procedures, past and current.
- Appraise employe relations and the labor relations mood.
- Look into customer relations and suits against the company.
- Consult with legal counsel about the liabilities of the operation.
- Study the insurance program of the company being acquired. Is it adequate and does it extend to us, the acquiring company?



Visit the site of a pending acquisition. Check the insurance program, but don't be lulled into thinking consolidating the program can solve all problems, says Delbert Betterley.

With point 10 goes a caution: Don't think the risk of acquisition can be covered simply by consolidating the insurance coverage of the acquired with the new parent. Risk management is not insurance management. The former deals with all of the risks. Insurance is only one means of dealing with risk.

The highest potential for damage to the bottom line of the acquiring company is probably the product liability risk.

Say you are considering buying a machine manufacturer who produced plastic molding machines. It has been in business for years. In early years one safety switch on a gate was acceptable. Over the years those machines were built, sold and resold. A person is seriously injured using one and a workers compensation suit awards thousands of dollars to the injured, with

the liability for the machine's manufacture reverting to the present owner of the company.

In the acquisition procedure the team should look into what machines there are and how well they are equipped for safety.

Even though the company you are acquiring no longer makes a product, look into it for the liability that probably still exists.

If a company's manufacturing process has been polluting, the acquiring company may inherit an accumulation of pollution damages, a potentially large liability. Such is the case with most major paper companies which have grown by acquisition. One case is typical. Since 1900 the company's plant had been discharging white water into a sizable lake, filling a bay so

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## Self-funded benefit plans can pioneer cost control

By Paul J. Roman

President  
Office of the Administrator  
Blue Bell, Pa.

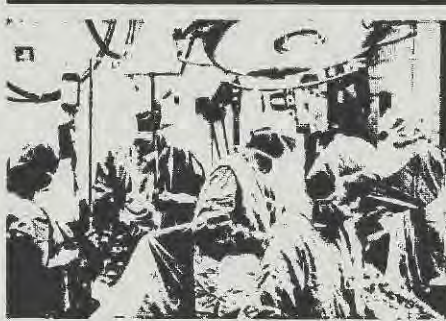
**"IF I HAVE TO PAY** the deductible, I'll have my son admitted to the hospital for his surgery."

This statement was made by an employe of one of our self-funded clients. The health care benefits covering this employe required a deductible and coinsurance payment for outpatient surgery, like many other medical plans.

This particular surgery could have been performed on an outpatient basis at much less cost. This employer accepted our recommendation to pay for the outpatient surgery on a usual, customary and reasonable fee basis. The employe saved the deductible and coinsurance payment; the employer saved the cost of one or two days in the hospital.

This is only one example of the methods that can save a health care plan a significant amount of money. A well designed plan should avoid costly hospital confinements, a philosophy that is easier to implement in a self-funded plan than in an insured program.

Other methods that should be part of a well designed plan should be the incorporation of deductibles and coinsurance,



Many benefit plans actually encourage an extra day or two for hospitalization by excluding payment for pre-admission testing before surgery.

pre-admission testing, reasonable coordination of benefit provisions and second-opinion surgery consultation.

One of the major reasons for the escalating cost of health care is the influence of the third-party payer in the health care triangle of the employe, the provider and payer. The ultimate payer, of course, is the employer either directly or through a plan administrator—whether it be a service organization, an insurance carrier or a contracted third-party administrator.

Many times the employe receives health care never knowing the actual cost—and sometimes quality—of this care. Is it any wonder costs go up as the demand for "free care" increases with the providers knowing it doesn't cost their patients anything?

We believe, therefore, that a properly designed health care plan should include deductibles and coinsurance. The primary purpose of deductibles is to preclude the small claims which have a high administrative overhead, while coinsurance makes the employe aware of the cost of health care, reducing demand for expensive unnecessary care.

We're witnessing a definite trend away from full coverage to shared costs through coinsurance. The process is to amend a plan to keep costs down and let the individuals who incur the services pay through the coinsurance vehicle.

Many plans actually encourage an employe to enter a hospital a day or two prior to treatment or surgery because their plan does not have an effective pre-

admission testing program (PAT). To be effective, a PAT program must have a financial incentive to preclude that extra day or two of confinement. Unless told otherwise, we automatically include full usual, customary and reasonable coverage for testing within three days of confinement, even if the employe's plan has deductibles and coinsurance applying to hospitalization coverage. At first we met with some employer resistance but employers quickly agreed when they saw the alternative was one or two days of unnecessary hospital confinement.

There is a trend, particularly on the West Coast, to design coordination of benefit provisions that encompass all group and individual policies under which an employe or dependent might be covered. In effect, this provision makes an employer's plan secondary to all other plans. This is different from the normal COB provision, which only coordinates with other group coverages and becomes the secondary carrier only under certain circumstances. The insurance department of Pennsylvania will not approve an insurance carrier's request for a similar provision but since an employer's self-funded plan is exempt from state control such a provision is possible.

However, we don't think this trend is healthy since it tends to invite state

*Continued on following page*

# Insurance, risk managers aren't interchangeable

By Peter Downes

Manager of Insurance  
American Trading & Production Corp.  
Baltimore

IT SEEMS THAT all my life I have been getting into hot water because of a habit which many find unforgivable. Try as I might I am quite unable to refrain from laughing at the pretensions of others. It is not that I mean to be unkind, but when I hear some of the claims people make for themselves I cannot help chuckling.

I thought of this when *Business Insurance* announced that it would name a Risk Manager of the Year. My first thought was that it would not be too difficult, as there are not many of them. This in turn caused me to remember an occasion when I was at a seminar during which the speaker asked rhetorically if the risk manager had come a long way from the insurance clerk of a few decades ago. I thoroughly disgraced myself by missing his point entirely. Indeed, for a moment I thought that I had wandered into a Bateman cartoon because there was I roaring with laughter at the absurdity of such a notion in the midst of a room full of self-styled risk managers who were glaring at me in various stages of

indignation. Actually, this only made matters worse—they looked so funny.

