

business insurance

update:

Trapped ships may cost insurers \$400 million

LONDON—Insurers face \$400 million in losses after a judge set a precedent for interpreting the marine insurance policies on the 72 vessels trapped in the Shatt-al-Arab waterway by fighting between Iran and Iraq (BI, Sept. 14).

In a test case involving the motor cement carrier Bamburi, the judge ruled that un-

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

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Benefit cuts on horizon?

By BILL DENSMORE

The decade-long tradition of building richer employee benefit programs could break apart this year.

The sour economy coupled with continued increases in health care costs is making it especially difficult for employers to keep up with the cost of bigger and better health benefit programs, benefits managers and consultants say.

"We're telling our clients now, 'If you're doing your budget, assume a 25% increase in health claims costs,'" says John J. Connelly, vp of employee benefits for consultant Maury, Donnelly & Parr Inc. in Baltimore.

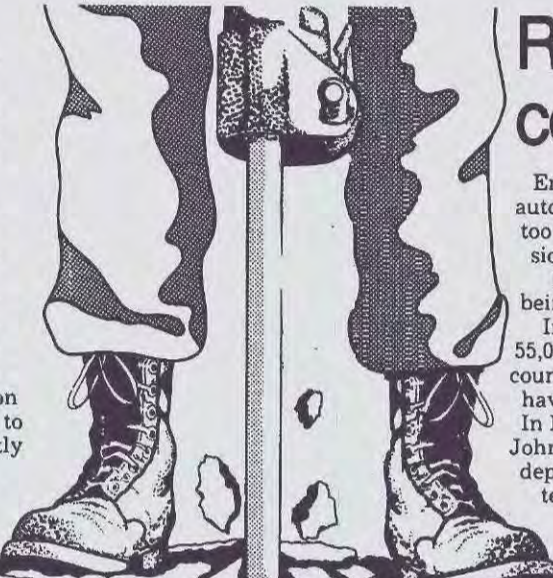
In response, recession-wounded companies are asking their union workers to consider contract concessions that include reduced health benefits or bouncing some of the costs back to the worker (see related story). The likely cost-control steps range from more health education and more mandatory second surgical opinion programs to promote wiser use of medical facilities by employees to higher deductibles and more coinsurance to make employees directly responsible for more of their health care costs.

"There was a time when for a company to talk about a benefit or wage cutback was considered a no-no; you couldn't even consider them," says Leonard Mactas, a managing partner at Kwasha Lipton, a benefits consultant based in Fort Lee, N.J. "Both of those axioms of business have kind of seen their day."

In some cases, "takebacks" already have been negotiated with unions; at other companies, white-collar health care benefits, along with other benefits, have been reduced.

General Motors Corp., apparently positioning itself for early bargaining with the

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BREAKING THE BENEFIT BEDROCK?

Recently negotiated pacts contain health concessions

Employee benefits are likely to be fair game at the bargaining table in auto, rubber, trucking and other industry negotiations during 1982. But it's too early to tell whether employers will emerge with non-wage concessions on a wide-scale basis, a *Business Insurance* survey shows.

However, early signs are that some health benefit concessions are being made.

In one of the first "pattern" agreements reached this year, involving 55,000 refinery workers, the CIL, Chemical & Atomic Workers bargaining council accepted an agreement Jan. 11 that may result in union members having to pay more for health benefits.

In November, 350 union workers at an Iowa meat packing plant owned by John Morrell & Co. agreed to start making \$12-a-week contributions to dependent medical coverage after the United Brands Co. subsidiary threatened to close the plant.

The self-insured plan had been totally employer-paid. The \$12-a-week contribution is approximately one-third of the benefit's cost, according to a United Brands spokesman in New York, who added that workers accepted a profit-sharing plan in exchange for wage and benefit concessions.

In mid-December, 79 members of the United Auto Workers at Gulf & Western's Super Tool subsidiary, the largest employer in Elk Rapids, Mich., agreed to accept a \$2.70-an-hour cut in wages and benefits ef-

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rm board

Self-insurers, captives don't need regulation

By KATHRYN J. McINTYRE

State insurance departments should not adopt new regulations governing self-funded or captive insurance plans, risk managers say.

Nearly 3-to-1, risk managers responding to the most recent *Business Insurance* Risk Management Board survey said state insurance commissioners should not have any more regulatory control over self-insurance or captive insurance companies than currently exists.

Now, states regulate self-insurers of workers compensation and automobile liability insurance where it is mandatory. Captive insurance companies located offshore are out of the reach of state insurance commissioners except when they are found to be "doing business" in the United States, such as soliciting clients or issuing policies on U.S. soil.

A few commissioners, however, are wondering if the growth of self-insurance and the use of captives, estimated by one study to together represent 28% of the real commercial insurance mar-

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Air Florida has up to \$500 million in coverage for jet crash claims

By BILL DENSMORE and STACY SHAPIRO

WASHINGTON—Air Florida has up to \$500 million in insurance to cover injury and death claims and property losses from last week's crash of a Boeing 737 jetliner into the Potomac River, according to insurance industry sources in London and the United States.

At least 76 people were killed in the crash of the Tampa, Fla.,-bound plane as it took off from Washington's National Airport and hit a motorist-packed bridge. Property and liability coverage is written under one policy by a consortium of British, French and U.S. insurers.

The hull was valued at \$12 million and industry sources speculate that total liability claims could range from \$25 million to \$40 million, depending on who was aboard the jetliner and which state laws

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Photo: Wide World

Rescue workers brave the icy Potomac in their search for survivors of the crash.

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Ships trapped by war covered

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derwriters are liable for losses on the ships if covered by marine insurance policies incorporating Institute War Strikes clauses or American Institute Hull War Risks and Strikes clauses. They are also liable to pay on the separate "blocking and trapping" clauses.

Most of the vessels, stuck in the waterway since September 1980, are either insured or heavily reinsured through Lloyd's of London.

Toxic shock lawsuit settled

TULSA, Okla.—Tampon maker Playtex International Inc. will pay more than \$500,000 in a settlement to the family of a 28-year-old woman who died 14 months ago from toxic shock syndrome.

The suit, brought by the woman's husband, Jack L. Ritter, and their two children, originally sought \$2.5 million and had been scheduled for trial in early January in Muskogee, Okla.

The settlement is believed to be the first of more than 200 lawsuits involving toxic shock syndrome filed against tampon manufacturers. About 75% of the cases have been brought against Procter & Gamble, maker of Rely, the tampon used by the majority of toxic shock syndrome victims.

High court upholds Kaiser

WASHINGTON—Kaiser Steel Co. must be given a chance to prove that a contract provision requiring it to make royalty payments to union health and retirement funds is illegal before it can be held liable for refusing to make the payments, the Supreme Court ruled last week.

Kaiser has refused to abide by a 1974 contract provision with the United Mine Workers that requires unionized coal companies to pay a \$1.90 royalty to the UMW pension and health funds for each ton of non-union coal purchased. Kaiser said the clause was void because it violated federal antitrust and labor laws (BI, May 11, 1981). When it refused to make the payments for non-UMW coal purchased from Mid-Continent Coal & Coke Co., the union filed suit.

The Supreme Court didn't rule on the legality of the royalty provision. That issue now has to be decided by a lower court.

Stouffer fire not arson: Attorney

WHITE PLAINS, N.Y.—Attorneys for the busboy accused of starting the December 1980 fire at the Stouffer Inn say they have evidence the blaze was accidental (BI, Dec. 15, 1980).

A state fire investigator determined the fire was accidental but was told not to write a report by an assistant district attorney, says Howard Dryer, an attorney for suspect Luis Marin. Mr. Marin's attorneys have filed a motion asking that the charges against their client be dismissed, but the state is expected to file a counter motion.

The fire killed 26 people. Stouffer Corp. has up to \$120 million in liability coverage for claims stemming from the blaze.

Hall sued over Texas subsidiary

CHICAGO—State Security Insurance Co. is seeking \$35 million in actual and punitive damages from broker Frank B. Hall & Co. Inc. over the alleged fraudulent activities of a Hall profit center.

The suit, filed in San Antonio, Texas, charges that Frank B. Hall of Texas (formerly Morris H. Kaliff & Son Agency Inc.) illegally underwrote outdoor amusement policies from 1973 through 1979 without permission of the insurer, withheld premiums and used the premiums to pay claims directly.

This is not the first time Hall has faced trouble from its Texas subsidiary, acquired in 1975. In 1979, a Hall inquiry into the same office showed that questionable business practices had led to a \$3.8 million misstatement of revenues on the company's Securities and Exchange Commission filing (BI, May 28, 1979).

Lloyd's appeals Salem award

LONDON—Lloyd's of London is appealing a court decision ordering it to pay Shell International Petroleum Co. Ltd. 24 million pounds (\$45.36 million) for oil stolen from the Salem, a tanker.

Shell and Lloyd's are arguing before the Court of Appeal about the wording in the marine policy on the ship. Lloyd's claims that the "takings at sea" peril does not apply in this case.

The oil was stolen in 1979 by seven men who manned the ship, sold the oil to a South African agency and scuttled the vessel.

Metro accident kills three

WASHINGTON—The Washington Area Metro Transit Authority, the operator of a subway train that crashed last week killing three people, is self-insured for the first \$100,000 of property losses. Metro's liability and excess property coverages weren't immediately available. Johnson & Higgins is Metro's insurance broker.

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Mummy's curse leads to cop's comp claim

By EILEEN NORRIS

SAN FRANCISCO—A police officer who stood guard over the curse-bearing treasures of Egypt's King Tut is claiming he was seriously hexed while on the assignment.

George E. LaBrash, 56, has sued the city of San Francisco, asking for \$18,400 from the retirement system, an amount equal to what he would have received had he been working full-time during the period of his disability after he suffered a stroke.

The San Francisco police lieutenant has received \$9,000 to date in workers compensation disability payments.

Mr. LaBrash claims that 24 years of cumulative stress as a policeman, combined with the stress of guarding the boy king's golden funeral mask that held a curse, caused him to suffer a stroke that left him hospitalized for 10 days and off work for eight months.

Mr. LaBrash is recovered and back on the job.

"We filed suit against the city because the country of Egypt required them to have police officers posted at the King Tut exhibit as a

part of the contract," said Michael Hebel, Mr. LaBrash's attorney. Mr. Hebel also manages the police academy for the city and is legal counsel to the San Francisco Police Officers Assn.

In a 15-page brief filed with the court, Mr. Hebel contends there have been more than a dozen deaths involving the public display of King Tut's treasures since the discovery of the tomb in 1923.

"Egyptians believed in a curse, pronounced by Osiris, god of the dead, on all who should disturb the dead," said Mr. Hebel.

"Mr. LaBrash suffered a stroke after having positioned himself, as his employment required, 4 to 6 feet in front of the golden mask... which for 3,300 years covered the head and shoulders of the mummified god-king Tutankhamen.

"Was Mr. LaBrash another victim of the curse?" his attorney asked, adding that he spent one month reading 25 books researching the subject.

The city of San Francisco, which is self-insured for its workers compensation, awarded Mr. LaBrash \$6,500 in permanent disability and another \$2,500 in temporary dis-



ability benefits under its workers compensation appeals board.

A Superior Court judge is expected to rule on the officer's lawsuit against the city, which was filed after Mr. LaBrash was denied full disability from the state's retirement board.

Under California law, an injured state worker may file for full disability under the retirement system and also file for benefits under the workers compensation board, which offers only partial benefits.

San Francisco Superior Court Judge Ira A. Brown Jr. said in court on Jan. 12 that he would take the police officer's suit under review and make a ruling in 30 to 60 days.

Ex-Lloyd's official blasts pending bill

By STACY SHAPIRO

LONDON—Lloyd's of London will become a regulatory body under the self-regulation bill now pending in Parliament and that's a "tragedy," according to R.J. Kiln, who recently resigned from the Committee of Lloyd's.

The reason that Lloyd's is a success is because of its lack of regulation, said Mr. Kiln, chairman of R.J. Kiln & Co. Ltd.

The powers of the new Council of Lloyd's, as proposed under the self-regulation bill, should be limited to controlling the market for the protection of the public, the policyholder and the Lloyd's community as a whole, he says, adding that "protection... could have been achieved without this regulatory self-regulation bill."

Mr. Kiln said that necessary safeguards could have been supplied by a bill calling only for new disciplinary powers or by a disciplinary amendment to the 1871 Lloyd's Act.

"I am not so sure we could not have coped in the future with the

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M&M reorganization directed toward buyer

By JOHN W. MILLIGAN

NEW YORK—Marsh & McLennan Cos. Inc. is giving corporate insurance buyers 116 highly visible and powerful people to hold accountable for the handling of their business with the appointment of new managing directors around the world.

The world's largest insurance broker also is embarking on a major reorganization of its international brokerage operations that will eventually lead to all such subsidiaries wearing the M&M name, except its Lloyd's broker, C.T. Bowring.

The new board of managing directors is drawn from M&M operating managers, account executives and technical service officers, 73 of whom are located in the United States with the rest scattered across the world.

These moves, says M&M Cos. Inc. Chairman John M. Regan Jr., will identify for each corporate client the M&M person principally responsible for its account.

Managing directors also will have a more active voice in setting corporate policy, designed to give the client more clout with the power base at M&M.

"The purpose of this board is to give a greater number of the company's client-oriented executives an active voice in setting policy and assuring the delivery of uniformly high levels of performance and risk management services," the company's announcement said.

The new title of managing director also solves an age-old problem in the insurance brokerage industry: "What to call our people," says Mr. Regan. The title, borrowed from the investment banking industry, "fits closely what we do," he explained.

The reorganization of its international business into its formerly

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Ruling boosts pension liabilities

By JERRY GEISEL and JACK THORNTON

WASHINGTON—An employee covered under a collective bargain-

ing agreement can sue his employer to recover the difference between the pension benefit promised by the company and the benefit guaranteed by the federal government.

In an action that boosts employers' pension liabilities, the Supreme Court last week let stand an appellate court decision that the Employee Retirement Income Security Act does not limit corporations' pension liabilities to a fixed percentage of their net worth.

The case involves a lawsuit filed by 16 retired employees of Heppenstall Co., a Pittsburgh-based steel producer that went out of business in 1979 and terminated its pension plan.

The retirees sued Heppenstall in U.S. District Court contending that

the collective bargaining agreement made the company liable for the pension benefits promised under the agreement.

When the lower court refused to dismiss the suit, Heppenstall appealed to the 3rd Circuit Court of Appeals. Lawyers for the company said under ERISA an employer's liability to a pension plan is limited to the 30% of its net worth that the Pension Benefit Guaranty Corp. can claim. The PBGC uses the assets to help pay for the retirees' promised benefits.

On the average, the PBGC guarantees about 85% of a retiree's vested pension benefit. The agency does not, for example, guarantee recent pension benefit hikes.

Heppenstall said the PBGC pen-

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errors & omissions

• A story in the Jan. 4 issue incorrectly stated that Jewelers Mutual Insurance Co. had pulled out of the U.S. market. The firm did not renew some policies last year in the Miami area, says Chief Executive Officer Ron Harder, but it is still writing jewelers' policies. Business Insurance regrets the error.

Johns-Manville sues M&M for policy gap

By STEPHEN TARNOFF

SAN FRANCISCO—Adding to the already complex tug-of-war over liability in asbestos cases, an asbestos manufacturer is suing its insurance broker charging it failed to put together an insurance package that would fully cover asbestos claims.

Johns-Manville Corp., which is embroiled in suits against its insurers and the federal government over who should pay its asbestos liability claims, now is suing Marsh & McLennan in California Superior Court in San Francisco.

Alleging reckless and malicious conduct on M&M's part, the suit seeks \$700 million in exemplary damages along with indemnification and unspecified compensatory damages for liability claims.

However, the outcome of this lawsuit could depend on the decision in another lawsuit pending in California over the amount of insurance coverage J-M has.

Marsh & McLennan, the largest broker in the United States and now the world, has been the manufacturer's broker since 1944.

Just how much Johns-Manville stands to lose on asbestos claims not covered by insurance is unknown, but auditors have been concerned enough about the potential magnitude of the losses to qualify the manufacturer's annual statements in recent years.

In California alone, Johns-Manville has been hit with 3,000 suits involving 4,500 claimants, it says in its suit against M&M filed Nov. 23. In that same court, 358 suits involving 1,187 claimants have been brought against Johns-Manville.

The asbestos manufacturer's suit accuses M&M of improper conduct, both intentional and negligent. Among the specific allegations are:

- M&M breached its fiduciary obligation to cooperate with and assist Johns-Manville in connection with facts and circumstances surrounding the acquisition and administration of insurance.

- M&M was obligated to obtain full coverage for all legal liability of Johns-Manville in connection with pending or future actions against it and M&M negligently failed to carry out this duty.

- M&M failed to carry out oral or implied agreement to render complete brokerage and insurance related services.

- M&M made intentional misrepresentations to Johns-Manville leading it to believe it had the required insurance coverage and that as a result they continued to employ the defendants as their insurance broker.

Though both sides refused to comment on the suit, an 8-K report filed with the Securities and Exchange Commission by M&M provides its initial response.

"Marsh & McLennan intends to defend the action vigorously, denying the breach of any obligations owed to the plaintiffs, and asserting various legal defenses.

