4 insurers covered oil tanker; legal liability battle erupts

By MARIE KRAKOWIECKI

NEW YORK—Thebes Shipping Co., owner of the wrecked tanker Argo Merchant, had both hull and liability insurance for the vessel before it ran aground off Massachusetts' Nantucket Island Dec. 22, causing the worst oil pollution disaster in this nation to date.

The Argo Merchant split and released 7.5 million gallons of industrial oil as thick as peanut butter into the rough seas outside Nantucket. The resulting 215-mile-long slick threatens not only the ecology and wildlife of the tiny island, but also the rich fishing industry on which the island's residents largely depend. Local fishermen have sued Thebes for damages totaling about $60 million.

Damages from the explosion of a tanker in Los Angeles will be in the millions. See Page 50.

But the Liberian firm is attempting in federal district court here to limit its liability to zero by invoking a 125-year-old maritime law which makes shipowners responsible only for amounts equal to the value of the remains of a wrecked ship.

Continental Insurance Co. insurer for the oil cargo that was aboard the Argo Merchant, is leading the court fight opposing Thebes's attempts to limit liability. The opposition contends the vessel was unseaworthy and its operators negligent.

A lawyer for the insurance company said last week that Continental wrote an open cargo policy for the $2.5 million worth of oil which the tanker was transporting from Venezuela to Salem, Mass., when the wreck occurred. A number of affiliated companies which shared cargo interests were the named assureds, he said. The policy had limits of approximately $2.3 million.

Continental introduced evidence in court that the Argo Merchant's gyrocompass was broken and that other navigational equipment was in need of repair at the time of the accident. It is fighting Thebes's attempt to limit its liability because if Thebes succeeds, Continental would have to pay up on the more than $2 million in claims for the lost cargo.

Lloyd's of London wrote the hull insurance for the aging tanker, which was involved in 19 previous accidents before the Nantucket disaster, it was learned. Mark Madias, director of the Amership Agency in New York, the managing agent for the Argo Merchant, identified Lloyd's as the hull insurer, but refused to disclose policy limits. Lloyd's lawyers here also declined comment on the extent of the syndicate's participation as a hull insurer. The ship was thought to be worth about $1 million on today's market, although Thebes reportedly paid $2.5 million for her three years ago.

Mr. Madias confirmed early reports that liability insurance for the vessel was provided by a consortium known as the West of England Shipowner's Protection & Indemnity Club, headquartered in London but said to operate independently of Lloyd's. Those reports indicated that the P&I club provided approximately $10 million in coverage for the Argo Merchant at yearly premiums of $50,000, based on loss experience.

Mr. Madias also told *Business Insurance* the ship was one of those enrolled in TOVALOP (tanker owners' voluntary agreement concerning liability for oil pollution).

Under the federal anti-pollution laws, operators of vessels are liable to pay clean-up costs for oil spills equal to either $14 million, or $100 per gross registered ton,

Continued on page 2

The Argo Merchant, a week after it ran aground off Nantucket Island.

Week of January 10, 1977

business insurance

the national newsmagazine for buyers of employe, property and liability protection and financial services

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NY firms stunned by pregnancy rule

By MARIE KRAKOWIECKI

ALBANY—Private employers in New York are stunned by the state high court ruling that they must pay disability benefits for pregnancy on the same basis as other non-occupational disabilities.

The five-to-two decision of the New York State Court of Appeals was handed down Dec. 20, less than two weeks after the U.S. Supreme Court ruled that under federal law employers are not required to pay disability benefits to pregnant women.

The New York court's mandate is expected to have a major impact on employe benefit plans not only in this state but across the nation if companies follow benefit patterns set here. And it will undoubtedly increase the costs of doing business in New York.

Right now, New York employers are confused about the immediate and potential impact the ruling will have on their liability for costs of sickness and disability benefits for pregnant employes. Shortly after the decision was announced, the state's human rights division said pregnancy disability benefits must be paid retroactively to women who gave birth up to one year ago.

Most New York employers never provided any disability benefits to female employes who missed work due to normal pregnancy and childbirth. Additionally, since most disability insurance does not cover sick leave connected with pregnancy, employers will have to pay the retroactive costs out of pocket. They fear the costs could be staggering.

A $90 million additional premium cost per year would result statewide if a 26-week benefit eligibility for pregnancy is endorsed in New York, according to a court statement submitted by Jac Cushman, vp and secretary of the New York Chamber of Commerce & Industry.

The three defendants—Ameri-

Continued on page 2

Pensions after ERISA: shifts but no stampedes

By GREG DAVID

CHICAGO—Despite recent statistics, most consultants working on employe retirement plans say there is no large scale movement among big corporations to replace defined benefit pension plans with defined contribution arrangements.

The consultants, who work mostly with medium and large companies, added that their clients are simply not terminating their pension plans. Peter A. Bleyler of Alexander & Alexander in Chicago said his firm had only one termination out of 7,500 plans, and that was because the company went out of business.

Business Insurance surveyed 14 of the largest consulting firms to pinpoint significant trends and assess the continuing impact of the Employe Retirement Income Security Act (ERISA) on pension plans. The consultants also said:

- Companies wanting to improve their retirement packages are often adding defined contribution plans such as profit sharing or savings arrangements rather than improving defined benefit plans.
- With two interesting exceptions, they said they had not encountered companies reacting to ERISA by terminating their pension plans and urging employes to open Individual Retirement Accounts (IRAs).
- For the most part ERISA has not greatly increased the cost of retirement benefits provided by large corporations. But administrative costs have skyrocketed and remain one of the most troublesome problems.

All of the consultants warned that their conclusions were probably not applicable to small companies with 100 employes or less. These companies may be terminating their plans or replacing defined benefit arrangements with defined contribution plans. "But what a lot of five or 10 employe companies do does not make a trend," according to Murray Becker, vp and actuary with Johnson & Higgins.

Under a defined benefit plan, retirement income is determined by such factors as years of service and salary. The benefit is fixed and a corporation's cost can increase dramatically in periods of inflation. Under a defined contribution plan—such as a profit sharing, money purchase or savings plan—the company's contribution is fixed, resulting in greater control over costs.

Bert Metzger, president of the Profit Sharing Research Foundation in Evanston, Ill., has concluded there is a significant trend toward defined contribution plans after analyzing recent statistics from the federal government. The latest figures on plan approvals for the first nine months of 1976 show 90.7% of all new plans were defined contribution plans while 9.3% were defined benefit plans. The Labor Department figures on all pension plans, compiled from EBS-1 forms, show 77% of retirement plans are defined contribution and 23% are defined benefit. Thus, it would seem a larger percentage of new plans are defined contribution than in the past.

Bob Lindgren, a consultant with A. S Hansen Inc. in Chicago, [illegible] with those figures. He said he detected a trend toward defined contribution plans in response to the funding requirements of ERISA and the problems in plan termina-

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The inside story

Info for Buyers

This special issue contains our seventh annual Info for Buyers section, a list of more than 200 booklets, pamphlets and other materials of interest to risk managers, employe benefit managers and others in the insurance industry. Most of the items are available without charge. The section begins on Page 15 and continues to Page 50.

Solar energy Page 40

Will companies considering the installation of solar energy equipment encounter any insurance problems?

- WHAT'S THE outlook for risk management students? See riskWatch on **Page 40.**
- KRAFT moves its group program to John Hancock. Benefit Beat on **Page 3.**
- SECOND OPINION surgery programs are growing slowly. **Page 7.**
- BEVERLY HILLS hires a part-time risk manager. **Page 8.**
- PRODUCT LIABILITY: A crisis or a problem? Editorial on **Page 10.**
- AVIATION INSURANCE. See Perspective on **Page 43.**

Pregnancy decision . . .

Continued from page 1

can Airlines Inc., Brooklyn Union Gas Co. and the Crouse-Irving Memorial Hospital in Syracuse—would not comment directly on the substance of the decision. However, the Irving-Crouse Memorial Hospital estimates its disability insurance premiums will double from $104,000 to $208,000 a year as a result.

Edward J. Thompson, manager of Brooklyn Union's insurance claims and security department, said that no dollar amount had yet been determined on potential increased disability costs at his firm. His situation may reflect that of other insurance or employe benefit managers in New York. Because his firm is self-insured for non-occupational disability benefits and because such benefits are paid directly through the accounting department as a management rather than an insurance function, he still has only a vague idea of what the possible cost of the decision might be.

Under New York law, employers must pay disabled workers half their weekly salary up to $95 for as long as 26 weeks. However, under the state's disability benefits law, which was written in 1949, pregnancy is specifically excluded from conditions for which employers are required to make disability payments.

The controversy over pregnancy benefits arose because the 1949 law is in apparent conflict with the human rights law passed in New York in 1965 to prohibit employers from discriminating on the basis of sex.

The disability benefits law said employers did not have to make the disability payments to women who missed work because of pregnancy, while the newer human rights law said they did. It was the human rights law that female employes of the three defendants invoked when they sued their employers for not providing pregnancy disability benefits. The employers invoked as well as the argument that pregnancy disability benefits would cost too much.

The law issue at the Court of Appeals was which should take precedence in cases which fall within the reach of both statutes. It ruled in favor of the human rights law.

In dismissing the employers' arguments that pregnancy disability would be too costly, the court said: "A court cannot responsibly be wholly indifferent to the economic impact likely to attend its decisions, but neither can the prospect of financial impact dictate the judicial outcome."

A friend-of-the-court brief filed by 17 New York employers including American Telephone & Telegraph, General Motors and General Electric (the firm that was involved in the Supreme Court case) argued that upholding the human rights law would undermine the financial viability of disability benefit plans covering millions of employes.

Benefits now available to these employes might have to be curtailed if employers are forced to pay disability for pregnancy, it warned.

In the week following the New York ruling, it was widely reported that employers could not appeal the case to the U.S. Supreme Court because no constitutional issues were involved. The Empire State Chamber of Commerce said it would seek "legislative redress" in 1977 to overturn the opinion.

But one attorney familiar with the case remarked: "I wouldn't bet just yet that there will be no appeal. Lawyers are a wily bunch."

The New York opinion made several references to the earlier Supreme Court case that held disability payments to pregnant women are not required under Title VII of the Civil Rights Act of 1964, a federal law.

"The determination of the Supreme Court, while instructive, is not binding on our court," the majority opinion said, "as we now confront the contention of private employers that the provisions of our state's disability benefits law excuse their failure to conform to the standard that we have held our human rights law demands of public employers."

Chief Justice Charles D. Breitel sharply dissented, criticizing the court for making policy decisions that were rightly the responsibility of the legislature. "The question is purely legislative and the standards to be applied are those appropriate to judicial review and not those appropriate to initiating social-economic policy or projecting, however right, the social-economic preferences of the court's members," he wrote.

He said the approach in which the majority favored the human rights law above the clear expression of the legislature (in the disability benefits law) started "a dangerous trend toward judicial arrogation of the legislative function."

Voting with the majority were Judges Hugh R. Jones, who wrote the decision, Domenick Gabrielli, Sol M. Wachtler, Jacob D. Fuchsber and Lawrence H. Cooke. Dissenting with Judge Breitel was Judge Matthew J. Jason. ■

Argo Merchant . . .

Continued from page 1

whichever is less.

Mr. Madias said the Argo Merchant's coverage under the TOVALOP agreement provided it with the $100 per gross ton limit. The Argo Merchant weighed 18,743 gross tons, so its oil pollution clean-up liability coverage under TOVALOP should be $1,874,300. TOVALOP was formed as a mutual insurance arrangement for tanker owners in 1969 after Aristotle Onassis lent his support to the concept.

Although some insurance and maritime law sources in New York said that it was standard operating procedure for the owners of the Argo Merchant to try to limit their liability by invoking the 1851 maritime statute, others felt the case has broader implications for the question of tanker liability.

Arthur McKenzie, is one. He is director of the Tanker Advisory Center in New York, the statistical organization which originally released information about the Argo Merchant's involvment in 19 previous accidents before its Nantucket grounding.

While some marine sources felt that the limitation of liability Thebes was trying to achieve through the old marine law would apply merely to cargo recovery costs, Mr. McKenzie explained that the law, if enforced, would pertain to every kind of liability involved in the tanker casualty.

One maritime lawyer who asked not to be identified said the statute known as the Vessel Owners Limitation of Liability Law war originally drafted more than a century ago to cover situations involving ship collisions. The idea was merely to aid a fledgling American merchant marine, so that no one firm in the new industry would be wiped out.

Its application to a pollution case involving a ship of foreign registry obscures the original intent of the law, he said, and does not seem likely to win in a court fight.

The Argo Merchant case drew increased attention from U.S. officials concerned not only with questions of insurance and liability, but also those concerned with the question of the seaworthiness and safety of tankers sailing under foreign flags, particularly Liberia. That country has the biggest fleet in the world and the laxest safety requirements.

Russell Train, head of the federal Environmental Protection Agency, called for stricter regulations governing foreign-registered ships entering U.S. waters after the third oil spill in two weeks involving Liberian tankers following the Argo Merchant wreck. The tanker Olympic Games spilled 133,000 gallons of light crude oil into the Delaware River near Marcus Hook, Pa., Dec. 29, and a spill of 2,000 gallons of oil in Groton, Conn., occurred a week earlier.

Between mid-December and early January there were five reported cases of groundings or other tanker casualties involving Liberian flag vessels in U.S. waters.

Registering a ship in Liberia is a simple matter of filing an application, waiting 48 hours for paperwork to be completed and paying an initial fee of $1.20 per net ton. A tax of 10 cents a ton is levied every year, but shipowners are guaranteed that their taxes will not be increased for 20 years after registration. Because of the tiny nation's dependence on its shipping business. Liberia is generally indifferent to regulations on insurance and taxes.

"The United States has to take a hard look at its present regulations," Mr. Train said after inspecting the spill in the Delaware River. "The time has come for the U.S. to set more stringent standards with the number of foreign vessels coming into our waters." ■

errors & omissions

• Based on 1975 reported gross revenue figures for the nation's largest brokerage firms, Alexander & Alexander's recent acquisition of New York-based Bleichroeder, Bing & Co. puts the combined companies' gross revenues at $126.9 million. In the Dec. 13 issue, the combined figure of $150 million was inaccurate because A&A's gross revenue figure was inadvertantly added to Bleichroeder, Bing's premium volume figure.

Thus, to say that A&A now jumps into second spot in the ranking of largest brokers would also be inaccurate. The story pointed out that A&A following this acquisition had moved ahead of Johnson & Higgins with estimated gross revenues in 1975 of $149 million. A&A appears to still be in third place, however.

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the benefit beat

Kraft moves $15 million program to Hancock

KRAFT INC., Chicago, shifted its entire group benefit account covering 28,000 to 30,000 employes in the U.S. and Canada to John Hancock Mutual Life Insurance Co. effective Jan. 1. Kraft had been insuring its group benefits with Travelers Insurance Co. for over 50 years through several brokers but is now going direct to Hancock. The account is known to generate annual premiums of over $15 million, covering group life, health, accident and AD&D. Fred Johnson, corporate insurance director for Kraft, was the person to make the decision to change underwriters, but he wouldn't comment on the move. Four insurers bid on the Kraft business. Travelers had a separate claims office handling Kraft administration, employing 70 to 75 people.

WEYERHAEUSER CO. in Tacoma, Wash., is offering its salaried employes two new voluntary life insurance programs effective Feb. 1. The Equitable Life Assurance Society, which already provides Weyerhaeuser's basic life insurance for employes, was selected to write the new plans to supplement the existing coverage, according to Richard Spitznass, manager of employe benefits. The new benefits are contributory employe-paid term insurance programs. The first option is for additional life insurance for an employe with benefits of either one or two times annual salary. The second option is a spouse insurance program providing coverage for a spouse in the amount of one half the employe's base salary up to a maximum of $25,000. Weyerhaeuser anticipates that approximately half of the 11,000 employes who are eligible for the new voluntary plans will sign up for them. Weyerhaeuser's basic life insurance coverage for employes has a benefit based on one times annual salary. There is also a surviving spouse income program which provides 25% of base pay.

CORROON & BLACK of Illinois, administrator of a prepaid legal services plan sponsored by the Chicago Bar Assn., says it has 30 sound prospects for the program including one company with more than 20,000 employes. Joseph P. Bitterman, vp, said the need to educate employers and employes on the need for legal insurance was the reason the broker had not been able to sell a policy. The plan provides for an annual one hour legal checkup. It pays $250 a year for office work with a $10 deductible. Hearings and trials are covered up to $1,000 a year with a $25 deductible if the client is a plaintiff and no deductible if the person is the defendant. Additional legal expenses will be covered up to $1,250 a year on an 80/20 coinsurance basis. Existing matters, fines and penalties, class action or contingent fee cases and preparation of tax returns are excluded. Premiums for the basic plan are $4.90 per employe per month for plans with 10-100 participants, $4.20 for 100-1,000 participants and $3.75 for plans with more than 1,000 members. Premiums are doubled for dependent coverage. Mr. Bitterman said he expects a surge to legal insurance in the Chicago area after one major company adopts it.

UNITED PARCEL SERVICE will increase its contribution to the Teamsters health and welfare fund by $8 a week per employe under the new contract covering 17,000 workers in 15 eastern states. Pension fund contributions will be increased by $9 a week. A spokesman for UPS said he could not give an average figure for the contribution since it varied widely among different groups of employes. ■

INTERNATIONAL DIRECTORY

If you are an insurer, broker, consultant or supplier of other insurance-related services to multinational companies, send us your name, address and data on your firm for the March 7 directory of international services.

The deadline is February 10 for submission of directory information which should include names of persons to contact for additional details on your firm's capabilities. Include a brief description of products or services provided and note the countries in which these are offered.

Send all materials for inclusion in the directory to Susan Alt, editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

British say U.S. outlook is improving

LONDON — Underwriting improvements in U.S. business are being reported by leading U.K. insurers as they look for better profits in 1977.

Royal Insurance has been reducing losses in auto, general liability and homeowners lines. Its operating ratio for the first nine months of 1976 was 105.6 compared with 107.7 for the same period in 1975.

But it still faces deteriorating results in workers' compensation as a result of increased claims and inadequate rates in some states.

Commercial Union, which had heavy losses on its U.S. business last year, reports progress in winning rate hikes in most classes except workers' compensation.

"The business cancelled at the end of 1975 has continued to run off much as expected," it adds, pointing out that claims of around $10 million arising from this cancelled business have been met from the overall provision of $30 million set aside for this purpose at the start of 1976.

Leading U.K. stockbrokers Rowe and Pitman, Hurst-Brown recently forecast good prospects for U.S. underwriting results in 1977 and 1978, based on the rate increases they received. ■

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Teamsters invest funds in insurance contracts

By GREG DAVID

CHICAGO—The huge Teamsters Central States Pension Fund late last month invested $20 million in fixed income contracts guaranteeing a minimum return with five insurance companies.

It is the first time the fund has used insurance companies as an investment vehicle. There is no maximum return, so the fund will receive whatever the companies are able to earn, minus an investment charge.

Connecticut General Life Insurance Co., Pacific Mutual Life Insurance Co. and Aetna Life & Casualty Insurance Co. each received $5 million. Three million dollars have been placed with Bankers Life Co. in Des Moines, Iowa, and $2 million with The Travelers Insurance Cos.

The Central States Pension Fund has more than $1.3 billion in assets. It has been the target of repeated federal investigations of its past investment practices.

Robert Billings, a spokesman for the fund, confirmed the investment. He said the return was expected to be about 9.5%.

Mr. Billings said it would be unfair to call the move part of a more conservative investment strategy since that would imply something was not conservative about previous investments. He said the investment was probably the result "of a weak market for other securities."

Corroon & Black of Illinois was the broker for the investment. Joseph P. Bitterman, vp, approached the fund in June suggesting insurance investment contracts. Aetna Life & Casualty reportedly had approached the fund separately.

Mr. Bitterman said Corroon & Black conducted a "monumental" study of 25 investment contracts to select the best plans. He said it was one of the most extensive studies his firm had ever done.

Pacific Mutual in Los Angeles said the $5 million it received was placed in a "desposit fund accumulation policy" on Dec. 22. The minimum guaranteed rate for 1977 is 9⅛%. A unique feature, a spokesman said, is that companies may withdraw their money at the end of each year when Pacific Mutual announces the minimum return for the next 12 months.

Aetna Life & Casualty said the Teamster funds were placed in a "pension investment contract." The money will be invested in fixed income investments through the company's general account. The Teamsters have been guaranteed a return of at least 8.65% for five years including 1976. Aetna said it could not estimate its charge for expenses because it varied with the amount of money.

Connecticut General would only confirm that it had received $5 million in a contract guaranteeing a minimum return. It would not discuss the exact type of policy or the minimum.

Bankers Life said its standard contract guaranteed 8½% the first year, 7% the next three years, 5½% for the next five and 4% thereafter.

The Travelers Insurance Co. said the $2 million it received was placed in a "deposit administration contract" used by a number of other clients. The minimum return is 8¾%, but the fund will receive more if the company is able to earn more on the investment. ■

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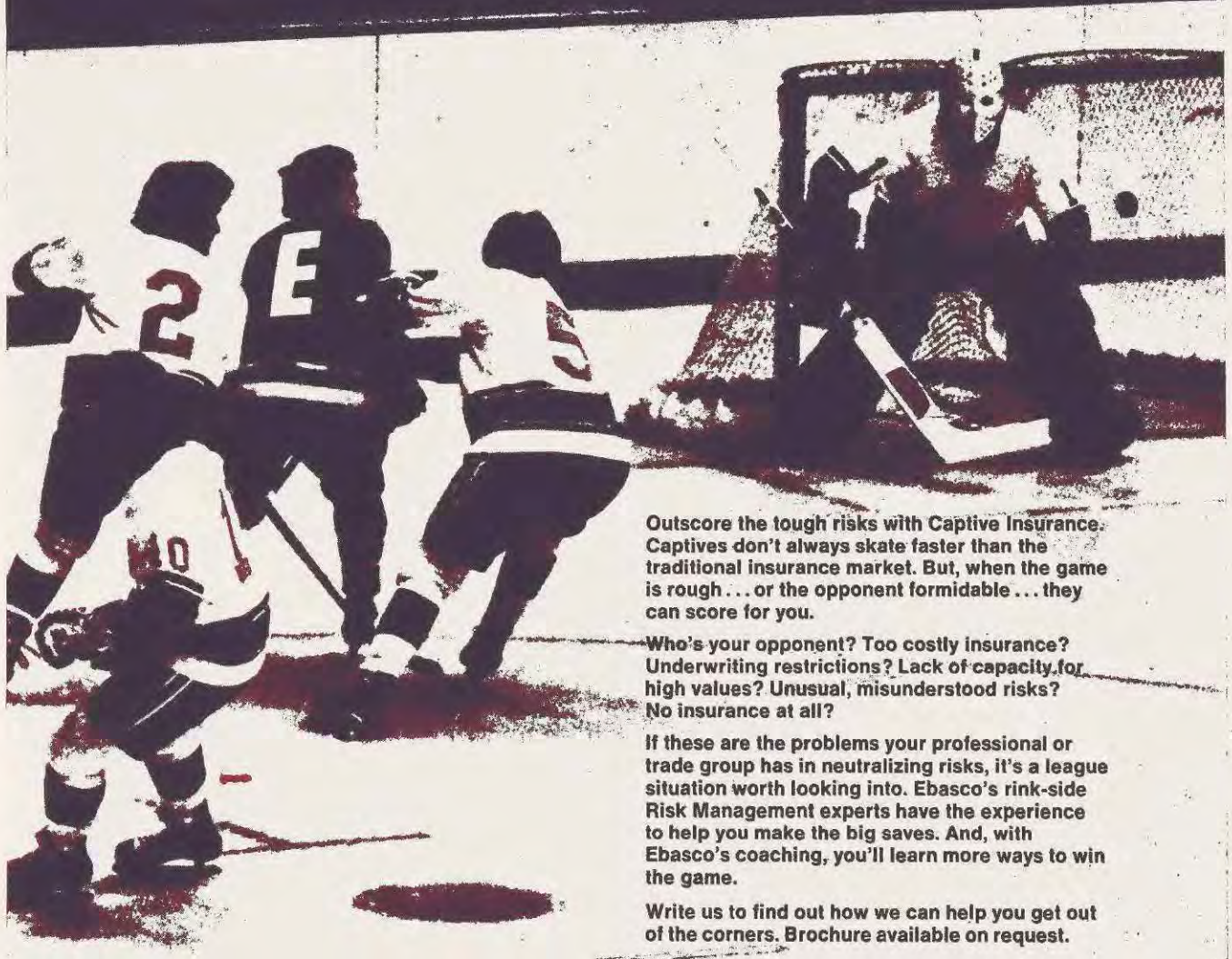

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Claims staff gets code of conduct at Kemper

CHICAGO—Kemper Insurance Cos. issued a "Code of Conduct" for its claims department staff to ensure consistent and ethical conduct.

Kemper President Maxwell D. Rudgers said the 10-page booklet pulls together a series of memos issued in previous years. In what he believes to be a unique action in the industry, the code will be available to Kemper's insureds to tell them what Kemper will and will not do.

The code requires employes to follow the 1939 statement of claims principles generally accepted in the industry. In addition, employes are prohibited from using their positions for personal gain, holding stock or any financial interest in a competing insurance company or agency or having a financial interest in any firm selling supplies to Kemper.

In addition, employes are prohibited from accepting any gifts or compensation from persons or companies with which Kemper deals. Lawyers are required to follow strict rules in practicing law outside the company.

"We've been concerned about what adjusters accept at Christmas time for some time," Mr. Rudgers said. "All types of repair shops are particularly free at Christmas time."

"There is more (gift giving and gift receiving) than there should be," Mr. Rudgers said. "I'm not sure it comes to the attention of top people."

Another area of particular concern to Kemper is the possible conflict in staff attorneys accepting private cases. "We've tried to be very hard-nosed that they don't practice law outside the company," he said.

Mr. Rudgers said the code had been well received by employes who understood the need for the rules.

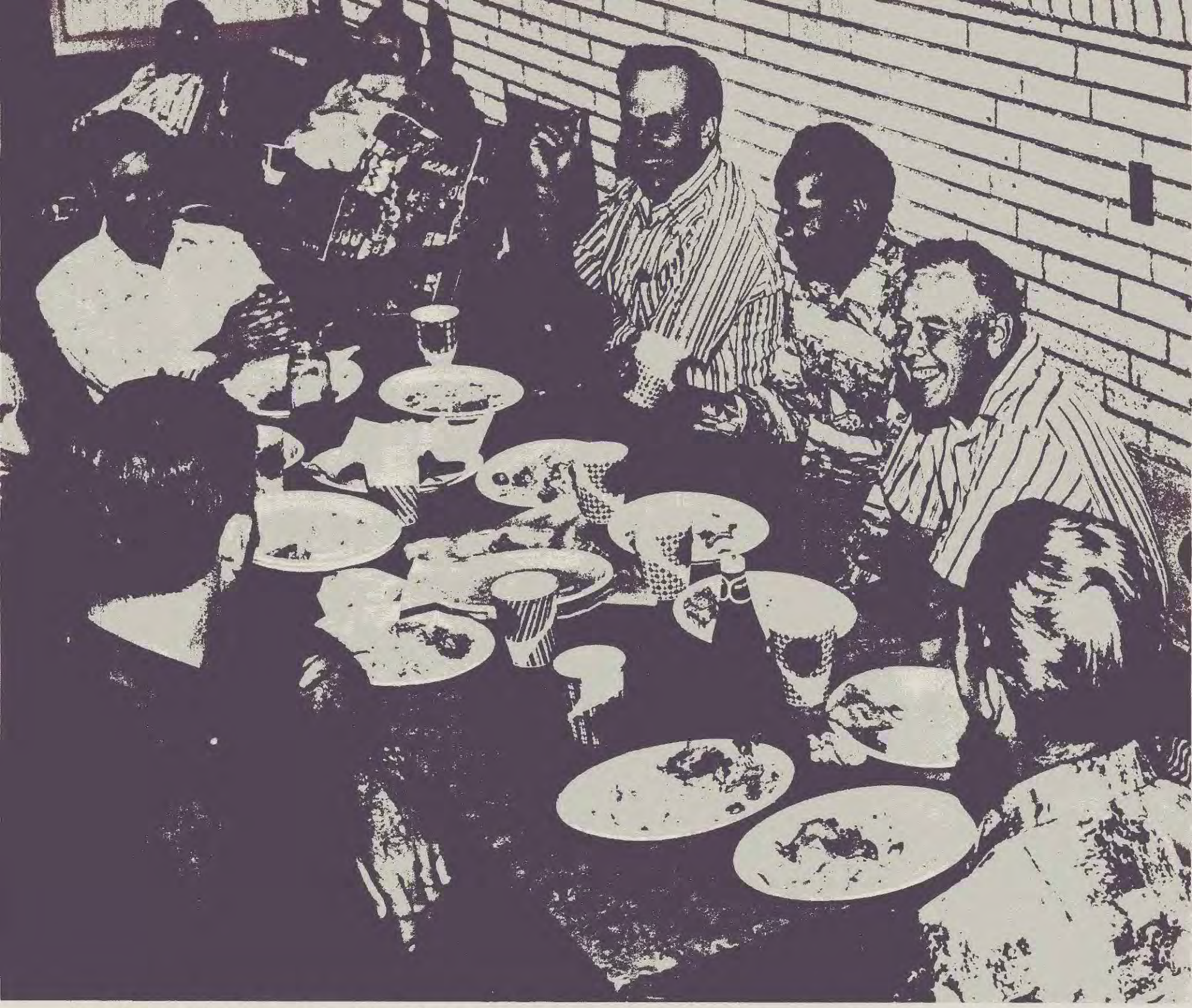
In a letter accompanying the booklet, Mr. Rudgers admitted the action was not entirely altruistic. "We believe our reputation is based on our service and the quality of our service is, to a large degree, the quality of our claim department. The company, which has a good reputation as a straightforward, honest organization, will have a significant edge in our increasingly consumer-oriented environment. ■

Summa gets a refund

CARSON CITY, NEV.—The Summa Corp., the mysterious holding company used to control the empire of the late Howard Hughes, may engage in risky ventures such as attempting to raise submarines from the bottom of the ocean. But its own operations boast a good safety record.