As in all generalizations, I was only partly right because some risk managers have come a very long way indeed from the positions enjoyed by their predecessors. But so far as I can judge, not very many of them have done this. Indeed, I feel it is still true that the greater number of risk or insurance managers do not actually manage anything at all and that their title of manager is one of courtesy only.

To be fair, this is not their fault since it is the result of the American habit of giving everybody a title whether it describes their function or not. One sees this in banks and insurance brokerages where there are hordes of vice presidents who are not corporate officers. Then again, in England the underwriter is a very senior and experienced official. In America he is often somebody who can hopefully read a rate table. I was an underwriter myself once, only they called me a rating clerk.

It does not really matter what title a person carries except that these misnomers do tend to give rise to delusions of grandeur. Consequently, many staff assistants actually convince themselves that they do really manage or direct, whereas in reality all they do is administer a few insurance policies. An extreme example that I am aware of actually calls himself the director of risk management but is

concerned only with property and liability insurance and the purchase of office supplies, among other things. The way he talks of his activities you would never guess that his brokers and underwriters negotiate directly with top management and he is not even invited to sit in at their meetings. In practice his job is to take care of the paper work after receiving his instructions from his supervisor.

At the other extreme is the person in charge of the large department who does manage something and exhibits a high degree of professional expertise as well. There are surprisingly few of these. I

## —Speaking Out—

think it is still true to say that the greater number of so-called risk managers are no more than minor corporate functionaries pursuing unavailing empire-building efforts in some obscure corner of the corporate office.

Then again, regardless of title everybody seems to want to be known as a risk manager and not an insurance manager. In fact, the terms are not synonymous. Most people in the trade are insurance managers and not risk managers at all.

There is nothing to be ashamed of at being an insurance manager. The modern version of this expert is well-schooled in many disciplines in addition to insurance, such as communications techni-

ques, safety and loss control, the use of self-insurance, various financial procedures, captive insurers, operations research techniques and so on. But notwithstanding this sophistication he is still an insurance manager.

Needless to say, insurance management is an integral part of risk management. How then may one distinguish a risk manager from an insurance manager?

In my view there is only one way, which is that a risk manager has the ability to envisage his corporation in its total socio-economic environment and act accordingly. Ron Stolle, an obvious risk manager, was well aware of this in his letter to the editor (*Business Insurance*, Nov. 14). He made it clear that it is not nearly enough to know what is happening in the world but that each of us and our employers are immersed in the political, social and economic scene and we are governed by that totality.

As I wrote a few years ago, consideration of such matters lies on large measure outside the specialties of other management fields and hence, there is a vacuum to be filled. The person who can do so will be truly a risk manager.

How many risk managers are there at the present time? I have no precise way of knowing, but I think not very many. There are some excellent insurance managers but I would guess relatively few are capable of thinking in the broader socio-economic terms I have suggested. But I stand to be corrected. ■

## Risks in acquisitions . . .

Continued from preceding page

that pollution spread when a storm stirred the water. The state finally took issue and went after the present owner. The polluter was a small company that had been acquired, so the acquirer inherited the pollution liability. To clean up the problem cost millions.

Is pollution covered under a liability policy? The answer is generally no. So, first consider the risk, then the handling of that risk, which may involve insurance. The acquiring company must analyze and evaluate the potential liability before acquisition.

People contracting cancer who once worked in vinyl manufacture now think in terms of workers compensation. In Kentucky a higher than normal incidence of cancer was discovered among employees of one industry so that now a former non-occupational disease is declared job-related, creating extensive liability for the plant owner. If your company acquires that kind of company you may be picking

up workers compensation liability.

The cost of workers compensation is primarily dependent on losses. So, with the influx of occupationally related diseases, workers compensation premiums are driven up, maybe enough to affect your final figures.

A company we worked with recently was self-insured for workers compensation, saving \$25,000 yearly on premiums. Many of their workers in nuclear energy plants were subject to possible radiation exposure. If the state declared a disease related to that work condition was compensable, pneumonia, even colds, etc. could hurt the self-insured company. We advised them to go on an insured basis.

While self-insurance is fine for a continuing operation, even an expanding one, it is poor for a contracting operation because of the long tail on its workers compensation exposure. You may receive a claim now that causes you to pay a permanent and total disability for years with

no income or loss reserve to absorb it.

Employee theft undiscovered at the time of acquisition is usually charged against the acquiring company when discovered. For this liability risk to be covered, the acquiring company should:

- Notify its insurance company of the acquisition. (Sounds obvious, but I mention it because it has been overlooked, with costly consequences.)
- Take steps to assure the "cleanliness" of company being acquired.
- Include the risk management element in your team of examining accounts.

Before one acquisition, an employee was stealing funds from a company. It was not discovered at the time of the acquisition, despite checks by teams from two nationally known accounting firms. Four years following acquisition the theft of about \$1.2 million (some before and some after acquisition) was discovered. In this case it was insured because the insurance company had been notified of the acquisition. If the loss occurred prior to acquisition it is still covered under a well-drawn insurance plan.

The range of possibilities in the area of

directors and officers liability is broad. Recently, the attorney for a company with sales of \$30 million contacted us. The company was being acquired by a larger company. The larger one wanted a substantial escrow fund established, to be paid if no hidden liabilities were discovered within five years. Who should be responsible for that fund? The officers of a selling company can be hurt if the acquisition doesn't go through or if the fund doesn't come back to the owners of the company because of liabilities they did not know about or because of resultant mismanagement.

The acquiring company has a directors and officers exposure when they acquire a company that is not all it was supposed to be. They could lose money with the acquired firm. As complete an investigation as possible before the marriage is the best way to protect against this risk.

