

WEEK OF JANUARY 11, 1982

business insurance

update:

Expert witnesses picked in MGM fire litigation

LAS VEGAS, Nev.—A university insurance professor and a former law school dean will serve as expert witnesses to answer coverage questions stalling the MGM Grand Hotel fire litigation.

Emmett J. Vaughan, Ph.D, CPCU, CLU, is a University of Iowa professor of insurance. He is also associate dean for external

Continued on next page

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

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Cuts pass costs to employers

Administration hopes to reduce Medicare payments to workers

By JERRY GEISEL

WASHINGTON—Employers will have to pay most of the health care costs of older workers if the Reagan administration gets its way.

The administration is expected to unveil next month, as part of its proposed fiscal 1983 federal budget, legislation that would shift most medical and hospital costs from the federal Medicare program to employer group health insurance plans for workers who stay on the job after 65.

The legislation would require employers to provide the same group health insurance benefits to older workers as they offer to employees under 65.

Nationwide, this shift could boost employers' health care costs by at least \$250 million a year, congressional sources say.

If the legislation were enacted, nearly every employer would be forced to overhaul its group health

insurance plan. Most employers, under so-called Medicare "carve out" plans, now only offer supplemental benefits to workers over 65 to pick up costs not covered by Medicare.

Under the administration's plan, cost-shifting would be turned around so that the employer's health plan would be the primary payer of older workers' medical care bills; Medicare would become a supplemental program.

Employers with generous health insurance plans and a high proportion of older workers would be hit with the highest costs, consultants say.

The government says the change is needed to take some of the pressure off the financially troubled Medicare program, which was enacted in 1965 to provide health insurance coverage for people over 65.

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Small businesses lose loans

By LEN STRAZEWSKI

WASHINGTON—Small businesses have lost a major tool for meeting the cost of complying with Occupational Safety & Health Administration regulations, and a brief era of small business advocacy at OSHA seems to be over.

Limping from funding cutbacks, the Small Business Administration no longer is offering small companies loans to help pay for changes needed to meet OSHA safety rules. The SBA is also limiting guarantees of bank loans.

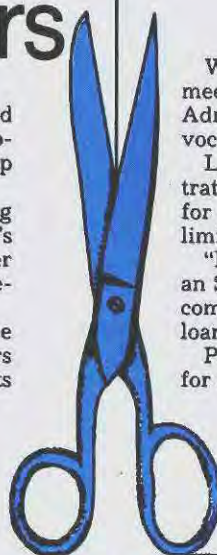
"It's all part of the overall budget cuts," explains Glenn John, an SBA financial analyst. "Our funding bill passed this summer combined most of our loans in one category: nonphysical disaster loans. And these were not funded."

Public Law 97-35, passed by Congress on Aug. 13 cut funding for the compliance loans and also shaved the SBA general business loan budget from \$4 billion to \$2.8 billion for 1982.

The loan programs were a major component of the small business/OSHA detente forged late in the Carter administration (BI, April 28, 1980).

OSHA had appointed a special assistant for small business

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'Community' risk manager fights crime

By STEVE SHERWOOD

HOUSTON—Armed with an arsenal of risk management skills, Bob Kendrick is fighting crime in Houston.

As executive director and part-time risk manager of Crime Stoppers of Houston Inc., Mr. Kendrick plays the role of a community risk manager—preventing the loss of life and property caused by crimes.

Crime Stoppers, a hotline program that encourages citizens to act as informants to help the Houston Police Department crack felony cases ranging from armed robbery to murder, uses anonymous tips, monetary rewards and heavy publicity to get the job done.

To make the program work, Mr. Kendrick, a former Army special agent and risk manager for the Foley Division of Federated Department Stores Inc. in Houston, will use some standard risk management tools.

As a non-profit organization, Crime Stoppers is protected from many liability exposures, but Mr. Kendrick, who started in his new post Jan. 1, after being involved in the program since its inception in 1981, will enforce safety precautions necessary to prevent injury to those who help the crime-fighting effort.

"Our risks are relatively small," says Mr. Kendrick, whose risk management duties are only one of 14 functions he performs as executive director.

The insurance program is rather mundane, he admits. It includes workers compensation coverage for himself and any future employees, auto liability coverage and general liability insurance for office premises. He may also purchase directors and officers liability coverage for Crime Stoppers' board of directors when he finalizes the



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Michigan, Florida employers receive work comp rate relief

By EILEEN NORRIS and STEVE SHERWOOD

As the new year gets rolling, employers in two states are celebrating significant decreases in workers compensation insurance rates, and another state has resolved to consider competitive rating for work comp coverage.

In Michigan, if there were a scoreboard to the latest bout over workers compensation reform, it might read Business: 1; Labor: 0; and Insurers: -1.

Legislation that took effect Jan. 1 requires insurers to reduce their workers compensation insurance rates by 20% this year and again in 1983. It also makes it tougher for workers to qualify for benefits.

The rate reduction order was followed immediately by a "voluntary" offer by the rating group that files on behalf of the state's workers compensation insurers to reduce their overall rate levels by 22%—but for one year only. However, the two-year mandated reduction stands.

In November, the Workers Compensation Rating & Inspection Assn. of Michigan asked Insurance Director

Nancy A. Baerwaldt for a 5.5% decrease in insurance rates—denying at the time that its request was tied to the plan by Michigan Democrats to seek a 20% reduction in rates.

Meanwhile, employers in the state are embracing the good news about the lower rates and tougher eligibility rules.

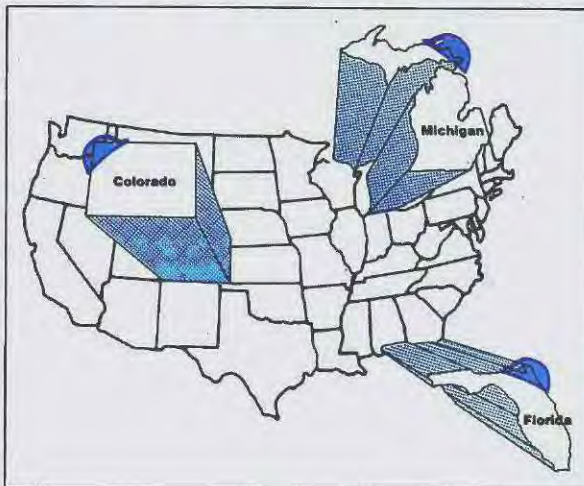
Gov. William G. Milliken signed a package of 12 workers compensation reform bills that, among other things, will tighten up and redefine the definition of disability. One of the bills also excludes employee benefits from being calculated into the base of workers compensation benefits. Another puts a 90-day cap on the time employees have to file claims after an injury.

New legislation also requires coordination of workers compensation benefits with Social Security, workers compensation benefits from other

states and other benefits; limits attorney and physician fees; and requires workers undergoing rehabilitation to accept jobs they are capable of performing.

On the other side, one bill makes employers figure in

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INSIDE:

Jardine hoping Bache will grow under its care
Page 2

PBGC sues Harvester over unfunded plan
Page 3

Consultant offers legal plan to employees

Hoping to set an example for its clients, Ruland & Mattingly, an employee benefit consulting firm based in southern California, has added group legal insurance as a new benefit for its 36 employees.

The new benefit, underwritten by The Travelers Insurance Co., offers employees free legal advice through Law Phone, a telephone arrangement with The Law Store, a group of legal advice offices throughout California.

The plan also offers a myriad of other services including work on wills, adoptions, guardianship, name changes, consumer protection and real estate.

Employees will be allowed unlimited use of Law Phone, which operates 24 hours, seven days a week. Law Phone, company officials say will give employees fast,

benefit beat

easy access to attorneys

The legal insurance benefit is offered at no cost to all employees. It costs Ruland & Mattingly \$5 per month for single employee coverage and about \$12 per month for employees with family coverage.

New employees must undergo a one-month waiting period before becoming eligible for the benefit. Employees can make unlimited calls to Law Phone for legal advice and are not limited to the number of times they can have certain other legal services performed during the year.

Employees share the cost of basic services. The benefit schedule, established by The Travelers, in-

cludes the following categories:

- Wills—\$30 to \$125.
- Purchase or sale of real estate—\$125.
- Consumer protection matters—\$35.
- Adoption—\$350 and up.
- Name change—\$175 and up.
- Guardianship—a maximum of \$500.

Ruland & Mattingly, with offices in Pasadena, Irvine and Solana Beach, will market a similar program to its clients in southern California.

The Ruland & Mattingly plan is the first group legal insurance package marketed by The Travelers.

Benefits increase

Employees of New York City's private trash hauling firms will receive an additional \$3 per week for insurance and other benefits in the third year of a new three-year contract.

Management agreed to contribute \$3 per week per employee to the union's welfare fund, of which \$1 per week will be earmarked for insurance benefits.

Martin Adelstein, a spokesman for the International Brotherhood of Teamsters Local 813, which represents the 1,800 trash collectors, said the benefits increases will be added to the package in the third year of the contract after the union's board of trustees decide which benefits to increase.

Trustees will consider changes in

the medical, dental, life and vision insurance plans, which are underwritten by a host of insurers including Blue Cross. Employees currently have a choice of two different types of dental plans, one of which is a contract arrangement that's operated on a closed-panel basis.

Mr. Adelstein declined to discuss specifics of the workers' current insurance package.

The new contract was ratified after the trash haulers staged a 17-day strike. The workers also received a \$81 per week pay increase over three years.

Revised dental plan

Employees of Armstrong World Industries Inc. in Lancaster, Pa., are being offered an upgraded dental plan that offers them higher coverage limits and a smaller deductible.

The new program also contains new provisions that could allow some employees to be eligible for benefits sooner than they were under the company's old plan.

The new dental plan, upgraded as a result of contract negotiations between the company and the Local 285 of the United Rubber Workers, which represents the 1,750 employees at the plant, pays 60% of all reasonable and customary charges for preventive, restorative and orthodontic work, up to a maximum of \$750 per employee or family per year. The previous limit had been \$500.

Employees now pay a \$15 per-claim deductible compared with the former \$30 per-claim deductible.

The new program allows employees to participate after 12 continuous months of service, beginning their first day of employment. The old plan required a 12-month waiting period, but that period began on the first day of the employee's first full month of employment. Thus some workers had to wait almost 13 months to be eligible.

Connecticut General Life Insurance Co. is the underwriter of both the dental plans.

Pension benefits

Employers are increasing their pension benefits more frequently, according to a new survey.

Some 88% of 95 major companies surveyed by Towers, Perrin, Forster & Crosby, a New York-based international management consulting firm, boosted pension benefits since the beginning of 1979.

The median period between pension increases was two years. In a similar TPF&C study conducted in 1979, the interval between pension increases was three years.

The median increases for retirees who retired in 1970 raised the original monthly pensions 24% to 39%. For 1975 retirees, the median increases ranged between 12% and 19%.

The vast majority of companies granted the increases on an ad hoc basis; only 3% of surveyed companies provided automatic pension increases. Companies that did provide automatic benefit increases, usually limited the increases to 3% or 4% a year.

Eighty-three percent of the surveyed firms funded the pension benefit increases through the pension plan.

The remaining 17% tapped their general funds or used a combination of sources to obtain the additional retiree income.

Made any benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

CAS — Claims Administration System — is demonstrably best. Since its birth, CAS has gone through several improving evolutions. The latest version went live in 1977 and now has more than 30 users, including over two dozen Fortune 500 companies and the Australian Health Insurance Commission (which, alone, handles over 10,000,000 claims a year). No other computerized claims system even vaguely approaches this level of tested acceptance.

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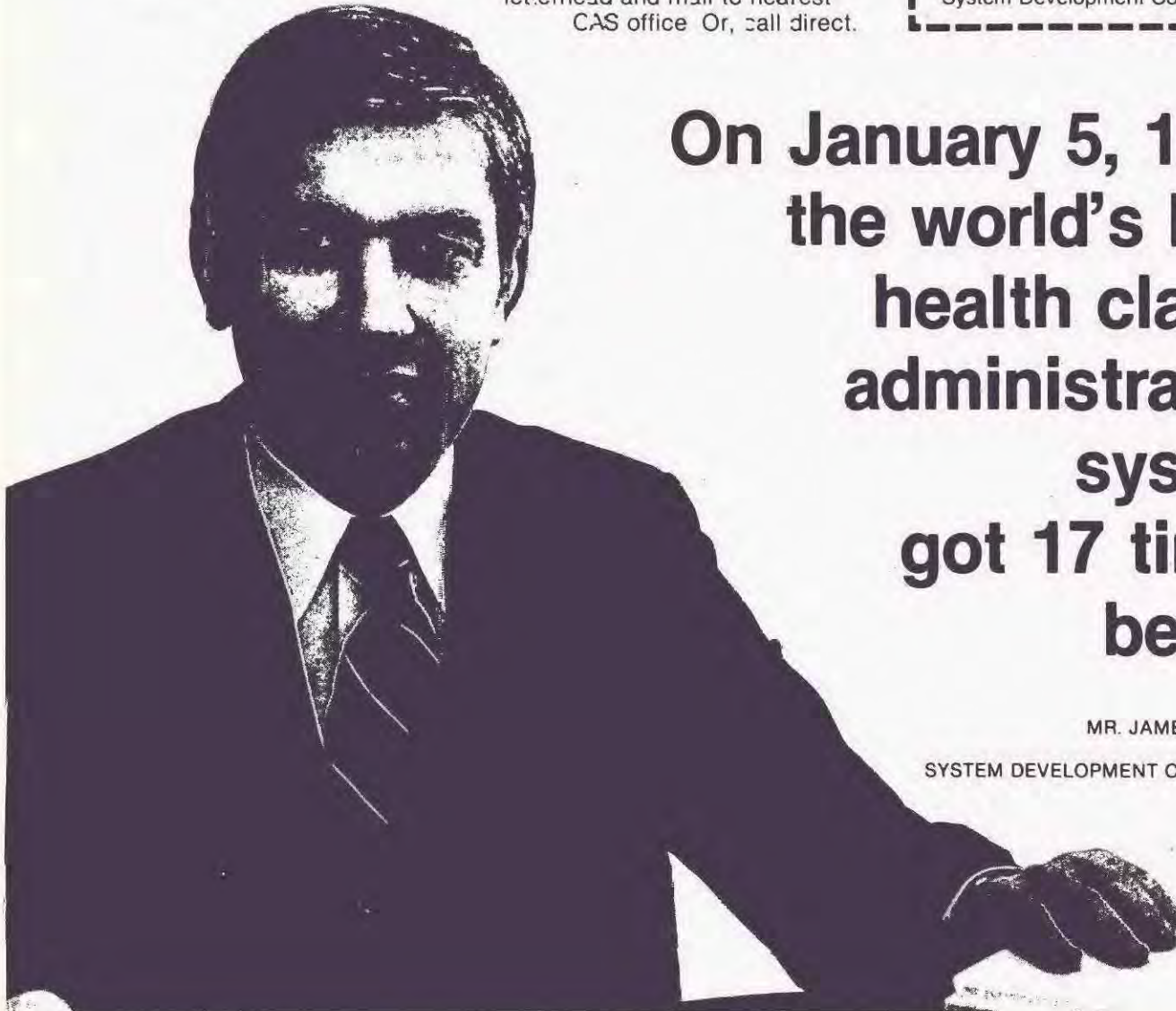
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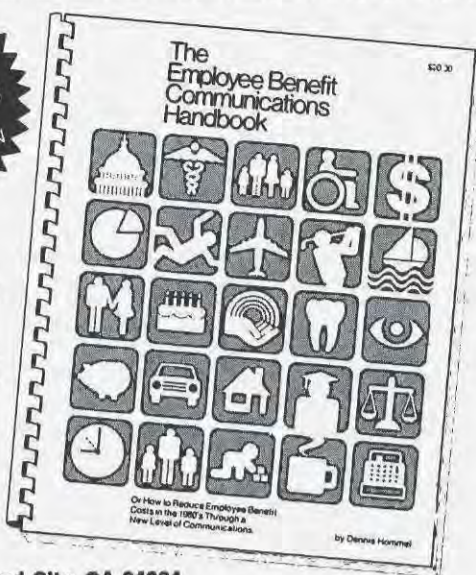
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Federal health plans hit with big rate hikes

By JERRY GEISEL

WASHINGTON—The federal government, which is seeking ways to combat soaring health insurance costs nationwide, is having trouble keeping costs under control in its own health insurance program.

