

business insurance

update:

Risk Retention Act introduced again

WASHINGTON—The Risk Retention Act is off to a fast start, reintroduced on the second day of the Congressional session.

Sen. Howard Cannon (D-Nev.), ranking minority member of the Senate Commerce Committee, last week introduced the legislation (S. 69) that would

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Waste liability policies to cost up to \$120,000

By ELLIS SIMON

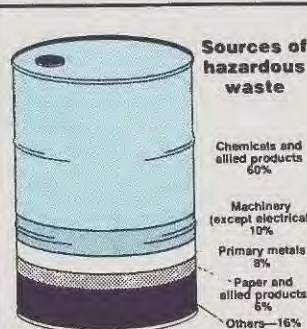
WASHINGTON—In the next year, some hazardous waste site operators will have to spend up to \$120,000 to buy \$8 million in pollution liability insurance.

The cost of meeting long-awaited Environmental Protection Agency regulations on pollution insurance will depend on the size and type of dump and how the dump handles its hazardous wastes. Costs could range from \$10,000 to \$120,000, EPA and industry officials say.

Several thousand facilities across the country will have to buy both sudden and accidental pollution liability insurance, which is usually included in general liability insurance policies, and non-sudden or gradual pollution liability insurance. Gradual pollution liability insurance, a relatively new insurance product, is now readily available from three insurers (BI, Dec. 22, 1980).

The rules, which were to be published in this week's Federal Register, were first expected to be released in November, but the EPA delayed them until now.

As now written, the rules require oper-



Sources of hazardous waste

Chemicals and allied products 60%
Machinery (except electrical) 10%
Primary metals 8%
Paper and allied products 6%
Others—16%



EPA regulations to be issued this week will send hazardous waste site operators to market to buy up to \$8 million in sudden and nonsudden pollution liability insurance.

ators to buy sudden and accidental pollution liability insurance in the next six months and nonsudden pollution insurance in the next one to three years, depending on the size of the company.

The rules also require site operators to guarantee they will take steps to safely close filled sites and monitor them for

seepage after they are closed or pay to have them securely closed and monitored.

Firms will not be allowed now to self-insure either the sudden or nonsudden pollution risks, but this rule may be revised, said EPA aide Carole Ansheles. In

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Food industry, union unite in 'supertrust'

By JERRY GEISEL

WASHINGTON—America's food industry and its major union are joining forces to protect employers against huge, unexpected multiemployer pension liabilities and to attract others to the plans.

A "supertrust" to prefund and pay the liabilities employers incur when they withdraw from a multiemployer plan is on the drawing boards of a Food Marketing Institute committee and the United Food & Commercial Workers Union.

The institute is a trade group whose members include about half of the nation's retail food industry; the union sponsors many multiemployer plans of FMI-member companies.

Multiemployer plan liabilities have become a big concern for employers since the Multiemployer Pension Plan Amendments Act of 1980 was enacted. It makes all employers in a plan liable for the unfunded vested liabilities left by companies that have folded or escaped liability when they left the plan.

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Business gears for fight in '81 drive for tort reform

By JERRY GEISEL

WASHINGTON—Don't look for sweeping tort law changes at the federal or state level in 1981: Trial lawyers are winning their battle against product liability tort reform even as they file more suits around the country.

Business groups say they'll renew the four-year battle for product liability reform, but it's unlikely that more than a handful of states will pass tort reform legislation this year.

Trial lawyers around the country are fighting legislation in state capitols designed to limit the number and scope of product liability lawsuits against manufacturers. The trial lawyers contend business-backed tort reforms unfairly restrict consumers' rights to recover for damages caused by faulty products.

And state tort reform bills already enacted are under attack. In Florida, several recent supreme court decisions have weakened the state's 1978 product liability law that bars suits 12 years after the product is manufactured.

But business contends the reforms are

needed more than ever.

For example, product liability complaints filed in U.S. District Courts increased 26.4% in fiscal 1980 compared with fiscal 1979 and 77% compared with fiscal 1978 (BI, Oct. 6, 1980). Damages awarded in personal injury cases seem to be increasing, too. In Illinois, a major industrial state, the average personal injury award during the 1979-80 court term was 46% higher compared with the previous term. The average award was \$79,813, up from \$54,643.

In Washington, the outlook for federal tort reform is very gloomy, too. Rep. Richardson Preyer (D-N.C.), who was expected to lead the battle to get Congress to enact a product liability bill along the lines of the U.S. Commerce Department model tort reform bill (BI, Oct. 15, 1979), was defeated in November in his bid for re-election.

The model bill would make it tougher for an injured consumer to sue the manufacturer 10 years after the product is sold. It also would give manufacturers new defenses if their products were

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Product Liability Score Card									
Rank of 100 Companies					Rank of 100 Products				
Company	Rank	Score	Comments	Rank	Product	Rank	Score	Comments	Rank
Nothing pending									

Little action was taken in 1980 on tort reform as chart on Page 19 shows.



update:

Risk pooling act revived

Continued from previous page
make it easier for businesses to self-fund product liability risks. The measure is virtually identical to a version cleared last year by the Senate Commerce Committee, but which later died on the Senate floor when Sen. Cannon attached a tourism bill to it.

Court to rule on DES liability

LANSING, Mich.—The Michigan Supreme Court has been asked to decide whether 144 women can sue 16 companies that manufactured the drug DES even though they are unable to identify the maker of the drug that caused their injuries.

A decision in favor of the women could hold manufacturers liable as a group for any injuries caused by the drug and could make it easier for manufacturers to be sued.

The women contend they developed vaginal tumors and cancer as a result of their mothers' use of DES, a synthetic hormone.

The California Supreme Court ruled March 20 that victims can sue DES makers as a group when the plaintiffs do not know the manufacturer causing their injuries (*BI*, March 31, 1980).

Ford wins transmission suit

DETROIT—Ford Motor Co. has successfully defended its controversial automatic transmission on its home grounds.

A Wayne County Circuit Court jury dismissed a \$200,000 product liability suit filed by a wine salesman who charged the transmission in his idling Thunderbird slipped into reverse. The car then rolled backward and pinned the salesman against a wall.

Ford recently was ordered to mail stickers to 20 million owners of 1972-79 Fords with automatic transmissions warning drivers about the risk.

IRS releases trust rules

WASHINGTON—Employers can continue to use 501(c)(9) trusts to fund their employee benefits without setting up a special mechanism to give employees a larger voice in control of the trusts.

Final Internal Revenue Service regulations published last week eliminate proposals that threatened to make the tax-free trusts unworkable (*BI*, Aug. 25, 1980).

In the most significant change, the IRS demand that employees have a voice in the control of the trust will be met automatically if the plan complies with ERISA, as nearly all do. A cumbersome independent organization to represent employees will not have to be set up.

DC10 rehearing sought

CHICAGO—A rehearing will be sought on a ruling last week that McDonnell Douglas Corp., manufacturer of the DC10 jetliner that crashed at O'Hare International Airport here in May 1979, is not liable for punitive damages from lawsuits.

John J. Kennelly, a Chicago attorney representing plaintiffs, said the ruling will be appealed to the U.S. Supreme Court if the U.S. Court of Appeals here does not grant the rehearing.

The appeals court overturned a lower court decision last May that the aircraft company could face punitive damages. The appeals panel also affirmed that American Airlines, owner of the jet, was not liable for punitive awards.

The ruling does not affect compensatory damages, but eliminates, for the time being, any award of punitive damages in 120 lawsuits filed on behalf of crash victims.

Insurer cancels policies

NEW YORK—Defunct Cosmopolitan Mutual Insurance Co. canceled its 5,000 remaining policies Jan. 1 to comply with a liquidation order issued Oct. 24 by a state court.

The company, which wrote workers compensation and general liability policies mostly in New York, New Jersey and Florida, is believed to have liabilities of \$22 million to \$35 million.

FICA takes priority: Schweiker

WASHINGTON—The next secretary of the Department of Health and Human Services says his top priority will be restoring the ailing Social Security System to good health.

In confirmation hearings before the Senate Finance Committee, Richard Schweiker said it is going to take some "tough medicine" to bail out Social Security. "But it is necessary for us to do it."

Options to aid Social Security financing include a higher retirement age, higher taxes or reduced benefits, Mr. Schweiker said.

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Auto workers and other Michigan employees will receive higher workers compensation benefits.

Michigan comp reform to cost business more

By EILEEN NORRIS

MICHIGAN—A 10-year battle over workers compensation reform has been temporarily settled here, but no one is claiming victory.

Business says it will be hit with hefty increases in workers compensation costs and labor says it did not win everything it wanted.

Both sides say the next skirmish over the new law will be in the state's courts.

The new reforms, which were passed quickly by the legislature before the holidays and signed by Gov. William Milliken, increase the benefits for workers injured on the job to as much as 90% of the state's average weekly wage of \$313.

But the law, which takes effect January 1982, plays

to business by tightening eligibility requirements for benefits and by cutting off payments to those who voluntarily quit their jobs or are fired for theft or misconduct.

The workers compensation package was part of a pair of laws passed affecting workers compensation and unemployment compensation.

Workers compensation insurers in the state are taking a wait-and-see attitude before endorsing or opposing the new measures, but all think the reform will mean higher costs for employers.

The cost of the new legislation will hit the employer, says Donald Lindow, chief executive officer of Michigan Mutual Insurance Co. in Detroit, one of the leading writers of workers compensation in the state.

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Physician mutual sued over 'hit list' of lawyers

By RHONDA L. RUNDLE

PHOENIX—A physician-owned insurance company here is being sued for \$10 million by a group of attorneys because the company warned its 3,000 policyholders against talking to lawyers.

A memorandum from Mutual Insurance Co. of Arizona issuing the warning violates state laws that require physicians to cooperate with attorneys, says Daniel R. Salcito, plaintiffs' counsel. A "hit list" contained in the memo libels and slanders the 27 attorneys

named in it, he charges.

"Our intention was to caution doctors from speaking to attorneys who might be planning to sue them for medical malpractice—we are not concerned with other medical-legal matters," said Jack E. Brooks, president of the Mutual Insurance Co. of Arizona, which provides medical malpractice insurance to most physicians

throughout the state.

The memo, mailed to policyholders in mid-November, contained two sections, said Dr. Brooks. The first warned doctors against a lawyer/physician named Dr. Stephen H. Zang who reportedly had contacted doctors as a colleague without explaining his interests as an attorney.

Continued on page 29

errors & omissions

• A photograph of Robert L. Young, assistant vp-liability and commercial auto at Wausau Insurance Cos., was incorrectly printed in the Jan. 5 issue as being a photograph of Robert Young, senior vp of the self-insurance services division of Fred S. James & Co. *BI* regrets the error.

• "The Manual of Rules, Classifications and Interpretations for Workers Compensation," published by the International Risk Management Institute, costs \$95. An item in the info column Dec. 22 incorrectly said the manual was free. A free brochure about the manual is available from the institute at 10300 North Central Expressway, Suite 208, Dallas.

Shareholders sue officers of insurer

PHILADELPHIA—Colonial Penn Group Inc. officials here blast as "preposterous and totally unfounded" charges in a class-action suit that they failed to alert shareholders the insurer could lose two huge group accounts.

Shareholders are suing the insurer and four officers charging they didn't disclose soon enough that group health contracts worth \$270 million underwritten for the American Assn. of Retired Persons and National Retired Teachers Assn. were in jeopardy of being lost.

The accounts switched to Prudential Insurance Co. in September 1980 (*BI*, Oct. 6, 1980).

The suit contends the officers knew in early 1979 the accounts could be lost.

Colonial Penn senior vp and general counsel Daniel Crough points out that the firm's 10-K report released in March 1979 contained seven pages discussing the possibility of Colonial Penn's relationship with the two accounts ending in 1981 when the contracts expired.

Colonial Penn is insured against directors and officers liability losses by National Union Fire Insurance Co., an American International Group member. Limits are in excess of \$10 million, said Mr. Crough.

Named in the suit filed Dec. 10 in federal court in Brooklyn are Colonial Penn and its chairman John J. MacWilliams, founder Leonard Davis, president Herbert J. Grubb and senior vp Walter M. Foody Jr.

No specific damages are requested because the damages to the stockholders would have to be determined during trial.

Agent Orange: Opposing attorneys define different battle lines for trial

By KATHRYN J. MCINTYRE

CHICAGO—The manufacturers of the warfare herbicide Agent Orange are preparing to beat liability for alleged injuries to Vietnam veterans by showing their product met government specifications.

The plaintiffs attorney, who says he represents 7,000 veterans, how-

ever, contends that defense won't be enough to end the pending litigation against the chemical manufacturers. He says there was a duty on the manufacturers' part to warn about possible injuries.

A trial this year will determine who is right.

The trial was cleared late last month when U.S. District Court

Judge George Platt ruled that the chemical manufacturers had to defend a class-action suit by Vietnam veterans charging exposure to Agent Orange is causing them to develop cancer and causing birth defects in their children.

Government immunity prevents the federal government from picking up the defense of the suit as the

chemical companies wanted, the judge ruled (BI, Jan. 5).

Defense contractors around the country are watching the trial to see if meeting government specifications absolves them of liability for injuries caused by their products. Some speculate that if the defense doesn't suffice, companies will refuse to make products for the government.

"The judge said the government is immune (from liability) and the chemical companies are immune if they manufactured the product in accordance with government specifications. And we said they did," said defense attorney Leonard L. Rivkin, national trial counsel for Dow Chemical Co. He also is the lead counsel for the other four chemical companies facing trial for liability in connection with Agent Orange: Diamond-Shamrock Corp., Monsanto Co., Thompson-Hayward Chemical Co. and Hercules Inc.

"The judge said he wants a trial on whether the chemical companies complied with specifications in the manufacture and shipment of Agent Orange. If we did, we

walk," contended Mr. Rivkin, a partner in the Garden City, N.Y., law firm of Rivkin, Leff & Sherman.

But plaintiffs attorney Victor Yannacone said, "The judge said they (the chemical companies) must show that the government knew what Dow knew, or with reasonable care should have known (about the dangers of Agent Orange). It's not just meeting government specs. The fundamental issue here is duty. What is the extent of the duty of a manufacturer the size of Dow?"

Mr. Yannacone says Dow and the other manufacturers had a duty to tell the federal government that Agent Orange was "contaminated with dioxin and that dioxin is toxic." He says Dow knew this before the government did.

He also contends Dow had a duty to warn the Vietnam veterans when they returned home that they were exposed to dioxin and that they should monitor their health for signs of cancer and other

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'Time was right' to join exchange

By JOHN MAES

CHICAGO—The time is right—so two major insurers will be joining the Illinois Insurance Exchange.

Both The Travelers and The Hartford insurance companies said their simultaneous announcement last month that they will apply for exchange syndicate membership was a coincidence, not a sign of a change in the insurance market.

"It was really just a business decision to commit the money at this time," said Donald Cole, second vp for The Travelers Insurance Cos., who is overseeing Travelers' entry on the fledgling exchange.

"We're a big company, and we don't move as fast

as some of the smaller insurers do on these things. You have to get the various approvals for funds, but we've backed the idea of the exchange from the beginning."

At The Hartford, moving ahead with syndicate application plans also was purely a business decision, said Lyman J. Baldwin Jr., senior vp of underwriting. "It wasn't a change of heart. Sooner or later you have to make a move if you're going to do it."

The Travelers, The Hartford and a third major unnamed insurance group are preparing applications for syndicate membership, joining four other insurers that already have applied (BI, Jan. 5).

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Chinese company finds bond easy to engineer

By RHONDA L. RUNDLE

OAKLAND—A Chinese company competing for a U.S. manufacturing contract might seem an inscrutable risk to some underwriters asked to execute a performance bond on the project.

But when a Chinese domiciled engineering outfit recently landed a \$2.6 million contract to build hydroelectric generators for a Northern California utility, the bond was swiftly secured.

Cost to the Oriental Supply & Engineering Co., a U.S. marketing arm of China National Machinery and Equipment Import & Export Corp. (CMEC), was based on manual rates, reports Soren N.S. Laursen, vp in charge of worldwide bonding operations for American Home Assurance Co. and American International Underwriters, members of the American International Group.

CMEC will pay about \$9,000 for the required performance bond worth 50% of contract value, Mr. Laursen said.

The three turbine generators to be made in China will eventually be installed at the proposed Camanche Power Plant managed by the East Bay Municipal Utility District in Oakland, Calif. The only other bidder, a Japanese company, proposed to build the generators at almost twice the cost, \$4.3 million,

said a spokesman for the utility.

"CMEC is not your average company that can provide the usual underwriting information such as a Securities & Exchange Commission 10-K statement or annual report," points out David Svendsen, vp at Rollins Burdick Hunter of Northern California in Palo Alto, who brokered the risk for the Chinese company.

"We approached three markets with the risk—they would all write it with a letter of credit. But we were looking for someone to be a little more imaginative, and we considered AIU to be the most flexible," said Mr. Svendsen.

The bond was issued on Dec. 16, about three weeks following the contract award. It specifies that the project will be carried out to specifications set by the East Bay Municipal Utility District and that the contractor will meet the project completion date of Aug. 1, 1983.

