

# business insurance

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

Entire contents copyright 1984 by Crain Communications Inc. All rights reserved.

## Supreme Court ruling allows Silkwood family to press suit

WASHINGTON—State courts may award punitive damages for injuries suffered in a nuclear accident, the Supreme Court ruled last week in the Karen Silkwood nuclear-contamination case.

The Supreme Court rejected arguments from the Reagan administration and the nuclear power industry that the 1954 Atomic Energy Act bars state courts from imposing punitive

*Continued on next page*

## Logging on

### RIMS chapter's new computer bulletin board allows risk managers nationwide to swap ideas

By RHONDA L. RUNDLE

FREMONT, Calif.—Boot up. Dial in. Log on to the first computer bulletin board operated by and for risk managers.

Send a message to a colleague, broker or consultant across the country—or overseas. Get and give help on designing and using general-purpose and specialized risk management software.

Here is the perfect reason to invest in a personal computer if you or your company do not already own one. Once you do, the bulletin board can connect you electronically to other risk management users.

The Risk & Insurance Management Bulletin Board System, soon to be known as RBBS or BBS to users, is sponsored by the Golden Gate Chapter of the Risk & Insurance Management Society in San Francisco.

Following a six-month planning period, it debuted Jan. 1. RBBS operates on weekdays only from 4 a.m. to 6 p.m. PST and can be reached at 415-793-9983.

"There are all these people out there trying to solve the same puzzle—such as a work comp retro calculation or a simple programming problem," explains Robert C. Herrick, insurance manager at Transamerica Corp. in San Francisco. "It's an enormous waste of energy."

Mr. Herrick, who has used a personal computer at Transamerica since he went to work there 2½ years ago, was riding home on the train one night when it occurred to him that a computer bulletin board might help reduce this waste, and keep risk managers from constantly reinventing the wheel.

Like most computer enthusiasts, he had meandered through many of the several hundred bulletin boards that are operated nationwide by hobbyists,

media companies and other businesses such as computer software firms that use them to distribute their wares.

But there was no bulletin board operating to exchange risk management information.

"You don't need every risk manager in California, New York or Virginia writing their own program for a retro calculation," he explains. "Once the problem is solved, it never has to be solved again. It can be made available to others through the bulletin board."

This brainstorm led him to propose to the Golden Gate RIMS Chapter that it sponsor a bulletin board, which he would maintain and operate out of his home in Fremont, a suburb of San Jose. He offered to donate about \$4,000 worth of equipment and the RIMS chapter would purchase about

*Continued on page 22*



Mr. Herrick's computer can provide many services.

## Babcock, insurers to pay N-plant costs

By DOUGLAS McLEOD

NEW YORK—Two nuclear insurance pools and Babcock & Wilcox Co. will pay \$11.8 million to settle a lawsuit brought by a Florida utility against Babcock over damages to its nuclear plant in a 1978 accident.

Florida Power Corp. of St. Petersburg says the settlement will cover about 94% of the costs of repairing its Crystal River Unit 3 nuclear plant, which was shut down for seven months in 1978 after a mechanical failure caused extensive damage throughout the reactor system.

About \$7.2 million will come from the utility's two property insurers at the time: American Nuclear Insurers and the Mutual Atomic Energy Reinsurance Pool, which together represents 240 domestic and foreign reinsurers.

Babcock & Wilcox, the builder of the plant and a subsidiary of McDermott Inc. of New Orleans, will contribute the remaining \$4.6 million, mainly in the form of credits against future billings to Florida Power for equipment and services.

Not covered by the settlement or other insurance is the estimated \$59 million cost of replacement power during the seven months the plant was shut down. Most of this amount is expected to be passed to utility customers, though the utility could be stuck with as much as \$12 million of the replacement-power cost.

Florida Power first ran into problems with its reactor in December 1977, when a monitoring system designed to detect loose parts started sounding alarms, according to court papers filed by the utility.

The alarms continued sporadically through January 1978, but employees of the utility and Babcock weren't able to pinpoint their cause.

In mid-February, the monitoring system detected "loud banging noises" in the nuclear steam generator and soon afterward other alarms went off indicating coolant leakage.

The plant continued to operate until March 3, when it was shut down.

A subsequent investigation found that a latch mechanism holding one of the reactor assemblies in place had given way. The assembly had been broken into pieces and flushed through the coolant system, damaging thousands of tubes and causing leakage.

Florida Power demanded that Babcock repair the damage at its own cost, but Babcock refused, pointing to a limited warranty in its sales contract saying that it was responsible only for replacement of defective equipment but not for any consequential damages to the plant.

Babcock offered to replace the faulty reactor assembly and perform the repair work under contract for additional fees. Florida Power agreed, signing a "Master Service Contract" for maintenance in May 1978.

*Continued on page 24*

## Firms basing health deductibles on pay

By SALLIE J. DRURY

To keep employee health care cost sharing in tune with the economy, companies are beginning to base deductibles and limits on out-of-pocket medical expenses on salaries.

Some say this indexed approach also is the fairest way to implement cost-sharing features in benefit plans and can cut employers' health care costs.

The idea of indexing deductibles and limits on medical expenses by salary is fairly new, with only a few companies actually doing it. However, consultants predict that salary-related cost-sharing will gain popularity.

"There were a few isolated examples going back to the 1960s," said Peter Hutchings, a partner at Kwasha Lipton, a benefit consulting firm in Fort Lee, N.J. "However, in terms of salary-related features, the last year or two

is the first time major corporations started to move in this direction."

Xerox Corp., Olin Corp., Papercraft Corp. and International Paper Co. are among the companies to adopt this approach.

"I think it is a trend," said Elliott Segal, a consultant in the Washington office of William M. Mercer Inc. "Employee benefits consulting houses are starting to think it makes sense, and it will take off."

"Maybe 10 or 12 companies (have salary-related features) now," Mr. Segal continued. "My guess is that the number will double or triple in the next year and, after that,

grow geometrically."

"We have definitely seen a trend away from fixed-dollar employee contributions to health care costs," said Joseph S. Chrostowski, vp at Human Resource Management

Group, a subsidiary of Alexander & Alexander Services Inc. in New York.

"I think it's occurring more frequently—although I don't know that it's a groundswell—and gaining publicity among larger companies," said Kenneth

W. Drummer, a consultant with Towers, Perrin, Forster & Crosby in New York.

"It's a way of positioning a company for

the future."

The traditional flat-rate deductible and fixed limit on employee out-of-pocket expenses lose their effectiveness over time, the consultants point out.

Since cost sharing is designed to lower utilization, the \$50 deductible of 1974 has little effect in the economy of 1984; thus, health care programs need to be constantly updated to meet the impact of inflation.

Moreover, the same \$50 deductible would have more impact on an employee earning \$15,000 a year than on one earning \$50,000, consultants say.

Proponents of indexing deductibles to salaries say it is not fair to the lower-paid employee to raise the deductible to \$300 or more so the effect would be felt by the higher-paid employee. And, if the deductible were raised

*Continued on page 23*

# INSIDE:

Ohio work comp bill could hurt self-insurers  
Page 3

Companies find out cost of added pregnancy benefits  
Page 3

## update

## Silkwood family allowed to sue

Continued from previous page  
damages in nuclear accidents.

"Punitive damages have long been a part of traditional state tort law... Congress assumed that traditional principles of state tort law would apply with full force unless they were expressly supplanted," wrote Justice Byron White.

The high court decision involves a suit filed by the estate of Ms. Silkwood, an employee of Kerr-McGee's Crescent City, Okla., plutonium fuel rod fabricating plant who was contaminated by plutonium in November 1974 and died soon after in an auto accident.

A federal appeals court in December 1981 struck down a \$10 million punitive jury award against Kerr-McGee because it said federal energy regulations pre-empt state laws allowing punitive damages. The Supreme Court decision returns the Silkwood case to the 10th U.S. Circuit Court of Appeals for reconsideration.

## Award against Allstate set aside

LOS ANGELES—A state court judge has set aside a \$40.5 million damage award against Allstate Insurance Co., even though the plaintiffs promised to contribute \$15 million of the award to the state treasury.

Los Angeles Superior Court Judge Robert Nye characterized the award, which included \$40 million in punitive damages, as "grossly excessive" and not supported by evidence. He ordered a new trial be held on the amount of damages, but not on Allstate's liability.

The jury award, handed down in November, stemmed from a suit filed by members of a family who claimed that Allstate delayed paying claims they were owed for injuries arising from an April 1976 automobile accident (*BI*, Nov. 14, 1983).

A spokesman for Allstate said no decision has been made on whether to appeal the finding of liability against the company.

## Horizon joins parent in trouble

NEW YORK—Horizon Insurance Co., a wholly owned subsidiary of Ambassador Insurance Co., is joining its parent in rehabilitation.

A New York County Supreme Court has appointed New York Insurance Superintendent James P. Corcoran as Horizon's rehabilitator following a special financial examination of the insurer.

The examination, according to New York regulators, revealed that Horizon's liabilities exceeded assets by more than \$7.5 million and that about half of its reinsurance was provided by Ambassador, which had previously told regulators in Vermont, where it is under rehabilitation, that Horizon was its prime asset.

Ambassador and Horizon share corporate headquarters in North Bergen, N.J., though both insurers are incorporated in the states now controlling their rehabilitation.

Ambassador is awaiting approval for its planned merger with American Plan Corp., a financial services holding company.

## Occidental to monitor wastes

NIAGARA FALLS, N.Y.—Occidental Chemical Corp. has agreed to spend up to \$36 million on long-term monitoring and containment of hazardous wastes dumped at a landfill.

The so-called "S-Area" landfill, adjacent to an Occidental chemical plant and a drinking water treatment plant for the city of Niagara Falls, was used by Occidental—formerly Hooker Chemical & Plastics Corp.—as a dumpsite for chemical wastes from 1947 to 1961.

The agreement was reached with the U.S. Environmental Protection Agency, several state agencies and the city of Niagara Falls.

Occidental's parent, Los Angeles-based Occidental Petroleum Corp., will provide a guarantee of up to \$20 million to cover construction costs to contain the wastes and a guarantee of up to \$10 million to cover future costs. It will also pay the city of Niagara Falls \$3.6 million over 35 years to help cover its water monitoring costs, and will pay the state of New York \$2.5 million over eight years to cover its costs in reviewing the construction work.

Occidental officials could not be reached to comment on coverage.

## Disney insured for deep freeze

LAKE BUENA VISTA, Fla.—Walt Disney World is home to scores of make-believe characters, but one mischievous figure who visited the grounds late last year left an expensive calling card.

Jack Frost, who nipped citrus groves in Florida as well as other Southern states in late December, didn't head back north until stopping by the Magic Kingdom and the adjacent Epcot Center.

Although it will be months before the damage can be totaled, Director of Risk Management Bert Schecter estimates there could be possibly up to a \$500,000 loss of flowers, plants, trees and shrubs.

The loss will exceed Disney's \$50,000 deductible under a new all-risk policy it has with Allendale Mutual Insurance Co.

## index

|                                        |    |                                            |
|----------------------------------------|----|--------------------------------------------|
| Classifieds .....                      | 24 | ance (ISSN 0007-6864) is published         |
| Comings&goings: industry ..            | 20 | weekly at 740 Rush St., Chicago,           |
| Insurance services guide .....         | 26 | Ill. 60611. Second-class postage is        |
| Letters .....                          | 6  | paid at Chicago, Ill., and at additional   |
| Management .....                       | 18 | mailing offices. Postmaster:               |
| Opinions .....                         | 6  | Send address changes to <i>Business</i>    |
| Perspectives .....                     | 17 | <i>Insurance</i> , circulation department, |
| Products & services .....              | 12 | 740 Rush St., Chicago, Ill.,               |
| Ticker .....                           | 27 | 60611; 312-649-5221. Copyright             |
| Washington .....                       | 20 | 1984 by Crain Communications               |
| Vol. 18, No. 3— <i>Business Insur-</i> |    | Inc.                                       |

## Looking for answers?

Do you have a burning question about risk management or employee benefit management? Would you like the advice of a colleague?

A new feature in the Perspective section of *Business Insurance* can give you the answer.

"Ask a Risk Manager" and "Ask a Benefit Manager" will answer written questions from readers on any risk management or employee benefit management issues.

Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco, will answer risk management questions. Mr. Perry holds ARM, CPCU and CLU designations and is the chairman of the education committee of the Risk & Insurance Management Society. Mr. Perry has practiced risk management for 14 years, was a consultant for three years and worked in the insurance industry for 16 years.

Joseph W. Duva, director of employee benefits

and compensation at SCM Corp. in New York, will answer questions about employee benefits and employee benefit management. Mr. Duva is a trustee of the Council on Employee Benefits, a member of the employee benefit and insurance council of the American Management Assns. and member of the subcommittee on health of the National Assn. of Manufacturers. He has practiced employee benefit management for more than 20 years.

Mr. Perry's and Mr. Duva's columns will appear in alternate months, starting in March.

Chances are that if you have a question, so do other managers. Rather than research a difficult question yourself and then limit the hard-found information to your inner circle, address your questions to our new columnists.

Address your questions to ASK, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611. Please sign your questions and state your title and employer.



Mr. Perry



Mr. Duva

## Reserve deficiencies critical: ISO

By LEN STRAZEWSKI

NEW YORK—Casualty insurers are critically underreserved for liability losses and their condition is growing steadily worse, says the top executive of the Insurance Services Office Inc., the industry-funded statistical organization.

Many of these insurers could be headed for insolvency, ISO President Daniel J. McNamara told insurers at the ISO annual meeting last week. And, if they do go bankrupt, state guaranty funds may be ill-prepared to pay their claims, he added.

"Based on our analysis (of 200 property/casualty insurers), we conclude that the industry's total loss and loss expense reserves, as of Dec. 31, 1982, are inadequate by more than 10%," Mr. McNamara said. "The industry's complete financial results for 1983 aren't available yet, but the results for the first three quarters of 1983 show no strengthening of loss reserves."

"In fact," he continued, "the industry's loss reserves increased in that period at an annual rate of only 8%, continuing the slowdown in the rate of increase we have seen in recent years. The 8% rate of increase would be the lowest rate of increase in loss reserves in 20 years."

Mr. McNamara also explained that the 10% industrywide deficiency does not necessarily tell the whole story of insurers' financial condition, which can vary by company and line of coverage.

Multiperil lines, which generally include some property coverage for which reserving is not usually necessary, are underreserved by about 10%, but comprehensive general liability is underreserved by more than 20% and medical malpractice reserves are deficient by at least 50%.

"The industry's financial position looks even worse when you consider current and prospective commercial lines underwriting results," Mr. McNamara said. "For all commercial lines of insurance, we estimate the combined ratio to be at least 115% for 1983 and we see no improvement in 1984. For three key ISO lines, the results—to say

the least—will be very poor."

Insurers will lose money on comprehensive general liability, commercial automobile and commercial multiperil coverages, despite an anticipated investment yield of 8.5% on premium income, he noted.

"For each of these major lines, we are forecasting a negative rate

Continued on page 4

## BI appoints McLeod bureau chief, names two new associate editors

CHICAGO—Douglas McLeod has been promoted to New York bureau chief of *Business Insurance*, announced Editor Kathryn J. McIntyre.

Mr. McLeod, 27, has served as an associate editor in the New York bureau since September 1982. He has reported on a variety of risk and benefit management topics, with a concentration on nuclear energy and environmental impairment liability insurance.

In his new position, Mr. McLeod will direct the activities of the New York bureau of *Business Insurance*. He replaces Bill Densmore, who resigned to purchase and operate a weekly newspaper with his wife in Williamstown, Mass.

Mr. McLeod has a master's degree from the Medill School of Journalism at Northwestern University in Evanston, Ill. Before entering graduate school, he worked for 18 months in the San Francisco office of Johnson & Higgins as a marine cargo insurance broker.

Ms. McIntyre also announced two other staff promotions.

Sallie J. Drury, a staff reporter in the Chicago office, and Steve Taravella, a staff reporter in the Los Angeles bureau, have been promoted to associate editors.

Ms. Drury, 24, who specializes in reporting on employee benefit issues, has been reporting for *Business Insurance* since June. A graduate of Ohio Wesleyan University in Delaware, Ohio, she joined the *BI* staff in January 1982 as an editorial assistant.

Mr. Taravella, 23, joined the *BI* staff as a reporter in June 1983 after his graduation from Baylor University in Waco, Texas. He reports on a variety of risk and benefit management topics.



Mr. McLeod



Ms. Drury



Mr. Taravella

## Fed deals blow to banks' insurance plans

By DOUGLAS McLEOD

NEW YORK—Citicorp and two other bank holding companies will look more intently toward Congress for legislation to expand their insurance activities after re-

ceiving a setback from the Federal Reserve Board.

The Fed announced Jan. 6 that New York-based Citicorp, San Francisco-based BankAmerica Corp. and First Interstate Bancorp of Los Angeles had agreed to suspend their applications to acquire state-chartered banks in South Dakota.

The three bank holding companies sought to take advantage of a recent South Dakota law that would allow state-chartered banks to sell and underwrite insurance (*BI*, March 7, 1983; Sept. 12, 1983).

The federal Bank Holding Company Act and the Garn-St. Germain Depository Institutions Act of 1982 generally prohibit insurance activity by banks, but Citicorp and First Interstate argued that loopholes in the federal laws would allow such activity if it is permitted under a state law, like South Dakota's.

The Fed, which supports an administration-sponsored bill that would allow bank holding companies to act

Continued on page 25

## errors &amp; omissions

• A sentence in a Jan. 9 Perspective by Edith F. Lichota should have read, "As a corollary, the risk manager will require expanded personal technical resources and will have to assume greater responsibilities, not only to his or her corporate employer, but to the markets in which we all must function." The word *only* was inadvertently omitted.

# Ohio employers plotting to defeat comp proposal

By CAROL CAIN

COLUMBUS, Ohio—Business leaders in Ohio are scrambling behind closed doors this month to whip up a strategy that will squelch a workers compensation bill introduced in the state Senate late last year.

If passed, the bill could cause workers compensation costs to increase 400% to 600%, according to the Ohio Chamber of Commerce. The bill also would put new tougher restrictions on self-insurers and make the formation of group self-insurance pools almost impossible.

More than 825 employers self-insure their workers compensation risks in Ohio, which has an exclusive state fund and is noted for having one of the highest benefit schedules among the industrial states.

The new measure, S.B. 301, has been labeled as "massive," "unbelievable" and "the worse thing to happen in Ohio in decades." Noted one workers compensation administrator: "It has a lot of wild stuff in it."

The legislation would:

- Define occupational disease to include any disease, infirmity or condition, whether mental or physical, and either a new or an aggravated condition that arises out of employment. Occupational disease claims would be compensable to the same extent as an injury claim.

- Presume that if an employee has worked 10 or more years in the same industry or occupation and develops a disease from exposure to toxic substances known to produce occupational disease, then the disease is the result of the employment. But the presumption may be rebutted based on evidence supplied by the employer.

- Eliminate current scheduled benefits for occupational diseases and base benefits instead on a formula that reflects inflationary factors.

- Create a benefit for partial loss of hearing and for partial disability due to certain occupational diseases.

- Define injury to include any physical injury or mental condition or disorder caused by stress or external accidental means, or by cumulative or repetitive work activity.

- Index permanent total benefits to keep up with inflation.

- Increase the benefits for loss of limbs.

- Make the company physician and company nurse liable for malpractice.

tice.

Continued on page 26

# Defective breast implant could cost 3M \$11 million

By STEPHEN TARNOFF

CORPUS CHRISTI, Texas—An \$11.1 million state court jury award against 3M Corp. for a defective breast implantation device may be reduced by \$9.9 million if the trial judge's recommendations are implemented.

However, the judge's recent retirement from the bench makes it uncertain whether the verdict, handed down after 3M rejected a \$100,000 settlement offer, will be reduced and—if so—by how much.

Also uncertain is the impact the case will have on several other suits brought against manufacturers by physicians who used the devices and women who have received breast implants.

The award to Dr. Jack Conlee—which includes \$10 million in punitive damages, \$1 million for mental anguish and \$128,000 for economic loss for replacing the prostheses without a fee—was handed down Dec. 13 in a suit brought by a plastic surgeon against McGhan Medical Corp., a 3M subsidiary.

3M Director of Insurance Howard Weber said the company is fully insured for the verdict, but he declined to reveal its policy limits or the identity of the insurers, citing the unique questions raised by the verdict.

"The case presents numerous coverage questions so no specific answers can be given as to the extent of coverage," Mr. Weber said. He noted, however, that primary and excess insurers have been notified and that punitive damages are insurable in Texas.

According to an insurance source, a potential problem exists because \$128,000 of the damages is due to economic loss and not an injury to Dr.

Continued on page 21

# Pregnancy benefits

## Retroactively covering spouses' deliveries will cost shipbuilder more than \$1 million

By JERRY GEISEL

NEWPORT NEWS, Va.—One of the nation's largest shipbuilders says it will obey a court order requiring it to pay equitable pregnancy hospitalization benefits to spouses of male employees who have given birth since 1979.

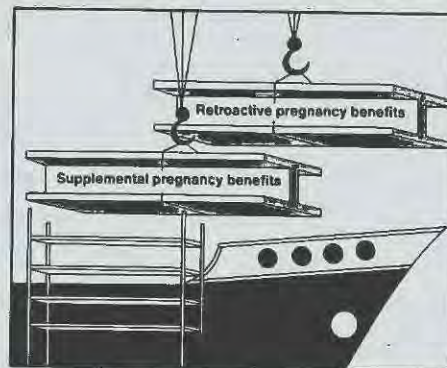
Complying with the order will cost Newport News Shipbuilding and Dry Dock Co. more than \$1 million.

The U.S. Supreme Court ruled that Newport News Shipbuilding violated the 1978 Pregnancy Discrimination Act because it placed a \$500 cap on pregnancy hospitalization benefits for spouses of male employees, while providing full health care coverage for husbands of female employees (BI, June 27, 1983).

Newport News Shipbuilding had argued that the 1978 law only requires companies to provide pregnancy coverage for female employees on the same basis that it covers other sicknesses and disabilities.

As a result, the company refused to comply with rules issued in March 1979 by the Equal Employment Opportunity Commission that said the law also requires employers to provide equal pregnancy benefits to male employees' wives (BI, March 19, 1979).

The EEOC, in turn, sued the company after it received a complaint from a Newport News Shipbuilding employee who said the company's health plan discriminated on the basis of sex because it would provide only \$500 in hospitalization coverage for his wife's pregnancy.



Graphic: Amy Palmer

## Atlanta utility also ordered to pay claims

ATLANTA—Newport News Shipbuilding & Dry Dock Co. isn't the only employer that must pay retroactive pregnancy benefits for male employees' wives.

U.S. District Court Judge G. Ernest Tidwell is ordering Atlanta Gas Light Co. to pay pregnancy claims incurred by wives of male employees between April 29, 1979, and June 20, 1983, the day the utility overhauled its dependent health care plan to treat pregnancy just like any other disability.

Judge Tidwell ruled last month that Atlanta Gas Light, a natural gas distributor with about 2,900 employees, also must pay 12% interest a year on pregnancy claims not covered under its dependent health plan.

In addition, the company must reimburse, with 12% interest, former and current male employees who paid a \$7 monthly premium for an optional supplemental health care plan. That plan paid \$225 toward the pregnancy-related hospital and medical expenses of male employees' wives.

Few employees purchased the supplemental plan,

Following conflicting district and appellate court decisions, the Supreme Court last year ruled the company's health care plan was unlawful because "it gives married male employees a benefit package for their dependents that is less inclusive than the dependency coverage for female employees."

Thomas Savas, the company's senior vp for corporate relations, blamed Congress for the company's costly—and ultimately unsuccessful—battle to avoid providing equitable pregnancy benefits to male employees' wives.

"The (Pregnancy Discrimination Act) said nothing about male employees' wives. It is a shame Congress can't write clearer laws," Mr. Savas said.

But, now that the Supreme Court has ruled, the company will obey. "At least we had our day in court," he said.

Since last year's Supreme Court decision, suits filed by federal agencies against other employers that also refused to provide equitable pregnancy benefits have been remanded to lower courts to hammer out settlements.