"The complaint is for the most part pleaded in general terms and does not specify in what way the defendants are alleged to have failed to carry out their obligations to the plaintiffs.

"Marsh & McLennan believes there is no failure whatsoever on the part of the defendants to carry out any transaction in which they were acting as an insurer."

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Risk manager part of losses

DENVER—Johns-Manville Corp.'s losses from asbestos litigation include its long-time risk manager.

When the impact of asbestos litigation on the manufacturer eroded his decision-making responsibilities, risk manager Walter R. Curtner quit his job of 12 years.

Now the director of risk management for Total Petroleum Inc. in Denver, Mr. Curtner said asbestos litigation became of such major concern to Johns-Manville that it changed the normal line of decision making.

The risk manager could no longer make insurance and risk management decisions without the approval of the company's attorneys.

"It's a classic case of wanting to be in a position to make decisions," he said, explaining why he quit about seven months ago. "I was just a piece in an overall puzzle."

A spokesman for Johns-Manville said the risk management functions were coordinated with the legal department because "the situation with regard to asbestos litigation is so complex and because of the large number of lawsuits that have been filed against Johns-Manville and that we filed against insurance companies."

Mr. Curtner said the risk management function began to change around July 1976 when The Travelers Insurance Cos. canceled its liability policies with the company.

"Everything changed at that point," he said. "We no longer had a normal insurance program."

Originally reporting to the company treasurer, Mr. Curtner was moved to Johns-Manville's large legal department in 1979. However,

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AT&T split may mean separate benefit talks

By JERRY GEISEL

NEW YORK—Corporate benefit managers accustomed to using American Telephone & Telegraph's benefit plans as a guide in planning their own programs may find their source of information disconnected.

If the nation's largest corporation is forced to shed its local operating facilities within the next 18 months as part of an antitrust settlement with the federal government, it may no longer be a bellwether in benefit design as the new independent phone companies negotiate their own benefit packages with employees.

Because of the huge number of workers involved, AT&T's triannual contract agreements with its three major unions now are closely watched and often followed by other companies.

Currently, the national agreement sets uniform benefit and wage levels. However, the local Bell units have the freedom to select their own benefit insurers to carry out the agreements.

But if Ma Bell is split, as required under the Justice Department's proposed antitrust suit settlement—which is still before the courts—those national pace-setting agreements may no longer be possible.

Instead, the three major unions—the Communications Workers of America, the International Brotherhood of Electrical Workers and the Telecommunications International Union—may have to stake out separate wage and benefit agreements with the 22 newly independent Bell units.

Regional benefit differences could emerge as the new telephone companies face different financial pressures. For example, telephone companies in areas with above-average increases in the cost

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Master property policy helps drug maker rebound from fire

By MARGARET LeROUX

ELLWOOD, Kan.—TechAmerica Inc., a veterinary pharmaceuticals manufacturer, rebounded from a major fire loss in less than two months thanks to a master property insurance policy.

The final claim to be filed this month for about \$1 million in business interruption losses brings the total claims for the October fire to about \$3.6 million, according to James Hornbuckle, TechAmerica's vp of finance.

The company's property and business interruption insurer, Pacific Insurance Co. of Los Angeles, part of the Harbor Insurance Group owned by Continental Insurance Cos., has already paid more than \$2.5 million.

"That the company was back in full production with the majority of the losses settled by mid-December is remarkable," said Tom Scott, president of Insurance Management Corp. of Kansas City, Mo., which serves as TechAmerica's broker and risk manager.

The master property insurance policy was written only last July when several policies for TechAmerica subsidiaries in Ellwood, Omaha, Neb., and Fort Collins, Colo., were combined, he noted.

"Without the master policy, settling this loss would have been an adversary effort," he said. "Instead, it was a cooperative effort."

A fire in the facility's shipping and receiving areas destroyed more than 8,000 square feet of a total 42,000 square feet occupied by two TechAmerica subsidiaries, Medico Industries and Med-Tech Veterinary Products Inc. on Oct. 5.

Although the fire was confined to the shipping and receiving area, there was smoke damage throughout the production, storage and office areas.

An investigation by the state fire marshal failed to determine a cause

for the blaze, noticed by second-shift employees and reported at 7:15 p.m. Although the fire originated in a no-smoking area, the investigation did not find TechAmerica liable.

Damage to the buildings plus the cost of cleaning and repairing totaled \$620,000.

The balance of the loss was inventory, and TechAmerica was insured for its market value.

Inventory valued at more than

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Super Sunday no big deal for risk manager at CBS

NEW YORK—Super Bowl XVI may be THE game of the year for football fans and advertisers alike, but it's just another Sunday for the old pros at CBS.

With an estimated \$20 million in ad revenues on the line from an event to be seen by 100 million viewers in 28 countries, you'd think the folks at CBS would be a little more concerned.

The very least they could do is spend a couple of million on a special event insurance policy.

The reason for CBS's rather laid-back approach to this year's Super Bowl, says Denis D'Oca, director of risk management, is that in many ways the championship confrontation really is just another football game for its seasoned group of broadcasters and technical experts.

"No matter what the event is, it gets down to the basics," points out Mr. D'Oca, who has been CBS's risk manager for the past six years.

The network's greatest exposure—next to a "dull game," notes

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Motion may delay multiemployer challenges

By JERRY GEISEL

WASHINGTON—Court decisions in some of the lawsuits challenging the constitutionality of a 1980 law that imposes enormous new liabilities on companies that leave multiemployer pension plans could be delayed if a Minnesota company has its way, pension experts say.

Witte Transportation Co., a Minneapolis-based trucking firm that shut down in June 1980, is asking a federal judicial panel to transfer to one court four lawsuits filed by employers hit with huge withdrawal liability claims when they left the

Central States, Southeast & Southwest Areas Teamsters' pension fund.

Consolidating the four suits, including Witte's challenge of a \$2.19 million claim it was assessed when it withdrew from the Teamsters' plan, "will conserve judicial time and energy and minimize the likelihood of inconsistent results," Witte said in a motion filed with the Judicial Panel on Multidistrict Litigation.

Aside from its own suit against the Teamsters' plan, Witte wants the multidistrict panel to transfer to one court suits challenging withdrawal liability claims filed by

Johnson Motor Lines of Charlotte, N.C., Transport Motor Express Inc. of Fort Wayne, Ind., and Sterling Automotive Manufacturing Co. of Elk Grove Village, Ill.

But lawyers for Johnson and TMX, whose cases are moving rapidly ahead, say a move to consolidate will delay getting a court answer to the question employers want answered now: Is the Multiemployer Amendments Act of 1980 constitutional? They have filed motions opposing consolidation.

The four companies together face Teamsters' withdrawal liability claims of more than \$27 million.

Johnson's liability claim alone is \$16.5 million—more than double its net worth (BI, July 20, 1981).

Those huge claims, and dozens of others, are the result the 1980 law that makes the employers belonging to the nation's 2,000 multiemployer pension plans responsible for paying a share of the plans' unfunded vested benefits if they withdraw.

That was a dramatic change from the previous law that allowed an employer to drop out of a multiemployer plan and escape paying liabilities if the plan did not collapse within five years.

Because employers' contributions

haven't matched benefits that were promised, many of the plans are poorly funded, leading to the enormous withdrawal liability claims now facing firms like Witte and Johnson Motor Lines.

One corporate response to the liability claims has been a wave of litigation. At least 46 different suits—including at least seven against the Central States plan—have been filed in federal courts, challenging both the withdrawal liability claims and constitutionality of the Multiemployer Amendments Act.

And the litigation is expected to expand as additional companies

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Master property policy helps drug firm rebound

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\$2 million was in the subsidiaries' warehouse at the time of the fire. "A substantial portion had to be destroyed because of potential contamination from the heat of the fire and all the remaining inventory had to be re-certified by the Food and Drug Administration," Mr. Scott said.

The manufacturer paid \$100,000 in coinsurance for the inventory lost in the fire and a \$2,500 deductible on the three-year policy.

Thanks to the master policy, cleanup, adjustment and replacement were able to begin at once.

TechAmerica employees were "back on the job the morning after the fire to help with the cleanup," Mr. Hornbuckle said. "As a result, we didn't lay off a single employee because of the fire."

Within 24 hours adjusters from General Adjustment Bureau, who worked with adjusters from Pacific Insurance, were on the scene. TechAmerica hired the Alex N. Sill Co. of Cleveland to coordinate loss accounting.

The FDA ordered TechAmerica subsidiaries to shut down for cleanup and the installation of new filters on pharmaceutical manufacturing equipment, but it "approved our game plan for cleanup and swift re-certification," said Mr. Hornbuckle.

"We were able to start production on some of our lines 10 days after the fire and we were in full production by Nov. 2."

He also credited the building's contractor, Lawlon Construction Co. of St. Joseph, Mo., for "coming in ahead of schedule" on repairs.

The fire loss is not likely to have an immediate effect on the company's property insurance rates, Insurance Management's Mr. Scott said, since the policy was underwritten for a three-year period and the expiration date is not until 1984.

Although TechAmerica's subsidiaries did not rate as highly protected risks, "they come close to it in the excellence of their house-keeping," Mr. Scott noted.

Sprinklers, a requirement of an HPR rating, were not installed, Mr. Hornbuckle explained, "because the damage resulting from water sprayed on chemical powders used in our production lines would be greater than the fire hazards sprinklers are designed to protect against."

Another loss-prevention feature, firewalls and fire doors, kept TechAmerica's fire from becoming a tragedy, he noted.

"Our flammable liquids room containing sixteen 55-gallon drums of ethyl alcohol was in the middle of the fire area. The walls and door held, and though some of the tops of the drums buckled because of the heat, there was no explosion," he said.

AT&T divestiture may mean separate benefit packages

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of health care may seek higher deductibles and coinsurance levels in their group health insurance plans, said Kenneth Keene, senior vp at Johnson & Higgins here.

In addition, financially weaker telephone companies may not be able to afford the same generous benefit packages as stronger phone companies, Mr. Keene said.

AT&T officials emphasize that it is too soon to say for sure if national wage and benefit agreements with the firm's 700,000 union workers will no longer be possible once divestiture is completed.

"We haven't had time to examine the effects," said Keith Gibson, AT&T's chief actuary. "We have six months (the deadline AT&T has to submit a divestiture plan to the government) to decide. Right now, we'd just be spinning our wheels."

In a statement, AT&T stressed that benefits promised in its August 1980 contract with its unions will continue until the contract expires in 1983. "The decree will not alter any existing bargaining agreement," the communications giant said.

For example, AT&T will offer a new vision care pro-

gram next January as agreed to in the 1980 contract, said D.G. Stauffer, divisional manager in Morristown, N.J.

AT&T also said that pension benefits promised to employees and retirees will continue as guaranteed in the last contract.

Chief actuary Mr. Gibson hopes that AT&T will be able to continue to maintain its two giant pension plans—the Bell System Management Pension Plan with 283,000 active participants and the Bell Pension Plan with 637,000 participants—after the divestiture.

But even if that is not possible, as many pension experts believe, AT&T could, with little difficulty, spin off pension assets and liabilities so that its current subsidiaries could set up their own plans.

AT&T has maintained such excellent financial records that it knows exactly how to attribute pension assets and liabilities to its subsidiaries.

The Pension Benefit Guaranty Corp., the federal agency that guarantees workers' pensions, and the Internal Revenue Service would not object to such a spin-off of assets as long as plan participants continue to receive promised benefits.

Ex-Lloyd's officer decries regulation

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powers we had under the old bill," he said. "I don't believe the Lloyd's bill would have helped prevent a Savonita or a Sasse," he said, referring to two controversial large losses that have hit Lloyd's in the last few years.

But the bill as it now stands, with divestment of brokers from underwriting agencies and with working and non-working names voting for different council members, may hinder Lloyd's future, he said.

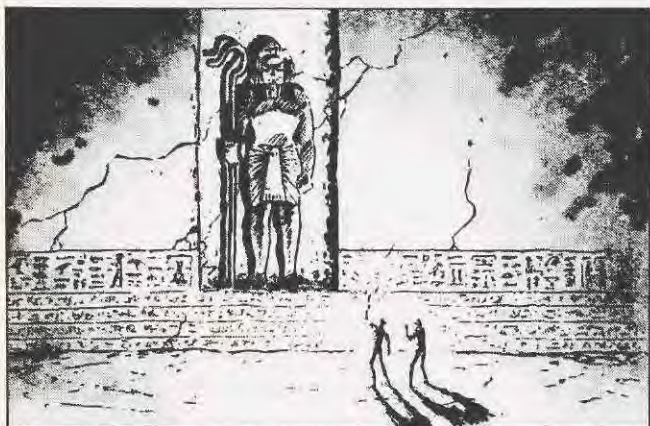
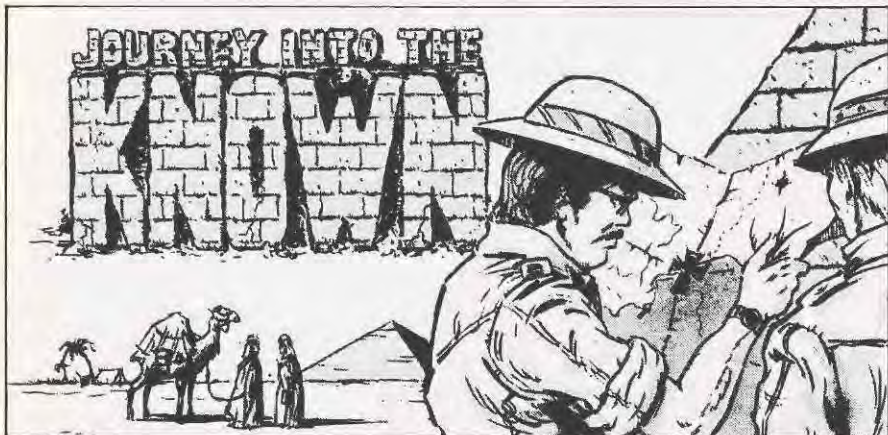
"I don't fear the future of Lloyd's as long as we can be the yeast in the

insurance world. Lloyd's will never be the biggest insurance market in the world, but as long as it is innovative, it doesn't have to fear competition. What I don't want to see is this innovation lessened by regulation.

"It is a great tragedy of the Fisher Working Party (which drafted the bill) that it spent a lot of time and money about the procedure and less about how to deal with our competition. The competition Lloyd's is facing is better financed than it used to be and, therefore, a bigger threat," he said.

Mr. Kiln cited another reason that may have influenced his decision to resign from the Lloyd's Committee, effective Jan. 1. He was hoping to be appointed deputy chairman this year, but only won election as an ordinary committee member.

In last week's election for Mr. Kiln's vacant committee seat, Ian Posgate, chairman of Alexander Howden (Underwriting) Ltd., won a narrow victory over Peter Thomas Daniels, a former deputy chairman of the Lloyd's Underwriting Agencies Assn.



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editorial opinions

A time to share

RAISE HEALTH PLAN deductibles. Require employees to pay part of this year's health insurance premium increase.

Impossible? No.

Take a look at what the workers of recession-squeezed industries are willing to accept this year in contract negotiations, as reported this week by Associate Editor Bill Densmore (see story, page 1). The benefit cuts accepted to date were in the face of localized plant closings. But the United Auto Workers' negotiations appear to be heading toward reduced benefits, too, with the goal of passing reduced labor costs onto consumers in the form of lower car prices to stimulate slumping sales.

Employees, who have long expected to receive the benefit increases won by major unions, won't be surprised to find that when the recession turns the tide the other way, they face benefit cost controls.

Your employees wouldn't be shocked to find this year you, too, are raising deductibles and asking them to help pay for their costly health insurance plans. Even in the oil industry, workers are settling for less than they originally demanded, recognizing that the country is in a recession.

We know the arguments against these moves. Workers don't want to lose even more of their inflation-battered purchasing power to bigger health care bills. And cost-shifting such as this won't solve the problem of rising health care costs, it's said.

We don't think it's unfair, however, to ask employees using health insurance to pay a larger portion of those bills today. If a \$100 deductible was fair a few years ago, a \$200 deductible is certainly fair now. And when introducing a higher deductible, consider announcing that the deductible will rise each year in line with the inflation rate for health care.

Likewise, introducing employee contributions to health insurance costs also is legitimate given the dramatic rise in the cost of the benefit. The initial contribution could be relatively small in formerly employer-pay-all plans, with the employee's future costs tied somehow to claims experience to encourage employees to be wiser consumers of health care.

Some employee benefit experts scoff at the short-term advantage of adding more cash to the business thanks to this cost-sharing, and they say it will do little to actually reduce the increasing cost of health care.

But, plenty of businesses could use the extra cash this year to cover various development costs that will promote their future. And we contend cost-sharing can help control rising health care costs, too. A recent Rand Corp. study, for example, showed that employees who didn't have to pay part of their medical bills spent 50% more on health care than those who paid bills under high deductibles and coinsurance clauses (*BI*, Jan. 4).

The researchers have yet to release their findings on the comparative health of the two groups. Those promoting first-dollar coverage say that high deductibles and coinsurance deter people from seeking needed medical care. We don't believe it deters the truly sick and expect the Rand Corp. researchers to find members of the study groups with different deductibles and coinsurance burdens to be equally healthy. If the research proves otherwise, we'll be converted to supporters of smaller deductibles and less coinsurance.

