

business insurance

update:

World Airways gets \$48.5 million for hull loss

BOSTON—World Airways' lead insurer, Associated Aviation Underwriters of New York, will pay \$48.5 million as a total loss payment on the DC-10 that skidded off a Logan International Airport runway Jan. 23 and plunged into Boston Harbor.

The loss is considered the largest for a single hull in aviation insurance history.

Continued on next page

Reporting weekly for corporate risk, employee benefit and financial executives/\$1 a copy; \$40 a year

Entire contents copyright 1982 by Crain Communications Inc. All rights reserved.

employee benefit board

Pregnancy law hikes short-term disability costs

By KATHRYN J. MCINTYRE

Federal law requiring pregnancies to be treated as any other illness or disability significantly increased short-term disability plan costs but only marginally raised long-term disability or health plan costs, a *Business Insurance* survey shows.

Among 68 companies, the cost of short-term disability benefits increased an average of 25.8% after plans were amended to treat pregnancy as any other disability.

Health care plan costs and long-term disability benefit costs, however, increased only slightly when these plans were similarly amended.

An average 2.7% increase in health care plans amended to treat pregnancy as any other illness compared with the 25.8% increase in short-term disability plan costs probably reflects the difference in the amount of benefit added.

Generally, only caps on the pregnancy benefit in health care plans had to be eliminated in response to the Pregnancy Discrimination Act of 1978, but many short-term disability plans had to be amended to add a formerly excluded benefit.

Some employers held down the increased cost in their health care plans by concurrently eliminating extended benefits for pregnancy.

More than 70% of the 68 companies responding to the latest *Business Insurance* Employee Benefit Board survey had to amend their health and disability plans under the mandates of the Pregnancy Discrimination Act, which prohibits any lesser benefit for pregnancies than for any other illness or disability.

At the same time, 70% of the 51 companies that once had extended benefits to cover the medical costs of pregnant workers who quit dropped this benefit.

The *Business Insurance* Employee Benefit Board is composed of corporate and institutional executives in charge of employee benefits who have volunteered to respond to periodic surveys. More than 41% of the 164-member board responded to the latest survey on the cost effects of the Pregnancy Discrimination Act and other

Continued on page 26

Illustration: Amy Palmer

Ruling adds benefits to comp calculation

By JERRY GEISEL

WASHINGTON—Employers in the District of Columbia could see the cost of workers compensation claims increase by as much as 50% following a federal court decision that says benefits must be considered as wages in calculating a workers compensation award.

The ruling, which is a marked departure from the 80-year-old method of calculating workers compensation benefits based on wages only, could have staggering implications here for 40,000 employers.

Although the decision by the U.S. Court of Appeals for the District of Columbia does not affect any employers outside the district, workers compensation experts fear the decision could be cited as a precedent elsewhere around the country.

Insurers and self-insurers in Washington will have to re-examine claims reserves to make sure they are adequate and more workers compensation cases will end up in the courts as employers and employees battle over the value of benefits, experts say.

In the case involving the Longshoremen's and Harbor Workers' Compensation Act, a three-judge appellate panel ruled that if the cost of benefits received by an employee can be identified and calculated, they must be included in the average weekly wage on which the workers compensation award is based.

"The purpose of the Longshoremen's Act is to provide prompt compensation for injured employees or their families," said the court. "Congress chose to carry out this design by

including in the compensation formula all of the identifiable value, in whatever form it may appear."

The ruling involved survivors' benefits due the family of a Morrison-Knudsen Co. construction worker who was killed in a subway construction project.

However, a separate decision by the District of Columbia Court of Appeals Jan. 29, involving the right of the District of Columbia to pass its own workers compensation law, could reduce the effect of the federal appellate court ruling.

The District of Columbia appellate court ruled that Washington has the right under home rule to enact its own workers compensation statute that would replace the Longshore Act, a 1927 law that primarily covers maritime workers. Without a District of Columbia workers compensation law, all workers in the nation's capital have been covered under the Longshore Act for work-related injuries.

The new District of Columbia workers compensation law specifically states that only earned income, or salary, can be considered to calculate a workers compensation award.

The law hasn't gone into effect yet, pending the outcome of labor union appeals. But if it withstands the challenges, it still will only apply to future claims. As a result, tens of thousands of claims filed before the new law's effective date in which benefits were not calculated as part of the worker's weekly average wage could be reopened.

Despite the outcome of litigation over this law, the federal appellate court decision on benefits in the Morrison-Knudsen case could have national implications as claimants' at-

Continued on page 31

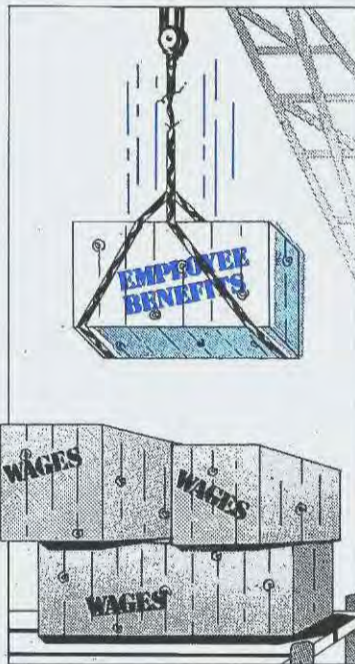


Illustration: Jim Bakasetas

Reed ready to make U.S. push after merger with Schiff Terhune

By LEN STRAZEWSKI

NEW YORK—Reed Stenhouse Cos. Inc., the largest insurance brokerage in Canada, soon will acquire Schiff Terhune International Inc., the second-largest independent brokerage in New York.

Combined, the two organizations will produce an international brokerage with more than \$207 million in 1981 revenues. In total gross revenues, the new company would rank sixth among U.S.-based brokers between Fred S. James Cos. Inc. and Corroon & Black Corp., according to a *Business Insurance* survey.

Based on 1981 U.S.-only revenues of about \$50 million, the combined brokerage would rank ninth behind Rollins Burdick Hunter and ahead of the Ryan Insurance Agency Group.

Although it won't be the largest brokerage in the United States or in New York, Reed Stenhouse says it will be in a greatly improved position to take advantage of financial and insurance growth in New York while enhancing its expertise in marine and aviation insurance.

"What attracted us is the quality of the Schiff Terhune organization in New York," explains Peter Leitch, president of Reed

Stenhouse Inc., the U.S. subsidiary of Reed Stenhouse Cos. "We see New York as the financial and insurance center of the United States, gradually growing to equal London in the world market.

"This acquisition is what we have been striving for in New York," Mr. Leitch says.

With a more powerful East Coast presence, Reed will be poised for its long-predicted major push into the U.S. market, its executives say.

"We see New York as the fundamental key to our growth in the United States," adds William M. Wilson, president and chief executive officer of Reed Stenhouse Cos. in Toronto. "In addition to it being the top corporate headquarters of U.S. firms, it is the entry point for non-U.S. companies expanding into North America. This is a tremendous business opportunity."

The agreement in principle announced last week calls for Reed to pay about \$12 million in cash and \$3 million in stock for Schiff Terhune. The acquisition will be combined with the present Reed Stenhouse Inc. office in New York to form Reed Stenhouse Schiff Terhune Inc. of New York, a regional operating company.

This office will be overseen by the Reed Stenhouse Inc. U.S.

Continued on page 31

INSIDE:

Utility named in suits from gas line rupture
Page 2

Settlements to continue in Hyatt skywalk case
Page 3

update:

World Airways collects hull loss

Continued from page 1

AAU and its co-insurers will recoup any salvage value of the craft, which was determined unreparable.

The Oakland, Calif.,-based airline has at least \$350 million in coverage available to pay liability claims and the hull loss.

Two people are missing from the crash.

The Massachusetts Port Authority, a quasi-public agency operating the airport, has a total of \$105 million in liability coverage placed through a Boston brokerage, O'Brien, Russell & Co., said Kenneth C. Pearson, insurance director for MassPort. The lead underwriter is Dallas-based Aviation Office of America, which provides the first \$500,000 per person/\$5 million per occurrence liability coverage. The \$100 million excess insurance is in London markets, he added. The liability policy includes coverage for errors and omissions by airport officers up to a limit of \$5 million.

NYIE legislation to be signed

ALBANY, N.Y.—Gov. Hugh Carey is expected to sign legislation that would allow the New York Insurance Exchange to act as a surplus lines insurer for risks outside the state.

The legislation was passed unanimously by both houses of the state Legislature last week after nearly a year of delays.

Opponents of bill plan strategy

LONDON—Opponents of the Lloyd's of London self-regulation bill will try to drag out debate in the House of Commons until members of Parliament vote to kill it if Lloyd's refuses to withdraw the bill, says Ken Grob, chairman of Alexander Howden Group Ltd., one of the opponents of the bill.

But Lloyd's Chairman Peter Green predicts the bill will be approved despite opposition to clauses dealing with immunity from liability and divestment of brokers and underwriting agencies.

A&A buys Kentucky broker

LOUISVILLE, Ky.—Nahm Turner Vaughan & Landrum, Kentucky's largest insurance broker, has agreed to merge with Alexander & Alexander through a stock transfer of 350,000 shares of A&A stock valued at \$10 million (BI, Dec. 7, 1981).

NTVL, whose 1981 gross revenues exceeded \$6 million, will reorganize as Alexander & Alexander of Kentucky Inc. Gordon & Brown, a Kentucky agency purchased last summer by A&A, will be folded into the new company with its main office in the First National Tower in Louisville. Including NTVL's offices in Lexington and Frankfort, A&A of Kentucky will employ 140 people.

Treatment considered

SAN FRANCISCO—Mission Insurance Co. is considering psychological treatment for eight employees injured by shotgun fire Jan. 28 at the company's San Francisco offices.

Ricardo Contawe, the husband of a Mission employee, pulled a shotgun out of a florist's box and shot his wife, her boss and nine other people. Two workers died, a policeman was injured and the assailant was fatally shot by police.

State fund reviews payments

FRANKFORT, Ky.—Kentucky Labor Department officials are reviewing the amount of premiums paid to a special state fund by Old Republic Insurance Co. on behalf of its workers compensation insurance policyholders.

Labor Department General Counsel Carol Palmore said the department is studying a recent examination report by the Kentucky and Pennsylvania Insurance Departments and information from the state Revenue Department as part of its investigation.

"What we want to do is to look through the insurance report and find out if the proper amount of premiums were reported to the Revenue Department and special fund and if they weren't, find out if they resulted in a loss to the special fund or maintenance fund," Ms. Palmore said.

The special fund pays some work-related disability benefits, including black lung benefits, and the maintenance fund pays all operating expenses of the workers compensation board and uninsured employers fund.

The report by the insurance departments found that retrospectively rated workers compensation insurance policies underwritten by Old Republic required a "token amount of deposit premium" and provided "returns to the insured in the early years following policy expiration and a subsequent reversal in the form of retrospective debits, which for certain years caused the ultimate cost to the insured to exceed the original audited standard premium" (BI, Feb. 1).

index

Around the states	12	Washington	16
Benefit beat	4		
Benefit tax slants	22		
BI ticker	33		
Classifieds	30		
Comings & goings: industry	17		
Datebook	14		
Editorial opinions	8		
Insurance services guide	32		
Legal briefs	22		
Letters	8		
London line	17		
Markets	15		
Perspectives	21		

Vol. 16, No. 6—Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1982 by Crain Communications Inc.

Class action names utilities

Gas line rupture damages more than 100 Missouri homes

By STEPHEN TARNOFF

CENTRALIA, Mo.—A class action suit filed after more than 100 homes were damaged when a gas line was ruptured Jan. 28 seeks \$10 million from a St. Louis utility and its subsidiary.

St. Louis attorney Richard E. Schwartz filed the suit Feb. 1 in St. Louis Circuit Court against Union Electric Co. of St. Louis and its subsidiary, Missouri Power & Light Co. of Jefferson City.

The suit, which lists Richard and Dorothy Wright as plaintiffs, was filed on behalf of all victims of the accident. It seeks \$5 million in actual and \$5 million in punitive damages from the defendants.

An estimated eight homes were destroyed and 100 others damaged following the accident that left more than 75 people homeless in this town of 3,500, located about 25 miles north of Columbia.

A Civil Defense spokesman estimated damage at \$1.5 million, added on page 30



Photo: Wide World

Smoke rises from homes damaged in gas line rupture in Missouri.

War risk rates cut

By STACY SHAPIRO

LONDON—The redcoats are again battling Americans—this time over lower war risk cargo insurance rates set by a U.S. reinsurance pool.

The feud began in December when the American Cargo War Risk Reinsurance Exchange reduced reinsurance rates for its member insurance companies, including Commercial Union Insurance Co., Chubb Group and Fireman's Fund Insurance Cos. The rates dropped to 0.03% (3 cents per \$100 value) from 0.0375% for voyages outside the Western Hemisphere and to 0.02% from 0.025% for shipments in Western waters.

"That's about a 20% cut," said Carroll Dawson, the exchange's secretary. "On Dec. 1, we made changes that are strictly reinsurance rates for our member companies and have no effect on what the charges are to the insured."

But the cuts may have been part of the pool's defense tactic to win back the war risk business of U.S. industrial companies from Britain, where most of the risks are now placed.

"London had taken away some big industrial accounts in this market," Mr. Dawson said. "American

Continued on page 32

Cracked roof, broken hearts?

PANA, Ill.—There may be some thorny lovers quarrels sprouting up over a shortage of roses this Valentine's Day, but nobody will be as broken-hearted as Bob Groll.

He's the uninsured owner of a quarter-million dollars of dead rose bushes.

Half of his fragrant crop at Roses Ltd. in Pana, about 50 miles south of Decatur, was destroyed Jan. 31 when 14 inches of heavy snow caused the roof of one of his greenhouses to collapse.

Workers tried to save the rose bushes by wrapping them in plastic, but the delicate red-velvet petals didn't take to being dumped on.

Another 500,000 rose bushes in an adjoining building were saved, but retailers in Missouri, Florida and Illinois that Roses Ltd. serves may feel the loss with consumer demand for roses especially high for Valentine's Day, Feb. 14.

While his greenhouses were insured with Florist Mutual Insurance Co. in Edwardsville, Ill., for property damage, his crop was not.

A claims adjuster tried to drive to Pana early last week to estimate the damage, but he had to turn back because roads were impassable due to the heavy snow, said Richard Wetzel of Florist Mutual.

The company insures about 70% of the greenhouses in the country, but only about 20% of the owners take on the added expense of insuring the crop, Mr. Wetzel said.

And in the case of roses, they are a hardy plant so the growers normally do not face an extreme risk from weather. However, when the extreme happens, like in this incident, the roses do not survive.

"We advise them to insure the crop inside the greenhouse, but most don't want to pay the extra premiums," he said.

On the average, the premium for crop insurance is 125% of the premium for the insurance for the greenhouse structure.

If Roses Ltd. had been insured for its crop, the limits on the policy would have been increased by 20% because Valentine's Day is considered a peak season for growers, he added.

—By Eileen Norris



Illustration: Amy Palmer

737 crash victim sues Boeing

By BILL DENSMORE

WASHINGTON—Boeing Corp., the aircraft manufacturing giant, is the latest of five defendants named in suits arising from the Jan. 13 crash of a jetliner into the Potomac

errors & omissions

● The Michigan state Court of Appeals found in December 1981 that Velsicol Chemical Corp. had only an "intent to induce (its workers) to work in close proximity to a hazardous work condition," not an "actual intent to injure" as reported by Business Insurance on Dec. 21, 1981.

River.

Earlier suits name Air Florida Inc., the operator of the aircraft; American Airlines, which provided deicing service; the manufacturer of the deicing solution; and the manufacturer of the plane's engines.

Boeing, manufacturer of the 737 twin-jet flown by Air Florida in the crash that killed 78, is named in a suit filed by attorneys for Joseph F. Stiley III of Alexandria, Va., one of five survivors of the crash. Mr. Stiley, who is a pilot, is seeking \$3 million in damages against Boeing and Air Florida.

The suit, filed Jan. 29 in U.S. District Court in Washington by veteran air crash attorney Donald W. Madole of Speiser, Krause & Madole in Washington, accuses Boeing of failing to "publish or promulgate safe and adequate standards and

procedures for removing wet snow and deicing the wings and control surfaces of the B-737 aircraft."

It also accuses Boeing of failing to adequately warn about the dangers of controlling the aircraft with ice or wet snow on its wings and the dangers of taxiing for long periods of time on ice- and slush-covered runways.

Boeing has at least \$750 million in comprehensive single-limit liability insurance placed primarily through London markets by London broker Willis, Faber & Dumas Ltd., according to insurance industry sources.

Mr. Stiley's suit and another one filed a day earlier bring to three the number of suits from the crash filed in federal court in Washington. All have been assigned to Judge Joyce Hens Green. Air Flor-

Continued on page 30

City fights award to agents claiming addiction to drugs

By EILEEN NORRIS

AURORA, Colo.—This Denver suburb is trying to shoot down the claims of two former narcotic officers who say their drug addiction is directly hooked to the job.

Each of the men has been awarded \$18,500 in temporary total disability benefits from the Colorado Division of Labor, which hears contested workers compensation claims. The city is appealing the case and, so far, the men have not received any of the awards.

The city also is facing a federal lawsuit filed by the former officers, who say their civil rights were violated when the city put them in the position of having to actually use drugs as undercover narcotic agents "in order to stay alive," says their attorney Patrick Dulaney.

The lawsuit filed against the city asks for \$25 million each, but it was dismissed last July in U.S. District Court and is under appeal.

The city of Aurora is self-insured and can sustain the workers compensation loss, says James Cox, the city's attorney on the case. But he expects the award to be reversed on appeal.

The \$50 million civil rights suit cannot be taken as a serious problem, either, Mr. Cox says.

But Mr. Dulaney, attorney for John Arko, 34, and Jack Bisgard, 30, isn't convinced that the workers compensation award will be reversed or that the federal appeals court will refuse to hear the civil rights case.

"There's nothing to appeal in this comp claim case," Mr. Dulaney says.

"It's a clean decision. Their condition is job-related," he says.

Both Mr. Arko and Mr. Bisgard are still physically and psychologically dependent on cocaine and marijuana, according to their lawyer, who claims drug use may have

Continued on page 32

Computerization lets risk manager stress management

By RHONDA L. RUNDLE

GREENWICH, Conn.—A computerized information system takes the numbers crunching out of risk management and frees the risk manager for management tasks.

That's the way Richard M. Inserra, director of insurance and risk management at American Can Co., views the impact of a new risk management information system at his company, a diversified packaging manufacturer with 1980 sales topping \$4.8 billion.

"The system allows us to accomplish a lot of things we only talked about in the past but never did because we lacked time and manpower," he says. Many good intentions that used to drown in a sea of numbers now get done with the push of a button.

Workers compensation and general, automobile and product liability claims files dating back five years went on-line early last year. Since then, Mr. Inserra has been hammering out handy reports with consultants from the Risk Analysis & Management (RAM) Group, an arm of Alexander & Alexander. The property program will be added in 1982.

"American Can is using its information system like the management tool it is," says Tracey Caragher, A&A project manager and assistant vp in Greenwich. "Rich has a hands-on approach, asks tons of questions and is always proposing new ways to use the system."

But Mr. Inserra modestly insists that American Can is still a first-grade student learning the ABCs of data processing applications to risk management. "We will advance over the next few years," he says.

Programming energies during 1981 were heavily focused on perfecting software to crank out cost of risk allocations (CORA) for more than 20 American



The computer makes Mr. Inserra's job easier.

Can business units encompassing more than 200 operations in the United States and Canada. The objective was to make those premium allocations loss-sensitive.

"Most corporations charge out liability premiums on the basis of sales volume, or—in the case of automobile liability—by number of vehicles," explains Mr. Inserra. "We've gone a step further and said that somebody creating a lot of losses should pay his fair share of the costs."

Fifty percent of the premium charge set by CORA reflects loss experience and the other half exposure. Loss-sensitive cost allocations accomplish two things, says Mr. Inserra: "Allow us to target areas with poor experience and to address loss-control efforts."

The philosophy behind this approach has been well-accepted by the different business units, although a handful have been hit with budget-busting premium increases this year due to heavy losses. The metal packaging unit's automobile liability premiums shot up to \$334,000 from \$140,000, for example.

A risk management information system can help businesses make smarter fundamental decisions, Mr. Inserra points out. Maybe a higher price should be charged for a product if there are greater risks, and therefore losses, incurred to produce it. The corporation might even consider shutting down an operation if heavy risk management costs gobble up profits.

Continued on page 24

Health insurance pool cuts costs for district

By JAMES C. LAWSON

TOPEKA, Kan.—Hit with rapidly rising health and dental insurance costs, the Bonner Springs Unified School District in Kansas spells relief: K-E-E-P.

When Blue Cross last fall proposed increasing health care insurance rates 25%, this school district of 180 employees 14 miles west of Kansas City turned to KEEP—the 4-month-old Kansas Educational Employees Fringe Benefit Pool—to provide the same benefits at lower cost. The pool is organized through the Kansas affiliate of the National Education Assn., an educators' trade association.

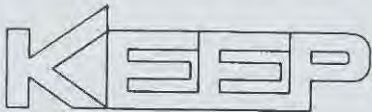
"One of the best things about the program," explains Jonathan E. Curley, president of Jonathan E. Curley Inc., the consultant that implemented the plan for the Kansas-NEA, "is that school districts can design their own benefits program."

