

# business insurance

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$60 a year

Entire contents copyright 1986 by Crain Communications Inc. All rights reserved.

## Chubb buys reinsurance to cover malpractice losses

WARREN, N.J.—Chubb Corp. has purchased a \$285 million excess-of-loss reinsurance policy to avoid having to add any more to its medical malpractice loss reserves, which the company judges to be inadequate to meet future claims.

Chubb paid \$173.5 million to Sun Alliance & London Insurance P.L.C. for the coverage, which remains in effect until the \$285 million is exhausted. *Continued on next page*

## Filipino company suing Lloyd's for \$540 million

By STACY SHAPIRO

LONDON—In the largest lawsuit ever in the Philippines, construction giant Landoil Resources Corp. is seeking more than \$540 million from Lloyd's of London and at least one Lloyd's underwriter for allegedly failing to pay claims on a \$50 million political risk insurance policy.

Landoil and its subsidiaries, all based in the Philippines, charge in the lawsuit that leading Lloyd's underwriter "R. Outhwaite"—actually Richard Outhwaite—and other "John Does"—Lloyd's underwriters—failed to pay claims of more than \$40 million.

The claims arise from four contracts Landoil had from 1981 with state-owned companies in Libya and Iraq, the lawsuit says.

In addition, Landoil charges that because the claims have not been paid, the company has "suffered financial setbacks and damages" amounting to \$500 million in compensatory damages.

While Landoil purchased political risk insurance to cover contracts involving Libya as far back as 1981, U.S. corporations with operations in Libya today have very little if any political risk insurance to cover any potential losses stemming from President Reagan's sanctions against Libya (see story, page 27).

Landoil says in its lawsuit that it "suffered and continues to suffer huge losses in their worldwide business operations arising from the non-payment of plaintiffs' insurance claims with defendants."

So far, neither underwriter Mr. Outhwaite nor Lloyd's has received a copy of the lawsuit, which was filed Dec. 19 in the Regional Trial Court, National Capital Judicial Region, Makati, Metro Manila.

However, Landoil and Lloyd's underwriters have been squabbling for at least two years over the payment of the Landoil claims filed under the political risk insurance policy, sources in London say.

Mr. Outhwaite says that he repudiated the policy shortly *Continued on page 34*

## New changes may ease claims-made approval

By ROBERT A. FINLAYSON

NEW YORK—The Insurance Services Office will file new revisions to its claims-made commercial general liability policy form this week that respond to most of the remaining concerns raised by state regulators, likely clearing the way for widespread approval of the controversial form.

The latest revisions, which were based on requirements laid down in model policy language adopted by the National Assn. of Insurance Commissioners, already have prompted regulators in Illinois and Connecticut to say they will approve ISO's claims-made form.

These two states were among 14 that had rejected the form for use in their states (*BI*, Jan. 13).

Regulators in four other states also say they expect to approve the form based on the revisions.

Effective Feb. 1, ISO's claims-made form will:

- Provide for a separate aggregate limit equal to 100% of the original policy's aggregate limit when a policyholder purchases the optional extended reporting period endorsement, now dubbed the "supplemental tail."

This new supplemental tail limit can be tapped only for claims involving incidents reported 60 days after the expiration of the policy period and not for claims involving incidents reported during the policy period or within 60 days of its expiration.

However, claims filed more than five years after the policy expires for incidents reported during the policy period or within 60 days of expiration are covered under the supplemental tail.

Previously, the form allowed individual insurers to decide by policyholder if they would reinstate any new limit when this endorsement was purchased or only apply the remaining policy limits. Any reinstated limits would have been avail-

able for claims related to incidents reported 60 days after policy expiration.

- Require insurers to furnish policyholders, upon request, a summary of paid claims; claims for which the insurer has established a reserve; and notices received by the insurer of occurrences that could give rise to a claim.

Insurers must provide the information no later than 30 days before a policy's termination date in the event the insurer decides to cancel or not renew the policy. Insurers must also provide the information no later than 45 days after receiving a written request for the claims data from the policyholder.

Previously, the form did not require insurers to provide this data.

- Guarantee that the supplemental tail endorsement will be made available to CGL policyholders whose coverage is canceled for non-payment of premium. This guarantee is already extended to policyholders whose coverage is canceled

or not renewed for any reason other than non-payment of premium.

ISO's board of directors approved the revisions to the claims-made form on Jan. 14. The revisions were announced the same day by ISO President Daniel J. McNamara at the group's annual meeting in New York.

These revisions are expected to cap the yearlong debate over the claims-made form in which regulators, buyers and brokers pressured ISO to make numerous revisions to its proposal.

"We've come to a meeting of the minds," said Illinois Director of Insurance John E. Washburn. "This is now a fair form for both the buyer and the seller."

Connecticut Insurance Commissioner Peter Gillies said, "We're pleased they were responsive to what we felt was *Continued on page 37*



**'This is now a fair form for both the buyer and the seller,' according to Illinois Director of Insurance John E. Washburn.**



Photo: AP/Wide World

## Set for kickoff Coverage for Super Bowl in place

By MICHAEL BRADFORD and MEG FLETCHER

NEW ORLEANS—Unlike Super Bowl XX quarterbacks Jim McMahon and Tony Eason, who must dodge blitzing linebackers to find their receivers, the Louisiana Superdome won't have to scramble to find insurance coverage for the big game.

The huge indoor stadium has \$125 million in property coverage and \$25 million in liability coverage in place for the Jan. 26 contest pitting the Chicago Bears against the New England Patriots, according to Robert Rummel, vp of finance and administration for the Superdome.

The coverage was brokered by Alexander & Alexander Inc. in Alexandria, La.

The property coverage, which includes a \$50,000 deductible, is underwritten by Aetna Life & Casualty Co. in Hartford, Conn., Mr. Rummel said.

The stadium's \$1 million in primary gen-

eral liability coverage is written by Titan Holdings Syndicate Inc. on the Illinois Insurance Exchange in Chicago. Umbrella liability coverage of \$24 million is written by a variety of insurers, Mr. Rummel said.

While the Superdome's insurance is in place for Super Bowl XX, the prospect of higher coverage costs threatens to sack the Louisiana Stadium & Exposition District, the state agency that owns and operates the stadium.

Purchasing coverage for the Superdome has reached "the almost impossible stage," Mr. Rummel explained.

The stadium's overall insurance costs hit \$2 million in 1985 and "there is talk of it costing \$6 million" in 1986, he said.

In 1984, the Superdome's total insurance bill totaled only \$650,000 he added.

Officials at the state Division of Administration and Office of Risk Management, which is responsible for purchasing insur-

*Continued on page 35*

## update

## Chubb buys cover for losses

Continued from previous page

hausted. The coverage took effect Jan. 1.

The coverage will kick in when Chubb depletes the estimated \$225 million the Warren-based group has set aside to cover medical malpractice claims, a Chubb spokeswoman says.

The cost of the reinsurance will reduce Chubb's fourth-quarter aftertax operating results by \$93.7 million, or \$2.97 a share.

Although Chubb insured physicians and some hospitals in the 1960s and 1970s, its malpractice loss reserves are principally for policies issued to members of the American Dental Assn., the spokeswoman says. Chubb ceased underwriting the ADA program April 1, 1984, and has written no medical malpractice coverage since.

## Nader blasts Lloyd's pricing

LONDON—Lloyd's of London is price gouging U.S. commercial insurance buyers and attempting to undermine the rights of U.S. accident victims, consumer advocate Ralph Nader charged last week.

In a press conference in London and in a later interview with *Business Insurance*, Mr. Nader said steep price hikes and reinsurance coverage restrictions imposed by Lloyd's have "nothing to do with claims experience or actuarial evidence, but have everything to do with political strategy to bring the rights and remedies of Americans down to the lowest British common denominator."

Mr. Nader said Lloyd's representatives have suggested various changes in the U.S. legal system, including restrictions on pain and suffering and punitive damage awards.

He urged the establishment of federal reinsurance programs so the United States can achieve insurance independence from Lloyd's.

In a statement, Lloyd's noted that in 1982—the most recent year complete information is available—Lloyd's syndicates writing general liability business showed an underwriting loss of 425 million pounds (\$612 million at current exchange rates), the bulk of which resulted from U.S. risks.

## Report says open rating works

LANSING, Mich.—The 3-year-old workers compensation competitive rating system in Michigan is working "reasonably well," according to a preliminary report issued last week by Insurance Commissioner Herman W. Coleman.

"The overall evidence indicates that there is a reasonable degree of competition... However, the current pattern of rate increases and decreased availability must be monitored in the coming year to ensure that competition maintains reasonable rate levels and restores availability as insurers' financial situation improves," he said in the report, sent to the governor and legislative leaders Jan. 15.

The state's competitive rating law took effect Jan. 1, 1983. It abolished the Workers Compensation Rating & Inspection Assn. of Michigan, which had filed rates en masse for the state's insurers. The new "file-and-use" system required that each insurer have its own rates and forms on file (BI, April 4, 1983).

Total premiums collected in the state for workers compensation insurance in 1985 are estimated at about \$620 million, which is two-thirds the 1980 premium of \$930 million, Mr. Coleman noted in the report.

"A significant portion of the reduction in premiums is attributable to open competition. Substantial savings could also be credited to legislated changes in benefits and eligibility requirements, other improvements in loss experience and a shift of employment toward less hazardous occupations," he said.

However, estimated premiums in 1985 have increased by about \$100 million over 1984, Mr. Coleman said. "This increase stems from a rise in covered payroll due to the improvement in the economy as well as an increase in rates," he said.

The report was based on a hearing held Nov. 12, 1985. Insurers testified at that hearing that the workers compensation insurance market is "very competitive," Mr. Coleman said.

"The data available to date indicates that the structure of the workers compensation insurance market is conducive to competition. No one carrier or group of carriers controls the market, and over 100 insurer groups actively wrote compensation insurance in 1985," he said.

## Tasco is named CEO of M&amp;M

NEW YORK—Frank J. Tasco has been named chief executive officer of Marsh & McLennan Cos. Inc. and will assume the additional title of chairman at the company's annual shareholders meeting in May.

Continued on page 37

## index

Classifieds .....	36	Washington .....	29
Comings&goings: buyers .....	15	Vol. 20, No. 3— <i>Business Insurance</i> (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to <i>Business Insurance</i> , Circulation Department, 965 E. Jefferson Ave., Detroit, Mich., 48207; 313-446-1611. Copyright 1986 by Crain Communications Inc.	
Comings&goings: industry .....	30		
Info .....	32		
Insurance services guide .....	37		
Letters .....	8		
London line .....	10		
Markets .....	18		
Opinions .....	8		
Perspectives .....	20		
Products & services .....	25		
RMIS commentary .....	24		
Ticker .....	39		

## Wisconsin counties find cover after insurer drops policies

By JOANNE WOJCIK O'HARE

MADISON, Wis.—Twenty-eight Wisconsin counties are now insured for general liability exposures after starting the year without coverage.

The Laub Group Inc., which has brokered a property/casualty program endorsed by the Wisconsin Counties Assn. for 5½ years, placed some of the counties' general liability risks on Jan. 8 with Titan Holdings Syndicate Inc. on the Illinois Insurance Exchange, said Ken Sipiara, vp at the broker's Madison office.

And, Wausau Insurance Cos. wrote coverage for 18 of the counties, says a company spokesman.

The counties' previous general liability coverage, which was part of a package policy written by Colonial Penn Insurance Co., was not renewed when it expired Dec. 31. The Titan coverage is similar to the Colonial Penn coverage, but the rates are higher and counties that did not previously have deductibles are now considering them to keep costs down, Mr. Sipiara said.

The Colonial Penn package policies, written for 28 of the state's 72 counties, had covered general liability, public official liability, law enforcement liability, automobile liability and property risks. The counties' individual packages had varying limits and deductibles.

Laub was able to secure coverage for all of these exposures—except general liability—before the Colonial Penn policies expired at year-end.

During the eight days in which the counties were without general liability coverage, most halted routine patrols by sheriff's police, responding only to emergency calls, even though they still had law enforcement liability coverage.

Marquette County Social Service Department personnel were restricted from transporting clients by car, and Manitowoc County Sheriff Thomas Kocurek ordered a reduction of operations that included forbid-

## Counties caught in the crunch



Source: Wisconsin Counties Assn.

Map: Amy Palmer

ding visitations at the county jail.

But, most of the counties' precautions were unnecessary, said Bob Tieman, risk manager for Dane County, explaining that officials in many of the smaller counties misunderstood the situation and thought they had no coverage at all.

Continued on page 34

## Ohio official sues law firm, Andersen

By MICHAEL BRADFORD

CINCINNATI—An Ohio government official is charging in separate lawsuits, each seeking \$275 million, that accountant Arthur Andersen & Co. and a Miami law firm contributed to the collapse of Home State Savings Bank last March.

The lawsuits, both filed Jan. 9 by Connie J. Harris, superintendent of the Ohio Division of Savings and Loan Assns. and Home State's liquidating agent, involve Home State's dealings with E.S.M. Securities Inc., a now-defunct securities dealer in Fort Lauderdale, Fla.

The failure of E.S.M., which was closed by the Securities and Exchange Commission in March, triggered Home State's collapse later that month, which in turn caused a run on a group of other Ohio thrift institutions.

Continued on page 4

## Industry operating income to hit \$5 billion in '86: ISO

NEW YORK—The property/casualty insurance industry "under reasonable assumptions" can expect to generate operating income of \$5 billion this year, \$8 billion in 1987 and \$11 billion in 1988, the president of the Insurance Services Office says.

That would represent return on net worth of 8.6% this year, 9.9% in 1987 and 10.8% in 1988, according to ISO President Daniel J. McNamara, though he noted that even a 10.8% return would be lower than the average return for the Fortune 500 in all but one of the last 10 years.

Mr. McNamara also noted that "the present financial recovery has come too late for some insurers."

"The recovery will not be sufficient, even for the survivors, unless it is much longer and stronger than past recoveries," he told ISO's annual meeting last week.

Mr. McNamara warned that the industry's estimated returns could be "dramatically" lowered if one or more of three scenarios occur:

- Federal income taxes are increased.
- Private passenger auto liability insurance suffers further serious deterioration.
- And "what many observers believe to be the greatest single risk to a solid financial recovery"—uncollectible reinsurance.

"Reinsurer collapses could have widespread repercussions," Mr. McNamara said, noting that reinsurance recoverable soared to more than 85% of industry surplus in 1984 from 60% in 1982.

Earlier this month, the Insurance Information Institute estimated the industry will post a record pretax operating loss of \$5.5 billion in 1985 and that aftertax net income in 1985 will total about \$1.7 billion.

## Iowa groups fight comp rate hike

By CAROL CAIN

DES MOINES, Iowa—A group of Iowa employer associations says if a proposed average 25.2% workers compensation rate increase is approved, some companies will go out of business.

"Iowa business is fighting for survival," said Donald G. Hauser, vp of the Iowa Assn. of Business and Industry, a 1,300-member group based in Des Moines.

"We've been trying to find all ways to cut cost," he said, noting a workers compensation rate increase will not help this effort.

The Assn. of Business and Industry joined with six other employer associations to request that Iowa Insurance Commissioner Bruce Foudree hold a hearing on the proposed rate hike, which is slated to take effect Feb. 1.

"We feel we have to protest the increase. We feel it's too much and it will put people out of business," Mr. Hauser said.

The specifics of the employers' case have not yet been developed, but Mr. Hauser says employers "intend to raise questions" at the hearing.

That hearing is scheduled for 10 a.m. Jan. 22 in the

Insurance Department, Lucas State Office Building in Des Moines.

Standing with the Assn. of Business and Industry at the hearing will be representatives from the Iowa chapters of the Federation of Mechanical Contractors, the National Electrical Contractors Assn., the National Federation of Independent Business, the Iowa Motor Truck Assn., the Sheet Metal Contractors and the Associated Builders and Contractors.

"We're in a poor state of affairs in Iowa. If they come with a rate increase, it's gonna put business right out on the street," said Rodney Stafford, executive director of the Associated Builders and Contractors of Iowa, which has 258 members.

Rather than raise rates, he believes insurers ought to lobby the Legislature to cut benefits, a move he is sure his association would support.

The National Council on Compensation Insurance, which filed for the rate increase Nov. 18, says that workers compensation premiums in Iowa during 1984 dropped more than \$21.5 million—to \$167 million from \$188.6 million in 1983. During the same period, medical and loss-of-wage payments to injured workers jumped

Continued on page 35

# Survivors of soldiers killed in Arrow crash contest awards cap

By **STEPHEN TARNOFF**

PADUCAH, Ky.—Whether the families of soldiers killed in the crash of an Arrow Air Inc. DC-8 in Newfoundland last month will be limited to a \$75,000 recovery under the Warsaw Convention is expected to become a major issue in litigation stemming from the crash.

At least 18 lawsuits have been filed in various state and federal courts as of last week seeking millions of dollars in compensatory and punitive damages.

Attorneys say that whether the limitation applies is the crucial issue in the case.

"It's the only issue," said John Kennelly, a prominent aviation attorney with the Chicago firm of John J. Kennelly & Associates, who represents the family of Anthony Gaytor, who was killed in the crash. "There is no other issue."

George N. Tompkins Jr., a defense lawyer specializing in international aviation with the New York firm of Condon & Forsythe, said, "It's a fairly simple Warsaw Convention case."

The crash occurred Dec. 12 shortly after takeoff from Gander, Newfoundland. Some 256 people were killed, including 248 military personnel who were on their way home on the chartered flight from Cairo, Egypt, to Fort Campbell, Ky., for the holidays.

Approximately one-half of the lawsuits have been filed in U.S. District Court for the Western District of Kentucky in Paducah.

Some have also been filed or will be filed in Louisville, Chicago, San Francisco and in courts in Washington and Texas, plaintiffs' attorneys say.

In addition, some plaintiffs' attorneys have filed a motion with the Judicial Panel on Multidistrict Litigation in Washington, D.C., to have pretrial proceedings in federal district courts consolidated in the federal court in Paducah.

They have also filed a motion with the Paducah court seeking an order that defendants preserve evidence in the case. That motion is pending.

Among the defendants named in the various suits are Arrow Air of Miami, which owned and operated the plane; Batch Air Inc., also of Miami, an airline service company owned, along with Arrow, by Bachelor Enterprises; McDonnell-Douglas Corp. of St. Louis, which built the plane; and World Airways of Oakland, Calif., which serviced the plane before it crashed.

Attorneys say the U.S. government also might eventually become a defendant, although whether plaintiffs can overcome the government's general immunity from lawsuits by soldiers or their family members is uncertain.

The Arrow Air DC-8 was insured through Bachelor Enterprises for \$5 million. The company has \$200 million in liability coverage (BI, Dec. 23, 1985).

For now, the major issue likely will be the applicability of the Warsaw Convention, which limits recoveries to \$75,000 per U.S. passenger on international flights either leaving or destined for the United States.

Because of certain exceptions in the convention, however, plaintiffs' attorneys contend that the limitation will not apply.

Attorneys say the limitation can be overcome in two ways: if the airline did not deliver the tickets to the passengers, or if the airline is guilty of "willful misconduct," which is similar to intentionally committing wrongful acts or omitting certain acts.

Plaintiffs' attorneys are contending both.

"Our investigation shows tickets were not delivered to these military passengers," said Mr. Kennelly. "Thus, the limitation provisions do not

*Continued on page 35*

# Flexible benefits

## Newly merged companies discard flex plan

By **DONNA DiBLASE**

CHICAGO—A long distance telephone service company is plugging in a free comprehensive employee benefits plan for its employees after disconnecting a 1-year-old flexible benefits plan.

The benefits overhaul followed the Dec. 19 merger of Allnet Communications Services Inc., which offered the flexible plan to its 1,500 employees, and Lexitel Corp., which did not offer its 700 employees a choice of benefits.

"The senior management of the new company wanted to come up with a plan that involved minimal or no investment on the part of employees," said Charsetta Henderson, manager of human resources for Allnet, the surviving name of the newly merged companies.



Employee benefit consultants say it is extremely unusual for a company to discard a flexible benefits plan, even though benefit changes often follow mergers. And, several consultants say that Allnet could face higher health plan costs under its new benefits program, which does not require employee contributions to enroll.

The flexible benefits plan offered Allnet employees a choice of two major medical plans, but required employees to contribute to the premium and to pay deductibles and copayments.

Employees also had to contribute to the cost of other selected benefits.

The new, fully paid benefits plan for almost 2,300 employees of the merged companies was introduced Jan. 1. It includes a major medical plan, dental plan, vision plan, life insurance, accidental death and dismemberment insurance, long-term disability insurance and short-term disability insurance.

The new plan also retains Allnet's 401(k) plan, to which employees can contribute 6% of salary before tax and up to 10% of their aftertax salary. The company matches 33 1/3 cents on the dollar.

The new medical plan is self-insured, but claims will be handled by Lincoln National Life Insurance Co. Stop-loss insurance also will be purchased from Lincoln National, but limits have not yet been finalized, Ms. Henderson said. The company also has not decided if it will use a 501(c)(9) trust to fund the benefits.

The other benefits under the new plan will be insured by Lincoln National, except for the long-term disability plan, which will be insured by a CNA Financial Corp. affiliate.

An employee's only costs under the new benefit program are a \$100 individual and \$200 family deductible under the health plan and a 20% copayment on health care costs up to the first \$2,000 and a \$50 individual deductible and a \$100 family deductible under the dental plan.

*Continued on page 33*

# Cafeteria plans beef up employee morale

By **JOANNE WOJCIK O'HARE**

Offering employees a choice of benefits can be a real morale booster, according to a new study.

Employees who have some choice of benefits are more satisfied with their jobs, salaries and benefits than those who have no choice, according to a recent survey conducted for the Equitable Life Assurance Society of the United States.

The results of "The Equitable Survey IV: Corporate Initiatives and Employee Attitudes on Flexible Benefits and Cafeteria Plans," conducted by Louis Harris & Associates Inc., were released Jan. 6. It is the fourth major survey to be conducted for The Equitable by the Harris organization.

An overwhelming majority of employees interviewed prefer having a choice of benefits. Of those surveyed, 65% say they like it a lot, and 21% said they like it a little. Among the remaining 13%, only 2% say they don't like having a choice, 10% say they don't care, and 1% aren't sure.

Corporate benefit officers also speak approvingly of cafeteria plans. Of those surveyed, 85% say flexible benefits plans improve company morale and loyalty, with 27% finding it very effective and 58% finding it somewhat effective.

However, clear communication of those flexible benefits plans appears necessary to win employees over.

"There is a powerful correlation between how well employers explain changes in benefits plans and their employee support for the introductions of

**Employees' views on flexible benefit plans**

View	Percentage
Like it a lot	65%
Like it a little	21%
Don't like it	2%
Not sure	1%
Don't care	10%

Source: The Equitable  
Chart: Amy Palmer

choice into the plans," said James P. Murphy, regional vp of Equitable Group & Health Insurance Co., an Equitable affiliate.

The purpose of the survey is to provide corporations considering flexible benefits, or cafeteria plans, "with current, substantial information that will aid in their decision-making," Mr. Murphy ex

*Continued on page 32*

# Ice castle cool now that architects covered



Work progresses on St. Paul's ice castle, which is the largest ever built. Photo: Silly Doroshov/St. Paul Pioneer Press Dispatch

By **DAVE LENCKUS**

ST. PAUL, Minn.—St. Paul's Winter Carnival won't have to put its main attraction on ice at its centennial celebration this year.

After a monthlong search, the carnival has \$1 million of professional liability insurance to cover the architects of what the carnival claims will be the world's largest-ever ice castle, the focal point of this year's annual event.

Without the coverage, the architectural firm, Ellerbe Associates Inc. of Bloomington, Minn., would not have permitted the carnival to use the plans it devised for the 15-story, 12,000-square-foot ice structure, according to Bob Bone, executive director of the St. Paul Winter Carnival Assn.

However, the carnival may have to cancel plans to conduct tours in the ice castle and to allow groups, including four wedding parties, to hold activities in it.

"We aren't sure yet," said Kathy Petters, special projects manager for the association. "Once it's built, the architects, engineers and insurance company will inspect it to see whether it's safe enough for people to go through."

The structure is expected to be completed on

Jan. 22, the first day of the carnival. The carnival runs through Feb. 9.

Obtaining professional liability coverage has not been a problem in the past for the carnival, Ms. Petters noted.

"Our agent told us that a couple of years ago, it would have been a matter of a couple of phone calls to obtain the coverage," she said. The carnival last built an ice castle in 1975.

And, throughout its history, the carnival has constructed 17 ice castles, Mr. Bone said.

The carnival obtained the coverage from First Security Insurance Co. of Minneapolis, for a \$50,000 premium with no deductible. The policy, which runs from Dec. 15 to Feb. 20, is written on a claims-made form, includes defense costs under the aggregate limits and contains a 180-day tail, according to Marty Gohr, marketing manager of First Security.

The insurer, which is domiciled in Minnesota, was capitalized at \$2 million in early 1985, according to Mr. Gohr. It writes primarily specific and excess health and accident coverages for companies with self-insurance programs. It also writes some property/casualty and general auto lines, according to Mr. Gohr.

*Continued on page 32*

## Andersen suit

Continued from page 2

The suit against Andersen—filed in the Hamilton County, Ohio, Court of Common Pleas—alleges the accounting firm was negligent and “breached its contractual obligations to Home State” when it performed audits for the thrift institution for four consecutive years beginning in 1981.

Home State suffered total losses of about \$275 million, the suit says, partly because Andersen had determined that certain Home State transactions with E.S.M. were safe when in fact they were not.

The suit says Andersen's audits should have prevented Home State from making “reverse repurchase transactions” with E.S.M. According to court papers, such transactions are carried out when a financial institution sells securities to a broker for cash after the broker agrees to sell the securities back to the institution at a later date.

Ms. Harris charges in her suit that if Andersen's audit reports had been conducted in accordance with “generally accepted auditing standards and professional due care and if the (reports) had been accurate,” Home State would not have entered into the reverse repurchase agreements with E.S.M.

The papers charge that “Home State's losses resulting from the collapse of E.S.M. would have been greatly reduced or eliminated” if the Andersen audits had kept the bank from entering into the agreements with E.S.M.

Officials at Andersen refused to release any information concerning the company's professional liability insurance.

In the early 1970s, Andersen had \$50 million in professional liability insurance led by a Lloyd's of London syndicate managed by Merrett Syndicates Ltd. and underwritten by Robin A. Jackson. This coverage was increased to \$101 million for the 1974-75 policy period (BI, April

**'Arthur Andersen is not responsible for the demise of Home State,' says Mr. Phillips.**

1, 1935; Nov. 12, 1984). More than 50 insurers participated in the coverage.

In addition, Andersen reported to the SEC last March that it had paid \$137 million in settlements and verdicts in professional liability lawsuits since 1980. That is more than six times the amount reported to the SEC by any of the other “Big Eight” accounting firms.

That \$137 million, however, does not include \$17 million, plus interest, that Andersen was ordered to pay Manufacturers Hanover Trust Co. last March for losses suffered after the collapse of Drysdale Gov-

ernment Securities Inc. Andersen was Drysdale's auditor.

An Andersen official said last week that the accountant denies any liability for Home State's problems.

David C. Phillips, a managing partner in Andersen's Cincinnati office, said in a statement: “Arthur Andersen is not responsible for the demise of Home State and we refuse to be the scapegoat.”

Andersen's efforts “went beyond those required by applicable auditing practices. We did more than meet applicable standards, we exceeded them,” Mr. Phillips said, adding that Ohio officials were “keenly aware of the E.S.M. involvement for at least five years.”

He also noted that Home State obtained “and Arthur Andersen relied upon” audited financial statements of E.S.M. from the securities firm's own auditor, Chicago-based Alexander Grant & Co. Grant was sued last year by E.S.M.'s court-appointed receiver in Fort Lauderdale

for “gross negligence” in preparing audits and reports for E.S.M. (BI, March 25, 1985).

“The fact is,” Mr. Phillips charged, “that had there not been fraud at E.S.M. and had E.S.M.'s auditor not been compromised, Home State would be in business today.”

“The focus of the state's efforts should be on the perpetrators of that fraud, not on Arthur Andersen,” he added. “We will vigorously defend and stand behind our work.”

In a separate suit seeking \$275 million, Ms. Harris charged that the Miami law firm of Arky, Freed, Stearns, Watson, Greer & Weaver contributed to Home State's collapse. That suit was filed in U.S. District Court in Cincinnati.

That suit charges that Arky, Freed did not warn Home State of E.S.M.'s deteriorating financial condition, said James E. Pohlman, an attorney with the Columbus, Ohio, firm of Porter, Wright, Morris & Arthur, which prepared both lawsuits and filed them on behalf of the state of Ohio.

Arky, Freed did legal work for both E.S.M. and Home State and was in a position to alert the bank to the securities firm's poor financial health, Mr. Pohlman said.

Eugene Stearns, a partner at Arky, Freed, called the charges in the suit “categorically false.”

He said Arky, Freed has extended an invitation to attorneys representing Ohio officials to “to interview our lawyers and review our files” in Miami that pertain to the case.

“For whatever reason, they seem to want to not be troubled,” he said, “and instead chose to file a baseless claim.”

While Mr. Stearns would not comment directly on the failure of Home State, he said, “I think it is fairly obvious that a failure of this magnitude has to be accomplished through the subversion of the independent accounting process.”

While Mr. Stearns would not release specific information on Arky, Freed's professional liability insurance, he did say, “We don't carry insurance for these amounts of money,” referring to the \$275 million sought in the suit.

He said Arky, Freed has sufficient coverage to pay legal expenses to defend its position and “to get the claims disposed of,” but he added that “we will never, ever offer a penny to be paid by our carrier to settle any of these claims. Never a single dime. The claims are baseless, and we don't intend to be bludgeoned into authorizing a settlement.”

Ohio's Ms. Harris said any awards or settlements from the suits would be used to repay the state for money it has paid to Home State depositors and to pay for expenses associated with the liquidation.

## RIMS plans surveys on market problems

NEW YORK—Two surveys by the Risk & Insurance Management Society focus on the insurance availability crisis.

One survey, sent to RIMS members, will assess current market conditions. Results will be used to develop a broad data base.

The survey will be issued in early March, and copies will be available free to RIMS first deputy members and to others for \$25.

The second survey deals with alternative risk financing facilities, and questionnaires have been sent to such facilities as group captives and pools. Responses, expected by Feb. 15, will be used to compile a listing of facilities, which will be available to RIMS members.

Further information is available from Anita Benedetti, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

# GET THE FACTS

## The benefits administration system that will put you in control.

The fact is, no other system on the market can match FACTS from C/G Data in terms of flexibility, sophistication, and excellence in benefits administration.

**FACT:** Over 70 systems in operation today.

**FACT:** Full-range medical, dental, vision, disability, and prescription drugs processing.

**FACT:** Flexible Benefits.

**FACT:** Workers' Compensation.

**FACT:** Cost containment reporting.

**FACT:** Pre-certification and utilization review.

**FACT:** Partial self-funding.

**FACT:** PPO and HMO processing.

**FACT:** Multi-system capability includes IBM-PC and Mainframe, DEC, Prime, Honeywell and more.

Get the FACTS—the one software system that does it all!  
See why we've become today's fastest growing company providing benefit administration systems nationwide.

Call today for a brochure: (305) 593-1881

**FACTS**

**CG**  
DATA  
CORPORATION

8685 N.W. 53rd Terrace  
Miami, Florida 33166

# DeBellis is new Alabama commissioner

MONTGOMERY, Ala.—The Alabama Insurance Department is beginning the new year with a new insurance commissioner: Michael (Mickey) DeBellis.

Mr. DeBellis succeeds Tharpe Forrester, who retired at year-end after serving with the department since 1957.

Availability and affordability of liability insurance is expected to be a key insurance issue this year in Alabama, as it is in the rest of the country, said Mr. DeBellis.

"I'm sure some legislation will be introduced in the next legislative session," Mr. DeBellis said. Alabama's Legislature went into session Jan. 14.

Mr. DeBellis, who will be 58 later this month, has served since 1983 as Alabama's assistant commissioner, a position Gov. George Wallace

## around the states

says will remain unfilled.

Mr. DeBellis joined the Alabama Insurance Department in 1973, starting in the property/casualty division.

Before joining the Alabama department, Mr. DeBellis spent 15 years at Southern Life & Health Insurance Co. in Birmingham, Ala. He was an assistant manager when he resigned.