The experience of my firm, which dates back to the early 1930s, shows that companies only come to us for advice after an acquisition. I cannot remember when a company came to us when considering an acquisition.

But that is the time to investigate hidden liabilities—before the acquisition. ■

## Cost control methods . . .

Continued from preceding page

control in much the same fashion as they have asserted over so-called ERISA multiple employer trusts. However, we do feel certain modifications of the standard COB provision are reasonable: coordination with mandatory no-fault insurance and coordination with individual policies provided through service organizations. Neither of these are popular with employees, because many employees would like to profit from their accidents or illnesses.

Coordination is particularly important with no-fault insurance in the disability income area because of the ease of malingering. We recommend an overall limitation of 80% of take-home pay as the coordinated benefit.

The most significant area of cost savings

to a health care plan is a pre-surgical review program, popularly known as second-opinion surgery. There is a great deal of questionable surgery resulting in excessive demands for benefit payments to cover both physician service and additional hospitalization. The concept of pre-surgical review not only precludes unnecessary surgery but also tends to improve the quality of treatment.

It isn't difficult to initiate a second-opinion surgery program. The first step is to establish a group of participating board-certified specialists to serve as second or third (or more) surgical consultants. In establishing our system we found enthusiastic cooperation from the candidates in Pennsylvania, New Jersey, Delaware and Maryland.

The next step is to determine the type

of second-opinion plan to be used, that is voluntary or mandatory. We recommend mandatory plans, but sometimes the situation—such as union resistance—allows for only a voluntary plan. Neither approach should deny plan benefits if the recommendations of the board-certified specialist are not followed.

The third step is to set up an "intake worker" system. The intake worker coordinates appointments for the employee and dependents with the specialist and with the hospital for admission. This step is doubly important because the handling of the prospective patient must be tasteful, to avoid tension and deterioration of the physician-patient relationship. In addition it gives us the opportunity to communicate to the physician and hospital the expected length of confinement, statistics we get periodically from hospital projects.

The last, and most important step, is to effectively communicate the whys and

wherefores of the program to the employees. Without effective communications the plan simply will not work. We incorporate a lengthy description in our employee booklets as well as an easy-to-read covering letter with the booklets.

Paul J. Roman has 14 years experience in the employee benefit field. After graduating from Villanova University in 1963 with a BA degree, he worked six years in supervisory positions with the Insurance Co. of North America and the United States Life Insurance Co. His company, Office of the Administrator Inc., specializes in self-funded group health care plans, working exclusively with brokers in the Delaware Valley area and concentrating on small employers of 25 to 1,000 lives. Currently O/A employs 12 consulting, administrative and claims personnel and services over 200 employee health care plans.

# NOW NEW YORK HAS A NEW MORTGAGE PROTECTION PROGRAM.

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# PERSPECTIVE

## Product Liability Score Card

State	Tort reforms enacted	Bill pending	Cleared house	Cleared senate	Dead for 1978	S/L	State of the art	Failure to warn	Standards	Alteration	Remarks
Ala.		X				X	X	X	X	X	Four bills just introduced; rocky road ahead.
Alaska		X									No action taken on bill to reduce awards by plaintiff's negligence.
Ariz.											Legislation expected to be introduced.
Ark.											Study committee established.
Calif.		X		X		X					Bill passed by Senate still locked in House committee.
Colo.	Yes					X	X		X		Second state to pass major reform legislation.
Conn.											Comprehensive reform package to be introduced this month.
Del.		X				X	X	X	X	X	Tough battle ahead.
Fla.											Big legislative package to be introduced in April.
Ga.		X				X	X	X	X	X	Current bills probably dead. Revised weaker measure to be introduced.
Hawaii											New bills to be introduced.
Idaho											Bills killed or withdrawn in committee in 1977.
Ill.		X				X	X	X	X	X	Revision of pending bills expected.
Ind.			X			X					Bill killed in Senate; new effort underway.
Iowa		X				X	X	X	X	X	Cloudy outlook on pending bills.
Kan.		X				X	X	X	X	X	12 bills pending in committee.
Ky.		X									Comprehensive legislative package to be introduced.
La.						X	X	X	X	X	Bills died in committee in 1977 session.
Maine											Business groups have established liability task force.
Md.		X				X	X	X	X	X	Little hope of getting legislation passed.
Mass.											Comprehensive legislation about to be introduced.
Mich.		X				X	X	X	X	X	Business community well organized.
Minn.		X				X					Bill watered down from original.
Miss.		X				X	X	X	X	X	Major legislation introduced in January.
Mo.		X				X	X	X	X	X	No action until interim study committee completes report.
Mont.											No information available.
Neb.		X				X	X		X	X	Excellent legislative outlook.
Nev.											No information available.
N.H.											New bills about ready for introduction.
N.J.		X				X	X		X	X	Weak legislation might clear.
N.M.											No information available.
N.Y.		X		X							Comprehensive legislation to be introduced again.
N.C.		X	X	X		X					Special legislative session not likely to resolve differences in bill passed in 1977.
N.D.					X						No action until 1979.
Ohio		X	X			X			X	X	Next state where action is expected.
Okla.											Legislature studying the problem.
Ore.	Yes					X				X	Third state to pass p/l legislation. 8-year s/l.
Pa.		X				X	X		X	X	Might clear senate.
R.I.		X				X	X	X	X	X	Powerful trial attorneys in state present big roadblock.
S.C.											No information available.
S.D.											No information available.
Tenn.		X				X	X	X	X		Hearings continue on comprehensive legislation.
Tex.					X						No action until 1979.
Utah	Yes					X	X	X	X	X	First state to pass reform legislation.
Vt.											Comprehensive legislation expected to be introduced again.
Va.											Interim study committee studying p/l.
Wash.		X	X			X				X	Special legislative session not likely to take up p/l legislation.
W. Va.		X				X					Other bills expected to follow.
Wis.		X				X	X	X	X	X	23 bills introduced. Possible action in March.
Wyo.											No information available.