At least that's the opinion of the Fireman's Fund Insurance Co., which has returned to Summa a $234,000 workers' compensation dividend representing a 52% premium adjustment for a superior safety program.

The safety program was designed by the insurance company and implemented by Summa on its operations outside of Nevada, which has a mandatory state insurance fund. ■



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As a result, Woodard-Walker has been credit-rated since 1949. The current modification is down to .34. Which means this policyholder is *saving 66%* of the manual-rate premium for its industry. In other words, their intense safety awareness —and subsequent good record—is the reason they pay only one-third the business insurance costs that some of their competitors might be paying. That's a nice advantage to enjoy in any business.

Employers of Wausau works hard for Woodard-Walker. Woodard-Walker works just as hard on its own behalf. That's the kind of partnership that makes insurance work best. And that's the Wausau story.

Come to the source

Employers Insurance of Wausau

Wausau, Wisconsin

Considering solar energy devices? Insurance shouldn't be a problem

By GREG DAVID

CHICAGO—There is one word of advice for insurance managers of corporations and institutions considering the installation of solar energy equipment: relax.

Despite the recent concern expressed by an insurance association official, businesses and institutions that have installed solar equipment report no difficulties obtaining insurance. And several solar energy equipment manufacturers say they have encountered no problems obtaining product liability coverage.

The possible insurance problems have been raised by Larry L. Forrester, vp and assistant manager of the National Assn. of Mutual Insurance Cos. The association has begun a six-month study of those problems in both commercial and residential buildings.

"We don't want to scare anybody off," he said. "It's important for the industry to coordinate thinking with the manufacturers and the government."

Among the possible risks singled out by Mr. Forrester are fire hazards from collectors which can reach 300 degrees, hail damage, bodily injury or property damage from antifreezes used in systems, damage from the collapse of roof due to the additional weight of a solar energy system and the attractive nuisance of the first solar equipment in an area.

However, none of the companies contacted by *Business Insurance* had any difficulty obtaining property and casualty coverage. A spokesman for Burger King, which installed a solar energy system in a restaurant in New Jersey, said the equipment was merely added to existing policies. The insurance company asked no questions about the additions. Similar experiences were reported by Maritime Terminals Inc. in New Bedford, Mass., and John Stroble, who installed solar water heating equipment on one of his Burger King franchise restaurants in Tallahassee.

The city of Santa Clara, Calif., has spent $500,000 for solar equipment for a new community center. The city has been forced by the tight municipal market to assume an annual self-retention of $250,000 on its $20 million liability policy, but city insurance officials said the solar equipment had nothing to do with the insurance changes.

Santa Clara's broker said he merely informed the underwriters that he was adding the solar equipment. The insurance companies raised no objections.

Eddie Luse, owner of Huffman Inc., a heating and plumbing company in St. Paris, Ohio, installed a ground-based solar heating system. His insurance company, State Auto Mutual Insurance Co. of Columbus, sent an official to inspect the new heating system.

"The gentleman said he was here to inspect my heating system," Mr. Luse said. "When we went to see it he said, 'Boy, what have you got here?' I said a solar heating system and asked if they had ever insured one before. He said no, that this would be the first."

The total cost of insuring Mr. Luse's system is $84 a year.

Dick Ridgley, underwriting manager for State Auto Mutual, said the Huffman risk seemed a logical extension of the present coverage.

An insurance official with a solar energy manufacturer said Mr. Forrester's concerns were overdrawn. "It is a fair evaluation from someone in his position, but I don't think the hazards are that significant from a viewpoint of a manufacturer engaged in multi-product manufacture."

This official pointed out that homes contain a significant fire risk as a classification and that people who buy solar equipment, which is often expensive, will have the roofs to support the additional weight.

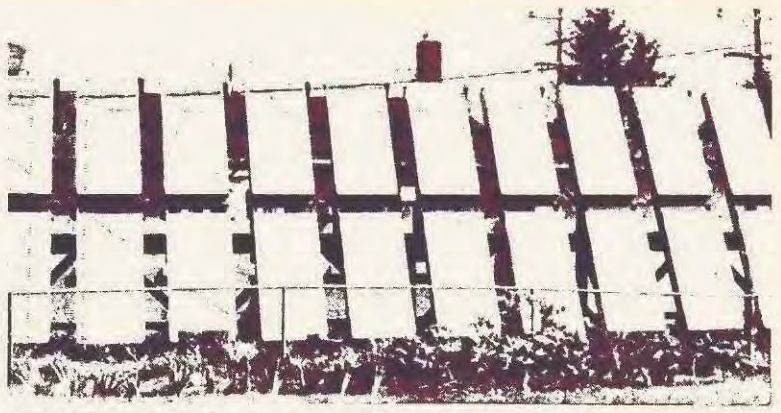
Another observer said solar energy for homeowners represented one of the few energy innovations for homeowners that did not present grave problems for the insurance companies.

Several agents and insurance officials suggested solar energy installations in large office buildings might represent greater problems. But Frank Bridges, a New Mexico engineer that has designed a system for a 25,000 square foot building at the University of New Mexico at Las Cruces, said he has heard of no problems insuring large buildings.

Officials at three manufacturers of solar energy equipment said they had encountered no product liability problems. A spokesman for Fafco of Menlo Park, Calif., said his company had encountered no problems obtaining product liability coverage. Fafco is the largest manufacturer of solar energy equipment for heating swimming pools with over 100,000 installations.

Northrup Inc. of Hutchins, Tex., said it had encountered no problems and had not purchased any product liability coverage. Revere Copper & Brass Inc. in Rome, N.Y., also has not had problems purchasing product coverage.

Mr. Forrester said the problems were a result of the limited experience with solar energy products. An agent who has dealt with solar equipment said solar energy "is the last thing they (insurance companies) are going to spend time on with all the other product liability exposures they face." ■



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Second opinion programs are growing slowly

By MARGARET LeROUX

NEW YORK—Second opinion programs for elective surgery are still very much in the experimental stage, a *Business Insurance* survey of the nation's top insurers revealed.

In the year since a House of Representatives subcommittee concluded that requiring consultation on elective surgery could save millions of dollars in benefit costs, there have been few consultation programs established.

New York State passed a law in August requiring a second opinion for all non-emergency surgery covered by accident and health insurance contracts. Blue Cross and Blue Shield of Greater New York had established a program to facilitate second opinions for surgery earlier this year, but response from subscribers has not been high.

Only 586 persons in New York have obtained surgical consultation since August, a spokesman for the national Blue Cross Assn. said. There are more than five million members enrolled in Blue Cross and Blue Shield of Greater New York.

The Blues in other states "are trying to get physicians to go along with second opinion programs," the spokesman said.

John Hancock Mutual Life Insurance Co., which had favorable experience with a surgical consultation program for a New Jersey Teamster union local, is planning to expand the program to include group clients in Cleveland, Detroit and Boston.

The consultation program saved the union more than $40,000 in surgical costs when 88 members opted for the second opinion. The total cost of the consultations themselves was only $2,500 according to the underwriter.

A spokesman for Travelers Insurance Co. quoted a survey that concluded the cost of the consultation program would be more than recovered if two out of every 10 non-emergency operations were not performed.

Travelers has established a pilot program for its Hartford area employes in which the insurer will be billed directly for a second surgical opinion for employes, their spouses and dependents.

The Hartford County Medical Society provided the insurance company with a list of certified physicians from which the employes may select a second opinion.

Prudential Insurance Co. of America is another major group underwriter that is sponsoring a surgical consultation program for its own employes.

The program has been in operation since mid-October for 5,000 to 6,000 Prudential employes in central and north New Jersey. Approximately 25 second opinions have been requested since that time.

"So far we've seen nothing that would make it seem anything but a good program," Prudential said.

Prudential's program differs slightly from that of Hartford in that the insurer, not the employe, makes the appointments for the second opinion consultation.

"We try to match up the geography of where the employe lives with the specialty of the physician," the spokesman explained. He conceded that sometimes it's difficult to find the specialty required within easy travelling distance for the employe.

Aetna Life & Casualty Co. will start a second opinion program in January for 125,000 federal government employes, as well as for 10,000 Aetna employes.

"It's a promising idea," Aetna said. If successful the underwriter plans to expand the surgical consultation program at the rate of one city every three months.

Connecticut General Life Insurance Co. is "in the administrative details stage" of a surgical consultation program, a spokesman said. The insurer isn't involved in any operational programs yet, but an initial program is planned.

"It's still all very new," the Blue Cross Assn. spokesman said. "There aren't enough statistics available on programs in existence."

At the outset, a lot of interest in the surgical consultation programs was from unions, the Hancock spokesman observed. "Now we're getting a lot of response from employer groups." ■

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N.Y. issues 2nd opinion guidelines

NEW YORK—Because New York is the first state to enact legislation requiring a second opinion for non-emergency surgery covered by insurance contracts, health insurers have raised a number of questions about the implementation of the laws.

The state insurance department issued guidelines for surgery consultations to all insurance companies that write health and accident coverage in the state.

The benefit must be added to all existing policies without any increase in premium. "The anticipated savings in hospital and medical costs payable by the insurer should more than offset the cost of the second surgical opinion program," the insurance department said.

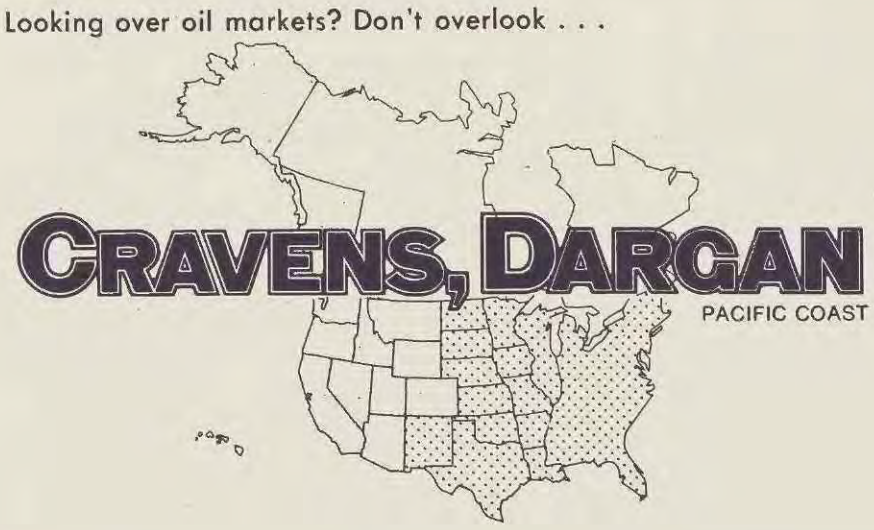
Other compliance guidelines for policy provisions or riders include:

- The second opinion must be given by a board-certified specialist in the medical field relating to the surgical procedure being proposed.
- The second opinion shall be applicable to all in-patient non-emergency surgical procedures and shall be payable only if the patient is examined by the physician rendering the second opinion and a written report is submitted to the insurer.
- Payment should be an amount which is reasonably related to the policy for covered surgical procedures and may include diagnostic services such as x-rays and laboratory tests.
- Insurers should collect and maintain experience data including tabulation of cases confirmed or not confirmed for surgery so that a continuing evaluation of the program may be made by the insurer and the insurance department. ■

Group life down

Purchases or revisions in group life insurance contracts in October totaled $6.2 billion, down from the $7.1 billion sold in the same month last year. Purchases of all life insurance totaled $24.4 billion down from $24.9 billion in 1975.

Looking over oil markets? Don't overlook . . .



Beverly Hills hires a part-time risk manager

BEVERLY HILLS, CALIF.—This city whose name is synonymous with wealth is troubled by soaring insurance costs as much as less well endowed California municipalities.

So last year Beverly Hills concluded it needed a total risk management program for its $1.5 million a year insurance program.

About the same time, Don Creighton Jack, president of Adams, Clay Insurance, the brokerage arm of the Bekins Co. of Los Angeles, was considering going into business for himself. His idea was to offer himself as a part-time municipal risk manager for cities and counties that needed professional risk management help.

Thus, last August he joined Beverly Hills as a permanent, part-time risk manager.

His main efforts have been concentrated in establishing loss control programs for the five city departments most vulnerable to liability losses, said Mr. Jack, who is paid $16,640 a year for two days of work each week.

The five departments are public services, police, fire, recreation and traffic and parking.

Each department is setting up a safety committee which will set goals for their respective departments. Mr. Jack said he has already completed a risk management manual.

Observing that the reluctance of insurers to enter the municipal insurance field has prompted Beverly Hills to move toward self-insurance for general liability and workers' compensation, he said that he will recommend that the city substitute a fee system for the bidding system.

"I plan to propose that the city approach interested brokers and ask if they want to take over as official purchasers of city insurance on a fee rather than a commission basis," he explained.

"I believe that the designated broker will be given a three-year contract."

Mr. Jack said that the entire Beverly Hills risk management program will cost the city $37,918. That includes his salary, and $12,000 a year for an insurance technician who will be hired in January. On the other hand, he said he anticipates reduced costs from the use of brokerage fees rather than commissions and he expects the new insurance technician to reduce the workload of other departments.

The city had been using Mund, McLaurin & Co. as an insurance consultant, but Mr. Jack said that firm will probably be terminated once the new risk management program is in place.

In its move toward self-insurance, Beverly Hills last October took out a general liability insurance plan in which it holds a $300,000 retention. Likewise, in workers' compensation, it has a $100,000 retention.

Excess layers in the general liability plan are placed with four insurers. They are $700,000 in excess of $300,000 with Columbia Casualty; $1 million to $5 million with Maine Bonding; $5 million to $11 million with Employers' Re, and $11 million to $15 million with Stonewall Insurance.

Beverly Hills' property coverage is with the Aetna and carries a limit of $28.6 million. Charles, Ryan & River is the city's broker.

"Our liability policy is comprehensive, including errors and omissions, malpractice and fidelity," Mr. Jack said.

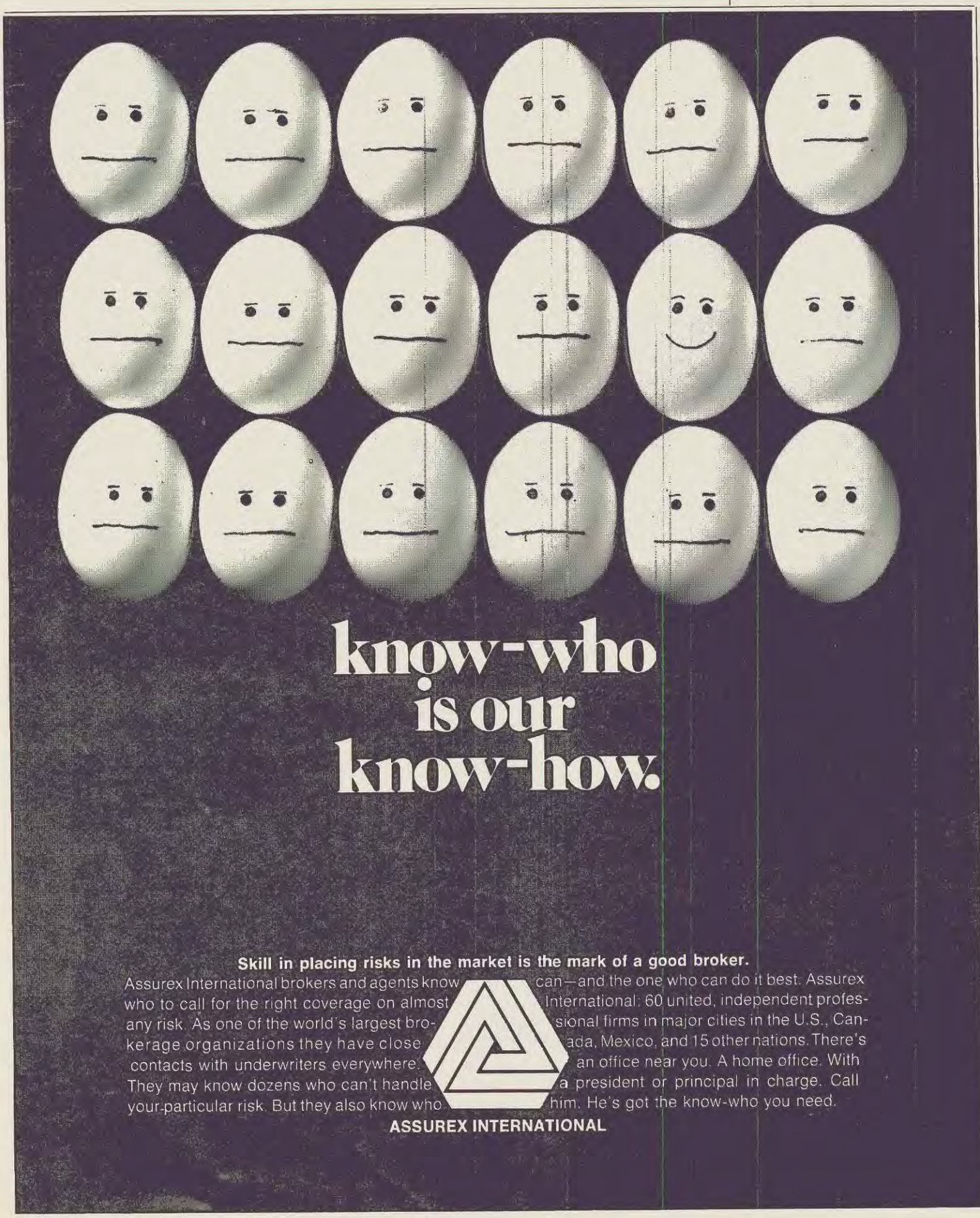
Mr. Jack is satisfied with part-time work at the glamorous city. He said he is currently negotiating with other cities in the Los Angeles area who want part-time risk managers.

Why did he want to get out of his influential job at Adams, Clay?

'I got tired of the restrictions of corporate life," he answered. ■

Carpenter appointed

Robert A. Carpenter has been appointed to the board of directors of the National Assn. of Employers on Health Maintenance Organizations (NAEHMO). Mr. Carpenter is manager of health care benefits for Sherwin-Williams Co. in Cleveland.



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editorial opinions

Product liability: A crisis or a problem?

IS THERE A genuine product liability insurance crisis? We think not.

There may indeed be a growing problem in the field of litigation involving product liability. And this should be corrected by the appropriate state and federal legislation to change the rules of tort law in about a half dozen rather minor ways.

But to say there is a crisis in product liability insurance because more companies are being sued, and because claims are growing larger and losses heavier, is to jump to conclusions. This is one time when the insurers and insureds are on the same side of the fence. Both are crying crisis and asking for federal relief.

But at this point we're not convinced there are very many companies that can't obtain the necessary liability insurance at any price. There's not much evidence anybody's going out of business because they won't operate without insurance. There are some notable cases where this has happened. We've carried stories on these firms. But those are exceptions rather than the rule.

▪ Take, for example, the report done by RETORT, a group of small businesses pressing for reform of the legal system. Although some 19 of the 71 participating companies said they couldn't get product liability insurance at any price, 12 of these went on to list the premium quotes they had received from insurers. Doesn't add up, does it?

It appears, then, that only seven of the firms actually couldn't draw quotes on the coverage. RETORT hasn't done any tabulating of the responses on its own, but our calculations show that the group's survey participants pay premiums for product liability coverage between .02% and 23.4% of annual gross sales. The upper figure is a distortion caused by two firms in the sample which showed premiums far above the others, who generally fell within a range up to about 5% of gross sales. The average expenditure for product liability insurance is just above 1% of sales.

Compare this to the figures given in testimony this autumn by the Machinery & Allied Products Institute. Based on 177 responses to its survey, MAPI found members paying an average of .53% of gross sales for product liability premiums. The full range of premium costs as a percentage of sales for MAPI members was .00001% to 3%-plus, although only three respondents pay more than 3% of sales for product liability premiums. Over half the participating MAPI members pay anywhere from .1% to .9% of gross sales for product liability coverage.

▪ Another study, this one conducted by the National Machine Tool Builders Assn., showed members of this industry hit harder by premiums than companies offering information for either the RETORT or the MAPI study. Builders of metal forming equipment, in fact, with sales between $5 million and $15 million a year pay an average of 3% of sales for product liability insurance. All machine tool builders in this same size category pay an average of 1.58% of sales for the coverage.

Tool builders of smaller size (sales of less than $5 million) pay an average of .71% of sales for product insurance, while tool builders having sales over $15 million a year pay an average premium that's 31% of sales. Metal forming machinery makers in those same two size categories, respectively, pay .84% of sales and .66% of sales in premiums for product liability insurance.

There is a problem, to be sure. It seems to us the biggest problem created by the increased litigation and broader legal liability rules is that companies are very hesitant to introduce and sell new products. Restricted product development, discontinued products and inhibited research could easily cause the U.S. economy to stagnate.

Nonetheless, with a new administration about to take office in Washington, the business community should resist the temptation to sound hysterical. Solutions methodically developed and systematically applied will be longer lasting than those which rise to the surface in a sea of reforms made turbulent by those who create a crisis out of none.

ISO needs to consider risk management people

WE APPLAUD THE efforts of the Insurance Services office to introduce an issue of substance into its annual meeting by including a panel debate about Sen. Edward Brooke's proposed Federal Insurance Act.

Although the statistical organization was on target in setting up the forum, it was off the mark in one respect: There was not a single spokesman present representing the professional insurance consumer or risk manager to balance the viewpoints of the hundreds of insurance industry people in attendance.

There should have been. The proposed bill is intimately concerned with problems attendant to insurance company insolvencies. And as one member of the panel itself astutely observed, no one is affected by an insolvency more than a policyholder. But, he added, "I don't see many in the room." We didn't see ANY in the room.

Also conspicuous by her absence at the press table was the editor of Risk Management magazine, whom, we learned, was not invited to cover the meeting. Yet, anyone attending a function sponsored by a buyers' group such as the Risk & Insurance Management Society invariably encounters nearly as many representatives from insurance supplier industries (underwriter and brokers) as risk managers and buyers themselves.

We think it is time for the doors to open the other way as well. If insurers continue to air their views at buyers' meetings, then buyers should be counted in when the insurance industry has its forums.

letters

Letters are welcome. Address letters to the Editor of Business Insurance, 740 N. Rush St., Chicago, Il. 60611.

Hospital consulting

To the Editor: I read with interest *Business Insurance* of 10/18/76, especially your editorial entitled "Cashing in on Hospital Risk Management".

Unfortunately, you failed to note that experienced risk management consulting firms are involved in researching and designing risk management programs in the hospital setting.

The editorial also inferred that risk management consulting firms possess expertise in the hospital risk management field. I do not believe that any such firm possesses in depth knowledge of the health care setting relative to the malpractice exposure. Risk management concepts may be applied to the hospital environment but much study and time is required even on the part of a seasoned risk management consulting firm.

The enclosed letter from the executive director of the Hospital Assn. of Rhode Island to the state's department of business regulation is forwarded as evidence that recognized risk management consulting firms are engaged with hospital associations in the research and design of hospital risk management programs.

Michael G. Thistle

vp, Risk Planning Group, Inc., Darien, Conn.

* * *

To: Mr. Robert E. Liguori, Director, Department of Business Regulation, 169 Weybosset Street, Providence, R.I. 02903.

Dear Mr. Liquori:

As you are aware, Section 23-16-22 of the Rhode Island Medical Malpractice Act as passed by the legislature this past spring mandated that all licensed hospitals, in cooperation with their insurance carriers, shall establish internal risk management programs.

We thought it timely and appropriate to apprise you that our member hospitals, under the leadership of the association, are taking the necessary steps toward full implementation in compliance with this Section. As a first step, the executive committee of HARI has charged the association's insurance committee with the responsibility of directing a coordinated membership effort in this regard. This HARI insurance committee, under the chairmanship of William K. Turner, who was a member of the governor's medical malpractice commission and chairman of its health facilities panel, has met on several occasions in internal risk management programs.

Continued on page 12

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letters

Continued from page 10

One major step resulting from these discussions was the recommendation in August of this year, subsequently approved by the membership, to engage Risk Planning Group Inc., an internationally recognized consulting firm in risk management, on a one-year retainer to provide the necessary consultation in this area. Risk Planning Group, under the direction of the insurance committee, is presently developing a report of risk management program organization and objectives to serve as guidelines for our membership to follow in this implementation phase. Said report, in second draft form, is scheduled for release this month as an "exposure draft" for review and comment by the membership and their insurance carriers, primarily the JUA since most hospitals are now insured through them.

We in the association are not clear as to who in state government has the administrative responsibility for implementing the Medical Malpractice Act; however, we wanted whoever has such responsibility to be aware of HARI's activities in this regard, and to invite their participation. If your office is aware of who has such responsibility, please so advise us and forward this letter directly to them. In the meantime, we shall plan to keep you apprised of our progress.

The association views this activity as one of high priority and one consistent with membership objectives to provide the highest quality patient care in an environment dedicated to the concept of maximum patient safety.

Wade C. Johnson, Executive Director, Hospital Assn. of Rhode Island.

Technically burglary

To the Editor: I read with interest the article on page 72 of your December 13 edition, concerning the "robbery" of the Mayfair bank in London.

While the sums were substantial and the thieves ingenious, I can find nothing in the story about holding a member of the bank violently. Consequently, I can only assume that technically speaking this crime should be referred to as a burglary since there was evidence of breaking and entering.

These terms are often used indiscriminately in the popular press but probably should be accurate when used in an insurance journal. Am I right about this?

Paul Richard, CPCU
Gerald E. Myers Associates Inc.,
Chicago, Ill.

Editor's note: Thank you for the clarification.

Pension rule change exempts transactions

WASHINGTON—A large chunk of the pension industry will be able to continue business as usual under a proposed class exemption issued last month for those who both advise and receive compensation from pension plans.

"The exemption involves, among other things, the receipt of insurance and mutual fund sales commissions by insurance agents and brokers, pension consultants and mutual fund principal underwriters and their affiliates, who are also fiduciaries or service providers to pension and welfare plans," said William J. Chadwick, administrator of Pension and Welfare Benefit Programs for the Labor Department.

Although outlawed by the prohibited transactions provisions of the pension reform law, these practices have been allowed to continue under a "transition rule" that is to expire on June 30, 1977.

"The class exemption will permit insurance agents and brokers, pension consultants and mutual fund principal underwriters to continue to serve plans as they have in the past, provided certain conditions are met," Mr. Chadwick said.

Among the safeguards imposed to protect the interests on participants and beneficiaries will be "arm's length terms (for example, competitive) disclosure of fees and other consideration, and approval by an independent fiduciary," Mr. Chadwick said.

