

JANUARY 14, 1985

# business insurance

update

## Florida malpractice reciprocal emerges from receivership

TALLAHASSEE, Fla.—Florida Physicians Insurance Reciprocal, the medical malpractice underwriter that has been in receivership the past six months, is operating again, the Florida Insurance Department says.

The reciprocal began writing new business Jan. 4 and now has a surplus of \$7 million to \$8 million, says Jerry Service, director of the department's rehabilitation division.

*Continued on next page*

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$52 a year

Entire contents copyright 1985 by Crain Communications Inc. All rights reserved.

# New York seizes Ideal Mutual

By JUDY GREENWALD

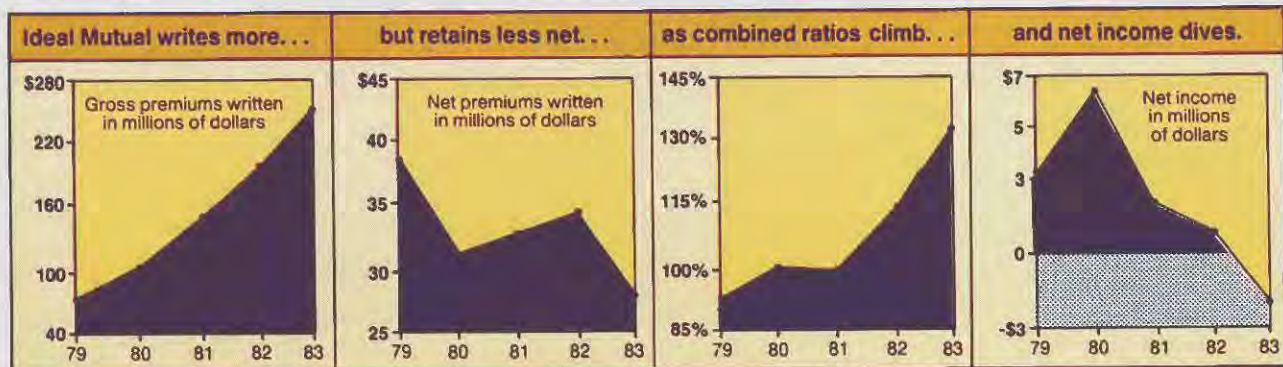
NEW YORK—Ideal Mutual Insurance Co., a leader in providing major corporations with alternative risk financing programs, is now under the control of the New York Insurance Department.

Despite Ideal Mutual's claim that it has \$12 million in policyholder surplus after meeting liabilities of \$148.9 million and an actuarial report that certifies its loss reserves are adequate, the department says Ideal Mutual is \$155 million short of meeting its liabilities as of Dec. 31, 1983.

This \$155 million insolvency, according to the department, is partly due to Ideal Mutual's fronting programs for Bermuda-based captive insurers, an activity that caters to the alternative risk funding program needs of major corporations.

As a result of the rehabilitation order against Ideal Mutual the department obtained Dec. 26 in New York Supreme Court:

- Ideal's Illinois affiliate, Optimum Insurance Co. of Illinois, is also in voluntary rehabilitation in Illinois.
- All claims payments to policyholders of both insurers, which had written a combined gross premium volume of \$255 million in 1983, have been suspended.
- All policies except those held by New



Graphic: Amy Palmer

York-based buyers have been canceled effective Jan. 26.

- Guaranty funds in other states are gearing up to determine their liabilities and if they must pay claims.
  - Letters of credit issued by unauthorized reinsurers are being drawn down by the department in some cases.
  - Ideal's participation in a group-owned Bermuda-based reinsurer is in question.
- The rehabilitation of Ideal marks the first time a major commercial property/casualty insurer that catered primarily to the alternative risk funding demands of major corporations has been placed in rehabilitation.

Some observers speculate that the New York Insurance Department's action against Ideal is intended to serve as a warning to other insurers against "fronting" activities,

an allegation that is denied by the department.

The first signal that Ideal Mutual might be in trouble with the New York department was flashed Dec. 10 when the insurer announced that it had stopped all underwriting. Ideal said at the time the action was pending the outcome of the department's triennial examination, but Ideal already knew the department had found the insurer insolvent (BI, Dec. 17, 1984).

Even before Ideal suspended underwriting, major brokers say they had stopped placing business with Ideal based on its deteriorating financial results and large amount of unauthorized reinsurance. Some major clients had also left the company in 1984.

Ideal submitted itself to voluntary rehabilitation because of the New York department's

findings. The release of those findings, said former Ideal Mutual President B. Frederick Becker, "took away our ability to be a viable operation."

Mr. Becker resigned from Ideal on Dec. 26, the date of the rehabilitation order, but remains president and chief operating officer of Optimum Holding Corp., the downstream holding company owned by Ideal and the public.

The New York department contends Ideal Mutual's \$155 million insolvency is created by a \$120 million statutory insolvency related to inadequate reserves and letters of credit on unauthorized reinsurance and \$35 million primarily related to inadequate reserves for losses on policies written by managing general agents.

Ideal reported in its 1983 annual statement its liability for unauthorized reinsurance as only \$3.3 million. The department pegged the liability for unauthorized reinsurance at \$123.1 million.

The discrepancy is attributable to the department's estimate of reinsurance recoverable on unpaid losses from unauthorized companies. The department's report on Ideal also noted that "the company made numerous errors in reporting letters of credit in Schedule F, Part 2 of the annual statement."

*Continued on page 53*

## Benefit cost increases starting to slow: Study

By JERRY GEISEL

WASHINGTON—Employers' benefit costs are not rising as rapidly as in previous years, a new survey shows.

In 1983, benefit costs per employee increased 5.5% to an average of \$7,582, compared with \$7,187 in 1982, according to a U.S. Chamber of Commerce survey released this week.

Although that per-employee expenditure was a record, the rate of increase was less than in previous years. For instance, benefit expenditures rose 8.5% to \$7,187 in 1982 from \$6,627 in 1981 (BI, April 2, 1983).

Benefit cost increases moderated in 1983 because employers' pension costs declined to \$1,032 per employee, down slightly from \$1,040 in 1982. Since pension costs are the third-most costly benefit for employers, even a small decline can have a major impact on employers' overall benefit costs.

But, while pension costs declined, health insurance costs continued their

*Continued on page 48*

## Ceding companies suing Dana to collect funds from Cherokee

By DOUGLAS McLEOD

NASHVILLE, Tenn.—Two reinsurance policyholders of financially troubled Cherokee Insurance Co. are suing Cherokee's parent, Dana Corp., to force it to make good on Cherokee's obligations.

Central National Insurance Co. of Omaha, Neb., and Protective National Insurance Co. of Omaha—both units of St. Regis Corp.—filed suit last month against Dana and an intermediate holding company, Diamond Financial Holdings Inc., in U.S. District Court for the Middle District of Tennessee.

The suit charges that Dana and Diamond gave false assurances to the St. Regis units—which are owed about \$1.7 million in outstanding reinsurance claims—that they would stand behind Cherokee and its operations.

The suit also alleges that Dana and Diamond conspired to prevent the St. Regis units from drawing on letters of credit issued on Cherokee's behalf covering some of the reinsurance agreements with the insurers.

Moreover, the suit seeks to pierce the corporate veil separating Dana and Cherokee—and potentially shielding Dana from liability to Cherokee creditors—by establishing that Dana dominated Cherokee's operations.

Cherokee's sole shareholder is Diamond Financial, which in turn is 100% owned by Dana.

Nashville-based Cherokee was placed in voluntary rehabilitation last July by Tennessee Insurance Commissioner John C. Neff at the request of Cherokee.

The rehabilitation of Cherokee may well be the first rehabilitation of an insurance company owned by a financially strong non-insurance insurance company parent.

"The situation is fairly unusual," said Larry Coleman, financial services manager for the National Assn. of Insurance Commissioners. Normally, the parent company "will make an attempt to save it," he added.

This also may be the first case testing the financial responsibility of a non-insurance company parent to an insurance company subsidiary. Attorneys contacted knew of no others.

In addition to seeking a court order that Dana and Diamond Financial be held responsible for Cherokee's obligations, Central National and Protective National's lawsuit seeks to recover an unspecified amount of damages resulting from Cherokee's failure to renew the LOCs and from the alleged misrepresentations by Dana and Diamond Financial offi-

*Continued on page 50*

Employee benefit cost increases in 21 employer categories detailed Page 48

## update

## Reciprocal is back in business

Continued from previous page

Physicians Management Corp., a subsidiary of Physicians Insurance Co. of Ohio, is managing the reciprocal (BI, Nov. 12, 1984).

The rehabilitation plan was approved by the 2nd Circuit Court in Leon County after the reciprocal received a capital infusion of about \$12 million from its physician policyholders, reinsurers, law firms and Physicians Management.

The Insurance Department is continuing its investigation of Professional Insurance Management Co. of Jacksonville, which managed the reciprocal before it went into receivership.

## Bankruptcy may shield polluters

WASHINGTON—Federal bankruptcy laws may shield industrial polluters from obligations to clean up hazardous-waste sites in some cases, the Supreme Court ruled unanimously last week.

The ruling upheld a lower court decision in a case brought by Ohio against William L. Kovacs, chief executive officer of Chem-Dyne Corp., operator of a hazardous-waste dump in Hamilton (BI, March 12, 1984).

Mr. Kovacs and Chem-Dyne signed an agreement with the state in 1979 to clean up the site but later failed to do so. A state court then appointed a receiver to take possession of the assets of Mr. Kovacs and the company to defray cleanup costs. Meanwhile, Mr. Kovacs filed for Chapter 7 bankruptcy, which provides for liquidation of assets rather than reorganization.

## Agent Orange pact approved

NEW YORK—U.S. District Court Judge Jack L. Weinstein has formally approved the \$180 million settlement between seven chemical company defendants and attorneys for Vietnam veterans over exposure to the herbicide Agent Orange (BI, May 14, 1984).

In addition, Judge Weinstein last week awarded plaintiffs' attorneys \$9.3 million in fees and expenses, which was considerably less than the approximately \$25 million the attorneys had sought.

The \$9.3 million will go to more than 80 attorneys with rates averaging \$100 to \$150 per hour, an attorney for the veterans said. Judge Weinstein did not approve all attorneys' requests for fees.

## Carbide's debt rating lowered

NEW YORK—Standard & Poor's Corp. has lowered the debt ratings for Union Carbide Corp. because of the potential liability stemming from the gas leak at a Bhopal, India, plant Dec. 3 that killed more than 2,000 persons and injured more than 150,000.

The lowered rating will narrow Union Carbide's financing alternatives while making it more expensive to borrow from investors. "The potential for substantial liability to the company cannot be ruled out," a spokesman for Standard & Poor's said last week.

A Union Carbide official said the company thought the lowering of the debt rating was an "overreaction" to a situation it believes will be handled without material effect on its financial condition.

Also last week, a spokesman for the Indian embassy in Washington said India's attorney general will visit the United States Tuesday to discuss action India should take in the wake of the gas leak.

The attorney general, K. Parasaran, probably will consult with U.S. plaintiffs' lawyers about the jurisdiction of U.S. courts in lawsuits filed on behalf of victims, the spokesman added.

Already, several personal injury and shareholder class action suits seeking billions of dollars in damages have been filed against Union Carbide in U.S. courts (BI, Dec. 10, Dec. 17, Dec. 24-31, 1984).

## Cox quits to go to law school

NEW YORK—John R. Cox, the 53-year-old executive vp in charge of American Can Co.'s financial services group, announced last week that he is quitting to go to law school.

He joined American Can's Associated Madison Cos. in 1983 after resigning as executive vp for property/casualty at CIGNA Corp.

## Insurer not ordered repay state

MONTPELIER, Vt.—A superior court judge has refused to order Ambassador Insurance Co. to reimburse the Vermont Department of Banking and Insurance for the thousands of dollars spent to analyze an unsuccessful loss portfolio transfer designed to help Ambassador avoid liquidation.

Ambassador withdrew its proposal to use loss portfolio reinsurance written by Cathedral Insurance Co. on Nov. 5. However, George Bernstein, a Washington attorney acting for the department, said company representatives received notice earlier that Cathedral would not write the portfolio reinsurance (BI, Nov. 12, 1984).

Ambassador was ordered liquidated last Sept. 4, after Judge John Meaker found it insolvent by \$45 million. The company is appealing his decision to the Vermont Court of Appeals, which is not expected to consider it for at least six months.

## index

Classifieds . . . . .	52	ance (ISSN 0007-6864) is published
Comings&goings: buyers . . . . .	34	weekly at 740 Rush St., Chicago,
Datebook . . . . .	48	Ill. 60611. Second-class postage is
Insurance services guide . . . . .	54	paid at Chicago, Ill., and at additional
Legal briefs . . . . .	32	mailing offices. Postmaster:
Letters . . . . .	6	Send address changes to <i>Business</i>
Opinions . . . . .	6	<i>Insurance</i> , circulation department,
Perspectives . . . . .	31	740 Rush St., Chicago, Ill.,
Spotlight report . . . . .	3	60611; 312-649-5221. Copyright
Ticker . . . . .	55	1985 by Crain Communications
Vol. 19, No. 2— <i>Business Insur-</i>		Inc.

## Judge says UNR cannot collect punitive damages from insurers

By STEPHEN TARNOFF

CHICAGO—UNR Industries Inc. cannot collect punitive damages from 10 of its liability insurers for their alleged failure to provide full defense and indemnification coverage for asbestos claims, a U.S. District Court judge has ruled.

In a memorandum opinion and order, Judge William T. Hart also dismissed charges brought by UNR against its primary insurers alleging they violated federal antitrust laws.

However, Judge Hart also ruled that UNR could recover compensatory damages from its insurers for losses suffered by UNR due to the insurers' actions.

In addition, he rejected a motion to dismiss UNR's former insurance broker, Corroon & Black of Illinois, from the litigation.

The decision is the second in the past three months in which a federal court has ruled that a defendant in asbestos litigation cannot recover punitive damages from its insurers.

Last October, Judge June L. Green of the U.S. District Court for the District of Columbia interpreted Pennsylvania law to bar Keene Corp. from recovering punitive damages in a bad faith action against Insurance Co. of North America (BI, Oct. 15, 1984).

UNR, which filed for reorganization under Chapter 11 of the Federal Bankruptcy Code in July 1982, filed suit against its insurers in September 1983 alleging a "conspiracy of silence" to fix prices, boycott and intimidate policyholders and deny coverage in asbestos cases, actions that UNR alleged forced it into bankruptcy (BI, Sept. 26, 1983).

Asserting numerous theories of liability, including the violation of federal antitrust laws, the Chicago-based company sought more than \$100 million in consequential damages, which can be tripled if the defendants are found to have violated antitrust law, and unspecified punitive damages.

Among the primary insurers named in the suit are Continental Insurance Co., Bituminous Casualty Corp., Zurich Insurance Co., American Mutual Liability Insurance Co., National Surety Corp. and Fireman's Fund Insurance Cos. Although Fireman's Fund was not one of UNR's primary insurers, it was alleged to control National Surety.

UNR's excess insurers named in the action include The Home Insurance Co.; Commercial Union Insurance Co. as the successor company of Employers Liability Assurance Corp.; Falcon Insurance Co. as successor to the Employer's Surplus Lines Corp.; Northbrook Ex-

Continued on page 52

## War risk rate in Mideast skyrocketing

By STACY SHAPIRO

LONDON—With rates for hull war risk insurance for tankers sailing in the Persian Gulf rising to dramatic record high levels, Iran may have to reduce the price of its oil to remain a viable market, underwriters say.

Attacks on eight vessels in the Persian Gulf since Dec. 15 have forced hull war risk rates to their highest level since the Iran/Iraq War began in 1981.

Rates to Iran's Kharg Island vary from \$7.50 to \$25 for every \$100 of the insured value, said John Blackman, chairman of Marine Mutual Office Ltd. in New York. At Lloyd's of London, one of the largest war risk insurance markets, Merrett Syndicates Ltd. is quoting rates of about \$10 for every \$100 of value, Chairman Stephen Merrett confirmed.

This compares with rates of as low as \$1 for every \$100 of insured value in early 1984.

However, after a series of attacks on ships in the Persian Gulf in May 1984, underwriters raised rates to \$2 to \$3 per \$100. The strikes continued, and Lloyd's increased rates for ships heading to Kharg Island to a record \$7.50 per \$100 for a seven-day voyage (BI, May 21, June 4, 1984).

When fighting died down later in

Continued on page 49

## Risk and benefit measures await congressional action

By JERRY GEISEL

WASHINGTON—The 99th Congress is less than 2 weeks old, and already there is a spate of bills pending that affect risk management and employee benefits.

Among the 600 to 700 bills introduced before Congress began a two-week recess on Jan. 7 are proposals that would establish a federal product liability law; remove a limit on the nuclear power industry's liability to damage suits; reauthorize the federal Superfund law; require employers to expand health care coverage to employees' divorced spouses; and give employees with Individual Retirement Accounts more investment choices.

Two key changes have been made in the federal product liability bill, S. 100, introduced by Sen. Robert Kasten, R-Wis., from the version that was cleared by the Senate Commerce Committee last year (BI, April 2, 1984).

The first change deletes a controversial provision added last year by Sen. Paul Trible, R-Va., that said a manufacturer could be hit with only one punitive damage award for any one product it produced. Multiple punitive damage suits were specifically barred.

Sen. Trible's provision was viewed by many as specifically protecting A.H. Robins Co. Inc. of Richmond, Va., from paying punitive damages in the thousands of product liability suits over the Dalkon Shield, an intrauterine device Robins manufactured.

The current punitive damage section is similar to that which Sen. Kasten initially proposed in 1982, in which a judge—and not a jury—would determine the punitive damages to be awarded.

In addition, the bill has been reworded to make clear that it does not apply to environmental pollution incidents like the release of toxic gas at the Union Carbide Corp. plant in Bhopal, India.

These changes will increase the bill's chances of approval, said Victor Schwartz, counsel for The Product Liability Alliance, a business lobbying group that supports enactment of a federal product law.

Several senators said last year they could not support the Kasten bill, which died on the Senate floor, because of the punitive damages limitation, Mr. Schwartz said.

Continued on page 54

## Worries about insurer solvency prompted CGL revisions: ISO

By ROBERT A. FINLAYSON

NEW YORK—Insurers favor the Insurance Services Office's proposed commercial general liability forms because they fear the possibility of "astronomical" liabilities under existing CGL contracts could threaten "the very solvency of some insurers," says an ISO booklet explaining the revisions.

The booklet, which expresses ISO's views, says this broad liability was caused, in large part, by the existing forms' coverage of non-sudden pollution liability and by their occurrence trigger, which insurers believe contributes to large damage awards and litigation over coverage.

Although one of the new policy forms includes a traditional occurrence trigger, meaning the insurer is liable for losses that occur during the policy period regardless of when a claim is filed, the other form includes a claims-made trigger, meaning that the insurer is responsible only for claims first filed during the policy period.

In addition, the highly controversial CGL forms eliminate virtually all pollution coverage.

In January 1984, ISO had filed what was to be the final version of the two new CGL contracts. Those forms had been approved by 22 state insurance departments. But, pressure from reinsurers and concern among insurers over pollution liability lawsuits prompted ISO to revise the new CGL forms, according to insurers (BI, Oct. 29, 1984).

The newly revised forms, which were filed with state regulators last month, have already been approved in six states: Alaska, Idaho, Massachusetts, Missouri, Montana, and Ohio.

The new forms are available for use in five other states that do not require prior approval of a new policy form: Colorado, California, Indiana, New Mexico and Tennessee.

The ISO booklet explains why insurers believe the new forms are needed, including the contention that legal theories adopted by some courts in long-term ex-

Continued on page 51

# Workers compensation

## THE FUTURE

### 20 fastest growing occupations, 1982-1995

Occupation	% growth in employment
Computer service technicians	96.8
Legal assistants	94.3
Computer systems analysts	85.3
Computer programmers	76.9
Computer operators	75.8
Office machine repairers	71.7
Physical therapy assistants	67.8
Electrical engineers	65.3
Civil engineering technicians	63.9
Peripheral EDP equipment operators	63.5
Insurance clerks, medical	62.2
Electrical and electronic technicians	60.7
Occupational therapists	59.8
Surveyor helpers	58.6
Credit clerks, banking and insurance	54.1
Physical therapists	53.6
Employment interviewers	52.5
Mechanical engineers	52.1
Mechanical engineering technicians	51.6
Compression and injection mold machine operators, plastics	50.3

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, March 1984.

By CAROL CAIN

Projection: In the next decade, service industries will provide 75% of all new jobs compared with 25% generated by manufacturing industries.

Projection: The five fastest-growing occupations in the next decade will be computer service technicians, legal assistants, computer systems analysts, computer programmers and computer operators.

Projection: In the next five years, the number of clerical workers will increase by 27% to 24 million.

Projection: Over the next decade, more than 10 times as many computers will be in use—both in and outside the work place.

The American work place is changing, and with it the nature of work-place injuries and workers compensation claims.

"A great revolution is coming in workers compensation," predicts W. Clyde Helms Jr., founder of Oc-

cupational Forecasting Inc. in Fairfax, Va.

cupational Forecasting Inc. in Fairfax, Va. "Insurers should begin to reshape their policies now to reflect these changes," he said. "If insurers don't change, if they don't assess the change in the work force, they won't survive. All the workers compensation systems today are based on the cost of the benefits defined the way the work has been done for decades or longer," he commented. "But these occupations, many have been gone for a long time. The new work has to be defined by new titles... and the workers compensation system will have to change to link with the new character of the workforce," Mr. Helms explains.

What will the new workforce be like? In some ways, still like today's and yesterday's workforce. According to the U.S. Department of Labor, Bureau of Labor Statistics, America's smokestack industries are not dead, and in fact, one out of every six new jobs between 1982 and 1995 will be in manufacturing industries. This means that many of the workers compensation problems that employers are dealing with today—like back injuries, lacerations and amputations—will exist into the next century. However, most new job growth—some say 75%—will be in service-producing industries. These include transportation, communications, public utilities, trade, finance, in-

urance, real estate, other services and government, according to the U.S. Department of Labor's March 1984 publication, "Employment Projections for 1995."

And, service industries like medical care, business services, hotels, personal services and non-profit organizations are projected to account for more than one of every three new jobs, according to the Bureau of Labor Statistics.

Almost half of the 20 occupations expected to grow the fastest from 1982 to 1995 are in either the computer or health fields (see chart on left).

And, employment in "high-tech" industries is projected to increase faster than total employment during this time. (However, the contribution of high-tech industries to total job growth will be relatively small, the BLS says.)

Because of these changes in employment patterns, experts predict that some of the newer occupational diseases and injuries—like psychological disorders related to stress, cumulative trauma injuries and diseases related to toxic substances—will balloon during the rest of this century.

In addition, as more women enter the work place, there will be more need to redesign work environments so that women's physical characteristics are taken into consideration, and more employers will have to deal with the special hazards pregnant women face in the work place.

And, as more workers take jobs in offices and as offices are built to be more energy efficient, experts predict there will be an increase in the number of people with acute and chronic pneumonitis.

"The trend toward more office workers combined with the effort to make buildings more air tight to conserve energy represents a threat to workers' health," according to a 1984 report by the National Institute for Occupational Safety and Health.

"This threat—indoor-pollution—is due to less ventilation of hazardous substances such as secondary smoke, formaldehyde, molds, accumulated dust and infectious agents."

And, as more workers do their jobs in front of video display terminals linked to computers, experts see the potential for new health hazards from the radiation

Continued on next page

### 20 most rapidly declining occupations, 1982-1995

Occupation	% decline in employment
Railroad conductors	-32.0
Shoemaking machine operatives	-30.2
Aircraft structure assemblers	-21.0
Central telephone office operators	-20.0
Taxi drivers	-18.9
Postal clerks	-17.9
Private household workers	-16.9
Farm laborers	-15.9
College and university faculty	-15.0
Roustabouts	-14.4
Postmasters and mail superintendents	-13.8
Rotary drill operator helpers	-11.6
Graduate assistants	-11.2
Data entry operators	-10.6
Railroad brake operators	-9.8
Fallers and buckers	-8.7
Stenographers	-7.4
Farm owners and tenants	-7.3
Typesetters and compositors	-7.3
Butchers and meatcutters	-6.3

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, March 1984.

## STRESS

By CAROL CAIN

Stress. Everyone needs some to get the job done, experts say, but too much or the wrong kind can cause an array of physical and psychological maladies.

Headaches, backaches, neuroses, depression, bladder infections, heart disease, diarrhea, sexual dysfunction, insomnia, ulcers and even cold hands and feet may be caused by on-the-job stress, physicians say.

As a result, stress in the work place is creating a whole new generation of occupational diseases.

Between 1980-1982, 11% of all occupational disease claims reported in 13 states were for mental disorders related to stress, according to a study of workers compensation claims data by the New York-based National Council on Compensation Insurance, a national workers compensation ratemaking and research organization.

And in California, the most liberal state in compensating stress-related injuries, the number of stress claims is increasing while the total number of workers compensation claims is decreasing.

In 1982, 2,644—or 0.8%—of 331,314 total workers compensation claims were stress-related, according to Ron Markson, the associate general manager of the California Workers' Compensation Institute in San Francisco.

In 1981, only 1,844—or 0.5%—of the 361,983 work comp claims filed were for stress-related injuries and in 1980, only 1,282—or 0.3%—of 373,959 claims were for stress.

"Stress claims are here to stay. It's a growing phenomenon," said Ross Hodgkinson, vp of commercial lines for Fireman's Fund Insurance Cos. in Novato, Calif. Many insurers don't even have a loss category yet for stress claims, but they soon will as the number grows, he adds.

Medical and legal experts have identified three basic categories of stress cases: physical-mental, mental-physical and mental-mental.

All state workers compensation laws and industrial commissions acknowledge as compensable the first type of stress claim—physical-mental—as long as the injury that prompts the mental disorder is work-related. For example, if an iron worker suffers from nervousness and depression after a scaffolding accident in which he injured his back and legs, most states recognize that the mental disability—nervousness and depression—was a result of the physical injuries.

Many states also recognize the second type of stress injury—mental-physical. In these cases, a physical injury, such as a heart attack, is caused by a mental trauma, like a stressful relationship with a supervisor at work.

However, it is the third type of stress case—mental-mental—which is increasing, and most debatable.

In these cases, a worker claims that a mental disorder, like depression, resulted from a mental trauma, like a stressful job environment or fear of unemployment.

Some believe that "stress" is becoming a catch-all for

any undesirable worker behavior, and that it's impossible to prove the job is causing the alleged ailments.

And others argue that these types of disorders, as well as other occupational diseases, should not be compensated under a workers compensation system initially designed to handle traumatic injuries or those that result from an industrial accident (see story, page 12).

However, Arthur Larson, a professor at Duke University in Durham, N.C., and the nation's leading work comp legal scholar, says that a mental disability proven to cause mental stress should be compensable.

"The (mental) injury is just as serious... and just as disabling as a physical injury," Professor Larson argues.

Stress-related claims date back 25 years or more, but workers compensation experts say the number is escalating now because:

- More workers are learning that other employees have obtained workers compensation benefits for stress-related injuries and are filing similar claims.

- Unions are educating members and potential members, especially office workers, about their rights to compensation for stress-related injuries.

- Physicians—as well as attorneys, legislators and judges—are becoming more familiar with the relationship between stress and physical maladies.

"Burnout will be faster and come earlier in a person's life," predicts W. Clyde Helms Jr., founder of Occupational Forecasting Inc. in Fairfax, Va.

"This is due to the constantly changing flux of the work," he says.

"We are introducing whole new concepts of disability—(mental) breakdowns for employees," he added.

Continued on page 20

### The new occupational diseases



While stress-related workers compensation claims are expected to increase dramatically in the future, they represent only one of the newer occupational diseases on the horizon (see story, page 12). In fact, experts predict many new diseases will emanate from the computer industry and the increased use of video display terminals (see story, page 18).

## Working from home is growing work comp problem

The shift to an informational/service society from a manufacturing/industrial society means more workers will do work at home, futurists say.

This situation presents a special problem for workers compensation managers and insurers.

"It presents a problem because there's no control of the environment," said Ross Hodgkinson, vp of commercial lines for Fireman's Fund Insurance Cos., Novato, Calif.

"The real problems lie in determining compensability of injuries," said John W. Purkis, vp for commercial underwriting for Liberty Mutual Insurance Co. in Boston.

"I suspect the conditions are not as safe at home as they are in the work place. And as a manager, I want to control my operation, which I don't think I can control if employees are working at home."

If computers are used at home, there are a lot of things for a workers compensation manager to consider, said John J. Molloy, manager of workers compensation for K mart Corp. in Troy, Mich.

"It'll be the little things, like what if one of the children gets hurt at home. And what if the em-

ployee is signed onto (the computer) at midnight: Are they working? And if they drop the computer on their foot... how do you determine if the injury occurred in the course of work?" Mr. Molloy said.

But, staying home to work, and avoiding the stress of commuting, actually may cut the number of claims, says Felix Kloman, principal and advisory director of Risk Planning Group, a division of Tillinghast, Nelson & Warren Inc. in Darien, Conn.

"Workers permitted to perform at their homes may face greater physical injury hazards than at the company plant or office. But, perhaps there will be fewer occupational stress damages to those workers," said E. Scott Wetzel Jr., president of Scott Wetzel Services Inc. in Bremerton, Wash.

To prepare for this phenomenon, several insurers are beginning to develop 24-hour package policies that cover work comp and group health benefits.

But, Mr. Kloman and others say state workers comp laws are stalling a move to 24-hour policies.

Workers compensation involves statutory liability, while health benefits involve contractual liability, Mr. Kloman said, which may present a problem.

## Changing U.S. work habits will affect comp exposures

*Continued from preceding page*  
emitted by the cathode ray tube inside the VDT and short-term and long-term physical and psychological ailments that can develop after long stretches of work on a VDT (see story, page 18).

Furthermore, increased knowledge of how stress on the job can affect workers both physically and mentally is expected to spur more stress-related occupational disease claims (see story, page 3).

"We do see on the horizon a different mixture (of workers compensation claims) because of the decline in manufacturing jobs... You don't find a plethora of (work comp) accidents in the service sector," said Lester W. Brann Jr., president of the Illinois Cham-

**'It's hard to say where this all will come down,' comments Arthur Webster of Kemper Group.**

ber of Commerce.

And, those accidents that do occur are apt to be of a different nature, others add.

And, even within the manufacturing industry, the nature of jobs is changing and affecting workers compensation claims.

"We're not moving to a non-manufacturing economy in terms of output," but automation and robotics has meant that fewer workers are needed to make the same amount of goods, said Kurt Karl, an economist with Wharton Econometric Forecasting Associates, a private firm in Philadelphia.

"There's no question that there will be fewer claims filed from the manufacturing segment... Heavy manufacturing has produced the greatest number of claims in the past," said Chicago attorney Warren Eagle, whose firm—Katz, Friedman, Schur & Eagle—represents labor unions.

"Companies are using more technology and fewer people. With fewer jobs, there are fewer accidents," Mr. Eagle said, pointing out that unemployment also is playing a role in the perceived changes in expected workers compensation claims.

On one hand, claims could decline. When layoffs do occur, it is the older, experienced workers who retain their jobs, and they generally file fewer workers compensation claims.

"They're less likely to be injured," notes Ralph Miller, a commissioner with the Illinois Industrial Commission.

But on the other hand, layoffs could generate new claims.

"If some companies become leaner and meaner in size, that will have a relationship to stress claims. There will be fewer employees, but each will have more responsibility," said Bill Cremer, workers compensation manager for Illinois Bell Telephone Co. in Chicago, a subsidiary of Ameritech.

"The decision-making at the top will become a heavier burden," said Mr. Helms of Occupational Forecasting Inc.

Others who were asked to consider the future of workers compensation in light of the changing workforce were much more conservative in their predictions or admitted that they did not have enough facts to make an educated guess.

Several stressed the changes that do occur will be gradual and easily dealt with.

"What we're going through is like what the comp system has gone through since its beginning," said Arthur Webster, manager of the commercial casualty underwriting department at Kemper Group in Long Grove, Ill.

"The creep of new industry into the comp field, that's very gradual. It's a steady evolution. This country is going through a constant revolution of changing industries, and it's hard to say where this all will come down," Mr. Webster said.

"I suspect you will see different kinds of injuries and illnesses, but the patterns aren't clear yet," said David Appel, an assistant vp with the National Council on Compensation Insurance, a New York-based ratemaking organization.

*Continued on page 8*



## Too much paperwork got you chomping at the bit?

Some days you probably feel like Secretariat straining at the starting gate. Everywhere you look you see paper. Piled up quotes, policy apps, payroll reports, loss runs, engineering surveys, requests for repeat or follow-up service. It's enough to make anyone chomp and snort.

The fact is, when the products and services of your companies are inefficient you might have to spend most of your time at the office just trying to sort things out. For the independent agent this can be rather frustrating.

How much nicer to deal with a solid, experienced company like Argonaut, where you get quick turnaround

on quotes and direct contact with local offices. Where you can count on flexible underwriting and first-class claim, audit, and loss control service.

Why be saddled with raw and inept companies who double your paperwork?

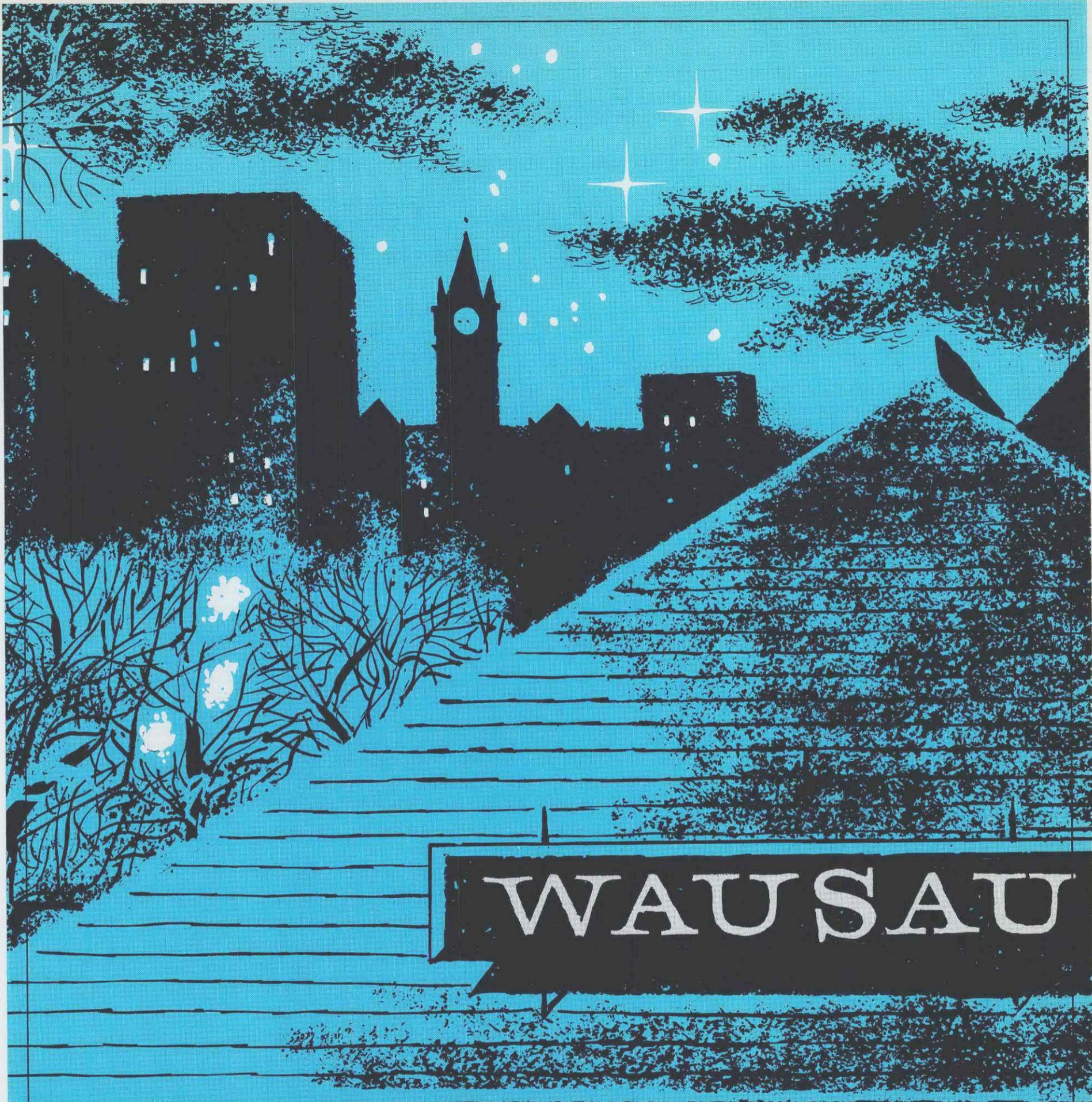
Give us a call and let our professionals set you free to do what you really want to do.

Sell.

**Argonaut**  
Where people take your business seriously.

250 Middlefield Road, Menlo Park, CA 94025

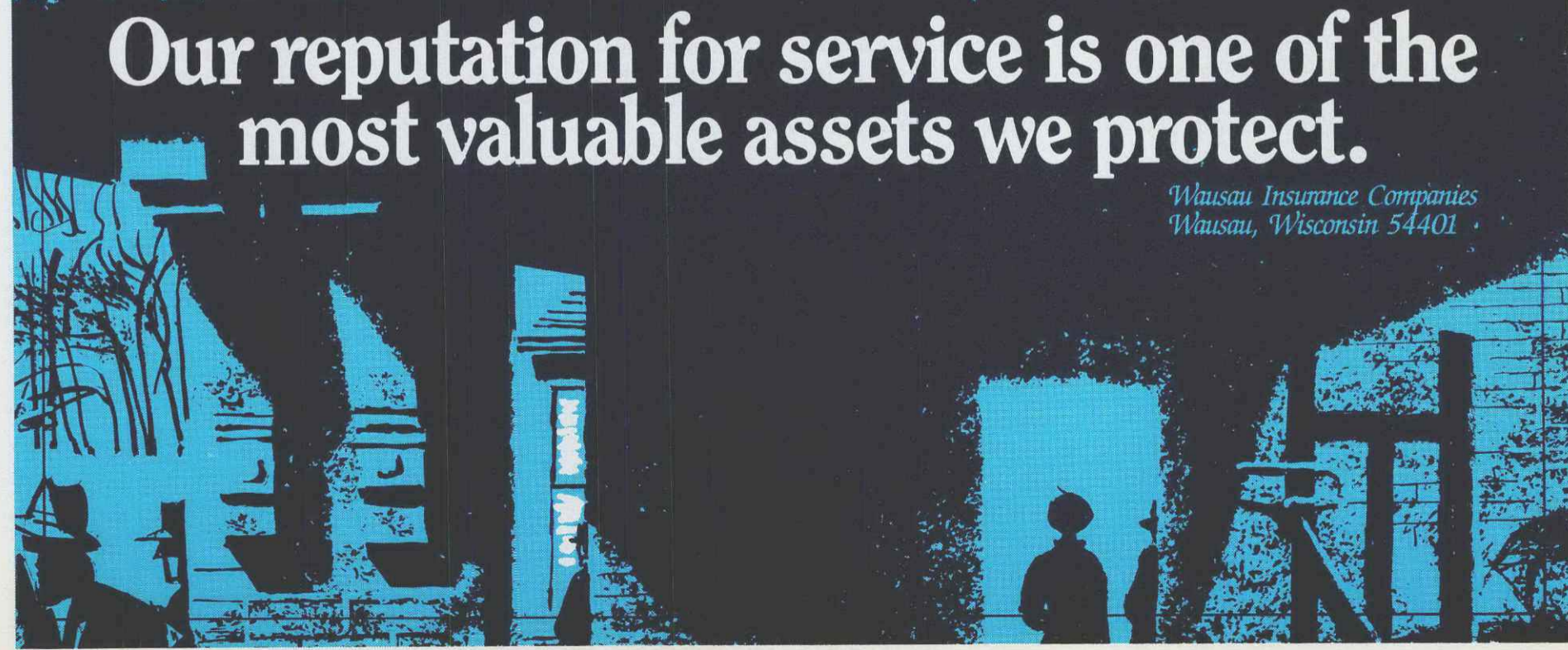




# WAUSAU

**Our reputation for service is one of the most valuable assets we protect.**

*Wausau Insurance Companies  
Wausau, Wisconsin 54401*



## opinions

# Coping with change

HIDING WON'T DO you any good.

The makeup of our nation's workforce is changing, and that is changing the nature of work-place injuries and, consequently, putting more pressure on risk and workers compensation managers.

Even if you aren't ready to believe the predictions of futurists like John Naisbitt of "Megatrends" fame, statistics from the U.S. Labor Department show that service industry jobs are growing at a faster rate than manufacturing jobs, and workers compensation data show that an increasing number of new types of occupational disease claims—like stress claims—are being filed (see story, page 3).

While we agree with the experts who are predicting more stress, cumulative trauma and computer-related injuries among workers in the future, we also see the point of our more conservative sources who argue that although these changes are coming, any impact on the workers compensation system will be gradual.

So, we are not crying gloom and doom or advocating a take-drastic-action-now response from risk managers. But, a risk manager is living in the Dark Ages if he has not already assessed the risks associated with the video display terminals in his companies' business office (or even the risk management department) or has not considered whether the work stations in his plant are safe for the scores of women workers the company hired in the last five years.

Even if the lack of reliable data on the changing nature of workers compensation claims leads a risk manager to conclude this is not the time to institute changes, this is the time to assess potential risks, consult with experts, brainstorm with other risk managers and warn top management.

It is a time to draw your own conclusions based on diligent research.

Mr. Naisbitt says those who have learned how to



learn will succeed in the new service/information-oriented workforce because they will be able to take on a new job.

Likewise, the risk manager who has learned how to assess risks and then take the necessary action to prevent losses will be able to manage his company's exposures, even if the number of fire-eaters or tight-rope walkers in his workforce increases dramatically in the next decade.

But, a risk manager has to realize first that the risks are there.

## A sorry state of affairs

THE TWO ST. REGIS insurance companies suing Dana Corp. for money owed to them by its insurance subsidiary should not have had to sue.

The Dana insurance subsidiary, Cherokee Insurance Co., should not be in rehabilitation in Tennessee. It should be receiving the needed capital from its parent company to stay solvent and meet its obligations.

Dana, which ranked 139 on the Fortune 500 in 1983 with assets of more than \$2 billion, had no justification for dumping its faltering insurance subsidiary on the state Insurance Department. It had—and has—the money to support its subsidiary (see story, page 1).

Thankfully, other companies whose diversification into insurance went sour did support their insurance subsidiaries. Phillips Petroleum Corp., for example, contributed \$65 million to its Bermuda-based insurance subsidiary, Walton Insurance Co., in 1983 so that the insurer could meet its obligations to its policyholders.

In contrast, Dana washed its hands of Cherokee after capital infusions through a subsidiary of just \$4 million since 1980.

It appears Dana is trying to cut its losses from Cherokee by capitalizing on the protection offered by Tennessee's insurance law governing insurance company rehabilitation and perhaps even state guaranty funds. But, that's grossly unfair to those who did business with Cherokee because it was owned by a Fortune 500 company they believed would honor its commitments, and are now waiting for their claims to be paid. Furthermore, we would find it abusive on Dana's part if state guaranty funds—supported by other insurers—had to cover the losses created by the mistakes of its subsidiary while Dana has the financial resources to do so.

As a sidelight, we find it interesting that it is a U.S.-based insurer—and not a Bermuda-based insurer—that has been abandoned by its parent.

## letters

### New CGL forms show it's time to fight ISO

To the editor: The Insurance Services Office's new proposed liability policy (BI, Oct. 29, 1984) will, in the minds of many observers, restrict coverage presently offered policyholders under the general liability language. ISO is supported by insurance companies. It is not supported by agents and brokers or consumers. Agents, brokers and consumers have precious little to say in the operations of ISO.

ISO is a gigantic cartel set up by the insurance companies of this country to gather data in order to influence and control commercial coverage and rates. The issue of the new liability policy is especially appropriate. Substantial segments of consumers are offended and deprived of coverage. Agents and brokers are

angry. There seems to be nothing that can be done. ISO has virtually refused to change any of the major thrusts of the new liability policy after talking to the agents and brokers.

It is high time that the McCarran-Ferguson Act be reviewed. The industry, as well as agents and brokers, have traditionally said that regulation of insurance companies should not be federalized. Agents and brokers have painted themselves into a corner. A monopoly of power is granted to insurance companies, to the disadvantage of the public and the agency-broker group.