For example, the city of Newport Beach, Calif., recently agreed to a consent decree obtained by the Justice Department that requires the city to pay pregnancy claims denied between April 29, 1979, the effective date of the pregnancy law, and Sept. 1, 1983, the date the city overhauled its group health plan to reimburse expenses associated with a spouse's pregnancy (BI, Dec. 12, 1983).

And late last month, a federal judge ruled that Atlanta Gas Light Co. must retroac-

Continued on page 21

said Jack McCready, Atlanta Gas Light's personnel director.

The company declined to cover pregnancy expenses of male employees' wives in the health plan, underwritten by Life Insurance Co. of Georgia, because it believed that the 1978 Pregnancy Discrimination Act only required firms to provide equitable pregnancy benefits to female employees.

In addition, the company believed the money it would have spent to provide equitable pregnancy benefits could be used to purchase other benefits that were more important to more employees, Mr. McCready said.

In 1981, the Equal Employment Opportunity Commission sued Atlanta Gas Light because it didn't provide equitable pregnancy benefits to male employees' wives. But, in 1982, Judge Tidwell ruled in the company's favor that the Pregnancy Discrimination Act did not mandate equitable pregnancy benefits for spouses of male employees.

The EEOC appealed Judge Tidwell's ruling to the

Continued on page 26

# Devaluations complicate Mexican coverage

By LETITIA BALDWIN

MEXICO CITY—Major Mexican insurance brokers are advising their clients to buy a devaluation endorsement in insurance policies purchased in pesos.

The devaluation endorsement protects the policyholder against a decrease in coverage due to a devaluation of the peso. The endorsement, though, isn't cheap: It adds about 32% more to the cost of coverage—the estimated annual rate of devaluation.

"You never know when a devaluation could happen. It could occur late Friday afternoon and a claim on Sunday," explained Harald Feldhaus, an associate at Brockman y Schuh, Mexico's largest insurance broker.

Repeated devaluations have cut the value of the peso to the U.S. dollar 84% in the past 20 months.

Some companies, however, can buy insurance policies in U.S. dollars for special risks.

When the exchange controls were imposed by the Mexican government in 1982, the dollar was banned as legal tender and insured values and premiums quoted in dollars were

prohibited overnight. Policies written in dollars were automatically converted to devalued pesos.

During the remainder of 1982, coverage for companies whose components of raw materials could only be purchased in the United States in the event of a loss was a serious problem. Even if the items were insured in pesos equivalent to their dollar value, there was no guarantee they could be imported or that any dollars would be available to do so.

In December 1982, however, the government issued a list of essential import items that qualified for a preferential rate of exchange. Still, many brokers considered the list too limited.

"Clients were not insuring or were underinsured because either they were not eligible for an import permit, or they couldn't obtain dollars," said Ricardo Rettig, managing director at Brockman y Schuh.



Graphic: Jim Bakasetas

On May 12, 1983, the government decreed that insurance policies could once again be written in dollars, but only for essential components and raw materials that cannot be obtained in Mexico, and for liabilities incurred abroad—like an aircraft or vessel that needs to be repaired or replaced.

The premiums for dollar policies must be paid in dollars. Once the government has approved the essential item, the company is issued a bank draft in dollars, which is deposited in an account in the insurance company's name in a Mexican bank in the United States. If a loss occurs, the claim is paid out of that account.

"It's more complicated now. A client can have two separate policies, one for machinery or raw materials that can't be purchased in Mexico, and another for assets that can be replaced," says Mr. Feldhaus.

Although both insurers and brokers feel the new system is not ideal, they agree that it is a step in the right direction and the best way for multinational clients to be insured in Mexico. They are confident that any problems will be worked out by the National Banking and Insurance Commission (CNBS), the federal agency that regulates the Mexican insurance industry and that wrote \$740.8 million in premiums in all lines in 1983.

Insurers say that the CNBS is being run more efficiently since Alfredo Luengas, former head of Tasegurada Mexicana, the government insurance company, took over last year as president.

"The real beast to be fought is inflation, which reached 100% in 1982," says Mr. Feldhaus. The national price index rose 22.5% during the first three months of 1983, but showed a monthly decline from 10.9% in January to 4.8% in March. The Bank of Mexico has pegged the annual inflation rate at 80% for 1983.

Brokers say the multinational companies are the most conscientious about adjusting

Continued on page 8

## Mills' retirement won't slow Sedgwick: Rivals

LONDON—Sedgwick Group P.L.C. will continue its aggressive operating growth after its architect and longtime chairman, Neil Mills, retires in April, Sedgwick's competitors predict.

Mr. Mills, 60, is credited with building Sedgwick into the largest of the Lloyd's brokers through a series of mergers, including the 1979 merger of Bland Payne Holdings Ltd. and Sedgwick Forbes Holding Ltd. that formed today's Sedgwick.

Mr. Mills will be succeeded as chairman by current Deputy Chairman Carel Mosselmans, but a new five-man executive committee will actually manage the company. Although Mr. Mosselmans is a member of that committee, it will be chaired by J.N. Duncan, another deputy chairman.

Other members of the committee are J.M. Payne, chairman of Lloyd's reinsurance broker Sedgwick Payne Ltd. who will be responsible for reinsurance brokerage; Michael Butt, chairman of Sedgwick International Ltd. who will be responsible for Sedgwick's worldwide brokerage operations; and J.J.H. Singlehurst, past chairman of Sedgwick Overseas Ltd.

Sedgwick officials say they'll comment on the changes this week.

"(Sedgwick) won't be a one-man show anymore," notes Roger Earl, managing director of Lloyd's broker Fenchurch Insurance Holdings Ltd., who once worked for Mr. Mills. "It will be less autocratic, but it is a bit like Marsh (& McLennan Cos. Inc.) now. It is so big, it runs on its own."

"From an outsider's point of view, Sedgwick looks like it has a strong management team behind it," said Donald Payne, managing director of Willis Faber & Dumas Ltd.'s oil and gas division. "I do not expect any dramatic changes."

But, competitors say that Mr. Mills' retirement may mean that Sedgwick will no longer attempt to merge with a U.S. company. Sedgwick is one of the few large Lloyd's brokers that does not have ties to a U.S. operation.

The company has twice entered into merger negotiations with Alexander & Alexander Services Inc.—in 1980-81 and again last year. However, the talks collapsed both times. A&A now says it is not interested in a merger (see story, page 27).

## Reserve deficiencies cited

Continued from page 2

of return in 1984. These three lines represent 40% of the total commercial premium volume and must lead to a drain on policyholder surplus...which will aggravate the significant drain on surplus that will occur when the inadequacy of present reserves become painfully evident over the next few years," Mr. McNamara said.

The situation in each of these lines is:

- For every \$1 insurers earn in premium and investment income in 1984 on comprehensive general liability coverage, they will pay out \$1.04 in claims and expenses.

In 1982, the industry's combined ratio for this coverage increased to 129% from 116% in 1981. In 1983, ISO estimates the combined ratio deteriorated to a 137%, a ratio which should hold steady in 1984.

- Commercial automobile cov-

erage will cost the insurers 6 cents per dollar of premium and investment income. In 1982, the industry's commercial auto combined ratio increased to 119% from 112% in 1981. In 1983, ISO estimates a combined ratio of 120% with no improvement in sight for 1984.

- Commercial multiperil insurance will also cost insurers 6 cents per dollar of premium and investment income. In 1982, the industry's combined ratio jumped to 116% from 107% the previous year. In 1983, ISO estimates a combined ratio of 120%, also expected to hold steady in 1984.

Deficient loss reserves also will diminish insurers' ratio of loss reserves to policyholder surplus, Mr. McNamara reported. This ratio is frequently used as a measure of an insurer's ability to safely underwrite new business. The higher the ratio, the more tenuous the balance between money for claims and surplus for new coverage.

"The industry's ratio of loss reserves to policyholders' surplus at the end of 1982 stood at 1.9-to-1," Mr. McNamara explained. "A 10% understatement of loss reserves translates to a pretax 20% overstatement of policyholder's surplus."

"A correction for this reserve deficiency (in 1984) would increase the industry's loss reserve to surplus ratio to 2.5-to-1, which would be an all-time high."

The ratio of premium to policyholder surplus in 1982, another measure of financial condition, would deteriorate to 2.1-to-1 from 1.7-to-1 if corrections for loss reserves were applied, he said.

"The next three years will be traumatic for some insurers," Mr. McNamara said. "It's very clear that for those companies that persist in doing business as if there were no tomorrow, there will in fact be none."

Insurer insolvencies would fall heavily on state guaranty funds, which assess solvent insurers to pay the claims of insolvent companies, he adds.

"These funds were created as a small solution to what was then (in the late 1950s and early 1960s) a small problem. Neither supporters nor opponents of these funds ever said that these mechanisms could cope effectively with insolvencies of large multiline insurers or of medium-sized companies writing high-exposure specialty coverages such as medical malpractice and product liability."

"Each time a potential major insolvency has loomed on the horizon," he continued, "the inadequacies of the post-assessment fund mechanisms have become apparent. Solutions (to insolvencies) have been achieved through the infusion of fresh capital, takeovers by outside interests and voluntary insurer-supported rehabilitation efforts. The funds were not the solution."

"The recent Baldwin-United situation once again highlights the inadequacy of the current guaranty fund system..." he explained.

ISO Chairman Robert J. Vairo, also chairman and chief executive officer of C&F Underwriters Group, part of Crum & Forster, echoed Mr. McNamara's warnings. He told insurers that their own competitiveness and outdated reserve calculation techniques are responsible for the reserving problem and its resulting dangers.

Casualty insurers, he said, have been basing their reserves on the inadequate premium bases derived from discounted rates. In general, the lower the rate discount for a line of liability coverage, the worse the reserving problem, he said.

To avoid serious and immediate rate increases, insurers will have to make internal adjustments to reserves and reserving practices, Mr. Vairo noted.

## IT'S RISKY AT THE TOP.



### Directors and Officers Liability

As a director or officer of a company or organization you are certainly aware that the higher your position—the greater your liability exposure.

Now, Schinnerer, one of the nation's oldest and largest Underwriting Managers, takes some of the risk out of being at the top with a comprehensive Directors and Officers Liability Insurance Program.

And, because you didn't get where you are by not being astute, you're going to appreciate our rates as much as our coverage.

Call your broker today and have him get a quote from us—after all, we know all about being at the top.

- Directors and Officers Liability
- Kidnap and Ransom
- Fiduciary Liability
- Crime Coverages

Victor O.

**Schinnerer**  
& Company, Inc.

Program Administrators &  
Underwriting Managers  
For over 25 years...  
The Specialists

5028 Wisconsin Ave., NW  
Washington, D.C. 20016  
(202) 686-2850

303 E. Wacker Drive  
Three Illinois Center  
Chicago, IL 60601  
(312) 565-2424

40 Wall Street  
New York, NY 10005  
(212) 344-1000

595 Market Street  
San Francisco, CA 94105  
(415) 495-3444

# WITH AN NWNL SELF-FUNDING PLAN, YOU BITE OFF ONLY AS MUCH RISK AS YOU CAN CHEW.

If you've been shopping around for a plan to improve your cash flow, you know the choices are limited. With most insurance company plans, you end up assuming the amount of risk they want you to assume, not necessarily the amount of risk you want to assume.

NWNL's Split Risk plan gives you the choices to make the plan meet your needs. You can choose monthly liability from 100% to 125% of projected claims. You can have pooling limits of individual claims in amounts from \$10,000 to \$50,000 (up to \$100,000 for larger groups). You can pick the varying limits on the amount of your liability at termination of the plan. And our flexible banking arrangements are just one more way to increase your cash flow.

You don't have to be an international conglomerate to qualify. We can draw up a Split Risk plan for companies with as few as 100 covered employees.

Our detailed cost management reports help you manage your cost efficiently. And with NWNL behind your plan, you can count on conscientious claim service.

So if your appetite for self-funding doesn't match what you see on the menu, talk to NWNL Group. We'll make it just the way you like it.

For more information, call your broker or NWNL Group Office. Or send us the coupon below.

Ginny Charboneau  
Split Risk, Box 20, Minneapolis, MN 55402

Please tell me more about your self-funding alternatives.

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

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

## NWNL GROUP

A division of Northwestern National Life Insurance Company.  
Home Office: Minneapolis, Minnesota

# opinions

## Fair for whom?

IT SOUNDS so fair—on the surface.

A handful of companies have decided to index the size of employee health care deductibles and the amount employees should contribute in copayments to the size of the salary they receive (see story, page 1).

Their purpose is twofold. First, such an indexing would keep deductibles and other health care cost sharing in tune with the economy and this, in turn, would make employees more cost-conscious. They reason that an employee who in 1984 is still paying the same \$50 deductible he was paying 10 years will not be very motivated to watch his health care utilization. He has little to lose out of his own pocket.

Secondly, the promoters of salary-based cost sharing say that this method is definitely the only fair way to pass larger deductibles and copayments on to employees because it reflects their ability to pay. Their reasoning is simple: If you want employees to be cost-conscious, you have to hit them in the pocketbook—and the larger the employee's salary, the larger his pocketbook. You have to make a bigger dent in these employees' purses to make them wise health care consumers. At the same time, you should not unduly burden those in the lower salary bracket.

That does sound fair—for the lower-paid employees.

And, it probably is OK for the top brass who are on the extreme high end of the pay scale.

But what about the employees in between? Like the man or woman who has been with a company for five or 10 years or more, has diligently worked his or her way up the ladder to a better-paying position and is right in the middle of paying a mortgage on a house and raising two, three or four kids?

Is it fair to assume that just because these employees have larger salaries than others in the company that they are financially able to contribute more toward their health care? And, should they have to?

For example, one company that has implemented salary-based cost sharing established three salary categories and then assigned corresponding deductibles and limits on out-of-the-pocket expenses.

An employee who earns less than \$25,000 and only needs individual coverage pays a \$125 deductible and has out-of-the-pocket expenses capped at \$625.

But, an employee that earns \$25,000 to \$50,000 and wants individual coverage pays a \$150 deductible and must pay out \$1,150 in copayments.

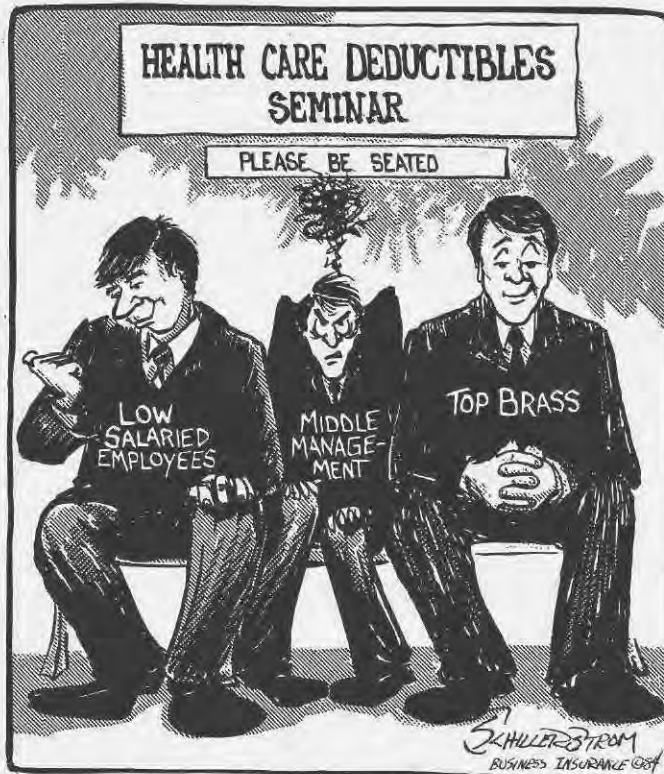
And, anyone who wants dependent coverage pays double the deductible and copayments.

At this company, Employee A, who is single with no dependents to care for and earns \$24,000, contributes the least to his health care: a \$125 deductible with a \$625 cap on out-of-pocket expenses.

Then there is Employee B. He is married, has a home mortgage and a wife and three children to support. He makes \$28,000; therefore, he pays a \$300 deductible and must spend \$2,300 out of pocket before the health plan pays 100%.

Is it fair to say that he is in a better position to pay those higher health care costs than the single employee who gets the best health care deal? And is Employee A paying enough to really make him cost-conscious?

Consider another situation at the same company. Employee C is a clerical worker who earns \$16,000 a



year and qualifies for the low deductible and cap on copayments on the individual coverage she has requested—even though her husband is an attorney earning \$75,000 a year across town at a big law firm. They have no dependents.

Meanwhile, Employee C's immediate supervisor earns \$35,000 and is the sole supporter of his family, which includes two children. He again must pay the \$300 deductible and up to \$2,300 in annual expenses.

Again, is it fair to assume that because his salary is more than double Employee C's, he is more than twice as capable of paying for his family's health care?

At the same company, a single employee who is earning \$24,000 and gets a 5% raise to \$25,200 also will be "rewarded" with a \$25 larger deductible and \$425 more in copayments. About 38% of his \$1,200 raise could go toward health care if he is seriously ill in the coming year. Is that fair to an employee who has worked hard for a raise?

Granted, these examples are extremes, but they are situations that certainly exist in every company. How do you convince the middle-paid employee that this plan is fair?

We also object to these salary-based deductible and copayment plans—whether they are based on salary categories or whether everyone is assessed a certain percentage of their salary across the board—because they seem to imply that the more money a person makes, the greater his health care expenses will be. There is not necessarily any correlation.

And, they also set up a situation where a worker who sticks with a company, works hard and is promoted will have his health care benefits reduced as he moves up. Simply put, the company ends up providing more health care coverage for someone who walks in off the street and sticks with the company for a year or two in a low-paying job, with possibly little responsibility, than it does for the loyal, hard-working, employee.

Now, that doesn't seem fair.

## letters

### Risk managers must boast their contributions to the bottom line

To the editor: The "Opinions" statement in the Dec. 26 issue of *Business Insurance* certainly emphasizes the need on the part of the risk manager to periodically and consistently "sell" his or her chief financial officer on the importance and profit-contributing significance of the risk management department for which he or she is responsible.

Considering the past and present wide-

spread corporate cash-flow funding policies, rather than funding by borrowing, it is urgent that risk managers effectively and dramatically report to the chief financial officer what profit achievements occurred in 1983 and what profit goals are being targeted for 1984.

As a former risk manager and as a national risk management search and placement officer for the past five years, I am

frequently saddened by the receipt of many resumes from risk managers of major corporations whose department function was no longer considered vital to the security, financial stability and survival of their employer.

**Martin S. Hodes**  
President  
IRM Associates Ltd.  
Great Neck, N.Y.

## business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

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

Managing Editor: Lorrie Gibson (Chicago)

Assistant Managing Editor: James M. Burke (Chicago)

Senior Editor: Len Strazewski (Chicago)

**CHICAGO:** Carol Cain (Associate Editor)  
Stephen Tarnoff (Associate Editor)  
Sallie J. Drury (Associate Editor)  
Pamela DeFiglio (Agent/Broker Topics Associate Editor)  
Claudette Dampier (Assistant Copy Editor)  
Merrill S. Saltzman (Graphics Editor)  
Amy Palmer (Graphic Artist)  
Jim Bakasetas (Graphic Artist)  
Dorothy Parr Riesen (Proofreader)  
Diane Kastiel (Editorial Assistant)

**LONDON:** Stacy Shapiro (Associate Editor)

**LOS ANGELES:** Rhonda L. Rundle (Bureau Chief)  
Steve Taravella (Associate Editor)

**NEW YORK:** Douglas McLeod (Bureau Chief)

**WASHINGTON:** Jerry Geisel (Washington Editor)

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

**Advertising Director:** Donald A. Walsh (New York)

**Midwest Sales Manager:** Robert L. Niesse (Chicago)

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

**LOS ANGELES:** Sue Eisenberg (District Manager)

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

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

**EDITORIAL:** Chicago: 312-649-5398  
London: 01-404-4288  
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. Offices: 220 East 42nd St., New York, N.Y. 10017; 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 \$14 for surface mail. Europe and Middle East only add \$44 for air delivery. First-class mail to U.S. and Canada only, add \$50. 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 Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691. 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 Dept., Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

BPA

Member of Business  
Publications Audit of Circulation

ABP

# Long tail risks can gobble up the unwary reinsurer.



Reinsurance entails extraordinary long term obligations.

At North American Re, we paid one claim for over 67 years.

Imagine the year 2051...67 years from now. How many of today's reinsurers will still be paying for potentially enormous long tail claims

arising from previously undiscovered risks such as toxic waste and asbestosis?

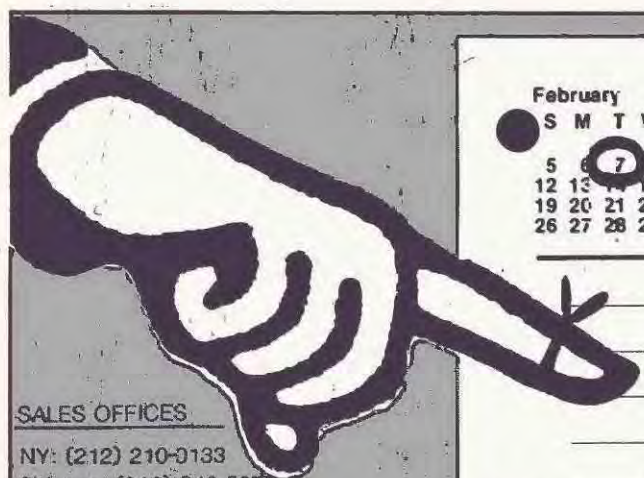
Reinsurance is a long term business.

And only those reinsurers who are committed to long term financial stability should be in it.

**NORTH AMERICAN**



**We Keep Your Risk  
Out Of Reinsurance.**



## SALES OFFICES

NY: (212) 210-0133  
 Chicago: (312) 649-5275  
 Los Angeles: (213) 651-3710

**business  
 insurance**

| February 1984 |    |    |    |    |    |    |
|---------------|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F  | S  |
| 5             | 6  | 7  | 8  | 9  | 10 | 11 |
| 12            | 13 | 14 | 15 | 16 | 17 | 18 |
| 19            | 20 | 21 | 22 | 23 | 24 | 25 |
| 26            | 27 | 28 | 29 |    |    |    |

February 1984

20

**RISK MANAGEMENT SERVICES**  
**AD CLOSING: FEBRUARY 7**

## Peso devaluations hinder Mexican risk management

Continued from page 3

their values to inflation and tend to include inflation endorsements in their policies. Other companies risk being underinsured because they have cash-flow problems or are bound up in FICORCA (Fund for Exchange Risk Coverage).

FICORCA is a system devised by the Mexican government to deal with the private sector's foreign debt, estimated at around \$15 billion. It permits Mexican companies, including subsidiaries of multinationals, to buy U.S. dollars or other hard currencies at a guaranteed exchange rate to pay off foreign debts. The companies, however, must convince creditors to accept payment over six to eight years.

Just over a year ago, the Mexican

insurance industry was reeling from the impact of the sudden nationalization of the banks and the imposition of strict exchange controls.

Just as it was beginning to recover, the industry was hit by the third devaluation that year, which took the peso from 70 to 150 to the dollar, only to be followed by an earthquake in January. But the damage was very limited.

The rest of 1983 was much better. And now, insurers no longer fear their industry is about to be nationalized.

Before they were nationalized, the 30 Mexican banks had interests in nearly all the nation's insurance companies except Seguros Tepeyac, Interamericana and Pan-American de Mexico. Three of the largest insurance companies were wholly owned by the banks: Seguros America Banamex, Seguros Bancomer and Seguros Monterrey Serfin.

One broker says the insurance companies will be able to work more effectively now that they are out of the hands of the banks.

"Too many companies were run by bankers, who were not always open to discussing premiums or special coverages. At times, they would even condition a loan in exchange for business. Now insurers are able to be more aggressive and flexible," he says.

The government has also eased slightly on its exchange controls. On March 15, 1983, it established a dual peso/dollar parity. One is a controlled exchange rate for essential imports and payment of dollar debts, which reached \$133 billion in October. That rate was 144.76 pesos per dollar as of Jan. 6.

The free rate for all other financial transactions stood at 162.75 pesos per dollar as of Jan. 6. Both rates are slipping 13 centavos a day, a rate equivalent to a 32% annual devaluation.

The dual rate structure is designed to preserve the competitive price of goods in world markets, which are being threatened by the 80% domestic inflation rate.