Before joining the KEEP pool, Bonner Springs had considered passing on to employees some of the additional cost of the proposed Blue Cross rate increase. Under the KEEP program, however, Bonner Springs was able to provide identical health insurance and dental programs at no increased cost to the employee and less cost to the district.

The combined premium for medical and dental coverage under the KEEP plan is \$15,000; the cost of the same coverage under Blue Cross would have increased to \$18,000 from \$14,500.

Established as a benefit trust under section 501(c)(9) of the Internal Revenue Code, KEEP offers school districts a cafeteria-style benefits package

Continued on page 32



Rider to cover bank fund transfers

By STEVE SHERWOOD

NEW ORLEANS, La.—A new rider to the bankers blanket bond providing coverage for losses caused by intrusions into electronic fund transfer systems will be filed with state insurance departments by The Surety Assn. of America.

The new rider, which could be offered by the association's 500 domestic bond underwriters, provides banks with another market offering to cover a large and uninsured exposure today: external manipulation of data going to and from the nation's five major electronic fund transfer systems.

Similar insurance coverage is available under the broad new electronic and computer crime policy being offered by underwriters at Lloyd's of London (BI, Dec. 14, 1981).

In addition, Shand, Morahan & Co. of Evanston, Ill., said its bankers blanket bond already addresses third-party intrusion into the transfer system.

The SAA rider, when it becomes available in the next few months, will broaden a previous rider that now provides coverage for NACHA or National Auto-

matic Clearing House Assn. transactions. It will add insurance for Fedwire, Bankwire II, Clearing House Interbank Payments System (CHIPS) and Society for Worldwide Interbank Financial Telecommunications (SWIFT) transactions.

These automated clearing houses are essentially computerized communications networks that move funds or financial information from bank to bank within the United States or to other nations.

Fedwire is the largest of the EFT systems. It transfers an estimated \$300 billion a day between about 850 banks in the United States at the rate of 180,000 transactions a day.

CHIPS is the most widely used method for transferring U.S. dollars among world banks. It handles about 90% of the foreign exchange and Eurodollar transactions calling for payment in U.S. dollars, transferring an average of \$180 billion a day.

The new rider to cover the exposure of intrusion into these systems, providing what is called "interloper" insurance up to the bankers bond limits, was announced

Continued on page 30

Hyatt defendants to continue settlements

By BILL DENSMORE

KANSAS CITY, Mo.—Settlements with claimants in the Kansas City Hyatt Regency Hotel skywalk collapse will resume this week after an informal hiatus resulting from a judge's order establishing a class-action suit for victims.

Crown Center Redevelopment Corp., Hallmark Cards Inc. and Hyatt Corp. notified U.S. District Judge Scott O. Wright on Feb. 2 that they would, within 10 days, "recommence negotiation of legitimate claims arising out of the collapse on July 17, 1981."

As a practical matter, settlements are being negotiated by Northbrook Excess & Surplus Insurance Co., which has been funding settlements since the disaster.

As of Feb. 2, \$18.3 million had been pledged by insurers to settle about 117 claims, with most of the money pledged by Northbrook. It underwrote a \$25 million excess umbrella policy for Hyatt on top of \$1 million

underwritten by Occidental Fire & Casualty Co. of North Carolina, which has been exhausted.

In addition to Occidental's contributions, money for settlements has come from The Home Insurance Co., which exhausted the \$500,000 primary limit of liability insurance it provided the general contractor for the hotel.

But Hallmark's primary general liability insurer contends it isn't liable and has refused to fund settlements (see related story).

The three main defendants, through their insurer-appointed counsel at the Kansas City firm of Stinson, Mag & Fizzell, said they only will settle claims out of court if claimants are willing to waive any right to punitive damages. They will not consult with or compensate class-action lawyers on these individual settlements, they add.

"I don't see anything wrong with that," said Irving Younger, a Washington, D.C., lawyer appointed by Judge Wright as the lead attorney for the class of injured and deceased skywalk victims. Mr. Younger is a

Continued on page 28

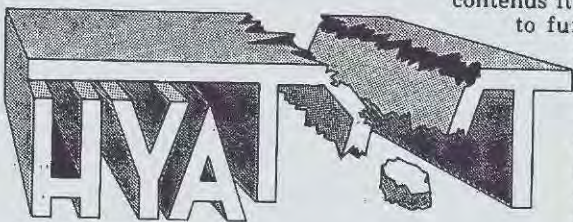


Illustration: Amy Palmer

CU lawyer misleading about coverage: Hyatt

KANSAS CITY, Mo.—Hyatt Corp., told in a letter that Commercial Union Insurance Co. denies it any coverage for last year's skywalk disaster, now is accusing a CU lawyer of deliberately misleading statements about coverage.

The accusation, denied as a "scurrilous attack" in a response by Commercial Union, comes in Hyatt's coverage suit against its alleged insurers.

William E. Bailey, vp of claims for CU, also warns the Hyatt motion may make it more difficult for insurers to settle their coverage debate in a spirit of cooperation.

"This unfortunate event is going to take away from that spirit," Mr. Bailey said.

In its motion, Hyatt asks that attorney Stephen A. Cozen of Philadelphia be disqualified in state court as counsel for CU because the attorney or an associate allegedly "sought to deliberately mislead this court and plaintiff's counsel in this case."

Commercial Union wrote a \$1 million primary liability policy and a \$10 million umbrella policy for Hallmark Cards Inc., whose subsid-

Continued on page 28

Bulletin benefits to end soon

The 134-year-old Philadelphia Bulletin published its final edition late last month but will continue health insurance benefits for its 1,743 full-time employees—including 250 reporters and editors—for at least 15 days.

Group health insurance coverage ends Feb. 15 for regular employees terminated Jan. 29, the last day the newspaper published, and on March 15 for department heads and human resource department employees who will leave their posts on Feb. 15.

Group life insurance coverage will be continued through the last day of the month in which the employee was laid off.

Conversion coverage applications must be submitted to the Prudential Life Insurance Co., the Bulletin's life underwriter, within 30

benefit beat

days of termination of group coverage.

Employees enrolled under the health plan's Blue Cross, Prudential and health maintenance organization programs have 30 days in which to convert to personal policies. Employees who were enrolled in the Blue Cross or Prudential coverage will automatically be billed for Blue Cross conversion coverage unless they have pre-existing medical conditions. Those employees may apply for the Prudential conversion plan, which includes hospitalization, medical, surgical and major medical benefits.

HMO members will be allowed to convert to non-group coverage or

enroll in a non-group Blue Cross/Blue Shield plan.

The Bulletin, once the nation's largest circulation afternoon newspaper, closed several months after employees agreed to economic concessions designed to save \$6.5 million a year.

In return, Charter Co., an oil, insurance and communications conglomerate that acquired full interest in the newspaper in January 1981, agreed to spend \$30 million to make the newspaper profitable by 1983.

The Bulletin reportedly lost \$7.9 million in 1979, \$13.4 million in 1980 and an estimated \$21.5 million in 1981.

Life insurance

Bus operators, mechanics and clerks of the Worcester Area Transportation Co. in Worcester, Mass., have won a new three-year contract that provides for a \$5,000 increase in life insurance coverage.

The agreement, covering 161 members of Amalgamated Transit Workers Local 22, ended a 32-day bus strike that affected more than 23,000 daily riders in a 13-city area.

Under the agreement, employees' life insurance coverage will be boosted to \$5,000 from \$3,000 this year and will be increased another \$3,000 in 1983.

The upgraded plan, fully paid by the transit company, is underwritten by the Massachusetts Mutual Life Insurance Co. of Springfield, Mass. ■

Cost-control grants offered

PRINCETON, N.J.—The Robert Wood Johnson Foundation, a private philanthropic organization, wants to help communities contain rapidly rising health care costs through \$16.2 million in grants for cost-saving programs.

The grant program, co-sponsored by the American Hospital Assn. and the Blue Cross & Blue Shield Assns., is part of a major effort to control health care costs, which are expected to climb to an estimated average of \$8,000 per family by 1990, compared with \$2,850 this year, the foundation says.

Established to assist municipalities with more than 250,000 people, the program is designed to band hospitals, employers, health insurers and labor unions into health care coalitions to seek new approaches to cost containment while maintaining the easy accessibility and quality of health care.

Local programs, a spokesman for the Princeton-based foundation explained, must be geared to change the way local medical care is delivered, physicians are paid or people are insured.

"This program is for groups that may have thought about cost-containment measures or projects, but never really had the dough to get them started," explains Drew Altman, a spokesman for the foundation.

"We're looking for people who have done a lot of first-step work and have a major idea of what they want to do to slow down costs," he adds.

While existing groups with cost-containment projects are favored, new groups wishing to establish coalitions have an equal chance of receiving a grant, foundation officials say.

So far about 70 coalitions have been identified across the country. Many more are expected to be formed, but only about 10 or 12 are expected to get initial planning grants from the foundation.

Initial \$100,000 matching grants will be awarded to coalitions composed of at least three hospital, insurance, labor or business elements to enable them to develop specific projects for reducing health care expenditures for broad sections of the community. These planning grants will be made over an 18-month period.

A second phase of \$1.5 million in matching grants will be made to implement the plans that the coalitions develop. Some coalitions, foundation officials say, may receive grants for up to eight years.

Interested community organizations and potential co-sponsors are required to submit letters of interest by May 1 for planning grants or by Sept. 15 for the implementation grants. The grants are expected to be made in early 1983.

Neither of the grants can be used to fund operational costs. Community coalitions will be required to raise their own matching funds, possibly through private donations from the organizations that participate in the program.

The foundation's president, Dr. David E. Rogers, says the program "is one response to the growing current interest in many parts of the country in developing private-sector collaboration efforts to significantly restrain the growth in health care costs.

"Rising costs," he adds, "threaten the nation's ability to preserve the gains made in recent years in making quality health care available to all Americans."

Health care costs rose a record 15.2% in 1980, bringing the country's medical bill to \$247.2 billion or 9.4% of the gross national product, officials of the Princeton-based foundation say. ■

Automatic Benefits for Third Country Nationals.

Wherever They Are.
Whenever They Transfer.

TCNs have traditionally been a giant problem for personnel managers. A unique group of employees—well educated, highly paid and very mobile—TCNs often can't get adequate insurance in the country where they work, in their own country or in their company's homeland. That can compound the problem of attracting and keeping these valuable skilled technicians and specialists.

A Full Range of Customized Benefits

Our TCN plan enables you to offer life, medical or disability insurance and pensions or annuities. All our programs are specially tailored. It doesn't matter where your TCNs are, how often they're transferred, what their nationalities are or if they number as few as 10. In addition we offer worldwide personal insurance coverage on a voluntary basis. Called GLOBIS, these plans include personal property/effects, personal liability, personal catastrophe and

all risk accidental death and dismemberment coverage.

Allife pioneered TCN Coverage

Since the late 1950's, Allife and its affiliated companies have been underwriting TCN programs at the request of our impressive list of Fortune 500 clients. Why did these prestigious companies ask us to develop these plans? No doubt because of our knowledge and understanding of foreign countries, customs and costs. And our track record of quick claim settlement (in hard currency).

Expertise from a Single Source

Our companies market TCN programs through our unique Group Management Division (GMD). GMD provides a single source of expertise for all brokers, employers and consultants. And, as a division of American International Group, we're able to provide our accounts with the most responsive international service in the world.

If you'd like to enhance your company's benefit program abroad, call Mr. C. C. Gamwell III, Vice President, at (212) 770-5060 or 770-7407. Or mail the coupon below.

allife

A Member Company of American International Group

American International Life Assurance Company of New York
Group Management Division
70 Pine Street, New York, NY 10270

Please send me more information on TCN benefit programs. I'm interested in:
 International Expatriate Pension Plan
 Voluntary Benefit Programs Individual Retirement Group Retirement GLOBIS

Name _____ Title _____

Company _____

Address _____

City _____

State _____ Zip _____

B



A statement.

(And an understatement.)

This little train station — our trademark for many years — makes a statement about our spirit of small-town helpfulness.

But it's also an understatement. We've come a long way since we pioneered workers compensation insurance 70 years ago. Today, Wausau writes virtually every kind of

business insurance for virtually every size and kind of company. And today, Wausau's role is even larger than that of an



**WAUSAU
INSURANCE
COMPANIES**
Wausau, Wisconsin 54401

"all-lines" underwriter. We have a flexibility that provides risk management services to companies that prefer to carry their own insurance, or to use alternate insurance mechanisms. You can pick and choose whatever kind of risk management system or service you need to benefit your productivity and to help you protect your financial, physical and human resources. The Wausau department. It says a lot about us. But it doesn't say it all.

Law limiting liability to be challenged

By STEVE SHERWOOD

SPENCER, Okla.—Families of two children injured in the Star Elementary School water heater explosion are challenging the constitutionality of a law that limits Oklahoma City School District's liability to \$300,000.

Together the two families are suing independent School District 18 and other defendants for more than \$6 million in damages after their children were injured.

Oklahoma's Political Subdivision Tort Claims Act of 1978 limits a municipality's liability to \$50,000 per person and \$300,000 per occurrence.

Therefore, the total maximum the families of six persons killed and 30 injured in the Jan. 19 blast can recover from the school district is \$300,000.

"We are going to challenge the constitutionality of that statute," says attorney Michael Gassaway, who filed lawsuits charging negligence and product liability Jan. 22 on behalf of the families of Ricky Reagan and Christine Murphy, two students seriously hurt in the explosion.

The Murphy girl suffered a skull fracture, permanent damage to her eyes, multiple fractures of the jaw, had her spleen removed and was badly disfigured by shrapnel, Mr. Gassaway says.

Ricky Reagan suffered kidney damage and disfigurement from the explosion.

Defendants include the school district; Oklahoma City; Bradford White Corp., manufacturer of the water heater; Watts Regulator Corp., manufacturer of the heater's

temperature-pressure regulator; three school district employees who allegedly serviced the heater before the explosion and a number of unknown parts, testing and certification companies.

The Murphy suit seeks \$3.75 million and the Reagan suit seeks \$2.5 million.

To date they are the only suits resulting from the blast filed in Oklahoma County Civil Court.

"The parts manufacturers and water heater company don't have limits of liability, but the City of Oklahoma and the school district are shielded," Mr. Gassaway says.

"We allege this denies equal protection under the law and that it (the Political Subdivision Tort Claims Act) is a discriminatory statute."

A \$3 million boiler insurance policy written by The Hartford Insur-

ance Co. protects the district against property and liability claims resulting from explosions of pressurized vessels, says Darrel Shephard, the district's director of business management.

The district also has \$300,000 of liability insurance under a fire and extended loss policy written by Home Insurance Co.

Although state fire officials say the water heater was the source of the blast, they have not determined the exact cause.

Mr. Gassaway says he filed the two lawsuits so soon after the explosion because the police would not allow representatives of victims' families access to the scene to survey evidence.

"We had to rent a helicopter to take photos of the scene before it was altered," he says.

Commission investigates mine accidents

By EILEEN NORRIS

FRANKFORT, Ky.—Tougher safety rules and more frequent inspections of underground mines are likely goals of a commission investigating the recent rash of mine deaths in eastern Kentucky.

The 16-member Review Commission of Deep Mine Safety, appointed by Kentucky Gov. John Y. Brown Jr., is to have its recommendations for improved mine safety in the governor's hands by Feb. 18.

The rushed mandate was delivered by the governor after 25 miners were killed in several incidents during an eight-week period.

Thirty-six people were killed in Kentucky mines in 1981 and an additional 12 miners have been killed already this year, according to the Department of Mines and Minerals, which inspects underground mines at least twice a year.

In addition, the Mine Safety and Health Administration, a federal agency based in Arlington, Va., is also charged with inspecting underground mines four times a year.

Aside from the governor's commission, another group also is investigating at least one of the more recent Kentucky mine explosions.

The Council of the Southern Mountains, a citizens' group represented by a public interest law firm in Washington called the Center for Law & Social Policy, is representing the eight widows of the workers who were killed Dec. 7 while working at the Adkins Coal Co. mine near Topmost, said Davitt McAteer, an attorney for the firm.

The governor's Review Commission on Deep Mine Safety already has broken into three subcommittees, with each group scheduling hearings this week to solicit input from explosives experts, coal miners, labor representatives and public officials.

Specifically, the subcommittees will look at:

- The practice of "shooting the solid," or using explosives to break coal free.

- Current staffing of the Department of Mines and Minerals to see if additional inspectors should be hired.

- Current mining regulations.

After the most recent mine disaster Jan. 20 at the RFH Mining Co.'s No. 1 mine at Craynor, Ky., inspectors from the Department of Mines and Minerals made surprise inspections at the state's 313 mines that work exclusively with explosives.

The inspections resulted in the closing of 31 mines. As of last week, 18 of those mines had reopened, said Faith Miller Cole of the Kentucky Public Protection and Regulation Agency.

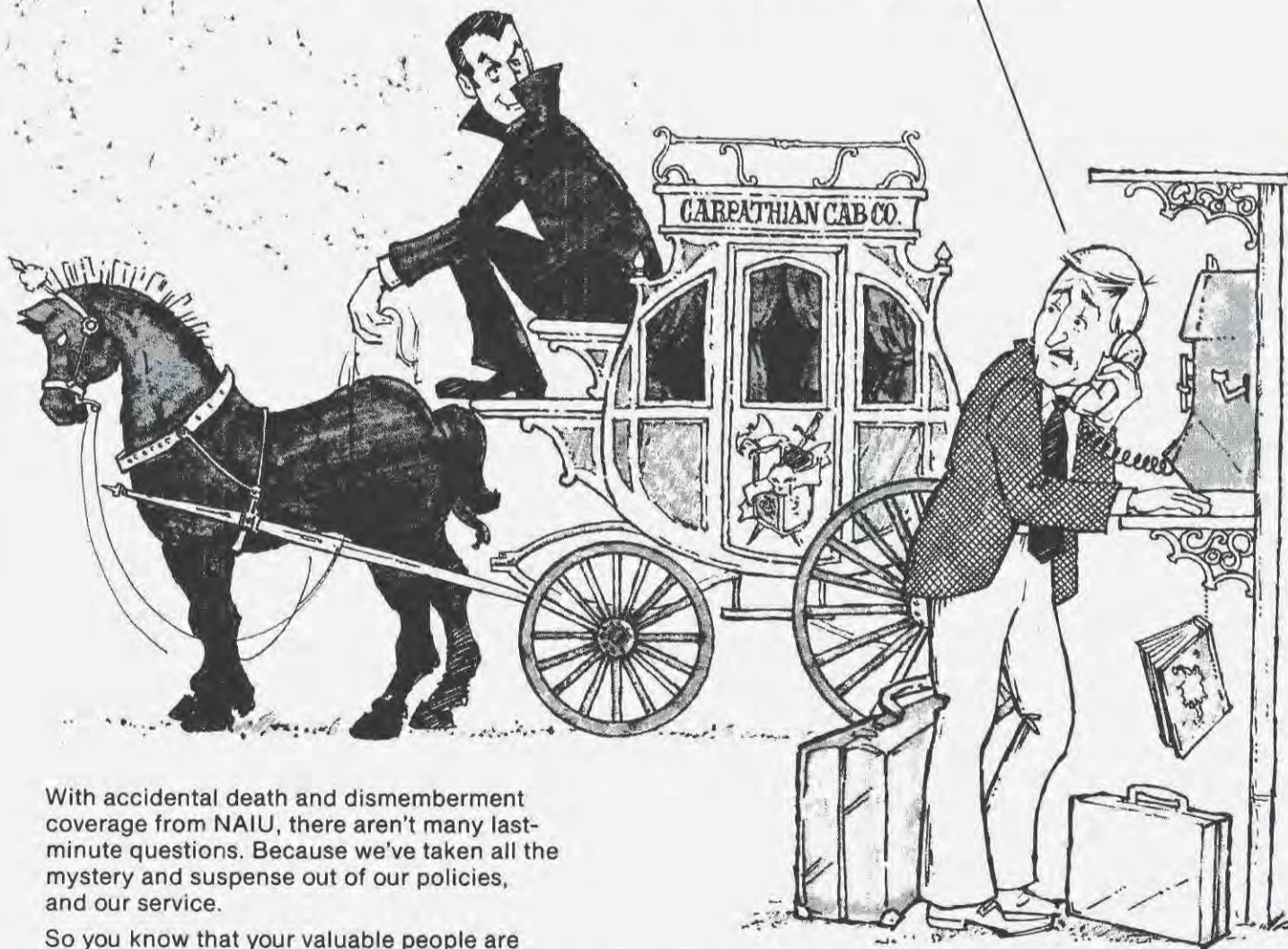
Mine operators were cited for improper handling of explosives and poor ventilation in most of those cases, she said.

The majority of Kentucky's 3,000 licensed mines use expensive machines to break the coal free, but smaller operations use the "shooting the solid" technique in which holes are drilled into the coal and explosives triggered.

There also had been some concern that some of the smaller, family-run mining operations may have escaped purchasing workers compensation insurance by making the miners "limited partners" in the mine, thus leaving the survivors without benefits. Partners in a business are not covered under workers compensation (BI, March 9, 1981).

But, all of the men killed to date were insured through their employers for workers compensation benefits, said Jerry Roberts, Kentucky's work comp director.

SID? LISTEN, I'VE GOT A QUESTION ON THAT NEW COVERAGE FROM NAIU.