Business Insurance's Product Liability Score Card summarizes efforts to enact tort reforms in state legislatures. The first section details the status of tort reform legislation in the state; the second section indicates what tort reform proposals are included in the legislation. When a bill is amended, the tort reforms still alive are indicated. The tort reform elements charted are a statute of limitations from either the date of

introduction of a product or from the date of an accident, allowing a defense that a product met the state of the art at the time of manufacture, elimination or restriction of a failure to warn claim, allowing a defense that a product met government standards and allowing a defense if a product were altered after it left the manufacturer. The editors of Business Insurance have attempted to make the chart as accurate

and up-to-date as possible. If you know about product liability actions in your state, please write or call Jerry Geisel, Business Insurance, 1253 National Press Building, Washington, D.C. 20004 or call 202-638-5300. This chart is copyrighted by Crain Communications. Reproduction or reprinting is prohibited without the consent of the editor of Business Insurance.

# Sasse suspended . . .

Continued from page 1

chains—that generated approximately \$14 million in premiums. Most of the coverage was for three years and was originally underwritten in early to mid-1976. At this point, it's estimated that about half of the policies have been canceled, but claims for a staggering \$18 million have already been incurred on the business.

Of that amount, losses of \$9 million to \$10 million have already been paid, while another \$8 million are either in the process of being settled, are outstanding or are known but haven't been filed yet.

## Claims met

Lloyd's will see that the claims are paid, of course, either out of its solvency guaranty fund or personally by Tim Sasse, chairman of the Sasse syndicate, and his 100 names. Lloyd's members are completely liable for losses they've underwritten, regardless of reinsurance arrangements.

Sasse's taut financial position reportedly had been worsening for several months. And from what can be determined at this point, the trouble can be traced to a single huge block of property business that all came through a single Lloyd's agent—Den-Har Underwriters Inc. in Coral Gables, Fla.—and was placed with Sasse by Lloyd's brokers Brentnall Beard Group.

Officials of the Sasse Syndicate were unavailable for comment. Officials at Brentnall Beard declined to comment on the situation.

According to a reinsurance plan also reportedly worked out for Sasse by Brentnall Beard, the risks were reinsured with Instituto de Reaseguros do Brasil (IRB), Brazilian facility half-owned by the government. IRB decided not to pay the claims immediately when it received notice from Sasse. Although the reason is still something of a mystery, IRB adamantly contends it has "not repudiated the claims, but merely has decided to do a thorough investigation" to determine whether the IRB is liable. Any payments by the IRB will be delayed until late February, when its final report will be given to Lloyd's.

In the meantime, though, Sasse reportedly paid out more than \$3 million during 1977 for the bookkeeping year 1976, putting it in jeopardy with the Committee. Sasse has said that over \$2 million of that should have been recoverable from the IRB under Sasse's reinsurance contract. Sasse normally reinsured the first \$100,000 of any loss, keeping for its own account losses over that amount up to \$500,000. The limit of Den-Har's binding authority from Sasse was \$500,000.

## Possible losses

If all 1,500 fire and multiperil policies were to produce a loss of \$100,000, the IRB would have been liable for losses of \$150 million, while Sasse was potentially liable for \$600 million. The IRB's lawyers in London, Elborne Mitchell & Co., say the IRB's claims alone "may reach \$10 million" on this business. The IRB by late January had already received \$6 million in claims from Sasse.

The only grounds for repudiation as part of its investigation of the business.

Though about \$14 million in premiums was collected on these

ties.

"The business that came through Den-Har is, in fact, showing a profit" for Sasse, if only the reinsurer would cover claims, Mr. Harrison maintains.

## Den-Har

Mr. Harrison said he "stopped underwriting (in Sasse's name) in August 1976 because Sasse indicated to us they could not absorb any more premiums. Our underwriting authority was never canceled but we were told Sasse had exceeded his premium allowances."

Den-Har has been in business for just over two years. Mr. Harrison had previously spent 28 years with a Lloyd's broker.

The last of the policies underwritten by Den-Har for Sasse will expire in August 1979.

Despite Sasse's alleged failure to cede any premiums or provide any policy documentation to the

IRB, other sources at Lloyd's and in the London markets say this isn't enough reason to deny claims. Because Lloyd's business is often done on a handshake, a man's word is binding, they say.

It is on this basis that Lloyd's will commonly pay claims before any premiums have been collected, sometimes being so informal about the whole process as to invoice a policyholder for the premium charge less a loss payment that's already been made. Thus, many people at Lloyd's are saying IRB's future as a reputable reinsurer in the London market is bleak as a result of this fracas.