I urge that consumers and associations that represent the retailers of insurance re-examine their position on the McCarran-Ferguson Act so that power can be distributed evenly among those interested in the insurance business, rather than concentrated in the classic cartel of the Insurance Services Office.

David G. Sprague  
Sprague Israel Giles Inc.  
Seattle

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

## business insurance®

Reporting weekly for corporate risk,  
employee benefit and financial executives

Publisher: Alfred Malecki (New York)

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

Managing Editor: James M. Burcke (Chicago)

Deputy Editor: Lorrie Gibson (Chicago)

CHICAGO: Alison Kittrell (Copy Editor)  
Marla Antelis (Assistant Copy Editor)  
Carol Cain (Associate Editor)  
Meg Fletcher (Associate Editor)  
Stephen Tarnoff (Associate Editor)  
Linda J. Collins (Agent/Broker Topics Associate Editor)  
Diane Kastiel (Staff Reporter)  
Marilou Jones (Directory Editor)  
Janice L. Wheaton (Graphics Editor)  
Amy Palmer (Graphic Artist)  
Donna DiBlase (Proofreader)  
Jane G. Blumhorst (Editorial Assistant)

LONDON: Stacy Shapiro (London Editor)

LOS ANGELES: Robert A. Finlayson (Bureau Chief)  
Steve Taravella (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)  
Michael Bradford (Associate Editor)  
Judy Greenwald (Associate Editor)

WASHINGTON: Jerry Geisel (Washington Editor)

Corporate: Joe Faraci (Corporate Art Director)

Advertising Director: Donald A. Walsh (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)  
Beverly J. Kluxdal (District Manager)  
Fran Prybylo (Production Manager)

NEW YORK: Charles A. Horvath (District Manager)  
Jack Forrest (District Manager)  
Nancy Ellen Zelman (District Manager)  
Marianne J. Dueueke (Financial Advertising Manager)

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

EDITORIAL: Chicago: 312-649-5398  
London: 01-404-4228  
Los Angeles: 213-651-3710  
New York: 212-210-0100  
Washington: 202-662-7200

ADVERTISING: New York: 212-210-0133  
Chicago: 312-649-5276  
Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132  
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago  
G.D. CRAIN JR.  
Founder (1885-1973)  
MRS. G.D. CRAIN  
Chairman  
KEITH E. CRAIN  
Vice chairman  
S.R. BERNSTEIN  
Chairman-executive committee  
RANCE CRAIN  
President  
MARY KAY CRAIN  
Treasurer  
MERRILEE P. CRAIN  
Secretary  
JAMES M. FRANKLIN  
Vp-finance

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.50 a copy. \$52 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$45 for air delivery. First-class mail to U. S. and Canada only, add \$48. Bermuda only, \$97 per year expedited delivery. WILLIAM STRONG, vp-circulation. ROBERT FIORITO, circulation manager. ROGER DIGREGORIO, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611, or phone 312-649-5221. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

BPA

Member of Business  
Publications Audit of Circulation

★ABP

# Now you can reduce your workers'

## Multinational Pooling:

# Economies of Scale.



The pooling of employee benefits is a simple but powerful strategy that could save your company as much as 20% on your international employee benefit plans.

Here's how: As you add benefit plans to a multinational "pool," the spread of risk becomes greater, the predictability of the group's experience is enhanced, and resultant savings are passed on to you. It's as simple as that.

And it's simple to get your overseas plans into a pool too. Because our Group Management Division (GMD) does all the paperwork and coordination through our organization's wholly-owned or managed facilities in 130 political jurisdictions, worldwide.

With significant savings at stake, we don't see why every multinational corporation doesn't pool their overseas subsidiaries' benefits through GMD.

Tip the economies of scale in your company's favor. For details call Mr. C. C. Gamwell III, Vice President, at (212) 770-5060 or 770-7407. Or mail the coupon.

GMD is a division of American International Life Assurance Company of New York, a member company of American International Group.



**Group Management Division  
American International Group  
70 Pine Street  
New York, NY 10270**

Please send me more information on multinational benefit cost control. I'm interested in:

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Group Life                         | <input type="checkbox"/> Group Medical                  | <input type="checkbox"/> Voluntary Life                           |
| <input type="checkbox"/> International Pension              | <input type="checkbox"/> Group AD&D                     | <input type="checkbox"/> LTD                                      |
| <input type="checkbox"/> Third Country<br>National Coverage | <input type="checkbox"/> Overseas Personal<br>Liability | <input type="checkbox"/> Savings Through<br>Multinational Pooling |

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Nature of Business \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone ( ) \_\_\_\_\_

BI-1/85

## GMD. BENEFITING THE WORLD WITH COST CONTROL IDEAS.

# On-the-job exposures require risk management

By CAROL CAIN

Risk managers need to take a more active role in workers compensation safety and loss prevention programs, especially in light of the potential for new occupational diseases, experts say.

"Risk managers should be reorientating themselves from a financial/administrative (approach) to one of risk assessment," said Felix Kloman, principal and advisory director of Risk Planning Group, a division of Tillinghast, Nelson & Warren Inc. in Darien, Conn.

He explained that this means

helping workers compensation managers to see things from a risk management viewpoint.

Because of the risk of new occupational diseases, "risk managers need to take more of a leadership position in risk control, both in product safety and in personnel safety," Mr. Kloman said.

"I hope that management will become more enlightened by the end of the century to become more safety conscious (in these new areas)," said Chicago attorney Warren Eagle of Katz, Friedman, Schur & Eagle, which represents labor unions.

Employers need to more quickly

arrange for expert medical care and rehabilitation for injured workers, Mr. Eagle said.

"And (employers) need to keep a hands-on control of claims each week," he said.

A combination of better safety programs, quicker medical attention and rehabilitation and claims management will cut down on the number of claims and ensuing litigation, Mr. Eagle believes.

Good loss-control programs coupled with a good communication effort also will help reduce workers compensation claims frequency and cost, according to Sharon Pierce, manager of the division of

**'Risk managers need to take more of a leadership position in risk control,' says Mr. Kloman.**

workers compensation for Kemper Group in Long Grove, Ill.

Risk managers need to become more active in preventing loss exposures, she said, noting that such an opportunity exists in the use of video display terminals.

Workers compensation watchdogs are predicting that all kinds of physical and psychological disorders will develop as a result of the prolific use of VDTs (see story, page 18).

However, Ms. Pierce and others say this exposure can be reduced through ergonomics, which is the science of matching the physical aspects of a job to a worker's physical needs.

Kemper, as well as other insurers and private consultants, have applied ergonomics to develop guidelines for employers to improve work conditions and thereby cut down on work-place injury and stress.

For instance, many groups are recommending adjustable tables and chairs, specific lighting and proper ventilation for those workers who use VDTs daily, as well as more structured break time away from the terminals.

However, employers initially hedge when the subject of ergono-

comes up, Ms. Pierce said. "But as they learn about it... that it's really very basic and not that costly, they begin using it," she added.

"Risk managers are probably far better equipped to handle this," notes Jack Kelly, senior vp of Corroon & Black of Illinois in Chicago.

"Risk managers can come up with preventive measures to deal with acoustics, lighting and breaking up the workday," Mr. Kelly said.

In some Western European countries, occupational and safety laws mandate numerous rest breaks for certain repetitious jobs, said Robert Karasek and associate professor in the Department of Industrial and Systems Engineering at the University of Southern California in Los Angeles. Those types of mandates are already filtering into U.S. law, he said.

Whether or not there are statutory mandates, risk managers will have to be "carefully watching and have to constantly look out for new exposures," according to Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York City.

It will be up to risk managers to develop a whole new area of loss prevention, particularly for VDT use, Mr. Harkavy said.

Risk managers also will have to pay some attention to the growing number of women workers, who present unique problems during pregnancy, he added, noting that some studies suggest that the radiation emitted from VDTs could present a threat to an unborn child. ■

If you want someone who speaks your language,

## Speak English.

English & Associates, we mean. We're the settlement annuity experts who know how to help you. See, we've been behind your desk, dealing with those stacks of claims that never seem to get smaller. We know how much structured settlements will make your job—and your life—easier. From claims as small as \$10,000 to those as large as millions, we can

put together plans that will save you money and get those files off your desk and on the closed file list. We even have a unique service called Damage Analysis that establishes the true worth of catastrophic claims.

All this help is yours for the asking. Call us. We think you'll be convinced that in structured settlements, speaking English is a necessity.

### English & Associates, Inc.

Settlement Annuity Specialists

LOS ANGELES AREA  
(714) 643-2144

NO. CALIF. AREA  
(415) 631-0610  
(800) 824-9090 (CA)

NEW JERSEY  
(609) 596-8585

CHICAGO  
(312) 399-2051  
(800) 228-7193 (USA)

DALLAS  
(214) 934-8208

## "Everyone has to win."

Rich Carroll talks about Structured Settlements.



Rich Carroll is as highly talented on the squash court as he is a Structured Settlements negotiator. "The only similarity between my game and my work," says Rich, "is the fact that there are no pretenses. Squash is a one on one sport—a game you can't hide in. Negotiating a Structured Settlement is an honest game, too. The service we offer is very real, very concrete. All parties concerned can see the effort, and have to understand its direction." "A Structured Settlement isn't anything like a one on one game. It's a process where everyone has to win—everyone has to feel successful within the context of the settlement."

### THE STRUCTURED SETTLEMENTS COMPANY™

5757 West Century Boulevard  
Los Angeles, California 90045  
East Coast Office: 800-237-6361  
West Coast Office: 800-421-2022  
In California: 213-642-1999  
In Florida: 813-823-2666

Offices in: Los Angeles • San Francisco • Toronto  
• St. Petersburg • New York • Cincinnati



**Publishing Company**

ONE OF THE ABC PUBLISHING COMPANIES

20675 Bahama Street  
Chatsworth, CA 91311

THE SELF-INSURANCE MANUAL for 30 days with no obligation.

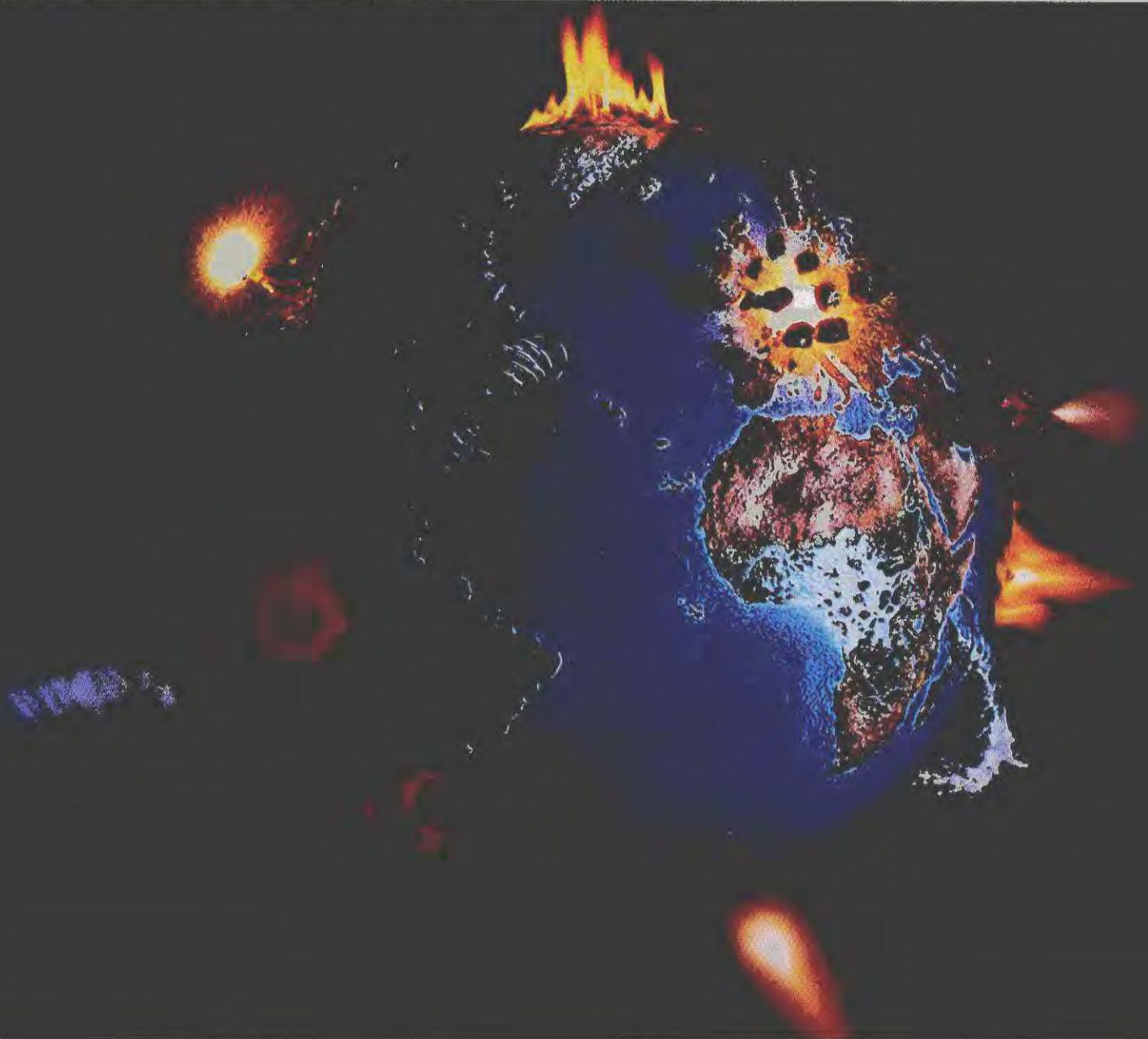
Name \_\_\_\_\_ Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone ( ) \_\_\_\_\_

Reprint Department  
**Business Insurance**

220 E. 42nd St.  
New York, N.Y. 10017  
212-210-0229

\*New prices effective 1/1/85

# IT'S ALWAYS SOMETHING.



A volcano here.  
A typhoon there.  
A shipment damaged in South America.  
A ship damaged in the South Pacific.

When your business is international, your problems are, as well.

And to make matters worse, sometimes the biggest problem a company faces is its insurance.

Because when things go wrong, many American businesses discover that the insurance they have isn't the insurance they thought they had.

Policies vary.

Customs vary.

And assumptions about coverage are very different from country to country. In Italy, for example, fire insurance covers all accidental fires.

Except those started by spontaneous combustion.

And in Great Britain, "World Wide" coverage covers England, Scotland, Guernsey and the Isle of Man. Period.

The point is, insuring international risks country by country can be something of a risk itself.

Which is why so many corporations depend on one global policy from CIGNA's international specialists.

At CIGNA, our companies provide American businesses with the coverage an American business expects.

Without cultural gaps.

Or quaint local peculiarities.

And without the difficulty of dealing with a stack of policies written in everything from Spanish to Swedish.

What's more, when something goes wrong we can also provide the kind of claims adjustment and responsiveness that American business demands.

In fact, we can provide a breadth of service unsurpassed by any other insurance company.

With local representatives in 130 countries.

If you think your company might benefit from the total protection we offer, please write CIGNA Corporation, Department RG, One Logan Square, Philadelphia, Pennsylvania 19103.

With all the things that can go wrong in this world, one of them shouldn't be your insurance.

**CIGNA**

The bigger the claim, the more you need to

# Speak English.

English & Associates, of course. The settlement annuity company with Damage Analysis, a unique service that establishes the true worth of catastrophic claims.

The idea is to give you a complete breakdown of the projected damages. Then, we show you how spreading the claim dollars over the lifetime of the claimant can save you money. We'll then

assist you in purchasing an annuity to pay those dollars. Damage Analysis is only one way we can help make your job easier. As former claims managers, we know that structured settlements can work for you in many of the toughest situations you face. So, give us a call. We'll show you how English speaks your language.

## English & Associates, Inc.

Settlement Annuity Specialists

LOS ANGELES AREA  
(714) 643-2144

NO. CALIF. AREA  
(415) 631-0610  
(800) 824-9090 (CA)

NEW JERSEY  
(609) 596-8585

CHICAGO  
(312) 399-2051  
(800) 228-7193 (USA)

DALLAS  
(214) 934-8208

Leonard Ring is an internationally recognized authority on ergonomics. He has spent his professional life studying the worker, the workplace, and the problems of the back. He lectures, conducts workshops and seminars, and performs ergonomic surveys for industries throughout the world.

In his seminars, you learn how to create a safe worker environment. You get techniques, exercises, and advice you can use immediately. You can measure the results. Workers' comp claims go down. Productivity goes up.

"Understanding for the Working Back with Leonard Ring" is the newest film on the mechanics of the back and the back's relationship to physical stresses.

Leonard Ring also makes customized video tapes on specific areas of injury.

Leonard Ring will be here from March 18 to May 10, 1985. For more information, film/tape purchases, scheduling workshops, or arranging for your own industrial video tape, contact Michael Waite at The FPE Group, 3687 Mt. Diablo Blvd., Lafayette, California 94549 or call Mr. Waite at (415) 283-8860.

The FPE Group is the exclusive agent for all LR Consulting Service activities in the United States.

## Rep. Miller discusses occupational disease

By CAROL CAIN

It is nearly impossible to discuss occupational disease compensation, particularly asbestosis compensation, without mentioning U.S. Rep. George Miller, D-Calif.

The 39-year-old Martinez, Calif., resident has spent much of his 10 years in Congress leading a battle for workers compensation benefits for asbestos disease victims, many of whom were exposed to the material in shipyards during the 1940s and 1950s. He thinks state laws are inadequate to handle occupational disease cases and would like to see a federal system funded by private employers.

During the last session of Congress, Rep. Miller fought his battle on two fronts and was victorious on only one.

He was able to include in the amendments to the Longshoremen's & Harbor Workers' Compensation Act provisions that will allow retired workers to submit claims for occupational diseases identified or first discovered during retirement (BI, Sept. 17, 1984).



Mr. Miller

However, Rep. Miller's own bill—H.R.3175—that called for a federal workers compensation program for occupational disease victims, was stuck in the Subcommittee on Labor Standards of the House Education and Labor Committee when Congress adjourned. He plans to introduce a similar bill early in the new session.

Rep. Miller chaired the labor standards subcommittee last session, but this year he will become inactive on that subcommittee to devote more time to the House Interior and Insular Affairs Committee.

But, his absence from the subcommittee does not mean a withdrawal from active participation on the occupational disease front. In fact, during an interview with *Business Insurance* Rep. Miller discussed his continuing role. Excerpts from that interview follow.

**Q: What do you think might be the dominant occupational diseases in the 1990s?**

A: I think clearly they are going to continue to be the major problems in the industrial sector of our economy—those dealing with chemicals and the steel industry and others. Those industries are going to remain and to continue to employ and expose billions of workers, and we can couple that with the long latency periods associated with occupational disease. That means that the government and the economy are going to have to continue to deal with the aftermath for decades. And, I think that even in the service sector, it's going to continue to involve surrounding employees, like hospital workers.

**Q: Do you think that stress or the use of video display terminals may increase the incidence of occupational disease?**

A: I think clearly we will see serious questions being raised around the new occupations. And what this really says is that, in all likelihood, we may very well have more and more workers who are disabled and unable to earn a living. The question is, who's going to absorb the costs of those workers?

**Q: Who do you think should?**

A: I think that the private sector has to understand that that is one of the costs of doing business. You can't ask people to subsidize American industry with their health, with their welfare. We've come far beyond that position.

**Q: What then do you think the chances will be of this whole issue being resolved in Washington this session?**

A: I think they're increasing, because I think that while there is historically very serious disagreement between the employer community and the labor community, there is now a greater understanding that this is a problem where they both share the cost in terms of

Continued on page 16

# Remember the kid in 6th grade with all the answers?



**He's  
working  
for us.  
Selling  
Employee  
Benefits.**

Back then you may have wanted to throttle him or her for always having the right information. Today, you need all the information you can get, fast, accurate information to keep you up-to-date on *any* new changes. And Unionmutual's sales team can provide it.

Our sales people are experts in Employee Benefits. They have to be. Our training, our expectations, and our criteria are geared to maintaining a record highlighted by 8 years of LTD leadership.\* Unionmutual's experts can give you the kind of help that can make your job easier. They're one of the reasons we're known for excellence in our full range of employee benefits plans.

Give our experts a try. Ask a question today.

If you're interested in more details about Unionmutual's Employee Benefits insurance, contact your local Unionmutual sales representative or return the coupon today.

I'd like to know more about Unionmutual's Employee Benefits plans.

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Telephone Number \_\_\_\_\_

Mail to: **Unionmutual, Corporate Marketing**  
**2211 Congress Street**  
**Portland, Maine 04122**

BI 1/14/85 S.T.



**Unionmutual**

Putting employee benefits  
in a whole new light.

Union Mutual Life Insurance Company, Portland, Maine 04122  
Unionmutual Stock Life Insurance Co. of America,  
Portland, Maine 04122 (All states except New York)  
Unionmutual Stock Life Insurance Company of New York,  
Elmsford, New York 10523 (New York State only)

# A Special Portfolio For Insurance Professionals...

## about PREPAID LEGAL INSURANCE.

Write for it...it's FREE!

Study it...and learn how it can expand your Group accounts.

Sell it...and stay a full stride ahead of competition!

Prepaid Legal Services from Midwest Mutual provides you with a new group insurance program that will complement the life and health plans you already service.

Midwest Mutual is the leader in this rapidly growing area of insurance protection for the American family.

Take a good look...it'll cost you nothing. Simply write us a note on your letterhead or send us your business card addressed to:



Prepaid Legal Services  
Midwest Mutual  
Insurance Company  
1111 Ashworth Road  
West Des Moines, Iowa 50265

Or call:  
Wesley T. Graham  
Vice President & General Counsel  
1-800/247-4184 IN IOWA, (515) 223-2000



## Miller's views

Continued from page 14

loss of productivity and loss of profits and loss of workers' health and welfare. And, I think there's a greater understanding that both parties have to be in on the resolution of the situation.

**Q: If employers and labor work this out, is there a need for Washington to get involved?**

A: Well, it may be a question of facilitating the agreement in some cases. It may be tax treatment, or it may be a whole host of areas.

**Q: Are you going to introduce any occupational disease bills this session?**

A: Yes. We've been working on legislation based upon our experience with Longshore.

**Q: How will your new bills resemble the last one?**

A: I think it will be along the same lines (as H.R. 3175), but what we're trying to do is to put more

certainty into legislation with respect to the cost that various parties can anticipate. I think that's what you owe to the people who are going to be paying the bills.

**Q: Will your bill just deal with asbestos, or will it take in the whole gamut of occupational disease?**

A: Well, we like to think if we can provide a successful system for dealing with one of the larger known problems, that of asbestos, that that confidence would inspire others to join that system related to other toxics or inspire legislation in dealing with those problems, whichever would be necessary.

**Q: It sounds to me like it's just going to zero in on asbestos. But, you did mention other toxics spinning off of it.**

A: I like to solve problems. I'm not interested in rerunning problems every five or 10 years. The question is, do you want to set in motion a procedure so that when these kinds of problems arise in the future we can deal with them on a timely basis, before they're crises, before the big financial obligations and the interest on the money become so big that you have to start redesigning or start designing a whole new system from scratch. And clearly it has to have a great deal of balance so that it doesn't become a club to use by one entity with respect to another.

**Q: When do you think that your package will be ready?**

A: I hope early in the session.

**Q: Are you going to be the key sponsor?**

A: That's my intent.

**Q: Is the issue of the federal government's asbestos liability going to move off center in the next two years?**

A: Well, to the same degree that the private sector wants some certainty as to what their exposure is going to be. (The parties in the asbestos situation) have to give the federal government some idea of what they're talking about in terms of federal obligation. To date, there's been an open-ended obligation that's absolutely unacceptable to me, to the Congress and to the administration.

**Q: Your proposal creates a federal system that will take a lot of the responsibility and the control away from the states. Are you sure that states are not really dealing with the occupational disease issue?**

A: Yes. I think you continue to see state laws or state compensation programs riddled with loophole exemptions that deny occupationally diseased workers from adequate benefits, from timely consideration of those benefits. States are making changes in their laws, but as of now it's a patchwork system that is inadequate to address the needs of exposed workers.

**Q: You have often said there is not timely consideration for occupational disease claims. But what about people with regular claims? Do you make the same argument about their claims not being handled quickly?**

A: Right, But, even more so for OD claims. They're more likely to be contested. They're more likely to have thresholds and limitations placed against their consideration, preventing their filing.

**Q: If all the states clean up their work comp acts quickly, do you think the federal government will back off, as it has in the past after it's proposed heavy-duty federal reform?**

A: I think it would certainly lower the threshold in terms of the need for federal legislation. Clearly, that's what happened. States are revamping their systems, (but) you still have the problem of addressing what really happens in these cases...the huge overhanging financial liability to both manufacturers and the insurance companies.

if all group dental plans are beginning to look alike...



## discover the Delta difference!

No other system has so many built-in checks and balances.

With over 15 million people covered, Delta is the largest dental plan system in the United States.

We're also the oldest.

We wrote the first group dental care programs in the country. Then we pioneered a system of quality assurance and cost containment that is still unmatched by any other plan.

No other system has so many built-in checks and balances.

Participating dentists file their fees with us and guarantee they'll charge no more. In cases where extensive dental work is required, they submit treatment plans in advance to determine how much the program will cover and how much the patient will have to pay.

Patients are only responsible for applicable co-payments and deductibles.

Everything is all spelled out. No surprises, no complaints, no problems. Just predictable fees and affordable rates.

Employer, employee, benefits manager, dentists — everyone knows where they stand with a Delta Dental Plan.

If you can't say the same for your present group dental coverage, then it's time to compare your plan with ours.

For a free copy of Delta's 10-point Dental Plan Comparison Chart, call our National Accounts office at 312-337-4707.

You know where you stand with a Delta Dental Plan.



Delta Dental Plans Association  
211 East Chicago Avenue, Dept. F  
Chicago, Illinois 60611

# GET IDEAS, NOT SURPRISES.

**S**ome reinsurers may delight you with their low rates, but they may also surprise you with late claims payments and disputes over technicalities.

At General Re, you can expect innovative solutions and fresh ideas. We have a team of experts with talent at every level and discipline.

For reliable reinsurance, with no surprises, call General Re today.

**General  
Re**

*America's Largest Reinsurer  
Providing Quality Service to Quality Clients*

General Reinsurance Corporation, Financial Centre, Stamford, CT  
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Kansas City, Los Angeles, New York, Philadelphia, St. Paul, San Francisco, Seattle, Montreal and Toronto

# VDTs may be future work comp headache

By CAROL CAIN  
and JULIE TRUCK

"The exposure to asbestos is just a drop in the bucket compared with the exposure to video display terminals—VDTs."

That assessment by Steven Millikan, associate vp and director of workers compensation for the Alliance of American Insurers in Schaumburg, Ill., captures the potential magnitude of workers compensation claims for VDT use.

"We may be looking at a sleeping asbestosis problem; there's no guarantee that the clean bill of health now associated with VDTs will go on," said Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York.

Some estimate that out of a work force of more than 110 million, between 7 million and 10 million workers in the United States operate VDTs. But, that number is growing daily as more and more industries install computer systems and VDTs. This compares with 21 million workers who are estimated to have worked with asbestos in the United States since 1940.

The debate over the potential health dangers linked to VDTs generally focuses on two areas:

- Radiation emitted by the cathode ray tube inside the VDT and very low-frequency radiation emitted by other working parts inside the terminal.

- Short-term and long-term physical and psychological ailments that can develop after long stretches of work on a terminal. Headaches, eye fatigue, vision problems, backaches and neck cramps are among the cited short-term health problems, while cataracts and mental disorders are considered possible long-term injuries.

But, government and computer industry officials are quick to note the amount of radiation emitted from VDTs generally is lower than federal emission standards.

They point out the amount of radiation emitted by VDTs is about the same as that emitted from televisions, hair dryers and other household appliances. They also say there is no solid evidence that VDTs emit "harmful" radiation and that there is not much scientific research on that issue.

However, some independent studies—notably by labor unions—are tracking VDT use and are finding the results onerous, particularly for operators who are pregnant.

One incident, reported by the National Assn. of Working Women, cites a significant number of problems experienced during the pregnancies of 48 women who used VDTs daily in their work in a telephone sales office in San Francisco. Among those 48 pregnancies, there were 15 miscarriages, one stillbirth, one child who died within a month of birth, two children with birth defects and two premature births.

Although such occurrences are still rare, they have happened often enough for researchers and experts in the field to begin recognizing "clusters" of pregnancy problems. And, several states are expected this year to consider legislation to regulate VDT use.

Meanwhile, new studies by physicians, scientists and the National Institute for Occupational Safety and Health are accelerating, although they are not expected to be completed for three years.

These groups, however, also note that previous studies indicate that the amount of ultraviolet and radio frequency radiation emitted by VDTs is very small and confined to the cathode ray tube and, therefore, poses little threat to a pregnant operator.

But, unions and legislators say employers must also deal with other health hazards related to VDTs besides pregnancy problems.

When a VDT operator complains about eye problems or backaches, it is very likely those problems are real, not imaginary, medical experts say.

Such ailments already are triggering workers compensation claims, and the number of these types of claims is expected to increase, said David Appel, an assistant vp with the National Council on Compensation Insurance in New York, a workers compensation ratemaking and research organization. However, no statistics are available on how many VDT-related claims have been filed.

VDT-related health problems



Graphic: Amy Palmer

also can trigger more claims for group health care plans and higher absentee rates, experts note.

Labor leaders and others, notably workers comp and product liability attorneys, say risk managers must play a more active role in diminishing potential health hazards

allegedly linked to VDT use.

"Risk managers will have to be carefully watching... have to constantly look out for new exposures," Mr. Harkavy said.

A whole new area of loss prevention in relationship to VDTs needs to be developed, giving attention to design of work stations, Mr. Harkavy and others say.

Some employers already are taking preventive steps. For instance, employees of General Motors Corp.'s Packard Electric Division in Warren, Ohio, who work with VDTs may get special glasses designed to reduce eyestrain and headaches (BI, Oct. 15, 1984).

And, the Los Angeles Times, The New York Times and State Farm Insurance Cos. are testing and monitoring levels of radiations

emitted from VDTs in their offices.

The Equitable Life Assurance Society of the United States in New York recently negotiated a labor contract that gives claims processors who work on VDTs extra time away from the terminal.

"Risk managers are far better equipped to handle (this potential exposure)," notes Jack Kelly, senior vp in Chicago with Corroon & Black of Illinois.

Some psychology experts also link VDT use to the rising number of on-the-job stress cases. They say that workers' fear of developing cancer from their exposure to radiation and the monotonous work often done at VDTs can cause mental disorders, like depression and anxiety (see story, page xx).

Continued on facing page

## What Group Administration is improved



THE EXAMINER™ and THE CASE WRITER™ are trademarks of Informatics General Corporation. GROUP-COMM®, THE CLAIM RECEIVER® and Informatics® are registered trademarks of Informatics General Corporation. © 1985 Informatics General Corporation.

Continued from facing page

But again, risk managers can help reduce these incidents, said Abby Ginzberg, an attorney and associate director of the Institute for Labor and Mental Health in Oakland, Calif.

Suggestions for reducing the possible ill-effects of VDTs include:

- Use of screen shields to cut glare and block radiation.
- Use of terminals with detachable keyboards and adjustable screens.
- Allowing workers a break every hour.
- Use of adjustable tables and chairs that are specifically designed for VDT users.
- Conducting periodic vision testing of VDT users.
- Monitoring equipment periodically, but regularly, to make sure it's operating correctly.
- Allowing pregnant workers to be temporarily reassigned.
- Designing work stations for

proper lighting and ventilation.

Attention to such measures initially will not be cheap, but experts say that in light of potential health care and work comp claims, the money will be well spent.

The Computer & Business Equipment Manufacturers Assn. in Washington estimates additional work breaks for VDT users could cost employers more than \$100 million annually. CBEMA also estimates that semiannual radiation level checks, at roughly \$50 each, could cost \$600 million a year.

However, employers that balk at initiating such measures may soon find state regulators stepping in.

About 16 states considered legislation to regulate VDT use in the last year. No regulatory legislation was passed, but several states set up study commissions.

Observers say in those states where VDT legislation was introduced and defeated last session, similar measures will be introduced

this year. And, other states are will take action, observers predict.

State action in 1984 included:

- California. A.B. 3175, which was defeated in the California Assembly last June, is being redrafted and is expected to be reintroduced this month. Last year's bill would have required employers to provide radiation screens, alternative work at equal pay for pregnant operators, adjustable work equipment and free annual eye exams.

- Connecticut. H.B. 5763 would have required employers to provide annual eye exams for VDT operators and to monitor for radiation levels. A substitute bill would have created a panel to draw up an advisory code of ethics for VDT usage. Neither bill passed.

- Hawaii. H.R. 387, adopted in April, recognizes Computer & Business Equipment Manufacturers Assn. for its educational efforts on the proper use of VDTs and urges CBEMA and others to continue and

expand such efforts. But another resolution—H.R. 137—that called for occupational safeguards for VDT users, was not adopted.

- Illinois. H.B. 2397 was stranded in a House Labor and Commerce subcommittee when the Legislature adjourned, but the measure will be on the agenda again this year, labor leaders promise. The bill would have forbidden employers from electronically monitoring a VDT user's speed, limited the time a VDT user spends at a terminal to four hours per day, and required 15-minute breaks every two hours, adjustable work stations and alternative work for pregnant operators.

- Maine. Legislature Document 1675 called on the state's Bureau of Labor Standards to collect statistics and medical data on VDT use by public employees and to develop use regulations. Fifteen regulations were drafted, but the state's Board of Occupational Safety & Health,

which has jurisdiction over the bureau, voted earlier this month to only recommend use of some standards, but not to make such action mandatory. Legislation mandating these standards is expected to be introduced this session.

- Maryland. No action was taken last year on a House resolution that called for the state Division of Labor and Industry to study health hazards of VDTs.

- Massachusetts. Some 10 bills were introduced last year, many of which landed in a joint Senate and House Commerce and Labor Committee for study. The measures would have required semiannual VDT equipment inspections, VDT screen shields, work breaks of 15 minutes every two hours, alternative work for pregnant operators and the establishment of an advisory board to develop safety, health and maintenance standards for VDT use. Meanwhile, the state's Division of Occupational Hygiene is studying health hazards of VDTs, and a report is due in June.

- Minnesota. S.B. 2217 and H.B. 2333 were introduced one week before the session adjourned, primarily to stimulate discussion, a sponsor said. They would have required semiannual inspections of VDTs, eye exams and alternative work for pregnant operators and would have prohibited electronic monitoring of a VDT operator's productivity. The bills are expected to be reintroduced this month.

- New Jersey. A.B. 132, which is in the Assembly's Transportation & Communications Committee, calls for the creation of a task force to study the health and safety problems associated with VDT use.

- New Mexico. No legislative measures were introduced last year, but Gov. Toney Anaya said he soon will issue an executive order setting VDT equipment safety standards for terminals used in state government offices.

- New York. Several bills were introduced during the past two years, none of which was adopted. They addressed everything from the size of the letters on VDT screens to the use of special radiation-protective blankets or jackets by pregnant operators.

- Ohio. H.B. 552 was defeated in the House, but a similar measure is expected to be reintroduced this year. It called for annual eye exams, special office lighting standards, alternative work for pregnant operators, semiannual inspection of VDTs, 15-minute breaks every hour, a maximum of five hours of work per day on a VDT and adjustable furniture. Fines of \$1,000 per day for employers who violated the rules were included.

- Oregon. The Legislature was not in regular session in 1984, but legislation is expected to be introduced this year based on health and safety recommendations by a special legislative committee assigned in 1983 to study the problem.

- Pennsylvania. S.B. 1450 and S.B. 1451 would have set standards for work place and VDT design, and other health and safety standards. No action was taken on the measures before the session ended, but new bills are expected to be introduced this year.

- Rhode Island. A special commission is studying health hazards of VDT use; its report is expected by next month. The commission was created by the Legislature after hearings were held on 84H7012, which called for lighting standards, 15-minute breaks every hour and annual eye exams.

- Wisconsin. A.B. 1076, introduced last year to stimulate discussion, is expected to be redrafted and reintroduced this year. It called for eye exams, adjustable work stations, 15-minute breaks every hour, a maximum of five hours per day working on a VDT, alternative work for pregnant operators and radiation checks.

# needs coordination.

Welcome **GROUP-COMM**® from Informatics. The comprehensive, fully integrated software system your employees can master in just two weeks.

With the amount of paper that moves through your office, your group is in danger of losing its grip.

And trying to coordinate separate departments with different systems can only cause greater confusion. You get conflicting information. Late billing. And other costly mistakes.

What your administration needs is a new level of timing, coordination and teamwork.

That's **GROUP-COMM** from Informatics.

## **GROUP-COMM.** The synchronized solution.

**GROUP-COMM** is an administrative software system designed to help insurance companies administer a full range of group life and health products. **GROUP-COMM** produces premium bills, pays commissions and handles collections and accounting. Simply. Accurately. Efficiently. All in one integrated system.

And that's just the start.

In fact, you can't find a more comprehensive solution to group administration. Because **GROUP-COMM'S** extensive integrated database automates and consolidates all daily operations of your business, including new business, contract administration, reinsurance and reports.

Result?

Up-to-date, consistent information across all lines of coverage. Reduced paperwork. And greatly improved productivity.

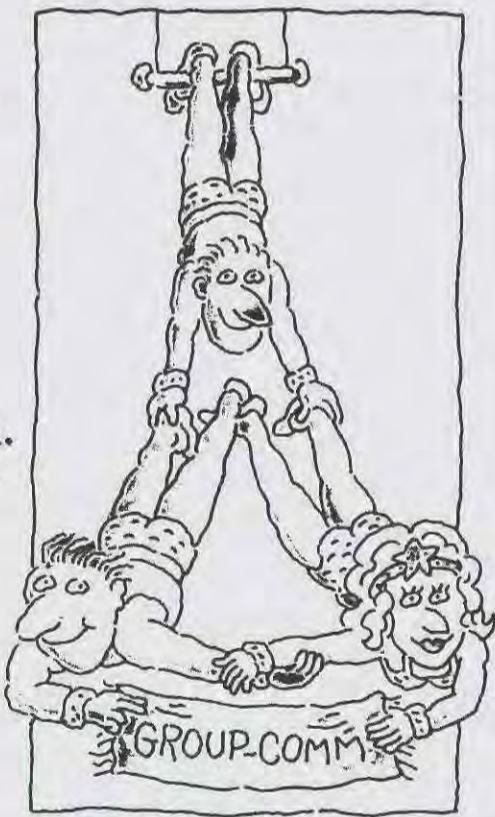
## **Power & flexibility for further control.**

Complete integration isn't the only special **GROUP-COMM** productivity feature.

**GROUP-COMM'S** powerful on-line inquiry delivers accurate information fast to every department from customer service to clerical.

Extensive editing capabilities act as a safety net, catching user errors before they enter the database.

Then there's our comprehensive Rates, Tables and Variables sub-system. It lets users with no program-



**GROUP-COMM** is a proven performer in both large and small companies across the U.S.A.

ming knowledge select from a series of screens to define coverages, financial controls and re-insurance processing.

It even lets users define the terms for multi-company processing.

For even greater control of group administration, **GROUP-COMM** can interface with these other important Informatics capabilities:

- **THE EXAMINER.™** The first claims adjudication system with single screen entry and automatic eligibility verification. Links with **GROUP-COMM** for loss/ratio calculation, too.
- **THE CLAIM RECEIVER®** The fast, exclusive electronic claims link to NEIC.
- **THE CASE WRITER.™** The group underwriting/proposal system that lets your sales representatives illustrate benefit plans on the spot.

## The greatest of ease.

**GROUP-COMM** operates with the greatest of ease, right from the very start.

It can be up and running in less than a week, with little technical support from your DP department. And because **GROUP-COMM** speaks in plain English and is remarkably easy to learn, users can be fully productive in just two weeks!

The fact is, **GROUP-COMM** makes things easy all the way down the line. **GROUP-COMM** was developed as a joint project between Informatics and an independent user group. This group is still active today, providing swift, strong support and system enhancements exclusively for you.

## Informatics. Proven in action.

**GROUP-COMM** is already a smooth performer for third party administrators and insurance companies across the U.S.A.

All completely installed and fully integrated by the pioneer in group administration and claims. And backed by the fourth largest independent computer software and services corporation worldwide.

For more information on **GROUP-COMM**, call Informatics' Director of Sales & Marketing at (214) 231-1400 or write to Informatics General Corporation, 9441 LBJ Freeway, Dallas, TX 75243.

Find out how easy it is for your group to stay on top.

**informatics**



**general corporation®**

Special businesses  
need special solutions.

FIRE  
PROTECTION  
ENGINEERING  
AND  
CONSULTING

SYSTEMS  
DESIGN

BOILER AND  
MACHINERY  
LOSS CONTROL

SAFETY  
MANAGEMENT



## The FPE Group

INNOVATORS IN  
COST EFFECTIVE  
LOSS CONTROL

San Francisco • Wichita • Chicago • Philadelphia • Washington, D.C.  
3687 Mt. Diablo Blvd. • Lafayette, CA 94549 • (415) 283-8860

## Stress claims pose problems

Continued from page 3

"I think the work environment is becoming more stressful as society is becoming more complex... There is extreme, uninterrupted stress" said Charles Brusman, director of the Sierra Clinic in San Francisco. The 1½-year-old clinic for psychological and physiological personal injury cases is one of many that have opened their doors in California during the past five years.

"A lot of people, when they come into the clinic, are not aware of the psychological aspects of their problem, just the physiological ones," Mr. Brusman said, adding "many, many people are suffering on the job (from stress) that aren't getting (help). We have basically hit just the tip of the iceberg."

Although it appears that stress-related illnesses do not discrimi-

nate between rank-and-file employees and top executives or between industrial jobs and office type work, the NCCI's data shows that injured workers who file stress claims usually are younger than other claimants.

About 59% of all workers compensation cases filed in 1980-82 involving mental disorders relating to the cumulative effects of work were filed by workers younger than 40 years old. In contrast, only about 40% of the other occupational diseases reported were filed by workers under 40.

The NCCI data also shows that for the year 1981, women accounted for more than half of the cumulative mental stress claims.

The data, which is included in a soon-to-be-published NCCI report entitled "Emotional Stress in the Workplace—New Legal Rights in the 1980s," also showed that stress claims are more prevalent in areas of the country where there have been many plant closings and layoffs.

However, by and large, any age worker in any type of job could develop a stress-related injury, the NCCI study shows.

"The recent increase in claims for stress-related mental disability is surely not as publicized as black lung in coal mining areas or asbestos-related disease in certain industries. But stress, in the abstract, is not limited to any particular geographic area or to any specific occupation," according to the NCCI's study.

The report goes on to cite several examples of workers who filed workers compensation claims for alleged on-the-job "stressful" incidents that resulted in psychological disorders:

- An overworked advertising manager who suffered from anxiety and depression after being requested by a supervisor to retire early.
- A driver who suffered from situational stress-anxiety after having a conflict with a supervisor.
- A sales clerk who suffered from nervous tension after having a confrontation with a co-worker.
- A shoe salesman who had a nervous breakdown after having a conflict with a supervisor, receiving a reduction in pay and being transferred.
- A person who worked on telephone repairs on an assembly line who suffered from schizophrenia and anxiety after having trouble keeping up with the assembly line.
- A secretary who suffered from depressive neurosis after receiving an increase in job duties.
- A police officer who suffered from anxiety and depression because he viewed his job as demeaning.
- A refinery inspector who had numerous psychological problems because he feared he would get cancer.

All of these claims reached the appellate court level, said Donald T. DeCarlo, vp and general counsel for the NCCI, who authored the report with Ronald Herzfeld, an NCCI attorney.

The study does not, however, explain how each case was decided.

"Since mental stress claims are relatively new, they afford us the opportunity to examine, without the distortion created when a problem becomes a 'crisis,' how our workers compensation systems react to, and assimilate, new kinds of claims," the study notes.

But how stress claims are ultimately handled will depend on the reaction of the state court and legislatures that will be asked to decide the compensability of these claims.

Michael Skinner, corporate manager of workers compensation for Georgia-Pacific Corp. in Atlanta,

Continued on page 22

# Remedy Medical Cost Control And Rehabilitation Aren't Empty Promises.

Today, most rehabilitation companies promise you a lot more than they can deliver.

At The Remedy Company, we make promises, too. But our continuing success with medical cost containment and rehabilitation proves that we deliver on our promises.