Before entering the insurance business, Mr. DeBellis, who has a degree in mortuary science, was in the funeral business.

### Ambassador plan

MONTPELIER, Vt.—Ambassa-

dor Insurance Co.'s second attempt to avoid court-ordered liquidation by transferring its liabilities to a reinsurer will be considered at a Feb. 10 hearing in Vermont Superior Court.

Ambassador is proposing to pay Bermuda-based Belvedere Insurance Co. Ltd. a premium of about \$81 million to assume about \$137 million of Ambassador's liabilities, including loss adjustment expenses.

Belvedere would then pay about \$137 million to cover the Ambassador claim over a period of about 13 years.

The proposal also asks that future Ambassador claims be admin-

istered by Scott Wetzel Services Inc. and Caronia Corp., rather than the previously proposed administrator, Constitution State Service Co. (BI, May 6, 1985).

In addition, it suggests that Vermont Superior Court Judge John Meaker appoint an expert to advise him on the transfer proposal.

The proposal, which was filed Dec. 31, 1985, would make Ambassador statutorily solvent by about \$1.36 million, according to Ambassador attorney Walter C. Squire, with the firm of Carter, Ledyard & Milburn in New York.

But George Bernstein, the court-appointed liquidator, says Ambassador still would be insolvent by between \$100 million to \$150 million if the transfer proposal were approved.

"This proposal is more absurd than the other one," he said.

The plan is similar to Ambassador's plan in 1984 to reinsure \$160 million in liabilities with Cathedral Holding Co. of Bermuda. That plan collapsed when Cathedral's parent, Wigham Poland Holdings Ltd., said it did not want Ambassador's business (BI, Nov. 5, 1984).

### Missouri regulator

JEFFERSON CITY, Mo.—Lewis R. Crist took over Jan. 6 as Missouri's insurance director.

Mr. Crist, a 24-year veteran of CNA Insurance Cos., replaces C. Donald Ainsworth, who resigned in September at the request of Gov. John Ashcroft (BI, Oct. 7, 1985).

Mr. Crist has pegged commercial lines affordability and availability problems as a critical issue for insurance regulators. He noted that Missouri was developing a market assistance plan for commercial lines, which is slated to be implemented Feb. 1.

"We're also looking at a similar program for personal lines," Mr. Crist said, explaining that farm owners are having difficulties obtaining fire insurance.

Mr. Crist, 50, a Maryland native, joined CNA in 1961 on the East Coast and for the past 24 years "moved around a lot." He had worked for the company in Minnesota, Nebraska and Louisiana before he was became a branch manager in St. Louis, in 1978.

Rather than be transferred to Chicago, Mr. Crist resigned from CNA last year and was doing consulting work when he was selected for the director's post last month.

### Comp benefits rise

SPRINGFIELD, Ill.—The maximum benefit that Illinois workers compensation recipients can receive has risen.

As of Jan. 15, the maximum weekly benefit for temporary total injuries, permanent total injuries and death cases is \$511.81, compared with the old rate of \$502.36.

Maximum benefits are capped at 133.3% of the state's average weekly wage, which recently was increased to \$383.86, up from \$376.77 six months ago. The SAWW is set by the Illinois Department of Employment and Security.

The minimum benefit for permanent total injuries or death cases, which is 50% of the SAWW, was also increased to \$191.93 from \$188.39.

Benefits for permanent partial injuries remains the same—\$293.61 per week.

### Panel sets hearing on pension reform

WASHINGTON—The Senate subcommittee on Savings, Pensions and Investment Policy will hold a hearing Jan. 28 on comprehensive pension legislation, S. 1784.

The legislation, known as the Retirement Income Policy Act, would require employers to speed up their vesting schedules so that employees were 100% vested after five years of service.

Multiemployer plans would be exempt from this five-year vesting requirement.

The measure also would link the maximum annual pension benefits and contributions to the Social Security taxable wage base.

Under the legislation, the maximum annual benefit that could be provided through a defined benefit plan would be 200% of the Social Security wage base, while the maximum annual contribution to a defined contribution plan would be 50% of the Social Security wage base (BI, Oct. 28, 1985).

**WHEN IT COMES TO CARGO...**

**COME TO MCGEE!**

**Coverage Worldwide**

**Wm. H. MCGEE & CO., INC.**

MARINE UNDERWRITERS SINCE 1887

Four World Trade Center, New York, N.Y. 10048  
Telephone: 212-775-1300 • Telex: 12-9249 • Fax: 212-524-6805

Atlanta • Baltimore • Eoston • Chicago • Columbus • Dallas • Detroit  
Hamilton, Bermuda • Houston • Los Angeles • New Jersey, Clifton  
New Orleans • New York Regional • Philadelphia • Pittsburgh  
San Francisco • Seattle • Syracuse • Toronto • Vancouver

Correspondents throughout the World



# DO YOU HAVE RESERVATIONS ABOUT OPENING A 401(k)?



Some people still think 401(k) plans are more trouble than they're worth.

They dread the enrollment and installation process, the discrimination testing and the complicated paperwork.

Yet with the right plan and the right support all these anxieties can be put to rest.

At Connecticut General, a CIGNA company, we not only help you design your ideal plan, we help you get it going with on-site enrollment and customized communication materials.

To keep it going, we help you satisfy the compliance tests. Streamline the recordkeeping. Provide ongoing maintenance. And while we offer a full array of investment alternatives, we're also flexible enough to handle the recordkeeping for your company's stock or other specialty funds.

We've already initiated over 600 plans valued in excess of 500

million dollars. The reason this figure is so high is that we average over 80% enrollment. And that's about as enthusiastic a response as you can get.

So now that you have no reservations, why not make one? Fill in this coupon today. It just may be the most complicated piece of paperwork involved with your 401(k).

Please send me more information.

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

Company \_\_\_\_\_

Address \_\_\_\_\_

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

No. of Employees \_\_\_\_\_ Phone \_\_\_\_\_

Mail to: Connecticut General Life Insurance Co.

Dept. E710A, P.O. Box 2975, Hartford, CT 06104

Connecticut General Life Insurance Company  
a CIGNA company

**CIGNA**

## opinions

# A well-fought battle

**P**ERSEVERANCE pays off.

Consider: the Insurance Services Office has again amended its claims-made commercial general liability form.

Congratulations to all who have persevered over many months in their opposition to the original ISO claims-made proposal.

Now, the form requires that 100% of aggregate limits be reinstated for certain claims when the extended reporting period endorsement is purchased, guarantees reporting by insurers to policyholders of claims information and mandates that insurers offer policyholders the option to purchase the extended reporting period endorsement even if coverage is canceled for non-payment of premium (see story, page 1).

These changes, and the numerous other changes to the form made in the last several months, improve the policy wording that insurers want available to them for widespread use in writing the most prevalent commercial liability insurance contract.

None of these changes would have been made if insurance buyers, brokers and interested lawyers had not diligently analyzed the claims-made form proposal and then vehemently objected to what they considered unduly restrictive provisions or inadequate policy lan-

guage. In 1984 and early in 1985, they were a small group, but they attracted many supporters.

Most important, they won the support of many state insurance regulators. Consumers' complaints about the proposed form would have accomplished little if insurance regulators had not been convinced the complaints were valid or if the regulators had caved in to insurance industry pressure to approve the form as it was originally written.

On this issue, regulators proved that they will devote the time and staff necessary to properly analyze an important problem and they will not be bullied into submission by the insurance industry.

Now that ISO has answered many of the regulators' stated reasons for rejecting the claims-made form, regulators from two states that have spearheaded negotiations with ISO have said they will approve the revised form for use in their states. Other regulators are expected to do the same, and the form as now written could soon be available for use by insurers across the country.

Not everyone is satisfied with the ISO claims-made form, but if this is the final form that is accepted by regulators, all who lobbied for changes should feel gratified by how much they accomplished.

## letters

### Insurers' push for tort reform aids industry, not consumers

To the editor: Your Dec. 9 editorial, "Tort Reform Drive Not New," was a mildly amusing piece of fluff and, like the liability insurance "crisis," not founded upon fact. In it, you attempt to make two points:

- "Self-proclaimed consumer advocate J. Robert Hunter isn't speaking for professional risk managers when he declares that the U.S. civil justice system is not responsible for the commercial insurance crisis."

- "(Hunter) is dead wrong when he contends that insurers were silent on the need to reform the tort system during the competitive insurance marketplace."

Regarding the first point, I have never claimed to speak for professional risk managers, although *BI* seems to usurp that role for itself in the editorial. *BI* admits that "there is no doubt that the insurance industry's new stiff underwriting practices are an effort to recover huge underwriting losses created by too many years of underpricing. . . ." That's my point exactly.

I am not an opponent of reforms that would truly make the legal system more efficient. I did, after all, help get two U.S. presidents to support national no-fault auto insurance. The difference between then and now is that no-fault was studied (we had a 21-volume federal study) and the bill we proposed was balanced. Victims gave up some rights, but in return we got more coverage, e.g., for one-car accidents and higher medicals. Compare that with the insurers' current refusals to come forth with any actuarial or statistical evidence the crisis is tort-related; all we hear are anecdotes. No reasonable person could support the unbalanced, take-away, no quid pro quo for victims reforms proposed by industry advocates, particularly given the total lack of study.

Regarding the second point, we went to the Library of Congress and reviewed *BI* articles and editorials from 1975, 1981 and 1985. Lo and behold, there were numerous, vehement articles and editorials on

the need for tort reform in 1975 and 1985, but only a couple of articles and no editorials in 1981. Perhaps *BI* was not "keeping a very keen eye on the industry (*BI*) is supposed to be monitoring" when it didn't report upon the general tort reform push by insurers in 1981. More likely, tort reform calls were dormant as liability insurance prices plummeted. As you said in the editorial, pushing tort reform in 1981 was as "tough to sell (as) air conditioners to Eskimos." Through the unwarranted strike on small businesses, the insurers at-

### Claims-made policy must be made to work

To the editor: Warren Aaronson's argument against the inequities of the claims-made form (*BI*, Dec. 30, 1985), though enticing, is nonetheless circumlocutory in design. What's the difference from an occurrence policy when it reaches its aggregate? Doesn't the insurer "pick up its marbles and go home?"

Both the primary and reinsurance markets have advanced irrefutable arguments for the implementation of the claims-made form in order to reestablish financial solvency. To ignore their pleas is to invite the demise of the insurance industry as we know it and the entree of the federal government.

The real difference between the claims-made and the occurrence forms, when the claims-made is properly established, is one of an accounting nature: predictable current liabilities vs. unpre-

### Outpatient mental health care not experimental

To the editor: Like John C. Garner of Towers, Perrin, Forster & Crosby (*BI*, Dec. 23, 1985), the staff of our firm has long believed that well-designed outpatient mental health benefits decrease expenses for both inpatient psychiatric care and general medical/surgical procedures. In addition, these outpatient programs for psychiatric care and the treatment of drug and alcohol problems can be managed through the use of sound medical and management principles.

However, I take exception to two statements in Mr. Garner's article. First of all, the assertion that "Mental health PPOs are new in California and have not yet been tried in other states" and second, that "actual experience is limited" with regard to utilization and rate structure for insured mental health programs.

Since 1983, our firm has designed and managed benefit programs for psychiatric

tempted to make it feel like a heat wave, but, in fact, it's still the dead of winter.

**J. Robert Hunter**  
President  
National Insurance  
Consumer Organization  
Alexandria, Va.

■ *Editor's note: In 1981, Business Insurance published nine editorials on various aspects of the tort system, 14 articles on specific tort reform measures and 70 articles on product liability lawsuits.*

dictable long-term liabilities. There seems to be some myth that the claims-made form is a creature of recent birth. Those of us who handled directors and officers liability policies or St. Paul's professional liability policies know otherwise. Why no critics of these forms? There is nothing a claims-made policy can't do that an occurrence policy can—if we but let it!

Yes, there are problems with the Insurance Services Office's superimposed restrictions, but the way to get the job done is for each of us to work for the needed revisions and not be content to stand on the sideline cursing the "pundits" and massaging our own egos with an empty rhetoric.

**John A. Churilla**  
President  
JCA Associates Inc.  
Huntington Station, N.Y.

care and substance abuse treatment. There are more than 650,000 people from coast to coast enrolled in these programs. Our clients, which include HMOs, insurance companies, and self-insured groups, have needs as diverse as mental health utilization review, supplemental outpatient mental health benefits and fully insured mental health plans. These programs are provided through a review system with proprietary, objective criteria and a PPO of therapists, psychiatric inpatient facilities and specialized outpatient programs.

We have the experience to accurately project both utilization and rates for our client groups in this relatively new field of mental health management.

**Monica E. Oss**  
Vp-Marketing  
American PsychManagement Inc.  
Washington

## business insurance®

Reporting weekly for corporate risk,  
employee benefit and financial executives

Publisher: Alfred Malecki (New York)

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

Deputy Editor: Mark S. Rosati (Chicago)

Managing Editor: James M. Burcke (Chicago)

Assistant Managing Editor: Dave Lenckus (Chicago)

**CHICAGO:** Alison Kittrell (Copy Editor)  
Joanne Wojcik O'Hare (Assistant Copy Editor)  
Carol Cain (Associate Editor)  
Meg Fletcher (Associate Editor)  
Stephen Tarnoff (Associate Editor)  
Linda J. Collins (Agent/Broker Topics Associate Editor)  
Donna DiBlase (Staff Reporter)  
Mariou Jones (Directory Editor)  
Holly E. Seguire (Graphics Editor)  
Amy Palmer (Graphic Artist)  
Paul Winston (Proofreader)  
Cali Sangalis (Assistant to the Editor)

**DALLAS:** Michael Bradford (Associate Editor)

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

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

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

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

**Corporate:** H.L. Stevenson (Corporate Editor)

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

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

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

**LOS ANGELES:** Michael J. Sharpe (District Manager)

**NEW YORK:** Charles A. Horvath (District Manager)  
Jack Forrest (District Manager)  
Martin J. Ross (District Manager)  
Courtney Bauer (District Manager)

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

**EDITORIAL:** Chicago: 312-649-5398  
Dallas: 214-363-1066  
London: 01-404-4228  
Los Angeles: 213-651-3710  
New York: 212-210-0100  
Washington: 202-662-7200

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

**COMMUNICATIONS:** New York: 212-210-0132

**CIRCULATION:** Detroit: 313-446-6492

Published by Crain Communications Inc., Chicago

**G.D. CRAIN JR.**  
Founder (1885-1973)  
**MRS. G.D. CRAIN**  
Chairman  
**KEITH E. CRAIN**  
Vice chairman  
**S.R. BERNSTEIN**  
Chairman-executive committee  
**RANCE CRAIN**  
President  
**MARY KAY CRAIN**  
Treasurer  
**MERRILEE P. CRAIN**  
Secretary  
**WILLIAM A. MORROW**  
Senior Vp-operations

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.50 a copy. \$60 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$45 for air delivery. First-class mail to U.S. and Canada only, add \$48. Bermuda only, \$105 per year expedited delivery. WILLIAM STRONG, vp-circulation. NICK CAVNAR, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.



Member of Business  
Publications Audit of Circulation

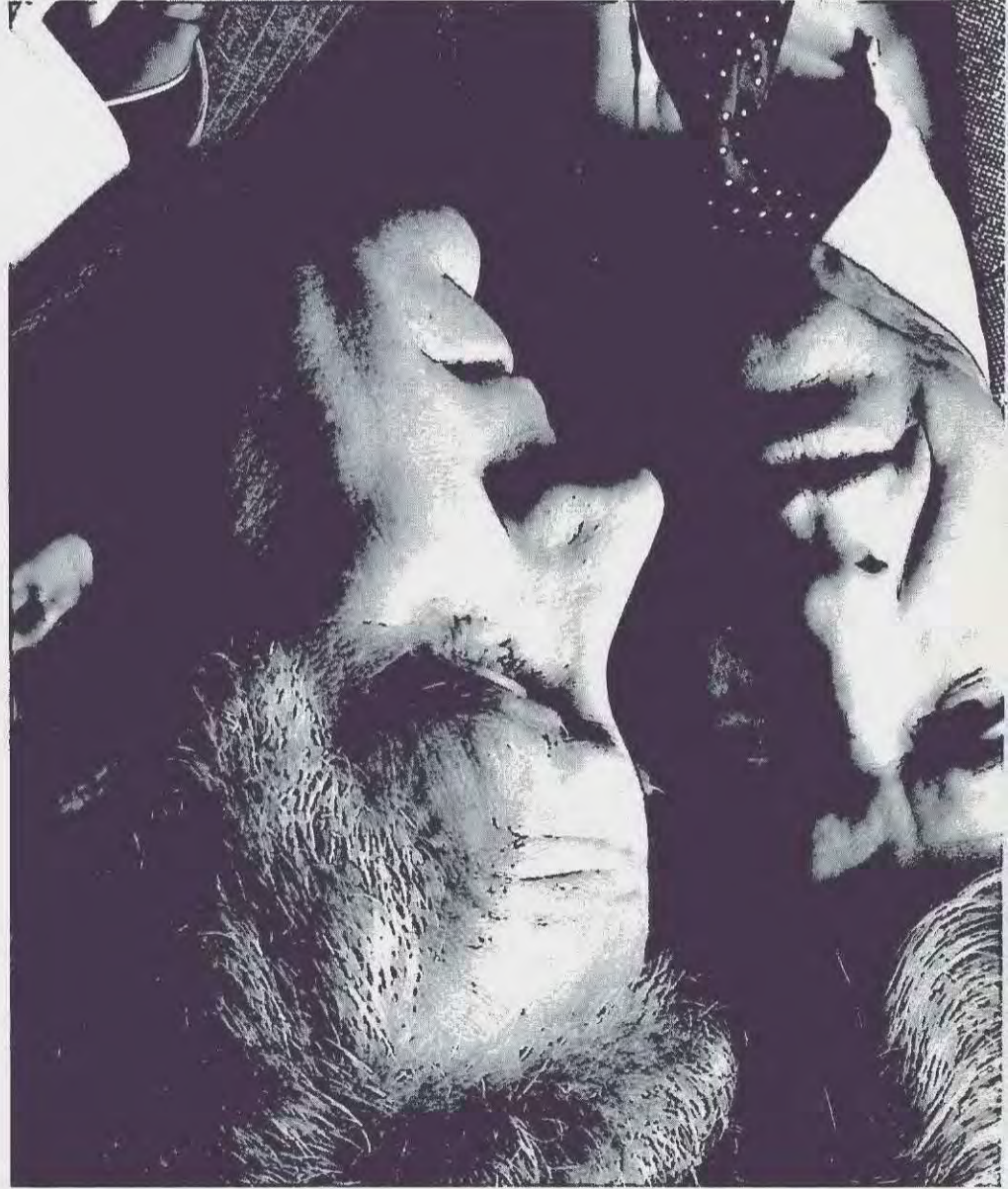


*Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

**LEADERSHIP.  
WATCH FIREMAN'S  
FUND.**



**"FOR MY MONEY,  
FIREMAN'S FUND?"**



**"WHO  
DO YOU LIKE?"**

**"GOING  
TO BE SOME  
NEW LEADERS?"**

**"HECK OF A  
CHANGE IN THE  
INSURANCE INDUSTRY?"**

# Government to study Lloyd's self-regulation

By STACY SHAPIRO

LONDON—The British Department of Trade and Industry is studying the Lloyd's of London self-regulatory system established by the Lloyd's Act of 1982.

The study was announced by Leon Brittan, secretary of state for trade and industry, shortly before the much-publicized financial services regulation bill was introduced into Parliament earlier this month.

That legislation, designed to protect investors, would change the way the London Stock Exchange and British life insurance companies are regulated. It would not affect Lloyd's (BI, Jan. 6).

But, several members of Parliament have said Lloyd's should be regulated by the bill.

The government study will con-

sider whether the Lloyd's Act is sufficient to protect the interests of Lloyd's members and whether current Lloyd's regulations are comparable to those in the financial services bill.

The results of the study will be reported this summer to Mr. Brittan, the department said.

Sir Patrick Neill, vice chancellor of Oxford University, will chair the inquiry.

Mr. Brittan said the inquiry in no sense indicates that the current Lloyd's self-regulatory system is defective. "Lloyd's is rightly proud of the fact that it has never failed to meet a valid claim from policyholders," he said.

## london line

Lloyd's Chairman Peter Miller said he welcomes the opportunity "to demonstrate the substantial progress made in the reform of its self-regulation since the Lloyd's Act became effective at the beginning of 1983."

### Sir Peter's reply

Former Lloyd's of London Chairman Peter Green is refuting allegations made against him by a member of Parliament last month.

Sir Peter, in a letter to members of syndicates managed by Janson Green Ltd., gave his "personal response to those statements affecting myself which are false or mislead-

ing and relevant to the affairs of the syndicates."

Brian Sedgemore, a Labor member of Parli-

ament, last month accused Sir Peter, other Lloyd's members and several companies of improper activities. The allegations were contained in motions filed with the House of



Sir Peter

Commons (BI, Jan. 6).

In reply, Sir Peter noted he had no business relationship with Peter Cameron-Webb or Peter Dixon, two former executives of PCW Underwriting Agencies Ltd. who have been accused of improperly bene-

fitting from the reinsurance arrangements of their syndicates.

Sir Peter also said he did not "allow" Mr. Cameron-Webb to resign as a member of Lloyd's in August 1983, as Mr. Sedgemore alleged. The Council of Lloyd's in 1983 did not have the power to prevent Mr. Cameron-Webb from resigning, Sir Peter explained.

Sir Peter also told the syndicate members that he cannot comment on any alleged involvement in the so-called Unimar affair because the Department of Trade and Industry has not yet completed an investigation into Unimar.

Unimar, a Monte-Carlo-based brokerage that provided reinsurance for Mr. Cameron-Webb's syndicates while he was at PCW, had been personally investigated by Sir Peter before other allegations of wrongdoing surfaced at PCW in 1982 (BI, Dec. 9, 1985). Sir Peter has said he uncovered no evidence of wrongdoing in his investigation, though the DTI last year referred the case for possible prosecution.

Sir Peter, however, did refer to an independent investigation by trial lawyer Simon Tuckey into Sir Peter's Unimar probe. Mr. Tuckey concluded Sir Peter did not cover up any misdeeds before or during the course of his inquiry.

"He asked all the right questions and concluded rightly in my view that there had been no dishonesty," Mr. Tuckey said.

Sir Peter also denied Mr. Sedgemore's allegation that Sir Peter never accounted for the interest on 34 million pounds (\$49.3 million) of premium placed with Imperial Insurance Co. (Cayman Islands) Ltd., a company partially owned at the time by Sir Peter.

Mr. Sedgemore had said that the interest on these funds "which seems to belong to names in his own syndicate... has gone to benefit his farm."

However, Sir Peter replied that "the suggestion that 34 million pounds was placed in Imperial is false." He added that any interest he derived as a shareholder of Imperial as of 1983 was placed in a charitable trust, from which substantial donations have been made to bona fide causes.

In his letter, Sir Peter also detailed his involvement in Imperial.

Imperial Insurance Co. Ltd. was formed in the Bahamas in 1959 by Toby Green, Sir Peter's father, and two associates "for the purpose of managing and underwriting the Assn. of American Railroads mutual strike insurance plan," Sir Peter said.

In 1972, Imperial's business was transferred to Imperial Insurance Co. (Cayman Islands) Ltd. At that time, according to Sir Peter, his father gave him a 2.5% interest in the company and, over the years, he eventually acquired a 7.5% interest.

This interest was given to a charitable trust in January 1983. The shares then were sold to Hogg Robinson Group P.L.C. in the autumn of 1984, giving the broker 100% ownership of Imperial.

Sir Peter also reported that he received \$44,000 in dividends and director's fees from Imperial (Cayman Islands) between 1976 and 1982 and \$169,000 from Imperial in Bermuda, plus hotel expenses.

"These amounts have all been reported to the Inland Revenue and tax either has been or will be paid," he said.

The letter also details three reinsurance contracts placed with Imperial by Janson Green's marine syndicates.

Sir Peter emphasized, "The policies placed with Imperial formed a vital part of the reinsurance protection for the syndicates... The policies placed with Imperial were

Continued on page 14

## Broking in a Tight Market?



## Better call Stewart Smith!

Cancellation. Loss of Coverage. Shrinking Capacity. Questionable Security. Stewart Smith has the horsepower and marketing muscle to help brokers survive in these cataclysmic times.

Aviation. Property & Casualty. Accident & Health. Directors & Officers Liability. Errors & Omissions. ... better call Stewart Smith.

**Stewart  
Smith**

Member Stewart Wrightson Group

Boston 617-426-0615	Chicago 312-236-7333	Dallas 214-688-1051	Edison, N.J. 201-265-9595	Los Angeles 213-382-6201
New York 212-964-2929	Philadelphia 215-925-0432	Pittsburgh 412-232-0430	San Francisco 415-777-9766	

The creative link between insurers and brokers.

# Have Reinsurers Suddenly Turned Greedy?



**T**hat seems to be the suspicion in some quarters. The harsh fact is, when catastrophic losses occur, and they always do, it's the reinsurer who is asked to pay.

This resulted in an astounding \$27.7 billion loss for the industry in 1984, with a combined ratio of 127.1.

At North American Re, we've been saying for some time that reinsurers must

be sound underwriters in order to survive.

North American Re cannot subsidize artificially low premiums.

We can't single-handedly alter the judicial system that makes huge awards, or prevent hurricanes, or ships from sinking.

North American Re can, however, maintain the financial stability that only profitable underwriting provides.

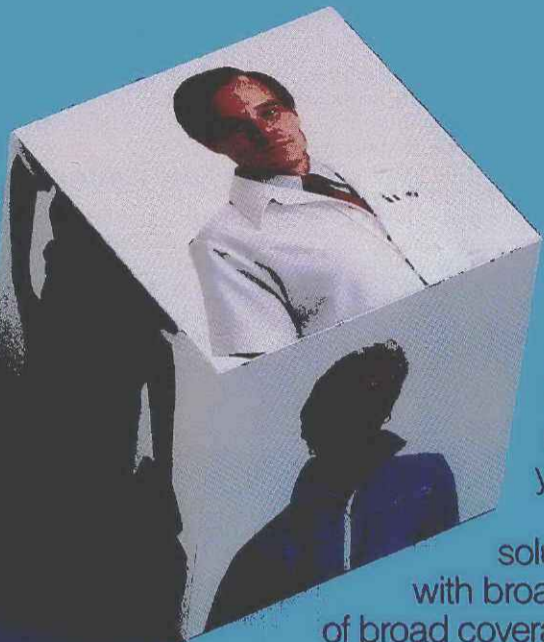
**NORTH AMERICAN**

**RE**

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



# The Unionmutual solution



The puzzle is how to put together exactly the right Employee Benefits coverage for each of your clients.

The Unionmutual solution is to provide you with broad coverage, the kind of broad coverage with enough

flexibility to help meet the diverse needs of your most demanding clients.

Your success can be enhanced by an insurance company who can help you anticipate and solve these kinds of puzzling problems. Unionmutual does just that. That's one reason we've always been a leader. And that's one way we intend to stay there.

## We're providing solutions in LTD. . . .

Look at Unionmutual's track-record in the field of LTD. We've pioneered virtually every major LTD advancement including partial and residual disability programs, innovative funding options, and flexible rehabilitation programs. And we continue to meet diverse needs with innovative new products.

This kind of foresight has helped us maintain a nine-year record as the nation's first choice in LTD.\* You'll find the same innovative vision in Unionmutual's other Employee Benefits Products.

## . . . in Medical, Dental, and Life. . . .

We were one of the first to stress prevention as a key to controlling health care costs, a challenge Unionmutual is committed to meeting. Our flexibility in funding and plan design in Medical, Dental, and Life is part of that commitment to help clients solve the problems of cost management.

## . . . and in Flexible Benefits.

Unionmutual's approach to Flexible Benefits represents a whole new dimension in this field. And this has helped us, here again, become an industry leader. We're expanding nationwide with our new Flexible Benefits product which simplifies administration and presents meaningful choices to both employee and employer.

## Outstanding sales support and client service.

To anticipate your needs, our sales reps are up-to-date on market trends, legislation, and new products to help you structure the best plan for your client. Our LTD benefits and rehab specialists are located regionally for more responsiveness. We assign one Benefits Specialist to each Medical case and one Administrative Representative to each Flex customer to provide prompt, personal and comprehensive attention. In addition, each of our Employee Benefits offices offers a client service staff to provide ongoing services whenever you or your clients need them.

## Our Commitment to Excellence

One thread runs through all of our products and services. We call it *the UNUM commitment to excellence*™. It means striving to be the best at everything we do. And that can only be achieved by putting the customer first, focusing on customer needs, and developing products and services that meet those needs better than our competition. *The UNUM commitment to excellence*™ means a constant effort to improve, to build on earlier successes, to find the better way to meet our customers' needs. And, we believe that making the customer number one makes us number one, too.

The ability to provide creative solutions for today and tomorrow is a sales advantage built into our comprehensive portfolio of Employee Benefits—an advantage you can put to work every day. For more information on how Unionmutual can help you solve the puzzle of Employee Benefits, contact your Unionmutual representative.

Employee Benefits. A group of UNUM™ products.

\*Employee Benefit Plan Review, April 1985



**Unionmutual**

The **UNUM** commitment to excellence™

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

## london line

Continued from page 10

on terms that were at least as favorable to the syndicates, and in some respects more favorable, than any other similar cover available in the market at the time."

### Hazardous-waste claims

Claims stemming from the cleanup of hazardous waste sites may "present the largest exposure the world insurance market has ever faced," a U.S. lawyer warned London underwriters.

"These claims could very well dwarf the claims we have seen in asbestos and DES" litigation, said Barry L. Bunshoft, senior partner for the San Francisco law firm of Hancock, Rothert & Bunshoft.

Mr. Bunshoft noted that although the Superfund set up under the U.S. Comprehensive Response

Compensation and Liability Act of 1980 to pay for cleanup costs now stands at \$1.6 billion, actual cleanup costs easily could reach \$100 billion, according to a report by the U.S. Office of Technological Assessment.

"To put it into perspective, the combined net worth of the American insurance economy is estimated at between \$60 billion and \$70 billion," Mr. Bunshoft said.

"It is sobering to note that the OTA estimate of \$100 billion does not include costs of third-party common law property damage and bodily injury claims."

Mr. Bunshoft spoke last month at the Insurance Institute of London. Mr. Bunshoft represents London underwriters in a lawsuit filed by Shell Oil Co. against 270 primary and excess liability insurers. Shell's suit seeks a declaratory judgment that the insurers—which provided

liability coverage to Shell from 1947 to 1983—must indemnify Shell for cleanup costs at the Rocky Mountain Arsenal northeast of Denver and at a California site (*BI*, Nov. 7, 1983).

Recently, a federal judge ruled that Shell and the U.S. government are both liable for up to \$1.9 billion for cleaning up Rocky Mountain Arsenal (*BI*, Nov. 25, 1985).

Mr. Bunshoft painted a grim picture of the potential liability for U.S. corporations under the Superfund law, which imposes strict joint and several liability on companies that dumped waste at certain hazardous-waste sites.

"It is nearly impossible for any defendant to win in the underlying litigation," he said.

At most, he said, companies can mitigate damages under Superfund. "But even here, the results are dismal. The Environmental Protection Agency will rarely consider an offer of settlement from defendants of less than 80% of the

cleanup cost, and almost never will give a defendant a release of all future claims," he said.

And, he said, insurers often are told by U.S. courts that they must indemnify companies for the costs of cleanup under policies issued during the last several decades, even though insurers never anticipated such liability when they issued—and priced—those policies.

"The interpretations of policy wordings provided by American courts on these issues... have stretched the intent of the underwriters beyond recognition.

"In a judicial climate where sudden comes to mean gradual and accidental comes to mean certain, the system loses credibility."

However, he added, "criticism of the impertinence of American courts did not begin with asbestos and will not end with pollution."

Mr. Bunshoft believes that oil and chemical companies and their insurers should consider alternatives in an effort to avoid "mutual de-

struction at the hands of overzealous environmentalists and rapacious lawyers."

Mr. Bunshoft noted, for example, that the companies should examine the Wellington agreement, which set up a facility for handling asbestos claims. "Perhaps it can work in pollution," he suggested.