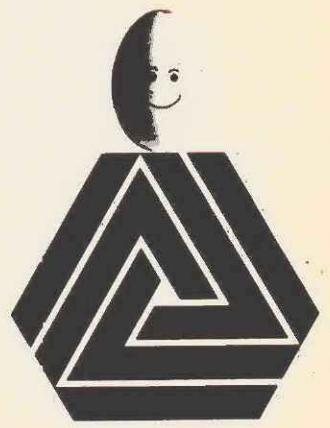
The Labor Department and the Internal Revenue Service will hold a public hearing Feb. 14 to discuss the proposed exemption. At the same hearing, a previously proposed "service provider" regulation will also be considered.

The service provider regulation, proposed last July, set rules for providing services and office space to employe benefit plans. The regulation and the exemption are so closely related that they require consolidated consideration, Mr. Chadwick said.

"We want the public to focus on the regulation and the exemption at the same time and we want the benefit of public comment," Mr. Chadwick said. "These two matters must be considered together, and the hearing notice clarifies the regulation and, thereby, the relationship between the regulation and the exemption."

The proposed exemption for agents and brokers was one of the most-sought-after exemptions since ERISA was passed. According to a Labor Department source, more than 5,000 letters of support have been received.

The proposed class exemption was requested by the National Assn. of Pension Consultants and Administrators Inc.; jointly by the American Council of Life Insurance, the National Assn. of Life Underwriters, and the Assn. for Advanced Life Underwriting; the Investment Co. Institute; jointly by March & McLennan Cos. Inc. and Johnson & Higgins; and jointly by Investors Diversified Services Inc. and American General Capital Distributors Inc. ■



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Info for buyers

OUR SEVENTH ANNUAL Info for Buyers issue offers an up-to-date guide to the many booklets, pamphlets and other materials available to risk managers. Many of the items are new or updated for 1977.

The more than 200 items in the 1977 guide include discussions of risk management, detail policies available from insurance companies, explain the services offered by adjustment companies and discuss methods used for handling claims.

Last year's Info Issue pulled over 36,000 requests from *Business Insurance's* many readers worldwide. A highly responsive audience indicated its strong interest in materials related to analyzing, funding, controlling, monitoring and preventing risks of loss to corporations and other institutions.

Materials are classified under seven categories: commercial property and liability; employe benefits and pensions; safety, workers' compensation and OSHA; security; foreign insurance; self-insurance, risk management services, and general information.

Any item offered free of charge may be obtained by writing its number on the reader service card. Some items at the end of each category carry a small charge. Those must be requested directly from the address given in the item.

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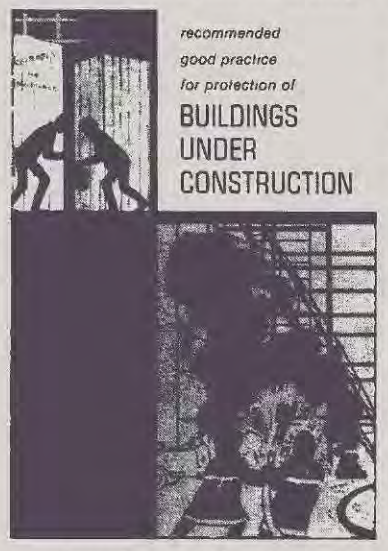
• A question and answer brochure on school board liability is the highlight of Stewart Smith's **School Board Liability Insurance Kit.** It also includes specimen policies, proposal forms and a cover letter. Coverage is designed for boards of education, boards of governors and regents or trustees of colleges and universities. For a free copy write number 102 on the reader service card.

• A **Directors and Officers Liability Kit** from Stewart Smith can tell you whether you meet the requirements for D&O insurance. It also has proposals, a specimen policy and a brochure. For a free copy write number 103 on the reader service card.

• Public officials may be interested in the **Public Official Liability Insurance Kit** offered by Stewart Smith. A brochure answers the important questions about this type of insurance and the kit also contains a proposal form and specimen policy. For a free copy write number 104 on the reader service card.

• Industrial managers, architects and contractors are offered **Recommended Good Practice for Protection of Buildings Under Construction** by the Industrial Risk Insurers. Procedures deal with cutting losses from fire, windstorm, collapse and vandalism. For a free copy write number 108 on the reader service card.



• A guide to help standardize reports on **Damaged Packing** is available in single copies from the American Institute of Marine Underwriters. For a free copy write number 105 on the reader service card.

• A reprint from the Journal of Maritime Law & Commerce considers **Containerization: Comments on Insurance and Liability.** The reprint is available in single copies from the American Institute of Marine Underwriters. For a free copy write number 106 on the reader service card.

• A consulting service providing property/casualty loss prevention services for risk managers, insurance consultants, brokers, architects and sprinkler companies is detailed in **Creative Property Engineering** from RM/i Consultants Inc. For a free copy write number 107 on the reader service card.

• **Industrial Risk Insurers** describes the organization of the same name which provides specialized underwriting and engineering services for HPR industrial, oil, petrochemical and service risks. For a free copy write number 109 on the reader service card.

• The necessity of protecting electronic data processing facilities against fire and other perils and establishing plans for prompt recovery in the event of interruption are the topics of the November-December issue of **The SENTINEL.** The bi-monthly periodical is published by Industrial Risk Insurers. For a free copy write number 110 on the reader service card.

• An outline of the loss control services offered policyholders of Industrial Risk Insurers is titled **Engineering Facilities for Loss Prevention and Control.** A free copy is available by writing number 111 on the reader service card.

• **Property Insurance . . . The Need for An Appraisal Review** discusses the relationship of value and insurance, the requirements for proof of loss and the necessity of establishing accurate, provable values. The pamphlet is published by the American Appraisal Co. For a free copy write number 112 on the reader service card.

• Worried about earthquakes? A Wyatt Co. brochure discusses **Earthquake—A Manageable Risk** by examining management techniques that can be applied (shakily) to the peril and the use of historic data in forecasting the probability of a quake. For a free copy write number 113 on the reader service card.

• How to protect computers and data processing equipment from property loss and damage is found in Industrial Risk Insurers' **Recommended Good practice for the protection of electronic data processing and computer-controlled industrial processes.** Losses from natural disasters and man-made ones are described, including dates and amount of damages. Also included is a glossary of computer terms. For a free copy write 114 on the reader service card.

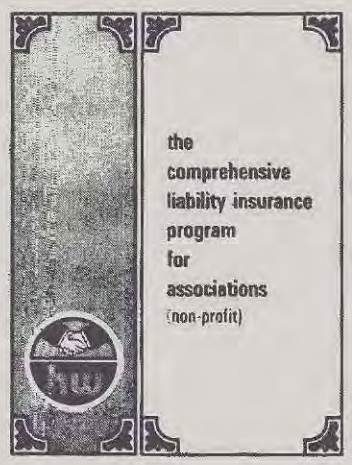
• A colorful report explains the workings of Adams & Porter Associates Inc., a Houston based specialist in commercial marine insurance. Titled **Your World Is Changing, So Is Ours,** the booklet explains the company's services in liability and bonding, employe benefits, corporate insurance, financial counseling and estate planning. For a free copy write number 115 on the reader service card.

• **The Top Security Policy** outlines the multi-peril policy offered by Zurich-American with the subtitle "Introducing the Unpackaged Package." The policy allows agents and brokers to meet the individual insurance needs of many businesses. For a free copy write number 116 on the reader service card.

• Attention agents and brokers: How many **Potential Boiler and Machinery Accounts** do you have in your files? That's the question asked by Zurich-American's brochure on the subject. For a free copy write number 117 on the reader service card.

• **Z-A Tames The Energy Monsters** is the title of Zurich-American's brochure explaining its boiler and machinery policy. For a free copy write number 118 on the reader service card.

• The American Society of Assn. Executives' **Comprehensive Liability Insurance Program** is detailed in a publication that compares the errors and omissions policy with standard directors and officers liability policies. Copies of the policy and applications are included in the packet. A free copy is available by writing number 120 on the reader service card.



• **Insurance on Building and Contents Is All I Need!** Right? Wrong? The answers are contained in a booklet by Improved Risk Mutuals explaining the need for business interruption insurance. For a free copy write number 119 on the reader service card.

• **The Service Directory** published by Brown Brothers Adjusters lists the location and 24-hour telephone numbers of the company's 49 offices in the seven western states. The directory also lists the individual adjusters and the distance of most cities from the nearest office. For a free copy write number 121 on the reader service card.

• **Difference in Conditions Insurance** is discussed in a Kemper Insurance Cos. brochure which explains how this extended property coverage can protect a firm from extensive losses due to water damage, burglary, theft and other accidental catastrophes. For a free copy write number 122 on the reader service card.

• **The Tent** is a promotional brochure describing a supplemental multi-peril policy offered by the Kemper Insurance Cos. to protect businesses against catastrophic losses to property of million dollar lawsuits. For a free copy write number 123 on the reader card.

• **You Could Look Like A Million . . .** to someone who wants to sue you, says a Kemper Insurance Co. brochure explaining Kemper's $1 million personal liability policy against unusually large but increasingly frequent lawsuits. For a copy write number 127 on the card.

• Kemper Insurance Co. outlines what it calls "the ultimate" in property damage coverage in a brochure on its **Manufacturers Output Policy.** For a free copy write number 125 on the card.

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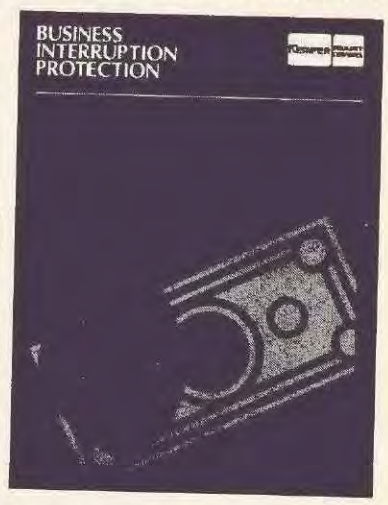
Info for buyers

• **Kemper Supplemental General Liability Protection** is described in a pamphlet which discusses additional liability insurance for problem areas which might not be covered under an existing policy. For a free copy write number 128 on the reader service card.

• What are the guidelines your insurer's claims department uses in deciding whether to honor your claim? The Kemper Insurance Cos. have developed a 10-page handbook for their claims staff—**The Code of Conduct**—detailing acceptable and unacceptable practices. For a free copy of the handbook write number 132 on the reader service card.

• American Credit Indemnity Co. explains its **Bad Debt Insurance** designed to protect successful companies against excessive bad debt losses. It is available for manufacturers, wholesalers, distributors and advertising agencies. For a free copy write number 129 on the reader service card.

• Could a fire interrupt your business forever? That is the question asked in a Kemper Insurance Co. brochure on **Business Interruption Protection** insurance. It explains how business interruption insurance can help safeguard earnings and pay overhead expenses when fire or other major losses occur. A worksheet is included to

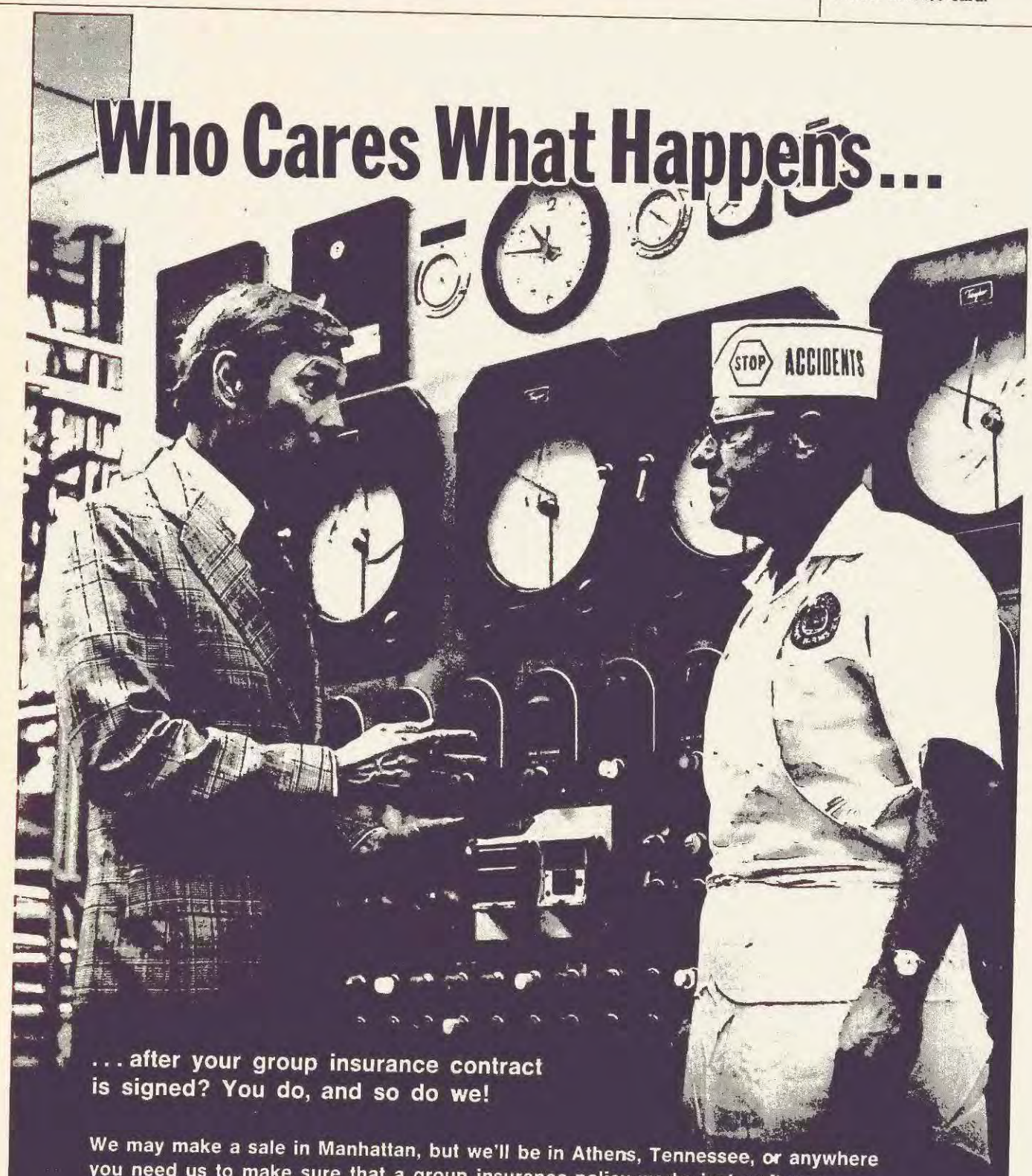


help a business determine the right amount of coverage. For a free copy write number 126 on the reader service card.

• **Survival in the Jungle of ERISA** is the title of a reprint on the fiduciary liabilities under the retirement security act made available by Howden Swann Ltd. For a free copy write number 130 on the reader service form.

• **Business Legal Expense Insurance** is the subject of a packet from NAS Insurance Services Ltd. The brochure describes the policy which provides reimbursement for business legal expenses that are normally tax deductible. For a free copy write number 131 on the reader service card.

• **Surplus Lines**, the November issue of Practical Risk Management discusses a concise and practical approach to surplus lines, and pros and cons of using foreign brokers, how to use the market, how to obtain quotations, how to choose a surplus lines broker, tax concerns and special pointers. A copy of the report may be obtained for $7.50 by writing Practical Risk Manage-



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Info for buyers

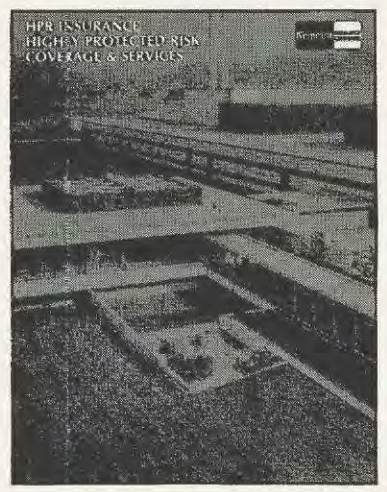
ment, 680 Beach St., Suite 307, San Francisco, Calif. 94109.

• A 103-page booklet from the Kemper Insurance Co. is titled a **Primer of Boiler and Machinery Insurance.** An educational volume on the basics of boiler and machinery insurance, the publication describes the objects insured, the types of protection available and the accident prevention and inspection services most underwriters of this insurance provide as a service to the policyholder. The booklet, which costs $3 a copy, may be obtained by writing Communications & Public Affairs Dept., Kemper Insurance Cos., Long Grove, Ill. 60649.

• **Retrospective Rating,** in a new 4th edition, discusses the fundamentals of this important commercial casualty rating plan. The 142-page booklet was written by John R. Stafford. A copy costs $8.50 and may be obtained by writing John M. Stafford, J&M Publications, P.O. Box 338, Palatine, Ill. 60067.

• A collection of 12 articles discussing **Products Liability—An Area of Growing Concern** is available in a 115-page publication of the Society of Chartered Property and Casualty Underwriters. The report, which costs $6.95 a copy, can be obtained by writing Director of Communications, Society of CPSU, P.O. Box 566, Media, Pa. 19063.

• Specialized rating, underwriting and engineering treatment for business and industry are the highlights of a Kemper Insurance Co.



protected risk policy explained in **HPR Insurance Highly Protected Risk Coverage and Services.** For a free copy write number 124 on the reader service card.

• **Freedom of Transport Insurance** is the title of International Chamber of Commerce brochure designed to support the move to end limitations on transport insurance. The 14-page booklet costs 25 cents a copy. It may be obtained from Robert A. Herbst, American Institute of Marine Underwriters, 99 John St., New York, N.Y. 10038. After April 1 the address will be 14 Wall St., New York, N.Y. 10005.

• Everything you ever wanted to know about business interruption insurance is the claim for a pamphlet of the Independent Insurance Agents of Indiana. The 26-page book titled **New Profits —Business Interruption Insurance** costs $7.49. Copies may be obtained

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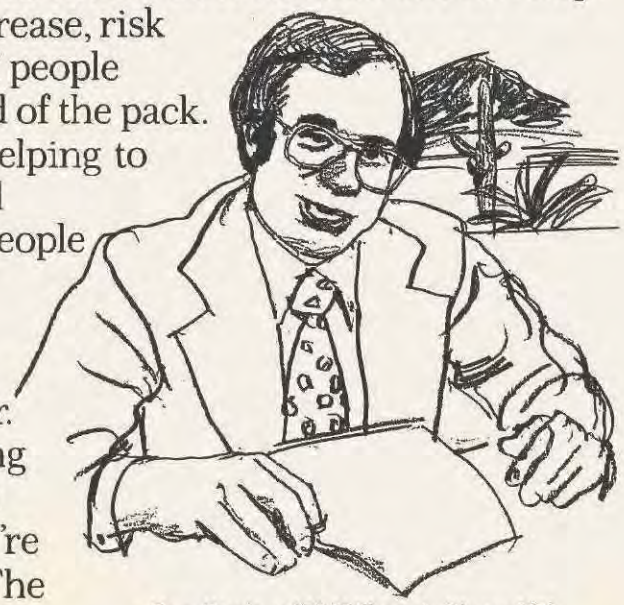

Gary Rimler of J&H Phoenix Class of '71, is finishing his master's studies in finance at Arizona State.

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Rufus Williams of J&H Houston, Class of '72, received his law degree in December.

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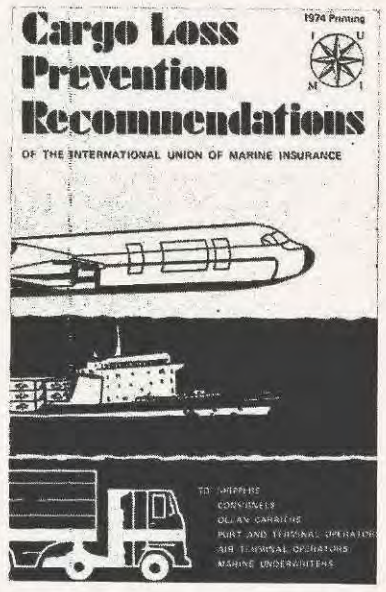
by writing Dale R. Cummings, Education Director, Independent Insurance Agents of Indiana, Suite 501, The Mariott Hotel, Indianapolis, Ind. 46208.

• A **Products Liability Position Paper** prepared by the Defense Research Institute is available for $1 a copy. The 52-page booklet is available by writing The Defense Research Institute, 1100 West Wells Street, Milwaukee, Wis. 53233.

• The American Institute of Marine Underwriters has prepared a booklet **Guide to Cargo Insurance.** The 16-page pamphlet costs 50 cents a copy. It may be obtained from Robert A. Herbst, American Institute of Marine Underwriters, 99 John St., New York, N.Y. 10038. After April 1 the address is 14 Wall Street, New York, N.Y. 10005.

• Shippers, consignees, ocean carriers, port and terminal operators, air terminal operators and marine underwriters are the audience for **Cargo Loss Prevention Recommendations.** The 45-page booklet is



available for $1 a copy. Write Robert A. Herbst, American Institute of Marine Underwriters, 99 John St., New York, N.Y. 10038. After April 1 the address will be 14 Wall St., New York, N.Y. 10005.

EMPLOYE BENEFITS AND PENSIONS

• **The Mercer Bulletin,** published monthly, covers subjects for employe benefit and pension program managers. The prudent man rule, lump sum settlements, IRAs, and pensions are among the articles in the bulletin. For a free copy write 200 on the reader service card.

• Reducing risks, errors and costs of administration in **Employe Benefits Administration** is outlined by GAB. Computerized group claims processing at GAB is explained. For a free copy write 201 on the reader service card.

• Pension fund management and **Pension Funds at Metropolitan** describes that company's investment operations, fixed and equity investments, group pension contracts and Metropolitan's investment philosophy and resources. For a free copy

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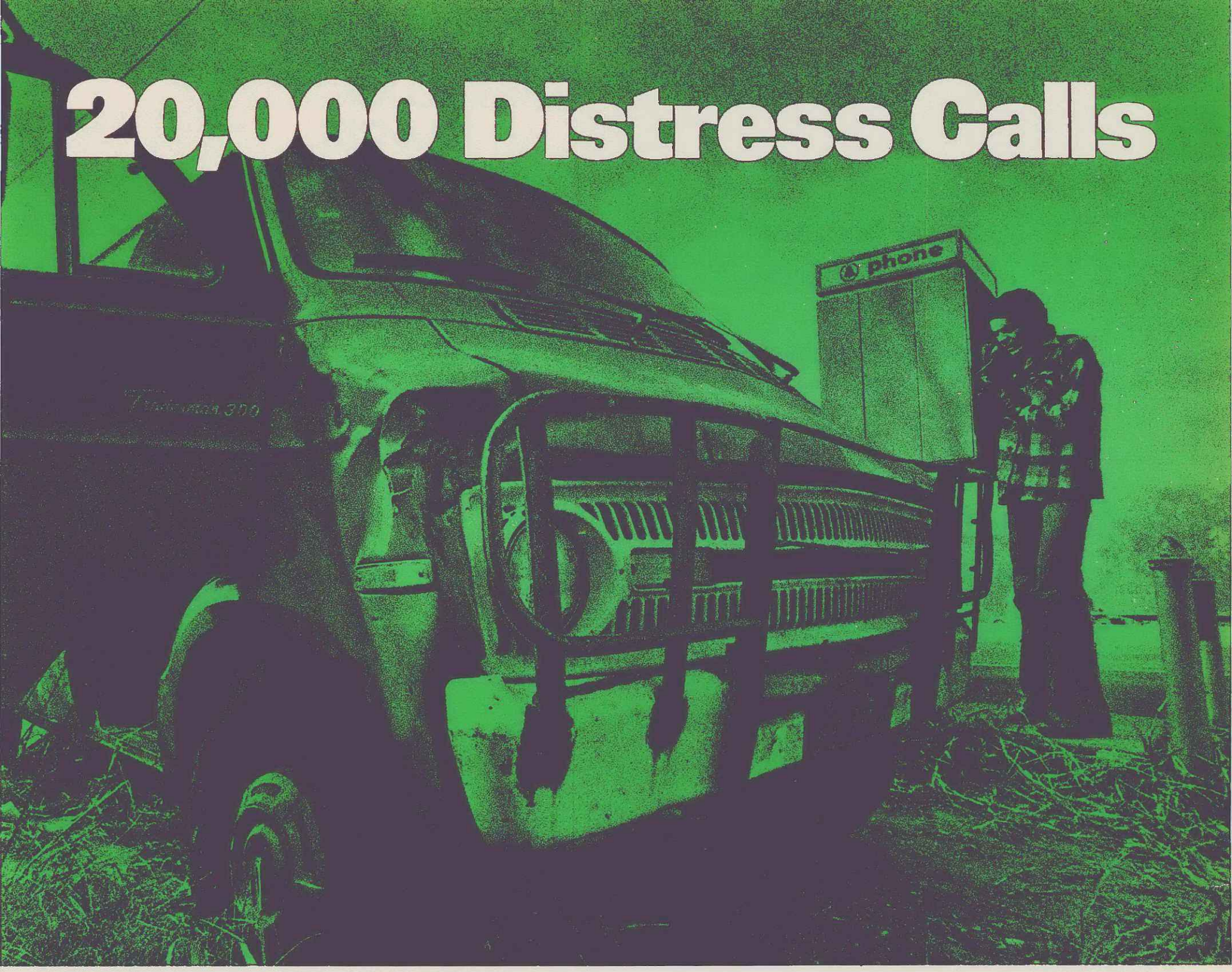

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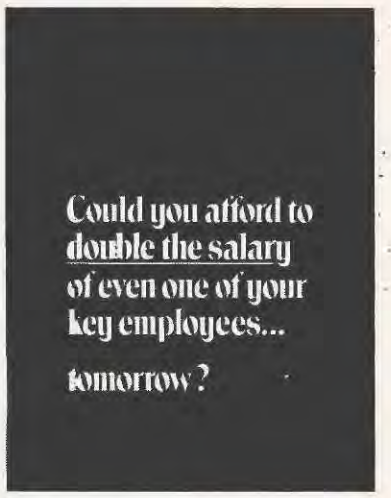
• A **Fiduciary/Employe Benefits Liability Insurance Kit** includes an explanation of Stewart Smith's policies, sample trustee's liability and fiduciary liability policies. For a free copy write 203 on the reader service card.

• **Educational Group Insurance Trust** for group life and accidental death and dismemberment insurance for school districts is described. The Metropolitan Life national trustee policyholder combines school districts for experience and issues full volume discounts for the entire trust. For a free copy write 204 on the reader service card.

• If you are **Looking for the Best Dental Care for Your Group,** Delta Dental Plans Assn. explains why they think their services, state and national programs, preventive benefits, professional supervision and subscriber services are the best. For a free copy write 205 on the reader service card.

• Unionmutual asks **Could you Afford to Double the Salary of Even One of Your Employes . . . Tomorrow?** To find out, Unionmutual describes its long-term disability protection, its contracts, benefits and premium waivers. For a free copy write 206 on the reader service card.



• A retirement funding vehicle—**The Adaptable Annuity**—is described in a four-page brochure from Unionmutual. Interest guarantees and credits and accumulation of retirement dollars under qualified retirement plans are described. For a free copy write 207 on the reader service card.

• The advantages of federal legislation making it possible for the self-employed to accumulate retirement dollars under the **HR-10 Keogh Plan** are described in a brochure from Unionmutual. Tax advantages, retirement benefit options and the effect on HR-10 on employes are covered. For a free copy write 208 on the reader service card.

• The **Duo-Dent Dental Plan** is a dual choice dental plan offering dental care on an insurance basis and on a prepaid basis. For a free copy of the promotional brochure write 209 on the reader service card.

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and consulting services of Reed Shaw Stenhouse Inc. are described in a brief, promotional brochure. For a free copy write 210 on the reader service card.

• **Some A,B,C's of Group Insurance**, a newsletter from Kwasha Lipton Inc., discusses how to keep down employe benefit costs, improve benefit program design and its implementation under government regulations. Survivor income benefit programs, health maintenance organizations and insuring methods are reviewed. For a free copy write 211 on the reader service card.

• A comprehensive report on **Section 501(c)(9) Programs** is available free from Kwasha Lipton. The special report analyzes the background of the trusts, acceptable benefits under the IRS, financing and rules and regulations. For a free copy of the 28-page booklet write 212 on the reader service card.

• Kwasha Lipton explains **Employe Communications and the Law**—including mandatory communication under ERISA, OSHA reporting, and other federal disclosure requirements. How to use communication to gain better employe relations are also discussed. For a free copy write 213 on the reader service card.

• **New Design for Savings and Thrift Plans** covers 14 items to consider when designing such plans including plan types, eligibility, employe and company contributions, investment funds, vesting and forfeitures. For a free copy of the Kwasha Lipton report write 214 on the reader service card.