We at Remedy are dedicated to a very strict philosophy: Everything we do must be the best. That's why all Remedy Nurses must be Registered Nurses. Why all Remedy Rehabilitation Coordinators are CRC/CIRS Certified. Why we continually update Remedy personnel on the latest in rehabilitation techniques, medical treatment and innovations in the insurance industry.

And that's why The Remedy Company offers you a superior level of medical cost control and rehabilitation services like:

- MEDICAL BILL AUDITS to determine accuracy and relatedness
- MEDICAL BILL VERIFICATION to ensure charges are reasonable
- COMPLIMENTARY REHABILITATION MEDICAL EVALUATION (RME) to assess the potential for rehabilitation success
- MEDICAL MANAGEMENT to expedite recovery time
- VOCATIONAL REHABILITATION to assure return to work
- MEDICAL RECOVERY PROFILES to project the length and cost of medical treatment
- LABOR MARKET SURVEYS to locate suitable and available jobs

Best of all, every Remedy service we provide is flexibly designed to meet your exact needs.

Now you know why Remedy can deliver on so many promises the others can't. Our philosophy of striving to do the very best at everything has paid off: strict medical cost containment and proven medical management and rehabilitation services. All in a customized plan that meets your exact needs.

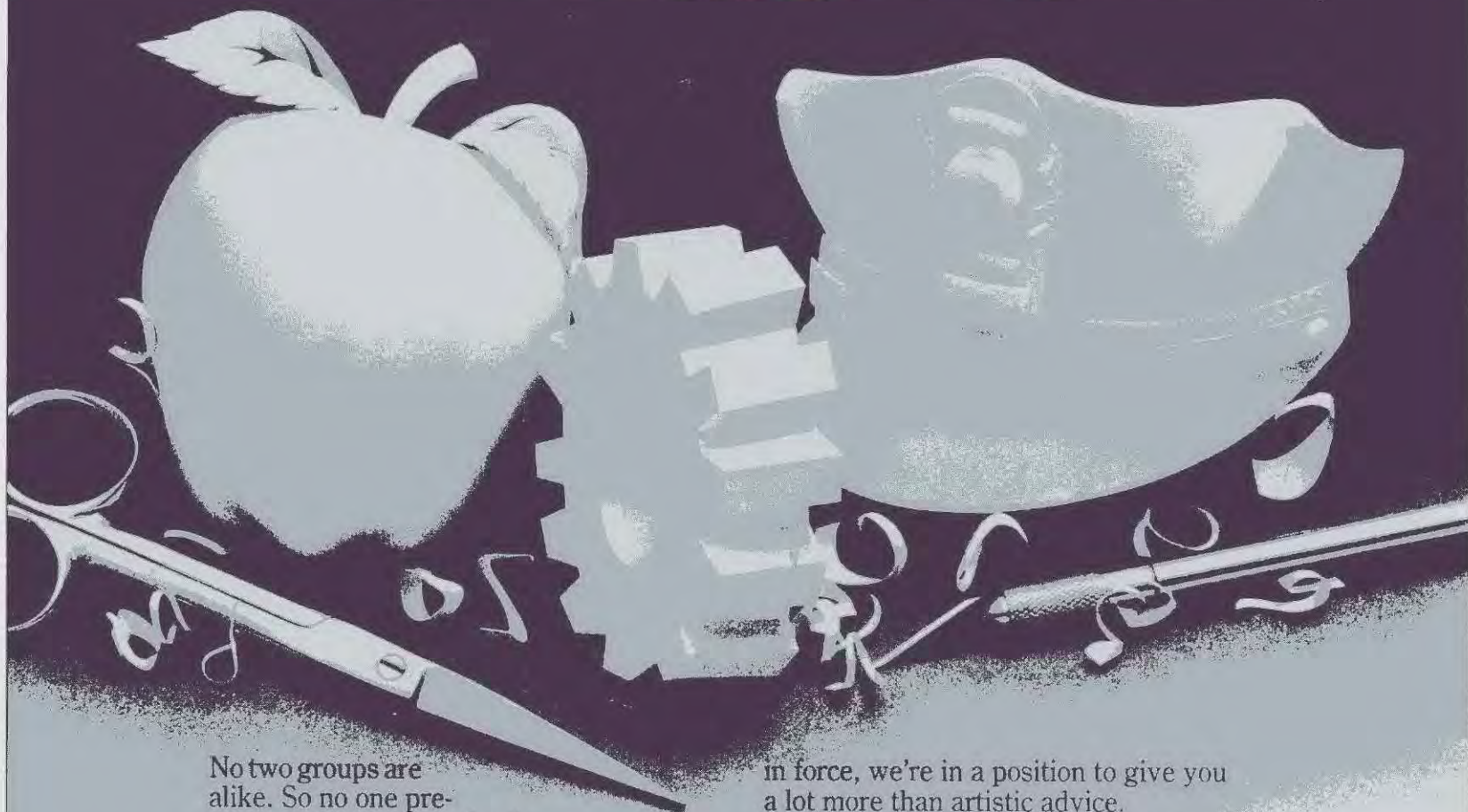
To find out more about what The Remedy Company can deliver to you, call Evelyn R. Hartman, Vice President at 214/484-1271.

## THE REMEDY CO.

We Deliver What We Promise

2997 LBJ Freeway • Suite 135-North • Dallas, Texas 75234  
A Lindsey & Newsom Company.

# We've made an art out of insuring groups.



No two groups are alike. So no one pre-packaged insurance plan is likely to fit your particular group's needs. Fortunately, shaping group plans to meet individual group needs is something we've got a particular talent for.

As the Group Agency Department of Washington National Insurance Company, we've got the specific insurance alternatives to help you wrap your group from top to bottom. As pioneers in the field of Teachers Group disability insurance, we've got over fifty years of experience for you to draw upon. Backed by Washington National, with over \$16 billion worth of life insurance

in force, we're in a position to give you a lot more than artistic advice.

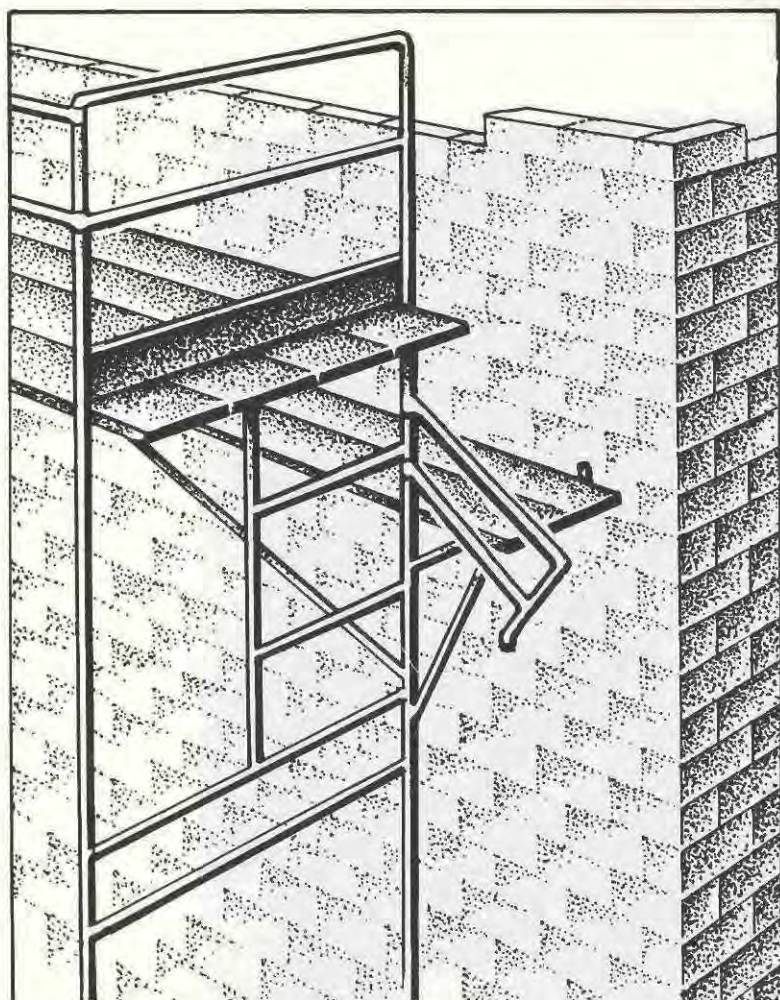
So whether yours is a large or small business, a health and welfare fund, or a not-for-profit organization, call the Group Agency Department. We've elevated group insurance to an art. And when it comes to helping you do the job, we've got that down to a science.

For immediate assistance call (312) 866-3410 or contact your nearest Washington National Group Office. In the Yellow Pages under Insurance.



**Washington  
National**

INSURANCE COMPANY  
EVANSTON, ILLINOIS 60201



## Stress is new work comp dilemma

Continued from page 20

says it's hard for employers to predict what will happen in the area of stress claims, but he believes state law will play an important role.

"The trick with stress-related claims depends on the state," agrees Bernard Schebler, a casualty loss-control specialist with Kemper Group in Long Grove, Ill.

While California is a leader in compensating mental-mental stress cases, it is not the only state in which case law has determined that mental-mental stress claims may be compensable even if the source of the mental stress is not unusual, the NCCI report notes.

It also lists under this category Hawaii, Kentucky, Michigan, New Jersey, Oregon and West Virginia. Workers covered by the federal Longshoremen's and Harbor Workers' Compensation Act also have more success in receiving compensation for mental-mental stress claims.

Others states have case law that allows compensability for certain types of stress claims.

And, 11 other states—Florida, Georgia, Kansas, Louisiana, Mississippi, Minnesota, Montana, Nebraska, Ohio, Oklahoma and South Carolina—have case law that specifically rules out mental-mental claims as being compensable.

Stress cases are very hard to prove, notes Rebecca Schneiderman, a Chicago attorney and previous chairwoman of the Illinois Industrial Commission.

"And they will continue to be hard to prove (until) some attorney gets a case and takes it to the (state) Supreme Court and gets an opinion that makes it easier," Ms. Schneiderman said.

However, in 1984 the state supreme courts that did render decisions in stress cases differed in their interpretations of what is compensable:

- The Oregon Supreme Court in *McGarrah vs. State Accident Insurance Fund Corp.* held that the claim of a deputy sheriff who became mentally depressed because he was convinced his supervisor was engaged in a personal vendetta against him can be compensable as long as the on-the-job stress conditions have some basis in reality.

- The Wyoming Supreme Court in *Consolidated Freightways vs. Drake* held compensable the claim of a bus driver who after several job changes, including demotions, suffered a mental breakdown.

- The Rhode Island Supreme Court in *Rega vs. Kaiser Aluminum & Chemical Corp.* reversed a denial of compensation to an employee who suffered a nervous breakdown following a layoff.

- The Kansas Supreme Court in *Followill vs. Emerson Electric Co.* held that a worker was not entitled to compensation after viewing the grisly scene of a co-worker's death and subsequently suffering a mental disability.

- The Minnesota Supreme Court in *Egeland vs. City of Minneapolis* reiterated the state's refusal to recognize the compensability of emotional disability caused by mental stress.

"It's very clear that courts are reluctant to accept mental-mental cases. . . They can get out of hand," Professor Larson said.

But, Professor Larson believes that a trend in this direction is under way.

Employers, insurers and brokers contacted by *Business Insurance* are not yet seeing a surge of mental-mental stress claims from workers.

"We've always had a few heart attacks, but we haven't seen any mental-mental claims. If we did get any, we would fight them," noted Carl Haupt, workers compensation

manager for Jewel Cos. Inc., a Chicago-based grocery store chain recently bought by American Stores Inc. of Salt Lake City.

The number of claims is still small because there still is confusion over their compensability, according to John G. Campbell, president of Gallagher Bassett Insurance Services in Rolling Meadows, Ill.

However, that also was the case with work-related heart attack claims, which now are commonplace, he said.

Employers are especially concerned about the expense of such cases, which can exceed the notoriously expensive back injury cases.

In back cases, an injured worker often can return to work after surgery and rehabilitation, even if it's

**'It's very clear that courts are reluctant to accept mental-mental cases,' comments Professor Larson.**

to a less physically strenuous job. But workers with psychological ailments may be unable to return to work for years, if at all. In the meantime, they need frequent counseling sessions or medication, experts say.

"Recent evidence that managerial employees and professionals, who tend to be higher-paid workers, are particularly susceptible to work-place stress, suggests that the cost per claim of mental stress claims may continue to accelerate relative to the cost of other occupational disease claims. Obviously, higher-paid workers have a higher potential loss of wage-earning capacity," the NCCI report notes.

And, stress claims may simply cost more because they're still open to legal debate, said Robert J. Smith Jr., senior vp with Alexander & Alexander Inc. in New York.

Milwaukee attorney Thomas P. Krukowski, for example, believes if the trend continues, it will open up "a floodgate" to all types of claims.

"Now, what really is stress?" Mr. Krukowski asks. "Some say it's nothing more or less than work itself. You need stress to work. . . But now we've allowed every hearing officer to evaluate a (stress-related) case based on his experience. . . or lack of experience," he said.

"I think we've gone too far. Some psychological causes you can't possibly pinpoint," he said, emphasizing the difficult task facing physicians, lawyers and judges.

"The term stress is unclearly defined. That's one reason the institute was formed," said Paul J. Rosch, president of the American Institute of Stress, a non-profit organization formed in 1978 in Yonkers, N.Y.

"Everyone talks about stress, and presumably everybody knows what it is—but in point of fact, no one knows what stress is. It: not only means different things to different people, it is different things for different people," Mr. Rosch said.

"But, as our knowledge of stress increases, (we find) there are very few illnesses where stress doesn't play some part," he said, speaking of stress and illness in general.

In relationship to the work place, Mr. Rosch said that stress-related symptoms may arise not necessarily because the nature of the job is stressful to the employee, but because the job itself is incompatible

with a person's own goals or aspirations.

"Or," Mr. Rosch said, "when (employees) have little control over their job."

That premise was more fully explored by Robert Karasek, an associate professor in the Department of Industrial and Systems Engineering at the University of Southern California in Los Angeles.

Research of the U.S. and Swedish population has shown that jobs that are simultaneously high in psychological demand, yet offer the employee little control, result in all the physical and psychological symptoms related to stress, Mr. Karasek said.

He explained that these are the jobs in which there are many tasks to do. None of them is physical, and the employee is not allowed to decide how best to do the job. Instead, a manager decides.

For instance, he cited garment stitchers, telephone operators, customer service representatives, assembly-line workers, freight material handlers and data entry personnel.

If these types of jobs become more common, then the incidence of stress-on-the-job-related claims probably will increase, Mr. Karasek said.

And many are watching closely jobs that require use of video display terminals. Some experts say the long stretches of monotonous use of VDTs are the cause for numerous physical and psychological ailments (see story, page xx).

But, others will note that managers, executives and white-collar office workers, who may have some control over their jobs, are more likely to be candidates for stress-related illnesses.

"Mental stress, heart attacks, psychiatric problems, ulcers—these will be the claims of the office workers, not from guys shoveling cement," predicted Merton E. Marks, an attorney in Phoenix, Ariz., who handles workers compensation and employer liability litigation.

And stress-related claims are going to be hard for workers compensation commissioners, arbitrators and judges to deal with, A&A's Mr. Smith noted.

These workers compensation referees are able now to determine benefits for traditional work-place injuries by looking at schedules "and counting fingers missing," Mr. Smith said. "They have it down to a precise science to fitting a claim on the benefit page; they can find it on a chart. But it's not the same if you're talking about (mental) strain," Mr. Smith said.

"There's a tendency for people to need to see blood and guts before you have a (work comp) claim," which is not the case with stress-related and other office-related claims, said Kemper's Mr. Schebler.

He pointed to the growing high-technology industries, where 60- to 70-hour workweeks are common.

"That's going to lead to worker burnout. . . more stress," he said.

Rich Walsh, legislative and political director for the Illinois AFL/CIO, also believes more stress claims will show up in public sector jobs.

"A lot are teacher cases or from people who work in mental institutions and prisons—jobs where there is almost in-built tension for almost every hour of the day," he said.

Copies of the NCCI's report on stress will be available by Feb. 1 for \$10 each for members and \$15 each for non-members from Jim Nau, Manager of Products and Services, National Council on Compensation Insurance, One Penn Plaza, New York, N.Y. 10119; 212-560-1975.

## The Mystery of the Fallen Scaffold.

A portion of the scaffold had failed mysteriously causing serious injury. Its manufacturer seemed headed for a very expensive out-of-court settlement.

Countrywide, however, continued to dig. Our investigators discovered that a missing guardrail had been used many times before the accident. It was found after an exhaustive search. Then we confirmed that *the guardrail was defective because it had been improperly repaired!* The manufacturer was subsequently absolved.

Investigations are only the beginning of our services to major self-insured manufacturers in America and abroad. We also recommend defense attorneys and expert witnesses to assist your counsel and support your case. Computerized claim statistical data is also provided.

Unlike insurance investigators, we're not settlement oriented. Our concern is to help you defend the integrity of your product.

Please write down our phone number. We'll make sure there's no mystery about the quality and dependability of your product.



# Countrywide Services Corporation

Specializing in product liability claims management.

11933 Westline Drive, St. Louis, MO 63141, 314/878-3306



# Managing Risk

**Nobody does it better  
than Gallagher**

If you're considering self-insurance for your organization, you're talking risk. You owe it to your bottom line to talk to the people who know what managing risk is all about. Arthur J. Gallagher & Co., international brokers of insurance and risk management services. Nobody does it better.

We do it better because we've put 20 years into building the most comprehensive risk management service in the industry.

We do it better by working directly with you through Gallagher Bassett, our service organization. Gallagher Bassett can function either as an extension of your in-house insurance department or as your full-service claims administration organization.

We do it better because we are seasoned professionals in loss control and claims management service. And by aggressively pursuing subrogation, posting property and casualty loss recoveries that far exceed the industry average.

And, we do it better with RISX-FACS™, an on-line computerized reporting system that provides both ordinary and extra-ordinary information to you. You'll have everything you need to know to manage your program. And you'll have it when you want it, in the form you want it.

When it comes to managing risk, ask someone who knows what it's all about. Arthur J. Gallagher & Co.

Write or call us today. Find out for yourself why nobody does it better.

**Go for it.  
You're with Gallagher.**



**ARTHUR J. GALLAGHER & CO.**  
10 Gould Center, Golf Road  
Rolling Meadows, IL 60008  
312/640-8500

## Inland AND Ocean Marine

FACILITIES AVAILABLE  
TO AGENTS & BROKERS OF MEMBER COMPANIES

### MUTUAL MARINE OFFICE, INC.

100 PARK AVENUE, NEW YORK, N.Y. 10017 • 212-953-0580

General Managers

NEW YORK MARINE AND GENERAL INSURANCE COMPANY

— Marine Managers —

AMERICAN LIBERTY INSURANCE COMPANY  
ARKWRIGHT-BOSTON INSURANCE COMPANY  
ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL  
INS. COMPANY  
EMCASCO INSURANCE COMPANY  
EMPLOYERS MUTUAL CASUALTY COMPANY  
GRAPHIC ARTS MUTUAL INSURANCE COMPANY

LUMBER MUTUAL INSURANCE COMPANY  
MUTUAL FIRE, MARINE & INLAND INS. COMPANY  
PENNSYLVANIA NATIONAL MUTUAL CASUALTY  
INS. CO.  
REPUBLIC-FRANKLIN INSURANCE CO.  
UNION MUTUAL INS. CO. OF PROVIDENCE  
UTICA MUTUAL INSURANCE COMPANY

# Comp rates to rise, but not drastically

By JUDY GREENWALD

Employers will pay more for workers compensation insurance this year, but buyers won't be hit with the drastic rate hikes that are common among other property/casualty lines.

Although rate increases will vary widely from state to state, underwriters, brokers and other observers estimate that employers generally will pay about 5% to 10% more for workers compensation coverage in 1985.

That hike reflects not only rate increases but also reductions in rate deviations and schedule credits, which are credits given for good

loss experience.

Although workers compensation observers are not expecting monumental rate increases in the next year, several factors could affect the market—and employers' work comp costs—in the long term. These include:

- How fast medical costs continue to rise.
- The impact of occupational diseases, including asbestosis.
- The trend toward covering non-traumatic diseases, like heart attacks caused by job stress, under workers compensation.
- The outcome of the Treasury Department's proposal that workers compensation benefits for most workers be taxed.
- Labor unions' success in pushing for increased work comp benefits.

Like other property/casualty lines, workers compensation rates generally began to rise in 1984, observers say, and the push for higher rates is picking up speed.

"It's a harder market now than it was even four months ago," says Richard T. Brewer, a casualty actuary in Johnson & Higgins' New York office.

However, the predicted workers compensation rate increase for 1985 is far lower than the price hikes policyholders expect to pay for most other property/casualty lines, and observers say the traditionally tighter state regulation of the workers compensation market has protected it to some extent from the roller coaster highs and lows of other insurance lines.

"It's not as far away from profitability as some of the other lines have grown," says Alan Kaliski, vp with Royal Insurance Group in New York.

For instance, the largest rate hikes can be expected in the nine states that have passed competitive workers comp rating laws, says an official at one major workers compensation insurer.

Insurance industry officials say there is a need for higher rates. The National Council on Compensation Insurance, the major rate-making body representing workers comp insurers, estimates a national workers compensation underwriting loss of \$4.4 billion for 1984 on a total premium of \$17 billion—a 125.9% combined ratio.

The NCCI expects that as a result of rate filings and legislative changes, rates will increase by 8% to 10% nationwide in 1985, says Robert Hilton, senior vp. This compares with a 4% hike in 1984.

Workers comp insurers are "going to have to return to a more reasonable pricing structure and an emphasis on the underwriting of risk simply, as opposed to cash-flow operations," says Steven Millikan, associate vp and director of workers compensation for the Alliance of American Insurers in Schaumburg, Ill.

A growing number of insurers are beginning to recognize this. "More and more companies are firming up rates, and some are eliminating deviation filings," says Art Webster, commercial casualty underwriting officer for Kemper Corp. in New York. "The momentum is apt to pick up substantially by the middle of the year."

In one case, says J&H's Mr. Brewer, a relatively small insurer wanted a rate increase, which eventually worked out to a 7.1% hike when higher payroll costs and a greater number of employees were taken into account, on a \$2 million account. It also wanted an increase in the first year's deposit

Continued on facing page



# ANYTHING LESS WILL COST YOU MORE.

Sixty-five cents and the PAID Prescriptions Card . . . A winning combination. One that not only gives you cost-effective claims processing, but also provides innovative program features, stringent controls, and comprehensive management reports. All for about sixty-five cents a claim.

For the record we'd like to add that PAID Prescriptions' computerized cost containment services saved customers more than \$15,000,000 last year alone . . . not including administrative cost savings.

So how much can sixty-five cents and the PAID Card do for **you**? There's an easy way to find out. Send in the coupon. Or call us toll-free for "Rx FACTS", an actuarial study based on PAID's most recent claims history. It'll give you utilization and cost

tables to determine your potential savings under the PAID program. Using a simple work sheet, you can fine tune your own cost estimate.

The PAID Card. Anything less will cost you more.

20 Years of Excellence in Claims Processing



**PAID PRESCRIPTIONS**  
A SUBSIDIARY OF COMPUTER SCIENCES CORPORATION  
1900 Pollitt Drive • Fair Lawn, New Jersey 07410 • (800) 631-1679

Please send me a copy of "Rx FACTS."

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone (\_\_\_\_) \_\_\_\_\_

Continued from facing page premium, the amount that is deposited against future losses, to \$1.542 million from \$912,000.

"I've told them they may lose the account, and they say, 'That's my quote,'" says Mr. Brewer, who adds the account is a major one for the insurer. "They would not come down."

Increasing the deposit premium is only one of the alternatives to direct rate hikes that insurers will take to improve their profits, say observers.

"What they (buyers) can really look forward to is the elimination of rate deviations in '85," says Allan Borgersen, vp and manager of the casualty department for Alexander & Alexander Inc. in New York. "I just don't think there'll be any carrier who'll be increasing or keeping its rate deviations."

A great many dividend programs will be eliminated this year as well, Mr. Borgersen says.

Prices will have to go up because "they can't go much lower," says Charles Coakley, counsel for the New York-based American Insurance Assn., who predicts rates will firm this year as workers compensation insurers abandon the "cutthroat competitive techniques of the past two to three years."

One factor sparking the necessity for increased rates will be the cost of reinsurance, says James Bonica, vp of the New Jersey risk management group for Marsh & McLennan Inc., who says a "severe retrenching" is occurring both in reinsurance pricing and attachment points.

"We certainly need a certain amount of rate relief," says Carl Chamberlin, assistant vp-agency division/workers compensation at CIGNA Corp. in Philadelphia. Mr. Chamberlin says that increases in manual rates are needed, even if there are no deviations. However, he could not estimate the average rate increase to be sought by CIGNA this year.

Insurers note there may be a time lag between the negotiation of price hikes and their implementation. For instance, not all of Aetna Life & Casualty Co.'s rate hikes will be reflected this year because some of the increases will be introduced on an installment basis, says Donna Symonds, director of product development-workers compensation for Aetna in Hartford, Conn.

Aetna anticipates that rate hikes that will go into effect in 1985 will total 5% to 7%, she says. Aetna, which generated \$283 million in workers compensation premium for the first nine months of the year, had a 89.6% loss ratio and a 127.6% combined ratio for the line during the period.

Bob King, assistant vp in charge of workers compensation product management for Fireman's Fund Insurance Cos. in Novato, Calif., says that while the industry deserves substantial rate increases this year, the increases may not show up until 1986 because of the time lag in implementing them. However, he adds he is starting to see a reduction in scheduled credits or rate deviations and reductions in dividend formulas.

"Something has to give," Mr. King says, noting these elements "can be played with extensively."

This year will be "very much a year of transition," Mr. King says. "It's a little uncertain whether '84 or '85 will win the award for least profitable year."

Insurers' ability to obtain rate increases is critical, says Robert Young, director of risk management services for Arthur J. Gallagher & Co. in Rolling Meadows, Ill., who estimates rates will rise by about 8% this year.

If insurers are unable to obtain sufficient rates, he says, they may choose to cease writing, which could lead to more monopolistic

state funds or even a federal workers compensation program, "which at this point, no one would favor," he adds.

If insurers "go right on competing themselves right into oblivion," it is also likely to lead to a number of insolvencies, says Mr. Millikan at the Alliance. While large insurers and small specialty underwriters that claim a particular market niche will be relatively safe, medium-sized insurers will be especially vulnerable, he says.

Although most expect rates to rise this year, some are not sure the market will tighten significantly in 1985.

"I look for rates to stay pretty much the same and for the market to remain soft for the next six to 12 months," says James Critchfield, president of Westmoreland Casualty Co. in Latrobe, Pa.

The smart workers compensation insurance buyer "will still be able to buy his workers compensation pretty well on the same terms as today," says Mr. Critchfield, whose company generated about \$25 million to \$26 million in workers comp premiums in five states last year, with an estimated combined ratio of 105% to 106%.

Philip N. Ben-Zvi, senior vp at Continental Insurance Cos. in Piscataway, N.J., agrees that "we don't see a very significant increase" in workers compensation rates this year, noting the increase will be "certainly less than five points and possibly quite a bit less."

Significant price increases will not appear until 1986, he says, noting that the workers compensation market tends to tighten six to 12 months later than those of the other commercial lines.

Thomas Rosencrants, research director for insurance industry analysts Conning & Co. in Hartford, Conn., estimates there will be a "quite modest" rate increase of 2% to 6%. "Overall, for 1985, we expect workers compensation to be the most competitive insurance line."

"It hasn't gotten quite as bad as other commercial lines and therefore there's not the rush to turn that line around," Mr. Rosencrants explains. He believes this year's workers compensation underwriting results could be worse than in 1985, and 1986 results could be worse than this year's.

"After that, it's conceivable there could be some improvement."

But, good loss experience will help employers escape large rate hikes, says Anthony Ten-Berge, risk manager/administrator for NCR Corp. in Dayton, Ohio.

"I think that underwriters in the next two years will recognize well-run programs, and it will be easier for good programs to purchase programs at better rates than poor risks," Mr. Ten-Berge says.

"It will definitely be more of an advantage to have a good program than it has been over the past few years."

Some observers add that workers compensation insurance rate hikes won't be as great as in other lines because workers compensation underwriting never deteriorated as much.

In fact, workers compensation was used to support other less profitable property/casualty lines, says one insurer. It was more profitable because it was "far more fully administered for years," by state regulators and its rates were based on "far more credible" data.

Workers compensation insurance also has a long tail, so there is greater opportunity to generate investment income from the line as well, says Aetna's Ms. Symonds.

But, that's not to say workers compensation is immune to insurance industry cycles. "We're definitely cyclical," says Ms. Symonds, but "maybe it's not as deep" as it is with other lines.

While rates may rise an average of 5% to 10% nationwide in 1985,

observers point out there will be big swings from state to state.

For instance, Richard L. Johe, senior vp-underwriting and actuarial for Michigan Mutual Insurance Co. in Detroit, says that his company has filed for an 11.1% increase in manual rates in Michigan, a state that has adopted competitive rating. He adds there will actually be a "bottom-line increase" of 15% to 16% because of a cutback in schedule credits.

"The manual rates are like the sticker prices on automobiles," he says. "Nobody pays them."

On the other hand, workers compensation rates in New Jersey dropped an average of 13.1% effective Jan. 1, points out M&M's Mr. Bonica (BI, Dec. 3, 1984). The rate cut was probably a reflection of New Jersey's economy, he says, which is recovering from the recession of the early '80s while it simultaneously moves from a manufacturing to a service orientation.

Workers compensation experts warn, however, that a variety of factors could dramatically change the nature of workers compensation and increase rates dramatically. In fact, some, such as medical costs, have already had an impact.

Medical costs are probably going to be the single biggest factor in determining whether workers compensation costs can be kept in line, says John Lewis, a Coconut Grove, Fla., attorney who specializes in workers compensation.

Continued on page 26

### An Overview of Liquid Crystal and Electronic Lumbar, Thoracic, & Cervical THERMOGRAPHY

2nd edition  
by Charles E. Wexler, M.D.



This hardcover, 85-page book includes 33 full-color photographs, and explains in non-technical language the basics of liquid crystal and electronic thermography. It includes a chapter on quality control, lists references for further reading, and answers such fundamental questions as: What is it?...What does it mean?...How accurate is it?...Is it harmful?...What can and can't it do?... What do the machines look like?

Evaluate sensory nerve damage with thermography. The thermogram can provide graphic evaluation of nerve irritation with a statistical accuracy superior to the EMG and myelogram, and with a perspective not obtainable by either. It can detect abnormalities of the sensory portion of the nerve root and of sensory nerves. Furthermore, it is totally harmless and painless.

TSI Dept. BJ85  
Thermographic Services, Inc.  
19135 Rosita Street  
Tarzana, California 91356-4799

Ship to: Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Please send me \_\_\_\_\_ book(s) @ \$34.95 plus \$3 shipping each (for shipments within California, add the following sales tax per book: L.A. county, \$2.27; others, \$2.10)

Payment must accompany order:

My check or money order to Thermographic Services, Inc., is enclosed.

After shipment, please charge my credit card:  MasterCard (Interbank no. \_\_\_\_\_)  Visa

Total enclosed.....\$ \_\_\_\_\_

Account No. \_\_\_\_\_ Expires \_\_\_\_\_

Signature \_\_\_\_\_

# Captives In Transition

## 9<sup>th</sup> International Captive Insurance and Reinsurance Forum

March 13-15, 1985

Recent news from Washington and London, from Bermuda and from other domiciles, indicates that the insurance industry is in a period of transition. Reinsurance is drying up and underwriters are removing themselves from certain risks. Rates are going up and the tax news has been more bad news than good news.

Most companies, however, are coping with this changing environment. They are adapting to new regulations, adopting new procedures, finding new partners, if necessary, and, for many, doing business as usual. Since 1977, the International Insurance and Reinsurance Forum has reported the changes in the worldwide insurance industry and analyzed their effects on the companies and people involved and the corporations and other clients they serve. This conference, the ninth in the series, will continue this important function, bringing together industry leaders from all over the world to discuss pertinent current concern and interest.

Among the topics to be discussed are:

- Insurance and Reinsurance—The World View
- The Economic Politics of Regulation
- Taxes: The Long Term Effects
- Captives and Taxes: Rulings, Cases, Interpretations
- Employee Benefits in Captives
- Current Events in Bermuda
- Mergers & Acquisitions: Where Does the Future Lie?

Attendees will have the opportunity to participate in two of the following workshops: Captive Insurance; Taxation; Joint Ventures; Captives; Captives and Taxes; Rules of the Road in Insurance.

The one-day Workshop on Risk Financing and Captives is a comprehensive course in the fundamentals of risk financing techniques including captive insurance companies. It is for those persons with limited understanding of and experience with risk financing alternatives.

Fee: **Captives in Transition** US\$700 (\$625 for subsequent registrant(s) from the same company.)  
**Risk Financing and Captives Workshop** US\$250.

One-Day Workshop  
Risk Financing  
& Captives  
March 12, 1985

Hamilton Princess Hotel  
Bermuda

Risk Planning Group  
Division of  
Tillinghast, Nelson & Warren, Inc.  
722 Post Road, Darien, CT 06820  
203/655-9791 Telex: 996358

## Work comp rates

Continued from preceding page

Medical costs are significant because they are rising faster for work-related injuries than for care provided to individuals, says James J. Holland, director of product management for Travelers Corp. in Hartford.

Another factor in the workers comp market is occupational disease (see story, page 12). Employers have been "whipped around" over the past few years because of the incidence of previously undefined diseases like asbestosis, says NCR's Mr. Ten-Barge.

If the number of occupational disease claims explode, as some predict, "that would certainly drive the price of workers compensation a lot higher than it is today," says the AIA's Mr. Coakley.

For instance, the increased use of video display terminals could lead to increased claims for back conditions and eye trouble, he notes.

There has also been an increasing number of "non-traumatic" comp claims, such as claims for work-related heart attacks and strokes, says Lawrence Baker, president of Argonaut Insurance Co. in Menlo Park, Calif. That, along with rising medical costs, will place "significant pressures" on the cost of workers compensation, he suggests.

If workers compensation coverage is further expanded to include disabilities caused by cancer and strokes, and perhaps diseases even less clearly related to the work place, like alcoholism, "you're going to see a significant increase" in the cost of work comp, says Westmoreland's Mr. Critchfield.

"When you think about it, there's an awful lot of semi-business related disabilities," he says.

Another factor that could increase workers compensation costs, observers say, is the Treasury Department's proposal that these workers comp benefits for most workers be taxed (BI, Dec. 3, 1984).

Eric J. Oxfeld, manager for health care and employee benefits at the U.S. Chamber of Commerce in Washington, says that if this proposal is enacted, organized labor will push for higher benefits to make up for what injured workers will have to pay in taxes.

"It's clear that advocates for labor already say compensation is inadequate," he says. "The net result is that business will have to pay more."

Other provisions in the Treasury Department's tax simplification proposal that would tax employee benefits also could affect workers compensation costs, he says.

If benefits are taxed, it would lend support to labor's argument that the value of benefits should be added to salaries in calculating workers compensation benefits.

And, if property/casualty insurers are required to discount loss reserves, another element of the Treasury proposal, workers compensation rates would be driven higher, says Ken Pinkston, senior vp for sales and marketing for Corroon & Black Corp in Nashville, Tenn.

And, workers compensation costs are likely to rise "as benefits just naturally get raised," says Mr. Coakley.

The NCCI's Mr. Hilton suggests that as workers compensation benefits rise, employees are more likely to take advantage of them, thus increasing employers' costs. An employee who receives workers compensation benefits of \$150 a week is a "heck of a lot less likely" to return to work than one who is receiving only \$75, he says.

Because of these factors, most observers are unsure about just how high rates will rise over a long period of time.

Mr. Hilton estimates that rates will continue to increase at a pace

of 6% through 1988. At that point, he says, the interest rate will have leveled off, and from then on any increases in particular states will be offset by decreases in other states.

Some observers estimate workers compensation rate increases will reflect the rate of inflation for the rest of the decade, but they disagree on precisely how. For instance, Sean Mooney, an economist at the Insurance Information Institute in New York, estimates that throughout the 1980s workers compensation costs will run at about

one percentage point less than the inflation rate, which he estimates will average 6.5%.

"... The line is not that far from profitability. We don't see any major kind of 50% jump in the line as in comprehensive general liability or other lines like that," he says. "It has been the least impacted of commercial lines by the rate wars."

Martin Bondy, senior vp-corporate planning at Crum & Forster says: "I think long-term, you have to assume it's going to be somewhere around the inflation rate."

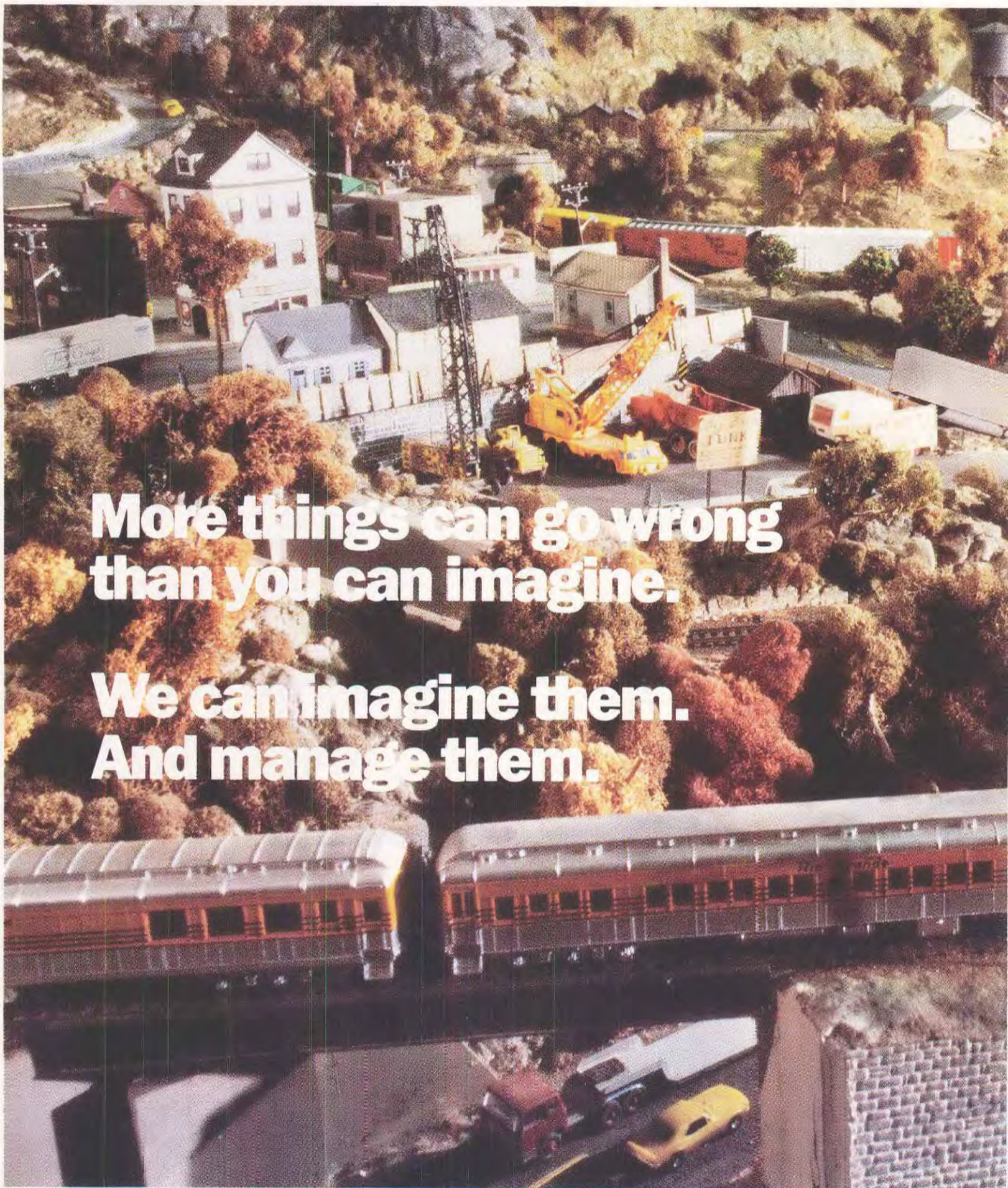
Mr. Oxfeld, who estimates rates will increase from 7% to 9% range in 1985, says workers compensation is "definitely likely to continue to outpace inflation."

Observers who predict a return to reduced workers compensation rates during this decade disagree on when employers may see their corp costs decline. For instance, Arthur E. Parry, manager of risk management services with The Wyatt Co. in Dallas, believes the hardening market "will last at least three years, maybe longer, maybe

four" before work comp rates are again cut.

Bob Hug, vp of the Crump Cos. Inc., believes that after 30 to 36 months of disappearing deviations there will be a return to "fairly soft rates, with deviations being used fairly freely again."

However, J&H's Mr. Brewer believes the hard market will last for only a year to 18 months before rates again fall. "It's just too bad they don't exercise more restraint and keep things on a more even keel," he says.



More things can go wrong  
than you can imagine.

We can imagine them.  
And manage them.

# WE'RE SERIOUS ABOUT YOUR BUSINESS.

That's why we've organized Risk Management: Economics. Risk Management Economics is a division of ERI Coverage Corp. designed specifically to analyze, evaluate, design, and administer the various aspects of risk management... from cash flow to engineering... from loss prevention to tax planning.

Should you self insure? We'll evaluate and, if the answer is yes, design and administer your self insurance program. Is your Workers Compensation program effective? We'll analyze it and implement the adjustments necessary to increase its efficiency of

# Interest in competitive rating dwindling

By MEG FLETCHER

The push for competitive rating, once the hottest topic in workers compensation insurance, seems to be losing steam.

Although nine states have adopted competitive rating laws in the last four years, only two states—Maine and Utah—are expected to

seriously consider adopting competitive rating legislation this year.

And, although employers in many of the states that have adopted competitive rating have reaped substantial savings from insurer competition, there are indications that rates could rise dramatically in states with open rating (see story, page 24).

A few observers also suggest that some workers compensation insurers may pull out of states that have adopted competitive rating because of the losses they have suffered because of the lower rates.

Under competitive rating, workers compensation insurers generally must calculate and file their own rates, rather than using the

rates prepared by a rating bureau like the New York-based National Council on Compensation Insurance. These individual rates generally are not reviewed by state regulators unless a problem arises.

So far, different forms of competitive rating have been introduced in Arkansas, Georgia, Illinois, Kentucky, Michigan, Minne-

sota, Oregon, Rhode Island and Vermont.

Workers compensation observers disagree on whether the movement toward competitive rating is dying or has just been slowed since insurers in non-competitive rating states have effectively competed through the use of deviations and other credits given to employers.

"The movement toward competitive rating is slowing down dramatically," said Kevin Ryan, president of the NCCI, which files rates for insurers in 36 states. "As far as legislation, the states don't seem to have as much interest."

"The drive for competitive rating has fizzled out," said John W. Purkis, vp of underwriting for Liberty Mutual Insurance Co. in Boston, the nation's largest workers compensation insurer.

However, Mr. Purkis suggested that if competition among workers compensation insurers dwindles in a hardening market, some states may again consider competitive rating.

"I think it will become more of a subject as time goes on because the market is hardening," agreed Charles Coakley, senior counsel of the American Insurance Assn. in New York.

More states will consider competitive rating legislation in coming years, predicted Josephine M. Driscoll, Oregon's insurance commissioner and chairman of the Workers Compensation Task Force of the National Assn. of Insurance Commissioners.

Ms. Driscoll explained that after competitive rating laws went into effect, insurers cut rates too much to remain competitive. "They went too far overboard in lowering their rates," she said, noting that insurers in competitive rating states are now raising their rates.

"There has been a tremendous amount of competition, and that has taken away some of the enthusiasm for competitive rating laws," said Howard Bunn, vp of workers compensation for the National Assn. of Independent Insurers in Des Plaines, Ill.

"As the market tightens, we will see renewed interest in competitive rating, and I expect to see in the next two or three years another group of eight to 10 states adopt it," he added.

Of the two states expected to consider competitive rating this year, the proposals in Maine are the most significant.

