

business insurance

update:

School district covered for blast that killed 7

SPENCER, Okla.—Insurance and a state law limiting liability for government entities to \$300,000 should sufficiently protect the Oklahoma City School District from any liability claims arising from a water heater explosion that killed a teacher and five students at a elementary school Jan. 19.

A \$3 million boiler insurance policy writ-

Continued on next page

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

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Spotlight: Self-insurance

Court rescinds stop-loss cover due to faulty loss information

By RHONDA L. RUNDLE

LOS ANGELES—Self-insurers beware: Your excess or aggregate stop-loss insurance could be in jeopardy if your claims administrator negligently fails to report potential losses to the insurer.

A Los Angeles Superior Court judge has rescinded the last of four successive annual aggregate stop-loss insurance policies provided by Stonewall Insurance Co. to Food Fair Stores Inc. from 1972 to 1976. The court ruled that Food Fair's broker/claims administrator had negligently misrepresented loss information to Stonewall.

Broker Adams, Scott & Conway, a defunct New York-based company, and its Group VII claims unit had enough information in the third year of Food Fair's self-insurance program to suspect its clients' losses would pierce the excess insurance policy limits, the court reasoned.

Failure to share that suspicion with Stonewall's general managing agent, Dependable Insurance Agency, was a breach of duty by ASC and Food Fair to Stonewall, ruled Judge Richard A. Gadbois Jr. Since Stonewall renewed its contract on the basis of loss information the broker knew was unreliable, the policy was rescinded.

Stonewall had sought rescission of three other policies under various theories including fraud and negli-

gent misrepresentation. But the court upheld coverage for the first three years of the self-insurance program.

Substantial testimony was presented at trial to show that ASC/Group VII and another Food Fair claims administrator, Crawford & Co., had underreserved claims. But this mistake, in and of itself, is not a proper ground for rescission, wrote Judge Gadbois.

"Even when done well by experts, reserving is an inexact function that involves a distinct risk of error," he observed. In a footnote, he added that poor reserving was the principal but not the only cause of damage to Stonewall in this case. "The period in issue was marked by quantum jumps in inflation and claims costs..." he noted.

Judge Gadbois was quite clear, however, in stating that the ultimate responsibility for setting reserves, including incurred but not reported losses, rests with the insurance company.

Stonewall had ample means of ascertaining both actual reserve figures and the method employed in establishing them, the court said. "The insurer can and should have monitored the aggregate excess program on a regular basis, conducting thorough claims audits at least annually."

Attorneys for the parties were still trying to understand details of the decision, including its financial impact, when contacted by *Business Insurance* last week. *Continued on page 62*

Broke METs attracting attention

By JERRY GEISEL and EILEEN NORRIS

WASHINGTON—U.S. Rep. John Erlenborn wants Congress to tackle the reoccurring problem of self-funded multiple employer trusts that go broke and leave health care bills unpaid.

But if the federal government doesn't get the ball moving, California already has mapped out its strategy to intercept the problem and stop the growth of unregulated METs there.

Alarmed by the resurgence of self-funded multiple employer trusts, which also were a popular vehicle for health insurance in the mid-1970s, Rep. Erlenborn, R-Ill., said last week that he will seek a congressional investigation into the legal problems METs pose for regulators.

He will ask Rep. Philip Burton, D-Calif., chairman of the House Labor Management Relations subcommittee, to hold hearings in Chicago soon.

MET failures in a regulatory void have once again become a "hot issue," Rep. Erlenborn told *Business Insurance*.

METs, which provide comprehensive health insurance benefits to individuals and small employers, become more attractive when health care costs soar as they have over the last couple of years. Individuals and

small employers who cannot afford the premiums for health insurance provided by commercial insurers are attracted to the METs that offer high coverage at a lower premium.

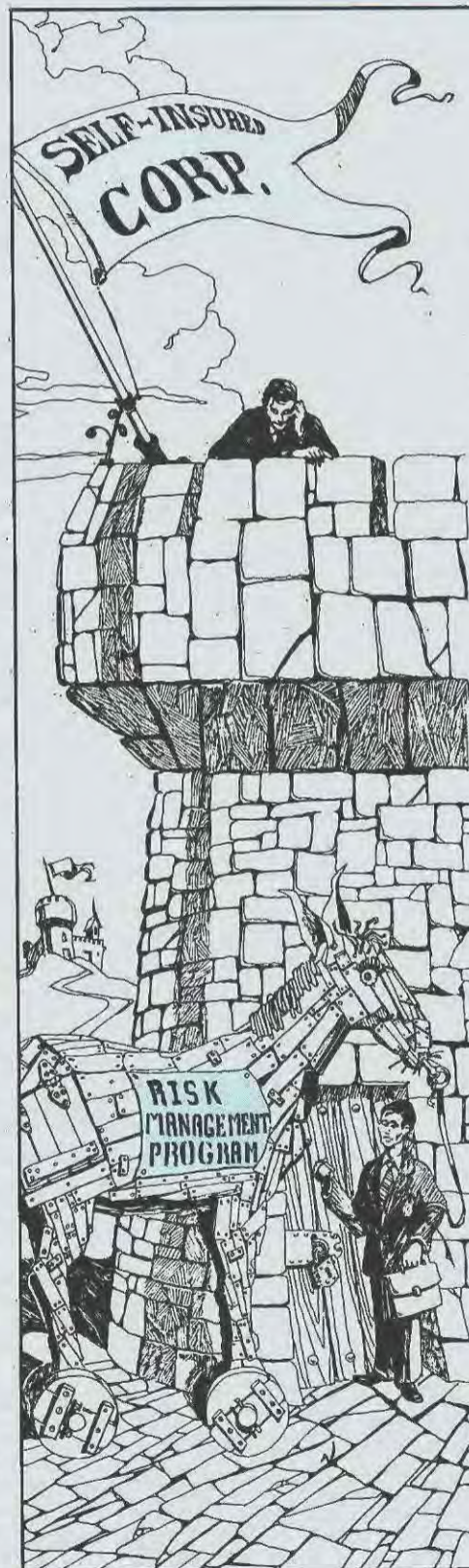
Some METs are sponsored by commercial insurers that are regulated by the states and, therefore, do not concern regulators. But the METs that self-fund the health care risks they cover can be a problem if they are poorly managed with excessive amounts of the premium used for administrative charges instead of claims.

In 1981 and so far this year, at least three self-funded METs have collapsed, including the failure this month of the Chicago-based National Health Care Trust, which provided health insurance coverage for employees at 80 Illinois nursing homes. Unpaid medical claims may exceed \$250,000 (*BI*, Jan. 11).

At least a half-dozen self-funded METs are being investigated by the Illinois Department of Insurance, and the California Department of Insurance is investigating four that appear to be close to insolvency.

In California, the Department of Insurance is seeking a sponsor for legislation that would give the regulators more muscle.

If the governor supports the bill and it passes, Insurance Department investigators would have the power *Continued on page 63*



Inside:

Fighting back

Insurers are trying to win back a piece of the self-insurance market with a variety of programs and services. Promised for years, unbundled claims, safety and actuarial services seem to have finally come into their own as effective risk management products. **Page 11.**

New ideas

The National Assn. of Wholesaler-Distributors and INA Corp. collaborate on the first risk retention group to be established under the Risk Retention Act of 1981. **Page 16.**

Claims firms

Claims specialists can be at your finger tips with the *Business Insurance* guide to claims administrators, adjusters and auditors for your self-insured programs. **Page 24.**

Regulations

State regulators are tightening up rules for companies that self-insure workers compensation and some financially troubled firms may have to reach deep into their pockets for bigger surety bonds. **Page 59.**

update:

School district covered for blast

Continued from previous page
 ten by The Hartford Insurance Co. protects the district against property and liability damages resulting from explosions of pressurized vessels, says Darrel Shephard, the district's director of business management. It also has \$300,000 of liability insurance with The Home Insurance Co. as part of a fire and extended loss policy.

A 1978 state law limits the liability of any governmental entity, including school districts, to \$50,000 per claimant and \$300,000 per occurrence, says Larry Lewis, attorney for the Oklahoma State School Board Assn.

In addition to killing six people, the blast at the Star Elementary School also injured 30 pupils, three critically, and did an undetermined amount of property damage.

'Brainstorm' fate not settled

LONDON—Metro-Goldwyn-Mayer Inc. must prove to insurers that Natalie Wood's last film, "Brainstorm," cannot be salvaged before it can collect \$8 million to \$12 million for abandoning the project, Lloyd's of London sources say (BI, Jan. 4).

If MGM cannot prove this to the insurers, including Lloyd's and Pacific Indemnity Co., "they can sue us," said a Lloyd's underwriter. "They can also take the suggestion of finishing the thing and then underwriters will pay in that effect."

According to the policy terms, MGM must prove that Ms. Wood's death turned the project into a total loss. MGM's film producer's indemnity policy will insure the extra costs of finishing the film without Ms. Wood if it decides to do so.

New premier named in Bermuda

HAMILTON, Bermuda—A new premier and the first chairman of the influential Insurance Advisory Committee not connected with the government were named last week in unrelated developments.

John Swan, formerly minister of home affairs, was elected to lead the ruling United Bermuda Party, replacing David Gibbons who resigned. Mr. Swan, a Bermuda businessman, is considered supportive of exempt company business in Bermuda, which includes the commercial and captive insurance company business.

Robert Baker, chief executive of Bermuda-based Hudson Reinsurance and Hudson Underwriting, was appointed chairman of the Insurance Advisory Committee, a 14-member panel that was set up under the 1978 Insurance Act to advise the minister of finance on insurance regulation.

Formerly, the registrar of companies has chaired the committee. The appointment of the first non-government official to chair the committee is viewed as a signal that the government is responding to the industry's desire for self-regulation. Bermuda's registrar of companies, Verbena Daniels, remains a member of the committee.

Two men killed at dump site

UTICA, Mich.—The deaths of two men at a waste disposal site Jan. 13 apparently were caused by a reaction of two chemicals that caused the release of hydrogen sulfide gas, according to a spokesman for Liquid Disposal Co. in Utica.

Randy Lesner, 23, and Paul McKinney, 41, Liquid Disposal employees, died when they were overcome by the chemicals after they reportedly opened a valve on the tanker truck.

Several others were hospitalized, including the driver of the truck, employed by A-1 Disposal Co. of Plainwell, Mich., and another Liquid Disposal employee. Thirty-seven people, including Liquid Disposal employees and Shelby Township firefighters, were taken to local hospitals for observation.

In Michigan, survivors of workers killed on the job are entitled to a \$1,500 burial allowance and weekly payments of 80% of the worker's after-tax weekly wage, up to a maximum \$307 per week, for 500 weeks. Injured are entitled to the same weekly benefits and medical benefits and are not precluded from filing personal injury suits.

Joanne Walker, a consultant to the Michigan Workers Disability Compensation Bureau, said that the workers compensation insurers for Liquid Disposal Co. and Shelby Township are Hartford Insurance Co. and Celina Insurance Co. A-1 Disposal is insured by Argonaut Midwest Insurance Co.

Attention RM consultants

Today is the deadline for submitting questionnaires for the risk management consultant directory to be published in the Feb. 15 issue of *Business Insurance*. If you have not completed and mailed your questionnaire, call Sallie Drury at 312-649-5398 today.

index

Benefit beat	4
BI ticker	67
Classifieds	64
Editorial opinions	8
Insurance services guide	66
Letters	8
Markets	4
Perspectives	39
Spotlight report	11
Washington	6

Vol. 16, No. 4—*Business Insurance* (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 *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221. Copyright 1982 by Crain Communications Inc.

Nuclear captive heads toward \$1 billion limit

By JOHN W. MILLIGAN

NEW YORK—Nuclear Electric Insurance Ltd., a Bermuda-based captive insurance company, is well on its way toward providing \$1 billion in property coverage for its nuclear utility members.

But similar success still eludes a second group of nuclear insurers, the pools of American Nuclear Insurers (ANI) and Mutual Atomic Energy Liability Underwriters (MAELU).

The NEIL program now provides \$247 million in excess coverage above a \$500 million primary layer, up from its initial offering of \$118 million excess of \$500 million in November.

NEIL officials are hopeful that a full \$500 million excess of \$500 million can be in place by the end of the year.

The ANI/MAELU insurance pools, which already provide \$450 million in primary property coverage, also have been working on a \$1 billion property coverage program.

In a well-publicized tour last year, ANI President Bert Proom and other pool executives conducted an extensive membership drive among U.S. insurers and also searched for extra capacity in the London market and foreign insurance pools.

Replacement power plan grows

By JOHN W. MILLIGAN

BALTIMORE—Baltimore Gas & Electric Co. soon will join 34 other nuclear utilities in a replacement power insurance program that traces its roots to the 1979 Three Mile Island nuclear accident.

BG&E, with the blessing of the Maryland Public Service Commission, plans to purchase an extra-expense insurance policy on its Culvert Cliffs Nuclear Power Plant.

The insurance program, offered by Nuclear Electric Insurance Ltd., provides limited indemnification against the costs of buying power from other utilities when a serious accident knocks a nuclear generating unit out of commission. The coverage is separate from a \$500 million excess property insurance program that NEIL also sells to nuclear utilities.

In a recent action, the Maryland PSC joined other state regulatory authorities in approving the NEIL program as a legitimate operating expense, allowing BG&E to pass on an estimated \$4.1 million in annual premiums and related costs to its customers.

But more importantly, participation in the NEIL program will provide BG&E with at least some protection against an exposure that has severely drained the resources of the owner of the Three Mile Island facility.

Continued on page 66

ANI/MAELU had offered nuclear utilities a program that would provide \$350 million excess of \$500 million through either a pre-funded offshore captive or by post-loss premium assessments. On top of this, would be a third layer of \$200 million excess of \$800 million,

rounding out the package to \$1 billion.

But the ANI/MAELU effort has been killed by the nuclear utility industry's lack of interest in the program.

While Mr. Proom says both pools

Continued on page 66

Wisconsin judge upholds ingestion theory in DES suit

By RHONDA L. RUNDLE

MILWAUKEE—Ingestion of the anti-miscarriage drug DES by a pregnant woman triggers the drug maker's product liability insurance to pay damages to cancer victims in the next generation, a Wisconsin court has ruled.

The declaratory judgment issued by the Milwaukee County Circuit Court was a victory for Kremers-Urban Co., a small pharmaceutical manufacturer located in a Milwaukee suburb that manufactured diethylstilbestrol, or DES. Kremers-Urban had asked the court to rule that DES-related claims were covered under its product liability policies in effect from 1951 through 1976.

Damages alleged by DES daugh-

ters in 49 lawsuits filed against the drug maker arose at the time of DES ingestion by their pregnant mothers, Kremers-Urban argued. Ingestion is, therefore, an occurrence as that term is used in its insurance policies, the company reasoned in court documents.

American Employers Insurance Co., a unit of Commercial Union Assurance Cos., underwrote the policies but denied coverage on the basis that bodily injury does not occur until a latent condition manifests itself. This is the same position that Commercial Union maintains toward asbestosis claims.

Other courts are considering the thorny exposure vs. manifestation issue, but the Dec. 15 Kremers-Urban decision is believed to be only the second ruling on what the-



ory of liability will decide insurance coverage for DES-related claims.

The first decision, rendered in 1978 by the Supreme Court of the State of New York, involved American Motorists Insurance Co. and E.R. Squibb Inc. In that case, the court ruled in favor of manifestation.

Continued on page 63

Bill Densmore named chief of BI's New York Bureau

Bill Densmore has been promoted to chief of the New York bureau of *Business Insurance*, Editor Kathryn J. McIntyre announced. Effective today, Mr. Densmore, who has been an associate editor in the Chicago office since October, will head the three-man New York bureau. He will continue to cover a broad range of topics, including the insurance markets and aviation. His new phone number will be 212-210-0139.

A 1975 graduate of the University of Massachusetts, Mr. Densmore, 28, has a bachelor of arts degree with a major in environmental policy and communications.

Mr. Densmore came to *BI* from the Chicago Lawyer magazine, a local legal monthly where he was associate editor. He also worked several years for The Associated Press in the Massachusetts, Illinois and California bureaus. He also worked at two daily newspapers in California and Massachusetts, where he handled financial reporting assignments.

Mr. Densmore replaces former Bureau Chief Lisa Bergson who resigned for personal reasons.

Other New York staff members are Associate Editors John W. Milligan and James C. Lawson.



Mr. Densmore

HCA to insure new affiliate with its captive

By KATHRYN J. MCINTYRE

NASHVILLE, Tenn.—Hospital Corp. of America will insure the professional and general liability risks of its recently acquired Hospital Affiliates International chain with its own captive insurer beginning June 1, draining about \$6 million in premiums from the industry captive Hospital Underwriting Group.

HUG, whose 1981 premium volume of \$13 million is expected to fall to only about \$9 million in June after renewals from the three remaining members, is still viable and will continue to serve its members, its manager says.

HCA, which became the largest operator of hospitals last year when it acquired former HUG member

Continued on page 62

Travelers offering workers choice of IRAs

The Travelers Corp., responding to demand for retirement savings programs, is creating several Individual Retirement Accounts options to its 28,000 employees.

Employees with at least one year of service have their choice of IRAs that either offer a 15% return or invest in a Travelers Equity Mutual Fund.

Employees who contribute to the former will receive the 15% yield for every year they contribute until 1986, when the interest rate will be changed. Employees who join the plan after this year will receive the current marketplace interest rate.

All Travelers employees can also contribute directly to a company-sponsored IRA that invests in common stock funds, bond funds or the American Liquid Trust, a money market mutual fund that is man-

benefit beat

aged by The Massachusetts Cos., a Travelers subsidiary.

The company, explains Hugh Meinweiser, secretary of its pension marketing group, has established no minimum contribution schedule for any of the plans. Employees can make lump-sum contributions to the accounts or make contributions once every pay period.

Employees can switch IRA plans once every six months, he says. However, an employee investing in a fixed-rate or a money market fund pool can only shift to a common stock pool to discourage employees from making numerous shifts from long-term to short-term

investments.

In addition to the IRAs, employees investing in the company's profit-sharing plan now receive a higher yield. The Travelers has increased the return to 12%, up from last year's 9.35%.

Under the plan, employees can contribute up to 10% of their pay—through payroll deduction—into a fund that invests in a mutual fund, a fixed-income fund or Travelers stock. The Travelers matches contributions of up to 5% of salary with company stock.

Adoption benefit

Determined to provide an em-

ployee benefit that it feels is "based upon fairness, equity and charity," Gannett Co. Inc., a communications firm based in Rochester, N.Y., with more than 18,000 employees, is reimbursing expenses of families wishing to adopt children.

The plan, self-funded and administered by the Adoption Assistance Plan Committee, an in-house employee benefits board, provides full reimbursement up to a \$1,500 maximum to full-time employees who incur expenses in adoption.

Reimbursements will be paid to employees who legally adopted a child on or after July 1, 1981. Eligible expenses include:

- Reasonable and customary public and private agency fees.
- Reasonable and customary legal fees.

- Court fees.
- Medical expenses, including physical examinations not covered by existing medical insurance.

• Transportation expenses for bringing a child from a foreign country to the United States.

• Temporary foster care if required.

Jacqueline Dienstag, the company's manager of employee benefits, says the program is a "fair and equitable" benefit designed to give employees wishing to adopt children the same advantages given employees who receive company maternity benefits for natural births.

Made any benefit changes? Write James Lawson, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0143.

markets

Firm to aid self-funders of black lung

Shippan International Insurance Co. Ltd. has been formed in Bermuda to provide qualified self-insurers with insurance and reinsurance for occupational disease liability risks including black lung.

The company expects in the future to write other insurance lines including product liability, general liability, life and health coverages.

Capitalized at \$27.5 million, Shippan is proceeding with registration under Bermuda's insurance laws. General Re Services Ltd., a subsidiary of General Re Corp., provides underwriting and administrative management for the company.

Among the initial investors are General Re Corp., St. Paul Fire & Marine Insurance Co., Federal Insurance Co., Hartford Fire Insurance Co., GEICO and INSCO Ltd.

New name

Penn General Agencies Inc. has formally changed its name to Republic Hogg Robinson Inc.

The name change is the final step in the acquisition of Penn General, the 14th-largest insurance brokerage in the nation according to BI figures, by RHR Ltd., a partnership of Republic Steel Corp. and Hogg Robinson Group Ltd.

Political risks

American International Group Inc. has formed a new managing agency to market political risk coverage.

AIG Political Risk Inc. will represent insurers that have a capacity of more than \$50 million per risk through treaty and facultative reinsurers.

Although National Union Fire Insurance Co. of Pittsburgh and other AIG companies have written political risk coverage since the early 1970s, National Union President Joseph P. DeAlessandro said the decision to develop a separate entity for marketing political risk insurance reflects AIG's recognition of the importance of a private insurance market for the coverage.

New offices

Harry W. Gorst Co. Inc. has moved to 805 Fairmont Ave., Glendale, Calif. 91203; 213-507-0900.

Goldman Co. of New England Inc. has moved to offices at One Pillsbury St., Box 891, Concord, N.H. 03301; 603-224-4009.

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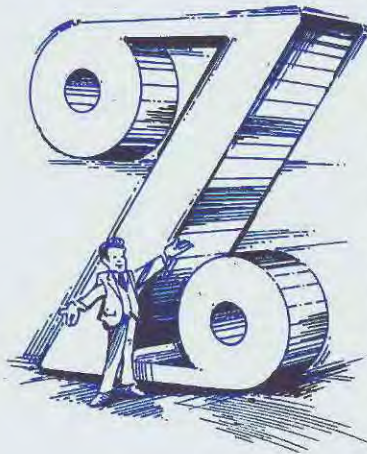
Until now, if you were covered by a pension plan, you were probably excluded from participation in IRAs. But IRAs are now available to everyone with earned income. That's you.

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There is a difference in IRA plans.

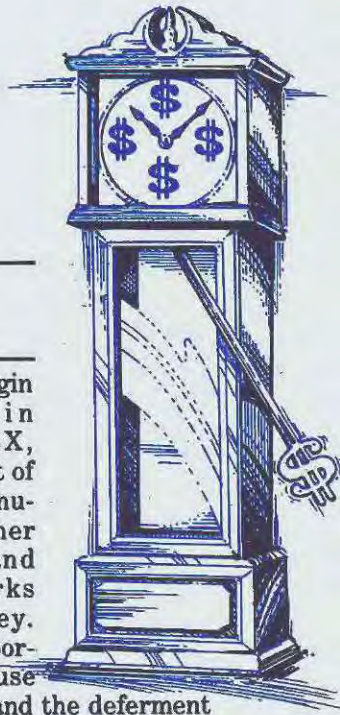
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Underwritten by Employers Life Insurance Company of Wausau. This plan (WAUSAU IRA-FLEX) is not available in all states - insurance department approval pending in certain states. Check with your Wausau representative for complete details.



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OSHA unveils plan for self-inspections

By JERRY GEISEL

washington

WASHINGTON—The Occupational Safety and Health Administration, long accused by industry as inefficient, now says it wants labor and management to conduct routine safety inspections.

"With only 1,200 inspectors to cover 3 million workplaces, OSHA cannot possibly inspect all of the nation's workplaces regularly," OSHA chief Thorne Aucter says.

Under a proposal published last week, OSHA will urge the establishment of pilot projects in which employers and workers would set up their own safety programs. While OSHA would oversee the programs, it would halt routine inspections, allowing the safety

agency to concentrate on more serious problems.

OSHA says employers could qualify for the voluntary inspection project if they opt for one of three safety programs. They are:

- Employee participation programs. These include the STAR (Sharing the Accountability for Regulation) program for general industry firms that have experienced labor-management committees with an internal complaint system and detailed safety programs. A similar program, Project Build, would be geared for the construction industry with joint labor/management committees at individual worksites.

- Management initiative programs. These include the PRIME (Positive Results Through Intensive Management Efforts) program that would recognize companies that have demonstrated success with employer-initiated safety programs.

- Private Sector Support for Small Business. Under this proposal, trade or professional associations would set up safety programs for their members.

Under all the approaches, OSHA would continue to investigate employee complaints of imminent danger as well as all serious workplace accidents.

OSHA's enthusiasm for voluntary inspection programs stems from the success of the Bechtel plan. A labor-management safety committee at a Bechtel Group Inc. nuclear power plant project in San Onofre, Calif., conducts safety and health inspections monthly to make sure hazards are corrected.

OSHA, which published the proposal in the Jan. 19 issue of the Federal Register, wants comments from employers, labor and professional safety organizations.

Four copies of the comments, which are due by March 15, should be sent to Docket Officer, Room S6212, Docket No. P-100, U.S. Department of Labor—OSHA, 200 Constitution Ave. N.W., Washington, D.C. 20210.

Multiemployer law

A Senate panel wants to take a second look at a 1980 law that imposes massive liabilities on employers who withdraw from multiemployer pension plans.

The Senate Labor subcommittee will hold hearings March 11 and 17 on problems the Multiemployer Pension Plan Amendments Act has caused employers.

Under the act, an employer that withdraws from a multiemployer plan must pay a share of the plan's unfunded vested benefits.

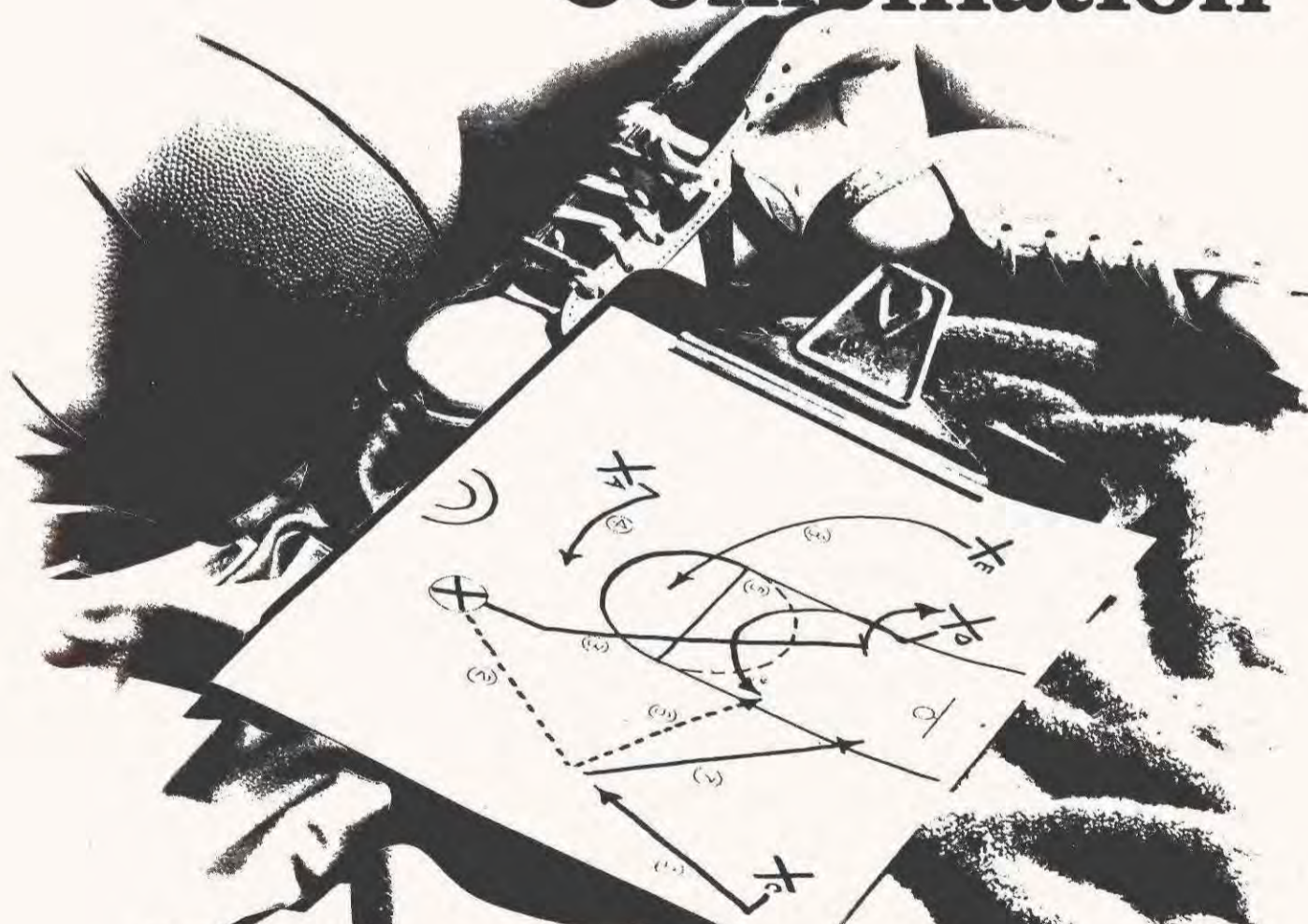
Because many of the plan's have been poorly funded, employers now leaving the plans have been hit with huge withdrawal liability bills. In some cases, those bills have exceeded the firms' net worth.

At the hearing, the subcommittee also will look closely at legislation, S. 1748, drafted by the American Trucking Assns. and proposed by Sen. Orrin Hatch, R-Utah, that again would allow employers to withdraw from multiemployer pension plans without paying the pension liabilities (BI, Nov. 2, 1981).

Under the Hatch bill, an employer's liability to a multiemployer plan would be limited to a negotiated contribution rate hammered out at the bargaining table between the union and company.

The hearings will begin at 9:30 a.m. in Room 4232 in the Dirksen Senate Office Building.

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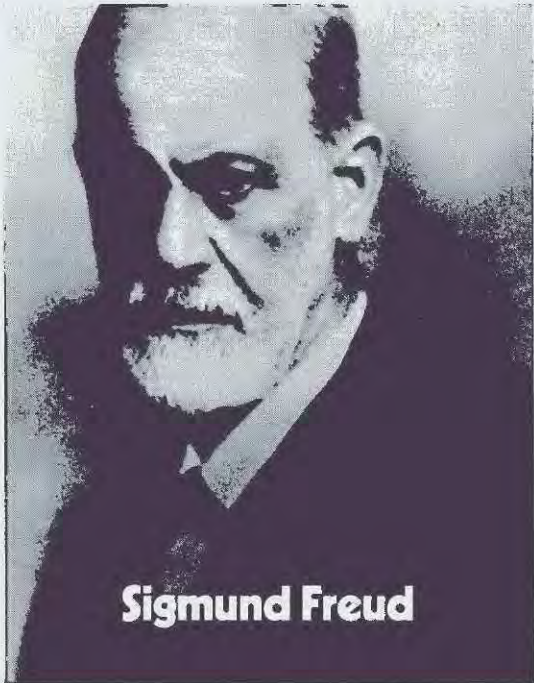


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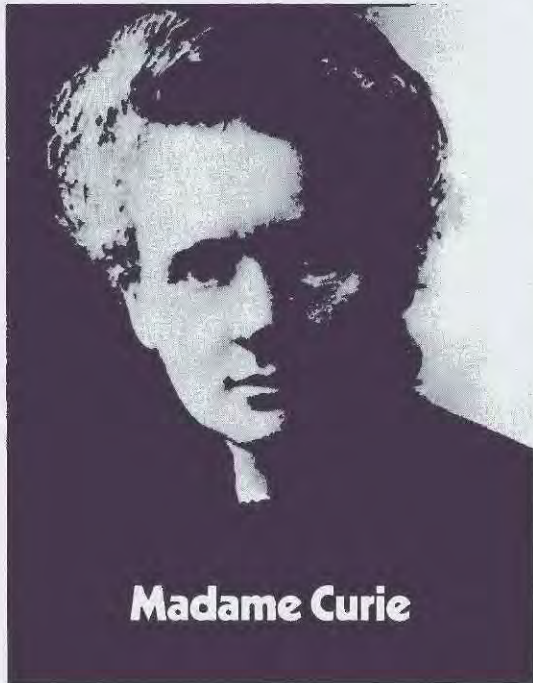
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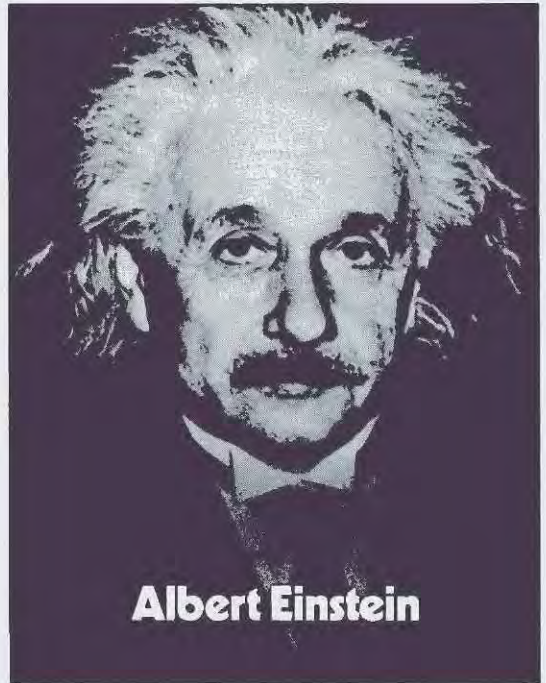
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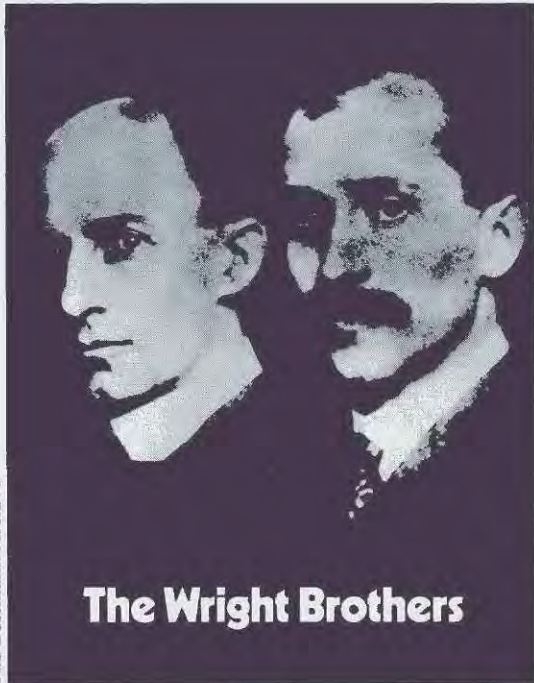
Sigmund Freud



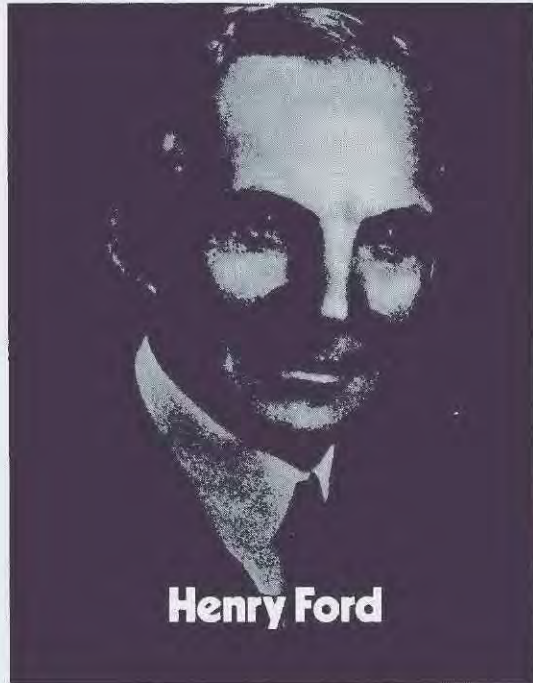
Madame Curie



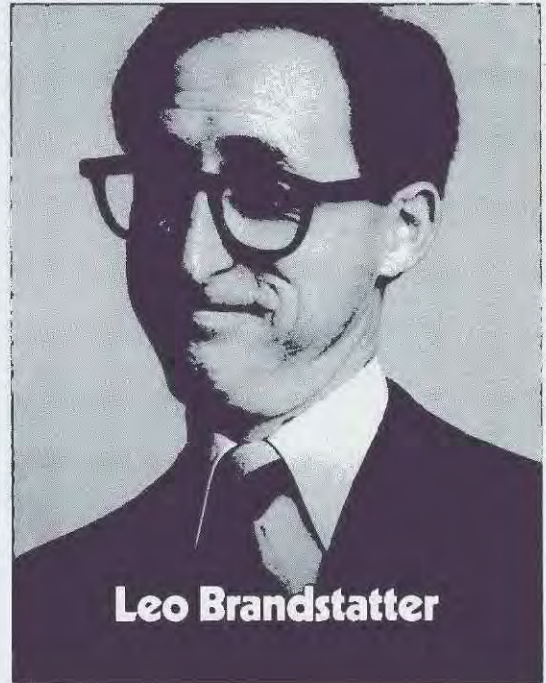
Albert Einstein



The Wright Brothers



Henry Ford



Leo Brandstatter

First there was Freud.
Then Madame Curie.

Then Einstein, the Wright
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editorial opinions

Improve self-insurance rules

STATE REGULATIONS governing self-insurers of workers compensation risks need to be overhauled for effectiveness and efficiency.

Two important changes should be made. First, states should require quarterly financial statements from self-insurers. Secondly, a company self-insuring workers compensation risks anywhere in the country should be regulated only by the appropriate state agency—the insurance department or industrial board—in its home state.

Together, these changes will improve solvency regulation and make the system more efficient.