He also offered some specific advice to the London market to "protect itself from this potentially ruinous situation":

- Develop fair and reasonable guidelines on pollution coverage.

- Cooperate with lawyers on whom the insurers market will rely on to protect its interests.

- Fight the efforts of American industry "to export their business risk to you with every means at your disposal."

- Make the market's position known to U.S. lawmakers.

### Airline coverage

Some non-U.S. airlines are bypassing the London market when placing their hull and liability coverage, according to a Lloyd's of London aviation broker.

"London may have to recognize that there are other markets that are accepting smaller rate increases," warned the broker, who did not want to be named.

London aviation underwriters have increased rates dramatically for airlines and ceding companies in the wake of more than \$1 billion of claims in 1985. Hull rate increases now average between 30% to 40% and liability rate hikes are 70% to 80%, the broker said (*BI*, Dec. 9, 1985).

"I don't think that London underwriters can expect forever to charge what they want and reduce capacity and change conditions. Either the client will self-insure or he will go to other markets," he warned.

### Posgate application

Lloyd's of London soon is expected to review the application of former underwriter Ian R. Posgate to resume underwriting at Lloyd's (*BI*, Dec. 23, 1985).

Mr. Posgate first was suspended from Lloyd's in 1982 for his alleged involvement in the misappropriation of \$55 million from his syndicates, managed by Alexander Howden Underwriting Ltd.

Last year, he was suspended by Lloyd's for owning shares in a Swiss bank without informing the Howden board and for accepting gifts from former Howden officials who allegedly tried to influence his underwriting. His suspension expired Jan. 8 (*BI*, July 22, 1985).

Mr. Posgate has applied to underwrite for Syndicate 162, managed by R.L. Glover & Co. (Underwriting Agencies) Ltd. As with any application, Lloyd's must find Mr. Posgate is a "fit and proper person" before granting approval.

### Howden units sold

Alexander Howden Underwriting Ltd., a subsidiary of Alexander & Alexander Services Inc., has sold the remainder of its Lloyd's managing agency business to a new Lloyd's managing agent, Devonshire Underwriting Agencies Ltd., for an undisclosed sum.

Malcolm B. Rumsey, former chairman of Lloyd's Underwriting Assn., is chairman of the Devonshire, which includes active underwriters P.W.G. Suttle, Chris H. Bohling, R.A. Ford, A.K. Giles, G.K. Knight and R.H. Lister as directors.

The company will manage several Lloyd's syndicates with a total premium capacity of about 45 million pounds (\$65 million).

This sale follows the Dec. 17 sale of the other portion of Howden Underwriting's Lloyd's managing agency business to A.J. Archer & Partners (*BI*, Dec. 30, 1985).



## Skandia America has a commitment to reinsurance

**85 Years Experience.** Skandia America Group's tradition for providing sound reinsurance dates back to 1900. Today, in addition to our own strong financial structure, we are backed by Skandia Group which has \$7.3 billion in assets. **Result: Skandia is positioned to provide you with stability based on financial integrity.**



The resourceful reinsurer

280 Park Avenue • New York, N.Y. 10017

**comings & goings: buyers**

**Restaurant chain appoints  
Sup manager of insurance**

**Frank C. Sup**, 38, has been named manager of insurance and loss control at Pizza Hut Inc. in Wichita, Kan. In this newly created position, Mr. Sup will be responsible for Pizza Hut's property/casualty insurance programs and loss-control programs. He will report to Ken Albrecht, Pizza Hut's director of risk management. Mr. Sup previously was director of risk management with HealthAmerica Corp. in Nashville, Tenn. He received a bachelor of science degree from the University of Illinois in Urbana and a master of insurance degree from Georgia State College in Atlanta. Mr. Sup holds the Certified Safety Professional designation and is working toward the Chartered Property Casualty Underwriter designation.

**Lyn Murata-Demetre**, who resigned. Mr. Abram received a bachelor of fine arts degree from Loyola Marymount University in Los Angeles and has received the Associate in Risk Management designation. Mr. Abram is also a director of the Los Angeles Chapter of the Risk & Insurance Management Society.

*We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Paul Winston, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611, or call 312-649-5442. Please send a photograph, too.*

**Peter Potemkin**, 38, has been named risk manager for the city of Arlington, Texas. In this newly created position, he will manage the city's partially self-insured property/casualty program and oversee loss prevention and control programs. He reports to Lynn Hampton, director of finance. Previously, Mr. Potemkin was risk manager for Longmont, Colo. He has a bachelor's degree in social science and a master's degree in industrial sciences and safety from Colorado State University in Fort Collins.

**Nathaniel E. Lord** has been named risk manager for FEDCO Inc., the non-profit membership department store chain in Santa Fe Springs, Calif. He will be responsible for the company's property, casualty and self-insured workers compensation programs, as well as its safety plan. Mr. Lord, 30, was formerly senior loss-control consultant at Gulf Insurance Group in Irvine, Calif. He received a bachelor of arts degree in history and a bachelor of science degree in political science from Claremont Mens College in Claremont, Calif. He also has received the Chartered Property Casualty Underwriter designation. He reports to Patricia Adis, executive vp and director of administration. Mr. Lord replaces **Rob Campeau**, who left the company.

**Randy Abram** has been named safety and health manager for the city of Inglewood, Calif. Mr. Abram, 33, oversees the city's self-insured workers compensation program, its safety program, its pre-employment physicals program and its 6-year-old employee assistance program. Mr. Abram, 33, was formerly risk manager at SelecTV of California Inc. in Marina del Rey. In his new position, he reports to Shirley D. Williams, personnel director. Mr. Abram replaces **Mari-**

**Lewison receives  
award from RIMS**

Thomas D. Lewison, corporate risk and insurance manager for Degussa Corp. of Teterboro, N.J., has been chosen New Jersey Risk Manager of Distinction for 1985 by the New Jersey Chapter of the Risk & Insurance Management Society. Degussa Corp., which is the U.S. subsidiary of Degussa AG in Frankfurt, West Germany, is a manufacturer and distributor of chemicals and precious metals. Mr. Lewison joined the firm in 1981. Mr. Lewison, who also is vp-communications for the New Jersey RIMS chapter, was presented with the award at a special dinner.

**less  
ance**

NEW YORK: 220 EAST 42ND STREET/NY 10017/(212) 210-0133  
CHICAGO: 740 RUSH STREET/IL 60611/(312) 649-5276  
LOS ANGELES: 6404 WILSHIRE BOULEVARD/CA 90048/(213)651-3710

**update**

**EMPLOYEE BENEFITS:  
COST CONTROL**

Issue Date: February 17  
Ad Closing: February 4

Cost-conscious benefit managers turn to *Business Insurance* to learn the latest methods employers are using to save money.

**business  
insurance**

**RISK  
MANAGEMENT  
HEADQUARTERS  
IN 45 STATES  
& PROVINCES**

Managing risk today means leaving no stone unturned. From increasing emphasis on loss prevention to considering all alternative funding mechanisms, the technical competence of your insurance advisor is key to holding your costs down.

The Assurex International\* partner in your locale is uniquely qualified to chart the most cost-effective course for your firm.

- higher deductibles
- self-insurance
- captives
- non-insurance

\*Assurex International is owned by 61 independent insurance agencies and brokers in the U.S. and Canada.



**Assurex  
INTERNATIONAL**

100 E. Campus View Blvd.  
Columbus, Ohio 43085  
(614) 888-4869

- ALABAMA**  
McGRIFF, SEIBELS & WILLIAMS, INC.  
THAMES BATRE MATTEI
- ARIZONA**  
OLLIVER-PILCHER INSURANCE INC.
- ARKANSAS**  
REBSAMEN INSURANCE
- CALIFORNIA**  
BARNEY & BARNEY  
BOLTON AND COMPANY  
WOODRUFF-SAWYER & CO.
- CANADA**  
RYAN AGENCY LIMITED  
TOWER-CHISHOLM FERGUSON LIMITED  
P. BRUNET ASSURANCE, INC.  
MOINTRA GROUP OF COMPANIES
- COLORADO**  
DAY, WEBB AND TAYLOR
- CONNECTICUT**  
ARTHUR A. WATSON & CO., INC.
- FLORIDA**  
J. ROLFE DAVIS INSURANCE AGENCY, INC.  
SEITLIN & COMPANY
- GEORGIA**  
HAMILTON-DORSEY-ALSTON COMPANY  
PALMER & CAY, INC.
- HAWAII**  
AMERICAN MUTUAL UNDERWRITERS, LIMITED
- ILLINOIS**  
MACK AND PARKER, INC.
- INDIANA**  
INSURANCE & RISK MANAGEMENT
- IOWA**  
LaMAIR-MULOCK-CONDON CO.
- KANSAS**  
INSURANCE MANAGEMENT ASSOCIATES, INC.
- KENTUCKY**  
POWELL-WALTON-MILWARD, INC.
- LOUISIANA**  
GILLIS, ELLIS & BAKER, INC.
- MAINE**  
MORSE, PAYSON & NOYES
- MARYLAND**  
EARLY, CASSIDY & SCHILLING, INC.  
RIGGS, COUNSELMAN, MICHAELS & DOWNES, INC.
- MASSACHUSETTS**  
FRED C. CHURCH, INC.
- MICHIGAN**  
GENERAL UNDERWRITERS, INC.
- MINNESOTA**  
BRANDOW HOWARD KOHLER & ROSENBLUM, INC.
- MISSISSIPPI**  
FOX-EVERETT, INC.
- MISSOURI**  
THE DANIEL & HENRY CO.  
THE GILBERT-MAGILL COMPANY
- NEBRASKA**  
THE HARRY A. KOCH CO.
- NEW HAMPSHIRE**  
KENDALL INSURANCE, INC.
- NEW JERSEY**  
NATIONAL INSURANCE ASSOCIATES
- NEW MEXICO**  
BUNDY, SELIGMAN & THOMAS
- NEW YORK**  
JOHN F. CURRY AGENCY, INC.  
HATCH-LEONARD MARKIN-SHAW, INC.
- NORTH CAROLINA**  
COLLIER COBB & ASSOCIATES, INC.
- OHIO**  
THE JAMES B. OSWALD COMPANY.  
THE McELROY-MINISTER COMPANY.  
PICTON-CAVANAUGH, INC.  
SCHIFF, KREIDLER-SHELL, INC.
- OKLAHOMA**  
McELDOWNEY, McWILLIAMS, DEARDEUFF & JOURNEY, INC.
- OREGON**  
JEWETT, BARTON, LEAVY & KERN, INC.
- PENNSYLVANIA**  
THE FRANKEL COMPANY  
H.C. KNIGHT & CO.
- RHODE ISLAND**  
STARKWEATHER & SHEPLEY, INC.
- SOUTH CAROLINA**  
BOYLE-VAUGHAN ASSOCIATES, INC.
- TENNESSEE**  
MARTIN HAYES & COMPANY, INC.
- TEXAS**  
ORDWAY-SAUNDERS COMPANY  
ROACH HOWARD SMITH & HUNTER  
JOHN L. WORTHAM & SON
- UTAH**  
FRED A. MORETON & COMPANY
- VERMONT**  
KINNEY, PIKE, BELL & CONNER, INC.
- VIRGINIA**  
DeJARNETTE & PAUL, INC.  
HENDERSON & PHILLIPS, INC.
- WASHINGTON**  
PARKER, SMITH & FEEK, INC.
- WEST VIRGINIA**  
McDONOUGH-CAPERTON-SHEPHERD GROUP
- WISCONSIN**  
LAUBE GROUP INC.

# Most firms offer comprehensive cover: Study

More than two-thirds of U.S. employers offer comprehensive medical coverage to their employees, and 62% of all employer-provided medical plans are essentially self-insured, a recent survey shows.

The survey, conducted by benefit consultant A.S. Hansen Inc. in Deerfield, Ill., included the responses of 684 employers to questions about their company's medical plans and other benefit issues.

The surveys were completed at a series of seminars conducted by Hansen in Atlanta, Chicago, Milwaukee, Dallas, Denver, Houston, Los Angeles and San Francisco. Hansen tabulated the responses to give insight into benefit practices nationwide, as well as by area.

For example, the survey showed that, although 68% of employers nationwide offered a comprehensive

medical plan, 45% of the respondents at the New York conference indicated that they provide basic plus major medical coverage. Nationwide, only 26% of the respondents offer a combination of basic and major medical plans.

"New York has customarily had a large number of Blue Cross/Blue Shield plans, so this statistic is not surprising," the survey explained.

Also, 1% of the respondents said they offer basic medical coverage only, and 5% offer some other kind of medical plan.

While 62% of the respondents said their medical plans were self-insured, some 28% said their plans were essentially insured.

Some 7% of the respondents said they had another arrangement for financing their plans, and 3% said they didn't know how their medi-

cal plan was financed.

Virtually all—99%—of the respondents that had a comprehensive medical plan required employees to pay a deductible.

The most common deductible was \$100 to \$149, required by 41% of the respondents.

Some 21% reported deductibles from \$200 to \$249, and 18% reported deductibles from \$150 to \$199. The rest reported deductibles ranging from \$1 to more than \$400.

In addition to the deductible, 75% of the respondents said they require employees to contribute to the cost of their medical plan, at least for dependent coverage.

Forty percent of the respondents require employees to contribute to the cost of coverage for themselves and their dependents, while 34% said employees must pay part of the

cost for dependents only.

Some 16% of the respondents said they offer a preferred provider organization as part of their medical coverage, and an additional 27% said they are considering a PPO.

But, 49% said they are not considering a PPO, and 8% said they have not yet made a decision.

"By size, larger companies report a higher percentage use of PPOs than smaller ones," the survey says. "However, consideration of preferred provider arrangements was highest among employers with 500 to 999 employees."

The final question regarding medical plans centered on current government interest in taxing employees on part of the value of their employer-provided medical coverage. Respondents were asked which method of taxation they

would prefer, if Congress acted to tax medical benefits.

The largest number of respondents—49%—said they would prefer a cap on tax-free medical benefits, in which employees would be taxed on all employer contributions over a set amount.

Some 36% of the respondents favored a tax floor, which would tax employees on all employer contributions up to a certain amount. And, 15% favored some type of imputed income schedule, such as currently exists for employer-provided group life insurance.

In addition to the questions on medical plans, the survey asked respondents about other elements of their benefit plans. The responses showed that:

- Some 62% of the respondents said they currently offer a 401(k) salary reduction savings plan, and another 21% said they are considering offering such a plan, making 401(k) plans the most often-offered non-medical benefit surveyed.

According to the survey, interest in the plans is relatively constant nationwide, although the highest incidence of the plans was among the respondents in Denver, and the lowest rate was among the respondents in Houston.

- There is a strong interest in flexible benefit plans. Although only 14% of the respondents said they currently have a flexible benefit plan in place, an additional 37% said they are considering implementing such a plan.

The survey showed that larger firms are more likely to have implemented flexible plans. But, the consulting firm said, "Hansen believes there is now, and will continue to be, interest in these arrangements, particularly as they prove themselves effective in controlling health care costs."

- In the area of benefit communications, 59% of the respondents said they distribute employee benefit statements to their workers, and an additional 26% were considering the use of such statements.

Also, 49% of the respondents said they have a program for communicating cost-containment information to their employees, and an additional 34% said they were considering such a program.

In the Los Angeles area, some 71% of the respondents reported they use a cost-containment communication program.

- Some 35% of the respondents have implemented a pre-retirement counseling program, and 24% are considering doing so.

Larger companies, which have more potential retirees, are more likely to have such a counseling program, according to the survey. And, again, the programs are more prevalent in the Los Angeles area.

- Some 28% of the respondents said they have instituted a wellness program, and an additional 34% said they are considering doing so.

The survey showed wellness programs were more popular among larger employers and among non-profit service companies and educational service firms.

- Only 17% of the respondents said they analyze medical claims data by diagnostic-related groups, and an additional 18% said they are considering such analysis.

"The detailed analysis of medical claims data is a relatively recent concept, and it is not surprising that only a small percentage of companies are using the technique," Hansen said.

Copies of the "A.S. Hansen Inc. Fall Planning Conference Instant Survey National Results" are available free by writing to Jo Wolicki, A.S. Hansen Inc., Three First National Plaza, Suite 2600, Chicago, Ill. 60602.

# New! 1986 Crawford Service Directory

Your guide to all Crawford services in one handy book!

- 556 Claims Offices
- 142 Health and Rehabilitation Offices
- 556 Risk Survey Offices
- 62 Property General Adjusters
- 46 Casualty General Adjusters
- 115 Heavy Equipment Appraisers
- 7 Administrative Service Centers
- 7 Regional Offices
- 6 Risk Control Regional Directors
- Risk Sciences Group Offices
- Training Courses for Adjusters/Appraisers



"We earn your confidence... one assignment at a time."



Please send \_\_\_\_\_ copies of the 1986 Crawford Service Directory to:

Name \_\_\_\_\_

Title \_\_\_\_\_

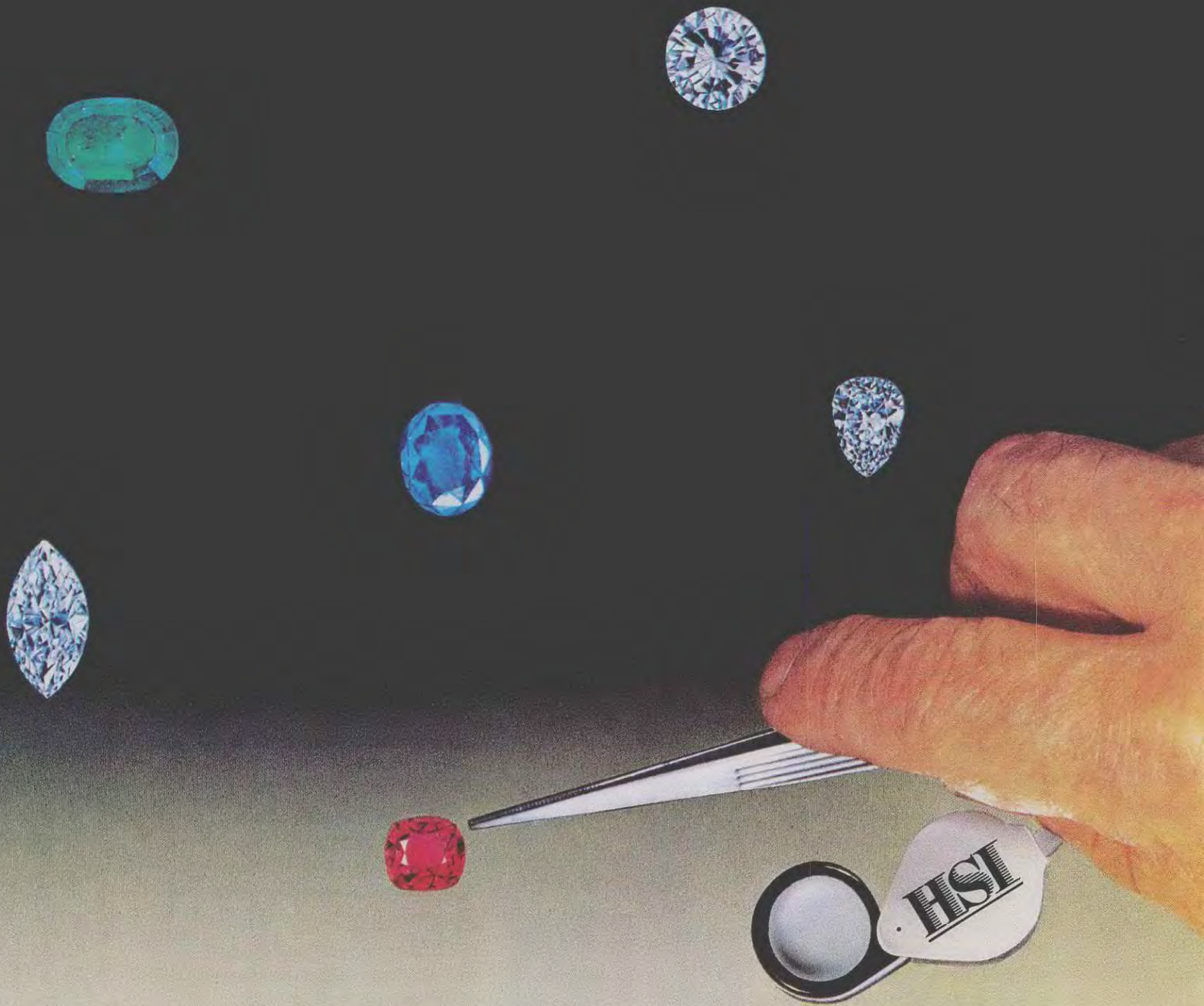
Company \_\_\_\_\_

Street Address \_\_\_\_\_

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

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

Attn: Market Communications  
Crawford & Company • 5620 Glenridge Drive, N.E.  
P.O. Box 5047 • Atlanta, GA 30302



## It takes an expert to spot the best.

Can you tell which of the gems above is the most valuable? Few of us can. It takes an expert to choose which gem is the best value for your investment.

It's the same with health care cost containment software. To know which system is best for you, rely on an expert.

HSI offers you more medical cost containment expertise than any other software company. We've pioneered and distributed state-of-the-art cost containment software technology since 1968. We're widely known as the developers of the DRG (Diagnosis Related Group) patient classification scheme used by Medicare to reimburse our nation's hospitals.

We've developed a family of integrated cost containment software products geared to reduce your escalating health care expenditures. Software products that evaluate hospital claims from both a clinical

and financial perspective before payments are made to providers of health care.

Now a claims analyst can quickly determine which hospital claims need further review and which ones can be paid automatically. *The results:* Improved productivity and substantial savings of your health care dollars.

Our family of Cost Containment software products includes the following stand alone modules: **Clinical Claims Editor:** Identifies any clinical inconsistencies on a claim and indicates specific areas for audit attention.

**DRG Assignment Programs:** Provides for accurate DRG Assignment in both ICD-9-CM and CPT permitting payment or comparative analysis by DRG.

**Medical Claims Monitoring System:** Incorporates DRG Assignment and Clinical Claims Editing with hospital specific

payment limits for screening claims, and a complete data reporting and analysis system.

**HSI/CODER:** Permits identification of correct diagnosis and procedure codes from the English language on the claim.

**Utilization Management System:** Provides a concurrent review and discharge planning package for a complete managed care system.

These days, can you afford anyone but a real expert working for you? Call for one today:  
(203) 562-2101.

All gems ... like all systems ... are not alike. More than \$1 million in precious stones are shown here. The experts at Harry Winston immediately chose the smallest as the most valuable ... the 7.19 c. ruby at \$300,000, easily the most costly.

Gems courtesy Harry Winston. Health care software from HSI.

### Health Systems International®

100 Broadway, New Haven, Connecticut 06511 (203) 562-2101

**HSI**<sup>®</sup>  
SINCE 1968

# New company to write on behalf of Signet Re

W.R. Berkley Corp. has formed Facultative ReSources Inc. to underwrite facultative reinsurance on behalf of Signet Reinsurance Co.

Signet Re is a Berkley subsidiary that until now has written only treaty reinsurance.

Facultative ReSources officials say they expect the Greenwich, Conn.-based company to generate \$20 million in net premiums in its first year as an underwriting manager for Signet Re.

James W. McCleary, executive vp and chief operating officer of the new company said, "Current market conditions are such that the opportunity for facultative reinsurance to be done the way it should be done has never been greater."

Mr. McCleary said the new company will write "basically all lines of casualty reinsurance with the

exception of heavy professional liability and aggregate workers compensation."

Coverage will be written from primary levels to "intermediate umbrella excess layers," he added.

Facultative ReSources, Mr. McCleary noted, will accept business only through reinsurance brokers licensed in New York.

G. William Davis Jr., president and chief executive officer, pointed out that reinsurers must provide leadership in a complex marketplace.

"With the dramatic changes taking place in rates and forms in the commercial general liability arena, there is a need for reinsurers to interpret the many new developments," he said. "There is a clear opportunity and need from a service aspect, beyond the need for

sheer capacity."

Mr. Davis was formerly president and Mr. McCleary was formerly vp of Cologne Reinsurance Co. of America.

Signet Re currently has a policyholder surplus of \$27.5 million, including \$12 million in capital the reinsurer recently received from Berkley (BI, Jan. 13).

Facultative ReSources is located at 165 Mason St.; P.O. Box 2560; Greenwich, Conn. 06836-2560; 203-629-2880.

## Gallagher growth

Arthur J. Gallagher & Co., the 10th largest U.S. broker, is discuss-

## markets

ing the possible acquisition of Lloyd's of London broker John Plumer & Co. Ltd.

If the acquisition is completed, Plumer would be merged with Gallagher's London affiliate, Arthur J. Gallagher & Co. U.K. Ltd.

Robert Gallagher, president and chief executive officer of Rolling Meadows, Ill.-based Gallagher, said he hopes the acquisition will be completed in the first half of this year.

Mr. Gallagher said the acquisition would enable the firm to broaden its London operation and strengthen its commitment to providing international risk management and brokerage services.

He described Plumer as a multi-line broker specializing in marine insurance, reinsurance and coverages for construction and aviation risks.

Plumer, which was founded in 1979, employs more than 100 workers.

The amount that Gallagher is offering for the privately held London brokerage was not disclosed.

## Pension consultant

ERISA Associates Ltd. is a new company providing advice to pension fund managers and trustees.

The company was formed because of the "restrictive set of controls, regulations and court decisions" that affect employee benefit professionals as a result of the Employee Retirement Income Security Act of 1974, the company's founders say.

ERISA Associates' aim is to provide counsel to trustees and fund managers by keeping up with changes in statutes, regulations and court decisions pertaining to pension and profit-sharing benefits.

The company's board of directors is made up of professionals in areas of law, accounting, actuarial science and finance.

In addition, the board can provide advice in the real estate and insurance fields.

The directors, and their areas of expertise, are: Bert S. Brown, accounting and finance; Eugene B. Burroughs, finance and investments; Patrick M. Campbell, legal; Floyd C. Cole, administration; Gerald E. Cole, legal; Richard J. Davis Jr., legal; Daniel F. McGinn, actuarial science; and David W. Silverman, legal.

ERISA Associates is located at 2021 K. St. N.W., Suite 305, Washington, D.C. 20006; 202-728-7804.

## Cleveland HMO

HealthCare Network, a recent entry into the health maintenance organization market in northern Ohio, is offering health care services to employers in the four-county Cleveland area.

The HMO is a joint venture of MetLife HealthCare Management Corp., a subsidiary of Metropolitan Life Insurance Co., and University Hospitals of Cleveland. A spokesman for the HMO said its board of directors is expected to change HMO's name to MetLife HealthCare Network at a Jan. 22 board meeting.

Mel Dettra, president of the HMO, predicts that it will have more than 20,000 members and \$8 million in revenues by the end of its first year of operation. It currently has more than 1,000 members.

The network currently features 17 member hospitals and 1,600 physicians.

HealthCare Network is located at 4 Commerce Park Square; 23200 Chagrin Blvd.; Beachwood, Ohio 44122; 216-464-8446.

## Financial coverage

The Frizzell Group, a Lloyd's of London broker, is a partner in a new joint venture that specializes in the placement of insurance for financial institutions.

Frizzell Insurance for Financial Institutions finds markets for clients worldwide that need bankers blanket bond coverages, computer crime insurance, directors and officers liability coverage, vault and armored car insurance and other coverages.

Colin Frizzell is the chairman of the new firm, and John Owen is the managing director.

More information on the new  
Continued on next page

# HEALTH NET. The Well-Balanced Approach To Health Care.



You've been walking a fine line. Trying to balance your employees' desire for health care that's expert and convenient, with your need to provide them with a health plan that's

comprehensive...and cost effective. And with so many HMO's, PPO's and indemnity programs pulling you this way and that, it's no wonder you're feeling unsteady about which health plan your company should offer. Health Net helps you keep your balance.

With Health Net, Southern California's largest network of health professionals...hospitals, physicians, specialists, nurses and technicians, you can meet all your employees' health care needs. Right in their own communities. Offering your employees this wide range of high quality medical care not only makes good health sense, it makes good business sense, too.



First, Health Net costs less than any other comprehensive health plan. And, we support your company's health promotion efforts with nutrition, exercise, weight control, stress reduction and alcohol/drug abuse programs, along with providing

on-site health screening and testing. By keeping your employees well, you'll have less down time and greater productivity. That's another way Health Net saves you money.

So in today's topsy-turvy health care arena, where choosing a medical plan can be an unsettling experience, it's good to know there's Health Net. Offering you and your employees a well-balanced approach to health care.

For further information, call 1-800-621-5560

Health Net  
P.O. Box 9103  
Van Nuys, CA 91409



**HEALTH NET**  
The Next Step

Health Net is available for companies with 25 or more employees.

Continued from previous page  
 brokerage is available by contacting Frizzell Insurance for Financial Institutions, Frizzell House, 14-22 Elder St., London E1 6DF, England; 01-247-6595.

## Capital infusion

Occidental Fire & Casualty Co. of North Carolina plans to write more business this year as the result of a \$10 million capital infusion it received in September from its parent company, the Raleigh, N.C.-based McM Corp.

Dick Oliphant, vp of agency relations for Englewood, Colo.-based Occidental, which specializes in transportation risks, says, "We're writing business on the same old corner, so to speak, but we'll be stronger and probably more active this year. We haven't changed our basic philosophy."

Occidental's capital infusion brings its policyholder surplus to a total of about \$20 million.

## CIGNA HMO grows

CIGNA Healthplan Inc. has formed a new health maintenance organization in New Jersey and is acquiring plans in Georgia and Maryland.

CIGNA Healthplan of New Jersey Inc., an HMO established in cooperation with PrimeCare Inc., will operate initially in Burlington, Camden and Gloucester counties. Its headquarters will be in Moorestown.

The HMO will operate as an individual practice association model, allowing members to select a primary care physician and receive treatment in that doctor's office. Physicians may also refer members to specialists and hospitals associated with the plan.

PrimeCare, a group of 100 primary care physicians, will be responsible for the delivery and coordination of medical services.

Frank Herpok has been named vp and general manager of CIGNA Healthplan of New Jersey. He was formerly health services administrator of AV-MED HMO Health Plan in Miami.

In Georgia, CIGNA Healthplan of Georgia Inc., a subsidiary of CIGNA Healthplan, has acquired Georgia Medical Plan Inc., a 4-year-old HMO that also operates as an IPA. It currently has 34,000 members in a 12-county area. More than 1,200 physicians provide services to the HMO.

Proceeds from the sale of the Georgia Medical Plan will benefit the newly created Georgia Health Foundation, which will contribute the funds to "organizations and institutions whose primary interest is health care for the citizens of Georgia," said Michael J. Lanzilotta, president of CIGNA Healthplan's Southeast Division.

In Maryland, CIGNA Healthplan will acquire MD-Individual Practice Assn. Inc. and Physicians Health Plan of Maryland Inc., both based in Rockville.

MD-Individual Practice is a 70,000-member HMO operating in the Washington and Baltimore areas. Physicians Health Plan is an affiliated company that contracts with physicians and other professional service providers to staff MD-Individual Practice.

The acquisition is pending regulatory approval. Terms were not disclosed.

William J. McBride, president and chief executive officer of CIGNA Healthplan, pointed out the acquisition is part of the company's plan for aggressive expansion into major markets, especially the Northeast.

"MD-IPA is a quality operation with a strong and healthy financial record, and it provides CIGNA Healthplan with an established and strong base in the Washington/Baltimore corridor," pointed out Mr. McBride.

## Marine coverage

E.H. Crump of California Inc. has launched a new commercial marine facility in Long Beach.

R. Bruce Adams heads the new Commercial Marine Products division and is responsible for working with agents and brokers to develop a variety of specialty coverages.

David R. Hoskins, president of Crump of California, said, "We believe many brokers need Bruce's expertise to help market and sell such specialty coverages as ship repairers' legal, wharfingers' legal, marina operators and other non-standard marine coverages."

Crump's new marine facility is located at 300 Oceangate, Suite 550, Long Beach, Calif. 90801; 213-432-4420 or 800-221-3884.

## Acquisitions

Marsh & McLennan Inc., the nation's largest insurance brokerage, has acquired Atkins In-

surance Corp., a commercial brokerage in Little Rock, Ark. Atkins was ranked by *Business Insurance* as the nation's 74th-largest broker based on 1984 revenues of \$4.3 million.

National Claims Services Inc., a claims adjusting company in Richmond, Va., has acquired Eaton Adjustment & Appraisal Services Inc. of Raleigh, N.C.