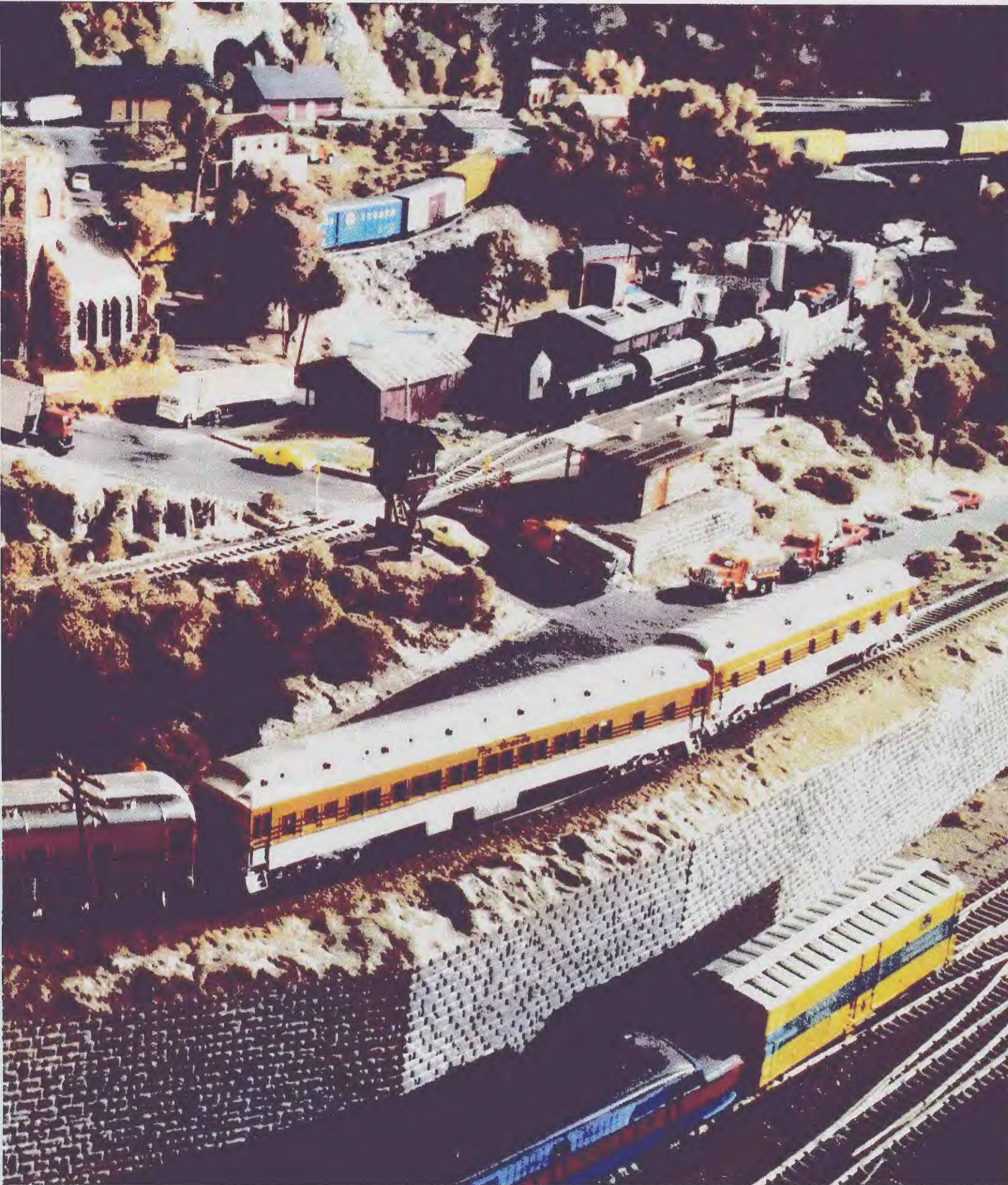
Maine is expected to consider implementation of both competitive rating and a competitive state fund as solutions to its workers compensation problems, according to Richard E. Johnson, property/casualty actuary with the state Bureau of Insurance (see story, page 29).

Maine is considering fundamental changes in its workers compensation system after two rate increases requested by the NCCI were denied by state regulators.

The NCCI has since recommended that workers compensation insurance rates in the state should be doubled, noting that medical and indemnity costs in Maine rose 883% between 1972 and 1981, the highest percentage of any state (BI, Sept. 10, 1984).

"Our historical system of rigid rate regulation can be substantially improved upon," according to a June 1984 report to the Legislature by a special workers compensation study commission. "Competitive pricing would substantially reduce, but not eliminate, governmental oversight, while simultaneously providing more competitive prices (BI, July 16, 1984).

"The experience in all states which have adopted competitive  
*Continued on next page*



operation and administration. Are you taking all the steps necessary to minimize your possible exposure? Our staff of loss prevention experts will examine your operation and, if need be, develop appropriate measures to prevent a crippling loss.

Risk Management Economics will provide the medium to large company with the additional input needed to increase the efficiency of the risk management operation. And we'll provide the smaller company with all the risk management services it requires without absorbing the additional cost of a risk management department.

Risk Management Economics. Designed to manage the things that go wrong . . . before they go wrong.



**BRI COVERAGE CORP.**

156 William Street, New York, N.Y. 10033  
212-233-7171 800-221-5080

## Competitive rating

Continued from preceding page  
rating is that prices for workers compensation insurance have decreased," according to the report.

The report also proposes the establishment of a competitive state fund to allay the fears of those who believe competitive rating would lead to excessively high workers compensation insurance rates.

"This fund, not necessarily a state agency, would provide an additional element of competition in the marketplace. It would also serve as a benchmark for comparing the performance and rates of private carriers," the report says.

Besides Maine, the Utah Legislature will consider competitive rating this year as part of a recodification of its insurance laws.

Utah now technically requires that rates be approved by the insurance commissioner before they are used, but often insurers are allowed to use rates after merely notifying the commissioner, said R. Glenn Taylor, a rate analyst with the Utah Insurance Department.

The aim of the competitive rating proposals is not to change the Utah system but to reflect the current practice, he explained.

One of the proposals would allow insurers to use rates that are as much as 25% lower than NCCI-suggested rates without prior approval. Another proposal would allow deviations of more than 25% if the insurer receives prior approval from the commissioner, Mr. Taylor said.

Besides Utah and Maine, three additional states—Colorado, Virginia and Wisconsin—have recently considered competitive rating legislation, but insurance department spokesmen in all three states said they do not anticipate any action this year.

Insurers operating in most states that have adopted competitive rating laws have generally responded by lowering rates to preserve their market share.

For instance, workers compensation premium volume written by Illinois insurers declined 13.8%—or

about \$100 million—in the year after competitive rating was adopted in January 1983, according to a recent report from the state's Department of Insurance (BI, Nov. 19, 1984).

"Even though the number of risks being written in the voluntary market has increased, premium volume has decreased," according to the report.

Preliminary figures show competitive rating cut Michigan employers' workers compensation insurance costs by about 30% or \$229 million in 1983 and an additional \$212 million in 1984, said Theodore J. St. Antoine, a University of Michigan Law School professor, in a recent report commissioned by the governor.

However, these savings could be altered when other factors, like policy dividends, are taken into account, he cautioned.

Workers comp rates in Kentucky have dropped from 25% to 30% in

all employer categories, except for those connected with deep mining, since competitive rating began in July 1982, said Edward Fossett, general counsel of the Kentucky Insurance Department.

However, Steven Millikan, associate vp and director of workers compensation for the Alliance of American Insurers in Schaumburg, Ill., says reports of savings due to competitive rating must be critically examined in light of the effect of other market forces like lower employment levels.

In addition, the tightening property/casualty insurance market may challenge the assumption that competitive rating leads to reduced rates, some say, pointing to the last two states to adopt competitive rating laws.

"It is still too early to evaluate the effect of the new law" in Georgia that went into effect in January 1984, said a spokesman for the Georgia Insurance Department.

But of the 250 companies that write workers compensation insurance in Georgia, 51 companies have sought rate increases while 22 have sought decreases, he said.

In Vermont, where a competitive rating law took effect in July 1984, employers' workers compensation costs increased across the board, though they have not increased as much as rates in non-competitive rating states, said Donald A. Kifer, Vermont's deputy commissioner of insurance. Mr. Kifer attributed the increase to the elimination by insurers of rate deviations, which had ranged from 5% to 50% of manual rates.

A few observers suggest that, in addition to raising rates, workers compensation insurers may pull out of states with competitive rating because competition has driven rates too low.

"There is a real danger that excessive competition in competitive rating states will create conditions

that will backfire so employers will fare less well," the NCCI's Mr. Ryan said.

"What you may find... is market displacement resulting in an availability problem in some areas," said the Alliance's Mr. Millikan.

Fremont Indemnity Co. stopped writing workers compensation in Oregon late last year because of "disastrous" results, though the company is continuing to successfully write other lines of business in the state, said Fremont Indemnity President William J. Collins. Fremont wrote about \$4 million to \$5 million in workers compensation premiums in Oregon in 1983, or about 2% of the state's market.

However, Fremont Indemnity's withdrawal did not affect the Oregon market, said Ms. Driscoll, because Liberty Northwest Insurance Corp., a Liberty Mutual Insurance Co. subsidiary, has since begun writing workers compensation risks in the state. ■

## 15 seconds to spare?

From The Reprint Department Of:

## business insurance

Reporting weekly for corporate risk,  
employee benefit and  
financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost\* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department  
**Business Insurance**  
220 E. 42nd St.  
New York, N.Y. 10017  
212-210-0229

\*New prices effective 1/1/85

*Winterthur does business in all economically important countries. It's a top rank Swiss insurance company, and it belongs to Europe's top 10 and America's top 50 insurance companies. Just send us your business card. It'll get you the facts about what we've got to offer in the way of services.*

**winterthur**  
insurance

«Winterthur» Swiss Insurance Company, International Division, Rudolfstrasse 1, P.O. Box 286, CH-8401 Winterthur  
Tel.: 0041-52-85 11 11, Telex: 896 785 wias ch, Telefax: 0041-52-22 44 42

«Winterthur» Swiss Insurance Company, U.S. Marketing & Service Unit, 55 East Jackson Boulevard - 12th floor  
Chicago, IL 60604, USA, Tel.: 822-4512, Telex: 25 287

# State funds considered to cut comp costs

By MEG FLETCHER

In an effort to hold down spiraling workers compensation costs, legislatures in Maine and Rhode Island again this year will consider proposals to establish state funds to underwrite the coverage.

Both legislatures, which are looking at overall reforms of their workers compensation systems, also discussed the feasibility of a state fund during their 1984 sessions, but no final action was taken. Similarly, establishment of a state fund was discussed in legislative committees in Illinois and Wisconsin in 1984, too, and could be on the agenda again this year. However, if any state were to establish a state fund in 1985, it is most likely to be Maine or Rhode Island.

But, action in these two states would not signal the beginning of a massive trend toward establishment of state funds, observers say.

There is some increased interest in state funds, but no wholesale interest, says Howard Bunn, vp-workers compensation for the National Assn. of Independent Insurers in Des Plaines, Ill.

John W. Purkis, vp-underwriting for Liberty Mutual Insurance Co., the largest U.S. insurer of workers compensation, also predicts more activity in the state fund area.

But, in general, interest in state funds has peaked.

Currently, 19 states have state funds and all but one of those—the Minnesota fund—were established more than 50 years ago.

They were designed to assure an available insurance market for workers compensation risks and to keep the cost of coverage down.

Thirteen states have competitive state funds, which compete with commercial insurers for employers' workers compensation premiums. They are Arizona, California, Colorado, Idaho, Maryland, Michigan, Montana, Minnesota, New York, Oklahoma, Oregon, Pennsylvania and Utah.

And, six states—North Dakota, Wyoming, Washington, Ohio, Nevada and West Virginia—have exclusive or monopolistic funds that exclude commercial insurers from underwriting workers compensation risks in these states. Ohio, Nevada, Washington and West Virginia do allow employers to self-insure.

sure.

In Maine, the National Council on Compensation Insurance, a national workers compensation rate-making organization, has indicated that a 100% increase in rates is needed. However, in 1982 and 1984 requests for average increases of 27.5% and 30% were denied by the superintendent of insurance. In fact, the last rate increase allowed in the state was an average 25% hike in 1981.

This has prompted some insurers to stop writing workers compensation coverage in Maine because rates are artificially low. In addition, employers fear that a huge rate increase is on the horizon.

Workers compensation medical and indemnity costs in Maine rose 883% between 1972 and 1981, the

highest percentage increase of any state, according to statistics from UBA Inc., a Washington-based, employer-supported research group (BI, Sept. 10, 1984). The high cost of the system in recent years has forced some major employers out of the state and has prevented new businesses from setting up shop.

Last June, a special commission established to study the workers compensation problems recommended the consideration of both a competitive state fund and a competitive rating system for insurers. The commission also recommended creation of a rehabilitation and back-to-work program.

"There are two potential benefits to be had from the establishment of a competitive state fund: A competitive state fund provides another element of competition in the marketplace; a competitive state fund would serve as a benchmark against which private carriers' prices and performance could be measured," according to a June report by the commission studying workers compensation.

Maine had previously considered an exclusive state fund, but the committee rejected that option because of the cost and because it felt an exclusive fund would deprive consumers of the benefits of a competitive marketplace, according to the special commission report.

"An exclusive state fund would require tremendous public investment in start-up costs, would be virtually irreversible once private carriers had left the state and would deprive consumers of the benefits of a competitive marketplace," the report said.

In Rhode Island, a legislative commission is expected to report by March 1 on the feasibility of establishing a state fund. That also is the deadline for introducing bills for consideration in the current legislative session.

Rhode Island, which generates \$100 million in annual workers compensation premiums, is especially considering establishing an exclusive state fund, according to Rep. Henry Boeniger, D-Westerly.

Historically, workers compensation premiums in Rhode Island have been perceived as high and as an impediment to keeping or getting new employers in the state, said Peter Burton, director of government, consumer and industry for the New England region for the NCCI.

Last year, the NCCI suggested a 30% rate increase in Rhode Island, which is still pending.

However, it said an average increase of 87.8% actually would be more in line with the loss ratios in the state (BI, April 4, 1984).

Prompting the commission's study of the feasibility of an exclusive state fund is the feeling that the state could provide workers compensation insurance at a lower cost, Mr. Boeniger said.

While Maine and Rhode Island consider establishing a state fund, the Legislature in Washington state will consider a proposal to change the state's exclusive fund to a competitive fund.

The switch to a competitive fund is being sought by employers seeking relief from dramatically high rates, especially in high-risk industries like logging, said Ron MacDonald, assistant director of communications for the state's Department of Labor and Industry.

The cost of insuring one logger is about \$700 per month. That cost is so prohibitive that it is forcing the closing of state-of-the-art mills, said Mr. MacDonald.

Employers, who are also allowed to self-insure, pay 70% of the cost of workers compensation insurance

Continued on page 33

## Three minutes to spare?

At Winterthur, solving the risk problems of international companies is part of our daily bread.

Winterthur's International Division is the focal point for international companies and their brokers within the Winterthur organization, managing and coordinating all lines of insurance in all countries.

Whatever the insurance problems you may be faced with, the International Division has specialists to solve them.

**A Worldwide Property Insurance Program.** For companies operating worldwide, property damage and business interruption have a local impact in the first instance; but at the Home Office they will show up in the consolidated profit-and-loss figures. With its international property insurance program, Winterthur provides comprehensive coverage. This program complements and coordinates insurance coverage in the various countries.

Winterthur thus assures a solution to insurance problems consistent with local law while providing individual service and claims handling locally through its branches and associated companies.

**One-Shot Coverage Through An International Liability Program.** What we've just said about property damage equally applies to liability coverage. Experience shows that for international companies liability

cannot suitably be covered by either a comprehensive policy for the parent company or a local policy for the subsidiary. An international liability program is what it takes, providing the necessary interplay between the parent company's master policy (with difference in conditions and difference in limits) and basic local coverage for the subsidiaries.

**International Employee Benefit Program.** The *win* (Winterthur International Network) plan is our international employee benefit program. It provides an annual report about all local benefit plans and involves facilitations in the acceptance of risks as well as in terms of transfer of coverage across national borders. Costs turn out considerably lower due to an international pooling, i.e. a consolidated program-wide profit and loss account.

Here are the *win plan's* chief advantages:

- Greatest possible flexibility in the choice of the experience rating system (7 different bases)
- Full information and breakdown of all items of multinational and local accounting
- Highly competitive retentions resulting in lowest possible costs to the client.

We're offering solutions for international insurance problems. Just as others are, too.

But then, we're based in Switzerland.

Just send us your business card. You'll get all the information about our services.

In-depth, detailed and factual.

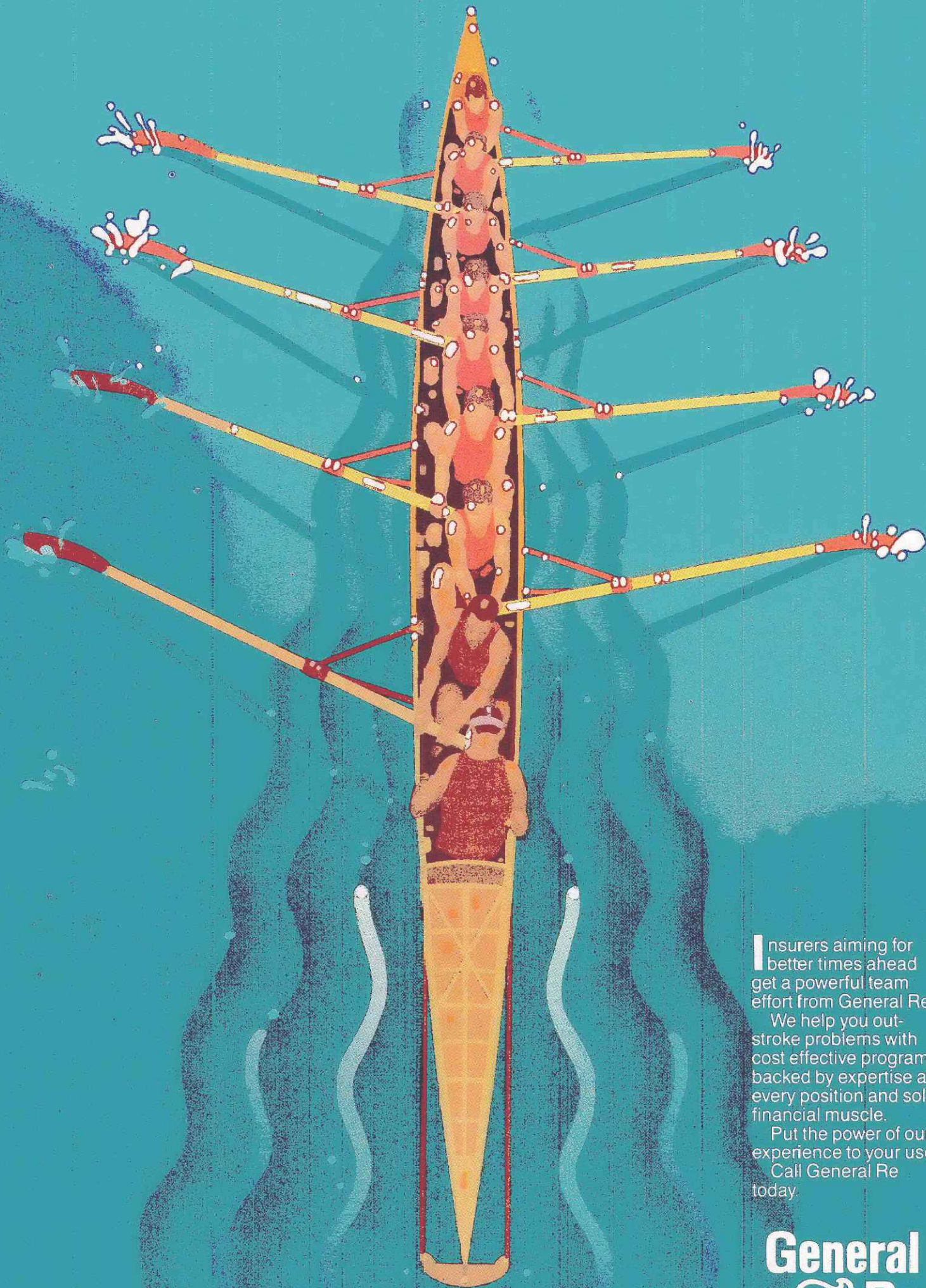
In a nutshell: Swiss-like.



«Winterthur» Swiss Insurance Company, International Division, Rudolfstrasse 1, P.O. Box 286, CH-8401 Winterthur  
Tel.: 0041-52-85 11 11, Telex: 896 785 wias ch, Telefax: 0041-52-22 44 42

«Winterthur» Swiss Insurance Company, U.S. Marketing & Service Unit, 55 East Jackson Boulevard - 12th floor  
Chicago, IL 60604, USA, Tel.: 822-4512, Telex: 25 287

# Pull through with General Re.



Insurers aiming for better times ahead get a powerful team effort from General Re. We help you out-stroke problems with cost effective programs backed by expertise at every position and solid financial muscle. Put the power of our experience to your use. Call General Re today.

**General  
Re**

*America's Largest Reinsurer  
Providing Quality Service to Quality Clients*

# WORKERS COMPENSATION

## New Zealand system holds lessons for U.S.

By Lawrence C. Baker Jr.

OVER THE PAST decade, the United States has repeatedly faced crises in compensating the victims of accidental injury. The 1972 National Study Commission on Workers' Compensation pointed to the meagerness of workers compensation benefits in many jurisdictions as well as to the problems of inadequate coverage. Since the release of this report, much has been done to improve benefits and to bring more workers under the scope of the workers compensation laws.

Yet, criticism continues as to both the adequacy and the certainty of compensation in many kinds of cases. The workers compensation system continues to be plagued by extensive litigation over entitlement to benefits arising out of controversy concerning the work-relatedness of the injury as well as the extent of the resultant disability.

Concurrently, problems in the tort liability system continue to grow. As spectacular awards proliferate, the cost of insurance soars and in some cases it becomes unavailable. The potential bonanza offered by high-value cases attracts more and more plaintiffs' attorneys, and in turn, more litigants are enticed into the system. The bigger stakes demand that equal efforts be expended by defendants, thereby making cases ever more complex.

The consequences are jammed courts, long delays in reaching trial or settlement and enormous expenditures of time, money and effort on the part of

**The effectiveness of the New Zealand compensation system in dealing with the social and economic consequences of disabling injuries shows us that working toward a comprehensive system is a feasible goal.**

plaintiffs and defendants alike. It is also apparent that awards for similar injuries to similarly situated victims may vary in the extreme, depending upon the jurisdiction involved, the type of case, the relative skills of the adversaries and the large measure of luck so often associated with the "each case on its own merits" jury trial system.

While the victims of accidental injury and deep-pocket defendants have much to be concerned with in the tort liability and workers compensation systems, for thousands of injured people, neither remedy is available. These people must rely on private medical and disability insurance, if they are fortunate and prudent enough to have secured it, or on various general social insurance programs, such as Social Security, Medicaid and general assistance.

In short, our system for compensating accident

victims in the United States can fairly be described as a patchwork with varying degrees of adequacy and timeliness of payment, numerous instances of over-compensation and a very high cost of administration.

Anyone seriously looking for alternatives to the current means of compensating injury victims in the United States ought to examine the New Zealand accident compensation system. Obviously, with a population of 3 million and an economy dominated by agriculture, New Zealand must deal with circumstances quite different from our own, but our respective legal and social environments are similar enough that a useful basis of evaluation exists.

In the 1960s, New Zealand's tort liability system, relying on the same English common law underlying our own legal principles, was fraught with delays and high administrative costs. The workers compensation system provided low benefits, but workers were able to sue their employers for injuries caused by negligence.

The problems of the system were addressed in the 1967 report of the Royal Commission of Inquiry on Workers' Compensation in New Zealand, a three-man commission chaired by the Honorable Mr. Justice Woodhouse of the New Zealand Supreme Court. In a remarkable and penetrating 188-page report, this commission recommended a sweeping change of

*Continued on next page*

*Lawrence C. Baker Jr. is president of Argonaut Insurance Co. in Menlo Park, Calif.*

## Tips can ease transition from self-insurance

By Ken R. Snipper

MANY SELF-INSURED employers are suddenly finding themselves faced with the need to insure their workers compensation exposure. The most common reason for employers to go back to a fully insured program is the revocation of the certificate to self-insure by the state department of self-insurance. Revocation procedures often follow the filing of financial statements that show a failing financial position.

In many situations, a request for "voluntary revocation of the certificate" by the state is accompanied by a knockout punch from a tightening bond market.

By the time a voluntary revocation request letter comes, the self-insured may already have been put on notice that the self-insurance bond will not be renewed. Finding another market for the bond may be impossible for a firm in poor financial health.

Dwindling size and payroll are the next most common reasons to consider a return to an insured program. Higher disability and medical costs make it more likely that retained losses will exceed manual premium.

Changes in the tax deductibility of self-insured reserves are also causing many risk managers to compare the aftertax net cost of insurance to the projected cost of retained losses, administrative and miscellaneous self-insurance costs.

Other reasons include acquisition by an insured corporation, filing for Chapter 11 under the bankruptcy code and divestment of a division by the self-insured employer.

Whatever the reason, though, the majority of these employers will find this change both painful and expensive. If you are faced with this transition, these tips may be useful in reducing the anxiety and cost of insuring your workers compensation risk.

In preparing for the change, it is important to consider some new problems you will have to solve.

They include:

- Who will make certain your payrolls are properly classified by code?
- How will you determine which type of loss-funding approach will be most cost effective?
- Will you require an inspection by the applicable rating bureau or insurer to classify your risk?
- Who will represent your interests if you are required to have a walk-through inspection?
- How will you be able to maintain quality control over your self-insured claims now that you only have a "claims-tail"?
- Was your contract with your claims administrator for the "life of the file" or "the life of the contract?" (A "life of the file" contract may result in deterioration of claims services after the administrator stops receiving service fees.)
- How can you release deposits or securities required by state regulators, bonding companies or banks (for a letter of credit)?
- Who has control of your self-insured loss information? Are computer tapes available from your administrator? If tapes are available, will you have to pay extra to obtain them or to request customized, hard-copy loss information?

Insuring a previously self-insured workers compensation risk was a relatively rare occurrence until recently. Finding a risk management/claims consultant who is familiar with the transition may be your first line of defense.

Some of the "pain relievers" such an individual can provide to ease the transition include:

- Representing your interests when your exposures are classified.
- Projecting an experience rating based on prior claims and payroll data.
- Helping your firm and the insurer obtain the data necessary to request an experience rating. Many self-insureds can qualify for a favorable rating, but insurers will not volunteer to obtain and submit the necessary information to the rating bureau.

- Working with your self-insurance claims administrator to develop a cost-effective "claims-tail" management program.
- Periodically auditing the administrator to make sure claims are being properly handled.
- Obtaining quotes for a "claims-tail buyout" if you want to release your self-insurance bond or deposits used as collateral for the bond or letter of credit.
- Providing a loss-projection and loss-funding feasibility study.
- Providing the details of a cost-containment approach to your workers compensation program.

After you have made a smooth transition into an insured program, an ongoing cost-containment program will help keep the lid on the skyrocketing cost of work comp insurance.

The cost-containment approach includes the best possible loss prevention, loss reduction and loss funding techniques.

A commitment to safety management is essential. If you are no longer unbundling loss-control services, your broker or consultant can monitor and supervise your insurer's safety program.

Claims should be audited by a claims professional before dividend calculations, retro adjustments and experience rating to make certain that reserves are in line with exposure. This helps to increase earned dividends and retro return premiums and reduce experience ratings.

Loss-funding programs should be evaluated according to exposure, premium size, past and projected loss experience and the types of markets available. Safety and claims service capabilities and dividend payment performance also should be considered when selecting an insurer.

By following these tips, the transition from self-insurance to insurance should be less confusing and, hopefully, less expensive as well.

*Ken R. Snipper is director of claims services at Bayly, Martin & Fay Inc. in Los Angeles.*

## New Zealand comp system

*Continued from preceding page*

outlook on accident compensation. Deficiencies in the existing systems were rigorously observed, not only as to their administration and practical operating difficulties, but also as to their fundamental philosophy.

In the words of the Woodhouse Commission Report, "Injury, not cause, is the issue. Few would attempt to argue that injured workers should be treated by society in different ways depending upon the cause of injury. Unless economic reasons demanded it, the protection and remedies society might have to offer could not in justice be concentrated upon a single type of accident to the exclusion of others. Nevertheless, there has been such concentration upon the risks faced by men during the working day that the considerable hazards they must face during the rest of each 24 hours (particularly on every road in the country) have been virtually disregarded. But workers do not change their status at 5 p.m., and if injured on the highways or at home, they are the same men and their needs and the country's needs of them are unchanged."

The report was based on two fundamental principles: first, that no satisfactory system of injury insurance can be organized except on a basis of community responsibility, and second, that wisdom, logic and justice all require that every citizen who is injured must be included, and equal losses must be given equal treatment. In other words, there must be comprehensive entitlement.

The scheme proposed in the report would provide immediate compensation for every injured person, regardless of his or her fault or whether the accident occurred in the factory, on the highway or in the home. The injured person would be entitled to compensation both for permanent physical disability and for income losses on an income-related basis; regular adjustments in the level of payment would be made to accord with the variations in the value of money; benefits would be provided for life, if necessary; the weekly maximum rate of compensation would be set at a level to safeguard the interest of people on every normal level of income; and physical and vocational rehabilitation would be encouraged. In all these ways, effective insurance would be provided for all the risks of the day.

However, the report did shy away from complete coverage for disability, in that, apart from occupational disease, sickness and other diseases were left uncovered. The anomaly was rationalized in the report:

"It may be asked how an incapacity arising from sickness and disease can be left aside. In logic there is no answer. A man overcome by ill health is no more able to work and no less afflicted than his neighbor hit by a car. In the industrial fields, certain diseases are included already. But logic on this occasion must give way to other considerations. First, it might be thought unwise to attempt one massive leap when two considered leaps can be taken. Second, the urgent need is to coordinate the unrelated systems at present working in the injury field. Third, there is a virtual absence of the statistical signposting which alone can demonstrate the feasibility of the further move. And, finally, the proposals now put forward for injury leave the way entirely open for sickness to follow whenever the relevant decision is taken."

In sum, the report recommended the complete abolition of the systems of personal injury liability, workers compensation and social security system *insofar as it covers people disabled by accident based on a means test*. Instead, a single, comprehensive scheme of accident compensation was proposed. In 1972, with a change in government, the scheme proposed in the Woodhouse Report was enacted with only a minor amendment.

Briefly, this is the way the system works. All people in New Zealand, including foreign visitors, are covered. Wage earners and the self-employed disabled by accidents are entitled to income replacement benefits totaling 80% of their actual reduction in take-home income. This benefit applies regardless of fault or whether the injury was caused by an accident on or off the job.

The benefit is also available for disability caused by occupational disease, including heart attack and stroke, arising in and out of the course of employment. Income-related benefits are also available for students and

trainees, based upon reasonable income potential. Both wage earners and those not employed are entitled to compensation for permanent loss or impairment of bodily function based upon a modest schedule of benefits. In 1982, the maximum benefit was \$7,000 New Zealand (\$3,850 at 1985 rates). And, lump-sum payments for amenities, capacity for enjoying life, disfigurement, pain and suffering, etc., are available. In 1982, the maximum was \$10,000 New Zealand (\$5,500 at 1985 rates).

All people are entitled to medical care and relief and services for both physical and vocational rehabilitation. Interestingly, the wage replacement benefit is not reduced if a person is able to effect vocational rehabilitation after their medical condition stabilizes.

Totally dependent widows or widowers are entitled to income replacement benefits at the rate of 50% of the earnings-related compensation that would have been payable to the deceased. Totally dependent children are entitled to similar benefits at the rate of one-sixth the benefit that would have been available to the deceased.

Funding of the system is divided into three parts:

- The Earners' Compensation Fund is funded through a payroll tax, the rate of which is based upon a system of classifications of industries. The average rate for the fund is a little more than 1% of payroll or self-employed income. This fund provides the payment for all losses to employed and self-employed people.

- The Motor Vehicle Compensation Fund, based upon motor vehicle and driver's license fees, provides payment to all people other than the employed or self-employed who are injured in vehicle accidents.

- The Supplementary Compensation Fund provides payment for claimants who are not entitled to benefits under the earners' or motor vehicle schemes. This funding is provided from general revenues.

Two percent of the system's expenditures are devoted to safety and accident prevention. Administrative overhead, including the costs of hearings, is less than 8% of the total.

Claimants are entitled to review hearings if they are dissatisfied with the primary decision of the commission or its officers. The hearings amount to a fresh look at the administrative decision already made. The primary decision will have been reached on the basis of the original claim form, additional information furnished by the claimant and any material obtained by the commission itself, such as medical reports or statements regarding past income performance.

Proceedings are kept fairly informal, with a view toward giving and obtaining that information that will assist in reaching a fair and satisfactory disposal of the issues. Claimants may be represented by counsel, but an attorney collects a fee only when a hearing officer determines that his or her representation was necessary to obtain a reasonable result.

If a claimant is not satisfied with the result of the review hearing, an appeal may be made to a special appeal authority and go from there to the Supreme Court and on to the Court of Appeal. In practice, very few cases proceed

beyond the review hearing.

All reports I have read about the New Zealand system, and my own casual observation in 1981, have convinced me that the public in New Zealand is greatly satisfied with the fairness of the system and with its administration.

It should be remembered, of course, that New Zealand is a small country, relatively isolated from the rest of the world and with a very strong sense of community. There is little tolerance for fraud or malingering, either in the administration of the system or in the community at large. The nation is culturally homogeneous, clings to a strong work ethic, pays fairly steep progressive tax rates and is essentially egalitarian.

Enactment of such comprehensive legislation was politically feasible only because of New Zealand's parliamentary form of government and strong party discipline. A very active personal injury bar and more than 60 insurance companies engaged in liability and workers compensation were strongly opposed to the legislation. Nevertheless, the Labor government, shortly after coming to power, enacted almost intact the scheme proposed by the Woodhouse Commission. The success and popularity of the scheme ensured its continuing existence through subsequent years of National (conservative) party administration.

Obviously, in our political system, with its 50 different state jurisdictions and two-house legislatures strongly influenced by special interest lobbies, it would be virtually impossible to enact a single piece of legislation so broad in scope as the New Zealand accident compensation system. Nevertheless, the model New Zealand provides can be useful in guiding policymakers when they consider problems connected with either the personal injury tort or the workers compensation systems. What cannot be done in a single stroke may evolve over a period of years as a result of periodic crises and evolutionary change.

No-fault automobile schemes, while frequently stalled out on inadequate benefits and invariable failure to provide exclusivity of remedy, may, by eliminating tort actions, be overhauled in some jurisdictions in the future.

Litigation arising out of asbestos-related disease has given rise to several proposals calling for compensation schemes to replace the combination of workers compensation and personal injury lawsuits. Professor Jeffrey O'Connell of the University of Virginia Law School has proposed a scheme of providing medical and disability income insurance in addition to statutory workers compensation coverage.

All of these illustrate the logic and economy of applying a single benefit scheme to disabling injuries.

The effectiveness of the New Zealand accident compensation system shows us that working toward a comprehensive system is a feasible goal.

## Compensation of minors constitutional

The Minnesota Workers' Compensation Act providing for compensation of permanently disabled minor employees did not deny equal protection of the law to employers of minors and was, therefore, constitutional, according to a ruling handed down by the Minnesota Supreme Court.

Under the Minnesota act, permanently disabled minors were compensated at a rate based on the larger of their weekly wage or the statewide weekly wage. The statewide average was, at the time of this decision, the maximum rate of compensation.

Thus, a minor who sustained a permanent disability would receive compensation at the maximum rate even though his weekly wages may have been well below that maximum rate.

In contrast, adults were compensated at two-thirds of their wages at the time of injury up to the maximum rate. Because of this difference, it was possible for a minor to receive greater disability benefits than an adult who was working in the same job and who sustained the same injury.

In this case, John Boevers, who was 17 years old, sustained a 5% permanent partial disability of his back while he was both employed and covered under a policy issued by Bituminous Casualty Corp. His temporary total disability benefits of \$100.52, therefore, were ordered to be increased to \$226 per week, which was the maximum rate

### legal briefs

at that time.

The employer and insurer challenged the amount of benefits.

On appeal, the insurer argued that employers of minors were denied equal protection of the law by having to pay greater disability benefits than employers of adult workers.

However, the court noted that the law classified minors and adults uniformly, thereby treating equally all those who were similarly situated.

Also, the court said general and substantive distinctions between minors and adult employees necessitated the legislature justifying different treatment. For one, the court said that minors generally earn less than adults and have a longer working life ahead of them. Bituminous Casualty Corp. vs. Swanson, Supreme Court of Minnesota, Dec. 23, 1983 (BI/02/J.-\$5).

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

*The Ask a Benefit Manager column by Joseph W. Duva will appear in next week's Perspective section of Business Insurance.*

## State comp funds

Continued from page 29  
and employees pay 30%.

Last year, a task force rejected a similar proposal, and the governor has said he will veto any bill allowing insurer competition.

Also last year, the governor of Nevada did veto a bill that would have changed that state's exclusive state fund to a competitive one.

But, if any new state funds are established, they are likely to be competitive rather than exclusive, observers say.

The movement is away from monopolistic funds, says Kevin Ryan, NCCI president.

"I don't think any state has the combination of assets needed to start a monopolistic state fund, and I don't think that they want to become that big that quickly," says Liberty Mutual's Mr. Purkis.

But, even competitive funds are not inexpensive.

Starting a competitive fund in Illinois, for example, would cost between \$10 million and \$12 million, according to Richard Walsh, legislative and political director for the Illinois State AFL/CIO.

Labor has backed bills to establish a competitive state fund for the past three legislative sessions, but the bills have never gotten very far because the state has been in a budget crunch and doesn't have the money to start up a fund, Mr. Walsh said.

"We didn't push the point because of it," he said.

When a state considers establishing or changing its state fund, the lines between proponents and opponents are pretty clearly drawn.

The strongest supporters of state funds have been consumer and labor groups.

"Labor unions are the prime movers for state funds," said Robert Hunter, president of the National Insurance Consumer Organization. "They think they can get more benefits for the buck."

Opponents tend to be most insurers and insurance trade organizations.

If a state operates a workers compensation fund, insurers want it to be a competitive one that operates on the same footing as the commercial market.

"We are for a free enterprise system," said Donna R. Symonds, director of workers compensation product development for the Aetna Insurance Co.

In Utah, the state fund writes 50% of the workers compensation coverage there, and it had written as much as 70% to 75%, said R. Glenn Taylor, rate analyst with the Utah Insurance Department. The state fund deviated 27.5% from NCCI rates in 1984 and, even with that deviation, had an underwriting profit.

"The (insurance) companies are having a hard time competing with the state fund because it is able to maintain that large deviation," he said.

Employers primarily prefer systems that allow a state fund, commercial insurance and self-funding.

But, proponents of state funds point out certain advantages:

- **Efficiency.** Mr. Hunter supports state funds—especially exclusive ones—because they are more efficient, he says.

The average expense ratio for the period 1974 to 1978 was 7.1% for state funds, 13.8% for mutuals and 18.8% for stock carriers, according to the recently released Hawaii study of workers compensation, which cited figures from A.M. Best Co. in Oldwick, N.J.

State funds also return investment income to the fund.

"The plowing back of hundreds of millions of dollars of investment income back into the delivery system may in part explain why Ohio is able to pay back approximately

60% more in benefits per premium dollar than in the many states that set rates for private carriers without reference to the vast amounts of investment incomes earned by the insurers," according to testimony before the House of Representatives Committee on Small Business in 1981.

Investment earnings for Ohio's exclusive state fund in 1983 were about \$345 million, which is 22.7% higher than in 1982, according to Steve Gelety, director of public affairs.

State funds also provide a market for poorer risks. In states with competitive state funds, this allows private insurers to hold down their

losses and they, therefore, can return larger dividends to their policyholders.

The presence of a competitive fund also can influence rates.

"It (a competitive state fund) tends to put a cap on the market so that the private underwriters have to sharpen their pencils," said Mr. Hunter.

He said this is especially true in states like Michigan, Minnesota and Oregon that have not only a competitive state fund, but also competitive rating.

- **Innovation.** Several state funds have innovated the delivery of benefits and have facilitated the introduction of new technologies

for helping injured workers, according to the Hawaii report. Funds in Washington and Nevada have provided comprehensive services to injured workers through a network of resident facilities and outpatient rehabilitation nurses and counselors, the report said. Ohio also has been an innovator in rehabilitation services.

The California, Oregon and Washington funds have adopted highly sophisticated computer technologies for automatic claims handling and team management of cases, according to the report.

- **Consistency.** Because there is only one underwriter, the classification of workers for rating pur-

poses is more uniform in states with exclusive state funds. Claims handling also is often more uniform.

However, state funds do have some limits.

Exclusive and competitive state funds both are limited in that they can only write coverage for employers within their respective states and they write only workers compensation coverage.

"This means that they cannot cover the exposures of multistate employers, and they cannot design integrated packages that afford premium savings when other insurance needs are integrated," the

Continued on next page



## How to design a more efficient flexible compensation plan.

Draw on Peat Marwick's unequalled tax experience and our computer systems and human resources expertise.

The future of compensation is to be flexible. The benefits to employees are obvious. Recently, however, questions have arisen about the tax implications of some programs.

The question is this: Can a flexible compensation plan be developed that complies with the tax code, and at the same time helps management control rising costs?

The answer is yes. And Peat Marwick is uniquely qualified to do it. Drawing on a tax services department with unsurpassed experience, we are also at the forefront of computer systems development and human resources consulting. It is with the synergistic combination of these skills that we work with you to create an efficient flexible compensation program specifically designed to integrate with your overall business strategy.

Flexible compensation is only one of the services offered by Peat Marwick's Human Resources Consultants. Others include executive compensation, employee benefits and personnel services.

Peat Marwick has just completed an in-depth analysis of flexible compensation planning in 550 companies. For a free copy of the executive summary of this study, send in the coupon below, or call **800-344-3600** (in Illinois 800-328-4200).

Mail to: Peat, Marwick, Mitchell & Co.,  
345 Park Avenue, Box FC, New York, NY 10154

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_  
FC-BI-1/14/85

**PEAT  
MARWICK**

Accounting and Auditing/  
Tax Services/Management Consulting/  
Private Business Advisory Services

## State comp funds

Continued from preceding page  
Hawaii study pointed out.

Others say state funds often are not as flexible as insurers can be. Some competitive state funds do not deviate from the manual workers compensation rates, which results in less flexible pricing, said Dale Broadwater, property/casualty actuary for the Pennsylvania Insurance Department.

And, some fear that their exclusivity can make monopolistic funds less efficient.

"Because it is the only one operating, it can become fat, lazy and bureaucratic," commented Mr. Hunter.

"A monopolistic state fund carries with it the dangers of any monopoly—it tends to be inefficient, bureaucratic and potentially corrupt," said Larry Baker, president of Argonaut Insurance Co.

The glow of some traditionally

efficient state funds has been diminished in recent years by problems, including pressure placed on the funds to pay outstanding comp claims when self-insured employers go bankrupt, the cost of long-tail occupational illnesses and legislatures that refuse to approve adequate administrative budgets for the state funds to operate efficiently.

Ohio traditionally has been known for the efficient operation of its exclusive state fund, but it is now facing new challenges in providing workers compensation benefits to workers whose self-insured employers go bankrupt (BI, July 30).

The State Insurance Fund's surplus fund in 1983 paid out almost \$4.2 million in benefits to injured workers whose claims were not covered by the bankrupt employers' surety bonds.

Long-tail occupational illnesses also make it hard for state funds,

especially exclusive state funds, to properly reserve for losses, said Mr. Broadwater.

The debt is deferred because it becomes politically impossible to fund it currently. "It requires today's generation to pay for yesterday's losses and tomorrow's to pay for today's," he said.

In addition, some state funds have seen their share of the market decline.

In Michigan, the state fund now has only a 3% share of the workers compensation market compared with 6% to 7% in recent years, and in Colorado, the state fund's share of the market has dropped to 34% from 60% in 1981 due to an increase in self-funding, said Gene Glascock, supervising insurance analyst.

Other observers say state funds are barred from operating efficiently because their legislatures refused to increase the funds' administrative budgets. ■

## comings & goings: buyers

# University names Klimon to risk management post

Ellen J. Klimon, 38, has been promoted to director of risk management and insurance for the University of Cincinnati.



Ms. Klimon

She replaces William H. Fischer, who has been

promoted to senior assistant vp of the university's medical center. Ms. Klimon reports to Mr. Fischer and Dale McGirr, acting vp for finance and treasurer. Previously, Ms. Klimon was associate director of the university's office of risk management and insurance. She received a bachelor of arts degree in psychology from Rosemont College in Philadelphia in 1972 and a juris doctor degree from the University of Cincinnati College of Law in 1978. She is also a Chartered Property & Casualty Underwriter.