With accidental death and dismemberment coverage from NAIU, there aren't many last-minute questions. Because we've taken all the mystery and suspense out of our policies, and our service.

So you know that your valuable people are covered anytime, anywhere on company business. The exclusions are simple and sensible.

And all it takes is one phone call to bind coverage for a specific trip. A blanket policy for key people, or everyone, with optional full 24 hour coverage for employees and their dependents, can be issued in a day or two.

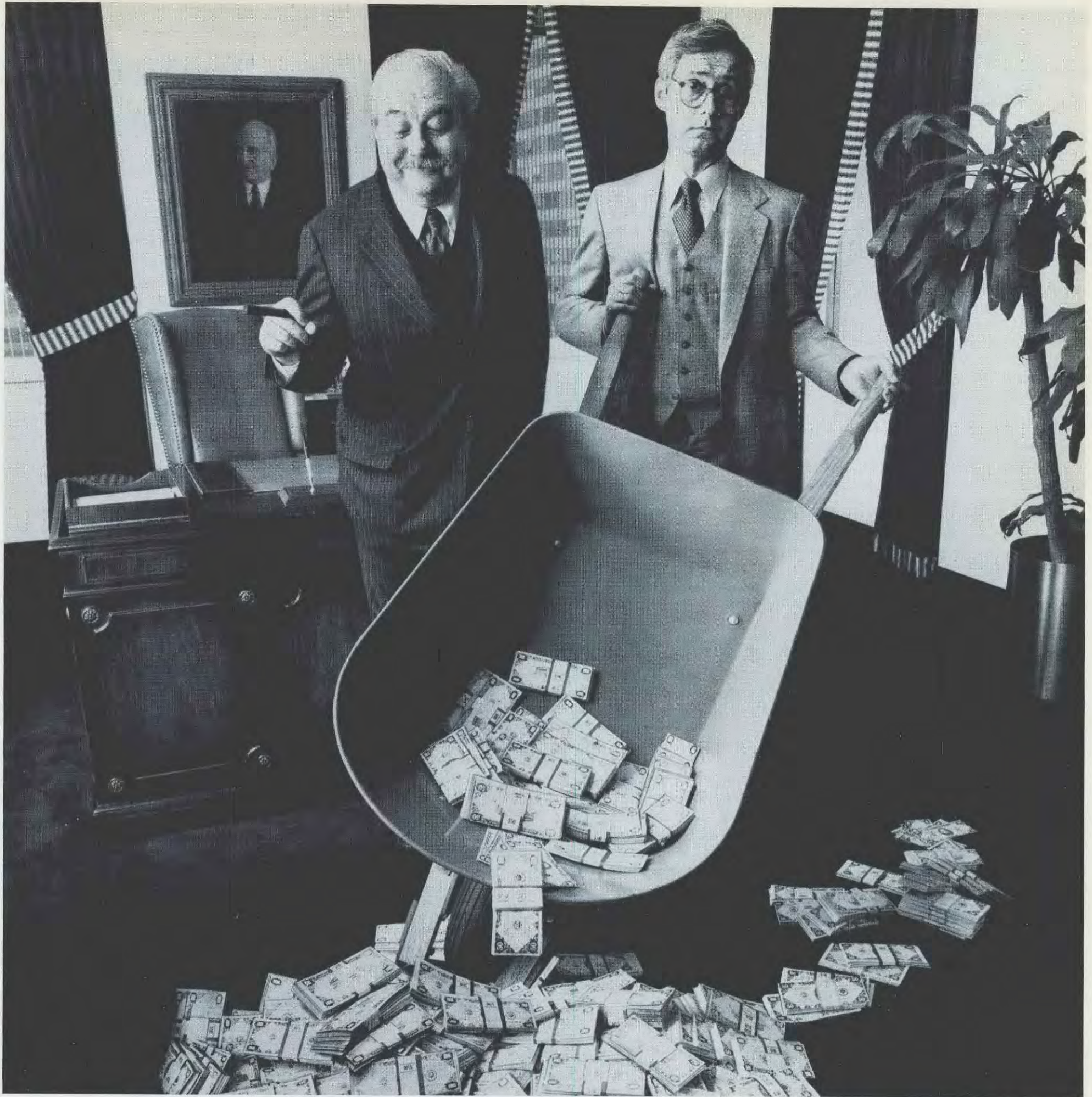
You see, NAIU manages an affiliation of solid, experienced companies among which all risks are distributed. We're specialists in this kind of insurance, so we perform like champs in writing policies, in service, in processing and paying claims.

Before you send any important person anywhere, ask your broker to call NAIU. Here's where to reach us:

National Accident Insurance Underwriters, Inc.
Home Office: 1480 Renaissance Drive •
Park Ridge, IL 60069 • 312/297-1665

naiu

subsidiary of **BUNCH**



Are you still doing business with the same HPR insurer?

Most insurers give you pretty good HPR coverage.

But some charge a pretty price for it. A three-year deposit.

At Commerce and Industry, on the other hand, you not only work with the most fearless underwriters in the business, and some of the best engineers anywhere, but you pay just a single year's premium.

The rest of your money?

You can invest it. Earn interest on it.

Even use it to give your factory a facelift.

Because it's still your money.

If your present insurer doesn't agree with that, maybe it's time you stop dropping off those big deposits.

And consider dropping him instead.

Commerce & Industry Insurance Co.

The AIG Companies.

Let us take the risks.

editorial opinions

Better late than never

FREE AT LAST—at least in 49 states.

The New York Legislature, in a better-late-than-never move, finally has freed the New York Insurance Exchange from the shackles of constraints against direct risk underwriting in all states except New York.

If your risks are located outside New York and the standard market isn't responding to your needs, you and your brokers will be able to tap the New York Insurance Exchange as it begins to comply with surplus lines laws in the other states.

It's about time. We, and many others who supported the exchange, have criticized the prohibition against direct underwriting of U.S. risks that was imposed upon the exchange when it was created. It was ludicrous to create a market ostensibly to compete with Lloyd's of London and then make it harder for a buyer to use the New York Insurance Exchange than Lloyd's, which has surplus lines status around the country. U.S. risks got tangled up in complicated regulation governing the New York Free Trade Zone and were forced to find an admitted or surplus lines insurer to issue the insurance policy and then reinsure the risk with the exchange to tap its capacity.

New York-based risks still only can use the exchange after they have been rejected by specially licensed Free Trade Zone insurers in New York. The reasoning: The Free Trade Zone insurers are subject to more regulation than surplus lines insurers but can set rates and issue policies without prior approval for special and hard-to-place risks. They are supposed to offer the commercial insurance buyer security and flexibility.

That makes sense, if you support regulation that forces commercial insurance buyers to use available admitted markets before tapping less-regulated surplus lines insurers. We remain to be convinced, however, that such regulation is needed to protect the commercial buyer from his or her own potentially misplaced

trust in a surplus lines insurer. We still see in that regulation the inherent protection of business for the regulated admitted market, whose regulation keeps the bureaucrats in jobs.

Considering any change in the New York Free Trade Zone and New York Insurance Exchange interface requires tackling the issue of deregulation of commercial insurance buying, let's be thankful today that the Legislature finally freed the exchange to compete with Lloyd's of London and other surplus lines insurers in the other 49 states.

Benefit equality

DON'T KEEP FIGHTING IT. Recognize pregnancy as any other illness in your dependent health care benefit plans, providing the same medical benefits to the pregnant wives of male workers as you do pregnant employees.

You are obviously going to be forced to do it. As we reported last week, an appellate court has ordered equal pregnancy benefits for spouses. We expect other courts will, too.

Even before you are under court order to do so, you should out of a sense of fairness and to avoid bad employee relations.

We don't think it is inconsistent to add this benefit while trying to control health care costs. The burden of cost-sharing with employees, however, should be fairly distributed and not heaped on the pregnant wives of male employees. In plans requiring employee contributions for dependent coverage, the employee will pay any increased costs. If payment for dependent coverage isn't required, now is the time to introduce it to equalize the value of the health benefit for single and married employees.

letters

Monopolistic fund is not desirable

To the editor: Your recent article on workers disability compensation in Florida and Michigan (*BI*, Jan. 11) pointed out that the Legislature in Michigan was considering the establishment of a state-operated fund as the sole source for compensation coverage.

The current state fund, for coverage for selected risks as well as state employees, produced a loss and expense ratio for 1980 of 92.5%, or an allowance of 7.5% for increases to surplus. This really is not very much and could be a lot worse if the state fund had to accept all risks. A state-operated fund, like state-operated funds elsewhere, would have to be subsidized by the state's general fund.

There also was a bill in the Legislature to force a 20% across-the-board premium reduction by reducing rates. Since the state fund does not make a profit, an analysis of the fund's 1980 performance would show the foolhardiness of this move. The 1980 earned premium was \$62,569,631 and incurred losses were \$45,532,727. Expenses were \$12,326,217. A 20% premium reduction would probably not reduce either losses or expenses. Although a 20% reduction in rates would not necessarily have an exact 20% effect on earned premium, the two percentages would be approximately the same.

Let us reduce premiums earned by 20% for 1980, for a new total of \$50,055,705. After subtracting losses and expenses, the loss and expense ratio now becomes 115.59%.

Mandated rate reductions and monopolistic state funds are not solutions to workers compensation problems. Treat-

ment of job-related injuries in a rehabilitative/return-to-work program rather than a welfare program will bring some sense back to these benefits.

Kenneth Bush
Risk & insurance manager
County of Kent
Grand Rapids, Mich.

Reflective insulation

To the editor: Various articles, published by several sources including *Business Insurance*, have circulated information relating reflective insulation with fire spread (*BI*, Oct. 5). Such articles seem to stem from a single source, Russell Henderson, fire marshal of Costa Mesa, Calif.

Before acting on this information, insurers and policyholders should be sure to realize Mr. Henderson's critique concerns a material formed by laminating a kraft paper between two foils (i.e., a foil-paper and a foil-laminate).

His discussion pertains to no other product and there are a number of reflective insulation products that are not of this description: hence, not fostering the retention of gasses held between the foils. Some of these include:

- Multilayer blankets of pure foil.
- A single lamination of foil on one side of kraft.
- The current foil-paper and foil-laminates being used (which meet Federal PS 46-71 in which the paper is treated to retard flame spread).

Any kraft-backed blanket insulation of the mineral-fiber variety has a tremendous flame spread potential, if such backing is facing an air space or without the designated FS-25.

With this information, companies should be able to discriminate between the products that have a fire potential and those that do not.

E. Freel Singleton
Executive director
Reflective Insulation
Manufacturers Assn.
Gardena, Calif.

Flexible group life

To the editor: There is one important point I felt the article "Flexible group life coverage coming" (*BI*, Dec. 14, 1981) missed: The tax on group life insurance in excess of \$50,000 hasn't changed.

This now creates the unique situation where in many cases it is preferable to purchase individual yearly renewable term as opposed to group term insurance.

For example, the manual rate for group term insurance for a 40-year-old male is 41 cents per thousand. Thus, it would cost a business theoretically \$61.50 per month to purchase \$150,000 of group term insurance. But the cost is of little importance to the employee. His tax, according to IRS Regulation 1.79, would be \$276.

However, he could purchase a \$100,000 yearly renewable term plan (the first \$50,000 is not taxable) for about \$250 at age 40. Thus, unless the IRS revises Regulation 1.79, it is going to be more and more advantageous to purchase larger amounts of term insurance individually rather than through a group plan.

Richard P. Duffy
Group sales specialist
The Equitable Life Assurance
Society of the U.S.
White Plains, N.Y.

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

business insurance®

Reporting weekly for corporate risk,
employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Managing Editor: Lorrie Gawla (Chicago)

Senior Editor: Len Strazewski (Chicago)

CHICAGO: James M. Burcke (Copy Editor)
Eileen Norris (Associate Editor)
Stephen Tamoff (Associate Editor)
Donna L. Yanish (Agent/Broker Topics
Associate Editor)

Claudette Dampier (Assistant Copy Editor)

Merrill S. Saltzman (Graphics Editor)

Amy Palmer (Production Assistant)

Jim Bakasetas (Production Assistant)

Dorothy Parr Snowden (Proofreader)

Sallie J. Drury (Editorial Assistant)

DALLAS: Steve Sherwood (Associate Editor)

LONDON: Stacy Shapiro (Associate Editor)

LOS ANGELES: Rhonda L. Rundle (West Coast Editor)

NEW YORK: Bill Densmore (Bureau Chief)
James C. Lawson (Associate Editor)
John W. Milligan (Associate Editor)

WASHINGTON: Jerry Geisel (Washington Editor)

Corporate: Todd E. Fandell (Corporate Editor)
Joe Faraci (Corporate Art Director)

Advertising Director: Donald A. Walsh (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Don Mahlmeister (District Manager)
Barbara Toshoff (Classified Sales)
Fran Prybylo (Production Manager)

LOS ANGELES: Lori Weinstein (Assistant)

NEW YORK: Charles A. Horvath (District Manager)
Jack Forrest (District Manager)
Timothy O'Hara (District Manager)

Director of Communications: Ronnie I. Drachman
(New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-528-3561

London: 01-637-7961

Los Angeles: 213-651-3710

New York: 212-210-0100

Washington: 202-638-5300

ADVERTISING: New York: 212-210-0133

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

founder (1885-1973)

MRS. G.D. CRAIN

chairman

KEITH E. CRAIN

vice-chairman

S.R. BERNSTEIN

chairman/executive committee

RANCE CRAIN

president

MARY KAY CRAIN

treasurer

MERRILEE P. CRAIN

secretary

DAVID J. CLEARY

executive vp/general manager

JAMES M. FRANKLIN

vp/finance

Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 25 Bedford Square, London WC1B 3HG, England. \$1 a copy. \$40 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$35 for air delivery. First-class mail to U.S. and Canada only, add \$50. **WILLIAM STRONG**, vp-circulation; **BARBARA RANDICK**, circulation manager; **ROGER DIGREGORIO**, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



Member of Business
Publications Audit of Circulation





Joe's Friends Sent Their Love. Equitable Sent Him Money...Fast!

At times like these, our clients want their employees cared for like family. In more ways than merely with medical care.

We help the best way we know how. By paying the bills quickly. And accurately.

That's a 70-year-old proud tradition with us. What's more, we're now equipped to continue that tradition in grand style. The reason is simple: *Equi-Claims*.

The System For The 80's

Equi-Claims is the most advanced system there is for processing group insurance claims. With terminals now installed in every region of the country, our claims approvers are



Outstanding claim service is a proud tradition at Equitable. EQUI-CLAIMS helps us maintain that tradition.

more productive, freed of mere paper-handling. We're able to provide better, more personal service to our clients and their employees than ever before.

Equi-Claims is a great reason to talk to Equitable about group insurance. But there are other good reasons as well.

A Flexible Approach

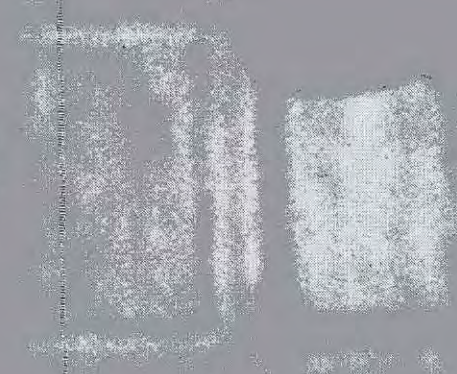
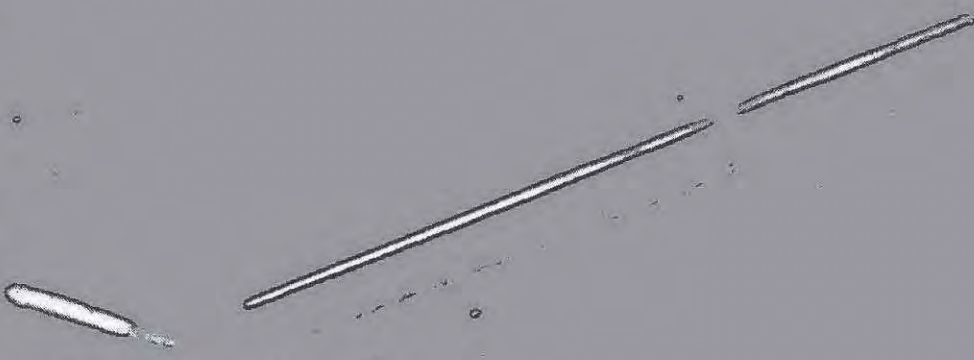
Flexibility is another important quality at Equitable. We tailor specific plans to meet the growth requirements and cash flow needs of our clients. We're proud of that, too. But at Equitable, claim service is, and always will be, our number one priority. Because, to us, every claim is a person with a problem who needs help in a hurry.

Isn't that the best reason to consider Equitable for your own corporate family?



THE **EQUITABLE** LIFE ASSURANCE SOCIETY OF THE UNITED STATES

1285 Avenue of the Americas, New York, New York 10019



THE CASE FOR JAM '82

It's the biggest industry campaign in history! And presenting the case for JAM will be one of America's most recognizable, respected, trusted personalities.

Raymond Burr:

He will be explaining the advantages of using an

Independent Insurance Agent to people all over the

nation. In all the major media. Including all 3 TV net-

works, radio, mass-circulation magazines, outdoor

billboards and much, much more!

Before he's through, we believe millions and mil-

lions of insurance buyers will be following his advice.

A powerful, persuasive spokesman like Raymond

Burr. A powerful, compelling message to tell. A big

budget to tell it with. With all that going for us, we

believe 1982 will be a banner year for

the Big "I" Independent Insurance

Agent—as well as for the JAM

contributing insurance companies

that he represents. We rest our case.



THE MORE-THAN-ONE-COMPANY INSURANCE AGENT.

If you're an insurance agent who is not an IIA member, there are 34 compelling reasons why it could pay you to be one. For more information call toll-free (800) 221-7917 at any hour. In Alaska, Hawaii and New York call (212) 285-4280 collect.

Pennsylvania House tables tort reform

around the states

HARRISBURG, Pa.—The Pennsylvania House last week sent a product liability reform measure, S. 784, back to committee after state business groups failed to unite behind the proposal.

Several employer trade associations did not want the House to vote on the bill in its current version. They convinced legislative leaders that the bill first needs strengthening in the House Insurance Committee.

The measure would establish a two-tier statute of repose. In cases involving injuries caused by consumer products, personal injury suits would have to be filed within 12 years after the product was manufactured. In cases involving non-consumer goods, the statute of repose would be 30 years.

However, both statutes of repose

only would apply to cases filed on the basis of strict liability. Under strict liability, an injured consumer only has to prove that the product was defective to recover damages; he doesn't have to prove that the accident was caused by a manufacturer's negligence.

The measure also would make it more difficult for consumers to sue wholesalers and distributors.

Benefits increased

MADISON, Wis.—Workers injured on the job are receiving increased benefits since amendments to the state workers compensation law went into effect Jan. 1.

The changes include:

- A person totally disabled can receive a maximum of \$269 per week in workers compensation, an increase of \$20. A new maximum total disability benefit, equal to 100% of the average weekly wage paid during the previous year, will go into effect each year. This benefit also applies to the surviving spouse of a worker killed on the job.

- A person partially disabled in 1982 will receive the \$259 maximum benefit during the "healing period" provided for under the workers compensation law. If the partial disability is determined to be permanent, the person will re-

ceive a maximum of \$90 a week. This is a \$20 per week increase.

On Jan. 1, 1984, the maximum partial disability benefit will increase to \$100 a week.

In another change, a workers compensation claim based on stress alone, without physical trauma, now must show that stress was beyond that common to everyday life. Also, if an employer assists in organizing or financing a car or van pool, he is not liable for injuries incurred going to or coming from work unless there is a specific agreement for the transportation as part of a worker's contract.

In addition, employees of a temporary help agency may not make a negligence claim against the employer with whom they are placed.

Another provision is that any doctor, hospital or health care pro-

vider is required to furnish reports reasonably related to a compensation claim upon request.

Repeal fails

SACRAMENTO, Calif.—California industry groups are expected to keep trying for legislative repeal of the controversial Sindell Supreme Court decision, despite their second defeat in two years.

Senate Bill 228, authored by Sen. Ed Davis, R-L.A., would have banned lawsuits against drug companies and other manufacturers when a plaintiff cannot identify the manufacturer of the product that caused their injuries.

The bill was defeated Jan. 19 by a 5-2 vote in the Senate Judiciary Committee. A similar bill died in the Assembly Judiciary Committee in August 1980 (BI, Sept. 8, 1980).

Although there are no immediate plans to reintroduce the bill, the effort will continue until a legislative solution is reached, said a spokesperson for the California Manufacturers Assn.

The new version included a proposal for a legislative committee to study how claimants should be compensated for latent injuries.

The Sindell decision, handed down in March 1980 and upheld by the U.S. Supreme Court, established the right of DES victims to sue manufacturers on the basis of market-share liability.

Diethylstilbestrol (DES), widely prescribed as an anti-miscarriage drug in the 1940s and 1950s, was banned by the federal government in 1971 when it was linked to vaginal and cervical cancer in the daughters of women who had taken it during pregnancy.

N.J. nominee

TRENTON, N.J.—Joseph F. Murphy, a former vp of Continental Insurance Co., has been nominated by Gov. Thomas A. Kean as state commissioner of insurance. If approved by the state Senate, he would succeed James J. Sheeran who resigned last month.