Participants in the federal program, which is the nation's largest health insurance program, were hit Jan. 1 with premium increases averaging 31%. Many of the plans involved reduced benefits, and deductibles were raised in some cases.

An "unprecedented" rise in health care costs is to blame for the record premium increases, according to the Office of Personnel Management, the federal agency that oversees the 126 different health

insurance plans that cover about 10 million federal employees, dependents and retirees.

Employees enrolled in the most popular federal health insurance plan—Blue Cross/Blue Shield high-option family coverage—now pay monthly premiums of \$90.49, up from \$66.13 in 1981, a 36.8% increase.

At the same time, the federal government now pays a monthly premium of \$86.53 for employees who opt for the family coverage, compared with \$77.22 in 1981, a 12% rise.

The total monthly premium for this high-option family coverage is \$177.02, a 23.5% increase from the 1981 total premium of \$143.35. The plan covers 3.6 million people.

While the major insurers participating in the federal program have increased premiums by more than 20%, many of the roughly 100 participating health maintenance organizations have been more successful in containing costs.

For example, the nation's largest HMO, the Kaiser Foundation Health Plan in Oakland, Calif., which serves members in the northern California area, increased its charges only 5.6% to \$115.18 per month from \$109.09 in 1981.

An employee who opts for family high-option coverage under the Kaiser plan, however, saw his costs actually decrease thanks to an increase in the federal contribution toward the plan to \$86.39 from \$77.22. The employee now pays a monthly premium of \$28.79, compared with \$31.87 in 1981, a 9.6% drop.

Similarly, the cost of family health coverage for federal employees in another giant HMO, Health Insurance Plan of Greater New York, increased just 6.4%, to \$114.12 a month in 1982 from \$107.27 in 1981. With the federal contribution increased to \$85.59, employees now pay monthly premiums of \$28.53 for family coverage, down from \$30.05 in 1981.

However, both Kaiser and Health Insurance Plan slightly reduced some benefits. For example, Kaiser boosted the registration charge for office visits to \$5 from \$1, while the New York plan now covers 80% of private, inpatient nursing care after the first 72 hours. Previously, inpatient nursing care was fully covered.

Federal workers hit with big cost increases won't be able to switch to lower-cost plans—at least not yet. The OPM recently won a court order that temporarily delays the government's traditional "open season," in which employees can switch health plans.

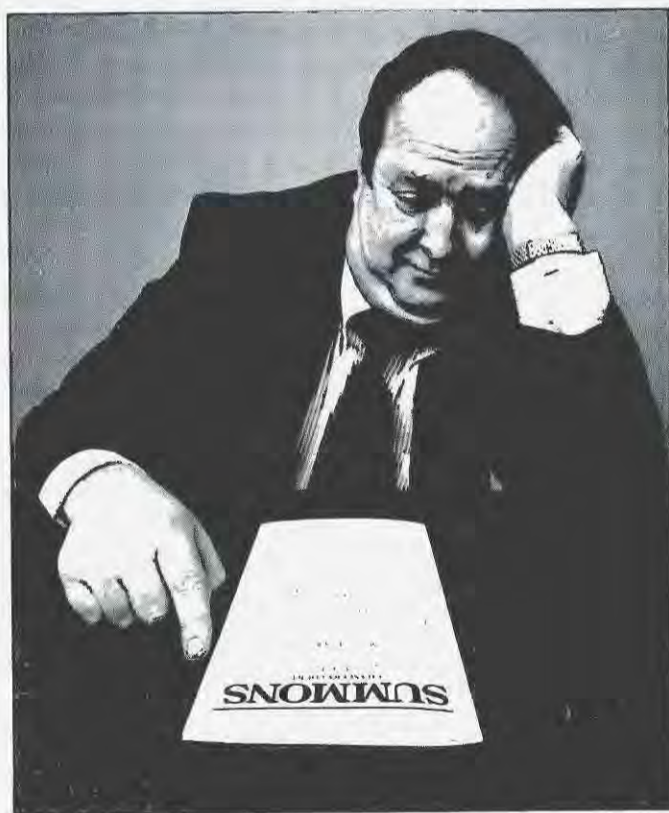
In other federal benefit changes, the BC/BS plans, along with Aetna Life Insurance Co., the second-largest plan with about 1 million participants, both buckled under government pressure and eliminated coverage for voluntary abortions. Several other major plans will continue to offer full abortion benefits.

The BC/BS plans also are eliminating alcoholism treatment coverage and slashing psychiatric benefits. The BC/BS high-option plan will cover only the first 50 outpatient psychiatric visits; in 1981, there was no limit.

In addition, most federal health plans increased deductibles. For example, the annual deductible in the BC/BS high-option plan is now \$200, up from \$150, while the deductible in Aetna's high-option plan climbed to \$200 from \$75.

This year, the federal health insurance program is expected to cost \$4.9 billion, a \$515 million increase. The government's share of the cost will rise to \$2.39 billion, a \$400 million increase.

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JAN 18. Vermont, The Risk Retention Act and the Expanding Role of the Captive seminar in New York, sponsored by the American Risk Management Group; \$85. Also **Jan. 20** in Cleveland and **Jan. 22** in Chicago. Cathy Conrad, American Risk Management Group, 1 Executive Drive, Fort Lee, N.J. 07024; 201-592-7100.

JAN. 18-19. Mine Accident Liability seminar in Las Vegas, Nev., sponsored by The Energy Bureau Inc.; \$50. Robert W. Nash, Executive Director, The Energy Bureau Inc., 41 E. 42nd St., New York, N.Y. 10017; 212-687-3177.

JAN. 18-19. Preparation of Annual Disclosure Documents program in New York, sponsored by the Practising Law Institute; \$290. Also **Jan. 28-29** in San Francisco. Practising Law Institute, Department UYC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

JAN. 18-20. Physical Security workshop in Orlando, Fla., sponsored by the American Society for Industrial Security; members, \$295; non-members, \$375. ASIS, Education and Seminar Programs Department, Suite 651, 2000 K St. N.W., Washington, D.C. 20006; 202-331-7887.

JAN. 18-21. Financial Analysis for Risk Management Decisions seminar in Dallas, sponsored by Cozzolino Associates Inc.; \$685. Cozzolino Associ-

ates Inc., 12 Chippenham Drive, West Berlin, N.J. 08091; 609-784-7105.

JAN. 21-22. Noise and Hearing Conservation symposium in Pittsburgh, sponsored by Mobile Hearing Services Ltd. and J.N. Sheffey Associates; \$275. Gary W. Schurman, Course Director, Gamma Building, Suite 115, 4068 Mt. Royal Blvd., Allison Park, Pa. 15101; 412-487-5222.

JAN. 25-27. Fundamentals of Property and Casualty Insurance seminar in Dallas, sponsored by the American Management Assns. AMA members, \$625; non-members, \$720. Also **Feb. 1-2** in New York. American Management Assns., 135 W. 50th St., New York, N.Y. 10020; 212-246-0800.

JAN. 25-28. Industrial Safety Awareness course in Los Angeles, sponsored by the University of Southern California; \$525. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90007; 213-743-6523.

JAN. 25-28. National Insurance and Protection Conference of Financial Institutions in New Orleans, sponsored by the American Bankers Assn.; financial institution employees, \$375; non-financial institution employees, \$475. Shelly Davis, Program Coordinator, American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-467-4048.

FEB. 1-2. Captives, Texas and the 1980s seminar in Austin, Texas, sponsored by Risk Alternatives Inc.; \$350. Risk Alternatives Inc., Box 1765, Austin, Texas 78767; 512-442-0954.

FEB. 1-2. Construction Insurance Costs conference in Dallas, sponsored by the International Risk Management Institute, \$395; for the half-day primer, \$95; for half-day session on cash flow, \$95. International Risk Management Institute, Suite 208, Building III, 10300 N. Central Expressway, Dallas, Texas 75231; 214-363-9656.

FEB. 1-2. Financial Costing of Risk Management seminar in Irving, Texas, sponsored by the Risk Management Institute, University of Dallas; \$395. Professor Bruce D. Evans or Julie Allan, University of Dallas, Risk Management Institute, University of Dallas Station, Irving, Texas 75061; 214-579-5360.

FEB. 3-4. Linking Up the Risk Manager seminar in Irving, Texas, sponsored by the Risk Management Institute, University of Dallas; \$295. Professor Bruce D. Evans or Julie Allan, University of Dallas, Risk Management Institute, University of Dallas Station, Irving, Texas 75061; 214-579-5360.

FEB. 8-9. Defending the Professional program in Washington, D.C., sponsored by the Practising Law Institute; \$275. Also **March 25-26** in San Francisco. Practising Law Institute, Department VTC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

FEB. 8-9. Practical Law and the Security Manager program in Arlington, Va., sponsored by the American Society for Industrial Security; ASIS members, \$240; non-members, \$325. ASIS, Education and Seminar Programs Department, 2000 K St. N.W., Suite 651, Washington, D.C. 20006; 202-331-7887.

FEB. 8-9. Third Annual Petroleum Insurance conference in Houston, sponsored by the Professional Development Institute of North Texas State University; \$395. Joanne Paulman, Conference Center, Professional Development Institute, North Texas State University, Box 13288, Denton, Texas 76203; 817-788-2483.

FEB. 8-12. Recognition of Occupational Health Hazards seminar in Los Angeles, sponsored by the University of Southern California; \$415. Office of Extension and In-Service Programs, Institute of Safety and Systems Management, University of Southern California, Los Angeles, Calif. 90007; 213-743-6523.

FEB. 9-12. Hazardous Materials seminar in Nashville, Tenn., sponsored by the Hazardous Risk Advisory Committee in cooperation with agencies of the Nashville metropolitan government; \$100; after Jan. 8, \$125. Hazardous Risk Advisory Committee, Seminar Registration Desk, Metro Civil Defense, Floor 7N, Metro Courthouse, Nashville, Tenn. 37201; 615-259-8145.

FEB. 11-12. 12th Annual Employee Benefits Institute in San Francisco, sponsored by the Practising Law Institute; \$275. Also **April 1-2** in New York City. Practising Law Institute, Department VOC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

FEB. 11-12. Hazardous Waste Litigation seminar in New York, sponsored by the Practising Law Institute; \$300. Also **March 25-26** in New Orleans. Practising Law Institute, Department VKC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

FEB. 15. One-Day Benefits Briefing program concerning Taft-Hartley trust funds in Phoenix, Ariz., sponsored by the International Foundation of Employee Benefit Plans; members, \$130; non-members, \$155. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

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OSHA shifts liability for worksite violations

By JERRY GEISEL

WASHINGTON—In a policy shift, the Occupational Safety and Health Administration said it will hold subcontractors liable for health and safety violations at multi-employer construction worksites.

Previously, the agency usually cited the primary contractor for violations, whether or not the subcontractors were at fault.

"Our revised policy will finally clarify which employer is more immediately accountable for violations at multi-employer worksites," said OSHA chief Thorne Auchter.

"It ensures that the employer most responsible for and the best able to correct a worksite hazard will receive a citation."

Under the revised policy, citations will not be issued under these conditions:

- The employer did not create the hazardous condition.
- The employer did not have authority or ability to correct the hazard.
- The employer has made a reasonable effort to persuade another employer that does have control to correct the hazard.

washington

Airline safety

Despite the reduction in the number of air traffic controllers, commercial jet travel is safer than ever, statistics show.

For the first time in U.S. aviation history, more than two years have passed without a fatal crash by a large passenger jetliner, the Federal Aviation Administration says.

In a 26-month period, which included the firing of 11,453 air traffic controllers, there were no fatal accidents involving large passenger jetliners. That is eight months longer than the previous record period, which was February 1964 to August 1965, the FAA said.

In other aviation categories, FAA statistics show:

- Commuter airlines had nine fatal accidents that accounted for 27 deaths in 1981, compared with six fatal accidents and 23 deaths in 1980.
- Air taxi, or service-on-demand aircraft, had 28 fatal accidents and 78 deaths last year, compared with 35 fatal accidents and 98 deaths in 1980.
- General aviation had 674 fatal accidents and 1,251 deaths in 1981. That compares with 644 fatal accidents and 1,284 deaths in 1980.

Trustees sued

Seven trustees of a Pennsylvania multiemployer pension plan improperly loaned \$1.5 million to an affiliated benefit plan, the Labor Department says.

In a suit filed in U.S. District Court in Pittsburgh, the department charged that trustees of Local 102 Sheet Metal Workers Pension Plan made two loans totaling \$1.5 million at below-market interest rates to the sheet metal workers' journeymen-apprentice training fund.

Under ERISA, trustees can only loan plan assets on terms that are in the best interests of participants.

The suit seeks to prevent the defendants from violating ERISA again. It also asks that the defendants be required to reimburse the plan for any losses that may have occurred as a result of violations of the law.

The defendants named in the suit are Harry Crytzer, Paul Donovan, Karl Fahrion, John Kennedy, Mathew Miller Jr. and Ambrose Meade.

Social Security

Social Security should be over-

hauled and turned into a voluntary program, a conservative-oriented research group says.

The Heritage Foundation also says that benefits should be directly based on contributions and that at least half of the benefits should be taxed.

Social Security payroll taxes have soared during the last 15 years because of the "program's departure from strict insurance principles and the inclusion of a sizable unearned component in the payment of benefits," according to the foundation.

The poor elderly, who receive a greater percentage of Social Security benefits compared with wages than those who are wealthier, should receive financial help from other benefit programs funded by general tax revenues instead of relying on Social Security, the group says.

Federal regulations

When President Reagan took office a year ago, he promised to cut

down on the number of government regulations.

If the Federal Register is a guide, this presidential promise has been kept.

In 1981, the Federal Register, the publication issued five times a week that lists government regulations and proposals, totaled 63,553 pages. That's a 25% decrease from 86,000 pages in 1980, the Carter administration's last full year in office.

"It's a testimony to what we've done," one White House aide says, adding that it's proof the president has delivered on his promise to cut red tape.

While the size of the Federal Register may be shrinking, the Reagan administration will have to do a lot more pruning if it wants to reduce the number of government proposals to the levels of a decade ago.

