

Captives launch joint effort to insure luxury liner

By MARGARET LeROUX

NEW YORK—In an unusual joint venture, eight captive insurance companies, six of them subsidiaries of U.S. companies, are underwriting insurance for a \$20 million Norwegian cruise ship.

Though the major portion of the risk is being underwritten by the London market and the American Hull Insurance Syndicate, the captives' participation ranges from 5% to 0.15% of the risk.

The ship is the M. S. Kungsholm, owned by Flagship Cruises

Division of Oivind Lorentzen Inc.

Named as insurers, (percentage insured follows each company in parenthesis) are: Constellation Insurance Co. Ltd., a Lorentzen Co. (5%); Transcon Insurance Ltd., a subsidiary of the Ford Motor Co. (1.5%); Walton Insurance Ltd., subsidiary of Phillips Petroleum Co. (1%); Calidad Insurance Ltd., a subsidiary of Panhandle Eastern Pipeline Co. (0.6%); H&R Block Insurance Co. Ltd. and Radius Insurance Co. of Bermuda Ltd., both subsidiaries of H&R Block Inc. (0.55% each); St. John's In-

urance Co. Ltd., a member of the Blades Group (0.15%); and Lakewood Insurance Ltd., owned by Empire Co. Ltd., a Sobey Co. (0.15%).

Constellation Insurance Co. is acting in the dual capacity of broker and insurer in the venture, which is being managed by J. H. Blades & Co. Inc.

In light of the Security & Exchange Commission's investigations into the relationship between U.S. companies and their Bermuda-based captives (BI, Dec. 1,

1975), the Kungsholm venture may be an example of captives' increased involvement in outside risks in the future, according to one industry expert.

"I don't know of any other instance where captives have gone outside their management group to participate in a risk," another authority on captives commented.

According to B.A. Yeagan, vp, J.H. Blades & Co. Inc., who is involved in the Kungsholm venture, "This is the way American companies can put some of their muscle into the insurance indus-

try, through the use of their Bermuda subsidiaries."

Six out of the eight captives are managed by J. H. Blades, including Constellation, owned by Lorentzen; Calidad owned by Panhandle Eastern; H&R Block Insurance and Radius owned by H&R Block Inc.; St. John's, owned by Blades; and Lakewood owned by Empire. The other two, Walton Insurance Ltd. owned by Phillips Petroleum, and Transcon Insurance Ltd. owned by Ford, are managed in-house by the parent corporations. ■



The M. S. Kungsholm, a 26,678 ton ship owned by Flagship Cruises.

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Machine makers muster for tort reform

By MARIE KRAKOWIECKI

FRANKLIN, MA.—A group of about 30 small manufacturers met here January 14 to discuss ways they could overcome a common problem: their inability to obtain adequate products liability insurance.

They came up with an initial solution: formation of an organization called RETORT (Reason and Equity in Tort) which will lobby for changes in the tort law system.

The group, which was organized by Elliot (Pete) Rosenberg, president of Thomson National Press Co., Franklin, also planned ways it could work with the Massachusetts legislature to encourage passage of products liability reform law. The group favors mea-

sures requiring all insurance companies that write liability coverage in the state to offer products liability insurance, and would set up a joint underwriting board to help companies which don't have such insurance.

Peter P. Harrington, Massachusetts Democratic state representative on the house insurance committee, dropped in on the meeting to lend support and answer questions about a bill he helped sponsor which will come up for public hearings in February.

Rep. Harrington urged the group to work actively to support the bill if they want even a 50-50 chance of seeing it passed.

Mr. Rosenberg, whose Thomson National Press Co. has already spent about \$20,000 of its own funds pushing product liability reform, presented an agenda of a

dozen aims RETORT would shoot for in changing liability laws and insurance company practices.

The group also would like the legislation extended to other states, in the form being supported in Massachusetts.

As part of its 12-point package of suggested reforms, RETORT is supporting two proposals to amend the U.S. workers' compensation act, which would give machine tool and other machinery makers recourse against machine users in cases where equipment is altered or misused after it is purchased. These amendments were originally proposed by the National Machine Tool Builders Assn., in response to past cases in which machinery makers were held liable for injuries caused by machines which had been substantially al-

tered. Machine tool makers have charged that those injuries were caused by the alterations, not by the machines themselves.

The group called for a comprehensive workers' compensation plan which would compensate an injured worker out of insurance carried by both the employer and the machine manufacturer on the basis of comparative negligence. The compensation plan would be administered by a panel determining how negligence would be apportioned, and the award to the worker would be based on a sched-

ule of benefits established by the panel, limiting the amounts recoverable for injuries.

RETORT also wants to see review boards established, to handle preliminary screening of all product liability cases before suits can be filed, and to determine the merits of the cases. The group believes this would help reduce the long backlogs of product liability cases currently in the courts.

The group called for limits to be set on the contingency fees that lawyers can charge in product liability cases, to prevent what

Continued on page 2

High court considers disability benefit suit

By PAUL R. MERRION

WASHINGTON—Whether employers violate the law by excluding pregnant women from disability insurance benefits is now being considered in two class action suits before the U.S. Supreme Court, after oral arguments were heard early last week.

A decision that goes against the companies will mean the extension of employe disability benefits for pregnancy-related absences. Employers who currently restrict them are estimated to be about half of all U.S. employers.

Presumably, the decision will also extend to medical benefit plans that exclude pregnancy, although the consolidated cases now under review involve only income maintenance plans.

General Electric Co. and Liberty Mutual Insurance Co. were the objects of separate suits charging they violated Title VII of the 1964 Civil Rights Act, which forbids discrimination on the basis of sex when providing pay or benefits.

In each instance, the company argues that including pregnancy as a disability absence would produce excessive costs.

"If maternity benefits were included, they would constitute the greatest number of claims and be the greatest drain on the plan," said Calvin M. Grove, Liberty Mutual's counsel. "The company would have to revise the plan and require higher contributions from employes."

The cost of providing disability pay benefits for women is already 70% higher than it is for men at General Electric, according to the company's counsel, Theophil C. Kommholz. If the plan were altered to compensate all pregnancy-related absences, he said the company estimates disability pay costs for women would be triple those paid to male employes.

"For sound and solid business reasons, this exclusion was written into the plan," Mr. Kommholz told the Court.

However, it is hard to say what weight the cost factor will have when the Justices decide whether sex discrimination exists.

During the arguments, newly-appointed Associate Justice John Stevens asked Mr. Kommholz whether the elimination of page

Continued on page 22

\$60 million may not cover final loss

Toxic chemical suits quietly settled

By ELISABETH M. WECHSLER

GRAND RAPIDS, MI.—Farm Bureau Services Inc. of Michigan settled its \$275 million-plus liability suit against Northwest Industries Inc., Chicago, and two subsidiaries, out of court for approximately \$60 million.

Details of the still-unpublicized settlement were obtained from reliable sources, but the principals involved would neither confirm nor deny the information. It is be-

lieved the full settlement is covered by insurance.

So far, some \$26 million has been paid out in claims and expenses stemming from the inadvertent substitution of a highly toxic fire retardant (PBB) in place of an animal feed additive by Michigan Chemical Co. and supplied to the Farm Bureau, which in turn sold it to farmers.

Thousands—possibly a million—livestock have died in the last four years as a result and there

are unconfirmed reports of adverse effect on humans as well. (Business Insurance, May 19, 1975 and June 30, 1975.)

The fact that a settlement had been reached was announced at the end of December, but no details of it were given. It reportedly required several months of negotiation. The first part of the agreement, which is viewed as "binding and contractual," provides an estimated payment of \$19.6 million to the Farm Bureau to be used to pay "legitimate" claims.

Of that amount, \$1.6 million reportedly covers reimbursement from Northwest Industries, Michigan Chemical and Michigan Salt Co. to the Farm Bureau for previously paid livestock claims. An estimated \$9 million was paid to the Farm Bureau in exchange for its agreement to drop countersuits against Northwest Industries and

Continued on page 21

Survey details latest benefit trends—page 4

Product liability . . .

Continued from page 1

some manufacturers see as lawyer exploitation of current product liability statutes.

Among the key elements of the package were calls for guarantees of availability of product liability insurance at reasonable cost; a statute of limitations whereby legal actions charging product liability must be begun within 12 years after the date of delivery of the completed product to the original purchaser; and support of national workers' compensation reform (S.-2018) which would make employers subject to subrogation actions under Occupational Safety and Health Act regulations, as well as making opening employers up to third party actions.

Most of the business people who attended the meeting were from small enterprises in Massachusetts which supply machines and machine tools to industrial companies.

But there were also concerned participants from Illinois, Washington, Rhode Island, Connecticut, and Maine as well, all with the same problem and ready to join forces even as out-of-staters.

Several of them have no insurance at all. Winston Moody Sr., president of Rice Barton Corp., a Worcester manufacturer of paper-making machines, is one of them.

His firm, founded in 1837, went without products liability insurance until two recent suits prompted it to look for coverage. The two suits involve machinery manufactured in the 19th century, and typify one of the suppliers' common complaints about tort law as it relates to products liability

today; there is no statute of limitations, regardless of the state of the manufacturing art at the time the machine was built.

In calling for the formation of the RETORT group, Thomson Press's Mr. Rosenberg, who is also chairman of the product liability insurance committee of the Smaller Business Assn. of New England (SBANE) commented:

"I think we all agree with Win Moody of Rice Barton that you have to have a strong stomach or be stupid not to be frightened by the threat to domestic manufacturing industry from a misguided and unfair judiciary, an uncontrolled insurance industry and a bounty-hungry Trial Lawyers' Assn.

"What started out as a curiosity quickly became shock and, yes, fear.

"Apart from the purpose of our meeting today to support legislation in Massachusetts, there is a crying need to work on a national level within other states and in contact with the government in Washington," he said.

Mr. Rosenberg said the law firm of Foley, Hoag & Eliot will be working on the mechanics of establishing RETORT.

In a speech the next day to SBANE, Mr. Rosenberg told small manufacturers that they don't have to lose a products liability case in order to have their insurance cancelled under existing laws.

He cited the case of Dunham vs. Vaughn and Bushnell, in which the defendant was nothing more than a warehouseman and wholesale distributor of hammers which

passed through his warehouse in sealed boxes without any handling or distributing.

"Isn't it ironic that cases where the judiciary would protect us from the depredations of large corporations have led through the wholesale application of the theory of strict liability to a time when only the larger corporations will be financially able to self-insure and survive?" he asked.

At the meeting in Franklin the day earlier, Mr. Rosenberg, who is a member of the Boston chapter of the Risk and Insurance Management Society, said he would consider asking RIMS members for advice on how to cope with the problem on a national level. ■

Susan Alt is named to top editorial post

CHICAGO—Susan J. Alt was named editor of *Business Insurance*, replacing Stephen D. Gilkenson.

Mr. Gilkenson was named publisher of *Pensions & Investments* in addition to continuing as that magazine's editor.



Susan Alt



Alfred Malecki

Alfred Malecki, who was previously publisher of both magazines, will now be devoting all of his time to *Business Insurance*. Mr. Malecki has been publisher of *BI* since 1970. He directed *Pensions & Investments* from its inception in late 1973, spending a good deal of time on that publication in its early years.

Ms. Alt joined *Business Insurance* in October, 1973 as managing editor. She had been midwest editor for Home Furnishings Daily, a Fairchild publication. She has been a financial reporter since 1969, and is a graduate of Western Michigan University with a degree in business administration.

Ms. Alt is currently enrolled in the final course leading to the Insurance Institute of America's certification in risk management. She is based in Chicago.

The shifts were announced by Keith Crain, group publisher of Crain Communications Inc., and Mr. Malecki, publisher of *Business Insurance*. Crain Communications also publishes *Advertising Age*, *Automotive News*, *Industrial Marketing* and several other trade magazines. ■

GUIDE TO FEATURES

Opinions	6
Info for Buyers	12
London Line	13
Perspective	15
Legal Brief	24
People	26

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Two survivors found

Lloyd's takes most of tanker's total loss

LONDON—A key to the mystery over one of the world's biggest insured maritime losses, the \$27 million loss of the Norwegian tanker *Berger Ista*, was provided when two survivors were rescued this month.

The two Norwegian sailors were picked up by a Japanese fishing boat three weeks after the ore carrier was destroyed on December 29.

About 70% of the total loss for the hull and cargo was insured by Lloyd's of London. The tanker itself was valued at \$18.2 million, while the cargo of iron ore was estimated at \$9 million, Lloyd's told *Business Insurance*.

Originally, the vessel was insured in Norway. There is still a certain amount of primary coverage there, as well as some reinsurance, which is spread primarily among insurers in London and Scandinavia, London marine sources confirmed.

Lloyd's underwriters were involved with a little more than \$19 million of the \$27.2 million insured total. There is no significant American participation in the direct primary insurance, although the American Hull Insurance Syndicate said it has a portion of the reinsurance, which is said to be widely spread.

The ship carried a crew of 32 before it sank in the Pacific Ocean off Mindanao, southernmost island of the Philippines. Apparently, protection and indemnity clubs in London were not involved with underwriting the liability insurance for the crew.

A British source said most of

the P&L coverage was underwritten by a Norwegian pool in Oslo, along with some of the reinsurance.

According to a Norwegian organization known as N.V., which stands for Norske Veritas, the rough equivalent of the American Bureau of Shipping, the shipwrecked 224,000-ton Norwegian tanker belonged to Cig Bergesen D.Y., an Oslo firm, in care of the General Ore International Corp. General Ore is in turn owned by General Oceanic Corp. The tanker sailed under a Liberian flag.

According to the two survivors who were rescued January 18, the *Berger Ista* was ripped apart by three explosions on December 29 and sank. Before their report, no one knew what had become of the tanker.

The vessel had sailed exactly one month earlier with a cargo of iron ore from the Brazilian port of Tubarao bound for Tokyo, where it was due January 5.

For three weeks, no one knew what had happened to the *Berger Ista*. A search for survivors was called off in despair a full week before the two sailors were picked up by the Japanese boat. It was resumed after their rescue.

According to reports, although the loss of the *Berger Ista* was huge, it was spread among so many different underwriters in London and Scandinavia that it is not expected to cause a major strain on the marine market.

The Lutine Bell, Lloyd's traditional signal of a shipwreck, was sounded after the *Berger Ista*'s survivors were rescued. ■

NY considers switch to claims made form

NEW YORK—Two public hearings concerning the medical malpractice insurance situation in New York will be held in February by the state insurance department.

The first, on Monday, February 9, will explore the feasibility of permitting "claims made" medical malpractice insurance policies in New York.

A claims made policy would cover claims reported to the company during the policy period for which the coverage is effective. But it would only apply to claims that arose from occurrences during the policy period or during any previous period in which the insured was covered by the same carrier. This approach is not currently approved in the state.

Medical malpractice policies in New York are written on an "occurrence" basis, which covers medical malpractice claims resulting from professional services rendered during the policy period for which coverage was effective and reported during the policy period or any time in the future.

The second hearing, on Wednesday, February 11, concerns excess liability (umbrella) policies for hospitals.

The hearing will take views from interested parties about whether changes in these regulations might be necessary. It has been suggested, for example, that suspension of rate filings for such risks as provided under Regula-

tion 51 should not be continued.

The department wants to explore what kind of impact such a change in the regulation would have on the continued availability of excess liability for hospitals.

Both hearings were prompted by recommendations made in a January 1976 report by the department's special advisory panel on malpractice insurance.

They will be held at Two World Trade Center, New York, N.Y. at 10:00 a.m. on their respective dates. Persons wishing to testify at the hearings should write to the director of public affairs at the New York State Insurance Dept., including a copy of the statement to be presented.

Letters concerning the hearing on "claims made" policies should be written before February 2, while those for the hospital excess liability cover should be written before February 4. ■

errors & omissions

The risk management department at retailer W. T. Grant Co. continues under the direction of insurance manager Stephen R. Frey, despite the firm's filing for bankruptcy in 1975. It was incorrectly reported in the last issue that the company had eliminated its risk management department.

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Crop insurance line seen as indicator of underwriters' future

ST. LOUIS, MO.—“What ultimately happens in crop insurance could very well happen to the rest of our business,” observed Dean Mitchell, executive vp of Farm Bureau Mutual Insurance Co. (Iowa).

“We are in danger of losing this business to our number one competitor, Uncle Sam,” Mr. Mitchell warned. “The reasons we got into this predicament and the attempts we are making at getting out of it are more important than the coverage itself, because they illustrate the ever-present risk of government takeover and what defenses are available to us.”

He mentioned that crop insurance was a \$9 million line for his company, compared with a \$300 million market for the 1976 growing season. He addressed his remarks to the annual meeting of the American Farm Bureau Federation here.

The government has been selling all-risk crop insurance since 1938, Mr. Mitchell claimed, noting that demand for it was not significant until the last few years.

“As crop values rose to new

levels, some farmers started having trouble getting loans unless their crops were covered by an all-risk policy,” he said.

“The federal government is in a position of virtual monopoly (and) their position is becoming stronger,” he continued, estimating its share of the market at \$70 million, up from \$30 million three years ago.

The 12 or 15 companies including some Farm Bureau companies which marketed all-risk crop insurance last year had loss ratios “as high as 800%,” he said.

Mr. Mitchell criticized the federal government's competitive advantage. “The Federal Crop Insurance Corp. is subsidized through appropriations which allows it to sustain losses that would be unacceptable to other companies,” he charged.

“The disaster relief available under the 1973 Agriculture Act acts as a disincentive to buy adequate insurance at all,” he continued. “Almost \$600 million was paid to farmers last year to compensate crop damage by natural elements. While these payments were certainly welcomed by farmers who suffered a catastrophe in



The federal government has taken over the lion's share of all-risk crop insurance business in the last few years.

crop damage, it is a return to the subsidy system which gave farmers 30 years of trouble,” he claimed.

“What we have here . . . is a classic instance of government versus private enterprise, and it makes little difference if the bone of contention is crop insurance, auto, residual markets, health insurance, medical malpractice or other lines,” according to Mr. Mitchell.

“Within the usual chain of events, the government undertakes to meet some real or imagined need, which in some cases it has created itself. Then it proceeds to cut deeper inroads into private

industry, and by tightening legislation, requirements and regulations, it eventually becomes the only pocket deep enough to provide the lavish benefits it demands,” Mr. Mitchell charged.

He praised an agreement by 16 insurance companies “to seriously explore (the idea of) all-risk coverage.” Its purpose would be to act as a pool with the federal government as reinsurer.