Mr. Murphy, 66, was general counsel and executive vp of Continental from 1955 to 1980. After his retirement, he joined the New York law firm of LeBoeuf, Lamb, Leiby & MacRae.

From 1952 to 1955, Mr. Murphy was deputy superintendent of insurance in New York.

Rate hikes approved

TRENTON, N.J.—Before resigning last month, Insurance Commissioner James J. Sheeran approved rate increases for more than 500,000 Blue Shield community-rated health insurance customers.

He also granted a 15% increase in malpractice insurance premiums for the New Jersey Medical Inter-Insurance Exchange, which covers approximately 6,000 doctors.

Both increases will take effect March 1.

The commissioner increased the rates for groups of fewer than 100 people by 19.4%. He also granted a 29.6% increase for senior citizens buying Medicare supplemental coverage.

In most cases, the group premiums are paid by employers. The two groups comprise about 36% of Blue Shield's 1.5 million community-rated policyholders.

The commissioner also approved payment of a 20% dividend to the doctors who bought medical malpractice insurance from the Medical Inter-Insurance Exchange. The dividends were based on favorable loss experience in 1977.

The exchange's premium rates were raised by 15% to cover losses projected for 1982.

"Abracapolicy!"

Nobody delivers better than we do

When you compare major corporate risk underwriters, you'll find only Armco Corporate Risks promises to issue your policy within thirty days of binding.

We not only produce your policy fast, but also with imaginative approaches to workers' comp, general and automobile liability needs of your large industrial or commercial risks. Our expertise includes large deductibles, retros, cash flow plans, even wrap-ups.

Our claims service is special, too. Recently, Texas ranked us number one carrier in our group for promptness of payment on compensation claims.

So next time you need a little policy issuance wizardry, get in touch with Charlie Jones, Vice President, Corporate Risk Department, Armco Special Risks, 1221 River Bend Drive, Dept. 42, Dallas, Texas 75247. 214/689-8333.

ARMCO
ARMCO
SPECIAL
RISKS

FRANK B. HALL & CO.



Creative insurance services. We've got what it takes.

Frank B. Hall, the world's most inventive insurance services firm, provides State-of-the-Art marketing expertise. Highly risk management capabilities for the entire corporate community. Experienced expertise. Ours is a State-of-the-Art company. We're organized to provide the latest in insurance and State-of-the-Art decision. Call on Hall. You'll be making a State-of-the-Art decision.

to manage
Corporate
Risks.



It takes the
State-of-the-Art



We make the market. You make the sale!

Suppose a client owns or runs a children's camp. Where can he find the unique coverage he needs — for anything from a kid's broken arm to an outbreak of the mumps, and for catastrophes such as collapse, hurricanes and explosions? You'll find it at Rhulen — North America's #1 specialty insurance agency. We can give you any kind of camp-related program — from a specific, comprehensive "All Risk" package to an accident/medical program.

We've been solving hard-to-insure problems such as this for the past 48 years. Our specialized staff has a sound understanding of your needs. Whether you need coverage for camps, colleges, universities — or horse-related operations, ski areas or gymnastics or martial arts schools — you can rely on Rhulen for unique, innovative programs.



Rhulen Agency Inc.

217 Broadway, Monticello, New York 12701
Offices from coast to coast and in Canada
(914) 794-8000 • (212) 924-1950 • Outside New York State (800) 431-1270

datebook

MARCH 1-5. Basic Safety Management seminar in Houston, sponsored by the International Safety Academy; \$535; \$485 for three or more participants from the same company. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77024; 713-932-9400.

MARCH 3-4. National Formaldehyde and Building-Related Illness conference in Indianapolis, sponsored by the Indiana Air Pollution Control Assn.; \$75; for one day, \$40; after Feb. 23, \$90; for one day, \$45. Dr. Thad Godish, Department of Natural Resources, Ball State University, Muncie, Ind. 47306; 317-285-7161.

MARCH 5-6. Occupational Health Nursing Principles and Certification Review seminar in Tarrytown, N.Y., sponsored by Fireman's Fund Risk Management Services; \$195. Also **March 19-20** in Itasca, Ill. Annette B. Haag, Fireman's Fund Risk Management Services Inc., Box 3890, San Rafael, Calif. 94911; 415-492-7758.

MARCH 8-9. Joint Defenses in Investigations and Litigation program in New York, sponsored by the Practising Law Institute; \$275. Also **April 26-27** in San Francisco. Practising Law Institute, Department VTC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

MARCH 8-10. Fundamentals of Insurance

course in Denver, sponsored by the Risk & Insurance Management Society; RIMS members, \$345; \$195 for two or more participants from the same company; for non-members, \$445. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MARCH 8-10. Loss Control for Risk Management seminar in Houston, sponsored by the International Safety Academy; \$375; \$335 for three or more participants from the same company. ISA, 10575 Katy Freeway, P.O. Box 19600, Houston, Texas 77024; 732-932-9400.

MARCH 12-14. The New Medical Malpractice Equation conference in Rancho Mirage, Calif., sponsored by the Annenberg Center for Health Sciences, Office of Education, Eisenhower Medical Center, 39000 Bob Hope Drive, Rancho Mirage, Calif. 92270; 714-340-3911.

MARCH 15-16. Fourth Annual Hazardous Waste Management conference in Washington, D.C., sponsored by The Energy Bureau; \$650. Carol A. Hertzoff, The Energy Bureau Inc., 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

MARCH 15-17. Corporate Benefits Management conference in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; members, \$470; non-members, \$545. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 16. Fundamentals: Risk Financing and Captives seminar in Bermuda, held in conjunction with the Sixth International Captive Insurance Company conference; \$200. Eileen B. Callahan, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

MARCH 16-17. Fire Safety in Buildings conference in Orlando, Fla., sponsored by the Society of Fire Protection Engineers and Engineering News Record; \$477; two or more participants from the same company, \$420. Also **April 21-22** in New York. D. Peter Lund, Society of Fire Protection Engineers, 60 Batterymarch St., Boston, Mass. 02110; 617-482-0686.

MARCH 16-18. Reasoning Reinsurance seminar in Dallas, sponsored by the Risk Management Institute, University of Dallas; \$445. Professor Bruce Evans or Julie Allan, Risk Management Institute, International Center, University of Dallas Station, Irving, Texas 75061; 214-579-5360/5330/5299.

MARCH 17-19. Self-Insurance, Risk Retention and Paid Loss Retro Plans seminar in New York, sponsored by the American Management Assns.; members, \$590; non-members, \$680. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-246-0800.

MARCH 17-19. Sixth International Captive Insurance Company conference in Bermuda, sponsored by the Risk Planning Group Inc.; \$650; \$595 for additional participants from the same company. Eileen B. Callahan, Risk Planning Group Inc., 722 Post Road, Darien, Conn. 06820; 203-655-9791.

MARCH 22-24. Techniques of Risk Management course in Calgary, Alberta, sponsored by the Risk & Insurance Management Society; RIMS members, \$345; \$195 for additional participants from the same company; \$445 for non-members. Rebecca Zimm, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

MARCH 24-26. AIRMIC International Insurance conference in Paris, sponsored by the Assn. of Insurance & Risk Managers in Industry & Commerce; discounts available to risk management association members who write for discount recognition and send payment with registration; with discount, 195 pounds (approximately \$362) until March 12; normal fee, 375 pounds (approximately \$696). Sue Rowles, Gower Conferences, 20 Endell St., London WC2; 01-240-5931.

MARCH 25. Public Employees in Los Angeles, sponsored by the International Foundation of Employee Benefit Plans; members, \$130; non-members, \$155. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 25. Rocky Mountain Insurance Day meeting in Denver, sponsored by the Denver Underwriting Assn., Insurance Women of Denver and Metropolitan Insurance Women; \$35; \$25 half-day. Priscilla McCoy, Rocky Mountain Insurance Day, P.O. Box 3628, Englewood, Colo. 80112; 303-759-3366.

MARCH 25-26. Workers Compensation seminar in Las Vegas, sponsored by Workers' Compensation Monthly; \$245; for two or more participants from the same company, \$200. Workers' Compensation Monthly, P.O. Box 820, East Falmouth, Mass. 02536.

APRIL 8-9. Human Factors Engineering for Controlling Hazards course in Washington, D.C., sponsored by the International Institute of Safety & Health; \$245; for three or more participants from the same company, \$195. Harold M. Gordon, IISH, 5010A Nicholson Lane, Rockville, Md. 20852; 301-984-8969.



Check, please.

We believe good service is never having to ask for the check. That's why Western Employers ranks No. 1 in promptness of payment of all major workers' comp companies in California.

The industry average from first day of disability to the first check is nineteen days. Western Employers has reduced that time to eight days by providing close, personalized service.

Each Western Employers account is assigned a special claims team. The team's supervisor will meet with your

client on a regular basis and review every claim on the day it is reported. We also assign teams for loss control, rehabilitation and audit services.

This kind of personal attention has made Western Employers No. 1 in overall service.

WE WESTERN EMPLOYERS INSURANCE

515 North Cabrillo Park Drive
Santa Ana, California 92702
(714) 973-2813 (213) 588-5151

Fullerton Los Angeles Phoenix Portland San Bruno San Diego San Francisco Scarsdale

St. Paul establishes two new divisions

St. Paul Fire & Marine Insurance Co. has created a risk management division to provide loss-control services for its clients.

The company also has established a medical services division to market and underwrite insurance for health care providers.

In creating the risk management division, St. Paul has taken its in-house loss-prevention capabilities and added new management and services to take advantage of a market that has excellent growth potential, says Richard W. Tongen, senior vp with responsibility for both divisions.

St. Paul already offers its hospital clients several risk management services including a safety program, seminars, educational materials, incident reporting, occurrence screening and computerized claims management.

In addition to health care, the risk management division will focus on the loss-prevention needs of St. Paul's larger clients, especially relating to workers compensation.

The division will then "target" other trade groups as identified by St. Paul underwriters, Mr. Tongen notes.

While the company will sell its loss-prevention expertise to outside customers through St. Paul Risk Services Inc., Mr. Tongen says the company's primary motivation is to provide these services to its clients.

The medical services division is composed of five departments and is responsible for marketing and underwriting all property/liability coverages for physicians, hospitals, nursing homes, dentists, nurses and other health care providers.

St. Paul, Mr. Tongen says, has written medical malpractice insurance for more than 40 years and now has 13% of the market.

Reinsurance

Heddington Brokers Ltd. of Bermuda, a joint effort by Heddington Insurance Ltd. and Lloyd's of London broker Willis Faber Group, has been formed as a reinsurance broker handling all lines of business.

Heddington Insurance, a subsidiary of Texaco Inc., is a captive insurer formed in 1970. The company primarily reinsures Texaco's onshore and offshore property and marine and third-party liability exposures, as well as excess of loss and facultative reinsurance for non-Texaco business.

Willis Faber is the underwriting manager for Heddington's London-based subsidiary, Heddington Insurance (U.K.) Ltd.

Heddington Brokers will concentrate on worldwide reinsurance activities for both Texaco and unrelated companies.

New division

A special accounts marketing division has been established in Los Angeles by The Travelers Insurance Cos. to serve large corporate clients on the West Coast.

The division will offer risk management services including risk financing, captive

markets

fronting and engineering and claims services designed to meet the buyer's specific needs, as well as traditional insurance coverage.

Acquisitions

R.B. Augustine Insurance Agency Inc. of Richmond, Va., has been acquired by **Alexander & Alexander Services Inc.**

Booth & Simpson, a Los Angeles-based property/casualty broker, has been acquired by **Coldwell Banker Insurance Services Inc.**, a wholly owned subsidiary of **Coldwell, Banker & Co.** ■

Coming Up!

Employee Benefits: Cost Control

Issue Date: March 8, 1982

Ad Closing: February 24, 1982

New York:
220 East 42nd Street, N.Y. 10017 (212) 210-0133
Chicago:
740 Rush Street, IL 60611 (312) 649-5275
Los Angeles:
6404 Wilshire Blvd., CA 90048 (213) 651-3710

Reporting weekly for corporate risk,
employee benefit and financial executives.

**business
insurance**

a publication of
Crain Communications Inc.



Allianz

the word in Property and
Casualty Coverage

Allianz can handle a broad spectrum of property and casualty coverages. Our underwriting professionals can design a flexible program to suit your specific needs, and our claims, engineering and loss control specialists are ready with courteous and equitable service. Good service at a competitive price. For knowledgeable and experienced property/casualty professionals nationwide, call Allianz. We're the experts you should know.

Allianz 
A Center of Excellence
Allianz Insurance Company

6435 Wilshire Blvd. Los Angeles, CA 90048
(213) 658-5000

Los Angeles:
6310 San Vicente Blvd.
Los Angeles, CA 90048
(213) 937-8310

Tri-County:
1440 N. Harbor Blvd., Suite 600
Fullerton, CA 92635
(714) 773-0377

San Francisco:
One Ecker, Suite 301
San Francisco, CA 94105
(415) 546-1711

Phoenix:
10040 N. 25th Avenue
Suite 225
Phoenix, AZ 85021
(602) 861-2293

New York:
44 Wall Street, 18th Floor
New York, NY 10005
(212) 269-4700

All Other States:
(800) 421-0504
(800) 421-0505

Social Security commission hires director

By JERRY GEISEL

WASHINGTON—The Reagan administration's new commission to develop solutions to shore up the Social Security program finally has an executive director.

Robert J. Myers, who resigned in December as deputy commissioner of Social Security because of policy differences with the Office of Management and Budget (OMB, Dec. 28, 1981), was appointed by the group's chairman, economist Alan Greenspan, to direct the 15-member bipartisan commission.

That commission, composed mainly of congressional Democrats and Republicans, was established by President Reagan last fall after administration recommendations to improve the financial soundness of Social Security foundered. The commission is supposed to make its recommendations after the November congressional elections.

Mr. Myers, 69, is recognized as one of the country's leading Social Security experts. In fact, he helped design the public retirement program in 1934 and worked for the Social Security Administration until he resigned in 1970. He later rejoined the administration.

PBGC premiums

It is going to cost employers more if they forget to pay their pension

washington

termination insurance premiums on time to the Pension Benefit Guaranty Corp., the federal agency that guarantees workers' pension benefits.

On Feb. 1, interest rates on unpaid premiums and employer withdrawal liabilities owed to the PBGC increased to 20% from 12%. The higher interest rate penalty is expected to remain at that level through the end of the year.

The PBGC is required by law to charge the same interest rate the Internal Revenue Service uses for delinquent taxes. The IRS also raised its interest rate on Feb. 1 to 20%.

Currently, an employer pays \$2.60 per year to the PBGC for each person enrolled in its pension plan.

The money is used to guarantee benefits of workers enrolled in pension plans that terminate with insufficient assets to pay most vested benefits.

OSHA request

The Occupational Safety and Health Administration wants more information from employers on what the economic impact would be if the agency's standard on

worker exposure to ethylene oxide (EtO) were tightened.

"On the basis of recent studies, we are concerned that OSHA's current standard for EtO (50 parts per million) may not adequately protect workers," said OSHA chief Thorne Auchter.

EtO, a colorless, flammable gas, is used in the production of a variety of industrial products as well as a sterilant for medical equipment.

Comments should be sent by March 31 to OSHA Docket Officer, Docket No. E-200, Room S-6212, U.S. Department of Labor, Washington, D.C. 20210.

More damage suits?

Corporations beware.

A new legal group has been formed to file major damage suits against companies over health, safety and other regulatory issues.

The Trial Lawyers for Public Justice, which received \$1,000 each from 200 attorneys, says its goal is to use "damage litigation" as a tool to influence corporate decisions about producing products that adversely affect health or safety.

If corporations understand that unsafe products will cost them money, "they'll think twice," said

Joan Claybrook, the former head of the National Highway Traffic Safety Administration, who helped organize the legal advocacy group.

Areas in which the group will concentrate its litigation efforts include health care, toxic wastes, nuclear and occupational hazards and auto and consumer product safety.

The legal group is expected to be headed by Anthony Roisman, a former special counsel for hazardous waste litigation in the Justice Department's Land and Natural Resources Division.

Pension plans

More small employers will offer pension plans if the government cuts back on unnecessary paperwork, an industry expert says.

Marvin Levins, senior vp for group pension operations at Connecticut General Life Insurance Co., says employers no longer should be required to distribute summary plan descriptions to pension plan participants.

SPDs, which describe a pension plan's provisions, are so complex that the average plan participant can't understand the document. Instead of mass mailings of SPDs, companies should be allowed to post the form and give employees more easily understood individual benefit statements, Mr. Levins explained.

Inspections cut

The Occupational Safety and Health Administration is cutting back on the number of workplace inspections made in response to complaints in order to concentrate on the most hazardous worksites.

Under the new policy, which went into effect Feb. 1, OSHA won't conduct an inspection if a complaint doesn't establish that a safety violation threatens "physical harm or an imminent danger."

In addition, if a company's safety record is above average, the inspection will be limited to the complaint area.

Previously, if the firm was in an industry whose overall safety record was considered poor, the OSHA inspection covered the entire worksite.

In announcing the policy shift, OSHA chief Thorne Auchter said, "With only 1,200 inspectors to cover 3 million workplaces, OSHA needs to concentrate its limited resources on answering first the complaints of employees who face the greatest, most immediate risk of injury or illness."

OSHA currently conducts between 50,000 and 60,000 inspections annually, of which 10% to 15% are in response to complaints. The safety agency doesn't know how many inspections will be eliminated under the new policy.

Which employee costs more

The desk on the left: One look at the debris, and it's a good guess this worker is nervous, jumpy, and overweight. And who wouldn't be, with all that caffeine, nicotine and sugar?

This person is also a prime candidate for more than his/her share of sick days and medical bills—driving up the cost of insurance for everyone in the company.

The desk on the right: Ah, here is evidence of a much healthier lifestyle. This employee eats wisely, exercises regularly and seldom calls in sick. That means

fewer medical bills. Smaller insurance premiums. And, as you might guess, this person is much more productive.

Now comes the surprise: Both of these desks belong to the same worker. The change for the better came with an exciting new program marketed by NWA—STAYWELL®.

Designed and administered by Control Data, STAYWELL® teaches and encourages healthier lifestyles for all employees. And the program is an effective, long-term method for containing health care costs.



Coal boom presents new risks for shippers

By STACY SHAPIRO

london line

LONDON—Coal soon will replace oil as the world's dominant source of energy, but it will present new dangers for cargo carriers, warns the chairman of the Institute of London Underwriters.

"There is now no doubt that, mainly as a result of pure economics, coal is in the process of superceding oil as a major source of energy," H.G. Merriman told marine underwriters at the ILU annual general meeting.

"New coal fields and new ports to deal with the expected boom will need marine underwriters to insure them. But underwriters should beware of the danger of carrying coal cargo, which can be more volatile than oil," he said.

"Although there will be far more coal carriers required, and this is a good thing from the point of view of spread of risk, coal can be a much more difficult and dangerous cargo to carry compared with oil," he said.

The largest marine insurance risks at the moment, however, are in the North Sea oil fields; the Statford B drilling platform alone is insured for \$1.4 billion. Insurers should make sure they are properly reinsured in this concentrated area of risk, Mr. Merriman said.

"Claims are increasing in frequency and amounts, particularly

following blowouts, while the accumulation of risks in the North Sea has reached truly frightening dimensions," Mr. Merriman warned in the ILU's annual report. "A major disaster in that area would have far-reaching repercussions on the whole insurance industry."

Although exposures have increased, insurance premiums haven't increased significantly, he continued.

"The enormous increases in exposure facing insurers have not been matched by compensating increases in premium."

Hull insurance renewals in 1981 showed that the marine market was hardening, but "premium levels are still inadequate," Mr. Merriaman said.

Final marine loss figures for 1981 will be released soon by the Liverpool Underwriters Assn., but the amount of tonnage lost and the number of ships involved will probably exceed 1980's results when 228 ships totaling 1.78 million tons were lost.

Some of the major marine losses in 1981, according to the ILU, included:

- The liquid natural gas carrier El Paso Columbia, which broke adrift as it was towed from Boston

to Halifax, Nova Scotia, Dec. 16. Extensive damage to the hull will prompt sizable claims. The vessel was insured for \$50 million.

- The drilling ship Petromar V, which sank in the South China Sea when a blowout caused gas to rise to the surface and aerate the water around the vessel, causing it to lose buoyancy and sink. It was insured for \$26 million.

- The ferry Tampomas II, which sank in January near Jakarta, Indonesia, killing 431 people. The vessel was insured for \$8 million. The accident involved the largest loss of life.

The ILU report did not include the loss of ships trapped in the Shatt-al-Arab waterway by the fighting between Iran and Iraq. A recent arbitrated decision ordered Lloyd's and other London marine underwriters to pay \$220 million to \$250 million in insurance and reinsurance for the 72 vessels stuck in the area, said Lloyd's marine underwriter Henry Chester. The losses will be included in the accounts for 1980 or whenever the premium was paid, he said (BI, Jan. 18).

Certain procedural changes could reduce hull and liability losses in the future, Mr. Merriman

said.

"It may be a coincidence, but the number of large tanker explosions has fallen significantly since the London market introduced the inert gas warranty in 1980," he said.

"The International Chamber of Commerce's International Maritime Bureau, which opened in May 1981, is also achieving success in fighting maritime fraud," he pointed out.