• Kwasha Lipton has published in booklet form the full text of a speech on **Fundamentals of Savings Plans Administration with References to the Effects of ERISA,** given by Leonard Mactus, president of the consulting actuaries division. He describes in detail the basics of sound recordkeeping for savings and thrift plans, with emphasis on points of interest to fiduciaries as a result of federal pension reform legislation. For a free copy write 215 on the reader service card.

• A company's **Pension "Obligation"** is the subject of a Kwasha Lipton newsletter. When to pool resources, FASB requirements, defined contribution plans and mandated group insurance arrangements are discussed. For a free copy write 216 on the reader service card.

• The **Sale of a Business** and the buyer's assumption of pension plan obligations, known as "contingent employer liability," is discussed. The buyer's credit for assuming the seller's pension plan and ERISA's effect on this arrangement is explored. For a free copy write 217 on the reader service card.

• Self-insured employe benefits are explained in a **501(c)(9) Primer** compiled by Northwestern National Life Insurance Co. The free pamphlet is aimed at employers thinking of self-insuring benefits and funding them through such a trust. Definitions, historical devel-

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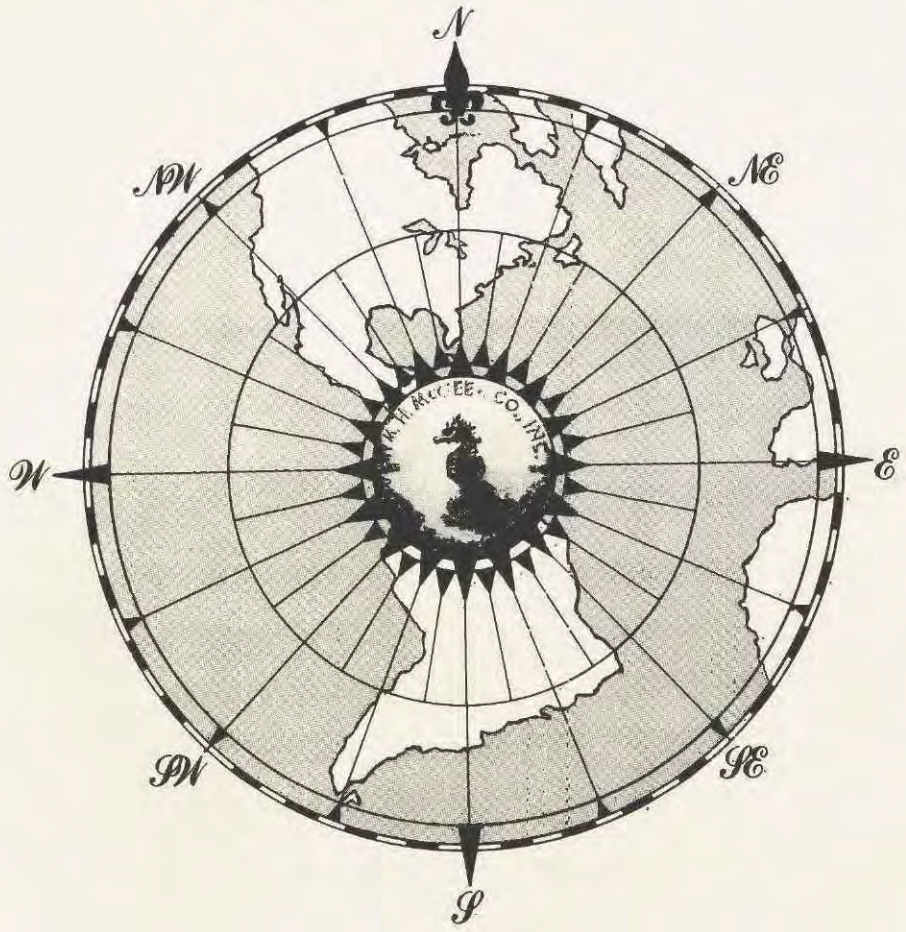

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650 California Street
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How much are you willing to bet that you don't need Excess Risk Insurance?

An increasing number of companies are self-insuring their employee health care benefits these days.

The companies see their claims and insurance premiums going up each year, as well as the amount of money held by the insurance company for reserves. So they reason that they can save money and improve cash flow simply by paying employee health claims themselves. They're betting that the claims will never be more than the company can easily afford.

It's a gamble. And the stakes are enormous. In a single year of abnormally high claims, a company might lose substantially more than they could ever hope to gain through self-insurance.

But companies can enjoy the benefits of self-insurance and still protect themselves from catastrophic losses with Northwestern National Life's Excess Risk Insurance. It's one of our innovative "Cash Flow Concepts" for today's group life and health protection needs.

NWNL offers two types of Excess Risk coverage for self-insured health plans. Individual Excess Risk protects the employer for 80, 90 or 100 percent of eligible health claims paid to an employee in excess of a deductible which can range from $3,000 to $25,000 per year. And Aggregate Excess Risk reimburses the employer for 100 percent of the group's health claims which exceed a predetermined threshold of claims.

Claim administration can be handled by NWNL, the employer, or a qualified third party. As part of our service, NWNL's Excess Risk Plan includes an individual health conversion policy. We also provide actuarial and underwriting consultants to determine the impact on expected claim costs of benefit changes. And we write a broad range of additional employee benefits, including group life, survivors' income, dental, and income-replacement.

Find out more about NWNL's Excess Risk Insurance. Fill out the coupon and mail it to NWNL. You never know what might be in the cards for you.

TO: Al Benson, NWNL, Box 20, Minneapolis, MN 55440

Please tell me more about NWNL's Excess Risk Insurance.

Name_____

Title_____

Company_____

Address_____

City_____

State_____ Zip_____

Phone_____ Area Code_____

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

HOME OFFICE · MINNEAPOLIS, MINNESOTA

B1

Info for buyers

opment, current uses, advantages and disadvantages of the trusts for funding plans are covered. For a free copy write 218 on the reader service card.

• Johnson & Higgins calls **Employe Stock Ownership Plans: A New Breed of Capitalism.** A benefit plan bulletin outlines stock bonus plans, ESOPs as a financial tool, investment tax credit ESOPs and some problems involved in ESOPs. For a free copy write 219 on the reader service card.

• A **Financial Opportunity for Key Executives** is found in the Internal Revenue Code's Section 79, Johnson & Higgins explains in a benefit plan bulletin. Section 79 fixes an employe's tax liability under group term life insurance plans. Its catches are also pointed out. For a free copy write 220 on the reader service card.

• The Mercer Bulletin tells of **Living with Unfunded Pension Liabilities.** The 12-page booklet explains with text and charts the various types of unfunded liabilities and their significance, including questions management and financial analysts should ask. For a free copy write 221 on the reader service card.

• **Fiduciary Standards of the Employe Retirement Income Security Act** are outlined in a Labor Department booklet. When fiduciary standards are applicable, what a fiduciary is required to do and what he is not, the exemptions, a list of labor department releases on fiduciary standards and interpretive bulletins are included. For a free copy write 228 on the reader service card.

• A quick **True or False** quiz on employe benefits is published in pamphlet form by Johnson & Higgins. Service, costs, pension plans, cash flow arrangements among many other benefit topics are touched on. For a free copy write number 223 on the reader service card.

• Roy Larsen, medical director of Employers Insurance of Wausau, details the key elements of an employe health program and tells how the President's Sports Award Program provides an array of sports activities to encourage exercise. For a free copy of the **Wausau Story in Good Employe Health,** write number 224 on the reader service card.

• Features of **Dental Benefit Programs** examines the basic concepts of dental benefit plan design and financing using examples from 25 plans to illustrate. Also covered are alternatives for coverage, cost containment and financing. Cost is $6.00. Write Charles D. Spencer & Associates, 222 West Adams St., Chicago, Ill. 60606.

• Annuities are **An Income You Can Count On** according to a booklet from Employers Life In-

surance of Wausau. Judges and attorneys are using annuities increasingly as described in this booklet. For a free copy write 222 on the reader service card.

• Papers prepared by professionals serving on joint labor-management employe benefit trust funds have been compiled in an 151-page book. **The 1976 Fund Advisors Institute** proceedings cover the areas of accounts, actuaries, administrators, attorneys and consultants. Copies are $6 for Foundation members, and $10.50 for non-members of the International Foundation of Employe Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005.

• **How to Complete IRS and Department of Labor Reporting Forms for Pension, Profit Sharing and Funded Deferred Compensation Plans** is the lengthy title for those who must complete lengthy IRS and Labor department reports. The booklet contains an analysis of those plans that must be reported to those departments and instructions for completing individual forms. Copies are $8.95 and are available from New England Mutual Life Insurance Co., c/o F. J. Malone, second vp., 501 Boylston St., Boston, Mass. 02117.

Consistent.

Grain Dealers Mutual Insurance Company has demonstrated a consistently successful track record in property casualty insurance. The reason is simple. Grain Dealers has specialized in property casualty insurance for more than 75 years. And from our inception we've stuck to the principles of selectivity. Both in the risks we insure, and the independent insurance agents through which we work. Our selectivity has resulted in consistently growing business for us, significant income for our independent agents, and competitive policies and rates for our insured. When you think of property casualty insurance, think of Grain Dealers Mutual. The consistent one.

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Info for buyers

SAFETY WORK COMP AND OSHA

• **Are You Receiving All Benefits Available Under The Law?** That's the question asked by a Kemper Insurance Cos. brochure which describes how small firms can pool their results and achieve lower net costs through lower than average losses on their workers' compensation costs. For a free copy write number 300 on the reader service card.

• An 8-page brochure by the Walter Kidde Co. explains the **Kidde Hanlon 1301 Engineered Fire Protection Systems.** The brochure includes a typical EDP and tape storage room application with major system components. For a free copy write number 301 on the reader service form.

• The **Kidde Pressurized Water Extinguisher** is discussed in a promotional brochure describing the fire extinguisher which is effective on Class A fires involving food, paper rubbish, textile and other ordinary combustibles. For a free copy write number 302 on the reader service card.

• **Sure-Fire Protection For Electronic Data Processing Operations** is the title of a six-page folder from Walter Kidde & Co. The promotional brochure discusses the company's custom designed carbon dioxide fire extinguishing system for electronic data processing and tape storage facilities. EDP installation with major system components is illustrated. For a free copy write number 303 on the reader service card.

• Are you about to decide whether to install a carbon dioxide or Halon 1301 fire extinguishing system? If you are, Walter Kidde & Co. has prepared an eight page brochure—**Making a Professional and Economical Choice**—to help you compare the costs and advantages. For a free copy write number 304 on the reader service card.

• **When Fire Strikes . . . Kidde Halon 1301 Systems** is an eight-page brochure from Walter Kidde & Co. describing the company's system as an answer to the overwhelming need for fast acting fire extinguishing where water damage could exceed the loss from a fire. For a free copy write number 305 on the reader service card.

• Walter Kidde & Co.'s **Large Dry Chemical Protection for Large Scale Hazards** is a 12-page brochure outlining the company's LDC units which have multiple adaptions, long range, high volume, reliability and low maintenance. For a free copy write number 306 on the reader service card.

• A product information bulletin from 3M company titled **Light Water** describes a new extinguishing agent for alcohol and polar type solvents called light water brand alcohol type concentrate. Illustrations show how ATC works on alcohol and on ordinary hydrocarbons. Guidelines and recommendations for Class B. fires are

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We're still in the business of training casualty and property loss adjusters, and auto damage appraisers. We also offer short courses in mobile home loss adjusting and motorcycle damage estimating.

All of these classes are offered during 1977 in our classrooms in Atlanta.

The rates and dates have been set, and a copy of our course catalog is yours for the asking.

Our classroom courses are available to any of our clients, including self-insureds.

It's true enough that all of our classes are scheduled to meet our own needs, but the available seats in all classes are for our clients. We've been training claims people for 29 years, and we're good at it.

WRITE: B. David Hinkle, Vice President & Director of Education
Crawford and Company, P. O. Box 5047, Atlanta, Georgia 30302

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are
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80 Pompton Avenue
857-0700
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Fire protection art: Number 1

The Bettmann Archive

The fine art of fire protection

hadn't become a science in 1871. Case in point: Chicago destroyed.

The fine art of fire protection can help keep your company from becoming a similar "memorable disaster."
Or, another statistic.

The kind of fire protection that *has* become a science as practiced by Protection Mutual. Where *our* people work with *your* people to prevent costly fires before they happen, or contain them if they start.

That's Protection Mutual: Where the fine art of fire protection is a science.

The Protection Mutual Fire Art Series has been reproduced in 11" x 14" size on high quality paper stock suitable for framing. For your personal copy of Print Number 1, write our Mr. Paul E. Ray, Chairman of the Board and President.

PROTECTION MUTUAL Insurance Company

302 South Northwest Highway, Park Ridge, Illinois 60068

Factory Mutual System

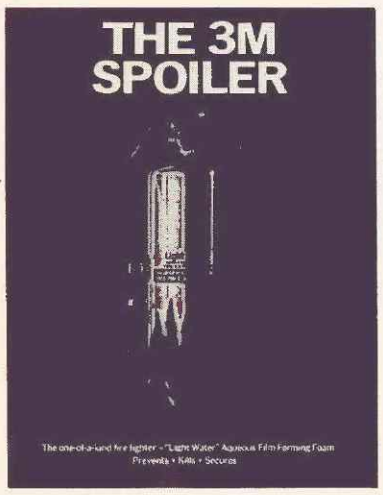
Info for buyers

included. For a free copy write number 307 on the reader service card.

• **Kidde High Performance Compact Extinguishers** is a 2-page fact sheet on the Kidde portable Hanlon 1211 fire extinguishers. The company says the models are fast and effective protection against Class B (flammable liquid) and Class C (burning live electrical equipment) fires. For a free copy write number 309 on the reader service card.

• Walter Kidde & Co. has developed a two-page data sheet on its **High Performance, Compact Dry Chemical Extinguishers.** For a free copy write number 310 on the reader service card.

• **The 3M Spoiler** is a six-page brochure detailing the light water aqueous film-forming foam extin-



guisher the 3M claims can prevent Class B (flammable liquid) fires. The color booklet is available without cost by writing number 308 on the reader service card.

• **Kidde Pressurized 10 to 30 lb. Dry Chemical Extinguishers** is a two-page fact sheet on the regular and tri-class extinguishers. The regular model is effective against Class B and C fires while the tri-class is effective against Classes A, B and C. For a free copy write number 311 on the reader service card.

• A 16-page color brochure described the **Kidde Pressure Operated Carbon Dioxide Fire Extinguishing Systems.** Cutaway drawings of component parts show system operation in detail. For a free copy write number 313 on the reader service card.

• Walter Kidde & Co. has prepared a two-page promotional brochure on its **Kidde Heavy Duty Wheeled Extinguishers** using dry chemical and carbon dioxide. For a free copy write number 314 on the reader service card.

• **Kidde Carbon Dioxide Extinguishers** are the subject of a two-page promotional brochure on effective protection from Class B (flammable liquids) and Class C (live electrical) fires. For a free copy write number 315 on the reader service card.

• **Hi-Ex Foam** is a 12-page brochure from Walter Kidde & Co. explaining the company's high expansion foam system including portable generators and trucks. The booklet details the processes from product to application. For a free copy write number 316 on the reader service card.

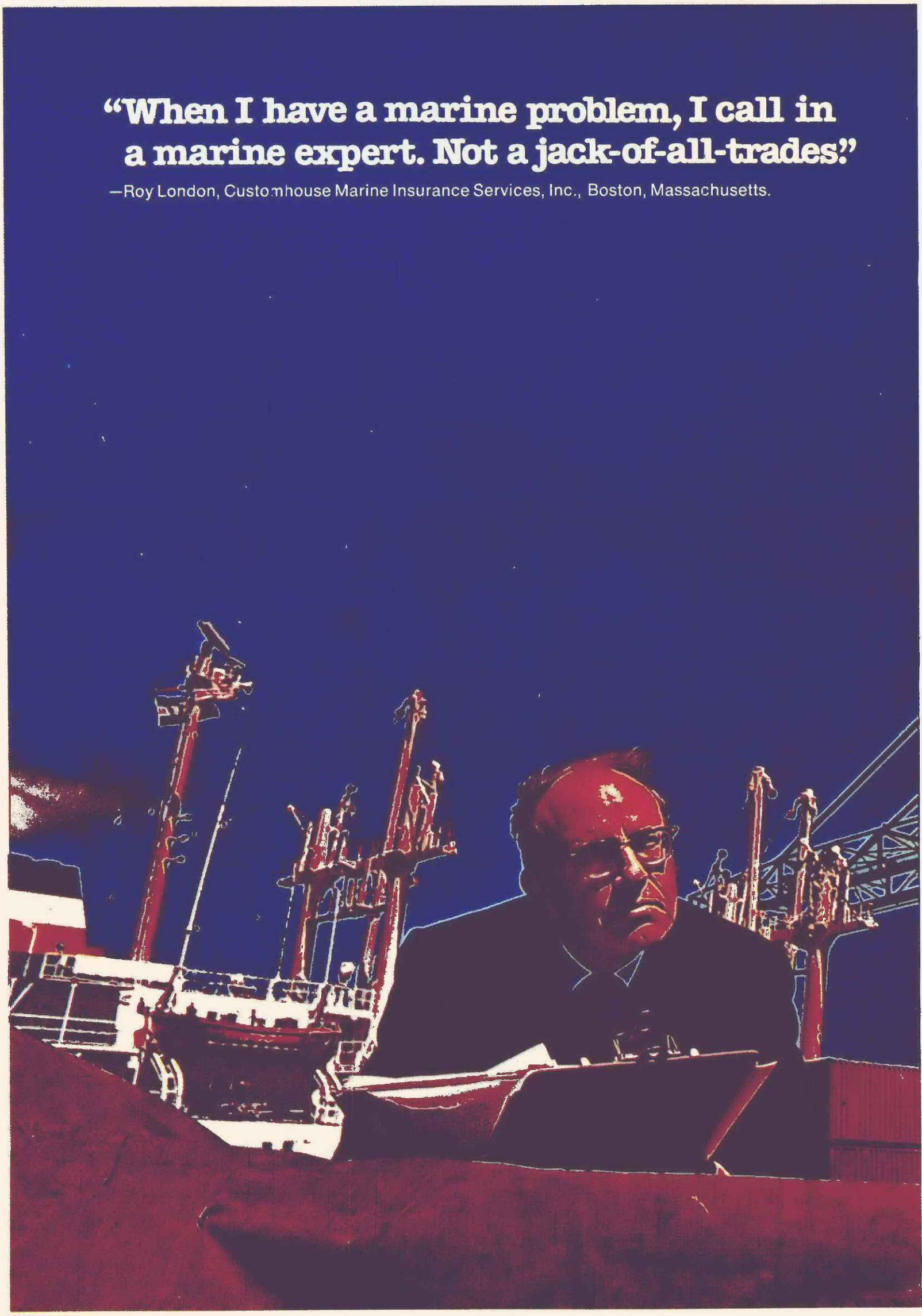
• **Purchasing Agent's Guide #1** is an updated and expanded safety checklist to aid those involved in company safety programs to evaluate the safety status of industrial and officer workplaces. Each checkpoint is supplemental with a selection of OSHA-SPEC products and indexed to Cadillac Plastic and Chemical Co.'s buyers guide. For a free copy write number 318 on the reader service card.

• Safety Talks Co. has designed a series of weekly presentations written for a foreman to give to workers he supervises. A sample of a 10-minute **Safety Talks** presentation is available without cost by writing number 319 on the reader service card.

• Advantages and benefits of the workplace environment are dis-

"When I have a marine problem, I call in a marine expert. Not a jack-of-all-trades."

—Roy London, Customhouse Marine Insurance Services, Inc., Boston, Massachusetts.



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cussed in **Industrial Hygiene Consulting Services.** The booklet, published by National Loss Control Service Corp., points out the ways a company can benefit by reducing or eliminating industrial hygiene problems in the workplace. For a free copy write 338 on the reader service card.

• **Texas Workmen's Compensation Insurance Law** is explained in a 104-page booklet from Texas Employers' Insurance Assn. The pamphlet includes discount tables, appeals data tables, and daily and weekly compensation table. For a free copy write 321 on the reader service card.

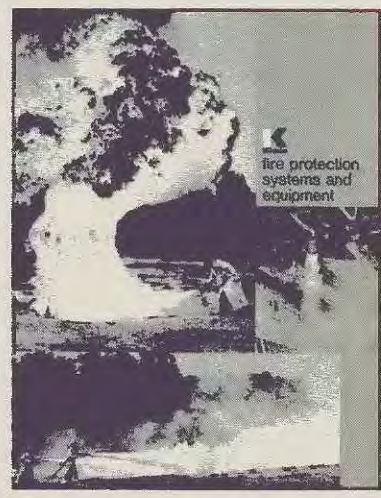
• **Employer's Handbook—Your World of Protection** explains the Texas workers' compensation law for layman. It discusses an employer's responsibilities and reporting procedures. For a free copy write number 322 on the reader service card.

• **Fenwal Inc.'s** line of fire detection devices including ionization and photoelectric smoke devices, detect-a-fire thermal detectors and ultraviolet flame detectors is described in **Industrial and Commercial Fire Detection Devices.** For a free copy write number 323 on the reader service card.

• **Explosion Protection** describes the types of explosions and how they can be suppressed after they start. The Fenwal Inc. booklet explains typical applications and sensors, control panels and extinguishers used in Fenwal suppression systems. For a free copy write 324 on the reader service card.

• The Ansul Co. has prepared a 13-page guide to the fire protection products of the company called **Ansul Fire Protection Products Guide.** The booklet features descriptions and application information on all types of hand, portable and wheeled extinguishers, pre-engineered extinguishing systems, custom systems and fire extinguishing agents. For a free copy write number 325 on the reader service card.

• **Fire Protection Systems and Equipment** is an eight-page color brochure describing the various fire protection systems offered by Walter Kidde & Co. Included are the company's Sentinel pre-engineered and dry chemical and Hanlon 1301 systems; carbon dioxide, dry chemical and Hi-Ex foam. For a free copy write number 312 on the reader service card.



• **Rangeguard Kitchen Fire Extinguishing System** (#937) discusses the mechanical operation and capabilities of the system in a 2-page promotional booklet. For a free copy write 326 on the reader service card.

• **Rangeguard with Karbaloy II** (#937) explains the benefits of the liquid extinguishing agent used in the Rangeguard system. For a copy of the pamphlet write 327 on the reader service card.

• Loss prevention in the area of **Workers' Compensation** is the title of a 14-page color booklet in the Interface series from the Commercial Union Assurance Co. The

NOTE: Most items listed here are available without charge. For free material use the coupon in this issue or a postcard, indicating the item number. Material which is available at a price should be requested directly from the source, at the address given.

"I've been working with MOAC since 1950 and I know what they can do—and can't do. Believe me, there's little they can't do.

MOAC underwriters command respect. They really know the ins and outs of ocean cargo, inland marine, hull—you name it.

MOAC is willing to bend, too. I remember when a shipping consolidator came to me handling exotic cargoes destined for all over the world. MOAC listened to this unusual situation, worked out the details and wrote the policy to fit it.

Another thing I like about MOAC is their commitment to marine insurance. A commitment for the long-term.

Sure, we do business with other underwriters. But MOAC is the only one we can't do without."

A marine company that works to earn your respect. That's what you can expect from MOAC.

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A subsidiary of The Continental Corporation
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MOAC
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Fast Facs—the property data bank. A computerized system for fixed asset control and administration. Complete flexibility to prepare reports in-line with inflation for all administrative levels—from executive to operating departments. Maximum computer speed and accuracy with minimum computer configuration. Now even small and middle corporations can have automated property accounting at modest costs. With Fast Facs.

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Please send me the following data (insert code number of each item wanted):

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City/State/Zip _____

Nature of Company's Business _____

Essential you supply complete information.

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER FEBRUARY 28, 1977

Info for buyers

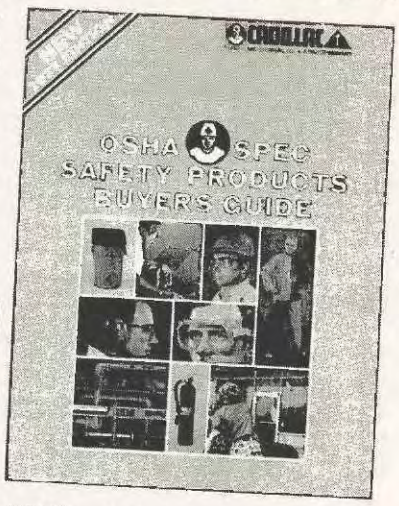
pamphlet is designed for small and medium sized risks. For a free copy write number 328 on the reader service card.

• **Management Loss Prevention Techniques** for medium and small risks are discussed in the second publication in the Interface series from the Commercial Union Assurance Cos. For a free copy write number 329 on the reader service card.

• An 11-page booklet from the Interface series of the Commercial Union Assurance Cos. discusses **Environmental Health** for small and medium sized risks. For a free copy write number 330 on the reader service card.

• **A Structured Approach to Safety & Loss Control** describes a GAB service which allows customers to select specific services required to meet OSHA standards. For a free copy of the eight-page booklet write number 331 on the reader service card.

• The 1977 edition of **OSHA-SPEC Safety Products Buyer's Guide** provides a convenient reference to Cadillac Plastic and Chemical Co.'s complete line of



OSHA safety products as well as the specific government regulations that they meet. The 104-page fully illustrated manual is available by writing number 317 on the reader service card.

• Propp-o-Plast—**It's Unheard of**—is a new type of ear plug described in a free pamphlet containing six sample disposable plugs. Bilsom International quietly describes the comfort, hygiene and attenuation of the new type of plug. For a free pamphlet and samples write 332 on the reader service card.

• The Gypsum Assn. is offering free its catalog of safety, training, and materials handling manuals. The publications cover gypsum products, fire resistance manuals, industrial safety manuals and plant training manuals. Single copies of most manuals are free. For a copy write 334 on the reader service card.

• For the Hollywood star in all of us, Film Communicators offers a free quick reference catalog of 16mm films. **Film Communicators** provides films on fire prevention, fire service training, emergency medical rescue, fire survival and law enforcement. Rates for weekly rentals and purchase prices are also listed. For a free copy write

Photo: Frederick Kent Truslow

It took an act of congress to save the bald eagle.

What's your protection?

Although our national bird is still endangered by a diminishing habitat, the National Emblem Act of 1940 prevented a more serious situation.

You'll never have legislation to protect your property. But you can practice the basic principles of loss control. And that's where Allendale Insurance can help.