All peso policies are written at the free rate of exchange. Although slippage seems small at a fraction of a penny a day, companies insured in pesos will find themselves gradually underinsured unless they include a devaluation endorsement in their policies.

Auto insurance has been the branch hit hardest by the economic crisis, mainly because of the soaring cost of spare parts and cars. The cost of spare parts has risen an average of 184% in the last year. And, a shortage of imported parts has created a black market where prices are outrageously high.

Car prices have shot up. A Volkswagen Rabbit costs 145% more than last year; a Ford Gran Marquis costs 144% more; and a Chrysler Dart costs 157% more. The cheapest car in Mexico costs about 1.5 million pesos (about \$9,260), more than double the price last year.

The Mexican Assn. of Insurance Institutions (AMIS) points out that the insurer is obliged to reimburse the insured at the current market value of the damaged car or part instead of the value at the original time of purchase. Consequently, insurance rates quadrupled over the past three years. A used car purchased for 200,000 pesos (about \$1,230) three years ago and insured for a premium of 20,000 pesos (about \$123) then would cost nearly 80,000 pesos (about \$494) to insure this year, illustrates Mr. Feldhaus. It costs 74,000 pesos (about \$456) to cover the most economical Volkswagen sedan.

Continued on page 10

## 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**

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

Chicago Fullerton Houston Los Angeles New York Phoenix Portland San Bruno San Diego San Francisco

# Tamperers. Rumor-Mongers. Villains.



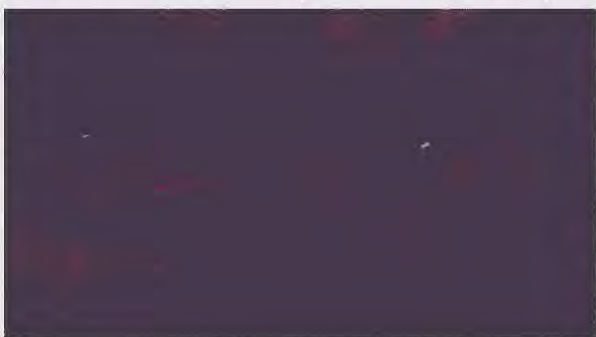
**T**hey keep coming up with new ways to do harm. So we have to keep coming up with new ways to provide protection.

That's why The Lexington developed Products Integrity insurance.

It's a line of defense against the financial damage that tampering—or sometimes even a rumor of tampering—can inflict on a company.

It insures the cost of recalling a product, and the other costs associated with recall: lost profits, business interruption and, not least, product rehabilitation, subject to policy terms and conditions.

This policy is another important industry-first



from The Lexington.

From our pioneering work in satellite coverage to the frontiers of high technology risk, from special employee benefits to global programs, we've again and again responded to new situations touching all areas of insurance.

Naturally, our track record hasn't been lost on brokers. So when the

need for something new arises, when they want a company with a can-do attitude—they turn to The Lex.

Exactly as happened in the case of Products Integrity insurance.

Working with the broker, we solved the underwriting problems inherent in creating a new product. And developed a practical policy, flexible enough to really protect all kinds

of manufacturers—pharmaceuticals, cosmetics, packaged foods.

What's more, we backed it (as we do all our new products) with the financial strength

of the nation's largest Excess and Surplus lines company.

Our first Products Integrity policy was bound in 1981—almost a year before the tragic poisonings that showed beyond a shadow of a doubt



just how easy it is for one deranged person to hurt the public and the manufacturer.

So if you have clients who are vulnerable, don't leave them at the mercy of someone's bad ideas.

Call The Lexington for some very good ideas about protection.

**THE LEXINGTON**  
*Insurance Company*

# Mexican employers ignore benefit demands

By LETITIA BALDWIN

MEXICO CITY—Mexico's most powerful union, the Mexican Workers Confederation (CTM), isn't going to receive the generous employee benefits package it had demanded last fall.

Instead, CTM members are settling for an average 30% increase in the minimum wage.

The union had wanted workers to receive life insurance coverage, 25% of their property taxes, gasoline costs for transportation to and

from work, payment of all taxes deducted from wages, food baskets and vacations in first-class hotels, including transportation.

But, Mexican employers refused to concede to the demands.

Both multinational and local Mexican employers have been plagued by the exchange controls imposed in September 1982, import restrictions, inflation approaching 80% and a severe devaluation of the peso that has increased by sixfold the cost of importing raw materials and spare parts.

As a result, tens of thousands of Mexican workers have been laid off, while employers increased wages an average of 27% percent in 1983.

Since unemployment benefits do not exist in Mexico, there are no statistics that determine exactly how many people are jobless.

One economist estimates that the 1.05 million people registered as unemployed by the government in 1979 grew to 2.5 million in 1983, representing more than 10% of the 18 million people considered a part

of the Mexican workforce. That number can be contrasted with the nation's population of 74.9 million.

The 500 companies with the biggest sales, 24% of which are foreign-affiliated, laid off at least 73,000 workers in 1982. In the construction industry, only 400,000 people are employed, compared with 1.4 million in 1981.

The CTM has more than 9 million members protected by 117,000 collective contracts. In Mexico, it is seen as part of the organized labor sector of the country's official polit-

ical party, the Institutional Revolutionary Party (PRI), which has not lost a presidential election in 50 years.

The union had said it would push for the minimum employee benefit package through the renewal of collective contracts, which occurs once a year for salaries and once every two years for benefits and administrative clauses.

Fidel Velazquez, the head of the CTM, had warned that if employers don't come through with the

*Continued on facing page*

## Claims rise in Mexico

*Continued from page 8*

In 1979, insurers paid out 71% of their premiums in claims in the auto line. In 1980, the percentage rose to 84.6% and in 1981, to 89.1%, according to AMIS.

Another factor contributing to the rising costs of auto insurance is the high incidence of claims. There are 7 million cars in Mexico, with about half driven in Mexico City, which has a population of 16 million. Only 80% of all cars are insured and many Mexicans do not even have drivers' licenses.

In Mexico there is an annual average of 10 deaths on the road for every 10,000 cars, compared to approximately three per 10,000 in the United States. In 1981, when there were 6.79 million cars on the road, 5,850 people were killed and 31,420 were injured in 60,584 police-reported accidents.

Auto insurance is not compulsory in Mexico. A regulation issued by the Mexico City Transit Police in 1976 requires drivers to show proof of having third-party insurance when changing their registration plates every two years, but it has never been enforced.

Because of inflation, the cost of spare parts and the high incidence of claims, many agents will no longer sell auto insurance unless another policy is purchased at the same time.

Insurers feel the only solution to the problem is to make third-party auto insurance compulsory, which would eventually bring down the premiums and make auto insurance more competitive. However, they hope such a rule is passed before the government decides to make its own insurance company, Aseguradora Mexicana, the sole insurer.

## Hospital costs rise 9.4% in Washington

WASHINGTON—The average daily cost for hospital care in the metropolitan Washington area rose 9.4% in one year to \$428 from \$391.

But that increase, recorded between June 30, 1982, and June 30, 1983, was significantly lower than the 12.7% increase during the previous 12 months, according to Group Hospitalization Inc., the Blue Cross plan serving the area.

The average cost per inpatient day of care varied sharply among the three areas—the District of Columbia, the Northern Virginia suburbs and Prince George's and Montgomery counties in Maryland—that are served by GHI.

In the District of Columbia, the average daily cost for hospital care rose to \$479 from \$448, an increase of 7%. In the Northern Virginia suburbs, the average cost per patient day increased 12.2% to \$377 from \$336, while in the Maryland counties costs jumped to \$341 from \$301, an increase of 13.5%.

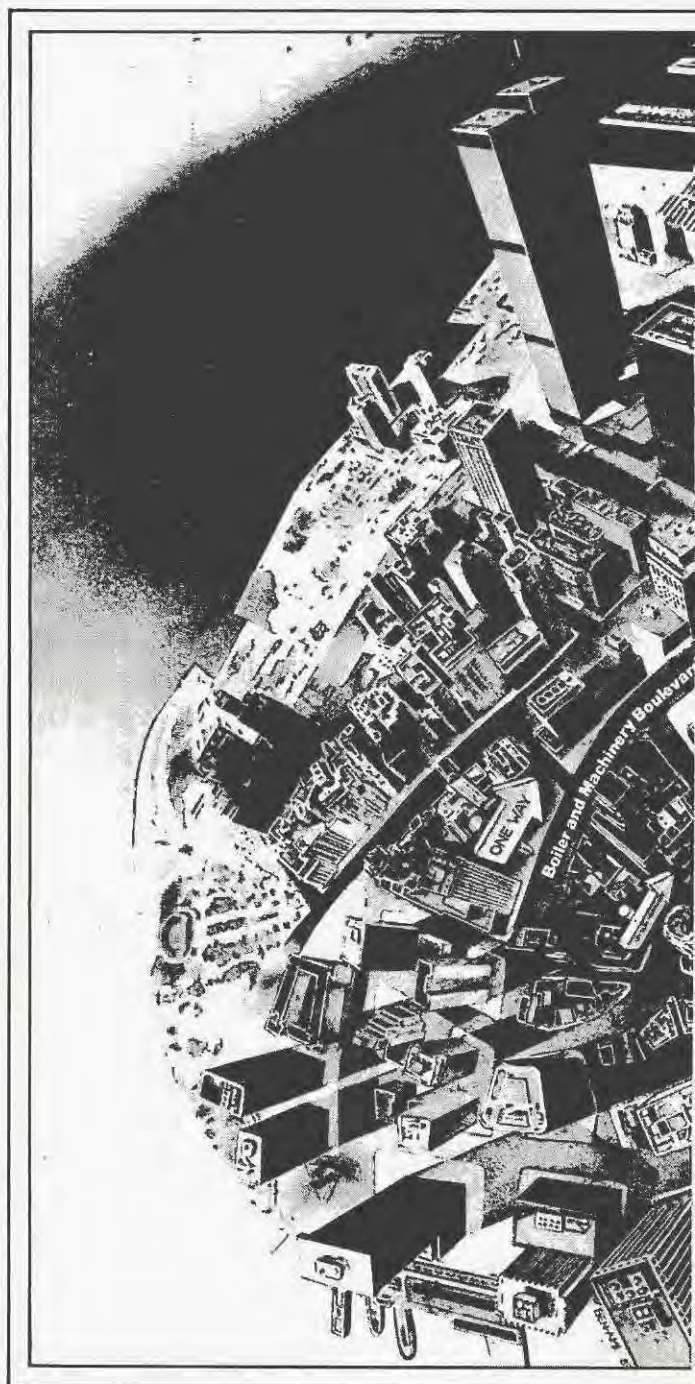
**In New York  
there's only one way  
to shop for commercial  
insurance.**

**At Royal's  
New York Underwriting  
Center.**

# Royal Responds

If you're looking for a way to make your insurance shopping easier, you can stop.

Stop in at Royal's New York Underwriting Center at 150 William Street and you'll find something new in large risk underwriting—our Total Account Concept—one stop shopping for all your



Continued from facing page package, workers will be forced to demand higher wages, "which would be worse and would increase inflationary pressures."

"The CTM is not demanding higher wages because its workers will only have to pay higher taxes. But they don't seem to realize that the cost of providing benefits is also inflationary from the employer's point of view," said Carlos Sauri Campos, director of actuarial services at Brockman y Schuh, Mexico's largest insurance broker.

The CTM, however, was forced to settle for higher wages.

And, the CTM's demands for the introduction of a comprehensive unemployment program during the

next session of the Chamber of Deputies, Mexico's legislature, is going nowhere.

Currently, the union offers a limited benefit for its unemployed members. They receive 100 pesos (less than \$1) a day for transportation to look for work, a 2,000-peso (about \$12.35) Christmas bonus and toys for their children under the age of 12.

"An unemployment program would not work in Mexico right now. We have not matured enough as a society. Just look at Spain, where the unemployed can receive up to 90% of their former salary. Who do you think would really try to find work here under those conditions?" asks Mr. Sauri.

**'The CTM is not demanding higher wages because its workers will only have to pay higher taxes. But they don't seem to realize that the cost of providing benefits is also inflationary from the employer's point of view,' says Mr. Campos.**

"I think Fidel Velazquez is playing a political game by demanding a fringe benefit package. He is showing companies that he is keeping to his part of the bargain by not demanding wage hikes. He is also proving to workers that he is making demands on their behalf. He is demonstrating to the government

that he is trying to mediate between the two groups," remarked one actuary.

According to the Mexican Labor Secretariat, about 12 million workers are protected by trade unions and collective contracts. Several industries have their own contracts written into the federal labor law

that specify certain benefits, such as having 100% of social security expenses paid by the employer, a guarantee of 27 hours pay a week if production halts and voluntary retirement at age 55.

Employee benefits in Mexico differ dramatically by industry. Pemex, the state-owned oil company, is called the "nirvana" of benefits. For instance, a worker can retire after 25 years of service with 100% of his salary.

"At a critical time like this, Mexico cannot afford the luxury of offering such benefits that have grown out of proportion," said one broker.

The situation is similar in other state-run companies like the Federal Electricity Commission, where a retired employee can be called back to work and receive two salaries. And, workers in the sulphur industry can purchase basic goods at 1955 prices.

Even in the face of widespread unemployment, employers still maintain it is both difficult and costly to lay off workers. Mexican labor law stipulates that any employee dismissed without a justified cause is entitled to a severance indemnity equaling 90 days' pay plus 20 days' pay for each year of service, based on the salary at the time of termination. Justified causes are dishonesty, violence, immorality and alcoholism or drug addiction.

In addition, a seniority payment is due when employment is terminated, justifiably or not. That payment equals 12 days' salary for each year of service, but the salary is limited to a maximum of 200% of the minimum wage.

Since severance pay is relatively generous, many employers have found they cannot afford to lay off people and prefer to maintain employment levels than to go to the expense of retraining personnel or new employees.

The only alternative for employers to trim costs has been the reduction of the work week to three or four days, which is becoming a common occurrence.

Reserves set aside for severance payments are not tax-deductible. However, an increasing number of companies are establishing pension plans with benefits at least as valuable as the severance plan. Contributions to pension plans are tax-deductible and employers hope that a generous pension plan would reduce demand for severance benefits.

One actuary estimates there are only about 600 pension plans registered at the Treasury and Public Credit Secretariat, but he points out that half of Mexico's population is 20 years of age and younger.

The cost of employee benefits has increased with inflation, but private and government-sponsored health insurance has been hardest-hit. Premium rates for private health insurance have leaped more than 300% in the past three years. The fact that there is absolutely no control of doctors' fees in Mexico does not help matters.

"We used to work with insured sums that fluctuated between 75 pesos and 200,000 pesos. Now we are handling sums beginning at 300,000 pesos (about \$1,850). I, myself, only work with sums starting at 850,000 pesos (about \$5,250)," said Arturo Cesares, former director of Protexion, an insurance and employee benefits consulting firm.

Benefits for health insurance also had to be adjusted because of the severe devaluation of the peso. The daily cost of a hospital room is now limited to 9,000 pesos (\$55). For special nurses, there is a limit of 1,300 pesos (about \$8) per eight-hour shift—hardly adequate at exchange rates of today's rate of 162 pesos per dollar.

Mr. Cesares does see any major improvement in the near future. "I think we will have an annual inflation rate of about 60% for the next three or four years," he says.



commercial needs, no matter how large and complex your accounts are.

Here you'll have the undivided attention of our specialists in property and casualty, marine, international, inland marine, boiler and machinery, excess and surplus lines, national accounts and risk

management services.

Together we can work to get things done quickly and efficiently and with your needs foremost on our minds.

And of course, the quicker and easier we make things for you, the

better you'll be able to serve your clients. So why shop around for your commercial insurance needs? Stop in at Royal's New York Underwriting Center today, and you'll see why we say it's the only way to go.

**Royal Insurance**  
150 William Street,  
New York, N.Y. 10038



# Hartford offers printing company coverage

Hartford Insurance Group is offering a new insurance program for the printing industry.

The new Craftwork policy consists of two basic plans: Spectrum, which is for small businesses like quick print shops with less than \$1 million in sales; and the Comprehensive Business Policy, which is intended for large printing companies with more than 20 workers.

## products & services

The standard policy for smaller companies offers broad property, general liability, errors and omissions, umbrella, commercial auto, transit and crime coverages.

The Spectrum package contains liability limits of \$300,000, \$500,000

or \$1 million, while property limits can be tailored.

The policy for larger companies includes named-peril or all-risk coverage, special property coverage, product and general liability protection, business interruption,

errors and omissions and computer equipment coverages.

Limits can be written to any amount for liability and property exposures.

Optional coverages available in this package include:

- Functional replacement cost coverage. This option protects against equipment replacement expense. Limits can be written for

any amount to replace a piece of machinery with a comparable unit.

- Special personal property extension. The extension acts against brownouts, power surges, sewer backups and contamination. Limits can be written to policyholder needs. It also includes coverage for personal property at newly acquired locations for up to 60 days at a limit of \$200,000.

- Extended legal liability and comprehensive general liability coverage to protect personal property of others in the insured's custody, such as artwork, plates, photographs, layouts.

- Blanket business interruption and extra expense coverage. Limits, based on actual exposures, are written to the needs of the policyholder.

For more information on the Craftwork coverage, contact your local independent agent that represents Hartford.

## Retiree life coverage

The Travelers Corp. introduces a program that allows small businesses to provide group life insurance to retired employees.

Retired Lives Reserves II lets businesses with 25 to 250 employees fund post-retirement group life insurance while the employees are working.

The program is designed for employers that cannot afford to continue coverage for retired employees and for retirees who can't afford to convert their group coverage to individual whole life.

Employers contribute to an interest-paying reserve fund during the employee's working years, so that the life coverage continues after retirement. Each employer is evaluated annually to determine changes in the employee group and the size of contributions that will be needed for the coming year.

Employees need not contribute to the plan.

Each employer's premium is based on its employee group, including the number of people to be covered, age range, turnover experience and mortality rates.

For further details, contact a Travelers Corp. field office or an independent agent.

## Grantor liability

Euclid Services Inc. is offering a grantors liability policy.

The policy covers latent defects not apparent to a building buyer or other negligence that can be traced back to the grantor or grantors.

Coverage includes grantor's defense should it be sued by the buyer or directly by the claimant.

Coverage is not afforded for property damage to the sold premises. Occurrence must take place after the premises were transferred.

For instance, a partnership owns a piece of real estate, and the property is then sold. Each partner could be held personally liable, jointly and severally, for accidents occurring after the title transfer. This can happen when liability is traced back to a negligent act first committed during the partnership's ownership.

Limits of \$300,000, \$500,000 or \$1 million are available. The minimum premium is \$500 and the minimum deductible available is \$500, with other deductibles offered.

Optional coverage is available for completed operations hazards where the owner (the insured) is also the premises builder.

The coverage is written by Midland Insurance Co.

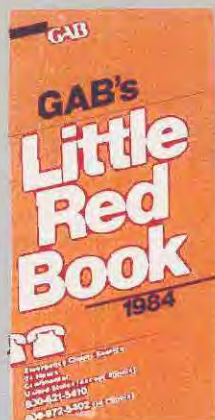
For details and a specimen policy, contact Martin Beitler, Euclid Services Inc., 18 E. 69th St., New York, N.Y. 10021; 212-737-3600. ■

## IN CASE OF EMERGENCY OPEN THIS BOOK.

Suppose there's been an accident. And it's up to you to get a claims adjuster to the scene. Immediately.

Your best move is opening GAB's Little Red Book. The handy, nationwide telephone directory that gets you quick response on casualty claims or property losses.

In it, you'll find the addresses, phone numbers, and special night lines of over 650 GAB offices throughout the country. The Book also contains complete listings and locations of all other GAB operations, like Appraisal and Claims Management.



**GAB**  
The state  
of the art.

To make sure you have the Little Red Book close at hand just clip the coupon and send for your copy now. So when emergencies do happen, you'll know what to do about them.

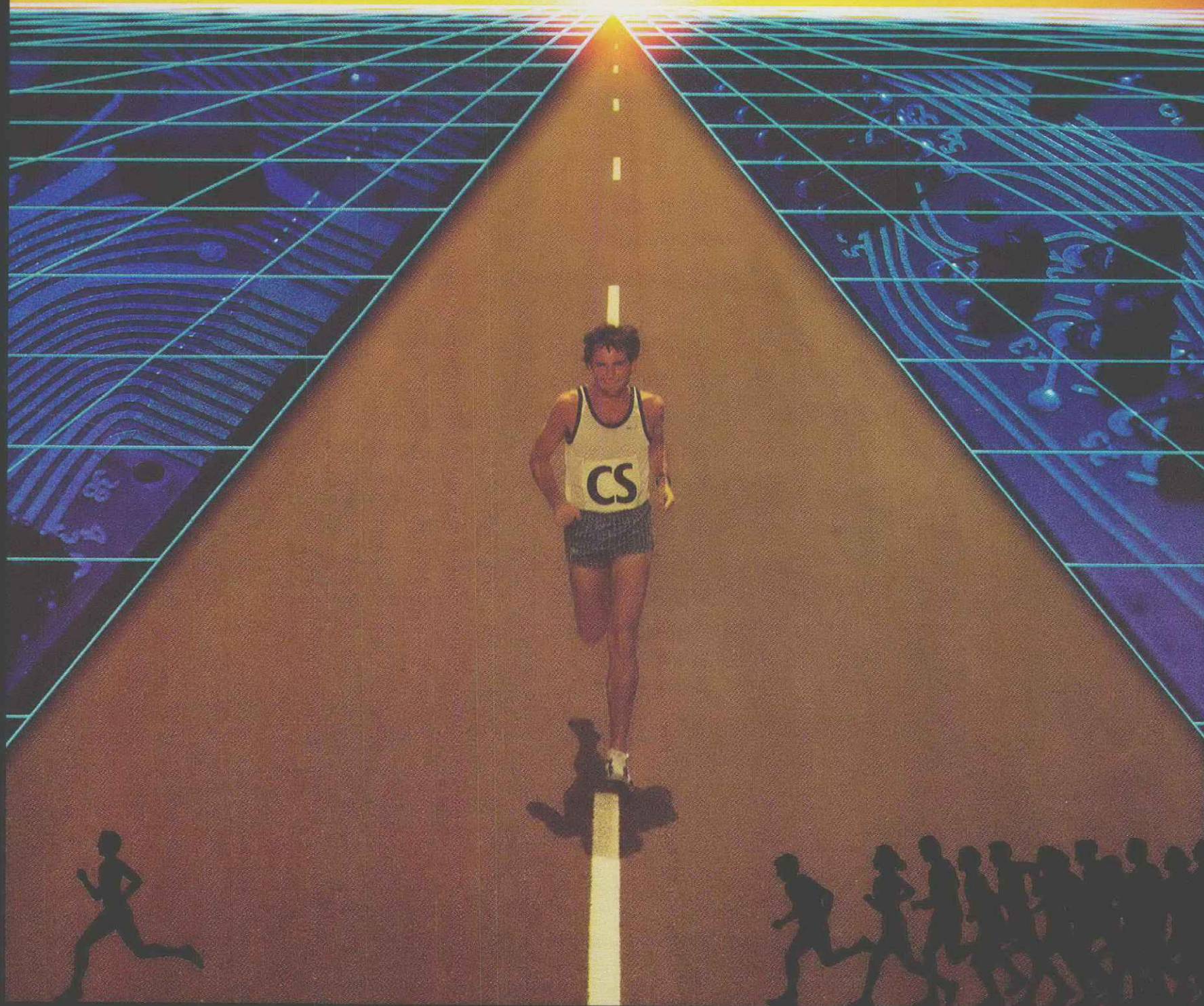
Al Peters, Vice President  
GAB Business Services, Inc.  
123 William Street  
New York, N.Y. 10038

Please send me a copy of the Little Red Book, so I'll know where to turn in a hurry on a claim or loss.

Name \_\_\_\_\_  
Company \_\_\_\_\_  
Title \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

ET-19

**In 1968, we were the leader in  
risk information systems . . .  
Because we were the only one.**



## **Today there are better reasons.**

In 1968, we worked hard to pioneer the first electronic risk information system. Today, we work just as hard producing and perfecting innovations to better utilize electronic technology for risk management.

From the world's largest online risk information network to personal micro computer systems for risk decision making, Corporate Systems has more muscle to stay ahead of the race.