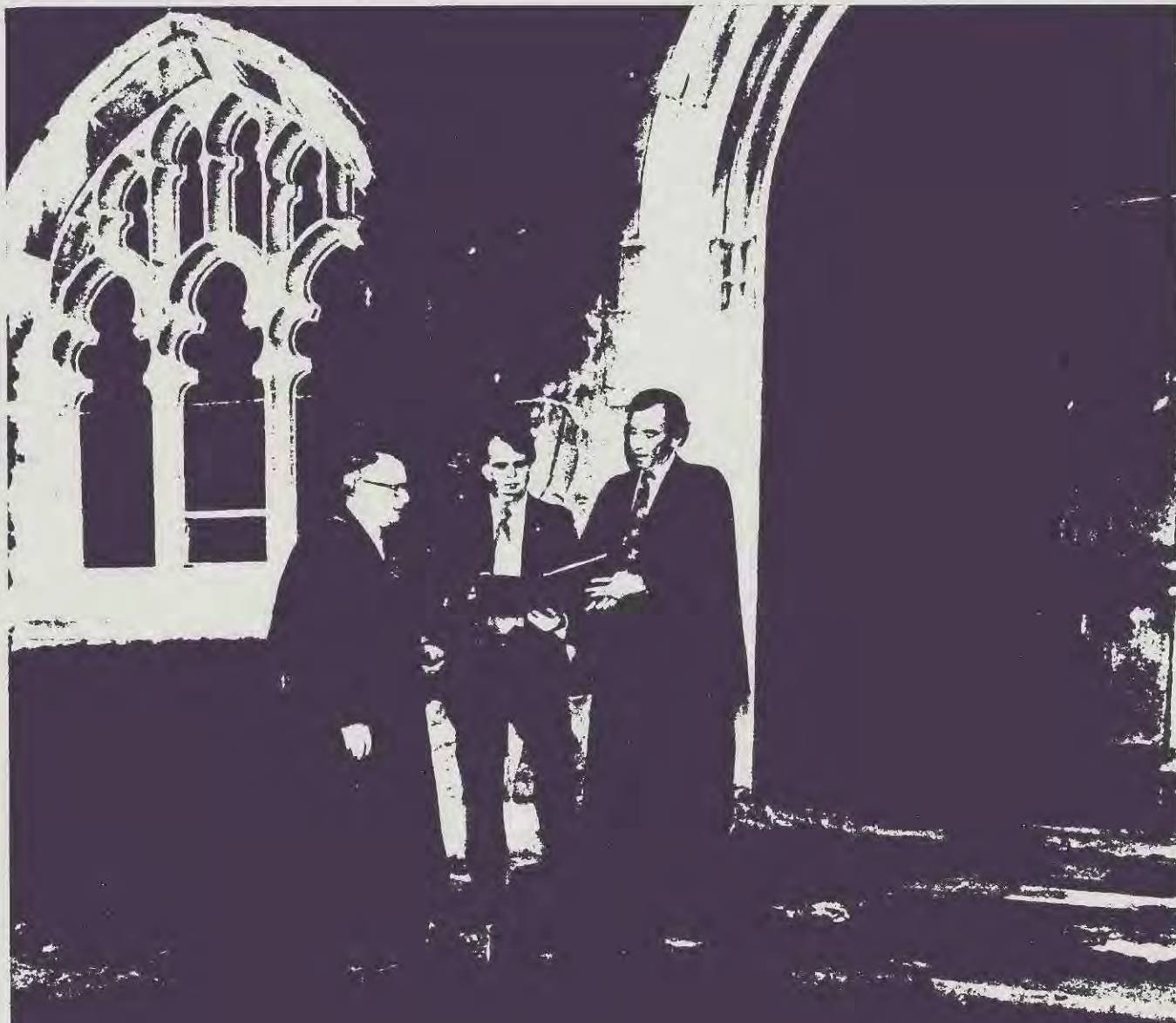
Roberto Chiavogatto, IRB's manager in London, however, is steadfast in his assertion that IRB has always paid its claims promptly in the past, but only after investigating the claims and checking the appropriate documents. The fact that this case is more complicated and requires a longer investigation accounts for the de-

lay, he said.

The IRB not only is questioning the unusual conditions surrounding the business it reinsured, but it also wonders about the circumstances under which the initial claims were filed, the lawyers said. It was only in October 1977 that Sasse first notified the IRB of heavy losses, when it "dropped out of the blue" and stated that it needed \$500,000 per week from the IRB for 10 weeks, said the IRB attorney.

The IRB had reinsured this business on a facultative basis; it had no treaty with Sasse and had not previously done business with the syndicate.

It's not known where the policyholders who've been canceled went for replacement insurance. Properties insured by Sasse through Den-Har were spread throughout the urban areas of the U.S., with heavy concentrations in the Northeast and in Florida, *Business Insurance* learned. ■



## Who Cares What Happens...

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# Tort reform drive . . .

Continued from page 1

and an unusually powerful state trial lawyers association make it "not very likely that something is going to happen here," Mrs. Maxwell said.

In Connecticut, a new tort reform package has been put together and will be introduced when the legislature returns later this month. An eight-year statute of limitations on suits after a product has been introduced and a state of the art defense are among the reforms to be included

in the package.

"There is a great deal more awareness today than there was a year ago," said John Rathgeber, a staff attorney with the Connecticut Business and Industry Assn. in Hartford. "At the same time, we think we have come in with a more united front. So there is much more optimism about getting something through."

Elsewhere in the East, New York, New Jersey and Pennsylvania all appear to be far away from passing significant legisla-

tion.

In the South, comprehensive reform bills now in a Georgia legislative committee are dead, said Jim Loyd, vp of the Georgia Business and Industry Assn. in Atlanta. The bills died because the changes called for were too substantial.

Revised legislation, designed to prevent Georgia from becoming a crisis state for product liability insurance, is expected to be introduced. Mr. Loyd said the outlook for some form of a statute of limitations being passed is good while the outlook for an alteration of product defense being passed is excellent.

In North Carolina, an emasculated reform bill containing a 10-year limitation on product suits did clear both houses last year, but it was placed in a state of limbo when a conference committee was unable to resolve differences between the senate and house versions.

## New '79 effort

Business groups probably won't be pushing for the passage of that bill. Instead a concerted effort will be made to pass a comprehensive measure when the state legislature returns for its regular session in 1979.

"Hopefully, by then, we will have enough interest and support to be able to achieve something," said John Gill, coordinating secretary-treasurer of the North Carolina product liability task force. "The climate certainly isn't unfavorable by any means."

In Alabama, four product liability bills were introduced when the session began. "It's too early to tell" about their prospects, said Gilbert Mobley, executive vp of the Associated Industries of Alabama in Birmingham.