"We were able to move very quickly—in about two business days—because we are geared up to do this," said AIU's Mr. Laursen. Earlier this year, the American International Group and the People's Insurance Co. of China joined in a partnership to form the China-America Insurance Co.

American International Underwriters, the

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Photo: Wide World

Lack of interest may ground shuttle policy

By STACY SHAPIRO

CAPE CANAVERAL, Fla.—The space shuttle Columbia, prepared for takeoff here, has left its wrap-up third-party product liability policy in the hangar.

The shuttle's 150 contractors and subcontractors aren't fired up for the wrap-up policy, sources say. Therefore, the orbiter will take off in March without the assurance of one policy to cover any disaster, leaving individual company policies to absorb any loss.

"I don't see any likelihood of the wrap-up policy for the first launch," said Robert E. Butler, corporate director of risk management at Lockheed Aircraft Corp. Lockheed manufactures the thermal tiles for the outside of the space shuttle.

The wrap-up insurance originally was designed to protect all contractors and subcontractors under one product liability policy (BI, May 12, 1980). But at a recent meet-

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K&R costs fall as the risks rise

By STUART EMMRICH

NEW YORK—The most hush-hush insurance policy in a corporate risk management program is getting cheaper to buy and provides more coverage.

Competition is driving down the price of kidnap and ransom insurance and broadening the scope of the policy even as the risk loss and demand for coverage grows, brokers say.

The risk of executive kidnappings abroad, a concern of multinational corporation risk managers, grew larger last month when yet another incident occurred. A Goodyear Co. executive in Guatemala was kidnapped and is reportedly being held for a \$10 million ransom.

The risk of additional loss growing out of kidnapping—judgments

'Any professional risk manager has at least evaluated the matter,' says Brian Smith of Fred S. James & Co.

against corporations for mishandling a ransom demand—seems to be growing, too. One court case was dismissed but another is pending on the issue.

A highly publicized \$185 million suit filed against Beatrice Foods by an executive who charged the company didn't do enough to free him from an eight-month kidnapping was dismissed in 1980. But there is a shareholder suit pending against Exxon charging the company shouldn't have paid \$14.2 million to free an executive kid-

napped in Argentina in 1973. The ransom was excessive, the suit filed last year in New York charges.

Underwriters of kidnap and ransom insurance are responding to these developments and increased demands for insurance with lower prices and broadened coverage that will even pick up the cost of lawsuits over the handling of a ransom demand, brokers report.

Insurance brokers are the only sources who will discuss the

highly sensitive insurance product dubbed K&R. Risk managers, especially those at companies involved in kidnapping incidents, refuse to discuss their insurance arrangements. They say they will lose their kidnap and ransom insurance policies if they talk about them. Underwriters have included that provision in the policies, fearful that publicity about specific coverage will invite kidnappings and higher ransom demands.

But it's safe to assume most corporations buy kidnap and ransom insurance.

"More and more of the Fortune companies have this coverage," said Gerald Payne of Marsh & McLennan. "I would say more have it than don't and the number is growing."

"Any professional risk manager has at least evaluated the matter

for his organization," said Fred S. James & Co. vp Brian Smith. "It is a coverage that should be considered."

"The market is extremely soft, extremely competitive. Rates have gone down dramatically and conditions have really broadened," said Mr. Payne. Standard policies no longer set annual aggregate limits and deductibles are usually no longer required, he said.

"A policy that was written three years ago and is coming up for renewal can probably increase limits from \$5 million to \$10 million with no change in the premium," he said. "That same policy could probably be renewed at \$5 million for a reduction of up to 35%."

"I have been seeing limits go as high as \$20 million, \$30 million, \$50

Continued on page 29

Mine union districts to pay plan costs

DISTRICTS OF THE United Mine Workers union will begin shouldering the cost of health insurance for their employees under a decision by the union's governing board in Washington, D.C.

The international union had paid for insurance and pension benefits for both international and district employees, a holdover from the days when district officers and employees were appointed by the international union.

The 19 districts of the union will begin in February to pay health insurance premiums for 331 employees, totaling an estimated \$62,000 per month. The international union will continue to pay the cost of district employees' pension plans. Each district has its own underwriter.

Districts with financial prob-

benefit beat

lems because of low membership may be granted waivers from the plan.

L.A. pays more

Los Angeles city workers will receive bigger subsidies for dental and medical care insurance costs under a settlement that ended a six-day walkout by the City Employees Union Local 347 and the Engineers & Architects Assn.

Under the agreement, dental benefits will increase to \$10.48 per employee per month from \$8. They can be applied to dental plans offered by the city and the union. The medical care benefit will

jump to \$90 to \$115 per employee from \$70 to \$100. The amount will depend on which of the city and union's several plans an employee selects.

The agreement also calls for reopening negotiations on union members' retirement contributions.

Index holds steady

Buck Consultants Inc.'s forward interest rate index, a device to help pension plan sponsors comply with Financial Accounting Standards Board disclosure requirements, stood at 12.8% for December, unchanged from November.

The index helps pension plan sponsors prepare investment return assumptions so they can compare the market value of plan assets to the actuarial value of plan liabilities. FASB requires corporate financial statements to include these disclosures for fiscal years ending on or after Dec. 15.

Preadmission tests

John Hancock Mutual Life Insurance Co. of Boston hopes hospital bills in the Sheboygan, Wis., area will go down with increased health plan benefits paying the full cost of tests performed before hospital admission.

In conjunction with the Sheboygan County Medical Society and three Sheboygan area hospitals, the insurer will provide 100% reim-

bursment for diagnostic X-ray and laboratory work performed for out-patients at a hospital or in a licensed lab or clinic.

Many health plans have subjected these preadmission tests to deductibles or other coverage limitations while paying 100% of the cost of hospital bills. This encourages policyholders to be hospitalized.

Six other insurers are also testing the pilot program.

The program was not well received by the Sheboygan County Medical Society until the insurers agreed that only state-certified clinics and labs can perform the preadmission tests.

Made any benefit changes? Write Valerie Berg, Business Insurance.

You elected to self insure to control costs Now you want a system to manage escalating claims

The solution: HCMS A new Health Claims Management System from ISA

Specialists in solving insurance administration problems, ISA's software professionals have developed a solution to health claims processing, so now self insured companies and third party administrators can manage claims processing and stabilize spiraling administrative costs.

Simple, everyday language makes HCMS easy to learn, easy to implement. Lengthy, complex insurance paperwork is uncomplicated by HCMS. Just three video screens process most medical and dental claims.

No duplicate payments or other common errors are another major advantage of HCMS. Automatically adjudicating claims, HCMS provides document tracking from entry to automatic check and letter writing.

On-line claims data base lets you check immediately for eligibility, policy provisions, pending claims, etc., and it permits immediate response to claim status questions.

Staff training and service are the foundation of ISA's reputation and HCMS

demonstrates why. We regularly offer small, personalized classes in the use and maintenance of the system for users and data processing staff. ISA User Group Seminars discuss developments in health care and insurance claims and determine the direction of future system enhancements.

A phone call answers questions, solving immediate problems. Just ask one of our data processing analysts or application professionals. On-site visits can be arranged if desired.

Documentation, state of the art news keep you informed. In addition to HCMS documentation, a user news letter tells you about system enhancements and trends in health claims processing.

Tested and proven by leaders in health insurance, HCMS is more than a system. It is service — backed by more technicians and professionals in education, sys-

tem design and support than any in the industry. When you buy HCMS, you acquire a team.



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Hospital comp pool recruiting

HARTFORD—The Connecticut Hospital Assn. hopes a history of premium savings will attract the members it needs to start its workers compensation self-insured trust by Feb. 1.

But a few new faces won't do.

The trust needs \$1 million in contributions to meet requirements set by the state workers compensation board and insurance department last November when they approved the pool after a two-year delay.

To reach that goal, almost all 10 association members whose workers compensation policies expire Feb. 1 must join the trust, says hospital association senior vp Donald A. Berkowitz.

Hospitals joining the pool can save 20% to 30% of workers compensation costs by eliminating brokerage commissions and insurers' underwriting profit and by gaining investment income on policyholder premiums now earned by insurers, Mr. Berkowitz contends.

The Connecticut Hospital Assn. tried to have the trust open for business last October when most of its 36 members had workers compensation policies ready for renewal. Six hospitals were ready to join then, but regulatory delays prevented startup, Mr. Berkowitz said.

To join the trust now, however, those six would have to cancel renewed policies and pay costly short-term premiums to insurers. However, the hospitals are likely to join next October if the trust succeeds, Mr. Berkowitz adds.

The association turned to pooling to head off rising workers compensation costs and to stimulate safety programs for its members.

Workers compensation premiums are rising at an annual rate of 30% to 40% for Connecticut hospitals because of growing payrolls and accidents, Mr. Berkowitz says. Next to malpractice coverage, it is the hospitals' biggest insurance headache, he adds.

Hospitals should be encouraged to improve the safety self-insured program since participating hospitals will be rated based on individual loss experience.

Safety, loss prevention and claims administration services for the trust will be provided by NATLSCO, a division of the Kemper Group. Tillinghast, Nelson & Warren's Hartford office provided actuarial analysis for the study. Municipalities were the only other group in Connecticut to establish pools under the recently enacted law.

Our name and address.
In a word.

enterprises essentially devoted to serving the insurance needs of business. But we're also a growing force in personal lines. The Wausau story is simple. If you're looking for an effective insurance "partner"

The Wausau story is simple. If you're looking for an effective insurance "partner"

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enterprises essentially devoted to serving the insurance needs of business. But we're

We're Wausau Insurance Companies. Formerly Employers Insurance of Wausau. Formerly Employers Mutuals of Wausau. You'll notice the Wausau name is gaining emphasis. But it has always identified us since we began using

Employers Mutuals of Wausau. You'll notice

We're Wausau Insurance Companies. Formerly Employers Insurance of Wausau. Formerly

our familiar trade-mark, 27 years ago. Yet, there is change. We're not the same company we used to be. Today, we operate a dozen

the Wausau name is

Employers Mutuals o

We're Wausau Insurance
by Employers Insurance

WAUSAU
INSURANCE
COMPANIES
Wausau, Wisconsin 54401



Schools await word on mutual proposal

AUGUSTA—School boards throughout Maine should know by Feb. 1 if they will be allowed to form their own insurance company to help cut insurance costs.

The proposed Maine School Mutual Insurance Co. would provide multiline coverage to almost 300 school boards. The Maine School Management Assn. submitted plans to form the company to the state insurance superintendent last month. He is expected to make a decision by Feb. 1.

The school association believes

around the states

forming its own insurance company will save money and improve coverage, said Paul Hurlbert, MSMA assistant executive director.

Actual savings could be 15% to 20% of current premiums, depending on the rates approved by the state insurance department and the number of participants, Mr. Hurlbert explained.

If the plan is approved, the school association would be the first public entity association in Maine allowed to form an insurance company, said Everard Steven, chief examiner for the state. "Physicians have done it, but it hasn't happened before for public entities," he said.

Insurance costs would be shaved because insurer commis-

sions are eliminated and loss prevention stressed, he said.

Blues rate hike

TRENTON—A rate increase granted Blue Shield Medical Surgical Plan of New Jersey, the first in more than three years, takes effect this month for most small group and direct payment subscribers.

The rate increase averages 12% but will vary among categories of coverage on the basis of claims ex-

perience. The increase is expected to yield an annual \$8.7 million in premium, according to the state insurance department.

No increase has been slated for subscribers in the small group 750 Program and 14/20 Program.

The monthly payment for small group husband and wife coverage under the 500 Basic Program will jump 17 cents and the monthly payment for Blue Shield 65 Group Medicare Complementary Program will increase \$1.22.

Continuing erosion of the plan's reserves made the increases necessary, according to state insurance commissioner James J. Sheeran.

The last increase approved for Blue Shield averaged 9.9% and took effect Oct. 1, 1977.

HMO sponsors

HARRISBURG—Profitmaking firms will be able to sponsor health maintenance organizations under a new law signed by Pennsylvania Gov. Dick Thornburg.

The law, which takes effect this February, no longer requires that HMO sponsors be not-for-profit organizations. The law also changes the composition of the state insurance and health departments' HMO board. Instead of consisting entirely of subscribers, only one-third of the board will represent subscribers.

The revised HMO act provides that the secretary of health and the insurance commissioner jointly issue certificates of authority for HMOs. The health secretary must determine that applications meet health care standards and the insurance commissioner has the responsibility to see the applicants are financially sound, with adequate funding.

The health secretary and insurance commissioner also are authorized to suspend or revoke licenses of HMOs and to impose fines of up to \$1,000 for standard services and other violations. The health and insurance departments also may set up reciprocal licensing agreements with other states to permit out-of-state HMOs to function in Pennsylvania.

Insurer ads

COLUMBUS—The Ohio Insurance Department plans to appeal a Pleas Court ruling against insurance company advertising that has since been withdrawn.

The court told the insurance department to order the insurers to "cease and desist" placing ads that criticized big jury awards in personal injury cases.

One ad, run by Harleysville Insurance Co. in 1978, depicted a judge on the bench dressed as Santa Claus.

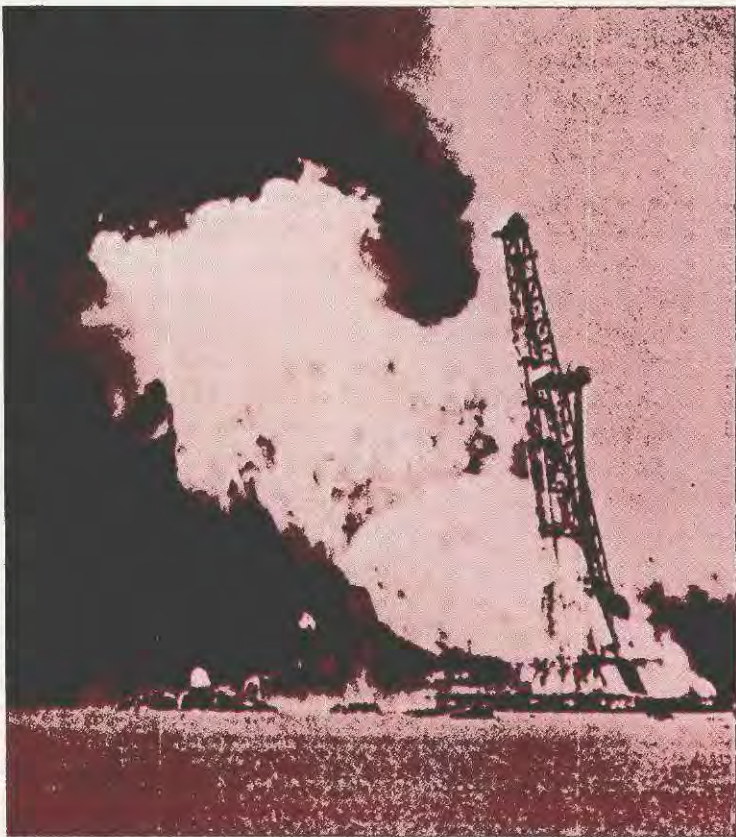
The Ohio Academy of Trial Lawyers contended the Santa Claus ad and a series of other ads by Crum & Forster and Aetna Life & Casualty infringed upon the right of jury trial and perhaps even tampered with it by prejudicing juries against the plaintiffs.

"But when the Ohio Academy of Trial Lawyers petitioned, we went through it and dismissed it. The ads had been withdrawn months before," said Robert Katz, assistant director and counsel for the Ohio Insurance Department. "We felt that the whole issue was moot."

The academy then sued the insurance department in the Pleas Court to demand a hearing and retractment of the ads. The lawyers won the retractment of the ads, but no hearing will be held.

The Ohio Insurance Department isn't sure what's to be repealed, as the ads have been off the market for several years.

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Photograph courtesy of Boots & Coots, Inc.

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Realizing the magnitude of the problems, which are unmatched in history, the Professional Development Institute of North Texas State University and RIMCO Risk Management, Inc., have mobilized the second annual Petroleum Insurance Conference. At it, you can get straight answers to the life and death questions that threaten your company.

Who should attend

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Topics targeted to your needs

This year's program will emphasize the ins and outs of insurance programs and pricing. General sessions will cover industry-wide problems and trends. Special small breakout sessions will zero in on specific concerns of owners, operators, service contractors, pipeliners, refiners, and distributors.

Facts, not theories

The conference advisory committee has chosen speakers based on their expertise, experience, and ability to communicate. Each speaker will emphasize the practical aspects of insurance and risk management so that you

can gain new insights into the nature and availability of alternatives, discuss parameters, and explore innovative solutions to your specific problems.

Program

1st Day

General Sessions
Petroleum risk management
Pitfalls in ambiguous policies
Breakout Sessions
Control of well
Insuring loss of income
Handling property claims
Care, custody and control

2nd Day

General Sessions
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Send two or more persons from your company and you'll receive a 10 percent discount on enrollment fees. In addition, attendees are able to compare notes and pool their thinking during and after meetings, working together to utilize their newly acquired skills. The results? A work team with the ability and knowledge to maximize protection while minimizing costs.

Conference Workbook

As a registrant, you will receive a workbook containing the outlines and discussion material that will be covered in the proceedings. This book, combined with your notes, will provide a handy reference manual for long-lasting, practical benefits.

Registration fee—\$395

Registration will be limited, so complete and return the attached registration form today.