Robinson-Conner Inc. in Erie, Pa. has acquired Insurance Management Services Inc. of Cleveland. Robinson-Conner, the 22nd-largest U.S. broker, will combine the property/casualty insurance agency's operations with Robinson-Conner subsidiary Workers' Compensation Service Co. IMS will continue to operate under its present name and will remain in its office at 200 Hanna Building, Cleveland, Ohio 44115; 216-241-4344.

Reinsurance Facility Corp., an intermediary owned by The St. Paul Cos. Inc. has formally acquired Tailored Awards Inc., a

company specializing in structured settlements for personal injury, wrongful death and workers compensation cases. Tailored Awards has moved to 444 Cedar St., St. Paul, Minn. 55101; 612-224-1344.

## New offices

The Mangelsdorf Cos., which provide structured settlements for personal injury claims, have opened an office at One Penn Plaza, Suite 4725, New York, N.Y. 10119; 212-239-4252 or 800-626-3669.

Geo. M. Ruddy & Co., a salvage company, has opened a new corporate office. The facility is located at 31 Gordon Road., Piscataway, N.J. 08854-0369; 201-819-0500.

CMA Consulting Group has opened offices in Georgia, Kentucky and Texas. The service office in Georgia, which became the southeast regional office on Jan. 15, is located at 1355 Terrell Mill Road, Building 1474, Suite 200, Marietta,

Ga. 30067; 404-984-9319. The service office in Kentucky is at 1941 Bishop Lane, Suite 611, Louisville, Ky. 40218; 502-456-4233. In Texas, the CMA service office is at 110 Cypress Station Drive, Suite 114, Houston, Texas 77090; 713-586-8633.

Repeth Associates Inc., a Nashville, Tenn.-based excess and surplus lines broker, has opened Repath-McKell Associates Inc. at 116 John St., Suite 1018, New York, N.Y. 10038.

The Graham Co., a Philadelphia-based brokerage, has moved to new offices. The company is now located at The Graham Building, One Penn Square West, Philadelphia, Pa. 19102; 215-567-6300.

Pilko & Associates Inc., a Houston-based company that provides environmental risk assessments and other risk management services, has moved its West Coast office to 5850 Canoga Ave., Woodland Hills, Calif. 91367; 818-716-9311.

# IF YOU NEED TO WRITE COVERAGE IN BANGKOK, YOU NEED GO ONLY AS FAR AS AEGEN.



**B**angkok. Capital city of the Kingdom of Thailand. A most curious mix of progress and tradition can make it quite difficult to do business here, but each day many Americans must. That is why AEGEN is represented in Bangkok.

Nearly anywhere in the world you need to conduct business, AEGEN is able to

help. And it is no accident that our prices are highly competitive. Or that we can provide quick quotations.

It comes from knowing the people and speaking the language. From the combined experience of Aetna Life & Casualty member companies, Generali Group, and Taisho Marine & Fire.

For a no-obligation review of any risk package, you need go only as far as your telephone. Call Tom McLenithan toll free at 1-800-245-4506. Or in New York, 212-432-6700.

AEGEN spans the globe, so you need go only as far as AEGEN.



**AEGEN** INTERNATIONAL INC.



## In 1938, when a Martian invasion threatened the world

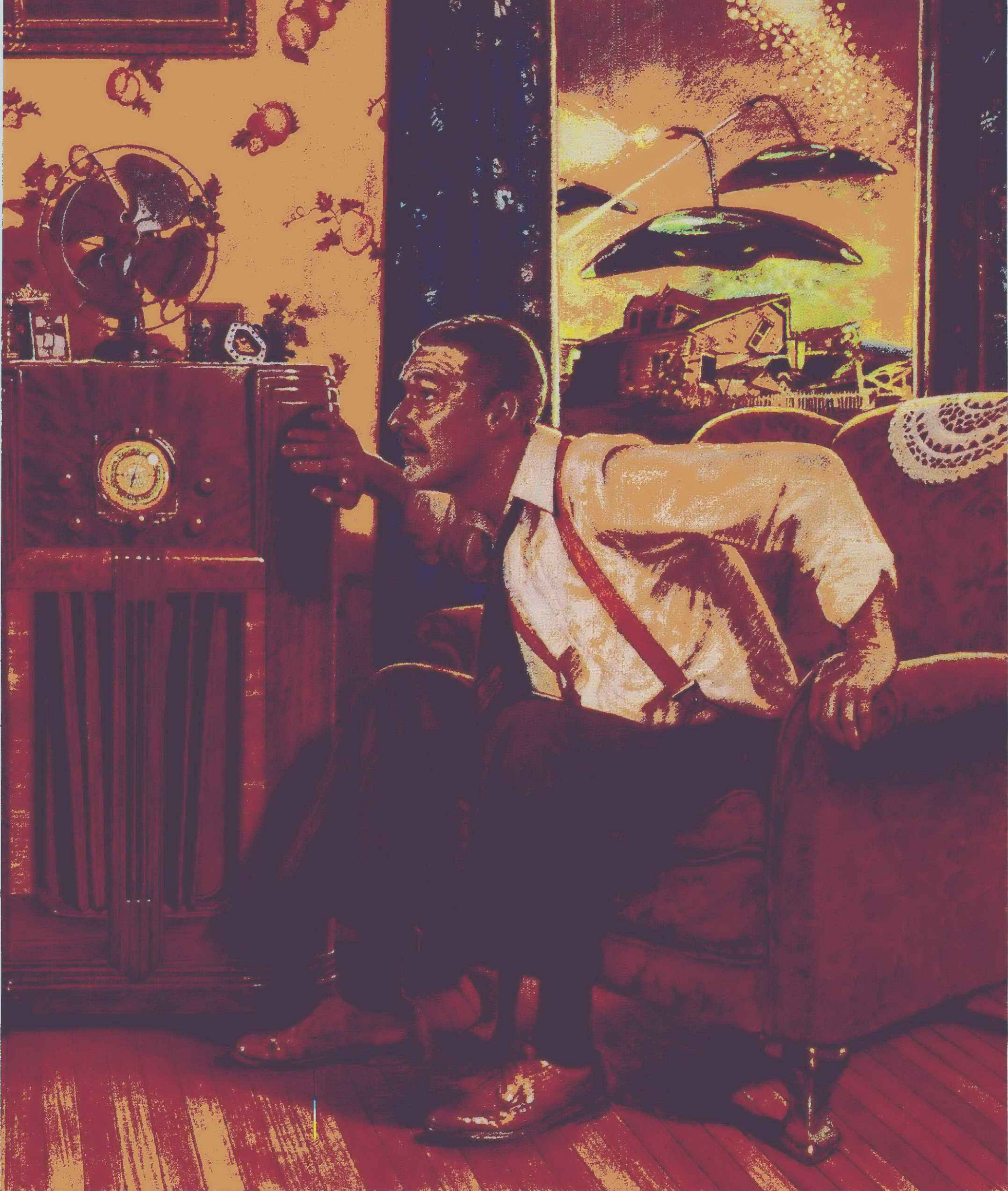
Was it really happening? Or was it a ruse? One thing was certain. The resulting mass hysteria had proven the power of radio in America.

But on that uncertain October evening back in '38 when Orson Welles' incredible broadcast shocked the world,

Allendale had been a credible property insurer for 103 years.

In a changing world where events like this shape history, this is our way of reminding you of one progressive, stable company that's been around since 1835.

Today at Allendale, we continue to shape the history of



## Allendale had been insuring planet Earth for 103 years.

loss control with engineering, training, research and testing, responsiveness and fairness in the way we do business.

Throughout the years we've been more than an ordinary insurance company. Commitment to our insureds goes well beyond the property coverages we provide.

After a century and a half, that part of our philosophy is not about to change. Allendale Insurance, P.O. Box 7500, Johnston, Rhode Island 02919.

**Allendale Insurance/Factory Mutual System**  
150 years of progress and stability.

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

America's Largest Reinsurer  
**General Re**

Reinsurance is a long road into the future. When the road is flat, a reinsurer might be tempted to take on too much—and charge too little. But when the road gets steep—things can fall apart. So capacity is only as good as the security that binds it.

The moral is: Prepare for the hills ahead and live happily ever after.



Will your reinsurer lose its capacity?



# SUBSTANCE ABUSE

## Workplace screening a good idea that requires much preparation

By Howard M. Sandler, M.D.

**A**LCOHOL AND DRUG abuse cost our society dearly in terms of money, production and lost lives. From auto accidents to crime, their impact have spared few families and neighborhoods.

More and more companies are looking at substance abuse screening programs as an effective risk management tool to deal with what many consider a frightening and runaway workplace problem.

Employee substance screening can offer several benefits, including control of absenteeism, decreased accidents, reduced compensation costs, reduced health benefit costs, increased productivity, reduced employee theft and reduced liability exposures.

Thus, at first blush it makes sense to rush right out and put together a program. However, there are a number of caveats and potential problems to consider.

First of all, employers considering developing an employee screening program should ask themselves several questions, including:

- What are you trying to do with the program: What are its goals and objectives? Is your company a social monitor or a legal enforcement participant or is employee on-the-job impairment/performance your primary motivating force?

Once you have set up your goals and objectives, it becomes a lot easier—though still *not* easy—to consider a program.

- Who will be included in the program? Many companies limit their drug screening activities to pre-employment evaluations.

But, even at this limited level there are problems. Unless someone shows up intoxicated, screening won't identify alcohol abuse because the body rapidly metabolizes and eliminates ethanol.

But, use of other drugs, like marijuana, can be detected for a month or longer. Thus, the casual weekend user would not be hired.

Once an applicant has been found "positive," when can he or she reapply? One major oil company's policy is

"once detected, you will never work here."

Periodic monitoring of existing employees is gaining popularity. But, should such monitoring include all employees from the chief executive officer down to part-timers? Or, should it apply to only specific job functions: Are you going to test a salesman or company officer who has had a couple of drinks and then drives a company-owned car?

- What substances are you looking for? Many millions of Americans use alcohol at one time or another, and 10 million are conservatively termed "problem drinkers."

The National Institute on Drug Abuse has estimated 25 million or more Americans have tried marijuana, and several million are regular users. Other drugs include cocaine, heroin, Quaaludes, PCP and prescription drugs like Valium, sleeping pills and "pep" pills.

With this potpourri of substances available, does it matter whether an accident occurred due to Valium or two beers during lunch, or from use of illegal substances on the job?

The issue here is consistent and fair, across-the-board treatment. Alcohol is undoubtedly the biggest problem, but few screening programs address it adequately. In sheer numbers, alcohol-related accidents far outnumber all other substance-related events.

And, let's not forget that many people with certain conditions must take medication, like drugs to control hypertension, that can cause drowsiness or altered judgment.

- Once you get a positive result, what do you do? It makes perfect sense to keep heroin addicts out of your workforce. But what do you do about alcoholics or marijuana abusers?

If you refer alcoholics to rehabilitation programs and return them to work after successful treatment, do you do the same for other substance abusers? It can rapidly become a game where you have to determine which slip—the positive result or the request for rehabilitation—arrived at personnel first.

Another pre-employment concern that has surfaced

in some companies is applicant rejection without a reason. The legal sector may wind up with this one.

It makes sense to tell an applicant that he or she has tested positive as part of the routine evaluation. But, at this point, additional testing may be necessary or the applicant may file a lawsuit.

The point is that policies and procedures must be carefully worked out.

If detection of job impairment is the goal, employee observation and productivity are really the initial determinations. Urine or blood levels can confirm observations.

But, if you randomly detect a positive marijuana screen, what do you do? It certainly may not mean an employee is "high" on the job, just as a negative alcohol test doesn't eliminate a heavy drinker off the job.

- Do you realize that drug screening laboratories promise a lot? First, accuracy of tests vary from company to company. A number of published reports show that many laboratories couldn't come close to accuracy with "spiked," or known, samples.

Second, companies all offer a complete scan. But, what if you only want to screen for certain drugs, like heroin, cocaine, PCP or Quaaludes? Some firms say they are set up to screen for everything, so you get it.

Do you have to act on all tests or can you ignore certain data? Or should you find a company who will do what you want?

Third, are the tests foolproof? Your employees are pretty bright. It quickly becomes general knowledge when a company is conducting pre-employment or any other substance screening. Staying off drugs for a month may not be hard and then the employee resumes usage. This obviously can severely limit pre-employment test effectiveness.

Test results can also be altered by fluid-loading to dilute drugs or alcohol to non-detectable levels, specimen switching and a number of other commonly known tricks.

Sensitivity (false negatives) and specificity (false  
*Continued on next page*

# Does your company need an RMIS?

**D**URING THE PAST several months, this column has examined many of the key issues surrounding risk management information systems, including types of systems, capabilities, examples of how they help risk management professionals and data quality.

However, a number of questions still remain. How does one determine his or her system needs? How much will it cost? How is approval gained from upper management? Which departments should have input into the decision? Which hardware environment—mainframe or microcomputer—is appropriate?

Beginning this month, RMIS Commentary will focus on those steps that should be taken by all risk management professionals contemplating a system acquisition.

In this month's column, we will look at the initial phase—determining need.

This phase is the most critical in the process of acquiring and designing an RMIS. If this determination of need is conducted improperly, a potential six-figure investment may be made in the wrong system. And, this may impair the risk manager's credibility with senior management. More importantly, the system will not help the risk manager do a better job.

It is the risk management professional's responsibility to ensure that the system is responsive to the needs of the organization.

For example, there may be bits of information that the risk manager would like to have, but that are not essential to the performance of his or her job or to the organization.

On the other hand, some information is essential to the organization, and these needs must be identified before a company invests in a system.

A well-defined and conducted interview process is the essential element of the need identification phase. This interview process should quantify the organization's needs, from both internal and external perspectives.

In other words, key department heads within the organization are interviewed and their comments evaluated for incorporation in the specifications for the risk management information system.

In addition, sources outside the corporation—the company's insurer, broker, regulatory commission, etc.—are interviewed and their comments weighed.

Designing the interview process to include key departmental personnel and executives of the organization makes the RMIS project more tangible to those outside the risk management department.

This, in turn, helps to ensure the success of the RMIS project. After all, a well-designed, comprehensive RMIS—with access to many departments within an organization—must have the continued and enthusiastic support of

feasibility or needs determination study.

Unless the function of the system being considered will be very limited, like keeping an insurance schedule on a floppy disk on a personal computer, the design and investment of an RMIS—whether it is PC- or mainframe-based—must have the approval of upper-level management.

After all, the risk management professional will be making recommendations based on information generated by the system that will affect the financial exposure of the organization. Senior management should be involved and be actively supportive.

To gain this support, the risk manager

modeling, etc.

- Increased synergy. Through the interaction of the RMIS with other departments and outside organizations, the risk management department can make better decisions, based on better information and a better understanding of the risks facing the organization.

- Reduction of the cost of risk. Better information presented to underwriters and better control over an organization's risks and self-insured programs because of the efficiency and analytical capabilities of the RMIS give the risk manager a greater opportunity to project a lowered cost of risk.

- Better communication with senior management. The summarizing ability of the RMIS allows the risk manager to present vast quantities of data in a single table or graph, which in turn gives senior management a faster and better understanding of how the cost of risk is affecting the organization.

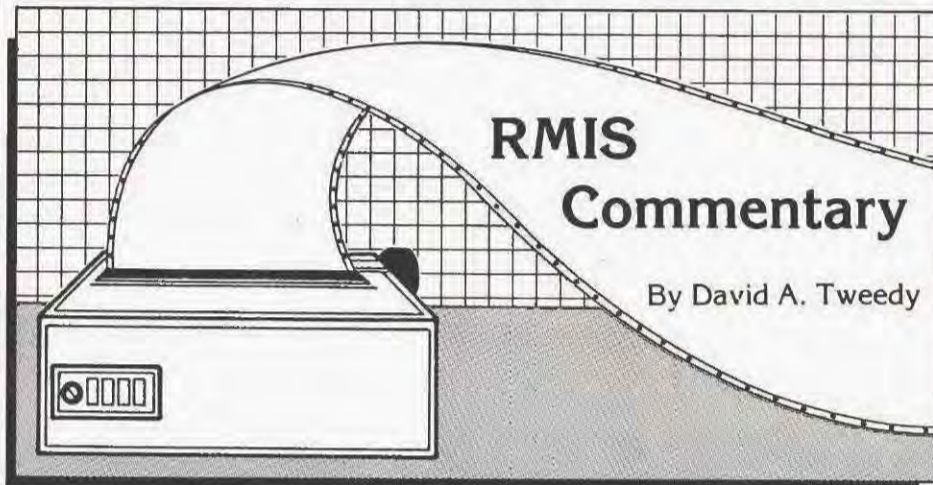
This information can be available on a moment's notice through the RMIS. In addition, other models or situations can be simulated through the RMIS, if required.

These are just some of the benefits the risk manager can document in his proposal to senior management when seeking the approval and support to perform the needs determination study.

As we will see in next month's column, the end result of the needs identification process will be a tangible cost-benefit analysis and an accurate assessment of the information flows and needs of the organization to help the risk manager design an effective and comprehensive risk management information system. ■

David A. Tweedy is a risk management consultant for D.A. Betterley Risk Consultants Inc. in Worcester, Mass. He is the assistant editor of *Betterley Risk Management Commentary* and the author of

*RMIS Update*, a yearly publication analyzing major risk management information systems and vendors. His column on risk management information systems appears the third Monday of every month.



line and staff management if it is to be successful.

The interaction of executive and middle management personnel also tends to reduce potential interdepartmental bickering or jealousy that might occur if the system were designed without input from other departments.

A key factor in the success of the need determination phase, including the interview process, is the active support of senior management.

A memo from the chief executive officer to department heads instructing them to cooperate in the internal RMIS needs identification process is critical to obtaining the valuable information the risk manager needs to scope out system requirements.

And, of course, getting such support means that senior management must have given its initial approval to a

proposal stating the expected benefits and estimated cost of such a system. Among the benefits that can be derived from a risk management information system are:

- Increased efficiency. The reduction of manual, handwritten analyses, file reviews, etc., increases the risk management professional's ability to spend time on more analytical decision making.

- Cost reduction, due to fewer errors through reduced manual operations, a reduced labor force because of automation and quicker reaction by risk management professionals in identifying problems.

- Increased productivity. With less time invested in manual data compilation analysis, the risk manager can spend more time in analysis and decision making in such areas as loss forecasting,

## Substance abuse screening requires preparation

*Continued from previous page*

positives) of screening tests are major headaches and can cause potential legal problems.

Also, one positive result does not a diagnosis make. Remember, this is *screening*. Once a positive result is achieved, further evaluation or testing is appropriate and required.

Last, but not least, the cost for screening varies greatly. "Caveat emptor" applies here as well. Unfulfilled promises can lead to lawsuits as well as poorly spent funds.



Howard M. Sandler, M.D., is president of Sandler Occupational Medicine Associates Inc. in Rockville, Md.

- Whose program is this? Most corporate medical directors agree this is a personnel program, although it uses medical technology. The program's adequacy, accuracy, etc., should be medically confirmed. But, employment decisions are, as always, in the personnel province.

- What are the legal implications? It doesn't take a legal expert just to conjure up *some* of the potential questions.

- "Is it a company's business what I do as long as I'm not 'high' at work?"

- "Can a company refuse to hire me forever for one positive test—even after rehabilitation?"

- Must a company tell job applicants and current employees about the program and the various policies and procedures?

- If the company has an alcohol rehabilitation program, can it dismiss an employee for detection of other substances for which it has no program?

- Is drug abuse a disease like alcoholism, making dismissal a concern of the Equal Employment

Opportunity Commission?

Many of these questions ultimately will be decided in the courts. Some companies may find themselves with extensive liability, depending upon how their programs were constructed.

In summary, like any corporate program, the success of a substance screening program—and ultimately the expected benefits—depends upon careful planning and development of the program.

Companies should consider their goals, objectives, policies, reliability of screening system, legal clearance and all the possible results.

Drug screening is no panacea for workplace safety. But, if carefully implemented, it can have a very positive effect on a variety of items ranging from safety to health promotion to employee morale.

But, like other corporate initiatives that involve as-yet-undecided legal issues, the company should feel confident that a lot of thinking has gone into making an effective, fair and cost-effective substance screening program. ■

# NCCI offering magazine on legal issues

## products & services

The National Council on Compensation Insurance, a workers compensation ratemaking and statistical organization, is publishing a new bimonthly magazine called Legal Insight.

"There will always be new legal issues and concerns which are not adequately addressed by the traditional sources of information and we wanted to develop a forum for discussing them," said Donald T. DeCarlo, the NCCI's vp and general counsel, who edits the magazine.

"Legal Insight will have a national emphasis, as opposed to similar publications which concentrate on one state," he said. "While the magazine will report on significant cases as they arise, greater emphasis will be placed on feature articles analyzing trends. We will try to anticipate the new directions the system will take, as well as tell our readers where it is now."

The premier issue of Legal Insight contains articles on the 1984 amendments to the Longshore and Harbor Workers' Compensation Act, mental stress workers compensation claims and the future tensions and controversies in workers compensation.

Subscriptions to Legal Insight are \$60 annually for NCCI members and \$80 for non-members. Sample copies of the first issue are available free.

For more information, contact Mary Ellen Robinson, Legal Department, National Council on Compensation Insurance, One Penn Plaza, New York, N.Y. 10019.

### Risk management video

A new 60-minute video, "Effective Risk Management," contains both theoretical and practical advice for risk managers.

The presentation by TransMedia International President Raymond C. Sprow features practical, cost-effective techniques for risk retention, risk transfer and the effective use of coverages available from insurers worldwide.

Mr. Sprow has more than 20 years of international and domestic risk management experience and has earned the Chartered Property Casualty Underwriter and the Associate in Risk Management designations.

Because there is an abundance of published material concentrating on the theory of risk management, Mr. Sprow says his firm saw the need "for a concise and effective presentation of the practical techniques and management of risk management."

"Effective Risk Management" is the first in a series of videos TransMedia is producing for various disciplines within the insurance and financial services industries.

The video is available in VHS, BETA and U-MATIC formats at \$200 each, including postage and handling. Orders may be sent to TransMedia International, Suite 2430A, 250 W. 57th St., New York, N.Y. 10107.

### International insurance

Kluwer Publishing Ltd. has introduced a new service, "Insuring Foreign Risks," that provides up-to-date information on insurance regulations in 100 key countries.

"Insuring Foreign Risks," is divided into six geographic sections: Europe; the Americas and Caribbean; the Middle East and Indian subcontinent; the Far East; Australasia; and Africa.

Each entry contains a concise briefing on the country's area and population; legislation governing insurance and reinsurance activities; solvency requirements; state involvement in insurance and rein-

insurance; the status of non-admitted insurance; premium taxes and levies; compulsory insurance; regulation of intermediaries; and insurance contract law.

An editorial note summarizes the country's current insurance climate and highlights pending developments. The appendixes list European Community directives related to insurance, with editorial comments.

Also provided at the end of each entry is a directory of names, addresses and telephone/telex numbers listing state, federal or provincial supervisory authorities; local insurance associations; and chambers of commerce.

The publication, which will be expanded to include 200 countries by year-end 1987, is edited by G.N. Crockford, information services manager at C.T. Bowring & Co. Ltd. in London.

The cost is 40 pounds (\$58.40) for the basic work, plus 7.50 pounds (\$10.95) per biannual update.

To obtain a copy of "Insuring Foreign Risks," contact Michael Brookes, Kluwer Publishing Ltd., 1 Harlequin Ave., Brentford, Middlesex TW8 9EW, England; 01-568-6441.

### Hospital expenditures

State Mutual Life Assurance Co.

of America has retained prominent econometric forecasters and consultants to develop a system to help its actuaries forecast trends in hospital care expenditures.

Data Resources Inc. and SysteMetrics, both divisions of McGraw-Hill, will provide State Mutual with the system, which will combine projections of hospital utilization and price movements in the cost of goods and services related to hospital care.

Under the agreement, Data Resources will provide historical and forecasted inflation rates of various health-sector input price and wage indexes, and SysteMetrics will develop national hospital utilization projections.

The forecasts provided by the two firms will be updated quarterly. Data will be analyzed by total

population, age and sex groupings, diagnostic-related groups and major diagnostic categories.

State Mutual will employ this system in an effort to more accurately set premium levels and stabilize profitability.

"Now, more than ever, it is crucial for health insurers to have the ability to anticipate hospital utilization and expenditures since hospitals are the primary providers in the health care system," said Benjamin R. Schenck, senior vp-group insurance.

Hospital expenditures account for approximately 40% of total health care costs, and about 60% of State Mutual's health claims.

For more information, contact State Mutual Life Assurance Co. of America, 440 Lincoln St., Worcester, Mass. 01605; 617-852-1000.

**Business Insurance Directory**

**Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services**

**ROUTE TO:**

- PE CFO
- VP FINANCE
- RISK MANAGER
- BENEFITS MANAGER
- DIR. COMPENSATION
- VP HUMAN RESOURCES
- PENSIONS/RETIREMENT
- DIRECTOR, SAFETY
- CLAIMS MANAGER
- VP INDUSTRIAL REL
- INSURANCE MANAGER
- LIBRARY

Amid the many reference tools available, there is one unique source book that identifies the major buyers in the commercial insurance industry. The 1985 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services, which features listings on more than 2,000 U.S. corporations, is available now.

The BI Directory provides an expanded list of the major buyers by name and title ... plus corporate address and phone, information on company sales volume and employee population. Access to data is easy with complete alphabetical listings and condensed indexes by size of company and geographic region.

Buyers and sellers alike use the BI Directory. As a buyer, the directory helps you identify your corporate counterparts; and as a seller, you can pinpoint these influential buyers and reach them easily.

Avoid commercial insurance gridlock—order your 1985 BI Directory today, after all...

**the BI Directory is the route to take.**

Business Insurance Directory  
Single Copy Sales, 965 East Jefferson, Detroit, MI 48207 BI 1-20-86

Please send me \_\_\_\_\_ copies of the Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services \$50 each; \$40 each for 5 or more

Bill me \_\_\_\_\_ plus \$5 additional charge for handling;  Payment Enclosed;  Visa;  Mastercard

Account # \_\_\_\_\_ Exp. Date \_\_\_\_\_ Signature \_\_\_\_\_

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

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Telephone ( ) \_\_\_\_\_

**business insurance**

## Equal Opportunities

Each weekly issue of *Business Insurance* gives you an equal opportunity to reach and motivate BI's more than 125,000 purchasing influentials . . . top administrative and financial executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach your prime audience, the *Business Insurance* audience is unequalled!

PUBLISHING DATES	CLOSING DATES
Jan 6	Dec 20
Jan 13	Dec 27
Jan 20	Jan 8
Jan 27	Jan 14
Feb 3	Jan 22
Feb 10	Jan 29
Feb 17	Feb 4
Feb 24	Feb 11
Mar 3	Feb 19
Mar 10	Feb 26
Mar 17	Mar 4
Mar 24	Mar 12
Mar 31	Mar 19
Apr 7	Mar 26
Apr 14	Apr 1
Apr 21	Apr 8
Apr 28	Apr 15
May 5	Apr 23
May 12	Apr 30
May 19	May 7
May 26	May 13
Jun 2	May 20
Jun 9	May 28
Jun 16	Jun 4
Jun 23	Jun 10
Jun 30	Jun 18
Jul 7	Jun 24
Jul 14	Jul 1
Jul 21	Jul 8
Jul 28	Jul 16
Aug 4	Jul 23
Aug 11	Jul 29
Aug 18	Aug 6
Aug 25	Aug 13
Sep 1	Aug 19
Sep 8	Aug 26
Sep 15	Sep 3
Sep 22	Sep 9
Sep 29	Sep 16

# business insurance

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

# Product liability directive divides British

By MELISSA G. ZOCCOLILLO

LONDON—A battle is building between business and consumer groups over how Britain should implement the European Community's controversial product liability directive.

The directive, which was issued in July, gives EC member nations three years to include strict liability provisions in their national product liability laws (*BI*, Aug. 5, 1985; Oct. 31, 1985).

Under strict liability, it is not necessary to prove that a manufacturer was negligent to recover damages for injuries caused by a defective product. Instead, the consumer needs to prove only the product was defective and that he or she was injured by it.

The Confederation of British Industry, which staunchly opposed the introduction of strict liability, is lobbying the government to resolve any ambiguities in the EC directive in business' favor.

"The new law will definitely mean more exposure to companies, and our view is that it will inhibit the process of innovation," said Graham Mason, director of corporate and environmental affairs for the confederation.

But, since the directive has already been issued by the EC, Mr. Mason said all that industry can do is try to ensure that any ambiguities in the directive are favorably interpreted by the British government.

"There is room for maneuvering here and we must make sure it is fully exploited."

Mr. Mason said that manufacturers will have a tough time coping with strict liability, since product

liability insurance costs are already rising and coverage is becoming hard to find.

"In certain sectors—particularly aerospace and pharmaceuticals—coverage limits are already declining and rates are rising. We need to make clear to consumers that something portrayed as an aid to them really isn't."

"In the event of a disaster, a company could not have sufficient funds to cover losses and the result will be there is no money for anyone," he said.

However, the Consumers Assn., a major British consumers' group, wants the government to take a hard line when it implements the directive.

"We welcome the directive" said David Pench, the association's legal officer. "We wish to have strict liability. We are deeply envious of the Americans," he said, referring to the strict liability laws that exist in the United States.

The British government plans to introduce legislation that would implement the directive in the parliamentary session beginning in October, said a spokeswoman for the British Department of Trade and Industry.

Late last year, the department issued a consultative document containing the government's proposals concerning implementation of the directive. The department will accept comments on the proposals until Feb. 19, she said.

The EC directive allows each member nation to decide whether its product liability laws will hold manufacturers liable for so-called developmental risks.

Under the developmental risk defense, a manufacturer is not li-

able if it can prove scientific and technical knowledge at the time the product was made did not enable it to know that the product was defective. The defense is similar to the state-of-the-art defense in the United States.

In its consultative document, the British government recommends that British product liability laws include the developmental risks defense.

The defense "has been one of the most controversial issues raised by the directive," the report notes.

The government concedes that including the developmental risk defense in British product liability laws could "leave a significant gap in the liability system, through which victims of unforeseeable disasters would remain uncompensated and which would bring back many of the complexities and legal arguments that the introduction of strict liability is supposed to avoid."

"Manufacturers, on the other hand, have argued that it would be wrong in principle—and disastrous in practice—for businesses to be held liable for defects that they could not possibly have foreseen," the report continues. "They believe that the absence of this defense would raise insurance costs and inhibit innovation, especially in high-risk industries. Many useful new products, which might entail a developmental risk, would not be out on the market, and consumers as well as business would lose out."

While the government recommends that the developmental risk defense be included, it emphasizes that "the burden of proof will fall squarely on the producer to show that the defect could not reasonably be expected to have been discovered."

Mr. Mason of the Confederation of British Industry, which supports the developmental risk defense, said the final wording of the defense provision in the British legislation is crucial to manufacturers.

"A company should be required to search diligently to discover defects, but to require it to go beyond that is unreasonable," Mr. Mason explained. "We can't have situations where someone can show that in some remote recesses of a company something could have been discovered."

However, the Consumers Assn.'s Mr. Pench said his group will oppose the government's proposal to include the developmental risk defense.

"We think the government is being chicken-hearted here and was unduly influenced by the industry lobby. These risks are insurable," Mr. Pench said.

In addition to the developmental risk defense, the directive allows EC member nations to limit a producer's liability for deaths or personal injuries from identical products to 70 million European Currency Units (about \$61.6 million).

However, the British government recommends the limits not be imposed. The report states these limits "could in some cases lead to injustices in multiple-claim situations and lead to lengthy delays in the payment of compensation awards where there is a possibility of further claims in respect of the same producer."

The government also notes the limits are set so high that a company's insurance costs would not be affected by "an unlimited liability system. It should therefore have little or no effect on the competitive position of industry."

The report adds: "It should be remembered that manufacturers are already subject to laws in this country governing contract and tort which do not set limits to a producer's total liability. Firms must therefore already make their own commercial decisions about how

much product liability insurance to obtain, and they already have to shoulder the risk of claims which might exceed their insured limit."

While the government, industry and consumers disagree on the precise effects of the directive, they all agree the new law will not generate the avalanche of litigation nor the financial burdens created by U.S. product liability laws because of differences between the U.S. and British legal and social systems and provisions in the directive that limit manufacturers' liability.