For example, the number of pages printed in the Federal Register in 1970 totaled 20,000. Five years later, the Register had grown to 60,000 pages.

Fireman's Fund establishes new reinsurance subsidiary

The San Francisco Reinsurance Co., a subsidiary of Fireman's Fund Insurance Cos., has been established to write treaty and facultative reinsurance worldwide.

The new market, with paid-up capital and surplus of \$25 million, has attracted several foreign insurance companies as investors, with Fireman's Fund retaining the majority interest.

The four initial investors are Baloise Insurance Co. Ltd. of Basel, Switzerland; Nippon Fire & Marine Insurance Co. Ltd. of Tokyo (pending approval of Japanese government); National Insurance Co. of New Zealand of Dunedin, New Zealand; and Victoria Fire & Marine Insurance Co. of Dusseldorf, West Germany.

Fletcher Phelan, a vp at Fireman's Fund, is San Francisco Re's president and chief operating officer. The company has offices in San Francisco, New York and Coral Gables, Fla. It plans to open offices in foreign nations.

Fireman's Fund, which writes about \$60 million in reinsurance business annually, will transfer this line to San Francisco Re.

Japanese license

Transatlantic Reinsurance Co. has obtained a license to

markets

operate in Japan, becoming the only non-Japanese reinsurer to be granted such a license.

TransReCo, which is owned by American Home Assurance Co., part of American International Group, and seven other shareholders, estimates that the Japanese insurance market accounts for \$16 billion in direct insurance premiums annually.

"A Japanese license will enable TransReCo to provide the additional reinsurance capacity that will be called for as world market conditions change and the Japanese insurance industry continues its pattern of sustained growth," says M.R. Greenberg, chairman of TransReCo and president of AIG.

Division expanded

Fred S. James & Co. Inc. has expanded its financial research and planning division to better serve clients outside the Northeast.

The division, which offers financially based risk management studies and risk handling programs and services, will be headquartered in Nashville, Tenn., as a complement to its original New York operation.

Acquisitions

Crump London of Wisconsin Inc., a newly formed subsidiary of

E.H. Crump Cos. Inc., has purchased American X/S Underwriters, a Milwaukee-based excess, surplus and specialty lines brokerage firm.

Penn General Agencies of Massachusetts Inc. has acquired Cohen-Goldenberg Insurance Agency, a property/casualty insurance agency in Boston.

Trunk injuries most frequent at work

CHICAGO—What are the parts of the body most commonly injured in industrial accidents?

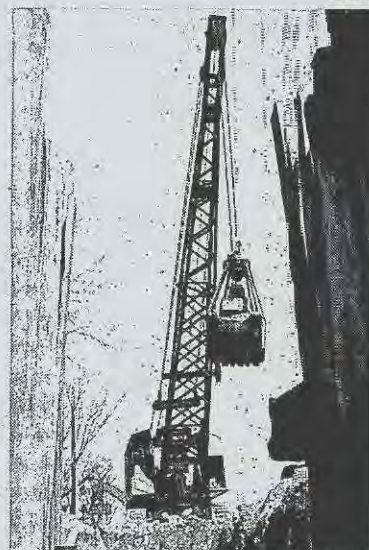
According to a study published in the National Safety Council's 1981 edition of "Accident Facts," the trunk of the body is by far the most often injured at a worksite.

The complete ranking in-

cludes:

- Trunk—29%.
- Fingers—15%.
- Legs—13%.
- Arms—9%.
- General injuries—9%.
- Hands—7%.
- Head (except eyes)—6%.
- Feet—5%.
- Eyes—5%.
- Toes—2%.

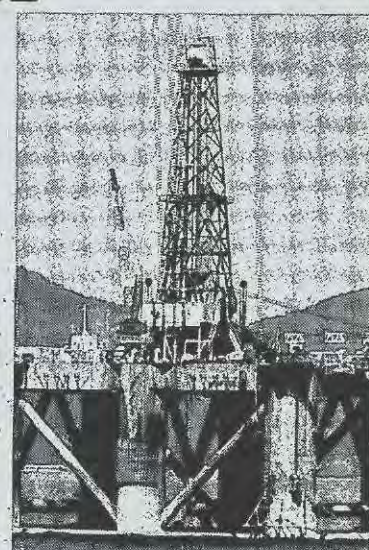
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editorial opinions

Protect employer and employee

REAGAN ADMINISTRATION budget cuts went too far when they gutted important programs that improve small business compliance with safety regulations.

The position of special assistant for small business within the Occupational Safety and Health Administration is vacant. This special assistant was to identify rules that might be burdensome to small businesses and then suggest adjustments to make them workable.

And the Small Business Administration no longer has money to lend to small businesses that need cash to make safety improvements to comply with OSHA regulations.

Both very worthwhile efforts were begun under the Carter administration in 1978 (*BI*, April 28, 1980).

We recognize that OSHA has gone a long way, under both President Carter and President Reagan, to reform safety regulations so they will protect workers without crippling business. But we fear that without one staffer assigned to the task, OSHA could lose sight of the special problems of small businesses. We also are concerned that there are small businesses so strapped for money they can't make needed safety improvements.

OSHA should appoint another person whose sole responsibility is to pay special attention to the interests of small businesses and be available to advise them or their representatives on safety issues.

The SBA must wait until the 1984 appropriations to seek funding for OSHA compliance loans, but, in the meantime, it should set as its priority approving valid requests for loan guarantees associated with OSHA compliance. With its loan guarantee authority cut to \$2.8 billion from \$4 billion, the SBA will have some hard decisions to make when reviewing loan guarantee requests.

We agree that when one is concerned with the revitalization of U.S. business, it can be a hard choice between guaranteeing a loan for a promising business expansion and guaranteeing a loan to comply with an OSHA regulation, which doesn't offer immediate increased production.

But if you believe that the existing OSHA regulations are valid, it's the choice between developing businesses and the health and well-being of workers.

No one should be so blinded by the drive for business development to ignore unsafe working conditions.

letters

Long-term disability article requires elaboration

To the editor: Allan B. Checkoway's article in the Perspective section, "Disability," has much to commend it (*BI*, Sept. 21). However, I take the following exceptions to it:

- According to the latest morbidity data (the 1971 Experience Modification of the 1964 Commissioners' Disability Table), the likelihood of a 40-year-old male becoming disabled prior to age 65 for at least 90 days is 27.8%—not 47.7%.

- Accordingly, the compound probability of at least one such disability occurring among four 40-year-old men is 72.8%—not 92.5%.

- Evidently, Mr. Checkoway recognizes the relative infrequency of having four 40-year-old male principals in a business; therefore, he qualifies the former example by referring to "...four principals...with an average age of 40..."

However, in connection with the above premise, the following should be noted:

- It is immediately invalidated by the author's compounding of only the age 40 data.

- It is specious to refer to an "average age" in dealing with actuarial probabilities, since changes in incidence at varying ages are generally logarithmic—not uniform.

- Contrary to Mr. Checkoway's implication that an employer-paid (insurance) benefit results in no tax consequence to the employee, the employee would not enjoy such full exemption from income tax unless he had treated the employer-paid premiums as taxable compensation or the "wage continuation" benefits—in general—were less than \$100 a week and "adjusted gross income" (including such benefits) did not exceed \$15,000 per annum.

- In his hypothetical examples, the author makes further errors: The five executives who each earn an average of \$40,000 receive 40%—not 44%—of their company's \$625,000 payroll. True, "key man B" may receive a group LTD benefit of only 33% of salary, while "A" receives 43% of his salary. Although this may be a difference of "10 percentage points," B's benefit is 23.3%—not 10%—less than A's! And, compared with A's, B's total benefits may be "18 percentage points" less; however, they are not 18%—but 30%—less!

- "Residual" benefits under individual disability coverage are not based on the degree of disability but upon the degree of income loss attributable to a disability; therefore, though a catchy sales phrase, it

is incorrect to call it a "long-term partial" disability benefit.

- I would be interested in knowing how one insures loss of "deferred compensation." Or is this a play on words?

- As a tactical matter (and of no little consequence to the executives), I would not view the individual contract as an alternative to group LTD coverage, but— from an underwriting standpoint—as the initial "floor" over which I would then superimpose the group protection.

George C. White, CLU
George C. White Insurance
Massapequa Park, N.Y.

■ *Mr. Checkoway replies:* The reference material that I referred to in citing the likelihood of a 90-day or longer total disability is correct.

Next, in reference to an average age of 40 among four men, I find that is the easiest and most understandable way to make a general point.

Mr. White's point on five executives earning an average of \$50,000 (not \$40,000) is correct in that it's 40% of payroll.

"Residual" is generally referred to as "long-term partial" and is, in my opinion, the most widely recognized way to refer to "residual."

Relative to deferred compensation, I was referring to a deferred compensation payment as not insurable, as income, under group LTD. For example, if you earned \$50,000 in salary and had an additional \$10,000 put into a deferred compensation program, your income for "covered payroll" purposes would only be \$50,000 under a group LTD plan. Otherwise, under a non-cancelable program, your total "created income" of \$60,000 could be insured.

Other points in my article require some clarification and elaboration:

There are many problems created when a business owner continues salary to non-productive, disabled employees without a formal sick-pay program (as currently recognized in IRS guidelines). In my opinion, without a formal, written wage continuation agreement established prior to disability, the salary payments would not be deductible to an employer as a necessary business expense.

Also, regarding Social Security, in 1981, Social Security disability payments could be worth up to \$1,000 a month, tax-free. Were an employer to continue the salary of a disabled employee, that employee

would then be ineligible to collect Social Security disability payments (assuming qualification under the Social Security definition of total disability), as normal salary was being continued.

Moreover, if the employer was continuing salary payments to a non-working, disabled employee, normal deductions would still be taken out of the wages.

In showing the main differences between individual and group disability coverages, a comparison should refer to a general representation of businesses, with a range of 10 to 50 employees. This would cover the majority of the number of businesses insured under group disability plans.

Some key factors to consider are:

- There are group LTD plans available offering benefits up to \$10,000 per month. Since high monthly maximums are dependent upon occupational class as well as the average incomes of the highest-paid people, \$4,000 per month is a realistic maximum benefit to illustrate in the 10-to-25 employee range.

- There are "own occupation to age 65" definitions of total disability available under group LTD. This benefit is still "rare" and only offered to "select" occupations in certain size groups. Moreover, there are restrictions imposed upon return to work in "another gainful occupation." Since I am not aware of a true long-term own occupation definition as offered under individual policies, a "two-year own occupation" definition is representative of most group plans in force today.

- Pension, deferred compensation and profit-sharing contributions are typically not insured by group LTD plans. Bonus and extra commission income ("prior year W-2 income") can be insured as "covered payroll."

My purpose is not to criticize group LTD, as I consider it the best way to fill the disability benefit needs of an entire group. However, I strongly urge the consideration of non-cancelable disability income as a supplement to group long-term disability programs, especially for higher paid people.

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

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Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 E. 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 25 Bedford Square, London WC1B 3HG, England. \$1 a copy. \$40 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East or add \$35 for air delivery. First-class mail to U.S. and Canada only, add \$5. WILLIAM STRONG, vp-circulation. BARBARA RANDICK, circulation manager. ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex: 25-4248; Cable: CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.



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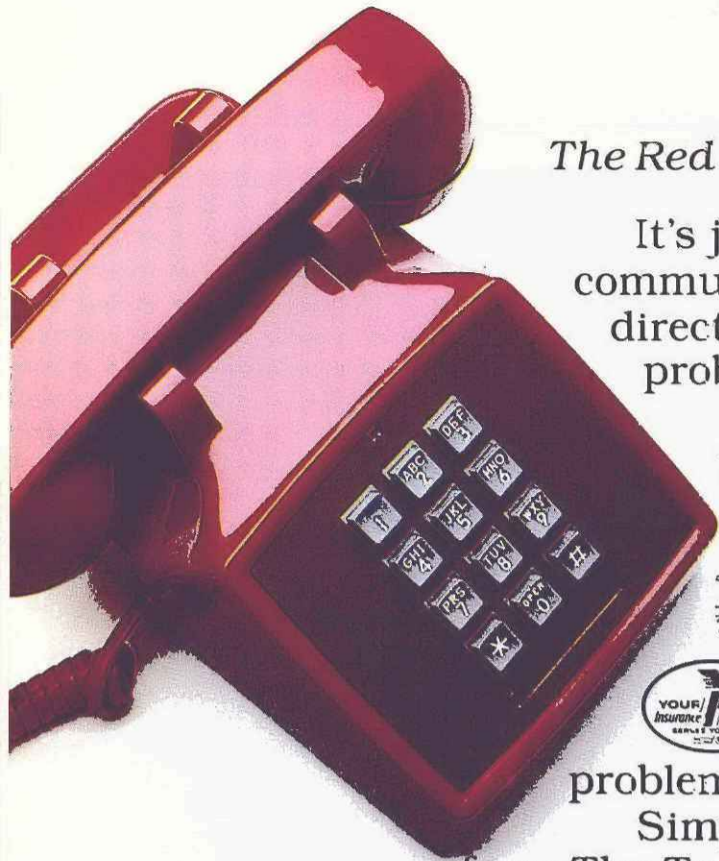
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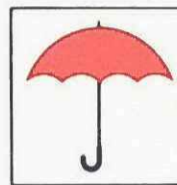
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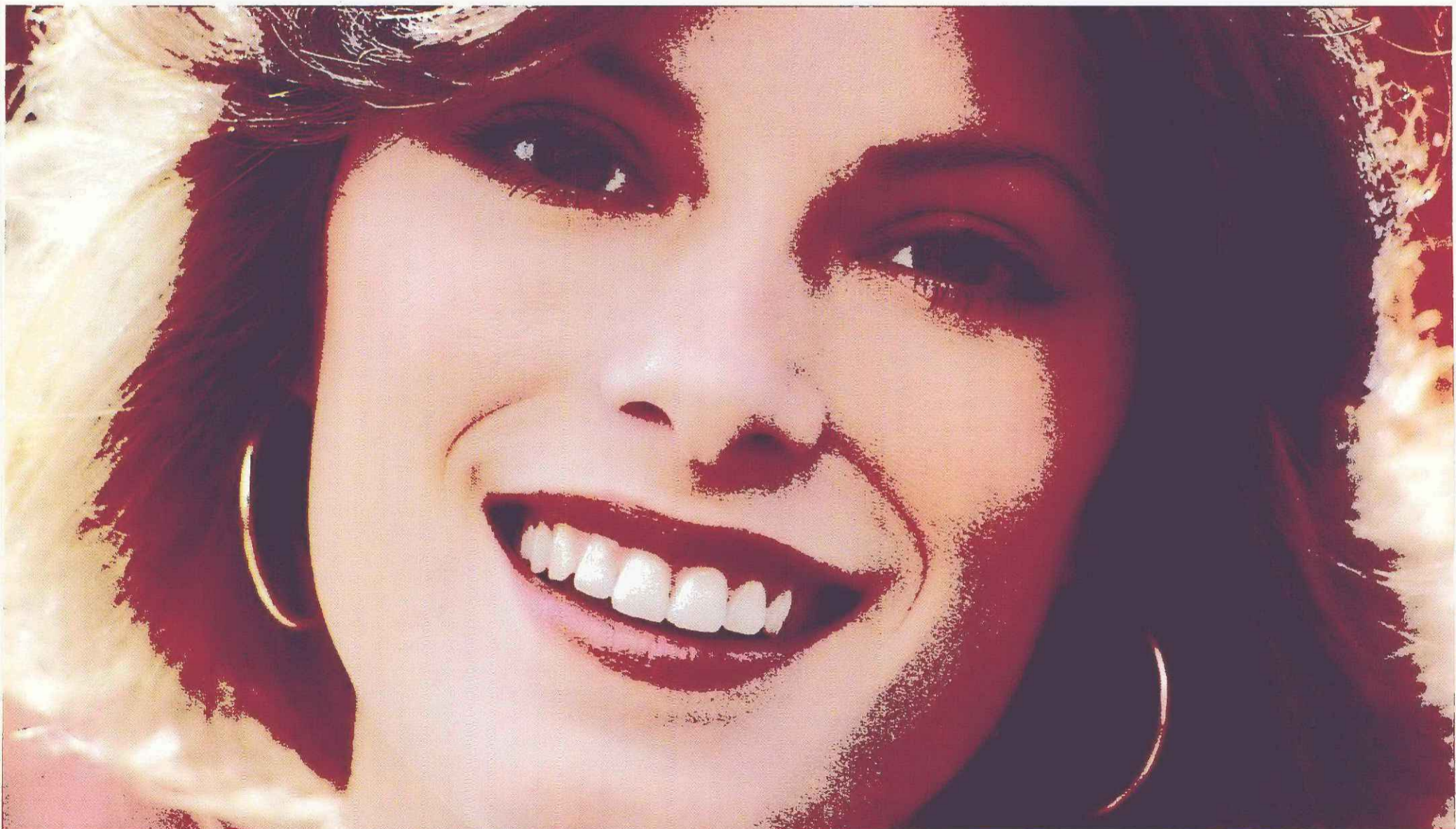
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Larger plaintiffs' awards reported in Illinois

CHICAGO—The adoption of the comparative negligence doctrine in Illinois apparently has led to more frequent verdicts and larger awards for plaintiffs, according to the Illinois Insurance Information Service and the Cook County Jury Verdict Reporter.