Today, self-insurers file financial reports annually. We agree with the Illinois Insurance Department that in today's economy a company's financial position can change dramatically over 12 months. A company that looked strong enough to self-insure today may not be six months from now. Quarterly reports will give regulators the information they need to monitor the financial strength of self-insurers.

Employers won't like the additional work of quarterly reporting, but we bet they would consider it a more than fair trade if state regulators would get together and stop requiring every multistate operation to seek qualification as a self-insurer in every state in which it wants to self-fund workers compensation. The paperwork alone drives up expenses unnecessarily. In addition, minimum bonding requirements in various states can pile up commitments far beyond what's necessary to guarantee claims payments, as Associate Editor Eileen Norris reports (see story, page 59).

One state agency in the company's home state would be a far better regulator of the self-insurer. The one agency would have an overview of the company's entire self-funded workers compensation program and its

actuaries could determine what amount of risk the company is capable of bearing, what excess insurance is needed and what further financial guarantees are warranted. In addition to the quarterly reports, the regulators will be closer to the self-insurer and will know sooner than a regulator in another state if the company is getting into financial trouble that could jeopardize its ability to self-fund losses.

We expect many state regulators to fight such a proposal as stepping on their turf, but we hope they will recognize the efficiency and effectiveness of one-state regulation of self-insurers. To ensure proper regulation, a model bill can be drafted and only companies in states which adopt the model bill will be afforded the efficiency of this new one-state regulation of their self-insured workers compensation programs.

The National Assn. of Insurance Commissioners and the International Assn. of Industrial Accident Boards & Commissions should begin work now on such a model bill.

This strengthening and streamlining of regulations governing self-insurers of workers compensation are far more important than considering what other regulations should be implemented governing self-insurers of other risks, as some state insurance commissioners are discussing (*BI*, Jan. 18).

The current economy demands these reforms. Recession-squeezed companies are looking for places to save money and improve cash flow. Some of them may not be the best candidates for self-insurance. More frequent financial reports from these companies are certainly necessary. And to be sure companies can run their self-funded workers compensation programs at the least cost while maintaining solvency, one-state regulation is a must.

letters

HMOs really cut health expenses

To the editor: A letter by Norman Tapper (*BI*, Dec. 28, 1981) says health maintenance organizations may not cut costs. He cites as an example an employer spending \$75,000 on 100 employees who join an HMO. The claims reduction to that employer's existing plan will decrease only \$70,000, creating the total effect of the HMO costing the employer \$5,000.

Mr. Tapper's premise has serious flaws. If the employer spent \$75,000 and the claims reduction to his plan were \$70,000, that implies that the HMO spent the \$70,000 delivering care to those 100 employees. The HMO very likely has controlled costs even after spending \$70,000 on those employees. It is more likely that under traditional group insurance his payout for the same services might have been higher and, in fact, the services may have been greater due to the incentives built into the traditional fee for service.

It is a well-known fact that HMOs control utilization of services, whether they be X-ray, laboratory, hospital or surgical services. If the HMO held the cost for those employees to \$70,000 and at the same time impacted hospital and other medical costs, then that same employer could very likely have experienced costs much higher than \$70,000. Therefore, Mr. Tapper's theory that offering the HMO may actually cost the employer is not necessarily plausible.

Additionally, an employer who purchases a commercial insurance package realizes that if his experience is 100% of premium, he is automatically going to get a premium increase because commercial premiums are developed to incorporate reserves, commissions and other acquisition costs. Therefore, the employer could

pay \$100,000 to an insurance company, have \$95,000 worth of claims and argue that it had cost him an additional \$5,000 simply to provide the coverage.

Well-managed HMOs have the potential to provide stabilized premium costs due to their very structure. Not all HMOs are well-managed and not all forms of HMOs are, by their very nature, conducive to cost containment.

However, as an industry, their potential for cost stabilization through the injection of competition and the structure of the HMO is the only hope, ultimately, to combat rising health costs. If emphasizing preventive medicine, reducing unnecessary hospitalization and surgery and emphasizing outpatient care cannot reduce premium costs in the long run, I don't know what can.

In the very same issue of *Business Insurance*, an article by Jerry Geisel indicates that "HMOs continue to be more successful than conventional indemnity plans in keeping their members out of the hospital. Between June 1980 and June 1981, the average plan used 467 hospital days per 1,000 members. During the same period, Blue Cross/Blue Shield plans reported a hospital utilization rate of 725 days per 1,000." That reduction has to have saved somebody, somewhere, some money.

Eileen H. Wilson
Marketing director
Health First (an HMO)
Memphis, Tenn.

Can you explain?

To the editor: Mary Lou Maxie comments in her Perspective article (*BI*, Dec. 14) that "the audit examines actual records of claim payments, where approximately 90% of benefit dollars are spent."

I have taken "of benefit dollars" to mean "premium cost," whereas others interpret it otherwise. Can Ms. Maxie or

Business Insurance explain?

William K. Aycock
Personnel director
North Carolina Natural Gas Corp.
Fayetteville, N.C.

■ *Ms. Maxie replies: "Yes, this refers to premium dollars, which, when a company is experience-rated, 90% pays claims and 10% is for administration expenses."*

Alcoholism treatment

To the editor: We applaud you for your excellent story on alcohol and drug addiction, "Companies are learning it pays to help workers beat the bottle" (*BI*, Nov. 16, 1981).

We want to clarify, however, that the Sept. 1 date you mention as the start of our alcohol abuse program is the date of a special local union-management agreement at our Bethlehem, Pa., steel plant, reached during the 1980 labor negotiations. There—and at all our other operating locations—Bethlehem Steel has had a corporatewide alcoholism program in effect since 1965. The corporation has been paying all alcoholism treatment costs since 1975.

We feel the program has been most effective. Our only concern is over those employees who suffer from the disease of alcoholism who have not come to our attention and, thus, have not had the benefit of our consultation and treatment.

John D. Bealer, M.D.
Corporate medical director
Bethlehem Steel Corp.
Bethlehem, Pa.

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Published weekly at 740 Rush St., Chicago, Ill. 60611. Offices: 220 East 42nd St., New York, N.Y. 10017; Suite 515, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 5327 N. Central Expwy., Suite 200, Dallas, Texas 75205; 25 Bedford Square, London WC1B 3HG, England. \$1 a copy. \$40 a year in U.S. Canada and all other foreign add \$14 for surface mail. Europe and Middle East only add \$35 for air delivery. First-class mail to U.S. and Canada only, add \$50. **WILLIAM STRONG**, vp-circulation. **BARBARA RANDICK**, circulation manager. **ROGER DIGREGORIO**, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Dept., Business Insurance, 740 Rush St., Chicago, Ill. 60611 or phone 312-649-5221. Telex 25-4248; Cable CRAINCOM. Microfilm copies are available from University Microfilms, 300 Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, Ohio 44691.

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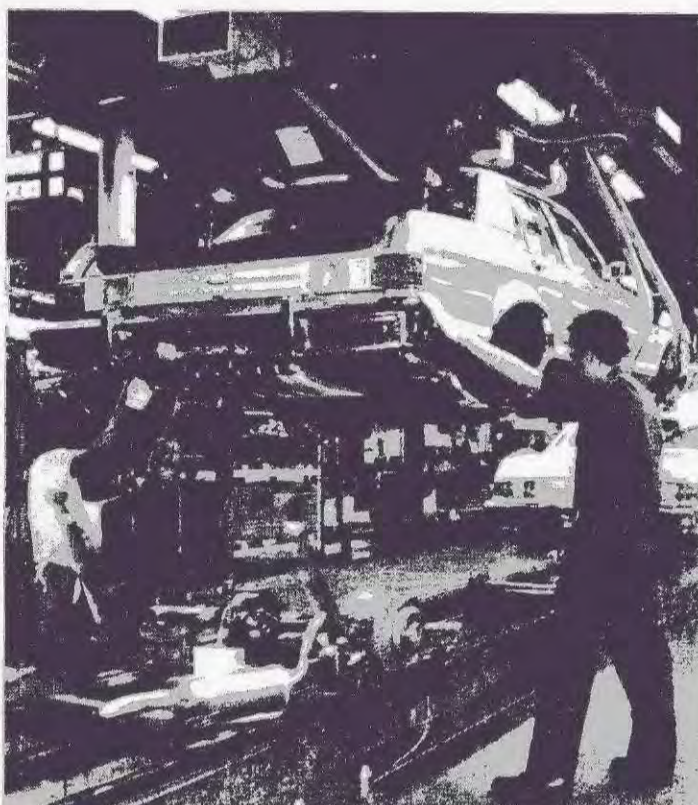
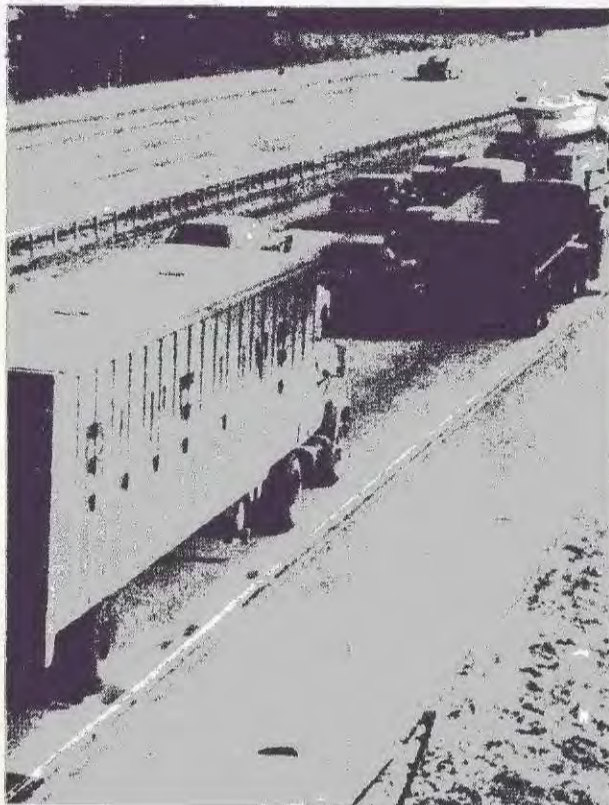
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Self-insurance

The 'empire' is beginning to strike back

By JOHN W. MILLIGAN

NEW YORK—In the war among insurers, brokers and service companies over the self-insurance market, title this chapter "The Empire Strikes Back."

The empire—the nation's major insurers—has at last responded to the demand for self-insured programs with a new spirit of accommodation and a variety of unbundled services.

Insurers are trying to re-enter the large commercial account market that all but abandoned them when they refused to respond to the new corporate desire for risk retention and claims control. It looks a bit like a Trojan Horse tactic at times as the insurers package their service wares under the guise of independent subsidiaries—no tricks necessarily implied except the desire to get their people back on accounts at least selling service.

Risk managers, brokers and insurers have discussed the unbundling of insurance company services for years, but now there are more insurers really doing it and fighting hard for the business. Some brokers and independent service companies complain insurers aren't offering anything new with their new subsidiaries created to service self-insurers, but corporate buyers are finding the flexible service they want coming out of these subsidiaries. No longer are they forced to buy a package of insurance and service on a "take-it-or-leave-it" basis. They can buy virtually any combination of service or coverage they want.

Certainly, insurers prefer to sell policies or service and excess programs in tact. But in a game of push and shove between risk managers and insurers, the latter has given up a lot of ground in the past few years.

In the past two years, consultant H. Felix Kloman, president of Risk Planning Group Inc. in Darien, Conn., has seen a "substantial willingness" of insurers, brokers and service firms to sell their services piecemeal to "any and all."

The move toward unbundled services can be viewed in three stages, Mr. Kloman says.

The first stage is setting up a subsidiary or affiliate "to sell separately some of the services that were once packaged."

The next step is to establish a "support service operation" with additional personnel to augment the initial service sales effort.

And finally comes a separate profit center that acts independently from and competes with its parent company.

While most insurers are still locked in the first two stages, Mr. Kloman expects that more companies will move to the third and final phase in the foreseeable future.

Many insurers have taken this path out of necessity, not out of choice. If they didn't do it, risk managers would get service somewhere else, industry executives admit.

One source risk managers have turned to is the national brokers.

Marsh & McLennan Inc., Alexander & Alexander Services Inc., Frank B. Hall & Co. Inc. and Fred S. James Cos. Inc. are some of the large brokers offering programs in direct competition with insurers.

Some, like M&M and Hall, even offer the use of an affiliated insurer if that's what the buyer wants.

The major claims servicing firms, like GAB Services Inc. and Crawford & Co., have enabled risk managers to eliminate their dependence on the insurer's claims department.

Mr. Kloman also notes that service competition now comes from sources outside the insurance and brokerage industries and that these sources will continue to grow.

E.I. du Pont de Nemours & Co., for example, now offers its engineering services in competition with insurers and brokers.

So it's no wonder that the empire had to do something.

The response of many insurers has been to open a

Continued on next page

Illustration: Ned Broderick



Administration options divide self-funders

By STEVE SHERWOOD

HOUSTON, Texas—Outside administration of self-funded property/casualty risks "totally ruptures the first principle of management-control," says the risk manager of an oil exploration company here.

Another risk manager says using an insurer or another third party to administer his company's self-funded programs has had little effect on the control of claims settlements or other costs.

A third executive says without an outside administrator, her company would be hard-pressed to self-insure at all.

When it comes to the virtues of self-administration of claims or farming the work out to insurers, brokers or independent administrators, no two risk managers share identical views. But self-insurers generally fall into two groups: do-it-yourselfers and those who contract out.

"We administer our own plans," says H.F. Cristadoro, risk manager of AMINOIL USA Inc. of Houston. "I wouldn't encourage anyone to delegate it to an outsider. We did it at one time; that's why I'm so emphatic."

Hiring an insurer or broker to administer self-funded workers compensation risks defeats the original purpose of going self-insured, which is to control costs and claims settlements while maintaining close contact with employees, he says.

Inserting a third party between employer and employee also creates an information drag and duplication of data.

Self-administration is the solution, Mr. Cristadoro says, though it may appear to cost more.

"Whether it is more expensive depends on whose pencil you're using. I think in the long run it's cheaper and definitely more effective to do it yourself."

The risk manager of a national trucking company, which self-administers workers compensation, says he also ruled out third-party administration.

"We'd rather do it ourselves because we feel it is less expensive, gives us better control and allows direct contact with injured workers," he says. "Anytime someone else is spending your money, there is the concern that they won't spend it carefully. We have had experiences where we've found that to be true."

Westinghouse Electric Corp. also self-insures and self-administers workers compensation for its 90,000 to 100,000 employees in 27 states, says Paul Trothman, manager of statutory benefits for the Pittsburgh-based company.

"Self-administration gives us better control, but there are pros and cons with it, just like everything else," Mr. Trothman says. It provides for closer rapport with employees and more say in how reserves will be funded, but at the same time requires heavy up-front commitment of funds to be successful.

"If you have everything in place, like we do, it's one thing," he says. "But many companies—if they were willing to admit it—don't have very good programs. I would say an administrative firm could do a lot more for them unless they commit dollars toward the program and develop experts in the field to run it."

David Glantz, assistant treasurer and director of risk management for FMC Corp. in Chicago, agrees. In-house administration can be more economical for some companies, but also can cause problems.

He prefers to contract out for administrative services. Self-administration requires a pool of expertise among personnel and an investment in data management, he says. For a firm with only two or three employees involved in administering a plan, the loss of one person could leave a knowledge gap.

"Who's to say which is better or cheaper? If you have a large claims volume and facilities that are close together, you might want to handle it in-house. If not, you might be better off hiring it done. It's all a matter of economies of scale," he says.

Continued on page 14

The first risk retention pool
Page 16

Claims administrators directory
Page 24

Self-insuring workers compensation
Page 59

Insurers seeking piece of self-funding pie

Continued from previous page
two-front war on their competitors.

The first front is service. Many insurers now sell, individually or in combinations, what they once provided only to policyholders.

Claims handling and administration, loss-control, engineering, data processing and actuarial services are now available without insurance policies.

Leaders in the move toward unbundling, says Charles T. Tagman, Jr., vp and principal at the Betterley Consulting Group, perceived an opportunity to make a profit on their staff and facilities.

Insurers including American International Group, INA Corp. and the Kemper Group were among the first companies to unbundle their services in response to compe-

tion, notes Mr. Tagman.

Many other insurers have followed their move in recent years, including Hartford Specialty Co., a subsidiary of the Hartford Group.

Hartford Specialty, says President Joseph F. Quinn, will sell any of its services to risk managers according to their need.

The insurer gives its assurance that a self-insurer's claim will receive the same care and attention as Hartford's own claims.

Pricing for these services varies, but corporations are generally assessed an hourly charge for loss control or data processing and a per-claim fee for claims processing.

Also gone are the days when an insurer would not sell its services unless the risk manager also purchased its excess coverage.

One note of criticism, however, comes from the brokerages.

Insurers are much more accommodating, but the brokers ask if they providing the risk manager with what he really needs to self-insure properly.

James Kammerer, vp of Alexis Risk Management Services Inc., a subsidiary of Alexander & Alexander and an insurance company competitor, says many insurers look at these services as just another variation of insurance and not risk management techniques.

And that, says Mr. Kammerer, is an important distinction. "They're just offering something under a different name," he charges, bringing to mind the more critical image of the Trojan Horse.

While there have been criticisms

of certain insurance company service subsidiaries (see related story about INA's ESIS on page 58), few are willing to say that insurers are actually tricking risk managers into coming back into the fold with their new service subsidiaries.

The second front on which insurers are fighting for the self-insurance market involves special programs, which some experts say have been successful.

The paid-loss retro plan is "reasonably popular right now in its many forms," says Mr. Tagman, and generally is more popular than fronting arrangements or more traditional self-insured programs.

Also popular are other variations of cash-flow plans, which Joseph C. Smetana, president of AIG Risk Management, says enable buyers to

invest those reserves they would normally pass on to the insurer.

The quality of self-insured programs can vary, however, and often depends on the experience of the insurance company involved, brokers and insurers warn.

Another concept that has seen growing use in recent years is the insurance company fronting plan.

Under this program, an insurer typically writes a policy for a particular exposure and then reinsures it—often 100%—with an industry or association captive insurer.

Fronting plans are especially useful for workers compensation because the insurance policy satisfies state insurance requirements and the policyholder doesn't have to qualify as a self-insurer.

The cost of the arrangements vary according to the risk and competition for the business, but generally the premium tax and assessment costs for all lines are about 3.5% of premium, says Norman Spruill, president of NN Risk Management Services in Milwaukee.

Fronting insurers then add claims handling costs and risk assessment fees.

Mr. Quinn at Hartford Specialty says an industrywide average for fronts is 5% of premium above the premium tax. "As I'm sure is true with most carriers, we try to get as much a bite of the pie as we can," he candidly admits, though Hartford Specialty is willing to take as little as required.

If most insurers were once reluctant to offer fronting plans, most have since changed their minds.

"Now, anybody will do it—even under duress," says Mr. Spruill at NN Risk Management.

NN, a subsidiary of the Armco Insurance Group, is one company that fronts with pleasure, offering what Mr. Spruill describes as a "pure front" with totally unbundled services.

In a typical program, NN will issue a policy to its client and then reinsure it 100% with the client's captive up to specified limit.

NN will then purchase the first layer of excess coverage, with the client retaining all subsequent layers or reinsuring them elsewhere. Most fronting policies are issued through Northwestern National Insurance Co., part of Armco.

Under the NN plan, the client chooses its own claims administrator, although NN will manage and direct the claims contractor if the client requests.

Over the past three years, Fireman's Fund Risk Management Services Inc. also has aggressively pursued fronting business, adding to its full range of risk management services and excess coverages.

Creighton White, senior vp of national accounts and risk management services at Fireman's Fund, says the insurer treats fronting like another reinsurance arrangement.

A Fireman's Fund insurer issues a policy to provide all direct coverages and the policy is then reinsured to the client's captive to the extent desired. Fireman's Fund then provides an excess layer above the captive's share.

It's hard these days to find an insurer who will admit to not offering self-insurers unbundled claims services. When companies with previously conservative images of fighting self-insurance, such as The St. Paul Cos. and Aetna Casualty & Surety, create special departments and subsidiaries to service self-insured clients, the brokers and independents who first serviced the clients feel the heat of competition.

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Firms divided over who should handle claims

Continued from page 13

Claims also must be managed effectively with proper data reported to the various state insurance commissions at the right times, he explains.

"You can jeopardize the company's qualification as a self-insurer if this is not done," Mr. Glantz says.

FMC, an industrial machinery and chemical manufacturer self-funds workers compensation, gen-

eral liability and automobile liability coverage up to \$1.5 million for each line, Mr. Glantz says.

"About 95% of our program is administered by third parties—either insurers or independent administrators."

The corporation has little trouble maintaining control over its programs, Mr. Glantz says.

The company is large enough and its self-retention high enough that few claims run into excess coverage so insurers are rarely in-

involved in claims settlements, he explains.

The administrators pay claims under \$5,000 at their discretion, but larger claims must be reviewed by FMC.

Service provided by most insurers, brokers or third-party administrators is similar, Mr. Glantz explains.

"We were with an insurer for many years, but became dissatisfied and switched to a nationwide

independent firm. There's little difference in service. Once you go to a third party, you're basically getting the same thing."

Crawford & Co. of Atlanta administers FMC's self-funded property/casualty coverages.

Some firms prefer outside administrators for opposite reasons. They want to self-insure but also require some distance from claimants.

"In most cases it is cheaper if you look at office and personnel costs.

Also, self-administration is a no-win situation because employees don't like having claims denied and the employer wants to keep them happy. It can affect employee morale," says the risk manager of a California-based clothing manufacturer.

His company self-insures workers compensation benefits in states that allow it. Scott Wetzel Services Inc. of Bremerton, Wash., a subsidiary of The Home Insurance Group, processes claims.

"Really, to this day, I haven't talked to anyone who is satisfied with self-administering workers compensation," the risk manager says.

Risk manager Ann Raymond's staff of two is too small to handle all the claims administration or collate the data for Bliss & Laughlin Industries' self-funded workers compensation and liability insurance programs.

The Oak Brook, Ill., steel and diversified manufacturing company, which employs 3,000 people in eight states, would have to hire more staff and computerize before it would be able to self-administer, she says.

The company's claims are processed by Gallagher Bassett Insurance Service of Rolling Meadows, Ill., an subsidiary of Arthur J. Gallagher & Co.

Ms. Raymond says hiring an administrator has not threatened the company's control over its claims

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'Once you go to a third party, you're basically getting the same thing,' Mr. Glantz says.

or overall costs.

"We have a house counsel who works hand-in-hand with the Gallagher person in settling liability claims," she says. "We are very much involved with the liability side."

Monthly totals on loss experience and up-to-date claims settlement reports come to her desk, Ms. Raymond says.

Although the administrator has been given the authority to settle claims under \$10,000, it must review claims in excess of that with the company. Ms. Raymond also receives monthly listings of bank drafts issued by the administrators "so we know where our money is going."

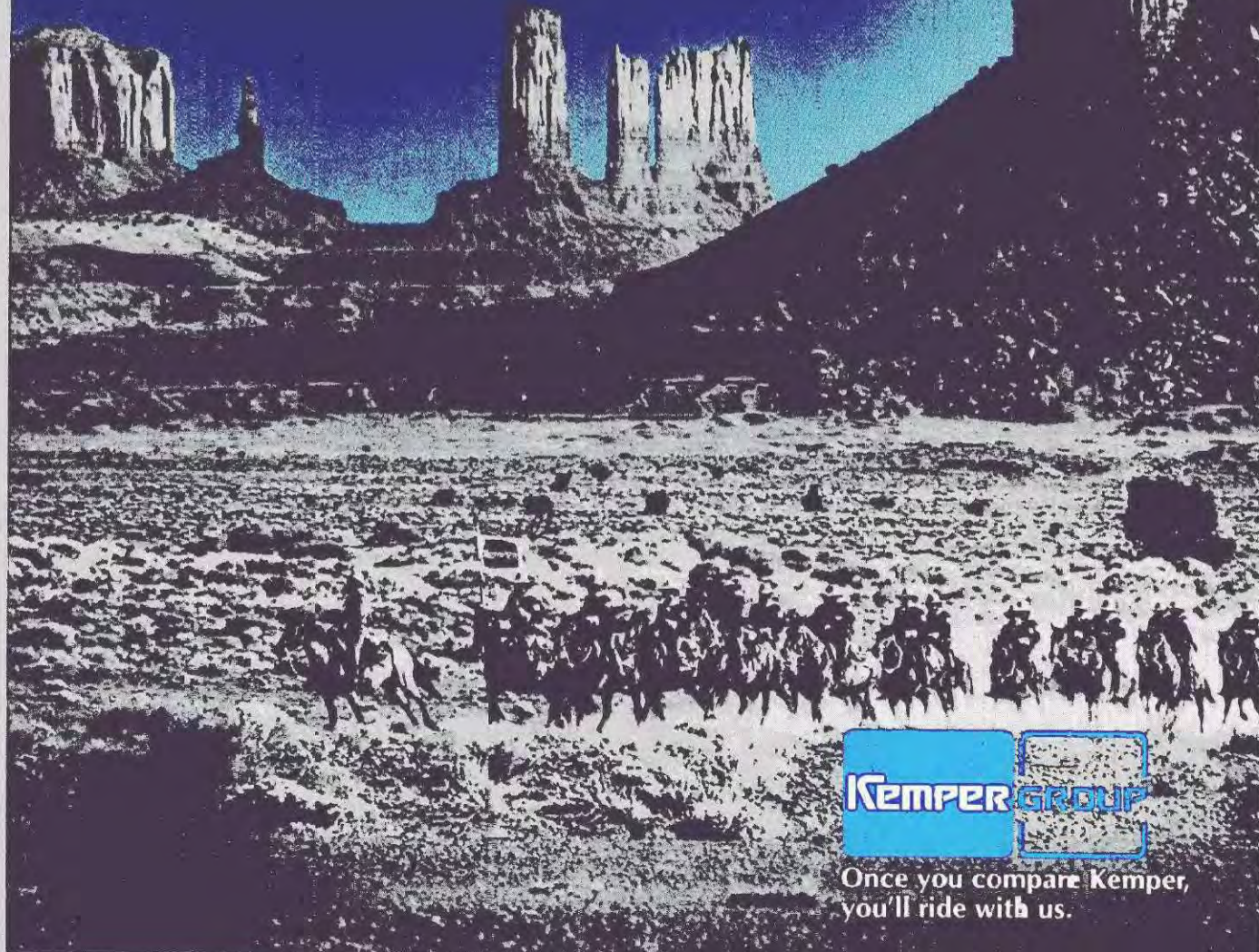
Other companies prefer insurers as service firms to take advantage of geographic spread.

Hiring The Travelers Insurance Cos. of Hartford, Conn., to oversee its nationwide workers compensation plan is preferable to doing the job in-house, says the claims administrator of a large Tennessee-based transport company.

The Travelers has offices throughout the country and can keep up with various state laws governing workers compensation and self-insurance, the claims administrator says.

"But sometimes you get better service from an independent rather than an insurer because you don't have to go through the bureaucracy," the claims administrator says.

"If you want to raise hell about a claim, you have more direct access to the independent administrator's people and can get things done more easily."



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Wholesalers' ready risk retention group

By JERRY GEISEL

WASHINGTON—One insurer that refused to join the fight against the Risk Retention Act is about to capitalize on it.

An INA Corp. subsidiary is gearing up to service the first risk retention group to be formed by the 45,000-member National Assn. of Wholesale Distributors.

While many other insurers fought passage of the Risk Retention Act, which allows companies more freedom to pool their risks to buy insurance or self-insure, the Insurance Co. of North America, part of INA Corp., supported the new risk-funding mechanism.

The support is paying off. The NAW this week will formally announce its plans to be the

'We moved slowly and carefully. We know this is a pioneer effort and so it is very important that it is successful,' Mr. Costigan said.

first trade group to use the Risk Retention Act. The move has been under study for several months.

By June, just nine months after President Reagan signed the Risk Retention Act into law, the NAW will have a Bermuda-based risk retention group to provide rate stability and \$11 million of liability coverage to thousands of employers hard hit by the ups and downs of the commercial insurance market.

Even if just 10% of NAW members participate during the first full

year, the program could generate an annual premium of more than \$40 million. This would make the NAW's risk retention plan one of the largest offshore group insurance programs.

That \$40 million in premium is expected to grow as more NAW members join the program as the market tightens later this year or next year.

"There is tremendous interest among our members," says Dirk Van Dongen, NAW president.

The ability to buy insurance as a group was the Risk Retention Act's major attraction for the NAW. Because individual NAW members' average annual property/casualty insurance premiums are so small—about \$10,000—the wholesalers lacked the clout to convince insurers to limit product liability premium increases.

But under the Risk Retention Act, the wholesalers "can take advantage of their mass buying power," said John Costigan, senior vp at MarketDyne International, the INA Corp. subsidiary marketing the NAW risk retention program.

Planning for the NAW risk retention program began in October when NAW's Mr. Van Dongen asked INA President John Cox

how the trade group might be able to set up an insurance program under the new law.

"The NAW came to us because we were one of the few insurance companies to support the act when it was pending in Congress," said MarketDyne's Mr. Costigan. "INA was really out front of the pack," said Mr. Van Dongen.

Drawing experts from 15 departments, INA set up a 26-member task force to see how the Risk Retention Act could work for the wholesalers. "We moved slowly and carefully. We know this is a pioneer effort and so it is very important that it is successful," Mr. Costigan said.

By January, Mr. Costigan and the other INA experts put together a group insurance program that Mr. Van Dongen took to the NAW's board of directors for its approval.

Under the plan, the wholesalers will set up a risk retention group in Bermuda to reinsure product and general liability risks covered under a \$1 million multiperil policy issued by INA.

The multiperil policy also will cover wholesalers' property, crime, auto and transportation exposures, but those risks will not be reinsured in the risk retention group.

In addition, INA will provide up to \$11 million of umbrella liability coverage.

Wholesalers' workers compensation risks will be covered under a separate program set up by MarketDyne and insured through INA that will allow NAW members with good safety records to receive dividends based on the group's experience.

INA will provide loss-control and claims adjusting services.

Buyers and insurers are enthusiastic because the act removes the impediments that blocked a trade group, like the NAW, from marketing an insurance program to members across the country.

For example, the act allows companies that receive an insurance charter in Bermuda or the Cayman Islands or any state to operate as risk retention groups in all states as long as they meet the insurance capitalization requirements of at least one domestic state. They do not have to be licensed in each state or use a fronting insurer to satisfy regulators.

Laws in about 45 states also bar businesses from purchasing insurance as a group.

But the second section of the Risk Retention Act pre-empts these state barriers and allows unrelated companies to purchase general liability coverage, including product liability, as a group.

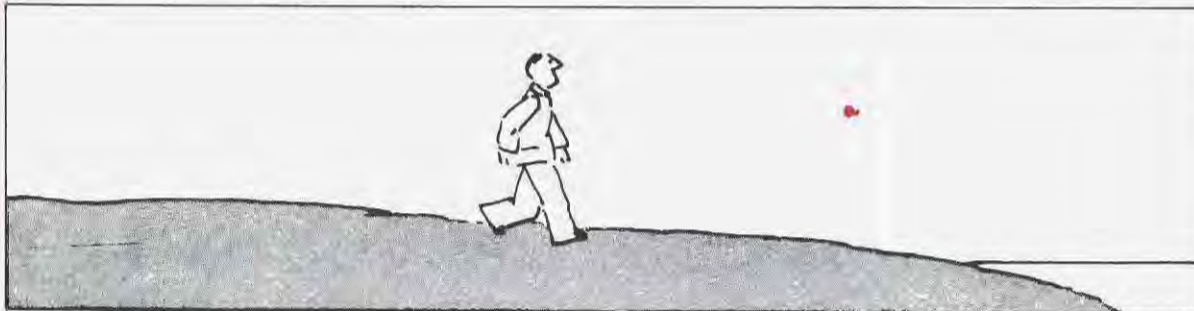
The pooling of insurance needs gives purchasing group members the buying clout that comes with a larger premium volume.

While the NAW will be the first trade group to take advantage of the law, other trade groups may not be far behind, insurers say.

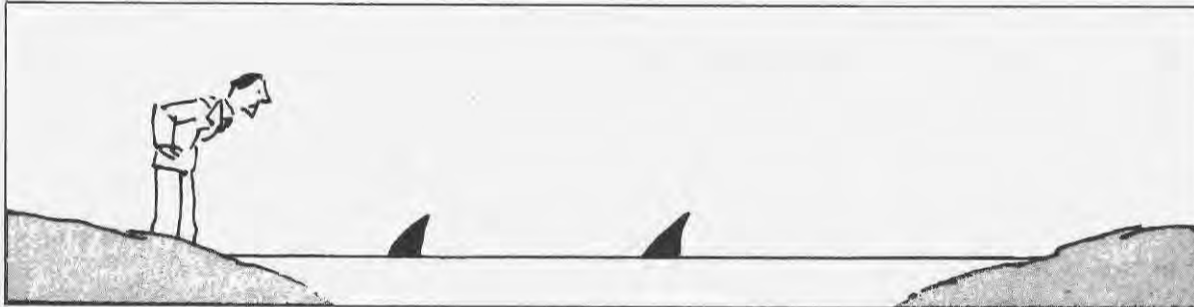
Richard Barbieri, secretary at The Travelers Insurance Cos., says companies will be more interested in taking advantage of the opportunity to buy insurance as a group than in setting up risk retention group.

"Most groups don't want to self-insure," he says. "They want to buy insurance protection in the most cost-efficient way and that way is to approach insurers as a group," he says.

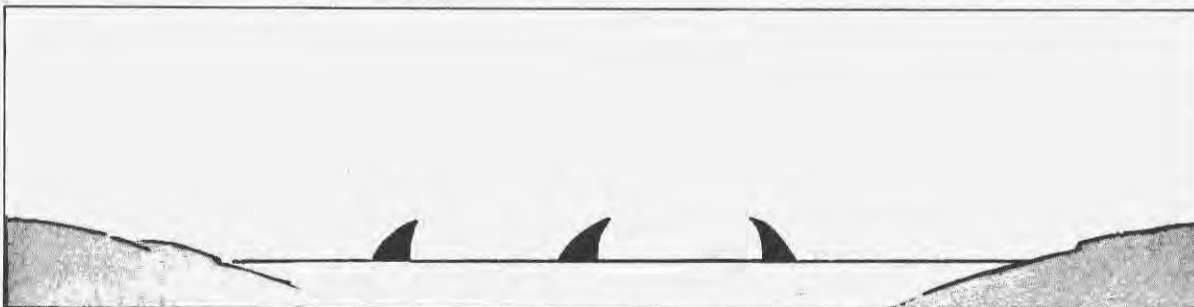
"The Risk Retention Act will be one of the most significant self-insurance risk management developments of the decade," said Bradford Rich, executive vp at INAPRO Inc., INA Corp.'s professional liability subsidiary in Philadelphia. "Corporations now have another mechanism to take care of themselves." ■



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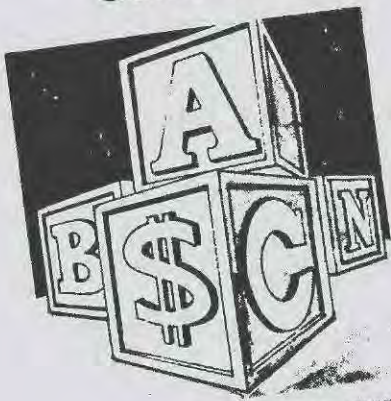
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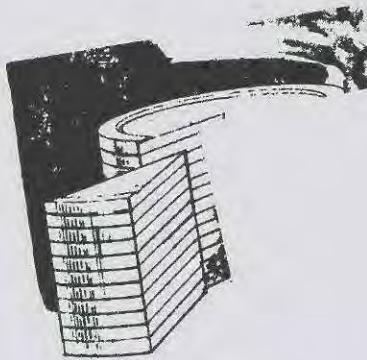
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Picking administrator is a complex chore

By LEN STRAZEWSKI

Flexibility, locale and experience are three tried and true qualifications for a good administrator of self-insured claims.

But as brokers, insurers and third-party administrators expand their services for self-insured companies, the buying decision is becoming increasingly complex.

Brokers can provide flexibility, insurers can offer geographic spread and independents may specialize in exactly your kind of claims, but relationship, competition and control are additional factors a self-insurer must weigh.

"There's no easy answer,"

explains risk management consultant George Betterley of the Betterley Consulting Group. "We are constantly evaluating the options for our clients. There are no solid rules to follow."

Will a claims processor owned by an insurance company work better than a third-party administrator or a brokerage subsidiary? Will a brokerage use a claims service contract as a foot in the door to begin a hard-sell sales campaign? Is a third-party administrator large enough or does it have enough experience to handle your business?

"We suggest you evaluate them on their own merits," Mr. Betterley says. "If ownership affects quality in a negative way, you should obviously not use that company."

Some service provider relationships, however, may not affect quality, but they may hurt a company's bargaining position. Self-insurers should not be blind to these relationships, Mr. Betterley notes.

"Once in a while, a client will balk at the idea of using a service provider owned by a brokerage, basically because the company does not want to add another broker to its portfolio and damage any other relationships it has built up."

"In one such case, we helped a client examine five potential firms and eventually chose a brokerage subsidiary because it had the strongest claims office in our client's biggest location. Our client agreed with the decision."

Allen Monroe, president of Reed Risk Management, a subsidiary of brokerage Reed Stenhouse Inc.,

Continued on page 20

Compensation options abound

Contracting for self-insured claims administration is like buying a house full of furniture. The payment options are many, depending on what you buy.