“The American Farm Bureau Federation announced (that its farm members) would be willing to forego any free insurance in the form of disaster relief as their contribution to fighting inflation and excessive government spending,” Mr. Mitchell noted. ■

Pru counsel argues case for reinsuring benefits

ERISA seen allowing use of captive

NEWARK—A lawyer for a major insurance company said reinsurance with a captive “would seem to be a valid approach” under the Employee Retirement Income Security Act (ERISA).

“On the surface, you could conclude that reinsurance with a captive is an indirect means of accomplishing what is prohibited by ERISA,” said William F. Hannon, assistant general counsel of the Prudential Insurance Co.

But a second look, he explained, would indicate that “insurance company assets are not plan assets. Accordingly, since the premiums for the reinsurance are paid from the insurance company's assets, there is no transfer of plan assets to the captive when premiums are paid,” he said.

“This being the case, it would appear that there is no violation of the prohibited transaction sections (Nos. 406 and 408) in the typical captive reinsurance situation,” he added.

Mr. Hannon went on to say that it might be possible to obtain an exemption even if a ruling holds that the prohibited transaction sections do apply.

“It appears that the 5% of premiums test upon which the exemption for direct insurance is based, is intended as a measure of the potential solvency of the insurance company to protect the rights of plan participants,” Mr. Hannon said.

“But there is one very significant difference: When the captive writes the insurance directly, the participants can look only to the captive for their benefits (and) the solvency of the captive is therefore important to the participants,” he noted.

“In the reinsurance situation,

however, the captive is not directly liable to participants. Rather the company ceding reinsurance to the captive is,” he pointed out.

“The relationship between the participant and the ceding insurance company is no different from what it would be if the plan were not reinsured,” Mr. Hannon said.

Another part of ERISA which raises questions for insurance companies are those dealing with fiduciary responsibility, he said.

One section (401) indicates that the assets of a plan “to which a guaranteed benefit policy is issued by an insurance company are not necessarily assets” of that insurance company. “If this is the case, the insurer is not a fiduciary in the typical fully insured welfare plan,” Mr. Hannon observed.

But he pointed to another section that “adds complications.” Section 503 says that each plan must afford a participant whose claim for benefits has been denied a reasonable opportunity for a full and fair review by the appropriate named fiduciary of the decision denying the claim.

“Though the insurance company may not be a fiduciary, as the final arbiter of the benefits payable under its contract (barring litigation), it will be recognized as the proper party to provide the claim review,” Mr. Hannon believes.

He noted that for agents or brokers, being classified as a fiduciary would legally bar them from receiving a commission on contracts they write to insure the plan. He suggested the following to “help avoid fiduciary status”:

- Make it clear to the plan sponsor that they are acting in a sales capacity for the insurance company and that they will receive a commission.

- Accept no other fees or compensation for services.

- Reveal the name of any company from whom they receive other sales incentives.

“In other words,” Mr. Hannon said, “(an agent) should do all he can to avoid holding himself out as a wholly impartial advisor who would be expected and indeed required to act solely in the interests of the plan.”

In the area of preemption of state regulation of employee benefit plans, Mr. Hannon said “perhaps the more interesting and controversial” is contained in Section 514 (b):

“Neither an employee benefit plan . . . nor any trust . . . shall be deemed . . . an insurance company . . . for purposes of any law of any

state purporting to regulate insurance companies.”

Mr. Hannon noted that New York and Pennsylvania have already affirmed that, in view of ERISA, an uninsured employer welfare plan is not subject to state insurance regulation.

On the other hand, he cited an Illinois case, *Eleny, et al. v. Wilcox, et al.*, which held that an uninsured multiple employer trust was not exempt from state insurance department regulation.

“There is considerable difference between an employer paying benefits to his own employees and the administrator of a multiple employer trust collecting payments from some 250 employers and paying claims on their behalf as was apparently done in the Illinois case,” Mr. Hannon believes. ■

Aetna to write rail workers' dental

WASHINGTON—The National Railway Labor Conference, representing 300 railroads, picked Aetna Life & Casualty to underwrite a group dental insurance policy for more than 1.5 million rail employees and dependents.

The plan, said to be the largest of its type in the country, will cost the conference close to \$100 million over the 22-month life of the renewable contract, Aetna said.

William L. Burner Jr., director of research for the conference, told *Business Insurance* that limits of the policy work out to \$500 per individual per calendar year, not including limits for orthodontic treatment.

The Philadelphia office of Towers, Perrin, Forster & Crosby acted as consultant to the conference

in selecting a dental underwriter.

About 25 carriers were sent preliminary inquiries. Of those, five were selected as finalists before Aetna won the contract.

Aetna, which claims to be the nation's largest writer of group dental insurance, said the prime considerations in its winning the business included the company's “reputation for service and its national network of dental consultants.”

“That's a bit of puffery on Aetna's part,” Mr. Burner remarked.

“As far as we're concerned, Aetna was chosen because it was the lowest bidder on the business.” He declined to say who the other four finalists were.

The contract, which becomes effective March 1, 1976, provides benefits for preventive emergen-

Liability plan for pension consultants' E&O risks

TORRENCE, CA.—Cal-Surance Associates, a privately-held brokerage and general agency, has begun a program of administering pension consultants' errors and omissions coverage for members of the Assn. For Advanced Life Underwriting (AALU).

The program, which is available exclusively to members of the AALU, was arranged by Cal-Surance through Stewart, Smith, Haidinger Inc., Los Angeles.

According to a letter sent out to members of the AALU, the new coverage will carry premiums based on the size, location and exposures of the insured. The letter further stated that premiums will vary from a minimum of \$325 to approximately \$1,250 “for the base limits of coverage.”

Lloyd's of London is underwriting the coverage through Stewart, Smith, Haidinger Inc.

Donald E. Martin, CPCU and president of Cal-Surance, a division of Chartered Financial Services Corp., told *Business Insurance* to his knowledge “this is the only program of this type in the country.”

Chief among the cover's main features is the fact that it combines and updates three separate contracts for actuaries' errors and omissions, employee benefit plan consultants' errors and omissions and life insurance brokers' E&O.

Written on a claims made basis, the policy sports minimum limits of coverage of \$100,000, although higher limits are said to be available.

The minimum deductible is \$1,000; it increases to an extent when the insured firm increases its personnel.

Eleven exclusions come with the policy.

One of these is for claims brought “about by the performance or non-performance of professional services rendered by a corporation, association, partnership, joint stock company, trust, cooperative association, or unincorporated organization of which the assured or an employee of the assured is a director, officer or employee or a trustee or partner or while acting in any fiduciary capacity (other than as an independent actuary, employee benefit plan consultant or life insurance agent or broker).” ■

cy, prosthetic and basic dental care to all insureds, plus orthodontic work on children under 19 years of age.

The contract plan was established as part of the railroads' national wage and benefits settlement reached in 1975. It covers 500,000 operating and non-operating employees represented by 14 railway labor organizations.

The plan includes a one-year eligibility requirement for new employees; but is completely employer-paid on a reasonable and customary charge basis.

Close to 100 Aetna offices across the country will be available to advise the employees and their dependents as to their benefits. These offices will also process claims of the employees and their dependents. ■

Study shows benefits keeping up with rising costs

NEW YORK—A trend to improved employe benefits, especially in major medical coverage over the past five years in new benefit plans was noted in a study by the Health Insurance Institute (HII) published this month.

Comparing new group insurance plans written in 1975 with those written in 1970, the survey found that 71% of the employes covered by comprehensive major medical expense plans in 1975 had a maximum benefit of more than \$100,000.

In 1970 the survey found no new group plans had more than \$100,000 in maximum benefits and only 1.2% of employes covered by major medical plans had a maximum benefit of \$100,000.

According to the Institute, in 1970 \$20,000 was the maximum major medical benefit for the lar-

gest percentage (30.1%) of employes covered.

The fast improvement of major medical maximum benefits "reflects the fact that prices are rising," a spokesman for the HII told *Business Insurance*.

"Benefits are improving, it's true," he added, "but the best you can say is they are keeping pace with rising costs."

That so many more employes today have a high level of major medical benefits also reflects the fact that "unions are worried about the effect a serious illness can have on a family," the spokesman said.

The Institute studied new benefit plans issued in 1975 and defined trends in new plans since 1970. The survey included 838,824 insured persons, of whom 272,454

are employes and the remainder dependents.

As the benefit plans studied by the Institute varied in both the number and scope of benefits offered, so did the figures vary relating the numbers of employes covered by different benefits.

The following are highlights of the new benefit plans written in 1975:

Of the 13,440 employed persons in the survey covered by basic hospital expense plans, nine in 10 had daily room and board benefits of \$40 or more; four in 10 had insurance that paid for all covered semi-private accommodations and nine in 10 were insured fully for miscellaneous hospital expenses of \$500 or more.

For the 87,426 with basic diagnostic x-ray coverage, 98 in 100 had maximum benefits of \$50 or

more (seven in 10 for \$100 or more).

Of the 139,126 employed persons covered by supplementary major medical expense plans, nine in 10 had a \$100 single deductible, nine in 10 had maximum benefits of \$25,000 or more; eight in 10 had \$50,000 or more and six in 10 had \$100,000 or more.

Treatment of nervous and mental disorders was covered for 47 of 50 covered by supplementary major medical expense plans, including seven in 10 with full benefit plans.

Of the 82,697 employed persons in the survey covered by comprehensive major medical expense plans, one in four had an initial deductible of \$100; nine in 10 had maximum benefits of \$25,000 or more, eight in 10 had \$50,000 or

more and seven in 10 has \$100,000 or more.

Nearly all the persons covered by comprehensive major medical plans had some type of daily room and board limit; however 59% had this limit on private room accommodations only.

Nine in 10 persons covered by comprehensive major medical plans had benefits for treatment of nervous and mental disorders and eight in 10 had full plan benefits for them.

Three in 20 employes surveyed had dental coverage; three in 10 had dental care integrated with major medical plan, while four in 10 had comprehensive dental plans. Of the latter group one-fourth had a maximum annual benefit of \$1,000 or more.

Half the 272,454 employes had nursing home or extended care facility coverage. Of this group, eight in 10 had daily room and board benefits of \$30 or more, including four in 10 with full payment for semi-private rooms.

Short-term disability income coverage was provided for 82,754 employed persons in new plans written in 1975, the survey found. Of this number, 75% had benefits from the first day of total disability due to accident and from the eighth day due to sickness.

Three in 10 persons with short-term disability income coverage had 13 week benefit plans; six in 10 had 26 week plans and one in 10 had 52 week plans.

Of the 32,047 employed persons covered by long-term disability plans, six in 10 had benefits that began after three months of disability, while three in 10 began after six months.

Over the five year period from 1970-1975, the following trends in benefits were noted in the study:

The number of employes with \$50 daily room and board benefits for hospital coverage increased from 33% in 1970 to 75% in 1975. In 1970 14% of employes had an intensive care benefit, providing double the room and board expense if intensive care is needed while in 1975, 35% had it.

Most employes under basic group plans in 1975 had available maximum surgical expense benefits of \$500 or more; approximately 55% had such benefits in 1970, compared to 84% in 1975.

The percentage of those with maximum surgical benefits of \$2,000 or more increased from 23% in 1970 to 65% in 1975.

The ratio of employes covered by 26 week short-term disability plans increased from 52% in 1970 to 59% in 1975 and those protected under 52 week plans increased from 3% to approximately 8%. The number of employes covered by 13 week plans decreased from 45% in 1970 to 34% in 1975.

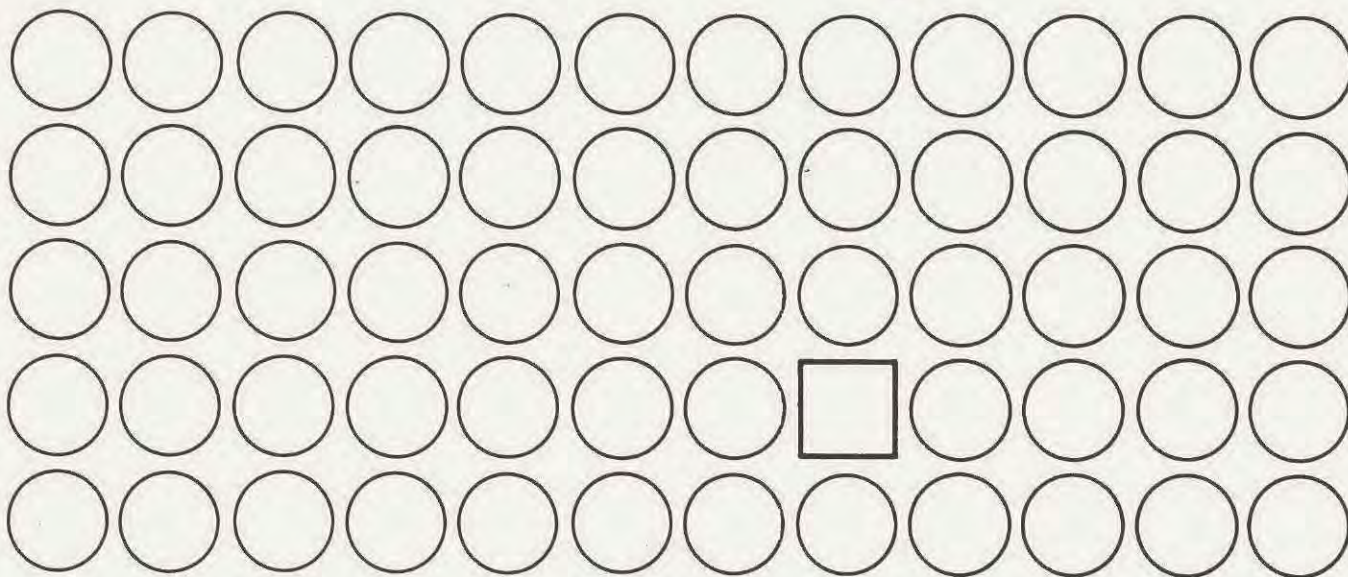
Long-term coverage, providing accident and sickness benefits to age 65 was available to 89% of the employes in 1975, compared to 78% in 1970. In 1975 94% had a maximum available monthly income benefit of \$1,000 or more, compared to 76% in 1970.

Dental coverage was available to 11% of employes in plans the Institute studied in 1970, compared to 18% in 1975.

In 1970 61.5% of employes in plans the Institute studied had maternity coverage for themselves and a dependent, compared to 56% in 1975.

In 1975, 35% of employes had the total cost of their group health insurance paid for by the employer, 61% of employes contributed to the cost of their group protection and 4% paid the total cost themselves. Figures for 1970, the Institute says, are similar. ■

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EMPLOYERS INSURANCE OF WAUSAU Wausau, Wisconsin

editorial opinions

Time for repeal

THE FORD ADMINISTRATION plans to push for changes in federal laws that exempt U.S. property and casualty insurers from federal regulation and antitrust jurisdiction.

According to reports circulating in Washington, the Justice Department's antitrust division, with the blessing of some key industry people, has begun work on a draft proposal for the White House that would substantially reduce the power of state insurance regulators in the setting of rates for insurance.

Specifically, backers of such measures seek repeal of the McCarran-Ferguson Act of 1945. McCarran-Ferguson, adopted a year after the Supreme Court reversed its long-standing view that insurance did not fall into the category of interstate commerce, says that regulation of the insurance industry is vested in the states and that antitrust and other federal laws apply only in areas not regulated by the states.

It's our opinion that McCarran-Ferguson has outlived its usefulness. Its repeal, we believe, would serve the interests of both the consumer and the industry.

McCarran-Ferguson has had the effect of overemphasizing the rate-making or rate-approval aspect of state insurance regulation. Unfortunately, too many state insurance commissioners and their staffs have spent more time with rate filings than they have in policing the financial solvency of the companies operating within their jurisdictions. Too, if the state insurance regulatory process had not been so concerned with rates, regulators may have been more energetic in seeing that companies operating in their states marketed their products in a more orderly and efficient fashion.

The old bugaboo about deregulation of rate-making leading to the gouging of the American consumer just does not stand up any more. In a number of states where rate-making has actually been deemphasized, including California, for example, this has not turned out to have been true.

State insurance regulation, at best, has been uneven and extremely unwieldy for the nation's insurers to contend with. Any reasoned effort on the part of the federal government to smooth out the regulatory process is welcome news—so long as that welcome is not overextended by the creation of greater bureaucracy.

Reasoned reaction

WITH SOME FOUR million workers in this country represented by unions which are negotiating contracts this year, we've already heard employers bemoaning the fact of benefits costs, and their inability to afford more wages and benefits while in the clutches of recession and inflation.

We think employers would do well to approach the working public with an ear to what they're saying. While a recent experience of ours is certainly not representative of every working person's sentiments, we think the comments of a Chicago cabbie are worth mentioning.

This fellow is a member of the Teamsters Union, and works as a truck driver/loader at a local trucking firm. He works three jobs-to make enough money to care for his family, he said. And he thinks the latest Teamster demands are



outrageous.

"Do you realize that my employer already pays over \$40 a week for my pension and welfare benefits? And now we're asking for almost \$40 more per week for health, welfare and pensions? That's stupid," he declared. (In fact, trucking employers pay \$44 a week for these benefits.)

He went on to say that he knows there's no way employers are going to be able to pay for benefits like that. It all came down to the fact that this guy would rather have a job and an employer, than more wages and benefits.

"What do I need more fringes for?" he wondered. He already has full dental care, eyeglass/optical coverage for himself and his family, and other benefits he thinks put him in good stead. "I don't pay for anything," he admitted. "I don't need more."

Then he chuckled and noted that the union also demanded of trucking employers 10 more paid holidays (in the form of sick leave) for union members. "We get so many holidays now, that I'm off when my kids are in school and my wife's at work. There's nothing to do, and I get bored. So I usually work quite a few holidays and make an extra buck," said this trucker.

The wage and benefit demands really made this fellow snort. "The Teamsters notified my employer that they want wage increases that will amount to something like 35% over the life on the contract. I can't believe it," he offered.

With no coaxing and little encouragement to continue the conversation, this trucker-cabbie-maintenance man went even farther: "I know I wouldn't be where I am today without the union, but I still think the unions are going too far. These demands might force employers to go broke. Then we'll all be out of work. It doesn't make sense. I think it's got to stop somewhere."

What would he think is fair? "I'd be glad to settle for a cost-of-living adjustment plus 25 cents an hour over the three years and no benefit changes." Sounds more reasonable, to be sure.

letters

Letters are welcome. Address letters to the Editor of Business Insurance, 708 Third Ave., New York, N.Y. 10017.

Consultant certification

To the Editor: I would like to compliment you on your editorial opinion regarding certification of risk consultants contained in your December 29 issue. Due to the nature of our profession, I have always held that one society should be sufficient for all practicing consultants. I would hope your prodding of our profession may result in some active steps to accomplish such a consolidation.