Hotel arrangements are the responsibility of the registrant. The Galleria Plaza will be holding a block of rooms for conference attendees until January 19.

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editorial opinions



Defending contractors

THE FEDERAL government needs to provide defense contractors with protection against product liability lawsuits.

We are outraged that the makers of the warfare herbicide Agent Orange are being forced to defend against liability for alleged injuries to Vietnam veterans exposed to the chemical.

Even if the chemical companies win the first phase of the litigation and are absolved of liability for any injuries, they have been dragged into two years of costly litigation for making a product our government requested to fight a war.

The risk of similar litigation is enough to at least make other companies stop and consider whether or not they want to become defense contractors.

If the Agent Orange makers end up paying damages to Vietnam veterans, other companies may refuse to build weapons for the government.

A government without weapons is a government that doesn't fight wars. A nice thought.

A government without weapons is a government defenseless against those who fight wars. Not a nice thought.

Companies that build weapons for the government should not and cannot be held to standards of strict liability that govern the manufacture of products for the general public. The circumstances surrounding the manufacture of the product and its use must change the rules.

Defense contractors, for example, can be under a time pressure to develop and make

a weapon for fast use. The time normally devoted to testing isn't available.

Defense contractors might not be told for security reasons how a product will be used. How then can the manufacturer anticipate what injuries it might cause?

A weapon of war by its very nature is a dangerous product. The more dangerous the intended use for a product, the more danger there is that something can go wrong.

Rather than waiting to see if these Agent Orange suits materialize into huge damage awards against the manufacturers—or waiting for the next unforeseen circumstances to spawn another set of lawsuits against a defense manufacturer—the government should practice a bit of risk management in conjunction with defense contractors.

We suggest the federal government extend to defense contractors the same kind of immunity extended to the pharmaceutical manufacturers that made swine flu vaccine. That is, make the federal government liable in the first instance for all third-party suits involving defense products. Then if the federal government thinks the contractor was grossly negligent in making the product, the federal government can sue the manufacturer.

If the Reagan administration wants to strengthen the defense capabilities of this country, it had better move on this issue of product liability. To wait could cost the government precious time and weapons in a more threatening situation.

letters

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

Question of continuity

To the editor: I greeted with interest the headline "Coverage continuity beckons D & O buyer" (BI, Dec. 29, 1980) because what has been informally discussed has now been publicly aired.

The INA's current position is as quoted by INAX Inc. president John Van Cleave. When the INA entered the D & O market in June 1978, we did so amongst all sorts of speculation—would we destroy the market, attempt to drive millions of premium dollars from the AIG and the other writers? The rumormongers were proven wrong because after 2½ years we have not taken a premium-only position. The market did not disintegrate, but rather we added stability and commonsense underwriting.

Continuity is a question that has to be addressed but with the cur-

rent state of the market, now is not the right time. It should not be solely a marketing tool. To broaden the coverages and reduce premiums 40%, 50% or greater is not underwriting but sheer recklessness and irresponsibility.

Hopefully the Chubb Group won't engage in these, but with underwriting authority granted to multi-field offices, I have my doubts.

There is always room for intelligent competition, but blatant unjustified ratecutting should not be tolerated. The INA is committed to remain a D & O market, but we will draw the line on premium reductions.

Peter H. Foley

Executive vp

INA Underwriters Insurance Co.
New York, N.Y.

Rewards of education

To the editor: Your article on insurance education brought a letter from Dennis Flynn, corporate risk manager at Pettibone Corp., that deserves explanation (BI, Dec. 22).

Mr. Flynn commented that just because he attended the University of Iowa he thought insurance programs offered at the Universities of Minnesota and Wisconsin were similar. I disagree. His education, as he described it, was to familiarize one with the terms, the industry and risk identification. He also stated it is not possible to obtain a "first chair position" right out of school.

I did both my undergraduate and graduate work at the University of Minnesota under professors C. Arthur Williams and Andrew F. Whitman. The introductory course in risk management taught the language, the patterns and precepts of risk management. It was beyond the introductory course where po-

licies were scrutinized, underwriting techniques were examined and highly technical risk management philosophies were critically observed.

I fail to see how Mr. Flynn can conclude with accuracy the style or content of my education at Minnesota. The professors are different, as is the structure of the insurance curriculum. Also, I do not believe it is the professors' or the institutions' fault for lack of preparation for a "first chair position." It is the old adage, you get out of your education exactly what you put into it.

The fact of not being ready for a "first chair position" directly out of school is not true. I was hired as corporate risk manager right from the ivory tower.

James C. Hays

Corporate risk manager
Grain Terminal Association
St. Paul, Minn.

Omitted from the list

To the editor: Johnson & Higgins was omitted from your Dec. 15, 1980, listing of employee benefit consultants. The following information pertains to the employee benefits services offered by Johnson & Higgins:

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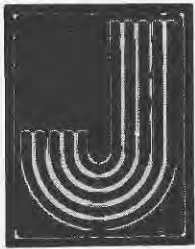
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Federal pensions are the biggest, new study proves

WASHINGTON—The nation's federal pension plans provide much more generous benefits at much higher costs than those sponsored by private employers, a new study confirms.

Federal plans offer faster vesting, earlier retirement with full benefits, more generous benefit formulas and better protection against inflation, according to a report by the President's Commission on Pension Policy.

If funded as private plans, federal pension plans would cost almost 80% of payroll.

Most federal plans allow employees to vest after five years of service. Private plans, particularly those sponsored by large employers, usually require 10 years of service for first and full vesting.

The pension plan for civil service employees, which is one of the largest federal plans, allows an employee with 30 years of service to retire at age 55 and collect full benefits.

The normal retirement age under private plans is age 65 although in recent years more plans have begun to offer full, unreduced benefits at age 62.

A civil service veteran who retires after 30 years of service would receive a pension equal to 56.25% of final pay, a much higher percentage than most private plans provide.

For example, a study by Bankers Trust Co. (BI, Nov. 17, 1980) found median plan benefits for employees with 30 years of service ranged from 30% to 38% of pay.

"These are substantially lower than the percentages shown for the 10 largest public plans," the commission noted. "This is due in part to the fact that federal employment is not covered by Social Security and, therefore, these retirement plans are designed to provide full retirement income."

Nearly all federal plans automatically boost benefits at least once a year to match increases in the Consumer Price Index.

Private plans do not use automatic indexing. However, most periodically give ad hoc increases to retirees, but the raises are usually lower than the rise in the cost of living.

Federal employees, however, generally contribute 7% of salary to their plans. Few private plans require employee contributions. According to the Bankers Trust Co. survey, only 8% of the private plans polled require employee pension contributions.

In 1980, the employer contribution to the federal Civil Service Retirement System was 30.8% of payroll. If the civil service plan were required to put aside reserve funds on the same basis as private plans to pay for future benefits, its pension plan would cost 79.8% of payroll, the study notes.

Pension plans cost private employers a lot less. A U.S. Chamber of Commerce survey indicates that companies contribute an average of 6.3% of payroll to pension plans (BI, Oct. 27, 1980).

If employer contributions to Social Security are considered, private companies are contributing 12% to 13% of payroll to their employees' retirement plans, which is still a fraction of the cost of federal plans.

Federal pension plans are huge and diverse. There are more than nine million participants in 51 federal plans.

They range in size from the Civil Service Retirement System and Military Retirement System, each of which has more than four million active and retired participants, to several plans with just one participant.

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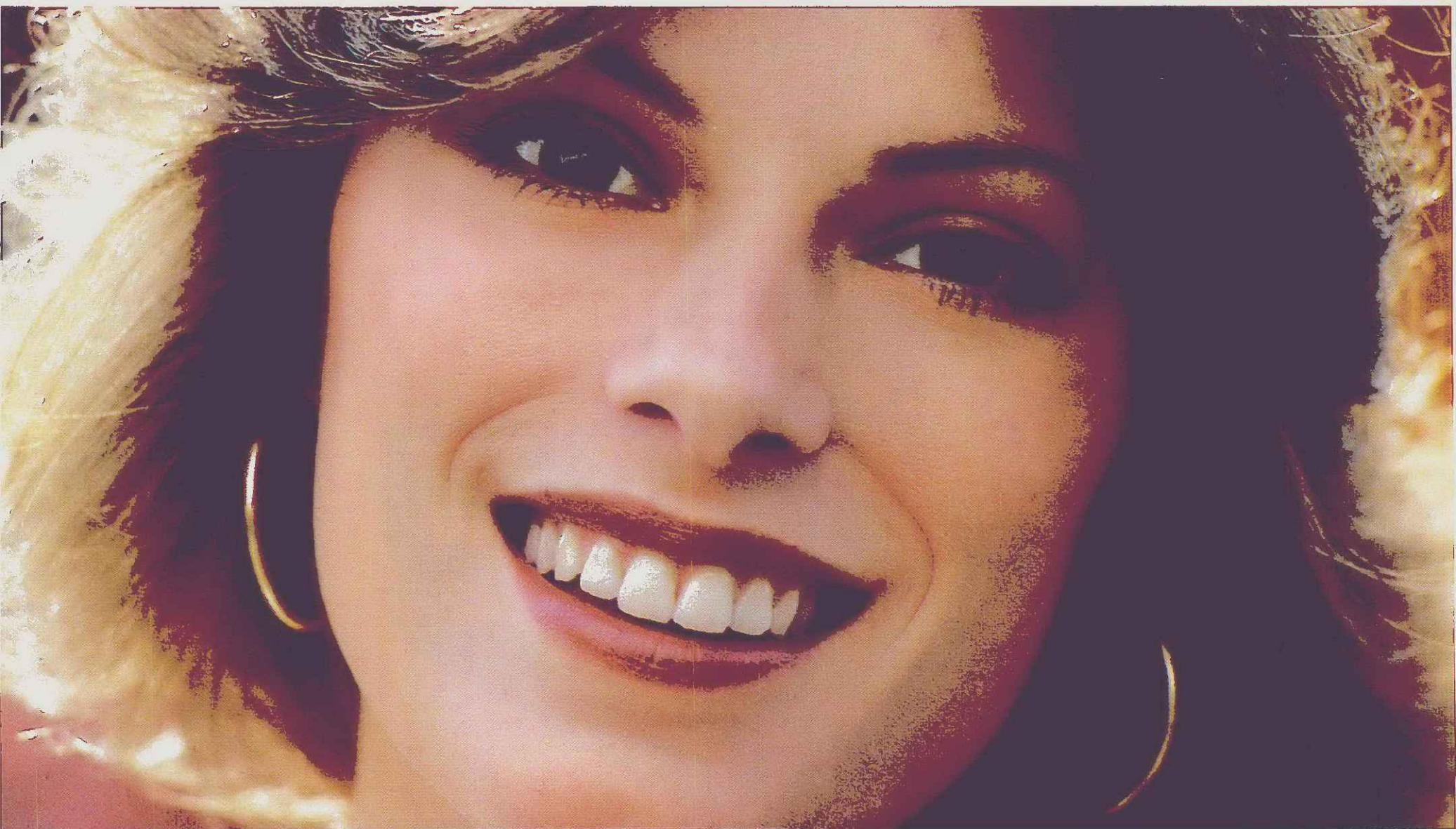
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insurance education

Tough to get in, lot more to learn at Virginia Tech

By JOANNE O'HARE

BLACKSBURG, Va.—It's tough to get into Virginia Polytechnic Institute to study insurance, but when you get out, you are as well versed in business finance as insurance.

So many students want into the College of Business here that admission standards are higher than for the university as a whole.

"We turn away about half our applicants," said Dr. David F. Scott, Jr., chairman of the Finance, Insurance & Business Law Department.

Once admitted, a student in the College of Business is required to take a broad sampling of liberal arts and sciences courses to complement a strong foundation in basic business subjects. The faculty prides itself in turning out articulate individuals with general business backgrounds.

The school markets a student who understands the intricacies of the insurance industry and can communicate them well, said Dr. Scott.

About 4,000 students are enrolled in the business college, with 200 majoring in finance, insurance and business law. That department offers two areas of concentration: business finance and insurance. Students who select the insurance concentration must take courses in life insurance, property and liability insurance, finance, bank management, security analysis, real estate finance and investment and international financial management.

During the first two years, all business students have the same curriculum in which they study English, advanced mathematics, social studies, speech, science and business. Students may announce their majors at the start of junior year, but most wait until senior year.

Undergraduate students also may opt for cooperative education, a five-year academic program that allows them to combine a college education with practical work experience. The department lines up employment for 7% to 8% of its students.

About 80 students graduate from the department's programs each year and about a third pursue careers in the insurance industry. The department says it has little trouble placing its graduates, crediting the well-rounded business education they receive.

Although the business school provides mainly a general education at the undergraduate level, graduate students must select an area of specialization. The university requires publishable research material from both its master's and

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"We turn away about half our applicants," says David Scott.

doctoral students.

The faculty sets a research example. Currently, the business faculty is investigating the activities of the federal government in the insurance field and insurance operations in socialist economies. Dr. William K. Ghee is conducting research on employee benefit programs and risk management practices for Virginia municipalities. Dr. Paul Rogers is one of a small group of specialists studying the nature and significance of insurance in the USSR and other East European economies.

Most of the graduate students in the College of Business are under 30, with three to five years of work experience. There is no continuing

education program. Instead, students dive full-time into studies. Those with backgrounds in business usually complete a master of science or master of business administration in one year; others take about 1½ years.

Assistantships are available in research and teaching. Most teaching assistantships include minimal instructional tasks, such as paper grading, to free professors to teach the majority of undergraduate classes.

The business school graduates two doctorate students a year from its seven to 10 candidates. None has graduated yet with an insurance specialization.

The college maintains strong ties with the business community. The Business Advisory Council, composed of 30 top executives from around the country, comes to the college each spring to exchange ideas with faculty about business education. Many of these business leaders serve as guest lecturers.

The Virginia I. Day Assn., the state insurance council and a consortium of insurance companies have established scholarships for students concentrating on insurance as a career.

Tuition is \$750 a year for Virginia residents and \$810 for non-residents. Room and board is around \$1,200.



Virginia Tech's campus boasts 88 modern principal buildings to accommodate a growing student population.

Photo: Virginia Tech

info

- How to face a pile of medical records with enthusiasm and practical tips on locating the more esoteric medical experts are the key components of **Exploiting Medical Resources**, published recently by the Defense Research Institute. A copy of the article is available free on request by sending a pre-addressed, self-stamped envelope to Defense Research Institute, c/o PR Department, Suite 702, 1100 W. Wells St., Milwaukee, Wis. 53233.

- The updated **Catalog of Standards for Safety of Underwriters Laboratories Inc.**, dated January 1981 is available. To receive a free copy, contact Underwriters Laboratories Inc., Publications Stock Department, 333 Pfingsten Rd., Northbrook, Ill. 60062.

- The Pension Benefit Guaranty Corp. has issued a **Multiemployer Bulletin** to assist plan sponsors in complying with the recently enacted Multiemployer Pension Plan Amendments Act of 1980. The bulletin is the first of a series that PBGC will issue to help employers and plan administrators meet responsibilities under the new law. Copies may be obtained by writing PBGC-Multiemployer Bulletins, Office of Public Affairs, 2020 K Street N.W., Washington, D.C. 20006.

- A special issue of *Poster* takes a look at the staggering cost of health care and considers both short-term and long-term solutions to the problem. For a free copy of **Curing the Health Care Epidemic**, write *Poster*, Group Marketing, State Mutual Life Assurance of America, 440 Lincoln St., Worcester, Mass. 01605.

- The U.S. Department of Labor offers a booklet to help business, particularly small employers, understand and comply with major laws and regulations administered by the department. **Major Laws Administered by the U.S. Department of Labor Which Affect Small Business** may be obtained from the regional administrator of the office of the assistant secretary for administration management at regional locations. To find out where to write, contact the U.S. Department of Labor, Office of Information, Publications and Reports, Washington, D.C. 20210.

- The **Society of Professional Benefit Administrators** has published a pamphlet describing the association and the benefits of becoming a member. For a copy, write the Society of Professional Benefit Administrators, 1800 M. Street N.W., Washington, D.C. 20036; 202-452-8108.

- Reprints of **Health Insurance Developments in Australia**, an outline with particular reference to Medibank, are available by writing Jim Foran, Systems Development Corp., 2500 Colorado Ave., Santa Monica, Calif. 90406.

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Big claim? You bet. But, we can prove it. So, let us tell you the complete PCS Story. Write: Pharmaceutical Card System, PCS Building, 2005 North Central Ave., Phoenix, AZ 85004. Or, Phone: (602) 257-1500, Ext. 251.

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Lloyd's punishes bad management

By JOHN H. MILLER

LONDON—Lloyd's underwriting member James Redgrove is barred from doing any business on the Lloyd's floor until July.

The Lloyd's committee imposed the sanctions on Mr. Redgrove, who underwrites with two aviation syndicates, after it determined that he failed to check binding authorities while he was chairman of the Christopher Moran broking group.

The committee said Mr. Redgrove was guilty of discreditable conduct under its rules because he

"failed to rectify improprieties in the conduct of some binding authorities or to exercise effective management control over them." The committee did not specify which binding authorities were involved.

Lloyd's stressed that Mr. Redgrove, who is no longer associated with the Moran Group, was not guilty of any dishonest activities.