Studies show that 56% of Illinois plaintiffs won their cases during the 1980-81 court term, compared with 49.1% in the 1979-80 term.

Under comparative negligence, a jury may apportion an award between plaintiffs and defendants according to their degrees of negligence. The Illinois Supreme Court adopted it last April, joining about 40 other states that apply the doctrine.

The amount of damages awarded in downstate Illinois courts in the

around the states

1980-81 term came to more than \$8.8 million during the 1980-81 term, compared with \$4.6 million the year before. The average verdict increased about \$17,000 to \$58,255.

In Cook County, which includes Chicago, gross awards totaled almost \$50.6 million, a 37% increase over the previous term. The average verdict award in the county was more than \$98,000.

Insurer fined

TALLAHASSEE, Fla.—Insurance Commissioner Bill Gunter has ordered Insurance Co. of North

America to pay a \$6,500 administrative fine for alleged violations of Florida insurance laws. The alleged violations were uncovered during a 1979 rate examination.

Among the allegations were the failure by INA to file and the incorrect filing of certain rates with the Insurance Department and the use of improper manuals in formulating certain rates.

The examination determined that INA was using a \$100 minimum premium per policy on five commercial fire policies examined, instead of the \$50 minimum premium per policy as filed with the department. INA was also found to

be using a \$200 unfiled minimum premium on six business owners' policies.

INA's agreement to pay the penalty is for settlement purposes and does not constitute an admission of guilt. The company has proposed to make adjustments and refunds to individuals holding policies that were found to be in error.

New commissioner

SALEM, Ore.—Josephine M. Driscoll has been named state insurance commissioner. She replaces W.W. Fritz, who died last September.

Ms. Driscoll joined the department in August as assistant commissioner. She was with the Montana Insurance Department for more than 15 years, serving as chief deputy commissioner for four years. Before that, she spent six years with an insurance agency in Seattle.

Ms. Driscoll had been acting state insurance commissioner.

Surplus lacking

TALLAHASSEE, Fla.—The state insurance commissioner has ordered a Dallas life insurance

company to halt operations in Florida because it is financially unsound.

Insurance Commissioner Bill Gunter issued a cease-and-desist order against United Bankers Life Insurance Co. after the company's most recent quarterly financial statement revealed its surplus is nearly \$228,000 underfunded, according to Florida law.

Among the lines offered by the company are group accident and health, credit accident and health, non-cancelable accident and health and guaranteed renewable accident and health.

United Bankers Life's financial statement for the quarter ending Sept. 30 showed it has a surplus of \$22,025. Florida law requires an insurance company to maintain a surplus or net trust fund of at least \$250,000.

Mr. Gunter sent telegrams to 43 United Bankers Life agents instructing them not to write new or renewal business for the company until it brings its surplus up to the required minimum. United Bankers Life wrote \$91,000 in life, accident and health insurance premiums during the first three quarters of 1981, virtually all in the Tampa Bay area.

INA selects Ross to head its reinsurance operations

James B. Ross has been elected vice chairman of INA Reinsurance Co. Mr. Ross will head INA's worldwide reinsurance operations as well as INA Trading Co., both subsidiaries of INA Corp.

Mr. Ross was executive vp of INA and chairman of its international and special risk division. He also was president and chief executive officer of INA International Corp. He joined INA in 1980.

Other reinsurer changes:

Edward B. Jobe appointed senior vp of American Reinsurance Co. Mr. Jobe will head the facultative division. He succeeds Herbert W. Shaw Jr. who retired on Jan. 1.

James H. Masline promoted to vp of General Reassurance Corp., a subsidiary of General Reinsurance Corp. Mr. Masline will be located in the home office in Greenwich, Conn.

David C. Smith promoted to vp of North Star Reinsurance Corp., another Gen Re subsidiary.

Michael O. Blocker promoted to manager of the Philadelphia office of North American Reinsurance Corp. Mr. Blocker was named an assistant vp in early 1981.

Insurers

Harry S. Keefe, president of Talbot, Bird & Co. Inc., was elected chairman of the Water Quality Insurance Syndicate. William J. Bradford Jr., vp of Chubb & Son Inc., was elected vice chairman. The syndicate was founded in 1971 to write oil spill liability insurance. The syndicate is composed of 28

comings & goings: industry

subscribing insurance companies that provide coverage for more than 133,000 vessels.

Eugene M. Meentemeyer promoted to vp at Fireman's Fund Insurance Cos. Mr. Meentemeyer had been an assistant vp.

Robert W. Lisle joined the Travelers Insurance Cos. as a senior vp. He had been president of PIC Realty Corp., a subsidiary of Prudential Insurance Co.

Donald E. Farmer named senior vp of underwriting and marketing at Cherokee Insurance Co. in Nashville, Tenn.

Agents/brokers

Donald G. Tucker joined Bayly, Martin & Fay of Tulsa, Okla., as vp of claims. Mr. Tucker had been a supervisor of claims at The Home Insurance Co. in Tulsa.

Elliott Rothman appointed executive vp for property/casualty operations of Penn General Agencies of California Inc.

Jack E. Bryant named a senior vp of Marsh & McLennan Inc. Mr. Bryant will remain as head of the Panhandle Insurance Agency, a division of M&M. He has been responsible for the entire division since it merged with M&M in September 1981. He will continue to be based in Amarillo, Texas.

Durant G. Vick promoted to vp of Associates Insurers Inc., an insurance brokerage firm in Raleigh,

N.C. Mr. Vick joined the company in 1979 as an account executive.

William W. Pilcher II elected vp of Olliver/Pilcher Insurance Inc., based in Phoenix, Ariz.

Excess/surplus

Thomas W. Dickie promoted to vp of all casualty underwriting and marketing operations at Bowes & Co. Inc. of Minnesota, a Bloomington-based excess/surplus broker.

Other suppliers

Nancy L. Noble has joined The Emcom Group Inc. as a consultant. The Emcom Group is an employee-communications consulting firm in Newtown, Pa.

Mildred M. Wilson joined William M. Mercer Inc. in Chicago as a health care cost management consultant. Ms. Wilson had been with the Chicago Hospital Risk Pool Program, an affiliate of the Chicago Hospital Council.

David E. Ostwald appointed vp for corporate communications of the Insurance Services Office. Mr. Ostwald had been special assistant to the director of corporate communications for United Airlines.

Bermuda market

Michael T.W. Jenkins appointed head of Frank B. Hall (Intermediaries) Ltd., a subsidiary of Frank B. Hall (Bermuda) Ltd.



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Kemper Re's Frank Aldrich dies

LONG GROVE, Ill.—A memorial service will be held this week for Frank Aldrich, president of Kemper Reinsurance Co., a wholly owned subsidiary of Kemper Corp.

Mr. Aldrich, 56, died Dec. 29 of a heart attack.

Mr. Aldrich joined Kemper in 1958 in the accident and health insurance department and guided the Kemper Group's entrance into the reinsurance business, heading the reinsurance division since its formation.

He was officially named president of the subsidiary in 1969 and also served as reinsurance secretary to the principal insurers of the Kemper Group.

"Frank was responsible for the successful growth of Kemper Reinsurance from its inception to becoming the 10th-largest U.S. reinsurer," recalls James W. Harding, president of Kemper Corp. "He was well-respected not only by those in this organization, but throughout the insurance industry."

A noted and frequent industry speaker and critic, Mr. Aldrich was chairman of the industry advisory committee of the National Assn. of Insurance Commissioners. He held a juris doctor degree.

He is succeeded at Kemper Re by David B. Mathis, who assumed the title of president and chief executive officer last week. Mr. Mathis formerly was manager of Kemper's national/international department.

The memorial service will be held at 11 a.m. Jan. 14 at St. Michael Episcopal Church at 647 Dundee Ave. in Barrington, Ill.

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For each of BFG's approximately 800 operating centers, loss experience figures are compiled for the previous ten years. "The tremendous quantity of data evaluated," says Traver, "means that forecasting our future loss costs is unusually accurate."

Operating center managers are given a set of optional plans at the start of each fiscal year. One details the insurance expense necessary if no substantive changes are made from the prior year. Another option, based on computer modelling, sets up the cost-value relationship between risk coverage and new loss control steps.

Traver comments: "Each center can choose the alternative best suited to revenue projections and other factors." By use of this analytic system, linked to BFG's management-by-objective program, casualty/liability risk costs have held about even in the face of industry growth that exceeds 20% per year—and property risk costs have declined by more than 30% in five years.

"Ten years ago, our marine group experienced several losses at the same time P&C rates were on the rise," recalls Victor Kooch, Vice President for Tidewater, Inc. "In order to avoid doubled premiums, we had to find a new coverage approach."

For the \$400 million operator of the world's largest fleet of supply vessels serving the offshore oil and gas industry, the most viable solution was to form a captive.

This "route," according to Kooch, had three advantages. First, a captive would have direct access to reinsurance

Generating revenues, and savings, offshore.

-Tidewater, Inc.'s
Victor Kooch



markets not available to Tidewater. There would also be strong financial incentives to install comprehensive safety and loss control programs. Finally, a successful captive would create cash flow gains for Tidewater.

The strategy proved effective on all counts. In Koock's opinion, part of the credit for this goes to INA, the captive's major reinsurer over the past decade. The captive-INA relationship includes marine hull and liability protection for Tidewater's 400-vessel fleet, as well as cargo coverage and longshoreman's and harbor worker's comp insurance.

"The decision was financially sound," concludes Koock. "Besides reducing our insurance costs, we no longer face the uncertainty of widely fluctuating premiums caused by market conditions or an unusual loss."

Businesses that face a higher than average frequency of third-party liability claims often find first-dollar insurance coverage prohibitively expensive.

In such cases, notes Hilliard Feldman, President of Schiff Terhune International, Inc., a broker has to design highly individualized protection programs. "One approach," says Feldman, "is to 'unbundle' the conventional liability premium and determine which elements of coverage the client should retain, and which should be bought separately." Astute balancing of these elements can improve cash flow.

Schiff Terhune recently employed this technique for a company planning to open a facility in which an extremely large number of people might be exposed to risk. The broker recommended retention of a deductible to pay all predictable liability losses up to a specified per loss and aggregate amount. Coverage written by INA was then put in place to pay those claims which, in either frequency or severity, would exceed these aggregate limits. According to Feldman, "INA's premium for the excess exposures was sufficiently cost-effective to make the deductible program economically sound."

Another benefit: assuming a portion of the primary coverage layer allowed the client to make use of a "pay-as-you-go" claims handling arrangement with ESIS, an INA Corporation subsidiary. "By not having to prepay an annual fixed claim expense," observes Feldman, "our client has further enhanced its cash-flow position."

Why pay for losses before they happen?

-Schiff Terhune's Hilliard Feldman



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The Professionals

"The Hartford will even do a Loss Control analysis before it quotes the business."

**An interview with
Bill Nebraska, Vice President,
Loss Control Department,
The Hartford.**

Q. How can a Hartford prequote Loss Control analysis cut business insurance costs up front?

A. Our Loss Control professionals will research the company and help develop

a program tailored to the situation. We'll show how The Hartford can help the company control losses. By coming in before we make a quote, we can explore ways of reducing losses up front to help customers control their insurance costs.

Q. What is the scope of The Hartford's Loss Control capability?

A. Our range of Loss Control services is one of the broadest in the industry. It covers construction, fire protection, commercial auto, industrial hygiene, medical professional liability, manufacturing... you name it. And we're one of the few companies equipped to handle security and crime prevention.

We have the people, too—some 450 experienced Loss Control consultants located throughout the country, with an additional 75 or so in the home office.

Q. Is that tremendous capability available to companies across the country?

A. Absolutely. We're ready to respond on an "as-needed" basis anywhere in the U.S. And we'll bring in whatever level of expertise the situation demands.

Q. Is it available to big risks on an unbundled basis?

A. Yes, through our subsidiary, The Hartford Specialty Company. Some of the largest corporations in the country currently take advantage of The Hartford's Loss Control capability on an unbundled basis.