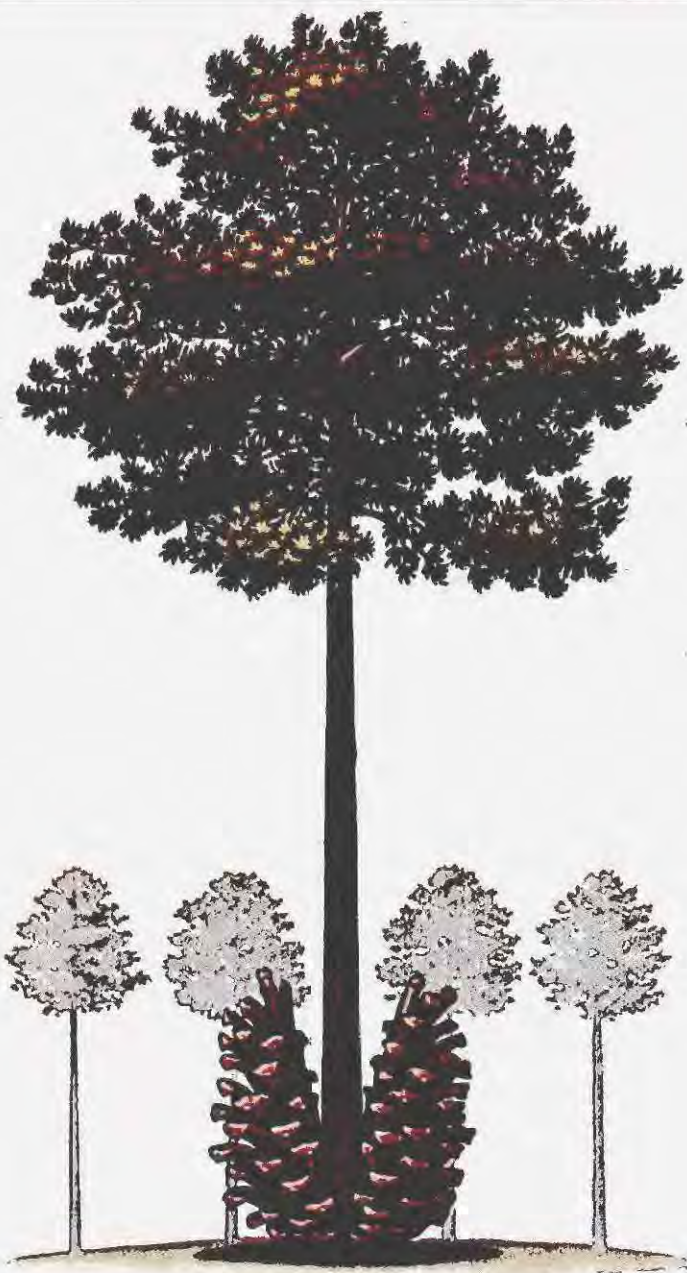
In addition, David F. Schwallie, 24, has been appointed assistant director of risk management and insurance for the University of Cincinnati. In this newly created position, Mr. Schwallie is responsible for claims management and loss-control activities and will report to Ms. Klimon. Mr. Schwallie received a bachelor's in economics from the University of Dayton in 1981 and a law degree from the University of Cincinnati in 1984.

Joseph A. Anastasio, 35, has joined Sun Chemical Corp. in New York as manager of corporate insurance. In this newly created position, he is responsible for domestic and international property and casualty insurance and will assist in the administration of other corporate insurance activities. He reports to Thomas Basil, director of corporate insurance. Previously, Mr. Anastasio was assistant risk manager for Freeport McMoran Inc., a mineral, oil and gas exploration firm in New York. He received a bachelor's in economics from Queens College in New York in 1971 and a master's in business administration from the College of Insurance in New York in 1976. He also has received the Associate in Risk Management designation.

Gerald M. Goetz, 39, has been promoted to vp at Manufacturers Hanover Trust Co. in New York. In this newly created position, Mr. Goetz is responsible for worldwide risk management and insurance programs for the company and its subsidiaries. He reports to Vp William Haggerty. Previously, he was assistant risk manager for City Investing Co. in New York. He received a bachelor's in communication arts from Seton Hall University in South Orange, N.J., in 1972.

Shan Chen, 28, has joined the Valero Energy Corp. in San Antonio, Texas, as risk management, research and accounting analyst. Ms. Chen is responsible for the insurance analysis for Valero's 30 subsidiaries. She replaces Henry Herrera, who left the company to become financial systems administrator for the Coca-Cola Bottling Co. of the Southwest in San Antonio. Ms. Chen reports to Gary W. Spangler, manager of risk management. Previously, Ms. Chen was a senior accountant for the Certified Public Accounting firm of Cox & Cox in Houston. She received a bachelor of business administration degree from National Taiwan University in Taipei, Taiwan, in 1978 and a master of professional accounting degree from West Texas State University in 1980.

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Diane Kastiel, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5393. Please send a photograph, too.



## No other investment grows like this.

Over the past thirty years, timberland has significantly outperformed both stocks and bonds.

Better yet, it achieves higher real rates of return while reducing the total volatility of your portfolio.

With prices currently depressed and expected to rise over the long term, industry analysts consider timberland a substantially undervalued asset.

The time to buy is now.

And the fund to buy is Timberfund.™

A closed-end fund from Equitable, it offers pension sponsors even more than most timberland investments.

A flexible policy with regard to timing lets us

buy low and sell high. We'll hold properties until the time is right to sell. Meanwhile, Timberfund will be actively managed to enhance returns with sophisticated marketing of timber products and on-site scientific forestland management.

All of this allows us to increase the potential for maximizing capital appreciation and cash flow over the life of the investment.

Contact Nick Lopardo, Senior Vice President, The Equitable, 1270 Avenue of the Americas, New York, New York 10020, (212) 315-7759.

He'll show you how we can help your pension fund grow.

**THE EQUITABLE**  
Financial Services

# Compilation of informational material

## captives

- A brochure describing the history of **captives in Bermuda** and the growth of the captive concept is available from Arthur J. Gallagher & Co. For a free copy, write 1 in the box on the reader service coupon.

- The option of "**renting**" an **existing captive company** and the possible benefits of such a program are discussed in a brochure available from CIGNA Corp. For a free copy, write 2 in the box on the reader service coupon.

## commercial property/ casualty insurance

- A directory of Crawford & Co.'s **casualty and property adjusters, risk control consultants and rehabilitation personnel** is available. For a free copy, write 100 in the box on the reader service coupon.

- A flier describes Transamerica Insurance Services' insurance coverage for **auto parts stores**. For a free copy, write 101 in the box on the reader service coupon.

- Information on the **Pollution Liability Insurance Assn.**, a liability reinsurance pool, is available in a brochure from the association. For a free copy, write 102 in the box on the reader service coupon.

- A brochure describing **insurance and business management books** and rate and coverage manuals published by The Merritt Co. is available. For a free copy, write 103 in the box on the reader service coupon.

- Transamerica Insurance Services offers a flier describing its insurance coverage for **bakeries**. For a free copy, write 104 in the box on the reader service coupon.

- The 1,600-page "General Liability Manual," which interprets the current **standard policy forms and endorsements**, is described in a brochure available from International Risk Management Institute Inc. For a free copy, write 105 in the box on the reader service coupon.

- Liberty Mutual Insurance Co.'s insurance coverages for **high-tech industries** are described in a brochure. For a free copy, write 106 in the box on the reader service coupon.

- Issues concerning the **commercial insurance marketplace and the property/liability insurance services** of George F. Brown & Sons Inc. are discussed in a twice-yearly publication of Interstate National Corp. For a free copy, write 107 in the box on the reader service coupon.

- A cassette available from Shand, Morahan & Co. Inc. offers information on **unauthorized computer access** insurance to brokers. For a free tape, write 108 in the box on the reader service coupon.

- Insurance coverage for **heating contractors** is the subject of a flier available from Transamerica Insurance Services. For a free copy, write 109 in the box on the reader service coupon.

- A brochure explains Chubb International's Exporter's Package program for **small to medium-**

**sized exporters and importers.** For a free copy, write 110 in the box on the reader service coupon.

- A booklet for brokers discusses Shand, Morahan & Co. Inc.'s **unauthorized computer access coverage**. For a free copy, write 111 in the box on the reader service coupon.

- A flier that is available from Transamerica Insurance Services outlines the company's insurance coverage for **apartment building owners**. For a free copy, write 112 in the box on the reader service coupon.

- A reprint available from Shand, Morahan & Co. Inc. discusses **computer insurance**. For a

free copy, write 113 in the box on the reader service coupon.

- Insurance coverage for **landscaping contractors** is outlined in a flier available from Transamerica Insurance Services. For a free copy, write 114 in the box on the reader service coupon.

- A reprint entitled "Beware of the 'Hacker' Attack," which describes **computer break-ins and insurance protection**, is available from Shand, Morahan & Co. Inc. For a free copy, write 115 in the box on the reader service coupon.

A flier outlining the company's coverage for **plumbing contractors** is available from Transamerica Insurance Services. *Continued on next page*

## Guide to special Info section

This special Info section is an editorial compilation of the current informational materials available on topics of interest to risk, employee benefit and financial executives. The listings are published free of charge by *Business Insurance*.

The materials, all available to readers free of charge, are organized under the following headings in this order: captives, commercial property/casualty insurance, employee benefits, fidelity and surety, financial services, loss control, marine, reinsurance, risk management, self-insurance services and workers compensation.

To receive any of the free brochures, booklets, pamphlets or fliers described in this special section, simply write the key numbers of the items you want in the boxes on the reader service coupons printed on pages 37, 40, and 44.

Mail the coupon to *Business Insurance*, P.O. Box 321, Glenview, Ill. 60025.

All requests for the free Info material must be received before March 15.

# Maybe we should be called Western Eastern Northern Southern & Central Employers Insurance



Let's face it, sometimes being called Western Employers creates a little confusion. Our name implies that we're only in the west when actually we're all over the country.

We started in the west and quickly grew by providing the finest loss control, rehabilitation and benefits programs for larger companies.

Each account is assigned a complete service team to help reduce accidents and effectively handle losses. Their direct involvement greatly reduces

your administrative time and results in a considerable savings to your client.

Today, Western Employers serves every state from regional headquarters throughout the United States.

We have built quite a name for ourselves. We think we'll keep it.

**WE WESTERN EMPLOYERS INSURANCE**

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

Phoenix, AZ Fullerton, CA Los Angeles, CA San Francisco, CA San Mateo, CA Orlando, FL  
Chicago, IL Bedford, NH Roseland, NJ New York, NY Portland, OR Dallas, TX Houston, TX

**spotlight report**

Continued from preceding page  
merica Insurance Services. For a free copy, write 116 in the box on the reader service coupon.

• **Legal notice requirements** under insurance contracts is the subject of a reprint that is being offered by Shand, Morahan & Co. Inc. For a free copy, write 117 in the box on the reader service coupon.

• Transamerica Insurance Services' coverage for **retail-mercantile businesses** is described in a flier. For a free copy, write 118 in the box on the reader service coupon.

• A brochure describes Transamerica Insurance Services' insurance coverage for **electrical contractors**. For a free copy, write 119 in the box on the reader service coupon.

• Insurance for **office buildings** is the subject of a flier available from Transamerica Insurance Services. For a free copy, write 120 in the box on the reader service coupon.

• "Take This 3-Minute Test" is a folder containing a six-question test on **liability exposures for security guard services** and a checklist for what must be covered for proper protection. The folder is available from Brownyard Agency of Texas. For a free copy, write 121 in the box on the reader service coupon.

• A flier describing insurance coverage for **hardware stores** is available from Transamerica Insurance Services. For a free copy, write 122 in the box on the reader service coupon.

• The Oracle, a bimonthly newsletter that is available from

Dallas-based broker Maclean, Oddy & Associates, contains information about various **products and services** that are available from the company. For a free subscription, write 123 in the box on the reader service coupon.

• Transamerica Insurance Services outlines its insurance coverage available for **printing plants** in a flier. For a free copy, write 124 in the box on the reader service coupon.

• The services available from Industrial Risk Insurers, including **loss control and claims handling services**, are outlined in a brochure. For a free copy, write 125 in the box on the reader service coupon.

• Insurance coverage for **mortuaries** is discussed in a flier available from Transamerica Insurance Services. For a free copy, write 126

in the box on the reader service coupon.

• A flier describes Transamerica Insurance Services' coverage for **churches**. For a free copy, write 127 in the box on the reader service coupon.

• A flier describes "The New Transplan II," **business coverage** available from Transamerica Insurance. For a free copy, write 128 in the box on the reader service coupon.

• The Interstate Insurance Group's magazine, *The Backer*, is published three times a year and describes selected **specialty coverages** that are underwritten by the Interstate Insurance Group as well as commercial property and liability insurance producers and general liability concerns. For a free subscription, write 129 in the box on the reader service coupon.

**employee benefits**

• PCC Newsletter, a bimonthly publication containing information on **health, drugs, employee benefits, workers compensation** and related legislation, is available from PCC/Drug Data Systems Inc. For a free one-year subscription, write 200 in the box on the reader service coupon.

• The features of the **Omni Health Network**, a system of health care cost controls, are discussed in a brochure available from Ampro Data Systems Inc. For a free copy, write 201 in the box on the reader service coupon.

• A booklet providing information on a **mail-order prescription drug program** is available from Federal Prescription Service Inc. For a free copy, write 202 in the box on the reader service coupon.

• A general information package that describes various types of **dental benefit plans** is available from the American Dental Assn. For a free copy, write 203 in the box on the reader service coupon.

• The **benefit management services** of Arthur J. Gallagher & Co. are described in the booklet, "Daring to be Better." For a free copy, write 204 in the box on the reader service coupon.

• "Employer's Guide to Disability Management," available from National Industrial Rehabilitation Corp., is a brochure describing a step-by-step process for development of a **disability management program**. For a free copy, write 205 in the box on the reader service coupon.

• A booklet describing **health care cost-containment programs** available to regional and national corporations, insurers and claims administrators is available from the Medical Review Corp. For a free copy, write 206 in the box on the reader service coupon.

• "Multiple-Option Flexible Benefit Plans," the results of a survey conducted by William M. Mercer-Meindinger Inc., examines the **multiple-option (full flex) plans** sponsored by 23 companies. For a free copy, write 207 in the box on the reader service coupon.

• **Split-dollar life insurance plans** are discussed in a flier available from General American Life Insurance Co. For a free copy, write 208 in the box on the reader service coupon.

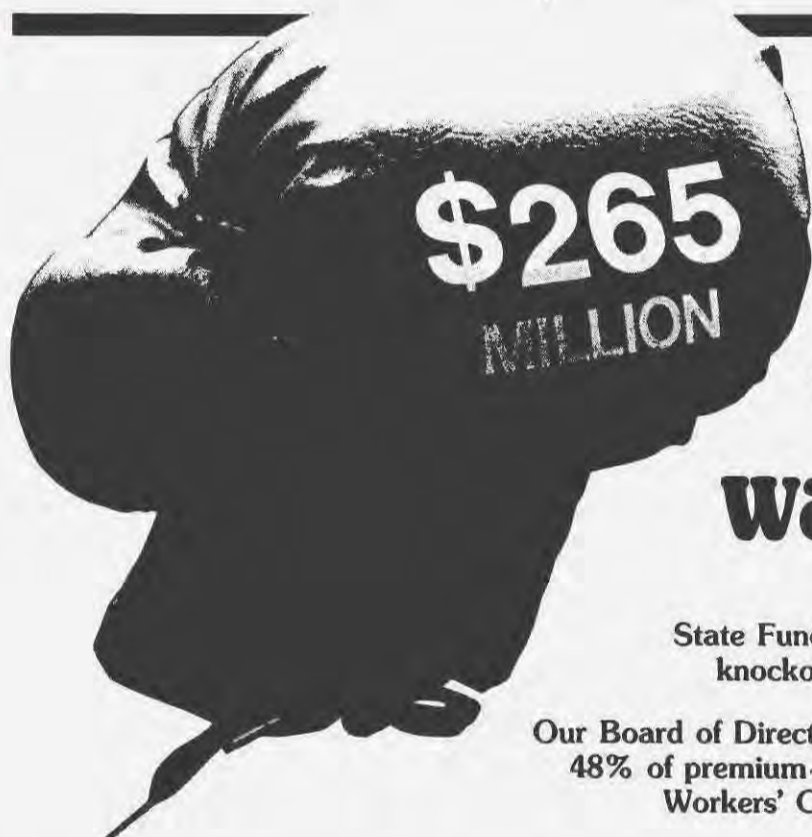
• A brochure describing PCC/Drug Data System Inc.'s **program designed to avoid excessive hospital charges** is available from the company. For a free copy, write 209 in the box on the reader service coupon.

• A brochure describing the **direct reimbursement approach to dental benefit programs** is available from the American Dental Assn. For a free copy, write 210 in the box on the reader service coupon.

• "Rx Facts," an underwriting guide for **prescription drug programs**, is available from PAID Prescriptions Inc. For a free copy, write 211 in the box on the reader service coupon.

• "Your Guide to Choosing and Using a PPO," a brochure from Preferred Health Network, discusses questions employers may have about **preferred provider organizations**. For a free copy, write 212 in the box on the reader service coupon.

Continued on facing page



## A Dividend with a wallop

State Fund's 1983 dividend delivers another knockout punch to high insurance costs.

Our Board of Directors has set aside \$265,300,000—48% of premium—for payment of 1983 policy year Workers' Compensation Insurance dividends.

We will continue to calculate dividends twice—with 100% payment of what you earn 10 months after policy expiration and any additional earned dividend at 22 months—with NO RECAPTURE, of course.

There continues to be NO LOSS CONVERSION FACTOR.

We're proud of what we give to California employers in both dividends and service. It's a direct result of State Fund's hard work to help keep insured employers' workplaces safe.

Contact us today, to find out what the impact might have been on the bottom line of your business if you'd been insured with State Fund.

### THE HEAVYWEIGHT CHAMP, AGAIN!

#### STATE FUND DISTRICT OFFICES

ARCADIA	818-445-4030	LOS ANGELES	213-385-1531	SAN JOSE	408-297-1714
BAKERSFIELD	805-834-8300	OAKLAND	415-638-1500	SANTA ANA	714-567-2800
CERRITOS	213-402-8600	REDDING	916-243-8400	SANTA ROSA	707-544-6200
CULVER CITY	213-670-3623	SACRAMENTO	916-924-3440	STOCKTON	209-951-0080
EUREKA	707-443-9721	SAN BERNARDINO	714-884-7281	VENTURA	805-644-4300
FRESNO	209-445-5858	SAN DIEGO	619-560-1600	WOODLAND HILLS	818-888-4750
		SAN FRANCISCO	415-565-1344		

Under California Law it is unlawful for an insurer to promise the future payment of dividends under an unexpired workers' compensation policy or to misrepresent the conditions for dividend payment. Dividends are payable only pursuant to conditions determined by the Board of Directors or other governing board of the Company following policy expiration. It is a misdemeanor for any insurer or officer or agent thereof, or any insurance broker or solicitor, to promise the payment of future workers' compensation dividends. Past dividend performance is no guarantee of an insurer's future dividend performance.

## STATE COMPENSATION INSURANCE FUND

Continued from facing page

• Methods of providing improved **prescription drug coverage** while reducing its cost are described in a brochure available from National Pharmacies Inc. For a free copy, write 213 in the box on the reader service coupon.

• "Life Energy," **universal life insurance on a payroll deduction basis**, is described in a kit available from North American Co. for Life and Health Insurance. For a free copy, write 214 in the box on the reader service coupon.

• A booklet, "Rehabilitation: Medical Case Management," describes a program designed to **manage the care and cost of catastrophic illness or injury** and is available from The Equitable Group. For a free copy, write 215 in the box on the reader service coupon.

• A kit containing information on a step-by-step process for designing and administering a **direct reimbursement dental plan** is available from the American Dental Assn. For a free copy, write 216 on the reader service coupon.

• **The Prepaid Legal Services program** of Midwest Mutual Insurance Co. is detailed in a kit available from the company. For a free copy, write 217 in the box on the reader service coupon.

• A booklet available from The Equitable Group, "Pre-Admission Review," examines the value of **pre-certification for hospital admissions** and gives a step-by-step analysis of the operation of such a program. For a free copy, write 218 in the box on the reader service coupon.

• The results of a 1983 survey of **hospital costs** in 1,600 cities are reported in a booklet available from The Equitable Group. For a free copy, write 219 in the box on the reader service coupon.

• An information package describing **dental benefit plans** for small employers is available from the American Dental Assn. For a free copy, write 220 in the box on the reader service coupon.

• "Managed Second Surgical Opinion," a booklet available from The Equitable Group, explains the administration of a program **providing second opinions** for certain surgical requests. For a free copy, write 221 in the box on the reader service coupon.

• "Delta 10 Point Dental Plan Comparison Chart," a checklist of comparative features of **group prepaid dental benefit programs**, is available from Delta Dental Plans Assn. For a free copy, write 222 in the box on the reader service coupon.

• "Effective Hospital Medical Audits," a brochure available from American Service Bureau, discusses selective **auditing of hospital claims** as a method of benefits cost-containment. For a free copy, write 223 in the box on the reader service coupon.

• A sample copy of "Your Health '85 Custom Calendar," which contains **health information**, promotes cost-containment and can be customized for companies, is available from Your Health and Fitness. For a free copy, write 224 in the box on the reader service coupon.

• A sample copy of Your Health & Fitness magazine, which contains articles for employees on **health care cost containment** and health promotion and can be customized for companies, is available

from Your Health and Fitness. For a free copy, write 225 in the box on the reader service coupon.

• "Plan Design Evaluator" is a booklet describing The Equitable Group's **benefits audit program**. For a free copy, write 226 in the box on the reader service coupon.

• StayWell, a group of worksite **health promotion products and services** for business, industry and health care providers, is described in a brochure available from Control Data Healthcare Services. For a free copy, write 227 in the box on the reader service coupon.

• "The Plan," a program with modular coverage **benefit design** for small groups, is described in a brochure available from Washington National Insurance Co. For a free copy, write 228 in the box on the reader service coupon.

Continued on next page

## Use this coupon to obtain info data

To obtain copies of literature and information about products and services listed in this special info section, simply indicate the key numbers for the items you want and mail to:

### business insurance

P.O. Box 321, Glenview, Illinois 60025

Requests will be processed promptly. Fill out the coupon completely. Do not omit any information.

Please send the following data from the **January 14, 1985 issue** (insert key number of each item wanted).


Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Nature of company's business \_\_\_\_\_

Please send Business Insurance subscription information. Please type or print legibly and fill out completely.

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 15, 1985.

## J&H INFOLINE

INFORMATION AND IDEAS ON RISK MANAGEMENT AND BENEFITS FROM JOHNSON & HIGGINS

NO. 4

### Are Wellness Programs Key To Benefit Cost Containment?

Corporate America's running battle with health care costs has focused primarily on containment strategies that employ tightened claims administration, use of preferred providers, and benefit plan redesign.

Many corporations are becoming convinced, however, that effective containment also requires managing employee health. These companies are investing in wellness programs in hope of avoiding the costly employee medical care cycle.

Corporate wellness program results have not yet been quantified extensively, but it is obvious that employee health affects the corporate bottom line. Studies by the Center for Disease Control in Atlanta and results from established corporate wellness programs indicate that unhealthy lifestyles are closely associated with chronic absenteeism and premature death. The CDC links 53% of premature deaths to hypertension, poor diet, and lack of exercise. Only 9% of the deaths studied were related to infections.

If a corporation can help employees stay well, it can expect savings beyond reduced health benefit claims. Workers' compensation, short-term disability, and long-term disability costs will be affected, and overall productivity can be expected to improve.

Companies committed to health improvement have to do more than pay lip service to the wellness concept. They must adopt a health care management system that includes:

- An evaluation of employees' health.
- A determination of how dollars are to be focused.
- A timetable for meeting goals.

Most importantly, there must be a monitoring system to help determine when and if positive modification has occurred. The company should know if employees are more aware of managing their health; whether their attitudes toward health and fitness have changed; if, in fact, they have changed their behavior; and whether they are enjoying better health as a consequence.

The J&H National HealthGroup, a cadre of health care professionals and employee benefits experts, helps corporations develop wellness systems tailored to the needs of their work force. Our programs draw on risk reduction concepts similar to those underlying sophisticated property and casualty risk management programs to help employers achieve similar control of costs in health care. For more information, call Gail Wasserman, 212-701-8576.

Continued from preceding page

• The features of Washington National Insurance Co.'s **group dental plan** are described in a brochure, "Brush up with Group Dental." For a free copy, write 229 in the box on the reader service coupon.

• **Cost-containment programs** are discussed in "Claims Cost Controls," a booklet available from The Equitable Group. For a free copy, write 230 in the box on the reader service coupon.

• A brochure from the Washington National Insurance Co. outlines the features of the company's

"A Vision Care Plan." For a free copy, write 231 in the box on the reader service coupon.

• Issues concerning **management of health care costs** are discussed in "Healthcare Cost Management," a booklet that is available from The Equitable Group. For a free copy, write 232 in the box on the reader service coupon.

• Washington National Insurance Co.'s **disability insurance provisions** are described in a brochure. For a free copy, write 233 in the box on the reader service coupon.

• Liberty Mutual Insurance Co.'s **medical and rehabilitation programs** are described in a 16-page booklet called "Commitment to Care & Cost Containment." For a free copy, write 234 in the box on the reader service coupon.

• Benefits Today, a biweekly newsletter providing overviews and analyses of **current trends in benefit plans**, is described in a brochure available from The Bureau of National Affairs Inc. For a free copy, write 235 in the box on the reader service coupon.

• "LegalLine," a **prepaid legal service** for employees, is described

in a booklet available from LegalLine Inc. For a free copy, write 236 in the box on the reader service coupon.

• A **dental benefits program** based on preventive care and pre-certification for certain procedures is described in "Active Dental Care," a booklet available from The Equitable Group. For a free copy, write 237 in the box on the reader service coupon.

• A booklet outlines The Equitable Group's method of evaluating and monitoring employee **health care costs**. For a free copy, write 238 in the box on the reader service

coupon.

• Situations in which **legal insurance** may be of assistance to individuals are outlined in a brochure that is available from LegalLine Inc. For a free copy, write 239 in the box on the reader service coupon.

• A brochure available from Lockwood, Dipple & Green Inc. describes **group and individual special risk coverage** available from the company. For a free copy, write 240 in the box on the reader service coupon.

• "EAR: Employee Advisory Resource," an **employee assistance program** providing employees and their families assistance in personal and work-related problems, is described in a booklet available from Control Data Healthcare Services. For a free copy, write 241 in the box on the reader service coupon.

• The Certified Employee Benefit Specialist Program, a 10-course **professional designation program** co-sponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania, is detailed in the 1984-85 Catalog of Information available from the International Foundation of Employee Benefit Plans. For a free copy, write 242 in the box on the reader service coupon.

• "National EAP Service Standards," a complete list of national standards for **employee assistance programs**, is available from Crawford & Co. For a free copy, write 243 in the box on the reader service coupon.

• A kit available from Mutual of Omaha, "**Containing Health Care Costs**," includes information on the use of posters, brochures and leaflets. For a free kit, write 244 in the box on the reader service coupon.

• A flier outlining the **Focused Second Surgical Opinion Program** is available from Cost Care Inc. For a free copy, write 245 in the box on the reader service coupon.

• The provisions of **The Retirement Equity Act of 1984** and compliance information for plan sponsors are discussed in a bulletin available from Hay/Huggins. For a free copy, write 246 in the box on the reader service coupon.

• Information on Systematic Automation Inc.'s **Personalized Annual Employee Benefit Statements**, designed to facilitate communication about employee benefit programs, is available in a brochure. For a free copy, write 247 in the box on the reader service coupon.

• The "Disability Insurance Consumer Guide" is a brochure available from Crown Life Insurance Co. that explains **disability insurance policies** offered by the company. For a free copy, write 248 in the box on the reader service coupon.

• Cost Care Inc.'s **Planned Discharge Program**, which identifies opportunities for cost reduction through the use of **home health services**, is outlined in a flier. For a free copy, write 249 in the box on the reader service coupon.

• A booklet, "Organizational Health Risk Analysis," describes Crawford & Co.'s **consultative program designed to control health care costs pro-actively**. For a free copy, write 250 in the box on the reader service coupon.

Continued on page 40

## The diagnosis is favorable for health care professionals liability insurance.



A healthy new generation of medical and patient-care facilities and professions has grown up around us during the past decade. And Shand, Morahan continues to meet the challenge of this changing profession with another custom-tailored coverage: Specified Medical Professions Liability.

HMOs, PPOs, free-standing emergency centers and out-patient surgical centers; also, technicians involved with the latest types of medical equipment; these are just a few of the health-care providers covered by this program.

This malpractice insurance also covers out-patient clinics, blood banks, labs, medical schools, home-care agencies, ambulance services and the whole spectrum of personnel involved in today's diverse medical industry.

Because these agencies and individuals are involved with many of the functions previously handled only by physicians and surgeons, they have inherited increased liability exposure. This is why all of these individuals and organizations should be made aware of their exposure, and the program we have designed precisely for them.

For more information about this coverage, and Shand, Morahan's other programs for physicians and for hospitals, call or write us today.

**SM Shand, Morahan & Company, Inc.**

Shand Morahan Plaza Evanston IL 60201  
312/866-2800 Telex 72-4328

**WHEN METROPOLITAN LIFE  
DESIGNED ITS FLEXIBLE  
BENEFITS PROGRAM,  
WE GAVE YOU SOMETHING  
YOU'VE ALWAYS WANTED.**



Everyone can appreciate the advantages of a flexible benefits program. But some companies are concerned that more flexibility can mean more complication for them and confusion for their employees.

At Metropolitan Life, we can help solve that. Because we provide flexible benefits programs with one attractive feature.

**Simplicity.**

Take our modular approach, for example. By grouping benefits into pre-

packaged options, your employees get a series of clear and simple choices. Choices that let them select a plan to meet their needs. And that helps you attract and retain valuable employees.

Equally important, Metropolitan Life provides computerized administration services. From calculating flexible credits and producing election forms, to ongoing record maintenance to keep the plan running smoothly.

Quite simply, Metropolitan Life has created flexible benefits programs that

are easier to administer and easier for employees to understand.

It's another reason why Metropolitan Life is one of America's leading group insurers.

For more information on any of our group benefits plans, call your broker/consultant or your Metropolitan Group Representative.



**Metropolitan Life**  
AND AFFILIATED COMPANIES

## Use this coupon to obtain info data

To obtain copies of literature and information about products and services listed in this special info section, simply indicate the key numbers for the items you want and mail to:

### business insurance

P.O. Box 321, Glenview, Illinois 60025

Requests will be processed promptly. Fill out the coupon completely. Do not omit any information.

Please send the following data from the January 14, 1985 issue (insert key number of each item wanted).


Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Nature of company's business \_\_\_\_\_

Please send Business Insurance subscription information. Please type or print legibly and fill out completely.

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 15, 1985.

Continued from page 38

• The results of a 1984 survey conducted by Hay/Huggins re-counts **benefit changes** made by major U.S. industrial financial and service organizations and addresses developments in the areas of health care, pensions 401(k) plans, ESOPs and flexible benefits. For a free copy, write 251 in the box on the reader service coupon.

• "Employer Attitudes Toward Employee Benefits and Tax Change" is a booklet reporting the results of a survey conducted by William M. Mercer-Meidinger Inc. For a free copy, write 252 in the box on the reader service coupon.

• Issues and topics related to the **Multiemployer Pension Plan Amendments Act of 1980** are discussed in a pamphlet available from Buck Consultants Inc. For a free copy, write 253 in the box on

the reader service coupon.

• **Funding approaches for benefit plans** offered by Washington National Insurance Co. are described in a brochure. For a free copy, write 254 in the box on the reader service coupon.

• A four-page brochure describes Cost Care Inc.'s **Pre-Hospital Review Program**. For a free copy, write 255 in the box on the reader service coupon.

• A flier describing the **Employee Assistance Program**, designed to control benefit costs, is available from Crawford & Co. For a free copy, write 256 in the box on the reader service coupon.

• Guidelines designed to help insurers and benefit managers determine if a person requires a hospital alcoholism program or a psychiatric partial hospital program are provided in "NPPPH Guidelines for **Psychiatric Hospital Programs**," available from the National Assn. of Private Psychiatric Hospitals. For a free copy, write 257 in the box on the reader service coupon.

• Buck Consultants Inc. offers "Welfare Benefit Plans After DEFRA," a pamphlet examining **DEFRA's provisions affecting group life, disability, medical and other welfare plans**. For a free copy, write 258 in the box on the reader service coupon.

• Materials pertaining to General American Life Insurance Co.'s **wellness and cost-containment program** are available in a kit. For a free copy, write 259 in the box on the reader service coupon.

• A brochure describing "Dollars and Sense: The Health Care Emergency," a video program that explains the major issues of **health care cost containment**, is available from The Media Works Inc. For a free copy, write 260 in the box on the reader service coupon.

• A discussion of **401(k) plans and public employer deferred compensation programs** for employers considering implementing such programs is presented in a pamphlet available from Buck Consultants Inc. For a free copy, write 261 in the box on the reader service coupon.

• A reprint available from Healthwise Inc. discusses **self-care education** as a component of health care cost containment. For a free copy, write 262 on the reader service coupon.

• "Preferred Health Network—Its Capabilities as a Full-service **PPO**" is the title of a booklet available from that company. For a free copy, write 263 on the reader service coupon.

• The results of a survey of **compensation, employee benefits and ownership for the 25 largest commercial banks in New England** are presented in a booklet available from William M. Mercer-Meidinger Inc. For a free copy, write 264 in the box on the reader service coupon.

• A pamphlet available from Buck Consultants Inc. discusses ways employers can use **excess assets from their defined benefit plans** with or without terminating the plan. For a free copy, write 265 in the box on the reader service coupon.

• A booklet available from William M. Mercer-Meidinger Inc., "The Deficit Reduction Act of 1984: Analysis and Comment," provides an analysis of **provisions of the**  
Continued on facing page

# HANSECO Re Helps You Help Your Clients.



## HANSECO Re GIVES YOU THE CONVENIENCE OF A PROFESSIONAL SERVICE TEAM.

Your requests are handled by a team of professionals sensitive to your particular business needs. Timeliness, accessibility and responsiveness are standard in our team service approach. In short, HANSECO Re service teams prevent you from being caught in a frustrating bureaucratic maze.

## HANSECO Re's SERVICE TEAM MEMBERS ARE PROFESSIONALS.

Reporting directly to President Carol Rennie, each team includes an experienced underwriter, analyst and account coordinators. These professionals will tackle problems and brainstorm ideas that will help you help your clients. And, while individuals still underwrite your business, your professional service team assures you continuity and personalized service.

## AT HANSECO Re, MAKING SURE OUR CLIENTS ARE SUCCESSFUL IS OUR BUSINESS.

You, the professional reinsurance intermediary, are our client. Nothing is more important to us than ensuring that you have the underwriting support you need to service your clients.

To give you the best service possible, HANSECO Re service teams are backed by the full professional and technological resources of the John Hancock companies.

When you have a question, we're never more than a telephone\* call or telex\*\* away. At HANSECO Re, we know that we're successful only when you are

\*\*Telex number—951-236  
\*(617) 536-3111

**HANSECO Re**  
A *John Hancock* COMPANY

We can help you here and now.

Boston, MA 02117

Continued from facing page  
**new tax law** and what they mean to employers. For a free copy, write 266 in the box on the reader service coupon.

• A pamphlet available from Buck Consultants Inc. examines the provisions and effects of **The Retirement Equity Act of 1984**. For a free copy, write 267 in the box on the reader service coupon.

• General American Life Insurance Co.'s **universal life policy**, "Adjustable Life," is described in a brochure. For a free copy, write 268 in the box on the reader service coupon.

• **"Compensation in the Top 200 Banks**, a survey by William M. Mercer-Meidinger Inc. in booklet form, analyzes compensation levels and practices during 1983 as revealed by information filed with Securities Exchange Commission. The report details cash compensation, long-term capital accumulation programs, savings and retirement benefits and employment contracts. For a free copy, write 269 in the box on the reader service coupon.

• "Why Loans?," a paper available from Buck Consultants Inc., analyzes **loan provisions as features of 401(k) and other defined contribution plans**. For a free copy, write 270 in the box on the reader service coupon.

• **C.O.P.S. Benefits**, a **cost-control program** that gives doctors incentive to use the most cost-effective location, is described in a flier available from Cost Care Inc. For a free copy, write 271 in the box on the reader service coupon.

**fidelity & surety**

• **Details and dates of the 1985 conferences**, "Surety Claims '85—New Directions in Suretyship," are available in a schedule from CMA Consulting Group. For a free copy, write 500 in the box on the reader service coupon.

• An overview of the **Surface Mining and Reclamation Act (SMRA)**, with concentration on the bonding requirements and surety's exposure, is presented in a reprint available from CMA Consulting Group. For a free copy, write 501 in the box on the reader service coupon.

• "Computer Fraud and Fidelity Bonding: The Threat, The Challenge," a reprint available from CMA Consulting Group, includes information on **computer fraud** exposure, claims handling and safeguards. For a free copy, write 502 in the box on the reader service coupon.

• **Letters of credit and surety guarantees** are contrasted in "Surety Bonding—Cornerstone for Risks," a reprint available from CMA Consulting Group. For a free copy, write 503 in the box on the reader service coupon.

**financial services**

• The brochure, "Understanding 401(k)," an overview of employer decisions in evaluating **401(k) plans and service providers**, and a reprint, "Pick the Right Choices for 401(k) Investments," which discuss evaluation of investment managers, flexibility in investment funds and communicating investment information, are available from IDS Trust Co. For a free copy, write 550 in the box on

the reader service coupon.

• "The Minimum Balance Account," a brochure available from the CIGNA Corp., discusses the Insurance Company of North America/Aetna Insurance Co.'s **minimum balance account** and how the program works. For a free copy, write 551 in the box on the reader service coupon.

• "Specialized Investments: Another Dimension of Asset Management," a booklet available from William M. Mercer-Meidinger Inc., discusses real estate, international securities, venture capital, options, financial futures and guaranteed investment contracts as **pension plan investments**. For a free copy, write 552 in the box on the reader service coupon.

• A brochure describing General American Life Insurance Co.'s  
*Continued on next page*

# WORKERS COMPENSATION MONTHLY

The 36—page monthly national newsletter devoted exclusively to workers compensation.

Subscription \$100.00 per year. For complimentary sample copy, write:

**WCM, Box 590, Falmouth, MA 02541**

## His legal problem is your productivity problem. Solve both with LAWPHONE.

Studies indicate that the average American needs legal advice between four and six times each year. However, one-third of the United States population has seen an attorney only once, while another third has never sought professional assistance for their legal problems. The American Bar Association estimates that over 180 million people do not have practical access to the American legal system.

**What does this mean to you—the employer?** The pressures and anxieties resulting from unresolved legal problems often follow employees to work. Not only will the employee's job performance be affected, but independent studies indicate that stress-related medical conditions can result.

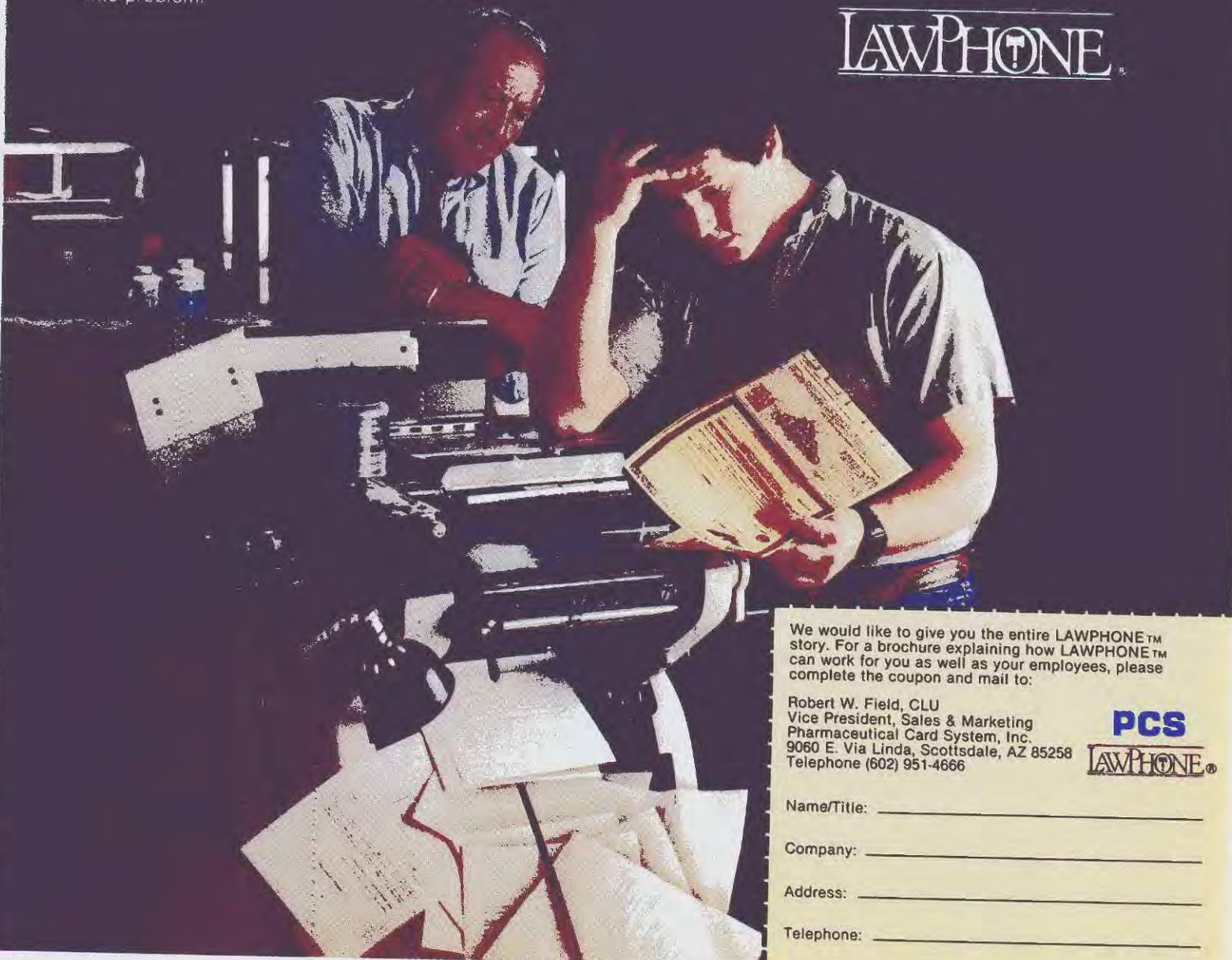
**The problem—loss of employee productivity and possible increase in medical expenses.** Since increased employee productivity and the soaring costs of health care today are of major concern to industry, you owe it to your bottom line to find a solution to this problem.

LAWPHONE™ is the answer for the following reasons:

1. LAWPHONE™ gives your employees *Unlimited Access To Legal Services* via the telephone. Twelve years of experience has demonstrated that 80-85% of all legal problems can be handled quickly and efficiently in this manner.
2. LAWPHONE™ offers the *Convenience* necessary in obtaining advice to *Prevent* serious problems from arising.
3. LAWPHONE™ *Contains Costs*. By allowing for easy access to an attorney's advice, stress and stress-related medical conditions can be lessened.
4. LAWPHONE™ is a *National Program*.
5. LAWPHONE™ is *Inexpensive*.

PCS, in its tradition of highly visible and inexpensive employee benefits, presents LAWPHONE™, the **FIRST NATIONAL** prepaid legal services program.

**LAWPHONE™**



We would like to give you the entire LAWPHONE™ story. For a brochure explaining how LAWPHONE™ can work for you as well as your employees, please complete the coupon and mail to:

Robert W. Field, CLU  
 Vice President, Sales & Marketing  
 Pharmaceutical Card System, Inc.  
 9060 E. Via Linda, Scottsdale, AZ 85258  
 Telephone (602) 951-4666

**PCS**  
**LAWPHONE®**

Name/Title: \_\_\_\_\_  
 Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Telephone: \_\_\_\_\_

# COMING SOON

January 1985  
S M T W T F S  
6 7 1 2 3 4 5  
13 14 15 16 17 18 19  
20 21 22 23 24 25 26  
27 28 29 30 31

January 1985  
**28**

**SELF INSURANCE/ FINANCIAL SERVICES**

**AD CLOSING: JANUARY 15**

## business insurance

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

Continued from preceding page  
**401(k) plan** is available. For a free copy, write 553 in the box on the reader service coupon.