For example, the directive does not allow punitive damage awards.

In addition, the directive allows member countries to retain contributory negligence defenses, which in Europe are similar to the comparative negligence defense in the United States.

Under such a defense, a damage award against a defendant is decreased if the plaintiff is partially to blame for an accident. For example, if a plaintiff that is 50% responsible for an accident is awarded \$10,000, his or her recovery is cut to \$5,000.

The directive also imposes a three-year statute of limitations on lawsuits, and bars all suits filed 10 years from the date the product was put on the market. Many state product liability laws in the United States do not contain these restrictions.

A 10-year limit would have barred most of the DES claims filed in U.S. courts, British observers point out. In many cases, 20 years passed between the time women ingested DES, an anti-miscarriage drug, during pregnancy and the time injuries were detected in their daughters.

"Obviously we would have preferred a longer limitations period, but we are prepared to live with it as a trade-off to get the strict liability legislation," said the Consumer Assn.'s Mr. Pench.

Observers familiar with the U.S. and British legal systems say other factors that should limit the number of product liability suits filed in Britain include:

- The lack of a contingent fee system in Britain.
- Juries are not allowed to hear civil cases in Britain.
- The National Health Service and other social welfare programs address the health needs of British citizens, making them less likely to sue for medical damages. And, those who do sue and recover will receive lower awards than in the United States because their medical care already has been paid.

"The Americans and British are different in their capacities to litigate," Mr. Pench said.

"It is simply easier for people to litigate in America," said Robert Wallace, deputy underwriter with Michael Payne & Co. Ltd., a Lloyd's of London underwriting agency specializing in product liability coverage. "I don't see the U.K. following down the same route. I don't predict an earth-shattering effect."

While "the new product liability law inevitably will mean even higher rates," Mr. Wallace said the law's precise effect on the insurance market "will depend on the state of the market at the time it is implemented."

"If we see a return of profitability in the market, the impact may not be as bad," Mr. Wallace explained.

"But, if the law came into effect now, it would be hard to differentiate between the effects of the directive and the various factors in the market at present. Manufacturers exporting to certain areas, especially North America, and those facing certain types of risks already are having problems," he said. ■

## CEBS — It makes a difference!



*"CEBS provides instant credibility and well deserved respect in sales situations."*

**Raymond H. Laub, CEBS**  
President  
Laub Group, Inc., Milwaukee, WI



*"The CEBS designation sends the clear message that the recipient knows the employee benefits business and is eager to learn and grow as the business grows."*

**Nicholas Losacco, CEBS**  
Director, Corporate Planning  
Ohio Medical Indemnity Mutual, Worthington, OH



*"We have needed a way to certify the corporate benefit consultant and practitioner. As a consultant, the CEBS program has sharpened my skills and strengthened my confidence in working with clients."*

**Madison J. Groves, CEBS**  
Associate  
William M. Mercer-Meidinger, Minneapolis, MN

The Certified Employee Benefit Specialist (CEBS) designation is awarded to individuals who successfully complete a series of ten college level courses and examinations covering the design and operation of employee benefit plans. The program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.



For more information and a free CEBS Catalog of Information contact:  
**CEBS Department, International Foundation**  
18700 W. Bluemound Rd., P.O. Box 69  
Brookfield, Wisconsin 53008-0069, (414) 786-6700

# Little coverage exists for losses in Libya

By MICHAEL BRADFORD

Companies doing business in Libya probably have very little, if any, political risk insurance to cover losses that might result from President Reagan's sanctions against the North African country.

President Reagan earlier this month severed most economic ties with Libya and ordered Americans there to leave. The action came after the president said Libya supported two recent terrorist attacks at European airports.

U.S. underwriters of political risk insurance say very little coverage is written to protect companies with business ties to Libya, in part because of its unstable political environment.

Political risk insurance includes several types of coverage that protect companies from losses due to political strife, including contract frustration, confiscation, expropriation and nationalization, and currency inconvertibility.

Another type of coverage, export credit insurance, protects against losses from the non-payment for goods after they have been received by a foreign buyer. Political unrest is often the cause for such losses.

The Overseas Private Investment Corp., a federal agency in Washington authorized to write more than \$7 billion in coverage for each of several political risks, writes no coverage in Libya.

A spokesman said OPIC has never signed a bilateral agreement with Libya that would allow the coverage to be written there.

The Export-Import Bank, another federal agency that writes export credit insurance through its New York-based insurance agent, the Federal Credit Insurance Assn., officially stopped writing coverage for Libyan risks last year.

A spokeswoman for the Export-Import Bank said the agency was ordered last March not to accept risks tied to Libya as part of a directive issued by Secretary of State George P. Shultz. The order was part of U.S. efforts to combat terrorism, she said.

"We never did very much there," the spokeswoman added. "And we have no exposure there now."

Robert S. Frank Sr., underwriting officer for the Chubb Group's international division, said there is an "off-chance" that the insurer may have written a small amount of coverage in the past that is still in effect in Libya, "but certainly nothing large."

Mr. Frank said companies with operations in Libya may have overlooked the need to insure their key personnel in Libya as part of their political risk coverage and could be facing large expenses for relocating those employees because of the political situation.

"If those people have to leave quickly, or cannot leave quickly, there may be a great deal of personnel-type coverage that would be needed," he said. "That is a type of political risk coverage that many buyers have ignored."

He said Chubb offers political risk insurance buyers coverage that would protect them from losses connected with the expense of moving key personnel out of an area because of political conditions.

"At Chubb, it can be done one of two ways," Mr. Frank said. The insurer will include a section covering key personnel as part of a political risk package that could be made up of a variety of coverages.

Or, key personnel can be covered under what Chubb calls its foreign investment policy. That policy covers political risk, crime/fidelity and personal lines exposures.

Chubb's key personnel coverage in those policies pays extra ex-

penses for relocating workers who have to leave a country because of political problems, Mr. Frank said.

"If key personnel leave due to political reasons, we will pay an amount necessary for them to maintain a normal lifestyle until they are relocated, or for 180 days," he said.

The coverage can also extend to third-party nationals, he said.

Bob Svensk, president of Trade Credit Underwriters Agency in New York, said his company has written no coverage for Libyan op-

erations. "I don't know of anybody over there that has purchased political risk coverage," he said.

In London, Charles Berry, managing director of political risk broker Berry, Palmer & Lyle Ltd., said that "it has always been extremely difficult to place" political risk insurance covering U.S. companies' Libyan interests.

Another British political risk broker said his company was in negotiations for coverage for Libya-related risks, but that none of them were American clients.

However, he added that because of President Reagan's order "any coverage for Americans now in Libya would be out of the question."

A spokesman for W.R. Grace & Co. in New York said he is unaware of any coverage the company has to protect its 12% interest in an oilfield operation in Libya. Grace employs five workers at the site, one of whom is a British citizen. None of the workers is a U.S. citizen.

Halliburton Co. in Dallas,

through its Houston subsidiary Brown & Root Inc., currently is involved in a major irrigation engineering project in Libya and provides services to oil companies there.

A spokesman for Halliburton said he was unaware of any coverage that might protect the company's interest in Libya and the approximately 20 U.S. citizens it employs there.

"The question is moot at this point, because we haven't lost anything," he said.

# Partnership

**Factory Mutual System**



Notre Dame Sports Information

## It's Our Word.

Knute Rockne's 1924 Notre Dame team went undefeated and was the first Fighting Irish squad to play a post-season game, beating Stanford in the Rose Bowl.

The Four Horsemen got the glory, but it took "Seven Mules" playing in front of them to win football games.

Theirs was a partnership of rigor and resilience, broken records and broken bones, of fight and fundamentals. They left a heritage that became the Notre Dame football tradition.

Our heritage is a tradition of partnership as well, and has been for nearly a century. People working as a team to ensure the most vital component of today's risk management process. Protection.

We meet property insurance needs with broad coverages, options designed for you and unparalleled engineering resources plus the research facilities to provide the sound loss control program you need.

**Protection Mutual**

Protection Mutual Insurance Company  
300 South Northwest Highway  
Park Ridge, Illinois 60068

312/825-4474

# CPAs, lawyers caught in capacity crunch

By STACY SHAPIRO

LONDON—Certified public accountants and lawyers are finding it extremely difficult to buy professional liability insurance coverage as the market continues to tighten.

Some accountants and lawyers are operating with no liability insurance coverage at all because the capacity is not available. As a result, they are handling less business than when they had sufficient liability coverage.

And, others are paying up to 800% more for less than half the liability limits they had last year, sources say.

For example, the New York State Society of CPAs—the largest state society for certified public accountants—no longer can offer accountants liability insurance to its

28,000 members because capacity has dried up.

"We have had no sponsored society insurance plan since June 30 when we were supposed to renew our program," said Walter Primoff, director of professional programs and tax policy for the society. "We now have a task force looking to see if a captive is a feasible alternative."

On June 30 of last year, the society tried to renew its accountants liability insurance program with Insurance Co. of North America, a subsidiary of CIGNA Corp., Mr. Primoff said.

But INA told the society that INA had to cancel its liability insurance program because it could not find any reinsurance to cover the liability policies, Mr. Primoff said.

According to a CIGNA spokes-

man, INA has not pulled out of accountants liability insurance altogether, but the company is practicing "selective underwriting."

And, the withdrawal of liability reinsurance from markets like Lloyd's of London "certainly hasn't helped," the spokesman said.

From 1979 to 1985, the society, through INA, offered its members' firms up to \$10 million of accountants liability insurance. The cost was about \$1,000 per accountant, Mr. Primoff recalls.

Now that the program has been discontinued, some of the society's members are paying 300% to 800% rate increases to other insurers for half of the coverage they had with the society, he said.

"People with \$10 million now have \$5 million and people who had \$5 million now have \$2.5 mil-

**'The accountant without insurance gives up some kinds of work,' says Mr. Primoff.**

lion, with deductibles doubling and tripling," he said.

And, some members have no insurance at all, he added.

"As a result, the accountant without insurance gives up some kinds of work," he said. "They won't do Securities and Exchange Commission reports or auditing work. Those are services the public needs the most and now, with CPAs who will do it narrowing down, there are fewer providers who are more expensive. The cost will be passed along to the client."

The American Institute of CPAs is also feeling the pinch of the lack of professional liability insurance capacity. The institute, a national organization of 240,000 accountants, can offer member firms only \$1 million in coverage, down from \$5 million last year, confirmed Donald Schneeman, general counsel and secretary for the institute.

The institute is looking for an additional \$4 million of coverage in excess of \$1 million, he said.

Mr. Schneeman said the institute has to increase rates for the new coverage by an average 125%.

The coverage for the last 11 to 12 years has been led by Crum & Forster, and as recently as 1984 the institute could offer up to \$20 million in coverage.

But last year it could offer only \$5 million. And, up to Dec. 21, 1985, the institute could find only \$500,000, although limits have now been raised to \$1 million, Mr. Schneeman said.

Mr. Schneeman believes that the institute's 14,000 member firms will understand this year's rate increases and capacity cuts. "My feel for it is that they are accepting the situation," he said.

As far as lawyers are concerned, the American Bar Assn.'s professional liability insurance committee is setting up a task force to study the lack of lawyers professional liability insurance coverages, confirmed Ronald E. Mallen, a partner with Long & Levit in San Francisco.

The task force is being set up this month in Atlanta following "constant inquiries" by lawyers to the ABA about how they can find liability insurance, Mr. Mallen said.

"The committee will look at a list of what can be done and what may be feasible for the ABA to do," he said.

Those facing the worst problems are lawyers in California, according to Mr. Mallen. He said that currently coverage is not being renewed for one of every four lawyers in the state. And, he said, lawyers whose coverage is being renewed are paying five times the amount they did last year.

If a lawyer elsewhere in the United States is paying \$2,500 for liability coverage, then lawyers in California are paying \$5,000, he added.

Also, all policies are being revised and are more restrictive, he added. "Considering that a lawyer who is starting today will have on average three to four claims against him before his career has ended, insurance is important," Mr. Mallen noted.

Lawyers liability insurance capacity has been so short and so expensive in the last year, in fact, that law firms have flocked to a Bermudian mutual insurance company called Attorneys Liability Assur-

ance Society.

ALAS has 247 member firms today, more than four times its 58 member firms in December 1984, says Mark H. Berens, chairman of ALAS and senior partner at Mayer, Brown & Platt in Chicago.

All law firms must pay a one-time-only reserve premium of \$300 per lawyer in order to join ALAS, said Mr. Berens.

ALAS attracted new members last year because it increased rates only 10% when it renewed its program on April 1, compared with the 300% to 400% rate increases imposed by other lawyers liability insurers, Mr. Berens said.

ALAS could settle for marginal rate increases last year because it had a long-term reinsurance contract that didn't officially expire until April 1, 1986, he said.

However, anticipating worsening reinsurance market conditions, ALAS decided to renew its reinsurance contract earlier than April 1.

ALAS renewed the first \$10 million of quota-share reinsurance effective Dec. 1, 1985. The coverage is led by H.S. Weavers (Underwriting Agencies) Ltd. "with heavy support from Munich Reinsurance Co.," said Mr. Berens.

ALAS is in the process of reinsuring \$10 million excess of \$10 million.

As a result of the new reinsurance program, all new ALAS members received at least a 160% rate increase as of Dec. 1, 1985 and all current members will face the rate increase by April 1, he said.

Also, coverage for all new members is limited to \$10 million per occurrence and \$20 million aggregate instead of the limits of \$20 million per occurrence and \$40 million aggregate that established members are able to purchase, Mr. Berens said.

Marsh & McLennan Cos. Inc. and its London subsidiary, C.T. Bowring & Co. Ltd., also are trying to renew additional excess insurance for ALAS lawyers, Mr. Berens said.

Despite the recent rate increases, Mr. Berens said he believes that "we are still 20% to 30% less in cost than the rest of the market for lawyers liability insurance and 20% less than the market for California lawyers."

ALAS was created during the last capacity crunch for professional liability in October 1979 by 16 large law firms. M&M began working on the project in 1978. ALAS still offers "an extremely broad form," said Mr. Berens.

"We insure punitive damages and racketeering claims," he said. In addition, ALAS allows its members to select their own counsel if faced with a claim.

In the past, members had the choice of assuming a self-insured retention or not, but this year the retentions are mandatory, said Mr. Berens. A law firm with 40 to 100 lawyers must retain at least \$100,000; a firm with 101 to 200 lawyers must retain \$250,000; and a firm with more than 200 lawyers must retain \$500,000.

If the law firm takes a \$100,000 retention for a policy with limits of \$10 million per occurrence/\$20 million aggregate, it will pay a premium of \$1,750 per lawyer, up from \$665 as of Nov. 30, 1985, said Mr. Berens.

The rate for a law firm with a \$250,000 retention for the same coverage is \$1,300 per lawyer, up from \$500, he said.

And, the law firm with \$500,000 retention for the same coverage will pay \$1,000 per lawyer, up from \$395, he said.

As of Dec. 1, 1985, however, law firms in California must take a \$500,000 retention regardless of size and pay \$4,000 per lawyer, he said.

"As far as we can tell, that is still below market rate," he said.



## Our New LTD Wears a Collar of a Different Color

With our expanded LTD, you can go beyond "white collar" and put more than a million companies on your prospect list. Traditionally, LTD plans limit their preferred category to "white collar" professional firms, which comprise only 11% of the market. At Provident Mutual, we realize that times have changed. Advances in technology mean that occupational groups previously ineligible for LTD may now qualify.

Our LTD expands the definition of eligible groups to include coverage for many high growth, high income employer-employee groups — groups which may include up to 80% "higher risk" occupations. We offer a complete array of plan designs, allow high monthly maximums, and include provisions for pre-existing conditions. We'll help you design the plan you need to button down that prospect who wears a collar of a different color. Just call this toll-free number for a referral to the Provident Mutual Group Office nearest you: 1-800-523-4681 (please ask for Operator 29).



**PROVIDENT MUTUAL**  
SECURITY THROUGH FINANCIAL SERVICES

# Airline accidents kill 526 in 1985, agency reports

By JERRY GEISEL

WASHINGTON—More people died in accidents involving U.S. airlines in 1985 than in any year since 1977, the National Transportation Safety Board said last week.

Some 526 people died in seven crashes involving planes with more than 30 passenger seats operated by U.S. airlines, the NTSB said in an annual report. In 1984, four people died in crashes of larger planes.

Of those 526 fatalities, 197 occurred on scheduled operations and 329 occurred on unscheduled flights, including the 256 people killed in the crash last month of a chartered Arrow Air jetliner in Newfoundland.

The worst disasters in 1985 involving scheduled U.S. airlines include:

- The Jan. 1 crash of an Eastern Airlines Boeing 727 jetliner in Bolivia, which killed 29 people (BI, Jan. 8, 1985).

- The Aug. 2 crash of a Delta Airlines L-1011 jetliner near Dallas, which killed 135 people (BI, Aug. 12, 1985).

- The Sept. 6 crash of a Midwest Express DC-9 jetliner in Milwaukee, which killed 31 people (BI, Sept. 16, 1985).

The fatality rate for scheduled airlines flying large planes increased to 0.071 fatal accidents per 100,000 departures in 1985, up from 0.019 in 1984, the NTSB said.

The NTSB also reported that 35 people died in commuter aircraft accidents, down from 48 fatalities in 1984, while 937 people died in general aviation accidents, down from 1,114 in 1984.

The 1985 toll of 526 fatalities involving U.S. airlines is the highest since 1977, when 655 persons died in air crashes, including 574 fatalities caused by the collision of two jumbo jets on the ground at Tenerife in the Canary Islands.

## Disappearing act

It might be called a case of now you see it and now you don't.

Tucked away in the Dec. 20, 1985, issue of the Congressional Record is what appears to be the introduction of a comprehensive federal product liability bill by Senate Commerce Committee Chairman John Danforth, R-Mo.

The proposal, given bill number S. 999, has two major sections. The first establishes a no-fault system to provide automatic but limited compensation for accident victims who waive their right to sue; the other establishes a uniform federal product liability law.

However, Sen. Danforth says the proposal was only a staff draft that was "mistakenly" printed in the Congressional Record as a bill. He said he wanted the proposal reproduced in the Record to facilitate discussion, not as an indication that he endorsed specific provisions.

The proposal is reprinted in the Dec. 30 issue of the Congressional Record—this time identified as "Staff Working Draft—No. 2."

In that issue, Sen. Danforth said the proposal is still in the drafting stage. Sen. Danforth said he expects the Commerce Committee to hold hearings on product liability legislation early this year.

## Pregnancy benefits

The Supreme Court last week agreed to decide whether a California law that requires employers to give disability leave to pregnant employees and to reserve their former jobs discriminates against men.

The California law requires employers to provide up to four months of leave to pregnant employees and to reserve the same or a similar job for the employee. Montana, Connecticut and Massachusetts have similar laws.

California Federal Savings & Loan Assn. first challenged the law in 1983 after state officials charged that it failed to reinstate an employee after pregnancy.

A federal court later ruled the law discriminates against men who aren't guaranteed disability leave or reinstatement, but that decision was overturned last year by the 9th U.S. Circuit Court of Appeals.

## A MISSED ISSUE IS MISSED INFORMATION



Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call 313/446-0492.

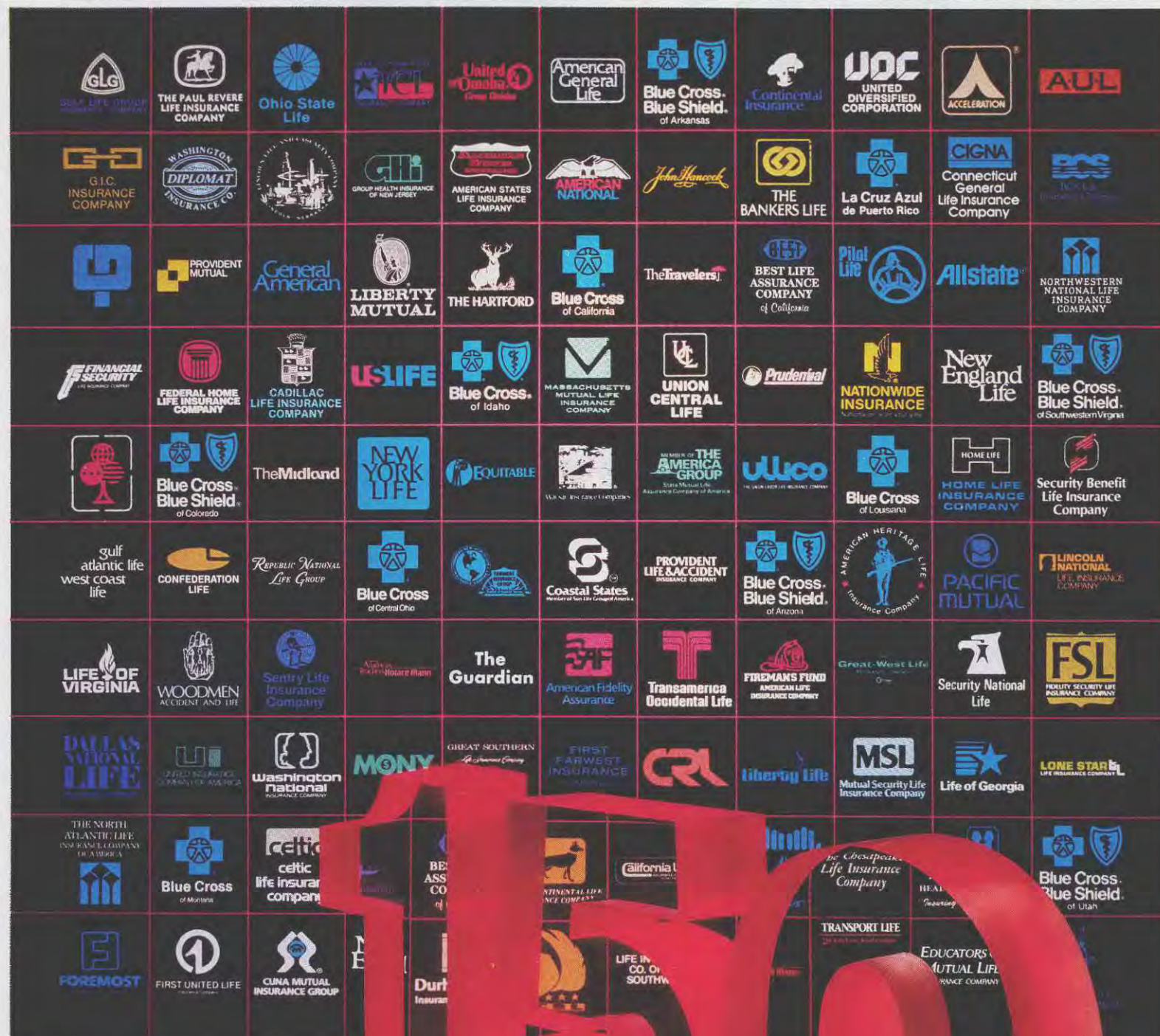
### Business Insurance

Circulation Dept. 965 E. Jefferson Ave., Detroit, MI 48207

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.) Surface Mail. By Air.  
 USA  \$80  \$108  
 Canada  \$76  \$105  
 Bermuda (Air only)  \$105  
 Europe/Middle East (Air only)  \$105  
 All other foreign  \$76 Rates on request.  
 new subscription,  renewal,  payment enclosed.  
 bill me,  bill company.

name \_\_\_\_\_ (please print)  
 title \_\_\_\_\_ telephone \_\_\_\_\_  
 company \_\_\_\_\_  
 nature of business \_\_\_\_\_  
 business or  home address  
 city \_\_\_\_\_ state/country \_\_\_\_\_ zip/postal code \_\_\_\_\_  
 Please send information on your special 20%-off group rate for five or more subscriptions.  
 I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.  
**Mail to: Business Insurance**  
 Circulation Dept. 965 E. Jefferson Ave., Detroit, MI 48207 HC6



150 insurance companies know PCS is the #1 processor of prescription drug plans.

That's why they offer PCS as part of their group insurance portfolio. Today, PCS processes drug claims for over 65,000 groups covering over 10 million people! Here are some reasons why:

- The PCS built-in cost containment and auditing systems are the industry standard.
- The PCS card offers high benefit visibility for a low cost.
- PCS is easy and convenient to use.
- PCS offers a network of over 56,000 member pharmacies.
- PCS offers plans throughout North America: the U.S., Canada and Puerto Rico.

PCS can help make you and your benefit portfolio #1. Let us show you how. Please call or write:

William H. Boucher/V.P., Sales & Marketing/Pharmaceutical Card System, Inc./9060 E. Via Linda/Scottsdale, AZ 85258/602-951-4897



# Kestenbaum to head Howden's North American unit

**Daniel E. Kestenbaum** has been named chief executive officer for the North American operations of Alexander Howden Ltd., the wholesale insurance brokerage division of Alexander & Alexander Services Inc.

Mr. Kestenbaum, who is also an A&A vp, will maintain offices in New York and Atlanta.

Mr. Kestenbaum most recently was deputy regional director of A&A's greater New York region and manager of the company's

Greenwich, Conn., office.

Prior to joining A&A, he was president and chairman of Hamlin & Co., a New York-based brokerage firm acquired by A&A.

#### Other excess/surplus changes:

**Edward H. Daly** elected vp of L.W. Biegler Inc. and International Surplus Lines Insurance Co., two Crum & Forster units based in Chicago. Mr. Daly will be responsible for the Biegler wholesale brokerage unit and branch office operations. He joined Biegler in 1977.

## comings & goings: industry

**Peter B. Upjohn** named vp at A.J. Renner & Associates Inc., a Chicago excess/surplus lines broker. Mr. Upjohn was previously a vp with Johnson & Higgins in New York, responsible for multinational accounts.

**Robert Clearfield** and **Barbara McComas** named vps at Delaware Valley Underwriting Agency Inc. of Hatboro, Pa. Mr. Clearfield was formerly an assistant vp. Ms. McComas joined DVU in 1979 as assistant vp and manager of the company's West Virginia branch, which she established.



Ms. Githens



Ms. Berkman



Mr. Root



Ms. Poster

### Other suppliers

Employee benefit consultant Kwasha Lipton of Fort Lee, N.J., has elected five new partners: **Sheila N. Berkman**, **Sarah H. Githens**, **Claudia Zeitz Poster**, **Randolph B. Root** and **Lawrence J. Sher**. Ms. Berkman is a specialist in defined contribution plan design, record keeping and administration.



Mr. Sher

She joined the firm in 1978. Ms. Githens heads Kwasha Lipton's ATAC Group, which maintains the firm's actuarial valuation computer system and designs and implements software applications for client use. She joined the firm in 1975. Ms. Poster provides consulting services in executive compensation and related programs. She joined the company in 1982. Mr. Root is responsible for the design and financial evaluation of defined benefit, capital accumulation and supplemental executive plans. He joined the firm in 1976. Mr. Sher specializes in consulting and actuarial services for defined benefit pension plans. Mr. Sher joined Kwasha Lipton in 1973.

In addition, Kwasha Lipton appointed five new principals: **David M. Benovitz**, **Barry S. Blecher**, **Pamela Kekich**, **Thomas J. Rushworth** and **William Torrie**. Mr. Benovitz specializes in consulting and actuarial services for defined benefit plans and joined the firm in 1975. Mr. Blecher provides consulting and actuarial services for multinational clients. He joined the firm in 1981. Ms. Kekich manages Kwasha Lipton's employee communications operation, which assists companies in communicating benefits to employees. She joined the firm in 1983. Mr. Rushworth assists clients in plan design, record keeping and administration. He joined the company in 1965. Mr. Torrie, who joined the company in 1976, specializes in defined benefit plans.

### Insurance

**John Austin** named vp of HealthAmerica Corp. Dr. Austin assumes responsibility for the company's largest health maintenance organization—MetroHealth in Indianapolis—and continues as regional director for HealthAmerica's Western plans, located in Arizona, California, Nebraska and Texas.

**Malcolm H. Leggett** elected first senior vp of Commercial Union Insurance Cos. in Boston. Mr. Leggett will have overall responsibility for CU's insurance, re-

insurance and marketing operations. Mr. Leggett, who joined CU in 1974, previously was vp-commercial lines and has served in a variety of field and home office management positions.

**William E. Gold** named president of ANCHOR Organization for Health Maintenance, a non-profit HMO established by Rush Presbyterian-St. Luke's Medical Center in Chicago. Dr. Gold succeeds **Nathan Kramer**, who headed ANCHOR since its inception in 1971.

**William J. McMorro** named executive vp of The Home Group Inc. of New York, parent of The Home Insurance Co. Mr. McMorro previously was executive vp of Imperial Bank of Los Angeles.

**William Armstrong** named vp and member of the executive committee of the California State Compensation Insurance Fund, headquartered in San Francisco. Mr. Armstrong succeeds **John Wiebers**, who has retired. Mr. Armstrong has been underwriting/marketing manager for the organization since 1980.

**Robert J. Castranova** named vp of the Southeastern region for Maryland Casualty Co. in Baltimore. Mr. Castranova, who joined the company in 1971, was director of marketing/branch operations of the Mid-Atlantic region.

**Steven J. Murfin** named divisional vp of United Health Maintenance of Columbia, Md. Mr. Murfin formerly was vp-marketing for the company.

**Edwin W. Whitmore** named senior vp at Industrial Risk Insurers of Hartford, Conn. Mr. Whitmore, who had been vp-claims, will be responsible for IRI's claims department, legal staff and loss analysis department. He will also supervise property claims for American Nuclear Insurers of Farmington, Conn., an underwriting association that provides insurance for nuclear facilities.

Also, **Harry E. Coor** and **Gail P. Norstrom Jr.** named vps at IRI. Mr. Coor will be responsible for all IRI underwriting functions. IRI's Eastern regional office will also report to him. Mr. Norstrom will be responsible for developing and

maintaining a national sales program and directing the compilation and analysis of underwriting rating statistics. The Western and Pacific regional offices and the national production and reinsurance functions will report to him.

Continued on next page



Mr. Leggett



Mr. Castranova



Mr. Whitmore



Mr. Coor



Mr. Norstrom

## Excess and Surplus Lines

## Reinsurance-Treaty and Facultative

## The Wetzel Company, Inc.



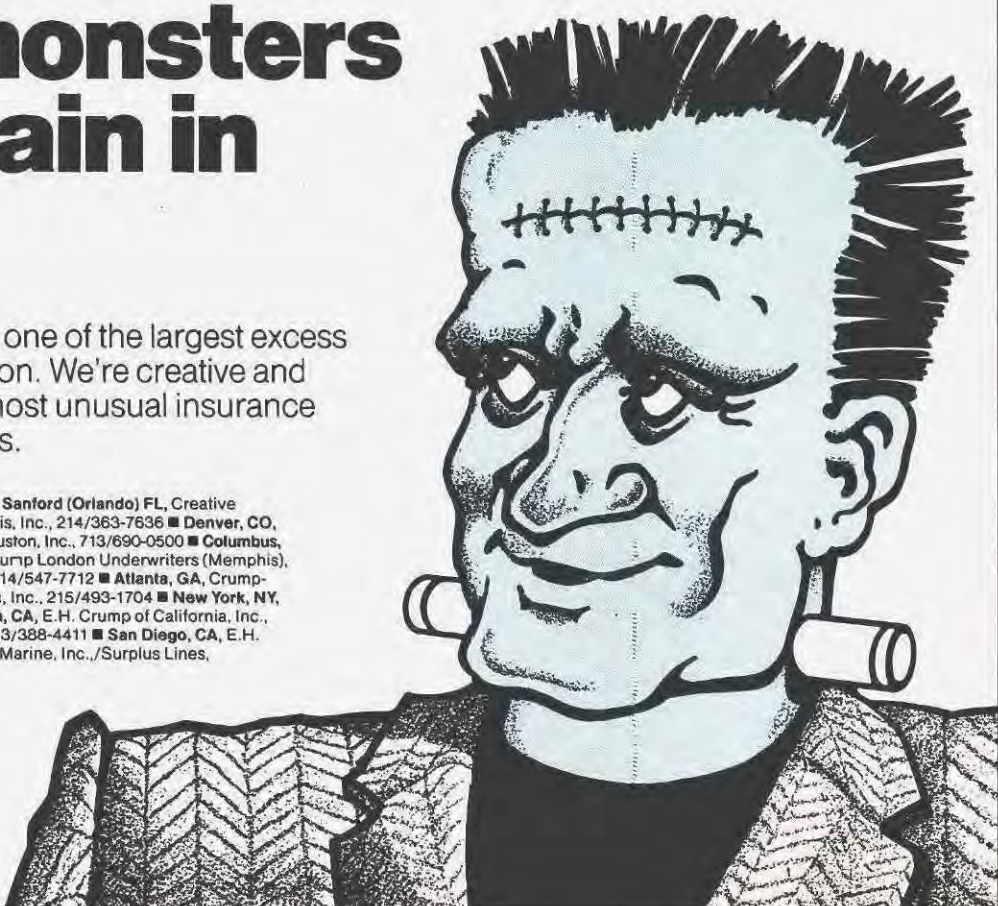
P.O. Box 66452  
Houston, Texas 77266  
AC713/621-6033  
Telex: 76-2053

# Insuring monsters can be a pain in the neck.

Feel like screaming for help? Turn to one of the largest excess and specialty lines groups in the nation. We're creative and flexible enough to handle even the most unusual insurance problem. Without choking up. Call us.