Kevin F. Donoghue

Kevin F. Donoghue & Associates, Boston, Ma.

* * *

To the Editor: As a consultant, I read with interest your items in the December 29 issue on the subject of consultants. The article by Gary Bausom especially was well researched and thoroughly objective.

Your editorial on certification of risk consultants apparently picked up the point in that article that the Institute of Management Consultants operates a certification program for management consultants. You went on to suggest that risk management consultants should do something along the same lines. This is an immensely complicated subject to which I would like to add a few thoughts.

First of all, creation of a CMC (Certified Management Consultant) designation by the Institute of Management Consultants is an isolated act, not representative of professions in general or consultants in particular. Other professions have educational and experience requirements as well as state licensing, but do not generally have examinations prepared by their professional groups. Examinations are generally administered by state licensing boards. The largest and most prestigious association of management consultants is the Assn. of Consulting Management consultants is the Assn. of Consulting Management Engineers which does not have a certification program.

Exceptions to this practice are the very fine CLU and CPCU programs, which meet a particular industry need.

However, lack of strong precedent does not mean the program wouldn't be desirable. Risk management consulting has no generally recognized standards and practices between companies vary widely. Before examinations are created, a consensus is necessary—and that alone is a monumental task. However, there is merit in your suggestion and the IRMC will certainly consider the ques-

Continued on page 8

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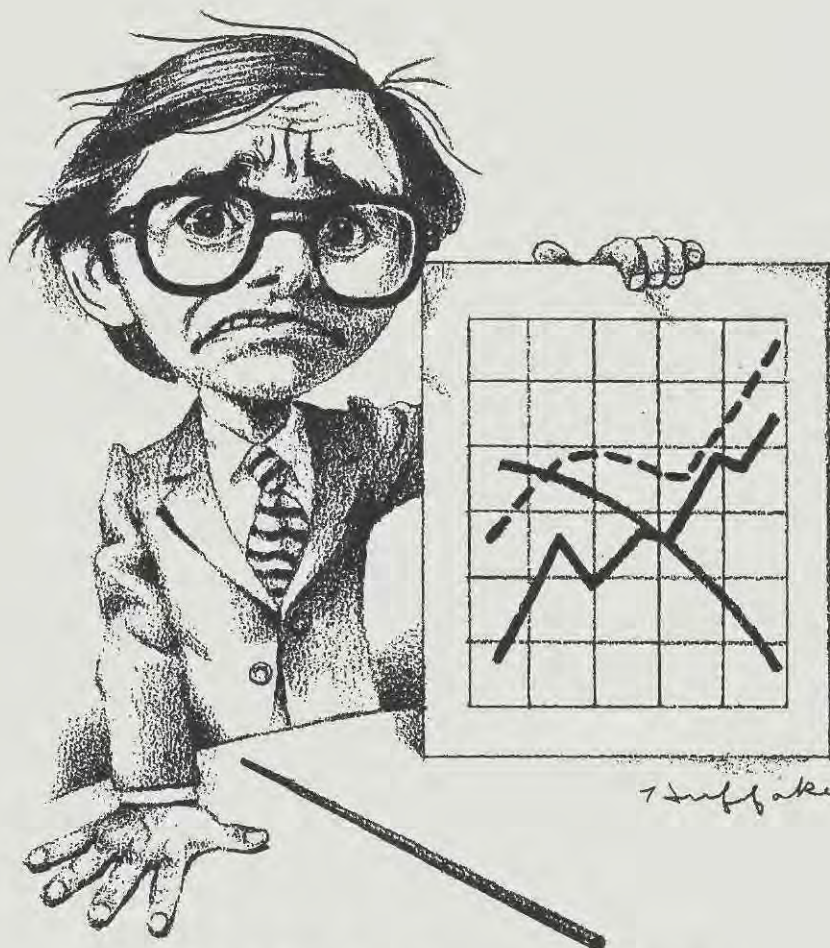
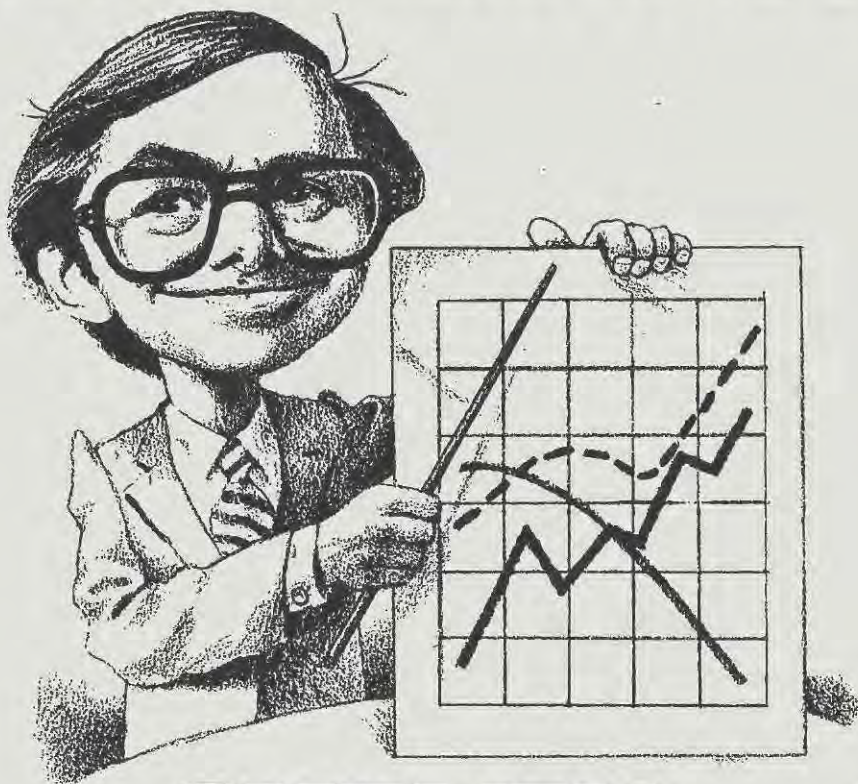
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letters

Continued from page 6
tion at length.

Now to the more sensitive issue of professional ethics. Your article by Mr. Dintleman expresses no concern about an individual acting as both broker and consultant. In addition, you, in your editorial, indicated no objection to a consultant being paid by an insurance company as long as all parties were aware of the transaction. It is on this point that those of us in the Institute of Risk Management Consultants do not agree with you or with some other consultants who are members of the Insurance Consultant's Society.

The subject of conflict of interest is most difficult to grasp. Many can see it clearly in the actions of others but are blind when it comes to their own actions. Even such clear and objective thinkers as

Supreme Court justices remove themselves from cases where any previous relationship or activity could create a preconception or bias. While the subjects of our concern are not as weighty as those of the Supreme Court, the principles are the same and we are certainly no less subject to subtle biases.

To illustrate: Suppose an insurance company hired a consultant to do a large consulting job for it or for a client. Then, for another client, the consultant is called upon to evaluate this insurance company's program against that of another company. I don't think you can say he would be free from bias, even though he may very well believe he is qualified to make a sound decision.

To avoid these situations the Institute of Risk Management Consultants has established a code of ethics which states that a member will not "accept fees, commissions, or other valuable considerations

from individuals or organizations whose equipment, supplies, or services he recommends in the course of his service to clients." To us, this seems an axiom of good business practice in any field of endeavor.

This does not mean that broker-consultants or others with different viewpoints cannot do a thoroughly professional job. It is really a recognition of the reality that we all need carefully considered standards by which our daily decision making—which is subject to short-term influences—can be guided.

You mentioned the case of the consultant who appeared to have contradicted the code of ethics by accepting a fee from an insurer. This point was thoroughly investigated by the IRMC, who found that the conditions under which the assignment was accepted appeared at the time to the individual to be ethical. In this he was in error, and the IRMC took action to

assure that such an incident will not happen again.

David Wirren, CPCU
President, Institute of Risk Management Consultants; Partner, Warren, McVeigh, Griffin & Huntington, San Francisco, Ca.

Earthquake maps

To the Editor: Reference is made to the article on Page 24 of the publication of the week of November 17, 1975 in connection with a new report from The U.S. Geological Survey and The Housing and Urban Development Department.

We are vitally interested in this information, particularly the techniques for reducing earthquake losses and the mapping of earthquake hazard areas in the State of California. We understand that a current report is available from the U.S. Geological Survey and another report is now in prepar-

ation.

Would you please advise how to obtain this information and to whom we should direct our request.

Edward J. Dowling
Seaboard Underwriters, Chicago, Ill.

Editor's note: Copies of the report cost \$2.80 each and can be ordered prepaid from the U.S. Geological Survey, Branch of Distribution, 1200 South Eads St., Arlington, Va. 22202. The paper is designated USGS Professional Paper 941-A, entitled "Studies for Seismic Zonation of the San Francisco Bay Region."

Complicated subject

To the Editor: We have read with interest the article about overseas metals shipments which appeared in the November 17th issue of your magazine and included some references to a telephone conversation one of your reporters had with Hans Oppenheimer and Andrew Rossmere of this office. We feel that this article requires some comments from us.

All through the article there is a confusion between ferrous scrap shipments which are always made in bulk, generally in very substantial quantities, mostly even in full cargo lots, and non-ferrous metal scrap which used to be shipped in smaller quantities in break-bulk, packed generally in drums and/or bales but is now shipped whenever possible in standard 20 or 40 foot shipping containers either fully enclosed or open-top.

Ferrous or steel scrap has rarely been insured for anything beyond FPA conditions; whereas non-ferrous metal scrap (copper, aluminum, brass, etc.) has generally been insured on all-risks conditions, including shortage in excess of an agreed percentage. The old method of shipping this merchandise has generally resulted in substantial shortage losses, some of which were even a doubtful nature; however, since containers have been utilized, there has been a remarkable improvement in the experience.

Prime substantial exporters such as Commercial Metals Co., Dallas, then decided, in consultation with their marine insurance broker, that the shortage risk on non-ferrous metal scrap shipped in containers was really one which could be borne by them as a purely commercial risk, and for this reason they changed the coverage under their open policy to a more restricted one which excludes pilferage and shortage.

There are many other discrepancies in your article which prove that foreign trade in metals and marine insurance thereof are highly sophisticated subject matters which cannot easily be encapsulated in a short resume. It would consequently be our recommendation that in future you do features of this nature on the basis of a prepared text, such as the three articles appearing on pages 49-52 of your November 17th issue rather than letting one of your reporters deal with such a complicated subject on the basis of a telephone interview.

Possibly, "discrepancies" is the wrong word. The problem is really that in many ways the article deals with the highly complicated subject of marine insurance in a manner which is far too simplistic. For example, in paragraph 5 you attempt an explanation of the term, "free of particular average." As it happens, there are various FPA clauses in existence with different meanings and FPA clauses in existence with different meanings and FPA clauses are used not only in cargo policies but

Continued on page 11

Self Insurance. Time for another look?

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Federal employees opt for participation in St. Louis-area HMO

ST. LOUIS, MO.—The exact number is still being tabulated, but up to 3,000 federal employees will be enrolled in a health maintenance organization here as a result of their own choice.

That response is more than triple the low estimates that the program's own administrator expected, based on similar experiments in other areas, *Business Insurance* learned.

Membership in Washington University's Medical Care Group, an HMO offering comprehensive prepaid health services, was one of the options open to 30,000 St. Louis government workers during the Civil Service Commission's annual "open season."

During open season, which ran from November 15 through December 31, 1975, federal employees could elect to change their health care coverage.

Metropolitan Life Insurance Co., administering insurer for the St. Louis federal employees' group health coverage, offered enrollment in Medical Care Group as a rider on the normal group contract.

"We initially anticipated between 750 to 1,000 lives," said Alvin W. Washington, administrative director of the Medical Care Group.

Mr. Washington, a graduate of the newly-instituted training pro-

grams for HMO managers at the University of Pennsylvania's Wharton School of Business and Finance, said MCG now "conservatively" expects 2,500 to 3,000 lives.

The bi-weekly premium payments for the plan offered by MCG are \$13.32 for individual coverage, and \$41.84 for a family, according to a U.S. Civil Service Commission rate chart.

There are no deductibles and no insurance clauses on the overall plan although a prescription drug segment of the plan includes a \$1 co-payment.

Presently, more than 5,000 people are enrolled in MCG through employer or union group health care programs. By July, 1977, it is projected that MCG will have 13,000 members.

MCG's origins go back to 1969 when the Washington University Medical School launched a three-year prepaid medical group experiment at the urging of Gerald T. Parkoff, director of the school's division of health care research.

Some 1100 members of about 300 middle class families recruited from Monsanto Co., Metropolitan Life, and General Motors formed the core experiment group. A control group from the same personnel pool continued to use the customary fee-for-service system.

Under those conditions it was

possible for the university medical school to make a controlled study of prepaid practice. The results showed that HMO members used twice as many office services as the control group, but because of the preventive care this afforded, they spent 23% fewer days in the hospital than did the control group.

Right now, Medical Care Group is one of nine HMOs approved by the government to enroll federal employees. Metropolitan Life originally funded the MCG experiment in 1969, and was responsible in 1975 for applying to the Civil Service Commission to allow federal employees in St. Louis to enroll in the HMO.

As administrating insurer for the area's federal employees, Metropolitan is life insurer for employees who choose BlueCross/Blue Shield coverages, and is reinsurer of the policies for employees who pick an alternate group plan with Aetna Life & Casualty.

Under the MCG plan, adults will have a specialist in internal medicine who will serve as their family physician. Pediatricians and obstetricians are on staff to look after children and women needing maternity care. Once a patient has seen a doctor, that doctor will be the regular one he or she visits.

Comprehensive medical and surgical care at the MCG facility in the hospital, and when necessary, at home, is covered by the plan.

There is coverage for complete hospital and physician services for up to 365 days, or for 120 days for mental or nervous conditions.

Maternity benefits provide complete obstetrical care, including prenatal care, delivery, and postnatal care, as well as pediatric care of the child from birth, all without a waiting period.

letters

Continued from page 8

also in hull policies. This paragraph is therefore at best only a partial explanation of the term, "free of particular average."

Another example is your paragraph 7 where you state that "For the scrap industry, at least, there's usually no deductible used with FPA policies." FPA policies are the same for the scrap industry as for anyone else, and there is not only usually no deductible but never a deductible because the type of losses which require the deductible approach, such as shortage, are covered under an FPA policy only if there has been a major casualty and in that case no deductible would be applied.

Further in the same paragraph there is a reference to WPA policies. Once again the definition given is far too simplistic and really does not convey the full complexity of the problem.

We can therefore only repeat once again our recommendation which we have made over the phone and in writing that features of this nature be presented on the

basis of a text written by an expert in the marine industry.

Andrew E. Rrossmere

Bleichroeder, Bing & Co. Inc., New York, N.Y.

Editor's note: While it may be viewed as necessary to treat this subject, along with many others, in a scholarly manner devoting several pages to one treatise, this fails to recognize the limitations of space and the need for readers to know, briefly, what's changing in a field and why changes are coming about. We stick by the definitions of "free of particular average" and "with particular average" having been helped with those explanations by other ocean marine insurance experts who felt they caught the essence of the terms in an easy-to-understand and technically accurate way.

Scholarship plans

To the Editor: *Business Insurance's* article on scholarship plans (Dec. 15), I feel is the best and most balanced article I have seen on the subject. We need more objective reporting such as you provide.

Pierce A. Whiteside

President, Educo, Inc., Chicago.

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• The First Risk Management Cos. have prepared a brochure that describes their **Professional Counselling in Risk/Insurance/Financial Management**. The com-

panies are consulting risk and insurance management firms, operating nationally and internationally. The professional qualifications of the firms' executive consultants

are also described. For a free copy write to Leonard J. Silver, CPCU, president, First Risk Management Co., 835 Glenside Ave., Wyncote, Pa. 19095.

• An article entitled **FIPP**, financial institution protection policy, describes in depth the new comprehensive chattel mortgage policy now available for financial institutions. This article, by Bernard J. Daenzer, president of Wohlreich & Anderson Ltd., discusses the three sections of the new chattel mortgage wording, which covers filing and non-filing of chattel mortgages, lenders single interest in respect of automobiles and other chattel mortgages, as well as physical damage to chattels repossessed by the assured. For a copy write Arthur Fullan, Manager-Financial Institutions, Wohlreich & Anderson, 55 John St., N.Y. 10038.

• A kit of brochures from the National Loss Control Service Corp. provides details on its various services, including wastewater analysis, noise control, laboratory analysis, occupational health consulting, industrial hygiene consulting, product safety consulting, OSHA consultation, risk cost stabilization and self-insured claim and loss control. For a free kit, write to NATLSCO, Long Grove, Il. 60049.

• A 20-page question and answer booklet on **Industrial Noise and Hearing Loss** in available from Maico Hearing Instruments. It covers acoustical measure-

ments, noise control, protection for the employe, hearing measurements and documentation. For a free copy, write to Maico Hearing Instruments, Minneapolis, Mn. 55435.

• A series of brochures from Dymo Products Co. provides a **Guide to Effective Safety Signage**. Principles of safety communication and a survey of safety sign uses are included, along with price lists for Dymo sign-making products. For a free kit, write to Dymo Products Co., Willow Hill Executive Center, 550 Frontage Rd., Suite 2033, Northfield, Il. 60093.

• Franet Corp., makers of industrial protection gloves, is offering **Protect Hands**, a brochure of products available and a checklist for determining glove needs. For a free copy, write to the firm at 25 Loring Dr., Framingham, Ma. 01701.

• **Handbook & Standard for Manufacturing Safer Consumer Products**, published by the Consumer Product Safety Commission, outlines a step-by-step method to implement a product safety policy and procedures. Technical recommendations focus on design review, identification and evaluation of potential hazards, documentation of any changes in design, materials or production that could affect safety, safe production practices, maintenance of records and product safety audits. Single copies are available at no cost from the Commission in Washington, D.C. 20207. Additional copies may be purchased from the Superintendent of Documents, Washington, D.C. 20402 at \$1.50 a copy. Use order No. 052-003-00103-9.

• The advantages of coating plastic safety lenses with TEMA II, made by American Cyanamid, are explained in a question and answer booklet from Glendale Optical Co., **Glass or Plastic?** For a free copy, write to Glendale Optical, 130 Crossways Park Dr., Woodbury, N.Y. 11797.