And the revision of the ILU's cargo clauses will make it easier to understand cargo insurance policies. The ILU's Technical and Clauses Committee is also revising its hull clauses.

Aviation losses

Losses on western-built jetliners decreased in 1981 compared with the last few years, the Institute of London Underwriters' annual report said.

Only 12 jets with a total hull value of \$123 million were lost in 1981. Twenty-three such aircraft were destroyed in 1980.

Only 355 people died in airline accidents in 1981; 744 were killed in 1980.

Eight of the 12 lost hulls were worth less than \$10 million, but, according to the ILU report, "many airliners operating today have values in excess of \$50 million,

while some approach \$100 million. So the loss of any of these high-value aircraft could have considerably changed the year's figures."

The ILU did not specify the amount of aviation-related liability claims paid last year.

Bowring consolidation

C.T. Bowring & Co. Ltd. has consolidated its non-Lloyd's of London insurance underwriting business into a new company, English & American Insurance Co. Ltd.

E&A, with paid capital of 3.7 million pounds (\$6.99 million), is responsible for all of Bowring's London underwriting activities excluding the Lloyd's underwriting agencies and Crusader Insurance P.L.S., the life insurance group. Bowring's offshore interests in Bermuda and Guernsey are also managed by E&A. The company will not, however, manage any of the offshore interests of its parent company, Marsh & McLennan Inc.

H.S. Hughes, C.M. Keeling, A.R. Taylor and C.J.P. Willis are general managers of the new subsidiary. T.F. Scutt is joint marine underwriter and T.L.G. Landon is managing director of Trinity Square Services Ltd., a wholly owned subsidiary of English & American.

J.W. Ramplin is chairman and P.D. Evans is managing director. ■

Can you pay and medical bills?

As the increasing inflation...

...and you all the time...

...you need your own personal life...

...with the "LIFE" program...

...and your own future...

MAIL TO: Gary Charbonnet, 1991, St. St. Minneapolis, MN 55420

How to me that the "LIFE" program is a comprehensive long term solution to the cost of medical care. Also, I can send me my free Health Risk Profile Questionnaire.

Name _____

Address _____

City _____

State _____

Zip _____





With The Buffalo behind you, you can count on reinsurance advantages you've known about for a long time. Important advantages like masterful strength and rock-solid stability.

You can also count on swift-footed flexibility, formidable competitiveness and a pioneering spirit that has endured since America's frontier days.

Today, more than ever, it pays to put The Buffalo behind you for all your facultative and treaty reinsurance needs.

Reinsurance through brokers

4231 Wilshire Boulevard
Los Angeles, California 90010
213-935-5700

**Buffalo
Reinsurance
Company**



Offices: Chicago, Houston, Los Angeles, New York, San Francisco

perspective

Risks in leases

For lessor and lessee coverage, it pays to read all the fine print



By Howard C. Alper

Last of two parts

LAST WEEK, we analyzed the types of property and liability insurance clauses landlords and tenants should seek when insuring rented property (BI, Feb. 1).

Again, using a checklist to analyze provisions of a lease as they relate to insurance, lessors and lessees can determine if their current coverage leaves them in an advantageous position in regard to rental value, workers compensation and general insurance requirements:

16, 17. If rental coverage is required, its relationship to business interruption insurance should also be recognized. The following clause requires the tenant to carry rental insurance, but deals with its duplication with business interruption insurance:

"Lessee shall, during the entire term hereof, keep in full force and effect, a policy covering rental values with respect to the leased premises, covering all-risk perils. Such policy shall be in the amount of the annual rental, plus an amount equal to annual real estate taxes, insurance costs and incidental building operating costs to be determined by lessor.

"Lessee shall have the option, instead of providing rental value insurance, of carrying business interruption insurance for its own benefit, which insurance shall include the repayment to the lessee of the continuing rental income to lessor as provided herein. Such insurance shall name lessor as additional insured as respects rental values."

18. Many leases contain a rent abatement clause. While this is equitable, its relationship to the insurance contract should not be ignored. If rental expense continues, it is covered by business interruption insurance, which most businesses do carry.

Therefore, in that instance, there is no benefit to the tenant by abating rent. . . merely a benefit to the tenant's insurance company. You could therefore consider deleting the rent abatement clause in consideration for an obligation to rebuild. An appropriate clause might be:

"If, by fire or other insured casualty, the demised premises are damaged or destroyed, the lessor shall restore the same. During such restoration period, rent shall not abate. Restoration shall

Analysis of lease insurance provisions

Continuation					
	Desired as lessee	Desired as lessor	Lease requires	Provided by insurance	Policy changes
Rental value					
16. Amount		Annual rental, plus taxes, insurance, etc.			
17. Perils		All risk			
18. Continue if untenable	Discontinue	Continue			
Work comp					
19. Name	Not required	Include lessor			
20. Boiler		Broad form			
21. Glass		Full or 50/50			
General requirements					
22. Name		Include lessor			
23. Cancellation		10 to 30 days prior written notice			
24. Approval of insurer		By lessor			
25. Copies of policies		To lessor			
26. Special clause		Policy not invalid due to act of lessor			

commence as soon as practicable after such damage or destruction and shall be completed with reasonable diligence, due allowance being made for delay in the commencement or completion of restoration occasioned by strikes, labor disputes, governmental restrictions, allocations or priorities, building and zoning laws or ordinances, acts of God and other causes beyond the lessor's reasonable control.

"In no event, however, shall the lessor be obligated by this or any other paragraph hereof to expend any amount for the restoration of the demised premises in excess of the net proceeds of any casualty insurance settlement payable by reason of such casualty."

19. If there's a net/net lease, it would be appropriate to require the lessee to provide workers compensation coverage for the lessor. Appropriate wording might be as follows:

"Lessee shall carry workers compensation insurance as required by law, and shall include the lessor as an additional insured."

20. Boiler insurance is required only if a steam boiler is operated on the premises.

We've seen boiler clauses in leases that require coverage in the amount of the value of the boiler. That's not the risk. If a boiler explodes and damages the building, the building policy does not cover the damage. That's why you need boiler insurance. You really need boiler insurance in the amount of the potential damage that can be done to the boiler, to the building, to the tenant's machinery and inventory and possibly even to other property. Here's an appropriate clause:

"Should a steam boiler be operated on

the premises at any time, lessee shall carry appropriate insurance as then reasonably designated by lessor."

21. If there is plate glass on the premises, particularly a storefront-type glass, then glass insurance may be desired. The 50/50 coverage enables the premium payer to save half the premium if there are no claims. It is an all-gain, no-loss option, so 50/50 coverage can be exercised whenever it is available.

22-26. Insurance is often required by a lease, but with no specifications to name the lessor. Therefore, insurance was provided in the name of the lessee. There's absolutely no benefit to the lessor in that instance, other than possibly protecting the lessor's insurance company.

All policies required in the lease should contain certain provisions protecting the lessor. It is important that the lessor be included as a named insured or additional named insured in respect to the property, and that he be advised in advance of any policy changes, like cancellation or reduction in coverage. There are also specific rights that need to be protected in regard to payment of insurance proceeds. Appropriate provisions follow:

"The policies required in this section shall name lessor, and any persons, firms or corporations designated by lessor as an insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the lessor 30 days' prior written notice.

"The insurance shall be placed with insurance companies approved by lessor and copies of the policies shall be delivered to lessor. The policies shall also indicate that coverage shall not be invalid

due to any act of omission on the part of the lessor. If such policies are not received promptly, the lessor shall place such coverage, and the cost thereof shall become due from the lessee as additional rent.

"It is specifically understood and agreed that all of the proceeds of such insurance policies shall belong to and be payable to the lessor; and lessee, in such event, hereby waives any and all right, title, interest of claim in and to such policies of insurance and/or the proceeds therefrom, and agrees forthwith to execute and deliver any and all releases, directions or other instruments that may be required for lessor to settle and effect collection on such policies.

"If for any reason any of the insurance hereunder is void, the lessee is responsible to the lessor for any uninsured loss."

There are several other clauses that can be included in a lease to better protect the lessor or give him certain options in particular eventualities:

- War damage insurance: "Lessee shall also maintain, upon request of the lessor, if and when available from an agency of the United States of America, war damage insurance in such reasonable amounts as lessor may require."

- Increase in hazards: "If, as a result of any hazard of the lessee's operations in the demised premise, the rate on fire insurance or other insurance is raised, the lessee will pay for such interest in cost. Furthermore, if the use of the premises increases the hazard beyond that contemplated in the lease, the lessee is required to so notify the lessor. Failure to do so shall obligate the lessee for any resulting cost to the lessor."

Howard C. Alper, ARM, CPCU, is president of AuditRate Inc., a Chicago insurance cost reduction consulting firm.



perspective

If type of coverage requested is changed without policyholder's OK, insurer can lose



Alterations of an insurance application without the consent of the

applicant by an insurance company's agent strips the insurance company of any defense based on the limitation of coverage in the policy as issued, according to the Supreme Court of Kentucky.

Randolph Anderson, doing business as Anderson Construction Co., applied for broad-form insurance for his construction equipment with Zurich Insurance Co. through an independent insurance agency. Without Mr. Anderson's consent or knowledge, the agent changed the application to coverage for specific perils and a specific perils policy was issued.

When two of Mr. Anderson's claims were rejected by Zurich as outside the specific perils coverage, he sued. The trial court ruled for Mr. Anderson but was reversed by an intermediate appellate court.

On appeal, the state Supreme Court concluded that the facts of the case were clearly within a state law prohibiting alteration without the applicant's consent. The court said the proper remedy was to place the parties in the position required by the policy had it been consistent with the application before alteration. Thus, the court said Mr. Anderson was entitled to recover whatever damages would have been provided by the broad-form coverage that he sought to obtain. *Anderson vs.*

legal briefs

Zurich Insurance Co., Supreme Court of Kentucky, Oct. 14, 1980, rehearing denied Feb. 17, 1981, modified May 15, 1981 (BI/02/D.-\$5).

Workers compensation



A traveling employee was entitled to workers compensation coverage while engaged in reasonable relaxation or recreational activities, according to the Supreme Court of Minnesota.

Paul Voight was employed by a transportation company to drive a school bus. Occasionally he was given the opportunity to make additional income on special charter trips. In November 1975, at his employer's request, Mr. Voight made a weekend charter run to a camp. He was to receive \$75. Meals and lodging were provided at the camp.

During the layover, drivers were expected to refuel and sweep the bus. Drivers had considerable free time. On Saturday night, Mr. Voight and several other drivers went into town for dinner and drinks. At the end of the evening, Mr. Voight was accidentally shot by a boisterous acquaintance the drivers had

met in a bar. He was rendered a quadriplegic and filed for compensation. The trial court awarded compensation but was reversed by a higher court.

On appeal, the Supreme Court said that traveling employees are, in most circumstances, under continuous workers compensation coverage from the time they leave home until they return. The employer argued, however, that Mr. Voight deviated from his employment for personal reasons at the time of his injury. But, the court said that a traveling employee may indulge in any reasonable activity.

According to the court, Mr. Voight's trip to the restaurant and bar for recreational purposes was a reasonable act, and therefore, incident to the employment relationship. *Voight vs. Rettinger Transportation Co.*, Supreme Court of Minnesota, June 5, 1981 (BI/03/D.-\$5).

Fire insurance



An insured under a fire insurance policy with a "full reporting clause" who did not comply with the contract was bound by the last report of valuation filed before the fire, according to a

Massachusetts appellate court.

Marshall's Inc. was covered under a fire insurance policy on its warehouse in the Virgin Islands issued by Federal Insurance Co. The policy contained a "full reporting" clause requiring Marshall's to provide monthly inventory reports based on actual values of inventory as of the last day of the month. Under such a provision, Marshall's paid a sliding scale premium based on the value of inventories as reported.

A fire at the warehouse occurred on June 20, 1974. The reported values at the end of April 1974 omitted a shipment received. This shipment was reported on the May inventory dated July 2, 1974. A dispute arose over whether the unreported inventory shipment was covered under the policy. Marshall's sued Federal Insurance, but lost.

The appellate court noted that the insurance policy was not void if Marshall's failed to make an accurate monthly report. Instead, the court said the insurer's liability was reduced in proportion to the amount Marshall's underreported. *Marshall's Inc. vs. Federal Insurance Co.*, Appeals Court of Massachusetts, May 21, 1981 (BI/04/D.-\$5).

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please list the number for each opinion.

benefit tax slants

ESOP: The employee benefit you start now that could save companies and jobs later

By Joseph S. Robinson
Attorney-at-Law

A NUMBER OF companies and their employees are attempting to avoid being swallowed up by other corporate giants through a legal maneuver known as the Employee Stock Ownership Plan.

For raising cash, the ESOP is a device that enjoys tax sanction through the Tax Act. Though generally advocated as a boon for employees, the arrangement can prove useful to a corporation in seeking capital. The company can get an infusion of cash by converting an existing retirement plan to an ESOP, selling off the plan's holdings and purchasing the company's own shares.

In an extension of the ESOP concept, the United Steelworkers union is considering an ESOP that would acquire the controlling stock of Kaiser Steel Corp. because it doesn't believe recent acquisition proposals from outside investment groups would be in the best interests of Kaiser employees. Under such a plan the ESOP trust would acquire the stock using money borrowed from a group of banks and insurance companies. Kaiser Steel would gradually liquidate the debt through payments to the trust which in turn would pay the financing group. As the debt is retired, the trust would allocate ownership of the stock to the employees in proportion to their relative income at Kaiser Steel.

Keep in mind that in addition to protecting jobs

ESOPs are a way of offering an employee benefit at a relatively low cost to the company.

Under the current law, a company can claim a tax credit equal to 1% of capital expenditures for the year if it contributes a like amount of company stock to an ESOP. The company is allowed another 0.5% credit for additional contributions that are matched by employee contributions.

Beginning Jan. 1, 1983, the Economic Recovery Tax Act permits employers to base the credit on payroll costs rather than on capital investments. The credit will be equal to a percentage of the compensation of all employees covered by the ESOP. Those percentages will be 0.5% in 1983 and 1984 and 0.75% in 1985, 1986 and 1987. The provision will expire unless it is extended by Congress.

IRA rollovers

For Individual Retirement Account rollovers, you had better keep an eye on the calendar. The tax on some lump-sum payouts from pension and profit-sharing plans can be deferred by putting funds into an Individual Retirement Account. You normally get 60 days for doing that. . . measured from the date received.

When payouts are made in two or more installments, be careful. You have 60 days from the last payout in your tax year to put the funds received during the year into an IRA, says a recent private IRS ruling. The

situation is more complicated for payouts received in different tax years. IRS frowns on rollovers if you expect a subsequent sum after the first is paid.

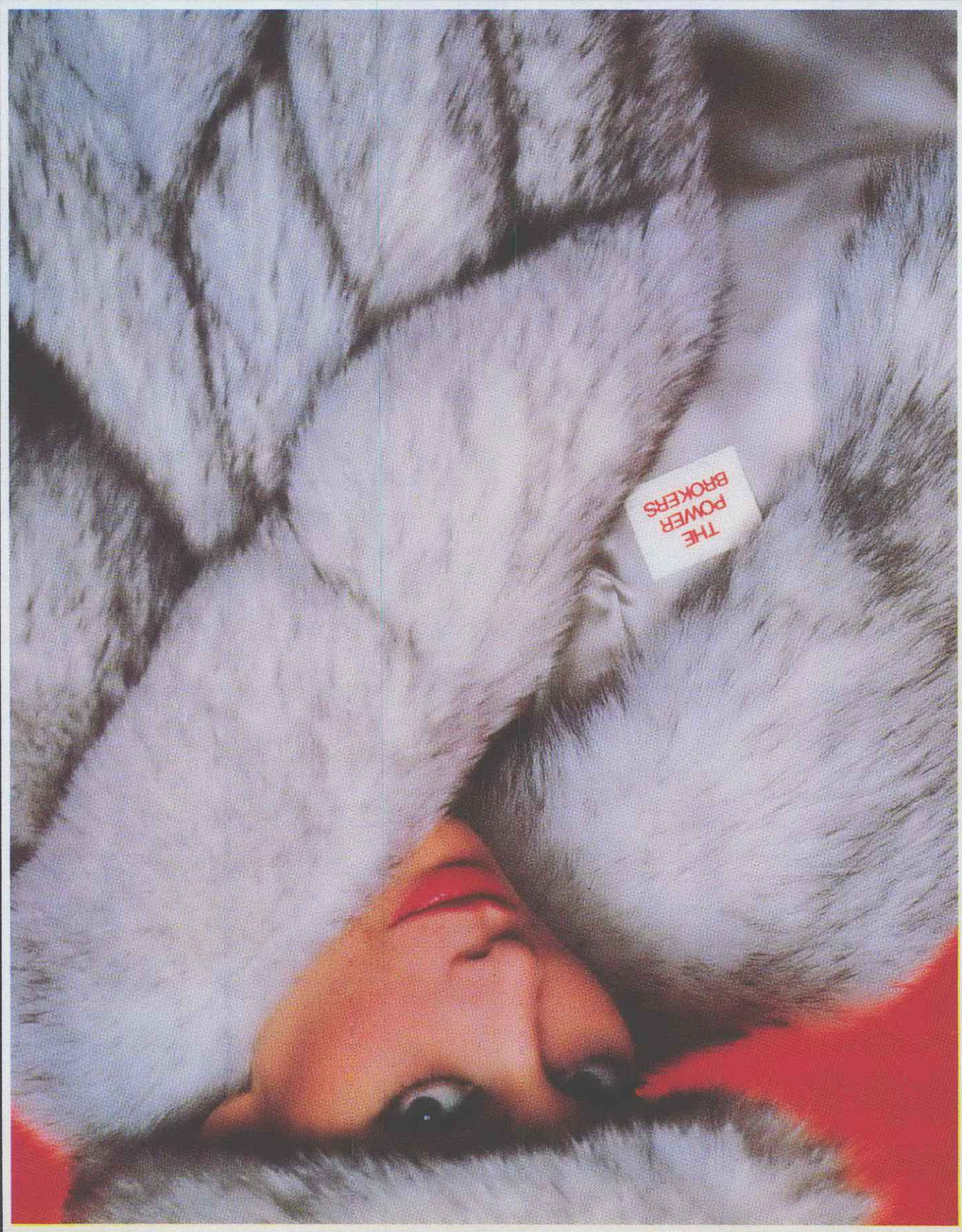
Of course, there are other rules for rollovers, too. For example, payouts must be the result of termination of your employment or the plan.

Company workshops

Up-to-date statistics indicate people reaching age 65 can, on the average, look forward to 15 more years of life. That's roughly one-fifth of the total lifespan.

Consequently, more companies are offering pre-retirement programs. These firms are conducting a series of workshops that include guest speakers who are experts in their fields. The topics covered are:

- The challenge of retirement, which includes psychological adjustments: the loneliness and depression that can sometimes accompany the loss of a productive job and the self-esteem associated with such a job.
- Financial planning including lectures on Social Security and retirement and stock purchase plans plus a discussion of personal money management.
- Legal affairs, including information on wills, estate planning, and tax advantages for senior citizens.
- Miscellaneous subjects such as health, the importance of physical activity, the use of leisure time for a part-time job or hobby and where to live—the pros and cons of moving to the Sun Belt.



Silver fox with a silver lining.

When it comes to placing fur and furbies block coverage, label us the best in the business. Because we have a complete and comprehensive all risk program that covers everything from physical damage to theft; or if need be, we can custom tailor a policy to precisely fit your client's particular needs. And we not only give you the luxury of a competitive quote in 47 hours or less, we also pay top commissions. Send in an application today and see the difference The Power Brokers can make. Because just like a quality fur, quality service never goes out of style.

THE SNAKEX GROUP

474 Appleton Street, P.O. Box 1310
 Holyoke, Massachusetts 01041
 Telephone: (413) 538-8261
 Mass. Wats: 800-332-3847
 All other states: 800-628-9017
 Telex: 95-5494

GLOBAL SURPLUS

3325 Wilshire Boulevard
 Los Angeles, California 90010
 Telephone: (213) 386-1200
 Telex: 67-3521

The Power Brokers is a trademark and service mark of Hallways Advertising, Inc. Copyright © Hallways Advertising, Inc., 1982. All rights reserved.

THE POWER BROKERS™



The Mark of Distinction In Employee Benefits

Until recently, on-the-job training was the only way to get an education in the employee benefits field—perhaps adequate ten years ago, but hardly satisfactory in the increasingly complex benefits universe of the '80s. Today's employee benefits practitioner needs a working knowledge of law, pensions, Social Security, management, group insurance, accounting, investments, labor relations, economics and plan administration. Formerly, a broad range of experiences over many years was necessary to acquire knowledge this extensive. NOT ANY MORE...

The CERTIFIED EMPLOYEE BENEFIT SPECIALIST (CEBS) PROGRAM, co-sponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania, is a ten course professional designation program covering areas essential to the effective operation of employee benefit plans. The CEBS designation is awarded to persons who have completed a series of ten national examinations and who attest to high standards of professional conduct.

Three hundred twenty-nine individuals already have earned this mark of distinction and thousands more are on their way. SHOULD'N'T YOU BE ONE OF THEM?

For more information contact:

CEBS Department
International Foundation
of Employee Benefit Plans
P.O. Box 69
Brookfield, WI 53005
(414) 786-6700

Please send me the CEBS Catalog
of Information.