In Mississippi, bills containing a state of the art defense and a six-year limitation on product suits were introduced in January. "I'm not optimistic that we are going to get the whole ball of wax in product liability, but if we get one or two parts (of reform legislation) that's okay too," said Hugh Ketchum, director of industrial relations for the Mississippi Manufacturers Assn.

Elsewhere in the South, major bills either have been or will be

introduced in Louisiana, Kentucky and Florida. In Texas, where last year all 13 product liability bills died in committee, reform legislation has been delayed until 1979.

Of the Midwestern farm states, the prospects for reform are brightest in Nebraska. Last year, a bill containing an eight-year limitation on liability and a state of the art defense made it to the legislative floor, but time ran out before it could be considered.

That bill is still on general file and would not have to go through committee again, but a new measure will be introduced and go to the banking committee.

## Neb. optimistic

"We have 30 signatures on the bill and only 25 are needed for passage (Nebraska has a one-house legislature)," said Del Snodgrass, director of government affairs for the Nebraska Assn. of Commerce and Industry.

One reason Nebraska has moved ahead of the pack on the road to tort reform has been the ability of the state's business community to unite behind one major piece of legislation, Mr. Snodgrass said.

In Iowa, the business community also is well organized. But state legislators still do not see product liability as a problem, crippling the chances that pending legislation in house and senate committees will be passed, said Don Hauser, vp of the Iowa Manufacturers Assn. in Des Moines.

In Wisconsin, a total of 23 bills have been introduced, but none has moved out of committee. "But people feel that there will be some legislation passed," said John Miller, chairman of the Wisconsin product liability task force.

In the big wheat state of Kansas, a new legislative approach has resulted in 12 different bills being introduced rather than have state legislators consider one major piece of legislation.

"It is a lot easier for a legislator to go through a two or three-page bill" than one massive, complicated piece of legislation, said Jack Pearson, executive director of the Kansas Assn. of Commerce and Industry, in defending the multi-bill approach.

## Kansas opposition

But Mr. Pearson warns that the bills are being opposed vigorously by Kansas trial attorneys and that it is way too early to predict if even one of those 12 bills will be passed this year.

In the Southwest, a comprehensive bill that includes a state of the art defense and a defense if a product were altered is expected to be introduced in Arizona this month. The outlook is uncertain, said task force chairman Bob Hobbs, but some parts of the legislation may pass.

Not one leader in the tort reform movement reported any effect on state legislators from the federal Interagency Task Force Report on Product Liability. "It didn't help or hurt us," said Don Hauser of the Iowa Manufacturers Assn.

Despite sharp setbacks last year, no one is giving up. "Product liability is as high a priority as anything we are doing," said Orville Bergen of the Illinois Manufacturers Assn.

In Iowa, the state's manufacturers association has identified tort reform in product liability "as its number one legislative objective for 1978," says Mr. Hauser.

Patricia Maxwell of RETORT noted that only a few years ago not a single state had effective legislation on its books.

Now three states have passed legislation and 35 other states are considering a flock of reform bills. While recognition of product liability problems remains low in Washington at least you won't draw a blank stare if you mention those words now, she said. ■



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# Federal action . . .

Continued from page 1

duced by Rep. Charles Whalen (R-Ohio), would give tax breaks to businesses that establish self-insured reserves to pay product liability losses.

Sixty congressmen are now co-sponsors of the Whalen bill (H.R. 7711), said the congressman's aide, Marc Rosenberg. But the Ways and Means Committee, where the measure now rests, has not scheduled any hearings on the legislation.

Sen. John Culver's proposal to provide federal reinsurance for insurers providing product liability coverage to small businesses lies dormant in the Senate Select Small Business Committee. The interagency task force report said the Iowa Democrat's proposal "would not guarantee that businesses would be able to obtain product liability insurance at affordable rates."

Nonetheless, the Small Business Committee plans a new round of product liability hearings in the spring.

Sen. James Pearson's (R-Kan.) comprehensive tort reform package (S. 403), which would establish product liability arbitration boards in each federal judicial district and offer a reinsurance mechanism, also has dim prospects.

"We may get around to redrafting the bill sometime this year, but as far as consideration of any product liability legislation by the committee this year, I would doubt it seriously," said a staffer of the Commerce Committee where the bill now sits.

When the bill is revised, the section dealing with reinsurance probably will be removed, while the sections dealing with tort reform will be refined. The next round of hearings may be in spring or early summer.

The Commerce Committee also is considering a proposal by Sen. Richard Lugar (R-Ind.) that offers a seven-year statute of limitations as well as gives manufacturers a defense against liability if their product was altered or modified without permission.

No hearings are scheduled for Sen. Lugar's bill (S.1706) and the Indiana Republican has had difficulty lining up co-sponsors.

Several congressional staffers said one reason the bills have not budged out of committee is that senators and representatives believe tort reform is better handled at the state level.

Committee staffers also point out that evidence is lacking that product liability has become such a serious problem that action must be taken this year.

Finally, an aide to Sen. Lugar pointed out that business groups have not been effective in persuading senators that product liability is a serious problem requiring legislation.

"While business interests have expended a great deal of time and money writing letters to senators in regards to ERISA, OSHA and tax reform, we have not seen a flood, or even a trickle of letters (about product liability problems) to other senators' offices," the aide said.

# Hartford roof . . .

Continued from page 1

hem, Pa., which constructed and raised the space-frame roof. The steel company is reportedly insured for general liability up to \$10 million, with additional coverage in foreign markets.

• The associate architects, Kling Partnership of Philadelphia and Harry J. Danos & Associates of Hartford, which designed the roof. (Mr. Danos complained in a May 1975 *Business Insurance* story about the restricted E&O markets.)

• Fraioli-Blum-Yesselman, the structural engineers based in Hartford and Norfolk, Va.