We want to stress that high-deductible and coinsurance plans also should cap an employee's out-of-pocket costs at a reasonable amount relative to income. Apply the same principle of insurance buying to these personal health plans that you apply to your corporate insurance: buy what you need to cover the losses that really hurt.

But besides asking employees to chip in for health care, be sure you have explored and are exploiting the possible cost savings offered by a myriad of other health care cost-control techniques, ranging from second opinions for elective surgery to health education and fitness to better claim controls. And, of course, be sure you are getting the best coverage for your money—and that of your employees.

It's clearly time for employers to reassess their benefit plan goals and costs. We doubt many employers can afford to cover cost increases in the 1980s as they did in the 1970s when benefit cost increases outpaced inflation by 58%, according to figures from the U.S. Chamber of Commerce.

Although certain cost-increasing developments of the 1970s—like funding mandates for pension plans under the Employee Retirement Income Security Act of 1974—won't be repeated in the 1980s, health care cost increases that contributed greatly to increased costs show no sign of slowing. Some cost sharing and cost control in health plans seem most needed.

letters

Hospice care not for cost-cutting

To the editor: An article regarding hospice care implies that it is something that "cost-cutting employers" may want to add to their employee benefit packages (*BI*, Dec. 14, 1981).

I fear hospice care is being done a great disservice by attempting to justify its merits on this basis. Our more than three years of experience with this benefit on an experimental basis certainly does not lead us to the conclusion that this is a cost-containing benefit, especially on a per-case basis.

Granted, expensive hospital stays may be eliminated or shortened. However, the alternative care provided in a coordinated hospice program—which usually combines both home care and inpatient services—appears in many cases to be as costly as hospital care. This is a result of hospice care being a very labor-intensive service, rendered by trained professionals in conjunction with family and volunteers.

We would hate to see disenchantment arise with this most humane concept of

care for the terminally ill simply because employers and third-party payers believed hospice offered a less-expensive mode of treatment and then were disappointed because this proved not to be the case.

The concept of hospice care should be valued for its appropriateness and support for dying patients and their families—not for its cost-saving potential.

Raymond W. Blosser
Manager
Health Care Planning
and Research Department
Group Hospitalization Inc.
Washington

Further regulation

To the editor: Why do regulators seem to get so protective of the companies they regulate? One would be inclined to believe they work for the companies rather than the public who pays them.

William H.L. Woodyard III, former NAIC president and Arkansas insurance commissioner, displayed this attitude when he stated that "self-insurance and captive insurance plans...operate at an unfair advantage against licensed insurers" and "we don't want the regulatory imbalance that drives premiums from in-

surers" (*BI*, Nov. 16, 1981).

It also appears that Mr. Woodyard, and other commissioners who share his concern, have not heeded President Reagan's message about unnecessary regulation. The solvency of non-admitted captives and commercial reinsurers is now regulated through admitted primary insurers that front for them or reinsure them. To qualify the assets involved, these non-admitted companies must provide letters-of-credit. Self-insurers must secure bonds to satisfy workers compensation and financial responsibility requirements. Excess and umbrella insurers impose a measure of control when there is no primary insurer.

Besides, whose record for solvency is better? From what I read, more admitted insurers seem to get into financial trouble than captives or self-insurers.

Lawrence J. Bell, CPCU, ARM
Assistant vp/risk management
Revco D.S. Inc.
Twinsburg, Ohio

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OSHA reviews standards on workplace carcinogens

By JERRY GEISEL

WASHINGTON—The Occupational Safety and Health Administration is reviewing the policy it uses to decide if a workplace chemical may cause cancer.

The carcinogen policy review, which was triggered by court decisions that said OSHA must prove that a chemical poses a serious risk before regulating it, will consider these issues:

- How should OSHA consider the cost-effectiveness of provisions regulating carcinogens?
- Should OSHA retain a no-exposure standard where a suitable substitute exists for the use of a potential occupational carcinogen?
- Should OSHA alter or con-

washington

tinue its process for reviewing data on substances linked to cancer and for setting priorities?

The announcement of the review was published Jan. 5 in the Federal Register.

New chief actuary

Harry Ballantyne, a veteran Social Security official, has been named chief actuary of the Social Security Administration.

He will provide actuarial cost estimates to determine the financial status of the Social Security system.

Mr. Ballantyne, who joined the Social Security Administration in 1958 as an actuarial mathematician, has twice received SSA's highest award, the Commissioner's Citation. He also received a special achievement award for his work with the 1979 Social Security Advisory Council.

Mr. Ballantyne, 46, replaces Dwight Bartlett, who resigned last October.

DC-9s to be checked

The Federal Aviation Administration has ordered special examinations of a section of the fuselage of aging McDonnell Douglas DC-9 jetliners to check and repair possible cracks in the aircrafts' skin.

The FAA ordered the inspections after cracks were discovered in seven old DC-9s that had made more than 43,000 landings; planes make about 3,000 landings a year.

The examinations must be conducted on 420 DC-9s that have made more than 30,000 landings.

Medicare proposal

The financially ailing Medicare program would receive a shot in the arm—from federal workers—under a proposal the administration is expected to send to Congress within the new few weeks.

Federal workers, who, unlike private employees, are not automatically covered by the Medicare program, would be required to contribute 1.3% of their salary—on earnings up to \$32,400—to help pay for Medicare.

In return, all federal workers would become eligible for Medicare.

The proposal, which Congress must approve, would pump an additional \$300 million to \$400 million annually into the Social Security Medicare trust fund.

Baggage liability

The Civil Aeronautics Board says it will consider eliminating rules governing airlines' liability for damaging or losing baggage.

Currently, airlines face a maximum liability of \$750 per passenger for lost luggage.

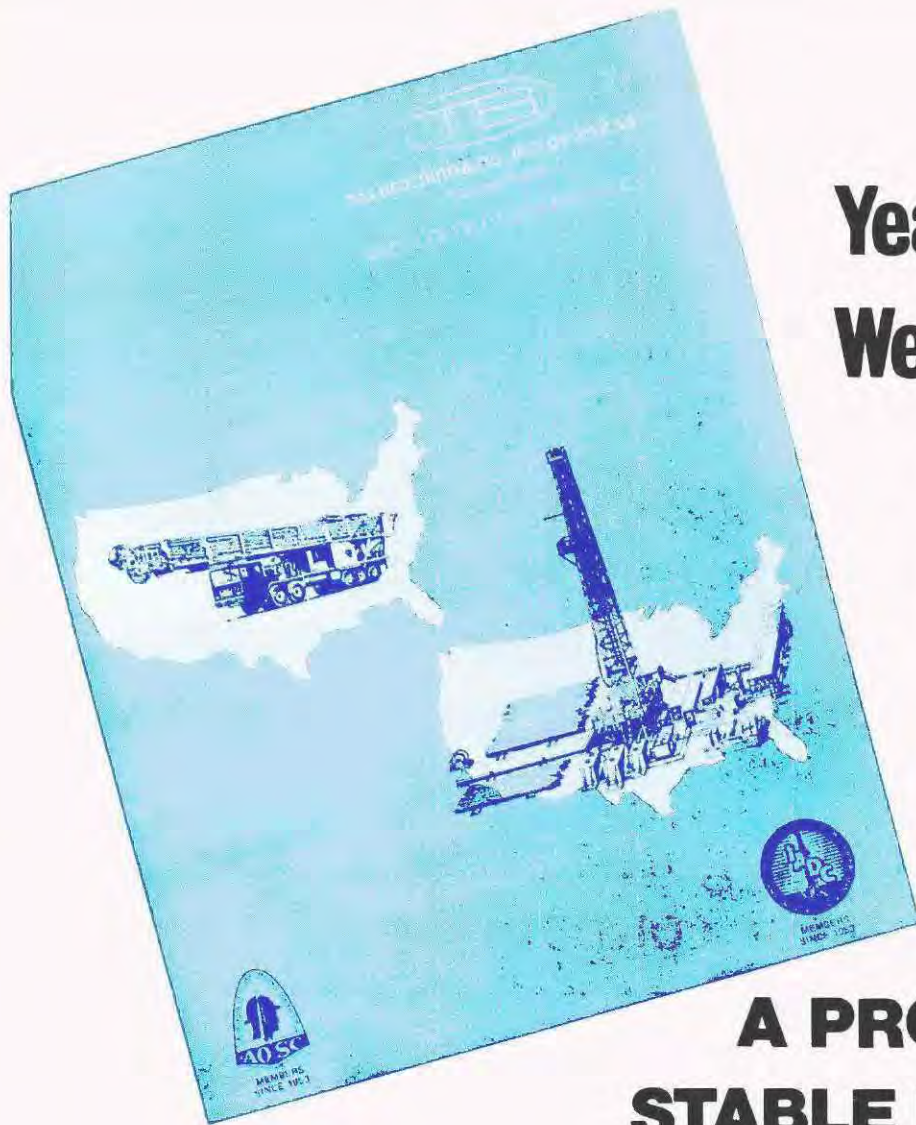
A formal proposal on airlines' baggage liability is expected to be published later this month in the Federal Register, the CAB said.

A little kinder

Mother Nature was a little kinder last year, the Federal Emergency Management Agency says.

Last year, 15 major natural disasters struck the United States, compared with the usual average of 28.

Major natural disasters in 1981 included tornadoes that swept through Alabama in April, severe storms and flooding that hit Texas in mid-September and the Nov. 28 fire that devastated a five-block area of Lynn, Mass. ■



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Zurich acquires Underwriters Insurance Group

Zurich Insurance Co. of Switzerland has acquired Universal Underwriters Insurance Group, based in Kansas City, Mo.

Describing the group as a "profitable, well-run company," a Zurich spokesman in the United States says the Swiss insurer sees the move as an opportunity to strengthen its position in the U.S. insurance market.

Universal, predominantly a property/casualty insurer, includes Universal Underwriters Insurance Co. and Universal Underwriters Life Insurance Co.

The acquisition is still subject to the approval of various regulatory agencies, the spokesman says.

Acquires control

Robert N. Hughes, president of the Dallas-based risk management consulting firm Robert Hughes Associates Inc., has acquired the 80% interest in the company formerly held by London-based Alexander Howden Group Ltd. for an undisclosed amount.

The "amicable transaction" effective Dec. 1, according to Mr. Hughes, was sought after U.S. broker Alexander & Alexander Services Inc. announced it would acquire Howden. An 80% interest in his firm held by a major U.S. broker was too close for comfort, explained Mr. Hughes, who says he values the status of an independent risk management consultant.

Mr. Hughes, who founded the firm in 1979 after leaving RIMCO Risk Management, also has realigned the structure of his company, reducing his staff from 14 to eight, in order to free himself from administration for consulting and to operate as a professional firm rather than a business, he said. He does plan to expand staff in the future as needed.

Currently six employees are located in Dallas, one in Calgary, Alberta, and one in El Paso, Texas.

Operations merged

General Accident Fire & Life Assurance Corp. Ltd. of Perth, Scotland, has merged its U.S. branch operations with Potomac Insurance Co. of Pennsylvania, its largest U.S. subsidiary.

Potomac also has changed its name to General Accident Insurance Co. of America. The group's operations will be transacted through General Accident and its three affiliates: The Camden Fire Insurance Assn., Pennsylvania General Insurance Co. and Potomac Insurance Co. of Illinois.

No change in the group's operation is involved.

Risk management

Beneville & Co. has been established to provide risk management services to businesses, schools, institutions and municipalities in the Southern California area.

Formed by Edward S. Beneville, who has 18 years experience in the insurance brokerage business, the new firm will concentrate on medium-sized accounts for those clients who can't afford the services of a full-time risk manager.

Mr. Beneville says he will use computers to develop data

markets

base systems for more efficient risk management.

Mr. Beneville previously owned Beneville Insurance Agency, which specialized in coverage for foreclosed properties and moped lines insurance.

Mr. Beneville's new company will operate from 18002 Irvine Boulevard, Tustin, Calif 92680; 714-544-3953.

Captive services

Becher & Carlson Insurance Services Inc. has been formed in California to provide specialized brokerage and insurance services, including treaty reinsurance, for captive insurance companies.

Established by David L. Carlson and William E. Becher Jr. of Becher & Carlson Risk Manage-

ment Services, the new firm is at 32107 Lindero Canyon Road, Suite 105, Westlake Village, California 91361.

A second company, Carlson & Becher Management Ltd., has been formed in Bermuda.

Its main function will be to provide administrative and management services for Bermuda-based captive insurance companies.

The captive management firm is located at Global House, Church Street, Box 2004, Hamilton, Bermuda.

Business acquired

General Re Corp. has agreed in principle to acquire the life insurance business of Republican National Life Group Insurance Co. of Dallas.

The agreement calls for the transfer of Republic's \$1.8 million of life reinsurance currently in force to Gen Re. Gen Re will collect an estimated \$16 million annually in premiums and assume the liabilities of the business. No cash payment was involved in the acquisition.

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If it comes to cutting, here's what could go

Continued from page 1

United Auto Workers, announced Dec. 18 it is increasing health insurance deductibles and coinsurance for 138,000 salaried employees.

However, benefits consultants, managers and labor officials offer no consensus on how widespread such efforts by employers will be in less hard-pressed industries. And even in the hard-hit industries, many unions are not ready to give in. But, benefit packages negotiated by the major unions generally set the pattern for other union and non-union benefit plans so progress toward new contracts is closely watched.

Some say in the end the emphasis won't be on benefits cuts but rather on controlling rising costs.

"Companies are going to review their benefit packages this year and see if they can just control their costs," says Donald R. King, group president of benefit operations at broker Corroon & Black in Nashville, Tenn. "I don't think we're going to see any significant reductions."

But for companies forced to break the bedrock of an increasingly costly health benefit program, the most likely moves and the order in which they should be approached seem to be:

- Intensified efforts aimed at long-term health cost containment, like health education for employees, refined recordkeeping to spotlight the most costly benefits or hospital procedures and greater involvement in programs backed by the U.S. Chamber of Commerce to build a partnership between providers and payers, such as putting more businessmen on hospital boards.

- Wider use of health maintenance organizations and outpatient facilities in cases where these options haven't been fully exploited and where their costs savings can be demonstrated. Flexible or "cafeteria-style" benefit programs were cited as innovations but not necessarily cost savers, especially for smaller companies where administration might be complicated.

- The addition or stiffening of requirements for second medical opinions before surgery.

- Further refining of coordination of benefits provisions so that an employee or dependent covered by two plans receives only the benefits afforded by the most generous of the two—like 80% of major medical expenses instead of drawing on the benefits of both plans to cover 100% of expenses.

- Attempts to shift some of the premium-payment burden back to employees, especially in the case of contributory plans that have only recently become fully funded by the employer. This was cited as a short-term solution only.

"I don't think getting an employee to pay a greater percentage of the premium is an effective cost-

Most can afford major illness: Study

WASHINGTON—Seven of 10 Americans say they are confident in their ability to meet the costs of a major illness, according to a survey conducted by the Health Insurance Assn. of America.

Some 85% of those polled said that they believe health insurance companies are generally fair in the way they handle health insurance claims.

Almost 70% said they believe health care costs could be reduced if people took better care of themselves, and 50% said they would be willing to pay higher health insurance premiums for coverage of preventive health care expenses like physical examinations. ■

control method," says Mr. Connelly of Maury, Donnelly & Parr. "Cost-sharing may help a guy's cash-flow picture next month, but it won't help his claims experience next year."

- Increased deductibles or establishment of a comprehensive deductible that includes items such as prescription drugs that previously were covered on a first-dollar basis by insurance. One consultant predicted efforts to tie deductibles to inflation and another suggested higher deductibles for higher-paid employees.

"Obviously, the \$100 deductible is outmoded," says Robert Byerly, executive vp of Financial Guardian Inc., a benefits consulting firm based in Kansas City, Mo.

- In the worst-case scenario, elimination of entire benefits like

dental, long-term disability or vision programs. Consultants agreed that such programs, because of their popularity, could only be eliminated at great cost in terms of employee relations.

In the pension area, several consultants cited interest from benefit managers in "defined contribution" plans in which an employer guarantees an annual contribution to a worker's pension instead of a "defined benefit" program that promises a percentage of pay after retirement.

"We see very few new defined benefit pension plans being adopted right now," said Financial Guardian's Mr. Byerly. "The obvious reason is an employer has a very difficult time knowing what he is promising an employee 10 to

15 years from now, let alone 40 years, with inflation the way it's been the last few years."

Employers spent \$435 billion on benefits in 1980, according to U.S. Chamber of Commerce's latest annual benefits survey of nearly 1,000 small and medium-sized companies (EI, Dec. 21). That's up from \$390 billion in 1979.

Benefit costs rose 58% faster than the inflation rate between 1969 and 1980, the Chamber found, while wages and salaries grew at about the same pace as inflation. The survey estimated the average annual cost of benefits among companies surveyed at \$6,084 per employee.

Benefit costs also may be affected by a Reagan administration proposal to reduce Medicare benefits to employees over age 65 who are covered by an employer's health plan.

Such an idea could increase private insurers' costs by 2% to 3% if implemented and the cost would be passed on to the employer sponsoring the plan, warns Elliot A. Segal, manager of health care cost containment for William M. Mercer Inc., the huge employee benefits consultant.