Name _____

Company _____

Address _____

City/State/Zip _____

B11/82

Computer system expands risk management capabilities

Continued from page 3

The system gives a remarkable overview of company operations, notes Mr. Inserra. "When we put the property program on-line, we are thinking about talking to the corporate real estate people to find out if there are any applications they can use."

One of the most exciting capabilities of a computer data system is its ability to quickly determine costs under different insurance coverage assumptions. Last year, Mr. Inserra implemented significant loss-funding changes at American Can after running such a program analysis on the data system.

He switched general, auto and product liability plus the insured portion of his workers compensation risks to a paid-loss retrospectively-rated plan. The company had previously used a fronted captive insurance program.

"We looked at a lot of different funding alternatives, including self-insurance, paid-loss retros, incurred-loss retros, Rent-a-Captives and fronted captives," Mr. Inserra

recalls. And he plans another review of these funding mechanisms in light of the recently announced decision by American Can to acquire Associated Madison Cos. Inc., a New York-based holding company specializing in life insurance.

"This puts us into the insurance business and creates fresh opportunities for a fronted captive program," he observed.

Wausau Insurance Co. currently underwrites American Can's primary casualty program on a paid-loss retro basis. Wausau also administers the company's self-insured workers compensation risks and has recently landed the primary property account.

"We're about 70% self-insured vs. 30% insured and moving closer to self-insurance all the time," says Mr. Inserra. He estimates that the casualty insurance program, including primary and excess insurance premiums, loss costs and self-insurance administration expenses, runs to about \$9 million a year.

Workers compensation losses—especially back injuries—are the most costly item in American Can's risk management program. A wealth of detail on individual accidents available from the information system is helping to direct safety efforts more effectively.

"We had lots of information buried in old OSHA accident reports but it wasn't linked up with costs of claims," says Mr. Inserra. American Can's workforce of about 35,000 people generates an average of 3,500 workers compensation claims a year. Now each loss can be retrieved and analyzed according to claimant name and sex, business unit, location, day and even the shift during which the incident occurred.

American Can is moving toward development of a risk management profile of every company location and business unit. Bits and pieces of this picture used to be lost as managers left the company, taking their memories and knowledge with them.

Once the profiles are complete, a safety manager will be able to sit down at a video display terminal and ask it for information on a particular operation he or she intends to visit. The safety manager will go there armed with up-to-date information that directs him or her to problem areas ripe for loss-prevention training.

Besides calculating cost of risk allocations, evaluating alternative loss-funding techniques and providing loss information for all lines of coverage by business unit or location, other capabilities of the computer system, either planned or operational, include:

- Loss development charting and tracking of open claims.

- Comparison of losses to exposure base.

- Accident cause analysis.

- Analysis to determine the feasibility of closing out retrospectively rated insurance policies.

- Financial analysis including cash flow and loss-reserving practices.

- Graphing and charting.

- Loss forecasting.

- Maintenance of property insurance records.

When Mr. Inserra joined American Can as special projects director in August 1980, the company was just starting to investigate information systems. He brought an M.B.A. with a double concentration in marketing management/managing science and management information to the job. He had also worked at NL Industries Inc. in New York as insurance manager for three years. A year after joining American Can, he was promoted to director of risk insurance and risk management.

"We began to assess alternatives available to us for software development, including brokers, independent consultants and in-house systems expertise." Hardware was almost never discussed, he adds.

The in-house systems people, who were helpful in assessing and reviewing outside options, were ruled out themselves because of their ignorance of risk management. American Can also was in the process of reviewing its casualty broker at the time. Alexander & Alexander came up double winners.

"Lots of people could have done the job, but we felt A&A was a little bit ahead of their competitors," says Mr. Inserra. The cost to American Can for software development was roughly \$80,000. A&A picked up the data base conversion costs, estimated at about \$25,000.

The hardware is physically located in A&A's Greenwich offices, a five-minute drive from American Can's corporate headquarters. To access information on their system, American Can staffers travel there to use a video display terminal.

"We thought it would be a waste of time and money to install our own terminals before the software system was completed and we learned how to use everything properly. Two terminals are planned for this year. They will link up with A&A's computer through telephone lines," explains Mr. Inserra.

The risk management department at American Can currently operates with 11 people. After the entire insurance program goes online and terminals are installed at the company, Mr. Inserra envisions that his department may eventually be able to function with one or two fewer people.

Britain suffers \$80 million in fire losses in November

LONDON—Fire losses totaling 42.8 million pounds (\$80.89 million) struck Great Britain in November 1981, the British Insurance Assn. announced.

It was the largest monthly fire loss since July 1980, the association said.

Six fires caused damage of more than 1 million pounds (\$1.89 million) each, including a 3.6 million-pound loss (\$6.8 million) in a plastics factory, a town hall fire that caused 3 million pounds (\$5.67 million) of damage and 2.1 million pounds (\$3.97 million) of damage caused by a fire in a lawn mower

repair company.

There were also 87 fires causing damage of more than 50,000 pounds (\$94,500) in November, of which 27 were in movie theaters, schools, stores and social clubs.

"The figures include both insured and uninsured damage, but do not take into account consequential loss, lost production, lost orders and exports," according to the BIA.

Britain suffered 326.1 million pounds (\$616.14 million) in fire losses in the first 11 months of 1981.



TRUCKMENS' WORKERS' COMPENSATION Local - Intermediate - Long Haul

Now, through the mechanism of mass purchasing power, a competitive Workers' Compensation program is available not only to Trucking Industry giants, but to qualified trucking firms of all sizes.

The Workers' Compensation Safety Group Dividend Plan is underwritten by CoverX Corporation on behalf of a major "A+" carrier and is available in most states. Don't miss this opportunity to introduce this plan to current and potential insureds before the competition does.



For further information or applications call or write . . .

COVER X CORPORATION

30161 Southfield Road, Southfield, Mich. 48076 - Tel. (313) 644-3200, Telex 23-5635

O'Malley becomes president, chairman of Fred S. James

Charles A. O'Malley, chairman of the board of Fred S. James & Co. Inc., also has been elected president. Mr. O'Malley also continues as the company's chief executive officer.

Mr. O'Malley replaces **William E. Burch**, who resigned from the presidency and was elected vice chairman. Mr. Burch replaces **Leo C. Havey**, who resigned as vice chairman. Mr. Havey will continue to serve as chairman of the executive committee.

In addition, **Timothy J. Mahoney** was elected senior executive vp. He was formerly an executive vp. **John C. Crane** was elected executive vp for finance and administration. He was senior vp for finance and administration.

Other agent/broker changes:

Martin J. Harrington named president of Republic Hogg Robinson Insurance Brokers of California Inc., formerly Penn General Agencies of California Inc. Mr. Harrington replaces **Vernon E. Dockendorf**, who was elected chairman. Mr. Harrington was previously with Marsh & McLennan Inc. in Newport Beach, Calif.

Clarence R. Messick Jr. named managing vp of the Kansas City office of Alexander & Alexander Services Inc. Mr. Messick was previously an assistant vp with A&A in Kansas City.

Donald J. Kosinski named vp of Frank B. Hall & Co. of Ohio Inc. Mr. Kosinski will be responsible for new commercial insurance account development and servicing existing accounts. Mr. Kosinski was previously with Alexander & Alexander of Ohio Inc.

Excess/surplus

Noel Higgitt named president and chief operating officer of Baccala & Shoop Insurance Services. Mr. Higgitt replaces **Jack Shoop**, one of the company founders, who retired. Mr. Higgitt was most recently senior vp of branch operations of Baccala & Shoop.

Insurers

Nicholas A. Creatore elected senior vp of American Home Assurance Co. and National Union Fire Insurance Co. of Pittsburgh, Pa. Mr. Creatore also continues in his position as head of the inland marine and builders risk divisions for both companies. American Home Assurance and National Union are subsidiaries of American International Group Inc.

In addition, **Robert E. Svensk** appointed president of AIG Political Risk Inc. In this position, Mr. Svensk will be responsible for the AIG political risk and export credit insurance programs. Mr. Svensk also has been elected vp of American Home Assurance and National Union.

Walter H. Ostertag appointed senior vp for claim field operations for Commercial Union Insurance Co. He is responsible for nationwide claim field office operations. Mr. Ostertag was zone vp for CU Commercial Lines Inc. in Chicago.

Garnett L. Keith Jr. named executive vp of The Prudential Insurance Co. Mr. Keith will be responsible for the asset management and group pension departments and the Bache Liaison Group. This group oversees the transition of recently acquired Bache Group Inc. into

comings & goings: industry

Prudential's operations.

Arnold Mangels appointed senior vp of Eagle Star Insurance Co. of America responsible for the underwriting department. Mr. Mangels was previously a vp.

Steven Newman joined The Home Insurance Co. as executive

vp. Mr. Newman is senior manager for the New York-based underwriting, risk management, actuarial, excess and reinsurance and new product development functions. Mr. Newman had been vp and senior casualty actuary for American International Group. ■



EXECUTIVE & EMPLOYEE
BENEFIT PLANS, INC.

Self-Funded Employee Benefit Specialists Since 1959

· ON LINE CLAIMS ADMINISTRATION · EXCESS REINSURANCE
· COMPLETE ADMINISTRATIVE SERVICES · LIFE, L.T.D, DENTAL, MEDICAL

Contact: C. Jeffrey Wintersteller

Vice President - Sales

2025 Riverside Drive, Columbus, Ohio 43221

(614) 481-8393

ATLANTA · BOSTON · CHARLOTTE · CINCINNATI · CLEVELAND · COLUMBUS · HOUSTON · MIAMI · ORLANDO



Risk. Having someone behind you can be reassuring.

There are some risks that you simply can't face alone. That's why Corroon & Black stands behind you at each stage of your risk management program. Evaluating your cash flow. Analyzing past losses. Forecasting future ones. And offering you the best risk financing alternatives.

But you'd expect this innovative, professional approach from one of the world's top business insurance brokers. So, contact us. We'll show you the difference a helping hand can make.



CORROON & BLACK

Putting insurance risks into perspective.

Wall Street Plaza, New York, N.Y. 10005 • 212-363-4100

Pregnancy law hikes short-term disability costs

Continued from page 1

benefit policies relating to pregnancy, abortion and child care.

Most of the companies that dropped the extended benefits for pregnancies cited a ruling by the Equal Employment Opportunity Commission, which is charged with enforcing the Pregnancy Discrimination Act.

The EEOC said that employers who extend medical benefits to pregnant workers who quit their jobs must extend medical benefits on the same basis to all workers who quit their jobs.

It would have been "too costly to cover other conditions the same as maternity was, so we reduced the maternity benefit," said one benefit manager.

Some other benefit managers, however, explained that since they were forced to cover the cost of pregnancies for new workers they decided not to cover the cost of pregnancies for workers who quit.

"Previously, pregnancy commencing prior to coverage was not covered, but conception occurring while employed extended coverage to delivery, even if (the employee) was terminated. The plan was revised to drop extended benefits and add pregnancies occurring prior to hire," explained one.

Some companies responded to the EEOC guidelines by reducing the extended benefit for preg-

nancy. "We reduced the extended benefit period from nine months to three months to treat (pregnancy) the same as other disabilities," said another survey respondent.

Nineteen companies, however, still extend medical benefits to pregnant workers who quit their jobs. "We didn't believe it could be withdrawn from bargaining units," said one benefit manager. "It is not an appropriate EEOC ruling."

"The EEOC guidelines are being contested in pending litigation," noted another benefits manager whose company has not eliminated the extended benefit.

The major case contesting the EEOC guidelines is still pending. It was filed by the Kansas Assn. of Commerce & Industry in U.S. District Court in Wichita.

Rulings in two other cases do not resolve the extended benefits issue.

An EEOC lawsuit against Joslyn Manufacturing & Supply Co. in Chicago was dismissed by the U.S. District Court judge, but he did not comment on the company's practice of extending medical benefits to the pregnant wives of male employees who quit their jobs while not extending medical benefits to pregnant workers who quit their jobs (BI, Nov. 30, 1981).

The recent 4th Circuit Court of Appeals decision requiring dependent medical plans to cover the cost of maternity care for employees'

wives as any other illness (BI, Feb. 1) was issued after the board survey had been completed.

Insurance company actuaries predict health care costs could increase 3% to 14% when employer-sponsored plans cover the pregnancies of male employees' wives as though they were any other illness. However, in many companies, the employee pays the cost of dependent coverage and so an increase in cost would be passed onto the employee.

But if experience in equalizing pregnancy benefits for workers is any guide, the increased cost of equalizing pregnancy medical benefits for spouses should be on the low end of that range—except in companies with a young, overwhelmingly male workforce.

Among the 28 companies that said their health care plan costs increased when they started covering pregnancies as any other illness, the average cost increase was just 2.67%, with most companies reporting about a 3% increase. One company reported a 5% increase and another 10%.

One benefit manager commented, however, that the "anticipated cost, and in many cases the actual cost, resulting from the coverage required by the Pregnancy Discrimination Act discouraged improvements in group medical plan benefits because normal costs

for health plans are still increasing at a staggering rate."

Short-term disability plan costs, however, jumped substantially at most surveyed companies when pregnant workers were offered short-term disability benefits as though they were disabled by any other illness.

Among the 40 companies reporting higher short-term disability costs now, the average cost increase of 25.8% reflects a range of increases from less than 1% to 100%. Thirteen companies reported less than a 50% increase in costs, five reported more than a 50% increase and the others didn't specify how much costs had increased.

Amendments to long-term disability plans to cover pregnancy disabilities increased costs for less than half of the 46 companies making the plan change. Of the 46 companies that amended their plans, only 22 reported increased costs that average 1.6%.

This cost experience reflects the loss experience: The average pregnancy disability leave reported by survey respondents was 9.7 weeks, which falls within short-term disability benefits.

The respondents do not solidly confirm earlier predictions that the new pregnancy benefits would encourage new mothers to take longer leaves and many to quit their jobs after exhausting their disability benefits.

Of the 46 companies that reported their experience, 21 or 46% said pregnant workers are taking the same length of leave as before the new benefits, 18 or 39% said pregnant workers are taking longer disability leaves and seven said the leaves are shorter now.

Among the companies where pregnant employees are taking longer leaves, the increased length of leave ranges from an increase of one week where the normal pregnancy disability is now seven weeks to an increase of 10.5 weeks where the normal pregnancy disability leave is now 16.5 weeks.

"Historically, we had always encouraged female employees to work to term if possible and return as soon as possible," noted one benefit manager. "For the most part, our clerical employees have done this and the law has had little impact. Female factory employees, however, have in some instances attempted to take advantage, claiming disability as early as the second or third month. The medical profession, as might be expected, is rarely helpful in discouraging this kind of abuse."

Added another benefit manager, "The duration of pregnancy disability far exceeds the guidelines of two weeks before and four weeks after delivery that were developed by the state OB/GYN association."

An average of two-thirds of the pregnant women who take disability leaves return to work, according to the 48 respondents who answered the question. Half of the 48 companies say 80% or more of their pregnant workers return to work. Only nine respondents said less than half of their pregnant workers return to work after delivery.

In 25% of the 68 companies responding to the survey, women who choose to have a voluntary abortion will not receive coverage for the medical costs.

"Benefits stipulate medical necessity" in one company, while in nine other companies the abortion must be related to "illness or accident" to be covered.

One state agency eliminated previous coverage for voluntary abortions when special legislation mandated the plan change. Another employer says it is "avoiding controversy" by not providing the coverage.

One employer's plan covers 50% of the cost of voluntary abortions.

Among the 51 employers providing medical benefits for voluntary abortions, benefit managers repeatedly said it is "cost-effective." One added, "It is a termination (i.e. cure) of a disability," and another said, "Pregnancy is more costly."

Only seven of the 68 companies responding to the survey provide any benefits to help defray the cost of adoptions, although two more are looking into it.

Among the seven with adoption benefit plans, five say they will reimburse certain expenses, such as legal and agency costs: one up to \$750; three up to \$1,000, although one stipulates that is 80% of expenses to \$1,000; and one up to \$1,500. One company offers mothers of newly adopted children up to eight weeks of maternity leave.

Seven companies also provide for new fathers to take paternity leave, although on an unpaid basis. One company policy allows fathers to take up to six months of personal leave, but says no one has done so. Another company says it doesn't have a specific policy endorsing paternity leave, "but up to two months would be granted a compelling request."

Among those without a policy on paternity leave, the managers commented, "Never requested."

None of the survey respondents offers day-care benefits now, but eight said they are considering it because the cost of the benefit is now tax deductible to the company and tax free for the employee.

"We have a lot of working mothers," observed one benefit manager considering the addition of the benefit. Another company with a flexible benefit plan may add day care as one more choice among the available benefits.

One of the 55 respondents who said they weren't considering the addition of day care as an employee benefit allowed that it might be appropriate as an option in a flexible benefit plan, but is of "too limited value to too few employees for a large-scale program."

Cost was cited numerous times as a practical reason for not adding a day-care benefit, but some respondents added philosophical objections.

Day care is "a waste of resources for a social purpose that, in fact, very few Americans, male or female, care about," said one.

Another said corporate benefits programs neither need to be nor should be extended to such areas as legal costs, car insurance or day care. "These things should be budgeted items within the household of each person," said the manager.

"Child care is an excellent benefit," observed another benefit manager, "but it does not fit the new trend of providing equal employee benefits, i.e., employer provides employee benefits, employee pays for dependent benefits, thus all employees, regardless of family status, are treated equally." A child-care benefit is "obviously only for those who have children in child care age group."

Two benefit managers who have considered day-care benefits and rejected them commented: "Not feasible" and "Rejected on-site facility because of need to operate on three-shift basis."

Employee benefit managers and buyers of employee benefit plans are invited to join the Business Insurance Employee Benefit Board. Just send a card with your name, title, company and address to Kathryn J. McIntyre, Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611. You will receive six surveys during the year on benefit issues.

Where is Greenwood, Indiana?

The LEADING Benefit Consultants and Administrators know!

So do the LEADING Agents and Brokers!

WHY? Because of our diverse, competitive and expanding portfolio of products and services.

- Stop Loss Insurance for Partially Self-Funded Groups - down to 10 Lives
- Catastrophic Disability Insurance Lump Sum Payments for PTD up to \$1,500,000 Monthly Benefits up to \$25,000
- Stop Loss Insurance for Self Insured Employee Benefit Plans - 25 Lives or more
 - Aggregate
 - Specific
 - Catastrophic
- Complete Package for Savings & Loan Assns. Bonds, D & O, E & C, K & R, Mortgage Impairment, Safe Deposit, etc.
- Stop Loss Insurance for Self-Funded LTD
- Product Extortion Insurance
- Group Life & ADGD Regular and Stop Loss
- Professional Athletes' Coverage Individual Players Teams
- Management Services for Self-Funded Employee Benefit Plans
- Reinsurance Services Consultation Treaties Placed Automatic or Facultative Individual or Group Life or Health
- Errors & Omissions Coverage for Claims Administrators Data Processors Attorneys Actuaries and Pension Consultants Labor Union Officials

FOR MORE INFORMATION ON ANY OR ALL OF THE ABOVE, CALL OR WRITE:



TOM FOLDS
Vice President

BROUGHER AGENCY, INC.
Lloyd's London Correspondent
P.O. Box BAI
Greenwood, Indiana 46142
(317) 535-8212/TWX 8102602230

Number two in a series.

Dick Fuchs on franchises: "The best things in life are free."

SFO Inc. is among the nation's leading underwriters of special multi-peril property/casualty insurance for specialty lines. With its principal office in Kansas City, Missouri, SFO is now a division of the Mission Insurance Group of Los Angeles. In a recent interview, Dick Fuchs, SFO President, addresses the special needs of independent insurance agents and their clients in light of the recent proliferation of agency franchises.

The common definition of an 'expert' is a person from out-of-town.

"But in the commercial insurance field, a recent survey indicated insureds prefer to do business with their local, home-town agent. A qualified local business person is in a better position to keep his finger on the pulse of his insured's special requirements and changing needs.

"Can the independent agent become an expert in a specialty class of business through the purchase of a franchise and still maintain his close working relationship with his client?

"Possibly. But it is an unnecessary major expense.

"First of all, few of the benefits exclusive to agency franchises are of any real value to the customer of the insurance product. The majority of these services have been developed for the benefit of the agent, and, of course, the agent is charged accordingly.

"Yet nearly all the sophisticated services touted by so many of the new franchise groups are available *at no cost through SFO, and they have been for over 10 years!*

"SFO charges no franchise fees and does not require the independent agent to give up any of his freedom in selecting what is right for the customer that he alone knows best. Yet SFO still provides single source capabilities for high quality, comprehensive programs at remarkably competitive rates.

Groups and associations.

"SFO offers the independent agent an opportunity to penetrate many of the more complex

groups and associations through our own national advertising campaigns tailored to the needs of these groups, and based, in most cases, upon our long experience with these groups. Often this includes association endorsement. And all of our advertising messages, from regional and national magazines to direct mail, refer the potential customer to his local independent agent.

"Our in-house computer operations are believed to be the very best in the industry. We have the data at our fingertips to provide prompt quotations and policy issuance for a wide variety of businesses, including supermarkets, bowling centers, racquetball clubs, ice rinks and country clubs.

"We have the ability to track all claims by computer, to see immediately the reserves on any claims, to isolate claims against any single class of business, to know immediately the loss ratio on an earned premium basis on every account.