Self-insurers can pay administrators a set charge per claim, a percentage of the claims paid, a percentage of what would be an annual premium under an insured program, time and expense or a flat annual fee.

If you are self-insuring workers compensation or employee benefits, administrators also will charge a percentage of the payroll.

Although each system has its own merits, one large administrator claims that a flat annual fee takes the best from all systems.

"We rely on the service of our branch and regional managers so we don't want to have several accounts that compensate various amounts," explains John Campbell, president of Gallagher Bassett Insurance Service, a subsidiary of brokerage Arthur J. Gallagher & Co. Inc.

"It's only logical that a manager will work first on the file that pays 35% of claims rather than the one that pays 25% of claims," he says.

"Under an annual fee, all accounts are handled the same way."

An annual negotiated fee also takes the confusion and question out of additional services. The administrator and client need not argue over whether the company should be billed separately for loss control, salvage or subrogation, according to Mr. Campbell. An administrator doesn't worry that a reduced claim reduces income.

"We don't debate whether to attempt salvage or to subrogate. It's part of the service and it doesn't hurt us to reduce the claims cost." ■



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Now, however, challenges to this proven method of meeting employers' insurance needs have arisen from several directions. First came the development of the international brokerage conglomerates which **threatens** to swallow up a significant portion of the independent agency system through acquisitions.

With the life companies' and direct writers' penetration into the commercial market sector, there appears to be developing a clearly defined move towards the **centralization of power**. Combined with high inflation and double-digit interest rates, some industry analysts are even suggesting a severe contraction of the independent agency force is near at hand, and that **survival**, not prosperity and growth, is now the core issue.

Assurex International believes this dreary prognosis is contrary to the best interests of our clients and the companies we represent, as well as the hundreds of thousands of dedicated men and women in our industry. We also are confident that the forecasted result can be avoided.

To do so, **aggressive action** must be taken and the trend towards vertical integration of the insurance industry must be stopped. On behalf of its 60 partner firms, Assurex International has instituted a program that is the first step in our action plan.

With the financial backing of eight leading property and casualty insurance companies whose combined annual premiums exceed \$13 billion, we have formed the **Assurex Development Corporation (ADC)**. This new Corporation will provide perpetuation planning services, including interim equity and debt financing, to Assurex partners. As a result, our partners have strengthened their ability to maintain ownership and management of their firms as independent business enterprises.

Assurex International applauds the eight companies participating in ADC for their vision and commitment to our form of **free enterprise**. Their support will benefit not only Assurex partners and clients but the entire independent agency system as well.

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Which administrator will do the best job?

Continued from page 18

agrees. Self-insurers should choose the service company best-equipped to handle their particular claims in their locale, he says. Self-insurers may even consider splitting claims management and claims adjusting to achieve greater depth.

"Reed Risk Management doesn't adjust claims. We manage and oversee a claims system for our clients, tapping the adjusters that we think can do the best job, like GAB or Crawford & Co.," he says.

"You should choose whatever adjuster is strong in your area and is expert in your self-insured risk. Some adjusters specialize in property/casualty claims. Others do more workers compensation claims."

Using a brokerage-owned claims

manager and independent adjusters "means that if you have a difficult claim, it gets a high level of attention from expert people," according to Mr. Monroe.

Brokerage or independent claims administrators also avoid "the insurance company mentality," a term independents use to describe insurers' alleged unwillingness to pay claims and feed back information efficiently to self-insurers that contract for claims service.

"When's the last time you saw a claims man become president of an insurance company?" asks a Midwestern third-party administrator. "Insurance companies are in the business of making money by selling insurance, not paying claims. They have no reason to make your company a priority."

Insurers who unbundle claims services for self-insurers vehemently disagree. Insurers have been in the claims-handling business longer than brokers and service companies and so they know more about claims processing than anybody, the insurers say.

Competition keeps them on their toes and a nationwide network of offices maintains their reach.

"I haven't had this 'insurance company mentality' line thrown at me in several years," responds Fred Minchik, vp of risk management services for NATLSCO, a Kemper Group subsidiary. "It's a lot of nonsense."

"We are all out there competing for the same book of business and it all comes back to the buyer. We have to provide quality service to

compete. If not, the buyer hires someone else," he says.

Insurers also have grown to expect specialized requirements from their self-insured customers, like expanded loss data packages, special claims instructions and limited claims settlement authority.

"In today's marketplace, we do not have many clients that do not demand a team approach," Mr. Minchik says. "In fact, for many lines we need a client's advice. If we are handling product liability claims, for example, we know that the manufacturer understands the product better than we do. In many cases, we don't have settlement authority because we need the client's know-how."

If you do choose an independent third-party administrator over a

brokerage or insurer subsidiary, you can expect clear control over claims payment and the flexibility to review claims almost at will, third-party administrators contend.

If cost control is important, an independent administrator is more likely to impose the restrictions and settlements you want, they say.

"I can never understand why there is so much concern over who administers what," says Robert Cardinal, president of Mass Insurance Consultants & Administrators of Chicago, an employee benefit claims administration firm.

"Most self-insurers pay about 4% of claims for claims services and there seems to be more concern over that 4% than the 96% of the self-insurer's dollars that is being paid out. "If you are self-insuring benefits and choose a third-party administrator you can save that 4% just in more aggressive coordination of benefits," he says.

"Sometimes you will want to choose an insurer's service because your corporate management likes the idea of having an insurance company's name on a contract. You may choose a brokerage firm because you want to maintain or establish a relationship," he says.

"But it's pretty clear that if you are not large enough to administer your own claims, you should go to an independent. The cost compared with savings is significant."

More regulation needed: Agent

Should state insurance departments regulate consultants and administrators that sell self-insured package plans?

Yes, says a Florida agent and claims administrator, and the sooner the better.

"Agents are licensed in all states and claims administrators are licensed in some states," explains Gary J. Goldstein, president of the Funding Agency and Funding Administrators of Coral Gables, Fla.

"But what bothers me is the lack of control on people who solicit and sell self-insurance programs."

The growth of self-insurance has created a consultants' and claims services' boom, according to Mr. Goldstein, and new entrants into the self-insured service marketplace vary in quality and experience.

"It's very easy to get into the business. Hire one claims person and all of a sudden you can start selling claims services. Hire someone who knows a few risk management terms and you can start selling self-insured plans," Mr. Goldstein says.

"It's not so outlandish. I'm seeing all sorts of misrepresentation and false advertising related to self-insured plans. These people can't know what they are doing."

Mr. Goldstein says companies are touting outlandish savings from self-insured programs, but do not tell customers, especially those who lack risk managers, about loss-reserving needs and long-tail claims.

"They are promoting 'savings up to 70%,' but don't tell clients that you can low-ball self-funding the first year and then get killed in a corporate audit," he says.

Mr. Goldstein recommends that state insurance statutes apply to consultants and administrators and that state insurance departments consider licensing claims service companies.

"Though self-insurance is not insurance according to most definitions, it seems to me that the minute you begin to talk reinsurance, you thrust the concept into the realm of insurance regulation," Mr. Goldstein notes.

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"Well, perhaps nobody ever said that aloud, but I know a lot of risk managers and brokers who thought it—or maybe still think it. The general consensus was, I believe, 'Give AFIA a property program and they'll do a great job. But give them a complicated casualty risk and they're not so eager.'

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Clients: 11 total clients, of which five are self-insured.

Compensation: Method of computing fee individualized for each client; exclusive contract required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff; annually by outside auditors.

Reports: Supplied monthly if desired by trustees at a charge included in administration fee within 10 days of the end of the month.

Computer: IBM 34, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; none use this capability.

Lawsuit management: Two on staff, located in home office.

Locations: Lansing, Mich.

Bache Ter Bush & Powell Inc.

Center City Plaza, 433 State St.,

Schenectady, N.Y. 12301;
518-351-1600

Region served: New York state.
Parent company: Jardine, Matheson & Co. Ltd.

Type of claims: 100% health (dental) insurance

Number of claims: 250,000 total claims administered in 1981; 250,000 for self-insurers.

Staff: 30 total staff; 30 administer claims.

Clients: 20 total clients, of which 20 are self-insured.

Compensation: Per covered employee; range of claim charges, \$0.85 to \$3.00.

1981 gross revenues: \$2 million.

Auditing procedures: Claims are audited monthly and annually,

by in-house staff and independent; hired by self-insured clients.

Reports: Supplied monthly free of charge within seven days of the end of the month; claims progression tracked.

Locations: Boston, Mass.; New York, Cedarhurst, Hoosick Falls, Syracuse, N.Y.; Palm Beach, Fla.

Benefit Plan Services Inc.

Box 2793, High Point, N.C. 27261;
919-889-2003

Region served: North Carolina.

Type of claims: 100% health insurance.

Number of claims: 9,700 total claims administered in 1981; all for self-insurers.

Staff: Four total staff; two ad-

minister claims.

Work load: Average of 438 claims handled monthly by each administrator.

Clients: 10 total clients, of which 10 are self-insured.

Compensation: Per covered employee, \$2 to \$5 per month; exclusive contract required.

1981 gross revenues: More than \$90,000.

Auditing procedures: Claims are audited monthly by in-house staff.

Reports: Supplied monthly free of charge within 15 days of the end of the month. Claims progression tracked.

Eagles' National Corp.

406 Rosemont Garden, Lexington, Ky. 40503; 606-278-7453;
800-354-9209

Parent company: Bradford National Corp.

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: 13,000 total claims administered in 1981; 13,000 for self-insurers.

Staff: Five total staff; three administer claims; one administrative supervisor.

Work load: Average of 400 claims handled monthly by each administrator.

Clients: Five total clients, of which five are self-insured.

Compensation: Percent of paid claims, average charge of 4%; per covered employee, range of charge \$2 to \$4.

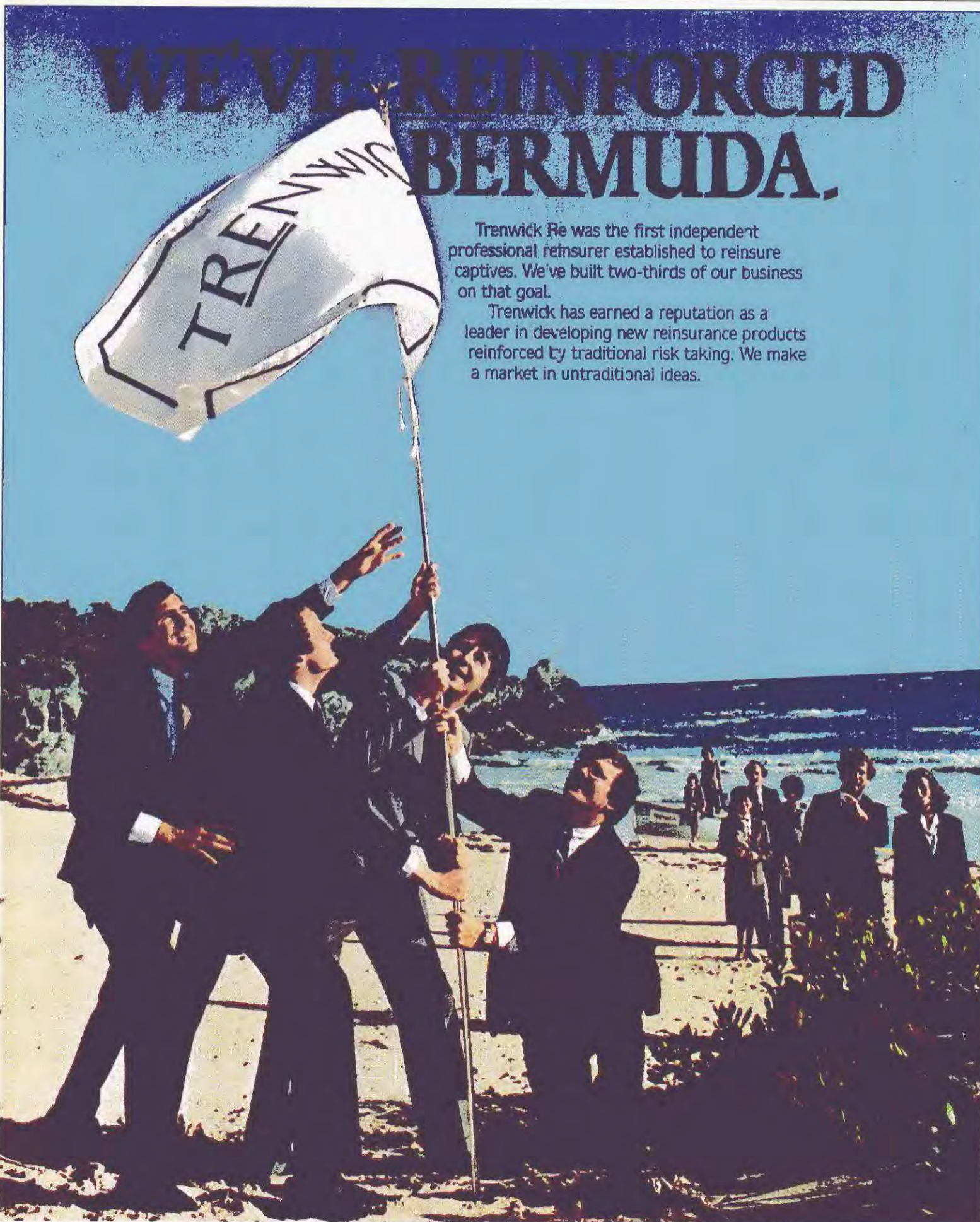
1981 gross revenues: \$93,000.

Auditing procedures: Claims are audited monthly by in-house staff and independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within 10 days of the end of the month. Claims progression tracked at a fee, must be requested by client.

Computer: Erisco "Claimfacts," IBM CICS system on service bureau basis, with input document terminal located in home office and central location.

Lawsuit management: In-house legal counsel.



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Our listing

Looking for a claims specialist? The following pages list the services of claims adjusters, administrators and auditors that responded to a comprehensive questionnaire prepared by *Business Insurance*.

The listings are organized first according to the type of claims handled:

- Employee benefits specialists begin on page 24.

- Property/casualty, including workers compensation, specialists, begin on page 43.

- Both benefits and property/casualty, page 52.

Under these major headings, the specialists are grouped together under headings describing their expertise, which could be one or more of the following:

- Administrator, who oversees quality control of claims files, directs adjusters and pays claims.

- Adjuster, who investigates claims and makes recommendations to the administrator.

- Auditor, who reviews the claims handling operation, verifies the accuracy and direction of claims payments and recommends solutions to problems.

Independent Benefit Plans Inc.

Box 1976, Beech Grove, Ind. 46107; 317-787-5370

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: Not reported.

Staff: 33 total staff; 12 administer claims.

Work load: Average of 1,000 claims handled monthly by each administrator.

Clients: More than 200 total clients, of which more than 200 are self-insured.

Compensation: Per covered employee, per employee charge ranges from \$1.75 to \$4.

1981 gross revenues: Not reported.

Reports: Supplied monthly free of charge within one day of the end of the month.

Computer: Texas Instruments system, with input document terminal located in home office.

Number of claims: 3,500 total claims administered in 1981; 2,800 for self-insurers.

Staff: Four total staff; two administer claims.

Work load: Average of 1,750 claims handled monthly by each administrator.

Clients: 20 total clients, of which 19 are self-insured.

Compensation: Percent of paid claims, 2.5% average charge; per covered employee, \$2 to \$4.50 per employee.


1981 gross revenues: \$100,000.

Auditing procedures: Claims are audited annually by independent firm hired by self-insured clients.

Reports: Supplied monthly free of charge within one week of the end of the month. Claims progression tracked.

Continued on page 28

KING OF THE BEASTS



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Group Dept.—Attn. Gary Valley, 1815 West Market St., Akron, Ohio 44313
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Independent Health Plan Administrators Inc.

Box 34090, Phoenix, Ariz. 85067; 602-264-6626

Parent company: Mass Media Marketing Corp.

Region served: Southwest.

Type of claims: 100% health insurance.

Number of claims: 50,000 total claims administered in 1981; 15,000 for self-insurers.

Staff: 25 total staff; 18 administer claims.

Work load: Average of 300 to 400 claims handled monthly by each administrator.

Clients: 400 total clients, of which 25 are self-insured.

Compensation: Percent of paid claims, per capita basis; varies with client.

1981 gross revenues: Not reported.

Reports: Supplied monthly free of charge within five days of the end of the month.

Computer: Quantel System 1400, with input document terminal located in home office.

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| <input type="checkbox"/> LTD | <input type="checkbox"/> Other (specify) _____ |

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Company _____

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Telephone () _____

Mount Vernon Associates Inc.

48 Mt. Vernon St., Winchester, Mass. 01890; 617-729-4899

Region served: New England.

Type of claims: 100% health insurance.

Number of claims: 20,000 total claims administered in 1981; 20,000 for self-insurers.

Staff: 10 total staff; six administer claims.

Work load: Average of 600 claims handled monthly by each administrator.

Clients: 45 total clients, of which 40 are self-insured.

Compensation: Quarterly fee; \$40 to \$80 per covered employee per year; exclusive contract required.

1981 gross revenues: \$200,000.

Auditing procedures: Claims are audited monthly by in-house staff and outside CPA.

Reports: Supplied monthly free of charge within one week of the end of the month; claims progression tracked.

Computer: IBM 34, with input document terminal located in home office.

Bank services: Offered through Old Colony Bank & Trust Co.

Prepaid Benefit Services Inc.

Box 52007, Atlanta, Ga. 30355; 404-261-0317

Region served: Southeast.

Type of claims: 100% health insurance.

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Continued from page 25

Professional Group Administrators

2030 Franklin St., Fourth Floor,
Oakland, Calif. 94612;
415-465-8800

Region served: Northern California.

Type of claims: 100% health insurance.

Number of claims: 75,000 total claims administered in 1981; 75,000 for self-insurers.

Staff: 28 total staff; 10 administer claims.

Work load: Average of 625 claims handled monthly by each administrator.

Clients: 170 total clients, of which 170 are self-insured.

1981 gross revenues: Not reported.

Risk Management Resources Inc.

3 Embarcadero Center, Suite
2470, San Francisco, Calif.
94111; 415-392-1680

Region served: Western states.

Type of claims: 90% health insurance, 10% other benefits.

Number of claims: 100,000 total claims administered in 1981; 100,000 for self-insurers.

Staff: 11 total staff; six administer claims.

Work load: Average of 1,400 claims handled monthly by each administrator.

Clients: 125 total clients, of which 25 are self-insured.

Compensation: Per covered employee, \$5 to \$10 per employee charge.

1981 gross revenues: \$500,000.

Auditing procedures: Claims are audited monthly by in-house staff and independent firm hired by self-insured clients.

Reports: Supplied daily to annually at a charge included in the fee or on an ad-hoc basis within three to five days of the end of the month; claims progression tracked.

Computer: HP 3000, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; one uses this capability.

Southeastern Brokers & Administrators

1618 U.S. 41 N., Box 1268,
Tifton, Ga. 31293;
912-386-1751

Region served: Southeast, Southwest, East, Midwest.

Type of claims: 100% health insurance.

Number of claims: 37,000 total claims administered in 1981; 31,000 for self-insurers.

Staff: 18 total staff; four administer claims.

Work load: Average of 10,000 claims handled monthly by each administrator.

Clients: 45 total clients, of which 35 are self-insured.

Compensation: Per covered employee, maximum of \$4.75 range of per employee charge; exclusive contract required.

1981 gross revenues: \$622,000.

Auditing procedures: Claims are audited quarterly by in-house staff and stop-loss insurers.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.

Computer: Texas Instruments with input document terminal located in home office.

Locations: Atlanta; Huntsville, Ala.

U.S. Administrators Inc.

3540 Wilshire Blvd., Los
Angeles, Calif. 90010;
213-383-1100

Region served: Nationwide.
Type of claims: 80% health insurance, 20% pension, legal, etc.

Number of claims: 10.8 million total claims administered in 1981; 10.2 million for self-insurers.

Staff: 450 total staff; 275 administer claims.

Clients: 106 total clients, of which 94 are self-insured.

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Compensation: Per claim, per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff and independent hired by self-insured clients.

Reports: Supplied monthly, quarterly or annually free of charge within five to 10 working days of the end of the month; claims progression tracked.

Computer: IBM 3031 and 341, with input document terminal located in home office. Self-insurers are offered CRTs for local display; three sets this capability.

Bank services: Clients' choice.

Locations: San Francisco, Universal City, Calif.; Shrewsbury, N.J.; Washington; Montreal.

of payments, personnel qualifications, case load of examiners.

Audit charges: Time and expense, \$15-\$50 hourly.

C.W. Burke & Co. Inc.

Public Ledger Bulding, Philadelphia, Pa. 19106; 215-922-2611

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: 25,000 total claims adjusted and administered; 15,000 for self-insurers.

Staff: Nine total staff, including adjusting staff of five with four adjusters, and one claims administrator.

Work load: Average of 65 claims handled daily by each administrator.

Clients: 140 total adjusting and administration clients, of which 60 are self-insurers.

Compensation: Percent of an-

nual premium; per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression not tracked.

Bank services: Offered.

Audits in 1981: 20 conducted, 100% for self-insurers.

Auditing staff: One full-time auditor. Qualifications include 15 years of claims experience.

Audit examines: Claims processing, claims adjusting, claims documentation and verification, accuracy of payments, accuracy of loss reports.

Audit charges: Flat fee.

Computer Claims Administration

Box 21367, Billings, Mont. 59104; 406-245-3575

Region served: Montana, Wyoming, North Dakota, South Dakota, Idaho.

Type of claims: 100% health insurance.

Number of claims: 120 total claims adjusted; 120 for self-insurers, 120 by telephone adjuster; 14,400 claims administered, 14,400 for self-insurers.

Staff: Three total staff members, including adjusting staff of one, and a claims administration staff of two.

Work load: Average of eight multiple line claims handled monthly by an adjuster. Average of 1,200 claims handled monthly by each administrator.

Clients: Six total adjusting and administration clients, of which six are self-insurers.

Compensation: Percent of paid claims for administration/adjusting, average charge of 3% to 8%; per covered employee for administration; hourly fees for adjusting, \$25 to \$35 per hour.

1981 gross revenues: \$43,200, or 3.5% of paid claims.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Supplied monthly free of charge within three days of the end of the month; claims progression tracked.

Computer: IBM System 34, with input document terminal located in a central location.

Bank services: Offered.

Audits in 1981: Four conducted, 100% for self-insurers.

Auditing staff: One full-time auditor. Qualifications include two years of claims processing.

Audit examines: Claims reporting, claims processing, investigating, claims processing, investigation
Continued on next page

Vestern Reserve Administrative Services Inc.

276 W. Bagley Road, Berea, Ohio 44017; 216-243-2800

Parent company: WR Management Group.

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: 10,000 total claims administered in 1981; 10,000 for self-insurers.

Staff: Four total staff; four administer claims.

Work load: Average of 200 to 250 claims handled monthly by each administrator.

Clients: 10 total clients, of which 10 are self-insured.

Compensation: Per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly, by client company and independent firms hired by self-insured clients.

Reports: Supplied weekly or quarterly free of charge within 10 to 20 days of the end of the month; claims progression tracked.

Adjuster/administrator/auditor

American Insurance Administrators Inc.

6420 Wilshire Blvd., Suite 200-1, Los Angeles, Calif. 90048; 213-658-5125

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: 50,000 total claims adjusted and administered; 40,000 for self-insurers.

Staff: 12 total staff, including six adjusters and one administrative supervisor.

Work load: Average of 50 claims handled monthly by each administrator.

1981 gross revenues: Not reported.

Audits in 1981: Two conducted, none for self-insurers.

Auditing staff: Two full-time auditors. Qualifications include 25 years in all lines of health insurance.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy

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Continued from page 30
business; claims progression tracked.

Computer: IBM 4331, with input document terminal located in home office.

Audit examines: Claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of payments, case load of examiners.

Audit charges: Flat fee.

Orange County Foundation for Medical Care

300 S. Flower, Orange, Calif. 92668; 714-978-7000

Region served: Nationwide.
Type of claims: 100% health insurance.

Number of claims: 356,679 total claims adjusted and administered; 41,409 for self-insurers.

Staff: 135 total staff, including 45

adjusters, of which 39 are field adjusters, six are telephone adjusters, and four administrators.

Work load: Average of 800 multiple line claims handled monthly by an adjuster. Average of 20 claims per day handled by each administrator.

Clients: 270 total adjusting and administration clients, of which seven are self-insurers.

Compensation: 4.5% of annual premium; exclusive contract re-

quired.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff, insurers and independent firms hired by self-insured clients.

Reports: Supplied monthly and quarterly at a charge of \$25 per report per month within four weeks of the end of the month; claims progression tracked.

Computer: Data General M600,

with input document terminal at central location.

Bank services: Offered through Bank of America and Union Bank.

Locations: Branch office in Orange, Calif.

Audits in 1981: 11 conducted.

Auditing staff: Four full-time auditors out of 135 total staff. Qualifications include minimum three years claims processing in-house and knowledge of all insurers and contacts.

Audit examines: Claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of payments, case load of examiners.

John P. Pearl & Associates

4815 Prospect Road, Peoria, Ill. 61614; 309-688-9000

Region served: Nationwide.
Type of claims: 100% health insurance.

Number of claims: 245,000 total claims adjusted and administered; 45,000 for self-insurers.

Staff: 35 total staff, including 18 adjusters and administrators.

Work load: Average of 860 claims handled monthly by an adjuster and an administrator.

Clients: 100 total adjusting and administration clients, of which five are self-insurers.

Compensation: Adjusting and administration combined in one charge; percent of paid claims; percent of annual premium; per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly and annually by in-house staff, insurance companies and independent firms hired by self-insured clients.

Reports: Supplied as requested free of charge within five working days of the end of the month; claims progression tracked.

Computer: IBM 4331 with input document terminal located in home office. Self-insurers are offered CRTs for local inputting.

Locations: Portland, Ore.; Norfolk, Va.; Indianapolis; Chicago; London.

Audits in 1981: 17 conducted, 100% for self-insurers.

Auditing staff: Two full-time auditors. Qualifications include 10 years of adjusting experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Preferred Group Administrators Inc.

4414 Centerview, Suite 140, San Antonio, Texas 78229; 512-734-5013

Region served: Southwest.
Type of claims: 100% health insurance.

Number of claims: 30,000 total claims adjusted and administered; 1,000 for self-insurers.

Staff: Eight total staff members, including four adjusters, and five who administer claims.

Work load: Average of 500 claims handled monthly by each administrator.

Clients: 800 administration clients, of which one is a self-insurer.

Compensation: Per covered employee and percent of paid claims; exclusive contract required.

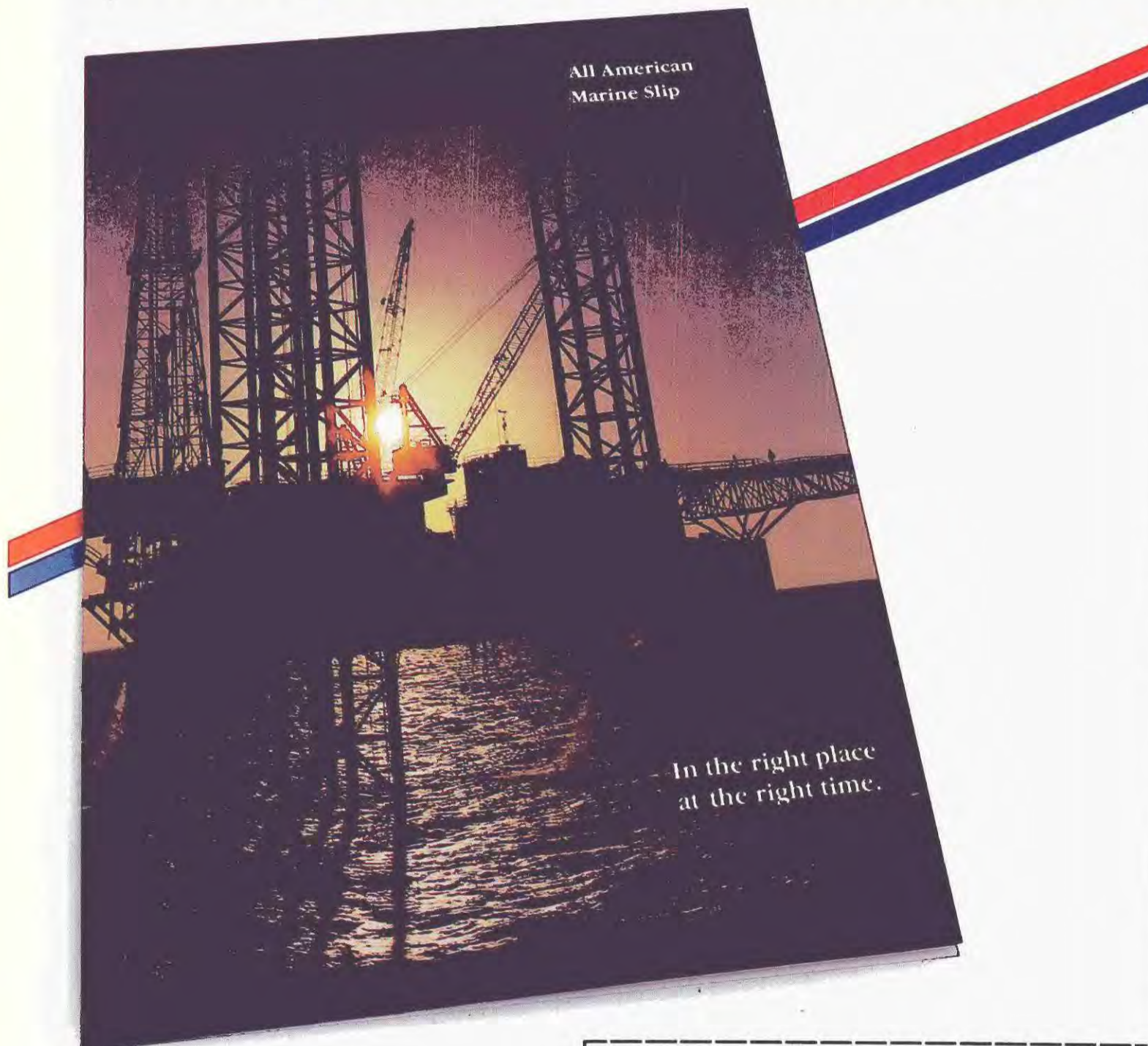
1981 gross revenues: \$2 million.

Auditing procedures: Claims are audited quarterly by in-house staff and insurance company auditors.

Reports: Supplied quarterly free of charge within two weeks of the end of the month; claims progression tracked.

Continued on page 34

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Continued from page 32

Computer: Data Point computer, with input document terminal located in the home office.

Bank services: Offered through clients' banks.

Auditing staff: Two full-time auditors. Qualifications include two and eight years of experience, respectively.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, lag-time turnaround.

Audit charges: Time and expense.

Professional Administrators Inc.

2404 Bank Drive, Box 1722, Boise, Idaho 83701; 800-635-5350

Region served: West.

Type of claims: 95% health insurance, 5% prepaid legal, disability, life insurance

Number of claims: 20,000 total claims adjusted and administered; 6,000 for self-insurers.

Staff: Seven total staff members, including three adjusters and a claims administration staff of four.

Compensation: Percent of annual premium; per claim; per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff, others and independent firms hired by self-insured clients.

Reports: Supplied monthly within five days of the end of the month; claims progression tracked.

Computer: IBM system, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting.

Audits in 1981: One conducted.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, personnel qualifications.

Audit charges: Time and expense.

Self Insurers Benefit Services

222 S. Prospect, Park Ridge, Ill. 60068; 312-692-7020

Parent company: Ryan Insurance Group Inc.

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: 500,000 total claims adjusted and administered; 100% for self-insurers.

Staff: 90 total staff, including 40 adjusters; all staff members administer claims.

Work load: Average of 1,000 claims handled monthly by each

administrator.

Clients: 50 self-insured adjusting and administration clients.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited daily by in-house staff and also by independent firms hired by self-insurance clients.

Reports: Supplied monthly within 10 days of the end of the month; claims progression tracked.

Bank services: First National Bank of Chicago.

Audits in 1981: 10 conducted, 100% for self-insurers.

Auditing staff: Five full-time auditors. Qualifications include five years of claims experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of payments, personnel

qualifications, case load of examiners.

Audit charges: Flat fee.

Adjuster/ administrator

B.E.S.T. Employee Benefit Administrators/ B.E.S.T. Benefit Payments Inc.

4222 Campus Drive, Newport Beach, Calif. 92660; 714-549-5100

Parent company: B.E.S.T. Plan Cos.

Region served: Western states.

Type of claims: 100% health insurance.

Number of claims: 20,000 total claims adjusted and administered; 7,500 for self-insurers, 7,500 by telephone adjuster.

Staff: Ten total staff, including seven telephone adjusters, and one claims administrator.

Work load: Average of 600 multiple line claims handled monthly by an adjuster.

Clients: 800 total adjusting and administration clients, of which 15 are self-insurers.

Compensation: Adjusting and administration combined in one charge; 4% to 5% of annual premium; \$5.25 per month per covered employee; time and expense.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff and stop-loss insurers and reinsurers.

Reports: Supplied monthly free of charge immediately; claims progression tracked.

Computer: IBM 260 and Burroughs, with input document terminal located in home office.

Lawsuit management: Staff of one, an attorney who is vp of claims, located in home office.

Locations: New Orleans.

Benefit Plan Services Inc.

90 S. Newtown Street Road., Box 373, Newtown Square, Pa. 19073; 215-359-1400

Parent company: Comprehensive Benefits Service Co. Inc.

Region served: Nationwide.

Type of claims: 90% health insurance, 10% dental insurance.

Number of claims: 212,000 total claims adjusted and administered; 250 adjusted and 52,000 administered for self-insurers.

Staff: 50 total staff, including 21 adjusters.

Work load: Average of 840 claims handled monthly by each administrator.

Clients: 200 total administration clients, of which 150 are self-insurers.

Compensation: Percent of incurred claims, 5% average charge; \$2 to \$4 per covered employee; time and expense.

1981 gross revenues: \$2.2 million.

Auditing procedures: Claims are audited weekly by in-house supervisory staff and other firms.

Reports: Supplied monthly free of charge within one week of the end of the month; claims progression tracked.

Computer: IBM 5120, with input document terminal located in home office.

Bank services: Offered through Industrial Valley Bank of Philadelphia.

Burr-Cummings & Associates Inc.

1700 N. Broadway, Suite 309, Walnut Creek, Calif. 94596; 415-930-8600

Region served: California, Nevada.

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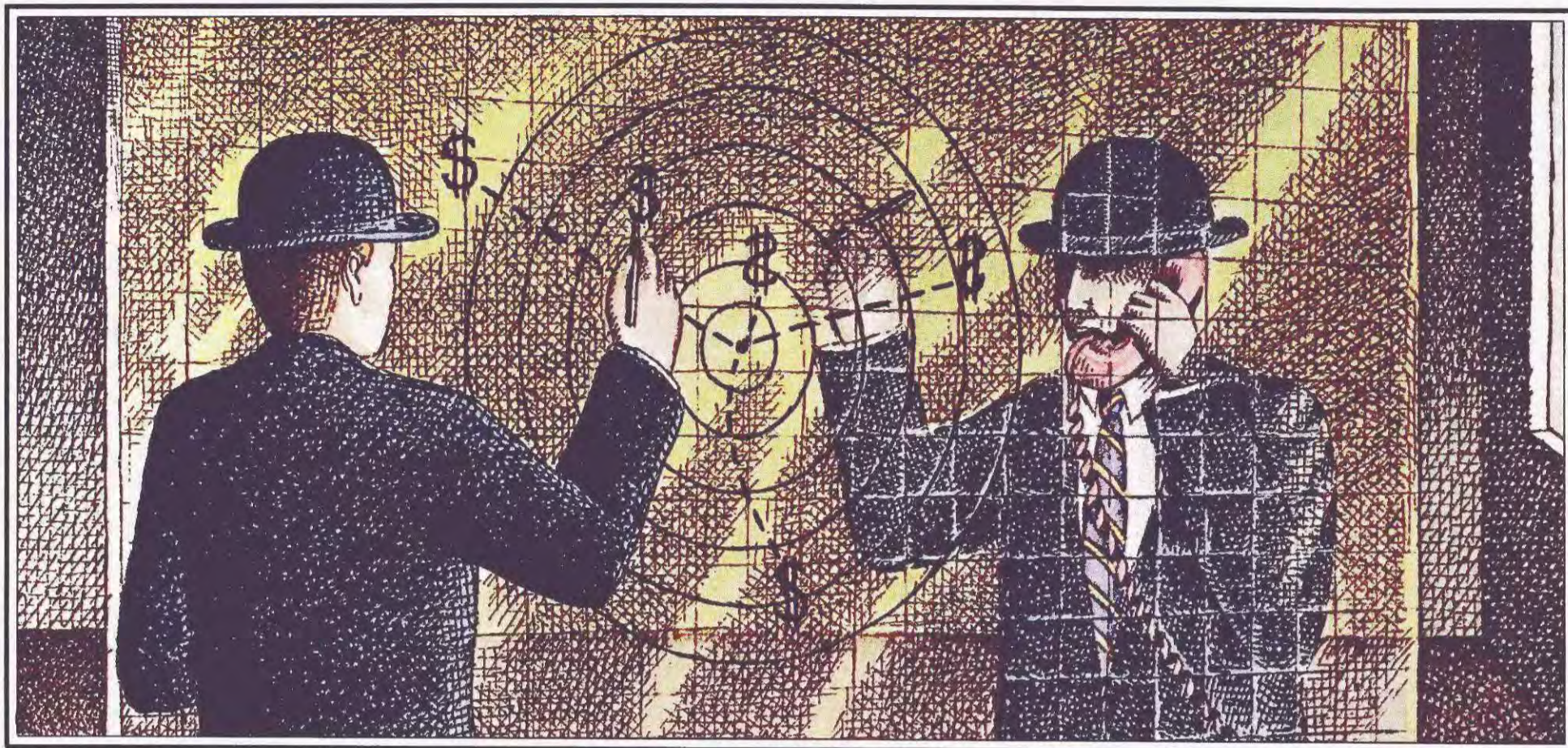
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Capturing Insur



By using cash flow strategies a company can profit from the funds moving through its insurance program.