CIS OFFICES: Kirkland, WA, CIS Northwest, Inc., 206/827-8702 ■ Sanford (Orlando) FL, Creative Insurance Specialists, Inc., 305/321-2040 ■ Dallas, TX, Crump-Davis, Inc., 214/363-7636 ■ Denver, CO, Crump-Davis, Inc., 303/320-5300 ■ Houston, TX, Crump-Davis of Houston, Inc., 713/690-0500 ■ Columbus, OH, Crump London of Ohio, Inc., 614/451-3636 ■ Memphis, TN, Crump London Underwriters (Memphis), 901/761-1770 ■ Waukesha, WI, Crump London of Wisconsin, Inc., 414/547-7712 ■ Atlanta, GA, Crump-Loveless, Inc., 404/393-4788 ■ Morrisville, PA, Crump Mid-Atlantic, Inc., 215/493-1704 ■ New York, NY, Crump-Northeast Risk Management Ltd., 212/425-7788 ■ Long Beach, CA, E.H. Crump of California, Inc., 213/432-4420 ■ Los Angeles, CA, E.H. Crump of California, Inc., 213/388-4411 ■ San Diego, CA, E.H. Crump of California, Inc., 619/569-0200 ■ New Orleans, LA, G & M Marine, Inc./Surplus Lines, 504/588-9044

**CIS**  
CREATIVE INSURANCE SPECIALISTS  
The Excess and Surplus Lines  
Offices of the Crump Companies  
Member of AAMGA and NAPSLO



Continued from previous page

**Thomas W. Holland Jr.** named vp-group pension for New England Mutual Life Insurance Co. of Boston.

**Michael Mariniello Jr.** named president of First Commercial Life Insurance Co. of Pearl River, N.Y., a newly formed Continental Corp. unit that writes life and health insurance in New York state. Mr. Mariniello, who joined the company in 1981, previously was vp and controller of Commercial Life Insurance Co., another Continental unit.

Also at First Commercial Life Insurance Co., **Ernest Kozakis** named senior vp-operations. Mr. Kozakis formerly served as assistant vp and senior administrative officer in charge of life and health operations in Continental's Financial Services Group. Mr. Kozakis originally joined the company in 1953.

## Agents/brokers

**James R. Caldwell** named vp at Frank B. Hall & Co. of Missouri Inc. Mr. Caldwell joined Hall's commercial accounts department in 1983.

**Barry A. Barnett** elected vp of Johnson & Higgins of Illinois Inc. Mr. Barnett joined the Johnson & Higgins office in Parsippany, N.J., in 1983 as a benefits consultant, and he transferred to the company's Chicago office last year.

**C. Richard Peterson**, a senior vp at broker Fred S. James & Co. Inc., named director of the broker's Eastern region. Mr. Peterson is responsible for James' Northeastern offices, and he will be based in New York.

In addition, Senior Vp **Quill O. Healey** named director of the Central region. Mr. Healey, who is based in Atlanta, is responsible for James' Southeastern and Midwestern offices.

And, Senior Vp **Donald K. Morford** named director of the company's Western region. He is based in Spokane, Wash.

In addition, James has appointed several new area directors, who will report to the regional directors. Vp **P. Joseph McCarthy** named director of the New England area. He is responsible for James offices in Boston; Hartford, Conn.; Manchester, N.H.; and Portland, Maine. Mr. McCarthy is based in Boston. **Michael R. Mead** named director of the North Central area. Mr. Mead, based in Chicago, is responsible for offices in Chicago, Detroit, Milwaukee, Minneapolis and Omaha, Neb.

Also, Vp **William O. Jarvis** named director of the South Central area. Mr. Jarvis is based in St. Louis and is responsible for offices in St. Louis; Denver; Kansas City, Mo.; Little Rock, Ark.; Oklahoma City; and Tulsa, Okla. Vp **Donald J. Kutella** named director of the Northwest area. Mr. Kutella, based in Portland, Ore., is responsible for offices in Idaho, Oregon, Utah and Washington.

And, Vp **John P. Polson** named director for the Northern California and Nevada area. Mr. Polson is based in San Francisco.

## Reinsurance

**Kenneth Kornfeld** named president and chief operating officer of Fortress Re Inc. of Burlington, N.C. Mr. Kornfeld succeeds **M.D. Sabbah**, who has been elected chairman and chief executive officer. Mr. Kornfeld has been executive vp and senior underwriter of Fortress Re since the company was founded in 1979.

**Arthur E. Torrington** named president and **John W. Lepre** named executive vp of Westport Management Group Ltd. of Hauppauge, N.Y. The company provides reinsurance underwriting management and a variety of other services.

**F. Philip Moskie** named senior vp of Skandia America Group of New York. Mr. Moskie, who joined the Skandia America in 1970, formerly served as president of Hudson Insurance Co., a unit of Skandia America.

Also at Skandia America, **Roger Jacobsen** and **Eric R. Van Elkan** named vps. Mr. Jacobsen has been a member of the company's surety and financial guarantee department since 1978. Mr. Van Elkan has been a member of the company's surety and financial guarantee department as a bond underwriter since 1982.

**Stephen Brodzinski** named vp-underwriting at Scottish & York International Insurance Group of Princeton, N.J. Mr. Brodzinski joined Scottish & York International Insurance Group in 1981 as underwriting manager. Previously, he was director of commercial lines underwriting for Pennsylvania Manufacturers Insurance Co. ■

Lost. ?



And Found.

The Business Insurance Editorial Index helps you find the facts you need quickly!

- \* Lists all Business Insurance news and feature articles.
- \* Conveniently organized by subject, persons quoted and companies mentioned.
- \* 1985 Editorial Index service includes three quarterly reports and a cumulative annual edition; 1981 thru 1984 indexes available in hardbound annual editions.
- \* You'll never again spend valuable time wading through a pile of back copies to find what you're after!
- \* Only \$150 per year.

Find your way to the facts!

Send in the coupon now!

**business insurance**

New York: 220 East 42nd St., NY 10017 (212) 210-0137

Business Insurance Editorial Index.  
220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):

Annual Index Only:

\_\_\_ 1981 \_\_\_ 1982 \_\_\_ 1983 \_\_\_ 1984

\_\_\_ 1985 Full Index Service

\* \$150 each year, plus foreign postage.

**PAYMENT MUST ACCOMPANY ORDER**

\_\_\_ Visa \_\_\_ Mastercard \_\_\_ Check Enclosed

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

Signature \_\_\_\_\_

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

Company \_\_\_\_\_

Address \_\_\_\_\_

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

Phone \_\_\_\_\_

## "The LTD specialist from CNA knew exactly how to get my Social Security benefits reinstated."



"Severe kidney disease forced me to leave my sales job some years ago. Two years later, Social Security terminated my benefits. My CNA claim representative learned about the termination and advised me to refile for my benefits. He said CNA would work directly with Social Security to get my benefits reinstated. I don't know what they did, but I'm getting my benefits again!"

This is an actual case history. In reinstating the Social Security benefits, the Administrative Law Judge cited CNA's involvement.

CNA believes that service is the key to providing success-

ful LTD programs. And there is more to service than just paying claims quickly. We pioneered Group LTD coverage in 1944. Since that time, we've gained the expertise to go beyond the normal service you expect. We make the extra effort that sets us apart as a leader. Like helping employees get all the benefits to which they are entitled.

Have your broker contact us to discuss CNA's Group LTD plans and what they can do for you.

Coverage is underwritten by Continental Casualty Company, one of the CNA Insurance Companies.

**CNA**

For All the Commitments You Make®

## B.R.I. pays \$575,000 settlement

NEW YORK—B.R.I. Coverage Corp. is paying \$575,000 to settle allegations that the New York-based broker contributed to the insolvency of Resources Insurance Co.

A spokesman for the New York Insurance Department said Resources was liquidated in the mid-1970s and that "actions by B.R.I. Coverage Corp. in our opinion contributed to that insolvency."

B.R.I. agreed Sept. 6 to pay the department \$125,000 as a result of those allegations, while denying the charges, according to a spokesman for the insurance department.

B.R.I. paid the settlement rather than incur substantial expenses of time and money to continue defending against the allegations, the department spokesman said.

B.R.I. earlier last year settled for \$450,000 a civil suit that had been filed by the New York Department in March 1983 that charged B.R.I. and more than a dozen other defendants with conspiring to defraud Resources Insurance Co. of nearly \$49 mil-

lion from 1972 through 1975. The suit sought about \$150 million in specific and punitive damages and legal fees (*BI*, March 28, 1985).

B.R.I. paid \$300,000 in May when the suit was settled. The remaining \$150,000 will be paid in May 1986.

The \$450,000 is being paid to Resources' liquidator.

B.R.I. was also fined \$10,000 by the New York department for other infractions. Those violations included aiding its subsidiary, Risk Management Economics, to act as an insurance adjuster without a license, the department said.

B.R.I. also helped a company act as an insurance agent without a license and, without consent of insurers, invested premium funds in commercial paper issued by Ford Motor Co. and General Motors Corp. and in U.S. Treasury bills.

A B.R.I. official confirmed the statements by the insurance department but declined further comment.

## Ice palace coverage

Continued from page 3

The carnival's general liability coverage is with Great American Surplus Lines Insurance Co. of Cincinnati, Ohio, a unit of American Financial Corp. The coverage consists of two policies, with limits of \$500,000 each, that run consecutively. Neither includes professional liability coverage, however.

The first policy covers the carnival during the construction phase. That policy then drops off, and the second policy starts, covering the carnival for the remainder of the year against liability to attendees.

The annual cost for the total package was \$41,000, Mr. Bone said.

The carnival also has a \$1 million umbrella policy with Great American. It attaches at \$500,000 and carries a \$10,000 price tag. However, that policy excludes the professional liability coverage for the architects.

The carnival engaged Ellerbe last fall to design the

ice structure, which will be built on a concrete slab supported by 40-foot pilings near Lake Phalen in St. Paul. That construction phase was already under way before the carnival secured the professional liability coverage.

Like several other professional groups and labor organizations that donated their services to the carnival, Ellerbe donated the drawings for the ice structure to the carnival. But, Ellerbe required that the carnival obtain professional liability insurance to cover the architectural firm.

"In light of the fact that the majority of services are being donated by individuals and companies, we at least should pay for their insurance," Mr. Bone said.

Mr. Bone projects that the carnival will draw 1 million visitors. Some 150 activities are scheduled, including snowmobiling, speed racing, and a few unconventional winter sports, such as softball and golf.

## info

• "Insurance and Employee Benefits Literature" is a bimonthly bibliography of current books and government reports on such insurance topics as **claims adjustment, taxation of employee benefits, group health insurance, pension plans and benefit legislation.** The bibliography is offered by the Insurance and Employee Benefits Division of the Special Libraries Assn. The cost of the bibliography is \$15 for one-year subscriptions in the United States, and \$20 for one-year foreign subscriptions. To order, contact Michael McDavid, Equifax Inc., P.O. Box 4081, Atlanta, Ga. 30303.

• **Property/casualty insurance data** for the state of New Jersey is contained in "New Jersey Insurance Facts," a pamphlet offered

jointly by the Insurance Information Institute and the New Jersey Insurance News Service. The pamphlet includes statistics on auto insurance premiums, workers compensation claims, arson and other property crimes, along with descriptions of the state's mandatory seat belt and drunken-driving laws. Free copies can be obtained by contacting either the New Jersey Insurance News Service, 1609 Vauxhall Road, Union, N.J. 07083; 201-687-2828, or the Insurance Information Institute, 110 William St., New York, N.Y. 10038; 212-669-9200.

• A comprehensive examination of the top **risk management information system** vendors is offered by D.A. Betterley Risk Consultants Inc. "Betterley Risk Man-

agement Commentary" includes reports on major changes in risk management information system vendors as well as a review of new systems. The cost of the study is \$25, and copies are available from D.A. Betterley Risk Consultants Inc., Department RM, 446 Main St., Worcester Plaza, Worcester, Mass. 01608; 617-754-1704.

• *Have a new report, booklet or promotional brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than \$25 as an editorial service in the weekly Info for Buyers column. Simply send us a short description of the material to be offered, along with the cost of the item and a mailing address. Address all contributions to Info for Buyers, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.*

## Cafeteria plans

Continued from page 3

plained. "This survey examines various flexible benefit arrangements that have already been introduced in corporations, how well they are working and what employers plan to do with them in the future," he added.

Flexible benefit plans let employees tailor their benefit packages to meet their individual needs. Usually, employees can choose from among a variety of options, including:

- Life, eye care or dental insurance.
- Two or more health care plans—for example, plans with different employee contributions, deductibles or co-payments.
- Investment in a 401(k) plan.
- The right to make additional contributions for extra benefits.
- Auto or legal insurance.
- The right to trade health care benefits for other types of benefits or cash.
- The so-called flexible spending plan, in which employees can pay for certain benefits with pre-tax dollars.
- The right to trade paid time off for other benefits or cash.

The poll focused on corporations with 500 or more employees, with samples drawn from a national cross-section of 1,253 employees, 1,250 benefits officers, 200 senior executives and 200 human resource executives. The pollster also interviewed 110 national and regional insurance brokers and consultants who work with corporate clients in developing group benefits plans.

Relatively few corporations of 500 or more employees currently offer flexible benefits plans to their employees, the study found. Only 15% to 16% of corporate benefits officers, senior executives and human resources officers interviewed described their plans as such.

However, 80% of the employees polled reported that their plans include at least some choice of benefits. The most common flexible features employees cited were the right to include or exclude life insurance, 50%; the option of a dental plan, 41%; and a choice of two or more basic health plans, 36%.

Among employees who have some choice of benefits, 55% say they are very satisfied with their jobs; 36% say they are very satisfied with their salaries; and 49% say they are very satisfied with their benefits.

In contrast, only 45% of employees who have no choice of benefits say they are very satisfied with their jobs; only 28% of these employees say they are very satisfied with their salaries; and only 40% say they are very satisfied with their benefits.

Also, fewer employees who have some choice of benefits say they are dissatisfied with their salaries and benefits than do those who have no choice.

Certain employees are more receptive to flexible plans, especially those who are 18-29, female, live in

the West and are not union members.

However, employees who feel their employers did an excellent job explaining changes are far more likely to rate these changes favorably than those who say their employers did a fair or poor job communicating changes.

Seventy-two percent of employees who rate their employers' communications as excellent say the decision to offer a choice of benefits was a good one. Only 43% of employees who say their employer did a fair or poor job of communicating changes feel the decision was a good one.

The survey also found vast differences between the perceptions of employers who don't have flexible plans and the experiences of those who do. For example:

• Thirty-five percent of benefit officers from firms that have flexible plans rated them very effective in controlling costs, compared with only 14% of benefits officers from firms without such plans.

• Only 14% of officers whose firms have flexible plans consider the difficulty or cost of administering them is a major problem, compared with 64% of officers whose firms don't have them.

• Only 9% of officers whose firms have flexible plans say that an increase in the overall cost of the plans as a result of introducing choice has been a major problem. Thirty-nine percent of officers whose firms don't have these plans believe that increased overall costs of benefits would be a problem.

However, employers' experiences with flexible benefit plans have not been trouble-free, with about half reporting minor problems with their new plans.

But nearly all—95%—of these employers feel the decision to offer employees choices among benefits was a good decision. And, many expect their use to increase dramatically in the next two years.

The prevalence of the life insurance option is expected to rise from 67% to 82% in companies with flexible benefits plans and from 40% to 61% in those without.

Dental plan options are expected to increase from 44% to 64% in companies with flexible benefits plans, and from 26% to 44% in those without.

The option to make additional contributions for extra benefits is expected to rise to 49% from 20% in companies with flexible plans, and to 39% from 10% in companies without.

The Equitable, a major provider of financial services to consumers and business, is the nation's third-largest life insurer with more than \$77 billion in assets under management.

Equitable pioneered group insurance in 1911 and currently provides health insurance for more than 10 million Americans.

• Copies of the survey can be obtained at no charge by writing to Gilbert M. Reich, the Equitable Life Assurance Society of the United States, 195 Broadway, New York, N.Y. 10007.

## Lawyers blamed for litigation boom

NEW YORK—Nineteen percent of Americans believe that overzealous lawyers contribute to the current explosion in litigation, according to a recent survey conducted for the Insurance Information Institute.

In comparison, in a survey commissioned by the New York-based III in 1982, only 3% of the respondents said lawyers encouraged people to file lawsuits.

The survey by Cambridge Reports Inc., published in the latest issue of the III quarterly, *Insurance Pulse*, also shows respondents are divided over the cause of rising medical malpractice insurance costs.

The major causes mentioned by respondents are unsubstantiated suits by too many patients, pressure from lawyers to sue and carelessness on the part of doctors.

However, a clear majority of survey respondents said that most consumers attempt to collect more than they deserve.

The III publishes *Insurance Pulse* for its members, although yearly subscriptions are available for \$150 and individual copies are available for \$50. For information, contact the Insurance Information Institute, Publications Service Center, 110 William St., New York, N.Y. 10038.

Richard  
Diversity  
IS OUR STRENGTH  
Creative solutions to the reinsurance requirements of insurers and reinsurers.

• A full service Reinsurance Intermediary with resources to handle all classes of Treaty and Facultative business.

• Broad diversity of clients.

• Technical expertise in negotiation, contract preparation, premium and loss processing, account and statistical reporting, and claims handling.

• Access to markets world-wide.

• A Xerox Financial Services Company.

Reinsurance Intermediaries  
110 William Street, New York, New York 10038  
212-732-1360

Whitley,  
Inc.

## Flex plan dropped

Continued from page 3

The cost of the new benefit program compared with the former flexible benefits plan is not known, Ms. Henderson said.

Allnet had introduced its flexible benefits plan just one year earlier. That plan offered employees a choice between two types of major medical plans:

- A plan with a \$100 per-person/\$200 per-family deductible, which cost the employee \$10 a month for individual coverage or \$30 for family coverage. The employee also paid 20% of the first \$2,000 of charges, up to a maximum out-of-pocket expense of \$500.

- A plan with a \$300 per-person/\$600 per-family deductible, which required a monthly premium payment of \$5 for individual coverage or \$15 for family coverage.

This plan also was subject to a 20% co-payment provision for the first \$2,000 of expenses, capping out-of-pocket expenses at \$700.

In addition to lowering the employee contribution for the plan with the higher deductible, Allnet gave employees who chose the higher-deductible plan \$300 for the year in flexible spending money.

This money could be allocated to a health expense account to cover costs incurred within the deductible and any other health care expenses allowed by the Internal Revenue Service. The money also could be contributed to a dependent care account to be used to pay for child care expenses.

In either case, the \$300 would not be taxable to the employee, but any money remaining at the end of the year would be forfeited by the employee under IRS rules for flexible spending accounts.

Employees also could elect to receive the \$300 in cash and pay taxes on it.

Both plans were self-insured and administered by Mutual Life Insurance Co. of New York.

Under Allnet's previous plan, employees also could enroll in other employee benefit plans at minimal cost to the employees.

For example, a dental plan was available for \$5 per month per employee or \$14 per month for a family plan. The plan, which was underwritten by Allstate Life Insurance Co., included a \$50 per-person deductible with a \$2,000 annual limit for regular care and \$2,000 lifetime limit for orthodontia.

A vision plan was available for \$2.40 per month per employee or \$5.75 a month for a family. The plan, underwritten by Illinois Vision Service Plan, included a \$10 deductible for an examination and a \$10 deductible for materials.

Allnet also provided employees at no cost with accidental death and dismemberment coverage and life insurance, underwritten by Mutual of New York, and short-term disability benefits.

Lake Bluff, Ill.-based benefit consultant A.S. Hansen had worked with Allnet for six months during 1984 to design, communicate and implement the flexible benefits plan, Ms. Henderson said.

Prior to implementing the flexible benefits plan, Allnet had "strictly a major medical plan, accidental death and dismemberment and life insurance." Employees had to contribute a "small cost" for a family medical plan, she said.

"We had a limited benefits plan, and we recognized that we were going to need to upgrade our plan. The flex plan offered this."

Allnet employees "were happy with the flex plan. It was something new," Ms. Henderson said. "And we went through a lot to communicate it well. It was well received."

"But our new plan is, too," she added.

"We have gotten favorable re-

**Eliminating a flexible plan could hurt employee morale, Mr. Carlson says, 'but as long as there are some rough comparabilities of the benefits, going from a contributory to a non-contributory plan may be well received.'**

sponse on the part of employees" to the new plan, Ms. Henderson stressed.

Prior to the merger of Allnet and Lexitel, Lexitel's 700 employees were provided benefits similar to the new Allnet plan, although benefit levels have been improved.

Allnet's decision to drop the flexible plan is unusual, employee benefit consultants say.

"Dropping a flex plan is highly unusual—very atypical," said David Walker, account manager for the Allnet plan at A.S. Hansen.

"We have never had this happen to us. But, if this is part of the busi-

ness plan and the goals and objectives of the emerging corporations, it's up to us as consultants to support it.

"It was management's intent to fully fund the plan," added Mr. Walker.

Peter Hutchings, a partner with Fort Lee, N.J.-based Kwasha Lipton, noted that "when companies are acquired, it is common for benefits changes to occur. What makes this situation unusual is that the plan was dropped and not worked into the new plans."

Stephen Carlson, a principal in the Chicago office of William M.

Mercer-Meidinger Inc., said, "I am not aware of any company that has adopted a flex plan and subsequently dropped it."

Eliminating a flex plan could hurt employee morale, Mr. Carlson said, "but as long as there are some rough comparabilities of the benefits, going from a contributory to a non-contributory plan may be well received."

Lance Tane, chairman of the flexible compensation practice committee of The Wyatt Co. in New York, also said he is not aware of any other companies that have dropped their flexible benefit plans.

And, he said, "the incidence of fully funded plans is declining."

While Allnet said it doesn't have cost projections for the new plan, some consultants suggested the new health plan could drive up Allnet's health care costs.

"One of the negative implications of non-contributory plans is that in this age of dual-employee families,

where both employees are covered under different plans, they may elect to have dependents covered under the non-contributory plan. This will drive up the cost," Mr. Tane said.

John Haslinger, director of flexible benefits consulting for Buck Consultants Inc. in New York, also believes that employees and their dependents are more likely to opt for coverage under the non-contributory plan.

"In a non-contributory plan, you're bringing everybody back to your plan," he said.

But, Mr. Carlson said he does not believe that costs of Allnet's new health plan will vary greatly from the flexible plan.

"Any time you go from a contributory to a non-contributory plan, you're going to pick up some exposures you might not have had—like dependent care costs—that you might not have had under the contributory plan. Costs might be a little bit higher," he said.

# NATURAL DISASTERS

**During the Past Few Years, Business and Industry Worldwide** has suffered hundreds of millions of dollars of weather-related losses due to arctic freeze, floods, hurricanes, snow overload, tornadoes, windstorm. In addition, earthquakes have contributed their share of damage. For many years, much has been written about controlling man-made losses—arson, operator error, inadequate training—but how about natural disasters? Can anyone develop a program to manage natural emergencies, or is this just so much wishful thinking?

At Industrial Risk Insurers we feel our OVERVIEW management program for loss prevention and control can be used to minimize damage caused by a natural disaster. OVERVIEW may not be able to control the emergency itself (how can you really control a hurricane or tornado?), but the **before** and **after** situations can be anticipated, prepared for, and implemented as appropriate. For example:

**Arctic Freeze.** Each winter we expect cold weather, but arctic freeze is something else. This phenomenon occurs when the jet stream that circles the earth at high altitudes shifts course and carries an unusual mass of bitterly cold arctic air deep into warmer climates, sustaining subnormal, freezing temperatures for periods of nearly a week. Every state, including Florida and Hawaii, has felt the effects of arctic freeze at one time or another. This winter we suggest you closely monitor weather reports, since a few days warning should be enough time to actuate your pre-emergency plan.

**Snow Overload.** When a snow or ice storm is on the way, the facility's emergency coordinator should begin monitoring storm advisories, decide when to activate the Emergency Control Center, and assign the tasks of plowing, shoveling, and installing snow fences and markers at hydrants and fire protection control valves. **During** and **after** a storm the coordinator should make sure that snow is continually removed from roofs and that ice is dislodged from roof drains. Otherwise, the roof might collapse.

**Spring Floods.** Although some of the most disastrous floods have occurred in July and August due to heavy rains or hurricanes, many people associate flooding with springtime. And for good reason, because thawing temperatures in the snow fields and April showers result in abnormal runoff. Rampaging waters are only part of the threat, however, since floods can spread flammable liquids, isolate facilities and disrupt fire protection measures. All too often, what floods leave behind is consumed by fire. Be sure to review the potential flood threat to properties located near bodies of water and plan ahead.

Each of the above situations is discussed in OVERVIEW, IRI's total management program for loss prevention and control. For assistance, contact your servicing IRI loss prevention consultant, or ask Mrs. P.A. Sasso for a complimentary copy of the OVERVIEW brochure: IRI, 85 Woodland Street, Hartford, CT 06102, area code (203) 525-2601.

**Industrial  
Risk  
Insurers**

**66,000 properties  
insured worldwide**

## Landoil lawsuit

Continued from page 1

after claims were reported in 1983 because the claims involved Landoil contracts that were in dispute before the policy went into effect in 1983. Mr. Outhwaite says he has heard nothing from Landoil since May 1984 and was surprised to discover from a newspaper article that a lawsuit had been filed.

Landoil is a pioneer Philippine construction giant in the Middle East and North Africa that, for the last two years, has had difficulty collecting receivables from companies in Libya and the Middle East, sources in the Philippines say.

Other plaintiffs in the suit are Landoil affiliates and subsidiaries, including Construction Consortium Inc., Asia Water & Sewerage System Inc., Greater Manila Land Corp., Pacific Asia Builders and Developers Inc.

According to the lawsuit, on Jan. 18, 1983, the Lloyd's Policy Signing Office issued a policy to Landoil covering political risk for the period from Sept. 30, 1982, to Sept. 29, 1983. The policy was for \$50 million.

Risks covered under the policy included losses arising from expropriation and/or deprivation of assets, unfair calling of guarantees and contract repudiation, the suit says.

The insurance brokers were Alexander & Alexander Services Inc., Alexander Howden Group P.L.C. and/or Sedgwick Group P.L.C., according to the writ. The brokers, however, are not named defendants.

Mr. Outhwaite explained that Sedgwick placed part of the cover and part of the cover was placed through a market line slip administered by Howden and led by the Outhwaite syndicate. Mr. Outhwaite said that the Sedgwick broker who placed the coverage with him, Michael Christopherson, has since died.

Mr. Outhwaite also said a total of 50 to 60 underwriters participated in the disputed coverage.

A Sedgwick spokesman said the broker is not aware of any allegations in the lawsuit because Sedgwick has not seen the suit, although it has heard of allegations made in Manila newspapers. Sedgwick will not discuss clients' affairs, he added.

An internal memo at Howden signed by

**'Any allegations that (Howden) companies are in any way responsible for Landoil's losses are emphatically denied and any subsequent claim which Landoil chooses to make will be vigorously defended,' says an internal Howden memo signed by Co-chairmen Ronald Iles and Dennis Mahoney.**

Co-chairmen Ronald Iles and Dennis Mahoney says, "Any allegations that group companies are in any way responsible for Landoil's losses are emphatically denied and any subsequent claim which Landoil chooses to make will be vigorously defended."

Landoil says in the lawsuit that the enterprise/projects/contracts insured against losses and "particularly subject of the claims" under the policy were:

- A contract with General Co. for Construction & Maintenance of Municipal Works, a political agency or instrumentality of the Socialist Peoples Libyan Arab Jamahiriya. Landoil was to provide project planning and technical services, project management and manpower to carry out the construction of a road at Berghazi, Libya, under the contract.

But, on Oct. 28, 1982, General Co. "wrongfully terminated and repudiated its contract," causing a loss of just less than \$5.7 million, says the lawsuit.

- A joint venture agreement with Derna Co. for Reclamation and Construction, a political agency or instrumentality of the Socialist Peoples Libyan Arab Jamahiriya. Landoil and Derna were to establish a joint venture company under the contract to carry out contracts obtained by Derna for the joint venture. There was also a supplementary agreement on June 15, 1981, under which Landoil would provide any performance bond required by the terms of the contracts obtained by Derna for the joint venture.

However, on July 5, 1983, and "during the currency/effectivity of the policy" Derna "wrongfully" called in the plaintiffs' performance bond and "unlawfully" terminated/repudiated the joint venture agreement. Losses from this totaled about \$11.8 million,

the lawsuit says.

- A contract dated June 25, 1981, with Iraq State Enterprises for Iron and Steel, a political agency/instrumentality of the Ministry of Commerce of the Republic of Iraq. Under the contract, Landoil and other plaintiffs were to build 143 clusters of four houses each in Umm, Qasr, Iraq.

Originally, Landoil was to be paid 30% in Iraqi dinars and 70% in U.S. dollars. Another contract in June 1983 reduced the payment to 30% in dollars, to be deferred for two years, and that the balance of sums previously withheld would be paid in Iraqi dinars.

SEIS wrongfully withheld the 70% dollar payment on and after October 1982, "thus preventing plaintiffs from being able to discharge their obligations under the contract," says the lawsuit.

Further, SEIS failed to ratify the contract of June 1983. Therefore, the plaintiffs suffered losses of about \$2.8 million, which are insured under the policy, the lawsuit says.

- A subcontract with Singa-Malaysia Development (Pte.) Ltd., an agency/instrumentality of the Ministry of Oil of the Republic of Iraq. The plaintiffs, through Landoil affiliate Construction Consortium Inc., were to carry out the complete works envisaged in the July 10, 1980, contract between the Southern Petroleum Corp. and Fiafi Trading & Contracting Co., a Kuwaiti company.

Fiafi was supposed to design and construct 1,400 housing units at three sites in Iraq, including all necessary infrastructures and utilities. Fiafi subcontracted the work to Singa-Malaysia, which then subcontracted the work to the Landoil affiliate.

However, on an unknown date, Southern Petroleum Corp. "unlawfully" withheld the payment of the 70% U.S. dollar element of

the billings from the plaintiffs, it was charged. Southern Petroleum also "wrongfully repudiated and terminated" the SPO/Fiafi contract, resulting in the loss of almost \$20.8 million to Landoil, the suit says.

Landoil and its affiliates/subsidiaries "pray" to the Philippine court that the defendants be ordered to pay jointly or severally the losses mentioned in the action, amounting to \$40.28 million or its equivalent in the Filipino currency, plus interest.

Landoil is asking the court to award \$500 million in compensatory damages plus interest, plus "an amount left to the sound discretion of the Honorable court as and by way of exemplary damages to teach the defendants a lesson for the public good."

Landoil charges that "the defendants were motivated by malice and bad faith in refusing to pay their just and clearly valid obligation to the plaintiffs."

Landoil also wants payment of attorneys fees and costs of the lawsuit.

Mr. Outhwaite says that he will take legal advice on how to defend the case if the lawsuit is issued to him. However, he believes one of the defenses will be that the case is not actionable in the Philippines because the Lloyd's policy was issued in London and the defendants are in London. "They would have to sue us in London," he said.

A Lloyd's spokesman said it is unlikely Lloyd's can remain a defendant because Lloyd's is not a party to the contract; Lloyd's underwriters on individual syndicates are.

However, Landoil argues that the lawsuit can be tried in the Philippines because the London defendants do business in the Philippines through registered and unregistered brokers and agents.