SFO is your professional source.

"All SFO insureds are personally inspected by professional engineers using SFO-created data forms as well as photographic data. All SFO insurance programs are written through Best's A or A+ rated companies.

"In short, SFO has been doing for over 10 years what the franchises are promising to do now. And SFO does it at no extra cost to you or your client. We have the expertise, the manpower, the computer power and the on-going marketing programs to make you an expert in a wide variety of special lines."

For prompt quotations at no cost or obligation on special multi-peril property/casualty insurance programs, call toll-free 800-821-7383.



1300 Mercantile Tower
Kansas City, MO 64106
800-821-7383 816-221-9400

Member, Mission Insurance Group, Inc.

Your Professional Source.



Hyatt defendants to continue settlements

Continued from page 3

member of the firm of Williams & Connolly.

After Judge Wright's class-action order, the defendants ceased negotiating settlements, concerned about their right to settle cases with individual class members. At least three lawyers for collapse victims said insurer-hired lawyers told them no settlement talks would be conducted.

The defendants' notice to the court indicates the defendants and their insurers now have decided they can proceed with settlements.

Still unknown is whether plaintiffs' attorneys will advise their clients to settle now or await the outcome of the class action.

In another action, Judge Wright modified his Jan. 25 class-certification order to delete the names of three of four of the lead plaintiffs he had chosen because one had settled and the use of the other two as lead plaintiffs would have violated federal court rules.

Luanna Grigsby of Denver, Colo., whose ex-husband, Loren Grigsby, 37, was killed in the skywalk disaster, settled her claim for an undisclosed sum a few days before Judge Wright had named the class, her attorney, Daniel D. Sawyer of Hubbell, Lane & Sawyer in Kansas City, told the judge.

Mr. Grigsby's ex-wife sued as guardian of their two children. Mr.

Grigsby at the time of the collapse lived in Kansas City and was employed at another downtown hotel.

The other two lead plaintiffs were removed because of the federal rule that prohibits federal courts from hearing cases involving defendants and plaintiffs from the same state. That rule, designed to protect the turf of state courts, forced Judge Wright to remove injured collapse victim Molly Riley's name as so-called "lead plaintiff" when he certified the class.

The two plaintiffs stricken as class leaders live in Illinois, where Hyatt Corp. has a principal place of business.

Joseph Vrabel, about 50, of Mt. Prospect, Ill., and Brenda J. Abernathy, 35, of Antioch, Ill., remain as unnamed members of the class. The two pharmaceutical salespeople, who had been staying at the hotel and were injured in the skywalk collapse, are represented by Alfred D. Stavros of the Park Ridge, Ill., firm of Stavros & Biasiello.

Lawyers for Hyatt and Crown Center/Hallmark had asked that they be removed as lead plaintiffs.

Shirley Stover of Dubuque, Iowa, is now the lead plaintiff, represented by Robert C. Collins of the Houston law firm of Collins & Steinburg. Her 51-year-old husband, who was a design engineer

for Deere & Co., was killed in the skywalk collapse.

While Judge Wright maps a schedule for the taking of depositions and other discovery matters in the federal class action, about 100 individual wrongful-death and personal injury suits remain on file in Jackson County Circuit Court before Judge Timothy D. O'Leary.

Although the suits in state court could be stayed because of the federal class action, defense attorneys are proceeding in state court.

A routine motion filed Jan. 25, on behalf of the three defendants by attorney Robert L. Driscoll of Stinson, Mag & Fizell asks that the state lawsuits be tried as one case.

Crown Center/Hallmark and Hyatt are seeking joint discovery and a single trial, although no trial date was sought.

In a supporting brief, Mr. Driscoll argued that the court already has ordered consolidation of early phases of the document reporting

and discovery procedure. Most of that work already is done and what remains is the taking of depositions, Mr. Driscoll noted.

Arguing that "serious practical and legal issues" would be raised by the awarding of many punitive damage claims against one defendant and that separate hearings for each of the remaining cases would "innundate" the courts, Mr. Driscoll called for consolidation because most of the cases share common facts and legal issues.

Hyatt claiming CU's attorney made misleading statements

Continued from page 3

ary, Crown Center Redevelopment Corp., owns the Hyatt Regency Hotel in Kansas City.

The policies also include Crown Center Redevelopment as an additional insured.

Hyatt, which operates the Kansas City hotel, argues that it should also be insured under those policies for any acts that resulted in the July 17 collapse and the deaths of 113 people.

In arguments accompanying its motion filed Jan. 27 before Jackson County Circuit Judge Timothy D. O'Leary, Hyatt says statements by Commercial Union attorney Mr. Cozen constitute "reprehensible conduct."

Mr. Cozen, reached in Hartford, Conn., where he is arguing an unrelated case, said he was shocked by the Hyatt charges and considered them unfair.

"I don't want to go into what could have prompted this because I don't know," he said.

"If you go through the record, the Hyatt lawyers have well understood our position at all times," he explained.

Hyatt's motion was signed by Edward W. Mullen of the firm of Deacy & Deacy, the hotel operator's principal Kansas City attorneys in Hyatt's suit asking Judge O'Leary to determine which 24 of the insurers of Hyatt and Hallmark/Crown Center are liable and in what order to defend suits and pay claims for the hotel operator and owner.

Mr. Mullen's motion bases its allegations upon transcripts of two court hearings and upon a letter, also filed with the court, from Mr.

Cozen to Thomas Deacy Jr., also with Deacy & Deacy.

Citing first the transcript of a Nov. 10 court hearing, Hyatt argues that Mr. Cozen declared: "... we don't intend to leave ... Hallmark, Crown Center or Hyatt hanging out there with nobody protecting their interests."

Hyatt says Commercial Union's own documents, given to Hyatt as a part of the coverage suit pending before Judge O'Leary, "clearly indicate that its officers and personnel acknowledged its obligations to plaintiff and that Mr. Cozen's statement was the position of his client."

Concerning the Nov. 10 hearing, Mr. Cozen said the remark quoted in Hyatt's motion was taken out of context and he said that he intended to convey the impression that CU, like other insurers, would not allow a break in the continuity of settlements but was not necessarily acknowledging CU's coverage of Hyatt.

At another court hearing Dec. 30, Hyatt asserts, the transcript shows another CU lawyer declaring: "We have made certain commitments to our insured that we intend to keep."

Now, Hyatt's lawyers say, they have received a Jan. 18 letter from Mr. Cozen stating: "Commercial Union has also made it quite clear ... that Hyatt, insofar as the incident of July 17, 1981, is concerned, is not an insured entitled to coverage."

Commercial Union's position, as expressed in Mr. Cozen's letter, is that CU only intended to protect Hyatt during the ongoing construction of the hotel.

"Since there were no ongoing construction activities on or about July 17, 1981, and, in fact, since it had been many months since there had been any construction activities, Hyatt is not entitled to coverage and/or protection" from Commercial Union, Mr. Cozen's letter says.

A transcript of the Dec. 30 hearing before Judge O'Leary was obtained earlier by *Business Insurance*.

The transcript shows Judge O'Leary asserting that commitments from Northbrook, Commercial Union and a trio of excess insurers above Northbrook in the Hyatt line means an estimated \$151 million is available for settlements of claims filed against defendants. The lawyer present for CU at the hearing was Charles E. Patterson of Kansas City.

"I think, as the court has already seen, there is a commitment on the part of all the insurance defendants here to make sure there is no lapse in coverage, that payments proceed, that settlements proceed and that a defense proceeds in this case," said Mr. Patterson at that meeting.

A hint as to the reason why Hyatt is concerned about its coverage is contained in the transcript of one remark to Judge O'Leary by Mr. Deacy at the Dec. 30 hearing:

"We, of course, deny liability ... for compensatory damages, or of course of punitive damages, but these people were the business guests in the hotel," Mr. Deacy is recorded as saying.

"And I can't conceive that judicial process is going to let the hotel out scott free..." he said.

Claims Adjusters

Cash paid
for damaged
EDP Equipment

Domestic quotes given
within 48 hours
Foreign quotes given
within 72 hours

We specialize in computers,
computer systems, sub-systems
and peripherals

Call
(714) 233-0682

Xydec Inc.

861 6th Ave., Suite 800
San Diego, CA 92101



Dollar for Dollar...
BURT AND SCHELD
Is Your Best Choice
For Property and Excess Casualty
Facultative Reinsurance!

Business and pleasure travel, fire, theft, and liability...
Underwriters offering years of world-wide experience
in the reinsurance industry. Burt and Scheld, a member
of Ormond Reinsurance Group, can handle all your
facultative needs — dollar for dollar — with the best service
in the industry!

For more information, call us today, TOLL FREE at US
800/874-4840 or in FL 800/342-5621

BURT AND SCHELD
Post Office Box 2574/Ormond Beach, Florida 32074
TELEX 56-509/Answer Back BURTSHELD ORBH

A Member of the ORMOND REINSURANCE GROUP

Important Reasons to Advertise in 4 Important Issues of BI

You will reach the largest and most influential audience of corporate buyers of your products and services...plus thousands of agents, brokers and consultants.

Your products and services will be targeted to an audience where 78% of the executives are directly responsible for employee benefits management and 66% are responsible for the purchase of employee benefits insurance and related services.*

You will reach a responsive audience...eight out of ten readers surveyed react or respond to the articles or advertisements they read in Business Insurance.*

Your message will be positioned in a unique editorial environment providing more in-depth reporting about matters of concern to executives responsible for corporate benefits programs.

*An Audience Profile of the Business Insurance Reader, 1980.

1. Employee Benefits: Cost Control

Publishing Date: March 8

Ad Closing Date: February 24

2. Employee Benefits: Confronting the Future

Publishing Date: June 7

Ad Closing Date: May 25

3. Employee Benefits: Personnel Administration

Publishing Date: September 27

Ad Closing Date: September 14

4. Employee Benefits: In Retrospect

Publishing Date: December 13

Ad Closing Date: November 30

If you're in the insurance business,
you belong in

**business
insurance**

A Publication of Crain Communications Inc.

New York: 220 East 42nd St., NY 10017 (212) 210-0133 Chicago: 740 Rush St., IL 60611 (312) 649-5275
Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

Class action names two utilities

Continued from page 2

ding that figure was "probably low." At least one person suffered a heart attack and others suffered smoke inhalation and minor burns.

A break in an underground gas line caused high pressure surges of natural gas into the homes that sent flames shooting from water heaters, furnaces and other gas appliances.

The accident occurred about 10:30 a.m. Jan. 28 when a city employee was operating a back hoe near one of the power company's regulator stations, according to a spokesman for Missouri Power.

The workman reportedly cut into and broke a pipe attached to a regulator system controlling the gas flow, he said. The broken pipe dropped the pressure causing the regulator system to respond, sending a surge through the system.

Eldon Heaton, civil defense director for Centralia, said more than 30 fire calls were made in 45 minutes following the break. Twenty-three area fire departments responded.

According to Mr. Schwartz, the complaint alleges negligence and strict liability on the part of the utility and describes "major defects in the operation of the system."

The complaint cites Missouri Power's failure to warn of the presence of a control line, lack of a shield for the control line, lack of a fail-safe system or backup to the control line, Mr. Schwartz said.

Although it is suspected that the city worker broke the pipeline, the city is not named in the suit because "we are not at all sure they (the city) are negligent," added Mr. Schwartz.

Mr. Schwartz said that the number of plaintiffs and the amount of damages sought will likely change due to the nature of the injuries.

He said that it is possible hundreds of plaintiffs will emerge, including many suffering from post-traumatic stress disorder, a recognized medical diagnosis characterized by anxiety, nightmares, loss of sleep and medical depression.

The purpose of the class action will be to provide a means for litigating hundreds of small to medium-sized claims that normally wouldn't get into the courthouse because of the expense involved, Mr. Schwartz added.

Spokesmen for both Union Electric and Missouri Power & Light said the companies had not received a copy of the complaint and would not comment on the pending litigation. Missouri Power & Light's insurance is brokered by Lawton-Byrne-Bruner of St. Louis but details on it or the coverage for Union Electric were not available.

Rider to cover bank fund transfer

Continued from page 3

at the American Bankers Assn. Insurance and Protection Conference for Financial Institutions held Jan. 25-28 in New Orleans.

"We're hopeful that a filing can be made with state insurance departments, with eventual distribution to the 500 or so SAA members, within the next few months," said Francis X. LeMunyon, secretary of fidelity operations for the SAA.

The ABA and SAA agree employee fraud is a more serious problem, but those losses are already covered by standard bankers blanket bonds.

"With coverage available for em-

ployee dishonesty, it became clear that external electronic manipulation, the so-called interloper exposure, was the greatest uncovered peril," Mr. LeMunyon said. "Outside sources with the right know-how and data could tap into circuits and fraudulently transmit erroneous information."

By doing this, the interlopers could divert money meant for another party into their own account.

The rider is not and was not intended to be as broad as the computer crime policy offered by Lloyd's, he said. It is the SAA's first effort to provide a domestic EFT insurance marketplace and "isn't

the total answer by any means."

Both the SAA and ABA are working to identify further insurance needs, officials say. The second phase of their efforts may include insurance for custom electronic communication exposure, bank proprietary systems and acts by independent computer contractors hired by banks.

"But our first and most pressing concern has been addressed and the banking community can be proud of the steps taken by the SAA," an ABA spokesman said.

Final language, rates and limits have "not been set in concrete," Mr. LeMunyon said.

Boeing named in Air Florida crash suit

Continued from page 2

ida is seeking to have all crash suits transferred here.

The suit filed in federal court the day before Mr. Stiley's names two other defendants besides Boeing, American and Air Florida. Filed Jan. 28 by the family of crash victim Kathleen F. Burke, the \$1 million suit also seeks damages from:

- Union Carbide Corp., which the suit alleges manufactured the glycol deicing fluid used by American Airlines ramp personnel to wash ice or snow off the Air Florida plane before it left the gate.

- United Technologies Corp., whose subsidiary, Pratt & Whitney, allegedly manufactured the plane's

engines. Investigators speculated engine inlet icing may have contributed to the crash.

Two other suits have been filed in courts in Texas, one of them naming American for its role as ground servicing agent—including deicing service—for Air Florida.

A sixth suit was filed two weeks ago in Dade County Circuit Court in Florida against Air Florida Systems Inc., by another survivor Priscilla Tirado (BI, Feb. 2).

Although it has yet to determine the cause of the crash, the National Transportation Safety Board already has issued 10 safety recommendations, most of which call for some regulatory action by the Fed-

eral Aviation Administration.

One asks that the FAA "immediately require flight crews to visually inspect wing surfaces before takeoff if snow or freezing precipitation is in progress and the time elapsed since either deicing or the last confirmation that surfaces were clear exceeds 20 minutes...."

Meanwhile, Air Florida will be charged a higher premium when it renews its insurance this month, a broker from Crawley, Warren & Co. Ltd. in London said. He would not disclose the increase that will reflect the Washington crash, the damage to a DC-10 that aborted takeoff in Florida last fall and an incident in Haiti.

classified advertising

RATES AND CLOSING TIME:

Published every Monday. Copy in written form in Chicago office not later than noon Monday, 7 days preceding publication date. Display classified: takes card rate of \$55.00 per column inch with card discounts on size and frequency. Straight classified: \$5.00 per line, minimum of 5 lines. Additional \$10.00 charge for blind box number. Cash with order. Responses to

Business Insurance blind box ads are forwarded daily. Mail ads to Barbara Tosheff, Business Insurance, Classified Advertising Dept., 740 N. Rush St., Chicago, IL 60611. Call (312) 649-5340 for more information. Telex Number: 25-4248. No verbal phone copy accepted. Responses to Business Insurance blind box advertisements must fit into a regular business-size envelope.

Risk Management

National Placement Company
• Corporate Insurance
• Brokerage

MARTY HODES, ARM
(212) 697-3358

IRM Division
Insurance Risk Management
Career Guides Agency
415 Lex. Ave., NYC 10017

WANTED: Wisconsin Professional Association seeks Insurance Agency Manager with:
• 5 years of Sales Management
• 5 years of Group Experience
• College degree, CLU or Equivalent
Excellent opportunity for growth and stability. Send resume to:
Box 525, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

BI CLASSIFIEDS ASSURE TOP QUALITY RESULTS.

NORTHWEST & SOUTHWEST SPECIAL RISK & BROKERS — RAY J. CROWLEY

E&S VP & MGR.—There are several ground-floor situations available for strong E&S professionals. You must be capable of starting a shop & making it successful. This position will be responsible for staffing under itself as well as strengthening the available markets. The ideal individual will have at least 5 yrs. exp. in the E&S market, any petro-chemical exp. will be a big plus. All of these positions are located in viable areas with healthy economies. From \$30-60K +
REGIONAL NATIONAL ACCTS. MGR.—This is a major competitor & certainly a leader & innovator in the large risk/national accts. arena. You must have extensive bkgd. in retros, cash flows, deductibles, retentions with accts. above \$50,000. The ideal candidate will have mgmt. & marketing ability as well. This position will deal directly with national risk mgrs. & brokers. Great visibility & exposures. \$ OPEN
REGIONAL MARKETING MGR.—This major A+ Class 15 co. is expanding in the Texas market. 5 yrs. exp. in comm. prop. & cas. marketing could qualify you for this visible position. You must have proven mgmt. abilities, ability to appoint new agents, as well as develop new markets & approaches to those markets. Light travel to be expected. High \$30's
CALL GLENN WOOTTON

LARGE RISK U/W.—Large & rapidly growing special risk operation has top flight opportunity for a national accts. u/w. This position is geared to marketing & necessitates strong communicative skills. You will work closely with both the insured & the brokers, so technical bkgd. is a must. Exp. in paid loss, retro, deductibles & cash flow programs will land you this position. To \$42K

VP TREATY.—This is a major reinsurance firm with a staff of top flight individuals that needs a new leader. In-house promotion causes the current VP to find his own replacement. A strong P&C underwriting bkgd. with an emphasis on production & a willingness to travel as well as good track record in the treaty marketplace are the prerequisites to this highly visible \$80K position.

INTERNATIONAL CAS. U/W MGR.—This is a top 20 co. with a large risk portfolio of international casualty business. This position offers broad underwriting authority with high visibility & prestige. A seasoned professional with a solid domestic bkgd. as a base for top notch international exp. is the ideal candidate. \$54K

FCAS—BROKER'S CONSULTANT.—Top 10 broker with one of the strongest reputations for working with top national accts. is currently seeking an FCAS. This position is in the risk mgmt. consulting division & involves working with reserves, self-insurance programs & captives. The ideal candidate will have strong written & verbal communication skills as well as a technical bkgd. in comm. pricing & reserving. \$60K.

INTERNATIONAL INSURANCE CONSULTANTS, INCORPORATED
DIVERSIFIED EXECUTIVE SEARCH SERVICES

(800) 327-8228 (305) 771-9910 ALL REPLIES HELD CONFIDENTIAL
EQUAL OPPORTUNITY AGENCY
5301 N. DIXIE HWY.
FORT LAUDERDALE, FL 33334
COMPANY FEE PAID

Property & Liability Claims Supervisor

We have an excellent career opportunity for an individual who has experience with casualty underwriting and/or casualty claims. Formal education in insurance or risk management may be substituted for experience. Successful candidate will supervise product liability claims to conclusion. Qualifications: B.A. in business or other appropriate major; excellent written and verbal communication skills; analytical and organizational skills; previous exposure to law/principles of liability; and knowledge of mechanical or physical science (formal or informal). If qualified please submit resume to:

PACCAR Inc.
Personnel Manager
P.O. Box 1518
Bellevue, Wash 98009

Equal Opportunity Employer M/F

INSURANCE MANAGER

Privately held international corporate group headquartered in Portland, OR seeks insurance professional to review, manage and maintain a comprehensive set of coverages, including blue water marine.

The ideal candidate will possess extensive experience in all facets of marine, property, casualty and employee benefits insurance in addition to effective managerial and communication skills.

Salary commensurate with experience and ability. Fully paid benefits package. Please send confidential resume with salary requirements to:

Pattie Hollaman
Personnel Director
(503) 224-9900
Lasco Shipping Co.
P.O. Box 10047
Portland, OR 97210

Equal Opportunity Employer

RISK MANAGEMENT BROKERAGE OPPORTUNITIES

EMPLOYEE BENEFIT MANAGER

Multinational corporation headquartered in a major Sunbelt city seeks a person with three to five years experience in Pension and Group benefits in a corporate environment or large law firm. Plan design and regulatory reporting requirements together with employee communications are areas where a high level of expertise is required. Will also be responsible for all governmental liaison involving employee benefits. A law degree and state bar affiliation are absolute prerequisites. An attractive relocation and fringe benefit package support a base salary of \$50,000 +/-/. Contact Jim Gilbert in Dallas.

COLORADO ACCOUNT EXECUTIVE

Established agency is adding, due to budgeted growth program, an individual with proven experience in the development of new commercial business. Additional responsibilities will also include light servicing duties on existing accounts. Should be comfortable in working with \$50,000 plus accounts. Energy related experience a plus but not mandatory. Starting compensation is negotiable DOE but in the general range of \$45,000 plus. Please contact Ardeth Amick in our Denver office.

DALLAS SALES

Growth oriented Dallas firm seeks aggressive account executive to call on association type commercial accounts with strong experience toward the explosives (dynamite/powder) industry. Salary in the \$40/\$50,000 bracket with room to grow. Contact Jim Gilbert in Dallas.