• General American Life Insurance Co.'s brochure discusses **pension contract design options**. For a free copy, write 554 in the box on the reader service coupon.

• A booklet discusses **estate tax planning** and General American Life Insurance Co.'s survivor insurance rider. For a free copy, write 555 in the box on the reader service coupon.

• "Guaranteed Liquidity for High-Yield Long-Term Investment Funds" is a brochure describing General American Life Insurance Co.'s products for **pension plan managers**. For a free copy, write 556 in the box on the reader service coupon.

• SIAM Insurance Asset Management Bulletin, a quarterly newsletter for **insurance company officers**, is available from the SIAM division of Scudder, Stevens & Clark Inc. For a free subscription, write 557 in the box on the reader service coupon.

• The results of a survey conducted by William M. Mercer-Meindinger Inc. are detailed in a booklet, "**Pension Plan Management in Corporate America**." For a free copy, write 558 in the box on the reader service coupon.

• "Westcott Workable Solutions," a booklet available from The Westcott Corp., includes case studies and describes **settlements** of long-term and complex property/casualty claims designed by the company. For a free copy, write 559 in the box on the reader service coupon.

• The services of Galaher Settlements, a company specializing in **structured settlements**, are described in a brochure. For a free copy, write 560 in the box on the reader service coupon.

• Insurance Company Ratings Reporter, a monthly publication rating more than 250 insurance companies worldwide, with emphasis on the **financial security of insurers and reinsurers**, is available from Prime Management Inc. For a free copy, write 561 in the box on the reader service coupon.

• The results of a survey of 287 salary-related **hospital defined benefit pension plans** are discussed in "Financial Status of Hospital Pension Plans," a booklet available from William M. Mercer-Meindinger Inc. For a free copy, write 562 in the box on the reader service coupon.

### loss control

• A sample copy of **Your Health and Safety** magazine, which contains articles for employees on reducing off-the-job accidents and promoting a healthy lifestyle, is available. In addition, magazines can be customized for companies. For a free copy, write 600 in the box on the reader service coupon.

• A booklet describing the **Human Factors Loss Control program**, designed to improve safety, productivity and health in the work place, is available from Atwater McMillian Inc. For a free copy, write 601 in the box on the reader service coupon.

• An eight-page booklet describes Liberty Mutual Insurance Co.'s "**Back School**" for policyholders. For a free copy, write 602 in the box on the reader service coupon.

• "Seven Ways We Work Together on **Loss Control Programs**" is the title of a brochure describing the offerings of Industrial Risk Insurers. For a free copy, write 603 in the box on the reader service coupon.

• A reprint examining the cost-effectiveness of **back injury prevention training** is available from the Back Dynamics Institute. For a free copy, write 604 in the box on the reader service coupon.

• The National Safety Council's "General Materials Catalog 1985-1986" is a guide to **products and services aiding in all areas of safety and loss control**. For a free copy, write 605 in the box on the reader service coupon.

Continued on facing page

## QUESTION: WHAT AGENCY OFFERS AN EXTRAORDINARY INSURANCE PORTFOLIO AND THE EXPERIENCE TO MATCH?



Necessity is the mother of convention.

Which is why basic needs are so often met by basic products.

But at Brougner, we believe that experience is the mother of invention. Which is why our portfolio does more than just reflect current trends. It anticipates them.

So whether its Reinsurance, Employee Benefits, or Special Risks. Brougner products replace convention with invention.

# BROUGNER. The Answer.



**BROUGNER AGENCY, INC.**  
Lloyd's London Correspondent  
P.O. Box BAI, Greenwood, Indiana 46142  
(317) 535-8212

Continued from facing page

- A brochure describing the **history of PCB contamination** is available from Industrial Risk Insurers. For a free copy, write 606 on the reader service coupon.

- "Adjuster's Guide to Restoration Services," available from BMS Catastrophe Inc., is a brochure that explains how **restoration techniques** can reduce property damage and business interruption losses. For a free copy, write 607 on the reader service coupon.

- A paper exploring the growing urgency in **PCB reduction** and outlining specific equipment-related variables in risk assessment is available from Sunohio Co. For a free copy, write 608 in the box on the reader service coupon.

- A newsletter including technical information on **environmental regulatory developments and risk assessments** is published by Clayton Environmental Consultants. For a free copy, write 609 on the reader service coupon.

- A four-page brochure describing the **Comp Vest Back Injury Prevention Program** is published by Darrell Heppner & Associates. For a free copy, write 610 in the box on the reader service coupon.

- A 16-page paper from Gage-Babcock & Associates describes problems caused by **improperly designed smoke control systems**. For a free copy, write 611 in the box on the reader service coupon.

- A brochure describes Industrial Risk Insurers' one-week course in **fire prevention**. For a free copy, write 612 in the box on the reader service coupon.

- **Smart's Health and Safety Newsletter**, published 10 times a year by Darrell Heppner & Associates, contains ideas, recommended programs and book and audiovisual reviews. For a free copy, write 613 on the reader service coupon.

- Kemper Group offers a brochure describing **HPR property conservation programs, valuation seminars** and other programs. For a free copy, write 614 on the reader service coupon.

- A brochure describes the **environmental health services** available from Parker Services Inc. For a free copy, write 615 in the box on the reader service coupon.

- "**Contact Lenses and Industrial Workers**," a flier available from Industrial Indemnity Co., includes information on possible hazards and employer responsibility. For a free copy, write 616 in the box on the reader service coupon.

- A brochure available from Parker Services Inc. outlines the company's **loss control services**. For a free copy, write 617 in the box on the reader service coupon.

- A flier outlining the **health hazards of industrial solvents** is offered by Industrial Indemnity Co. For a free copy, write 618 in the box on the reader service coupon.

- The "Fleet Performance Indicator," a graph for measuring **fleet accident exposure**, is available from RAM-Risk Analysis & Management. For a free copy, write 619 on the reader service coupon.

- A flier from Industrial Indemnity Co. provides information on the use of **Material Safety Data Sheets** as part a loss-control program. For a free copy, write 620 on the reader service coupon.

- "Kemper HPR Department Report Magazine" is a special

Kemper Group report on **disaster recovery plans, fire code refinements/sprinkler systems** and other issues. For a free copy, write 621 on the reader service coupon.

- The capabilities of Occupational Health Services Inc.'s **on-line interactive data bases** and other services are presented in a notebook. For a free copy, write 622 on the reader service coupon.

- "Back on the Job," a program to reduce **back-related injuries**, is described in a Crawford & Co brochure. For a free copy, write 623 on the reader service coupon.

- A flier from Industrial Indemnity Co. discusses how to recognize **carbon monoxide poisoning** and detection equipment. For a free copy, write 625 in the box on the reader service coupon.

- A five-page Kemper Group brochure, "Kemper Replacement Value Cost Trends," discusses **industrial machinery and equipment trend factors**. For a free copy, write 626 on the reader service coupon.

- A booklet, "Risk Control Surveys," describes how Crawford & Co. provides underwriting information regarding **hazards in the work place**. For a free copy, write 627 on the reader service coupon.

- "Emergency Tips," a brochure outlining procedures to be followed after **fire, smoke, water, soot and vandalism damage**, is available from American Fire Restoration Co. For a free copy, write 628 in the box on the reader service coupon.

- **Transporting hazardous materials** is the subject of flier available from Industrial Indemnity Co. For a free copy, write 629 on the reader service coupon.

- "Kemper HPR Department Report Magazine," a special report on **cumulative trauma disorders**, is available from Kemper Group. For a free copy, write 630 in the box on the reader service coupon.

- The services offered by **Wackenhut Investigative Services** are outlined in a brochure. For a free copy, write 631 in the box on the reader service coupon.

- "**Job Instruction Training**," a brochure available from Management Services Inc., describes the company's instructional system. For a free copy, write 632 in the box on the reader service coupon.

- "Employee Theft: A Costly Fringe Benefit," a reprint available from Train-A-Vision, addresses the control of **employee theft** through training and selection of employees and other methods. For a free copy, write 633 on the reader service coupon.

- A directory of the branch offices, warehouses and staff of **M.F. Bank & Co.**, a salvage and appraisal company, is available. For a free copy, write 634 in the box on the reader service coupon.

- "**Protecting Employee Eyes**" is a flier from Industrial Indemnity Co. For a free copy, write 635 on the reader service coupon.

- A catalog of **safety and loss control conferences, educational products and services** is available from International Loss Control Institute. For a free copy, write 636 on the reader service coupon.

- "Warm-ups and Stretches for a **Healthier Back**," a 16-page booklet available from Crawford & Co., pictures activities designed to minimize the potential for back injury. *Continued on next page*

## In the oil & gas business, No protection is your biggest risk.



Risk is an unavoidable part of the oil & gas business. You cannot afford to be unprotected!

PIC provides an in-depth analysis of risk management. Covering such topics as: Political Risk, International Market, Maritime Exposures, Environmental Impairment plus many more.

Learn about protecting today's risks so that you will be prepared for tomorrow's disasters.

FOR: Operators, Producers, Service Contractors, Risk Managers and serious industry investors.

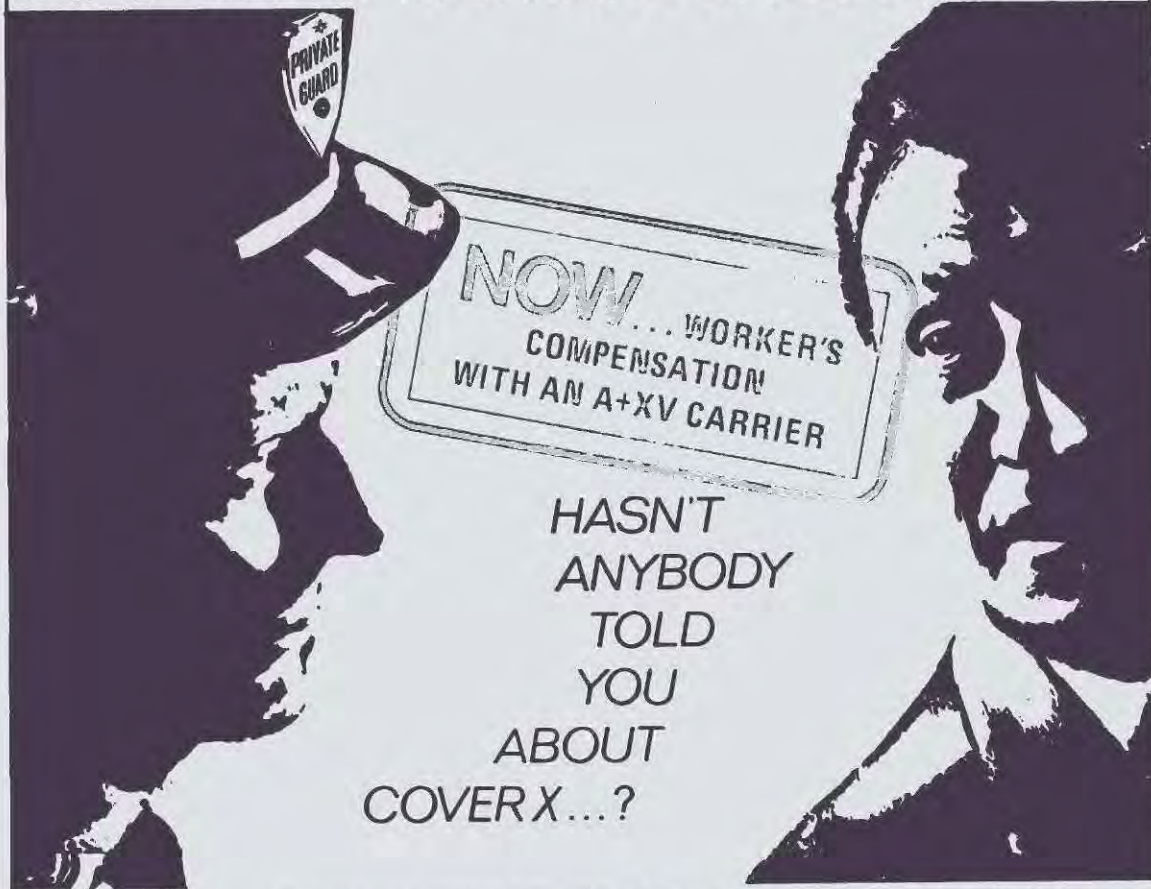
**FOR MORE INFORMATION CALL OR WRITE:** PDI Conference Center, North Texas State University, P.O. Box 13288, Denton, Texas 76203-3288. TOLL FREE OUTSIDE TEXAS 800-433-5676 D/FW METRO 267-5671 or (817) 565-2483.

### 6th Annual PETROLEUM INSURANCE CONFERENCE

March 27-29, 1985 New Orleans, Louisiana

Presented by Self Insurance Resource, Inc. of Dallas & Professional Development Institute

## Security Guard, Detective and Patrol Services - Burglar and Fire Alarm Monitors and Installers



HASN'T  
ANYBODY  
TOLD  
YOU  
ABOUT  
COVER X...?

If you have a current or potential client involved in security work and haven't told them about Cover X Corporation, odds are your competitor will.

As one of the leading underwriters of this class of business in the U.S., Cover X has the necessary expertise, facilities and authority to provide the prompt, efficient and competitive responses required by both broker and insured.

Our comprehensive liability product, together with limits of liability up to \$10,000,000 makes a Cover X quote for customized General Liability and Worker's Compensation a must for any insurance professional.

For further information or applications call or write . . .



## COVER X CORPORATION

P. O. Box 5096, Southfield, Michigan 48086  
Telephone: (313) 358-4010 — Telex: 23-5635

## Our Common Goal: A Business Approach To Health Care.

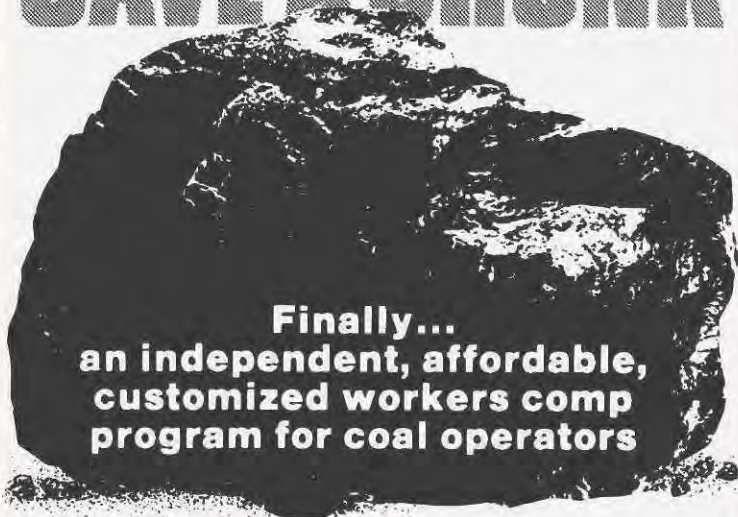


In today's healthcare marketplace, it's not enough to offer quality medicine at a reasonable rate. Unlike most PPO's, PHN is owned and operated by the 20 hospitals and 2600 physicians which service it, therefore we are committed to making the PPO concept work. Because what is best for your business is best for ours.

For a brochure call 213 977 0660



# SAVE A CHUNK



Compare our rates  
 and consider . . .

- Front-end deviations available.
- Low deposit premium.
- Up to an additional 30% of premium returned as dividend.\*
- No indemnity agreements or collateral business required.
- Dividend paid nine months after expiration date.
- Our program is a standard workers' compensation policy.
- Agents and brokers invited to inquire.

Call: Gary Mongiltuz  
**(502) 244-1343**  
 for more information.



Underwriters Safety  
 & Claims, Inc.  
 Post Office Box 23790  
 Louisville, KY 40223

\*Dividends must be declared by company and are not guaranteed.

Continued from preceding page jury. For a free copy, write 637 in the box on the reader service coupon.

- **The Comp Vest Back Support Kit**, available from Darrell Heppner & Associates, contains information on the Comp Vest, case studies and a back injury prevention poster. For a free kit, write 638 in the box on the reader service coupon.

- "Kemper HPR Department Magazine," a special report on **valuations and appraisals of industrial properties**, is available from Kemper Group. For a free copy, write 639 in the box on the reader service coupon.

- "Prevention of Falls in the Construction Industry," a brochure available from Industrial Incemnity, includes a checklist of possible hazards. For a free copy, write 640 in the box on the reader service coupon.

### marine

- "Ports of the World," an 88-page booklet available from CIGNA Corp., provides information on **world ports**, including facilities and conditions, shipping methods, export packaging and handling. For a free copy, write 700 in the box on the reader service coupon.

### reinsurance

- "1984 Financial Security Guide" is a booklet describing the philosophy and practices of National Reinsurance Corp. For a free copy, write 750 in the box on the reader service coupon.

- Second Opinion is a monthly newsletter focusing on **insurance company security**. The November 1984 issue discusses regulation of insurance in the United Kingdom. For a free copy, write 751 in the box on the reader service coupon.

- "Special Risk Reinsurance" is a brochure outlining types of special risk coverage available from Crown Life Insurance Co. For a free copy, write 752 in the box on the reader service coupon.

- A brochure outlining the **medical reinsurance program** of Crown Life Insurance Co. is available from its underwriting manager, Reinsurance Management Services Inc. For a free copy, write 753 in the box on the reader service coupon.

- Information on the Security Fund of the **New York Insurance**

**Exchange** is available in a flier from the Exchange. For a free copy, write 754 in the box on the reader service coupon.

### risk management

- A brochure explains RISK-TRAC, Liberty Mutual Insurance Co.'s **risk management information system**. For a free copy, write 800 on the reader service coupon.

- **The Warren Report**, a monthly newsletter available from risk management consultant David Warren, includes discussions designed to stimulate thought about management in general and risk management in particular, commentary on risk management principles and items of interest to risk managers. For a free copy, write 801 in the box on the reader service coupon.

- A brochure describing a 500-page manual on **construction insurance and risk management** is available from International Risk Management Institute Inc. For a free copy, write 802 in the box on the reader service coupon.

- A 12-page brochure with sample problems and solutions describes the services of **Lester Eckert & Co.**, a corporate insurance brokerage. For a free copy, write 803 in the box on the reader service coupon.

- "Managing Public Risk" is a brochure describing Arthur J. Gallagher & Co.'s integrated program of risk management services for risk managers in the public sector. For a free copy, write 804 in the box on the reader service coupon.

- MRM Review, a monthly newsletter published by MRM/Multi-Risk Management Inc., provides information on **regulatory developments, legal decisions and biosafety issues** that affect risk management programs. For a free copy, write 805 in the box on the reader service coupon.

- An issue of the Risk Financing Newsletter explains the **Deficit Reduction Act of 1984** and discusses its effect on risk funding methods. For a free copy, write 806 in the box on the reader service coupon.

- A sample copy of Risk Management Letter, a two-page bi-monthly newsletter covering **insurance and risk management issues**, is available from Warren, McVeigh & Griffin. For a free copy, write 807 in the box on the reader service coupon.

- The Crawford Risk Review is a 20-page quarterly newsletter con-

taining **articles of interest** to risk managers and insurance professionals available from Crawford & Co. For a free copy, write 808 in the box on the reader service coupon.

- A quarterly newsletter available from Merrill Lynch Settlement Services Inc., provides claims persons, risk managers and defense attorneys with updates and overviews on issues concerning **personal injury settlements**. For a free copy, write 809 in the box on the reader service coupon.

- HelpNews newsletters report on issues of interest to those in **hospital risk management** programs and are available from Alexsis Risk Management Services. For a free copy, write 810 in the box on the reader service coupon.

- A reprint from The Risk Report, published by International Risk Management Institute Inc., discussing issues pertaining to **structured settlements** is available from The Structured Settlements Co. For a free copy, please write 811 in the box on the reader service coupon.

- "Risk Management Pocket Seminar," which is available from Financial Insurance Service Inc., is a booklet for **financial institutions** that discusses self-insurance in certain risk areas, outlines different types of coverage and provides a coverage checklist. For a free copy, write 812 in the box on the reader coupon.

- "Professional Liability Strategies" is a five-page reprint available from Shand, Morahan & Co that discusses how consulting engineers can recognize and address **architectural and engineering liability** problems. For a free copy, write 813 in the box on the reader service coupon.

- A booklet, "The Second Danger of Disability," discusses **disability insurance** coverage offered by General American Life Insurance Co. that pays the expenses incurred by a business when an owner is disabled. For a free copy, write 814 in the box on the reader service coupon.

- A brochure describing a 900-page manual on **cash-flow plans and their tax and accounting implications** is available from International Risk Management Institute Inc. For a free copy, write 815 in the box on the reader service coupon.

- A brochure describing software products for **building cost evaluation** is available from Marshall & Swift. For a free copy, write 816 in the box on the reader service coupon.

Continued on page 46

## Use this coupon to obtain info data

To obtain copies of literature and information about products and services listed in this special info section, simply indicate the key numbers for the items you want and mail to:

### business insurance

P.O. Box 321, Glenview, Illinois 60025

Requests will be processed promptly. Fill out the coupon completely. Do not omit any information.

Please send the following data from the **January 14, 1985 issue** (insert key number of each item wanted).


Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Nature of company's business \_\_\_\_\_

Please send Business Insurance subscription information. Please type or print legibly and fill out completely.

NOTE: THIS COUPON WILL NOT BE SERVICED AFTER MARCH 15, 1985.



Photo: Index/Stone International, Inc.

## STYLE

*Style is the distinctive way you do things. But just to be different is not enough. You've got to be the best, to rise above all others.*

*When a publication projects its own personality and presents news to its readers in a thoughtful and distinctive way, that's style.*

***Business Insurance** is that kind of publication. It has that kind of style.*

*To excel, to report skillfully and accurately, to write clearly and concisely, are all elements of BI's style.*

*That's why more than 121,000 corporate executives, risk managers, employee benefit managers, insurance executives and others rely on **Business Insurance** each week. Their responsibilities include making critical purchasing decisions ... decisions that require information on the ever-changing markets and your products and services.*

*Make it your style to advertise in BI and command the attention of the most influential executives in your market. Because style is **Business Insurance**.*

**business  
insurance**

a publication of Crain Communications Inc.

**The game plan that works.**

New York: 220 East 42nd Street, NY 10017 (212) 210-0133 Chicago: 740 Rush Street, IL 60611 (312) 649-5276 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

## ARC HEALTH SERVICES, INC.

### A New Advanced Claims System For Self Administration

- Health, dental, disability and vision claims processing for employers, HMO's (IPA) and associations.
- Automatic Assignment of ICD9, CPT ADA (dental) UB (Hospital) codes by built-in medical dictionary.
- Benefit rules, deductibles, eligibility co nsurance, maximums, and duplicate checking are handled automatically, on line, realtime.
- Automatic generation of initial and follow-up correspondence.
- A cost effective package (hardware and software) from 1500 to any size population.

16775 ADDISON ROAD, SUITE 201  
DALLAS, TEXAS 75248  
(214) 248-6241

Continued from page 44

● The Quarterly Review, a quarterly publication discussing **structured settlements**, including new legislation, negotiating techniques, risk and claim management uses and annuity taxation and application, is available from Settlement Planning Inc. For a free copy, write 817 in the box on the reader service coupon.

● A brochure for claims personnel, risk managers and defense attorneys that explains the **mechanics and tax treatment of structured settlements** in personal injury claims is available from Merrill Lynch Settlement Services Inc. For a free copy, write 818 in the box on the reader service coupon.

#### self-insurance services

● A videotape that describes why large employers may want to consider **self-administration of health claims** and what to look for in automated claims processing systems is available from ARC Health Services Inc. to those who are willing to return the tape after viewing it. To borrow the tape, write 800 in the box on the reader service coupon.

● Leader Administrators' **hospitalization cost management program and self-insurance cover-**

**age** are outlined in a brochure. For a free copy, write 901 in the box on the reader service coupon.

● "Helping You Put the Lid on Health Claim Costs" is a brochure describing the **software and claims administration services** available from Advanced System Applications Inc. For a free copy, write 902 in the box on the reader service coupon.

● A flier that is available from SW Medical Data Systems Inc examines **automated self-administration for self-insured employers**. For a free copy, write 903 in the box on the reader service coupon.

● "Buyers Guide for Selecting an **Automated Claims System**," a flier reviewing components of automated claims systems for self-insurers, is available from SW Medical Data Systems Inc. For a free copy, write 904 in the box on the reader service coupon.

● A brochure, "Benefit Services: Claims Processing and Administration," describes Control Data Healthcare Services' **benefit plan management services**. For a free copy, write 905 in the box on the reader service coupon.

● A brochure discusses "Omni-claims," a **health claims processing and benefit plan management system** for self-insurers available from Ampro Data Systems Inc. For a free copy, write 906 in the box on the reader service coupon.

● **Regulation of self-insurance** by states and federal government is discussed by James Kinder (SIA) and James Newman (AIA) in a booklet available from NILS Publishing Co. For a free copy, write 907 in the box on the reader service coupon.

● Things to consider when purchasing a **micro or mainframe automated claims system** are discussed in a flier available from SW Medical Data Systems Inc. For a free copy, write 908 in the box on the reader service coupon.

● "Making Dollars and Sense From Your Health Claims," a booklet explaining what organizations should look for in an **automated health benefits administration system**, is available from Resource Information Management Systems. For a free copy, write 909 in the box on the reader service coupon.

● Noble Lowndes International Inc.'s **ACES—Automated Claims Entry System**, which is designed for use by self-insured corporations, third-party administrators and insurance companies, is described in a brochure. For a free copy, write 910 in the box on the reader service coupon.

● Health Systems International's **health care cost containment products** are described in a booklet. For a free copy, write 911 in the box on the reader service coupon.

● A six-page brochure is available from Self Funding Insurance Management Inc. for managers who want to explore **self-funding options**. For a free copy, write 912 in the box on the reader service coupon.

● "LIFE COMM—The Financial Manager" is a booklet that describes the benefits and the features of Informatics General Corp.'s **administrative system for life business**. For a free copy, write 913 in the box on the reader service coupon.

● A booklet describing services

and personnel that are available in the event of a **catastrophic incident**, including wind, hail, explosions, train derailments, floods, mud slides, tornadoes, crop damage, product liability, hurricanes and business interruption, is available from Crawford & Co. For a free copy, write 914 in the box on the reader service coupon.

● "Claims: Amex," which is a **property/casualty claims processing and management system**, is described in a booklet that is available from Conway Computer Consultants Inc. For a free copy, write 915 in the box on the reader service coupon.

● "Partial Self-Funding: A way to Anticipate Claims, Insure Unusual Losses and Reduce Insurance Costs" is a brochure available from Insurance Benefit Administrators describing how a **partially self-funded employee benefit plan** works. A sample plan is included. For a free copy, write 916 in the box on the reader service coupon.

● A brochure describes Leader Administrators' **self-insurance coverage and health care cost management system**. For a free copy, write 917 in the box on the reader service coupon.

● A 64-page booklet describes SIDSAT, Crawford & Co.'s on-line, **computerized risk management information system** available to Crawford claims clients. For a free copy, write 918 in the box on the reader service coupon.

● In General is a quarterly publication of Informatics General Corp. containing **information, news and articles of interest** to the insurance and financial services industry. For a free copy, write 919 in the box on the reader service coupon.

● Questions on **self-funding health benefit programs** are answered in a brochure available from Management Services Inc. For a free copy, write 920 in the box on the reader service coupon.

● **Health care self-funding options** available to employers are outlined in a brochure available from Tamarack Management Corp. For a free copy, write 921 in the box on the reader service coupon.

● "Crawford Service Standards—Property and Casualty Edition," is a brochure outlining the **claims-handling procedures** of Crawford & Co. For a free copy, write 922 in the box on the reader service coupon.

● Insurance Benefit Administrators Inc. offers a brochure, "**Self-Funding: A Financial Alternative**," containing information of interest to underwriters. For a free copy, write 923 in the box on the reader service coupon.

#### workers compensation

● "**Massive Injury Management**" is a 12-page brochure from American Re-Insurance Co. containing information on controlling the cost of massive injury cases. For a free copy, write 970 in the box on the reader service coupon.

● MRM Multi-Risk Management Inc. publishes a monthly newsletter, "MRM Update," providing information on occupational health care, employee benefits and legal issues that may affect **workers compensation programs**. For a free copy, write 971 in the box on the reader service coupon.

Continued on facing page

## The benefit of experience...

wise decisions that provide results.



GMD GATES, McDONALD

The industry leader in the management of unemployment and workers' compensation programs.

Offices coast to coast.  
Call today: 1-800 848-0317

Photo courtesy of the Ohio Department of Natural Resources

Continued from facing page

● **A workers compensation plan for service stations** is outlined in a flier available from Transamerica Insurance services. For a free copy, please write 972 in the box on the reader service coupon.

● An issue of *The Risk Report* entitled **"Excess Workers Compensation Insurance,"** published by International Risk Management Institute Inc., discusses features of the excess policies available to self-insurers and provides a coverage checklist for use in analyzing policies. For a free copy, write 973 on the reader service coupon.

● The Loss Prevention Newsletter, a quarterly publication of the Brownard Agency of Texas, contains safety tips for **security guard services** to reduce workers compensation claims. For a free copy, write 974 in the box on the reader

service coupon.

● The use of **structured settlements** in resolving workers compensation cases is discussed in a booklet available from Galaher Settlements. For a free copy, write 975 in the box on the reader service coupon.

● "Crawford Return-to-Work Agenda" is a booklet outlining Crawford & Co.'s services for employees **returning to work** following an injury. For a free copy, write 976 in the box on the reader service coupon.

● Information regarding **insurance coverage available to employers in Texas** who legally elect not to carry workers compensation insurance is presented in a brochure that is available from Employers Risk Managers Inc. For a free copy of the brochure, write 977 in the box on the reader service coupon. ■

**Lost. ? ? ?**  


**And Found.**  
 The Business Insurance Editorial Index helps you find the facts you need *quickly!*

- \* Lists *all* Business Insurance news and feature articles.
- \* Conveniently organized by subject, persons quoted and companies mentioned.
- \* 1985 Editorial Index service includes three quarterly reports and a cumulative annual edition; 1981 thru 1984 indexes available in hardbound annual editions.
- \* You'll never again spend valuable time wading through a pile of back copies to find what you're after!
- \* Only \$150 per year.

Find your way to the facts!  
 Send in the coupon *now!*  
**business insurance**

New York: 220 East 42nd St., NY 10017 (212) 210-0137

Business Insurance Editorial Index.  
 220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):  
 Annual Index Only:  
 \_\_\_ 1981 \_\_\_ 1982 \_\_\_ 1983 \_\_\_ 1984  
 \_\_\_ 1985 Full Index Service  
 @ \$150 each year, plus foreign postage.  
**PAYMENT MUST ACCOMPANY ORDER**  
 \_\_\_ Visa \_\_\_ Mastercard \_\_\_ Check Enclosed

Account # \_\_\_\_\_ Exp. Date \_\_\_\_\_  
 Signature \_\_\_\_\_  
 Name \_\_\_\_\_ Title \_\_\_\_\_  
 Company \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Phone \_\_\_\_\_

## Developer not covered, court rules

NEW YORK—Hartford Insurance Group is not responsible for claims that a condominium developer argues should be covered under a completed operations hazard endorsement, the state Supreme Court has ruled.

The Appellate Division of the New York State Supreme Court recently overturned a 1983 lower-court decision in favor of Acorn Ponds Inc., the company that built a condominium development called Acorn Ponds at North Hills in North Hills, New York.

The lower court's decision said Hartford was responsible for indemnification and defense costs related to a lawsuit that was filed against Acorn Pond by a couple who lived at the development.

The lawsuit against the developer claims that a defective doorsill caused one of the residents to sustain injuries in a fall. The injured resident and her husband sought \$1.25 million in damages as a result of the injuries.

Acorn Ponds submitted a claim to Hartford, interpreting the completed hazards endorsement to cover any accident that occurred after the development was completed.

However, the insurer denied coverage, saying the hazards endorsement had expired before the accident. In addition, Hartford pointed out that Acorn Ponds was no longer paying premiums for coverage.

The lower court ruled that coverage should extend indefinitely because "it is precisely after the term of the policy... that protection is needed."

But, the appeals court agreed that coverage is limited to injuries occurring during the policy period, and the court also ruled that Acorn could not expect to stop paying premiums and continue receiving coverage.

"The decision by the appellate court is meaningful for anyone in the insurance industry engaged in writing policies for construction companies," commented Daniel Solin, an attorney who filed a brief that expressed the position of the American Insurance Assn. in the case.

Mr. Solin said that if the lower court's decision had been upheld, it would have produced "an enormous amount of litigation on other policies."

"This places a definite limit on exposure under the endorsement. It limits it to the policy period, as it was always intended," Mr. Solin said. ■

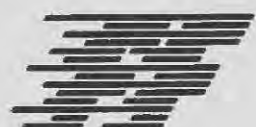
# You'll thank us all the way to the bank.



Fast Forward claims administration systems will improve your bottom line, regardless of how you are presently processing claims. They are exceptionally fast, inherently flexible, on-premises systems: Any conceivable plan configuration; any number of employers, insureds and processing stations; complete customizing of employer and claimant reports; and much, much more.

Call 502-244-0961 today to arrange a demonstration, or to receive our brochure. It'll mean money in the bank, guaranteed, or your money back.

**Fast Forward, Inc.**  
 P.O. Box 58278  
 Louisville, KY 40258  
 502-244-0961



**datebook**

**JAN. 31. Environmental Impairment Liability** workshop in Denver, sponsored by the Society of Chartered Property & Casualty Underwriters; \$80 for members; \$95 for non-members. Also Feb. 4 in Orlando, Fla. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

**FEB. 1. Advanced Post-Graduate Cost Containment** workshop in Los Angeles, sponsored by the Health Research Institute; \$195. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**FEB. 1-3. Third Annual Southwest Head Injury Symposium** in Costa Mesa, Calif., sponsored by Northridge Hospital Medical Center; \$200; Pamela W. Schiffmacher, Northridge Hospital Medical Center, 18300 Roscoe Blvd., Northridge, Calif. 91328; 818-885-8500.

**FEB. 4-8. Occupational Health Nursing: Basic Theory Update** course, offered by the University of Southern California; \$550. USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

**FEB. 4-8. Reinsurance Practice Course** in London, sponsored by Risk Research Group; 595 pounds (about \$684), plus 15% value-added tax. Susan Moore, Risk Research Group Ltd., 181 Queen Victoria St., London, England EC4V 4DD.

**FEB. 4-MARCH 10. Systems Reliability and Risk Analysis** study program, offered by Massachusetts Institute of Technology; \$7,700. Director, Advanced Study Programs, Center for Advanced Engineering Study, MIT, Cambridge, Mass. 02139; 617-253-6128.

**FEB. 6-8. Health Cost Data Management: Joint State and Business Applications** (trade show/conference) in Miami, co-sponsored by the Washington Business Group on Health, the National Governors' Assn. and the South Florida Health Action Coalition; \$150 for members; \$300 for non-members. Ellen Menton, WBGH, 922 Pennsylvania Ave. S.E., Washington, D.C. 20003; 202-547-6644.

**FEB. 7-8. Atlanta Risk Management Educational Conference** in Atlanta, sponsored by the Atlanta Chapter of the Risk & Insurance Management Society; \$100 for members; \$115 for non-members; \$25 for students. Al Nesmith, Southern Co., Risk Management, 64 Perimeter Center East, Atlanta, Ga. 404-399-4062.

**FEB. 7-10. Early Identification and Management of Workers Compensation Shock Losses** workshop seminar in Sarasota, Fla., sponsored by

the Statutory Workers' Compensation Group in association with Frank B. Hall Re of New York and Waters Insurance Management Corp.; \$545. Waters Insurance Management Corp., 2543 S. Tamiami Trail, Sarasota, Fla. 33579; 813-365-1898.

**FEB. 11-12. How to Audit & Check Insurance Policy Costs & Coverages** course in New York, sponsored by the American Management Assns.; \$620 for members, \$715 for non-members. Also, March 14-15 in Chicago, March 28-29 in Boston. Registrar, AMA, P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

**FEB. 11-12. Health Care Cost Containment Workshop** in Los Angeles, sponsored by the Health Research Institute; \$395. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596.

**FEB. 11-15. Basic Risk Management Techniques** seminar, in Tucson, Ariz., sponsored by the Public Risk & Insurance Management Assn.; \$350 for members; \$400 for non-members. Tina Robinson, PRIMA, 1120 G St. N.W., Suite 707, Washington, D.C. 20005; 202-737-7556.

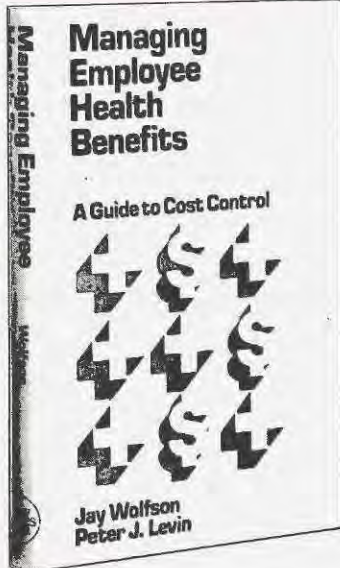
*The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.*

**Employers' benefit costs per employee**

Industry	1983	1982	% change
Petroleum.....	\$12,122	\$12,321	-1.6
Primary metal.....	10,422	9,832	6.0
Public utilities.....	10,142	9,653	5.1
Transportation equipment.....	9,794	8,647	13.3
Machinery (excluding electrical).....	9,296	8,848	5.1
Chemicals & allied products.....	9,198	9,551	-3.7
Printing and publishing.....	8,216	7,216	13.9
Stone, clay & glass products.....	8,112	8,909	-8.9
Fabricated metal products.....	7,776	7,760	0.2
Miscellaneous non-manufacturing industries.....	7,511	7,038	6.7
Instruments & miscellaneous manufacturing.....	7,457	6,018	23.9
Electrical machinery, equipment & supplies.....	7,406	6,797	9.0
Food, beverages and tobacco.....	7,083	7,442	-4.8
Rubber, leather & plastics products.....	6,979	6,920	0.9
Insurance companies.....	6,833	6,487	5.3
Pulp, paper, lumber & furniture.....	6,656	7,140	-6.8
Banks, finance companies & trust companies.....	6,277	5,744	9.3
Hospitals.....	5,728	5,305	8.0
Trade (wholesale and retail).....	4,956	4,706	5.3
Textile products and apparel.....	3,968	3,584	10.7
Department stores.....	3,721	3,419	8.8

Source: U.S. Chamber of Commerce Survey Research Center

**Who Really Pays for Health Care?**



**MANAGING EMPLOYEE HEALTH BENEFITS: A Guide to Cost Control**  
Jay Wolfson and Peter J. Levin

Corporate America is the largest purchaser of health care. As such, it has the potential to significantly affect the costs. To do this, CEOs and benefit managers need to be aggressive and negotiate health benefit packages that provide good coverage at an acceptable cost.

*Managing Employee Health Benefits* is a practical guide that shows companies how to take action. The book outlines the strategies and tactics necessary to mount a campaign to curb spiraling costs. The authors explore the dynamics of the health care system and offer insights that will help employers become viable players in the health care arena.

Employee health plans can and should be properly managed. *Managing Employee Health Benefits* takes the initial step.

195 pages Order No. 1836D \$25.00

**Dow Jones-Irwin**

To order call toll free 800-323-1717, operator 21. In Illinois call 800 942-8881. Or send \$25.00 plus \$2.00 shipping and handling (50¢ for each additional copy) to Dow Jones-Irwin, 1826 Ridge Road, Homewood, Illinois 60430

**Rise in benefit costs slowing, study shows**

*Continued from page 1*

steady rise in 1983, jumping an average of 14.6% to \$1,460 from \$1,274. As a result, overall benefit expenditures rose in 16 of 21 individual industries surveyed by the Chamber (see chart).

The industry in which benefit costs rose the most during 1983 was the instruments and miscellaneous manufacturing industry, where expenditures climbed 23.9% to \$7,457 from \$6,018.

Double-digit benefit cost increases were recorded in three other industries: printing and publishing, up 13.9% to \$8,216 in 1983 from \$7,216 in 1982; transportation equipment, up 13.3% to \$9,794 from \$8,647; and textile products, up 10.7% to \$3,968 from \$3,584.

Benefit costs did decrease, however, in five of the surveyed industries: chemicals and allied products; food, beverages and tobacco; petroleum; pulp, paper, lumber and furniture; and stone, clay and glass products. Those decreases ranged from 1.6% in the petroleum industry to 8.9% in the stone, clay and glass products industry.

The costs of providing benefits are outlined in the U.S. Chamber of Commerce's latest survey of employee benefits, the 22nd since the Chamber launched the project in the 1940s.

The survey is based on information that was supplied by 1,454 employers ranging from those with fewer than 100 employees to those with more than 5,000 workers. Some 40% of surveyed companies had fewer than 500 employees.

Of the myriad benefit surveys published each year, the Chamber's is especially important to benefit managers because it lists the exact per-employee benefit expenditures by a broad cross-section of industry. The expenditures include the cost of major benefit programs like pension plans, health and life insurance, Social Security and profit-sharing plans.

The survey can help benefit managers compare their companies' benefit costs to others in the same industry and determine how successful their companies have been in controlling costs.

If the latest Chamber survey gives employers something to cheer about, it's the finding that pension costs slipped after years of steady increases.

Pension costs per employee between 1982 and 1983 slipped dramatically in several industries, according to the Chamber survey. Among surveyed employers in the pulp, paper, furniture and lumber industry, pension costs per employee in 1983 dropped 44.7% to \$562 from \$813 in 1982. In the department store industry, pension costs fell 44.3% to \$209 from \$375.

Other decreases were reported by employers in the stone, clay and glass products industry, where pension costs declined 29.2% to \$984 from \$1,391.

In addition, pension costs declined 15.6% in the food, beverages and tobacco industry, with per-employee costs dropping to \$852 from \$1,009. Pension costs in the petroleum industry slipped 13% to \$2,050 from \$2,358.

Several factors probably accounted for decreasing pension costs.

In 1983, interest rates remained high, while the stock market advanced. As a result, the assets of some pension plans increased more than expected, thereby reducing the need for employer contributions to pay benefits.

In addition, some industries still were laying off workers during 1983, despite the general upswing in the economy. Many workers were laid off before vesting in a pension plan, which reduced the amount of benefits to be funded.

But, some industries did not follow the trend and found their pension plan costs rising. For example, hospitals' contributions to their pension plans during 1983 rose 18.7% to \$693 per employee from \$584. Pension costs moved ahead 14.2% in the transportation equipment industry, rising to \$1,288 from \$1,128.

Increases were the order of the day in the insurance category, which includes premiums paid to group health and life insurance plans.

Twenty of the 21 industries surveyed reported increased insurance costs. The highest percentage increases were found in by the instruments and miscellaneous manufacturing industries, whose insurance costs rose 26.9% to \$1,494 per employee, up from \$1,177. In addition, costs in the miscellaneous non-manufacturing industry rose 24% to \$1,347 from \$1,086.

Insurance costs also jumped among banks, rising to \$1,063 from \$865, a 22.9% hike. Costs in the fabricated metals industry increased to \$1,970 from \$1,642, a 20% jump.

Industries with below-average insurance cost increases include: petroleum, up 4.9% to \$1,880 per employee from \$1,792; trade (wholesale and retail), up 7% to \$889 from \$831; rubber and plastics products, also up 7% to \$1,592 from \$1,488; and the pulp, paper, furniture and lumber industry, up 7.7% to \$1,429 from \$1,327.

And, insurance costs in the stone, clay and glass products industry de-

*Continued on facing page*

**MEDICAL STOP LOSS FACILITY**



Medical Stop Loss  
ARAS Program (35+ Participants)  
Specific & Aggregate

Group Life & AD&D  
Disability Income (WI & LTD)  
Medical Conversion

High Limit Disability  
PTD & TTD (Monthly and/or Lump Sum)

**COX INSURANCE GROUP, INC.**

P.O. BOX 27766  
5170 COMMERCE CIRCLE  
INDIANAPOLIS, INDIANA 46227  
(317) 887-0030 Telex 276252

Correspondent with Lloyds of London

Continued from facing page  
 clined to \$1,827 per employee in 1983, down slightly from \$1,831 the year before.