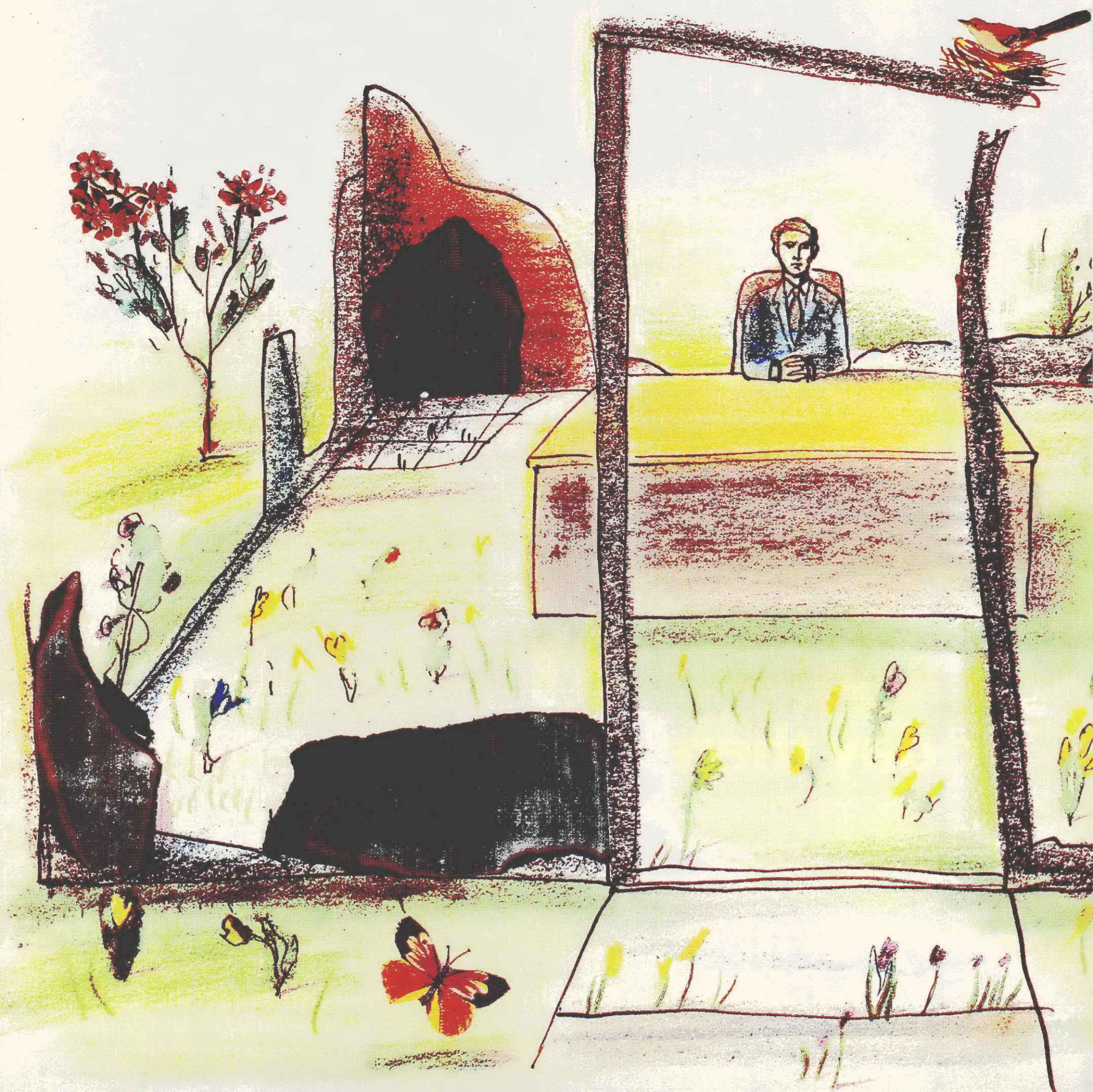
If you're looking for a system that's way out front, check with the first . . . and still the leader . . . Corporate Systems.

**corporate  
systems**

**Leadership in risk information technology.**

Call toll free (800) 858-4351 or (806) 376-4223 in Texas.  
Corporate Systems, P.O. Box 31780, Amarillo, TX 79120.

Far too often, when it's time to try and collect on your insurance claim, you find out just how good that "good deal" you got really is.



Recently, the New York Times brought to light the fact that corporations are having difficulty getting their insurance companies to promptly and fairly settle and pay their claims.

As these corporations are discovering, the true cost of an insurance policy can entail a great deal more than just what your premiums add up to. The speed, efficiency, fairness and resourcefulness of your insurance company (or the lack thereof) when it comes to preventing and settling claims can also figure into your ultimate cost.

That's why at AFIA, we feel that settling a claim properly means more than just a fair settlement. It also means better than fair service. It means a commitment to use all our resources to help you settle your claim quickly and efficiently.

Since 1918, AFIA has built its reputation on integrity and dependability. In no area of insurance are those two qualities more important than claims service.

Our international network of claims experts allows us to be on the spot anywhere in the world, wherever and whenever you need us. But having worldwide resources and dependability is only half of what is needed to do the job properly. The other half is having the imagination, and the will, to do the extraordinary when necessary.

There isn't an insurance company anywhere that couldn't cite examples showing how good their claims service is. You know the type of examples we mean. The true test, however, is to ask a corporation or its insurance broker—the people who really live with the service—how they feel their insurance company performs.

So we would like to invite you to speak with our insureds or with your broker. Ask them the tough questions: find out how they really feel about AFIA's claim service. They'll tell you.

And you'll discover that no matter where in the world you are, and no matter what happens to your company, you'll want AFIA there to take care of it.

And that's not a claim, that's just how confident we are about what we can do for you.

---

# AFIA

---

WORLDWIDE INSURANCE

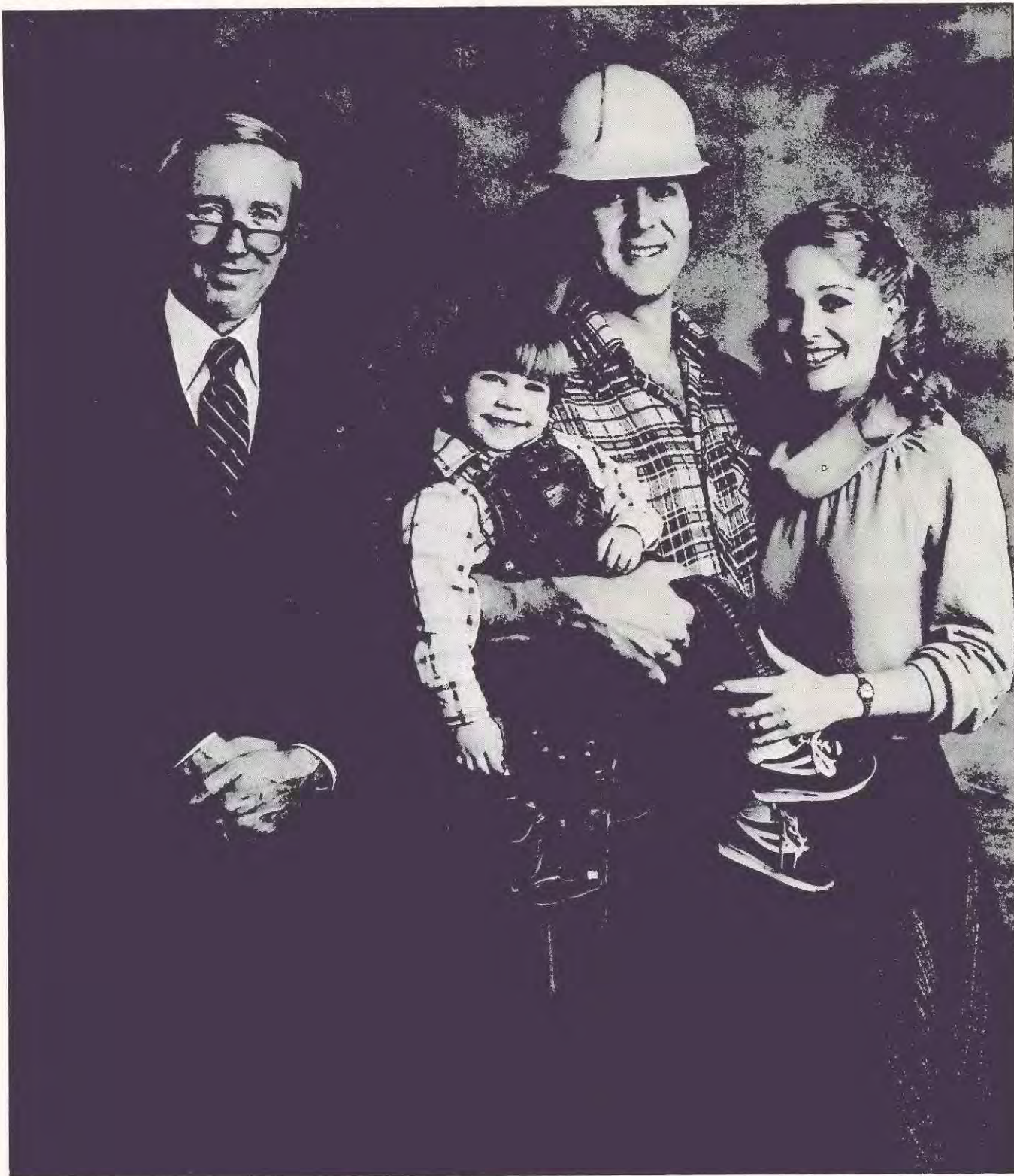
---

Helping business  
grow overseas since 1918.

AFIA, 110 William Street, New York, NY 10038, Atlanta, Boston, Chicago, Cleveland, Dallas, Houston, Los Angeles, Miami, Minneapolis, San Francisco, Seattle, Washington, D.C. and 230 other cities around the world.



# THE METROMATIC LIFE INSURANCE PROGRAM. IT WON'T COST YOUR COMPANY TO SHOW YOU CARE ABOUT YOUR EMPLOYEES.



Metromatic is one insurance program that your employees will really appreciate. And you can offer it at no premium cost to your company.

Even if you already have a group plan, you can offer your employees the option of acquiring Metropolitan permanent whole life insurance for themselves, their spouses, and children—at a lower premium than they would pay if they were buying it on their own.

They can keep their insurance at the same discounted premium for as long as they live, even if they leave your company. In addition, Metropolitan's permanent insurance

continues to build cash value.

There is no limit to the number of eligible employees who can be enrolled, and Metromatic is available to companies large and small.

With Metromatic, Metropolitan handles the details for you. As one of the largest insurers, we have offices across the country. So our experienced staff can come to your company to discuss coverage options with your employees and enroll them. We just ask that you arrange to have the premiums automatically deducted from your payroll.

Your employees pay less. Essentially your only expense is setting

up the payroll deductions. We do the rest of the work. That's Metromatic.

If you'd like this program for your company, or if you have any questions, please call your local Metropolitan representative or write to Metromatic Unit, Metropolitan Life Insurance Company, One Madison Avenue, New York, N.Y. 10010.

Metropolitan believes helping employees can be good for companies.



## METROPOLITAN REALLY STANDS BY YOU.

Life/Health/Auto/Home/Retirement

# CONSTRUCTION RISKS

## Take care: Deals are sometimes too good to be true

By Norman Humphries

**A** MAJOR construction project is offered to the insurance market in a typical bid situation. The underwriting information is sparse and the broker has a long shopping list of coverages, all of which require quotations. Five insurers are bidding and price is clearly the overriding consideration. In the final and frantic stages of the bidding, one insurer throws in a low bid and gets the order without really understanding the risk and the coverage required.

The insurer finds itself committed to the broker's wording, which obviously is very broad in scope and intent. Coverage includes the manufacturing risk and transit to the site of all the components and materials needed. Business interruption coverage is included on a broad base.

After some unsuccessful attempts to restrict and clarify the coverage, the insurer accepts the situation, hoping there will be no claim.

A key piece of equipment is being manufactured in Europe. A fire at the manufacturer's premises seems likely to delay delivery of the equipment and completion of the project by six months. The insurer receives notice of a possible claim.

The insurer repudiates the claim, indicating that it had intended to cover the equipment being manufactured—not the manufacturer's premises. The broker responds that the policy language is not so restricted. The insurer accepts that it may have to pay the claim, but then cancels the policy.

The insurance was a one-shot deal.

This hypothetical case illustrates the perils of operating in today's construction risk market.

The fact is, you can get anything you want in a policy—at an unbelievable price. All too often, however, the policy that seems like such a great deal at the start can cost you plenty in the end. Policies and prices that seem too good to be true probably are.

Time was when insurers were conservative animals. Premiums were finite calculations based upon historical experience across a wide breadth of similar risks. New insurance coverage evolved slowly, if at all, as a prudent development from a proven base.

Property insurers were especially conservative. They made a modest but steady underwriting profit of 5% to 10% on their writings.

The construction risk market, as a minute part of the massive property insurance market, never pretended to be as scientific as property insurance. Builders risk always had some crystal-ball connotations. However, it did have a relatively conservative approach to coverage and terms and its profit margin generally tended to be higher

than property insurance.

The late 1970s produced a number of factors to shake up the insurance world.

First, the traditional insurance cycle turned from a loss situation in the mid-1970s to high profit. Profits lead to more insurance capacity as more and more players wanted bigger slices of the profits. This inevitably led to competition and price cutting.

Second, more and more insurers who had seen other more volatile lines, like the casualty business, as their main activity became interested in the modest

calculated percentage.

Underwriters were encouraged to be flexible in order to secure contracts and retain business. Some of the underwriters who had always stayed on the straight and narrow tended to get lost when they stepped off into the undergrowth of cash-flow underwriting.

One way or another, we found ourselves in a market in which all insurers were cutting rates to a suicidal level and broadening coverages into any direction required by the buyer. The price became what the buyer would pay

understand the risk and what they are expected to pay for is no longer relevant. Therefore, you can probably find an insurer that will not require much information and will give you a lot of coverage at an unbelievable price.

The only problem with this new insurance world is what happens when a claim does come along. The insurer who takes the risk knowing what to expect can hardly be shocked when the expected occurs.

Those who take risks with their eyes closed may have to swallow the first claim, but having been forced to look at and recognize the risk, they may want to get off it. (Ever tried to place construction insurance when the insurer has canceled and testing has just begun?)

Nonetheless, for risks where a one-shot deal is something you can live with, today's market is a buyer's dream.

A detailed review of all the coverage options now available would be impossible here. However, a few words on three items will demonstrate just how flexible the market is today.

First, at one time, most builders risk coverages excluded design completely; that is, design fault and accidents caused by design fault were excluded.

The broader coverage of some insurers then became widespread. This broader coverage still excluded the design fault in itself and the necessary cost of redesign, but covered accidents resulting from design.

The rationale for this approach was that the designer would have to put right the faulty design anyway, whether or not an accident resulted. The resulting accident could be regarded as a fortuitous loss and therefore a suitable subject for insurance. Subject to minor deviations on a risk-by-risk basis, this approach has evolved as general underwriting practice for design.

Secondly, we now have passive design coverage.

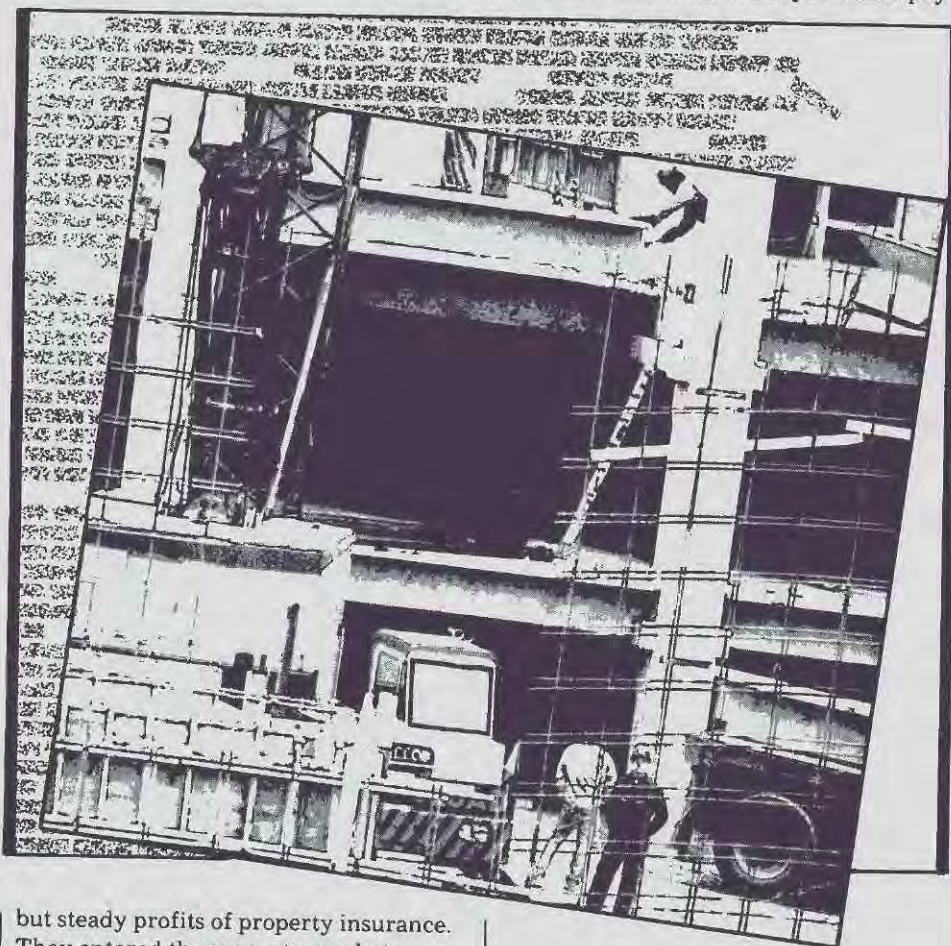
This means that not only will insurers pay for design faults, but there need not be an accident. Discovery of a design fault is, in itself, an indemnifiable claim and insurers will pay for the removal of the defective property and redesign costs, as well as the manufacture and installation of the replacement property.

Some insurers claim to be underwriting the risk only after a comprehensive technical investigation. This seems to support the idea that they will cover risks only of well-proven design. To some, this may seem like providing automobile coverage only to people without cars.

There are some players in the market who seem prepared to offer passive design on some risks, like prototypes, with little if any technical investigation of the risk.

If you have always wanted to build a bridge that does not meet in the middle or a high-rise with no elevators, now could be a marvelous time to get an

*Continued on next page*



but steady profits of property insurance. They entered the property market, adding to the competition and price-cutting.

Then, along came inflation and high interest rates and things really warmed up. Inflation increased insurer expenses at a time when rate-cutting was inhibiting the growth of their top casualty line. Recessional trends reduced industrial activity, exposures and therefore premium levels, thereby compounding the pressure on the top line.

Conversely, insurers' income from the investment of premiums and funds rocketed upward to the extent that insurance losses were more than balanced by investment income.

Cash-flow underwriting became the name of the game. Insurers expected to lose money on their insurance activities in order to generate funds for investment. Rate-cutting continued. Insurers had found a way to make a fortune by losing money.

Unfortunately, the implementation of cash-flow underwriting did not give the impression of a scientific downward adjustment of rating levels by a carefully

and the coverage was whatever the buyer wanted.

One might have assumed throughout all of this that the best deal for insurance would be provided by those with a good knowledge of the risk (on the assumption that the inexperienced would be overly cautious on coverage and more expensive in price). Not so. In the new world of insurance, the best deals seem to be available from those least familiar with the risks.

By the beginning of 1983, interest rates had fallen dramatically. Many had expected that, by now, cash-flow underwriting would be replaced by a return to good old-fashioned underwriting profit. However, nobody seems to have told the underwriters about the change and competition in the market continues unabated.

Now is still a great time to get a marvelous deal on a construction project.

Many of the players in the market have little knowledge of this very complex type of risk, but the old concept that insurers should thoroughly

# Human resource managers must find innovative solutions to future challenges

By Kenneth P. Shapiro

**T**HE FUTURE challenges to human resource managers cannot be solved with T-groups, management grids, management-by-objective programs, quality circles or any other of the quick-fix management gimmicks of the past.

What will be required in the future is management's use of multidisciplinary skills and fresh thinking to create new directions.

Here, I'll outline six complex, but related, challenges for human resource managers.

In my next column, I'll discuss five new directions to address these challenges, some of which are excerpts from "The Hay Report: The State of America's Human Resources."

*The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.*

## management

The six challenges requiring solutions are:

- Managing employee expectations in a time of slower growth. This will require a critical balancing act. More employees than ever before will be trying in the workforce—and they all will be trying to better themselves in a period when their opportunities for rapid promotions will be declining.

- Improving our ability to develop managers. We are in an era where the amount of knowledge and skills necessary to manage well and efficiently is increasing rapidly.

For example, by the time the current entry-level college graduate is in middle management, the amount of knowledge available will have increased fourfold. The threat of technological obsolescence will increase pressure for more training and development.

- Closing the communications gap between management and employees in an era of change and increasing demands

on employees. Studies show that employees prefer getting their information from their supervisors and top management.

However, most information still comes from the office grapevine. Management must make certain that it maintains credibility. Communications are most effective when done in an environment of trust.

- Nurturing innovation and an entrepreneurial spirit. This will require new and fresh approaches to organization and reward.

Note that today, for every suggestion made by an employee at General Motors Corp., 18 are being offered at Toyota. And, the Japanese take action on more than 90% of these suggestions, as compared with 25% of the suggestions made at the giant U.S. auto company.

- Controlling people costs and improving the return on the compensation dollar. Inflation is low, the era of automatic salary increases is over and so is

the fringe binge.

The opportunity exists to reinstate pay-for-performance and merit-pay concepts while the Consumer Price Index jumps are not eating up pay increase budgets.

- Sustaining improved productivity. Of course, productivity will improve, as it always does, during this economic recovery.

The challenge will be, however, to sustain that improvement over a longer period of time.

This productivity improvement will not only come from increased capital expenditures and improved workforce design, but also from softer areas such as greater employee involvement and a better-trained and motivated workforce.

*Kenneth P. Shapiro is president of Hay Hug-gins Co. Inc. in Philadelphia. His column on management appears regularly in Business Insurance.*



## Beware of overly generous builders risk policies

*Continued from previous page*  
insurer to help you finance your dreams.

Various markets around the world, and notably in Europe, have had a long and disastrous experience covering this risk.

Coverage has usually indemnified the principal for loss of gross earnings should an insured accident delay start-up of a project. Variations have been available to cover penalty clauses for contractors, debt financing, etc. Although rates and deductibles have been high, insurers have still lost money.

Passive coverage is relatively new in the United States. Loss-of-rents coverage (apartment buildings, office buildings, etc.) has been available for some time, but coverage on industrial projects is a fairly recent innovation here.

And thirdly, delay-in-start-up coverage is now being promoted on a broad basis with low rates and low deductibles. The high probability of insurers losing money indicates in itself that the product will not live long. Of even greater concern is the apparent lack of professionalism by insurers in understanding and underwriting the risks and in designing coverage that responds to buyers' needs while giving insurers a reasonable deal.

One illustration is "contingent business interruption." This magical phrase crops up on most submissions for coverage. There are numerous meanings attached

to it. The most common meaning is that delay-in-start-up coverage is extended to cover the principal's loss should an accident occur at the premises of any supplier of equipment or material.

Coverage for start-up delays is a high-risk but viable line of insurance. Its underwriting calls for an in-depth knowledge and understanding of the risks of physical damage and indirect exposures.

Contingent business interruption is also potentially viable for insurers but they need an equally in-depth knowledge and understanding of the risks of key equipment and material at the suppliers' premises.

A new pulp mill may be totally dependent upon a black liquor recovery boiler made in Europe. Any insurer that quotes for such a risk should have a clear understanding of the physical risk at the supplier's premises (fire, flood, windstorm, etc.), the probable delay if an accident occurs and the availability, if any, of another boiler.

Very few delay-in-start-up submissions in the market give the underwriter enough information to underwrite the risk. Contingent business interruption is tossed in like a choice of salad dressing. Insurers who bid for such risks without first insisting on adequate information may be displaying courage and even a touch of clairvoyance. They cannot claim to be underwriting.

In the scramble for premium, insurers are now agreeing to insure a wide range of risks that were previously regarded as entrepreneurial risks and, therefore, uninsurable. These risks cover a broad front, but most fall in the general categories of resource insurance and performance guarantee.