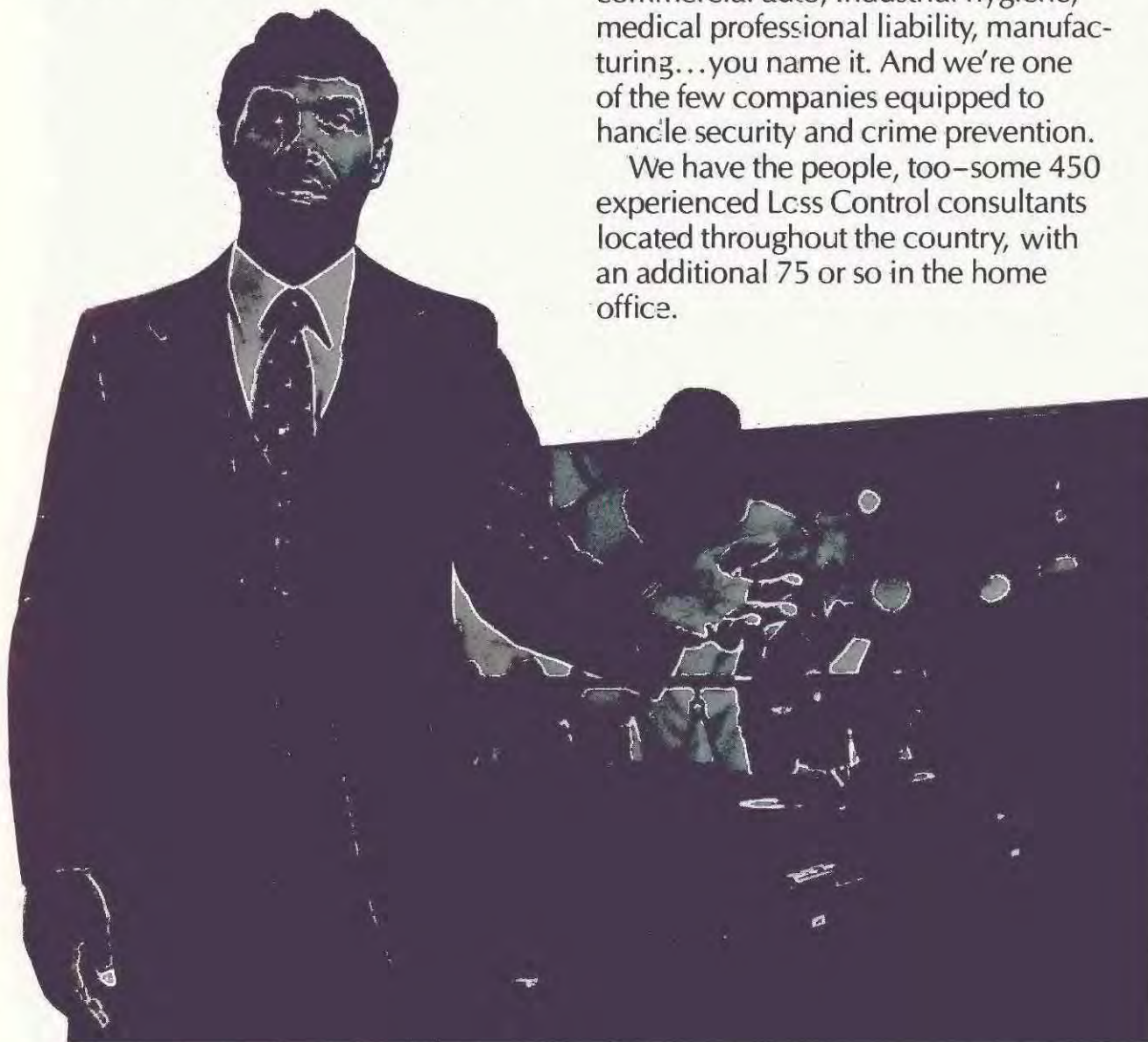
Q. It sounds like The Hartford has made a major commitment in the Loss Control area.

A. Yes. And an ongoing commitment. We're always trying to improve the scope and quality of our Loss Control services. For example, we recently doubled the size of our industrial hygiene lab and added sophisticated new equipment to increase our effectiveness in this key area.

Q. How can insurance buyers find out more about The Hartford's Loss Control capability?

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perspective

Risk Retention Act

Questions about new federal law answered

By Victor Schwartz

THE RISK RETENTION Act was signed into law on Sept. 25, in response to the rising costs and, for some, the unavailability of commercial product liability and completed operations insurance.

The act creates alternatives to traditional commercial insurance. First, it makes it easier to self-insure against product liability and completed operations liability through risk retention groups. Second, the act permits product sellers to purchase comprehensive general liability coverage, including product liability insurance, on a group basis.

These options will help ensure that all product sellers can obtain affordable product liability insurance.

Risk retention groups

The act sets requirements for the formation of risk retention groups by product manufacturers, wholesalers, distributors and retailers. It pre-empts state laws that have in the past regulated or prohibited the formation or operation of such groups, the sale of insurance or related services to such groups or the activities of a person providing services to such groups.

A risk retention group is a corporation or limited liability association that is taxed as a corporation or insurance company and formed under the laws of any state, Bermuda or the Cayman Islands. It must also be chartered or licensed to engage in the business of insurance by any state or, before Jan. 1, 1985, by Bermuda or the Cayman Islands. If the charter is obtained offshore, the group must certify that it meets the minimum capitalization requirements of at least one state.

The group must be primarily organized for and engaged in assuming and spreading among its members coverage for product liability and completed operations liability. The members must be principally engaged in manufacturing, designing, importing, distributing, packaging, leasing or selling products, rather than providing services. Membership cannot be denied for the purpose of gaining a competitive advantage.

States are prohibited from:

- Making risk retention groups unlawful.
- Requiring or permitting a risk retention group to participate in insurance insolvency guaranty funds.
- Requiring insurance policies issued to the group or its members to be countersigned by an agent resident in the state.
- Otherwise discriminating against the group or its members.

Within these guidelines a chartering state may set the criteria to be met by a retention group chartered in its jurisdiction. With some specific exceptions, a non-chartering state cannot regulate a risk retention group.

The act permits a non-chartering state to require that a group:

- Comply with the unfair claim settlement practices law in the state.
- Pay, on a non-discriminatory basis, premium or other taxes leveled within the state on insurers, brokers or policyholders.
- Participate in residual market mechanisms established in the state and applicable to product liability coverage.
- Submit data or reports regarding product liability or completed operations losses and expenses.
- Register with and designate the state insurance commissioner as its agent for purpose of service of legal documents.
- Submit to examination by the state insurance commissioner, if there is reason to believe that the group is financially impaired and if the commissioner of the chartering state has not or refuses to initiate such an examination.
- Comply with orders issued in a delinquency proceeding.

Q. What does a risk retention group do?

A. The primary purpose of a group must be to assume and spread among its members all, or any portion, of the product liability and completed operations liability exposure of its members. In other words, the members of a risk retention group "retain" those risks and self-insure against potential liability, rather than obtain commercial insurance from a third-party insurer.

Q. Who may form and be members of a risk retention group?

A. A risk retention group may be formed by any product seller or sellers, including those engaged in manufacturing, designing, importing, distributing, packaging, labeling, leasing or selling a product or products. Pure service-oriented business cannot qualify as a risk retention group.

Membership is limited to active participants in the risk retention program. An active participant is one whose own product liability or completed operations liability is currently assumed, in whole or in part, by the group. Members are, then, the equity owners of or contributors to the risk retention group. Membership also extends to entities affiliated with the active members.

Q. May a group exclude persons from membership?

A. A person may be excluded from the group if he presents an unreasonable risk; for example, by refusing to use safety equipment or to conduct safety surveys.

The exclusion of a person from the group solely to deny that person the economic advantages of self-insuring through the group, however, is a violation of federal and state antitrust laws because it is an actionable boycott. While the McCarran-Ferguson Act of 1945 grants antitrust immunity to the insurance business, that immunity does not extend to acts of boycott.

Q. May the group provide insurance coverage to non-members?

A. No. A risk retention group is, by definition, an insurance cooperative that self-insures by spreading all or any portion of risk exposure among the

participants or members of the group.

Q. May the group assume and spread among its members coverage for liabilities other than product liability and completed operations coverage?

A. Some attorneys who have experience with captives have argued that since Section 2(4)(A) of the bill states that the "primary" purpose of the group must be to provide product liability and completed operations coverage, a group could be formed as long as 51% of the exposure is for those coverages. This argument is not without force, and it may be that for administrative convenience or



Victor Schwartz is an attorney with Crowell & Moring in Washington, D.C. He prepared this presentation for a symposium on the Risk Retention Act sponsored by Fred S. James & Co. Inc.

to achieve economy, a group might want to be structured to cover additional risks.

However, one should not only look at the definition of a risk retention group to determine the scope of its authority; one must also examine the pre-emption subsection 3(b) to determine the scope of pre-emption of state laws. That subsection makes clear that state laws are pre-empted only with respect to product liability and completed operations coverage.

Q. May the group engage in any activity other than assuming and spreading product liability and completed operations risks?

A. The primary purpose and activity of the group must be risk retention. Investing, reinvesting or trading in securities is permitted only for the purpose of providing reasonable reserves to meet potential liability claims. Thus, the act generally exempts risk retention groups from federal securities law.

Q. Why must a risk retention group obtain a charter or license?

A. A risk retention group is an insurance cooperative insuring its members against product liability and completed operations exposures. As such, it is an insurer and must be licensed or chartered to engage in business as an insurer. Before the act was passed, a

license or charter was needed from every state in which the group did business.

Because the requirements for obtaining a charter varied widely from state to state, it was very difficult to form a group that could insure multistate members with interstate business and liability exposure.

Q. How does the act make it easier to form risk retention groups?

A. A group, meeting the requirements of the act, need only be chartered in one jurisdiction. It can do business in all states without satisfying duplicative or conflicting regulatory requirements of other, non-chartering states, although there are some areas in which regulation by a non-chartering state is permitted.

Q. What are the criteria for chartering or licensing a risk retention group?

A. While the act clearly prohibits some regulatory requirements, such as requiring participation in an insurance guaranty association, it does not establish criteria for chartering risk retention groups. Rather, the act leaves it to the individual states to enact laws establishing the amount of capital, the amount of surplus, reporting requirements and various pre-charter underwriting or actuarial opinions that a group must satisfy to obtain a charter or license.

Q. What is the difference between the place of formation and the place of chartering?

A. A risk retention group must comply with the insurance laws of the chartering jurisdiction. If a group is organized as a corporation, it must comply with the requirements for incorporation established by the incorporating jurisdiction, but it need not satisfy that jurisdiction's insurance laws.

Q. Must a risk retention group be formed and chartered by the same jurisdiction?

A. No. A group may elect formation or incorporation in one jurisdiction and chartering as an insurer in another jurisdiction. Until 1985, the jurisdictions available for formation and chartering are identical: any state, Bermuda or the Cayman Islands. After Jan. 1, 1985, chartering offshore in Bermuda or the Cayman Islands is prohibited.

Q. Why are Bermuda and the Cayman Islands included as places to form and charter a risk retention group?

A. Some states have had, and continue to have, laws that hinder the formation and operation of risk retention groups by imposing burdensome regulatory requirements. Bermuda and the Cayman Islands, as well as a few states (Colorado, Tennessee, Vermont and Virginia) have enacted laws favorable to the formation of risk retention groups. The act seeks to minimize the adverse impact of existing state opposition to the groups by giving the opportunity to form and be chartered offshore.

Q. What is the rationale for the Jan. 1, 1985, cutoff?

Continued on page 22

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Comp covers many recreational injuries

Continued from page 3

Taking the "Brooks Robinson incident" as an example, employers that sponsor industrial recreation programs in the Empire State can expect to pay for their employees' injuries through the workers compensation system.

Steven F. Weisman, an attorney for the New York law firm of Foley, Smit, O'Boyle & Weisman, says appellate courts in New York are likely to hold the employer liable even if it makes no direct contribution to the recreational event involved, but merely recognizes its existence.

In short, Mr. Weisman says, New York companies may have a workers compensation exposure from such activities, whether they are directly involved or not.

Take another example. A group of employees get together to play a team sport on weekends or after work. The company does not sponsor the team and makes no financial or organizational contribution to the activity.

While the company is a "viable defendant," the attorney says, it may still be held liable for any injuries unless it does something in an "overt manner" to show it is not pleased with this activity.

Mr. Weisman suggests the employer use a letter or some other form of communication, anything that puts its disapproval on the record.

"I think it's one of the best things he could do," Mr. Weisman says.

Yet this fictional defendant may still lose its case, the attorney admits, since recreational programs are a "hard area to accurately define your parameters of responsibility."

Much of the confusion in New York state can be traced to the way in which the workers compensation law has developed, Mr. Weisman says.

Rather than a clearly drawn statute, the "real meaning and meat"

of such matters comes from case law and decisions by the state's appellate courts.

And this, Mr. Weisman notes, does not give New York employers "a nice clean reading" on what their responsibilities are.

This lack of specificity also makes such cases difficult to fight in court.

"We don't know what the burden of proof might be because we don't know how far they're (the court) going to expand it," the attorney says.

One 1981 New York case illustrates what employers here can expect.

In *Vaccaro vs. Sperry Rand Corp.*, an employee suffered a heart attack while jogging during his lunch hour on the employer's property.

This was permitted activity, and employees were provided with an athletic facility—the Sperry Rand Athletic Club. The company funded some club activities from commissions on vending machines, a company employee coordinated the club's funds and the company participated in an awards dinner.

On these facts, Sperry was held liable for the worker's injury. A state appellate court affirmed a ruling by the workers compensation board that the employee's death occurred out of and in the course of employment.

This same manner of determining the degree of company involvement is followed in many states.

Dr. Arthur Larson, a Duke University law professor, says state appellate courts look at several key facts when determining the issue of compensability.

They consider the extent to which the company financed the activity, whether it provided uniforms and whether it allowed the team to play on company property or during work hours.

In many states, says Eric J. Oxfield, employee benefits attorney

for the U.S. Chamber of Commerce, the issue turns on two questions: Does the activity provide any benefit to the employer and is participation compulsory for an employee's job?

In the last few years, three states have decided that injuries from recreational programs should not be compensable.

In 1980, Illinois amended its Workers Compensation Act to exclude certain injuries that do not occur during actual employment. Included are athletics, parties and picnics unless employee participation is required by the company.

In a similar fashion, Maine amended its act in 1981 to specifically exclude injuries stemming from voluntary participation in any employee-sponsored sports team or event.

California also changed its law last year, excluding unpaid referees at sport events and student athletes. This amendment applies only to public government agencies.

Additional states as well may take the same approach, Mr. Oxfield predicts, since most companies never intended that injuries from extracurricular activities would be covered under workers compensation.

"For many employees, these things were never set up to be compensable," he notes.

Yet despite the obvious expense, at least one company feels that industrial recreation programs are worth it.

Such programs, says Corning's Mr. Zadany, can improve health, promote leadership and interest in company affairs and improve the workplace.

"To invest in recreation is to invest in people," he says.

"I think it's agreed that if you're going to have employee programs—are going to have activities at all—you're going to pay."

While Corning averages about 12 sports injuries cases a year, the company still feels it receives a

worthwhile benefit from these programs.

"We don't think that's very much to pay," Mr. Zadany explains.

Based on Corning's experience, Mr. Zadany does have some suggestions on what a company can do to minimize injuries.

Corning first tries to promote physical fitness among its employees through a physical fitness program, managed by a local YMCA at the company's expense.

For its 40 male and female softball teams, Mr. Zadany continues, Corning does not permit sliding, base stealing or the wearing of spiked shoes.

In flag football, the company again forbids spiked shoes, requires players to sew up their pockets to cut down on hand injuries and hires registered officials to keep games under control.

NAIC explores overseas problems

NEW ORLEANS—Discrimination against U.S. insurers trying to do business in foreign countries has prompted the National Assn. of Insurance Commissioners to appoint a task force to look into the situation.

The task force, appointed to investigate the problems insurance companies say exist in dealing abroad, is one of the few new groups to come out of a major reorganization of the NAIC at its meeting in June.

Michael J. Sabbagh, chairman of the task force and the Massachusetts insurance commissioner, said he already has a folder full of material from insurers, trade groups and a reinsurance association, all detailing the problems encountered

in dealing with foreign countries.