Mr. Segal, a former Democratic staff member on the House Energy and Commerce Committee, says health care costs will rise 20% to 22% in 1982, compared with an average 11% to 13% the last four or five years.

Mr. Segal believes that the removal of the threat of national health insurance has caused health care providers to be more bold about passing on costs they absorbed over the last few years for political reasons. ■

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Unions may be asked for benefit concessions

Continued from page 1
fective Jan. 1 after Gulf & Western threatened to take the plant to the Sun Belt.

The benefits losses include the elimination of a dental plan and three paid holidays. The agreement also includes an annual bonus plan and a production incentive program that will pay workers for increased output.

Progress in major union contract negotiations is closely watched by benefit managers and consultants because they often set the pattern for other union and non-union packages.

AFL-CIO President Lane Kirkland has been quoted as saying that unions represent about one-fifth of the American work force but determine wage increases for one-

half to three-fifths of American workers.

The nation's big labor-management "pattern contracts" haven't been negotiated yet, but there are at least three views on what will eventually happen:

- Major wage gains are unlikely, so attention will be focused on benefits. "My feeling is that out of the available money, health and welfare will assume a bigger role," says Norman A. Weintraub, chief economist for the Teamsters union, which represents about 300,000 truck drivers. "(Health) costs savings will be an extremely hot topic in negotiations." Efforts by labor to strengthen inflation-adjustment provisions of pension plans also is expected.
- Benefits will not necessarily be cut. Negotiations during 1982

will be different than in any previous year, says Barnet N. Berin, director of professional standards for William M. Mercer Inc. in New York. But Mr. Berin isn't sure benefits will be sacrificed. "Benefit cuts might be a strategy point, but when all is said and done, you're not going to see it," Mr. Berin says.

• Unions in industries facing layoffs may agree to more employee funding of health benefits in exchange for job security and better pension benefits, suggested consultant Alfred B. Fowler. "I think the emphasis is going to be on job maintenance," says Mr. Fowler, vp and head of the benefits department at Glenn, Nyan & Associates, a new San Francisco-based consultant.

"This economy is playing a lot of games with health programs," says

Len Teeuws, executive vp of TIC International Corp. in Indianapolis, which manages union-management benefit plans in the construction, retail food, printing and public employee sectors. "The old days of a 50-cents-to-60-cents-an-hour contribution to a health/welfare fund are out the window. You're talking now \$1.25 to \$1.50 per hour worked."

Employee benefits cost the employer an average of \$2.96 per hour worked during 1980, according to the U.S. Chamber of Commerce, and of that total, an average of 46 cents was the company contribution to life insurance, death, hospital/surgical and major medical benefits. Total benefits cost about 37% of payroll.

"In this economy, you're going

to have resistance to increased health insurance benefits or pensions," says Earl Palay, president of Martin E. Segal Co. in New York, the second-largest employee benefits consultant in unionized industries.

A major consideration on the management side of the table will be to increase employee premium contributions to health plans so benefit levels can be retained as health costs continue to rise during the next year. But the fear is that unions will not accept this and will see it as a strike issue.

"There already has been a pattern of companies asking for take-backs," says Reginald Newell, director of research for the Machinists union, which represents 72,000 aerospace and air transport workers whose contracts expire this year. "Contributory plans would certainly be a strike issue with our people."

Nonetheless, the question of employee contributions to health plans is "a very serious bargaining issue," according to Michael J. Rizzo, manager of employee benefits for Atlantic Richfield Co., which employs about 3,200 unionized refinery workers. In the refinery business, benefits average about 44% of payroll expenses, excluding vacations and sick pay, he says.

Mr. Rizzo's company is still negotiating with OCAW, the refinery workers' union. The union reached tentative agreement last week with Gulf Oil Corp. on a two-year pact that calls for more employee sharing of health insurance premiums.

Under the pact, which 3,000 Gulf refinery workers must approve and which most likely will be the pattern for the industry, Gulf has agreed to increase by \$17.50 per month its current \$120.50 per month contribution to family hospitalization benefits and add \$6 per month to the current \$47 a month it contributes to hospital benefits for single workers. An additional \$13.50 would be tacked on family plans next Jan. 1 and another \$4 to single-employee benefits.

But, the union had sought more. "We had proposed that the companies increase their share by \$30 a month," said Jerry Archuleta, a spokesman for the Denver-based union.

Hospitalization plans in effect differ slightly at each of Gulf's three refinery locations, the company said. Generally, however, the company's contribution had previously provided full funding of a single worker's premium and all but about \$30 a month for family coverage.

Since Gulf's payments are now fixed, the tab paid by refinery workers will depend on what happens to health costs over two years. The added payments by Gulf translates into a 14.5% boost this year for family plans and 12.8% for single workers—less than the expected escalation in both health care costs and premiums. The percentage hikes in the company share of the premium in the second year are 9.8% for family coverage and 7.5% for single workers.

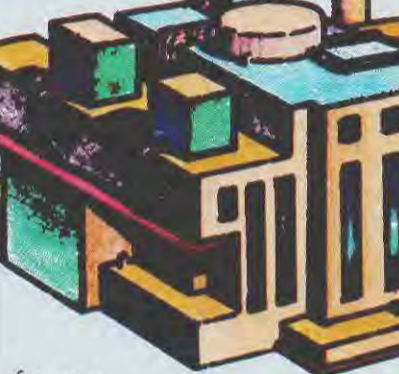
"I don't know if anybody knows what those (health cost) increases are going to be," said Mr. Archuleta, the union spokesman. "Whatever they are going to be, the employee will be picking up the cost."

Workers also will get a 9% pay boost retroactive to Jan. 1 and a 90-cents-an-hour hike on top of base pay next Jan. 1. Altogether, an average worker's wage will rise to \$13.61 an hour at the end of two years, compared with the current average \$11.66.

Other industries would like to
Continued on page 16

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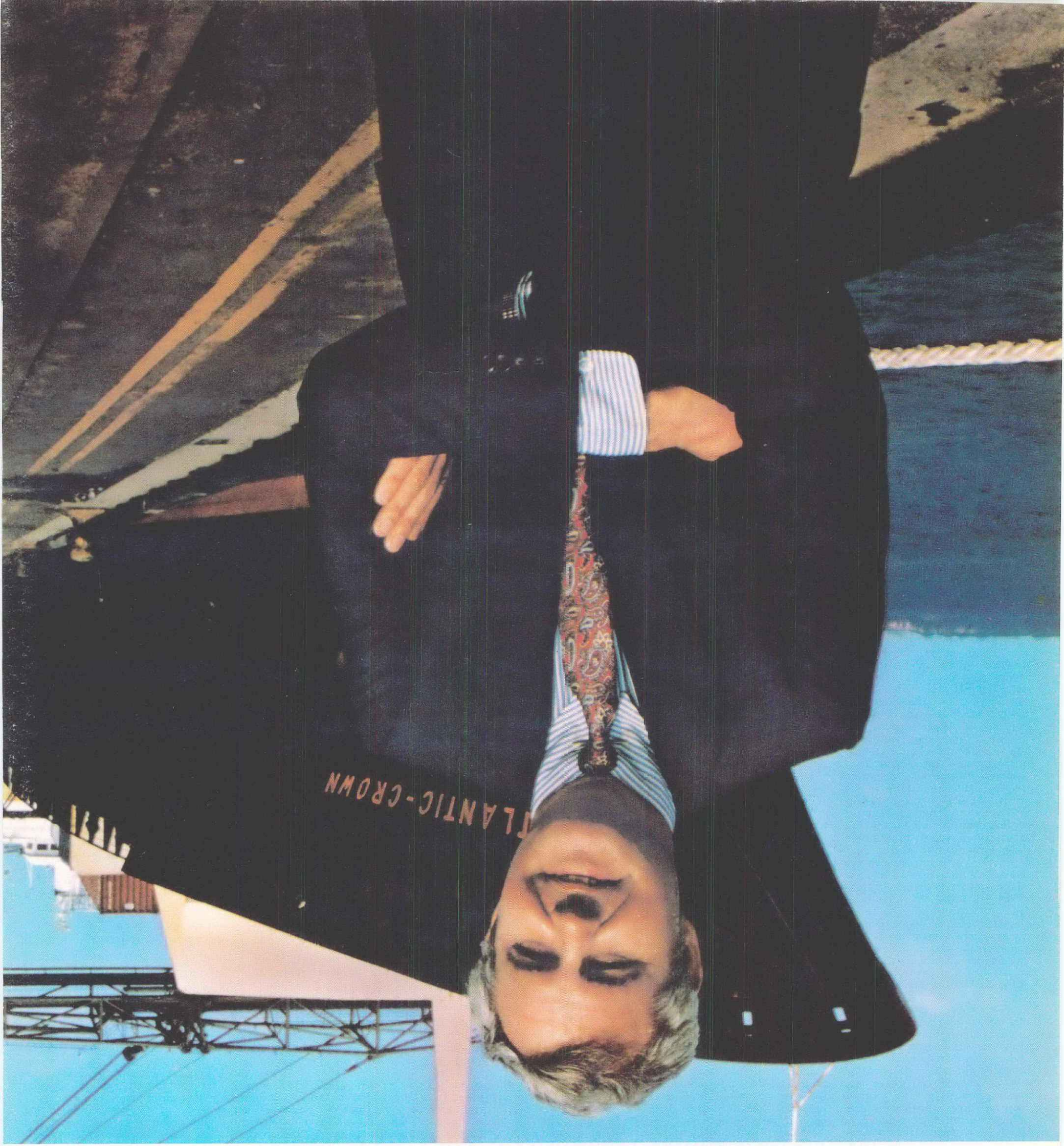
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Workers may be asked to share health costs

Continued from page 13
 achieve even better health care cost-saving gains with their unions, but will likely meet union resistance.

The UAW, which represents about 1.25 million workers in the auto and farm-implement industries, has sanctioned an early opening of contract talks with Ford Motor Co. and General Motors Corp., which are seeking concessions from the union that could include greater employee sharing in health care costs.

In a surprise move Jan. 12, the UAW and GM agreed that any savings from benefit concessions negotiated would be passed on to consumers in lower new car prices. Ford is considering a similar move.

In an interview with Crain Communications Inc.'s Automotive News late last year, Kenneth E. Olthoff, GM's general manager for worldwide employee benefits, predicted the company will seek greater use of co-payment arrangements for health insurance during the 1980s and the introduction of benefits based on seniority.

UAW President Douglas A. Fraser calls co-payment "impossible" and 30-and-out "untouchable."

Chrysler Corp. also may be considering increased employee contributions to health insurance costs. "I think we're possibly looking at co-payment in the medical benefit area," said a senior benefits manager at Chrysler.

GM already has increased health care costs for its white-collar workers. It raised deductibles from \$50 to \$125 for individuals and from \$100 to \$250 for families covered by its group medical plans for 138,000 non-union employees. The move, announced on Dec. 18, also will require employees to pay 20% of covered annual expenses after the deductible up to \$5,000. Currently, GM employees pay 20% of only the first \$2,500 in claims.

Ford's white-collar workers also are feeling benefit cuts, though not in the health care area. The company trimmed premium overtime, cut cost-of-living pay increases for time not worked, reduced retirement life insurance benefits and eliminated two vacation days for 62,990 salaried employees, effective Jan. 1. The Ford moves also eliminated all first-class air travel except overseas.

From the union side may come proposals for cost-control measures like mandatory second medical opinions paid for by the employer before a covered worker has elective surgery, says a United Auto Workers official.

"We have increasing interest in maybe a mandatory second opinion," said Patrick F. Killeen, a full-time health care consultant for the UAW in Detroit. "That's one I would predict there will be discussion of in negotiations."

One of the unions hardest pressed by the economy is the American Federation of State, County & Municipal Employees. Because of federal cutbacks, many states face a budget squeeze and are in no mood to be generous in granting wage or benefits improvements to workers, says Janet M. Kail, employee benefits analyst for AFSCME.

"We anticipate that there will be problems with benefit plans," says Ms. Kail. She says government agencies generally attempt to cut benefits because it is easier than trying to find cost-saving measures in health plans.

Among the proposals AFSCME will press for are employer-paid second-surgical opinion programs in health plans, she says, and additional first-dollar coverage for prescription costs and vision care.

"We would suggest that more jurisdictions look at coordination of benefits as a way of reducing claims," she adds.

In other areas, Mr. Palay of Martin E. Segal says he expects 1982 bargaining to include proposals to subsidize the early retirement of workers as an alternative to layoffs. He also says both sides may advance ideas for cafeteria-style health plans in which an employee may choose different benefit levels and pocket the difference.

This approach, Mr. Palay says, is expected to be advocated by the Reagan administration as a way of

rekindling price-consciousness on the part of employees using health services.

"People are going to want to do something about indexing pension benefits to inflation," added Mr. Newell of the Machinists union. With plant closings, he adds, the union also may try to have medical and health benefits extended to laid-off workers for one year from their date of termination.

Teamsters negotiators in the slumping trucking industry may be forced to consider management proposals for trimming "some of

the more esoteric" benefits like outpatient psychiatric or alcoholism programs, according to the union's Mr. Weintraub. That's because health benefits that used to cost \$10 a week now cost \$45.

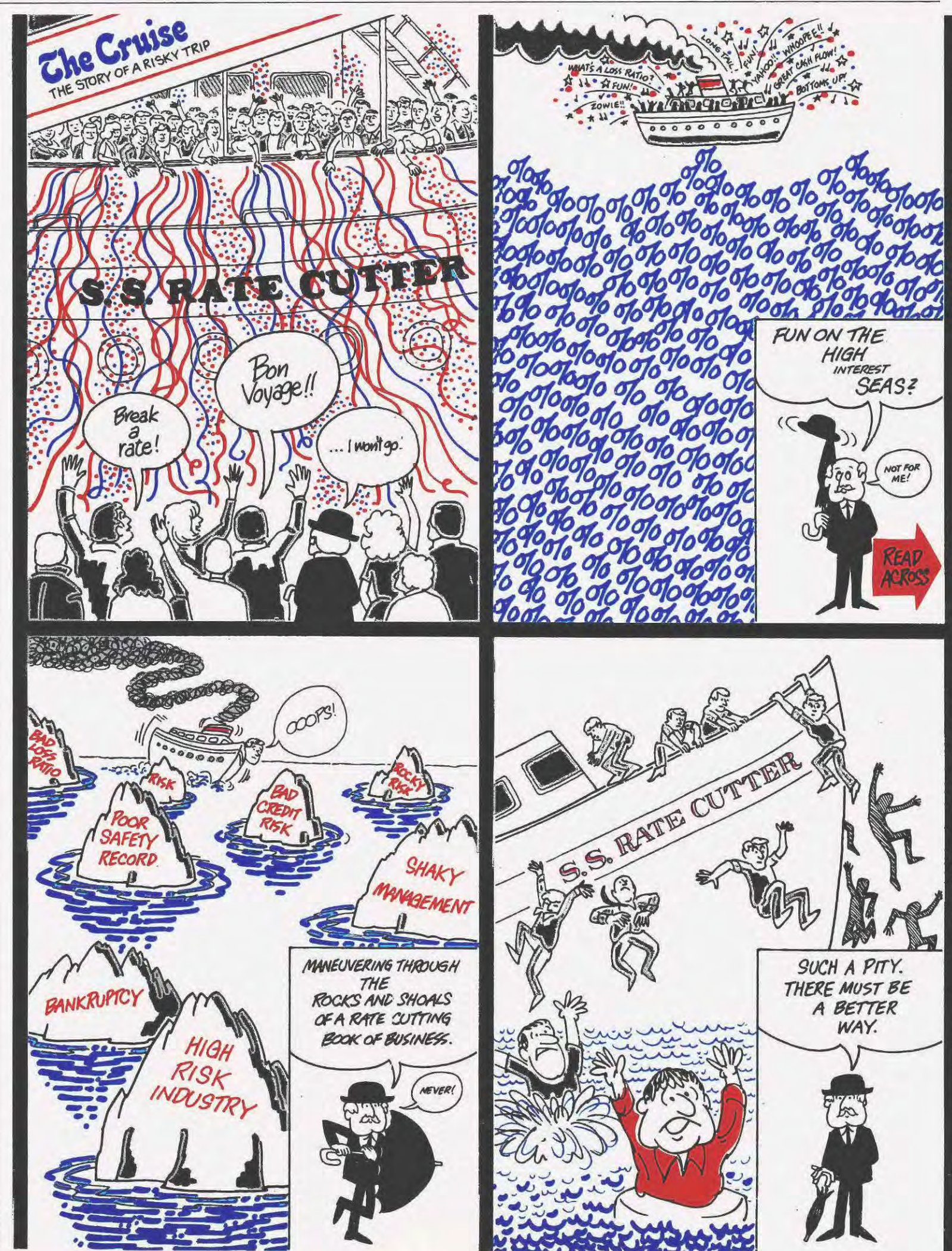
"And people can see it rising to \$80 or \$90 a week," he adds.

Working Teamsters who are more aware now of what inflation can do to a pension check over a decade may also support moves to shift some benefit money to increasing pension benefits to guarantee their financial futures, Mr. Weintraub adds.