Landoil says, for example, that Sedgwick, which allegedly was involved in placing the policy, has offices in the Philippines.

Also, defendants, particularly Lloyd's, are represented in the Philippines by settling agent Smith Bell & Co., which has been appointed to survey, adjust, appraise and settle insurance claims. A Lloyd's spokesman contends, however, that Smith Bell holds no assets for Lloyd's in the Philippines.

*Business Insurance* was unable to reach Landoil by phone for further comment.

## Wisconsin counties covered

Continued from page 2

While the counties had a tough time finding general liability coverage, they were given more than three months' warning that their policies would not be renewed.

Colonial Penn had sent non-renewal notices to the counties and Laub in September, more than complying with Wisconsin's 30-day requirement for notification of cancellation or non-renewal, Mr. Sipiora said.

Colonial Penn had announced last fall that it was withdrawing from the municipal liability market because it hadn't found adequate reinsurance. That decision also made it the subject of a special market conduct examination by the National Assn. of Insurance Commissioners (BI, Oct. 21, 1985).

The affected Wisconsin counties, ranging in population from about 12,000 to more than 500,000, had been insured by Philadelphia-based Colonial Penn for about three years, Mr. Sipiora said.

But, despite the early notice of non-renewal, Laub was surprised when the counties actually lost the coverage, Mr. Sipiora said.

Colonial Penn's "management told us that they were continuing to work on the reinsurance problem," and "we were relying on their coming through for us," he said.

Mr. Sipiora said he was told Nov. 14 by Public Entity Underwriters Ltd. of Denver, Colonial Penn's managing general agent, that it had received a verbal commitment for reinsurance to back the counties' coverage at the National Assn. of Independent Insurers annual meeting.

However, Nina Kenney, vp-consumer affairs for Colonial Penn, insists, "I'm sure we didn't string anyone along."

Colonial Penn is still writing property insurance for many of the counties, said Carol Nelson, an assistant to Mr. Sipiora.

In addition, she said various coverages formerly written under the Colonial Penn package—with the exception of general liability—were placed with Employers Mutual Cos. of Des Moines, Iowa; Kemper Group of Long Grove, Ill.; U.S. Fidelity & Guarantee Co. of Baltimore, Md.; U.S. Insurance Group, a subsidiary of Crum & Forster of Morristown, N.J.; and American States Insurance Co. of Indianapolis. She did not know what lines were written by each insurer.

In addition, Laub placed the counties' automobile liability and property damage coverage on Dec. 31 with the Wisconsin Automobile Plan, the state's assigned risk pool.

Many of the affected counties finally found general liability coverage on their own, said Ernie Stetenfeld, public affairs coordinator for the Wisconsin Counties Assn. in Madison.

A spokesman for Wausau Insurance Cos. said it picked up 18 counties as policyholders when Colonial Penn opted out of the Wisconsin market.

Wausau didn't have any trouble securing facultative reinsurance for municipal liability risks, he said.

Marquette County decided to buy most of its property/casualty coverages from Wausau after a Jan. 13 meeting of its finance committee, said County Clerk Gary Sorensen.

However, the county continued to buy public officials liability insurance through the WCA program because Wausau does not write that type of coverage.

The total insurance bill for Marquette County, with a population of just 12,500, will be about \$180,000 this year—nearly double last year's premium. Increases were reported for every line except workers compensation, Mr. Sorensen said.

Dane County, the second-largest in the state, decided to self-insure its general liability risk, transferring \$350,000 into a claims fund, according to Mr. Tieman, the county's risk manager.

The county also purchased \$500,000 in automobile liability coverage from Fireman's Fund Insurance Cos.; purchased a \$50 million airport liability policy from Manhattan Fire & Marine Insurance Co. of New York; and joined a statewide self-insured pool that provides nursing home coverage.

But, the premiums for these coverages cost 20% to 80% more than its 1985 coverage, Mr. Tieman said.

To avert future renewal problems, Laub and a WCA steering committee are studying various coverage alternatives, like forming a mutual insurance company to cover the county's risks or forming a self-insurance pool.

WCA is cautious about the latter alternative. "It's not the kind of thing we want to rush into," said Mr. Stetenfeld.

The first meeting to consider the plans has been slated for Jan. 29 in Milwaukee.

Meanwhile, higher premiums have prompted municipal bus systems in 15 Wisconsin cities to form their own insurance company: Transit Mutual Insurance Corp. of Wisconsin.

The cities expect to cut their combined insurance cost for their bus systems by 50% or more through the new company, which is capitalized at \$750,000, said a Wisconsin Transportation Department spokesman.

Cities participating in the plan are Appleton, Ashland, Beloit, Eau Claire, Fond du Lac, Green Bay, Janesville, Kenosha, Manitowoc, Oshkosh, Racine, Rice Lake, Sheboygan, Watertown and Waukesha.

On Jan. 1, member transit systems began purchasing \$1 million in liability coverage from the new company. Members will continue to purchase excess coverage from other markets, the spokesman said.



### MACLEAN, ODDY & ASSOCIATES, INC.

Domestic & International Insurance Brokers

Insurances effected at Lloyd's London and representing major U.S. insurers.

We are pleased to announce the formation of our Casualty Division. This division concentrates on the marketing of medium and large commercial and industrial accounts specializing in:

- GAS, ELECTRIC & WATER UTILITIES
- RAILROADS & TRANSIT SYSTEMS
- RAILROAD PROTECTIVE LIABILITY
- PHARMACEUTICAL MANUFACTURERS
- CONSTRUCTION PROJECTS FOR OWNERS/CONTRACTORS
- HOSPITAL MALPRACTICE (CLAIMS MADE FORM)
- MANUFACTURING & PRODUCTS RISK
- ASSOCIATIONS & BONA FIDE GROUP SCHEMES

For further details, please contact: Stanley Partridge  
Stuart Dobbie  
Nancy Beck  
Peggy Cavagnaro

2121 San Jacinto, Suite 1818, L.B. #7, Dallas, Texas 75201  
(214) 969-0090 Telex: 163191 FAX: (214) 922-0113

(Exclusively through Agents and Brokers)

## Arrow Air suits

Continued from page 3  
apply."

"Evidence shows there was no ticket ever delivered to passengers," said Richard Brown, an attorney with the San Francisco-based firm of Melvin Belli, who currently represents about 15 plaintiffs.

Mr. Brown also charged that there was willful misconduct involved, in part because the plane was not de-iced prior to flight, which he contended may have been due to economic considerations.

However, Arrow attorney Edward Stopher denied there was any evidence of willful misconduct. He said that after reviewing the records of the crew and the quality of equipment, an opposite conclusion should be drawn.

"We've seen no evidence of that at all," Mr. Stopher explained. "We don't see any evidence of willful misconduct."

Mr. Stopher added that "the Warsaw Convention issue is the primary legal issue in the cases filed so far."

But there are factual issues to consider concerning what caused the crash, and he notes that some lawsuits have named McDonnell-Douglas as a co-defendant on the basis there allegedly was a defect in the engine.

While Mr. Stopher said not enough evidence has been gathered, he said that Arrow might sue and seek to recover from the manufacturer or the federal government, depending on the ultimate facts of the case.

Mr. Stopher, with the Louisville firm of Boehl, Stopher, Graves & Deindoerfer, said Arrow is also examining its contract with the federal government, but declined to elaborate.

He also said Arrow has made no decision on where it believes the case should be heard or its position on the motion seeking consolidation of federal court suits in Paducah.

"It's simply too early to tell what the factual or legal defenses may be," Mr. Stopher said. He pointed out that the cause of the DC-8 crash and the contractual relationship between Arrow and the government are still being addressed.

Allegations in the suits against Arrow and Batch include charges of negligence and breach of express and implied warranties, and reckless, willful and wanton misconduct.

Several suits filed in Paducah by attorney N. Reese Bagwell Jr. claim that prior to Dec. 12, 1985, the Arrow aircraft that crashed experienced mechanical problems upon takeoff attempts that resulted in incidents and/or aborted takeoffs at least twice.

In addition, the suits say Arrow

**'Evidence shows there was no ticket ever delivered to passengers,' says Mr. Brown.**

had been cited by the FAA in May 1984 for inadequate record keeping, deferred and neglected maintenance of the aircraft and the use of outdated and obsolete maintenance manuals in the maintenance and repair of the aircraft. The citations resulted in civil fines against Arrow.

Also, according to the lawsuits, Arrow Air and Batch Air failed to properly maintain, repair, inspect and operate the ill-fated aircraft by:

- Negligently failing to maintain the engines of the aircraft; failing to properly test the aircraft's engines; and negligently failing to properly supervise, inspect and oversee the maintenance work being performed on the aircraft to discover latent dangers created by negligence.

- Negligently failing to properly operate and fly the aircraft in a manner consistent with industry standards.

- Negligently failing to warn the soldiers and the public of the hazards and dangers of being a passenger in the airplane.

The suit also says that Arrow and Batch breached their warranties of airworthiness and fitness for intended use.

Many of the suits against the companies also seek compensatory and punitive damages.

For example, suits filed by Mr. Bagwell, with the Clarksville, Tenn., firm of Bagwell, Bagwell & Parker, seek \$5 million in compensatory and \$10 million in punitive damages from Arrow Air and Batch Air.

"We think damages in this case will be substantial," said Mr. Brown, who said the victims whose families he represents include skilled aviators who had substantial earning capacity ahead of them.

A spokesman for Arrow Air declined comment on the litigation. "We are not commenting on any allegations," the ArrowAir spokesman said.

A McDonnell-Douglas spokesman said the company has not been formally served with the complaints. "We don't think the allegations have any merit," the spokesman said.

A World Airways spokesman said the company was "not liable in any way" and that "the things we fixed were of a minor nature and routine maintenance. Nothing involved the navigational system or engines."

## Super Bowl coverage

Continued from page 1

ance for state agencies, "threw up their hands" when they heard the estimates of the cost of coverage this year, Mr. Rummel said.

"It has created concern in the capital," he commented.

Mr. Rummel noted the Superdome also had to settle for less coverage even though it had to pay more in premium when it renewed its liability insurance program in May.

Prior to the renewal, the dome had \$100 million in liability limits, he said. But, while the stadium's liability insurance costs more than doubled when the coverage was renewed, it was only able to buy \$25 million in limits.

And, the new liability insurance carries a \$5,000 per-occurrence deductible; formerly it had first-dollar coverage.

In November, the Superdome again had to look for liability coverage when, according to Mr. Rummel, Republic-Vanguard Insurance Co. in Dallas canceled the dome's \$1 million in primary liability coverage, despite a good loss history.

Mr. Rummel said the stadium never received any explanation of why the insurer was canceling the coverage. He said all the stadium received was "just a cancellation notice."

However, a spokesman for Cravens, Dargan & Co. of Houston, Republic-Vanguard's managing general agent, maintained that the policy expired and was not renewed, emphasizing the policy was not canceled. He refused further comment.

Mr. Rummel also said the Superdome was unable to purchase property insurance for a parking lot located a few blocks from the stadium. The lot was to be used to provide parking for 220 to 250 buses on the day of the Super Bowl.

Insurers were unwilling to write the one-day coverage because they were concerned about "the concentration of that many buses in one area," according to Mr. Rummel.

To provide the extra parking space, a lot owned by an independent operator was leased for the day and is covered by the owner's insurance, Mr. Rummel explained.

Meanwhile, the National Football League has lined up \$5 million in liability insurance to cover its Super Bowl exposures.

"There will be a game," remarked Robert Kalbfell, assistant vp at Corroon & Black Corp., which brokered the NFL's Super Bowl coverage.

However, Mr. Kalbfell would not identify the underwriter on the coverage.

Mr. Rummel said that, prior to the game, stadium officials and the NFL will sign a "mutual waiver of liability" that states that the NFL is liable for any damage its employees cause, while the Superdome is liable for any damage caused by its employees.

Meanwhile, the Bears, which led the NFL in most defensive categories during the regular football season, had beefed up its protection against liability claims in connection with the Jan. 13 National Football Conference championship game at Chicago's Soldier Field because \$50 million in coverage purchased by the Chicago Park District, which leases the stadium to the Bears, had expired. That coverage insures all park district ex-

**'There will be a game,' says Robert Kalbfell, assistant vp at Corroon & Black Corp., which brokered the NFL's coverage for Super Bowl XX in New Orleans.**

posures.

The Bears bought \$100 million in excess general liability insurance from Fireman's Fund Insurance Cos. to cover the team and the National Football League for the NFC championship.

The coverage was placed after an emergency call to Chicago-based broker Rollins Burdick Hunter Co. in Chicago two days before the game, according to sources.

The coverage supplements the Bears' regular general liability coverage of \$3 million per occurrence and \$5 million annual aggregate, said Jack Mathews, treasurer of the Chicago Park District.

The Bears sought the coverage apparently because the Chicago Park District had no general liability insurance for the stadium after its \$50 million policy expired Dec. 31.

The Bears and the park district are named insureds on each other's policies, Mr. Mathews said.

The only general liability insurance available for the Bears' Jan. 5 playoff game against the New York Giants was the Bears' regular coverage and between \$5 million and \$10 million in liability coverage carried by the Chicago Public Building Commission. The Public Building Commission owns the stadium and leases it to the park district.

However, the park district had set aside a \$10 million cash reserve to cover any claims, according to Mr. Mathews.

And, shortly before the game against the Los Angeles Rams, the park district obtained \$25 million in general liability coverage from Fireman's Fund above a \$125,000 self-insured retention, Mr. Mathews said. The coverage was placed by broker D.J. McCarthy & Co. in Glenview, Ill.

The cost of the coverage is between \$450,000 to \$500,000, Mr. Mathews said. The park district's expired \$50 million in coverage, led by United Insurance Co. and Fireman's Fund, cost only \$250,000 with the same retention.

A spokesman for Rollins Burdick Hunter declined to comment. A Bears spokesman could not be reached for comment.

The park district is continuing to seek an additional \$25 million in general liability insurance. It continues to carry \$110 million in dramshop liability insurance, Mr. Mathews said.

In addition, the Bears have broadened their defensive strategy to include some risk management techniques.

For the Jan. 12 game against the Los Angeles Rams, the Bears took steps to control the celebration of their fans by oiling the Soldier Field goalposts to prevent an excited crowd from tearing them down.

In addition, the Bears also increased the number of police patrolling the stadium both on foot and on horseback.

## Iowa workers comp hike

Continued from page 2

by almost \$30 million—to \$132 million from \$102.5 million in 1983.

These figures illustrate how the Iowa insurance market "went to hell," said William L. Clark, an NCCI regional vp. The NCCI, based in New York, is a national workers compensation ratemaking, research and statistical organization that represents insurer members.

"The state had been quite profitable until then," Mr. Clark said.

Based on statistics NCCI assembles from its 300 member insurers in Iowa, this is the first major increase since 1979 and follows accumulated rate reductions of nearly 28% for the six-year period, says Larry Hochstetler, an NCCI director of government, consumer and industry affairs in the Midwest.

However, the most recent rate change was an average rate increase of 6.3%, which took effect June 22, 1985.

In 1984, 1983 and 1982, workers compensation rates dropped an average of 2.9%, 6.6% and 10.1% respectively, he said.

"Nobody wants to burden Iowa employers with an additional \$41.8 million in insurance premium expenses, but for the injured worker and the insurance company paying the claim for the injury, it is a painful necessity," Mr. Hochstetler said.

He was referring to the estimated amount of money that could be collected from an average 25.2% rate increase based on the premiums collected in 1984.

In some states, a rate increase is necessitated by legislatively mandated benefit increases. However, the NCCI notes that the proposed Iowa rate increase is due almost entirely to losses.



### OCEAN MARINE and AVIATION

**HULLS-OCEAN**  
Hull and Machinery, Increased Value etc., Builders Risk, War Risk, and Miscellaneous Commercial Craft.

**CARGO**  
Import/Export, River, Coastal, By Vessel or Airplane, Cargo Liabilities, War Risk Including Block War, Bunkers, Collect Freight.

**MARINE LIABILITIES**  
Charterers, Shiprepairers, Stevedores, Terminal Operators, Wharfingers; Cargo Legal Liability, Excess Marine Liabilities, Marine Bumpershoot, Water Pollution Liability, Offshore Liabilities.

**ENERGY**  
Drilling Vessels, Rigs, Platforms, Pipelines, Supply Vessels, War & Political Risks, and Other Related Exposures.

**AVIATION**  
Hull, Liability and Related Risks.



## New York Marine Managers, Inc.

Underwriters and Managers representing American Companies

123 William Street, New York, NY 10038

Phone: 212-349-1600 Telex: 129200NYMM NYK Fax: 212-233-3507

Producer inquiries invited.

# the professional marketplace

## RATES AND CLOSING TIME:

Rates: Display classified is \$79.50 per column inch, minimum of one inch. Straight classified is \$6.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$13.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

### HELP WANTED

**National SMP Program**  
Undg. Mgr. for newly purchased, deferred rated carrier seeks wholesalers to represent SMP production: Apts/Condos, Shopping Centers, Restaurants, Motels, Office Bldgs.  
If interested, write to:  
Box 1944, Business Insurance  
740 Rush St., Chicago, IL 60611

**BENEFITS PRODUCER**  
SouthEast broker seeks addition to benefits department during 1st quarter of 1986. Must have proven record of successful sales of various employee benefit lines to LARGE GROUPS to include life, health, disability, LTD etc. Salary to \$40s PLUS bonus incentives. Please contact Jim Gilbert at INSURANCE RECRUITERS, INC., 6060 N. Central #470, Dallas 75206. AC214 361-9323.

### POSITIONS WANTED

**RISK AND EMPLOYEE BENEFITS MANAGER**  
Private and public insurance experience. Underwriting, claims determinations and settlements. Workers' compensation, tort liability, D&O, pollution, employee benefits, occupational health, insurance purchasing, contract liability, loss prevention, bonding, auto liability and physical damage. Reply to: Ronald H. Perry, 5 Green Hill Road, Morristown, NJ 07960

### Agency Marketing Problem?

Results oriented property & casualty professional, experienced in agency marketing, inside sales & service. Seeking position in Chicago or suburbs.  
After 6PM. 312-851-2932

Advertise your openings in the Business Insurance Professional Marketplace.

Business Insurance Circulation Breakdown\* Commercial Consumers

<b>Administrative:</b>	
CEO's presidents and owners...	2,531
Vice-presidents, general managers and other administrative personnel	2,547
<b>Financial:</b>	
Chief financial officers and vice-presidents of finance	2,075
Secretaries, treasurers, controllers and other financial personnel	6,886
<b>Risk/employee benefits:</b>	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	8,048
<b>Sub-total</b>	<b>22,087</b>
Associations	804
Government, unions and educational systems	1,030
<b>Commercial Consumers</b>	
<b>Sub-total</b>	<b>23,921</b>
Insurance agents and brokers	9,548
Insurance companies	6,089
Financial institutions	536
Actuaries, attorneys, adjusters, appraisers and consultants	3,464
Others allied to the field	1,320
<b>TOTAL</b>	<b>44,878</b>

\* Source: Business/Occupational breakdown of qualified circulation, May 6, 1985 issue, as submitted to BPA for June 1985. BPA Publisher's Statement.

### HELP WANTED

**NATIONAL DIRECTOR HEALTH CLAIMS**  
Major national insurance service organization is seeking applicants with 8-10 years of group health claims management experience to establish a new senior management position. We require minimum 5 years technical background in an on-line claims system; prior experience in managing a multilocation claims processing operation and coordinating this with E.D.P., financial and underwriting areas.

Responsibilities will include corporate policy development, coordinating our on-line claims conversion and organizational planning. Candidates who are degreed and possess the appropriate qualifications should send resume with salary history (in confidence) to:  
Box 1945, Business Insurance  
740 Rush St., Chicago, IL 60611  
EOE/MF

### AGENCY MANAGER

Would you like to run a large agency on the San Francisco Peninsula? We want to hear from you. Send your letter to:  
Box 1937, Business Insurance  
740 Rush St., Chicago, IL 60611

### CONTROLLER

Rapidly growing, profitable P&C insurance Co. requires technically proficient leader to relocate financial hqrs. to update N.Y. and to direct all acctg. activities. CPA or equivalent with insurance experience required. Reply:  
Box 1941, Business Insurance  
740 Rush St., Chicago, IL 60611

### DIRECTOR OF AGENCY OPERATIONS

The Independent Insurance Agents of Illinois, an insurance agents association, based in Springfield, is seeking a Director of Agency Operations for its Chicago office. Individual should be a self-starter, innovative and have management qualifications. Position will entail dealing with independent agents in all aspects of agency operations. College graduate, familiar with Property & Casualty Insurance and the Independent Agency System is preferred. Some travel required. Submit resume and salary requirements in confidence to:  
Roy Robinson, Executive Director  
IIAI  
300 Realtors Plaza  
Springfield, IL 62703

### RISK FINANCING/INSURANCE MANAGER

The City of New York seeks an experienced and innovative professional to provide expert guidance to the Office of the Mayor and to City agencies on the most effective methods of financing and insuring against the risks associated with the operations of the City and its contractors. Required are a B.A. degree plus four years of progressively responsible experience in insurance, bonding, and risk management or an equivalent combination of education and/or experience. An advanced degree in a field directly related to the duties of this position may be substituted for up to two years experience on a year for year basis. Salary: Mid 40's Submit resumes to:  
Box 1943, Business Insurance  
740 Rush St., Chicago, IL 60611

### INSURANCE ATTORNEY

Assist general counsel, with emphasis on liability claims. Ideal candidate should have five years claims litigation experience. Ability to handle pleadings, discovery and trial as well as supervise retained counsel. Exposure to medical malpractice would be helpful. Experience in supervision of claims examiners a plus. Ability to write and communicate clearly essential. Candidate should be admitted to the N.Y. Bar or have credentials for rapid admission. Relocation to within commuting distance required. Please send resume with writing sample and salary history to President, Frontier Insurance Company, 217 Broadway, Monticello, New York 12701  
An Equal Opportunity Employer

### EXPERIENCED MANAGER

in Sales, MKTG, P.R. Risk-MGMT, Loss Prevention in industr. Business seeks challenge in international field. Ambitions in set up of International Programs, Development, Realisation of Risk-MGMT Concepts, Captive Accts, Legal Rep. German Subject, residence Germany. Contact through:  
Box 1940, Business Insurance  
740 Rush St., Chicago, IL 60611

### CAREER OPPORTUNITY

Publication division of nationally prominent risk management consulting firm seeks professional person to join editorial staff. Responsibilities include analyzing property and casualty insurance forms, researching, writing and editing technical material and supervising the production of publications. Position offers opportunity to expand into multi-faceted risk management consulting projects.

Ideal candidate will have excellent writing and analytical skills and will either have or be actively pursuing the CPCU designation.

Submit resume and salary history in confidence to: Pete Ligeros, Warren, McVeigh & Griffin, Inc., 1420 Bristol Street North, Suite 220, Newport Beach, California 92660.

Assure yourself top quality employees— Advertise your openings in the Business Insurance Classifieds.

### Seattle Office REINSURANCE CLAIMS MANAGER

We are looking for a seasoned professional with management experience & a strong broad background in multi-line claims. Previous reinsurance experience preferred.

If you are looking for a challenge with excellent benefits, educational/training opportunities & variable work hours please send resume and salary history to:

UNIGARD SECURITY INSURANCE COMPANY  
c/o Angie Pillings  
15805 N.E. 24th  
Bellevue, Wa. 98009

### WANTED LONG ISLAND AGENCY

P&C Brokers, specialists in hazardous materials transport and storage seek to acquire equity position in or full agency in Nassau or Suffolk County.

Box 1942, Business Insurance  
740 N. Rush St., Chicago, IL 60611

### ANTHONY L. LUPO

Reinsurance Consultant

33-65 14th Street  
Long Island City  
New York 11106  
718-278-2496

Insurance

### \* Worker's Compensation Adjuster

City of Evanston  
Salary \$23,124 to \$28,536

CAN YOU DEMONSTRATE the experience and background to assume a high degree of responsibility for the administration of the Worker's Compensation Program? Your tasks will include investigating accidents, establishing records and files, adjusting claims. Are you ready to follow through with complex evaluation and ameliatory recommendations?

DO YOU HAVE the professionalism and tact to develop effective working relationships with City officials, employees, the public? Do you have a thorough familiarity with the Worker's Compensation Act and with the policies and practices of the Illinois Industrial Commission?

IF YOU HAVE 4 years of college with a degree in Business Administration, Statistics, or related field; 3 years Worker's Compensation Claims Administration and Adjusting (familiarity with self-insured, self-administered employer programs is desirable); and the ability to communicate well in writing and in person, then...

COME TO EVANSTON! No residence requirement. We offer an unusual benefits program including generous holiday/vacation schedules, tuition reimbursement for continuing education, sound pension plan, life/health insurance, and much more. Apply at Personnel, the Civic Center, 2100 Ridge, Evanston, IL 60201

an affirmative action equal opportunity employer

### PRESIDENT

Due to the retirement of the current President, Iowa Bankers Insurance and Services, Inc., an affiliate corporation of the Iowa Bankers Association, which provides insurance coverages and related services to banks and bank customers is seeking an individual to serve as its chief operating officer. Responsibilities of this position include planning, directing and evaluating policies, programs and major activities of this insurance agency. Qualified candidates will possess a professional level of knowledge in insurance or related field which is equivalent to completing a four year college degree. Five years experience marketing all lines of insurance and progressively responsible management experience. For confidential consideration, submit resume with salary history to:

Human Resources Department  
Iowa Bankers Association  
430 Liberty Building  
Des Moines, IA 50308

### Insurance Opportunities

American Re, a leading reinsurance company committed to providing exemplary client service, currently has opportunities for the following individuals.

### CONTRACT WRITER

To review, prepare and process insurance treaties, become involved in research and act as an interdepartmental liaison. A law degree backed by 1-2 years' property/casualty insurance or reinsurance experience is required.

### EXTERNAL AUDITOR

To conduct financial and operational reviews of various reinsurance programs. We require a minimum of 2 years' auditing experience with exposure to property/casualty insurance. A Bachelor's degree in Accounting or Finance is essential, familiarity with personal computers preferred. Approximately 25% travel will be entailed.

In addition to a stimulating work environment, we offer opportunities for growth, a competitive salary and a comprehensive, company-paid benefits package. Please forward your resume with salary history in confidence to:



Bette Behrens  
**American Re-Insurance Company**

1 Liberty Plaza (51st floor)  
91 Liberty Street  
New York, New York 10006

An Equal Opportunity Employer M/F

# DIRECTOR

## PLACEMENT & MARKETING SUBSTANTIAL SIX FIGURE PACKAGE

Our client is a worldwide insurance brokerage organization, undertaking further expansion of their significant presence in the North American PROFESSIONAL INDEMNITY market. We seek an experienced casualty (ideally professional indemnity) professional to manage the placement of this coverage in the North American insurance market. The ideal candidate is probably with a retail or reinsurance broker, and is able to understand the underwriting market, based on personal experience. In addition, strong credentials in high excess limits coverage, and the supporting documentation required for its successful placement, is required.

This is a unique career opportunity to play a key role in developing our client's business. Accordingly, it will provide a stimulating and rewarding challenge for an experienced professional with marketing savvy and personal presence. So, if you're a tough, highly motivated self-starter, capable of managing an independent operation in New York (and will be comfortable and effective working with colleagues in Canada and the United Kingdom in an informal team environment), please send a detailed resume, indicating accomplishments, salary history and requirements, to: Mr. Vance A. Howe, Executive Vice President, PA Executive Search Group, 780 Third Avenue, Suite 1803, New York, New York 10017.

PA

Our client is an equal opportunity employer M/F/H/V

**update**

**Tasco is named CEO of M&M**

*Continued from page 2*

John M. Regan Jr., M&M's chief executive since 1973, will retain the title of chairman until the May meeting and will remain chairman of M&M's executive committee until the end of June, when he will retire at age 65. He will continue as a director of the company.

A.J.C. Smith, currently vice chairman of M&M, will take over Mr. Tasco's current position as president at the meeting.

Mr. Tasco, 58, was named president in September 1984 after serving as president of Guy Carpenter & Co. Inc., M&M's reinsurance brokering subsidiary.

**Aerojet to settle cleanup case**

SACRAMENTO, Calif.—Aerojet-General Corp. says it expects either its insurers or the U.S. government to pick up a substantial amount of the cost of cleaning up a polluted manufacturing site, in the wake of a proposed settlement of litigation with the California and U.S. governments that makes the company responsible for the cleanup.

Under the settlement, Aerojet agrees to perform detailed tests at the site in Rancho Cordova, Calif., to determine what kind of cleanup is needed and then carry out the cleanup.

Aerojet's parent, GenCorp Inc., has agreed to guarantee payment of \$45 million if Aerojet is unable to pay for the cleanup. It is not known how much the cleanup will cost, said a spokesman for the U.S. Environmental Protection Agency.

The agreement also calls for Aerojet to pay the state and federal governments more than \$7.1 million to cover their testing costs. Aerojet, based in LaJolla, Calif., says it already has spent \$30 million on the cleanup. GenCorp. took a \$42 million charge against 1984 earnings related to the cleanup, the Akron, Ohio-based parent says.

A spokesman for the company said Aerojet is discussing coverage for the cleanup with its insurers, but he declined to elaborate.

In addition, the company contends the U.S. government should reimburse it for cleanup costs, because the pollution occurred during the manufacture of rocket engines under government contract.

The proposed consent agreement settles lawsuits against the company brought by the state and federal governments and will become final if approved by the U.S. District Court in San Francisco after a 120-day public comment period.

**Lawsuit against CBS dismissed**

NEW YORK—A federal appeals court has dismissed a \$22 million libel suit by a retired Army colonel against CBS Inc.

However, New York attorney Jonathan Lubell, who represents the plaintiff, former Lt. Col. Anthony Herbert, has 90 days to decide whether to petition the U.S. Supreme Court for a review of the 12-year-old case. He says he is "seriously considering" such a move.

An attorney for CBS says the court's decision last week supports the network's stand that a 1973 broadcast was accurate. CBS officials refuse to discuss the limits or provisions of any insurance coverage that may have applied in the case.

The original suit was filed in early 1974. In the suit, Mr. Herbert, who wrote a book saying he was relieved of his command during the Vietnam War because he reported war crimes to superiors, contends that the 1973 CBS broadcast challenged many of his assertions. Mr. Herbert now is a clinical psychologist and author.

In the initial suit, Mr. Herbert sought \$22 million from the network in punitive and compensatory damages, and another \$22 million from Atlantic Monthly magazine, which subsequently published an article by the producer of the broadcast, Barry Lando.

In October 1984, a U.S. District Court judge threw out nine of the suit's 11 allegations, including those against Atlantic Monthly.

That action was affirmed last week by the 2nd U.S. Circuit Court of Appeals. The court also reversed the earlier ruling that Mr. Herbert was entitled to a trial on the two remaining charges against CBS, Mr. Lando and correspondent Mike Wallace.

CBS Associate General Counsel Ronald E. Guttman said last week the network was "confident from the inception of the suit that CBS and Lando will prevail."

Although CBS would not comment on its insurance coverage at the time of the 1973 broadcast, Mr. Guttman previously has said that CBS had a manuscript errors and omission policy with deductibles (BI, Oct. 22, 1984).

London sources say that from 1954 to about 1981, CBS's primary broadcaster's liability insurance was placed with a Lloyd's of London syndicate underwritten by Ted Nelson and managed by K.F. Alder (Underwriting Agency) Ltd. Sources say the primary layer was brokered by Herbert L. Jamison & Co. in New York and C.T. Bowring & Co. Ltd. in London.

**Claims-made revisions**

*Continued from page 1*

needed to make it a valid product that will afford the greatest degree of protection to the buyer."

Both the Illinois and Connecticut regulators, who previously rejected the form and spearheaded state regulators' negotiations with ISO for new revisions, gave Mr. McNamara permission to announce along with the revisions that they will now approve the form in their states.

The approval of the revised claims-made policy form by Illinois and Connecticut likely will prompt many states that have disapproved the form or have not yet taken a position on it to accept the claims-made CGL proposal.

"These new provisions eliminate any remaining rational reservations about the claims-made form," Mr. McNamara told insurers attending ISO's annual meeting last week.

"We've satisfied regulators' concerns in ways that are reasonable to insurers," he said.