"The information indicates to me there is a problem. We want to work with the federal government to try to service and correct the problems," Mr. Sabbagh said.

Almost a dozen representatives from insurance companies, trade groups and law firms already have asked to be appointed to the task force's advisory committee, but Mr. Sabbagh said the task force members will first meet to decide whom to appoint.

Some of the discriminatory practices outlined include restrictions and denials of market access, arbitrary and discriminatory licensing procedures and discrimination against foreign branch operations.

"From what I gather, the oppor-

tunities for doing business abroad are impeded by a great many arbitrary decisions," said Mr. Sabbagh.

He said critics of the ministers who regulate insurance in many countries cited a lack of balance in the equity of trade with the United States.

"We need to determine which issues are appropriate for us to address," said William H.L. Woodyard III, a task force member and the Arkansas insurance commissioner.

"We should focus on those issues that we can do something about," he added.

The task force plans to meet in Boston this month to decide which subjects the NAIC should address.

Itel settlement won't end computer leasing claims

By STACY SHAPIRO

london line

LONDON—Lloyd's of London underwriters face future computer leasing losses even if their settlement with Itel Corp is approved by a bankruptcy court in San Francisco (BI, Jan. 4).

Federal Leasing Inc. is suing Lloyd's underwriters in U.S. District Court in Baltimore for \$600 million for failure to pay leasing claims and punitive damages.

Lloyd's, however, has paid Federal Leasing's lending banks \$50 million to \$60 million in claims since the case began in 1979, according to a Lloyd's source.

"Federal Leasing has the money for the losses. Only the claim for punitive damages is still outstanding," he said.

Lloyd's may also have to pay Itel's lending banks \$30 million in additional claims even if the settlement is approved, the Financial

Times in London has reported. The newspaper reported that Lloyd's still owed the money to the banks after it agreed to pay Itel \$4 million, release a \$2 million escrow account and not hold Itel responsible for repaying any part of the losses.

Noting that the computer leasing losses are the largest in Lloyd's history, underwriters have reserved \$444 million to pay expected claims. But they are also trying to retrieve some money from at least two U.S. claimants.

Lawyers Lord, Bissell & Brook are representing Lloyd's in a suit against ESM Capital Corp. of San Francisco for \$500,000 because of a dispute in the wording of a policy, a Lloyd's source said.

And Lloyd's is also trying to recover \$2 million from Inter-

Corp. in Dallas, alleging that the computers were leased through bribery, he said. Two Inter-cap employees were convicted on bribery charges recently, he pointed out.

Exchange boon

The three infant U.S. insurance exchanges may benefit from the forced sale of Lloyd's of London underwriting agencies from Lloyd's brokers, suggests Robert Corroon, chairman and chief executive officer of Corroon & Black Corp.

"There is no greater compliment that can be paid to Lloyd's than the fact that its present organization is being used as the model for the three exchanges in New York, Chicago and Miami," Mr. Corroon testified last month before a Parliamentary committee considering on the Lloyd's self-regulation bill.

"The Lloyd's broker has available to himself membership in the New York Insurance Exchange. If for one reason or another he is precluded from doing business in an imaginative, creative way with Lloyd's underwriters, he has other alternatives," he said.

The other two U.S. exchanges are the Illinois Insurance Exchange in Chicago, which recently opened, and the Insurance Exchange of the Americas in Miami, which plans to open later this year (BI, Jan. 4).

Mr. Corroon, whose company

places 12% of its premium volume with Lloyd's, spoke against divestment of Lloyd's brokers from their underwriting agencies at the request of petitioner Alexander Howden Group Ltd. The parliamentary committee, however, decided to retain the divestment clause (BI, Dec. 28).

"I agreed to appear as a witness because I felt that if divestment was to become a reality, it would substantially hurt Lloyd's," Mr. Corroon told the committee.

Forced divestment at Lloyd's goes entirely against the trends toward broker/insurer amalgamation in the United States, he pointed out.

"It seems to me that the U.S. insurance industry is going in the opposite direction to what is being proposed by Lloyd's and what is being suggested by divestment," he said. "Corroon & Black Corp. started National Excess Insurance Co., Alexander & Alexander acquired the Evanston Insurance Co., Frank B. Hall acquired the Union Indemnity Co., E.H. Crump has a South American insurance company."

He added that Reliance Group has bought 40% of E.H. Crump and Continental Corp. owns "substantial stock interest" in The Phoenix Insurance Co. in London and part of Stenhouse Holdings Ltd.

"The trend in the United States is toward a closer link between brokers and underwriters, which is just the opposite of what is being proposed here in connection with divestment," he testified.

The United States also faces conflict-of-interest problems between the broker and underwriter, but not because one owns the other, said Mr. Corroon. There are many other ways brokers can influence underwriting agencies other than ownership.

"The other methods range from personal charm to what I would call rather sophisticated entertainment. It is not unknown in the insurance business," Mr. Corroon said.

"I can, I think, only talk authoritatively about the business in the United States, where hunting lodges and weekends in Las Vegas can be very influential on the decisions of underwriters," he explained.

But the greatest leverage brokers have over underwriting agencies is how much business brokers bring to underwriters, he said.

"If Corroon & Black has millions and millions of dollars of premiums with a particular insurance company or premiums cleared through a particular broker in London, we can exercise influence on that broker. We have the threat of taking that business away from him and giving it to another market," he said.

"I personally feel that that is probably the greatest leverage that a broker has over an underwriter."

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Budget cuts will affect small firms

Continued from page 1
ness and the SBA Office of Advocacy had begun appealing specific cases of what it viewed as regulatory excess.

With a joint announcement, the two offices vowed to reduce the regulatory burden on small business and take the problems of small employers directly to Washington regulators.

With the change in administrations, however, the formal link was dismantled. Kay Klatt, a political appointee who held the position as special assistant for small business was not replaced and OSHA has no plans for a small business assistant.

The SBA has also stepped back from aggressive interaction with OSHA.

"The whole issue has been frozen for nearly a year," says an SBA executive. "While I have to say that we are disappointed, we can't really attack OSHA yet. The new administrator has no track record yet and hasn't even finished hiring a staff. We don't know what to expect in the long run."

OSHA, however, is still under a Reagan mandate to reduce the regulatory burden on business and that initiative could be enough to reduce the need for compliance loans. OSHA is also offering a free series of voluntary compliance seminars for all sizes of companies.

"For the first six months of 1981, we approved only four OSHA compliance loans, so maybe the whole issue of excessive regulation is being resolved," Mr. John says.

A small company needing funds to pay for safety improvements could still get a loan from a local bank and then get the SBA to guarantee it, but an application would have to be considered with all other small business loan guarantees, according to Mr. John.

Medicare revisions may cost employers

Continued from page 1

But for employers it would mean a new round of medical care cost increases at a time when they are being buffeted by soaring rate hikes in their group health insurance plans.

The chances of enactment are unclear. A similar proposal last year was approved, almost unnoticed, by a House Ways and Means subcommittee, but went no further.

The Medicare shift is the kind of issue that could slip through as employers are distracted by other health care issues, said Bill Goldbeck, executive director of the Washington Business Group on Health.

Mr. Goldbeck said employers should be concerned about the proposal because its approval could be the foot in the door for far more expansive and expensive legisla-

tion that would require employers to extend their health plans to retirees.

"There, you are talking about millions and millions of people," Mr. Goldbeck warned.

"As the federal government's need for revenue increases, this could be viewed as the first of many actions that will dramatically increase private employers' costs," said Dallas Salisbury, executive director of Employee Benefit Research Institute.

Benefit experts, like J. Wallace Cross, risk manager at Materials Research Corp. in Orangeburg, N.Y., say the Medicare cost-shifting proposal isn't equitable. Employers help fund the program through FICA payroll tax contributions, but would not be able to tap it for the health insurance needs of their

older workers, he pointed out.

"It really is a double tax for employers," a lobbyist for a health insurance industry trade group agreed.

Paula Roe, benefit manager at Dayton-Hudson Corp. in Minneap-

olis, said if the proposal were enacted, companies might be discouraged from hiring older workers because of the new, higher health insurance costs that they would face as group plans take over coverage from Medicare.



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Bache Insurance finds a home with Jardine

Continued from page 2

divestment of Lloyd's brokers and underwriters, said, "My own opinion, and it is strictly a personal opinion, is that they probably questioned the quality of the insurance operation that they acquired when they acquired Bache."

Mr. Corroon said his company looked at the Bache insurance operation, but turned it down because "we questioned the quality of the operation."

Mr. Corroon commented on the Prudential sale of Bache in response to the observation that the sale suggested at least one insurer in the United States sees a conflict inherent in one company owning both an insurer and broker.

"Somewhat of interest to me," added Mr. Corroon, "was the fact that after that announcement, a senior partner of Bache contacted me personally to ask if I would meet with some senior officers of Prudential, not in connection with whether we would be interested in buying the Bache insurance opera-

tion but in connection with whether we would be interested in discussing with Prudential having some linkage with them."

Mr. Keswick said he was "staggered" to hear of Mr. Corroon's comments. "The Bache Insurance is a very fine, sound company," he said.

Mr. Mizel, in a telephone interview, said any inference that Bache Insurance Services had suffered any financial or operations problems as "absolutely not true. The company is financially sound."

Some analysts note that Jardine is just one of many foreign industry operations that want to enter the U.S. insurance marketplace.

"We tend to think the expansion is us (U.S. companies) going out and buying companies outside the U.S. There's just as much interest in companies coming into the U.S.," explains James B. Stradtner, an analyst with Alex Brown & Sons in New York.

"I don't think it's surprising that Jardine wanted this company," Mr.

'I don't think it's surprising that Jardine wanted this company. Jardine is a large company that wanted a presence in the U.S. Foreign brokers are realizing they have to buy their way into the U.S.,' Mr. Stradtner says.

Stradtner continued. "Jardine is a large company that wanted a presence in the U.S. Foreign brokers are realizing they have to buy their way into the U.S."

Russell Miller, president of Russell Miller Inc., a consultant to the purchase, describes the acquisition as "the jewel in the worldwide insurance crown" for Jardine.

Bache Insurance Services Inc., "is an insurance brokerage on the move," he contends.

"Under the leadership of Mizell, they've done very well over the years," he said.

Leonard M. Wilson, vp of research for L.F. Rothschild Unter-

berg, Towbin, a New York securities brokerage firm, believes the acquisition helps all parties involved.

"The acquisition gets Prudential out of a business they couldn't be fully involved in; gives Jardine diversification and entry into the U.S. insurance market; and gives Bache (Insurance Services) a situation where they can continue to grow and gives it a large bankroll and whatever clout Jardine has," explains Mr. Wilson.

Mr. Stradtner agrees the acquisition "opens a whole new marketplace for Bache giving backing and access to Lloyd's."

Bache Insurance Services, says Frank Brown, an associate in the corporate finance department of First Boston Corp., "really has a management corps that's expansion-oriented. The affiliation with Jardine will afford it (Bache) the wherewithal to continue its rapid growth in the past."

Jardine went into the insurance business just five years ago, buying Dawson & Holland, a small insurance broker in London. In 1977, Jardine bought Thompson Graham, a Lloyd's reinsurance broker. Two years later, it bought Glan vill Enthoven, a large Lloyd's broker.

Jardine Insurance Brokers Group also includes Jardine Glanvill U.K. Ltd., which handles domestic U.K. business; Jardine Glanvill Ltd.; Jardine Thompson Graham, which is Lloyd's treaty reinsurance broker; and Jardine Matheson Insurance Brokers International, which owns 17 retail brokers. Bache will become part of Jardine Matheson Insurance Brokers International. ■

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Commercial Consumers Sub-total 22,034

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Insurance Cos. 4,486
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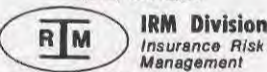
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'Community' risk manager fights crime

Continued from page 1
package, being brokered by Emett & Chandler Texas of Houston.

The exposure to more dramatic risks—like lawsuits for false arrest, malicious prosecution and libel—falls on the police department and the media that participate in the program.

A "Crime of the Week" broadcast by KTRK, Channel 13 in Houston, re-enacts unsolved area crimes using University of Houston drama students. The program appeals for tips from informants, offering rewards of \$100 to \$1,000. Houston radio stations and the Houston Chronicle run their own versions of this feature.

False arrest or malicious prosecution risks are assumed by the police department, which takes full responsibility for acting on the information that Crime Stoppers provides, he says.

The police department's risk is reduced by carefully examining the tip to determine whether it is legitimate. Even then, it is used only as a springboard for gathering more evidence; cases are not built around the tip alone.

Channel 13, the Houston Chronicle and the nine area radio stations that run "Crime of the Week" features also assume the libel risks, Mr. Kendrick says.

The libel risk is small, he points out. "Information for the crime re-enactments comes right from actual police case files. The only cause of action I can see is if a bad guy comes back and says he has been misrepresented. I think that's highly unlikely."

With these minimal risks, safety is still key to the Crime Stoppers operations, whether it's to guard the identity of informants or to protect the drama students who sometimes find themselves in precarious positions as they re-enact the crimes for TV.

Eight Houston police officers answer Crime Stoppers' lines. When an informant calls in a tip, he is assigned an identification number so he doesn't have to give his name.

If the tip is useful, the Crime Stoppers board issues a reward of \$100 to \$1,000, depending on the nature of the crime. An area bank then pays the reward to the anonymous person, who comes to its drive-up window and gives his identification number.

The tips are logged in a book kept at the police headquarters. The log leaves the building only when it is taken to board meetings and then only in the custody of a police officer.

If a criminal were determined enough to break into the police station to get the Crime Stoppers' records, all he would find is the basic information, no names, Mr. Kendrick says.

"I guarantee you, with someone bold enough to do that, the liability of Crime Stoppers for improperly disclosing information would be the least of our problems," adds Mr. Kendrick, who is a member of the board of the Houston Chapter of the Risk & Insurance Management Society, vice chairman of the Houston Chamber of Commerce Crime Control Committee and past chairman of the Houston Chapter of the

American Society for Industrial Security.

The largest problem facing Crime Stoppers and its volunteers is the potential for injuries during filming of "Crime of the Week," he says. "Typically, we try to re-enact it on the exact location of the crime and this may involve some risk to actors, the film crew and the public."

Actors could be mistaken for actual criminals and their victims. Passersby or uninformed police officers might try to intervene.

Filming on public streets also presents potential danger from passing traffic. Since crowds generally gather to watch, injury to the public is a possibility, too.

"Inevitably, when people see this going on, they will gather around," Mr. Kendrick says. "Because of this, we have the risks associated with doing anything in public."

To reduce these risks, Crime Stoppers places large signs around the area to let people know the actors are not real criminals. Patrolmen are informed when and where filming is to take place and officers are nearly always on hand to assist with traffic or crowd control. Crew members are outfitted in windbreakers with reflector tape and the Crime Stoppers logo, and flares are set to warn motorists.

A Crime Stoppers board member is always on hand to make sure these precautions are taken, says Mr. Kendrick.

Written waivers of liability are obtained from all those involved in the filming, including actors, owners of businesses where the

crimes and re-enactments take place and even the victims, says Sgt. John Gilbert, who heads the police contingent for Crime Stoppers.

"We consult the victims before it is done to be sure they want the details out in the open," he explains.