• The ABCs of hearing conservation are presented in an employee-directed booklet, **Noise and You**, published by the David Clark Co. Inc., makers of noise protective devices. For a free copy, write to the firm at 360 Franklin St., Worcester, Ma. 01604

• **Fiduciary Liability Insurance for Taft-Hartley Funds: A Comparison of Coverages** has been researched and published by the International Foundation of Employee Benefit Plans. Among the questions answered and analyzed in the report: Who is insured? What acts are covered? What constitutes a wrongful act? Are prior acts covered? What acts are excluded? How much is the deductible? What are the limits of liability? What factors determine the premium? Also, the report compares policies offered by Aetna, CNA, Lloyd's and Sequoia. For members of the foundation, cost is \$6.50, \$6 for orders of three copies or more. Cost to non-members is \$7.50, or \$7 for orders of three or more. The report may be obtained by writing to the International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wi. 53005.

• A **Handbook of Occupational Safety and Health**, published by the National Safety Council, addresses the problems confronted by supervisors, owners and managers responsible for safety in a small company or plant. It is a compact introduction to the safety and health field for a person with little knowledge or experience in

this area. The range of information includes guidance on filling out required government forms. Cost is \$6. Stock No. 129.03. There are 266 pages, with 90 figures and tables. Orders and quantity discount inquiries should be directed to the Membership Dept., National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611.

• A new booklet has been prepared which cuts through the tangle of insured funding. It tells what a new money rate is and explains its role in insured retirement programs. For a free copy, write to Art Ross, director, Retirement Income Needs, Dept. F, Unionmutual, 2211 Congress St., Portland, Me. 04102.

• The International Safety Academy, a division of ESIS Inc., an INA Corporation, is offering its **1976 Schedule of Conferences** covering safety, environmental health, motor fleet management and loss control management. The conferences are oriented to the practical application of the techniques developed by ISA so that both newly appointed safety professionals and experienced managers can obtain immediate benefits from their participation. For a free copy, write to Frederick P. Smarro, director of marketing, International Safety Academy, P.O. Box 4365, 1021 Georgia Ave., Macon, Ga. 31201.

• The Alarm Lock Corp. has brochures of its products available. The firm specializes in deadbolt locking for emergency exit doors. For free copies, write to Abe Deutscher, Alarm Lock Corp., P.O. Box 333, 33 South Service Road, Jericho, N.Y. 11753.

• **You and the High-Rise Building Fire**, written by Dr. Anne W. Phillips, discusses the physiological and emotional problems faced by human beings, especially the elderly, when confronted by fire. Dr. Phillips is a surgical researcher at Massachusetts General Hospital, Boston, Price is \$2.50. To order, write to the Society of Fire Protection Engineers, 60 Battery-march St., Boston, Ma. 02110.

• **The HMO Complex: Auxiliary Corporations**, written by Dan Maruna, is available from Protech Publications. Price is \$4, but there is a 25% discount to *Business Insurance* subscribers. To order, write to Protech, 2182 Dupont Dr., Irvine, Ca. 92664.

• Man and Manager Inc. is offering a free sample of **Safety and Security for Supervisors**, a 40-page pocket-size daily calendar, published monthly, which provides an ongoing supervisor training program in OSHA regulations. The datebook contains questions and answers on OSHA, a safety checklist form and case histories and articles on all phases of industrial safety and security. For a free sample, write to Man and Manager Inc., 799 Broadway, New York, N.Y. 10003.

• A brochure from the National Assn. of Insurance Agents tells **How to Avoid Costly Mistakes in Business Insurance**. A loss exposure checklist is included. For a free copy, write to James M. Shea, NAIA director of advertising, 85 John St., New York, N.Y. 10038.

• International Service Corp. (ISC), a subsidiary of INA Corp., is offering a **Directory** of its worldwide services. The booklet contains lists of international offices, indexed by city and country. Also available is a descriptive brochure on ISC, called **Until Now. Until ISC**. For free copies, write to John Wansink, ISC, 1600 Arch St., Philadelphia, Pa. 19101.



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Lloyd's chairman will visit U.S. this year to study the insurance climate

LONDON—The chairman of Lloyd's, Havelock H. T. Hudson, is likely to visit the U.S. on official business in the coming year.

He will tour various centers to discuss the U.K. market with "on the spot" experts. It will be the first formal visit of a serving chairman of Lloyd's of London since Sir Henry Mance toured the U.S. in 1970 and 1971.

During Mr. Hudson's recent tour of Canada he made it clear that Lloyd's is ready to aid the North American market if the demand arises, but will not become a "dump" for bad business.

Much attention will therefore be paid to the intended visit of Mr. Hudson, whose itinerary is now being planned with a view to him getting as wide a perspective of the U.S. market as possible.

He will probably come sometime in the first half of 1976, having just been re-elected chairman of Lloyd's for a second-year term. So far in his term of office he has visited Norway, Sweden and Finland, and the Suez Canal zone, he may be accompanied by other Lloyd's experts during his U.S. tour.

Marine underwriters are fearful of trouble spreading in Angola where more than \$200 million of shipping are held up in various ports. Forty vessels are reported to have been held up in the port of Lobito, while others are still at wharveside in other harbors.

In addition, there are millions of dollars worth of cargoes stocked in portside warehouses, including quantities of copper from Zambia, which could be vulnerable in the event of pitched battles between the various rebel forces striving for power.

War risk rates for cargoes have been hiked to 25 cents per \$100, with as much as \$1 per \$100 being demanded by Lloyd's underwriters for inland transit coverage, even though the latter only covers riots and civil commotion.

Cargo shippers are having to take out "excessive insurance cover" because of the failure of U.S. courts to lay down regular liability rules in marine lawsuits.

Senior British Judge Diplock made this complaint at a seminar on international litigation where the attitudes of American courts were discussed.

He told delegates from twenty countries, including lawyers, underwriters, and shippers: "Britain has regular courts where marine cases are handled by specialists in the law of the sea. But in the U.S. cases can be taken before courts which are totally inexperienced in maritime affairs."

"This often makes the outcome of a lawsuit completely unpredictable. It ought to be avoided because it can lead to uneconomic litigation which adds to transport costs."

"U.S. courts have failed to move towards the concept of international uniformity in maritime law which other countries have adopted. This means that cargo operators are being forced to indulge in greater insurance cover than ought to be necessary, which is reflected in turn in higher shipping costs. Direct-action statutes and absolute no-fault liability work against underwriters in preventing them spreading risks in the most economic way."

John S. Rogers, a U.S. lawyer

who was seminar chairman, agreed that "land-based" legislators in the U.S. have created laws that must be enforced in maritime actions.

New insurance moves against bomb attacks are being taken by leading London restaurants as 1976 approaches with the threat of more blasts. Most major hotels and department stores now keep a regular security check on packages and bags left in cloakrooms, for there is fear of further I.R.A. reprisals.

Hoteliers in various parts of

London, including the popular Mayfair area close to the American Embassy, have now got together to improve plans for the safety of their customers.

One insurance group has introduced a special low-cost plan for lump sum compensation for dinners, and another is ready to extend fire coverage to include blast damage.

Customer liability is being studied by several hotels following the disclosure that a Lebanese businessman is suing the London Hilton Hotel after the blast which killed two and injured 65 last

September. He claims that the hotel failed to heed a bomb warning in time and is in breach of contractual duty because it failed to take all reasonable care for his safety. The hotel was being evacuated when the bomb went off and caused him to lose part of his right leg, together with injuries to many other guests. This has lent interest to a move by a number of Lloyd's underwriters who have written a special policy for hoteliers.

For premiums amounting to 10 cents per restaurant seat per day, they will insure customers and staff for benefits of \$50,000 per person for fatal injury or permanent disablement. Extension of cover up to \$200,000 is available.

The scheme is operated by the Lowndes Lambert broking group, which is working in collaboration with the Restaurateurs Assn. of Great Britain in increase client protection.

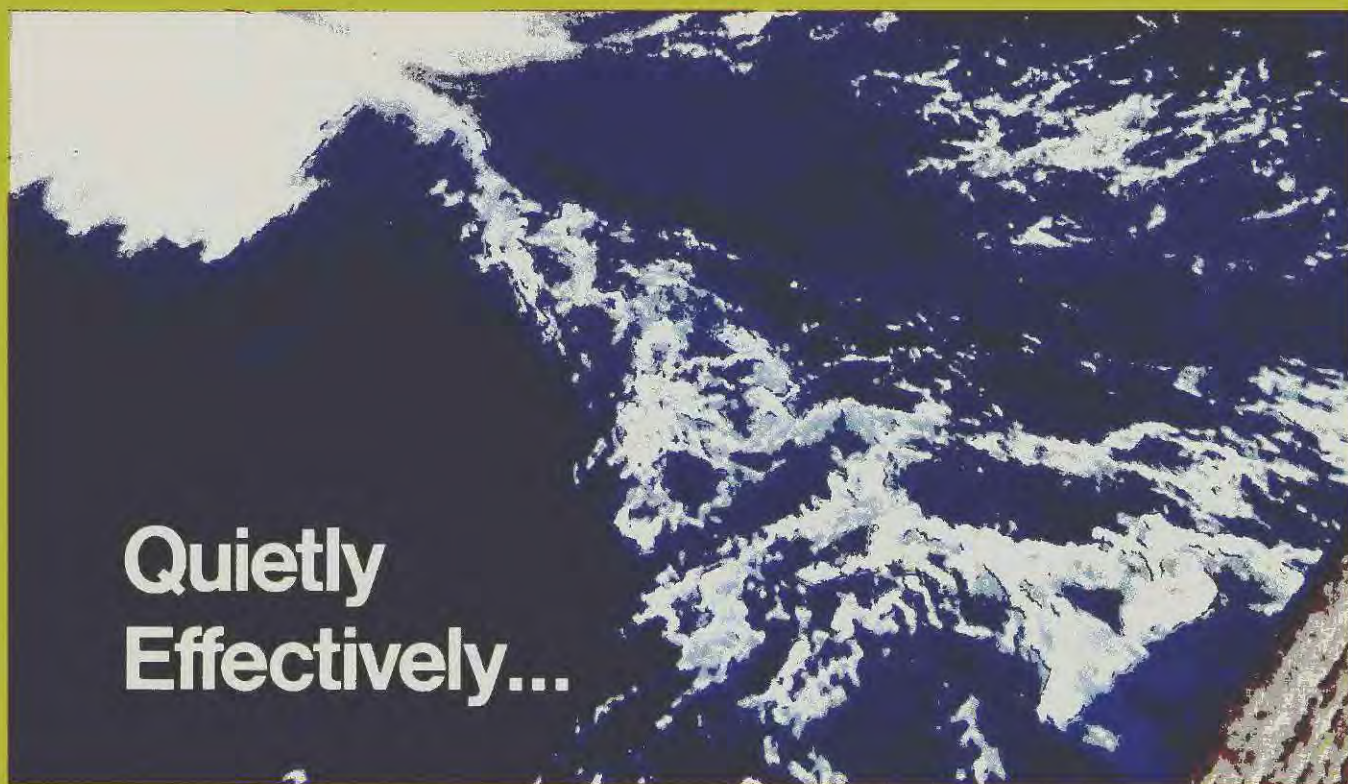
At the same time the Stewart Wrightson broking group has clarified its position for existing clients who hold policies under it. The group says that the standard fire policy provides cover in respect of fire damage resulting from a bomb placed by terrorists or malicious persons, but does not extend to other damage done by the blast.

Extension of coverage is available for this additional damage as long as the incident is not classified as a riot or part of civil commotion, for which a further extension of cover is required.

Recently IRA terrorist squads claimed they had successfully extended their campaign to London by carrying out fifteen bomb attacks in three months, including one which nearly killed Caroline Kennedy.

The British government is closely watching the compensation position, but feels that so far insur-

Continued on page 14



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London line

Continued from page 13

ance cover for property damage is still readily available, while compensation for personal injuries can be met from public funds if the victims feel they should lodge claims, although payments are restricted in size.

Election of officers for Lloyd's of London have resulted in Havlock Hudson staying as chairman for 1976, with Alec W. Higgins and Peter L. Foden-Pattinson as his deputies.

Leslie R. Dew, deputy chairman in 1975, has retired from that office after his year's service, but stays on the committee of Lloyd's.

Mr. Dew, well-known in the U.S. for his D&O business, has been given a prestige bravery award from the City of London

for helping to arrest a gunman who raided his out-of-town home, in the fall.

This award, from the Binney Memorial Foundation, is given for civilian acts in support of law and order.

Britain has paid \$50 million from public funds in the past eleven years to victims of violent crimes. Awards last year hit the record total of more than \$10 million, given from government sources to people harmed by bank robbers or injured in other forms of violence.

The highest award in the past twelve months was \$80,000 to a 22-years-old woman whose husband died in a fire started by arsonists, while \$30,000 went to a 37-year old woman whose lover partly blinded her after a quarrel they had.

The aim is to protect citizens injured in criminal incidents who cannot recover damages. But terrorist attacks are also included,

and \$500,000 has so far been paid for people maimed in bomb blasts.

Damages can rarely be claimed in lawsuits against criminals, as usually they have either absconded or are in jail without ready funds, so the Government brought in the compensation system as an extra social security benefit, to supplement normal insurance policies.

Doctors in Britain are becoming anxious about new laws which may give people the right to seek malpractice damages for injuries to children where they believe that there was medical negligence before birth.

Until now, there have been restrictions on the legal rights of an unborn child. But the country's law commission is proposing any child suffering prenatal injury caused by fault of another person should be entitled to recover damages.

Fears of a spate of lawsuits are

expressed by the Medical Protection Society, which believes there is great danger to the medical profession if negligence can be alleged by parents against doctors whenever a child is born with any disability.

Dr. J. Leahy Taylor, secretary, stated: "If this happens, it will clearly become hazardous to prescribe drugs for women of child-bearing age without considering the possible effect on the fetus if the patient proves to be pregnant."

Comparing the situation with American experiences, he adds: "Would a baby have an action for wrongful life if it were born deformed after an unsuccessful attempt at abortion on its mother? In the U.S. there has been a suit brought by mongoloid twins who claim that their chromosome damage was due to an oral contraceptive prescribed for their mother. Surely there has to be a limit somewhere."

Ct. firm gets \$10 million dental plan

HARTFORD—United Technologies Corp. expects to spend nearly \$10 million in annual premiums for a dental plan which became effective January 1.

The plan covers 58,000 employees and their families, totaling about 180,000 persons, in Connecticut, California, Florida and West Virginia.

It was underwritten by Connecticut General Life Insurance Co. and covers reasonable and customary charges for oral examinations, teeth cleaning, fluoride treatments, X-rays, space maintainers for dependent children under 19 and emergency care.

"In reviewing the benefits that we have and in looking at what other companies in our industry were doing, we decided to start a dental plan, explained Carl Lindquist, director of employe benefits for United Technologies, based here.

He sees the plan as a competitive tool for both the salaried and hourly workforce: "In the aerospace industry it's not that unusual to have a dental plan." The predominant union represented at United Technologies is the International Assn. of Machinists (IAM), Mr. Lindquist noted.

The dental plan covers the following treatments, subject to a \$25 deductible and a \$1,000 annual maximum per person: restorations; extractions; general anesthetics; periodontal treatment; endodontic treatment; antibiotic drug injections; repair of crowns, inlays, onlays, bridgework or dentures; relining or rebasing dentures; prosthodontics; and replacement of or addition to existing bridgework or dentures.

Orthodontics is excluded from coverage under United Technologies' plan.

The plan provides for pretreatment review which informs the dentists and patient exactly what benefit will be paid.

Connecticut General will administer the company's dental plan in Meriden, Ct., for the approximately 50,000 employees in the state. Regional offices will administer United Technologies' dental plan in other states.

Oil reciprocal expands into New Mexico

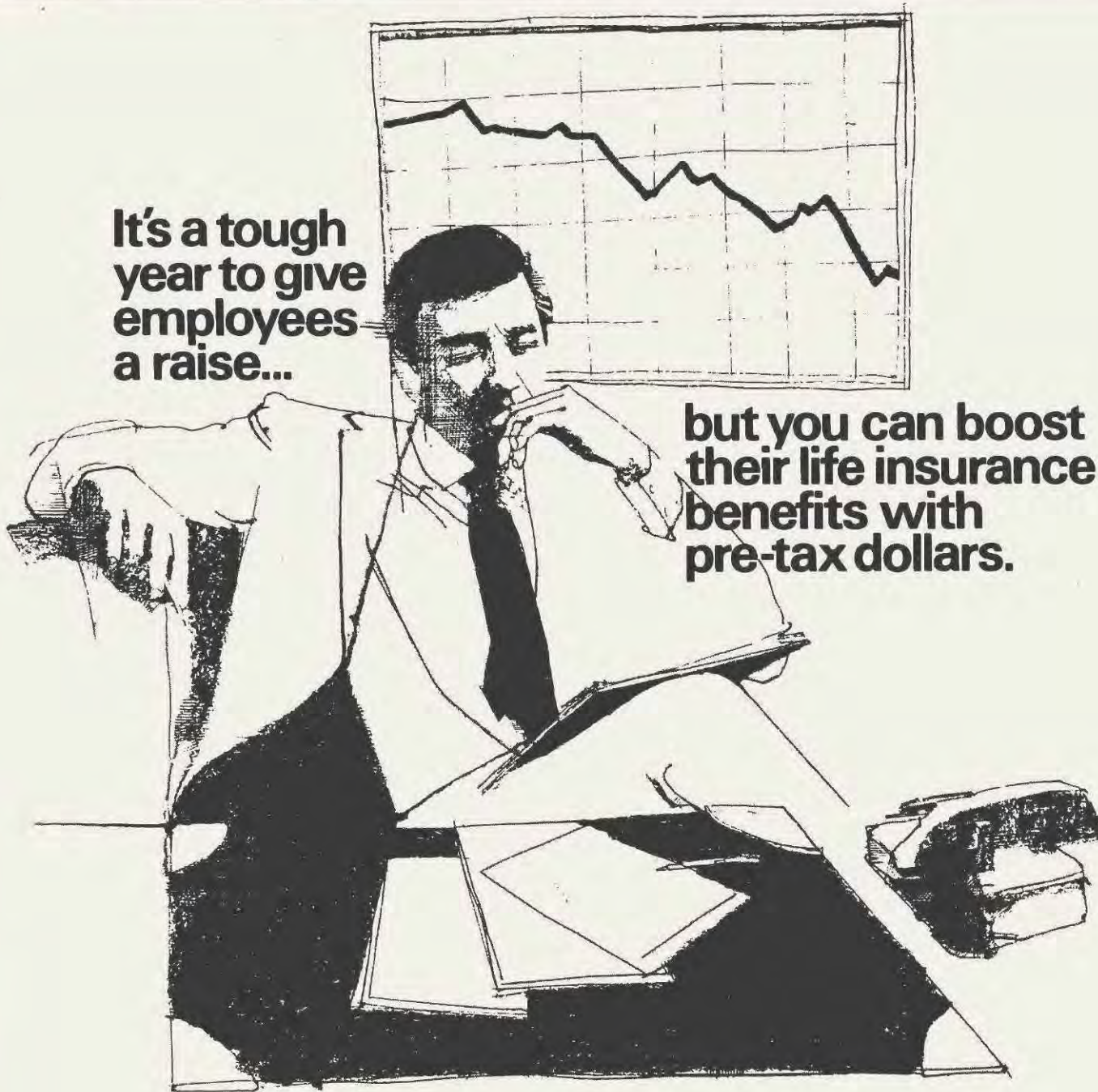
DALLAS—The first reciprocal insurance company for oil well service contractors has expanded its services into New Mexico, after previously operating only in Texas and Oklahoma.