The architects are insured by CNA for errors and omissions coverage. Like approximately 7,000 other architects, their insurance is provided by a program run jointly by the Victor O. Schinnerer & Co., a subsidiary of Marsh & McLennan, and Continental Casualty. Schinnerer is an underwriting manager for Continental. The insurance arrangement is recommended to architects by their trade organization, the American Institute of Architects.

## CNA limits

This special program also insures some 2,000 engineers, but it isn't known yet whether Fraioli-Blum-Yesselman participated in the plan.

CNA's primary limits are \$5 million, with excess limits up to \$10 million with the Midland Insurance Co.

Travelers insured the coliseum itself, which is surrounded by 7½ acres of land filled with a shopping complex, for \$24.3 million with a \$100,000 deductible.

Perhaps the coliseum's business interruption policy, insured by Travelers for \$1.5 million, will be affected the most.

The coliseum can't be used for at least 18 months. Coliseum events such as basketball and hockey games, ice shows and rock concerts have been canceled through March.

Shops and restaurants surrounding the huge coliseum also may suffer business losses since much of their business was generated from crowds attending convention and entertainment events at the center. The shops weren't damaged from the collapse.

Property damage to the coliseum is estimated at \$8 million. According to Hartford Councilman William A. DiBella the damage could mount another \$3 million to \$4 million if damage to the arena floor is discovered after inspections are completed.

## Roof design

The roof, which dumped 1,400 tons of steel and gypsum concrete into 10,000 empty arena seats, which only six hours before held 5,000 people watching a basketball game, has left the contractors, architects and city bewildered.

The space-frame designed roof, which spanned the large arena

with minimal material, was suspected by city officials to be unsafe, but engineers investigating the collapse have said the design probably wasn't a mistake.

They said it has been used successfully in other places, despite another recent collapse of a space-frame roof at the C. W. Post center, part of the Long Island University. This roof was dome-shaped while the Hartford center's roof was flat, but both were built on the principle of using metal connected to one another horizontally, vertically and diagonally. [This construction is similar to that used in radio and television transmission towers.]

No one was injured at the university auditorium, which seats 3,500 and is worth \$2 million. A university official said the carrier for the auditorium is Insurance Company of North America, but declined to discuss policy specifics.

To determine the cause of the Hartford coliseum collapse, several engineering consulting firms have been hired by the city, architects and insurance companies.

While the consultants have discounted the possibility that roof design was at fault, they have said the collapse could possibly be related to construction methods.

The roof was constructed on the ground and then hoisted a record 85 feet by four hijacking towers.

## City's concerns

The city of Hartford had asked the main architect—the Kling Partnership—in 1972 to inspect the roof. After studying it, they reassured the city that nothing was amiss. Apparently not satisfied, city officials repeatedly questioned the structural engineers and architects, but were assured of the roof's safety.

The architects and engineers had corresponded about how much weight the space-frame roof could support. Engineer Wener Blum of Fraioli-Blum-Yesselman wrote to architect Harry McHorny that the frame was designed for a snow load of more than 3 million pounds, which was unlikely to occur. It isn't yet known what was the weight of 4.8 inches of snow that blanketed the coliseum the night the roof collapsed.

Meanwhile, a number of other roofs collapsed from the heavy snows in the Midwest and East.

Part of a roof of a bowling alley in Elmsford, N.Y., collapsed as more than 200 people were bowling. All but one man, who was slightly injured, were able to clear the area before the collapse.

Manager Lawrence F. Dubak said he has property coverage up to \$2.1 million with Commerce and Industry Insurance Co., and also has a business interruption policy.

A damage estimate wasn't available but Mr. Dubak said the heavy blanket of snow and ice had caused his roof to collapse on the bowling lanes. ■

# Pullman won't use new unit

CHICAGO—Pullman Inc., the transportation equipment manufacturer, has announced an agreement in principle to acquire First Greatwest Corp., an insurance company primarily engaged in motor carrier casualty lines, for approximately \$26 million.

The proposed transaction is subject to the preparation of a definitive agreement and the approval of the board of directors of both companies and the shareholders of First Greatwest Corp.

Thomas P. Conroy, director of corporate risk management for Pullman, said the parent has no immediate plans to use the subsidiary for its own program. ■

## Safety officials

Bruce J. Held, group leader of the safety sciences group at Lawrence Livermore Laboratories in Livermore, Calif., has been elected president of the Board of Certified Safety Professionals.

# people

Continued from page 30

administration of the utility's property and casualty programs. The power company owns a hydroelectric power plant, a steam-generated power plant and is nearing final construction for five nuclear power plants. Previously, Mr. Cochran was assistant corporate insurance manager for Beatrice Foods Co. in Chicago where he hasn't been replaced. \* \* \*

At Aetna Life & Casualty, Bruce T. Wright, 28, has been named manager of compensation and benefits development in a reorganization of departments. Previously, the compensation and benefits departments were separate. Mr. Wright's former position was in benefits development. Mr. Wright's previous boss, di-

rector of benefits John T. Bell, left to join the Washington Post as earlier reported. Also in a new position at Aetna is Chester C. Montgomery, 41, who is vp in pension operations, a new position. He's in charge of all qualified plans in the life division. \* \* \*

Karyn Gilardi has joined Newpark Resources Inc., an energy-related service company headquartered in New Orleans. She has duties in all lines of insurance and employe benefits in the newly created position. Ms. Gilardi reports to corporate risk manager, Peter A. Richardson. \* \* \*

Raymond Steinbach III has been appointed assistant to the manager for the insurance department at Foster Wheeler Energy Corp. in Livingston, N.J. He joined Foster Wheeler in October 1977 and was previously with Squibb Corp. and Travelers Insurance Co. The energy corpora-

tion designs, fabricates and constructs processing plants, fired heaters and steam generating equipment for petroleum refiners, chemical producers, electric utilities and shipbuilders. \* \* \*

Stephen Phillips, 31, has been named director of risk management for the Montebello Unified School District, a new position. He reports to Dr. Walter Hogle, business manager. Mr. Phillips was formerly district loss control manager for California Casualty. He will be responsible for risk management of property, casualty and workers compensation and will oversee employe safety.