INA explains how captives, retro-plans, deductibles and other risk retention methods can affect the bottom line.

Insurance costs for major corporations can run to tens of millions of dollars annually. The cost of money, too, is vastly higher than it once was. Not surprisingly, risk managers now seek to retain as much of their insurance cash flow as they can for as long as possible.

Cash flow management, however, is more than a technique for earning interest on the costs of coverage. A crucial element is looking at insurance, not as a commodity, but as a fundamentally *financial* tool.

Important tax consider-

ations, improved flexibility in timing payments and the chance to use insurance cash flow to finance other corporate objectives may be equally significant for management.

Overcoming the perils of underwriting oneself

The obvious way to control cash flow is to become one's own insurer. Almost all large firms (see table) now retain a portion of their risks. Self-insurance, however, may have unexpected consequences.

First, a company must con-

tract for many services—from loss control to claims adjustment—normally provided by conventional insurance. Second, though a company may earn interest on the funds held in reserve, it has to take this money out of pre-tax income. Insurance premiums, by contrast, can be treated as direct business expenses. Finally, few firms, however large, are ready to insure themselves against a truly catastrophic loss, hence major risks are still transferred.

Fortunately, several self-insurance strategies are aimed directly at these problems. Most large companies employ a combination of techniques.

An ordinary policy with a high deductible, for instance, permits a company to self-fund its frequent, but comparatively inexpensive losses, utilize the cash flow that this generates,

ance Cash Flow

and still transfer its larger but much less likely risks.

How to buy insurance and pay for it only when you use it.

Another strategy starts with a conventional retrospective rating plan. However, instead of the large premium associated with conventional plans, the insurance company pays losses from a deposit funded by the insured from time to time and charges only for service and administration.

Here the advantages include convenient scheduling of payments, lowered costs—if the loss experience is better than expected—and the opportunity for a firm to hold more of its cash for a longer time. Also important: a larger portion of the cost is treated as a business expense.

Lastly, the most complex of all retained risk strategies is the captive insurance subsidiary. Although the undertaking is sub-

stantial, the benefits are tangible. A captive allows a company to establish a structure for segregating its risks and avoiding overlapping expenditures. It offers important tax considerations and provides great flexibility in dealing with exposures overseas. Reinsurance rates may well be lower when the coverage is purchased through a captive. Income derived from the investment of the captive's reserves is available to the parent corporation for other financial needs.

Why would an insurance company encourage self-insurance?

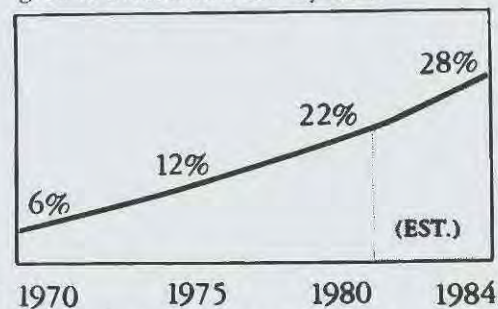
Sophisticated underwriters sometimes urge their clients to retain more of their risks. The client profits from improved cash flow while the insurer gains when it supplies the added outside services required.

INA is one of the leaders in providing unbundled services to

self-insurers. Among the most important: loss control, engineering studies, claims handling, risk management services and rehabilitation.

Risk retention rises

From just 6% of all commercial insurance in 1970, self insurance (including captives) will grow to an estimated 28% by 1984.

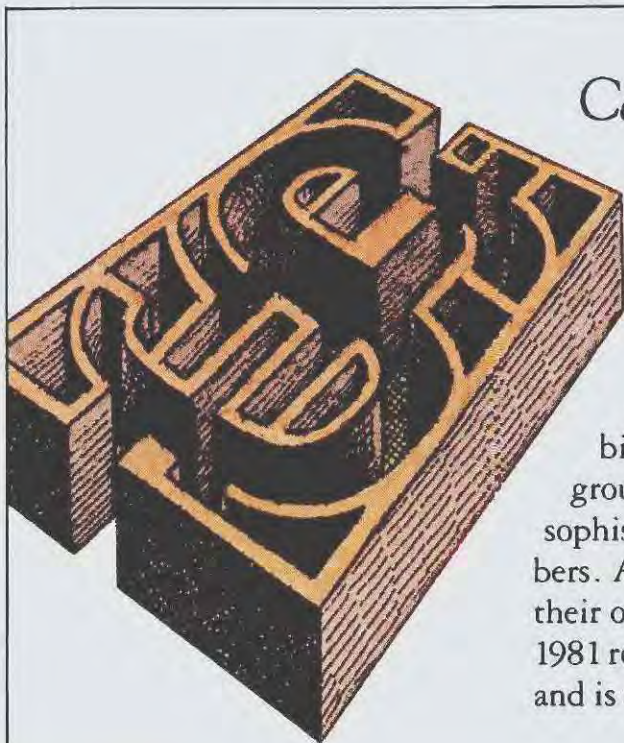


Source: Business Insurance Magazine

Risk retention strategies can also be extremely complicated. Insurance companies, with INA among the leaders, have the broad experience—and financial creativity—to help develop these complex and usually one-of-a-kind arrangements.

The Insurance Company of North America was founded in 1792 in Independence Hall in Philadelphia. Today, it is the largest component of INA Corporation's international network of insurance and financial service companies. Cash flow strategies and risk retention services are typical of the inventive products that distinguish INA.

For an informative booklet on cash flow management write INA, Dept R, 1608 Arch Street, Philadelphia, PA 19101.



Catching smaller flows of cash

Captives, retros and the like once were reserved for firms that spent a minimum of a million dollars annually. Today, however, companies that spend far less can profit from cash flow techniques through participation in trade association insurance programs. By combining the insurance needs of the entire group, associations are able to provide highly sophisticated risk-retention plans to their members. A growing number of associations even have their own captives. The Risk Retention Act of 1981 removes a number of legal stumbling blocks and is expected to hasten this trend.

INA
The Professionals

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NORTH AMERICAN



**In these uncertain times,
it doesn't pay to be uncertain about your reinsurer.**

perspective

A crucial question

Do your claims handling firms work for your best interests?

By Robert A. Chorak

CLAIMS ADMINISTRATION often can confuse the self-insurer.

After deciding to self-insure, the claims function is very important to the long-run performance of the program. Accordingly, the decision on how claims are to be handled becomes crucial. Some integral questions that must be answered are:

- How will the claims be handled?
- Should the self-insurer hire its own claims person or use a service company?
- Who will decide the disposition of claims?
- What controls how the claims will be handled?
- How much will the claims program cost?

Generally, the self-insurer has resolved its claims-handling problems by contracting with a claims adjustment service company or fronting insurer that offers its services as a claims administrator—and leaves it at that.

In some fronting arrangements, the self-insurer has no choice but to use the claims service offered by the fronting insurer as a condition of the fronting arrangement that includes the policy issuance.

Furthermore, the manner in which self-insurers manage their claims is of real interest to prospective excess insurers. The exposure of these insurers to loss is greatly increased by a poorly organized claims operation.

In many instances this claims-handling arrangement responds adequately to the needs of the self-insurer. In some cases, however, less than satisfactory results have occurred, of which the self-insured client is never aware.

At this point, a differentiation in terms of services should be made between claims adjustment services and claims administration services for the purposes of clarity. The definitions are:

- Claims adjustment services (adjusters) provide investigation leg work (phone or field basis) and collate facts found into an advisory report. Contingent upon settlement authority, the adjuster brings the claim to a conclusion either by not paying it or paying subject to his or her autonomy.
- Claims administration services (supervisors or examiners) provide direction for the adjuster and the claim file as a whole to assure quality control along with an ongoing functional audit process.

Contingent upon their autonomy, the supervisors/examiners direct litigation and bring most claim files that are in dispute to a conclusion.

While the duties of both the administrator/supervisor and the adjuster are more complex than indicated in these definitions, their complementary yet diverse relationship should be apparent. Thus, when a self-insurer has delegated the majority, if not all, of its administrative control to an adjustment service company, a conflict of interest has just been created within that servicing agency.

To illustrate, this arrangement could be characterized in the extreme as being like contract accountants who provide services that they both control and audit.

Why would a claims service agency allow itself to be placed in such a conflict-of-interest situation? The answer is simple: business generation.

Specifically, the administrative phase of claims management, for the most part, is the key to who performs the adjustment service where the greatest percentage of service dollars are earned. And, like most businesses in a competitive environment, adjustment service organizations want to lock in as much business as possible.

By identifying themselves as claims administrators, adjustment service providers can usually guarantee their operation an exclusive piece of regular business upon submitting a winning bid.

This is not to say that many claims adjustment companies do not have capable administrative personnel, because they do. However, the possible motivation for such arrangements may or may not be in the client's interest.

Other collateral services that are offered, often with little or no charge as an inducement toward an exclusive relationship, are statistical reports and banking services.

If the self-insurer would examine the commercial insurer's approach to the claims adjustment company, it would usually find that the insurer never abandons its supervisory function to an adjustment service.

The insurance industry has recognized human nature, as well as inherent conflicts of interest, in such situations. Human nature is significant because, as in most businesses, it can affect productivity.

The pressure to be productive and close claims promptly, rightfully so, is there. And it is human nature to take the path of least resistance. If technical expertise directly accountable to the self-insured is not there to supervise, the self-insured could unwittingly and unknowingly lose thousands of dollars on claims files summarily closed. Mistakes do happen, and unless there is someone independent of this conflict to correct or prevent them, significant problems can and will arise.

- How will the claims be handled?
- Should the self-insurer hire its own claims person or use a service company?
- Who will decide the disposition of claims?
- What controls how the claims will be handled?
- How much will the claims program cost?

Is there any gain to be realized by a claims services provider that supervises its own function by confessing its costly mistakes? Remember, "to err is human, to forgive expensive." In such situations, where the self-insurer lacks the sophistication that the insurance industry has at its disposal, claims service organizations, as a matter of human nature alone, will be less responsive to the unsophisticated self-insured.

Claims audits are also very important. There is another, more important dimension to this function which surprisingly few self-insurers choose to exercise: the integrity operations audit.

The insurance industry generally examines the claims procedures and adequacy of claims reserves operations audit on an annual basis. Yet it is an ongoing process due to potential fidelity problems in an organization that handles millions of dollars daily.

Although many adjustment services have controls built within their organizations, it is indeed ironic that self-insurers do not avail themselves of such a service, even at the prodding of the adjustment service provider.

Of course, this function should be done by a qualified provider who is totally unbiased, independent and realizes no gains from any findings. This service, conducted on a regular basis, can be an invaluable fail-safe mechanism that, at the least, will reassure the self-insured client and, at most, insure quality control and integrity of the operation.

In designing a claims program, the risk manager should consider a multiple independent vendor concept, which is gaining risk management acceptance. Basically, this means that the self-insurer

should separate the basic functions of claims management; audit, adjustment and administration. This restores healthy checks and balances to the program.

In addition, collateral services like data processing and banking services should be separated and bid for as well. This can be accomplished by bringing services in-house, employing independent vendors or by using a combination.

On the surface, this solution seems to be costly and contrary to the basic rule of good management, consolidate to eliminate redundancy and waste.

Yet significant service savings can be realized in our competitive marketplace by using separate vendors for these functions.

The added benefit to this type of arrangement is that the self-insurer gains real functional control of the most important part of the self-insured program, claims, the payout side, without accidentally eliminating or minimizing key functions. This can be accomplished with only a little more up-front time on the part of the risk manager or the director of independent vendors.

Self-insurers should develop a greater commitment to control both expense (allocated) dollars and cost (indemnity) dollars as well as the quality of the claims management program. Failure to do so will result in lost allocated dollars and indemnity dollars that would be chalked up to bad claims experience or not identified at all.

The multiple independent vendor concept is an idea whose time has come, not only for claims management but for risk management support services and self-insured retention programs. It can be implemented and used to save dollars that would otherwise be lost.

Robert A. Chorak is president of Risk Management Associates Inc. in Aurora, Colo.



perspective

Put the facts before the price when choosing a claims service

By Harold J. Smith

CLAIMS ADJUSTERS vs. computers. Is there a conflict?

Not really, but there is a problem of priority. Insurance companies, and now self-insurers, often put the cart before the horse when handling claims, emphasizing what comes out of the computer instead of what goes into it.

When a risk manager is offered a self-insured claim service, 90% of the discussion centers on the computer runs. There is very little discussion about the adjusters and their expertise.

Very little attention is paid to whether the adjuster is a staff adjuster for an insurance company or a qualified professional adjuster. Seldom is it asked if the adjuster normally will be handling losses as a staff adjuster for insurance companies and just filling in his schedule with the losses for the self-insured.



Harold J. Smith is president of Harold J. Smith Adjusters Inc. in New York.

Therefore, the adjuster's primary role has to be clear from the beginning.

The risk manager should know that the adjuster who is handling the cases is capable of doing them the way the risk manager wants them done, as opposed to the way the adjuster may handle them for an insurance company client.

The adjuster also should be incentive-motivated in handling self-insured losses. Often, a self-insurer feels more comfortable when he knows that the individual adjuster has a personal stake in rendering service and quality adjustments by relating the adjuster's income to his performance for the self-insurer. Nothing could provide better assurance to the self-insurer that the adjuster is being motivated to do a good job.

The risk manager should also be extremely curious as to how losses would be handled internally in any claim service.

Make it a point to meet with a person in the claim service that is going to take charge of the account, as well as the people who are actually going to be handling it day-to-day. Have a clear concept of how the losses are being handled and how they are being supervised. At all times, one person should be held responsible for the

quality of service.

The person should not be simply a paper-pusher or form filler-outer. The person should be a self-motivated professional who uses judgment, expertise and enthusiasm to produce good results for the self-insurer.

Don't be misled. Good statistics are a vital part of good claim handling. It is essential that the risk manager receive reports that are meaningful and accurate. Whether these reports are on computers or produced manually is immaterial. What is material is that they are clear, concise and accurate.

When considering a claim service, specify what information you want and how often, and don't settle for less. Demand quality service.

When considering a claim service, you should:

- Ask to meet an executive of the claim service.
- Ask to meet the person who is going to be in charge of the account.
- Ask to meet some of the adjusters who are going to handle the actual cases.
- Ask for a list of the claim service's clients.
- Ask those clients for their opinions of the claim service's performance. Check

with varied types of clients, not just self-insurers or insurers, but a combination of both.

- Ask for a copy of the claim service's errors and omissions insurance policy.
- Ask for a copy of the claim service's fidelity bond.
- Ask for a resume of the claim service.
- Check the claim service's reputation with a local branch of the state insurance department.
- Ask for samples of the claim service's reports.
- Ask for a copy of the claim service's loss runs.
- Ask for prices.

Regarding pricing, claim services are among the most underpriced services in the United States. And there are differences in the pricing of claim services.

One of the great follies of the insurance industry, which has spread somewhat to the self-insured field, is selecting a claim service strictly on price.

The problem is very simple. If you had \$1 million dollars in losses and \$100,000 in expense, where would you like to cut 10%?

The insurance company and the self-insurer who try to cut 10% of their losses instead of 10% of their expense will obviously end up way ahead of the game. ■

Save through self-insuring work comp

By R. Raymond Muller

SELF-INSURANCE is an alternative to high premiums, especially for workers compensation, a company's second-largest insurance cost after employee benefits. A well-administered self-insurance program can save a company as much as 20% to 30% of the cost of traditional work comp insurance.

Savings accrue two ways: first, from the increased efficiency of professional claims management and accident-prevention programs; secondly, from an increased cash flow that results from paying for claims as they occur rather than prepaying claims through premiums.

Large, permanent disability claims tend not to be settled immediately; therefore, the employer retains the use of the funds until the settlement is determined.

Cash flow can be increased by as much as 70% the first year when compared to annual premium, 40% the second year and 12% the third year.

The self-insurance industry has increased efforts in recent years to improve claims processing. They now also offer more safety programs that help reduce the number of work-related accidents.

R. Raymond Muller is chairman and chief executive officer of Self-Insurers Service Inc., a subsidiary of Ryan Insurance Group Inc., in Chicago.



'Careful attention to claims can be of increased importance during a recession and periods of layoffs when the number of claims usually rises dramatically. This rise often signals a higher incidence of fraudulent claims.'

Approximately 85% to 90% of all industrial work accidents are a result of unsafe acts, research shows. Leaders in the self-insurance industry have concentrated on improving safety at plant locations. They have discovered that self-insured companies are always cognizant that money to pay claims comes directly from them instead of an insurer. Therefore, those companies work harder to reduce accidents.

Concern for employee relations is paramount in a well-managed self-insured program. In a safety program, consultants evaluate each plant separately by conducting hazard evaluation surveys and observing employees on the job. The consultants review accident reports, follow up on accident causes and investigate serious mishaps. They also design formalized safety training courses for supervisors, safety committees and employees.

Self-insured companies, in our experience, frequently also take a greater interest in how claims are paid. This not only helps to reduce costs, but also is a way to foster good employee relations.

Careful attention to claims can be of increased importance during a recession

and periods of layoffs when the number of claims usually rises dramatically. This rise often signals a higher incidence of fraudulent claims.

Self-insured companies are more likely to control fraudulent claims because employees know they are personally dealing with their employer and not with an unknown third party at an insurance company. It is to the employer's and the employee's advantage that the claims be handled fairly, accurately and promptly.

Historically, self-insurance has been limited to workers compensation programs. Recently, however, the industry has been expanding the scope of its programs to provide even more cost-saving services.

Many firms are now self-insuring their general liability risks as well as workers compensation insurance, with comparable savings.

As self-insurance has caught on, firms specializing in the business have opened offices across the country. At one time, few professional service companies could be found outside the major industrial cities. It was a service industry practice to subcontract to local service companies. Today there are many more service

companies in the South and Southwest, reflecting the sharp influx of industry to the Sun Belt.

Most recently, the benefits of self-insurance have been extended to small and medium-sized businesses that until now had been prevented from participating by minimum size requirements. The self-insurance industry has been encouraging this trend. It supports actions by state legislatures that enable companies with similar employment risks to pool resources and form a collective self-insurance program.

Illinois enacted such legislation one year ago. Similar legislation has recently passed in Georgia, Oregon and Maryland. In all, 19 states now permit such pools for self-insurance coverage, and the list is certain to grow.

It is advised, however, that each member be carefully screened before joining a pool to protect other participants from undue risks. Upon joining, the group members contribute to the pool based on their loss experience. Claims are serviced just as they are for individual programs, including evaluation of claims and the timely issuance of checks for employees and medical care.

While contributions to the pool may appear similar to insurance premiums, there are several important distinctions. Most notably, money not used for claims can subsequently be returned to pool members. Also, the money in the pool account earns interest that belongs to members of the association, thus further helping to reduce the cost of insuring risks. ■

Continued from page 34

Type of claims: 100% health insurance.

Number of claims: 3,000 total claims adjusted and administered; 3,000 for self-insurers.

Staff: 16 total staff, including four adjusters and one claims administrator.

Work load: 100% medical only.

Clients: Two total adjusting and administration clients, of which two are self-insurers.

Compensation: Per covered employee; exclusive contract required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly and annually by trust auditor.

Reports: Supplied monthly.

Locations: San Francisco.

Group Claims

Administrators Inc.

888 17th St. N.W., Suite 502,
Washington, D.C. 20006;
202-466-7630

Region served: Nationwide.

Type of claims: 100% health insurance.

Number of claims: 30,000 total claims adjusted and administered; all for self-insurers.

Staff: 16 total staff.

Clients: 22 total adjusting and administration clients, of which 20 are self-insurers.

Compensation: Per covered employee; exclusive contact required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff.

Reports: Supplied monthly at a charge included in flat fee within six weeks of the end of the month; claims progression tracked.

Computer: Data General, with input document terminal located in home office.

Hunt/Dreaden Associates Inc.

Box 121228, Nashville, Tenn.
37212; 800-251-2607;
800-342-2288 in Tennessee

Region served: Southeast.

Type of claims: 100% health insurance.

Number of claims: 6,000 total claims adjusted and administered; 6,000 for self-insurers.

Staff: 10 total staff, including three adjusters and three claims administrators.

Clients: Nine total adjusting and administration clients, of which nine are self-insurers.

Compensation: Per covered employee.

1981 gross revenues: \$66,000.

Auditing procedures: Claims are audited monthly in-house and annually by independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within five days of the end of the month; claims progression tracked.

Computer: Digital Equipment Corp. PDP 11/34, with input document terminal at central location.

Insurance Benefits Inc.

150 S. Prospect Ave., Tustin, Calif.
92680; 714-832-7900

Region served: California, Nevada.

Type of claims: 100% health insurance.

Staff: 33 total staff, including nine adjusters and two claims administrators.

Work load: Average of 200 claims handled monthly by each administrator.

Clients: Not reported.

Compensation: Percent of annual premium, average of 3% charged; exclusive contract required.

1981 gross revenues: \$5 million in billings.

Auditing procedures: Claims are spot audited and audited monthly by in-house staff and independent firms hired by self-insured clients.

Reports: Supplied monthly or annually free of charge within one week of the end of the month; claims progression tracked.

Computer: Honeywell Level 6, with input document terminal located in home office.

Lawsuit management: Staff of one located in home office with 23 years in insurance business, including claims and investigation experience.

**Administrator/
auditor**

Employee Services Inc.

120 S. Indiana, Box 1610, Sioux Falls, S.D. 57101; 605-336-2457

Region served: South Dakota, North Dakota, Iowa, Minnesota.

Type of claims: 100% health insurance.

Staff: 12 total staff, with a claims administration staff of nine.

Clients: 30 total administration
Continued on next page

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Tulsa • Suite 305 • 5200 S. Yale St., 74135 • (918) 496-0111

Continued from previous page clients, of which 30 are self-insurers.

Compensation: Flat fee for service.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by employers and insurance companies.

Reports: Supplied monthly free of charge within two to three days of the end of the month.

Imperial Industries

3200 Wilshire Blvd., Los Angeles, Calif. 90010; 213-487-6320

Parent company: Baldwin United.

Region served: Western states.

Type of claims: 85% health insurance, 15% life insurance.

Number of claims: 230,000 total claims administered.

Staff: 68 total staff, with a claims administration staff of 37.

Work load: Average of 900 claims handled monthly by each administrator.

Clients: 20 total administration clients, of which nine are self-insurers.

Compensation: Percent of paid claims, 4% to 5%; per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff, insurance companies and independents hired by self-insured clients.

Reports: Supplied monthly as part of standard fee within 10 days of the end of the month; claims progression tracked.

Bank services: Various banks.

Locations: Burlingame, Calif.

Audits in 1981: None conducted.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, ac-

curacy of payments, personnel qualifications.

Audit charges: Time and expense.

Insurance Management Administrators Inc.

Box 19569, Houston, Texas 77024; 713-496-3100

Region served: Southwest.
Type of claims: 100% health insurance.

Number of claims: More than 50,000 claims administered; 50,000 for self-insurers.

Staff: 20 total staff, including a claims administration staff of nine.

Work load: Average of 1,000 claims handled monthly by each administrator.

Clients: More than 100 administration clients, all of which are self-insurers.

Compensation: Usually \$3 to \$7 per covered employee.

1981 gross revenues: More than

\$500,000.

Auditing procedures: Claims are audited by in-house staff.

Reports: Supplied monthly at no charge within one week of the end of the month; claims progression tracked.

Computer: Basic Four computer, with input document terminal located in home office.

Lahood & Associates Inc.

10200 W. 75, Overland Park, Kan. 66212; 913-432-0877

Region served: Midwest.
Type of claims: 100% health insurance.

Staff: 36 total staff, including a claims administration staff of 31.

Clients: 115 total administration clients, all of which are self-insurers.

Compensation: \$1.40 to \$6 per covered employee.

1981 gross revenues: \$1 million.
Auditing procedures: Claims

are audited annually by reinsurance auditors and independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within 10 days of the end of the month.

Computer: IBM System 34 with input document terminal located in central location.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners.

Audit charges: Time and expense charge of \$35 to \$75 per hour.

Marcotte Administrators Inc.

4016 Hederson Blvd., Box 18044, Tampa Fla.; 813-253-2726

Region served: Southeast.
Type of claims: 100% health insurance.

Number of claims: None; new company started in 1981.

Staff: Three total staff, including a claims administration staff of one.

1981 gross revenues: New company.

Reports: Supplied monthly at a charge within 10 days of the end of the month; claims progression tracked.

Medical Group Insurance Services Inc.

Box 28370, 377 S. Daniel Way, San Jose, Calif. 95159; 208-248-8647

Region served: Nationwide.
Type of claims: 100% health insurance.

Number of claims: 15,000 total claims administered; 3,000 for self-insurers.

Staff: Nine total staff, including a claims administration staff of six.

Work load: Average of more than 400 claims handled monthly by each administrator.

Clients: 400 total administration clients, of which 80 are self-insurers.

Compensation: Exclusive contract required.

1981 gross revenues: \$240,000.

Auditing procedures: Claims are audited by in-house staff.

Reports: Supplied quarterly at no charge; claims progression tracked.

Computer: Microprocessor with input document terminal located in home office.

Lawsuit management: Staff of one located in home office with 20 years of claims experience.

Bank services: Local bank.

Audits in 1981: One conducted, 100% for self-insurers.

Auditing staff: One full-time auditor. Qualifications include a minimum of two years of experience in processing and auditing medical and dental claims.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and expense charge of \$60 to \$80 per hour.

Swanke Inc.

7800 Dupont Ave. S., Minneapolis, Minn. 55420; 612-884-7604

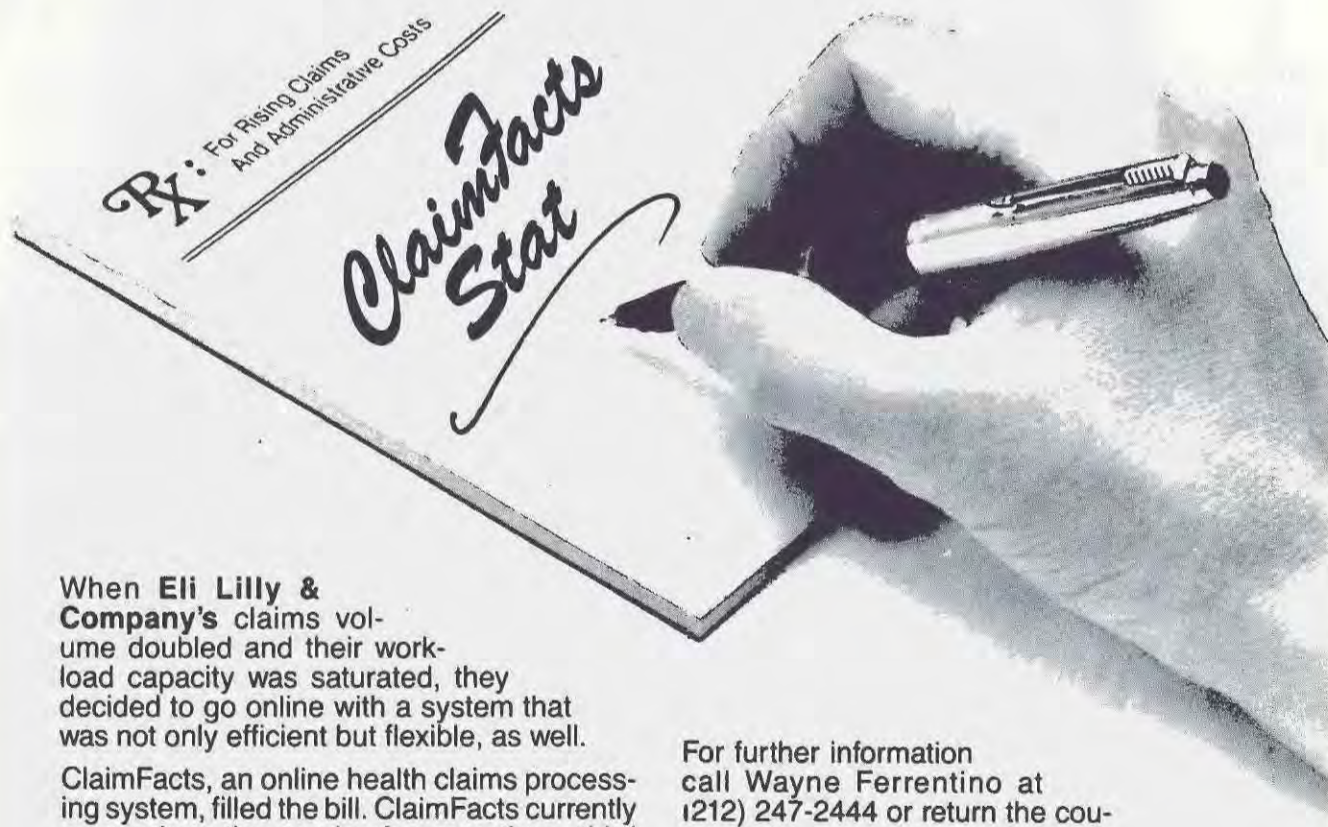
Region served: Nationwide.
Type of claims: 100% health insurance.

Number of claims: 67,600 total claims administered; 67,000 for self-insurers.

Staff: 22 total staff, including a claims administration staff of 10.

Work load: Average of 975 claims handled monthly by each administrator.

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Clients: 650 total administration clients, of which 560 are self-insurers.

Compensation: Exclusive contract required.

1981 gross revenues: \$625,000.

Auditing procedures: Claims are audited randomly by independent firms hired by self-insured clients.

Reports: Supplied monthly at no charge within 10 days of the end of the month; claims progression tracked.

Computer: Wang 2200 with input document terminal located in home office.

Audits in 1981: Two conducted, 100% for self-insurers.

Auditing staff: Two full-time auditors. Qualifications include 17 years and 14 years of group claims experience, respectively.

Audit examines: Claims reporting, claims processing, claims investigation, claims documentation and verification, accuracy of payments, accuracy of loss reports, personnel qualifications.

Audit charges: Range of hourly fees charged.

Auditing procedures: Claims are audited annually by in-house staff.

Reports: Supplied as requested at a charge depending on number and type of report usually within six days of the end of the month; claims progression tracked.

Computer: Input document terminal located in home office. Self-insurers are offered CRTs for local inputting; none use this capability or perform own data processing.

Lawsuit management: One attorney on staff, located in home office.

Bank services: Through Equifax RMS bank or client bank.

Locations: Offices in major cities throughout U.S.

Homeland Industrial Corp.

4020 Moorpark Ave. San Jose, Calif. 95117; 408-248-6380

Continued on next page

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Joseph M. Allovio & Associates

Long Grove Executive House, Route 6, Box 43, Long Grove, Ill. 60047; 312-634-9270

Region served: Illinois.

Type of claims: 90% workers compensation, 10% medical malpractice.

Number of claims: 300 total claims administered in 1981; 300 for self-insurers.

Staff: Five total staff; three administer claims.

Clients: 25 total clients, of which two are self-insured.

Compensation: Percent of annual premium, average 8% charge.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.

Computer: TRS 80, with input document terminal in central location.

Bank services: Imprest accounts.

Equifax Risk Management Systems

1600 Peachtree St., P.O. Box 4081, Atlanta, Ga. 30302; 404-885-8000

Parent company: Equifax Services Inc.

Region served: Nationwide.

Type of claims: 73% workers compensation, 23% general liability, 3% automobile.

Number of claims: Total claims administered in 1981 not reported.

Staff: Not reported.

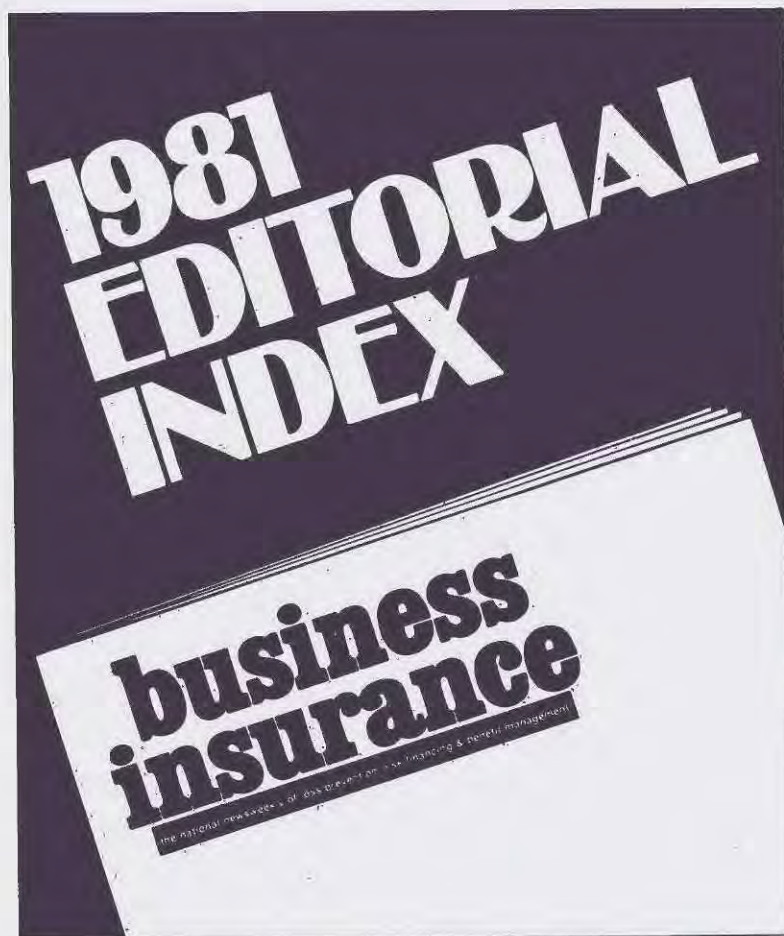
Work load: Average of 140 to 150 claims handled monthly by each administrator. Claims requiring investigation, other than telephone inquiry, are assigned to outside investigator/adjuster.

Clients: Not reported.

Compensation: Percent of incurred claims, percent of paid claims, percent of annual premium, per claim (flat rate), time and expense. Clients also offered services unbundled.

1981 gross revenues: Not reported.

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Continued from previous page

Parent company: Homeland General Corp.

Region served: California.

Type of claims: 90% workers compensation, 10% automobile.

Number of claims: 1,645 total claims administered in 1981; 450 for self-insurers.

Staff: Eight total staff; eight administer claims.

Clients: 1,500 total clients, of which two are self-insured.

Compensation: Per claim (flat fee), negotiated also.

1981 gross revenues: \$100,000.

Auditing procedures: Claims are audited by in-house staff.

Reports: Supplied monthly at a charge included in fee within 10 days of the end of the month; claims progression tracked.

Computer: Input document terminal in home office and central location. Self-insurers are offered CRTs for local inputting; none use this capability or perform own data processing.

Lawsuit management: Staff of one located in home office.

Bank services: Variety offered.

Adjuster/ administrator/ auditor

AASC Claim Management Specialist

10534 Natural Bridge, St. Louis, Mo.
63145; 314 428-4200

Parent company: NAVCO Corp.

Region served: Nationwide.

Type of claims: 10% workers compensation, 10% general liability, 80% aviation.

Number of claims: 1,400 total claims adjusted and administered; 200 for self-insurers.

Staff: 16 total staff, including four adjusters, and a claims administration staff of 10.

Work load: Average of 30 multiple line claims handled monthly by an adjuster; average of 20 workers compensation claims handled monthly under one supervisor, of which 90% are medical only and 10% are indemnity.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: \$900,000.

Auditing procedures: Claims are audited quarterly by a law firm.

Reports: Supplied.

Lawsuit management: Two staff members, located in home office, with 20 years and 17 years of claims experience, respectively.

Locations: San Francisco; Trenton, N.J.

Audits in 1981: Two conducted, 50% for self-insurers.

Auditing staff: Two full-time auditors out of total staff. Qualifications include 10 years of experience in auditing.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and expense, flat fee.

Aetna Technical Services Inc. (Aetnatec)

151 Farmington Ave., Hartford,
Conn. 06156; 203-273-7593

Parent company: Aetna Life & Casualty.

Region served: Nationwide.

Type of claims: 75% workers compensation, 2% general liability, 8% automobile, 3% property damage, 1% professional liability, 1% bonds, 10% products.

Staff: Adjusting and administration staff of 3,500.

Work load: Average of 150 multiple line claims handled monthly by an adjuster; average of 100 workers compensation claims handled monthly under one supervisor, of which 70% are medical only and 30% are indemnity.

Compensation: Adjusting and administration combined in one charge; percent of incurred claims, percent of paid claims, flat rate per claim, time and expense charge of \$40 to \$60 per hour.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff.