United General Insurance Exchange received a charter from the New Mexico insurance board to write fire and marine insurance in the state, according to Exchange president Kenneth Callaway, Sr.

Headquartered in Midland, Tx., the Exchange presently provides coverage for some 485 workover rigs with an insured value of more than \$43 million.

The reciprocal was started in 1973 when oil well service contractors with similar risks banded together to start their own insurance company. After its first year of operation it paid an 11.6% dividend, and reduced insurance costs for member companies by an average of 40%, Mr. Callaway said.

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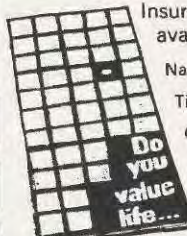
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Tools for sharper negotiating

Formulas for estimating insurance premiums provide cost yardsticks

By SPENCER J. TRAVER
Director of Risk Management
The B. F. Goodrich Co.
Akron, O.

U.S. BUSINESS FIRMS are confronted with the worst insurance market conditions in recent history. Renewals are being quoted at unprecedented increases over expiring premiums. Insurance carriers are withdrawing partially or wholly from risk undertakings which were traditionally commonplace.

Faced with this background and rapid changes in the socio-economic environment that surrounds us, it would seem futile to attempt to develop formulas for estimating insurance premiums. But there is a real need for such formulas. They can tell us in general terms whether we should smile smugly at our negotiating skills or plain good fortune because our costs are less than the formulated ones or whether we should be looking for better ways of financing risk via higher levels of self-insured retention, different insurance financing techniques or simply changes in our present markets or brokers.

In attempting to develop these formulas, which are admittedly extremely subjective, it is necessary to recognize the infinite variety of conditions within each firm which can cause significant variance from the estimate such as deductible levels, extent and effectiveness of loss prevention and control programs, validity of values used for property, susceptibility to product liability losses, the use of highly specialized equipment, profit variability, motor vehicle exposures and involvement in foreign countries, to name only a few.

To a certain extent, we can minimize the effect of this variability by assuming that a minimum \$5,000 deductible is applicable to property losses, by confining the formula to U.S. manufacturing firms with annual sales above \$100 million and limiting the estimate to the major insurance categories of property, liability and workers' compensation. Most firms in this group have significant loss prevention programs.

It is also well to bear in mind that all insurance premiums include the traditional retail markups charged by insurance companies for commissions, engineering, statistical services, claims adjustment, overhead, profit, and catastrophe loadings. These markups can range from 13% to 60%, or even more. We mention this only because these factors also affect the variability of cost in each firm's insurance program and because these costs can often be reduced by combining coverages, using in-house services, hard bargaining and increasing levels of self-retention which recognize that there are historical aggregate annual loss levels in every firm which are predictable, often irreducible, frequent and which should not be transferred to insurance carriers. These estimates use information commonly available in annual reports, Moody's or Standard & Poor's financial summaries.

Property Insurance—Direct Damage:

All basic fire, extended coverage, vandalism, DIC or supplemental all-risk coverage on buildings, machinery, equipment, furniture, fixtures and inventory at manufacturing premises are included here. For variability, consider the validity of the values used, the loss prevention employed,

AVERAGE PREMIUM COST FORMULAS			
Property Insurance—Direct Damage			
Value Base			
1. Gross Property (from financial position statement)	x 2.25 = Estimated Replacement Cost	x \$.085/\$100 =	Total Premium
MOP coverage on outside inventories, property in transit, exhibitions and installations.			
2. Gross Inventory	x .60	x \$.24/\$100 =	Total Premium
Business interruption, extra expense, rental value and other time element, including fire, extended coverage, vandalism, DIC or supplemental all risks on all property.			
3. Net Sales (from Income Statement)		x \$.06/\$100 =	Total Premium
Liability Insurance:			
All basic public (including products and contractual, D&O, Fiduciary) or umbrella liability and aircraft products without deductibles.			
4. Net Sales (from Income Statement)		x \$.22/\$100* =	Total Premium
*appears to be increasing at a compound rate of 11% net of charges in annual sales			
Workers' Compensation Insurance:			
All statutory workers' compensation without deductibles.			
5. No. of U.S. Employees		x \$165* each =	Total U.S. Premium
*appears to be increasing at a compound rate of 7%			
Other Property and Casualty:			
All other property and casualty, including but not limited to boiler and machinery, U&O, employe fidelity, marine cargo, auto physical damage, miscellaneous surety bonds and business travel accident.			
6. Net Sales (from Income Statement)		x \$.04/\$100 =	Total Premium

and the degree of risk involved.

As you can see, the total insurance premiums for property and casualty insurance, in spite of current market conditions, remains at about 3/4 of 1% of net sales, but when you consider that less than 60% of this total is returned to the firm as loss reimbursement, it behooves all of us to purchase only the insurance and related services that we must have to insulate us from catastrophes and unnecessary fluctuations in the net income available to the stockholders. Such an approach benefits the insurance industry as well, since capacity (which is sorely needed) can be diverted to covering fortuitous loss and is not wasted in funding losses which can be

absorbed within the firm at a lower cost. ■

Mr. Traver has 24 years of diversified insurance experience, having worked for several insurance companies as underwriter, for a brokerage firm as account executive. Before joining B. F. Goodrich, he was corporate insurance manager for Brunswick Corp., and director of risk management for Baxter Laboratories Inc. He also has been an independent consultant in the field of insurance and risk management. Mr. Traver, a CPCU and a member of the Risk and Insurance Management Society, has a BBA degree from Northwestern University and has done graduate work at the University of Chicago and Kent State.

Risk management recognized as long overdue

"At first, I thought that risk management was just a more expensive way of saying 'insurance management'—but after getting into it, we've learned that nothing could be further from the truth."

By ROBERT G. MARBUT
President and Chief Executive Officer
Harte-Hanks Newspapers Inc.
San Antonio, Tx.

(The following article is adapted from a speech Mr. Marbut gave during 1975 at the meeting of the American Newspaper Publishers Assn. in New Orleans. It originally appeared in Risk Management Report—No. 5, but is reprinted here because we feel it deserves broad circulation—Ed.)

I WANT TO TALK TO YOU about the seamy side of our business. About million dollar libel suits, \$5 million press fires and \$10 million strikes. I want to talk to you about a thing called risk management. No, not insurance management, but a much broader subject.

At first blush, I'm sure that you'll think my purpose is to make your life more com-

plicated. But if you will bear with me I think you will conclude, as we did, that this is an area too often neglected by top management until it's too late . . . and then life really does get more complicated.

Part of what I'll tell you is in the form of a confession, because after getting exposed to the benefits and power of the risk management approach, I have to admit that we should have moved earlier to implement an all-encompassing risk management program within the Harte-Hanks group.

What am I really talking about? I'm talking about protecting your assets, your profitability and your effectiveness as a newspaper from economic loss. I'm talking about managing those risks that could cripple you financially or put you out of business. I'm talking about anticipating risks instead of merely reacting to past events. I'm talking about saving money while at the same time reducing exposure to for-

tuitous loss. I'm talking about an all-encompassing risk management program for a newspaper or for a newspaper group.

At first, I thought that risk management was just a more expensive way of saying "insurance management"—but after getting into it, we've learned that nothing could be further from the truth. We realized how different risk management is from the traditional concept of insurance management.

The primary goals of a risk management program are the preservation of assets and earning power from loss or destruction at the lowest cost to the company. When stated this way, one quickly understands why this is a top management concern. One can also see that this really is nothing new; it has always been the responsibility of those who manage corporate assets to reduce the possibilities for loss and to prepare for those losses that cannot be prevented.

What is new about the process—and it was new to us—is the recognition that the risk management process is really a natural adjunct to the planning and control process. This means that the approach can be systemized in order to anticipate the future rather than merely to react to the past.

In fact, there is a whole new discipline growing up in this area. Its not yet a science, but much progress has been made

to develop the management of fortuitous risk into a rational process. Its tools range from common horse sense to computerized statistical analysis.

The risk management process has the following elements:

- **Identify the exposure.** This is a survey of all areas within the operation that could be sources of fortuitous risk. It requires a knowledge of all the assets (both tangible and intangible), the source of earnings (direct and indirect), plus an awareness of the potential liability which can be imposed by common or statute law. And that's saying a lot in our business. Since assets, earnings and the law all are subject to constant change, the search for exposures to risk is a constant process of evaluation and prediction.

- **Analyze the risk.** The second step in the risk management process involves analyzing the risk. How frequently will the loss occur? How severe will it be? What are the complete ramifications of a potential incident, such as a pressroom fire, the death of a newsboy or an invasion of privacy suit from the parents of a rape victim whose name has been printed in your newspaper?

- **Control the risk.** Once a risk has been identified and evaluated, the manager must then decide what to do about it. This is the

Continued on following page

PERSPECTIVE

Recognizing need . . .

Continued from preceding page

heart of the risk management process, but too often is left to chance, or is decided by default. Risk control is the job of many people in your organization—the production manager to avoid shutdowns; the editor to protect from libel; the circulation manager to avoid anti-trust suits; the business manager to protect assets from theft. Yet, these efforts should be coordinated, if the publisher is to be assured that all exposures have been identified and that the financing of risk is at the lowest cost.

The control of risk should be approached in anticipation of future problems instead of in reaction to problems as they now occur. Risks are inherent in the safety of the work force, the conservation of property, the protection of the environment, the security of people and the avoidance of libel. We believe that a comprehensive program that is properly coordinated will make it possible to eliminate or reduce many risks. This is the best way, for it can save many unnecessary costs.

• **Finance the risk.** But what about risks that cannot be eliminated or reduced to an acceptable level, the ones that have to be financed? The loss potentials associated with some risks are too small to affect the financial stability of the company. These can be safely ignored. There will be others where loss frequencies are statistically stable and which can be considered a regular cost of doing business. These risks, such as maintenance of a vehicle fleet, can be predicted within an acceptable range and should be budgeted as a normal part of doing business. This leaves one last category of risk—those risks that are too large, or that occur too infrequently, to be ignored or treated as an operating expense.

Usually, the best way to handle these is to retain the risk if at all possible and not blindly add on another insurance policy. The current study of risks within our own company verifies what we have been told—that most firms can safely retain far more risk than they do, but the idea of buying insurance policies for all loss exposures is so firmly entrenched that many corporate managements are reluctant even to consider the question. As a result, a lot of money is wasted on unnecessary insurance when deductible coverage or retention would be of more economic advantage.

For those risks that cannot be retained, there is no choice but to transfer these risks to someone else. This does not necessarily mean buying insurance, however. It may mean a non-insurance transfer primarily through hold-harmless agreements in which a supplier, tenant or landlord assumes liability.

Finally, we come to the hard core risks for which there is no solution other than the purchase of insurance. Yet, to most of us (and this included our own company in the past) insurance was among the first solutions sought when it should have been the last.

The difference between risk management and insurance management should begin to be clear. Insurance is only a small part of the entire risk management program. I can say this now, but in all honesty did not fully understand this a year ago. Let me tell you how this happened.

In the past we, like many of you, didn't have a formal program of risk management. What we did consisted mostly of having a consultant review our insurance policies and prepare a report summarizing our coverage. He also would evaluate insurance company proposals and negotiate rates. At that time, we had no system to determine what the risks really were that were being funded through insurance.

As we introduced a more formal planning and control process, our philosophy changed. We began to try to anticipate the future and to develop programs to achieve goals related to these environmental assumptions. The idea of evaluating risks and deliberately planning how we would cope

with each type fitted nicely into our general planning and control process.

But we had a lot of ground to cover, and a lot to learn about risk management. We felt that the quickest way to get up to speed was to seek outside help, which we have done. Our program of developing a formal risk management process is barely underway—only a few months—so I can only tell you what we are hoping to do, not what we have done.

We are still in the first two stages that I described earlier—the identification of risks and their analysis.

What types of things are we evaluating?
Let me give you a cross section:

- We are looking at our basic corporate risk philosophy. How conservative are we as a corporation? We need to identify this in order to establish guidelines.

- We are looking at every functional area—from editorial to labor relations, from the business office to the circulation department, from the customer to the supplier—to identify losses in the past, and exposure to potential losses in the future. This includes such diverse things as workers' compensation, the possibility for strikes, the effect of a down press, the potential losses from theft and vandalism, and the problems arising from First and Fourteenth Amendment questions ranging from libel to privacy to gag rules.

- Each of our operating divisions is being evaluated with respect to the above questions, and we're already finding interesting answers. The threat of a strike is lower in one plant than in another; and the probable losses should a strike occur are also different. The same is true with the loss of a press. If there is another press nearby where a backup arrangement can be worked out, then the loss potential is greatly minimized. The same is true with regard to safety hazards, plant security and the like. In short, each newspaper has a unique risk profile.

- Among the output of this analysis will be:
 - (a) A formal corporate policy on how HHN will approach the management of risk;

Risk management notes

By WARREN, McVEIGH, GRIFFIN
& HUNTINGTON
risk management consultants
San Francisco—Newport Beach

Liability over

"Liability over" refers to an employee's ability to sue a company contracting with his employer, thus obtaining a liability judgment to supplement his workers' compensation award from his employer. Although this is a clear evasion of the intent of legislative bodies to make workers' compensation the sole remedy for work injuries, it is prevalent and enforced by the courts.

A recent case shows how this occurs. A railroad hired a contractor to do some work and one of the contractor's employees was injured. In the contract between owner and contractor, a hold-harmless agreement appeared whereby the contractor held the owner harmless for bodily injury claims. After receiving his workers' compensation, the employee sued the railroad for failure to provide safe working conditions. The railroad then passed the suit along to the contractor because of the contractual agreement to indemnify. The contractor naturally tendered the claim to his insurance company who provided contractual liability insurance. The insurer sought a court decision as to whether it was obligated to defend and indemnify since they felt that



Pressroom risks are a part of every newspaper's unique insurance profile.

- (b) The designation of one person to be responsible to coordinate the management of risk on a corporate-wide basis. (This does not mean that others no longer will be involved in risk management; it does mean that for the first time these efforts will be coordinated);

- (c) The preparation of a risk insurance and employee benefit manual for operating management;

- (d) An annual conference with operating management to acquaint them with the risk management program, including the identification, control and financing of risk;

- (e) An annual risk management report covering policy renewals, new construction or new operating divisions, the evaluation of major loss prevention recommendations and other major items;

- (f) The refinement of affirmative action plans;

- (g) The improvement of plant safety committees and the reduction of OSHA ex-

posures;

- (h) The improvement of personnel programs;

- (i) The detailed analysis on a recurring basis of those programs requiring insurance, determining whether insurance still is needed and, if so, how much can be retained in the form of deductibles

- (j) The expansion of our plant inspection and driver testing and training programs;

- (k) And to my mind the most important step: Engendering the principles of risk management as a way of life among each of the 250 people on our newspaper's management team.

This then, should give you the flavor of what we are trying to do. We've got a long way to go before we can say that we have an all-inclusive program of risk management in Harte-Hanks Newspapers. But the most difficult part is behind us—recognizing the need and getting started." ■

there was no coverage because of the exclusion of "any obligation for which the insured or any carrier as his insurer may be held liable under any workers' compensation . . . law."

The court ruled that coverage existed since the claim was one of contract, not one of workers' compensation.

The Vermont Supreme Court upheld this judgment in the case of *Utica Mutual Insurance Co vs Central Vermont Railway Inc.* (326 A 2d 200).

Allocated loss expenses

When an insurance company or a self-insurance service firm adjusts a workers' compensation or public liability loss, they incur expenses. These expenses include the adjuster's time, travel costs, private investigators, attorneys, laboratory tests, photographs, etc. Some of these costs, such as the adjuster's time and expense, are usually included in the cost of the insurance or self-insurance service firm's fee. These are unallocated loss expenses, as opposed to allocated loss expenses, which are expenses charged back to the client, either through a retrospective rating formula (where the charges are multiplied by a loss conversion factor) or by addition to the service company's bill.

These charges can be highly significant in some cases, particularly where considerable travel is involved. It is therefore, important, when considering proposals

from service firms or when comparing the merits of various retrospective rating plans, to be certain that all items of loss adjusting expense are clearly defined as to what is included in the general overhead and what is to be charged back as allocated loss expense.

Products liability

Several times in the past we have pointed to court decisions which expand the degree to which innocent parties may be held liable for defects of a product. Specifically, retailers and leasing companies have been held liable for product defects over, though they had no part in causing them.

The recent case of *Coleman vs Hertz Corp.* (554 P 2d 940) further affirms these doctrines. In this case, the rear wheels of a leased truck fell off, causing an injury. The Court of Appeals affirmed a judgment against the lessor (Hertz) on the basis, not only that the burden of losses resulting from defective articles should be borne by those who are in a position to control the danger, but also by those who can make an equitable distribution of the losses when they occur.

If this line of reasoning is followed, it would seem that anybody who purchases insurance and is somewhere in the product flow from manufacturer to consumer can be held liable for a defective product or possibly even an injury from a product that may not be clearly defective. ■

'Errors in judgment' most frequent cause of malpractice suits

MILWAUKEE—A study compiled by the National Assn. of Insurance Commissioners found that errors in medical judgment rather than errors in actual performance of medical procedures "appear to be the most frequent cause" of malpractice suits against doctors. Claims against physicians and surgeons constituted 57% of all claims by count and 56% by amount, the NAIC's report found in a nationwide survey of malpractice insurance statistics.

The report is part of an ongoing program designed to meet problems in malpractice insurance. Another study to be released in March will give information about insurance premiums for medical malpractice by state, insurer, claims incurred and profit/loss for 1975. Another finding of the report shows that 38% of the claims by

number and 32% by amount were against hospitals.

More claims were brought against Board-certified physicians (representing advanced medical training) than those that were not, the report indicated.

Orthopedists, obstetricians, gynecologists, cardiologists and anesthesiologists generate "a relatively high volume of claims although most were filed against doctors who do no surgery," the report continued.