All of this, combined with a law passed by the 1981 Texas Legislature restricting access to the records of any Crime Stoppers program in the state (other programs operate in Dallas, Austin, El Paso and Corpus Christi) without an order from the state Supreme Court, nearly eliminates liability exposures for the organization, Mr. Kendrick says.

Crime Stoppers of Houston was started in January 1981 and is the largest program of its kind in the country, based on the volume of

crimes solved and stolen goods recovered, Mr. Kendrick says.

Last year it paid more than \$86,000 in rewards for information used to solve 556 felonies, including 26 murders. In addition, about \$2 million in stolen property and \$700,000 worth of narcotics were recovered.

What of possible danger to Mr. Kendrick himself and board members from criminals Crime Stoppers helps capture?

"There is a remote risk there," he says. "I am a former federal agent and have been down that road before."

Still, it is something he thinks about and takes steps to prevent, he says. "We don't go out of our way to publish the names of board members. That is one way of managing risk."

Girl to collect \$13 million

Continued from page 2
worked out but that payments could start by Feb. 1.

The hospital will pay the settlement out of its loss reserves, Mr. Parnes said.

Mr. Nickola said the medical center reportedly listed the infant as a 20-week-old, non-viable fetus when she was born on April 3, 1978.

Cortney was actually a 30-week-old fetus, however, and might have developed normally if she had been treated in the hospital's neonatal unit.

The baby was somehow transferred to the doctors' scrub room

where it was found gasping for breath by a janitor six hours after she was born. It is not certain who put the baby in the scrub room.

Mr. Nickola, the plaintiffs' attorney, emphasized it is essential for hospitals to start risk management programs to avoid cases like Cortney's.

He said such a program likely could have prevented the incident and that the hospital would have been more sensitive to recommendations of nursing personnel, support and security personnel.

Asked if such recommendations were made here, he said, "It certainly appears that way."

Mr. Nickola said the hospital made no attempts to verify if the infant was actually a 20-week fetus who could not survive. "That's the essence of the sin."

He added, however, that similar incidents occur at hospitals around the country, not just at Hurley, which he said was "a good hospital."

The settlement was reached last month on the day the trial was to begin in Genesee County Circuit Court. The suit alleged that the hospital acted without the informed consent of the parents and also assaulted and battered the child.

Louisiana regulator wants to set rates

BATON ROUGE, La.—Louisiana's insurance commissioner says he will sue the governor if the power to set insurance rates isn't transferred to the Department of Insurance.

Commissioner Sherman A. Bernard said he wants to abolish a six-member rate-fixing commission appointed by Gov. David C. Treen because it is "unnecessary bureaucracy."

He is asking the governor to transfer the group's job to his office, "where it rightfully belongs and where 47 other states place responsibility for insurance regula-

tion."

In his letter to Gov. Treen, Commissioner Bernard alleged that the commission works under a conflict of interest because most of the members are "insurance people."

"This gives rise to the widespread belief that the insurance industry has a stranglehold on state government in Louisiana. I personally cannot disagree with this belief," Mr. Bernard said.

Even though the commissioner sits as chairman of the group, the other six voting members are part-time appointees of the governor.

If Gov. Treen fails to get behind this effort, "I will file a lawsuit to get action," said Commissioner Bernard.

"It's a serious affront to the people of Louisiana who have to pay premiums...that you continue to let this monster exist," he told the governor.

The insurance commissioner is also behind a move to allow open competition for property/casualty insurance, which the Louisiana House Commerce Committee is studying (BI, Dec. 28, 1981). Currently, a prior approval system is used for rates.

Report suggests Social Security answers

NEW YORK—A slight increase in payroll taxes and a slight decrease in cost-of-living adjustments would be the most reasonable solution for solving Social Security's short-range problems, according to a report by William M. Mercer Inc.

However, Social Security's long-term problems will require a major effort, Mercer explains.

The report says "the only way to

resolve the long-range problems of Social Security is to examine the characteristics of the young segment of our population, and then design a new system that is appropriate for them."

The report suggests a set of principles that should be the basis for designing a new Social Security system for the nation's youth:

- "Individuals should have free-

dom of choice to the fullest extent possible, consistent with the interest of the nation as a whole."

- "Individuals should be afforded maximum opportunity and incentive to develop and utilize their abilities."

- "A government should provide those benefits, and only those benefits, that individuals...cannot provide for themselves."

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Michigan, Florida cut work comp rates

Continued from page 1

a 12% interest rate (it was 5%) when awarding lump-sum settlements to claimants. Another requires insurers to pay 12% interest if claim payments are not timely.

"Labor is definitely unhappy," said an analyst for the Democratic legislators about the new legislation, which had "100% labor opposition."

The United Auto Workers and the AFL-CIO in Michigan have threatened to "get back" at the state for passing workers compensation laws they say will damage workers' rights.

And, there may even be more relief ahead for employers, who have been hit with some 250,000 workers compensation claims each year.

Legislative sources from both political parties say a competitive rating bill for workers compensation coverage will all but breeze through both houses of the Legislature and reach the governor's desk very soon.

The word is that the insurance industry will not fight the move to competitive rating because if it fails, some lawmakers are threatening passage of another law that could put workers compensation insurers out of business in the state (BI, Oct. 19, 1981).

One legislator introduced a bill last session that would reduce the cost of workers compensation insurance by setting up a state fund

to exclusively underwrite workers compensation, without the profit written into the rates set by insurance companies.

"Insurers are so deathly afraid of an exclusive state fund being formed in Michigan, it's not even funny," said an analyst for the Democrats.

Meanwhile in Florida, just six months after ordering a 15.6% workers compensation insurance rate reduction, Insurance Commissioner Bill Gunter has approved another 10% rate cut.

This is the fourth rate reduction since the state's wage-loss law was enacted in 1979. However, this reduction is not tied directly to the wage-loss law.

Mr. Gunter's office says the rate cut, filed by the National Council on Compensation Insurance Dec. 16 and approved effective Jan. 1, will mean savings of \$40 million in premiums this year for Florida's 118,000 employers. This figure is based on annual workers compensation premiums of about \$400 million collected by insurers operating in Florida.

The latest rate cut comes in the wake of reductions of 15.6% last July, 11.4% earlier in 1981 and 15% when the Florida Wage-Loss Law took effect Aug. 1, 1979.

Under the wage-loss concept, an injured worker does not receive permanent partial disability benefits except for extreme impair-

ments. Instead, benefits are paid only for proven lost wages after an accident.

Previous rate reductions were largely credited to improved loss experience stemming from the wage-loss program, but a spokesman for the commissioner says the new rate cut is designed primarily to counter "shock" from the Jan. 1 conversion to a total-payroll system for determining individual employers' workers compensation premiums, instead of a partial-payroll system.

Until 1976, premiums were calculated by multiplying a company's payroll, based on the first \$100 of each employee's weekly earnings, by the workers compensation rate classification that applied, the spokesman says. A transition program aimed at converting the state to a premium-calculation method based on an employer's total weekly payroll was begun Jan. 1, 1976.

Under the transition program, insurers were allowed to continue charging premiums based on partial payroll for those employers that would have suffered a significant premium increase under the total payroll system. Such employers split the difference with insurers by paying surcharges that have risen from 5% of the premium in 1976 to 30% in 1981 to ease the transition.

"The transition period was supposed to last three years but was extended to six (ending Dec. 31, 1981) because there were still a number of employers who would have been drastically affected by the change," the spokesman says. This was particularly true of contractors and large manufacturers who pay high wages.

About 15% of Florida's employees were still in the transition program when it expired Dec. 31. Mr. Gunter says the rate reduction will keep the premium increases among high-wage employers below 10%, translating into an overall 4% premium decrease for the other 85% of Florida's employers.

Last July, Mr. Gunter ordered the NCCI to refile for a 15.6% rate reduction after he rejected the rating bureau's proposed 2.8% rate cut (BI, Aug. 3, 1981).

At that time, the wage-loss law and other reforms had resulted in an increase in Florida's workers compensation weekly benefit to \$223 from \$130 when the law was enacted.

Simultaneous reductions in the amount of money spent on litigation of workers compensation cases and improved loss experience prompted the commissioner to order the greater reduction.

This year, the Colorado Department of Insurance will spearhead a legislative move to competitive rating for workers compensation in-

insurance in 1983.

There already is competition for workers compensation coverage in Colorado, says Insurance Commissioner J. Richard Barnes. The law, therefore, should be formally changed to recognize that fact, he says.

Of the 176 insurance companies writing workers compensation insurance in the state, 28 have filed for rate deviations—the majority downward—from the filings of the National Council on Compensation Insurance, he said.

Open competition for workers compensation insurance, however, will not make the legislative agenda in 1982, Mr. Barnes said. The January session has been reserved for fiscal matters and other select issues approved by the governor.

The Insurance Department will wait until after the November elections to seek a sponsor for the proposed bill. It would then be introduced next January at the earliest.

"Competition will force rates down. It's happening right now," he said.

Only Oregon and Minnesota have changed their laws to allow competition in workers compensation insurance rates—a move away from uniform rates as filed in most states. The Michigan Legislature is slated to consider open rating in its 1982 session and the Maine Legislature is close to proposing it.

PBGC files suit against Harvester

Continued from page 3

Under ERISA, the employer that maintains a pension plan at the time the plan is terminated is liable for the participants' vested benefits. As a result, a company that sold a subsidiary with a badly underfunded pension plan no longer would be liable for the benefits.

Thus, a company might find it advantageous to sell a subsidiary—even at what appears to be unfavorable terms—if the subsidiary's pension liabilities are very large.

The company would then no longer face a potential liability of 30% of its net worth—which could amount to tens of millions of dollars for large corporations—if the subsidiary later terminated its pension plan.

On the other hand, a buyer with little or no net worth, would face little risk in buying a corporation's subsidiary that has huge pension liabilities. If the subsidiary failed, the new owner wouldn't face liability claims because it has little for the PBGC to take.

Envirodyne, whose top officials were traveling in New York last week and couldn't be reached for comment, said in its 1980 annual report that it believes that it has no liability for the Wisconsin Steel pension plan, which has 3,124 vested participants, said the PBGC.

If the PBGC filed a claim against Envirodyne, the company would assert that net worth computations would have to reflect the substantial deficit of its steel and mining division, which operated Wisconsin Steel until the division filed for bankruptcy. "When determined on this basis, there would be no liability to the company," Envirodyne said in the annual report.

Pension experts say if the PBGC loses the Wisconsin Steel case and must assume the liabilities of the Wisconsin Steel pension plan, other companies might look for new ways to shift their pension liabilities to other firms and, ultimately, to the PBGC.

"The net losers would be premium payers," said Dallas Salisbury, executive director of the Employee Benefit Research Institute.

The \$2.60 annual premium the PBGC charges employers for each participant in their pension plans for termination insurance could rise substantially as the government corporation assumes additional pension liabilities, he said.

Excess policy won't cover MET's bills

Continued from page 2

Mutual Life fully reinsured the stop-loss policies for the trust's accident and health coverage, but Mr. Degroot declined to name the reinsurer.

The Insurance Department and the state attorney general's office have been warned by Cook County Circuit Court Judge George A. Higgins not to discuss the case because of the ongoing probe of the three partners who ran National Health Care Trust.

Morris Schlofrock, Jay Schlofrock and Hillel Yompol are being investigated by the attorney general for taking 27% to 33% of premiums for administrative costs, when the national average fee for administrative services is 10%.

The defendants also had operated the Illinois Health Care Associated Trust, which became insolvent in 1979, leaving behind \$500,000 in unpaid medical claims.

Litigation from that case is still pending, said Vic Turvey, supervisor of the health delivery section of the Illinois Insurance Department.

It's possible that some nursing home employers could have been taken into the second trust, which has a different name, not knowing that the new trust was operated by the same group that went bankrupt in 1979, he said.

The National Health Care Trust was able to avoid state regulation by contending that it qualified as a benefit plan under the Employee Retirement Income Security Act of 1974, which pre-empts state regulation, said Mr. Turvey.

Insurance Director Philip R. O'Connor criticized the U.S. Department of Labor for taking more than a year to decide, upon his request, if the trust was an ERISA benefit plan.

It wasn't until Dec. 9 that the Insurance Department received a letter from the Labor Department saying the trust did not qualify as an ERISA plan.

Now that the "unlicensed insurance company" is back in the hands of the state, the first priority is to

obtain coverage for the estimated 800 to 1,000 nursing home employees and recover any assets of the trust to pay outstanding medical claims, said Mr. Turvey.

The Insurance Department has been contacted by a few insurers interested in taking on the employ-

ees who need accident and health insurance—at least for claims below \$25,000.

But, the interested companies will be thoroughly investigated for solvency before the department agrees to any new group insurance policy, he said.

Structured settlements reached in ski resort deaths

SQUAW VALLEY, Calif.—Three structured settlements totaling \$5.13 million to be paid over 28 years have been reached with family members of four people killed in a 1978 tram accident at the Squaw Valley ski resort (BI, May 1, 1978).

The settlements, the present value of which could not be determined, will be paid by a National Ski Area Assn. insurance program administered by Kendall Insurance Inc. of Rochester, N.H., for resort operators. American International Group underwrites the first \$400,000 of coverage and American Home Assurance Co. provides excess coverage to \$5 million.

More than 53 claimants filed suit

against Squaw Valley Inc. for damages arising out of the April 15, 1978, accident. All but four of the suits have been settled, most for less than \$10,000.

Settlements for the four deaths were \$1.65 million and \$1.6 million to two surviving spouses and \$1.88 million to a young girl who lost both parents.

Squaw Valley won a \$4.7 million award in San Francisco Superior Court against Karl Garaventa's Sohne A.G., the Swiss company that manufactured the tram. The judgment was taken in default with no defense offered, however, and no money has been collected to date.

Medical malpractice insurance firm prohibited from soliciting in Illinois

CHICAGO—A Bahamian-based insurer that markets medical malpractice coverage to podiatrists has been ordered not to solicit business from Illinois residents unless it opens a local office, state officials say.

Peter J. Brock, an attorney for International Bahamian Insurance Co., said it would comply with the order issued by a Chancery Court judge in an action brought by the Illinois Department of Insurance. Mr. Brock said the firm hopes to become an admitted insurer in Illinois and other states in about 18 months.

The firm sent direct mail advertising offering liability insurance to

podiatrists and placed advertising in various professional journals, according to Insurance Director Philip J. O'Connor.

He said the company maintained a post office box and a telephone number in Chicago and implied that it had an office in the city but that calls and mail were forwarded to the company's office in the Bahamas.

Mr. Brock said the local post office box and telephone number reduced the costs that prospective insureds incurred in dealing with the company. He said regulators in Oregon and New York have also questioned the firm's lack of local offices or non-admitted status.

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Imaginary broker's budget shows further flat earnings

By LEONARD M. WILSON
Special to Business Insurance

THE PUBLICLY OWNED insurance brokers have just about put the finishing touches on their budgets for 1982. Their profit plans are assembled at successive stages, beginning with individual departments in each office. The process then moves up the ladder from office to region to the corporate suite. As a result, budgets contain not only many grass-roots assessments of the coming year's potential, but corporate objectives as well.