Resource insurance covers debt financing and sometimes such exposures as operational costs if the covered resource should prove insufficient to make a project viable. Risks proposed have included:

- Geothermal electrical or heating. (Is there sufficient energy to sustain the planned output over the period of debt?)
- Hydroelectric power. (Is there a chance of low water for a long period?)
- Wind farms for electrical power. (Will there always be a sufficient amount of wind?)

Performance guarantees cover debt financing, operational costs and, sometimes, contractors' penalties linked to the failure of a system to achieve and maintain adequate performance.

There are those who consider these risks a genuine opportunity for insurers to develop viable and long-lasting new products. Those products can help supply U.S. industry with risk capital to develop, to innovate and to survive. The insurance industry could play a major role in providing the security needed for those new projects.

Whether these new lines prove to be a flash in the pan or settle down to be viable lines of insurance depends on the discipline and professionalism of insurers—characteristics not readily apparent in today's insurance market.

One or two major losses on these risks not only will test the concept of one-shot deals, they may cause many of the players to limp back to the more conservative paths and discourage the more top-notch insurers from getting into the game.

If these risks are to be covered by viable insurance products, they need to be studied in depth by those with the

technical ability to understand and make judgments on the design of the project.

It may seem like good business to take advantage of the present soft insurance market. Buyers need to make up their own minds on what they want from insurers.

Fantastic insurance deals are possible—particularly with insurers not experienced in these particular types of risks.

However, these markets cannot be regarded as partners who have accepted the risk with their eyes open and will stay with you through good times and bad times. You could have a one-shot deal.

The alternative route is to work with insurers who understand the risk. They will ask numerous questions. They will have engineers who will want to study your plans and specifications. They will want to understand and address your risks and concerns. The end result may be that you'll pay more (hardly a good marketing point), but you'll have more than a flash-in-the-pan coverage.

Simply put, the key factor in justifying the second route is that it makes sense. One old-fashioned adage about business is that the best deals are those in which all concerned win.

If the availability of insurance protection is important to the buyer, it must allow insurers to make a profit. The buyer should seek and encourage those who want to understand and respond to its risks. The buyer should question the validity of deals that look too good to be true; deals that could leave the company uncovered, uninsured and with costly complications and claims battles; one-shot deals that could backfire in a risk manager's face.



*Norman Humphries is an assistant vp at The Hartford Steam Boiler Inspection & Insurance Co. in Hartford, Conn.*

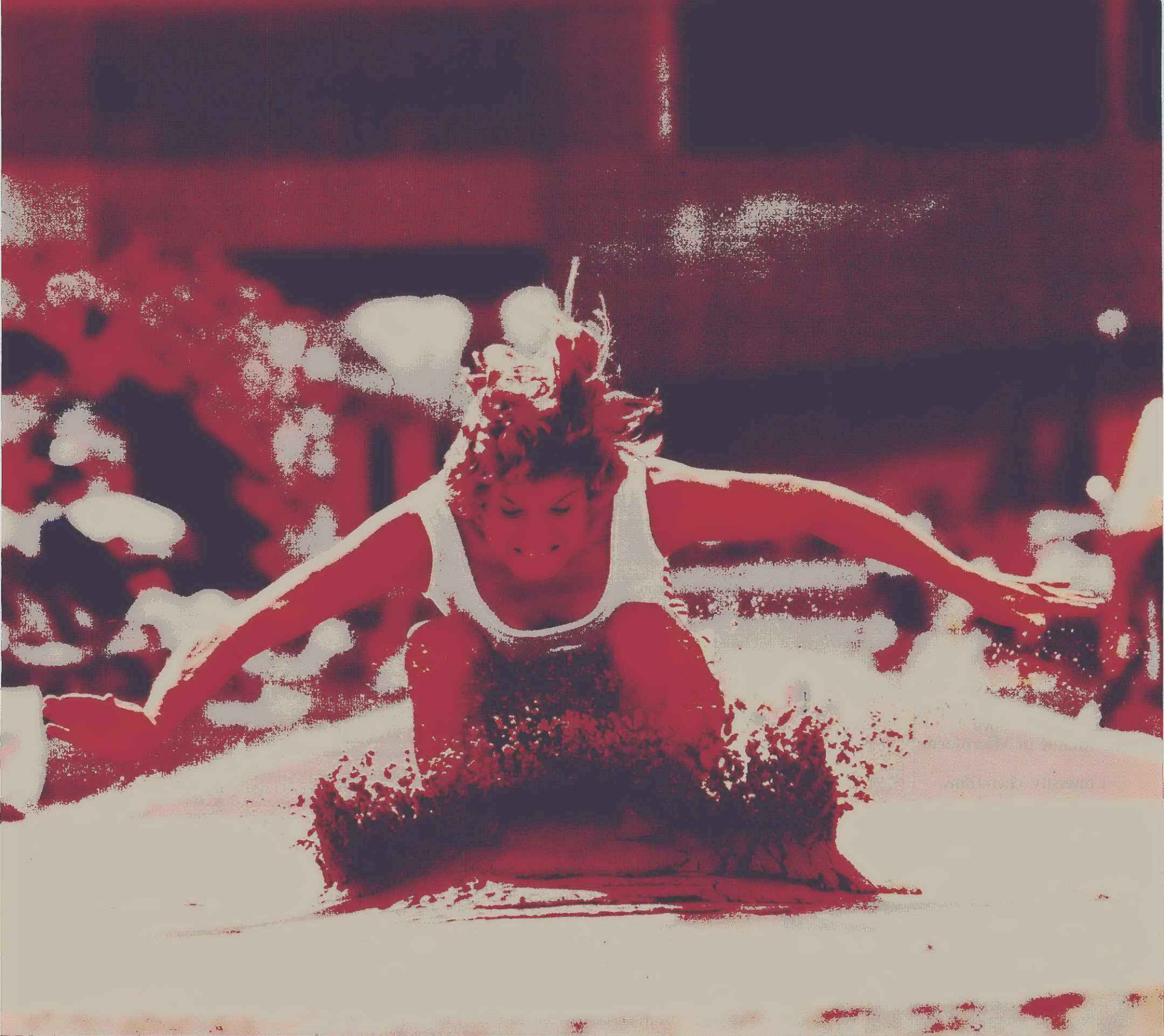


Photo: Index/Stone International, Inc.

# IMPACT

In today's fiercely competitive business environment, the effectiveness of your advertising message depends more than ever on impact.

Impact like dominant advertising messages ... in the hard-hitting business publication that serves your market - **Business Insurance**.

Impact that lets you hit the mark with the buyers of your products and services.

So when you take that leap forward in **Business Insurance**, you'll land squarely in front of the decision-makers.

Advertise where the leaders are. Where you'll find the largest and most influential audience in the risk management and employee benefits field.

**Business Insurance**. Where your ads are sure to go the distance.

| Publishing Dates | Advertising Opportunities                                                                                                                                                                                                                                        | Closing Dates |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Feb 6            | <b>Risk Management Services</b><br>Highlights: Which products and services do risk managers purchase from outside consultants? Plus, a ranking of the largest risk management consulting firms in the U.S. And, a directory of U.S. risk management consultants. | Jan 25        |
| Feb 13           |                                                                                                                                                                                                                                                                  | Feb 1         |
| Feb 20           |                                                                                                                                                                                                                                                                  | Feb 7         |
| Feb 27           | <b>Benefits: Controlling Costs</b>                                                                                                                                                                                                                               | Feb 14        |
| Mar 5            |                                                                                                                                                                                                                                                                  | Feb 22        |
| Mar 12           |                                                                                                                                                                                                                                                                  | Feb 28        |
| Mar 19           | <b>RIMS Preview/Captives Offshore</b>                                                                                                                                                                                                                            | Mar 7         |
| Mar 26           |                                                                                                                                                                                                                                                                  | Mar 14        |
| Apr 2            |                                                                                                                                                                                                                                                                  | Mar 20        |

**business  
insurance**  
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  
A Publication of Crain Communications Inc.

# Occidental pension termination approved

By JERRY GEISEL

WASHINGTON—Occidental Petroleum Corp. has received the green light from federal regulators to terminate four overfunded pension plans to recapture \$375 million in excess assets, the biggest reversion of excess pension assets ever.

Los Angeles-based Occidental had asked the federal Pension Benefit Guaranty Corp. May 24, 1983, for permission to terminate four defined benefit plans with about 23,000 participants and set up new defined contribution plans for salaried employees (BI, May 30, 1983).

After half a year of review, the PBGC, concluded that the Occidental plans had sufficient assets to pay participants all accrued benefits.

A certification of asset sufficiency from the PBGC is necessary before an employer can terminate a pension plan.

A PBGC attorney noted that Occidental's proposal to terminate its pension plans was significantly different from so-called spin-off terminations, which the agency finds troublesome (BI, Dec. 19, 1983).

In a spin-off termination, which have been proposed by a number of major employers, a company splits its defined benefit plan into two plans—one for retirees and one for active workers.

## washington

Enough assets are put in the active employees' plan to cover liabilities. Excess assets are put in the retirees' plan, which is terminated. The company then purchases annuities to pay promised benefits to the retirees and recaptures the excess assets.

Some pension officials say spin-off terminations aren't really terminations at all, but are a continuation of an existing pension plan.

By contrast, in Occidental's case, the company is replacing defined benefit plans with defined contribution plans that the company says will provide better benefits to many of its employees.

For example, for employees under 35, Occidental will contribute 4% of base salary, up to the Social Security wage base of \$37,800, plus 9% of base salary over the wage base. For employees 35 and older, the contribution will be 7% of base salary, up to the Social Security wage base, plus 12% of base salary over the wage base.

Occidental says it will contribute more for older employees since they have fewer years before retirement in which to bolster their accounts.

Occidental says it will use the

\$375 million in excess assets to reduce corporate debt. Occidental incurred significant debt when it purchased Cities Services Co.

## Workplace injuries

The Occupational Safety and Health Administration is reminding employers with more than 10 employees that they are required to post from Feb. 1 to March 1 the total number of job-related injuries and illnesses occurring in 1983.

To fulfill the requirement, employers should post the last page or right-hand portion of OSHA Form 200, "Log and Summary of Occupational Injuries and Illnesses."

Employers also must notify employees who move from one worksite to another, like construction workers, of the number of workplace accidents and injuries by giving them a summary of Form 200.

Copies of OSHA Form 200 are available from the OSHA Publications Office, Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210; 202-523-9667.

## PBGC appointee

The Pension Benefit Guaranty

Corp. has appointed pension attorney Edward Thomas Veal to direct its corporate planning and program development department.

Prior to joining the PBGC, Mr. Veal was in charge of the pension and profit-sharing practice of Keck, Mahin & Cate, a Chicago law firm.

Mr. Veal co-authored the New York Law Journal's monthly column, "Pension Outlook," and was a member of the Chicago Assn. of Commerce and Industry's employee benefits subcommittee.

At the PBGC, Mr. Veal will serve as the principal adviser on multiemployer pension plan issues.

## Health benefit tax

A presidential advisory council says group health insurance programs should be taxed to help shore up the federal Medicare program, which provides health care benefits to the elderly.

The Presidential Advisory Council on Social Security, which was appointed in September 1982 to review the fiscal stability of Medicare, says Congress should pass legislation, S. 640, which would count employer-paid health insurance premiums that exceed \$2,100 a year for family coverage and \$840 for individual coverage as taxable income to the employee.

The revenues that accrue from the new tax would be allocated to the Medicare Trust Fund, which is running out of money.

The panel also recommends a gradual increase in the eligibility age for Medicare benefits to 67 from the current 65.

## Toxic substance

The Occupational Safety and Health Administration wants employers to give the agency information on the toxicity of 1,3-butadiene, a substance used in the manufacture of synthetic rubber and plastics.

About 70,000 workers are exposed to 1,3-butadiene, exposure to which has caused cancer in laboratory rodents. OSHA wants information on current worker exposure levels, control technologies and the cost-effectiveness of reducing worker exposure levels.

Comments should be sent by March 5 to the OSHA Docket Office, Docket No. H-041, Room S-6212, U.S. Department of Labor, 200 Constitution Ave. N.W., Washington, D.C. 20210; 202-523-7894.

Under current Occupational Safety and Health Administration regulations, the maximum worker exposure level averaged over an eight-hour day is 1,000 parts of 1,3-butadiene per million parts of air. ■

Business Insurance  
is available in Microform

University Microfilms  
International

300 North Zeeb Road, Dept. P.R., Ann Arbor, Mi. 48106

# Kirschen to head claims at Fireman's Fund

## comings & goings: industry

**Borrell Kirschen** has been named executive vp of Fireman's Fund Insurance Co. in Novato, Calif. He will be responsible for claims and insurance services.

Mr. Kirschen, 46, succeeds **Jack S. Hupp**, who resigned. Mr. Kirschen, who joined Fireman's Fund in 1971, most recently had been a senior vp.

Also, **Jim L. Ridling** elected senior vp of Fireman's Fund Insur-

ance Cos. in San Rafael, Calif. He remains head of commercial group operations for the company, a position he assumed in 1982.

### Other insurer changes:

**Joseph Leo** named president of Casualty Insurance Co., a workers compensation insurer in Chicago. He had been executive vp at Casualty, a unit of Continental Corp.

**Donald E. McCandless** elected president of Dodson Insurance Group in Kansas City, Mo. He had been executive vp and chief financial officer. Mr. McCandless succeeds **William B. Johnston**, who resigned. Reciprocal Exchange, Casualty Reciprocal Exchange and Equity Mutual Insurance Co. make up the Dodson group.

**Harold G. Doble** elected president and chief executive officer of Highlands Insurance Co. in Houston. He replaces **James A. Terry**, who retired Dec. 31. Mr. Doble also serves as president of Highlands Underwriters Insurance Co., Highlands Casualty Co., Underwriters Special Risk Co., Aberdeen Insurance Co., Transportation Recovery Services Inc., Southern California Bonding Service Inc. He serves as chairman of Highlands Insurance Co. U.K. Ltd., Highlands Underwriting Agents Ltd. and Highlands Overseas Ltd.

**Joel R. Justin** named senior vp for the Western area of the CIGNA Corp.'s property/casualty group agency's division in Philadelphia. He is responsible for marketing and underwriting operations of Insurance Co. of North America and Aetna Insurance Co., both CIGNA companies, in Alaska, Arizona, California, Colorado, Hawaii, Idaho, New Mexico, Oregon, Utah and Washington.

## Agents/brokers

**Duncan R. Hay** joined Consoli-

dated General Insurance Services Inc., a subsidiary of Consolidated Reinsurance Corp., in Larkspur, Calif. Mr. Hay will be responsible for total company management and expanding its wholesale brokerage area.

**Demarest S. Newman** and **Thomas M. Simone** were elected senior vps of Sten-Re, Cole & Associates Inc. in Edison, N.J. Both had been vps.

**Corroon & Black Corp.** has appointed **George R. Schmelzle** president of its Public Entities National Company Division and executive vp of its Benefits & Specialty Sales Group. Mr. Schmelzle had formerly been president and chief executive officer of Corroon & Black of Ohio.

Also, C&B appointed **Richard D. Abrams** vp-political and financial risk of its International Division. He had been executive vp for INAMIC Ltd., the political and credit risk division of CIGNA Corp.

## Reinsurers

**Howard J. Klotz** elected executive vp and treasurer of Constellation Reinsurance Co. in New York. He had been senior vp. Also, **Charles M. Donohue**, **Rogers R. French** and **Dennis G. Giannopoulos** were elected vps. Mr. Donohue handles the company's claims audits and the claims department. Mr. French is responsible for development of treaty casualty reinsurance business and Mr. Giannopoulos is responsible for development and underwriting of international treaty reinsurance business. Constellation Re is a subsidiary of Tigor Corp., a wholly owned unit of Southern Pacific Co.

## Other suppliers

**Robert S. Byrne** elected a partner at Kwasha Lipton in Fort Lee, N.J. Mr. Byrne assumed his duties Jan. 1. He has been with Kwasha Lipton since 1977.

**David Jerome** joined Meidinger Inc. in Cleveland as a consultant.

Mr. Jerome previously was a vp in the trust division of Huntington Banks in Ohio.

Fifteen principals were elected at William M. Mercer Inc. They are: **Herbert F. Crehan** and **John B. McQuade** in Boston; **Louis W. Cheng** and **John J. Flood** in Columbus, Ohio; **Robert B. Buford** in Dallas; **John J. Bilchak** and **R. Scott Gregory** in Detroit; **Carol W. Proffer** in Kansas City, Mo.; **Linda L. Trainor** and **John Vieira** in Los Angeles; **William M. O'Meara** in Minneapolis; **David F. Hollis** in Nashville, Tenn.; **Karin Allport** in New York; **Thomas C. Lewis** in Philadelphia; and **Robert T. McCrory** in Portland, Ore.

**Sarah O. Johnston** joined Booke & Co. in Winston-Salem, N.C., as a communications specialist. She will write and produce employee benefit communication programs. Ms. Johnston had been director of information for Old Salem Inc.

**J. Daniel Henke** appointed vp of EBI Services Inc., a workers compensation self-insurance administrator and part of the Orion Group Inc. Mr. Henke will be based in Sacto, Calif., will responsibility for operations of EBI Services' Northern California division.

**Victor W. Sterne** has joined EBI Services as vp with responsibility for operations in EBI Services' Southern California division in Burbank. He was most recently with Insurance Co. of North America.

**Patrice Rochette** promoted to vp of the personalized annual reports division of Employee Communications Services Inc. in Natick, Mass.

## Excess/surplus

**Kenneth Goldstein** elected executive vp of Atwater McMillan Inc. in St. Paul, Minn. Mr. Goldstein had been president of Swett & Crawford Management Co. in New York. S&C Management was included in The St. Paul Cos. Inc.'s recent purchase of the Swett & Crawford group. In his new post, Mr. Goldstein will oversee management of Atwater's Athena Assurance and surplus lines divisions and Atwater's claims department. ■

# The Wetzel Company, Inc.

## Excess and Surplus Lines Reinsurance, Treaty and Facultative



P.O. Box 66452  
Houston, Texas 77266  
AC713/523-3003  
Telex: 76-2053

Norwood Tower, Suite 300  
114 West 7th Street  
Austin, Texas 78701  
AC512/480-8231  
Telex: 76-7134

# Shipbuilder to pay spouses' pregnancy claims

Continued from page 3

tively pay equitable pregnancy benefits, plus 12% interest, on such claims (see story, page 3).

However, the size and cost of the Newport News Shipbuilding settlement dwarfs the other agreements.

Under an order handed down by U.S. District Judge Calvitt Clarke, Newport News Shipbuilding, which has about 28,000 employees, will reimburse male employees for pregnancy hospitalization expenses their wives incurred above the \$500 benefit the dependent plan provided.

This reimbursement involves about 2,500 pregnancy claims incurred by male employees' wives between April 29, 1979, and June 20, 1983, the date Newport News Shipbuilding finally overhauled its self-insured plans for hourly em-

ployees to provide equitable pregnancy benefits for spouses.

Insurers say that the average cost of hospitalization expenses for a normal pregnancy between 1979 and 1983 in a Southern state like Virginia ranged between \$1,000 and \$1,500. That could mean the company, which paid the first \$500 of the pregnancy claims, may have to pay between \$1.25 million and \$2.5 million to cover additional pregnancy expenses.

However, unlike the Atlanta case, Newport News Shipbuilding will not have to pay interest to the claimants.

The court order does require Newport News Shipbuilding to partially reimburse male employees who purchased supplemental insurance from commercial insurers to cover their wives' pregnancies beyond the \$500 the company

**'It is a shame Congress can't write clearer laws,' Newport News' Mr. Savas says.**

would pay.

For example, if an employee paid a premium of \$1,000 a year for supplemental insurance and \$700 of the premium was attributable to pregnancy coverage not supplied by the company's plan, the company would have to pay the employee \$700.

Newport News Shipbuilding has stated it doesn't know how many, if any, male employees purchased supplemental insurance to cover

their wives' pregnancy expenses.

In addition, the order requires Newport News Shipbuilding to post notices on employee bulletin boards and at its health claims office that employees can file claims for supplemental insurance premiums and for pregnancy-related expenses incurred between April 29, 1979, and June 20, 1983. Those notices must remain posted until March 31.

In addition, the company must send claim forms by certified mail to current and former male employees whose wives gave birth between April 29, 1979, and June 20, 1983.

Within 90 workdays of the receipt of each claim form, Newport News Shipbuilding must send a check to each claimant for the amount of reimbursement the com-

pany determines it owes.

Aside from the multimillion-dollar cost of paying retroactive equitable pregnancy benefits, Newport News Shipbuilding's annual health care bill of more than \$20 million will rise now that it covers pregnancy expenses of male employees' wives on the same basis as any other disability.

In 1982, for example, Newport News Shipbuilding estimated that its health care costs would increase by approximately \$700,000 a year if it had to provide equitable pregnancy benefits. The company couldn't supply a more up-to-date cost estimate.

But, Mr. Savas says he isn't concerned about how much the court order and equitable pregnancy benefits will cost because "no matter what, this is something we have to pay."

## Doctor wins \$11 million award from 3M

Continued from page 3

Conlee. There is a question whether insurers would have to respond to this loss under a liability policy. Also, it is unclear which insurers have to respond to punitive damages if they are based on those underlying damages.

Depending on the outcome of the coverage issues, it is possible that 3M may be uninsured for portions of the verdict, the source added.

Dr. Conlee alleged that he suffered mental anguish and substantial economic loss as a result of defects in the implantation devices, which caused inflatable artificial breasts to leak and deflate. The prostheses were filled with a saline solution rather than silicone gels used in other breast implants.

Dr. Conlee also alleged that the company failed to adequately test the product and that 3M sales representatives misrepresented the effectiveness of the devices, which were taken off the market in 1979.

Following the verdict, Nueces County District Judge Steven Fieldcamp told attorneys in the case that punitive damages should be reduced to \$1 million from \$10 million and damages for mental anguish should be cut to \$100,000 from \$1 million.

However, Judge Fieldcamp cannot rule on post-trial motion to reduce the verdict or to grant a new trial because he retired from the bench Jan. 1.

Judge Fieldcamp has offered to take a special assignment to rule on the motions and, failing that, to recommend to the new judge assigned to the case that the reduction in damages be allowed. But, the judge admitted that it is unlikely he will hear the motions, adding that another judge would not be bound by his recommendations.

Dr. Conlee's attorney, Anthony F. Constant, says he expected to win the case, but that the \$90,000 he says he offered as a settlement to 3M before the trial was higher than other offers in similar cases. 3M attorneys maintain the settlement offer totaled \$200,000.

"They (the defendants) didn't think it had much value and I wasn't terribly impressed either," Mr. Constant admitted. "I didn't see the physician as a terribly sympathetic figure."

But, Mr. Constant said the jury was offended by McGhan's representations to physicians of the low probability of deflation, adding that the company had not done adequate studies to back up the claims.

"They (jury members) were angry," he said. "The numbers were generated by a moral finding by the jury. They thought the con-

duct was improper and wanted to send a loud and clear message."

In addition, Mr. Constant, a member of the Corpus Christi firm of Edwards, McMains & Constant, pointed out that the jury apparently wanted the award to have a substantial financial impact on 3M.

Spokesmen for 3M disputed the contention that adequate testing of the product was not done and blamed the large punitive award on factors outside the case.

"It is 3M/McGhan's position that no misrepresentations were made regarding the product, and that it was marketed with appropriate clinical testing," a company spokesman said.

3M senior attorney Thomas Boardman added that the product underwent substantial testing. "We feel strongly that the material used in the product and the product design were more than adequately tested prior to marketing."

Mr. Boardman attributed the punitive award to a "runaway jury," adding that the jury was predisposed to a large award as a result of a substantial award against Ford Motor Co. several weeks before.

In that case, a jury in Corpus Christi awarded \$106.9 million, including \$100 million in punitive damages, to the family of a woman killed when her Ford Mustang burst into flames after being struck from behind (BI, Nov. 28, 1983).

Mr. Boardman added that the company rejected what he termed a \$100,000 offer from the plaintiff because it believed he did not suffer substantial reduction in income or loss of reputation.

"We didn't think the evidence would justify a substantial award," Mr. Boardman said.

"I don't think it will change our (settlement) posture as regards these cases," he added, noting that 3M views the case as an aberration.