Christopher Moran, director of the Moran group, has been indicted for alleged fraud involving more than \$2 million in insurance transactions between 1975 and 1976.

Syndicates tapped.

Lloyd's members of various syndicates run by Ashby & Co. Underwriting Agencies Group have been asked to put up money to cover losses incurred by Ashby before it ceased trading 18 months ago.

About 300 names of syndicates that handled marine and related businesses have been asked to put up \$2.2 million. Another \$1.4 million is sought for a syndicate that lost heavily on livestock risks in 1978.

Reinsurance is expected to substantially offset the losses, but until then the syndicate members each will have to pay \$2,500 to \$10,000.

Herbicide 'safe'

U.K. government scientists say the herbicide 245-T, often called Agent Orange, is safe despite lawsuits in the U.S. by Vietnam veterans who say they were injured by exposure to the chemical.

But industrial and farm workers in Britain's Trades Union Congress are challenging the Ministry of Agriculture's conclusion that the herbicide is harmless if its use is restricted.

"There is no valid medical or scientific evidence that 245-T herbicides harm humans, animals or the environment if they are administered in the recommended way," the ministry reported.

"Human health risks posed by Dioxin contamination in 245-T formulations may have been overestimated, although it is certainly necessary to keep strict control over them."

Jack Boddy, general secretary for the Farmworkers' Union, disagrees. "Dioxin is one of the most toxic chemicals on earth, capable of causing genetic defects as well as liver and skin diseases and miscarriages," he said.

Study urged

The Intergovernmental Maritime Consultative Organization wants a close study of the growing number of tanker casualties.

About four tankers a week are involved in major accidents worldwide, the British Tanker Safety Group reports.

Few statistics are available on injuries and deaths due to accidents, but the Lloyd's Shipping Economist reports more than 1,500 deaths in the last 12 years in tanker industry accidents.

IMCO hopes the number of accidents will be reduced when the Safety of Life at Sea Convention forms next May. Sixteen maritime countries, representing 50 per cent of world gross tonnage, have agreed to participate in the convention that will focus on inert gas systems, steering gear, radar and inspection needs.

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Abortion benefit rules now govern federal contractors

By JERRY GEISEL

washington

Advisers named

Six new members have been named to the Labor Department's Advisory Committee on Construction Safety and Health. The 15-member committee advises OSHA on standards and policies to protect construction workers on the job.

The new members are George Goldberg, vp, Stanley Structures, Denver; Allan Hollingsworth, safety supervisor, S.J. Groves & Sons Inc., Springfield, Ill.; H. Edgar Lore, labor relations consultant, Sevikly, Pa.; Jack L. Mickle, civil engineering professor, Iowa State University, Ames; Stanley J. Reno, regional consultant for the National Institute for Occupational Safety and Health, Denver; and Michael Schneider, deputy chief for safety, CAL-OSHA, San Francisco.

These members will serve until June 30, 1982.

First-year reprieve

Benefit plans started after the middle of the year no longer have to file all the forms required of existing plans.

Under a final Labor Department regulation which went into effect Dec. 29, plan administrators will not have to file an independent public accountant's audit of the plan's first year under these condi-

tions:

- The plan's first year of operation was less than eight months.
- The plan, during its second year, files an audit of the plan's first two years by a public accountant.

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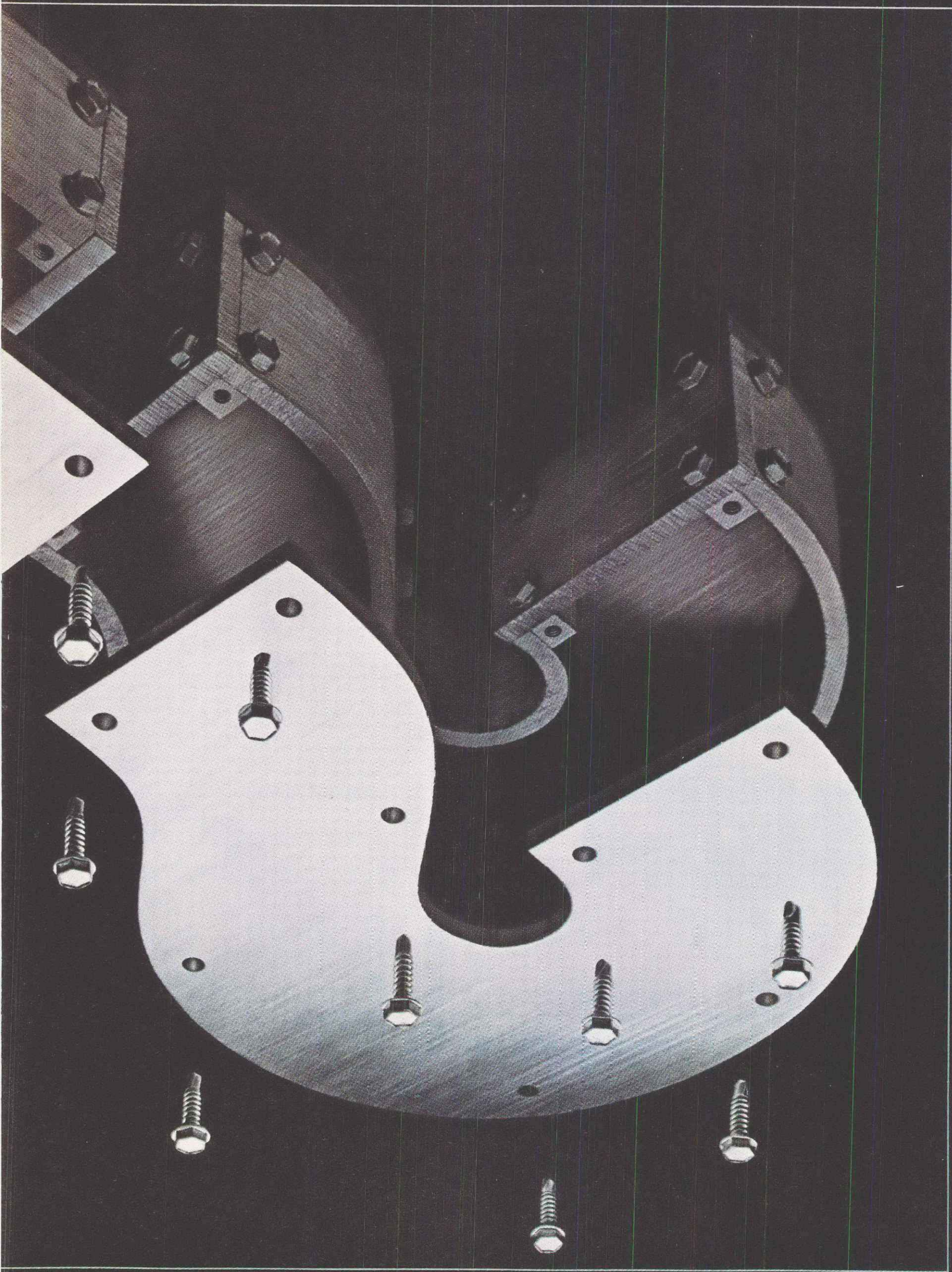
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Product Liability Score Card

By Jerry Geisel
Washington Editor

Status of Legislation

Defenses*

State	Tort reforms enacted	Bill pending	Cleared house	Cleared senate	S/R	State of the art	Failure to warn	Standards	Alteration	Remarks
Ala.	1979				X					Establishes a 10-year limitation on filing suits.
Alaska										No action expected.
Ariz.	1978				X	X	X	X	X	Bill also prohibits asking for specific damages in a suit.
Ark.	1979									New legislation expected.
Calif.										Gov. Brown vetoed last bill.
Colo.	1977				X	X		X		Second state to pass major reform legislation.
Conn.	1979				X				X	Closely resembles model Commerce bill.
Del. ²										Cloudy outlook in state.
Fla.	1978				X					Establishes a 12-year limitation on filing suits.
Ga.	1978				X				X	Establishes a 10-year limitation on filing suits.
Hawaii										Possible action.
Idaho	1980				X					Establishes a 10-year limitation on filing suits.
Ill.	1978				X					Bill establishes 10- and 12-year limitations on filing suits.
Ind.	1978				X	X	X	X	X	Establishes a 10-year limitation on filing suits.
Iowa										No action expected.
Kan.										Gov. vetoed last bill in 1980.
Ky.	1978				X	X	X	X	X	One of the most comprehensive bills passed.
La.										No chance of action.
Maine										Bills unlikely to be introduced.
Md.										Legislature studying p/l issue.
Mass. ¹										Commerce Dept. model bill to be introduced.
Mich.	1978									Award could be reduced if plaintiff were negligent.
Minn.	1978									Law prohibits asking for specific damages in a p/l suit.
Miss.										Uphill battle to get bills passed.
Mo.										Major effort to be made to get p/l legislation passed.
Mont.										Cloudy outlook.
Neb.	1978				X	X	X		X	Establishes a 10-year limitation on filing suits.
Nev.										No legislation expected.
N.H.	1978				X				X	Establishes a 12-year limitation on filing suits.
N.J.					P				P	Poor chance of getting p/l legislation passed.
N.M.										No action expected.
N.Y.										Uncertain outlook.
N.C. ¹	1979				X		X		X	Establishes a 6-year limitation on filing suits.
N.D.	1979				X			X	X	Establishes 10- and 11-year limitations on filing suits.
Ohio										Business groups rethinking p/l strategy.
Okla.										No action expected.
Ore.	1977				X				X	Third state to pass p/l legislation, 8-year s/r.
Pa.										New p/l push by business groups planned.
R.I.	1978				X				X	Establishes a 10-year limitation on filing suits.
S.C.										No information available.
S.D.	1979, 1978				X				X	Establishes a 6-year limitation on filing suits.
Tenn.	1978				X	X	X	X	X	Establishes a 10-year limitation on filing suits.
Tex.										Uncertain outlook.
Utah	1977				X	X	X	X	X	First state to pass reform legislation.
Vt.										No information available.
Va. ¹										No action expected in near future.
Wash.										Some interest in Commerce Dept. model bill.
W. Va.										No action expected.
Wis.										No action expected.
Wyo. ¹										No information available.

Business Insurance's Product Liability Score Card summarizes efforts to enact tort reform in state legislatures. The first section details the status of tort reform legislation in the state; the second section indicates what tort reform proposals are included in the legislation. When a bill is pending, the tort reforms alive are indicated: P.

*The tort reform elements charted are: a statute of repose, which limits suits to certain time periods after a product was first sold or manufactured;

allowing a defense that a product met the state of the art at the time it was manufactured; elimination or restriction of a failure to warn claim; allowing a defense that a product met government standards, and allowing a defense

¹These states do not permit product liability suits on the basis of strict liability.

²Some legal experts contend Delaware does allow suits based on strict liability.

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perspective



A Common Market

Set style for international insurance

By Pierre de Vogue

IT IS RATHER difficult to give an exact definition of the common market concept. It is not to be found in a chapter on economic theory or in an actual and verifiable experience. It first came to light shortly after World War II and indicated an ambition linked to a political project that resulted in the signing of the Treaty of Rome by the six founding nations of the European Economic Community in 1957.

For the originators of the project, it was the key to a construction intended to reinforce the political unity of Western Europe progressively, by dealing first with the economic question of how to enable the countries to benefit from a single market where free movement of people and goods would be allowed across their respective frontiers.

The free circulation of insurance across the frontiers of different countries raises much greater difficulties than those of goods and capital.

The systems that protect the insurance service are relatively easy to conceive within a country having language and legal unity. But they may be ineffective between partners not only separated by distance, but by monetary and judicial systems as well as by the traditions and cultural behavior of their respective countries.

Experience shows the basic facts of this problem vary a great deal according to the type of transactions. The insurance world is made up of two relatively different markets as far as their implications on the international level are concerned: The primary market

that brings together the insured public and the direct insurers, and the secondary market where the exchange of risks takes place between insurers and reinsurers.

It is mainly on the primary market that most difficulties appear. How to make sure the nationals of a given country will be correctly informed of the specific features of insurance contracts drafted in another language and according to forms that are different than those practiced in their own country?

How shall they be protected against delays in loss settlements or insolvency risks from insurers that are not established in their countries and therefore escape the vigilance of the supervisory authorities?

Before which courts and according to what legal regulations will the disputes between these insureds and foreign insurers be settled?

Once established in a foreign country, the company remains subject to all the regulations applying to the companies in this country, even when these regulations have not yet been coordinated—for instance, regulations presently concern the legal aspect of the contract, taxation and the method for calculating the technical reserves.

If the freedom of establishment has thus eliminated all discrimination between the companies in each national market, it should be noticed that it has compartmentalized and sometimes left major differences between these national markets.

The most recent project from the Commission of European Communities regulating the "freedom of services" dates from 1978 and is still being heatedly discussed.

The main problems being debated concern the free choice of the legal system that applies to the insurance con-

tract, the abolition of supervision regarding the general conditions of the policies and rates and the differences with respect to insurance taxation. On all these questions, the suggestions made by the commission, relatively pragmatic and not very constraining, are judged unsatisfactory by several countries with respect to protecting the policyholders and the risks of irregular shifting of business between the countries concerned.

With the current problems involved in implementing the freedom of services, the elaboration of the European Insurance Common Market has arrived at a critical phase. The tension this key question creates between the partners of the community reflects the oppositions arising from conflicts of economic interest more or less mixed with differences of mentalities.

Under different forms and various degrees, the tendency to integrate insurance into common markets is locked upon favorably by the industrialized world. Is this tendency likely to direct the developing countries on a road to progress?

In the insurance field, the policy of the developing countries appears to have gone through two main phases during the last 20 years.

The first phase was characterized by an effort to structure the insurance institutions on the national markets. The principal aim was to create or strengthen, in each Third World country, insurance or reinsurance companies of national law having total control of their transactions. The result of this effort in a large number of countries was government action aiming to set up state companies that more or less enjoyed a dominant position (sometimes going as far as a monopoly), or to incite the investment of public capital in new companies.

During the second phase, measures

were especially directed toward cooperation between countries or groups of countries eager to take advantage of pre-existing geographical, cultural or political bonds.

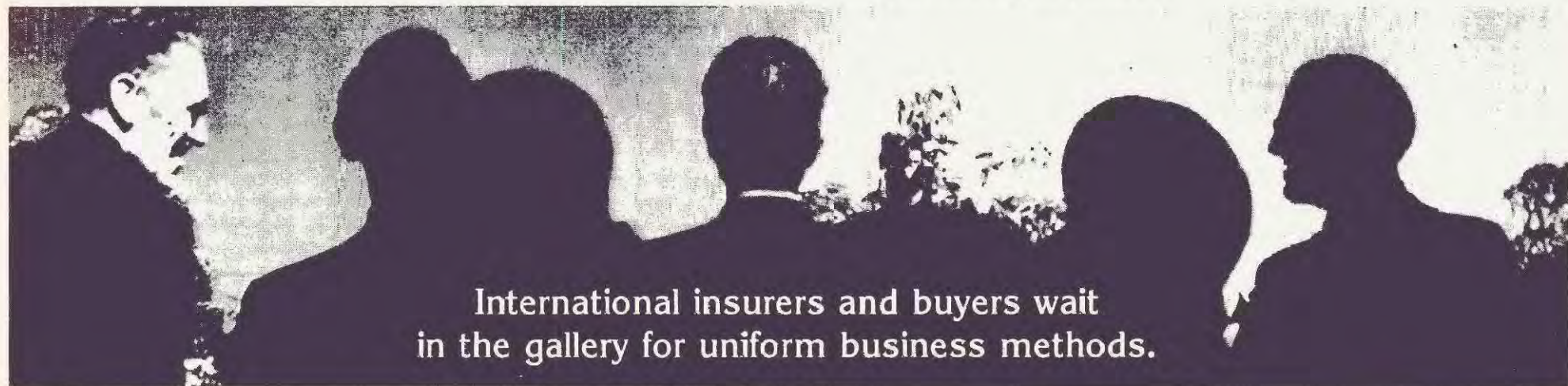
However, experiences show an insurance common market between different countries is a long and difficult process that requires a certain number of conditions.

First, the countries concerned must dispose of a favorable environment for carrying out insurance transactions on both sides of their frontiers. This requires a minimum homogeneity in the legal and cultural context prevailing in these countries, so that the insurance contracts may be carried out on the basis of a language and interpretation commonly accepted.

One must not forget political conditions necessary to the setting up of a common market. It is a long and exacting task that sooner or later implies risks or sacrifices for each of the partners, as the European and American experiences have shown. Insofar as such a project exceeds the simple aim of free trade and intends to change the structures and behavior of a market under a common policy, it should be of sufficiently long duration so as to carry to a successful end the necessary reforms.

This political consensus will be all the more necessary because the insurance companies are very close to state institutions in numerous developing countries, and therefore more tempted to identify immediate interests with the national interest.

One can doubt whether a common market experience, given the efforts it presupposes, could be carried out by a simple juxtaposition of forces from the countries concerned. One way or another, such a project requires an institutional authority in order to rise above national particularisms.



International insurers and buyers wait in the gallery for uniform business methods.

Pierre de Vogue is chairman of the board of the Societe Commerciale de Reassurance in Paris. His remarks were made before the Third World Insurance Congress in Buenos Aires.