The NAIC mounted its study after a resolution adopted at its June 1975 meeting. In releasing

the report, NAIC President Dick L. Rottman, Nevada Insurance Commissioner noted "there has not been a centralized information system to collect and compile data which includes all claims in all states for all insurers on a uniform and nonselective basis."

The statistics contained in the NAIC report were drawn from a questionnaire about claims closed since July 1, 1975. The statistical base includes all insurers doing \$1 million of direct written premiums for medical professional liability insurance.

The report records and synthesizes recent malpractice legislation enacted at the state level.

Demographic information on claimants and insured defendants in malpractice cases is included along with information on causes, costs, severity of injury, dates and other circumstances involving claims. The report includes 30 tables.

Warn farmers against certain plastic insulation

ST. LOUIS, MO.—A lawyer who investigates farm fires criticized the advertising and testing practices of the plastics industry which he charged fail to forewarn farmers of "hidden dangers" in using many foam type cellular plastic insulation in farm construction.

Emphasizing the need to cover this insulation with fire protective coatings, James L. Fetterly, a partner in the Minneapolis law firm of Robins, Davis & Lyons, told the annual meeting of American Farm Bureau Federation here that manufacturers should spell out safety limitations of their product with far more candor.

Expanded research into flammability of cellular plastics is in-

dispensable, he said.

Mr. Fetterly charged that many cellular plastics are highly flammable, exhibit rapid flame spread characteristics and emit voluminous smoke and highly toxic gases—all contrary to advertisements of their fire safety.

This risk, he continued, offsets the product's desirable properties of appearance, lightness, strength, flexibility and durability.

Farmers believe "that advertisements on these materials are straightforward, that testing is valid and that someone in a position of power took the time and trouble to make sure that the insulation was safe.

"Unfortunately, this is not usually so," Mr. Fetterly said.

Report notes virtually no security at power plants

NEW YORK—In a report which could have risk management implications for electric utilities, Burns Security Institute claims that security at most non-nuclear power plants is virtually non-existent.

Nearly eight out of 10 companies rely solely on a fence, a locked door and confidence that nothing is likely to happen because it never happened before.

The Institute, a private research unit on crime-related matters, surveyed physical security at 367 electric utility companies in 42 states to prepare the report.

It found that of the 367 utilities questioned, only 55 have guards, only 33 have intrusion alarm systems, and only 25 have intrusion and fire alarms at unstaffed facilities.

A mere dozen have closed circuit television for surveillance of critical areas, while some 66 have mobile patrols.

Unlike nuclear facilities, which have stringent security regulations imposed by the Nuclear Regulatory Commission, electrical power plants have no established federal standards for security.

The Burns report cautions that the poor defenses of electric utilities today could lead to destruction of facilities. Two of the utilities cooperating on the survey reported actual bombings. One company suffered nearly \$500,000 in damages.

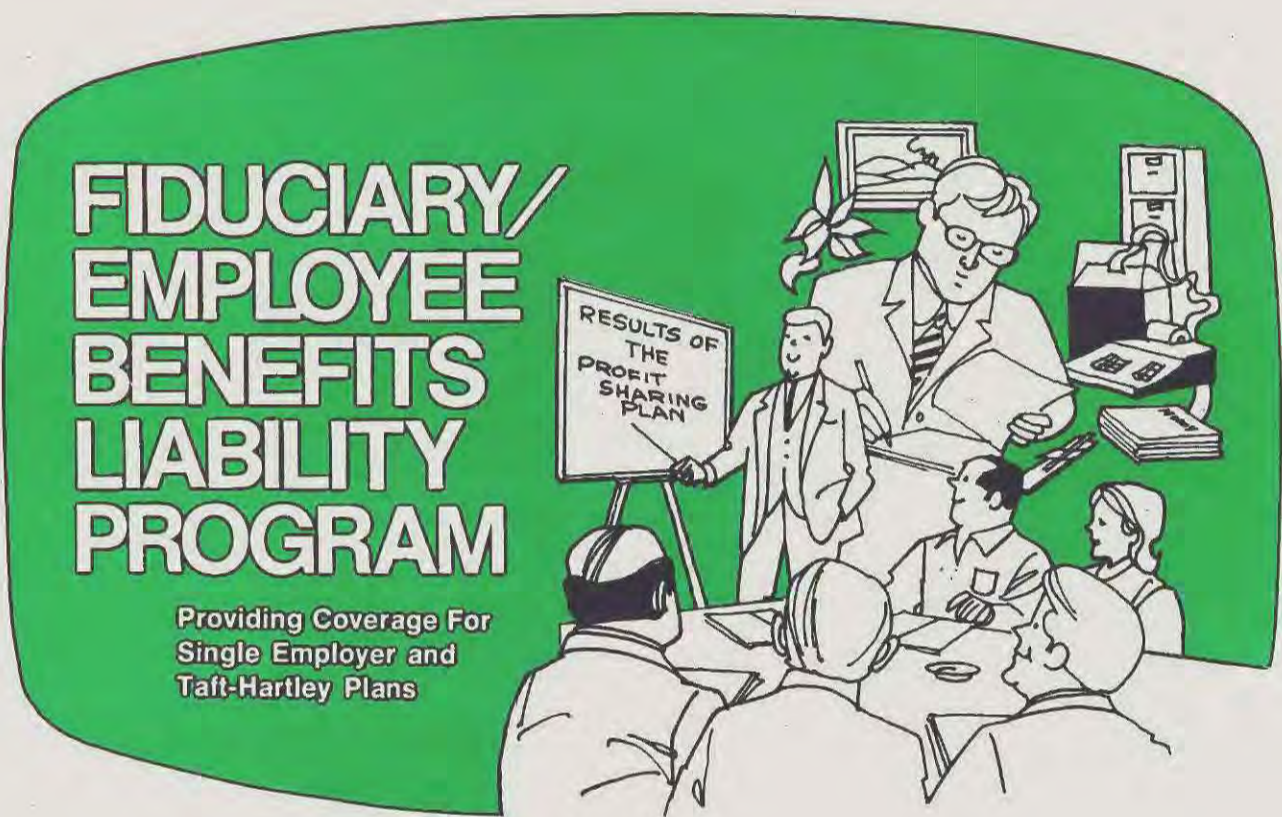
"Loss history at replacement value versus projected security costs is hardly the yardstick for justifying adequate security," the report warns.

It urges utilities to appraise security needs in order to weigh possible impacts of adverse situations caused by theft, vandalism, or extreme sabotage.

Utilities officials surveyed cited three top needs for security improvement: intrusion alarms, more guards and closed circuit television, in that order.

A free copy of the study is available from Burns Security Briarcliff Manor, N.Y. 10510.

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Highest-ranked private brokers in California are commercial 'experts'

SAN FRANCISCO—Specializing in being a specialist appears to be a key approach to prospering and expanding for California's 10 top privately-held insurance brokerage firms.

Russell R. Miller & Co. Inc., here, has published its 1975 ranking of the 10 top privately held brokerage firms in the state and it has named the top three houses, in terms of commission income, as Kinder & Laucci, \$3.5 million in commissions for the year, Albert M. Bender Co. Inc., \$3.2 million for 1975 and Albert G. Ruben &

Co. Inc., \$3.1 million.

For example, Bernard H. Mizel, president of Albert M. Bender Co., San Francisco, told *Business Insurance* that his firm pursues specialization in its staffing policies. He explained that Bender always attempts to hire people trained at the national brokerage firms to service his medium-sized, West Coast clients. He pointed out that, in his view, national brokers lack the ability to pair highly competent personnel with smaller dollar-producing accounts.

"By comparison, our men have risk management capacity," he asserted. "I believe they possess the identical qualifications as the men that a large, national brokerage house places on huge corporate accounts."

Specialization in the sort of business sought out was cited by Bob Williams, chief executive officer at Albert G. Ruben as the chief reason for his firm's standing in the Miller survey.

The survey placed Ruben in the number one spot in the ranking of firms by commission dollars generated per employe in 1975. In Ruben's case, the figure cited by the survey is \$38,750.

Mr. Williams pointed out that his house specializes in two areas: the entertainment industry and surety bond business. Concentration on the dual areas, he contended, has markedly increased staff efficiency at Albert G. Ruben.

Further, like Mr. Mizel, he mentioned that converting affiliated offices into individual profit centers was another factor in his firm's growth.

A third ingredient, he continued, is the fact that "all clerical work is performed during the graveyard shift, that is, from 11 p.m. to 7:30 a.m." The unusual schedule permits clerical work to be completed devoid of diversions, he said. Since Ruben is located in

Beverly Hills, security has not flared up as a touchy problem, he added.

The Ruben chief, at the same time, placed himself among the dissenters on the question of growth fueled by Employee Stock Option Trusts (ESOTs).

Kindler & Laucci has had an ESOT for three years and is sold on the concept as an employe motivator, asserted Arthur Kindler. For the last 10 years, Kinder & Laucci has posted a compound annual growth rate of 16%, he disclosed, attributing a portion of that expansion in the recent past to the ESOT.

"In 1976, we anticipate growing at a higher rate than 16% and doing this without making a single acquisition," he noted. He added that his firm is "probably the largest privately held brokerage firm in the West."

Specializing in municipal liability and in owner-operated trucking has enabled Cal-Surance Associates, Torrance, Ca., to prosper, in the opinion of president, Donald E. Martin, CPCU.

In fact, Mr. Martin indicated that he is such a disciple in the power of specialization that he would "specialize in three-legged

1975 MILLER SURVEY

Ranking	Name	Commissions	Executive offices	Number of employes
1.	Kindler & Laucci	\$3.5 million	San Francisco	127
2.	Albert M. Bender Co., Inc.	3.2 million	San Francisco	1167
3.	Albert G. Ruben & Co., Inc.	3.1 million	Los Angeles	80
4.	Clifton & Company	3.0 million	San Francisco	90
5.	Dinner Levison Company	2.8 million*	San Francisco	100
6.	Cal-Surance Associates, Inc.	2.3 million	Torrance	78
7.	Barney & Barney	1.9 million	San Diego	63
	McCord & Holdren	1.9 million	No. Hollywood	81
8.	Charles, Hyan & Rivers	1.6 million	Los Angeles	58
9.	Republic Insurance Brokers, Inc.	1.5 million	Santa Ana	51
	Colonia: Western Agency, Inc.	1.5 million	Sherman Oaks	72
10.	Robert F. Driver Company, Inc.	1.4 million	San Diego	52

*Figures for Dinner Levison not provided by company and are estimated by Russell R. Miller & Co., Inc.

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1975 MILLER SURVEY

Ranking	Name	Commission dollars per employe
1.	Albert G. Ruben & Co., Inc.	\$38,750
2.	Clifton & Company	33,333
3.	Barney & Barney	30,159
4.	Cal-Surance Associates, Inc.	29,487
5.	Republic Insurance Brokers, Inc.	29,411
6.	Dinner Levison Company	28,000
7.	Albert M. Bender Co., Inc.	27,586
7.	Charles, Ryan & Rivers	27,586
8.	Kindler & Laucci	27,559
9.	Robert F. Driver Company, Inc.	26,923
10.	McCord & Holdren, Inc.	23,457
11.	Colonial Western Agency, Inc.	20,833

Average \$28,590

giraffes if I thought such a business would be profitable."

As one might suspect of a broker that tied up much of its time in the fields of municipal liability insurance and owner-operated trucking risks, Cal-Surance Associates makes a practice of seeking business in areas where competing brokers fear to tread, he said.

Barney & Barney, San Diego,

climbed into the number three spot in the Miller ranking of firms according to commission dollars per employe (for Barney & Barney, the figure is \$30,159) in part by being an active partnership, said Bruce Moore, executive partner. He also noted that being located in California's second largest city is of some help. "You can still make money on automobile liability in San Diego," he said. ■

Eastern, Lockheed, U.S. govt. have paid \$32 million so far for air crash

NEW YORK—Approximately \$32 million has been paid to date in out of court settlements of personal injury and death claims in the case of an Eastern Airlines Inc. jumbo jet that crashed in the Miami Everglades three years ago, killing 101.

Lockheed Aircraft Corp., manufacturer of the L-1011 Tristar, paid \$2 million of that amount for claims made by the plane's crew, *Business Insurance* learned.

The amount was fully insured under Lockheed's air products liability coverage, written by the London market and by United States Aircraft Insurance Group, according to Lockheed's director of insurance Robert E. Butler.

Mr. Butler explained that if Lockheed did not pay the \$2 million for crew members, their only recourse for compensation would have been through Eastern's workers' compensation coverage.

The implication was that this amount would have been insufficient. Indeed, injured workers often turn to third party suits, frequently against manufacturers, because under workers' compensation laws, employers' liability is limited.

It would seem then, that Lockheed's \$2 million portion of the settlements thus far served to head off just such litigation.

Back in October of 1973, just 10 months after the crash, East-

ern, Lockheed and the federal government reached an agreement about how to handle settlements.

One party to the agreement, who asked to remain anonymous, said that Eastern agreed to accept liability for the crash, and that only damages would go to trial.

About half a dozen such cases are still pending.

For the damages, Lockheed agreed to pay the part relating to crew members, while Eastern and the federal government, which became involved because of alleged negligence on the part of Miami air traffic controllers, agreed to make payments on a percentage basis.

Both the Justice Department and legal counsel for Eastern Airlines refused to reveal the precise percentages for the approximate \$30 million that the government and the airline have paid out so far. However, it appears that Eastern absorbed the major part of the loss, because a Justice Department lawyer emphatically denied reports that the amount was split 50-50 between Eastern and the government.

"The government contribution was on a percentage basis, but it was nearly as high as that," he said.

The crash, which was the first ever for a jumbo jet, involved total destruction of the craft, with

hull damages valued at \$15 million.

Eastern's insurers were Associated Aviation Underwriters, with a 30% share of the hull coverage and 55% of the liability; USAIG, with unspecified percentages of both hull and liability; and the London market, with 20% of the hull and a minor portion of the liability (*BI*, Jan. 15, 1973).

Reinsurance was widespread here and abroad, with a substantial amount picked up by Prudential Insurance Co. of America. ■

Services for self-insurers

NEW YORK—General Adjustment Bureau (GAB) is expanding its services to risk managers involved in administering self-insured programs.

GAB's self-insurance services include workers' compensation, auto fleet property and liability, general and product liability, property, catastrophe, recovery, transportation and ocean marine, employe benefits, safety engineering, and loss control.

The new services, which are a refinement and expansion of a program GAB began in 1971 for self-insurers, feature a computerized claims management reporting system. ■

Chemical suits settled...

Continued from page 1

its subsidiaries. In addition, Michigan Chemical reportedly is contributing another \$9 million directly to the Farm Bureau's claim fund.

If the pool does not cover all so-called legitimate claims (which are construed by some to mean only property claims and no personal injury claims), a contingent plan is thought to have been devised. Arrangements would allow the Farm Bureau to borrow up to \$5 million from an unnamed bank in St. Paul, Mn. This loan supposedly would be matched by funds from Michigan Chemical, the principal defendant.

Beyond this amount and up to a figure reportedly between \$50 million and \$60 million, Farm Bureau and Michigan Chemical have agreed to split on a 50-50 basis the cost of any outstanding claims. After that, the settlement provides for a renegotiation of the agreement, reserving Farm Bureau's right to relitigate against the defendants.

For the claims settled before the out-of-court-agreement, the cost was shared jointly by underwriters for the Farm Bureau and the defendants. Named insurers for the Farm Bureau were Auto-Owners Insurance Co., Fireman's Fund Insurance Co. and New Hampshire Insurance Group, for a total coverage of \$8.6 million.

Underwriters for Northwest Industries' layered coverage were Travelers Insurance Co., Lloyd's of London, American Home Assurance Co., Insurance Co. of North America and Aetna Casualty & Surety Co., for a total coverage of \$28 million. There is some dispute as to whether the limit is based on an aggregate rather than on an occurrence basis.

"The longer they wait to settle the cases, the more the loss will build up," commented one Michigan lawyer who asked for anonymity. "A lost herd is lost future revenue," he added, referring to the large number of livestock which either have died or have been quarantined if found to have 0.3 parts per million of PBB in their blood.

"We've just seen the tip of the iceberg," said the same lawyer who predicted that the situation "will be exploding" soon.

"The (unquarantined) cows are sick. There are many low tolerance herds in the state," he said, charging both the Farm Bureau and the defendants with "trying to cover up." He predicted the situation "will be worse than Watergate."

Michigan Chemical and the Farm Bureau "are saying that the farmers aren't feeding the cows,"

Blast health care industry

HARRISBURG, PA.—Pennsylvania Insurance Commissioner William J. Sheppard blamed "runaway inflation" for a \$21.9 million Pennsylvania Blue Shield rate increase he approved last month, which became effective January 1.

"Medicine is the only industry in America with a built in automatic payment mechanism and the industry has proven to be incapable of controlling its own cost," he charged.

"Clearly there is a great need for a state or federal regulatory system to put the health care industry on a budget," he said, and urged legislation that would allow state review of hospital spending. ■

he said, noting that an advanced stage of contamination results in a form of starvation.

This attorney also suggested that other chemicals may be in the fire retardant aside from PBB which may be even more harmful to animals and humans.

"The fund contemplates property damage," said another source close to the settlement. "If personal injury is brought in, then I suppose the sky's the limit. But the data at the present time doesn't indicate this. My judgment is that everyone that has a claim has filed it for livestock or property damage."

One state official queried about the settlement said, "We believe the amount is enough to cover the legitimate claims—those that could be brought before an independent

tribunal with a good chance of being compensated. The Department of Public Health of the state has no evidence that personal injuries have been suffered up to this point."

A disputed factor is whether the Federal Drug Administration's standard, 0.3 parts per million of PBB in livestock, is a safe level at which animals can move into the marketplace.

"The standard for determining the safe level is definitely a scientific level," said the source close to the settlement. Others disagreed vehemently.

Another Michigan lawyer told BI that Northwest Industries could have settled because it "may be concerned . . . that the separateness of the corporations could be disputed" from a liability standpoint.

Yet another source commented bitterly that the settlement provides "only 10% of the money they'll need. In the long run it

probably will cost somebody \$500 million."

"I'm convinced this tragedy has been under-ascertained," this attorney said, charging that "failure to get recognition for the disaster combined with the sheer political power in the state" are the reasons for what he calls an inadequate settlement. He estimates 90,000 dairy cows in the state are still contaminated and are dying at the rate of 1% or 2% a day. Still, he charges, the contaminated livestock are being shipped to markets outside Michigan to be sold before they die.

"This is the largest single contamination episode in history," he said. "There is nothing to match it."

One lawyer estimated that 500 claims are not yet settled for livestock damage and that most of these are from non-quarantined herds—that is, those with less than 0.3 parts per million of PBB,

for which it may be more difficult to establish "legitimacy."