Factory Mutual System

Allendale Insurance

Allendale Park, Johnston, Rhode Island 02919

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721-8420

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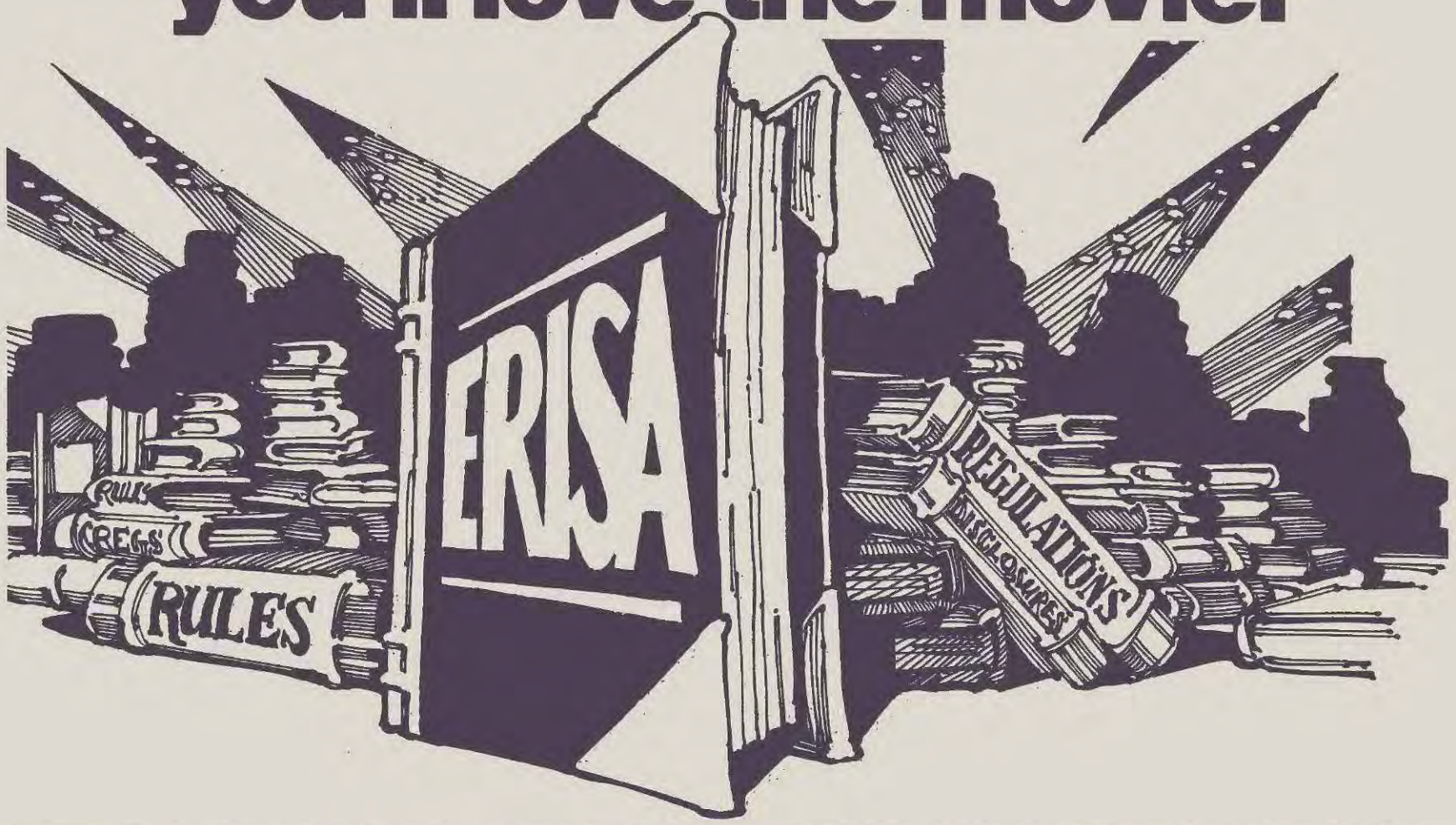
"ERISA"
If you didn't like the book, you'll love the movie!



ERISA did more than introduce a new series of Federal mystery stories. Fortunately, it also spotlighted one of the most valuable communications opportunities ever revealed within the corporate community. Helping you to fulfill that opportunity–without direct cost–is only half of our unique proposal . . .

The first half of our proposal

With ERISA demanding its disclosures, corporations struggle to satisfy the law. Benefit booklets, inherently complex and often confusing, are printed and distributed across America. Then promptly filed and forgotten in millions of boxes and bureau drawers. Result?

The extraordinary value of most benefit programs – representing, in fact, some 30¢ of every compensation dollar – remains largely invisible to employees. In effect, they may never have seen nearly one-third of their income!

Our solution is simply to show it to them–dramatically, powerfully–via superb, custom-created audio/visual presentations. Presentations which, incidentally, are written, directed and produced by nationally-respected authorities in the communications arts.

Importantly, the intent of our productions is not to satisfy the technical requirements of ERISA per se. Rather, it is to provide an extra tool to help satisfy your employee's need to know: About their "unseen 30¢." About the overriding value of **all** the benefits your company provides.

How do you purchase such a show? You don't. Our benefit presentations are provided **at no direct cost** . . . to companies which accept **still another no-direct-cost opportunity** . . .

The second half of our proposal

We are a major market for Accidental Death & Dismemberment Insurance–a high-limit voluntary program, custom-tailored to the particular needs of your employees. By means of a unique installation package distributed to employees, our AD&D program can be virtually self-installed–automatically–almost in minutes. With no direct cost and with little effort expended by the client-company. With significant participation (and appreciation) by employees. And all at competitive rates!

In total, our AD&D program represents a major easily-installed benefit of acknowledged value to employees. Already, in fact, it has been enthusiastically accepted by many leading corporations across the nation.

The conclusion

One. A superb, custom-created audio/visual production–presenting, perhaps for the first time ever, the true value of your total benefit program! Two. Effortless installation of a new and valuable benefit, one that protects your employees in an area of major vulnerability! **And all at no direct cost to your company!**

Did you ever have a better opportunity to do so much for your employees . . . and yourself?

For more information, or for a private screening of an example show, complete and mail the coupon.

TO: A.C. Newman & Company
369 Pine Street, San Francisco, CA 94104

I would like more information about your proposal. ( ) Please have our broker contact us. ( ) Please contact us directly; we are interested in seeing your presentation, including an example benefit show.

Name _____ Title _____

Company _____ No. of employees _____

Street _____ City _____ State _____ Zip _____

Telephone _____ Name of broker _____

We conduct all business through brokers and agents.

A.C. NEWMAN & COMPANY
INSURANCE CORRESPONDENTS, INC.

415/392-6880

(Note: This two-part proposal is necessarily limited to firms with 7,000-plus eligible employees.)

Info for buyers

333 on the reader service card.

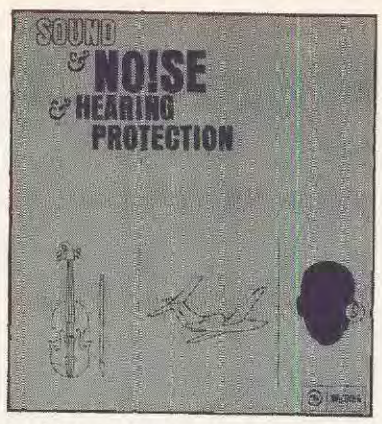
• The Underwriters Laboratories Inc. has released its standards for **Fire Tests of Building Construction and Materials** (UL 263) which describes the fire tests and methods measuring results for floors, roofs, walls, partitions and building assemblies. Copies are $3.00; orders and prepayment can be sent to Underwriters Laboratories Inc., Attn.: Publication Stock Dept., 333 Pfingsten Road, Northbrook, Ill. 60062.

It's the only benefit that can benefit all of your benefits!

See page 33.

• Many insurance companies and self-insured employers are becoming very interested in rehabilitation of workers drawing benefits under workers' compensation, casualty or liability coverage. A 15-page folder from Homemakers Upjohn discusses **Rehabilitation Case Histories** of the company. For a free copy write number 335 on the reader service card.

• Willson Products Division of ESE Inc. has prepared a 14-page booklet on **Sound & Noise & Hearing Protection.** The non-technical



booklet explains what sound and noise are and how they can damage the ear. Also treated are industrial noise, noise behavior and measurement and protection for employes. For a free copy write 320 on the reader service card.

• The economics and methods in employe rehabilitation are discussed in a 12-page booklet from INA Corp. The booklet **Employe Rehabilitation** discusses rehabilitation as a means of returning injured people to work while helping to control upward pressure on workers' compensation costs. For a free copy write number 336 on the reader service card.

• **Occupational Health Consulting Services,** published by National Loss Control Service Corp., explains how consulting services can help lower health insurance and workers' compensation costs. It also discusses how improved employe health benefit programs, medical program analysis and "tailored" first aid training programs can reduce employe health and injury cost. For a free copy write 337 on the reader service card.

• To check on possible fraudulent workers' compensation claims, the Industrial Foundation of America describes its pre-employment checking of employes for employers. The non-profit organization is made up of businesses in Texas, New Mexico, Louisiana and Oklahoma. For a free copy of the booklet write 339 on the reader service card.

SECURITY

• Pinkerton's offers **Insurance Claims Investigation Services** which suggests ways that insurance companies and self-insureds can keep claims within reasonable limits and help insurers arrive at equitable settlements or present proper defenses. For a free copy write number 401 on the reader service cars.

• Security systems for protecting people business and industry are the subject of **ADT Series 7000** put out by ADT Securities Systems of New York. The booklet

ADT SERIES 7000
Security systems for protecting people, business and industry.

describes the services available from ADT, the nation's largest protection company. For a free copy write number 400 on the reader service cars.

• Is computer theft jamming your circuits? **Applicant Investigations** describes an investigative service offered by Pinkerton's to fight computer theft. The service involves in-depth screening of employes with access to computer records before and during employment. For a free copy write number 402 on the reader service card.

• **Arson Epidemic** from Improved Risk Mutuals highlights the threat to property, profits, jobs and lives and discusses ways to combat the threat. For a free copy write number 403 on the reader service card.

• **Pinkerton's Professional Security** outlines the various types of protection services the private security company offers. Described in the folder are their patrols, investigations, testing and insurance claims services. For a free copy write 404 on the reader ser-

Is the magic gone from your insurance romance?

If your once-happy insurance relationship has been severely strained in this period of capacity crunch, tight markets, and inflexible underwriting, a new broker may be the most realistic solution to your dissatisfaction.

A broker who can adjust to changing markets. A broker with an established performance record. A broker offering top market access. One who can design and administer self insurance programs. And one who will meet your company's ever-changing insurance needs.

Just more sweet talk?

No. Because Arthur J. Gallagher & Co. has become a top-twenty broker by doing all of this and more. We offer highly skilled and professional risk placement for an increasing number of clients whose insurance needs are enormously varied. We make straightforward and practical insurance recommendations, not rosy courtship promises.

We invite you to contact us, at no obligation, to discuss your own particular needs.

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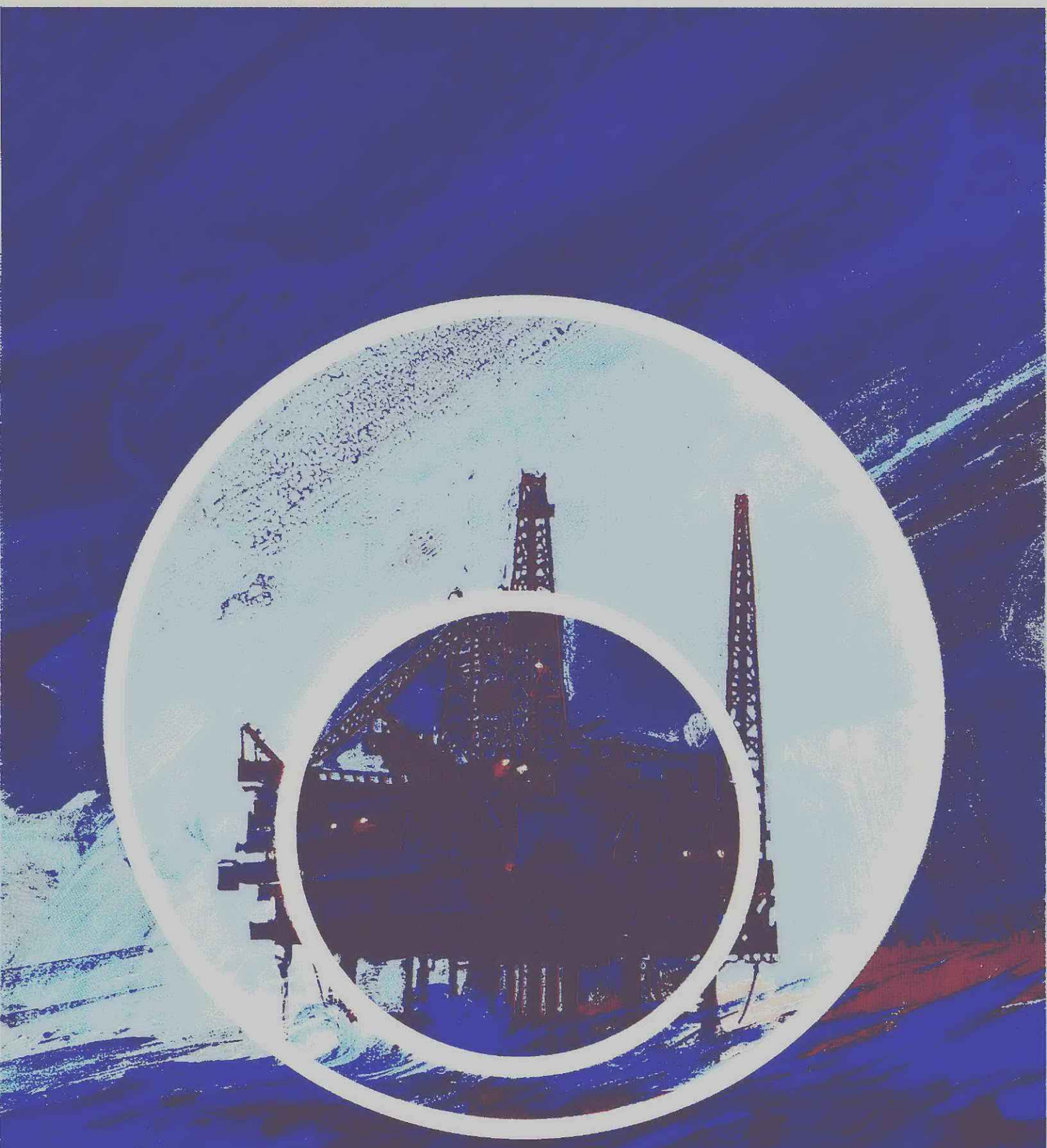

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FOREIGN

• **International Insurance,** a booklet from Arkwright-Boston Insurance, was prepared for risk managers of multinational corporations. The booklet describes international services such as loss prevention engineering and loss control seminars, as well as available coverages including blanket, contingent and GAP. For a free copy write 500 on the reader service card.

• Cayzer Steel Bowater International Ltd., an insurance and reinsurance broking group operating in the U.K. and overseas, has made available its current **Directory.** The group operates 25 separate companies, branches and divisions and handles all aspects of insurance. The firm's facilities in Saudi Arabia are included. For a free copy write 501 on the reader service card.

• **Corporate Insurance in Brazil** is an English language brochure prepared by Argos-Cia. de Seguros. The brochure contains a general discussion of the insurance market in Brazil and specific coverages available through the company. General lines insurance and employe benefits are covered. For a free copy write 502 on the reader service card.

• Harlan Employee Benefit Consultants has made available **International Benefit Planning in the Petroleum Industry.** The brochure is a general discussion of multinational benefit planning in the oil and related industries. For a free copy write 503 on the reader service card.

• A newsletter entitled **The United Kingdom Social Security Pensions Act 1975,** subtitled "The perplexing question of contracting in or contracting out," is available from Kwasha Lipton Inc. The title refers to the fact that in the U.K. Social Security benefits, although mandatory, need not be wholly provided by the state. Part of the benefit may be provided by an employer through a private plan. If this is the case, the employer is said to have "contracted out." For a free copy write 504 on the reader service card.

• A report entitled **International Benefit Planning Concepts** is available from Kwasha Lipton Inc. The report discusses, among other things, "true" third country nationals, the difficulty of predicting in advance which employes will become a third country national, and how long they will remain in that category. For a free copy write 505 on the reader service card.

• **Ill Winds Abroad** discusses how hurricanes and other windstorms start, where they come from, what to do, how to detect their coming, seasonal patterns and how AFIA can help insureds limit windstorm risks. The booklet's information is limited to windstorms overseas. For a free copy write 506 on the reader service card.

• Insurope has published a booklet, **Multinational Benefits Assessment.** Topics covered include the need for an international benefit

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system, corporate benefit planning, local management and employe relations, and cost control of benefits abroad. For a free copy of the booklet write 508 on the reader service card.

• **When You're Not Sure if Your Construction Site Will Be in a Friendly Territory,** Johnson & Higgins says they can help. The pamphlet outlines the complexities facing U.S. contractors with overseas commitments and describes the company's "all risk" and political risk insurance. For a free copy write 509 on the reader service card.

• Usually the most plentiful resource, water is often in short supply for firefighting abroad. How the insured can cope with this problem is the subject of AFIA's color booklet **Fire and Water Abroad.** For a free copy write number 510 on the reader service card.

• An explanation of **Earthquakes Abroad,** why they occur, how to predict building damage, how to select building design and construction—has been prepared by AFIA Worldwide Insurance. For a free copy write number 511 on the reader service card.

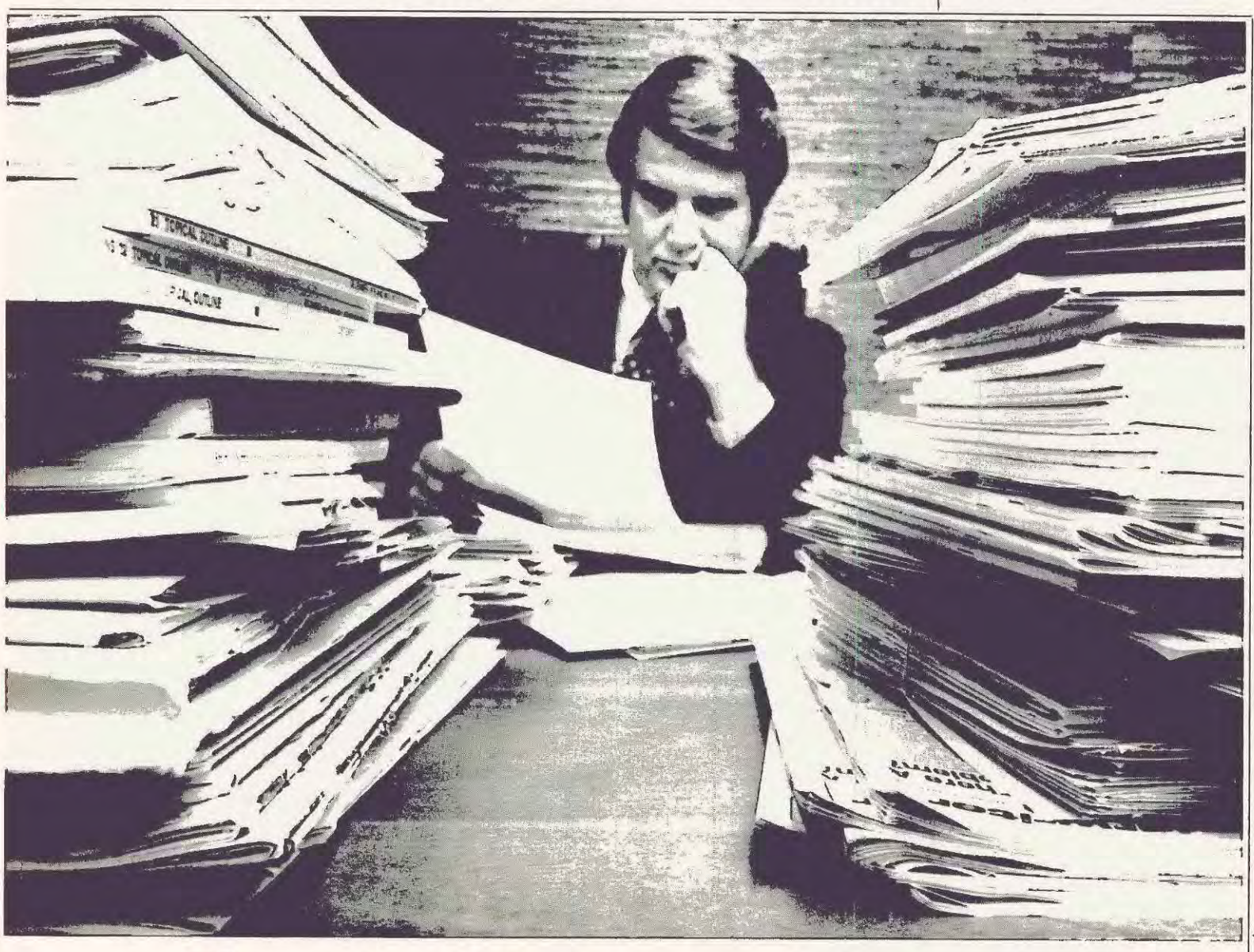
• AFIA Worldwide Insurance explains **Boiler & Machinery Insurance Abroad** in a booklet that explains the coverages available, basic information required for the insurance company, special factors that need to be considered and how to obtain coverage. For a free copy write number 512 on the reader service card.

• The American Institute of Marine Underwriters has prepared **The Banker + Dollar Marine Insurance = Better Export Business.** The booklet explains the relationship of the banker and marine insurer and their vital role in the export trade. For a free copy write number 513 on the reader service card.

• Expliquez s' il vous plait? **Fire Insurance Abroad** from the Wyatt Co. explains the differences and similarities of the standard New York fire insurance policy and those offered by foreign fire insurance companies. For a free copy write number 514 on the reader service card.

• **Uniform Rules for a Combined Transport Document** are explained in a bi-lingual (English and French) booklet prepared by the International Chamber of Commerce. Copies cost 25 cents each. They may be obtained from Robert A. Herbst, American Institute of Marine Underwriters, 99 John St. New York, N.Y. 10038. After

NOTE: Most items listed here are available without charge. For free material use the coupon in this issue or a postcard, indicating the item number. Material which is available at a price should be requested directly from the source, at the address given.



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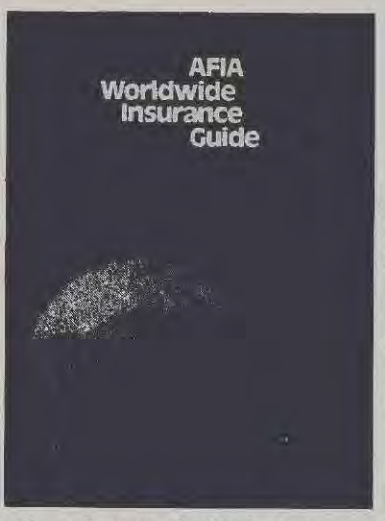
April 1 the address will be 14 Wall St., New York, N.Y. 10038.

• **The Essential Role of Marine Cargo Insurance in Foreign Trade** is a publication of the International Union of Marine Insurance. Copies, which cost 25 cents each, are available by writing Robert A. Herbst, American Institute of Marine Underwriters, 99 St. John St., New York, N.Y. 10038. After April 1 the address will be 14 Wall St., New York, N.Y. 10005.

• The **ARIA Worldwide Insurance Guide** lists insurance practices in 70 countries, including the countries of the Eastern Bloc. This reference book contains information on compulsory covers, admitted and non-admitted insurance and types of covers available. Available free to readers of *Business Insurance*, write 507 on the reader service card.



SELF-INSURANCE RISK MANAGEMENT SERVICE

• An **Insurance Buyer's Checklist for Manufacturers** suggests guidelines for planning the best insurance program for manufacturing companies. Insurance coverages can be scheduled, and an insured can request his agent to outline his recommendations on modifications according to the publisher, RIMCO. The book is free to buyers of insurance, $5 for nonbuyers. Insurance buyers can write 600 on the reader service card.

• An **Insurance Buyer's Checklist for Hospitals** provides guidelines for hospital administrators who are seeking the best insurance program for their institution. The RIMCO Inc. booklet says it can help the insured request his insurance agent to schedule coverages presently carried as well as outline his recommendations on modifications. Copies are $5 to nonbuyers of insurance and free to buyers. Insurance buyers can write 601 on the reader service card.

• Rimco Inc. has recently published its **Insurance Buyer's Checklist for Truckmen** which includes guidelines to help insurance buyers for truckmen. The booklet helps insureds request agents to schedule coverages presently carried as well as outlining recommendations on modifications. Copies are $5 to nonbuyers of insurance and free to buyers. Insurance buyers can write 602 on the reader service card.

• A brief promotional brochure describes the risk management services of **SWS Risk Management Services** (Scott Wetzel Services Inc.). Staff personnel and its loss control engineering are among the features covered. For a free booklet write 603 on the reader service card.

• **Risk Management Information Systems** explains how those systems are an extension of forecasting, allocating and communicating premium budgets throughout the corporate structure. Included in the 24-page booklet from Corporate Systems Corp. are sample specifications used by risk managers when soliciting proposals for account services in connection with insured and self-insured programs. The system is designed for large risks at multiple locations. For a free copy write 604 on the reader service card.

• Underwriters Adjusting Company tells **How to Handle Physical Damage Loss** using their specialists in autos, trucks, mobile homes and heavy duty equipment. For a free copy write 605 on the reader service card.

• A handbook telling how to draw up specifications when soliciting proposals and bids from suppliers of risk management consulting services. The fictional XYZ corporation is used as an example on how to draw up **Specifications for Risk Management Consulting Services** by Rimco Inc. Copies are free to insurance buyers and $5 to nonbuyers. Insurance buyers can write 606 on the reader service card.

• Reinsurance Intermediary Corp. has published a **Brochure of Services** describing briefly the services provided to companies using both direct insurance and reinsurance. How the consultant operations of the reinsurance corporation are set up is outlined. For a free copy write 607 on the reader service card.

• **How an Insurance Consultant Pays Big Dividends** in the case of one trucking firm is reprinted by RIMCO Inc. How costs were reduced, the kind of assistance provided and previous experiences are described in the article. For a free copy write 608 on the reader service card.

• How RIMCO helps in property loss management services **After the Damage is Done** is described in a free booklet. For a free copy of the guide to the management services write 609 on the reader service card.

• Johnson & Higgins tells how it manages **Nuclear Loss Control Technical Services.** Safety records, protection of facilities using nuclear materials, and their nuclear advisory group functions are cited. For a free copy write 610 on the reader service card.

• **We've Had Some Thoughts About Losses,** Johnson & Higgins says in their 24-page booklet. How companies should prepare for a loss, what should be done when a loss occurs, preparing claims and potential problems like exclusions, co-insurance and reflag losses are described. For a free copy write 611 on the reader service card.

• Cook, Treadwell & Harry Inc. offers a free promotional brochure describing how it helps its clients with their risk management problems. The firm, based mainly in the South, outlines their services.

Have you heard about new AD&D&AV insurance?

See page 33.

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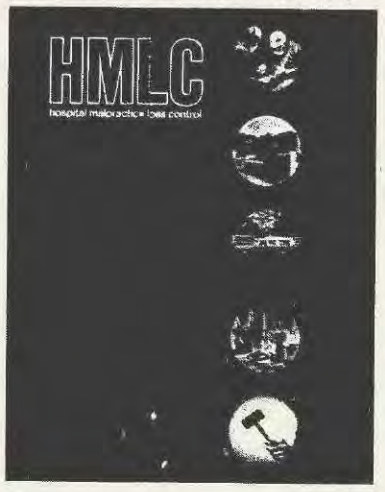
For a free copy write 612 on the reader service card.

• GAB offers **Profiles of Technical Experts** on their staff. Included in the technical services are accounting, safety and loss control and all areas of engineering, including equipment appraisals, repair supervision and business interruption determinations. For a free copy of the 32-page book write 613 on the reader service card.

• A reader's **Digest of Professional Services** of the American Appraisal Co. is now offered, listing their services, appraisals, reports, and type of clients serviced. For a free copy of the brochure, write to 614 on the reader service card.

• **RIMCO** describes its operations in the field of identification, evaluation and determination of handling insurable and noninsurable risks faced by many businesses. For a free copy of the booklet write to 615 on the reader service card.

• **Hospital Malpractice Loss Control** at ESIS Inc. is described in an illustrated brochure. A risk management program is outlined that locates, evaluates and helps hospitals control exposures to loss. The program is offered to hospital associations, hospitals and joint underwriting associations. For a free copy write 621 on the card.

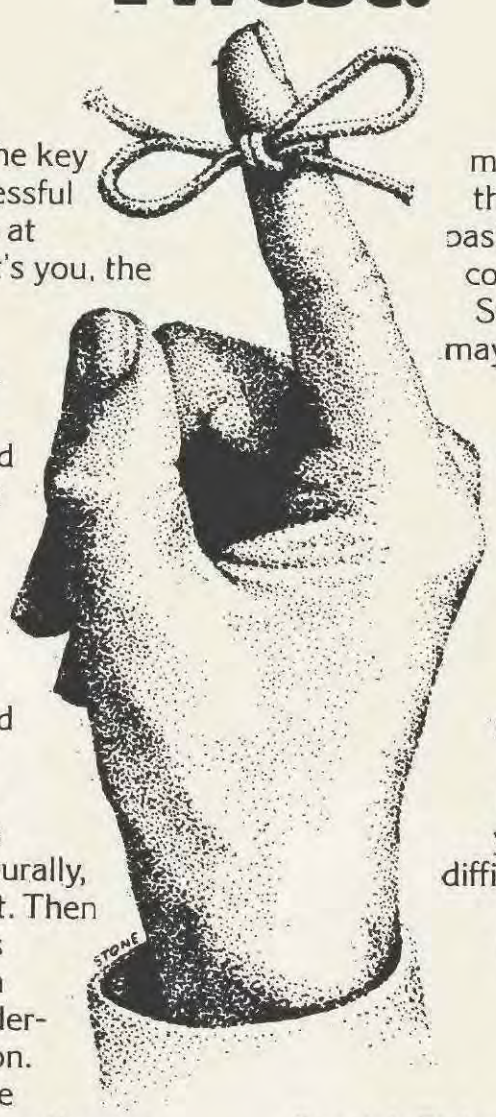


• RIMCO tells how to **Analyze Risks to Get Better Insurance at Less Cost** in the construction field, for both highway and heavy construction contractors. Two reprints of articles are offered free. How to request bids, how to get coverage in monopolistic states and cash flow arrangements are some of the topics covered. For a free copy of the articles, write to 616 on the reader service card.