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## people

### Fortner joins Powerine Oil in California

Leonard Fortner, formerly corporate risk manager for Reserve Oil & Gas Co., has been named to head the insurance department at Powerine Oil Co. in Santa Fe Springs, Calif. Mr. Fortner, whose tentative title for the new position is corporate insurance manager, reports to William Burke, vp for general administration. Reserve Oil moved its headquarters from Los Angeles to Denver this year. Mr. Fortner said the main reason he accepted his new position was his desire to remain in Southern California. No one has yet been named to replace him at Reserve Oil in Denver. Mr. Fortner worked as assistant insurance manager for Teledyne Inc. in Los Angeles before joining Reserve Oil several years ago.

Robert E. Hunt, 41, is the new risk manager for the state of New Jersey, in charge of property and casualty risks. He reports to Clifford Goldman, treasurer for the state. Mr. Hunt replaces Arthur Livney, insurance manager, who moved to Israel. Previously, Mr. Hunt was assistant director of risk management at Rutgers University for 7½ years. Stan Tarr, director of risk management for Rutgers, said he is looking for an assistant and plans to fill the position soon.

Gerald L. Anderson, 38, has been appointed treasurer of KORF Industries in Charlotte, N.C. He's in charge of pension administration as well as corporate financing and bank relations. Previously, for three years he was treasurer for a KORF subsidiary, Midrex, also in Charlotte. Mr. Anderson replaces Joseph Holzinger, who is now executive assistant to the president.

Rodger A. Cochran, 35, has been named corporate insurance manager for a northwest joint operating utility, Washington Public Power Supply Systems in Richland, Wash. He has responsibility for the purchase and

*Continued on page 29*

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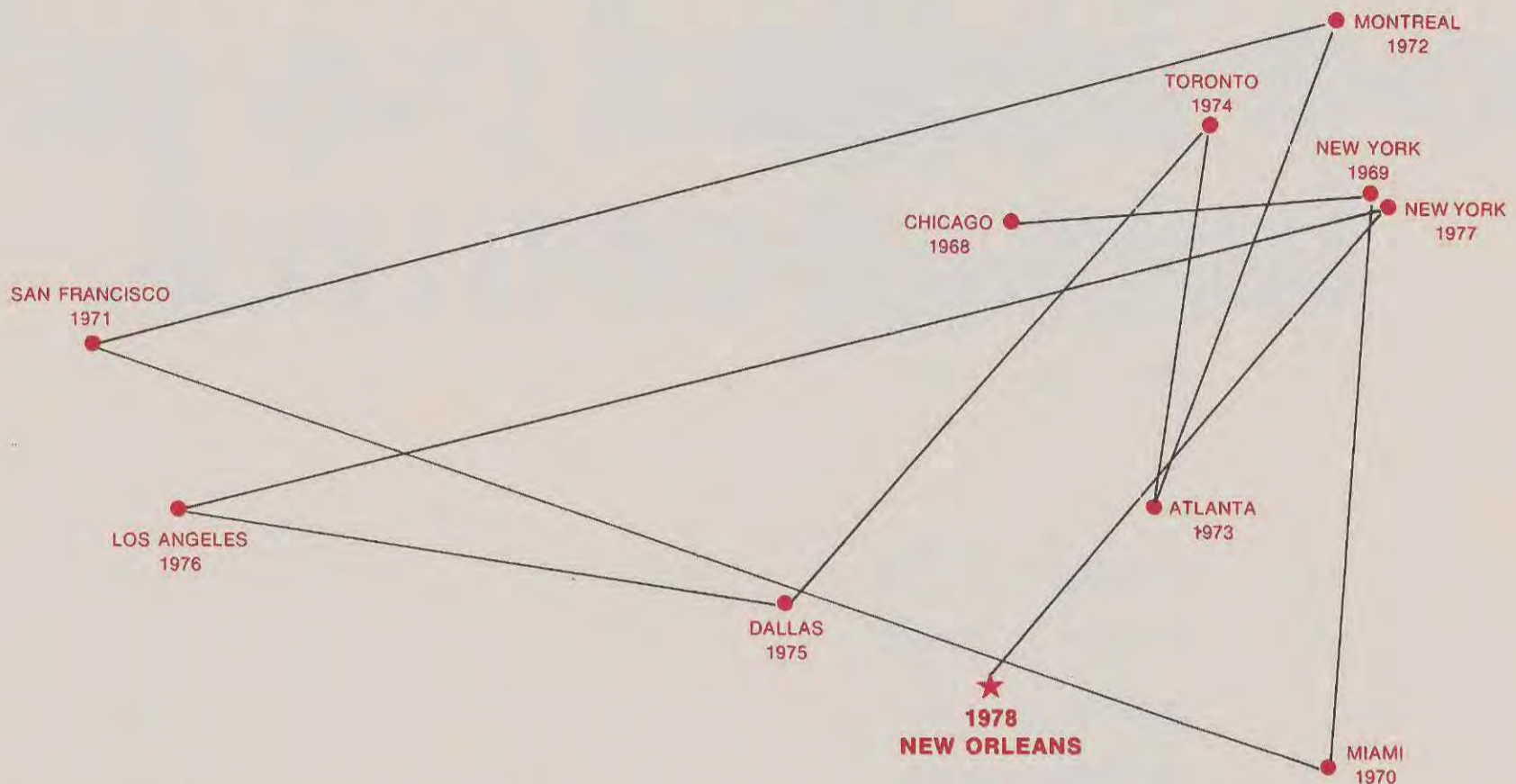
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