In November, financially

strapped International Harvester Corp. asked UAW members for contract concessions by next Oct. 1 that would be worth \$100 million in annual savings. The union has said it will consider the proposal if it can get job guarantees in return. Similar requests from American Motors Corp., Massey-Ferguson Ltd. and Allis-Chalmers Corp. have been rejected by the UAW.

Harvester said the proposed cuts would come through deferred pension hikes, vacation and holiday cutbacks or early retirement benefits but didn't specify dollar amounts.



L.A. gets court's OK to drop Social Security

SACRAMENTO, Calif.—Los Angeles County's plan to leave the federal Social Security system at the end of the year does not violate state law, a California Superior Court judge has ruled.

Unless the decision is appealed by the state attorney general, the state's agent for receiving and disbursing Social Security benefits. Los Angeles County will be free to pursue its withdrawal plan, subject to some union negotiations.

More than 50,000 county employees would be affected by the proposed move to an alternative retirement plan, which county officials

around the states

say would save money. About \$115 million in annual employee and county contributions would be lost to Social Security if the county withdraws.

During the past four to five years, there has been an increase in the number of state and local governments considering withdrawal from the Social Security program, reports Haeworth Robertson, vp at William M. Mercer Inc. in Washington. Mr. Robertson was formerly

chief actuary for the Social Security Administration.

Social Security participation is mandatory for all employers except the federal government, state and local governments and non-profit organizations. A 1950 federal law opened the door to optional participation in the system for these groups. The same law permits such groups to withdraw from the system after 10 years of participation upon two years' notice to the Social

Security Administration.

Blue Cross rate hikes

HARRISBURG, Pa.—The state insurance commissioner has announced rate increases for group subscribers of Capital Blue Cross and Blue Cross of Lehigh Valley, effective Jan. 1.

For Capital Blue Cross, a 23.6% increase was approved for 217,000 group subscribers in 19 central Pennsylvania counties.

For Blue Cross of Lehigh Valley, a rate increase of 32.1% was approved for group subscribers in Le-

high and Northampton counties in groups of fewer than 30 subscribers.

The increase for Capital Blue Cross is less than requested because the department required it to reflect investment income in its rate request and reduced the amount that Capital Blue Cross factored in for contingencies.

The rate changes were necessary because of rising hospital costs and increasing subscriber utilization, according to the commissioner.

Work comp rate cut

COLUMBUS, Ohio—Workers compensation premium rates charged to local governmental units were reduced an average 3.5% on Jan. 1.

A decrease in four of the five rate classifications was recommended by the Bureau of Workers Compensation and approved by the Ohio Industrial Commission. This is the third consecutive year rates have decreased for most local governmental units.

The rate cuts are attributed to successful management of the investment portfolio that plows investment income back into the State Fund, according to Industrial Commission Vice Chairman W. Craig Zimpher.

Rate classifications for cities decreased 6.3%; village and township rates decrease 7.6%; school and library rates were cut 2.3%; and hospital rates were trimmed 1.9%.

County and special district rates, among the lowest charged to local government units, increased 3.3%. However, the rates are still 16% below 1979 levels.

Separate state workers compensation funds are maintained for municipal governments and private employers, a spokesman for the Industrial Commission said. Changes in employers' rates go into effect on July 1 and have not yet been announced.

Blues to hike rates

NEW YORK—The New York Insurance Department has authorized rate increases for Blue Shield of Central New York Inc. and Blue Cross of Central New York Inc., effective Jan. 1.

A \$6.1 million increase was granted for group and individual Blue Shield of Central New York subscribers. A \$7 million increase had been requested. The overall average increase was 38.2%.

Reasons for the rate hikes include increases in administrative expenses, utilization of services and physician costs and fees.

Some \$11.8 million of a \$14 million requested increase was approved for Blue Cross of Central New York, a 36.5% hike. The increase applies to both individual and group subscribers.

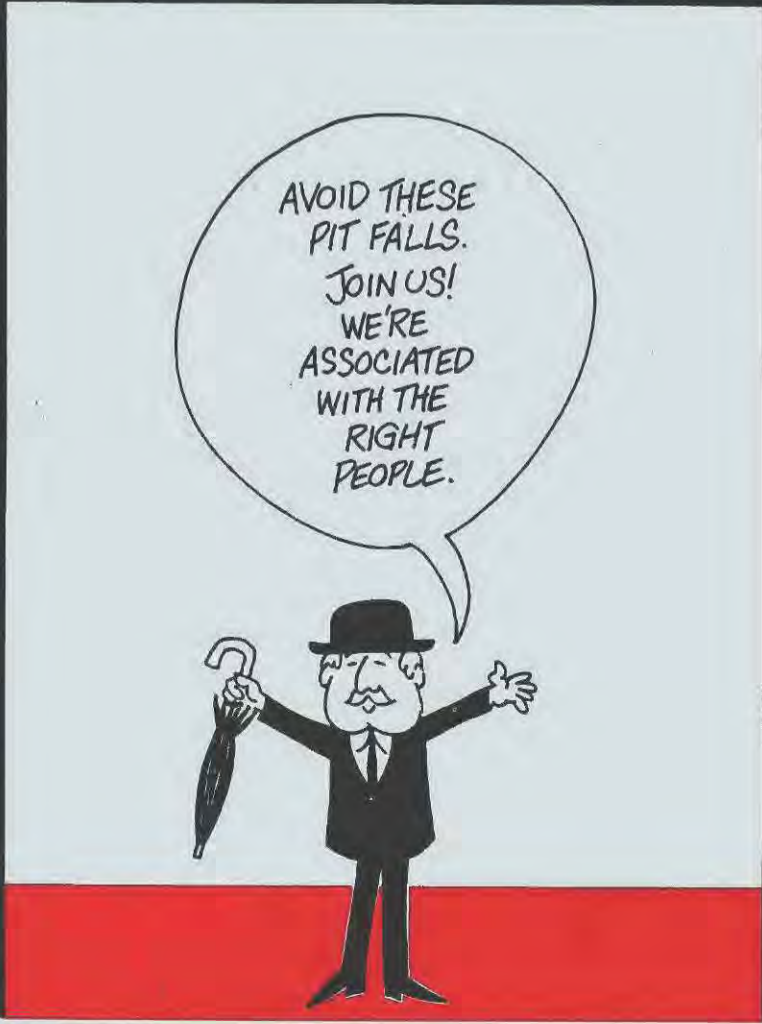
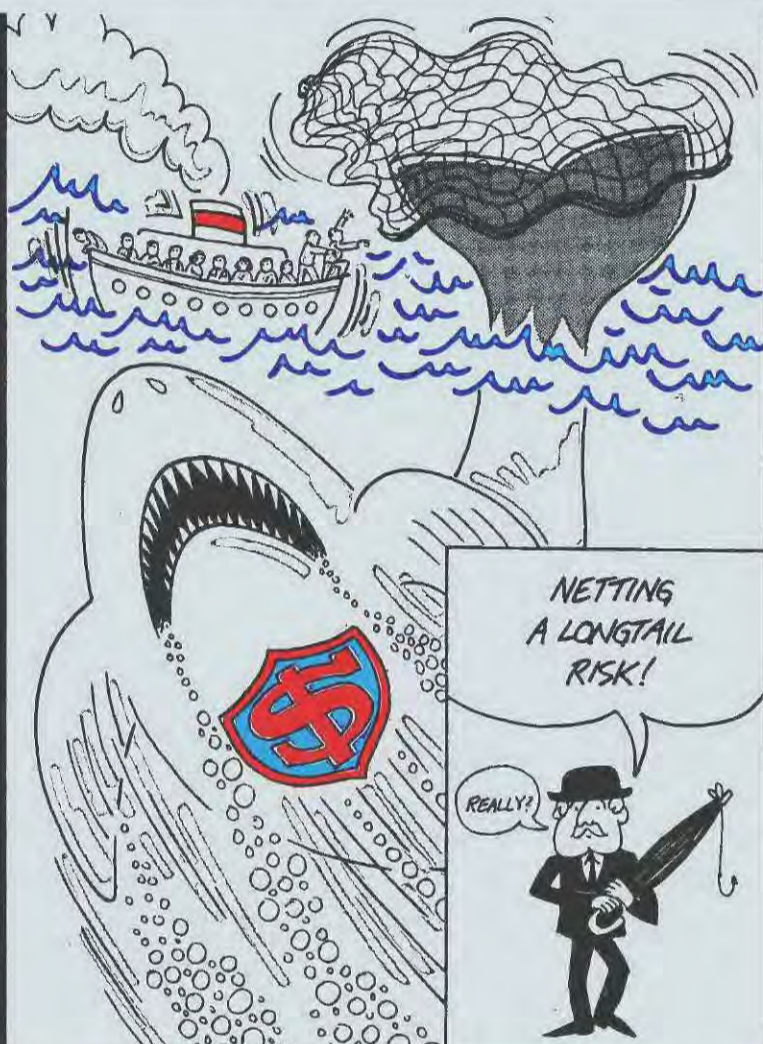
Comp rate requests

MONTPELIER, Vt.—Workers compensation insurers in Vermont are seeking a 10% average reduction in the rates state employers pay for coverage.

The request, filed for the insurers by the National Council on Compensation Insurance, would go into effect on Feb. 1 if approved. It requests an average 6.4% rate decrease for manufacturers, an average 14.8% decrease for contractors and an average 9.9% decrease for all other employers.

Meanwhile, New Hampshire workers compensation insurers are asking for a 9.4% increase effective Feb. 1, according to the NCCI.

The request proposes an average increase of 7.6% for manufacturers, 6.4% for contractors and 12.4% for other employers.



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perspective

Comparing comp systems

Study shows state funds are more efficient

By Barry T. Martin

WHO SHOULD provide workers compensation insurance: the state or the commercial insurance industry?

This question, which has been asked since the creation of the workers compensation system in the early 1900s, is still asked today.

The answer, based on an analysis of the efficiency of state funds compared with private insurers, seems to be the state.

There also is a theoretical reason for states to operate workers compensation funds, which can be appreciated when one considers the objectives of workers compensation laws.

The laws' objectives are to provide prompt and adequate medical and loss-of-income benefits to insured workers and to encourage a concern for safety in the industrial workplace.

The states, naturally, also felt a responsibility to guarantee employers access to fair methods of financing these costs. After all, states saw workers compensation as a form of social insurance, notes Albert J. Millus, former executive director of the State Insurance Fund in New York. And as a result, the states felt no private groups should be allowed to profit from the new requirements.

The states also believed they could offer a better financing arrangement to employers than the commercial insurance industry could, reducing costs to employers by returning operating profits to employers in the form of dividends.

Eventually, 18 states set up either monopolistic or competitive funds to finance the costs of workers compensation.

The insurance industry viewed the

establishment of state workers compensation funds as a direct criticism of its ability to meet the needs of industry.

Recently insurers also argued in "Workers Compensation: Why Private Insurance Outperforms State Funds," published by the Alliance of American Insurers, that they must operate on a basis of actuarial soundness while the states must merely remain solvent, requiring lower loss reserves. The insurers contend this provides state funds with an unfair pricing advantage. State funds are claimed to be less stable than private insurers because of this lack of reserves.

The alliance's report also suggests that political influence serves to keep state fund rates artificially low, causing any operating losses to be made up by subsidies from taxpayers, another unfair advantage.

Our analysis of state workers compensation funds, however, reveals that they administer their programs more efficiently than private insurers. Various loss and expense ratios published by the insurance industry were used as the starting reference point of this study. Similar information was requested from all 18 state funds. Comparisons were made between the state and private industry figures for the average loss ratio, loss adjustment expense ratio, administrative expense ratio and the combined loss and expense ratio.

Difficulties were encountered in extracting information from many state funds. Although most of the states were receptive to releasing information, the amount and type of information supplied varied. One state fund, Maryland, did not provide any information that could be used in this study.

Private insurers, in contrast, are required by law to provide specific information in a standardized format that can be used for comparison.

Information provided by 17 states was

then used to compute the various ratios for the state worker compensation funds for 1979. Cumulative material was provided by only a few states, but the 1979 results appear to be indicative of expense ratios over time.

The 1979 data was compared with the average ratios from private insurers to determine which insurance system sustained lower losses and expenses per premium dollars received and ultimately showed a more successful effort to decrease the costs of work-related injuries.

For 1979, the combined state loss ratio (losses incurred divided by premium) of 68.1%, compared with the private industry average of 70.4% for 1979, shows both systems are paying approximately the same amount in benefits to workers for each premium dollar paid by employers.

The loss adjustment expense ratio (loss adjustment expenses divided by premium earned) for the states was compared with that of private insurers to determine if either system was more or less exacting in its adjustment of losses. The 10 states that provided such information posted an average loss adjustment expense ratio of 5.4%, which was significantly lower than the 9.2% industry average for the same period.

This difference probably reflects a greater efficiency in loss adjustment by the state funds. If the states' average loss ratio had been significantly higher than that of private industry, then the lower loss adjustment ratio of the state funds would indicate a tendency for state funds to pay unjust claims.

It should be noted that the ratio of loss adjustment expenses to claims paid was 9.4% for the state funds, compared with 13.1% for the insurance industry. This ratio also indicates that the insurance industry is spending more money to adjust losses than the states do, yet their loss

ratios remain relatively equal.

The administrative expense ratio (administrative expenses divided by premium written), which is commonly used as a measure of the efficiency of the organization, produced the most significant difference between the state funds and the private insurers.

Using information provided by only 11 states, the average administrative expense ratio, based on their total results, was 5.6%. Their individual ratios ranged from 1.2% for Pennsylvania to 11% for Oregon. This average state ratio compares quite favorably with the 11.5% industry average found in Best's Aggregates & Averages.

It should be noted that this industry figure does not include commission expense, which is compared later.

None of the 11 state ratios was higher than the insurance industry average, which raises some interesting points. One possible reason for this difference is that the amount spent for engineering and other loss-control services provided by the state funds is less than that provided by private insurers. No significant information was received, however, from the states regarding the amounts spent on these services.

If it is true that private insurers do allocate more funds for loss-control services, then one would expect their incurred loss ratio to be lower as a result. However, this is not the case.

Loss-control services are often considered socially and economically beneficial because their objective is to reduce work-related injuries and their costs. The discrepancy found between state and private insurer administrative expense ratios seriously questions the cost-savings of those methods used by insurers to reduce both accident frequency and severity. That is, while private insurers may be spending more on

Continued on next page

Results of 17 State Work Comp Funds

State	Market share	Premium earned	Losses incurred	Loss ratio	Written premium	Administrative expense	Administrative expense ratio	Loss adjustment expense	Loss adjustment expense ratio
Arizona	39.7%	\$105,202,822	\$61,111,283	58.1%	\$108,318,472	\$11,535,738	10.7%	\$8,702,711	8.3%
California	17.4	449,875,313	306,555,038	68.1	454,195,220	35,599,987	7.8	33,301,567	7.4
Colorado	54.5	93,655,956	69,490,863	74.2	93,655,956 ³	3,728,228	4.0	3,564,460	3.8
Idaho	21.8	12,239,010	9,209,825	75.3	N/A	N/A	N/A	N/A	N/A
Michigan	8.9	17,961,867	14,183,883	79.0	16,514,335	1,512,561	9.2	965,382	5.4
Montana	47.1	22,809,346	16,865,952 ²	73.9	N/A	N/A	N/A	N/A	N/A
Nevada	M*	108,374,000 ¹	96,717,000	89.2	108,959,000	5,134,000	4.7	6,059,000	5.6
New York	32.7	421,096,364	277,773,198	66.0	N/A	N/A	N/A	N/A	N/A
North Dakota	M*	23,590,810	32,802,652	139.0	N/A	N/A	N/A	N/A	N/A
Ohio	M*	606,572,439 ¹	332,808,819 ²	54.9	N/A	N/A	N/A	N/A	N/A
Oklahoma	20.7	44,318,771	40,455,067 ²	91.3	44,318,771 ³	886,375	2.0	2,245,146	5.1
Oregon	55.2	222,195,463	163,834,165	73.7	222,195,463 ³	23,293,929	10.5	8,699,438	3.9
Pennsylvania	10.9	128,148,902	129,966,548	101.4	128,709,036	1,518,385	1.2	12,100,571	9.4
Utah	65.5	28,403,222 ¹	22,287,825 ²	78.5	28,403,222 ³	1,643,653	5.8	674,646	2.4
Washington	M*	455,533,537 ¹	233,563,274 ²	51.3	455,533,537	8,836,384	1.9	13,574,300	2.9
West Virginia	M*	107,898,987 ¹	130,113,414	84.1	N/A	N/A	N/A	N/A	N/A
Wyoming	M*	22,731,533 ¹	17,465,775	76.8	N/A	N/A	N/A	N/A	N/A
Totals	22.4%	\$2,870,608,342	\$1,955,204,581	68.1%	\$1,660,803,012	\$93,689,240	5.6%	\$89,887,221	5.4%

M*: Monopolistic state fund

¹Premiums written

²Losses paid

³Earned premium

Sources: American Assn. of State Compensation Insurance Funds & state compensation insurance fund 1979 fiscal reports; compiled by author.