Fire safety abroad

Europe beats U.S. in loss frequency

By Ernest J. Couture

I WAS VERY fortunate in having had the opportunity to share my experience as a fire protection engineer with my counterparts in Europe. I say share, because this was an exchange and application of knowledge gained from personal experience, and in return, getting a re-education and better appreciation of the merits of fire prevention from my European counterparts.

It may be interesting to note that in France, automatic sprinkler systems were installed at the initiative of insurance companies, since existing regulations are primarily concerned with protection of people at work and visitors in public buildings. The secondary objective is to protect adjacent buildings. Third and last is to protect the property.

I did not run into many sprinklered plants; quite the contrary, I inspected many plants without automatic protection. Possible reasons for this are that European fire experience appears to be much better than that of the United States and that there is a reluctance to change what has worked well for years.

Fire frequency may be lower than the United States because of noncombustible construction, with combustibles well regulated and housekeeping better. But insurance rate differentials between sprinklered and unsprinklered plants will not provide sufficient incentive to warrant spending money for major improvements.

There is apparently a lack of a comprehensive approach to fire protection. Given \$100 to spend, what are the priorities in Europe? New construction of heavy masonry, many partitions to limit fire areas and fire detection, whereas a fully sprinklered property could result in a less costly and better protected building.

A typical sprinklered European installation will have an electrically driven horizontal shaft fire pump taking suction from a below-ground reservoir under a lift, one or two pressure tanks, sprinkler risers and control valves all located in a basement room that may be inaccessible in the event of fire. There is no outside underground

Ernest J. Couture is assistant vp and regional engineering manager for Allendale Insurance Co. He spoke to the 1980 Risk & Insurance Management Society Conference.

The typical European plant has a guardian living on the premises who will occasionally tour the plant. The plants usually are fenced in, says Ernest Couture of Allendale Insurance Co.

International Sprinkler Protection

	France* F. Francs 1979	Italy Lire 1977	Germany D.M. 1977	Spain Pts. 1977	S. Africa Rand 1977	Japan Yen 1977	Venezuela £ Sterling 1977
1) Sprinklers per head on normal installations including Control Valves and accessories in unoccupied buildings	430	68,200	181:-	4,000	63:-	30,000	35-00
2) Same as (1) above but in occupied buildings	720	75,700	232:-	4,300	66:-	40,000	36-00
3) Same as (1) above but for hazardous occupancy buildings	575	76,000	206:-	4,600	70:-	36,000	40-00
4) Same as (1) above but for hazardous occupancy in occupied buildings	730	84,200	257:-	4,900	73:-	48,000	42-00
5) 10" underground main per meter run	360	54,800	266:-	4,500	73:-	22,000	44-00
6) F.M. approved 1,000 U.S. g.p.m. diesel engine driven pumpset with controller, pump house	250,000	29,000,000	91,500:-	1,778,000	29,487:-	10,113,000	14,345-00
7) Same as (6) above but for 1,500 U.S. g.p.m.	275,000	36,800,000	99,700:-	2,241,000	35,317:-	11,985,000	17,000-00
8) Same as (6) above but electrically driven with starter	150,000	25,900,000	50,500:-	1,525,000	22,987:-	8,340,000	11,830-00
9) Same as (7) above but electrically driven with starter	170,000	33,700,000	63,750:-	1,971,000	25,820:-	10,392,000	14,740-00
10) Suction tank of 100,000 U.S. gallons capacity	230,000	23,600,000	80,000:-	800,000	47,800:-	not available	not available
11) Suction tank of 300,000 U.S. gallons capacity	460,000	-	-	-	-	-	-

*Cost of fire protection in Belgium and Spain comparable

water main for fire service. The sprinkler risers are extended from the basement control room. Plants usually are 100% sprinklered, since credit is not given to partial sprinkler installation.

The universal sprinkler, identical to old-style U.S. sprinklers which have an up-and-down spray pattern, is most widely accepted. This sprinkler must be used in high-hazard situations involving exposed steel framing. The temperature ratings used are about the same as in the United States.

The sprinkler rules clearly define the specific hazard classes, degree classification of fire hazards, required density and water application. Complete hydraulic designs of sprinkler systems also are allowed.

Pipe and sprinkler specifications regulate density, head spacing and pipe sizes to attain the desired volume of water at a specific pressure. Pipe specifications are definite. No pipe lighter than ISO R 65 medium weight (British 1378 medium) can be used in any system.

New Zealand requires sprinkler control valve tamper alarms and sprinkler system waterflow alarms on all installations, with the alarms connected to

the public fire department.

In Japan there are government regulations affecting sprinkler installations and water supplies. Generally, the fire and marine insurance groups follow National Fire Protection Assn. rules. British Fire Office Committee rules also may be used. There are no specific requirements calling for the sprinkler protection of industrial plants other than when high rack storage is concerned. Only sprinklers and other fire protection equipment that has been specifically approved in Japan can be sold there.

In Europe, the public water supply may be from small, 4-inch diameter water mains and pressures may vary from 60 p.s.i. in the winter to 20 p.s.i. in the summer. Separate water mains are provided for sprinklers and hoses.

Most sprinkler installations will have a pressure tank or tanks with a connection to the public water supply. If the pressure is low, there will be a fire pump taking suction from a reservoir or a small break tank, with a capacity of 2,000 to 3,000 gallons, automatically refilled by a city water connection with float valves.

In Germany, there are five classifications of water supply reliability based on the fire hazard groups and the total number of sprinklers supplied.

In France, two types of water supplies are considered: a primary source that is able to supply five sprinklers and one unlimited supply that is able to supply the operating area.

In the United States and Canada, much effort is being made in the instal-

lation of sprinklers in racks. In Japan, if the rack storage is 33 feet or higher and occupies more than 7,500 square feet, sprinklers are mandatory.

In New Zealand, there is no differentiation between solid-pile or rack storage up to 25 feet and in-rack sprinklers are not required until storage heights exceed 25 feet.

Many of the rack storages I have seen had no intermediate levels of sprinklers, only ceiling sprinklers, even though rack storage of plastics was 40 feet high. The new automated racks are being protected with sprinklers following NFPA standards.

We think of idle time supervision in North America as a watchman making regular recorded tours throughout the plant or the sprinkler waterflow alarms or valves supervised by a central station.

The typical European plant will have a guardian living on the premises who will occasionally tour the plant, not make regularly recorded tours. However, the guardian is very reliable and very conscientious. The plants usually are completely fenced in.

The improperly closed sprinkler control valve experience in Europe appears to be better than in the United States. This could be because of greater interest in the fire safety or possibly the geographical stability of the employee. It is not unusual for employees to work for the same company for 20 to 30 years and they have a very strong desire to protect their jobs and their family income, not only their company's assets.

Federal censoring spooks merger story

By LEN STRAZEWSKI

Federal regulation has never been one of my personal boogeymen. Unlike most insurer and agency groups, I haven't had nightmares about strangling in yards of government red tape.

But I'm changing my mind, with help from the U.S. State and Justice departments.

Last summer, one of the hottest issues in the insurance industry was the proposed merger of the world's largest insurance brokerage, Marsh & McLennan Inc., and the large U.K. brokerage C.T. Bowring.

Both firms bragged about the potential advantages of the merger for corporate insurance buyers,

but critics—including other brokers—were worried that M&M/Bowring might be too big, dominating the competition.

The U.S. Justice Dept. decided the merger warranted a routine review of the commercial insurance brokerage business.

The investigation was conducted quietly, making no charges, but the spectre haunting the review was antitrust violations. Was M&M/Bowring big enough to dominate the insurance-provider business?

After interviews with larger brokers and industry observers, including myself and Susan Alt, the former editor of *Business Insurance*, the federal regulators answered the antitrust question with a solid "No."

No one really knows what convinced them, and documents ob-

tained by BI under the Freedom of Information Act are no help. Actually, if the Justice Dept. handled the investigation with the same skill applied to my "freedom of information" request, confusion alone saved the deal for M&M/Bowring.

I requested the Justice Department file on the case on July 1, 1980, and the department responded within the two weeks required by the law—with an open-ended request for more time.

"More time" turned into months. After several promises and more letters and telephone calls to the chief of legal procedures for the Justice Department antitrust division, my request was honored.

Creeping through the mail dated Oct. 17 came 133 pages of pure gibberish, mostly brokerage cover letters saying that more information was enclosed—but not for me. The data requested from brokers included gross revenues and market share estimates. It was viewed confidential and, therefore, exempted from my copy of the information.

The Justice Department also asked insurers for the total reinsurance premium paid by the firm and how much of the reinsurance was obtained by how many brokers. To enhance my understanding of its questions, the department sent me more than 20 copies of the same form letter with the insurers' names blanked out.

Even public information was barred by the Justice Department censors. The Hales & Associates ranking of the top 50 insurance

riskWatch

OPTIONAL FORM NO. 10
JULY 1973 EDITION
GSA FPMR (41 CFR) 101-11.6
UNITED STATES GOVERNMENT
Memorandum

TO :

DATE: March 13, 1980

FROM :

Gordon Lang

SUBJECT:

Conversation With [REDACTED]

[REDACTED] identified the following risk managers as persons who might be worth interviewing concerning the insurance brokerage market:

[REDACTED] told me that noninsurance firms have considered entry into the insurance brokerage market. She said studies had been done by a consultant known as Alex Lehmann and the Stanford Research Institute. [REDACTED] said another knowledgeable person in the field is [REDACTED]

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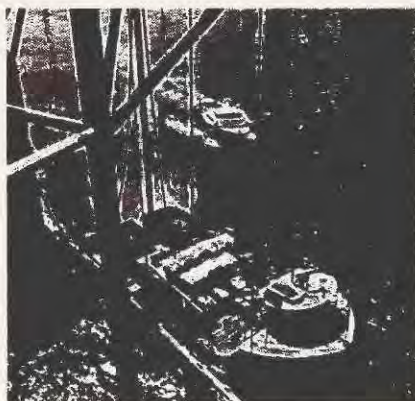
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brokers, subscribed to by several hundred brokers and industry watchers, was offered to me twice in the federal information package—with reported revenues blanked out.

BI's own interview with the feds was even more comical (see below). If the copy hadn't included the term "risk managers," even I wouldn't be able to spot it. But we had discussed the role of the buyer in this evaluation for more than two hours, so we knew this interview had to be ours. Besides, no other communication in the federal package even mentioned the corporate buyers and their potential concerns.

With 133 pages of wastepaper, costing us \$13.30, I chalked the whole matter up to federal confusion.

I still wasn't afraid of federal regulation until my July request returned yet again to haunt me just before year-end. This time it was a letter from the State Department telling me it was unable to comply with my six-month-old request for information concerning the brokerage review. Three documents

originated with State Department officials and were under its censors, it explained.

"Two of the documents were communications transmitted by the Department of State on behalf of the Department of Justice. That department has informed us that it considers these documents exempted from release under Paragraph (b) (3) of Section 552 as specifically exempted from release by statutes, to wit USC 18 (a) dealing with premerger procedures. We concur with the determination and must, therefore, deny their release. A third document referred to us is a communication to the Department of State from a U.S. embassy abroad, the content of which is not responsive to your request for data gathered by the Antitrust Division concerning the commercial insurance industry," the letter said.

The letter also told me how to appeal, and I will because I'd really like to know what foreign governments think about the M&M/Bowring merger.

But last night I dreamed I was being chased by federal memos as my hair slowly turned gray.

Rehab group offers program for work comp self-insurers

GENERAL REHABILITATION Services Inc. of Villanova, Pa., has introduced a new program for companies self-insured for workers compensation.

The program begins with a joint review of prior compensation injuries and the 10 positions with the highest accident rate.

General Rehabilitation prepares a job analysis on each selected position by reviewing the job description, interviewing the supervisor, interviewing one employee and observing on the job. The 10 job analyses point out the specific physical demands of the position.

The program is designed to provide a self-insured company with internal rehabilitation capacity. This can be combined with external rehabilitation services in job modification.

For more information, contact General Rehabilitation Services Inc., One Aldwyn Center, Villanova, Pa., 19085; 215-527-6570.

Crane program

California contractors providing crane and rigging service can be insured under a new program by Cambridge General Agency.

products & services

The program is designed for medium-sized to large firms that have satisfactory loss experience. Physical damage coverage is unlimited; liability coverage is limited to \$1 million.

For more information on this program in Northern California, contact Jim Blodgett, 50 California St., San Francisco, Calif. 94111.

D&O limits

The maximum limits of coverage have been increased for directors and officers liability policies offered by INAX Inc., a division of INA Special Risk Facilities.

The maximum limit available under the company's primary D&O program was raised to \$20 million from \$15 million. Excess D&O capacity was hiked to \$10 million from \$5 million.

For additional information contact INA Corp., 1600 Arch St., Philadelphia, Pa. 19101.

markets

Insurers' adviser offers risk execs claim control tips

BETHESDA, Md.—Risk Control Corp. is a newly organized consulting firm here to advise risk managers on internal controls that can reduce the cost of liability losses.

President Alan D. Morris, who has advised insurance companies defending large claims as senior partner for Morris & Ward, Consulting Engineers, wants to offer risk managers some of the tips he has learned on avoiding, limiting and defending large losses.

"We're offering risk control services—what can be done and how it can be done," he said. That's not to recommend loss prevention programs, however, he says. "We're in no position to go back to the company and tell them how to prevent losses in the future."

But over the years he collected simple "imaginative" programs that could limit large losses from becoming even larger financial burdens, he says.

Dr. Morris advises risk managers not to depend on insurance claims adjusters for large losses, but rather to incorporate an early notice system to identify and immediately act on claims. "When you go self-insured, for example, you've calculated for low claims. But what happens when a big one occurs?" he asks. Specific internal instruction, perhaps a hot line to the risk manager, can limit expenses tremendously, he says.

Claims data can also be used to limit large losses if programmed properly, says Dr. Morris. "A risk manager should put a system in place that gathers data from each claim," he says. By doing so, trends in defective products could be caught before product liability lawsuits start building up, he says.

"My only hope for our company is that the risk managers are out there and have the authority to control risk," he says.

Peking office

The Continental Insurance Cos., a division of Continental Corp. in New York, will open a liaison office in Peking by mid-year to strengthen its relationship with the People's Insurance Co. of China.

The People's Bank of China has approved the office.

The new office will represent Continental Insurance Cos., Marine Office of America Corp. and Continental Reinsurance Corp. in their business with PICC.

PICC also will participate in a new syndicate Continental is organizing to operate on the New York Insurance Exchange.

Binding authority

The Excess & Special Risk Market Inc., the nationwide surplus lines brokerage subsidiary of Fireman's Fund Insurance Cos. in San Francisco, has received binding authority for difficult liability exposures.

The exposures include products, completed operations, OLT (owners, landlords and tenants) and M&C (manufacturers and contractors). The combined single limit available will be to \$1 million.

The brokerage provides access for independent insurance agents and brokers to specialty and non-admitted insurance companies when the coverage sought is not

provided by regular, admitted domestic companies.

New offices

Health Maintenance Life has opened two new offices, at Moorpark Plaza Executive Suite, 2444 Moorpark Ave., Suite 300, San Jose, Calif. 95128; 408-292-1802, and 501 Maple St., San Diego, Calif. 92103; 714-239-3166.

Hazardous Waste Litigation Reporter

If your company has real or potential liability stemming from hazardous waste-related claims and litigation, the twice monthly Hazardous Waste Litigation Reporter is a must-read journal of record for you and your associates. Indexed, it averages about 60 pages.

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Reliance names two new managers

PHILADELPHIA—**Raymond R. MacNeil**, formerly assistant vp, has been elected vp and manager of the bond department at Reliance Insurance Co. **William J. Grover** was named assistant secretary. He will be director of technical services in the loss control department.

Other insurer changes:

Absalom Kaplan appointed an account underwriter at Arkwright-Boston Manufacturers Mutual Insurance Co. in the Greenwich, Conn., headquarters for the mid-Atlantic region.

Eugene R. Hook, formerly vp-group division at Provident Mutual Life Insurance Co. of Philadelphia, elected senior vp-group division.

George P. Mullen named general manager of the Quad City regional office of The Hartford Insurance Group in Davenport, Iowa. **Howard L. Munshaw** named general manager of the Rochester regional office.

John E. O'Shea elected vp of the New Hampshire Insurance Co. in Manchester. **Howard P. Akerley** named assistant vp, responsible for the commercial property multi-peril department.

Coit C. Holbrook promoted to vp and secretary of Pennsylvania Millers Mutual Insurance Co. in Wilkes-Barre, Pa.

Agents/brokers

Michael Ellis promoted to manager of new business development at Fred S. James & Co. of Texas Inc.

William Eckstein elected senior vp of Penn General Agencies of New York Inc. **David Ratner** and **David J. Skolsky** named vps.

Donald S. Himes named managing vp of the Wichita office of Alexander & Alexander Inc. Mr. Himes comes to Wichita from A&A in



Ellis

datebook

FEB. 19-20. 11th Annual Employee Benefits Institute in Los Angeles, sponsored by the Practising Law Institute; \$275. Also April 9-10 in New York. Practising Law Institute, Department PVC, 810 Seventh Ave, New York, N.Y. 10019; 212-765-5700.