So far, at least four other insurance regulators that had rejected the form say they expect to approve it now.

Paul A. Synnott, deputy commissioner of the Virginia Insurance Department, said the latest ISO revisions "go a long way to clearing the claims-made form here."

Virginia disapproved ISO's claims-made CGL form in November because the policy did not provide for reinstatement of aggregate limits for policyholders buying the supplemental tail coverage. The latest ISO revisions would solve this problem, he said.

However, Mr. Synnott said he still wants ISO to include a signature line in the policy indicating the policyholder's acceptance of a laser endorsement. That endorsement can be used to exclude coverage for particular products, incidents and locations.

Without that signature line, Mr. Synnott says he will disapprove the laser endorsement filed by ISO.

Roger Langley, manager of the fire and casualty division of the North Carolina Department of Insurance, says that while he has not seen the revisions, he will approve the claims-made form if the changes respond to the concerns expressed in the model policy language adopted by the NAIC in December.

John George, director of the Alaska Department of Insurance, is taking the same position as North Carolina's Mr. Langley.

Maine Superintendent of Insurance Theodore T. Briggs said the revisions will "take care of most of the objections we've had." Maine had rejected the form Dec. 30.

Regulators in Michigan, New Jersey, Ohio and New York, which have also rejected the form, said they are reserving judgment until they see the latest revisions.

Regulators in Washington state, Minnesota, South Carolina and Arizona—the other four states that have rejected the form—could not be reached for comment.

Several regulators say the latest round of revisions was prompted by the widespread rejection of the ISO claims-made policy form by state insurance regulators.

"I'm convinced that if commissioners had not dug in their heels, ISO would not have agreed to these latest revisions," said Alaska's Mr. George.

In October 1985, ISO officials had responded to concerns raised by regulators by filing several major revisions in the proposed policy form, hoping these changes would make the form acceptable to most insurance regulators.

These revisions included altering the coverage trigger to respond to claims reported verbally to the policyholder, adding automatic five-year tail coverage for claims involving incidents that are reported within 60 days of a policy's expiration, specifying only four conditions under which an insurer is permitted to advance the retroactive date and several other changes.

But, regulators were not satisfied with these changes alone and sought additional revisions. When ISO officials declined to make more revisions, regulators in 14 states officially rejected the claims-made CGL policy form or asked that it be withdrawn.

ISO's board of directors was forced to recant its position on the commissioners' earlier demands.

Most important, the new revisions to the claims-made form restructure the provisions of the former extended reporting period endorsement and the automatic five-year tail.

In addition to providing a new limit of coverage for certain claims, the supplemental tail picks up where the automatic five-year tail coverage leaves off. The supplemental tail now provides coverage for claims stemming from incidents reported during the policy period and within 60 days of a policy's expiration in cases in which the claim is filed more than five years after the policy expires.

This differs slightly from the October 1985 revision that created the automatic five-year tail. Under that revision, the extended reporting period endorsement, if purchased, replaced the five-year automatic tail coverage that is extended to all claims-made CGL policyholders for no additional premium.

This automatic tail coverage responds to incidents reported to an insurance company no later than 60 days after the policy's expiration date, so long as claims stemming from these incidents are filed within five years and no other insurance is purchased that would cover the claim.

Coverage under the automatic tail is limited to the

**'I'm convinced that if commissioners had not dug in their heels, ISO would not have agreed to these latest revisions,' says Alaska's Mr. George.**

aggregate limits remaining in the expiring claims-made policy.

ISO created the new aggregate limit under the supplemental tail because the automatic, five-year tail will effectively eliminate the possibility that an insurer would end up providing retroactive insurance for known and reported incidents, a spokesman for ISO said.

Insurers had feared that if they had simply reinstated aggregate limits for the supplemental tail coverage as regulators had requested, they could be forced to reinstatement policy limits for a known incident, allowing policyholders to double their available limits after learning of a loss.

This compromise on the supplemental tail coverage addresses regulators' concerns that policyholders know what they are buying when purchasing supplemental tail coverage, while satisfying insurers' concerns, the ISO spokesman said.

However, several complaints that state regulators have raised in rejecting the earlier version of the claims-made CGL form were not answered by ISO's new revisions.

ISO did not revise the trigger of coverage under the claims-made CGL policy form, which requires the notice of a claim to a policyholder to activate coverage under the policy.

Some regulators and many insurance buyers have said that notice to an insurer of an incident should trigger coverage.

And, ISO will not withdraw its laser endorsements, nor will it withdraw the retroactive-date endorsement, which allows insurers to exclude coverage for incidents that occur before a certain date.

Although he has not seen the new policy language, P. Richard Hackenburg, president of the Risk & Insurance Management Society, says he applauds ISO for "making moves in the right direction."

However, Mr. Hackenburg is quick to point out that he still has concerns about the lack of a definition of an occurrence under the claims-made CGL policy form and about the implementation of the retroactive date provision.

He says he still believes that the occurrence policy is "the more effective way to go."

Mr. Hackenburg and Jon Harkavy, director of governmental affairs for RIMS, say they consider the form developed by The St. Paul Cos. Inc. to be more responsive to the needs of risk managers, largely because it includes an incident-based trigger.

St. Paul expects to file its form with state insurance departments this month (BI, Jan. 13).

Mr. Harkavy also contends that under the St. Paul form, a policyholder receives perpetual coverage, subject to the policy's aggregate limits, once an incident is reported. Under the ISO policy, coverage is provided only for five years, he points out. Thus, he says, the St. Paul policy eliminates the need to buy the supplemental tail coverage in many cases.

Mr. Harkavy says he does not expect ISO to make other major concessions in the claims-made policy because state regulators appear to approve of the form with these new revisions.

"The changes that we have gotten are the result of regulator pressure," Mr. Harkavy says. "Once you get the commissioners from key states falling in line, their incentive to change is lessened."

However, Mr. Harkavy says the ISO policy is greatly improved from the original filing.

"If you take a look at where the policy was when RIMS started voicing concern and where it is now, I believe every policyholder in the U.S. has the right to feel proud of what we've accomplished," he says.

While these revisions address most of the major concerns voiced by regulators who have rejected the claims-made policy form, they leave unresolved one major issue: Which risks should be written on a claims-made basis?

Several state regulators, including New York Insurance Superintendent James P. Corcoran, say they will not approve claims-made coverage on a blanket basis. They say claims-made coverage is too complicated for the average CGL policyholder—particularly the small-business owner—to understand. These regulators want the policy form restricted to certain types of risks and classes of business.

ISO, however, contends that insurers should be permitted to decide on an individual basis which risks should be written on a claims-made form, an ISO spokesman said.

ISO has improved the claims-made form to the point where state regulators would have no hesitation at approving the form for a broad spectrum of risks, the spokesman said.

However, the yearlong battle between commissioners and ISO over the claims-made CGL form has left many regulators disgruntled at the manner in which ISO handled the filing.

*Continued on next page*

**insurance services guide**

**INDEPENDENT ACTUARIAL AND ENVIRONMENTAL CONSULTING**

- Actuarial - Self-Insurance Feasibility Studies, Risk Financing Evaluations, Budget and Reserving Evaluations
- Environmental - Audits, Loss Control Studies, Superfund Site Health and Safety Evaluations
- Joint - Financial Evaluation of Environmental Liabilities

**TILLER CONSULTING GROUP, INC.**  
5098 Goldenrod Ave., Corona del Mar, CA 92625, 714/673-7089

**CASUALTY ACTUARIES, INC.**

Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A.

- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds
- Statutory letters of opinion on loss and loss expense reserves.

One Insurance Center Plaza, Suite 1  
St. Louis, MO 63141  
(314) 878-5002

For advertising information in the INSURANCE SERVICES GUIDE  
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611.  
Telephone (312) 649-5340

## Claims-made form

Continued from previous page

"It's been very poorly managed," says Wayne Jones, deputy director of the Ohio Insurance Department. "I don't know how it was in other states, but ISO could have done a much better job of communicating their intentions to the state of Ohio."

Ohio plans to promptly conduct a hearing to examine the revisions, Mr. Jones said. A previously scheduled hearing was canceled after ISO agreed to withdraw the filing based on concerns raised by the Insurance Department.

"ISO was kind of testing us, and I don't appreciate that," Mr. Jones remarked.

Other regulators share this view. They say ISO did not begin negotiations with the goal of working toward a compromise that would meet the concern of all states. Instead, regulators say, ISO officials filed a string of incremen-

**'The changes that we have gotten are the result of regulator pressure,' Mr. Harkavy says.**

tal changes to the claims-made CGL to see how many states would be willing to accept the form after each revision.

ISO expects the states that have approved its claims-made CGL form to accept its latest revisions. States that have approved the form are: Iowa, Kentucky, Louisiana, Maryland, Mississippi, Montana, Tennessee, Utah and Wisconsin. Puerto Rico also has approved the form.

Also, ISO's claims-made CGL form is available for use in California, Colorado, Indiana, Missouri and New Mexico. ■

## datebook

**FEB. 5-6. Financial Analysis for Risk Management Decisions** program in Phoenix, Ariz., sponsored by The College of Insurance; \$700 plus \$50 per organization. Also **March 12-13** in Tampa, Fla. Laura McKeon, Professional Development Programs, The College of Insurance, One Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

**FEB. 5-7. Challenges of the Changing Marketplace** conference in Atlanta, sponsored by the Atlanta Chapter of the Risk & Insurance Management Society; registration for members, \$100 in advance, \$125 on site; registration for non-members, \$115 in advance, \$140 on site; \$25 for students. Dennis F. McGovern, Kimberly Clark Corp., 1400 Holcomb Bridge Road, Roswell, Ga. 30076; 404-587-8000; or James S. Trieschmann, University of Georgia, Brooks Hall, Athens, Ga. 30602; 404-542-4290.

**FEB. 5-8. 1986 Winter Workshop of the American Assn. of Managing General Agents** in Orlando, Fla.; \$295 before Jan. 27; \$315 after Jan. 27. AAMGA, Suite 800, 1001 Connecticut Ave. N.W., Washington, D.C. 20036; 202-223-0383.

**FEB. 6-7. The Crises in Directors & Officers Liability Insurance: Advising Corporations on Alternatives, Indemnification & the Business Judgment Rule** conference in New York, sponsored

by Law & Business Inc.; \$425. Also, **March 13-14** in San Francisco. Law & Business Inc., 855 Valley Road, Clifton, N.J. 07013; 830-223-0231; 201-472-7400 in New Jersey.

**FEB. 10. The New Insurance Services Office Commercial General Liability Policy Workshop** in Philadelphia, sponsored by the Insurance Society of Philadelphia; \$90 for members; \$105 for non-members. Also **March 6** and **April 22** in Philadelphia. The Insurance Society of Philadelphia Inc., 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.

**FEB. 12-13. London Market and Its Future** conference in London, sponsored by Risk Research Group Ltd.; 293.25 pounds (about \$410.55); 517.50 pounds (about \$724.50) for two registrants from same organization. Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

**FEB. 13-14. International Benefits Information Service Interchange** in Toronto, sponsored by Charles D. Spencer & Associates; \$400 for subscribers to the International Benefits Information Service Briefing Service; \$475 for non-subscribers. Charles D. Spencer & Associates, 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

**FEB. 17-19. Health Care Cost Containment**

**Workshop** in Orlando, Fla., sponsored by Health Research Institute; \$495. Also, **March 10-11** in Salt Lake City; **March 17-18** in Los Angeles; **April 7-8** in New York; **April 21-22** in Portland, Ore.; **May 5-6** in Chicago; **May 12-13** in Washington; **June 2-3** in Houston; **June 23-24** in Atlanta; **July 14-15** in Denver; **July 21-22** in San Jose, Calif.; **Aug. 11-12** in Minneapolis; **Sept. 22-23** in New Orleans; **Oct. 6-7** in San Francisco; **Oct. 27-28** in Boston; **Nov. 10-11** in New York; **Nov. 17-18** in Dallas; **Dec. 8-9** in Chicago. HRI, 49 Quail Court, #200, Walnut Creek, Calif. 94596; 415-676-2320.

**FEB. 17-19. Fifth Annual Pension Seminar** in Kissimmee, Fla., sponsored by Corbel & Co.; \$395. Brenda Chatham, Corbel & Co., P.O. Box 17548, Jacksonville, Fla. 32245-7548; 904-731-4455.

**FEB. 17-19. Solvency Assessment** course in London, sponsored by Risk Research Group Ltd.; 488.75 pounds (about \$684.25). Judith Hobday, Risk Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; 01-441-236-2175.

**FEB. 19. Health Improvement/Wellness** workshop in Orlando, Fla., sponsored by Health Research Institute; \$250. Also **March 12** in Salt Lake City; **March 19** in Los Angeles; **April 9** in New York; **April 23** in Portland, Ore.; **May 7** in Chicago; **May 14** in Washington; **June 4** in Houston; **June 25** in Atlanta; **July 16** in Denver; **July 23** in San Jose, Calif.; **Aug. 13** in Minneapolis; **Sept. 24** in New Orleans; **Oct. 8** in San Francisco; **Oct. 29** in Boston; **Nov. 12** in New York; **Nov. 19** in Dallas; **Dec. 10** in Chicago. HRI, 49 Quail Court, #200, Walnut Creek, Calif. 94596; 415-676-2320.

**FEB. 19. Advanced Cost Containment** workshop in Orlando, Fla., sponsored by Health Research Institute; \$250. Also **March 12** in Salt Lake City; **March 19** in Los Angeles; **April 9** in New York; **April 23** in Portland, Ore.; **May 7** in Chicago; **May 14** in Washington; **June 4** in Houston; **June 25** in Atlanta; **July 16** in Denver; **July 23** in San Jose, Calif.; **Aug. 13** in Minneapolis; **Sept. 24** in New Orleans; **Oct. 8** in San Francisco; **Oct. 29** in Boston; **Nov. 12** in New York; **Nov. 19** in Dallas; **Dec. 10** in Chicago. Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

**FEB. 19. Perspectives on the New Insurance Services Office Commercial General Policies** seminar in Hartford, Conn., sponsored by the Connecticut Valley Chapter of the Risk & Insurance Management Society; \$15 for members; \$18 for non-members. David Snider, P.O. Box 2079, Hartford, Conn. 06145.

**FEB. 19. OSHA Hazard Communication** conference in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; \$45 for ISCC members; \$70 for non-members. Also **Feb. 25** in Chicago. Carol Jensen, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**FEB. 19. Insurer/Reinsurer Insolvency** workshop in Atlanta, sponsored by the Society of Chartered Property and Casualty Underwriters; \$80 for members; \$95 for non-members. Also **April 3** in Jacksonville, Fla. Mari Jennings, Professional Services Department, Society of CPCU, Kahler Hall, Providence Road (CB#9), Malvern, Pa. 19355; 215-251-2741.

**FEB. 19-20. Working with the New Versions of the Comprehensive General Liability Forms: Occurrence vs. Claims-Made Approach** conference in New York, sponsored by Executive Enterprises Inc.; \$795; \$895 for each additional registrant from the same organization. Executive Enterprises Inc., Session #62INS03/E6001, 33 W. 60th St., New York, N.Y. 10023-7988; 212-489-2680.

**FEB. 19-21. New Perspectives for Affordable Quality Health Care** conference in Denver, sponsored by the Center for Research in Ambulatory Health Care Administration; \$300; \$270 for additional registrants from same organization. Center for Research in Ambulatory Health Care Administration, Education Department, 1355 S. Colorado Boulevard, Suite 900, Denver, Colo. 80222-3331; 303-753-1111.

**FEB. 20. Corporate Homicide—Verdict: Murder** seminar in Milwaukee, sponsored by the Wisconsin Chapter of the American Society of Safety Engineers; \$225. American Society of Safety Engineers, P.O. Box 391, Manitowoc, Wis. 54220-0391; 414-682-5995.

**FEB. 21. Health Claims** seminar in Philadelphia, sponsored by Benetics Corp.; free. Benetics Corp., One Corporate Center, Suite 1500, Hartford, Conn. 06103; 203-249-7260.

**FEB. 27. Risk Management of PCBs in Electrical Systems** seminar in Oakland, Calif., sponsored by Electro-Test Inc.; \$175; \$30 discount for cash payments. Also **March 4** in Oakland; **March 6** in Pasadena, Calif.; **March 11** in Miami; **March 12** in Jacksonville, Fla.; **March 13** in Mobile, Ala.; **March 18** in New York; **March 19** in Philadelphia; **March 20** in Washington; **March 25** in Kansas City, Mo.; **March 26** in St. Louis; **March 27** in Little Rock, Ark.; **April 1** in Jackson, La.; **April 2** in New Orleans, La.; **April 3** in Atlanta; **April 8** in Detroit; **April 9** in Cleveland; **April 10** in Pittsburgh; **April 15** in Houston; **April 16** in Dallas; **April 17** in Oklahoma City; **April 22** in Cincinnati; **April 23** in Columbus, Ohio; **April 25** in Indianapolis; **April 29** in White Plains, N.Y.; **April 30** in Hartford, Conn.; **May 1** in Boston; **May 6** in Nashville, Tenn.; **May 7** in Columbia S.C.; **May 8** in Raleigh, N.C.; **May 13** in Chicago; **May 14** in Des Moines, Iowa; **May 15** in Minneapolis; **May 20** in Long Island, N.Y.; **May 21** in Clifton, N.J.; **May 22** in Niagara Falls, N.Y.; **May 28** in Baltimore; **May 29** in Harrisburg, W.Va. Electro-Test Learning Center, P.O. Box 159, 3470 Postoria Way, San Ramon, Calif. 94583; 415-866-8566.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

# Asbestos Claims Facility, Inc. (The Wellington Agreement)

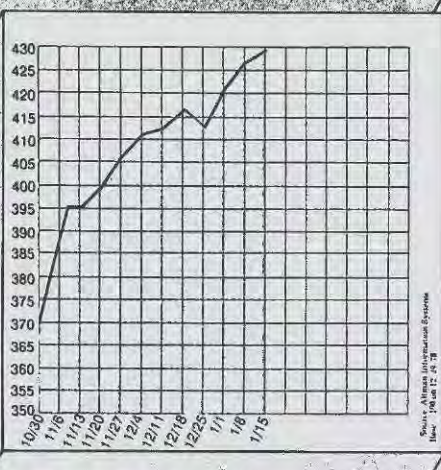
**\$15,000,000**

## Revolving Receivables Financing

*The undersigned arranged  
and provided this credit facility*

**Morgan Bank (Delaware)**

BI Insurance Index



The Business Insurance industry stock index continued its climb, setting another record high at the close of the most recent trading period. The Business Insurance index closed at 429.7 points on Jan. 15, up 2.8 points from the previous record high of 426.9 points, which was set Jan. 8. A total of 24 stocks reported gains during the trading period, 29 stocks declined and five stocks were unchanged. The biggest gains were posted by Aneco Reinsurance Co. Ltd., up 16.7%; Nobel Insurance Ltd., up 9.7%; Torchmark Corp., up 9.4%; Arthur J. Gallagher & Co., up 7.1%; and Baldwin & Lyons Inc., up 5.6%. The biggest losses were posted by Zenith National Insurance Corp., down 7.1%; Business Men's Assurance Co. of America, down 5.2%; Liberty Corp. of South Carolina, down 4.3%; Farmers Group Inc., down 3.2%; and SRI Corp., down 2.9%. In all, the Business Insurance stock index rose 0.6% during the trading period, outperforming the other major market indicators. The New York Stock Exchange composite fell 0.07%, the Standard & Poor's 500 rose 0.1% and the Dow Jones 30 industrials rose 0.05% during the same period.

# London is poised to profit in continued hard market

By ALAN H. CLIFTON and PHILIP V. OLSEN

Special to Business Insurance

AS THE NEW YEAR commences, there is abundant evidence in the London insurance market that 1986 will mark a turning point in the fortunes of the international insurance business.

While this statement may no longer rank as earth-shattering news, it still has considerable significance to British insurers and brokers.

Already, analysts are venturing to suggest that a period of sustained tight markets lies ahead, and some say the hard market may endure until the end of the current decade—at least for the more difficult classes of business.

The 1986 reinsurance renewal season in London is proving as intractable and as protracted as last year. Its outcome will doubtlessly consolidate existing trends.

Thus, capacity in the international insurance arena for the most sensitive and problematic lines of U.S. casualty insurance business will remain exceptionally tight.

Lines of insurance such as product liability, professional indemnity and environmental impairment liability will remain as difficult to place in London, if not more so, than they have been throughout 1985.

Turning from the state of the general market to the large British property/casualty and multiline underwriters, the message is more encouraging. Although the insurers' year-end 1985 operating results will be dismal when they are finally reported, recovery appears to be well under way.

For example, recently released third-quarter results showed strongly improving performances at Royal Insurance P.L.C. and General Accident Fire & Life Assurance Corp. P.L.C.

Royal's pretax earnings of 31.5 million pounds (\$5.4 million) were much better than expected. These quarterly results suggest that 1986 profits exceeding 150 million pounds (\$216 million) can be achieved by Royal. That would compare with the company's record

earnings of 153 million pounds (\$220.3 million) in 1978 at the top of the last underwriting cycle.

Like Royal, General Accident's earnings appear likely to increase this year, and both Royal and General Accident are expected to do even better in 1987.

Each insurance group is benefiting at long last from its significant involvement in the U.S. insurance market. However, improving trends in other markets also are helping the companies.

But, the optimistic forecast for these insurers may not hold true for other British underwriters. Commercial Union Assurance Co. P.L.C.—whose new chief executive, Anthony Brend, took the helm this month—is still wrestling with a long-since closed book of heavy casualty business that is restraining recovery on current underwriting.

Guardian Royal Exchange Assurance P.L.C. is currently plagued by poor results in the United Kingdom. Auto business has produced heavy losses, and GRE was evidently too slow to raise its premium rates in response to worsening trends in claims frequency.

By all accounts, Sun Alliance & London Insurance P.L.C., the final member of the quintet of major, publicly held British property/casualty insurers, has had a good third quarter, although its results have not been published.

However, the integration of Phoenix Assurance P.L.C., which was acquired for cash in the summer of 1984, is likely to prove costly and troublesome for Sun Alliance, suggesting that the full payoff from the merger may not come until the later years of the decade.

On balance, though, the view in London is plainly that better times are ahead for the industry.

Insurance underwriters are increasingly finding themselves in a position to force up premium rates and, while the greatest capacity problems are affecting long-tail liability lines, it is still possible to take remedial underwriting action in property-oriented classes of business.

The current market conditions represent a mixed blessing for the London insurance brokerage community.

On the one hand, insurance brokers are unable to obtain adequate coverage for many of their clients' exposures—and sometimes no cover at all—as underwriters jealously guard

the insurance capacity that a few years back they were giving away freely.

It's no fun for a broker to advise a U.S. insurance buyer that directors and officers liability limits have been reduced to a fraction of last year's \$100 million. That means little sleep for directors paranoid about shareholder lawsuits, and their insomnia is accompanied by a healthy increase in their premiums.

On the other hand, increased premium rates tend to elevate the broker's revenues. As long as a broker can place, for example, half of his clients' business at something exceeding two times the previous premium rate, the broker's revenues are likely to increase.

In essence, therefore, the relevant question for brokers is whether the level of surplus in the worldwide insurance marketplace is expanding, which would increase capacity and present more opportunities for brokers' earnings growth.

Certainly, as far as Lloyd's of London brokers are concerned, it is some comfort to learn that Lloyd's syndicates will be able to write a larger premium volume during 1986. Lloyd's premium capacity has increased by almost 30% to about 8.5 billion pounds (\$12.24 billion at current exchange rates) in 1986 from about 6.6 billion pounds (\$9.5 billion at current exchange rates) last year.

Perhaps more importantly, for buyers that pay premiums in U.S. dollars, the strength of the pound—which rose to \$1.44 at year-end from \$1.16 on Jan. 1, 1985—effectively increases Lloyd's premium capacity by more than 60% in dollar terms.

The recent increases in brokers' earnings is also evidenced by the mounting pressures to reduce commission levels. The pressure is coming from both underwriters, which pay brokers' commissions, and from insurance buyers, which are often paying twice last year's premium for half the coverage they had last year.

As 1985 ends and 1986 begins, British insurers have already knocked a couple of percentage points off the brokerage commission rate for industrial fire and business interruption coverages, while the Lloyd's Underwriters' Assn. is closely reviewing the level of brokerage commissions earned by excess-of-loss intermediaries, particularly in the marine market.

So, there are pressures at work that will serve to moderate the growth of brokerage earnings, although that growth should remain quite healthy for a number of years unless, perhaps, the pound were to strengthen dramatically against foreign currency, particularly the U.S. dollar.

Insurers are also, of course, applying some pressures to speed the flow of premium from buyer to underwriter.

Meanwhile, British brokers' expenses are under pressure, not only from the escalating cost of their own errors and omissions coverage, but because of the problem of the lengthening and widening tail of claims associated with the insurance industry's problem days of the late 1970s and '80s.

Brokers, after all, immediately take credit for the bulk of their brokerage commissions and fees, but probably earn most of their compensation in the several years after the policy is brokered.

Thus, in the same way that insurance underwriters effectively wrote asbestosis and other latent diseases for free in the '50s and '60s, the insurance brokers have their own legacy of runoff problems with which to contend.

In another direction, there appear to be increasing efforts to construct a rescue package to resolve the financial problems of the Lloyd's syndicates formerly managed by PCW Underwriting Agencies Ltd.

Although these rescue efforts are to be welcomed, Lloyd's underwriters and brokerages are hardly likely to be pleased to learn that PCW now stands for "plenty cash wanted."

The result of all these factors will be to temper the growth rates and future earnings of Lloyd's of London brokers. Although the profits will be respectable, they now seem unlikely to be considered a windfall.

British Issues

14 Jan Companies	Price	P/E	Div. %	Yield %	1 Week High—Low	
					High	Low
Commi Union	232	N/M	16.9	7.3	240	232
Genl Accident	705	32.0	31.4	4.5	722	705
Gdn Royal Exch	753	65.5	38.6	5.1	755	750
Royal	790	49.4	35.0	4.4	805	790
Sun Alliance	545	90.8	23.6	4.3	573	545

Brokers	Price	P/E	Div. %	Yield %	1 Week High—Low
CE Heath	678	8.8	37.5	5.5	680—673
Hogg Robinson	270	11.0	13.4	5.0	276—268
JH Minet	244	11.1	11.4	4.7	250—244
Sedg Grp	345	13.8	17.8	5.2	380—345
Stew Wrightson	707	13.6	32.8	4.6	710—697
Willis Faber	407	20.9	23.6	2.9	412—407

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

## BI Industry Stock Report

January 15, 1986 1/9/86 thru 1/15/86

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)	
Alexander & Alexander Svcs	NYSE	32.50	-2.3	0.0	1.00	3.1	32.75	31.88	755.8
Baldwin & Lyons Inc	NYSE	75.00	5.6	16.6	0.80	1.1	75.00*	71.00	1.5
Corroon & Black Corp	NYSE	57.50	-1.7	77.7	1.00	1.7	57.50	55.88	47.1
Crump E H Cos Inc	OTC	23.00	0.0	24.7	0.25	1.1	23.00	22.50	178.8
Emett & Chandler Cos Inc	OTC	18.50	-2.6	31.9	0.00	0.0	19.00	18.50	14.0
Gallagher Arthur J & Co	OTC	52.50	7.1	25.7	0.28	0.5	52.50*	49.25	34.3
Hall Frank B & Co Inc	NYSE	27.38	0.5	0.0	0.00	0.0	27.38	26.50	196.8
Marsh & McLennan Cos Inc	NYSE	84.00	-0.3	20.0	2.70	3.2	84.00	81.38	367.4
Poe & Assoc Inc	OTC	13.50	0.0	0.0	0.80	5.9	13.50	13.50	3.2
AGENTS/BROKERS	AVERAGE			156.0		1.8			

Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)		
Chubb Corp	NYSE	59.00	3.5	21.4	1.56	2.6	59.00*	54.50	764.6
Combined Intl Corp	NYSE	52.00	-0.2	9.5	2.16	4.2	52.00	51.50	122.5
Continental Corp	NYSE	45.63	1.4	22.6	2.60	5.7	45.63	43.88	684.5
Crown Life Ins Co	OTC	255.00	-1.9	15.4	0.00	0.0	260.00	255.00	29.3
Burham Corp	OTC	41.00	1.9	7.8	1.28	3.1	41.25	40.25	125.1
Farmers Group Inc	OTC	67.88	-3.2	11.4	1.76	2.6	68.50	66.25	722.6
Fireman Fd Corp	NYSE	35.00	-1.1	0.0	0.30	0.9	33.00	31.75	733.0
Freemont Gen Corp	OTC	28.00	4.7	0.0	0.48	1.7	28.00	25.50	557.1
Great West Life Assurn Co	OTC	490.00	0.0	12.6	1.60	0.3	490.00	490.00	0.0
Home Group Inc	AMEX	25.00	-1.0	0.3	0.00	0.0	25.00	24.13	557.0
Hanover Ins Co	OTC	53.75	0.9	56.0	0.56	1.0	53.75*	52.00	85.3
Hartford Steam Boiler Insptn	OTC	64.00	-0.8	15.1	2.00	3.1	64.75*	63.50	64.3
Kans City Life Ins	OTC	30.00	2.6	11.8	0.87	2.9	30.00	28.75	17.7
Keaper Corp	OTC	72.00	0.0	20.7	1.80	2.5	72.00	69.50	581.3
Liberty Corp S C	NYSE	33.25	-4.3	14.4	0.72	2.2	33.38	32.88	36.8
Lincoln Natl Corp Ind	NYSE	55.13	4.0	13.0	2.00	3.6	55.13*	51.38	547.6
Mission Ins Group Inc	NYSE	2.75	0.0	0.0	0.00	0.0	2.75	2.75	630.5
Monumental Corp	OTC	35.88	2.1	12.2	1.40	3.9	36.13	34.75	21.3
Hobel Ins Ltd	OTC	14.13	9.7	18.6	0.25	1.8	14.13*	12.50	142.0
Northwestern Natl Life Ins	OTC	25.75	-1.0	6.7	0.80	3.1	25.80	25.38	202.4
Ohio Cas Corp	OTC	69.25	0.5	23.3	2.80	4.0	69.25	66.75	93.6
Dld Rep Intl Corp	OTC	37.00	-0.3	10.0	0.74	2.0	37.00	36.38	177.2
Orion Cap Corp	NYSE	32.00	1.6	0.0	0.76	2.4	32.00	30.63	104.8
Protective Corp	OTC	22.50	-1.1	8.4	0.66	2.9	22.50	22.00	74.5
Provident Life & Acc Ins Co	OTC	27.63	0.9	7.4	0.76	2.8	27.88	27.50	170.9
St Paul Cos Inc	OTC	80.13	-2.9	0.0	3.00	3.7	80.13	78.50	369.5
SAFECO Corp	OTC	47.38	-2.1	16.8	1.60	3.4	47.38	46.88	309.9
Sri Corp	OTC	16.50	-2.9	550.0	0.80	4.8	16.75	16.50	69.4
Seibels Bruce Group Inc	OTC	18.75	-4.5	3.9	0.80	4.3	19.25	18.25	207.1
Statesman Group Inc	OTC	5.50	4.8	0.0	0.05	0.9	5.50	5.00	92.0
Tokio Marine & Fire Ins Co	OTC	213.50	-0.6	40.2	1.05	0.5	215.50	212.50	2.0
Torchmark Corp	NYSE	24.75	9.4	9.7	0.60	2.4	24.75	23.00	594.8
Travelers Corp	NYSE	46.88	-0.3	11.4	2.16	4.6	46.88	45.50	1,765.7
United Fire & Cas Co	OTC	33.25	2.3	15.5	1.20	3.6	33.25*	32.50	3.4
United States Fid & Gty Co	NYSE	41.13	1.2	0.0	2.20	5.3	41.13	39.50	607.5
USLife Corp	NYSE	37.50	-0.3	8.4	1.32	3.0	37.50	37.00	197.5
Washington Natl Corp	NYSE	25.25	-1.5	8.7	1.08	4.3	25.38	24.88	56.1
Zenith Natl Ins Corp	OTC	22.75	-7.1	0.0	0.68	3.0	23.75	22.75	169.7
INSURANCE COMPANIES	AVERAGE			11.1		2.0			



Nobody can make you feel  
more secure about  
today's new health care  
than an old friend.

*Carry the Caring Card.®*