Reports: Supplied monthly at a charge of \$5 to \$7 per claim within 15 days of the end of the month; claims progression tracked.

Lawsuit management: Staff of 200, located around the country.

Bank services: Offered.

Locations: Offices around the country.

Audits in 1981: More than 20 conducted, 90% for self-insurers.

Auditing staff: Two full-time auditors. Qualifications include 20



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Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness, cost control, medical management, legal cost.

Audit charges: Time and expense, flat fee.

Alexsis Risk Management Services Inc.

130 E. Randolph St., Chicago, Ill. 60601; 312-565-6036

Parent company: Alexander & Alexander Services Inc.

Region served: Nationwide.

Type of claims: 55% workers compensation, 15% general liability 10% automobile, 15% professional liability, 5% product liability.

Number of claims: 120,000 total claims adjusted and administered; 100% for self-insurers, 10% by field adjuster and 90% by telephone adjuster.

Staff: 400 total staff, including 260 adjusters and administrators.

Clients: 870 total adjusting and administration clients, of which 870 are self-insurers.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: Estimated standard premium of \$450 million.

Reports: Supplied monthly free of charge within two weeks of the end of the month; claims progression tracked.

Lawsuit management: Staff located in major offices.

Bank services: Various banks.

Locations: 29 offices in the United States.

Audits in 1981: More than 50 conducted, 50% for self-insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and expense, flat fee.

Certified Claims Corp.

222 Cedar Lane, Suite 200, Teaneck, N.J. 07666; 201-692-1034

Parent company: Wrightson & Co.

Region served: Nationwide.

Type of claims: 5% workers compensation, 20% general liability, 20% automobile, 20% property damage, 20% professional liability, 5% ocean marine, 5% inland marine, 5% reinsurance.

Number of claims: 375 total claims adjusted; 240 for self-insurers, 140 by field adjuster and 100 by telephone adjuster.

Staff: 16 total staff, including adjusting staff of 12 with seven adjusters, of which five are field adjusters, two are telephone adjusters, and a claims administration staff of six.

Work load: Average of 40 multiple line claims handled monthly by an adjuster; average of 60 workers compensation claims handled monthly under one supervisor, of which 80% are medical only and 20% are indemnity. Average of 100 claims handled monthly by each administrator.

Clients: 35 total adjusting and administration clients, of which six are self-insurers.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually, by in-house staff.

Reports: Supplied.

Lawsuit management: Staff of six located in regional offices with an average of 15 years of multiple

line claims experience.

Locations: New York; Northbrook, Ill.; Kansas City, Mo.

Audits in 1981: 10 conducted, 30% for self-insurers.

Auditing staff: Six full-time auditors. Qualifications include average of 15 years of multiple line claims experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and ex-

pense charges of \$35 to \$74 per hour; flat fee of \$300 to \$400 per day plus expenses.

Claim & Risk Control Inc.

116 John St., New York, N.Y. 10038; 212-964-4242

Region served: New York, New Jersey, Pennsylvania, Delaware, Connecticut.

Type of claims: 10% workers compensation, 60% general liability, 20% automobile, 10% property damage.

Number of claims: More than 7,500 total claims adjusted; 5,000 for self-insurers; more than 15,000

Continued on next page

business insurance

INSURANCE SERVICES GUIDE:

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turn to page 66



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Continued from previous page
claims administered.

Staff: 37 total staff, including 25 adjusters.

Gross revenues: Not reported.

Reports: Supplied monthly; claims progression tracked.

Locations: Hauppauge, N.Y.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, case load of examiners, defense effectiveness.

**Claims Administration
Systems Inc.**

2908 Oregon Court, Torrance, Calif.
90503; 213-320-6363

Region served: California, Arizona, Nevada, Oregon, Washington, Texas, Idaho, Georgia.

Type of claims: 60% workers compensation, 30% general liability, 5% automobile, 5% property damage.

Number of claims: 4,800 total claims adjusted; 4,400 for self-insurers, 2,500 by field adjuster and 1,900 by telephone adjusters; 14,000 claims administered; 9,800 for self-insurers.

Staff: 71 total staff, including ad-

justing staff of 51, of which 25 are field adjusters, 20 are telephone adjusters, and 48 who administer claims.

Work load: Average of 35 multiple line claims handled monthly by an adjuster; average of 210 workers compensation claims handled monthly under one supervisor, of which 75% are medical only and 25% are indemnity. Average of 210 claims handled monthly by each administrator.

Clients: 185 total adjusting and administration clients, of which 55 are self-insurers.

Compensation: Administration and adjusting combined in one charge by percent of paid claims, per covered employee.

1981 gross revenues: More than \$2.4 million, or 4% of paid claims.

Auditing procedures: Claims are audited monthly in-house and annually by state agency and outside firms hired by self-insured clients.

Reports: Supplied monthly at a fee within five to 15 days of the end of the month; claims progression tracked.

Computer: IBM and Data General computers, with input document terminal located in each office. Self-insurers are offered CRTs for local inputting; three use this capability; two perform own data processing.

Lawsuit management: Staff of four, located in Cypress office, with at least 10 years of legal case management experience.

Bank services: Offered.

Locations: San Francisco, Los Angeles, Santa Ana, Cypress, Calif.; Portland, Ore.; Boise, Idaho; Phoenix, Ariz.; Reno, Nev.; Houston; Dallas; New York; Atlanta.

Audits in 1981: Three conducted, 100% for self-insurers.

Audit examines: Claims reporting, claims processing, claims documentation and verification, accuracy of reserves, accuracy of payments, personnel qualifications, defense effectiveness.

Audit charges: Average flat fee of \$500 per day.

**Claims Management
Services**

1221 Ave. of the Americas, New York, N.Y. 10020; 212-997-5713

Parent company: Marsh & McLennan Inc.

Region served: Nationwide.

Type of claims: 80% workers compensation, 12% general liability, 2% automobile, 1% property damage, 5% professional liability.

Number of claims: 20,000 total claims adjusted; 20,000 for self-insurers.

Staff: 127 total staff, including 73 adjusters.

Work load: Average of 23 multiple line claims handled monthly by an adjuster.

Clients: More than 500 total adjusting and administration clients.

Compensation: Adjusting and administration combined in one charge; per claim; time and expense; exclusive contract required.

1981 gross revenues: \$6 million.

Auditing procedures: Claims are audited annually by in-house staff.

Reports: Supplied monthly and quarterly at a charge included in the claims fee within 15 days of the end of the month; claims progression tracked.

Computer: DEC 20/60 with input document terminals located in each office. Self-insurers are offered CRTs for local inputting.

Audits in 1981: 25 conducted, 40% for self-insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and expense, \$55 to \$70 per hour.

**Constitution State
Service Co.**

100 Constitution Plaza, Suite 1632,
Hartford, Conn. 06103;
203-277-5489

Parent company: The Travelers Insurance Co.

Region served: Nationwide.

Type of claims: 40% workers compensation, 20% general liability, 20% automobile, 10% property damage, 6% professional liability, 2% ocean marine, 2% bonds.

Staff: 3,000 total staff.

Compensation: Per claim, time and expense.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff, brokers.

Reports: Supplied monthly at a charge within three weeks of the end of the month; claims progression tracked.

Computer: IBM system, with input document terminal located in home office.

Lawsuit management: Staff of lawyers located in home and field offices.

Bank services: Offered.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and expense, flat fee.

Johns Eastern Co. Inc.

2238 Gulf Gate Dr., Box 4175,
Sarasota, Fla. 33578; 813-924-1301

Region served: Florida, Maryland, District of Columbia, Virginia, Delaware, New Jersey, Pennsylvania, Ohio.

Type of claims: 50% workers compensation, 20% general liability, 5% automobile, 5% property damage, 15% professional liability, 1% bonds, 1% ocean marine, 1% inland marine, 2% miscellaneous.

Number of claims: 24,965 total claims adjusted and administered; 12,632 for self-insurers, 16,485 by field adjuster and 8,500 by telephone adjuster.

Staff: 135 total staff, including adjusting staff of 70 with 65 adjusters, of which 55 are field adjusters, 10 are telephone adjusters, and a claims administration staff of 10.

Work load: Average of 32 multiple line claims handled monthly by an adjuster; average of 83 workers compensation claims handled monthly under one supervisor, of which 80% are medical only and 20% are indemnity. Average of 83 claims handled monthly by each administrator.

Clients: 500 total adjusting and administration clients, of which 10 are self-insurers.

Compensation: Adjusting and administration usually combined in one charge; percent of payroll, percent of annual premium, per claim, time and expense, lump sum per year; exclusive contract required.

1981 gross revenues: \$4.7 million.

Auditing procedures: Claims are audited monthly by in-house staff.

Reports: Supplied monthly at a charge within one to 10 days of the end of the month; claims progression tracked.

Computer: NCR 8555M, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; one uses this capability; one performs own data processing.

Lawsuit management: Staff of one, located in home office.

Locations: Orlando, Miami, West Palm Beach, Lakeland,

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Los Angeles, California

Tampa and Pinellas County, Fla.; Baltimore; Washington; Philadelphia; Cincinnati, Columbus and Dayton, Ohio.

Audits in 1981: One conducted, 100% for self-insurers.

Auditing staff: Four full-time auditors. Qualifications include eight or more years of experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, timely reporting.

Audit charges: Time and expense.

Joseph P. Minardi, Attorney at Law P.C.

1500 Main St., Springfield, Mass. 01115; 413-734-1562

Region served: Western Massachusetts, northern Connecticut.

Type of claims: 100% workers compensation.

Number of claims: 450 total claims adjusted and administered; 450 for self-insurers.

Staff: Five total staff, including adjusting and administration staff of two.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: \$110,000 or 10% of paid claims.

Auditing procedures: Claims are audited annually by a reinsurer.

Reports: Supplied monthly at no charge within 15 days of the end of the month; claims progression tracked.

Audits in 1981: One conducted, 100% for self-insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, defense effectiveness.

Risk Management Economics

156 William St., New York, N.Y. 10038; 212-223-7171

Parent company: BRI Coverage Corp.

Region served: Nationwide.

Type of claims: 85% workers compensation, 10% general liability, 5% automobile.

Number of claims: 3,000 total claims adjusted; 2,000 for self-insurers; 7,000 claims administered, 6,000 for self-insurers.

Staff: Eight total staff, including adjusting and administration staff of five.

Work load: Average of 250 workers compensation claims handled monthly under one supervisor, of which 60% are medical only and 40% are indemnity. Average of 100 claims handled monthly by each administrator.

Clients: 10 total adjusting clients, of which three are self-insurers; eight total administration clients, of which five are self-insurers.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: \$1.3 million.

Auditing procedures: Claims are audited quarterly by a public accountant.

Reports: Supplied free within seven to 15 days of the end of the month; claims progression tracked.

Computer: Hewlett Packard HP-300, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; one uses this capability.

Lawsuit management: Staff of two attorneys, located in New York.

Audits in 1981: Two conducted, 0% for self-insurers.

Audit examines: Claims report-

ing, claims processing; claims investigation, claims adjusting, claims documentation and verification, accuracy of payments, accuracy of loss reports.

Audit charges: Varies by client.

St. Paul Risk Services Inc.

230 Hamm Building, 408 St. Peter St., St. Paul, Minn. 55102; 612-221-7203

Parent company: St. Paul Fire & Marine Insurance Co.

Region served: Nationwide.

Type of claims: 20% workers compensation, 5% general liability, 15% automobile, 60% professional liability.

Staff: 1,715 total staff, including adjusting staff of 1,035 and a claims administration staff of 194.

Work load: Average of 42.8 multiple line claims handled monthly by an adjuster; average of 325 workers compensation claims han-

dled monthly under one supervisor, of which 33% are medical only and 67% are indemnity. Average of 325 claims handled monthly by each administrator.

Clients: More than 100 total adjusting and administration clients, of which more than 100 are self-insurers.

Compensation: Adjusting and administration expenses combined in one charge; percent of incurred claims, percent of paid claims, per claim, time and expense charge of \$45 to \$90 per hour.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited by in-house staff and independent firms hired by self-insured clients.

Reports: Supplied at a charge within 25 days of the end of the month; claims progression tracked.

Computer: Parent company's system with input document terminal located in a central loca-

tion.

Lawsuit management: Located in the home office.

Locations: Offices in 48 states and Canada.

Auditing staff: 29-member claims auditing staff; audits performed by claim supervisory personnel.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness.

Audit charges: Time and expense, flat fee.

Self Insurance Administrators Inc.

1530 The Alameda, San Jose, Calif. 95126; 408-286-5151

Parent company: Corroon & Black Corp.

Region served: Northern Cali-

fornia, Nevada, Utah, Oregon, Washington, Alaska.

Type of claims: 100% workers compensation.

Number of claims: 700 total claims adjusted and administered; 700 for self-insurers, 30 by field adjuster and 670 by telephone adjuster.

Staff: Eight total staff, including adjusting and administration staff of six.

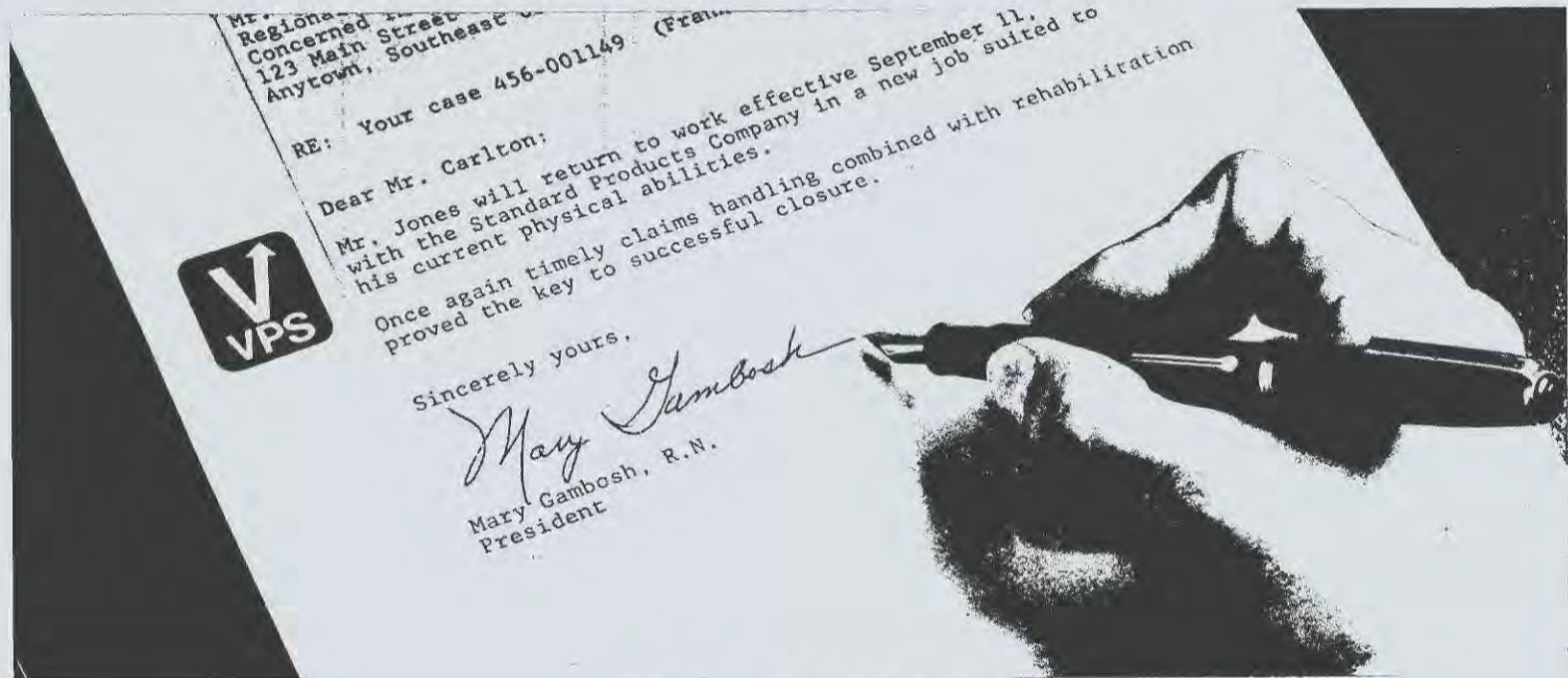
Work load: Average of 250 workers compensation claims handled monthly under one supervisor, of which 34% are medical only and 66% are indemnity. Average of 250 claims handled monthly by each administrator.

Clients: 26 total adjusting and administration clients, of which 26 are self-insurers.

Compensation: Adjusting and administration combined in one charge, \$95 per claim.

1981 gross revenues: \$125,000 or
Continued on next page

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Continued from previous page

10% of paid claims.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Supplied monthly free of charge within 15 days of the end of the month; claims progression tracked.

Computer: IBM 370, with input document terminal located in central location.

Locations: Stockton, Merced, Calif.

Audits in 1981: Two conducted, 100% for self-insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, compliance with state regulations.

Audit charges: Flat fee.

Underwriters Adjusting Co.

80 Maiden Lane, New York, N.Y.
10038; 212-440-2364

Parent company: Continental Corp.

Region served: Nationwide.

Type of claims: 15% workers compensation, 21% general liability, 31% automobile, 15% property damage, 5% professional liability, 2% bonds, 5% ocean marine, 6% inland marine.

Number of claims: 1,315,640 total claims adjusted and administered; 200,000 for self-insurers, 130,000 by field adjuster and 70,000 by telephone adjuster.

Staff: 4,200 total staff, including adjusting staff of 2,500, of which 1,000 are field adjusters, 1,250 are telephone adjusters, and a claims administration staff of 250.

Work load: Average of 900 workers compensation claims handled monthly under one supervisor, of which 80% are medical only and 20% are indemnity.

Clients: 1,601 total adjusting and administration clients, of which 700 are self-insurers.

Compensation: Percent of incurred claims, 10% average charge; percent of paid claims, 10% average charge; percent of payroll, varies; percent of annual premium, 7% average charge; per claim (flat rate), \$38 to \$250 range of charge; per covered employee, varies; time and expense, \$26 to \$43 per hour.

1981 gross revenues: \$130 million.

Auditing procedures: Claims are audited monthly and annually by in-house staff from home and branch offices; by independent hired by self-insurers.

Reports: Supplied monthly, at a charge based on percent of service fee or flat fee, within 15 days of the end of the month; claims progression tracked.

Computer: Neptune NS, with input document terminal located in home office.

Lawsuit management: 50 on staff, located in home, regional and large branch offices, attorneys and professionals with many years of claims experience.

Bank services: Offered through a financial institution.

Locations: 300 offices nationwide.

Audits in 1981: 15 conducted, 80% for self-insurers.

Auditing staff: 15 full-time auditors out of 4,200 total staff. Qualifications of most auditors, attorneys or professionals with 15 or more years of claims experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Time and expense, \$48-\$52 per hour; flat fee, \$200-\$400 per day.

Waite Hill Services Inc.

4420 Sherwin, Willoughby, Ohio
44094; 216-946-9000

Parent company: Figgie International Inc.

Region served: Nationwide.

Type of claims: 20% workers compensation, 64% general liability, 4% automobile, 6% property damage, 10% professional liability.

Staff: 15 total staff, including adjusting staff of 10, of which 10 are field adjusters, and a claims administration staff of 10.

Compensation: Percent of annual premium, per claim, time and expense.

1981 gross revenues: More than \$2 million.

Auditing procedures: Claims are audited quarterly by in-house staff.

Lawsuit management: Staff of 10 seasoned personnel.

Locations: Cleveland area; Providence, R.I.; Atlanta; Richmond, Va.; Los Angeles; Chicago.

Adjuster

Gay & Taylor Inc.

Box 1410, Winston-Salem, N.C.
27102; 919-743-9631

Parent company: Equifax Inc.

Region served: 25 states.

Type of claims: 7% workers compensation, 5% general liability, 52% automobile, 30% property damage, 1% professional liability, 1% bonds, 1% ocean marine, 2% inland marine, 1% aviation, Jones Act.

Number of claims: 106,000 total claims adjusted in 1981, of which 8,400 were for self-insurance clients; 8,400 by field adjuster.

Staff: 470 total staff, including 350 adjusters, of which 310 are field adjusters, 40 are telephone adjusters and 25 are administrative supervisors.

Work load: Average of 35 multiple line claims handled monthly by an adjuster; average of 150 workers compensation claims handled monthly by an adjuster, of which 80% are medical only and 20% are indemnity.

Clients: 3,400 total, of which 362 are self-insurers.

1981 gross revenues: Not reported.

Master Adjusting Co.

39580 Grand River, Box 742, Novi, Mich. 48050; 313-477-0200

Region served: Michigan, Ohio.

Type of claims: 70% workers compensation, 15% general liability, 10% automobile, 5% professional liability.

Number of claims: 390 total number of claims adjusted in 1981, of which 105 were for self-insurance clients; 390 by field adjuster.

Staff: three total staff, including three adjusters, of which three are field adjusters; one is also an administrative supervisor.

Work load: Average of 23 multiple line claims handled monthly by an adjuster; average of 51 workers compensation claims handled monthly by a supervisor, of which 100% are indemnity.

Clients: 15 total, of which six are self-insurers.

Compensation: Flat rate of \$20 per hour.

1981 gross revenues: \$89,000.

Harold J. Smith Inc.

161 William St., New York, N.Y.
10038; 212-962-5100

Parent company: Frank B. Hall & Co. Inc.

Region served: Nationwide.

Type of claims: 20% workers compensation, 20% general liability, 2% automobile, 40% property damage, 5% professional liability, 1% bonds, 10% inland marine, 2% miscellaneous.

Number of claims: 30,000 total number of claims adjusted in 1981, of which 6,000 were for self-insurance clients; 27,000 by field adjuster and 3,000 by telephone adjuster.

Staff: 170 total staff, including 70 adjusters.

Clients: More than 300 total, of which 60 are self-insurers.

Compensation: Per case (flat rate).

1981 gross revenues: Not reported.

Webb Claim Service

Box 729, Fort Pierce, Fla. 33454;
305-465-6060

Region served: Florida.

Type of claims: 5% workers compensation, 25% general liability, 5% automobile, 10% property damage, 5% professional liability, 5% bonds, 5% ocean marine, 20% inland marine.

Number of claims: 600 total number of claims adjusted in 1981, of which 30 were for self-insurance clients; 600 by field adjuster.

Staff: Two total staff, including two adjusters, of which two are

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field adjusters; one is also an administrative supervisor.

Work load: Average of 300 multiple line claims handled monthly by an adjuster; average of four workers compensation claims handled monthly by a supervisor, of which 10% are medical only and 90% are indemnity.

Clients: 15 total, of which three are self-insurers.

Compensation: Flat rate of approximately \$20 per hour.

Adjuster/ administrator

Brown Brothers Adjusters

545 Sansome St., San Francisco, Calif. 94111; 415-392-2825

Region served: California, Oregon, Washington, Utah, Nevada, Arizona, Hawaii.

Type of claims: 20% workers compensation, 20% general liability, 30% automobile, 25% property damage, 5% professional liability.

Number of claims: 50,000 total claims adjusted and administered; 15,000 for self-insurers.

Staff: 250 total staff, including 120 adjusters, of which 110 are field adjusters, 10 are telephone adjusters, and a claims administration staff of 125.

Work load: Average of 30 multiple line claims handled monthly by an adjuster; average of 180 workers compensation claims handled monthly under one supervisor, of which 70% are medical only and 30% are indemnity. Average of 60 claims handled monthly by each administrator.

Clients: More than 100 total adjusting and administration clients, of which 15 are self-insurers.

Compensation: Percent of annual premium, 4% to 5%; percent of annual payroll; time and expense, \$25 for a senior/field adjuster, \$35 for a general adjuster, \$25 for inside adjuster.

1981 gross revenues: \$7.6 million.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Supplied monthly free of charge within 10 to 15 days of the end of the month.

Computer: IBM System 34 with input document terminal located in the home office.

Locations: 44 offices in seven Western states.

Crawford & Co.

5620 Glenridge Drive, Box 5047, Atlanta, Ga. 30302; 404-256-0830

Region served: Nationwide, also Canada.

Type of claims: 25% workers compensation, 20% general liability, 20% automobile, 25% property damage, 3% professional liability, 3% bonds, 3% inland marine, 1% miscellaneous.

Number of claims: Approximately 1.1 million total claims adjusted and 250,000 administered.

Staff: 3,400 total staff, including 2,400 adjusters and approximately 850 claims administrators.

Clients: Approximately 260 total adjusting and administration clients, of which approximately 50 are self-insurers.

Compensation: Percent of incurred claims, with all pricing based on individual program.

1981 gross revenues: \$135,573,235.

Auditing procedures: Claims are audited monthly by in-house staff, independent firms hired by self-insured clients and others.

Reports: Supplied monthly, at a charge within 18 days of the end of the month; claims progression tracked.

Computer: SISDAT system that combines IBM 4341, Entrex disk system, SYCOR minicomputers,

Burroughs B1885 and Honeywell printer; input document terminals located in home office and field offices. Self-insurers are offered CRTs for local inputting; minimal number use this capability and perform own data processing.

Lawsuit management: Staffs located in nine service centers.

Bank services: Offered through variety of institutions.

Locations: 750 locations throughout U.S., Canada and Puerto Rico.

Leonard J. Russo Claim Service Inc.

5801 Christie Ave., Suite 300, Emeryville, Calif. 94608; 415-547-3110

Region served: California.

Type of claims: 23% workers compensation, 25% general liability, 20% automobile, 15% property damage, 5% professional liability, 2% ocean marine, 10% inland marine.

Number of claims: 4,750 total claims adjusted, 22,000 administered; 2,100 adjusted for self-insurers, 22,000 administered for self-insurers, 1,100 by field adjuster and 1,000 by telephone adjuster.

Staff: 182 total staff, including 136 adjusters and 31 claims administrators.

Work load: Average of 65 multiple line claims handled monthly by an adjuster; average of 200 workers compensation claims handled monthly under one supervisor, of which 66% are medical only and 34% are indemnity.

Clients: 167 total adjusting clients, of which 27 are self-insurers; 27 total administration clients.

Compensation: Percent of incurred claims, 8% average charge; range of per-claim charges, \$95 to \$197; time and expense, \$25 to \$30 per hour; exclusive contract required.

1981 gross revenues: \$6.1 mil-

lion. **Auditing procedures:** Claims are audited monthly and quarterly by in-house staff and independent firms hired by self-insurers.

Reports: Supplied monthly free of charge within 20 days of the end of the month; claims progression tracked.

Computer: On-line, time shar-

ing, with input document terminal located in regional offices. Self-insurers are offered CRTs for local inputting; four use this capability; three perform own data processing.

Lawsuit management: Staff of 12 located in regional offices.

Bank services: Offered through Wells Fargo Bank.

Continued on next page

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Spotlight Report*Continued from previous page*

Locations: Daly City, San Rafael, San Jose, Sacramento, Redding, Los Angeles, Orange County, Riverside, Calif.; Portland, Ore.; Honolulu, Hawaii.

Adjuster/auditor**Liston Services**

117 E. Palatine Road, Suite 107,
Palatine, Ill. 60067; 312-934-6700

Region served: Nationwide.

Type of claims: 20% workers compensation, 30% general liability, 20% automobile, 30% professional liability.

Number of claims: Approximately 750 total claims adjusted.

Staff: Eight total staff, all investigate and adjust claims; two administer claims; telephone adjusters hired on temporary basis as needed.

Work load: Varies.

Clients: 10 total adjusting clients, of which eight are self-insurers.

Compensation: Time and expense rate of \$30 per hour.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Not supplied.

Lawsuit management: One part-time staff member located in home office, with 20 years in claims supervision.

Audits in 1981: 12 conducted, 100% for self-insurers.

Auditing staff: One full-time auditor. Qualifications include 20 years of claims management experience and field experience on investigations and with insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of

payments, accuracy of loss reports, case load of examiners, defense effectiveness, first-party handling and coordination with claim service.

Audit charges: Time and expense, \$40 per hour.

Administrator/auditor**ADMINCO**

2815 Mitchell Drive, Box 9120,
Walnut Creek, Calif. 94598;
415-932-8006

Parent company: Frank B. Hall & Co. Inc.

Region served: Western states.

Type of claims: 70% workers compensation, 10% general liability and automobile, 20% miscellaneous (loss control and data processing).

Number of claims: 20,000 total

claims administered; 16,000 for self-insurers.

Staff: 70 total staff, including administering staff of 57.

Work load: Average of 250 to 300 open indemnity claims handled monthly by each administrator.

Clients: 40 total administration clients, of which 36 are self-insurers.

Compensation: Percent of incurred claims, with all fees negotiated.

1981 gross revenues: \$2.4 million.

Auditing procedures: Claims are audited monthly, quarterly, annually and continuously by in-house staff and state.

Reports: Supplied monthly or on demand at a charge within 15 days of the end of the month; claims progression tracked.

Lawsuit management: Two on staff located in California.

Bank services: Offered.

Locations: Los Angeles; Phoenix, Ariz.; Portland, Ore.

Audits in 1981: Three conducted, none for self-insurers.

Auditing staff: One full-time auditor. Qualifications include 10 years claims experience, state certified administrator.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments.

Audit charges: Flat fee; time and expense, \$50 per hour.

All Risk Management Services Inc.

160 Water St., New York, N.Y.
10038; 212-483-0001

Parent company: Ashford Holding Corp.

Region served: Nationwide.

Type of claims: 50% workers compensation, 25% general liability, 20% automobile, 5% property damage.

Number of claims: 20,000 total claims administered; 5,000 for self-insurers.

Staff: 90 total staff, including administration staff of 60.

Clients: 21 total administration clients, of which 20 are self-insurers.

Compensation: Per claim (flat rate); time and expense, \$25 per hour.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff and insurer representatives.

Reports: Supplied monthly at a charge that varies within 10 to 15 days of the end of the month; claims progression tracked.

Computer: RJE, IBM Series 1, with input document terminal located in home office.

Lawsuit management: Three senior staff members located in New York.

Bank services: Offered through a financial institution.

Locations: Philadelphia; Atlanta; Miami, Fla.; New Orleans; St. Louis; Chicago; Los Angeles.

Auditing staff: Three full-time auditors. Qualifications include senior experience level, each with more than 25 years experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Flat fee, varies according to client.

ESIS Inc.

1600 Arch St., Philadelphia, Pa.
19101; 215-241-2100

Parent company: INA Corp.

Region served: Nationwide.

Type of claims: 45% workers compensation, 20% general liability, 10% automobile, 5% property damage, 15% professional liability, 2.5% ocean marine, 2.5% inland marine.

Number of claims: More than 100,000 total claims administered; more than 100,000 for self-insurers.

Staff: More than 4,000 total staff, including more than 3,500 on claims administration staff.

Clients: 1,500 total administration clients, of which 1,500 are self-insurers.

1981 gross revenues: More than \$50 million.

Auditing procedures: Claims are audited monthly, quarterly, annually and spot checked by in-house staff and independent firms hired by self-insurers.

Reports: Supplied as requested at a charge within 15 days of the end of the month; claims progression tracked.

Computer: Four IBM 370 Series computers, with input document terminal located in home office and claims offices nationwide. Twenty-five percent of the clients perform own data processing.

Lawsuit management: 104 on staff, located in regional offices and home office, with at least five years of claims experience and a law degree.

Locations: Boston; New York; Atlanta; Detroit; Chicago; Dallas; Los Angeles; San Francisco; Seattle; seven regional offices around the world.

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Audits in 1981: 250 conducted, 100% for self-insurers.

Auditing staff: 50 full-time auditors. Qualifications include an average of more than 15 years of claims auditing experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, administrative office procedures.

Fitzpatrick Self-Insurance Administrators Inc.
222 N. Mountain Ave., Upland, Calif. 91786; 714-946-3833

Region served: Illinois, Iowa, Utah, California.

Type of claims: 100% workers compensation.

Number of claims: 5,000 total new claims administered; 5,000 for self-insurers.

Staff: 16 total staff, including five claims administrators.

Work load: Average of 250 claims handled monthly by each administrator.

Clients: 30 total administration clients, of which 30 are self-insurers.

Compensation: Percent of payroll, per claim (flat fee); exclusive contract required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by independent firms hired by self-insurers.

Reports: Supplied monthly free of charge within six weeks of the end of the month; claims progression tracked.

Computer: IBM, with input document terminal located in home office.

Lawsuit management: Staff of two state certified administrators located in home office.

Locations: San Francisco.
Audits conducted in 1981: Two conducted, 100% for self-insurers.

Auditing staff: One full-time auditor. Qualifications include 10 years workers compensation experience, five years in accounting, five years in computer programming.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, litigation reduction programs, timely payments, rules and regulations of the state self-insurance office.

Audit charges: Time and expense on hourly basis.

National Loss Control Service Corp. (NATLSCO)
Long Grove, Ill. 60049; 312-540-2400

Parent company: Kemper Corp.
Region served: Nationwide.

Type of claims: 69% workers compensation, 15% general liability, 11% automobile, 5% property damage.

Number of claims: 86,540 total claims administered; 25% for self-insurers.

Staff: 3,100 total staff. **Clients:** 155 total administration clients.

Compensation: Percent of incurred claims; percent of payroll; per claim (flat rate); time and expense, \$55 per hour.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff and corporate examiner.

Reports: Supplied monthly or quarterly at a charge included in

claim fee within two to four weeks of the end of the month; claims progression tracked.

Computer: Loss run system, CARES, with input document terminal located in home office. Four clients perform own data processing.

Lawsuit management: Six on staff, located in home office; senior personnel with more than 20 years of experience.

Locations: Akron, Ohio; Fairfax, Va.; 115 Kemper Group branch offices.

Audits in 1981: Nine conducted, 100% for self-insurers.

Auditing staff: Three full-time auditors.

Audit examines: Claims processing, claims documentation and verification, accuracy of reserves, accuracy of payments, personnel qualifications, defense effectiveness.

Audit charges: Time and expense
Continued on next page

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Continued from previous page
pense, \$55 per hour.

Risk Management Associates Inc.

Box 441110, Aurora, Colo. 80014;
303-696-1211

Region served: Nationwide.

Type of claims: 15% workers compensation, 10% general liability, 15% automobile, 10% property damage, 40% professional liability, 5% bonds, 1% ocean marine, 4% inland marine.

Number of claims: 650 total claims administered; 650 for self-insurers.

Staff: two total staff, of which one administers claims.

Work load: Average of 120 claims handled monthly by each administrator.

Clients: Two total adjusting and administration clients, of which two are self-insurers.

Compensation: \$50 per hour, with minimum and maximum contingent on claim type, flat fee quoted for specific functions.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly and annually, by in-house staff and EBASCO.

Reports: Supplied monthly at a per-claim charge within three days of the end of the month; claims progression tracked.

Computer: Outside source, with input document terminal at central location. Self-insurers are offered

CRTs for local inputting; one uses this capability; one performs own data processing.

Lawsuit management: Staff of one located in home office with insurance industry experience as a lawsuit supervisor.

Bank services: Offered.

Audits in 1981: One conducted, 100% for self-insurers.

Auditing staff: One full-time auditor. Qualifications include 13 years of experience in insurance industry and with self-insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effective-

ness, including investigation of supervision and disposition of claims, including integrity of total operation.

Audit charges: Time and expense or flat fee; \$50 per hour, \$500 per day.

Self Insurance Administrators

3580 Fifth Ave., San Diego, Calif.
92103; 714-297-5061

Parent company: Corroon & Black Corp.

Region served: California and New Mexico.

Type of claims: 50% workers compensation, 35% general liability, 10% automobile, 5% property damage.

Number of claims: 4,350 total claims administered; 4,350 for self-insurers.

Staff: 18 total staff, claims administration staff of 15.

Work load: Average of 170 claims handled monthly by each administrator.

Clients: 61 total self-insured clients.

Compensation: Percent of payroll on workers compensation, time and expense or flat rate on liability.

1981 gross revenues: \$700,000.

Auditing procedures: Claims are audited annually by in-house staff and various outside auditors.

Reports: Supplied monthly or quarterly free of charge within six weeks of the end of the month; claims progression tracked.

Lawsuit management: Three on staff, located in San Diego and Albuquerque, with more than 10 years claims, legal management and workers compensation experience.

Locations: Albuquerque, N.M.

Audits in 1981: Two conducted, 100% for self-insurers.

Auditing staff: Two full-time auditors. Qualifications include more than 35 years combined experience in workers compensation and liability.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, systems and legal management.

Voluntary Plan Administrators Inc.

18321 Ventura Blvd., Suite 815,
Tarzana, Calif. 91356;
213-705-3463

Region served: Nationwide.

Type of claims: Disability insurance.

Staff: 15 total staff, including administration staff of 12.

Clients: 62 total administration clients, of which 62 are self-insurers.

Compensation: Percent of annual premium, per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited by in-house staff and independent hired by self-insured clients.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.

Bank services: Offered.

Locations: Newport Beach, Calif.

Audits in 1981: Six conducted, 100% for self-insurers.

Auditing staff: Three full-time auditors.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, turnaround time on new and continuous payments, staff turnover.

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920 Michigan Ave., Columbus, Ohio
43216; 614-221-4147

Region served: Midwest states.

Type of claims: 80% workers compensation, 5% health insurance, 15% unemployment compensation.

Number of claims: 12,673 total claims administered; 5,222 for self-insurers.

Staff: 64 total staff, including administering staff of 16.

Clients: 440 total administration clients, of which 32 are self-insurers.