FEB. 23-24. Association Captives Conference in Washington, D.C., sponsored by Interforum Group Inc.; \$525. Interforum Group Inc., 68 William St., New York, N.Y. 10005; 212-269-2240.

MARCH 10. Public Employees Benefits Briefing in Pittsburgh, Pa., sponsored by the International Foundation of Employee Benefit Plans; \$120 for members, \$145 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 18-21. Institutes for New Trustees, Advanced Trustees and Administrators in Freeport, Grand Bahama Island, sponsored by the International Foundation of Employee Benefit Plans; \$360 for members, \$435 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MARCH 25-27. Financial Analysis for Risk Management Decisions Course in New York, sponsored by The Wharton School; \$685 tuition fee plus \$50 registration fee per company. The Business Risk Education Center, Fourth Floor Vance Hall/CS, University of Pennsylvania, Philadelphia, Pa. 19104; 215-243-8230, 4476 or 5190.

APRIL 8-11. 1981 Corporate Benefits Management Conference in Miami Beach, Fla., sponsored by the International Foundation of Employee Benefit Plans; \$440 for members, \$515 for nonmembers. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

APRIL 20-21. Second Annual Symposium on self-insurance in Seattle, Wash., sponsored by the Western States Self-Insurance Colloquium; \$200. WSSIC, P.O. Box 60126, Seattle, Wash. 98160; 206-542-1535.

comings & goings: industry

Kansas City.

John J. Perkins named chairman of Corroon & Black Corp. of Massachusetts in Boston. **Lawrence W. Sullivan** promoted to president and chief executive officer.

Richard F. Nourie joined Johnson & Higgins of Pennsylvania as vp and senior consultant in the Philadelphia employee benefit department.

Donald Rindell named manag-



Nourie

ing director of Marsh & McLennan Ltd., a London-based subsidiary of Marsh & McLennan Inc.

Ralph G. Sneary named a senior account executive of Reed Stenhouse Inc. of California in Los Angeles.

Alexander T. Farley named assistant vp at Thomas A. Greene & Co. Inc., the reinsurance subsidiary of Alexander & Alexander.

Fred W. Silverthorn named director of the financial institutions department of Marsh & McLennan of Dallas.

Alan G. Hardin Jr. named vp of Pro Re Inc. of Dallas, a subsidiary of Professional Reinsurance Office Inc., which is affiliated with E. H.

Crump Cos. Inc.

Joel J. Sterling named chairman and president of Sterling & Sterling Inc. in Great Neck, N.Y. He replaced **Daniel S. Sterling**, who resigned.

Reinsurers

Craig W. White appointed account executive in the treaty production department at American Re-Insurance Co., headquartered in New York.

Excess/surplus

Alan Cooper promoted to executive vp-western region for H&W Insurance Services in Encino, Calif. **John J. Francis** promoted to executive vp-eastern region. **Stephen Borstad** promoted to vp

and branch manager of the San Francisco branch office.

Tom Fever appointed manager of the Des Moines office of John H. Crowther Inc., specialists in excess, surplus and specialty lines insurance. Mr. Fever replaces **Peter J. Shean**, who transferred to the Crowther home office in Minneapolis.

Other suppliers

Richard H. Annis appointed assistant vp of Underwriters Adjusting Co. of New York. Mr. Annis will be responsible for the rehabilitation program.

Gail Pollard promoted to operations manager of the Denver branch office of benefit consultants Kelly & Associates Inc., headquartered in Chicago.

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EPA rules may cost dumps \$120,000

Continued from page 1

the next six months, firms must purchase sudden and accidental pollution insurance of \$1 million per occurrence and \$2 million annual aggregate.

In addition, surface impounds, landfills and land treatment facilities that could contaminate groundwater resources also must have liability insurance of \$3 million per occurrence and \$6 million annual aggregate to cover gradual nonsudden pollution.

How soon this policy must be purchased depends on the size of the company. Firms with annual sales of more than \$10 million must obtain the insurance within a year of the publication of the regulations. Firms with sales of less than \$10 million but more than \$5 million have two years to comply and smaller firms have three years.

Waste site operators who need coverage against both sudden and gradual pollution can purchase a single policy, provided its limits are \$4 million per occurrence and \$8 million aggregate.

The regulations let operators ask EPA regional adminis-

trators to lower their insurance requirements. The regional administrators also could ask operators to carry higher limits if they felt they were warranted.

The regulations also require insurers to pay liability claims in full up to the policy limit and recover deductibles from policyholders. The size of deductible an insured can take is not limited. Originally it was proposed to limit deductibles to 5% of a policy's limit.

To guarantee that unsafe landfills are not abandoned by companies, the EPA requires the operators to provide for the safe closing and monitoring of the sites through trust funds, letters of credit, surety payment bonds or performance bonds. However, if a site operator's closing plans have not been approved by the EPA, he cannot post a performance bond as a guarantee.

Plans to let private operators use a financial means test and municipalities a revenue test to meet the financial responsibility requirements were dropped. The EPA said it did not have time to analyze public comment on these provisions. They could be added later, said Ms. Ansheles.

'Time right to join Ill. exchange

Continued from page 3

Both The Travelers and The Hartford said their firms will file formal applications soon.

Mr. Cole could not say when The Travelers syndicate would begin underwriting on the Illinois exchange. He said it will take time to assemble a staff and "decide how we want to position ourselves in the market. The application doesn't mean we'll start underwriting right away."

He said The Travelers also is pursuing membership on the New York Insurance Exchange.

Mr. Baldwin at The Hartford also was uncertain when that syndicate would begin underwriting, but predicted it will be operating if the exchange opens at mid-year.

Mr. Baldwin says the exchange will create a new market for surplus lines risks from all over the Midwest.

The Hartford was attracted to the Illinois exchange over the New York exchange because of the looser regulatory climate here, the absence of a Free Trade Zone and minimal pressure.

"We're not pressed for time in Illinois. This is not the time to go in and push a market," he said, referring to the current low-priced market.

James M. Skelton, interim executive director of the exchange, credits his recent sales pitch for attracting more syndicates.

"We had been soliciting applicants by saying, 'If we had nine other syndicates, would you be the 10th to form?'" said Mr. Skelton. "The latest three are a direct result of that approach." He would not name the third group that has said it will apply, but confirmed it is a major insurer.

Mr. Skelton also said the Internal Revenue Service has not yet ruled on whether exchange syndicates will be given the same tax-exempt status as regular insurance companies.

Catalog lists benefit books

BROOKFIELD, Wis.—An employee benefits book catalog is available free from the International Foundation of Employee Benefit Plans.

The catalog lists 56 books published by the foundation over the past few years covering a broad spectrum of subjects, including: benefit plan disputes, communications, cost containment, employer contributions and ERISA.

Copies of the catalog may be obtained from the foundation, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

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Tort reform faces fight

Continued from page 1

altered without their permission. The bill also vastly reduces wholesalers' potential liability in personal injury suits. Only one state—Connecticut—has passed the model bill.

Business groups now are scrambling to find a new leader in Congress to lead the fight for federal tort reform.

But even if a new leader is found, those lobbying for a federal bill will have to fight those who believe changes in tort law are best handled at the state level.

In the states, tort reform momentum has slowed markedly since the initial drive began four years ago.

In 1977, three states—Utah, Colorado and Oregon—passed comprehensive product liability reform bills. In 1978, 13 states approved tort reform measures. But in 1979, only five states took action and last year, only Idaho enacted reform legislation.

Opposition grows

While momentum has slowed, opposition to tort reform has intensified. Last year, for example, Kansas Gov. John Carlin and California Gov. Jerry Brown both vetoed product liability bills.

The governors questioned whether the legislation is needed and what impact it would have. Insurers and some business groups also are asking those questions.

"If you pass a (tort reform) bill in one state, that won't help you in the 49 other states where your products are distributed," says Les Cheek, vp-federal affairs for Crum & Forster.

Some business groups that have fought vigorously for tort reform the last four years are now debating whether they'll continue the crusade after being defeated twice in the legislature.

In the big industrial state of Ohio, business groups have fought hard since 1977 for legislation that would bar most product liability suits 10 years after a product is first sold or manufactured.

But the legislation always died at the last moment. "We put a lot of time into it (tort reform)," says Bob Dey of the Ohio Manufacturers Assn. in Columbus. "We are going to have to take a closer look. We don't want to spin our wheels in midair."

While new tort reform legislation may be introduced, observers doubt any will be approved.

More optimism

In Pennsylvania, another big industrial state, business groups are more optimistic. "We believe there will be a greater deal of involvement from the business community" which will help get legislation passed, says Tim Holt, senior staff associate at the Pennsylvania Chamber of Commerce in Harrisburg.

But to get tort reform passed, "We are going to have to do a better job of convincing legislators that this legislation is not anti-consumer," Mr. Holt noted.

Mr. Holt said business groups are going to adopt a more "middle-of-the-road" approach in seeking tort reform. For example, rather than press for legislation that would bar product liability suits after a certain number of years from the time of manufacture, the proposed Pennsylvania legislation would only make it tougher, not impossible, for an injured consumer to sue many years after a product was manufactured.

Elsewhere on the East Coast, chances are "less than 50-50" that New Jersey will pass a product liability reform measure, said a spokeswoman for the New Jersey Business & Industry Assn.

A watered-down version of the U.S. Commerce Department's model bill is being considered in New Jersey. But business groups aren't even sure that the legislation, if passed, would do much to improve the liability climate for manufacturers. But the measure could be a step toward enactment of more far-reaching legislation, business groups agree.

In West Virginia, the Commerce Department's model bill will be introduced in the legislature. "But there isn't a lot of excitement for it," says Robert Worden, president of the West Virginia Manufacturers Assn. in Charleston, W. Va. "The legislators have a lot of other things on their minds. There won't be a lot of clamoring for it."

In Massachusetts, tort reform legislation has never moved beyond the committee stage because of powerful opposition from state trial attorneys.

Despite the unfavorable climate, business groups aren't losing hope. "We're still at it," says Eric Bornhott, coordinating secretary of the Massachusetts Product Liability Task Force in Lawrence,

Mass. "We are not disillusioned. These things take time."

In Iowa, tort reform also is on the back burner. "I don't look for anything happening this year," reports Don Hauser, vp at Iowa Manufacturers Assn. in Des Moines. The alliance of trial attorneys and labor against tort reform is too strong for manufacturers and other employers to overcome, he said.

In the deep South in Mississippi, three or four bills that will set time limits on product liability suits and give manufacturers a stronger defense if their products conformed with the state of the art at the time of manufacture will be introduced in the new session.

The drive to get product liability legislation passed during previous legislative sessions was stalled by strong trial bar opposition, said Hugh Ketchum, director of government affairs at the Mississippi Manufacturers Assn. in Jackson. That opposition probably will defeat similar legislation this year.

In neighboring Louisiana, no tort reform action is expected until a special legislative-appointed committee completes a report examining product liability issues, says Jimmy Dillon of the Deep South Equipment Dealers Assn. in Baton Rouge. The report is due this spring.

New strategies

In Kansas, business groups will meet this month to plot new tort reform strategies. Last year, the legislature passed a comprehensive product liability measure, but Gov. John Carlin vetoed it as unnecessary.

"A new approach has to be taken because if the same bill is passed this year, the governor will surely veto it," predicts Rich Martin, executive director of the industry division of the Kansas Assn. of Commerce & Industry in Topeka.

Elsewhere in the Midwest, no action is expected in Wisconsin, but in Missouri, the Associated Industries of Missouri in Jefferson City will make its first major effort to get tort reform legislation passed, says president Curtis Long.

"I'm fairly optimistic about getting a bill through," Mr. Long says. The Missouri Senate always has been receptive to tort reform, but the House has blocked it.

But this year opposition in the House should be less because several tort reform opponents retired or were defeated in the elections.

In Texas, business leaders will be pushing for legislation that makes it clear that damages should be divided according to fault. But even enacting this modest change will be difficult because the Texas trial bar, opponents of tort changes, are among the strongest in the nation, says Glenn Hudson, chairman of the Texas Product Liability Task Force in Houston.

In the state of Washington, the legislature will look again at the Commerce Department model bill, which almost passed last year.

"We hope to get something through this year," says Irl Jansen, secretary of the Washington Product Liability Task Force located in Seattle.

Chicago RIMS sets meeting

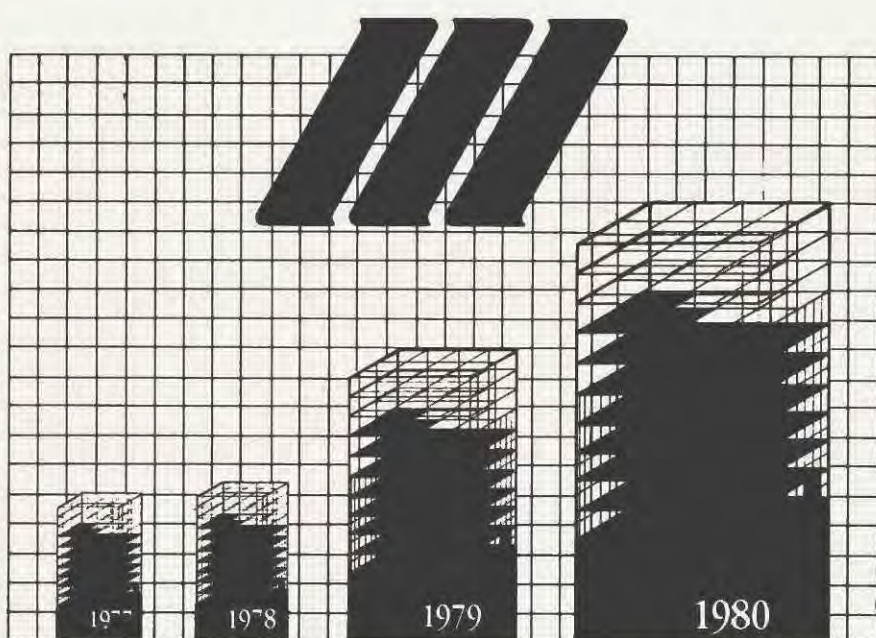
CHICAGO—The Chicago Chapter of the Risk & Insurance Management Society is kicking off its regular 1981 meetings schedule Jan. 15 with a dinner meeting and speech by a reinsurance company executive.

After a series of member-only meetings in the fall, the chapter is resuming a regular schedule of meetings open to all interested

persons—members and nonmembers—the third Thursday of every month.

Speaking at the Jan. 15 meeting will be G. Roger Greiner, assistant vp of General Reinsurance Corp.

Chapter meetings are at The Chicago Bar Assn., 295 LaSalle St., 12th floor, beginning at 5:30 p.m. For reservations, contact Ann Auerbach, 312-281-8360.



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Michigan comp law raises firms' costs

Continued from page 2

"The total benefits will be up, but the dollars will be better spent overall," he said, adding that almost everyone in Michigan is glad "something finally happened."

"We'll know later if the reform went far enough," he added.

Another insurance company spokesman told *Business Insurance* the industry is bitter about the "so-called reform" because insurers had no say in the legislative talks.

"The language in the new law is not precise," said the source. "It leaves a lot to be desired on both sides. There are a lot of words and clauses that will be tested in the courts."

Just how much more employers can expect to pay for the increased benefits isn't clear, but the Alliance of American Insurers predicts the self-insured automobile manufacturers in Michigan will be hardest hit.

"The reform will save some in minimum benefit cases," said Keith Bateman, director of the workers compensation department at the Alliance, a trade association of property/casualty insurance companies.

"It's difficult to tell at this time what effect the changes will have, but it will cost more than it will save," Mr. Bateman said.

The Michigan Manufacturers Assn. is speculating the new system will be an expensive proposition for its 2,500 corporation members.

Panel seeks premium cuts

HARRISBURG, Pa.—Curbing high workers compensation premiums will be one of the main issues the Insurance Committee of the Pennsylvania House of Representatives will address in 1981-82, said new committee chairman Rep. Walter F. DeVerter (R-Mifflin).

"The workers compensation area in this state has grown unbelievably," Rep. DeVerter told *Business Insurance*. His office receives complaints on high comp insurance rates daily, he said. "When one guy's paying \$5.40 and another's paying \$16.80, that's quite a variance."

Under his direction, the committee will look at ways to cut workers compensation premiums. "We'll be looking at the number of premium breakdowns. We have more than 600 categories," he said. "It's felt that we could consolidate categories."

Rep. DeVerter says rates also could be cut by trimming the liberal benefits injured workers in Pennsylvania receive. But he doesn't believe this will be readily accepted.

Rep. DeVerter also hopes to address open competition rating, group insurance definitions, the Unfair Insurance Practices Act and no-fault auto reform.

Video terminals not risky: U.K.

LONDON—Operators of video display units are not exposed to undue risks, reports the U.K. Health and Safety Executive.

"The low levels of radiation emitted from VDUs are far below the most stringent permissible for continuous occupational exposure," it reports.

However, it does warn that VDUs can induce seizures in persons who suffer from photosensitive epilepsy.

"Only time will tell if the reform helps in the correction of claim abuses," said Richard Augenstein, director of government affairs for the manufacturers association. He said the language in the new laws is decidedly "soft" and will have to be tested in court.