HOUSTON OIL EXECUTIVE

Our client, a well established and leading writer of jumbo oil accounts, seeks executive to direct marketing/underwriting activities in their OIL division. You should have at least 8-10 years marketing/underwriting experience with solid experience in offshore oil ventures. Must be conversant in all aspects of deep sea drilling and exploration and have working relationships with London markets. Compensation is open and our client is not uncomfortable with six digit salaries plus large assortment of executive perks. Contact Jim Gilbert in Dallas for details.

INSURANCE RECRUITERS, INC.

• DALLAS — P.O. Box 19597/75219/(214) 528-0090
• CHICAGO — 200 West Monroe, #1607/60606/(312) 346-0268
• DENVER — 650 S. Cherry, #1020/80222/(303) 320-5347

ACCOUNT EXECUTIVE

Northwest Chicago Suburban Independent Agency seeks experienced Commercial Lines Property & Casualty Account Executive. Must have proven sales & service track record with accounts producing \$100,000+ in annual premiums. Agency will pay liberal 50/50 commission income split on new and renewal business. Fast track environment. College Degree required; CPCU Program experience a Plus. Send resume with past sales & earnings history to

Box 524, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

For a
Concise
and
Logical
Approach
to
Risk
Management
Recruiting

LOGIC

Associates, Inc.
170 Broadway
New York, N.Y. 10038
(212) 227-8000

When you're looking for services,
turn to the **INSURANCE SERVICES**
GUIDE on page 32.

Ruling could balloon cost of comp claims

Continued from page 1
 torneys cite the case in an effort to boost awards under the Longshore Act elsewhere and under state workers compensation programs, experts say.

"It will not take plaintiffs' attorneys very long to take their lead from this case," said Eric J. Oxfeld, employee benefits attorney at the U.S. Chamber of Commerce. "This decision has the potential of being a nightmare," he added.

"The litigation potential is staggering," said Richard Galihier Jr., a Washington, D.C., attorney who represented Morrison-Knudsen, a construction firm based in Boise, Idaho, and its workers compensation insurer, Argonaut Insurance Co. of Menlo Park, Calif.

But some employers are trying to patch up the damage before it spreads. A business-backed bill, S. 1182, introduced by Sen. Don Nickles, R-Okla., would overhaul the Longshore Act to make it absolutely clear that benefits not be considered wages in computing awards to injured workers.

Even before the appellate court decision, reform of the Longshore

Act had been long sought to control the escalation of the already high benefits provided under the act. Sen. Nickles' legislation, which is endorsed by more than 50 trade associations, is expected to clear the Senate Labor and Human Resources Committee this week. However, its chances of gaining final congressional approval remain in doubt, supporters of the legislation agree.

If the value of employee benefits were to be counted as wages, as the federal appellate court ruled, the cost to employers would be enormous. Mr. Oxfeld of the Chamber of Commerce estimates that the average work comp claim cost could rise 10% to 50%. The exact amount would depend on the level of benefits an employer offered. A recent Chamber survey showed that the average value of benefits equals 37.1% of payroll or more than \$6,000 per employee.

In addition, the new formula would force insurers and self-insurers to re-examine whether their claims reserves are adequate, said Tom O'Day, government relations officer for the Alliance of Ameri-

can Insurers, an industry trade group.

"It is the kind of decision that makes it impossible for insurers to price their products," said Donald Jordan, executive director of the National Assn. of Insurance Brokers.

The decision "could force sweeping changes in the assumptions on which premiums are set and reserves calculated," said attorney Mr. Galihier.

"The ramifications of what this case could cause are phenomenal," he explained.

Currently, it is easy to compute a workers compensation award. In most states, the maximum weekly benefit is two-thirds of salary, subject to a certain ceiling.

But if benefits were considered wages, more cases would end up in court as employers and employees battle over the cost and value of benefits.

Some experts, though, are not ready to press the panic button—at least not yet. One U.S. Labor Department attorney believes the decision only applies to death and permanently totally disabled work-

ers compensation cases where employer-provided benefits terminate. Those cases are relatively few in number compared with the far more numerous temporary total and partially disabled cases. However, other sources contacted by *Business Insurance* say the ruling applies to all cases.

The Morrison-Knudsen case involved a 1974 accident during the construction of Washington's subway system. James Hilyer died when a cement truck overturned and crushed him.

At the time of his death, Mr. Hilyer was a member of a labor union. The collective bargaining agreement between Morrison-Knudsen and the union required the company to contribute to three union trust funds. The trust funds provided, among other things, pension and health insurance benefits.

An administrative law judge said Mr. Hilyer's widow was entitled to two-thirds of his weekly salary at the time of his death. This would have equalled about \$190.

However, Mrs. Hilyer and her attorney, George Leonard of Alexandria, Va., appealed the decision.

They argued that employer contributions to the three trust funds, which amounted to 68 cents an hour, also should be included in determining Mr. Hilyer's average weekly wage at the time of his death.

The appellate court agreed. Benefit "contributions must be included as part of the employee's average weekly wage in computing the compensation due under the (Longshore) Act," the court said.

"It is clear that if the value received by the employee is reasonably identifiable and calculable, then it must be included in the average weekly wage of the employee," the court added.

But Mr. Oxfeld of the U.S. Chamber of Commerce said drafters of the Longshore Act never intended that benefits be considered wages.

"If legislators thought that benefits were considered wages, they would have set wage replacement ratios at lower levels," added Robert Collyer, deputy undersecretary for employment standards at the U.S. Department of Labor.

The decision is expected to be appealed to the U.S. Supreme Court. ■

Schiff Terhune to help Reed make U.S. push

Continued from page 1
 headquarters.

For its money, Reed Stenhouse is purchasing Schiff's 1981 revenues of about \$15 million and 250 brokerage employees in the New York headquarters and five branch offices in Philadelphia, Boston, Los Angeles, Milwaukee and Tampa, Fla. About 175 people work in Schiff's New York office.

Reed Stenhouse currently employs about 175 people in New York in various retail, wholesale and reinsurance sales. But only about 60 work in the Manhattan retail brokerage office that Reed admits was overshadowed by the corporate and regional headquarters of Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc., Frank B. Hall & Co. Inc. and Johnson & Higgins, all based in metropolitan New York.

However, even with the added strength of Schiff Terhune, the Reed Stenhouse New York operation falls far behind Marsh & McLennan's 900 regional New

York staff and Johnson & Higgins 1,200 combined corporate and New York regional employees.

"Size is not all we are gaining," Mr. Leitch notes. "Schiff Terhune is a highly professional brokerage operation that adds to our overall presence and expertise. The acquisition is complementary in every way."

"For example, we have a particularly good marine department known for its ability to handle hull risks. Schiff is also known as a marine specialist, but its expertise is in marine cargo risks. We are both recognized as aviation experts, but Schiff is better at aviation manufacturing and airline liability risks while we are aviation hull specialists."

Reed also may be winning a better position in the agent/broker acquisition market, industry observers say. Although the Canadian company has been expanding slowly in the United States since the mid-1970s through small acquisitions, it has had difficulty completing major mergers. Reed had unsatisfactorily approached Corroon & Black Corp. and Bache Insurance Services but withdrew without making an offer when the organizations appeared disinterested or incompatible.

"This is a very meaningful step

for Reed Stenhouse," remarks Leonard M. Wilson, vp and senior analyst at L.E. Rothschild, Unterberg, Towbin, a New York securities firm. "It's a very good acquisition on its own, but it also gives Reed's acquisition stance in the U.S. more credibility."

The insurance industry can expect more acquisitions by Reed Stenhouse and other large brokers as regional brokerages see the need for advanced risk management services and national and international resources to service growing corporate clients; he says.

"Over the next five years, you will see this taking place more and more, both as the business gets increasingly competitive and as service needs grow," Mr. Wilson says.

Service is exactly the reason why Schiff Terhune accepted the Reed Stenhouse offer, agrees Schiff Terhune Chairman Frank Schiff, grandson of the man who founded the company in 1907. Mr. Schiff will remain chairman of the new operating company and other Schiff Terhune officers, including President Hilliard Feldman and Executive Vp Bert Linder, also will stay with the company in similar positions.

"We had to grow," Mr. Schiff explains. "We were in an unusual position because of the high pro-

portion of national and international accounts we had developed over the years. We felt very strongly that we needed many branch offices and an international presence to service these accounts and continue to grow."

Schiff had been servicing a variety of international accounts, including the worldwide giant Siemens of West Germany, through a network of affiliated brokers. This traditional brokerage technique, however, seems to have been stretched to its limit.

Under increasing competitive pressure from larger brokers and insurer rate-cutting, Schiff Terhune has had trouble maintaining a strong growth rate. While most of the publicly held brokers grew more than 10% in 1980, Schiff grew by only a little more than 1%, reporting revenues of \$15.9 million.

For 1981, Schiff is estimating revenues of about \$15 million, not including revenues from a branch office and subsidiary now up for sale.

Mr. Schiff declined to reveal which divisions are being sold but did say that while they produced revenue, the subsidiaries were not profitable.

Schiff Terhune had pretax profits of about \$1.2 million in 1981 and net tangible assets of \$2.5 million.

Although the purchase price seems low, according to the traditional agency evaluation rule of 1.5 times annual revenues, Mr. Schiff says the price was right for both brokerages.

"The old 1.5-times-revenues rule went out the window years ago," he explains. "Pricing now depends on profitability and what both parties are getting in opportunity. It's a good deal for both of us."

By joining Reed Stenhouse, Schiff gains 180 offices in 33 countries, including 24 U.S. offices. Reed reported worldwide revenues of \$192.4 million in 1981 but lost about \$667,000 in the United States last year (*BI*, Feb. 1).

"Obviously, this is a great move for us in servicing our national and international business. Reed has the offices and the risk management expertise that we need around the world," Mr. Schiff says. "And under this regional operating company design, we also can provide the same quality of service that we have been giving to our regional clients."

"If we had joined one of the jumbo brokers, we wouldn't have been able to maintain the same identity and service," he says.

Mr. Schiff, 61, says he plans to remain with the company indefinitely. ■

RIMS chapter elects officers

TRENTON, N.J.—C. Carol Caposella of United New Jersey Banks in Princeton has been elected president of the New Jersey Chapter of the Risk & Insurance Management Society for 1982.

Other recently elected officers include: Jerry Luttrell, Nabisco Brands Inc. in East Hanover, first vp; Stephen Scammell, Becton, Dickinson & Co. in Paramus, vp for communications; Manuel Cordova, Cadence-Industries Corp. in West Caldwell, vp for programs.

Also, Marilyn Maher, Beneficial Management Corp. in Morristown, vp/secretary; and Aram Papazian, Block Drug Co. in Jersey City, vp/treasurer.

The chapter is planning upcoming meetings concerning the new tax law and safety management consulting services. ■

Keeping a watch on your business



is our business.

Use this form, or the card in this issue, to enter your subscription to **Business Insurance**. Or call (312) 649-5221.

A full year, 52 weekly issues, \$40.
 Just 76¢ a copy.

Business Insurance
 Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance Circulation Breakdown*	
Commercial Consumers	
Administrative Management: owners, presidents, vps, etc.	6,823
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	9,385
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,791
Government, Associations, Unions, Educational Institutions	1,001
Commercial Consumers Sub-total	23,000
Insurance Agents & Brokers	9,741
Insurance Cos.	4,735
Financial Institutions	303
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,208
Others allied to the field	776
TOTAL	40,763

*Source: Business Occupational breakdown of qualified circulation Nov. 2 1981 issue as submitted to BPA for December 1981 BPA Publisher's Statement

Business Insurance:
 Please enter or renew my subscription at \$40 for a full year, 52 weekly issues.
 (Canada add \$14 for surface delivery, \$50 for air delivery. Europe & Middle East add \$35 for air delivery. All other foreign add \$14 for surface postage.)

Payment enclosed. Bill me. Bill company.

name _____ (please print)

title _____

company _____

nature of business _____

business or home address

city _____ state/country _____ zip/postal code _____

Please send information on your special 25%-off group rate for five or more subscriptions.

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
 Circulation Dept. 740 Rush Street Chicago, IL 60611

Pooling helps school district cut costs

Continued from page 3 including health, dental, group life, short-term disability, a mutual fund and a tax-deferred annuity.

While not a true cafeteria plan that directly allows employees to choose from a "menu" of benefits, KEEP allows the school districts to select the benefits they wish to offer their employees. Some school districts then allow employees to select from a list of benefits it purchases from KEEP.

Each school district can design its own dental and health benefits programs, fully paying premiums or utilizing employee deductibles or coinsurance.

By pooling insurance coverage needs to self-fund and buy excess insurance more economically, the program allows small school districts to offer sophisticated benefits

that often could only be selected by large employers because of their high costs.

KEEP, explains Mr. Curley, "is a low-cost way for many small school districts to provide a sophisticated employee benefits program to their employees. Providing quality fringe benefits can be difficult for small school districts, especially if they only have a few lives. Some large carriers won't touch them because one catastrophe can dramatically affect their claims experience."

With many school districts facing financial problems due to state and federal funding cuts, KEEP is considered a godsend.

"We had been looking for a way to reduce health care costs for a few years," says Judith Brown, Kansas-NEA director of special services. "The rising cost of health insurance was squeezing many school districts. It was either pass the cost on to employees or find additional funds."

"There are many Kansas employees who literally can't afford health insurance. It's simply a choice between health care coverage or putting food on the table."

Under the 501(c)(9) IRS provision, the Kansas-NEA is allowed to form a trust to self-fund employee benefits. The trust is exempt from federal income taxes and state premium taxes paid on the stop-loss insurance for the self-insured health and dental portions.

The Kansas-NEA self-funds the health insurance package to a maximum \$20,000 per individual claim, purchasing specific stop-loss insurance for claims above that amount. The aggregate stop-loss insurance attachment point is 100% of paid premium—about \$1.1 million.

Both stop-loss policies are purchased from Associated Employers Trust, a Minneapolis trust not associated with the KEEP trust. Associated purchases its coverage from the Horizon Insurance Co., a subsidiary of the Cargill Corp.

KEEP also purchases group life

and short-term disability insurance from American National Insurance Co. of Galveston, Texas. The short-term disability insurance provides 26 weeks of insurance coverage at 66.6% of weekly salary.

The Kansas-NEA also offers subscriber school districts a mutual fund savings plan and a tax-deferred annuity for retirement savings. They are not part of the trust but also are provided by American National. The self-funded dental and health insurance is administered by LaHood & Associates Inc., a Kansas-based third-party administrator that collects premiums and pays claims.

KEEP has helped seven school districts with a total of more than 1,000 employees to save from 15% to 25% over previous health insurance premiums.

And the savings could grow as more school districts join when their benefits contracts come up for renewal later this month, explains Ms. Brown.

Pennsylvania schools have plan, too

The Kansas Educational Employees Fringe Benefit Pool is not the newest plan under the National Education Assn. program.

The Pennsylvania School Employee Benefits Trust, organized by the Pennsylvania State Education Assn., began offering school districts a full slate of dental, vision care, prescription drug, group term life, health and disability insurance in December.

It has been saving these districts 14% to 20% on some coverages, depending on the plan chosen, its officials say.

The Pennsylvania plan, modeled after the Kansas plan, self-insures its vision, prescription and health programs, while it fully insures group term life, disability and dental.

Annualized premiums for the trust's dental plan, which was offered by the education association for two years before the trust was formed, is \$3 million. The life insurance plan generates an annualized premium of \$100,000, while health insurance generates an annualized premium of \$60,000, says Emery Eyster, coordinator of the trust.

School districts can select from health insurance

programs that include a "Cadillac" plan offering unlimited major medical coverage beyond \$2,000 with a \$50 deductible. The plan has a 20% coinsurance provision for the first \$2,000 of coverage.

The health insurance is self-funded to a \$25,000 maximum, with aggregate stop-loss coverage provided by Employee Benefits Claims in Minnesota. The attachment point is 100% of paid premium.

Pennsylvania trust members can either customize their dental plans or select from among three basic types, including one that pays 100% of all dental claims, with or without a deductible. The dental program is insured by the Delta Dental Plan of Pennsylvania, a dental services provider.

Members can choose a drug prescription plan that has either a \$1 deductible or a \$2 deductible.

The program's vision care program, provided by National Prescription Administrators of Clifton Heights, N.J., pays 100% of claims whenever the policyholder uses paneled practitioners.

It pays a maximum \$15 for frames, \$25 for examinations and \$3 for telemetry services provided by non-paneled practitioners.

LOOK FOR



When You Need
claim and loss
EXPERTISE



The National
Network of
All Head Offices
Supervision and
Dependability

For the complete nationwide
Blue Book of Adjusters
write our National office.

National Association of
Independent
Insurance Adjusters
175 W. Jackson Blvd.
Chicago, Illinois 60604

War risk insurers cutting their rates

Continued from page 2 industrial companies placed in London are insured (for war risks) at ridiculously low rates.

"What we are really trying to do is save business," Mr. Dawson said.

But British cargo insurers have reacted to the rate cuts by slashing their own rates.

Utility workers get new dental plan

Employees at Northern States Power Co. of Minneapolis have a new dental plan that provides them with an annual maximum \$500 in diagnostic, preventive, restorative and prosthetic coverage.

The new benefit, underwritten by the Delta Dental Plan of Minnesota, a prepaid dental services provider, covers 6,400 employees in Minnesota, South Dakota, North Dakota and Wisconsin—all but 300 of the company's workforce—at an estimated annual cost of \$1.1 million. The remaining 300 employees are expected to be added to the plan later this year after contract

The Institute of London Underwriters has suggested that all cargo insurers reduce war risk cargo insurance from 0.03% to 0.0275% for most areas of the world.

"The American War Risks Exchange lowered its rates first," said an ILU spokesman.

British insurers also didn't see

negotiations are completed.

The plan, which took effect last month, pays 80% of all diagnostic, preventive and regular restorative dental services and 50% of all special restorative—cast crowns and gold crowns—and prosthetic work.

It also pays 80% of the cost of repairing prosthetic appliances, as well as 50% of all orthodontic work for employees and their dependents, up to a lifetime maximum of \$750.

There is a \$25 annual individual-deductible and a \$75 annual maximum family deductible for all but diagnostic and preventive services. ■

City to fight comp award for cops

Continued from page 3 been an attempt by the men to relieve stress-related trauma.

"This is not a crackpot case," he says. "These are sick kids."

But the city argues that the men were two of 23 officers involved in similar undercover narcotics work and that the other officers successfully simulated using drugs without addiction. The men were relieved

of their duties in March 1980. But Charles McGrath, director of the Division of Labor, which approved the workers compensation awards, explains the compensation decision this way:

"The reasoning is simple. They were given undercover activities and they became addicted to drugs, which arose out of and in the course of their employment." ■

Total school district participation could climb 500% by year-end. The program so far has generated more than \$1.1 million in premiums—mostly for health insurance coverages.

Under the KEEP program, most health insurance plans cover 80% of an employee's first \$1,000 in claims for reasonable and customary charges for hospitalization, surgery, X-ray and lab expenses and 100% above \$1,000 to a lifetime maximum of \$1 million. This is the plan Bonner Springs opted for with a \$100 employee deductible.

The basic dental plan offered by KEEP pays 100% of reasonable and customary charges for most normal dental maintenance services. It pays 50% of all prosthetic work.

The dental coverage, which is part of the health policy's major medical plan and cannot be purchased without the health insurance, can be redesigned by the employer.

Bonner Springs, for example,

provides an expanded dental plan that pays 100% of all reasonable and customary charges for diagnostic, X-rays, preventive, restorative and prosthetic services.

Under the group life insurance program, school districts can purchase a basic plan that provides a maximum \$36,000 coverage for employees under age 30, declining in value as the employee grows older. Employees 65 and over are covered by a \$2,000 policy under this plan. School districts wanting to offer different life insurance programs must do so outside of KEEP.

The American National Funds' Tax-Sheltered Custodial Account mutual fund is managed by Securities Management & Research Inc., which manages and distributes the American National Group of mutual funds.

The plan's tax-deferred annuity is a no-load annuity that does not charge a penalty for emergency withdrawals of up to 10% within a 12-month period. ■

insurance services guide

LOSS RESERVE CERTIFICATION

Merger/Acquisition
Total Claim Management & Technical Services
John J. O'Connor, B.A., L.L.B., I.I.A.
J. J. O'Connor & Co.
Watch Hill Road
Watch Hill, RI 02891
(401) 348-8386 24 hour service

ATWOOD & CO.

Consulting Actuaries
Claim Reviews
Reinsurance and Reserve Analysis
for Captives and Self Insurers
5000 Ambrose Ave.
Los Angeles, CA 90027
(213) 661-9260

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Barbara Tosheff, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340.

If you were restoring this 1917 SPAD XIII,
you'd go to an expert.

Why buy Workers' Comp. any differently?



Location courtesy of the Owls Head Transportation Museum. Owls Head, Maine.

You don't have to go far to find a Workers' Compensation program for your business. But finding the expertise to make it work for you is another matter.

At American Mutual, nearly 70% of our business is in Workers' Comp. So we know more about it than almost anybody. And we apply what we know to what you need. With programs as individual as you are.

And we can also tailor general liability and commercial auto insurance plans for you. With the same know-how we're known for.

So if you value your business, shouldn't you be talking with the experts?

**American
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880