Barry T. Martin, ARM, is an insurance analyst in the risk management department of Kellogg Co. in Battle Creek, Mich.

thrift tips

'Phantom benefits': LTD plans reduced by other disability payments

By Peter B. O'Brien

PHANTOM BENEFITS. That's the label I've applied to some long-term disability plans that pay little or nothing at claim time.

An employee making a claim often

realizes the LTD plan was promoting benefits that do not materialize. The reason stems directly from the surprisingly long list of other disability income benefits that are subtracted from the advertised LTD benefits.

This list of benefits typically subtracted includes Social Security disability payments, workers compensation benefits, state-mandated "cash sickness" plans, short-term disability payments, pension disability payments, group travel and voluntary accident disability payments, profit-sharing disability payments and other employer-sponsored disability programs.

If an employee-paid plan pays little or no benefits, conceivably a disillusioned employee could take action against his employer.

One solution to eliminate the phantom benefit is for companies to "pump up" the minimum and maximum benefits. Employees will then receive a fair return on their contributions.

A minimum benefit of 25% of salary seems to be a reasonable figure in inflationary times. For a

Old vs. New Primary Payments

Age	Old primary maximum benefit	New primary maximum benefit	Reduction
20	\$757.40	\$757.40	\$ 0
25	757.40	735.90	21.50
30	735.90	683.10	52.80
35	676.10	655.80	20.30
40	643.70	633.50	10.20
45	622.20	618.80	3.40
50	608.60	608.60	0

maximum, the old figure of \$2,500 per month is updated to \$5,000 or even \$10,000 monthly. Like many life and health plans, it's not unthinkable to imagine an unlimited monthly maximum.

The largest amount subtracted from long-term disability payments is Social Security. Social Security disability payments are generally integrated with the LTD payments, either completely or partially. This usually means a reduction of the primary disability benefit.

The second solution involves integrating a percentage of the primary or full-family benefit with a custom-tailored policy. One of the best ways to eliminate a large reduction in LTD payments is to integrate the plan only with primary Social Security benefits.

The third solution was introduced with the disability amendments of 1980 to the

Social Security Act. Now disability benefits will be based on indexed earnings averaged over a greater number of years. This will effectively reduce the Social Security disability benefit deducted in the future.

(The chart compares how the 1982 base benefits compare with the payments that would have been made under the previous procedures.)

Concerning family benefits, the maximum amount at higher earnings levels is now limited to 150% of the primary benefit, instead of the previous 175%.

Because of this reduction, a smaller portion of the Social Security benefit will be subtracted from the LTD benefit. So the LTD insurers will end up paying more of the total claim, helping to pump some life into what otherwise can be a phantom benefit.



Peter B. O'Brien is a vp and senior employee benefits coordinator at Alexander & Alexander of New York Inc. His column will appear the third Monday of each month in Perspective.

State funds vs. insurers: Which one is better?

Continued from previous page

loss-prevention services, their efforts do not seem to be significantly reducing losses when compared with risks insured by state funds.

Another interesting point raised by the difference in administrative expense ratios involves the exclusion of commission expense from both ratios.

When the industry average commission expense of 5.3% is added to the industry administrative expense average, it totals 16.8%. The state fund ratio increases by only 0.1% to 5.7% because most state funds pay no commissions. Instead of obtaining coverage through an agent, employers are usually requested to complete an application. The applications are then processed by salaried personnel.

For those funds that do use agents and furnished data for this study, the ratio of commission expense to premiums written was less than 1%, a minor increase in the administrative expense ratio. Using this comparison, the benefits provided by agents and brokers, since these benefits are included in the expense ratios, must be questioned.

Again, there is no significant difference in loss ratios between state and private insurers, and yet the private agents and brokers require approximately 5% of the premium dollar for the services they provide. These services include loss adjustment help, exposure identification and employee education.

These services were created with good intentions and are beneficial to society. Yet with the objective of reducing losses, the efficiency of methods used to provide these services is questionable.

The combined loss and expense ratio totaled 96.4% for the industry and 79.2% for state funds, a total difference of 17.2%.

One explanation for the whopping difference is that the direct lower underwriting expense of the state funds is due to their inability, for the most part, to reject or refuse coverage to an employer. This lack of the right to reject business should, theoretically, result in higher losses due to the consequences of adverse selection. As shown earlier, however, the state funds' loss experience was no different than that of the private insurers, who do have the right to refuse coverage.

The state funds' lower underwriting expenses raises one further question: Are these savings being returned to the employers? To achieve the funds' ultimate goal of lowering the costs of workers compensation to employers, the savings in operations must be passed on to the employer in either lower premiums or dividends.

The state-administered funds have no option but to return any savings or operating profits back to their policyholders, says Glenn Adams, manager of Colorado's fund. The Colorado fund has historically charged lower premiums and paid higher dividends than its competitors in the Colorado market.

The state funds have consistently posted modest expense ratios, according to a September 1980 publication by the American Assn. of State Compensation Insurance Funds. "The average expense ratio for state funds varied little from the 11% level they achieved in 1925. In fact, the average expense ratio for funds from 1974 through 1978 was 7.1%. This consistently low expense figure has forced private insurers to lower their expense ratios over the years to a more acceptable level."

The market share held by the individual competitive state funds can be viewed as the buyers' opinion of their effectiveness and overall operations. According to the

American Assn. of State Compensation Insurance Funds, market shares in 1979 for competitive state funds vary from 8.9% in Michigan to 65.5% in Utah. In all states, except Pennsylvania, the state fund has a larger market share than any commercial insurer.

Some of this difference in market share results from the funds' reputation, as well as restrictions placed on certain funds by their respective states. In Oklahoma, for example, the fund is prohibited from actively soliciting business.

With the entire competitive state fund market taken into account, the funds have a 22.4% market share, or over one-fifth of the entire market. Considering that each state fund is but one insurer in a competitive market, the 22.4% speaks very favorably for the funds.

It appears that the savings offered by state funds result partly from the elimination of certain services and expenses. The services provided by private insurers may be beneficial, but the value of these services is questionable since losses were not reduced. The leading market share held by 11 of the 12 competitive funds indicates their savings are being recognized by employers.

This study has not attempted to examine the operation of any one state fund in particular, but to consider the concept behind the use of state facilities for providing workers compensation insurance. Although there is wide variation among the results reported by the individual state funds, the concept proves to be generally valid.

Perhaps all state funds and private insurers will more closely examine their operations and find methods of improvement that result in a better workers compensation system and a safer industrial environment.

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THE SPECIALISTS

Pension costs per employee grow at record pace in 1980

By JERRY GEISEL

NEW YORK—Corporations' pension costs per employee increased in 1980 at a record level, but employers' total pension costs eased, according to a new study.

Led by spiraling pension costs in the automotive industry, average pension costs among the nation's largest industrial corporations polled in the latest Johnson & Higgins pension survey climbed to \$1,329 per employee in 1980, up from \$1,185 in 1979, a 12.1% increase.

That is the biggest percentage rise in pension costs per employee since J&H, the nation's fourth-largest insurance broker, began surveying large corporations' pension costs in 1977. The corresponding increase in 1979 was 11.8%.

Pension costs per employee rise when companies pare their employment rolls when the economy turns sluggish. As employment rolls plunge, pension dollars are concentrated on fewer employees.

For example, in the automotive industry, which began to lay off large number of workers in 1980 as sales stalled, pension costs per employee jumped to a whopping \$3,200, up from \$2,399 in 1979, a

33.4% increase. That was the greatest percentage increase among the 27 industrial groups that J&H surveyed.

Other industries with high pension costs per employee in 1980 include: utilities, \$2,421, up from \$2,235, an 8.3% climb; metal manufacturing, \$2,228 from \$2,077, a 7.2% rise; and office equipment, \$1,810 from \$1,604, a 12.8% increase.

To get a handle on corporations' pension costs, J&H examined pension data contained in the annual reports of 470 of the Fortune 500 industrial corporations and 175 of the largest non-industrials in each of four categories: commercial banking, retailing, transportation and utilities.

Pension costs per employee slightly declined in industries where employment grew. For example, in the apparel industry, where employment rose 8.1% in 1980, pension costs per average employee dipped to \$320 from \$340 in 1979. In the booming mining and crude oil production industry, where the number of employees climbed by 1.3% in 1980, pension costs per employee slipped to \$1,803 from \$1,822 in 1979, a 1% drop.

While pension costs per employee increased at a record level in 1980 as employment rolls shrunk, corporations' total pension costs eased as the number of employees decreased. The companies surveyed in the Fortune 500 industrial group shelled out \$21.47 billion to maintain corporate pension plans. That 10% rise over the \$19.52 billion spent on pensions in 1979 compares with a 15.9% boost in 1979 over 1978 costs and is the smallest increase since 1977.

"This comparatively lower pension cost increase is most likely to be the result of favorable investment performance during 1979-80, combined with a decrease in the average number of employees," J&H noted. "Higher unemployment means lower payrolls and less coverage."

Total pension costs among industrial firms increased the most among the six surveyed soap and cosmetics companies, which reported a 20.3% hike in 1980 to \$109.8 million from \$91.3 million in 1979.

The tobacco industry and scientific measuring and photo equipment industries tied for the second-highest increase in total pension

costs: 17%.

The four tobacco companies surveyed spent a total of \$222.5 million on their pension plans in 1980, compared with \$190.1 million in 1979. The 15 surveyed firms in the scientific measuring and photo equipment group contributed \$825.2 million, compared with \$705.5 million in 1979.

The average pension cost per company among Fortune 500 industrial giants in 1980 moved ahead to \$45.7 million, up from \$41.5 million in 1979.

Companies in the motor vehicle industry spent the most on pension plans in 1980—an average of \$198.8 million per company, compared with \$178.6 million in 1979, an 11.3% rise.

In the industrial and farm equipment industry, pension plans cost the average company \$137.6 million in 1980, compared with \$118.9 million in 1979, a 15.7% increase. Companies in the metal products industry plunked down an average of \$66.4 million to maintain pension plans, a 16.9% rise over 1979's average company cost of \$56.8 million.

When pension costs are considered as a percent of pretax profit among industries where more than one company was surveyed, the motor vehicle industry ranks first at an incredible 6,976.6%, up from just 29.2% in 1979.

This huge increase is a reflection of the hundreds of millions of dollars the automobile industry lost in 1980.

Much further back was the rubber and plastics industry where pension costs as a percent of profit among the six surveyed companies surged ahead to an average of 55%, compared with 42.8% in 1979.

The J&H report also found:

- Seventy-six companies increased pension benefits.
- Five companies amended their pension plans to make them non-contributory.
- Nine companies gave a general statement of the new liabilities they face under the Multiemployer Pension Plan Amendments Act of 1980.

Copies of "Funding Costs and Liabilities of Large Corporate Pension Plans: 1981 Executive Report," are available from Johnson & Higgins, Employee Benefit Plan Department, Research Unit, 95 Wall St., New York, N.Y. 10005; 212-482-6062.

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Circulation Breakdown*

Commercial Consumers	
Administrative Management: owners, presidents, vps, etc.	6,635
Financial Management: chief financial officers, vps of finance, secretaries, treasurers, etc.	9,335
Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,112
Government, Associations, Unions, Educational Institutions	952
Commercial Consumers Sub-total	22,034
Insurance Agents & Brokers	9,486
Insurance Cos.	4,486
Financial Institutions	292
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,135
Others allied to the field	752
TOTAL	39,185

*Source: Business/Occupational breakdown of qualified circulation, May 4, 1981 issue, as submitted to BPA for June 1981, BPA Publisher's Statement.

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Johns-Manville sues M&M for coverage gaps

Continued from page 3
 ance broker in a proper manner in accordance with the highest standards of the profession.

"Furthermore, it is clear that the charges of malicious conduct on which a claim for exemplary damages is made are baseless and, therefore, the claim for such damages is without merit."

A spokesman for M&M said "Johns-Manville is presently a client of Marsh & McLennan. Since we have a corporate policy of not discussing matters pertaining to clients in public, we can't comment on the lawsuit."

Curtis Caton, a San Francisco attorney for Johns-Manville, said also that the company and M&M

have agreed not to publicly discuss the case.

"Officials of Johns-Manville and Marsh & McLennan are in communication about the subject matter of the dispute," Mr. Caton said.

According to attorneys familiar with the litigation, damages in the suit could hinge on the outcome of an underlying suit brought in California against a number of insurers by four former asbestos manufacturers, including Johns-Manville.

To the extent the court decides that manufacturers rather than their insurers are liable for the claims, the suit against the broker seeks indemnification and other damages.

Manufacturers and insurers al-

ready are fighting in courtrooms across the country over how insurance policies years ago must respond to claims brought today for asbestos-caused injuries. But this appears to be the first case brought by an asbestos manufacturer against its broker. Attorneys close to the litigation contacted by *Business Insurance* could not recall any other asbestos manufacturer suing its broker.

In the complaint, it states that M&M each year since 1944 has obtained comprehensive general liability and workers compensation insurance and coordinated the acquisition and administration of the insurance into an overall package for Johns-Manville.

The suit specifically says:

"M&M orally and by virtue of its conduct agreed to provide J-M with the complete brokerage and insurance-related services described... at the highest standards of professional care and quality, in return for receiving J-M's insurance account," the suit says.

"Any failure of M&M to obtain and assure a full and complete insurance package for J-M, with coverage for all legal liability in the Underlying Actions... constitutes a breach of the oral and implied promises of M&M to provide insurance services described..."

"To the extent J-M does not have an insurance package with full coverage for J-M for all legal liability in the Underlying Actions... the resulting uninsured liability and costs of defense would be the primary fault and responsibility of M&M..." the suit adds in another count.

In addition, "M&M stands in a fiduciary relationship with J-M and has a duty to cooperate with and assist J-M, including a duty to disclose to J-M the facts and circumstances surrounding the placement of insurance..."

"M&M has breached its fiduciary obligation to J-M by its continuing failure and refusal to cooperate with and assist J-M..."

In addition to the substantial damages, the suit seeks an injunction compelling M&M to fully disclose information about Johns-Manville's insurance and a declaratory judgment on the manufacturer's right to indemnity from the broker. Attorneys' fees, the costs of the suit and other relief is also requested.

As of last week, a response to Johns-Manville's complaint had not been filed, according to David Foster, an attorney for Marsh & McLennan.

Risk manager part of J-M's losses

Continued from page 3

he had already been dealing with the legal side.

"I could see it (the constraints by the legal department) coming way before then," he said.

It became too much of a legal-type job, said Mr. Curtner, who is not a lawyer. A lot of decisions were based on a legal perspective and all risk management decisions were reviewed by the corporate counsel.

"It led to an erosion in other areas as well," he said. Other risk management functions began to take a backseat to the question of liability and the impact of asbestos litigation, he added.

Mr. Curtner said he spent about two-thirds or more of his time on areas affected by asbestos litigation, although much of it was by choice. "It had such a big impact," he said.

As it was, his responsibilities were "ill-defined," he said. Coverage issues, relations with insurers and

various court decisions caused attorneys to continually rethink various insurance and risk management issues.

Mr. Curtner praised the quality of people at Johns-Manville and said the problems did not involve their ability to do the job. "The problem is that they have too many chiefs," he said.

The current head of risk management for Johns-Manville, Rita Rubin, has the title of manager of insured programs. However, *Business Insurance* has learned that the company is seeking a risk manager at a reported salary of \$80,000.

"What fascinates me is where they will fit him into the organization," he said.

Mr. Curtner's salary at Johns-Manville was in the "high-40s."

A spokesman for the company would not confirm whether a risk manager was being sought or that an \$80,000 salary was being offered.

Ruling opens asbestos firms to more suits

Asbestos manufacturers could face more lawsuits following the Supreme Court's refusal to hear an appellate court decision that allows plaintiffs more time to sue.

Refusal to grant certiorari in Johns-Manville vs. White permits application of admiralty law in asbestos cases filed by shipyard employees and seamen in the 4th Circuit.

"The effect of the suit will be to allow asbestos victims a day in court who might not have had the opportunity," said attorney Richard Glasser of the Norfolk, Va., firm of Glasser & Glasser. He filed the suit on behalf of five Virginia shipyard workers. The decision applies only in the 4th Circuit.

Plaintiffs in Virginia were sometimes denied the opportunity to sue for asbestos injuries because the two-year Virginia statute of limitations ran from the date of the vic-

tim's last exposure to asbestos. Since asbestos-related diseases often are not apparent until many years after exposure, these victims could not sue, Mr. Glasser said.

At the same time, those who were exposed to asbestos and who sued within the two-year statute of limitations could not prove injury because the disease had not manifested itself, he added.

Under federal admiralty law, there is no specific statute of limitations. Plaintiffs are given a reasonable time to sue from the diagnosis of the injury. Admiralty law also provides other procedural benefits to plaintiffs that they might not get under Virginia law.

It incorporates strict liability that some states, including Virginia, have not adopted and also allows for certain damages in wrongful death cases that some states do not, he said.

The case so far is the only one to address application of admiralty law and does not extend beyond the 4th Circuit, Mr. Glasser said.

But he said that any future court that addresses the issue will likely follow the opinion.

A spokesman for Eagle-Picher Industries Inc., one of the companies appealing the case, played down the impact of the decision.

Rod Nall, vp of investor relations, said that the Supreme Court decision would not likely have an effect on other states in the 4th Circuit that have more liberal statutes of limitation laws than Virginia.