The Michigan State Chamber of Commerce is telling its 6,400 member firms to prepare for "expensive litigation," says chamber president James Barrett.

"If business is not involved, it's likely we'll come out losers," he added.

The National Council on Compensation Insurance is preparing a study for the chamber and the MMA that is expected to estimate the impact of the workers compensation law on benefit cost, Mr. Barrett said.

Ford Motor Co., a member of MMA and the Michigan State Chamber of Commerce, released a statement saying it is impossible to precisely calculate the effect of the changes on compensation benefits until the new law becomes effective.

"Although some costs will be offset by savings to employers resulting from other changes in these laws, our analysis of the legislation indicates there will be significant overall increases in cost to the company from higher benefit payments," said Paul J. Ryder, benefits planning spokesman for Ford.

General Motors Co. estimates a cost increase of 58% in annual benefit payments for workers compensation and unemployment compensation combined, said

spokesman Bruce MacDonald. He did not have specific figures for workers compensation only.

"The measures are not conducive to attracting new business into the state," he added.

The only interest group which has mild praise for the workers compensation reform is the United Auto Workers.

"On balance, it looks good to me," said Peter Eckstein, a UAW economist. "One of our major goals was to get an increase in the maximum weekly benefit, so we're pleased with that. But there were many points that business got that they wanted, too," he added.

AFL-CIO legislative representative Darrell Tennis wasn't as positive. "I'm disappointed," he said. "The legislature didn't address a

big issue that we endorsed called the prospective cost of living," he said.

"If a worker is off for three or four years, he needs an adjustment of benefits," he said. "And our benefits are still lower than most other states."

Other provisions of the new workers compensation law include:

- Requiring workers to file for compensation within two years of a job-related injury.
- Eliminating mandatory minimum benefits to prevent low-paid injured workers from receiving more in compensation than they did in wages.
- Requiring greater proof from retirees and claimants of emotional stress that an injury is job-related.

52 great issues coming up!

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more to come :

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7.	FEB 16	FEB 3
8.	FEB 23	Feb 10
9.	MAR 2	Feb 18
10.	MAR 9	Feb 25
11. SPECIALTY RISKS	MAR 16	Mar 3
12.	MAR 23	Mar 11
13.	MAR 30	Mar 18
14. CAPTIVE/OFF SHORE . . . R.I.M.S. PREVIEW	APR 6	Mar 25
15. R.I.M.S. Conference Report #1	APR 13	Apr 1
16. R.I.M.S. Conference Report #2	APR 20	Apr 8

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Group, union plan 'supertrust'

Continued from page 1

An employer can get stuck with a withdrawal liability tab to cover the benefits of more than his employees, no matter how many or how few he had. In some cases, especially for a smaller employer, this large liability could threaten a company's financial stability.

But before things can go beyond the talking stage, actuarial studies analyzing the plans' unfunded liabilities, the share of liability that can't be attributed to one employer and the likelihood that an employer in a food industry multiemployer plan could go bankrupt must be completed. Special benefits committees of the two groups

are coordinating the ground work. "It is incredibly complicated, and there are some people who say it will never get off the ground," says Frank Cummings, a Washington attorney who got Congress to approve the supertrust concept as part of the multiemployer amendments act.

"But so much is at stake, the supertrust has to work."

Under Section 4223 of the multiemployer amendments act, trustees in multiemployer plans can establish supertrusts to cover such risks as uncollectible liability, unattributable liability and the de minimis rule that allows em-

ployees whose unfunded vested liabilities are less than \$50,000 to withdraw and escape liability.

Contributions to the tax-free trusts are deductible. The assets of the trust, run by the multiemployer plans' employer and employee trustees, could only be used to prefund and pay withdrawal liability. The assets could not be used to boost plan benefits.

Employers would pay premiums to the supertrust as part of their multiemployer plan contributions, but the supertrust assets would be separate from plan assets.

The size of the supertrust premium would depend partly on the risk covered. For example, one

plan might only want protection against the risk that some employers in the plan might go broke and increase other employers' liability.

Another plan, which has many small employers and just a few large employers, might buy de minimis coverage to protect the big employers, who would have to pick up the small employers' unfunded vested liabilities if the small firms pulled out.

"Employers have to know what their liabilities are. They need a degree of certainty," says Mr. Cummings. Because there are so many multiemployer withdrawal liability loopholes, prefunding of risk through a trust is necessary to prevent employers from "dumping" on each other, said Mr. Cummings.

None of the food industry's mul-

tiemployer pension plans is in financial trouble, says William S. Kies, legislative assistant at FMI. But to keep the plans financially healthy, new employers must be attracted to the plans.

The 1,200 members of FMI include some of America's largest grocery chains, including A&P, Kroger and Grand Union, as well as hundreds of one-store "mom and pop" operators.

Most employers now wouldn't consider joining a multiemployer plan because they could get socked with enormous liabilities under the new law.

But by prefunding risk through a supertrust, employers know what their liabilities are and will be more likely to join a multiemployer pension plan, says Mr. Cummings.

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agencies seek an individual who has the ability and desire to enter the agency ranks in the capacity of a marketing or servicing account executive. Requires a minimum of four years commercial under-

writing experience and the ability to communicate both verbally and in report form. No production responsibilities but will assume some light servicing duties of medium size commercial accounts. Both of these agencies have starting salaries in the range of \$25,000 to mid \$30,000 DOE. Contact Jim Gilbert in Dallas.

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Competition cuts cost of K&R policies

Continued from page 3

million. With reinsurance, I could easily put together something in the range of \$40 million to \$350 million," Mr. Payne said. Such high limits were impossible to buy a few years ago, he said.

Mr. Smith of James agrees. "I think I could put together a \$20 million policy without any trouble," he said.

Competition has intensified as four major underwriters scramble for a piece of the business; American International Group, Lloyd's of London, Professional Indem-

nity Agency (underwriting managers for Republic Insurance Co. of Texas) and Chubb Group. INA also has entered the market recently, but isn't writing as much business as the others.

The competition in the market also has broadened the types of policies being written under the kidnap and ransom label.

American International Group earlier this last year introduced a policy for smaller commercial clients that, besides providing the typical kidnap and ransom cov-

erages, also protects loss of earnings and property damage evolving from an abduction of an executive, Mr. Smith said. The company is considering expanding this coverage to its larger clients as well, Mr. Smith added.

Another feature that is becoming more common in kidnap and ransom policies is coverage of defense costs for suits arising out of kidnappings of executives, like the Beatrice and Exxon cases.

"This is a lot easier to get in the current market than it was three or four years ago because of the com-

petition and soft conditions," Mr. Payne said. Lloyd's of London is among the most willing to add this feature, he noted.

The likelihood of more suits over corporate response to kidnappings has increased the number of policies that routinely cover a company if it has to fight a legal battle on this issue, Mr. Payne said.

"It can happen to anyone," he said. "Let's say that you paid \$5 million to get someone and it took three days. That person might sue on the grounds that if you had paid \$6 million, he might have gotten out in one day."

The issue of ransom payment raised by the Exxon suit might cause some executives to re-examine their directors and officers

policies to see if they would be covered for such a suit. The suit might also increase demand for higher kidnap and ransom insurance limits, observers say.

If a company can show that all or most of a payment came out of insurance, it would be harder for shareholders to prove that any damage was done to the company, they explain.

These suits, as well as the recent Goodyear kidnapping, also will probably spur companies to review their security programs for overseas executives and their response plans.

Preventing kidnappings and having a set plan of reaction if one does occur reduces the risk of corporate mismanagement charges, experts note.

Physicians mutual sued by attorneys over 'hit list'

Continued from page 2

The second section advised doctors to contact MICA before speaking to any of the attorneys listed in the appendix, said Dr. Brooks. Because MICA's intentions apparently were misunderstood, he said, a second memo was mailed 10 days later clarifying that the warning was aimed at doctors who might be the target of a medical malpractice lawsuit.

By linking the other named attorneys with the alleged conduct of Dr. Zang, MICA by implication accuses them of conducting themselves in a similar unlawful and unethical manner, said Mr. Salcito. Six lawyers named in the memo are among petitioners in the suit and others have indicated a desire to join, he added.

The original memorandum orders doctors who are insured by MICA not to cooperate with attorneys in any medical malpractice action in which they are involved or in any personal injury action in which the doctors' patients are involved, said Mr. Salcito. The second memo revokes that advice for personal injury cases, but not for medical malpractice suits, he noted.

Physicians are obligated to discuss medical malpractice cases with both petitioners and attor-

neys under Arizona Revised Statute 12-567, said Mr. Salcito. The statute was enacted as part of medical malpractice reforms designed to reduce the incidence of frivolous suits in superior court, he said.

"Attorneys need cooperation from physicians to see if there is a legitimate claim before filing a suit," he explained. The laws were established to provide relief to doctors suffering from the lack of availability and high costs of medical malpractice insurance in the mid-1970s, he added.

In Arizona, each potential medical malpractice lawsuit is screened by a panel consisting of a doctor, an attorney and a judge. Although

the panel's conclusions are not binding on the court if the case proceeds to trial, they can be made known to the jury.

The plaintiffs are seeking \$1 in compensatory damages and \$10 million in punitive damages. Monetary damages awarded in the suit would go to a trust created to benefit victims of medical malpractice who, because of the failure of a physician to carry insurance, otherwise would not be compensated for their injuries.

The Mutual Insurance Co. of Arizona was formed in April 1976 to write medical malpractice insurance for the state's doctors. It is sponsored by the Arizona Medical Assn., which provided a loan to capitalize the company.

comings & goings: buyers

Kushner appointed insurance manager

GENERAL HOST CORP. in Stamford, Conn., has named Michael S. Kushner to the newly created position of manager of

general insurance. Mr. Kushner, who reports to Howard C. Austen, director of risk management, previously was risk manager, assets manager and safety director for Cosco Industries Inc. in Spring Valley, N.Y. He has a bachelor of science degree in mathematics from the State University of New York at Stony Brook, is a certified safety professional and is working toward a CPCU.

* * *

Edward J. Belz, risk analyst at Timex Corp. in Waterbury, Conn., will join Kennecott Copper Corp. in Stamford on Jan. 16 in the insurance department. Mr. Belz, who will report to Walter Wilson, manager of insurance, has a bachelor's degree in business administration from Nassau College and a master's in finance from the University of New Haven.

* * *

Larry Wegener has joined the insurance department at the Sun Electric Corp. in Crystal Lake, Ill., to assume insurance duties previously performed by Peter Steinbach, who left the company as reported. In this position, Mr. Wegener will report to secretary/treasurer Byron Cohen. Mr. Wegener is a recent graduate of Marquette University with a bachelor's degree in finance.

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Attorneys define different battle lines

Continued from page 3
effects of the exposure.

"The whole thrust is that because of their technological resources and economic power, these companies have a duty to monitor their products," Mr. Yannacone said.

Mr. Yannacone says the chemical companies' scientists, not the government, were in a better position to know the potential harmful effects of the product.

Mr. Rivkin counters that the government knew as much about Agent Orange and dioxin as the chemical companies. "We have filed papers to show the government knew all about it," he said.

Dioxin is the byproduct of the manufacture of 245-T, one component of Agent Orange. Chemical companies had manufactured and

The issue of whether Agent Orange caused cancer will be decided only if its makers lose the first round.

sold the component herbicides of Agent Orange, but the federal government created Agent Orange when it ordered a 50-50 mixture of the two products, 245-T and 24-D.

The whole issue of whether or not Agent Orange is responsible for causing cancer in Vietnam veterans and birth defects in their children will be tried only if the chemical companies lose this first phase of the litigation. And then liability in specific cases will be tried.

"The management plan Judge Platt developed is the way of the future for large product liability claims," contended Mr. Yannacone, who takes credit for suggesting the plan.

The plan is to first resolve the basic issues involved in many similar cases. Once those issues are resolved, the court considers specific cases rather than allowing hundreds or thousands of similar cases to be tried around the country considering the same preliminary issues.

Mr. Yannacone contends dioxin in Agent Orange was the injury-causing substance; the chemical companies say there is no scientific proof that it was.

Mr. Yannacone points to the veterans who have cancer and their children who were born with defects and says these injuries were caused by the dioxin in Agent Orange.

Mr. Rivkin cites a government study on three generations of mice that didn't reveal any injuries. He also says there is no higher occurrence of cancer or birth defects among the Vietnam veterans than in the general population.

The federal government now is studying the health effects of exposure to Agent Orange (BI, Dec. 15, 1980).

Meanwhile, risk managers whose companies are defense contractors are waiting for the ultimate decision in this case before panicking.

"Anyone supplying the government has been aware that the government is immune from liability

but that the manufacturer is not," said James Mascarella, vp-insurance at Gould Inc. in Rolling Meadows, Ill. "We've been operating under that assumption."

"Now it's waiting to see if the defense that the product meets government specifications holds up. If they impute strict liability to the manufacturers of products meeting government specs—the responsibility to have known dangers and to have given warnings—the government will end up with its own plants."

Robert E. Butler, director of risk management for Lockheed Corp., agrees defense contractors have recognized their liability for claims filed by third parties or military personnel involving their products.

Lockheed's product liability insurers already have paid some claims involving crashes of the Lockheed F-104 built for the military. "We felt most of the claims were due to pilot error rather than defects," Mr. Butler noted.

Mr. Butler, however, doesn't think a judgment against the manufacturers of Agent Orange will reduce the number of companies that will bid on government contracts.

"It would take a situation where product liability insurance be-

comes high-priced. As long as product liability insurance is available at a reasonable premium, companies will continue to bid," he said.

Indemnification from liability by the federal government doesn't seem like a viable alternative now. It isn't often granted. The pharmaceutical manufacturers that made swine flu vaccine forced a special act of Congress to make the federal government liable in the first instance for claims arising out of the vaccination.

The federal government has rarely granted immunity to defense contractors. Lockheed is held harmless for any third-party liability suits for damages from accidents involving its three generations of missiles fired from submarines.

The immunity was granted first on the Polaris missiles, the first generation of missiles, and has been granted on the succeeding generations.

At the time Polaris was made, the government accepted Lockheed's contention that the missiles were "extra hazardous areas." But Lockheed hasn't been able to win the same indemnification for other products the company considers extra hazardous, Mr. Butler noted.

Lack of interest grounds wrap-up plan

Continued from page 3

ing in Cocoa Beach, little interest was expressed in the plan, Mr. Butler said.

"It was decided that the major people at the meeting probably don't need this wrap-up. But should we do something for the smaller companies?" he said.

"We (Lockheed) have at least as much liability insurance as what we'd get through the wrap-up program."

But Robert Hoff, manager of corporate insurance for Boeing, is much more optimistic. He says two months to put together the wrap-up program "is a lot of days."

Without this wrap-up protection, space shuttle contractors could face countless lawsuits and cross-lawsuits if the orbiter crashed to earth.

"With all the second, third and

One of the reasons the wrap-up won't fly is because NASA will not indemnify the space shuttle contractors.

fourth tiers of contractors involved, somewhere along the line someone's going bare because they can't afford the insurance or for other reasons," Mr. Butler said.

The National Aeronautics & Space Administration will not indemnify the contractors.

Said Robert Wojtal, attorney adviser for the office of the general counsel of NASA, "We have not taken a position (on the wrap-up policy). We'll have to take a look at it."

NASA does, however, indemn-

ify the users of the space shuttle, he pointed out. The shuttle is basically a truck in space that is used to launch corporate satellites. The first users of the shuttle will be NASA and Western Union.

"With respect to the shuttle, we have a cross-waiver of liability insurance for users. If the user damaged NASA property, we wouldn't hold the user liable," he said. Likewise, while the user's satellite is in the space shuttle, NASA indemnifies it until it is in orbit.

NASA also has a reimbursement clause for third-party product liability in its estimated \$6 billion contract with Rockwell International Corp., the main contractor for the space shuttle.

More than half of Rockwell's contract probably was subcon-

tracted out, said chief counsel Henry Flagg at the NASA Johnson Space Center in Houston.

"Assuming that there's a recognized, bona fide liability, after the companies pay, then the government steps in and pays the rest."

"We pay the excess up to the ceiling (of the contract)," Mr. Flagg said. If the debt were \$100 and the company's insurance paid \$90, NASA would pay the \$10 difference, he said.

But subcontractor Lockheed doesn't think it would see any of that excess insurance money flowing down from Rockwell, Mr. Butler said.

"The big kicker is the availability of funds—the government says we'll reimburse you with funds available, but it's not sure how much that is." He says a wrap-up policy would eliminate any question of availability of funds to cover losses.

Letters will now be sent to the approximately 150 contractors and subcontractors by wrap-up policy chairman Mr. Hoff to see if the policy idea is still viable.

Chinese engineer bond

Continued from page 3

international arm of AIG, also recently opened an office in Peking. "Our doing business in China comes naturally since AIU was founded in Shanghai in 1919," notes Mr. Laursen.

"The financial system in China is clearly very different from ours," added Mr. Laursen. "For underwriting in this case, we relied on the judgment of our partner, the People's Insurance Co. of China."

American Home Assurance Co. will issue the bond in order to meet requirements of the project client,

explained Mr. Laursen. But part of the risk will be reinsured through the China-America Insurance Co., he noted.