• **Earthquake Risk Analysis** and why trustees and owners should be concerned about it are included in a pamphlet put out by Group 10 Systems division of Albert C. Martin and Associates. Steps in an earthquake risk analysis program are outlined. For a free copy write

Continued on page 41

A word to the wise about market control: IWest.



We'd like you to remember that the key to efficient, successful risk placement is at your fingertips. It's you, the Producer, who creates market control and minimizes market disturbances. And it's no secret that some Producers have the system down pat.

Here's how it works: the next time you are faced with a difficult or unusual risk, call your best Surplus Lines Broker. Naturally, we hope it's IWest. Then prep your Surplus Lines Broker with the necessary underwriting information. You should receive immediate pricing estimates.

By pre-selling your client on the pricing indication, you are able to control his market variables. You then capitalize on the basic rule: "Firm orders control markets." Your Surplus Lines Broker may even deliver at the low side of his indication. Producing business is job enough without creating a "disturbed market." Forget the shotgun theory of risk marketing that only wears out markets and you. Next time you are faced with a difficult or unusual risk, call IWest. IWest specializes in Excess, Products Liability, Umbrellas, Tough Primary Liability, Special Risks, Aviation, Surplus Lines, Commercial Property and Municipal Liability.

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riskWatch

By MARIE KRAKOWIECKI

Colleges find classes filled; are there jobs?

THERE ARE VERY few ways one would ever be tempted to compare Washington Post reporters Woodward and Bernstein to a trade association like the Risk & Insurance Management Society.

But in one peculiar way RIMS and the superstars of Watergate have something in common: They each have succeeded in filling colleges across the country with hopeful students who will most likely not find jobs in their chosen profession.

More and more business schools are churning out aspiring risk managers. But they are facing the same Catch-22 situation that frustrates aspiring journalists: You can't get a job without experience; you can't get experience without a job. Despite the vigorous RIMS effort at upgrading risk management to a professional status, despite fervent speeches at annual conferences about the need for new talent, and even despite a growing sophistication at upper management levels about why risk management is vital, there are very few companies with enough guts or imagination to gamble on a risk manager who hasn't first made a slow crawl up through an insurance company or a brokerage firm.

■ You can walk out of Wharton School with a degree in hand and risk management ambitions in mind, only to wind up in the bullpen of an underwriting department of a large insurance company because there is no place else to go.

RIMS' own executive referral service handles jobs of $20,000 a year and higher, which presume years of experience.

If RIMS handled positions at the lower level it would have to be licensed as an employment agency, says Ron Judd.

After speaking with Mr. Judd, *BI* contacted leading business schools like the University of Pennsylvania's Wharton, Temple University and the universities of Georgia, Arizona and Wisconsin to find out what, if anything, is being done to help risk management students get entry level jobs.

For the very best and the brightest students there are a few opportunities in the form of on-the-job training programs or internships. One of the best we discovered is run by Mr. William Hustedt, director of risk management and staff benefits for the central administration department at the 13-campus University of Wisconsin.

There are also scattered programs sponsored by some companies and risk consulting firms. Republic Steel and Transamerica have each taken student trainees, and the consulting firm Risk Planning Group in Darien, Conn., is about to start its second summer internship after hiring Richard Tewksbury, a student at the Wharton School last year.

But by and large, professors of insurance and risk management are having a "terrible" time placing career risk management students. Most graduates wind up in what Dr. E. J. Leverett of the University of Georgia called "back-up positions" at insurance companies or brokerage firms.

He heads the department of risk management and insurance at the university. On a positive note, he reports that of the 200 students in the entire MBA program last year, the top four jobs in terms of money went to students from his department. But apparently most of the 25 or 30 undergraduates were not able to get actual risk management jobs.

■ Some professors, like Wayne Snider of Temple University, try working with companies on a personal basis to get their students placed. Dr. Snider was instrumental in getting Michael Thistle hired by Risk Planning Group, for instance.

Efforts like this are self-perpetuating, in that student trainees who were successful tend to want to help others get started. Mr. Thistle is now in charge of the trainee program RPG runs in the summer to help other new talent.

Gerald Surfus, chief of risk for the county of Los Angeles, and Gary Bausom, who has just moved from a risk management slot at Transamerica into a vp position with one of its subsidiaries, are two more examples of former trainees keeping the tradition alive. Both got their first taste of risk management under Bill Hustedt's tutelage, and both hired student trainees themselves.

It does not seem likely that the money will materialize in the university budget to expand the Wisconsin program. So in the meanwhile, Mr. Hustedt keeps a cartoon posted on his bulletin board that captures the present job dilemma.

In it a corporate personnel manager is interviewing a young college graduate. He tells the befuddled job hunter, "Actually, we're looking for a man under 30 with 20 years' sound business experience."

617 on the reader service card.

• **UAC Answers 21 Questions on Its Self-Insurer Services,** showing how computer printouts appear to its subscribers, and background on their claims administration services. For a free copy of the Underwriters' booklet write 618 on the reader service card.

• Guidelines and an **Insurance Buyer's Checklist for Oil & Gas Producers** are compiled in a booklet to help insurance managers determine the best program for oil and gas producers. The booklet, according to its publisher RIMCO, is designed so the insured can request his insurance agent to schedule coverages presently carried as well as outlining his recommendations or modifications. Copies are $5 to nonbuyers of insurance and free to insurance buyers. Buyers can get their free copy by writing 619 on the reader service card.

• **Continuous Service** for property control and current values is offered for recording property changes as they occur. The American Appraisal Co. describes its services for keeping original appraisals current. For a free copy write 620 on the reader service card.

• **Customed Programmed Maintenance** with Johnson Controls Inc. is described in a color brochure to help companies get the most out of their building systems. Temperature, heating, filter, safety, security and sound system maintenance are some of the topics explained. For a free copy write 622 on the reader service card.

• Reducing insurance costs for **Municipal Risk Management** is detailed in a reprint offered by RIMCO insurance consultants. Procedures for identifying exposures, developing a risk program and steps for risk analysis are explained. For a free copy write 624 on the reader service card.

• GAB's pamphlet, **Services for the Self Insured,** includes claims management reporting systems and sample computer printouts. GAB offers services to meet requirements in the workers' compensation, general liability, product liability, employe benefits and loss control areas among others. For a free copy of the 24-page booklet, write 625 on the reader service card.

• **Turnaround Service for Auto Appraisals** includes trained auto appraisers and portable telecopiers as described in a brochure from GAB. For a free copy write 626 on the reader service card.

• Why should you consider self-insurance? **To Unlock Your Capital** is the answer in the brochure from Hewitt-Coleman & Associates. The booklet describes the advantages of self-insurance and the Hewitt-Coleman premium retention plan. For a free copy write number 627 on the reader service card.

• How to administer an **On-Line Computerized Claims Administration System** for medical, dental, drug and vision claims. In-house or on-site claims, accounting, eligibility, pension and administrative capabilities are outlined in a brochure by Automation Business Equipment. For a free copy write 628 on the reader service card.

• **Financial Valuation . . . Service to Corporate Decision Makers** outlines the need and steps involved

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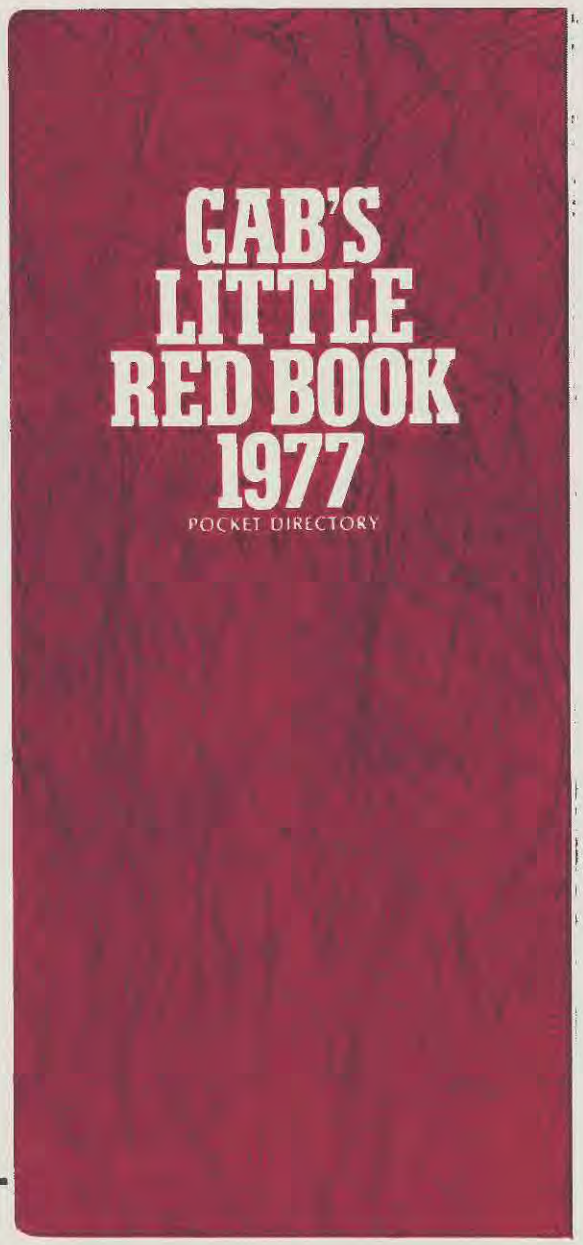

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SEE OUR AD ON PAGE 8

ARE YOUR FOREIGN EARNINGS YOUR ACHILLES HEEL?

The multinational company today may be on sounder footing than Achilles but when it fails to protect its foreign earnings, it exposes its vulnerability.

A recent study by a leading investment company documented the degree of importance of foreign earnings to per share earnings among major companies and concluded that a sharp downturn abroad would have serious effects at home. Dips in per share earnings, stockholder disenchantment, and loss of confidence could easily result.

While companies are diligent in protecting themselves against material damage from earthquakes, fires and windstorms, the loss of earnings on operations abroad is one arrow often neglected. And that leaves even strong corporations vulnerable. Just like Achilles' heel.

A sound insurance program for protection of foreign earnings should be tailor made to fit the individual needs of a corporation allowing for direct and contingent business interruption, extra expense and loss of royalties.

The cost of downtime is well recognized but erosion of market share, expenses involved in restoration of distribution and sales channels, and losses that may result in other parts of a company's operations, are not always covered.

AFIA Worldwide Insurance can help you deal with these problems in one country . . . or throughout the world. With more branches abroad than any other U.S. foreign underwriter, we can be on the spot quickly to help get you into operation faster. And we can provide the protection you need all the time. That's one reason why 90 of the top 100 U.S. companies operating abroad insure with AFIA.

AFIA

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PERSPECTIVE

Corporate airplanes: A guide to insurance

"Companies are seeking relief in premium increases . . . for all classes of business. The previous declining rate levels have forced underwriters to become increasingly selective in the pursuit of stability and profitability."

By Arthur R. Bossler, vp
Schiff Terhune Inc.
New York, N. Y.

Single engine planes have more accidents, but they are less serious.

ON APPROACHING the aviation insurance market there are two directions an aircraft owner can take, one being through the "direct writer" company and the other through an insurance agent or broker.

But contrary to what most aircraft owners may think, there are fewer and fewer companies to choose from than previously. In fact, in the last two years nearly half of the 30-odd companies and underwritng pools have either dropped their aviation insurance line, cut back on limits of coverage or curtailed activity soliciting production of new business.

The questions this presents are why and how this occurred and what does the future hold in store for the insurance buyer? The "why and how" questions are related to numerous factors which are continually changing. But they can be summed up very simply, I believe, in the phrase frequently heard in the insurance brokerage community, "poor loss experience." I would like to try and shed some light on the cause and effect factors that make up this poor loss experience.

It is important to point out that although accident statistics vary considerably for the differing segments of general aviation (crop dusting, helicopters, fixed base operations, charter, private and business) and the airline industry, the total premium dollars collected from all segments as a whole have not been sufficient. I might add that it is not just aircraft hull and liability premiums and losses but also aircraft products, airport premises liability and workers' compensation experience which has contributed to the poor results.

The final concern of any business is the boom line year end result and during the last few years the good underwriting results and profit margins to expand and grow have not occurred.

Aviation insurance is not subject to the premium rating regulations by state insurance departments or bureaus such as automobiles and other lines of coverage. The basic reason for this, of course, is the catastrophic nature of the business. Multi-million dollar aviation losses are not at all uncommon as witnessed recently by the mid-air collision of British and Yugoslavian airline aircraft with tremendous loss of lives and the corporate jet crash in the eastern part of the United States with eleven fatalities.

It is readily apparent that with the very limited number of aircraft available to insure, a few such losses will seriously affect the experience of the industry as a whole very rapidly. Theoretically, statistical information available should be the primary bases for the premium rating structure within each category of the industry, but unfortunately it is not that scientific or simple.

However, as unscientific as it may seem, competition more than anything else is the single most influential factor in aircraft insurance rating. It was this feverish competition in recent years that depressed rates to the present unsatisfactory level which prevents a profit for the industry. This phenomenon has been the principal cause of the demise of so many aviation insurance companies in the last two or three years.

Other factors contributing to the present market situations are the inflationary pressures on the costs of repairs, rapid increase in hull values, tremendous increase in size of liability awards given by courts on passenger bodily injury claims, defense costs, and number of product liability claims. It is my feeling that the recent poor loss experience has been compounded by these factors as a large number of underwriters were not building into their rating structure any contingency for these potentialities over the last three to five years.

The market has begun changing and since aviation insurance rating is unregulated, companies are seeking relief in premium increases varying considerably by type of operation but quite substantial for all classes of the business. The previous declining rate levels have forced the underwriters to become increasingly selective in the pursuit of stability and profitability.

A question often asked is what it takes to justify or get the very best rate treatment or what does an underwriter consider a safe risk? Underwriters, unfortunately, seldom have the opportunity to visit with a prospective insured and get first hand information prior to quoting a premium. They must rely upon information presented and their own knowledge of the industry to make their judgement of the risk.

On other types of risks such as flying clubs, agricultural or fixed based operations, much additional specific information is needed by the underwriters.

The underwriter must also bear in mind factors such as although a single engine aircraft is twice as likely to become involved in an accident, it is usually not as serious as a multi-engine aircraft loss and with few injuries. Some of this higher accident rate can be attributed to instructional and low time pilot involvement.

What is particularly disturbing to many underwriters and far more serious is the multi-engine accident rate. Statistics prove that an occupant of a multi-engine aircraft is five times more likely to perish in an accident than he would be in a single engine aircraft accident.

It is readily apparent that the extra margin of safety a buyer seeks when a change is made from single engine to multi-engine aircraft is simply not there unless the pilot has the experience to handle the additional complexities of the new equipment and the more adverse weather conditions he is likely to encounter.

Before moving into a light twin, the businessman pilot should answer the following questions underwriters have when determining insurability:

Continued on following page

Management tools explored

Assuming risks, managing cash flow can reduce benefit costs

By Richard Ostuw, FSA
Group actuary
William M. Mercer Inc.
Chicago, Ill.

WITH EMPLOYE benefits costing more today than ever before, it's not surprising that management is exploring a variety of ways to minimize the cost of providing those benefits. There's also greater concern—largely because of high interest rates—with potential cash flow savings in the financing of benefits.

The willingness and ability of the employer to assume greater risk in the cost of employe benefits are critical factors in the choice of financial alternatives. The non-financial considerations also weigh heavily in the decision.

The typical employer currently assumes some risk in the financing of group life and health benefits for employes. In the commonly used retention contract, or participating policy, the premium includes a margin for claim fluctuation. If claims and retention are within the anticipated amount including margin, a premium refund or dividend is payable at the end of the policy year.

The resulting financial picture is similar to cost plus. Here the employer assumes the risk of unanticipated claims up to the amount of the margin, generally about a 10% deviation from expected costs. The insurance carrier assumes the risk in each year of costs exceeding premium. However, over an extended period of time, any deficits created by substantial claim fluctuations will be charged against future experience refunds.

If there is no change in insurance carriers, the employer will absorb the full cost of claims and associated administrative expenses. Payment for such excess claims becomes simply a matter of timing. As a result, the insurance company always carries the cash flow risk of fluctuations, but the risk of loss is limited to groups which terminate while in a deficit position.

Many employers believe that the charge included in the retention to cover the carrier's risk of an unamortized deficit at termination is excessive.

A vehicle has been developed and is widely used by medium and large employers to reduce the risk charge in such circumstances. Commonly called retrospective rating, or retro for short, the provision results in an additional premium becoming due at the end of the policy year if claims are greater than anticipated.

The additional premium obviously reduces or eliminates the likelihood of a deficit and thereby allows a reduction in the risk charge. The maximum amount of the retro is set at the beginning of the year. The employer's choice of retro level is based on the willingness to accept risk and on the cost savings corresponding to the increased risk.

While unlimited retro's are not unheard of, the risk charge declines very little for increases in the retro beyond about 40% of the premium payable during the year ("billed premium"). A retro of 20% is a common trade-off between additional risk and retention savings.

Retrospective rating generally produces a cash flow savings as well, since the margin is typically removed from the billed

Continued on following page

PERSPECTIVE

Corporate airplanes . . .

Continued from preceding page

- Does he have a good sound basis in sophisticated retractable gear aircraft?
- After acquiring multi-engine rating, would it be possible to fly an additional 75 to 100 hours accompanied by an experienced multi-engine pilot prior to flying solo?
- Will he be able to receive a minimum of 4 or 5 hours of dual instruction each year thereafter to improve proficiency?
- If the principal purpose in acquiring the twin is to increase ability to handle adverse weather conditions then will a commitment be made to take at least semi-annual instrument proficiency checks?
- Will the businessman-pilot not be required to make long flights to appointments in the mornings, conduct a full day's business and return at less than peak mental and physical ability the same evening?
- Will the desire or need of making an appointment not be so pressing that they cloud his judgement and prevent him from being able to cancel a flight?
- Will he be able to avoid alcoholic beverages during business luncheons preceeding a scheduled flight?

If the answer to all these questions is not "yes" then it probably would be wise to consider not buying the airplane or hire a permanent professional pilot to fly it. As far as the professional pilot risk is concerned, statistically it is the safest class of general aviation business but there is always room for improvement.

Major insurance companies feel the answer to improved corporate aircraft safety does not lie in improved aircraft and equipment or new cockpit warning devices. The answer is better and more intensive training on a continuing basis and particularly simulator training. No insurance company wants to see a multimillion dollar airplane being subjected to emergency conditions which can be effectively duplicated in a simulator. From a practical point of view, the experience gained from the variety of emergency maneuvers which are routinely practiced in a simulator can't be duplicated in the aircraft in flight.

There are of course other areas of safety which need constant attention. Besides each pilot receiving periodic proficiency rides or refresher courses to improve his piloting skill, I think each aircraft operator and owner should also periodically review his entire operational procedures. This includes weather minimums, aircraft maintenance schedules, preflight inspection procedures, system for handling minor maintenance squawks, inspections of hangar or storage facilities, and changes in airport premises.

Getting back to the subject of buying insurance, a question that is frequently posed concerns the advantage or disadvantages of securing coverage through a broker or agent with aviation insurance specialists versus the direct writer.

Although there may be a difference from the premium standpoint, this should be more than offset by the ability of the broker to secure quotations from a number of different companies. The broker or agent is available to offer advice relative to proper limits of liability and knows the policy forms, coverages, exclusions and conditions. He can also co-ordinate other lines of corporate insurance protection when the aircraft is used for business and offer assistance in handling a claim, if one should occur.

What is apparent, I believe, is that the placement of insurance on an aircraft today is not a job for the amateur or uninitiated insurance buyer. It is a responsibility that should be entrusted to an experienced insurance agent or broker, preferably one which is familiar with the aviation insurance market. He is in a better position to analyze your needs and suggest methods of protecting your assets. ■

Mr. Bossler is an accounts executive with responsibility for corporate aviation accounts. He has a private pilot's license and is a member of the Aircraft Owners and Pilots Assn.

Basic considerations used by underwriters in arriving at aircraft insurance rates

As respects the aircarft

- What make and model aircraft and value.
- Year manufactured.
- Purpose of use.
- Does its history indicate frequency of certain types of losses.
- What about parts availability and ease of repair.
- What extra navigational and communications equipment is installed.

Aircraft base

- Is aircraft hangared or adequately secured with tie-down.
- Is airport size adequate for aircraft and pilot under most adverse conditions.
- Does it have paved runways, adequate service.
- What are security and fire fighting facilities.

Owner and pilot/s

- What is nature of owner's business and would it conceivably affect the operation of the aircraft.
- Pilot qualifications are especially important because they are the primary consideration of whether or not the risk meets the company's underwriting criteria. Specific data needed on each pilot is:

  Age, type of license, medical certificate data, ratings, total logged flying time in retractable gear or multi-engine aircraft, if applicable. time in similar make and model aircraft, loss experience and list of recent training, periodic proficiency flight checks.

Assuming risks, manipulating cash flow . . .

Continued from preceding page

premium. In effect, the margin becomes payable only if necessary and even then is payable at the end of the year rather than during the year. The billed premium is sometimes reduced even below the expected costs, producing yet more favorable cash flow results.

It is also common to set the maximum premium (billed premium plus retro) equal to the conventional premium. The employer then accomplishes some cash flow savings, but without an increase in risk. This of course eliminates a risk charge savings.

The amount of the retro may be substantial, so it is important for the employer to carefully watch the claims level and the projection of incurred claims so as to be prepared in case a large-sum payment is required.

Although it also has cash flow advantages, retrospective rating attacks only one of the major targets large employers have focused on, that is, risk charges. Two other targets are reserves and premium taxes.

Certain employers are in poor cash positions and are therefore concerned with using whatever funds they can gain. But more commonly, the motivation is that the value of additional funds to the corporation exceeds the interest credited by the insurer.

Insurance company interest credits on claim reserves are based on after-tax rates (around 5%), substantially below the prevailing new money rates of recent years. The value of the use of funds regained from the insurer is the difference between the marginal borrowing or lending rate for the corporation and the rate credited by the insurer.

A relatively simple method of gaining the use of additional funds is the delayed payment of premium. Cash-conscious corporations have generally taken advantage of the 30-day grace period. By either an extension of the grace period or a non-contractual agreement, the employer may gain the use of an additional one or two months premium. An interest charge is usually added within the retention. With a three month premium lag, the employer frequently gains the use of an amount nearly equal to the claims reserve held.

The ultimate method available to gain the use of the assets backing the reserve is self-insurance. In most states it currently avoids premium tax and it avoids risk charges by removing all elements of guarantees or cost limitations, which is its principal financial disadvantage.

Under a self-insured plan, the employer is responsible for the payment of claims when presented. The employer therefore achieves cash flow savings associated with the delay between claim incurral and claim payment. This is the amount of reserve otherwise held by the insurance company.

The actual amount depends on a number of factors including benefit design, efficiency of claim administration and geographic dispersion of employes. The magnitude of the reserve is generally between 20% and 40% of annual premium for medical, dental or short-term disability and may exceed 300% for long-term disability.

> "The ultimate method available to gain use of the assets backing the reserve is self-insurance. In most states it currently avoids premium tax and it avoids risk charges by removing all elements of guarantees . . ."

Due to the differing nature of various benefit plans, the risk of claim fluctuations also differs. Since medical claims are presented relatively soon after incurral and the amount of a single claim can be very large, there is a great deal of fluctuation in total payments from month to month even for large groups. Dental benefits are limited in amount but have a relatively high frequency, resulting in lesser cash flow deviations. Similarly, short-term disability benefits show greater stability from month to month due to the limited unit benefit and the continuing nature of weekly benefits.

All of these plans are subject to cash flow problems in the event of an extreme fluctuation in incurred claims.

The remaining major coverage, life insurance, has not yet been mentioned in the discussion of self-insurance. The reason is that uninsured death benefits in excess of $5,000 are subject to federal income tax to the beneficiary. Insured death benefits are exempt from income tax, but may be subject to estate taxation. The estate tax, though, is now a minor consideration as a result of the changes in estate taxes made by the 1976 Tax Reform Act.

A segment of many group life insurance policies has been self-insured by many companies. The premium waiver benefit is not a death benefit and in fact carries relatively little risk. Self-insurance of premium waiver has been used as a cash flow device to eliminate the need for insurance company reserves for continued coverage on disabled employes. The employer in such a situation is obligated to continued payment of premium during disability but employe contributions are usually waived.

When an employer changes from insurance to self-insurance, there is a temporary cash flow savings due to the delay in reporting and payment of claims. The associated funds can either be used within the corporate financial structure or deposited in a special trust. The use of an irrevocable trust allows an immediate tax deduction of deposits which are reasonable and actuarially determined. If the trust is qualified under Section 501(c)(9) of the Internal Revenue Code, there is also an exemption of the investment earnings in the trust. The use of a trust is required by ERISA only if the plan maintains assets.

ERISA has resulted in some hesitation to self-insure because of the requirement of disclosure of plan financing but the preemption of state regulation appears to have removed the danger of a self-insured plan being considered unauthorized insurance.

Minimum premium has become popular since it achieves most of the advantages of self-insurance while avoiding the disadvantages.

Technically, minimum premium is a combination of a self-insured plan with a monthly or annual aggregate claim limit and an insured plan providing identical benefits but with an offset whereby insured benefits are reduced dollar for dollar by self-insured benefits.

As a result, benefits up to the aggregate maximum are self-insured, benefits in excess are insured and retention is insured. In most states, the self-insured benefits (perhaps 90% of the normal premium) are exempt from premium tax. Also, all or a part of the claim reserve is generally returned to the employer or used to pay a portion of the run-out claims, which has the same effect.

A reason for its popularity is that minimum premium has the appearance of insurance to the employes. The insurer still guarantees benefits and the insurer is still the culprit in any disputes over claim denials. ■

Richard Ostuw FSA is a group actuary with William M. Mercer Inc. He was formerly an actuary with Phoenix Mutual Life Insurance Co. and has been a Fellow in the Society of Actuaries since 1972. At Mercer, Mr. Ostuw is involved entirely with group insurance plans.

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Info for buyers

in a financial valuation. The four-page booklet from the American Appraisal Co. is available by writing number 629 on the card.

• **TCA—Total Claims Administration** describes Metropolitan Life Insurance Co.'s service which takes over all the clerical claim functions normally performed by the policyholder. Included in the service are maintenance of in-force records of covered employes, verification of coverage for claims, processing and payment of claims and benefit explanations. For a free copy write number 630 on the reader service card.

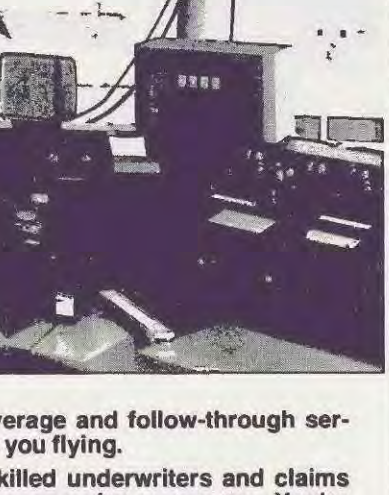
• Attention bankers and insurers. **Insurance Buyer's Checklist for Banks** offers guidelines for the best insurance program for banks. The booklet is designed to facilitate continuation of present coverages. For a free copy write number 632 on the reader service card.

• The need for an independent asset appraisal and the services offered by Industrial Appraisal Co. are described in an eight-page booklet. For a free copy of the brochure entitled **Industrial Appraisal Co.** write number 633 on the reader service card.

• Are you responsible for a school or other institution? Industrial Appraisal Co. has prepared a brochure describing the company's property control system for schools and other institutions. For a free copy write number 635 on the reader service card.

• **Self Insurance,** operating self-funded employe benefits programs, claims administration techniques and stop loss policies are described in a free pamphlet from Automation Business Equipment. For a copy write 636 on the card.

• **Which Way Should You Go?** on health benefit plan choices. A brochure from Bankers Life describes self-funded health benefit approaches with administrative services for employers having at least $200,000 of annual paid health claims. For a free copy write 623 on the reader service card.