Other firms that sought Supreme Court review of the case included Johns-Manville Corp., Owens-Corning Fiberglas Corp., Unarco Industries Inc., Raybestos-Manhattan Inc., H.K. Porter Co., Celotex Corp., a unit of Jim Walter Corp., and Pittsburgh Corning Corp.

M&M plans reorganization

Continued from page 2
 U.S.-only Marsh & McLennan Inc. brokerage subsidiary greatly expands the business under M&M Inc. President Robert Clements.

Becoming part of M&M Inc. are M&M International Inc., the foreign M&M offices, and C.T. Bowring Ltd. in the United Kingdom.

The board of managing directors will report to A.C. di Montezemolo, who becomes chairman of M&M Inc., a position that has been vacant since L. Patton Kline was promoted to president of the parent company. Mr. di Montezemolo moves from M&M World Services, where he was chairman.

While the move will not lead to immediate changes in how M&M pursues its international business, it eventually will lead to all subsidiaries using the M&M name.

However, the only Bowring operation that will use the M&M name will be Bowring U.K. Ltd.,

the retail broker. Mr. Regan predicts it will someday be called Bowring, Marsh & McLennan.

C.T. Bowring, the Lloyd's broker, will continue to use its name, retaining identification in the closely knit Lloyd's community.

Mr. Regan describes the restructuring as a "corporate reorganization that doesn't exist anywhere else in the world." It also has the effect of "dramatizing product differentiation" by promoting the M&M name internationally, an advantage that he says none of its competitors have at this point.

Moreover, Mr. Regan hopes the reorganization will lead to greater utilization by the international operation of the technical expertise in M&M World Services. This technical arm also becomes part of the new M&M Inc. and offers such services as loss prevention, captive management, environmental protection and nuclear consulting.



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Self-insurer, captive rules not needed: Survey

Continued from page 1

ket by 1984, doesn't require them to expand their authority over more self-insured programs and dealings with captive insurance companies.

The most outspoken commissioner, William Woodyard of Arkansas, is especially concerned that the alternative risk-funding mechanisms of self-insurance and captive insurance companies operate with an unfair advantage over the commercial insurance market, which is more regulated (BI, Nov. 16, 1981).

Few members of the Risk Management Board share Mr. Woodyard's concern. Although 38% of the respondents agreed with him that the alternative funding mechanisms have an unfair advantage, they either said the insurance industry deserved the boot for being unresponsive or that the best way to create equity is to deregulate the commercial insurance market.

The Business Insurance Risk Management Board is composed of 161 corporate executives who are responsible for risk management in their organizations and have volunteered to respond to six surveys annually. Sixty-five board members or 40% of the board responded to this survey.

Those who responded are clearly those who have a vested interest in opposing new regulations for self-insurers. Of the 65 respondents, 78% self-fund risk beyond common deductibles over a wide spectrum of risks. Among the 51 self-funders of risk, 19, or 37%, use a captive insurer. Another three respondents use captive insurers but do not self-fund any risks, bringing to 34% the number of total respondents using subsidiary insurance companies to finance some risk.

Those opposing new regulations argue that the state has no legitimate interest in how companies fund risks for which they are not mandated to buy insurance and that new regulations would only add unnecessary costs to their programs.

Although neither in charge of a self-insurance program nor using a captive, the risk manager for a financial services company with gross revenues of \$450 million was the most articulate defender of his colleagues' rights to use these alternative risk-funding mechanisms.

"A non-required coverage with self-insurance should not be regulated because they don't regulate the amount or type of coverage a company purchased. A state-required coverage, such as auto, should be regulated to protect the public," he observed, expressing succinctly what many others also argued.

"Insurance commissioners should regulate insurance. Leave business decisions to the board of directors and stockholders," said the risk and insurance manager of a commercial bank with \$1.8 billion in assets that

self-funds but does not use a captive.

"It is not insurance. If we choose not to insure our accounts receivable, valuable papers and burglary, why must that be regulated? It's stupid and idiotic," responded the vp of insurance for a conglomerate with \$3 billion in gross revenues that self-funds and uses a domestic and Bermuda captive.

More regulation "defeats the purpose of self-insurance, potentially reducing the financial benefits," observes the person handling property/casualty insurance for a manufacturing company with \$350 million in sales that self-funds workers compensation, liability and property damage.

The most common argument presented by those supporting new regulations was best expressed by the risk manager for a refuse hauling company with \$30 million in sales: "to insure that a self-insurer has the financial ability to pay those claims for which it is legally liable."

Many of the other 16 respondents who favor more regulation said they supported new regulation only to the extent of assuring the financial stability of the self-insurance plans.

But the risk manager for a manufacturing and distribution company with \$825 million in sales, which self-funds a portion of most of its risks without a captive, counters: "Liability or responsibility for third parties is there regardless of the funding involved. Since insurance is not required, what determines the need for regulation of self-insurance vs. non-insurance?"

Adequate funds to pay losses among self-insurers is obviously a concern among the survey respondents. Asked to select what regulations states should impose if they had the authority, the most popular regulations were audits of self-insured reserves to determine ability to pay losses and mandated catastrophe insurance.

Fewer respondents want to see states assume the authority to authorize self-insurance of more lines or to issue regulations governing the adjustment and settlement of claims, and still fewer suggested various combinations of these regulations.

Specifically regarding claims handling, a major concern of state insurance commissioners looking at self-insurers, only 26% of the survey respondents said regulations are needed to protect the interest of employees or the public.

Those opposing regulations governing claims handling by self-insurers most often noted that claimants already can seek relief through the courts if they are unfairly treated.

Difficulty in identifying what type of new regulation over self-insurers would be appropriate is a major problem.

Prior approval interferes with corporate free choice in business

decisions and audits seem impractical because "regulators have enough difficulty monitoring an insurer's financial standing—an industrial multitiered company would be more difficult," observed the corporate risk manager of a manufacturing and distribution company with \$825 million in sales that self-funds a portion of most of its risks.

And who, he asked, "can determine how much catastrophe insurance is needed?"

The vp of insurance for a conglomerate with \$3 billion in gross revenues that self-funds and uses a domestic and Bermuda captive suggested that states could require companies to annually hire a certified public accountant and an actuary to audit and certify the adequacy of reserves.

Two respondents offered an alternative to regulation of self-insurers as a way of encouraging well-managed self-insurance plans. "Some regulation of service providers might be appropriate," said the director of insurance for a diversified manufacturing and sales company with \$6 billion in sales that self-funds and uses a captive. "Claims adjusting firms or adjusters should have some controls—licensing perhaps or periodic audits," says the assistant vp and director of risk management for a consumer services company with \$2 billion in sales that self-funds and has two captives.

Another respondent, however, scoffed at regulations designed to assure self-insurers will be able to pay losses when they come due. "There is no regulation and guarantee that your employer will exist to meet its next payroll," says the vp of insurance for a conglomerate with \$3 billion in gross revenues that self-funds and uses a domestic

and Bermuda captive.

In all, among those 48 respondents opposing any new regulations over the operation of self-insurance plans other than for mandated workers compensation and automobile liability insurance (in 29 states) were 26 that self-fund risk, 14 that both self-fund and use a captive insurer, seven who don't self-fund or use a captive and one that uses a captive but doesn't self-fund.

Among the 17 who favor new and additional state regulation of self-funded plans are eight that self-fund some risk now—many to a limited degree—four that self-fund and use a captive, two that use captives and three that do not self-fund risk or use a captive.

The opposition to more state control of dealings with captive insurance companies was more vehement than the opposition to more regulation of self-insurers.

Only five respondents, or 8%, said that states should be able to regulate the way companies fund risk through wholly owned insurance subsidiaries: two that self-fund risk, one with a Bermuda captive and two that do not self-fund or use a captive. All five wanted more assurance that the captives would have the money to pay claims.

Among those opposing such new regulation was the director of corporate risk management for a manufacturing company with sales exceeding \$1 billion that self-funds several risks and uses a Bermuda captive. "I'd have to please all the insurance commissioners—no thanks," he wrote.

When captives pool and redistribute their risks or underwrite insurance for unrelated companies, however, another 10 respondents joined the pro-regulator ranks to suggest that insurance commission-

ers should get involved.

Among them was the manager of risk and insurance for a financial institution that doesn't self-fund or use a captive. "I look at these (parent company-to-captive) transactions as only a slight variation on the self-funding arrangement and as such should be exempt. Any outside business requires regulation."

"Here you are getting beyond self-insurance and going into a true insurance concept and usual regulation should apply," adds the corporate insurance manager of a finance and insurance company with \$1 billion in sales that self-funds some risk.

"But only as respects ability to pay claims," qualifies the risk and insurance manager of a commercial bank with \$1.8 billion in assets that self-funds but doesn't use a captive.

Although each of the three favored offshore captive domiciles—Bermuda, Cayman and Bahamas—regulates captives to assure solvency, only Bermuda's law has inspired the confidence of survey respondents.

Of the 41 respondents who felt qualified to say whether regulation of offshore domiciles is sufficient to protect the interests of policyholders, 76% said yes on Bermuda. Only 49% said regulation was sufficient in Cayman and the Bahamas.

The respondents, however, were most familiar with Bermuda. Of the 19 respondents using captives, five of which have captives in two domiciles, 16 of the captives are located in Bermuda. All but one of those captive owners attested to Bermuda's adequate regulation.

The other captives of respondents are located in Colorado (two), Tennessee (two) and one each in the Bahamas, Gibraltar, Vermont and Arizona, which presumably is a credit life captive since it is owned by a bank.

\$500 million policy covers crash

Continued from page 1

government claims. Air crash attorneys say Florida, where some of the victims may have lived, is among the most favorable states in the nation in which to bring wrongful death actions. Since the Potomac is the border between the District of Columbia and Virginia, it is unclear which jurisdiction the courts will consider to be the crash site.

Air Florida, the rapidly growing Miami-based carrier that suffered its first fatal crash, switched brokers in August from Bayly, Martin & Fay to Fred S. James & Co., sources said. An aviation expert in James' Dallas office confirmed its role.

Air Florida's coverage is brokered in London by Crawley, Warren & Co. Ltd., a Lloyd's of London broker. Its coverage is a combined hull-loss and general liability policy with a comprehensive \$500 million limit.

The single policy is divided among the consortium members with 5% of the risk placed in the United States with the Aviation Office of America Inc. in Dallas, an aviation managing subsidiary of Crum & Forster.

The sources said that another 25% of the risk is backed by La Reunion Aérienne in France and 70% is underwritten in the London market with the lead taken by Orion Insurance Co., one of the largest aviation underwriters. Twenty-two percent of the London portion of the risk is in the Lloyd's market.

The Civil Aeronautics Board recently adopted a rule requiring commercial airlines to carry at least \$300,000 per passenger, per occurrence in liability insurance, a

requirement that apparently is far exceeded by Air Florida.

London sources placed the value of the 737-222 destroyed in the crash at \$12 million; however, one U.S. aircraft broker is currently offering similar models of the short-range, Boeing twin-engine jetliner for \$4 million to \$6 million used.

A National Transportation Safety Board official said the plane that crashed Jan. 13 was purchased last year by Air Florida from United Airlines. United has been selling its fleet of 737s to concentrate on larger aircraft that can handle higher-density medium- and long-haul flights.

It was the second fatal crash in the United States involving a 737, a popular aircraft with wing-mounted engines that is used primarily by smaller carriers like Air Florida, Piedmont, People Express, Air California and Frontier.

On Dec. 8, 1972, a United Airlines 737 crashed while approaching Chicago's Midway Airport on flight from Washington National, killing 60 people. United suggested in legal documents that icing of the aircraft may have contributed to the jet's stalling and crashing near Midway.

After last week's crash at National Airport, the NTSB immediately impounded the glycol de-icing solution that survivors said was sprayed at least twice on the jet before its takeoff in 24-degree cold and falling snow. Officials say preliminary indications are that the Air Florida jet stalled a few seconds after it left the runway.

Earlier, the runway had been closed because of the snowfall. A TWA tri-jet 727 took off just ahead of the ill-fated Air Florida craft, the NTSB said.

The 737 has the best safety record of all commonly used commercial jetliners based upon the number of fatalities per flight hours between 1968 and 1977, an NTSB study reported, even though the short length of its flights means it takes off and lands more often than larger aircraft.

Records of commercial aircraft disasters show three other major 737 accidents besides the Chicago tragedy:

- On Dec. 4, 1977, a Malaysian 737 was hijacked and then exploded over the Johore Strait off Malaysia with a loss of 100 lives.

- In August 1981, a Taiwan domestic 737 also exploded in flight and 110 people were killed. Authorities have not ruled out sabotage in that crash.

- Last year, an Air California 737 broke in half during a forced landing resulting from engine problems, injuring 34 people.

Washington National has the shortest main runway of any major U.S. airport—about 6,870 feet. However, it also has one of the best safety records, with only one fatal crash involving a commercial airliner in 31 years. In 1949, an Eastern Airlines DC-4 was cut in half in midair by a P-38 fighter flown by a Bolivian pilot as both were attempting to land at the airport. Fifty-one people died.

Most large airports have runways of about 10,000 feet in length or longer. The longer the runway, the more time a pilot has to decide whether to take off or stop should problems develop during the take-off roll. In the case of runway 36 at National, the Potomac River is a short distance beyond the end of the runway.

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Hall says it fears the worst if it is acquired by Ryder

By LEN STRAZEWSKI

WHAT KIND OF company would brokerage Frank B. Hall & Co. Inc. be under the control of Ryder System Inc., a truck rental firm?

Although industry watchers continue to say the potential merger is a poor business fit and not very likely, considering Hall's recent lawsuit against Ryder and acquisition of a Ryder competitor, one answer is clear.

If Hall loses the driver's seat, it could wind up as not much of an insurance brokerage but one whopper of a trucking company, according to court documents.

Hall, defending against an apparent takeover attempt by the Miami-based transportation firm, filed suit earlier this month in U.S. District Court in Chicago, charging Ryder with violations of antitrust and securities regulations (*BI*, Jan. 11).

Although insurance and investment industry observers expected the charges ever since Hall announced plans to acquire Jartran Inc., another Miami-based trucking firm and a Ryder competitor—as a defensive tactic, the lawsuit plunges deeply into an analysis of both brokerage and truck rental competition.

The complaint and supporting documents paint an interesting picture of a besieged insurance brokerage that faces a competitive fiasco if it were to lose autonomy and a greedy transportation firm looking for a stranglehold on an already concentrated truck rental market.

A series of six memos from various Hall division heads to Chairman A.J. Tahmouh predicts dire client, staff and market relations consequences should Ryder acquire controlling interest of the nation's third-largest commercial insurance brokerage.

Hall's lawsuit also points out that about 10% of Ryder's stock is owned by a mutual fund operated by Putman Management Inc., a subsidiary of Hall competitor Marsh & McLennan Cos. Inc.

"Our managers feel that Ryder's activities have been disruptive as they have been approached by our clients, market and their staffs, all who have expressed grave concerns as to the future of the company under different ownership," noted Hall Executive Vp

BI ticker

John F. McCaffrey in one of the memos.

Hall clients, he continued, are concerned about potential changes in management philosophy and, in some cases, are worried that they may be buying insurance from a directly competing company.

Insurance companies, he added, are also concerned about the qualifications of outsiders entering into "today's very competitive and confused market."

"We know our markets were concerned about the directions we were taking, but have taken comfort in the fact that we still seek to do the major amount of our business in traditional avenues of activity," Mr. McCaffrey said.

Overall, the Hall "team" would be deeply upset by management changes.

"As coach, I am obligated to inform you, front-office changes will seep down into the locker room and affect the Hall team's performance," Mr. McCaffrey said.

Though Hall executives have consistently refused to comment on Ryder's stock purchases (now about 7% of Hall stock but aimed at more than 15%) and Hall's acquisition of 90% of Jartran, Mr. McCaffrey apparently speaks for the whole team.

In other memos filed as part of the Hall lawsuit, other managers agreed and expanded on potential problems.

Leslie & Godwin (Holdings) Ltd., Hall's British subsidiary, could even be threatened with loss of its Lloyd's of London brokerage division should Ryder's non-insurance style irritate the Committee of Lloyd's, wrote Leslie & Godwin Chairman Robin Singer.

Only time will tell how accurate the picture is. A spokesman for Lloyd's denies that Lloyd's would be likely to bar Leslie & Godwin should ownership change. The committee "would evaluate the case on its own merits," even though several Lloyd's brokers are already owned by non-insurance companies, he said.

And though Hall's stock has fallen about \$3.50 in the last week, from \$28.25 to \$24.75, it continues to hover at midsummer levels of

about \$25.

Hall did not comment on the staff impact of owning a truck rental company, however, but insisted that the acquisition of financially troubled Jartran was sound despite Hall's lack of experience in the truck rental business.

"Jartran was an attractive turn-around situation because of the number of competitors," the Hall suit states.

Ryder has consistently refused to comment on its acquisition plans or the Hall lawsuit, but market data filed as part of the Hall suit shows that Ryder would emerge from this potential acquisition an even bigger truck rental giant with the addition of Jartran.

The truck rental business, according to Hall documents, is dominated by U-Haul International Inc. of Phoenix, Ariz., which has only two other major competitors: Ryder and Jartran. The three control 90% of the market.