Another source speculated the reason the settlement was handled "quietly" is because "it got into the political arena too quickly. The only real political organization of farmers is the Farm Bureau," he said, "and they're involved in the problem. The Farm Bureau is a powerful influence in the Republican Party in Michigan and they're in charge of the Statehouse."

He believes the Farm Bureau agreed to settle for less than its original suit "perhaps because they feared being cut off by Northwest Industries and its subsidiaries, or because Farm Bureau doesn't recognize the true magnitude of the problem."

"The market has tightened up on liability (insurance) because of this case and because of no-fault in Michigan," commented an insurance company claims manager. ■

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CNA heralds further shift in emphasis to small business clients

New YORK—CNA Insurance heralded a further shift in its commercial business toward the small to medium sized accounts with its introduction here of five new commercial insurance products.

This change of emphasis for CNA was first revealed by Edward J. Noha, chief executive of CNA, in an interview appearing in *Business Insurance* last September.

The new line of coverage for small to medium sized businesses includes five package plans, one of which is a basic named-peril package with limits ranging between \$300,000 and \$1 million.

Retail hardware dealers can buy a property/liability plan with limits up to \$500,000.

The plans require an appraisal to work out valuations.

An employe benefits package features comprehensive major medical, and options for dental and first dollar maternity care.

One new product, which CNA calls "Double IRA" is a combination qualified retirement plan and life insurance coverage for employers and selected employes.

These are the first new offerings CNA has made to insurance buyers since its troubled parent firm CNA Financial Corp. was acquired by Loews Corp. in 1974, and since former Allstate executive vp Edward J. Noha became

chairman and chief executive officer.

Mr. Noha was in New York January 13 to announce the new products, which he expects will tap a virtually untouched \$41 billion market.

Mr. Noha remarked that 90% of the enterprises in this country have 50 or fewer employes. The \$41 billion market those businesses represent come close to doubling the \$24 billion market now represented by major commercial insurance accounts, he pointed out.

"CNA will continue to serve its traditional markets such as large commercial accounts," Mr. Noha said.

However, he made it clear that the campaign to win over small and medium sized business insurance accounts would be receiving top priority from the company.

CNA's new products represent a culmination of the things Mr. Noha was planning when he revamped CNA's entire marketing program last year. (*BI*, June 30, 1975).

In the past, CNA would come out with a new product and then design an organization around the product to service it, hence the growth of Continental Casualty Co., Continental Assurance Co., as well as other subsidiaries.

Mr. Noha restructured the company so that all subsidiaries can handle all products, and everything is sold under the name CNA, rather than under individual subsidiary titles. The firm hopes to generate much more new premium volume with this approach than it could before.

For instance, for the Double IRA product alone, there are projected some 30 million potential buyers, since IRAs were popularly swept in with the pension reform act of 1974.

With many small firms deciding to terminate existing pension plans rather than try to comply with the complicated bookkeeping for disclosure requirements under the new law, Individual Retirement Accounts are rapidly gaining adherents.

Terminations of qualified pension and profit sharing plans for 1975 were four times larger than the Labor Department had expected, with 1,148 termination notices filed during December in advance of a January 1 deadline.

CNA's announcement of its decision to get into IRA plans neatly dovetailed with government release of statistics on plan terminations.

A main feature of the new small business property liability package is that it can be rated within a matter of minutes and consolidates the coverage on one form that before was only available with as many as 200 technical endorsements.

Called the Business Account Program, or BAP, it will offer as much as \$500,000 property coverage and \$1 million in liability. CNA said it couldn't give an example of a typical yearly premium for the coverage because property rates are based on an area rate configuration.

However, one company representative said for a \$600 premium, buildings coverage of \$100,000 with \$50,000 to \$60,000 on contents could be bought.

COMBAT, CNA's Commercial Building Appraisal Technique, bases up the BAP product, and the new retail hardware plan.

Although the hardware plan is designed exclusively for hardware dealers, the company says its prospects include some 20,000 accounts.

Depending upon location, for an average premium of \$1,700, a hardware dealer might be able to purchase up to \$500,000 property/liability coverage, although the company said no precise figures which would apply nationwide to premium costs and limits are available.

The hardware store plan offers building replacement costs, cash value contents, and cash value coverage on inventory up to 25% more than the previous year's stock.

The new benefits plan, called Assurance 2/50 (after the minimum and maximum amount of employes covered) offers a complete group program, similar to that available under large commercial group insurance plans, with life-and health produce including \$1 million in comprehensive major medical.

Finally, the Double IRA plan, which guarantees a seven and a quarter interest rate on the annual portion, as well as 3% on the tax-deductible retirement fund contributions, can be arranged by the employer/insurance buyer on a payroll deduction premium payment system.

Mr. Noha said CNA is currently working on even newer insurance coverage which it will release sometime in the spring. ■

DC's pension funding problem is magnified

WASHINGTON—More realistic actuarial assumptions adopted by the District of Columbia earlier this month show that the nation's capital now faces unfunded pension liabilities of \$1.6 billion, an increase of 44% over former estimates.

The city has released a financial plan that proposes three possible funding schemes, all of which would involve heavy contributions from the federal government.

At least one congressman, Rep. Thomas M. Rees (D-Ca.), is drafting a bill to provide federal assistance. He is the former chairman of the House District Committee's fiscal subcommittee.

Hearings on the city's finances will be held in February, according to Sen. Thomas Eagleton (D-Mo.) chairman of the Senate District Committee. Earlier this month, in a speech on municipal pension reform in general, the senator called for several "urgently needed reforms," including raising the retirement age, banning pensions that overlap, and funding benefits as they are earned.

Only \$63 million—less than 4%—has been set aside to pay the \$1.6 billion in projected benefits. Contributions for the pay-as-you-go plans amounted to \$53.1 million this fiscal year and are pro-

jected to reach \$64.7 million in the next fiscal year and \$84.9 million by the 1980 fiscal year.

Actually, the city is solely responsible for funding pensions of only 40% of its employes—the police, firefighters, teachers and judges. Under the Home Rule Act passed last year, the federal government picks up half the tab for the other District employes.

The pension plan for police and firefighters is entirely unfunded. It has \$1 billion in unfunded liabilities, a figure that is expected to reach \$1.4 billion by fiscal 1980.

One reason for the staggering liabilities is an option which lets police and fire officers retire after 20 years of service, regardless of age. Furthermore, they get corresponding increases in pension benefits when working officers receive pay boosts, a fact that allows some retired officers to earn more in pension benefits than they did when they were working, according to a District official.

The former actuarial assumptions used by the District did not include salary or cost-of-living increases, and they allowed for only a 5% inflation rate. The new assumptions provide for a 4% annual adjustment for wage hikes and a 7% inflation rate. ■

Pregnancy—disability argued at high court

Continued from page 1

differences didn't create costs when the Civil Rights Act went into effect. "Congress did intend to impose some costs," he said. Mr. Kummholz replied, "But not this cost."

However, costs were the major factor in deciding that pregnancy could be excluded from a state disability pay insurance program, in what is known as the 1974 Aiello case, a precedent mentioned during the proceedings.

In that case, the Court held that keeping costs down so that employe contributions would remain low was enough justification for the state to exclude pregnancy from coverage. Three Justices dissented.

The law involved in the Aiello case was the equal protection clause of the Fourteenth Amendment, while in the pending case the law is a Congressional statute.

It is not unusual for the Court to apply a specific statute more strictly than it applies Constitutional provisions, according to Charles F. Abernathy, assistant professor of law at Georgetown University Law Center.

Moreover, the Equal Employment Opportunity Commission (EEOC), the federal agency charged with enforcing Title VII, has expressed a policy that pregnancy-related disabilities should be included "under any health or temporary disability insurance or sick leave plan available in connection with employment." This stand represents an about-face from EEOC's in the 1960s.

"EEOC should not be granted deference because of the shifting-sands nature of the situation," said Mr. Grove, Liberty Mutual's counsel. "They are no more experts than anybody else." He noted that EEOC held its previous policy for seven years before changing.

Several corporations, including Westinghouse Electric Corp.,

American Telephone & Telegraph Corp. and Celanese Corp., have filed friend of the court briefs on behalf of general Electric. The U.S. Chamber of Commerce, National Assn. of Manufacturers, and insurance associations have also filed briefs.

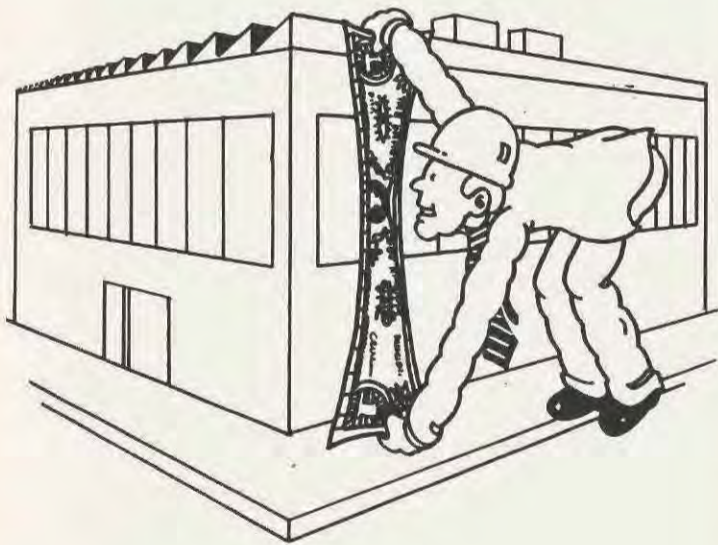
The suit against General Electric was brought by the International Union of Electrical Radio and Machine Workers (IUE) on behalf of over 100,000 females who have worked for GE since the beginning of 1971; monetary damages are being sought for the subclass of female employes who became pregnant during that time. Over 5,000 GE employes were pregnant during 1971 and 1972.

Friend of the court briefs supporting the union have been filed by AFL-CIO and the United Auto Workers; Communications Workers; Women's Law Project and the American Civil Liberties Union; and the New York State Division of Human Rights.

A U.S. District Court in Richmond, Va. found for the IUE on April 24, 1974, slightly more than two years after the suit was filed. Judge Robert R. Mehrige Jr. enjoined GE from refusing to pay benefits, while postponing monetary judgment.

On June 27, 1975, the Fourth Circuit Court of Appeals affirmed the Mehrige judgment. Plaintiffs and defendants jointly petitioned the Supreme Court for review.

In his written opinion, Judge Mehrige said, "There is no rational distinction to be drawn between pregnancy related disabilities and a disability arising from any other cause. The defendant does not exclude from coverage any disability because it was voluntarily incurred other than disabilities arising from childbirth or other pregnancy-related conditions. That this is sex discrimination is self evident." ■



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Judges are selected for annual BI Benefit Communications contest

NEW YORK—A panel of five judges has been selected for the fourth annual *Business Insurance* Employee Benefits Communications Awards Competition.

The judges chosen are: Edward Moore, manager, executive compensation, CBS; George Bernard Finnegan III, vp-public affairs, McGraw-Hill; Roy W. Lawrence, CLU, manager, employee benefits, Ciba-Geigy Corp.; Bruce R. Abrams, vp and director of public relations, The Continental Insurance Cos. and The Continental Corp.; and Robert Vivian, vp-corporate communications at Crum and Forster Insurance Cos.

Mr. Moore joined CBS in 1972 as a benefits analyst. He was formerly employed by Bankers Trust Co. as a benefits administrator handling pension, profit-sharing and thrift plans.

Mr. Finnegan has been at McGraw-Hill since 1958. His positions at the company have included assistant editor at *Business Week*. He has held other editorial positions at other business publications and in 1959 won the Jesse R. Neal Award for business journalism.

Mr. Lawrence, at Ciba-Geigy since 1972, formerly was manager of benefits at Thomas J. Lipton Inc. in Englewood Cliffs, New Jersey, where he worked for five years. Prior to that he worked in the employee benefits department at Borden's in New York.

Mr. Abrams joined the Continental Corp. in 1962, where he held various posts in the public re-

lations area. He was named to his present position in 1975. His former experience includes the establishment of a New York agency, Abrams, Clement & Bogue, specializing in insurance advertising and public relations.

Mr. Abrams is also active in the Assn. of National Advertisers and is a member of the National Advertising Review Board.

Mr. Vivian was elected vp-corporate communications at Crum & Forster in March, 1975. Previous to this, he worked at Great Northern Nekoosa Corp. as director of public relations and advertising from 1963 to 1975.

He is a member of the Public Relations Society of America, Na-

tional Investor's Relations Institute, Assn. of National Advertisers, and the International Newspapers Advertising Executives Assn.

Entries are being accepted now for the contest. The four categories to be judged are booklets, personalized correspondence, audio visual and a total communications program.

Closing date for entries is February 23. The awards will be presented on April 27 at a luncheon at the annual Risk and Insurance Management Society (RIMS) conference, to be held in Los Angeles this year.

Information about the contest can be obtained by filling out and returning the coupon on this page.

Employee Benefits Communications Awards Competition

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Take kidnap evasion route

DETROIT—Some executives are taking different routes home from work these days to evade kidnapers.

The spate of kidnappings has altered many executives, including retail store managers and auto executives to be prepared just in case.

Some companies self-insure the risk of kidnap. The auto companies said details about insurance and self-insurance was privileged information. One noted that to "advertise" the fact of having any insurance against ransom payments would be inviting kidnapers to "come and get the key to the safe."

American Motors Corp. was the only automaker to issue a statement regarding insuring executives: "AMC does not insure its executives against kidnapping," a spokesman said.

Lockheed settles

San Francisco's self-proclaimed "King of Torts" attorney Melvin M. Belli agreed to a settlement by Los Angeles-based Lockheed Corp. of \$1.2 million to be paid to families of 32 West German pilots killed when their Lockheed-made Starfighter jet airplanes crashed. Mr. Belli said the payment will end five years of litigation in which the colorful lawyer had hoped to win "as much as \$10 million" for his German clients. According to Mr. Belli at least 178 of the aircraft have crashed to date, resulting in the death of 85 pilots. Lockheed and its insurance carriers insisted the \$1.2 million payment "does not involve any official responsibility for the aircraft accidents," according to a company spokesman.

legal brief

Insurer relieved of need to defend insured if claim isn't in policy's scope

ACCORDING TO a decision of Florida appellate court, an insurance company is not obligated to defend its insured if the initial written claim against the insured does not fairly bring the case within the scope of coverage under the policy. Although the court originally had held in favor of the insured, it reversed its decision after a rehearing, at which time it was brought to the attention of the court that the policy did not include personal injury coverage.

This action was brought by Matthew F. Thomas, an executive

officer of Curry-Thomas Hardware Inc. against Travelers Indemnity Co. for expenses, including attorney's fees, incurred incident to the defense of a suit brought

The abstracts published in this column were prepared by Cases Unlimited Inc., Evanston, Ill.

against him by one Foucart. Travelers had issued to Curry-Thomas a general liability policy providing insurance for fire, related physical damage perils and general liability. Coverage in-

cluded officers of the organization while they acted within the scope of their duties as such.

The Foucart suit against Thomas and Curry-Thomas (which Travelers refused to defend) ended in a finding that Curry-Thomas was not guilty but a verdict against Thomas. The Foucart suit was based on a claim that Thomas, while acting in the scope of his employment for Curry-Thomas, assaulted, battered, slandered, falsely imprisoned and maliciously prosecuted him. Thomas succeeded in his suit against Travelers to re-

cover his expenses in defending the Foucart suit.

On appeal Travelers contended that Thomas could not have been acting outside the scope of his employment (as determined by the jury in the Foucart suit) and also have been an insured under the definition of that term in the policy. Once the court was made aware of the fact that Curry-Thomas had elected not to obtain "personal injury" coverage, it then concluded that there was no coverage for malicious prosecution, slander or false imprisonment.

Consequently, the court determined that since Foucart's original complaint was predicated on the alleged assault, an act not within the scope of Thomas' duties as an executive officer of Curry-Thomas, Travelers had no duty to defend the suit. Consequently, the court reversed the trial court's order and found for the Travelers. *Travelers Indemnity Company v. Thomas*, District Court of Appeals

of Florida, April 9, 1975, rehearing granted June 3, 1975, Boyer, J. 315 So. 2d 111 (BI/02/D.-\$3)

Group health insurance

An applicant for group health insurance need not risk penalty of forfeiture of future benefits by failing to list every physical indisposition that he has ever experienced, according to a decision of the Supreme Court of Idaho. The court thus held that an insurer was required to pay a claimant's cost for coronary bypass surgery.

In 1972 Norman Dean, on behalf of himself and his wife, submitted an application to Nationwide Life Insurance Co. (Nationwide) for coverage under a group medical insurance policy. Nationwide accepted the application in October 1972 with coverage effective November 1. In connection with the application, Dean answered that he had not undergone past treatment for "heart or blood disorders." Similarly, he answered "No" to a blanket question with regard to other diseases, disability or deformity.

In fact, during the course of a routine physical check-up in 1971, Dean complained of chest pains following heavy exertion. However, a subsequent examination and tests indicated no coronary disorder. In 1973 Dean consulted his physician on another complaint and the physician questioned him about the chest pains. Dean again submitted to heart tests which proved negative. A specialist was consulted and Dean received an "angiogram" which confirmed that he had coronary atherosclerosis. Dean agreed to undergo a recommended coronary bypass operation. When Dean sought coverage for this surgery Nationwide rejected his claim for benefits. This suit was then brought resulting in a verdict for Dean.

On appeal Nationwide's main contention was that Dean's answers in the original application were misleading, if not fraudulent. The appellate court concluded that Dean had answered truthfully inasmuch as he had no knowledge or belief of any heart or blood infirmity. Nor did the court believe that Dean was required to list every past physical indisposition on the application. Consequently, the court believed that Dean's answers were made to the best of his knowledge and belief and ordered the insurer to pay Dean's claim. *Dean v. Nationwide Life Insurance Co.*, Supreme Court of Idaho, June 23, 1975, Shepard, J. 536 P.2d 1122 (BI/03/0.-\$3)

Airplane insurance

In this case suit was brought against the Insurance Co. of North America (INA) to recover amounts allegedly due under an insurance contract covering an airplane.

A North Carolina appellate court ruled that the evidence was sufficient to support a jury finding that a legally effective "binder" or temporary contract of insurance was in effect when the insured aircraft crashed killing all of its occupants, employees of Knit-Away Inc. Also the court concluded that the amount of admitted liability coverage was to be \$100,000 per seat, rather than \$50,000 per seat, as alleged by INA.