Social Security payroll taxes, which in 1982 tied with group health and life insurance as the most-expensive employee benefit, were employers' second-highest benefit expense in 1983. The average cost per employee rose 2.4% to \$1,305 in 1983 from \$1,274 in 1982.

Mandated increases in Social Security taxes account for this rise. For example, the FICA tax rate for employers in 1983 was 7% of the first \$37,800 of an employee's wages. In 1982, the FICA tax was 6.7% of the first \$32,400 of wages. The FICA tax for employers is 7.05% of the first \$39,600 of wages.

As in previous years, profit-sharing contributions varied considerably. Employers in the petroleum industry contributed an average of \$711 per employee into profit-sharing plans, down 26% from \$960 in 1982. But profit-sharing contributions from the printing and publishing industry rose 82.3% to \$547 per employee, up from \$300.

Profit-sharing contributions averaged just \$31 per employee in 1983 in the utility industry, up from \$18 in 1982, while contributions increased to \$52 per employee in the hospital industry, up from \$9.

There are few for-profit employers in both the utility and hospital industries, which explains why profit-sharing contributions fall below the average industry payment of \$213 per employee.

Other study findings include:

- Despite a slight decrease in costs, the petroleum industry spent far more on benefits than any other industry. Surveyed petroleum companies spent an average of \$12,122 per employee in 1983, a 1.6% decline from \$12,321 in 1982.

However, that expenditure was well ahead of the second-biggest spender—the primary metal industry—where surveyed companies spent an average of \$10,422 in 1983, a 6% increase over 1982's \$9,832.

- As an industry, department stores spent the least on employee benefits in 1983. The industry spent \$3,721 per employee, up 8.8% from \$3,421 in 1982. Slightly more was spent in the textile products industry, where surveyed employers' average cost increased 10.7%, to \$3,968 from \$3,584.

- The public utility industry spent the most on pension plans in 1983. It spent \$2,126 per employee, down 3.3% from \$2,198 in 1982. Other big pension spenders included the petroleum industry, where costs dropped 13% from \$2,358 to \$2,050, and the chemicals and allied products industry, which spent \$1,363, 8.3% less than 1982.

Department stores spent the least on pension plans in 1983: \$209 per employee, down 44.3% from \$375 in 1982. Pension costs were also low in the textile products and apparel industry—\$239 per employee, down 12.5% from \$273—and the wholesale and retail trade industry—\$451, up 6.4% from \$424.

- The primary metal industry spent the most on group health and life insurance. It spent \$2,436 per employee in 1983, up 9.4% from \$2,226 in 1982. Other big spenders included the transportation equipment industry—\$2,209, up 18% from \$1,872—and the machinery (excluding electrical) industry—\$2,163, up from \$1,968, a 9.9% increase.

Health and life insurance costs were lowest in the textile products and apparel industry, where per-employee costs were \$800 in 1983, up 17.6% from \$680. Costs also were low in the wholesale and retail trade industry, \$889 was spent per employee in 1983, up 7% from \$831. The hospital industry spent \$938 per employee, up 10.4% from \$850.

- Among all industries, benefits as a percentage of payroll decreased slightly to 36.6% in 1983, down from 36.7% in 1982.

- Industries with the highest benefit costs in 1983 as a percentage of payroll include: primary metal industry, 47.1%, down from 47.5%; transportation equipment, 40.9%, up from 39.2%; and petroleum, 40.7%, down from 44.1%.

- Industries with the lowest benefit costs in 1983 as a percentage of payroll include: wholesale and retail trade, 29%, up from 28.1%; textile products and apparel, 30.5%, unchanged from 1982; department stores, 31.8%, up from 29.2%; and hospitals, 31.8%, up from 30.7%.

- Employers' total benefit costs in 1983 are estimated at \$550 billion, compared with \$485 billion in 1982.

Copies of "Employee Benefits: 1983" are available from the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H St. N.W., Washington, D.C. 20062; 301-468-5128. The cost is \$17.50 per copy. Discounts are available for bulk orders. Prepayment is requested.

## Hull war risk rates

Continued from page 2  
 the year, rates dropped to as low as \$2 per \$100 only to rocket again to the current record levels when attacks resumed.

In addition, rates now are being quoted only 48 hours before a vessel sails into the Gulf. Therefore, they can vary almost daily, Mr. Blackman said.

Oil tanker traffic in the Persian Gulf has dropped dramatically in the last month, indicating that the insurance costs are too high and the oil too expensive to make the journey worthwhile.

Japanese oil traders have suspended crude shipments from Kharg Island because of the sharp rise in premiums, sources say.

Only a few shipowners are seeking insurance quotes in the London and American markets for a trip into the Gulf, war risk underwriters say.

"Rates are so high no one is going

in there," said Mr. Blackman. "The shipowner must see if it is a viable venture... Iran would have to reduce its cost of oil substantially to attract them."

The hull war risk coverage for tankers sailing in the Persian Gulf is purchased in addition to the war risk insurance shipowners buy for ships sailing outside the Persian Gulf. Normally, the standard hull war risk insurance rate is 10 cents for every \$100 of insured value. However, this rate could decrease because of increased competition among underwriters.

In the last year, 69 commercial vessels have been damaged or destroyed in the Persian Gulf, and about 30 crew members have been killed in attacks by the Iraqis and Iranians.

The Hellenic Mutual War Risks Assn. (Bermuda) Ltd., a hull war risk insurer, has paid out \$37.5 million in claims this year as a result of the Iran/Iraqi war, according to its reinsurers. The losses pierce the as-

sociation's \$6.5 million annual aggregate retention and leave additional losses for reinsurers in the U.S. and Lloyd's.

The association insures about 75% of the Greek fleet.

Lloyd's List estimated last year that losses due to attacks on ships in the Persian Gulf had reached about \$575 million, including \$300 million for ships trapped in the Shatt-al-Arab in 1981. Underwriters had no more current estimate of their losses.

American underwriters' losses have not been as substantial as those of London underwriters, noted John Hickey, deputy manager of the American Hull Insurance Syndicate in New York.

"Most American flagships stay out of the Persian Gulf," he said, so U.S. insurers only are affected if they reinsure the London insurers.

However, U.S. underwriters generally follow the war risk rates set in London; therefore, U.S. rates also will rise, Mr. Hickey said. ■

# A Lot Has Changed Since You Last Looked At The BI Directory

What could be as changing as the ever-changing world of insurance, employee benefits and risk management services? The names, facts and figures from the corporations that buy such products and services!

The 1984 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services, published in August, has been revised, updated and greatly expanded to include information on more than 1,600 of the largest U.S. corporations.

Sales volume, employee population, company address and phone number are some of the facts you'll find... along with the names and titles of chief financial officers, and executives in charge of risk management, employee benefits, personnel, pension and retirement plans and more.

In addition, a special index lists corporations by size, based on number of employees. A new geographic index is also included.

'Buyers' and 'sellers' alike will find the 1984 BI Directory to be tremendously helpful in carrying out their job responsibilities.

As a buyer, you can turn to the alphabetical listings to identify professionals in similar positions in companies much like your own.

Sellers, too, will find that flipping through the BI Directory is by far the quickest, most reliable way to identify the powers that buy.

Expanded. Up-to-date. More useful than ever before. That's the 1984 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services. Update yourself for a cost of just \$50; ten or more copies at a reduced price of just \$40 each.

Fill out the coupon now and send for your copy of the newly updated 1984 BI Directory.

## business insurance

Crain Communications Inc.  
 1984 Business Insurance Directory  
 740 N. Rush Street  
 Chicago, IL 60611  
 (312)280-3167

### Ralston Purina

Address: Checkerboard Square, St. Louis, MO 63164  
 Telephone: 314-982-1000

Chief Financial Officer: William E. Deum  
 Risk Management: Kenneth N. Kermes  
 Employee Benefits: Charles Hunt  
 Personnel: Robert E. Bell  
 Pensions Retirement: Charles Hunt  
 Casualty Ins. Mgr.: Richard Hansman  
 Safety Mgr.: DeWayne Knudson  
 Workers Comp.: Gregory Vach

Number of employees: 56,200  
 Sales (in millions): \$4,000  
 Sr. Vp CFO: \$4,872  
 Dir. Emp. Ben.  
 Dir. Personnel  
 Dir. Emp. Ben.  
 Mgr. Casualty Ins.  
 Director - Safety  
 Dir. - Workers Comp.

### Ranco

Address: P.O. Box 248, Dublin  
 Telephone: 614-764-3733

Chief Financial Officer  
 Risk Management  
 Employee Benefits  
 Personnel  
 Pensions Retirement

Number of employees: 1,300  
 Sales (in millions): \$153  
 & CFO  
 as.  
 as.  
 Personnel  
 eas.

### Ransburg

Address: 3939 W. 56th  
 Telephone: 317-298-5600

Chief Financial Officer  
 Risk Management  
 Employee Benefits  
 Personnel  
 Pensions Retirement

Number of employees: 1,600  
 Sales (in millions): \$135  
 Ranco  
 Personnel & Ben.  
 Personnel & Ben.  
 Personnel & Ben.  
 Personnel & Ben.

### Rapid-American

Number of employees: 37,000  
 Sales (in millions): \$2,570  
 Vp - Treas.

### Business Insurance Directory

Single Copy Sales  
 740 Rush Street  
 Chicago, IL 60611

Please send me \_\_\_\_\_ copies of the BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES @ \$50 each; \$40 each for quantity of 10 or more

\_\_\_\_\_ Payment Enclosed

Bill me \_\_\_\_\_ plus \$5 additional charge for handling

\_\_\_\_\_ Visa \_\_\_\_\_ Mastercard

Account # \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone (area code) ( \_\_\_\_\_ ) \_\_\_\_\_

## Insurers sue Dana

Continued from page 1  
cials, and unspecified punitive damages.

Thomas Dattilo, general manager of the insurance division at Dana, declined to comment on specifics of the complaint.

"My only comment on the whole situation is that I do not believe the suit has any merit," Mr. Dattilo said.

Cherokee reinsured Central National and Protective National under nine quota-share and excess-of-loss treaties between 1981 and 1983, says Robert Godfrey, president of St. Regis Insurance Group.

The treaties covered a "mixed bag" of property/casualty business assumed by the St. Regis units through four general agency programs, he said.

Under the terms of the reinsurance agreements, Cherokee was to put up letters of credit to cover its obligations, and at the beginning of 1983 had provided four LOCs totaling \$912,507, the complaint says.

But the LOCs were allowed to expire on Dec. 31, 1983, and Cherokee later refused to replace them, the suit says.

Before the LOCs were due to expire, Central National and Protective National contacted New Orleans Reinsurers Inc., a reinsurance intermediary representing Cherokee, about having them renewed, according to Mr. Godfrey.

"We received several assurances from (New Orleans Reinsurers) that the letters of credit were forthcoming," Mr. Godfrey says.

However, Central National was advised in January 1984 that the LOCs had expired, said Mr. Godfrey, adding that the company then went directly to Cherokee to have the instruments replaced.

After about two months in which "nothing was getting done," Mr. Godfrey and Frank J. Barrett, president and chief executive officer of Central National and Protective National, met with Mr. Dattilo and Robert E. Byrket, Dana's executive vp and vp-finance.

At that meeting, Mr. Godfrey says he was told that the LOC problems were caused by Cherokee's termination of its relationship with New Orleans Reinsurers.

Mr. Dattilo advised Mr. Godfrey and Mr. Barrett to deal directly with Cherokee officials on replacing the letters of credit and told them that "Cherokee intends to honor all legitimate claims," according to Mr. Godfrey.

Mr. Byrket also assured them that "Dana Corp. always stands behind its corporate commitments," according to Mr. Godfrey.

"We left there with the impression that Dana was standing behind the company," he says.

The St. Regis units' lawsuit claims the two companies would have tried to collect the \$912,507 in Cherokee LOC proceeds if they had known that Cherokee "did not intend to replace the letters of credit for the year 1984."

Central National and Protective National were induced not to call on the LOCs and to continue the reinsurance agreements with Cherokee by "false and misleading" statements from Cherokee and Dana officials about funding of the LOCs and Dana's intention to stand behind its subsidiary, the complaint says, charging misrepresentation and conspiracy.

The suit also charges that Dana and Diamond Financial induced Cherokee to breach the reinsurance agreements by instructing it not to issue letters of credit to the St. Regis units. Under Tennessee law, this charge could result in treble damages.

Mr. Dattilo of Dana confirmed the meeting with Mr. Godfrey and Mr. Barrett took place, but he would not comment on what was said.

By May 1984, the letters of credit still had not been replaced, and the St. Regis units were advised by the New York law firm of LeBoeuf, Lamb, Leiby & MacRae to invoke the arbitration clause of their reinsurance agreements to settle the problem, Mr. Godfrey said.

Central National and Protective National had picked their arbitrator and were waiting for Cherokee to announce its choice when the insurer asked to be placed in rehabili-

tation, he said.

The Central National and Protective National complaint makes several allegations to bolster the argument that Dana should be liable for Cherokee's payment to the St. Regis insurers, including that:

- Dana and Diamond provided Cherokee with capital infusions "at their discretion."

- Cherokee's capital contributions came from Diamond Financial, according to Dana's Mr. Dattilo. These included infusions of \$1 million in 1980, \$2 million in 1981 and \$1 million in 1983.

- Dana and Cherokee have filed consolidated tax returns.

- Cherokee's employee benefit plan invested in Dana stock.

- Cherokee had written some insurance coverages for Dana.

- Dana, Diamond Financial and Cherokee have all been represented by the same attorneys and that Dana and Diamond "wrongfully caused Cherokee to pay to Dana certain fees of those attorneys."

A lawyer familiar with the case said that Dana withdrew about \$634,000 from Cherokee to cover attorneys' fees related to Cherokee's litigation with Beacon Insurance Co. and Universal Marine Insurance Co. Ltd. just before Cherokee was placed in rehabilitation.

The litigation involved disputes over payments of reinsurance premiums and claims (BI, Nov. 19, 1984).

Some or all of that amount was paid to the Washington law firm of Howrey & Simon, sources say.

W. Donald Dresser, a Howrey &

Simon partner, said the firm represented Cherokee in several lawsuits in 1984, but that it didn't receive \$634,000. Mr. Dresser called the number "way off" and "nowhere close to reality."

He also indicated that it wouldn't be surprising for the law firm's fees to be drawn from Cherokee funds.

"I assume that since we represented Cherokee, they paid the costs," he said. "I don't know the mechanics (of the payment)."

However, a lawyer familiar with the case said Dana had agreed to cover all of Cherokee's legal expenses connected with the Universal Marine/Beacon/Cherokee litigation.

The \$1.7 million that Cherokee currently owes the St. Regis units under the reinsurance agreements includes reserves for future claims payments; the amount may be more or less depending on how the claims develop, Mr. Godfrey said.

The two companies filed claims with Cherokee's rehabilitator last September, but they have not yet been paid.

David S. Weed, special deputy Tennessee insurance commissioner for Cherokee's rehabilitation, said that none of Cherokee's creditors has yet collected on a claim. The department is still trying to track down all of Cherokee's assets and liabilities, Mr. Weed explained.

So far, Cherokee's liabilities on business not related to Beacon—with which it has settled its differences and liabilities—are estimated at about \$21 million, he said.

Cherokee had assumed business from Beacon under five quota-share and excess-of-loss reinsurance agreements that it then retroceded to Universal Marine Insurance Co. Ltd., an Ingram Corp. unit based in Bermuda.

Cherokee's liabilities on the Beacon-related book amounted to about \$28 million, according to Mr. Weed. But Cherokee recently settled claims brought by Beacon—currently in rehabilitation in North Carolina—by agreeing to release \$4.8 million to Beacon from two LOCs covering its reinsurance agreements. ■

## Job switch may aid Treasury proposal

WASHINGTON—The surprise job swap between Treasury Secretary Donald Regan and presidential Chief of Staff James Baker III probably will aid the Treasury Department's tax simplification plan, experts say.

The plan would reduce or eliminate the tax-favored status of many employee benefits (BI, Dec. 3).

As the new chief of staff, with immediate access to President Reagan, Mr. Regan will be in a better position to push the Treasury tax package, said Dallas Salisbury, president of the Employee Benefit Research Institute.

And, many view Mr. Baker as a superb political operator who has put together congressional coalitions to support many of the administration's legislative proposals.

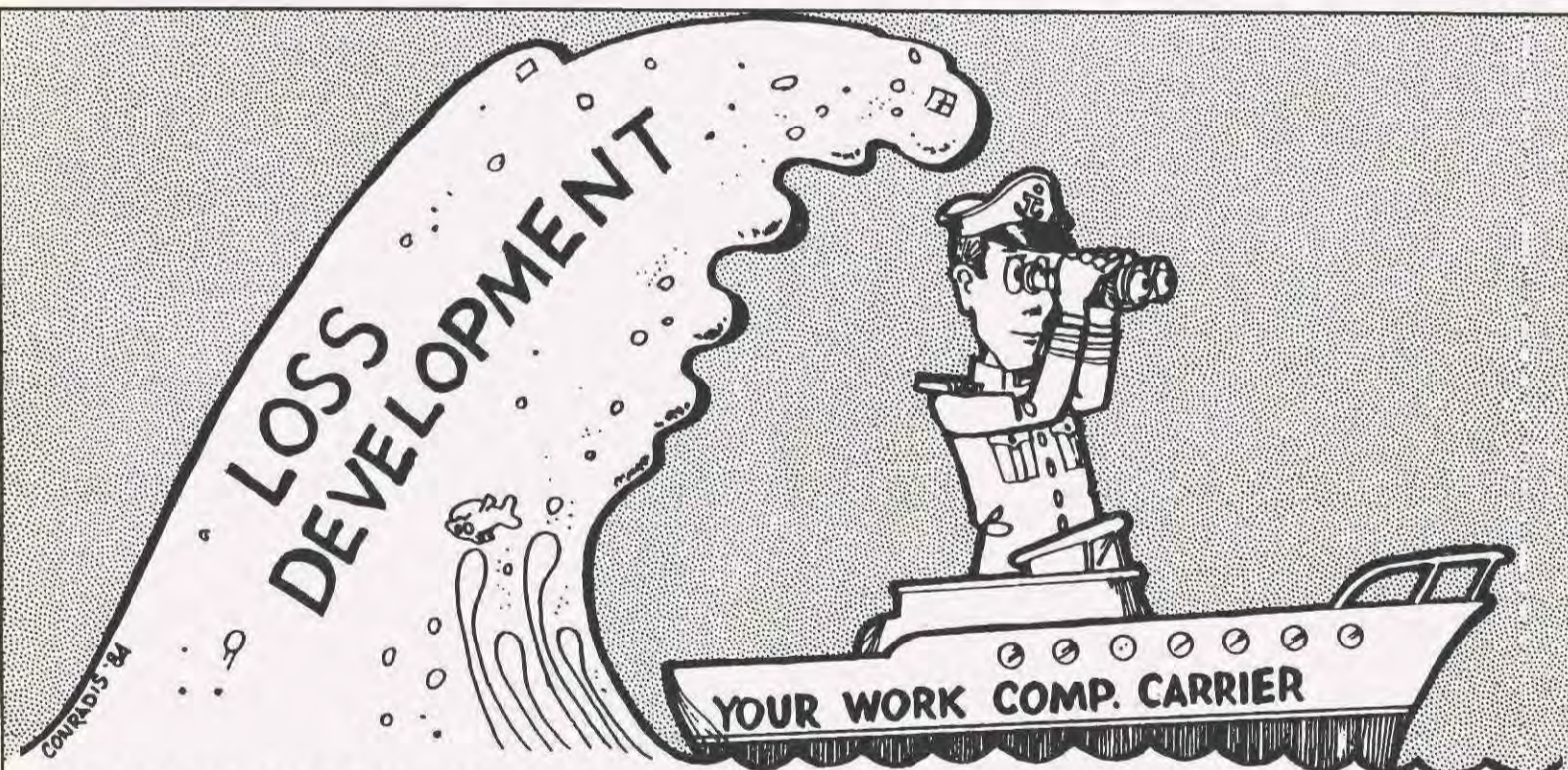
Mr. Baker is concerned about the size of the deficit and how that could affect the Republican Party's chances in the 1986 congressional elections, Mr. Salisbury said.

As a result, Mr. Baker is likely to use his skills to push proposals that simplify the tax code and raise more revenues, some experts say.

Observers say that, as a political realist, Mr. Baker might be more willing than Mr. Regan to drop portions of the tax plan that draw the most opposition. That would enhance chances of the other portions being passed.

Many experts believe that the strongest lobbying efforts would be directed against other sections of the proposal that are of more pressing interest to employers, rather than the benefit tax provisions. ■

Executive Placement  
Nationwide specialists in  
**COMPENSATION & BENEFITS**  
**V.I.P. RESOURCES, INC.**  
278 Crafton Avenue  
Staten Island, NY 10314  
(718) 494-6725 Joseph Gross



"CALM SEAS AND SMOOTH SAILING AHEAD...."

We at Waters Insurance Management Corporation (WIMCO) have three tried and proven systems to assist workers' compensation self insureds and carriers to avoid the problems inherent in our illustration above.

1. The Workers' Compensation Insurance Management System (WCIMS). Here's an integrated, on-line computer software system that is specifically designed for those companies and self insureds that want a functioning loss prevention program, early identification of serious loss areas, an immediate identi-

fication of shock loss claims and a medical management and job placement technique. This WCIMS represents all that we know about workers' compensation coverage after 25 years and a loss ratio in the low 50 percent.

2. If you are a large self insured in Florida or a medium sized business in Florida we can cover your workers' compensation through the Florida Construction, Commerce and Industry Self Insurers Fund (FCCI) at a cost you won't believe possible and with loss prevention and claims management that will be

up to your demanding standards.

3. If you are a large self insured and you want to continue to be self insured we will provide you with all of these services plus reinsurance in a self insured setting.

If you have been having trouble with your workers' compensation obligations and want to do it a better way write or call us with no obligation. We have helped thousands of employers. Contact Gil Waters, President, Waters Insurance Management Corporation, 2540 South Trail, Sarasota, Florida 33579.

# WIMCO

WATERS INSURANCE MANAGEMENT CORPORATION  
2540 S. Tamiami Trail, Sarasota, FL 33579 - 813/365-1898

For 25 years, managers of FCCI FUND, America's largest non-profit Workers' Comp Group Program.

# Fear of liabilities prompted CGL form revisions, ISO says

Continued from page 2

posure cases often result in recovery from a long series of general liability policies.

"This makes it difficult to determine accurate premiums and loss reserves. And beyond that, such 'stacking' of limits poses a serious threat to the very solvency of some insurers," the booklet warns.

The claims-made version of the new policy, because it avoids disputes over when an occurrence took place, "reduces arguments and expensive litigation over what policy responds to a particular claim for injury or damage."

And, the claims-made version reduces the potential under some legal theories for stacking of the limits of several policies in long-term exposure cases.

As a result, according to ISO, the claims-made policy "introduces greater certainty and continuity into claims-handling and improves the accuracy of rates and loss reserves while covering exactly the same kinds of injury and damage as the occurrence alternative."

Some insurers and reinsurers have become increasingly reluctant to handle coverage that operates on an occurrence trigger, the booklet says.

"Without some change," ISO warns, "there could be a real insurance availability problem."

The booklet also points out that under the existing policy form, the only limit on most coverage is a per-occurrence limit. Therefore, the insurer's liability for injury that occurs during the policy period increases with the number of occurrences.

"That liability could be astronomical, depending on how courts interpret the term 'occurrence,'" ISO says.

Therefore, both new policy forms put aggregate limits on all coverages, to specify at the outset of the policy term the total amount that is available for indemnification.

The booklet also notes that some courts have interpreted the sudden and accidental pollution exclusion in the existing CGL policy so broadly "that insurers and reinsurers are exposed to unknown but potentially gigantic losses totally unforeseen when existing policies were written or priced."

The two new CGL forms eliminate virtually all pollution coverage.

Other elements of the new forms that the ISO suggests will improve its general liability program include:

- Coverages provided by the existing broad form endorsement are built into both new forms. Also included are coverages for explosion, collapse and underground perils, which are optional under the existing policies.

- Both versions of the new policy forms use simplified language.

In comparing the occurrence and claims-made policies, ISO says they offer identical coverage, except for the triggers and related provisions.

It is important to note, however, that the claims-made policy is to be excess of all prior coverage, such as that which might be available under a previous occurrence form.

According to the booklet, ISO will provide advisory manual rates for both versions of the general liability policy. The new rates for the occurrence contract will be based on existing rates, but modified to reflect the new provisions.

Pricing on the claims-made policy will be discounted to reflect "the fact that the time between policy inception and the average claim date is shorter under a claims-made policy than under an occurrence policy, so claims-made losses come

earlier and are less affected by inflation."

A further set of discounts will be applied in the first four years of claims-made coverage to reflect the fact that during that period, fewer claims will be covered because some of the claims will be for injury or damage that occurred before the retroactive date of coverage included in the policy.

If no retroactive date is included, the rates will be higher, but they still will be lower than the occurrence rates, the booklet says.

For a free copy of the booklet, titled "ISO's New Commercial General Liability Program," write to David Ostwald, Insurance Services Office, 175 Water St., New York, N.Y. 10038.

**Business Insurance puts more into it so you'll get more out of it.**



Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

**Business Insurance**  
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.) **Surface Mail.** **By Air.**  
 USA  \$52  \$100  
 Canada  \$68  \$ 97  
 Bermuda (Air only)  \$ 97  
 Europe/Middle East (Air only)  \$ 97  
 All other foreign  \$68  Rates on request.  
 new subscription.  renewal.  payment enclosed.  
 bill me.  bill company.

name \_\_\_\_\_ (please print)  
 title \_\_\_\_\_ telephone \_\_\_\_\_  
 company \_\_\_\_\_  
 nature of business \_\_\_\_\_  
 business or  home address  
 city \_\_\_\_\_ state/country \_\_\_\_\_ zip/postal code \_\_\_\_\_  
 Please send information on your special 20%-off group rate for five or more subscriptions.  
 I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.  
**Mail to: Business Insurance**  
 Circulation Dept. 740 Rush Street Chicago, IL 60611

HS5

# We don't make a single claim about our system.

# We Make MultiClaims.™

Introducing an affordable packaged software system for medical, dental and disability claims.

Its name is MultiClaim.™

Lawson Associates designed it to give you an inexpensive but effective alternative to service bureaus, manual systems and limited capacity automated systems. An alternative that simply solves problems.

MultiClaim helps your clients contain health care costs. By providing coordination of benefits, verification of coverage at multiple levels, duplicate expense checking, historical tracking of deductibles and benefits, verification of charges using reasonable and

customary data, and calculation and payment of claims with full audit capability for claim check and account history.

MultiClaim holds down processing costs. By enabling you to buy an internal, turnkey solution for no more than several months of service bureau fees. Yet, at only a fraction of the cost of expensive systems that deliver the features you need, but also a lot

of frills you don't need. And MultiClaim grows as you grow.

Unlike other systems, it easily adapts to bigger, faster hardware. Or you can add clients without additional programming, because MultiClaim is fully parameterized.

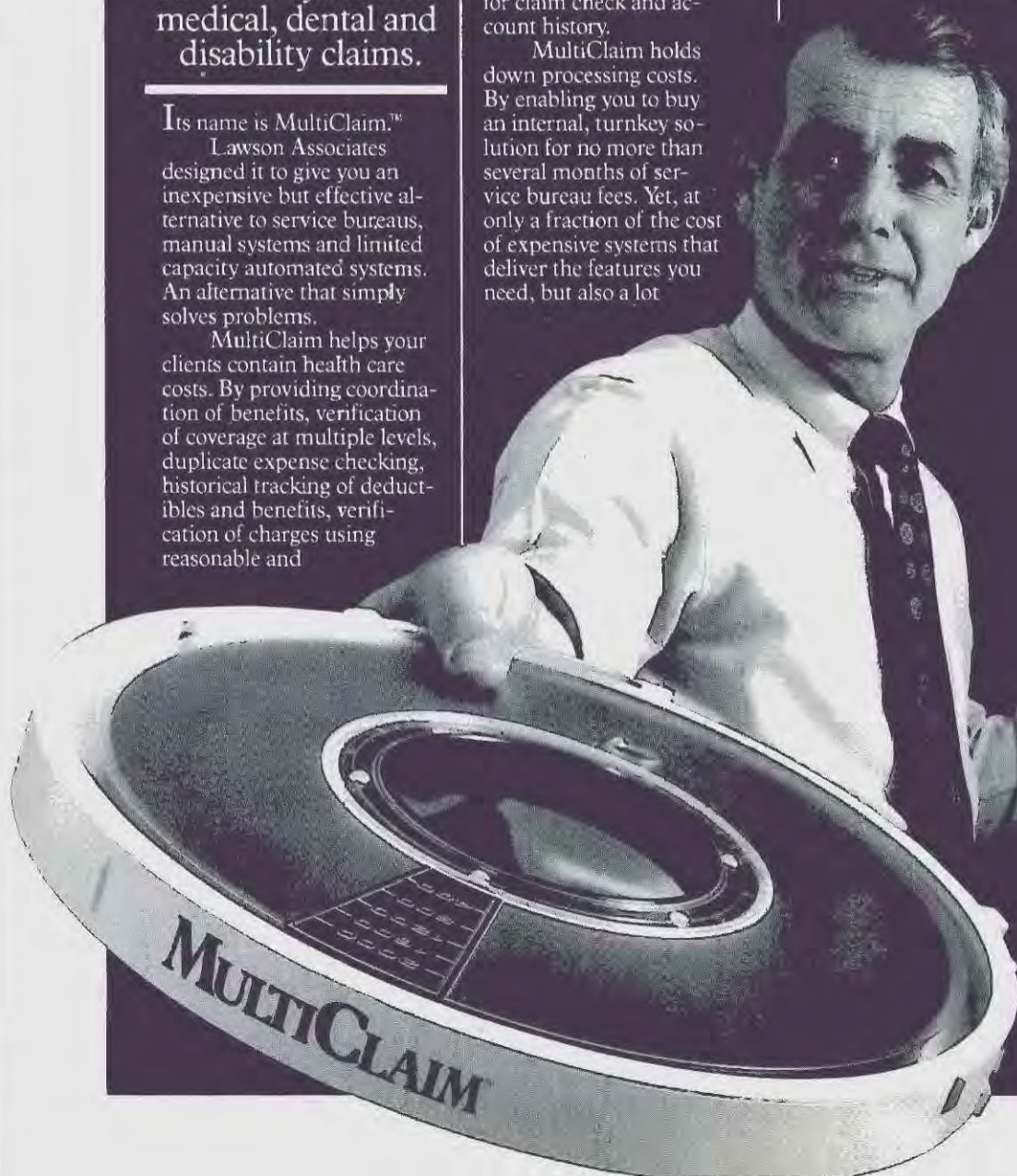
Other features? Full data security. Fund account procedures. Extensive prompting and edit checks. And complete documentation, source code and onsite training are included in the price of this online system.

Want to know more?

Phone  
 Norm Ziesman at  
 1-800-672-0200  
 In Minnesota call  
 (612) 379-2633

Or write:  
 Norm Ziesman  
 Lawson Associates, Inc.  
 2021 East Hennepin Avenue  
 Minneapolis, MN 55413

**LAWSON ASSOCIATES**  
 WE SIMPLY SOLVE PROBLEMS.



## UNR decision

Continued from page 2

cess & Surplus Insurance Co.; First State Insurance Co.; and Continental Casualty Co.

In addition, the Insurance Services Office, a ratemaking and policy-writing organization funded by the insurance industry, and Underwriters Adjusting Co., a claims handling subsidiary of Continental Corp., are named.

In his decision, Judge Hart rejected UNR's claim for punitive damages resulting from the insurers' alleged breach of an "implied covenant of good faith and fair dealing."

Anticipating the way the Illinois Supreme Court would rule on the issue, Judge Hart said that Section 155 of the Illinois Insurance Code of 1935 and its subsequent 1977 amendments pre-empt any common law recovery of punitive damages from insurers by UNR.

Section 155 authorizes a court to award attorneys' fees plus an amount not to exceed \$5,000 when the court finds an insurer's action in refusing to recognize its liability under a policy was "vexatious and unreasonable."

"...Every Illinois appellate court that has considered the issue agrees that the present version of Section 155 pre-empts punitive damages," Judge Hart said.

"Even were this court not otherwise persuaded that punitives are pre-empted, the uniform rule adopted by these decisions is not to

be disregarded by a federal court unless it is convinced by other persuasive data that the highest court of the state would decide otherwise."

"Therefore, this court concludes that Section 155 pre-empts any award of punitive damages based on a common-law theory at all times relevant to this case."

Judge Hart added, however, that the language of the statute did not pre-empt UNR from recovering compensatory damages if it suffered a loss due to the unreasonable behavior of its insurers.

Also in its complaint, UNR alleges that Continental, Bituminous, Zurich and UAC violated federal antitrust laws, specifically Section 1 of the Sherman Antitrust Act.

UNR alleges the insurers and UAC agreed to a formula capping their liability for asbestos claims as a stated percentage of UNR's total liability, thereby forcing UNR to pay at least 35% of defense and indemnification costs.

This formula violated the insurers' contracts with UNR that provide for full indemnification and defense of UNR's asbestos claims, the company argues.

UNR also claims the defendants forced it to comply with the formula by misleading UNR as to the meaning of their policies; threatening to both withdraw all indemnification and defense for asbestos claims; and threatening to institute litigation concerning UNR's coverage.

However, the court said that the

insurers' actions did not constitute price fixing and thus was not a "per se" violation of antitrust laws, nor was there an unreasonable restraint of trade.

"The antitrust laws are based on the assumption that consumers are best served by a competitive market and to that extent can be said to promote consumer welfare," Judge Hart ruled.

"But the Sherman Act does not outlaw every action that hurts consumer welfare," he added. Rather, it outlaws "every contract, combination...or conspiracy in restraint of trade."

"As the Supreme Court has said, the antitrust laws do not purport to afford remedies for all torts committed by or against persons engaged in interstate commerce."

"All UNR's argument shows is that it is a consumer and has been harmed by conspiring sellers, but that allegation is not sufficient to state an antitrust claim."

The court added that UNR failed to show that the insurers' conduct constituted an unreasonable restraint of trade under a "rule of reason" analysis or that the conduct had any effect on competition.

"This is not a situation where defendants were competing to get or even keep UNR's business—they already had UNR's business," the court said.

"Defendants' duties are therefore not derived from the antitrust laws' vision of how competitors should behave; they are derived from the

contracts each defendant had with UNR."

The court pointed out that UNR contended only that the insurers failed to do what their contracts required and was not complaining of a lack of competition.

"Put simply, UNR's argument is an attempt to avoid the requirement that anticompetitive effects be pleaded and adequately supported by factual allegations."

"UNR's view is that every conspiracy that harms a consumer violates the Sherman Act...that theory is simply untenable."

Judge Hart also dismissed UNR's charge that, through a boycott and by instituting litigation, its insurers conspired with others to deprive UNR and others of full defense for asbestos claims and to impose fraudulent policy interpretations on policyholders.

Another charge by UNR—that the insurers conspired to refuse to issue occurrence policies in order to market a claims-made policy providing less coverage at higher premiums—is exempt from antitrust scrutiny under the McCarran-Ferguson Act, the court added.

Peter C. John, a spokesman for the primary insurers in the litigation, said the companies are "delighted" with the decision.

"It puts the case where it should be. We are now litigating a breach-of-contract action, which it was all along," said Mr. John of the Chicago firm of Phelan, Pope & John. He added the decision lessens the amount UNR can recover since

violations of antitrust laws call for triple damages.

Despite the opinion, UNR still believes it is entitled to punitive damages and that the defendants' actions violated antitrust laws.

"We still think we have a shot at punitive damages and will press for them," said Ronald M. Oster, a outside counsel for UNR with the Los Angeles firm of Paul, Hastings, Janofsky & Walker.

Mr. Oster said that UNR has filed a motion to amend its complaint with Judge Hart in which it contends that policyholders can be awarded punitive damages from insurers under state consumer fraud and deceptive practices laws.

Moreover, Mr. Oster said that the motion alleges additional facts "...that will satisfy the requirements of anti-competitive injury Judge Hart said was missing."

UNR is also alleging the defendants engaged in a civil conspiracy in violation of the Racketeer Influenced and Corruption Organizations Act.

Mr. Oster added that even without the claim for punitive damages, UNR is still entitled to many millions of dollars in damages because of the effect of the insurers' actions on UNR, which he said include forcing the company into bankruptcy.

Another issue in the case that must still be decided is whether it should remain in federal court. A hearing is set for Thursday.

No trial date in the case has been set.

## the professional marketplace

### RATES AND CLOSING TIME:

Rates: Display classified is \$73.26 per column inch, minimum of one inch. Straight classified is \$6.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$13.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

### Business Insurance

#### Circulation Breakdown\*

#### Commercial Consumers

Administrative Management:  
owners, presidents,  
vps, etc. 5,357

#### Financial Management:

chief financial officers,  
vps of finance, secretaries,  
treasurers, etc. 9,876

#### Insurance Management:

vps, directors, managers of  
insurance, risk, benefits  
compensation, safety,  
security, etc. 7,254

#### Associations 1,069

#### Government, Unions, Educational Institutions 860

#### Commercial Consumers

#### Sub-Total 24,416

Insurance Agents  
& Brokers 9443

Insurance Cos. 5636

Financial Institutions 403

Actuaries, Attorneys,  
Adjusters, Appraisers  
& Consultants 3220

Others allied to the field 1127

#### TOTAL 44,245

\*Source: Business/Occupational breakdown of qualified circulation, May 7, 1984 issue, as submitted to BPA for June 1984, BPA Publisher's Statement.

New Jersey Insurance Company seeks venture capital partner for innovative insurance program with nationwide potential.

Box 1576  
Business Insurance  
740 Rush St.  
Chicago, IL 60611

### ACCOUNT MANAGER

Boston area, commercial property/casualty agency seeking an account manager. We are technical, detailed, academic insurance professionals enjoying significant growth. If you have agency experience, knowledge, and desire a position of responsibility and authority, we would like to talk with you. Substantial salary. Call or send resume to: Paul M. Mazonson, Eigner & Mazonson, 156 Broad Street, Lynn, MA 01901

### LONG HAUL TRUCK

- Workers Comp • Bobtail
- Cargo • General Liability
- One A Rated Admitted Mkt.

1-800-647-3769

Herbert F. Baker - President

 American Owner/Operator Underwriters Inc.

500 520 1555 Prairie St. Albany, GA 31709

### BUSINESS WANTED

General and/or Employee benefits Insurance Broker or Agency with Commission income \$500,000 to \$1 million preferably with principal executive retaining small share. Interested sellers please write or phone:

David Jewell  
Defray Pty Ltd  
7th Floor  
450 Little Collins Street  
Melbourne Victoria 3000  
Australia

Phone: Area Code (3)  
67 8431 (Business)  
347 9326 (Home)

**BI Classifieds**  
assure  
top quality  
results!

### BRANCH MANAGER

Large P/C agency domiciled in scenic Southwest Virginia seeks individual to coordinate marketing-personnel functions. Applicant must possess proven marketing experience with sound underwriting background. Excellent opportunity. Salary commensurate with experience and ability. For confidential consideration send your resume to:

Box 1603, Business Insurance  
740 Rush Street, Chicago, IL 60611

### INSURANCE AND CLAIMS ANALYST

Central Louisiana Electric Co., Inc. has an opening for a Commercial and Industrial Insurance and Claims Analyst. College degree required. 5-7 years experience preferred. Position requires assisting in the handling of company's property and liability insurance, claims, and loss control program. Send resume and salary requirements to: Central Louisiana Electric Co., (I.P.T.), P. O. Box 111, Alexandria, LA 71301. EOE M/F

### COMMERCIAL UNDERWRITING MANAGER

Large professional agency in Mississippi is looking for top-notch individual experienced in commercial underwriting. Position will include responsibility for marketing functions and management of other commercial lines operations. Along with underwriting and marketing experience, candidate should be a family oriented individual with high standards and values. Salary will be commensurate with ability and experience. Submit resume including experience and personal background to Box 157, Business Insurance, 740 Rush Street, Chicago, IL 60611.

### MARKETING MANAGER

We are an established and highly respected insurance organization specializing in agri-business risks, offering exciting opportunities for growth and development. Our challenge requires a highly motivated individual with strong analytical, organizational and interpersonal skills. Responsibilities for this highly visible position include research and development of new markets, programs and coverages, marketing support to regional offices and coordination of advertising program.

Candidates should have a marketing or business degree and at least five years' property/casualty marketing experience. You must have excellent communication skills and be results-oriented. Please send resume and salary history to:

Box 1595, Business Insurance  
740 Rush Street, Chicago, Illinois 60611

### BENEFITS MANAGER

To be in charge of pension & welfare benefit programs for a 5000 employee natural resource company. Supervises a staff of 5 and reports to Sr. VP of Fin. Minimum 5 years experience in both pension and welfare administration and management.

Contact: Warren McGarty  
don Howard Personnel  
500 North Michigan Avenue  
Chicago, IL 60611  
(312) 222-1980

## Manager Of Captive Activities

Arkwright-Boston Insurance, a leader in providing industrial and commercial coverage to the nation's largest firms, has a challenging opportunity for a **Manager** of our captive subsidiary—HPR Mutual. HPR Mutual provides Arkwright's insureds with an attractive way to self insure many of their exposures.

The **Manager** is responsible for developing, promoting and directing HPR Mutual. Major duties include: establishing procedures and operational guidelines, negotiating reinsurance with appropriate sources, monitoring and controlling "offshore" operations, assisting in the solicitation of accounts and providing direction and training.

We are seeking an individual who can provide HPR Mutual with strong leadership. Ideally, you should have 8+ years in the insurance industry, a combination of property underwriting and marketing or consulting experience, a solid background in captive operations, and exposure to international insurance. Initiative, creativity, communication skills and the ability to implement the captive concept are essential. We require a BA, preferably with a CPCU or ARM.

We offer an extremely competitive salary and benefits package. Send resume and salary history to Mr. Enzo Rebula.

**ARKWRIGHT-BOSTON INSURANCE**

ARKWRIGHT-BOSTON INSURANCE  
225 Wyman Street  
Waltham, MA 02154  
(617) 890-9300, ext. 3581  
an equal opportunity employer m/f

## Ideal Mutual

Continued from page 1

Total losses reported by Ideal in 1983 were \$48 million, while the state says they were \$72 million.

The biggest discrepancy was for workers compensation, where the department says losses totaled \$39.9 million while Ideal reports only \$25.7 million.

Ideal ceded reinsurance to 181 unauthorized reinsurers, which is an unusually high number, according to Vincent Laurenzano, the department's assistant chief examiner.

Ideal listed \$22.5 million in reinsurance recoverable on paid losses and \$88.9 million in reinsurance recoverable from non-related insurers on unpaid losses with these insurers in its 1983 annual statement. It had \$36.6 million in premiums in force and an estimated \$14.8 million in unearned premiums with these insurers.

About half of the \$120 million liability for unauthorized reinsurance imposed by the department is related to Ideal Mutual's reinsurance with offshore captive insurers, primarily in Bermuda, under fronting programs.

Under a fronting program, an insurer issues an insurance policy to a corporation but then reinsures all or a substantial portion of the risk with the policyholder's captive insurer or another insurer designated by the policyholder.

Generally, fronting programs are arranged to satisfy state regulations requiring the purchase of authorized insurance for workers compensation and auto liability insurance while allowing a corporation to fund its own risk through its unauthorized captive insurer.

Mr. Laurenzano said that while claims on the reinsurance with captives "may be collected at some point, (on a statutory basis) they're not admitted."

The issue, he says, is that the funds and letters of credit submitted were insufficient to cover potential losses.

That view, Mr. Becker contends, is based on the July 1984 determination by the New York Insurance Department that insurers must establish reserves for incurred-but-not-reported losses on business that is reinsured with unauthorized reinsurers.

The department applied this July 1984 determination to Ideal for the three years ended December 1983, he says.

A department spokesman disagrees, saying that the department has always required that IBNR reserves be established for business reinsured with unauthorized reinsurers. But, it wasn't until the annual statement form for 1984 was revised that the department requested the amount of IBNR reserves be identified.

Fronting programs for corporations using captive insurers accounted for \$49.8 million, or about 22.7%, of both Ideal's and Optimum of Illinois' direct written premiums of \$219.7 million in 1983.

Among the captive reinsurers to whom Ideal ceded risks include:

- Parthenon Insurance Co., the captive of the Nashville, Tenn.-based Hospital Corp. of America. Ideal reported \$9.8 million in reinsurance recoverable from Parthenon and \$14.8 million in funds on deposit including a letter of credit.