Fewer reports

In another move to cut employers' paperwork, the Labor Department has proposed that benefit plans with fewer than 100 participants be required to distribute a summary annual report to participants only once every three years. Employers will only have to distribute a much briefer registration statement during the intervening two years. The summary annual report has been criticized by employers as too detailed for plan participants to understand.

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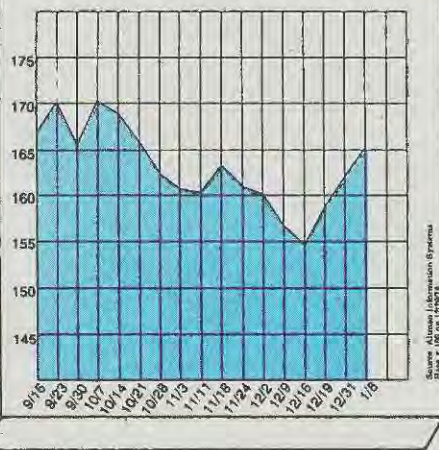
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Brokers

Brokers	Price	P/E	Div.	Yield	High—Low
CE Heath	180	8.8	13.87	7.7	183—180
Hogg Robinson	112	8.3	8.14	7.3	112—111
Alex Howden	95	7.9	10.00	10.5	97—95
JH Minet	94	11.3	6.45	6.9	96—93
Sedg Grp	117	10.7	7.14	6.1	117—115
Stenhouse Hldg	84	8.0	6.64	7.9	84—83
Stew Wrightson	195	8.1	17.14	8.8	195—192
Willis Faber	268	11.9	16.14	6.0	270—268

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

Earnings deterioration pulls broker stocks down

By HARVEY H. BUNDY III

Special to Business Insurance

1980 WAS NOT MUCH of a year for the insurance brokers in the stock market. While the overall market enjoyed its best year since 1976 with the Dow Jones Industrials advancing 14.9% and the Standard and Poor's 400 Stock Index up 25.5%, only Alexander & Alexander was able to record a gain among the six major brokers and that gain was only 3.8%. The entire group registered an average decline of 5.7% over the year.

In part this abysmal relative performance must reflect the deteriorating trend in earnings which prevailed for the insurance brokers during the year. During 1979, earnings per share for the group advanced by an average of 16.0%. During 1980, this rate of earnings gain declined to only a 10.3% gain in the first quarter, 5% in the first six months and only 3.8% through the first nine months. It is quite possible, in my opinion, that the group will record no gain in earnings per share on average for 1980.

The relative price performances of the stocks seem to be partially correlated to their relative earnings performances. Alexander & Alexander, with an 8.9% earnings gain in the nine months, also had the best stock price performance. Likewise, Marsh & McLennan, with a 7% earnings gain, lost only 2% in stock price over the year. At the other end of the spectrum was Corroon & Black, with an 11% earnings decline that was in large part responsible for a 19% de-

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Bundy

BI ticker

crease in stock price.

On the international merger front, Alexander & Alexander and Sedgwick Group finally announced what everybody seemed to know all along—that the two were planning to get together but had not yet managed to resolve all the details. While the announcement did not contain much new information, it did indicate that the merger would probably take place through an exchange of stock in order to make it tax free. No other significant information was disclosed other than that the companies have not yet negotiated price and that they are not willing to disclose the exact form the merger might take.

Several reasonable speculations can be made as to the probable outcome of this combination. Since the managements intend for the merger to be tax free, they apparently are waiting on an Internal Revenue Service ruling before announcing the form to the public. This is somewhat surprising, because normally a share-for-share exchange of stocks creates no tax liabilities. This would be especially true were Alexander & Alexander acquiring Sedgwick, but almost certainly the converse also applies. Therefore, one can conclude that the proposed form envisions the establishment of a new company which will then acquire the stock of both companies on some predetermined ratio. Where that company might be domiciled remains a point of speculation.

The other major question surrounding

the combination is the relative price which will be negotiated. While the press release indicated that "negotiation on financial terms has not commenced," the two managements must have agreed on some basis whereby they will set the price in the future. I estimate this this will bear a direct relationship to earnings, probably for the year ended 1980, but possibly for 1981. The following table shows the relative earnings performance of Alexander & Alexander and the Sedgwick Group in 1978, 1979 and estimated 1980. The Sedgwick figures are shown both in pounds sterling and in dollars converted at the year-end rate of \$2.3975 to the pound.

	A&A		Sedgwick Group			
	Earn.	E.P.S.	Earn.	E.P.S.	Earn.	E.P.S.
1978	\$44.0	\$2.47	£23.4	10.7p	\$56.0	\$2.56
1979	51.6	2.87	£23.2	11.4p	55.6	.273
1980 est.	56.5	3.07	£22.2	10.9p	53.2	.261

On the basis of estimated 1980 results, Sedgwick Group will contribute 48.5% of the total and Alexander & Alexander 51.5%. Since it is likely that Alexander & Alexander will record better earnings gains than Sedgwick in 1981, a realistic range for the exchange ratio is from a low percentage of 46% to Sedgwick to a high of 50% if A&A pays a slight premium.

The question then becomes: is there is an arbitrage opportunity between the two stocks and which one would an investor be better off holding at the current time? On the date the deal was announced, Dec. 16, 1980, A&A was selling at \$28 a share while the Sedgwick Group was selling at 125 pence. At year-end, these prices had changed: A&A sold at \$34 and Sedgwick at 117 pence. This put Alexander & Alexander at 11.1 times estimated 1980 earnings per share and Sedgwick at 10.7 times. The relationship seems to imply a slight bias toward Sedgwick in that the exchange ratio may favor Sedgwick to a greater extent than its relative earnings contribution. However, the difference is not great enough for a major arbitrage situation to exist. But if the disparity becomes as great as it was at the date of the deal announcement, I would recommend selling Sedgwick shares while buying Alexander & Alexander.

While no one has been willing to speculate on the probability of the deal becoming consummated, it is unlikely that the companies would have proceeded to this point unless there were at least an 80% chance that a deal will be struck along the lines outlined above. A further announcement should not be anticipated until the IRS ruling is received, which may not be until late summer.

William Blair & Co. maintains a market in the common shares of Rollins Burdick Hunter and Alexander & Alexander Services. Edgar D. Jannotta, a partner in William Blair & Co., is on the board of directors of Rollins Burdick Hunter.

Financial briefs

GEICO

GEICO Corp. has entered into an agreement in principle to develop an international reinsurance business. GEICO will be the parent company and will provide initial capitalization of \$15 million for the new group, which will include a reinsurance company that will be licensed in New York.

All classes of treaty and facultative reinsurance, both domestic and international, will be written.

INA

INA Corp. has declared a 9% increase in its quarterly dividend, from 55 cents to 60 cents per share, payable Feb. 15 to shareholders of record Feb. 6.

BI Industry Stock Report

JAN. 6, 1981										12/29/80 THRU 1/6/81										JAN. 6, 1981										12/29/80 THRU 1/6/81									
Insurance Cos.		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol (000)		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)												
Aetna Life & Cas Co	NYSE	36.75	3.2	5.5	2.12	5.8	36.75	34.75	545.4	Tokio Marine & Fire Ins Co	OTC	160.00	3.7	17.7	1.03	0.6	160.25	155.75	1.9																				
American Bankers Ins Group	OTC	7.00	0.0	4.7	0.11	1.6	7.00	6.00	246.5	Travelers Corp	NYSE	40.50	3.2	4.6	2.48	6.1	40.50	38.75	282.0																				
American Fintl Corp Ohio	OTC	24.88	-1.0	4.7	0.50	2.0	25.13	24.88	39.8	United Fire & Cas Co	OTC	29.50	9.3	8.1	0.90	3.1	29.50	27.00	2.0																				
American Gen Ins Co	NYSE	38.88	5.4	6.1	1.00	2.6	38.88	36.88	188.1	United States Fld & Cty Co	NYSE	42.50	1.2	4.8	2.80	6.6	42.50	42.00	119.6																				
American Indty Fintl Corp	OTC	14.75	-4.1	4.9	1.12	7.6	14.88	14.63	10.5	United Svcs Life Ins Co	OTC	15.00	-0.8	5.4	0.96	6.4	15.13	15.00	21.4																				
American Intl Group Inc	OTC	75.75	1.7	10.7	0.50	0.7	75.75	74.00	143.9	USlife Corp	NYSE	26.38	4.5	6.6	0.72	2.7	26.38*	24.38	529.7																				
American Natl Ins Co	OTC	13.00	0.0	5.4	0.68	5.2	13.25	12.75	114.0	Washington Natl Corp	NYSE	37.38	-5.4	7.7	1.50	4.0	38.75	37.38	44.1																				
American Sta Life Ins Co	OTC	20.00	2.6	8.3	0.72	3.6	20.00	19.50	5.8	Zenith Natl Ins Corp	OTC	19.75	5.3	10.4	0.63	3.2	20.50	19.00	33.3																				
Aneco Reins Ltd	OTC	4.75	5.6	0.0	0.00	0.0	4.75	4.38	189.0	INSURANCE COMPANIES										AVERAGE																			
Appalachian Natl Corp	OTC	2.13	0.0	6.1	0.05	2.4	2.13	2.13	0.4																														
Avemco Corp	AMEX	9.50	11.8	8.2	0.50	5.3	9.63	8.25	22.8	Agents/Brokers																													
Banks Iowa Inc	OTC	27.00	1.9	5.1	1.32	4.9	27.00	26.50	2.0	Alexander & Alexander Svcs	OTC	33.50	2.3	10.9	1.64	4.9	34.00	33.00	340.2																				
Bitco Corp	OTC	34.50	-5.5	5.5	1.68	4.9	35.50	34.00	6.1	Baldwin & Lyons Inc	OTC	31.25	-0.8	5.8	0.80	2.6	31.50	31.25	2.5																				
Caroline Cas Ins Co	OTC	10.00	0.0	4.3	0.32	3.2	10.00	9.75	2.3	Corroon & Black Corp	NYSE	22.00	1.7	8.9	1.72	7.8	22.38	21.88	27.4																				
Central Natl Fintl Corp	OTC	10.63	-1.2	4.2	0.50	4.7	10.75	10.63	1.2	Crum & Forster Inc	OTC	12.25	-3.0	10.7	0.40	3.3	12.63	12.25	4.5																				
Chubb Corp	OTC	39.63	1.0	5.0	2.68	6.8	39.63	39.13	102.2	Hall Frank B & Co Inc	NYSE	25.38	8.0	8.7	1.54	6.1	25.38	23.50	19.1																				
Combined Intl Corp	NYSE	18.38	2.1	5.4	1.60	8.7	18.38	17.63	151.3	Integrated Res Inc	AMEX	20.50	9.3	10.2	0.00	0.0	20.75	18.63	60.5																				
Connecticut Gen Ins Corp	NYSE	48.38	3.2	6.6	1.52	3.1	48.38	46.38	120.1	James Fred S & Co Inc	NYSE	24.38	-0.5	9.2	1.60	6.6	24.38	23.63	32.9																				
Continental Corp	NYSE	25.25	1.5	5.4	2.20	8.7	25.25	24.00	171.3	Marsh & McLennan Cos Inc	NYSE	33.75	-1.5	10.7	2.00	5.9	34.38	33.75	99.4																				
Crawford & Co	OTC	18.00	1.4	14.1	0.48	2.7	18.00	17.75	6.2	Pennacorp Fintl Inc	NYSE	7.50	5.3	5.5	0.16	2.1	7.50	7.00	335.9																				
Crown Life Ins Co	OTC	95.50	0.5	69.2	2.40	2.5	95.50	95.00	2.0	Reed Stenhouse Cos Ltd	OTC	12.00	3.2	10.3	0.56	4.7	12.00	11.50	10.9																				
Cum & Forster	NYSE	27.25	-2.7	5.1	1.44	5.3	28.00	26.75	133.4	Rollins Burdick Hunter Co	OTC	21.75	2.4	9.9	1.24	5.7	21.75	21.25	20.2																				
Employers Cas Co	OTC	39.75	0.0	6.5	1.20	3.0	39.75	39.75	2.2	AGENTS/BROKERS										AVERAGE																			
Equifax Inc	NYSE	21.00	1.8	6.9	2.40	11.4	21.38	20.25	8.2																														
Farmers Group Inc	OTC	30.38	9.0	9.6	1.00	3.3	30.38	27.88	131.2																														
First Colony Life Ins Co	OTC	34.00	3.0	12.5	0.80	2.4	34.00	33.00	1.2	Conglomerates/Holding Cos.																													
Foremost Corp Amer	OTC	20.13	0.0	7.2	0.60	3.0	20.25	20.13	9.1	American Express (Fireman's Fd)	NYSE	43.88	9.7	8.6	2.00	4.6	43.88*	39.75	949.7																				
Great West Life Assurn Co	OTC	195.00	0.0	9.7	8.00	4.1	195.00	195.00	0.6	Anderson Clayton (Ranger/PanAm)	NYSE	21.75	3.6	5.8	1.20	5.5	21.75	20.00	65.1																				
Hanover Ins Co	OTC	44.75	1.7	4.1	0.72	1.6	45.50	44.00	10.5	Armco Inc	NYSE	38.50	6.6	7.5	1.64	4.3	38.50	35.50	343.6																				
Hartford Steam Boiler Insnptn	OTC	34.00	1.5	7.3	2.40	7.1	34.00	33.50	5.8	City Investing Co. (Home Ins.)	NYSE	22.38	2.9	5.0	1.50	6.7	22.38	21.50	483.1																				
Integon Corp	NYSE	37.63	-2.6	13.4	0.52	1.4	38.63	37.63	119.6	CNA Fintl Corp (CNA)	NYSE	17.25	10.4	4.8	0.00	0.0	17.25	15.50	87.9																				
Jefferson Natl Life Ins Co	OTC	39.50	-4.8	14.5	0.64	1.6	41.50	39.50	8.2	Control Data (Comm. Credit)	NYSE	71.88	-4.6	9.3	0.60	0.8	73.88	70.50	417.8																				
Kemper Corp	OTC	33.63	3.1	4.9	1.40	4.2	33.63	32.63	38.4	General Re Corp	NYSE	57.00	10.4	8.3	1.40	2.5	57.00*	53.63	179.2																				
Lincoln Natl Corp Ind	NYSE	41.75	4.7	5.8	3.00	7.2	41.75	39.00	58.5	INA Corp (Ins. Co. of NA)	NYSE	41.00	-1.2	5.9	2.40	5.9	41.00	40.50	122.9																				
Mgic Invst Corp	NYSE	32.63	5.2	9.2	1.12	3.4	32.63*	30.13	259.1	ITT (Hartford Group)	NYSE	31.38	1.6	6.0	2.60	8.3	31.38	29.25	1,102.9																				
Mission Ins Group Inc	NYSE	34.88	0.4	7.1	0.80	2.3	34.88	33.75	12.3	Reliance Group Inc	NYSE	69.75	-2.1	2.7	3.00	4.3	73.00	69.75	38.3																				
Nationwide Corp Ohio	OTC	19.75	-1.3	5.0	0.66	3.3	20.00	19.75	11.5	Sears Roebuck & Co. (Allstate)	NYSE	16.63	4.7	9.0	1.36	8.2	16.63	15.25	2,670.8																				
Northwestern Natl Life Ins	OTC	27.00	0.9	5.8	1.25	4.6	27.00	26.63	40.6	S & H Co. (Bayly Martin & Pay)	NYSE	25.63	-4.7	12.7	1.00	3.9	26.25	25.38	27.6																				
Ohio Cas Corp	OTC	34.38	2.2	5.6	1.76	5.1	34.38	33.50	34.8	Teledyne Inc (Argonaut)	NYSE	208.75	-4.9	9.3	0.00	0.0	216.00	208.75	228.3																				
Old Rep Intl Corp	OTC	15.25	2.0	3.8	0.92	6.0	15.25	15.00	112.7	Transamerica Corp (Occidental)	NYSE	18.83	1.3	5.2	1.28	6.8	19.13	18.50	337.4																				
Pinehurst Corp	OTC	6.38	2.0	11.8	0.00	0.0	6.38	6.00	37.3	CONGLOMERATES/HOLDING COS.										AVERAGE																			
Preferred Risk Life Ins Co	OTC	17.25	1.5	6.2	0.64	3.7	17.25	17.00	0.9																														
Provident Life & Acc Ins Co	OTC	45.50	0.0	5.9	1.88	4.1	45.50	45.00	15.7																														
Republic Natl Life Ins Co	OTC	24.63	0.5	13.7	0.70	2.8	24.63*	24.25	147.4																														
Ryan Ins Group Inc	OTC	27.00	-5.3	8.1	0.12	0.4	27.00	26.50	3.6																														
St Paul Cos Inc	OTC	38.63	0.7	5.2	2.32	6.0	38.75	38.38	43.6	System design: Altman Information Systems																													
Safeco Corp	OTC	36.00	-1.4	5.5	2.00	5.6	36.38	36.00	150.9																														
Sri Corp	OTC	25.00	3.1	4.6	1.20	4.8	25.00	24.25	6.9																														
Seibels Bruce Group Inc	OTC	17.88	2.7	3.9	0.80	4.5	18.00	17.40	22.5																														
Statesman Group Inc	OTC	5.50	2.3	4.1	0.15	2.7	5.50	5.38	19.9																														

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