Compensation: Percent of annual premium, 4% average charge; exclusive contract required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by state Industrial Commission.

Reports: Supplied monthly free of charge within five to seven days of the end of the month; claims progression tracked.

Computer: Ampex, with input document terminal located in home office.

Bank services: Offered through various financial institutions.

Compensation Consultants Inc.

1601 Bethel Road, Columbus, Ohio
43220; 614-459-3933

Region served: Nationwide.

Type of claims: 90% workers compensation, 10% health insurance.

Number of claims: 11,000 total claims administered in 1981; 5,400 for self-insurers.

Staff: 32 total staff; 18 administer claims.

Clients: 650 total clients, of which 40 are self-insured.

Compensation: Per claim, flat rate of \$40 to \$125; per covered employee, \$2.50 to \$4.50 per employee.

1981 gross revenues: More than \$1 million.

Auditing procedures: Claims are audited monthly, quarterly and annually by in-house staff.

Reports: Supplied monthly at a charge within 10 days of the end of the month; claims progression

tracked.
Computer: Burroughs 1800, with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; none use this capability; two perform own data processing.
Bank services: Offered.

Corporate Systems Administration Inc.
 Box 1036, Johnson City, Tenn. 37601; 615-282-3420

Parent company: Jones & Hill Insurance.
Region served: Nationwide.
Type of claims: 20% workers compensation, 80% health insurance.
Number of claims: More than 500,000 total claims administered in 1981; more than 100,000 for self-insurers.

Staff: 27 total staff; 20 administer claims.
Work load: Average of 900 claims handled monthly by each administrator.

Clients: 154 total clients, of which 14 are self-insured.
Compensation: Percent of paid claims, from 3% to 6%; percent of annual premium, from 3% to 5%; per covered employee, \$2 to \$4 per employee; all compensation negotiable.

1981 gross revenues: Not reported.
Auditing procedures: Claims are audited quarterly by in-house staff and accounting firm.

Reports: Supplied monthly at a charge on a case-by-case basis within nine days of the end of the month; claims progression tracked.

Lawsuit management: Outside law firm.
Locations: Savannah, Atlanta, Ga.

Self Insurance Programs Inc.
 2029 Century Park E., Suite 740, Los Angeles, Calif. 90067; 213-553-4611

Parent company: Frank B. Hall & Co. Inc.
Region served: Nationwide.
Type of claims: 36% workers compensation, 64% health insurance.

Number of claims: 15,000 total claims administered in 1981 for self-insurers.
Staff: 42 total staff; 30 administer claims.

Work load: Average of 228 claims handled monthly by each examiner.

Clients: 48 total clients, all are self-insured.
Compensation: Percent of payroll, per claim.

1981 gross revenues: \$2.55 million.
Auditing procedures: Claims are audited every three years by in-house staff, independent firms hired by self-insured clients and the state of California.

Reports: Supplied monthly and quarterly at no charge within six weeks of the end of the month; claims progression tracked. Special reports are available at a charge that varies by type of report.

Lawsuit management: Staff supervisors, located in-house, who are part of a lawsuit prevention program that involves all staff, systems, procedures and program designs.
Locations: Santa Clara, Calif.

Western States Administrators
 5118 Clinton Way, Box 8082, Fresno, Calif. 93747; 209-251-4861

Region served: Central California.
Type of claims: 5% workers compensation, 80% health insurance, 15% pension administration.

Number of claims: 250,000 total claims administered in 1981;

150,000 for self-insurers.
Staff: 100 total staff; 35 administer claims.
Work load: Average of 750 claims handled monthly by each administrator.

Clients: 2,250 total clients, of which 150 are self-insured.
Compensation: \$5 to \$7.50 per covered employee.

1981 gross revenues: Not reported.
Auditing procedures: Claims are audited annually by insurance companies.

Reports: Supplied monthly as part of administration fee within 15 days of the end of the month; claims progression tracked.

Computer: IBM 4331, with input document terminal located in home office.

Adjuster/ administrator/ auditor

Allied Claim Services Inc.
 11th Floor, 237 Main St., Buffalo, N.Y. 14023

Region served: New York state.
Type of claims: 58% workers compensation, 17% property damage, 25% general liability, automobile, professional liability.

Number of claims: 2,490 total claims adjusted and administered; 2,490 for self-insurers, 2,490 by field adjuster; 1,378 claims administered, 1,106 for self-insurers.

Staff: 23 total staff, including adjusting staff of 15 with 12 adjusters, of which 12 are field adjusters, and a claims administration staff of seven.

Work load: Average of 19 multiple line claims handled monthly by an adjuster; average of 45 workers compensation claims handled monthly under one supervisor, of which 50% are medical only and 50% are indemnity. Average of 18 claims handled monthly by each administrator.

Clients: 79 total adjusting and administration clients, of which 21 are self-insurers.

Compensation: Contract, time and expense; exclusive contract required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Supplied monthly at a charge within five working days of the end of the month; claims progression tracked.

Computer: Univac 90/30.
Locations: Dunkirk, N.Y.

Audits in 1981: Seven conducted, 100% for self-insurers.

Auditing staff: Three full-time auditors. Qualifications include at least five years of experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness.

Audit charges: Time and expense.

Babcock Insurance Corp.
 1161 N. El Dorado Place, Suite 100, Tucson, Ariz. 85715; 602-886-8401

Parent company: Apex Data Group.
Region served: Nationwide.

Type of claims: 25% workers compensation, 5% general liability, 5% automobile, 5% property damage, 60% health insurance.

Number of claims: 45,000 total claims adjusted and administered; 30,000 for self-insurers, 30,000 by telephone adjuster.

Staff: 75 total staff, including 10 adjusters, of which two are tele-

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Continued from previous page
phone adjusters, and a claims administration staff of 10.

Work load: Average of 250 multiple line claims handled monthly by an adjuster; average of 1,000 workers compensation claims handled monthly under one supervisor, of which 80% are medical only and 20% are indemnity. Average of 250 claims handled monthly by each administrator.

Clients: 240 total adjusting and administration clients, of which 35 are self-insurers.

Compensation: Percent of incurred claims, 7%; percent of paid claims, 7%; percent of payroll, 4%; percent of annual premium, 5%; per claim, 5% to 6%; per covered employee, \$3.50.

1981 gross revenues: \$2.8 mil-

lion, or 7.5% of paid claims.

Auditing procedures: Claims are audited monthly by in-house staff and independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within five days of the end of the month; claims progression tracked.

Computer: Prime 750 with input document terminal located in home office. Self-insurers are offered CRTs for local inputting; 10 use this capability; five perform own data processing.

Bank services: Valley National Bank and United Bank.

Locations: Phoenix, Ariz.; Denver; San Diego.

Audits in 1981: Five conducted, 100% for self-insurers.

Auditing staff: 10 full-time au-

ditors. Qualifications include three to five years of auditing experience with prior experience in claims adjusting and payment.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Hourly charges of \$20 to \$40 per hour.

Employee Benefits Industrial Service Co.

234 Gish Road, San Jose, Calif.
95112; 408-998-4990

Parent company: Employee

Benefits Insurance Co.

Region served: California, Oregon, Washington.

Type of claims: 95% workers compensation, 5% miscellaneous.

Number of claims: 1,200 total claims adjusted and administered for self-insurers.

Staff: 23 total staff, including adjusting staff of 13 adjusters, of which four are field adjusters, nine are telephone adjusters, and 12 persons administering claims.

Work load: Average of 750 workers compensation claims handled monthly under one supervisor, of which 70% are medical only and 30% are indemnity. Average of 250 claims handled monthly by each administrator.

Clients: 12 total adjusting and administration clients, of which 12 are self-insurers.

Compensation: Adjusting and administration combined in one charge; per claim, per covered employee; exclusive contract required.

1981 gross revenues: \$600,000.

Auditing procedures: Claims are audited quarterly, by in-house staff and clients.

Reports: Supplied monthly at no charge within 17 days of the end of the month; claims progression tracked.

Computer: Hewlett Packard system with input document terminal located in central location.

Lawsuit management: Staff of one attorney, located in home office.

Bank services: Offered.

Locations: Local field offices throughout California.

Gallagher Bassett Insurance Service

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Parent company: Arthur J. Gallagher & Co.

Region served: Nationwide.

Type of claims: 40% workers compensation, 24% general liability, 10% automobile, 15% property damage, 1% professional liability, 10% health insurance.

Number of claims: More than 300,000 claims administered.

Staff: 434 staff members administer claims.

Clients: 312 self-insured clients.

Compensation: Adjusting and administration combined in one annual fee; percent of payroll; \$3 to \$35 per covered employee.

1981 gross revenues: \$42.5 million.

Auditing procedures: Claims are audited annually by in-house staff and independents hired by self-insured clients.

Reports: Supplied monthly at a charge within 25 days of the end of the month; claims progression tracked.

Lawsuit management: Staff located in home office; two staff members are attorneys.

Locations: 67 offices around the nation.

Audits in 1981: Two conducted, 100% for self-insurers.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, active medical management, subrogation, reporting to excess insurers, litigation management.

Audit charges: Time and expense.

Hartford Specialty Co.

Hartford Plaza, Hartford, Conn.
06115; 203-547-5000

Parent company: Hartford Insurance Group.

Region served: Nationwide.

Type of claims: 55% workers compensation, 13% general liability, 10% automobile, 5% property damage, 15.5% professional liability,

0.5% inland marine, 0.4% health damage, 15.5% professional liability, 0.5% inland marine, 0.4% health insurance, 0.6% property, excess/surplus.

Number of claims: 1.4 million total claims adjusted and administered; 10.1% for self-insurers.

Staff: 4,500 total staff, including adjusting staff of 2,700.

Clients: 10% of clients are self-insurers.

Compensation: By percent of incurred claims, percent of paid claims, percent of annual premium, per claim (flat rate). Varies according to account.

1981 gross revenues: \$36.4 million.

Auditing procedures: Claims are audited continuously by in-house staff.

Reports: Supplied monthly; claims progression tracked.

Computer: IBM system with input document terminal located in each office. Self-insurers are offered CRTs for local inputting; a few use this capability.

Lawsuit management: Staff of attorneys, paralegals and other professionals.

Bank services: Varies according to account.

Locations: 245 offices around the nation.

Audits in 1981: Several conducted, 50% for self-insurers.

Auditing staff: 16 full-time auditors. Qualifications include an average of 22 years of experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, cost effectiveness, loss developments.

Audit charges: Time and expense, flat fee.

Fred S. James & Co. Inc.

230 W. Monroe St., Chicago, Ill.
60606; 312-726-4080

Region served: Nationwide.

Type of claims: 40% workers compensation, 8% general liability, 1% automobile, 1% property damage, 1% professional liability, 49% health insurance.

Number of claims: More than 100,000 total claims adjusted and administered.

Staff: 325 claims adjusters and administrators.

Compensation: Adjusting and administration combined in one charge, typically related to a per-claim fee, but varies with account.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly.

Reports: Supplied as often as necessary.

Computer: Variety of central site computers. Self-insurers are offered CRTs for local inputting; none use this capability.

Lawsuit management: Staff of 37 attorneys and experienced claims professionals.

Locations: 37 service offices for property/casualty claims and 20 service offices for benefit claims.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.

Audit charges: Range of fees charged.

Laverack & Haines Inc.

135 Delaware Ave., Buffalo, N.Y.
14202; 716-852-3065

Parent company: R.L. Kautz Inc.

Region served: New York state.

Type of claims: 95% workers

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compensation, 5% health insurance.

Number of claims: 10,500 total claims adjusted and administered; 10,500 for self-insurers.

Staff: 42 total staff with a claims administration staff of 21.

Clients: 175 total adjusting and administration clients, of which 50 are self-insurers.

Compensation: Percent of payroll, percent of annual premium, per claim, time and expense.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited depending on client's desires by in-house staff.

Reports: Supplied monthly free of charge within 15 days of the end of the month.

Locations: Syracuse, New York, Albany, N.Y.

Audits in 1981: Six conducted, 100% for self-insurers.

Audit charges: Flat fee, hourly charges.

M.M. Administrators Corp.

Box 474, Pelham, Ala. 35124; 205-663-4400

Parent company: Marketing Management Inc.

Region served: Nationwide.

Type of claims: 10% workers compensation, 3% general liability, 5% automobile, 10% property damage, 72% health insurance.

Number of claims: 10,800 total claims adjusted and administered; 10,500 for self-insurers, 300 by field adjuster and 10,500 by telephone adjuster.

Staff: 13 total staff, including four adjusters, of which one is a field adjuster, three of which are telephone adjusters, and a claims administration staff of five.

Work load: Average of 50 multiple line claims handled monthly by an adjuster; average of 20 workers compensation claims handled monthly under one supervisor, of which 100% are indemnity. Average of 1,000 claims handled monthly by each administrator.

Clients: 16 total adjusting and administration clients, of which 13 are self-insurers.

Compensation: Flat charge of \$5 per covered employee for administration and adjusting.

1981 gross revenues: \$8.7 million.

Auditing procedures: Claims are audited annually by in-house staff and reinsurers.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.

Computer: IBM System 34 and DEC PDP11 computers, with input document terminal located in the home office.

MRM/Multi-Risk Management Inc.

180 N. LaSalle St., Chicago, Ill. 60601; 312-782-3139

Region served: Nationwide.

Type of claims: 20% workers compensation, 50% professional liability, 30% health insurance.

Number of claims: 26,000 total claims adjusted, 14,000 administered; all for self-insurers.

Staff: 17 total staff, including 12 adjusters, of seven which are field adjusters, five are telephone adjusters, and three claims administration supervisors.

Compensation: Time and expense for all services; exclusive contract required.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited monthly by in-house staff.

Reports: Supplied monthly free of charge within two weeks of the end of the month; claims progression tracked.

Lawsuit management: One-man staff located in Chicago.

Locations: Boston.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness.

Audit charges: Time and expense, flat fee.

Management Services Inc.

326 N. Vermilion, Danville, Ill. 61832; 217-446-1089

Region served: Illinois, Florida, California.

Type of claims: 60% workers compensation, 4% general liability, 7% automobile, 5% property damage, 24% health insurance.

Number of claims: 1,550 total claims adjusted; 450 for self-insurers, 50 by field adjuster and 400 by telephone adjuster; 450 claims administered.

Staff: 15 total staff, including adjusting staff of six, of which three are field adjusters, two of which are telephone adjusters, and a claims administration staff of six.

Work load: Average of 10 multiple line claims handled monthly by an adjuster; average of 75 workers compensation claims handled monthly under one supervisor. Average of 80 claims handled monthly by each administrator.

Clients: 18 total adjusting and administration clients, of which all are self-insurers.

Compensation: Time and expense, annual contract.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited quarterly by in-house staff.

Reports: Supplied monthly at a charge within three days of the end of the month; claims progression tracked.

Computer: Micro Data system, with input document terminal located in the home office. Self-insurers are offered CRTs for local inputting.

Lawsuit management: Staff of one located in home office.

Locations: Chicago, Peoria, Champaign, Ill.; Palm Springs Calif.

Audits in 1981: Three conducted.

Auditing staff: One full-time auditor. Qualifications include 12 years of claims experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners.

Audit charges: Flat fee

Michigan Claim Service Inc.

7201 W. Saginaw, Box 19069, Lansing, Mich. 48901; 517-321-5565

Region served: Michigan, Ohio, Wisconsin.

Type of claims: 25% workers compensation, 5% general liability, 10% automobile, 5% professional liability, 5% bonds, 2% ocean marine, 3% inland marine, 5% health insurance, 40% property, fire and related lines.

Number of claims: 18,800 total claims adjusted; 3,000 for self-insurers, 18,800 by field adjuster; 3,000 claims administered for self-insurers.

Staff: 175 total staff, including 100 adjusters, of which 100 are field adjusters, and a claims administration staff of two.

Work load: Average of 50 multiple line claims handled monthly by an adjuster; average of 650 workers compensation claims handled monthly under one supervisor, of which 80% are medical only and

20% are indemnity.

Clients: 450 total adjusting and administration clients, of which 25 are self-insurers.

Compensation: Time and expense fees of \$35 per hour for senior/field adjuster.

1981 gross revenues: \$6.39 million.

Auditing procedures: Claims are audited monthly by in-house staff.

Reports: Supplied monthly or quarterly free of charge within 10 days of the end of the month; claims progression tracked.

Lawsuit management: Staff of one lawyer located in home office.

Audits in 1981: 12 conducted, 15% for self-insurers.

Auditing staff: Five full-time auditors. Qualifications include 15 to 35 years of experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, defense effectiveness.

Audit charges: Time and expenses, flat fee of \$25 to \$35 per hour.

Self Insured Services Co.

29th Floor, First National Tower, Louisville, Ky. 40202; 502-561-1510

Parent company: Nahm, Turner, Vaughan & Landrum Inc.

Region served: Nationwide.

Type of claims: 68% workers compensation, 1% general liability, 1% automobile, 30% health insurance.

Number of claims: 6,000 total claims adjusted and administered; 6,000 for self-insurers, 6,000 by field adjuster.

Staff: 31 total staff, including adjusting staff of six, of which six are field adjusters.

Compensation: Adjusting and administration combined in one charge.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited by independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within seven days of the end of the month; claims progression tracked.

Locations: Frankfort, Ky.; Little Rock, Ark.

Underwriters Safety & Claims Inc.

Box 6769, 140 Whittington Parkway, Louisville, Ky. 40206; 502-425-8660

Region served: Kentucky, Virginia, Illinois, Tennessee.

Type of claims: 90% workers compensation, 10% bonds.

Number of claims: 6,750 total claims adjusted and administered; 6,500 for self-insurers, 80% by field adjuster and 20% by telephone adjuster.

Staff: 25 total staff, including 18 adjusters, of which eight are field adjusters, 10 are telephone adjusters.

Work load: Average of 30 multiple line claims handled monthly by an adjuster; average of 60 workers compensation claims handled monthly under one supervisor, of which 60% are medical only and 40% are indemnity.

Clients: 110 total adjusting and administration clients, of which 105 are self-insurers.

Compensation: Adjusting and administration can be combined in one charge; percent of incurred claims, 4% to 5%; per claim; percent of payroll; time and expense.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff and independent firms hired

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ANECO RE INSURANCE

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by self-insured clients.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.

Computer: Data Point 4750, with input document terminal located in home office; 10% of clients perform own data processing.

Bank services: Offered.

Locations: Pikeville, Paintsville, Ky.; Marion, Ill.; Knoxville, Tenn.; Norton, Va.

Audits in 1981: Five conducted, 100% for self-insurers.

Auditing staff: Staff managers conduct audits.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports.

Yeager & Co. Inc.

4000 Town Center, Suite 1260,
Southfield, Mich. 48075;
313-353-3000

Region served: Michigan, Virginia.

Type of claims: 86% workers compensation, 4% general liability, 10% health insurance.

Number of claims: 13,229 total claims adjusted and administered; 13,229 for self-insurers, 4,848 by field adjuster and 8,381 by telephone adjuster.

Staff: 81 total staff, including 22 adjusters, of which 12 are field adjusters, of which 10 are telephone adjusters, and a claims administration staff of 22.

Work load: Average of 20 multiple line claims handled monthly by an adjuster; average of 200 workers compensation claims handled monthly under one supervisor, of which 75% are medical only and 22% are indemnity. Average of 210

claims handled monthly by each administrator.

Clients: 851 total adjusting and administration clients, of which all are self-insurers.

Compensation: Adjusting and administration combined in one charge; exclusive contract required.

1981 gross revenues: \$5.58 million.

Auditing procedures: Claims are audited annually by in-house staff, independent firms hired by self-insured clients.

Reports: Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.

Bank services: To meet clients' needs.

Locations: Grand Rapids, Saginaw, Mich.; Richmond, Va.

Audits in 1981: Three conducted, 100% for self-insurers.

Auditing staff: Three full-time auditors. Qualifications include at least 12 years of experience.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, defense effectiveness.

Parent company: Warren, McVeigh & Griffin Inc.

Region served: Nationwide.

Type of claims: 50% workers compensation, 25% general liability, 10% automobile, 6% property damage, 2% professional liability, 2% ocean marine, 5% health insurance.

Audits in 1981: 130 conducted, 95% for self-insurers.

Staff: Four full-time auditors out of six total staff. Qualifications include minimum of 15 years of experience in all lines, five years of claims management experience at home-office level; qualify as expert witness with past experience testifying in litigation.

Audit examines: Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, supervision, adequacy of reserves, subrogation, rehabilitation, claimant contact.

Compensation: Time and expense, \$60 to \$90 per hour; flat fee, \$2,500 to \$100,000.

1981 gross revenues: \$450,000.

Creative Risk Management Corp.

34820 Harper Ave., Mt. Clemens,
Mich. 48043; 313-792-6355

Region served: Midwest, Midwest.

Type of claims: 75% workers compensation, 10% general liability, 15% health insurance.

Number of claims: 15,000 total claims adjusted and administered; 15,000 for self-insurers, 1,000 by field adjuster and 14,000 by telephone adjuster.

Staff: 20 total staff, including adjusting staff of 14 with three field adjusters, 10 telephone adjusters, and four claims administrators.

Work load: Average of 35 multiple line claims handled monthly by an adjuster; average of 300 workers compensation claims handled monthly under one supervisor, of which 70% are medical only and 30% are indemnity.

Clients: 150 total adjusting and administration clients, of which 150 are self-insurers.

Compensation: Percent of annual premium, 7% average charge; per claim (flat fee), \$50 to \$175 range of claim charges; per covered employee, \$2.50 to \$6.50 per employee charge; time and expense, \$15 to \$40 per hour; exclusive contract required.

1981 gross revenues: \$3.75 million.

Auditing procedures: Claims are audited quarterly and monthly by in-house staff, independent firms hired by self-insurers, state regulators, excess insurers and client auditors.

Reports: Supplied monthly at a charge included in claims charge within 15 days of the end of the month; claims progression tracked.

Computer: Intel 6000, with input document terminal located in home office.

Lawsuit management: Staff of four, located in home office, including an attorney with a support staff of experienced claims supervisors.

Locations: Affiliates throughout the United States.

GAB Business Services Inc.

123 William St., New York, N.Y.
10038; 212-306-8207

Parent company: UAL Inc.

Region served: Nationwide.

Type of claims for self-insurers: 50% to 60% workers compensation; 40% to 50% general liability, automobile, property damage, professional liability.

Number of claims: 1.5 million total claims adjusted and administered; 400,000 for cash-flow pro-

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Adjuster**American Dental Examiners Inc.**

37 W. 57th St., Suite 1110, New
York, N.Y. 10019; 212-755-9700

Region served: Nationwide.

Type of claims: 1% general liability, 1% automobile, 98% health insurance.

Number of claims: 110,000 total claims adjusted in 1981, of which 5,000 were for self-insurance clients; 105,000 by field adjuster and 10,000 by telephone adjuster.

Staff: 80 total staff, including 60 adjusters.

Clients: 35 total, of which three are self-insurers.

Compensation: \$17 to \$25 per claim; dental contract development/modification.

1981 gross revenues: Not reported.

Locations: Chicago; Monterey, Calif.

Auditor**Warren, McVeigh, Griffin & Savage**

1420 Bristol St. N., Newport Beach,
Calif. 92660; 714-752-1042

Adjuster/administrator**American Mutual Corp.**

Executive Offices, Wakefield, Mass.
01880; 617-245-6000

Parent company: American Mutual Insurance Cos.

Region served: Nationwide.

Type of claims: 60% workers compensation, 15% general liability, 5% automobile, 20% health insurance.

Number of claims: 18,000 total property/casualty claims adjusted and administered for self-insurers.

Staff: 400 total claims processing staff.

Clients: 30 total adjusting and administration clients, of which 30 are self-insurers.

Compensation: Percent of payroll, percent of annual premium, per covered employee.

1981 gross revenues: Not reported.

Auditing procedures: Claims are audited annually by in-house staff.

Reports: Supplied monthly and quarterly free of charge within 10 to 14 days of the end of the month.

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grams.

Staff: 5,000 total staff.**Clients:** 5,000 total adjusting and administration clients.**Compensation:** Time and expense rates figured; unit cost, time and expense, percent of incurred loss, percent of paid claims quoted.**1981 gross revenues:** Not reported.**Reports:** Supplied.**Computer:** IBM system with remote entry from branch offices.**Lawsuit management:** Yes.**Locations:** 700 offices in United States and the Caribbean.**Inservco Insurance Services Inc.**100 Derry St., Box 2361,
Harrisburg, Pa. 17105;
717-234-4941**Parent company:** Pennsylvania National Mutual Casualty Insurance Co.**Region served:** East and South-east.**Type of claims:** 55% workers compensation, 12% general liability, 14% automobile, 18% property damage, 1% inland marine.**Number of claims:** Approximately 900 total claims adjusted and administered; approximately 800 for self-insurers, 550 by field adjuster and 250 by telephone adjuster.**Staff:** 127 total staff, including 105 adjusters and 21 who administer claims.**Work load:** Average of 20 multiple line claims handled monthly by an adjuster; average of 50 workers compensation claims handled monthly under one supervisor, of which 80% are medical only and 20% are indemnity. Average of 20 claims handled monthly by each administrator.**Clients:** 600 total adjusting and administration clients, of which 600 are self-insurers.**Compensation:** Percent of annual premium, 4% to 5% charge; per claim (flat rate), \$70 to \$75; time and expense; exclusive contract required.**1981 gross revenues:** \$41,000.**Auditing procedures:** Claims are audited quarterly by in-house staff.**Reports:** Supplied monthly free of charge within two weeks of the end of the month; claims progression tracked.**Computer:** Burroughs system, with input document terminal located in home office. Two clients perform own data processing.**Bank services:** Trusts offered, sponsor varies.**Locations:** Regional offices: Greensboro, N.C.; Pittsburgh; Overland Park, Kan.; 16 claims service offices in Midwest and East.**Insurance Management Associates Inc.**714 Union Center, Wichita, Kan.
67202; 316-267-9221**Region served:** Nationwide.**Type of claims:** 90% workers compensation, 9.5% general liability; 0.5% health insurance.**Number of claims:** 3,150 total claims adjusted and administered; 3,150 for self-insurers, 3,150 by telephone adjuster.**Staff:** 79 total staff, including adjusting staff of 10 with nine adjusters, of which nine are telephone adjusters.**Work load:** Average of 263 multiple line claims handled monthly by an adjuster; average of 263 workers compensation claims handled monthly under one supervisor, of which 87% are medical only and 13% are indemnity.**Clients:** Six total adjusting and administration clients, of which all are self-insurers.**Compensation:** Adjusting and administration combined in one negotiated per claim charge.**1981 gross revenues:** Not reported.**Auditing procedures:** Claims are audited monthly by in-house staff.**Reports:** Supplied monthly at a negotiated charge within a week of the end of the month; claims progression tracked.**Computer:** IBM 360, with input document terminal located in home office.**Bank services:** Various banks.**Locations:** Topeka, Kan.**Administrator/auditor****Employee Benefit Claims Inc.**6950 Wayzata Blvd., Minneapolis,
Minn. 55426; 612-546-4353**Parent company:** Employee Benefit Plans Inc. & Employee Benefit Adm. Co. Inc.**Region served:** Nationwide.**Type of claims:** 20% workers compensation, 10% automobile, 70% health insurance.**Staff:** 200 total staff, including administration staff of 80.**Work load:** Average work load varies.**Clients:** 800 administration clients, of which 800 are self-insurers.**Compensation:** Percent of paid claims, average percent charge; exclusive contract required.**1981 gross revenues:** Not reported.**Auditing procedures:** Claims are audited by in-house staff and reinsurers.**Reports:** Supplied monthly free of charge within three days of the end of the month; claims progression tracked.**Lawsuit management:** Staff includes lawyers and claims professionals.**Bank services:** Offered through various financial institutions.**Locations:** Appleton, Wis.; Cleveland; Pittsburgh, Erie, Pa.; Miami, Fla.; Tulsa, Oklahoma City, Okla.; Dallas, Houston, Austin, El Paso, Texas; Phoenix, Ariz.; Bill-

ings, Mont.; San Diego, Los Angeles, Calif.

Audits in 1981: 50 conducted, 100% for self-insurers.**Auditing staff:** Three full-time auditors. Qualifications include average of 2½ years experience.**Audit examines:** Claims reporting, claims processing, claims investigation, claims documentation and verification, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness.**Audit charges:** Vary.**Rasmussen Agency Inc.**60 Evergreen Place, East Orange,
N.J. 07019; 201-675-3940**Region served:** New Jersey.**Type of claims:** 40% workers compensation, 15% general liability, 20% automobile, 2% property damage, 3% professional liability, 20% health insurance.**Number of claims:** 19,500 total claims administered; 19,300 for self-insurers.**Staff:** 73 total staff, including nine claims administrators.**Clients:** 73 total administration clients, of which 70 are self-insurers.**Compensation:** Percent of annual premium, average charge 7% to 10%; \$2.75 per \$4.50 per covered employee.**1981 gross revenues:** \$7.2 million.**Auditing procedures:** Claims are audited monthly by in-house staff.**Reports:** Supplied monthly free of charge within 10 days of the end of the month; claims progression tracked.**Computer:** HP 3000, with input document terminal located in home office.**Lawsuit management:** Staff of three, located in home office, with at least five years of claims experience.**Locations:** Atlantic City, Cherry Hill, Lawrenceville, Red Bank, N.J.**Audits in 1981:** 12 conducted,

100% for self-insurers.

Auditing staff: Two full-time auditors. Qualifications include more than 20 years claim experience in offices of major insurers.**Audit examines:** Claims reporting, claims processing, claims investigation, claims adjusting, claims documentation and verification, accuracy of reserves, accuracy of payments, load of examiners, defense effectiveness.**Audit charges:** Time and expense.**Reed, Roberts Associates Inc.**20620 S. Leapwood Ave., Suite G,
Carson, Calif. 90646; 213-323-3241;
196 Fulton Ave., Hempstead, N.Y.
11550; 516-489-6200**Region served:** Nationwide.**Type of claims:** 80% workers compensation, 10% general liability, 10% long-term disability.**Number of claims:** 8,300 total claims administered; 7,500 for self-

insurers.

Staff: 34 total staff, including administering staff of 26.**Work load:** Average of 25 claims handled monthly by each administrator.**Clients:** 36 administration clients, of which 34 are self-insurers.**Compensation:** Charge per percent of payroll, per claim.**1981 gross revenues:** Not reported.**Auditing procedures:** Claims are audited annually by state auditors.**Reports:** Supplied monthly at a charge within 10 working days of the end of the month. Claims progression tracked.**Bank services:** Tape compatibility with specific banks.**Locations:** Buffalo, N.Y.; Atlanta; Chicago; Burlingame, Calif.**Audit examines:** Claims reporting, claims investigation, claims adjusting, accuracy of reserves, accuracy of payments, accuracy of loss reports, defense effectiveness.**Audit charges:** Flat fee.**'Brief Course in Reinsurance' offered**

LOS ANGELES—The Western Division of The College of Insurance is offering its "Brief Course in Reinsurance" on April 15 and 16.

The course will be taught by Jonathan F. Bank, a partner at Buchalter, Nemer, Fields, Chrystie and Younger; Marion Perkins, president of Comstock Insurance Co.; and Ron Molatto, senior vp at

G.L. Hodson & Son Inc.

The course will be held from 1-4:30 p.m. April 15 and from 8:30 a.m. until noon on April 16.

The fee for the one-day course is \$95. To enroll, indicate the session desired and contact The College of Insurance, Western Division, 3142 Wilshire Blvd., Los Angeles, Calif. 90010; 213-738-9973.

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Claims firms perceive need for E&O cover

By STEPHEN TARNOFF

Third-party administrators are beginning to buy errors and omissions insurance whether self-insured clients demand it or not, administrators say.

As the claims administration business grows, so grows the business risk, they have learned.

"There is a need for errors and omissions insurance," affirms Fred Hunt, executive director of the Society of Professional Benefit Administrators, based in Washington, D.C., which represents about 150 such companies.

The need, however, is only becoming apparent and the coverage is only just becoming available.

Two years ago, the SPBA, with broker Marsh and McLennan Inc. and underwriter First State Insurance Co. of Boston, developed a policy specifically for member claims administrators.

Despite the availability of the policy, the percentage of member companies with E&O insurance is "still relatively low," Mr. Hunt says. "But we think it is important and that it will grow rapidly."

"The response has not been significant but the real professional

firms are buying the coverage," notes Vp Tom Jochums of Marsh & McLennan in Seattle.

Rating, the deductible and availability of coverage depends on an analysis of the member administrator's business and needs. The policy can be purchased for virtually any limit, the broker adds.

In addition to the SPBA policy, which is available only to member firms, other insurers are beginning to offer E&O policies for administrators.

Shand Morahan & Co. Inc., underwriting managers based in Evanston, Ill., underwrites the coverage for its stable of insurers and tailors the coverage to individual risks, according to Jerry Oleksy, vp of underwriting for errors and omissions.

A typical policy might include coverage of potential claims brought against an administrator for improper payment of a claim or failure to recognize that a claim is covered, he says.

Limits of up to \$25 million are available. However, many firms are more likely to seek a \$1 million limit. Premiums are based on various factors including the size of the administrator, length of time in

business and the deductible, Mr. Oleksy says.

Claims administrators contacted by *Business Insurance* were aware of their potential liability and the need for errors and omissions insurance, and some reported that they are mentioning their coverage in their sales presentation.

Employees Services Inc. in Sioux Falls, S.D., carries an errors and omissions policy of \$1 million, according to President John Timmer.

Although no suits have been filed in the company's 16-year history, Mr. Timmer believes the coverage protects the self-insured employer, his employees and Mr. Timmer's own company. He bought the coverage as soon as it was offered.

"Up until the last year, there was almost nothing available," Mr. Timmer says. "Only in the last 1½ years has it become available to third-party administrators."

Jim Brooks, president of R.L. Kautz of Los Angeles, also buys errors and omissions insurance.

"No prudent manager would go along without that type of coverage," he says. "The larger and more professional ones clearly would buy it."

Although administrators are taking heed, most self-insurers don't ask about it, with exceptions.

"We never asked for it," says Richard King, assistant city administrator for Batavia, N.Y., which self-

insures both general liability and property.

Mr. King says he is confident that the city's claims administrator, Marsh & McLennan, would be able to handle any claim or have enough insurance to cover any E&O claim.

A labor lawyer for an multinational company located in the East says his firm does not require E&O coverage for the companies handling the workers compensation it self-insures.

"It doesn't seem to bother us" that the administrators don't have it, he says. "The claims administrators are generally pretty well-staffed on accuracy and figures."

Although some divisions of the company use outside administrators, the company does believe it is better to have in-house claims people.

"It's kind of hard to get your heart into it and keep costs down," he says of outside administrators. "They may be concerned more with efficiency than the merit of the claim."

"It hasn't been a concern," adds Ron Edison of White Castle System Inc. in Columbus, Ohio. "I haven't come across a need. There are enough checks and double checks in the system."

White Castle has self-insured workers compensation since about November 1980 and uses an outside

administrator in Ohio.

Ralph E. Gentry, director of risk management for Times-Mirror Co. in Los Angeles, distinguishes between dealing with small or large claims administrators.

"If you're dealing with a large broker or administrator I wouldn't be too concerned with E&O coverage," he says. "If you're dealing with a small local shop, it would be more important that they have such coverage."

"I suspect that if I was looking for an administrator and it was not with a major firm, I would demand errors and omissions coverage."

Times-Mirror self-insures workers compensation in California, Oregon, Washington and New York and uses several different administrators.

One company that will likely begin demanding that its administrators have such coverage is Eden Corp., a multinational based in Cleveland, according to Karen Olden, assistant insurance manager for the company's casualty department.

"Presently we don't require it," she says. But recently the company has considered requiring outside adjusting firms to carry E&O insurance.

Knowing the legal climate and the preponderance for lawsuits is a good reason to make sure they have it, Ms. Olden says.

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ESIS says a new system has wiped out the 'bugs'

By JOHN W. MILLIGAN

PHILADELPHIA—ESIS Inc., a subsidiary of INA Corp. and one of the first insurer-owned providers of claims administration services for self-insurers, is on the long road to recovery and hopefully a bright new image, its executives say.

Established in 1956 as Employers Self Insurance Services Inc., the firm at one time had nearly all of the market for these services.

But in the intervening years, ESIS saw its market share drop as other insurers, brokers and independent services companies came flooding in.

The firm also saw its reputation suffer as complaints about its poor claims handling circulated around the industry.

But that's all changed now, says Hank Bonstedt, ESIS vp in charge of marketing development.

Mr. Bonstedt agrees that the firm's claims handling isn't what it should be, but is quick to add that ESIS claims have always been handled with professional care.

The real problem, Mr. Bonstedt says, has been a lack of statistical support that resulted in reports of admittedly poor quality. It was not unusual for ESIS clients to find someone else's claims showing up on their reports, he says.

"The claims were always handled professionally. It's just that the documentations for the clients were deficient."

ESIS is still fighting its old image, and Mr. Bonstedt points to some "dramatic changes" in the past 18 months aimed at polishing its reputation.

One change is an on-line claims entry system that includes editing features that cut down on the number of errors getting into the data base.

The system has been installed in all ESIS offices, as well as INA's 150 claims offices.

Although ESIS still subcontracts the majority of its claims handling

to INA, Mr. Bonstedt says clients can rest assured that ESIS claims are processed with the same professional care as INA's own claims.

ESIS now provides a full array of risk management services beyond claims administration.