The court believed that a reasonable interpretation of the conduct of the parties to this airplane insurance policy was that the prospective insureds, which included Knit-Away's president as owner and the corporation as lessee, desired insurance coverage. INA agreed to provide such coverage, according to the court, from the instant the newly purchased airplane was delivered by

Business Insurance Employe Benefits Communications Awards Competition



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On April 27, 1976, at a luncheon during the Risk and Insurance Management Society's annual conference, *Business Insurance* will present awards for outstanding achievement in communicating employe benefits programs. Awards will also be presented to consultants.

The competition officially opens on **January 1, 1976 for entries to be received** in the New York office of *Business Insurance* (note address below).

There are four categories of communication which will be judged by an independent panel selected by *Business*

Insurance. The categories involved are: **Booklets . . . Personalized Correspondence . . . Audio-Visuals . . . Total Communications Program**. The competition is open to all companies and is not limited by the number of employes.

For more information about the competition, to obtain entry forms or to submit your employe benefits program, call . . . Ronnie Drachman, Awards Coordinator, 212/986-5050 or clip the coupon and send it to us as soon as possible.

Note: Entries will not be received after February 23, 1976. If your entry will be delayed, for any reason, please let us know.

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Company _____

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the seller. Although all the parties expected delivery to occur on November 24, 1971 (delivery was actually made on December 7, 1971), the court believed that the parties were not making delivery as of November 24 a condition precedent to any binder for insurance ever becoming effective.

Also, the court concluded that a jury legitimately could have found that the minds of the parties had met before the air crash, and that the amount of admitted liability coverage was to be \$100,000 per seat. The court noted that even though an employe of the insurance agency had told INA that the amount of such coverage should be \$50,000 per seat, the application prepared by the insurance agent and signed by the agent for the corporate lessee of the newly purchased aircraft showed \$100,000 per seat coverage.

The court also pointed out that the insurance agent testified that as soon as he received the written policy, three days before the crash, he notified INA of the mistake in the amount of admitted liability coverage. In fact, on the day of the crash, there was evidence that an INA employe confirmed to the agent that "you have got the \$100,000." *Norris v. Insurance Co. of North America*, Court of Appeals of North Carolina, June 4, 1975, Parker, J. 215 S.E.2d 379 (BI/04/0.-\$3)

Workers' Compensation

The Court of Appeals of New York has held that psychological or nervous injury precipitated by psychic trauma is compensable to the same extent as physical injury.

Specifically, the court ruled that an employe was entitled to workers' compensation for psychological disability resulting from severe guilt feelings engendered by her superior's suicide.

Here the employe, Mrs. Wolfe, had assumed the duties of her superior because of his nervous condition. She had attempted to comfort him but to no avail. Subsequently, she had found his body immediately following his suicide in his office. The court emphasized that Mrs. Wolfe was not a third party merely witnessing injury to another, but was an active participant. Her superior's nervous condition had intensely involved her. Not only did Mrs. Wolfe consider his suicide a personal failure but, according to the court, she was an integral part of the tragedy by virtue of his last communication with her and her discovery of his body.

"The feeling on her part that she should have been able to foresee and to prevent the tragedy was undoubtedly a competent producing cause of her incapacitation," the court emphasized. *Wolfe v. Sibley, Lindsay & Curr Co.*, Court of Appeals of New York, May 5, 1975, Wachtler, J. 369 N.Y.S.2D 637 (BI/05/0.-\$3) ■

(Copies of the entire decisions described in this column may be obtained by writing to Business Insurance, attn. Editor, 740 N. Rush St., Chicago, Il. 60611. Please enclose a \$3 check made out to Cases Unlimited Inc., for each case, and specify the code number of the opinion, which is at the end of each brief.)

New Brussels office

Euroben, the Zurich-based employe benefits consulting arm of Johnson & Higgins, opened an office in Brussels. It will focus on foreign subsidiaries of companies headquartered in the U.S., while the Zurich office will service multinational organizations with European headquarters. Euroben was founded in 1968.

CTA self-insured for train crash which injured 483

CHICAGO—The Chicago Transit Authority is protected by a \$20 million insurance policy above a \$2.5 million self-insured retention for all damages incurred in the Friday, January 9 CTA train crash. The policy is divided into three layers and involves a number of underwriters, with Lloyd's of London as the major insurer.

The first \$2.5 million of the policy (from \$2.5 million up to \$5 million of loss) is covered by Lloyd's of London, 71.5%; California Union Insurance Co., 20%; and Admiral Insurance Co., 8.5%. The next \$5 million (from \$5 million to \$10 million loss) is covered by Lloyd's of London, 71.5%; Columbia Casualty, 10%; International Surplus Lines, 10%; Northbrook Insurance Co., 5%; and Bellefonte Insurance Co., 3.5%. The remaining \$12.5 million layer

(from \$10 million to \$22.5 million) is covered by Lloyd's of London, 42%; International Surplus Lines, 21%; Insurance Co. of the State of Pennsylvania, 20%; Midland Insurance Co., 9%; and Adriatic Insurance Co., 8%. Any damages over \$22.5 million are paid by the CTA.

The latest accident occurred on the city's north side line of elevated trains, operated by the Chicago Transit Authority. One train of four cars reportedly malfunctioned and ran into the rear end of a train which had six cars, and which was standing in a station.

Thomas Buck, manager of public affairs for the CTA, said no estimates have been made on the loss of property or injured parties. He said that two cars were badly damaged, with 310 persons treat-

ed, examined or hospitalized because of the accident. Of those 310, 49 are still in the hospital, two in critical condition. One victim died. In addition to those 310, there are an additional 173 persons claiming to have been privately treated. This brings the total of persons allegedly injured in the crash to 483.

When asked if it is true that there have been a number of false injury claims associated with the accident Mr. Buck made no comment and refused to discuss it.

He also would not discuss possible causes of the accident and said that no lawsuits have yet been filed and no one is currently being held liable.

However, findings are not complete and several investigations are underway. The CTA, the National Safety Board, and the Fed-

eral Railroad Administration are all conducting investigations, as well as a special panel of inquiry. The three member panel is chaired by Dr. William J. Ronan, chairman of both the Port Authority of New York and New Jersey, and the American Transit Assn. The other members of the panel are Richard Buck, board member of the Massachusetts Bay Area Transit Authority, and W. Howard Paterson, a retired executive of the Toronto Transit Authority.

Name change

The National Assn. of Insurance Agents (NAIA), the organization of 135,000 insurance agents in the U.S. changed its name to the Independent Insurance Agents of America (IIAA).

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Appliance maker hires Atkinson for benefits

McGraw-Edison Co., Elgin, Ill., named **James E. Atkinson**, 35, corporate director of compensation and benefits, effective January 19. He is responsible for the development, implementation and control of the firm's compensation and employee benefits program. He reports to the vp-administration. Mr. Atkinson formerly was director of compensation and benefits at American Hospital Supply Corp., Evanston, Ill. No one has been named to replace him there yet. At McGraw-Edison, Mr. Atkinson replaces **Chester R. Carter**, who left the company a year ago. Since then, the function has been performed by **Michael M. Mullen**, vp-administration, and **Donald G. Gaertner**, corporate director of personnel.

Alberto-Culver Co., Melrose Park, Ill., hired **Frank J. Van Nuffelen**, 45, as corporate risk manager, effective January 19. Mr. Van Nuffelen replaces **Bruce W. Strausberg**, who joined Congoleum Corp., Milwaukee (*Business Insurance*, Dec. 15, 1975). Reporting to the secretary/treasurer at Alberto-Culver, Mr. Van Nuffelen is responsible for all corporate property, casualty and product liability coverage as well as employee benefits insurance. He also has a major responsibility in corporate safety and workers' compensation. Most recently, Mr. Van Nuffelen was a loss prevention engineer at United States Gypsum Co., Chicago. Prior to that, he worked at the Chicago Sun-Times as corporate safety director and also for a while as corporate insurance director.

On January 19, **Elliott E. Burd**, 45, took over as manager of employee benefits at Borden Inc., Columbus, Ohio, replacing **David B. Walker**, who now works for United Airlines (*BI*, Nov. 17, 1975). Mr. Burd previously was assistant manager of employee benefits at B. F. Goodrich, Akron. His new responsibilities include researching, designing and developing all of Borden's domestic and international employee benefit programs. Mr. Burd reports to the director of employee benefits. No one has been named to replace him at B. F. Goodrich yet.

Peter Butler was named corporate insurance manager for General Dynamics for some 46 years placing **Robert Busse**, who retired Dec. 1, 1975. Mr. Busse was corporate insurance manager for General Dynamics for some 46 years, and continues to serve as a consultant to the department. Mr. Butler came from the company's financial staff where he was a divisional controller. He has worked for General Dynamics since February, 1973, which includes a stint in the insurance department. Mr. Butler manages a four-person staff and is responsible for property and casualty risks.

The Flying Tiger Line Inc., Los Angeles, named **Yvonne Thompson** manager of insurance to replace **Kal Besensky**, who resigned to work for Saudi Arabian Airlines (*BI*, Dec. 1, 1975). Ms. Thompson reports to the assistant treasurer. She formerly was supervisor of shareholder services for Tiger International, the parent company. Prior to that, she spent three years as a staff assistant in Flying Tiger's corporate insurance

department. She has also worked for several brokers and underwriters.

Bruce R. Boehmke, 28, joined Miles Laboratories Inc., Elkhart, Ind., on January 19 as administrator of international benefits and insurance. It is a newly-created position. He is responsible for developing and administering the international companies' general insurance and employee benefit programs and reports to the manager of insurance and employee benefits. Mr. Boehmke formerly was risk analyst for property/casualty insurance at Abbott Laboratories, North Chicago, Ill. Most of Miles' wholly owned foreign companies are based in Europe, Latin America and the Middle East. In the past, this job function was shared by the insurance manager and the benefits manager.

Indian Head's metal and automotive products group promoted **Vincent V. Spica III** to vp of employee relations. Mr. Spica, 38, joined the Detroit-based company in 1968 as director of industrial relations for Detroit Gasket and subsequently was promoted to director of employee relations for the metal and automotive products group. He reports to Indian Head's executive vp and group president. Mr. Spica is in charge of all domestic and international benefits, industrial relations and personnel. He also purchases insurance for his division. The position has been vacant for two years. **John W. Falahie**, who previously was vp of employee relations, was transferred to another assignment at Indian Head. Mr. Spica was brought in under Mr. Falahie with the idea that he would take over the position eventually. The move came as part of an overall corporate reorganization in which six divisions were trimmed to three. Mr. Spica manages five staff personnel. He does not expect to hire a replacement for his former job at the present time.

Richard J. McEligott, formerly risk manager for San Diego County, was named risk manager of the County of Orange, Ca. Mr. McEligott assumed his new post in December and reports to the personnel director. The position was vacant during 1975 except for three months when it was held by **Bob Maynard**. Mr. Maynard resigned a few months ago to return to his home in Chicago. Before serving as risk manager for San Diego County, Mr. McEligott was employed by the County of Riverside and by the California State Insurance Fund. **Jack Love**, who works in San Diego County's workers' compensation department, is temporarily filling the risk management position vacated by Mr. McEligott.

Houston-based Stewart & Stevenson Services Inc. hired **Bobby Brown**, 44, as risk manager and personnel manager, effective January 19. He reports to the vp and treasurer and is responsible for property/casualty risks, personnel matters and employee benefits. Mr. Brown formerly was corporate personnel director at Lone Star Industries, Stamford, Ct. At Stewart & Stevenson, Mr. Brown replaces **John Ledford**, who left the company about six months ago.

Jack A. Pool, 43, joined the As-

sociated Milk Producers, San Antonio, in November as risk manager, replacing Dennis K. Morton, who joined E-Systems Inc., Dallas. Mr. Pool reports to the director of employee relations and insurance. His job is to determine through financing methods and outside coverage what property/casualty risks to insure, self-insure or non-insure. He is also responsible for safety/loss programs. Previously, Mr. Pool was branch sales manager in San Antonio for American States Insurance Co., which is part of the Lincoln National Cos.

Dennis K. Morton, 36, was named corporate insurance manager last fall for Dallas-based E-Systems Inc., an electronics company. He reports to the corporate director of personnel and replaces **Robert E. Marginot**, who left the company a few months ago. During the interim vacancy, the insurance function was handled by a consultant. Mr. Morton's responsibilities include property/casualty risks, employee benefit coverage "to some extent," and some safety and loss prevention work. Previously, Mr. Morton was risk manager for Associated Milk Producers, San Antonio, where he was replaced by Jack A. Pool, as noted. He also worked for Dresser Industries, Texas Instruments Inc., and Royal Globe Insurance Co., Dallas.

The University of Missouri, Columbia, named **James N. Woods**, 29, assistant safety and risk management coordinator, effective February 2. It is a newly-created position. Mr. Woods will report to the safety and risk management coordinator who has performed the entire function in the past. Mr. Woods will be responsible for University-wide safety groups and compliance regulations. He will assist **George A. Hayworth**, his boss, on the purchase of workers' compensation coverage for the University's four campuses. Mr. Woods currently is group safety coordinator for McGraw-Edison Co.'s portable appliance and tool group located in Columbia, Mo. No one has been named to replace him at McGraw-Edison yet.

14th annual RIMS meet April 25-30

NEW YORK—The Risk and Insurance Management Society's 14th annual risk management conference has been scheduled for Los Angeles the week of April 25-30, 1976.

Under the theme "The Spirit of '76—the Continuing Challenge," the RIMS conference will be divided into three segments: property/casualty, employee benefits and industry sessions.

This year's conference will include a "Management Day," consisting of four separate sessions presented by the Center for Management Education, Graduate School of Business, University of Southern California.

Some 42 industry sessions, 45 property/casualty mini-seminars, and 11 employee benefits workshops will be offered in addition to general sessions.

The conference will be held at the Los Angeles Hilton, Biltmore, and Hyatt Regency Los Angeles Hotels.

Programs, registration forms, and further details can be obtained from RIMS at 205 East 42nd Street, New York, New York 10017. Telephone (212) 557-3214 and (212) 557-3226.

C. F. Braun Co., Alhambra, Ca., named **James McLees** insurance coordinator on January 5. After about six months, Mr. McLees said he expects to move up to the post of corporate insurance manager. **John Parker**, who currently occupies that job, is slated to retire in 1977. Mr. McLees was manager of insurance for Carter Hawley Hale Stores Inc., Los Angeles. No one has been named to replace him there yet. C. F. Braun is a \$300,000 construction and engineering firm.

A. Grant Whitney, 58, an insurance executive of Belk Stores Services, Charlotte, N.C., was named Man of the Year for 1975 by The Charlotte News. He is executive vp of Belk Stores Insurance Reciprocal and Aichdale Mu-

tual Insurance, both subsidiaries of Belk. Mr. Whitney received the award for his chairmanship of the Mecklenburg County North Carolina bicentennial celebration and other accomplishments spanning 25 years. He is a past president of the American Society of Insurance Management, now Risk and Insurance Management Society (RIMS).

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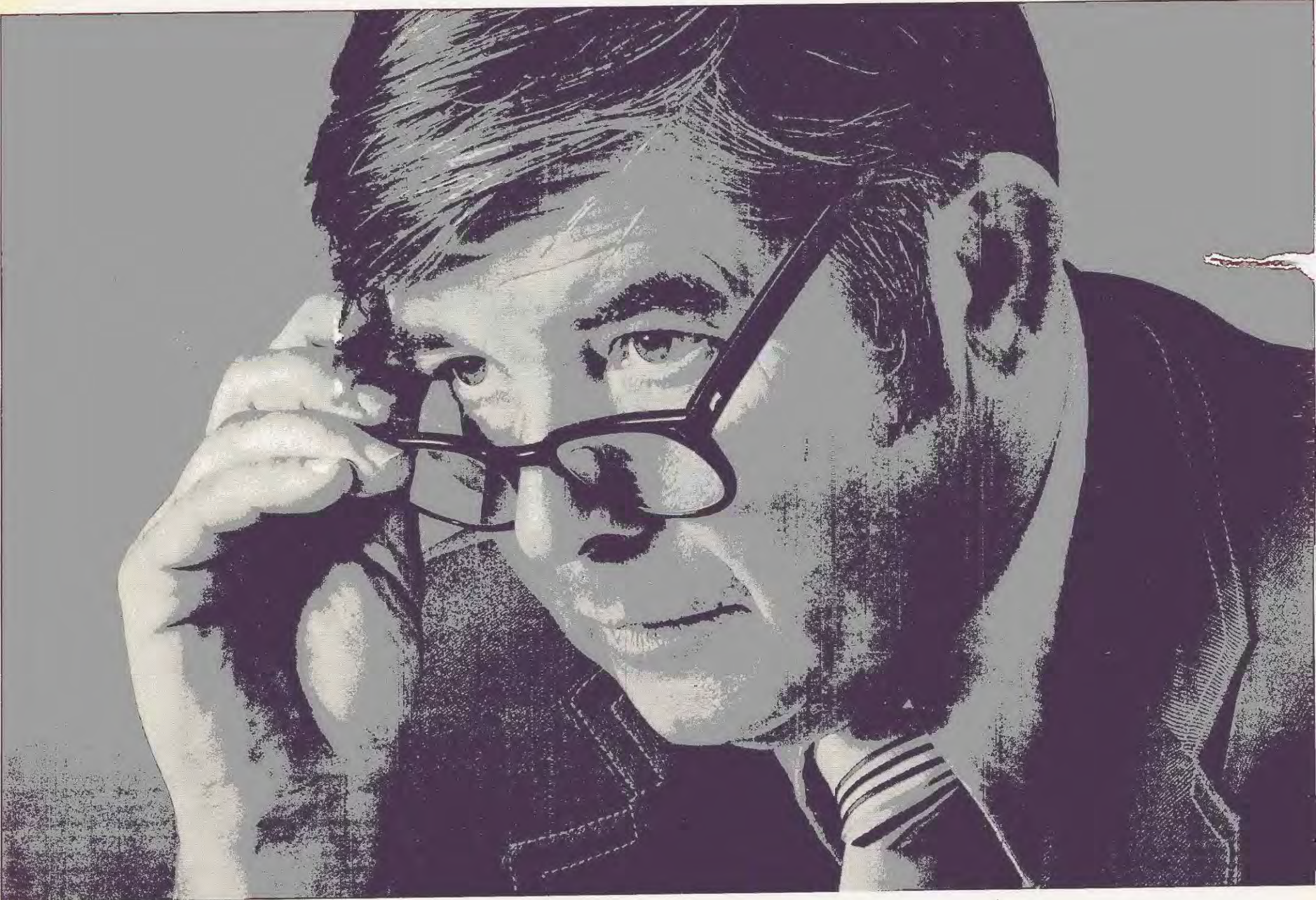
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