Ryder System, Hall says, controls about 15% of the nation's rental trucks through its subsidiary, Ryder Truck Rentals Inc. RTR earned nearly \$380 million last year from renting its 28,300 vehicles, almost a quarter of the parent's \$1.7 billion in revenues.

Jartran controls about 10% of the market's vehicles and earned \$56.3 million from renting 23,000 trucks and trailers, and the combination of Ryder and Hall would result in Ryder "attempting to monopolize the short-term truck rental business by destroying one of its competitors," according to the Hall suit.

Hall also charged that Ryder and U-Haul had already sought to knock Jartran out of the competition with "predatory and selective discriminatory pricing directed at Jartran" and "massive litigation."

Ryder would not comment on the specific charges.

Financial briefs

Reliance

Reliance Group and Leasco Corp.'s shareholders have approved the acquisition of the two companies by Saul P. Steinberg and his family in an offer valued by the Steinbergs at about \$550 million.

Reliance shareholders have a choice of receiving \$20 cash and \$85 face amount in Reliance financial group debentures or a comparable amount of preferred stock for each share of Reliance common.

Leasco shareholders can opt for \$13 cash and \$52.50 of debentures or an equivalent amount of preferred stock for each share.

In addition, shareholders will receive a one-time payment of \$3,825 for each \$85 face amount of merger debentures and \$3.75 for each share of merger preferred stock.

Catastrophe losses

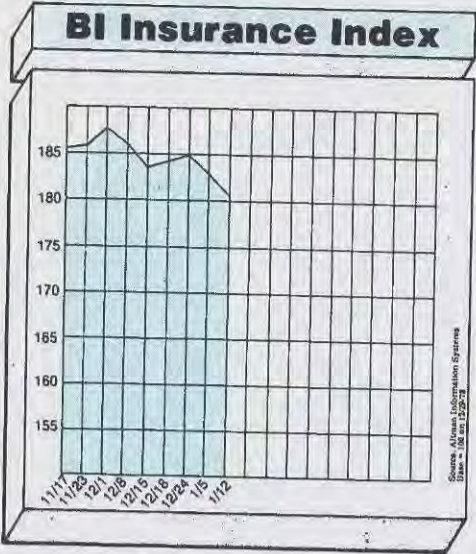
Property/casualty insurance companies paid out \$715 million in insured losses as a result of catastrophes last year, according to the American Insurance Assn.

That figure was 35% less than the \$1.1 billion paid in 1980 and marked the first time in three years that catastrophe losses fell below the \$1 billion level.

There were 33 catastrophes—incidents involving property damages in excess of \$1 million—in 1981. The most severe took place in May when wind, hail, tornadoes and flooding caused \$201.5 million in insured property damages in Texas, Oklahoma, Kansas and Louisiana.

The two largest non-weather-related catastrophes last year were the Feb. 10 fire at the Las Vegas Hilton, with estimated insured property damage of \$30 million, and the Nov. 28 fire in the Lynn, Mass., business district, which also caused an estimated \$30 million in property damage.

Last year's biggest disaster, the skywalk collapse at the Hyatt Regency Hotel in Kansas City, Mo., is not included in the catastrophe figures because property damage to the hotel did not reach \$1 million. However, the disaster has triggered more than \$3 billion in damage suits.



Insurance industry stocks faltered for the second consecutive week with the **Business Insurance** stock index falling 2.4 points to 180.7 from 183.1. Only 16 stocks managed gains, 41 posted losses and 16 issues were unchanged. Leading the increases were: Equifax Inc., 12.0%; Integrated Resources Inc., 5.6%; MGIC Investment Corp., 3.6%; American Bankers Insurance Group, 3.4%; and CNA Financial Corp., 2.7%. The largest declines were posted by: Frank B. Hall & Co. Inc., 8.9%; Nationwide Corp. Ohio, 8.8%; Washington National Corp., 8.2%; Armco Inc., 8.1%; PennCorp Financial Inc., 6.7%. The 1.3% decline in the *BI* index was less than the drop suffered by the major market indicators.

British Issues

12 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low
Commi Union	124	8.6	16.07	13.0	125-122
Eagle Star	307	10.4	21.43	7.0	317-307
Genl Accident	300	6.9	21.07	6.7	308-300
Gdn Royal Exch	282	7.6	23.21	8.2	288-282
Phoenix	218	8.2	22.43	10.3	220-216
Royal	327	9.1	35.00	10.7	330-326
Sun Alliance	814	8.7	53.57	6.6	824-814

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

12 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low
CE Heath	273	9.1	15.71	5.7	278-273
Hogg Robinson	111	8.9	8.57	7.7	111-106
Alex Howden	128	9.8	10.71	8.4	130-128
JH Minet	139	9.6	6.80	4.9	141-139
Sedg Grp	146	10.6	7.50	5.1	148-145
Stenhouse Hldg	98	8.7	7.28	7.4	98-97
Stew Wrightson	220	11.0	17.14	7.8	222-220
Willis Faber	371	12.8	17.85	4.8	371-365

BI Industry Stock Report

JAN. 12, 1982 1/6/82 THRU 1/12/82

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 42.25	-3.7	7.1	2.32	5.5	43.50	41.75	440.1
American Bankers Ins Group	NYSE 7.63	3.4	8.1	0.48	6.3	7.63	7.38	128.3
American Gen Ins Co	NYSE 40.50	0.6	5.9	2.00	4.9	40.75	39.88	66.3
American Indty Finl Corp	NYSE 15.63	-0.8	6.6	1.12	7.2	15.63	15.63	0.7
American Intl Group Inc	NYSE 63.50	1.2	11.0	0.40	0.6	64.00	62.75	160.9
American Natl Ins Co	NYSE 14.00	-1.8	6.0	0.76	5.4	14.13	14.00	75.5
American Sts Life Ins Co	NYSE 16.50	-2.9	5.3	0.80	4.8	16.75	16.50	0.9
Aneco Reins Ltd	NYSE 2.63	0.0	0.0	0.00	0.0	2.63	2.63	11.7
Appalachian Natl Corp	NYSE 2.56	0.0	0.1	0.00	0.0	2.56	2.56	6.0
Avemco Corp	AMEX 10.75	-1.1	7.4	0.54	5.0	10.75	10.50	18.8
Banks Iowa Inc	NYSE 39.00	-1.3	5.7	1.44	3.7	39.50	39.00	4.3
Bitco Corp	NYSE 38.00	0.0	4.5	2.16	5.7	38.00	37.75	7.8
Carolina Cas Ins Co	NYSE 7.00	-1.8	7.0	0.32	4.6	7.13	7.00	3.7
Central Natl Finl Corp	NYSE 35.00	-0.4	11.4	0.65	1.9	35.13	35.00	1.7
Chubb Corp	NYSE 45.75	0.3	5.6	2.92	6.4	46.00	45.50	64.2
Combined Intl Corp	NYSE 22.00	-5.4	5.7	1.80	8.2	22.75	22.00	70.7
Connecticut Gen Ins Corp	NYSE 48.75	1.0	6.2	1.76	3.6	49.25	48.75	256.2
Continental Corp	NYSE 24.38	-6.2	7.7	2.40	9.8	26.00	24.38	169.6
Crawford & Co	NYSE 14.50	-6.5	11.2	0.52	3.6	14.50	14.25*	19.9
Crown Life Ins Co	NYSE 84.00	0.0	9.1	2.80	3.3	84.00	84.00	0.5
Crum & Forster	NYSE 30.75	-3.9	5.0	1.64	5.3	32.38	30.75	194.8
Employers Cas Co	NYSE 33.25	-0.7	5.3	1.20	3.6	33.50	33.25	1.4
Equifax Inc	NYSE 25.75	12.0	5.8	2.40	9.3	25.88	22.75	32.9
Excelsior Ins Co	NYSE 17.00	1.5	11.6	0.70	4.1	17.00	16.75	2.4
Farmers Group Inc	NYSE 31.25	-0.8	9.2	1.12	3.6	32.13	31.25	198.6
First Colony Life Ins Co	NYSE 65.00	0.0	18.5	1.00	1.5	67.50*	64.00	10.5
Foremost Corp Amer	NYSE 29.50	-0.8	8.3	0.80	2.7	30.00	29.50	22.1
Great West Life Assurn Co	NYSE 243.00	0.0	9.0	10.00	4.1	243.00	243.00	0.0
Hanover Ins Co	NYSE 32.25	0.8	3.9	0.72	2.2	32.75	31.00	22.1
Hartford Steam Boiler Insptn	NYSE 43.00	-0.6	7.6	2.80	6.5	43.25	43.00	8.0
Jefferson Natl Life Ins Co	NYSE 28.75	0.0	16.5	0.64	2.2	28.75	28.75*	3.9
Kemper Corp	NYSE 30.63	0.0	4.8	1.80	5.9	30.88	30.50	33.1
Lincoln Natl Corp Ind	NYSE 40.25	0.6	6.2	3.00	7.5	40.50	40.00	71.1
Mgic Invnt Corp	NYSE 49.63	3.7	12.3	1.28	2.6	49.75*	49.13	2,212.3
Mission Ins Group Inc	NYSE 34.25	-4.9	6.0	1.00	2.9	36.13	34.25	29.9
Nationwide Corp Ohio	NYSE 28.50	-1.8	9.4	0.70	2.5	31.25	28.50	7.1
Northwestern Natl Life Ins	NYSE 25.25	-3.8	5.4	1.36	5.4	26.00	25.25	25.2
Ohio Cas Corp	NYSE 41.88	-0.3	6.4	2.04	4.9	42.25	41.75	26.3
Old Ref Incl Corp	NYSE 19.00	-2.6	4.6	0.92	4.8	19.38	19.00	98.6
Preferred Risk Life Ins Co	NYSE 20.50	-3.5	5.5	0.80	3.9	21.38	20.50	7.1
Provident Life & Acc Ins Co	NYSE 53.50	-1.8	7.0	2.20	4.1	54.50	53.50	21.4
Ryan Ins Group Inc	NYSE 16.50	0.0	7.1	0.12	0.7	16.50	16.50	5.7
St Paul Cos Inc	NYSE 48.75	0.8	7.9	2.32	4.8	48.75	48.50	106.2
Safeco Corp	NYSE 38.75	-0.6	7.4	2.20	5.7	39.38	38.75	71.7
Sri Corp	NYSE 22.25	-4.3	4.4	1.00	4.5	23.25	22.25	30.9
Seibels Bruce Group Inc	NYSE 23.88	-6.8	13.4	0.80	3.4	24.75	23.88	20.9
Statesman Group Inc	NYSE 6.25	-2.0	5.4	0.15	2.4	6.38	6.25	10.4
Tokio Marine & Fire Ins Co	NYSE 110.50	-5.6	8.8	1.00	0.9	116.00	110.50	2.2

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Agents/Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE 43.88	1.2	5.2	2.88	6.6	45.00	42.75	340.7
United Fire & Cas Co	NYSE 28.07	-1.4	8.0	0.88	3.1	28.50	28.00	1.7
United States Fid & Gty Co	NYSE 39.75	-3.0	6.5	3.20	8.1	40.38	39.63	152.7
United Svcs Life Ins Co	NYSE 14.25	-2.6	5.5	1.00	7.0	14.50	14.25	9.2
USLife Corp	NYSE 22.88	0.5	5.4	0.80	3.5	23.25	22.25	268.6
Washington Natl Corp	NYSE 18.13	-8.2	5.5	1.08	6.0	19.50	18.00	46.7
Zenith Natl Ins Corp	NYSE 16.75	-1.5	8.8	0.76	4.5	17.00	16.75	21.3
INSURANCE COMPANIES	AVERAGE		6.2		4.2			
Alexander & Alexander Svcs	NYSE 24.75	-2.0	8.7	1.84	7.4	25.25	24.75*	342.1
Baldwin & Lyons Inc	NYSE 32.00	0.0	5.5	0.80	2.5	32.00	32.00	0.0
Corroon & Black Corp	NYSE 20.38	-0.6	12.1	1.76	8.6	20.50	20.38	243.0
Crum E H Cos Inc	NYSE 11.25	-1.1	13.2	0.40	3.6	11.25	11.25	1.2
Hall Frank B & Co Inc	NYSE 25.75	-8.8	9.7	1.66	6.4	29.00	25.25	200.3
Integrated Res Inc	AMEX 16.38	5.6	6.7	0.00	0.0	17.00	15.25	142.6
James Fred S & Co Inc	NYSE 23.00	0.0	10.7	1.60	7.0	23.38	23.00	75.0
Marsh & McLennan Cos Inc	NYSE 32.25	0.0	10.4	2.00	6.2	32.63	31.75	188.5
PennCorp Finl Inc	NYSE 5.25	-6.7	7.6	0.16	3.0	5.38	5.25	66.2
Pinehurst Corp	NYSE 8.63	-4.2	0.0	0.00	0.0	8.75	8.63	8.0
Poe & Assoc Inc	NYSE 9.50	0.0	10.7	0.80	8.4	9.50	9.50*	1.3
Reed Stenhouse Cos Ltd	NYSE 11.25	-3.2	9.0	0.60	5.3	11.25	10.88	15.4
Rollins Burdick Hunter Co	NYSE 21.50	0.0	12.3	1.32	6.1	21.50	21.50	25.1
AGENTS/BROKERS	AVERAGE		9.3		5.3			
American Express(Fireman's Pd)	NYSE 42.75	2.4	7.6	2.20	5			

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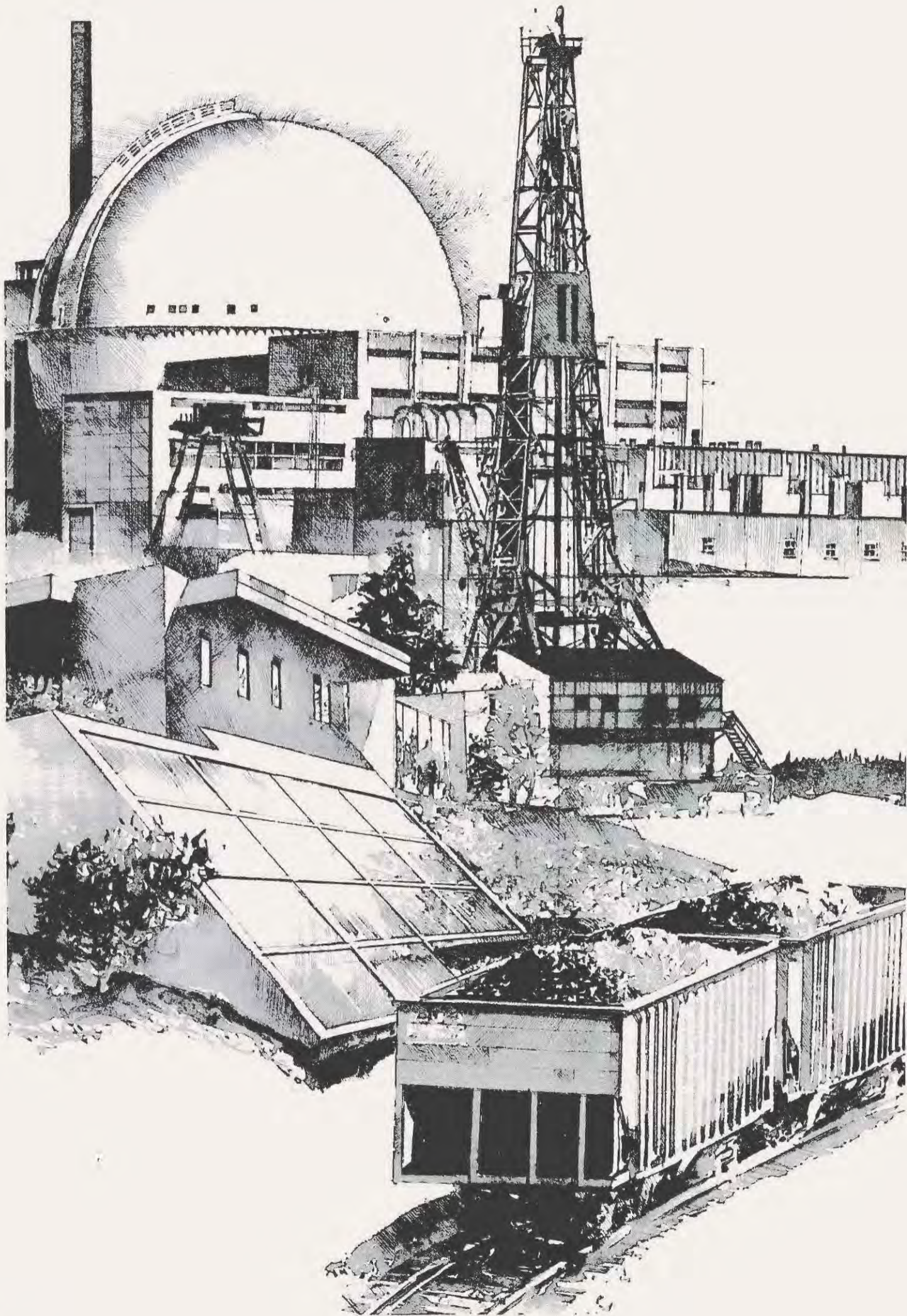
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From the client's point of view.