Mr. Boardman also disputed the plaintiffs' contention that, under the doctrine of collateral estoppel, findings of negligence and gross negligence against 3M will be automatically applied in similar future cases.

While the company "has some concerns" about such an occurrence, "At this point in time we don't see it applying," Mr. Boardman noted.

He added that 3M is a defendant in only three other similar cases brought by physicians.

Mr. Constant, the plaintiff's attorney, added that there may be 90 breast implantation cases pending overall against various manufacturers, most of which brought by women who were the subjects of the implantations.

Plaintiffs' attorney Stephen Bricker, who represents three physicians in suits against McGhan and 3M, said he was "pleased" with the verdict and that it gives new information about how juries will respond in suits brought by physicians. Mr. Bricker's first case is scheduled to go to trial Feb. 6.

Following the verdict in the Conlee case, 3M filed a motion to enforce a settlement offer of \$70,000 in one of the cases Mr. Bricker is litigating, but the company has since withdrawn the motion, adds Mr. Bricker of the Richmond, Va., firm of Bremner, Baber & Janus.

3M acquired McGhan in 1977 and operated it as a subsidiary until 1981 when it became a unit of 3M's surgical products division. The type of breast implant involved in the suit was on the market for 3½ years before it was discontinued in 1979. ■

### INSURANCE FOR BANK AUTO LEASING

**We make sure you are covered by a high-quality carrier**

Allied with major carriers, we have long experience with this difficult-to-place insurance. We make it easier for you with a quality program of insurance designed specifically for Bank Auto Leasing. We could provide broader coverages at substantial savings.

- Lessors Excess Liability
- Lessors Contingent Liability
- Lessors Contingent Physical Damage
- Interim Car Coverages

We invite your inquiry and your business. Call or write RON RUANE.



#### PAIGE-RUANE, INC. INSURANCE

The Irwin Building  
460 N. Gulph Road  
King of Prussia, PA 19406  
(215) 265-4170

## Performance bonds for structured settlements.



When you want to guarantee specific performance of structured settlement agreements, you should require a payment performance bond.

- For the protection of • Plaintiff's Attorneys / Claimants  
• Defendants / Insurance Companies • Excess Insurers  
• Reinsurers • Self-Insurers

Contact R. TUCKER FITZ-HUGH or ALFRED WESTERGARD

### International Sureties, Ltd.

1415 Richards Bldg., New Orleans, Louisiana 70112  
Tel. (504) 581-6404 • Telex 6821119 INSURUW

Appeal Bonds • Fiduciary Bonds • Replevin Bonds  
Lost Securities Bonds • Contract Bonds • Vessel Release Bonds

# Risk managers share ideas by computer link

Continued from page 1

\$3,000 in additional hardware and pay a \$25 monthly telephone service charge.

The proposal was greeted enthusiastically and received final approval from the RIMS chapter on Dec. 1. More than 120 companies and 200 risk managers and their assistants in the San Francisco Bay area are members of the chapter.

"We are very excited about it," says Marge P. Layne, president of the chapter and risk manager for the California & Hawaiian Sugar Co. in San Francisco. "If enough people use the bulletin board, it will be expanded."

That could include additional telephone lines, which almost certainly will be needed if RBBS prospers through heavy usage. But for now, says Mr. Herrick, it's not difficult to get through.

By the end of its first week in operation, nearly 50 users had successfully logged on and off of the bulletin board. All but a handful were risk managers; the others were brokers and a college professor, said Mr. Herrick.

Woody Anderson, director of risk management at the University of California, was among those who contacted the bulletin board during its first week of operation. So far, he is just finding out how RBBS works and what's available, he says.

"It's really an idea board that lets you glimpse into what other people are doing," he enthuses. "All of us in risk management need to become aware of the ability of the microprocessor to help us in our jobs."

His department started with five IBM PC personal computers and will soon purchase nine more, all to be equipped with modems so that campus offices throughout the UC

system can communicate with each other, their brokers and their claims administrators over telephone lines.

Canned software programs may be excellent for a small risk management department, but they lack the flexibility required in a large organization, he says. Once a risk manager becomes familiar with a program, however, he or she can adapt it to his or her own requirements. The bulletin board will help supply ideas and support for doing this, he says.

After discussion within the RIMS chapter, it was decided not to restrict access to the bulletin board. Brokers, consultants and insurers, as well as risk managers, are welcome.

"The hackers won't bother," quips Mr. Herrick. "They're not that interested in risk management." And, there are no games or racy classified ads to attract kids or computer peepers. RBBS is for business applications only.

You don't have to be a seasoned computer user to benefit from this new information exchange. In fact, plugging into RBBS could be a fun, easy way to get started using a new computer, says Mr. Herrick.

"It gives people a chance to see what others are doing and to talk about their problems," he notes. Some of the software available for free or at low cost through the bulletin board could save users money they would have to spend to buy comparable or equivalent programs.

For example, Mr. Herrick is making available through RBBS a variety of risk management programs that he has written for use in his own department. Certain word-processing and "utility" programs that are in the public domain also can be obtained through the bulletin board at no charge except for the cost of the telephone call.

(Utility programs are designed to make the computer run faster and more smoothly. They can speed up a printer, for instance, and enable it to run while the microprocessor is doing something else.)

Access to free programs will make risk managers better buyers of software, believes Mr. Herrick.

"The bulletin board will challenge consultants to come up with software that is clearly superior to what's available for free," he says. "It will provide a floor below which a consultant's software will never descend."

"If a consultant wants to put a sample of his or her work on the bulletin board and release it into the public domain to show what a good job they can do, that's certainly an alternative we would welcome, too," he says.

He acknowledges that consultants may view the bulletin board as a competitor. But, he hopes that consultants—and software vendors—will embrace the bulletin board as a distribution channel for their products as has happened in other industries. Ideally, risk managers could use RBBS to test software they are interested in before they plunk down money to buy it.

"The essential idea is that software ought to be distributed based on its merits and users ought to be able to see what they're getting long before they are asked to pay for it," he says. Insurance companies might want to market some of their software this way, he adds.

Some risk managers will use RBBS to communicate with their consultant or broker, he expects. Besides uploading and downloading programs to and from the bulletin board, RBBS may be used to send up to a 20-line message.

This feature could come in handy when one of the parties is traveling or working overseas in different time zones, points out Robert J. Perry, manager of casualty insurance for Kaiser Aluminum & Chemical Corp. in Oakland.

Mid morning London time is the middle of the night in San Francisco, for example. To leave a message for a risk management client, a broker shopping the London market could ring up RBBS. The risk manager would retrieve the message first thing in the morning when he or she logs onto the bulletin board.

Sensitive messages sent through RBBS can be protected from public scrutiny if the sender enters the appropriate request. To retrieve a confidential message, the recipient must punch in his or her password, which is selected the very first time they use the system.

Mr. Perry, who has been helping Mr. Herrick debug the bulletin board, does not believe that risk managers will be reluctant to exchange information about competitive reasons. They will be sharing knowledge, not data about their companies, he emphasizes.

"We do this in RIMS workshops all the time," he points out. "Through the bulletin board, we can share knowledge across the

country—not just across the street."

Anyone with a computer, communications software, a modem and a phone can call up the bulletin board to enter and receive messages. They may be able to download the program files if they have a disk drive to store them. However, to use the programs they must have an IBM PC, IBM-compatible, or Hewlett-Packard computer.

"That's because the way programs are written they are more or less machine-specific," explained Mr. Herrick. "A program that runs on an IBM usually won't run on an Apple although I can think of exceptions."

If Apple owners would like to submit files to the bulletin board, then other Apple owners will be able to download and use them. None of the existing programs on the bulletin board is written in a language understandable to Apple computers, however.

"If you are calling the bulletin board from a mainframe computer, please don't," pleads Mr. Herrick. That's because mainframes send a stream of extraneous characters that can crash the system. That happened on the morning of the second day the bulletin board was in operation and it was down for the rest of the day.

The bulletin board is operated on a small personal computer called a Columbia MPC, which is highly compatible with IBM PCs. It is equipped with two disk drives—which will be supplemented with a hard disk within a couple of weeks. The system also uses a Hayes 1200 Smartmodem.

Here's what first-timers can expect when they dial up the bulletin board: Your computer should be set to transmit at either 300 or 1200 bits per second (bps) depending upon whether you have a low- or high-speed modem. Adjust your communications software according to standard settings.

Dial the bulletin board number and you'll hear a high-pitched whine and a hiss. Then your modem will send you a message that says "Connect."

Press your carriage return button—usually the one marked "Enter"—once, twice or more times until the bulletin board can tell how fast your computer is talking. Then, it will ask a series of technical questions about your equipment and communications software.

Once you've responded, a display will appear that identifies the bulletin board, its operator, its telephone number, its hours of operation and its sponsor. Then, it asks for your first and last name and the company you work for.

If you have not logged on before, it will ask you for a password. As a double check, it will ask you to repeat the password and then go on to a few more questions about where you are calling from and the kind of equipment you are using.

If you have logged on before, the system will ask you for your password and skip the additional questions about your equipment. Then, it will display a table of contents listing current bulletins, including a long message to new users explaining how to use the system and

where to find information.

Finally, the system will send you to the main menu, which lists options such as "entering messages" and "reading messages." The main menu also identifies and provides access to the programs, or files, available for downloading to the user's computer.

As soon as the hard disk is installed—or soon thereafter—the bulletin board will offer 12 classes of programs, says Mr. Herrick. Most of them are written in Basic, Lotus 1-2-3 and dBase II. They are:

- Text files that contain articles, papers, case studies and insurance policy forms. (Mr. Herrick has set up a procedure to purge copyright material from the system before it is distributed through the bulletin board.)

- Financial worksheet programs including a captive financial report and a one-month financial projection for a captive, both written and used by Mr. Herrick to monitor Transamerica's Bermuda captive.

- Statistical programs that fall into two categories: descriptive statistics for calculating the mean and standard deviation of a data set and non-parametric statistical tests.

- Risk management programs, including incurred-but-not-reported (IBNR) analysis, a forecasting program using linear and exponential regression and a program to fit a severe loss distribution to a Pareto curve.

Within the next six weeks, Mr. Herrick expects to add a program that stratifies large losses by year and size. By April, he hopes to finish a multivariate loss-simulation model, which is a forecasting tool that can be used for captive insurance company and self-funded retention analysis.

- Word-processing programs.

- Communications programs for facilitating bulletin board and other electronic transmissions. Some of these will be distributed by Mr. Herrick through the mail rather than via the bulletin board.

- Data base programs for general purpose filing of information such as policy records and mailing lists. A time management—tickler—file will soon be added.

- Claims information data base systems—probably for firms with only a couple of hundred claims a year. Mr. Herrick has not written a program for this purpose and is hoping that someone has solved the problem and will donate it to the bulletin board.

- A directory of programs for users with IBM and IBM-compatible computers.

- A directory of programs for users with non-IBM compatible computers, especially for those who have the Hewlett-Packard 125.

- Utility programs that give the user more control over his or her printer and keyboard.

- Miscellaneous programs, many of which are of a technical nature to aid in programming.

For additional information or problems in reaching the bulletin board, contact Mr. Herrick at 415-983-4029 during the day or, if absolutely necessary, at 415-792-6062 in the evening.

## 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



## Gulf to hike health care contribution for some

HOUSTON—Gulf Oil Corp. is boosting by \$10 per month the amount it contributes to health insurance premiums for hourly employees with dependents under a new contract with the Oil, Chemical & Atomic Workers Union.

Under the two-year pact, which went into effect Jan. 8, Gulf will pay \$161.50 per month toward the current \$174 monthly premium for employees with dependents.

The company will not increase its contribution for employees with individual coverage. Gulf now pays \$57 per month toward the \$66 monthly premium for individuals.

Gulf's contributions will not rise when monthly premiums increase on Feb. 1. After that date, employees with dependents will pay \$50.50 toward the new premium of \$212. Single employees will pay \$23 toward the new premium of \$80.

Gulf will increase its contributions for dependent coverage by \$5 per month in the second year of the pact, though it will not increase contributions for individuals.

The new contract covers approximately 2,500 employees in Cincinnati and Port Arthur, Texas.

"The union was asking that their coverage be fully paid by the company," said W.H. Locke, director of industrial relations at Gulf.

## Deductible changes

Continued from page 1

to such a level for everyone, it would cost the company in employee morale, they add.

But, if deductibles were linked to employees' salaries, there would be some hedge against inflation; deductibles would automatically increase when salaries increase and formal plan changes would be needed less frequently, they say. And, the impact of deductibles would be felt more evenly among all income levels.

"There's a feeling among benefits people that linking those features to an employee's ability to pay has a cosmetic appeal," Mr. Drummer said.

Companies agree that while employees do not welcome cost sharing in any form, they prefer a tiered approach.

"The message employees receive when you adopt this plan feature is, 'We as management are right in there alongside you on this thing and we are hit more than you,'" said Mr. Hutchings. "Many people feel that going over to a salary-related deductible will help their employees accept the change (toward higher deductibles)."

However, while the lower-paid employees may support the new plan, benefit managers may meet some opposition from employees at the other end of the pay scale.

"One thing that might hold up the acceptance of pay-related deductibles," said one consultant who did not wish to be named, "is that the people who make the decisions on whether or not to go with these plans will be the highly paid employees."

There are two ways to implement salary-based deductibles and cost-sharing limits. One is to calculate them as a percentage of pay, thereby setting levels for each employee. Another is to establish certain salary categories, and applying a deductible and employee stop-loss limit to each category.

Xerox and Olin use the percentage-of-pay approach.

At Xerox, based in Stamford, Conn., the employee deductible for comprehensive medical insurance is 1% of pay. Expenses thereafter are reimbursed at 80%, but an employee will never contribute more than 4% of pay or \$4,000 (whichever is lower) to the plan. Single employees and employees with dependents pay the same deductibles.

Xerox introduced pay-related health plan features Jan. 1; prior to that, the company offered first-dollar coverage.

Olin will begin pay-related features April 1. In the Olin plan, employees' deductibles will be indexed by pay and by family size. Single employees will pay a deductible based on 0.5% of their salaries; employees with one dependent will pay 1% of salary and employees with more than one dependent will have a 1.25% deductible.

All employees will be reimbursed for expenses after the deductible at 80%, with a stop-loss of 4% of salary or \$2,500 (whichever is lower).

Olin also indexes its contributions to employee flexible spending accounts, which allow workers to spend pretax dollars on non-taxable benefits.

"Before our benefits redesign, we had 28 different plans," said David L. Camner, director of compensation & benefits at Olin. "Now we have one plan with flexibility for everyone and we're administering the program in-house."

The savings Olin expects are attributable to introducing deductibles, consolidating plans and administering the program in-house. But, Mr. Camner said that the salary-related cost sharing will stretch the savings even further because higher-paid employees will feel the effect of deductibles with this type of plan more than they would with

lump-sum cost sharing.

"We're targeting that our rate of (premium) increase will go from about 19.6% to 10%" after the plan is redesigned, he said. "I'd call the implementation costs insignificant compared with our savings."

On the other hand, Papercraft and International Paper favor salary categories to determine deductibles and cost-sharing levels.

Pittsburgh-based Papercraft introduced pay-related features Jan. 1. Papercraft's plan varies its deductible and out-of-pocket limits for every \$10,000 of annual salary.

Single employees with a salary of up to \$10,000 have a deductible of \$125, are reimbursed for additional expenses at 80% and have a cost-sharing limit of \$625.

With each additional \$10,000 in salary, an employee pays a \$25 larger deductible and the out-of-pocket limit is increased by \$125. The highest income category is \$70,000 or more; the deductible for this category is \$300 and the out-of-pocket limit is \$1,500.

Deductibles and out-of-pocket limits for employees with dependents are twice the amount of those for individuals.

International Paper Co. has had pay-related cost sharing the longest of the four companies *Business Insurance* interviewed; it introduced the plan provision Jan. 1, 1983.

The plan at International Paper has only three salary categories. Single employees earning less than \$25,000 per year have a \$125 deductible, are reimbursed for additional expenses at 80% and have a \$625 out-of-pocket limit.

Employees earning \$25,000 to \$50,000 pay a deductible of \$150 and have an out-of-pocket limit of \$1,150. And, employees earning more than \$50,000 per year have a deductible of \$200 and an out-of-pocket limit of \$1,700.

Deductibles and out-of-pocket limits are doubled for employees with dependents.

Like Olin, International Paper is projecting dramatic savings as a result of their plan redesign. Most of these savings will come from medical cost sharing, and salary-related cost sharing will make more of an impact across all employee sectors than would lump-sum deductibles and out-of-pocket limits, the company said.

"We are projecting about a 17% overall reduction in medical costs," said Robert H. Metchick, director of compensation and benefits for International Paper. "And we're not self-funded; we insure with Metropolitan Life (Insurance Co.)"

"At this time last year, our premium was to have increased about 32% for 1983. This year we came in at about a 16% increase."

The companies that favor setting deductibles as a percentage of salary say this approach is the most equitable and will require fewer modifications over time.

In contrast, they argue, when deductibles are based on salary groups, these groups need to be continually redrawn to match the increasing pay levels, smaller brackets will likely be needed and employees on the cusp of each new category may resent being placed in the higher bracket.

The companies favoring deductibles based on salary categories counter that their plans are easier to administer, will serve the purposes of fairness just as well and will work well into the future. If changes need to be made, they say, they are easy because there are only a few categories.

Whichever approach a company chooses, almost all praise the fairness of the salary-based approach and believe it is the way to keep pace with the economy.

"It's fair, it's logical, it's consistent," said Olin's Mr. Camner. "You are still protecting (employees) from unbudgetable expenses."

"At Olin, we didn't want to do any cost shifting when we decided

to add deductibles," he continued. "We are giving all the premium savings back to our employees in a flexible spending account. Most employees will come out ahead with this plan, and Olin will save through decreased utilization."

Xerox introduced salary-indexed deductibles because "we were looking to put in a form of consumerism (for health care) we didn't have before," said Don Crowley, manager of corporate compensation and benefits. "To do this, we wanted a dynamic deductible that would keep pace with (cost) changes, at least by pay levels, and because we wanted a pro rata sharing."

Likewise, Papercraft Corp. perceived its staggered cost-sharing levels to be fairer to all employees. "They follow to a certain extent the way income taxes are paid," said Howard Goldman, chief financial officer. "I don't think it would be fair to have the same deductibles (for all pay levels)."

However, there are some who believe that indexed deductibles and out-of-pocket limits are neither fair nor a good way to make plan provisions more permanent.

"My impression is that (pay-related features) imply that the more money an employee makes, the greater their medical expenses are going to be," said Dennis B. McKoy, vp at Johnson & Higgins. "There's no logic behind that. I don't think there's any correlation."

"Some of the cons for this type of plan design are the difficulty in administration, probably less cost savings than if you just raised deductibles for everyone and a lot of employers are reluctant to introduce any kind of indexing because the employees might wonder why the company doesn't make allowances for every change—like an increase in pay when the Consumer Price Index goes up," said Robert D. Kelly, consultant with the Boston office of The Wyatt Co.

"We considered pay-related features, and we even found it was an idea that could fly as far as employees were concerned, but we decided to go with a \$400 deductible for everyone, regardless of status," said Norman K. Cox, director of benefits planning for Central Soya Co. Inc. in Fort Wayne, Ind.

"We realized the pay an employee gets really doesn't say much about his or her ability to pay for health care costs. When you look at

the number of two-income families, it's easy for a clerical employee (when his or her salary is combined with a spouse's) to be in a higher tax bracket than the boss.

"The administrative problems were another major concern," he continued. "We checked with our carrier (Aetna Life & Casualty Co.) to see if their system could handle salary breakdowns, and we found out it would be very clumsy. They couldn't really break it down in the kind of brackets we wanted."

However, insurers are beginning to see the demand for administering pay-related medical plans and are responding to that need.

"We do have administrative capabilities for salary brackets, which we think is more manageable than the percent-of-salary deductible. That can be an administrative nightmare," an Aetna spokesperson said. "But, if a large employer came to us and said, 'We want individual deductibles (based on a percent of

salary),' we'd find a way to do it. But that would be more expensive than the brackets."

"It's not that big a deal to handle," said Randy L. Spicer, director of cost-containment operations for Prudential Insurance Co. of America. "What would simplify it is only allowing employees to change brackets once a year. We support it. Whether it's percentage of salary or brackets, it doesn't really make any difference."

"Clearly, I see a demand for this type of service," said Joe Walton, director of marketing for the Hartford, Conn., office of CIGNA Corp. "We do now have the ability to administer a plan with the bracket approach, but not by percentage of salary, unless we did it manually."

"But," he added, "we intend to make changes in our system so we can handle percentage-of-pay deductibles and stop-loss automatically."

### Earn a Professional Designation in Employee Benefits



become a

**Certified Employee Benefit Specialist (CEBS)**

- cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania
- ten course program
- self-study or formal class options
- exams administered twice a year nationwide

For more information contact

CEBS Department • International Foundation of Employee Benefit Plans  
P.O. Box 69 • Brookfield, WI 53005 • (414) 756-6700

Please send me the CEBS Catalog of Information.

Name

Company

Address

City/State/Zip

BI-1/84

## Listen To Experience:

**29 Specialists in Risk Management, Oil & Gas, Accounting, Disaster Control, Blow-Out Claims, Selecting A Broker/Consultant, Maritime Exposures.**



### 5th Annual Petroleum Insurance Conference

March 14-16, 1984

Marriott Hotel, New Orleans, Louisiana

FOR: Operators, Producers, Service Contractors, Agents, Brokers, Risk Managers, and serious Industry Investors.

FOR MORE INFORMATION CALL:

**pdi** 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 (817) 565-3344

Presented by Self Insurance Resource, Inc. of Dallas & Professional Development Institute of North Texas State University

# Babcock, insurers to help pay nuclear damage

Continued from page 1

Meanwhile, the utility filed a claim with its insurers, but was told that damages would not be covered to the extent that Babcock could be found liable under the warranties in its sales contract, according to a source at Florida Power who asked that he not be identified.

ANI and Arkwright-Boston Manufacturers Mutual Insurance Co., fronting for MAERP, covered all risks of physical damage to the plant on a quota-share basis, with limits of \$220 million over a \$50,000 deductible. ANI carried about 79% of the risk and MAERP about 21%.

The utility had no insurance at the time covering extra expenses, like replacement power costs. It has since added \$195 million in extra-

expense coverage through Nuclear Electric Insurance Ltd., a Bermuda-based industry captive, though the policy requires that the plant be shut down for six months before coverage commences.

Florida Power also has raised the liability limits on its property coverage to nearly \$1 billion over a \$100,000 deductible. ANI and MAERP now split an initial \$500 million layer and share an additional \$123 million layer with NEIL. NEIL then provides a final \$370 million layer on a retrospective-premium basis.

The Crystal River Unit 3 plant was repaired and back on line by Sept. 18, 1978, though the shutdown was lengthened and the amount of damages increased when workers

dropped a 2,000-pound test weight on the reactor fuel assembly during repairs.

The assembly had to be replaced at a cost of about \$300,000, according to Michael B. Twomey, a staff attorney with the Florida Public Service Commission in Tallahassee.

The utility filed its complaint against Babcock in U.S. District Court in Tampa in 1981. Among other things, the utility claimed that the plant's design and construction were inadequate and defective and that Babcock had negligently failed to properly test and inspect the system and review the problems that were first discovered in December 1977.

Florida Power also argued that

the system as a whole was defective—not just the broken assembly whose pieces were spread throughout the reactor—and that Babcock should be liable for all the damage. Babcock's refusal to repair anything but the assembly itself under the original sales contract made the limited warranty clause excluding consequential damages unenforceable, the utility claimed.

Florida Power further complained that it had signed the Master Services Contract for repairs under protest because of the "urgent need" to repair the plant and avoid "grossly disproportionate replacement fuel costs."

Babcock denied that the plant was defectively designed and that its performance was in any way

negligent. It responded by pointing to its agreements with Florida Power, in which the utility waived any rights of recovery against Babcock for damages to or loss of use of the Crystal River Unit 3 plant. The utility also agreed to indemnify and hold Babcock harmless for any damages or liabilities arising out of any property losses at the plant.