Other services include loss control, recovery and subrogation, marine and other inspections, environmental and health lab analysis and seminars and training in risk management.

ESIS has even ventured beyond the traditional insurance offerings and now markets a commercial collections service.

ESIS also emphasizes its autonomy from its parent company and its total non-involvement in insurance, Mr. Bonstedt says.

ESIS is very sensitive to this

Mississippi hospital rates lowest

NEW YORK—For the second year in a row, benefit managers in Mississippi might have a little easier time containing health care costs than their counterparts around the country.

While the average hospital rate for a semi-private room in Mississippi increased during the last year to \$88.50, a 20.5% rise, the state still has the lowest hospital rates in the nation as it did in 1980, according to an Equitable Life Assurance Society survey of 2,647 of the nation's 6,000 non-federal hospitals.

The District of Columbia continued to have the most expensive rates for a state or district. Semi-private beds are now \$219 a day, up from \$196.50 in 1980.

However, several Washington suburbs had sharply lower rates than the District of Columbia. For example, across the Potomac River in Arlington, Va., the average hospital rate for a semi-private room is \$140 a day.

Of the states, California has the most expensive hospital bed rates. A semi-private bed costs \$211.50 a

need for separation as are many state regulators, Mr. Bonstedt says, and takes the claims administration regulation standards in the toughest state and "applies it to all."

Yet its refusal to get involved in insurance coverages also stems from ESIS' perceived mission, or perhaps what Mr. Bonstedt calls an "arbitrary selection of the market you want to operate in."

"We are strictly a service company," he says. "We can't participate in what you might call the broker's role. We can't put a program together, but we can service it."

Nor does Mr. Bonstedt see the day when that role will change.

"We want to take advantage of what we do well, and that is to provide service."

day, compared with \$177 last year.

The most expensive city to be hospitalized in is Valhalla, N.Y. Its 436 semi-private beds cost \$395 per day. By contrast, the 33 semi-private beds in Newport, Tenn., cost an average of \$60 a day.

The most expensive major city for semi-private care is Los Angeles with 4,796 beds averaging \$278 a day. Among other major cities, Oakland has the second most expensive rates for semi-private hospital rooms: \$271.50. Across the bay, San Francisco has the third most expensive rates with the cost of semi-private hospital rooms averaging \$269.50 a day.

San Antonio, Texas, has the least expensive hospital rates of any major city. Semi-private beds average \$105.50 a day.

Free copies of the report, "1981 National Survey of Hospital Daily Room and Board Charges, Revised Edition," can be obtained from Joe Fesler, Equitable Life Assurance Society, Area 5-G, 1285 Ave. of the Americas, New York, N.Y. 10019.

Workers comp

Tightening of rules slows self-insurance growth

By EILEEN NORRIS

Many state regulators are tightening the rules for employers that want to self-insure workers compensation.

And that may explain why the trend to self-insure, which grew by leaps and bounds just a few years ago, is beginning to slow a bit, experts say.

Some large employers are turning instead to fronting arrangements, in which an insurer issues a policy but the employer is totally liable for all losses, says James A. Kammerer of Alexis Risk Management Services in Chicago.

Because state regulations governing self-insured workers compensations plans vary, some employers with operations in many states are moving away from "the silliness" of trying to adhere to a state's requirements, Mr. Kammerer says.

"We filed for a client to be self-insured in New Jersey one year ago, and we still are waiting for the final word," he notes.

Bonding requirements also can pose problems. In many states, an employer is required to submit to

the insurance department a minimum bond of \$100,000, in the event a company collapses and fails to pay its claims.

"While that may not be much (money) for General Motors, it can be a lot of money for a small company," said Mr. Kammerer.

An employer that has worksites in several states is faced with adhering to the rules of several insurance departments and that can be an expensive proposition, Mr. Kammerer adds.

"If a company self-insures in 20 or 30 states, it could get into \$10 million to \$15 million of bonds," Mr. Kammerer says.

"Even for a major employer, that could affect borrowing abilities and other financial concerns," he added.

And states continue to increase bonding requirements. Such a bill is pending in Ohio.

"As more companies go under, our Industrial Commission also decided to require a \$100 fee to pay for the paperwork involved in the self-insured application. The states are becoming more and more concerned of the need to know an employer's long-term liability," said

Robin Obetz, the executive secretary of the Ohio Self-Insurance Assn.

In Ohio, there is evidence of a leveling off of employers who want to self-insure their workers compensation, said Mr. Obetz.

"The qualifications are becoming more stringent and the applications to self-insure are declining," he added.

The National Council of Self-Insurers, based in New York, also reports a leveling off of employers that are self-insuring.

During the past five years the council witnessed a tremendous growth in self-insurance, but 1981 proved to be a slower year, a spokesman says.

Self-insurers and state regulators also are seeking more standardization in self-funded workers compensation plans.

Even though every state has different requirements, they share a lot in common, adds Ohio's Mr. Obetz.

The International Assn. of Indus-

trial Accident Boards & Commissions has prepared guidelines for its member industrial commissions. The model is based on Michigan's self-insurance regulations.

An applicant must be in business at least five years, provide a current financial statement for the regulator to scrutinize and evidence of excess insurance.

In addition, the director of insurance can require a surety bond if the employer's solvency is at all in

doubt.

"We have the flexibility to look at an employer's self-insured plan as often as we decide we need to," says Ervin Vahratian, deputy director of the Michigan Workers Disability Bureau.

Michigan also has a self-insurance security fund for private employers so that if one goes bankrupt, all self-insurers are assessed for the insolvent company's liabilities.



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Illinois may require CTA to post bond

By EILEEN NORRIS

CHICAGO—The financially strapped Chicago Transit Authority, which self-insures its workers compensation risks, may soon have to post a bond that would help pay workers' injury claims if the system ever went bankrupt.

And because of the troubled economy, all self-insurers of workers compensation in Illinois also soon may have to submit financial reports quarterly rather than annually, says Dan Csar, an analyst in the state Insurance Department.

Nearly all the state's self-insured employers are required to purchase excess insurance and post a bond for a minimum of \$100,000, but the CTA is one of the few that has neither protection.

The CTA has been allowed to go "totally bare" for its workers compensation and general liability risks (BI, June 8, 1981), a situation that is making state regulators nervous.

By Feb. 1, the Insurance Department will rule on the CTA's request to renew its self-insured program and recommend to the Illinois Industrial Commission whether the CTA should be required to post a bond.

"It can be assumed that some change may come at that time," said Mr. Csar.

Goldblatt Bros. Inc., a major Chicago retailer that filed for bankruptcy last June, also is attracting the attention of the state.

Regulators are trying to determine if there are adequate reserves to cover any outstanding employee injury claims, says Chuck Kusar, a fiscal officer for the Illinois Industrial Commission, which approves self-insurance plans.

Goldblatt's self-insures and self-administers workers compensation, but the state doesn't know what its claims experience was for 1981, Mr.

Kusar says.

The retailer, which at one time had more than 30 stores in Illinois, has a \$300,000 bond filed with the Insurance Department and another \$15,000 in an escrow account that will be made available to claimants, he adds.

But whether these funds will be sufficient to pay outstanding workers compensation claims is not known, Mr. Kusar says.

The Goldblatt situation and those of other financially troubled employers contributed to the Insurance Department's decision to consider requiring more frequent financial reports of self-insurers.

"There are three or four Illinois self-insured employers that could be in (financial) trouble," Mr. Kusar says, declining to name those companies. "Because of the bad economic times, we want to have the flexibility to take a closer look at self-insureds," he says.

Requiring quarterly financial reports rather than annual reports would alert the department at the first hint that an employer could be in financial trouble, adds Mr. Csar.

There has been a growing trend among insurance regulators in all states to strengthen the requirements for employers who want to self-insure (see related story).

Last year at this time, Chrysler Corp. fought bans in Michigan and Illinois on its workers compensation self-insured program by setting up a trust fund to pay worker's injury and accident claims. On a monthly basis, Chrysler must reserve funds to cover outstanding claims.

That setup has been "fairly effective" in assuring the state of Michigan that injured workers will get paid for their disability, despite the state of the auto industry, says James Brakora, the director of the bureau of workers disability compensation in Michigan.

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High medical expenses hike self-insurance costs

By JAMES LAWSON

NEW YORK—The high cost of medical care will drive up the cost of self-insured medical plans this year, especially for small- and medium-sized employers.

Insurers underwriting excess insurance policies to limit the self-funded losses of employers are asking them to take higher retention levels or pay more—perhaps 20% to 30% higher rates—for their stop-loss insurance.

Rates for specific stop-loss insurance, which caps per-claim costs, could rise faster than rates for aggregate stop-loss insurance, which caps total annual self-funded costs. More per-claim costs are piercing the stop-loss policies, they explain.

The problem is continued infla-

tion in health care costs that is driving up claims costs. Higher claims costs push more and more claims into the stop-loss policy, driving up insurers' costs.

For example, with the inflation rate in medical care running about 13%, a \$100,000 claim that didn't pierce a specific stop-loss policy attaching at \$100,000 last year costs \$113,000 this year costing the stop-loss insurer \$13,000.

Frederick Manning, president of Celtic Life Insurance Co., with \$2 million in stop-loss premiums this year, estimates claims costs have risen 10% in the past year.

Some underwriters of stop-loss policies "have seen some pretty bad experience losses," agrees Gary W. High, a partner with Benefits Planning & Insurance Agency in Oak-

land, Calif. "The number of claims has increased and the total cost of the claims is higher," he said.

As a result, insurers either want the self-insurer to pay more of these claims under higher self-insured retentions or hand over the premium to cover the losses.

Small- and medium-sized employers that either can't afford larger retentions or are gun-shy of them in their self-insured programs will be hit with the rate increases. Large employers that can afford the risk of large losses either don't buy stop-loss insurance or use it as pure catastrophe protection over very high self-funded retentions.

The smaller the firm, "the less predictable" claim costs are and the more the need for stop-loss insur-

ance, explains Peter Densen, president of Anistics Inc. in New York.

However, small employers often can afford to retain more risk than they do. "We've been telling self-insurers to self-insure more than they would normally" to bring down stop-loss rates, he says.

Not everyone, however, is raising rates. The Equitable Life Assurance Society actually chopped rates 40% last October to expand its share of the market, which has been dominated by Lloyd's of London, Employers of Wausau, North American Life & Casualty Co. and Lexington, an American International Group company. Insurers like SAFECO on the West Coast and Northwestern Life Insurance Co. in the Midwest also are factors in their areas.

And more companies are moving into the market. "It's been led by the small specialty companies, but now more insurers are coming in," says Richard Ostuw, a consultant with Towers, Perrin, Forster & Crosby in Cleveland.

New entrants include, he says The Prudential Insurance Co. and Metropolitan Life Insurance Co.

Celtic Life, whose premium volume on stop-loss insurance grew 30% last year, expects similar growth this year.

But many markets, including Equitable, are reluctant to underwrite stop-loss policies unless the self-insurer gives the underwriter another piece of the benefits pie—usually the administrative services contract or the group life package.

"There are no premiums" in stop-loss insurance, explains James T. Glynn, Equitable's vp of marketing. He admitted Equitable reduced rates to gain greater volume and more administrative claims services contracts.

Despite the strings, Equitable officials expect stop-loss premium volume to increase by 40% to 50%, about the same rise it realized last year.

"They'll write stop-loss, especially if they have a piece of the other employee benefits packages," Mr. Ostuw says of many insurers' new interest in stop-loss insurance.

"The stop-loss is usually bought with the life insurance package," says Richard Kirwin, a senior vp with broker Frank B. Hall & Co. Inc. in New York.

Some third-party administrators, however, also are lining up markets to write stop-loss insurance. Swanke Inc., a third-party administrator in Minneapolis, plans to market a new specific stop-loss product for small employers with up to 20 lives.

The new product, to be marketed this March after the company chooses an insurer, will pay specific claims above retentions of \$1,000, \$2,000 and \$3,000, allowing more flexibility to small employers, says Robert Swanke, president.

Mr. Swanke is choosing among interested markets. "Insurers are more aggressive than they were last year," he notes. "Last year we generated a 40% increase in volume—added another 10,000 to 12,000 cases. We expect to do that much or better this year."

Employers could choose to do without specific stop-loss coverage if they've properly evaluated their loss potential and don't expect to have any large or unusual shock losses, consultants note.

"If you can predict losses, then you've eliminated the risk," contends Mr. Densen.

Doing without specific stop-loss insurance can be extremely risky for some small employers because one unusual loss could leave many with cash-flow problems.

Employers also can forego aggregate stop-loss insurance, but without specific insurance either they have to be able to assume whatever losses could happen.

Employers lured to self-insuring expensive health care plans by the cash-flow advantages should consider the following when deciding to self-insure and whether to purchase stop-loss insurance:

- Its risk retention capacity—or how big a loss the employer can afford to take—on each claim and over the year. Often considered is the impact losses will have on earnings per share and cash flow.
- Its claims history, to identify the most predictable losses ripe for self-funding.
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8.	FEB 22	Feb 9
9.	MAR 1	Feb 16
10. EMPLOYEE BENEFITS: COST CONTROL	MAR 8	Feb 24
11. Risk Management Board Survey	MAR 15	Mar 3
12. SPECIALTY RISKS	MAR 22	Mar 9
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Two municipal pools planning annual audits

By BILL DENSMORE

Two California municipal self-insurance pools, fearing threats of statewide regulation, are developing plans for self-regulation through annual audits to establish loss reserves.

The moves come two months after an ad hoc subcommittee of the National Assn. of Insurance Commissioners recommended requiring annual financial examinations, protection against raiding of reserves and approval of bylaws for such pools.

One of the California groups planning voluntary regulatory efforts is the California Assn. of Joint Powers Authorities, which has about 90 members representing 400 government entities in that state.

The group consists of water, fire protection, school and other districts, many of which pool insurance arrangements.

"We want to develop guidelines to regulate us," says Frank E. James, one of the founders of the association. If approved by the fledgling association, Mr. James says a team of peers from other municipal pools would conduct annual advisory actuarial and claims audits of member pools and check reserve funding.

Participation in this "accreditation audit" would be voluntary.

The group would also conduct training seminars for joint-power authority managers and elected officials and lobby the California Legislature.

In Sacramento, Calif., the general manager of a second group

has begun a program designed to allow 20 self-insured California counties to cut the cost of an outside actuarial audit in half.

"What we're doing is we've arranged for a group plan to do actuarial studies for self-insured counties," says Gregory L. Trout, who manages the County Supervisors Assn. Excess Insurance Authority.

Mr. Trout estimates an annual actuarial audit under the plan would cost a county from \$2,500 to \$3,000. But the coordinated auditing will create a helpful uniform loss-data pool, he says.

One of the reasons for establishing the program, Mr. Trout says, was action by the San Jose, Calif., city council, which tapped nearly half of its \$8 million in self-insured liability claims reserves when its 1982 general operating budget ran short (BI, Aug. 3).

In California, Mr. Trout explains, both the state treasurer and the insurance commissioner have expressed interest in regulating self-insured municipal pools.

"If we can show them that we are getting annual actuarial studies, there will be less of a threat of legislation," he says.

Another reason for the program is to give county risk managers professional outside advice on the proper size of loss reserves.

Mr. Trout said risk managers in California are being subjected to more and more pressure from county officials seeking sources of operating revenue and looking to acquire loss reserves for that purpose.

The NAIC is also considering ac-

tion on the question of solvency of self-insured municipalities.

In November, an ad hoc advisory committee headed by the senior counsel of the American Insurance Assn. recommended that, at the very least, such municipalities should have their plans subjected to an audit at least once a year.

Commissioners are likely to report on the subject at their April 4 meeting in Oklahoma City, Okla., says Dennis R. Connolly, the AIA counsel. But Mr. Connolly says the report probably won't include any proposals for model regulatory legislation.

"I would expect the report would be something commissioners would have available to them when they are called upon to answer questions about pooling and municipal insurance," he explains.

Another ad hoc committee member says the key question is whether such risk financing can be defined as insurance and should be regulated as such.

"Self-insurance and pools are becoming a greater and greater issue in many states and legislatures have got to deal with it," says Patricia A. Borowski, director of government and industry affairs for the Arlington, Va.,-based Professional Insurance Agents.

There is disagreement on whether the current tough economic climate and pattern of withdrawal of federal support for local budgets will have an impact on the formation of pools aimed at cutting insurance costs.

"I think that with the heat on on municipal budgets, certainly the

move is going to continue for pooling," says John P. Kennedy, vp of government and industry affairs for Fireman's Fund Insurance Cos. in San Francisco.

"Who is going to regulate self-insurance pools? Is it going to be the insurance regulators? And how will insolvencies be handled?" he asks.

A single community self-insuring its own losses may not need regulation, says Mr. Kennedy.

But when a pool insures multiple risks, the taxpayers of one municipality in the pool should be protected by regulation from the possibility that catastrophic losses sus-

tained by another pool member won't bankrupt the entire pool or cause rates to skyrocket, he says.

Cities aren't joining pools any faster now than at other times, counters Steven P. Kahn, of Warren, McVeigh & Griffin, a risk management consulting firm based in Newport Beach, Calif.

He says the very competitive insurance market continues to keep rates within reach of all but the highest-risk communities. Mr. Kahn also sees no clear trend toward communities drawing funds from self-funding pools as San Jose did.

N.Y. town ready to self-insure says Blues are pressuring it

BATAVIA, N.Y.—This city, ready to self-insure health coverage for its 170 employees, says the Buffalo Blue Cross/Blue Shield plan is trying to pressure it into staying with the non-profit association.

High health insurance costs forced Batavia to consider self-insuring its employees' health claims, says Richard A. King, assistant to the city administrator.

Self-insurance has proved to be a good option. The city of about 17,000 in Western New York state switched to self-funding for its general liability and automobile risks about a year ago, he says.

In 1980, those coverages cost about \$140,000 in premiums with a \$1,000 across-the-board deductible, he adds. Last year, with a \$1 million umbrella liability policy and a \$500,000 reserve fund, the city eliminated more than half that expense (BI, Jan. 23, 1981). Now Blue Cross & Blue Shield of Western New York is worried about Batavia doing the same thing with its health insurance, he says.

"They've tried everything, to try and talk us out of it," says Mr. King. "They said they'll never take us back and they can't do that. They have provided misleading information to the newspapers and to the employee unions."

"They said that for us to get back in (Blue Cross/Blue Shield), we would have to be experience-rated for at least two years and based on their figures that it would be a significant rate increase."

Nicholas T. Caputi, director of regional group sales for the Buffalo Blue Cross/Blue Shield, says he simply provided Batavia officials with all the figures they sought on self-funding.

"It's a good trick if you can do it," says Mr. Caputi. "But you have to have the numbers. One claim by today's standards could play havoc with a plan that size. It's like flipping a coin: If you're lucky you'll save a couple of bucks."

Mr. Caputi says municipalities should have at least 2,000 employees before they talk about self-funding health coverage and he says he worries whether public officials in smaller jurisdictions are acting responsibly when they drop traditional insurance.

Batavia's Mr. King says he has no qualms at all about the city's ability to handle a self-funding scheme and accuses the Buffalo Blues of pressure tactics.

Batavia hired a Buffalo-area insurance consulting firm, Aldrich & Cox Inc., to estimate what its claims and administrative costs would have been under self-insurance vs. the premiums paid to Blue Cross/Blue Shield in 1980.

The consultant said BC/BS coverage cost \$90,500 while a self-funded plan would have cost only \$62,000, according to Mr. King.

There are two main reasons for the difference in costs, he says:

- The consultant estimated the city's administrative costs would be about 3.1%, while those of Blue Cross/Blue Shield were about 16.0%.

- The two Batavia hospitals that handle 75% to 90% of the city's hospital claims charge significantly lower room and service rates than hospitals in either Buffalo or Syracuse. Since the bulk of Blue Cross/Blue Shield's other claims are paid to Buffalo hospitals, the association's rates reflect higher hospital costs than are incurred by plan members in Batavia.

"The feeling of the city adminis-

tration was that we're subsidizing the hospitals around Buffalo," says Mr. King.

Mr. Caputi of Blue Cross/Blue Shield says while it may be true most of the claims end up at the Batavia hospitals, it is also true that the more complicated problems still go to Buffalo hospitals. He says Batavia hospitals receive only about 60% of total payouts.

"We gave figures to the city and made a study of the two local hospitals and we found that the costs were on a par with Buffalo," Mr. Caputi argues.

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Judge rescinds firm's stop-loss policy

Continued from page 1

Still to be decided in a second phase of the case are claims by Food Fair against Stonewall for bad-faith failure to settle claims submitted under the first-, second- and third-year policies.

The parties were scheduled to meet with Judge Gadbois late last week to discuss the next phase of litigation.

"We will be going for contract damages of about \$6.25 million plus interest," estimated Edward R. McHale, Los Angeles attorney for Food Fair, a Pennsylvania corporation engaged in multistate retail merchandising principally through its food stores.

The \$6.25 million represents losses for the first, second and third years that have not been paid by Stonewall. Food Fair is also seeking \$22 million in punitive damages from its former insurer.

But Food Fair will have to swallow about \$3.25 million in losses, the limits of its 1975-76 aggregate excess policy that was rescinded by the court. Nor will it be able to collect about \$200,000 it had sought for legal costs related to the first policy year. The court ruled that legal costs were excluded in the 1972-73 policy.

In another side issue, Food Fair won its claim for coverage under the aggregate excess policy for Amterre Inc., a property development affiliate of the parent company.

"Food Fair is being penalized in this decision because its agent, Adams, Scott & Conway, was not careful in its handling of claims," noted Mr. McHale. "No obligations were placed in Stonewall's contract with Food Fair as to how reserve figures should be calculated," he noted.

One attorney termed the decision "very Solomon-like." Coverage was upheld for three years and rescinded for the fourth, but the exclusion of legal costs in the first year could substantially mitigate

Stonewall's loss on that policy.

"I believe this is the first decision in the country to rescind an insurance policy that did not involve a breach of warranty or a false statement on an insurance application," said Timothy W. Kenna, a Los Angeles attorney with the firm of Jones & Wilson representing Stonewall Insurance Co.

He also observed that the decision identifies a duty on the part of the insurance policyholder to immediately report information it may have about adverse loss development to the insurer. This gives the insurer an option to exercise a 30-day cancellation provision, he added.

The insurance in the case is a series of four aggregate excess policies with annual limits ranging from \$3.25 million to \$3.75 million a year. The coverage began in mid-1972 and continued with annual renewal dates of May 10 until the coverage terminated on May 10, 1976.

On July 19, 1976, Food Fair made its first demand upon Stonewall for payment of \$474,251. Stonewall refused to pay and sent Food Fair a letter in September saying that it intended to rescind all four policies. These were part of an insurance program that included specific and aggregate excess as well as umbrella policies for which Food Fair claims to have paid about \$1.7 million in premium.

Shortly thereafter Stonewall filed suit charging Food Fair and/or its broker, Adams, Scott & Con-

way, with fraudulent or negligent misrepresentation of information relied upon by Stonewall's general agent in underwriting of the policies.

The disputed retention levels set by Dependable Insurance Associates, Stonewall's general managing agent, were \$3.1 million in 1972-73; \$3.75 million in 1973-74 and 1974-75; and \$4.25 million in 1975-76.

Food Fair promptly cross-complained against its insurer, seeking

recovery of the amounts it claimed were due under the four policies (about \$9 million plus interest by mid-1981); attorneys fees; \$22 million in punitive damages for Stonewall's breach of its implied covenants of good faith and fair dealing; and a declaratory judgment that Stonewall is obligated to pay Food Fair future unpaid claims under the policies. These incurred by not yet paid claims are reserved for about \$900,000.

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HCA to insure new affiliate in captive

Continued from page 2

Hospital Affiliates, had as its first priority providing one insurance package for all its owned and managed hospitals.

Before the acquisition of Hospital Affiliates, all of HCA's 197 owned or managed hospitals were insured by HCA's Tennessee-based captive Parthenon Insurance Co. With the acquisition of Hospital Affiliates' 54 owned and 100 managed hospitals insured by Hospital Underwriting Group, HCA acquired a 48.75% holding in HUG.

HCA couldn't put all its risks with HUG because "HCA's size was disproportionate to the other HUG members," said Robert A. Reeves, HCA risk manager and president of HCA's Health Services Group.

Putting all of HCA's medical malpractice premiums with HUG would have made HCA dominant over the three other members combined, with HCA generating 75% of the premium volume.

"The theory of insurance," noted Mr. Reeves, "is that the losses of a few are paid by many, but with one so much bigger, you ask who was spreading risk and who was assuming it."

HUG offered HCA a differently structured insurance program so HCA wouldn't dominate the industry captive, but HCA preferred moving the insurance to Parthenon, which reinsures with General Reinsurance Corp. and the London market.

Parthenon, with \$70 million in assets, is almost as large as HUG with its \$80 million in assets. And Parthenon, which underwrites medical malpractice insurance for doctors practicing in its owned and managed hospitals and other lines of insurance for HCA, now underwrites about \$30 million in premiums against capital and surplus of \$12 million, compared with HUG's anticipated \$9 million in premiums beginning June 1 against \$10 million in capital and surplus. Parthenon has its own management

staff.

"An individual account's flexibility is definitely limited when it is involved in an industry insurance company," noted Mr. Reeves. "With our own captive, we are lord and master of the domain."

In addition, in industry captives, "all participants' interests are not necessarily the same," he added.

The amount of additional premium to flow to Parthenon on the former Hospital Affiliates risk will be determined by Parthenon actuaries, Mr. Reeves noted. There are no coverage problems created by the account move since both HUG and Parthenon underwrite occurrence form policies.

HCA may still have accounts to settle with HUG, however. It is subject to premium calls if losses exceed projections and entitled to share in favorable underwriting results for the period Hospital Affiliates was insured by HUG, since it was founded in 1976.

Mr. Reeves calls "intangible" the suggestion that HCA would have improved its defense against an Internal Revenue Service attack on the tax deductibility of premiums paid for insurance if it had used HUG. It is generally accepted that the risk-shifting and distribution in an industry captive qualifies it as an insurance company for tax purposes.

Parthenon already underwrites insurance for unrelated risks, Mr. Reeves noted, referring to the managed hospitals and doctors it insures. Underwriting unrelated business is considered by most tax experts to qualify a captive insurer as a bona fide insurer for tax purposes, although no one agrees how much unrelated business is needed.

HUG, also domiciled in Tennessee under the state captive insurance company law, is managed by Marsh & McLennan. Admitting it is "a little disappointing" to lose the HCA business, M&M Vp Peter Volpe said, "With the growth of the

County increasing retirement benefits

The Bucks County, Pa., Retirement Board has granted a 5% increase in retirement benefits to 177 of its 204 retired employees.

The pension benefit increase, the eighth in the last 11 years according to county officials, equals one-half of last year's increase in the Consumer Price Index.

Only 177 retirees, those who retired before 1981, will receive the 5% increase, Bucks County benefits officials say. The remaining 27 pensioners won't receive the increase because they are beneficiaries of retirees or worked in 1981.

Approximately 1,500 permanent county employees are covered by the county's \$16 million contributory pension plan. Participating employees annually contribute between 7% and 19% of their pay to the plan

Bucks County doesn't begin contributing directly to the fund on behalf of the employee until after the employee retires. The county must, however, contribute to the fund's annuity reserve account to cover future pension obligations.

Last year, the county made a contribution equal to 7.36% of its total payroll to the annuity reserve account.

Upon an employee's retirement, the county contributes to his individual account on a schedule that's based upon the retiree's final average salary for the last three years of employment and the retiree's length of service to the county.

The total lifetime cost of the new benefit increase is expected to be nearly \$280,000—all of which will be funded with interest earned on last year's pension investments.

three remaining members, HUG is still viable."

Lifemark Corp. of Houston, National Medical Enterprises of Los Angeles and Charter Medical Corp. of Macon, Ga., are the remaining HUG members. Their growth of beds insured will generate about the same premium volume upon the June renewals as the four original members of HUG did in 1976 using comparable rates.

Mr. Volpe of M&M agreed "if HCA had stayed in with the risk shared proportionate to size, HCA would have been insuring others."

That problem could have been solved by layering a different insurance program for HCA, Mr. Volpe said.

HUG's insurance contracts are written to respond to aggregate losses with its members essentially

retaining about 25% of their expected losses. HUG takes all losses above that aggregate retention, buying reinsurance on a per-occurrence basis for losses exceeding \$2 million to a \$10 million limit for professional liability.

HCA was offered per-occurrence insurance only, which it considered closely enough to continue negotiations beyond the original deadline of Dec. 1, 1981. HCA announced its decision Jan. 1.

HUG will redeem the 48.75% of HUG shares now held by HCA, increasing the percentages of ownership among the three remaining members. HUG might be interested in accepting new members, which it had not been in the past. Hospital Affiliates had been the most opposed to opening up the membership.

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Congressman wants to tackle MET problem

Continued from page 1

to audit the financial records of California's estimated 75 self-funded METs, said Frank Damon, chief deputy commissioner.

"The law we would like to see passed in the Legislature would give us the authority to close down an unauthorized MET," Mr. Damon added.

"We want to be able to go in and look at the books and freeze the assets if an MET looks insolvent."

METs are able to avoid state regulation by contending they qualify as a benefit plan under the Employee Retirement Income Security Act of 1974, which pre-empts state regulation of benefit plans.

In order for the Labor Department to recognize a self-funded MET as a bona fide employee benefit plan under ERISA, the MET must prove it is under the control

of the participating employers, rather than being controlled by a third-party administrator. Few self-funded METs are able to meet this test.

Jeffrey Clayton, the new administrator of the Labor Department's Office of Pension and Welfare Benefit Programs, has pledged that the department will move faster on individual requests from states to determine if METs are employee benefit plans covered by the Employee Retirement Income Security Act and thus exempt from state regulation.

Mr. Clayton also says that the department will attempt to have state insurance departments serve as its investigative arm to examine multiple employer trusts that say they are exempt from state regulation under ERISA.

"That method would at least be a

step in the right direction," said Mr. Damon of the California Insurance Department.

"California would be happy to work with the Department of Labor on such a proposal," he added.

He said the California Insurance Department currently is investigating four METs that are insolvent or very close to being bankrupt. Many states have literally tripped upon insolvent trusts only after investigating complaints from employees who can't get their claims paid through the trust.

When the Labor Department issues an advisory opinion that an MET is not an ERISA benefit plan, state regulators then have powerful ammunition to close down financially unstable METs that cannot meet state requirements for insurance companies.

Ingestion theory upheld in Wisconsin DES ruling

Continued from page 2

Under the exposure rule, ingestion of asbestos fibers or DES is considered the cause of the subsequent injury and should trigger insurance coverage.

The manifestation theory holds that bodily injury occurs when a long-latent disease is diagnosed or discovered, and that should trigger coverage.

Litigation to resolve the issue of liability in long-latent disease claims has progressed more quickly in asbestos-related injury cases than in DES cases. In asbestos cases, a district court has ruled in favor of exposure, two federal appellate courts have preferred exposure and a third declined to choose between the two competing theories (*BI*, Nov. 3, 1980; June 29, Aug. 31, 1981).

In that decision, the District of Columbia Court of Appeals ruled that Keene Corp., an asbestos maker, could tap the limits of any single liability policy covering its products over the entire period beginning with a claimant's initial

exposure through diagnosis of an asbestos-related disease (*BI*, Oct. 29, 1981).

Timothy R. Johns, president of Kremers-Urban Co., expressed great relief with the Milwaukee court's decision in the DES case. "We thought we had insurance all along and then all of a sudden about a year ago they (American Employers/Commercial Union) sent us a letter and said they wouldn't defend us."

Up until then, American Employers/Commercial Union had been handling the defense of claims under a reservation of rights, he said. Most of the cases Mr. Johns termed "nuisance suits" were filed in states where the small company never marketed its product.

"But we still have to defend ourselves," he stressed.

"A preliminary review of the decision leads me to conclude that we will probably appeal," said William E. Bailey, Commercial Union's senior vp.

"The judge appears to have

looked strictly at policy language and overlooked vital issues."

The judge did not allow testimony of medical experts and failed to consider the underwriting process in his assessment of liability, Mr. Bailey noted. Insurance companies need to be able to close off an underwriting cycle at a point in time so they can assess their performance like any other business.

This is not possible under a pure exposure theory, he pointed out. That's because exposure does not necessarily trigger liability. Some people who have been exposed to asbestos or who have ingested DES never develop disease. The bodily injuries cannot be said to occur until they are discovered, he said.

There is a clear streak of consistency in various courts' rulings on the manifestation vs. exposure theories, noted Ray Rauch, general counsel at Eli Lilly & Co., a major manufacturer and marketer of DES. "Both the Squibb and Kremers-Urban decision favored the insured," he said.

Mr. Rauch's comments echo statements made by other legal observers about diverse court rulings in asbestos insurance coverage cases. The single thread that weaves those decisions together is the courts' apparent preference for whichever theory maximizes insurance available to a particular policyholder.

Circuit Judge Michael D. Guolee, who wrote the Kremers-Urban decision, specifies that the company's policies also cover any damages that could arise against the company under the enterprise liability theory.

A New York appellate court has ruled that manufacturers of DES may be held jointly liable for the plaintiff's injuries even if the specific manufacturer who furnished the drug to the victim's mother cannot be identified. Because DES makers undertook collective efforts to promote, advertise and manufacture the drug, they should be held jointly liable for damages, the court reasoned.

Kremers-Urban manufactured DES under the brand name Stilbestrol from about 1947 to 1962, according to court documents. The substance was prescribed to pregnant women to prevent possible spontaneous abortion of fetuses.

Some medical researchers allege that women whose mothers took DES have developed cancerous or pre-cancerous lesions of their cervix and vagina and that this condition is a direct result of their mothers' ingestion of DES.

But the Labor Department says states also can try to close self-funded METs before an ERISA ruling is made. However, in some cases where this has been done, courts have not upheld the state's action saying the Labor Department must first rule on the MET's status as a benefit plan.

Rep. Erlenborn's call for congressional hearings on METs marks the second time in three years that Congress has looked into the health trusts.

In 1978, former Sen. Jacob Javits, R-N.Y., and Sen. Harrison Williams, D-N.J., proposed, as part of legislation to overhaul ERISA, filling the legal vacuum that surrounded METs by defining whether or not federal or state regulation would apply.

In their ill-fated ERISA Improvements Act of 1978, S. 209, the ERISA architects said if MET participants had a commonality of interest—such as belonging to the same trade association—then the plan would be considered an ERISA employee benefit plan and regulation would be at the federal level (*BI*, May 15, 1978).

Since self-funded METs generally are marketed by third-party administrators to unrelated companies and individuals, few METs would have been able to qualify for federal regulation under this test.

Without regulation under ERISA, the plans would have been clearly subject to state regulation. Few, if any, self-funded METs can meet state insurance requirements and those failing to gain federal status would have been forced to close.

But since the Williams-Javits bill died after it was approved by the Senate Labor and Human Resources Committee in 1979, Congress hasn't considered the problem of METs.

Rep. Erlenborn said he thought Congress, in passing ERISA in 1974, clarified benefit regulation. While ERISA pre-empted states

from imposing benefit requirements, the pension reform law still left the states with the power to regulate insurance operations.

But Mr. Erlenborn conceded that MET regulation may be a "gray area."

Any legislation that may be necessary to curb MET problems has to be carefully drafted to ensure that federal pre-emption of state benefit requirements is not weakened, he said. "That is why hearings are needed."

Most state officials agree there are problems regulating METs, but so far only California is seeking more authority to regulate self-funded METs.

"The problem with these trusts is that you have to chase after them," says J.H. Easterwood, an insurance investigator with the State of Alabama.

"By the time we find out people aren't getting their bills paid, the so-called MET has folded up and moved on to another state," he said.

The National Assn. of Insurance Commissioners is aware of the problem, says David Brummond, the group's acting staff director, but he said there isn't any committee within the association assigned to study the problem.

The Coalition of Insurance Legislators has talked about METs and how the trusts are getting around federal or state regulation.

"It's an area we want to get interested in," said a spokesman for COIL, an organization of state legislators interested in insurance regulation.

BC/BS rate hike OK'd

LANSING—Blue Cross Blue Shield Corp. of Michigan has been granted as average 17.5% rate increase for area-rated groups.

The rate hike, which affects about 700,000 people, will total \$55 million. Area-rated groups include small employers.

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Was Hyatt cover extended after mishap?

Continued from page 3
respond.

Marsh & McLennan, in its court-filed response to questions about its role as broker for both Hyatt and Hallmark/Crown Center, offers little explanation.

The final liability costs from the collapse that killed 113 and injured at least 200 are estimated at \$100 million to \$150 million.

A total of \$330 million in insurance is available to pay claims, with Hyatt holding \$200 million and Hallmark/Crown Center \$100 million. Another \$30 million is held by prime contractors for the hotel.

The three excess insurers are asking whether actions by M&M or other insurers had the effect of adding Crown Center and Hallmark to the excess insurance they provided Hyatt above Northbrook.

If Northbrook exhausts its \$25 million liability layer on settlements made on behalf of Hallmark/Crown Center as well as Hyatt, the three excess liability want to know if they are necessarily liable to pick up claim costs.

Hallmark/Crown Center's primary insurer, Commercial Union Insurance Co., has yet to pay any settlements, they point out.

They also ask if Northbrook acted properly in "gratuitously"—to use their term—accepting Crown Center/Hallmark as additional insureds and then undertaking to settle claims in their behalf as well as Hyatt's before Commercial Union has paid anything.