• **Special Inspection Service** from The Hartford Steam Boiler Inspection and Insurance Co. explains the service for manufacturers, installers and contractors. The color booklet is available without cost by writing number 631 on the reader service card.

• GAB is introducing its family of **Value Appraisal Services** which included Value Rater, cost E mater and the comprehensive appraisals. For an explanation of each of these services in a free brochure, write 637 on the reader service card.

• Bank's salvage and appraisal services, monitoring services, warehouse facilities, professional salvage operation, verification of value and segregation of damage services, are all described in a brief folder. For a free copy of the description of services write 638 on the reader service card.

• A step-by-step guide to preparing a claims management survey and audit is the subject of **Claims Review and Service Analysis** published by RIMCO Inc. The booklet is designed for workers' compensation, general liability, automobile and automobile physical damage policies. Copies are free to buyers of insurance, $5 a copy to non-buyers. They may be obtained by writing 642 on the reader service card.

• Being an agent is a fulltime job. So is being an appraiser, according to a booklet from Industrial Appraisal Co. designed for insurance agents and brokers. For a free copy write number 634 on the reader service card.

• Attention contractors. **An Insurance Buyer's Checklist for Contractors** is available to help you decide on an appropriate schedule of coverages. The 14-page working booklet is free to buyers of insurance but costs $5 a copy for non-buyers. Copies may be obtained by writing 639 on the reader service card.

• Are you a well service contractor? If you are, you may be interested in an **Insurance Buyer's Checklist for Well Servicing Contractors** published by RIMCO Inc. The 16-page booklet provides a working form to determine an appropriate schedule of coverages and offers guidelines for coverage. The booklet is free to buyers of insurance but costs $5 for non-buyers. Copies may be obtained by writing 640 on the reader service card.

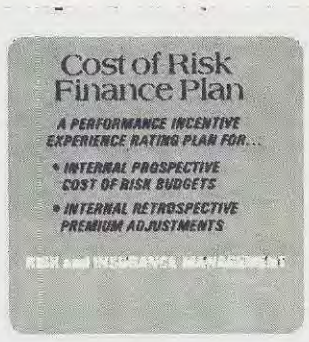
• RIMCO Inc. has prepared a **Government Insurance Buyer's Checklist** for those engaged in arranging insurance for municipalities. The Booklet contains guidelines to aid in determining the best insurance program and a working section for the insured and his agent. The booklet is free to buyers of insurance. Write 641 on the reader service card.

GENERAL

• Tired of dealing with a number of separate insurance policies? Worried about duplication in coverages? **Kemper's Comprehensive Policy** folder explains their package insurance plan. Included is a worksheet to help you compare the cost of your present policies to the comprehensive Kemper policy. For a free copy write number 700 on the reader service card.

• **Detour Alcoholism Ahead** is a 16-page booklet from the Kemper Insurance Cos. designed for supervisors and others who require a basic understanding of alcoholism. The booklet will help your people identify problem drinkers and suggest sources of help. Up to 50 copies may be obtained without cost. For free copies write number 701 on the reader service card.

• **Cost of Risk Finance Plan** described the program of Corporate Systems for forecasting and allocating the cost of risks among divisions, profit centers and cost centers of a corporation. The plan also includes a retrospective experience adjustment. For a free copy write number 707 on the reader service card.



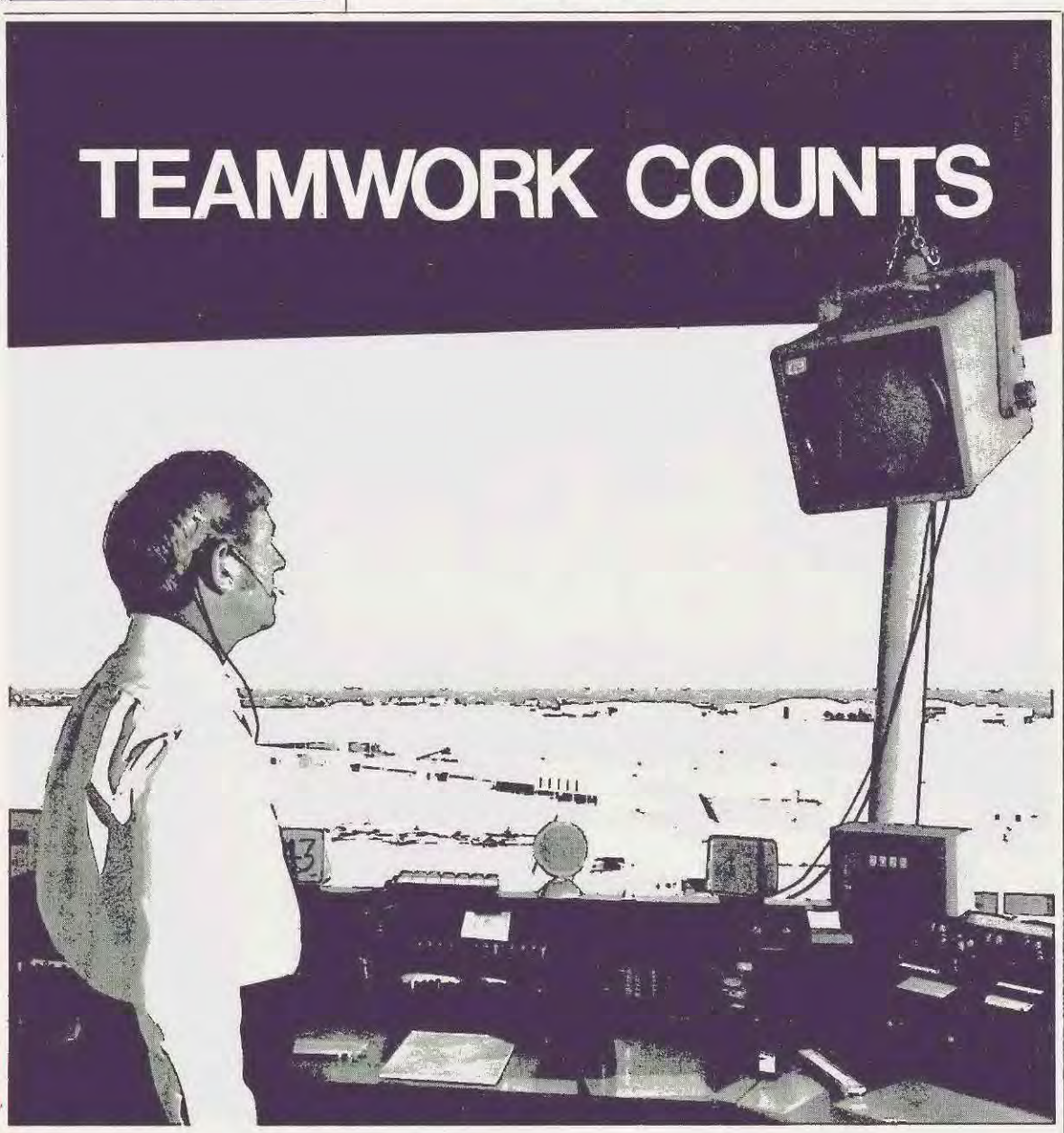
• OK. You've instituted an alcoholism treatment program for your employes. But the alcoholic's family bears the brunt of the illness and may be the key to recovery. That's the subject of Kemper Insurance Co.'s **Guide for the Family of the Alcoholic** written by Joseph L. Kellermann of the Charlotte Council on Alcoholism. Up to 50 copies may be obtained free. Write number 702 on the reader service card.

• **What to Do About Employes With a Drinking Problem** is the

The most visible package in the entire benefit field!

See page 33.

TEAMWORK COUNTS



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title of a 16-page booklet by Kenneth Rouse distributed by Kemper Insurance Cos. The pamphlet can aid a business of industry interested in reducing costs and retaining valued employes by outlining procedures and policies to deal with alcoholism. Up to 50 copies may be obtained without cost. Write number 703 on the reader service card.

• Do you drink? Do you drive? Do you sometimes do both? **The Way To Go** is a factual summary of the latest information on drinking and driving. Up to 50 copies may be obtained without cost from the Kemper Insurance Cos. Write number 704 on the reader service card.

• **What About Drugs and Employes?** That's the question asked by the title of a 16-page booklet explaining the Kemper Insurance Cos. policy regarding the on-the-job increase in drug traffic and drug abuse. The pamphlet is an addition to Kemper's management guide. Up to 50 copies may be obtained without cost. Write number 705 on the reader service card.

• Just starting your own business? Know someone who is? Kemper Insurance Cos.'s **Businessowners Guide To Insurance** may be a valuable explanation of the basic types of insurance that are available. It can aid businessmen in making common sense decisions about business and insurance needs. For a free copy write number 706 on the reader service card.

• You'll be able to read **What Others Are Saying About the Hewitt-Coleman Premium Retention Plan** in a promotional booklet published by the company. For a free copy write number 708 on the reader service card.

• A 51-page booklet of the Hartford Insurance Group explains in clear and concise language the various insurance policies and bonds offered by the Hartford. However, all the rules and requirements of each policy are not included because of the variations in policies in different states. For a free copy of **Insurance,** write number 709 on the reader service card.

• **Bibliography of Cost Indexes** is intended to give financial executives a summary of cost index sources applicable to construction, building, machinery and equipment valuations. The American Appraisal Co., which prepared the 31-page booklet, suggests technicians may want more detailed treatment of their specific interests. For a free copy write number 710 on the reader service card.

• Kemper Insurance Cos. policy and procedures for dealing with alcoholism are explained in **Management Guide on Alcoholism.** The 12-page booklet is not designed as a model program but as a resource for companies considering the adoption of alcohol, drug abuse and emotional problem programs. Up to 50 copies may be obtained without charge. Write number 711 on the reader service card.

• ESIS Inc. has prepared an illustrated brochure for prospective self-insurers explaining claims management, statistical, loss control, recovery and rehabilitation services available from ESIS to risk managers and corporate insurance buyers. ESIS is an INA Corp. company. For a free copy write number 712 on the reader service card.

• Revised and updated, **GAB's Little Red Book 1977** is a comprehensive directory of address and telephone numbers for the more than

650 GAB branches throughout the U. S., Canada, Caribbean and Europe. Also listed are the company's services and key executives. The 62-page booklet is available without cost by writing number 717 on the reader service card.

• **UAC Directory** includes general information about Underwriters Adjusting Company, its services and a list of the nearest regional service center and chief adjusters. For a free copy for the 68-page booklet write number 715 on the reader service card.

• **The Facts About Equifax** explains "who we are, what we do and what we don't do." Equifax, formerly Retail Credit Co., provides insurance and claims adjustment services. For a free copy write number 713 on the reader service card.

• **Yesterday/Today/Tomorrow** is a 23-page color brochure describing Great American Insurance Co. Included are sections on the company's history, products, services and the location of regional offices. A free copy is available by writing number 718 on the reader service card.

• **Financial Alert System** has prepared a four-page brochure outlining the system of the same name offered by Betancourt, Hummel & Co. to help individuals manage their personal finances. For a free copy write number 719 on the reader service card.

• **Protect Your Home From Fire** is a four-page checklist from the

The most compelling insurance story ever (under)written!

See page 33.

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On April 26, 1977, at a luncheon during the Risk and Insurance Management Society's annual conference, *Business Insurance* will present awards for outstanding achievement in communicating employe benefits programs. Awards will also be presented to consultants.

The competition officially opens on **January 1, 1977 for entries to be received** in the New York office of *Business Insurance* (note address below).

There are four categories of communication which will be judged by an independent panel selected by *Business Insurance.* **The categories involved are: Booklets . . . Personalized Correspondence . . . Audio-Visuals . . . Total Communications Program.** The competition is open to all companies and is not limited by the number of employes.

For more information about the competition, to obtain entry forms or to submit your employe benefits program, call . . . Ronnie Drachman, Awards Coordinator, 212/986-5050 or clip the coupon and send it to us as soon as possible.

Note: Entries will not be received after February 28, 1977. If your entry will be delayed, for any reason, please let us know.

Employe Benefits Communications Awards Competition

Mail to: Benefits Communications Awards • Business Insurance • 708 Third Avenue • New York, N.Y. 10017

Yes, I am interested in entering our communications program(s). Please send me _____ entry blank(s) and the competition rules.

Name, title _____

Company _____

Address _____

City _____ State _____ Zip _____

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Info for buyers

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• A brochure designed to make keeping a household inventory easier has been prepared by the Kemper Insurance Cos. For a free copy of **Who Needs a Household Inventory** write number 721 on the reader service card.

• **A Common Sense Introduction to Insurance** explains in layman's language the differences in basic insurance coverage for a home or apartment, car, health or income protection. It also discusses the most economical way to acquire these types of insurance. For a free copy write number 722 on the reader service card.

• The 14th edition of **The Insurance Marketplace** contains a listing of the coverages that are available, a director of insurance home offices and sections on aviation, international, marine and regional insurance. The listings are developed from an annual questionnaire sent to insurance companies and underwriting managers. For a free copy of the 130-page book published by the Rough Notes Co. write number 716 on the reader service card.

• **How To Handle A Catastrophe** is the title of a four-page promotional brochure from Underwriters Adjusting Co. of Chicago. The brochure's answer, by the way, is to call UAC. For a free copy write number 714 on the reader service card.

• **PROTECT YOUR HOME... For All It's Worth** with help homeowners estimate replacement costs in the event of a loss. The booklet provides a worksheet and floor plan to help policyholders determine if their house is insured to replacement value. For a free copy write number 723 on the reader service card.

• The American Appraisal Co. has prepared a four-page brochure on the new **Income Tax Credit and Component Depreciation.** It discusses how to identify qualifying property, costs and application. Tables compare potential tax credits by facility and depreciation methods. For a free copy write number 724 on the reader service card provided.

• **Insurance Consultants' Society** brochure includes information on risk management services provided by members of the society. Included is a mimeographed list of the members. For a free copy write number 726 on the reader service card.

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Millions in damages seen in LA explosion

SAN PEDRO, CALIF.—The 810-foot, 70,000-ton tanker Sansinena, which blew up in Los Angeles Harbor Dec. 17 with such force that many Los Angeles residents imagined the long-awaited earthquake had finally arrived, was owned by the Barracuda Tanker Corp. of Monrovia, Liberia, and was chartered by Union Oil Co., Los Angeles.

Four persons died in the explosion and fire. As of early January, the Los Angeles County coroners' office said it had two other bodies under examination. Fifty or more persons were injured.

Losses from the Sansinena explosion were still undetermined, although all sources agree the ultimate dollar figure will be in the millions.

Union Oil is a member of an insurance protection and indemnity (*P&I*) club called Standard Steamship Owners Protection & Indemnity Assn. Ltd., Bermuda. It provides unlimited liability coverage, according to informed sources.

The oil company also has hull and machinery coverage for $7 million with a $1 million deductible, underwritten 82% by Lloyd's and other London companies and 18% by various U.S. markets. The same policy also covers seepage, pollution and clean-up costs, including bodily injury and wreck removal, with no limit and a $1 million deductible. Marsh & McLennan brokers the policy.

That the tanker explosion caused widespread damage to property in the Los Angeles Harbor area was made clear in comments by Charles Olobri, supervisor, Underwriters Adjusting Co., Tustin, Calif., the group handling claims from the blast.

"The phones never stop ringing," he complained two days after the big explosion that reportedly shattered windows as far away as 21 miles. Most of the claims were for split walls and ceilings, broken glass and other damage to boats, boat facilities and autos.

Mr. Olobri said his company had received 3,000 claims but could not release a total dollar figure.

A Coast Guard inquiry into the explosion was told the blast was probably set off by a spark that ignited a cloud of gases from the ship's cargo tanks.

Union Oil also had other insurance coverages. Insurance sources said the company is a member of OIL, a Bermuda captive which provides oil company members with protection and indemnity coverage. Union Oil is believed to have paid about $100 million into OIL.

The oil company did acknowledge that both it and the Barracuda Tanker Co. are members of TOVALOP (tanker owners voluntary agreement concerning liability for oil pollution) and of CRISTAL (contract regarding an interim supplement to tanker liability) for oil pollution. TOVALOP is described as a "legally binding agreement among certain tanker owners designed to encourage avoidance and mitigation of pollution damage resulting from the discharge of oil from tankers which occurs as a result of marine casualties." Tanker owners participating in TOVALOP are required to cover all TOVALOP liabilities by obtaining insurance coverage either from the International Tanker Indemnity Assn. Ltd. or from a P&I club.

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CRISTAL is a voluntary agreement among various oil companies and the Oil Companies Institute for Marine Pollution Compensation Ltd. to provide compensation above certain limits to shipowners and bareboat charterers needing to be reimbursed for the costs of combating oil spills. Supplementary compensation for pollution damage triggered by an oil spill beyond the compensation legally obtainable or that available under TOVALOP is also supplied by CRISTAL. The amount of compensation available under CRISTAL for each incident of the reimbursement of owner's clean-up costs is $30 (U.S.) million less $125 per gross registered ton of the tanker or $10 million, whichever is less. ■

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Hospital malpractice rate increase seen

By ELISABETH M. MEYER

CHICAGO—Hospital malpractice insurance premiums are expected to increase between 15% and 30% in 1977, some insurance brokers and consultants believe. But others predict that pricing will be "flat."

The trend toward self-insurance, either through trust fund or captive arrangements, is expected to increase dramatically because of the anticipated relaxation of Medicare reimbursement regulations as well as the continued high costs of coverage, an informal survey found.

"Our clients are being quoted premium increases of 20% to 30%," said Eldon J. Klaassen, an actuary with The Wyatt Co., a consulting firm in Chicago. He noted this may be a "somewhat biased sample because those coming to us for assistance may be quoted higher rates. If the rate were not higher, then these hospitals would probably just renew."

"If no other factor is involved," said James L. Groves, risk manager for the American Hospital Assn. in Chicago, most hospitals would face increases of 20%. Loss experience "has nothing to do with it," he said, adding that this type of increase is "minor compared to what we've had."

"Pricing will continue to be about the same" next year because we "continue to be without adequate capacity," claimed a senior executive at a major national insurance brokerage firm. "So prices won't go down."

A proposed federal Medicare regulation would allow hospitals with actuarially sound trusts to insure themselves against malpractice. If enacted, Mr. Groves believes "all hospitals should consider it," although he pointed out that larger hospitals might find it more "financially feasible" than smaller hospitals.

Mr. Groves believes a smaller hospital might face in obtaining reinsurance for a self-insured layer of say, $100,000 for each loss.

"A minimum of $1 million for the primary insurance layer" is needed to approach the excess or reinsurance markets, explained a broker who asked for anonymity. Even then, only an additional $5 million to $10 million in coverage can be obtained, he added.

The AHA hopes to have its own reinsurance program in operation next month, Mr. Groves said. So far, 35 "pooled arrangements" including state hospital associations, religious and other groups have said they want to participate nationwide. Each will be "considered individually for their reinsurance coverage needs," he said.

"Just because you're in an association doesn't mean you're the same risk," countered Thomas D. West, vp at Alexander & Alexander Inc., another large insurance brokerage firm, New York. He acknowledged there is "definitely a trend toward hospitals grouping together" to resolve their malpractice insurance problems.

Mr. West warned: "Even though you're in the same business with the same problems, it's difficult to put a program together."

Mr. West said malpractice premiums will "stay level" for most hospitals nationwide next year. Rates "have peaked out at the top level," he noted.

Mr. Klaassen, the Wyatt actuary, said he "expects to see little of going bare next year. Those that did it this year will revert to a trust fund or a captive (because) they'll see it's not a wise way to go."

Trust funds, established as a self-insurance device to pay malpractice claims without commercial insurance, seem to be better suited to smaller hospital groups or individual institutions, Mr. Klaassen believes.

Captives require an estimated $1.5 million to $2 million each year to be operational, Mr. Klaassen said. For this reason, captives would probably be an attractive solution only for larger hospitals.

Mr. Klaassen predicted that "the number of trust funds (will) double next year." ■

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NAIC sets February deadline for residual market mechanism

PHOENIX—The insurance industry has until February to work out a residual market mechanism for product liability insurance or else the National Assn. of Insurance Commissioners will develop a plan of its own.

The NAIC is asking the nation's insurers to develop a voluntary, self-supporting mechanism rather than having one imposed by 50 states, which we think will happen," a source close to the NAIC told *Business Insurance*.

The purpose of the supplemental insurance market would be "to insure the availability of product liability insurance while issues are being studied and long term solutions are being analyzed," the NAIC said in adopting the recommendation at its semi-annual meeting in Phoenix. The residual market mechanism may be become necessary in several states."

The nation's property and liability insurers, working through a new industry-oriented advisory committee, were asked to report to the NAIC's subcommittee on the availability of essential insurance by Feb. 15.

The recommendation said the residual market mechanism could be, "for example, a syndicate or pool," but that it should "provide full insurance availability for full product liability coverage."

If an industry plan is not forthcoming, the "NAIC should consider for adoption some form of product liability residual market mechanism," the recommendation said.

"If they don't come up with a voluntary form of coverage while tort reform is being worked out, we'll have to work out some form of residual market mechanism," said a spokesman for Ned Price, a member of the Texas state board of insurance and chairman of NAIC's task force on product liability.

"We're not saying they have to change their underwriting standards," the spokesman said. "We're just asking them to examine some form of voluntary pooling arrangement."

At the NAIC meeting in early December a draft proposal for a product liability joint underwriting association was circulated for comment. "There was no real substantive comment, only opposition —they weren't saying why it wouldn't work," the spokesman said.

The NAIC task force on product liability will meet Feb. 25 to consider either the industry's or its own proposal for making product liability insurance available to those who can't obtain it through established markets.

Meanwhile, the scope of the task force was expanded to include any matter regarding the product liability situation, a large step beyond its original data-gathering role. The expanded scope will allow the task force to evaluate remedies "outside the insurance system," the spokesman for Mr. Price said.

The task force was also charged with developing a questionnaire to gather comparable information at the state level. Problems cropped up with a previous questionnaire when information received from some states was "sketchy," the spokesman said. Also, Kansas and Missouri concentrated on availability rather than affordability in that earlier effort, the spokesman said.

The NAIC also adopted a recommendation at its December meeting to survey the major surplus lines carriers and brokers regarding product liability insurance. Firms in California, Texas, Louisiana, New York and Alaska —which reportedly control 70% of the surplus lines business—will be queried some time this year. "There's no information on what's going into surplus lines," the spokesman said.

Another recommendation on reporting product liability insurance data will require insurers to list product liability insurance separately on an NAIC-required form called the uniform complaint handling procedure. This recommendation will take effect "as soon as we get notice to states and they amend their regulations," the spokesman said.

In other action, the NAIC's executive committee voted to commit $48,000 toward product liability research.

The advisory committee to the NAIC's task force on product liability will be chaired by William Pugh of INA, and will include representatives of the Hartford Group, Travelers, Aetna Life and Casualty, Sentry Insurance Co., Allstate, General Reinsurance Corp., Johnson & Higgins, Professional Insurance Agents (formerly the National Assn. of Mutual Insurance Agents), State Farm, Independent Insurance Agents, the Risk & Insurance Management Society and Liberty Mutual. ■

Spinal cord injuries

The Insurance Institute for Highway Safety says spinal cord injuries suffered in automobile accidents cost society $828 million a year.

The Institute said a five-year study of spinal cord injuries found the average cost of an injury was $156,680. There were 5,300 injuries a year. Two-thirds of the victims are under age 36 and two-thirds are men. Only a small number ever functionally recover.

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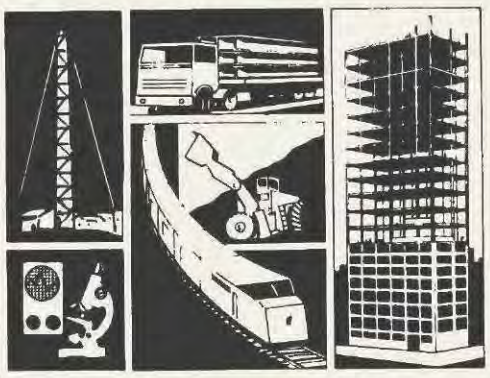

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Hewlett-Packard benefits from combined plans

By JOANNE GAMLIN

PALO ALTO, CALIF.—Last January Hewlett-Packard Co. consolidated its three group health plans into a single program and moved that plan and a separate dental program from an insured to a self-insured basis.

Now, nearly a year later, the company believes the move was a wise one.

Arthur Young, benefits manager, told *Business Insurance* a major virtue of the consolidation is the simple, readily comprehensible design.

The program covers domestic hourly and salaried employes. It pays 100% of reasonable and customary hospitalization changes including room and board. Additional accident coverage pays 100% of expenses up to $300 and 80% of expenses above $300. Physician, surgery and other covered expenses are paid at 80% of costs after $50 deductible is satisfied.

The plan's exclusions are few, according to Mr. Young. They include physical checkups, well baby care and glasses. If the infant delivery is normal, maternity care is paid at 80% of costs; if complications ensue, the plan steps in and picks up 100% of the tab.

Psychiatric care is partially paid by the plan, continued Mr. Young. Part of group health coverage, outpatient psychiatric care is paid up to 80% of $20 a week. Inpatient psychiatric care is considered a part of hospitalization coverage. The lifetime maximum for psychiatric care is $50,000, a portion of the $250,000 lifetime maximum for the group health program.

The group health program deductibles are $50 annual maximum for an individual and $150 yearly maximum for a family.

The principal motivation behind the consolidation, said Mr. Young, was to give Hewlett-Packard's 22,000 domestic employes (the company also employes about 11,000 overseas workers) a clearer insight into their choice between the new required health maintenance organization (HMO) option and the group health plan.

He disclosed that the company has picked the Kaiser plan for its San Francisco Bay Area workers. Seattle area employes are being given the option of joining the Group Health Co-operative of Puget Sound, the state of Washington HMO; the 80 workers who reside in the Los Angeles area are being directed to Maxicare, Torrance, Calif., and the 2,500 to 3,000 employes in the Fort Collins, Colo., area are being given the name of Choice Care.

Hewlett-Packard group health and dental plans had been insured by Connecticut General. But with the move to self insurance, Prudential Life Insurance Co. was named to provide administrative services only (ASO).

"We figured that the financial advantages of an ASO contract would reduce future premium costs," Mr. Young said.

The separate dental insurance program pays 80% of reasonable and customary costs for such services as diagnostic work, preventative and restorative treatment and oral surgery. In addition, it pays 50% of the costs of major surgery such as bridges and $500 for straightening teeth.

The dental program carries a per person annual maximum of $1,000, with a lifetime maximum of $500 for orthodontia.

Both plans are contributory.

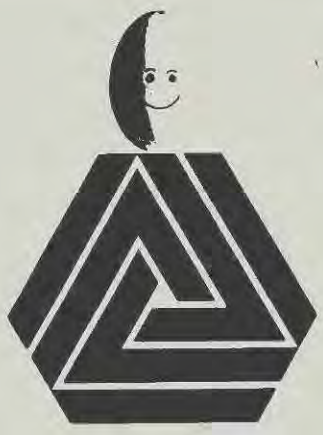
"We try to pay 60% of dependents' medical costs," said Mr. Young, "but this group must take care of itself when it comes to dental insurance premium costs."

Long term disability (LTD) coverage, begun in 1965, is insured with Connecticut General. Mr. Young said that the primium cost is about evenly split between the employe and Hewlett-Packard. After 90 days the plan pays two-thirds of an injured worker's monthly earnings. After three years, the disability benefits are integrated with Social Security and the benefit level advances to 75% of monthly earnings. In accordance with state law, rehabilitation is a provision under the LTD program.

Basic life coverage, which translates into $3,000 of company-paid benefits, is effective at the date of hire. At that time, employes become eligible for supplemental life insurance which can be purchased in amounts based upon a schedule. Granted concurrently with participation in the retirement program on the Nov. 1 after three years of service, term life insurance pays a maximum of $50,000 in benefits, company paid.

In the fall of 1975, Hewlett-Packard also moved to make life easier for older workers and retirees. Workers who leave their jobs at age 60 after 10 years of service can now continue to receive group medical benefits until age 65, although dependent premiums must be paid by the participants, according to Mr. Young. He said that, at the same time, the company introduced a health insurance plan that dovetails with Medicare. ■

Watch your benefit program improve before your very eyes! See page 33.



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Brooke plan draws fire from insurance industry

NEW YORK—Sen. Edward M. Brooke's proposal to prevent insurance company insolvencies drew strong opposition from insurance company spokesman at the annual meeting of the Insurance Services Office.

The Massachusetts Republican's proposal, entitled "The Federal Insurance Act," would set up a dual regulatory system governing guaranty funds. Companies would be allowed to choose either state or federal regulation.