Babcock claimed that Florida Power itself was negligent in failing to react properly to the first alarms at the plant. The utility also failed to provide Babcock with complete and accurate information about the reactor's problems and failed to take its advice about dealing with the problems. One such piece of advice was that the plant

Continued on facing page

## classified advertising

### RATES AND CLOSING TIME:

Rates: Display classified is \$65.70 per column-inch, minimum of one inch. Straight classified is \$6.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$12.00 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.

**PROPERTY INTERMEDIARY**  
Heavyweight senior broker needed to run department. Degree required, proven knowledge of reinsurance market with the ability to develop treaty reinsurance. Must be successful results oriented. Starting salary package is \$50,000+/ - DOE plus excellent benefits and related executive perks. If you are qualified for this position, please contact INSURANCE RECRUITERS, INC. 6060 N. Central Exp. #470, Dallas, TX. 75206. Tele: 214-361-9323.

**Commercial Insurance Sales**  
Need highly motivated individual with proven track record in large account sales. We have a unique insurance product that can free you from the frustrations you may now have in today's highly competitive soft market. Modest starting salary but excellent earning potential for the right applicant. Send resume in confidence to:  
Graeme H. Smith  
Orion International Group, Inc.  
1033 34th Street North  
St. Petersburg, Florida 33713

**GROUP MARKETING MANAGER**  
U.S. Administrators is a leading third Party Administration firm for group employee benefit programs across the country. Our continued growth and expansion into the Dallas area has created an excellent opportunity for a Marketing Manager. Qualified candidate must be an innovative self-starter, have 3-5 years experience marketing group life and health products, preferably in the MET Market, and have a current Texas brokers license. Excellent communication and analytical skills are required. USA offers excellent compensation: salary + commission, auto, expenses, and full fringe benefits, plus the opportunity for career growth and advancement. Join a team of leaders—send resume to or contact:  
Ray Regan  
U.S. Administrators, Inc.  
1333 Corporate Drive, Suite 200  
Irving, Texas 75038  
(214) 257-1760

### INSURANCE ACCOUNT EXECUTIVE

UK Intl Broking Company requires experienced Account Executive in their New York City liaison office to service insurance needs of Group clients based throughout USA.

Experience of global programs necessary plus knowledge of and contacts in US broking scene and major underwriting markets.

Interesting position with opportunity to become involved in many aspects of Groups diverse activities in USA.

Must have current New York State Brokers License. Send resume to:

Box 1042, Business Insurance  
740 Rush St., Chicago, IL 60611

### GROUP BENEFIT PLAN CONSULTANT

For Chicago area consulting firm specializing in group benefit plans, primarily self-funded. Permanent position with opportunity to become a principal in the firm. Should have: training & experience in group underwriting and/or actuarial department of an insurance co.; experience in group sales or service; outgoing personality; ability to use initiative and take responsibility. Some out-of-town travel. Call or send resume to:

R.N. Blomquist & Co., Ms. S. Ruff  
122 W. 22nd St., #100  
Oak Brook, IL 60521  
(312) 325-7436

### CONSULTANT TO TOP MANAGEMENT

Our company develops and markets Preferred Provider Organizations, a new health care delivery system. The services of our "providers" (hospitals, physicians and dentists) are made available to our clients' employees on a "preferred" basis through their health benefit plans.

We need a person who can learn our business, present the Preferred Provider Organization to prospective corporations and serve as a health benefits consultant to top management. This person must be well educated, a self-starter and have a mature, balanced personality. Salary and performance increase. Send resume to:

Associates for Health Care, Inc.  
Suite 100  
122 West 22nd Street  
Oak Brook, IL 60521

**Rely on the BI Classifieds to reach the decision-makers important to your business.**

### Business Insurance Circulation Breakdown\*

#### Commercial Consumers

Administrative Management: owners, presidents, vps, etc. 5,861

Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc. 10,426

Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc. 5,865

Government, Associations, Unions, Educational Institutions 1,024

Commercial Consumers Sub-total 23,176

Insurance Agents & Brokers 9,639  
Insurance Cos. 5,384  
Financial Institutions 385  
Actuaries, Attorneys, Adjusters, Appraisers & Consultants 2,779  
Others allied to the field 1,020

**TOTAL 42,383**

\*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

### CLAIMS ADJUSTMENT COMPANIES WANTED

NATIONAL FINANCIAL SERVICES FIRM SEEKS TO ACQUIRE

### CLAIMS ADJUSTMENT COMPANIES

FOR ITS EXPANDING OPERATIONS.

CONFIDENTIALITY ASSURED

BOX 1048  
BUSINESS INSURANCE  
CHICAGO, ILL 60611

### EXTRAORDINARY OPPORTUNITY FOR INSURANCE COMPANY

#### 501 (C-9) TRUST

seeks insurer for FRONTING (100% reinsurance treaty in place) PARTICIPATION or FULL UNDERWRITING. Estimated 1984 health premiums at \$6,000,000 plus \$200,000 group life premiums. Average size group 25+ lives from homogeneous trade association. Each case underwritten separately. Excellent underwriting history available. Carrier must be admitted in all Western United States. Top flight marketing team in place. Great opportunity for expansion into other lines.

Write: Box 1052, Business Insurance  
740 Rush Street, Chicago, IL 60611

## ASSISTANT ACTUARIAL MANAGER

Group Health Inc. is a growing health maintenance organization serving over 200,000 members through 12 clinics in the Minneapolis/St. Paul area.

The selected individual will have an in-depth knowledge of operations analysis and associated programming, plus direct experience with actuarial cost methods, health care economics, technical writing, and group underwriting methods.

Position requires a Master's degree in a field of business or mathematics, related accreditations and 5 years of significant work experience.

You will develop actuarial projects and provide support to the Manager in all areas affecting the Actuarial Services Department. Duties include the development and verification of rate-setting data, maintenance of multi-user information files, and aiding the design of complex new product lines.

We offer an excellent salary, complete benefits and opportunity for professional growth. To apply, please send resume with cover letter to Human Resources Dept.

GROUP HEALTH INC.  
2829 University Avenue SE  
Minneapolis, MN 55414

Equal Opportunity/Affirmative Action Employer

### CORPORATE MANAGER OF INSURANCE

Wendy's International, a NYSE listed corporation with over 2600 restaurants worldwide and \$1.6 Billion in systemwide sales, is seeking a qualified professional for the position of Corporate Manager of Insurance.

Reporting directly to the Director Risk Management and Employee Benefits at our Corporate Headquarters in suburban Columbus, Ohio, this key position has the responsibility for all aspects of employee benefits management including cost/funding analysis, plan design, carrier/broker negotiations, and program administration/communication. The position supervises a staff of 5.

The ideal candidate will be degreed and possess a strong background in the design, funding and administration of group insurance and retirement plan programs with specific emphasis in salary reduction type plans, 401 (K), and automated employee benefit record keeping systems. A minimum of 5 years experience in a corporate environment is required.

If you are interested in this outstanding opportunity with one of the world's fastest growing restaurant chains, please submit your resume in confidence to: Howard Roof, Corporate Manager of Employee Relations.

WENDY'S INTERNATIONAL, INC.  
P.O. Box 256, Dublin, OH 43017.



An Equal Opportunity Employer M F H

Continued from facing page  
be shut down in December 1977, immediately after the trouble was first detected, Babcock maintained.

The lawsuit was still in the pre-trial discovery stage when it was settled last month. The settlement was later approved by the Public Service Commission.

ANI and MAERP will divide their contributions on the same quota-share basis, with ANI paying about \$5.7 million and MAERP paying about \$1.5 million.

Babcock's \$4.6 million contribution will be in the form of credits against future billings unless Florida Power's purchases aren't enough to bring it the full amount in credits. In that case, Babcock will pay off the balance of the \$4.6 million at the end of 10 years with interest accumulated at 12% annually.

Florida Power may also seek accelerated payment of Babcock's contribution from its parent, McDermott, in case Babcock becomes insolvent.

The agreement differs slightly from Babcock's settlement last year of another suit brought by General Public Utilities Corp., owner of the Three Mile Island plant in Pennsylvania, which Babcock also built. In that settlement, Babcock agreed to rebate a maximum of \$37 million on future purchases of goods and services over a 10-year period. However, the \$37 million could be collected only in the form of rebates (BI, Jan. 31, 1983).

A source at Florida Power said Babcock's settlement amounts to much more than the cost of the reactor assembly it originally offered to replace.

The utility will absorb about 6% of the repair costs, along with its legal expenses in the case, all of which add up to about \$3 million.

After an investigation, the Public Service Commission concluded that a "generic" defect in the design of the Crystal River Unit 3 plant caused the problem. It thus decided that Florida Power was not responsible for about \$47 million of the estimated \$59 million in replacement power costs incurred during the outage, clearing the way for those

## Banks to wait

Continued from page 2

as insurance brokers and underwriters, said that current federal laws prevented it from approving the banks' applications. It deferred to Congress for settlement of the "legal and policy questions" raised by the applications.

Spokesmen for the three banks said they were disappointed but not surprised by the Fed's announcement. They pointed out the applications—voluntarily suspended at the Fed's request—could be "reactivated" whenever the banks feel inclined to do so.

Jack Morley, president of two Bank of America credit insurance subsidiaries, said the company will be watching congressional action very closely.

"I think we should have a very good idea by the middle of the year what the Congress is likely to do—if anything—with regard to financial (services) deregulation."

Neither Mr. Morley nor spokesmen for the other two bank holding companies said they had a deadline in mind for congressional action before considering a revival of their South Dakota applications with the Fed.

John Maloney, a Citicorp vp, said he found the Fed's request for suspensions reasonable.

"It seems reasonable to see what may transpire with the federal legislation that is now in the hopper," he said.

Suspending the applications while waiting for congressional action also saves banks the expense of demanding a final ruling from the Fed in order to challenge the ruling in a federal appellate court.

costs to be passed onto consumers.

The commission also concluded, however, that the dropped-weight accident added 55 days to the outage and accounted for about \$12 million of the replacement power costs. Since the accident was the utility's fault, the commission ruled that those costs cannot be passed along, according to the commission's Mr. Twomey.

Florida Power argued that the dropped weight added less than two weeks to the shutdown and accounted for only \$2 million in replacement power costs, a Florida Power source said.

The utility appealed the commission's ruling to the Florida Supreme Court, which subsequently ordered the commission to review its decision. After its review, though, the commission came to the same conclusion, which Florida Power again appealed to the Supreme Court.

Arguments on the second appeal are scheduled for this April.

## A MISSED ISSUE IS MISSED INFORMATION



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 ☐ \$102  
Canada ☐ \$66 ☐ \$ 97  
Bermuda (Air only) ☐ \$ 96  
Europe/Middle East (Air only) ☐ \$ 96  
All other foreign ☐ \$66 Rates on request.  
☐ new subscription. ☐ renewal. ☐ payment enclosed.  
☐ bill me. ☐ bill company.

name (please print)

title

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 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

HC4

# When you need to identify the influentials, turn to the BI Directory.

The brand new **BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES** gives you the most comprehensive compilation of vital contacts, company facts and figures. Nowhere else will you find all this valuable information in a single volume!

You'll find alphabetical listings on 1,200 of the largest U.S. corporations ... listings that include sales volume, employee population, company address and phone number.

And you'll find the names and titles of the chief financial officers and the executives in charge of risk management, employee benefits, personnel and pension/retirement plans.

To further help you pinpoint the information you need, a special index will list corporations by size, based on number of employees.

Whether you're on the buying or selling end of this exciting business, the BI Directory will make your job easier.

As a "buyer," you'll use this reference tool to identify your professional counterparts - to compare notes on how to handle the responsibilities that come with your position.

As a "seller," you'll find the BI Directory to be the most convenient way to find out who the buyers are and how to reach them.

|                                                                                                                                                                                                                                 |                                                                                              |                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NAME OF CORPORATION</b><br>Address: 123 Main Street, Anywhere, USA 11111<br>Telephone: 111-111-1111<br>Chief Financial Officer<br>Risk Management<br>Employee Benefits<br>Personnel<br>Pension/Retirement<br>Other Personnel | Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones | Number of employees 11,111<br>Sales \$111,111,111<br>Sr. VP Finance<br>Dir. Risk Mgmt.<br>Dir. Benefits Png<br>VP & Treasurer<br>Pension Director<br>Assoc. Risk Mgr. |
| <b>NAME OF CORPORATION</b><br>Address: 123 Main Street, Anywhere, USA 11111<br>Telephone: 111-111-1111<br>Chief Financial Officer<br>Risk Management<br>Employee Benefits<br>Personnel<br>Pension/Retirement<br>Other Personnel | Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones | Number of employees 11,111<br>Sales \$111,111,111<br>Sr. VP Finance<br>Dir. Risk Mgmt.<br>Dir. Benefits Png<br>VP & Treasurer<br>Pension Director<br>Assoc. Risk Mgr. |
| <b>NAME OF CORPORATION</b><br>Address: 123 Main Street, Anywhere, USA 11111<br>Telephone: 111-111-1111<br>Chief Financial Officer<br>Risk Management<br>Employee Benefits<br>Personnel<br>Pension/Retirement<br>Other Personnel | Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones<br>Irving Jones | Number of employees 11,111<br>Sales \$111,111,111<br>Sr. VP Finance<br>Dir. Risk Mgmt.<br>Dir. Benefits Png<br>VP & Treasurer<br>Pension Director<br>Assoc. Risk Mgr. |

This easy-to-use 8½" x 11" volume sells for just \$40, with a reduced price of \$35 per copy for quantities of ten or more.

Fill out the coupon now, and send for the new **BI DIRECTORY ... a truly unique and indispensable source book.**



## business insurance

BI Directory, Single Copy Sales  
740 Rush St., Chicago, IL 60611  
(312) 649-5415

Business Insurance Directory  
Single Copy Sales  
740 Rush Street  
Chicago, IL 60611

BI 1/16

Please send me \_\_\_\_\_ copies of the **BUSINESS INSURANCE DIRECTORY OF CORPORATE BUYERS OF INSURANCE, BENEFIT PLANS AND RISK MANAGEMENT SERVICES**  
@ \$40 each; \$35 each for quantity of 10 or more.

Foreign postage is additional.

☐ Bill Me ☐ Bill Company ☐ Payment Enclosed  
☐ Visa ☐ Mastercard

Account # \_\_\_\_\_ Exp. Date: \_\_\_\_\_

Signature \_\_\_\_\_

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

Company \_\_\_\_\_

Address \_\_\_\_\_

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

Phone \_\_\_\_\_

# Ohio employers to fight comp proposal

Continued from page 3

In the self-insurance area, the bill would:

- Restrict group self-insurance by not allowing any employers or publicly owned utilities with fewer than 500 employees to belong to a pool. Labor hopes this provision will prevent any formation of workers compensation pools.
- Prohibit employers from self-insuring their workers compensation risks if they have filed for bankruptcy or have been declared bankrupt within six years of the application for self-insured status.
- The right to self-insure would be revoked automatically if a self-insured employer files a petition for bankruptcy or reorganization. Payments of benefits and compensation then would be made by the State Insurance Fund. The employ-

ers' compensation files would become the property of the Bureau of Workers' Compensation.

- Mandate that the right to continue self-insuring be determined annually at a public hearing conducted by the administrator of the Bureau of Workers' Compensation. At the hearing, any employee of the self-insurer or an employee representative could present evidence. Last July, more than 200 self-insurers were up for renewal but hearings were not required.
- Require self-insurers to maintain stop-loss insurance for an individual catastrophe in an amount to be determined by the state work comp administrator.
- Create a Self-insuring Employers' Surety Trust Fund, which would be used to pay claims of employers that default. All self-insur-

ers would be required to make non-refundable contributions to the fund, but the method and amount are not set out in the bill.

Chances are slim that the Ohio General Assembly, which reconvened last week, will approve the measure in its entirety, according to both labor and business.

"It will never pass because of its complete absurdity," said Joe Krabach, director of labor relations for the Ohio Manufacturers' Assn. in Columbus.

He pointed to the provision that would index permanent total benefits. "Workers comp was always meant to have liability fixed at the time of injury," he said. "How can you index it?"

Labor also says there is no chance of having the bill approved as is. "But we're hopeful we will get a bill this session... a bill as comprehensive as this one," said Tom Bell, director of compensation and safety for the Ohio AFL-CIO in Columbus.

"We're going to be fighting like hell to keep in key provisions," he said, citing those dealing with occupational disease, self-insurance, benefits for loss of limbs and permanent total disability benefits.

On the other side, employers plan to do some fighting, too.

Earlier this month, the Ohio Manufacturers' Assn. sent out more than 9,000 newsletters to its members—newsletters that analyze the provisions of the bill.

"It's going to take a major effort on our part. We'll have to educate the employer community on the tremendous liabilities of the bill... for them to let the members of the Legislature know the problems of this bill. This will become a major grass-roots effort, and I think industry will respond," Mr. Krabach said.

"I think you'll see the biggest outcry in industry in the next 90 days," he added.

## Pension law upheld

CHICAGO—Another appellate court has upheld the constitutionality of the Multiemployer Amendments Act, but the 7th U.S. Circuit Court of Appeals' ruling is far-sweeping, experts say.

In a decision involving the Local 705 International Brotherhood of Teamsters Pension Fund, the court upheld two provisions in the law that gives plans the power to demand payments from employers leaving a plan.

The first provision says employers who left plans before the law was signed on Sept. 26, 1980, but after its effective date of April 29, 1980, are required to pay a share of the benefits the plan promised but did not fund.

In addition, it ruled the concept of withdrawal liability—making employers leaving plans pay for benefits promised—is rational.

"There certainly is a burden imposed on employers by the MPPAA," the court noted. "But what would be the alternative burden on workers entering into retirement with underfunded or non-existing pensions?"

The 7th Circuit decision is the first that upholds the constitutionality of the general concept of withdrawal liability. Other appellate courts have only examined the constitutionality of making withdrawal liability retroactive.

The Supreme Court has agreed to review a May 1983 decision by 9th U.S. Circuit Court of Appeals that struck down the retroactive provision as unconstitutional (BI, Oct. 24, 1983). A high court decision, though, would only address the constitutionality of retroactivity, not the concept of general withdrawal liability.

Many of the larger employers in the state, like General Electric Co. in Columbus, are already aware of the bill and are planning corporate meetings later this month. Others are just beginning to analyze the bill's ramifications and how they will respond.

S.B. 301, introduced Nov. 30 by Sen. Thomas E. Carney, D-Girard, came as a surprise to business, since the bill was completely written by labor.

Historically, workers compensation legislation has been negotiated by both sides. But it's too late for negotiation now, employers say.

"In the past we've negotiated, but not this time," said Edmund Loewe, vp of administration for the Ohio Chamber of Commerce in Columbus. "We're not going to try to get rid of any one provision... we'll deal with it in its entirety."

The Manufacturers' Assn. also is shunning negotiations on this measure. Said its Mr. Krabach: "We're gonna kill it."

"If it's passed, it will open the door for tremendous workers comp premiums... and for self-insurers, the costs will be beyond," the Chamber's Mr. Loewe said.

One state workers comp administrator estimates that it could drive away 25% of self-insured employers.

And Robin Obetz, executive secretary of the Ohio Self-Insurers Assn., said the bill would create a lot of problems for self-insurers.

But labor believes the bill is needed to protect the injured worker.

"The real idea behind self-insurance... it was to be for the big employers, those that could oversee their program and could provide

services," said Mr. Bell from the AFL-CIO.

Labor is concerned about recent bankruptcies and plant closings in Ohio and the potential for claims to be left unpaid.

"Who's going to pay?" asked Mr. Bell, stressing that this type of situation is more apt to happen with smaller employers—those that group together and use a service company.

"We want to stop this practice," he said.

Recent bankruptcy filings also prompted the move to establish a surety fund, said Stewart Jaffy, a Columbus attorney and general counsel for the AFL-CIO who provided technical assistance on the bill. Although he noted that the measure does not specify how much will be collected for this fund, he expects this to be spelled out during the legislative process.

That process began last week when the bill was expected to be assigned to the Commerce and Labor Committee chaired by Sen. Carney, who is a retired steelworker.

"I think the workers need to be protected better," Sen. Carney said. Nothing major is wrong with existing laws, he said, "but I think they have to be updated."

But some observers say that the real reason the bill was introduced was to pay off labor for its support in the 1982 elections that resulted in a Democratic-controlled General Assembly. Half of the Senate seats and all of the House seats will be up for re-election this November.

"Labor put an all-out effort... and now they feel they have owed to them," explained Mr. Krabach.

## Utility ordered to pay benefits

Continued from page 3

11th U.S. Circuit Court of Appeals, which remanded the case to Judge Tidwell after the Supreme Court ruled in the Newport News Shipbuilding case last year that the pregnancy law mandated equitable pregnancy benefits for dependents.

Under Judge Tidwell's new order, which Atlanta Gas Light hasn't decided whether it will appeal, the company must notify by certified mail all male workers employed by the utility between April 29, 1979, and June 20, 1983, that they may be entitled for reimbursement for pregnancy-related expenses.

The company must also enclose a claim form with the letter and inform the employees that the claim form must be returned to the company within 60 days.

The company then must supply to the EEOC copies of the claim forms filed by employees and the amount of money sought.

The company said it doesn't know yet how many pregnancy claims were incurred by male employees' wives.

With the exception of pregnan-

cies, Atlanta Gas Light's dependent health care plan formerly paid 100% of the first \$1,000 of hospital bills, 80% of hospital expenses that were more than \$1,000 and less than \$5,000 and 100% of hospital claims above \$5,000. The plan also pays 80% of the first \$5,000 in medical bills.

The hospital plan, though, was recently amended so that it includes a \$200 deductible. After the deductible has been exhausted, the plan pays 100% of the next \$2,000 in expenses. In addition, the plan pays 80% of hospital bills between \$2,200 and up to \$5,000. It then pays 100% of hospital costs over \$5,000.

Mr. McCready says that providing equitable pregnancy benefits for male employees' wives will increase the company's health care bill by about 6.6%, adding it paid \$3.5 million in health premiums in 1982.

Employees now pay \$25 a month for dependent health care coverage, while the company picks up an additional \$62.17. Atlanta Gas Light, though, pays 100% of the \$70.81 premium for employees' individual health coverages.

Excess/Surplus

Self-Insurance

Property and Casualty

Surety Bonding

Claims Administration

Reinsurance

Captive Management

Association/Group Plans

Cash Flow Management

# Risk Management

Contact the Crump office  
in your area, or call us  
at our corporate headquarters.

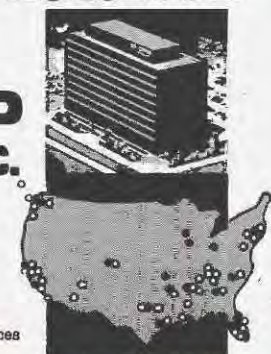
**Crump**  
does it all

EHC

**E.H. CRUMP  
COMPANIES, INC.**

5350 Poplar Avenue  
Memphis, Tennessee 38117  
901/761-1550

• Property/Casualty Agencies  
• Excess/Surplus/Specialty Offices



## insurance services guide

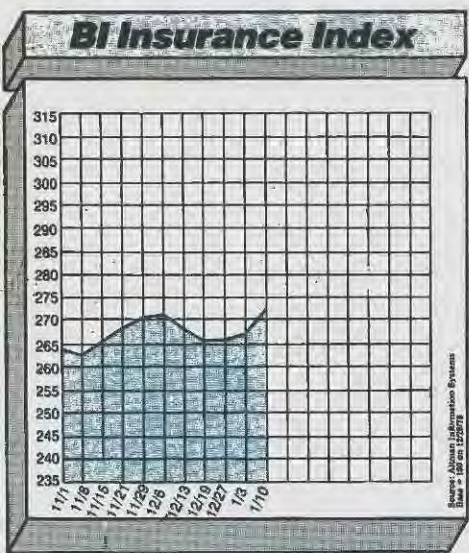
### GYORY ASSOCIATES, INC.