Notwithstanding meticulous, broadly based preparation, forecasts are inevitably uncertain, and 1982 presents more than the usual number of imponderables.

Prospects for premium rates, interest rates, the economy and inflation for the coming year cannot be projected with a great deal of confidence. Yet, to construct an accurate profit plan, specific numbers for important variables must be determined. How is it being done?

We are not privy to the brokers' closely guarded profit outlooks. But if the 1982 budget report of an imaginary ABC Insurance Brokerage were to cross our desk, we think the following rundown would be a reasonable summary of its contents:

• Premium rates are still very competitive and are likely to stay that way through the rest of the year. After that, it is still a guessing game as to when the insurance companies will come to their senses.

To forecast 1982 commissions and fees, it should be assumed that renewals will decline 8% to 10% in dollar value in the first half of

BI ticker

the year and flatten out in the second half.

• The economy will have little effect on the renewal book of business except in the industrial Midwest. Offices there may not be immune to the slowdown in economic activity and could fall short of corporate goals.

• New business can be projected from existing broker-of-record letters, probable closings and the hard-charging, new-business orientation of the production staff. Outstanding production in 1981 should be no barrier to continued gains in 1982.

• Combining premium rates, renewals and new business, it will be difficult for commissions and fees to rise more than 9% to 10% on a companywide basis, excluding acquisitions, other special factors and foreign profit centers. The production of new business is critical since it will account for more than 100% of the increase in commission and fees.

• Investment income faces very difficult comparisons. Tight collections and more sophisticated management of the float can only soften the blow. It would be prudent to assume an investment yield of 11%, compared with last year's 16%.

Since economists don't have a handle on interest rates, actual returns could deviate appreciably from projected investment yield.

• A lower rate of inflation should provide some relief from wildly increasing expenses. In addition, stringent restraint on staff growth will be helpful. Nevertheless, expansion must continue in the areas of product development, new business and data processing staffs to future brokerage growth.

Consequently, employment costs are likely to increase 10% to 11% for the year. An easing in inflation and tighter cost-control measures could hold the rise in other operational expenses to 10% to 12% for the year.

• The outlook for earnings is delineated by the simple arithmetic of increases in revenues and costs. If expenses rise 10% to 11% and investment income declines 20% to 25%, earnings in 1982 could match 1981 results with a 9% to 10% increase in commissions and fees. The budget, therefore, should anticipate

flat earnings as a reasonable goal.

Comparisons could fall short in the first half of the year, but growth should resume in the second half. A material earnings increase in 1982 would require an earlier turn in the market than seems plausible.

• Austerity and continued emphasis on the production of new business are critical components of the plan if earnings are to be sustained at the 1981 level. Shareholders will give little credit for another year of flat earnings, no matter how heroic the efforts to attain that result, but the momentum of the production effort should provide a running start for 1983.

So much for our imaginary foray into the realm of profit-planning. It is a "wait-until-next-year" scenario.

Most stocks move on earnings. Insurance brokerage issues, though, respond to the direction of premium rates—thus the static performance of the stocks, excluding merger rumors and the like. We still cannot help but believe that any signs of an easing in insurer rate competition will have a beneficial effect on the brokerage stocks.



Mr. Wilson

Leonard M. Wilson, a senior analyst at L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

Financial Briefs

Frank B. Hall

Frank B. Hall & Co. Inc. continued its apparent plan to resist a takeover by Ryder System Inc. by charging Ryder with anti-trust violations last week.

In a suit filed in Chicago federal district court, Hall alleged that Ryder's purchases of Hall stock violates federal anti-trust, securities and common law now that Hall owns a truck leasing subsidiary.

Hall acquired 90% of Jartran Inc., a Ryder competitor, on Dec. 31. At the same time, Jartran filed for reorganization under Chapter 11 of the Federal Bankruptcy Act for protection from creditors.

Hall's announcement of the stock purchase said the brokerage and Jartran intend to file a complete reorganization plan for the Miami-based truck leasing company that will allow Hall to continue as principal shareholder.

Jartran, founded by James A. Ryder, who left Ryder System in 1978, reportedly owes up to \$200 million to various creditors, including Ford Motor Co. and Chrysler Corp.

Although Hall would not reveal the purchase price of the Jartran stock, earlier announcements noted that Hall directors had authorized up to \$20 million for the purchase. Since completing the purchase, Hall stock has dropped more than 4 points, as of Jan. 6.

Ryder System, another Florida-based transportation firm, had reaffirmed its interest in Hall with a Securities and Exchange Commission filing in Mid-December that reiterated its plan to acquire at least 15% of Hall. Ryder would not confirm that it plans a direct Hall takeover, and a company spokesman previously said Ryder's plan to make use of untapped tax credits could be accomplished with a series of small investments in other brokers and financial service firms.

Ryder now owns about 7% of Hall, but noted in its SEC filing that a 10% interest in the brokerage "may be deemed to constitute the acquisition of indirect control of certain insurance company subsidiaries."

Industry results

The nation's property/casualty insurance industry recorded a record underwriting loss in 1981, according to the Insurance Information Institute, but the losses were more than offset by investment income.

Citing preliminary estimates made by A.M. Best Co., it reported industry underwriting losses of about \$6 billion last year, compared with a \$3.4 billion loss in 1980. Investment income reached \$13.4 billion in 1981, compared with \$11.1 billion a year earlier. The previous record underwriting loss was the \$4.3 billion loss suffered in 1975.

British Issues

5 Jan	Price	P/E	Div.	Yield	1 Week	High-Low
Companies	pence		pence	%	pence pence	
Comml Union	124	8.6	16.07	13.0	129-122	
Eagle Star	320	10.8	21.43	8.7	328-318	
Genl Accident	306	6.9	21.07	6.9	318-306	
Gdn Royal Exch	288	7.8	23.21	8.1	296-288	
Phoenix	218	8.2	22.43	10.3	230-216	
Royal	328	9.1	35.00	10.7	335-326	
Sun Alliance	818	8.7	53.57	6.6	834-816	

Brokers	Price	P/E	Div.	Yield	1 Week	High-Low
	pence		pence	%	pence pence	
CE Heath	275	9.2	15.71	5.7	278-275	
Hogg Robinson	107	8.6	8.57	8.1	109-107	
Alex Howden	129	10.0	10.71	8.3	133-129	
JH Minet	140	9.6	6.80	5.1	142-140	
Sedg Grp	147	10.6	7.50	5.1	147-146	
Stenhouse Hldg	97	8.6	7.28	7.5	98-97	
Stew Wrightson	220	11.0	17.14	7.8	225-220	
Willis Faber	365	12.6	17.85	4.9	367-365	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

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Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 43.88	1.2	7.4	2.32	5.3	44.38	43.63	484.7
American Bankers Ins Group	OTC 7.38	-1.7	7.8	0.48	6.5	7.50	7.25	66.7
American Gen Ins Co	NYSE 40.25	-1.2	5.5	2.00	5.0	41.25	40.00	76.4
American Indty Finl Corp	OTC 15.75	-2.3	6.6	1.12	7.1	16.13	15.75	8.9
American Intl Group Inc	OTC 62.75	-6.3	10.9	0.80	0.6	66.25	62.75	182.6
American Natl Ins Co	OTC 14.25	0.0	6.1	0.76	5.3	14.50	14.25	89.8
American Sta Life Ins Co	OTC 17.00	0.0	5.4	0.80	4.7	17.00	17.00	0.0
Aneco Reins Ltd	OTC 2.63	-4.5	0.0	0.00	0.0	2.88	2.63	52.8
Appalachian Natl Corp	OTC 2.56	2.5	0.1	0.00	0.0	2.56	2.50	0.2
Avesco Corp	AMEX 10.88	1.2	7.4	0.54	5.0	10.88	10.63	9.2
Banks Iowa Ins	OTC 39.50	0.0	5.8	1.44	3.6	39.50	39.00	4.3
Biteco Corp	OTC 38.00	0.0	4.5	2.16	5.7	38.00	37.75	1.8
Carolina Cas Ins Co	OTC 7.13	0.0	7.1	0.32	4.5	7.25	7.13	2.5
Central Natl Finl Corp	OTC 35.13	4.9	11.4	0.85	1.9	35.13*	33.50	4.1
Chubb Corp	OTC 45.63	-1.1	5.6	2.92	6.4	46.00	45.63	95.6
Combined Intl Corp	NYSE 23.25	0.5	6.0	1.80	7.7	24.00	23.13	111.7
Connecticut Gen Ins Corp	NYSE 48.25	-5.4	6.2	1.76	3.6	50.50	48.25	115.9
Continental Corp	NYSE 26.00	-1.0	8.2	2.40	9.2	26.75	26.00	129.2
Crawford & Co	OTC 15.50	-3.1	12.0	0.52	3.4	16.00	15.50	16.3
Crom Life Ins Co	OTC 84.00	0.0	9.1	2.80	3.3	84.00	84.00	0.5
Crum & Forster	NYSE 32.00	-3.0	5.2	1.64	5.1	33.38	32.00	205.4
Employers Cas Co	OTC 33.50	0.8	5.3	1.20	3.6	33.50	33.50	7.3
Equifax Inc	NYSE 23.00	0.5	5.2	2.40	10.4	23.00	22.63	9.4
Excelsior Ins Co	OTC 16.75	0.0	11.5	0.70	4.2	16.75	16.75	1.5
Farmers Group Inc	OTC 31.50	-0.8	9.3	1.12	3.6	32.00	31.50	132.8
First Colony Life Ins Co	OTC 65.00	4.8	18.5	1.00	1.5	67.00*	64.00	5.7
Foremost Corp Amer	OTC 29.75	0.0	8.4	0.80	2.7	29.75	29.50	37.2
Great West Life Assurn Co	OTC 243.00	0.4	9.0	10.00	4.1	243.00	242.00	0.0
Hanover Ins Co	OTC 32.00	-3.0	3.9	0.72	2.3	32.75	32.00	12.7
Hartford Steam Boiler Inaptn	OTC 43.25	0.6	7.6	2.80	6.5	43.25	43.00	8.7
Jefferson Natl Life Ins Co	OTC 28.75	-9.4	16.5	0.64	2.2	31.75	28.75*	12.3
Kemper Corp	OTC 30.63	-8.6	4.8	1.60	5.2	33.38	30.63	67.3
Lincoln Natl Corp Ind	NYSE 40.00	0.0	6.2	3.00	7.5	41.25	40.00	78.0
Nat'l Int'l Corp	NYSE 47.88	0.8	11.9	1.28	2.7	48.38	47.63	1,393.0
Mission Ins Group Inc	NYSE 36.00	0.3	6.3	1.00	2.8	36.00	35.25	12.7
Nationwide Corp Ohio	OTC 31.25	0.0	10.3	0.70	2.2	31.25	31.25	0.9
Northwestern Natl Life Ins	OTC 26.25	-1.9	5.6	1.36	5.2	27.50	26.25	37.8
Ohio Cas Corp	OTC 41.75	1.2	6.4	2.04	4.9	42.00	40.50	55.4
Old Rep Intl Corp	OTC 19.50	4.0	4.7	0.92	4.7	19.75	19.13	134.6
Preferred Risk Life Ins Co	OTC 21.25	0.0	5.7	0.80	3.8	21.38*	21.25	3.5
Provident Life & Acc Ins Co	OTC 54.50	0.9	7.1	2.20	4.0	56.00	54.00	48.2
Ryan Ins Group Inc	OTC 16.50	0.0	7.1	0.12	0.7	16.50	15.75	12.1
St Paul Cas Inc	OTC 48.38	-1.3	7.8	2.32	4.8	48.88	48.38	275.4
Safeco Corp	OTC 39.00	-1.0	7.5	2.20	5.6	39.50	39.00	57.8
Sri Corp	OTC 23.25	3.3	4.6	1.00	4.3	23.25	22.75	23.9
Seibels Bruce Group Inc	OTC 25.63	-3.8	14.4	0.80	3.1	26.50	25.63	30.2
Statesman Group Inc	OTC 6.38	0.0	5.5	0.15	2.4	6.38	6.38	11.8
Tokio Marine & Fire Ins Co	OTC 117.00	0.6	9.3	1.00	0.9	118.50	117.00	2.0

JAN. 5, 1982 12/25/81 THRU 1/5/82

Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)	
Travelers Corp	NYSE 43.38	-1.4	5.1	2.88	6.6	44.13	43.38	208.3
United Fire & Cas Co	OTC 35.50	0.0	8.1	1.10	3.1	35.50	35.50	1.0
United States Fid & Gty Co	NYSE 41.00	-4.7	6.7	3.20	7.8	42.63	41.00	188.0
United Svcs Life Ins Co	OTC 14.63	-4.9	5.7	1.00	6.8	15.38	14.63	12.9
USLife Corp	NYSE 22.75	-3.7	5.4	0.80	3.5	23.38	22.38	162.6
Washington Natl Corp	NYSE 19.75	1.9	6.0	1.08	5.5	20.63	18.63	156.9
Zenith Natl Ins Corp	OTC 17.00	-4.2	8.9	0.76	4.5	17.75	17.00	9.2
INSURANCE COMPANIES	AVERAGE			6.2		4.1		
Alexander & Alexander Svcs	OTC 25.25	-1.0	8.9	1.84	7.3	25.50	25.25	175.8
Baldwin & Lyons Inc	OTC 32.00	-1.5	5.5	0.80	2.5	32.50	32.00	2.0
Corroon & Black Corp	NYSE 20.50	8.6	12.1	1.76	8.6	21.25	19.00	35.3
Crump E H Cos Inc	OTC 11.38	-2.2	13.4	0.40	3.5	12.00	11.00	62.9
Hall Frank B & Co Inc	NYSE 28.25	-13.7	10.7	1.66	5.9	32.50	27.25	565.7
Integrated Reas Inc	AMEX 15.50	-3.1	6.3	0.00	0.0	16.00	15.50	33.1
James Fred S & Co Inc	NYSE 23.00	-4.2	10.7	1.60	7.0	23.63	23.00	87.1
Marsh & McLennan Cos Inc	NYSE 32.25	-3.0	10.4	2.00	6.2	33.75	32.25	189.1
Pennecorp Fincl Inc	NYSE 5.63	2.3	8.2	0.16	2.8	6.00	5.63	196.5
Pinehurst Corp	OTC 9.00	-1.4	0.0	0.00	0.0	9.00	9.00	9.6
Poe & Assoc Inc	OTC 9.50	-2.6	10.7	0.80	8.4	9.75	9.50	5.0
Read Stenhouse Cas Ltd	OTC 11.63	1.1	9.3	0.60	5.2	12.00	11.13	3.1
Rollins Burdick Hunter Co	OTC 21.50	0.0	12.3	1.32	6.1	21.75	21.50	12.6
AGENTS/BROKERS	AVERAGE			9.5		5.3		
American Express (Fireman's Fd)	NYSE 41.75	-3.2	7.4	2.20	5.3	44.13	41.75	579.2
Anderson Clayton (Ranger/PanAm)	NYSE 26.50	-0.9	5.5	1.32	5.0	26.88	26.50	26.6
Arco Inc	NYSE 26.38	-4.1	3.0	1.80	6.8	28.00	26.38	166.8
City Investing Co. (Home Ins.)	NYSE 22.00	-7.4	6.3	1.60	7.3	23.13	22.00	237.6
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