Sen. Brooke told his critics that the system under his bill, S. 3884, would be similar to that which is now available to banks and savings and loan associations. Insurance companies could either remain in state guaranty funds or could opt for federal charter.

The Massachusetts senator said he introduced the bill because state guaranty funds are in such terrible shape that they might not be able to adequately protect policyholders if a major company were to be declared insolvent.

Despite this concern for policyholders, no representatives of any insurance buyers' organization were consulted while the law was being drafted, said Jerry Buckley, the senator's counsel on the Committee on Banking, Housing and Urban Affairs.

Mr. Buckley said the bill's drafters did not wish to create undue public alarm that a crisis situation was brewing with respect to insurance company insolvencies and for that reason did not consult any policyholders, even those on the sophisticated corporate level.

The ISO panel in which Sen. Brooke participated also did not include any representatives of commercial insurance consumers. But the insurance industry spokesmen on it as well as participants from the floor of the meeting presented a series of arguments against his proposed legislation.

Joseph DeCaminada of Atlantic Mutual Insurance Co. pointed out that the largest insurance companies would probably opt for a federal guaranty system while small insurance companies would remain in the state guaranty funds.

Mr. DeCaminada questioned what this would mean for the solvency problems of the states if small insurers were left to bear the burden after the large companies entered the federal system.

Sen. Brooke replied that the loss of larger companies would also remove some of the risk burdens of those remaining.

James S. Kemper Jr., a panelist and the chairman and chief executive of the Kemper Insurance and Financial Cos., said the complete rating freedom which would be introduced by the bill would produce "a competitive nightmare" for most companies. He also accused the Brooke bill of "freezing out" small insurance companies from the proposed federal system, because it would limit participation to those firms with at least $7.5 million in capital and surplus.

Mr. Kemper further noted that since 1964 $150 million had been paid out for 106 insolvencies. Of the five states in which the largest amounts were paid, he said, three are thought to have as good a regulatory process as the one proposed by the Brooke bill.

Many of the arguments against the Brooke bill reflected the industry's worry that there would be confusion under two separate systems of regulation. An agents' spokesman warned that the bill was the start of creeping federal encroachment on every part of life. Others griped that a federal charter system would mean another statistical organization would need to be formed in addition to ISO.

No one brought up the underlying reason why Senator Brooke wrote the bill until Edward J. Noha, chairman and chief executive of CNA, called for his colleagues to examine that question more closely.

Mr. Noha said that the senator saw a real problem in insolvencies and is attempting to do something about it. But what was happening

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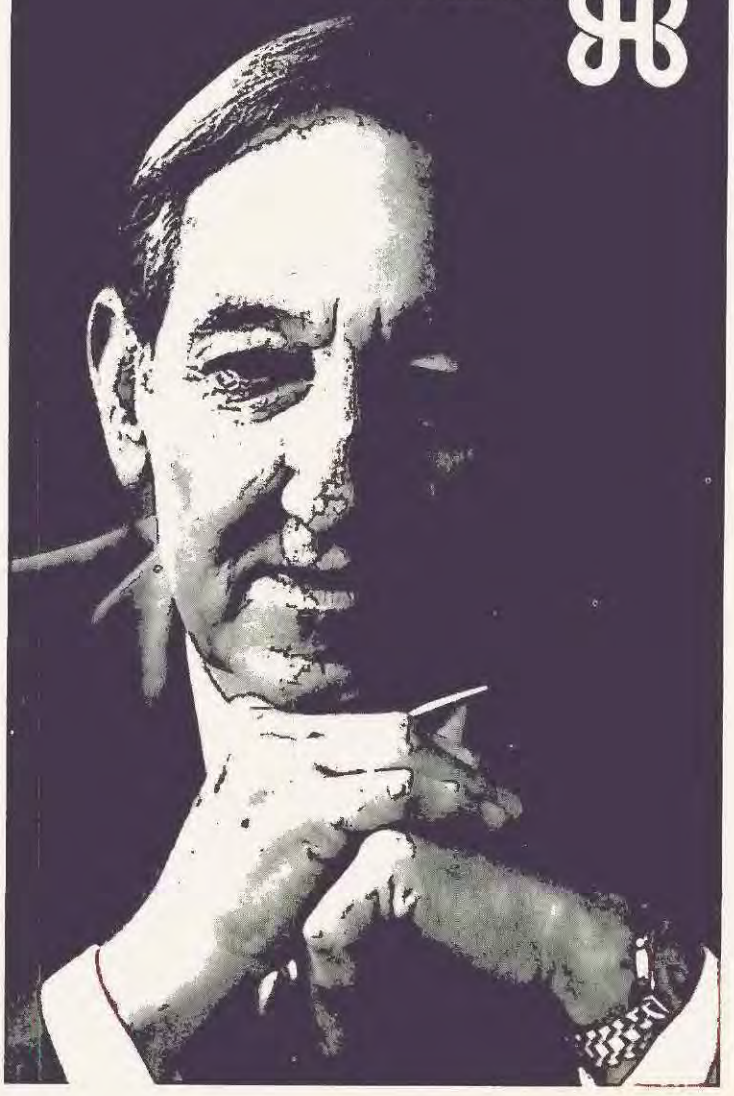

was that the industry responded by getting into a wrangle over the merits of state versus federal regulation and ignoring the underlying specter of insolvency.

"We're losing sight of the fact that the damned industry is in trouble. Our time is running out and that's the gut issue," Mr. Noha declared.

After his statement, the panelists and others attending the ISO meeting suggested varying approaches. Edward H. Budd, outgoing chairman of the ISO and president of The Travelers Insurance Cos. suggested that the insurance industry be given a broader financial base to deal with insolvency. He proposed federal funding without regulation, an idea Senator Brooke immediately opposed. "Congress isn't going to give you a blank check," he told Mr. Budd.

Other suggestions included one that a federal guaranty association be set up, similar to the one for the securities industry, and that basic insurance problems could be solved through integrity of data.

Sen. Brooke explained that his bill, which he introduced before the 94th Congress adjourned so that it would be available for discussion, would give insurance companies the choice of seeking federal or state charters. If they choose a federal charter, they would be exempted from state regulation for solvency purposes, but would be subject to federal standards.

Companies which opted to obtain a federal charter would also obtain federal insolvency insurance for a fee and would be exempt from assessments by state guaranty funds. They would have complete freedom in setting their own rates, but they would also lose their immunity from antitrust action which they now enjoy under the McCarran Ferguson Act, Sen. Brooke said.

The ISO annual meeting also featured the announcement of election of the following officers: Jack Moseley, executive vp of United States Fidelity & Guaranty Co., chairman of the board of directors; Waverly G. Smith, president of St. Paul Fire and Marine Insurance Co., vice chairman; and Daniel J. McNamara, president. ■

North Sea risks need analysis

LONDON—Risk analysis programs for North Sea oil production ought to be augmented because its hostile environment increases the chance of accidents, Jakob Eri, offshore director for Det Norske Veritas, Oslo, told a U.K. conference.

His organization is the Norwegian marine classification society which has moved into checking equipment for use in the offshore and related industries.

Mr. Eri told delegates to a London risk management seminar that "detailed hazard analysis programs might be useful in order to reach an acceptable level of safety in offshore activities in this area.

"Conditions in the North Sea are far different from those in the Gulf of Mexico, and provide greater safety problems.

"It is important to bear in mind that safety from hazards can never reach 100%, so not only the risks, but the chances of them occurring, have to be taken into consideration to present a full picture."

A complete hazard analysis is not easy to carry out, Mr. Eri said, but it ought to include:

- Risk identification and measurement in terms of frequency and severity.
- Risk analysis to clarify causes and effects by use of a "probability" theory, statistics, systems analysis and other factors.
- Consideration of possible measures to control risks, to manage and/or limit the consequences, and to handle repairs and so on.

"Human reactions in emergency situations are of special interest," he suggested. ■

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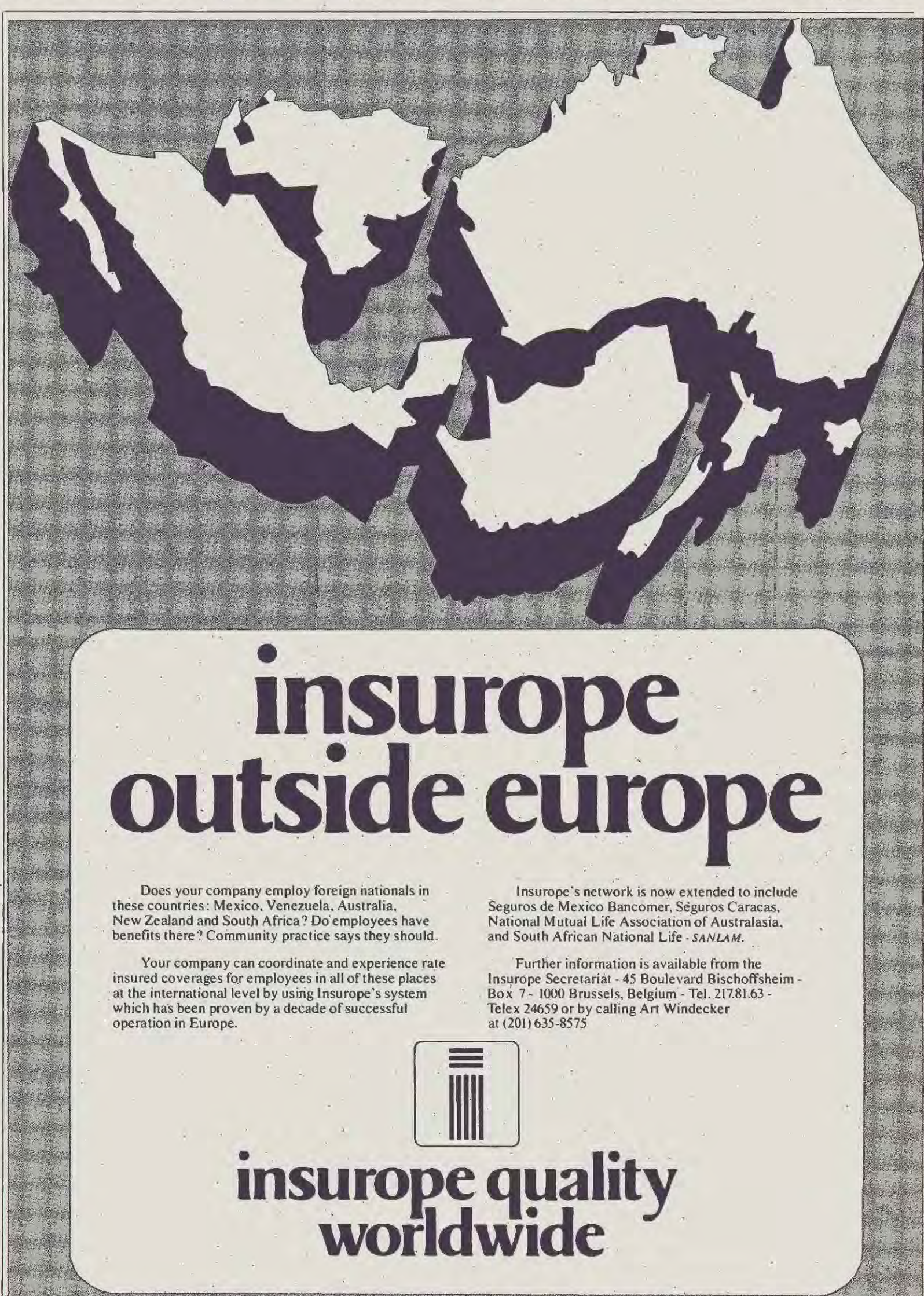

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Pension wrapup . . .

Continued from page 1

tion insurance.

But a common response came from John Hanson, vp and actuary with the Wyatt Co. in Chicago, who said, "I've never understood those figures." Others said the figures were misleading since defined contribution plans were relatively easy to revise to comply with ERISA. The defined benefit plans are still being changed, they said, and the figures will reflect that in the future.

"When ERISA was first passed there was a great deal of comment that the best way for employers to cop-out would be to move from a defined benefit to defined contribution plans," said Jim Biggs, a principal with Peat, Marwick & Mitchell. "But I haven't seen any substantial movement in that direction among our clients.

"There has been a great deal of talk but very little action," he said.

Don Sullivan, vp in charge of the employe benefits division at Towers Perrin Forster & Crosby Inc., said many of his clients considered switching but decided against it.

Almost all the consultants were opposed to replacing defined benefit plans with defined contribution plans. "If you assume the objective is to provide adequate retirement income, defined benefit plans are the way to go," said Mr. Biggs.

Thomas E. Wood, a partner with Hewitt Associates, said he is concerned over actions taken without proper analysis. Money purchase plans, for example, miss the retirement income target for most employes. Defined contribution plans "don't have the disadvantages of defined benefit plans," he said, "but the cost of administering a capital accumulation plan is also substantial."

What is actually happening, Mr. Wood said, is that companies wanting to make retirement plan improvements are adding defined contribution plans to their programs rather than improving their defined benefit plans. Plans such as profit sharing avoid many ERISA requirements, he said, but also help to identify the employe with the corporation.

Johnson & Higgins' Mr. Becker agreed that corporations were opting for decent defined contribution plans combined with savings or profit sharing plans rather than deluxe defined benefit plans. But he and others added that this has always been an attractive option, since younger employes don't appreciate the need for income that may be 30 years away.

Another development in this area is adding a "floor" to benefits accumulated under profit sharing plans to combine the best features of the two types of plans, according to TPF&C's Mr. Sullivan. A company, for example, would agree to contribute at least 40% of a worker's pay to a profit sharing plan no matter what the profits, assuring a basic retirement income. Hewitt Associates is also doing work in this area, Mr. Wood said.

Only two of the consultants said they had encountered any companies terminating their pension plans and suggesting their workers establish IRA accounts. Peter Bleyler with Alexander & Alexander said consideration of IRAs comes from "companies with a pretty crummy plan in the first place. When the top guy realizes he's only going to get $1,500 a year, the talk stops quickly."

Two consultants have worked with large companies in suggesting IRAs. Phil Baily, a principal with Olaine, Hurst & Hemrich in Los Angeles, said his firm had helped a 2,500-employe electronics manufacturer terminate its pension plan and add cash bonuses to encourage IRAs. Garnett Henson, head of the consultants with Booke & Co. in Winston-Salem, N.C., said 10 to 15 of his clients had brought up the IRA option and he expects a number to go that route in reaction to ERISA requirements.

The cost of improving retirement benefits to comply with ERISA has varied widely, depending on how strict were a plan's eligibilty and vesting requirements. But the consultants said most of the large corporations were at or near the levels proscribed in the law.

Mr Wood with Hewitt said some employers providing supplemental cost of living increases outside the pension system had been hit with major increases. But that may not have been bad, he said, since it gave the companies a clearer picture of future liabilities.

David A. Barton, a pension consultant for William Mercer Inc., said the increased costs to his clients ranged from 3% to 35%. Alexander & Alexander's Mr. Bleyler said some clients had faced 20% increases, but the average was 5%.

But complying with the administrative requirements is another story. Jim Biggs with Peat, Marwick & Mitchell called the administrative costs at from 400% to 500%.

"I know a risk manager who has not had time to look at his firm's casualty coverage since the day ERISA was passed," said Bob Lindgren with A. S. Hansen in Chicago.

"The administration has been extremely burdensome," said Mr. Henson with Booke & Co. "Even with the larger companies we've seen a lot of difficult problems."

Some placed the cause of the problems on the law rather than the people who have been interpreting it. "We would not chose to be critical of the people in Washington trying to deal with one of the worst pieces of legislation in years," said Hewitt's Thomas Wood. Mr. Becker with Johnson & Higgins said, "I sympathize with the difficulties. The main problem is caused by dual regulation (by the Labor and Treasury Departments) which is an enormous burden."

The consultants gave mostly high marks to the Pension Benefit Guarantee Corp. Garnett Henson echoed a common complaint when he said Washington's wishy-washy attitude in promulgating rules, suspending them and extending deadlines had created an atmosphere of uncertainty.

Peter Bleyler singled out a "two year runaround" on how to determine years of service as an example of difficulties created by the regulators. Jim Biggs said Peat, Marwick & Mitchell often goes to the IRS or Labor with a specific problem only to be told, "That's very interesting. We haven't encountered that before. Do you have any suggestions?"

A few of the consultants pointed to the Labor Department. A. S. Hanson's Mr. Lindgren called the early regulations from that department "horrendous." John Hanson, Wyatt Co., said he would just as soon have Labor out of the picture.

Continued on page 57

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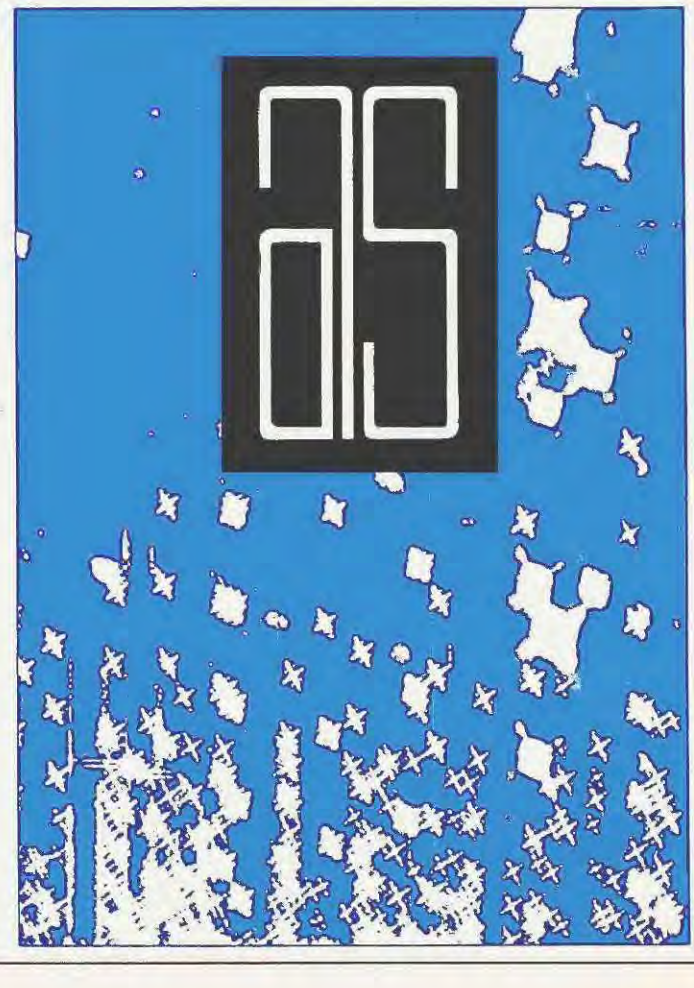

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Retail business policy is offered by insurer

CHICAGO—American Reserve Corp. unveiled a property and casualty insurance policy for retail businesses designed to broaden the company's base in commercial insurance.

The policy provides coverage for liability, medical expense, business interruption and building and contents on a named-peril basis. One endorsement provides all-risk property, building and contents replacement, crime, employe dishonesty, rental income and all-risk glass coverage.

American Reserve said the policy is designed for stores with less than 7,500 square feet. Most of the buyers are expected to be renters.

The Chicago-based financial corporation now writes non-standard auto insurance—motorcycles, mobile homes and recreational vehicles—in 27 states. It also writes some specialized commercial insurance such as apartment buildings and beauty shops.

"It's our first venture on a broader scale into commercial insurance," Robert H. Hutchins, executive vp for marketing, said.

Several years ago Allstate Insurance developed a retail business policy using two fixed forms, he explained. Independent insurance agents, especially those in Florida, asked the Insurance Services Office to come up with a program to compete with Allstate. But the ISO program was almost identical to the Allstate approach.

"We said, 'let's see if we can do what they want,'" Mr. Hutchins said. "While this simplified, packaged approach makes sense from an insurers standpoint, it sacrifices flexibility. The retailer is the one penalized if neither program particularly fits his business."

Allstate Insurance had no comment on the American Reserve policy.

The policy will be available in 17 states including California, Florida, Indiana, Pennslvania and Illinois. "We put it in those states where we feel we can service the producer and the business," Mr. Hutchins said.

Rating is determined by the location, type of building, risk class contents and volume of business.

The American Reserve policy follows the indemnity approach of health insurance in its business interruption coverage. The business is paid a specific amount per week for a length of time worked out by the buyer and agent when the policy is sold. The policy is also written in simplified language.

The policy will be sold through two American Reserve subsidiaries, Reserve Insurance Co. and American Reserve Insurance Co.

"At this juncture we don't want to compete with the big writers of commercial risks," Mr. Hutchins said. "I'm not sure they can consistently make money on that business with the price cutting involved." ■

Pension . . .

Continued from Page 56

But most of the criticism was directed at the IRS. "My personal feeling is that the IRS is well steeped in its traditional lack of concern for the problems at the other end," said David Skovron with Kwasha Lipton. Mr. Baily in Los Angeles praised the attitude of Labor, but said the IRS, resenting the intrusion of other agencies, had been a stumbling block.

Many consultants said their clients had been forced to reallocate personnel to handle the burdens of ERISA, costs which are very hard to assign figures to.

Not all the consultants agreed the administrative burdens were excessive. Mr. Becker pointed out that if a pension plan with pre-ERISA administrative costs of 5% experiences an increase of 60%, the actual increase in total costs would be 3%, from 5% to 8%.

They said they expected the present bulge in administrative costs and consulting fees to decline in the future. But costs will continue at a higher level than before ERISA because of the increased reporting and information keeping requirements.

What do the consultants think about ERISA two years after its passage? "We were suffering from some admittedly horrible situations," one said. "But I am not sure collectively we could steal enough to offset the cost of the regulations."

But David Barton with Mercer echoed a more common view. "The pluses outweigh the minuses because there is added protection and more disclosure."

The law has given consultants a chance to do some creative thinking and revise pension plans, said Mr. Becker. "Perhaps it's also given us a greater avenue to top management and boards of directors," said Kwasha Lipton's David Skovron. ■

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Ernest C. Hundalh, 28, joined Geosource Inc. in Houston as corporate risk manager. Mr. Hundalh will be responsible for the property and casualty insurance program at the company which makes specialized equipment for the oil industry. He was previously with The Western Co. of North America in Fort Worth and will report to B. G. Lessey, director of corporate cash, credit and insurance.

* * *

Frank Brady, 42, has been hired by the aircraft division of Northrop Corp., Los Aangeles, to handle insurance and risk management for the division's largest international operation in Saudi Arabia. Mr. Brady reports to Alan Troop, corporate director of insurance. Mr. Troop said that Mr. Brady's duties involve carrying out insurance program as directed from corporate headquarters. Mr. Brady formerly worked for Transworld Insurance Brokers, Beverly Hills.

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BI names 5 to new positions

CHICAGO—Greg David was named managing editor of *Business Insurance,* filling a position left open since January 1976 when Susan Alt was promoted to editor.

At the same time, Marie Krakowiecki was promoted to eastern editor of the newsmagazine and Margaret LeRoux was named feature editor.

Mr. David is now responsible for assuring the smooth production of *Business Insurance* every other week. He was previously an associate editor, joining BI in October 1976 from the Charlotte (N.C.) Observer where he was an assistant editor.

Ms. Krakowiecki has been with *Business Insurance* and its sister publication, Pensions & Investments, for over four years as an associate editor. As eastern editor, she will continue her news gathering role and will be responsible for a regular feature column in the publication.

Ms. LeRoux as feature editor will solicit and coordinate contributed articles which appear in the Perspective section of the newsmagazine. She has been an associate editor since joining *Business Insurance* in 1975. Ms. LeRoux will also continue reporting on risk management and employe benefits.

Suzann Lebda replaced Diane DeRocher as editorial production manager. She was previously assistant editorial production person on Advertising Age, a sister publication. Ms. DeRocher left the magazine after five years to travel indefinitely.

Kathryn McIntyre Roberts joined *Business Insurance* as associate editor, replacing Jane Winebrenner who left the magazine after 10 months. Ms. Roberts has been a freelance contributor to Time magazine and local newspapers in the Chicago area. She also has worked as a reporter for the Lake Placid (N.Y.) News. She has a BA from Syracuse University. ■

Lloyd's assn. officers

Robert W. Bird has been elected chairman of the Assn. of Lloyd's Brokers. Joining Mr. Bird, of George F. Brown & Sons Inc., are Robert F. Wood, Alexander & Alexander Agency Inc., as vice president; Vern F. Damarin, Frank B. Hall & Co., secretary, and Alexander Wayne, Stewart Smith Mid-America Inc., treasurer. Mr. Wood was elected chairman of the Lloyd's Surplus Lines Assn. of Illinois. Mr. Bird was elected vice chairman of the Illinois group.

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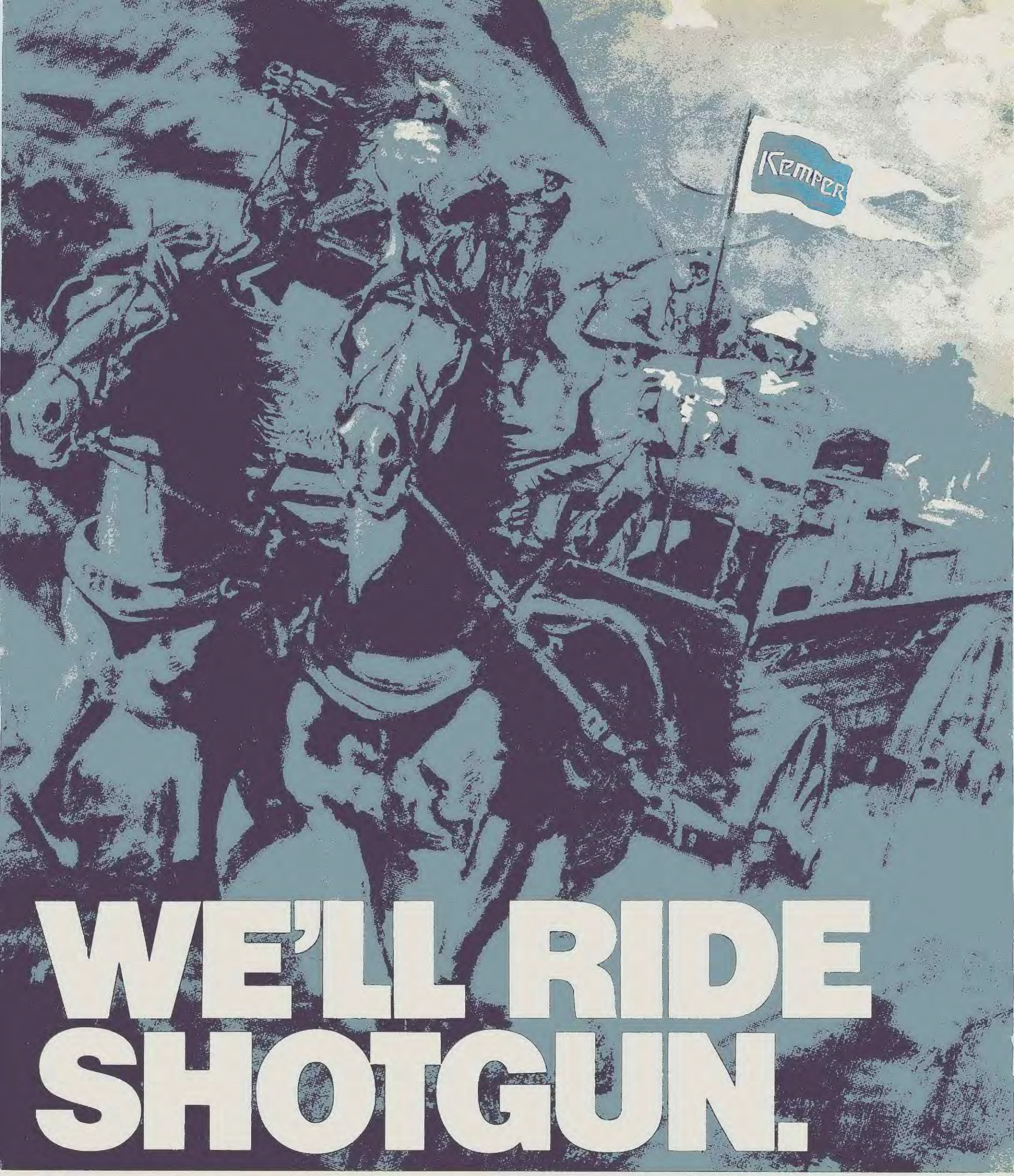

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