PROFESSIONAL RISK MANAGERS  
Risk Financing  
Insurance-Risk Consulting  
Latent Disease Product Liability Management  
172 Franklin Avenue, Ridgewood,  
N.J. 07450 (201) 445-8350

### 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.  
12300 Olive Boulevard  
St. Louis, MO 63141  
(314) 878-5002

For advertising information in the INSURANCE SERVICES GUIDE  
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.  
Telephone (312) 649-5340



Insurance industry stocks continued their New Year surge as the *Business Insurance* stock index leaped 5.9 points to 273.5 from 267.9 during the trading period ending Jan. 10. Thirty-nine shares closed up, 10 were unchanged and 15 issues closed down. The leading gainers were SRI Corp., 16.4%; Fremont General Corp., 11.4%; American Indemnity Financial Corp., 11.1%; American Bankers Insurance Group 8.3%; and American National Insurance Co., 8.1%. The largest losses were reported by Frank B. Hall & Co. Inc., 7.0%; Orion Capital Corp., 4.1%; Carolina Casualty Insurance Co., 3.7%; Zenith National Insurance Corp., 3.4%; and Aneco Reinsurance Co. Ltd., 3.2%. The *BI* index closed out the trading period with a 2.1% increase, compared with the 2.5% increase reported by the New York Stock Exchange composite.

| British Issues |       |      |       |         |           |  |
|----------------|-------|------|-------|---------|-----------|--|
| 10 Jan         | Price | P/E  | Div.  | Yield   | High-Low  |  |
| Companies      | pence |      | pence | % pence |           |  |
| Comml Union    | 188   | 31.3 | 16.66 | 9.0     | 189-183   |  |
| Eagle Star     | 700   | 21.2 | 27.86 | 4.0     | 700-692   |  |
| Genl Accident  | 442   | 13.0 | 26.43 | 6.0     | 443-442   |  |
| Gdn Royal Exch | 512   | 13.1 | 30.71 | 6.0     | 515-510   |  |
| Phoenix        | 395   | 17.2 | 26.00 | 6.6     | 395-372   |  |
| Royal          | 512   | 13.1 | 39.28 | 7.7     | 512-495   |  |
| Sun Alliance   | 1425  | 16.4 | 78.57 | 5.5     | 1425-1413 |  |
| Brokers        |       |      |       |         |           |  |
| CE Heath       | 360   | 9.0  | 22.86 | 6.3     | 365-355   |  |
| Hogg Robinson  | 137   | 10.5 | 9.43  | 6.9     | 141-135   |  |
| JH Minet       | 151   | 11.6 | 7.57  | 5.0     | 153-149   |  |
| Sedg Grp       | 249   | 12.4 | 11.43 | 4.6     | 253-241   |  |
| Stenhouse Hldg | 133   | 12.8 | 9.43  | 7.1     | 134-133   |  |
| Stew Wrightson | 307   | 10.2 | 22.57 | 7.4     | 307-305   |  |
| Willis Faber   | 725   | 15.1 | 30.00 | 4.1     | 734-724   |  |

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

# A&A stresses branch offices as a means to win respect

By LEN STRAZEWSKI

SIX YEARS AFTER the bottom fell out of the property/casualty insurance market and nearly 18 months after the company's acquisition of Alexander Howden Group P.L.C. blew up in its face, Alexander & Alexander Services Inc. is taking itself in hand.

The nation's second-largest insurance brokerage company is working to turn attention away from its central management in New York and restore the morale in—and respect for—its nationwide network of offices.

That task isn't easy, considering the industry-wide problem of falling commissions that led to the elimination of more than 500 jobs at A&A last year and the ill-fated Howden acquisition that led to a \$30 million extraordinary charge against earnings in 1982. But, A&A executives say progress is apparent.

And the company's two major targets, corporate insurance buyers and investment analysts, seem to be taking notice, they add.

Michael White, the recently appointed president of Alexander & Alexander Inc., A&A's brokerage subsidiary, says the brokerage's goal is to refocus its resources and attention back on its branch offices, the company's closest link to its client base.

"All organizations have to draw toward a central focus," Mr. White explains. "And for an insurance brokerage, that focus is the client. The closer you can put the authority to the client, the better you can serve the client."

"We are making a conscious effort to put the rubber where it meets road—the effort where it meets the client," he says.

Mr. White—who was promoted from A&A's Dallas office to executive vp in Chicago two years ago, and then to A&A Inc. president in New York four months ago—heads a new management team that is more closely tied to field operations than ever before.

The brokerage's property/casualty insurance operations east of the Mississippi are managed by Executive Vp James McCormick, while the Western states are supervised by Executive Vp Bob J. Cline. Joseph Stahl, president of A&A's Human Resource Management Group, manages the company's employee benefit consulting services.

Eight regional directors report to the executive vps and spearhead the brokerage's

hands-on management and quality control.

Under regional directors' leadership, regional marketing managers—account executives within branch offices that help audit other branch offices—meet regularly with the managing vps of branch offices to review strategy and account handling.

The goals of this structure, according to Mr. White, are flexibility and accessibility. A&A wants to give its branch offices as much autonomy as possible in servicing clients, while still maintaining corporate standards. It also wants branch offices to know there are executives available to work specifically on domestic operations.

"We had to ask ourselves whether or not people in the field perceived A&A management as devoting too much time to London and the organization of Alexander Howden," Mr. White says. "It seemed so."

The new A&A Inc. president is countering that impression by emphasizing his own roots as a manager of an A&A branch office and by being accessible to managing vps and regional directors—not necessarily to lead account handling, but to discuss goal development and corporate strategy.

A&A also is closely following the lead of its largest competition, Marsh & McLennan Inc., the brokerage subsidiary of Marsh & McLennan Cos. Inc. and the world's largest brokerage. Last year, M&M reorganized its service groups by industry specialty, identifying experts in various industries and teaming them in nationwide mutual support groups.

A&A hasn't adopted the M&M approach wholeheartedly but it, too, has identified industry experts in branch offices in such fields as oil and gas, railroad transportation, marine risks and credit enhancement (financial, performance and partnership guarantees).

Also, like Marsh & McLennan, A&A is limiting the insurers it uses for personal and small commercial risks. A&A recently made a commitment to place at least 30% of its personal and small commercial coverages with three insurers—Chubb Group, Hartford Insurance Group and Fireman's Fund Insurance Cos.—in return for improved service and profitability.

A&A's new marketing and management structure also acknowledges two factors affecting the company's future: continued market competition and A&A's new posture to-

ward corporate independence.

Although the parent company was at one time listening to merger offers, it has now decided that it will remain independent for the foreseeable future, according to Mr. White. And that means that any problems the company can predict, including depressed commercial insurance rates, must be handled by current management.

"The market is not going to change—at least not in the way it once did. Rates and our commissions will not turn straight up again. So, all of our management and marketing strategy is based on the premise that we must work with the insurance marketplace as it is today," Mr. White says.

"Our new leadership structure is designed to provide the flexibility to do just that. The next step is simply increasing our business—especially in the large-account and risk management services area."

Although the new structure is less than 3 months old, Mr. White says that A&A's independent philosophy and realistic marketing plans have already had an effect in 1983. New brokerage business in 1983 rose 10% to its highest level in history, he says. And projections for 1984 are for new-business gains of another 12% to 15%.

Most of the new business, he adds, is coming from new clients, not just additional coverage sold to present clients. In property/casualty and risk management services, about 68% of the new-business gains were generated by new corporate clients. In life insurance sales, nearly all the gains came from new clients, as is traditional in that sector.

Despite a growing optimism, however, analysts who watch brokerage industry stocks continue to have mixed reactions to Alexander & Alexander Services Inc. stock, which closed at \$22.88 cents a share early last week.

Thomas Rosencrants, financial analyst with Chicago-based William Blair & Co., recently changed his recommendation from "sell" to "speculative buy," based upon A&A's cost-cutting efforts and recent improvements in the U.S. economy that has increased the flow of new business.

In his December 1983 report, however, Mr. Rosencrants also noted that A&A's level of debt was likely to continue, leading to only a modest rebound of the stock's earnings per share.

Leonard Wilson, vp and senior analyst at L.F. Rothschild, Unterberg, Towbin in New York, also seems more optimistic, though he has not yet changed his "neutral" recommendation of A&A stock.

"A&A seems to have a better sense of where it is going," Mr. Wilson explains. "And the internal changes may be a reflection of that understanding."

The brokerage company also seems to be better able to control the financial burdens of the past, he says.

"There is a sense that the effects of the Howden acquisition are more under control and will be less of a burden on operations," he explains. "And, certainly, tighter cost control has been a company priority."

Another New York analyst disagrees and says she sees very little that is positive in A&A's financial future. Alice Cornish, insurance industry analyst with Lehman Bros., Kuehn Loeb, still believes that A&A stock is overpriced, pending an acquisition or change in the property/casualty insurance underwriting cycle.

"I know there are a lot of people out there who are more optimistic about A&A, but there is still one major problem with the stock—multiples," she explains.

Even if A&A can improve its earnings per share to \$2, which she questions, the stock would still be selling at a very high 11 times earnings.

Ms. Cornish also believes the internal effects of the Howden acquisition and subsequent financial burden are far from over. Although the brokerage reports steady increases in new business, she believes that staff problems may have weakened the brokerage's sales force.

"Morale must be terrible in A&A offices and I'm not sure that the company still has the producer force it once had," she says.

## BI Industry Stock Report

| JAN. 10, 1984                |       |        |      |         |        |      |         |               |         | 1/4/84 THRU 1/10/84                       |        |        |         |        |      |     |            |        |         |
|------------------------------|-------|--------|------|---------|--------|------|---------|---------------|---------|-------------------------------------------|--------|--------|---------|--------|------|-----|------------|--------|---------|
| Insurance Cos.               |       |        |      |         |        |      |         |               |         | JAN. 10, 1984                             |        |        |         |        |      |     |            |        |         |
|                              | 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  | 36.88  | 2.1  | 5.9     | 2.64   | 7.2  | 37.00   | 36.25         | 789.4   | Travelers Corp                            | NYSE   | 32.25  | 1.2     | 8.1    | 1.92 | 6.0 | 33.13      | 32.25  | 803.6   |
| American Bankers Ins Group   | OTC   | 14.75  | 8.3  | 11.9    | 0.50   | 3.4  | 14.75   | 13.63         | 124.5   | United Fire & Cas Co                      | OTC    | 32.00  | 0.0     | 11.4   | 0.88 | 2.8 | 32.00      | 32.00  | 1.6     |
| American Gen Ins Co          | NYSE  | 22.88  | 2.2  | 7.9     | 0.80   | 3.5  | 23.13   | 22.50         | 2,654.3 | United States Fid & Gty Co                | NYSE   | 56.75  | 2.0     | 10.0   | 3.84 | 6.8 | 57.00      | 56.00  | 223.4   |
| American Indtl Finl Corp     | OTC   | 25.00  | 11.1 | 13.4    | 1.12   | 4.5  | 25.00   | 22.25         | 22.0    | United Svcs Life Ins Co                   | OTC    | 23.50  | 2.2     | 6.9    | 1.00 | 4.3 | 23.75      | 23.00  | 50.9    |
| American Intl Group Inc      | OTC   | 66.00  | 3.9  | 11.1    | 0.44   | 0.7  | 66.00   | 63.63         | 1,271.6 | USlife Corp                               | NYSE   | 29.38  | 2.6     | 8.4    | 0.96 | 3.3 | 29.63      | 28.88  | 198.4   |
| American Natl Ins Co         | OTC   | 23.25  | 8.1  | 8.4     | 0.96   | 4.1  | 23.50   | 21.50         | 201.3   | Washington Natl Corp                      | NYSE   | 26.88  | 7.5     | 12.8   | 1.08 | 4.0 | 26.88      | 26.13  | 185.2   |
| American Svs Life Ins Co     | OTC   | 49.50  | 0.0  | 13.6    | 0.88   | 1.8  | 0.00    | DID NOT TRADE |         | Zenith Natl Ins Corp                      | OTC    | 14.00  | -3.4    | 9.9    | 0.60 | 4.3 | 14.50      | 13.75  | 31.6    |
| Aneco Reins Ltd              | OTC   | 3.75   | -3.2 | 26.8    | 0.00   | 0.0  | 3.88    | 3.75          | 4.5     | INSURANCE COMPANIES                       |        |        |         |        |      |     |            |        |         |
| Avenco Corp                  | AMEX  | 20.25  | -0.6 | 12.5    | 0.58   | 2.9  | 20.88   | 20.25         | 7.1     | AVERAGE                                   |        |        |         |        |      |     |            |        |         |
| Banks Iowa Inc               | OTC   | 47.50  | 0.0  | 15.3    | 1.52   | 3.2  | 47.50   | 47.50         | 2.2     | 10.3                                      |        |        |         |        |      |     |            |        |         |
| Bitco Corp                   | OTC   | 18.50  | 2.8  | 0.0     | 1.33   | 7.2  | 19.50   | 18.25         | 16.9    | 3.7                                       |        |        |         |        |      |     |            |        |         |
| Carolina Cas Ins Co          | OTC   | 6.50   | -3.7 | 0.0     | 0.20   | 3.1  | 6.50    | 6.50          | 0.2     | Agents/Brokers                            |        |        |         |        |      |     |            |        |         |
| Chubb Corp                   | OTC   | 71.25  | 3.6  | 9.3     | 3.12   | 4.4  | 71.25*  | 68.25         | 363.8   | Alexander & Alexander Svcs                | NYSE   | 23.00  | 5.1     | 0.0    | 1.00 | 4.3 | 23.25      | 22.00  | 324.2   |
| Combined Intl Corp           | NYSE  | 41.88  | 4.0  | 12.4    | 2.00   | 4.8  | 43.50*  | 40.25         | 278.5   | Baldwin & Lyons Inc                       | OTC    | 38.00  | 1.3     | 15.8   | 0.80 | 2.1 | 38.00      | 37.50  | 1.6     |
| Continental Corp             | NYSE  | 28.38  | 2.7  | 38.3    | 2.60   | 9.2  | 28.75   | 28.25         | 257.3   | Corroon & Black Corp                      | NYSE   | 24.63  | 2.6     | 15.5   | 1.00 | 4.1 | 24.63      | 23.63  | 243.7   |
| Crawford & Co                | OTC   | 13.25  | -1.9 | 9.8     | 0.60   | 4.5  | 13.75   | 13.25         | 18.3    | Cruet E H Cos Inc                         | OTC    | 10.75  | 0.0     | 14.7   | 0.40 | 3.7 | 10.75      | 10.75  | 8.0     |
| Crown Life Ins Co            | OTC   | 122.00 | -2.0 | 8.0     | 3.20   | 2.6  | 124.50  | 122.00        | 0.8     | Emett & Chandler Cos Inc                  | OTC    | 12.63  | 6.3     | 34.1   | 0.00 | 0.0 | 12.63*     | 11.88  | 6.3     |
| Employers Cas Co             | OTC   | 31.75  | 1.6  | 7.1     | 1.20   | 3.8  | 31.75   | 31.25         | 10.5    | Hall Frank B & Co Inc                     | NYSE   | 21.75  | -7.0    | 19.8   | 0.00 | 0.0 | 23.13      | 21.75* | 353.1   |
| Equifax Inc                  | NYSE  | 27.88  | 2.3  | 11.6    | 1.60   | 5.7  | 27.88   | 27.63         | 103.2   | Integrated Res Inc                        | AMEX   | 27.88  | 4.2     | 9.0    | 0.00 | 0.0 | 27.88      | 27.13  | 295.9   |
| Excelsior Ins Co             | OTC   | 21.63  | 0.0  | 18.2    | 0.00   | 0.0  | 0.00    | DID NOT TRADE |         | Marsh & McLennan Cos Inc                  | NYSE   | 49.38  | 3.4     | 14.4   | 2.20 | 4.5 | 49.50      | 48.25  | 405.5   |
| Farmers Group Inc            | OTC   | 42.50  | 2.1  | 10.5    | 1.36   | 3.2  | 43.38   | 41.75         | 254.4   | Peo & Assoc Inc                           | OTC    | 5.00   | 0.0     | 0.0    | 0.00 | 0.0 | 5.00       | 5.00   | 0.3     |
| Foremost Corp Am*            | OTC   | 26.75  | -1.8 | 8.2     | 0.88   | 3.3  | 27.25   | 26.75         | 61.8    | Reed Stenhouse Cos Ltd                    | OTC    | 12.25  | -2.0    | 14.9   | 0.60 | 4.9 | 12.25      | 12.13  | 63.4    |
| Fremont Gen Corp             | OTC   | 15.88  | 11.4 | 0.0     | 0.48   | 3.0  | 15.88   | 15.00         | 276.8   | AGENTS/BROKERS                            |        |        |         |        |      |     |            |        |         |
| Great West Life Assurn Co    | OTC   | 270.00 | 0.0  | 9.7     | 11.00  | 4.1  | 270.00  | 270.00        | 0.0     | AVERAGE                                   |        |        |         |        |      |     |            |        |         |
| Hanover Ins Co               | OTC   | 57.00  | 2.7  | 7.3     | 0.88   | 1.5  | 57.50   | 56.50         | 46.8    | 17.4                                      |        |        |         |        |      |     |            |        |         |
| Hartford Steam Boiler Insptn | OTC   | 54.50  | 1.9  | 10.6    | 3.00   | 5.5  | 54.50   | 53.50         | 16.6    | 2.7                                       |        |        |         |        |      |     |            |        |         |
| Jefferson Natl Life Ins Co   | OTC   | 43.50  | 0.0  | 14.6    | 0.76   | 1.7  | 43.50   | 42.50         | 2.6     | Conglomerates/Holding Cos.                |        |        |         |        |      |     |            |        |         |
| Keapier Corp                 | OTC   | 40.50  | 1.6  | 8.7     | 1.80   | 4.4  | 40.63   | 39.88         | 123.2   | American Express (Fireman's Fd)           | NYSE   | 33.13  | 6.4     | 9.6    | 1.28 | 3.9 | 33.63      | 32.13  | 3,735.5 |
| Lincoln Natl Corp Ind        | NYSE  | 65.63  | -0.4 | 9.5     | 3.36   | 5.1  | 67.75*  | 65.00         | 192.6   | Anderson Clayton (Ranger/PanAm)           | NYSE   | 30.38  | 7.5     | 14.1   | 1.32 | 4.3 | 30.38      | 29.25  | 37.8    |
| Mission Ins Group Inc        | NYSE  | 26.25  | 1.0  | 10.6    | 1.00   | 3.8  | 26.50   | 26.00         | 107.5   | Amco Inc                                  | NYSE   | 22.63  | 9.0     | 0.0    | 0.40 | 1.8 | 22.75*     | 21.25  | 1,956.4 |
| Nationwide Corp Ohio         | OTC   | 41.75  | 0.0  | 15.3    | 0.70   | 1.7  | 0.00    | DID NOT TRADE |         | Baldwin Utld Corp                         | NYSE   | 2.88   | 9.5     | 0.0    | 0.00 | 0.0 | 3.13       | 2.88   | 718.5   |
| Northwestern Natl Life Ins   | OTC   | 35.25  | 1.4  | 9.3     | 1.50   | 4.3  | 35.50   | 34.88         | 7.1     | CIGNA Corp                                | NYSE   | 43.50  | -0.5    | 7.4    | 2.48 | 5.7 | 45.25      | 43.50  | 937.3   |
| Ohio Cas Corp                | OTC   | 47.75  | 5.2  | 8.9     | 2.52   | 5.3  | 48.13   | 45.50         | 105.5   | City Investing Co. (Home Ins.)            | NYSE   | 40.25  | 6.6     | 11.8   | 1.80 | 4.5 | 41.50*     | 39.50  | 2,180.5 |
| Old Rep Intl Corp            | OTC   | 35.63  | -2.2 | 7.9     | 0.90   | 2.5  | 35.63*  | 35.13         | 107.6   | CNA Finl Corp (CNA)                       | NYSE   | 22.75  | 7.7     | 7.4    | 0.00 | 0.0 | 23.00*     | 21.38  | 208.5   |
| Orion Cap Corp               | NYSE  | 26.50  | 4.1  | 12.7    | 0.76   | 2.9  | 27.75   | 26.50         | 24.5    | Control Data (Comm. Credit)               | NYSE   | 46.13  | 2.8     | 11.3   | 0.60 | 1.3 | 46.88      | 46.00  | 926.6   |
| Preferred Risk Life Ins Co   | OTC   | 20.75  | 5.1  | 7.9     | 0.67   | 3.2  | 20.75   | 19.75*        | 4.6     | General Rec Corp                          | NYSE   | 64.75  | -5.0    | 13.7   | 1.28 | 2.0 | 66.63      | 64.50  | 918.7   |
| Provident Life & Acc Ins Co  | OTC   | 65.00  | -0.8 | 8.3     | 2.60   | 4.0  | 65.50   | 65.00         | 40.4    | Gulf Utld Corp                            | NYSE   | 30.38  | -3.7    | 9.3    | 1.32 | 4.3 | 30.38      | 29.63  | 1,969.7 |
| St Paul Cos Inc              | OTC   | 59.00  | -1.0 | 8.3     | 2.80   | 4.7  | 59.63   | 59.00         | 181.2   | ITT (Hartford Group)                      | NYSE   | 46.38  | 4.5     | 10.4   | 2.76 | 6.0 | 46.63      | 44.63  | 2,325.3 |
| SAFECO Corp                  | OTC   | 54.00  | -1.4 | 10.7    | 2.60   | 4.8  | 54.75   | 54.00         | 378.8   | Optimum Hldg Corp                         | OTC    | 5.13   | 7.9     | 39.4   | 0.00 | 0.0 | 5.13       | 4.75   | 3.0     |
| Sri Corp                     | OTC   | 18.63  | 16.4 | 8.1     | 0.68   | 3.7  | 18.63   | 16.50         | 254.6   | Sears Roebuck & Co. (Allstate)            | NYSE   | 39.25  | 7.5     | 11.3   | 1.52 | 3.9 | 40.13      | 37.25  | 3,689.4 |
| Seibels Bruce Group Inc      | OTC   | 21.75  | 1.2  | 12.3    | 0.80   | 3.7  | 21.88   | 21.50         | 37.2    | Teddy Inc (Argonaut)                      | NYSE   | 175.25 | 4.3     | 11.8   | 0.00 | 0.0 | 177.50*    | 170.00 | 837.1   |
| Statesman Group Inc          | OTC   | 9.25   | 4.2  | 8.0     | 0.15   | 1.6  | 9.25    | 8.63          | 203.8   | Transamerica Corp                         | NYSE   | 29.75  | 0.0     | 9.7    | 1.56 | 5.2 | 30.63      | 29.50  | 395.4   |
| Tokio Marine & Fire Ins Co   | OTC   | 122.75 | 2.5  | 24.8    | 0.96   | 0.8  | 124.25* | 120.00        | 43.3    | (Occidental & Fred S. James)              | NYSE   | 29.75  | 0.0     | 9.7    | 1.56 | 5.2 | 30.63      | 29.50  | 395.4   |
|                              |       |        |      |         |        |      |         |               |         | CONGLOMERATES/HOLDING COS.                |        |        |         |        |      |     |            |        |         |
|                              |       |        |      |         |        |      |         |               |         | AVERAGE                                   |        |        |         |        |      |     |            |        |         |
|                              |       |        |      |         |        |      |         |               |         | 15.0                                      |        |        |         |        |      |     |            |        |         |
|                              |       |        |      |         |        |      |         |               |         | 2.6                                       |        |        |         |        |      |     |            |        |         |
|                              |       |        |      |         |        |      |         |               |         | Record high/low since Jan. 1, 1983        |        |        |         |        |      |     |            |        |         |
|                              |       |        |      |         |        |      |         |               |         | System design: Altman Information Systems |        |        |         |        |      |     |            |        |         |



*"Get out there and find out why Hartford Specialty  
can handle tough jobs in a way the others can't."*

At Hartford Specialty, we've got something big behind us: The Hartford. So we've got what it takes. Special risk underwriting capability to handle expanded property programs, energy and municipality programs, umbrella and other lines. Service capability that includes sophisticated MIS reports and state-of-the-art on-line claims reporting. Superior captive and rent-a-captive facilities. And the know-how to handle paid loss retros, guaranteed cost programs, and more.

All told, we have more than \$500 million in gross written premium. But it's not just size, it's

quality that explains why Hartford Specialty is the preferred specialty source for more and more brokers and risk managers.

**Don't make a decision on any specialty business without a quote from Hartford Specialty.**

**HARTFORD  
SPECIALTY**

Performance is our specialty.



Hartford Specialty Company. An affiliate of The Hartford Insurance Group, Hartford, Conn. 06115. Products and services: underwriting and risk financing programs. Claim, loss control and captive services. Global marketing and worldwide coverages.