- Agrinational Insurance Co. Ltd., the captive of Archer Daniels Midland Co. Ideal reported \$7 million in reinsurance recoverable from Agrinational and \$10.7 million in funds on deposit including a letter of credit.

- United Insurance Co., based in Grand Cayman, which is owned by 32 insurance company subsidiaries of major U.S. corporations, including Agrinational. Ideal reported \$4.5 million in reinsurance recoverable and \$4.3 million in deposit, including a letter of credit.

- Northeast Insurance Co. Ltd., the captive of the New York-based Federation of Jewish Philanthropies, with \$1.8 million in reinsurance payable and \$2.9 million on deposit, including a letter of credit.

But, not all the unauthorized reinsurance is with captives of major corporations. Other unauthorized reinsurers of Ideal include:

- Kenilworth Insurance Co., which went into liquidation in 1982. Ideal lists \$273,807 recoverable from Kenilworth and no funds on deposit.

- Beacon Insurance Co., now in rehabilitation in North Carolina. Ideal lists \$1 million in reinsurance recoverable and \$731,000 on deposit, including a letter of credit.

- Cherokee Insurance Co., which is now in rehabilitation in Tennessee. Ideal lists \$146,726 in reinsurance recoverable and no deposits.

- St. Eustasius Insurance Co. N.V., which is now being investigated by the New York Insurance Department. Ideal lists \$1.2 million in reinsurance recoverable from St. Eustasius but does not even list the insurer in the proper place on the statement to indicate if any funds are on deposit.

Edward P. Lalley, who retired as president of Ideal in May, says Ideal probably acquired most of this business through its MGA activities. Reinsurers were checked before Ideal signed contracts with them, he says.

"In no instance did we ever accept blindly a reinsurance program from a broker or anyone else," he says. "We recognized the need for good reinsurers."

Ideal would be careful to obtain either adequate funding for reserves or letters of credit, he says.

The other \$60 million of the \$120 million related to reinsurance involves Ideal Mutual's pooling arrangement with its Illinois affiliate, Optimum Insurance Co. of Illinois.

As a mutual company, Ideal is owned by its policyholders. But, in 1980, Ideal formed a downstream holding company, Optimum Holding Corp., and sold 49% of the company to the public (see chart).

Optimum Holding then formed Optimum Insurance Co. of Illinois, and Ideal and Optimum Insurance entered into a pooling agreement under which Ideal Mutual and Optimum Insurance share premiums, expenses and liabilities on insurance written on a 51%-49% basis.

Optimum Insurance, however, is not admitted in New York, and therefore the New York department is not recognizing Ideal Mutual's reinsurance with Optimum Insurance.

Optimum applied to be admitted in New York in 1980 but the Insurance Department never acted on it.

Now, a department spokesman says the department "saw some problems, so the review took a long time."

The New York department also says Ideal's reserves on business written for the insurer by MGAs is short about \$35 million.

Ideal and Optimum Insurance Co. of Illinois began accepting a larger volume of MGA-produced business in 1982, and by December 1983, MGAs accounted for 43.2% of the \$255 million gross premiums written for both companies.

Under an MGA agreement, the MGA has the authority to bind the insurer to risks without seeking approval of the insurer's own underwriting staff.

Among Ideal's MGAs were NDS Enterprises in Kansas City, Mo. The privately owned MGA, which specializes in the sale and servicing of insurance products to automobile dealers and others in related businesses, was acquired by Optimum Insurance for \$4.1 million in cash and 240,748 shares of Optimum Holding Corp. common stock that had an estimated fair-market value of an additional \$1.7 million in September 1982.

Ideal may have given underwriting authority to as many as 40 MGAs, one broker speculates. Ideal and the New York department could not provide specifics.

"They were all over the ballpark" in the types of risks insured, including automobiles, car rentals and aviation, said Mr. Becker, Ideal's former president.

But in 1984, Ideal withdrew from most of its MGA business, although it continues to own NDS, says Mr. Becker.

"We were, in fact, in the process of rehabilitating the companies ourselves since March," he says.

Mr. Lalley and Mr. Becker contest the department's findings, pointing to studies by Tillinghast, Nelson & Warren, an actuary.

Mr. Lalley points out that in response to a study by Tillinghast, Ideal boosted its reserves in 1983 by \$10 million.

Mr. Becker notes that Tillinghast subsequently certified the reserves once again, but, "New York decided to ignore Tillinghast's work" and decided to come up with their own view.

Ideal's reinsurance activities or its MGA activities alone could have led to its rehabilitation, says Mr. Laurenzano of the New York Insurance Department.

After Ideal went into rehabilitation in New York, Optimum Insurance of Illinois decided to seek rehabilitation in Illinois in order to protect its assets from the New York Insurance Department, said President Gene Conway.

Optimum Insurance, which underwrote gross premiums of \$47.6 million (\$27.4 million net) in 1983, was put into rehabilitation Jan. 4. Direct premiums written in Illinois, the only state where it is admitted, totaled \$19.5 million.

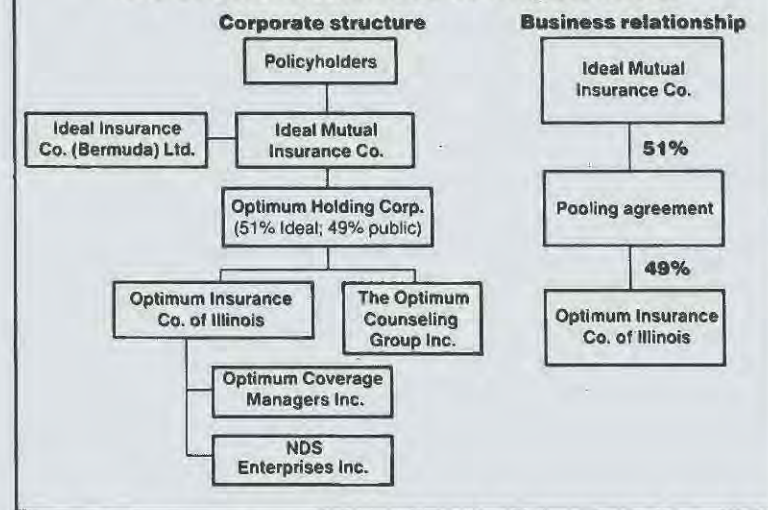
While all claims payments to Ideal and Optimum Insurance policyholders have stopped, Optimum policyholders appear to be in the best position. Optimum Insurance hopes to resume paying claims in two to three weeks, according to Betty Teer, an analyst with the Illinois Insurance Department.

New York-based policyholders are in the next best position since the department says it hopes to resume claims payments to them within a month, first from Ideal's assets and then from the \$250 million New York guaranty fund if necessary. New York's guaranty fund has a maximum limit of \$1 million per claim.

Only \$27.6 million of Ideal's \$200.1 million in direct premiums were written in New York in 1983.

Ideal policyholders located outside of New York don't know when claims payments may resume. All claims payments to them have been stopped indefinitely until members of New York's liquidation bureau have the opportunity to evaluate Ideal's assets.

## How Ideal Mutual is organized



These policyholders may have to rely on claims payments from their own states' guaranty funds, except for losses related to operations located in New York.

How state guaranty funds will respond to Ideal Mutual policyholder claims will be discussed at a meeting of New York and other state insurance officials to be held Tuesday (see related story).

The suspension of claims payment pertains to some past as well as present policyholders of Ideal since many former policyholders are still collecting against insurance they formerly purchased from Ideal, like those who purchased workers compensation insurance.

For the time being, New York policyholders continue to hold active insurance policies with Ideal while the policies of those outside New York have been canceled effective Jan. 26. This action has miffed insurance officials in some other states who find it discriminatory toward their citizens.

The New York department admits canceling the policies of non-New Yorkers was necessary to conserve the assets of Ideal in order to cover obligations to New York policyholders.

In the meantime, unauthorized reinsurers of Ideal are concerned the New York Insurance Department will start to draw down on letters of credit they issued the insurer.

The department already has drawn on letters of credit "where appropriate," according to a spokesman. This includes instances in which letters of credit, which must be renewed annually, are about to expire and the department feels these funds are needed either for existing or anticipated claims.

The spokesman refused to name those whose letters of credit had been called.

The Insurance Department did say that it has reached an agreement with Dart & Kraft Inc. regarding a \$35 million letter of

credit the company had issued Ideal that protects both Dart & Kraft and Ideal claimants.

Dart & Kraft had sought to obtain an injunction preventing Manufacturers Hanover Trust Co. from permitting the New York Insurance Department to draw on the letter.

Others also have moved to stop the department from calling their letters of credit.

A temporary restraining order was obtained by Intercontinental Casualty Co. on Dec. 28 restraining Chase Manhattan Bank from allowing the New York Insurance Department to draw down on two letters of credit—one for \$6.4 million and another for \$1.4 million.

Intercontinental Casualty Chairman Robert F. Coleman said the letters of credit involve reinsurance ceded by Ideal to the insurer on business produced for Ideal and Optimum by Intercontinental Insurance Managers Inc.

Intercontinental Insurance Managers, a managing general agent in Schaumburg, Ill., that specializes in workers compensation insurance, is the successor company to Optimum Ideal Managers Inc. The predecessor company had been equally owned by Intercontinental Financial Group and Ideal Mutual until IFGNA bought Ideal's interest in 1983.

Intercontinental Casualty is prepared to deposit premiums in trust accounts provided it is guaranteed that the funds are used to pay only claims on the Intercontinental-produced business and not other claims, said Mr. Coleman.

The repercussions of the Ideal Mutual rehabilitation also are being felt in Bermuda, where a wholly owned subsidiary of Ideal Mutual, Ideal Insurance Co. (Bermuda) Ltd., is one of the 15 equal shareholders in Corporate Insurance & Reinsurance Ltd.

CIRCL, whose shareholders are all insurance subsidiaries of U.S.

Continued on next page

# Down the up trend in hospital charges.

PCC analyzes hospital bills. Challenges them. And can save you an average of 40% on drug charges. To cap hospital charges, call PCC.

## PCC

828 N. Hollywood Way  
Burbank, CA 91505  
(213) 843-8551

## Ideal Mutual

Continued from preceding page  
corporations, provides for the pooling of the risks of its owners.

In addition, the risks of one of Ideal's clients have been insured under CIRCL's first excess treaty program for liability risks since 1978, confirmed Duane Allen, a director of CIRCL. The premiums since 1978 have totaled less than \$1 million, Mr. Allen said.

Ideal also is a reinsurer of CIRCL's first excess treaty program, which involves all the excess casualty risks pooled in CIRCL. Ideal's share of the reinsurance of this CIRCL program is less than 2%, Mr. Allen said.

The directors of CIRCL will decide before the end of the month what effect the rehabilitation in

New York will have on Ideal (Bermuda's) participation in CIRCL.

The loss of Ideal Mutual as a market is not expected to have a major impact on insurance capacity for large corporations, despite its large premium volume in 1983.

Mr. Allen, who now is a partner in the Laguna Hills, Calif., consulting firm of Applied Risk Funding Services, predicts that none of Ideal's fronting clients will have any problem finding other insurers to underwrite their programs.

Major brokers say they had already stopped placing business with Ideal last year.

Fred S. James & Co. Inc., for example, which had placed "considerable" business with Ideal, last year canceled some policies and did not renew others, said Charles Ruoff, a senior vp.

## N.Y. action angers some regulators

Insurance regulators in several states are anxiously awaiting a Jan. 15 meeting with New York Insurance Department officials over the rehabilitation of Ideal Mutual Insurance Co.

In the meantime, some of these officials are angry that New York has canceled the Ideal Mutual policies held by buyers outside New York state.

The New York Insurance Department obtained a rehabilitation order against Ideal Mutual on Dec. 26 and canceled policies in all states except New York effective Jan. 26.

Some regulators said they interpreted the New York department's action as an attempt to divide Ideal's assets among New York policyholders, leaving policyholders in other states out in the cold.

"New York does not have a program in place to liquidate the company," complains Ronald G. Rosen, conservation and liquidation officer for the California Insurance Department in Los Angeles. "They plan to keep the New York policies in effect and let the rest of the country go to the wind."

R.B. Ashworth, deputy commissioner of financial affairs for the Texas State Board of Insurance, says the state has "problems" with New York's intention to cancel all Ideal policies outside New York.

"It certainly is not fair if they intend to distribute Ideal's assets to New York policyholders only," he says, adding he hopes to learn more at this week's meeting.

Texas, though, plans to take action prior to the meeting.

"We're interpreting New York's order of rehabilitation as an order of receivership," Mr. Ashworth says. "And, we plan to file an ancillary receivership, which is needed to trigger our guaranty fund."

In California, Mr. Rosen says the Insurance Department obtained a conservation order that gives it access to all Ideal assets in the state.

According to Mr. Rosen, Ideal has on deposit in California bonds valued at about \$9 million to cover workers compensation claims.

But, Mr. Rosen says Ideal's workers compensation losses probably will exceed the \$9 million deposited in the state.

James was concerned by Ideal's 1983 financial statement, he said.

Other brokers said also that they had essentially ended their relationship with Ideal early last year because of their analysis of its financial problems.

Don Urbanciz, senior vp of Rollins Burdick Hunter Co. in Chicago, says in addition to being concerned about its financial results, RBH brokers had become aware of turmoil within Ideal's underwriting department early last year.

Brokers also reacted when in August A.M. Best Co. lowered Ideal Mutual's rating to a C-plus from an A (contingent).

The considerable deterioration in Ideal's underwriting results, the rapid growth in volume in recent years and the company's management changes contributed to the lower rating.

Ideal's gross premium volume increased dramatically over the past five years, while its net premium volume decreased, its combined ratio climbed and its net income fell (see charts, page 1).

In 1983, Ideal Mutual had written \$255 million in gross premiums, more than three times the \$74 million it wrote in 1979. But net premiums written actually decreased to about \$29 million in 1983 from \$39 million in 1979. Ideal's combined ratio hit 133.4% in 1983, compared with a combined ratio of 93.4% in 1979.

Ideal reported its highest net income of the five-year period—\$6.8 million—in 1980. Mr. Lalley noted that Ideal's net income dropped from \$6.8 million in 1980 to \$2 million in 1981 because of the Optimum spinoff.

By 1983, Ideal reported a net loss of \$2.3 million.

Among the major policyholders that left Ideal in the last year were Dart & Kraft Inc., the successor company to National Dairy Corp., which had founded Ideal Mutual in 1944. Ideal became independent of Kraft, the intermediate company between National Dairy and Dart & Kraft, in 1972.

Last year, Dart & Kraft switched to another insurer, which a spokesman would not identify.

The rehabilitation will have "absolutely no effect" on Dart & Kraft, the spokesman said, because Dart & Kraft had an essentially self-insured program, with a \$2 million deductible per claim for its workers compensation and liability insurance program.

The biggest claim the company has ever faced was \$900,000.

But, a loss portfolio transfer of the insurance for Dart & Kraft and its predecessor, Kraft, cost Ideal \$9.7 million in additional liabilities in the state's examination.

In 1983, Ideal ceded 95% of its ex-

isting liability under all Kraft and/or Dart & Kraft workers compensation policies and Ideal withheld funds equal to the outstanding loss reserves, a total of \$9.7 million.

The report states: "It appears that (Ideal's) intent in entering into this treaty was to bring its premium writings-to-surplus ratio within an acceptable range. This transfer does not really have an effect on the surplus of the company."

Another Ideal policyholder, Chicago-based Quaker Oats Co., switched its liability policies several months ago to CNA Insurance Cos., with Corroon & Black Corp. acting as its broker, said Bill Sedlak, director of corporate insurance.

Hospital Corp. of America in Nashville, Tenn. had insured its workers compensation and automobile liability risks with Ideal for several years. Ideal reinsured a portion of the risk with HCA's insurance subsidiary, Parthenon Insurance Co., in Tennessee.

HCA's policies underwritten by Ideal were scheduled to renew Jan. 1. But, in mid-December, Robert A. Reeves, president of HCA's Health Services Group who is responsible for risk management for the hospital chain, said he decided to look for a new insurer.

Since Continental Insurance Co.'s subsidiary, Underwriters Adjusting Co., was the claims servicing firm for HCA, Mr. Reeves approached Continental. Continental is now HCA's insurer for workers compensation and automobile liability, also reinsuring portions of the risks with Parthenon.

Mr. Reeves had been a member of the Ideal Mutual board of directors for five years, he said, a position which he resigned in December before the company sought rehabilitation. Mr. Reeves declined to comment on the reasons for his resignation.

Under the rehabilitation, the entire board of directors has now been suspended, notes the Insurance Department spokesman. Board members also included three Dart & Kraft officials and Thomas A. Duffield, risk manager for Archer Daniels Midland.

Reinsurers of Ideal that did not issue letters of credit say their relationship with Ideal remains essentially unchanged.

Angus Robinson, president of Trenwick Ltd. in Bermuda, said that under New York insurance law, the reinsurance contract must state that a reinsurer's relationship with a rehabilitator or liquidator remains the same as it does with the insurer.

Trenwick Re operates Trenwick Guaranty Insurance Co., which has a \$20.8 million deposit with Ideal in connection with a "rent-a-captive"

program with a large corporation on a retrospectively rated workers compensation program.

Ideal also owns 3% of the Apple Syndicate on the New York Insurance Exchange, a syndicate that is managed by Trenwick.

Mr. Robinson says he suspects the rehabilitator will decide how to dispose of this asset.

Before the rehabilitation, Ideal Mutual had tried to acquire additional financing. In December, Optimum Holding said it had reached an agreement in principle to be acquired by Delaware Oil Holdings and its affiliate, Macmillan Ring-Free Oil Co. (BI, Dec. 6, 1984).

Under terms of the agreement, Delaware and Macmillan would have paid at least \$30 million in exchange for at least 80% of Optimum's outstanding common stock. The deal fell through, says Mr. Becker.

But two Ideal policyholders, whom Mr. Becker refused to name, did offer to give Ideal a \$30 million infusion as part of a preferred stock issue. The principals were scheduled to arrive in New York on Dec. 7 to finalize the plan. The deal fell through on Dec. 6, though, when the New York Insurance Department presented the insurer with its preliminary report on the triennial examination. Ideal had not expected the report until February.

"It may just be a coincidence," says Mr. Becker.

Under rehabilitation, Ideal Mutual is now being run by the New York Insurance Department's liquidation bureau, which is charged with conserving the assets of the company for the benefit of the policyholders.

Eighteen members of the liquidation bureau are now supervising Ideal's 180 employees. Those employees of Ideal now remaining are officially employees of the department's liquidation bureau.

Ideal Mutual either will emerge from rehabilitation or be liquidated.

Few companies emerge from rehabilitation, notes Daniel Kellogg, senior manager of A.M. Best Co.'s property/casualty division. Mr. Kellogg points out there have been five to 10 insolvencies a year over the last 25 years, but the companies that have emerged from rehabilitation can be counted "on two hands."

Former President Mr. Becker says he is not optimistic about the future of Ideal, because the company is heavily leveraged and dependent upon recoveries from reinsurers and a continuing influx of new premiums.

Mr. Becker says he is more optimistic about Optimum Insurance Co. of Illinois, which he says has a good portfolio of investments.

## insurance services guide


Use the Insurance Services Guide to reach your best prospects.

**INSURANCE/REINSURANCE SOFTWARE for PC's**  
Programs designed to increase productivity for the Insurance and Reinsurance industries. AGENTS, BROKERS, CLAIMS CONTROL, UNDERWRITERS and MANAGEMENT will benefit from our programs.  
**JAMES B. HOOD & ASSOCIATES**  
P.O. BOX 598, FAIRFAX, CA 94930  
415-453-6748 TELEX 353677 HOOD SFO

**CASUALTY ACTUARIES, INC.**  
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A.  
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds  
• Statutory letters of opinion on loss and loss expense reserves.  
One Insurance Center Plaza, Suite 1  
St. Louis, MO 63141  
(314) 878-5002

**GRIFFIN Industrial Claims**  
Specializing in Workers' Compensation Claims Audits and program evaluation, development & management.  
• Vendor Selection  
• Contract Performance Evaluation  
• Claims Management Training  
• Use of Workers' Comp Data in Safety Program  
P.O. Box 486  
7300 Belchamp Street, Rio Linda, CA 95673  
(916) 991-4315

Engineering & Consulting Services for Risk Improvement Programs  
Code Analysis • Loss Investigations  
Sprinkler and Special Hazard Systems  
Fire Alarm and Security Systems  
NY 914/666-2361 VA 703/938-9122 FL 305/374-4009  
SF 415/924-6474 LA 213/597-0303 IL 312/530-1494  
**GAGE-BABCOCK & ASSOCIATES**  
Corporate Office, 135 Addison,  
Elmhurst, IL 60126

**INSURANCE INTERMEDIARIES**  
Our fees paid by insurers • Large accounts placed  
• Commissions negotiated  
  
1655 Peachtree St., Suite 520, Atlanta, GA 30329  
404-892-0791 TELEX 80-4319  
(Former Ins. Comm. 8 yrs., Former Pres. NAIC)

**CAM Systems, Inc.**  
8204 Elmbrook Dr., Suite 225 Dallas, Texas 75247  
• Claim Management • Data Processing  
• Adjusting Services • Subrogation  
—SERVING—  
• MGA's • Risk Managers • Self Insureds • Reinsurers  
• Brokers • Agents • Insurance Companies  
Call or Write:  
**KEN MAIN-CAM SYSTEMS, INC.**  
2 North Point, #44 Houston, Tx 77060 (713) 999-0961

**ATWOOD & CO.**  
Consulting Actuaries  
Reinsurance and Reserve Analysis  
for Captives, Self Insurers & Insurers.  
13113 Polvers Ave.  
Rancho Bernardo, CA 92128  
(619) 451-6049

**WORKERS COMPENSATION CLAIMS SOFTWARE FOR IBM PC XT**  
All functions and state forms  
Insurance Network Systems, Inc.  
5118 North 56th Street  
Tampa, Florida 33610  
813-621-6069 (Fl)  
800-237-8133 (U.S.)

## Risk, benefit bills pending

Continued from page 2

And, the clarification on pollution means the bill will not be referred to—and possibly stalled in—the Senate Environment and Public Works Committee.

The nuclear power industry bill, H.R. 445, introduced by Rep. John Seiberling, D-Ohio, overhauls the Price-Anderson Act, the 1957 law that placed a ceiling on nuclear power plant operators' liability.

The bill would remove the \$615 million limit on total liability for damages to the public caused by any one nuclear accident.

The limit was imposed when the nuclear industry was an "untried infant," Rep. Seiberling said. Now that the industry is an "experienced giant... it is time to repeal this artificial limit on liability and to allow the free market to work."

The Superfund bill, S. 51, was introduced by Sen. Robert Stafford, R-Vt. It would expand the federal hazardous-waste cleanup fund to \$7.5 billion over the next five years. The original Superfund law established a \$1.6 billion fund for fiscal 1981 through fiscal 1985.

The Stafford bill would create a federal cause of action for damages resulting from a release of hazardous substances (BI, July 9, 1984).

However, the federal cause of action would apply only to cases involving bodily injuries. A bill considered by the House last year also would have allowed a federal cause of action for psychological injuries, like fear of illness.

In addition, unlike the House bill, the Stafford pro-

posal says a company can be held liable only for harm caused by its own products.

Insurance industry lobbyists say the Stafford bill is an improvement over legislation considered by the House last year, but they say more changes are needed.

On the benefits side, legislation introduced by Rep. Fortney (Pete) Stark, D-Calif., would require employers to continue to cover employees' spouses and dependent children when there is a change in marital status, such as divorce.

Under the bill, H.R. 21, spouses and dependent children would have 90 days to decide whether to continue coverage. They would automatically be covered during these 90 days and then could obtain coverage for up to five years.

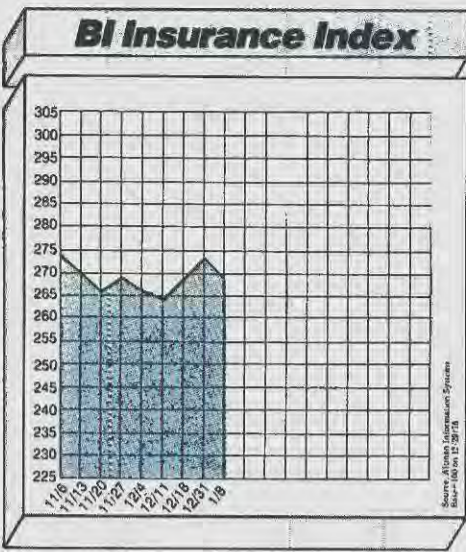
Employers could pay the premiums or require the spouses and children to pay the premium. But it could not exceed the average cost of covering other employees.

Rep. Stark noted that under many group health insurance plans, spouses and their children lose coverage when there is a change in marital status.

Group health plans frequently allow for conversion to individual policies when group coverage is terminated, but these policies are expensive and not as comprehensive as employer-provided plans.

The IRA legislation, H.R. 42, introduced by Rep. Robert Matsui, D-Calif., would let employees with IRAs invest in collectibles, like gold coins. The Economic Recovery Tax Act of 1981 removed collectibles as an IRA investment vehicle.

For advertising information in the INSURANCE SERVICES GUIDE  
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.  
Telephone (312) 649-5340



The *Business Insurance* stock index began the new year with a decline. The *BI* index of insurance industry stocks closed at 269.6 points on Jan. 8, which was a drop of 3.8 points from 273.4 points on Dec. 31. A total of 20 stocks reported gains, 30 stocks closed down and 11 stocks were unchanged. The largest gains were reported by Alexander & Alexander Services Inc., up 7.8%; The Crump Cos. Inc., up 6.2%; Bitco Corp., up 5.6%; Reed Stenhouse Cos. Ltd., up 5.1%; and Old Republic International Corp., up 5%. The biggest losses were reported by Optimum Holding Corp., down 50%; the St. Paul Cos. Inc., down 11.4%; Zenith National Insurance Corp., down 8.8%; USF&G Corp., down 6.4%; and SAFECO Corp., down 5.7%. The *Business Insurance* index fell 1.4% for the trading period, compared with a drop of 1.6% in the New York Stock Exchange composite and a decline of 1.6% posted by the Dow Jones 30 Industrials.

8 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comm Union	189	NM	16.9	8.9	190-187
Genl Accident	510	51.0	27.1	5.3	510-510
Gdn Royal Exch	670	17.9	32.9	4.9	670-665
Royal	530	88.3	32.6	6.1	530-516
Sun Alliance	430	26.9	20.0	4.7	443-428

Company	Price	P/E	Div.	Yield	1 Week High-Low
CE Heath	583	10.0	24.3	4.2	583-580
Hogg Robinson	232	13.3	9.7	4.2	232-225
JH Nisbet	241	16.6	7.4	3.1	241-231
Sedg Grp	345	16.0	11.5	3.3	345-335
Stew Wrightson	525	15.0	21.4	4.1	525-513
Wills Faber	598	21.4	30.0	2.5	598-580

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

# Reed Stenhouse acquisition is a strategic move for A&A

By LEONARD M. WILSON  
Special to *Business Insurance*

ALEXANDER & Alexander Services Inc.'s proposed acquisition of Reed Stenhouse Cos. Ltd. came as a bit of a surprise, since many observers were still wondering if the dust had fully settled at Alexander Howden Group P.L.C. Once bitten, twice shy, was one cynic's view.

However, the merger between the two companies falls in the category of a strategic move that has a great deal of logic.

Alexander & Alexander had not disguised its ambitions to be a world-scale broker. Merger discussions with Sedgwick Group P.L.C., subsequently aborted in 1981, were a clear signal of the importance management attached to an international capability.

The acquisition of Alexander Howden in the wake of the failed negotiations with Sedgwick was supposed to be a second-best stepping stone to international insurance brokerage. Howden would have been half a loaf, however, even if its tribulations had not surfaced.

Since the acquisition of Howden did not satisfy Alexander & Alexander's needs in the international realm, the company had three options.

The first was to forgo its international aspirations. However, this policy would have had adverse ramifications for domestic business. In the competition for multinational insurance buyers that want global insurance programs, a lack of well-developed international facilities would be a disadvantage vis-a-vis Marsh & McLennan Cos. Inc. and Johnson & Higgins.

In addition, the absence of an international base would close out participation in the faster growing international insurance markets. World industrialization is lifting insurable

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



Mr. Wilson

values abroad, and a disaster such as the recent deadly gas leak at the Union Carbide plant in Bhopal, India, must inevitably alter attitudes in the less-developed countries about the social obligation to compensate victims of insurable mishaps. In turn, this means sharply rising insurance premiums for liability coverage.

A piecemeal acquisition program of foreign, indigeneous insurance brokers was a second alternative. But this course is tortuous and is impeded by the scarcity of acquirable brokers in most countries.

A third alternative, and the one adopted, was to seek a blockbuster acquisition that would provide much-enhanced international penetration in a single transaction.

This approach for Alexander & Alexander had been inhibited by the scarcity of large insurance brokers that might be available and at the same time offer a good business and geographical fit.

Additionally, the problems at Alexander Howden had to be resolved before Alexander & Alexander's stock could be used for a deal as a convincing medium of exchange.

Reed Stenhouse seems to meet the necessary criteria. The brokerage is strong where Alexander & Alexander is weak, notably in Canada, Britain, Australia and the Pacific Basin. And, Reed Stenhouse adds facilities in several European countries and Africa as well.

Unlike Alexander Howden, Reed Stenhouse is primarily a retail insurance brokerage. The Canadian company also has in place a management team that knows how to run a network of international insurance brokerage offices. Management is a key issue, as in all acquisitions.

Becoming international is not cheap. Alexander & Alexander, according to our calculations, is paying better than 20 times the likely Reed Stenhouse earnings for the calendar year 1985.

The price of course, reflects a scarcity value, as well as the high priority attached to an international presence.

We also estimate that Alexander & Alexander's 1985 earnings could be diluted somewhat by the deal. The dilution may be mitigated if Reed Stenhouse's U.S. operations, likely to generate \$65 million to \$70 million in revenue during 1985, can be made profitable.

The combination could produce estimated

revenues of about \$1 billion in 1985 and close to \$1.2 billion in 1986. Clearly, Alexander & Alexander would decisively rank second in worldwide insurance brokerage revenues. By way of comparison, we believe that Marsh & McLennan's total revenues may be in the area of \$1.2 billion in 1985 and \$1.4 billion in 1986.

Are there any negative aspects to the merger?

Canadian insurance markets seem to be turning more slowly than their U.S. counterparts. This could restrain earnings progress for Reed Stenhouse in 1985.

In addition, energy is a very important industry to Reed Stenhouse. Falling oil prices could depress drilling activity and insurable values. Consequently, the company's growth in revenues from the energy sector, and therefore its overall growth, might suffer in 1985 and 1986.

No merger is a sure thing until the closing. Regulatory agencies in the United States, Canada and Britain must give their approval, but they are not likely to be a hurdle. The sharing of management responsibilities and realignment of directorships seems to have been well thought out and should not present an obstacle. But the complexity of the approvals probably will delay the marriage ceremony until May or June.

Going international is no guarantee that Alexander & Alexander's internal growth rate will accelerate materially over what it might have been without the proposed acquisition.

But, in the increasingly concentrated world of insurance brokerage and the multinational character of industrial business, an international capability should enhance the company's longer-term prospects and protect its market position in the United States.

Shareholders will not see immediate benefits in the form of a higher stock price. Strategic initiatives rarely move stocks.

Nonetheless, Alexander & Alexander seems to be on the right track for the late 1980s and beyond.

## 1984 results

For the fourth consecutive year, the nation's property/casualty underwriters sustained record underwriting losses in 1984. And, investment income, which also reached a new high, failed to offset the losses from underwriting operations.

According to preliminary estimates reported by A.M. Best Co., underwriting losses in 1984 were approximately \$21 billion, up almost 58% from the \$13.3 billion reported in 1983.

For the two-year period of 1983-84, the nation's property/casualty insurers recorded an estimated underwriting loss of \$34.3 billion, which is more than the total underwriting loss reported for the 25 years from 1958 through 1982.

Investment income during 1984 rose to \$17.3 billion, an increase of 8.1% from the \$16 billion in 1983.

The overall underwriting loss of \$21 billion consists of a statutory underwriting loss—premiums earned minus losses and operating expenses—of \$18.7 billion and \$2.3 billion returned to policyholders as dividends. It is the worst statutory underwriting loss in the industry's history.

Net earned premiums in 1984 were \$114.6 billion, which is an increase of 7.8% over the \$106.3 billion recorded in 1983.

Net written premiums totaled \$117.1 billion in 1984, which is an increase of 8% from the \$108.4 billion reported in 1983.

Policyholder surplus amounted to \$60 billion on a consolidated basis at the end of 1984, a decrease of \$5.6 billion during the year.

Sean Mooney, economist and vp of the Insurance Information Institute in New York, noted that 1984 was the worst year ever for the nation's property/casualty industry.

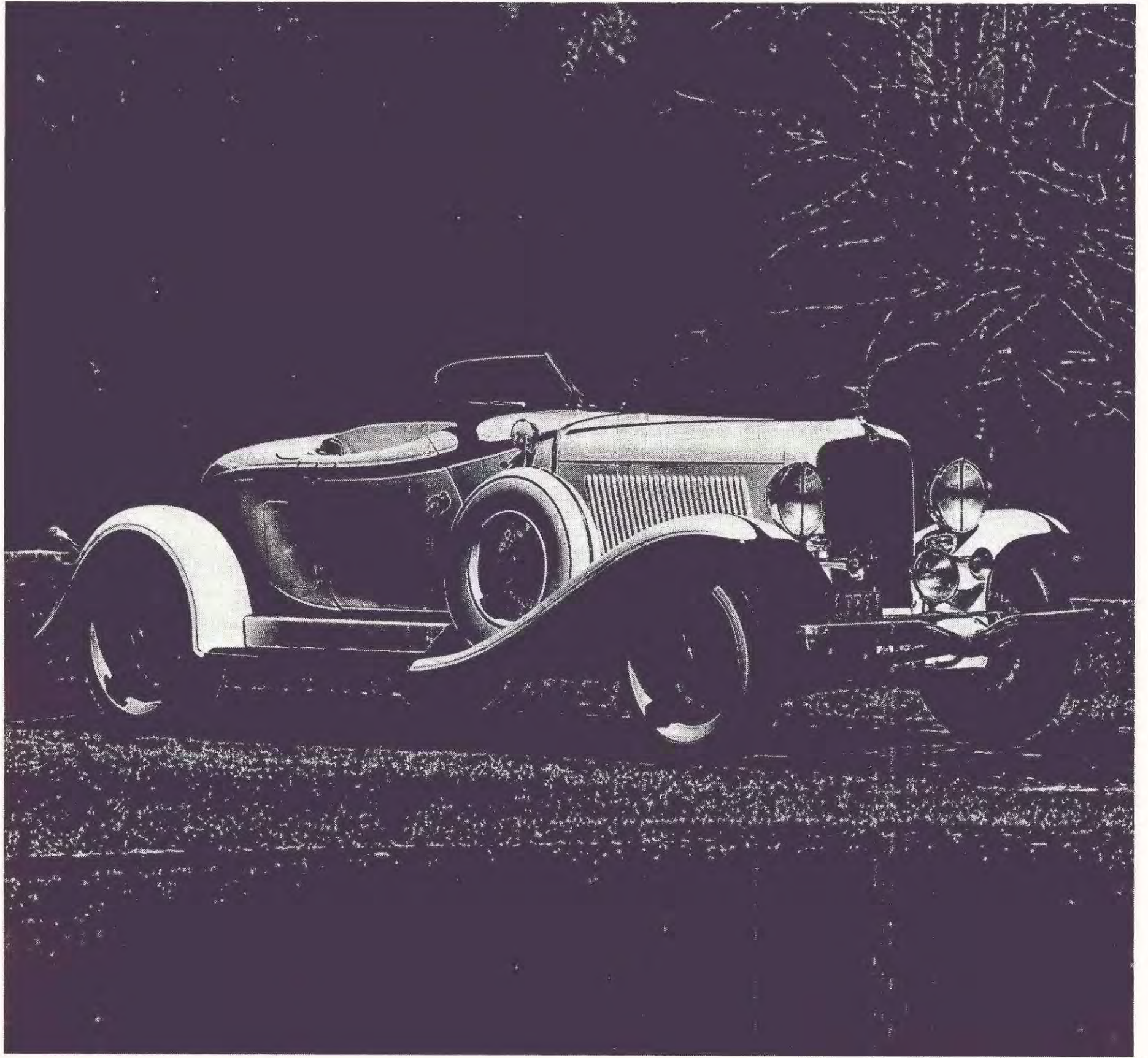
"The industry will be moving toward recovery in 1985, but significant underwriting losses are expected to continue," he predicted.

Mr. Mooney forecast a combined ratio of 116.5% in 1985, compared with the 1984 projection of 118%.

## BI Industry Stock Report

Insurance Cos	Jan. 8, 1985					1/1/85 thru 1/8/85					United States Fio & Gty Co	Jan. 8, 1985					1/1/85 thru 1/8/85										
	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	36.50	0.0	18.7	2.64	7.2	36.63	36.38	1,170.6	United States Fio & Gty Co	NYSE	25.75	-6.4	8.3	2.08	8.1	27.13	25.75	372.4								
American Bankers' Ins Group	OTC	11.75	2.2	7.3	0.50	4.3	11.75	11.50	38.4	United Svcs Life Ins Co	OTC	27.75	-2.2	5.4	1.20	4.3	28.75	27.75	10.0								
American General Corp	NYSE	24.88	-4.8	9.2	0.90	5.6	26.00	24.88	1,028.0	Ustlife Corp	NYSE	33.63	-0.7	9.4	1.04	3.1	33.63	33.13	142.1								
American Indty Fintl Corp	OTC	15.63	-0.8	0.0	1.12	7.2	15.63	15.38	8.9	Washington Natl Corp	NYSE	21.00	-2.9	11.6	1.08	5.1	21.50	21.00	31.1								
American Intl Group Inc	NYSE	65.00	-4.6	12.7	0.44	0.7	67.38	65.00	539.0	Zenith Natl Ins Corp	OTC	13.00	-8.8	10.3	0.68	5.2	14.25	13.00	52.1								
American Natl Ins Co	OTC	29.38	-2.9	8.1	1.08	3.7	30.25	29.38	67.2	INSURANCE COMPANIES					AVERAGE	14.9	3.8										
Aneco Reins Ltd	OTC	1.13	0.0	0.0	0.00	0.0	1.13	1.13	0.0	AGENTS BROKERS																	
Avenco Corp	AMEX	19.38	2.6	13.0	0.60	3.1	19.38	18.75	3.2	Alexander & Alexander Svcs	NYSE	24.25	7.8	269.4	1.00	4.1	24.25	22.50	452.4								
Banks Iowa Inc	OTC	41.50	-1.2	13.1	1.56	3.8	42.00	41.50	7.7	Baldwin & Lyons Inc	OTC	44.00	0.0	15.4	0.80	1.8	44.00	44.00	0.0								
Bitco Corp	OTC	11.75	5.6	0.0	0.40	3.4	11.75	11.13	37.5	Corroon & Black Corp	NYSE	29.38	-5.2	17.6	1.00	3.4	30.00	29.38	101.0								
Carolina Cas Ins Co	OTC	3.50	0.0	0.0	0.00	0.0	3.50	3.50	0.0	Crump E H Cos Inc	OTC	19.25	6.2	17.2	0.44	2.3	19.25*	18.13	235.9								
Chubb Corp	NYSE	51.25	-2.4	13.1	2.20	4.3	51.75	51.25	387.0	Emett & Chandler Cos Inc	OTC	11.00	0.0	0.0	0.00	0.0	11.00	11.00	0.3								
Continental Corp	NYSE	38.88	2.0	9.8	2.08	5.4	38.88	38.00	91.4	Gallagher Arthur J & Co	OTC	30.00	0.8	21.4	0.22	0.0	30.00*	29.75	55.4								
Crawford & Co	OTC	19.25	-1.3	12.3	0.66	3.4	19.50	19.25	15.3	Hall Frank B & Co Inc	NYSE	23.50	-2.6	0.0	1.00	4.3	23.88	23.38	98.3								
Crown Life Ins Co	OTC	117.50	-2.1	7.7	4.00	3.4	120.00	117.50	0.1	Integrated Res Inc	AMEX	14.50	0.9	5.6	0.00	0.0	14.50	13.88	68.4								
Employers Cas Co	OTC	34.50	0.0	7.9	1.20	3.5	34.50	34.50	0.8	Marsh & McLennan Cos Inc	NYSE	57.00	-3.4	27.5	2.40	4.2	57.88	56.63	256.1								
Equifax Inc	NYSE	33.00	-3.7	13.3	1.70	5.2	33.50	32.75	20.4	Poe & Assoc Inc	OTC	6.25	4.2	0.0	0.00	0.0	6.25*	6.00	3.8								
Farmers Group Inc	OTC	48.50	-2.3	10.5	1.52	3.1	49.50	48.00	598.3	Reed Stenhouse Cos Ltd	OTC	17.88	5.1	25.5	0.60	3.4	17.88*	17.13	184.8								
Foremost Corp Amer	OTC	27.75	-3.5	16.2	0.96	3.5	28.75	27.75	84.9	AGENTS/BROKERS					AVERAGE	25.9	2.6										
Freemont Gen Corp	OTC	16.63	-4.3	23.8	0.48	2.9	17.25	16.63	197.9	CONGLOMERATES HOLDING COS.																	
Great West Life Assurn Co	OTC	325.00	0.0	8.7	12.00	3.7	325.00	325.00	0.0	American Express(Fireman's Fd)	NYSE	36.25	-3.7	18.9	1.28	3.5	37.00	36.13	2,675.6								
Hanover Ins Co	OTC	27.50	0.9	13.1	0.56	2.0	27.50	27.25	14.8	Anderson Clayton(Ranger/PanAm)	NYSE	34.25	-3.5	16.2	1.32	3.9	35.25	34.25	61.8								
Hartford Steam Boiler Inspn	OTC	59.00	0.9	19.5	3.00	5.1	59.00	58.50	7.1	Arco Inc	NYSE	10.00	2.6	0.0	0.00	0.0	10.00	9.75	436.6								
Jefferson Natl Life Ins Co	OTC	20.38	-0.6	9.6	0.44	2.2	20.38	20.38	1.2	CIGNA Corp	NYSE	43.63	-1.7	36.1	2.60	6.0	44.25	43.63	512.8								
Kemper Corp	OTC	44.25	0.6	31.4	1.80	4.1	44.63	44.13	56.7	City Investing Co. (Home Ins.)	NYSE	39.38	1.3	9.5	2.00	5.1	39.38	38.38	1,608.6								
Lincoln Natl Corp Ind	NYSE	37.75	-3.2	8.8	1.84	4.9	39.38	37.63	205.4	CNA Fintl Corp (CNA)	NYSE	33.73	3.5	16.2	0.00	0.0	33.13*	31.50	80.0								
Mission Ins Group Inc	NYSE	8.88	2.9	0.0	0.50	5.6	9.25	8.88	139.6	Control Data (Comml. Credit)	NYSE	34.50	-2.1	12.4	0.66	1.9	34.50	33.50	1,144.8								
Northern Natl Life Ins	OTC	28.63	0.4	11.1	0.80	2.8	28.63	27.50	228.4	Genrat Re Corp	NYSE	61.73	-4.1	21.3	1.44	2.4	62.38	61.13	473.3								
Ohio Cas Co	OTC	46.00	-1.3	17.5	2.68	5.8	46.38	46.00	105.5	ITT (Hartford Group)	NYSE	28.75	-2.1	7.8	1.00	3.5	29.25	28.75	1,213.8								
Old Rep Intl Corp	OTC	31.63	5.0	6.4	0.88	2.8	31.63	30.00	129.7	Optimum Hldg Corp	OTC	0.13	-50.0	0.0	0.00	0.0	0.25	0.13*	18.1								
Orion Cap Corp	NYSE	21.25	1.2	0.0																							

# If you were reconditioning this 1932 Auburn, you'd go to an expert. Why buy Workers' Comp. any differently?



Location courtesy of Heritage Plantation, Sandwich, Massachusetts.

You don't have to go far to find a Workers' Compensation program for your business. But finding the expertise to make it work for you is another matter.

At American Mutual, nearly 60% of our business is in Workers' Comp. So we know more about it than almost anybody. And we apply what we know to what you need. With programs as individual as you are.

And we can also tailor general liability and commercial auto insurance plans for you. With the same know-how we're known for.

So if you value your business, shouldn't you be talking with the experts?

**American  
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880