Mr. Clements termed it "very unfortunate" that the excess insurers have taken the position they do not cover Crown Center/Hallmark on their Hyatt policies.

Although Pine Top, Insko and Centaur raise questions about Northbrook's coverage in court documents, the three insurers are apparently prepared to step in and begin paying settlements when Northbrook exhausts its \$25 million layer, according to a transcript of a meeting with the judge on Dec. 30. Northbrook so far has paid out about \$15 million.

In addition, Hallmark's primary insurer, Commercial Union, has told the judge it would pay settlements to continue the settlements while liability is litigated.

These assurances led the judge to conclude that insurers had committed \$151 million to settlements.

In their papers, Pine Top, Insko and Centaur:

- Say Crown and Hallmark were not named as insureds on Hyatt's \$1 million primary insurance policy underwritten by Occidental Fire & Casualty Co. of North Carolina or on the first excess policy as it was issued by Northbrook.

Occidental "accepted" both Crown Center and Hallmark as additional insureds after the skywalk disaster, they say. "As with Occidental, Northbrook insured Hyatt as a named insured; and, after the accident on July 17, 1981, 'accepted' Crown and Hallmark as insureds 'at the request of the broker.'"

In another document, they say, "Northbrook, at the request of Hyatt's agent and broker, 'recognized' Crown and Hallmark as insureds under Northbrook's policy," after the accident.

- Contend Marsh & McLennan is not their agent and Crown Center/Hallmark were not "additional insureds" on their policies, as at least one M&M-issued insurance certificate states. Attached to the legal papers is a Sept. 24 letter to Hyatt Corp. from the underwriting manager for the three companies, Baccala & Shoop Insurance Services of Newport Beach, Calif., stating that they received "no proper notice" of any additional insureds added to the policies.

- Deny they authorized M&M "to issue any certificates of insurance to Crown Center."

Northbrook, in its response to Hyatt's questions, declines to say whether or not Hallmark/Crown Center were additional insureds under the policy on the day of the accident. "Northbrook objects to this interrogatory on the ground that it requires Northbrook to form a legal conclusion as to what comprises 'additional insureds.'" It adds, however, Northbrook "has recognized Crown Center and Hallmark as insureds and is presently providing a defense to them."

Mr. Clements' assertion that Northbrook was convinced to follow the form of an underlying policy implies the Occidental policy did name Hallmark/Crown Center.

M&M's court-filed response to Hyatt's questions appears aimed at preserving the position of a broker that only acts an intermediary between the insurance buyer and insurer. It refused to respond to many coverage questions, deferring to the policies themselves.

In the answers signed by Mr. Clements, the broker:

- Says it never advised Crown Center/Hallmark that they had been added as "additional insureds" to Hyatt's line of insurance, as certificates issued on M&M blanks state. ". . . No such advice was necessary or given."

In effect, M&M is saying that insurance certificates speak for insurance companies, not for M&M.

"These defendants are not insurers, and do not 'make' entities insured," M&M says.

- Contends Hyatt and Crown Center/Hallmark were each effectively named on all the policies issued by the 24 insurers at the time of the skywalk collapse, despite disputes by the various companies to the contrary. But the brokerage declined to answer Hyatt's query of exactly who was "insured" by each policy, saying the question is too broad. M&M does assert, however, in answer to another question, that Crown Center/Hallmark are additional insureds on each policy.

- Refuses to answer whether it has been authorized at any time since 1979 to act as an agent for any of the 24 insurers involved in the Hyatt disaster, saying it would be impossible to search the records of all of its offices to check for sure.

Northbrook says in its court-filed answers that M&M was not its official agent after Jan. 1, 1979.

M&M says it sent certificates to Crown Center/Hallmark in early 1981 showing Crown Center/Hallmark as named insureds on Hyatt's insurance line that included Northbrook. Later, it issued another certificate altered only to omit Northbrook. A separate certificate on Northbrook paper was issued showing Hallmark and Crown Center as named insureds.

All the certificates contain statements that they are issued for information only and "do not amend, extend or alter the coverage afforded by the policies listed."

N.Y. law firm to defend Air Florida

Continued from page 3

wings or control surfaces may have contributed to the accident.

Ms. Tirado's suit, filed by attorney Bill Wagner of Tampa, Fla., seeks compensation for medical expenses, loss of earnings and earnings capacity, physical handicaps and disabilities, physical and mental pain and suffering and severe emotional trauma. It does not seek punitive damages.

In other crash-related developments:

- Attorneys for Katherine W. Erickson of Decatur, Ga., the wife of deceased crash victim James L. Erickson, filed suit Jan. 18 in U.S. District Court in Washington, seeking a class action and a total of \$370 million in damages for all the victims. It was the first suit filed. Air Florida is to respond by Feb. 8.

As is customary in large disasters, attorneys "forum shop" for the state or federal court that they feel is most likely to yield jury awards or settlements favorable to their clients. Most of the suits will likely end up either in Florida courts or in the federal court in Washington.

- Air Florida may face higher rates when its hull and liability policy comes up for renewal in February, said a broker at Crawley, Warren & Co. Ltd. of London, the Lloyd's broker that placed 95% of the airline's insurance. The other 5% was placed in the U.S. market through Aviation Office of America Inc. of Dallas. Fred S. James & Co. is the airline's U.S. broker.

The deductible on an aviation policy does not apply when there is a total loss, so Air Florida's insurance will kick in on the first dollar of the loss, the Crawley, Warren broker said. Aviation policies include deductibles for partial losses, like \$250,000 for damage to an engine from ingestion of birds or foreign objects and \$75,000 for damage on the ground.

- A technical secretary of the British Airlines Pilots Assn., Terrence Staples, said in London that Boeing Commercial Airplane Co. during a seminar outlined 12 incidents of 737 pilot control problems during icing conditions since 1973. Boeing refuses to discuss the incidents.

Mr. Staples told *Business Insurance* that seven incidents involved 737s flown by Lufthansa German Airlines and others involved craft flown by Eastern Provincial Airways Ltd. in Canada, Braaphens (SAFE) Air Transport in Norway and British Airways.

The Federal Aviation Administration said it is searching its records for any similar incidents in which Boeing said the 737 had exhibited a tendency for the nose to uncontrollably pitch up and the wings to tip, often referred to as "pitch-up, roll-off."

In June 1981, Boeing issued an operations bulletin to all airlines that fly 737s warning of this tendency, which it said could be caused by an accumulation of ice on the leading edge surfaces of the aircraft's wings.

The British Civil Aviation Authority issued an order two days after the Air Florida crash requiring 737 pilots to increase their takeoff speed by two knots and lift the nose at a rate of no more than three degrees per second during takeoff to compensate for the tendency.

NTSB sources say several witnesses to the Air Florida crash said the airplane was pitched up from 20 degrees to 30 degrees at the time it struck the bridge, a few seconds after takeoff.

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NEIL headed toward \$1 billion limit

Continued from page 2

are still "in the market" for excess property capacity, the group will make no predictions on when larger limits will be available or how high they will be.

In an address to insurance and utility officials last fall (BI, Oct. 5, 1981), Mr. Proom called for greater cooperation between the ANI/MAELU pools and the two nuclear industry groups that also provide nuclear property insurance—NEIL and Nuclear Mutual Ltd.

NML, a second Bermuda-based industry captive, provides \$450 million in primary property insurance to its 27 member utilities.

Citing the limited worldwide capacity for insurance for nuclear facilities, Mr. Proom said combining the capacities of ANI/MAELU, NML and NEIL in either quota-share or excess agreements is one sure way of providing nuclear utilities with the coverage they need.

Mr. Proom's suggestion of greater cooperation among the three groups apparently has not met with much success.

Mr. Proom concedes that most nuclear utilities have chosen the NEIL program.

He also confirms that ANI/MAELU and NML officials still have not met to discuss any cooperative arrangements although they did have "preliminary discussions" on the matter.

"The door is open as far as dialogue goes," says Mr. Proom.

In the NEIL program, says Bill Pimm, the captive's general manager, \$247 million excess of \$500 million is currently available to member utilities.

This excess cover is split between NEIL and commercial reinsurers in the London market on a quota-share basis, with NEIL providing up to a maximum of \$186 million.

London reinsurers also will pay

12.2% of any loss, up to a maximum of \$61 million.

This excess capacity is set to increase again on March 15, Mr. Pimm says, and the captive expects bimonthly increases thereafter "as more resources become available."

NEIL's excess capacity program currently has 22 member utilities with 26 sites and 38 nuclear generating units.

ANI/MAELU are still working on their own excess property program, and Mr. Proom says the group does have interested reinsurers in the London market and foreign insurance pools.

The pools first hope to boost their \$450 million primary capacity to \$500 million sometime this year by adding to it in small increments, he says. They also hope to provide excess coverage as more capacity becomes available.

"We're in the market and we're still pursuing it," he says. ■

Replacement power program grows

Continued from page 2

In approving the program, the Maryland PSC found: "The need for such coverage is best illustrated by the effect that the incident at the Three Mile Island Nuclear Power Plant has had on the financial condition of General Public Utilities Corp."

"As a result of that accident," it continued, "GPU is facing not only major repair costs, but also is incurring substantial additional costs in purchasing replacement power during the period the nuclear units are out of service."

Both of the Three Mile Island units now are idle and generate nothing but additional expenses. Unit No. 2 was knocked out in the March 29, 1979, accident; Unit No. 1 was pulled out of service shortly thereafter by the Nuclear Regulatory Commission.

Through November, GPU had spent an average of \$24 million a month for replacement power.

NEIL, a Bermuda-based mutual insurance company, was formed in September 1980 following a study by an Edison Electric Institute task force on insurance that identified a need for such coverage.

The captive, which started with 25 member companies, has since grown to 34 members and insures 53 units at 35 sites. It is managed by M&M (Bermuda) Ltd.

The program protects against losses from accidental radioactive contamination and other physical damage in instances where an accident robs a utility of its generating capacity. Policy exclusions include gradual accumulation of radioactive contamination, government intervention that shuts down an otherwise operational facility and acts of war.

After a six-month deductible, NEIL will provide up to \$2.3 million a week for the first 52 weeks, says Bill Pimm, NEIL's general manager and managing director of M&M's Bermuda operation.

Coverage for the next 52 weeks then drops to one-half that amount, or a maximum of \$1.15 million.

The program, says Mr. Pimm, is funded by a combination of annual premiums and a retrospective premium assessment.

Annual premiums vary from \$1.5 million to \$1.7 million per generating unit for the full \$2.3 million per week of coverage.

Retrospective assessments may equal a maximum of five times the annual premium in the event of a significant loss.

Utilities participating in the program must first undergo a risk inspection performed by M&M Nuclear Protection Consultants, a division of Marsh & McLennan Inc.

Coverage has grown from the program's initial weekly indemnity of \$2 million, and Mr. Pimm is optimistic that additional coverage will become available.

Once BG&E joins the program, it will pay an annual premium of \$3.5 million for its two nuclear generating units. The utility also will pay a one-time reserve premium charge of \$461,812.

The Maryland Public Service Commission will allow BG&E to recover these costs as an operating expense, although a final rate determination awaits the outcome of a separate hearing that should conclude sometime next month.

BG&E then will complete its application process with NEIL and file an approved rate, a company spokesman said. Costs of the insurance program could show up on customers' bills as early as March.

Gerry Hayes, an attorney at the New York law firm of Baker & McKenzie, NEIL's U.S. counsel, says he knows of no NEIL member that has been denied a favorable rate treatment by a regulatory authority.

While each utility handled regulatory proceedings on its own, Baker & McKenzie acted as a clearinghouse for information when problems arose.

However, the NEIL program did face some opposition during the proceedings in Maryland.

The People's Counsel, an arm of the Public Service Commission representing consumers in regulatory matters, raised objections to BG&E's participation.

First on its list is possible intervention by an agency like the Nuclear Regulatory Commission.

Should one of BG&E's units be held out of service after an accident by the NRC, even if it is operational, the utility would not be able to recover on its policy, the People's Counsel said.

It also suggested that BG&E investors should at least share in the cost of the coverage. It noted the comments of Edward C. Cooke, BG&E's vp for finance, during a PSC hearing on the matter:

"...The fact that the insurance exists and that BG&E is participating in NEIL will, in the words of Mr. Cooke, 'make them feel a little better about investing in a nuclear base unit in the state of Maryland.'" ■

Winter's wrath Popping pipes a danger

Continued from page 3

of the South because managers just weren't ready for it. They never had to worry about freeze-ups and ice damage before," he said.

Pipefitters and heating contractors also were swamped with repair work, so the RSVP engineers also offered safety and security advice to keep property damage claims to a minimum until the systems could be repaired.

Low-rise office buildings, usually considered excellent property risks, also became vulnerable.

"Many of these buildings have drop ceilings with water pipes running along the metal roof. But the owners usually haven't prepared for getting heat up there if the general heating system goes down," Mr. Leedy says.

IRI advises care with any temporary heating system, adds Val DalPonte, IRI engineer in charge of the Chicago field office.

"The ice damage problem can easily turn into a fire protection problem. Most temporary heaters are gasoline or kerosene fired. They need to be ventilated and protected from bumps.

"Overturn one of those liquid-fueled heaters and you've got a big spill-fire on your hands," Mr. DalPonte warns.

If you have to shut down fire protection systems for any planned or emergency reasons, IRI engineers say:

- Try to plan for one impairment at a time.
- Brief department heads in areas where fire protection will be shut off.
- Notify the public fire department.
- Notify your alarm service or security agency.
- Alert the plant fire brigade.
- Prepare emergency access to impaired areas.
- Make sure all other plant fire protection equipment, like portable extinguishers or sand buckets, are ready for use.

Rock fans are left out in the cold

Continued from page 3

will examine the contract with the rock star to see if there are any contractual obligations the promoter must pay—including the performer's fee.

If the promoter pays the performer and is not obligated to, there is no coverage for that expense, he added.

Mr. Fitzgerald, who had not seen the contract between Pace and Mr. Stewart, did not know if Mr. Stewart would be paid for the no-show.

Mr. Stewart and his band were to play at Hirsch Memorial Coliseum in Shreveport. But because of severe weather and poor road conditions, the trucks carrying the group's equipment could not get to the coliseum nor could necessary equipment be leased in Shreveport.

The concert may be rescheduled, but the insurer still will have to pay for advertising, ticket printing and other expenses caused by the cancellation.

A spokesman for Jam Productions in Chicago said it took out a \$122,500 business interruption policy with Lloyd's of London for Mr. Stewart's Jan. 12 concert at the Rosemont Horizon in a Chicago suburb. However, even though it snowed that night, the show went on.

The policy would have reimbursed the promoters for out-of-pocket expenses in the event Mr. Stewart canceled. The premium was \$3,000.

Under the contract with Mr. Stewart, the promoter had to buy the business interruption insurance—and supply champagne, peanut butter and jelly sandwiches and the stage hands. Mr. Stewart was to pay a portion of the premium—but nothing toward the sandwiches.

British insurers total the losses

Continued from page 3

Despite the number of claims streaming in, they are unlikely to affect next year's rates, Mr. Harris said.

"I don't expect that we will adjust rates because of one bad winter," he said. "Insurance is a matter of smoothing all the time. You don't put the rates up after a bad winter, nor do you put them down after a good summer. One swallow does not a summer make."

But, while some businesses are insured for damages caused by the fierce winter, others may not be.

British Steel Corp. estimates it will lose almost 100 million pounds (\$187 million) from three plants in Wales that were closed because of the blizzard. "They will lose a total of 5 million pounds in revenue each day," a company spokesman said. "Multiply that by 10 days and that's 50 million pounds."

"The balance is made up by the damage to stocks in the plants. A lot of stuff will have to be scrapped," he said.

Water jackets and piping frozen by the blizzard are expensive to repair. And some flooding will likely occur as the snows begin to melt.

British Steel refused to say if these losses were insured.

The nationalized British Railways Board, however, will have to dip into its pocket for any losses incurred because of the icy winter. "We self-insure for most things," said a British Rail spokesman. "We make a provision in our funding for insurance."

In December, five people were killed when one British Rail train smashed into the back of another after a blizzard.

Many sporting events also have been canceled because of the bad weather, and most of the team owners were uninsured for the business lost, a Lloyd's underwriter said.

"Most sports clubs don't insure because it is too expensive for the number of claims that come in. It is not worth it," he said.

Pluvial insurance, which covers events that are canceled due to bad weather, can run from 2% to 10% of the amount insured. The rates are high because of Britain's climate, he said.

"In this country it does tend to rain a bit," the underwriter said. "And after all, all snow is freezing rain."

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BI Insurance Index



Insurers looking for ways to strengthen distribution

By MYRON M. PICOULT
Special to Business Insurance

IN OUR LAST COLUMN, we discussed how a slower rate of premium growth would affect cash flows (investment income growth) and the ability of the industry to cut expenses. We came to the conclusion that both underwriting strength and a superior distribution capability would become increasingly important. In fact, the distribution system ultimately would determine who the survivors and the dinosaurs would be.

It now appears two key avenues are open for companies to improve their distribution capabilities. One deals with group distribution; the other involves enhancement of a company's personal lines exposure, which could lead to a stronger market position for commercial coverages for medium-size companies.

The marketing edge that the "direct writers" enjoy is becoming increasingly evident. While one thinks of "direct writers" in context with the personal lines business, the time is approaching when these companies will be very meaningful factors in the commercial market—specifically in the "retail commercial" arena.

Perhaps the best offensive weapon available against the inroads of the direct writers is group distribution. The genesis of the proposed merger of Connecticut General Corp. and INA Corp. was clearly the recognition by the two parties of the need to develop and nurture a more aggressive and unique distribution capability than has heretofore been



Mr. Picoult

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BI ticker

conceived by the industry.

It is not a question of whether group automobile or homeowners coverage is a reality; it is just a question of timing. Furthermore, more aggressive marketing of commercial association group business is here.

The second avenue is the one that involves a "recommitment" to the personal lines field. One of the more interesting miscues committed by many commercial writers after the 1974-1975 underwriting debacle passed was the belief that the personal lines business was the wrong place to be. The "real" growth and profitability was to be found in the commercial arena. Hence began the stampede to get through the revolving door, and we all know where that led.

It is becoming apparent that some commercial writers have recognized their goof and seem to be seeking a way to redress the situation. The motivation behind the concept, however, is not an apparent burning desire to get back into the personal lines business. The basis for the review is recognition that personal lines-oriented companies that have developed and nurtured strong agent relationships could be attractive to a commercial insurer that recognizes the need to strengthen its agent relationships to increase its share of the medium-sized market.

Further, the average premium now garnered on personal auto, homeowners and perhaps umbrella policies is equal to or exceeds that of a small commercial policy.

The irony of the situation is that there are few companies that possess, in a meaningful way, either a group distribution or a personal lines orientation. Furthermore, if they can be acquired, they are likely to be costly.

Nonetheless, we believe the following are possibilities:

- Any insurance company with a major group distribution capability, but no property/casualty product, is at a disadvantage, whether or not it is perceived. Hence, it would not be surprising to see a major mutual life insurance company seek a merger with a personal lines or commercial insurer.

- As noted, companies that are personal lines-oriented with strong agent relationships could be attractive to a commercial insurer.

- Smaller companies that have either geographic or product expertise could become increasingly attractive to both medium-size and larger companies seeking to round out their product portfolios.

Mergers, fusions and affiliations are likely to become the new buzz words for the industry, perhaps even supplanting the current favorite: cash-flow underwriting.

Financial briefs Underwriting forecast

The property/casualty insurance industry should expect high underwriting losses for at least three more years, according to a new study by Chase Econometrics, a Bala Cynwyd, Pa., economic forecasting firm.

"The current outlook for property/casualty underwriting is dismal," according to David Hemley, vp of insurance economics at Chase Econometrics. "A combination of rate-cutting and underwriting for purposes of cash flow will keep underwriting losses high for at least three more years."

"Our forecasts indicate that property/casualty underwriting won't break even until 1984," he says.

Property/casualty underwriting losses will exceed \$4 billion this year, according to the report, "A Crucial Decade: The Next 10 Years for the Insurance Industry."

However, investment income will continue to outweigh the underwriting losses, the report says. Investment income is expected to grow from \$13 billion in 1982 to nearly \$20 billion in 1984. And that growth is a good thing for the industry, he says.

"In the long run, a greater reliance on investment income will be a healthy development for property/casualty lines, since it enables the industry as a whole to achieve a greater stabilization of earnings from year to year," he says.

But that does not mean the outlook is bright for all insurers, Mr. Hemley explains. "Unfortunately, many individual companies may experience serious cash-flow problems in the next three years."

"As interest rates fall and the growth of investment income slows, profit squeezes will cause serious problems for those companies that have not planned for the impending shrinking of funds," he states.

However, workers compensation insurers should see additional premium flowing their way as employment begins to swell again.

Chase is forecasting a 18.8% increase in workers compensation premiums written in 1982, against a 17.5% increase in losses incurred. Likewise, it forecasts a 13.7% increase in premiums written in 1984, vs. a 12.7% increase in incurred losses.

General liability insurers also should see healthy premium increases in the coming years, according to Mr. Hemley.

"As business activity recovers from the current recession, we expect to see sizable increases in premium volume. And while loss experience will fluctuate from year to year, we expect that over the next 10 years, growth will decelerate rapidly as courts become more conservative in their awards."

Chase forecasts a 21% increase in general liability premiums written this year, while predicting only a 14.3% increase in incurred losses. However, it predicts the gap between premiums and losses will narrow to a 15.8% hike in written premiums in 1984, compared with a 15.3% rise in incurred losses.

Multiperil lines will suffer their first underwriting losses since 1974 and will not see underwriting profits until 1985, it says.

Chase Econometrics says that multiperil premiums written will increase 14.7% this year, just barely more than the projected 14.6% increase in incurred losses. The situation will improve in 1984, it says, with a predicted 18% increase in written premiums against a 14.7% increase in incurred losses.

British Issues

19 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence	
					High	Low
Comm Union	129	8.9	16.07	12.5	129-124	
Eagle Star	334	11.2	21.43	6.4	334-317	
Genl Accident	316	7.1	21.07	6.7	316-308	
Gdn Royal Exch	292	7.9	23.21	7.9	294-286	
Phoenix	230	8.7	22.43	9.7	230-218	
Royal	341	9.5	35.00	10.3	342-334	
Sun Alliance	852	9.4	53.57	6.3	852-828	

Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence	
					High	Low
CE Heath	283	5.5	15.71	5.3	283-275	
Hogg Robinson	109	8.7	8.57	7.9	109-108	
Alex Howden	130	10.0	10.71	8.2	131-128	
JH Minet	141	9.7	6.80	4.8	141-138	
Sedg Grp	150	10.9	7.50	5.0	150-145	
Stenhouse Hldg	100	8.8	7.28	7.3	100-97	
Staw Wrightson	222	11.1	17.14	7.7	222-220	
Willis Faber	377	13.0	17.85	4.7	377-367	

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

BI Industry Stock Report

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	1/13/82 THRU 1/19/82			Price	% Chg.	P/E	\$ Div.	1/13/82 THRU 1/19/82											
					% Yld.	High	Low					Vol. (000)	% Yld.	High	Low	Vol. (000)							
Aetna Life & Cas Co	NYSE	42.25	0.0	7.1	2.32	5.5	42.63	41.38	418.8	Travelers Corp	NYSE	44.00	0.3	5.2	2.88	6.5	44.13	43.00	211.6				
American Bankers Ins Group	OTC	8.00	4.9	8.5	0.48	6.0	8.00	7.63	278.9	United Fire & Cas Co	OTC	27.75	-0.9	7.9	0.88	3.2	28.00	27.75	2.7				
American Gen Ins Co	NYSE	39.63	-2.2	5.8	2.00	5.0	40.63	39.63	44.1	United States Fid & Gty Co	NYSE	40.25	1.3	6.5	3.20	8.0	40.25	39.75	136.7				
American Indty Finl Corp	OTC	16.50	5.6	7.0	1.12	6.8	16.50	15.63	19.0	United Svcs Life Ins Co	OTC	14.13	-0.9	5.5	1.00	7.1	14.13	13.88	10.1				
American Intl Group Inc	OTC	63.50	0.0	11.0	0.40	0.6	63.50	62.75	175.5	UsLife Corp	NYSE	23.00	0.5	5.5	0.84	3.7	23.13	22.25	63.3				
American Natl Ins Co	OTC	14.00	0.0	6.0	0.76	5.4	14.13	14.00	18.7	Washington Natl Corp	NYSE	17.75	-2.1	5.4	1.08	6.1	18.13	17.75	29.5				
American Sta Life Ins Co	OTC	15.75	-4.5	5.0	0.80	5.1	16.50	15.75*	0.7	Zenith Natl Ins Corp	OTC	16.50	-1.5	8.6	0.76	4.6	16.50	16.50	13.6				
Aneco Helms Ltd	OTC	2.63	0.0	0.0	0.00	0.0	2.75	2.63	3.1	INSURANCE COMPANIES				AVERAGE	6.1	4.2							
Appalachian Natl Corp	OTC	2.56	0.0	1.1	0.00	0.0	2.56	2.56	0.0	AGENTS/BROKERS				Alexander & Alexander Svcs	OTC	24.50	-1.0	8.6	1.84	7.5	24.50	24.00*	356.7
Avesco Corp	AMEX	10.50	-2.3	7.2	0.54	5.1	10.50	10.38	3.6	Baldwin & Lyons Inc	OTC	32.00	0.0	5.5	0.80	2.5	32.00	32.00	0.2				
Banks Iowa Inc	OTC	40.00	2.6	5.8	1.44	3.6	40.00	39.50	0.5	Corson & Black Corp	NYSE	20.25	-0.6	12.0	1.76	8.7	20.38	20.25	56.5				
Bitco Corp	OTC	38.25	0.7	4.5	2.16	5.6	38.25	38.00	5.2	Crump E H Cos Inc	OTC	11.13	-1.1	13.1	0.40	3.6	11.13	11.13	72.2				
Carolina Gas Ins Co	OTC	7.13	1.8	7.1	0.32	4.5	7.13	7.00	2.0	Hall Frank B & Co Inc	NYSE	27.25	5.8	10.3	1.66	6.1	28.38	27.25	217.7				
Central Natl Finl Corp	OTC	34.88	-0.4	11.4	0.65	1.9	34.88	34.88	0.8	Integrated Res Inc	AMEX	17.25	5.3	7.0	0.00	0.0	18.00	16.63	39.0				
Chubb Corp	OTC	45.75	0.0	5.6	2.92	6.4	45.88	45.75	72.1	James Fred S & Co Inc	NYSE	22.75	-1.1	10.6	1.60	7.0	22.75	22.63	46.8				
Combined Intl Corp	NYSE	21.13	-4.0	5.5	1.80	8.5	21.88	21.00	116.6	Marsh & McLennan Cos Inc	NYSE	31.38	-2.7	10.1	2.00	6.4	31.50	31.13	294.6				
Connecticut Gen Ins Corp	NYSE	49.00	0.5	6.2	1.76	3.6	49.00	47.63	53.3	PennCorp Finl Inc	NYSE	5.25	0.0	7.6	0.16	3.0	5.50	5.25	70.2				
Continental Corp	NYSE	24.63	1.0	7.7	2.40	9.7	24.63	24.13	174.6	Pinehurst Corp	OTC	8.63	0.0	0.0	0.00	0.0	8.63	8.63	6.4				
Crawford & Co	OTC	14.50	0.0	11.2	0.52	3.6	14.50	14.25	0.1	Poe & Assoc Inc	OTC	9.50	0.0	10.7	0.80	8.4	9.50	9.50	0.0				
Crown Life Ins Co	OTC	80.50	-4.2	8.7	2.80	3.5	80.50	80.50	0.0	Reed Stenhouse Cos Ltd	OTC	10.88	-3.3	8.7	0.60	5.5	11.25	10.75	15.9				
Crum & Forster	NYSE	29.88	-2.8	4.9	1.64	5.5	30.13	29.75	370.0	Rollins Burdick Hunter Co	OTC	21.00	-2.3	12.0	1.32	6.3	21.50	21.00	6.1				
Employers Gas Co	OTC	33.50	0.8	5.3	1.20	3.6	33.50	33.50	8.0	AGENTS/BROKERS				AVERAGE	9.3	5.4							
Equifax Inc	NYSE	26.88	4.4	6.0	2.40	8.9	26.88*	26.00	32.9	CONglomerates/Holding Cos.				American Express(Fireman's Fd)	NYSE	41.50	-2.9	7.4	2.20	5.3	41.75	41.13	803.5
Excelsior Ins Co	OTC	17.00	0.0	11.6	0.70	4.1	17.00	17.00	1.8	Anderson Clayton(Ranger/PanAm)	NYSE	28.00	3.7	5.8	1.32	4.7	28.00	27.00	74.4				
Farmers Group Inc	OTC	30.63	-2.0	9.0	1.12	3.7	30.75	30.38	124.1	Araco Inc	NYSE	22.13	-8.8	2.5	1.80	8.1	24.25	22.13*	195.9				
First Colony Life Ins Co	OTC	62.50	-3.8	17.8	1.00	1.6	63.00	62.50	28.6	City Investing Co. (Home Ins.)	NYSE	22.13	-1.1	6.3	1.00	7.2	22.25	22.00	356.4				
Foremost Corp Amer	OTC	29.50	0.0	8.3	0.80	2.7	29.50	29.50	1.5	CNA Finl Corp (CNA)	NYSE	13.63	-6.0	5.7	0.00	0.0	14.50	13.63	106.6				
Great West Life Assura Co	OTC	243.00	0.0	9.0	10.00	4.1	243.00	243.00	0.0	Control Data (Comm. Credit)	NYSE	31.75	-3.4	7.4	0.55	1.7	32.88	31.75	456.1				
Hanover Ins Co	OTC	32.25	0.0	3.9	0.72	2.2	32.25	32.00	17.8	General Re Corp	NYSE	79.13	0.2	10.1	1.76	2.2	79.50	77.63	124.7				
Hartford Steam Boiler Insprtn	OTC	40.50	-5.8	7.1	2.80	6.9	43.00	40.50	5.2	Gulf Utld Corp	NYSE	18.88	8.9	6.6	1.32	7.0	19.25	18.00	281.2				
Jefferson Natl Life Ins Co	OTC	30.00	4.3	17.2	0.64	2.1	30.00	28.75	12.5	INA Corp (Ins. Co. of MA)	NYSE	43.50	0.6	6.1	2.40	5.5	43.50	42.50	248.3				
Kemper Corp	OTC	30.63	0.0	4.8	1.80	5.9	30.63	30.25	36.3	ITT (Hartford Group)	NYSE	27.63	-2.2	7.3	2.68	9.7	27.63	27.38	673.5				
Lincoln Natl Corp Ind	NYSE	40.63	0.9	6.3	3.00	7.4	40.88	40.25	81.0	Optimus Hldg Corp	OTC	10.25	-2.4	13.1	0.00	0.0	10.50	10.25	2.6				
Misc Invst Corp	NYSE	49.50	-0.3	12.3	1.28	2.6	49.63	49.38	646.1	Reliance Group Inc	NYSE	101.00	0.0	10.9	3.00	3.0	101.00	101.00	2.6				
Mission Ins Group Inc	NYSE	35.00	2.2	6.2	1.00	2.9	35.00	33.25*	28.9	Sears Roebuck & Co. (Allstate)	NYSE	16.88	-0.7	8.4	1.36	8.1	17.00	16.88	823.5				
Nationwide Corp Ohio	OTC	27.75	-2.6	9.2	0.70	2.5	28.25	27.50	0.2	Baldwin Utld Corp	NYSE	67.50	6.5	11.6	1.60	2.4	69.50*	67.50	216.9				
Northwestern Natl Life Ins	OTC	25.50	1.0	5.5	1.36	5.3	25.63	25.25	19.2	Teledyne Inc (Argonaut)	NYSE	131.13	1.0	6.6	0.00	0.0	134.75	127.38	892.4				
Ohio Gas Corp	OTC	39.88	-4.8	6.1	2.04	5.1	41.75	39.88															

"The Hartford will even do a Loss Control analysis before it quotes the business."

**An interview with
Bill Nebraska, Vice President,
Loss Control Department,
The Hartford.**

Q. How can a Hartford prequote Loss Control analysis cut business insurance costs up front?

A. Our Loss Control professionals will research the company and help develop

a program tailored to the situation. We'll show how The Hartford can help the company control losses. By coming in before we make a quote, we can explore ways of reducing losses up front to help customers control their insurance costs.

Q. What is the scope of The Hartford's Loss Control capability?

A. Our range of Loss Control services is one of the broadest in the industry. It covers construction, fire protection, commercial auto, industrial hygiene, medical professional liability, manufacturing... you name it. And we're one of the few companies equipped to handle security and crime prevention.

We have the people, too—some 450 experienced Loss Control consultants located throughout the country, with an additional 75 or so in the home office.

Q. Is that tremendous capability available to companies across the country?

A. Absolutely. We're ready to respond on an "as-needed" basis anywhere in the U.S. And we'll bring in whatever level of expertise the situation demands.

Q. Is it available to big risks on an unbundled basis?

A. Yes, through our subsidiary, The Hartford Specialty Company. Some of the largest corporations in the country currently take advantage of The Hartford's Loss Control capability on an unbundled basis.

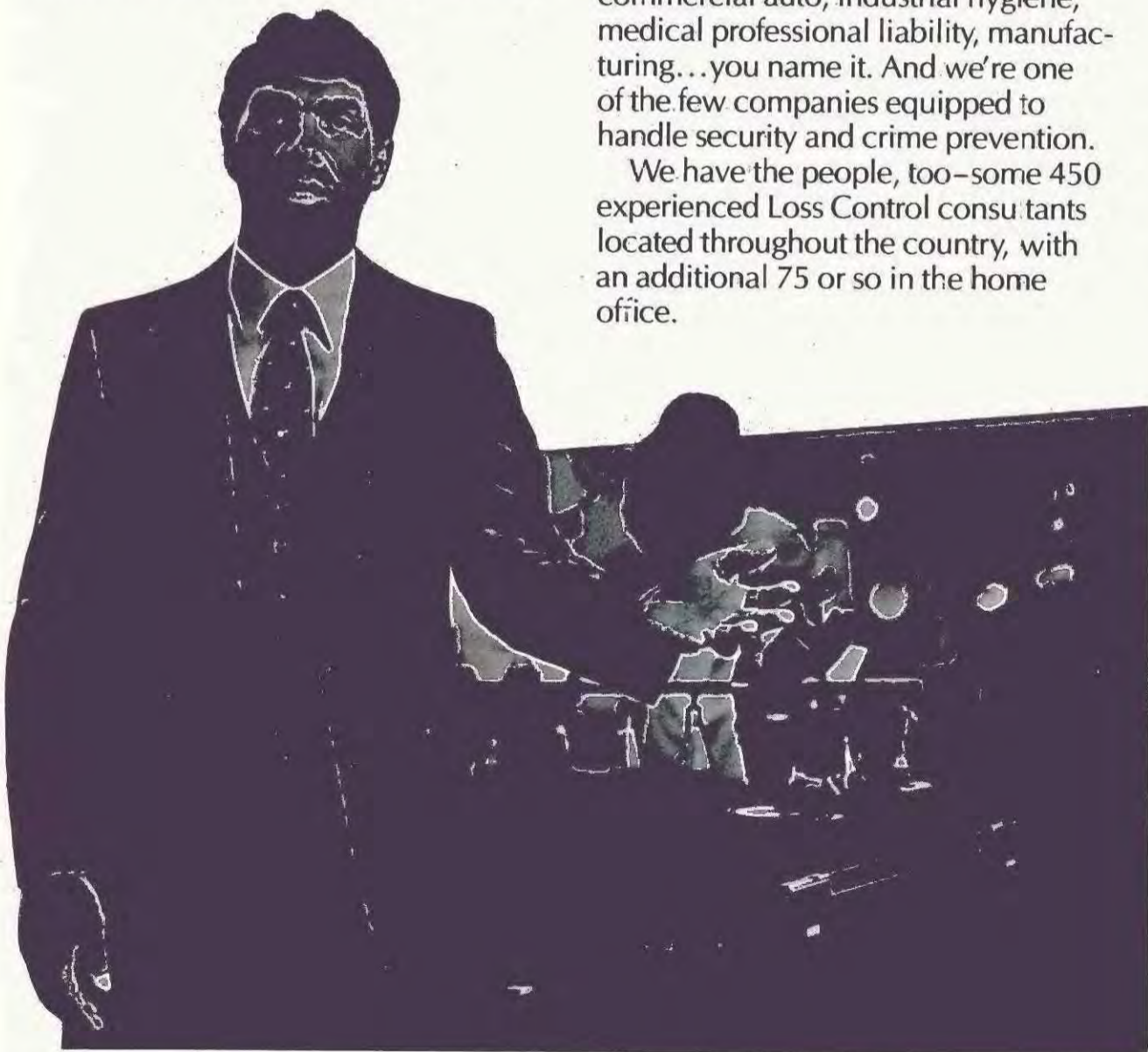
Q. It sounds like The Hartford has made a major commitment in the Loss Control area.

A. Yes. And an ongoing commitment. We're always trying to improve the scope and quality of our Loss Control services. For example, we recently doubled the size of our industrial hygiene lab and added sophisticated new equipment to increase our effectiveness in this key area.

Q. How can insurance buyers find out more about The Hartford's Loss Control capability?

A. By contacting their broker or independent agent who represents The Hartford.

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